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Mr. Frank Pierschel and Mr. Chong Tee Ong
Co-Chairs, Task Force on the Standardized Approach
Secretariat of the Basel Committee
on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

1 Churchill Place
Canary Wharf
London E14 5HP
United Kingdom

Tel +44 (20) 7116 1000

barclays.com

Dear Messrs. Pierschel and Ong

REVISIONS TO THE STANDARDISED APPROACH FOR CREDIT RISK – SECOND CONSULTATION

Barclays welcomes the opportunity to comment on the second consultative document. We have contributed to the work of the Joint Trade Associations (IIF, GFMA, ISDA) on their comments to the second consultation and are supportive of these industry wide efforts.

We are fully supportive of the Committee's objectives to balance simplicity and risk sensitivity, to promote comparability by reducing variability in risk-weighted assets across banks and jurisdictions, and to ensure that the standardised approach (SA-CR) constitutes a suitable alternative and complement to the Internal Ratings-Based (IRB) approaches.

We support most of the changes the Committee is proposing to the first consultation, in particular the reintroduction of external ratings as a starting point for the risk weighting of exposures to banks and corporate, as well as the proposed revisions to the comprehensive method for financial collateral.

At the same time, we believe further consideration is required in certain areas, as set out below:

Credit conversion factors (CCF)

We understand the rationale of the Committee to impose non-zero CCFs for unconditionally cancellable commitments (UCC) that are available for draw down in retail business.

However, in non-retail, to apply a CCF of [50-75%] for credit lines that are often subject to further credit assessment or the provision of incremental collateral (i.e. bonds and equities, receivables) prior to drawdown does not, in our view, appropriately reflect the risk of drawdown in the period before default.

We believe that applying an inappropriate "one-size-fits-all" CCF to both irrevocable and UCC would unnecessarily increase borrowing costs to the real economy and could distort incentives, in particular for secured lending.

Therefore, we recommend the Committee to reconsider a CCF of 0% to apply for **secured** UCC where this is only available subject to explicit legal confirmation that a bank is not restricted from unconditionally cancelling the credit facility.

Conversely, as noted by supervisors, non-zero CCFs should apply to UCC for which consumer protection laws, risk management capabilities, reputational risk or other factors constrain banks' ability to cancel such commitments. Currently, a 0% CCF can be applied where permission to cancel is not contingent on consumer protection and related legislation; in our view, the other factors introduced should already be part of a prudent consideration of drawdown risk under the current SA-CR framework.

We would also note there is a potential read across between the CCFs applied here and those applied in the Leverage Ratio. Clarity should be provided by the Committee at the earliest opportunity on its intentions in this regard.

Internal Model Method (IMM)

Our view is that the IMM approach should be retained as a methodology to calculate exposures under both the standardised and advanced risk weighting approaches.

We continue to believe that the exposure measure on derivatives and securities financing transactions should be as risk sensitive as possible, within the permissions granted by national regulators, and independent of the risk weighting applied to the counterparty. The proposed exclusion would add unnecessary complexity for banks and securities traders with limited or absent A-/F-IRB approvals, without delivering any notable benefits to comparability or capital ratios.

We recognise that a potential standardised floor regime (SA Floors) could be based on the standardised approaches for both exposure calculations and risk weighting. We would view this as distinct from the objectives of the SA-CR proposals themselves. Since permissions to use model-based approaches are already eliminated in the SA Floor regime, prohibiting IMM for SA-CR exposures would be duplicative.

Credit risk mitigation eligibility of CDS without restructuring credit event

Credit derivatives should only be required to have restructuring as a credit event in jurisdictions where it is necessary or makes a difference to the triggering of payment under the CDS and / or the timing of the payout.

We believe that restructuring is not a necessary credit event in jurisdictions such as the US where lenders have enforceable veto rights on restructuring and may choose to let a borrower enter into bankruptcy/insolvency. Where such jurisdictional differences are reflected in the eligibility criteria, the current haircut of 40% would no longer be required.

Comparability between external ratings / non-external ratings jurisdictions

To the extent possible, we believe that the methodologies should be aligned in terms of the range and granularity of risk weights and, in the context of the comprehensive method, collateral haircuts. This should help to ensure that capital ratios will be comparable across external ratings / non-external ratings jurisdictions.

This will be particularly important in the context of the proposed SA Floors regime.

