Leaseurope & Eurofinas joint position paper to the European Commission Proposals for European regulations on securitisation

January 2016

About Leaseurope

Leaseurope brings together 44 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 and real estate). It also includes the short term rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 92% of the European leasing market and in 2014, total new leasing volumes worth €274.2 billion were granted by the firms represented through Leaseurope's members. More info at www.leaseurope.org.

About Eurofinas

Eurofinas is the voice of consumer credit providers in the EU. As a Federation, Eurofinas brings together associations throughout Europe that represent finance houses, universal banks, specialised banks and captive finance companies of car, and equipment manufacturers. 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. Consumer credit facilitates access to assets and services as diverse as cars, furniture, electronic appliances, education etc. It is estimated that together Eurofinas members granted over €356.3 billion Euros worth of new loans during 2014. More info at www.eurofinas.org.

INTRODUCTION

Why are our positions on securitisation relevant and important?

Leaseurope and Eurofinas, the voices of leasing and consumer credit at European level, represent specialised credit institutions and other lenders that lend to households and businesses in ways that support job creation and a return to sustainable growth in Europe. Our Federations represent more than 2000 companies across Europe.

The specialised business leasing and consumer credit providers represented through Leaseurope and Eurofinas:

- Support growth by helping individuals and households to invest directly in more than €350 billion in goods and services each year; and
- Help ensure European businesses can meet European and global demand for goods and services by helping firms - particularly growing SMEs - to invest directly in over €275 billion of business equipment each year. Leasing is used by more European SMEs than any individual category of traditional bank lending taken altogether.

Only the Specialised Financial Services Providers (SFSPs) that our associations represent can demonstrate such a direct link between the provision of credit and sustainable growth.

The ability of SFSPs to support job creation and sustainable growth relies on their ability to raise sufficient capital for lending at the lowest possible cost. For a growing number of providers, including bank-owned, independent firms and captives (provide financing to customers buying the parent company's product), this relies on their ability to use securitisation.

The extent to which securitisation is used varies significantly among our members, in large part due to the diminishing amount of investors. This is why we support the European Union’s commitment to stimulate securitisation as part of its commendable Capital Markets Union Action Plan.

In comparison to the US, the volume of EU investors is very low. This therefore underscores the need for a more ambitious approach to the proposed new framework. For example, the proposal does not address the barriers to entry for new investors. It is critical that investor obligations are kept to an absolute minimum so as not to discourage them.

We urge European policy-makers to engage with both European and international investors to find out what measures would persuade them to invest in the EU market.

What is our sectors' role in the securitisation market today?

In 2015, around 80 per cent of new Asset-Backed Security (ABS) [1] in Europe were backed by Auto, Consumer loans and Leases for which SFSP are key providers. This represented around 30 per cent of total new securitisation issuance. SFSP ABS are backed by assets that demonstrate positive contributions to the real economy as they all point towards increased investment in capital.

There is a strong view in the market that use of securitisation will increase. For example, a forthcoming survey of European consumer credit firms will report that 49% expected the use of securitisation to increase[2]. Meanwhile a growing number of asset finance providers are using securitisation for the first time since the financial crisis.

Examples of recent securitisation transactions include:

- December 2015: Raiffeisen-Leasing Polska S.A. top-up of an existing special purpose entity, ROOF Poland Leasing 2014 DAC, with support from the European Investment Bank & European Investment Fund. The limit of the RLPL programme has now been raised from PLN 950 million to almost PLN 1.5 billion (€350 million) and the portfolio currently includes vehicles as well as machinery and equipment[3].
- October 2015: Golden Bar S.r.l 2015-1: €1,345 million (€700 million funded) fixed Rate Notes backed by a portfolio of loans to obligors in Italy by Santander Consumer Bank S.p.A. to finance the acquisition of new or used vehicles, durable goods and loans without specific purpose (personal loans)[4].
- February 2015: Banque PSA Finance, wholly-owned by Peugeot S.A., successfully placed in the secondary market all of the € 668.0 million senior Class A Notes of the securitisation transaction of Spanish auto loans, Auto ABS 2012-3, FTA. This was the first widely syndicated auto ABS from Spain since 20115.
- November 2010 until August 2013: Setup of an pan-European ABCP platform for the financial services captives of Jungheinrich AG, Hamburg (the world's third largest manufacturer of fork lifts) with a current programme amount of up to €350m backed by equipment leases to SMEs in Germany, France, United Kingdom and Italy. It is intended to add further European jurisdictions within the next couple of years to this existing pan-European ABCP platform.
- November 2013: Investec Asset Finance sold securities worth £246m (€292m) backed by equipment leases to SMEs in a deal aimed at extending its lending

