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Press Release

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Basle II: UEAPME welcomes agreement and asks for adequate transposition into EU law

Brussels, July 31st, 2003. “We are happy with the progress made in the 3rd proposal by the Basle Committee. Now the future impact of the Basle II agreement on the daily work of SMEs will depend largely on transposition of the agreement into EU” **Gerhard Huemer**, Economic affairs director at the European SMEs employers’ association, UEAPME, said today on the occasion of the publication of its position paper on the Basle II negotiations.

The paper praises the inclusion of the main credit specificities of SMEs in the new proposal as a major progress towards a viable solution for small enterprises. UEAPME specially welcomes the fact that the Committee accepted to treat credits below 1 million EUR as retail loans, which imply lower risk weight and less administrative burdens. Furthermore, the association welcomes the acceptance of a flatter risk curve for small enterprise credits in general.

Nevertheless, in order to guarantee the competitiveness of small enterprises and small banks in Europe, the association also argues that the agreement should be implemented in a SME focused manner.

First, the European Union should react to the fact that in the United States only the 10 large credit institutes will be concerned by the Basle II agreement. Therefore, for the sake of the competitive ability of small credit institutes in Europe, the EU should reduce the administrative obligations of small banks to a minimum.

Secondly, small banks in particular should be allowed to adopt the “partial use approach” in general. This approach gives a credit institution the opportunity to choose a credit granting approach according to the type of credit portfolio it is dealing with.

Finally, the European Commission should use the room for manoeuvre in the future Directive in favour of small credit institutes. UEAPME argues that the Commission should not leave room for manoeuvring to national banks with regard to the agreement as this could lead to distortion of the Internal Market.

Despite welcoming the overall agreement, UEAPME reiterates that some adjustments are still needed in the proposal, mainly with regard to collaterals. The association therefore asks for a wide-ranging recognition of all SME-typical collaterals, which would improve the credit rating of small business. Finally, UEAPME considers that a satisfactory answer regarding the pro-cyclical effects of Basel II has yet to be given. Until now, no solution has been put forward for these effects, which could prove harmful for the economy in a period of downturn.

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