



Consultation response

Basel Committee on Banking Supervision: Global systemically important banks – revised assessment framework

The Global Financial Markets Association (GFMA)¹, Institute of International Finance (IIF)² and International Swaps and Derivatives Association (ISDA)³ appreciate the opportunity to respond to the Committee's Consultative Document on the "**Global systemically important banks – revised assessment framework**" and to assist the Committee in refining its approach to the G-SIB assessment framework. We summarise below our high-level response to the consultation.

EXECUTIVE SUMMARY

We welcome the opportunity to provide comments in response to the Basel Committee on Banking Supervision (BCBS) consultation on the global systemically important bank (G-SIB) revised assessment framework (the "revised G-SIB assessment framework").⁴

We emphasize the importance of developing a revised G-SIB assessment framework based on the concept of a BCBS minimum standard, to support global compliance. Additionally, it is crucial that jurisdictions finalize their approach to averaging after the BCBS policy process has concluded.

While we note the focus of the BCBS consultation concerns perceived window-dressing behaviour, we do not believe that the proposal is founded on robust evidence of such behaviour. Our feedback is therefore intended to help achieve higher-quality data over the financial year, to support the G-SIB assessment framework, rather than focusing on purported window-dressing behaviour. In relation to concerns over perceived window-dressing behaviour, we believe that further study is needed to effectively identify any such perceived behavior as well as the factors involved in, the true extent of, and the rationale underlying such practices. In particular, we believe that the results of BCBS Working Paper 42⁵ are inconclusive in relation to G-SIB firms' management of OTC

¹ The GFMA represents the common interests of the world's leading financial and capital market participants, to provide a collective voice on matters that support global capital markets. We advocate on policies to address risks that have no borders, regional market developments that impact global capital markets, and policies that promote efficient cross-border capital flows to end-users by efficiently connecting savers and borrowers, benefiting broader global economic growth.

² The Institute of International Finance (IIF) is the global association of the financial industry, with about 400 members from more than 60 countries. The IIF provides its members with innovative research, unparalleled global advocacy, and access to leading industry events that leverage its influential network. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial, and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. IIF members include commercial and investment banks, asset managers, insurance companies, professional services firms, exchanges, sovereign wealth funds, hedge funds, central banks, and development banks.

³ Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 77 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers.

⁴ BCBS, Press release: Basel Committee consults on measures to address window-dressing in the G-SIB framework (2024), available at <https://www.bis.org/press/p240307.htm>.

⁵ BCBS, Working Paper 42 – Banks' window-dressing of the G-SIB framework: causal evidence from a quantitative impact

derivatives and repos. Furthermore, we do not think the BCBS is justified in using the findings of BCBS Working Paper 42 to propose changes across the wider G-SIB indicator set.

We also highlight that due to the relative nature of the G-SIB score calculation, the possibility of window-dressing G-SIB scores is remote, given the indicators used have a low correlation to the overall G-SIB score. To further support this point, we have provided some analysis as part of our response.

We recommend that any changes to the current framework should be proportional to the anticipated supervisory benefits and should not result in unintended consequences such as reduced data assurance or data quality. Therefore, the BCBS's cost-benefit analysis should consider the impact to banks in terms of operational challenges and infrastructure investments, weighing them against any expected supervisory benefit to ensure that any changes to the G-SIB assessment framework are appropriately justified. We believe that the BCBS could bring costs and benefits into greater balance with less-frequent averaging, as this would improve data quality and reduce volatility in the G-SIB assessment framework while minimizing undue operational complexity.

We believe that the rationale for any proposed changes across the wider G-SIB indicator set should be driven by appropriate analysis in relation to the specific indicators concerned. This is particularly relevant given that BCBS Working Paper 42 only addresses OTC derivatives notional and repos, and therefore across-the-board changes to frequency across the wider G-SIB indicator set is not justified by the supporting analysis.

Considering potential application, we think it is important to distinguish between the various G-SIB indicators. For certain indicators, implementing a higher frequency average calculation would either require substantial infrastructure investment (which we believe is not feasible in the medium term and would present ongoing data assurance challenges) or offer no incremental supervisory benefit. Therefore, we recommend that the BCBS considers whether implementing a higher frequency for specific indicators would actually result in data improvements that are relevant to the wider G-SIB assessment process.

We agree with the BCBS that "it might be challenging or not meaningful for banks to provide high-frequency averaged data for certain indicators"⁶. As an example, we note the BCBS's reference to Level 3 assets and strongly support maintaining a quarterly frequency requirement for this indicator. We note that these assets cannot be easily traded during key reporting periods and were not featured in the BCBS's GSIB working papers⁷ other than to report that while indicator denominators have increased by an average of 42%, the values reported for Level 3 assets declined by 2%.

In relation to the specific averaging frequency options that the BCBS explores in the consultation paper, we strongly recommend that the BCBS avoids a daily or monthly average approach. From our perspective, this would represent a significant operational challenge for banks, particularly those with complex cross-border group structure (and/ or those with insurance subsidiaries). A significant proportion of the industry feedback we have received indicates that the adoption of a month-end average would present similar challenges to a daily average requirement and would be unjustified given the lack of substantive evidence of actual window-dressing behaviour.

Instead, we recommend that the BCBS consider the fact that the industry is already able to report the G-SIB indicators at each quarter-end (point-in-time value)⁸. Averaging quarter-end values would produce better-quality data from over the financial year and allow the BCBS and supervisors to identify and better analyse any perceived management of indicator values on the part of G-SIB sample banks, while minimising undue operational complexity.

study (2024), available at <https://www.bis.org/bcbs/publ/wp42.pdf>.

