FECMA Magazine for European Credit Managers 2/2012

CreditManager Europe

FECMA
Federation of European Credit Management Associations

Germany:

Leading the way to recovery?

FECMA:

All the latest news

Traiding in Emerging Markets:

Nothing ventured, nothing gained

Southern Europe:

Worsening crisis

Data Protection reform goes ahead!

New initiative: Quality in Credit Management

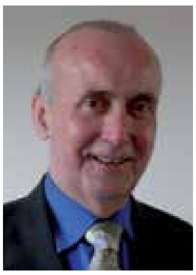
CREDITMANAGER EUROPE

Nobody ever said that being a credit manager was easy – it never has been, and if we can be certain of anything in these troubled times, it is that it is not going to get any easier in the foreseeable future. On the contrary, experience has shown over and over again that though recessions hurt, and hurt deeply, the pain continues until well into recovery. Throughout the downturn, companies and businesses have clung on by their fingernails, but the first signs of sunrise have illuminated their financial weaknesses. In spite of valiant efforts, failure is inevitable, and another one bites the dust. There is an alternative scenario, however, in so far as the better businesses can emerge from the gloom of depression, leaner, fitter, stronger and better placed to take on the challenges of recovery than their less enlightened counterparts.

The secret is effective and professional credit management. More eyes and minds are focused on risk and receivables management when times are tough, but that focus should remain when times are good. Cash is the lifeblood of business, and generating cash for business is without doubt a prime credit management function. Experience has shown repeatedly that the credit manager is customer focused, always ready to assist, negotiate, listen and suggest (roles once undertaken by bank managers), with the triple aims of customer payment, customer satisfaction and customer survival. A bad debt is a bad debt – no argument – but loss through debt can be small when compared to turnover loss when a customer fails. Companies spend millions in their marketing activities, always looking for new customers, and there is nothing wrong with that. However, at a fraction of that expense, the credit manager works hard to save the ones he/she has, fully aware of the consequences of failure.

The national credit management organisations are constantly improving both education and training within their respective countries, as well as raising the profile of the profession at all levels. In this, the second issue of CreditManager Europe, your attention is drawn to details in respect of the FECMA Pan European Credit Conference, being held in Budapest in May 2013. Apart from top level industry speakers, there is unique insight provided by credit management practitioners from across Europe. Listen and learn is very much the order of the day – that is not intended as some shallow patronising remark. What makes our profession so very rewarding is that something new can turn up every and any day – it never ceases to amaze me just how much a credit manager needs to know. I have heard it often described as being the "Jack Of All Trades" and the "Master Of All Trades" – the truth is that however much we think we know, the next telephone call can bring us a situation we have never experienced before.

Where we go from here may well depend upon your point of view, but we can be sure of at least one thing – there has never been a better time to be a credit manager. Every one of you are of more value to your organisations than they ever realised – make sure you tell them, and make sure they insist you come to Budapest in May!



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CONTENTS

DEVELOPMENT OF THE GERMAN ECONOMY

Expectations on how the German economy is going to develop in the future highly depend on the success of measures taken to preserve the single currency within the Euro-zone. Some negative impulses exist: automotive sales have been declining in Germany and Europe.

Prof. Dr. Matthias Schumann
Georg-August-Universität Göttingen
Member of the Board BvCM e.V.
Bundesverband Credit Management e.V.
mschuma1@uni-goettingen.de

Consequences will be felt, including adjustment of capacities, even if the industry still profits from good sales numbers in the USA and Asia. At the end of the first quarter, the federal government still expected a slight economic growth for Germany of 1.25% in 2012 and 2% for the following year. These have been corrected downwards to between 0.7 and 0.9 and 0.5 up to 1.0 %. Why were prognoses changed and what does the general situation look like? The economic situation in Germany has been improving continuously since the crisis in 2009. Unemployment rates have decreased to 6.7 % and the number of employments has risen by nearly a million in the past three years. The inflation rate is moderate at approximately 2 %. While private consumption has been experiencing a continuous growth, capital investments have decreased in comparison to the previous two years. This is due to insecurities regarding the future. In the last year, exports increased by 11 %, while this year's expected growth lies at 9 %. Imports have been growing parallel at nearly identical rates. If one compares the German situation in Europe, only Finland and Austria are able to keep up. All other Euro states have much weaker and partly even negative growth, unemployment rates are higher, with youth unemployment being a special problem. What causes this comparably positive German development? First, low interest rates promote investments, especially in construction activities. In addition, inflation expectations lead to a flight into tangible assets. Even if business expectations are deceasing, according to recent surveys, business climate is still satisfactory and the current situation is still good in most sectors. One reason for this might be how future market opportunities are seen for German products, especially regarding strong technological areas. Thus, opportunities on the world market are seen as positive for green technology, medical technology, the automotive industry, chemistry and mechanical engineering . With regard to the growth in export and import, Germany is only on the average world trade level. This shows how much the BRIC countries currently control this development. This also poses a threat to the German economy, as 71.5 % of its exports in 2010 were within Europe, of which nearly 40 % stayed in the Euro-zone. If the neighborhood continues to struggle with the debt crisis and negative economic growth, this will have a massive effect on the German economy. Such negative effects could also cause a negative spiral in Germany which could quickly lead to higher interest rates on German government bonds. The current government debt lies at 82 % of the gross domestic product and is thus equal to France. Furthermore, exports to China have outgrown those to the US. With 85

WITH 85 BILLION € IN COMPARISON TO 78 BILLION € IN EXPORTS ARE EXPECTED FOR THIS YEAR.

billion € in comparison to 78 billion € in exports are expected for this year. A decline in the Chinese growth will also affect German exports. This shows that Chinese economic growth is also important for the German economy.

What other reasons are there for the comparably positive German situation? The fact that Germany has had to carry the necessary costs of developing East Germany is often overlooked. This process is nearly complete, even if the economic power of eastern federal states still lies far behind western states. In addition, there have been major changes in the labor market policy that have been a burden to German employees in the past decade, but which have resulted in a stable labor market. Compared to other European countries, the situation of German employees has not been as good with regard to the developments in wage levels, working hours and social benefits. There have been massive changes in the social security system and unemployment benefits that still affect employees negatively today. 400 € jobs and Hartz IV are such examples. Another very important aspect are flexible labor agreements that have especially contributed to steady employment numbers through moderate wages and that have made working hours more flexible. Short-time work that was partly financed by the government has also had a very positive effect during the debt crisis. Moderate tax reductions in the private and company sector should also be mentioned, which were aimed at reviving the consumption climate and which have contributed to expansion investments and reinvestments. The privatization of public companies surely has also had a positive impact. Last but not least, German companies and entrepreneurs and especially the strong medium-sized businesses have wisely invested in new technologies and markets.

Threats to the future development of the German economy can be identified too:

If faith in the stability of the Euro and the Euro-zone continues to decline, this will have direct negative impacts on the German economy, partly due to the high export rate within the Euro-zone. A decline in China's growth would also impact on Germany. The German consumption climate is currently still defying these negative prospects, however one can expect a damper if the economy continues to decline. The introduction of Basel III has sparked the fear that debt capital will become scarce and more expensive. This would have a negative impact on investments. In addition, due to long-term good business of German companies after the financial crisis, general labor agreements may lead to an increased wage level. First strikes demonstrate the expectations. Furthermore, if the minimum wages under discussion are introduced into different sectors, this will have a negative effect on the labor market. In addition it will be interesting to see whether Germany will succeed in mastering the labor shortage caused by demographic change. Immigration policies might help, especially with regard to the alarmingly high unemployment rate of qualified young people in South Europe.

Which other aspects are relevant for credit management? The number of company bankruptcies of German companies has been declining steadily from 33,000 in 2009 to approximately 30,000 in 2011. A similar figure is expected for this year. The fact that the bankruptcy figure reached a peak of nearly 39,500 in 2003 has to be taken into consideration. Changes in the bankruptcy law will also help keep this number steady in Germany. Since 2006, companies in Germany are obligated to disclose their annual financial statements. This is especially true for small and medium sized companies which in the past rarely did so. This has increased transparency significantly, even if small corporations do not have to disclose their profit and loss statements and only present the sum of their financial statement data. Simultaneously, the equity ratio and the working capital ratio have greatly improved under Basel II. For example, the equity ratio for mechanical engineering companies has increased from 28 % in 2007 to 35 % in 2010. However, it is important to consider industry sector specifics in Germany. Thus, in 2010, these average values lay at 15 % for logistics companies and at 20 % for commerce. These values greatly vary between industries of the German market. In addition, the German economy is still highly influenced by medium-sized businesses with respective ownership structures. In contrast to major companies listed on the stock market, these do not raise up large sums of capital through bond issues, whose follow-up financing becomes harder and more expansive under worse economic conditions. If one also considers the tentative investments made by many German companies, then the German economy will suffer from an economic decline. However, many German companies are ready to face the next crises through taken measures and international positioning.

Financial Ratios of selected German Industries (2010)

Industry	Equity Ratio (%)	Liquidity Ratio (%)
Production	24,3	9,1
Building	17,8	8,7
Trade	20,5	7,9
Logistics	15,2	6,9
Hotels and Restaurants	10,6	7,7

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CMI-EUROPE – RESULTS OF Q2 2012 FECMA

European risk and prosperity forecasting indicator of FECMA (Federation of European Credit Management Associations).

In some countries like US, the Netherlands or UK, Credit Manager Index has been used for many years to predict the performance of the economy. Thanks to the credit manager's way of thinking, which is very much focused on the future, CMI has been recognised as a quality economic forecasting tool. Credit managers would always like to see what is happening when the invoices are due in 30, 60 or maybe 90 days, therefore their attitude and anticipations can be interpreted as a prosperity and risk level indicator. The relevance of the CMI was confirmed in its forecast of the dramatic economic breakdown in 2008.

At the end of 2011 FECMA decided to launch a joint credit manager index for the European credit manager community. The CMI-Europe survey was opened on 1st July 2012 with the participation of the national credit management institutes of many European countries including Belgium, France, Hungary, Ireland, Italy, Malta, The Netherlands and United Kingdom. The first results of the CMI-Europe, which will be published quarterly are reflecting the judgement of more than 1100 credit managers of the continent.

Questionnaire and results are regularly published on the official homepage of CMI-Europe (**www.cmieurope.eu**)

Results

Country	Index of favourable factors	Index of unfavourable factors	CMI
Belgium	53,3	30,0	37,0
France	55,3	43,0	46,7
Hungary	68,1	47,8	53,9
Ireland	56,9	50,9	52,7
Italy	54,5	40,9	45,0
Malta	63,2	41,4	47,9
UK*	57,7	46,8	50,1
The Netherlands**	57,3	46,6	50,9
CMI-Europe	57,9	46,4	50,0

* UK CMI is published by the Institute of Credit Management (ICM).
** In the Netherlands, CMI is published by BurlinQ B.V.

