

27 October 2005

Mr Jaime Caruana
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Dear Mr. Caruana

**Consultative Document - Supervisory guidance on the use of the fair value option by banks under International Financial Reporting Standards
Issued for comment by 31 October 2005**

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 Supervisory guidance on the use of the fair value option by banks under International Financial Reporting Standards published in July 2005.

CEBS supports the guidance developed by the Committee's Accounting Task Force and concurs that it helps in promoting sound risk management and control processes and in maintaining the integrity of regulatory capital for banks that have recourse to the fair value option under IAS 39, as amended by the IASB on 16 June 2005.

The discussions that have taken place at CEBS' Expert Group on Accounting and Auditing have not led to the identification of issues that would warrant a formal comment from CEBS on the paper. Some members nevertheless indicated that they may choose to comment individually on issues that are of particular relevance to them.

CEBS will follow the Committee's efforts 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.

Yours sincerely,



José María Roldán