

# Call for feedback to stakeholders on the feasibility assessment for a potential EU referral scheme

Fields marked with \* are mandatory.

## Introduction

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### The capital markets union (CMU) action plan

In the [capital markets union action plan published in September 2020](#), the Commission committed to analysing by **Q4 2021 the merits and feasibility of setting up a referral scheme to require banks (and other providers of funding) to direct small and medium enterprises whose funding application they have turned down to providers of alternative funding**. The objective of this scheme, if implemented, will be to facilitate SMEs' access to a wider set of funding options, including alternative funding options.

The objectives of the feasibility study are to:

- analyse the scale of the problem (SMEs failing to secure financing)
- balance possible benefits of wider and more diversified sources of financing that such referral scheme can offer to SMEs with possible additional burden (including IT setup and maintenance costs) for banks or other providers of financing, who would be under an obligation to refer SMEs
- if supported by a positive result of the feasibility study, formulate possible options for the scope, features and governance of the potential scheme.

### EU-level measures to support SMEs whose credit applications were rejected

Currently, Article 431 of [Regulation \(EU\) No 575/2013 \(Capital Requirements Regulation or CRR\)](#) gives the right to SMEs to ask for feedback in writing when they apply for bank credit. Such feedback is particularly important in case of a negative credit decision.

During the last phase of [CMU 1.0 \(2015 CMU action plan\)](#), the Commission worked closely with and endorsed an industry initiative by banking associations and SME associations to seek commitments from banks to voluntarily provide this input: the [High-level principles on feedback given by banks on declined SMEs credit applications](#). The high-level

principles do not include redirecting SMEs to alternative providers of finance. The feedback is usually based on why the credit was denied and less on alternative channels of financing. Also, the impact of this initiative has largely depended on the uptake by the industry.

The existing EU legislation does not currently oblige banks and other financial services providers to inform SMEs about alternative sources of funding. Given the general lack of SME financial literacy, many SMEs may not be sufficiently aware of alternative financing opportunities, and of where to seek them out. The additional costs of identifying and applying elsewhere after facing a rejection may deter SMEs from taking further action, which limits their chances to scale up and grow.

A bank referral scheme would go one step further and require banks to proactively channel rejected SMEs in need of financing towards alternative finance providers.

## **SME credit applications rejection rates in the EU**

In the period between April and September 2020, 35% of EU27 SMEs that deemed bank loans relevant for their business applied for a loan ([Survey on the access to finance of enterprises \(SAFE\) Analytical Report 2020, November 2020, European Commission](#)). Amongst them, on average:

- 70% of application were granted in full
- **13% were granted a part of the amount applied for** (7% received at least 75% of the requested amount and 6% received less than 75% of the requested amount)
- **6% of these bank loan applications were rejected**

*Source: Survey on the access to finance of enterprises (SAFE) Analytical Report 2020, November 2020, European Commission*

The graph below shows the evolution of outcomes of SME bank loan applications between 2014 and 2020.

*Source: Survey on the access to finance of enterprises (SAFE) Analytical Report 2020, November 2020, European Commission*

The following graph shows that the outcomes of applications for bank loans by SMEs vary across EU27 Member States. In the period between April and September 2020, the proportion of SME loan applications rejected was highest in the Netherlands (27%), Greece, Romania and Poland (20%).

*Source: Survey on the access to finance of enterprises (SAFE) Analytical Report 2020, November 2020, European Commission*

There are no statistics on how many SMEs whose credit was declined actually sought feedback from the bank and used the information provided by the bank to improve their credit application or seek funding elsewhere.

## Existing referral schemes and affiliated schemes

**A bank referral scheme has been in place in the UK since 2016.** As per this scheme, a designated bank refusing an SME finance application above GBP 1,000 must provide all specified information that it holds in relation to the application to all designated finance platforms, after having asked the permission of the concerned SME. If the business does not agree to such information being provided, the bank must send to the business the generic platforms information. The regulations ([UK act 2015 No. 1946](#)) also place a duty on designated finance platforms to provide finance providers with access to information that the platform has received, providing the finance provider has requested it. The regulations define timeframes for each step to be completed by the bank and the finance platform.

For the purpose of the UK scheme, small and medium businesses are those with a turnover of up to GBP 25m and with an address in the United Kingdom. Applications for the following products in sterling are within the scope of the regulations: overdrafts, loans, invoice finance, asset finance (excluding operating leases), credit cards. These are also the products typically covered by the designated finance platforms.

While the HM Treasury designates banks and finance platforms for the purposes of the scheme, the British Business Bank (state-owned economic development bank) administers the scheme on behalf of HM Treasury. This involves collecting the data from platforms, as well as carrying out due diligence for platforms that apply to be designated.

There are currently nine banks – [AIB Group \(UK\) Plc \(t/a First Trust Bank\)](#), [Bank of Ireland \(UK\) Plc](#), [Barclays Bank Plc](#), [Clydesdale Bank Plc](#), [Northern Bank Ltd \(t/a Danske Bank\)](#), [HSBC Bank Plc](#), [Lloyds Banking Group Plc](#), [Royal Bank of Scotland Group Plc](#) and [Santander UK Plc](#) – which have been designated by the UK Treasury to participate in the scheme, and three finance platforms– [Alternative Business Funding Ltd](#), [Funding Options Limited](#) and [FundingXchange Limited](#). The designated finance platforms do not provide the funding per se but act as intermediaries between companies and finance providers. Platforms generate income from the service they provide. This can be achieved in a number of ways such as by charging lenders to be included on the platform or by fees charged based on funding provided. Businesses are not charged to use platforms.

