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For immediate release

ESBA welcomes vote on new banking rules; Ensuring a more stable banking sector with adequate provisions for SMEs.

On 16 April 2013, the European Parliament adopted, by overwhelming majority, a legislative resolution on the fourth revision of the Capital Requirements Directive. In July 2011, the European Commission adopted a proposal to revise the Capital Requirements Directive aimed at making the EU's banking sector more stable, risk-averse and resilient to shocks on the capital market. This would prevent future crises and restore market confidence of both consumers and businesses. Most of the key measures proposed by the Commission were upheld by the Parliament today. The act introduces higher levels of capital to be reserved by banks, requires a higher liquidity coverage ratio and, in addition, sets a maximum leverage ratio of outstanding risks vis-à-vis retained capital. In order to mitigate the effects of these stricter provisions on the real economy, rapporteur Othmar Karas (EPP, AT) incorporated an SME Supporting Factor. The measure lowers the risk ratio to be used by banks for exposures to small business by 30%. Besides these technical prudential requirements, the new legislation establishes regular reporting obligations for banks and introduces a cap on bankers' bonuses, achieving greater transparency and less speculation in the financial sector.

ESBA welcomes today's vote in the European Parliament. The financial crisis has made it painfully clear that a stable financial and banking sector is vital to our economy. SMEs need to operate in a stable economic environment and there is a clear necessity to make the financial sector more risk averse. Many of the measures set out in the new Capital Requirements Directive are likely to be adequate instruments to reach these objectives. A difficult point in the negotiations was obtaining a balance, as stricter regulation of the banking can lead to a decrease in SME bank lending, higher interest rates, unfair risk weight assessments and disproportionate collateral requirements. ESBA particularly welcomes the introduction of the SME Supporting Factor. aligning risk exposures to small businesses more with the actual risk carried by banks. ESBA hopes that the new rules will truly lead to a shift in banking mentality.

ENDS

Notes to editor

European Small Business Alliance (ESBA)

Founded in 1998 by eight independent national small business associations, The European Small Business Alliance (ESBA) is a non-party political group, which cares for small business entrepreneurs and the self-employed and represents them through targeted EU advocacy and profiling activities. ESBA also works towards the development of strong independent advocacy and benefits groups in European countries. ESBA's new website, which provides an innovative approach to communication amongst business organizations, reflects these three main fields of activity.

Today, ESBA is one of the largest organisations based on voluntary membership in Europe. Through its direct membership, associate membership and cooperation agreements, the Alliance now represents over one million small businesses and covers 36 European countries. Increased support and recognition, internally and externally, however will only be achieved through tangible results. Through implementation of its 'Vision 2020' and the corresponding business plan, this is what ESBA is constantly striving to achieve on behalf of its members and SMEs in Europe.

EU Small Business Profile:

- 99.8 per cent of all EU companies are SMEs
- 92.2 per cent are micro businesses
- 6.5 per cent are small businesses
- 1.1 per cent are medium-sized businesses
- 0.2 per cent are large businesses
- SMEs provide 67.4 per cent of all private sector jobs

Source: Annual Report on small and medium-sized enterprises in the EU 2011/2012. Report by Ecorys Macro & Sector Policies at the request of the European Commission, 2012

Challenges for Small Businesses in Europe:

1. Administrative and regulatory burdens
2. Access to finance
3. Taxation
4. Lack of skills
5. Access to public procurement contracts
6. Unfair/too strong competition
7. Labour law
8. Access to Single Market
9. Access to EU programmes
10. Late payments
11. Access to international markets
12. Access to information and advice
13. Instability of world economy/ energy costs
14. SME definition