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Mr. William Coen
Secretary General
Basel Committee on Banking Supervision
CH-4002 Basel
Switzerland

Re: **Consultative Document – Guidelines: Identification and management of step-in risk**

Dear Mr. Coen:

The U.S. Chamber of Commerce ("the Chamber"), the world's largest business federation, represents the interests of more than three million businesses and organizations of every size, sector, and region. The Chamber appreciates the opportunity to comment on the Basel Committee on Banking Supervision ("Basel Committee") consultative document *Guidelines: Identification and management of step-in risk* ("*Step-in Risk Guidelines*"). As defined by the Basel Committee, "step-in risk" is the risk that a bank decides to provide financial support to an unconsolidated entity that is facing stress, in the absence of, or in excess of, contractual obligations. The Chamber has serious concerns that the issues underlying the *Step-in Risk Guidelines* have already been addressed. As a result, the guidelines will create another layer of duplicative regulations with little or no benefit.

The Chamber supports efforts to promote international financial stability through cross-border cooperation, and has offered extensive comments to the Basel Committee in the past. The standards and guidelines promulgated through international cooperation must be well-reasoned, properly tailored, and not unduly burdensome. Towards these ends, the Chamber has long advocated that national regulators and international standard-setting bodies rigorously analyze the impacts of potential proposals and tailor them accordingly, retrospectively review existing frameworks, and assess the cumulative impact of implemented reforms.

The Chamber is particularly encouraged by the emerging consensus that national regulators and international standard-setting bodies should focus on assessing the efficacy and cumulative impact of the post-crisis reforms. Relevant recent developments include:

- The Financial Stability Board is accepting comments on a *Proposed Framework for the Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms*. Following the public consultation, the framework will be presented to the Leaders' Summit in Hamburg in July 2017.

- The Group of Central Bank Governors and Heads of Supervision has publicly affirmed the importance of the Basel Committee's ongoing cumulative impact assessment.

- In the United States, the President has identified "foster[ing] economic growth and vibrant financial markets through more rigorous regulatory impact analysis," as a core principle of financial regulation, and has directed the U.S. Department of the Treasury to review "existing laws, treaties, regulations, guidance, reporting and recordkeeping requirements, and other Governmental policies" for consistency with this principle.

- In the European Union, the *Call for Evidence* reflected the Commission's commitment to reduce unnecessary regulatory constraints on financing the economy, enhance proportionality of rules, reduce undue regulatory burdens, and make the regulatory framework more consistent and forward-looking.

Rushed implementation of the *Step-in Risk Guidelines* would be broadly inconsistent with, and possibly adverse to, these ongoing assessments. As recognized by the Basel Committee, an array of existing provisions – including capital requirements, the Liquidity Coverage Ratio, Pillar 2 guidance on reputational risk, and accounting reforms – already address step-in risk, and the framework itself is simply a "supplement." Layering-on additional, supplemental guidelines is inherently premature while efforts to rigorously evaluate existing reforms and identify undue burdens are underway.

This concern is especially pronounced in the United States, where a panoply of statutory, regulatory, and accounting measures have minimized if not eliminated step-in risk. Notwithstanding the provision that local rules may be considered as potential collective rebuttals, the *Step-in Risk Guidelines* will require extensive self-assessment and incur duplicative and undue compliance burdens for U.S. banks. In light of the Basel Committee's recognition of "the necessity of a tailored rather than a standardized approach," at a minimum the supervisory reporting templates should explicitly be offered as a model or option, to be implemented as appropriate in each jurisdiction.

Once again, the Chamber appreciates the opportunity to comment on the consultative document and further commends the Basel Committee for its efforts to assess the cumulative impact of the post-crisis reforms.

Sincerely,

Tom Quaadman