



Securitisation is a crucial alternative source of finance for leasing providers.

IN THIS ISSUE

Top Industry Experts Contribute to Industry Roundtable on Securitisation

Leaseurope and sister Federation Eurofinas recently co-hosted a high level technical roundtable on securitisation. The event brought together a wide range of leading industry experts from across the industry, including CEOs, CFOs, head of treasuries and heads of legal departments from top independent, bank subsidiaries firms and captives to exchange views on the state of the European securitisation market, the benefits of securitisation for the leasing industry and potential obstacles to market access as well as to discuss the review of the securitisation regulatory framework at European and international levels (see page 2 for more information).

A comprehensive report from the rich roundtable discussions is expected to be

released soon. At the roundtable, Leaseurope's Chairman Enrico Duranti emphasised in his final remarks that securitisation is a crucial alternative source of finance for leasing providers and that it should be a priority for Leaseurope to ensure the proposed framework enables our industry to benefit from this valuable tool.



CAPITAL TREATMENT 03

Leaseurope continues to advocate for recognition of leasing's low risk profile business model at international and European level.

LEASE ACCOUNTING 05

Focus shifts to the European Commission since the publication of the final version of the International Financial Reporting Standard IFRS 16 by the International Accounting Standard Board. So which firms will use IFRS 16 and what is the process for approval in Europe?

RESEARCH BY LEASEUROPE 13

Leaseurope has recently launched a series of roundtable meetings across Europe to discuss leasing as a key source of finance for SMEs. This marks the continuation of Leaseurope's research initiative on leasing to European SMEs.



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Securitisation on the Regulatory Front

At international level, the Basel Committee on Banking Supervision (BCBS) revised the securitisation framework, which will come into effect in 2018. The BCBS and the International Organization of Securities Commissions (IOSCO) also set up a joint international Task Force to identify barriers to securitisation. They developed criteria to identify simple, transparent and comparable (STC) securitisation. Leaseurope responded to a recent BCBS consultation on providing a preferential capital treatment to those STC securitisations. The topic is also of key interest for the European legislator. One of the main pillars of the European Commission's proposal for a Capital Markets Union is precisely to revive "high quality" securitisation markets. The objective is to increase the transparency, comparability and availability of key information for investors and increase liquidity in the markets.

Against this background, the European Commission published two legislative proposals on the topic on 30 September. These include a proposal for a Regulation introducing a high quality label for Simple, Transparent and Standardised (STS) securitisations and a proposal to amend the Capital Requirements Regulation. While Leaseurope welcomes the initiatives, the Federation sees potential difficulties with their practical implementation. As the proposals have entered into the European Ordinary Legislative Procedure, Leaseurope has intensified its advocacy work with the European Parliament and the Council

of the EU to ensure that leasing providers' securitisations fit into the (STS) securitisation

framework. For further information, please contact r.alarconabeti@leaseurope.org.



Benefits of Securitisation for Leasing Providers

Securitisation helps the diversification of funding sources. It is also a cheap and independent source of funding – particularly relevant for independent and captive firms. Securitisation can contribute to the reduction of risk weighted assets and capital relief enabling the release of resources for further lending. However, compared to the U.S., securitisation volumes are still low in Europe and account for only a small part of funding in the non-car market. Therefore, there is a vast potential for more leasing companies to benefit from this source of funding. Today, market and regulatory constraints such as high set-up costs, data requirements, complex documentation and lack of investor demand remain strong barriers. This is why Leaseurope supports European regulators' efforts to revive the European securitisation market.

Leaseurope Delivers Key Messages to the European Parliament



On 25 January, Economic and Monetary Affairs (ECON) Committee's Member of the European Parliament (MEP) Paul Tang, who is in charge of the securitisation regulation file, invited Leaseurope to participate in a stakeholder consultation session on the securitisation regulation proposals. The meeting was targeted at issuers and originators of securitisation and aimed to collect specific feedback on the European Commission proposals from a diverse set of stakeholders. At the meeting, Leaseurope's Director General Leon Dhaene delivered Leaseurope key messages on the proposed regulation to Paul Tang and his team. The various stakeholders present at the meeting agreed to draft a joint industry paper to Paul Tang and the other MEPs, including those issues where there was a consensus. After intense discussions among the various leading European industry participants from both the buy and the sell side, we reached an unprecedented agreement to come together for the first time to support the new framework for securitisation regulation. This significant achievement will strengthen Leaseurope's position in negotiations with the European Parliament.



New Director General at Leaseurope and Eurofinas

Leaseurope and sister Federation Eurofinas, representing specialised consumer credit providers in Europe, are proud to announce that their respective Board of Directors have unanimously appointed Leon Dhaene as Director General of both Federations effective 1 December 2015. Leon Dhaene succeeds Tanguy van de Werve who has left Leaseurope and Eurofinas to join AFME, the Association for Financial Markets in Europe, to head their Brussels Advocacy Office.

Leon, of Belgian nationality, has over 25 years of financial services experience, including leadership roles in large companies, such as IBM and Mastercard International. Subsequently, Leon founded several new companies, delivering strategic consulting (Network of Alliances, Outsourcing and Mergers Experts - NAOME), consulting services (Chairman of N2FINANCE), legal services and innovation solutions (like new fraud detection and management systems) to the payments industry. Leon has been appointed Board Member of or Advisory to several Boards of Directors since 1985. Leon has been advising regulators and multiple Associations at European level in the past and is currently sitting as independent expert on the Payment Systems Market Expert Group of the European Commission Directorate General Internal Market and Services.

Preferential Capital Treatment for Leasing Exposures Needed

Leaseurope continues to advocate for recognition at international and European level of leasing's demonstrably low risk profile business model.

At European level, we have put forward our message on the low risk profile of leasing transactions in a number of European public consultations, including the European Commission's call for evidence on the EU regulatory framework for financial services and the possible impact of the CRR/CRD4 on banking financing of the economy. In addition, Leaseurope has succeeded in including our messages within various European Banking Industry Committee (EBIC) high level position papers addressed to the European Commission on this issue.

