Chamber of Commerce
of the
United States of America

Neil L. Bradley
Executive Vice President &
Chief Policy Officer

1615 H Street, NW
Washington, DC 20062
(202) 463-5310

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The Honorable Jeb Hensarling
Chair
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Hensarling and Ranking Member Waters:

The Chamber appreciates the Subcommittee on Financial Institutions and Consumer Credit holding a hearing to assess the Current Expected Credit Loss (CECL) accounting standard. Institutions are already taking measures to conform to the new CECL standard once it is fully implemented.

The intent of CECL, developed by the Financial Accounting Standards Board (FASB), was to provide investors with better information regarding the likelihood of credit losses on a bank's balance sheet. However, significant research and analysis has demonstrated that CECL represents a departure from traditional accounting practices under U.S. Generally Accepted Accounting Principles (GAAP), could ultimately disincentivize banks from lending, and that the standard is especially problematic for banks already subject to Federal Reserve stress testing requirements.

Such an outcome would exacerbate many of the challenges financial institutions already face in the wake of Dodd-Frank and Basel regulatory requirements and would have harmful effects on the broader economy. Policymakers are right to assess the impact CECL will have in practice and whether any unintended consequences will result.

We believe that the Subcommittee and regulators should keep in mind the importance of independence in accounting standard setting as they examine this issue. Our capital markets have thrived in no small part due to the independence of organizations (such as FASB) not subject to political or other pressures that inappropriately influence the standard setting process. Congress has previously recognized the benefits of having accounting standards set by an independent body, and designated the Securities and Exchange Commission (SEC) as the primary agency with oversight over FASB. This system has worked well in practice and is fully consistent with the SEC's mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

As the Subcommittee and others continue to examine the impact of CECL, we believe it is critical to consider the role played by SEC and FASB in the standard setting process, and for policymakers to maintain the independence of standard setters that has contributed to the efficiency of our capital markets.

Sincerely,

Neil L. Bradley

Cc: Members of the House Committee on Financial Services