Detailed CMI figures

question\ country	BE	FR	HU	IE	IT	MT	UK	NL	CMI-Europe
Credit sales	50,0	57,9	61,1	56,3	48,5	76,3	59,2		59,1
New credit applications	60,0	56,6	76,4	62,5	63,6	52,6	56,8		57,8
Order book	50,0	51,3	66,7	52,1	51,5	60,5	57,3		57,1
Index of positive factors	**53,3**	**55,3**	**68,1**	**56,9**	**54,5**	**63,2**	**57,7**	**57,3**	**57,9**
Credit application rejected	30,0	40,8	40,3	50,0	37,9	55,3	44,2		44,0
DSO	30,0	43,4	43,1	56,3	48,5	28,9	47,1		46,7
Overdue debtors	30,0	36,8	54,2	60,4	40,9	36,8	44,4		44,5
Payment terms / UK: Bad debt provisions	40,0	40,8	38,9	47,9	34,8	28,9	44,8		43,9
Collections	40,0	47,4	51,4	58,3	43,9	42,1	52,2		51,6
Insolvencies	10,0	38,2	45,8	37,5	36,4	47,4	45,8		44,8
Disputes	30,0	53,9	61,1	45,8	43,9	50,0	49,1		49,4
Index of negative factors	**30,0**	**43,0**	**47,8**	**50,9**	**40,9**	**41,4**	**46,8**	**46,6**	**46,4**
CMI Europe 2012 Q2	37,0	46,7	53,9	52,7	45,0	47,9	50,1	50,9	50,0

Comparisons

2012 Q2	FECMA CMI-Europe	USA NACM Credit Managers' Index*
Index of positive factors	57,9	60,2
Index of positive factors	46,4	50,6
CMI	50,0	54,5

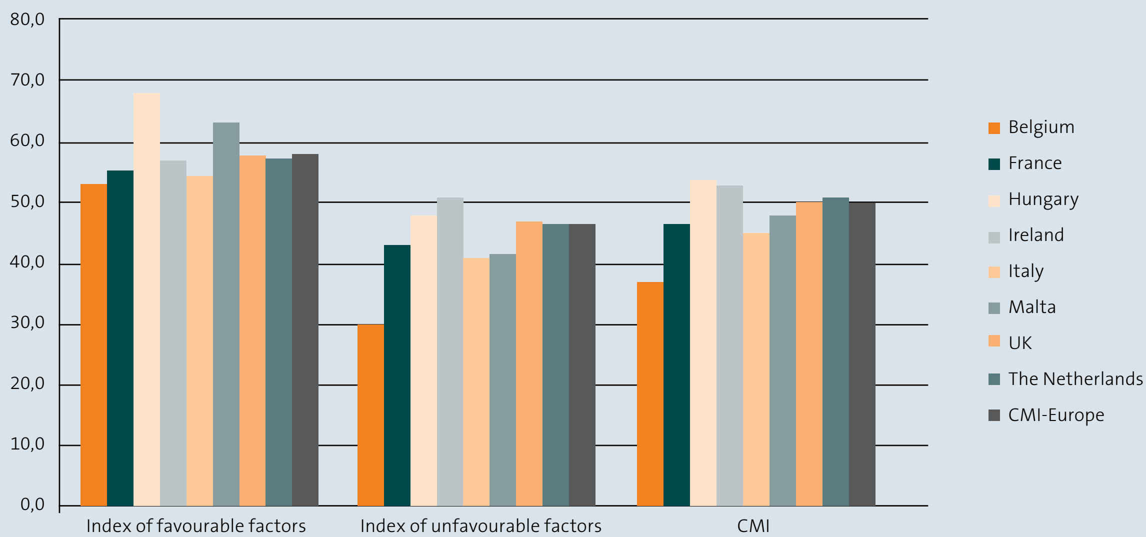
*NACM CMI is published by the National Association of Credit Management, Columbia, Maryland, USA

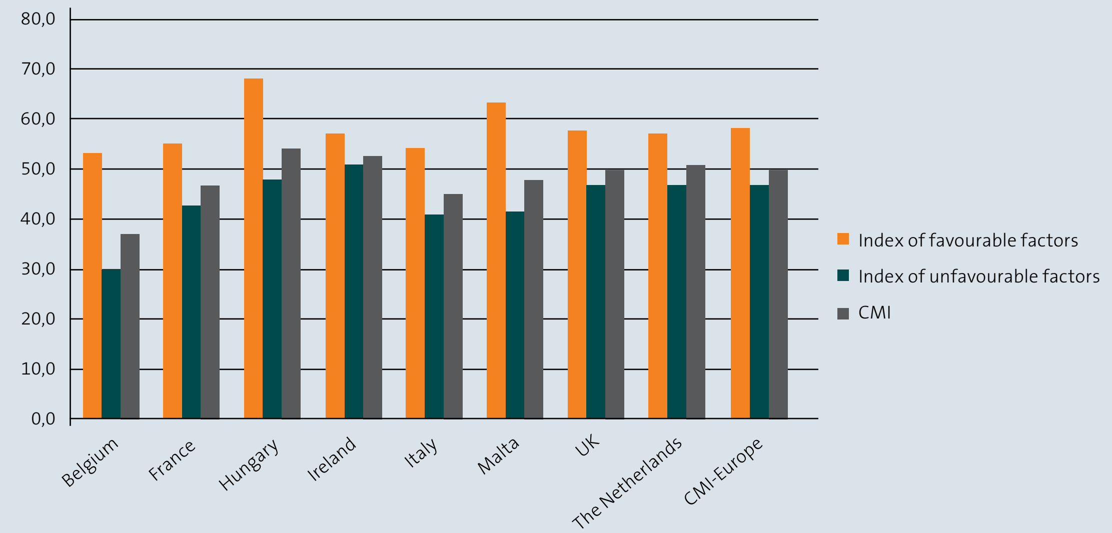
The first result of FECMA CMI-Europe is exactly 50,0 which means European professionals have an overall neutral opinion about the second quarter of 2012 from the credit management perspective. Hungary and Ireland are a bit optimistic about the economy in the near future while the other participant countries (Belgium, France, Italy, Malta, The Netherlands and United Kingdom) have results of about or slightly below 50.

The index of favourable factors is 57,9: sales, applications and order book are all predicting expansion with the index of above 50. 'Credit sales' is showing a positive development with the index of 59,1 (76,3 in Malta!). This which is the highest aggregate result of the survey indicating the increase of credit sales in Q2 as compared to the previous quarter.

Index of unfavourable factors resulted in a score of 46,4. Changes in rejected credit applications, overdue debtors and payment terms (UK: bad debt provisions) seem to be the lowest with results of around 44 reflecting the to negative impact of a higher risk level of debtors alluding to cash-flow problems.

Credit managers will be able to share their experience about Q3 2012 from 1st October when the new CMI-Europe data gathering survey will be opened.
Please visit **www.cmieurope.eu**.





About CMI

CMI consists of ten factors: three of them are favourable and seven are unfavourable. Favourable for example is the volume of sales or new credit applications. Unfavourable among others are payment delays, overdue or number of insolvent clients. Credit managers evaluate the ten components and a diffusion index is calculated for each of them. The CMI is then calculated as an equally weighted average of the 10 items. A separate Index of positive and negative factors can be expounded where favourable items correspond to the shaping of business while unfavourable ones refer to changes in risk parameters.

CMI above 50 indicates economic expansion, under 50 contraction and narrowing of economy is expected.

Favourable factors	Why favourable?
Credit sales	Growth of credit sales means business expansion thus it has positive affect on the economic expectations.
New credit applications	Increasing in required credit limits forecasts higher demand that means growth in business volume.
Order book	Rise of orders reflects to better utilization of suppliers' capacities, greater volume of production and expansion of business activity.

Unfavourable factors	Why unfavourable?
Credit application rejected	Increasing number of rejected and decreased credit limits are indicating that less creditable customers will not receive the option for deferred payment and the risk level of clients are higher.
DSO	Higher turning period (Days Sales Outstanding) marks that customers are more dependent on suppliers' credit, suppliers have to finance their clients longer.
Overdue debtors	Increase in value of overdue debtors means that more and more clients are unable to pay in time i.e. having cash-flow problems.
Payment terms	Growing payment terms are reflecting to more favourable conditions have to be granted to customers.
Collections	Higher number of overdue accounts referred to third parties means that collection present difficulties for suppliers and number of non-paying customers is increasing.
Insolvencies	Raise in number of insolvencies is the result of higher number of companies can not solve cash-flow difficulties.
Disputes	Increasing ratio of unpaid amount due to disputes correlates with clients who have cash-flow difficulties and try to save some time with disputes.

THE F-WORD

Nobody likes to use the F-word, and certainly not in polite and genteel society. There are times, however, when it is difficult to find a suitable alternative or one which accurately conveys the same meaning. Credit managers understand only too well the F-word, though it is something they strive every day to avoid – at the very least they try to accurately predict if and when it's use becomes all too necessary. Politicians do not like to use the word at all and some might say they do not even recognise that it exists, even though they encounter the consequences all the time (the consequences more often than not being of their own actions). It might also be appropriate to use the word if the car steering wheel comes off in your hand as you drive down the motorway/autoroute/autostrada/Autobahn (amazing how I can slip easily from language to language!)

F stands for Failure, and politicians, statesmen, world leaders, bankers, investors and ordinary citizens like you and me are faced with something of an insoluble conundrum at the present time. There are a number of definitions of the word failure and picking just three at random, we come up with; the condition or fact of not achieving the desired result; or the condition or fact of being insufficient or falling short; or a decline in strength or effectiveness. If F stands for Failure and E stands for Euro, it is an interesting exercise to look at the euro currency against any of the aforementioned definitions of failure. 2010 and 2011 have not been the best of years for the embattled currency, but initial negotiations and the period leading up to the launch were not without some drama. It is a matter of historical debate as to whether the concept was politically, rather than economically motivated, but the idea had been around for some time before coming towards fruition in 1998. Some countries within the EU, notably Sweden, Denmark and the United Kingdom, appeared less than enthusiastic and opted out, but 11 went ahead. They, the first 11, ostensibly met what was defined as the "convergence criteria" (qualified for entry in other words) in 1998 and Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain launched the Euro as their currency as from 1 January, 1999. Greece qualified (allegedly) in 2000, using the euro from 1 January 2001 and in January, 2002, euro notes and coins replaced all previous participants' national currencies. Over time other countries followed suit – Slovenia in 2007, Malta and Cyprus in 2008, Slovakia in 2009 and Estonia in 2011.

Two years of mounting crisis came to a head time and again, and in August, 2012, the Head of the European Central Bank said quite categorically that the ECB would do whatever it took to support the currency. The market held its breath, and just as the summer looked like turning into autumn, the ECB made its move. Sighs of relief all round, thank goodness for that, somebody get the drinks in. Hold the front page, however, because buying up bonds on the market, making gestures of support and showing grim determination does not necessarily mean that all is now well. There remain fundamental fault lines, cracks papered over and a number of unanswered questions and unresolved issues. We are not talking failure, as defined in the first of the three definitions above (who is to say what is the desired result, and what is the timescale, if indeed there ever was one?) The same can be said of the second definition, in so far as falling short of what? The third definition does, however, show some merit in affixing the "Failure" label – strength and effectiveness needs solid foundations, and here the currency certainly does appear to be built on sand.

The foundations were, and remain, far from firm. Of the original 11 entrants, only 4 genuinely qualified, meeting all the criteria laid down by the club for membership. 3 were close, probably close enough to allow the club committee to exercise discretion, but 4 should not have been admitted – indeed, had they been pupils at school, their end of term report would have carried the strong notation "Must Try Harder". The fact that Greece was admitted in 2001 would be regarded as a joke if it were not so serious a manipulation of both club rules and entry criteria. Others have been honest and straightforward – defiant Malta, for instance (Malta is always defiant, by the way). They went through pain and hardship in order to meet the "convergence criteria", they have a banking culture on the island which puts the rest of Europe (including the UK) to shame, and now they suffer the vicissitudes of the strain put on the single currency by the economies of Greece, Spain, Portugal and the rest.