Since the beginning of the scheme in November 2016, more than 45,000 eligible small businesses who were rejected for finance from one of the big banks have been referred under the scheme (« [Bank Referral Scheme: Official Statistics](#) », [HM Treasury, 23 December 2020](#)). In total, more than GBP 56 million of funding was secured by over 2,500 small businesses through the scheme. Of this total, since 1 July 2019, 889 small businesses raised over GBP 23 million of funding thanks to the scheme. The number of referrals and deals closed declined during the pandemic, after the setup of UK credit guarantee schemes such as the Bounce Back Loan Scheme, which may have reduced SME’s need for the Bank Referral Scheme. Nevertheless, the three quarters (Q3 2019 – Q1 2020) before the Covid-19 pandemic were the most successful in terms of deals made since the beginning of the scheme, while the two highest numbers of quarterly referrals were recorded in Q1 and Q2 of 2020. This may indicate that the scheme was picking up and was being increasingly useful to SMEs.

**Some EU Member States** introduced national measures aiming at supporting SMEs whose credit application has been refused but which do not constitute a referral scheme per se. For example, the [Credit Review Office](#) in Ireland reassesses SME rejected credit applications. In Spain, when banks deny or cancel financing facilities to an existing SME client, they are required ([Circular 6/2016 of the Bank of Spain](#)) to provide the SME with a standardised “SME information sheet” with credit information that the SME can use to approach other finance providers.

## Purpose of the present call for feedback

The present call for feedback aims at gathering evidence and feedback from stakeholders on:

- whether there is a potential for a referral scheme to help SMEs whose funding applications have been rejected by a bank (or other providers of funding)
- options for the scope, features and governance of such a possible scheme

The call for feedback will feed into the feasibility study.

**Please note that for the purpose of this call for feedback, options for the scope, features and governance of the referral scheme are open and can depart from existing schemes described in section 4.**

Please find below a few definitions used for the purpose of this call for feedback:

- **SMEs** are defined as per the [EU recommendation 2003/361](#). The factors determining whether a company is an SME are (1) **staff headcount** and (2) either **turnover** or **balance sheet total**, as per the following table:

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ny category	Staff headcount	turnover	Balance sheet total
Medium-sized	< 250	≤ € 50 m	≤ € 43 m
Small	< 50	≤ € 10 m	≤ € 10 m
Micro	< 10	≤ € 2 m	≤ € 2 m

- the **referral scheme** consists in a legal requirement for banks (and possibly other providers of funding) to proactively offer to an SME whose financing application they are turning down, to forward the information included in the application to other finance providers or finance platforms, provided the SME has given its consent. **All other aspects of the scheme (scope, features, governance) remain open at this stage and are the subject of the below questions.**
- a distinction is made between **finance providers and finance platforms**. Platforms are understood as intermediaries connecting finance providers with finance seekers, without providing funding themselves. These may include crowdfunding platforms, matchmaking platforms and some supply chain finance platforms for instance.
- the **rejected entity** is the SME whose funding application has been rejected. The **referring entity**, is the entity (a bank, and possibly another finance provider or finance platform) to which the information sharing requirement applies. The **receiving entity**, is the entity (a finance provider, possibly another bank or a finance platform), which the referring entity refers a rejected entity to.

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**Please note:** In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-b1@ec.europa.eu](mailto:fisma-b1@ec.europa.eu).

More information on

- [this call for feedback](#)
- [the call for feedback document](#)

- [capital markets union](#)
- [the protection of personal data regime for this call for feedback](#)

## About you

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\* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

\* I am giving my contribution as

- Academic/research institution
- Business association

- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

\* First name

Constantin

\* Surname

Fabricius

\* Email (this won't be published)

c.fabricius@kreditplattformen.de

\* Organisation name

*255 character(s) maximum*

Verband deutscher Kreditplattformen e.V.

\* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

*255 character(s) maximum*

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

\*

Member State of your organisation. In case your organisation is active in several countries, please select all applicable Member States

- |                                   |   |  |  |
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| <input type="checkbox"/> Austria  | <input type="checkbox"/> Finland            | <input type="checkbox"/> Lithuania       | <input type="checkbox"/> Slovenia            |
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| <input type="checkbox"/> Croatia  | <input type="checkbox"/> Greece             | <input type="checkbox"/> Netherlands     | <input type="checkbox"/> All EU-27           |
| <input type="checkbox"/> Cyprus   | <input type="checkbox"/> Hungary            | <input type="checkbox"/> Poland          | <input type="checkbox"/> Non-EU country(ies) |
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| <input type="checkbox"/> Estonia  | <input type="checkbox"/> Latvia             | <input type="checkbox"/> Slovak Republic |  |

\* Field of activity or sector (if applicable):

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Other
- Not applicable

The Commission will publish all contributions to this call for feedback. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, ‘business association, ‘consumer association’, ‘EU citizen’) country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default are based on the type of respondent selected.

\* **Contribution publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

**Anonymous**

Only organisation details are published: The type of respondent that you responded to this call for feedback as, the name of the organisation on

whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

**Public**

Organisation details and respondent details are published: The type of respondent that you responded to this call for feedback as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

## Criticality of the problem

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Question 1. To what extent would you agree that SMEs face difficulties to access **bank loans** in your Member State / in the Member States you are active in?

**Please select the Member States for which you want to provide a specific response, or select the "all EU-27" option if your answer is common to all Member States :**

**Please select as many answers as you like:**

- |                                   |   |  |  |
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| <input type="checkbox"/> Bulgaria | <input checked="" type="checkbox"/> Germany | <input type="checkbox"/> Malta           | <input type="checkbox"/> Sweden              |
| <input type="checkbox"/> Croatia  | <input type="checkbox"/> Greece             | <input type="checkbox"/> Netherlands     | <input type="checkbox"/> All EU-27           |
| <input type="checkbox"/> Cyprus   | <input type="checkbox"/> Hungary            | <input type="checkbox"/> Poland          | <input type="checkbox"/> Non-EU country(ies) |
| <input type="checkbox"/> Czechia  | <input type="checkbox"/> Ireland            | <input type="checkbox"/> Portugal        |  |
| <input type="checkbox"/> Denmark  | <input type="checkbox"/> Italy              | <input type="checkbox"/> Romania         |  |
| <input type="checkbox"/> Estonia  | <input type="checkbox"/> Latvia             | <input type="checkbox"/> Slovak Republic |  |

**To what extent do you agree the elements below represent obstacles faced by SMEs when accessing bank loans in Germany?**

	1 (fully disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	Don't know - No opinion - Not applicable
It is difficult to provide all the necessary information requested by the bank	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
It is not possible to file the same request at several banks simultaneously with the same information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
It is a very long and administratively burdensome process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Lack of eligible collateral	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Rejection of application	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Limited amount granted	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Too high interest rates	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inadequate business plans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Please explain your answer to question 1 for Germany:

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

SME loans can be thankless business for banks. That is why they are often not seen as an attractive customer base by traditional providers due to high diversity, high cost to serve, higher default rates and low profit margins. In breve: SME loans are often uneconomical, resulting in high rejection rates leading, frustration among SMEs and low economic growth in the EU.

