

Issue 3

August 2004



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MACM NEWSLETTER

A Comment by the MACM President

Mr. Geoffrey D. Borg

Dear members,

I am pleased to have the opportunity to once again write a few lines about MACM and the general credit situation in Malta. As our membership continues to increase, we continue to develop more and more information services which are of benefit to the members.

However, two important points which have cropped up numerous times in council meetings are firstly, the utilisation of these services by members and secondly, the contribution by members of adequate information on an timely basis.

If all members had to contribute on a regular basis, then the value of the information would be unsurpassable as it would give a highly accurate picture of all defaulting clients in the Maltese economy. This principle of reciprocity is what makes MACM stronger than any commercial organisation, since it is through this collaboration that we will minimize re-occurrences of past credit losses.

We need to put more pressure on all the players in the market to ensure that regulations and legislation is brought in line with EU standards. As a country we suffer from passing a great deal of



legislation but unfortunately not given the same degree of respect to their enforcement. Whilst we welcome such changes we must ensure that the Justice system is reorganised from a court perspective as well as the court marshal system.

We cannot blame the Government for all our shortcomings and members must ensure that people who are handling valuable debtor assets are trained appropriately to bring the director's / owner's attention immediately and objectively to any failures in debtor obligations or their credit management systems. I encourage members to look into the ICM qualifications the MACM is organising together with MCAST which will certainly help in training people to be more professional in the credit management function.

Malta Association of Credit Management and Malta Economic Update -
"Working together to foster a sounder economic climate."

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MACM
86/2, Triq ta' Mellu
Mosta MST 06
E-mail: info@macm.org.mt
Tel No. 21423638 / 9
Fax No. 21423640
www.macm.org.mt

The Council Members:

Mr. Geoffrey D. Borg, BA (Hons), MBA (Warwick), *President*
Mr. Victor Brockdorff, *Deputy President*
Dr. Louis Bianchi, BA, LL.D.
Mr. Anthony Bonello, MBA (Maastricht)
Mr. Michael Busuttil
Dr Joseph Chetcuti, LL.D., MA (Fin. Serv.)
Mr. Gaetano Cordina
Mr. Joseph Dimech
Mr Joseph Falzon
Mr Antoine Galea, BA (Hons) Accty, FIA, MIM, ABHA
Mr. Hugh Mercieca

MACM Highlights

MACAST Conference -

"Credit Management : what the accounting technician should be aware of"

MACM were invited to participate in a one-day Conference organised by MCAST. Josef Busuttill gave an overview of the credit management function in Malta to the MCAST students present for the Conference at Preluna Towers Hotel, Sliema.

30 March 2004

Meeting with Mr. Paul Mifsud Cremona - Data Protection Commissioner.

MACM proposed and submitted a draft copy of the Code of Practice for the Processing of Customer Defaulting Data for the perusal and approval of the Commissioner .

2 April 2004

Meeting at the Ministry for Competitiveness & Communication

The Consumer Credit EU Directive was discussed with the Minister and Parliamentary Secretary. Other professional bodies were present for the meeting.

20 April 2004

Meeting with the Association of Car Importers

The Consumer Credit Directive was discussed further with the members of the Ass of Car Importers at the GRU—Valletta. Mr. Vince Farrugia chaired the meeting and an amended draft of the Law was proposed and presented to the Minister.

21 April 2004

The Evolution of Credit Management in Malta from an EU perspective - MACM Annual Conference

Five key speakers addressed the well-attended conference and focused on:

- > *The Implications of EU entry.*
- > *The Credit Management Guidelines for the local market.*
- > *Co-operation between various disciplines of the business environment.*

6 May 2004

Data Protection Audit

A Data Protection Audit was conducted at the office of MACM by three staff members from the office of The Data Protection Commission.

10 May 2004

Annual General Meeting

The AGM of MACM was held at the MACM office at Mosta. The delegates approved changes to the Statute and eleven Council Members were elected to manage the Association for the Year 2004 - 2005.

26 May 2004

Confirmation of MACM Officials

The President and the Deputy President were re-confirmed during the 30th Council Meeting. Three Sub-committees were formed to manage effectively MACM:

- > *Legal & Enforcement Sub-committee*
- > *Information Management Systems Sub-committee*
- > *Education Programme Sub-committee*

16 June 2004

From the Secretariat:

The Secretariat would like to thank all the MACM Members who participated in the survey conducted among the Members in order to enhance the current information systems currently in place and to develop further information and systems pertaining to credit management, thus satisfying the MACM members' needs, in terms of efficiency and effectiveness.

