BANK OF COMMUNICATIONS

Secretariat of the Basel Committee on Banking Supervision

Bank for International Settlements

CH-4002 Basel

Switzerland

18th September 2013

Re: consultative documents on Revised Basel III Leverage and Ratio Framework and Disclosure Requirements

Dear Sirs,

The Bank of Communications (BOCOM) welcomes the opportunity to comment on the consultative document: Revised Basel III Leverage and Ratio Framework and Disclosure Requirements. After studying this new introduced frame work and disclosure requirements throughout, we have provided some advice, which we believe is much more appropriate for banking industry in China.

1. The leverage ratio shall not be disclosed in public until the final adjustments to the definition and calibration of the leverage ratio will be made by 2017.

According to the Revised Basel III requirements, the components of leverage ratio shall be proceeded with public disclosure starting from 1st January 2015, and the final adjustments to the definition and calibration of the leverage ratio will be made by 2017. If the leverage ratio is disclosed from 1st January 2015, investors and other interested parties will feel uncertain due to the fluctuation of leverage ratio caused by measurement adjustments. We suggest the leverage ratio shall not be disclosed in public until the final adjustments to the definition and calibration of the leverage ratio will be made by 2017.

2. The extent of the leverage ratio could be disclosed complying with the

frequency of the publication of financial statements.

According to the Revised Basel III requirements, disclosure including leverage ratio, the numerator and the denominator, must be published by banks with the same frequency as, and concurrent with, the publication of their financial statements. The financial statements of listed companies in China are required to be published in quarterly, half-yearly, yearly and occasionally temporary. Normally, components of quarterly statements including capital ratio are disclosed less complicated than half-yearly and yearly's. We suggest only leverage ratio will be disclosed in quarterly statements, Tier 1 capital and Exposure Measure will be disclosed in half-yearly's, and the specific information of the numerator (Tier 1 capital), the denominator (Exposure Measure) will be disclosed in yearly's.

3. The calculation of leverage ratio shall be based on quarterly basis rather than monthly.

The Revised Basel III requires that banks should calculate and disclose the leverage ratio quarterly. However, the basis of calculation of the Basel III leverage ratio is the average of the monthly leverage ratio over the quarter rather than the quarter-end leverage ratio. Under the concern of time pressure due to the calculation of capital and exposure monthly, and the other disclosures all based on quarter-end basis, we suggest the calculation of leverage ratio, which will be disclosed as the quarter-and ratio rather than average of monthly ratio, shall be on quarterly basis.

4. Clarify the measurement of derivatives replacement value

As is stated in Revised Basel III Paragraph 24, Total Exposure = Replacement Cost (RC) + add-on. RC can be obtained by the marking-to-market (MTM) method. Actually, MTM value of exchange-traded

products is easily obtained. However, it is difficult to obtain the value for other products, e.g. OTC. In such circumstances, it is appropriate to clarify the measurement of derivatives market value, for example, to calculate fair value instead of market value.

5. Suggestion of measurement of derivatives exposure

1). Paragraph 31 is stated that the effective notional amount of a written credit derivative may be reduced by the effective notional amount of a purchased credit derivative on the same reference name and level of seniority, which it is suggested, multiplied by the proportion of the remaining maturity of the purchased credit derivative and the written credit derivative, capped by 1

2). Paragraph 32 is stated that the Exposure Measure can be reduced by purchasing the credit protection by banks on which it sold credit protection of the same reference name. Therefore we suggest that bank can reduce its Exposure Measure of its loans or bonds by purchasing credit protection on the same reference name.

Yours Sincerely

Bank of Communications