



**International
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Mr. Andrea ENRIA
Secretary General
CEBS

E-MAIL

Brussels, 22nd February 2008

cp@c-eps.org

Subject: *Hybrid Capital Consultation Paper*

Dear Mr Enria,

The affiliate associations of the International Banking Federation (IBFed) have considered with interest the recent consultation from the Committee of European Banking Supervisors (CEBS) on hybrid capital, as described in the Sydney Press Release (SPR).

IBFed is a confederation of the trade associations representing banks in the major global economies. Its members are the American Bankers Association, the Australian Bankers Association, the Canadian Bankers Association, the Japanese Bankers Association and the European Banking Federation. The Banking Associations of China and India are associate members of IBFed. Together our members represent approximately 18,000 banks worldwide with assets of about US\$40 trillion, including about 700 of the world's largest 1,000 banks. We believe that IBFed brings an important perspective to policy issues affecting the banking industry around the world.

Our associations are committed to promoting the harmonisation of banking regulation around the world. We understand that there may be a need within Europe to achieve a common and clear interpretation and implementation of the eligibility criteria for hybrid capital instruments. However, we wish to express our common concern that the CEBS effort may conflict with the work of the Basel Committee of Banking Supervision. Our constituent associations and their member banks firmly believe that the Basel Committee should drive multilateral prudential regulatory developments, including those in the area of the recognition of hybrid capital. Solo action by CEBS

which would go beyond what is stated in the SPR would undermine the international regulatory architecture.

We, therefore, urge CEBS to restrain from transposing the SPR into European legislation in a way which would not be consistent with the wording of the SPR and to delay any proposal that would be modify what the Basel Committee had agreed in Sydney in 1998 until it can be sure that these proposals reflect the international consensus on hybrids being developed in the Basel Committee.

It would be unfortunate if CEBS's current efforts had to be subsequently revised as a result of the Basel Committee's ongoing work. This would interrupt capital accumulation plans of banks in Europe – including many not based there – and compromise the hybrid capital issuing environment in Europe.

CEBS should postpone the introduction of its planned changes to the SPR until it can be sure that they are aligned with the work that the Basel Committee is currently undertaking in this area.

Yours sincerely,

(signed)

Sally SCUTT
Secretary General