



EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS



Commissioner Elżbieta Bieńkowska
European Commission
Internal Market, Industry, Entrepreneurship
and SMEs
Rue de la Loi 200
1049 Brussels
Belgium

Brussels, 4 May 2015
HG/CDO/15-026

Future Regulation and Loans to SMEs

Dear Commissioner Bieńkowska,

The European Association of Craft, Small and Medium-sized Enterprises (UEAPME) and the European Association of Co-operative Banks (EACB) fully support the objective of boosting growth and competitiveness by supporting the real economy, paying special attention to SMEs, which are the backbone of the European economy and are key to the creation of jobs and growth.

With this in mind, we would like to express our concern about the plans of the Basel Committee (BCBS) to review, as proposed in December 2014, the Standardised Approach for credit risk, which also determines the fundamental aspects for the treatment of credit risk for all banks. This review is carried on even if its major elements, like the determination of risk weights for loans to corporates, has not led to any difficulties during the crisis. We do not see any evident need for and have serious doubts about the usefulness of such an exercise. The focus should rather be on growth and on making it more attractive to lend to SMEs.

The suggestions of the BCBS for the treatment of exposures to corporates are rather pointing in an opposing direction. Risk weights for such exposure are to be aligned to two risk drivers: the company's revenues and its leverage (own funds ratio), i.e. the smaller the company (the lower its revenues) the higher the capital charges. Thus, loans to SMEs with less than 20% capital and a volume of revenues below € 5mn, would get a risk-weight of 130% (instead of today's 100%), which would definitely make it far less attractive to lend to SMEs.

For the retail portfolio the BCBS suggests a "fix granularity criterion", which would considerably limit the possibility of smaller institutions to lend to SMEs and in many cases even make it impossible for them to grant competitive conditions for SME loans.

For exposures collateralized by commercial real estate one of the suggested options of the BCBS is even to accept no risk-mitigating effect at all and thus treat the exposure like an uncollateralized exposure.

By consequence we are worried that this project of the BCBS may have detrimental effects on the financing of SMEs in the EU. Some of its key elements, as explained above, would counter the aims to create growth. The Banking sector would not be an instrument for growth, but rather hinder it.



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Due to these expected effects, the EACB like other banking federations, has expressed highly critical views in its comments to the BCBS consultation paper and asked the Committee to reconsider its plans. We would kindly ask you to support these efforts and, as a Commission to demand significant improvements of the suggested revised Standardized Approach.

Yours sincerely,

Hervé GUIDER
General Manager
EACB

Peter FAROSS
Secretary General
UEAPME