



**THE ASSOCIATION OF RUSSIAN BANKS
(Moscow, Russia)**

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March 27, 2015

The Basel Committee on Banking Supervision

Email: baselcommittee@bis.org

Dear Sirs,

**The Basel Committee on Banking Supervision
Consultative Document:**

«Capital floors: the design of a framework based on standardized approaches»

On behalf of the Association of Russian Banks (ARB), and particularly the ARB Committee on Basel II standards and Risk Management, we would like to thank the Basel Committee on Banking Supervision for the opportunity to deliver our opinion on the following Consultative Document «Capital floors: the design of a framework based on standardized approaches» published by the BCBS on December, 22, 2014 at [<http://www.bis.org/bcbs/publ/d306.htm>].

We would like to thank the Basel Committee for its great job in promoting credit risk management and measurement practices: the proposed capital floor prevents possibility of underestimation of risks by IRB models.

We would like to propose to set up capital floor at 30% (as difference between STA RWA and IRB RWA), when the difference is bigger more conservative RWA estimation will be applied. It is also needed to align thresholds and Basel II.

We are grateful to O. Zhdanova, N. Nalimova, A. Grabar for their contribution in commenting the document.

We hope our comments and answers be of use for further development of the prudent international regulatory framework and stimulate its implementation.

In case of further questions, please, do not hesitate to get in touch with us through e-mail: arb@alfabank.ru.

Zeyn ADAM

Co-Chairman of the Committee on
Basel II standards and Risk Management
The Association of Russian Banks

Henry PENIKAS, PhD.

Head of Standing Group on
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«Capital floors: the design of a framework based on standardized approaches»

№	Main Topic	Consultative question	Answer	Overall opinion
1	Level of aggregation of risk categories	Assuming the respective floors were calibrated to achieve the same level of required capital, what are your views on the relative merits of a risk category-based floors and an aggregate RWA-based floor? What are your views on a floor based on exposure class?	We do not support to set up a floor based on exposure class for example within credit risks (as banks could have many of different exposure classes and can be allowed to be more flexible within their credit risk management, so “risk category-based floors” will be enough measure for sustainability).	We support the approach of “risk category-based floors” rather than “aggregate RWA-based floor”. IT costs for a floor based on exposure class will be at unreasonable high level.
2	Adjustments for differences in the treatment of provisions	What are your views on the relative merits of the two options for adjusting for differences in the treatment of provisioning for credit risk?	We support the approach to adjust RWAs (“Option 2”) when using capital floor adjustments, as it avoids making any adjustment to the regulatory measure of capital.	We would prefer to adjust RWAs (“Option 2”) but both approaches would be possible to implement.
3	Other comments	Do you have any other comments regarding the design of the capital floor?	We are also aware that there will be needed additional resources to calculate capital requirements by using simultaneously standardized and IRB approaches, which reduce advantages of proved internal IRB models properly predict risks by taking into account specifics of a certain Bank rather than simple use of standardized approach.	It is not clear how the floor factor «f» is going to be designed. In our opinion, “f” should be at approximate level 30% (as difference between STA RWA and IRB RWA).