



International Chamber of Commerce

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MEDIA RELEASE

ICC response to Basel announcement on trade finance

Paris, 25 October 2011

The International Chamber of Commerce (ICC) is pleased that the Basel Committee on Banking Supervision has announced measures that recognize trade finance as a low-risk activity for banks, and says that there is opportunity to further refine the rules to foster the development of trade and the support of SME clients. The ICC asserts that treating trade finance as a unique asset class to accurately reflect its low risk will help foster more trade and create jobs.

The ICC's Banking Commission Chair, Kah Chye Tan, said: "It is crucial that the cost of capital between a low-risk, low-margin activity like trade finance is differentiated from higher-risk, higher-margin activity. We have narrowed the gap today and there is an opportunity for us to do more through continuing dialogue. We believe that banks and Basel have the responsibility to develop a robust banking environment to create jobs through trade."

ICC released its second annual report today detailing default and loss history on trade finance, proving empirically that trade finance is a low-risk banking activity and therefore should be treated accordingly for regulatory purposes. Data provided by 14 of the world's largest commercial banks on over 11 million trade finance transactions – representing over \$2 trillion in trade – going back over five years, including over the global financial crisis, showed only 3,000 defaults. The data covers over 65% of the world's trade finance transactions. The data shows similar results to the first ever statistics in trade finance default and loss rates, which was developed by ICC in conjunction with the Asian Development Bank and nine commercial banks in 2010.

Mr Kah Chye went on to say: "We trust the Basel committee will find ICC's new report useful, and that based on this data Basel will take further measures to support trade and job creation by treating trade finance appropriately."

ICC has welcomed the privileged relationship which has been established with the Basel committee over the last years and proposes to continue discussions on the implementation and impacts of the recommendations.

For media inquiries, please contact:

Dawn Chardonnal
Communications and Media Relations Manager
Tel: +33 (0)1 49 53 29 07
Email: dawn.chardonnal@iccwbo.org



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About the ICC Banking Commission

The ICC Banking Commission is a leading global rule-making body for the trade finance industry. The Banking Commission is known for producing universally accepted rules and guidelines for documentary credits, documentary collections, bank-to-bank reimbursements and bank guarantees. ICC's voluntary market-based approaches have often been praised for leveling the playing field in trade finance practices. The ICC Banking Commission is also a unique forum where business and policy makers work together to address the global challenges of trade and finance. The Banking Commission is at the forefront of efforts to understand and to help business respond to new developments and concerns in the regulatory sphere, such as the Basel regime, anti-money laundering and the challenges of facilitating international trade finance across boundaries, in particular in the developing world.

About the International Chamber of Commerce (ICC)

The International Chamber of Commerce is the largest, most representative business organization in the world. Its hundreds of thousands of member companies in over 120 countries have interests spanning every sector of private enterprise.

A world network of national committees keeps the ICC International Secretariat in Paris informed about national and regional business priorities. More than 2,000 experts drawn from ICC's member companies feed their knowledge and experience into crafting the ICC stance on specific business issues.

The United Nations, the World Trade Organization, the G20 and many other intergovernmental bodies, both international and regional, are kept in touch with the views of international business through ICC.

For more information, please visit: www.iccwbo.org

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38 Cours Albert 1er, 75008 Paris, France

Tel +33 (0)1 49 53 28 28 Fax +33 (0)1 49 53 29 42

E-mail icc@iccwbo.org Website www.iccwbo.org