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

Dear Sir,

Basel Club, an association of Thai commercial banks, welcomes the opportunity to comment on the consultative document "Revision to the Basel III leverage ratio framework" and we are fully supportive of the Committee's desire to introduce a simple, transparent, non-risk-based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements.

We have a number of general feedbacks which are outlined below.

Adoption of a modified version of the standardized approach for measuring counterparty credit risk exposures (SA-CCR):

- Imposing modified version of SA-CCR would substantially overstate actual exposures. To ensure that the derivative exposures for leverage ratio appropriately reflect the actual position, the computation methodology should be aligned with the unmodified SA-CCR under the risk-based framework. The modified version of SA-CCR recognizes only some selective qualified collateral to offset exposure in both replacement cost (RC) and potential future exposure (PFE) components, this contradicts with the original objective of SA-CCR that would distinguish derivative exposure between margined and un-margined transaction. The proposed framework abandons the exposure-reducing effects of financial collateral especially cash collateral received in derivatives transactions, even though receipt of such collateral is recognized as best practice for reducing counterparty exposure.
- The implementation should be simplified and convenient for banks to adopt. We recommend that the methodology to compute the non-risk based and risk based exposures should be aligned in order to help market participants better understand when both non-risk based and risk based exposures are referred. The more adjustments made to the ratio, the more difficulties to understand the actual meaning of the exposures.

Leverage ratio enforcement: We are of the opinion that the leverage ratio work better under Pillar2 rather than act as a binding ratio under Pillar1. The regulators in each jurisdiction should be able to

exercise its judgments to design the appropriate ratio that suit to their economic circumstances. The leverage ratio, if not carefully imposed, may hinder the process of economic development in a long term, especially in a bank-based emerging market which heavily relies on banks as major source of funding.

Thank you for your kind consideration.

A handwritten signature in blue ink, appearing to be 'Abd P.', with a stylized flourish at the end.