

AECM reply to the call for evidence on the Revision of the Commission Notice on Guarantees

The European Association of Guarantee Institutions (AECM) welcomes the opportunity to contribute to the revision of the Commission Notice on Guarantees (Guarantee Notice). Our members play a central role in facilitating access to finance for SMEs across Europe through public and public-private guarantee schemes and consider the Guarantee Notice a cornerstone of the EU State aid framework.

We strongly support the Commission's objective of ensuring that the framework remains fit for purpose, market-conform, and operationally efficient, while continuing to support access to finance. This is particularly valid for SMEs who are facing acknowledged structural market failures in getting access to finance.

AECM and its members broadly agree with the Commission's assessment that the safe harbour premia for SMEs may be overly conservative, potentially leading to an overestimation of aid, and reducing the attractiveness and uptake of guarantee schemes. We also concur that compliance with the Notice can be complex and disproportionately costly, particularly for smaller schemes. However, these issues should be addressed without affecting the effectiveness and flexibility of guarantee instruments, which remain essential counter-cyclical tools.

Market-conform premia

AECM supports the Commission's initiative to update methodologies so as to better reflect evolving financial market conditions, regulatory costs (including capital requirements), and the actual risk profiles of SMEs. However, we caution against an over-reliance on bank-based pricing models, which may not accurately reflect real SME financing conditions, as well as against introducing excessive complexity into premium calculation methodologies. In this context, we recommend the introduction of portfolio-based approaches that reflect the diversification effects inherent to guarantee schemes, and the recognition of counter-cyclical public policy objectives, particularly in times of crisis.

Furthermore, given the lack of appropriate benchmarks - often due to the absence of comparable market products, which complicates the application of the Guarantee Notice - we propose establishing a market expertise mechanism by the European Commission, or alternatively, a common reference platform to support the calculation of guarantee rates in tight market conditions.

Safe-harbour premiums for SMEs

AECM considers the safe-harbour premiums for SMEs a cornerstone of legal certainty and administrative efficiency, particularly for smaller Member States and



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promotional institutions. While we acknowledge that current levels may at times be misaligned with market conditions, we strongly recommend maintaining a simplified safe-harbour premium system and avoiding its replacement with overly complex methodologies.

In particular, reducing safe-harbour premiums is essential to ensure alignment with market conditions, especially in low interest rate environments where current levels may be disproportionately high for SMEs and may lead to an overestimation of the aid element, notably for higher-risk borrowers. To address this, we recommend both a targeted reduction of premia in the relevant SME segments and the introduction of periodic reviews, alongside mechanisms to adjust guarantee rates in line with evolving market conditions, including changes in reference rates.

Moreover, when setting safe-harbour annual guarantee premia, we suggest taking into account a higher number of data points—ideally one for each value of the rating scale—in order to ensure a clearer and more consistent link between borrower credit ratings and guarantee pricing. The current table applies discrete, step-based premium levels across rating bands; however, its limited granularity does not allow for effective interpolation across the full standard rating scale.

Finally, the financing needs of enterprises, as well as the average size of required loans, have increased by at least 100% since the adoption of the Notice. Therefore, the threshold for the application of flat guarantee fee rates should be raised to at least EUR 5 million.

Application of the safe-harbour premium methodology to small mid-caps (SMCs)

Small mid-cap enterprises exhibit financing needs and risk profiles broadly comparable to those of larger SMEs and face similar constraints in access to finance. To this end, AECM suggests extending the safe-harbour premium methodology to small mid-caps (SMCs) by introducing a guarantee pricing table comparable to that currently applicable to SMEs under paragraph 3.3 of the Commission Notice, with appropriately calibrated rates reflecting their specific risk profile.

Such an approach would enhance consistency with the evolving EU policy framework, improve access to finance for this category of undertakings, and support the scaling-up of EU companies in strategic sectors, in particular by enabling the effective deployment of guarantee-based instruments in structured market operations such as basket bonds.

