

February 4, 2011
Osaka Securities Exchange Co., Ltd.

**Comment on the Basel Committee on Banking Supervision's Consultative Document
"Capitalisation of bank exposures to central counterparties"**

We, Osaka Securities Exchange Co., Ltd. would like to express our gratitude for this opportunity to comment on the Consultative Document "Capitalisation of bank exposures to central counterparties" released on December 20, 2010, by the Basel Committee on Banking Supervision.

< Comment >

We support the Committee's efforts to ensure that the risk arising from banks' exposures to CCPs is adequately capitalized based on a direction offered by the G20 Pittsburgh statement.

However, we are of the view that we should deserve close attention to the point that it would impose excessive capital requirements on CCPs and banks unless the risk amounts are calculated by taking into consideration the fact that the transactions with CCPs are processed on a net basis and the liquidation procedure is also processed on a net basis at the time of a clearing member's default.

Specifically, the risk arising from banks' exposures to CCPs should be calculated with the reasonable formulas after taking into account the foregoing characteristics of CCPs, as below by 1) applying 1.0, instead of 0.6, for adjusting it by the ratio of net current replacement cost to gross current replacement cost (NGR) in calculating the add-on for netted transactions (A_{net}) or 2) calculating A_{net} directly from the net notional principal

- 1) $A_{net} = NGR * A_{gross}$
- 2) $A_{net} = \Sigma(\text{factor} * \text{net notional principal})$

End of document