AECM response to the Single Market Strategy

AECM and its members welcome the European Commission's proposal for a Single Market Strategy that prioritises simplification and reducing bureaucracy across the European Union. We fully support the vision of a European Single Market that is more accessible, with fewer barriers, less red tape, a stronger focus on SMEs, and enhanced protection against unfair trade practices.

On behalf of guarantee institutions whose core mission is to support SMEs in getting access to finance, **we would like to share some considerations regarding *Chapter 3. SMEs in the Single Market***, and put forward a set of concrete recommendations aimed at effectively supporting SMEs as they operate and grow within the Single Market.

SME ID and self-assessment tool

We strongly support the initiative to create an online tool for generating an SME ID based on self-assessment, which aligns with our position on the need for a simplified application of the SME definition under programmes like InvestEU, as detailed in our position paper published in May 2025. Likewise, we fully endorse the Commission's intention to provide it in all EU languages. However, we also express some reservations regarding the practical implementation of such a digital tool. While it promises to streamline the verification process for SME status, **its utility will largely depend on whether additional proof of status would be requested from SMEs when applying for SME-specific funding.** For our members, the tool may only expedite due diligence processes if no further verification is required under specific SME programmes, otherwise robust validation mechanisms will still be necessary to ensure accuracy and prevent misuse.

An effective self-assessment tool should rest on two core principles: efficient to use for SMEs, and reliable for their financiers. To achieve that, **the tool could be connected with national registries or comprehensive databases**, which could pre-fill certain data fields on the basis of a fiscal number or show the list of potential linked or partner enterprises on the basis of data available in public registries. Considering that in certain cases, the self-assessment would have to be updated every year, this could further ensure continuity in the data while providing a seamless user experience for SMEs.

Updating the SME definition

Additionally, our members receive very positively the "possibility of updating the SME definition." We see this as a crucial opportunity to advocate for a definition that not only reflects the current economic landscape but also simplifies and secures the legal framework for SMEs and their financiers. First, as inflation and shifting market dynamics underpin current economic conditions, we call to **reasonably increase the financial ceilings in the definition**. Second, while the SME self-assessment tool should help to determine SME ownership and links, our members will still conduct their own assessment if further verification is required, which often includes detailed research into the company register and/or into the company statutes. In this case, we propose to **simplify the rules applicable in the case of partner or linked enterprises**, notably by streamlining the aggregation of financial data and headcount from linked or partner enterprises. Third, in light of these proposals, **State aid rules should be amended to ensure consistency** – in particular, but not limited to – the de minimis Regulation and the General Block Exemption Regulation.

SME check and SME-friendly provisions

AECM and its members strongly welcome the European Commission's commitment to **reducing the administrative burden for SMEs by 35% and to upholding the 'Think Small First' principle**. However, we are concerned that this important target currently lacks the necessary enforcement mechanisms and operational clarity for effective delivery. To turn this ambition into measurable impact, we urge the Commission to embed the 35% administrative burden reduction target into a robust monitoring and accountability framework based on clear key performance indicators (KPIs). This would not only ensure transparency and policy coherence but also help build trust among SMEs that the EU is genuinely committed to reducing red tape and enabling their growth.

Definition for small mid-caps

Furthermore, we welcome the introduction of a formal **definition for small mid-caps (SMCs)**, which brings much-needed clarity and alignment across EU initiatives. Any kind of facilitations for these companies will likewise constitute incentives for medium-sized enterprises to scale-up. However, we emphasise that the creation of this new category must not, under any circumstances, dilute the dedicated support mechanisms available to SMEs. To ensure that the SMC classification serves as a complement rather than a competitor to existing SME support, clear safeguards and ring-fencing of SME-targeted funding must be firmly embedded in the design and implementation of all relevant programmes – both in the current and future funding periods.

It must be ensured that the introduction of the SMC definition in its proposed form **does not negatively affect programmes for SMCs that may already be under implementation**. Furthermore, the provisions set out in the Annex to the *Commission Recommendation on the definition of small mid-cap enterprises*[1], specifically sections 3.5.3, 5.1, and 5.2, should also apply to SMEs and be incorporated into a binding legal instrument (e.g., the successor to the current General Block Exemption Regulation) to provide legal certainty. Importantly, **any provision applicable to SMCs that would place them in a more favourable position than SMEs under the current SME definition should trigger a corresponding modification of the SME definition** to ensure that more favourable conditions are guaranteed for SMEs, as more vulnerable businesses.

In addition, we wish to highlight that the current definitions outlined in points 3.2 to 3.5 of the Annex are overly complex, particularly with regard to the concepts of 'partner enterprises', 'linked enterprises', and control. We therefore urge the European Commission to **simplify the application of these definitions**. Without such simplification, SMCs risk facing the same interpretative challenges that SMEs currently experience when applying the criteria which is not only time consuming to assess but creates also situations of legal uncertainty.

