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Press Release

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Revised Capital Adequacy Directive: still room for improvement, UEAPME argues

Brussels, 06 October 2004 The Commission’s revised Directive on Capital Adequacy could still be improved in order to make access to small loans easier and less costly for Europe’s SMEs, UEAPME, the European crafts and SMEs employers’ association, said in a MEP breakfast meeting today.

UEAPME’s SME finance expert, **Gerhard Huemer**, said “Europe must work consistently towards making access to finance for SMEs affordable and simple. The current proposal is a first step in this direction, but it still contains elements that could prevent many SMEs from getting the loans they need.”

If the current draft is adopted, the rating procedure for smaller loans (“retail loans” e.g. 50.000 €) would be more complex and difficult to carry out than for larger loans. This would leave many small credit institutions and SMEs in a precarious situation, particularly in countries where the latter are under-capitalised. In order to simplify the procedures for retail loans, the association proposes that credit institutions should be allowed to use standardised approach (“partial use”) on a permanent basis. Such a measure would enable banks to apply an approach, which would be sensitively easier and cheaper than the internal rating procedure.

UEAPME further argues that the current approach to recognising collaterals –material properties belonging to the loaner- is too narrow. Identifying collaterals too restrictively could prevent many SMEs from using a major guarantee for loans. Therefore, the association demands that the recognition of collaterals should be in line with current practice in the credit sector.

Furthermore, the association urges MEPs and the EU Council to guarantee the highest degree of transparency possible for all rating procedures within the new directive. Banks should inform their customers on the main rating system criteria and how they affect the rating of SMEs. Supervisory authorities should ensure this kind of transparency and should be able to intervene, if market forces do not lead to sufficient transparency of rating systems vis a vis the customers.

Finally, UEAPME asks for greater public support in order to have the guarantee schemes extended, as allowed by the SME exemption in the EC’s state aid law.

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