THE DIRECTOR GENERAL

Mr Nout Wellink
Chairman Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel

14 April 2010

Dear Chairman,

We refer to the package of proposals approved for consultation by the Basel Committee on Banking Supervision to strengthen global capital and liquidity regulations in order to promote a more resilient banking sector.

BUSINESSEUROPE supported governments pledging in G20 to agree on a revision of capital requirement rules to ensure that financial institutions hold more and better capital. The financial system needs to be fixed and confidence restored.

In this context, we support regulatory initiatives which reduce risks and improve risk management. Such regulation should help to absorb and moderate rather than amplify macro-economic cycles. Pro-cyclical amplifiers in capital requirements should be mitigated. To reduce the pro-cyclical effects of the Basel II framework, the rules should be modified within the scope of the underlying principles and be mindful of the impact on companies' access to finance.

We are pleased that the Committee recognises the need to introduce new measures in a manner that raises the resilience of the banking sector over the longer term whilst avoiding negative effects on bank lending activity that could impair the economic recovery. We also welcome an impact assessment of the proposed capital and liquidity standards.

Higher requirements, beyond a certain level of stability, could potentially damage banks' lending capacity and have negative effects on the broader economy. This is especially true in Europe where companies depend highly on bank lending. It is thus vital that the effects of different standards are carefully assessed.

These assessments should be sufficiently broad and comprehensive, analysing the cumulative effects of all relevant prudential rules, including for instance those linked to Solvency II in a European context, considering that these rules mutually influence financial institutions' decisions regarding finance for companies.

THE CONFEDERATION OF EUROPEAN BUSINESS a.i.s.b.l.

AV. DE CORTENBERGH 168
BE-1000 BRUSSELS
BELGIUM
VAT BE 863 418 279

TEL +32(0)2 237 65 11
FAX +32(0)2 231 14 45
E-MAIL: MAIN@BUSINESSEUROPE.EU
WWW.BUSINESSEUROPE.EU

Impact assessments should also address the interface with new accounting rules which also impact on capital allocation such as requirements to bring securitised loans on banks' books and rules related to the way financial institutions account for bad loans.

A baseline scenario must be developed which explains how the current situation would evolve without additional public intervention and realistic alternative policy options must be considered.

It is especially important that uncertainties are also addressed such as the outcome of regulatory initiatives aimed at reviving securitisation markets so that it is clear how the new rules work if securitisation markets remain dysfunctional and banks are hindered in their ability to resell loans which would free up capital for new lending.

Impact assessments should also consider the effects of the possible introduction of levies and privately funded resolution funds and assess long-term effects of new standards since most of them will take effect in 2012 when the stimulus measures will have ended and governments will still be highly indebted.

A broad debate on these issues is ongoing and BUSINESSEUROPE is ready to contribute further to it. We remain at your disposal should you wish to discuss this subject further.

Yours sincerely,

Philippe de Buck