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## Comments on “Revisions to the Standardised Approach for Credit Risk” by CIMB Thai Bank

| Topic | Details | Comments |
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| **Overall** | ➢ To increase comparability of capital requirements under the standardised approach and the internal ratings-based (IRB) approach.<br>➢ To increase comparability of capital requirements between banks using the standardised approach by reducing national discretions.<br>➢ To reduce reliance on external credit assessments by providing alternative measures for risk assessment. | ➢ New approach was not provided rationale of the new risk drivers.<br>➢ Rating agencies have considered all data of the customers and offer the rating; it must better than using only two risk drivers.<br>➢ Do not agree to cancel the National Discretion; due to each country has different in economic environment, legal, accounting criteria etc.<br>➢ New approach will motivate banks to lend to corporate customers more than SME, due to new RW of corporate customers lower than SME. As a result, SME customers were charged high interest rate. |

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| **Exposures to banks** | ➢ Q1. What are respondents' views on the selection of the capital adequacy ratio? In particular, is the CET1 ratio superior to the Tier 1 ratio or the Leverage ratio? Do respondents agree that it is necessary to require calculations in accordance with Basel III in order to ensure a consistent implementation?<br>➢ Q2. Do respondents believe the net NPA ratio is an effective measure for distinguishing a bank exposure's credit risk? What alternative asset quality measure, if any, should be considered by the Committee?<br>➢ Q3. Do respondents have views on the proposed treatment for short-term interbank claims?<br>➢ Q4. Do respondents have suggestions on how to address these concerns on the treatment of exposures to banks? In particular, do respondents have views on how to treat exposures to banks not subject to Basel III in a consistent and risk-sensitive manner? | ➢ Not agree on how to define RW using only 2 risk drivers and RW set too high.<br>➢ Some countries / specific financial institutions are not adopting Basel 3, using CET1 risk driver will not appropriate.<br>➢ RW 300% is too high for banks who not published within the frequency required by the Pillar 3 disclosure requirements. |

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| **Exposures to corporate** | ➢ Q5. Do respondents have views on the selection of risk drivers and their definition, in particular as regards leverage and the incorporation of off-balance sheet exposures within the ratio? Would other risk drivers better reflect the credit risk of corporate exposures?<br>➢ Q6 Do respondents have views on the appropriateness of the proposed treatment, especially with regard to SMEs? And about the more lenient treatment for start-up companies?<br>➢ Q7. Do respondents think that the risk sensitivity of the proposal can be further increased without introducing excessive complexity?<br>➢ Q8. Do respondents agree that introducing the specialised lending category enhances the risk sensitivity of the standardised approach and its alignment with IRB? | ➢ Difference in accounting standard in each country and financial statement of most SME customers do not reflect real credit standing, which under report revenue, profit and debt. Hence, the risk drivers to determine the RW may not be compared and reliable.<br>➢ Leverage ratio in each business sector are not the same number, it depending on the structure of the business. So, this leverage ratio (one number) cannot represent RW for all business.<br>➢ To proposed RW for corporate customers as follows:<br>- Local regulator proposes their own Revenue bucket by using annual sales. (National Discretion).<br>- Using rating for corporate customer who has rating for determined RW.<br>- Calculate leverage ratio for non-rated large corporate customers. (More reliable financial statements for large corporate) while others corporate using LTV for determined risk weights.<br>- Using of 110% risk weight for Startup Company and 300% for negative equity are too high.<br>- Projects finance are important for developing countries, while new approach requiring high RW for them, as a result, they difficult to access to loans with low interest rate. So, they should determined RW as same as corporate customers without floor set at 120% and 150%. |

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| **Subordinated debt, equity and other capital instruments** | ➢ The current approach establishes that investments in equity or regulatory capital instruments issued by banks or securities firms are risk-weighted at either 100% or 250%, unless deduction applies. In contrast, it does not apply a distinct treatment in the case of equity or subordinated debt issued by corporate.<br>➢ To enhance the risk sensitivity of the framework, the Committee proposes to introduce a specific category for all capital and equity instruments whether issued by banks or corporate. To align the treatment of these exposures with those under IRB, the Committee proposes to apply a 250% risk weight for subordinated debt and capital instruments other than equities; and to use the IRB simple risk-weight method for equity exposures (ie 300% for publicly traded equity holdings, and 400% otherwise), unless these exposures are deducted or risk-weighted at 250% according to paragraphs 87 to 89 of the Basel III capital framework. | ➢ Disagree with using RW 300% and 400% for equity. |

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| **Retail portfolio** | ➢ Q9. Can respondents suggest, and provide evidence on, how to increase the risk sensitivity of the regulatory retail exposures treatment, either by differentiating certain product subcategories for which a specific risk weight may be appropriate; or by suggesting simple risk drivers that could be used to assess the risk of all retail exposures? | ➢ Current guideline has already reflected the level of risk. |

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| **Exposures secured by residential real estate** | ➢ Q10. Do respondents agree that LTV and/or DSC ratios (as defined in Annex 1 paragraphs 40 and 41) have sufficient predictive power of loan default and/or loss incurred for exposures secured on residential real estate?<br>➢ Q11. Do respondents have views about the measurement of the LTV and DSC ratios? (In particular, as regards keeping the value of the property constant as measured at origination in the calculation of the LTV ratio; and not updating the DSC ratio over time.)<br>➢ Q12. Do respondents have views on whether the use of a fixed threshold for the DSC ratio is an appropriate way for differentiating risks and ensuring comparability across jurisdictions? If not, what reasonably simple alternatives or modifications would respondents propose while maintaining consistent outcomes?<br>➢ Q13. Do respondents propose any alternative/additional risk drivers for the Committee's consideration in order to improve the risk sensitivity in this approach without unduly increasing complexity?<br>➢ Q14. Which of the two options above is viewed as the most suitable for determining the risk-weight treatment for exposures secured on commercial real estate?<br>➢ Q15. What other options might prudently increase the risk sensitivity of the commercial real estate treatment without unduly increasing complexity? | ➢ Current guideline has already reflected the level of risk. |

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| **Risk weight add-on for exposures with currency mismatch** | ➢ Q16. Do respondents agree that a risk weight add-on should be applied to only retail exposures and exposures secured by residential real estate? What are other options for addressing this risk in a simple manner? | ➢ Disagree with the determination RW for add-on of currency mismatch. |
| **Off-Balance sheet Exposures** | ➢ Q17. Do respondents consider the categories for which a CCF is applied under the standardised approach to be adequately defined?<br>➢ Q18. Do respondents agree that instruments allocated to each of the CCF categories share a similar probability of being drawn and that the probabilities implied by the CCFs are accurate? Please provide empirical support for your response. | ➢ It necessary to provide credit facilities for the business in developing country which mostly they only get from banks, while in developed countries, they have more channels to access source of funding. So, uncommitted credit facilities should not determined CCF=10%. Therefore, CCF rate for uncommitted line = 0%.<br>➢ Disagree with the determination CCF for committed lines, regardless of maturity. |
| **Other Assets** | ➢ Q21. What exposures would be classified under “Other assets”? Is a 100% risk weight appropriate? (Please provide evidence where possible). | ➢ Disagree with the determination risk weights 100% for other assets, It should be determined by the type of assets as used current guidelines. |