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EU consultation on the supervisory convergence and the single rulebook

Dear Madam/ Sir,

Regarding the EU consultation on supervisory convergence and the single rulebook we would like to submit a few comments on individual questions.

The Federal Association of German Leasing Companies (BDL) represents the interests of a large part of the German leasing industry. With its approximately 150 member companies, it represents almost 90 percent of the leasing market volume. In 2019, the industry realised investments of 74.8 billion euros for companies in Germany. In addition to passenger cars and commercial vehicles, machinery, IT equipment and software as well as other equipment and real estate were leased.

Leasing

The leasing industry considers itself as a link between the real and financial economy. With its offers, it supports the sales and investments of its partners and customers. In order to fulfil their role as partners of small and medium-sized enterprises and investment drivers for the German economy, leasing companies depend on reliable framework conditions.

The leasing industry, represented by the BDL, is in an active exchange with the supervisory authorities. On the one hand, the BDL advocates proportionality and more differentiation. On the other hand, the practical implementation of regulatory obligations is to be optimised. The aim is to continue to ensure a balance between bureaucracy and practice. Particularly with regard to the strongly medium-sized structure of the leasing industry, it is important to point out possible overregulation and to avoid it.

The term "leasing" is also not uniformly defined in the CRR, which is why the term covers significantly different business models in the various European countries. Furthermore, leasing companies in Europe are subject to different regulatory standards, ranging from largely unregulated to bank-like regimes. In Germany, there are leasing companies that are operated as a bank or fall within the regulatory consolidation of a bank. However, the majority of leasing companies in Germany are independent and finance their leasing business through banks. These leasing



companies do not fall within the scope of the CRR, but are subject to strict national supervision, so that leasing companies are comparably robustly regulated compared to banks ("CRR institutions").

As most leasing companies rely on external funding from banks, leasing companies have a vital interest in a stable financial system. The BDL therefore supports measures to increase the stability of the financial system.

The business model of leasing companies differs considerably from that of a bank. With regard to the principle of proportionality, the following differences should be highlighted:

- The majority of leasing companies in Germany employ fewer than 50 people and have a balance sheet total of less than EUR 500 million. Like most of their customers, they therefore belong to the SME sector. In line with their size and business model, the organisational structures of leasing companies are not very complex.
- Leasing business is extremely low-risk, as leasing companies actively limit risk through their object and realisation expertise. Financing is largely carried out with matching maturities via fully supervised credit institutions. Furthermore, leasing companies are not authorised to engage in deposit-taking transactions, which give rise to a special need for protection.
- Leasing companies in Germany, despite their small size and complexity as well as their low-risk business model, are subject to prudential standards and a level of supervision equivalent to that of banks.

Question 1.4.7. "Do you consider that the ESAs ensure that enough information on their activities and on financial institutions is available? If not, what changes should be made in this area?"

The BDL welcomes the fact that the reform has strengthened the competences of the supervisory authorities, because leasing companies depend on stable financial markets.

However, the problems with some convergence instruments at the implementation level should not be neglected. The German leasing industry always reminds that, among other things, the specifics of the German market should be taken into account with regard to the application of the guidelines and Q&As of the three European supervisory authorities. The national supervisory authority has special insider knowledge in this respect and is therefore better able to ensure that effective and efficient supervision takes place in which these special features are adequately taken into account. The work of the NCAs is therefore indispensable, also with a view to preventing a "one size fits all" approach.

One example of this is the issue of sustainability. Leasing will also contribute significantly to promote sustainability, e.g. through the implementation of new mobility concepts and the transition to electric mobility. The leasing sector is therefore not only facing up to the challenges of climate protection, but is also prepared to make an active contribution and realise a significant part of the necessary investments.



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However, this requires a broad and active sector that must not be slowed down by excessive, predominantly bureaucratic tasks. Therefore, we largely support the sustainability goal, but suggest critically assessing the adequacy of the means to achieve the desired goals. The German leasing industry also always emphasises that the medium-sized industry structure and the low risk profile of leasing should be taken more into account in both regulation and supervision.

With regard to supervisory convergence, the BDL calls for national specificities to be adequately taken into account through differentiated regulation. Otherwise, there is a risk of massive damage to the leasing business model, which would restrict the investment activity and financing of small and medium-sized enterprises in particular.

Question 1.4.9. "In your view, is there the need to add any tools or tasks in order to enhance supervisory convergence towards digital finance? If your answer is yes, please explain..."

The European Commission published a "Request to EBA, EIOPA and ESMA for technical advice on digital finance and related issues" on 2 February 2021.

The objective of the European Commission's request to the European regulators is to assess the need for legislative proposals to address potential micro- and macroeconomic risks in the context of the European Digital Finance Strategy. These risks result from potentially large-scale lending by companies outside the regulatory scope of EU financial services. The main focus should be on the activities of large unregulated technology companies.

However, according to the current wording, the review of the European regulators should also cover the areas of finance leasing and factoring.

On 25 February 2021, the BDL sent a letter to the European Commission (Unit B Horizontal Affairs and Unit B 5 Digital Finance) and the EBA in this regard, to which we would like to refer herewith.

We remain at your disposal for further exchange of views.

Yours sincerely,

Bundesverband Deutscher
Leasing-Unternehmen e.V.

A blue ink signature of Dr. Claudia Conen.

Dr. Claudia Conen
Secretary General

A blue ink signature of Anja Patricia Gruhn.

Anja Patricia Gruhn
Permanent Representative
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