The voice of banking
& financial services

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC
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rule-comments@sec.gov

1 December 2010

Dear Ms Murphy,

File Number: S7-22-10: Short-term borrowings disclosure

This is the British Bankers' Association's response to the request for comments on the above proposed rule; we welcome the opportunity to comment. Although our membership includes more than 200 financial institutions from 60 countries, including the USA, our comments here focus on the treatment of foreign private issuers.

Before commenting further we would like to make clear that we are generally supportive of measures to enhance transparency and improve the decision-usefulness of financial statements. This commitment is demonstrated by the decision of our members to adopt a Code for Financial Reporting Disclosure. Nevertheless, we hold some concerns over the practicality of the disclosures proposed and the way the rule will fit with the international liquidity framework currently under construction.

Whilst we welcome the Commission's proposal to permit foreign private issuers to base the categories of short-term borrowings used in the rule on classifications under IFRS, we would argue that foreign private issuers who prepare their primary financial statements in accordance with IFRS should be excluded from the scope of rule. The Committee will no doubt be aware that the International Accounting Standards Board enhanced the IFRS 7 liquidity risk disclosure requirements in 2009. These amendments require the disclosure of information on a worst case scenario basis to allow users to evaluate the nature and extent of liquidity risk faced by an institution facilitated by an explanation of how it manages that risk on a through the eyes of management basis. These amendments include a requirement for firms to produce a contractual maturity analysis for all financial liabilities, showing the maximum cash outflows under the terms of the instruments. We believe that the IFRS requirements represent a robust set of decision-useful disclosures

The complexity of implementing the new IFRS 7 disclosure requirements, particularly the remaining contractual maturities of derivative financial liabilities, was recognised by the IASB at the time. We fear that the requirement in the proposed rule to disclose the average and maximum amount outstanding during each reported period will be equally, if not more, challenging to produce given that this is not data which is currently collected. Even if the data was to be collected, at considerable expense, we question its decision-usefulness for users. We would stress that an entity's short-term borrowing needs to be viewed in the context of its other balances and management of its overall liquidity position. Short-term borrowing to finance long-term illiquid assets gives rise to much greater liquidity risk than short-term borrowing to finance highly liquid assets.

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The proposal to introduce the rule also comes at a time of radical regulatory change across the industry. The Basel Committee will publish a paper before the end of 2010 setting out the terms of the transition to the new Basel III liquidity requirements which will apply from 2015. We would urge the SEC to await the publication of this paper before determining whether or not to adopt the proposed rule. Once the Basel Committee's views are known we believe that there would be benefit in the FASB and IASB working together to deliver a converged liquidity disclosure regime which can be implemented over a realistic timeframe. If the Commission nevertheless decides to implement the proposed rules in their current form, then we would urge the adoption of an implementation timeline which reflects the fact that the data required is not currently captured by FPIs' systems and as such adoption for 2010 year-ends is not realistic.

We trust that you will take these comments into consideration and would be happy to provide any further details should you require them.

Yours sincerely,

Paul Chisnall

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