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Fundamental review of the trading book

The Swedish Bankers' Association welcomes BCBS's work to secure a more comprehensive framework for calculating minimum capital requirements for the trading book.

In general, the Swedish Bankers' Association supports the comments provided by the European Banking Federation.

In addition to the comments provided by the European Banking Federation the Swedish Bankers' Association would like to add the following comments to the BCBS's consultative document "*Fundamental review of the trading book*".

The boundary proposals are still at an early stage of development and require a large number of assumptions to conduct any assessment of the boundary proposals respective appropriateness. This was evidenced through the divergence of opinion on the choice of boundary between the Swedish banks. In order to correctly assess the most suitable boundary option the Swedish Bankers' Association firmly believes that additional development of both approaches should continue, hence we do not see trading evidence as a core pillar to the framework without clarification. Following the development a subsequent additional review and consultation should be conducted once the boundary options as well as the other elements of the consultation further materialise.

Although the Swedish Bankers' Association understands the supervisors willingness for the parallel calculation of the internal and standardised models this request imposes unduly operational costs. Such costs could instead be used to strengthen the risk management framework of applicable institutions.

Also, certain proposed measures involve costs for smaller banks that are out of proportion to their added value in controlling market risk. It is important that the new regulation finds the correct balance between complexity and materiality.

Furthermore, regarding the suggested approach of capturing market liquidity risk, we would favour maintaining the current horizon of 10 days for all instruments. Market



liquidity risk should instead be handled either as a capital ad-on (based on cost of exiting), or through adjustments to the valuation as suggested as an alternative approach by EBF (p 4).

SWEDISH BANKERS' ASSOCIATION



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