

Focus >

EBA Recognises Need to Alleviate Liquidity Ratio Burden for Leasing Activities



European lessors' concerns that their activities may be unduly penalised through the introduction of a Liquidity Coverage Ratio (LCR) in capital requirements legislation may well be alleviated over the coming months. The EU institutions are making progress towards implementing the full range of requirements of the Basel 3 agreement in Europe. While the net stable funding and leverage ratios will be phased in over the coming years, it is currently the details of the LCR, designed to ensure that institutions can meet a short term liquidity stress scenario, that are being finalised by the European Commission on the basis of [two reports](#) issued by the European Banking Authority (EBA) in December last year.

The first EBA report provided recommendations on the types of assets that should qualify for inclusion in the LCR's liquidity buffer (i.e. the

assets that institutions can consider to be high quality liquid assets or HQLAs) and the second report looked at the potential economic consequences of banks applying an LCR. This included considerations as to whether calibration adjustments or exemptions would be justified in certain cases.

While our Members would have liked to see auto, SME or lease securitisations being eligible for inclusion in the liquidity buffer, the EBA did not go so far as to recommend their inclusion given that there is very little data available to demonstrate the liquidity level of such securities. Importantly however, the EBA did take Leaseurope's general concern on the effects of applying the LCR to specialised business models on board.

Prior to the release of the EBA's reports, Leaseurope had indeed stressed that, because leasing, consumer and automotive finance companies are focused on the provision of a limited number of specific products, and given that they do not generally have access to deposits, their liquidity inflows are by definition more limited than those of so-called universal banks. Moreover, compared to generalist institutions, they tend to have less experience in holding the types of highly liquid assets that would qualify for inclusion in the liquidity buffer. As a result, such businesses could have difficulties in meeting the requirements of an LCR that would be designed to cater for the universal bank model.

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Leaseurope's Future Group Programme

Last year, Leaseurope launched a high profile programme -the Future Group Programme- with the aim of supporting and nurturing the brightest young talents who are the future leaders of the leasing and automotive rental industry.



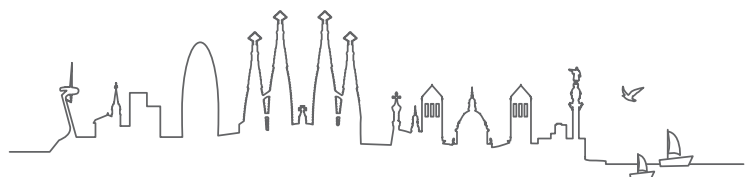
The objectives of the Future Group Programme are to:

- Identify and encourage young talents in the industry;
- Help these young talents discover the multiple facets of the industry beyond their daily activities;
- Provide the young talents with an environment in which they can express themselves free of constraints and develop innovative ideas, which may benefit the entire industry;
- Allow the young talents to engage with the wider industry, giving them exposure to senior industry practitioners and visibility at the Annual Convention;
- Help young talents create a European network;
- Establish a talent pool from which future industry leaders may emerge.

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Annual Convention



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Editorial

One often hears lessors say “prudential regulation of leasing in Europe is inevitable. It’s just a matter of time.” In my view, this time may prove to be sooner rather than later. In fact, it may already be happening. Let’s take a quick look at the “evidence”.

Leasing activities are caught by EU Basel 3 implementation in several ways. Many leasing businesses are subject to the CRD 4 package or national variations. Bank-owned activities are always covered through prudential consolidation. Increasing regulatory pressure means that light touch regimes are becoming heavier. And, if your business doesn’t fall under any of these categories, it’s because (some regulators think) you are conducting shadow banking activities. Recommendations from the Financial Stability Board are in the pipeline to strengthen oversight and regulation in this area. Those engaged in operating leasing or rental who consider themselves to be outside of the financial sector should also be prepared for their businesses to be looked at in this new light. And this will only

be reinforced if all types of leasing are considered to be the financing of a “right to use”.

True, there is no single set of European leasing rules. Rather, what we have today is a piecemeal collection of regulation designed for and inherited from other parts of the financial services industry. As Basel 3 and other international regulatory reform are phased-in, this will be increasingly the case.

The businesses affected have, however, had little control over or involvement in these developments. While views as to what appropriate regulation should be differ across markets and industry segments, surely there is consensus that the current situation is far from ideal? Surely industry participants agree there is a huge business risk in remaining on the side-lines?

This edition of Leaseurope inside gives you a flavour of the wide range of issues Leaseurope is currently dealing with on the European legisla-

tive front. Nevertheless, the industry’s advocacy work will need to shift up a gear if it is to make a real difference going forward. Industry organisation will have to be more cohesive, professionals will need to dedicate more time to these matters and we will have to find people outside the industry to help us carry our messages.

This is an invitation for the industry to band together to make sure we secure the right regulatory environment for the future of European leasing.



by Jacqueline Mills,
 Director, Asset Finance & Research,
 Leaseurope

EBA Recognises Need to Alleviate Liquidity Ratio Burden for Leasing Activities

Continued from previous page >

The EBA’s report recognises that these types of specialised business models would be disproportionately affected by a cap on liquidity inflows under the LCR precisely because they have limited access to (lower calibrated) deposits and high quality liquid asset portfolios.

Moreover, the report also notes that in fact these businesses do not present short-term liquidity gaps. Consequently, the EBA is recommending to the European Commission that a derogation or exemption from the liquidity cap be introduced for these business models. Their report sets out two possible levels of application (i.e. to stand-alone businesses or specific business lines within a larger banking group) for such a derogation and stresses that a number of objective, stringent criteria would be needed in order for it to apply.

It is now up to the European Commission, which has received powers to flesh out the design of the LCR by end June 2014, to decide

whether or not to follow the EBA’s recommendation. If it does, it will also have to determine its level of application and any relevant criteria for it to be applied.

Leaseurope will take part in a public hearing organised by the Commission on 10 March to stress the need for some form of relief from the LCR for our Members’ businesses. The Commission is also open to receiving further comments in writing after the hearing and Leaseurope will submit more details on its position via this channel after consulting further with its Member Associations.

More information on this topic is available from j.mills@leaseurope.org.

Leaseurope’s Future Group Programme

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The Future Group -Class of 2013- composed of young industry talents nominated by the heads of European leasing companies, were tasked to come with up new, innovative ideas that would “revolutionise” an aspect of the business. The top three projects were presented at Leaseurope’s 2013 Annual Convention in Rome.

To round up the 2013 exercise, we have issued a publication showcasing all the ideas submitted last year. It is Leaseurope’s way to ensure the rest of the industry has the chance to find out about all the great ideas these young talents put forward. The publication is expected to be released at the end of March. If you would like a copy of the publication, please contact a.wesolowski@leaseurope.org.

The class of 2014 Future Group will kick off in April and will carry on in the same philosophy and spirit, with a slightly different format, adapted to take into account the feedback we received. For more information, please contact j.mills@leaseurope.org.



Basel 3 Research Project Shows that Leasing is Low Risk

Leaseurope released the findings of its research project, "The Risk Profile of Leasing: The Role of the Leased Asset", in October 2013. The study shows that asset ownership has an important role to play in keeping leasing loss rates lower than those of traditional lending and highlights the advantages that the asset brings when it comes to recovering losses on a contract in default.

The research was undertaken by Deloitte on behalf of Leaseurope and is the second in a series of reports on European leasing within the Basel 3 environment. It includes default and loss rates for leasing in Europe across four asset types (passenger cars, commercial vehicles, machinery & industrial equipment and computers & business machines) and Basel asset classes (sovereign, retail, corporate, institutions).

The study is based on individual contract and default data from 17 large, pan-European leasing companies, covering their activities in 15 European markets. The time span includes contracts alive between 2007 and 2011, i.e. the depth of the European crisis, and covers 3.3 million individual contracts with an average outstanding portfolio worth almost €60 billion.

The report has been instrumental in helping Leaseurope explain to regulators the reasons behind the low loss rates found in leasing. We recently presented the findings to the credit risk department of the European Banking Authority (EBA).

The research results were well received by the EBA, and they agreed that the benefits of asset ownership in terms of credit risk are clear. They

were particularly interested in the findings that relate to asset sale proceeds. This is good news as the EBA is kicking off a project to develop a list of asset types that institutions can consider as being eligible for recognition as a form of credit risk mitigation under the Capital Requirements Regulation (CRR - part of the Capital Requirements Directive 4 package). At the moment, the EBA is surveying the 28 national supervisory authorities on their local practices with respect to allowing physical asset recognition for risk mitigation, in order to gain a clearer understanding of what the differences are by country. We hope that the results of our research will contribute to a more harmonised supervisory approach to physical collateral recognition in the future.

Main findings of the study

How asset ownership helps keep loss rates low

The report finds that a large proportion (over 60%) of defaulted lease contracts return to a healthy position (or "regrade"). This is proof that legal ownership of the asset "carries weight" in default situations and, in fact, in practice it is often not necessary for lessors to exercise their ownership rights. This is because leased assets are normally critical pieces of equipment needed to run a business and in difficult situations lessees have a tendency to prioritise lease payments over other financial commitments.

