

*Sent by email*

October 29, 2001

Dear Member of the European Parliament,

The Economic and Monetary Affairs Committee of the European Parliament will be voting on the Commission's proposal for a **directive on financial collateral arrangements** COM (2001) 168 final on November 5<sup>th</sup>.

The provision of collateral – in the form of securities or cash – is a common means by which companies offer a guarantee to their creditors. It covers the creditor, in case the debtor defaults on his obligations. Without such a guarantee, many financial deals would fail to take place, or more costly arrangements would have to be made. Financial collateral has become an important tool for companies to reduce their risk exposure.

Cross-border deals involving collateral arrangements are currently regulated separately in the 15 member states. A single framework at the EU-level for cross-border collateral arrangements will increase access to capital for many companies, improving risk management and leading to lower costs for capital. Better risk management would also result in lower systemic risk in financial markets.

UNICE represents the interests of business in Europe. **We support the objectives of the proposed directive.** It would provide important benefits for our membership.

Our membership is, nevertheless, concerned that the potential benefits of the directive for companies will not be achieved, or be further diluted, for the following reason:

The proposal extends coverage to non-financial institutions; however, article 2.4(c) restricts this to companies with gross assets or a capital base exceeding 100 million Euros. It is unclear what benefits derive from the exclusion of smaller companies from the provisions. **We therefore call for deletion of the lower threshold level introduced in article 2.4(c).** All companies should be allowed to benefit from the provisions in the proposal.

As such we ask you to **support amendments 7, 12 and 13 by Mr Perez Royo.**

We would be grateful if you took these comments into consideration,

Yours sincerely,

Daniela Israelachwili  
Acting Secretary General