



## Accounting Standards Board

Aldwych House, 71-91 Aldwych, London WC2B 4HN

Telephone: 020 7492 2300 Fax: 020 7492 2399

[www.frc.org.uk/asb](http://www.frc.org.uk/asb)



Mario Nava  
Head of Unit H1 Banking and Financial Conglomerates  
DG Internal Market and Services  
European Commission  
Brussels  
Belgium

[markt-h1@ec.europa.eu](mailto:markt-h1@ec.europa.eu)

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Dear Mr Nava

### **European Commission Services Staff Working Document on Possible Further Changes to the Capital Requirements Directive (CRD IV)**

I am writing with the comments of the UK Accounting Standards Board (ASB) in response to the suggested provisions in the above Staff Working Document concerning countercyclical measures, in particular the adoption of through-the-cycle approaches to expected loss provisioning.

The ASB is not commenting on the individual questions in the Staff Working Document, but would like to highlight some general observations of the implications of the proposals for financial reporting which are of concern to us. These reiterate the comments made in my letter of 3 September 2009 to your predecessor in response to the Commission Service's July 2009 consultation on possible changes to the CRD.

The Staff Working Document notes (in paragraph 136) that the aim of the technical experts working group is to provide "constructive input" to the final shaping of the International Accounting Standards Board's (IASB's) standard on impairment, "without prejudice to the independence of the IASB". That, in itself, does not give us a problem, but we are rather more concerned by the comments made in the accompanying Frequently Asked Questions (FAQ) document that the Commission's current thinking is that the introduction of through-the-cycle expected credit loss provisioning would be shown "above the line" and would therefore have an impact on accounting profit. We are also concerned with the comment that this would "enhance the true and fair view of the bank's financial position and performance".

The ASB therefore remains of the view that the best way for the prudential regulators of credit institutions to address pro-cyclicality is through prudential filters, not through seeking to impose financial reporting requirements and so potentially usurp the responsibility of the IASB.

Should you have any queries regarding our response please contact me, or David Loweth (Technical Director), on +44 20 7492 2420 or by email [d.loweth@frc-asb.org.uk](mailto:d.loweth@frc-asb.org.uk).

Yours sincerely



**Ian Mackintosh**

**Chairman**

DDI: 020 7492 2434

Email: [i.mackintosh@frc-asb.org.uk](mailto:i.mackintosh@frc-asb.org.uk)