credit collections & risk world

March 2011

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Volume 4 Issue 3 - March 2011

OUTSTANDING CREDIT MANAGEMENT — FACILITATING GLOBAL TRADE

IRISH DEBT DATA RESTRICTED ♦ GERMAN RETAIL BANKING ♦ DATA PROTECTION ♦ CREDIT FORUMS

MAY 19-21, 2011 - SYDNEY - AUSTRALIA

3rd World Credit Congress & Exhibition

The Global Summit for Credit and Collection Professionals

International Collections Manager (ICM) and the **Institute of Mercantile Agents (IMA)** are pleased to announce that for the third time the international community of credit and collections professionals will meet around the 3rd World Credit Congress and Exhibition (WCCE) in Sydney, Australia from 19 to 21 May, 2011.

The WCCE is a platform for the exchange of ideas, knowledge, research and a forum for interaction between national and international credit professionals, risk management professionals and colleagues involved in the area of collections.

ICM & IMA in collaboration with all the associations and entities involved in this great project are looking forward to welcoming you as a relevant member of the Credit & Collection World Industry at the WCCE in 2011.

The future of credit is today, you can be a part of it.

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EDITOR'S LETTER

Hello and welcome to the Spring edition of the magazine.

Readers will see a substantial expansion of *CCR World* this edition, as we add in a special new section dedicated to covering the activities of the Association of International Credit and Trade Finance Professionals (ICTF).

ICTF was formed and launched last autumn and aims to become the leading global professional association for credit and risk management professionals.

With almost 300 members already signed up, and some very substantial and impressive long-term sponsorship arrangements, ICTF has got off to a strong start and we look forward to working with their secretariat, in promoting best practice in our industry.

There are two major ICTF events coming up in April and May, further details of which can be found in the ICTF section.

Irish debt judgments

In what would appear, at first sight, to be a rather perverse opinion, the Irish Courts Service (ICS) has decided to withdraw, from public view, those debt judgment cases where the successful creditors decide not to pay an extra fee of around €40, to have the judgment listed.

The decision to restrict public information about debt judgements at district, country and high courts in Ireland was taken last November, after an internal review of the ICS by its own legal experts. They have concerns about infringing the Data Protection Act, and so the Cause Books have been closed to public inspection.

However, Registry Trust, which compiles judgment records and sells them on to many lending institutions and information sources such as *Stubbs Gazette*, across the UK and Ireland, having lost a non-legal conversation to persuade the ICS to think again, has now launched a formal action.

The ICS has officially welcomed the challenge to its decision, telling *CCRW* that it preferred its internal decision to go before the High Court in Dublin, so that its decision could be tested.

In the meantime, of course, lenders in Ireland are being denied previously available information, and may well decide to further limit lending if they cannot feel comfortable they have full information about debtor applications. This will hardly help Ireland's economy to be kick-started in the short-term!

World Credit Congress and Exhibition

The 3rd World Credit Congress and Exhibition takes place in Sydney, Australia in May and *CCRW* is the main media sponsor. We will have a display at the event and invite all readers to come along and collect free copies of the magazine. More details of the event are on page 9.

CCR-interactive

Finally, although some months away, a reminder that our 5th CCR-interactive conference will be held in London on Tuesday 4 October at the Guoman Tower Hotel in the heart of London.

This year's event is already promising to be a sell-out, so be sure to put the date into your diary and I hope to see you there, taking part in the discussion and networking with fellow international credit management professionals.

Freddie Dawkins
Editor

Aronis Advogados

The law firm of Aronis Advogados (Aronis) follows a 'tailor-made', customised approach in relation to legal matters under the unique and noble idealism of professional ethics. Aronis is a member of the Brazilian Institute of Criminal Sciences as well as of the São Paulo Lawyers' Association.

Octavio Aronis graduated from the Faculdades Metropolitanas Unidas with post-graduate degree in the US at the University of California, Los Angeles, as well as specialist courses at the Getúlio Vargas Foundation College, GV Law. Currently, he is the legal director of the Jewish Federation of the State of São Paulo, director of the Brazilian Israelite Confederation and vice-chairman of Corpore-Brasil, as well as board member of the Albert Einstein Hospital.

Aronis focuses on criminal and international law. In the criminal sector, Aronis acts for both the prosecution and the defence in Police inquiries and criminal actions, as well as the preparation of reports and compliance with requests by companies. Aronis is traditionally renowned for its performance, customised service and modernism, always staying in touch with the client.

In the international sector, Aronis focuses on trade relations between Brazilian and foreign companies and has been operating in this area since 1986. Aronis provides intermediate solutions for conflicts on matters relating to the collection of export and import transactions concerning services or goods. Within the judicial or extrajudicial scope, Aronis acts as attorneys-in-fact of creditor clients in companies' recovery proceedings, as well as acting on behalf of international insurance companies that subrogate in the right of recovering credits resulting from credit insurance.

Aronis not only represents Brazilian companies with credits receivable from abroad, but also foreign companies with outstanding invoices originated by trade transactions of various kinds, including judicial collection or execution of extra-judicial settlements in Brazil or in other countries through partnerships.

Aronis seeks to designate a corresponding firm abroad with the intermediation and monitoring of all of the proceedings for effective recovery of credits. To do this, Aronis has, through its owner, been participating in a number of congresses abroad with attorneys specialised in this segment of recovery of credit, and, on account of this important network, the possibility has opened for operations in more than 80 countries.

Aronis is the official representative in Brazil of Global Credit Solutions Group, a company headquartered in Australia with offices in the most important cities and on all of the continents.

Aronis is also affiliated to the following international associations: American Collection Association International, League International for Creditors, Commercial Law League of America, International Association of Commercial Collectors, Inc, and the Credit Services Association.

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IRELAND

INDUSTRY TO FIGHT REMOVAL OF ACCESS TO JUDGMENTS

Irish Courts Service decision to remove public access to some judgment debt information to be challenged in court

By Freddie Dawkins

Top: Malcolm Hurlston, chairman, Registry Trust
Bottom: Seàn Mac Mahon, president, Irish Institute of Credit Management

LEGAL proceedings have been issued against the Irish Courts Service (ICS) over the removal of public access to some debt judgments. The proceedings were initiated on Friday 4 March by Irish Judgments and Registry Trust, a company which collates debt judgments.

Debt judgments help to provide information for businesses about the financial history of anyone with whom they are dealing, such as whether a debt has been registered against the person.

In Ireland, it is left to a successful creditor to pay a fee of between €11 and €50 (depending on the court), if he wants to have the judgement entered as a public record in the Cause Book.

The ICS decided last November, after an internal review by its own lawyers, that non-registered judgments should no longer be open to public view. At a stroke, this denied creditors vital information they would normally access, when deciding whether to lend to individuals or businesses in Ireland.

Malcolm Hurlston, chairman of Registry Trust (the parent company of Irish Judgments), told *CCRW*: "In denying public access, the ICS relies on a change in its internal legal advice – a decision which needs to be brought out and tested before a judge.

"In the meantime we hope that the new minister of justice and the new attorney general will take a direct interest – in the light of the threat to the economy – and reverse the decision and instruct the ICS to put the public service first."

A spokesman for the ICS told *CCRW* that he could not comment, as the matter is now sub-judice. *CCRW* understands that the ICS will almost certainly engage a private sector legal team to fight the action, rather than use an official government legal team.

A reversal of the decision is essential, according to Mr Hurlston, because it makes lending a lot more difficult if decisions are made on 'incomplete data'. "Complete and accurate data of court judgment registrations is of the utmost importance to credit reference agencies, credit unions and consumers," he added.

Seàn Mac Mahon, president of the Irish Institute of Credit Management, told *CCRW*: "This is a retrograde step and could damage responsible lending in Ireland. The IICM awaits the judgment of the court – and we hope they rule in favour of re-opening the register."

The proceedings by Irish Judgments and Registry Trust are based on both the Human Rights Act and Article 34.1 of the Irish Constitution, which says that justice "shall be administered in public".

An increase by a third in the number of judgments registered at the Four Courts last year (to more than 7,000) was "proof of their importance", Mr Hurlston said.

Some 17,000 circuit and district court debt judgments were recorded in Ireland by Registry Trust last year and the information sold on to organisations such as *Stubbs Gazette*. Credit unions and other lenders, and government departments, relied on this information in their business dealings.

An 80% increase in Irish searches at the company's website, to almost 7,000, showed the growing interest of lenders and consumers in debt judgments at a time of crisis, the company said.

Traditionally, information about debt judgments was available to the public through inspection of "cause books" within circuit and district courts.

The ICS wrote to Irish Judgments back in December 2010, saying the Cause Books would no longer be available for public inspection. The company asked to see the legal opinion on which the decision was based but says the ICS refused to provide it.

At the time of writing to Irish Judgments, a spokesman for the ICS said the decision was taken following a review which found that there was no provision in legislation or in court rules for a general right of access to cause books.

He pointed out that there was still public access as required by law to the Register of Judgments in the High Court offices. This allows access to registered judgments to personal callers to the office in the Four Courts, for an €11 fee.

Mr Hurlston said only a minority of judgments were registered by claimants.

CCR world

USA

PATENT INFRINGEMENT CLAIM FILED BY APOLLO

Apollo files suit 'to protect investment' in 'Enhanced Transaction Resolution Techniques' patent

By Freddie Dawkins

APOLLO Enterprise Solutions has filed a patent infringement claim against Collections Marketing Center (CMC), alleging that CMC infringes a patent owned by Apollo in connection with CMC's FlexCollect offering.

Apollo has also filed a claim alleging that Bridgeforce, a company affiliated with CMC, infringes the Apollo patent. In addition to seeking damages for CMC's and Bridgeforce's infringement, Apollo's claim seeks a permanent injunction that would prohibit CMC and Bridgeforce from making, using and selling infringing products.

The claims, filed in the United States District Court in Delaware, allege that CMC and Bridgeforce have infringed U.S. patent No. 7,848,978 entitled 'Enhanced Transaction Resolution Techniques' which was issued to Apollo on 7 December 7 2010.

"We have worked hard and invested significant sums of money to develop our innovative technologies and deem it necessary to file suit in order to protect our investment," said Joseph S. Konowiecki, Apollo's chairman and CEO. "Apollo is committed to strategically managing its intellectual property to secure the future of its employees, partners, clients and stakeholders."

SHORTS

US COLLECTIONS UP

The first quarter of 2011 is proving to be the best quarter for US collections in years, according to the preliminary results in insideARM's Credit & Debt Collection Industry Confidence Survey for Winter 2011.

Nearly 55% of collection agency participants so far have said current quarter collection rates are strong or very strong, an all-time record for any quarter since the survey began in Summer 2008.

EU RULING ON STATE AID FOR EXPORTERS

The European Commission has extended its authorisations under EU state aid rules of the Danish, Finnish and German short-term export credit insurance schemes and of the Hungarian export-credit insurance scheme for SMEs with limited export turnover. The extensions are for twelve months, until the end of December 2011.

The Commission concluded that the measures comply with the conditions laid down in the Temporary Framework for State aid measures to support access to finance in the current financial and economic crisis (IP/08/1993).

Denmark, Finland, Germany and Hungary provided recent evidence proving to the Commission's satisfaction that, for certain markets, the short-term export-credit insurance cover on the private markets is still unavailable. The temporary extension of the schemes has been authorised under the Temporary Framework under the same conditions as for the schemes in place until the end of 2010.

ANZIIF SCHOLARSHIP

The Australian and New Zealand Institute of Insurance and Finance (ANZIIF) and Aon Benfield have announced that applications are now being accepted for the 2011 Aon Benfield Scholarship.

Now in its seventh year, the Aon Benfield Scholarship was established to recognise an outstanding insurance professional in the Australian and New Zealand insurance markets, strengthen industry links internationally, and emphasise the importance of continuing professional development in all aspects of insurance.

The winner of the scholarship will attend the 46th annual Aon Benfield Global Clients Reinsurance Seminar in London, UK, on 6-16 June 2011, and gain invaluable knowledge and understanding of the principles and practices of arranging reinsurance on a global scale.

The 2011 Aon Benfield Scholarship is open to all Australian and New Zealand residents with at least two years' experience working in insurance or reinsurance. Typically, scholarship recipients will be aged 35 years of age or under.

To apply for the scholarship each applicant must write a 2,500 word essay. Applications must be received by 29 April 2011.

BERNE UNION CREDIT INSURANCE

The latest publication of the Berne Union is available for download on the Berne Union website www.berneunion.org.uk

Credit insurance in support of international trade provides an analysis of trends in export credit insurance throughout the global economic crisis, including export credit insurance statistics for business up to mid-2010.

EUROPE

CCR world

REVIEW OF SMALL BUSINESS ACT SET TO 'CUT RED TAPE'

THE European Commission last month published its long-awaited review of the Small Business Act (SBA), promising to do better to cut red tape, improve access to financing and try to harmonise tax systems among EU member states.

The EC proposed the text of the SBA in June 2008 and it was adopted by the European Council in December that year (EurActiv 02/12/08).

The initial idea was to put SMEs at the forefront of decision-making and shift the focus of EU job creation policies from large to small businesses, amid fears that competition from low-wage countries in Asia could cause major job losses. But the current financial and economic crisis has shifted the focus to measures aimed at securing the survival of SMEs, which have been severely hit by the collapse of banks and decreasing liquidity in the market.

An estimated 99% of EU companies are SMEs, accounting for roughly 70% of EU jobs and GDP, and their flexibility is seen as a major motor of future innovation and job creation.

The EU executive has already revised the Late Payments Directive in line with the commitments given in the SBA (EurActiv 09/04/09).

The Small Business Act has 10 guiding principles, including improving access to finance, drawing up bankruptcy rules to give entrepreneurs a second chance and upgrading skills. The review was originally scheduled to be released in December 2010, but was postponed and redrafted repeatedly as the political jockeying played out. And what was cut out was as interesting as what was left in.