With the current interest rate situation and loan amounts of less than EUR 1 Mio, the examination effort is often higher than the prospective return. For small loan amounts for start-ups or freelancers, the interest margin often does not even cover the processing and handling costs. Business loans are therefore prohibitively expensive, especially for small amounts.

At many banks, the application processes are lengthy, especially in the business customer segment, and are still barely digitized. The situation is further complicated by different requirements. Many documents have to be submitted and checked by clerks. The approval process, which can drag on for a long time, can also be frustrating for the customer, who ultimately lacks planning certainty. For many lenders, therefore, the question quickly arises as to whether they should not rather do without the business right away. In doing so, however, they run the risk of losing the customer altogether.

Since 2008, the auditing firm PwC has regularly surveyed the degree of industrialization in the lending business of German banks. In the last survey in 2019, this averaged just 40 percent. This means that even well-known tools such as the "digital application line" or common procedures such as "robotic process automation" have not yet been used in many places, even though the sustained low interest rate level is massively increasing the relative importance of process costs.

The challenges are particularly great in the corporate customer business. There, the level of industrialization was only 31 percent - far below the 60 to 80 percent possible according to PwC. As often before, an imminent industrialization push was predicted in 2019, which would now also reach the corporate customer business. However, "The real barrier is not technology or cost, it's the willingness to make structural change," according to author Tomas Rederer, Partner Digital Operations at PwC.

An EU referral scheme could help SME whose funding applications for in rem unsecured debt capital have been rejected but what they need for growth - especially after overcoming the Covid-19 crisis. Outsourcing with the help of alternative debt capital lenders makes it possible to reconcile customer loyalty and revenue goals. However, the most significant obstacle faced by SMEs when accessing non-bank, lending-based financing is the lack of information and awareness. Such lenders are not yet as established and therefore are less known to the wider public and the SME environment.

**Question 1.1 To what extent do you agree that the above obstacles could be addressed by a referral scheme for SMEs?**

	1 (fully disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	Don't know - No opinion - Not applicable
It is difficult to provide all the necessary information requested by the bank	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
It is not possible to file the same request at several banks simultaneously with the same information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
It is a very long and administratively burdensome process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Lack of eligible collateral	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Rejection of application	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Limited amount granted	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Too high interest rates	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inadequate business plans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Please explain your answer to question 1.1:

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The questions address different areas of the credit process, some of which are already tackled by existing regulation such as the CRR/CRD. The referral scheme would therefore have to be tailored precisely to this in any case. Beyond, it would be worth taking a look at the United Kingdom (UK) as we believe it is important that several shortcomings of the UK Bank Referral Scheme will not be repeated in the EU context. Specifically, the following aspects should be taken into account when setting up a new scheme:

1. Create a seamless referral process for business owners.

The process has to be standardised in terms of data quality and quantity. Superfluous form-filling needs should be avoided. Otherwise the scheme would create unnecessary discouragement and lose efficiency.

2. Allow for market based solutions to have banks and fintechs form better partnerships to help small businesses.

Businesses should be given a choice to access alternative/ specialised forms of financing at the point of application rather than weeks later when an application has been declined. Some of our members are already partnering with some of Germany's leading banks under referral agreements that have greatly improved the experience of many of their small business customers such as creditshef or iwoca. The EU Commission should encourage these partnerships so that banks can actively provide access to offers from specialised alternative financing providers in addition to their own.

**Question 2. To what extent would you agree that SMEs face difficulties to access non-bank, lending-based financing in your Member State / in the Member States you are active in?**

**Please select the Member States for which you want to provide a specific response, or select the "all EU-27" option if your answer is common to all Member States :**

**Please select as many answers as you like:**

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| <input type="checkbox"/> Croatia  | <input type="checkbox"/> Greece             | <input type="checkbox"/> Netherlands     | <input type="checkbox"/> All EU-27           |
| <input type="checkbox"/> Cyprus   | <input type="checkbox"/> Hungary            | <input type="checkbox"/> Poland          | <input type="checkbox"/> Non-EU country(ies) |
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| <input type="checkbox"/> Denmark  | <input type="checkbox"/> Italy              | <input type="checkbox"/> Romania         |  |
| <input type="checkbox"/> Estonia  | <input type="checkbox"/> Latvia             | <input type="checkbox"/> Slovak Republic |  |

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**To what extent do you agree the elements below represent obstacles faced by SMEs when accessing non-bank, lending-based financing in Germany?**

	1 (fully disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	Don't know - No opinion - Not applicable
Lack of information and awareness about non-bank, lending-based providers;	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Interest rates;	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
High search costs to find information about the finance providers;	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## **Please explain your answer to question 2 for Germany:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The most significant obstacle faced by SMEs when accessing non-bank, lending-based financing is the lack of information and awareness. Such lenders predominantly entered the stage after the financial crisis in 2008/9 only and are therefore not as established as traditional players and thus less known to the wider public and the SME environment.

Against this backdrop, it is highly important to boost awareness of the scheme among SME owners who have been declined when trying to access alternative debt capital. The EU Commission should introduce measures to advertise the scheme to SMEs when they have been denied finance. Businesses who are declined should also be made aware of the scheme. Adequate training of bank staff in branch and in call centres is required.

