Secretariat of the Basel Committee on Banking Supervision  
Bank of International Settlements  
CH-4002 Basel  
Basel, Switzerland  
Via email baselcommittee@bis.org

Subject: KAS BANK reaction to Revised Basel III leverage ratio framework and disclosure requirements

Dear Messrs. and Mmes.: 

KAS BANK NV appreciates the opportunity to respond on the Basel Committee on Banking Supervision’s consultative document ‘Revised Basel III leverage ratio framework and disclosure requirements’ as published in June 2013.

KAS BANK is an Amsterdam based wholesale bank offering services as clearing, settlement and custody. The client base mainly consists of pension funds and asset managers. KAS BANK maintains a low risk profile, and therefore welcomes the Committee’s effort to limit excessive leverage in the banking sector.

Customers entrusting their funds with a bank increase the currently proposed leverage exposure measure. We propose to remove cash held at central bank facilities from the leverage exposure measure. Given the Committee’s rationale for the introduction of the leverage ratio framework, in our opinion, cash held at central banks does not fit the definition of leverage. This applies to the individual bank level as well to the aggregate level; cash parked at the central bank does not add leverage to the economy. Hence, central bank cash should be ignored in an exposure measure for leverage.

Moreover, the proposed minimum leverage ratio requirement deviates from other regulatory restrictions on bank balance sheets, in that for minimum level requirements for measures like CET1, LCR and NSFR, it does hold that:

If these requirements are currently being met, then they are still met after additional entrusted funds are deposited as cash at the central bank.

It is only the currently proposed leverage ratio that lacks this neutral investment option. This concerns custodian banks in particular as their client needs a neutral solution for its money management and uses the bank balance sheet as such, by lack of direct access to the central banking system.

Sincerely,

[Signature]

Krs Wulteputte  
Chief Risk Officer  
September 20, 2013