

Basel Committee on Banking Supervision

Brussels, 17 March 2016

Re: Consultation on “Identification and measurement of step-in risk”

Dear Sir/Madam,

Eurofinas and Leaseurope, the voices of consumer credit and leasing at European level, welcome the opportunity to respond to the Basel Committee on banking Supervision’s (BCBS) consultative document on “Identification and measurement of step-in risk”

We take note of the BCBS’s proposal to introduce a conceptual framework that could form the basis of an approach for addressing credit institutions’ so-called “step-in risk”. Leaseurope and Eurofinas have always been active contributors, and still are, to the work of the Financial Stability Board (FSB) on shadow banking. We have a particular interest in the development of the international methodology for the identification and monitoring of shadow banking activities conducted by Non-Bank Non-Insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs).

Against this backdrop, it is worth stressing that NBNI G-SIFIs encompass a wide range of financial entities and activities. We therefore welcomed the FSB’s proposal to introduce sector-specific methodologies that are best suited to capture the characteristics of business segments. We take the view that any potential intervention, especially at international level, can only be based on the assessment of a sector’s systemic importance and risk characteristics.

The BCBS decided to focus on the situations that give rise to step-in risk, rather than trying to provide a definition of a category of entities that should be considered. Though we understand why the BCBS decided to take on this approach, we think that depending on the activities concerned the systemic implications of “step-in-risk” could greatly vary.

We believe a more granular approach is necessary before deciding how the proposals will fall within the existing regulatory framework, including whether they fall within Pillar 1 and/or Pillar 2. This approach should at least be consistent with the methodology adopted by the FSB.

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. In particular, any regulatory framework must be designed and applied proportionately to avoid disrupting the supply of consumer credit and leasing products and should not negatively affect competition within the sector.

We take note of the BCBS's work forecast and would be happy to further contribute to its 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 Alarcón Abeti (r.alarconabeti@leaseurope.org – tel: +32 2 778 05 69).

Yours sincerely,



Leon Dhaene
Director General

Specialised financial services providers across the European Union (EU)/European Economic Area (EEA) encompass a diversity of organisations of different legal nature (i.e. credit institutions, financial institutions) and with various operational characteristics (independent companies, subsidiaries of banks, captive finance companies of manufacturers). All share a very high degree of specialisation and have a very limited mix of business activities compared to traditional mainstream banking organisations.

In 2014, the leasing firms represented through Leaseurope's membership helped European businesses invest in assets worth more than 274.2 billion EUR¹. Leasing is used by more European SMEs than any individual category of traditional bank lending taken altogether² and is also extremely popular amongst larger corporates³.

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 individuals⁴. By providing access to finance to individuals and households, consumer credit supports the social and economic well-being of millions of consumers across Europe.

¹ Leaseurope 2014 Annual Statistical Enquiry

² Leaseurope; Eurostat; "The Use of Leasing Amongst European SMEs" by Oxford Economics, Nov 2011

³ Access to Finance of SMEs, ECB survey

⁴ Eurofinas 2014 Annual Statistical Enquiry