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14<sup>th</sup> May 2018

**Agustin Carstens**  
General Manager  
Basel Committee on Banking Supervision  
Bank for International Settlements  
CH-4002  
Basel  
Switzerland

Dear Mr. Carstens,

**CIBAFI Response to the Basel Committee’s Consultative Document “Pillar 3 disclosure requirements – updated framework”**

The General Council for Islamic Banks and Financial Institutions (CIBAFI) presents its compliments to the Basel Committee on Banking Supervision (BCBS) and takes this opportunity to express its appreciation of the work that the BCBS is doing to revise and update the Pillar 3 disclosure requirements.

CIBAFI is an international body representing Islamic financial institutions globally, who offer financial services and products complying with Islamic rules and principles (Shariah). CIBAFI acts as the voice of the Islamic finance industry, and our members comprise more than 120 Islamic banks and non-bank financial institutions, both large and small, from 33 jurisdictions.

We welcome this opportunity to offer our comments and recommendations on the BCBS’s Consultative Document (CD) “Pillar 3 disclosure requirements – updated framework”. The comments contained in this letter represent the views of CIBAFI Secretariat and feedback received from our members.

**Firstly**, the CD states in the scope of application that “Unless otherwise specified, all disclosure requirements proposed in this Consultative Document apply to internationally active banks at the top consolidated level.....”. This is of course consistent with the application of other parts of the Basel III framework, but many jurisdictions have applied that framework, or parts of it, more widely. In this case, some CIBAFI members indicate that, because of the sophistication and comprehensive nature of the information to be disclosed, it would not be appropriate for the full framework to be applied to all banks generally.

**Secondly**, in a number of places the framework uses asset classes which are not appropriate to Islamic banking. This is particularly the case in “Standardised approach – exposures by asset classes and risk weights”. Whilst in some cases there may be ways of addressing this issue by entering zero values in some cells, and using options to create additional rows or columns, this may look strange in presentational terms and, more importantly, lead to inconsistencies between banks doing comparable business. It would be better, therefore, to define a set of templates tailored to Islamic banks.

**Thirdly**, under the heading “Credit risk” (part 2), the CD suggests additional qualitative and quantitative disclosures related to prudential treatment of problem assets, which are mandatory only when required by national supervisors. Some of our members have expressed the view that the qualitative disclosures in particular would involve too great an intrusion into commercial confidentiality, with possible impacts on banks’ competitive positions.

**Fourthly**, under the heading “Asset encumbrance”, the CD requires disclosures by banks on encumbered and unencumbered assets. It requires these only in overall terms, but national supervisors have the discretion to require them to be broken down by asset class. Some CIBAFI members highlighted that the nature of Islamic banks’ transactions and activities will typically be different from those of conventional banks, and thus the

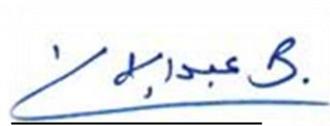
application of the same classes may not be appropriate. In addition, members were concerned that the column relating to central bank facilities might be too sensitive, especially in times of stress. CIBAFI therefore suggests that the option to require this column be deleted.

**Fifthly**, the CD introduces “New disclosure requirements on capital distribution constraints (CDC)”. The paper itself suggests that such disclosures may be sensitive and should therefore be mandatory only when required by national supervisors. CIBAFI members are particularly concerned by this sensitivity, and the possibility that such disclosures may not be interpreted by the markets correctly; they therefore suggest that these requirements should be omitted from the Pillar 3 framework entirely.

**Finally**, the expansion of the scope of application of the template CC1 to the resolution groups relative to retaining its current scope of application to the consolidated group would definitely support transparency of financial institutions’ capital composition. However, our members (none of whom would be directly affected by it) did express some concern about information for investors. There would also be considerable issues if this proposal were ever to be extended beyond the G-SIBs for which it is intended, not least because of the technical difficulties it may pose.

We remain at your disposal should you need any further clarifications on the above.

Yours sincerely,



**Abdelilah Belatik**  
Secretary General