



February 25, 2020

Ms. Carolyn Rogers
Secretary General
Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

Dear Ms. Rogers,

Re: Consultative Document: Credit Valuation Adjustment risk: Targeted Final Revisions dated November 2019

The Securities Industry and Financial Markets Association ("SIFMA")¹ appreciates the opportunity to comment on the Basel Committee on Bank Supervision's recent Consultative Document- Credit Valuation Adjustment Risk: Targeted Final Revisions, dated November 2019. We support the recommendations raised in the ISDA, IIF and GFMA ("Associations") comment letter dated February 25, 2020.

We are supportive of the Committee's goals of maintaining consistency between the FRTB market risk framework and the FRTB CVA risk framework, maintaining alignment of the CVA framework with industry CVA accounting practices, and improving hedge recognition. We appreciate the recent efforts reflected in this consultation which contemplates the reduction of the SA-CVA multiplier and the introduction of a scalar to BA-CVA, an increase in hedge recognition, a revision in the aggregation formula, the adjustment of a number of risk weights downward, and the exemption of some securities financing transactions from CVA risk capital requirements.

¹ SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$18.5 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association *-*/("GFMA"). 74798-For more information, visit <http://www.sifma.org>

However, we believe that that the industry's concerns with several of the framework's changes remain unresolved, including the overall calibration of the framework based on overly conservative assumptions and approaches, reduction in the granularity of risk bucket and risk weights, lessening the risk sensitivity of the framework, which will in turn impact the capacity and economics of hedging for banks and end users alike. A failure to address undue costs placed on end users as a result of this charge could lead to jurisdictions exempting counterparties from CVA capital requirements or maintaining these exemptions for jurisdictions that already have them, thus resulting in a fragmented global implementation.

The appropriate design of CVA and its consistent application across the global is critical to successful and sustainable capital markets in the US and globally. Moreover, an overly punitive implementation may lessen the efficiency and effectiveness of the derivative markets, reduce innovation in the capital markets and hinder CVA risk hedging for financial firms and end users as well.

We believe it is critical the Committee strongly considers the recommendations listed in the Associations' letter and revise the framework to ensure global consistency in line with the Committee's objectives for the CVA revision.

Sincerely,



Coryann Stefansson

Head of Capital and Liquidity Policy

SIFMA, Washington DC