[1] http://www.sifma.org/research/statistics.aspx

[2] Future of European Consumer Finance, Eurofinas & Roland Berger

[3] http://www.eib.org/infocentre/press/releases/all/2015/2015-288-first-public-abs-transaction-for-smes-with-eib-group-participation-in-poland.htm

[4] http://www.santanderconsumer.it/chisiamo/investor/cartolarizzazioni

[5] http://www.psa-peugeot-citroen.com/en/media/press-releases/banque-psa-finance-reopens-spanish-auto-loan-securitisation-market

facilities. The securitised bonds were backed by almost 36,000 leases and hire purchase contracts in the UK.

What are we looking for in the proposals for European regulations on securitisation?

If the regulations are to promote securitisation by SFSPs in Europe, the following conditions need to be fulfilled:

A. Take account of the specific nature and role of consumer credit, asset finance and leasing

B. Ensure that the provisions applicable to all securitisation and the requirements to qualify as STS are as clear and practicable for SFSPSs to use as possible

C. Address barriers to the use of securitisation by SFSPSs

A. Take account of the specific nature and role of consumer credit, asset finance and leasing

The economic roles played by the consumer credit, asset finance and leasing industries (supporting private consumption, business investment, and the manufacturing and distribution of goods) must not be hampered by any ill-suited regulatory initiative. These activities are key in supporting the real economy.

Consumer credit, asset finance and leasing providers have specialist expertise, perform prudent asset and collateral valuation, maintain established re-marketing channels and have in-depth knowledge of their customers with which they manage the risks that are part of their business. It is worth stressing that the specialised nature of consumer credit firms and lessors means that they have a unique understanding of their clients and asset markets and are able to track the level of risk they are exposed to very carefully.

For instance, depending on the level of risk they are willing to take on, lessors will seek to enter into various guarantee and buyback arrangements (often with the manufacturers of goods) or purchase additional insurance for this risk. Robust and prudent risk management practices with regard to the recognition of physical collateral forms an integral part of the requirements for credit risk mitigation within the Capital Requirements framework as well as within equivalent national supervisory frameworks and ensures that lessors and consumer credit providers (where applicable) adopt a conservative approach to asset and collateral valuation.

Additionally, when the client is a private individual, these firms are subject to a comprehensive European regulatory framework and are required to perform a thorough creditworthiness assessment of their customers.[6]

[6] Directive 2008/48 on credit agreements for consumers

The risk profile of leasing in Europe

According to an extensive research[7] carried out by Deloitte Paris in 2013, default and loss rates for leases are significantly lower than for traditional SME lending. Based on a portfolio of 3.3 million lease contracts across 15 European countries, the study shows that one-year defaults on leasing Retail SME exposures were 2.7% compared to 4.5% for all Retail SME lending in 2010. Similarly loss rates for leasing were 19.6% compared to 33% for all Retail SME lending. In regard of corporate lending the study indicated that one-year defaults on leasing corporate exposures were 2.3% compared to around 3% for all corporate lending in 2010. Similarly loss rates for leasing were 11.1% compared to over 30% for all corporate lending.

POSITION

We have set out below our concerns with the proposal and some areas requiring guidance or clarification. If these are addressed, then we believe the European Union will succeed in unlocking capital and diversifying funding sources, making it easier for finance companies to lend to households and businesses.

B. Ensure that the provisions applicable to all securitisation and the requirements to qualify as STS are as clear and practicable for SFSPSs to use as possible

We appreciate the Commission´s political approach to focus on the development of transparent, simple and standardised securitisation to build a sustainable EU market for securitisation. However we are concerned that these political aims will not be met by the draft for an STS framework as proposed by the Commission. We are particularly concerned that the proposal may lead to the exclusion of a wide range of well-established and marketable ABS from the definition of STS.

Our main concern is the requirement for originators, sponsors and issuers to jointly certify that a securitisation meets the STS criteria. This places a substantial burden on issuers to verify their transactions against approximately fifty or more criteria, many of which are inherently uncertain and open to differing interpretations.