Perhaps use of the F-Word in respect of the single currency is premature, but it would be rash to affix the S for Success label. Indeed it would be a foolhardy economist, or an opportunistic politician, to make such a pronouncement. The pragmatic credit manager would more than likely take the most practical view – euro, pounds, dollars, dmarks, or pesetas, just let me know how you want invoicing and I will take the necessary steps.

STRATEGY IS KEY – NOT AN OPTION

During these days of economic turmoil companies and even more their executives tend to loose faith in long-term strategies over short-term action. While this might be the right approach when facing existential crisis, following a clear strategic direction is what differentiates winners from loosers in a competitive market. Take Apple as an example.

Dr. Michael Sauter CCM
Executive Board Member
SHS VIVEON AG
michael.sauter@shs-viveon.com

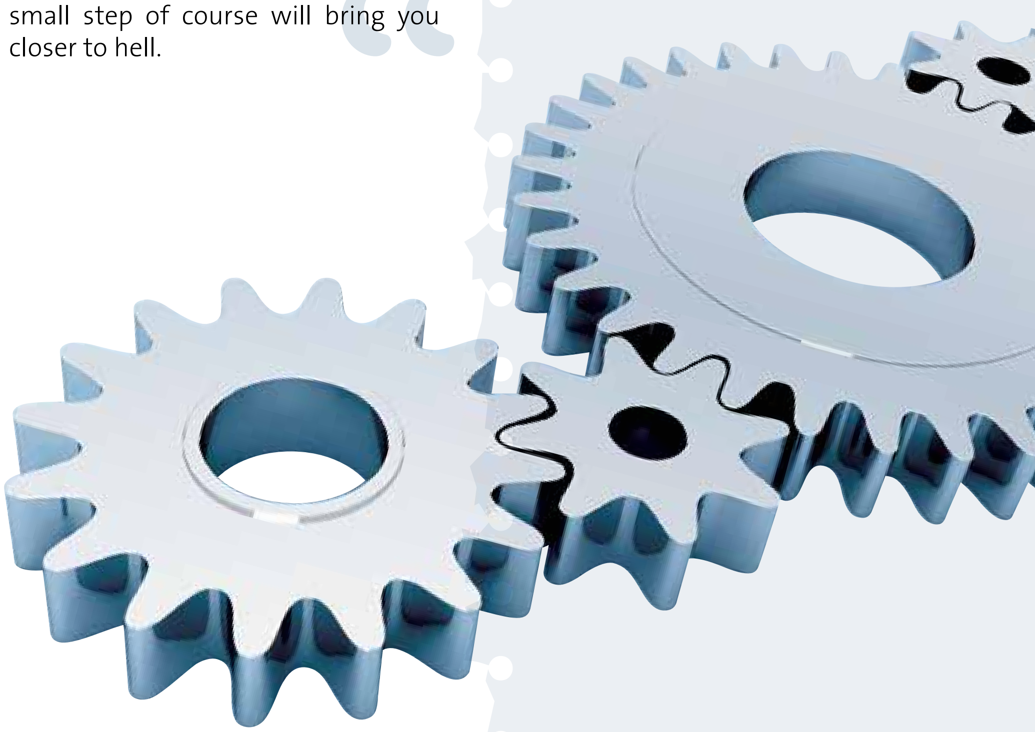
You don't want your company to be among the "walking dead", the ones that bring in enough revenue to keep going but never enough to take off. In a desire to stay alive, they chase revenue, any revenue. That means they end up taking on work that isn't strategic. They often under-price their services or products just to close the deal quickly. They don't listen as they should and don't invest enough time understanding client needs wasting even more money. To get out of it, they take on even more non-strategic work and the downward cycle continues.

Typically companies of that kind think about their problems being cash-driven – however actually the real problem is time. They can't afford the time to define, adopt, and consistently execute on a strategy. The cash-time trap means they're always busy – but, on a deep level, not productive because they aren't making any progress. Everyone is running as fast as they can – without moving. And only the smart people can see the company isn't getting anywhere.

You might have seen companies like this and even might have worked for one. It isn't fun and there isn't an easy solution. Cutting costs and they'll not be able to deliver services or products, trying to take time and cashflow will kill them.

Credit Managers are facing this situation day by day – and as time is running fast, it's hard to find buddies and not to alienate with others, especially in Sales. Nevertheless, the walking dead are a reminder that strategic focus is not a luxury but a basic necessity. Credit people can help refocusing their company by positioning credit work in the larger context of corporate strategy and linking it closely with their day-to-day work and decisioning.

You have to know what you offer, to whom, and why they value it. Never deviate unless or until you change direction deliberately. Don't take on work that doesn't follow your strategic direction, don't deliver work that is just okay. Don't, even for a day, start thinking „it's almost ok". Each small step of course will bring you closer to hell.



FECMA LINKEDIN GROUP

Living in an electronic era, people are becoming more confident and conversant when using the internet to interact with each other. This current trend in e-communication is conveniently referred to as Social Media and admittedly it is an effective and efficient way to network with your peers without any geographical barriers.

One of the widely used Social Media channels in business is surely **LinkedIn**. LinkedIn announced that they have 175 million subscribers coming from all walks of life from all over the World and they also claimed that their membership is growing at a fast pace of two new members every second. LinkedIn subscribers would build their profile and request to join different Groups that interest them for networking purposes.

FECMA has taken this opportunity and created its own LinkedIn Group and in a matter of few months, the number of members that subscribed to the FECMA Group reached several hundreds.

FECMA uses its LinkedIn group for a number of reasons. It believes that such an electronic network is convenient and practical to inform the credit practitioners of any news that may be relevant or pertinent to the credit profession. Nevertheless, FECMA LinkedIn members can also post intuitive articles and ask topical questions which instigate or entice others to give their feedback on or to share their experiences and knowledge about the subject matter.

Topics recently discussed on the FECMA LinkedIn Group included “The EU revised Late Payment Directive”, “Change Management”, “DSO within the private and the public entities”, “Effective credit management”, “Strategic cash flow management”, “The credit crisis and its effect on the business community”, “The future of EU and the Eurozone”, and other interesting topics that surely entail deep thought, reflection and deliberation.

The FECMA LinkedIn Group is still growing and many of its existing subscribers enjoy high level of integrity and are experts in the field of credit management. The FECMA Council encourages all the credit practitioners to sign in and contribute towards a better credit environment in Europe by means of sharing their knowledge and experience with their peers through the FECMA LinkedIn Group.

This is another channel by which people working in the field of credit management can work together to raise the profile of the credit profession to the benefit of their jobs, their firms and the European economy at large!

FECMA COUNCIL MEETING ON 25TH MAY 2012 IN BERLIN

The venue for the Fecma Council meeting in Spring 2012 was Berlin, with the German Association, BvCM, being an excellent host.

The Council accepted the membership of the Czech Republic Credit Management Association, which had been initially launched a year or so previously as a branch of the ICM (Institute for Credit Management UK), but by May 2012 was fully established in its own right.

Council also agreed on the adoption of a new Logo, the first change since FECMA was founded in 1986. This logo is now on our website, in the Magazine and our Newsletter. The F (for Fecma) is embracing the C (for Credit) and simultaneously represents the Euro sign.

In the afternoon the two committees (one for the Pan European Congress and one for the Pan European Magazine) came together to discuss the progress on these two items. The first issue of the Magazine was published right after the Council meeting, and can be found on our website www.fecma.eu (follow the link to the first issue of our Magazine).

The Magazine is distributed amongst about 25.000 Credit Managers in Europe and you are now reading this article in the second issue. The third issue will be published in the early Spring of 2013, containing many articles and also acting as a prelude to the first FECMA Pan European Congress on Credit Management.

The importance of international trade relations have been put into public focus with the European and global turbulences of the recent days and months. The cross-border of exchange of goods, services, and capital has been characterised by unprecedented dynamics for several years.

What ramification, however, does that have on the daily practice of a credit manager? What demands do processes, functions, systems, the organisation and information base of credit management have to meet in an international perspective and which kinds of adaptation still have to be implemented?

Those are some of the reasons for FECMA to promote a Congress which offers a platform for the expert exchange about the current status as well as ongoing developments in the field of international Credit Management. This will update and inform participants through not only focussed presentations held by well experienced guest speakers, but also discussion rounds with the participants and finally the intensive exchange with colleagues from all over Europe.

FECMA, therefore, cordially invites you to put your attention to the first Pan-European FECMA Credit Management Congress **in Budapest from May 16 to 17, 2013,** which has the title: **„European Best Practices – Inspiration for Credit Managers“**

On the Congress website **www.cm-congress.eu** you will find all the updated information on the agenda etc, and you will find all the current information in this Magazine.

If you want to know more, please do not hesitate to contact the Secretariat of FECMA
by telephone: 00 31 35 69 54 103
by email: fecma@sbb.nl.

THE CRISIS WORSENS IN SOUTHERN EUROPE

Coface Country risk assessments review for European countries

Dr. Dirk Bröckelmann
Coface Deutschalnd, Mainz
dirk.broeckelmann@coface.de

In Southern Europe, the recession is deepening, particularly in Spain and Italy. Coface is forecasting a recession rate of 1.6% and 2.3% in these countries respectively in 2012. Another source of concern is the euro zone sovereign debt crisis. In this more difficult context for companies, Coface an expert in commercial risks at the service of companies who offers credit insurance in 97 countries has lowered its country risk assessment for Cyprus, Spain, Italy, and the Czech Republic this summer.

The recession worsens in Southern Europe

Because of the worsening economic situation in Southern Europe, Coface has placed the A4 assessments of Spain and Italy under negative watch and downgraded that of Cyprus, where the situation is raising concerns, from B to C. Coface country risk assessment measures the average level of payment defaults by companies in a given country within the framework of their commercial transactions in the short term. It does not pertain to sovereign debt. To determine country risk, Coface combines the economic, financial and political outlook of the country, Coface's payment experience and business climate assessment. Assessments have a seven-level scale: A1, A2, A3, A4, B, C and D.

