

Global systemically important banks – public disclosure requirements

The BCBS paper “Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement” dated July 3, 2013 describes the annual assessment methodology and the 12 indicators used to identify global systemically important banks (G-SIBs). The document also provides annual public disclosure requirements applicable to large globally active banks.

In March 2014, OSFI published an Advisory on the implementation of the G-SIB public disclosure requirements in Canada. Federally regulated banks, including CIBC, which have not been identified as G-SIBs, and have Basel III leverage ratio exposure measures greater than the equivalent of €200 billion at year-end, are required to publicly disclose at a minimum the 12 indicators (in Canadian equivalent values) annually. The indicators are calculated based on specific instructions issued by the BCBS, which are updated annually. As a result, values may not be directly comparable against other measures disclosed in this report. The following table provides the 12 indicators used in the BCBS assessment methodology to identify G-SIBs:

		2017	2016
Section	Indicators		
A. Cross-jurisdictional activity	1. Cross-jurisdictional claims	\$ 137,871,916	\$ 118,009,555
	2. Cross-jurisdictional liabilities	153,246,382	110,662,084
B. Size	3. Total exposures as defined for use in the Basel III leverage ratio ⁽¹⁾	\$ 618,042,651	\$ 548,812,522
C. Interconnectedness	4. Intra-financial system assets	\$ 43,165,997	\$ 35,112,018
	5. Intra-financial system liabilities	28,897,735	31,278,281
	6. Securities outstanding	162,593,638	143,379,151
D. Substitutability/financial institution infrastructure	7. Payments activity	\$ 16,000,938,465	\$ 18,519,554,329
	8. Assets under custody	1,745,867,000	1,648,810,000
	9. Underwritten transactions in debt and equity market	45,422,235	37,881,683
E. Complexity	10. Notional amount of over-the-counter (OTC) derivatives	\$ 3,406,493,172	\$ 2,659,315,086
	11. Trading and AFS securities	39,413,622	41,928,646
	12. Level 3 assets	2,394,486	3,121,941

(1) The calculation of this measure as defined by Basel for the purposes of the G-SIB indicator disclosures excludes regulatory adjustments.

Changes in G-SIB measures

Changes in measures compared with 2016 primarily reflect the inclusion of balances from CIBC Bank USA, the movement in foreign exchange rates, as well as normal changes in business activity. In addition, changes in the BCBS calculation methodology for 2017 resulted in increases in cross-jurisdictional liabilities versus the 2016 balances.

A. Cross-jurisdictional activity

The objective of this section is to measure a bank’s global footprint – i.e., the importance of a bank’s activities outside its home jurisdiction. The concept underlying this section is that the international impact of a bank’s distress or failure would vary in line with its share of cross-jurisdictional assets and liabilities.

B. Size

Size is a key measure of a bank’s systemic importance as a bank’s distress or failure is more likely to damage the global economy or financial markets if its activities comprise a large share of global activity.

C. Interconnectedness

Financial distress at one institution can materially increase the likelihood of distress at other institutions given the network of contractual obligations in which these firms operate. A bank’s systemic impact is likely to be positively related to its interconnectedness vis-à-vis other financial institutions.

D. Substitutability/financial institution infrastructure

The objective of this section is to measure the extent to which a bank provides financial institution infrastructure. The concept underlying this section is that the greater a bank’s role in a particular business line, or as a service provider in underlying market infrastructure (e.g., payment systems), the larger the disruption will likely be in the event of its failure, in terms of both service gaps (including the cost to a failed bank’s clients of having to seek the same service from another bank) and reduced flow of market and infrastructure liquidity.

E. Complexity

The systemic impact of a bank’s distress or failure is expected to be positively related to its overall complexity – i.e., its business, structural and operational complexity. The more complex a bank is, the greater are the costs and time needed to resolve the bank.

Proposed revisions to G-SIBs – public disclosure requirements

In March 2017, the BCBS released “Global Systemically Important Banks - Revised Assessment Framework”, a consultative document proposing revisions to the G-SIB assessment framework, designed to capture new dimensions of systemic risk not included in the current framework. The proposal includes new G-SIB indicators as well as amendments to the definition and potential weighting of existing indicators. The revised assessment methodology is expected to be finalized in 2018 and to become effective for the 2019 G-SIB assessment.