

Joint Industry Communication on Trade Finance and the Basel Framework

December 1, 2011

Ladies and Gentlemen:

The undersigned organizations represent a broad range of financial institutions, manufacturing and services companies, and individuals that provide important services throughout the international community. We support policies that aim to strengthen the resilience of the financial services sector, as promulgated by the G-20. While we are encouraged by the G-20's objective to lower costs for trade with emerging economies, we remain concerned about the unintended consequences of the regulatory treatment of trade finance instruments under the Basel framework, as it does not reflect the risk profile of trade finance assets, nor does it take into account the adverse effects of the proposed changes on global trade and growth in the real economy.

At its November 2010 Summit in Seoul, G-20 Leaders decided “*to monitor and assess trade finance programs in support of developing countries, in particular their coverage and impact on LICs (i.e. Low Income Countries), and to evaluate the impact of regulatory regimes on trade finance.*” The Basel Committee completed this assessment ahead of the most recent G-20 Summit in Cannes and made two changes to the Basel capital framework intended to alleviate the regulatory burden for trade finance.¹

We applaud the G-20 and the Basel Committee for recognizing the importance of trade finance to the international economy and we note that the findings of the Committee reflect some progress in efforts to recognize the low risk nature of trade finance. We emphasize, however, that these measures do not go far enough in this regard and will not provide significant relief from the increase in capital costs impacting trade lending. It is our view that there is significant opportunity to mitigate these unintended consequences by further distinguishing the short-term, low-risk nature of trade finance and its criticality to global economic growth.

Global trade relies upon accessible financing for trade transactions. Trade finance is a low risk, short-term transaction that assists customers with their import and export requirements. A disproportionate regulatory burden for trade finance will increase the cost and/or reduce the availability of such financing and adversely affect economic growth. Global recovery rests largely on the shoulders of emerging markets and small- and medium-size enterprises (SME's), however; the framework has the potential to harm these market segments the most.

With many regions facing slower growth or reduction in exports, coupled with the potential effect of the Eurozone crisis and the general threat of a global economic slowdown, the impact of

¹ Basel Committee on Banking Supervision, *Treatment of trade finance under the Basel capital framework*, Oct 25, 2011; <http://www.bis.org/publ/bcbs205.pdf>

Page two
December 1, 2011

regulatory regimes on trade finance is critically important. Policies which put at risk the affordable trade of essential goods work at cross-purposes with the G-20 economic goals.

We respectfully urge the Basel Committee, along with national and regional regulators, to consider further changes to the capital and liquidity requirements impacting trade finance and to ensure that these changes are applied consistently across national jurisdictions during implementation. This will ensure adequate and affordable trade credit is available to support meaningful and sustained economic growth.

Very truly yours,



Robert R. Davis
Chief Executive Officer (Acting)
BAFT-IFSA



Guido Ravoet
Secretary General
European Banking Federation



Richard Raeburn
Chairman
European Association of Corporate Treasurers



Hugh Carney
Senior Counsel II
American Bankers Association



Philippe de Buck
Director General
BUSINESSEUROPE



Robert Vastine
President
Coalition of Service Industries



Chris Cummings
Chief Executive
TheCityUK



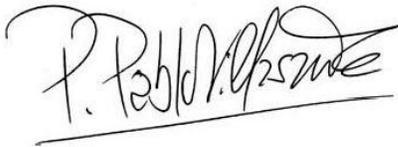
John Hardy
President
Coalition for Employment Through Exports



Sally Scutt
Deputy Chief Executive
British Bankers' Association



Michael Kemmer
General Manager
Member of the Board of Directors
Association of German Banks



Pedro Pablo Villasante
Secretary General
Spanish Banking Association



Andres Portilla
Director, Regulatory Affairs Department
Institute of International Finance, Inc.



Robert S. Nichols
President and CEO
Financial Services Forum



Myron Brilliant
Senior Vice President for International Affairs
U.S. Chamber of Commerce



Paolo Provera
Chairman
International Forfaiting Association



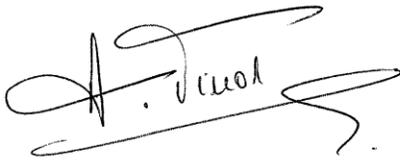
Sean Edwards
Deputy Chairman
International Forfaiting Association



Ariane Obolensky
Chief Executive
French Banking Federation



Pascal Kerneis
Managing Director
European Services Forum



Aisha Timol
Chief Executive
Mauritius Bankers Association Limited (MBA)



Brendan Herley
President
The Association of Trade and
Forfeiting in the Americas, Inc.



