Benchmark Report

Supervisory approaches among guarantee institutions

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aecm guarantors europe

Executive summary

Guarantee institutions play a critical role in expanding access to finance for small and medium-sized enterprises (SMEs) by mitigating credit risk for lenders. While their institutional structures vary across European jurisdictions, their core function remains consistent: to support SME lending by sharing part of the associated credit risk.

This study examines how guarantee institutions are regulated and supervised across different national contexts within the EU and beyond, based on questionnaire responses, follow-up interviews with AECM members, and complementary desk research. It identifies a wide range of institutional models and supervisory approaches, from bank-aligned prudential systems to policy-driven models outside traditional financial regulation.

Despite the different supervisory approaches, a common finding emerges: the main challenge is not the existence or intensity of supervision, but the misalignment between supervisory frameworks and the specific nature of guarantee activity.

In many jurisdictions, supervisory requirements are derived from frameworks designed for lending institutions, which assume direct credit exposure. Guarantee institutions, however, operate through contingent commitments linked to third-party lending. As a result, they must adapt their activities to regulatory concepts that do not fully reflect their business model.

This misalignment is particularly evident in four areas: reporting requirements that are not tailored to guarantees, modelling expectations that may not be proportionate to contingent exposures, the incomplete recognition of public counter-guarantees in supervisory metrics, and the duplication of activities already performed by lending institutions, particularly in relation to customer identification and anti-money laundering requirements.

At the same time, supervision remains essential for ensuring stability, credibility, and the recognition of guarantees as effective risk mitigation tools. The objective is therefore not to reduce supervision, but to improve its alignment with guarantee activity.

The comparative analysis shows that different supervisory models can achieve this balance in different ways. While EU-aligned systems vary in their degree of adaptation, alternative approaches demonstrate how supervision can be more closely aligned with institutional mandates and risk structures.

Based on these findings, four key priorities emerge:

- Shift from a bank-centric to a function-based supervisory approach
- Improve the treatment of risk-sharing mechanisms
- Adapt reporting frameworks to reflect guarantee activity
- Ensure proportionality in modelling and supervisory expectations

Certain structural elements, such as legal classification and integration within financial regulatory systems, are unlikely to change in the short term. However, there is clear room to refine how existing frameworks are interpreted and applied, so that they are more aligned with the characteristics of guarantee activity. This could reduce unnecessary complexity and strengthen the ability of guarantee institutions to support SME financing and economic development.

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Methodology

This study was conducted by Juan Davila, Juno Business Consulting on behalf of the European Association of Guarantee Institutions (AECM) with the objective of analysing supervisory frameworks applicable to guarantee institutions across different jurisdictions and identifying key challenges and best practices.

The analysis is based primarily on qualitative input collected from AECM members. A structured questionnaire was distributed to participating institutions, covering institutional mandates, legal and regulatory frameworks, supervisory arrangements, and perceived challenges. Responses were received from nine institutions: Bpifrance (France), British Business Bank (BBB) (United Kingdom), CESGAR (Spain), Garantiqa (Hungary), Malta Development Bank (MDB) (Malta), NÖBEG (Austria), the Network of Swiss Guarantee Institutions (NSGI) (Switzerland), Strategic Banking Corporation of Ireland (SBCI) (Ireland), and the Association of German guarantee banks (VDB) (Germany). These written responses were complemented by follow-up interviews with a subset of institutions, allowing for deeper exploration of specific topics such as reporting requirements, supervisory practices, and the application of regulatory concepts in practice.

In addition to primary data collection, the study draws on secondary research, including publicly available institutional information, regulatory documentation, and relevant European and international frameworks. This includes, in particular, materials related to the European Banking Authority (EBA), the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD), as well as broader principles derived from the Basel Committee on Banking Supervision. Sources consulted and relied upon in the research are cited in footnotes throughout the document.

The combination of questionnaire responses, interviews, and desk research allows for a comparative analysis of supervisory frameworks, while also reflecting the practical experiences of guarantee institutions operating under different regulatory and institutional conditions.

1. Institutional role, legal status, and market position

Guarantee institutions across Europe and beyond play a critical role in facilitating access to finance for small and medium-sized enterprises (SMEs). While their institutional forms differ significantly across jurisdictions, their core function remains consistent: they act as credit risk mitigators, enabling financial institutions to extend financing to SMEs that would otherwise face constraints due to insufficient collateral or higher perceived risk.

