Global Systemically Important Banks Disclosures
G-SIB Disclosures

Fiscal 2014 and 2013

Background

In July 2013, the BCBS issued an update to the final rules on global systemically important banks (G-SIBs) and outlined the G-SIB assessment methodology which is based on the submissions of the largest global banks. The score for a particular indicator is calculated by dividing the individual bank value by the aggregate amount for the indicator summed across all banks included in the assessment. Accordingly, an individual bank's ranking is reliant on the results and submissions of other global banks. The update also provided clarity on the public disclosure requirements of the twelve indicators used in the assessment methodology. As per OSFI's Advisory issued March 2014, the six Canadian banks that have been designated as domestic systemically important banks (D-SIBs) are also required by OSFI to publish, at a minimum, the twelve indicators used in the G-SIB indicator-based assessment framework for 2014 year-end data by no later than the date of the bank's first quarter 2015 public disclosure of shareholder financial data. Public disclosure of data for year-ends subsequent to 2014 is required no later than the date of the bank's annual disclosure of shareholder financial data.

G-SIB indicator-based assessment framework

The indicator based measurement approach divides the twelve indicators into five categories, with each category yielding a 20% weight to a bank's total score on the G-SIB scale as per the following table.

Category (and weighting)	Individual indicator (and weighting)	Category background
Cross-jurisdictional activity (20%)	1. Cross-jurisdictional claims (10%) 2. Cross-jurisdictional liabilities (10%)	This category measures the importance of the bank's activities outside its home jurisdiction, relative to overall activity of other banks. The two indicators account for an understanding that the international impact of a bank's distress or failure would vary in line with its share of cross-jurisdictional assets and liabilities.
Size (20%)	3. Total exposures as defined for use in the Basel III leverage ratio (20%)	This category measures the size of the bank. The larger the bank, the more difficult it is for its activities to be quickly replaced by other banks and therefore the greater the chance that its distress or failure would cause disruption to the financial markets in which it operates. The distress or failure of a large bank is also more likely to damage confidence in the financial system as a whole. Size is therefore a key measure of systemic importance.
Interconnectedness (20%)	4. Intra-financial system assets (6.67%) 5. Intra-financial system liabilities (6.67%) 6. Securities outstanding (6.67%)	This category measures the magnitude of dependence amongst banks. Given the network of contractual obligations in which the banks operate, financial distress at one institution can materially increase the likelihood of distress at other institutions. A bank's systemic impact is likely to be positively related to its interconnectedness vis-à-vis other financial institutions.

Category (and weighting)	Individual indicator (and weighting)	Category background
Substitutability / financial institution infrastructure (20%)	7. Assets under custody (6.67%) 8. Payments activity (6.67%) 9. Underwritten transactions in debt and equity markets (6.67%)	This category measures the extent to which other institutions could provide the same service (such as availability of substitutes) of the failed bank. The three indicators also measures the bank's dominance in the financial institution infrastructure in which it operates. The greater a bank's role in a particular business line, or as a service provider in underlying market infrastructure (for example, payment systems), the larger the disruption will likely be following its failure, in terms of both service gaps and reduced flow of market and infrastructure liquidity. At the same time, the cost to the failed bank's customers in having to seek the same service from another institution is likely to be higher for a failed bank with relatively greater market share in providing the service.
Complexity (20%)	10. Notional amount of OTC derivatives (6.67%) 11. Level 3 assets (6.67%) 12. Trading and available-for-sale securities (6.67%)	This category measures the complexity of the bank. The systemic impact of a bank's distress or failure is expected to be positively related to its overall complexity – that is, its business, structural, and operational complexity. The more complex a bank is, the greater are the costs and time needed to resolve the bank.

The Bank's fiscal 2014 G-SIB score has not yet been determined, however for fiscal year 2013, the Bank was below the G-SIB bucket thresholds. The following table provides the results of the twelve indicators for the Bank.

G-SIB INDICATORS

(millions of Canadian dollars)

			As at
		October 31 2014	October 31 2013
Category (and weighting)	**Individual Indicator**		
Cross-jurisdictional activity (20%)	Cross-jurisdictional claims	$ 376,172	$ 314,680
	Cross-jurisdictional liabilities	328,043	288,213
Size (20%)	Total exposures as defined for use in the Basel III leverage ratio	1,092,955	965,841
Interconnectedness (20%)	Intra-financial system assets	90,893	73,861
	Intra-financial system liabilities	43,644	30,080
	Securities outstanding	257,098	209,370
Substitutability / financial institution infrastructure (20%)	Assets under custody	338,241	332,567
	Payments activity	21,283,645	19,635,624
	Underwritten transactions in debt and equity markets	18,485	15,823
Complexity (20%)	Notional amount of OTC derivatives	5,980,550	4,711,309
	Level 3 assets	3,022	2,765
	Trading and available-for-sale securities	66,711	52,841