



September 20, 2013

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

baselcommittee@bis.org

Dear Sir/Madam:

**Re: Comments in Response to the Consultative Document on the Revised
Basel III Leverage Ratio Framework and Disclosure Requirements**

The Funding Executive Committee (“Committee”) of the Securities Industry and Financial Markets Association¹ (“SIFMA”) would like to take this opportunity to express its support and full agreement with the comment letter submitted on behalf of the Global Financial Markets Association (“GFMA”) in response to the above referenced matter.

Members of the Committee actively participated and contributed to the drafting of the GFMA response, particularly in the sections that address the treatment of, and the impact on, securities financing transactions (“SFTs”). As stated in the GFMA letter, the Committee believes that the leverage ratio, as proposed, would overstate the actual exposure of SFTs by failing to recognize netting under legally enforceable netting agreements—even though such netting is recognized as reducing actual exposure by both international and U.S. accounting regimes. Moreover, the proposed Exposure Measure for SFTs includes an add-on for counterparty credit exposure. As a result, an SFT exposure could in some circumstances be higher under the proposed Exposure Measure than the maximum amount of loss that the exposure could cause the institution. These measurement methodologies should be adjusted so that measured exposures never exceed actual economic exposures. Without such adjustments, inaccurate measures of exposure would plainly complicate regulatory capital and financial standards, contrary to the goals of the Basel Committee’s discussion paper on balancing risk sensitivity, simplicity, and comparability.²

¹ The Funding Executive Committee of SIFMA includes representatives from the primary dealers and interdealer brokers who are active in the repurchase agreement market in the United States. SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit www.sifma.org.

² See Basel Committee on Banking Supervision, *Discussion Paper, The regulatory framework: balancing risk sensitivity, simplicity, and comparability* (July 2013).

The Committee, therefore, fully agrees with the suggestions described more fully in the GFMA letter and believes that these suggestions will more appropriately reflect the economic exposure of institutions subject to the standards.

If you have any questions, please feel free to contact the undersigned at rtoomey@sifma.org or 212.313.1124.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Toomey', with a stylized, flowing script.

Robert Toomey
Managing Director and Associate General Counsel