Antonio Tajani, EU commissioner in charge of enterprise and industry, highlighted a few recommendations, including speeding the time and reducing the cost to start a business to a maximum of three days and €100. He also said the EU would strengthen its loan guarantee scheme, and increase SME access to government contracts.

Andrea Benassi, secretary-general of the European Association of Craft, Small and Medium-Sized Enterprises, said the EU has dedicated €500m to programmes for SMEs, but "[whether] these funds reach SMEs, that is another question".

One of the more controversial measures is a plan to present a legislative proposal for an EU-wide corporate tax base and a new strategy for value-added tax. Some of the most recent additions to the draft in January 2011 were later deleted, including plans to strengthen the role of the SME envoy in monitoring the application of the SME test in impact assessments. Also cut was a proposal to reduce the time for a bankrupt company's debts to be discharged to a maximum of three years by 2013.

New initiatives in the final report include:

- ♦ Adopting a social business initiative focusing on enterprises pursuing social objectives by the end of the year.
- ♦ Proposing an instrument of European Contract Law for SMEs that want to enter new markets.
- ♦ Setting up a uniform procedure to facilitate cross-border debt recovery.

The UK, Belgium and Italy have issued a joint statement saying: "We call on the EC to play its part in reinforcing the Small Business Act by ensuring decisions taken in Brussels improve the operating environment for SMEs, and enable a more transparent and regular exchange of ideas amongst member states. It should host a forum for small business ministers to share their experiences. This would create a practical mechanism to improve the visibility of SME policies across Europe, spread best practice and encourage effective action."

EuroChambres, which represents chambers of commerce in 45 countries, endorsed the focus on governance and hailed the fact that the SBA review emphasises the three priority areas: improving access to finance, enhancing market access and smart regulation. "We now look to member states to endorse the review and confirm their readiness to deliver at the next Competitiveness Council," said Arnaldo Abruzzini, EuroChambres secretary-general.

JAMAICA

CREDIT BUREAU SET TO LAUNCH

JAMAICA'S credit landscape is expected to enter a new, expansionary phase with the potential launch of the country's first fully operational credit bureau, subject to a licence being granted by the Minister of Finance and the Bank of Jamaica.

Lennox McLeod, chief executive officer of Premier Credit, said the new legislation will allow credit bureaux to act as the bridge between consumers and lenders, enabling low risk, fast, efficient and cost-effective access to and the provision of credit.

"Very often the advantages of risk assessment are stressed – in other words what a credit bureau can do for lenders, and much less about how they serve to help consumers," said Mr McLeod. "In reality, for each benefit a bureau brings for large financial institutions, there is a flip side and a benefit to the consumer."

Mr McLeod has been supported by two former executives of the world's largest credit bureau, Experian. Mike Bradford and Helen Lord were directors of regulatory affairs and consumer affairs respectively and are leading credit bureau professionals through their consultancy, Regulatory Strategies Limited.

Bradford, a lawyer and former banker, has developed policies and procedures to ensure Premier Credit complies with both the letter and spirit of the law based on his experiences as former president of the Association of Credit Information Providers (ACCIS), where he led over 40 credit bureaux globally.

EUROPEAN LEASING MARKET RECOVERED IN 2010

New leasing business increased by 4.9% in 2010, suggesting a recovery and momentum for growth in 2011

By Freddie Dawkins

LEASEUROPE, the trade association representing the European leasing and automotive rental industry, has released the results of its preliminary survey of the European leasing market for 2010.

The survey indicates that new leasing business in Europe increased by 4.9% in 20101 and Leaseurope estimates that total new volumes will have reached €227bn (compared with €209bn in 2009).

The strong results indicate that European lessors have taken significant momentum into 2011 and have firmly recovered from the steep decline in new volumes experienced previously.

New leasing business increased across all asset segments. Real estate leasing rebounded strongly with a 12.3% increase compared to 2009. Leasing of vehicles increased by 5.9% while equipment leasing increased by 2.1%.

While there was clear recovery for the European market overall, the survey shows divergences across regions and asset types. Leasing growth rates were strong across much of Western Europe and the Nordic region, with particularly strong results evident in the leasing of vehicles in Spain, Portugal and the Nordic countries. Growth in equipment leasing was very strong in the UK, but marginally negative in France and Italy.

Leaseurope's chairman Jukka Salonen, CEO of Nordea Finance, welcomed the preliminary 2010 results and told *CCRW*: "European lessors are now performing strongly, having weathered exceptionally difficult market conditions."

The recovery in new leasing business in 2010 is particularly encouraging given that investment in the EU27 grew by only 0.5% during the year. Eoghan O'Briain, adviser in statistics and economic affairs at Leaseurope, told *CCRW*: "It is noticeable that growth in new leasing business is once again leading total investment expenditure at European level. The cyclical decline in volumes experienced during the recession has reversed and we would expect to see leasing penetration rise as a result."

GLOBAL

500 TO ATTEND CONGRESS

THE Australian Collectors and Debt Buyers Association is the latest business association to confirm its support for the 3rd World Credit Congress and Exhibition (WCCE). The biannual event will be held in Sydney on 19-21 May.

The final programme has been published at www.creditcongress.com.

Luis Eduardo Pérez Mata, president of International Collections Manager S.A de C.V. in Mexico and founder of the WCCE, told *CCRW*: "I am delighted with the final programme. We expect around 500 individuals to attend and we already have many major companies helping us through sponsorship, such as Dun & Bradstreet (Australia) and Atradius."

Confirmed for one of the major the plenary sessions, Australia's deputy privacy commissioner Marc Hummerston, will share his perspective on how businesses can function in a privacy-compliant world.

Luis Eduardo Pérez Mata, founder, World Credit Congress and Exhibition

♦ *CCR World* is the main media sponsor for the event which will be held at the Sydney Hilton hotel.

MALTA

CELEBRATING 10 YEARS OF THE MACM

THE 10th annual conference of the Malta Association of Credit Management (MACM) will be held on 12 May and will feature Malta's prime minister, Dr Lawrence Gonzi MP, as the keynote speaker.

Dr. Louis Bianchi, president of MACM and principal of Bonnici Insurance Agency, told *CCRW*: "To have our prime minister accept our invitation to be the keynote speaker really means we have come of age as a professional body. Over the past ten years, we have striven to promote best practice in credit and risk management and have built a number of strong international relationships with other professional bodies.

"The Federation of European Credit Management Associations (FECMA) will be holding their board meeting here in Malta, alongside our conference, and we are delighted to welcome them to Malta."

Other top speakers include Gordon Cordina, who will be giving a detailed presentation of the economic outlook for Malta as a key Mediterranean trading hub. Among invited international speakers will be Philip King, director general of the UK's Institute of Credit Management, and Glen Bullivant, president of FECMA.

CREDIT CIRCLE DISCUSSES KEY ISSUES OF THE DAY

The Leman Credit Circle met to discuss credit information suppliers, managing credit risk and late payment laws

By Freddie Dawkins

THE 3rd Leman Credit Circle meeting was held recently in Geneva. Various multinationals, with global, European or regional headquarters in the area of Lac Leman were present and participated actively. The group is not open for participation from service industries.

A synopsis of the items discussed includes:

♦ Credit Information suppliers – who is best at what?

An overview was given of all the major players, with all their strengths and weaknesses. The trend of credit information use was clear: more and more companies would be interested in receiving updates of all relevant information, preferably feeding their system automatically. Though, at present, only a few are able to do so, as with most, their systems would not yet be able to handle it.

Another trend one could see was that less information was bought for the small risks, while full reports were still acquired for the large risks.

♦ How to manage credit risk best? Which risk management software is used and available?

When software is being discussed one normally speaks about collection software. Risk management tools are hardly ever a topic. The members confirmed that many still work with an Excel version, mostly produced in-house, to evaluate risk or to use as a support tool for the calculation of ratios and the like.

A short presentation was given of two relatively new products, tools that are going to be on the market soon. The first one presented was a risk evaluation tool, which actually replaces many of the Excel sheet models used. It proved to be simple in use, at low cost, has calibration possibilities, so it can be tuned to the specifics of certain industries, and does not only make an analysis but also generates a credit recommendation. This could be ideal to use to standardise the evaluation work involved or even to ‘automatically’ grant credit up to acceptable limits.

The other system presented was more of a total risk manager, a system that can be connected with the company’s ERP system, thus working with actual data, as well as being connected to credit information suppliers, ensuring that the system works with the latest available.

It creates customer profiles, guards country limits, is able to keep an oversight of total exposures on certain groups, and manages a multiple number of credit limits of different businesses, on the same customer, can handle several scoring models, contains automatic approvals, works on- and off-line (thus can be web-based), handles multi-currencies, has a report wizard and much more. The most important feature actually is that it is a process enabler, thus automatically involving the right level to authorise certain risks.

Those present where impressed but would have preferred it when the latter could be integrated with a collection system. A one-stop solution for all certainly makes it easier to sell to the management as well as to the IT department!

Credit applications in Europe, the pros and cons

The use of credit applications in Europe is still commonplace. Many US-based parent companies would like to see the EU market adopting these applications, but in the EU market it is not regarded as very effective.

During the discussion some members even mentioned that it actually could be counterproductive, as it requires a lot of explaining to the client. On top of that problem, it might even have legal implications, as EU privacy laws are very strict.

With this one has to keep in mind that, in most EU countries, the law on privacy issues still is not very synchronised. However, with the European Commission’s Article 29 group looking again at further measures to harmonise the Data Protection Directive, members agreed they should keep aware and swap information as the national Information Commissioner’s Offices interpreted the current law.

> **In most EU countries, the law on privacy issues still is not very synchronised. However, the EC’s Article 29 group is looking again at further measures to harmonise the directive**

Of those present, one company was trying to use it, one was only using credit applications for their accounts in South Africa (engineering products) while another commented that they use a similar form for their sales staff, which was thus internal, to be completed when they apply for a credit limit.

Common interest?

Members were asked if there was a common interest, amongst the members, to share data, like days sales outstanding (DSO)?

Although there was a great interest in sharing data like DSO, one agreed that it only would make sense when proper industrial comparisons can be made and therefore a significant number of participants are needed. This obviously had to be done on an anonymous basis.

One member was even prepared to pay for this kind of information but nobody was aware of any party who is doing such across all industries, and have significant numbers with all the relevant break downs.

E-business platforms

The next topic for discussion was: Does anybody have experience with e-business platforms?

A couple of the attending companies did have e-projects to facilitate an e-business platform, but after seeing the legal complications over the many countries involved, one gave up.

Besides, there is a technical problem, in that going back to the customer after the event, for example when a payment was blocked or revoked, is very complicated. Sometimes the required data is lost by the time it is needed. In short, one found that the complications did outweigh the benefits.

The only e-business facility that was continued (with some) is the possibility to pay online, via a credit card facility, but that was done for smaller amounts only (up to about €3,593/US$5,000).

Credit risk specialists

As for internal organisation, members were asked if they have a specialist who handles credit risk-related matters for the real emerging markets?

During the discussion it actually proved to be dependant on the size of the company and organisation. With the smaller departments, there simply was not enough business to carry the extra expense. With larger entities or departments there indeed was regional support.

Locations mentioned were Russia (for all of the former CIS countries) and the Middle East/Africa. These 'local specialists' help them to deal properly with cultural issues, to better interpret or understand provided information and follow up on 'local' issues.

Sharing some information with regard to doing business in or with Russia was the next topic for the meeting. Credit insurance is still available, but most members were rather selective in accepting risk. The risk of trading with Russia is still considered to be high and, for new clients, one still recommends pre-payment or bank guarantees.

In most instances credit is only given to those with whom one has a long-standing relationship and, therefore, an absolute trust. Even then there is no guarantee that it will remain that way; it can change overnight.

In general, the meeting felt that credit information providers do offer good reports but in six months' time a lot can change. "It is best to check your local network whether the company involved is heading into trouble or not," was the general agreement.

Improvements in Spain?

Members also turned their attention to Spain, asking if the country's economy was now improving or still on the downturn?

Generally, members had the impression that Spain is picking up. Maybe not so much (or not yet) on the public side, but the industrial side seems to profit from the European economy picking up (especially by Germany).

The growth of the latter economy seems also to be the engine behind the improvements in Spain. Even the building industry, which was one of the worst hit sectors, shows signs of improvement.

Late payment regulations

Also, Leman Credit Circle members felt that it might be that the new EU late-payment regulations, similar to those which have been introduced in France, could be assisting the recovery.

The latest EU directive on fighting late payment only applies to transactions between undertakings or between

William Bastiaan, secretary, Leman Credit Circle

undertakings and public authorities. The directive does not harmonise payment periods, but creates a statutory right to interest 30 days after the date of the invoice, unless another payment period has been negotiated in the contract.

Unless otherwise specified in a contract, the interest rate for late payment is the total of the applicable reference rate and the margin rate.

The applicable reference rate is the European Central Bank's main refinancing rate. Outside the Eurozone, the rate is set by the relevant national central bank. The reference rate on 1st January 2011 applies until 30 June while the reference rate of 1st July applies until 31 December 2011. The margin rate is at least 7%. Member States are entitled to apply a higher rate.

Members do not expect that the directive will have a real impact on the day-to-day business, certainly not on the commercial side of the business. After all it remains a directive!

For those dealing with public entities it gives them some backing for any interest claim they might have but again, there is nothing said about enforceability.

CCR world

A move from South Africa to Australia has allowed Marle Ambrose, national credit and collections manager for the SMB at Singtel Optus, to pursue her mission to get greater understanding for credit management in the business arena

By Freddie Dawkins

BALANCING HIGHER RISK WITH TIGHT COLLECTIONS

After growing up and graduating from university in South Africa, Marle Ambrose moved to Australia and has charted an ambitious course to her current post; national credit and collections manager for the small medium business unit (SMB) at Singtel Optus, a telecommunications company based in Sydney.

Mrs Ambrose's current role is newly created within Optus SMB's commercial area – she is tasked with re-engineering the company's credit and collection strategies, to manage risk in a way that compliments the customer experience for the company's diverse customer base.

She is managing the implementation of these strategies and process improvements, with her team consisting of 65 full time employees, reporting through five team leaders and one call centre manager. Mrs Ambrose is responsible for credit, collections and call centre key indicators, that is, days sale outstanding (DSO), aged debt ratios, average handling time, and service levels.

One of her golden rules of credit management is: "When you are lenient with your credit assessment to take on more risk, always ensure you have tight collection tools to manage related debt!"

Reporting directly to the SMB commercial director, Mrs Ambrose has regular interaction with members of the senior leadership team, group credit, consumer general manager and external fraud manager. "My new role is focused on implementing the credit assessment and collection strategies for our small to medium-sized business segment," she explains. "The telco industry is very fast paced and I am enjoying the new challenges."

After High School in South Africa, she wanted to study further within the finance world, but did not want to be an accountant. It was then she came across the BTech: Credit Management degree and felt drawn to it straight away.

"I studied to obtain my degree over a six-year period, working full time in a credit controller role at the same time," she says. "Part of the degree was practical, which meant I had to have a month of practical work experience for every year I completed.

"After I obtained my Higher Certificate, I was awarded a bursary with a company called Credit Guarantee that effectively paid for the rest of my studies – National Diploma followed by the BTech degree. I was also awarded Best Credit Management Student by the University."

During her time in South Africa, Mrs Ambrose worked within the motor vehicle finance industry as a credit controller and later on as a team leader, acting for the credit manager when on leave. She moved to Australia, with her husband, about 4 years ago.

"Upon arriving in Australia, I was guided by the recruitment agencies and was told that I needed to obtain Australian experience," she says. "So I took a credit controller role with Abbott, a pharmaceutical manufacturing company. I quickly picked up on the Australian way of credit management, as it is very similar to the South African principles.

"After a year I moved over to API, a pharmaceutical wholesaler, into the role of team leader for the retail side of the business. I had three direct reports and a number of temporary staff.

"Within six months, my manager resigned and I got promoted to his role, that of the collections manager for the pharmacy side of the business. In this role I had five direct reports and was responsible for the national ledger – which comprised more than 5,000 accounts, valued at AUS $3bn.

"We had collection targets of AUS $260m per month, which we reached every month while I managed the team. I had zero turnaround and very engaged staff members. I worked in this role for over two years."

Six months ago, Mrs Ambrose learned of the position at Optus – a newly-created role within the SMB unit. Optus is the second largest national telco provider within Australia and owned by the SingTel Group in Singapore.

"I am currently responsible for the national ledger for SMB, made up of around 800,000 accounts, valued at AUS $1bn per year," she explains. "I am responsible for the full life cycle of a customer within the credit management arena, that is the credit assessment, ledger management, overdue collections, mercantile referrals and write offs. This also comprises five different sales channels: direct sales force, channel partners, retail stores, online business and telesales."

Mrs Ambrose says that the company's structure is currently changing, and that she will end up with around 90 staff members reporting to her through team leaders and centre managers.

"I report directly to the commercial director for SMB," she says. "From an offshore perspective, I have contact with our Mumbai office around my credit assessment business and our Manilla office for some collection activities. Onshore, I have contact with our Melbourne and Adelaide offices. I am based in the Sydney head office.

"I do not travel much at this stage, but I am sure it will increase over time. I do attend some customer visits with the sales staff – I believe that the credit department will have a lot of opportunities opened up for us, if we are open to dealing with the sales and marketing departments on a collaborative approach.

Mrs Ambrose has frequently heard that sales sees credit teams as a 'sale inhibiting' department, but she says she has put a lot of work into establishing healthy, positive relationships with the sales teams.

"I ensure that I go out with them on site visits and socialise with them over a coffee," she says. "All this assists me in understanding their challenges and provides me with the platform to explain the reasons behind the requirements being put forward by the credit team.

"I gain their trust by ensuring that we, as the credit team, would like to see the sale happen as much as they do – in the end our business grows and we all benefit from it. I explain that it is not my job to inhibit sales, but to establish the risk involved in the sale they propose, decide whether we are able to accept it and then to manage or mitigate the risk appropriately.

"As much as I would like to profess that the credit management department has enough value to be considered a front-office view, this is not the case. I am sure the global financial crisis taught companies the value of a properly-functioning credit department within their organisations. However, I do still believe that the sales teams are the face of the organisation, and part of the back office role of the credit department is to fulfil a supportive role to the sales teams.

"Therefore, I walk the extra mile to assist them in their enquiries and ensure I am accessible to them. I would rather they come to me with a complicated deal, we work through the risks together and compromise on how to best mitigate the risk and have a successful sale, than have a frustrated sales team and lost customer."

It is not my job to inhibit sales, but to establish the risk involved in the sale they propose

Mrs Ambrose is committed to a constant and positive dialogue between credit and sales. "This only comes through commitment on both sides and a mutual understanding of each other's challenges and respect for the different professions," she says. "This being said, it basically comes down to a lot of work to maintain relationships and display integrity."

Like many other seasoned credit professionals, she has strong views on credit policies. "A credit policy should definitely contain more information than just the company's terms and conditions."

She asserts that it is a document that explains to the rest of the company, and indirectly to the customers, what the company's policy is around, but not limited to:

- ♦ The risk that the company is willing to accept.
- ♦ The documents that are required on application.
- ♦ The procedures that are used to obtain credit information.
- ♦ The criteria that is used to measure the risk.
- ♦ How credit limits are allocated.
- ♦ When exceptions occur and who has authority.

"The credit policy sets out clear guidelines for the credit team to follow in their day-to-day operations," she adds. "If combined with the collections policy, it will be even more comprehensive, but very valuable to the company." **CCRW**

"The true cost of errors (inefficiencies) is unknown and unknowable." W. Edwards Deming.

From 25 to 30% of the total cost of doing business is tied to inefficiencies and, just like strawberry jam, these inefficiencies spread to everything and everyone a business touches and in the process drive up everyone's cost of doing business.

There is always room for improvement

If you think you have reached perfection in how you carry out your business functions, stop right now and give yourself a slap on the side of the head, or pick up your phone and call your spouse and ask if you are perfect.

There is always room for improvement!

Two things required for change and improvement are:

♦ Acceptance that things can always be done better.

♦ A commitment to improve – because of new technologies, the economy, competitors, and other impossible to foresee forces, companies must embrace an on-going climate of constant improvement and efficiency with a sense of urgency, if they are to survive and prosper.

"It is not necessary to change/improve. Survival is not mandatory." W. Edwards Deming.

A pillar is a support that is used to hold up a superstructure. Without a good support system in place a structure is at risk of sudden turns, of temporary eccentricity or of a freak and capricious wind.

And so it is in business.

By utilising a systematic set of support methodologies, or pillars, a business can achieve on-going new levels of efficiency which drive down costs, provide the basis for higher morale, productivity and a tangible competitive advantage.

Pillar one

Every business manager should be driven by the profit imperative, by the obligation and responsibility to ensure that the work done or investment made results in a reasonable return or profit. Profit is the end result of doing something right.

Willie "the actor" Sutton was once asked why he robbed banks. "That is where they keep the money," he answered.

While there are different ways of turning a profit, the best long term and personally rewarding way is by meeting or exceeding customers' expectations – at a profit.

To know what customers' expectations are, much less meet or exceed them, requires that they be asked and then be listened to. Sometimes it seems as if this simple but all important core principle of business – 'take care of the customer' – has been all but forgotten, most especially by large corporations.

B2B customers' expectations go beyond just price, it is about the total business relationship and the total cost of doing business.

The first pillar is critical to trust. Trust (integrity) is efficient and mistrust-trust is not.

The first pillar of B2B efficiency is 'the profit imperative' – meet or exceed customers' expectations... at a profit.

Pillar two

Every business function must have a clearly articulated and understood purpose, and all those involved in the function or affected by the function need to have input into establishing the purpose of that function.

To determine the purpose of a business function, begin with listing all the costs and investment associated with the function and then ask: Why are the costs associated with the business function incurred? How does this purpose support the first pillar of efficiency – the profit imperative, the meeting or exceeding of customer expectations?

CCR world

You may feel that your business is progressing well, but by giving it a sound foundation, you may be able to improve productivity and cut inefficiencies

By Abe Walking Bear Sanchez

THE EIGHT PILLARS OF BUSINESS IMPROVEMENT

The second pillar of efficiency is a clearly understood and stated 'purpose' for each different business function.

Pillar three

Once the 'purpose' for a business function is established and clearly understood, that function can be broken down to its core parts, with each part being arranged by order of priority or sequence of events.

Once this is done, a goal can be completed for each core part of the business function. Most often you want to limit the number of core parts to four or less.

Based on the 'goal' for each core part of a business function write a 'policy statement', a goal-based guideline for each core part of the function that in turn support the second pillar, the purpose.

The third pillar of efficiency is 'goal-driven policies' for each core part of a business function.

Pillar four

Every business is different and unique. Every business is made up of a collection of in-house experts who understand better than any outsider how the work of that business is carried out.

Just as every company is different and unique, so are the specific and unique 'processes' that lead to the meeting or achieving the goal(s) for each core part of a business function, as codified by the policies. Processes support the goal(s) for the core parts of a business function.

The fourth pillar of efficiency is the different, unique and documented step by step 'processes' that lead to achieving the goal(s) of the core parts of a business function.

Pillar five

The right person for each job and the right job for each person. Try as they might; if a person lacks the skills, training, experience, education, talent or personally required to successfully carry out the processes that support the goal(s), they will fail.

Based on the unique and specific processes, the right people must be employed in carrying out the work.

It is required that all the pillars be in place and support one another. One weak pillar and the house may tumble with the first strong wind

Think how difficult it is for someone to be in a job that they cannot do – the feelings of inadequacy and the fear of being found out and fired.

Those people involved in carrying out the 'processes' may have once been ideal for the job, but as things change and new skills and talents are required, so new people may also be required.

The fifth pillar of efficiency is 'people requirements'.

Pillar six

Quality in a product or service is a basic given in today's competitive business environment, and so it is with how things are done (processes).

Key steps often are transition points, and must be monitored in an on-going way, for any failure here creates a cascading effect of inefficiencies.

The sixth pillar of efficiency is 'process monitoring'.

Pillar Seven

Goals not measured are but wishes on a star. Years ago I heard Dr. Don Rice say: "Employees respect (do) what is inspected (measured) and not what is expected."

It is kind of like raising kids – it is the inspection and not the expectation that is important, or as former US President Reagan put it: "Trust – but verify."

Achieving, or failure to achieve, the goal(s) for each core part of a business function must be known and dealt with.

The seventh pillar of efficiency is 'performance measurements' against the established goal(s) for each core part of a business function.

Pillar Eight

Regardless of how good a job has been done in placing the first seven pillars in place, the job of maintaining efficiency is never done.

We are, and perhaps always have been, going through a time of instability. We are, and always have been, challenged by the external environment of rapidly-changing technology, a changing economy made up of a demographic base with different needs, a time of reduced demand, of traditional and non-traditional competitors chipping away at our business base.

If we are not looking for ways to deliver a new efficiency value proposition to our B2B customers, someone else will.

The very first line of every business manager's job description should be: "Constant and on-going

>>

>> improvement – our support pillars must be maintained."

A business manager not focused on constant improvement becomes an administrator at best and a bureaucrat at worst.

The eighth pillar of efficiency is 'on-going constant improvement'.

To fully and best support a long-term and successful commercial endeavour, it is required that all the pillars be in place and support one another. One weak pillar and the house may tumble with the first strong wind.

Many businesses, including large companies, operate on a 'word-of-mouth' basis, whereby the new guy learns from the old guy, who learned from the dead guy.

This way of doing business is rife with inefficiencies. That unique and specific expertise that resides in every business must be documented and have a cover sheet that says in big letters 'under construction', for efficiency is an on-going process to be constantly reviewed, and not a project to be completed.

If a business organisation could reduce its inefficiencies by just 20% by better organising and documenting its expertise, in most cases the result would be at least a doubling of their profitability – without the need to increase sales one dime, and while at the same driving down the total cost of doing business for its business customers.

That is a competitive advantage.

Four phases of change and improvement

We are creatures of habit and the longer we do things in a certain way the stronger the habit. One of the first things to overcome on the road to improvement is comfort levels. Riding a rut can get real comfortable but, in time, it becomes a 'trench' – a grave open at both ends.

♦ Expect resistance – including in yourself. Anytime you want to make an improvement ask why it would not work, then listen and take notes.

♦ Small successes are necessary– from your notes as to why an improvement will not work, make up a list of the first small steps to be taken.

♦ On-going small steps – as each small step is accomplished introduce the next small step.

♦ Pay for performance – constantly remind people and yourself why you are making improvements.

Consider the Friday afternoon 'constant improvement' meeting for all managers. Let everyone in the place know that, just as little inefficiencies have a cascading effect, so do new improvements and efficiencies. The way to fill the bathtub, the ocean, is one drop at a time. Ask for – no demand – improvements and then implement.

Success and survival are up to you. **CCRW**

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CCR world

OBEY ORDERS OR BE FIRED!

Should a credit professional be allowed to think for themselves, or should they blindly follow company policy?

By Jerry Ashton

IN the military, if you disobey a direct order during wartime they will place you in front of a firing squad.

We are more fortunate as soldiers and officers in the war on debt – if we raise objections or concerns, we are simply fired – not fired on. But the effect can be just as life-(as we know it)-threatening.

This is what has happened to one of our own, Linda Almonte, a banking professional and former employee of JP Morgan Chase. When she questioned the intelligence (and legitimacy) of selling off a flawed portfolio of credit card write-offs to a debt purchaser in September and October of 2009, she discovered that some 5,000 accounts out of 23,000 did not meet the bank's own criteria for resale.

However, this portfolio – which was comprised of judgment accounts that had been obtained by internal Chase attorneys or attorneys-of-record – had a face value of $200m and Chase would realise a cool $23m on the purchase (while also reducing its bad debt load for reporting purposes for the quarter).

Her superior chose, instead, to fire Ms Almonte and make the sale. In return, she chose to file suit. Chase did not make the better choice.

After four years of training and likely a quarter-million-dollars invested by GE in her development in all aspects of IT, legal, and compliance, you might say that she is qualified to pass judgment on the quality of a debt portfolio, and of that industry in general. She was responsible for 'vetting' billion-dollar-deals for GE.

Her banking career (now effectively ended) followed with her being hired away from GE by WAMU to move to Florida in 2004. Her work at Chase ran from May of 2009 until her firing.

What she saw was horrifying – giant data dumps running through scores of disparate accounting systems connecting hundreds of lawyers, collection agencies, and debt purchasing firms.

Debt buyers, often unkindly referred to as the "bottom feeders" of the ARM industry, expect to buy clean paper: no judgments errors, prior garnishments, liens, post judgment remedies, incorrect balances, incorrect names, addresses and account numbers, etc, so that their collection process might proceed without the distraction of these errors.

It was Ms Almonte 's job to meet those expectations. In trying to do so, she was fired on 30 November 2009, without severance. The reason given for the dismissal? Her boss did not agree with her "operating principles." The reason for no severance pay? Because she was being terminated, although she was told by the VP of HR on the way out the door that they would not contest her unemployment claims and that they would respond to any inquiries that she was "laid off", not terminated.

Did she do the right thing? Would your choice have been different?

I encourage people to connect with me on Twitter as @WrittenOffUSA and Linda Almonte as @LindaAlmonte to follow this issue further. This is when integrity meets reality. How would that challenge be faced in your world? **CCRW**

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NEW RISK CHALLENGES FOR PUBLISHERS

THE increasing popularity of e-books, iPads, Kindles and other digital publishing technologies are fundamentally altering the way publishers and content providers address the way they approach credit control risks. That is why we have decided to hold the second Electronic Media Forum on 7 April in London.

The meeting will explore how new and emerging distribution technologies will affect the publishing sector and how business will be transacted in the digital economy.

The shift in the way people consume media, whether that be newspapers, books, magazines or television shows, is accelerating, forcing publishers to speedily engage new suppliers, content providers and other third parties in their efforts to supply the growing demand.

While it would be an overstatement to say that an entirely new rule-book needs to be written, there is only limited experience in this developing space, so we are working with insurers to work out the best criteria to judge credit risks and, ultimately, help publishing credit managers sleep a little more soundly.

This a new sector and, while the sales and marketing sides of publishing firms are familiar with the new products and business models, the finance people are not. It is important that understanding grows rapidly to support future sales and the new business models that are being introduced to cope with demand.

Publishers are now competing for the customer's attention and spend on the same platforms as all other content industries. They are also exposed to the same disruptive forces which are re-shaping the landscape for music, film, TV and magazine publishing.

As publishers look for new distribution opportunities, they will engage with partners in consumer electronics, internet access and advertising. Credit control and risk management will play a key role, as traditional publishing transforms to meet innovative and demanding partnerships.

By Laurie Beagle, divisional director, P&A Receivables
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CCR world

UNEASE IN NORTH AFRICA

Climate of concern in certain markets has sparked fears about reliability of some trading partners

By Luc Verbois

THE incredible outpouring of anger against some Arab regimes in North Africa and parts of the Middle East has focused exporters' minds in certain markets and created a climate of real unease and concern about how reliable trading partners will be when it comes to invoicing for possibly looted or missing goods, and whether trade credit risk insurance will cover possible losses.

Egypt

Although some strikes have continued after Mr Mubarak's resignation, economic life in the country has slowly returned to normal.

However, the Egyptian economy suffered from serious disruptions as banks and businesses were closed, distribution channels were affected and tourism suffered a serious setback. All this will have a material impact on GDP growth in 2011.

The future economic performance will greatly depend on whether and how a next government can provide stability for the country and bring the much-needed economic progress for the people. Restoring confidence among tourists, business and investors is vital for further economic growth.

Libya

As the regime is reported to have lost control over most of the country, Colonel Qadhafi's removal seems only a matter of time. As he shows absolutely no intention to step down, however, security risks remain high and an intensification of international sanctions remains possible.

Moreover, despite the formation of a national administration by the insurgents, the uncertainties over a post-Qadhafi Libya are high. Abundant energy and foreign exchange reserves, however, provide the country with a buffer against temporary economic disruptions.

Uganda

Inspired by the North African uprisings, the Ugandan opposition hopes to further challenge President Museveni with popular protests. However, the opposition is divided and has so far not been successful in organising similar protests. Moreover, a significant drop in voter turnout, from 69% in 2006 to 59% this year, seems to suggest growing public indifference to politics.

In any case, the significant oil discoveries in the Lake Albert region provide for an additional incentive for Mr Museveni to cling to power.

Thailand

Given the latest tensions and little progress in reconciling a very polarised society, the key question is whether elections will do anything to solve Thailand's deep divisions.

Another issue is whether the losing camp will accept its defeat or return to the streets to protest, as it has regularly been the case since former PM Thaksin was ousted by a military coup in September 2006.

Political uncertainties are therefore likely to persist until after the early elections. **CCRW**

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OUTSTANDING ACCOUNTS ON THE RISE

THE cashflow of Australian businesses is expected to remain under pressure during 2011, with new research revealing that the number of firms with outstanding debts increased during the December quarter 2010.

Our latest business payments research reveals that an additional 4% of Australian firms failed to pay their trade credit accounts during the December quarter 2010 compared with the prior year. Alarmingly, the number of entities with severely delinquent accounts (90+ days past due) increased by more than 7%.

These findings coincide with figures which reveal that the time businesses are taking to pay each other stalled during the December quarter, after improvements during the March and September quarters. Australian firms took 52.1 days to settle their trade accounts during the December quarter – more than three weeks above the standard 30-day payment term.

A 4% increase in the number of entities paying their accounts late has the potential to inflict cashflow difficulties on a large number of firms.

This is a worrying trend as it can draw more and more businesses into the late payment cycle, making it increasingly difficult for firms to escape the pressures associated with slow-paying customers.

The latest figures reveal that bigger businesses continued to be slower payers than smaller firms during the December quarter 2010. Large businesses (with 500+ employees) were the slowest, averaging 56.4 days to settle accounts, while firms with 50-199 employees were the quickest, at 48.1 days. These figures represent a deterioration in terms for large businesses and an improvement for those with 50-199 staff.

Businesses with 200-499 employees also allowed their payment times to deteriorate, although the deterioration was not as extensive as that experienced by large businesses. This group was also the second slowest to pay, with average payment times of 52.4 days.

By Christine Christian, chief executive officer, Dun & Bradstreet (Australia)
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A well-educated workforce that is is flexible and willing to embrace change has helped Ireland respond rapidly to its economic problems, reduce costs and improve productivity
By Sean Webb

COST ADJUSTMENT IN IRELAND 2008-2010

Under normal economic conditions productivity and cost reduction is an important element of business management. In times of economic crisis, however, strong productivity performance is essential to a firm's survival.

Productivity is ultimately a story of change, and Irish businesses have implemented unprecedented change over the past three years in order to adjust to radically different economic circumstances. In order to remain viable, businesses have acted quickly to reduce costs. More importantly there has been a strong focus on workplace change and achieving reductions in unit costs.

The Irish economy and Irish businesses have adjusted rapidly to the challenging economic circumstances of recent years. Published statistics show that pay rates have reduced right across the economy, and Ireland has regained much of the competitiveness that it had lost during the property boom years. Pay rates in enterprise have fallen by an average of about 4% but, in those businesses which have experienced exceptional trading difficulties, average pay rates have fallen by about 15%.

A range of other business costs have also been reduced and, as a result of this adjustment, Irish Firms are again performing strongly in international markets. Productivity growth has remained very strong in both the level of the total economy and in industry. Output per worker in industry increased by 12% in 2009 and by 16% in 2010. Crucially, Ireland has regained about 13% of unit labour cost competitiveness against the euro area and 15% against the UK.

While nominal cost reductions have been an important part of the adjustment in Irish businesses, widespread workplace change and strong productivity growth have been crucial factors in ensuring sustainability.

There has been an array of work practice changes and efficiencies which have been achieved in the past three years. The level of workplace change would most likely not have been achieved in more 'normal' economic circumstances. Examples of significant changes include >>

>> reductions in staffing ratios, complete re-engineering of processes, elimination of more expensive shifts and reductions in overtime, substantial reductions in overheads and reductions in non-pay employee costs.

Irish workforces are generally regarded as being highly flexible and good at change. It is this ability to adapt which has enabled Irish businesses to overcome the greatest challenges during the past three years and to ensure their sustainability through strong productivity growth.

Several multinational companies believe that their international competitive position has improved significantly since 2008. Marginal costs have reduced dramatically, the cost of hiring new staff has fallen by 25% and capital build costs are down by 30%. One medium-sized firm in Ireland has recently articulated the view that, although gross wages in Ireland remained on a par with those in the group's plant in Germany, the unit labour costs in Ireland were 50% lower.

Since the onset of Ireland's recession in mid 2008, the size of the domestic economy, as measured by GNP in money terms, has fallen by 25%. Businesses have therefore faced an unprecedented adjustment challenge in order to ensure their viability. Those businesses most exposed to the domestic economy have predominantly suffered, but companies that rely on exports have also needed to adjust in response to the largest drop in global trade in over 60 years.

Irish businesses have demonstrated exceptional agility in response to the unprecedented challenges faced. Official statistics show that pay rates have been reduced and productivity across the economy has grown significantly during the recession.

These macro level statistics, however, do not tell the full story of adjustment that has occurred. In many cases the official statistics are timely enough, whilst the aggregate data does not provide an indication of how individual sectors are adjusting.

Productivity and labour cost trends

Both at the national economic and industry level, significant productivity growth has been recorded over the past two years.

Economy wide productivity declined between 2007 and 2008 as output in the economy began to contract. The labour market adjustment gained momentum in 2009 as the output per worker increased from €76,184 to €77,554 (Table 1). The substantial improvement in export demand in the first half of 2010 meant that output per worker increased by 3.7% to €80,403.

Productivity growth in industry has been much stronger than in the wider economy, as firms sought to react to revenue pressures and adverse exchange rates through radical restructuring.

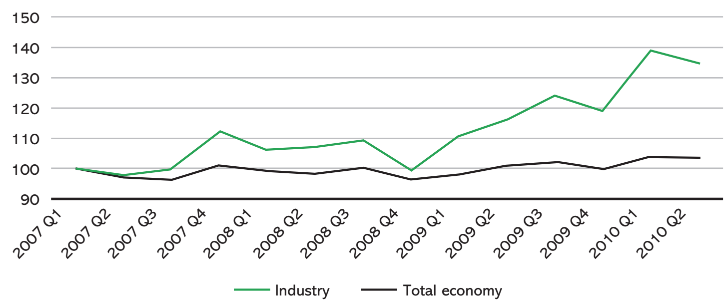
A strong productivity performance and nominal reductions in labour costs, coupled with extensive changes in the economy, have resulted in substantial reductions in unit labour costs in Ireland. The EU Commission estimates that, over the 2008 to 2011 period,

Table 1. Value of output per employee 2007-2010

€	Industry	Economy
2007	128,519	77,012
2008	131,499	76,184
2009	147,115	77,554
2010*	170,655	80,403

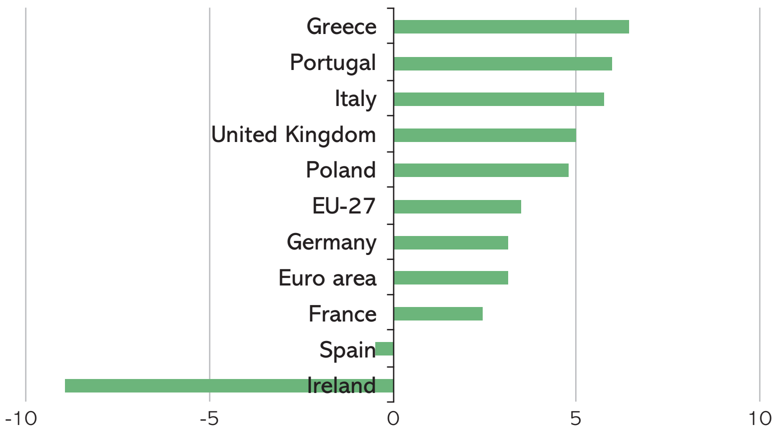
* Based on January to June national accounts and adjusted to full year basis.
Source: CSO

Figure 1. Labour productivity in Ireland 2007-2010



Source: CSO

Figure 2. EU comparison of unit labour costs trends 2008-2011 (forecast % change 2008-2011)



Source: EU Commission April 2010

unit labour costs will have fallen by almost 10%. This is in stark contrast to experiences elsewhere in the EU and most competitor countries will continue to see rising unit labour costs.

Pay and other cost trends

The Central Statistics Office Earnings and Labour Cost survey provides a detailed analysis of labour cost trends by Sector in Ireland. Over the past year average hourly labour costs in manufacturing are down 4%.

Hourly Labour Cost Trends Q2 2009 – Q2 2010

IBEC, the Employers Federation, provides both a historical assessment of pay trends and a forecast for 2011 in its quarterly business sentiment survey of more than 400 firms.

