



General Directorate

Direction générale

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BANK FOR INTERNATIONAL SETTLEMENTS

Date

Ref.: 2000001/093/rs

Subject: New Capital Adequacy Framework  
Objet:

BIS

Contact: Jean-Marc Cosyns

CH - 4002 BASEL

Direct Line: + 32 (2) 729 32.03  
Ligne directe:For the attention of the Basel Committee on  
Banking Supervision c/o Mr. Günther D. BAEREncl.:  
P.J.:

Dear Mr. Baer,

In the context of the international consultation launched by your services on a *new capital adequacy framework*, we submitted to you our comments by letter, ref. DF/AS/055/00/jmc, dated 27 March 2000 (see annex).

You recently published a first draft of the New Accord on your website.

At the same time, you invited the parties involved to submit their comments on this first draft, by 31 May 2001 at the latest.

Having carefully read the draft of the New Accord, in particular the paragraphs concerning sovereign risk weights and non-central government public sector entities, we cannot see any major differences with the current accord as regards these entities. Accordingly, the inclusion of EUROCONTROL in claims for a zero risk weight classification is still not guaranteed, unless our understanding is incorrect or we have overlooked an important clause.

Nor can we see any mention of guaranteed zero risk weight classification for international organisations in your document "The Standardised Approach to Credit Risk".

We would therefore like to remind you of the main arguments we put forward in our above-mentioned letter.

*As regards to the continuation and duration of EUROCONTROL 's activities, Article 35 of the (amended) Convention provides the banks with the necessary guarantee regarding fulfilment of the Organisation's commitments, even in the (unlikely) event of its dissolution.*

As regards the financial guarantees provided for by the Member States, the provisions of Article 30 of the aforementioned Convention stipulate as follows:

European  
Organisation for the  
Safety of  
Air Navigation

Organisation  
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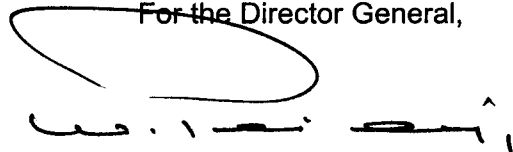
*"The Contracting Parties recognize that it is necessary for the Agency to achieve financial equilibrium and **undertake to make available to it**, taking into account its own revenue, **the appropriate financial resources** within the limits and conditions defined in the Statute annexed hereto. "*

We hope that you will be in a position to include in your final draft specific clauses allowing EUROCONTROL and other similarly constituted international organisations to benefit from a zero risk weight classification.

My services will be pleased to provide you with any additional information you may require.

Yours sincerely,

For the Director General,

A handwritten signature in black ink, consisting of a large, stylized 'W' followed by a series of horizontal strokes and a small upward tick at the end.

W. PHILIPP  
Acting Director General



Date

Ref.

Subject: DF/AS/055/00/jmc

Objet: New Capital Adequacy Framework

Contact: COSYNS JEAN-MARC

Direct Line: + 32 (2) 729 32 03  
Ligne director:

Encl.:  
P.J.:

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BANK FOR INTERNATIONAL SETTLEMENTS

BIS

CH 4002 BASEL

For the attention of the Basel Committee on Banking Supervision

Dear Sir,

In the context of the consultation launched by your services on a new capital adequacy framework, EUROCONTROL would like to take this opportunity to ask you to formally recognise it as a zero risk weighted organisation in the preferential group of International Organisations .

EUROCONTROL, the European Organisation for the Safety of Air Navigation, is an International Organisation (of Public Law) founded by the International Convention relating to Co-operation for the safety of Air Navigation of 13 December 1960 (amended on 12 February 1981). The parliaments of the Member States have ratified this (amended) Convention.

Currently, the EUROCONTROL Organisation has twenty-nine Member States . They are : Germany, Austria, Belgium, Bulgaria, Cyprus, Croatia, Denmark, Spain, France, Greece, Hungary, Ireland, Italy, The former Yugoslav Republic of Macedonia, Luxembourg, Malta, Moldova, Monaco, Norway, Netherlands, Portugal, Slovak Republic, Czech Republic, Romania, United Kingdom, Slovenia, Sweden, Switzerland and Turkey.

Article 4 of the amended Convention gives to EUROCONTROL the same legal personality as that given to the European Community by articles 281 and 282 (former articles 210 and 211 respectively) of the Treaty establishing the European Community :

*"The Organisation shall have legal personality. In the territory of the Contracting Parties it shall have the fullest legal capacity to which corporate bodies are entitled under national law; it shall inter alia have the right to acquire or transfer movable or immovable property and go to law. Except as otherwise provided in the present Convention or the Statute annexed thereto, it shall be represented by the Agency which shall act in its name. The Agency shall administer the property of the Organisation."*

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Article 30 of the amended EUROCONTROL Convention is of utmost importance in determining the financial guarantees provided for by the Member States to the Agency. It stipulates that:

*"The Contracting Parties recognise that it is necessary for the Agency to achieve financial equilibrium and undertake to make available to it, taking into account its own revenue, the appropriate financial resources within the limits and conditions defined in the Statute annexed hereto."*

For your information, I attach an extract of the "Statute of the Agency", showing its article 19. This defines the limits and the conditions of the Member States' contributions (annex 1).

As regards the continuation and duration of EUROCONTROL's activities, Article 35 of the (amended) Convention, quoted hereafter, provides the banks with the necessary guarantee regarding fulfilment of the Organisation's commitments, even in the event of its dissolution :

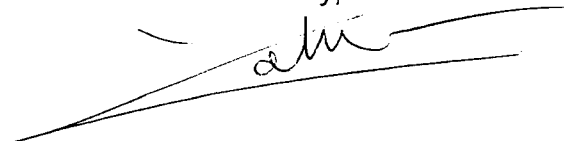
- "1. The validity of the present Convention, as amended by the Protocol opened for signature at Brussels in 1981, shall be extended for a period of twenty years from the date of entry into force of the said Protocol.*
- 2. That period shall be automatically prolonged for periods of five years, unless a Contracting Party has, by written notice given to the Government of the Kingdom of Belgium at least two years before the expiry of the current period, expressed its intention to terminate the Convention. The Government of the Kingdom of Belgium shall notify the Governments of the other States parties to the Convention of such notice.*
- 3. If, in application of the foregoing, the Organisation is dissolved, it shall be deemed to exist for the purposes of its liquidation."*

Additionally, it should be noted that the European Union, is negotiating its accession to the EUROCONTROL Convention. The discussions between the European Commission and EUROCONTROL are well advanced and it is expected that the European Union will soon become a member of EUROCONTROL.

Based on the aforesaid (the joint financial guarantee of the Member States and the forthcoming accession of the European Union), I am confident that you will be in a position to include the claims on EUROCONTROL in the zero risk weight classification.

Should you require additional information, please do not hesitate to contact my services (Mr Cosyns – ext. 32 03 or Mr De Coune – ext. 31 23)

Yours faithfully,



Yves Lambert  
Director General