



# BRITISH EXPORTERS ASSOCIATION

30<sup>th</sup> March 2023

## Consultation Paper 16/22 – Implementation of the Basel 3.1 standards

<https://www.bankofengland.co.uk/prudential-regulation/publication/2022/november/implementation-of-the-basel-3-1-standards>

### Overview of BExA

The British Exporters Association (BExA) is an independent national trade association representing the interests of the UK's exporters. Our membership is drawn from across the exporting community, including capital goods manufacturers and international traders (large corporates, MSBs, SMEs and Micro exporters), and their bank, credit insurance and other service providers. BExA seeks to promote the interests of its members and all UK exporters, with a particular focus on trade finance and export credit insurance.

### BExA response to the PRA consultation

Access to competitive finance is key to ensuring that UK exporters in turn remain competitive globally. UK exporters includes manufacturers, who are at the heart of the Government's science, engineering and technology ambition, and its objective to achieve the United Kingdom's strategic reshoring of core manufacturing capacity and capabilities.

Finance credit periods may be short, accommodating transit times, or longer, to enable distributor credit and supply chain finance, or be in support of the sale of capital goods and services for which multi-year credit periods are needed.

A significant proportion of trade and export finance in the UK comes from banks who will be subject to the UK's prudential regime. It is therefore of vital importance to the UK economy that in making the rules to implement the Basel standards the PRA fully consider their impact on UK exporters and that the PRA commit to ensure that any changes proposed by the PRA do not impose additional constraints on the ability of banks to support UK exporters. Likewise, the PRA needs to commit to ensure that the proposed changes should not impose additional costs on UK exporters. Weakening support for UK exporters will not lead to a more resilient economy which we believe is critical in ensuring the resilience and soundness of UK banks.

Banks already face higher costs to service SME customers, and we are concerned that the proposed changes will simply add to these costs and act as a constraint on trade and export finance.

Credit risk mitigants such as credit insurance and export credit guarantees provide important support for banks. Given their inherent advantages (for example, through additional levels of risk assessment, independent review etc.) use of these credit risk mitigants needs to be encouraged and promoted by the PRA.

Trade and export finance tends to be low risk but needs to remain attractive to banks. It is important that the PRA recognize the risk mitigation that credit insurance and export credit agency guarantees provide – particularly in moving risk out of the banking system and thereby providing additional capacity for banks. Failure to do this is likely to unnecessarily stymie UK exporters and UK trade.

Our concerns are shared by a number of industry groups – this is not just a concern of exporters.

We trust that the PRA will consider that credit insurance and export credit agency guarantees be treated positively so that this vital support for UK exporters can continue and so that the UK continues to have a leading export finance and insurance community that itself exports its services around the world.

We would be pleased to share our concerns with you in more detail.

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