At international level, The Basel Committee on Banking Supervision (BCBS) issued a second consultation on Revisions to the Standardised Approach for credit risk aiming to address

the many issues raised by respondents with respect to the initial proposals. The revised proposals are much more favourable to leasing providers than the first consultation. In this second consultation, the BCBS acknowledged the limitations of removing all references to external ratings and introducing various risk drivers and has therefore reintroduced external ratings, in a non-mechanistic manner, for exposures to banks and corporates. In addition, in all jurisdictions, exposures to SMEs in the corporate exposure class would receive an 85% risk weighting. For the Retail portfolio, the BCBS has abandoned the four proposed risk drivers and returned to a flat 75% risk weighting for "regulatory retail" and 100% risk weighting for "other retail". The BCBS has recognised in this second consultation that exposures secured by durable goods have the potential of enhancing the risk sensitivity of the Retail exposure class. This provides us with a unique opportunity to continue advocating for a differentiated treatment of leasing. For further information, please contact r.alarconabeti@leaseurope.org.



International Allies

Leaseurope is pleased to highlight that the Canadian Finance & Leasing Association (CFLA) explicitly supported Leaseurope's proposal for a differentiated risk weights category for leasing/secured lending exposures in their own response to the BCBS. We continue to engage with other international associations as part of our ongoing initiative to find international allies which support our cause.

The BCBS Invites Leaseurope to Discuss the Standardised Approach for Credit Risk

On 17 February, the BCBS's Task Force on the Standardised Approach (TFSA) invited Leaseurope to participate in a roundtable with representatives from relevant international industry associations to discuss their second consultation on this topic. The aim of the roundtable was to provide an opportunity for market participants to further elaborate and highlight key aspects of their positions. Yves-Marie Legrand, Chairman of the Leaseurope Prudential Supervision Committee (PSC), re-emphasised our proposal for a differentiated capital treatment for leasing exposures using the Leaseurope Basel research findings.



Leaseurope Attends EBA's 5th Anniversary Conference



Leaseurope was among the invited attendees at a conference organised to celebrate the 5th anniversary of the European Banking Authority (EBA) on 5 February.

The conference, hosted by the Lord Mayor of the City of London, took place at the Guildhall. Andrea Enria, the EBA Chairperson, had invited EU banking stakeholders to participate in the anniversary conference to express their views on the new regulatory framework and the effects of the reforms of the past 5

years on EU banks as well as discuss the achievements and remaining challenges in strengthening the EU banking sector. In an introductory speech, Jonathan Hill, European Commissioner for Financial Stability, Financial Services and Capital Markets Union, pleaded for proportionality in European legislation.

Among other speakers and panelists were Mario Nava, Director of Regulation and Prudential Supervision of Financial Institutions, at Directorate General Financial Stability, Financial Services and Capital Markets Union of the European Commission, and Danièle Nouy, Chair of the Supervisory Board of the Single Supervisory Mechanism (SSM) at the European Central Bank (ECB).

The ECB Consults the Industry on AnaCredit

The European Central Bank (ECB) is setting up an analytical credit dataset. This initiative commonly referred to as AnaCredit will create a common database on credit information across the Eurozone. While we support robust prudential supervision within the Eurosystem and fully understand the need for adequate data for statistical analysis, it is essential to recognise the diversity of reporting firms. After an intense and unsurprisingly passionate industry campaigning on the project, the ECB eventually decided to consult on the subject.



BCBS Takes Significant Step on Shadow Banking

Following the November 2015 G20 Summit, the Financial Stability Board (FSB) clarified its work programme in the field of shadow banking. In 2016, the FSB will continue monitoring the implementation of the international methodology for the identification and assessment of shadow banking risks and will give a progress report to the G20 in September.

In parallel, the Basel Committee on Banking Supervision (BCBS) is currently working on an international guidance on the scope of consolidation for bank prudential regulation. We see this as a major step towards the development an international regulatory framework for shadow banking entities and should not be under-estimated.

The BCBS did not yet decide how the proposals would fall within the existing regulatory framework including whether they should fall within Pillar 1 and/or Pillar 2 regimes. We are keeping a close look on this proposal.



Lease Accounting

Focus shifts to the European Commission



The International Accounting Standards Board (IASB) published the final version of the International Financial Reporting Standard, IFRS 16, in January. In addition to the 47-page Standard itself, the IASB released 350 further pages of explanations, examples, feedback and analysis.



The IASB expects companies in Europe that use international accounting standards to follow the new rules no later than January 2019, but this is subject to IFRS 16 being approved for use in Europe by the European Commission. So which firms will use IFRS 16 and what is the process for approval in Europe?

Who uses IFRS 16?

Under the EC Accounting Directive only 'public interest entities' (PIEs) must use international accounting standards. PIEs include mainly firms listed on stock exchanges but Member States have the option of adding other businesses that are of 'significant public relevance'.

As a result, the percentage of companies required to use IFRS varies by country (see the table) but in total there are around 28,000 PIEs. That's only around one in 1,000 of the 26 million business enterprises in Europe.

Many PIEs are large firms and for this reason the PIEs will represent a much larger proportion of the leasing market in Europe. Larger firms are, of course, more likely to have strong accounting teams so they should be in a good position to deal with the new lease accounting rules.

Most European firms aren't obliged to follow IFRS so instead they use local accounting rules. Each country has a national standard setter that fixes these rules. Many authorities have rules that closely follow either IFRS or a scaled-down version of it called IFRS for SMEs.

So normally when a change is made to IFRS it is likely to find its way into national accounting standards, although it could take between five and ten years before this happens. SMEs are more likely to find the new rules expensive and difficult to follow.

Process for approval

A lengthy and quite complex process is now underway that will lead to a vote at the European Commission on whether IFRS should be adopted for use in the EU. This will lead to a vote at the EC's Accounting Regulatory Committee (ARC). If that vote is favourable, members of the European Parliament and Council of the European Union then have 3 months to oppose the adoption. If there is no opposition, or Parliament and Council decide to support the ARC recommendation, then IFRS 16 will be adopted for use in Europe.

Although it is very unlikely that IFRS 16 will not be adopted at all, it remains possible that a separate European version could be agreed. This could include some more useful exemptions than the IASB has provided and perhaps also a clearer explanation of the difference between leases and services.

Leaseurope position

Mark Venus, Chair of the Accounting and Taxation Committee presented at the European Financial Reporting Advisory Group (EFRAG) Board meeting in Brussels the day after IFRS 16 was published in January.

Mark presented Leaseurope's positions following publication of IFRS 16. We are calling for complete cost-benefit analysis before use of the new Standard is extended to non-IFRS users in Europe, as the IASB has not done this and the costs for smaller firms seem more likely to be higher than any benefits to users of their accounts.

