

**European Banking Authority**

Brussels, 26 October 2016

*Re: Eurofinas response to the EBA consultation paper on connected clients*

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 (EBA) consultation paper on the draft guidelines on Connected Clients under Article 4(1) (39) of Regulation EU 575/2013.

***Establishing interconnectedness based on economic dependency***

We support the EBA's point that when assessing interconnectedness among their clients based on economic dependency, institutions should take into account the specific circumstances of each case.

The 2009 CEBS guidelines on large exposures included situations where a significant part of the production/output is for one single customer as well as a significant part of receivables or liabilities of the client is to one counterparty. These situations were illustrative examples where firms should carry out further investigations.

The 2016 draft guidelines introduce not only more specific criteria but seems to promote a list of situations which should be treated as firmly constituting economic dependency. We believe this contradicts the objective of the assessment which is precisely to adopt a risk-based approach.

The proposed criteria 6.23 (c) and 6.23 (d) are incompatible with the activities of specialised financial services providers where consumer credit, asset finance and lease agreements are distributed through the manufacturers and dealers of business equipment, vehicles and consumer goods. We believe these criteria could seriously compromise point of sale activities which provide a convenient one-stop-shop for clients who are seeking to purchase or obtain the use of assets and allow European manufacturers and distributors of goods to sustain and increase their sales.

We would welcome a clarification on this.

***Economic dependency through a main source of funding  
Treatment of SPVs within an ABCP programme***

We understand from paragraphs 6. 27, 6. 28, 6. 29 together with example E6 in the Draft Guidelines that Special Purpose Vehicles (SPVs) sponsored by a bank (i.e. SPVs within an ABCP programme) should be treated as economic dependent through a main source of funding. Therefore, they will be considered as connected clients within the meaning of Art. 4(1) 39(b) CRR.

We believe it should not be assumed that SPVs within an ABCP programme necessarily constitute a single economic risk. Example E6 is too simplistic as it does not consider an appropriate economic evaluation of loss risks.

We think this approach will have a negative impact on the use of ABCPs by our member firms and their ability to access funding. Ultimately, this will increase the cost for lessors and consumer credit providers to finance the real economy.

We would recommend to remove example E6 as well as paragraphs 6.28 and 6.29 in the Draft Guidelines and to replace them with the following criteria:

*A dependency through a main source of funding is deemed to exist when:*

- (i) the underlying assets are not appropriately segregated and;*
- (ii) there is just one single source (entity) of funding which must be replaced but is not replaceable within an adequate timeframe and;*
- (iii) the respective clients are not able to overcome their dependence on such source even by taking on practical inconvenience or higher costs.*

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

Yours sincerely,



Leon Dhaene  
Director General

***Eurofinas and Leaseurope are entered into the European Transparency Register of Interest Representatives with ID n° 83211441580-56 and 16013361508-12***