MICHEL BARNIER
Membre de la Commission européenne

08. 08. 2012
Brussels,
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Dear Mr Villeneuve,

Thank you for your recent letter in which you express the support of the Anglo-French Committee of the International Regulatory Strategy Group and Paris Europlace for the amendments to CRD4 proposed by the Economic Affairs Committee of the European Parliament, which, in your view, will positively assist the European economy by reflecting a more appropriate treatment of trade finance.

The Commission shares your views concerning the importance of international trade and its reliance upon accessible financing. We also acknowledge the contribution trade finance can make to promoting growth in Europe and the need for SMEs to enjoy access to such finance at a reasonable cost. The primary objective of the CRD4 proposals is to strengthen the resilience of the banking sector in the EU, but at the same time it must be recognised that banks need to be able to finance economic activity in the real economy, particularly in these challenging times.

We have now entered the phase of trilogue negotiations on the draft Regulation and Directive. The outcome of these discussions between Parliament and Council will determine the final content of the new rules. As regards your detailed points:

- Trade Finance Description: This appears to be a new and useful description.

- Maturity: Our proposal to eliminate the current national discretion on the maturity floor is an important element of the single rule book project. As regards definitions, Basel II is not very precise on the definition of "self-liquidating trade transactions" and leaves it basically to the different national systems to define these transactions. Consequently, we agree with the need to specify the types of transactions – particularly as the legal instrument is a Regulation.

Mr André VILLENEUVE
Chairman
International Regulatory Strategy Group

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- Leverage: The reduction from 100% to 20% for medium/low risk trade related off-balance sheet items and to 50% for medium risk off-balance sheet instruments would not appear compatible with Basel III. However, we shall use the parallel running period for the leverage ratio to assess the impact of this non-risk based measure on different business models. We are particularly keen to understand its possible impact. That is why the Commission proposed to require an EBA report on the impact on trade finance and ECA covered export credits as an essential component of our consideration of the leverage ratio during the parallel run.

- Liquidity inflows and outflows: The specification of the new quantitative liquidity requirements cannot be finalised until the relevant observation periods have been completed. We must make full use of the observation periods for the new liquidity rules to ensure that any unintended consequences are properly identified and addressed prior to their introduction in a binding way. The Basel Committee is still giving careful consideration to the implementation of the liquidity coverage ratio and the final calibration of inflows and outflows. Thus, we will reflect further on this important issue in light of the on-going developments at Basel.

I trust you find these comments helpful.

Yours sincerely, Bien cordialement

Michel BARNIER