

26 February 2018

**Association of Consumer Credit Information Suppliers' response to
European Commission Consultation**

'Building a proportionate regulatory environment to support SME listing'

Established in Dublin in 1990, the Association of Consumer Credit Information Suppliers (ACCIS) is an international non-profit association under Belgian law bringing together 46 member organisations active in the area of consumer credit information. ACCIS aims to create a legal and regulatory climate in which its members can continue to develop their services contributing to the better functioning of the credit market in Europe and internationally.

Response to Selected Answers

Question 3 - What are the main factors that inhibit institutional and retail investments in SME shares and bonds? Please illustrate by providing evidence from your own jurisdiction.

From the perspective of ACCIS, the main factor is the lack of visibility of SMEs (including lack of financial research and credit information) towards investors.

As noted by the European Commission in its latest European Financial Stability and Integration Review (2017), "*developing funding options beyond banking is particularly relevant for SMEs, as they rely heavily on bank financing and have limited access to capital markets. Firms in the early stage of their life cycle tend to have less access to traditional market-based funding sources because they often combine a higher risk profile with a lack of earnings or collateral. In addition, they typically face more significant barriers to funding than larger firms, largely owing to existing information asymmetries*"¹.

There are two pre-conditions for facilitating access to finance and investment:

- Having **adequate, sufficient and accurate information** on SMEs
- Users of such information - lenders, investors, borrowers - being **able to share** such information in order for them to perform a correct, **sound and complete worthiness assessment and risk evaluation**.

a) Adequate, sufficient and accurate information on SMEs

As concluded by the World Bank's International Committee on Credit Reporting in its report on "*Facilitating SME Financing through Improved Credit Reporting*", **improving the flow of credit-related data and other relevant financial information on SMEs can contribute to alleviating their financing constraints**². If finance providers have easy access³ to accurate information on the SMEs, relevant for their financing decisions, they will be enabled to better assess SMEs creditworthiness, which in turn will result in reduced information asymmetry, better informed financing decisions and increased provision of financing to SMEs.

¹ "*In the fourth quarter of 2016, 57.6% of SME funds consisted of bank loans and bank overdrafts. Equity and debt financing in general represented only 2.3%*", European Financial Stability and Integration Review (EFSIR), Staff Working Document of the European Commission (2017), p. 67.

² Facilitating SME Financing through improved Credit Reporting, Report of the International Committee on Credit Reporting, chaired by the World Bank (2014), p. 5.

³ "*One example emphasized in the General Principles report is that of ensuring fair access of all interested parties to credit reporting services (e.g. all current and potential financiers of SMEs), which under certain circumstances might only be dealt with through regulation*" Facilitating SME Financing through improved Credit Reporting, Report of the International Committee on Credit Reporting, chaired by the World Bank (2014), p. 33.

Credit bureaus, and credit reporting service providers (CRSPs) in general, play a crucial role in collecting and providing information on SMEs to financial market participants and, as such, provide a key ingredient for improving SME financing. In particular, by collecting and providing data on SMEs, they help reduce information asymmetry and the adverse selection problem inherent in the SMEs financing market. This results in an easier access to finance and lower costs of funding for borrowers and better risk assessment for lenders or investors.

The ability of CRSPs to provide information on SMEs to relevant stakeholders depends strongly on the legislation determining the scope of SME data which is made available and can be collected and shared. Currently in the EU there are discrepancies between Member States as regards the degree of available information and disclosure regimes for SMEs.

To provide an example, in Italy, data on B2B payments behavior as well as data on micro-firms and start-ups balance sheets are either partially available from private sources or not available at all (as in the case of micro-firms and start-ups) since their communication to the Italian Chambers of Commerce is not mandatory.

We, therefore, urge the Commission to take action to:

- Encourage **national authorities to enable all relevant data providers to report SMEs positive and negative data** to credit bureaus
- **Improve the access to and the availability** across the EU **of public data relevant for SME financing**. This information concerns tax registers, company registers and court databases as well as to import/export related data, balance sheet data, workforce data, market shares from the statistical agencies etc.

b) Making SME data available

Making SME data available to a wide range of investors and finance providers would help European businesses to reduce their reliance on banks for financing. However, access to and sharing of data is often not possible. Sometimes, the law does not allow this. For example, in Italy, the current legislation on credit bureaus⁴ does not allow investors to have access to and share information – including information on SMEs - within credit bureaus.

SMEs should not be discriminated or disadvantaged in their financing opportunities on the basis of their location in the EU.

We, therefore, urge the Commission to work with Member States to remove any barriers that prevent better data availability and information on SMEs for the different stakeholders, including investors.

Question 29. Which steps could be taken to facilitate SME bond issuances on SME Growth Markets without incurring high costs for assessing creditworthiness of issuers?

In our view, the issue is not so much related to the costs for having one's creditworthiness assessed as it is **to raising awareness about the importance of those assessments for better cross-border risk sharing via capital markets**, as envisaged among the objectives of the Capital Markets Union.

⁴ Code of conduct and professional practice applying to information systems managed by private entities with regard to consumer credit, reliability, and timeliness of payments (Published in the Official Journal no. 300 dated 23 December 2004 and subsequently amended per the notice published in the Official Journal no. 56 dated 9 March 2005)



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What is therefore needed is **promoting the availability of information about SMEs both at a national and at a cross-border level**, in order to allow credit ratings to help diversify the sources of funding for SMEs, including listing.