

More risk controls, but more access to funds

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Germany's Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) is the supervisory authority for leasing companies. BaFin has recently further refined and extended its minimum requirements for risk management for banks and financial services institutions (*Mindestanforderungen an das Risikomanagement* – MaRisk).

The revised MaRisk introduces tougher and more wide-ranging supervisory requirements with regard to stress testing, liquidity risk and risk concentration. All institutions will be obliged to stress test their material risks based on identified risk factors. The stress tests must have particular regard to concentrations of risk. Banks will also have to manage and monitor their liquidity risks in such a way that impending shortages of liquidity are recognised early. There must be appropriate risk management strategies for the risk of losses resulting from risk concentrations.

BaFin also tightened the requirements for group-wide risk management. Institutions will no longer be able simply to demonstrate they

have sufficient risk-bearing capacity at the level of each individual company, but will be obliged to demonstrate this for the whole group.

In addition, BaFin is now giving greater weight to the interaction between management and the supervisory board. In future, the executive management will be required to grant the supervisory board a right to request information directly from the internal audit department, so as to enable the supervisory board to better exercise its supervision and monitoring function.

The new MaRisk also contains more explicit requirements for banks' remuneration systems. Aggressive remuneration systems contributed to the financial crisis by creating skewed incentives. Short-term profits may no longer play any role in the variable compensation of management or staff who are involved in high-risk positions. Institutions will have to ensure the variable compensation is based on the profitability of their unit and the institution.

Banks and financial services institutions are



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required to implement the new MaRisk by 31 December. Implementation represents a major challenge and it is vital lessors have access to expert advice on the practical implications.

Aside from supervisory legislation, another hot topic is funding oppor-

tunities. KfW Bankengruppe is one of the largest capital market issuers in Europe after the governments of Germany, France, the UK and Italy. KfW Mittelstandsbank brings together all of KfW's funding offers for business start-ups and SMEs, and has recently launched a special programme that additionally appeals to independent lessors of all sizes.

Leasing companies may apply for working capital to finance new leasing operations but follow-up financings are not permitted. There is a maximum of €50 million per project and the maximum loan amount is €200 million for lessors.

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