

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 by Wednesday 7 August 2019. Responses will be published on the FSB's website unless respondents expressly request otherwise.

Respondent information

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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?

Yes

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

In general, the draft report presents a fairly comprehensive and fair assessment of the current situation and the possible impact of the financial regulation financing of SMEs worldwide.

However, some of our members would like to see more indepth analyses of the effects of new banking regulations on the structure of the banking system, the competition between the banks at national level and its impact on SME finance. The reason for it is that there is the impression that the disappearance of smaller banks have reduced competition and the availability of finance for SMEs (i.e. Spain, Italy, etc.)

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?

We agree with the assessment that access to finance is also driven to a large extent by demand and that financial conditions for SMEs are pro-cyclical by nature.

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?

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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.

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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?

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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?

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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?

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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.

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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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