



12 March 2019

Mr. William Coen
Secretary General
Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

BCBS Consultation on revisions to leverage ratio disclosure requirements

Dear Mr. Coen,

The European Banking Federation and the Japanese Bankers Association would like to bring to your consideration a relevant aspect related to the BCBS consultation on revisions to leverage ratio disclosure requirements.

We agree with the purpose of the Basel Committee to propose a global standard to ensure that the leverage of banks remains within the prudential limits throughout any given period. However, we would like to point out that the monitoring mechanism should be commensurate to the objective.

In this regard, we strongly support the BCBS's statement published on October 18, 2018 stating that the supervisors in each jurisdiction will first address potential window-dressing concerns through Pillar 2 measures. We at the same time believe that this will have a sufficient effect before any additional measures including Pillar 3.

The options that are currently being considered by the BCBS would force all banks to incur in excessive processing and controlling additional costs. Moreover, the current entry into force of leverage ratio constraints will contribute to address potential issues related to leverage ratio movements around key reporting dates.

Furthermore, the consultation paper does not provide the industry with a synthesis of the analysis conducted by the BCBS, which justify the proposal of new costly disclosure requirements for securities finance transaction, replacement cost and central bank reserves. The window dressing issue needs an appropriate and calibrated solution and we would be pleased to discuss further the issue with the BCBS, providing further data.

In particular, we would recommend to apply a mechanism whereby supervisors have the capacity to intensify the requests to banks upon indications that the leverage limits could be surpassed in between reporting dates. Supervisors should obtain and analyse data for the review of banks' behaviour through Pillar 2, and if there is an unacceptable level of gap between exposures in the middle of the term and the term-end, supervisors should simply and directly require the bank to correct it. This is compatible with BCBS's recent priority on supervision rather than developing new policies.



We think that a less prescriptive BCBS standard combined with close supervisory monitoring would achieve the objective of leverage control without overburdening banks with additional reporting requests.

We trust that this general observation will be given consideration in your decision process. Our respective associations will submit detailed responses to the BCBS consultation upon the deadline.

Yours sincerely,

Wim Mijs
Chief Executive Officer

Hideharu IWAMOTO
Vice Chairman and Senior Executive
Japanese Bankers Association