

7 June 2019

## **Evaluation of the effects of financial regulatory reforms on small and medium-sized enterprises (SME) financing**

### **Template for the responses to the consultation**

**The Financial Stability Board (FSB) is seeking comments on its consultative document on *Evaluation of the effects of financial regulatory reforms on SME financing*.**

#### **Background**

With the main elements of the G20 reforms agreed and implementation underway, an analysis of the effects of these reforms is becoming possible. To that end, the FSB developed a [Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms](#) that will guide analyses of whether the reforms are achieving their intended outcomes, and help identify material unintended consequences that may have to be addressed, without compromising on the objectives of the reforms.

This evaluation examines the effects of financial regulatory reforms on the financing of small and medium-sized enterprises (SMEs). The motivation for this evaluation stems from the need to better understand the effects of the reforms on the financing of real economic activity and their contribution to the G20 objective of strong, sustainable, balanced and inclusive economic growth. The evaluation is part of a broader examination of the effects of the G20 regulatory reforms on financial intermediation.

This consultation report sets out the results of the evaluation to date for public comment. The final report will be published in November 2019.

**Responses to this consultative document should be sent to [fsb@fsb.org](mailto:fsb@fsb.org) by Wednesday 7 August 2019.** Responses will be published on the FSB's website unless respondents expressly request otherwise.

#### **Respondent information**

**Name** [Click here to enter text.](#)

**Organisation/Company** [Fedart Fidi](#)

**Email Address** [info@fedartfidi.it](mailto:info@fedartfidi.it)

#### **Questions for public consultation**

**The FSB invites comments on the consultative document and the following specific questions. Please provide details and supporting information where possible.**

## *SME financing trends*

1. **Structure of SME financing:** Does the report accurately describe the characteristics of SME financing provided by banks and other financial institutions? Is there any aspect of SME financing that merits additional analysis?

Fedart – in its capacity as a Unitarian Federation of Confidi Craftsmen – supports the work done by the FSB on such an important and poorly addressed issue and is pleased to be able to contribute to it with its own observations.

Studies on SME funding are small and, in this sense, the FSB's analysis adds to the gap, offering a detailed overview, enriched by empiric analyses as well as the opinions gathered among the market participants.

Precisely because of its recognised value, it is possible to suggest a deeper look at the issue of collateralisation, which has always been closely linked to the ability of SMEs to access credit.

In fact, it is noted in the work that in some jurisdictions there has been a slight increase in loans assisted by guarantees, but also that the difficulty in finding suitable collateral remains one of the causes perceived as barriers to granting of SME loans.

A specific investigation would shed light on the critical issues underlying these difficulties and could stimulate regulatory intervention that enhances the guarantees granted by intermediaries such as the Confidi.

The current prudential rules frustrate the operation of these individuals who, while institutionally responsible for supporting SMEs, discount the negative effects of too high, or absent, weighting in terms of risk mitigation.

2. **Trends:** Are the SME financing trends presented in this report comprehensive? Are there other important trends that should be considered for inclusion?

The analysis reveals a clear prevalence of the banking channel, coupled with a gradual growth of non-banking.

Although the survey shows the major funding trends in both sectors, it is suggested that mutual funds are included among non-bank sources.

A Box such as the Fintech Box may be appropriate given the progressive recognition of the flexibility of these tools, which are increasingly being used in the service of SMEs.

3. **Drivers:** Are the drivers of SME financing described in this report comprehensive? How important have demand versus supply factors been for SME financing across jurisdictions and types of firms? Are there other important drivers that should be considered in the evaluation?

[Click here to enter text.](#)

## *Financial regulations*

4. **Regulation vs other factors:** Does the report accurately describe the importance of financial regulatory reforms relative to other factors in terms of their impact on SME

financing?

[Click here to enter text.](#)

5. **Basel III reforms:** Does the report accurately describe the transmission channels through which Basel III reforms impact bank financing to SMEs? Are there other major transmission channels that the evaluation has not considered

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6. **Other relevant reforms:** Does the report accurately identify financial reforms other than Basel III that might have an effect on SME financing? Through what channels do these reforms function? Please elaborate.

