

PRESS RELEASE

FOR IMMEDIATE RELEASE

European Leasing Industry Comments on IASB/FASB Leases Project Announcement

Brussels, 14 June 2012 – Yesterday, international accounting standard setters, the IASB and FASB, reached certain tentative conclusions that bring them closer to releasing a new Exposure Draft Standard for accounting for leases. The Boards have announced that the new Exposure Draft should be released in Q4 this year, with a 4 month period for public comment. This announcement follows a re-deliberation process that began after the Boards received more than 800 comment letters in response to a first Exposure Draft issued in August 2010.

Leaseurope, the European Federation representing the leasing and automotive rental industry, is pleased to see that the Boards have officially communicated on the next steps in their Leases project. The timeframe should provide the leasing industry, its clients and other stakeholders such as the national standard setter, user and auditor communities with sufficient time to take stock of and provide feedback on the revised proposals.

Commenting on some of the main technical decisions taken yesterday, Mark Venus (BNP Paribas), Chair of Leaseurope's Accounting Committee said "The Boards have again re-introduced a form of lease classification into their proposals. On the one hand, this can be viewed as a positive development because both Boards have recognised that not all contracts referred to as leases have the same economic characteristics and effects. On the other hand, the new criteria developed for distinguishing between these contracts are somewhat curious as they are simply based on an equipment versus property divide. Equally, the accounting approaches proposed seem to have either conceptual or economic weaknesses and will perpetuate different accounting outcomes for similar transactions. While we will have to carefully review the proposals when they are published, at this point in time we still do not see any improvement significant enough to justify changing the existing guidance for leases. IAS 17 recognises the very different nature of the population of contracts falling under the term leases and, while it may indeed benefit from incremental improvements, such as better disclosures and a new look at its classification criteria, it has a lot of merit and is far from being as broken as the Boards say it is. In fact, one of its flaws is the temptation to refer to US GAAP bright lines when applying its classification criteria. It would be far more efficient for the Boards to focus on ways to overcome this rather than devising another model that fails to reflect economic reality."

Leaseurope's Director General, Tanguy van de Werve added, "The European leasing industry, as well as other key stakeholders such as the European Financial Reporting Advisory Group (EFRAG), have repeatedly called for the Boards to develop their proposals for Leases in a manner that takes into account an analysis of its effects. This includes weighing up the costs of change with its informational benefits. However, this has yet to be done and the benefit of improved information for users of accounts still needs to be proven. All that we seem to have learnt since the project kicked off in 2006 is that not all leases are the same and that different types of users of accounts have different informational needs. We look forward to providing input to the forthcoming public consultation to help the Boards achieve a high quality, converged outcome and strongly encourage other stakeholders to seize what could be the last opportunity to actively contribute to the debate."

Media Contacts

For further information, please contact:

Anne Valette
Head of Communications
+32 2 778 05 65
a.valette@leaseurope.org

Jacqueline Mills
Director, Asset Finance & Research
+32 2 2778 05 66
j.mills@leaseurope.org

About Leaseurope

As a Federation, Leaseurope brings together 45 associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope's members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 93% of the European leasing market.

www.leaseurope.org