

RESPONSE TO FEEDBACK RECEIVED - CONSULTATION PAPER ON PROPOSALS FOR THE IMPLEMENTATION OF BASEL II IN SINGAPORE (PHASE 4)

1. General Comments

1.1 In November 2006 MAS issued a consultation paper inviting views on the draft rules and guidelines for implementing the disclosure requirements of Basel II, also known as Pillar 3. We received a number of comments in relation to this consultation paper and are very grateful to all the respondents.

1.2 MAS has considered the feedback carefully, and where it has agreed with the comments, has incorporated them within the [revised disclosure rules](#) (PDF, 78KB). The comments that are of general interest, together with MAS' responses are set out below.

2. Frequency of disclosure

2.1 Some respondents expressed concern over the cost of compliance with MAS' requirement for full disclosure on a semi-annual basis. These costs were thought to be disproportionate to their value to the end-users, and that the disclosures may confer a competitive advantage to some foreign banks that will be subject to less frequent disclosure requirements.

MAS' Response

2.2 MAS believes that the proposed disclosure requirements of Phase 4 will provide important data to end-users whose understanding and use of the information will likely develop over time. However, in order to provide greater flexibility to banks as they transition to the new capital standards MAS will revise its requirement to state that the full set of Pillar 3 disclosures must be provided on an annual basis at minimum.

2.3 This change does not preclude disclosure on a more frequent basis than annually and MAS expects bank managements to determine their individual policy, having regard to their stakeholders and emerging international practice.

3. Scope of application

3.1 Comments were received on the applicability of MAS' proposed rules in relation to Singapore-incorporated banks whose ultimate parent company may reside in an overseas jurisdiction that also applies Pillar 3 requirements. In this case duplicative disclosure requirements may result in unnecessary costs.

MAS' Response

3.2 MAS agrees that in the situation outlined above the proposed requirements could be duplicative, and will therefore allow a foreign-owned Reporting Bank to omit the qualitative Pillar 3 disclosure items, on the condition that the Reporting Bank provides a clear reference to the location of the parent company's disclosures, provided that the disclosure requirements to which the parent is subject are at least comparable with those of MAS, and that the parent's disclosures are inclusive of the Reporting Bank's operations.

4. Comparatives and historical data

4.1 Some of the feedback questioned the need to provide comparative data on first-time adoption of the proposed disclosure requirements as well as period average data indicated in Table 12-4.

MAS' Response

4.2 MAS will not require comparative disclosure in the case of first-time adoption but would expect comparatives to be provided for subsequent periods. Period averages, as indicated in Table 12-4, will not be required to be reported provided that the period-end data are representative of the average data and an explanatory note to this effect is made by the Reporting Bank.

5. Verification

5.1 One respondent asked for greater clarity on the nature and frequency of the verification of disclosures.

MAS' Response

5.2 MAS does not wish to prescribe the form of verification but would expect independence to be maintained through the separation of preparer and reviewer. The frequency of verification should be determined by management but should be commensurate with the quality of processes and controls and the extent to which material changes are likely to occur between reporting periods.

6. Location

6.1 One comment suggested that item Table 12-4(i) should be permitted to be disclosed in an appropriate medium or location other than the Annual Report and periodic financial statements, due to the regulatory nature of the data.

MAS' Response

6.2 MAS agrees with the comment and has made the relevant change to the proposed rules.

7. IRBA disclosure

7.1 Some respondents questioned whether sufficient historical IRBA data would be available in relation to the disclosure items in Table 12-6(e). Additionally comments were raised on the requirement to disclose exposure-weighted average PDs in accordance with Table 12-6(c).

MAS' Response

7.2 In relation to the historical IRBA results required to be disclosed in Table 12-6(e) MAS has amended the requirement to apply from periods ended 31 December 2009 to 2010 in recognition of the limitations of the data to provide for a meaningful assessment of performance.

7.3 MAS agrees that given the requirement to disclose the data in Table 12-6(c) by PD grade the requirement to provide exposure-weighted average PDs is unnecessary and has amended the proposed rule accordingly.

8. Securitisation

8.1 We have inserted a requirement for a Reporting Bank to disclose implicit support for a securitisation structure in Table 12-9. This requirement was previously incorporated in our draft rules for securitisation which were issued for consultation in June 2006.