The identification of further financial reforms that may have affected the loan to SMEs is complete and it is believed that some consideration can be added to the Support Factor.

The selectivity of bank intermediaries – accentuated by the increase in costs and obligations related to the Basel reforms – has led to an uneven distribution of credit between companies, to the detriment of smaller ones.

The Support Factor should have acted as a rebalancing, allowing banks to benefit from a greater discount in terms of weighting and, therefore, immobilising fewer resources to cover risks related to exposures to retail SMEs.

The still too high weighting of these exposures has probably almost undermined their effectiveness, not enticing lenders to open up to the SME market again.

The failure of this measure and the consequent impact on small businesses in particular necessitate specific action to protect this category.

The disadvantage of Italian banking intermediaries to very small companies is now such that they are prevented from accessing credit even before the assessment of the merits is carried out. This dynamic – partly due to high processing costs and the absence of concrete benefits in terms of risk weighting and mitigation – would require action to affect the activity of bank intermediaries, possibly by allocating a certain percentage of the assets to the financing of deserving small businesses.

### ***Evaluation approach***

7. **Methodology:** Is the analytical approach used to evaluate the effect of reforms appropriate? Are there other approaches to consider for this evaluation?

[Click here to enter text.](#)

8. **Cost-benefit considerations:** Do you have any comments on the considerations of social costs and benefits of the reforms with respect to SME financing?

[Click here to enter text.](#)

### ***Effects of reforms***

9. **Effects of G20 reforms on SME financing:** Are the findings in the report about the effects of G20 reforms implemented to date (particularly the initial Basel III package agreed in 2010) on SME financing consistent with your own experience? Is there any

additional information to support (or contradict) these findings?

The results of the FSB's investigation reflect the experience of the Federation during its work representing the Associated Trusts, allowing confirm the difficulties highlighted in the document that have affected the Italian market.

As stated in Annex C, while it is true that the Basel reforms do not specifically insist on lending to SMEs, it is equally true that the latter may have been indirectly affected.

Particularly in an economy such as Italy, which is mainly represented by small businesses, the tightening of capital requirements has led to large banks reducing the level of risky investments such as SME. Similarly, the small banks in the territory – which in times of crisis have been the support of small and medium-sized enterprises – have faced the difficulties of adapting to the same stringent prudential rules. This is demonstrated by the recent reform of cooperative credit, which has reorganised the Bcc from a group perspective precisely to safeguard its capital stability.

The consequences, in terms of lending to SMEs, are those that have emerged from stakeholder interviews: increased credit access conditions and lower financing levels.

As already pointed out, the corrections introduced on weighting factors were not sufficient, not only because they were not accompanied by adequate exploitation of risk mitigation tools. The 75% recognised factor for retail SME exposures, while supported by 76.19%, did not reduce the exclusionary effect highlighted. An effect that, in the Italian market, will struggle to sterilize if the guarantees granted by intermediaries such as the Confidi continue to be evaluated according to the current rules. Regulatory action is needed to return to the guarantees issued by supervised intermediaries that anti-cyclical function of which, today, are depleted, also taking into account the downgrade of the Italian state.

10. **Effects across jurisdictions:** Are Basel III reforms having a differentiated effect on the provision of SME financing (in terms of volumes, pricing and other financing terms) across jurisdictions? If so, what determines the differentiation in effect? Are there other differences in terms of impact that should be considered by the evaluation?

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11. **Effects of other reforms:** G20 reforms that are at an earlier implementation stage and other national financial regulations have only been examined qualitatively. For these regulations, is there any further relevant information about their impact on SME financing that should be considered by the evaluation?

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12. **Alternative finance:** To what extent, if any, have financial reforms created incentives for the provision of financing by non-banks to SMEs of different types and sizes? In particular, how has SME financing through innovative forms (such as FinTech credit platforms) been affected by these reforms? Please elaborate.

