Proposal for Contingent capital

- We recommend that the triggering condition should become effective only through a directive from the respective regulatory/supervisory entity including the event financial assistance is provided to a bank.

- However, we believe that a uniform regulatory stipulation should be set up where the losses that would be incurred by the respective debtholders should be proportionate to the financial support funds provided by the government.

- When the introduction of contingent capital facilities becomes a certainty, the market may be inundated with contingent capital issuances as all of the banks are expected to come to the market at the onset. In order to alleviate a potential overflooding of supply, banks should be provided a sufficient grace period.

Countercyclical capital buffer proposal

- In case capital raising is difficult in the market due to adverse conditions, accumulation of capital buffer through the build up of retained earnings with restrictions on payouts should be allowed.