



ICSA

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

July 1, 2010

Dr. Nout Wellink, Chairman
Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

Re: Request for Further Basel Consultation

Dear Dr. Wellink:

On behalf of the members of the International Council of Securities Associations (ICSA), representing the views of the global financial markets, we are writing to express our concerns about the proposed Basel framework for capital and liquidity.¹ ICSA members fully support the G20's objective of strengthening the regulatory framework in relation to financial resources (i.e., capital and liquidity). However, given the depth and breadth of the reforms being contemplated by the Basel Committee, we believe the proposals merit an additional consultation with the industry.

We appreciate the G20 commitments on Basel and recognize the associated timeframes set forth which call for the new Basel framework to be approved at the time of the G20 meeting in November of 2010. The Basel Committee has moved swiftly to develop rules to give effect to this timetable. A package of rules governing changes to the trading book and resecuritisation that was agreed upon in July 2009 is already being implemented in several jurisdictions. Most importantly, a package of comprehensive changes to the regimes governing capital and liquidity, which form the basis for the new capital framework, was released for public consultation in December of last year with the consultation period ending in April of this year.

While we understand the Committee's need to meet the deadline set by the G20, we believe it is essential that the details of the new capital framework are informed by additional public comment. Without such consultation, we are concerned that the reforms could have an adverse impact on the global economy in terms of slower economic growth and job creation. While we welcome the Basel Committee's commitment to provide for a phase-in that does not impede the recovery of the real economy, such a phase-in cannot correct for measures that are incorrectly designed and calibrated. In this regard, we respectfully request that the Basel Committee

¹ ICSA is composed of trade associations and self-regulatory organizations that collectively represent and/or regulate the vast majority of the world's financial services firms on both a national and international basis. ICSA's objectives are: (1) to encourage the sound growth of the international securities markets by promoting harmonization in the procedures and regulation of those markets; and (2) to promote mutual understanding and the exchange of information among ICSA members. More information about ICSA and a list of ICSA members is available at: www.icsa.bz

provide for an additional consultation on the Basel proposals, possibly following the November meeting of G20 Leaders.

We also believe a second consultation is critical since the consultation documents released in December of last year did not reflect the results of the comprehensive quantitative impact study that is currently being conducted. The comprehensive quantitative impact study will provide an opportunity for a better assessment of the aggregate impact of the new Basel measures, while also taking into account the other, at times overlapping, reform initiatives that are being debated in world capitals. We wish to avoid hasty implementation of reforms that would severely reduce the ability of the industry to provide capital to businesses and consumers and thereby impair economic growth.

We welcome the continued measures that governments and industry have taken in building a framework for a more robust financial system. We view these reforms as the critical path toward a stable and thriving financial services sector that will drive global economic recovery and fuel growth. However, due to the comprehensive nature of the Basel proposals, further consultation is essential in order to ensure that the supply of capital is adequate for global economic growth, and job creation. Consequently, we would like to work with the Basel Committee on its agenda for reform and inquire as to how we can engage with the Committee on the design of the proposals.

We look forward to our continued work with the Basel Committee in strengthening the resiliency of the global economy, and supporting economic growth and job creation.

With very best regards,



René Karsenti, Chairman
International Council of
Securities Associations (ICSA)



Pierre de Lauzun, Chairman
ICSA Standing Committee on
Financial Stability and Risk Management

cc: Stefan Walter
Secretary General
Basel Committee on Banking Supervision