In accordance with the statements of many stakeholders and reported in Annex E, the phenomenon of bank disintermediation that has affected the post-crisis financial market – largely for reasons related to a decline in confidence on the part of the investors – was

also helped by the banks' submission to the strict Basel rules.

The partial alienation of prudential rules has clearly allowed some new non-bank operators to become more cost-effective.

The absence of regulatory equality, which takes proportionality into account, could negate the positive effects of diversification. Reinvigoration tool for SMEs, allowing them to increase funding channels; on the other hand, the lack of adequate constraints for all financial players could expose the system to the risk of instability.

***Additional considerations***

13. **Other issues:** Are there any other issues or relevant factors that should be considered as part of the evaluation?

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Fedart – nella sua qualità di Federazione Unitaria dei Confidi Artigiani – sostiene il lavoro svolto dal FSB su una tematica così importante e poco affrontata ed è lieta di potervi contribuire con le proprie osservazioni.

Gli studi in materia di finanziamenti alle PMI sono esigui e, in questo senso, l'analisi condotta dal FSB soggiunge a colmare una significativa lacuna, offrendone una dettagliata panoramica, arricchita da analisi empiriche oltretutto dalle opinioni raccolte tra gli operatori del mercato.

Proprio per il riconosciuto valore, si permette di suggerire un approfondimento sulla questione della collateralizzazione, da sempre aspetto strettamente connesso alla capacità di accesso al credito delle PMI.

Nel lavoro viene, infatti, rilevato che in alcune giurisdizioni si è assistito ad un lieve incremento dei prestiti assistiti da garanzie, ma anche che la difficoltà nel reperimento di idonei collateralizzati resta una delle cause percepite come ostative alla concessione di prestiti alle PMI.

Un'indagine specifica permetterebbe di mettere in luce le criticità sottese a tali difficoltà e potrebbe stimolare un intervento normativo che valorizzi le garanzie concesse da intermediari come i Confidi.

Le attuali regole prudenziali frustrano l'operatività di tali soggetti che – pur essendo istituzionalmente preposti al sostegno delle PMI – scontano gli effetti negativi di una ponderazione troppo elevata, o assente, in termini di mitigazione del rischio.

2. **Trends:** Are the SME financing trends presented in this report comprehensive? Are there other important trends that should be considered for inclusion?

L'analisi rivela una netta prevalenza del canale bancario, affiancata da una graduale crescita di quello non bancario.

Sebbene l'indagine illustri le maggiori tendenze di finanziamento rilevate in entrambi i settori, si suggerisce l'inserimento – tra le fonti non bancarie – dei fondi comuni di investimento.

Un Box come quello dedicato al Fintech potrebbe rivelarsi opportuno tenuto conto del progressivo riconoscimento della duttilità di tali strumenti che sempre più spesso vengono impiegati a servizio delle PMI.

3. **Drivers:** Are the drivers of SME financing described in this report comprehensive? How important have demand versus supply factors been for SME financing across jurisdictions and types of firms? Are there other important drivers that should be considered in the evaluation?

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L'identificazione delle ulteriori riforme finanziarie che possono aver inciso sul prestito alle PMI è completa e si ritiene di poter aggiungere qualche considerazione rispetto al Fattore di Sostegno.

La selettività degli intermediari bancari – accentuatasi con l'incremento dei costi e degli obblighi connessi alle riforme di Basilea – ha determinato una distribuzione non omogenea del credito tra le imprese, a discapito di quelle più piccole.

Il Fattore di Sostegno avrebbe dovuto agire come riequilibratore, consentendo alle banche di beneficiare di un maggiore sconto in termini di ponderazione e, dunque, immobilizzare meno risorse per la copertura dei rischi connessi alle esposizioni verso PMI retail.

Probabilmente, la ponderazione ancora troppo elevata di tali esposizioni ne ha pressoché vanificato l'efficacia, non invogliando gli istituti di credito ad aprirsi nuovamente al mercato delle PMI.