More detailed comments on these and further topics follow:

1. Credit Conversion Factors (CCFs)

The Committee proposes to increase CCFs for unconditionally cancellable commitments (UCC) from the current 0% to indicatively [10-20%] subject to further empirical analysis. The Committee also proposes to narrow the scope of applicability to retail commitments which means that UCC in non-retail would in future be subject to CCFs between [50-75%].

We do not support both the elimination of 0% CCFs and the proposal of narrowing the scope of UCC to retail as it is not supported by our history of utilisation at default for non-retail UCC.

For example, we currently apply a 0% CCF:

- to unutilised receivables and trade finance facilities which can only be drawn down subject to individual transaction reviews; and
- to unutilised lombard / margin lending limits for which drawdowns are contingent on the availability of lending value (such as bonds and equities).

The current application of 0% CCF is supported by more detailed observations we make in **Appendix 1**. These relate to unfunded commitments other than recurring loan facilities in various business divisions of Barclays where we are not constrained to cancel limits due to consumer protection laws, risk management capabilities and reputational risk considerations.

Moreover, reputational risk considerations are covered by the operational risk framework so that it should not additionally be included in capital requirements for credit risks.

Looking at our globally diversified population of UCC, it seems necessary to consider more granular types of commitments to avoid an inappropriate “one-size-fits-all” approach. The Committee should redefine the term ‘commitment’ as some unconditionally cancellable facilities may not be commitments.

Banks should not be disincentivised from issuing legally binding terms and conditions that allow them to unconditionally cancel commitments. Such commitments would be favourably priced (some even at zero cost) for the benefit of clients which might not be possible going forward. It also seems important to clearly distinguish between limits that are purely set for credit risk management purposes and advised limits that have varying levels of revocability and drawdown risks.

We agree that it may not be justified to differentiate between CCFs on the grounds of maturities for all types of undrawn lending commitments. We also agree that non-zero CCFs are appropriate for readily available cash consumer credits and credit cards.

However, based on our credit risk experience, UCC that i) are contingent on receiving security collateral, ii) subject to further credit approvals or transaction reviews and iii) where banks have no legal requirements to make a facility available, should continue to be eligible for a CCF of 0%. Application of a 0% CCF should be subject to legal certainty about an effective right to cancel in practise for which banks should be obliged to carry out due diligence and credit reviews.

We understand the assumption taken by the Committee that the level of drawing of certain recurring loan facilities is highest immediately before a default. This may be an appropriate assumption for certain types of retail and SME lending, yet in our experience, it does not

apply to private banking and trade / receivable finance commitments. This can be explained by different incentives for customers that are in need of liquidity or have assets available to be funded in our trade and receivables financing and margin / lombard lending sections; we set this out in more detail in **Appendix 1**.

The Committee refers to empirical evidence from several data collections and a study that does not support differing CCFs based on maturity. The Committee remarked that the results of this study have not yet been published. We would be interested in understanding the details of this study and particularly whether it supports applying the same CCFs for both UCC and irrevocable loan commitments. We would also welcome the chance to engage with the Committee along with other industry participants once the results of this study are publicly available.

2. Removal of the internal model method for derivatives and securities financing transactions (SFTs)

IMM should be retained as a methodology to calculate exposures under both the standardised and advanced approaches for Risk Weighting.

The Committee reconfirmed in the 2nd consultation that the S A-CR does not allow exposures to be calculated based on the internal model method (IMM). At the same time, the Committee addressed concerns raised by the industry about SFTs by proposing a revised comprehensive method for financial collateral.

We understand the intention of the Committee to ensure that RWA calculations under SA-CR are comparable. There is arguably a reason for such a prohibition in an SA Floor calculation, but we do not consider that the same approach should apply to the full risk based capital requirements as model scopes will differ depending on jurisdictions and individual model permissions granted to certain legal entities.

We believe that modelling derivative / SFT exposures and risk weights are economically and mathematically different concepts. The ability of a bank to model a derivative exposure is not linked to their ability to model the probability of the counterparty defaulting.

Derivative exposure modelling is based on market risk driven concepts and stochastic modelling whereas the modelling of a counterparty risk weight is based on factors such as exposure class, company financial data, external ratings, default frequency etc. Given the proposed implementation of the SA Floors regime, the linkage of non-modelled derivative / SFT EADs with standardised risk weights should in our view be removed from the SA-CR proposal.