We are also recommending that the European version of IFRS 16 includes more useful exemptions from the new rules to reduce the data collection and reporting costs for European businesses.

Our evidence to EFRAG and the EC we use the latest Leaseurope research into the use of leasing by SMEs, which shows that SMEs who use leasing invest 57% more on average than non-users of leasing, to help show why the EC and national accounting standards setters need to be careful to avoid harming overall European business investment.

Public Interest Entities in EU Member States

Source: *Federation of European Accountants 2014*
(approximate estimations)

Country	Number of PIEs
Austria	1,000
Belgium	221
Bulgaria	900
Croatia	500
Cyprus	not available
Czech Republic	321
Denmark	900
Estonia	149
Finland	600
France	2,533
Germany	1,600
Greece	342
Hungary	102
Ireland	2,000
Italy	1,430
Latvia	75
Lithuania	154
Luxembourg	not available
Malta	94
Netherlands	1,200
Poland	500
Portugal	1,300
Romania	500
Slovakia	600
Slovenia	70
Spain	8,000
Sweden	450-500
UK	2,300
Total EU	27,866
Norway	414
Iceland	not available
Total EEA	28,280

Increasing Digitalisation = Decreasing Human Intervention?

Automated financial advice on the rise

With the increasing digitalisation of financial services across the banking, insurance and securities sectors, automated tools to provide financial advice to consumers are growing in importance.

With this in mind, the European Supervisory Authorities (ESAs) published a Discussion Paper on "Automation in Financial Advice" on 4 December 2015.

The ESAs have taken a broad interpretation of what is considered to be automated advice. Any output generated by an automated tool that could be reasonably perceived by the consumer as financial advice is considered within the scope of the Discussion Paper where the following characteristics of financial advice tools have been identified:

- The automated tool is used directly by the consumer, without (or with very limited) human intervention

- An algorithm uses information provided by the consumer to produce an output
- The output of the tool is, or is perceived to be, financial advice

The ESAs are of the view that, even though automated advice is not presently observed equally across EU Member States and financial services sectors, the innovation has the potential to continue to grow. The Authorities want to better understand the phenomenon and will decide if any regulatory and/or supervisory action is required. Leaseurope will follow any developments closely. For more information, please contact a.narang@leaseurope.org.



Leaseurope Sets a New Standard for Car Rental

In the autumn of 2015, Leaseurope began drafting a specific set of guidelines to accompany the existing Leaseurope Code of Conduct for the Rent-a-Car industry. These guidelines which provide additional clarification to the Code will be seen as the 'rental standard' across Europe and applied by the relevant consumer and competition authorities.

Following discussions with our members, Leaseurope has now started to work on establishing a pan-European industry trust mark in order to enhance the customer journey experience and most importantly raise the standard for all rental companies large and small. Adherence to the Code and guidelines will be a prerequisite to be able to carry the trust mark and would also include recourse to the European Car Rental Conciliation Service, which is being hosted by the British Vehicle Leasing and Rental Association (BVRLA).

The Commission's Director of Consumer Affairs, Despina Spanou, has been receptive to the idea, provided a proper verification and implementation system can be developed. In order to achieve EU 28 coverage, the cooperation at Member State level of consumer authorities, European Consumer Centers as well as consumer representative organisations will necessarily be needed. For more information, please contact r.knubben@leaseurope.org.

Automotive

CONNECTED FLEETS EUROPE

//THE FUTURE OF FLEETS//

Leaseurope's Senior Adviser in Automotive Affairs Richard Knubben chaired a session on vehicle telematics at the 2016 Connected Fleets Europe Forum in Amsterdam. This event is dedicated to exploring and outlining the future of connectivity in vehicle fleets, now bringing together over 150 top industry executives and technical experts. The new Chairman of Leaseurope's Vehicle Telematics Working Group, Francois Piot, also participated in the session.

Leaseurope's Vehicle Telematics Working Group Meets for the First Time

Leaseurope's newly established Vehicle Telematics Working Group held its first physical meeting in March. The Working Group which is chaired by Francois Piot as nominated by the French SNLVLD, represents the fourth dedicated work dedicated workstream within the Automotive Steering Group structure, next to the car rental, truck rental and car leasing.

Membership is open to experts proposed by either the Member Associations or Members' Members. In addition, technical experts from federations represented in AFCAR Alliance have indicated a willingness to provide support where possible. Should you require more information, please don't hesitate to contact r.knubben@leaseurope.org.

Barriers to Truck Rental in Europe



For years the truck rental industry has faced a number of operational and administrative barriers across various Member States, hindering the proper functioning of the European Internal Market. As a result of Leaseurope's efforts, the Commission is considering changing the legislation which enables Member States to maintain the existing barriers as part of the 2016 Road Package.

The European Commission has now finished an ex-post evaluation which will list ongoing problems. This should then be followed by an

Impact Assessment, which will provide options on how to 'fix' the situation.

The Commission hierarchy has accepted the findings of the ex-post evaluation and is ready to move on with the Impact Assessment. Better Regulation Commissioner Timmermans has now to give the green light.

Leaseurope is currently pursuing various avenues to help move this process forward. Should you have any questions, please contact r.knubben@leaseurope.org.

Online Comparison Tools

A step in the right direction

In February 2016, Leaseurope was invited to participate in the expert stakeholder group on high level principles for online comparison tools, chaired by the Commission's Director of Consumer Affairs D. Spanou. These principles will provide instructions to comparison tool operators as to how to respect the relevant EU legislation and offer better services to consumers. They take a holistic approach covering all types of comparison tools, and have been drafted to be flexible enough to apply horizontally irrespective of the type of the products compared and sectors involved.

The first set of principles seeks to ensure the compliance of the comparison tools with the relevant legislation, notably the Unfair Commercial Practices Directive. The second set will further improve the user-friendliness and transparency of comparison tools. They will be incorporated within the Guidance on

the Unfair Commercial Practices Directive which the Commission is likely to release at the end of May, beginning of June.

Whilst the principles could have been more detailed, it is a step in the right direction. Leaseurope secured the Commission's recognition that many car rental related complaints actually relate to consumers purchasing products on brokers' websites (e.g. waivers) without realising they are purchasing from a broker, not the trader. In order to address this, the principles now state that "when additional services are included, this should be clearly indicated as well as whether they are offered by the traders or the Comparison Tool itself". Leaseurope also obtained changes which will put more pressure on brokers to include the drive-away price in their online listings. For more information, please contact r.knubben@leaseurope.org.

