

AECM's comments on the
inception impact assessment concerning the
revision of the EU SME definition

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The European Association of Guarantee Institutions, AECM, warmly thanks the European Commission for the possibility to provide feedback on the Inception Impact Assessment regarding the possible revision of the EU SME Definition as provided in the Recommendation 2003/361/EC.

Generally speaking, AECM is of the opinion that the SME Definition has proven its worth in identifying those enterprises which are confronted with market failures particularly in the area of access to finance. It is and remains essential to strike the right balance between those companies which face specific challenges and are in need of a preferential treatment in contrast to those enterprises for which such a preferential treatment would be very much welcomed without being existential.

As a consequence, legal certainty is key and therefore, it is imperative to examine the two judgments of the Court of Justice from 15 September 2016 and, as the case may be, to adapt the wording of the SME Definition in order to avoid any artificial increase of the number of enterprises considered as SME or any circumvention e.g. in form of choosing specific corporate structures. Accordingly, AECM favours option 2 meaning a targeted intervention in order to respect and preserve the spirit of the Recommendation 2003/361/EC.

At the same time, next to the necessary legal certainty, it must be ensured that the application remains simple and clear laying down unambiguous eligibility criteria for potential beneficiaries so that it is applied in the same way for all SMEs covered by EU legislation.

Moreover, AECM fully agrees that it is appropriate to re-assess the adequacy of the financial thresholds (= annual turnover and balance sheet total). Given that the inflation growth between 2003 and 2016 amounts to 26.75%, there is a strong case for a compensation at least for inflation and productivity growth.

Also an increase of the thresholds of the staff headcount should be discussed focussing particularly on unlisted small mid-caps from 250 to 500 employees. It would be useful to undertake a study at EU level on the impact of the EU SME Definition on the development of such businesses.

Further adaptations like, for instance, a more flexible handling of the way the criteria are combined (e.g. an enterprise fulfilling the criteria of balance sheet and turnover, but having more than the maximum number of employees could be newly introduced as being an SME) should be very carefully examined always having in mind that a market failure needs to be addressed. In this instance, where the maximum number of employees is above that of the definition but where the other criteria are met, the maximum number should still not exceed 500 employees.

AECM is happy to continue contributing to this important discussion which should lead to the best benefit possible of SMEs fostering their growth in an optimal way.

About AECM's members:

The mission of AECM's 42 members from 26 countries in Europe consists in fostering SMEs' growth by providing guarantees to SMEs who have an economically sound project but cannot provide sufficient bankable collateral. At the end of 2016 AECM's members had over 85 billion of guarantee volume in portfolio thereby granting guarantees to more than 2.8 million SMEs.

Accordingly, the discussion concerning a potential revision of the EU SME Definition is crucial for AECM's members who apply the EU SME Definition especially in the areas of state aid, of structural funds and as financial intermediaries of the EU financial instruments like, for instance, the Loan Guarantee Facility of COSME, the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises.