FEDERATION OF EUROPEAN CREDIT MANAGEMENT ASSOCIATIONS

FECMA

Newsletter summer 2011 — number 28

From Glen Bullivant:

Since we last spoke, the list of conversational topics has increased, both within and without the EU, the Eurozone and indeed within FECMA itself. Some topics just will not go away, and with Greece on the brink again, Portugal following Ireland and continued protests in Spain and elsewhere, our dear old friend the Euro keeps exercising the column inches of newspapers here, there and everywhere. Thank goodness for Germany and France seems to be the clarion cry – at least they are showing stronger recovery signs than most, and so can be said by observers of the more cynical variety to be bank rolling all the rest. Recovery still remains brittle, but there are some brighter signs and things have been happening to cheer up the down hearted.

As usual, let's start with Europe's oft designated "odd man out" – the UK. Two events worthy of note, one predictable and the other quirky, outwardly expensive but beneficial in a way always difficult to either explain or quantify. The first was a referendum on the voting system, held in May and the first referendum held in the UK since the people were asked to confirm EU membership. The UK has operated on a "first past the post" vote since, it seems, Nelson lost his eye (though in truth, universal suffrage did not arrive until well into the 20th Century). As part of the coalition agreement between the Conservatives and the Liberal Democrats, a referendum on an Alternative Vote was held (the minor parties have always found that the old way never gave them any real seat in government – time to break the Conservative/Labour stranglehold). Under AV, voters would rank candidates in order of preference and so create opportunities for what was described as a more representative Parliament. The electorate said "No" quite forcibly, so the old system stays and life goes on, warts and all. The other event? Why, the Royal Wedding of course. Nobody does it better, if I may be so bold, the nation had the day off, 2 billion people around the world watched, consumer spending rose, and for a few days at least, there was a bit of a feel good factor. Such events are always difficult to understand in respect of beneficial impact, but optimism is always prevalent in the afterglow. 2012 looks good too, on one level at least – the Diamond Jubilee of Queen Elizabeth II and the London Olympics. You can almost hear the cash tills ringing now. Even the centenary of the sinking of the Titanic will earn Belfast a good few dollars, euro and yen. Whether all or any of this helps the UK continue to recover remains to be seen, but get the drinks in anyway.

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In mainland Europe, the debt crisis rumbles on, with Greece still causing concern. In Spain and Germany, arguably at opposite ends of the economic scale, regional elections seem to have given the sitting government tenants an early notice of eviction. Everyone knows, however, that regional elections mid term are always volatile and when the day comes to finally elect the next government, some outcomes could well be different. Nevertheless, the pain in Spain continues in the main, and the Spanish certainly lack any signs of a feel good factor. The Irish enjoyed a boost on that front, with historic visits from Queen Elizabeth and President Obama – nothing does our Irish friends more good than being given the opportunity to pull another pint of Guinness. The fallout from what has been describes as the "Arab Spring" hangs over Europe like another volcanic ash cloud. The Egyptian economy is slowly showing signs of recovery, but the exodus from Tunisia and, of course, Libya, has imposed great strain in those European countries in the front line with waves of "illegal" immigrants clambering to climb aboard Europe's safer havens. Spare a thought for Malta, often beleaguered in its 7,000 year history and now facing immigration attempts far out of proportion to its own small population – Europe as a whole should help, and soon. It makes no sense for countries with populations of 60, 70 or 80 million to leave the island fortress of barely 450,000 souls to face the problems alone.

Talking of Malta, our thanks go to MACM who not only celebrated their 10th anniversary in some style in May, but hosted the FECMA Council Meeting alongside, both events being noted in high circles on the island. For a Prime Minister to attend the MACM Conference has to be regarded as recognition, not only of the value of MACM to the local business community, but also an acknowledgement that the credit management profession has broken through the stereotypes and the prejudices. The profession is at the heart of business, generates cash and profit, and provides the sound basis for growth and success. To his credit, the Maltese Prime Minister did not just breeze in with his entourage, mutter a few platitudes and breeze out again. On the contrary, he took part in the MACM Conference, spoke highly of both MACM and of credit management, and stayed to chat and mix with a variety of credit professionals. A first for Malta, and a lesson for Messrs. Cameron, Merkel, Sarkozy and others!!

I suppose the event to capture the attention of the world since we last met should have been the removal of Osama Bin Laden, but during the FECMA gathering in Malta, something really earth shattering occurred. Not that the Bin Laden affair was not of great import, but on the scale of "let's make a night of it", the Finland 3 Russia 0 topped the charts. As I understand it, this involved some chaps kitted out like reinforced Samurai warriors, racing about on steel blades knocking bits off each other with wooden sticks. I have to confess that I did not see the game, but thanks to the technology of Finnish made mobile phones, I was treated to 27 replays of the first goal. Ask me nicely, and I will describe it to you.

By Alejandro Lucero
Managing director in Multigestión Iberia

NEW SCENARIO IN THE WORLD OF DEBT COLLECTION

The credit contraction that we are critically living during these last two years has an unexpected and even astounding side effect: there is a lesser amount of job for its collection: that is, with a lesser availability of credit and with better guarantee, what is left to collect? Almost nothing. Hence the incipient crisis in the debt collection sector… but Alejandro Lucero can see a way out that we ought to take. What follows is his experienced advice.

It is true that there still is a long way to go before declaring the economic crisis over, and several scenarios may still take concrete form; yet, what is undeniable is that the lesser availability of credit in the last two years, along with its quality, is starting to create a lesser amount of defaulting assets to be collected, together with a higher ageing (both in instalments and in quality) of debts because of the absence of earnings occurring at an equal or superior ratio compared with the one of expenses for collection or perpetual debts.

This phenomenon happens in financial entities and in every sector; and although it is caused by different reasons, it produces the same effects. For this reason we are in front of a phenomenon that is difficult to quantify and define; undoubtedly, this is going to modify the already unstable status quo of the Debt Collection world.

On the one hand, those entities that chose to avoid employing companies specialised in this task or that did it for part of their activities, now begin to experience the need to find a new configuration in their internal structures, both in resorts and in means; at a moment when, due to the lack of a grant of new credits, it is very hard to displace people who are already expert in the world of lending activity; on the other hand, the investment both in capital and in forming highly qualified teams seems to run the risk of disappearing.

Moreover, some companies specialised in debt collection, those that were obliged to have recourse to an extensive augmentation of their personnel and of their resorts in order to meet the huge increment in their customers' necessities, now face the predicament of reconverting themselves or of the growth in other sectors, products or activities.

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Well, this predicament has a solution. In Multigestión Iberia we believe that at this moment there are several ways of solving the two aspects of this problem. We believe there are unities of Internal Collection in financial entities, whose only profitable way out consists of their being put on the market, so that they can be acquired by specialised companies where, along with other customers and using a minimal reaction, they would be able to increase the value of the effort already produced by those entities, keep intact the existing know-how —created during the highest peaks of the learning curve— and preserve for their originator a great deal of the resort it already possesses with its same (or with better) service quality.

After all, it consists of putting up for sale of for interchange the constituted juridical units or its departments, to prestigious entities, by earning a calculated quantity, and entering into a contract of collections services with the same acquiring entity for a given period.

Obviously, not all partners are available, both for not trusting this model or and for employing their own skill or strategy. Well, Multigestión is ready to face these acquisition processes of existing platforms, following a model already planned and successfully tested in its head company GFKL.

Furthermore, this kind of transaction implies that the offerer's choice must satisfy the three key factors of the process: first of all, it must avoid any risk of ruining a consolidated reputation, therefore it must have a prestige confirmed by its performances in this matter; secondly, it must have the possibility of choosing a suitable, capable partner, able to grow in such a sector, in order to make the know-how profitable; to obtain that, it must be based in an enterprise which has demonstrated its ability to grow in the last years; finally, it must offer enough guarantee of continuing the obtained performance and even increasing it.

Rumours of similar transactions in the market are already circulating in the financial world, at the moment, but we esteem that there might be a lot more, and not only in this sector but in any sector where there is a possibility of obtaining power, knowledge and chance, and it's there that Multigestions will play a part.

We have a vocation for going on being leaders in this difficult but attractive market, and that's why we want to propose to our clients, and to all market in general, not only an offer already tested in quality and efficiency in debt collection but we also want (and we deem ourselves capable of it) to find solutions that are as imaginative and innovative as the ones we've just suggested, able to lend any company a higher value when carrying out its activity.

By Peter Szentirmay and Levente Bogdany of
The Hungarian Credit Management Association

Hungary – challenging market

Hungary has been a challenge market in the last years: the crisis hit the economy seriously due to its quiet open position: household consumption has been negative or flat since 2007. Recovery seems to be under way but as like other CEE markets significantly depends on exports to Germany. Hungary is a major beneficiary of EU funding and this boosts the economy and keeps GDP and sales better on a higher level. Recently Hungarian EU presidency is drawing international attention to the county. Hungary is also currently an economic and political hotspot.

Macroeconomics

The new government's conception is to come over the crisis by decreasing taxes and by financing existing deficits and falling revenues via two main sources: crisis taxes on banks, retailers, energy and telecom and by abolishing the second pillar of the pension system. The “extraordinary” incomes mean that the government will easily hit its 2011 budget deficit target of -2.9%. Yearly GDP recovery is forecasted to be about 2-3% in the following period. Hungary is an open market suffering from an imbalanced growth model with too much dependency on export especially to Germany and industrial output compared with significantly dropped consumer demand. Exports of goods and services account for 85% of Hungarian GDP.

Economy

Hungarian economy is considerably polarized regarding the size of the companies. Subsidiaries of multinational groups are dominant in terms of volumes, while the majority of employers are working for micro-sized companies. Number of SMEs in Hungary is relatively low; the real medium-sized category is missing. „Constrained enterprises” are typical in Hungarian business life: one-man shows, where the monthly income is directly linked to the cost of living of the owner; often labour relations in deed hidden behind an enterprise due to better tax positions on both side. Extraordinarily high number of insolvencies in Hungary (about 17.500 in 2010, almost 3% of the total number of companies) and their very low efficiency – in terms of possible return - are in connection with the above mentioned characteristics.

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Credit management

Credit management as profession is new and dynamic scope in Hungarian business life. Credit insurance has been available for more than 15 years, but even bigger companies started to build up their own credit management knowledge-base and capacity in the recent years. A lot of efforts and international support based on credit management experiences of more decades are needed for further development as well.

According to the European Payment Index (IU) 2010 payment habits by business and public sector have improved to a year ago, but consumers are paying their bills on the average 3 days after due date. The written-off percentage remains stable at level of 2.7% which is maybe a bit higher than the EU average. The majority of Hungarian businesses think that payment risks will remain as they are now during the coming year. Average payment duration in the Hungarian B2B sector with 40 days in 2010 seems to be below the Pan European level.

Hungarian Credit Management Association

The Hungarian Credit Management Association (HCMA) was founded in 2010 with the aim to enhance the awareness and recognition of the credit management profession in the economy and for credit management to be accepted as an integral part of the Hungarian business community and culture. HCMA's mission is to unite Hungarian credit management professionals, and to serve as a knowledge-centre for the industry to develop, as well as forwarding the international integration of the Hungarian credit management community.

Members can join a community of professionals where networking across businesses, exchange of experiences, best-practices and up-to-date information on industry events is made easy, and through which the debate of current issues amongst experts of the field is possible on both a domestic and an international level. It is also an objective to enhance the self-awareness of companies in the field of risk management, as well as to improve the perception of credit management services by promoting the fundamental concepts and know-how behind risk management, and by raising the standards in the management of supplier credit.

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Glen Bullivant (President of Fecma) welcomes Hungary as an official member.

HCMA became member of FECMA member in May 2011 and thus joined to the international community of Credit Management Associations. In June 2011 HCMA and Bundesverband Credit Management e.V. (BvCM) are arranging a joint conference in Budapest focusing on sharing credit management best-practices. In 2011 further events, congresses and workshops will be arranged in order to make credit management know-how available for companies.

The website of HCMA is available at http://www.hcma.co.hu/ in three languages where all related information is available including a daily updated twitter news-box. Two issues of newsletter of HCMA was also published, called ”Credit Management Magazine”.

The objective of HCMA for 2011 is to have at least 100 members by the year end which is really ambitious considering that credit management as separate profession has far shorter history in Hungary than in the Western-European countries.

Founder of the Hungarian Credit Management Association is Credit Management Group (CMG). The chairman of the Association is Mr. Peter Szentirmay. He has been working for about 10 years in credit management. Before starting with CMG in 2007, he had been working for Euler Hermes as commercial board member. He is often invited to conferences and use to publish articles related to credit management. Co-founder was Aon Credit Eastern-Europe, the local subsidiary of ACI, having about 15 years' experience on the local credit management market.

Peter Szentirmay

FEDERATION OF EUROPEAN CREDIT MANAGEMENT ASSOCIATIONS

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From the Secretariat

by Pascale Jongejans,
From SecretariaatsBuro B.V.
Bussum, the Netherlands

Fecma council meeting on 13th May 2011

The Maltese Association MACM hosted the Fecma Council meeting in the spring of 2011. As you could read in the Fecma President's column they organised a very successful Congress on the 12th May.

The Council accepted the membership of the Hungarian Association and they introduced themselves in this Newsletter. Mark Harrison of the recently established Czech Republic Credit Management Association informed the Council about their progress.
Jan Schneider Maesen of the German Association informed the Council about their new name: Bundesverband Credit Management e.V. (BvCM). Also he informed the Council about their involvement in helping to raise the Swiss Credit Management Association. They had their first successful meeting a couple of weeks ago.

Søren Kargaard of the Danish Credit Management Association gave a presentation about Responsible lending. Everyone is talking about that subject, and it is mentioned—but not defined—in the CCD. At this stage very few banks and finance companies have defined a responsible lending strategy. The Council discussed about what responsible lending is and how it will affect lending practices in the future. Based on this discussing a press release will be made up and sent out to the Fecma members to help them to get attention for this subject.

The Fecma Council meets!

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 Magazine is ready in draft and the first issue will be published this autumn.

The plan is that the Pan European Congress will be held on the 23rd and 24th May 2012, in Budapest. The program is almost finished and the Fecma Council will keep you informed about the progress.

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Jean-Didier Clémencon of the French Association is informing the Council about their annual AFDCC meeting on the 18th November 2011. In the morning, from about 10.00 till 12.00 hours, they have a workshop on Late Payment. They have asked MP Barbara Weiler to present the new EU directive on late payment. The idea is to invite the Fecma council members to come to that workshop and present the national ideas and bring their input, experience etc. The meeting will be in both French and English. If you want more information on that please contact us on fecma@sbb.nl.

After taking a group picture in the lovely sun of Malta there was some time left for relaxing and on Saturday a very nicely organized full day trip around Malta by the Malta Tourism Authority.

The next Fecma council meeting will be held on Thursday 10th November 2011 in Helsinki, Finland!

FECMA members:

Austria	**www.credit-manager.at**	**Ireland**	**www.iicm.ie**
Belgium	**www.ivkm.be**	**Italy**	**www.acmi.it**
Denmark	**www.dkforum.dk**	**Malta**	**www.macm.org.mt**
Finland	**www.luottomiehet.fi**	**Netherlands**	**www.vvcm.nl**
France	**www.afdcc.com**	**Spain**	**www.gerentescredito.com**
Germany	**www.credit-manager.de**	**Sweden**	**www.kreditforeningen.se**
Hungary	**www.hcma.co.hu**	**United Kingdom**	**www.icm.org.uk**

Associated member at ICM UK:
Czech Republic