**Question 2.1 To what extent do you agree that the above obstacles could be addressed by a referral scheme for SMEs?**

	1 (fully disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	Don't know - No opinion - Not applicable
Lack of information and awareness about non-bank, lending-based providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Interest rates:	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
High search costs to find information about the finance providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Please explain your answer to question 2.1:

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The lack of information and awareness of such alternative financing routes could – if neatly implemented - be surmounted through such a scheme. Rejected SMEs will ideally be offered referrals directly to different alternative digital debt capital providers. This would remove any issues pertaining to lack of awareness, with SMEs now either connected directly to non-bank lenders, or to sources with the appropriate information the SMEs will need.

However, a significant portion of SMEs that do not reach the point of rejection, but still either decide not to apply to bank lending or stop their application mid-way due to informal discussions, will likely not benefit from such a scheme. Hence, a scheme should take these cases on board, too, in order to encompass the whole spectrum of reasons for triggering a referral to the alternative debt capital sector.

Furthermore, a scheme would also avoid risks of fraud, given that non-bank lenders will be part of a designated group. The core objectives behind such a scheme should be to increase awareness and information around alternative finance providers and provide a 'certification' to participating finance providers. In this way, the Commission would reduce existing information gaps whilst also alleviate costs of research and potential fraudulent behaviour.

**Question 3. To what extent would you agree that SMEs face difficulties to access equity-based financing in your Member State / in the Member States you are active in?**

**Please select the Member States for which you want to provide a specific response, or select the "all EU-27" option if your answer is common to all Member States :**

**Please select as many answers as you like:**

- |                                   |   |  |  |
|-----------------------------------|---|--|--|
| <input type="checkbox"/> Austria  | <input type="checkbox"/> Finland            | <input type="checkbox"/> Lithuania       | <input type="checkbox"/> Slovenia            |
| <input type="checkbox"/> Belgium  | <input type="checkbox"/> France             | <input type="checkbox"/> Luxembourg      | <input type="checkbox"/> Spain               |
| <input type="checkbox"/> Bulgaria | <input checked="" type="checkbox"/> Germany | <input type="checkbox"/> Malta           | <input type="checkbox"/> Sweden              |
| <input type="checkbox"/> Croatia  | <input type="checkbox"/> Greece             | <input type="checkbox"/> Netherlands     | <input type="checkbox"/> All EU-27           |
| <input type="checkbox"/> Cyprus   | <input type="checkbox"/> Hungary            | <input type="checkbox"/> Poland          | <input type="checkbox"/> Non-EU country(ies) |
| <input type="checkbox"/> Czechia  | <input type="checkbox"/> Ireland            | <input type="checkbox"/> Portugal        |  |
| <input type="checkbox"/> Denmark  | <input type="checkbox"/> Italy              | <input type="checkbox"/> Romania         |  |
| <input type="checkbox"/> Estonia  | <input type="checkbox"/> Latvia             | <input type="checkbox"/> Slovak Republic |  |

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**To what extent would you agree that SMEs face difficulties to access equity-based financing in Germany?**

	<b>1</b> (fully disagree)	<b>2</b> (rather disagree)	<b>3</b> (neutral)	<b>4</b> (rather agree)	<b>5</b> (fully agree)	Don't know - No opinion - Not applicable
Lack of information and awareness about equity-based providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
High search costs to find information about equity-based providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Please explain your answer to question 3 for Germany:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As our Association represents only the interests of the digital debt capital providers in Germany we do not have any opinion on the equity-based financing.

**Question 3.1 To what extent do you agree that the above obstacles could be addressed by a referral scheme for SMEs?**

	1 (fully disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	Don't know - No opinion - Not applicable
Lack of information and awareness about non-bank, lending-based providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Interest rates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
High search costs to find information about the finance providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

### Please explain your answer to question 3.1:

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As our Association represents only the interests of the digital debt capital providers in Germany we do not have any opinion on the equity-based financing.

### Question 4. Do you think that the COVID-19 pandemic has affected the usefulness and importance of establishing a bank referral scheme?

- 1 - Fully disagree
- 2 - Rather disagree
- 3 - Neutral
- 4 - Rather agree
- 5 - Fully agree
- Don't know / no opinion / not relevant

### Please explain your answer to question 4:

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The COVID-19 pandemic has highlighted the digital preparedness of the alternative digital debt capital sector, who have been providing their services digitally from the get-go, contrary to banks which are characterised by their bricks-and-mortar approach.

Furthermore, the pandemic has highlighted the grown trust of different European governments in the alternative non-bank lending sector. So, for example the French and British governments have both decided to funnel state aid to SMEs via the alternative non-bank debt capital sector. Both digital preparedness as well as governmental trust underline that the sector is prepared for such a scheme. Unfortunately, by the way, the German government to date hesitates to go down the same route. The so called 'house banking principle' which binds the distribution of state aid stemming from the state owned Kreditanstalt für Wiederaufbau (KfW) to banks keeps the alternative digital debt capital providers away from this form of state support. This actually was one of the reasons why it took so long in 2020 until the distribution of aid monies picked up pace - fully to the disadvantage of the suffering SME sector.

Separately, the risks of a reduction in bank lending caused by the COVID-19 pandemic (as was seen following the financial crisis) without alternative financing opportunities as a fallback will reduce overall investments into SMEs. This has been alleviated until now through the massive stimulus packages the EU and Member States have been implementing. Nevertheless, once these packages stop to exert its positive effects, there is a real risk of a drop in available bank lending, which in turn would cut off a significant number of SMEs from funding.

And the process has already begun. As current ECB numbers show the rejection rate for business loans at banks has recently already risen significantly. Besides, 'KfW Research' on a monthly basis demonstrates

that banks are continuing to tighten their lending policies towards SME - and they started doing so even before the outbreak of the Covid19 crisis! Another aspect that has to be taken into account though is that the negative earnings trend makes corporate financing increasingly unattractive for banks - return on equity increasingly fails to cover the cost of equity capital (Source: Bain & Company). And unlike consumer credit SME financing is still largely undigitized, and we are at the beginning of an already discernible rating migration that will make especially unsecured lending even more difficult and unprofitable for traditional banks. But SMEs and startups need in rem unsecured debt capital. If it doesn't come from banks, it must come from private and institutional investors via digital debt capital platforms.

