



## Q&A: NEW ADVOCACY COMMITTEE TO BE “MORE PROACTIVE” – October 2024

By **Rebecca Spong**, *Editorial Consultant, July 2024*

ITFA board member Silja Calac is to head up a new advocacy committee that aims to build on the successes of ITFA's advocacy work by becoming even more proactive in its approach to the changing regulatory environment. Speaking to *ITFA's editorial consultant Rebecca Spong*, she outlines the committee's ambitions and goals.

### **Q: Why has this committee been created?**

**A:** Following our annual general meeting in July, it was decided that I would hand over the reins of the insurance committee to fellow board member Sian Aspinall and shift my focus to creating a new advocacy committee.

The aim of the committee is to further improve and better organize our efforts in the regulatory and advocacy space.

A decade ago, ITFA did not have the presence and recognition at the regulatory level that it has now achieved. One of my initial forays into regulatory issues was back in 2016 and involved responding to a consultation by the Basel Committee on Banking Supervision on “Reducing variation in credit risk-weighted assets” (BCBS 362), which dealt among other things with maintaining the consideration of ‘double default’ within the new Basel regulations. We’d put together a two-page response – but we were not such a high-profile organization then and our responses seemingly got lost.

Since then, awareness of our organisation has grown, and we have had a number of successes, including the inclusion of Article 506 in the CRR draft, a lot of educational work around the European Commission's proposal on late payment legislation and pushing for the passing of the Electronic Trade Documents Act (ETDA) last year in the UK.

The new committee will further build on such efforts and ensure we are more proactive. Up until now we have mainly been reactive, only acting when we see a potential new law being proposed that might have a detrimental impact on our members and wider economy.

### **Q: Can you outline in more detail some of the successes ITFA has achieved in terms of the advocacy work to date?**

**A:** We successfully supported the passing of the Electronic Trade Documents Act in the UK last year, which provided the legal framework for the use of digital trade documents such as bills of exchange. ITFA chairman Sean Edwards successfully made representations to the UK's House of Lords on the subject.

ITFA has also supported similar endeavours in France to ensure that the Model Law on Electronic Transferable Records (MLETR) was passed there, and we are now working with our German committee to support the introduction of legislation in Germany.

From an insurance perspective, we have made a number of breakthroughs in terms of getting the right recognition for insurance under the new Basel III regulations. I have spoken directly to the European Commission on these issues.



In 2022, ITFA successfully managed to include an enabling clause – Article 506 – within the Capital Requirements Regulation [*Regulation that translates the Basel framework in the EU law*]. The wording in the clause was what ITFA had drafted. I am very proud that ITFA has reached a position where we are writing law in Europe.

The clause stipulated that within a timeframe, the European Banking Authority (EBA) would consult and report to the European Commission on the use of insurance as a credit risk mitigation tool. It would include a proposal for a reasonable loss given default ratio that recognised the effective nature of credit insurance. The current proposed LGD ratio under Basel 3 is 45% - which we do not think accurately reflects the effectiveness of insurance as a credit risk mitigant.

**Q: What are some of the ongoing challenges the committee will face?**

**A:** There will always be setbacks and challenges to tackle. In the UK, we still have some educational work to do around the capital treatment of insurance, with the Prudential Regulation Authority's (PRA) most recent report regarding the proposal to change the LDG ratio under Basel not being very positive. The response of the EBA was equally not supportive, so we are now working directly with the European Commission to improve the LGD ratio nevertheless.

We still need to work hard to get insurance seen clearly as a risk mitigant under Basel wording – that is very important.

Anything related to payment terms will remain a big topic for us. The European Commissioner Ursula von der Leyen has recently announced her new commission – so we will wait and see if they resurrect their previous efforts to introduce a 30-day limit on payment terms for businesses across Europe.

**Q: What are your immediate next steps?**

**A:** I hope to form the committee in October, bringing on board those ITFA members who already head up other committees so we can collaborate and align our agendas with them. We will also reach out to the wider ITFA membership. We invite anyone interested in working with us to email for more information. I am planning that the committee will meet up once a month – with our external consultant AFORE – to allow us to discuss with our peers anything going on in the regulatory world that might need our attention to ensure we stay as proactive as possible.