



International Chamber of Commerce

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## **MEDIA RELEASE**

### **ICC report proves trade finance is low risk, asks regulators and G20 to unlock trade**

Beijing, 26 October 2011

The rules set by bank regulators impose unwarranted capital requirements that choke trade and have adverse impacts on growth. A new report issued today by the International Chamber of Commerce (ICC) shows that trade finance is a relatively low-risk asset class that should not be feared by banks, nor overregulated by governments.

ICC also said it was pleased that the Basel Committee on Banking Supervision had announced measures yesterday that recognize trade finance as a low-risk activity for banks, and said that there is opportunity to further refine the rules to foster the development of trade and the support of SME clients. ICC asserted that treating trade finance as a unique asset class to accurately reflect its low risk will help foster more trade and create jobs.

The new ICC report calls on standard setters and policy makers to carefully study the potential unforeseen impact of proposed Basel III changes on trade finance from the Basel committee and to make trade finance more accessible and affordable.

Reliable and cost-effective finance and guarantees to companies looking to import or export commodities, consumer goods, and capital equipment are critical to keep trade flowing within and between countries. World trade is, in turn, key to global economic growth.

The outlook on the risks of defaults in trade and finance were revealed in the ICC report *Global Risks – Trade and Finance*, issued on the occasion of a major ICC Banking Commission meeting taking place in Beijing from October 24-28.

The report was based on analysis of the ICC Trade Finance Register, the most comprehensive dataset available on the market. It contains data from major international banks reflecting a minimum of 60-65% of traditional global trade finance activity, worth about USD2-2.5 trillion. Fewer than 3,000 defaults were observed in the full dataset of 11.4 million transactions.

The report also showed the short-term nature of trade transactions and recommended using the actual maturity of trade transactions to calculate risk requirements as opposed to the one-year standard proposed by regulators.

In the midst of the current global economic crisis, the ICC Banking Commission meeting brings together some 350 eminent banking professionals, international organizations and supervisory bodies from over 50 countries to examine the key trade and finance challenges faced by the industry.

The trade and finance experts at the ICC meeting also worked to frame business input to the G20 on stimulating jobs and growth, ahead of the upcoming G20 Summit in Cannes. The discussions were part of a series of regional consultations led by the ICC G20 Advisory Group around the world. Since its creation in May 2011, the G20 Advisory Group has been leading ICC's efforts to develop policy input to the G20 process in areas including: trade and investment, financial regulation, anti-corruption, the international monetary system, commodity price volatility and green growth.

"Trade will play a key role in tackling the jobs crisis," said Jean-Guy Carrier, ICC Secretary General. "Economic growth depends largely on the capacity of G20 governments to improve the conditions for international trade, including easing trade finance rules. However, what we're seeing is that protectionist measures are growing within the G20. This trend must be reversed and more needs to be done to dispel the myths that trade results in job losses. Trade is a dynamic process that contributes to job creation," he said.



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*Global Risks - Trade Finance 2011* is a useful tool for both policy-makers and senior executives in financial institutions around the world. It will enable institutions to better understand the level of risks involved in different trade finance products and allow bankers to benchmark their activities in a more rigorous fashion.

"I hope that by focusing on the critical connections between default levels in trade finance and the shaping of new regulatory recommendations, decision-makers will be able to engage collectively in efforts to improve the global financial system's overall resilience," said Kah Chye Tan, Global Head of Trade and Working Capital, Barclays Corporate, and Chair, ICC Banking Commission.

To download a copy of *Global Risks - Trade Finance 2011* visit:

[http://www.iccwbo.org/uploadedFiles/ICC-Register\\_Report\\_26\\_October\\_2011.pdf](http://www.iccwbo.org/uploadedFiles/ICC-Register_Report_26_October_2011.pdf)

To read the ICC response to the Basel Committee on Banking Supervision announcement on trade finance, go to <http://www.iccwbo.org/policy/banking/index.html?id=46271>

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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 G20 Advisory Group**

The ICC G20 Advisory Group, an initiative of the International Chamber of Commerce (ICC), is a platform for global business to provide input to the work of the G20 on an ongoing basis. The Group mobilizes ICC's worldwide policy-making expertise and solicits priorities and recommendations from companies and business organizations of all sizes and in all regions of the world. The Group is comprised of approximately 20 CEOs working to ensure that the voice of business is heard by governments, the public and the media before, during and after each Summit. [www.iccwbo.org/G20](http://www.iccwbo.org/G20)

**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](http://www.iccwbo.org)

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