The Information Management Systems Sub-committee is currently evaluating and analysing the Members' feedback.



WORKING IN CREDIT ...

There are clear performance benefits for the employers whose staff undertake job related qualifications.

Encourage members of your team to commit to a course of study.

Share the rewards of professional qualifications by making ICM Qualifications part of your staff development programme.

In Malta, part-time courses are co-ordinated by the Malta Association of Credit Management and will be run in the evening, commencing in October 2004, at MCAST—Institute of Business and Commerce, Paola. MCAST is the accredited Study and Examination Center for Malta. Qualified tutors in their respective field will be delivering the lectures.

For further details, please contact:

M.A.C.M.

Tel: 21423638 / 9 or e-mail: jbusuttill@macm.org.mt

EDUCATION, EDUCATION, EDUCATION...

by Mr Glenn Bullivant

Mr. Bullivant is an independent Credit Management Consultant. Has held many honorary positions with the Institute of Credit Management including Treasurer, Vice Chairman and Chairman, and is currently one of the three Vice Presidents. Chairman of the ICM Technical Advisory Committee, a member of the ICM Examinations Board, and part time college lecturer in Credit Management.

Most politicians are well known for repeating themselves, but the above quote from the British Prime Minister, Tony Blair, was a deliberate statement of Government priority. The subject of education is a big topic throughout Europe, with the UK government's intended target of 50% of school leavers going to university or to equivalent higher and further education. An ambitious aim, with the current figure in the UK being about 43%, and it has brought with it heated debate about university expansion and funding.

There is a down side, and living as I do in both the UK and France, I am well aware that the debate is just as heated in France. If everyone appears to be going to university, whether or not they may be academically inclined, where are we going to find in the future plumbers, builders, electricians and the like? It may well be a noble ambition to have everyone clutching a university degree as they enter the job market, but we may be breeding a generation of graduates who are looking for immediate well paid management posts, and no one willing to roll up their sleeves anymore and undertake the kind of work upon which society ultimately relies. The nightmare scenario is no one left to make things like cars or washing machines, houses or vacuum cleaners and we will all revert to living in the trees!

There is, however, another aspect to education, and one which the United Kingdom Institute of Credit Management takes very seriously. Many people will argue that the university leavers, clutching their hard earned degrees cannot hope to land that good well paid managerial job until they have gained some experience in their chosen career path. That may well be true, but it is equally true that experience alone cannot guarantee that well healed position either. On the other hand, experience itself may not be sufficient to maintain a position of responsibility and authority. The world does not stand still, and neither should credit managers. It is inevitable that a combination of ability and experience will produce the best, and to continue education beyond school or university while at the same time learning "on the job" will ultimately bring the reward.

In the United Kingdom, credit management has long fallen into three main categories. Trade credit managers, consumer credit managers and export credit managers. Trade and Export often share similar attributes and experience, and it is not uncommon for many trade credit managers to also have export exposure. It is very rare, however, for those who have pursued careers in consumer credit to have any real exposure to the world of trade or export credit. The divisions between trade/export and consumer are emphasised by the legislation surrounding and guiding consumer, with the minimum of regulatory intervention in trade and export.

The ICM has long believed in the value of an all round grounding in credit management and the education syllabus for students studying for the ICM qualification is designed to cross all the divides and give the best possible foundation upon which to build a career in credit management.

The strength of the syllabus lies in both the strong base upon which to base a career and in the opening it can give to those who have hitherto only had exposure to trade or consumer or export. In other words, the aspiring credit manager can look to broaden his or her horizons by studying to achieve the ICM qualification.

The ICM Level 3 Certificate in Credit Management comprises Introductory Credit Management, Accounting, Business Law and Business Environment. Each of these four compulsory units is assessed separately, and develops in the student a basic understanding of credit management across the full range of credit environments. Fundamental accounting principles and some broad understanding of the legal context and structures in which businesses operate, together with the national and international context of today's global economies. Success in these units, coupled with the development of good management practices readily equips the credit manager with the basic tools to do the job.

