

Roberto Gualtieri
 Member of the European Parliament
 Chairperson of ECON Committee
roberto.gualtieri@europarl.europa.eu

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Banking Structural Reform may not endanger the provision of services needed by SMEs

Dear Mr Gualtieri,

I am sending you this letter to you as the Chairperson of the ECON Committee dealing with the Banking Structural Reform (BSR) proposal. UEAPME, the European Association of Crafts, Small and Medium-sized Enterprises representing about 12 Million European SMEs in Europe, supports the proposal from the European Commission as relevant contribution to the stabilisation of the European banking sector post crisis and to making it more resilient for the future. However, we also have some concerns as regards the impact of the European Commission proposal on services provided by banks to SMEs.

As already mentioned in our contribution to the Liikanen Group (see attachment), SMEs want to have a banking system allowing commercial banks to provide all services needed by SMEs. Next to lending and payment services, this also includes services summarised as investment banking and trading (i.e. for hedging and market making). In this contribution, UEAPME argues that we would rather recommend differentiating between retail banking and universal banking than between commercial and investment banking.

Therefore, UEAPME asks Policy Makers to take a cautious approach when finalising the proposals on BSR so as to ensure that the risk of trading activities be addressed in a proportional manner without unduly hindering the provision of financial services to SMEs in Europe.

To this end UEAPME believes that:

- European businesses are very dependent on a diverse range of banks of various sizes and business models. Universal banks are very much favoured by SMEs as a one-stop-shop for services/activities. Indeed, these banks can provide a variety of standard and custom tailored products and services at competitive rates to SMEs.
- Banking separation should not depend on size based criteria but should be informed by an in-depth risk analysis of a bank's trading activities to identify excessive risk taking. Where there is excessive risk taking in banks, the supervisor should address these with proportional measures including enhanced supervision, capital add-ons and with a separation requirement for overly risky trading activities. This is especially true for larger banks, which are supervised by the European Central Bank.
- In order to ensure growth and financial stability all banks need to be able to maintain their market making

activities regardless of their size or business model. These are essential for the risk management of banks but also indispensable for its business customers. Businesses should maintain the choice and access to standardised and specialised banking products such as OTC derivatives to hedge their own specific risks at competitive prices. A mandatory separation of trading activities risks leading to further concentration of these activities in investment banks which may be more difficult and expensive to access for SMEs.

UEAPME favours a level playing field for all banks and thus advocates a uniform application of banking structural reform measures that will foster economic and competitively priced services while minimising the opportunity for regulatory arbitrage in Europe and beyond.

Yours sincerely,



Peter Faross

Secretary General