COMMITTEE ON SECURITIES LENDING

January 5, 2016

Via Electronic Submission

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

Re: Haircut floors for non-centrally cleared securities financing transactions

Dear Sir or Madam:

The Committee on Securities Lending (the "RMA Committee") of the Risk Management Association (the "RMA")[1] appreciates the opportunity to submit this letter to the Basel Committee on Banking Supervision (the "Basel Committee") on its behalf and on behalf of numerous of its members, including The Bank of New York Mellon, Deutsche Bank, Goldman Sachs, JP Morgan Chase, State Street Corporation, The Northern Trust Company and other financial institutions that participate in the securities lending industry as securities lending agents ("Agent Banks") on behalf of their clients.[2] This letter addresses the Basel Committee's consultative document (the "Consultative Document") on haircut floors for non-centrally cleared securities financing transactions.[3]

The RMA appreciates the opportunity to comment on the Consultative Document and is supportive of the Basel Committee's objective to create incentives for banks to set collateral haircuts above the floors rather than hold more capital. The proposals contained in the Consultative Document are generally consistent with market practice or could be adopted without undue market and liquidity disruption. There are two matters, however, that we feel merit comment and clarification.

1) The RMA Committee acts as a liaison for RMA member institutions involved in agency lending functions within the securities lending industry by providing products and services, including hosting several forums, conferences and training programs annually and sharing aggregate composite securities lending market data free of charge.

2) The same issues and approaches used to resolve the issues described herein with respect to agency securities lending also apply to another important activity of agency banks, agency repo transactions. Thus, with the term "securities financing transactions" encompassing both agency securities lending and agency repo transactions, the RMA hereto respectfully submits that the Basel Committee also consider these comments to apply equally to both types of agency transactions.

3) Basel Committee, Consultative document – Haircut floors for non-centrally cleared securities financing transactions (5 November 2015), available at http://www.bis.org/bcbs/publ/d307.pdf

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First, we would like to confirm that the term "non-banks" refers to entities other than banks and broker-dealers, as would be consistent with the definition within the Financial Stability Board's (FSB) "Regulatory framework for haircuts on non-centrally cleared securities financing transactions" from 12 November 2105. We would further ask to exclude other prudentially regulated entities such as insurance companies from the definition of non-banks given the comparable regulatory oversight of such entities relative to banks.

Second, we also believe that securities financing transactions in which the cash collateral is utilized to meet margin requirements at a qualified central counterparty (a "QCCP") should also be exempted from the proposed framework of numerical haircut floors consistent with the related question from the FSB. The risk and liquidity constraints inherent in leaving cash as margin at a QCCP are commensurate with reinvesting under the proposed minimum guidelines. The absence of such an exemption will significantly impair efforts to migrate OTC transactions to QCCPs and will reduce overall market liquidity.

Conclusion

We thank the Basel Committee for the opportunity to comment on the Consultative Document and participate in the ongoing dialogue on haircut floors for non-centrally cleared securities financing transactions. We look forward to continued dialogue with the Basel Committee and other supervisors and believe, as the Basel Committee does, that achieving effective and efficient reform requires healthy and robust collaboration between supervisors and market participants. The RMA Committee would be pleased to discuss this letter in further detail, and stands ready to assist the Basel Committee with respect to this critical matter.

Sincerely,

Francis Garritt

Jason P. Strofs

Director
Securities Lending & Market Risk
Risk Management Association

Chairman
Committee on Securities Lending
Risk Management Association

cc: Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency