Lago, Raquel

From: Botha, J. (Jacques) [JacquesBo@Nedbankcapital.co.za]
Sent: Friday 17, February, 2012 14:41
To: Basel Committee, Service
Cc: Diakanyo, L. (Lionel); Adams, T. (Trevor); Hallowell, G. (Grant); Castleden, D. (David); Mpye, E. (Ellen); McCarthy, N. (Neil); Davis, M. (Michael) (ALM); Faizel Jeena
Subject: Comments on consultative document

Application of own credit risk adjustments to derivatives: Comments on consultative document

Nedbank currently does not record DVA on its derivative liabilities, as it believes this is not reflective of the derivative's fair value which could be settled between knowledgeable, willing parties in an arm's length transaction. The recognition of accounting gains when a bank's own creditworthiness has deteriorated is further counterintuitive and definitely questionable.

It would appear that IFRS 13, Fair Value Measurement is getting more aligned to the US Fair Value Measurements (ASC 820), where the concept of transferring liabilities rather than settling them is defined and as such US institutions incorporate DVA. The concept of DVA in the measurement of financial liabilities will be debated intensely internally. This standard is effective for the group for the year ending 31 December 2013.

If Nedbank will be required to record DVA on its liabilities, it will be in support of the Basel Committee's proposal to fully deduct all DVAs for derivative liabilities in the calculation of CET1.

Yours Sincerely

Jacques Botha
Head Market Risk | Nedbank Capital
Tel +27 11 294 3851 | **Fax** +27 11 295 3851 | **Cell** +27 82 888 6570
Email jacquesbo@nedbank.co.za
Website www.nedbankcapital.co.za

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