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

**Non-Internal Model Method For Capitalising Counterparty Credit Risk Exposures**

DBS Bank Ltd notes and supports the Industry Response submitted by The International Swaps and Derivatives Association, The Global Financial Markets Association, The Institute of International Finance and The International Banking Federation in response to the Basel Committee's consultative document "Non-Internal Model Method For Capitalising Counterparty Credit Risk Exposures".

In addition to the comments in the Industry Response, we note that under the NIMM approach, supervisory add-on factors are now classified into "margin" and "no margin" for different asset classes. While we agree with this high-level classification, we would like to suggest further granularity, in particular for the "no margin" supervisory factors. Under the Current Exposure Method, supervisory factors are distinguished into different maturity bands (i.e. 1 year or less, over 1 year to 5 years, over 5 years) for all asset classes. In comparison, the NIMM takes maturity into account only for interest rate and credit asset classes. The distinction between different maturities should be retained in all asset classes in the NIMM in order to differentiate the risks of shorter-dated versus longer-dated exposures.

For the FX asset class, we propose that the supervisory factor should distinguish among currencies of differing historical volatilities. A single margin and a single no-margin factor are unlikely to reflect PFE risks effectively.

Yours faithfully

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