

1 Churchill Place
Canary Wharf
London E14 5HP
United Kingdom

Mr. Bill Coen
Secretariat of the Basel Committee
on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Tel +44 (20) 116 1000

barclays.com

8th February 2016

Dear Mr Coen,

Re: Consultative Document- TLAC holdings

Barclays welcomes the opportunity to comment on the Basel Committee's consultation document on TLAC holdings issued in November 2015. We welcome the Committee's further guidance in this area, and note the work also ongoing at the Bank of England and European Commission regarding Minimum Requirements for Eligible Liabilities (MREL). We continue to be supportive of a consistent approach between MREL and TLAC on a global basis. We have worked with the British Banker's Association (BBA) on their response and in addition, we have provided comment on a number of specific points below.

Key points:

1. We agree that the corresponding deduction approach should be the starting point for consideration of any capital deductions. Therefore, any holdings in TLAC should be deducted from the firm's own TLAC rather than Tier 2 Capital. The approach proposed in the consultation to deduct TLAC holdings from T2 capital would represent a significant divergence from the corresponding deduction regime which works for other holdings of a similar nature, and any perceived benefits would be outweighed by the disadvantages set out in this response.

We acknowledge that not all firms will be designated as G-SIBs, however, it should be noted that the current list of G-SIBs will not be static and certain organizations may fall just above or below the boundary. We would anticipate that supervisors will ensure these organizations are prepared for TLAC requirements, and for other firms calculating a "proxy" TLAC requirement would not be particularly onerous. In addition, local regulators may apply concepts comparable to TLAC to non G-SIBs in order to facilitate resolution, for example MREL in the European Union. If the bank does not have sufficient TLAC or MREL to make the appropriate deduction, then the deduction should be taken from a higher grade of capital such as Tier 2.

2. We understand that the Committee is attempting to limit potential contagion to the banking section by providing a "disincentive to invest in TLAC" between banks, we are strongly supportive of an exemption for market making, and suggest that this is set out explicitly within the proposed text, a separate limit to the current 10%. Market making activity is not "investment" in these instruments but it supports third party investment by enabling secondary market liquidity without which the market for TLAC is likely to be stifled.

Following the Lehman crisis of 2008, liquidity has been a major issue in investors' minds and often cited as a key macro risk. In fact in a survey of more than 600 investors in November

2015, Barclays found that 'worsening market liquidity conditions' was mentioned ahead of 'Fed tightening' as one of the biggest risks to markets over the next 12 months.

The Bank of England has also highlighted this risk through various publications in 2014 and 2015. The market is already grappling with a huge liquidity challenge, a concern shared by regulators and investors alike. As the final rules are about to be set for what is arguably the largest asset class to come to market for decades we feel it is imperative that the funding challenge set for banks is not exacerbated by higher hurdles on the trading side that would stifle the market.

Furthermore, for the avoidance of doubt, we would seek to apply the current underwriting rules to underwriting of another firm's TLAC.

3. Linked to points 1 and 2, we agree with the Large Exposure (LE) considerations outlined in the consultation paper, particularly proposal iv) relating to aggregate limits. For the avoidance of doubt, any further single name or aggregate limits are unnecessary if the corresponding deduction approach is applied correctly.
4. We continue to believe (non- TLAC) senior liabilities should be subject to TLAC exemptions. If these have been exempted from the FSB's TLAC term sheet, it is unclear why these would need to be included for the purposes of deductions as there would be no double gearing of TLAC requirements within the banking sector

If you have any questions or comments relating to this response please contact Sam McAuliffe on 020 3134 1176.

Yours sincerely



Gary Romain
Finance Head of Policy