



16 March 2006

Mr Jaime Caruana  
Chairman  
Basel Committee on Banking Supervision

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Dear Jaime

**Consultative Document – Sound credit risk assessment and valuation for loans  
Issued for comments by 28 February 2006**

The Committee of European Banking Supervisors (CEBS), comprised of high level representatives from banking supervisory authorities and central banks of the European Union, welcomes the opportunity to comment on the Basel Committee on Banking Supervision's consultative document Sound Risk Assessment and Valuation for loans published in November 2005.

CEBS welcomes the guidance developed by the Committee's Accounting Task Force and concurs that it helps banking institutions which have to comply, at the same time, with both accounting – IFRS – and prudential – Basel 2 – requirements. CEBS' expert group on accounting and auditing found of particular interest the emphasis the paper puts on how common credit data and processes can be used for internal credit risk assessment, accounting requirements and capital adequacy purposes.

Members agreed that credit institutions should as far as possible rely on common credit data and processes for their assessments and valuations, even though there are differences between assessments made for accounting and for capital adequacy purposes and that accordingly the outcome of these assessments is not necessarily the same.

Some members furthermore indicated that may choose to comment individually on issues that are of particular relevance to them.

CEBS will follow the Committee's effort to finalise the guidance with great interest and, in the meantime, intends to publish this letter and a reference to the guidance on its website.

A handwritten signature in black ink, appearing to be 'DN', is located below the text of the letter.

Danièle Nouy  
Chair