

To the attention of
The Basel Committee Secretariat
Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 BASEL SWITZERLAND

1/2.25/89

Brussels, May 31, 2001

Dear Sirs,

Re: New Basel Capital Accord on Banking Supervision

Eurofinas already sent you on March 25, 2000 its official comments to the "Review of Regulatory Capital Requirement for EU Credit Institutions and Investment Companies".(attached)

On January 22, 2001, the Eurofinas secretariat had a meeting with you personally in Brussels. The present letter and the attached Position Paper together with particular comments from UK, Spain and Germany are our renewed response to the upcoming regulation.

The first key point is that EUROFINAS believes that the new Accord should pay much more explicit attention to physical collateral, in assessing capital adequacy. Currently, it is only taken into account, with all other forms of collateral, in the proposed advanced approach as part of the Internal ratings-based (IRB) approach. It is not taken into account in the proposed standardised approach, or the foundation IRB approach, with the exception of residential and commercial property.

The second concern is in relation to the impact on competition. In particular the imposition of an own funds requirement not previously necessary is likely to have a disproportionate impact on small to medium sized credit institutions. This may force some to discontinue some types of credit granting and could force others to cease business altogether. Those financial services organisations which are involved in both receipt of deposits and granting credits will already have to meet own funds capital requirements. If any new obligations do not increase that requirement then they will be placed at a competitive advantage over those businesses which are obliged to provide such funds for the first time.

We would like to be involved in the further work that the Basel Committee is planning and we would be grateful for an informal meeting at your earliest convenience.

Gerhard DRESSLER
Chairman

M. BAERT
Secretary General