It shows that about one in four firms cut their basic pay rates in 2009. The average pay rate reduction in these firms was 12%, whilst pay reductions for managerial staff averaged 18%.

The average pay rate change for all companies surveyed in 2009 was a decrease of 2.4%. During 2010 about 15% of firms cut their basic pay rates, whilst the vast majority of companies implemented a pay freeze.

The average reduction in pay rates in 2010 was 1%. Asked about their intentions for pay developments in 2011, about two thirds of the firms sampled indicated that a pay freeze would continue. The percentage of firms planning pay cuts was 6% and the expected change in the average pay rate across all firms sampled was a marginal increase of just 0.3%.

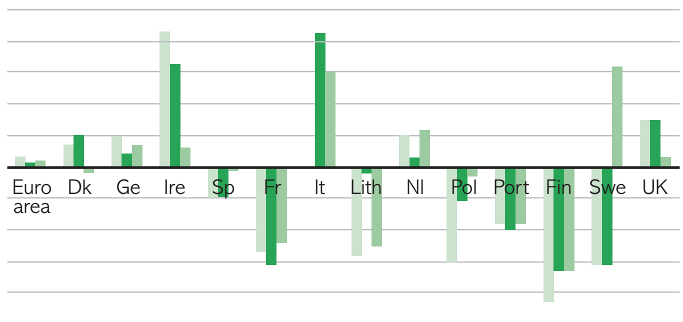
The survey has consistently shown that Irish firms are taking a range of measures to address their unit labour cost position and it provides further evidence of the competitiveness adjustment which is continuing in the Irish economy.

An international comparison of trends in unit electricity costs compared to the average price across the EU-27. The survey showed that, prior to the economic crisis in 2007, unit electricity for large electricity users in Ireland was some 40% higher than the EU-27 average.

The price difference closed somewhat in the second half of 2008 but a major improvement was recorded in 2009 as prices fell to within 7% of the EU average price. This adjustment in relative prices removed a significant cost disadvantage which Irish firms had faced in recent years.

Figure 3. Hourly labour costs trends Q2 2009-Q2 2010

Figure 4. International comparison of unit electricity costs 2007-2009 (EU prices relative to EU-27 average)



* Prices relate to tariffs for high energy users in second semester of the year

Source: Sustainability Energy Authority of Ireland

Ireland's competitiveness position

Ireland has become a more competitive location for business since the onset of the economic crisis. Significant gains have been made in the area of labour costs, utilities, property costs and other overheads.

A number of multinational firms have indicated that many costs remained high in Ireland relative to other countries in which their company operates. Crucially, however, the benefits of a high quality and flexible workforce in Ireland means that higher cost inputs do not always relate to higher unit output costs.

In general, Ireland's workforce continues to be held in very high regard internationally. It is seen as being strong from a technical and educational perspective, but its primary competitive advantage is its flexibility and willingness to embrace change.

This adaptability has never been more evident than during the past two years. Whilst it is clear that the competitive position of incumbent firms has improved significantly during the economic crisis, even more substantial cost reduction opportunities are available for start-up businesses.

This view is reinforced by a recent study on Ireland's attractiveness to foreign direct investment, which found that multinational companies regard Ireland as a much better investment than it was before the crisis. **CCRW**

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CCR world

ARTICLE 29 WORKING PARTY

European data protection authorities issue opinion on safety of future of automatic data processing

By Freddie Dawkins

THE European Data Protection Authorities (DPAs), united in the Article 29 Working Party, have adopted an opinion on the revised Industry Proposal for a Privacy and Data Protection Impact Assessment Framework for radio-frequency identification (RFID) applications.

RFID marks a new development in the information society, where objects equipped with micro electronics that can process data automatically will increasingly become an integral part of every day life.

The European DPAs state, in their opinion, that they can endorse the proposal in its current form. The European DPAs acknowledge the depth of the work that the industry associations and experts, academics, and individual companies from across Europe have invested in producing a revised framework in the past months.

The authors of the framework took the opportunity not only to address most concerns highlighted by the working party regarding an earlier version of the framework, but also to present a clarified structure and stronger guidelines for the RFID operators who will implement this framework. A key point is that the revised framework is based on a risk management approach, which is an essential component of any privacy and data protection impact assessment framework.

An earlier version of the industry proposal did not gain the full support of the working party, especially considering the lack of a clearly-defined risk assessment approach.

In July 2010, the working party summarised its concerns in Opinion 5/2010, inviting the industry to propose a revised privacy and data protection Impact Assessment Framework. That same month, the European Network and Information Security Agency (ENISA) published an independent opinion with practical recommendations to improve the proposed framework.

ENISA's opinion proposed, in particular, some initial guidelines for the adoption of a comprehensive and recognised methodological risk assessment approach, and suggested several structural improvements. On 12 January 2011, the revised PIA Framework was submitted for endorsement to the Article 29 Data Protection Working Party.

The opinion is available at ec.europa.eu/justice/policies/privacy/workinggroup/wpdocs/2011_en.htm

Future of privacy

The European DPAs are closely following the review of the EU data protection legal framework and have committed themselves to provide opinions on several matters to give the EU Commission input for the review of the data protection legal framework.

These include opinions on the system of notification, sensitive data, and on how member states currently put in practice the directive's article on competency of each supervisory authority on the territory of its own member state (article 28(6) of Directive 95/36/EC).

The Article 29 Working Party is currently working on the opinions and aims to complete them in time for adoption at the next plenary meeting in April 2011. **CCRW**

MODERATE DECLINE IN CONSUMER CREDIT

TOTAL new consumer credit granted by the firms represented through the membership of Eurofinas, the federation of specialised consumer credit providers at European level, declined by 3.2% in Q3 2010 compared with the same period a year ago. This is an improvement in comparison to the previous quarterly survey (-6.4% in Q2 2010 vs Q2 2009).

The overall decline was mainly due to a decrease in new consumer car financing, however new consumer credit for personal consumption fell by only 1.1% in Q3 2010, showing clear signs of stabilisation in many countries.

Total new consumer car finance decreased by 7.9% in Q3 2010. Consumer car finance has decreased significantly in both Q2 and Q3 2010 as car scrapping schemes, which boosted consumption in 2009 and Q1 2010, have come to an end in many countries. Full recovery in the consumer car finance sector may be somewhat slower than in other consumer lending sectors.

There is no doubt that an increase in private consumption is essential for a self-sustaining economic recovery in Europe following the financial crisis. Consumer credit plays a vital role in supporting recovery, as it provides consumers with simple and affordable access to finance, thereby stimulating consumption. The stabilisation in the Q3 consumer lending figures is therefore a positive sign.

My colleague, Tanguy van de Werve, Eurofinas' director general, agrees: "There has been a modest improvement in consumer spending and consumer confidence in recent months. Further recovery in consumer spending should be supported by stabilisation in labour market conditions and declining savings rates as households' confidence continues to improve.

"Private consumption in the EU is forecast to expand by about 1.25% in 2011. I expect this to have a positive impact on European consumer lending."

By Pedro Guijarro, chairman, Eurofinas
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CCR world

You may grant credit to your customers to ensure sales, beat the competition or gain information about potential clients, but you must always be sure to know who you are granting it to, and whether they can pay you back

By Josef Busuttil

WHY SHOULD YOU DO BUSINESS ON CREDIT?

I firmly believe that the credit practitioners should do more than crunch numbers and mitigate risk. The credit function is a people's function, and one of the roles of the credit team should be to gain and sustain competitive advantage in the market by building and maintaining long-term customer relationship.

Going back to basics, if a firm had to examine the rationale behind granting and extending credit to customers, and ask the question: "Why incur the costs that go with the credit function?" one would soon realise that there may be different answers. These include: to increase sales; to provide the same service that the competitors offer; to finance customers in the shorter-term; to gather information about potential customers and markets; to allow for transaction efficiency; and to invest in customers, to name but a few.

Abe WalkingBear Sanchez, an internationally-renowned credit management guru, argues that costs are incurred to grant credit in order to obtain profitable sales that would otherwise be lost. He also contends that credit is granted to generate a profit value.

This makes me recognise, and also appreciate, the profit >>

>> imperative when selling on credit – the profit imperative for both the supplier and the credit customer alike!

Therefore, I often ask a simple question to myself: "Can a supplier make profit from credit sales if their customer's business is not sustainable?"

The value of relationships

'Know Your Customer' soon comes to my mind as a reply and I understand immediately the importance and commercial value of building and sustaining a long-term customer relationship, which is the best recipe to get to know your credit customers better.

Hence, suppliers should be proactive when granting and extending credit to customers. They have to make sure that the customers' businesses are doing well or have the potential of doing well in the future.

Suppliers have to make sure that the customers requesting credit are not overtrading or mismanaging their business and that they have the necessary competence to run a business in a profitable manner. Therefore, suppliers should not be afraid to refuse credit which would end up being unprofitable.

Nevertheless, suppliers should also feel a responsibility to assist their customers requesting credit. One role of the credit practitioners should be to explain and help the credit customers understand why credit is being refused. This is what responsible credit granting is all about.

Ongoing monitoring

If a supplier had to grant or extend credit to a customer who may not have a sustainable business, both parties will suffer. The credit customer would aggravate his financial position and the chances of meeting his commitments would worsen – and consequently the supplier would not be able to get paid by the credit customer as may have been agreed. This scenario would only result in litigation and incur more costs and pain to both parties.

This is the reason why it is important to undertake a creditworthiness analysis prior to granting credit and ensure continuous monitoring of the existing credit accounts. If suppliers lack proper credit management practices, they would be jeopardising their cashflow and profit.

Suppliers should be proactive when granting and extending credit to customers, ensuring that the businesses are doing well or have the potential of doing well in the future

Therefore, customers requesting credit are encouraged to collaborate wholeheartedly with their suppliers when the latter ask for pertinent information. It is for their own interest to ensure that future financial commitments will be met.

A lack of information

Although data protection is an important piece of legislation and should be observed and adhered to at all times, it may restrict suppliers' attempts to find the necessary information when dealing with individuals.

Some companies are filing abridged accounts, which offer very limited data, while some other companies are completely ignoring the law and are not filing their accounts

However, this should not be the case when companies request credit, as the Data Protection Act only applies to individuals. But anyone who works in the field of credit management in Malta knows well that the information required by suppliers in order to analyse the creditworthiness of companies may also be restricted or lacking.

Some companies are filing abridged accounts, which offer very limited data, while some other companies are completely ignoring the law and are not filing their accounts as they are obliged to. This matter is not only hindering good credit management practices but also encouraging commercial fraud when it comes to business investment and to granting trade credit, harming the economy at large.

In the UK, failing to file accounts or annual returns is a criminal offence which can result in directors being fined personally in the criminal courts. The UK Registrar of Companies may also take steps to strike the company off the public record. Penalty fees for not filing accounts starts from £150 if the length of delay is not more than one month and increase gradually to £1,500 if the length of delay is six months or more.

Section 183 of the Companies Act of the Laws of Malta clearly defines the obligations and responsibilities of Maltese registered companies to file their accounts annually as appropriate and the Eleventh Schedule, referring to Section 184(3) of the same law, specifies the penalties in case the directors fail to file the company's accounts according to Law.

The Maltese fines are relatively hefty. The penalty fees for not filing accounts are €2,329.37 and €46.59 daily. But is the Maltese Registrar of Companies enforcing these fees? For transparency and commercial fairness sake, is it time for the Registrar of Companies to ensure that all the registered companies are complying with the Companies Act in this matter to the benefit of the Maltese business community at large?

The Malta Associations of Credit Management urges the Registrar of Companies to enforce penalties and take appropriate actions on companies failing to file their accounts as they are legally required to, for the benefit of all parties involved and our economy.

CCRW

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CCR world

DATA PROTECTION REVISION

The credit industry needs to be united to fight the EU's proposed revision of data protection regulations

By Stefan Zickgraf

DURING a special stakeholder conference on data protection on 1 July 2010, the European Commission surprised stakeholders with its intention to proceed immediately to a full revision of the Data Protection Directive, whereas in April some senior commission staff, from DG Justice, were still trying to convince the public that such a thing was not on the agenda.

Indeed, when the consultations first began in December 2009, the focus was only on the online world. Stakeholders were now surprised that the ambit had been widened and other 'palpable threats' had been put on the agenda.

The initial consultation was supposed to create a particular legal framework for the challenges which the online world brings to citizens and business.

The actual enlargement of the scope up to a full revision, does not distinguish between online and offline data protection any more. For the credit management industry, all of a sudden many important issues are at stake, such as the banning of 'profiling', and also the idea that 'financial data' could be regarded as 'sensitive data'.

This could have horrific consequences for the industry, ranging from the total prohibition of its use, to very strict rules on the processing and transferring of data which, until now, has been seen and treated as basic working tools.

Not surprisingly, the concerned industrial stakeholders reacted strongly during the conference in July and, as a consequence, the European Commission announced a new schedule for the revision of the directive, probably delaying proposals for about a year.

Because of continued pressure, we now expect that even more time will be allowed for further revisions and that justice commissioner, Viviane Reding, will only make legislative proposals in the second half of 2011.

As a result, the Commission called for another public consultation. The deadline was 15 January 2011 and FENCA, together with the Credit Services Association, the Bundesverband der Inkasso-Unternehmen and the Unione Nazionale Imprese a Tutela del Credito, submitted a position paper. The Commission is currently considering 160 responses to this consultation.

The extreme importance of the proposed changes does not give us the freedom to patiently wait for a proposal to come. The industry must unite and coordinate its actions to fight.

To this end, throughout 2011, we aim to carry out a number of events in Brussels, such as a large stakeholder event with MEPs and commission staff, as well as a major congress.

In 2012 the efforts will probably have to be increased yet further, with a number of activities aimed at the European Parliament.

I would urge the industry to get involved with what will be a hugely important issue for us all.

