

Basle II an unknown quantity for Corporates

(Sydney – 26th May 2003) In a stunning show of ignorance, corporate Australia and Asia confess to having little or no view of Basle II's impact on their bankers' relationships with them.

Industry analysts East & Partners asked the Top 500 corporates and institutions in Australia and the Top 900 in Asia outside of Japan what they knew about the new capital management regulations on banks known as Basle II due for implementation soon. In Australia barely two in ten even recognised the term, in Asia barely one in ten.

	(% of Corporates)	
	Asia (N: 842)	Australia (N: 458)
Understand what Basle II is about	10.1	20.3
Have heard about it only	18.6	28.2
No idea	71.3	51.5

For most of those corporate CFOs professing some understanding of the impacts on their business, these effects are expected to be mostly positive:

	(% of Corporates)	
	Asia (N: 85)	Australia (N: 93)
More flexible collateral and covenants	43.5	31.2
Lowered cost of funds	30.6	28.0
More complex negotiation & documentation requirements	17.6	21.5
Improved marketing of corporate debt	4.7	10.8
Don't know	3.6	8.5

“A significant lift in awareness of these new rules is clearly required by corporates in Asia Pacific”, says East & Partners’ Principal Analyst, Paul Dowling. “Although many banks still see Basle II as being some time off yet, most are right on top of strategy to take advantage of the changed capital landscape that’s coming. Indeed virtually every Australian domestic bank for example has “run their numbers” and developed a pretty clear view of their effect on their balance sheets and quantified the follow on effect of this to their lending book.”

Based on this research, however, a major effort appears necessary in sensitising and educating corporate customers about what they can expect.

For further background on this snap poll please contact:

Paul Dowling
Principal Analyst
East & Partners Pty Ltd
Tel: 61-2-9247 5955
Fax: 61-2-9247 1511
Mob: 61-416 166 682
www.east.com.au