By contrast, the penalties for inaccurately describing a transaction as STS-compliant are extremely severe, including a fine of up to 10% of group worldwide turnover and potentially even criminal sanctions. Originators, issuers and sponsors face liability if competent authorities find that even one of the STS requirements in their transactions – or indeed, one requirement in one transaction within an Asset Backed Commercial Paper (ABCP) programme – has not been satisfied. Therefore we have a strong preference for a third party

[7] See "Implicit risk weights for SME leasing in Europe", September 2013 and "The risk profile of leasing in Europe: the role of the leased asset", October 2013. Research available upon simple request

single body certifying STS so as to eliminate inconsistencies in interpretation of the STS criteria. Without clear, transparent and foreseeable eligibility criteria, our members would not be willing and able to market their ABSs as STS-compliant.

Although concerns over unnecessary new barriers may impact many other types of securitisation, they appear to have particular impact on the use of securitisation by SFSPSs. We therefore recommend that the Regulation includes criteria which are simple, clear and self-explanatory as far as possible. Against this backdrop, we have made concrete proposals.

Specific remarks on: *the REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012*

Provisions applicable to all securitisation

Article 3: Due diligence requirements for institutional investors.

The requirements on institutional investors (Article 3(3)) should be simplified. The onerous nature of the proposed requirements will deter investors, particularly those considering investing in the ABCP market. The cost of documentation and legal fees are also barriers to new investment. Instead, the requirements of this subsection should be outlined in the transaction offering document or prospectus. This would enable an investor to refer in a public document to the due diligence materials required of them as set out by the originator in the transaction documentation. This would also allow secondary investors to appraise such materials.

Article 4: Risk retention

The formula governing the 5% material net economic interest to be held by the originator is too rigid (Article 4(2)). Whilst in some circumstances the originator may retain a first loss exposure or another qualifying feature, we would favour an adjustment to the framework to enable retention of a combination of risk retention methods so long as it reached the 5% threshold. This is permitted under the US risk retention rules, which apply under certain circumstances to certain EU originators having a US investor base, but would not be permitted under the proposed Article 4(2).

Article 5: Transparency requirements for originators, sponsors and SSPE's

An exception with regard to the transparency requirements (Article 5(2)) should be envisaged for where publication would breach Union or national law governing the protection of confidentiality, data protection or would result in a violation of the banking secrecy. Otherwise it may in some cases be impossible to fulfil the transparency requirements.

Simple, Transparent and Standardised (STS) Requirements for Securitisations

Several of the criteria for eligibility for STS seem likely to exclude the most well-established arrangements for securitisation by SFSPSs. The underlying principals may be reasonable but the ‘one size fits all’ rules they seem unnecessarily restrictive.

Simplicity

Article 8: Requirement relating to simplicity

STS simplicity criteria do not permit ‘active portfolio management on a discretionary basis’ (Article 8(3)). Originators typically manage revolving facilities to ensure ratios remain within limits agreed with funders at the onset of the transaction, primarily to avoid triggers that would necessitate a re-negotiation or amortisation of the securitisation. We would therefore suggest an exemption for securitisations with ongoing replenishment i.e. revolving transactions. STS structures should allow for revolving periods of at least 12 months such that underlying assets of a naturally short duration can be replenished by the originator/seller rather than redeeming liabilities. This enables transactions to be structured more efficiently by amortising significant transaction costs over a longer period.

In addition, as Article 9(5) requires the transaction documentation to include appropriate early amortisation events or triggers for termination of the revolving period, originators have to be put in a position where they are able to manage the occurrence of this type of events without being seen as actively managing the portfolio on a discretionary basis.

The requirement that an asset pool must comprise underlying **exposures that are homogenous** is understandable. However, we would welcome further guidance on what homogeneity in terms of “asset type” and “full recourse to debtors” entails (Article 8(4)). We believe that the following, in particular, needs to be addressed:

- We agree that the securitisation has to be backed by a pool of underlying exposures that are homogeneous in terms of asset type. However it is important that the regulation allows pools of residential loans, pools of corporate loans, leases and credit facilities to undertakings of the same category to finance capital expenditures or business operations, pools of auto loans and leases to borrowers or lessees and pools of credit facilities to individuals for personal, family or household consumption purposes.
- It is imperative that SME receivables are included as part of commercial loan pools to ensure that a wide range of funding to the smallest businesses can be achieved within the STS framework.

The simplicity criteria exclude exposures in default or to credit-impaired debtors or guarantors (Article 8(7)). This will be problematic, for example, for credit card receivables, where portfolios often include assets overdue if these have not been charged off. Similarly for a number of asset classes, obligors who may not have a perfect credit history may be regarded as an acceptable credit risk for a secured auto loan. We would therefore urge for a review of these criteria to reflect market realities.

