



June 15, 2016

Bank of International Settlements
Secretary
Basel, Switzerland

RE: Comments on Consultative Document Concerning Pillar 3 Disclosure Requirements – Consolidated and Enhanced Framework

To Whom It May Concern,

Americans for Financial Reform (“AFR”) appreciates the opportunity to comment on the above-mentioned Consultative Document. AFR is an American civil society coalition of more than 200 national, state and local groups who have come together to reform the financial industry. Members of our coalition include consumer, civil rights, investor, retiree, community, labor, faith based and business groups.¹

Given the complexity of the regulations now applying to global banks, a comprehensive new set of disclosures is absolutely necessary in order to help both investors and civil society organizations such as ourselves understand bank activities. A clear and consistent set of public disclosures should also be helpful for financial regulators, who under the U.S. system do not always have access to bank supervisory data that may be relevant to the markets they oversee.

We therefore support the enhancement and consolidation of bank disclosure requirements laid out in this Consultative Document. However, we have two specific concerns about weaknesses in the proposal that we believe it is important to address. ,

- First, we are concerned that the trading desk level disclosures have been significantly narrowed as compared to earlier proposals made as part of the Fundamental Review of the Trading Book. The final requirements should return to a more comprehensive version.
- Second, we are concerned that the remuneration disclosures do not include information on the actual exercise of any downward adjustment or clawback options in connection with losses or misconduct. Including this information is crucial to understanding whether these accountability measures are actually real.

Trading Desk Level Disclosures

The desk level market risk disclosures proposed in Part 11 of this Consultative Document appear to have been narrowed fairly significantly as compared to the disclosures proposed in the

¹ A list of coalition members is available at <http://ourfinancialsecurity.org/about/our-coalition/>

October 2013 BCBS Consultative document addressing the Fundamental Review of the Trading Book. In the October 2013 document, banks were required to release the standardized capital and default risk charges for all trading desks, as well as various quantitative Internal Models Approach (IMA) calculations for any trading desks using the IMA methodology. These disclosures were required for each trading desk and also at the summary top level.

In this Consultative Document, the approach appears to be that banks need not disclose standardized charges for any desks, and in the case of IMA banks are permitted to select a subset of desks for which to disclose desk-level quantitative information. The selection of these desks is apparently at the discretion of the bank but subject to the requirement that the desks be 'representative' of the banks activities. Banks must give a qualitative explanation of why they believe selected desks are representative of their activities, but what it means to be 'representative' is not precisely defined.

We believe it is far preferable to take the approach in the October, 2013 document and apply the disclosure template to all trading desks in the bank, for both standardized and IMA calculations (so they can be compared). Leaving the choice of desks to be disclosed to the bank itself will likely render the data non-comparable across banks and possibly non-comparable at the same bank over time. In addition, the choice of which desks are 'representative' is likely to be highly subjective in the absence of clear quantitative standards for representativeness.

A comprehensive release of a comprehensive set of quantitative disclosures for each desk (as in Table MR-2 in the document) will make this data much easier to use to understand bank trading activities. In light of the central role of specific trading desks (such as CDO desks) during the financial crisis, as well as new rules limiting bank trading activities, such as the Volcker Rule in the United States, a granular understanding of bank trading activities is particularly important. We strongly urge the BIS to return to the October 2013 approach of requiring disclosures for all desks.

Remuneration Disclosures

We support the remuneration disclosures in Part 14 of this document. However, we urge the BIS to add required disclosures on the actual exercise of downward adjustment for deferred compensation or clawback provisions for compensation granted. While the Part 14 disclosures include information on total deferred compensation at risk for reduction, it appears to include no information on actual reductions that have taken place.

If a bank does not have adequate governance policies in place to actually reduce or claw back compensation in cases where such reductions are justified, then supposedly deferred compensation may be a mere formality and not actually have the desired incentive effect. The information that is most material for investors and most effective in terms of market discipline is not simply the amount of compensation formally deferred, but the willingness of the bank to actually reduce compensation in response to failures in risk governance.

Strikingly, the Part 14 disclosures require no information on such actual exercise either in the general qualitative disclosures or in the specific quantitative disclosures. Analysts could attempt

to infer some information about this exercise by comparing compensation figures between different years, but this would be difficult, complex, and not conclusive in any case, since a number of factors could lead to changes in reported compensation at risk in different years.

The BIS should add disclosures concerning exercise of downward adjustment or clawback provisions, including the quantitative amount of compensation reduction.

Thank you for the opportunity to comment on this Consultative Document. If you have any questions, please contact Marcus Stanley, AFR's Policy Director, at 202-466-3672 or marcus@ourfinancialsecurity.org.

Americans for Financial Reform

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- AARP
- A New Way Forward
- AFL-CIO
- AFSCME
- Alliance For Justice
- American Income Life Insurance
- American Sustainable Business Council
- Americans for Democratic Action, Inc
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Center for Effective Government
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Green America

- Greenlining Institute
- Good Business International
- Government Accountability Project
- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Home Defenders League
- Information Press
- Institute for Agriculture and Trade Policy
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lawyers' Committee for Civil Rights Under Law
- Main Street Alliance
- Move On
- NAACP
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Council of Women's Organizations
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Resource Center
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National Nurses United
- National People's Action
- National Urban League
- Next Step
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO National Network
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council

- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- UNITE HERE
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

List of State and Local Partners

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG

- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX

- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- New Economy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- New Yorkers for Responsible Lending
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida

- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

Small Businesses

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Phoenix AZ
- UNET