

Issue 5

March 2005



MALTA ASSOCIATION OF CREDIT MANAGEMENT

MACM NEWSLETTER

A Comment by the MACM President

Mr. Geoffrey D. Borg

Dear members,

The critical issue on everybody's mind, in terms of credit management, must be the failure of Government to comply with relatively simple European credit legislation, despite not having any derogation from the European Union.

We have had cause in the past to explain the importance of this Directive to the credit community and we have also had the opportunity of pointing out to various Government ministries, the significant shortfall between 2000/35/EC and the comparable legislation currently available in Malta under the Business Promotions Act.

Unfortunately, it appears that we still have to struggle to adopt this Directive, as Government is still studying how to adapt the current legislation despite appropriate complaints being raised both in the European Parliament and also at EU Commission level.

This is a pity, since Governmental au-



thorities in a number of countries, such as the United Kingdom, have embraced this piece of legislation whole-heartedly and the Maltese Government had an opportunity to show it was trying to help the commercial community with an updated piece of legislation.

At the same time, we are still trying to collaborate on all fronts with Government ministries in the hope that this piece of legislation can be introduced in the shortest time possible.

I thank once again all contributors to the MACM e-zine.

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

MACM Newsletter
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Mr. Joseph Dimech

Mr Joseph Falzon

Mr Antoine Galea, BA (Hons) Accty, FIA, MIM, ABHA

Mr. Hugh Mercieca ACIB

MACM Highlights

Meeting with Hon Tonio Fenech BA (Hons) Accty, FIA, CPAA, MP Parliamentary Secretary in the Ministry of Finance

MACM Officials referred to the "Tax Guidelines", issued by the Inland Revenue Department, which clarify the circumstances in which a deduction for bad debts will be allowable from the IRD.

MACM requested the VAT Department to issue its Guidelines in line with the Tax Guidelines of the IRD.

A paper is being presented to the Parliamentary Secretary in this respect.

13th January 2005

Meeting with Hon Censu Galea BE&A, A&CE, MP Minister for Competitiveness and Communication

A request to transpose the EU Directive 2000/35/EC regarding late payment in Commercial Transaction into Maltese Law was made by the MACM officials.

It was said that this Directive was needed by the local business community since it would serve as a deterrent to late payers and might help to change the existing culture found in the Mediterranean Countries.

11th February 2005

Joint Press Release - MACM & MBA

Banks adopt Code of Conduct dealing with Dishonoured Cheques

The local commercial banks have recently adopted a voluntary Code of Conduct which sets out minimum standards and principles of good banking practice when they deal with cheques which are dishonoured due to non-availability of funds. The objective of this Code of Conduct is to encourage a greater understanding of the roles, rights and responsibilities of the banks, their customers and third parties for their mutual benefit.

14th February 2005

Meeting with The Health Trade Sector of the Chamber of Commerce & Enterprise

The need for the EU Directive 2000/35/EC was discussed with the members of the Health Trade Sector of the CoCE.

MACM received an official confirmation from the European Commission that an infringement procedure against Malta (2005/2029) has started by the Commission. If the Government does not comply in a relatively short period of time, the procedure will become a case before the Court of Justice.

16th February 2005

Students and 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 Busuttil
Editor

Enhancing the Services to the MACM Members

The Secretariat issues Statistical Reports to all the MACM Members participating in the Exchange of Credit Information for both the Dishonoured Cheques and the Overdue Accounts.

These Statistical Reports identify graphically the repetitive defaulters reported by the MACM Members for five or more times during the last three months, thus serve as a useful tool to manage the cash flow in an effective manner.

The 5+ REPORT will be issued every quarter or upon the Member's request.

For further details, please contact:
M.A.C.M.
Tel: 21423638 / 9 or e-mail: info@macm.org.mt

5 +
Report



MALTACOM P.L.C. INTRODUCES INCENTIVES AND MEASURES

In a Press Conference on the 10th of January 2005 Maltacom plc informed its customers that it is introducing a scheme of incentives and measures relating to settlement of telephone bills. These incentives and measures are being implemented to encourage telephone subscribers to settle their bills by making use of those methods which make it possible for such payments to be received by the Company in the easiest and shortest time possible.

