PRESS RELEASE FOR IMMEDIATE RELEASE

"The voice of crafts and SMEs in Europe"

New capital requirements must not jeopardise financing for the real economy and for trade, key stakeholders tell MEPs

Brussels, 26 January 2012 – The implementation in the European Union of the "Basel III" rules on capital requirements risks jeopardising the provision of financing to the real economy. Therefore, corrective measures must be put in place urgently in the new EU rules for capital requirements currently under discussion (CRD IV and CRR). This was the message brought forward by UEAPME, the European craft and SME employers' organisation, at a roundtable discussion co-organised with Barclays Bank at the European Parliament today (Thursday), which was kindly hosted by Bendt Bendtsen MEP.

"The need to increase the resilience of the financial system to avoid future crises cannot be questioned. However, this cannot come at the expenses of the real economy", said **Gerhard Huemer**, Director for Economic and Fiscal Policy at UEAPME. *"As funding from banks is the most important source of external finance for SME in the EU, it is crucial to ensure that the new EU rules for capital requirements under discussion at the European Parliament do not hamper this fundamental funding channel"*, he warned.

Risk weights for SME loans are a first cause for concern, explained Mr Huemer. The European Commission's proposal to review these figures two years after the entry into force of the new rules is far from being sufficient, he stressed. The current risk weights for SME loans in combination with higher capital requirements would increase financing costs and collateral requests for enterprises with a normal rating, and make funding for riskier business activities even harder to obtain. If these rules stay in force for two years, the market for SME loans will dry up and even a positive revision at a later stage will not be of use. Therefore, an immediate review of risk weights for SME loans is needed.

Secondly, the unweighted leverage ratio proposed by the European Commission is problematic, continued Mr Huemer. In fact, different ratios should be introduced for each type of banking activities, as a one-size-fits-all solution would give advantage to the provision of low volume, high risk loans rather than to the high volume, low risk loans that are typically associated with SME, trade and retail finance.

Thirdly, the liquidity ratios suggested by the EC are too restrictive and could jeopardise the long-term financing culture. If a "net stable funding ratio" is introduced in the currently discussed form, this could create specific problems for traditional deposit banks, such as cooperatives and saving banks, and have a negative impact on the long-term/investment financing for SMEs and on trade financing.

Mr Huemer remains confident that *"European policy makers will take further measures to support trade and job creation by treating trade finance appropriately"*.

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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 80 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: http://www.ueapme.com/

FOR FURTHER INFORMATION PLEASE CONTACT:

Gerhard Huemer, Director for Economic and Fiscal Policy, Tel. +32 (0)2 230 7599, Email: g.huemer@ueapme.com
Francesco Longu, Press and Communications Officer, Tel. +32 (0)496 520 329, Email: pressoffice@ueapme.com