

Consiglio del 27 maggio 2020

**Punto 5 all' ODG
Attività EUF**

ALLEGATO 5.1

**Lettera EUF, Leaseurope ed Eurofinas su pacchetto flessibilità COVID
Lettera EUF, Leaseurope ed Eurofinas su EBA guidelines on loan origination and monitoring**

To: Ambassador Irena Andrassy
Permanent Representation of Croatia to the EU

Brussels, 30 April 2020

Request for COVID-19 related clarifications and actions for leasing, factoring and consumer finance

Dear Madam,

Leaseurope, Eurofinas and EUF wholeheartedly offer their support to the European Institutions and Member States' combined efforts in protecting businesses and families from the economic impact of COVID-19. Indeed, the effects of the crisis have already hit Europe's economies in unprecedented ways, which makes it all the more relevant to ensure the real economy is supported with all means available. This includes, for example, utilising the already built in flexibility in the prudential framework to the maximum extent possible, through the measures ensuring the liquidity of the banking sector, and the adopted Temporary Framework to support the economy through the fullest flexible use of the State aid rules.

Leasing and factoring solutions support European businesses small and large where it is most needed, by enabling them to invest in and manage new assets that keep their companies operating. The leasing industry has always enabled European businesses, particularly SMEs, to invest and grow by providing essential equipment like manufacturing machines, agricultural equipment, fleet cars, delivery trucks, computers and printers, amongst many more. Now more than ever before, the continued efforts of our members are helping these companies stay in business, supporting farmers and delivery firms to keep shelves stocked, and ensuring factories are still running. In parallel, consumer finance provides access to finance to individuals and households, thereby supporting the social and economic well-being of millions of consumers across Europe, which in turn benefits manufacturers, motor dealers and retailers.

Close cooperation between all stakeholders (leasing, consumer credit, factoring), governments and regulatory authorities will be required to effectively meet the challenges ahead. Against this background, we would like to draw the attention to the following:

- Our industries endorse the Commission's **State aid Temporary Framework** to support the economy in the context of the COVID-19 outbreak. This being said, we would like to stress the need to ensure that direct grants, selective tax advantages, advance payments and state guarantees for loans can be accessed by leases and factoring as well.
- Our industries are increasingly faced with **requests for temporary payment relief**. In order to address this in a responsible and risk appropriate manner, it is essential that a flexible prudential treatment regarding classification in default / forbearance (CRR/IFRS9) of some "private" specialised credits (consumer credit, factoring, leases) treatment is taken into account. This would in effect mean that offering and acceptance of terms set out in general moratoria should not lead to a (re-)classification of any such credit or lease under the definition of forbearance, as either performing or non-performing forborne. In other words, no automatic reclassification should generally be foreseen when general measures are being offered, as set out in the statement of the European Banking Authority on 25 March and additional guidance from 2 April. In addition, it should be **possible to apply moratoria broadly** and vis à vis a wide variety of obligors and institutions, including large enterprises.
- Eurofinas, EUF and Leaseurope welcome the **liquidity focused measures taken by the ECB** in the context of the COVID-19 crisis, in particular the ECB statement to ease its collateral standards by adjusting the main risk parameters of the collateral framework. However, two main sources of finance for our industries will still not qualify for the new Pandemic emergency purchase programme (PEPP) or any other future ECB purchase programme. In order to mitigate the impact that the COVID-19 crisis will have on our capacity to attract funding at competitive rates, we propose to the ECB to accept as eligible collateral the following:
 - o Asset-backed commercial papers (ABCPs) issued by banks' supported Special Purpose Vehicles (SPVs) and/or conduits, which benefit from credit supports or liquidity lines from their parent bank. As it is already the case for other secured securities, commercial paper issued by conduits should be eligible for the ECB programmes.

- STS labelled asset-backed security (ABS) deals backed by operational leases, which include a residual value component. Securitisations that comply with the strict STS criteria are of proven high quality, therefore in our view it is not justified to exclude some parts of the European STS securitisation market from the ECB programmes.
- In addition, a number of consumer finance, factoring and leasing companies are currently excluded from the Targeted longer-term refinancing operations (TLTROs) scope because they do not have the status of credit institutions even though most of them are subsidiaries of banks regulated and supervised under prudential rules.

Consumer finance, factoring and leasing companies enable both supply and demand of products and services in Europe's economy to be sustained in the most difficult of times. As such, they play an indispensable role in finding a path through the current crisis as well as laying the groundwork for economic recovery. We therefore call on regulators at national and European level to ensure regulatory obstacles are fully addressed which in turn will enable the industries we represent to help sustain the European economy, its productivity and employment. We remain at your disposal for follow-up on any of the issues highlighted in this letter.

Yours sincerely,



Françoise Palle-Guillabert
Chair
EUF



Antonio Menezes Rodrigues
Chair
Eurofinas



Patrick Beselaere
Chair
Leaseurope

About Us

Eurofinas, the European Federation of Finance House Associations, is the voice of the specialised consumer credit providers in the EU. As a Federation, Eurofinas brings together associations throughout Europe that represent finance houses, specialised banks, captive finance companies of car, equipment, etc. manufacturers and universal banks. The scope of products covered by Eurofinas members includes all forms of consumer credit products such as personal loans, point of sale credit, credit cards and store cards. Consumer credit facilitates access to assets and services as diverse as cars, studies, furniture, electronic appliances, etc. Eurofinas members financed more than €466 billion worth of new loans during 2018 with outstandings reaching over €1.1 trillion euros at the end of the year.

Eurofinas is entered into the European Transparency Register of Interest Representatives with ID n° 83211441580-56.

More information on Eurofinas activities available at www.eurofinas.org

EUF is the Representative Body for the Factoring and Commercial Finance Industry in the EU. The EUF is composed of national and international associations for the factoring and commercial finance industry that are active in the EU. Its members represent over 97% of the factoring industry's turnover, which amounted to 1.7 trillion Euros in 2018 and can therefore be seen as an increasingly important mechanism for the funding of the real economy and especially of SMEs, that represent 87% of the total client number. EUF is entered into the European Transparency Register of interest Representatives with ID n° 39275004756-35.

More information at www.euf.eu.com

Leaseurope brings together 45 member associations representing the leasing, long term and/or short term automotive rental industries in the 33 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, machinery, ICT and real estate). It also includes the short-term rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 93% of the European leasing market. The types of institutions represented by the Federation include specialised banks, bank-owned subsidiaries, the financing arms of manufacturers as well as other, independently owned institutions. In 2017, the leasing firms represented through Leaseurope's membership helped European businesses invest in assets worth more than 384 billion EUR,

reaching 802 billion EUR of outstandings at the end of the year^[1]. Leasing is used by more European SMEs than any individual category of traditional bank lending taken altogether (around 46% of all European SMEs make use of leasing which is more than any other individual form of lending)^[2] and is also popular amongst larger corporates^[3]. Leasing is also useful to support the public sector (e.g. leasing to schools, hospitals, etc.). Leaseurope is entered into the European Transparency Register of Interest Representatives with ID n° 430010622057-05.

More information at www.leaseurope.org

^[1] Leaseurope 2017 Annual Statistical Enquiry

^[2] Oxford Economics, *The Use of Leasing Amongst European SMEs*, 2015; European Investment Fund, *The importance of leasing for SME finance*, 2012; European Central Bank, Survey on the Access to Finance of Enterprises in the euro area, June 2018

^[3] European Central Bank, Survey on the Access to Finance of Enterprises in the euro area, June 2018

Brussels, 11 May 2020

Subject: EBA COVID-19 measures & Guidelines on Loan origination and monitoring

Dear Mr. Campa,

EUFC, Eurofinas and Leaseurope, the European Federations representing factoring, specialised consumer credit providers and Leaseurope, welcome and support the measures of the European Banking Authority in light of the COVID-19 outbreak. The Authority's swift and resolute actions, including the issuing of statements and guidelines, have provided additional clarity on the application of the relevant frameworks, the interplay with the national measures taken whilst at the same time taking into consideration the necessary flexibility.

We firmly believe that this joint, supportive and enabling approach taken by the EBA, the European Central Bank and the European Commission is essential for the safeguarding of our economies and the well-being of European consumers and businesses to the greatest extent possible.

Leasing, factoring and consumer finance companies are providing important tools to support economic activity and to enable both supply and demand of products and services in Europe's economy to be sustained in the most difficult of times. We remain in constant contact with our customers, private individuals and businesses alike, to support them in meeting the challenges faced. In most European Member States, we have seen significant increases in applications for payment deferrals, either via public or private moratoria. With many issues still unclear regarding the post-moratorium phase and many national support measures being tailored to the local regulatory framework, it is important to ensure that follow-up measures on loan origination and monitoring will reflect these developments.

We welcome the European Supervisory Authorities' strong focus on facilitating core operations and alleviating the immediate operational burden at this time (via its recent guidance). Lenders and the wider ecosystem are prioritising their resources to meet the needs of customers, whilst being vigilant to the threats of cyber and financial crime which are magnified during the current crisis as highlighted by the EBA.

As unequivocally set out by the majority of stakeholders, the implementation of the EBA's draft Guidelines on loan origination and monitoring would require significant time and resources by lending institutions and would force a diversion of critical and scarce resources at a time when they are needed to mitigate the impact of the pandemic. They would also strongly disrupt the distribution of well-established and popular financial products to the detriment of both European consumers and businesses.

It will not be possible to estimate the full impact of the crisis for some time to come, neither in terms of the interplay between national regulatory frameworks and the coronavirus mitigation measures taken and/or foreseen nor in the proposed Guidelines. This must be properly evaluated prior to the finalisation of the Guidelines, which will naturally require a further and close dialogue with all concerned stakeholders.

As currently set out, the Guidelines would severely restrict the critical need for flexibility, and would effectively hinder a proportionate approach, crucial for both for the provision of new credit and in supporting customers facing COVID-19 related difficulties. Both are essential requirements in supporting European economies and consumer well-being. Implementing the Guidelines during this uncertain time would most likely have a very strong procyclical effect on the real economy and would risk countering the many supportive measures now put into place.

In addition, the crisis has further highlighted the importance of digital tools and channels, and is likely to further propel the speed and extent of the on-going transformation of financial services and our societies.

This is highlighted in the European Commission's Interpretative Communication in its COVID-19 Banking Package, as well as the impact on the reviews of the Consumer Credit Directive and the Mortgage Credit Directive, the latter foreseen in 2021. However, the current draft of the Guidelines does, for obvious reasons, not consider the impact of COVID-19 and the new reality, but nor do they fully consider today's well-established tools and practices, including machine learning models and other automated processes whose use is well-documented.

Taking all of the above into account, we can only reiterate our request for the EBA to reconsider the planned release of the Guidelines at this stage and take additional time to directly engage with relevant stakeholders to develop a considered policy response that allows industry and governments to respond to these unprecedented circumstances in a manner best suited to local market conditions.

We remain at your full disposal.

Yours sincerely,



Françoise Palle-Guillabert
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