



“The Voice of SMEs in Europe”

Press Release

FOR IMMEDIATE RELEASE

UEAPME welcomes adopted approach for the implementation of Basel II

Brussels, January 29th, 2003. UEAPME, the European SMEs employers’ federation, welcomes the Commission’s flexible approach regarding the implementation of the upcoming Basel II agreement on regulatory capital. This approach allows the concerns of SMEs and small banks to be taken into account. The organization, which participates in the structured dialogue between the business world and the Commission, is particularly pleased with the newest proposal made by the Basel committee and the Commission with respect to the treatment of loans to SMEs. Despite the progress achieved, there is still work to be done in other areas.

Under the proposed treatment, exposures to SMEs will be able to receive a lower capital requirement than exposures to larger firms with the same risk level. UEAPME considers that a preferential treatment for loans to SMEs is totally justified, since portfolio and diversification effects in a bank’s loan portfolio reduce the bank’s risk. UEAPME also welcomes the introduction of different rating systems for SME credits, as this will allow greater financing possibilities for SMEs who desperately need them.

Nonetheless, there are still points that have to be improved. UEAPME calls on the Commission to delete the new granulatory criterion in the standardized approach. According to this criterion, an aggregate exposure to one counterpart cannot exceed 0.2% of the overall regulatory retail portfolio. Applying this criterion would consequently discriminate smaller banks and SME-retail customers of these banks, creating a strong distortion in the competition in the banking sector.

As regards the rating systems, UEAPME pleads for an overall better positioning of SME credits within the standardized approach. Furthermore, greater emphasis should be put on soft facts in the internal rating systems made by banks and on all SME typical safeguarding systems so as to allow a better imaging of the operational reality. Moreover, UEAPME calls on the Commission to set bank obligations to a minimum possible. Otherwise highly bureaucratic new rules could lead to increased expenditures for banks, which ultimately would lead to higher financing costs for companies.

Finally, additional special measures for newly created enterprises and SMEs taken over by new generations should be taken. Otherwise, companies and entrepreneurs who do not have a rating story when applying for a loan would see their financing condition worsen under Basel II.

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