Hence, a properly structured referral scheme is perfectly placed to avoid a difficult situation for the European SME sector.

**Question 5. Do you agree or disagree that a referral scheme would - alone or in a combination with other measures - improve access to financing by SMEs?**

- 1 - Fully disagree
- 2 - Rather disagree
- 3 - Neutral
- 4 - Rather agree
- 5 - Fully agree
- Don't know / no opinion / not relevant

**Please explain your answer to question 5:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are absolutely supportive of a referral scheme. For the different reasons mentioned above (see our answer on question 4) we believe the alternative digital debt capital sector should be strengthened to the benefit of the European SMEs.

## Scope

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**Question 6. Which of the providers below do you think should be included in the scope of potential providers of financing and platforms to which to refer SMEs as part of the scheme?**

*Platforms are understood as intermediaries connecting finance providers with finance seekers. These may include crowdfunding platforms, matchmaking platforms and some supply chain finance platforms for instance*

**a) Credit providers (please select as many answers as you like)**



Credit institutions under [CRR/CRD](#)

- AIFMs that manage loan originating [AIFs](#)
- Lending-based crowdfunding platforms providing lending under the [ECSP](#)
- Credit providers authorised under national legislation
- Credit providers that are currently not regulated
- Other credit providers

**Please specify what are the other credit providers you refer to:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As mentioned above, SMEs and startups especially need in rem unsecured debt capital. If it doesn't come from banks, it must come from private and institutional investors. Against this backdrop, all forms of alternative debt capital sources should be drawn into scope if neatly regulated. It makes absolutely no sense to inhibit growth by not tapping all sources and reducing the discussion on (senior) loans. This is especially true in the period of reconstruction after Corona. Consequently, also for example crowdlending platforms providing SME lending under national regulation should expressly fall into scope.

**b) Equity finance providers (please select as many answers as you like)**

- Investment-based crowdfunding platforms providing equity investment under ECSP
- Managers of venture capital funds
- Business angels / private investor syndicates
- Managers of private equity funds
- Other equity finance providers

**c) Supply chain finance and working capital providers (please select as many answers as you like)**

- Banks offering supply chain finance and working capital solutions
- Other platforms offering supply chain finance and working capital solutions

**Please specify what are the other platforms you refer to:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Platforms for working capital financing, factoring, leasing/sale and lease back.

**d) Others (please select as many answers as you like)**

- Insurance companies
- Other institutional investors
- Matchmaking platforms
- Advisory centres

**Please specify what are the other institutional investors you refer to:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Debt funds comprising institutional investors; family offices; pension funds

**Question 7. Are there any other providers of financing or platforms that you believe should be included but have not been mentioned above?**

- Yes
- No
- Don't know / no opinion / not relevant

**Please specify what other providers of financing or platforms not been mentioned should be included:**

*1000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Balance sheet lending providers as well as platforms for bonded loans and bonds should be encompassed. The two latter ones already play an important role for German enterprises. Due to different legislative initiatives regarding blockchain emissions especially bonds with lower emission sums will become more attractive for SMEs in the future.

**Question 8. A number of EU funded programmes focus on SMEs. Should the new referral scheme provide information on the national points of contact for accessing these EU programmes?**

- Yes
- No
- Don't know / no opinion / not relevant

**Question 9. What information should be sent by the referring entity to the receiving entities?**

-

- All the information in the application
- Only part of the information in the application
- Don't know / no opinion / not relevant

**Question 10. Should the information be provided in a standardised format?**

- Yes
- No
- Don't know / no opinion / not relevant

**Please explain your answer to question 10:**

*1000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The scheme is a great opportunity. By standardizing quantitative and qualitative data requirements and regulating their transfer to alternative providers, lending can be organized much more efficiently and cost-effectively. The advantages offered by this step are demonstrated by PSD2. By opening up account interfaces, alternative providers of innovative payment methods are offering new products that had not previously reached customers. Opening up banks' credit interfaces could likewise accelerate the necessary transformation of the financial sector. Ideally, in the event of rejection by the bank, access to alternative financing providers is granted immediately via defined interfaces and a credit decision can be made quickly by standardizing data requirements. This means that individual credit decisions based on specific, proprietary parameters are still possible. However, the process is significantly accelerated because factors that can slow down the decision are significantly reduced.

**Question 11. Should the scheme include only EU or also non-EU SMEs?**

- EU SMEs only
- EU and non-EU SMEs
- Don't know / no opinion / not relevant

**Please explain your answer to question 11:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 12. What criteria should be looked at in designating receiving entities (finance providers and platforms, possibly banks) that are in the**

## s c o p e                      o f                      t h e                      s c h e m e ?

**Please select as many answers as you like:**

- Relevance to SME funding
- Time in business
- Regulated provider
- Volume of financing facilitated/provided to SMEs
- Other

### **Question 12.1 How would you define the criterion/a you selected in question 12?**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Relevance to SME funding is the most suitable criterion to designate receiving entities. Given that such alternative sources of funding may come from new market players in many instances, time in business or volume of finance facilitated may still be at relatively low levels. The sector is still growing with new business constantly entering the market. Such businesses should be allowed to be part of the scheme if their service is relevant to SME funding.

Talking numbers, the members of our association come to a cumulative financing and investment brokerage volume of EUR 11.7 billion in 2020. Compared to what banks are putting in the streets this is truly a small figure. It already demonstrates though the growing significance of our members in the areas of alternative consumer, corporate and municipal finance with private and institutional investors on the other side of the online market places.

It is key that designated receiving entities are regulated providers to achieve a minimum level of quality, transparency, professionalism and supervision to the benefit of customers and the good reputation of our young industry.

