



*“The voice of crafts and SMEs in Europe”*

## **EC proposals on capital requirements take SMEs’ concerns on board**

***UEAPME pleased with definition of “core capital”, announced revision of risk ratios for SME loans, rules’ review after two years***

Brussels, 20 July 2011 – Stricter capital requirements are needed and welcome as long as their impact on lending to small businesses is minimised, according to UEAPME, the European craft and SME employers’ organisation. Reacting to today’s proposals by the European Commission, UEAPME welcomed the definition of banks’ “core capital” in qualitative terms rather than based on the bank’s legal form. This will ensure a level playing field for the fundamental activities of local and regional cooperative banks and saving banks for SMEs, stressed UEAPME, which also welcomed Vice President Tajani’s and Commissioner Barnier’s request to the European Banking Authority to explore whether the current 75% risk ratio for SME loans can be reduced.

Secretary General **Andrea Benassi** offered the following comments:

*“New rules on capital requirements are clearly necessary to address the underlying causes of the recent financial crisis and to prevent a second crisis from happening. Nobody in his right mind would question the need for legislation to be strengthened and updated. However, the impact of stricter capital requirements on SME lending is a key concern, especially in the present troubled economic scenario. Thankfully, some of the proposals presented by the European Commission today go in the right direction in this respect.”*

*“In particular, we welcome Vice President Tajani’s and Commissioner Barnier’s request to the European Banking Authority to explore whether the current 75% risk ratio for SME loans can be reduced. This would ensure that the new rules target the products that caused the current crisis, such as derivatives and other sophisticated products, instead of normal retail or SME loans. Another positive point is the definition of banks’ ‘core capital’ in qualitative terms rather than based on the bank’s legal form. Doing otherwise would have excluded cooperative and savings banks’ own resources, turning off the credit tap for SMEs in many regions of Europe and destroying the timid signs of recovery that we are witnessing.”*

*“Last but not least, the revision of the directive two years after its entry into force is an additional safeguard that will ensure that the impact of the new capital requirements on SMEs is assessed and minimised if negative. The decision to finalise the liquidity coverage ratio in 2015 and the leverage ratio in 2018 is also helpful to precisely assess their implications on access to finance.”*

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**EDITORS’ NOTES:** UEAPME is the employers’ organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 80 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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