If a default does not regrade, the lessor can significantly minimise losses through the sale or re-lease of the asset. Thanks to the lessor's ownership rights, this process is also usually quick and efficient (e.g. there is no need to force

the client into bankruptcy). The report shows that, for the vast majority of non-regrading defaults (80%), the asset is sold. Asset sale proceeds contribute significantly to low losses for leasing, accounting for around 80% of total recoveries. In fact, in 20% of cases, there is no loss at all and it is even possible for a lessor to make a gain in situations when the market value of the asset to be sold exceeds the outstandings payments at default.

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“We found that the leasing company's ownership of the asset plays a critical role, which materialises into direct and indirect effects on all dimensions of lease contracts and default management. Due to this ownership, default management significantly orients towards the contract returning to a healthy position, something which drastically reduces the risk of loss.”

Herve Phaure,
Associate Partner at Deloitte, France

Leaseurope Basel 3 Research Project

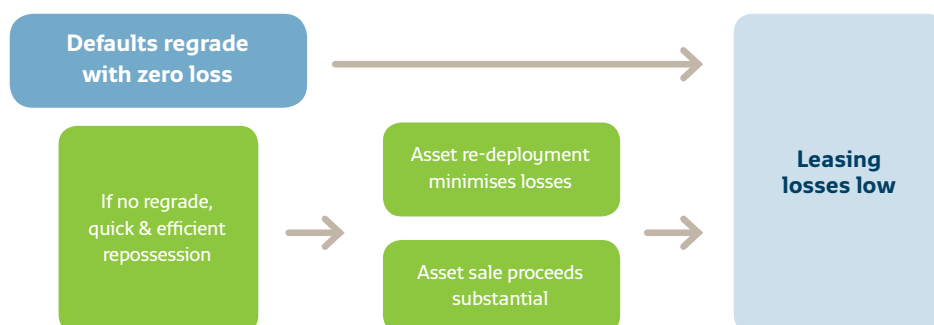


There are three research reports available as part of Leaseurope's Basel 3 project:

- Implicit Risk Weights for SME Leasing in Europe
- The Risk Profile of Leasing in Europe: The Role of the Leased Asset
- European Leasing: An Industry 'Prospectus'

For more information on the project, or how to receive the reports, please contact h.mcewen@leaseurope.org

Fig.1 > Why leasing losses are low





Basel 3 Research Project Shows that Leasing is Low Risk

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Leasing loss rates are lower than traditional loans and regulatory requirements

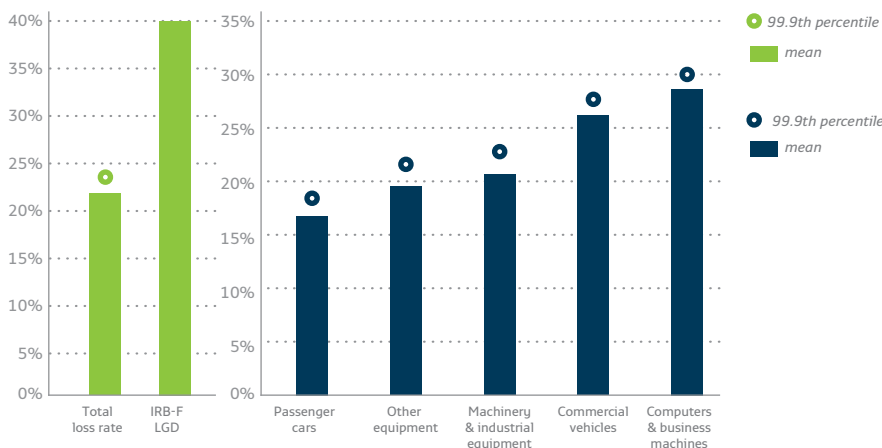
So just how low are leasing loss rates? The total loss rate for the sample over the period is 23.1%. Average loss rates are consistently good across all asset types (please refer to figure 2). Loss rates on the corporate and retail SME exposures are 19.3% and 25.6% respectively. This compares very favourably to the

figures of the EBA's EU-wide stress test where equivalent loss rates for corporate and retail SME lending are 31% and 36% respectively. Considering that the leasing loss rates include very conservative estimates for loss on unresolved defaults, in reality the difference between the two is likely to be even more marked.

In order to better compare leasing loss rates with regulatory requirements, the report simulates downturn loss rates and finds that the 99.9th percentile loss rate (which is only likely to hap-

pen in 0.1% of cases) is still very low and not far from the average at 24.2% that is found using statistical modelling. In any event, all of these rates are significantly lower than the regulatory requirements under the Internal Ratings Based Foundation approach of the CRR, which prescribes the use of a 40% loss rate. The report therefore concludes that the current regulation actually subscribes significantly over-estimated levels of losses to leasing compared to what could be reasonably expected.

Fig.2 > Leasing loss rates by asset type



“One of the key pillars of corporate success is data! In no other area is the need for data so fundamentally important. The Leaseurope study for the first time provides asset finance businesses with robust meaningful data which will prove invaluable in demonstrating to all business stakeholders the capital efficiency of leasing relative to other forms of debt. The findings clearly demonstrate the relative low risk associated with leasing as well as the potential for significant gains to be made by way of asset finance organisations moving to more advanced compliance approaches.”

George Ashworth,
Managing Director at ABN AMRO, UK

Leaseurope Research Helpful for Local PR Activities



Martin Mudersbach,
President, BDL

┃ The German Leasing Association BDL has been making extensive use of Leaseurope's "Basel III research" reports, *the Implicit Risk Weights for SME Leasing in Europe* and *The Risk Profile of Leasing in Europe: The Role of the Leased Asset* for its public relations activities. At the annual press conference in November 2013, BDL President Martin Mudersbach presented the core results to the journalists. BDL's message: "the studies show that the reg-

ulatory requirements for the leasing industry are too high and do not take market realities into account."

In addition, the results were published in the BDL Newsletter, December edition. A specialist article written by Leaseurope in cooperation with Deloitte will be published in the March edition of the FLF (Finanzierung Leasing Factoring) journal.

In terms of BDL's internal communication activities, the studies were presented by Deloitte to the General Assembly of the BDL in November 2013. Furthermore, the member companies have been informed by a circular letter and the results will be used for lobbying activities. "The studies provide strong arguments for BDL's press work and for discussions with politicians", explained BDL's Chief Executive Horst Fittler.



┃ Join Leaseurope's affinity group on LinkedIn to network and exchange views with 1200+ industry peers. This makes it Europe's largest online community of leasing and automotive rental professionals.

This group aims at bringing all the leasing and automotive rental professionals active in Europe closer together and is managed by Leaseurope.

Join us!

Buy Into Leasing with Leaseurope's Latest Research Output

■ We are about to release *European Leasing: An Industry 'Prospectus'*, an e-publication that aims to show investors and shareholders that leasing is an attractive and capital efficient investment proposition. With this document, our Member Associations and European leasing companies will have a unique tool at their disposal to explain the benefits of leasing to banks and other investors in the leasing industry. The prospectus should also prove useful for Leaseurope and its Members to showcase leasing as one of the best ways for financial markets to channel funds to SMEs.

Not only does it leverage the findings from the previous two reports which prove the low risk nature of leasing, it also looks at why leasing is a good investment in terms of value proposition, returns and capital allocation. It features ten key reasons why investors should opt for leasing and includes an examination of various industry KPIs such as profitability and cost/income, as well as qualitative analysis of business models and control structures. The report also shows that the leasing business model and performance compare favourably to traditional lending.

The prospectus is based on the third and final report from our Basel 3 research project.

For more information on how to obtain your copy, please contact h.mcewen@leaseurope.org.



Leasing for Growth

Léasú le
haghaidh fáis

Leasing per la crescita

Leasing
voor groei

Le leasing pour
la croissance

Lizingas Europos
skatinti

Leasing para el
crecimiento

Leasing für
Wachstum

Η χρηματοδοτική μίσθωση
για την ανάπτυξη

Leasing för
tillväxt

■ As mentioned in Leaseurope inside 20, Leaseurope launched a major "Leasing for Growth" campaign last year to demonstrate that leasing leads to investment, which in turn leads to economic sustainable growth. In order to ensure that a wider audience understands leasing's valuable benefits, Leaseurope prepared a video clip showcasing the benefits of leasing.

The video was launched at the Leaseurope 2013 Annual Convention in Rome and was

extremely well received by the industry. **The video can be seen [here](#).**

In order to ensure that the video can be used at the national level, Leaseurope's Member Associations and European leasing companies who would be interested in receiving versions of the video with voice overs or subtitles in their language may contact a.wesolowski@leaseurope.org for translation options.

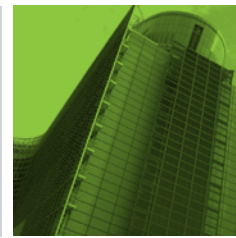


Free Movement of Vehicle Stalls Temporarily

■ Negotiations on a Proposal to facilitate the cross-border movement of vehicles have come to a temporary halt as several influential Member States demanded an assessment on the impact it could have on taxation revenues. Leaseurope is working closely with the European Commission to ensure the assessment is finalised as soon as possible so that discussions on the Proposal itself can resume.