Given their unique mandate, guarantee institutions do not operate in the same way as traditional financial institutions. Banks and other SME lenders provide primary obligations in the form of loans, whereas guarantee institutions provide risk-sharing commitments linked to underlying credit exposures, typically structured as suretyships. This means that the guarantee institution undertakes to cover the borrower's obligation only in the event of default, rather than directly extending credit. This distinction has important implications for risk measurement, accounting treatment, and ultimately supervision.

Despite this fundamental difference, guarantee institutions are often embedded, either fully or partially, within financial regulatory frameworks that were originally designed for lending institutions. This creates a structural tension that underpins much of the analysis in this report.

Based on the institutions analysed, four broad institutional models can be identified. These categories were grouped to facilitate comparison and do not represent formal or exhaustive legal classifications, as guarantee institutions often combine features from multiple models.

1. Prudentially regulated guarantee institutions

The first model consists of guarantee institutions that are fully integrated into the financial regulatory system and are supervised in a manner closely aligned with lending institutions.

Garantiqa in Hungary is a clear example, operating as a financial enterprise subject to prudential requirements broadly equivalent to those applied to credit institutions. Its guarantees represent a significant share of SME financing in the country. Similarly, German guarantee institutions, as represented by VDB, are also subject to national banking supervision and operate within a strict supervisory framework closely aligned with regulatory requirements of the banking sector.

In this model, guarantee institutions are subject to capital adequacy requirements, risk management standards, governance rules, and detailed reporting obligations. Their activities are therefore framed within a regulatory logic originally designed for balance-sheet lending institutions.

This positioning supports strong recognition of guarantees as credit risk mitigation tools within the financial system. At the same time, it exposes these institutions to regulatory requirements that do not always fully reflect the characteristics of guarantee activity.

In these systems, prudential requirements are closely aligned with the Basel framework and its European implementation through CRR/CRD, with EBA technical standards and reporting requirements incorporated through the applicable national supervisory framework.

2. EU-Adapted guarantee institutions

The second model includes guarantee institutions operating within the European regulatory perimeter, but subject to adapted or proportionate application of EU prudential principles through national frameworks.

Spain's system of Mutual Guarantee Societies (SGRs), coordinated by CESGAR, is one example. These institutions operate under a dedicated national legal framework, with EU regulatory principles applied indirectly through supervisory interpretation by the Bank of Spain. Their mutual structure, involving both SME members and supporting stakeholders, further differentiates them from standard financial institutions.

Austria (NÖBEG) reflects a similar logic, where EU-derived prudential concepts are applied in a more proportionate manner. While remaining within the broader European regulatory environment, supervisory requirements are adapted to better reflect the scale and nature of guarantee activity.

In this model, the defining feature is not institutional form, but the way in which European regulatory principles are implemented: rules are not applied mechanically, but interpreted and adjusted through national legislation and supervisory practice.

This approach allows for greater flexibility, but also introduces reliance on supervisory interpretation and may result in differences in application across jurisdictions.

Although influenced by European prudential principles, these institutions are generally subject to adapted national frameworks rather than direct application of CRR/CRD requirements. EBA concepts and supervisory expectations continue to influence practice, but their implementation is mediated through national legislation and supervisory interpretation, allowing for greater proportionality while maintaining alignment with broader prudential objectives.

3. Mandate-driven guarantee institutions

The third model consists of guarantee institutions operating under public policy mandates and using guarantees alongside other financial instruments to support access to finance. While embedded within the financial ecosystem, these institutions are not uniformly subject to prudential frameworks in the same way as the institutions described in the previous categories.

This category includes Bpifrance, BBB, SBCI, and MDB. Although these institutions share a public policy mandate and play an important role in supporting credit supply, they represent a heterogeneous group with different institutional structures, business models, and regulatory arrangements. Their relationship to prudential regulation varies considerably. Bpifrance, through its regulated entities, is subject to CRR/CRD and associated EBA requirements for certain activities. By contrast, SBCI and MDB operate under national policy mandates and are not primarily structured as CRR-regulated institutions. BBB represents a distinct case, combining broader financing activities with guarantee programmes delivered through partner institutions and operating under UK-specific governance and risk-management frameworks rather than EU prudential supervision.

The diversity observed within this group illustrates that institutions pursuing similar public policy objectives can be organised and supervised in different ways. Some combine guarantee activity with lending and investment operations, others rely primarily on guarantee programmes delivered through financial intermediaries, while others operate under development finance mandates with tailored oversight arrangements.

Overall, these institutions play a central role in shaping credit supply, but do so primarily through policy-driven instruments rather than through direct participation as prudentially regulated guarantee providers.

