RUSSELL W. SCHRADER
Senior Vice President and
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May 31, 2001

Via Electronic Mail

Basel Committee on Banking Supervision
The Bank for International Settlements
CH-4022 Basel
Switzerland

Re: The New Basel Capital Accord--Asset Securitization

Ladies and Gentlemen:

Visa U.S.A. Inc. appreciates this opportunity to comment on the proposed New Basel Capital Accord ("New Accord"). The Visa payments system is a membership organization comprised of 21,000 financial institutions licensed to use the Visa service marks. It is the largest consumer payment system in the world. Over 1 billion Visa-branded cards are accepted at over 20 million locations worldwide. Consumers use them to buy over $1.8 trillion in goods and services annually on a worldwide basis. Visa U.S.A., which is part of the Visa payment system, is comprised of 14,000 U.S. member financial institutions. U.S. customers carry about 350 million Visa branded cards and use them to buy over $800 billion worth of goods and services annually.

The Asset Securitization provisions of the New Accord are of significant interest to Visa's members. The ability to securitize credit card receivables is critical to the granting of credit to consumers under the types of revolving credit arrangements offered by Visa's members. Some Visa members rely heavily on securitization of receivables in order to fund their extensions of credit to their customers. Unnecessary increases in the capital requirements for securitization could cause material changes in the economics of extending credit under credit card arrangements and could lead to material disruptions in the business of these members.

Similarly, Federal Reserve Board statistics indicate that securitized receivables for revolving credit represent more than half of the revolving credit outstanding in the United States and over 20% of the short and intermediate term credit extended to individuals, other than loans secured by real estate. More significantly, securitized receivables constitute approximately 75% of the growth in revolving credit since they first appeared in Federal Reserve Board statistics a dozen years ago. Accordingly, any change in regulatory treatment related to the securitization of credit card receivables is important not only to Visa's members, but also to the health of the economy of the United States. A material increase in the capital requirements associated with the securitization of credit

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card receivables could increase the costs of funding new receivables, and therefore the cost of credit under the underlying credit card agreements. Such an increase in the costs of consumer credit could have an adverse effect on the wide availability of credit, consumer spending and consequently the economy as a whole.

The risk issues relating to asset backed securitizations are complex and, accordingly, the Committee's undertaking to prescribe capital requirements under the standardized approach and establish standards for the internal ratings based approaches is also complex. A number of Visa members, either directly or though various trade associations, will be commenting on the details of the New Accord. For example, there is particular concern about the 10% conversion factor applied to securitizations with early amortization provisions and any ex ante minimum capital charge for implicit and residual risks. Visa urges the Committee to consider all of these comments carefully in formulating the New Accord.

There are also concerns about the timing of implementation of the New Accord. There are a number of unresolved issues in the current proposal, particularly with respect to the internal ratings based approaches, and there may be many changes in the next draft due to comments from the banking industry. Visa urges that the Committee provide an opportunity for comment on the next draft before it is adopted in final form. In this regard, Visa notes that it is particularly important that the unresolved issues in the internal ratings based approaches be resolved before proceeding to implement the standardized approach so that banks will be able to choose among these approaches at the time that the New Accord is implemented. Not only would simultaneous implementation of the various aspects of the New Accord reduce costs by avoiding the serial application of a number of different capital requirements--*i.e.*, the current Accord, the standardized approach from the New Accord, followed by one of the internal ratings based approaches from the New Accord--but it also would foster a stated goal of the New Accord of allowing banks to adopt the approach which best fits their level of sophistication and their risk profile.

Visa appreciates this opportunity to comment on this important issue. If you have any questions concerning these comments, or if we may otherwise be of assistance in connection with this matter, please do not hesitate to contact me at (415) 932-2178.

Sincerely,

Russell W. Schrader
Senior Vice President
and Assistant General Counsel