### **Question 13. What criteria should be looked at in designating referring entities ?**

**Please select as many answers as you like:**

- Size
- Share of SME funding activities
- Other

## **Governance**

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**Question 14. Should the designation of referring entities and of receiving entities be done at EU level or at national level?**

- At EU level
- At national level
- Don't know / no opinion / not relevant

**Question 15. Which institution should designate the receiving entities and the referring entities?**

**Please select as many answers as you like:**

- National promotional bank
- National Treasury
- National supervisors
- Other national institution
- European Securities and Markets Authority
- European Insurance and Occupational Pensions Authority
- European Banking Authority
- European Investment Bank Group
- Other EU institution
- Other

**Question 16. Should designated referring entities refer rejected SMEs to domestic finance providers and platforms or also to providers in other Member States within the single market?**

- Only to domestic finance providers and platforms
- Both to domestic finance providers/platforms and across borders within the single market
- Don't know / no opinion / not relevant

**Question 17. Do you think that the referral requirement should apply to all participants of the scheme when they reject an SME funding application: i.e. not only from banks to finance providers and platforms but also from finance providers and platforms to banks, and amongst banks and finance providers and platforms?**

**a) From providers and platforms to banks:**

- Yes
- No
- Don't know / no opinion / not relevant

### **Please explain your answer to question 17 a):**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In principle, the Scheme should apply to both directions. This would benefit customers the most and the goal of the Capital Markets Union would be achieved faster and more comprehensively. However, the prerequisite for this is a level playing field. The administrative effort in terms of technical, personnel and, above all, financial aspects will be enormous and comparatively greater, especially for smaller providers. (...)  
> see the rest of the answer below at b)

### **b) Amongst banks:**

- Yes
- No
- Don't know / no opinion / not relevant

### **Please explain your answer to question 17 b):**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

(...) Against this background, consideration should be given to applying the scheme in an initial phase only into the direction of alternative providers. At the same time, the development of uniform interfaces as well as data points and sheets should be driven forward in order to make the referral scheme lean and cost-friendly for all participants. In a second phase the scheme should apply to all participants.

### **c) Amongst finance providers and platforms:**

- Yes
- No
- Don't know / no opinion / not relevant

### **Please explain your answer to question 17 c):**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As part of a second phase the scheme should apply to all participants (see our answer to the question before).

## **Regulation and supervision**

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**Question 18. Would it be problematic if the scheme were open to both regulated and non-regulated finance providers and platforms?**

- Yes
- No
- Don't know / no opinion / not relevant

**Which challenge(s) would you expect?**

**Please select as many answers as you like:**

- Level playing field issue between regulated and non-regulated entities
- Risk of fraud and scams
- Other

**Please specify what are the other challenge(s) you would expect:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The alternative finance industry thrives on the credibility and quality of providers. Black sheep damage the trust of debtors and creditors. Rules are therefore necessary. They do not always prevent scandals, as reality proves, but they can help make scandals less frequent. All providers should therefore be regulated market participants.

**Question 19. Do you consider that all designated finance providers and platforms should be regulated (under EU or national financial regulation)?**

- Yes
- No
- Don't know / no opinion / not relevant

**Question 19.1 In light of the regulatory challenges identified above, should the existing regulatory framework be maintained or changed?**

**a) Credit providers**

	Regulatory framework should be <b>maintained</b>	Regulatory framework should be <b>changed</b>	Don't know - No opinion - Not applicable
Credit institutions under <a href="#">CRR/CRD</a>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
AIFMs that manage loan originating <a href="#">AIFs</a>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Lending-based crowdfunding platforms providing lending under the <a href="#">ECSP</a>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit providers authorised under national legislation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit providers that are currently not regulated	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other credit providers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

## b) Equity finance providers

	Regulatory framework should be <b>maintained</b>	Regulatory framework should be <b>changed</b>	Don't know - No opinion - Not applicable
Investment-based crowdfunding platforms providing equity investment under ECSP	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Managers of venture capital funds	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Business angels / private investor syndicates	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Managers of private equity funds	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other equity finance providers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

## c) Supply chain finance and working capital providers

	Regulatory framework should be <b>maintained</b>	Regulatory framework should be <b>changed</b>	Don't know - No opinion - Not applicable
Banks offering supply chain finance and working capital solutions	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other platforms offering supply chain finance and working capital solutions	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please specify to what other platforms offering supply chain finance and working capital solutions you refer in your answer to question 19.1 c):**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Today, there exist several platforms offering factoring etc. All of them are regulated (MiFID2; local regulation).

**d) Others**

	Regulatory framework should be <b>maintained</b>	Regulatory framework should be <b>changed</b>	Don't know - No opinion - Not applicable
Insurance companies	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other institutional investors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Matchmaking platforms	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Advisory centres	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Question 19.2 Please explain how the regulatory framework should be changed:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 20. In the same vein, should the existing supervisory frameworks be maintained or changed to ensure a level-playing field and avoid regulatory arbitrage?**

**a) Credit providers**

	Regulatory framework should be <b>maintained</b>	Regulatory framework should be <b>changed</b>	Don't know - No opinion - Not applicable
Credit institutions under <a href="#">CRR/CRD</a>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

AIFMs that manage loan originating <a href="#">AIFs</a>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lending-based crowdfunding platforms providing lending under the <a href="#">ECSP</a>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Credit providers authorised under national legislation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other credit providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## b) Equity finance providers

	Regulatory framework should be <b>maintained</b>	Regulatory framework should be <b>changed</b>	Don't know - No opinion - Not applicable
Investment-based crowdfunding platforms providing equity investment under ECSP	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Managers of venture capital funds	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Business angels / private investor syndicates	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Managers of private equity funds	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other equity finance providers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

## c) Supply chain finance and working capital providers

	Regulatory framework should be <b>maintained</b>	Regulatory framework should be <b>changed</b>	Don't know - No opinion - Not applicable
Banks offering supply chain finance and working capital solutions	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other platforms offering supply chain finance and working capital solutions	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please specify to what other platforms offering supply chain finance and working capital solutions you refer in your answer to question 20.1 c):**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Today, there exist several platforms offering factoring etc. All of them are regulated (MiFID2; local regulation) and, thus, they are under supervision.