4. Administrative guarantee systems

The fourth model, observed in Switzerland through NSGI, reflects a fundamentally different institutional logic. Guarantee activity is organised as part of a coordinated public system, rather than through standalone financial institutions operating within a prudential regulatory framework.

Swiss guarantee institutions operate under a federal mandate and function as instruments of public policy. Supervision is conducted by an economic authority, and the system is supported by significant public counter-guarantees.

As highlighted in the interviews, this model relies less on detailed prudential regulation and more on structural safeguards, such as predefined risk-sharing arrangements and clear operational limits, to ensure stability.

This results in a system where oversight is primarily focused on policy effectiveness, governance, and monitoring, rather than on the application of complex prudential rules.

In this model, CRR/CRD and EBA frameworks do not apply. Regulatory requirements are defined through national legislation and public-policy arrangements, although broader prudential principles may serve as reference points. Supervisory practices are tailored to guarantee activity and supported by public risk-sharing mechanisms.

Cross-cutting observations

Despite these structural differences, several common themes emerge. Guarantee

institutions play a central role in SME financing ecosystems, their legal structures strongly influence their regulatory treatment, and the degree of public involvement significantly shapes both their risk profile and supervisory framework.

At the same time, a fundamental tension is evident across all jurisdictions: guarantee institutions must be sufficiently integrated into the financial system to ensure that their guarantees are recognised and effective, while also requiring supervisory frameworks that are adapted to the specific nature of their activity as providers of contingent credit protection.

This tension is managed differently across institutional models, through full alignment with prudential frameworks, adapted application of EU rules, reliance on policy-based instruments, or the development of administrative systems.

This tension is central to understanding the challenges discussed in the following sections.

2. Legal and regulatory frameworks: From Basel to national implementation

The supervisory frameworks applicable to guarantee institutions are shaped by a combination of international standards, European legislation, and national legal arrangements. At the international level, the Basel framework provides high-level prudential principles for banking supervision1. Within the European Union, these principles are implemented through the Capital Requirements Regulation (CRR), the Capital Requirements Directive (CRD), and associated European Banking Authority (EBA) guidelines and technical standards2 3. National authorities are then responsible for applying, adapting, or complementing these requirements within their domestic legal frameworks.

As the institutional profiles presented in Section 1 demonstrate, guarantee institutions do not occupy the same position within the financial system. Some operate within prudential banking frameworks and are therefore directly subject to CRR/CRD requirements. Others are governed through adapted national arrangements, public policy mandates, or administrative frameworks. As a result, the extent to which Basel principles, European prudential rules, and national supervisory requirements apply varies significantly across institutions.

The comparative analysis shows that supervisory differences do not arise solely from national preferences, but also from institutional design. Legal status, ownership structure, business model, and policy mandate all influence how supervisory requirements are applied in practice. Consequently, institutions may pursue similar public policy objectives while operating under markedly different regulatory and supervisory arrangements.

Table 1 below illustrates the diversity of regulatory linkages observed across the institutions examined. While some institutions are fully integrated into prudential banking frameworks, others operate under adapted or entirely national arrangements. This diversity provides the basis for the subsequent analysis of supervisory models, proportionality, and reform opportunities.

[1] The Basel framework refers to international prudential standards developed by the Basel Committee on Banking Supervision (Source: Bank for International Settlements).

[2] The CRR/CRD framework implements Basel III standards within the European Union and defines prudential requirements for credit institutions (Source: European Commission / European Banking Authority).

[3] The European Banking Authority develops technical standards and reporting frameworks, including COREP and FINREP, to operationalise EU prudential regulation (Source: European Banking Authority)

Table 1: Framework applicability across guarantee institutions

Institution	Basel influence	CRR/CRD applicability	EBA applicability	Legal anchoring of the institution
Bpifrance (France)	Via CRR (for regulated entity)	Direct (for Bpifrance Financement)	Direct (for regulated activities)	Dual: banking + public policy mandate
British Business Bank (United Kingdom)	National framework	Not applicable	Not applicable (UK regulatory framework; alignment via partner institutions)	Public policy / programme-based mandate
CESGAR / SGRs (Spain)	Via national adaptation	Indirect / adapted	Indirect / adapted	Sector-specific guarantee law
Garantiqa (Hungary)	Via CRR	Direct	Direct (incl. reporting)	Banking / financial institution law
Malta Development Bank (Malta)	Indirect	Not applicable	Not applicable (alignment via partner institutions)	MDB Act (national framework)
NÖBEG (Austria)	Partial	Partial	Limited / proportional	Partial application of banking law
Network of Swiss Guarantee Institutions (Switzerland)	Not applicable	Not applicable	Not applicable	Federal law + ordinance
Strategic Banking Corporation of Ireland (Ireland)	Indirect	Indirect / Limited	Not applicable (alignment via partner institutions)	National policy mandate
VDB (Germany)	Via CRR	Indirect / Near-comprehensive	Indirect via national implementation (near identical, incl. reporting)	Banking law (German Banking Act and EU CRR framework)

3. Supervisory architecture and supervisory model

While the previous section examined the regulatory frameworks applicable to guarantee institutions, this section focuses on how supervision is organised and conducted in practice, including who supervises these institutions, how supervisory approaches are applied, and what aspects of their activities are subject to oversight.

