

European Banking Authority

Brussels, 4 August 2015

Re: EBA Consultation Paper on Assigning Risk Weights to Specialised Lending Exposures

Dear Sir/Madam,

Leaseurope welcomes the opportunity to respond to this consultation. Leaseurope brings together 46 member associations representing the leasing, long term and/or short term automotive rental industries in the 34 European countries in which they are present. The scope of products covered by Leaseurope members' ranges from hire purchase and finance leases to operating leases of all asset categories (automotive, equipment and real estate). It also includes the short term rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 92% of the European leasing market and in 2013 total new leasing volumes worth 251.9 billion Euros were granted by the firms represented through Leaseurope's members.

Question 3: Do you agree with the classification of specialised lending exposures and the descriptions given?
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We recommend it be clear that leases in general are not specialised lending. The fact that leasing is specifically mentioned in the definitions of real estate and object finance specialised lending in the current proposal makes this point unclear. The article 147(8) of CRR reads that to qualify for specialised lending exposures the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise. Most types of leases, while being essential assets for the functioning of the business, do not rely on the income generated by the leased asset to repay the obligation. Only a small number of leases and asset types, typically large contracts like aeroplanes or ships, would potentially meet the criteria for specialised lending.

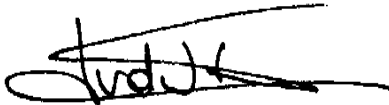
In addition, under international lease accounting rules, a contract is defined as a lease where the lessee has control of the assets (and therefore by definition the income that it generates). To avoid unnecessary confusion or uncertainty we recommend the EBA refer to the accounting treatment which confirms that leases should not be treated as specialised lending.

Our understanding is also that the specialised lending category is meant to cover higher risk corporate lending. During the most recent economic crisis, leasing has proven a reliable and robust form of SME finance as well as demonstrating relatively low risk profile in Europe. The common feature of all lease contracts is that the lessor retains ownership of the leased asset throughout the life of the contract, which allows lessors to mitigate credit loss.

According to an extensive research carried out by Deloitte France in 2013ⁱ, default and loss rates for leases are significantly lower than for traditional lending. Based on a portfolio of 3.3 million lease contracts across 15 European countries, the study showed that one-year defaults on leasing corporate exposures were 2.3% compared to around 3% for all corporate lending in 2010. Similarly loss rates for leasing were 11.1% compared to over 30% for all corporate lending.

I remain at your disposal, should you be interested in discussing any specific issue. Alternatively feel free to contact my colleague Rafael Alarcón Abeti (r.alarconabeti@leaseurope.org- tel: + 32 2 778 05 69).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tanguy van de Werve', with a long horizontal stroke extending to the right.

Tanguy van de Werve
Director General

ⁱ Available upon simple request addressed to r.alarconabeti@leaseurope.org