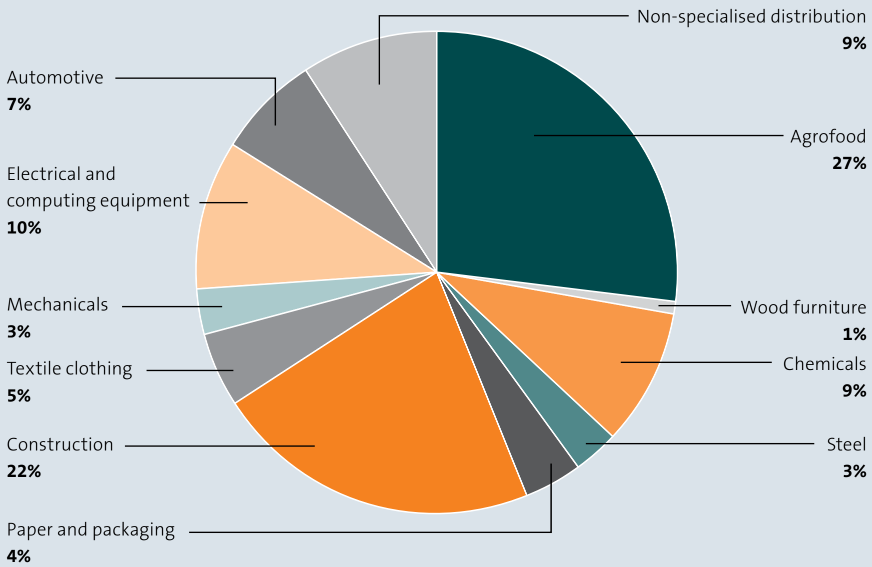
In Spain, in the first quarter of 2012, there was a notable worsening of the recession with a sharp decline in industrial and services activity and a 30% fall in house prices since the peak in December 2007. The unemployment rate continues to rise and has been above 24% since March 2012. But Spain is no Greece: The crisis gripping the monetary union's fourth largest economy is the consequence of private rather than public indebtedness. Austerity can thus not be the solution since it further depresses domestic demand currently squeezed by the process of paying down corporate and private debt. This

	January 2008	January 2009	January 2010	January 2011	January 2012	April 2012	July 2012
France	A1	A1	A2	A2	A2	A2	A2
Germany	A1	A1	A2	A2	A2	A2	A2
United Kingdom	A1	A2	A3	A3	A3	A3	A3
Italy	A2	A2	A3	A3	A4	A4	A4
Spain	A1	A2	A3	A3	A4	A4	A4
Portugal	A2	A2	A3	A3	A4	B	B
Greece	A2	A2	A3	A4	C	C	C
Czech Republic	A2	A2	A2	A2	A2	A2	A3
Slovenia	A1	A1	A2	A2	A2	A3	A3
Poland	A3	A1	A3	A3	A3	A3	A3
Slovakia	A3	A3	A3	A3	A3	A3	A3
Hungary	A3	A3	A4	A4	B	B	B
Croatia	A4	A4	A3	A4	B	B	B
Russia	B	B	C	B	B	B	B

↗ ↘ positive and negative watch

Sector breakdown of the payment incidents recorded by Coface involving Spanish companies

(June 2010 - April 2012)



crisis is closely connected to the bursting of the speculative property bubble.

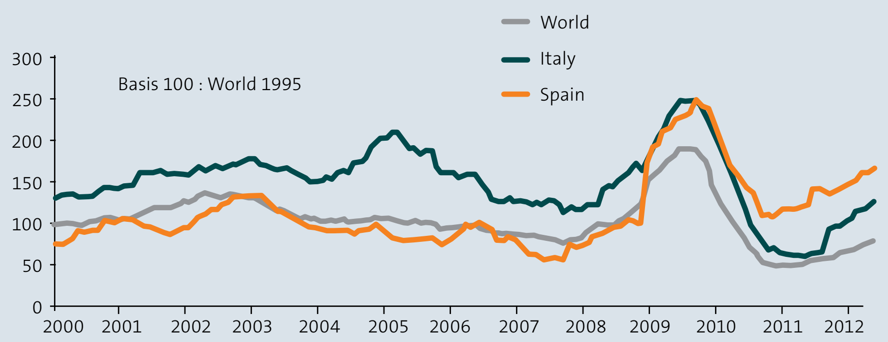
But, as reflected in Coface payment-incident tracking records, construction has not been the only sector affected by insolvency with payment defaults up sharply in agro-food, electrical equipment, distribution, and textiles. The core problem is centred on the banks, heirs to the very heavy private sector debt. All eyes are thus focused on the ultimate – doubtless high – cost of the bank reform with the creation of a bad bank and the restructuring of private sector debt constituting the two pivotal steps according to Coface chief economist Yves Zlotowski. Such radical approach augurs well for a modicum of growth albeit likely to be far below the levels reached during the heady days of the Movida. This alone will make it possible to halt the dangerous deflationary spiral now gripping Spain. Yet, the slow growth is holding back any reduction of public debt and the tensions within the secondary debt market remain severe.

In Italy, GDP fell 0.8% in the first quarter of 2012, down for the third consecutive quarter. The decline in industrial activity accelerated, with the construction sector in particular suffering from a 15.1% fall in output over a year. Unemployment is running at record levels and reached 10.2% of the population in April. In a context where reforms could lead to increasing disillusionment among the population, the scale of public debt represents a threat, with its level of viability remaining highly vulnerable to changes in market expectations. Coface is seeing a sharp deterioration in its payment experience among Italian companies, notably in the metallurgy, agri-food, construction and textile industries.

Cyprus is the fifth country in the euro zone to call for financial assistance from the monetary union. The banking sector, seriously exposed to Greek risk, represents a systemic risk with a balance sheet equal to seven times Cyprus' GDP. The level of private debt (311% of GDP in 2011) is the highest in Europe while corporate debt amounted to 186% of GDP. The construction sector continues to suffer following the bursting of the property bubble and the petrochemical industry had been impacted as a result of the electricity supply failures.

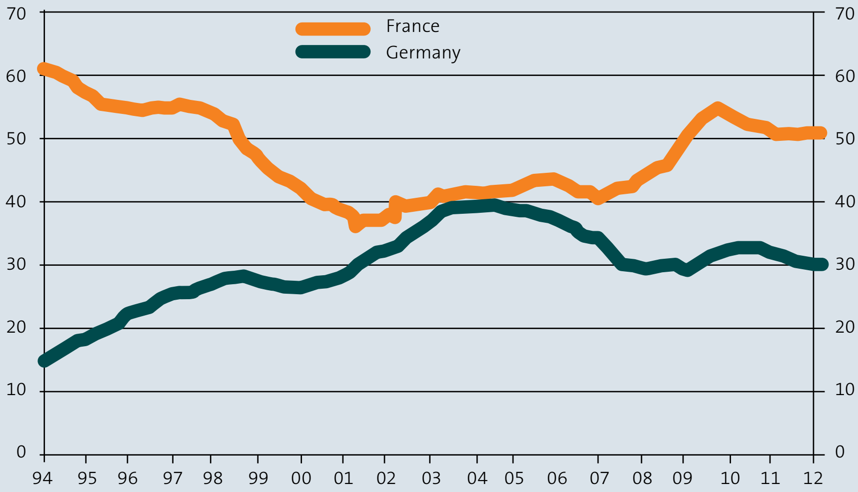
German companies are more resistant than the French ones

The country risk assessments of France and Germany remain A2. Although the overall number of insolvencies continues to decline in France (-1.8% between September 2011 and August 2012), the summer of 2012 confirms the trend that began last Spring with an important growth in their cost (+17%) and a correlative increase in unemployment (+3.3%). A recent Coface-study analyses this development, principally caused by the difficulties of larger French companies. Additionally this study comments on why Germany counts only half of the insolvencies of France. The sound financial health of its companies is an evident first explanation. However, German companies benefit from stable sources of external financing even during periods of financial turbulence, and from an insolvency law that encourages entrepreneurs to manage their company in a prudent manner at earlier stages. But we should not think that German companies are totally sheltered: an increased number of insolvencies in the coming months is a scenario which cannot be exclud-



Sources: INSEE, Destatis

Number of corporate incolvencies in France and Germany (1994-2012), moving total over the last 12 months (thousand)



Sources: INSEE, Destatis

ed, because from a statistical point of view German insolvencies are very sensitive to the dynamics of exports.

Nevertheless, Coface Deutschland does not expect insolvencies going up severely during the coming twelve months in Germany. There might be a slight increase but no wave of insolvencies. As far as large companies are concerned there will not be an increase of insolvencies for sure. Smaller and medium size companies are more likely to be affected.

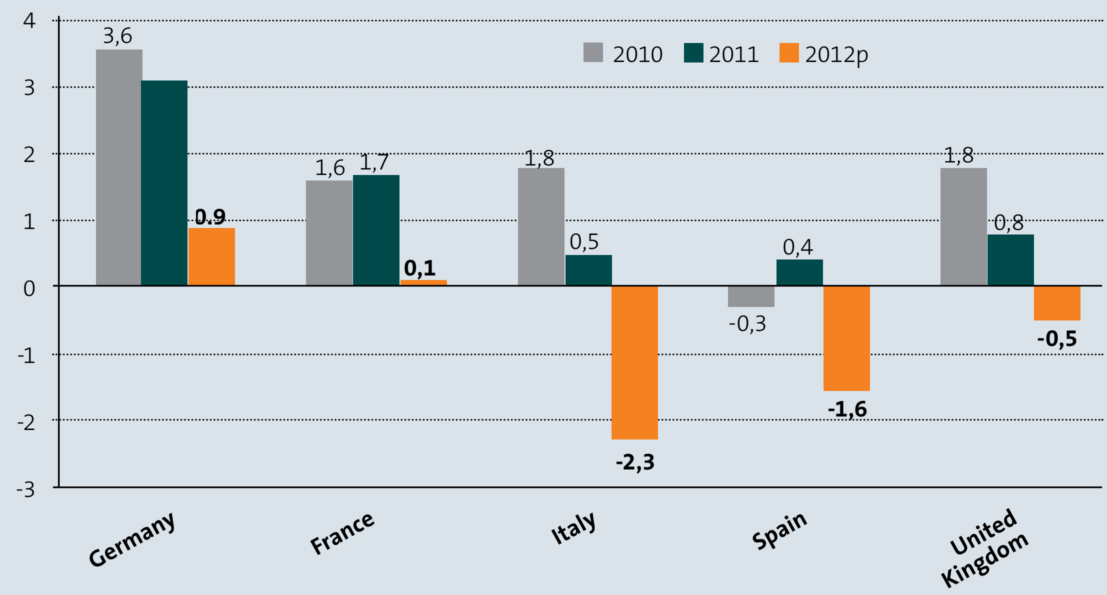
In the United Kingdom Coface expects a recession rate of 0.5% in 2012. Company bankruptcies have increased by 7% during the twelve months to April. Similar to Germany, large companies are less affected as they have a high self-financing rate (160%) and access to the bond markets. Bankruptcies are particularly affecting small businesses in the construction, furniture, automotive suppliers and distributors industries, with the latter being vulnerable when rent is due on their premises at the start of the quarter (Rent quarter day). In this context, the Coface payment incident index trend could start to rise again. Coface assesses the country risk of the United Kingdom with A3.

Increased vulnerability in emerging European economies

The emerging European economies suffer the most from the contraction in demand and financing movements within the Euro zone. Given their exposure to sovereign debt in the Euro zone, Western European banks are obliged to reduce support to their subsidiaries, which affects the granting of credit facilities to companies. Assets held by European banks account for 70% of Eastern European GDP. It is also estimated that one-fifth of the growth in the last decade in Eastern Europe can be attributed to dynamic trans-frontier credit. Were the European credit tap to be shut off, there would be a major impact on emerging European economies, which also frequently have a private sector with massive currency debts.

The growth of open economies will be halved from over 4% in 2011 to less than 2% in 2012. The Czech Republic and Slovenia have been downgraded from A2 to A3 this year. Hungary is facing increased investor distrust and has been downgraded to B. Exposure to Italian risks and the weakness of activity resulting from an exchange rate shock have prompted Coface to downgrade the assessment of Croatia to B.

GDP Growth (%)



NOTHING VENTURED, NOTHING GAINED...

"The manager has his eye on the bottom line; the leader has his eye on the horizon."
Warren G. Bennis, American scholar

Simon Groves
Marketing Manager, Atradius
simon.groves@atradius.com

Many businesses in Western European countries have traditionally traded with their close neighbours. And, while we continue to concentrate on these markets, it's very evident that these markets are shrinking as European countries struggle with falling demand and poor business and consumer confidence. This is no surprise, as we seem daily to be bombarded with media coverage of the economic downturn: all true, but still depressing.

But it's a big world out there and now is the time for businesses in Western Europe to step outside their comfort zoneand venture into the world's emerging markets, many of which are, by comparison, in a very healthy state.

