

Response to EC securitisation online consultation

May 2015

1B. What criteria should apply for all qualifying securitisations ('foundation criteria')?

Leaseurope and Eurofinas, the voices of leasing and consumer credit at European level, supports efforts to create a sustainable market for high-quality securitisation.

Eurofinas brings together associations throughout Europe that represent consumer credit providers. The scope of products covered by Eurofinas members includes all forms of consumer credit products such as personal loans, linked credit, credit cards and store cards. Leaseurope brings together associations throughout Europe that represent the leasing and automotive rental industries. 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.

The 'simplicity' criteria should not be drafted too narrowly. For example it might be logical to have a pool consisting of 'plant and machinery leased to small businesses' as an asset type. However restricting the pool to a particular type, e.g. tractors, would be counter-productive. Each asset type would then be too small to securitise. Similarly the proposed framework should not prevent the commercially legitimate combining of receivables such as those found in the car leasing and consumer credit markets.

The criteria should also not exclude the securitisation of assets that have residual value at the end of a lease agreement. The ECB's recent exclusion of ABS comprising receivable with residual value from debt instruments accepted by the Eurosystem already risks unnecessarily restricting the established market for securitisation of car leases. A 'relegation' of the same instruments as not qualifying for the foundation criteria risks causing further damage.

2A. To what extent should criteria identifying simple, transparent and standardised short-term securitisation instruments be developed? What criteria would be relevant?

Developing criteria for only non short-term instruments risks distorting the market for car lease-backed and other consumer credit-backed securities. Any criteria that are developed should permit the use of replenishment periods.

5A. What impact would further standardisation in the structuring process have on the development of EU securitisation markets?

Standardisation could help to attract new investors to the European lending markets. Helping the leasing industry access institutional investors with long-term funds that can be channelled through the leasing product to SME businesses would be extremely valuable. Similarly improved access to investors could reduce costs and rates in the European consumer credit markets.

However the lenders that have the greatest need for such funding are often too small to be able to sell their own asset-backed securities. The approach to standardisation needs, therefore, to facilitate the combination of portfolios from different lenders.

11. How should rules on capital requirements for securitisation exposures differentiate between qualifying securitisations and other securitisation instruments?

This depends on the qualifying criteria, particularly the 'simplicity' requirement (see our response to Question 1B, above). A favourable treatment for qualifying securitisations that has a narrow definition of 'asset types' risks damaging the prospects for other securitisation instruments that are more likely to be relevant to SME loans. The risk of unintended consequences in this areas seems high.

16A. What additional steps could be taken to specifically develop SME securitisation?

As set out in our response to question 5A, the significant constraint on SME asset finance loan securitisation is that the non-bank lenders who might have the greatest need for external investment are often too small to benefit from issuing their own securities. There is a need to consider barriers to market solutions to this problem.

16D. Would more standardisation of loan level information, collection and dissemination of comparable credit information on SMEs promote further investment in these instruments?

In 2013 Deloitte undertook research on behalf of Leaseurope looking at 3.3 million lease contracts in 15 European countries. This unique exercise found that default rates on leasing SME exposures were considerably lower than for wider SME lending. Detailed and reliable evidence on loss rates by type of product, sector, firm size and other criteria like this is important to help investors to understand the European market.

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