

September 9, 2013

Via email: baselcommittee@bis.org

Basel Committee on Bank Supervision
Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel, Switzerland

Consultative Document - Revised Basel III leverage ratio framework and disclosure requirements

I appreciate the opportunity to comment on the Bank for International Settlements' Basel Committee on Bank Supervision ("The Committee") Consultative Document - Revised Basel III leverage ratio framework and disclosure requirements to improve treatment of written credit derivatives.

I support the Committee's inclusion of notional credit derivatives sold into the Basel III leverage ratio exposure measure.

The committee also chose to deduct from this measure the supposed reduction in exposure from purchasing credit derivatives on the same reference (paragraph 31). I hold mixed views on this "netting" of notional credit derivative exposure. On the one hand, the disclosure of both gross and net notional derivatives sold represents a welcome level of disclosure. On the other hand, the netting of notional credit derivative exposure effectively reduces the measurement of the worst-case credit scenario. In a worst-case credit scenario, a bank can simultaneously incur a credit default from the reference name and as well as a default from the counter-party from which it bought the offsetting credit derivative. Under such a scenario it is the gross, rather than net, notional credit derivative measure that corresponds to the maximum exposure.

Notwithstanding this theoretical drawback of netting notionals, I support your step forward in providing greater visibility in the disclosure of both gross and net notionals on credit derivatives sold.

Thank you for the opportunity to present these comments.

Sincerely,

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