

May 7, 2017

Secretariat of the Financial Stability Board
Financial Stability Board
c/o Bank for International Settlements
CH – 4002 Basel
Switzerland

Re: FSB Proposed Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms Consultation Response (FSB Consultation Response)

Dear Sir or Madame:

The Global Association of Risk Professionals (GARP)¹, reviewed the Financial Stability Board's (FSB) Proposed Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms (Consultation Document), with the objective of responding to the FSB's request for comments. The comments herein are derived from GARP's five (5) plus year history analyzing the impacts of proposed G20 regulatory reforms by working directly with most of the world's largest banks through the GARP Benchmarking Initiative (GBI). GBI provides, among other things, objective qualitative and quantitative feedback to its participating banks and to global regulators on the impact(s) of proposed regulatory reforms.

GARP Benchmarking Initiative (GBI)

GBI was developed in response to an idea socialized by Citi a number of years ago wherein it was suggested that banks develop a series of hypothetical benchmark portfolios (HPE) that would represent the various types of trading activities engaged in by internationally active banks. Banks would then run their risk measures against these benchmark portfolios and make the results available to regulators and the public. It was intended to be a way to allow for more transparency around how banks implemented and viewed their risk measures.

As GBI progressed, it was asked to perform validation work and then develop objective quantitative and qualitative analytics on the data submitted by banks for the BCBS capital studies over the last 3+ years. A process was developed and agreed to by the banks for conducting the studies.

¹ The Global Association of Risk Professionals (GARP), <http://www.garp.org>, is a not-for-profit global membership organization dedicated to preparing professionals and organizations to make better-informed risk decisions. The GARP community represents over 150,000 risk management practitioners and researchers from banks, investment management firms, government agencies, academic institutions and corporations from more than 195 countries. GARP's mission is to educate, train and set global standards in financial and energy risk management. The association administers the Financial Risk Manager (FRM®) and Energy Risk Professional (ERP®) exams; certifications recognized and valued by risk professionals worldwide. GARP also helps advance the role of risk management via comprehensive professional education and training for professionals of all levels. *GARP does not engage in consulting or lobbying activities.*

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The institutional knowledge GBI has gained by completing over 32 studies to date, and continues to build with each subsequent study, has given GBI a developed and proven capability to efficiently and effectively conduct simple and/or complex studies with speed and accuracy of results. Its work has led to much better and more robust discussions of capital requirements and other issues based on agreed sets of underlying factual data between regulators and financial services industry participants. Further, participating banks are provided aggregated study data allowing them to benchmark themselves against each other while maintaining anonymity, a benefit of material importance to the banks.

GBI's participants now number close to 70 internationally active banks, and continues to expand². Over 32 cross-border studies have been completed to date. GBI now enjoys the globally unique position of being the only private organization capable of, and trusted with, engaging in cross-border studies premised on confidential bank data.

GBI's Offerings

GBI offers the following benefits for either regulators or financial services industry participants.

- A well-developed infrastructure for engaging in global financial industry studies.
- The ability to overcome political and jurisdictional challenges associated with cross-border studies.
- A way to overcome confidentiality issues related to (most) cross-border studies as each GBI participant has entered into a master non-disclosure agreement (NDA) that allows for multiple studies to take place simultaneously without the need to sign a new NDA for each study.
- The flexibility to tailor the disclosure(s) to each study coupled with an accepted and proven study disclosure methodology.
- A secure and encrypted environment to collect and analyze confidential data.
- Strong institutional knowledge gained through the 32+ studies completed to date on how to efficiently and effectively conduct confidential studies.
- Speed of analysis given GBI's ability to aggregate and validate data from banks in multiple jurisdictions and to work directly with study participants rather than through intermediaries.
- A robust data depository to store data for current or later use.
- A developed, easy-to-understand and highly robust website that allows for the collection of confidential data, the posting of questions and answers, the ability to provide unique study reminders, tracking of result drafts and final reports, and the ability to restrict access to pre-designated individuals/companies.

GBI responds to the unique challenges of conducting cross-border studies which require strict data confidentiality and the ability to overcome jurisdictional and political issues coupled with speed of analysis. It should be regarded as a study implementation engine and data repository run by a private

² Excluding Chinese banks, GBI participation represents 82% and 92% respectively of the assets of the world's largest 100 and largest 50 banks. Initial conversations have taken place to expand bank participation, and to also include within GBI systemically important insurance companies. Also, GARP has in place relationships with most globally systemic asset managers.