#### d) Others

	Regulatory framework should be <b>maintained</b>	Regulatory framework should be <b>changed</b>	Don't know - No opinion - Not applicable
Insurance companies	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other institutional investors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Question 21. Once finance providers and platforms (as receiving entities) have been designated by the relevant body, should their inclusion into the scope of the scheme as receiving entities be voluntary or mandatory?**

- Inclusion of designated finance providers and platforms into the scope of the scheme as receiving entities should be **voluntary**
- Inclusion of designated finance providers and platforms into the scope of the scheme as receiving entities should be **mandatory**
- Don't know / no opinion / not relevant

**Question 21.1 Should all applying finance providers and platforms be able to enter the scheme as receiving entities provided they are regulated /supervised?**

- All applying providers and platforms should be able to enter the scheme as receiving entities provided they are regulated and supervised
- Not all applying provider and platforms should be able to enter the scheme as receiving entities, even if they are regulated and supervised. Some additional selection criteria should be considered (the ones explained in question 12)
- Don't know / no opinion / not relevant

**Question 21.2 Please explain your answer to question 21 and 21.1:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Explanation of answer 21:

Designated finance providers and platforms would not benefit from a mandatory regime as this would require them to necessarily receive and assess rejected SMEs even if capacity to do so is non-existent. As long as a platform/provider meets the criteria that will be set out, it must then be allowed to decide on an individual basis whether at all and when it is ready to join the referral scheme. The costs of joining such a scheme ill-prepared would outweigh the benefits.

Explanation to answer 21.1:

As long as financing providers and platforms are regulated, there should not be any further criteria to be considered aside from whether their service is relevant to SME financing. Making further assessment of providers and platforms which are already regulated would lead to double work being completed and may require additional reporting of the same information.

**Question 22. Should rejected SMEs be referred, after giving their consent, to the whole list of designated finance providers and platforms, even if not all might be relevant?**

- Yes
- No
- Don't know / no opinion / not relevant

**Question 23. Assuming that the referred SME would provide consent prior to their application referral, in your view, would there be any potential liability risks for the referring entity (i.e. GDPR compliance, data privacy)?**

- Yes
- No
- Don't know / no opinion / not relevant

**Question 24. In your view, would there be any risks of liability for the referrer regarding the subsequent success or failure of the application?**

- Yes
- No
- Don't know / no opinion / not relevant

## Compliance costs

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**Question 25. What set-up and ongoing compliance costs do you expect arising from such referral scheme for the stakeholders below? Where possible, please base your answer on actual costs if there are existing similar schemes or provide estimates:**

**a) For referring entities (banks, other finance providers and finance platforms):**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are not able to provide any indication. The costs very much depend on the specificities of the scheme.

**b) For receiving entities (banks, other finance providers and finance platforms):**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are not able to provide any indication. The costs very much depend on the specificities of the scheme.

**Question 26. A referring entity within the scope of the referral scheme would have to refer each rejected applicant (SME) to other providers of finance and / o r f i n a n c e p l a t f o r m s .**

**In your view, what would be the associated costs for the referring entity for each of the following actions?**

	Negligible	Medium	High	Don't know - No opinion - Not applicable
Receiving consent from the rejected entity (SME) to refer their application to an alternative provider of finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Processing and formatting the information on the rejected entity (SME) into a suitable format for transfer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Forwarding the relevant information to the alternative finance provider	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
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**Question 26.1 What other elements could create costs for the referring entity?**

*1000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 27. A receiving entity within the scope of the referral scheme would have to receive information pertaining to each rejected applicant (SME) being referred to them.**

**In your view, what would be the associated costs for the receiving entity for each of the following actions?**

	Negligible	Medium	High	Don't know - No opinion - Not applicable
Receiving the referral from the referring entity about the SME's application	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Processing and formatting the information on the rejected entity (SME) into a suitable format for further use	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Question 27.1 What other elements could create costs for the receiving entity?**

*1000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## IT and data formats

**Question 28. Could the referral scheme be automated, thus reducing variable costs?**

- Yes
- No
- Don't know / no opinion / not relevant

**Question 28.1 What technological solutions could be utilised in order to lower potential costs for the referring entity?**

*1000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Cost savings could be realized through the use of uniform interfaces as well as data points and data formats as mentioned before. Technically, the implementation could be oriented on the implementation of PSD2.

**Question 29. In order to improve the usability of the information, would you support the use of structured data formats, such as XHTML, iXBRL, XML, etc., allowing for machine readability of the underlying SME information?**

- Yes
- No
- Only on a voluntary basis
- Don't know / no opinion / not relevant

**Question 29.1 Which of the following machine-readable formats would you find suitable? Please rate the following information based on how suitable they are according to you:**

	1 (highest rate)	2	3	4	5 (lowest rat)
XHTML files + inline XBRL tagging requirements	<input type="radio"/>				

XML files	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CSV files	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Excel	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Formats enabling natural language processing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your position providing your arguments, and where appropriate, concrete examples and evidence to support your answers:**

*1000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Market standard.

**Question 30. How should information be delivered by referring entities to receiving entities?**

**Please select as many answers as you like:**

- In a decentralised manner (between referring entities and receiving entities)
- Through a centralised hub
- Means of communication should be left to the discretion of the referring entity
- Other

**Question 31. How should the information be accessible by receiving entities?**

**Please select as many answers as you like:**

- Through Application Programming Interfaces (APIs)
- Bulk download
- Through a web portal
- In PDF
- Other

**Question 32. The SME-related information should be delivered by referring entities to receiving entities:**

**Please select as many answers as you like:**

- in the language of the Member State of the referring entity
- in a language that is customary in the sphere of international finance
- in multiple or all EU languages where a digital translation solution is possible

**Question 33. Would these technological solutions be easily accessible to all parties (in terms of costs, onboarding etc)?**

- Yes
- No
- Don't know / no opinion / not relevant

## Possible challenges

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**Question 34. Do you expect challenges linked to fraudulent behaviour to be:**

- Negligible
- Substantial but manageable
- Substantial and critical for at least some of the actors involved
- Don't know / no opinion / not relevant

**Question 34.1 Please specify for which of the actors involved you expect challenges linked to fraudulent behaviour to be substantial and critical:**

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If unregulated providers are included within the scheme, the risks for fraudulent behaviour increase, which in turn reduce the trust of SMEs towards the referral scheme as a whole.

