Austrian Federal Economic Chamber

From our market observation, players in the Project Finance (PF) sector (in particular long term lending) have changed towards institutional investors – in particular when it comes to long term tranches. This is driven in our view to a large extent by the currently low level of interest rate and lack of investment opportunities. This might change if interest rates start to rise again in combination with a tighter ECB monetary policy. In such a scenario – and if institutional lenders exit the PF market, there could be a threat of tighter long term financing sources as not completely absorbed by the banking sector.

We would like to shortly comment on a few questions posed by the FSB document:

2. Trends: Are the trends in IF presented in this report comprehensive? Are there other important trends that should be considered for inclusion?
   please see topic above / players in the market have changed significantly

3. Project finance versus corporate finance: What have been the main factors that explain the recent growth in corporate relative to project finance in IF?
   lack of investment opportunities / delay of projects to come to the market / less than expected privatization projects in Western Europe

4. Search for yield: How important has the global search for yield been as a determinant of the growth in IF in recent years? Has search for yield behaviour been more apparent in specific sectors or regions?
   see comment above; new players in the sector

6. Regulation vs other factors: How do the financial reforms rank relative to other factors (e.g. macroeconomic and financial conditions, political risks, institutional impediments) in terms of their influence on IF?
   financial reforms could lead to a different allocation of a bank’s portfolio striving for the more attractive (shorter term assets). In particular if alternative long term investors take over this will lead to reduced activity by traditional players (banks).

7. Relevant reforms: Are Basel III and OTC derivatives market reforms the most relevant G20 reforms for IF? Which other reforms may also be relevant for the purposes of the evaluation? Please elaborate.
   IFRS 9 with its significant impact on long term lending