

European Commission
Directorate General Internal Market & Services

To: MARKT-HLEG@ec.europa.eu

Brussels, 13 November 2012

Re: Recommendations of the High-level Expert Group on reforming the structure of the EU banking sector

Dear Sir/Madam,

Eurofinas, the voice of consumer credit providers at European level welcomes the European Commission's consultation on the recommendations of the High-level Expert Group on reforming the structure of the EU banking sector (the recommendations).

As a member of the European Banking Industry Committee (EBIC), we share the views of EBIC on the recommendations. In particular, we would strongly support a careful assessment of the impact of the recommendations on the European banking and financial industry and the wider European economy before any specific measure is proposed.

We agree with the Expert Group that banks have a pivotal role in providing finance to households and firms and that a key objective is therefore to ensure a banking sector that is capable of financing the real economy. Against this backdrop, we wish to draw your attention to a recent initiative which we believe could seriously hamper the provision of credit to households.

Eurofinas supports the work of the European Commission on the Proposals for a Directive and a Regulation on the access to the activity of credit institutions and the prudential requirements for credit institutions and investment firms (the CRD IV Package).

The CRD IV Package includes capital requirements for credit risk which credit institutions shall either apply through the "Internal Ratings Based Approach" or the "Standardised Approach". The proposed Regulation includes for the latter a very detailed list of exposure classes as well as risk weights (Title II, Chapter 2 of the Regulation).



Article 118 of the proposed Regulation provides that retail exposures shall be assigned a risk weight of 75%. As defined in the Proposal, a retail exposure shall be either to a natural person or persons, or to a small or medium sized enterprise (SME). This approach is consistent with the work of the Basel Committee on the subject matter.

We understand that Members of the European Parliament proposed assigning a specific risk weight of $75\% \times 0.7619$ to exposures to small and medium sized enterprises. We believe that this initiative could seriously hamper the provision of credit to households.

As proposed by the European Commission and, in line with Basel III requirements, retail exposures should embrace both lending to households and SMEs. Failing to do so would have an extremely detrimental impact on the provision of finance to households and on the economic growth of European markets which, in general, heavily rely on private consumption.

We ask the European Commission to promote the consistent application of this rule to ensure a viable, fair and sensible regulatory framework.

I remain at your disposal, should you be interested in further discussing this issue. Alternatively feel free to contact Eurofinas Senior Legal Adviser Alexandre Giraud (a.giraud@eurofinas.org - tel: + 32 2 778 05 64).

Yours sincerely,

Tanguy van de Werve
Director General