

Deutsche Börse Group Response

to BCBS consultative document d432

'Pillar 3 disclosure requirements – updated framework'

published for consultation on 27 February 2018

Eschborn, 25 May 2018

Contact: Ralph Kowitz
Telephone: +49 (0) 69 211 - 16330
Telefax: +49 (0) 69 211 - 13315
Email: ralph.kowitz@deutsche-boerse.com

A. Introduction

Deutsche Börse Group (DBG) welcomes the opportunity to comment on BCBS consultative document on 'Pillar 3 disclosure requirements – updated framework' published on 27 February 2018.

DBG operates in the area of financial markets along the complete chain of trading, clearing, settlement and custody for securities, derivatives and other financial instruments and acts as such as a provider of highly regulated financial market infrastructures (FMIs).

Among others, Clearstream Banking S.A., Luxembourg and Clearstream Banking AG, Frankfurt/Main, who act as (I)CSD¹ as well as Eurex Clearing AG as the leading European Central Counterparty (CCP), are classified as credit institutions and are therefore within the scope of the European Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) which transposed i.a. the Basel III rules into European law. Clearstream subgroup is supervised on a consolidated level as a financial holding group. In addition, according to European law two companies of our group operating multilateral trading facilities (MTFs) fall to a certain extent under the disclosure requirements as well.

The business models of CSDs, CCPs and MTFs as financial market infrastructures (FMIs) are completely different from the business of ordinary banks. There is no proprietary trading, only minor maturity transformation, very limited financial risk due to tight additional rules based on the CPSS-IOSCO principles on financial market infrastructures² as implemented in EU regulations (EMIR and CSD-regulation) and dedicated business limitations. Similarly, this is true for MTFs. As such, several parts of the Basel framework are not applicable and other elements are not meaningful in the context of FMIs. The latter is in particular true for the Net stable funding ratio (NSFR) and the Leverage ratio.

The document at hand contains our general comments to the disclosure requirements and the related framework in Part B and our response to questions raised in the consultative document in Part C.

¹ (International) Central Securities Depository;

² <http://www.bis.org/cpmi/publ/d101a.pdf>.

B. General comments

We in general appreciate the update of the framework on disclosures in line with the revised regulatory requirements. In particular, we welcome elements that ease disclosure burden and clean up some excessive requirements of the past. In this context, we feel comfortable with the option to delete specific rows/columns from fixed templates if the requested data is not considered as relevant to bank's activities or the required information is not meaningful to users. Nevertheless, disclosures in general are foreseen to publish necessary and essential information in a harmonised manner to the public.

The Pillar 3 disclosure requirements for banks have constantly increased in a significant manner over the last years. Therefore, we deem the overall extent of disclosures inappropriate and too detailed. Against the background of the extensive requirements and level of details, the preparation of the disclosures takes a substantial amount of time in order to be fully consistent. In contrast, risk information fluctuates rapidly especially regarding bank's liquidity situation. As such, the "public" gets highly complex information in a very granular form which illustrates a risk situation that occurred in the past. Having only a limited number of interested parties which are capable to read this information, the objective to inform the broader public on up-to-date key elements is not reached.

Moreover, certain parties like supervisors or recognised rating agencies get direct information from the supervised entities that is tailored to the business of the respective bank and the purpose of the information demand. That information is available on a more timely manner. In addition, there is a substantial overlap of the Pillar 3 disclosure requirements and the provisions of accounting frameworks to disclose certain information, mostly published in the financial statements.

Therefore, we once more urge the BCBS to substantially reduce the disclosure requirements regarding both the overall extent and the level of detail. In this line, only a few key figures should be made mandatory to disclose. The publication of those in the financial statements should be considered. The (remaining) disclosure report should be limited to a descriptive report on bank's risk management details and key regulatory figures on an aggregate level without detailed disclosures of numbers. External stakeholders should be provided with a compact and concentrated view on bank's risk profile and its management and not with a number graveyard.

Without going into detail, we just want to highlight some examples of issues:

- Mixture of different frequencies with fixed and flexible formats is more confusing than enhancing simplicity;
- Provision to disclose certain information on quarterly basis seems to be an additional burden without adding substantial value. With the current wording of the disclosure requirements, quarterly interim reports in accordance with the respective account framework are assumed. As this is not always the case, disclosure requirements should not overrule accounting standards in order to oblige banks to set up quarterly disclosures.

To demonstrate proportionality, it should be clarified that certain requirements, like the latter one, are only applicable to G-SIBs that are already obliged by accounting rules to publish interim accounts.

We propose to review and reassess the need of detailed and high frequent disclosures against our raised concerns in order to rather streamline the required information instead of requiring even more and more granular information.

C. Response to questions raised in the consultative document

Question 1: What are respondents' views on the proposed disclosure requirements set out within the Consultative Document?

As outlined in Part B of this response at hand, we see the overall extent of the disclosure requirements as well as the level of detail very critical. This includes the breakdown of rows which is further enhances within this consultation as well as the length of history to be shown. The latter one should not exceed two to three years as any older data is not comparable anyway due to changed economic conditions, changes in the business or changes in the underlying regulations. Furthermore, data from previous years should be easily available by looking into reports of prior years that also explain the shown figures in its relevant context.

Beside this, we do not have any further detailed comments on the current consultative document.

We are at your disposal to discuss the issues raised and proposals made if deemed useful.

Faithfully,

Jürgen Hillen

Ralph Kowitz