BUSINESSEUROPE

THE DIRECTOR GENERAL

Mr Michel Barnier
Commissioner Internal Market and Services
European Commission
200 Rue de la Loi
1049 Bruxelles

3 February 2012

Dear Commissioner, Cher Michel,

The Commission proposals for revision of the capital requirements directive (CRD IV) also impact on the trading of 'over-the-counter' derivatives (OTC derivatives). It regards proposals with respect to minimum own funds requirements for credit valuation adjustment risk (CVA) which could force banks to hold much more capital than under current rules. BUSINESSEUROPE is concerned that such punitive requirements will significantly increase costs when they are passed on to customers and harm retaining active OTC derivatives market for non-financial companies to hedge market risks.

High cost and lack of capacity will discourage end users from entering into OTC derivative transactions. This would lead to corporations stop hedging risks, increasing not only the risk for the single corporation concerned and negatively affecting their business model but also for the economy as a whole. The exemption for non-financial companies contained in the forthcoming Regulation on OTC derivatives, central counterparties and trade repositories (known as "EMIR") reflects the importance of this kind of transactions. The European Parliament confirmed this in their first reading assessment of the proposed Regulation and it is crucial that new capital rules provide for a parallel exemption to not undercut this.

We therefore strongly support excluding derivative transactions that are used by industrial undertakings for hedging purposes (for example related to price changes of commodities, currencies or interest rates) from the own funds requirement for CVA risk.

We remain at your disposal should you wish to discuss this subject further.

Yours sincerely, Cordialement,

Philippe

Philippe de Buck

AV. DE CORTENBERGH 168
BE-1000 BRUSSELS
BELGIUM
VAT BE 863 418 279

BUSINESSEUROPE a.i.s.b.l.

WWW.BUSINESSEUROPE.EU

TEL +32(0)2 237 65 11
FAX +32(0)2 231 14 45
E-MAIL: MAIN@BUSINESSEUROPE.EU
EU Transparency register 3978240953-79