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not-for-profit entity concerned solely with data accuracy and quality results. While GBI does have the capability to originate studies, its work to date has been primarily involved with analyses of regulator developed initiatives.

Specific Responses to Questions Asked

Evaluation Approaches

8. Do you have suggestions on approaches to ensure the quality and replicability of results?

Response: We understand the FSB is considering possibly conducting one or two studies per year as it builds its analysis. As such, the FSB should consider the use of GBI for certain of its study data collection requirements. GBI is not regulated, nor is it subject to jurisdictional considerations or any politics that may be associated with cross-border studies. As such, it can work efficiently, quickly and *directly* with study participants to collect and validate data. This process allows for much greater efficiencies, accuracy and faster study results. GBI's value proposition in a cross-border marketplace has been objectively proven not only by the number of study participants engaged with GBI, but also by the number and complexity of studies conducted.

The FSB can design the studies and work through GBI and its participants (banks, insurance companies, asset managers, others) and with national regulators to develop consistent data templates and study instructions. GBI will maintain a global FAQ website for each study to help ensure consistency. Data submissions can be given simultaneously to national regulators and GBI should that approach be desired. GBI can deliver global data analysis to all study participants and provide national data analyses to the respective national regulator for process validation if desired. It should be noted that all data disclosure would be subject to a pre-defined disclosure protocol to ensure NDA requirements are met.

Data Issues

10. Do you have suggestions on information sharing arrangements (publication of results, repository of evaluations, and data availability, particularly as it pertains to replicability)?

Response: GBI houses a robust data repository as it relates to the 32+ studies it's conducted to date. With regard to the FSB studies, GBI would be willing to work with the FSB to develop an appropriate data architecture with which to capture and make available the various study results. The data and results would be maintained in an encrypted environment and made available only to those having the proper authorization, whether regulators, academics, industry participants or the public in general.

As noted above, GBI's NDAs allow for varying disclosure protocols depending on the requirements of any individual study. As such, it would be relatively simple to provide differing levels of access to the data and to the study results.

Engagement with stakeholders

11. How can the FSB and SSBs best engage with external stakeholders (e.g., financial services providers, various kinds of end-users, and academics) in their evaluation work (going beyond public consultations)?

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Response: Given markets are more robust and international than ever before, market participants encompass not only regulated entities but also those engaged in the “shadow banking” sector. As such there is a need to use an organization that can work seamlessly across borders and engage with entities important to the evaluation who may be unregulated. GBI offers that capability. It can reach out to, for example, such organizations as sovereign wealth funds and private equity firms, asking them to join the study by including them in GBI’s study environment. While their participation would be voluntary, their reluctance to provide relevant data may be less than if they were asked to voluntarily provide data to the regulatory community.

The use of GBI to implement a regulator-initiated study of this magnitude and importance requires somewhat of a mind-set change. But in a financial environment where the markets are not aware of borders or boundaries, yet by law regulators must operate as nation states with cooperation dependent on and governed by MOUs, the need for an organization not subject to the same restrictions under which regulators work to (regularly) implement systemic studies is great. GBI fits that requirement, and has a proven and demonstrable track record.

It should be noted that this response has consistently made a distinction between study origination/development and implementation. GBI addresses the later, not the former. Study origination/development is the province of the regulatory community. Having an implementation entity that can readily and regularly implement studies by collecting and validating data, who is not constrained by jurisdictional issues, and which does not require reinvention for each new study, offers an efficient answer to resource constraints, material economies of scale, accuracy and speed of analysis.

Conclusion

GARP, through GBI, offers the FSB, and the regulatory and practitioner community, a globally unique platform from which the FSB and the G20 may expeditiously conduct its analysis. Its processes and procedures may require some modifications to address specific FSB study requirements. However, GBI and GARP would work with the FSB to ensure that it has the ability to collect, validate, store and retrieve data in an environment that can seamlessly work across borders, address confidentiality issues and to provide a mechanism for it to succeed in its analysis in a timely and flexible manner.

Should you have any questions, please do not hesitate to contact me.

Yours truly,

/s/ Richard Apostolik
President and Chief Executive Officer