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**Basel Committee
Bank for International Settlements BIS
Centralbahnplatz 2
4051 Basel
Switzerland**

As a unique representative body of all the French specialised financial institutions which in turn represents 300 entities, ASF contributes to an appropriate recognition of the financial activities like equipment and real estate leasing, factoring, consumer credit and auto, mutual guarantee societies which – with an outstanding of more than €300 billion in 2012 – accounts for about 20% of total amount of credits of the economy in France.

We would like to thank you for giving us the opportunity to comment on the Net Stable Funding Ratio (NSFR) consultative document which you published in January 2014. We would like to draw your attention to some facts and suggestions related to the impact of NSFR to **factoring activity**.

At this stage, the current Regulation the so-called “CRR4” raises major issues **on a liquidity aspect** for this activity which presents the particularities i) not to require banking deposits ii) to present low risk profile due to a collateral.

Therefore for the calculation of the NSFR, we do consider there is an urgent need for taking into account the specificities of the factoring activity which business model is particularly adapted to SMEs lending. **This is more crucial given the fact that in France, this activity is subject to authorization and supervision which is not the case for others factoring companies of other EU members.**

As far as NSFR is concerned, it is the case especially for factoring activities.

Definition of factoring

Factoring is an agreement between a business (assignor) and a financial entity (factor) in which the assignor assigns/sells its receivables to the factor and the factor provides the assignor with a combination of one or more of the following services with regard to the receivables assigned: advance of a percentage of the amount of receivables assigned, receivables management, collection and credit protection. Usually, the factor administers the assignor's sales ledger and collects the receivables in its own name. The assignment can be disclosed to the debtor.

A regulated activity in France

The provision of factoring services requires in France a license for the provision of credit. This implies for the providers to be controlled by the French supervisor, l'Autorité de Contrôle Prudentiel et de Résolution.

A growing industry to finance European enterprises

During the 25 last years, the annual average growth was nearly 15% (14.6%).

24 of these 25 years have been years of growth, among which 21 with an annual growth superior to 10% (and 7 superior to 20%). After a slight decrease due to the crisis (-3.6% in 2009), factoring has kept on growing from 2010, which was characterized by a growth of 19.4%. The last 2 years have nevertheless shown a slowdown in the activity. On 25 years, 1925 billions € of invoices have been taken in charge through factoring (constant euros value 2012). United Kingdom ranks second in world factoring markets, France third.

NSFR is not adapted to factoring activity

Simulations within the industry show that factoring companies could not meet the requirements without facing big financial constraints: the obligation to borrow at 1 year when the average duration of lendings delivered by factoring companies is 3 months, thus proceeding to a kind of reverse transformation, the necessity to provide for rate risk hedge mechanisms, which have financial and administrative costs, ...

For all these reasons we do consider that the **current rule is not appropriate for and should not apply to factoring companies.**

At least, it needs to be better balanced in order to avoid disruptive effects on factoring and we strongly advocates the following amendments:

- the reduction of the 50% Required Stable Funding (RSF) factor required for factoring exposures ;
- the increase of the Available Stable Funding (ASF) factor for wholesale funding from central banks and financial institutions with a residual maturity of less than six month ;
- a favorable treatment for short term funding granted by the parent company.

For more information

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