

**To:**  
Mr Benoît Cœuré  
Member of the Executive Board

Kaiserstrasse 29  
60311 Frankfurt am Main,  
Germany

**Kraainem, 07 August 2014**

**Réf: EUF/ES/14-012**

Dear Mr. Cœuré,

The EU Federation for the Factoring and Commercial Finance Industry (EUF) is the Representative Body for the Factoring and Commercial Finance Industry in the EU. It is composed of national and international associations for the factoring and commercial finance industry that are active in the EU, representing 97% of the EU industry turnover of €1.260 Tr. in 2013.

It is in this role that the EUF has studied the characteristics of the Targeted Longer-Term Refinancing Operations (TLTRO) announced by the ECB in the press release of June, 5th and described in the instructions provided by the ECB itself through some dedicated illustrative papers, the last version of which has been released in attachment to the press release of July 29th.

The EUF observes that, according to such documents, the admission to the TLTRO will be granted only to the "Eligible Eurosystem counterparties" that can also form a "TLTRO group". Such definition would appear to exclude all factoring companies that are not designated and structured as "credit institutions" from the TLTRO group, even if they are actually part of the same banking group as the eligible credit institutions.

In particular, the EUF notices that in the TLTRO scheme, counterparties will be subject to borrowing limits, in accordance with the Decision ECB/2014/34 of 29 July 2014. Such borrowing limits will be calculated on the basis of the outstanding amounts of eligible loans and eligible net lending to euro area non-financial corporations and households (excluding loans to households for house purchase), granted by the individual counterparty, as well as upon the monitoring of the eligible net lending in the period, in order to verify the actual use of the TLTRO funds to finance the real economy.

It has been understood that such limits will not encompass any lending granted by companies which do not fulfill the definition of "eligible Eurosystem counterparties", notwithstanding the fact that they may be part of the same banking group of the participant credit institutions. Therefore, the amount of finance provided to the businesses through a specialized factoring company will not be considered, in any case, within the eligible lending for the TLTRO purposes.

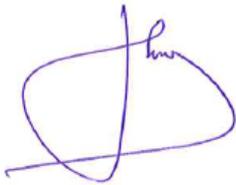
The EUF wishes to highlight that this situation is likely to cause a distortion in competition to the detriment of those banking groups who, within their group policy, chose to establish a non-banking specialized company to carry out the factoring activity. It is also worth noticing that financial companies are often recognized in the legal systems of the EU Members, and in some cases are also subject to a level of supervision equivalent to the banking supervision.

The EUF believes that the reasons behind such exclusion must be exclusively technical, as it seems in open contrast with the very purposes of the TLTRO scheme, given that factoring is a financial tool designed to support the working capital needs of businesses and which is therefore definitely focused on financing the needs of the real economy. Moreover,

factoring has played a very important role in sustaining the liquidity of the European firms, mainly SMEs, during the years of the crisis.

Accordingly, the EUF suggests the opportunity for the ECB to consider actions appropriate to remove such bias in the competition and, in any case, to take note of this issue for a more fair definition of the characteristics of any potential similar schemes in the future. The EUF would be delighted to discuss in more detail the issues of the full application of TLTRO to factoring in order to support impact assessment by the ECB; it would be equally happy to provide the ECB with more information about the factoring and commercial finance industry.

With kind regards,



John Gielen  
Chairman - EUF

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