Indeed, if adopted, the proposed new rules would make it easier to sell 'end of lease vehicles' across Europe, fight vehicle theft and fraud as well as enable temporary rental fleet movement to meet peak holiday demand. For more information, please contact r.knubben@leaseurope.org.





Lease Accounting Update



Following a review of the more than 600 comment letters received on the 2013 Leases Exposure Draft (2013 ED), the IASB and FASB began their re-deliberations in January by looking at possible ways forward for their leases project.

According to the options presented by the Boards' staff, the Boards could either retain the difference between Type A and Type B leases (with Type B leases presenting a straight line lease expense) or revert to treating all leases as Type A leases (where the lessee would recognise interest and amortisation separately) as in the original 2010 ED. In other words, in spite of a significant amount of opposition signalled through many the comment letters, all of these options would still require the capitalisation of all leases by lessees.

For lessor accounting, options include retaining the existing IAS 17 approach, or using other classification criteria to determine when a lessor would use finance or operating lease accounting. Any of these options would create an inconsistency between lessee and lessor accounting in cases where the lessor would continue to show the full value of the underlying assets on its books (i.e. have an operating lease) even though the lessee having received the transfer of a right to use the asset would be required to recognise a corresponding asset. Simply put, this would lead to the double counting of assets.

The Boards also spent time in January going through so-called "options to simplify" their 2013 proposals. These include the exclusion of leases of non-core assets from the standard or allowing lessees to apply the proposals on a portfolio basis. While these "simplification options" may seem desirable at first glance, in reality none of them

are likely to provide preparers with real relief from the complexity of the Boards' proposals. The non-core concept has been floated several times and has been consistently rejected because of the difficulties the Boards have in defining this notion. In January, there was still very little appetite amongst Board members to pursue this approach. While Board members seemed to be more in favour of letting lessees apply a portfolio approach, the practicalities of such an approach are doubtful and may even complicate things further.

While the Boards did not take any firm decisions during their January meeting, Leaseurope was rather concerned with the direction their debates seem to be taking. We therefore met with officials from the European Commission's Accounting Unit in early February to take stock of the project. In particular, we reminded the Commission that, after 8 years of debating the matter, the IASB and FASB have still not provided the conceptual justification for a Right of Use model or why leases are different to executory contracts. We also explained that, in spite of the IASB reporting that they had increasing support for their model, European stakeholders, including the auditor community, BusinessEurope, many large European corporates and EFRAG, all share our views and are still unconvinced by the proposals. In particular, we drew the Commission's attention to extracts from the comment letters on the 2013 ED showing that many important stakeholders would prefer to retain the existing approach to lease accounting, IAS 17.

The Commission informed us that it is well aware of the many concerns European stakeholders and Member States have with the

Boards' proposals. They assured us they are monitoring the project closely, particularly with respect to the potential consequences that may arise in national (SME) accounting standards. We will meet again with the Commission to assess the Boards' re-deliberations after the Boards have their first decision making session on the project in March. Importantly, representatives from BusinessEurope, the organisation representing general business interests at European level, will attend this next meeting to support us in our request to maintain IAS 17 with improved disclosures as a robust way forward for international lease accounting.

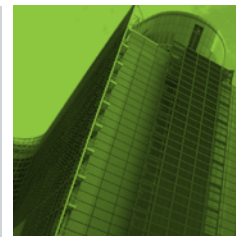
If you are interested in finding out more about the state of the lease accounting proposals and Leaseurope's recent actions on this file, please contact j.mills@leaseurope.org.

“ We believe the latest proposals would not improve financial reporting and would require substantial implementation costs. (...) moving forward with a right of use model is supportable only if a lease can be defined in a manner that satisfactorily distinguishes leases from executory contracts (service contracts). We believe the ED's proposals and supporting examples fail to achieve this – quite possibly because in many instances such a distinction does not exist.”

Grant Thornton
(Comment Letter 117)

“ BusinessEurope considers that the current ED does not meet the goal of a high quality standard and consequentially cannot accept the proposals as they stand. Most members accept the existence of two types of leases, but consider that the split between these should not be based on the nature of the underlying asset and think that different presentation and measurement options should be considered for the two types of leases, with only one type recognised in the balance sheet. Other members desire a single simple treatment for all leases. Overall we would support enhancing IAS 17 disclosures rather than implement the proposed model.”

BusinessEurope
(Comment letter 599)



New Leaflet on Supporting Sustainable Mobility

Leaseurope has recently published a new leaflet entitled 'Car Leasing: Supporting Sustainable Mobility in Europe' explaining the benefits of car leasing. In particular, the leaflet looks at the role lessors play in renewing the European vehicle fleet with clean and safe cars.

Additionally, it shows how leasing enables clients to outsource risk and how the leasing industry drives innovation in the automotive sector.



Leasing for Growth

Leaseurope explains how the leasing industry can support the EU competitiveness policy

Leaseurope was recently invited to a stakeholder interview in the context of the European Commission's (DG Enterprise and Industry) [consultation](#) on enhancing competitiveness for EU enterprises. This exercise is part of the development of the "Europe 2020" strategy seeking to help the Commission define policy initiatives that would enhance the competitiveness of EU businesses, particularly in the field of industrial and enterprise policy.

Leaseurope took this opportunity to stress that future Commission policy should do its utmost to support small business investment as well as facilitate their access to finance and made the point that leasing is an excellent tool to achieve this.

Our goal was to convey the high level lobbying messages of the "Leasing for Growth" campaign, suggesting that the Commission seek to:

- Promote awareness of the benefits of leasing in order to boost growth, investment and help businesses, especially SMEs, be competitive;
- Improve access to funding for lessors; and
- Ensure that leasing and lessors are not disincentivised compared to other products and providers.

We also highlighted the following points:

- The need to improve the definition of leasing being used in the questionnaires of the [Commission](#) and [ECB's](#) SME access to finance surveys (these surveys fall under the responsibility of DG Enterprise and Industry).
- The importance of getting any potential IFRS leases standard "right" for firms of ALL sizes to avoid negative effects on their access to leasing.

A final report including the feedback of all stakeholders taking part in the project is expected in mid-May 2014.

For more information, please contact j.bucyte@leaseurope.org.

This leaflet is part of Leaseurope's wider campaign to promote leasing. As such, it is a nice supplement to other publications recently released.



Leasing

The path towards sustainable growth for Europe



The Road to 2050

Truck leasing and rental - An integral part of a sustainable European transport system



The Use of Leasing Amongst European SMEs

Insurance Mediation Directive Update

A mixed outcome so far

In July 2012, the European Commission released a Proposal for a revised Insurance Mediation Directive (IMD2) replacing the Insurance Mediation Directive of 2005. On 22 January 2014, the European Parliament's Economic and Monetary Affairs (ECON) Committee finally voted on their revised Report on the Commission's Proposal.

The final Report includes a light touch regime for businesses that provide simple insurance products as an ancillary service to their main professional activity. This ancillary status has been strongly supported by Leaseurope but questions still remain as to whether all of our members would effectively qualify as ancillary insurance providers under the ECON Report.

ECON is also in favour of extending staff training requirements to 200 hours over a 5 year

period and requiring intermediaries to disclose information to their clients. Training and disclosure requirements would however be lighter for those leasing companies that would qualify as ancillary providers.

Notwithstanding these positive developments, the battle has not been won as the Report introduces a new provision giving Member States the discretion to apply all the requirements of the Directive to ancillary providers. Negotiations are very likely to continue into the new Parliament and our advocacy efforts over the coming months will focus on limiting the discretion afforded to Member States.

For more information contact j.mitchell@leaseurope.org.



Leaseurope Index

European industry KPIs pickup

■ The weighted average ratios for the Q4 2013 edition of the Leaseurope Index show a substantial improvement compared to the same quarter of the previous year. On an annual basis, all ratios improved in 2013 compared to 2012 (with the exception of cost of risk), largely as a result of strong performance in the last quarter of 2013.

Total new leasing volumes reported by the 17 firms in the survey increased by 13.7% in comparison to the same quarter a year ago, reaching just under €20 billion, while the whole of 2013 saw a marginal increase in comparison to 2012. The portfolio of outstanding contracts declined by 5% while risk-weighted assets decreased by a smaller amount (3%).