Incentives for early settlement

3% Discount

Telephone subscribers may now benefit from a **3% discount** on their current telephone bill (not on arrears), provided they pay by the payment due date which is printed on the bill.

50 cents reduction

One may also get a **reduction of 50c** if bill payment is effected through web4me! (available on Maltacom's website), Internet/Telephone Banking facilities, any ATM or by use of Credit/Debit Cards (if remittance advice is sent by post with Credit/Debit Card details).

The discount of **3%** and/or the reduction of **50c**, on the current bill will be given **ONLY** if the amount due on the bill is settled in full by the payment due date. It is important that clients always pay the full amount indicated on the bill. Payers are not to send/settle their payment less the discount/reduction. Maltacom will then calculate the discount/reduction in their next bill.

The 3% discount will not apply to amounts in the telephone bill that relate to Donations.

Measures for late payments

Late payers will now incur a late payment charge of **Lm1** in the following bill and on which arrears would still be shown. If ten days after the payment due date any arrears still feature in the bill, interest at **8%** per annum will be accrued until payment of arrears is settled in full.

Objective

Maltacom senior representatives explained that this set of incentives/measures was aimed at releasing funds tied up in long standing arrears. This will not only help the Company's cash flow but also improve its debtors provision. The Company also wanted to reward those conscientious customers who honour the reasonable 'payment due date' indicated with each bill.

The expectation from this exercise is that it will instill a new level of credit awareness amongst its vast customer base be they residential or commercial. It is also one of a series of initiatives in this regard. Membership in the MACM is another recent development whilst automatic enforcement of collection plans for credit control purposes is another. In the Press Conference, the Company expressed its determination to continue offering value to its customers.

A creditors and debtors collection policy .

It should include the following:

1. **Communicate effectively.** Ensure that trading terms are clear and well documented. Display these terms simply and boldly on the credit application form, invoices and account statements.
2. **Mail invoices promptly.** Ensure that invoices are issued correctly with no mistakes and on time.
3. **Keep records up to date.** Credit sales procedures need to be efficiently managed and the records of when payments become overdue are to be kept appropriately.
4. **Avoid "special cases".** Being diligent in the collection of dues will not damage the goodwill.
5. **Do not overlook small accounts.** Small accounts add up! Small accounts may go unnoticed and lost if not accounted for in time.
6. **Overdue accounts.** Have a strategy in place to deal with overdue accounts.
7. **Keep promises.** Don't threaten with actions unless you intend to go through with them. Over reaction to overdue accounts will gain the business an unprofessional reputation.
8. **Analyse your business trends.** Analysis of results against targets, proportion of dispute accounts and length of outstanding accounts will provide a simple overview of operations and allow identification of better business practices.

Strengthen Your Credit Department

By Mr Tony Bonello MBA (Maastricht)

Competitiveness and Profitability are critical for every business in any industry and in any market in the World. The success of an organisation lies on the competitive advantage it enjoys in the market it operates in and how profitable is the business at the end of the day.

In today's local business environment, sustainable profitability through being competitive is a hard nut to crack. Competition has increased considerably in every sector of our economy and all businesses need to be on a continuous alert to defend their existing market share from competition.

Many businesses have recognised that the only way forward to maintain competition and to sustain their profits is by investing in their existing resources, thus enhancing the organisation's efficiency and effectiveness in the market. Every organisation needs to support its physical assets, its finance and information systems and above all its human resources.

Nonetheless, being the most efficient and effective player in any market still need to have a sound cash flow. An organisation claiming to be profitable but having a poor cashflow situation can easily go bust. Effective credit management is needed to manage the cashflow, which should consist of a well-written credit policy, communicated and understood by each and every employee and supported from the top management of the organisation.

A good step in the positive direction was taken by various local organisations and their employees. Twenty-five students have taken the opportunity to study for the ICM Qualifications leading to a Certificate and eventually a Diploma in Credit Management. Thanks to MACM, the local coordinators of these courses, in collaboration with MCAST – Institute of Business & Commerce, Maltese students can now study and sit for the ICM Qualifications in Malta without the need to travel abroad.

