

Secretariat of the Basel Committee on Banking Supervision  
Bank for International Settlements  
Centralbahnplatz 2  
CH-4002 Basel  
Switzerland

16 March 2012

### Consultative document: Principles for the supervision of financial conglomerates

We refer to your letter of 21 December 2011 requesting our comments on the consultative document entitled “**Principles for the supervision of financial conglomerates**” issued by the Basel Committee on Banking Supervision in December 2011.

Standard Bank Group would like to thank the Basel committee for the opportunity to comment on the consultative document mentioned above. We welcome the approach of a clear coordination process by a single Group-level Supervisor with responsibility for effective group-level supervision and for facilitating coordination between relevant supervisors to enable effective group-wide supervision.

Comments are provided per main principle section in the consultative document as relevant.

#### I. Supervisory Powers and Authority (Principles 1 – 4)

*The principles are directed to both policy makers and supervisors highlighting the need for a clear legal framework that provides supervisors with the necessary powers, authority and resources to perform, with independence and in coordination with other supervisors, comprehensive group-wide supervision.*

Standard Bank's comments relating to these principles are listed in the table below.

Principle	Comment
4 Resources	<p>We support effective supervision and agree that regulators need to be appropriately resourced. There are a number of funding options available and the most appropriate method of funding will depend on the type of regulatory activity conducted.</p> <p>Regulatory activity aimed at establishing and promoting an optimal and beneficial framework for economic activity is a public good, and is in the public interest. As such it should be funded from the fiscus, as its costs and benefits accrue to the wider public and not just to the individual industry participants.</p>

#### II. Corporate Governance (Principles 10 -14)

*The principles reaffirm the importance of fit and proper principles and also provide, through a series of new principles, guidance for supervisors intended to ensure the existence of a robust corporate governance framework for financial conglomerates.*

Standard Bank Group's comments relating to these principles are listed in the table below.

Principle		Comment
10	Corporate governance in financial conglomerates	It would not be feasible to have a "comprehensive and consistent governance framework across the group ... including unregulated entities". This wording should be updated to be in line with the sentiment in 10(a) requiring "minimum requirements for good governance". Therefore, the governance framework should be adopted as appropriate within material (including unregulated) legal entities.

### III. Capital adequacy and Liquidity (Principles 15 – 20)

*The principles highlight the role of supervisors in assessing capital adequacy on a group basis, taking into account unregulated entities and activities and the risks they pose to regulated entities. The principles also provide guidance for supervisors intended to ensure that financial conglomerates properly measure and manage liquidity risk.*

Standard Bank Group's comments relating to these principles are listed in the table below.

Principle		Comment
20	Liquidity	The definition of "liquidity" and "sufficient" is likely to vary from entity to entity and country to country. It is suggested that the Regulator of the group be sympathetic to such definitional challenges.  The Regulator should take the most direct and active interest in the management of the bank and its consolidate solo entities, including any off-shore branches, whilst taking a lighter approach to other entities within the group, notwithstanding the lead regulator responsibility
	20 (b)	This implementation criteria requires <b>adequate</b> liquidity at the "Head" and "each constituent entity". This should however not impair conglomerates' ability to move resources as required to support the legal entities within the group as this may lead to a tendency to hold only minimum requirements in constituent entities and any surplus with the "Head".
	20 (c)	To ensure a consistent approach and that no bank is unfairly disadvantaged, it is suggested that the concepts around how liquidity risks are managed be defined in more detail.

### IV. Risk Management (Principles 21 – 29)

*The principles set out the need for a financial conglomerate to have a comprehensive risk management framework to manage and report group-wide risk concentrations and intra-group transactions and exposures.*

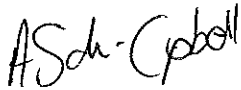
Standard Bank Group's comments relating to these principles are listed in the table below.

Principle		Comment
24	New Business	It is recommended that this principle include a post implementation review in addition to the assessment required before implementation.
25	Outsourcing	There does not appear to be a definition of outsourcing which sometimes results in grey areas.  The principles seem to be related to all outsourcing arrangements without any mention of materiality. Coupled with the above, it may become impractical to review all arrangements in a conglomerate.
27	Risk Aggregation	Supervisors should require explicit and transparent treatment of correlations in the aggregation processes. Aggregation processes are immature.
28	Risk	It is suggested that the two points, risk concentrations and intra-group

Principle		Comment
	concentrations and intra-group transactions and exposures	transactions be separated.

Should any further information be required, please do not hesitate to contact us.

Yours sincerely



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