

November 8, 2011

Secretariat of the Financial Stability Board
c/o Bank for International Settlements
CH-4002 Basel, Switzerland

Dear Sir/Madam,

**Re: CBA¹ Comments on the Financial Stability Board's Consultation Paper:
*Understanding Financial Linkages: A Common Data Template for Global Systemically
Important Banks***

Thank you for the opportunity to comment on the Financial Stability Board's Consultation Paper entitled *Understanding Financial Linkages: A Common Data Template for Global Systemically Important Banks*.

The CBA is generally supportive of data collection efforts by global regulatory authorities that could be helpful in identifying emerging risks to the global financial system. However, the CBA believes that these data collection efforts should be of a targeted nature and should emphasize the need to collect the most accurate and consistent data from the affected banking organizations rather than attempting to capture large volumes of data that lack adequate review and verification.

The CBA wishes to highlight some of its concerns with the data collection framework set out in the consultation paper.

Focus on Data Quality

The CBA believes that data provided to regulators must be of the highest quality, ensuring that the data is complete and accurate. Global systemically important banks (G-SIBs) and other large internationally active banks operate in numerous jurisdictions, and as a result, need to be provided with adequate time to gather, consolidate, and review the required data prior to submitting it for regulatory purposes. Under tight deadlines, CBA members may feel obligated to provide data to regulators that do not meet the highest standards. Indeed, if macroprudential

¹ The Canadian Bankers Association works on behalf of 52 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 267,000 employees. The CBA advocates for effective public policies that contribute to a sound, successful banking system that benefits Canadians and Canada's economy. The Association also promotes financial literacy to help Canadians make informed financial decisions and works with banks and law enforcement to help protect customers against financial crime and promote fraud awareness.

authorities are analyzing this data and considering taking regulatory actions based on this data, it is essential that this data be reliable.

The CBA believes that this data gathering exercise should place a greater emphasis on collecting consistent and high quality data from affected banks and less emphasis on collecting large quantities of data with short reporting lags.

Usefulness of Data

There is an ever growing consensus that the regulation of financial institutions must extend beyond the examination of individual institutions themselves (microprudential regulation) and into the many interconnections, linkages, and complexities of the global financial system as a whole (macroprudential regulation).

However, while the need for a macroprudential approach to regulation is becoming more and more evident, it should be acknowledged that the development of macroprudential regulatory tools is still in its early stages. While regulatory authorities have identified data gaps that existed prior to the global financial crisis, experience with financial crises tells us that filling these specific data gaps may do little to help identify and prevent another global financial crisis.

The CBA believes that the data collection framework set out in the consultation paper attempts to overcompensate for the data gaps that existed prior to the financial crisis by attempting to fill these data gaps with large quantities of data. However, the CBA would like to see specific areas of data that are identified and explained as areas that will help contribute to the effectiveness of macroprudential regulation. In that regard, the FSB may wish to set out its rationale for collecting certain data and explain to affected institutions how this data will be useful for macroprudential purposes.

Overlap of Data Requests

The Canadian banking industry is a heavily regulated sector. CBA members are subject to various ongoing accounting and regulatory reporting requirements. The common data template proposed in the consultation paper may overlap with some of the current regulatory reporting requirements of Canadian banks, such as:

- audited quarterly and annual financial statements;
- monthly regulatory reporting to the Office of the Superintendent of Financial Institutions;
- various Basel Committee on Banking Supervision Quantitative Impact Studies;
- Basel III Capital and Liquidity Requirements;
- Bank of Canada Interbank Exposures report; and,
- Recovery and Resolution Plans.

While the CBA recognizes that these various reporting requirements serve different purposes, they nonetheless create a reporting burden for CBA members. The CBA would like to see the various reporting requirements streamlined as much as possible, in order to increase the efficiency of regulation and to avoid any areas of unnecessary overlap and duplication.

Proposed Implementation Timetable and Frequency of Data Reporting

The consultation paper proposes an extremely aggressive and ambitious implementation timetable that many CBA members would be unable to meet. The common data template is designed for G-SIBs and other large internationally active banks. At the same time, it is these institutions that also face the greatest challenges in collecting data across the organization, as operations extend beyond numerous borders and therefore require participation from various units across the organization in numerous locations around the world.

Coordinating these initiatives across the organization can itself take a substantial amount of time, and existing data reporting frameworks that CBA members have do not easily facilitate these types of data gathering exercises. In fact, in many cases, manual processes would be required. It is likely that CBA members would incur substantial implementation and systems costs in order to meet the requirements of the proposed common data template.

The CBA believes that, in addition to being more targeted, the proposed common data template should pursue a far less aggressive and ambitious implementation timetable in order to recognize the capacity for affected banks to handle such a large data reporting request and to ensure that only the most necessary and useful data for macroprudential purposes is sought.

Confidentiality and Security of Data

The CBA agrees that the confidentiality and security of the data provided by G-SIBs and other large internationally active banks is of utmost importance. It is presumed that institutions required to report under the common data template will do so through their national regulator. However, once this data is passed on to the central hub, proposed to be hosted by the Bank for International Settlements, it is unclear exactly which persons and organizations would have access to this data. Controls must be put in place to limit access to only those authorized to view this data for the intended regulatory purposes. The data provided in this common template would be highly sensitive for a number of reasons, including for reasons of competitiveness among the reporting banking organizations, the confidentiality of client information, and also for financial stability purposes, as the release of sensitive information could have a destabilizing impact on certain institutions and on global financial stability in general.

We thank you for taking our comments into consideration and would be pleased to discuss these issues further at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to be 'J. G. ...', written in a cursive style.