

**18 March 2019**

Financial Stability Board  
Bank for International Settlements  
Centralbahnplatz 2  
CH-4002  
Basel  
Switzerland

By email: [fsb@fsb.org](mailto:fsb@fsb.org)

### **SME FINANCING EVALUATION**

Moody's Investors Service ("MIS") appreciates the opportunity to provide comments to the Financial Stability Board ("FSB") on the consultation paper: *Effects of Financial Regulatory Reform on SME Financing*. Our comments focus largely on the trends in SME financing in relation to the use of securitisation and are based on our input provided at the FSB Roundtable held in Amsterdam in December 2018. This response addresses a subset of the questions posed in the Paper (in particular questions 1,2, 6 & 7).

### **Trends and drivers of trends in SME financing**

Since 2010, we observed an improvement in the access to finance by SMEs in the vast majority of European countries and, since 2012, a decrease of the delinquencies by seasoned SMEs in their securitised exposures of unsecured and secured (by real estate properties) loans as well as in their payment obligations stemming from bank-originated leasing contracts. This reflects the improved situation in terms of both economic growth (including some recoveries of national real estate markets) and relative low borrowing costs which in turn are supported by a low interest rate environment across Europe. However, in Southern Europe, the loan volume related to SMEs is either still lower or has just approached - in the last quarter of 2018 - the 2009 levels (see Quarterly EMEA ABS SME Sector Update<sup>1</sup> and SME and Mid-cap Focus<sup>2</sup>).

---

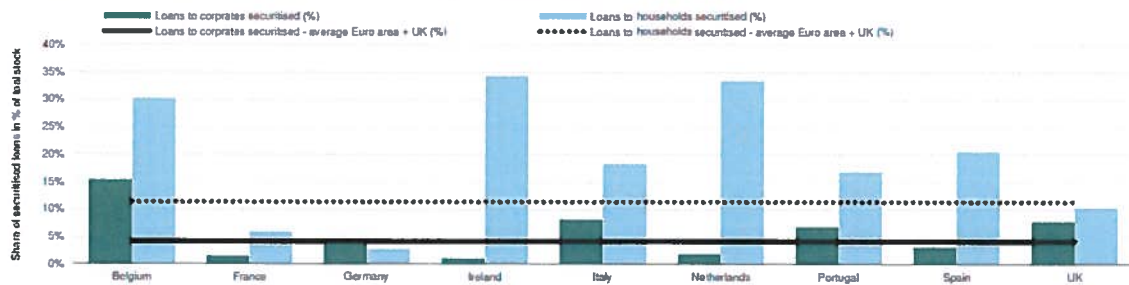
<sup>1</sup> Latest update: [https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBS\\_1158399](https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBS_1158399)

<sup>2</sup> Latest update: [https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1116251](https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1116251)

Moreover, despite several initiatives to foster activity in SME securitisations, European SME securitisations are still concentrated in three countries, i.e. Italy, Belgium and Spain, ultimately leading to a significant, but relatively modest contribution of SME securitisations in providing funding to European non-financial companies (below 10% in most of the European countries<sup>3</sup>). What is more, securitisations of SME loans are mainly retained by the originating bank with investor demand tending to lag behind other asset classes<sup>4</sup>.

**Exhibit 1:**

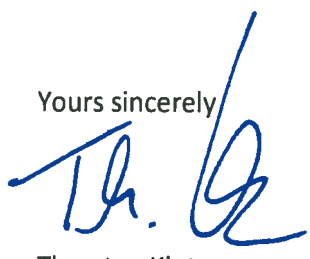
Country specific securitisation funding shares may significantly exceed European averages



Note: Latest available data as of Q1 2017. As a general rule, calculations are based upon central bank statistics by ECB and BoE for both loan and securitised loan volumes. Securitisation volumes draw upon SPV ("Financial Vehicle Corporation") statistics as the only available public source, which requires the simplifying assumption, that SPV domicile matches with loan domicile. We ran a plausibility check and in a few cases (France, Germany, Ireland and UK) made use of AFME data for securitised loan volumes, where SPV statistics apparently do not appropriately reflect the asset/loan domicile.  
Source: Moody's Investors Service, AFME, ECB, BoE.

In the UK, non-bank financing to the SME sector, mainly through marketplace lending platforms to micro-SMEs, is still relatively small when compared to funding volumes provided by banks, representing around 5% of new loans<sup>5</sup>. Noteworthy, the leading UK SME marketplace lending platform is also partially funding its SME loan origination activities through securitisation.

We appreciate the opportunity to comment and would be pleased to discuss our comments further with the FSB or their staff.

Yours sincerely  


Thorsten Klotz  
 Managing Director – Structured Finance

<sup>3</sup> For more information, see [Securitisation is a relevant source of funding for the European economy](#), September 2017 and [Securitisation is a Relevant Source of Funding for the Italian Economy](#), May 2017, and [Structured finance is a relevant source of funding for the real economy](#), January 2018.

<sup>4</sup> For more details, see Exhibit 4 in [Quarterly EMEA ABS SME Sector Update](#), Feb 2019.

<sup>5</sup> For more details, see Exhibit 2 in [Expansion of SME marketplace lending is credit positive for loan securitisation](#), June 2018.