Riskcare

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

15th February 2013

Dear Sir / Madam,

SECOND CONSULTATION: MARGIN REQUIREMENTS FOR NON-CENTRALLY CLEARED DERIVATIVES

Thank you for the opportunity to respond to the consultation paper on margin requirements for non-centrally cleared derivatives.

Riskcare Ltd is a financial services consultancy with offices in London, New York and Singapore and our clients are participants in markets relevant to this legislation both on-shore and off-shore. As such we would like to raise some general questions but in no way do these questions represent or are meant to be representative of our clients.

1 Objectives of margin requirements for non-centrally cleared derivatives

On page 3 under the section titled *"Margin and capital"*

1. Has the committee considered the potential effects of the requirement for central banks to inject liquidity in to financial institutions to make them more readily accept counterparty collateral which could potentially result in a perceived or actual devaluation of the collateral originally posted by the counterparty in relation to the transaction?
2. Would the committee consider mandating the quarterly or monthly reporting of collateral valuation, ratios and composition at intra-daily intervals?
3. Would the committee consider mandating the exchange of initial margin where either the underlying reference obligation or the derivative contract itself have demonstrated a volatility above a certain threshold for a pre determined period of time?
4. The exchange of government bonds for cash in times of stress may drive up the lending yields for those government bonds. Has the committee analysed the results of or would the committee consider analysing the results of a study on the effect of a redemption of government securities for the top ten government bonds being used for collateral today under extreme probability scenarios?

2 Key principles and requirements

On page 3 under *"key principles addressing eight (8) main elements:"*

5. Has the committee considered that a possible interpretation of this key principle 6 could support `regulatory arbitrage`? Would the committee consider suggesting that *"a firm and its affiliates should be subject to appropriate regulation in a manner most consistent with the firm's most strictest jurisdiction's legal and regulatory framework"?*

3 Key principle 1

On page 6 under the section titled “*Requirement 1*”

6. Has the committee considered allowing a reduction the margin ratios required for longer dated instruments? The introduction of higher margin requirements for long dated instruments could result in an increase focus on shorter dated instruments which may have un-intended consequences such as penalising institutional investors from hedging their long term financial assets and liabilities

Yours sincerely

Salman Jaffer

Riskcare Pte Ltd

+65 6549 7728 (Direct)

Salman.jaffer@riskcare.com