



Indian Banks' Association

11th September 2015

To

The Basel Committee on Banking Supervision
Bank for International Settlements
Postfach
CH-4002 Basel
Switzerland

Sub: Response to the BCBS Consultative Document on "Interest rate risk in the banking book" - (IRRBB)

Dear Sir/Madam

Indian Banks' Association (IBA) thanks the Basel Committee for seeking feedback on the recent Consultative Document on "Interest Rate Risk in the Banking Book."

We understand that the Basel Committee's proposal is significant in view of exceptionally low interest rate scenarios prevailing since long in many economies and the imminent rise of the rates in the near future. Given this background the proposal to strengthen the existing frameworks of IRRBB is essential and IBA welcomes the same.

As to the two options for the regulatory treatment for IRRBB provided in this document, we are of the view that an apportionment of capital to cover the potential losses should be addressed through a stringent and enhanced Pillar 2 approach by introducing certain outlier limits for risk mitigation. To begin with the national regulators may adopt the enhanced Pillar 2 approach and going forward the adoption of the Pillar 1 option would be guided by experience of adopting the Pillar 2 approach.

Given the different levels of interest rates in different currencies / jurisdictions uniform definition of interest rate stress scenarios (viz. 300,400 basis points shift) may need a relook.

Also while stringent norms are necessary under the Pillar 2 approach we are of the view that flexibility and discretion to be accorded to the national regulators to decide on the nature and extent of disclosures under Pillar 3 as well as disclosure of Standardised IRRBB calculations under Pillar 1 which are included in the enhanced Pillar 2 approach.

We also would like to bring to the fore the jurisdictional specific mandatory reserve requirements as in India where banks have to mandatorily hold local currency sovereigns on their Banking Book and the need to provide for specific dispensation with regards to the same in the regulatory framework being proposed for IRRBB.

With Regards


(M K Datar)
Senior Advisor