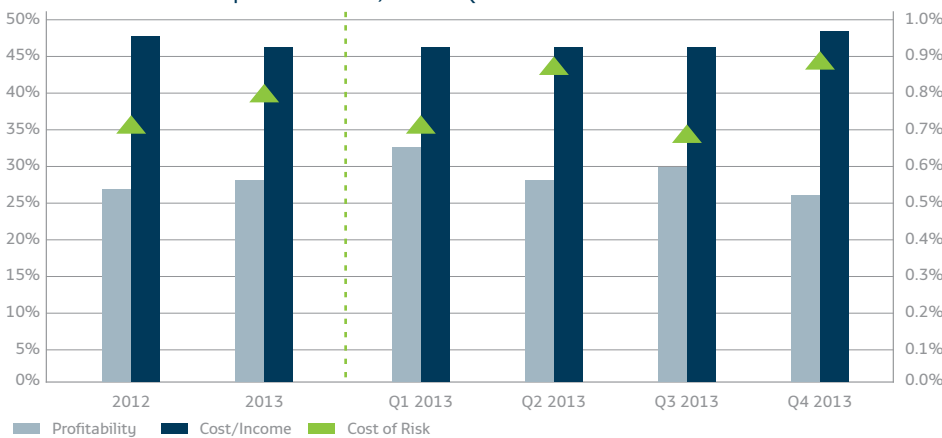
Total pre-tax profit reported in the survey increased by 10% for Q4 2013 in comparison to Q4 2012. The average profitability ratio increased substantially in Q4 2013 compared to Q4 2012, although it was slightly lower than the rest of 2013 (see figure 1).

Operating income recovered well compared to the same period a year ago, growing by 9.6%, while operating expenses increased to a lesser degree (3.9%). This difference caused the cost/income ratio to fall in Q4 2013 compared to the same quarter the previous year. In fact, all quarters in 2013 saw a decline in the cost/income ratio relative to the year before, resulting in a lower total figure for 2013 of 46.9% (see figure 1).

Loan loss provisions decreased in Q4 2013 compared to Q4 2012 (7.1%), the first decline seen in 2013. The average annualised cost of risk remained at the same level as Q4 2012 at 0.9%. The total cost of risk for 2013 was slightly lower at 0.8%.

For more information, or to download the full report, please visit our [dedicated webpage](#) or contact h.mcewen@leaseurope.org.

A Selection of Leaseurope Index Ratios, 2012 – Q4 2013



“ 2013 saw a slow recovery beginning in the EU, with European GDP rising by 0.4% in Q4 2013 in comparison to Q4 2012. It's even better news for the European leasing industry, which is experiencing an even greater recovery as evidenced by the strong KPI performance in Q4 2013. Revenues and profitability have been particularly impressive last quarter, on the back of the highest new business volumes seen since Q4 2011. The leasing industry proved itself able to weather one of the most difficult downturn periods of recent history and is now positioned to capitalise on market recoveries. Consolidated recovery will bring some long-awaited breathing room and future opportunities for industry development. ”



Philippe Bismut,
CEO of Arval

New Member Appointed at Leaseurope Board of Directors



José Coronel de Palma,
Caterpillar Financial Corporation

■ Leaseurope welcomes José Coronel de Palma, Managing Director of Caterpillar Financial Corporation, as new member of its Board of Directors in replacement of Jose Martin Castro Acebes, Director, Financial and Operating

Lease at Santander. Prior to his current position at Caterpillar Financial, which he holds since 1993, José Coronel de Palma was Director General at Alequinsa, Banesto Group, from 1987 to 1993. Before that, he held a number of senior positions in the financial sector. José is also the President of the Spanish Leasing and Renting Association (AERL).

With José Coronel de Palma's appointment, Leaseurope's Board now counts two representatives of captive finance companies of major manufacturers, the second one being Jirina Tapsikova, CEO of Skofin in Czech Republic.

On that occasion, Leaseurope's Chair Jukka Salonen commented that the joining of a senior representative of the captive finance company of a major equipment manufacturer is a source of great satisfaction. Like most of its 44 member associations, Leaseurope has always represented the interests of equipment captives alongside those of other types of leasing companies (bank-owned, independent, automotive captives, etc.). This is now reflected in the composition of our Board of Directors.



Leaseurope Publication Identifies Business Opportunities in the Public Sector



Leaseurope has just released an e-publication on public sector leasing in Europe showcasing the main findings of its recent survey of Member Associations from across Europe.

Why public sector leasing?

Although the share of European leasing volumes to the public sector increased marginally during 2010 and 2011, it has remained relatively constant but rather small over the past decade or so. The portion of total new equipment leasing volumes attributable to the public sector in 2012 was only 3.4%; while the share of utility leasing was around 13% of real estate volumes. Together, these two segments of the market accounted for new business volumes of 8.6 billion euros.

The question is why in a time of crisis, when public sector budgets are being tightened, do public sector leasing volumes remain flat? One would expect in a time of budgetary constraint to see a steady increase in the use of leasing as a method of finance. Does this mean that there are structural obstacles or, alternatively, are we as an industry not doing something well enough? Do these relatively small market shares indicate that there are plenty of opportunities and scope for growth in the sector that as yet remain unexploited?

By surveying our Member Associations across a variety of European countries and collecting case studies of projects undertaken by the public sector that were funded by leasing firms, the goal of this publication is twofold. Firstly, to promote the value and usefulness of leasing to

the public sector and secondly, to identify the obstacles leasing companies face when trying to do business with public sector clients.

Main findings

The survey shows that the public sector does indeed recognise the advantages of leasing in a number of markets, but perhaps only to a certain degree. For instance, this seems to be more generally the case when it comes to vehicle leasing solutions,

but there still are relatively few countries where the public sector uses leasing across a broader category of assets to any great extent. Examples of obstacles to doing more business with the public sector include i) the complexity of the public procurement process, ii) tax regimes in some countries which put leasing companies at a competitive disadvantage, iii) public sector authorities in many countries only being able to agree to contracts that qualify as operating leasing arrangements.

Recipe for success?

In spite of these challenges, the case studies in the publication show that there are plenty of European leasing firms who are able to successfully address the needs of their public sector clients, and who do so in very innovative ways.

It is of course extremely difficult to come up with a recipe for success for public sector leasing. However, the case studies do provide some interesting conclusions for consideration. Leasing firms who will be successful in this market are those who will be able to acquire in depth understanding of complicated public procurement processes, whether this is achieved internally or by accessing outside expertise. Many of the deals described in the publication also involve leasing companies partnering up with other types of businesses, be they manufacturers, infrastructure solution providers, construction companies or a wide range of service providers. This means that leasing firms can build solutions that are far beyond the provision

of basic finance and truly address public sector requirements.

Talk the talk

Lastly, it seems that one crucial factor behind creating a more vibrant public sector leasing market is the need to explain leasing solutions and their benefits to public clients. In other words, there is a need for leasing firms to market themselves and their products in a manner that is specifically targeted to this sector.

Leaseurope has produced various materials describing the general benefits of leasing that is at the industry's disposal.

These brochures, videos and presentations can be a good starting point to promote the advantages of leasing. Additionally, in order to further promote this market segment, Leaseurope has dedicated a [webpage](#) on its site to the area of public sector leasing. Here, you will find a number of the case studies already featured in the publication and over time we hope to receive and add many more. We hope that all of this, in combination with the knowledge and practices detailed in the publication, will provide useful insight for industry participants to better chart a future for growth and expansion of leasing to the public sector in Europe.

For more information, please contact j.mitchell@leaseurope.org.





Coming soon

Annual Convention of the European Leasing & Automotive Rental Industry Barcelona 2014 - 9 & 10 October



A must attend event in the business leader's agenda, with the right balance between powerful content and high-level networking !

The 2014 Convention will take place in Barcelona, Spain at the renowned Eurostars Grand Marina together with the Annual Convention of the European Consumer Credit Industry. Last year's Convention brought together 500+ industry specialists from 36 countries to explore key issues for the industry confirming once again that the event is widely recognised as the premier gathering for consumer credit, leasing and automotive rental professionals at European level.

Our organising team is working on the 2014 academic and networking programme to create another exceptional event. The Convention will begin on Thursday 9 October in the early afternoon and continue on Friday 10 October for a full day programme rich in opportunities to learn, meet and connect.

The Convention provides an outstanding forum for open discussions on the many challenges facing the industry and offers a

unique chance to network with senior-level industry colleagues from across Europe. As part of the event, delegates, special guests and their partners will also be invited to a dazzling evening reception on 9 October.

Plan to join your peers from across Europe at this unique meeting platform organised by the industry for the industry.

More information on the programme and on accommodation is available on the dedicated website at www.annual-convention.eu.

Book your accommodation now as there are fewer and fewer rooms available. Opening of registration is to be announced shortly. Check the Annual Convention website regularly for the latest updates on the programme and the many activities planned.

For more information, please contact a.valette@leaseurope.org.

Reasons to attend

- Organised by the industry for the industry
- Truly European
- Largest event of its kind in Europe with 500+ participants every year
- 35+ countries represented
- Renowned for its compelling programme & first class speakers
- Appreciated for its many networking opportunities
- Meeting with senior representatives from leading key industry solution providers
- Low registration fee for Leaseurope's Member Associations & their member leasing or automotive rental companies. Low registration fee as well for Leaseurope's Associate & Affiliate Members
- More than ever, THE gathering of industry decision makers at European level
- By registering to the Leasing & Automotive Rental Industry Convention, you also help financing the pan-European research programme run by Leaseurope in the interest of the entire European leasing and automotive rental industry. Information on Leaseurope's research activities can be found [here](#).

