European Central Bank

Brussels, 29 January 2016

Re: Regulation of the European Central Bank on the collection of granular credit and credit risk data

Dear Sir/Madam,

Leaseurope and Eurofinas, the voices of leasing and consumer credit at European level, welcome the opportunity to respond to the European Central Bank's call for observations on the draft Regulation on the collection of granular credit and credit data (Anacredit).

In 2014, consumer credit providers that are members of Eurofinas helped support European consumption by making more than 356.3 billion EUR goods, services, home improvements and private vehicles available to individuals, reaching 861 billion EUR of outstandings at the end of the year[1]. Consumer lending is procyclical and is highly positively correlated with households' disposable income[2]. By providing access to finance to individuals and households, consumer credit supports the social and economic well-being of millions of consumers across Europe.

In 2014, the leasing firms represented through Leaseurope's membership helped European businesses invest in assets worth more than 274.2 billion EUR, reaching 730 billion EUR of outstandings at the end of the year[3]. Leasing is used by more European SMEs than any individual category of traditional bank lending taken altogether (around 40% of all European SMEs make us of leasing which is more than any other individual form of lending)[4] and is also extremely popular amongst larger corporates[5]. It is also extremely useful to support the public sector (e.g. leasing to schools, hospitals, etc.).

[1] Eurofinas 2014 Annual Statistical Enquiry
[2] Eurofinas, *Consumer Credit, Helping European Households Finance their Tomorrow,* 2015
[3] Leaseurope 2014 Annual Statistical Enquiry
[4] 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
[5] European Central Bank *Survey on the Access to Finance of Small and Medium-Sized Enterprises in the Euro Area* , April 2013

Specialised financial services providers across Europe encompass a diversity of organisations of different legal nature (i.e. specialised banks, finance houses) and with various operational characteristics (independent companies, subsidiaries of banks, captive finance companies of manufacturers). Specialised financial services providers have developed to respond to business investment and consumption needs as well as to accompany the development of local industrial production and distribution. Their economic roles are central.

Unlike mainstream universal institutions, specialised financial services providers are typically involved in a limited range of activities and present limited systemic risk. First, their business model is not based on the treatment of public deposits. Second, their specialised nature means that they have a unique understanding of their clients and markets and are able to track the level of risk they are exposed to very carefully. Third, they substantially rely on the banking sector to fund their operations which, under EU prudential legislation, is strictly limited in size and closely monitored.

Leaseurope and Eurofinas fully support robust prudential supervision within the Eurosystem and the need for adequate data for statistical analysis. Against this background, we see the mission of the ECB as essential. It is however important to recognise the diversity of the population of reporting agents. It is therefore critical to ensure that any supervisory methodology is indeed consistent with firms' activities as well as technical abilities and resources. It should obviously take into account the various processes in place and build on firms' experiences.

We would like to draw your attention to the following observations:

- **Proportionality is key**. We take note of the discretion provided to National Central Banks (NCBs) to grant derogations to small reporting agents provided that the total commitment amount from all reporting agents that have been granted derogation does not exceed 2% of the total commitment amount that would be reported if no derogations had been granted. We believe the threshold of 2% is too low and should be increased to 5%. Alternatively a fixed limit should be considered.

  Proportionality should not only be used to define the scope of the regulation but also the actual reporting requirements. For example, we think the timing of reporting should be adapted to reporting agents. Quarterly reporting should be considered for smaller entities.

- It is imperative to **avoid the double transmission of information** and ensure synchronization with the Common Reporting (COREP) issued by the European Banking Authority for the Capital Requirements Directive reporting.

- We think the **requirements should be aligned with the European prudential framework**. For example, the reporting of non-performing instruments equal or larger than 100 EUR is totally inconsistent with the work of the European Banking Authority on the materiality threshold for credit obligations past due. This will result in the introduction of a double standard for supervisory and prudential purposes.

- The **proposed feedback loop to reporting agents under Article 11 of the draft Regulation is not acceptable**. The Regulation will introduce considerable new reporting duties for institutions and we fail to understand why a minimal access to feedback information is not granted. As referred to in the draft Regulation, there is an obvious interest for all reporting agents to access this data for managing credit risk and improve the quality of credit information available to them. We think this has a systemic implication and would not only benefit market operators but also supervisory authorities.

We also see the current proposal as inconsistent with the objectives of a coordinated supervisory framework within the Eurozone. The establishment of the Single Supervisory Mechanism (SSM) and the implementation of the single rulebook require substantial efforts for both credit and financial entities and their supervisory bodies. It is not understandable that full discretion is being provided to NCBs on this issue. We therefore strongly advocate for a review of Article 11 of the draft Regulation.

Eurofinas and Leaseurope take note of the proposed implementation sequence of the initiative. In this context, we would welcome further dialogue with the ECB regarding potential subsequent stages. In particular, it would be worthwhile assessing whether coordination with other existing datasets is possible. We are keen to contribute in a constructive way to your work.

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 - tel: + 32 2 778 05 64) and Rafael Alarcon Abeti (r.alarconabeti@leaseurope.org – tel: +32 2 778 05 69).

Yours sincerely,

Leon Dhaene
Director General