With respect to Article 8(9), **the term 'substantially' is unclear and could restrict the use of STS by lessors, even though the risk attached to the residual value is very low.** We note that certain loan or lease products depend (including in case of debtor default) on the realisation of the financed asset. The repayment of the holders of the securitisation could therefore depend to a certain extent on the sale of the asset. In order to avoid the exclusion of these loan or lease products on the basis of the current wording of article 8(9) and avoid any discussion about the degree of asset dependence for STS purposes, we propose that provision in article 8(9) should be amended so that the "repayment of the holders of the securitisation positions shall not depend <u>solely</u> on the sale of the assets securing the underlying exposures."

We also would highlight that most residual leasing values are backed by guaranteed repurchase obligations or guarantees by the manufacturer or seller at a fixed price – and are therefore not exposed to refinancing or re-sell risk (market risk). We advocate that such "guaranteed residual values" may be included as underlying assets.

<u>Standardisation</u>

<u>Article 9: Requirements relating to standardisation</u>

To relieve the assessment it should be added to Article 9(6) that a replacement clause which enables the replacement of the servicer in case of default or insolvency usually fulfils the requirement to ensure that a default or insolvency of the servicer does not result in a termination of the servicing. Further specific requirements should be avoided because there are no comparable requirements for covered bonds. However, the impact of a default or insolvency of the administrator of the underlying exposures is the same irrespective of a securitisation or a covered bond because it makes no difference whether the administrator of the underlying exposures of a securitisation or a covered gets into default or insolvency. This applies a fortiori in those cases where the servicer is a credit institution.

As well as requiring the disclosure of commercially sensitive policies as a matter of course (Article 9(7)), this would deny servicers the flexibility to update their policies and procedures in light of evolving market and regulatory conditions. It is unrealistic for the transaction documents to be amended each time a policy must be updated. In any event, the Regulation requires the servicer to have experience in servicing the underlying exposures and should therefore permit the servicer a degree of discretion.

<u>Transparency</u>

<u>Article 10: Requirements relating to transparency</u>

The requirements in Article 10(1) to provide access to default and loss performance data for 5 and 7 years for retail and non-retail exposures would exclude new entrants or the development of new products and is also onerous for established originators. We would propose that it be set at 3 years or less for both.

In order to provide a balance, the requirement to provide a cash flow model to investors (Article 10(3)) should not be preceded by the word 'liability' to reflect the fact that in reality a cash flow lists assets and liabilities.

Simple, Transparent and Standardised (STS) Requirements for ABCPs Securitisations

We welcome the inclusion of the Asset Backed Commercial Paper (ABCP) programmes in the scope of "high quality" securitisation. These types of programmes constitute an important source of finance for our members. The use of ABCP by our members contributes to the financing of SMEs and corporates through leasing, as well as, individuals through consumer credit, auto and equipment loans.

At European level, ABCP transactions market represents 80 B €. Due to both a regulated legal framework and investor´s protective market practice, it has been growing for more than fifteen years in very safe conditions even during the financial crisis.

It must be emphasised that in an ABCP programme, the bank sponsor provides full liquidity support and takes any risks arising from maturity transformation, not the investor. The sponsor is in a position to absorb any liquidity risk due to being a prudentially-regulated bank, as required in the programme-level criteria. Excluding ABCP conduits by introducing too tight conditions to STS ABCP eligibility, would damage the financing of the real economy.

Article 11: STS ABCPs Securitisations

This article implies that a securitisation position on transaction level (e.g. a liquidity line) cannot be considered 'STS' if the ABCP programme in its entirety does not comply with the 'STS' criteria. In other words: non-STS transactions would infect other STS-compliant transactions.

We urgently advocate for a revision of this Article.

Article 12: Transaction level requirements

We question the need for ABCP transaction level criteria, when Article 13(4) of the Regulation states that the bank sponsor of the securitisation programme "shall support all securitisation positions at transaction level within the ABCP programme and cover all liquidity and credit risks."

The requirement for the underlying exposures to have a remaining weighted average life of no more than two years and no exposure having a residual maturity of longer than three years, would still exclude many of our products from being funded through ABCP programmes, notably commercial loans, including those to SMEs, and some auto loans unless **the remaining weighted average life is extended to 4 years and the residual**

maturity to 7 years. Otherwise, this will preclude the use of STS for up to half of the market and will undoubtedly lead to significantly higher funding costs for these products, even though the risk attached to the low degree of maturity transformation needed to accommodate more typical business lease or consumer car credit agreements of three or four years' duration is low and typically covered by a bank.

