Suggestions to the revisions to the standardised approach for credit Risk

1. What is the process to choose the risk drivers of credit exposures and how the standards are set? Please disclose the decision process.

   Bank exposures, corporate exposures and retail exposures all apply two risk drivers to assign risk weight, such as CET1 and Net NPA for bank exposures, revenue and leverage for corporate exposures , LTV and DSC for retail exposures. What is the process to choose these risk drivers and how the standards are set? Please disclose the decision process.

2. We suggest to reduce the risk weight of bank exposures.

   Comparing with the standardized approach applying now, the revisions increase the risk weight of bank exposures obviously . The CET1 of the states-owned banks in China are about 9.5%-12%,according to the revisions to standardize approach apply the risk weight is 40%-80%, increase 60%-220% comparing with the approach applying now; the CET1 of the incorporated banks are about 7%-9.5%,according to the revisions to standardize approach apply the risk weight is 60%-100%, increase 140%-300% comparing with the approach applying now, the revisions will increase the capital requirement of bank exposures. Other banks will have higher risk weights even. Especially for China Merchants Bank,the risk weight asset for bank exposure will increase more than 400% roughly and it is horrible.Bank business already has been banks strategic business, the revisions to the risk weight of bank exposures not only influence capital requirements, and also influence risk weight of other financial institutions. The revisions may influence financial business obviously, so we suggest strongly to reduce the risk weight of bank exposures.

3. Suggest the committee assign the revisions to other financial institutions as soon as possible.

   The revisions to risk weight of other financial institutions don't describe clearly. The committee may give more specific risk drivers and risk weight.

4. The risk weight of corporate exposures in the revisions is a disadvantage for small businesses.

   The risk weight of corporate exposures in the revisions is good for big enterprise obviously, and it conflicts the policy of the Chinese government to help SME. Moreover, risk weight of SME exposures treated as corporate exposures is higher than it treated as retail exposures, this may lead an arbitrage chance from the supervision. In China, there are many small businesse enterprises that don't have financial statement. If we use the 300% risk weight, the RWA of SME will sharply increase. It will have much bad influence for the developing SME business.

5. Revenue has much difference across different industry. It is not appropriate to use uniform criterion for revenue as a risk driver of corporate exposure. The criterion should be set based on local superviser's discretion.
6. No considering about the change of LTV in retail exposure.

   When calculating LTV in residential real estate exposure, the revisions require to use the value measured at exposure's origination, it can't reflect the value change of the collateral and the real risk. Banks appraise the value of the collateral periodically, we suggest to use the up-to-date valuation.
7. CCF for Credit card business is not given specific. If we use 75% CCF, the exposure of credit card business will sharply increase. It is neither good for developing the business, nor coincidence with the physical truth of credit card business.