Students are coming from twenty organisations operating in different industries in the local market – FMCG, shipping, Automobile, telecommunications and finance to name but few. The mix of industries gives wider perspective to the students and helps them to understand the different aspects of the credit departments and how these departments are managing their credit depending on their particular industry needs.

Business organisations which invest in professional training, such as the ICM qualifications, get great value in return since they motivate their staff and the latter would then be better trained and able to develop new systems and procedures to enhance the operations of the organisation.

As I happened to lecture the "Introduction in Credit Management" unit of the ICM course, I can notice and deliberately say how these students are progressing to understand better the role of the credit department and are being more aware of how to manage credit in a professional and profitable manner, turning credit risks into credit rewards.

With the continuous lobbying activities on various legal and regulatory issues and information systems provided by MACM, together with well-trained personnel employed at the credit departments, the existing local culture of granting and managing credit would definitely change to the benefit of the Maltese economy at large.

On a final note: the more efficient, effective and knowledgeable the people employed in the credit departments of our organisations are, the more secured and healthy are our cashflows and the more profitable the businesses would be.

Mr. Tony Bonello has a wide experience in business management especially in credit management. He is a Company Director in the FMCG industry and lectures Credit Management (ICM - UK) at MCAST — Institute of Business & Commerce.

Maximise
your potential

Invest in ICM
Qualification



For further details contact :

M.A.C.M. on 21423638 / 9 or jbusutti@macm.org.mt

This year, MACM is proud to host the FECMA (Federation of European Credit Management Associations) Council Meeting which is being held on Friday, 13th May 2005 at the Radisson SAS Bay Point Resort - St Julians.

FECMA consists of 14 European National Associations of Credit Management

Electronic Authentication and the future of the digital world

By Dr. Antonio Ghio B.A., LL.M. Info. Tech. (Strathclyde), LL.D.
Fenech & Fenech Advocates
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Proper electronic authentication, identity verification and electronic confidence mechanisms are fundamental for the proliferation and use of the internet as a medium for the success of e-Government but also in light of the rising demand from the private sector for reliable verification mechanisms.

The various ideas of representing trust-worthiness on the internet has, in the short period of time from the web's creation, posed a major obstacle in the development of the internet as the as a new marketplace environment.

Trust and Security have always been the fundamental building blocks for the evolution of the online world. The incredible growth of the world wide web during its first years and the setting up of a landscape with click and mortar companies as well as fully fledged 'pure players' competing for the utilization of this new electronic medium to increase their operations and create new markets and opportunities have been defined by many as the www (wild wild west).

Surely, the importance of security, trust, integrity, authenticity and non-repudiation of electronic communications have become the main ingredients for this new age of the Internet, an age not still considered as being the wild west but as the true organised and concerted beginning of the digital revolution.

Currently, various European jurisdictions have answered the electronic authentication requirements with the introduction of various schemes that are making a seamless integration between the needs of users to identify themselves as well as enabling them to participate fully in the electronic revolution.

The introduction in various countries of electronic identities on multi-application smart cards have enabled solutions where citizens not only can authenticate themselves in the digital domain but also providing them with a technology which can enable support for the ever-increasing number of e-services and solutions dependent on such technologies.

E-Government, e-health and e-business can all benefit from a unified approach which balances the right of informational self-determination of the citizen with the benefits and cost savings that can be reaped by Government and the business community alike.

The storage of electronic certificates on smart media is only the prelude to systems, which are already in use abroad today, where licences, medical histories, e-purses, can all be integrated together.

The National ICT Strategy 2004-2006 published by the Ministry for Investment, Industry and Information Technology last summer has stressed the will of Government of Malta to put ICT as an important building block in the development of Maltese society.

Dr. Antonio Ghio holds a Masters with distinction in Law and Information Technology from the University of Strathclyde, Scotland.



MIT has pledged that, "Malta will be amongst the most developed information societies in Europe and the Mediterranean, leveraging upon ICTs to improve the quality of life of its citizens and contribute steadily to its economic growth".