Article 13:Programme level requirements

Funding through ABCP programmes (through private or bilateral securitisations) is an important source of funding for our members. The stipulation that all transactions within an ABCP programme fulfil STS transaction level requirements (Article 13(1)) would mean that our companies could lose an important source of funding simply because the underlying assets or the securitisation would not be able to meet all of the requirements for STS. This would result in a significant increase in funding costs and less funding being available to fund loans to households and businesses (thus jeopardising one of the objectives set out by the European policy-makers).

Therefore, we strongly advocate that Article 13(1) should include a relevant threshold (measured by the value of the purchased assets) to allow for non-STS transactions.

This would give sponsors a certain flexibility to allow for a small number of transactions that fall out of the STS-scope. Beneficiary of such threshold would be the real economy because some transactions that would otherwise have to obtain finance from bank loans (e.g. non-compliant leasing transactions) may still be financed via ABCP.

The Article 13(8) as drafted would make all originators in an ABCP programme jointly responsible for the publication of loan-level information, documents and notifications to ABCP holders. Investors would be presented with potentially thousands of data points on a monthly basis as well as dozens of transaction documents which they are unlikely to have the time or resources to properly review. This level of disclosure is not proportionate given that ABCP investors typically hold ABCP as a short-term investment which is traded frequently. Disclosure of loan level information should be for the benefit of the conduit bank, which guarantees the ABCP.

In addition, a current advantage of private or bilateral transactions is the increased level of protection for private information. The proposal would require originators, sponsors and issuers to share a vast array of commercially sensitive information (for example, internal policies and procedures on origination and recovery as well as the commercial terms agreed with each bank), which could be accessed not only by investors but by competitors within the same ABCP programme.

In case of multiple originators (like in multi-seller ABCP conduits) originators should only be liable for their own transaction information, but originators should not be liable for consolidated information calculated/provided by the sponsor at ABCP programme level. Only the sponsor should be the relevant party to make available information to the investors of the ABCP programme. The Originator or the SSPE cannot fulfil this.

Sanctions

We consider that the proposed liability regime and sanctions applicable to originators, sponsors, original lenders and securitisation vehicles (Article 18) are too strict. Given that no such framework currently exists in respect of securitisation, the proposed level of fines and the threat of criminal sanctions will mean a significant liability increase for market participants if these sanctions are triggered. This will in turn lead to securitisations becoming even more expensive for originators (which contradicts the Commission's aim), the cost of which will be ultimately be borne by consumers and businesses.

We are also concerned that individuals involved in securitisations "who are under national law responsible for the infringement" and who are not part of the senior management team will be held responsible (Article 17(3)) and have their name published (Article 22).

Date of entry into force of this regulation

Article 28: Transitional provisions

Notwithstanding that the main focus of this paper is on STS qualification, we think it is extremely important that "grandfathering" of existing transactions should be extended as much as possible. Our member companies have many on-going securitisations across Europe that may not qualify as STS and it would be extremely unfortunate if these were automatically deemed non-compliant with the general criteria that will apply to all transactions without sufficient time being given to prepare. Many of these transactions are private and bi-lateral revolving transactions that have been running for many years and play a vital role in funding particular geographic markets. The sudden disruption of these funding arrangements could cause major damage to dealer networks in a given country.

For ABCP programmes it should be clarified that "securitisation positions outstanding" includes all existing and future transactions that are modified, extended or added under an existing ABCP programme. Otherwise such ABCP programmes would sooner or later run into wind-down mode and financing for the real economy would no longer be provided.

Specific remarks on: *the Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR-D)*

Exposure to single obligor (group) not to exceed 1%

Article 243: Criteria for STS securitisation

Regarding Article 243.1.b, we believe that the 1% threshold is appropriate for retail transactions. However, the language with respect to the group of connected clients should be changed slightly so that this applies "according to the best knowledge" of the originator.

With respect to wholesale transactions such as the securitisation of receivables from car and equipment dealers, the 1% threshold is set too low and will prevent these types of securitisations from ever meeting the STS criteria as this could limit use of STS to the largest lessors. Firms may struggle to reach the scale needed to make securitisation economical if they must exclude their largest customers, even though the risk attached to a slightly higher single obligor threshold should be very low.

Therefore, if dealer floorplan is not to be completely excluded from STS, a significantly higher threshold will be needed. In our view the threshold needs to be set at 5% to allow significant dealer groups to obtain funding through ABS and this could be implemented as either a single threshold or in combination with other thresholds to further ensure the granularity of the overall pool of loans.

