
We fully support the general Committee’s objective of strengthening the capital framework for the trading book as well as its increased focus on achieving a framework that can be implemented consistently across jurisdictions.

Santander Group supports the Consolidated Response of the Joint Associations (ISDA, GFMA, IFF) to the Second Consultative Document on the Fundamental Review of the Trading Book (FRTB).

We agree that the main concerns regarding the initiatives presented in the consultative document are the proposed Standardized Approach, the incorporation of the risk of market illiquidity and model-independent approval process.

Santander welcomes many aspects of the proposed framework, specially the abolishment of the double charge that was imposed by VaR and Stressed VaR and the revised proposal for a boundary between the banking book and the trading book which seeks to take into account the intent to trade.

However, we are particularly worried about the timeline of the FRTB that was initially communicated to the industry. The changes being proposed to the standardized approach (SA) and the inclusion of liquidity horizon component to the internal models approach (IMA) will represent a significant work for firms to comply. Current systems and processes will have to be adapted and some others will have to be built; this will require a significant amount of time that we believe is not consistent with the timeframe assumed for QIS and the finalization of the FRTB.

Additionally, we wish to express our concern on some aspects of the proposed FRTB that we consider that could result in a significant departure of the capital framework from the way risk is managed within institutions.

With respect to the **Standardized Approach**, our opinion is that the proposed discounted cash flow framework would suppose a significant impact in terms of costs of implementation (systems, market data and HHRR). We think that an approach based on the existing risk factors sensitivities would help in the objective of enhancing the actual Standardized Approach and that it would comply with the use test of the model.

Regarding the incorporation of the risk of **Market Illiquidity** we support the industry’s response as it shows the problems related to the correlation between returns from different horizons. The BCBS proposed approach would imply the calculation of a metric not sufficiently risk sensitive, creating a conflict between risk management and capital requirements.

We also support the industry’s response regarding the proposed **Model-Independent Approval Process**. In our opinion, a leverage ratio exposure measure is an inappropriate tool to evaluate an Internal Model of an institution as the leverage ratio is not risk sensitive. In other words, a desk with a significant volume and a low risk profile, could not have the Internal Model approval although the model worked perfectly.

We would like to express again our appreciation for the opportunity to comment the second Consultative Document Fundamental Review of the Trading Book and remain at your disposal for any further questions on it.