Press Release

Leading European companies unite against proposals damaging financial risk management

7 December 2015

Nearly 90 non-financial companies operating in the EU have addressed a letter to the Chair and the Board of Supervisors of the European Banking Authority to call for abandoning planned measures that would have serious negative impacts on non-financial companies' ability to manage their financial and business risks. The letter has been prepared by the *European Association of Corporate Treasurers*, which is a grouping of national associations representing treasury and finance professionals in 18 countries of the European Union.

Non-financial companies use OTC derivatives for reducing risks of underlying commercial and industrial operations. They do not enter such derivatives for speculative purposes, do not pose systemic risks by their transactions and represent a very small proportion of the overall OTC derivatives market. The importance of such risk mitigation has been recognised by the EU legislator by way of granting vital exemptions for non-financial companies under the legislation on OTC derivatives[1]. However, the EBA is currently working on plans to impose additional capital requirements on the very transactions that the legislator has exempted from such capital requirements in CRD IV.[2] If adopted, these measures would make risk mitigation products considerably more expensive, would deter non-financial companies from mitigating their risks and would negatively impact their funding costs and financial position in general.

EACT Chair Jean-Marc Servat said:

"The EACT and the undersigned companies are very concerned by these proposals by the EBA, which they are not mandated to draft under CRD IV. It is very worrying that a supervisory authority is essentially using guidelines to fundamentally amend what the legislators have democratically agreed in the framework text. This would be most

[1] Exemption from central clearing and bilateral margining under Article 10(3) of the EMIR Regulation and a read-across exemption from Credit Valuation Adjustment (CVA) risk capital charge under Article 382 (4a) of CRR

[2] https://www.eba.europa.eu/documents/10180/1270333/EBA-CP-2015-21+%28CP+on+GL+on+Treatment+of+CVA+Risk+under+SREP%29.pdf

unhelpful in the current economic context and does not reflect the Commission's policy priority of promoting jobs and growth. We call upon the EBA to recognise this and not to implement these measures that would have detrimental consequences for the real economy."

The text of the EACT's letter, including the names of the companies, is attached as an appendix.

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