

Position Paper

UEAPME¹ position on Countercyclical Capital Buffer

UEAPME welcomes the consultation of countercyclical capital buffer, which is seen as an important component of future regulations on capital requirements to avoid a similar financial crisis in future.

During the debate of Basel II and the run-up to the Capital Requirements Directive UEAPME as warned at several occasions about the risk of procyclical effects of this regulation as well as the likelihood of similar effects created by the introduction of IFRS. Both effects / treats have materialised throughout the current financial crisis and had contributed to negative effects on availability of finance for SMEs and on the real economy in general.

Therefore, UEAPME has already in its [reaction](#) to the CRD IV consultation (April 2010)² and in its [comments](#) on the Basel III agreement (October 2010)³ stated that it would “*support any regulatory change to dampen these procyclicality effects in a new proposal from the Basel Committee, i.e. by forcing financial institutions to build-up reserves in “good” times.*”

As regards the technicalities of such a buffer, UEAPME as a Craft and SME association has not the means to comment on the best way to calculate such buffers. However, the question who should decide about applying such buffers and the role the new European Institutions “European Systemic Risk Board (ESRB)” and the European Banking Agency (EBA) should play, may have also an impact on SME finance in Europe and has therefore be carefully assessed.

According to the current proposals the application of buffers will be decided by Member States, which may hesitate to do so, if the fear disadvantages for their national economy and the national banks caused by higher costs for bank lending as a consequence of such buffers. UEAPME sees the new “European Systemic Risk Board (ESRB)” in the best position to evaluate objectively, if a Member States is in a situation to justify the application of buffers in order to avoid overheating or the creation of bubbles. Therefore, UEAPME would recommend that the decision about the application of buffers has to be based on recommendations from the ESRB, to ensure a level playing field and to put the necessary peer-pressure on Member States.

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For further information on this position paper, please contact:

Gerhard HUEMER
Director Economic and Fiscal Policy
g.huemer@ueapme.com

¹ UEAPME subscribes to the European Commission’s Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

² http://www.ueapme.com/IMG/pdf/100416_CRD4_consultation_UEAPME.pdf

³ http://www.ueapme.com/IMG/pdf/101027_Basel_III_assessment.pdf