

THE
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ASSOCIATION
OF
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By email: baselcommittee@bis.org

Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Dear Sirs

Consultative Document on Application of Own Credit Risk Adjustments to Derivatives

We refer to the consultative document on the "Application of own credit risk adjustments to derivatives" published by the Basel Committee on Banking Supervision (BCBS) in December 2011. On behalf of our members, we write to provide our views on the proposals in the consultative document.

The proposed approach requires the full deduction of debit valuation adjustments (DVAs) for derivatives. This is more stringent than the requirement of paragraph 75 of the Basel III rules in the calculation of Common Equity Tier 1. We do not support the proposed approach. Although BCBS highlighted the merits of this approach as simple and transparent, we suggest preserving the option for banks that intend to deduct only the portion arising from the change of its own credit risk. We also request for a practical solution for banks to agree individually with their respective regulators.

We hope you would find our above comments useful. If you have any questions or require any clarification, please do not hesitate to contact us.

Yours faithfully



Ronie Mak
Secretary

c.c. Ms. Rita Yeung, Acting Executive Director (Banking Policy), Hong Kong
Monetary Authority

Chairman The Hongkong and Shanghai Banking Corporation Ltd
Vice Chairmen Bank of China (Hong Kong) Ltd
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