Comments on D349

Section 2.1. Principles for the review

Comment - Apart from the 4 principles mentioned in the consultative document, since firms would need to design, incorporate step-in-risk framework to its existing risk management system, the proposed framework should not be conflict with any other local/international regulatory standards being adopted by the bank in terms of consolidating an entity.

This can be reviewed and added as part of principle2 or as a separate principle if deemed necessary.

Section 3.1.1. Primary Indicators - Use of sponsorship concept

Comment – Among the listed three sponsoring relationships (decision making, operations, financial support) first two kind of relationship has more probability of risk by means of stepping in, but under financial support category if a bank provides financial support with certain credit limit to a smaller entity (asset size is very much small compared to asset size of sponsoring entity) step-in-risk that will arise won't be causing a big impact.

Can this identification step introduce some condition like applying threshold below which unconsolidated entity need not be evaluated with any of primary indicator?

Section 3.2. Secondary Indicators

Comment – ''Investor ability to freely dispose of their financial instruments'' is mentioned as one of the secondary indicator. But similar is the case with chances of step-in-risk being caused if the credit quality of the investor deteriorates/significant decline in terms of credit quality.

Please evaluate and add this as a secondary indicator if deemed necessary.