New Appointment at Leaseurope's Board



Khaled Shahbo, UK Managing Director, Enterprise Rent-a-car, has been appointed as new member of the Leaseurope Board of Directors following the departure of Neil Cunningham, who represented the short term car rental sector on the Board. Khaled Shahbo is also sitting on the British Vehicle Rental and Leasing Association (BVRLA) Board of Directors.

New Chair for the ASG

Gerry Keaney has been appointed as the new Chair for the Leaseurope Automotive Steering Group (ASG), following Christophe Duprat's change of position from ALD International to Société Générale and ensuing resignation from the ASG. The ASG role is primarily to steer the work of the car rental, truck rental and car leasing working groups. Gerry Keaney is Chief Executive of the British Vehicle Rental and Leasing Association (BVRLA), having joined the association in 2013. In addition to his BVRLA duties, Gerry sits on the Government's Motorist's Forum and is a member of the CBI's Trade Association Council.



Gerry Keaney,
BVRLA Chief Executive, ASG Chair www.bvrla.co.uk

DPR

Are you ready?

An informal agreement on the Data Protection Regulation (DPR) was reached on 15 December 2015. The DPR was officially adopted by the European Parliament and the Council, which process was recently completed.

Priority provisions

- Principles relating to personal data processing
- Lawfulness of processing
- Processing of special categories of personal data
- Right to be forgotten
- Right to object
- Automated processing / profiling
- Administrative sanctions

The business community must anticipate changes of practices in these key priority areas and adopt a consistent approach across jurisdictions.

AML update

Following the adoption and publication of the 4th Directive in June last year, the European Supervisory Authorities (ESAs) are now working on risk factor guidelines. Once published, these guidelines are to be used as a reference tool by obliged entities and competent authorities.

The guidelines will consist of a non-exhaustive list of both lower and higher indicative risk factors, on which we provided comments to the ESAs. Although we do not consider the guidelines unfavourable, we did request the EBA to make certain clarifications, such as on the meaning of a "low value loan facility".

On 15 December, the Federation participated in a public hearing regarding the EBA draft guidelines. We are now awaiting the publication of the revised joint risk factor guidelines.

Leaseurope's Associate Members in 2016



Interested in becoming an Associate Member of Leaseurope?

Requests for information on Leaseurope's Associate Membership benefits should be addressed to Anne Valette, Head of Communications at a.valette@leaseurope.org.



Join Leaseurope's affinity group on LinkedIn to network and exchange views with 1450+ industry peers. This makes it Europe's largest online community dedicated only to 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!**

Annual Convention of the European Leasing & Automotive Rental Industry

Mark the date & book your accommodation!



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

With the European Consumer Credit, Leasing and Automotive Rental Industries holding once again their Annual Convention together to offer delegates a unique one-stop shop opportunity, the event will most certainly live up to its reputation as the undisputed gathering of the year for those industries at European level. Our organising team is working on the 2016 academic and networking programme to create another exceptional event.

The Convention will begin on Thursday 6 October in the early afternoon and continue on Friday 7 October for a full day programme rich in opportunities to learn, meet and connect. As part of the event, delegates, special guests and their partners will also be invited to an evening reception on 7 October.

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

Already book your accommodation [here](#) to avoid disappointment as Athens is a busy conference destination in October. 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
- 30+ countries represented
- Renowned for its compelling programme & first class speakers
- Acclaimed for its many networking opportunities
- Meeting with senior representatives from leading key industry solution providers
- Privileged registration fee for Leaseurope's member associations & their member leasing and automotive rental companies, as well as for Leaseurope's associate members
- More than ever, THE gathering of industry decision makers at European level

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represented

12
sessions to
choose from

Leaseurope EU Conference on Fighting Fraud in the Leasing Industry

A big success with new ideas and solutions



A case of double financing of construction equipment in Germany resulted in losses of millions of euros for the lessors involved, one of many cases involving fraud in the asset finance industry. A loss that could have been prevented through effective information sharing across the sector. With this in mind, Leaseurope's first EU Conference on 'Fighting Fraud in the Leasing Industry', held in Brussels in November 2015 presented a unique opportunity for industry experts to share their experiences of fraud and discuss methods and tools that could help to prevent it.

Fraud in the leasing industry comes as a 'victimless crime', a crime that makes fraudsters carry on, as nobody really suffers, right? Wrong. When over 100 participants from 17 different countries gathered in the BNP Paribas-Fortis Auditorium in Brussels, the industry signalled that more needs to be done to fight fraud, and as one speaker put it "The little fraud will someday be duplicated into a big loss. So before having to face the iceberg,

you'd better take care of small ice cubes."

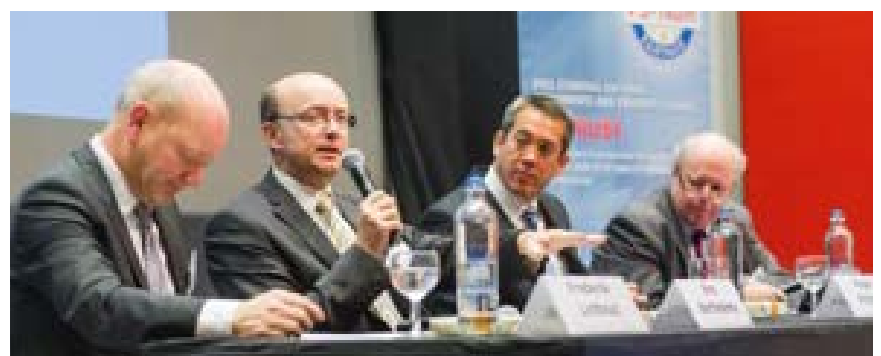
In addition to industry experts from Société Générale Equipment Finance, DLL, Deutsche Leasing, UniCredit Leasing and Shoosmiths, the programme also featured views from associated industry bodies such as InsuranceEurope as well as representation of the European Intelligence Agency EUROPOL. Speakers discussed different facets of fraud that are specific to the leasing industry by sharing case studies in different Member States. The programme allowed for lively discussions on a wide range of topics such as the role customer morality can play in the application process; how double and multiple financing in the Baltics was fought; up to financing illusionary assets and how Big Data technologies can help prevent fraud in the future.