In addition, it is technically impossible for the sponsor of an ABCP programme to aggregate clients or groups of connected clients over different transactions because there is no common ID or unique labelling over the various transactions. To ensure that this requirement on the program level is fulfilled, means that the requirement would have to be set for each transaction of the ABCP programme. This would have an extremely limiting effect on the ability for e.g. equipment lease companies or auto leases with guaranteed residual values to use the ABCP instrument and be highly counterproductive for the financing ability of the real economy.

We estimate that the 1% ceiling for the exposure to single obligor is not justified, and does not correspond to the current multi-seller ABCP market. It is clearly the case for trade receivables securitisation deals, the average exposure of significant debtors being usually closer to 5% but the concentration risk is mitigated by an appropriate level of overcollateralization. It would make it difficult to issue this type of programmes, with negative effects on the refinancing of smaller institutions granting loans and leases, and of European corporates selling their trade receivables. Moreover the reduction of the refinancing through European ABCP market would more likely result in a high dependency upon the US ABCP market.

Article 260: Treatment of STS securitisations under the SEC-IRBA

A reduction of the floor risk weight from 15% to 10% for qualifying securitisations in the IRB approach means an increase of the floor from 7% to 10% compared to the current situation. This sends the wrong signal and risks undermining the STS initiative. In addition, it is to note that the increase of the floor capital requirement was intended to address model risks and structural risks, yet these risks are significantly reduced in the case of STS securitisations.

An increase in the risk weighting from 7% to 10% is likely to result in increased financing costs for the industry, with a resultant effect on the real economy. **Thus, the 7% risk weight for qualifying securitisations should be maintained.**

C. Address barriers to the use of securitisation by SFSPSs

Further new arrangements are needed to promote securitisation of the portfolios of SFSPSs that might not fit the STS criteria.

Such arrangements could aim to overcome the barriers to use of STS by SFSPSs that include:

- The extent to which securitisation is used varies significantly in large part due to the diminishing amount of investors. This is why we support the European Union's commitment to stimulate securitisation as part of its commendable Capital Markets Union Action Plan.
- In comparison to the US, the volume of EU investors is very low. This therefore underscores the need for a more ambitious approach to the proposed new framework. For example, the proposal does not address the barriers to entry for new investors. It is critical that investor obligations are kept to an absolute minimum so as not to discourage them.
- We urge European policy-makers to engage with both European and international investors to find out what measures would persuade them to invest in the EU market.
- Lack of investor experience and knowledge of the specialised business leasing and consumer credit markets.
- High costs of issuance relative to the size of firms in the market.
- Lack of cross-industry data in most countries on loan performance at the level typically required by investors.
- Lack of standardised credit agreements across the markets.

The EIB Group is offering support for some securitisations, which has been helpful where the eligibility criteria can be met. The Commission's support is needed to help overcome the underlying barriers, for example:

- Establishing preferential risk weights for products for which there is sound evidence of low risk of default and losses, including business equipment leases.
- Providing guidance, or 'safe harbour' provisions, on the ability of associations to standardise market practices[8] and collect and share loan performance data.

[8] See paragraph 26 of 2015/0226

CONCLUSIONS

We support efforts to promote securitisation in Europe and the work of the EC to ensure that the draft regulations avoid any unintentional consequences.

These and other requirements seem to make it very difficult - if not impossible - for investors to deal with originators, sponsors and conduits, other than possibly those already well-established in the market.

If these restrictions mean that non-complying securitisation will receive less favourable regulatory treatment (e.g. risk weights) this could represent a serious restriction on the use of securitisation by SFSPSs.

Care is needed to ensure that economically important transactions that might not qualify for STS are not disadvantaged in any way by the new regulations.

In addition to addressing the issues with the regulation of securitisation, both in general and specifically for STS, we would be happy to work with the Commission to address the underlying constraints to the use of more routine securitisation.

We remain at your disposal should you require any further information on the nature of the activities we represent or additional clarifications on our position paper to the European Commission Proposals for European regulations on securitisation (please see contact persons below).

Contact Persons:

Rafael Alarcón Abeti
Prudential Supervision Adviser
Leaseurope
+32 2 778 05 69
r.alarconabeti@leaseurope.org

Alexandre Giraud
Senior Legal Adviser
Eurofinas
+32 2 778 05 64
a.giraud@eurofinas.org

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