



The Real Estate Roundtable

VIA E-MAIL

December 31, 2003

Basel Committee Secretariat  
Basel Committee on Banking Supervision  
Bank for International Settlements  
CH-4002  
Basel, Switzerland  
E-mail: [BCBS.Capital@bis.org](mailto:BCBS.Capital@bis.org)

Ladies and Gentlemen:

On behalf of the members of the Commercial Mortgage Securities Association (“CMSA”) and The Real Estate Roundtable (“Roundtable”), we are pleased to provide the attached letter as a submission in response to your recent proposals with respect to the New Basel Capital Accord (the “Accord”) issued for comment on October 11, 2003. In particular, we are submitting this letter in response to your request for comments relating to (i) the replacement of the Supervisory Formula Approach with a less complex approach and (ii) the proposals to change the treatment of expected losses in the determination of regulatory capital.

As a general matter, we are encouraged by your decision to replace the Supervisory Formula Approach with a less complex approach. We look forward to having an opportunity to provide input regarding your revised proposed approach after it is released.

We also generally favor your proposed approach of requiring risk capital to be held solely on the basis of the unexpected loss portion of risk associated with an asset, subject to the “shortfall” and “excess” adjustments described in your most recent proposal. We look forward to having an opportunity to provide detailed input and comment regarding your revised proposed approach after it is released.

We have also attached to this letter a copy of a letter we recently sent to the primary bank regulators in the United States. For the reasons referenced in the attached letter we continue to believe that rated commercial mortgage-backed securities (“CMBS”) should attract less risk capital than the levels currently proposed. In addition, if you decide to distinguish between certain asset classes in assigning risk weights to securitisation positions, we would ask that you review and consider the detailed information regarding the historical performance of CMBS, as the superior performance

of rated CMBS versus other asset backed securities and corporate obligations should result in CMBS being treated most favorably. The attached letter is the result of the collaborative efforts of our members and provides an abundance of information with respect to CMBS. We believe that this information is important for the Basel Committee to consider when determining any alternative treatment for securitization products, particularly to the extent that such treatment will affect investment in CMBS.

Please do not hesitate to contact us if we may be of further assistance. Should you have any additional questions, please contact Eric M. Hillenbrand at (312) 732-7672 or by email at [eric\\_hillenbrand@bankone.com](mailto:eric_hillenbrand@bankone.com) or Clifton E. Rodgers, Jr. at (202) 639-8400 or by email at [croders@rer.org](mailto:croders@rer.org).

Sincerely,



Dottie Cunningham  
Chief Executive Officer  
Commercial Mortgage Securities Association



Jeffrey D. DeBoer  
President and Chief Operating Officer  
The Real Estate Roundtable



Eric M. Hillenbrand  
Managing Director and SVP  
Banc One Capital Corp.  
Co-Chair CMSA Basel II Taskforce



James Croke  
Cadwalader Wickersham & Taft  
Co-Chair CMSA Basel II Taskforce

cc: Bradford Case, Board of Governors of the Federal Reserve System  
David Jones, Board of Governors of the Federal Reserve System