**Question 35. What safeguards should be put in place to avoid fraudulent behaviour?**

**a) of referring entities:**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

n/a

## **b) of receiving entities (banks or finance providers and platforms):**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is key for receiving entities to be regulated. It should be stipulated, however, that 'regulated' only entails regulation to the extent required based on the risk profile of each entity. Hence, the risk profile would be defined by the activities and services undertaken by the business.

## **c) of rejected entities (SMEs):**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Apply standard onboarding procedures (AML checks etc).

**Question 36. What other challenges do you expect for the stakeholders involved: banks, finance providers and platforms, SMEs, supervisory/designating authorities? For each challenge, please specify whether you would expect them to be negligible, substantial but manageable or substantial and critical for at least some of the actors involved (if so, which ones?):**

### **a) Banks:**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

n/a

### **b) Finance providers and platforms:**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As a matter of principle, customer referrals should not trigger any costs for the referral. However, in line with the 2-phase model proposed above, it should be considered compensating the banks for the referral with a

commission on a transitional basis. This would certainly promote acceptance of the scheme on the part of the banks.

**c) SMEs:**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

n/a

**d) Supervisory authorities / designating authorities:**

*500 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

n/a

**Question 37. What mitigating measures to the challenges above would you recommend ?**

**Please select as many answers as you like:**

- Mitigating measures to the other challenges above faced by banks
- Mitigating measures to the other challenges above faced by finance providers and platforms
- Mitigating measures to the other challenges above faced by SMEs
- Mitigating measures to the other challenges above faced by supervisory authorities / designating authorities

**Question 38. You expect challenges linked to raising awareness / promotion of the scheme among SMES to be:**

- Negligible
- Substantial but manageable
- Substantial and critical for at least some of the actors involved
- Don't know / no opinion / not relevant

## Question 39. How to raise awareness/promote such referral schemes among SMEs?

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The Scheme should be referred to both at the pre-contractual stage and at the conclusion of the contract. In addition, the Commission should intensively promote the Scheme as part of its SME strategy.

## Existing schemes

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A bank referral scheme has been in place in the UK since 2016. The Credit Review Office in Ireland re-assesses SME rejected credit applications. In Spain, when banks deny or cancel financing facilities to an existing SME client, they are required to provide the SME with a standardised “SME information sheet” with credit information that the SME can use to approach other finance providers.

## Question 40. Are you aware of similar or related schemes aiming at helping SMEs access funding when their credit applications have been rejected, in EU and non-EU countries?

- Yes
- No
- Don't know / no opinion / not relevant

## How many of these schemes you are aware of would you like to detail here?

- 1 scheme
- 2 schemes
- 3 schemes
- 4 schemes
- 5 schemes
- none

## Please describe scheme number 1:

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The UK introduced its Bank Referral Scheme (BRS) in November 2016. From a platform perspective the conversion of business from contact to loan has been quite low – for example in the 12 months up to July 2020 only 23 Mio Pounds have been lent. As a policy tool it has not achieved its objective in the UK of ensuring SMEs have access to a wide range of suitable financing options outside banking lending as was intended. It is imperative that any future EU scheme supports the development of an SME lending

ecosystem that fosters competition, choice and access to a large number of suitable non-bank financing options.

Key ingredients for SMEs when accessing finance are:

- Speed/timeframe – large delays between initial contact with a business and the generation of the subsequent loan.
- The point of referral – In the UK a referral only happens after an applicant has been formally rejected. In reality, banks will have verbally/informally discouraged away potential candidates from officially applying before getting to a point of formal rejection. This significantly hinders viable SMEs from accessing finance elsewhere in the marketplace. Additionally, this undermines the pipeline of referrals to other potential designated providers.

### How effective do you consider scheme number 1 to be?

- 1 - Not effective
- 2 - Rather not effective
- 3 - Neutral
- 4 - Rather effective
- 5 - Very effective
- Don't know / no opinion / not relevant

### Has scheme number 1 raised challenges to stakeholders involved?

- Yes
- No
- Don't know / no opinion / not relevant

### Were these challenges raised by scheme number 1 overcome, and how?

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is one main challenge for stakeholders in the existing SME referral scheme in the UK. Many SMEs do not reach the point of official rejection, thus, the quantity of SMEs being referred is significantly lower, when in fact discouraged SMEs that have not gone through the official application process due to informal conversations with banks could have been candidates for funding through alternative means. This also causes a second issue which also remains. Given that only SMEs that have received an official rejection by the bank are referred, the quality of SMEs that are requesting such alternative funding is reduced.

### Question 41. Is there anything else that you would like to bring to the attention of Commission services in respect to a potential EU referral scheme for SMEs?

*3000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If the EU's SME referral scheme based on common APIs as well as quantitative and qualitative data sources is a success, it will facilitate an increase in competition and choice in the lending market and ensure SMEs have a wide range of suitable options available to easily access finance.

## **Useful links**

[More on this call for feedback \(https://ec.europa.eu/info/publications/finance-consultations-2021-eu-referral-scheme\\_en\)](https://ec.europa.eu/info/publications/finance-consultations-2021-eu-referral-scheme_en)

[Call for feedback document \(https://ec.europa.eu/info/files/2021-eu-referral-scheme-consultation-document\\_en\)](https://ec.europa.eu/info/files/2021-eu-referral-scheme-consultation-document_en)

[More on capital markets union \(https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union\\_en\)](https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/2021-eu-referral-scheme-specific-privacy-statement\\_en\)](https://ec.europa.eu/info/files/2021-eu-referral-scheme-specific-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

## **Contact**

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