Sponsorship enquiries for the 2014 Annual Convention should be addressed to Anne Valette, Head of Communications at a.valette@leaseurope.org.

EUROPEAN LEASING & AUTOMOTIVE RENTAL INDUSTRY

Annual Convention

Plan to attend and already **book your accommodation here.**

**9 & 10 October 2014
 Grand Marina Hotel
 Barcelona, Spain**

www.annual-convention.eu

Carefully selected high calibre speakers and moderators, as well as a strong programme, are at the very core of each Annual Convention of the European Leasing & Automotive Rental Industry. We are on the lookout for well-respected industry practitioners and experts to take part in the many sessions. We rely on them to provide insightful presentations and encourage thought-provoking discussions.

Would you like to apply to speak at the 2014 Convention, moderate a session or suggest ideas for a topic? Do you have a speaker or a moderator to recommend? Please contact a.valette@leaseurope.org and help contribute to the success of the 2014 Annual Convention.



European Leasing Professionals Bullish for H1 2014

Leaseurope/Invigors Business Confidence Survey



By Richard Ryan
Partner,
Invigors EMEA LLP

Leaseurope and Invigors EMEA have recently completed their latest European Business Confidence Survey. The findings reveal considerable optimism towards the business outlook for 2014. With the economic prospects for Europe improving and concerns caused by the Eurozone crisis now consigned to the past, most of those taking part in the latest survey expressed a positive opinion on the outlook for their businesses over the first half of 2014.

Expectations of new business growth are particularly bullish. Nearly three-quarters of those surveyed anticipate growth in new business this year, up from 54% in the previous survey last June. The proportion of respondents forecasting no change has fallen from 26% last June to 16% in December, while the number predicting a fall in new business has halved to just 10%.

However, it appears that for a significant minority of respondents this increase in new business growth is expected to come at the expense of margins. Of those taking part in the latest survey, 29% predict that margins will decrease over the next six months compared to 23% last June. Over half of participants (54%) anticipate no change in margins, down from 59% previously, while only a minority of 17% believe that margins will increase.

Despite the suggestion from some respondents that margins are coming under increasing pressure, for the majority of those surveyed, net profit for their business is projected to rise during the first half of this year. 61% expect net profit to increase, up from 55% last June, while 23% anticipate no change. Only 15% believe that net profit will fall in their organisations.

The more optimistic prospects for some of the industry KPIs are also, to some extent, reflected in expectations on expenditure. While many of the organisations represented in the research are clearly keeping a tight rein on budgets, a growing proportion of respondents anticipate increased spending over the next six months, particularly on marketing, training and IT systems.

The December 2013 survey indicated that, for the majority of organisations represented in the research, staff numbers are projected to remain stable for the first half of 2014 notwithstanding a potential increase in new business. However, there are differences in expectations between sales and non-sales staff with the balance of opinion more favourable towards growth in sales personnel, while non-sales headcount is more likely to be reduced.

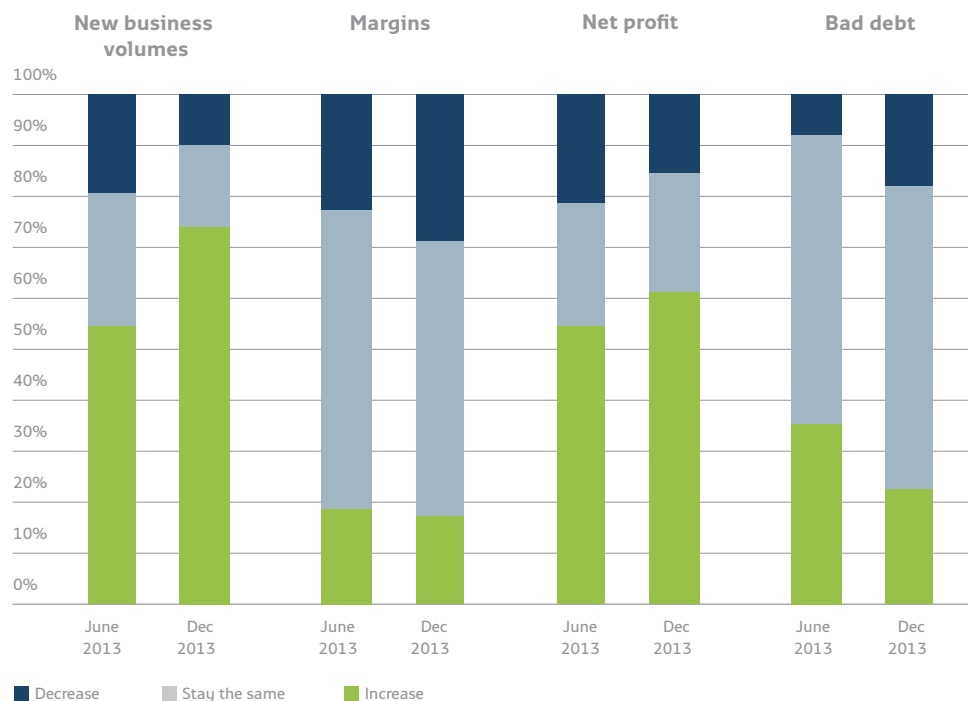
Despite the challenges faced by the European asset finance industry and the withdrawal of a number of players from some European markets, confidence amongst industry professionals has greatly increased over the past six months. Clearly improved economic growth in

a number of countries is fuelling expectations of new business growth, which is accompanied by improved expectations of other KPIs such as net profit and bad debt as well.

The one concern in this overall “good news” story is focused around margins, where there appears to be a risk that, in some cases, new business volumes are being achieved at the expense of rates – a situation that the industry has been in before. It is to be hoped that the lessons from this previous experience have been learnt and that future growth will not be achieved by competing solely on price.

The next Leaseurope/Invigors EMEA Business Confidence Survey will be conducted in June 2014 with the results published in the following July. If you wish to take part in the next edition of the Business Confidence Survey and directly receive an exclusive and detailed report of the survey findings, email your contact details to j.bucyte@leaseurope.org and we will inform you when the next survey is open.

For more information, visit the Leaseurope webpage on the [Business Confidence Survey](#).





The New Acronym You Need to Know: NBNI GSIFIs



In January 2014, the Financial Stability Board (FSB) released a [consultation paper](#) proposing a methodology for identifying Non-Bank, Non-Insurer Global-Systemically Important Financial Institutions (NBNI G-SIFIs). This paper suggests that a finance company could have characteristics that make it so important that its distress or failure would have a systemic impact on the financial services sector and/or the economy at large. While the vast majority of Leaseurope's members would not meet the FSB's (tentative) size criteria for qualifying as a G-SIFI (assets in excess of USD 100 billion), there are still several reasons for the European leasing industry to be heavily involved in these discussions.

Firstly, the FSB's consultation reflects a certain misunderstanding of the business and funding

characteristics of European finance companies. Leaseurope considers essential that we clarify any misconceptions surrounding the industry's funding, riskiness, regulatory and competitive environment as the FSB is currently working to produce conclusions on whether a general regulatory framework for finance companies (i.e. regardless of their size or jurisdiction) is necessary (*see EBA Takes Stock of Unregulated Activities article*). Secondly, as with identification of Global-Systemically Important Banks (G-SIBs), any firm that may qualify for the NBNI G-SIFI list would likely be subject to additional regulatory requirements. Lastly, while this exercise is currently only taking place at international level, it will simply be a matter of time before regional and national jurisdictions produce their own lists of NBNI SIFIs. Here the materiality threshold for inclusion in such lists is likely to be much lower than at global level and would therefore potentially cover more firms.

Leaseurope is in the process of drafting a response to the FSB's consultation which closes early April 2014. We also plan to meet shortly with the European Commission to better understand what their intentions are with respect to European finance companies.

EBA Takes Stock of Unregulated Activities: A Risk for Leasing?



Following the release of the [European Commission's Communication](#) on Shadow Banking in September 2013 and ongoing work conducted at international level by the Financial Stability Board (FSB), the European Banking Authority (EBA) has launched a stock taking exercise of whether Member States apply prudential regulation to non-banks, including leasing, consumer credit and factoring companies. The EBA is also trying to ascertain which Member States apply the EU definition of a credit institution to such entities and quantify the "bank-like" activities of "non-banks". It is expected that they will have interim results sometime in March 2014 and will issue a final report to the European Commission in June. Their work will be used by the European Commission to report back to the FSB on the scale of non-regulated finance company activities in Europe. Depending on the outcome of discussions within the FSB at international level, it will also serve as a basis for the Commission to decide on whether any regulatory action would be required at European level.

The Secretariat has met with the EBA staff in charge of this issue to ensure that they understand the nature and scale of European leasing activities as set out in [our response](#) to the FSB's January 2013 consultation on "A Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities". In this paper, we set out the arguments as to why European leasing activities do not give rise to risks that are systemic in nature.

