

Dr. Stefan Ingves
Chairman of the Basel Committee on
Banking Supervision and Governor
of the Sveriges Riksbank
BCBS
Bank for International Settlements
4002 Basel
Switzerland

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Dear Chairman, dear Governor,

I believe that the supervisory and regulatory financial framework is vital to preserve and enhance financial stability. In addition, legal frameworks should always also have in mind possible impacts on the real economy and enable an enterprise-friendly environment. Risks should be tackled where they may have systemic impacts. However, investments in the real economy should be supported to enable growth and generate jobs. It is therefore of great importance that the positive effects of regulation on the stability side are not outweighed by negative impacts of regulations in the real economy.

I see the Basel Committee of Banking Supervision (BCBS) as the primary global standard-setter for the prudential regulation of banks, providing also a forum for cooperation on banking supervisory matters. I acknowledge financial stability of utmost importance and I want to assure you my full support to this objective. Furthermore Austria is very pleased about participating in the supervisory dialogue of the Basel Consultative Group (BCG).

The Austrian industry and banking sector mentioned with high interest but at the same time with some concerns the consultative documents of the BCBS for revisions to the standardized approach on credit risk and the closely related consultative document on a capital floor framework.

I noted the improvements on simplicity and granularity in the second consultative paper on the standardized approach. I took notice of the positive approach of the BCBS towards the retail portfolio. On the other hand, some elements might encumber negative effects to the financing of the economy, notably in the context of equity holdings, claims secured by real estate and the banks' ability to finance international trade.

In my view strategic investment in equity of companies with a sustainable business model should not be excessively penalized, as these companies are the back of the economy thus ensuring economic growth and employment. Investments in infrastructure are key drivers for economic growth and employment thus serving as a multiplier and leading to investments by other market participants. Furthermore, the banks' ability to finance international trade directly feeds economic growth and employment.

I am deeply convinced that the principle of proportionality should be applied appropriately. Small and medium-sized banks, which are not internationally active, should have a fair option to continue use the current standardized approach. Saying this, I also have in mind the level playing field with jurisdictions that do not require the application of the Basel capital requirement framework to small domestic institutions.

Therefore the current framework should in that respect be preserved to a large extent. If moderate changes accompanied with appropriate transitional periods find their way to the BCBS-standards and if officially supported Export Credit Agencies (ECAs) and short-term trade instruments will be treated in accordance with their risks, such an approach could be an effective way to prevent significant negative impacts to the real economy.

Yours sincerely,



Minister Hans Jörg Schelling

CC: Mr. Karl Cordewener, Deputy Secretary General of the Basel Committee