



OVER 60 YEARS SERVING THE INTERNATIONAL BANKING COMMUNITY

Jonathan Taylor Esq
Managing Director, Financial Services
International & Finance Directorate
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

11 May 2010

Dear Jonathan,

Special Resolution Regime: the draft FSMA (Contribution to Costs of Special Resolution Regime) Regulations 2010

As a general point, the AFB understands that the UK Government wishes to recover notional interest costs in respect of expenditure incurred in resolving UK bank failures. However, our non European member banks believe that they are already being asked to contribute substantially towards this expenditure: for example, significant levies for failures of UK retail banks and investment businesses, contributions towards the costs of the Financial Ombudsman Service, and the Financial Capability Requirements.

The failure of the whole non European member bank would need to occur for UK depositors to lose money placed with a UK branch of a non European bank, and any coverage from home state compensation schemes would also need to be considered. We are unaware of cases where UK banks would be asked to contribute to the costs of funding the resolution of overseas banks' failures in reciprocal circumstances. UK branches have to obtain special budgetary approval from their Head Office for these unexpected costs; this involves detailed explanations which are hard to justify when these business failures are remote from the activities being undertaken by the UK branch or subsidiary.

We therefore believe these cumulative increases in such costs make the UK a less attractive place in which to do business and could lead some of our members to question the size of their UK operation, or indeed their continued presence in the UK.

With kind regards

Yours sincerely,

John
John Treadwell
Managing Director

Cc: Roger Gifford, Chairman, Association of Foreign Banks
ASSOCIATION OF FOREIGN BANKS

1 Bengal Court, London EC3V 9DD

Telephone: 020 7283 8300 Facsimile: 020 7283 8302 Email: secretariat@foreignbanks.org.uk Website: www.foreignbanks.org.uk

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