May 4, 2018

Mr. William Coen
Secretary General
Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

Re: BCBS Technical Amendment on Pillar 3 Disclosure Requirements – Regulatory Treatment of Accounting Provisions

Dear Mr. Coen:

The Institute of International Finance (IIF), the Global Financial Markets Association (GFMA), and the International Swaps and Derivatives Association (ISDA), together "the Associations", appreciate the opportunity to comment on the Basel Committee on Banking Supervision's ("BCBS" or the "Committee") technical amendment to Pillar 3 disclosure requirements relating to the regulatory impacts of expected credit loss (ECL) accounting models (the "technical amendment").

At the outset, and as a general comment, the Associations are committed to providing market participants with relevant metrics on banks' capital and risk exposures through Pillar 3 disclosures. We strongly believe that this information, alongside with other financial and risk reports to the market, should enable market participants to effectively assess key financial information and, thereby, promote market discipline.

In this regard, the Associations support the Committee's proposed technical amendment for those jurisdictions implementing an expected credit loss (ECL) accounting model as well as for those adopting transitional arrangements for the regulatory treatment of accounting provisions. Indeed, we share the Committee's view that even though the proposed changes are not substantive, they would nevertheless be useful in that they would contribute to catering to the challenges of providing users with comparable and consistent disclosures across jurisdictions during the interim period.

Specifically, we believe that the technical amendments complement the consolidated Pillar 3 disclosure published in March 2017. Taken together, the resulting Pillar 3 templates would provide a comprehensive and consistent view of the transitional as well as fully loaded effects of new ECL accounting models on key regulatory metrics.

Please find below specific comments and suggestions for each proposed amendment:

- *Template KM2: Key metrics - TLAC requirements.* We support the proposed changes to Template KM2 as they intend to disclose the fully loaded impact of ECL models on TLAC resources and ratios, which is consistent with additional disclosure requirements already introduced in March 2017 (see Template KM1: Key metrics).

- *Template CR1: Credit quality of assets / Table CRB: Additional disclosure related to the credit quality of assets.* We support and do not have any specific comments on the proposed changes to Template CR1 and Table CRB.

- *Implementation timeframe.* As some jurisdictions have implemented transitional arrangements for new ECL models since January 1, 2018, we understand the Committee's rationale for setting an implementation date as soon as January 1, 2019. However, we would suggest that the final amendments provide flexibility to competent authorities in giving banks more time to implement the new required items when they deem necessary.

  For the sake of clarity, we invite the Committee to make clear that final amendments do not require banks to disclose impact of new ECL models until the latter are effective for their jurisdictions.

Finally, while we commend the Committee's initiative to provide further clarifications on the disclosure requirements relating the regulatory implications of new ECL models, we would like to take this opportunity to urge the Committee to finalize its review of the regulatory treatment of new ECL models. Indeed, as repeatedly emphasized in our response letter to the BCBS Discussion Paper *Regulatory Treatment of Accounting Provisions* and at various meetings with the regulatory community, we believe that it is essential that the long-term treatment address the far-reaching implications of new ECL accounting models on banks' capital. In particular, we encourage the Committee to consider the loss-absorption capacity of the additional provisions stemming from the introduction of the ECL models. Indeed, the absence of capital relief for holding a higher level of provisions under the existing capital framework may bring additional pressure to banks' CET1 ratios in a stressed environment, which may in turn tighten credit availability and, thereby, accelerate or even exacerbate an economic downturn.

The Associations hope you find these comments helpful and we would be pleased to discuss any of them with you in more detail. If you have any questions on issues raised in this letter please contact the undersigned or Hassan Haddou at the IIF (hhaddou@iif.com).

Yours sincerely,

Andrés Portilla	Panayiotis Dionysopoulos	Allison Parent
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