Name of respondent: Alex Arino

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Comment:

Hi,
Maybe these are early days.

My comment (question) relates into whether the BCBS has (or will) calibrate the capital requirements for R-SbM, SbM and IMA in such a way that it will align the benefits from reduced capital cost with increased sophistication of the framework.

Reading the consultative document it is not clear if the R-SbM is going to be more conservative that the SbM. While point 205 allows supervisory authorities to mandate the use of SbM, it is unclear whether the framework itself will also provide the incentives for financial institutions to calculate the risk, in areas such as embedded options, by reducing its capital requirements.

Overall, is a good proposal to diminish the cost for small banks that would have been forced to develop frameworks. This ideally should be a trade-off in which smaller banks would reduce the costs of compliance in exchange for an increased capital buffer to compensate its "less developed framework".

Thanks for your time,
Alex