Countercyclical capital buffer proposal

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□ After looking over the quarterly capital buffer targeting guidelines, we find that complying with quarterly targets within a 12-month timeframe to be rather complex. To add, as the guide buffer is provided by the regulators on a quarterly basis, this should make it difficult for banks to formulate independent capital management plans.

In the case capital increase through the issuance of equity is not possible due to market circumstances within a 12-month period, there should be an escape clause that allows the bank to choose to build up capital buffer through the preservation of retained earnings.

□ For internationally-active banks, to make the derivation of required capital buffer simpler, banks should be allowed to exclude overseas operations that are below a certain level of operational size/influence.

□ The proposal to set the minimum fixed buffer level to the capital conservative buffer, which is mainly reserved to absorb investment losses unrelated to economic cyclicality, seems to be redundant with provisioning guidelines that apply expected loss and also guidelines applying TTC and Downturn PD, which are all means of dealing with cyclicality.

- Our overall view is that in order to reduce the burden to boost capital base at the point of implementation, the absolute capital buffer target should be lowered and the implementation of this scheme should be phased-in gradually.