

**Consiglio del 10 dicembre 2019**

**Punto 3 all' ODG  
Comunicazioni**

**ALLEGATO 3.3  
TLTRO: lettera EUF su specificità del factoring**



Ulrich Bindseil  
Director General Market Operations  
European Central Bank

November, 7th 2019

To: ulrich.bindseil@ecb.int  
Copy: cornelia.holthausen@ecb.int ;  
torsti.silvonnen@ecb.int RE: TLTRO III

Re: Scope of Targeted Longer-Term Refinancing Operations (TLTRO III)  
Additional details on factoring

Dear Madam /Sir,

The **EU Federation for the Factoring and Commercial Finance Industry (EUF)**, in its capacity as the Representative Body for the Factoring and Commercial Finance Industry in the EU, has already submitted to the attention of this Directorate its views on the scope of the Targeted Longer-Term Refinancing Operations (TLTRO III) along with Eurofinas and Leaseurope with the joint letter sent on October, 9<sup>th</sup> (which is attached for your prompt reference).

We deem useful to provide some additional technical details on the specific issue regarding factoring transactions, which was mentioned in the above-mentioned letter: “iv) The reporting system may lead to unexpected bias for factoring transactions where the presence of a public entity as a debtor deprives SMEs of eligibility for TLTRO programmes”.

We wish to highlight that this issue is not related to the nature of the factoring companies: banks who purchase receivables to public entities and would have access to TLTRO funds have been affected by such bias in the past and still it seems to keep holding in the current TLTRO iteration.

The reporting system used for TLTRO purposes may indeed include some unexpected bias for factoring transactions where the assigned debtor is a public entity: factoring consists in the purchase of receivables from businesses (mostly SMEs). When a purchase agreement without recourse to the client fulfils the requirements set by IFRS9 to recognize the receivables in the balance sheets of the assignee (namely: the substantial transfer of all risks and rewards of the asset), the factor accounts an exposure to the assigned debtor for the amount of the receivables. This accounting method does not mean in any case that the debtor enters in a financial agreement with the factor: in the case a prepayment is made, the client, who is a business, is always the party who is funded, and it uses the funds made available by the factor for its own working capital management.

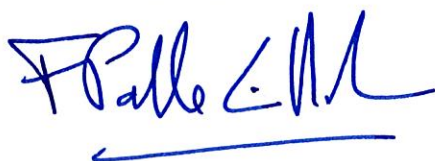
However, the reporting instructions for banks/financial intermediaries refer to the amount accounted in their balance sheets. Although that makes perfect sense for most financial transactions, when the receivables purchased by a factor stems from a supply to public entities, in a view of risk profile they are represented as exposures to the debtor and thus not included in the target. Again, this is counterintuitive as the party who receives the finance is always the assignor (definitely a business),

not the debtor and the factor does not grant any loan to the P.A. (no agreement between the factor and the P.A. in fact is finalized).

As we stated in the above-mentioned joint letter, we believe it is in the interest of the ECB to “address any technical issues that may prevent consistent use of the TLTRO funds to finance the real economy, such as the “reporting bias” for factoring transactions towards trade payables of public administration entities” in relation to the weight of these transactions (in some E.U. countries higher than 20% of the total turnover).

We remain at your disposal to provide you with any additional input you may require.

With best regards,



Françoise Palle-Guillabert  
Chair



Ulrich Bindseil  
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Brussels, 9 October 2019

**Re: Scope of Targeted Longer-Term Refinancing Operations (TLTRO III)**

Dear Madam /Sir,

EUUF, Eurofinas and Leaseurope support the European Central Bank's (ECB) objective to undertake operations that will help to preserve favourable bank lending conditions and the smooth transmission of monetary policy. Within this context we have been engaging with your Market Operations DG on the topic of Targeted Longer-Term Refinancing Operations (TLTRO) since 2015.

The undersigned European Federations of banks and specialised financial service providers offering finance to households and businesses in the forms of consumer credit, factoring and leasing would like to highlight again that the restrictive eligibility criteria of TLTRO operations may distort competition within the financial sector. As referred to in your letter dated April, 27<sup>th</sup> 2015, based on market conditions the ECB could decide to enlarge the scope of the TLTRO groups to other financial institutions that were not eligible to participate in the first two TLTRO programs.

In this regard, we would like to restate the following:

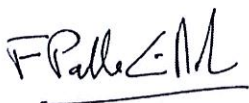
- i) The financial system consists of institutions with and without a banking license. Those without their own banking licence are often part of larger banking groups and are key lenders to European businesses and consumers. However, they are not eligible to access the TLTRO funds unless they set expensive and complicated "true sale" transactions with eligible entities.
- ii) Excluding those regulated consumer finance, factoring and leasing companies from the TLTRO scope is not consistent with ECB intended objectives as those financial tools are the driving forces of the real economy through consumption, investment and trade.
- iii) The ECB's original justification for not expanding the scope of TLTRO groups to cover leasing, consumer credit and factoring, referred to a lack of sufficient information on the financial soundness of institutions without a banking licence. On this point we would like to stress that financial companies that are part of banking groups are subject to consolidated supervision and reporting, therefore we are confident that the above-mentioned concerns of the ECB regarding their financial soundness are adequately addressed.
- iv) The reporting system may lead to unexpected bias for factoring transactions where the presence of a public entity as a debtor deprives SMEs of eligibility for TLTRO programmes.

Taking all of the above into account, we would urge the ECB to:

- 1) consider extending the scope of the next TLTRO to include subsidiaries of eligible credit institutions as well as directly supervised and substantially CRR compliant financial services providers.
- 2) address any technical issues that may prevent consistent use of the TLTRO funds to finance the real economy, such as the "reporting bias" for factoring transactions towards trade payables of public administration entities.

We remain at your disposal to provide you with any additional input you may require.

Yours sincerely,



Françoise Palle-Guillabert  
Chair  
EUF



Antonio Menezes Rodrigues  
Chair  
Eurofinas



Morten Guldhaug  
Chair  
Leaseurope





## About Us

**The EU Federation for the Factoring and Commercial Finance Industry (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, amounting to 1.37 trillion Euros. It 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.

More information at [www.euf.eu.com](http://www.euf.eu.com)

**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.

More information at [www.eurofinas.org](http://www.eurofinas.org)

**Leaseurope** brings together 45 member associations representing the leasing, long term and/or short term automotive rental industries in the 32 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 91% 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 2018, the leasing firms represented through Leaseurope's membership helped European businesses invest in assets worth more than 386 billion EUR, reaching 833 billion EUR of outstandings at the end of the year<sup>[1]</sup>. 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)<sup>[2]</sup> and is also popular amongst larger corporates<sup>[3]</sup>. Leasing is also useful to support the public sector (e.g. leasing to schools, hospitals, etc.).

More information at [www.leaseurope.org](http://www.leaseurope.org)

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<sup>[1]</sup> Leaseurope 2018 Annual Statistical Enquiry

<sup>[2]</sup> 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

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