Given that the ongoing shadow banking debate could trigger an EU-level reaction, possibly in the form of regulation for all leasing companies, the Secretariat will continue to monitor developments in this area closely. More information is available from j.mills@leaseurope.org.

Successful Cooperation between Rental Industry and Commission

Towards the end of November 2013, the Leaseurope Car Rental Business Council met with the European Commission's Director for Consumer Affairs Despina Spanou. The purpose of the meeting was to take stock of progress made on a number of issues related to the overall improvement of the consumer rental experience, such as the functioning of the European Car Rental Conciliation Service (ECRCS).

During the meeting, the industry was praised for its willingness to work together with the Commission and the idea was raised to organise a public event in the second half of 2014 focusing on all progress made thus far, which will be hosted by the European Commissioner in charge of Consumer Affairs. Prior to this event, a dedicated car rental workshop will be organised on 3 April where the car rental sector will engage with the Commission, Consumer

Authorities and European Consumer Centres to better understand how consumers perceive car rental. For more information, please contact r.knubben@leaseurope.org.





European Parliament Elections 2014

The European Parliament elections are looming large. The new Parliament will commence its business on 1 July this year. Shortly afterwards, it will approve the newly appointed Commission who will start its business towards the end of the year.

The results of this year's election will be particularly important for a number of reasons.

First of all, the elections of 22-25 May will be the first European Parliament elections to have a direct influence on the appointment of the next President of the Commission. The reason for this is that the person nominated for President by the European Council will be influenced by the proportional weightings of the political groupings in the new Parliament.

The group that controls the new Parliament will therefore have a bigger say on Commission policy. We should be aware that any change in the political orientation of the Parliament is going to impact the business environment.

PollWatch Europe recently issued its first set of projections for the vote on 22-25 May. Illustrated below is the contrast between the composition of the current Parliament and most recent projections.

The projected share of the vote would give the Parliament's centre-left S&D approximately 217 seats, whereas the centre-right EPP, currently the largest grouping in the Parliament, may lose a quarter of its current representation, securing as little as 200 seats. The liberals in the ALDE group could see a reduction in their representation to 70 seats with significant losses to be experienced in the UK and Germany.









According to the poll, these projections could be positive for Martin Schultz (S&D, DE), the current President of the European Parliament, who has been nominated by his group as their candidate for President of the European Commission. The other major candidates for the Presidency are Jean-Claude Juncker (EPP, LU) and Guy Verhofstadt (ALDE, BE). Other interesting results of the poll show that 29% of all seats will be won by parties that are critical of or opposed to the European Union. However, there exists a volatile political climate in many



Member States and, although there will be a rise amongst the ranks of the Eurosceptic parties, they are not expected to form any credible obstruction to the ordinary business of the Parliament. Furthermore, it is uncertain how many voters will turn out in May. This could result in the centre-right parties recovering ground. On this basis, many analysts still expect the EPP to be the largest political force in Parliament following May's elections, albeit with a reduced number of seats.

Finally, there is a potential unexpected consequence of these shifts in the balance of power.

Composition of European Parliament 2009-2014









 EPP 265 seats	 ECR 54 seats
 S+D 184 seats	 GUE/NGL 35 seats
 ALDE 84 seats	 EFD 32 seats
 GRN/EFA 55 seats	 N/A 27 seats

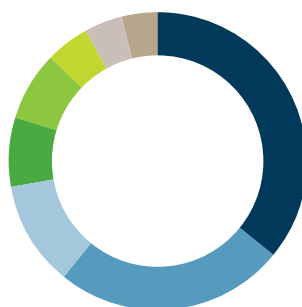
Current projections could make it impossible for either of the 2 major groups to form an ideologically based majority for the Parliament. This could force the centrist groups to work together in a 'grand coalition'. In this scenario, and with an eye on the future workings of the Parliament, there will have to be a lot of compromise.

In the run up to the election, we will be keeping track of who is standing for election and the likelihood for them to be reelected.

For more information, contact j.mitchell@leaseurope.org.

PollWatch projections for European Elections 2014

 EPP 26.6%	 ECR 5.6%
 S+D 29.8%	 GUE/NGL 7.5%
 ALDE 9.3%	 EFD 4%
 GRN/EFA 5.9%	 N/A 12.3%





European Leasing Market Returns to Growth

Leaseurope's Preliminary Survey Results

According to the results of Leaseurope's Preliminary Survey for 2013, new leasing business in Europe increased by 1.9% in 2013. These figures are encouraging and confirm the findings of our other surveys such as Leaseurope Index for Q4 2013 and Business Confidence Survey December 2013 (see articles pages 8 and 11).

The vehicle leasing segment continued to support the overall market and grew by 5.2% compared to 2012. New leasing volumes for equipment were more subdued and fell by 1.0%. Nevertheless, this represents a slight improvement over performance in 2012, where equipment volumes dropped by just over 2%. Real estate leasing experienced a decline of nearly 13%, with poor performance observed across many European markets.

In comparison to the results of our survey on European leasing activities in the first half of 2013, the preliminary annual figures show that there was a considerable improvement

in new volumes within the second half of the year, particularly with respect to equipment leasing (which decreased by 7.1% in H1 2013 compared to H1 2012).

The rather positive picture at European level does not reflect though the quite significant divergences in growth found at national level. It is, however, encouraging to note that the situation in Southern European leasing markets seem to

have stabilised (Spain, Portugal), with some of the larger mature markets, especially the UK, being the key drivers behind overall growth.

Comprehensive annual figures will be published once the Annual survey of Member Associations is complete in late spring. For further information about this survey, please contact j.bucyte@leaseurope.org.



Leading Audit, Tax and Advisory Firm KPMG Joins Leaseurope as Associate member

Leaseurope is pleased to welcome KPMG, a highly respected and knowledgeable international network of specialists, as its newest Associate Member.

KPMG partner and Dutch segment Lead Leasing Evelyn Vinke-Smits commented on that occasion that "by joining Leaseurope as an Associate Member, we underline the importance of active knowledge-sharing and a valuable networking platform in the leasing industry. We consider leasing as an important market in stimulating the economic growth in Europe by financing key assets for both large and SME companies. We view Leaseurope as a high quality organisation that not only strives for a continuous dialogue with different stakeholders on regulatory and accounting changes but also stimulates its members to be supportive to change and innovation and new and sustainable business models. As a professional audit, tax and advisory firm, we

are pleased to contribute to this agenda for the future."

We are very pleased with KPMG's decision to join Leaseurope as an Associate Member considering their strong expertise in, and involvement with, the leasing industry. Our cooperation with the KPMG network dates back to 2007 when we co-published the 'European Leasing' publication covering the state of 30+ different European leasing markets as well as their legal, accounting and tax treatments. An updated version was published in 2012 due to very strong market demand. We obviously look forward to working even more closely with KPMG now that they have become Associate Member.



EU Wide Roadworthiness Tests for Vehicles Close to Adoption

The European Parliament is close to adopting a Proposal requiring Member States to mutually recognise valid 'Periodic Technical Inspections' (PTIs) and issue electronic roadworthiness certificates. If adopted, these new rules would also harmonise the frequency of PTIs, with the vast majority of vehicles having to undergo testing four years after first registration and every two years thereafter. Member States may, however, introduce stricter requirements if they so wish.

Leaseurope was successful in removing an amendment by the Council requiring rental cars to undergo a yearly roadworthiness test. As a result, rental cars would be tested with the same frequency standards set for the other vehicles. For more information, please contact r.knubben@leaseurope.org.



Open Forum >

Looking back on 13 Years at the BVRLA

John Lewis reflects on his 13 years at the helm of the British Vehicle Rental and Leasing Association and the changes introduced to serve its diverse membership.



By John Lewis

When I was first approached to take over the role of what was then Director General of the BVRLA (later changed to Chief Executive), I turned down the opportunity. I had been aware of the work of the Association as a member but could not really see how the job could provide me with the excitement and challenges that being in the front line of the industry would.

In hindsight, this proved just how little I knew about the work of an industry body and how demanding supporting a large dynamic industry sector could be.

So as you can now imagine, when I was approached for a second time, I am so glad I took the time to sit back and reflect on how my then 16 years of service in the leasing and fleet management sector, including light and heavy commercials, could be put to good use in supporting and developing the industry. And of course, the further attraction was that there was only one job like this in the country and it was a great opportunity that should be given serious consideration.

What I very quickly realised after I started in the job was that, although I had inherited a great team, the historic culture was one of expecting companies to join the Association “because it was there for them” without focusing enough on explaining the added value membership of a trade association could bring.

So, the first task was to take a look at what the value proposition was to the members and develop it to make sure that when the annual renewal arrived, it was accepted without question. What came out of this was a realisation that there was not a “one size fits all” proposition and that we

had to develop various value packages for different sizes of member companies.

This is still reviewed annually and modified to suit the changing market needs of the sector.

What I also quickly realised was that although one of the BVRLA’s major tasks was to lobby and influence Government, few civil servants and Ministers had a clear understanding of the nature of the industry the BVRLA represents.

The BVRLA Board supported my proposal to join Leaseurope and today we are able to use our resource to the benefit of the industry throughout Europe by active participation in the working group structure.