Supervisory arrangements for guarantee institutions differ not only in terms of which authority is responsible, but also in the underlying philosophy and approach to supervision.

In countries such as Hungary and Germany, guarantee institutions are subject to banking-style prudential supervision. This involves oversight by central banks or financial supervisory authorities and the use of supervisory methodologies and processes very similar to those applied to lending institutions, including structured monitoring, regular reporting reviews, and supervisory assessments. However, interviews indicate that this approach creates practical challenges, as guarantee institutions must interpret and apply concepts originally developed for banks. Definitions of default, restructuring classifications, and exposure measurement do not always translate directly to guarantee activity, requiring additional interpretation and internal adjustments.

In Spain, supervision follows a mixed or adapted model. The Bank of Spain applies prudential principles while adapting them to the specific characteristics of SGRs. This allows for greater proportionality, but also introduces a certain degree of dependence on supervisory interpretation. Institutions must maintain ongoing dialogue with the supervisor to ensure alignment with expectations, and supervisory guidance plays a central role in determining how rules are applied in practice.

Austria presents a similar intermediate model, where supervisory requirements reflect both EU principles and national adaptations. This results in a moderate level of supervisory intensity, combining elements of prudential oversight with a degree of proportionality.

Guarantee institutions such as Bpifrance, SBCI, MDB and BBB are subject to supervisory arrangements that reflect their differing institutional structures. For Bpifrance, SBCI and MDB, supervision typically combines financial oversight for specific activities with broader governmental oversight linked to mandate delivery, resulting in a multi-layered supervisory structure. BBB represents a distinct case, where guarantee programmes are delivered through partner institutions and oversight combines policy objectives with dedicated governance and risk-management requirements.

In Switzerland, supervision follows a fundamentally different approach. It is conducted by an economic authority and is based on principles rather than detailed prescriptive rules. While certain financial controls exist, they are simplified and tailored to the characteristics of the guarantee system. Reporting requirements are limited, and supervision focuses on ensuring that institutions operate within defined parameters and fulfil their public mandate. The presence of significant public counter-guarantees further shapes the supervisory approach, reducing the need for complex prudential requirements.

Across all systems, supervision consistently addresses core areas such as financial soundness,

governance, and risk management, although the way these areas are assessed varies significantly depending on the model applied. Banking-style systems are highly standardised and rule-based, mixed systems rely on interpretation and adaptation, and administrative systems are principle-based and policy-driven.

The key distinction between these models lies in their underlying logic. This distinction has direct implications for both the effectiveness and proportionality of supervision, as explored in the following sections.

To synthesise the differences across institutional structures, regulatory approaches, and supervisory models, the table below provides a comparative overview of the institutions analysed.

Table 2: Mapping of institutional models, regulatory approaches, and supervisory practices

Institution	Institutional type	Regulatory approach	Supervisory model	Key characteristics / Supervisory implications
Bpifrance (France)	Integrated hybrid financial institution	Mixed (EU + national frameworks depending on activity)	Dual (prudential + state oversight)	Segmented supervision reflecting dual role as financial institution and policy actor
British Business Bank (United Kingdom)	Policy-based institution	National framework	Policy-driven	Guarantee programmes delivered through partner institutions; broader financing activities also undertaken
CESGAR / SGRs (Spain)	Mutual / hybrid	Indirect (via Bank of Spain)	Adapted / interpretative	Strong integration into the financial system; proportionate and flexible application of EU principles; reliance on supervisory interpretation and dialogue
Garantiqa (Hungary)	Bank-integrated	Direct CRR/CRD alignment	Banking-style prudential	Strong integration into financial system; reporting and modelling requirements closely aligned with banking frameworks
Malta Development Bank (Malta)	Policy-based institution	Limited application of EU prudential principles	Policy-driven	Proportionate supervision aligned with institutional size and policy role
NÖBEG (Austria)	Hybrid EU-prudential	Partial application of Austrian banking law / proportionate CRD requirements	Adapted	Proportionate application within EU framework; balance between alignment and flexibility
NSGI (Switzerland)	Administrative guarantee system	National framework only	Principle-based / administrative	Simplified supervisory framework supported by public risk-sharing mechanisms