Most of the objectives and strategies outlined in the National ICT Strategy have been the centre of discussion in various fora within the European Union. The current e-Europe programmes and projects have listed the need for increased adoption and usage of ICTs in order to improve our lives in every branch of society, including health, government, business and education.

The development of an Information Society in Malta, a new member and player in the European family, will be based both on the developments and objectives which have been laid down both in European frameworks, most notably the Lisbon Goals and its various ramifications, but also on the direct implementation of such objectives within the Maltese scenario. Whilst the objectives to be reached are clear, Malta has now to find the best possible avenues that it should adopt in order to reach these objectives, fulfil the European obligations but also, most importantly, aim to set best practices which can be duplicated and replicated abroad, putting amongst the most developed information societies in Europe and the Mediterranean.

The world has realised that security and authentication are fundamental in order for Information Societies to reap the benefits of a connected world. Service Providers require the trust and confidence that they know that the persons who are accessing and requesting services or transacting with are really who they purport themselves to be. On the other hand, users of electronic services must have the trust and confidence that they can make use of the possibilities and advantages posed by the online world with confidence. This is a two-way process, users must have the piece of mind that they can make use of the net in a safe way whilst service providers have to be assured that they can offer their services online without the fear of adverse effects on their business. A true Information Society is in the making.

MALTA ASSOCIATION OF CREDIT MANAGEMENT AND MALTA ECONOMIC UPDATE

“Working together to foster a sounder economic climate.”

St. Edward's College... 75 years on

In the first issue of Malta Economic Update for this year, editor George Papagiorcopulo interviews Joseph, one of Malta's premier businessmen. The interview delves into how the family business, which was started by Joseph's father Joe grew, and then developed and expanded. In this issue, the link between education to business is brought to the fore, with an extensive review of one of Malta's foremost educational institutions, St. Edward's College, which only recently celebrated their 75th anniversary. There is no doubt that many of Malta's most successful business entrepreneurs were educated at this College, and the tradition carries on down future generations as their children, and in some cases their children's children plough through their education years in the very classrooms that their fathers and grandfathers sat in.

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 Malta Economic UPDATE

*‘Enjoys a readership of **54,000** a month and is distributed on a complimentary basis.’*



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. 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.

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

www.macm.org.mt

Every MACM Member has the facility to log into the Members' Area of the website with a unique Username & Password provided by the Secretariat and search for the Customer History related to credit management.

All databases are integrated to give a **ONE Comprehensive Report** comprising of the following information:

The Electoral Register The Register of Companies The VAT Register
Court Notices and Notices of the Registrar of Companies
Law Courts Information: Filed Court Cases & Court Warrants issued
Dishonoured Cheques
Overdue Accounts

Annual Seminar

Thursday, 12th May 2005, 13.30 to 17.00
Radisson SAS Bay Point Resort, St. Julians



MALTA ASSOCIATION OF CREDIT MANAGEMENT

MACM SEMINAR

Sales & Credit

Complimentary or Competing Functions

The Seminar will focus on:

The Current Economic Scenario
The Competition in the local business environment
The Internal Dilemma of the Sales and Credit Functions
Credit Management as a Value Driver

The sales department triggers and makes the sale, the credit department completes the process by agreeing competitive credit terms with the client.

Notwithstanding, some credit departments are sometimes criticised for having a poor working relationship with the sales department especially when stringent decisions taken by the credit manager effect directly the operations of another manager or sales rep in the sales department whose primary aims are to maintain good customer relationship, increase sales and reach the targets set.

Prominent European Speakers and leading Maltese economist and businessman will be addressing the local business community:

Mr. Tom Fagerstrom

FECMA President

Mr. Joe Vella Bonnici

Economist, Business and Management Consultant, University Lecturer

Mr. Tony Bonello

Director, Lecturer

Mr. Glen Bullivant

Fellow and Vice President of the ICM (UK), Author, FECMA Council Member

Prof. Dr. Bernd Weiss

University Professor at the University of Applied Science Bochum, Germany

Mr. Geoffrey D. Borg, MACM President will chair the Conference.

This Seminar is ideally suited for the Maltese business community, credit practitioners, sales persons and students of business and commerce.

Registration at MACM by not later than 5th May 2005

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