

European Banking Authority
Mr. Adam Farkas
Tower 42 (level 18)
25 Old Broad Street
London EC2N 1HQ

Friday, 7 October 2011

Dear Mr. Farkas,

I am writing on behalf of the European Federation of Financial Advisers and Intermediaries which represents independent portfolio advisers and managers throughout the European Union. We seek for clarification on a specific question regarding the application area of Basel 3 provisions.

So far our members proceeded on the assumption that Basel 3 principles are for practices at banking organizations exclusively. But recently we have been approached by a national regulator who announced that the scope was changed by a new definition of concerned parties from "financial institutions" to "institutions". Basel 3 would therefore not differentiate "Banks" from "Portfolio Advisers" and "Portfolio Managers" and FECIF members with advisory or asset management would be affected fully by regulation of equity capital, compulsory registration, etc.

From our point of view making other financial institutions than banks subject to Basel 3 does not make any sense as the risk factors included in Basel 2 and 3 are mostly aimed at the core Banking Business.

Portfolio Managers and Advisors have nothing to do with this. If at all we would understand to focus on companies that offer custody arrangements to the independents. When national regulators want to go that way it just shows that they do not understand Basel 3. This would result in a serious problem for the future of the European Financial Place as independent and smaller companies would be forced out of business due such regulations.

We would be grateful to hear from you the state of facts in order to communicate this not only to our members but also to national regulators who are seeking advice for governing Independent Portfolio Advisers and Managers in their home markets.

Yours sincerely

Johannes Muschik
Deputy Chairman