We are concerned that banks with partial F-IRB / A-IRB permissions will be discouraged from trading derivatives / SFTs with certain counterparties. These implications on both banks and securities traders are unintended side effects that would add undesirable complexity to the market. Such complexity is unwarranted, especially given these EAD models have been approved by national competent authorities following regulatory scrutiny.

Even though the Committee sets standards for banks on a consolidated basis only (as opposed to standalone legal entities), we are concerned that national competent authorities might adopt the restriction so that IMM exposure calculations would no longer be possible for intra-group transactions for which banks usually do not have IRB permissions.

Revised methodology for repo-style transactions

We support the revised methodology for repo-style transactions as it addresses the lack of risk sensitivity inherent in the current comprehensive method. However, we believe that paragraph 163 should include an exception from paragraph 153 for repo-style transactions

under bilateral netting agreements. Such should allow a haircut of 30% for both lending and borrowing of non-eligible instruments to apply (as opposed to a haircut of 100% for transactions in which a bank borrows non-eligible instruments) so that exposures under the new comprehensive method are consistently calculated.

We note that the Committee decided to keep the read across to Annex 4 paragraphs 41(i) and (ii) in paragraph 157. The application of supervisory floors for the margin period of risk has a significant impact on haircuts and is in our view subjective, especially with respect to defining illiquid collateral.

This is acceptable for modelling EAD under the scrutiny of model permission processes but we do not believe these rules are sufficiently defined for the application under the SA-CR.

Therefore, we recommend the Committee defines “illiquid collateral” for the purpose of the comprehensive method for SFT transactions instead of referring to standards that are designed for banks that model EAD exposures under their model permissions. This will be consistent with the stated desire to remove complexity and subjectivity from standardised calculations.

Margin period of risk for margin lending

Banks offer a Prime Brokerage (PB) service to Hedge Funds and other Alternative Asset Managers and part of that service is to advance financing on a secured basis known as margin lending. As part of the PB offering, banks also lend securities to the same clients. Both the financing of the client’s long securities and covering of their short positions are covered by the same agreement, a ‘Prime Broker Agreement’ (PBA). This PBA offers the banks the same support as a regular Master Repo Agreement, and other similar agreements utilised for SFTs. Banks support the PB funding requirements with general SFTs, creating a ‘Matched Book’ for funding purposes, i.e. we fund PB client longs in the repo market, and cover PB client shorts by borrowing securities from the stock loan market.

Banks view the PB financing activity in the same way as they do other SFT activities. For this reason we see margin lending relating to Prime Brokerage activity as the same as other SFTs with respect to counterparty credit risk.

The regulatory standards however make a difference between margin lending under standardised rules (where they are subject to minimum holding period of 10 days) and the Internal Models Method (IMM) where margin lending is treated consistently with SFT transactions. To eliminate this inconsistency and simplify the standards, we propose that margin lending consistently be classified as “repo-style transactions” as opposed to “other capital market transactions” in the new paragraph 155 and 156.

The rationale is that legal termination rights are either equivalent or very similar between SFTs and margin lending whereas on the other side, notable differences exist on how derivatives are closed-out upon default of a counterparty which requires longer minimum holding period to apply.

3. Credit derivatives without restructuring as a credit event

The Committee proposed in the 1st consultation that CDS contracts without restructuring could no longer be used as eligible credit protection under the SA-CR. Both industry associations and Barclays raised concerns that such a treatment is not sufficiently risk sensitive as it would render standard and centrally cleared US contracts ineligible for credit risk mitigation.

The Committee replied in the 2nd consultation that they were reviewing the necessary credit events for full recognition, specifically referring to restructuring which may under certain

conditions not be a necessary credit event. Under the existing framework, CDS contracts without restructuring as a credit event are subject to 60% recognition.

The Committee is now seeking respondents' views about the conditions under which restructuring may not be a necessary event for full recognition.

We believe that the condition under which restructuring is not required to be included as a credit event is where lenders have enforceable veto rights on restructuring and may choose to let a borrower enter into bankruptcy/insolvency. Currently the only standard CDS contract which trades without restructuring while still offering full protection is on US reference names where restructuring is not seen as a necessary credit event under the US bankruptcy code.

We support the Committee's assertion that for jurisdictions where restructurings as a practical matter do not occur separately from bankruptcy, a restructuring default event should potentially be covered under the bankruptcy default event for purposes of CRM recognition. In the US, for example, in order for a debt restructuring to occur outside of bankruptcy, consent from all or nearly all investors is typically required; i.e. a small minority of investors or even a single bondholder declining a proposed restructuring could block it and force the issuer into bankruptcy proceedings, which is already included in most credit derivative confirmations.