Let's be clear about what we mean by 'emerging markets': nations whose social or business activity is in the process of rapid growth and industrialisation. And, although we may think of emerging markets as being very distant lands, several of those that figure in the International Monetary Fund's definitive list are much closer to home. Here's a salient fact. In 2011, European road freight transport – a good indicator of economic activity – declined. Exceptions to this trend – countries where the volume of road freight haulage actually rose – were Latvia, Lithuania, Bulgaria and Poland: all of which, as noted above, figure in the IMF's list of emerging markets.

But to trade successfully with the world's emerging markets it's essential to understand the logistics and laws relating to cross border trade and the business culture there. It matters. If your business was inviting sales pitches from two competing suppliers, which would you look on more favourably – the one who addressed you in a way that understood and respected your business customs, or the one who didn't?

Let's consider the potential for trade with just a few emerging markets.

Poland

It isn't that far away but, with the exception of Germany and France, most Western European countries export very little there. Is your business missing out here? Poland is strategically located as a gateway to the east. Its economy is strong and it has a huge domestic market of 38 million consumers. Domestic consumer spending has cushioned it against much of the shockwaves from the Eurozone crisis and, while its economic growth is slowing somewhat (the IMF predicts growth of 2.4% in 2012), that's still better than most Eurozone countries.

Turkey

It's literally a link between Europe and Asia – with Istanbul's Bosphorus Bridge connecting the two continents. And its free trade zones – special areas in which state intervention in the economy is minimal – can benefit foreign suppliers as well as their Turkish customers. Many of the normal restrictions on foreign trade don't apply in these zones, making it easier - and cheaper - to supply goods to businesses based there. Turkish companies in a free trade zone will enjoy a range of benefits in terms of currency regulations, product price and employment rules. Foreign suppliers should therefore bear this in mind when negotiating the supply agreement so that they can share in these economic advantages.

India

In the last 20 years India has come to the forefront of international trade. It's a massive country of infinite diversity and the fact that it's relaxed its trade related laws and regulations – coupled with its rise as an industrial and commercial power and the growth of its middle classes – make a compelling case for India as a target for foreign exporters.

What's more, India's foreign trade policy offers special import schemes that can benefit foreign suppliers. For instance, there are schemes under which capital goods can be imported duty free or at a concessionary rate of duty if the importer, as in Turkey, is located in a special economic zone. Currently there are around 150 of these special economic zones across India, with another 600 already approved. There are also duty free concessions for many types of imported products that will be used as components in India manufacturing. There's no reason why foreign suppliers and Indian importers shouldn't both benefit from these schemes.

China

Over recent years, China has achieved enviable growth rates: 10.4% in 2010 and 9.2% in 2011. Even though these are set to slow to nearer 8.5% in 2012 and 2013, not least because of weaker export demand from the Eurozone, China's domestic market is thriving - with rising wages and a burgeoning job market continuing to stimulate private consumption – and this too is good news for foreign exporters.

But there's one issue in particular that plays on the minds of many foreign businesses who want to export to China, and that's the theft of their intellectual property (IP). Admittedly that is a problem, but Chinese laws do provide for the protection of IP, through copyrights, patents and trademarks. Because any supply of goods to China involves the risk of illegal duplication, suppliers should register their IP rights locally and thus improve their chances of enforcing the law against IP thieves.

Brazil

If you're planning to export to Brazil, get good tax advice first. Suppliers from outside Brazil's fellow Mercosur countries – Argentina, Paraguay, Uruguay and Venezuela – are subject to the normal Common External Tariff, which is on average 15% levied on the value of goods including insurance and freight. Some goods may also be subject to federal and state value added tax... and, as if that wasn't enough, to social contribution taxes too. But with professional tax advice you may well be able to achieve reductions or even exemptions.

These are just a few examples – but every emerging market will have its own logistical and legal issues that a foreign exporter will need to address and which in many cases may prove beneficial to both seller and buyer.

There are some fundamentals that are common to all emerging markets:

- When agreeing the sales contract, be careful in your choice of law, so if a dispute does arise and you need to go to arbitration, you aren't left at a disadvantage because the law of your customer's country is biased towards the customer.
- Protect your sales. That could mean choosing security such as a third party guarantee or letter of credit, but credit insurance provides both an expert assessment of the buyer's creditworthiness and a safety net if the deal goes wrong.
- Consider whether having a local presence would be of benefit. That could be as simple as someone stationed in the country to pass communications between you and customers, or maybe a joint venture with a local partner. This can help to steer you through the intricacies of the market and the business culture and etiquette... and that's what I want to come to next.

In a world of fast travel and even faster communications, it's easy to think of the 'global village' as if it's a marketplace in which everyone behaves in the same way, has the same business manners and the same outlook. The truth though is that the cultures of trading nations remain steadfastly different – and 'amen' to that. How boring it would be if we all behaved in the same way.

Nevertheless, this can cause problems for business people trying to break into new and unknown markets. How should you approach new prospects? How do business people address each other at meetings in their country? Are you expected to be formal or informal? What behaviour or topics of conversation might cause offence?

It's like this. Imagine that you're on a blind date... you're meeting someone for the first time for a romantic evening out, but you know nothing about them. You want to give them a nice surprise, but you don't know if they're vegetarian or would love nothing better than a juicy steak. Maybe they'd appreciate flowers – or maybe they're allergic to them.

BACKGROUND

What would you do to ensure that your first date wasn't also the last?

You'd do some investigating. Check their facebook page, ask their friends, drop a few subtle hints in advance. It's the same with business. The last thing you want is to offend your potential customer at your very first meeting. Like your first date... what you're hoping for is a long term relationship – but this time it's business.

And striking the right note – avoiding a major 'faux pas' – is more difficult when your potential customer is from a very different cultural environment.

Let's head back to China.

In many western countries, sales people can be over-eager to get a firm commitment at a first meeting. But in China, relationships definitely come first. Don't be too keen to reach agreement on a sale at your first or even your second or third meeting. The faster you push for a sale, the more your Chinese prospect will back away.

The Chinese have a word – 'Guanxi' – and this is one of the most powerful forces in Chinese business culture. The nearest to a direct translation of 'guanxi' is 'relationships' or 'connections', but that hardly covers it. 'Guanxi' expresses mutual obligations and respect built over time by social exchanges and favours: it's almost a currency in itself.

A good way – perhaps the only way – for a foreign business to gain entry to this business inner circle is to be introduced by a mutual party – a trusted 'go-between' – who can vouch for their integrity. In the current economic climate in the Eurozone, it's worth the effort of make that connection.

Business cards play in meeting with potential partners in Asia. While in Europe business cards are often swiftly filed away, in China they should be handed and received with both hands, and carefully read first. And never filed in your back pocket: that would be considered an insult. Ideally, have your own cards printed both sides – one side in you own language and the other in simplified Chinese. This will go a long way to show your respect towards Chinese culture. Here's the thing – arriving at a meeting in China without a translated business card would be like refusing to shake hands at a Western business meeting.

Russia

While the Chinese need to build strong relationships before business is done, Russians are more transactional – they don't need to establish such relationships to do business. At a business meeting, you'll be expected to give a long and detailed presentation of your proposal, so it may be a good idea to have your technical expert on hand. Don't be thrown off course if your Russian opposite number loses his temper, or even walks out and threaten to end it there. This is a typical ploy to get you to bend to their demands. Unlike the Chinese, who aim for harmony in their relationships, the Russians can take a much more 'macho' stance – 'Win-lose' rather than 'win-win'.

The main thing to remember is that each emerging market will have its own business culture and etiquette.

There's not enough space here to mention more. So the message is simply 'do your homework before embarking on that first date'.

If you'd like to find out more about legal and logistical issues that exporters need to know before trading with emerging markets, Atradius is producing a series of reports on that very subject, each of which can be downloaded from our website atradius.com.

THE QICM INTERVIEW

With Chris Sanders MICM (Head of Accreditation-QiCM)
Institute of Credit Management (ICM UK)

CME: Introduce yourself Chris.

CS: My name is Chris Sanders and I have been a member of the ICM since 1989. I have held senior positions in credit management for many years, including Director of Billing Operations for Mercury Communications/Cable & Wireless. For the last 12 years I have been assisting major international clients to improve their credit management performance and leadership in telecoms, energy, utilities and manufacturing industries in the B2B and B2C markets. I assisted in the development of QiCM in 2008, have been a QiCM Assessor since the programme started, my client Shell International was the first company to achieve the accreditation in 2009. In February this year I was very proud to be appointed Head of Accreditation-QiCM by Philip King the CEO of the ICM. I am passionate about credit management and improving credit management standards, the other thing I am passionate about (other than my wife, family and dogs) is classic cars!

CME: What is QiCM and how did the process start?

CS: Quality in Credit Management (QiCM) is the accreditation programme introduced by the Institute of Credit Management in 2009. The development of the accreditation started like all good ideas on a scrap of paper at the ICM2008 conference when Philip King approached me and Shell International with the idea. From there we set up a working group of a number of international and UK based companies and credit professionals and put together the criteria of 'what good looks like' in a Credit Management department. Shell became the first company to achieve the accreditation, and the assessor was a certain Mr Glen Bullivant.

CME: What are the QiCM Criteria?

CS: We have 6 criteria that are assessed as part of the accreditation and these are:

- Credit Policy
- Compliance
- Customer Services
- Personal & Professional Development
- Performance Management
- Stakeholder Management & Roadmap

CME: We can understand the first 5 but why Stakeholder Management and Roadmap?

CS: This was introduced as a QiCM Criterion earlier this year. As you would expect we assess the credit management team on all of the 5 key credit management criteria, but we also talk to other related functions like sales, marketing, finance, customer services and HR to make sure they are aware of how the credit team work and the rules within which they operate, so we like to ensure that the credit manager and his team are communicating with stakeholders about what they do and their plans. It is all about the awareness of credit management in the business.

CME: How is QiCM awarded and how long does accreditation last?

CS: The applicant company completes 2 forms, a company profile which outlines some of the key facts of the business and the credit team and a questionnaire which is a bit of a 'readiness test' for the company

Chris Sanders MICM
Head of Accreditation-QiCM
Institute of Credit Management
chrissanders.qicm@icm.org.uk

asking such questions as ‘Do you have a credit policy?’, ‘Is it regularly reviewed?’, ‘Is it signed off by senior management?’ etc. There are in the region of 50 questions. Once these have been completed and we have had some sample documentation the applicant company goes through a series of assessment days where the staff, management and other functions are interviewed. A comprehensive report is produced outlining observations, gaps in process, recommendations for improvement as well as identifying areas of ‘Best Practice’. As businesses change all of the time the accreditation lasts 2 years. Then the assessment process is repeated, but tailored to the changes and prevailing conditions within the business.

CME: What does QiCM accreditation mean to a successful applicant company?

CS: Companies complete QiCM for many different reasons. Some use it to help in the integration of the business, some to recognise staff, some to increase awareness of credit within their business. The benefits that organisations have seen range from improved performance of the team, increased sales and lower credit insurance premiums, to reduced internal as well as external audit activity in credit control, I have attended a number of QiCM Award presentations and the sense of pride that this brings the credit management teams is incredible. At a recent awards presentation the company laid on a rock band and a magician as well as food with Senior Directors in attendance. I think many of the teams feel like they have moved from back office staff to really adding value to the company.

CME: Does the ICM provide help to companies who want to achieve QiCM but don’t have the necessary elements in place?

