From:	Nozaki, Hironari [ICG-CIRA]
To:	Basel Committee, Service
Subject:	Comment on "Consultative proposals to strengthen the resilience of the banking sector"
Date:	Monday 12, April, 2010 00:19:18

Dear Sir/Ma'am,

Please let me make a brief comment on the proposed paper.
In relation to II.1.(e) para.96 and also 97, the turbulence of equity markets could increase the volatility of the common equity component of Tier I, which may deepen the procyclicality issue; i.e., a material deterioration in equity markets would hit the ratio without any cushion of deferred tax assets and lower the ability of banks to lend.
I hope this proposal would function as an incentive for the banks to reduce their exposure to the equity markets. But, if a sudden decline in stock prices hit in the course of their efforts to dispose of equity holdings, it might cause a credit crunch. Exclusion of any unrealized gains/losses from the definition could be useful in the transition period as a counter-cyclical measure, before banks successfully sort out this issue.

With best regards,

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