Because this is not completely binary and because of other soft credit events available to be included in CDS terms without operational requirements for credit derivatives covering them, we would suggest that the Committee considers using the ISDA Credit Derivatives Physical Settlement Matrix to determine whether restructuring is a required credit event to be included in CDS terms and conditions. The benefit of this approach is its immunity against changes in trading conventions which could cause difficulties if the rules were principles-based.

The Committee should consider that requiring restructuring where it is not market convention will not only impact US banks, it will also impact non-US banks trading and hedging in CDS governed by US law.

Once the conditions for eligible CDS contracts without restructuring credit events are defined and part of SA-CR, the current regime with a 40% haircut could be abolished which will contribute to the objective of simplicity of the SA-CR.

4. Non-ratings based approaches for banks and corporate and credit risk mitigation and impact on the IHC

Higher risk-weights for exposures and haircuts for collateral applicable in non-external ratings jurisdictions will hamper comparability of regulatory capital ratios. Therefore, we support the industry feedback to make lower risk weights available in non-external ratings jurisdictions and to make collateral haircuts as consistent as possible.

The overall range of applicable risk weights attributable to any given asset class should be consistent across jurisdictions to the greatest extent possible, irrespective of whether the use of external credit ratings is permitted. For example, the creation of a 20% risk weight bucket for bank and corporate exposures under the Standardised Credit Risk Assessment Approach (SCRA) would facilitate comparability. It would be reasonable to set a high bar to meet the criteria for inclusion in this bucket; e.g. a borrower must be able to fund at significantly better investment grade levels using market credit spreads.

The requirement for corporate exposures to have public securities outstanding in order to be considered 'investment grade' and access the 75% risk weight may expose certain issuers who are internally regarded by banks as investment grade, but who have not issued public

securities, to higher capital charges than would be incurred had those same exposures been held in a jurisdiction where the use of external ratings is permitted.

The operational costs of assessing and continuously monitoring various requirements under the SCRA will pragmatically need to be weighed against the potential benefit of a preferential risk treatment. For example, depending on the ultimate definitions of 'adequate capacity to meet financial commitments' and 'substantial credit risk' in the context of assessing bank exposures under SCRA, it may become onerous to perform the extensive diligence required for each position to access the preferential / 'Grade A' risk weight bucket.

By the same token, the final rules should ensure that the cost of assessing the 'Investment grade' criteria for corporate exposures on an ongoing basis is not unduly burdensome when the end result is a relatively modest move from a 100% to a 75% risk weighting.

5. Land acquisition, development and construction exposures

The Committee proposes a risk-weight of 150% for land acquisition, development and construction (ADC) exposures.

We appreciate the simplicity of applying a risk-weight of 150% to real estate exposures that are perceived to be more risky than other commercial real estate exposures. We believe though that an overly high flat risk weight poorly reflects the risk of real estate developments that have all the necessary resources in place and that may benefit from a number of pre-sales.

Therefore, instead of a flat 150% risk weighting, we propose the Committee considers the following risk weights as a more risk sensitive alternative:

1. LTV below 60%	100%
2. LTV between 60 and 80%	125%
3. LTV above 80%	150%

At the same time, financing of land without fully projected development plans could be subjected to a risk-weight of [150 – 175%].

6. Risk weight add-on for exposure with currency mismatch

The Committee intends to extend the previously proposed risk weight add-on to the corporate exposure class. Banks would apply a 50% risk weight add-on to "unhedged exposures" with currency mismatch, where "unhedged exposure" is defined as an exposure to a borrower that has no natural or financial hedge against the foreign exchange risk arising from the currency mismatch.

We do not believe that such an add-on should be extended to corporate exposures as foreign currency risks would already be included in both external ratings and credit risk assessments made by banks under the new due diligence requirements.

As currently proposed, banks will have to check and keep a detailed audit trail for each facility to ensure that there is no currency mismatch, which will entail highly burdensome level of due diligence that could be untenable for certain SME portfolios and pose supervisory challenges.

It is important for internationally active corporates to maintain robust asset and liability management governance and processes which should not be directed by lending banks to avoid add-ons to their capital requirements.

