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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	501
Paragraph	2
Subparagraph	b
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Article 501
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Disclose name of institution / entity	Yes
Name of institution / submitter	Building Societies Association
Country of incorporation / residence	United Kingdom
Type of submitter	Industry association
Subject matter	Definition of SME
Question	SMEs are defined by turnover alone (EUR 50 million according to OJ L 124, 20.05.2003). Our question concerns when turnover is recorded. Is it (i) at inception of the loan or (ii) on an on-going basis? We would also like to know what level of documentation/proof is required, if any.
Background on the question	Not all of our members, particularly smaller ones, hold turnover data on their systems so will have no actual "proof". It would be disproportionately burdensome for them to start collecting this data, particularly if it had to be monitored. But it would be relatively straightforward for them to determine what percentage of their loan book would never exceed the SME turnover threshold either at inception or during the life of the loan.
Final answer	Under Article 501(2)(b) of Regulation (EU) No. 575/2013 (CRR) an SME is defined in accordance with Commission Recommendation 2003/361/EC of 6

	<p>May 2003 concerning the definition of micro, small and medium sized enterprises. A deviation results only to the extent that, among the criteria listed in Article 2 of the Annex to that Recommendation, only the annual turnover shall be taken into account.</p> <p>Since the possible relief in capital requirements under Article 501 of the CRR is limited to exposures to SMEs, it needs to be ensured that this privilege is not extended inappropriately. An institution therefore needs to have adequate current information available on an on-going basis and should be able to adequately demonstrate the fulfilment of this requirement to its competent authorities.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_343

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