COMMENTS ON THE CONSULTATIVE DOCUMENT
"THE NEW BASEL CAPITAL ACCORD"
OF THE BASEL COMMITTEE ON BANKING SUPERVISION

July 30, 2003
Regional Banks Association of Japan
Chairman, Sadaaki Hirasawa
(President and CEO of The Bank of Yokohama, Ltd.)

１：Treatment of equities that arise from a debt/equity swap**(para.206、Footnote54)**

◇ Since equities that arise from a debt/equity swap are included in the definition of equity holdings, these instruments generally do not attract a lower capital charge than if the holdings remained in the debt portfolio. To further smooth utilization of debt/equity swaps as restructuring of debt, we request reduction in the capital charge for these instruments (e.g. the application of the capital charge that would be applied if the holdings remained in the debt portfolio).

２：Transitional measures and easing of requirement for LGD & EAD data holding period of seven years at the beginning of implementation of the New Accord **(para.434, 440)**

◇ As for LGD/EAD estimates, the requirement of holding seven-year data is excessively long at the beginning of implementation of the New Accord. Since there is only two year's leeway between the finalization of the New Accord proposals at the end of 2003 and their trial implementation at the end of 2005, we believe that greater flexibility is necessary for the transitional measures.

◇ In addition, we propose data sufficiency for estimating LGD/EAD as an alternative requirement for AIRB, in case that the requirement for minimum data holding period is not met after the implementation of the New Accord.

３：Operational risk - Beta value of Standardized Approach **(para.617)**

◇ Since the average Beta (12,15,18%) under the Standardized Approach remains at the same level (15%) as the Alpha under the Basic Indicator Approach, there is not enough incentive to adopt the Standardized Approach. We request that Beta value of Standardized Approach should be lowered for appropriate incentive towards more risk sensitive approach.