Strategic Banking Corporation of Ireland (Ireland)	Policy-based institution	Limited application of EU prudential principles	Policy-driven	Supervision focused on mandate delivery and programme effectiveness
VDB (Germany)	Specialised guarantee banks	Broad application of CRR/CRD	Banking-style prudential	High credibility with lending institutions; supervisory rules largely based on banking frameworks

4. Supervisory requirements, evolution, and comparability

Supervisory requirements imposed on guarantee institutions are, in many jurisdictions, closely aligned with those applied to lending institutions. However, across both questionnaire responses and interviews, a consistent finding emerges: the central challenge is not the overall level of requirements, but the extent to which these requirements are aligned with the specific nature of guarantee activity.

In EU-aligned systems, supervisory expectations typically encompass capital adequacy, governance, risk management, and reporting obligations. These requirements are intended to ensure financial soundness and institutional resilience, but they are generally built around assumptions that reflect direct lending activity, including balance sheet exposure, borrower relationships, and loan performance dynamics.

Guarantee institutions, by contrast, operate through contingent commitments linked to underlying credit exposures originated by third parties. As a result, they must translate their activities into conceptual frameworks that were not designed for their business model. This creates a recurring need for interpretation and adaptation, particularly in areas where definitions do not directly map to guarantee structures.

This issue is especially visible in reporting. Institutions operating under EU-aligned supervision must comply with detailed reporting templates that are primarily structured around lending products. In practice, this creates challenges in areas such as the classification of exposures, the identification of non-performing guarantees, and the treatment of restructuring events. Institutions often need to interpret reporting fields, develop internal methodologies to approximate regulatory concepts, and reconcile guarantee activity with categories designed for loans.

A similar issue arises in relation to risk modelling and measurement. In more prudentially aligned systems, institutions are expected to develop frameworks for assessing risk, including elements such as probability of default and loss estimation. While these approaches are well established in the context of lending, their direct application to guarantee activity is less straightforward. Given that guarantee institutions do not originate loans and that their exposure is contingent, modelling approaches may require significant adjustment and may not always provide proportionate additional insight relative to their complexity.

The treatment of public counter-guarantees further illustrates this structural misalignment. In some systems, including Hungary and Switzerland, public counter-guarantees significantly reduce the effective risk borne by institutions. However, supervisory and reporting frameworks do not always fully reflect these risk-sharing arrangements, and requirements may continue to be based on gross exposure rather than net risk4. This can result in an overstatement of risk from a regulatory perspective. Spain provides an example of a framework where public counter-guarantees are explicitly recognised in the assessment of effective risk exposure, allowing risk to be measured on a net rather than gross basis.

[4] The recognition of guarantees and counter-guarantees in prudential frameworks depends on eligibility criteria and methodologies defined under CRR, and may vary in application (Source: European Banking Authority / CRR framework).

Across jurisdictions, supervisory frameworks have evolved toward greater formalisation, increased reporting requirements, and closer alignment with broader financial regulatory standards. While this has strengthened oversight, it has also increased complexity where regulatory concepts have not been sufficiently adapted to the characteristics of guarantee institutions.

At the same time, some degree of alignment with prudential frameworks remains important. Recognition of guarantees as effective risk mitigation tools within the financial system depends, in part, on the credibility and robustness of the institutions providing them. This creates a structural balance: alignment supports integration and recognition, while differentiation is necessary to ensure proportionality and operational relevance.

Comparability with lending institutions therefore remains inherently limited. Guarantee institutions are not direct lenders, and their risk profile, balance sheet structure, and operational processes reflect this distinction. Applying identical or closely aligned requirements without sufficient adaptation can therefore create inefficiencies without necessarily improving supervisory outcomes.

Experiences across institutions suggest that more tailored approaches are possible. Systems characterised by stronger national adaptation, such as Spain or Austria, demonstrate that supervisory expectations can be adjusted while maintaining alignment with broader principles. The Swiss model provides a more distinct example, where simplified requirements, combined with structural safeguards such as public risk-sharing, support stability without reliance on detailed prudential frameworks.

Overall, the analysis leads to a consistent conclusion. The key issue is not the existence or even the intensity of supervisory requirements, but the extent to which these requirements are designed with the specific characteristics of guarantee activity in mind. Where frameworks rely on concepts developed for lending institutions without sufficient adaptation, they introduce complexity, reduce clarity, and may not accurately reflect the underlying risk profile of guarantee institutions.

