Comments

BCBS Consultation (571) - Global systemically important banks - revised assessment framework

German Lobby Register No R001459
EU Transparency Register No 52646912360-95

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Berlin, June 07, 2024

The German Banking Industry Committee is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks.

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1. General remarks

On 7 March 2024, the Basel Committee on Banking Supervision published its considerations on the revision of the framework for the assessment of global systemically important banks (G-SIBs), intending to limit the alleged "window dressing" by some banks. The Basel Committee defines "window dressing" as the behavior of banks to temporarily reduce their perceived systemic footprint on the cut-off dates used for reporting and publishing G-SIB assessments. We are pleased to participate in the consultation on the revised framework and take up the Basel Committee's offer to comment.

2. Proposals of the Basel Committee on the G-SIB framework

The Basel Committee on Banking Supervision has identified alleged regulatory arbitrage behavior in connection with the reporting and disclosure of indicators for determining global systemically important banks. To limit this "window dressing," the Basel Committee is proposing changes to the G-SIB framework as part of its consultation paper. Accordingly, most of the indicators used to calculate the G-SIB scores should in the future be reported on the basis of daily or monthly averages over the reporting year.

3. Petita from the perspective of the banking industry

We strongly support these extended data requirements applying exclusively to institutions already classified as G-SIBs or whose G-SIB score is very close to the threshold that distinguishes G-SIBs from other, less systemically important banks. On the other hand, banks required to participate in the G-SIB data collection but have a G-SIB score of (significantly) less than 130 points should be urgently exempted from reporting average values on a daily and monthly basis (G-SIB assessment sample and additional G-SIB sample). This should also apply to the reporting of month-end scores, which have been required since 31 December 2023. For banks whose score is well below the G-SIB threshold, the G-SIB data query should be dispensed with altogether from a cost-benefit perspective.

We would like to point out that determining daily and monthly average values would entail a disproportionate amount of additional work for the institutions subject to the reporting obligation. The data requirements deviate from the reporting frequencies customary for regulatory data requests. For example, a large proportion of the figures (e.g., assets under custody) are based on quarterly reports. In addition, the scope of consolidation for the G-SIB data collection differs from the regulatory scope of consolidation and also includes insurance subsidiaries, for example. The data is therefore generally not available and would only have to be determined for the purposes of G-SIB data collection. Moreover, data interpolation would have to be used for a number of data points. It is therefore to be feared that the data cannot be considered highly meaningful. They could also lead to misjudgments about the systemic importance of the institutions.

From a prudential perspective, the high additional costs for institutions that are not G-SIBs do not appear justified. The classification of banks categorized as G-SIBs is relatively stable and has hardly changed over time. Furthermore, institutions whose G-SIB score is well below the threshold of 130 points have neither a potential interest in window dressing nor are they negatively affected by the supposed window dressing of G-SIBs. This can also be assumed if one assumes that their G-SIB score should rise slightly due to the window dressing of other institutions. The alleged "window dressing" of G-SIBs must therefore not be at the expense of non-G-SIBs. Furthermore, potential differences

between the data collection methods for G-SIBs and non-G-SIBs would not significantly influence the result of the G-SIB scoring model.

4. Conclusion

We favor limiting the scope of application of the higher average frequency - as proposed by the Basel Committee in option c on page 4 of the consultation paper - to G-SIBs and institutions whose G-SIB score is close to the threshold of 130 points. Furthermore, from a cost-benefit perspective, we suggest that banks with a score significantly below the G-SIB threshold should not be required to submit G-SIB data requests at all.

At the very least, the entry threshold for the additional G-SIB sample should be increased. The threshold of EUR 200 billion (Basel Framework, section SCO 40.32) was set over 10 years ago. In particular, the inflation of recent years and the entry into force of further stringent regulatory requirements, which are linked to the systemic importance of institutions, would in our view justify a significant upward adjustment of the value. The Basel Committee should therefore take the opportunity to adjust the framework accordingly.