

Global systemically important banks – public disclosure requirements

The BCBS paper “Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement” dated July 3, 2013 describes the annual assessment methodology and the 12 indicators used to identify global systemically important banks (G-SIBs). The document also provides annual public disclosure requirements applicable to large globally-active banks.

In March 2014, OSFI published an Advisory on the implementation of the G-SIB public disclosure requirements in Canada. Federally-regulated banks which have not been identified as G-SIBs, and which have Basel III leverage ratio exposure measures greater than the equivalent of €200 billion at year-end, are required to publicly disclose at a minimum the 12 indicators (in Canadian equivalent values) annually. Such banks must publicly disclose both year-end 2014 and comparative 2013 data by the time the first quarterly financial report of 2015 is released. The following table provides the 12 indicators used in BCBS’s assessment methodology to identify G-SIBs:

Section		Indicators		\$ thousands, as at	
				2014 Oct. 31	2013 Oct. 31
A. Cross-jurisdictional activity	1. Cross-jurisdictional claims	\$ 61,043,526	\$ 59,177,832		
	2. Cross-jurisdictional liabilities	84,270,234	79,877,476		
B. Size	3. Total exposures as defined for use in the Basel III leverage ratio	\$ 453,143,820	\$ 464,576,985		
C. Interconnectedness	4. Intra-financial system assets	\$ 26,095,418	\$ 23,528,983		
	5. Intra-financial system liabilities	17,683,729	14,247,161		
	6. Securities outstanding	123,650,540	113,752,015		
D. Substitutability/financial institution infrastructure	7. Payments activity	\$ 8,159,470,634	\$ 8,203,398,937		
	8. Assets under custody	1,358,430,000	1,216,649,000		
	9. Underwritten transactions in debt and equity market	36,526,470	34,677,612		
E. Complexity	10. Notional amount of over-the-counter (OTC) derivatives	\$ 1,765,057,951	\$ 1,843,564,336		
	11. Trading and AFS securities	36,909,402	40,460,836		
	12. Level 3 assets	2,321,630	2,237,967		

A. Cross-jurisdictional activity

The objective of this section is to measure a bank’s global footprint – i.e., the importance of a bank’s activities outside its home jurisdiction. The concept underlying this section is that the international impact of a bank’s distress or failure would vary in line with its share of cross-jurisdictional assets and liabilities.

B. Size

Size is a key measure of a bank’s systemic importance as a bank’s distress or failure is more likely to damage the global economy or financial markets if its activities comprise a large share of global activity.

C. Interconnectedness

Financial distress at one institution can materially increase the likelihood of distress at other institutions given the network of contractual obligations in which these firms operate. A bank’s systemic impact is likely to be positively related to its interconnectedness vis-à-vis other financial institutions.

D. Substitutability/financial institution infrastructure

The objective of this section is to measure the extent to which a bank provides financial institution infrastructure. The concept underlying this section is that the greater a bank’s role in a particular business line, or as a service provider in underlying market infrastructure (e.g., payment systems), the larger the disruption will likely be in the event of its failure, in terms of both service gaps (including the cost to a failed bank’s customers of having to seek the same service from another bank) and reduced flow of market and infrastructure liquidity.

E. Complexity

The systemic impact of a bank’s distress or failure is expected to be positively related to its overall complexity – i.e., its business, structural and operational complexity. The more complex a bank is, the greater are the costs and time needed to resolve the bank.