



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

## **Basel III: Parliament’s committee vote a key step in the right direction, say SMEs**

*UEAPME praises “Karas report”; welcomes lower risk weights for retail loans, EU-wide “single rulebook”, capital quality requirements*

Brussels, 15 May 2012 – UEAPME, the European craft and SME employers’ organisation, warmly welcomed yesterday’s vote at the European Parliament’s Economic and Monetary Affairs Committee on the implementation in the EU of the “Basel III” rules on capital requirements. According to the association, the “Karas report” adopted by MEPs strikes a very good balance between the requirement to increase the resilience of the financial system on one hand and the need not to harm the provision of financing to the real economy on the other. UEAPME appreciated in particular the proposed reduction of risk weights for retail loans, which should avoid increased financing costs for small companies and start-ups. It also praised the rapporteur for supporting a regulatory level playing field across EU Member States, as well as for resisting the pressures to weaken the requirements on quality of capital and liquidity risks, which are key for a stronger banking sector.

Economic and Fiscal Policy Director **Gerhard Huemer** commented as follows:

*“After the Commission’s initial proposals, yesterday’s vote at the European Parliament is a further step in the right direction towards a sensible and workable implementation in the EU of the ‘Basel III’ rules on capital requirements. Nobody questions the need to increase the resilience of the financial system to avoid future crises. However, a botched translation of Basel III in the EU could have spelled trouble for SME finance. Thankfully, MEPs succeeded in finding a good balance between strengthening banks and not harming the flow of credit to SMEs. They also sent a clear message to the banking sector, which should stop tinkering with risky, sophisticated financial products and go back to serving the real economy.”*

*“The Parliament’s suggestion to reduce risk weights for retail loans is a key positive point. The current parameters, in combination with higher capital requirements, would have increased financing costs and collateral requests for enterprises with a normal rating and made funding for riskier business activities even harder to obtain. The 50% risk weight introduced by MEPs should reduce this risk. Mr Karas must also be praised for insisting on an EU-wide ‘single rulebook’ on the regulatory aspects. This will eliminate discrepancies between Member States and reduce regulatory arbitrage, ensuring a level playing field across the whole EU. Finally, Mr Karas was right in not giving in to the calls for more relaxed requirements on quality of capital and liquidity risks. These are crucial elements to achieve a more resilient banking sector.”*

*“Yesterday’s vote provides an excellent basis for implementing Basel III in the EU without creating obstacles to financing for the real economy, which is crucial for Europe’s recovery and for further investments. We hope that the Parliament will stick to its stance and defend its position in the upcoming negotiations with the Council.”*

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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 83 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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