CS: One size of QiCM does not fit all. Many companies want QiCM but need help to get there. So we introduced the QiCM Workshop Approach where the credit management team members do the work In other words, instead of getting expensive consultants in, the ICM guide and support the teams through workshops and checkpoint sessions to do the work themselves. This creates development and learning for the teams, ownership of the outcome and therefore create a more sustainable result retaining the knowledge and experience in the company.

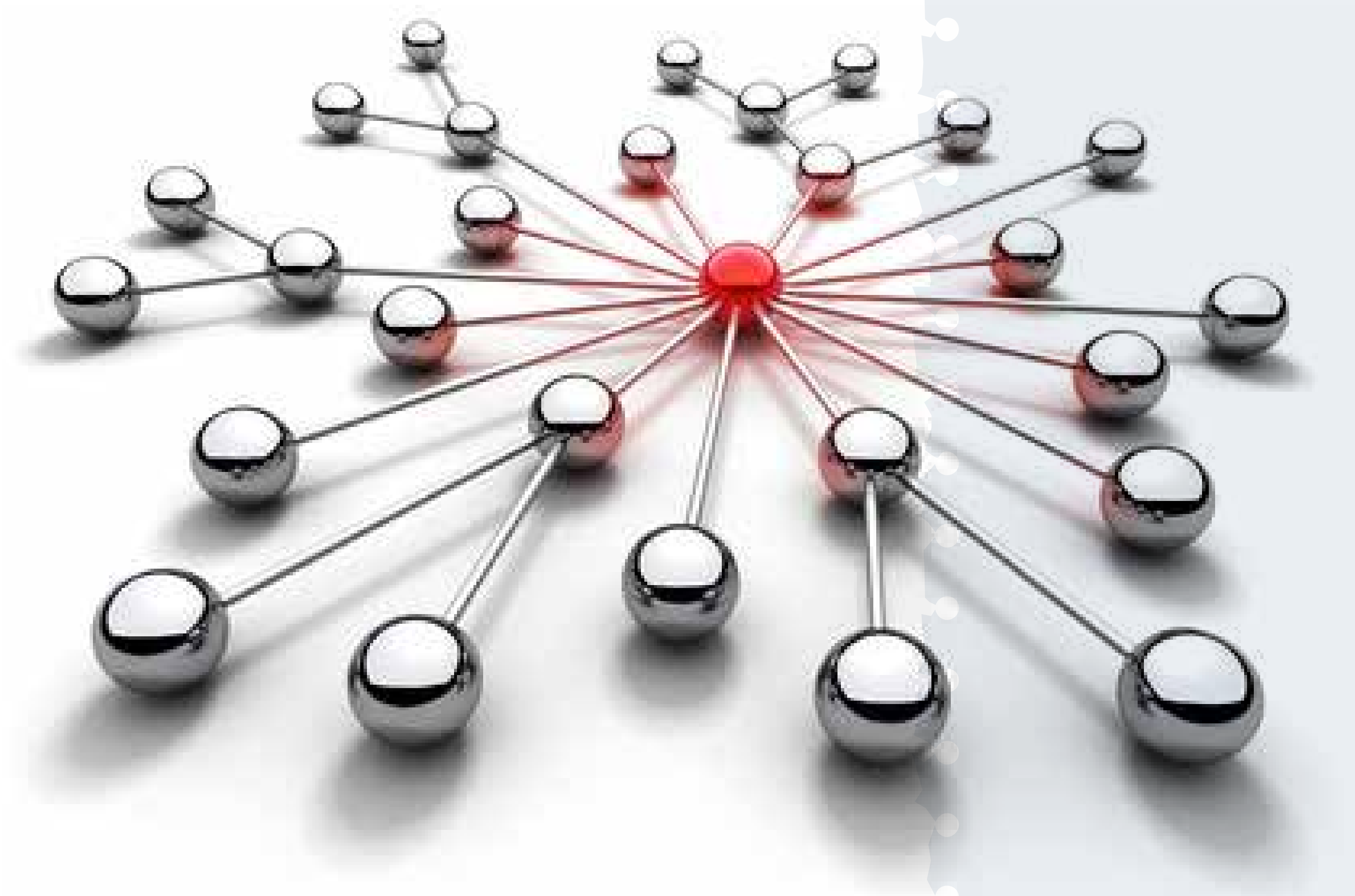
CME: There is a large and growing SME sector across Europe – does QiCM only apply to large corporates?

CS: We have large corporates with 100 to 700 people in the credit management team and small to medium enterprises with 3 credit controllers. As I said QiCM covers all size of companies and one size doesn’t fit everyone so we tailor the accreditation to fit the clients requirements.

CME: QiCM is very much an initiative by the UK ICM – how do you see its relevance to other countries in Europe?

CS: Good credit management is a universal requirement across all businesses regardless of geography, and of course there are many organisations now trading internationally with shared service centres across the world. QiCM ensures that the standards in credit management are excellent regardless of country. Granted there are some regulatory requirements which differ but the good credit management is still a requirement.

CME: How do you envisage the rolling out of QiCM in Europe and how do you perceive the value to European companies?



CS: We have gained recognition of QiCM Accreditation from the ICTF and we are in discussion and also actively seeking a pilot organisation for the first International QiCM in Europe. I expect the value will be the same as UK companies, knowledge that the credit management processes your company has in place are professional and meet the needs of the business, increasing awareness and improving standards in credit management.

CME: What are the plans for QiCM?

CS: Other than launching QiCM in Europe, we are writing white papers, the first is on SEPA (Single European Payment Area) others are being written now including a series on the QiCM Criteria starting with Stakeholder Management. We will also be looking at how we can introduce 'continuous improvement' into the QiCM Programme through scoring and checkpoint sessions. We have developed QiCM Network Events, the first invitation only **QiCM Best Practice Conference** was held in September. Both of these are designed to share 'credit management best practices' and so are free to delegates. It would be great to do this in Europe.

PAN-EUROPEAN – FECMA CREDIT MANAGEMENT CONGRESS

"European Best Practices"
Inspiration for Credit Managers
16. & 17. May 2013 Budapest, Hungary

Mission Statement – Pan-European Congress

For some time, the FECMA Council has discussed the possibility of organising a Pan-European Credit Management Congress. Ideally to be held in a location central to European members, the proposal has been that the Congress should take place every two years.

From the outset, the intention has been that the Congress should be a platform for credit managers from across Europe, representing the full range of commerce and industry. This is to be achieved by establishing a long-term relationship and network basis between participants and sponsors, underpinned by offering first-class service and content. In the medium to long term, the Pan-European Credit Management Congress will become the leading gathering of professional credit managers from across the Continent.

The first event is planned to run over one and a half days, commencing on the afternoon of 16 May, 2013 in Budapest, Hungary, with plenary sessions – the full intended programme is outlined in the following pages. In addition, a group dinner will be held in the evening with an invited guest speaker and an award ceremony.

Introduction

Yet again, the importance of international trade relations has been put into public notice with the European and global turbulences of the recent days and months. The cross-border exchange of goods, services, and capital has been characterised by unprecedented dynamics for several years. What ramifications, however, does that have on the daily practice of a credit manager? Which demands do processes, functions, systems, the organisation and information base of credit management have to meet in an international perspective and which kinds of adaptation still have to be implemented?

We, therefore, cordially invite you to discuss issues like these and many others at the first Pan-European FECMA Credit Management Congress in Budapest from May 16 to 17, 2013.

As the title "European Best Practices – Inspiration for Credit Managers"

suggests, we are offering a platform for the expert exchange about the current status as well as ongoing developments in the field of international credit management that will update and inform participants through not only focussed presentations held by well experienced guest speakers, but also discussion rounds and finally the intensive exchange with your colleagues from all over Europe.

Place of Event

The capital of Hungary is situated along the Danube, in the heart of the Carpathian basin. Hilly Buda, which comprises one-third of the city's area of 525 km² is located along the right bank of the Danube surrounded by low mountains. János Hill, with its 529 metres is the highest summit of Buda. Across the river sprawls flat Pest.

COMMUNITY

The geology of Budapest has played a determining role in the city's life over the course of history. Hot springs breaking through limestone mountains supplying water of 35-76 degrees centigrade gave rise to a flourishing culture of spas in the Roman Age and made Budapest one of the most popular spa cities of Europe.

The determining role played by Budapest can be felt not only throughout Hungary but also in the neighbouring countries.

The city boasts sites, monuments and spas of worldwide renown. Its numerous cultural events attract a wide international audience. In recent years the UNESCO put several parts of the city on the list of World Heritage.

The Congress will take place in the **Hungarian Academy of Sciences** in the heart of Budapest.

Organisation – FECMA

FECMA, the Federation of European Credit Management Associations, is a not-for-profit organisation, consisting of members who are all national credit management associations.

Today FECMA has 15 members, which are all National Credit Management Association in Europe. The FECMA Members are themselves membership associations representing credit managers across Europe, with both individual and corporate members. Combining individuals and corporates result in a target group of 20.000 for sponsors and partners.

Our vision is to promote best practice in credit management by enabling the members of all the FECMA associations to share their knowledge and experience.

FECMA also seeks:

- To promote the development of the profession of the credit manager
- To encourage and promote research, study, knowledge, and the publication of that knowledge, relating to all aspects of credit management
- To encourage the highest possible ethical standards in credit management personnel
- To encourage the formation of national credit management associations in countries where none exists at present
- To promote good relations and understanding between the various national credit management associations

	Austria Bundesverband CM Österreich e.V.	
	Belgium Instituut voor Kredietmanagement	
	Czech Repulic Czech Republic Credit Management Association	
	Denmark Dansk Kredit Råd	
	Finland Luottomiehet Kreditmännen Ry	
	France Association Francaise des Credit Managers et Conseils	
	Germany Bundesverband Credit Management e.V.	
	Hungary Hungarian Credit Management Association	
	Ireland Irish Institute of Credit Management	
	Italy Associazione Credit Managers Italia	
	Malta Malta Association of Credit Management	
	Netherlands Nederlandse Vereniging voor Credit Management	
	Spain Asociaciön de Gerentes de Crédito	
	Sweden Svenska Kreditföreningen	
	United Kingdom Institute of Credit Management	

Agenda

Real-life business cases/workshops are planned, with key-note speakers in support.

Breaks for networking are built in to the programme with sufficient time for such activity and the venue is chosen as one capable of offering first class facilities.

The Dinner to be held on the Thursday evening will include a specially invited guest speaker of some prominence (possibly an Hungarian government minister).

It is also intended that the „The European Credit Management Award" will be presented at the Dinner to a credit professional who, in the opinion of FECMA Council, has made an outstanding contribution to the credit management profession across Europe. The award will be given out every 2 years during the Pan-European congress.

For the updated agenda, sponsors and other information please check www.cm-congress.eu. You can also register through this website or use the registration form on the next page.

Registration Form

PAN-European FECMA Credit Management Congress

"European Best Practices"
Inspiration for Credit Managers

May 16th - 17th, 2013 – Budapest, Hungary

Location: **Academy of Sciences / Buda Castle, Budapest**

Please send this registration form to FECMA secretariat
By fax: + 31 35 69 45 045
By email: fecma@sbb.nl
For information please call Pascale Jongejans on + 31 35 69 54 103.

The attendance fee is € 250,-. With receipt of the registration form, the contract is established. Attendees will receive immediate confirmation together with the invoice.
Payment should be made immediately on receipt of the invoice to the address quoted. Names of attendees can be changed and the registration fee is unaffected.
Cancellations after the 1st May 2013 will carry an administration fee of € 50,-. The dinner on the 16th May 2013 is also available for spouses at the price of € 49,-.
Congress programme can be subject to change. Place of delivery and area of jurisdiction is Kleve, Germany.

