

May 2013

Norah Barger
Alan Adkins
Co-Chairs, Trading Book Group
Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2, CH-4002 Basel, SWITZERLAND

Sent by email to: baselcommittee@bis.org

Consultative Document: Fundamental Review Of The Trading Book Rules¹ - further response

Dear Ms. Barger and Mr. Adkins,

This letter contains a further response of the International Swaps and Derivatives Association, Inc² ("ISDA"), the Global Financial Markets Association³ ("GFMA") and the Institute of International Finance⁴ (together "the Associations"), to the Basel Committee on Banking Supervision ("BCBS") Consultative Document *Fundamental Review of the Trading Book* dated May 2012 ("Fundamental Review" or "FRTB"). This Paper should be read in the context of the previous industry response submitted in September 2012.

The Associations very much appreciate the opportunity to comment further on the Fundamental Review and to have met with the BCBS Trading Book Group ("TBG") in Washington in June 2012 and in Frankfurt in August 2012 and in other bilateral meetings. We found those meetings to be constructive and assisted the industry to formulate its responses in a focused way.

In this Paper we would like to set out our thoughts on the Fundamental Review's proposals for the standard rules approaches. It continues our recent series of additional detailed feedback papers following our first response in September 2012. Under current TBG proposals we feel that the ideas for standard rules may be overly prescriptive and complex because they attempt to achieve too many

¹ Basel Committee on Banking Supervision, May 2012

² Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA is one of the world's largest global financial trade associations, with over 840 member institutions from 59 countries on six continents. These members include a broad range of OTC derivatives market participants: global, international and regional banks, asset managers, energy and commodities firms, government and supranational entities, insurers and diversified financial institutions, corporations, law firms, exchanges, clearinghouses and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

³ The Global Financial Markets Association (GFMA) brings together three of the world's leading financial trade associations to address the increasingly important global regulatory agenda and to promote coordinated advocacy efforts. The Association for Financial Markets in Europe (AFME) in London and Brussels, the Asia Securities Industry & Financial Markets Association (ASIFMA) in Hong Kong and the Securities Industry and Financial Markets Association (SIFMA) in New York and Washington are, respectively, the European, Asian and North American members of GFMA. For more information, please visit www.gfma.org.

⁴ The Institute of International Finance, Inc. (IIF) is a global association created in 1983 in response to the international debt crisis. The IIF has evolved to meet the changing needs of the international financial community. The IIF's purpose is to support the financial industry in prudently managing risks, including sovereign risk; in disseminating sound practices and standards; and in advocating regulatory, financial, and economic policies in the broad interest of members and foster global financial stability. Members include the world's largest commercial banks and investment banks, as well as a growing number of insurance companies and investment management firms. Among the IIF's Associate members are multinational corporations, consultancies and law firms, trading companies, export credit agencies, and multilateral agencies. All of the major markets are represented and participation from the leading financial institutions in emerging market countries is also increasing steadily. Today the IIF has more than 450 members headquartered in more than 70 countries. For more information, please visit www.iif.com.


goals, many of which we feel may be better addressed by considering use of a standardized calibration of internal models for the purpose of benchmarking models and making cross firm comparisons. While the Industry would be happy to engage further with the TBG on a recalibration of the existing standard rules approach, or indeed on the design of a new simple standard rules approach, the focus of this Paper is on standardization of model calibration for benchmarking purposes.

We stress again that we are very broadly in agreement with the direction of the FRTB and feel that the points set out in this Paper complement the FRTB and better calibrate the proposals. We would welcome the opportunity to organize a meeting with the TBG at its convenience to discuss our proposals and the range of alternatives currently contemplated. We do sincerely hope you find our further inputs helpful.

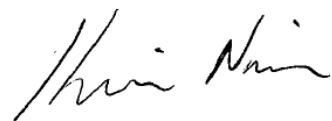
Yours faithfully,



George Handjinicolaou, Ph.D
Deputy CEO and Head of ISDA
Europe, Middle East and Africa



Simon Lewis
CEO
GFMA



Kevin Nixon
Managing Director
IFF

cc: Wayne Byres, Secretary General, Basel Committee on Banking Supervision