

FOR IMMEDIATE RELEASE

Leaseurope Welcomes Official European Review of New Lease Accounting Rules

Brussels, 22 June 2016 - Leaseurope, the trade body representing the European leasing and automotive rental industry, welcomes the start of the European Commission's assessment of whether the new international lease accounting standard, IFRS 16, will be conducive to the European public good.

The European Commission set out the scope of the review of IFRS 16 in a letter to the European Financial Reporting Advisory Group (EFRAG) which was discussed with Erik Noteboom, the Commission's Acting Director for Investment and Company Reporting, at EFRAG's Board meeting on 16 June.

The review will consider the effects of IFRS 16 on both lessees and lessors in Europe. It will look at whether IFRS 16 is overly complex, how it will impact the way companies use leases, potential effects on competitiveness of European companies and potential effects on financial stability and the cost of capital and credit.

The Commission has placed particular emphasis on small and medium-sized businesses and has asked EFRAG whether IFRS 16 is appropriate for SMEs. Over 99% of European companies - including nearly all SMEs and most users of equipment and vehicle leasing - use national rather than international accounting rules. Most national accounting standards are closely aligned with the international equivalents.

Leaseurope has highlighted to the Commission the problem that once new international rules are in place there is always an argument that national standards should change to achieve consistency. Leaseurope called for early analysis of the effects of IFRS on SMEs, even if most SMEs will be outside of scope until at least 2023.

According to Mark Venus (BNP Paribas), Chairman of Leaseurope's Accounting Committee, "It is important that the full effects of IFRS 16 are considered before the new standard is accepted for use in Europe. The immediate impacts may be limited to mostly the largest companies who will usually have the accounting resources and expertise to cope, but it is still vital to establish from the outset whether this new way of accounting for leases is likely to be appropriate for SMEs."

Leon Dhaene, Director General of Leaseurope, added: "We are pleased that the Commission by voice of Erik Noteboom, has made clear that it requires independent and objective advice from EFRAG, and advice that is focused on the needs of European businesses. It is important that the costs to SMEs are proportional to the benefits. Whilst the new IFRS 16 standard might be fit for large international groups, Leaseurope fails to see the additional benefit for European SMEs and for their clients and owners."

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About Leaseurope

As a Federation, Leaseurope brings together 46 associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope's members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 91% of the European leasing market. Find out more at www.leaseurope.org.

Notes to Editors

1. The request from the European Commission to the EFRAG is published as paper 08.01 for the EFRAG Board meeting of 16 June at <http://goo.gl/xwfbbru>
2. IFRS 16 was published by the International Accounting Standards Board in January 2016, following completion of its project to develop the new standard that started in 2006. All international accounting standards have to be adopted for use in Europe. To inform the adoption decision making process, the European Commission requests an opinion on the new standard from EFRAG. The EC Accounting Regulatory Committee will cover on the adoption of the new standard taking into consideration the endorsement advice of EFRAG.
3. Only 'Public Interest Entities' (PIEs) which are mostly listed companies are required under European law to use international financial reporting standards. Member states may extend use of IFRS if they wish but it is estimated that fewer than 1% of European companies report under IFRS.
4. The IASB's implementation date for IFRS 16 is January 2019 although in Europe this is subject to the timing of the endorsement process.

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