The one-day event, which was sponsored by Leaseurope's Associate Member PS-Team, was preceded by a networking drink reception and proved to be a big success with effective networking taking place between

peers, enforcement authorities and related businesses. Leaseurope is actively engaging with this crucial topic on behalf of the industry and is currently working on its next fraud event to be held in the second half of 2016. We hope to see you there. For more information, please contact a.narang@leaseurope.org.

Unless we talk about this, share information and statistics, we haven't really got a hope in defeating this.

*Roger Potgieter,
Asset and Consumer Finance Partner,
Shoosmiths*



Fraud Prevention in the Leasing world

By Peter Schmehl, CEO, PS-Team

PS-Team, sponsor of the expert conference “Fighting Fraud in the Leasing Industry”, is a partner of the banking and leasing world for risk management all over Europe.

As a Europe-wide operating process service provider, PS-Team is an expert for support processes and risk management. Thirty years ago, the idea was born to reproduce the registration and delivery of vehicles in a continuous workflow and support this with software created by PS-Team. Over the years, PS Logic became a comprehensive portfolio of digital process support and services. In addition, PS-Team manages the complete entry and return for full-service leasing agencies. Furthermore, car rental agencies, managers of large fleets, car manufacturers, importers and dealers make use of these services.

Three Business Units for Perfect Customer Service

In order to serve different customer groups perfectly, PS-Team is structured into the Fleet, Manufacturer (Importer) and Financial Institutions business units. Frank Schottenheim, as Financial Services Director, is responsible for the international finance business as of 1 April 2016. He most recently managed the asset management of GE Capital Leasing for the German and Benelux markets for many years.

Document Management and Trustee Services for Leasing Agencies

Many leasing agencies throughout Europe use the document management and trustee services by PS-Team. With 2.6 million documents PS-Team provides one of the largest trustee archives of the trade in Europe. Purchase and sales financiers can quickly exchange the documents stored there. They save time and gain security.

Leasing agencies use PS DataCollect in the field of risk management to protect them against multiple financing and financing of non-existent assets. The register has been created for international application and fulfils all pre-conditions to become a European standard. Besides processing internal data, it is also able – if available – to refer to national registers and link these thus enabling the creation of cross-border monitoring and financing methods.



Comprehensive Asset Register Optimises Risk Management

In this way, this approach is different from that of special data bases with a limited range. It is suitable for recording completely different assets – from cars, motorcycles, and heavy trucks to construction, agricultural and mobile production machinery. In addition, it provides the option to manage Big Data in the future: PS DataCollect processes and analyses large amounts of unstructured, cryptic and heterogeneous data. The asset register allows financiers to align the data of their moveable objects throughout Europe in the future. The financing volume of PS DataCollect proves that this is an attractive option. It currently amounts to EUR 73.4 million based on an average car value of EUR 25,000 and a machinery value of EUR 90,000. Tendency: rising.

Inventory Audits on a Large Scale

PS-Team takes care of the topic of inventory audits by carrying out area-wide FloorChecks and is one of the leading providers in Europe also related to volume. The service has lately been extended to investment goods. Besides vehicles, agricultural and construction machinery, mobile homes as well as all kinds of moveable goods of substantial value are checked. The commissioned employees check the physical inventory: is the number of leased mobile homes or machines at the lessee correct? If not, where are the objects? Are there rental contracts for each object and is the rent paid regularly or has a part of the rental fleet been sold illegally?

Solution for Fleets and Manufacturers

The Fleet and Manufacturer business units flank the services of the Financial Institutions business unit. Annually, PS-Team manages a total of 750,000 vehicle registrations and de-registrations for fleets. In addition, fleets, car rental agencies and manufacturers order large scale vehicle transports at PS-Team. To coordinate different third party service providers PS-Team offers trade-specific platforms.

Via the Manufacturer business unit, the manufacturing companies can manage the complete correspondence with the dealers through to the auditing of sales promotion measures.

The overall service spectrum by PS-Team is available throughout Europe. Besides the sales headquarters in Germany, licensing partners are available as contacts in the individual countries. In the field of risk management, PS-Team has the following objectives: setting international standards and pushing the topic of fraud on a wide base. The expert conference “Fighting Fraud in the Leasing Industry” was a first, very successful step to establish an international network for a joint fight against fraud and develop solutions for consolidated risk management. A follow-up event before the end of this year shall meet the great interest of the association members. In addition, Leaseurope and PS-Team plan to create a European team for fraud prevention.

About PS-Team

For 30 years, PS-Team has been taking care of all tasks related to commercially used vehicles. As a service provider for service providers, the company offers process-oriented systems and products – based on well-conceived concepts, clear structures and short decision-making processes. Besides major financing companies, car manufacturers and car fleets, PS-Team services about 70 percent of leasing and car rental agencies. The company's portfolio with more than 145 employees is rounded out by solutions for dealers and insurance companies. PS-Team keeps more than 2.6 million vehicle documents with up to 9,000 single movements per day, coordinating about 750,000 vehicle registrations and de-registrations per year in addition to initiating 240,000 vehicle transactions via forwarding agencies and individually on the road. PS-Team stores 100,000 vehicle keys and operates a unique, fully automated online license plate production system solution. Furthermore, the company carries out 35,000 inventory audits with 900,000 vehicles per year. In addition, the European asset register PS DataCollect created by PS-Team monitors more than two million objects (vehicles, machines, etc.) every day to secure property rights. Via franchise partners, PS-Team also sells its products abroad. PS-Team is currently expanding this system throughout Europe.

