

June 6, 2024

Secretariat of the Basel Committee
on Banking Supervision (BCBS)
Bank for International Settlements
CH-4002 Basel, Switzerland

Dear Basel Committee members:

Re: CBA¹ Comments on BCBS Consultative Document Global systemically important banks – revised assessment framework

Thank you for the opportunity to provide comments on the BCBS's consultative document *Global systemically important banks – revised assessment framework* ("consultative document"). We understand the Committee's desire to discourage window-dressing behaviour by some banks to reduce their G-SIB score. However, we were very concerned about the significant number of new datapoints that were deemed mandatory for the end-2023 G-SIB assessment exercise, particularly daily average values, and would like to raise similar concerns in our response to the consultative document. We believe that quarter-end average values that are externally reported are a good representation of a bank's risk profile throughout the year and would be sufficient to meet the Committee's objectives, although monthly average values may also be feasible if sufficient lead time is provided for implementation. In addition, we suggest that a focus on supervisory discussions should also be considered for banks where concerns have been identified. In this letter, we highlight our key issues in relation to the consultative document.

Reporting data

We are unable to provide daily average values across all the stock categories and a movement in this direction would involve significant implementation costs and resource burden for the banks.

Instead, we recommend that the Committee transition stock indicators to an averaging based on quarter-end values. We believe quarterly figures that are externally reported are a good reflection of a bank's risk profile throughout the fiscal year. Quarterly disclosures are already supported by assurance and attestation requirements and strong internal controls and would not have to be further enhanced. This would allow banks to also utilize other regulatory reports or disclosures that are readily available. Figures based on monthly averages are also feasible but may include top up adjustments that are only done by banks on a quarter-end month (e.g. provisioning).

Canadian banks operational processes related to the "stock" indicators are based on monthly or quarterly data capture only (e.g., Cross-jurisdictional activity and Level 3 Assets are only available quarterly). To

¹ The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals. www.cba.ca

implement daily sourcing of the required indicators would be an extremely costly IT and resource burden for banks which would not currently be related to any business or risk management requirement and would take place during an already challenging economic environment. While market risk-driven indicators are available on a daily basis (e.g., trading), they are normally used for operational purposes. Other indicators such as those related to exposures and liquidity risk are only available on a monthly basis (e.g., leverage exposures, assets under custody).

We also suggest that window-dressing behaviour is best addressed at the jurisdictional level and that supervisory discussions should take place with the few banks engaged in this type of activity without burdening all banks involved in the G-SIB assessment exercise by requiring them to report indicators based on daily averages. Banks are already investing significant resources to meet new regulatory requirements in other areas including climate-related financial risks and crypto-asset exposures. Moreover, the operational burden of daily reporting for all G-SIB indicators may hinder banks in their operational risk management activities. We believe these factors should also be taken into consideration.

Sample of reporting banks

We have no concern related to amending the framework to identify participating banks based on their average reported balances. As noted above, we support use of quarter-end averages. We would also caution the Committee that not all accounting or leverage items are calculated on a daily average basis but instead on a monthly basis with some items only updated on a quarterly basis.

Disclosure requirements

We have no concern related to amending the required indicator disclosure based on average reported balances. Consistent with our comments above, we support disclosure of G-SIB indicators based on quarter-end averages. We also request that the Committee update the timing of the required annual disclosure for the G-SIB indicators to the Q2 fiscal quarter. This would assist Canadian banks in their efforts to better finalize these indicators with the Committee prior to publication. Given our non-calendar quarter-ends, Canadian D-SIBs would prefer to avoid restatements of G-SIB indicator disclosures based on review findings from the Committee. Filings are always submitted based on the best internal interpretation of the requirements which may not always align with the Committee's view and require revision of data submitted.

Scope of banks subject to the new requirements

We support a change in frequency to quarter-end averages that would be applied consistently to all banks in the sample. If the higher frequency reporting only applies to certain banks, we believe this would unfairly disadvantage those banks. We do not believe that the highest-frequency (i.e. daily) averaging should be applicable to a narrow set of banks such as existing G-SIBs or jurisdictional D-SIBs. The operational burden is similarly extensive to G-SIBs and D-SIBs as to any other participant and should not be overlooked. The significant resource investment and cost of moving IT systems to daily reporting solely for the purposes of determining G-SIB bucketing accuracy cannot be defended by banks to their many stakeholders who instead prefer to see banks investing in new and emerging technologies.

Application of new requirements to a subset of indicators only

We do not support application of the new requirements to a subset of indicators only. We agree with the Committee that limiting higher-frequency averaging to only a few indicators would introduce inconsistencies between the indicators and could skew window-dressing incentives towards those indicators for which lower-frequency averaging is required.

Implementation date

The Committee's proposed implementation date of 1 January 2027 (i.e., starting from the end-2026 G-SIB assessment exercise), with a transitional period starting on 1 January 2026, is acceptable if our quarterly averaging recommendation for indicators is adopted.

If the Committee still contemplates proceeding with daily averaging, we recommend that flexibility be provided where daily averaging is not available nor feasible. Any requirements based on daily averaging would require a considerable amount of adoption time, in excess of the 2 years proposed by the Committee, reflecting the significant resource and IT demands that must be factored in. Significant system and infrastructure changes would be required across many areas of banks to incorporate daily average data and an implementation date of 2026 G-SIB data collection is not feasible. We also highlight that data look back is not possible for the majority of the data sources used, and banks will also need to engage stakeholders across the organization to evaluate the impacts, including resource and technology requirements.

Thank you in advance for considering our comments. We would be pleased to discuss our submission at your convenience.

Sincerely,



Cc: Lisa Peterson, Managing Director, Banking Capital and Liquidity Standards, OSFI
Adam Dolson, Director, Capital and Liquidity Standards, OSFI
Sharon Lu, Specialist, OSFI
Alena Neiland, Principal Analyst, OSFI