⁶ BCBS, Global systematically important banks – revised assessment framework (2024), available at <https://www.bis.org/bcbs/publ/d571.pdf>.

⁷ See BCBS, Working Paper 41 – G-SIB denominators and scores dynamics: a ten-year assessment (<https://www.bis.org/bcbs/publ/wp41.pdf>); BCBS, Working Paper 42 – Banks' window-dressing of the G-SIB framework: causal evidence from a quantitative impact study (<https://www.bis.org/bcbs/publ/wp42.pdf>)

⁸ We note that the year-end quarterly average is calculated as the average of the 4 quarter-end point-in-time values in a calendar year.

Our understanding is that the analysis presented in BCBS Working Paper 42 was based on quarterly data. Since the BCBS argues that it has identified window-dressing behaviour in relation to OTC derivative markets and repo (which we contest) on the basis of this data set, we believe that a similar frequency would be appropriate for the broader G-SIB indicator set.

Regarding the scope of banks subject to the new requirements, it is clear that the choice between the three options presented in the BCBS consultation paper is closely linked to the potential application of higher frequency average requirements. For example, the application of a higher frequency averaging requirement across the range of G-SIB indicators might disproportionately penalise banks in the additional G-SIB disclosure sample, compared to the main G-SIB assessment sample (e.g. in relation to required infrastructure investment) – this in turn might prompt a preference from this group for options B or C, to avoid this potentially disproportionate impact. Therefore, we believe that our recommendation for a revised quarter-end averaging approach would have the benefit of not only supporting a level playing field through the adoption of option A in the BCBS consultation, but it would also avoid the disproportionate burden for banks in the additional G-SIB assessment sample, given that the majority of these banks are already reporting G-SIB data to their local regulators on a quarterly basis. This would also allow the BCBS to monitor the situation and conduct further analysis around potentially suspect trends, and then consider if further changes were required.

On the proposed implementation timeline, we note that any changes to data averaging requirements would require operational changes, which may impact the industry's ability to meet the proposed 1 January 2026 transition start-date and the proposed 1 January 2027 implementation deadline. This is particularly acute when considered in conjunction with other data and regulatory reporting change programmes that banks are developing (e.g., changes related to Basel 3 implementation). Therefore, we recommend that the BCBS consider rescheduling the proposed implementation deadline so that it does not create a planning and resource challenge for banks who are already engaged in advanced planning around Basel 3 proposed reporting changes. This could be achieved by setting an implementation date 1-2 years post Basel 3 implementation across the major banking jurisdictions.

SPECIFIC COMMENTS

Section 1 – General Issues

We would like to provide feedback on several issues that the BCBS has identified as drivers of window-dressing behaviour in the BCBS consultation.

BCBS Working Paper 42

As previously mentioned, we are concerned that the analysis presented in BCBS Working Paper 42 is insufficiently robust to conclude that a) there is evidence of window-dressing behaviour in OTC derivatives and repo markets, and b) this provides a rationale for the BCBS proposal to change the data frequency requirements in relation to the wider G-SIB indicator set⁹. On the former point regarding OTC derivatives and repo markets, we believe that the BCBS should conduct further analysis (including industry engagement) around the impact of other factors that may account for market data volatility, such as reduced year-end market trading and client balance-sheet management (particularly in the context of notional compression cycles¹⁰). We note that these factors would potentially apply across the wider set of banking entities beyond those designated as G-SIBs.

⁹ In BCBS Working Paper 42, we observe in table D.1 that the p-values for repos are above 5%. Typically, 5% is the minimum threshold in which to conclude the statistical evidence of a claim. For OTC derivatives, even though the p-values are statistically significant, the adjusted R² is too low and suggests that the model is missing the right predictors to explain the variation in the data.

¹⁰ The notional amount of OTC derivatives in the complexity indicator is reduced by OTC derivative compression, but this should not be interpreted as an example of window-dressing behaviour. Portfolio compression is the tearing up of existing transactions between multiple participants and their replacement where necessary with new contracts. Its aim is to reduce the number of contracts outstanding, the gross notional value of contracts, or another measure of risk without materially affecting the market risk of the portfolio. OTC notional compression happens on a regular basis and does not target only

To emphasize the need for more robust analysis, we would like to highlight several examples:

Repo

The reduction in repo volumes towards year-end can be attributed to two key drivers: (i) Counterparties reduce their risk by recalling bonds they have lent during the year, and investors tend to reduce their exposure as liquidity decreases; and (ii) the reduction in the interbank market, which is not specific to repos. This trend is observed in volumes of secondary French and German government bonds at year-end (see Figure 1). It is even more pronounced for European Government Bonds Issuance (see Figure 2 - Eurozone, Germany, France, Spain and Italy being the biggest contributors), while repo volumes are correlated with such activity.

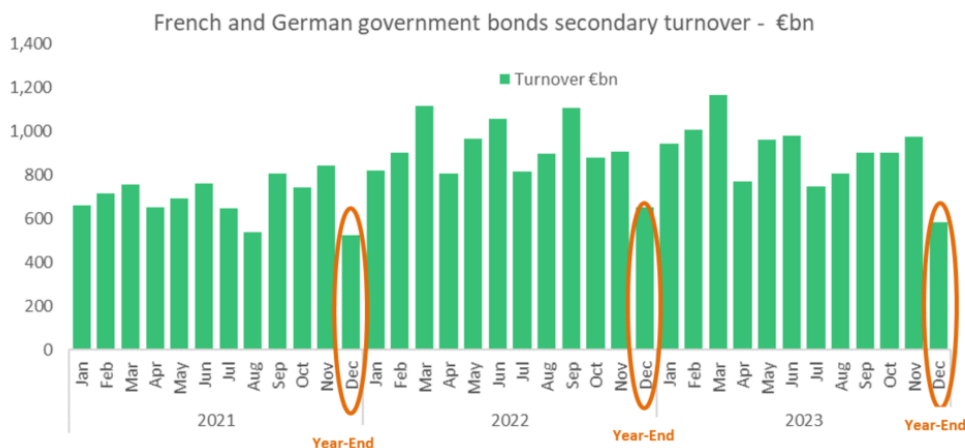


Figure 1: French and German government bonds secondary turnover (National Treasury Ministries)