Potential aid to lenders

AECM recognises the importance of ensuring that guarantee schemes do not unduly benefit financial institutions. In practice, several mechanisms are already in place to ensure that the advantages of the guarantee are effectively passed on to



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final beneficiaries. In most cases, the benefit of the guarantee is transmitted by intermediary banks through an increased volume of riskier lending. Furthermore, several banks active in the relevant countries are eligible lenders. The density and strong competition in local banking markets ensure that financial intermediaries translate the risk protection provided by the guarantee into more favourable lending conditions, including lower interest rates, thereby enabling final beneficiaries to compare offers across different providers.

Finally, the guarantee agreement—which must be signed and accepted by both the intermediary bank and the final beneficiary—includes a pass-on commitment for the intermediary bank. Under this commitment, the bank undertakes to take into account, to the greatest extent possible, the risk transfer achieved through the guarantee when pricing the guaranteed loan, including the effects of reduced credit risk and capital relief.

In this respect, we recommend the use of pragmatic safeguards, such as minimum requirements, to ensure the transfer of benefits to borrowers, while avoiding rigid approaches.

Simplification

AECM strongly supports the Commission's intention to reduce administrative burdens. Current challenges include high compliance costs relative to small transaction sizes, complex documentation and reporting requirements, and lengthy approval processes for methodologies. To address these issues, we recommend expanding the use of pre-approved models, simplifying reporting obligations, and applying the principle of proportionality - particularly through lighter requirements for smaller schemes and guarantee amounts. For new or non-standard SMEs we propose introducing simplified risk-pricing and premium-calculation approaches.

In conclusion, we would like to underline that guarantee instruments are critical for SME financing, as well as for supporting start-ups, innovation, and the green and digital transitions. Any revision of the Guarantee Notice should therefore avoid reducing the availability or attractiveness of guarantees and ensure that compliance requirements do not increase costs for SMEs or discourage financial intermediaries from participating.

AECM and its members remain at the Commission's disposal to provide further technical input throughout the revision process, with a view to ensuring an effective and balanced framework that supports SMEs access to finance across Europe.

Increase the maximum guarantee rate from 80% to 90%, with sunset clause (e.g. reverting to 80% after a set period to avoid long-term dependency)

The current 80% ceiling reflects a prudential baseline that predates recent structural and macroeconomic shifts. Since then, SME financing gaps persist and, in some



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segments, have widened. The risk perception by lenders has increased due to macroeconomic volatility while public guarantee schemes have evolved in practice beyond this threshold.

Raising the ceiling to 90% would ensure a stronger countercyclical tool by stabilising credit flows and preventing a credit crunch for smaller firms, first-time borrowers and innovative businesses not because of poor fundamentals but due to insufficient collateral or risk perception. This is particularly relevant for sectors undergoing transition such as green and digital.

Allowing deviation from the *pari passu* rules for recoveries

We also suggest allowing for a deviation from the *pari passu* rule for recoveries generated from collateral, as stipulated in point 3.2(c) of the current Notice. Such flexibility would strengthen banks' incentives to lend by reducing their effective loss exposure in the event of default and by better aligning guarantee structures with standard market practices in secured lending.

Any such deviation should, however, be appropriately reflected in the pricing of the guarantee and accompanied by adequate safeguards, in order to ensure continued compliance with State aid principles and to avoid conferring an undue advantage on the lender.

Definition of the “undertaking in difficulty”

Finally, we would like to take this opportunity to underline the pressing need to update the definition of “undertaking in difficulty”, found in the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (2014/C 249/01) and the General Block Exemption Regulation (EU) No 651/2014 .

The current definition does not take into account the structural specificities of micro and small enterprises, nor the economic environment in which they operate.

It is therefore proposed to revise the definition of “undertaking in difficulty” by introducing “difficulty” criteria based on a size-related approach, with specific and differentiated conditions for micro and small enterprises.

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About us

Via its 50 members who are operating in 32 countries in Europe, the **European Association of Guarantee Institutions (AECM)** represents 172 guarantee institutions. In addition, AECM has 6 partners including the EIF. Guarantee institutions are national promotional banks and institutions or private/mutual 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 2024, AECM's members had about EUR 218 billion of guarantee volume in portfolio, thereby granting guarantees to around 6 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:

[Statistical Yearbook 2024](#)

[Position papers](#)

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