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Secretariat of the Basel Committee
on Banking Supervision
Bank for International Settlements
CH-4002 Basel, Switzerland
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Your ref: P3 Updated Framework

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Dear Sir/Madam

Response on the Basel Committee on Banking Supervision's Consultative Document: *Pillar 3 disclosure requirements – consolidated and enhanced framework*

We thank you for the opportunity to comment on the Basel Committee on Banking Supervision's (BCBS) consultative document: *Pillar 3 disclosure requirements – consolidated and enhanced framework* ("consultative document"). In our response, we provide overall comments on the proposal and highlight some key issues along with examples of our concerns.

Consolidated framework

We support the consolidation of all existing and prospective BCBS disclosure requirements in a separate Pillar 3 report under one framework. Given the Pillar 3 report will expand to accommodate the Phase 2 disclosures and other future disclosure developments, there is a strong case to ensure minimisation of repetitive information.

We note that the second phase of Pillar 3 has introduced additional disclosure requirements, which could lead to investor's information overload and confusion. The volume of additional disclosure also places significant burden on the banks' ability to meet external reporting timelines. The suggestion that the Pillar 3 report be published concurrently with the financial reports for the corresponding period also adds to this challenge. Additional costs (e.g. information technology) may also be incurred given the more rigorous internal review required for publicly disclosed information, and particularly for fixed format templates to allow the necessary information to be captured. As a result, we request greater flexibility in the application of the Pillar 3 templates in order to meet reporting deadlines and provide added value to users.

We are also concerned with the proposed implementation date of 2017 year-end for certain tables and templates in Phase 2. Our members are preparing for a significant amount of new disclosure related to Pillar 3 Phase 1, and work is underway related to implementation of IFRS 9. Additional disclosure under Pillar 3 Phase 2 for Q4 2017 (i.e. Prudential valuation adjustments, Countercyclical buffer) adds to the costs and process changes/ development. For such new disclosure scheduled to be implemented Q4 2017, we recommend deferral until Q4 2018 due to other significant work in progress.

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Pillar 3 Template

Part	Section	Comments	Comments on Frequency	Comments on Implementation date
Part 1: Proposals for revised and new disclosure requirements				
Part 2 – Overview of risk management, key prudential metrics and RWA				
KM1	Key metrics (at consolidated group level)			
KM2	Key metric – TLAC requirements (at resolution group level)		Aligned to the composition of capital and TLAC at semi-annual	
HYP1	Hypothetical RWA calculated according to the standardised approaches as benchmarks to internally modelled RWA	Modelled and non-modelled RWAs are not directly comparable as the approaches are designed to drive RWA differentiation among banks.		We would strongly encourage that this be aligned with FRTB implementation and not sooner.
HYP2	Hypothetical RWA calculated according to the standardised approaches for- credit risk (excluding counterparty credit risk) at asset class level	It does not yield a meaningful or comparable measure for the user community, and also pre-empts the final policy on the capital floor		

Part	Section	Comments	Comments on Frequency	Comments on Implementation date
Part 3 – Linkages between financial statements and regulatory exposures				
LIA	Explanations of differences between accounting and regulatory exposure amounts			
PV1	Prudential valuation adjustments	The level of detail required is extensive and it may be a challenge to split close-out and concentration PVA.		
Part 4 – Composition of capital and TLAC disclosure				
CC1	Composition of regulatory capital			
CC2	Reconciliation to balance sheet published in financial statements			
CCA	Main features of regulatory capital instruments, and for G-SIBs, other TLAC instruments	We note that this table is required to be updated on a bank's website whenever there is a change in the nature of any capital or TLAC (LAC) eligible instrument. It is questionable whether the user community would benefit from such granular information. This could effectively mean daily updates to the website which is exceptionally onerous. We suggest this template be disclosed semi-annually and that sign-posting be allowed as sometimes banks publish this information separately on their websites.		
TLAC1	TLAC disclosure for G-SIBs	TLAC not a requirement for DSIBs in SA - LAC only		
TLAC2	Material subsidiary – creditor ranking at legal entity level	TLAC not a requirement for DSIBs in SA - LAC only		
TLAC3	Resolution entity – credit ranking at legal entity level	TLAC not a requirement for DSIBs in SA - LAC only		
Part 5 – Macro-prudential supervisory measures				
GSIB1	Disclosure on G-SIB indicators (simple consolidation without change)	Will this requirement be applicable to DSIBs as no banks in South Africa fall under G-SIB		