The successful candidate in Level 3 should then proceed to achieve the more demanding Level 4 Diploma in Credit Management. Comprising as it does Advanced Credit Management, Credit Management Law, Legal Proceedings and Insolvency and a Practical Credit Management Project, the diploma is the definitive credit management qualification. Increasingly, prospective employers are looking for qualified practitioners, and it is worth noting that over 50% of the membership of the UK Institute of Credit Management is now made up of students, studying at colleges throughout the UK, or by distance learning, or by supported distance learning.

MICM(Grad), the qualification for successful Certificate and Diploma candidates is much sought after, and is the model for credit management schemes in a number of countries. It is hard work, and no one would ever consider entering the process lightly. The end result pays great dividends, however, both in status and reward, and should be viewed by both employer and employee as an investment in the future. It is an investment to be strongly recommended.

Maximise your
potential

Invest in ICM
Qualification



For further details contact :
M.A.C.M. on 21423638 / 9 or jbusuttill@macm.org.mt

Issues facing credit management in the auto industry . . .



by Mr. Patrick Clark

**Financial Controller
Michael Debono Limited**

Malta's accession to the European Union has necessitated a significant overhaul of operation for new car importers. Compliance with Block Exemption Regulations for one is a prime reason requiring in some cases a major investment. There are other forces shaping the industry as a result of accession and at the heart of these is the proposed revision of the Consumers Affairs Act namely the Draft Credit Regulations 2004.

These provisions have the scope of revising the way in which goods are sold on a credit agreement. In reality these are none other than an attempted adaptation of a European model within the established Maltese business practice. Invariably there are a number of misfits with our prevailing Commercial Code most notably in areas concerning bills of exchange, repossessions and the rights of recourse of consumers against credit grantors.

A typical example of these inconsistencies lies in Section 8 of the draft provisions suggesting that when a consumer has paid more than 50% of the contract amount, then trader has the right to repossess by "other than judicial proceedings". This is in stark contrast to our laws as such a right is inexistent. Unless a consumer accedes voluntarily to repossession, the only right left to the trader is a judicial solution.

Arguably the hottest contention in these draft regulations is to be found in Section 11. In its original proposition this provision actually suggested the ban on the use of bills of exchange. This was subsequently amended to permit pleas by a consumer as opposition for payment of a bill. Again this is in conflict with established law which emphasises the onerous properties of bills of exchange.

The sale of new motor cars on credit terms generates what can be considered among the most lengthy hire purchase credit contracts in a normal business environment. They are subject to the varying fortunes of the consumer within the agreed credit term. In reality a substantial number of clients will default on their contractual obligations, some of which to such an extent that legal assistance has to be sought for regularisation or settlement of the accounts.

Permitting pleas against bills of exchange will only exacerbate this problem further. The distinction between the sale of the vehicle and the granting of the credit has to be maintained. These are two completely separate transactions.

Prior to Malta's entry into the EU, it was customary for the Licensing and Testing Department to impose restrictions on the "export" of cars purchased on credit, better known as Regulation 25. As a result of the citizen's right to free movement within the EU, it has now become illegal to impose such a restriction. In addition all form of controls at point of embarkation at our port were removed. The result is that a vehicle that remains largely unpaid can be ferried out of the Island without record, though rightfully the owner is obliged by his contract to advise the trader of his intentions. In practice the effectiveness of this clause locally has yet to be established, having only been EU members for three months. If the British Isles are anything to go by, most car owners drive over to mainland Europe without informing the finance house but they always (99.99%) return back. This is scarcely consolation for the Malta market because the majority of cars travel to the South of Italy which is reputed to be a prime source of stolen vehicles for the Albanian market. The only consolation is that Maltese cars are RHD.

Through their association (ACIM) local car importers are actively seeking to redress these issues. Some remedies have to be sought by consultations with the competent authorities, others would have to in-house. One thing is extremely clear; the assessment of credit worthiness of a potential customer now take even higher priority in the auto industry. The use of finance houses for the granting of credit facilities to customers of new cars may become increasingly significant. Credit information databases that are both timely and accurate are a necessary tool in this risky business. Meanwhile, however the industry awaits the outcome of representations being made with the Government.



MACM Members are welcome to submit articles and comments for publication in future MACM Newsletter.

