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Common position on Capital Markets Union: Improving access to finance for all SMEs

Small and medium-sized enterprises (SMEs) should be at the centre of the European Commission's efforts to improve the financing of our economy by further integrating capital markets. Therefore the European Savings and Retail Banking Group (ESBG), Federation of European Accountants (FEE) and European Association of Craft, Small and Medium-sized Enterprises (UEAPME) present the following common ideas on improving access to finance for all SMEs under the Capital Markets Union:

- Very few European SMEs are the high-tech start-ups and fast growing companies that will be attractive to capital market investors. 'Regular' SMEs cannot and will not get the financing they need from capital markets, whereas they are the backbone of the European economy. Only 1% of European companies have more than 50 employees, whereas 92% have less than 10 employees. Notwithstanding the status quo, Europe needs to tap into its entrepreneurial and innovative potential to be able to achieve economic growth.
- The overwhelming majority of SMEs will remain reliant on debt financing by banks as their primary source of funding. As a lot of SMEs could benefit from better capitalisation, alternative sources can play a useful and complementary role in finding finance.
- We welcome the European Commission's initiative to modernise the Prospectus Directive with a proportionate regime for SMEs.
- We call on EU institutions to also focus on improving the capacity of the banking sector to lend to SMEs. Especially since the capital requirements put on banks by Basel III and national bank levies strain their lending capacity. In this regard we emphasise that different banks' business models should be dealt with differently, and regulation should be applied in a proportional manner, especially bearing in mind local banks. We emphasise the need for comprehensive impact assessments that take into account the existing national capital markets structures that are efficient as well as the diversity of the SME sector.
- It is crucial that SMEs are well advised and prepared when seeking funding. Professional accountants are well placed to get SMEs investment-ready with solid business planning and financial and credit management. They can help SMEs in identifying the funding sources that best suit their profile and needs and help them with successful applications. Accountants also play an essential role in improving the financial literacy of SMEs' management. Improving accessibility to funding for SMEs is the core mission of both accountants and banks.
- We welcome the work to reignite the securitisation market, although securitising SME loans will not be self-evident. Relaunching securitisation in Europe in a transparent and standardised way that reduces complexity can serve as a complementary, functioning market that allows banks to boost lending.

- We commend the Commission's efforts to reflect on tax treatments of equity as too often tax systems and State aid programmes do not favour that companies develop equity. Any measure that encourages SMEs to increase their equity ratio e.g., by keeping profits in the company, would increase access to finance and a better allocation of funds.
- We support the measures to improve the creditworthiness of SMEs. In order to attract financing, SMEs need to improve the quality, availability and comparability (also cross-border) of the relevant information for potential investors. However, the databases that banks maintain might not be a suitable source, as they all have different models. Improving their credit information should not pose an unnecessary administrative burden on SMEs beyond what each Member State already requires. When information is not public, SMEs should be able to control who can access this.

ESBG, FEE and UEAPME are convinced of the importance of a Capital Markets Union to improve access to finance for SMEs. We are deeply committed to supporting the Commission's work in developing this and welcome any opportunity to contribute.



ESBG brings together savings and retail banks of the European Union and European Economic Area that believe in a common identity for European policies. ESBG members represent one of the largest European retail banking networks, comprising of approximately one-third of the retail banking market in Europe, with total assets of €6,749 billion, non-bank deposits of €3,415 billion and non-bank loans of €3,685 billion (31 December 2013).

www.esbg.eu



The Federation of European Accountants (FEE) represents 47 professional institutes of accountants and auditors from 36 European countries, with a combined membership of over 800,000 professional accountants working in different capacities. As the voice of the European profession, FEE recognises the public interest.

www.fee.be



The European Union of Crafts Small and Medium-sized Enterprises (UEAPME) is the employers' organisation representing Crafts and SMEs from the EU and accession countries at European level. UEAPME has 80 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner.

www.ueapme.com