Was it Travel? Finance? Service? Automotive? – of course, it is all of these and so one of the major challenges was (and still is) to get the correct positioning for both leasing and rental as the provision of cost effective, environmentally sensitive vehicle operation to both business and consumer markets.

Thirteen years on and looking back, you realise how slowly the political machine can chug along sometimes. For example, in the UK we are just starting to see some real movement in making dealings with the registration authorities more efficient through the use of technology, but some of the discussions started more than 5 years ago! And then of course, there is the Lease Accounting project – this file was handed to me on my first day in the job as the most important dossier we would be handling; thirteen years on, thousands of man hours wasted, millions of pounds invested and we still do not know where this will end up.

It is just as well that industry does not run this way otherwise what would our national economies look like!

As with all organisations, we wanted more resources and the BVRLA Board also wanted to

build up a fighting fund of financial reserves, but the challenge we were given was to do this without any significant increase to membership subscriptions.

So, we set about developing commercial activities that we could market to Members in order to generate some extra revenue. These had to be unique and relevant to either a leasing or rental company’s business, not competing head on with other products and delivered at low cost and, today, include such things as Conferences and Seminars, Training, Surveys, Data, etc.

And it worked. At present, the Association is now probably the best resourced of any leasing or rental association and has built up financial reserves well above the original expectations.

The BVRLA had, for a number of years, not been active in the industry’s umbrella Federation, Leaseurope (well we are Brits!) and I recognised that because of this, we were not getting our voice heard in the European lobbying arena, which could be damaging to our national position in many areas of legislation.

Fortunately, the BVRLA Board supported my proposal to join Leaseurope and today we are able to use our resource to the benefit of the industry throughout Europe by active participation in the working group structure. For a number of years, I have myself chaired both the Car Rental Working Group and the Automotive Steering Group at Leaseurope, both of which were very rewarding.

This has proved particularly useful for the Car Rental sector where the cross border consumer traveller is now expecting the same level of information transparency and service irrespective of country, and the only way the industry will achieve this is through the co-ordinated activities of Leaseurope.

I can now look forward to watching the continuing development of all the projects and initiatives I was fortunate enough to be involved in, from a distance.



New Affiliate Membership Programme at Leaseurope

Leaseurope has just launched an Affiliate Membership Programme in order to further enhance the quality and diversity of its membership base, while consolidating its relationship with a number of players which support the industry.

Requests for information on Leaseurope's Affiliate Membership Programme and related benefits should be addressed to a.wesolowski@leaseurope.org.

2014 Affiliate member of

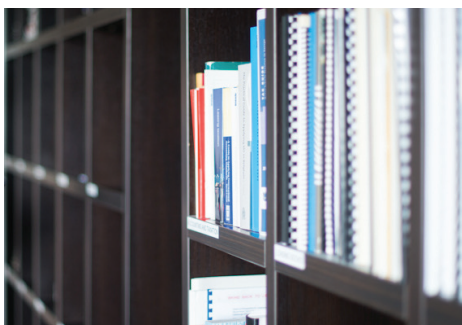


Leaseurope Library

Recently added:

- > **European Leasing Handbook**
Courtesy of Deloitte
- > **The Long Term Rental Market in France for the 3rd quarter 2013**
Courtesy of the French Automotive Rental Association, SNLVL
- > **BDL Annual Report - Leasing 2012-2013**
Courtesy of the German Leasing Association BDL
- > **National Zakenauto Onderzoek 2013**
Courtesy of the Association of Dutch Vehicle Leasing Companies VNA

Help us enrich our library: kindly send us any relevant documents (thesis, conference documentation, PowerPoint presentations, studies, books, newsletters, annual reports, etc.) related to leasing or automotive rental.



Attending Meetings & Conferences

Leaseurope's Director of Asset Finance & Research, Jacqueline Mills, attended a debate on European Accounting Governance organised by the ACCA and hosted by MEP Wolf Klinz in the European Parliament in November 2014.

Richard Knubben, Leaseurope's Senior Adviser in Automotive Affairs, participated in a debate on urban mobility organised by Forum for the Automobile and Society in Brussels last November.

Jacqueline Mills and Tanguy van de Werve, Leaseurope's Director General, attended the Annual Financial Service Conference in Brussels on 20 February. The event, which brought

together policy-makers supervisors, bankers and central bankers from across Europe, was an excellent opportunity to take stock of the progress made in financial services reform since the onset of the crisis in 2007. Internal Market Commissioner, Michel Barnier, presented an [overview of proposed and adopted EU legislation](#) on financial services that shows how far Europe has come in creating a sounder financial system.

In February 2014, Richard Knubben, participated in a lunch debate in Brussels on 'the Connected Car and Data Protection', hosted by MEPs Anna Rosbach (ECR) and Lara Comi (EPP) with the support of the Fédération Internationale de l'Automobile (FIA).

Meeting Key Industry Stakeholders

In September 2013, Leaseurope welcomed a delegation of the Japanese Leasing Association to Brussels to discuss the IASB's lease accounting project. We also met with colleagues from the US Equipment Leasing and Finance Association in February 2014 to share views on how the project is evolving on both sides of the Atlantic.

Leaseurope's Director of Asset Finance & Research, Jacqueline Mills, met with representatives from BusinessEurope in December 2013 to exchange views on changes to IFRS lease accounting and obstacles to SME finance. The meeting was a good opportunity

to showcase the material produced in the context of Leaseurope's leasing for growth campaign which sets out the benefits of leasing for customers and small businesses in general.

Leaseurope is continuing its series of member outreach meetings to ensure that Members are satisfied with the Federation's work and aware of the wide range of outputs it produces. The Secretariat, together with Board members, met with the Member Associations of the Nordic/Baltic region in November last year and the German Leasing Association (BDL) in January 2014.

Speaking at Industry Events

Deloitte presented the findings of the research project "The Risk Profile of Leasing: The Role of the Leased Asset", conducted on behalf of Leaseurope, at the November 2013 Leasing Forum in Milan organised by our Italian member, Assilea; to members of the BDL's General Assembly in Berlin also in November and at a De Lage Landen risk management seminar in February.

Leaseurope's Director of Asset Finance & Research, Jacqueline Mills, gave a presentation on

developments on IFRS lease accounting and EU prudential requirements at a seminar organised by Arval in November 2013 in Paris.

In December 2013, Arnaud Perard, Group Chief Procurement Officer with Fraikin, spoke on behalf of Leaseurope on the truck rental and leasing industry's views on servicing heavy duty vehicles in the future at the European Association of Automotive Suppliers' (CLEPA) 5th Aftermarket Conference in Brussels.



In the Press...

Leaseurope's major files and activities have continued to generate a lot of interest and were well covered by the media.

A number of articles and flash news mentioning Leaseurope have been published in, amongst others, Finance Director Europe, Leasing World, Leasing Life, CCR World, Fleet Europe, Fleet News, International Fleet World, Motor Finance, Asset Finance International, World Leasing News, Monitor Daily, Europolitics, Bloomberg, Reuters, etc. Topics covered included:

- the Leaseurope "Future Group Programme" launched in 2013 to nurture the young talents of the leasing & automotive rental industry
- the Leaseurope "Leasing for Growth" campaign launched to show that leasing & automotive rental enable sustainable economic growth for Europe by being a major source of investment support for European businesses and the public sector
- the coming on board of the Car Rental Council of Ireland as Leaseurope's newest Full Member
- the coming on board of KPMG as Leaseurope's newest Associate Member
- the re-appointment of Jukka Salonen, CEO of Nordea Finance, as Chair of Leaseurope
- the appointment of José Coronel de Palma, Managing Director, Caterpillar Financial Corporation, as Leaseurope Board Member



- the adoption by Leaseurope's General Assembly of the updated Code of Best Practice for the car hire industry
- the cooperation of Leaseurope with eight other European trade associations representing a wide range of automotive stakeholders in a common position paper on eCall
- the vote by the European Parliament on its Report on the Insurance Mediation Directive
- the results of the Leaseurope 2013 Biannual Statistical Enquiry on the European Leasing Market

- the final results of the Leaseurope Annual Statistical and Ranking Surveys for 2012
- the results of Leaseurope Index Survey for Q 2, Q3 and Q4 2013
- the results of the 2 latest Leaseurope/Invigors European Business Confidence Surveys for the end of 2013 and the first half of 2014

Leaseurope's Director of Asset Finance & Research, Jacqueline Mills, was featured in a special interview in 'Finance Director' in the context of Leaseurope's "Leasing for Growth" campaign.

ECall

Parliament supports open access telematics system

In February 2014, the European Parliament adopted a Resolution on eCall, the in-vehicle system that automatically contacts emergency services in the event of an accident. In its Resolution, the Parliament has requested the Commission to assess whether open access standards for this system are needed, and if appropriate, propose legislation setting out the technical requirements for an interoperable, standardised, secure and open access eCall system. This would allow both vehicle manufacturers and third party service providers to offer their services on the eCall platform.