PS-Team Sales Office Europe

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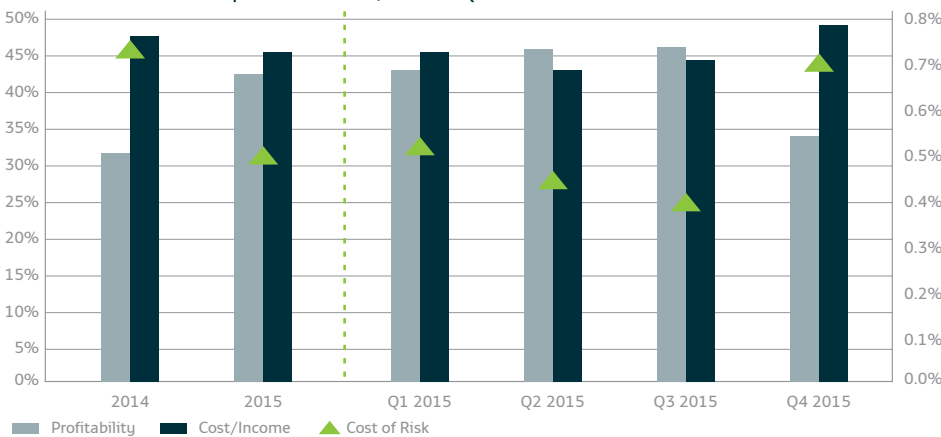
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Leaseurope Index

Fourth quarter results show strong performance of leasing KPIs



A Selection of Leaseurope Index Ratios, 2014 – Q4 2015



The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 23 European lessors on a quarterly basis. This Q4 2015 is the twentieth edition of the survey.

The weighted average ratios for Q4 2015 show a notable improvement compared to the same quarter of the previous year. On an annual basis, all ratios improved in 2015 compared to 2014.

Total new leasing volumes reported by the sample of firms increased by 12.7% in comparison to the same quarter a year ago, reaching just under €26 billion, while the whole of 2015 also saw an increase of 10.8% in comparison to 2014. The portfolio of outstanding contracts grew by 2.9% in Q4 2015 while risk-weighted assets increased by a larger amount (4.3%).

Total pre-tax profit continued its positive growth trajectory, increasing by 50.4% in Q4 2015 compared to Q4 2014 and by 37.3% in 2015 overall. These large increases in aggregate profit figures are due mainly to loan loss provisions decreasing substantially from previously high levels. Weighted average profitability has

improved greatly as a result, from 32.2% in 2014 to 41.6% in 2015. Although Q4 2015 profitability was the lowest of the year, it was still an improvement on Q4 2014.

Operating income exhibited continued growth in Q4 2015 compared to the same period a year ago, increasing by 8.7%. Operating expenses increased by a lesser amount (4.9%), resulting in the average cost/income ratio falling to 49.0% in Q4 2015 compared to 51.7% in Q4 2014. The total figure for 2015 was even lower at 46.0% compared to 47.5% in 2014.

As already mentioned, loan loss provisions decreased substantially in Q4 2015 compared to Q4 2014, dropping by -23.7%. The decline was even greater for 2015 overall at -29.4%, resulting in average cost of risk falling from 0.74% in 2014 to 0.51% in 2015. The last quarter also saw a large drop, from 0.93% in Q4 2014 to 0.69% in Q4 2015.

RoA and RoE figures increased significantly in Q4 2015 compared to Q4 2014, reaching 1.4% and 139, respectively¹. Both ratios experienced increases throughout all quarters in 2015, with the total yearly average RoA ratio reaching 1.7% compared to 1.3% in 2014 and RoE reaching 170 compared to 123 in 2014.

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

View from the Industry

“ In 2015, the financials for European lessors were undoubtedly strong. GDP growth in Europe remains stable, with economic recovery continuing at a slow pace, however the leasing industry appears to be forging ahead with encouraging growth in new business and outstanding portfolios. Particularly strong profitability performance, despite increased competition and squeezing margins, speaks well to the industry’s resilient business model. Deleveraging however, both at the level of our clients and for lessors themselves, is still having a significant effect on the industry as a whole. In addition, despite growing liquidity levels and favourable financial conditions, the European environment remains uncertainty. Therefore it continues to be imperative for lessors to remain agile in order to capitalise on opportunities for further KPI improvements.”



Charlotte Dennerly,
CEO, BNP Paribas Leasing Solutions

Leasing to SMEs

National SME roundtable initiative takes off

Leaseurope has recently launched a series of roundtable meetings across European countries to discuss leasing as a key source of finance for SMEs. The aim is to explore the national SME financing landscape and improve the understanding of leasing as a valuable form of investment finance, as well as identifying any potential obstacles hindering its use by local SMEs and how these could be tackled at national and ultimately European levels. This roundtable series marks the continuation of Leaseurope's research initiative on leasing to European SMEs. Through the national SME roundtables, Leaseurope, together with its member associations, intends to explore the findings from the 2011 and 2015 reports by Oxford Economics in more detail at country level and to supplement the results with qualitative insights from various SME stakeholders. Leaseurope has prepared various supporting material available to its members to facilitate the organisation of these events.

In December 2015, Leaseurope's Italian member ASSILEA (Associazione Italiana

Leasing) organised the first roundtable, which took place in Milan. Small businesses in Italy have been particularly hard-hit by the economic crisis and are in need of solutions to support their investment. The participants agreed that leasing is more popular amongst SMEs in those countries where firms are better informed about the universal advantages of leasing and can access it through diversified distribution channels. The vendor channel, i.e. leasing at the point of sale of the asset, is particularly important, providing a one-stop shop for both equipment and finance. Moreover, lessors' solid business models tailored to small businesses, as well as increased offers for small ticket items, are among the drivers of SMEs' use of leasing. More roundtables in other European countries are foreseen in 2016, including the one organised in Vilnius, Lithuania in April by the Association of Lithuanian Banks-Leasing Committee.

For more information on the national SME leasing roundtable initiative, please contact j.bucyte@leaseurope.org.

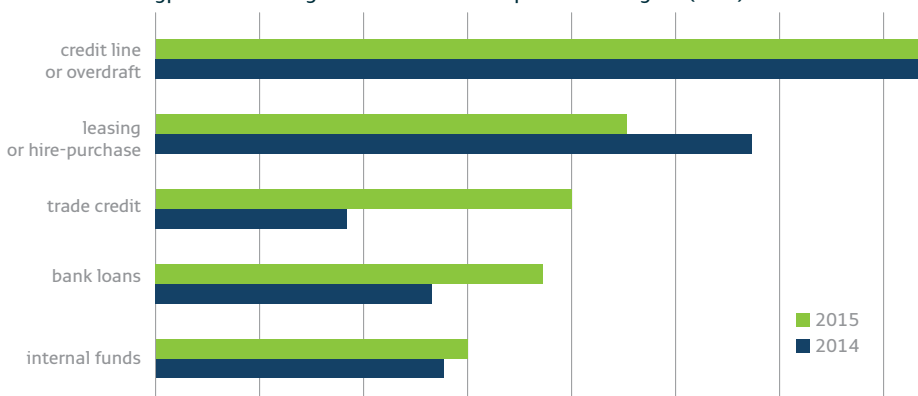
Leasing is the second most often used type of external financing by SMEs

The latest results from the Survey on the Access to Finance of Enterprises (SAFE) by the European Commission show that 23% of European SMEs used leasing or hire purchase over the period between April and September 2015, falling from 29% compared to the same period in 2014. Nevertheless it still remained the second most often used type of financing. Credit line,

bank overdraft or credit cards overdraft were the most popular among surveyed SMEs (used by 37% of SMEs), while bank loans (used by 19% of SMEs) were fourth most used. Leasing was the most used form of long-term finance.

