

BNP Paribas's view on the Basel Committee Consultation on Microfinance activities and the Core Principles for Effective banking Supervision
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BNP Paribas supports the initiative of the Basel Committee on Microfinance activities and strongly agrees on the importance of a prudential legal framework to supervise and regulate institutions engaged in microfinance activities.

BNP Paribas has been committed to support microfinance institutions since 2007, currently financing 19 Microfinance Institutions (MFIs) in 9 countries for an authorized amount of €50 millions. Besides the core activity of funding, BNP Paribas offers technical assistance to MFIs in emerging countries as well as in France. It also distributes to retail investors a fund invested up to 10% in microfinance.

Because of its commitment to microfinance and more broadly to financial inclusion, BNP Paribas welcomes the Basel Committee's initiative and would like to address some comments.

BNP Paribas supports the position which points out that contributing to the promotion of savings through the regulation and the strengthening of deposit-taking institutions is important for reducing the risk of fraud and to protect the final customer. It is also useful to reduce the vulnerability of MFIs to markets' fluctuations and to preserve them from the currency risk.

BNP Paribas also suggests that the definition of microfinance should be given at national or regional level, given the diversity of microfinance markets and actors across the globe. In addition, we think that beyond a broad definition of microfinance, a precise definition of microcredit would be necessary (e.g. CGAP¹ for emerging countries).

In our view, homogeneously and efficiently implementation of the principles of the supervisory framework in order to ensure a level playing field for all microfinance providers is paramount.

On this last point, we would like to add a remark regarding the scope of the principles. We believe that beyond the regulation and supervision of deposit taking institutions, there is a need for regulation and supervision for all microfinance actors in general. Such a global regulation would contribute to build a level playing field on both the global level and national level:

- Regarding global harmonisation, it seems important not to forget countries - such as India - where MFIs are not allowed to collect deposit and therefore do not fit into the scope of the supervisory framework despite their important microfinance sector. They should not be totally excluded of the scope of the supervisory framework, especially knowing the number of clients they serve (almost 25 million in India as of December 2009).
- On a national basis, it seems important to ensure consistency and to avoid distortions that could appear from the disparity of regulations between different types of MFIs working on the same market. Even if the practical rules could be

¹ Consultative Group to Assist the Poor.

different, the principles detailed in the document are relevant for all MFIs involved in microfinance activities.

We understand that the Basel Committee's proposal does not exclude non-deposit taking institutions from its scope. However, we consider that it would be a good idea to emphasis on the fact that these principles can be recommended for the whole microfinance sector and its actors.