First Name: ______________________

Last Name: ______________________

Job Title: ______________________

Company: ______________________

Address: ______________________

____

Country: ______________________

Telephone number: ______________________

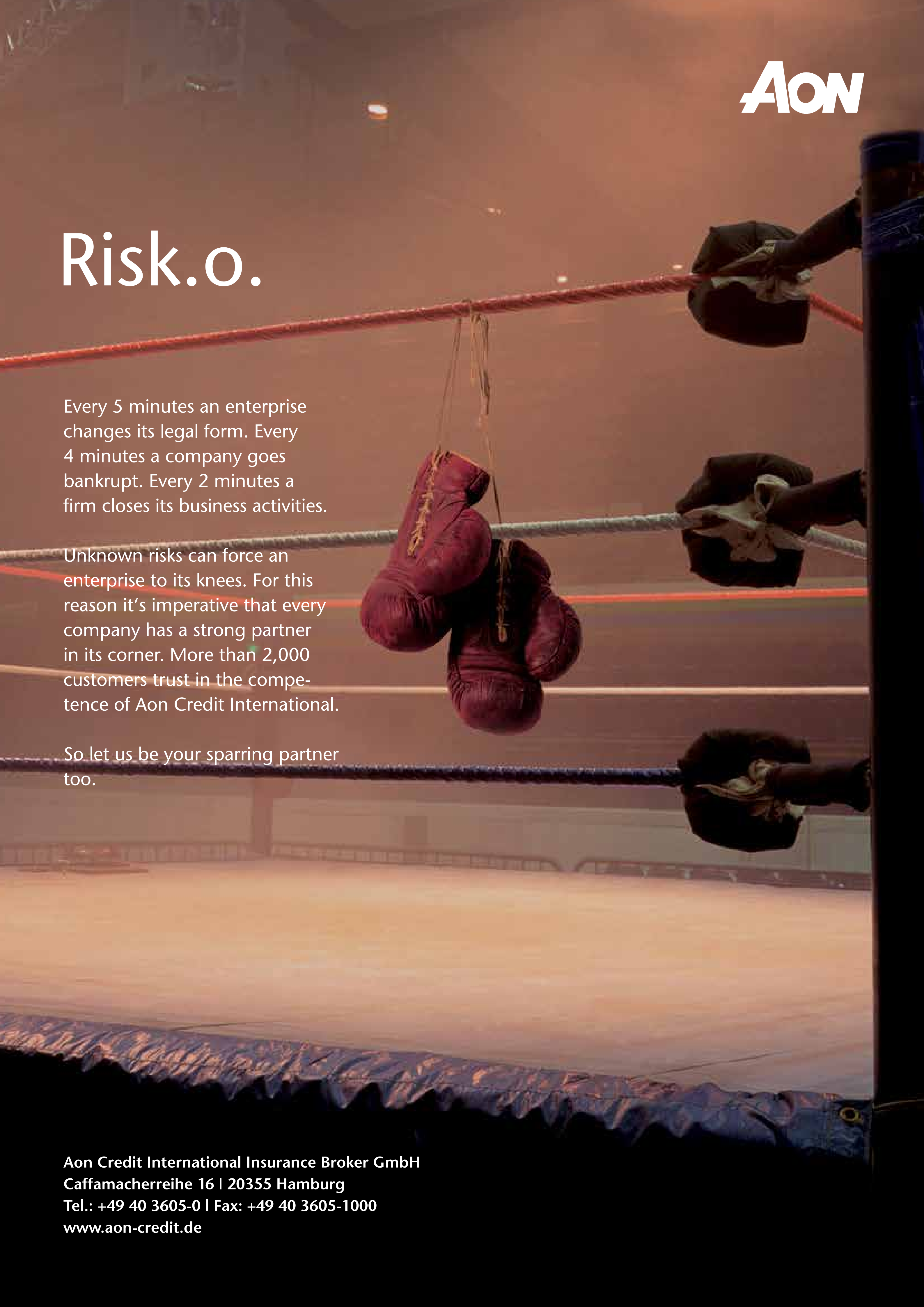
Email: ______________________

I am member of the following credit management association: ______________________

☐ My spouse is joining me for dinner on May 16th, 2013 (price € 49,-).
Her/his name is: ______________________

Place / date: ______________________

Signature: ______________________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THE DATA PROTECTION REFORM GOES AHEAD!

Since February and March the Council and the European Parliament study the Commission's proposal for a new data protection regulation and directive. Some Member States, such as for example Germany already communicated their objections to the proposals. In fact Germany considers seriously filing a subsidiary complaint, which means that the competence of the European Commission as such will be challenged.

Kornel Tinguely
President of FENCA
office@fenca.com

The reasons are not only the various novelties in terms of how data protection shall be ruled, but mostly the fact that the actual proposal would fully replace the national data protection scheme. The key arguments alleged are concerns about the high level of data protection to be defended on national level. Commissioner, Mrs. Viviane Reding has shown that she is impressed and concerned, but by the matter of fact she didn't oppose so far any of the positions in the data protection proposal.

In contrast, most of the MEPs involved directly in this legislative initiative at least seem to accept the kernel of the data protection reform. The first official hearings merely began in the second half of March. Still most of the public discussion is about the data protection in the online-world. However, more and more stakeholders show their concerns about the „cost of doing business" with regards to the proposal for the data protection regulation mainly.

If fact the concerns, which FENCA submitted to the various Cabinets of the European Commission still prevail, as most of the elements of the leaked proposal for a data protection regulation outweigh, as very little changes were introduced. Thus from the perspective of the debt collection and credit management industry the proposed regulation creates new risk and might increase considerably the cost for data management. In some cases it represents a genuine threat to business models; for example the limitations with regards to profiling. According to the present version scoring-practices might be questioned as a whole and even forbidden integrally.

But also the concept of explicit, individual consent, the right to be forgotten and third parties interests are indicators for very considerable increase of risks and costs to the business. Particularly the possible sanctions foreseen may threaten the very existence of business.

In April and May the two first public hearings were organised by the Liberal and the Green fractions. Interestingly, both fractions have so far shown sympathy for the actual data protection reform. In the LIBE-Committe MEP Jan Philipp Albrecht has been confirmed as rapporteur, MEP Axel Voss and Sophie In't Veld are shadow rapporteurs of their referring conservative and liberal fractions.

In particular Jan Philipp Albrecht seems to have an overall favourable attitude vis à vis the proposed data protection reform. However, he has shown consideration for the concerns of the debt collection and credit management industry. On several occasions the FENCA-team could discuss the core issues with him. Pragmatism and a good understanding in the European Parliament will be needed to proceed with a constructive legislative procedure. As a rapporteur, Jan Philipp Albrecht will coordinate the MEPs contributions and produce finally a report with common positions. Amendments will be discussed and voted. An important phase of discussions will thus begin in the coming months. The outcome of this procedure will then be discussed and negotiated with the Council and the European Commission. This can easily take more than 18 months: early May and end of June two further important milestones for the discussions within the European Parliament are planned. A final definitive agenda is to be set-up in the weeks. However the final report of the European Parliament may not be ready this year.

A detailed discussion, based on the individual articles of the proposed regulation shall also be continued within FENCA. In this very moment it will be crucial to tackle the national governments, in order to lobby effectively on the level of the Councils positions.

CM Magazine: You say in the introduction that: "Since February and March the Council and the European Parliament study the Commission's proposal for a new data protection regulation and directive". If it comes through, do you think that there will be huge differences between northern and southern Europe?

KT: Very important to know here is that we are talking about a regulation and not a directive. That means that this regulation becomes enforceable as a law in all member states! So you can see that the whole EU will have the same data protection law.

CM Magazine: Do you think that this law in necessary? Is that a good idea?

KT: If we would live in a perfect world, we would live without any laws. Everybody would respect his nearest. Unfortunately the world we live in is not perfect, reason why we have laws, police, judges, jails, debt collection companies...I'm not able to say if a new data protection law is necessary. But discussing with MEP and commissioners, their main preoccupation is the protection of data with the new communication tools, especially Facebook, Twitter etc. You have to know that from the moment you put information or pictures on Facebook, they automatically become a property of Facebook. It is very difficult if not impossible to erase information from the web, even if it is false. I understand and agree that the legislator has to do something. But the first draft presented on 25th of January was really not what we expected.

CM Magazine: Do you mean this draft is bad for the debt collection business?

KT: Yes but not only for them. If this draft would become effective, that would be really bad for the whole economy working with consumers in general, and for the SME in particular.

CM Magazine: Why would this new regulation be bad for the economy if adopted like presented in the first draft?

KT: There are several points which would affect the economy. First we talk about a prohibition to treat personal data. Art 6.a says clearly: "Processing of personal data shall be lawful only and to the extent that at least one of the following applies: (a) the data subject has given consent to the processing of their personal data for one or more specific purposes". In practice that means that from the moment you introduce data of a consumer to your computer you must have his written consent to process it. You can use the data only for the specific purpose given by the consumer. For example: in our profession, debt collection, we have a claim where the debtor disappeared, impossible to find out his new address. Some days later you receive a second claim against the same debtor with his new address. It's not allowed to use the correct address for the first claim which is in my opinion a total nonsense. Other points: from the moment you receive data you're responsible for them even if this data will be transferred to another company. Being responsible also means that in case the consumer asks that all his data have to be erased, you will be responsible to process this request. Practically, imagine: your company is based in Italy and has an unpaid debt in Sweden; you give the claim to your debt collection agency based in Rome; the agency transfers the claim to a partner in Stockholm; as the debtor contests the claim, the Swedish debt collection company transfers the claim to its lawyer based in Stockholm who transfers the claim to his partner based in Kiruna (where the debtor lives). You, the small company based in Italy will be responsible that the data will be erased on the whole chain. And here we arrive to another point which is the amount of the fines. The Art 79.6 says: "The supervisory authority shall impose a fine up to 1 000 000 EUR or, in case of an enterprise up to 2 % of its annual worldwide turnover, to anyone who, intentionally or negligently does not adopt internal policies or does not implement appropriate measures for ensuring and demonstrating compliance pursuant to Articles 22, 23 and 30". By Art 20.1 the law says (in short) that the profiling is prohibited in particular on economic situation: location...

That are only a few, but important points, you can find the whole draft **here**. But that shows how difficult it will be to deal with consumers if this law will be adopted as presented. The big losers will be the SMEs as they will have a burden of new paper work and a huge risk to do something wrong with a possibility of high fines at the end. Also the consumers will lose this battle, as it will be more and more difficult to receive invoice-based goods and services.

CM Magazine: Well, the easiest way for the companies will be pre-payment or credit card?

KT: Yes, you are right and I'm persuaded that this will happen, again if the law would be adopted as presented. But this has not only positive aspects. First the credit card payments are not for free. The companies will have to pay around 3% – 5% fees to the credit card providers, which heavily weighs on the benefit of the company, for some SMEs that can be the end. Or you can charge the debtor (if possible) and here we, as consumer, will have an increase of our costs. Second, by pre-payment, I'm afraid that there will be a proliferation of crooks, you order; you pay but never receive the goods...

CM Magazine: What is FENCA doing to oppose this law?