In fact, as noted above regarding the SME definition, **any effort to simplify the classification of linked or partner enterprises should begin with SMEs**, who are in a considerably less favourable market position than SMCs. Reducing the administrative burden and clarifying the legal framework for SMEs must be the Commission's primary objective. Improvements for SMCs should then follow on top, building upon and reinforcing measures designed to support the most vulnerable businesses.

Finally, alongside the creation of the small mid-cap category, we wish to highlight the **importance of not overlooking micro and small enterprises**, which

[1] Annex to the Commission Recommendation on the definition of small mid-cap enterprises

represent 99% of all enterprises in the EU.[2] Micro-enterprises, defined as having fewer than 10 employees, are often disproportionately affected by regulatory and administrative requirements, even those designed with SMEs in mind. To address this, we strongly urge the European Commission to introduce **a dedicated 'Micro-SME Exemption Protocol'**. This should establish an automatic presumption of exemption for micro-enterprises from data collection, reporting, and compliance obligations, unless a clear and proportionate justification is provided. Such a protocol would ensure that micro-enterprises are protected from unnecessary burdens, in line with the 'Think Small First' principle, and would help foster a regulatory environment that truly supports the smallest businesses in the EU economy.

Promoting intellectual property rights

We welcome the Commission's recognition of the pivotal role of intellectual property rights in enhancing SME access to finance and facilitating their growth within the Single Market. We are particularly pleased to see that proposals we contributed to as part of EUIPO's Ideas Powered for Business Network have been taken on board, especially those concerning IP valorisation, valuation, and commercialisation. These aspects are particularly crucial for financial institutions, such as guarantee institutions and their partner banks, as they provide a more robust framework for assessing the value and potential of intangible assets, thereby facilitating better access to finance for SMEs. In this respect, we would like to emphasise once more the **potential of guarantee instruments to leverage IP rights** – in the form of thematic products with a high coverage rate for instance – to provide financial security and mitigate the risk associated with IP transactions. Guarantees could enhance the credibility and monetisation of IP assets, making them more attractive to investors and lenders.

Sustainability reporting standard for SMEs

As explained in our previous paper on the First Omnibus package, we fully support reporting standards that allow all enterprises to easily and transparently disclose their sustainability performance and impacts, while ensuring proportionality for SMEs in the process. Reducing the trickle-down effects on SMEs by imposing a voluntary sustainability reporting standard as the value chain cap for all companies

[2] Micro & small businesses make up 99% of enterprises in the EU

not subject to sustainability reporting seems like a reasonable solution. However, as it stands, the VSME standard presented by EFRAG in December 2024, does not address undue burdens on the smallest enterprises. We continue to advocate for **a basic module that can rely exclusively on essential and easily attainable data for micro undertakings**, considering the absence of resources to gather information. While amendments to the CSRD are still under negotiation, our assessment is that adopting a Recommendation for a VSME will have virtually no impact on the smallest undertakings, which will not be able to comply with the Standard.

Revision of the Green Asset Ratio

Finally, we welcome the proposal to address the structural asymmetry and complexity of the Green Asset Ratio (GAR), which disproportionately affects banks with significant SME portfolios. The current requirements based on **DNSH taxonomy criteria are both too granular and too technical**, and overwhelmingly burdensome for SMEs and their financiers to comply. We advocate for a streamlined and simplified approach to the GAR that aligns with the practical realities of SMEs, **using data based on the VSME standard** to integrate SMEs into sustainable finance, creating a virtuous cycle.

In conclusion, we are committed to supporting initiatives that simplify and streamline processes for SMEs, enhancing their ability to access finance and thrive within the Single Market. AECM and its members stand ready to collaborate with the Commission and other stakeholders to implement these recommendations effectively, fostering a more inclusive and supportive environment for SMEs in the European Union.

Brussels, July 2025

About us

The **European Association of Guarantee Institutions (AECM)** represents 48 members operating in 32 countries in Europe, and 6 international partners. They are national promotional banks and institutions or private/mutual sector guarantee schemes. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions address effectively this market failure and facilitate SMEs' access to finance. The broader social and economic impact of this activity includes the following:

- Job creation and preservation of jobs by guaranteed companies
- Innovation and competition: crowding-in of new ideas leading to healthy competition with established market participants
- Structure and risk diversification of the European economy
- Regional development since many rural projects are supported
- Counter-cyclical role during crises

SME guarantees generally pursue a long-term objective and our members, if public, private, mutual or with mixed ownership structure, have a promotional mission.

AECM's members operate with counter-guarantees from regional, national, and European level. At the end of the year 2023, AECM's members had about EUR 207 billion of guarantee volume in portfolio, thereby granting guarantees to around 4.7 million SMEs. AECM's members are by far the most important counterparts of the EIF concerning EU counter-guarantees, handling EU (counter-)guarantees from the very beginning in 1998.

Have a look at our AECM brochure and at our most recent publications:

Priorities for the legislative period 2024-2029

AECM considerations for the Multiannual Financial Framework 2028-2034

AECM Statistical Yearbook 2023

European Association of Guarantee Institutions – AECM
Avenue d'Auderghem 22-28, bte. 10, 1040 Brussels
EU Transparency Register: 67611102869-33

Brussels, July 2025