For further information, please visit the European Commission [website](#).

Use of different types of financing over the six months prior to survey for (% of) SMEs in the EU28



COMING SOON

Leaseurope's 2015 Ranking Survey



Over 90 leasing companies took part this year. The results will be published in May. For more information, please contact c.low@leaseurope.org or consult Leaseurope's [website](#).

European Leasing Market Strengthens in 2015

According to the results of Leaseurope's Preliminary Survey for 2015, new leasing business in Europe increased by 9.2% in 2015, at a similar rate seen in 2014.

The vehicle leasing segment grew by 13.1%, driving the overall market performance. Equipment new leasing volumes increased too, albeit at a more moderate pace of 2.8%. In contrast, real estate leasing volumes fell by 1.9% in 2015, witnessing a dip after a successful performance last year.

The strength and resilience of the European leasing market is growing and becoming more widespread across Europe. The vast majority of national leasing markets saw positive results in 2015, which carries on where we left off last year. This was pronounced in the vehicle leasing segment with most countries witnessing double digit increases, while results for equipment leasing show growth differences persist.

Against the backdrop of faltering European investment, it is particularly encouraging to see that the leasing industry is able to gather momentum across the board. This trend supports the findings of our latest Business Confidence Survey, which demonstrates a positive sentiment in the leasing market for new business growth.

Comprehensive annual figures will be published in late spring.

Leasing Industry Anticipates a Good Start to 2016, Though Competition is Intensifying

Leaseurope/Invigors Business Confidence Survey



Richard Ryan, Partner, Invigors EMEA LLP

Leaseurope and Invigors EMEA have published the results from the most recent European Business Confidence Survey conducted in December 2015.

The findings highlight a generally positive outlook for the European leasing business in the first half of 2016, though there are a couple of areas giving cause for concern. Sentiment is being driven by the continuing recovery in the European economy with low oil prices, low interest rates and a competitive euro behind an improving economic outlook and this is reflected in expectations on new business volumes and prospects for growth.

Expectations of new business growth continue to remain optimistic in line with the previous three surveys. 85% of those surveyed anticipate growth in new business for the first half of this year, up slightly from 79% last June and 84% in December 2014. The proportion of respondents forecasting no change in new business volumes has decreased from 16% last June to 10% in December 2015, while the number predicting a fall in new business now stands at just 5%.

There is a noticeable shift in expectations on margins. Just over half of those taking part in the survey (51%) expect margins to fall over the next six months, an increase from 33% in June of last year. 26% of those surveyed in December anticipate margins to remain

unchanged, down from 51% in June, while only 14% predict that margins will increase, little changed from the 16% recorded in the previous research.

Despite some respondents reporting that margins are coming under pressure, according to the majority of those surveyed, the outlook for net profit remains healthy for the first half of 2016. In the December 2015 survey, nearly two-thirds (65%) of respondents expect net profit to increase, slightly up on the level last June, while 17% anticipate no change. Only 18% believe that net profit will fall in their organisations, around the same level as that recorded in the previous survey.

With expectations on most of the industry KPIs relatively positive, the outlook for expenditure is broadly stable. The latest survey showed an even balance between the number of companies planning increases in operating expenditure, against those planning to reduce it, while the majority of respondents expected marketing and training expenditure to remain unchanged. The main area of increase is in systems expenditure though the percentage of respondents predicting an increased spending over the next six months was lower than in the previous two surveys.

The December 2015 survey indicated that, for most of the organisations represented in the research, sales staff numbers are projected to remain stable for the remainder of the year. However, this was less true for non-sales staff, with the majority of respondents divided as to whether these were expected to be reduced, or remain unchanged.

This latest Business Confidence Survey suggests that the European leasing industry should have a good start to 2016. Growth is forecast to remain strong over the first half of the year, while the balance of opinion on many of the other KPIs is generally favourable. Overall economic growth is anticipated to be supportive, though increasing uncertainty, and the slowdown in emerging economies, appears to be hampering investment.

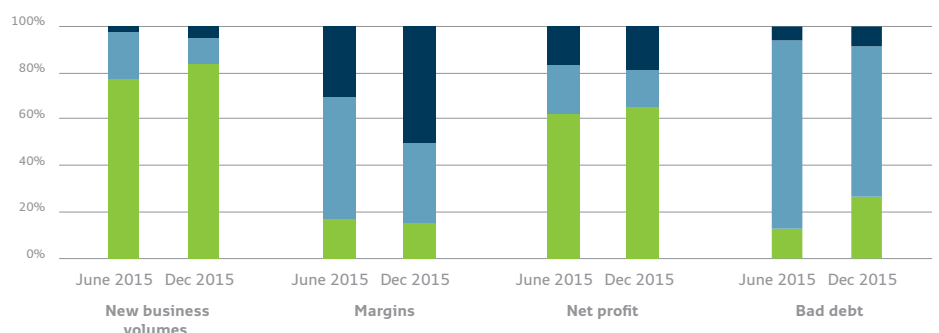
As seen in the previous surveys, the ongoing squeeze in margins, driven by competition for new business, appears to be intensifying. With continuing consolidation in the industry it would be expected that competitive pressures would ease, however, this appears not to be the case. Many respondents in the most recent survey supported this view, predicting more competition from new entrants, as well as existing incumbents, and a consequent impact not only on margins, but possibly also increasing levels of bad debt. It will be interesting to observe how this plays out and whether the leasing industry has learned some of the lessons of the past.

The next Leaseurope/Invigors EMEA Business Confidence Survey will be conducted in June 2016 with the results published in August. 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](#).

