

FOR IMMEDIATE RELEASE

From Basel III to Alternative Sources of Funding: Assessing the Impact of Financial Regulation on Access to Finance for SMEs

Brussels, 20 February 2012 – UEAPME, ACCA and Leaseurope jointly organised a lunch debate in Brussels to assess the real impact of the new capital requirements - especially in conjunction with other measures such as Solvency II - on the real economy and consider the trade-off between safeguarding against future financial crises and protecting the interests of SMEs.

The conclusion was that it is crucial to strike the right balance between the need for financial stability and ensuring sufficient access to finance for SMEs in the real economy. To that end, it is likely that the risk weights for SME loans will need to be revised when implementing the Basel III rules on capital requirements in the EU. Additionally, alternative sources of funding, such as equity-oriented instruments and leasing should be further developed and encouraged.

The need for a new framework to increase the resilience of the financial system is commonly accepted by all. However, many stakeholders, including regulators, the banking industry, as well as small businesses and their advisors, have warned that Basel III and its European version, the Capital Requirements Directive (CRD IV), which require banks, amongst others, to hold more capital, is likely to have a disproportionately negative impact on small and medium sized enterprises' (SMEs) access to finance, even though this sector had little to do with the causes of the financial crisis. In Europe, given our SMEs' greater dependence on debt financing, the impact is likely to be even more adverse and it is more important than ever to develop alternative sources of funding, such as venture capital, micro credit, or leasing, including vehicles such as the new European Programme for the Competitiveness of Enterprises and SMEs (COSME).

Othmar Karas, MEP Rapporteur on CRD IV, warned that “SMEs must not disproportionately bear the cost of increased financial regulation” and noted that “there is a broad consensus amongst the industry and EU decision makers that risk weights for SMEs lending must be adjusted now. The European Banking Authority must undertake its review of the CRD IV, including appropriate risk weights, as a matter of urgency”.

UEAPME’s Economic and Fiscal Policy Director Gerhard Huemer further explained that “we need to make sure that guarantees given by guarantee institutions and mutual guarantee schemes are fully recognised by the regulation as a risk mitigating tool and are appropriately used at national levels. Given that loans will remain an important source of finance to SMEs in the future, it is also very important to explore ways to ease access to finance through alternative financial instruments such as venture capital, leasing, private equity, or business angels”.

Jochen Jehmlich, Managing Director of GEFA (Societe General Equipment Finance) representing Leaseurope, added that “Leasing plays a crucial role in financing SME’s investment, with 40% of all European SMEs making use of this means of financing and an estimated €100 billion in SME investment financed through leasing in 2010. The EU implementation of Basel III should thus be designed and applied in a proportionate manner to leasing activities and it is vital to ensure that no unintended consequences arise from the changes made to the credit risk mitigation framework for physical assets under the CRD IV proposals”.

Robin Jarvis, Head of SME Affairs at ACCA concluded by adding: “It is widely recognised that SMEs make a massive contribution to the EU economy. If the economies of the member states are to break through this plague of austerity and recession, it is critical that they have the opportunity to raise debt finance from banking institutions. Basel III must not be a constraint on these enterprises to raise debt finance.”

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About Leaseurope

As a Federation, Leaseurope brings together 43 associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope’s members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. More information on Leaseurope and its members can be found at www.leaseurope.org.

About the Oxford Economics Report on the Use of Leasing Amongst European SMEs

To obtain details on how to access the report please visit the SME page on Leaseurope’s website: www.leaseurope.org/index.php?page=smes. Please click here for a summary of the report’s key findings.

About UEAPME

UEAPME is the employers’ organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 84 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: www.ueapme.com.

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. ACCA aims to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 147,000 members and 424,000 students in 170 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. We work through a network of over 80 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.