

From Glen Bullivant:

This has to have been the most difficult editorial I have written for the FECMA Newsletter since I began some years ago. Not in the sense of subject matter – on the contrary, there can only be one topic – but more in the sense that every day, every hour almost, another shockwave rocks the financial markets, so remaining topical by the time of publication is virtually impossible. Ironically, our American friends refer to this season of the year as “Fall”. For once it may be said that their word is more apt and descriptive than our very own “Autumn”. Banks have fallen, insurance companies have teetered on the edge of falling, and the signs are that going forward bank bonuses will be going south faster than swallows heading for their winter quarters. The UK Government’s nationalisation of Northern Rock earlier in the year was unprecedented. Having set that precedent, they have now nationalised Bradford & Bingley, the UK’s 8th largest bank. Bank rescue has spread from the US and the UK to Iceland, Belgium, Holland, Luxembourg and Germany and names like Fortis and Dexia join the ranks of HBOS, Wachovia and a seemingly endless list of others.



For credit managers in Yorkshire, across the UK and right across Europe, one thing is certain. Bank finance and support for business will continue to be in short supply – some might say as thick on the ground as rocking horse droppings. The three pillars of business finance (own funds, bank borrowings and trade credit suppliers) are reduced to just two – namely Aunt Edith’s legacy and the long suffering trade suppliers. Times being just as tough for Aunt Edith (falling house prices, petrol, gas and electricity prices rising faster than a NASA Saturn V and a decent Merlot from the Languedoc approaching Chanel No. 5 prices), it leaves just you and me, the suppliers. Again, it is down to us to carry the burden

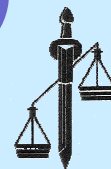
Pro active credit management has always been **the** most important function in any credit granting business and now more than ever before it will be our expertise in receivables management and the promotion of profitable sales which will save the day. This in a market scenario screaming in financial pain – our services are at a premium, make no mistake. Credit management across Europe is in the forefront of common sense when it comes to business decisions. It always has been in fact, but the events of the summer of 2007 and since seem to me to suggest that common sense has been singularly lacking in financial circles, certainly in some quarters. Before the Fall of 2007, who had ever heard of Fanny Mae or Freddie Mack (fast food chains??) – indeed, who had even heard of “sub prime” before those two words became more offensive than walking into Aldi and shouting “Lidl”? Where was the common sense then?

Still, sanity prevails in the final analysis – run credit management up the company flagpole, act with professionalism and responsibility, and take it from me that all will be well. Here in the UK, the Institute of Credit Management moves joyously towards its 70th birthday. More than just credit managers will be thankful for joining in that party!

FECMA members:

Austria	www.credit-manager.at
Belgium	www.ivkm.be
Denmark	www.dkforum.dk
Finland	www.luottomiehet.fi
France	www.afdcc.com
Germany	www.credit-manager.de

Ireland	www.iicm.ie
Italy	www.acmi.it
Malta	www.macm.org.mt
Netherlands	www.vvcm.nl
Sweden	www.kreditforeningen.se
United Kingdom	www.icm.org.uk

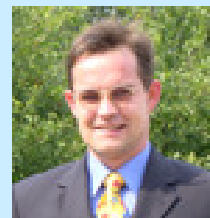


PRESIDENT'S COLUMN

by Jan Schneider-Maessen B.ec,CCM,
President of the Federation of European
Credit Management Associations
Vorsitzender des Vorstandes
Verein für Credit Management e.V.

Decreasing prices, increasing bankruptcies- across all sectors and countries

National as well as international: the economic crisis does not only have impact on USA but also on Europe and on Germany.



Particularly credit managers are asked here to stronger close the ranks and to act according to our motto "From the credit manager to the credit manager" and to increasingly swap ideas not only on a national basis but also internationally.

The FECMA offers the platform for the exchange on an international basis. This should be used more intensively by the respective colleagues since only in this way we can exchange the extensive knowledge and experience jointly.

What is the share of equity within the balance of a Dutch or British company in the respective sectors? Do I know my French customer and am I able to analyze him? There are uncountable country-specific differences which I am not allowed to disregard as a credit manager.

Against this background the exchange of knowledge and experience is of utmost importance.

Contribution from Germany

Safety net for online trading

For Christian B. safety is of capital importance when doing online shopping. He does not like to reveal his personal data on the internet. And his opinion represents the opinion of 74,4% of the 1.035 online shoppers interviewed in the survey "eCommerce 2007" of EuPD Research. Online traders are not less interested in safety – the safety of the receipt of payment. The interests of traders and buyers can be reconciled and protect both parties.

Online business is booming. For years, E-commerce is the sales channel with the strongest growth. In 2007 German consumers spent 17,2 billion Euro on goods and services they immediately bought through the internet. According to the Web Scope survey of the GfK Group (Association for consumption research) the number increased by 12% compared to the previous year.

Growth will continue. Michael Hülsgingensen, General Manager at EOS Payment Solutions says: "More and more industries will open up to internet trading." Insurance companies, for example, will offer their products online more frequently.

From shopping basket to payment

The kind of payment methods offered is important to 92,8% of the Internet buyers interviewed by EuPD. The one who wants to profit from the online cake has to be flexible and has to offer various payment methods. As soon as the customer has found the way to the shopping basket he should be allowed to immediate payment. Classical payment methods like purchase on account, advance payment and payment on delivery require an interim stage. Admittedly, the customer buys online. However, he has to transfer the money or to pay at the door before dispatch of the goods or after invoice receipt. Numerous online traders accept this disadvantage for their customers in order to ensure the own payments. 74% of 312 online traders interviewed exclusively deliver cash on delivery or on advance payment in order to avoid defaults. This was revealed by the survey "Payment handling on the internet" of the institute for research and consulting ibi research in 2006.

Continue on page 3



FECMA

Newsletter autumn 2008 — number 21, page 3

"Cash on delivery" does not only offer advantages for the traders", Hülsiggensen warns. Internal and external expenses make the payment method relatively expensive. Added to that, if a customer is not solvent, he cannot meet the cash on delivery at the door. "This is frequently underestimated", the expert comments. Purchase on account, a prevailing payment method in the German mail order business, is a very insecure form of payment for the trader. Moreover, it takes longer until the money arrives in the sellers' account. Often customers use granted periods of payment or pay too late. It might be that the trader has to dun. In this period he is missing the money for investments or for paying his own bills.



Ernst Stahl, Research Director at ibi research at the University Regensburg confirms the risks of internet trading for the provider. "Every tenth online shop registers defaults of at least 3% of the turnover." In order to compensate the loss the contractor has to conclude the twentyfold of the bad debt losses in new business at a margin of 5%. "Defaults particularly occur with sales on account", Stahl says.

Offering electronic diversity

This is different when paying online by card or with electronic means of payment like Giropay. Providers of electronic payment system solutions develop systems where the customer buys upon paying. This does not only save the customers' time. The money faster reaches the trader and the traders' cost for the payment transaction decrease. Michael Hülsiggensen: "I assume that a change of thinking will occur in the companies. In the medium-term the companies will put emphasis on other payment forms."

The integration of ePayments is a task for experts. They determine which information is available to the trader and to what extent it may be processed. "The traders know that credit card and debit entry are existing, they have heard about Giropay, but frequently they do not know which advantages and disadvantages are related to these payment forms", Hülsiggensen reports on his daily experiences. The providers of payment system solutions advise on the services of the different payment forms and which of them is the most useful for traders as well as for customers. Then the payment system will be adapted to the customers' needs. During the process of online shopping it acts as intermediary between bank, trader and customer – similar to the EC terminals at the sellers' cash point in the store business.

Data abuse versus fraud protection

In order to protect oneself effectively against defaults, valid customer data are required. "The more customer data are available, the easier the rating of the payment risk as well as the subsequent collection of a claim", ibi research expert Stahl knows.

Due to the entry of comprehensive data- and for fear of their misuse- consumers like Christian B. hesitate when doing online shopping. The ghost of the glassy online customer spooks through net, forums and blogs. One reason for the uncertainty Hülsiggensen sees in the internet hype around the turn of the millennium. "At that time, many young companies emerged. However, the internet bubble has bursted." Big mail order sellers, which already operate on the market for a longer period of time and offer online as well as offline different payment methods, contribute to the reduction of these fears.

One of the problems in the online area is the anonymity: It plays into the defrauders' hands. Therefore, according to Hülsiggensen it is important for each trader to keep customer data up to date. Thus, a purchaser can be identified. If a trader knows the address data, makes alignments and applies scoring-modules, he will locate the risks are and will find out how they can be embanked. "Proper customer data protect consumer and trader", Hülsiggensen says.

After the address verification traders have the possibility to integrate one or more credit agencies in the payment process. These rate the risk group and provide a score value which is composed of payment experiences and of publicly accessible debtor registers. On this basis the trader weighs which payment forms he offers to the customer. Online all this happens within seconds.

Hülsiggensen replies to concerned customers that safety risks also exist in the storage business. "I consider of importance that consumers are risk-conscious", the 45 year old says. "However, the probability to be stolen from in a shop is at least as big as to be defrauded on the internet. ". Online the consumer can protect himself very well against illegal access to the own computer. Every online shopper should install firewall and anti-virus software, the expert recommends. Payment providers for online trading deliver systems that are safe. This includes the protection of the customer and his data. "The risk to actually pay the trader who collaborates with a reasonable payment service provider is minimal", Hülsiggensen judges.



Contribution from the Netherlands

Bert Bruning,
managing director of
Atradius in the Netherlands

European entrepreneurs underestimate commercial risks in emerging markets

Incomplete information on the creditworthiness of companies, political instability, a weak legal system and corruption – these are the most important risks when doing business in emerging economies such as Brazil, China, India, Mexico and Russia. This is the result of an Atradius survey of 1,200 companies in the Netherlands, Belgium, Germany, France, the United States and Italy. The most striking conclusion is that companies that are not yet active in emerging markets take much too rosy a view of the risks.

