

MEMO# 13556

May 30, 2001

ICI COMMENT LETTERS ON PROPOSED CAPITAL ADEQUACY STANDARDS

[13556] May 30, 2001 TO: INTERNATIONAL COMMITTEE No. 37-01 RE: ICI COMMENT LETTERS ON PROPOSED CAPITAL ADEQUACY STANDARDS On January 16, 2001, the Basel Committee on Banking Supervision undertook a second round of consultations on a revised capital adequacy framework for banks, banking groups, and holding companies that are parents of banking groups.¹ The Committee proposed to impose capital requirements for operational risk for the first time and to calculate those requirements based on operational risk of each business line, including asset management. In connection with the Basel Committee proposals, on February 5, 2001, the Commission of the European Union also launched a second round of consultations on a new capital adequacy framework.² The Commission's revised capital adequacy standards would complement the work of the Basel Committee and would apply to banks and investment firms in the European Union.³ The Institute was concerned that the proposed new capital standards that would take operational risks of asset management into consideration could have the unintended consequence of setting a capital adequacy standard for the asset management industry generally. Accordingly, the Institute has submitted comment letters, copies of which are attached, both to the Basel Committee and to the EU Commission expressing the concerns of the industry. Jennifer S. Choi Assistant Counsel Attachment 1 See Memorandum to International Committee No. 28-01 (Apr. 11, 2001). 2 See Memorandum to International Committee No. 12-01 (Feb. 21, 2001). 3 The revised Capital Adequacy Directive (CAD) also may affect management companies of UCITS funds for the first time if the UCITS amendments that reference the requirements for capital charges based on expenditures in the CAD are adopted. 2Attachment (in .pdf format)