

European Banking Authority

Brussels, 4 August 2016

Re: Eurofinas response to the EBA consultation paper on LCR disclosure

Dear Sir/Madam,

Eurofinas and Leaseurope, the voices of consumer credit and leasing at European level, welcome the opportunity to respond to the European Banking Authority's consultation paper on the draft guidelines on LCR disclosure to complement the disclosure of liquidity risk management.

The membership of our two Federations covers institutions specialised in one or more of the following activities:

- Lending to consumers, for instance via personal loans, credit cards or lease/hire purchase agreements
- Leasing to businesses of all asset types, including machinery and industrial equipment, ICT and others assets
- Motor finance, granted to individuals or businesses, either in the form of loans or leases

The consumer credit, asset finance and leasing markets have developed to respond to business investment and consumption needs as well as to accompany the development of local industrial production and distribution. The types of institutions represented by the Federations include specialised banks, bank-owned subsidiaries, the financing arms of manufacturers as well as other, independently-owned institutions. They typically do not take deposits from the public and tend to operate on a matched-funding basis.

In 2015, the leasing firms represented through Leaseurope's membership helped European businesses invest in assets worth more than 315 billion EUR, reaching 755 billion EUR of outstandings at the end of the year¹. Leasing is used by more European SMEs than any individual category of traditional bank lending taken altogether (around 40% of all European SMEs make use of leasing which is more than any other individual form of lending)² and is also extremely popular amongst larger corporates³. It is also extremely useful to support the public sector (e.g. leasing to schools, hospitals, etc.).

In 2015, consumer credit providers that are members of Eurofinas helped support European consumption by making more than 423 billion EUR goods, services, home improvements and private vehicles available to individuals, reaching 981 billion EUR of outstandings at the end of the year⁴. Consumer lending is procyclical and is highly positively correlated with households' disposable income⁵. By providing access to finance to individuals and households, consumer credit supports the social and economic well-being of millions of consumers across Europe.

These entities are subject to the Liquidity Coverage Ratio (LCR) when:

- They qualify as credit institutions and are thus directly subject to the provisions of the Capital Requirements Regulation (CRR).
- They are part of a banking group and are subject to the LCR provisions of the CRR on a legal entity basis (i.e. when competent authorities have not elected to apply the LCR requirements at group level only).
- National authorities decide to extend the scope of the CRR and its liquidity requirements to leasing and consumer credit firms even though they do not qualify as credit institutions.

European prudential and supervisory requirements are primarily designed for large and significant institutions. These requirements do not all fit smaller-sized institutions or specialised business models. Consumer credit providers, asset financiers and lessors across Europe encompass a diversity of organisations of different legal nature and with various operational characteristics. All share a very high degree of specialisation and have a very limited mix of business activities compared to traditional mainstream banking organisations. Such firms are, by their very nature, not equipped to comply with the same requirements as their larger counterparts.

To achieve the right balance between a sound prudential and supervisory framework and an efficient financing of the economy, the various regulatory standards should be adjusted in line with the proportionality principle. Against this backdrop, **the Federations support the development of a**

¹ Leaseurope 2015 Annual Statistical Enquiry

² Oxford Economics, *The Use of Leasing Amongst European SMEs*, 2015; Eurostat, *Access to Finance Statistics*, 2011; International Finance Corporation *Leasing in Development: Guidelines for Emerging Economies*, 2009; European Investment Fund *The importance of leasing for SME finance*, 2012; and UEAPME, *UEAPME Newsflash*, 2012

³ European Central Bank *Survey on the Access to Finance of Small and Medium-Sized Enterprises in the Euro Area*, April 2013

⁴ Eurofinas 2015 Annual Statistical Enquiry

⁵ Eurofinas, *Consumer Credit, Helping European Households Finance their Tomorrow*, 2015

simplified LCR disclosure template. As suggested by the EBA, the simplified template could include the ratio, the numerator and the denominator as key ratios and figures in the sense of Article 435(1) (f) CRR.

Leasing, asset finance and consumer credit entities are particularly affected by regulatory constraints because of their relative smaller size and specialised business models. The resources, staffing, internal investments required to comply with disclosure standards can be very heavy for these institutions and we believe should not be under-estimated.

We understand that as part of the CRR review, part eight of the Regulation should be adjusted to better take into account the proportionality principle. We believe the criteria to determine the application of the simplified template should therefore be consistent with the revised general framework.

I remain at your disposal, should you be interested in discussing any specific issue. Alternatively feel free to contact my colleagues Rafael Alarcón Abeti (r.alarconabeti@leaseurope.org – tel: +32 2 778 05 69) and Alexandre Giraud (a.giraud@eurofinas.org – tel: +32 2 778 05 64).

Yours sincerely,



Leon Dhaene
Director General