Part	Section	Comments	Comments on Frequency	Comments on Implementation date
CCyB1	Geographical distribution of credit exposures used in the countercyclical capital buffer			
		Part 6 – Leverage ratio		
LR1	Summary comparison of accounting assets vs leverage ratio exposure measure (simple consolidation without change)			
LR2	Leverage ratio disclosure template (simple consolidation without change)			
		Part 7 – Liquidity disclosure requirements		
LIQA	Liquidity risk management (simple consolidation without change)			
LIQ1	Liquidity Coverage Ratio (simple consolidation without change)	The LIQ1 template requires average daily values of the LCR and this deviates from the basis of preparation for the annual report where year-end and half year end spot balances are disclosed. Any discrepancy between the two may lead analysts and other stakeholders to (incorrectly) deduce that the bank is experiencing a stress. Will this disclosure requirement supersede the current BIS LCR disclosure standard published in Jan 2014?	Semi-annual	Do we need to move from semi-annual disclosure of the fixed table to quarterly?
LIQ2	Net Stable Funding Ratio (simple consolidation without change)			

Part	Section	Comments	Comments on Frequency	Comments on Implementation date
Part 11 – Market risk				
MRA	General qualitative disclosure requirements related to market risk	The detailed data to be provided includes desk structure, type of instruments, and model methodology to be disclosed on an annual and semi-annual basis. This will provide a large amount of competitive information and it is unclear how this will benefit the users of our disclosures.		
MR1	Market risk under standardised approach	The information required is far too granular. Disclosing Delta, Vega, and Curvature would give competitors too much information. Further, in the accompanying narrative banks are required to disclose position specific information. This does not provide any additional value to users. An alternative would be to disclose the total amount per category. We note that to keep a position in the trading or banking book, in contradiction to the general presumptions of the boundary, requires supervisory approval or supervisory request. It is questionable whether such disclosure would add value to users.		
MTB	Qualitative disclosures for banks using the IMA			
MRC	Desks' structure for banks using market risk IMA	It is not appropriate to disclose information on desk structure as this is too sensitive and of a proprietary nature. There is also a lack of comparability among banks' desk structures and the revealing of proprietary information to market players would undermine firm's competitive advantages.		
MR2	Market risk IMA per desk	Is MR2 template (RWA recon) additive?		

Part	Section	Comments	Comments on Frequency	Comments on Implementation date
		The detailed data to be provided includes desk structure, type of instruments, and model methodology to be disclosed on an annual and semi-annual basis. This will provide a large amount of competitive information and it is unclear how this will benefit the users of our disclosures. It is also not appropriate to disclose information on capital levels and back-testing results at the desk level as the information is sensitive and proprietary. This template also disallows the recognition of hedging or diversification benefits across desks. This would lead to overly conservative metrics being calculated and disclosed which do not provide a true reflection of the market risk profile of banks		
MR3	Market risk IMA per risk type	Are the following considered to be model updates/changes: - monthly updates on the scenario - change in a multiplier The level of detail required for the banks multiplier can be easily determined which is considered confidential information.		
MR4	RWA flow statements of market risk exposures under an IMA			
Part 12 – Operational risk				
ORA	General qualitative information about operational risk management	"(c) Their operational risk measurement system What does this disclosure pertain to exactly (it sounds as though it pertains to an internal measurement system/modelling process; and not SMA)?		We note that the implementation date has been updated to 2017 year-end to take into account new

Part	Section	Comments	Comments on Frequency	Comments on Implementation date
		Is disclosure on the Bank's Economic Capital (ECAP) model (if permitted by the Regulator once SMA comes into effect) required? (e) The risk mitigation and risk transfer used in the management of operational risk Since the SMA consultative document is silent on any risk mitigation or transfer. What does item (e) require in terms of the SMA?"		line items for the operational risk and securitization frameworks. This does not align with when the new frameworks for operational risk and securitization come into effect.
OR1	Historical losses used for SMA calculation	The data to be provided here and OR3 are partially overlapping which may be confusing for users; moreover, the information to be disclosed is confidential and very sensitive, including legal provisions.		
OR2	SMA – business indicators and subcomponents	It is unclear what information needs to be disclosed		
OR3	Historical losses	Recommend combining OR1 & OR3		
Part 14 – Remuneration				
REMA	Remuneration policy			
REM1	Remuneration awarded during the financial year			
REM2	Special payments			
REM3	Deferred remuneration			

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Conclusion
We note that the Committee believes that the disclosure requirements strike an appropriate balance between the need for meaningful disclosure and the protection of proprietary and confidential information. However, we believe that in certain instances, the level of granularity of the information requested is overwhelming. We are concerned with competitive implications, added complexity in the Pillar 3 framework, undue workload, and information overload.

We would recommend that in a number of instances, information is provided to the relevant in-country authorities only.

We thank you in advance for your consideration of our comments, and we would be pleased to discuss our submission at your convenience.

Yours sincerely,

G Haylett
General Manager
Prudential Division