World Council

May 4, 2018

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

Re: Technical Amendment: Pillar 3 Disclosure Requirements – Regulatory Treatment of Accounting Provisions

Dear Mr. Coen:

World Council of Credit Unions (World Council) appreciates the opportunity to comment on the Basel Committee on Banking Supervision's (Committee) *Technical Amendment: Pillar 3 Disclosure Requirements – Regulatory Treatment of Accounting Provisions.*[1] Credit unions are cooperative depository institutions and World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 68,000 credit unions in 109 countries with USD 1.8 trillion in total assets serving 235 million physical person members.[2]

As an introductory matter, World Council supports the Committee's proposal to revise the Pillar 3 disclosures so that they correspond better to how provisions are measured under expected credit loss accounting standards. We agree that disclosing the impact that the "fully loaded" expected credit loss accounting standards would have on a financial institution's regulatory capital during the application of the Committee's transitional arrangements for expected credit losses—under which jurisdictions can allow financial institutions to add back the increased reserves required by International Financial Reporting Standard 9 (IFRS 9) and US GAAP Current Expected Credit Losses (CECL) to their regulatory capital to be amortized over up to five years[3]—will promote transparency and market discipline.

With respect to Templates CR1 and Table CRB (Credit quality of assets) we urge the Committee to continue to reinforce the concept of proportionality by limiting reporting compliance burdens for non-complex, community-based financial institutions. We urge

[1] Basel Committee on Banking Supervision, *Technical Amendment: Pillar 3 Disclosure Requirements – Regulatory Treatment of Accounting Provisions* (March 2018), *available at* https://www.bis.org/bcbs/publ/d428.pdf.
[2] World Council of Credit Unions, *2016 Statistical Report* (2017), *available at* https://www.woccu.org/impact/global_reach/statreport.
[3] Basel Committee on Banking Supervision, *Standards: Regulatory Treatment of Accounting Provisions – Interim Approach and Transitional Arrangements* (March 2017), *available at* https://www.bis.org/bcbs/publ/d401.pdf.

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the Committee to clarify that the geographic breakdown of loans required by subparagraph (e) of the Part 8: Credit Risk table in the Quantitative Disclosures is by country. Country-level disclosures would be a proportional regulatory approach given that macroeconomic conditions and legal requirements (such as with respect to creditors' rights) will be fairly consistent nationally in most countries. This will limit reporting compliance burdens for most credit unions and other community-based financial institutions because it will represent only one geographic area to track.

If further granularity is required beyond the country-level, we believe that the geographic area should be a large region that is readily identifiable and can be easily tracked and incorporated into the core systems of an institution, such as "Western Canada" or "Northeastern United States of America." Otherwise credit unions and other community-based financial institutions will be required to invest significant resources to alter their systems and procedures to track membership demographics which may not currently be available. This expense could be significant and may result in little supervisory value.

With respect to Template KM2 (Key metrics – Total Loss-Absorbing Capacity (TLAC) requirements at resolution group level), we note that the Basel Committee has limited mandatory application of the TLAC Holdings standard to internationally active banks. Credit unions rarely operate on a cross-border basis and the average credit union asset size globally is approximately US$ 32 million in total assets. Many credit union systems do not have a regulatory framework for issuing TLAC-style instruments like contingent convertible bonds, and the markets for these instruments in the jurisdictions with the necessary legal authority to issue them are neither deep nor liquid, if they exist at all.

In the case of an institution that is not required to issue TLAC instruments, we believe that omitting TLAC-related measures from the institution's Pillar 3 disclosures would be a proportional regulatory approach vis-à-vis reporting compliance burdens.

World Council appreciates the opportunity to comment on the Basel Committee's *Technical Amendment: Pillar 3 Disclosure Requirements – Regulatory Treatment of Accounting Provisions.* Please do not hesitate to contact me aprice@woccu.org or phone at +1 202-508-6776 should you have any questions regarding our comments.

Sincerely,

Andrew T. Price
Regulatory Counsel
World Council of Credit Unions