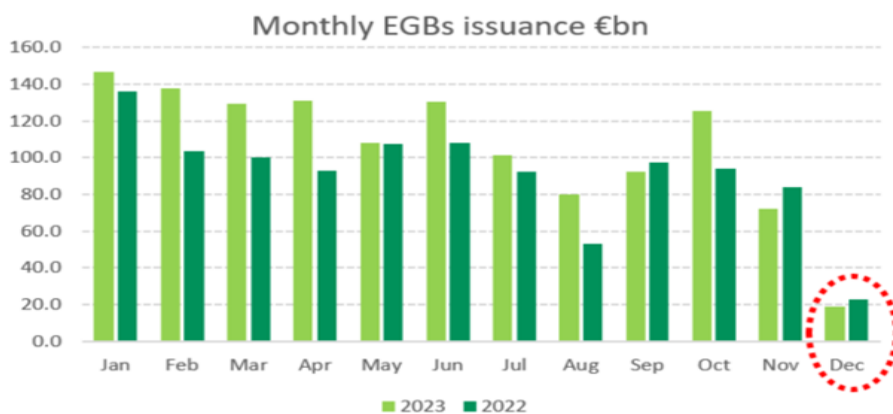


Figure 2: Monthly EGBs issuance (National Treasury Ministries)

One important consideration is the impact of higher prices due to specific balance sheet year-end costs. Adjusted prices are necessary to maintain economic profitability over year-end, which reduces client demand. Certain counterparties can maintain their positions through increased netting (i.e., better matching by counterparty and maturity date) while others choose to temporarily close their trades. It is worth noting that Graph 1a in the BCBS Working Paper 42 only shows net exposure for repos in the G-SIB framework, versus measuring gross repos, which would result in less variability.

year-end reporting. We stress that the purpose of notional compression is to reduce risk across all market participants and we recommend that the BCBS considers the impact of requiring averages of daily notional values of OTC derivatives on the incentives for banks to engage in compression cycles.

Derivatives

Error! Reference source not found. does not provide clear evidence of window-dressing behaviour for OTC Derivatives. As mentioned earlier for repos, the reduction in activity at year-end is mainly driven by the decrease in risk from financial counterparties. Additionally, OTC derivatives, especially interest rate transactions like interest rate swaps, are predominantly long-term transactions and cannot be significantly reduced at year-end (without facing adverse client response).

Banks regularly perform multilateral compression cycles with external providers, such as TriOptima, to reduce notional amounts by terminating trades while keeping risks within agreed-upon tolerances. These portfolio compressions are required under the European Market Infrastructure Regulation¹¹ and are not related to window-dressing behaviour. They aim to reduce operational risk by reducing the number of cash flow payments. We also note that trade compression reduces complexity and hence systemic risk, which is a wider BCBS policy objective.

OTC derivatives are currently included four times in the BCBS G-SIB reporting template (under the size, complexity, interconnectedness, and cross-jurisdictional activity indicators). As this may contribute to the lack of clarity on the actual drivers of volatility of OTC derivative balances in BCBS Working Paper 42, we therefore recommend that the BCBS address the redundant capture throughout the G-SIB framework of OTC derivatives. Nevertheless, under the current framework, we believe that the G-SIB indicators are difficult to window-dress – we present this analysis in the following sections.

G-SIB scoring sensitivity

We note that due to the relative nature of the G-SIB score calculation, the possibility for window-dressing is remote given the indicators used have a low correlation to the overall G-SIB score. To illustrate this, we have produced a table below that shows the sensitivity of each G-SIB indicator to a 1 point change in the score. For example, to reduce the G-SIB score for a single bank by 1-point, would require a reduction in leverage of EUR 51 bn, which is not a realistic undertaking for an individual bank. In addition, given that the G-SIB scoring is a relative exercise, if other banks were to also hypothetically engage in window-dressing, this would further reduce the impact for an individual bank.

	A	B	C = B/A
	Total G-SIB points in population	Population indicator total (EUR'bn)	Sensitivity per G-SIB point (EUR'bn)
Total exposures	2,000	102,639	51
Intra-financial system assets	667	10,123	15
Intra-financial system liabilities	667	10,298	15
Securities outstanding	667	16,084	24
Total payments	667	3,111,952	4,668
Assets under custody	667	194,784	292
Underwriting activity	333	6,534	20
Trading volume fixed income sub-indicator	167	217,034	1,302
Trading volume equities and other securities sub-indicator	167	222,946	1,338
Notional amount of OTC derivatives	667	610,812	916
Trading and AFS securities	667	3,616	5

¹¹ Market participants with more than 500 over-the-counter (OTC) trades on their books are required to examine the possibility of performing portfolio compression twice a year

Level 3 assets	667	679	1
Cross-jurisdictional claims	1,000	25,129	25
Cross-jurisdictional liabilities	1,000	21,068	21

FX conversion rate

Year-end FX rates play a large role in determining a bank’s G-SIB score, especially for non-EU banks whose reported numbers are converted into a EUR based value using a year-end FX rate. Therefore, in line with our recommendation for quarter-end averaging of the G-SIB indicator set, we recommend that the BCBS uses a quarter-end FX rate (rather than applying a year-end spot rate).

