Bangkok Bank

January 11, 2017

Mr. William Coen
Secretary General
Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2, CH-4002 Basel
Switzerland
e-mail : baselcommittee@bis.org

Re: Comments on the Consultative Document "Regulatory Treatment of Accounting Provision – Interim Approach and Transitional Arrangement" issued October 2016

Dear Secretary General Coen,

Bangkok Bank Public Company Limited ("the Bank") are pleased to submit herewith our comments on the Consultative Document "Regulatory Treatment of Accounting Provision – Interim Approach and Transitional Arrangement" ("the Consultative Document"), issued by the Basel Committee on Banking Supervision ("the Committee") on October 2016.

The Bank appreciates the efforts of the Committee to enhance harmonization on regulatory treatment of accounting provision across banks and jurisdictions by introducing the discussion on the issue as the diversity of accounting and supervisory policies in respect of provisioning and capital across countries are foreseen to be increased prominently. However, we think that the Consultative Document seems to lack of important information considered significant for Banking industry as well as practitioners to provide valid proper comments and/or recommendation. Hence, it is rather difficult at this stage to properly evaluate the overall impact on the capital as well as the provisioning in particular to the use of IFRS9 Expected Credit Loss (ECL) and FASB Current Expected Credit Loss (CECL) but never-the-less the Bank would like to share our general view for the Committee's Consultative Paper approaches as follow :-

1. The Consultative Document is missing to concern main conceptual impacts of the ECL and CECL provisioning models. Both models are still at large for interpretations and implementations which may result into variability in the levels of provisions across banks and jurisdictions even under the same accounting standard. At this stage, the Bank is not convinced that there is a conceptual reason for adding back any accounting provisions to CET1 capital because of overlaps or double counting of provisions and capital as the Committee admits there is some certain level of double-counting of a Pillar 1 credit risk between standardized regulatory EL rates and risk weights under Standardized Approach (the SA) which should be assessed and may require further review and discussion.

2. Potential increased volatility of capital as a result of ECL provisions is a major area of concern for the Bank and, accordingly, regulators should carefully assess not only the day-one impact of the transition to ECL provisioning, but also consider how

regulatory and accounting will interact over time. Also in the event provisioning level does not meet supervisory requirement for capital calculation, supervisors still may need to step in.

3. Moreover, there is a lack of proper concern on interaction between the accounting requirements and regulatory capital requirement which might create some sizable impact for the banks.

4. Additionally, the new accounting provisioning model would have diverse impacts and cause unintended consequences. The Committee should review and analyze possible impacts on the financial stability especially of the emerging market economy where there still lack the developed and depth of capital market. The higher cost from an increase in the provisions would be so high that cause banks to constrain its lending to low margin portfolios as returns will no longer commensurate, as well as probably stimulating activities of Shadow Banking due to incompatible regulatory supervision.

In conclusion, it is ahead of time to give reasonable comment and/or recommendation as the assessment of consequences after the ECL and CECL model implication is ambiguous. The Bank would prefer to explore the more concrete proposal in this regard from the Committee as several considerations are under discussion and further review.

The Bank would be very much appreciated your consideration of the issues outlines above and believe that these issues are material not only for multilateral financial institutions, but are also of great important for banks in the emerging market country like Thailand.

For your kind consideration

Ayuth Krishnamara
Executive Vice President
Head of Risk Management Division
Bangkok Bank PCL