



July 9, 2019

Filed Electronically

Pablo Hernandez de Cos
Chair
Basel Committee on Banking
Supervision
Bank for International
Settlements
CH-4002
Basel, Switzerland

Re: Consultative Document: Consolidated Basel Framework

Dear Chair Hernandez de Cos:

World Council of Credit Unions (World Council) appreciates the opportunity to comment on the Basel Committee on Banking Supervision's ("Basel Committee") *Consultative Document: Consolidated Basel Framework ("Consolidated Framework")*.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 117 countries with USD 2.1 trillion in total assets serving 260 million physical person members.²

We appreciate the Basel Committee's efforts in providing for the Consolidated Framework. We believe this effort overall will provide easier access to the entire framework adopted over the past several years. Overall, we believe the Consolidated Framework accurately, clearly and comprehensively sets out the policy contained within the published Basel standards. Further, we support the technical amendments of Section 1, agreeing with the proposal that they bring additional clarity to the Consolidated Framework.

However, we urge the Committee to provide clearer instructions to national-level authorities as we continue to observe their tendency to apply these standards without regards for proportional tailoring to the risk or complexity of a credit union or other

¹ Basel Committee on Banking Supervision, *Consultative Document: Consolidated Basel Framework* (April 2019), available at <https://www.bis.org/bcbs/publ/d462.pdf>.

² World Council of Credit Unions, *2016 Statistical Report* (2017), available at <http://www.woccu.org/publications/statreport>.

community-based mutual depository institution. This is particularly true in jurisdictions that contain institutions that are of large size compared to other local credit unions or where the credit union or other mutual is of large size relative to the capitalization of the local deposit insurance fund or other savings guarantee scheme.

The Basel Framework reforms are intended for Global-Systemically Important Banks (G-SIBs) and Domestic-Systemically Important Banks (D-SIBs), but the lack of clarity for implementation for those that are neither D-SIBs or G-SIBs continues to be an issue.

Credit Unions and other community-based cooperative depository institutions are not systemically important on a global or domestic level. Their operations are far less complex than those of G-SIBs, D-SIBs or internationally active banks. What we observe occurring at the national-level is that often the Basel Framework is perceived as a floor with regulators occasionally exceeding this standard for credit unions despite the lack of need for the heightened Basel framework standards and without appropriate proportional tailoring.

While we appreciate that the Core Principles³ reinforces the proportionality concept, we believe the Basel Committee should go further in providing guidance to national-level supervisors on this approach.

Specifically, WOCCU urges this inclusion of clearer guidance on the factors appropriate for national level regulators to consider when developing proportionate approaches. A set of high-level principles or weighing-factors would be useful on when less complex approaches are appropriate such as:

- Whether the institution has cross-border operations;
- The complexity of the institution's assets and liabilities;
- The asset-size of the institution;
- The extent of the institution's leverage;
- The institution's interconnectedness with the financial system;
- The degree to which the institution reports to multiple prudential supervisors;
- The extent and nature of the institution's off-balance-sheet exposures; and
- The mix of business activities of the institution, such as whether it engages in community banking, commercial banking and/or investment banking.

³ See, e.g., Basel Committee on Banking Supervision, *Core Principles for Effective Banking Supervision*, at ¶4 (Sep. 2012) (“[T]he Committee has sought to achieve the right balance in raising the bar for sound supervision while retaining the Core Principles as a flexible, globally applicable standard. By reinforcing the proportionality concept, the revised Core Principles and their assessment criteria accommodate a diverse range of banking systems. The proportionate approach also allows assessments of compliance with the Core Principles that are commensurate with the risk profile and systemic importance of a broad spectrum of banks (from large internationally active banks to small, non-complex deposit-taking institutions)”, available at <https://www.bis.org/publ/bcbs230.pdf>.

Without such increased proportionality and direction to national-level regulators, the disproportionate regulatory burdens associated with Basel III will continue to exacerbate the “Too-Big-To-Fail” problem by increasing the market power of the largest deposit-taking institutions while increasing consolidation among community-based deposit taking institutions.

These proposed changes are designed not for the purposes of substantively changing the adopted framework, but merely as clarification and amplification of existing policy. Thus, WOCCU believes it is entirely appropriate for the Basel Committee to adopt this guidance as part of the Consolidated Basel Framework process.

World Council appreciates the opportunity to comment on the Basel Committee’s Consolidated Basel Framework. If you have questions about our comments, please feel free to contact me at aprice@woccu.org or +1-202-843-0704.

Sincerely,

A handwritten signature in black ink, appearing to read 'Andrew T. Price', with a stylized, cursive script.

Andrew T. Price
Vice President of Advocacy
World Council of Credit Unions