Business/ market context

In addition to the G-SIB scoring sensitivity analysis we provided in our response, we believe that it is important to consider the G-SIB indicator data within a business and market context. Taking proactive measures to manage G-SIB indicator values through balance-sheet adjustments would have significant cost consequences for a bank’s business model and could potentially compromise the integrity of client relationships. This could potentially lead to reputational risk for banks that outweigh any perceived benefits from engaging in window-dressing behaviour.

Centrally cleared derivatives

As part of its review, the BCBS should reconsider the inclusion of the centrally cleared derivatives data item (i.e., item 10(a) within the complexity indicator block). Central clearing of derivatives brings benefits such as improved market transparency, standardized products, and reduced systemic risk. Including this data item in the current reporting template subjects individual institutions to punitive scoring treatment while potentially compromising financial stability at the system level. Furthermore, it is worth noting that centrally cleared contracts are often compressed during regular monthly scheduled compression windows, which reduces complexity.

G-SIB reporting template

Aside from the BCBS’s proposed implementation period for any finalized policy changes, we strongly recommend that the BCBS allows for a minimum transition period for any future changes to the G-SIB reporting framework. Industry feedback highlights the importance of such a transition period, citing the example of the FY2023 reporting cycle, where the reporting cycle was changed from Basel 2014 to Basel 2017 for the size indicator without providing banks with any transitional period to implement this change.

Section 2 – Application/ Scope

In this section, we provide more detailed industry feedback regarding the proposed application and scope of potential changes to the G-SIB data framework.

Daily/ month-end averaging

As previously mentioned, industry feedback clearly indicates that a generic implementation of daily or month-end averaging would pose significant operational complexities and would be unattainable for the majority of indicators without significant infrastructure investment. Completing such investments in the medium term would present significant challenges in terms of ongoing data assurance. Currently, the industry relies on quarterly reporting processes to populate the G-SIB reporting template. Data assurance and reconciliation procedures are performed in parallel to ensure the accuracy and suitability of the data. Running similar processes for daily or month-end average calculations would not be feasible, especially for complex cross-border banking groups with multiple entities in different jurisdictions. It would not be feasible to simply

accelerate existing processes to meet the requirements of a daily or monthly averaging frequency; they would need to be re-engineered to cater to such demands. It is important to reiterate that the substantial operational difficulties involved in doing so may not be justified by any regulatory or supervisory benefits, especially compared to a more proportionate quarter-end averaging frequency – this would offer expected gains in data quality and volatility reduction over the financial year, with significantly less operational complexity.

Implementing daily or month-end average frequency calculations within the proposed timeline raises two main concerns. First, it may limit the industry's ability to rely on robust data, as conducting thorough data assurance at a higher frequency becomes more challenging. This could create tension from a supervisory perspective and inadvertently undermine the reliability of data used to inform the G-SIB identification process and identify potential window-dressing behaviour. Therefore, a shift to daily or monthly averaging could potentially undermine the integrity of the G-SIB assessment framework.

Second, banks may be required to develop proxy measures to bridge the gap between precise G-SIB indicators and existing indicators, in order to meet the daily or month-end averaging requirement. This approach, as performed in the Memorandum items section at the end 2023 exercise, raises concerns about comparability and reliability, which would not be acceptable for determining G-SIB scores (given that the G-SIB scoring methodology based on BCBS Method 1 is a relative exercise).

Considering the industry's parallel workstreams with respect to Basel 3 reporting changes, it would be infeasible to achieve the necessary upgrades for the G-SIB framework within the timeframe proposed by the BCBS, given the SME and IT resources available to the industry. We highlight that the industry uses the underlying data in the G-SIB indicators to manage operational and capital performance. Hence, data quality and assurance are of the utmost importance.

Quarter-End Averaging

As previously mentioned, the industry typically relies on other regulatory reports for its G-SIB reporting (e.g., quarterly FINREP and COREP returns in the EU). Calculating indicators on a daily or month-end average basis would require the development of alternative and costly data sources. The quarterly reporting cycle allows for an adjustment period to ensure data accuracy, which typically takes around one month on average. This serves as an external validation and ensures that the data meets the necessary standards for comparability.

Conducting a similar data processing cycle at the same level of assurance on a daily or month-end average basis would be impossible, regardless of the level of infrastructure investment. The governance over data assurance cannot be effectively carried out within these timescales.

We believe this supports our recommendation for quarter-end averaging to be the basis of any revised G-SIB assessment framework. The adoption of this approach would strike an appropriate balance between operational feasibility/ costs and supervisory/ regulatory benefits. From a supervisory perspective, our recommendation would not only support greater oversight over potential window-dressing behaviour, but also provide a basis for a more responsive G-SIB scoring process.

OTC derivatives

From a risk-based perspective, the industry has implemented various internal reporting cycles for their OTC derivatives and SFT positions, ranging from daily to monthly. However, these reporting cycles may not be relevant or achievable for purposes of the G-SIB reporting framework. This is because the framework relies on a notional exposure measure (which we note is fundamentally unsound and risk insensitive for OTC derivatives). Industry feedback indicates that producing daily notional averages is challenging, and in cases where it has been

done on an ad hoc basis, it has required a significant effort that would not be feasible on a regular basis. Implementing a month-end average would also require significant customisation and implementation efforts. It is important to note that the notional exposure value is not extensively reported outside of the G-SIB assessment framework.