KT: Well, I think that this draft has not only bad points. The base is not bad, we just have to fight to defend the economy and the consumers as well, at the end we are all consumers. The commission and some MEPs want this law to be adopted, requesting another revision means that they will not listen to you. We have to elaborate a paper, were we can show and prove which points are bad for the economy and also for the consumers. We must have an open discussion with the EU Commission and a maximum of MEPs. We need also a maximum of stakeholders who come with the same answers and proposition as we. FENCA invited to its conference in Brussels in September 2011 Mr Jan Philipp Albrecht who later on became the rapporteur for this data protection regulation. In January 2012 we organised a reception in Brussels where we had invited several MEPs, members of EU Commissions and other stakeholders. We informed our members and they had the possibility to give their opinion to the draft. In June 2012 in Brussels FENCA organised a meeting where we invited several other stakeholders to an open discussion. Your Federation was well represented and all together we agreed to exchange our working paper with the goal to give coherent answers and to elaborate a working paper for the MEP, who share our ideas and requested written answers.

CM Magazine: How do you see the future?

KT: I have a positive attitude and for me the future is always bright. Of course we will find turbulences on our way, we will have to adapt to novelties but we will survive. In other words: the only thing which is constant is the change, the one who is not able to adapt, dies... We'll continue to be present in Brussels and defend our interests; we'll continue to work with other stakeholders and especially we want to maintain our good relation with FECMA as we have the same interest to defend.

IRISH INSTITUTE OF CM – CREDIT CONVENTION 2012

September 26th was a wonderful day in Dublin. The IICM held its annual Credit Convention in the Concert Hall of the Royal Dublin Society (RDS) for the second year running.

Since the credit crisis it has been difficult to ensure resources are released from companies and credit departments to attend network and training events. This year we were positively surprised by the turnout despite the weather; our highest attendance level to date.

Thanks to the support of our major sponsors Hugh J Ward Solicitors, Euler Hermes Credit Insurance and Mason Hayes + Curran Solicitors, IICM were able to continue to deliver a very high standard and informative Convention.

Over 26 exhibitors came face to face with staff from credit departments who manage the largest asset of a company, the debtor asset. It was good to see the interaction between credit controllers, managers and the companies whose goal is the converting all sales into cash in full and in time. New technologies and process were on show and above all else, advice and support.

Several topics were discussed during the day with one in particular, the Personal Insolvency Bill, being of vital importance to Credit Managers

Proposed Personal Insolvency Bill

At present in Ireland the long awaited review of bankruptcy law is being reviewed. A draft Bill has been released but has not yet been finalised by the Irish Government. IICM is very appreciative of the 45 minute presentation by **Jim Stafford** of Friel Stafford Insolvency who outlined some of the changes envisaged and the path the Irish Government is proposing to tackle levels of debt in Ireland and the remedies for those who need it the most.

Best Practice Initiative

Roísin Gilroy, Credit manager of Bord Gáis which is one of the Electricity and GAS providers in Ireland outlined the steps her company engaged in to be part of the IICM Best Practice initiative and what it has meant for her company and staff.

The Great Debate

The main event was a debate around the topic, "Is Ireland Credit Savvy"?nor

The debate was chaired by leading television presenter Miriam O'Callaghan. The Panel consisted of Senior Managers from the Office of Director of Corporate Enforcement (ODCE), Data Protection, Irish Small and Medium Enterprise Association (ISME), Euler Hermes, and Behan Dispute Resolution.

The debate proved to be very informative and there were some great interactions which really fleshed out the topics debated. Have we access to enough data to support credit decision? Are we able to protect our debtor assets if selling abroad? Will there be any changes to the Theft and Fraud Act when cheques are gone in the near future?

IICM President, Shay Waldron MIICM with from left – Kevin Prendergast, Office of Corporate Enforcement – Joe Behan, Behan Dispute Resolution – Mark Fielding of ISME and Gary Davis of Data Protection

NEWS FROM THE FECMA MEMBERS

VVCM – the Netherlands
Credit Expo 2012 – Wednesday November 14th, Nieuwegein Business Center
Credit Expo is Netherlands' largest event in the field of Credit Management where over 1.400 credit management professionals meet, exchange knowledge and experiences and attend numerous seminars and round-table sessions.

For more information please visit: www.creditexpo.nl

ACMI – Italy
On the 16th and 17th November the Italian Credit management Association will have their 28th Annual Conference in Grand Hotel Principi di Piemonte in Viareggio. The title of this event is: 'che idea! Quale idea?'. A two day Conference with lot's of interesting presentations. Saturday morning at 7.30 hours there is the first ACMI run on the beautiful beaches of Viareggio. Especially for those who like to start their day on a sportive and fresh way.

For more information about the program and entrance fee see: www.acmi.it.

AFDCC – France
On the 16th November 2012, the AFDCC is organising their annual Conference 'Journée Credit 2012'. This day, which is filled with interesting plenary session, but also several workshops starts at 8.30 hours and ends with a Cocktail dinner. The location is as always very unique, the Aquaboulevard de Paris. In the program is a lot of space for interaction. For more information please see the website of AFDCC: www.afdcc.fr.

IICM – Ireland
On the 23rd November 2012 the Irish Institute of Credit Management will hand out the Annual Credit management Awards.

The Nominations are in and the Fellows Committee is once again preparing to take on the serious task of studying each submission in all Seven categories to find the worthy winner(s) of the specific award in the category chosen.

This year interest in attending the Annual Awards has exceeded the expectations of the IICM and they understood that their Judges may be 'burning the midnight oil' with their deliberations this year!

This is an excellent evening in the IICM Calendar year where companies/individuals recognise and acknowledge hard work and dedication. If you or your company is interested in attending please contact Ellen on info@iicm.ie.

CZICM – Czech Republic
The first Conference
The Czech Institute of Credit Management would like to invite you to the Credit Matters Symposium that takes place on 8th November 2012 in Cafe Imperial Prague, Czech Republic. This is the first annual symposium to change views on current trends and perspectives and meet with leaders in Credit Management and learn about the electronic initiatives available today.

This is the only symposium in the Czech Republic with top quality experienced Czech and international speakers such as Ludek Niedermayer – former vice governor of the Czech national bank, Director of Deloitte, Vladimir Gazarek- President of the Czech Association of Debt Collectors and Brian Morgan – Credit Manager Veolia. Furthermore the heads of all the European Credit Associations will be there as well as the President of FECMA, the MD's of Creditreform and many more.

Each presenter is an expert in their field with a wealth of experience that we are looking forvard to share with you. Has there been a time when the Czech Republic has hosted so many Credit experts in one room all at one time?

Share the experiences – how major corporates significantly reduce overdues. Glimpse the future with electronic invoicing and automated cash application. Learn how you can save huge sums for your company.
This symposium will be a rare event offering opportunities to network with an audience passionate about Credit.

For more information please visit our website www.creditcee.eu, where you can find also information how to register and pay. If you can't make it please invite a colleague. We have a few extras plannned that will make this day a little different!

We are looking forward to hearing from you.
Mark Harrison, Chief Executive, Czech Institute of Credit Management.

ICM – UK
The Institute of Credit Management has just announced the British Credit Awards which will take place in London on Wednesday 6th February 2013 (www.icmbritishcreditawards.com). These new awards succeed the established ICM Awards and follow a robust review involving some of the most respected members of the profession convened as a specialist advisory panel. The Awards ceremony promises to be a glamorous occasion rewarding high performers in all aspects of credit, from consumer and commercial lending to credit insurance, use of technology and business information.

Additionally, you may notice that the Institute is developing a brighter, fresher image following a review of brand messaging, logos and member communications. A new strapline 'The recognised standard in Credit Management' reinforces the Institute's commitment to standards in credit management education and continuous improvement in business processes and performance.

The ICM Quality In Credit Management accreditation continues to be popular with companies wishing to demonstrate their commitment to quality and standards in credit, and recent Technology Masterclasses and Regional Roadshow events have been well-attended by members.

EUROPE: UNITED WE STAND!

Pieter Postmus
Manager Global Unit,
The Netherlands at Atradius
pieter.postmus@atradius.com

The Nobel Committee recently awarded the Nobel Peace Prize to the European Union. It is clear that, with this choice, the Committee wanted to make a strong statement, at a time that this institution is regarded by the average European with more scepticism than ever before in its existence.

As seen more often in times of economic hardship, there is a tendency to look for scapegoats, and to retreat into one's own little territory. Of course, the European Union has made mistakes in the past, mistakes for which the tax payers of the membership states pay dearly at the moment. Of course, there is also still a lot of tax payer's money wasted on the bureaucracy of the EU, which keeps on delaying the obvious and eagerly awaited decision to just convene in Brussels, rather than travel up and down between the Belgian capital and Strassbourg in France all the time.

At the same time, can anyone really deny the fact that the peace and prosperity enjoyed across the European continent for the past 77 years was triggered, enhanced and guarded by this unique cooperation of by now 27 countries? Countries with vast differences in wealth, culture, language, size etc. etc.

In a world where new economic giants like China, India, Russia and Brazil have entered the stage, the vision of a united Europe makes more sense than ever, both from an economic and a security perspective. It is now up to the leaders of the Union to show strength and paint a clear picture of the way ahead. If they do, the future of Europe is secured. If they fail however, our region will fall away as economic force, and future generations of Europeans will face a life less prosperous and happy than that of their fathers and grandfathers.

We are experiencing exciting times, where a lot is at stake. This also holds true for credit professionals working throughout Europe. The current economic circumstances make the job of awarding the right credit terms to the right parties more challenging than ever before. As pan-European credit management association, FECMA strongly believes that getting in touch with peers from other European countries is beneficial to the credit managers in the field, and will ensure a better mutual understanding. At the same time, sharing of best practices will certainly enhance the knowledge levels of European credit professionals. It is with these ideas in mind that we have decided to organise the first FECMA congress in Budapest, Hungary in May of next year. You are warmly invited to join, to show the world that, also in the field of credit management, a united Europe is the only way ahead!

Pieter Postmus

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EDITORIAL STAFF

Pascale Jongejans (fecma@sbb.nl)

Pieter Postmus (pieter.postmus@atradius.com)

Guidelines for Authors –
CreditManager Europe / FECMA Magazine for European Credit Managers

The “CreditManager Europe / CME” has one goal: to be the source of the best new ideas for professionals in Credit Management across Europe. Since 1986 the Federation of European Credit Management Associations (FECMA) has built permanent links between national Credit Management institutes and organisations and promoted co-operation, debate and discussion on all credit related topics. It has also allowed credit managers across Europe to talk to each other in a professional network, share advice and experience and develop closer understanding.

CME's articles cover a wide range of topics within Credit Management that are relevant to different industries, geographic locations and small, as well as large companies. While the topics may vary, all CME articles share certain characteristics. They are written for senior managers by experts in Credit Management. Proposals for articles demonstrating European best practices, innovative thinking and new approaches in Credit Management are those most likely to meet our readers' needs. They should also avoid any marketing for specific products and services. When evaluating an article, our editors often look for compelling new thinking and how a new idea can be applied to practice.

The best way to inquire about CME's potential interest in a topic is to prepare a proposal or to submit an article. CME is published twice a year with issues in spring (around March/April) and autumn (around October/November) covering 7-10 articles each. Nearly all CME articles undergo some editing and rewriting, and CME typically holds copyright on the final product. Authors continue to own the underlying ideas in the article. Please e-mail your proposal or article to FECMA Secretarial Service at fecma@sbb.nl.

CME deeply appreciates the time and energy required to prepare a proposal or article for our publication, and we are grateful to you for that investment. We are always looking for new ideas that can improve the practice of Credit Management across Europe.

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