Il fallimento di tale misura e le conseguenti ricadute soprattutto sulle piccole imprese rendono necessario uno specifico intervento a tutela di questa categoria.

Lo sfavore degli intermediari bancari italiani nei confronti delle piccolissime imprese è ormai tale da impedirne l'accesso al credito ancor prima di procedere alla valutazione del merito. Tale dinamica – in parte dipesa dagli elevati costi di lavorazione e dall'assenza di concreti benefici sul piano della ponderazione e della mitigazione dei rischi – richiederebbe un'azione tesa ad incidere sull'attività degli intermediari bancari, eventualmente destinando una certa percentuale dell'attivo al finanziamento delle piccole imprese meritevoli.

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Le risultanze dell'indagine del FSB rispecchiano l'esperienza vissuta dalla Federazione in occasione del suo lavoro di rappresentanza dei Confidi associati, permettendo di confermare le difficoltà evidenziate nel documento che hanno interessato il mercato italiano.

Come precisato nell'Annex C, se è vero che le riforme di Basilea non insistono specificamente sul prestito alle PMI, è altrettanto vero che quest'ultimo ne possa essere stato influenzato indirettamente.

Soprattutto in una economia come quella italiana – rappresentata prevalentemente da piccole imprese - l'inasprimento dei requisiti in materia di capitale ha indotto le banche di grandi dimensioni a ridurre il livello di investimenti rischiosi quali quelli in favore delle PMI. Parimenti, le piccole banche del territorio – che in tempo di crisi sono state il sostegno delle piccole e medie imprese - hanno dovuto fronteggiare le difficoltà connesse all'adeguamento alle stesse stringenti regole prudenziali. Ne è una dimostrazione la recente riforma del credito cooperativo che ha riorganizzato le bcc in un'ottica di gruppo proprio per salvaguardarne la stabilità patrimoniale.

Le conseguenze, sul piano dei prestiti alle PMI, sono quelle emerse dalle interviste agli stakeholder: aggravio delle condizioni di accesso al credito e flessione dei livelli di finanziamento.

Come già evidenziato, le correzioni introdotte sui fattori di ponderazione non sono state sufficienti, anche perché non accompagnate da un'adeguata valorizzazione degli strumenti di mitigazione del rischio. Il fattore pari al 75% riconosciuto alle esposizioni verso PMI retail, pur affiancato da quello di Sostegno pari al 76,19%, non ha ridotto quell'effetto escludente messo in luce. Effetto che, nel mercato italiano, si faticherà a sterilizzare se le garanzie concesse da intermediari come i Confidi continueranno ad essere valutate secondo le attuali regole. Si rende necessario un intervento sul piano regolamentare che restituisca alle garanzie rilasciate da intermediari vigilati quella funzione anticiclica di cui, oggi, risultano depauperati, anche tenuto conto del downgrade dello Stato italiano.

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In accordo con quanto sostenuto da numerosi stakeholder e riportato nell'Annex E, il fenomeno della disintermediazione bancaria che ha interessato il mercato finanziario post crisi – sostanzialmente per motivi legati ad un calo di fiducia da parte degli investitori – è stato favorito anche dalla sottoposizione delle banche alle rigide regole di Basilea.

La parziale estraneità alle regole prudenziali ha chiaramente permesso a taluni nuovi operatori non bancari di rendersi più appetibili in termini di costi.

L'assenza di una uguaglianza regolamentare – che tenga comunque conto della proporzionalità – potrebbe vanificare gli effetti positivi derivanti dalla diversificazione: se da un lato, l'attuale arricchita platea di operatori finanziari potrebbe fungere da strumento di rinvigorismento delle PMI, permettendo loro di aumentare i canali di finanziamento; dall'altro, la mancanza di adeguati vincoli per tutti i player finanziari potrebbe esporre il sistema al rischio di instabilità.

### ***Additional considerations***

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