Above, we have noted that the possibility for window-dressing G-SIB scores is remote, given that the indicators used bear a low correlation to the overall G-SIB score. Focusing on OTC derivatives and repos in particular, we conducted a sample exercise with several members around the weighting of OTC derivatives and repos within their G-SIB scores. The summary appears below:

- Within the GSIB indicator set, OTC derivatives are considered in the “Complexity” category along with two other indicators: “Level 3 Assets” and “Trading and Available for sale securities”.
- This category accounts for 20% of the overall GSIB score, implying that OTC derivatives contribute approximately 6.7% to the overall G-SIB score. Repos, on the other hand, are not considered as a single G-SIB indicator. Instead, they are included in the “Total exposure” category defined for the Leverage ratio. The “total exposure” indicator is a standalone category with a weight of 20% in the overall GSIB score.
- The impact of the repos on the total exposure amount ranges from 6% to 10%. Thus, the impact of repos exposure on the overall G-SIB score ranges from 1.5% to 2%.
- When combined with OTC derivatives, these two measures account for less than 10% of the overall G-SIB score. Assuming a 15% decrease (based on Chart 4 of BCBS WP42), this would translate to 2% impact on the GSIB score. For a medium G-SIB with a score of 300 points, this would result in a maximum potential gain of only 7 points.
- Considering this limited potential impact, it raises questions about the proportionality of the BCBS consultation proposals.

We have also gathered data (either directly or through public disclosures¹²) for an analysis that covers 8 GSIBs from several jurisdictions. The following table confirms the limited weight of OTC derivatives and repo in the G-SIB scoring assessment framework (building on the general G-SIB scoring sensitivity analysis that we presented earlier in our response):

GSIB indicators	BCBS weight	Relative weight		Total weight (repos/derivatives on GSIB score)	WD maximum potential impact (based on the 15% of WD Ref. in WP42)	WD maximum potential impact on a GSIB with a 300 pts score
		Repos (weight repos on Total * weight of the indicator)	OTC derivatives (weight of OTC deriv. on Total * weight of the indicator)			
Size	20%	1,88%	1,08%	15,93%	2,39%	7,2 pts
IFA	6,67%	0,42%	0,77%			
IFL	6,67%	0,71%	0,77%			
OTC Derivatives	6,67%	N/A	6,67%			
level 3	6,67%	0,06%	0,54%			
CJC *	10%	0,00%	0,35%			
CJL*	10%	2,07%	0,62%			
Total		5,13%	10,8%			

Size

The industry broadly has expressed concerns about the feasibility of implementing a daily or month-end average measure for G-SIB reporting in relation to the G-SIB Size indicator block. We believe that such a frequency calculation would require significant infrastructure changes and investments. Additionally, the industry highlights the importance of G-SIB reporting aligning with other regulatory reports. To achieve this alignment, investments would be needed in new data sources, and the ability to perform control checks to other reports would be lost if a daily or month-end average frequency calculation were imposed by the BCBS.

¹² [Indicator values and disclosures \(bis.org\)](https://www.bis.org/indicat.htm)

In the UK, the PRA has requested banks to report certain items on a daily average basis (as in bank's COREP submissions), such as SFTs and other on-balance sheet items, in the leverage ratio measure. However, items like off-balance sheet items and regulatory adjustments are required to be reported monthly. Member feedback has suggested that the comparability of this data across firms may not be possible (given divergent preparatory approaches) and therefore would not be suitable for G-SIB assessment purposes (and subsequent setting of capital buffers). In addition, the provision of this information on a daily or month-end average basis for G-SIB scoring purposes may still pose challenges for banks.

In the EU, member banks are currently required to submit daily reporting data for OTC derivatives and SFTs under the EMIR Regulation and associated ESMA requirements. However, it is important to note that there are critical differences between the G-SIB data items and these local reports. The local reports are based on management data, which means they have lower assurance compared to the quarterly regulatory reports (FINREP/ COREP). Additionally, the data is only required at the entity level and not consolidated, and entities in non-EU jurisdictions are excluded. Therefore, significant infrastructure changes and investments would be required to align with the G-SIB assessment framework. It is also worth mentioning that moving OTC derivative and SFT data from insurance subsidiaries to a month-end average frequency would be highly challenging and not feasible on a daily averaging frequency.

Once again, we recommend implementing a quarter-end averaging frequency as it would establish a global minimum standard and also support a level playing field across the current G-SIB sample and additional G-SIB disclosure sample in terms of data frequency requirements.

Interconnectedness/ Substitutability/ Complexity/ Cross-Jurisdictional Activity

Regarding the Interconnectedness and Cross-Jurisdictional Activity G-SIB indicator blocks, the industry has broadly assessed that implementing a daily or month-end average measure for G-SIB reporting would require disproportionate infrastructure changes and investment. Generating sufficiently granular data, especially at the counterparty level would present a huge challenge.

For intra-financial assets and liabilities, banks with complex cross-border groups consisting of multiple entities would face significant challenges in capturing and calculating this information on a daily or month-end average basis. Similarly, for cross-jurisdictional claims and liabilities, the industry has indicated that these data items are currently populated using data from other reporting forms, some of which have reporting time lags exceeding 30 days.

Moving intra-financial assets and liabilities, along with cross-jurisdictional claims and liabilities, to more frequent reporting (i.e., daily or month-end) would not only increase production system demands but also require a fundamental reengineering of data production and control processes. Even after reengineering, members do not believe it would be feasible to complete all controls, reconciliations, adjustments, and reviews of this complex data set on a relatively high-frequency basis.

