

European Association of Guarantee Institutions – AECM
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**AECM's contribution to the
Public Consultation of the European Commission on the Green Paper
"Building a Capital Markets Union"**

Brussels, 13 May 2015

A/Introductory remarks

The European Commission published the Green Paper on *Building a Capital Markets Union* on 18 February 2015 to stimulate debate on measures needed as to jobs and growth, Europe's priority, and requested feedback until 13 May 2015. With great pleasure AECM would like to take this opportunity to comment on this green paper.

The capital markets union is a key factor of a well functioning Single Market. Accordingly, AECM is very much in favor of creating a capital markets union which should improve the financing of the economy by ensuring increased and more diversified sources of funding. Moreover, we positively note that specific focus is put on SMEs in unlocking more investment for companies. Nonetheless, we would like to elaborate on a few points which we deem important to have a closer look at.

B/Main positions

1. Equal treatment of current financial instruments

First of all, any measure to further develop and integrate capital markets should be solely complementary to the currently existing financial instruments, such as guarantees. The new measures and the support of alternative sources of finance should exclusively add to these existing well- functioning instruments without limiting or discriminating against their successful application. This means that companies in Europe should have easy access to capital markets, to venture capital or crowd funding without playing off such alternative financial sources against the traditional ones. Especially for SMEs bank lending is the major source of finance due to the diversity of companies and thus should be on an equal footing with alternative financial sources.

2. Strengthening the provision of guarantees

Concerning question 5 “What further measures could help to increase access to funding and channelling of funds to those who need them” the activities should not be limited to introducing new measures but should also strengthen proven existing ones like guarantees. Guarantee institutions address SMEs’ lack of collaterals, cover all SMEs of a region or country, support SMEs in providing expertise and knowledge thereby addressing the so called financial illiteracy, they are cost-efficient achieving high leverage rates and in short help SMEs to cope with existing market failures.

3. Financial reporting: free choice of applicable standards

With regard to question 8 “Is there value in developing a common EU level accounting standard for small and medium-sized companies listed on MTFs? Should such a standard become a feature of SME Growth Markets? If so, under which conditions?” AECM is of the opinion that it is essential for SMEs to have the choice which standard they would like to apply, i.e. the possibility to report according to their own national standard must remain. Any new standard should only be obligatory for companies listed on certain trading venues.

4. Regulation of Banks in a proportionate manner

As to question 16 “Are there impediments to increasing both bank and non-bank direct lending safely to companies that need finance?” we would like to request that the capital markets union takes into account the increase of national and European financial regulation since excessive regulation causes higher compliance costs which negatively affects SMEs’ access to finance. Thus, regulation has to be adapted to the specificities of the institution in question and, therefore, be in accordance with the principle of proportionality. One important aspect is to permanently maintain the SME support factor (art. 501 CRR).

5. Improve credit information about medium-sized companies

One of the goals of the green paper is to improve credit information about medium-sized enterprises in order to widen the investment base for SMEs thereby increasing their access to finance. We generally agree with this goal, but would like to stress that the supply of information by medium-sized enterprises must be on a voluntary basis in order to comply with the principle of proportionality. Otherwise the supply of credit information would prove to be rather obstructive to SMEs’ access to finance by creating additional administrative burdens. Moreover in some Member States well established systems already exist meaning that there is no need for any legislative measures.

C/Concluding remarks

We would appreciate a lot if you could please take our line of reasoning into your kind consideration when developing an action plan to put in place the building blocks for a fully functioning Capital Markets Union by 2019.

Annex/ About AECM

AECM has 41 member organizations operating in 20 EU Member States as well as in Russia, Bosnia-Herzegovina, the Kyrgyz Republic and Turkey. Its members are mutual, private sector guarantee schemes as well as public institutions, which are either guarantee funds or development banks with a guarantee division. They all have in common the mission of providing loan guarantees for SME who have an economically sound project but cannot provide sufficient bankable collateral. In 2014, AECM member organizations had a total guarantee volume in portfolio of over € 79 billion thereby supporting 2.9 million SMEs.

AECM represents the political interest of its member organizations both towards the European Institutions, such as the European Commission, the European Parliament and Council of Europe, 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 World Bank, the European Banking Authority (EBA), the European Central Bank (ECB), the European Bank for Reconstruction and Development (EBRD), etc. It deals primarily with issues related to state aid regulation relevant for guarantee schemes within the internal market, to European support programs, to prudential supervision, to agriculture and in general to SME policy.

More information is available on AECM's website at: www.aecm.eu