Patricia Roth
Executive Director
Florida International Bankers Association



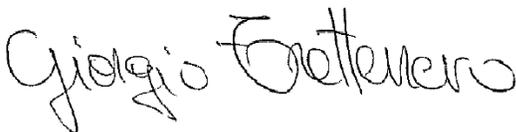
Stephen Hayes
President and CEO
Corporate Council on Africa



William Reinsch
President
National Foreign Trade Council



Peter M. Robinson
President and CEO
U.S. Council for International Business



Giorgio Trettenero Castro
Secretary General
Federación Latinoamericana de Bancos
FELABAN



Ronie Mak
Secretary
Hong Kong Association of Banks

Signatory Associations:

BAFT-IFSA

BAFT-IFSA is an international financial services trade association whose membership includes a broad range of financial institutions throughout the global financial community. As a worldwide forum for analysis, discussion, and advocacy in international financial services, BAFT-IFSA member banks provide leadership to build consensus in preserving the safe and efficient conduct of the financial system worldwide.

American Bankers Association

The American Bankers Association brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members represent over 95 percent of the industry's \$13.3 trillion in assets and employ over 2 million people.

Association of German Banks

The Association of German Banks represents the interests of the private banks in Germany over the full spectrum of economic and banking policy at national and international level. Its 220 member banks include four big banks, regional banks, private bankers, mortgage banks, banks with special functions and foreign banks.

Association of Trade and Forfaiting in the Americas, Inc.

The Association of Trade and Forfaiting in the Americas ("ATFA") was founded in 1995 and is a not-for-profit association of trade finance professionals that promotes informational exchange regarding the best practices of global trade finance in the Americas. ATFA currently boasts around 80 members comprising banks, hedge funds, insurance companies, law firms and various corporations actively involved in Trade Finance.

British Bankers' Association

The British Bankers' Association is the leading association for the UK banking and financial services sector, speaking for 223 banking members from 60 countries on the full range of UK or international banking issues and engaging with 37 associated professional firms. Collectively providing the full range of services, its member banks make up the world's largest international banking centre, operating some 150 million accounts and contributing £50 billion annually to the UK economy.

BUSINESSEUROPE

BUSINESSEUROPE represents 41 industrial and employers federations in 35 European Countries, representing more than 20 million European companies.

TheCityUK

TheCityUK is a member-based body representing UK financial services and related professional services businesses operating in the United Kingdom, the European Union and internationally. It is the broadest cross-sectoral representative body in the United Kingdom acting on behalf of the sector.

Coalition for Employment Through Exports

The Coalition for Employment Through Exports (CEE) is the only national not-for-profit educational and advocacy association that specializes exclusively in issues affecting the ability of U.S. exporters to obtain trade and investment finance, insurance and advocacy from the U.S. government.

Coalition of Service Industries

The Coalition of Service Industries (CSI) represents the interests of the dynamic American service economy, which employs 80% of the workforce and generates 3/4 of national economic output. Since 1982, CSI has created greater public awareness of the major role services play in the U.S. economy, and it has shaped domestic and international economic policies on behalf of the services sector. The broad range and diversity of the U.S. service economy is reflected in CSI's membership, which includes major international companies from the banking, insurance, telecommunications, information technology, express delivery, audiovisual, energy services, and other service industries. CSI members conduct business in all 50 states and in more than 100 countries.

Corporate Council on Africa

The Corporate Council on Africa (CCA), established in 1993, is at the forefront of strengthening and facilitating the commercial relationship between the United States and the African continent. CCA works closely with governments, multilateral groups and business to improve the African continent's trade and investment climate, and to raise the profile of Africa in the US business community. CCA members believe that Africa's future success depends upon the ability of its entrepreneurs and business people to create and retain wealth through private enterprise. American corporations and private individuals can contribute most effectively by building partnership and reaching out to the African private sector in the areas that America knows best: private enterprise, investment capital, technology transfer and management. CCA programs are designed to bring together potential business partners and raise Africa's investment profile in the US by developing critical contacts and business relationships and providing a forum for the exchange of information and ideas.

European Association of Corporate Treasurers

The European Association of Corporate Treasurers (EACT) includes 20 associations of financial and corporate treasury professionals from 17 European Union countries in addition to Croatia and Switzerland. It brings together about 8,500 members representing 4,700 groups/companies located in Europe. The EACT aims to support the finance and treasury profession across Europe. We do this by developing relations with European authorities and institutions, sharing knowledge between finance and treasury associations and bringing our professional experience and opinion to European level discussion of policy, regulation, law and best practice. Together we promote the value of finance and treasury skills through best practice and education. We encourage the evolution of the treasury role as a vital part of strategic financial management.