For Level 3 Assets under the Complexity indicator block, member feedback shows that this indicator cannot be used for window dressing and is already collected quarterly for G-SIB reporting purposes. Therefore, there would be no supervisory benefit to averaging this data more frequently. Level 3 assets are the most difficult types of assets to value because they are often highly unique in structure, and there is no active two-way market for trading them (hence less public market data). Examples include structured derivatives, illiquid loans and mortgage servicing rights. It is infeasible, as a practical matter, to comprehensively remeasure their value on a daily basis. Increasing Level 3 asset remeasurement from quarterly to daily or monthly would also face

significant operational constraints, in particular due to: the complexity of determining the significance of unobservable inputs for derivatives, known as ‘the significance test’; significant manual processing; and increased burden on the governance framework. Accordingly, we believe that Level 3 assets should remain reported based on quarter-end valuations.

Similarly, for the Assets under Custody (AUC) indicator under the Substitutability block, member feedback indicates that it would be challenging to extend the scope beyond current quarterly reporting. Global custody banks typically hold assets for their clients in over 100 markets, generally through a sub-custodian network, which creates considerable operational complexity. Moreover, the ability to support a daily AUC figure is constrained by the frequency of Net Asset Value calculations. While many funds conduct daily price calculations, this is not true for all funds, so the required data points may simply be unavailable.

Scope

As previously mentioned, the choice of the three options presented in the BCBS consultation paper appears to be intrinsically linked to the application of potentially higher frequency averages. We observe two level playing field objectives that form the basis of the proposed revision of the G-SIB framework: first, across major banking jurisdictions, and second, between the G-SIB assessment sample and the additional G-SIB disclosure sample.

We believe that our recommendation for a quarter-end averaging option would largely meet both objectives. Therefore, we would support option A in the BCBS consultation (i.e., to apply the same frequency average calculations to all banks in the G-SIB assessment sample and the additional G-SIB sample). As previously mentioned, combining option A with our quarter-end averaging recommendation would avoid the disproportionate burden for banks in the additional G-SIB assessment sample, as the majority of these banks already report G-SIB data on a quarterly basis. Supervisors can, in this context, rely on ad-hoc data collection at different frequencies to investigate these practices if required. Additionally, we note that supervisors already have the authority to move a G-SIB to a higher bucket or to maintain an institution on the list (which has previously been implemented, for example in Europe).

We highlight that options B and C in the BCBS consultation risk undermining the level playing field between current G-SIB and non G-SIB banks, given that G-SIB scores are calculated relative to other banks (hence all banks should be subject to the same rules). We do not find this appropriate, considering that the G-SIB scoring methodology is designed to capture banks moving into or out of the G-SIB assessment sample (i.e., the dynamic scoring methodology). We note that supervisory authorities already have the discretion to request more frequent data from individual banks to investigate potential window-dressing behaviour, as well as other measures such as reallocating a bank to a higher bucket or maintaining its G-SIB listing.

Section 3 – Operational Challenges

In this section, we provide detailed member feedback on the operational challenges associated with implementing daily or month-end average calculations across the following G-SIB indicators:

- Intra-financial systems assets and liabilities (‘Interconnectedness’ Section/ Indicators 3f and 4e)
- Cross-jurisdictional claims and liabilities (‘Cross Jurisdictional Activity’ Section/ Indicators 13c and 14c)

For each indicator set, we asked a sample of member banks to summarise their firm’s current approach across internal functions and to indicate the potential operational enhancements needed to facilitate the daily or month-end average calculations, as well as the potential impact on cost and data quality.

Below, we have reproduced several anonymised responses from member banks across the major banking jurisdictions to help the BCBS understand the variety of operational challenges. We caveat that the key points should not be assumed to apply across all jurisdictions and business models relevant to our members. We have identified the following themes that are consistent across the responses submitted by the sample of member banks:

- For both sets of indicators, daily averaging would require a complete redesign and implementation of new reporting processes, which would have significant systems implications. This would be resource-intensive and would take time to design and implement.
- Given that several banks' current reporting infrastructure is based on quarterly reporting, month-end averaging would also require significant infrastructure investment. Even where monthly data is available, in general this is not used for external reporting purposes and would require significant development/assurance to fulfil this requirement.
- Assurance/ governance arrangements are a fundamental component of banks' data processes and would require significant redesign and investment in the event that greater averaging frequency requirements were introduced. In the case of daily averaging, it is doubtful whether satisfactory data assurance/ reconciliation could be secured, given the minimum monthly cycle required to support production of quarter-end reports.
- Where banks currently use manual processes to extract relevant information from data sources to comply with the G-SIB indicator reporting requirements, in the event that greater averaging frequency requirements were introduced, this would necessitate automation of such processes (which again, would require detailed design and implementation).

Operational Impact Assessment – Bank 1

Data Functions	Current Approach	Daily Averaging?	Monthly Averaging?
Data systems/ infrastructure	<p><u>Intra-financial systems assets and liabilities</u></p> <ul style="list-style-type: none"> - Data on assets and liabilities related to ‘financial institutions’ is collected from over 120 sites, based on quarterly FINREP numbers that have been further customised to align with GSIB rules. - For balances related to insurance entities, data is enhanced by insurance entities using source systems that have been further customised to align with the GSIB definition of ‘financial institutions’. - Data on equity securities related to investments in non-consolidated associates is derived from the capital calculation process, which is available on a quarterly basis. - Banking entity data for SFTs and OTC derivatives are based on the quarterly COREP reporting process, leveraging well-governed counterparty credit risk data. - Undrawn commitments are based on data from the Non-Counterparty Credit Risk database which follows 	<p>The current accounting and reporting infrastructure cannot meet the daily average requirement. Implementing daily averaging would require a complete redesign and the development of a new reporting process, requiring enhancements across the entire front end-ledger reporting infrastructure. This process would be resource-intensive and would require a significant amount of time to assess, redesign, and implement. At this stage, we cannot estimate the cost and time implications without undertaking a complex assessment exercise, as this requirement represents an entirely new paradigm.</p>	<ul style="list-style-type: none"> - The current reporting infrastructure is based on quarterly FINREP / COREP reporting. Replicating this on a monthly basis would be very challenging, requiring significant upgrades to the existing reporting infrastructure, processes, and personnel. However, some items related to SFTs, OTC derivatives and undrawn balances can be produced monthly (see details below) - For Section 3 (Intra-financial system assets), SFTs, OTC derivatives, and undrawn balances for banking entities are available monthly from the PRA 101 reporting process, constituting approximately 25% of the total section value. - For Section 4 (Intra-financial system liabilities), SFTs and OTC derivatives for banking entities are available monthly from the PRA 101 reporting process, constituting approximately 20% of the total section value. - For cross-jurisdictional items, derivative claims and liabilities can be produced on a monthly basis. However, these constitute less than 3% of the total reported balance at respective section level.