CCRW

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OPEN CFPB TO CONGRESSIONAL CONTROL?

REPUBLICANS opposed Dodd-Frank last year and have acknowledged they hope to weaken it by using their new-found power over the government's purse strings. Texas Republican Representative Randy Neugebauer said earlier this month that he had introduced a bill to move the Consumer Financial Protection Bureau (CFPB) out of the Federal Reserve (FR), where Dodd-Frank put it to bolster its independence, and into the Treasury Department.

Such a move would reduce the bureau's autonomy by putting its budget through the congressional appropriation process.

Under its current positioning under the FR, the CFPB is impervious to any congressional control. With such powers it may write any regulation it feels is in the best interest of the public's financial protection, be it directly or indirectly related to any financial transaction or service provider to any financial institution.

While poised to open for business in July 2011, it is expected to begin enacting sweeping regulations to the collections and recovery industry. Its regulations can only be overruled by a 70% majority vote of the ten key regulating bodies, one of which is the yet-to-be-appointed director of the CFPB.

Democratic supporter and co-author MA Senator Barney Frank does seem concerned and does not feel they, nor any Federal agency should be held accountable and should instead be handed more power and money because he feels the reason for their failure was a lack of additional funding and personnel as they are overworked.

Asked whether Democrats would be able to protect proposed budget increases for the SEC and CFTC, Senator Frank said: "I do not know about the funding. Obviously there is this overall concern about the deficit, but the amounts (for the agencies) are so small, I just do not know."

By Kevin Armstrong, editor of *CU Collector* in the USA
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CCR world

Despite the recent global economic crisis, retail banking in Germany appears to have remained strong, due to reliable borrowers and a unique approach to lending

By Phillip Sertel

SIGNS OF CHANGE IN A STABLE MARKET

With much of the world's economy still in turmoil, and new eurozone failures making headlines, the relative strength of the German retail banking market continues to draw attention.

Behind that strength is a distinctive savings culture and a highly-competitive credit market, as well as an approach to credit that still differs markedly from markets like the UK and much of Europe.

In this article, I provide an overview of today's market, opportunities for specialist providers, and threats posed by fraud.

The relatively solid position of German financial institutions is partly due to the good repayment habits and small debt-equity ratio of its private households. This has contributed to the fact that private consumption in Germany has been nearly steady for the past five years.

Indeed, German consumers are reluctant borrowers and the consumer credit market shows little growth. According to the *Branchenreport Konsumentenkredite 2010* study, it actually fell by 3.5% to €225.8bn compared with 2005. However, in view of the positive prognosis for the German economy, a growth of approximately 2.8% to €232.2bn is expected by 2015.

Savings banks and cooperative banks dominate

The strong presence of savings banks under public law and cooperative banks is particular to the German market, where they are regarded as serious competitors by private banks.

They have a nationwide network of branches, so private customers and small businesses place great confidence in them.

However, some private banks – particularly foreign ones – have managed to secure notable market shares in the area of consumer credit. Major German banks tend to avoid business with small margins, preferring to concentrate on the more profitable and reliable mortgage market.

Car loans: slowing down of the boom

Loans are most in demand for the purchasing of the Germans' favourite toy: the car.

According to market research by the Gfk Group, approximately one third of new cars are financed this way, and the German government's economic stimulus package in 2009 – paying consumers for their old cars when they bought new – further boosted already high demand. This led to a significant increase in borrowing by private households in 2009, which lasted as long as the incentive.

Manufacturers' own auto banks are some of the top providers of car loans, but specialist providers also successfully offer their services here.

Point-of-sale demand

There is also demand for loan financing at point-of-sale (physical or online) in retail. In October 2010 the Gfk Group even recorded a slight increase in the buyers' willingness to take on this sort of loan. At the same time, forecasts showed a 3% decrease in the use of overdraft facilities.

This trend is not surprising. Consumer financing through instalment purchase is more economical for consumers than overdraft loans. New market players have an opportunity here, to develop offers that will win retailers and store chains.

Good repayment behaviour

According to the credit reporting agency Schufa, the instalment loan default rate for 2009 in Germany was only 2.4%, partly due to the extension of the short-time allowance period, a scheme that helped prevent employees from slipping into financial difficulties.

The default rate fell again in 2010, despite the fact that the number of loans taken out had risen significantly. The astonishingly robust employment market in 2010 could be one of the reasons for this.

Risks posed by consumer insolvency

Despite good repayment trends, German lending institutions are not immune to bad debt losses and increasing levels of consumer insolvency. According to forecasts by the Federal Statistics Office in Wiesbaden, insolvencies are expected to stand at 110,000 at the end of 2010 – an increase of 8.8% over 2009.

One has to understand that in Germany, those who rely on borrowing to support their lifestyle tend to be those in a weaker financial position.

An opinion poll conducted by the Gfk Group in 2009 found that 58% of consumers who took out a loan did so

The relatively solid position of German financial institutions is partly due to the good repayment habits and small debt-equity ratio of its private households

because they urgently needed something they could not afford. This reflects an element of "adverse selection" in the German credit market – those most likely to borrow are those with the least capacity for repayment – meaning consumer credit providers must observe a particularly efficient risk management strategy.

Fraud on the rise

Battling for market share, lenders in Germany have followed a growth strategy for the past few years, significantly extending credit volumes and accelerating decision processes for loan approvals. These measures quickly showed results, but also created an increase in bad debt losses, as the shorter processing time for application assessment made application fraud more common.

Despite tough competition and small margins however, shortcuts cannot be made. Credit providers are therefore equipping their IT systems with highly efficient solutions for automated processing of loan applications and detecting application fraud.

Companies who offer payment by card in Germany have also recorded an increase in fraud cases. When compared internationally however, the losses incurred in connection with cards are manageable.

This is partly due to the fact that consumers do not take out large credit amounts on their debit or credit card, and that the credit card is used rather like a debit card. Germany is globally the second largest market for debit cards.

Measures taken, such as the introduction of the Europay Master Visa (EMV) procedure and the central cancellation file for the electronic debit procedure, helped combat fraud cases, but levels are still rising. Fraudsters continue to innovate and quickly adjust to new market situations.

According to German criminal statistics, the increase in theft of card-related details is particularly worrying. Skimming card details at ATMs increased massively in 2010, according to media reports. The replicated cards are then used in countries that have not introduced the EMV standard yet.

Battling for market share, lenders in Germany have followed a growth strategy for the past few years, extending credit volumes

As German issuers had not invested in the same calibre of fraud management systems as countries like the UK, Germany has also seen increased cross-border-fraud. To that effect, the demand for systems combating card fraud in Germany rose significantly last year.

The search for growth models

The additional required equity called for by Basel III makes it difficult for lenders to develop efficient growth models.

Facing pressure from competitors, lenders who want to be successful will have to further automate their processes and significantly improve the analytical performance of their systems. Due to the shift of credit-related decisions to the point-of-sale and the web, a quick and precise calculation of binding offers becomes inevitable.

Historically, solutions for analytics and decision management were designed and integrated by the lenders themselves. However, relying on in-house resources alone is costly and time-consuming, making it harder to react to new market developments. Some organisations have therefore decided to implement solutions that unite international best practice standards, with which they hope to achieve more effective strategies.

Domestic consumption outlook

Despite the difficult market situation, financial organisations remain optimistic. After several years of stagnation, private consumption in 2009 once more became a pillar of economic development in Germany.

A real wage increase in 2011 is bound to increase consumer spending significantly, and this is predicted by most forecasters.

Conclusion

Lenders should remain cautious, despite the positive economic prospects. With Germany largely depending on exports, economic development will continue to be affected by global events.

Making long-term forecasts in the current climate is tricky, so financial organisations wanting to stay competitive in Germany must be prepared for various scenarios and be able to quickly adjust their strategies to new conditions.

This way, specialist providers can still make profits despite competition and tight margins. **CCRW**

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Table 1. Consumer and installment credit market in Germany

Year	Consumer credits	Of which installment credits
2009	€228bn	€140.3bn
2008	€224bn	€132.1bn
2007	€224bn	€129.3bn
2006	€228bn	€130.6bn
2005	€234bn	€130.1bn
2004	€237bn	€129.2bn

Source: Deutsche Bundesbank, Bankenfachverband

Table 2. Consumer credits in relation to the gross domestic product in %

	1998	2003	2008
USA	16.5	19.2	18.2
Great Britain	12.1	15.9	16.2
Germany	11.0	10.7	9.0
France	7.0	8.0	8.0

Source: Bankenfachverband/ECRI

These figures are gathered in a 5-year cycle

CCR world

EVENTS

ICTF Global Credit Professionals Symposium
17-19 April 2011
Fairmont Chicago, Millennium Park, Chicago, USA
Register online at www.ictfworld.org or e-mail: info@ictfworld.org.

International Anti Counterfeiting Coalition: Annual Spring Conference
11-13 May 2011
The St. Regis Hotel, San Francisco, USA
www.iacc.org/conferences/2011-iacc-annual-spring-conference.php

FCIB Annual International Credit & Risk Management Summit
15-17 May 2011
Athens, Greece
Including a golf day, and two days of presentations, networking and a credit expo.
www.fcibglobal.com

ICTF International Credit Professionals Symposium in Europe
18-20 May 2011
Crowne Plaze Hotel, Amsterdam, The Netherlands
Register online at www.ictfworld.org or e-mail: info@ictfworld.org.

3rd World Credit Conference and Exhibition
19-21 May 2100
Hilton Hotel, Sydney, Australia
Organised by International Collections Manager and the Institute of Mercantile Agents, this aims to be a platform for the exchange of ideas, knowledge and research for global credit professionals.
www.creditcongress.com/2011

FENCA XVIII Congress
22-25 September 2011
Brussels, Belgium
www.fenca.com

CCR-interactive – 5th annual conference – Incorporating the Credit Excellence Awards 2011
4 October 2011
The Guoman Tower Hotel, London, UK
CCR-interactive is the largest and leading one-day conference in the credit professional's diary. It provides a truly international event for the credit industry.
To find out more about attending, visit www.ccr-interactive.com or www.creditexcellenceawards.com

Credit Expo 7th annual conference
10 November 2011
Nieuwegein Business Center, The Netherlands
www.creditexpo.nl

To list your event please call Alison Lucas on +44 (0)1702 341948 or e-mail alison@ccrmagazine.co.uk

WEB LINKS

Asociace inkasních agentur, Czech Republic
www.aiacz.cz

Association of Credit and Collection Professionals, USA
www.collector.com

Association of Credit Professionals, UK
www.aocp.org.uk

Association of Executives in Finance, Credit and International Business, International
www.fcibglobal.com

Associação Portuguesa de Gestâo e Recuperação de Créditos, Portugal
www.aperc.pt

Association of Debt Recovery Agents, South Africa
www.adraonline.co.za

Association of International Credit and Trade Finance Professionals
www.ictfworld.org

Australian Institute of Credit Management, Australia
www.aicm.com.au

Bundesverband Deutscher Inkasso-Unternehmen, Germany
www.inkasso.de

Credit Services Association, UK
www.csa-uk.com

Eurofinas, Europe
www.eurofinas.org

European Association of Consumer Credit Information Suppliers, Europe
www.accis.org

European Banking Federation, Europe
www.fbe.be

European Mortgage Federation, Europe
www.hypo.org

Federation of Business Information Services, Global
www.febis.org

Federation of European Credit Management Associations, Europe
www.fecma.eu

Fenca, Europe
www.fenca.com

Institute of Credit Management, UK
www.icm.org.uk

International Association of Commercial Collectors
www.commercialcollector.com

International Energy Credit Association
www.ieca.net

Leaseurope, Europe
www.leaseurope.org

Malta Association of Credit Management
www.macm.org.mt

Nederlandse Vereniging van Incasso-Ondernemingen, The Netherlands
www.nvio.nl

New Zealand Collectors Association, New Zealand
www.nzcollectors.org.nz

Norske Inkassobyråers Forening, Norway
www.inkasso.no

Professional Risk Managers' International Association
www.prmia.org

South African Insititute of Credit Management
www.icmorg.co.za

Spanish Association of Collection Entities, Spain
www.angeco.com

Svenska Inkassoföreningen, Sweden
www.svenska-inkassoforeningen.se

Syndicat National des Cabinets de Recouvrement de Creances et de Renseignements Commerciaux, France
www.ancr.fr

Unione Nazionale Imprese Recupero crediti E informazioni Commerciali, Italy
www.unirec.it

Verband Schweizerischer Inkassotreuhandinstitute, Switzerland
www.vsi1941.ch

CCR world

APPOINTMENTS & UPDATES

Bert Reitsma, chair, Eurofinas Legal and Policy Committee

EUROPE

Bert Reitsma has been appointed as the new chair of Eurofinas' Legal and Policy Committee (LPC). The LPC is the federation's decision body in charge of legal affairs, policy and lobbying.

Mr Reitsma has worked for more than 15 years in the financial services sector in various capacities. Since early 2009, he has been the secretary general of the Eurofinas Dutch member association, the Vereniging van Financieringsondernemingen.

He is taking over from Edward Simpson, head of government affairs at the Finance and Leasing Association in the UK for a period of two years.

EUROPE

FICO, a provider of analytics and decision management technology, and London-based Telrock Communications, developer of mobile applications for banking, payments and debt management, recently announced an agreement under which FICO will resell Telrock's interactive text and smartphone applications around the world.

Telrock applications aim to give FICO clients a new, fully secure mobile channel for communicating with customers, improving customer service and collecting payments.

Users of Telrock mobile applications include banks and utility companies, such as RBS, NatWest, British Gas, and Scottish and Southern Energy.

GLOBAL

In an effort to meet the increased concern of multinational companies about the rise in political risks globally, insurer Marsh has announced the launch of its Mobile Asset and Commodity Expropriation (MACE) insurance facility.

