CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

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Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

Re: Consultative Document on *Regulatory Treatment of Accounting Provisions – Interim Approach and Transitional Arrangements* and related Discussion Paper

Dear Basel Committee on Banking Supervision:

The U.S. Chamber of Commerce (the "Chamber") is the world's largest federation, representing the interests of more than three million U.S. businesses and professional organizations of every size and in every economic sector. These members are both users and preparers of financial information. The Chamber created the Center for Capital Markets Competitiveness ("CCMC") to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century economy.

The CCMC appreciates the opportunity to comment on the Consultative Document and related Discussion Paper on *Regulatory Treatment of Accounting Provisions —Interim Approach and Transitional Arrangements* ("Consultative Documents"). The Consultative Documents recognize the introduction of new accounting standards by the International Accounting Standards Board ("IASB") and the United States Financial Accounting Standards Board ("FASB") that will require the use of expected credit loss ("ECL") models instead of incurred loss models.

These new accounting standards will significantly and fundamentally change the way accounting provisions are made for credit losses. The CCMC supports the thrust of the Consultative Documents to help the Committee understand and assess the impact of these changes and the implications for regulatory treatments of ECL

accounting provisions. We also appreciate that the Committee is sensitive to mitigating regulatory burden in both the near term and over time.

However, the CCMC is concerned that it is premature to move forward with regulatory accounting changes at this time. As noted in the Consultative Documents, FASB only recently published its final standard in June 2016 and it will not take effect until January 2020. IASB issued its standard in July 2014 and it will take effect in January 2018, although not every jurisdiction has implemented an ECL accounting standard yet.

Banks are just beginning the process of absorbing the new standards and determining how to implement them, especially in the United States. For example, many U.S. banks are awaiting further guidance from the Federal Reserve on how current expected credit loss accounting standards should be implemented in their comprehensive capital analysis and review submissions for 2018. Without such guidance, it will be difficult for banks to provide any meaningful estimate the impact of new ECL accounting standards on regulatory capital and how the Basel Committee should subsequently design its own standards.

We urge the Committee not to move forward with any changes in regulatory treatment until banks have had a chance in the United States and elsewhere to see how ECL accounting and other expected credit loss metrics are actually working.

Thank you very much for your consideration.

Sincerely,

Tom Quaadman