BUSINESSEUROPE

THE DIRECTOR GENERAL

Mr Linas Linkevicius
President of the EU General Affairs Council
J. Tumo-Vaižganto Street 2,
LT-01511 Vilnius

15 October 2013

Dear President,

The current discussion on the proposed new "Common Provisions" Regulation (laying down common provisions on the Structural Funds and Cohesion Policy), based on the Commission proposal COM 2011-615, very much focuses on the issues of macro-economic conditionality and special financing rules.

As you know, in a joint report (June 2013) to the European Council, the Commission and the EIB have outlined a possible new risk sharing financial instrument offering an attractive leverage effect, and capable of improving SME access to finance in particular in those regions where it is a real issue. This instrument would combine funds from the EU 2014-2020 budget (coming from the Structural Funds in particular) with resources of the EIB and EIF.

BUSINESSEUROPE sees these proposals as one vital element in an enhanced EU strategy on access to finance. Such a strategy should be firmly geared to the competitiveness objective, and deploy a variety of EU policies and measures, including:

- Repairing systemic weaknesses in financial markets;
- Committed implementation of the "Growth and Jobs" Compact. The EUR 120 billion investment package outlined in the Compact for Growth and Jobs is in place but has not yet been used to its full potential and EU institutions and Member States should do their utmost to ensure that all the elements of the Compact are rapidly implemented;
- Introduction of innovative SME-geared financial instruments.

The joint Commission-EIB report has presented three technical options for a new instrument, involving guarantee schemes and/or securitization schemes. If well designed, each option has a significant potential for improving SME access to finance. We recognize the importance of securitization markets to increase liquidity and supply of credit to SMEs and consider that investors' confidence must be restored to enable its sustainable recovery. With regard to the proposed securitization schemes, it is essential that any retained model:

- Covers securitized products with sound risk profiles, underpinned by a high level of transparency regarding the underlying claims;

- Ensures that the banks have incentives to undertake responsible risk-taking by maintaining a clear link between the originator and the securitized credit portfolio and

- Excludes the legacy assets in banks' balance sheets from the scope of the instruments, where it is known that the value of assets is likely to have decreased.

How Member States must manage their Structural Funds' moneys will be regulated by the future "Common Provisions" Regulation (CPR). Currently, the Commission proposal for a revised CPR authorizes Member States to direct some of their Structural Funds' moneys into EU guarantee schemes but not into EU securitization schemes. Launching well designed EU securitization schemes under the new SME Finance Initiative would require adapting article 33 as formulated in the Commission 2011 proposal for revising the CPR.

The issue of adapting article 33 in the Commission revised CPR proposal should come soon on the agenda of discussions between the Parliament, the Council and the Commission.

We very much count on you, as President of the EU General Affairs Council, for taking any initiative that would ensure adaptation of article 33 in a way that allows implementing securitization schemes under sound conditions as described above.

A similar letter has been sent to Minister Rimantas Šadžius, in advance of the ECOFIN Council meeting on 15 October.

We thank you very much in advance for your support.

Yours sincerely,

Markus J. Beyrer