Available globally, the product provides up to $100m of cover per risk for plant, equipment and inventories located in foreign countries and territorial waters or while in transit between sites.

Julian Macey-Dare, international head of Marsh's political risks and structured credit business, said: "The global recession, credit crisis, increased terrorist activity and political unrest have created a more complex risk landscape for companies investing, manufacturing and trading overseas. Combined with a lack of liquidity and lending constraints, companies now have much higher levels of risk on their balance sheets."

The new facility offers protection against abandonment, deprivation, expropriation, riot, strike, civil commotion, sabotage, terrorism, malicious damage, war and civil war, revolution, rebellion, insurrection and hostile act by a belligerent power. It can also be extended to cover third-party blockade or quarantine and business interruption covering gross profit, revenue, gross earnings, loss of rental income, extra expenses and increased costs of working.

GLOBAL

SAS achieved record global revenue of €1.75bn (US$2.43bn) in 2010, up 5.2% over 2009 results. In the business analytics category, revenue surged 26%.

In the UK, SAS recorded 13.1% year-on-year growth in total operating revenue. Total software sales also showed a year-on-year growth of 12.6%. SAS UK's year-on-year growth was strongly supported by its financial services business unit, which includes banking, insurance and investment industry sectors. It was up by 26% on 2009.

The company reinvested substantial revenue – 24% – back into research and development, and grew staff by 2.4%.

EUROPE

New research from Creditsafe, the business intelligence firm, reveals there remains huge gender inequality in UK boardrooms, with men still dominating the upper echelons of the company leadership. Three quarters (76%) of the directors of UK companies are male.

One in every 11 male UK adults holds at least one company directorship of a limited company registered at Companies House. This compares to just one in every 33 women in the adult population. A third (32%) of company boards of limited companies are headed up entirely by men. Limited companies with female-only directorships represent just 10% of UK firms. There has been a tiny shift amongst start up businesses in the last six months, with a one percentile increase in the proportion of women directors within new limited companies.

Across Europe a familiar pattern of male domination remains: In Germany just one in five company directors is female. In France, men make up three quarters of directors.

Creditsafe's research demonstrates that companies headed up by women often have more efficient financial processes than those headed up solely by men. Organisations with women-only directors are, on average, 51% more efficient at collecting monies owed compared to companies with male-only boards. Companies that have only female directors pay their invoices on average 49% quicker than those with just men on the board.

In the UK companies headed entirely by women are prominent in the health and social work sectors where 39% of firms have female-only directors. This is followed by education, social and personal services. The sectors with the lowest proportion of firms run by women are in the utilities, mining and construction industries.

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EUROPE

A new firm of consultants, who specialise in support of operational credit management, has been launched. The group consists of consultancy and training companies with an existing customer base and established reputation.

It is a prerequisite to participate that the individual consultants are not only expert at what they do but have a proven record of operational delivery in their own areas of speciality. That is to say, before advising clients what to do they have to have previously "walked that particular path themselves" and recommendations are based on experience rather than text-book perceptions.

At the core of the group there are four consultants who have spent their careers in operational credit and collection management and are currently supporting a wide variety of clients.

The partners are Kevin Corcoran at 4pcl Ltd; Bill Dunlop of Tower Associates (International) Limited; Steve Farrar of Eventum Management Services and Nick Tiltman of European Plus

In addition to the core experts, the firm has engaged two additional consultants and has privileged access to experienced governmental advisors and trainers with speciality skills that it sees as crucial to offering comprehensive solutions to clients' needs. They are Nick Kell of Kell Associates (International) and Eddie Pacey at EP Credit Management and Consultancy Ltd.

The first of the group's partners is The P & A Group, who will support their offerings with an array of services from DCA to asset protection, from insolvency support to BPO.

Bill Dunlop, principal, Tower Associates

\>> GLOBAL

Government negotiators have agreed in principle on new terms for state financing to support the export of commercial aircraft. The proposed terms – following extensive negotiations at the OECD – would move fees closer to market rates and allow for regular adjustments to reflect market developments.

The Aviation Sector Understanding (ASU) negotiations await official approval by the participating governments – Brazil, Canada, EU (including France, Germany, UK and Italy), Japan and the US.

The objective of the agreement is to create and maintain a market- and risk-based fee system that produces a level playing field between manufacturers, airlines and governments.

The agreement, if formally approved, will unify the previous disparate financing terms and conditions between large and regional jets. It also contains mechanisms to smooth very sharp market movements. There are no quantitative restrictions on export credit agency programmes.

The OECD has been at the centre of multilateral efforts to harmonise state financing of exports for more than 30 years. The Arrangement on Officially Supported Export Credits, which came in to force in 1978, plays an important role in the multilateral trading system. It helps ensure that both OECD and non-OECD exporters compete on the price and quality of their goods and services, not on the support they receive from their governments.

CANADA

Aktiv Kapital recently signed a contract with a large Canadian financial institution, acquiring a non-performing portfolio with a face value of approximately €221.6m (CAD$300m). The portfolio consists of over 72,000 accounts. During 2010, Aktiv Kapital invested in Canadian portfolios with a face value of over €369.3m (CAD$500m), with this recent purchase being the largest since 2007.

"This purchase confirms our strategy of maintaining and reinforcing our position as the leading investor in the non-performing loan market," said Erik Øyno, president and CEO of Aktiv Kapital. "The latest agreement is a result of a longstanding relationship with our Canadian colleagues, and we believe this will only build on our strong partnership.

"The portfolio is already generating cash-flow. This kind of portfolio fits well with our collection experience and performance on financial accounts, which in the Canadian financial downturn have performed better than accounts originated by non financial institutions."

EUROPE

Algorithmics, the provider of enterprise risk management solutions, has announced it has moved its European headquarters.

Previously based in the City of London, the company is moving to a new facility at 30 North Colonnade, Canary Wharf, which is owned by its parent, Fimalac. The move marks a major investment for Algorithmics in new premises and infrastructure that aims to benefit both clients and staff of the company.

GLOBAL

Apollo Enterprise Solutions, Inc, a provider of solutions for improving operational efficiencies, outcomes, and customer experiences for banks, lenders and other credit products marketers, has launched its newest TRUE module, the TRUECommand Cockpit Command and Control System.

TRUECommand is the nucleus module which serves as the "cockpit" command and control center for the entire TRUE products suite. Apollo calims that it outperforms ordinary dashboards in that it not only presents status information and reports, but it also enables users to perform real-time command and control functions tailored according to the type of user and actions needed.

EUROPE

Cabot Financial, the consumer debt purchaser, has been awarded a City and Guilds accreditation in recognition for its outstanding in-house induction training programme.

CCR world

GLOBAL

Equinox Global, the new specialist trade credit insurer, has announced the appointment of Gaurav Ganguly as head of risk strategy and Marian Berden as senior credit and macro analyst. Both took up their roles at the company on 1 March 2011.

Mr Ganguly was previously chief economist at Atradius, where he built and led an economics unit specialising in the assessment of macroeconomic risks and their impact on industry sectors, both within emerging markets and in advanced economies. Prior to Atradius, he spent several years at the University of Oxford.

Ms Berden was previously a macro analyst at Axis Capital, focusing on political risk and credit insurance. Prior to Axis, she was a senior risk analyst at Atradius and before that she worked for several years at the Ministry of Finance in The Netherlands as policy advisor for Export Credit Insurance and Investment Guarantees.

Top: Gaurav Ganguly, head of risk strategy, Equinox Global
Bottom: Marian Berden, senior credit and macro analyst, Equinox Global

The City and Guilds assessment verifies that the training is necessary and relevant to the business and meets the highest standards. The assessment included training materials, live training observation, testing processes, evaluation forms and training records.

The Cabot induction programme comprises a 12-week training schedule led for the entire period by a training team leader and a collections manager. Assessments are carried out during the 12-week period via online testing, call listening and scoring by the firm's in-house Quality Assessment Team to make sure that the highest quality standards are met before deployment to collections teams.

GLOBAL

Aktiv Kapital continues to show an improvement in results and reports an operating profit of €13.29m (NOK103.1m) in Q4 2010. The board has proposed a dividend of €2.57 (NOK20) per share, which represents a direct return of 40% based on the closing rate on 22 February.

"Operational improvements continued in the fourth quarter, with high income from the portfolios. We have good control of costs following the implementation of a series of efficiency measures in recent years. We have also improved the company's capital structure," said Erik Øyno, CEO of Aktiv Kapital. "Following the sale of the Nordic third-party debt collection business, we are well-positioned to exploit the business opportunities coming within the acquisition of non-performing credit portfolios in 2011

TURKEY

French debt collection and credit insurance company Coface has announced plans to run its operations in the Middle East and Southeastern Europe from its Turkey office.

EUROPE

Lovetts plc, a UK commercial debt recovery law firm, is expanding its debt recovery services for overseas customers, with the launch of six new multi-lingual websites for businesses operating in the US, Norway, Holland, Germany, France and Southern Ireland.

The new websites will enable businesses in the EU and the US to understand the scope of Lovett's debt recovery services and instruct the law firm to collect outstanding debts from businesses in the UK.

The website content will be available in the local language of each country where English is not the first language, and will also provide a gateway to the UK website so that businesses can request an account and submit debts directly to Lovetts.

Charles Wilson, chairman and managing director of Lovetts, said: "There has been a marked upturn in UK-based clients chasing overseas debts in recent years. This has been mirrored by an increase in enquiries from companies based abroad asking for assistance in recovering debts from businesses in the UK.

"It therefore became clear that there was a real opportunity for Lovetts to smooth access to our services for overseas businesses looking for commercial debt recovery expertise. The six websites are the first step in that process, providing clear information on our services in their own language."

EUROPE

Neural Technologies was presented with a European IT Excellence Award at a gala dinner at the London Marriott last month.

The award was in the ISV category of 'Enterprise Application' and recognised a joint fraud and credit risk management project with Turkish mobile operator, Turkcell.

This is the first time that Neural Technologies has entered this competition, which received entries from thirty one countries across Europe.

John Gavan, CEO of Neural Technologies, said: "I am delighted at winning the European IT Excellence Award. May I offer my congratulations to all within Neural Technologies and Turkcell who worked so hard to achieve this very impressive distinction. The judges recorded that we 'really are the cream of a very skilled industry'".

ASSOCIATION NEWS

FECMA

Josef Busuttil, director general of the Malta Association of Credit Management (MACM), has been re-elected vice president of the Federation of European Credit Management Associations (FECMA) at a meeting recently held in Paris, France.

MACM joined FECMA in May 2003 and Josef Busuttil has held the role of vice president since 2004.

The re-elected FECMA president is Glen Bullivant, vice president of the Institute of Credit Management of the UK, whilst the other vice president is Ms Valerie Collot of – the French Association of Credit Management, the AFDCC.

There are currently 15 FECMA members, which are all national associations of credit management representing the credit interests of Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Spain, Sweden, the United Kingdom and Malta.

Left-right: Glen Bullivant, vice president, Institute of Credit Management; Josef Busuttil, director general, Malta Association of Credit Management

Although each association has its own individual programme of activities, all associations share the same vision and objective: to promote best practice in credit management by enabling the members of all the FECMA associations to share their knowledge and experience.

New credit management guide

A *European Credit Management Guide* is being written with the cooperation of all FECMA members. This guide can be accessed from the FECMA website.

Malta meeting

The next FECMA meeting, as the

PRMIA

The election for PRMIA's 2010/11 executive committee recently concluded with a unanimous vote for the nominees by participating PRMIA regional directors.

The new PRMIA executive committee is: Chair – Carol Alexander, chair of financial risk management, ICMA Centre, Henley Business School at Reading Whiteknights. Vice-chair – Thomas Day, managing director, Risk Solutions and Policy, SunGard. Treasurer – Dr Robert Mark, CEO, Black Diamond Risk. Secretary – Dr Oscar McCarthy, PRM risk manager, ABN Amro.

Philippines

PRMIA has announced the appointment of Rafael Dayrit and Rossana Javier as co-regional directors of PRMIA Philippines

Volunteer opportunity

PRMIA is looking for two or three volunteers who would be willing to review and update PRMIA's list of corporate governance resource links provided to C-suite members, ensuring that this list is current, informative, and useful.

These volunteers will need to review the list of current resources and send agreed-upon updated links to PRMIA's membership coordinator on a quarterly basis.

This role would be most interesting to a junior to mid-level professional who has an interest in gaining global recognition among PRMIA's C-suite members. The updates list should contain approximately 7-10 relevant links.

If you are interested in this position please answer the following questions and send your response to sue.rod@prmia.org.

♦ Provide a short biography of your background, including work experience and education.
♦ What is your interest in joining the corporate governance resource coordinator role?
♦ How can you contribute to this role? What are your strengths? Give examples.
♦ How much time do you have to commit to this role per week?
♦ Are you a PRM holder?

Hyderabad

PRMIA Hyderabad recently held a roundtable discussion on 'Sound Practices for the Management and Supervision of Operational Risk (Basel III)' to discuss and submit a response to the Bank For International Settlements (BIS) views of banks on draft of Sound Practices for the Management and Supervision of Operational Risk particularly in the wake of Basel III.

The event was invite only, with delegates including CROs of 12 public-sector banks and five major private-sector banks and the managing director of the State Bank of Hyderabad, the chief general managers of the State Bank of India and faculty from the State Bank Staff College.

www.prmia.org

association is marking its 10th anniversary, will be held in Malta.

FECMA will also be endorsing and participating in the MACM annual conference in May.

www.fecma.eu

www.macm.org

ICISA

The International Credit Insurance and Surety Association has released its 2011 yearbook.

With interviews, statistics and information about members, it addresses the request for information on trade credit insurance and surety.

The yearbook offers an insight into the current state of ICISA and its members. It is a unique source of information on the trade credit insurance and surety sectors, with additional extended information on the 45 ICISA members, as well as unique interviews with professionals from inside and outside the industries.

