



EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS



SMEs and Co-operative Banks are essential part of the 'real economy' of the EU

We, the voices of co-operative banks (EACB) and Crafts and SMEs (UEAPME) in Europe, urge the European Union to recognise the pivotal role of co-operative banks and SMEs in supporting and fuelling Europe's real economy.

Co-operative Banks and Small and Medium-sized Enterprises (SMEs) are deeply rooted in the European economic landscape. 99.8% of enterprises active in the EU are SMEs, of which about 92% are micro enterprises employing fewer than 10 persons¹. SMEs provide 67%² of the employment in the non-financial business economy, thus having a crucial impact on welfare, economic growth and innovation.

Through their distinctive business model, based on their proximity to local communities, co-operative banks are the main partners of SMEs. To give but one example, in countries like Italy, France, Germany and the Netherlands, between 25% and 45% of all loans are granted by co-operatives, with SMEs representing between 20% and 50% of their clients. In this context, co-operative banks have provided a liquidity and stability anchor to the whole market throughout the financial crisis.

Given the strong SME preference for bank financing³, it is extremely important that the credit channel is not impaired by burdensome regulation. Tailoring regulation in a way that takes into account the need to finance the European economy must remain a steady objective.

In the context of the ongoing Commission consultation on 'a strong European policy to support SMEs and entrepreneurs 2015-2020', the EACB and UEAPME put forward the following recommendations:

1. Constant implementation of proportionality in regulation to avoid unintended impacts on co-operative banks and their lending to the local economy.

We ask for a strict application of the proportionality principle in any future legislation, in line with the Treaty on European Union and the Statute of the European Co-operative Society, so as to sustain diversity in the banking sector and in particular the different legal form, needs and group structures of co-operatives and mutuals.

2. Incentives for credit provision to SMEs through a differentiated leverage ratio.

We believe that it is essential that the leverage ratio be implemented in a way that properly reflects European specificities, as Europe's economy relies more heavily

¹ EIM – 2011

² European Commission – 2013

³ 50% of SMEs took a loan in 2013 and 85% of these were provided by banks



EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS



than others on banking intermediation for financing. A rigid and unresponsive ratio may act as a brake on the lending capacity of banks, therefore seriously harming economic prospects in the European Union.

3. Capital rules that do not constraint lending to SMEs.

We believe that it is essential for the current adjusted credit risk weights for SME exposures to be maintained. In addition, the treatment of interest rate risk should be sensitive to the reality of SME lending and encourage the financial sector to sustain their growth.

4. SME and securitisation promotion: developing new sources of financing.

We believe in the importance of unlocking new possibilities of financing, as reflected in the 2014 Commission communication on long-term financing of the European Economy. Besides the well functioning corporate financing sector in several member states, the securitisation of SME loans represents a useful tool in order to achieve a broader resource allocation for at least medium-large businesses. An adjusted and calibrated capital treatment and weighting of high quality securitisation instruments should be the guiding principle.

5. Avoiding disproportionate administrative burden and compliance costs.

We believe that the adoption of rigid rules and binding technical standards based on the one-size-fits-all principle is not optimal and may lead to disproportionate implementation and compliance costs for small decentralised banks, like co-operative banks. Enforcement mechanisms should be in line with the different sizes and structures of the institutions, maintaining the approach simple and easily implementable.

These five recommendations are further detailed in the [enclosed document](#).

We look forward to working with you to achieve mutually beneficial reforms that will build confidence in the new unified system and drive the EU's economic and social growth.

Yours Sincerely,

Hervé GUIDER
General Manager
EACB

Peter FAROSS
Secretary General
UEAPME