	<p>the COREP framework and is enriched to align with the GSIB definition of 'financial institutions'.</p> <p><u>Cross-jurisdictional claims and liabilities</u></p> <ul style="list-style-type: none"> - Data on assets and liabilities is collected from over 120 sites, based on quarterly country exposure numbers that have been further customised to align with GSIB rules. - Country risk-in and risk-out for assets with the home country (to reflect the ultimate risk) are adjusted manually and are only available on a quarterly basis. This data is sourced from over 120 sites specifically for the Quarterly Country Exposure return. - OTC derivatives for banking entities are based on the quarterly COREP reporting process, leveraging well-governed counterparty credit risk data. 		
Data processes	<p>The current reporting process is based on quarterly FINREP, Country Exposure return, and COREP, as mentioned previously.</p>	<p>Implementing daily averaging would require a daily data enrichment process, including counterparties classification (for Sections 3 &4) per GSIB rules, which vary compared to other reporting standards. It would also</p>	<p>The reporting process currently lacks the capability to submit monthly average values for cross-jurisdictional and intra financial system indicators, except for the following items:</p> <ul style="list-style-type: none"> - For the interconnectedness indicator, SFTs, OTC derivatives, and undrawn commitments provided by banking entities can be produced monthly, as they are

		require daily submissions by over 120 entities for group consolidation, governance, and upgrading control frameworks. Therefore, meeting the daily averaging requirement would be extremely challenging.	based on the PRA 101 reporting process submitted to the PRA. - For cross-jurisdictional items, derivative claims, and liabilities, monthly production is feasible; however, these constitute less than 3% of the total reported balance at the respective section level.
Data assurance/ governance	<p><u>Intra-financial systems assets and liabilities</u></p> <ul style="list-style-type: none"> - Entity-level reconciliation/ walk with FINREP for banking entities. - Analytical review, including quarter-over-quarter variance analysis and an analysis over 8 quarters. - A minimum of 4 levels of review involving subject matter experts, GSIB leads, functional head, and risk owner. <p><u>Cross-jurisdictional claims and liabilities</u></p> <ul style="list-style-type: none"> - Analytical review, including quarter-over-quarter variance analysis and a trend analysis over 8 quarters. - Reconciliation/ walk with FINREP/ Country Exposure return. - A minimum of 4 levels of review involving subject matter experts, GSIB leads, functional head, and risk owner. 	Not applicable – infrastructure/ process not available to produce daily average values.	Not applicable – infrastructure/ process not available to produce monthly average values.
Third party input	Associates, Joint Venture, and valuation of securities data are only available on a quarterly basis.	Collecting Associates, Joint Venture, and valuation of securities data on a daily basis is not possible.	Collecting Associates, Joint Venture, and valuation of securities data on a daily basis would be extremely difficult to achieve.

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Operational Impact Assessment – Bank 2

Indicator Set - Cross Jurisdictional	Current Approach	Daily Averaging?	Monthly Averaging?
Data systems/ infrastructure	Manually sourced from the FFIEC 009 Country Exposure Report (CER), which reports claims of foreign entities and foreign office liabilities, and the TIC B report, which details U.S dollar claims and liabilities to foreign entities.	Not currently configured for daily operations. Requires significant infrastructure enhancements to meet reporting standards	Currently based on balance sheet and counterparty information Data quality must be improved to meet official reporting standards Significant infrastructure enhancements required to meet reporting standards
Data processes	Aggregate balances into a working Excel file	Not currently configured for daily updates Requires a new build and sourcing from authoritative data sources	Currently sources balances systemically and isolates cross-jurisdictional exposures Monthly estimates need to be enhanced to meet reporting standards
Data assurance/ governance	Conduct variance analysis and management review; reliance is also placed on reporting/ governance for CER and TIC-B reports	Not currently configured for daily updates Would require new processes from product and legal entity controllers	Conduct variance analysis and management review Would require new processes from product and legal entity controllers
Third party input	Not applicable	Not applicable	Not applicable
Indicator Set - Interconnectedness	Current Approach	Daily Averaging?	Monthly Averaging?
Data systems/ infrastructure	Systemically source balances using balance sheet and counterparty information, then perform additional enrichment to conform to Y-15	Some balances can be sourced daily, reviewing sourcing options for others	Systemically source balances using balance sheet and counterparty information. Then perform additional enrichment to conform to Y-15 instructions (US-specific Method 2 reporting template).