European Banking Federation

Set up in 1960, the European Banking Federation is the voice of the European banking sector (European Union & European Free Trade Association countries). The EBF represents the interests of some 5000 European banks: large and small, wholesale and retail, local and cross-border financial institutions. The EBF is committed to supporting EU policies to promote the single

market in financial services in general and in banking activities in particular. It advocates free and fair competition in the EU and world markets and supports the banks' efforts to increase their efficiency and competitiveness. The EBF members include the following national banking associations: Austria, Belgium Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lichtenstein, Lithuania, Luxembourg, Malta, Norway, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the Netherlands, and the United Kingdom.

European Services Forum

The European Services Forum (ESF) is a private sector trade association that represents the interests of the European services industry in International Trade Negotiations in Services. It comprises major European service companies at the CEO level and European service sector federations covering service sectors such as financial services, tourism, telecommunications, maritime transport, business and professional services, distribution, postal and express delivery, IT services, environmental services and the audio-visual industry.

Federación Latinoamericana de Bancos-FELABAN

The Latin American Banking Federation - FELABAN is a non-profit entity created in Mar del Plata, Argentina in 1965 by the banking associations and other agencies of 19 Latin American countries, encompassing over 500 regional banks.

Florida International Bankers Association

The Florida International Bankers Association (FIBA), Inc., is a non profit trade association, founded in 1979. Its membership includes financial institutions from 18 countries, across 4 continents, including some of the largest banks from Europe, the US and Latin America.

Financial Services Forum

The Forum is a financial and economic policy organization comprised of the chief executives officers of 19 of the largest financial institutions with operations in the United States. The purpose of the Forum is to pursue policies that encourage savings and investment, promote an open and competitive global marketplace, and ensure the opportunity of people everywhere to participate fully and productively in the 21st-century global economy.

French Banking Federation

The French Banking Federation (FBF) is the professional body representing the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 450 commercial and cooperative banks. FBF member banks have 40,000 permanent branches in France. They employ 400,000 people, and service 60 million customers.

Hong Kong Association of Banks

The Hong Kong Association of Banks ("HKAB") was created by The Hong Kong Association of Banks Ordinance, Cap. 364 in 1981 to replace the Exchange Banks' Association. HKAB has since provided a forum for the Government, financial regulators and other stakeholders to exchange views with the banking sector for the further development of the industry. All its members are fully licensed banks in Hong Kong providing a comprehensive range of banking and financial services. Currently, HKAB has 153 members, many of them are large global banks.

The Institute of International Finance

The Institute of International Finance, Inc. (IIF) is a global association created in 1983 in response to the international debt crisis. The IIF has evolved to meet the changing needs of the international financial community. The IIF's purpose is to support the financial industry in prudently managing risks, including sovereign risk; in disseminating sound practices and standards; and in advocating regulatory, financial, and economic policies in the broad interest of members and foster global financial stability. Members include the world's largest commercial banks and investment banks, as well as a growing number of insurance companies and investment management firms. Among the IIF's Associate members are multinational corporations, consultancies and law firms, trading companies, export credit agencies, and multilateral agencies. All of the major markets are represented and participation from the leading financial institutions in emerging market countries is also increasing steadily. Today the IIF has more than 400 members headquartered in more than 70 countries.

International Forfaiting Association

The International Forfaiting Association represents forfaiters and a wide variety of specialized trade finance houses with 150 members in over 40 countries.

Mauritius Bankers Association Limited (MBA)

The Mauritius Bankers Association Limited exists since 1967 to represent its members and to promote and establish conditions conducive to competitive, profitable and responsible banking and finance business. Its membership comprises all banks, both local and foreign, licensed by the Bank of Mauritius to conduct banking business in and out of Mauritius and presently stands at 19 members.

National Foreign Trade Council

The National Foreign Trade Council (NFTC) is the premier business organization advocating a rules-based world economy. Founded in 1914 by a group of American companies that supported an open world trading system, the NFTC and its affiliates now serve more than 300 member companies through offices in Washington and New York.

Spanish Banking Association

The Spanish Banking Association (AEB) is the voice of the Spanish banking sector representing and defending the interests of private banks operating in Spain (95 member banks: 60 Spanish and 35 foreign banks), with total consolidated assets of € 2,115 billion as of December 2009 and 109,996 employees in Spain.

U.S Chamber of Commerce

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. More than 96% of U.S. Chamber members are small businesses with 100 employees or fewer.

U.S. Council for International Business

USCIB promotes open markets, competitiveness and innovation, sustainable development and corporate responsibility, supported by international engagement and prudent regulation. Its members include top U.S.-based global companies and professional services firms from every sector of our economy, with operations in every region of the world. With a unique global

Page nine
December 1, 2011

network encompassing the International Chamber of Commerce, the International Organization of Employers and the Business and Industry Advisory Committee to the OECD, USCIB provides business views to policy makers and regulatory authorities worldwide, and works to facilitate international trade and investment.