



Federal Association of German Leasing Companies - Avenue des Arts 19 A-D - B-1000 Brussels
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European Commission
Directorate-General for Financial Stability, Financial Services and Capital Market Union (DG FISMA), Unit A1
(Policy definition and coordination)
by e-mail and via questionnaire
fisma-securitisation-consultation@ec.europa.eu

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Targeted consultation on the functioning of the EU securitisation framework

Dear Madam/ Sir,

The framework of the EU securitisation has recently been consulted. We very much welcome the European Commission's initiative to examine the extent to which the original policy objectives – namely to support the EU securitization market – have been achieved or whether further adjustments are needed.

The Federal Association of German Leasing Companies (BDL) represents the interests of the German leasing industry, which generates a new business volume of around EUR 84 billion annually. This means that the leasing industry finances about one third of all equipment investments in Germany, with a disproportionately high share in the investment supply of German small and medium-sized enterprises. Around 140 leasing companies are organized in the BDL, which together represent a share of over 90 percent of the German leasing market.

German Leasing companies ensure that capital is available for investment by refinancing themselves beyond the use of their own funds. Smooth access to refinancing funds is therefore a basic requirement for the leasing business.

The most important form of refinancing in terms of volume is credit financing, in which banks act as refinancing partners and provide credit lines to match long-term business development. Loan financing is often supplemented by the sale of receivables (forfaiting), in which leasing companies sell the future receivables from leasing contracts to third parties, usually banks. Depending on the required financing volumes and the corporate objectives, leasing companies also refinance themselves on the capital market. Securitisation of leasing receivables (ABS/ABCP) is becoming increasingly important. Furthermore, the refinancing rate has a direct influence on the calculation of leasing rates and thus on the competitiveness of a leasing company.

Typically, securitisations are carried out by sponsors in the majority of cases, which is why the leasing sector participates indirectly in particular. In the case of larger leasing companies, however, the role of originator in securitisations is also common. We have responded to the consultation from both perspectives.



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Securitisation of leasing receivables is a proven financing instrument for medium-sized companies throughout financial and economic cycles. The STS Regulation can make a significant contribution to further expanding its acceptance in the real economy and promoting its attractiveness to sponsor banks, fully in line with the EU's Capital Markets Union project.

Regarding the current securitisation framework, we suggest the following improvements:

➤ **Securitisation can support access to finance for SMEs**

Less regulation, fixed risk retention of currently 5% should be dropped. Whether a risk retention is necessary, and if so to what extent, should be developed by the respective transaction and its investors and not be prescribed by standards (more market!). Overall, lowering the barriers to market entry would enable smaller banks to participate in the securitization market and thus increase the total capacity for SME financing.

➤ **Simplifying due diligence requirements prior to holding a securitisation position**

To improve refinancing opportunities, the originator should be able to place the full amount but should also disclose the full extent of the risks. The investors decide which investments are underwritten. The higher risk is offset by the higher price in the case of little or no regulation. If the risks are assessed as being too high, no investor will be found, even with a high return. Equity or VC investors then represent an alternative, but not investors who invest in securitized receivables.

➤ **Removing due diligence verification requirements (risk retention requirements, credit granting criteria requirements, disclosure requirements, STS requirements, where the transaction is notified as STS)**

Disclosure obligations have no risk-mitigating effect beyond the regulatory requirements of banks and leasing companies. This is an unnecessary and duplicative burden and Investors should be focused on an assessment proportionate to the risk profile.

➤ **Further simplifying STS criteria**

Senior securitization positions resulting from the purchase of corporate receivables portfolios should be classifiable as STS even without a securitization special purpose vehicle (SPV). It is important to distinguish between structures in which external investors are involved and those in which a bank buys receivables as part of a bilateral credit relationship. In the latter case, the financing bank is the sole investor, so no special arrangements are required to segregate the securitized assets. In addition, receivables in such arrangements are better protected against reclaims by the seller in the event of insolvency than in scenarios where an SPV is involved.

We remain at your disposal for further exchange of views.

Yours sincerely,

Bundesverband Deutscher
Leasing-Unternehmen e.V.

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