**Q1. Do you agree with the minimum list of alternative methods and sources of information defined above for expert based approaches? If not, what others could be included, or which points from the current list should be removed? State your reasons.**

The list is reasonable although it should be clarified that they are not all compulsory for every instrument in all cases.

**Q2.** **Do you agree with the introduction of a threshold below which a simplified approach can be applied to calculate AVAs? If so, do you agree that the threshold should be defined as above? State your reasons.**

Threshold is a correct idea. We would recommend scoping out items which have zero or little uncertainty e.g. Level 1 in FVH from threshold amounts. E.g. an entity with significant holdings of Treasuries or liquid PM’s e.g. Gold may have large non cash balance sheets but very little valuation uncertainty.

**Q3. Do you believe there are any practical issues with a parent institution being required to apply the ‘core approach’ to all fair value positions whilst a subsidiary is allowed to apply the simplified approach? State your reasons.**

No Comment

**Q4. Do you agree with the proposed simplified approach? Do you think the risk sensitiveness of the approach is appropriate? Are there alternative approaches that you believe would be more appropriate? State your reasons.**

Unrealised profit does not make sense as a suitable proxy for valuation uncertainty. There is a great deal of inconsistency between entities as to how this may be classified. There is also the practical difficulty in isolating this metric which has few other uses.

A preferred alternative would be balance sheet adjusted for liquidity of items within a balance sheet. Related tests and classifications are already largely available for firms.

**Q5. Could a differentiated treatment for some asset/liability classes be considered, for example with regard to their liquidity? Please state the pros and cons of such a differentiation. How would you define the degree of liquidity of an asset/liability class (e.g. fair value hierarchy, eligibility for the LCR, other)?**

See Q4 response. A method which weights inventory according to liquidity class would be more appropriate as a proxy for uncertainty

**Q6.** **Do you agree with the approach defined above to calculate an AVA where the approaches in Article 8 and 9 are not possible for a valuation exposure? If not, what other approach could be prescribed? Explain your reasoning.**

This seems highly punitive when compared with the simplified approach. Take for example a bond valued at $100m. In the simplified approach this would attract AVA of a much lower materiality than under Article 7. The multiple (250) is extremely large.

**Q7. Do you agree with the approaches defined above to calculate AVAs for market price uncertainty, close-out costs, and unearned credit spreads? If not, what other approach could be prescribed? State your reasons.**

On the whole the approaches are reasonable in principle and the segregation into component AVA’s provides the platform for distinguishing between uncertainty on less complex inventory as opposed to more complex and less generic inventory.

We feel that care needs to be taken to ensure appropriate allowances for correlation of uncertainty between parameters is allowed for however we do not support the method proposed for discovering this.

The 100 day volatility test is not always practical nor sufficiently illuminating.

**Q8. Do you agree with the approaches defined in Articles 11 to 16 to calculate the various categories of AVAs? If not, what other approach could be prescribed for each AVA? State your reasons.**

Article 12 – Concentrated Positions: The market data should be the issue here not the firms’ trading activity

Article 13 - Investing and Funding Costs - We would like more clarification as to what this AVA is trying to capture

as not all firms account for funding of trades in the same manner.

Article 16 – Operational Risks - We do not feel that operational risk should be included in the PVA. There are charges elsewhere which deal with this matter. The PVA should be concerned with capture of incremental risk related to valuation uncertainty.

**Q9. Are there cases where the above AVAs may have a zero value that could be defined in the RTS? If yes, please specify.**

No Comment

**Q10. Do you agree with the approach defined above for the aggregation of valuation exposure level AVAs within the market price uncertainty and close-out cost AVA categories? If not, what other approach could be prescribed? State your reasons.**

No Comment

**Q11. Do you agree that category level AVAs described in Articles 11 to 16 within the core approach should be aggregated as a simple sum? If not, what other approach could be prescribed? State your reasons.**

No Comment

**Q12. Do you agree with the requirement for institutions using the core approach to implement the above ongoing monitoring tool as an indicator of the adequacy of data sources of valuation inputs used to calculate the AVAs described in Articles 8 to 10? If not, what other approach could be prescribed? State your reasons.**

This appears to be a costly and unnecessary exercise. The method proposed does not reflect anything that it attempts to capture or determine and would be a further burden with no benefits identified.

We need to have the benefits of such a monitoring exercise to be clarified further.

**Q13. Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?**

No further comments