

From: [KEB RISK MANAGEMENT DEPT](#)
To: [Basel Committee, Service](#)
Subject: Comments about QIS (KOREA EXCHANGE BANK SEOUL, KOREA)
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KOREA EXCHANGE BANK
Risk Management Department

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Attn: Secretariat of the Basel Committee
on Banking Supervision,
Bank for International Settlements,
CH-4002 Basel, Switzerland
baselcommittee@bis.org
Dear Sir:

Thank you for giving me the opportunity to make a recommendation to BIS.
About the draft released in December '09, to give you the following suggestions will be reflected in the outcome.

(1) Definition of Capital

Recapitalization by call option which has interest rate raised condition is not recognized in capital. Therefore, it is necessary that the issued call options should be applied to a grace period.

(2) Liquidity

Calculating LCR, bank debentures are excluded from liquid assets. It is necessary that bank debentures, which hair-cut ratio is applied according to banks' credit rating, are included in additional liquid assets. Calculating NSFR, KEB suggest that bank debentures are included in securities maturing over 1 year

Calculating NSFR, deposits of financial institution maturing less than 1 year are not admitted available stable funding. Business activities in Korea, deposits of financial institutes are very stable by transactional relationship. Therefore it is necessary that deposits of financial institutes maturing less than 1 year are admitted available stable funding to some degree. For example, a fixed deposit transfer as a pension trusts, nevertheless, although long-term bank deposits that financial institutions are stable deposits.

Calculating LCR, commitment (ex. ABCP purchasing commitment) is admitted 100% cash out flow, it is too conservative. By ABCP purchase agreement, actually the purchase is executed to a very minor.

High marketable equity securities is needed to be admitted liquid assets to a some degree calculating LCR

(3) Leverage

Off-balance-sheet items under 'Base line' of Leverage ratio will receive 100% CCF, which is expected to have a big impact on our credit policy considering our local environment not to cancel commitments unconditionally. Therefore, we request application of CCF under standardized approach such as 'Additional Option'.

(4) Market risk

As we calculate Market Risk with 750 business days Historical Simulation method, the period of Historical Simulation and Stressed VaR overlaps. Therefore we need a grace period for Stressed VaR application of March 31, 2010

Historical Simulation period : March 30, 2007 ~ March 31, 2010 (750 Business Day)

Stressed VaR Period : July 01, 2008 ~ June 30, 2009 (1 Year)

If you require any further information, feel free to contact us.

Yours sincerely,

RISK MANAGEMENT DEPARTMENT

Korea Exchange Bank