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**Comments by the German Leasing Association (BDL) on the consultative document
“Standardised Measurement Approach for operational risk”, March 2016**

Dear Sir/Madam,

The German Leasing Association (BDL) would like to thank you for the opportunity to communicate our assessment of the consultative document of March 2016 on the standardized measurement approach for operational risk. The BDL represents the interests of the German leasing industry, which generates new business of approx. EUR 60 billion annually and provides Germany's small and medium-sized enterprises with a significant share of their investment funds.

We expressly welcome the objective stated in Article 4.1(e) of addressing the inconsistent treatment of leasing compared with credit to create a level playing field irrespective of national accounting standards. It is true that leasing and credit face similar operational risks and that the rules governing the associated risk management process are similar – or as in Germany – identical.

The approach recommended in Article 4.1(22), which is to focus on profits when determining the business indicator (BI), is appropriate to counteract inconsistencies. If leasing income and expenses – including depreciation – are netted, a level playing field is created, comparable to the interest component when determining the BI.

The structure of the “Business Indicator definitions” in Annex 1 is also useful. The combination of leasing and credit in one category underlines that both are comparable in terms of operational risks, which promotes consistency of treatment.

In summary, the recommended regulatory capital charge standards should properly reflect the underlying risks. Otherwise, this would lead to disincentives for capital allocation and distortions in the financial system to the detriment of customers.

Because of the lessor's position of ownership, leasing is a particularly low-risk form of financing and investment, compared with credit. This advantage must be adequately taken into consideration. The present recommendations are suitable to counteract the inconsistent treatment of leasing compared with credit.

Please do not hesitate to contact us at any time if you need additional information and would like to continue the constructive dialogue.

Kind regards,

Bundesverband Deutscher
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