

# **Joint Industry Communication**

## **on**

# **Proposed Increased Cost of Trade Finance**

November 2, 2010

Ladies and Gentlemen:

The undersigned organizations represent a broad range of financial institutions and companies that provide important services throughout the global financial community. We strongly support the stated goals of the Basel Committee on Banking Supervision to improve the resilience of the banking sector. We are concerned, however, about the unintentional consequences of the Committee's recommendations to increase capital requirements for trade finance, as they do not reflect the risk profile of trade finance assets, nor do they take into account the adverse effects of the proposed changes on global trade and growth. The G-20 priorities for global recovery recognized that trade finance supports the \$14-16 trillion USD in annual global commerce and helps drive growth and recovery. The Basel recommendations could result in deteriorating trade finance conditions for companies involved in import/export.

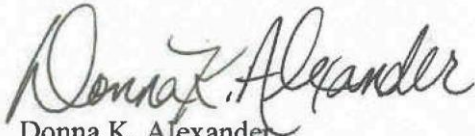
As global recovery rests largely on the shoulders of emerging markets and small- and medium-size enterprises (SME's), any increase in capital requirements for trade finance—a low risk, short-term transaction—will increase the cost and/or reduce the availability of such credit and adversely affect recovery. The emerging markets and SME's rely heavily on trade finance as an alternative to revolving bank loans. Policies which put at risk the affordable trade of essential goods and adversely impact import/export business and emerging markets work at cross-purposes with the G-20 economic goals.

We believe that capital rules for trade finance that reflect risk and economic realities would ensure greater availability of short-term, trade-related funding at lower costs. Projections on world Gross Domestic Product (GDP) help put the need for affordable trade finance in perspective. If world GDP grows by only an average of three percent per year, it could double in twenty-five years. Based on conservative projections, if international trade only grows twice as fast as GDP, global trade would double in thirteen years and triple in twenty. Under proposed capital requirements for trade finance, there may not be sufficient affordable trade credit to sustain such growth.

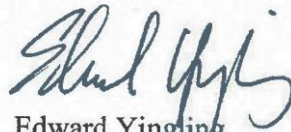
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We respectfully urge the Committee to reconsider the recommendations in light of the important role of trade finance in global economic growth.

Very truly yours,



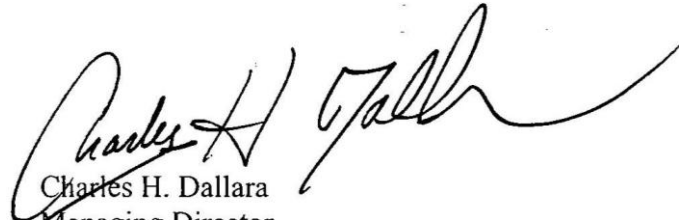
Donna K. Alexander  
Chief Executive Officer  
BAFT-IFSA



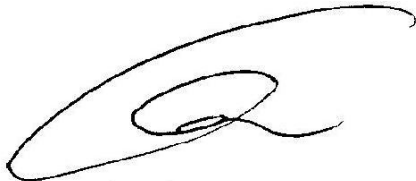
Edward Yingling  
President and CEO  
American Bankers Association



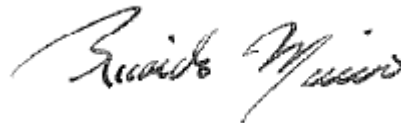
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European Banking Federation



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The Institute of International Finance



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Secretary  
The Hong Kong Association of Banks



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Spanish Banking Association



Nancy Hughes Anthony  
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Robert S. Nichols  
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Financial Services Forum

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Paolo Provera  
Chairman  
International Forfeiting Association



Sean Edwards  
Deputy Chairman  
International Forfeiting Association

**Signatory Associations:**

**BAFT-IFSA**

BAFT-IFSA is an international financial services trade association whose membership includes a broad range of financial institutions throughout the global financial community. As a worldwide forum for analysis, discussion, and advocacy in international financial services, BAFT-IFSA member banks provide leadership to build consensus in preserving the safe and efficient conduct of the financial system worldwide.

**American Bankers Association**

The American Bankers Association brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members represent over 95 percent of the industry's \$13.3 trillion in assets and employ over 2 million people.

**Association of German Banks**

The Association of German Banks represents the interests of the private banks in Germany over the full spectrum of economic and banking policy at national and international level. Its 220 member banks include four big banks, regional banks, private bankers, mortgage banks, banks with special functions and foreign banks.

**British Bankers' Association**

The British Bankers' Association is the leading association for the UK banking and financial services sector, speaking for 223 banking members from 60 countries on the full range of UK or international banking issues and engaging with 37 associated professional firms. Collectively providing the full range of services, its member banks make up the world's largest international banking centre, operating some 150 million accounts and contributing £50 billion annually to the UK economy.

