



**ICSA**

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

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December 2, 2009

Mr. Nout Wellink  
Chairman  
Basel Committee on Banking Supervision  
Bank for International Settlements  
Centralbahnplatz 2  
CH-4002 Basel  
Switzerland

**Re: Expanded Industry Consultation with the Basel Committee on Banking Supervision**

Dear Mr Wellink:

We are writing to you on behalf of the members of the International Council of Securities Associations (ICSA).<sup>1</sup> ICSA serves as a forum for trade associations and self-regulatory organizations that represent and/or regulate firms active in the securities market, which includes both securities firms and prudentially regulated banks that have securities businesses. Over the past several years, ICSA has developed close consultative relationships with a number of international standard setters, such as the International Organization of Securities Commissions (IOSCO) and the Financial Action Task Force on Money Laundering (FATF). These relationships, which were begun prior to the financial crisis, have proven to be quite fruitful for all participants. In light of the Basel Committee's mandate to promote and strengthen supervisory and risk management practices globally, we respectfully suggest that it would also be useful for the Basel Committee to develop a consultative relationship with ICSA.

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<sup>1</sup> ICSA is composed of trade associations and self-regulatory organizations that collectively represent and/or regulate the vast majority of the world's financial services firms on both a national and international basis. ICSA's objectives are: (1) to encourage the sound growth of the international securities markets by promoting harmonization in the procedures and regulation of those markets; and (2) to promote mutual understanding and the exchange of information among ICSA members. More information about ICSA and a list of ICSA members is available at: [www.icsa.bz](http://www.icsa.bz)

We recognize that the Basel Committee has a long standing policy of formal consultation as well as an informal consultative outreach, both of which have extended throughout the entire Basel 2 process. We also understand that some of our Members are already in dialogue with you on a range of subjects. Those ICSA Members will continue to participate in and contribute actively to the existing Basel consultation processes. However, as the Committee is aware, although the Basel standards have been designed primarily for the prudential regulation of large international active banks, those standards are also relevant for a broad range of other firms, including securities firms. Therefore, we believe it would be useful for the Committee to establish a dialogue with industry representatives for the broader range of firms to which the Basel standards are applied. In this context, ICSA is the relevant representative body for the global securities industry.

An expanded consultative dialogue would help the Basel Committee to understand more clearly the impact of their policy proposals on the wider financial system, which in turn would allow the Committee to identify those policy recommendations that were the most effective and practical for the broad range of firms. An enhanced dialogue between the Basel Committee and the financial services industry would also help to ensure that regulatory reforms and industry initiatives were coordinated in order to address specific issues.

An enhanced and expanded consultation process could include periodic discussions between the Committee and a broad range of industry representatives, including ICSA, about the issues of most relevance for securities firms as well as the implications of the Basel Accord for the broader range of firms to which the Accord now applies. These discussions would allow the Committee to gain information and insights about specific issues, such as market risk/trading book capital requirements and counterparty risk on OTC derivatives, which are of particular interest for securities firms. An enhanced and expanded consultation process with a broader range of industry associations would also allow the Committee to gather information and insights on all of the issues that are currently under review by the Committee.

In closing, we would like to emphasize the importance of the existing consultation process that the Committee has established with a variety of industry bodies. As noted above, a number of ICSA Members are involved in this consultation process and believe that it has helped to facilitate the development of regulatory standards that enhance efficiency and economic growth while also ensuring the stable development of financial markets. At the same time, however, we believe that an enhanced and expanded dialogue between the Basel Committee and a broader range of industry bodies would aid the Committee in developing efficient and effective standards that apply to a broad range of firms. Given the diversity and geographical reach of its membership, ICSA is the relevant representative body to participate in an expanded consultative dialogue with the Basel Committee on behalf of the global securities industry. An expanded consultative dialogue could be developed through periodic discussions between the Committee and a broad range of industry representatives, including ICSA, about the issues of most relevance for firms that are subject to the Basel standards.

We look forward to working with the Basel Committee in the future, and look forward to your response to our suggestions on this point. Please do not hesitate to contact René Karsenti ([Rene.Karsenti@icmagroup.org](mailto:Rene.Karsenti@icmagroup.org)) and/or Pierre de Lauzun ([pdelauzun@amafi.fr](mailto:pdelauzun@amafi.fr)) to discuss the issues contained in this letter.

Yours sincerely,



René Karsenti  
Chairman  
ICSA



Pierre de Lauzun, Chairman  
ICSA Standing Committee on  
Financial Stability and Risk  
Management

cc: Stefan Walter  
Secretary General  
Basel Committee on Banking Supervision