

Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland
baselcommittee@bis.org

Chris Barnard
Germany

11 November 2011

**Your Ref: Comment letter on Consultative Document
- Capitalisation of bank exposures to central counterparties**

Dear Sir,

Thank you for giving us the opportunity to comment on your consultative document on Capitalisation of bank exposures to central counterparties. I generally support the changes to your December 2010 proposals; however I would recommend one modification for prudence and completeness.

In Paragraph 17 you state that: "The Committee's proposed framework for capitalising exposures to a CCP relies on the new and more demanding CPSS-IOSCO international Principles for Financial Market Infrastructures (FMIs)... . Where a CCP complies with these Principles, exposures to such CCPs will receive a preferential treatment as compared to exposures to CCPs that do not comply". These compliant CCPs are referred to as qualifying CCPs (QCCPs). I support this approach, which should strengthen FMIs by promoting a robust CCP framework. However, Paragraph 109 in proposed Annex 4 permits a QCCP that loses its status a grace period of three months before bilateral capitalisation rules would apply. I agree that a grace period is reasonable so that bank clearing members can move trades to another QCCP, and to avoid a sharp and unexpected rise in capital requirements. However, we should consider that the circumstances under which a QCCP would lose its status should be expected to be extreme, with possible knock-on effects. Therefore I would recommend that you should only permit a shorter grace period in cases where a QCCP loses its status, of up to one month.

Yours faithfully

C.R. Barnard

Chris Barnard