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## PRESS RELEASE

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Brussels, 28 September 2005

### *Risk capital rules made more user-friendly for small businesses*

- **SME organisations jointly welcome the improvements made to Basel II by MEPs**
- **Improving transparency of rating procedure a vital step for SMEs**

Europe's three organisations representing SMEs, EUROCHAMBRES, EUROCOMMERCE and UEAPME, have jointly welcomed the outcome of a European Parliament plenary vote on the Capital Requirements Directive\* today (28 September), which will make the new risk capital rules more manageable for small firms.

*"MEPs must be congratulated for taking such a coherent decision on this complex proposal in such good time. Access to finance is already a major problem faced by many SMEs in Europe, so making these new lending rules as straightforward as possible for small businesses is vital for ensuring growth and innovation in this sector,"* said Hans Werner Müller, Secretary General of UEAPME.

The three organisations highlighted the major progress that had been in making the new lending rules SME-friendly, particularly on the transparency of credit rating procedures and the extension of eligible collateral.

*"The SME must know how it can improve its own credit conditions. The transparency of the rating result is crucial in this regard,"* said Arnaldo Abruzzini, Secretary General of EUROCHAMBRES.

Under the new rules, all small and medium-sized enterprises will have to be rated by their bank. *"This rating will depend on the information an SME provides, so it is crucial that the SME knows in advance what kind of data and information the banks need and which factors will have most influence on credit decisions."* said Xavier R. Durieu, Secretary General of EUROCOMMERCE. Ensuring the process is transparent as possible is key to enabling small firms to adapt to the new system and stay competitive. The amendments approved by the parliament today will help achieve this, guaranteeing that banks will have to explain rating results to a business.

Another major step forward, according to EUROCHAMBRES, EUROCOMMERCE and UEAPME, were the improvements governing the use of collateral. The parliament amended the proposals to allow the use of both private and commercial properties for collateral. This reflects the realities for many small businesses, particularly family-owned businesses, seeking credit.

The decision to simplify the procedure for dealing with small-scale retail loans was also welcomed. It is important that small firms do not face over-complicated and prohibitive procedures for these loans.

Finally, the solution on the treatment of inter-bank lending within bank groups adopts a rational approach to credit requirements. Reducing the costs of lending between banks, particularly savings and cooperative banks, will ultimately contribute to reducing the borrowing costs for SMEs.

\*\*\*Ends\*\*\*

\* **Editor's Note** – The European Parliament voted at plenary on the first reading of the Capital Requirements Directive today (27 September). The Capital Requirements Directive is the draft EU legislation on the implementation of the new Basel II Framework, which makes capital requirements for banks more risk sensitive.

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#### **Editor's Note**

EUROCHAMBRES is the Brussels-based Association of European Chambers of Commerce and Industry. The association represents national associations of Chambers of Commerce and Industry in 44 different countries - and a European network of 2,000 regional and local Chambers with over 18 million member enterprises, and 120 million employees across Europe.

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#### **Editor's Note**

EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes over 100 commerce federations in 28 European countries. The sector with 5.5 million companies, 95 % of them are SMEs, is a major source of employment creation, providing jobs for 27 million people from all sections of society and is one of the few sectors increasing employment.

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#### **Editor's Note**

UEAPME is the employer's organisation representing the interests of crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 78 member organisations, which represent crafts and SMEs across the whole of Europe, covering over 11 million enterprises with nearly 50 million employees. UEAPME is a European Social Partner.