AECM's comments on the
'Public consultation of the European Central Bank on the draft guideline and recommendation on the exercise of options and discretions by NCAs for banks it does not directly supervise (less significant institutions or LSIs)'

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EUROPEAN ASSOCIATION OF GUARANTEE INSTITUTIONS

European Association of Guarantee Institutions – AECM

Avenue d'Auderghem 22-28, bte. 10, B-1040 Brussels

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Introductory Remarks

The public consultation on the exercise of options and discretions by NCAs in relation to less significant institutions (or LSIs) seeks stakeholders to share their views on a harmonization of supervisory rules for banks supervised by national competent authorities in the 19 countries of the Single Supervisory Mechanism (SSM).

Main positions

AECM and its members generally support the objectives pursued with this draft guideline and recommendation, i.e. a harmonization of supervisory rules for banks supervised by national competent authorities (NCAs), the so-called 'Less Significant Institutions' or LSIs. The aim to harmonise the way banks are supervised by national competent authorities (NCAs) and thereby ensure a level playing field and the smooth functioning of the euro area banking system is welcomed by the entire membership base of AECM. By means of the following arguments, our association would like to raise awareness on the particularities of guarantee institutions compared to other financial institutions and open a platform for exempting guarantee institutions.

In general, the idea of harmonizing supervisory regulations for institutions directly supervised by the European Central Bank seems useful due to the similarity in their respective business models.

However, for those national institutions that are servicing business niches and are supporting national economic growth by granting access to finance for SMEs, or in the case of our members 'Guarantee Institutions', the situation is different. Those institutions that promote access to finance and are the backbone of national and hence European economic growth should not be affected in their day-to-day activities by increasing their bureaucratic burden or the costs encountered by additional reporting requirements. For such national guarantee institutions, exemptions must remain possible.

Moreover, the majority of AECM members (Belgium, Germany, Spain, France, Italy, Slovenia to name just a few) not only have a national but exclusively regional focus, ensuring that tailor-made products of promotional institutions can reach potential SMEs and their needs even better. In order for them to work efficiently in their respective regions, it is of paramount importance that guarantee institutions are able to meet these regional requirements, which can only be ensured through tailored national supervision.

Finally, next to considering the organizational structure of guarantee institutions that differ considerably from those of commercial banks, pension funds or other investment companies, most of them are exempted from International Accounting Standards and apply national laws instead to facilitate the running of their guarantee activities.

Therefore, when harmonising supervisory rules for banks supervised by national competent authorities (NCAs) guarantee institutions should ideally be exempted in order to account for the special status of these institutions.

Concluding Remarks

We cordially ask you to take our views as explained in this position paper into your kind consideration when revising the draft guideline and recommendation applicable to the exercise of options and discretions by NCAs for banks it does not directly supervise (less significant institutions or LSIs).

Annexe: About AECM

AECM's 41 members, who are mutual / private sector guarantee schemes, public institutions or mixed, all have in common the mission of providing guarantees for entrepreneurs, small and medium-sized enterprises (SMEs) and freelance professions who have an economically sound project but do not dispose of sufficient bankable collateral. The guarantee provided by AECM's members constitutes a full-value collateral and for a significant amount of AECM's members it reduces the capital adequacy requirements in favor of credit institutions.

AECM represents the political interests of its member organizations both towards the European Institutions, such as the European Commission, the European Parliament and Council, 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 OECD, the World Bank, etc. It deals primarily with issues related to prudential supervision, to state aid regulation relevant for guarantee schemes within the internal market and to European support programs.

The development and maintenance of SMEs is paramount for AECM and its members given that SMEs and entrepreneurship are key to ensuring economic growth, innovation, job creation, and social integration.