This insight provides an important foundation for assessing the effectiveness and proportionality of supervision, as explored in the following section.

5. Effectiveness and proportionality of supervision

Across the institutions examined, supervisory approaches generally achieve their primary objectives of ensuring financial stability, maintaining confidence among lending partners, and supporting recognition of guarantees as effective risk mitigation tools. However, the analysis also shows that effectiveness and proportionality are not always achieved simultaneously. The experience of different institutional models demonstrates that supervisory outcomes depend not only on the intensity of oversight, but also on how closely supervisory frameworks reflect the nature, scale, and risk profile of guarantee activity.

The most consistently identified source of operational burden relates to reporting. Institutions subject to more formalised supervisory frameworks are required to comply with reporting structures that are primarily designed for lending institutions. As a result, they must interpret categories that do not directly apply to guarantee activity, develop internal methodologies to approximate regulatory definitions, and ensure consistency across reporting outputs. This process is often resource-intensive and may lead to differing interpretations across institutions.

Modelling expectations present a similar challenge. Guarantee institutions are often required to develop risk models aligned with prudential frameworks (e.g. probability of default and loss estimation) even though their exposure is contingent and linked to loans originated by third parties. Because they rely on information and processes controlled by lending institutions, these models are inherently more difficult to calibrate and may not always provide proportionate benefits in terms of risk assessment.

Another important issue concerns the treatment of public counter-guarantees. These mechanisms play a central role in reducing the effective risk borne by guarantee institutions. However, supervisory approaches do not always fully reflect this risk-sharing structure, particularly where risk is assessed on a gross rather than net basis. This can result in a disconnect between the actual risk profile of institutions and the way this risk is captured in supervisory frameworks, as the mitigating effect of public risk-sharing is not always fully incorporated into regulatory calculations.

In systems characterised by adapted supervisory models, such as Spain, institutions benefit from greater flexibility in how requirements are applied. However, this flexibility is often accompanied by a high degree of reliance on supervisory interpretation. While ongoing dialogue with supervisors allows for tailored solutions, it may also reduce predictability and create dependence on case-by-case supervisory interpretation rather than clearly defined rules. More up-to-date regulations would enable institutions to rely less on relationships and tailor-made solutions, and more on standardized approaches.

By contrast, systems based on more policy-driven or administrative approaches, such as Switzerland, demonstrate that supervision can be designed in a way that is closely aligned with the characteristics of guarantee activity. In these cases, simplified requirements, combined with structural safeguards such as public risk-sharing, allow institutions to operate within clear parameters while avoiding unnecessary complexity. Importantly, this approach does not appear to compromise financial discipline or system stability, suggesting that simpler supervisory designs can be effective when aligned with the underlying risk structure.

Institutional capacity also plays an important role in shaping how supervision is experienced. Many guarantee institutions are relatively small organisations with limited resources. As a result, even moderate increases in reporting or compliance requirements can have a disproportionate operational impact, diverting resources from core operational and risk management activities.

Overall, the analysis indicates that current supervisory approaches are broadly effective in achieving their core objectives of stability and credibility. However, they are less effective in ensuring proportionality, particularly where frameworks developed for lending institutions are applied without sufficient adaptation. The resulting misalignment introduces complexity, increases operational burden, and may not accurately reflect the underlying risk profile of guarantee institutions, thereby reducing the overall efficiency of supervision.

This suggests that improving supervisory effectiveness does not require reducing oversight, but rather refining its design. Aligning supervisory approaches more closely with the characteristics of guarantee activity would allow institutions to maintain strong risk management practices while reducing unnecessary complexity and enhancing overall efficiency.

6. Forward-looking perspectives and reform priorities

The analysis across guarantee institutions shows that while supervisory frameworks differ significantly in their structure and intensity, many of the challenges identified are not inherent to guarantee activity itself, but rather stem from the way existing regulatory and supervisory approaches are applied. This suggests that meaningful improvements can be achieved without fundamentally altering institutional models or legal structures.

At the same time, it is important to recognise that certain elements are structural in nature and are unlikely to change in the short term. These include the legal classification of institutions, their degree of integration within financial regulatory frameworks, and the broader policy choices underpinning national guarantee systems. For example, institutions that are treated as financial entities within the European regulatory perimeter will continue to be subject, at least in part, to prudential frameworks, while others operating as policy instruments will remain outside these structures.