	instructions (US-specific Method 2 reporting template)	Strategic enhancements would be required for most items	
Data processes	Aggregate balances into a working Excel file	Not configured for daily updates Requires new build and sourcing from authoritative data sources	Aggregate balances into a working Excel file; strategic build in progress.
Data assurance/ governance	Conduct variance analysis and management review	Conduct variance analysis and management review Would require new processes from product and legal entity controllers	Conduct variance analysis and management review.
Third party input	Not applicable	Not applicable	Not applicable

Operational Impact Assessment – Bank 3

Data Functions	Current Approach	Daily Averaging?	Monthly Averaging?
Data systems/ infrastructure	<p>Manual processes are necessary to extract data from source systems for Leverage Ratio, LCR, and NSFR reporting, and to aggregate it in the G-SIB indicators.</p> <p><u>Intra-Financial System Assets and Liabilities:</u></p> <ul style="list-style-type: none"> - Undrawn commitments are based on quarterly financial accounting reports. - OTC derivatives and SFTs are derived from quarterly JFSA Leverage Ratio reports, leveraging well-governed counterparty credit risk data. 	<p>Current reporting values are primarily sourced from several regulatory systems, which can produce figures similarly to quarterly reports once daily data is input. The most difficult part is building daily processes.</p> <p>The value of undrawn commitments is sourced from accounting reports, which lack the capability to process daily data.</p> <p>Data availability for each item is as follows:</p>	<p>Current reporting values are primarily sourced from several regulatory systems, which can produce the figures similarly to quarterly reports once the monthly data is input.</p> <p>The value of undrawn commitments is sourced from accounting reporting, which cannot process monthly data.</p> <p>Data availability by each item is as follows:</p> <p><u>Intra-Financial System Assets and Liabilities:</u></p> <ul style="list-style-type: none"> - OTC derivatives and SFTs in major entities are available on a monthly basis and are used only for internal monitoring.

	<p>- Other items are sourced from the database for the quarterly JFSA LCR/NSFR reporting.</p> <p><u>Cross-Jurisdictional Claims and Liabilities:</u></p> <p>- All items are sourced from the database for the quarterly JFSA LCR/NSFR reporting.</p>	<p><u>Intra-Financial System Assets and Liabilities:</u></p> <p>- OTC derivatives, SFTs, and undrawn commitments (constituting 60% of the value) do not have daily processes.</p> <p>- Data from LCR/NSFR reporting are available on a daily basis in the database, though its coverage is smaller than that of quarterly Leverage reporting.</p> <p><u>Cross-Jurisdictional Claims and Liabilities:</u></p> <p>- - Data from LCR/NSFR reporting are available on a daily basis in the database, though its coverage is smaller than that of quarterly Leverage reporting.</p>	<p>- OTC derivatives and SFTs in minor entities, as well as undrawn commitments, are not available monthly. Capturing them on a monthly basis would require significant enhancements of the existing reporting infrastructure, processes, and personnel.</p> <p>- Most other items are available on a monthly basis, though data control is weaker compared to quarterly reporting.</p> <p><u>Cross-Jurisdictional Claims and Liabilities:</u></p> <p>- - Most items are available on a monthly basis, though data control is weaker compared to quarterly reporting.</p>
Data processes	Data process have been developed for regulatory and accounting reporting.	<p>Building daily processes presents significant challenges in terms of human resources rather than system capabilities. We believe the daily average do not justify the burden and high costs involved.</p> <p><u>Intra-Financial System Assets and Liabilities:</u></p> <p>- Daily data is available for 40% of the total value. Capturing the remaining 60% daily would require</p>	<p>Most data is available monthly under the current operation, though it is not used for external reported reporting. Ensuring the full data coverage is challenging.</p> <p><u>Intra-Financial System Assets and Liabilities:</u></p> <p>OTC derivatives and SFTs in minor entities, as well as undrawn commitments, are not available monthly. Capturing them monthly would require significant enhancements to the existing reporting infrastructure, processes, and personnel.</p> <p><u>Cross-Jurisdictional Claims and Liabilities:</u></p>

		<p>significant enhancements of the existing reporting infrastructure, processes, and personnel.</p> <p><u>Cross-Jurisdictional Claims and Liabilities:</u> Daily data is available, but data control is weak.</p>	Monthly data is available, but data control is weak.
Data assurance/governance	Data quality and governance, including reconciliation with the balance sheet, quarter-over-quarter variance analysis, and approval processes, are assured through quarterly regulatory and accounting reporting.	Establishing daily processes to ensure data quality equivalent to quarterly standards is extremely challenging. Even introducing simple quality checks, such as day-over-day variance analysis, would incur high costs.	Ensuring monthly data equivalent to quarterly data is also challenging. For items where monthly data is available, simpler quality checks like month-over-month variance analysis are currently performed.
Third party input	Not applicable	Not applicable	Not applicable

Conclusion

The GFMA, IIF and ISDA strongly recommend that the BCBS should only make changes to the current G-SIB assessment framework that are justified through robust analysis; are proportional to the anticipated supervisory benefits while avoiding excessive complexity for the industry; and do not result in unintended consequences (such as reduced data assurance/ quality).

Therefore we recommend that the BCBS avoids a daily or monthly averaging approach for the G-SIB indicators, and instead consider the fact that the industry is already able to report the G-SIB indicators at each quarter-end (using point-in-time values). We reiterate that averaging quarter-end values would produce better-quality data from over the financial year and allow the BCBS and supervisors to identify and better analyse any perceived management of indicator values on the part of G-SIB sample banks, while minimising undue operational complexity.

We very much appreciate the opportunity to share our feedback with you and we would be happy to elaborate further on any of these points if that would be helpful.

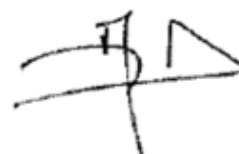
Yours faithfully



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