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Secretariat of the Basel Committee on Banking Supervision,
Bank for International Settlements,
CH-4002 Basel,
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e-mail : baselcommittee@bis.org

**Re : Comments on the BCBS consultative documents on** *Revised Basel III Leverage Ratio framework and disclosure requirements*

Dear sir,

The Basel Club, a specialized group form under the Thai Banker's Association ('the "Club"), appreciated the opportunity to comments on the BCBS consultative documents on the *Revised Basel III Leverage Ratio framework and disclosure requirements*. The Club is supportive of BCBS intentions to address the issue of excessing leverage in the financial system while significant progress has been achieved by banking industry across the globe in controlling the leverage, local supervisor in relevant countries also played a vital role in monitoring and preventing unwarranted leverage build-up in their financial system. However, the Club would like to express our con continue concerns as the new revised framework is still considered a one-size-fits-all scheme, while disregarding mitigation, physical collaterals as well as inclusion of undrawn commitments and written derivatives would overstated exposures and severely damaging the bank's ability to support economic activities especially for Emerging Market Asia where commercial banks plays a fundamental roles in supporting economic growth .

While the desire to make the framework a “simple” measures, the exaggerated treatment of off-balance sheet assets as mentioned above as well as the inclusion, without exceptions or adjustment in the leverage ratio of high quality liquid assets would be conflicted directly with the requirements of BCBS contained in the liquidity requirements, both LCR and NSFR, which required banks to retained substantial positions in that type of assets. The effect of combined proposal is highly penalizing as well as lack of coherence with other BCBS goals. This cannot be justified by the “simplicity” of the tool. Its judicious design and calibration of the overall framework, with full consideration of the interdependencies among the proposed measures must be based on a full assessment of its cumulative impacts and the determination of priorities. We would, therefore, recommend that BCBS should consider makes adjustments for, or provide exemption from, the leverage ratio for those types of assets that are required to be held by banks in accordance with the liquidity criteria as well as review the treatment mitigation for on and off-balance-sheet to avoid the vastly overstated exposures which will constrained the industry to perform its functions.

The goal of control excessive leverage in its banking system by supervisors can be best achieved if the leverage ratio is exclusively a Pillar 2 measure. Such approach should allow supervisor to assess leverage build-up in a particular institution. Rather than operate as a one-size-fits-all, a supplemental Pillar 2 measure looking at leverage as an indicator among several others, would ensure appropriately targeted supervisory intervention, including increased monitoring, targeted remedial measures of additional capital requirements. However, if leverage ratio were to migrate to Pillar 1, it would become a binding constraints and the unintended consequences would give banks incentive to use capital capacity for higher risk asset which under the leverage ratio are treated exactly the same as low risk assets which would be contrary to that of the revised framework actually intended to have. We, therefore, would like to recommend BCBS to drop the proposed migration of the leverage ratio to Pillar 1.

With regards to disclosure, implementation of the leverage ratios as proposed would require significant increase in volume and complexity of banks’ disclosures. The intended simplicity of the proposed ratio would likely be misinterpreted by the market as indicators of risk which could be misleading for bank with large portfolio of low risk assets such as government bonds while conversely misinterpreted the for bank with low level of leverage as low level of risk. Not to mention that the requirement also requirement for reconciliation which will make the task much more complicated.

Thank you for your kind consideration.