Importantly, the findings of this study should not be interpreted as suggesting that guarantee institutions should move outside existing prudential or banking supervisory frameworks. In several jurisdictions, integration within the banking supervisory system contributes significantly to the credibility and recognition of guarantees, facilitates cooperation with lending institutions, and supports the treatment of guarantees as effective risk mitigation tools. The objective is therefore not to reduce supervisory standards, but to ensure that supervisory requirements are appropriately calibrated to the specific characteristics of guarantee activity.

Similarly, the challenges identified in relation to risk modelling should not be understood as a case for reducing risk management expectations. Understanding the risk profile of guarantee portfolios remains essential for governance, pricing, accounting, and supervisory purposes. The issue identified by institutions is that methodologies and data requirements developed for direct lending activity do not always translate proportionately to contingent guarantee exposures. Future reforms should therefore focus on adapting modelling expectations and data requirements to the characteristics of guarantee activity, rather than reducing the importance of risk assessment itself.

As a result, reform efforts should focus on areas where adaptation is both feasible and impactful:

Shift from a bank-centric to a function-based supervisory approach.

Supervisory frameworks should be better aligned with the specific role of guarantee institutions as providers of contingent risk coverage, rather than being based primarily on assumptions related to direct lending activity.

Improve the treatment of risk-sharing mechanisms in supervisory frameworks.

Public counter-guarantees and other risk-sharing arrangements should be more fully reflected in regulatory metrics, ensuring that supervisory requirements are based on net rather than gross risk exposure.

Adapt reporting frameworks to reflect guarantee activity.

Simplifying reporting templates and introducing guarantee-specific definitions would significantly reduce operational burden while improving clarity and consistency across institutions.

Ensure proportionality through tailored modelling and supervisory expectations.

Risk modelling and supervisory requirements should be calibrated to reflect the contingent nature of guarantee exposure and the operational capacity of institutions.

Beyond these priority areas, the analysis highlights the importance of improving the consistency and transparency of supervisory interpretation. In systems where regulatory frameworks are applied flexibly, supervisory dialogue plays a key role in shaping implementation. While this can support proportionality, greater clarity in expectations would help reduce uncertainty and enhance predictability.

Importantly, the analysis suggests that valuable lessons can be drawn from a range of institutional models. The Spanish system demonstrates how supervisory frameworks can be adapted across different national contexts in Europe and beyond, balancing prudential principles with institutional specificity. Austria illustrates the potential for proportionate application of EU requirements. Other institutional models, including those combining multiple financial instruments and those using scheme-based guarantee delivery approaches such as BBB, highlight alternative supervisory arrangements where oversight is closely linked to mandate and governance. The Swiss model provides an example of a fully tailored approach, where simplified requirements and structural safeguards combine to ensure stability.

Taken together, these experiences indicate that there is no single optimal model, but rather a range of viable approaches that reflect different policy choices. The key objective should not be harmonisation for its own sake, but the development of supervisory frameworks that are appropriately aligned with the nature, scale, and role of guarantee institutions.

In this context, it is important to distinguish clearly between structural elements and areas where improvement is possible. While institutional mandates, legal forms, and the degree of integration within financial regulatory systems are largely fixed, there is clear room to refine how existing frameworks are interpreted and applied, particularly in areas such as reporting, modelling, and risk recognition.

Overall, the findings of this study point toward a clear direction: improving supervisory frameworks for guarantee institutions does not require reducing oversight, but rather refining its design. By aligning supervisory approaches more closely with the characteristics of guarantee activity, it is possible to maintain strong standards of financial stability while reducing unnecessary complexity and enhancing operational effectiveness.

Such an approach would not only benefit guarantee institutions themselves, but also strengthen their ability to operate effectively within SME financing ecosystems, reinforcing their role as a key component of economic development and SME financing across Europe and beyond.

Appendix: Profiles of guarantee institutions

Bpifrance (France)	
Institutional type	Hybrid financial institution (bank + public mandate)
Legal / Regulatory status	Dual: CRR-regulated entity + national mandate
Supervisory authority	Prudential supervisor + state oversight
Supervisory approach	Dual (prudential + policy)
Business model	Guarantees, lending, and investment activities
Key characteristics	Combination of market-based and policy-driven activities; diversified financial instruments
Supervisory implications	Prudential requirements apply to regulated activities, resulting in a segmented supervisory framework
Ownership / Governance	Majority publicly owned (French State and Caisse des Dépôts); governance aligned with public policy mandate