Opinions expressed in this Newsletter are not necessarily those of the Malta Association of Credit Management.

Josef Busuttill
Editor

MALTA ASSOCIATION OF CREDIT MANAGEMENT AND MALTA ECONOMIC UPDATE

“Working together to foster a sounder economic climate.”

WOMEN ON TOP?

“Women on my mind... that’s how it’s been for the past few weeks,” George Papagiorcopulo said when asked what the August issue of Malta Economic Update will contain. Papagiorcopulo is the editor of the magazine. And while many of you might be saying, “now that can’t be too bad, really”, George is the first to admit that it wasn’t, but for a host of other reasons than what might come to mind. “It’s been hard work, but it’s been rewarding, too,” he told MACM. “I hope you are able to savour some of the delights and competencies of our many Maltese women entrepreneurs and business ladies.” The August issue also features an interview with Simon Cusens, Managing Director of Technoline. The magazine will be out for circulation in the next few days, so look out for it.

Malta Economic Update enjoys a readership of **54,000** a month, and is distributed on a complimentary basis, to all passengers in Club Class on Air Malta flights to several European and North African destinations; to airport lounges abroad including those at Brussels, Rome, Milan, Frankfurt, Zurich and Munich; to select Four & Five star hotels, including Westin Dragonara, Hilton, Corinthia Hotels, Radisson Baypoint, Victoria, Howard Johnson, Xara Palace, Crowne Plaza, Fortina Hotel and Suncrest, by Government bodies with overseas interests, including the offices of the Malta Tourism Authority overseas; Maltese Embassies overseas; Ministries of Finance and Economic Affairs, and Foreign Affairs. In addition, the publication is also included in an information pack that is distributed to journalists during state visits of His Excellency Dr. Edward Fenech Adami, President of Malta..

Malta Economic Update is committed to ensuring as wide a distribution, and as selective a readership. This magazine was first published in November 2001 with the aim of providing an insight into Malta's economic and financial climate in a hitherto unexplored format - that of a full colour, glossy magazine. Malta Economic Update has in fact today gained a well-earned reputation by ably satisfying the long felt need for such a publication – that of fulfilling the task of disseminating economic, financial and investment information to those actively following the arena, while also generating a more widespread interest to a wider portions of the public. The magazine's intention of serving as a point of reference for both the local and foreign businessman has been realised through applying a special, in depth focus on economic and business indicators.

Malta Economic Update recently received a boost when George Papagiorcopulo took over as its editor. A business and management consultant, Papagiorcopulo was CEO of a state-owned holding company MIMCOL, responsible for over 110 subsidiary companies for five years, and then Deputy Chairman and MD of Malta International Airport for another five years.

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The Malta Economic UPDATE

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He has chaired a number of special task-forces on behalf of government, including the Challenge 2000 Y2K task force and a special task-force that oversaw the setting up of the Foundation for Tomorrow’s Schools. Mr. Papagiorcopulo is well-versed on issues of accessibility for persons with special needs, and at the latter Foundation, he has advised on, and headed, a special “Accessibility in Schools” Programme. Mr. Papagiorcopulo is Council member of the Malta Institute of Management, and Chairman of the training centre of the Institute. He has regularly lectured on different aspects of change management in various courses organised by the Institute. Mr. Papagiorcopulo has been involved with Young Enterprise for a number of years, and for 2003-04 served as a Judge.

Coming Soon
September Issue

Special Report on Libya

Malta Economic Update is pleased to announce that they have teamed up with the Maltese Arab Chamber of Commerce, Industry and Agriculture for a special September issue, focusing on doing business in Libya. This issue should include interviews and a number of reports and articles from Tripoli. Malta Economic Update shall not only be carrying exclusive reports to ensure high readership, but we shall also be working closely with the Chamber to increase our distribution of the magazine to key organisations in Libya.

For all advertising requirements, contact Kathia Blease or Christine Borg on 2131 6326/7/8.

M.A.C.M. is a non-profit-making, members’ owned organisation, with the primary objective being that to provide a central national organisation for the promotion and protection of all credit interest pertaining to the Maltese businesses.
It enjoys a total Members’ turnover of over Lm 400 million.
M.A.C.M. is a member of FECMA—Federation of European Credit Management Associations — www.fecma.com