20 June 2018

Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Consultative document "Revisions to the minimum capital requirements for market risk"

Dear Sir/ Madam,

DBS Bank Limited ("DBS") appreciates the opportunity to comment on the Basel Committee on Banking Supervision's ("the Committee") above-mentioned consultative document.

The standardised approach is a core pillar of the new market risk standard. It is a standard for banks that require a simple treatment for market risk and additionally, it serves as a credible fallback for, as well as a floor to, the internal models approach. DBS broadly supports the proposed changes to the new market risk standard's standardised approach and recommends the Committee to consider the comments below in the formulation of the final rules.

Curvature due to instruments without optionality
Vanilla bonds and vanilla interest rate swaps have zero vega sensitivities but generate convexity and these instruments are used to hedge interest rate options. We recommend that banks be allowed to consider such instruments without optionality and vega sensitivities alongside instruments with optionality in the curvature risk charge calculation where these instruments are part of a trading strategy.

Multi-underlying options and index instruments
For banks electing not to adopt a look-through approach for index instruments and multi-underlying options for curvature risk charge calculation, the applicable risk weight will be the highest risk weight amongst the constituents of the basket/index. This is a conservative treatment as a single high yield/unrated issuer name will taint the credit index/basket with the highest risk weight and a single small market capitalized equity name stemming from the emerging market economy will attract the highest risk weight for the equity index/basket. We recommend that the risk weight be specified to be more consistent with the overall composition of the index/basket and better reflects the index/basket's risk profile.

On a related subject, we note that a look-through approach must be used to compute delta risk charges so that delta sensitivities to constituents of the index/basket can be netted with sensitivities to single name instruments. We recommend that banks be permitted to elect to compute delta risk charges without performing a look-through when they are not in the business of index arbitrage.

We hope you find our comments useful and we appreciate the Committee's efforts in addressing certain outstanding issues in the new market risk standard.

Yours sincerely,

Lo W. t.

Brian Lo
Head of Risk Management Group – Market & Liquidity Risk
DBS Bank Limited