British Business Bank (United Kingdom)	
Institutional type	Policy-based institution
Legal / Regulatory status	National framework
Supervisory authority	Government / policy oversight
Supervisory approach	Policy-driven with risk-based oversight
Business model	Guarantees delivered through partner institutions alongside lending and investment activities
Key characteristics	Combination of direct financing and guarantee programmes; guarantee structures may rely on sovereign backing
Supervisory implications	Supervisory approach reflects BBB's policy mandate and diversified activities; guarantee programmes are subject to different arrangements than direct financing activities
Ownership / Governance	Fully government-owned; operates under mandate from the UK government

CESGAR / Sociedades de Garantía Recíproca (Spain)	
Institutional type	Guarantee entity classified as a financial institution
Legal / Regulatory status	National legal framework with indirect EU alignment
Supervisory authority	Bank of Spain
Supervisory approach	Adapted / interpretative
Business model	Mutual guarantee system involving SMEs and stakeholders
Key characteristics	Mutual structure with strong stakeholder involvement; tailored national framework
Supervisory implications	Supervisory expectations are defined through compliance with quarterly, half-yearly and annual reporting statements, with proportionate requirements
Ownership / Governance	Mutual structure with SME members and supporting institutions (including public and private stakeholders)

Garantiqa (Hungary)	
Institutional type	Prudentially regulated guarantee institution
Legal / Regulatory status	Financial enterprise under national law; aligned with CRR/CRD
Supervisory authority	Financial supervisory authority / central bank
Supervisory approach	Banking-style prudential supervision
Business model	Guarantees supporting SME lending via partner banks
Key characteristics	Strong integration within the financial system; guarantees widely recognised as risk mitigation tools
Supervisory implications	Reporting and modelling requirements closely aligned with banking frameworks, requiring adaptation to guarantee activity
Ownership / Governance	Majority publicly owned with participation of financial institutions and the state

Malta Development Bank (Malta)	
Institutional type	Policy-based institution
Legal / Regulatory status	National legal framework (MDB Act)
Supervisory authority	Standalone supervisory Board part of the National Legal Framework
Supervisory approach	Policy-driven / proportionate
Business model	Guarantees and financial support instruments
Key characteristics	Small-scale policy-based institution with a public mandate operating independently of government administration
Supervisory implications	Supervision aligned with institutional size and mandate, with proportionate requirements
Ownership / Governance	Fully state-owned development institution operating independently from General Government structures

NÖBEG (Austria)	
Institutional type	EU-adapted guarantee institution
Legal / Regulatory status	Austrian Banking Act (BWG) exemption framework
Supervisory authority	National supervisory authority
Supervisory approach	Adapted / proportionate
Business model	Regional guarantee provision supporting SME financing
Key characteristics	Proportionate application of EU principles within national framework
Supervisory implications	EU-derived requirements applied in a proportionate manner, balancing alignment with operational flexibility
Ownership / Governance	Private/public ownership (State of Lower Austria, Chamber of Commerce of Lower Austria and Credit Institutions); Majority privately owned

Network of Swiss Guarantee Institutions (Switzerland)	
Institutional type	Administrative guarantee system
Legal / Regulatory status	Federal law and ordinance
Supervisory authority	Economic authority
Supervisory approach	Principle-based
Business model	Coordinated public guarantee system
Key characteristics	Publicly supported system with strong counter-guarantees and defined operational framework
Supervisory implications	Simplified supervisory framework focused on governance and system parameters rather than detailed prudential rules
Ownership / Governance	Network of regionally organised cooperative institutions supported by the federal government

Strategic Banking Corporation of Ireland (Ireland)	
Institutional type	Policy-based institution
Legal / Regulatory status	National policy mandate
Supervisory authority	Government / policy oversight
Supervisory approach	Policy-driven
Business model	Guarantee schemes delivered via partner banks
Key characteristics	Programme-based model focused on enabling lending through partner institutions
Supervisory implications	No direct prudential supervision; alignment with financial regulation occurs indirectly through partner institutions
Ownership / Governance	State-owned institution with governance aligned to national policy objectives

VDB / German Guarantee Banks (Germany)	
Institutional type	Network of prudentially aligned guarantee institutions
Legal / Regulatory status	Embedded in banking regulatory framework
Supervisory authority	Banking supervisory authority
Supervisory approach	Banking-style prudential supervision
Business model	Guarantees supporting SME financing via partner banks
Key characteristics	Strong integration with banking sector; long-established institutional model
Supervisory implications	Supervisory requirements largely based on banking frameworks, with limited tailoring to guarantee-specific features
Ownership / Governance	Network of regionally based guarantee institutions with mixed, predominantly private ownership

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