AGENDA

COMMERCIAL LEGISLATION AND REGULATORY ADVISORY BOARD

National Association of REALTORS® 2013 Midyear Meetings Omni Shoreham Hotel Ambassador Room Wednesday, May 15, 2013 9:00 AM - 10:30 AM

Chair: Cindy Chandler Vice Chair: Jim Evans

Committee Liaison: Jim Helsel

Committee Executive: Vijay Yadlapati

- I. Call to Order and Opening Remarks
- II. Ownership Disclosure and Conflict of Interest Policy
- III. Approval of 2012 Annual Meeting Minutes
- IV. Commercial Taxation Update Evan Liddiard, NAR Senior Policy Representative
- V. Important RPAC Message
- VI. Congressional Overview Jamie Gregory, NAR Deputy Chief Lobbyist
- **VII. Financial Regulatory Update** Tom Quaadman, U.S. Chamber of Commerce Vice President

A. Lease Accounting

The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) proposed lease accounting changes may be detrimental to our nation's economy by reducing the overall borrowing capacity of many commercial real estate lessees and lessors. The proposal would bring nearly \$1.3 trillion in leased assets back onto companies' balance sheets, with roughly 70 percent being real estate leases. Under the proposal, companies would be required to use a "right-of-use" accounting model where both lessees (renters) and lessors (property owners) recognize assets and liabilities arising from lease contracts. Currently, accounting rules allow many businesses to classify leases as operating expenses, which do not appear on their balance sheets. Both FASB and IASB believe these changes would improve transparency as well as provide investors with more consistent and concise financial reporting. However, if enacted, this proposal could negatively impact the financial stability of many businesses, which could prolong our nation's economic recovery.

FASB and IASB recently announced they will reissue proposed rules sometime in May 2013. It is expected that they will move more towards a straight line accounting method.

B. Basel III

In September 2010, the Basel Committee on Banking Supervision announced new, higher capital standards (Basel III) that would require banks to increase their common equity requirements to 7% by January 1, 2019. Specifically, banks must hold at least 4.5% of minimum common equity, but an additional "conservation" buffer of 2.5% to withstand future economic downturns. The agreement is intended to make the global banking system less susceptible to another financial crisis.

In June 2011, international regulators of the Basel Committee on Banking Supervision reached a deal that will require the 30 largest world banks to hold between 1% and 2.5% of extra capital as a percentage of their "risk-weighted assets." This comes on top of a base 7% capital requirement for all banks that the Basel Committee agreed to last year.

VIII. National Flood Insurance Program – Russell Riggs, NAR Senior Regulatory Representative

IX. NAR Commercial & Global Services Group Restructure

X. Adjournment