At present, the text is being discussed by the Member States, who are likely to reach a provisional agreement on this Proposal by mid-

April. Dialogue negotiations are not expected to take place before the summer break. In the coming months, Leaseurope will continue to cooperate with partner industry associations in

the automotive value chain to obtain a positive result for the industry. For more information, please do not hesitate to contact r.knubben@leaseurope.org.





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2014 CEO Business Council

Delivering service solutions

On 27 March, the 2014 edition of the CEO Business Council will bring together some 20 heads of European asset and automotive leasing companies to exchange views on the challenges they face as industry leaders, in addition to discussing how to “Deliver Service Solutions” like usage-based and full service leasing. In particular, Council participants discussed where the demand for such service solutions will come from, what the value proposition is, what types of business models will deliver these solutions as

well as what the organisational and regulatory challenges will be in delivering such solutions.

In order to provide insight into what the top issues of concern are for European lessors, Leaseurope will issue a report capturing the main themes of the Council discussions. The report is expected to be released by the end of April. For your own copy of the report, please contact a.wesolowski@leaseurope.org.

Anti-Money Laundering Directive Update

On 20 February 2014, the European Parliament’s Economic and Monetary Affairs (ECON) & Civil Liberties, Justice and Home Affairs (LIBE) joint parliamentary Committee voted on their Report on the Commission’s proposals for a 4th Anti Money Laundering Directive.

A number of amendments strongly supported by Leaseurope were adopted by the Committees, particularly with regard to simplified due diligence requirements for leasing transactions. Specifically, the Report says that financial products whose purpose is to a) finance physical assets b) by way of a leasing agreement c) where payments are carried out through a bank account, should be subject to simplified due diligence requirements.

Leaseurope’s Associate Members in 2014



Interested in becoming an Associate Member of Leaseurope? Requests for information on Leaseurope’s Associate Membership and related benefits for 2014 should be addressed to Anne Valette, Head of Communications, Leaseurope at a.valette@leaseurope.org.

Leaseurope Welcomes the Car Rental Council of Ireland as its Newest Full Member



Leaseurope is pleased to welcome the Car Rental Council of Ireland as its newest member. On that occasion, Roland Keppler, CEO, Europcar Group commented: “as a representative of the short term automotive rental industry on Leaseurope’s Board of Directors, I am pleased that the Car Rental Council of Ireland has joined Leaseurope. Ireland is an important car rental market and the Car Rental Council of Ireland’s expertise will enhance the

Federation’s ability to represent and find solutions for the industry at a truly European level. We are therefore looking forward to working together with the Irish association to promote car rental across Europe.”

Reflecting on their decision to join Leaseurope, Paul Redmond, Director General of the Car Rental Council of Ireland said “our member companies look forward to working with the

Car Rental Working Group of Leaseurope in addressing the impact of the European regulatory environment on our industry. Consumer protection regulations, the integration of ADR procedures and vehicle taxation issues arising from the cross border movement of vehicles are all subjects of vital interest to car rental companies operating in Ireland.”



Leaseurope Member Associations in a Nutshell

With one of Leaseurope's goals being to reinforce the European leasing and automotive rental community, we are profiling our Member Associations in Leaseurope inside. Featured in this issue: the Car Rental Council of Ireland (CRCI) and the Belgian Automotive Rental Association Renta.

Car Rental Council of Ireland (CRCI)

- **Country:** Ireland
- **Founded:** 1954
- **Chief Executive:** Paul Redmond
- **Website:** www.carrentalcouncil.ie

- **Full Members**
13
- **Segments and products represented by membership**
Short term car rental primarily serving tourism industry.
- **Market share represented by membership**
Estimated 95% of companies engaged in short term rental for tourism industry and 85% of all rentals.
- **Total fleet represented in 2013**
45,602 vehicles.
- **Committees and working groups**
The Council of member companies (meeting at 6-week intervals).
- **Code of conduct**
CRCI uses the Leaseurope Code of Conduct.
- **Mission statement**
As the representative trade association of car rental business in Ireland, the Council's objectives are to establish and maintain an organisation fully representative of car rental businesses in Ireland; to establish, maintain and enforce a code of conduct for member companies designed to provide a high standard of customer service; to promote the profile of member companies to the public; to liaise and negotiate with Government, Public Agencies and Port Authorities as required to maintain a positive business environment for member companies; to communicate relevant business information in a timely fashion to member companies; to arrange training and development activities for member companies; to provide appropriate commercial services to member companies and to arrange legal, accounting or commercial consultancy services as required; to use the good offices of the Council to settle disputes between member companies.
- **Top priorities**
Improve sustainability of fleet movements including new vehicle registration profiles and potential cost reductions arising from EU liberalisation of regulations governing the cross border movement of vehicles; maintain good relations with national tourism agencies and ensure member companies are regularly updated on developments in national tourism policies, services and promotions; ensure member companies are aware of new developments in consumer protection legislation and any non-complaint commercial practices.
- **Lobbying successes**
Car rental pre-tender consultations with Airport Authorities; cancellation of misleading information on car rental waivers published by tourism authorities and negotiation of alternative text; parliamentary vote on car rental submission in national Budget debate.



Paul Redmond
Chief Executive,
Car Rental Council of Ireland (CRCI)



Belgian Automotive Rental Association (Renta)

- **Country:** Belgium
- **Founded:** 1957
- **Secretary General:** Frank Van Gool
- **President:** Michel Van Den Broeck
- **Website:** www.renta.be

- **Full Members**
50
- **Segments and products represented by membership**
Operational leasing and short term rental of cars, vans and trucks.
- **Market share represented by membership**
Estimated 95% of the Belgian operating leasing fleet and 75% of the short term rental market activity.
- **Total fleet represented in 2013**
319,000 vehicles for operational leasing and 22,300 vehicles for car rental.
- **Compound annual growth rate (CAGR) of leasing volumes over past 5 years**
CAGR for new volumes between 2009 and 2013 is up to 20.3% while the fleet size has grown by 19.4% in the same period.
- **Committees and working groups**
Long Term Rental Committee (Leasing), Short Term Rental Committee and the SME Committee (focusing on local car, van and truck rental businesses)
- **Code of conduct**
Renta will issue a new code of conduct in 2014 for both car rental and car leasing. It will cover general ethical principles of trading for the business as well as minimum quality and operating standards on procedures, terms and conditions and products.
- **Mission statement**
Defend the professional interests of the car rental and operational leasing industry in Belgium by representing these businesses towards the government, the press and related associations and by monitoring legislation and case law with direct or indirect impact on vehicle rental and more in general on company cars. Renta also gathers market information, trends and statistics. It promotes and enforces a code of conduct and it creates networking opportunities for its members, related associations and stakeholders of the industry. Finally, Renta is a source of information for its members and for stakeholders of the car leasing, car rental and company car related business.
- **Events**
We organise the Renta Happening, a yearly event bringing 400 key people of the car rental and leasing industry and its stakeholders together.
- **Top priorities**
Improve lobbying and have Renta recognised by the Belgian political world as an interlocutor for car taxation, mobility and company car related issues; improve internal and external communication and define clear joint positions of our members on different topics, based on clear and reliable statistics; stimulate the car rental and leasing market by creating opportunities for the members to meet and to share experiences and best practices, all of this respecting the ethics and competition law.
- **Lobbying successes**
Joint efforts with other vehicle related associations to prevent further increase in company car taxation; creation of a solution for the car rental and leasing companies for cars being confiscated by customs for unpaid fines; creation of an electronic platform for information exchange on traffic fine with the Police.



Frank Van Gool
Secretary General,
Belgian Automotive Rental Association



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Save the Date

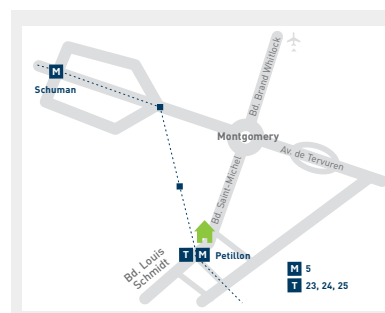
Events / meetings / conference calls

March	18	Car Leasing Working Group & Automotive Steering Group Brussels, European House of Leasing	26	Board Brussels, European House of Leasing	27	CEO Business Council Brussels, European House of Leasing
	8	Accounting Committee Brussels, European House of Leasing	14	Statistics Committee Brussels, European House of Leasing	15	Council of Secretaries General Brussels, European House of Leasing
April	21	Legal Affairs Committee Brussels, European House of Leasing	5	Board Brussels, European House of Leasing	11	Car Rental Working Group Brussels, European House of Leasing
	18	Car Leasing Working Group Automotive Steering Group	9	General Assembly Barcelona, Spain	10&11	Annual Convention of the European Leasing Industry Barcelona, Spain

For the latest update on events, meetings and conference calls, simply consult the calendar on the homepage of [Leaseurope's website](http://www.leaseurope.org).

Your feedback matters to us!

To provide feedback on Leaseurope inside, or to be added/removed from our mailing list, please contact: a.valette@leaseurope.org



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