Dear Mr. Wellink,

The ESBG-WSBI welcome the opportunity to comment on the Basel Committee’s draft document entitled “Principles for Sound Liquidity Risk Management and Supervision” issued for public consultation in June 2008.

The ESBG-WSBI would like to congratulate the Basel Committee for its efforts to cover in a comprehensive document the essential aspects related to liquidity risk management and supervision.

The ESBG-WSBI welcome the principles-based approach adopted by the Basel Committee, as in our view, only high-level principles can address the large variety of situations in this field and provide for the flexibility required by quick market evolutions. We note, however, that the explanations accompanying the proposed principles are sometimes very detailed. The ESBG-WSBI would like to underline that such detailed explanations should represent mere examples and that, in view of the rich experience in some countries, they should not be considered as the best practice.

The ESBG-WSBI welcome the reference to proportionality enshrined in paragraph 6 of the Introduction to the Basel Committee’s document. The ESBG-WSBI would however very much appreciate it if the proportionality principle were made more explicit also in the various principles and explanations, or if it were declared overtly in the Introduction as an overarching rule guiding the application of all seventeen principles for managing and supervising liquidity risk.
In order to avoid overregulation and to support the high-level principles and the proportional approach, the ESBG-WSBI would encourage the Basel Committee to insert also a reference to the materiality principle. Thereby it would be ensured that the regulatory guidance applies primarily to cases of material risks and in material circumstances.

The ESBG-WSBI stand ready to discuss this matter further with you and the Secretariat of the ESBG-WSBI remains at your disposal for any questions you may have in relation to this issue.

Yours sincerely,

Chris De Noose
Managing Director