BANK · VERSICHERUNG

Basel Committee on Banking Supervision

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Your reference, Your message of	Our reference, contact person	Extension	Date
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Haircut floors for non-centrally cleared securities financing transactions (SFT) – Consultative Document

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as the representative of the entire Austrian Banking Industry appreciates the opportunity to comment on the Consultative Document (CD) published in November 2015 by the Basel Committee on Banking Supervision (BCBS) on Haircut floors for non-centrally cleared securities financing transactions (SFT).

1. The proposed haircut floors will have a negative impact on the interbank liquidity by imposing both additional capital requirements (due to higher haircuts) and further restrictions on the collateral usage. This seems to be contradictory to ECB's quantitaive easing and other economic policies seeking to ensure interbank liqudity after the collapse of the uncollateralized money market.

2. In view of Basel III provisions concerning the Leverage Ratio, NSFR and LCR, where securities finance transactions are addressed in detail, any additional regulation aiming to deleverage the banking sector throws some doubt about the economic justification of further rules.

3. Provisions citing the motive of a particular transaction (2 (v)) as well as possible arbitrage opportunities (item 4) are difficult to evaluate and monitor in practice. In addition the mentioned arbitrage attempts are cumbersome in the daily doing. The identification and monitoring of those attempts hardly justifies the operating expenses.

4. Classification of transactions as an unsecured loan in case of a floor breach is disproportionate to the additional risk imposed. Such a consequence might have adverse effects in the economic assessment and steering of risks. From the trader's perspective lower quality collateral offering sufficient haircuts (f) might be valued higher than top quality collateral traded below if such negatively impacting lender's risk profile. A more balanced consequence seems more purposeful.

Please give our concerns due consideration.

Yours sincerely,

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