

European Association of Guarantee Institutions – AECM
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**AECM’s comments on the
European Central Bank
consultation on the collection of granular credit and credit risk
data (“AnaCredit”)**

submitted to statistics@ecb.europa.eu

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A/Introductory remarks

AECM’s 42 members, who are mutual / private sector guarantee schemes, public institutions or mixed, all have in common the mission of providing guarantees for SMEs who have an economically sound project but do not dispose of sufficient bankable collateral. In principle, guarantees are channeled via all local banks for whom the guarantee has the positive effect to reduce the bank’s capital adequacy ratio. The primary objective of guarantee institutions consists in fostering SMEs’ access to finance. Thus, the development and maintenance of SMEs is paramount for AECM and all its members.

AECM represents the political interest of its member organizations both towards the European Institutions, such as the European Commission, the European Parliament, the Council and the European Central Bank as well as towards other multilateral bodies, among which the European Investment Bank (EIB), the European Investment Fund (EIF), the Bank for International Settlement (BIS), the OECD, the World Bank, etc. It deals primarily with issues related to prudential supervision, to state aid regulation relevant for guarantee schemes within the internal market and to European support programs.

B/ As to the consultation

AnaCredit is a project to set up a dataset containing detailed information on individual bank loans in the euro area, harmonised across all member states. The envisaged information which has to be provided is extensive, complex and accordingly, has a significant impact on credit institutions.

Reporting deadlines:

The draft regulation foresees in several provisions reporting intervals of one month (e.g. article 4, no 3. (a) or article 14, no 2.). Especially institutions where operations are structured in a simple manner and where contract durations or transaction durations are constant, longer intervals of reporting, for instance on a quarterly basis, are adequate in order to achieve the ECB's objectives of this proposal to which AECM fully subscribes.

In addition, reporting deadlines should be in line with other existing supervisory reporting obligations such as Common Reporting (COREP) which is the standardized reporting framework issued by the European Banking Authority (EBA) for the Capital Requirements Directive reporting.

Reporting requirements

The reporting requirements foreseen in the AnaCredit project are more extensive than it is currently the case in the EU Member States.

As to the envisaged reporting thresholds the ones being at present in force are significantly higher than the ones proposed in article 5.

Moreover, it is suggested that the reporting must be based on a "loan-by-loan" basis and no longer on a "borrower-by-borrower" basis.

The reasoning behind this tightening is that according to the ECB the financial crisis showed that aggregate statistics are not sufficient for an adequate understanding of the underlying developments, given that a number of economic and financial indicators have diverged significantly across different segments of the economy, such as sectors of activity, firm size or geographical areas. Whereas this rationale could be valid for large companies with high commitments, there is no added value in applying it to SMEs which do not constitute substantial risk. Since SMEs are typically customers of small local banks, such credit institutions would be affected in a disproportionate way by the additional administrative burden created by the AnaCredit project.

Implementation

According to recital 10 AnaCredit should be established in stages. During the implementation phase, it is of utmost importance that there will not be any parallel reporting obligations, i.e. that the national reporting system exists alongside the new reporting under the AnaCredit draft regulation, given that there are fundamental divergences between the two reporting systems at stake (e.g. the notion "loan" differs).

Consequences for SMEs

For the following reasons the AnaCredit project will have negative repercussions on small credit institutions and consequently also on SMEs.

On the one hand, due to the increased administrative efforts which are disproportionate to the financing amounts, AECM sees the credit supply of smaller loans under threat. Not only at national but also at European level improving access to finance of SMEs was and remains an important issue. The considerable efforts undertaken to this extent would be counteracted by a higher demand for statistical data of SME loans since the administrative compliance costs would nullify improvements achieved.

According to the experiences gained by AECM's members in recent years, it is to be expected that the credit supply of SMEs through local banks will no longer be assured. This is valid in particular for loans that are small-scale and which are frequently not classed as risk-relevant credit business (depending on the institution estimated to be in the area of 150.000,00 EUR to 200.000,00 EUR). The expenditure to be expected for initial data reporting and follow-up reporting as well as compiling and processing of the data is going to lead to procedural expenditure which will lead to the credit business, in particular concerning small-scale loans, appearing to be no longer sensible, realizable proposition or render them extremely expensive.

Consequences for guarantee institutions

Reporting by guarantee institutions would be a doubling up of the commitments which are already reported by the bank granting the loan. This would rather falsify than improve the databases of the ECB because each guarantee granted by a guarantee institution is always linked to a loan of the financing bank which the bank also has to report.

In addition, the double reporting would cause further compliance costs which at the end have to be borne by SMEs.

The ECB draft regulation contradicts the SSM Directive (Directive 1024/2013/EU of 15 October 2013) in terms of the necessity to adjust individual AnaCredit attributes to match IFRS values. This contravenes the protection of users of national accounting principles. Especially smaller and medium-sized institutions – as are the vast majority of guarantee institutions – which do not possess IFRS data and which would thereby be forced, contrary to their legally granted right to gather such data solely for AnaCredit.

Against the background of type, extent, complexity and inherent risk as well as systemic importance of guarantee institutions, the envisaged reporting extent of small granular credit data is disproportionate to the efforts required and to any potential knowledge gained.

For the guarantee institutions, the production of data and the efforts related thereto would be to the detriment of promoting SMEs. The human and capital resources that are tied up as a result of this project, reduce the promoting activities of guarantee institutions to a noticeable degree.

We would appreciate a lot if you could please take these comments into your kind consideration.