**Canadian Bankers Association**

The Canadian Bankers Association works on behalf of 51 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 249,000 employees to advocate for efficient and effective public policies governing banks and to promote an understanding of the banking industry and its importance to Canadians and the Canadian economy.

**TheCityUK**

TheCityUK is a member-based body representing UK financial services and related professional services businesses operating in the United Kingdom, the European Union and internationally. It is the broadest cross-sectoral representative body in the United Kingdom acting on behalf of the sector.

**Coalition for Employment Through Exports**

The Coalition for Employment Through Exports (CEE) is the only national not-for-profit educational and advocacy association that specializes exclusively in issues affecting the ability of U.S. exporters to obtain trade and investment finance, insurance and advocacy from the U.S. government.

### **Coalition of Services Industries**

The Coalition of Services Industries (CSI) represents the interests of the dynamic American service economy, which employs 80% of the workforce and generates 3/4 of national economic output. Since 1982, CSI has created greater public awareness of the major role services play in the U.S. economy, and it has shaped domestic and international economic policies on behalf of the services sector. The broad range and diversity of the U.S. service economy is reflected in CSI's membership, which includes major international companies from the banking, insurance, telecommunications, information technology, express delivery, audiovisual, energy services, and other service industries. CSI members conduct business in all 50 states and in more than 100 countries.

### **European Banking Federation**

Set up in 1960, the European Banking Federation is the voice of the European banking sector (European Union & European Free Trade Association countries). The EBF represents the interests of some 5000 European banks: large and small, wholesale and retail, local and cross-border financial institutions. The EBF is committed to supporting EU policies to promote the single market in financial services in general and in banking activities in particular. It advocates free and fair competition in the EU and world markets and supports the banks' efforts to increase their efficiency and competitiveness. The EBF members include the following national banking associations: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lichtenstein, Lithuania, Luxembourg, Malta, Norway, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the Netherlands, and the United Kingdom.

### **Federación Latinoamericana de Bancos-FELABAN**

The Latin American Banking Federation - FELABAN is a non-profit entity created in Mar del Plata, Argentina in 1965 by the banking associations and other agencies of 19 Latin American countries, encompassing over 500 regional banks.

### **Financial Services Forum**

The Forum is a financial and economic policy organization comprised of the chief executives officers of 19 of the largest financial institutions with operations in the United States. The purpose of the Forum is to pursue policies that encourage savings and investment, promote an open and competitive global marketplace, and ensure the opportunity of people everywhere to participate fully and productively in the 21st-century global economy.

### **The Hong Kong Association of Banks**

The Hong Kong Association of Banks ("HKAB") was created by The Hong Kong Association of Banks Ordinance, Cap. 364 in 1981 to replace the Exchange Banks' Association. HKAB has since provided a forum for the Government to exchange views with the banking sector for the further development of the industry. All its members are fully licensed banks in Hong Kong providing a comprehensive range of banking and financial services. Currently, HKAB has 147 members.

### **The Institute of International Finance**

The Institute of International Finance, Inc. (IIF) is the world's only global association of financial institutions. Created in 1983 in response to the international debt crisis, the IIF has evolved to meet the changing needs of the financial community. Members include most of the world's largest

commercial banks and investment banks, as well as a growing number of insurance companies and investment management firms. Among the Institute's Associate members are multinational corporations, trading companies, export credit agencies, and multilateral agencies. Today the Institute has more than 420 members headquartered in more than 70 countries.

### **International Forfaiting Association**

The International Forfaiting Association represents forfaiters and a wide variety of specialized trade finance houses with 150 members in over 40 countries.

### **National Foreign Trade Council**

The National Foreign Trade Council (NFTC) is the premier business organization advocating a rules-based world economy. Founded in 1914 by a group of American companies that supported an open world trading system, the NFTC and its affiliates now serve more than 300 member companies through offices in Washington and New York.

### **Spanish Banking Association**

The Spanish Banking Association (AEB) is the voice of the Spanish banking sector representing and defending the interests of private banks operating in Spain (95 member banks: 60 Spanish and 35 foreign banks), with total consolidated assets of € 2,115 billion as of December 2009 and 109,996 employees in Spain.

### **Swedish Bankers' Association**

The Swedish Bankers' Association represents the banks in Sweden and disseminates information about the banks and their position in society. The member companies are banks as well as finance companies and mortgage credit institutions within the banking groups. Branches to foreign banks operating in Sweden are also members of the Association. The Association represents the member companies towards authorities and organisations as well in Swedish as international matters.