Expectations for business over next six months

■ Decrease ■ Stay the same ■ Increase





Three Technology Trends for 2016



For leasing companies, technology has become a core competency and a key market differentiator. As we continue to witness rapid technological change, we're also seeing new ways in which technology can impact how leasing businesses work. After years of stagnation, true innovation is allowing great progress to be made in IT for leasing and asset finance.



By Steve Taplin,
Global Sales Director,
CHP Consulting

Mobile users

Through widespread increases in home working and mobile device capability, your staff, customers and partners can interact with your organisation in many more ways than they could just a few years ago.

Inside the enterprise, traditional tools like email, word processing and spreadsheets are already well supported across devices, and executives now expect real-time access to management information rather than scrambled monthly reports. However, business-specific applications and platforms haven't traditionally had mobile support baked in. This is not through neglect; until recently it simply hasn't been needed or expected.

Compared to five years ago, users are much more comfortable running their lives on their phones, and are beginning to expect similar access, immediacy and ease of use in the workplace. In particular, the younger element of today's workforce is not likely to suffer

unintuitive, dated systems. Add to that the increasing training and maintenance costs of legacy systems, and this soon represents a genuine business issue.

That's why so many businesses are enabling their enterprise applications for mobile working, with changes driven by user-centred design, and the user experience given utmost priority.

Integration

There is an increasing awareness of the dangers of being stuck on an obsolete platform; not least that these legacy systems inhibit the innovation the market demands. In the resultant systems change projects, integration is one of the biggest areas of risk.

Implementing a new application within your systems landscape is rarely a case of plug-and-play. The age of complex webs of point-to-point interfaces is long gone, and enterprises are now embracing established integration techniques. Technical approaches are strongly decoupled and use event-driven architectures, in line with best practices in service-oriented architecture. The merits of the enterprise service bus approach are now clear, and the tools themselves have improved substantially, thus enabling an organisation to own the integration points between their systems.

Abstracting applications behind an integration layer has also quickened the acceptance of cloud solutions within the industry.

Continuous improvement

The consumerisation of technology, as well as raising expectations for the user experience, has also accelerated the desired rate of change. Senior stakeholders will no longer accept lengthy software delivery cycles, and users won't tolerate frequent system outages or long-standing bugs. The continued take-up of agile and lean software development methodologies chime well with these challenges.

Systems replacement projects should look to deliver both a technology refresh and a culture of continuous improvement within the organisation. Moving on from the large-scale, isolated implementation project into a period of targeted, repeatable delivery will provide leasing companies with the agility to respond to customers' demands quickly and effectively.

Final word

Today's forward thinkers accept that the expectations of their user bases have changed; they focus on people, and a culture of continuous improvement within the organisation - rather than finite, functional business goals; and they embrace the integration techniques that will work for their business in the long term.

Steve Taplin is Global Sales Director at CHP Consulting and has been with the company for 18 years. Along with his sales brief, Steve takes a lead role in the direction of CHP's flagship software platform, ALFA Systems, as well as working on strategic consultancy engagements. He is also an author for various industry journals.

After gaining a Ph.D. in Physics, Steve worked at a Shell research facility before joining CHP in 1997.

He has performed numerous consultancy, project management and marketing roles at CHP before moving into sales.

DRIVE the future of Leasing, Fleet Management and Mobility Solutions



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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 Turkish Association of Finance Institutions. More on all Leaseurope's full members [here](#).

Association of Financial Institutions AFI

Country

Turkey

Founded

2013

President

Osman Zeki Özger

Secretary General

Ahmet Candan

Deputy Secretary General-

Financial Leasing

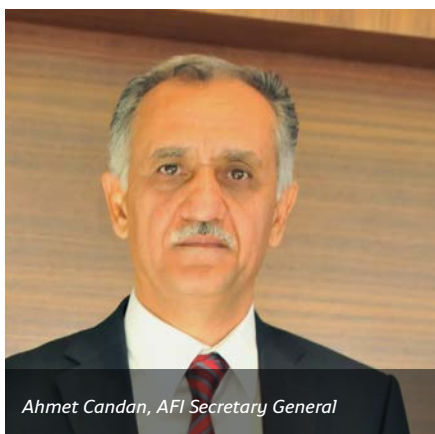
Hakan Gülelçe

Manager - Financial Leasing

Commercial Enterprise

Janin Ersöz Amiroğlu

www.fkb.org.tr



Ahmet Candan, AFI Secretary General

Full Members

27 leasing companies

Associate Members

None. By law, all financial leasing, factoring and finance companies are our members; no other members are allowed.

Segments and products represented by membership

AFI is the association representing three sectors in Turkey: 27 leasing, 63 factoring and 12 finance companies; currently AFI counts in total 102 members.

Market share represented by membership

100% - By law, all leasing companies are obliged to be a member of AFI - Leasing Sector.

Committees and working groups

Taxation and Accounting Working Group, Operation Working Group, Legal Working Group, Internal Audit Working Group, Compliance Working Group, Other Project Based Working Groups.

Code of conduct

Our activities are managed within the scope of the Association Statute which was published by the Council of Ministers. Also the ethics principles, which includes all related parties has been approved and published by the Board.

Mission statement

To contribute to the sustainable growth and healthy development of the financial leasing, factoring and finance companies sectors, to support the international competitiveness of the relevant sectors and to ensure the creation, placement and observance of their own occupational standards.

Events

We organize seminars, conferences and education activities in addition to the periodical meetings of our administrative bodies.

Top priorities

- Manage the corporate communications with the public bodies, the member companies and other related parties involving our sectors.
- Determine and manage the occupational standards and ethics principles related to our sectors.
- Organise education activities for the sector employees.

Lobbying successes

Participation in the preparation process for Law N°6361 on financial leasing, factoring and financing companies.

Our Team



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Leaseurope TV

Watch our latest [interview](#) with Ian Bell, Head of Prime Collateralised Securities, sharing his views on how the European securitisation market is likely to evolve in the next years and on the European Commission's proposal to revive a high-quality securitisation market.

Leaseurope TV is a special section on Leaseurope website showcasing video interviews with industry practitioners and representatives of Leaseurope Member Associations on a variety of leasing and automotive rental related issues.

YouTube



Your address in Brussels

Leaseurope's spacious meeting rooms and adjacent lounge, including Wi-Fi, are available for any Brussels meetings you may wish to organise. For more information, please contact i.vermeersch@leaseurope.org

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