KASIKORNTHAI

ธนาคารกสิกรไทย
开泰银行 KASIKORNBANK

Kasikornbank PCL
1 Soi Rat Burana 27/1,Rat Burana Rd., Rat Burana, Bangkok 10140,Thailand.
BaselTeam@kasikornbank.com
Tel : +662-470-5859
Fax : +662-470-1926

10 March 2016
Secretariat of the Basel Committee on Banking Supervision,
Bank for International Settlements,
CH-4002 Basel,
Switzerland
e-mail : baselcommittee@bis.org

Dear Sir,

We, Kasikornbank PCL, appreciate the opportunity to comment on the 2nd revision of the "Revisions to the Standardized Approach for credit risk" document and the effort of BCBS to create the new credit risk capital framework to strengthen the global banking system. While the whole package of the framework is well intended, we are of the opinion that some areas should be improved so that the revision unquestionably strengthen banking sector without causing negative impacts to real sector. We would like to comment on the consultative document as follows:

CCFs for unused credit line	The new CCFs for unused credit line would result in a drastic increase in banks' regulatory capital which, in turn, would reduce banks' capacity to extend credit. Economic contraction will be a major concern, especially in developing countries where banks are the main source of funds.
	
	• For corporate customers, whom banks monitor closely, the only type of unused line that we see as committed is the one that we charged fee to reserve the line. Other unused line is contractually and practically cancellable.
	• We would like to propose that,
	  • Committed line should be distinguished from uncommitted line and, to a reasonable extent, allow national discretion to fit it to the market practice.
	  • Definition of 'Committed line' should be clarified to ensure comparability.
	  • Proposed CCFs should be revised down to avoid unintended consequences to emerging economies.

Risk weights assigned to Corporate SME & individual SME	There is inconsistency between treatment of corporate SMEs and individual SMEs which do not pass retail criteria. • According to the guideline, the corporate SMEs receive 85% risk weight while individual SMEs who do not meet the retail criteria receive 100% risk weight. We propose that BCBS adopt 85% risk weight to both groups.

	Otherwise, this treatment will have an impact on SMEs who are self-employed individuals, despite having types of loans and collaterals similar to those of corporate SMEs.
Bank exposures	• Risk weight mapping for ECRA and SCRA is inconsistent resulting in unrated banks receiving the same risk weight as rated leading banks.
Real estate	• For RRE and CRE which do not comply with the given criteria in Paragraph 50, we propose that counterparty risk weight should be applied instead of the maximum of counterparty risk weight and 100%. According to paragraph 50; • Corporate A: Sales size less than €50 million, no collateral would be classified as "Corporate SME" and receive %RW 85% • Corporate B: Sales size less than €50 million with commercial real estate as collateral but do not meet all real estate exposure class requirement in paragraph 50 would receive minimum risk weight 100% • The committee should allow national discretion to consider 'vacant land' as eligible collateral, as land can be as liquid, if not more liquid, than some other types of finished property.
Specialized lending	• Defining "Operational phase" as the phase that has (i) a positive net cash flow that is sufficient to cover any remaining contractual obligation and (ii) declining long term debt is too restricted. Such a definition is not suitable for projects with a long drawdown period such as power plant or irrigation system construction where the first phase can start operating even when other phases are still under construction. • We propose that "Operational phase" definition should be revised to the phase after projects have made 1st repayment. Projects with declining long term debt should be risk weighted lower than 100%

Thank you for considering our comments. We would appreciate if our comments are incorporated in the calibration process of the new Standardized Approach for credit risk.

Please do not hesitate to contact Miss Thipvadee Sindhuseka, Integrated Risk Management and Analytics Department via E-mail: BaselTeam@kasikornbank.com for further clarification regarding the comments above.