We continue to believe that the Committee should work with national supervisors to address the underlying issue of real estate funded with mortgages in other currencies. Consumer protection authorities need to address cheap borrowing in historically stronger currencies; we do not believe this can be sufficiently addressed by add-ons to regulatory capital requirements.

Considering this, we believe the proposed add-on will increase the complexity of the framework while the benefits remain unclear. Therefore, we believe that the add-on should, if at all, apply to the retail and real estate exposure classes only.

Timing

We acknowledge the challenges of revising the SA-CR, especially since the new framework is intended to be applicable across all types of banks and to be used as basis for the planned SA Floor regime.

Some of the proposed reforms such as CCFs and removing internal model methods need to be assessed from a quantitative impact perspective and we believe that further industry dialogue once QIS results are available will be important to manage the expected implication of aggregated capital requirements across the industry.

We hope that you find our comments and suggestions helpful. Please do not hesitate to contact Andrea Schnoz (andrea.schnoz@barclays.com or + 65 6308 7291) if you have questions or comments on any of the issues raised in this response.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'G. L. Romain'.

Gary Romain
Finance Head of Policy

Appendix 1: Detailed comments on CCFs for various product types

Trade and receivables finance

We currently apply a 0% CCFs for undrawn commitments to finance receivables as facilities are monitored transaction by transaction. Customer facility documentation allows us to stop further drawdown / transactions or even require repayment of existing drawdown.

We also apply a 0% CCFs to trade product customer limits that apply to trade instruments such as documentary credits, guarantees and standby letters of credit (SBLC) advised to customers in relation to specific contracts or commitments but that have not yet been utilised.

These types of undrawn or unutilised exposures are subject to transaction reviews and therefore exhibit much lower credit risks and drawdown risk than revolving credit facilities (RCFs) or term loans.

We understand the assumption taken by the Committee that the level of drawing of certain recurring loan facilities is highest immediately before a default. This may be an appropriate assumption for certain types of SME lending, RCFs and overdrafts. Conversely, it does in our experience not usually apply to larger corporates and trade and receivables financing.

For the latter, the level of drawdown is particularly influenced by business volumes that enable a company to obtain more funding for increased sales and trade volumes, with drawings subject to meeting specific criteria. These often reduce before a company would go into default and therefore the assertion of a high level of drawdown before default is not evidenced in our data history. Documentary letters of credit and guarantees are issued in relation to specific contracts or commitments and cannot be used to generate liquidity ahead of a potential default. As such, increased utilisation prior to default should not be expected. Therefore, we believe that lower CCFs than for revolving commitments and partially drawn loans are justified for certain product types such as sales and trade financing.

Should receivables and trade financing limits be issued on UCC or other industry-wide terms then there will be no consumer protection laws, risk management capabilities and reputational risk considerations that could constrain us in our ability to cancel such commitments. For this reason, it would be appropriate for the Committee to consider a 0% CCF to trade and receivables-related facilities that may be cancelled unconditionally and without any prior notice.

If the Committee is concerned about certain conditions being overlooked by banks in their assessments, it could require independent opinions to be sought over the documentation and the prevailing legal framework to ensure there are no conditions or other impediments to the facility being cancelled at a bank's request.

How the latter applies to the former would benefit either from more detailed product taxonomy or a more precise definition of trade (finance). This should ensure an appropriate regulatory capital outcome for these business areas that allows banks to continue supporting the real economy, and should be designed to future proof the correct alignment of capital to certain business models.

Re-insertion of zero CCF for certain trade facility limits meeting specific criteria will help avoid negative impacts on goods trading and operational costs to the real economy through possibly limiting availability and accessibility to working capital funding for both SME and larger corporate firms.

We also recommend the Committee to clarify the definition of “trade finance” as the industry and product universe has evolved alongside the regulatory capital framework. This should include the definition of “credit substitute” for which article 65 offers the examples of general guarantees of indebtedness (including SBLC serving as financial guarantees for loans and securities) and acceptances (including endorsements with the character of acceptances).

We believe the definition of a “credit substitute” should be complemented with further examples to ensure a more consistent application across the industry.

For example, a guarantee or SBLC issued to cover credit facilities i.e. generic (non-specific) payment obligations such as repayment of drawn credit facilities would be regarded as “credit substitute”.

