

# CAPTIVES FORUM REVIEW OF THE YEAR 2014

Now entering its eighth year, the Captives Forum continues to hold quarterly meetings for an increasing membership. It is a manufacturers' trade association where the focus continues to be totally on the commercial challenges that manufacturers face in providing financial support for the provision of their parent companies' products both to their end user customers and their dealer/distributor networks. It is unique in being the only association focused solely on this aspect of a manufacturer's business and having no national boundaries for membership. It is run by people from the industry for the industry. So far in its history it has not seen its role as a lobbyist, although it will certainly provide opinion on topics when asked. Its quarterly meetings are held in board room style and all members participate in the full day's discussions. Presentations are a mix of external presenters and members presenting on topics that members have chosen. The key benefit is that all presentations are interactive and all members take part in discussing the topics. Attendances are now regularly 20+ members.

The start of the year saw the appointment of a new Chairman. Elliot Lennick, VP International Sales at MAN Finance International, retired and this role was taken on by Nils Jaeger, VP International Finance EMEA & Global Trade at John Deere Financial. Nils has since become President at Volvo Financial Services EMEA.

As has been the custom and in keeping with the fact that the Captives Forum is an EMEA wide body, its quarterly meetings move around Europe as different members take turns to host the meetings. The year started in Paris, where Xerox Finance hosted the meeting. This meeting focused on how a Captive provides benefits and support to its parent. The meeting opened with the view of what the equipment parent expected, presented by the President of Xerox France. Sven Jirgal, Global COO of Cisco Capital then moved on to how Cisco Capital interacted with Cisco Systems Inc. This theme continued in the afternoon with interactive sessions led by Patrick Jelly, VP Sales Europe, Regional Head UK & ROI, Pitney Bowes and Alan Leesmith, International Director, IAA-Advisory, on "How can the Value of a Captive to a Parent be Demonstrated?"

In February Alan Leesmith, Secretary General of the Forum, was asked to appear before the Financial Stability Board (As announced in the G20 Leaders Summit of April 2009, the expanded FSF was re-established as the Financial Stability Board (FSB) with a broadened mandate to promote financial stability.) to talk about and answer questions on leasing from the manufacturers perspective in the context of the FSB Consultative Document on Assessment Methodologies for Identifying Non-Bank Non Insurance G-SIFIs (Globally

Systemically Important Financial Institutions). This was a topic which members had debated over some time. Following that appearance the Captives Forum submitted a comment letter to the FSB as had been requested by them.

A new Executive Committee was appointed by the members in May, consisting of Sharon Butler of NetApp Capital, Sven Jirgal of Cisco Capital, Annette Jung of Philips Capital, Rene Renkema, of Scania Financial Services, plus the Chairman, Nils Jaeger, the President, Patrick Jelly, Derek Soper, Chairman of IAA-Advisory, Senior Advisor to the Board and Alan Leesmith, Secretary General.

May saw the Forum meeting in Munich, being hosted at the state of the art MAN Trucks Customer Forum. The day's meeting included sessions/discussions on "Maximising Distribution through the Channel", led by the Marketing Director of Dell Financial Services, "Why companies chose certain models for Captive Finance" led by Nils Jaeger, "A Focus on Customer Satisfaction Monitoring" and a presentation by Head of Marketing at MAN Financial Services on "Supporting the Parent". In keeping with the manufacturing nature of the Forum, the afternoon concluded with a tour of the MAN Truck assembly plant.

In October the Forum was in Madrid being hosted by Cisco Capital, where Jose Petisco, the GM for Cisco Spain, gave a fascinating and insightful presentation on "The Changes to Business Driven by Technology". There was also an extended discussion on how members were making use of newer developments in systems capability. This was led by the Director of Global Business Development of Pitney Bowes Finance and the Director Business Development EMEA & APJ for Dell Financial Systems. These discussions again emphasised the difference between a finance operation in support of a manufacturer, which is controlled by the manufacturer, and an independent or bank finance business. The emphasis here was one in which the order and fulfilment of goods and services is the prime task, with "finance income and lease rules being regarded as complexity". Derek Soper, Chairman of the Leasing Foundation, talked about the Leasing Foundation research project on "Redefining the Leasing Industry". There was a subsequent discussion on "the Move to Developing Solutions rather than Leasing" and "Utility Consumption Models".

The December quarterly meeting was hosted by DWF Solicitors at their excellent new offices at 20, Fenchurch Street, in the City of London. The theme for the day was "The future of the industry". Joanne Davis of DWF started the meeting with an update on some recent legal challenges to operating leases and how some of the latest FCA statements could have an impact on future. That well know figure of the European leasing industry, Patrick Gouin of Société Générale Equipment Finance, presented his view from the perspective of lessors generally and how they might be able to support manufacturers going forward. Four members, from CAT, Fujitsu, IBM and Pitney Bowes, presented personal views on the future from a manufacturers' perspective, leading to much discussion around the table. This really

demonstrated just how much the industry is changing and the rapidity of pace. Providing services and solutions has already replaced leasing of equipment in many sectors.

Another matter which will have an influence on the future is that age old topic of Lease Accounting. Updates featured at each of the Forum's meetings. The final meeting of 2013 had been addressed by IASB Board member Jan Engstrom. This was an interesting exchange of views, which resulted in a request for the Forum to provide further comment on lessor accounting. In late spring, at the request of FASB, the Forum made a further submission on "small assets". The IASB featured prominently again as the 2014 year finished, with IASB Board member Stephen Cooper attending the December meeting to provide the latest update and answer questions.

The Forum ends 2014 with 23 global companies as members. Chairman Nils Jaeger said "We are delighted that after seven years the Captives Forum has proved its success in providing something different and of interest to members from across Europe. We expect to see our membership further increase during 2015. The year will start with a meeting hosted by Philips Capital at Philips Healthcare in Eindhoven. Later in the year Forum meetings will be hosted by members in Germany and Ireland, continuing to prove our Europe wide appeal."

*The Trade Association of Manufacturers' Finance Companies is a not-for-profit company limited by guarantee. It was created to run the Captives Forum. The Captives Forum community is a coming together of Manufacturer owned finance companies whose main activity is to finance the acquisition of equipment, services or software for customers of the manufacturer. The 'asset finance' products range from equipment leasing to various types of 'purchase/use over time' products such as Hire purchase, Conditional Sale, operating leasing, rental and various financing tools to support dealers and distributors, including factoring and stock finance. The Members are subsidiaries of a variety of global equipment manufacturers, whose aim is to assist those manufacturers in the financing of their products and to help sell more equipment.*

*Manufacturer owned Finance Companies with a European footprint have a dilemma as to how best to forge relationships within the Leasing and Asset Finance Industry. This is frequently done simply on a country by country basis via local Leasing Associations; however the Captives Forum solves the need for a "Pan European" solution enabling a coming together of executives with European responsibilities to discuss and express a European view. Quarterly meetings move around European capitals, reflecting the wide European membership. Meeting locations include; Brussels, London, Luxembourg, Madrid, Munich, Paris, Stockholm and others.*

*The management of the Captives Forum is undertaken by IAA-Advisory. Alan Leesmith, IAA's International Director, is the Captives Forum's Secretary General and Derek Soper, IAA's Chairman, is Senior Advisor to the Captives Forum Board.*

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