March 22, 2020

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F St., NE
Washington, DC 20549

Dear Chairman Clayton:

In this moment of great uncertainty, America's banks stand ready to support our customers, small businesses and companies in the communities that we serve. To best address these challenges we face today, banks must devote their full attention to their core business functions and be able to lend and meet their customer and community needs. To that end, we write in support of both proposed congressional legislation and the FDIC's letter to the Financial Accounting Standards Board ("FASB") that call for delaying the current expected credit loss ("CECL") accounting standard and allowing banks now subject to CECL to opt out of the standard.

COVID-19 has caused "sudden and significant changes in the economy over just the past several days and the uncertainty of future economic forecasts" and all responses to it require flexibility because "the pandemic and rapidly evolving measures to confront these risks make certain allowance assessment factors potentially more speculative and less reliable at this time," according to the FDIC's March 19 letter. The focus and efforts of banks, as it is for our government, should be targeted on supporting the economy and we should not be subject to incentives that constrain our ability to lend and help to restore our communities during these troubled times.

The ability to pause CECL should remain in effect at least through 2023 because banks lack clarity about when the pandemic will end and normal economic times will return. The banking industry will need to be a robust part of any effort to stimulate the economy long after the immediate crisis is over. We also support the need for a comprehensive economic study that will allow us to learn about how CECL would affect our allowances and reserves and the impact of a full economic cycle would enhance the study.

Banks have strong capital and liquidity—and over the past decade the regulators have taken multiple actions to strengthen the financial system. We should not be subjected to an accounting standard that may disincentivize lending as CECL does by requiring banks to set aside capital for potential losses over the entire life of the loan—taking capital out of the system during a moment when it is most needed. A long-term delay of CECL will allow us to deploy that capital today in support of our customers and the economy.

Consistent with the FDIC's call to action, we urge you to delay industry implementation of CECL. The SEC has designated FASB as the accounting standard setter for public companies, but the securities laws expressly authorize the Commission to set such standards in the first instance. The SEC could unilaterally exercise its plenary authority under the federal securities laws (for instance, Section 19(b) of the Securities Act of 1933 and Section 108(c) of the Sarbanes-Oxley Act) to promulgate a rule either

overturning the CECL standard or providing all banking industry issuers an option to delay its implementation. Alternatively, the Commission could work with FASB to implement a delay. This could quickly be accomplished by FASB issuing an Accounting Standards Update ("ASU"), like the ASU 2019-10, which delayed the effective date of CECL for smaller reporting companies, among other changes. Delaying CECL for the banking industry will immediately strengthen banks' ability to remain focused on serving their customers and communities, particularly during this time of significant market stress.

Sincerely,

American Bankers Association
American Financial Services Association
Consumer Bankers Association
CRE Finance Council
Mid-Size Bank Coalition of America
Mortgage Bankers Association