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THE DIRECTOR GENERAL

Members of the Committee on Economic and Monetary Affairs of the European Parliament
European Parliament
60, Rue Wiertz
1047 Bruxelles

11 May 2012

Dear Member of the European Parliament,

Since the outbreak of the financial crisis, European and international regulators have taken important initiatives to address the causes of the crisis and the failures in the system. The European business has given its strong support to initiatives by policy makers which seek to address the regulatory failures that led to the crisis and at the same time recognise the importance of maintaining access to capital for companies and preserving market liquidity.

The proposals for revision of the capital requirement rules (CRD IV/CRR) are fundamental for financial market stability in the EU but also have the potential to have a significant impact on access to financing for European companies and therefore long-term growth and investment. We are particularly concerned with three aspects of the Commission proposal:

- **Lending to small and medium-sized enterprises (SMEs**), who have a major role to play in driving economic recovery and depend highly on bank lending. To counter adverse consequences on business costs and access to finance, it is important that the new rules induce banks to focus more on traditional lending and guaranteed lines of credit to SMEs. For this reason, we believe that the risk weighted exposure amounts for credit risk for loans to SMEs should be calculated in accordance with Title II of the proposed Regulation and then be multiplied by 0,7619 (application of an SMEs Supporting Factor), irrespective of the fact that a financial institution uses the method set out in Chapter 2 or in Chapter 3 of Part Three, Title II of the proposal.

- **Trade Finance** is an important source of credit, particularly for SMEs seeking to expand into overseas markets. It is important that the rules fully recognise the importance of trade finance to European companies and ensure that they are proportionate to risk.

- ‘**Over-the-counter’ derivatives (OTC derivatives).** The present proposals increase costs for non-financial companies that use derivatives to hedge risks. This could lead to companies reducing hedging, increasing not only the risk for the corporation concerned but for the economy as a whole. To avoid this, the

BUSINESSEUROPE a.i.s.b.l.

AV. DE CORTENBERGH 168
BE-1000 BRUSSELS
BELGIUM
VAT BE 863 418 279

TEL +32(0)2 237 65 11
FAX +32(0)2 231 14 45
E-MAIL: MAIN@BUSINESSEUROPE.EU
WWW.BUSINESSEUROPE.EU

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new rules should exclude derivative transactions used by non-financial companies to hedge market risk from the own funds requirement for CVA risk.

Your committee has played an important role in identifying and addressing these issues during the legislative process. We hope that you will continue to contribute to ensuring that they will be part of a balanced and proportionate final legislative package.

We remain at your disposal should you wish to discuss this subject further.

Yours sincerely,

Philippe de Buck