September 3, 2021

Via Electronic Mail

Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 – Basel, Switzerland

RE: Technical Amendment G-SIB assessment methodology review process

The Bank Policy Institute[1] and Financial Services Forum[2] appreciate the opportunity to comment on the Basel Committee on Banking Supervision's July 2021 consultative document,[3] which proposes a technical amendment to the Basel Framework to reflect a new process for reviewing the G-SIB assessment methodology. Specifically, the Committee proposes to replace the existing three-year review cycle with a process of ongoing monitoring and review.

The proposed process will include the monitoring of: (i) recent developments in techniques or new indicators that can be used for the assessment of systemic risk; (ii) emerging evidence on the effectiveness of the G-SIB framework; and (iii) structural changes that could impact the effectiveness of the framework. Only if this monitoring work reveals evidence of material unintended consequences or material deficiencies with respect to the framework's objectives will the Committee consider changes to the assessment methodology. Additionally, the consultation specifies that as part of this monitoring effort, the Committee will consider alternative methodologies for the substitutability category that would allow the existing cap to be removed.

BPI and the Forum support the maintenance of robust capital by all banking organizations as an essential tool for promoting the safety and soundness of individual institutions and the financial system as a whole. It is worth noting, in this respect, that over the past decade the tier 1 capital of U.S. G-SIBs has increased by $305 billion. We also support the establishment of an ongoing process to assess the effectiveness of the G-SIB framework. As the economy and financial system evolve, so too should appropriate

[1] The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

[2] The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a leading source of lending and investment in the United States and serve millions of consumers, businesses, investors, and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace, and a sound financial system.

[3] Basel Committee, Consultative Document: Technical Amendment G-SIB assessment methodology review process (July 2021), available at https://www.bis.org/bcbs/publ/d522.pdf.

regulation, including the design and measurement of the systemic risk posed by G-SIBs. In general, we do not view the proposed adoption of an ongoing monitoring process as problematical, but we do wish to express some potential concerns with such an approach.

First, the move to ongoing monitoring of the G-SIB assessment framework should not reduce the transparency of the standard setting process, nor the practice of ongoing communication with the public on evolving views on the efficacy of the framework. It is imperative that the Basel Committee regularly engage with the public and impacted institutions on the GSIB framework to ensure that it is appropriate and that it achieves the underlying goals set out by the Committee in a transparent manner. As such, we believe that in adopting the proposed new monitoring system, the Committee should commit to regularly and transparently engaging with the public and impacted institutions on data and evidence in support of the GSIB framework.

Second, the move to ongoing monitoring should not alter the use of the public consultation process for any intended changes to the G-SIB assessment framework. The Committee does not indicate whether future changes to the framework would be proposed for comment or whether adjustments to the framework would be implemented without the benefit of public input. We would strongly encourage the Committee to publicly reiterate its support for the conduct of its work in an open and transparent manner, with the full opportunity for comment. This includes any changes to measurement approaches for the substitutability category that would allow the cap to be removed.

Third, we hope that as part of its ongoing monitoring efforts, the Basel Committee will consider the impact and interaction of the full complement of reforms implemented over the past decade, including those proposed and implemented after the calibration of the GSIB surcharge, on the systemic risk posed by GSIBs and implications of this risk for the design and calibration of the GSIB surcharge framework.

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The Bank Policy Institute and the Forum appreciate the opportunity to provide these comments and would welcome the opportunity to discuss them further with you. If you have any questions, please contact the undersigned Anna Harrington at Anna.Harrington@bpi.com or (202) 589-2533, or Sean Campbell at scampbell@fsforum.com or (202) 457-8761.

Anna Harrington

Anna Harrington
Senior Vice President,
Associate General Counsel
Bank Policy Institute

Sean Campbell
Chief Economist,
Head of Policy Research
Financial Services Forum