Almost half of the entrepreneurs asked stated that they do business with one or more of the emerging economies referred to. China is top of the list of the most important business partners, followed by Russia and India, with Mexico and Brazil in fourth and fifth places respectively. The Atradius database containing information on 52 million companies worldwide also shows that increasing numbers of Dutch entrepreneurs are doing business with these countries.

CORRUPTION IS GREATEST COMMERCIAL RISK IN RUSSIA

The emerging economies bring a range of risks with them. Companies regard political instability as the greatest risk of doing business in China. In India it is the weak legal system, while corruption is said to be the greatest danger in Russia, as it is in Mexico and Brazil as well. The top 5 greatest commercial risks are as follows:

No.	Brazil	China	India	Mexico	Russia
1	Corruption	Political instability	Weak legal system	Corruption	Corruption
2	Weak legal system	Corruption	Limited legal protection for creditors	Weak legal system	Political instability
3	Bad payment behaviour	Weak legal system	Political instability	Limited legal protection for creditors	Limited legal protection for creditors
4	Limited legal protection for creditors	Limited legal protection for creditors	Corruption	Incomplete information on creditworthiness of customers	Incomplete information on creditworthiness of customers
5	Political instability	Cultural differences	Incomplete information on creditworthiness of customers	Bad payment behaviour	Weak legal system

Continue on page 5....



..... European entrepreneurs underestimate commercial risks in emerging markets

OBSTACLES – PERCEPTION AND REALITY

The perception of entrepreneurs who do not do business with the emerging economies is very different to the experience of companies that do maintain trading relationships. In respect to China, for instance, they accept the deficiencies of the legal system as a part of doing business and play down the risks associated with poor access to information about the creditworthiness of buyers more than companies that are already doing business in China do. The risks connected with companies that do not meet their payment obligations or do so much too late are also seriously underestimated.

RISK MANAGEMENT IS PRECONDITION FOR SUSTAINABLE GROWTH

The emerging economies are attractive growth markets for Dutch companies, but the risks can put profitability under pressure. Non-payment or lack of knowledge about new customers can easily mean that business transactions end in disillusionment. Good insight into political and cultural circumstances in particular is a pre-condition for successful investments and many companies are also hampered by legal and bureaucratic obstacles. The degree to which companies which are not active in emerging economies underestimate these risks is remarkable. Their vision of emerging market opportunities is far too rosy and is not in line with the reality. Sound preparations and good risk management offer the best guarantees of sustainable growth.

Contribution from France

by Thierry Besanzon
AFDCC Regional delegate
for Rhône Alpes area

The new law « loi de modernisation de l'économie » and payment terms

The new law has been promulgated last August 4th 2008. Main goals of this law are to modify some parts of the French economy to help some fields of activity to develop themselves, and to create some more employments and to help in reducing prices.

Here are the main points concerning payment terms:

This law is concerning the orders which will be placed from January 1st 2009.

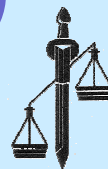
In case a contract firmied before 01/01/09 contains some "open" orders, (no quantity of delivery dates have been decided at the contract signature) the payment term to be used would be the new one.



A payment of 45 days end of month or 60 days from invoice date.

Maximum payment term to be used now is 60 days from invoice date or 45 days end of month. This is the main point of the article 21, which should help the SME's to improve their cash flow. For example, a company which was used to pay its invoices within 90 days end of the month the 10, approx 115 days of credit, will have to settle payment within 60 days from invoice day as from next month of January (which means that the supplier will have a "bonus" of 55 days in comparison with the old payment term).

Continue on page 6....



..... The new law « loi de modernisation de l'économie » and payment terms

Debt interests:

The rate for debt interests is increasing, and will be ECB rate + 10 points from 01/01/09 (instead of ECB rate + 7 points as per the European Directive on late payments), and minimum applicable rate would be 3 times the French legal interest rate (11,97% as of today).

This means that the inter-professional credit would be more expensive than the bank credit!?

SME's should consequently reduce their payment terms and avoid late in payments.

Inter-professional agreements

Some inter-professional agreements could be applied until 31/12/11 to set some payment terms > 60 days from invoice date. These special agreements will have to be validated by the Competition Counsel and should be published for March 31st 2009 at the latest.

L'Association Française Des Credit Managers et Conseils (AFDCC) will follow carefully the application of this law and will propose an educational program on this matter from October 2008.

Why French government has decided to review the payment terms and debt interests matters?

In June 2000, the European directive on late payments fixed a payment term of 30 days. A large part of the European countries made modification in their own law to include modification provided by the European directive.

France made transposition in its own law on May 2001. Despite this European regulation, insolvencies did not decreased and some abusive payment practices have been reported.

Will help or not?

As per the last edition of the « payment term observatory », the inter-professional credit is representing approx 600 Billions EUR (3 times the bank credit and twice the French budget) Reducing payment terms should reduce this amount as companies will cash invoices quicker.



Guidelines for the FECMA Newsletter

Articles of about 500 words, if possible with graphics or pictures.

Deadline for the early spring 2009 edition

15th January 2009. Contribution expected from Austria, Finland and Italy to write an article for this edition. Other countries may feel free to contribute as well.