We seek clarification whether a guarantee or SBLC issued to cover the payment for goods and/or services provided, where there is a clear underlying obligation (to supply or deliver goods and/or services), would be considered as a “credit substitute” with a CCF of 100% or a SBLC with a CCF of 50%. For the sake of clarity we believe that transaction-related contingent items (50% CCF) and short-term self-liquidating trade letters of credit are adequately understood and applied.

Lombard / margin lending

Supervisors note that consumer protection laws, risk management capabilities, reputational risk or other factors appear to constrain banks’ ability to cancel such commitments in practice. According to them, many of the commitments assigned to UCC may only be cancelled subject to certain contractual conditions and should therefore attract higher CCFs than 10%.

The Committee proposes to narrow the scope of UCC to commitments that are unconditionally cancellable in practice. Specifically, the Committee proposes to apply a reduced CCF between 10% and 20% only to retail commitments (e.g. credit cards).

All other non-retail commitments that are currently categorised as UCC would be treated as general commitments. The Committee intends to conduct further analysis on the appropriate definition of this category and its calibration.

We agree that this category requires an appropriate definition but we also believe that the chosen approach to narrow the scope of UCC to retail needs to be rethought fundamentally.

In our view, UCC that are unconditionally cancellable in practice are in fact often found in non-retail segments such as wealth management.

Regulatory environment and terms and conditions

The terms and conditions of credit facilities extended to wealth management clients allow us to unconditionally cancel and withdraw advised limits at any time. Facilities are granted on an uncommitted basis and availability and any utilisation are subject to our internal credit approval. We reserve the right to decline any requested drawdown and we may, at any time and without prior notice terminate facilities in our discretion.

Margin-based business

Lombard loan facilities are collateralised and clients are required to maintain secured assets with us with sufficient security value to cover their obligations to us. Security values are percentages defined in our lending policies (typically ranging from 40% to 70%) against the market valuation of the asset and against which the client is able to draw down on facilities. The maximum a client can draw under approved credit facilities at any time is the lower of

the limit approved and the available security value. If there is no collateral available, the client will not be able draw even though a credit limit has been made available to him.

It is a condition of all credit facilities that a client maintains secured assets with an aggregate security value of not less than 100% of our credit exposure at any time. Failing this the client is required to furnish additional security or to make repayments through daily margin calls. It is an event of default if the security value falls below the drawn exposure amount.

We understand the concern of the Committee that a borrower could under certain circumstances draw existing loan facilities before going into default. This behaviour is not common in the private banking / wealth management space where all credit facilities are granted on a fully secured basis.

In a default scenario it would be reasonable to expect that a client in need of liquidity would liquidate assets at market value so that he can access the "equity" portion of the assets. Therefore, we would not necessarily expect draw downs to be highest right before default.

CCFs in wealth management

Lending provided in wealth management does not fall under the BCBS proposed definition of retail as the volumes are typically above EUR 1 million or transacted through an SPV or trust.

This means that uncommitted limits or UCC would in future be subject to a CCF of [50-75%] which we consider inappropriate in a private banking / wealth management context, particularly as we can in practice avoid undesired draw downs by unconditionally cancelling limits.

Based on our credit risk experience, for secured private banking lending limits, the CCF for UCC should remain at zero %.

The application of UCC CFF could, however, be restricted to commitments for which a bank can demonstrate i) that the legal position allows unconditional cancellation and ii) that it would in practice cancel such commitments or stop further utilisation if deemed necessary from a credit risk management viewpoint.

Corporate and Investment Banking Activities

In some corporate and investment banking activities, we perform an assessment of the risk of draw down in relation to non-committed client limits. Such assessment considers both the legal right, together with our operational ability to prevent a drawdown. To the extent that both of these criteria have been satisfied, we conclude that no risk of drawdown exists. Also, there will be no consumer protection laws or risk management capabilities that could constrain us in our ability to cancel such commitments and to avoid a drawn down.

Where the terms and conditions of our loan facilities and our credit approval processes do not allow us to prevent a drawn down we acknowledge that a risk of draw down exists and apply a non-zero CCF under our approved A-IRB model.

In the instances where we conclude that no risk of drawdown exists, a physical credit intervention is required prior to drawdown.

We generally agree with the proposal to introduce CCFs for UCC facilities where no physical credit intervention point exists, however should no risk of draw down exist we believe that applying CCFs to such exposures would be overly conservative.

We understand that the proposals are trying to achieve a balance between risk sensitivity and ease of implementation. We therefore suggest that they provide guidelines for when the application of a lower CCF would be appropriate.