



Implementing the Basel III finalisation – focus on Mittelstand financing required

Summary: Basel III finalisation puts pressure on Mittelstand financing

According to impact assessments carried out by Germany's Bundesbank,¹ the finalisation of Basel III creates an additional Tier 1 capital requirement for EU banks of 16.7% on average. For German banks, capital requirements will rise by an average of 23.7% as a result of Basel III. As a result, banks' lending capacity will be limited and financing costs for customers will rise. The reliable supply of bank loans is a significant factor in the success of the medium-sized (Mittelstand) economy in Bavaria and Germany as a whole. Long-term lending provides companies with the planning security they need to invest and facilitates economic growth.

It is now essential that European lawmakers take into account the features of the German and European market and take corrective measures when implementing the Basel III finalisation.

The EU Commission announced that it would carry out a comprehensive impact study before implementing Basel III. In doing so, it is important to take all Basel III regulatory measures into account, including previous ones. In particular, there must be a focus on the effects on Mittelstand financing, as this must not be placed under additional pressure.

As a result, the fpmi is calling for the following:

1. **The Basel III finalisation should only be implemented when this is also done by other national jurisdictions.**
2. **Implementation of the Basel III provisions must not be overly ambitious, as this will ultimately have a negative impact on European SME financing.**
3. **The proven and empirically sound SME factor must be permanently maintained in its current form.**
4. **There should not be a hard granularity criterion of 0.2% of the retail portfolio.** The previous legal situation should be maintained.
5. **An increased risk assessment for the German real estate market must be rejected.** The conditions for real estate financing should not be allowed to deteriorate.
6. **The previous risk weighting for leasing companies should be maintained.**
7. **The Basel output floor must be implemented accordingly within the scope offered in Europe.**

¹ According to the Bundesbank's Basel III Monitoring Report dated 4 October 2018: Increase in capital requirements - globally: +3.6%; in the EU: +16.7%; in Germany: +23.7%.