Robert Nijhout, executive director, told *CCRW*: "An increased interest from an external audience in our industry over recent years has given trade credit insurance and surety more prominence than ever before. With this publication we want to contribute to this need for information.

"The yearbook highlights the members of ICISA, our industry and issues addressed. We are grateful to the ICISA committee chairs and other professionals who shared their knowledge and views in this publication, making the yearbook a unique source of information on our industry."

FENCA

This year's annual congress of the Federation of National Collection Associations (FENCA) will take place between 22 and 25 of September 2011 at the Crowne Plaza Le Palace, Brussels.

Prices this year have been held at last year's rates. Early bird bookings are priced at €499 for members and €699 for non-members. Full rates are €660 for members and €860 for n on-members.

Workshops

Before the congress, FENCA is offering an opportunity for delegates to participate in workshops.

Four workshops have been confirmed for 22 September:

- ♦ Efficient communication with debtors – personal communication – Daniel von Wittich.
- ♦ Staff motivation – Mark Perl, Kintish Limited.
- ♦ Best practices in national lobbying and public relations – Kay Uwe Berg, BDIU.
- ♦ Phone collection techniques – Daniel von Wittich.

The workshops cost €99 each and include lunch for participants.

The full programme an accompanying persons schedule are all available on the FENCA website.

www.fenca.org

Kornel Tinguely, president, FENCA

ACA INTERNATIONAL

ACAI's president Martin Sher, IFCCE, co-CEO of AmSher Receivables Management in Birmingham, Alabama told *CCRW* recently: "Were you aware that there are 456,000 bill collectors in the USA? The majority work in financial institutions, retail stores, government agencies, physicians' offices, hospitals and other institutions that lend money and extend credit. Only 150,000 are in the third-party collection industry. That means there are about twice as many first-party collectors in the USA as there are third-party collectors."

Mr Sher says that the two groups have much in common. "Collectively, we return billions of dollars to the economy, are the lifeblood of business and rely heavily on common technologies, training, education and compliance."

www.acainternational.org

CREDIT FORUMS – ARE YOU CONVINCED?

While credit circles may appear to have lost favour among some credit professionals, there is a new breed of credit forums that can work with members to provide a lively and informative source of knowledge on all aspects of their industry

By Laurie Beagle

THERE has been much written about credit forums (credit circles in old money) and it is fair to say that not every credit professional is convinced they are a benefit. There are even those who have had such bad experiences they are not likely to want to try them for a second time.

I started my first credit forum 20 years ago and it has now been running six times a year since then. From that initial meeting I have developed many forums over the years. Although some have gone by the wayside I now run a solid stable of 11 that meet in both the UK and Europe.

There have been many changes over these 20 years – the format has developed and been tailored to specific groups and industry needs. Also, thank goodness, there has been a move away from “how quickly can you write down what is being said about company X before the members start talking about company Y.”

There is much more of an emphasis on business challenges, filling skill gaps, sharing experiences and networking

In the forums I chair there is much more of an emphasis on business challenges, filling skill gaps, sharing experiences and networking. Sharing of information on common customers is now catered for more by technology solutions, which are able to ensure compliance with the mass of rules and legislation, for example data protection and EU competition law.

So this has been my life for the past 20 years, and it has been a lot of fun (well most of the time). If you like meeting new people, networking, creating stimulating agendas, developing new initiatives and living in hotels it is the life for you.

But what about the members?

The members have (or should have) the final say: on the format, the agenda items and what they think we did well and could improve after each meeting.

All our forums have a steering committee which is made up of members (on a rotational basis) and the co-sponsors. As a team they review feedback, make decisions on future changes and improvements, agree the next agenda and work on developing the forum ongoing. We pride ourselves on the consistent standard we deliver.

The key to any association or club is its members – this is the same for our forums. We spend a lot of time finding and attracting new members and, when we have got them, we try very hard not to lose them. Our members are very supportive in spreading the word to other professionals they know.

To help keep our members we have developed a comprehensive benefit package which is supported fully by the co-sponsors. This includes secure forum web sites where we hold past presentations, workshop results, members’ details, useful information, etc.

Not just meetings

We disagree that forums can be looked at simply as just a number of meetings. Our forums have developed into communities where the members can, and do, communicate on a daily basis with their opposite numbers, co-sponsors and technical advisors. There is always help at hand.

So what do we do at the forums? Somebody once described them as a boys’ club. Well, once they had attended they soon realised they were wrong.

Each forum has an agenda item bank that is drafted from the feedback after each meeting. Agenda items for the next meeting are pulled from these lists by the steering committee.

Some examples include:

♦ Managing guarantees and payment instruments.

♦ Global customers and global credit limits.
♦ Globally standardised credit processes versus customisation to local specific.
♦ E-billing – capture of customer data and best practice.
♦ Debt recovery – debt/late collections activity.
♦ Developing teams – best practice in team building and setting direction.

So what for the future?

Travel bans seem to affect the credit community more than our colleagues in sales and marketing, so there needs to be a high level of commitment from forum members and we need to demonstrate real benefit and value if attendee numbers are to be maintained.

Those who are grounded and cannot attend meetings want to be connected to, and to communicate with, their peers in other ways.

With a significant amount of information to share between the members, including presentations, results and solutions, each forum has its own communication system and website so members can ask each other questions and share experiences on a daily basis.

In the future perhaps webinars and video conferencing is the way forward, although they will never replace the benefits of meeting face to face.

The forums provide a very creative environment so we are able to build on members' ideas and create key initiatives. One of these is capturing fraud data in conjunction with the National Fraud Intelligence Bureau.

Finally we should mention our co-sponsors and supporters. They all play a vital role in bringing expert knowledge to the forums and members and their support is key to the future evolution of the groups.

CCRW

Laurie Beagle is divisional director at P&A Receivables Services and chairs 11 forums in the UK and Europe
lauriebeagle@pandareceivables.com

CREDIT POLICIES – HOW TO GET THEM RIGHT

THE most recent meeting of the ECF was held over two days in London in mid-February, hosted by Willis, and it attracted more than 60 members from Europe and the USA.

Former Sun Microsystems global credit architect Kevin Corcoran gave a one-hour presentation on credit policies and the importance of a clear, concise document.

Mr Corcoran, who now works as a director and consultant at 4pcl, spelt out what a good credit policy should contain:
♦ Use statements.
♦ Use titles but not names.
♦ Define which department does what/responsibilities.
♦ Define authority levels.
♦ Define methodologies.
♦ Define business rules –escalations, non standard processes, etc.

"I cannot stress just how important it is that your credit policy data is constant," he said. "It should not be subject to piecemeal changes – although at the same time it should be re-issued annually.

"The policy must show high level statements and refer to appendices for the detail."

Turning to the appendices, he explained that:
♦ They may contain names and more specific ownership.
♦ Exception instructions should be included, such as special accounts.
♦ What happens when the policy rules cannot be applied, that is, tolerances should be explained in detail.
♦ And the appendices should give real examples of the forms which are to be used.

He added: "In other words, the points above, contained in the appendices, are significantly the details – the moving information."

Turning to addendums, Mr Corcoran explained: "Addendums are stop gap updates that may be issued to the policy between issues. But they should be for emergency use only."

It was crucial, he explained, that those responsible for a credit policy document be aware of their audience. "Ask yourself, what do my colleagues need to know? And what do they want to know?

"Policy should be of a 'readable' length with clearly identified appendix notations. And remember that this will be an evolving document – it will not be the work of one person and will never be the final version

"And finally, listen to the questions you receive, should they be policy items?"

STANDARD CREDIT PRACTICES IN MULTINATIONAL COMPANIES

IAN Chambers, global process owner – credit and collections for Unisys, gave a detailed presentation titled "Global standard credit processes or customisation to local?"

Mr Chambers began his presentation by posing the question: What can a global process deliver? He then surmised that it might:
♦ Identify global service providers – for example credit information agencies, credit insurers.
♦ Utilise areas of specific expertise across all geographic areas providing clients with better service.
♦ Provide economies of scale – do more with less, reduce cost.
♦ Governance.
♦ Internal control.
♦ Centralised command and control.
♦ Consistent strategy, processes and methodology across all geographies.
♦ Common approach to risk management and cash generation.
♦ Identification and replication of best practices.

>>

>> ♦ Global targeting, standard key performance indicators and central reporting.

Mr Chambers then expanded his presentation, to explain how Unisys was optimising its credit management function.

The Unisys strategy is to:

♦ Identify processes which can be performed globally (preferably at a low cost location).

♦ Utilise regional and local teams for subject matter expertise.

♦ Transition "local" tasks where possible to regional level to minimise headcount requirement.

♦ Identify opportunities to bring in work from country organisations.

However, he sounded a word of warning, when he said: "Remember that credit management is not transaction processing as per most SSC functions. As professionals, we need to stay 'close' to both internal and external clients. And there is still a requirement for regional and local expertise from subject matter experts."

CHANGES AND CHALLENGES FOR EMEA CREDIT TEAMS

STUART Hopewell, credit manager at FujiFilm, entertained ECF members with a typically witty and dry presentation in his inimitable style, on the 'changes and challenges' facing EMEA credit teams.

First, the challenges which Mr Hopewell had identified as fairly common to all EMEA credit teams:

♦ Reduced (withdrawn!) bank lending.

♦ Lack of credit insurance.

♦ Rise of the "pre-pack" in the UK.

♦ Pressure on supply chain.

In a rather scathing observation on credit insurers, he recounted that many insurances had been unusable since the start of the credit crunch; insurers had adopted a poor commercial attitude; underwriters had overreacted in cancelling policies and yet, the underwriters and insurers were coming back to commercial customers, offering 'new services'.

Stuart Hopewell, credit manager, Fujifilm

The age-old tussle between credit and sales teams had not gone away, said Mr Hopewell, but it was imperative for credit teams to take the initiative and build an atmosphere of mutual respect, information sharing, finding a way to say 'yes' and always taking the time to explain to sales teams why the decision sometimes had to be negative in not offering terms or extended terms. "I like to call it 'explaining the no'," he said.

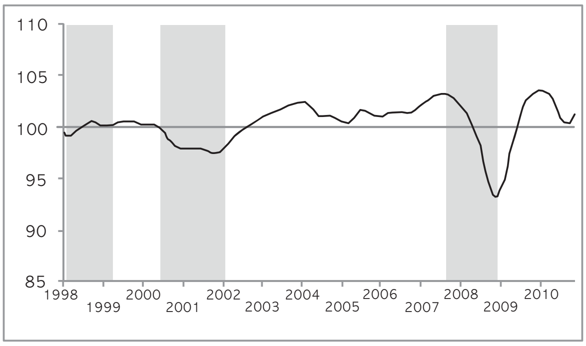
STATISTICS

OECD Composite Leading Indicators

The latest figures show new growth momentum.

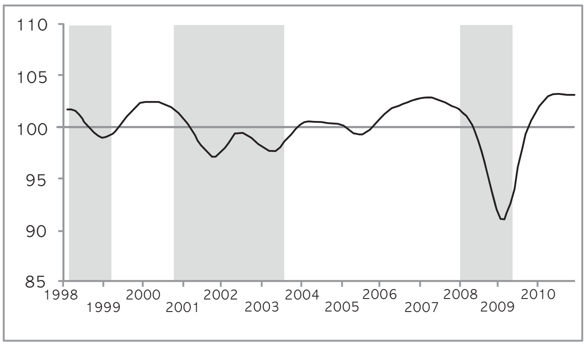
Regained growth momentum in the OECD area

Regained growth momentum in China

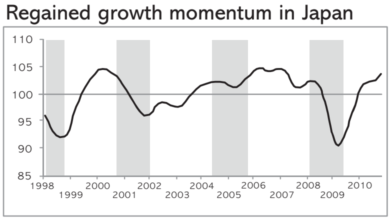


Regained growth momentum in the United States

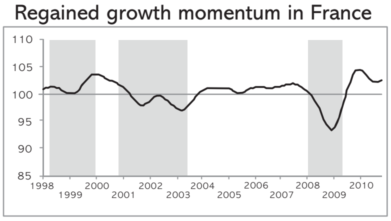
Stable pace of expansion in the Euro area



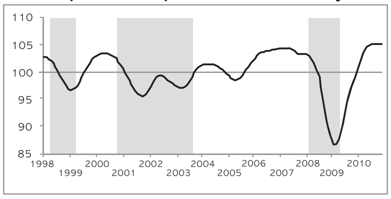
Regained growth momentum in Japan



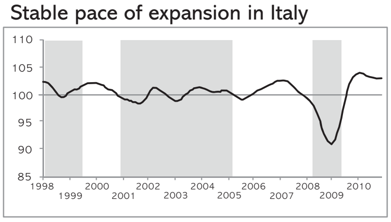
Regained growth momentum in France



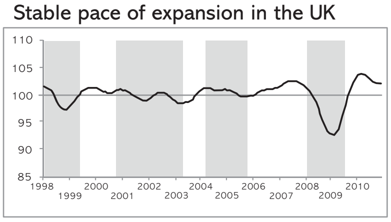
Stable pace of expansion in Germany



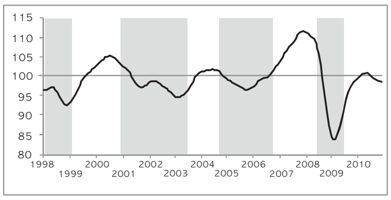
Stable pace of expansion in Italy



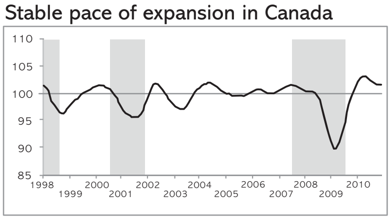
Stable pace of expansion in the UK



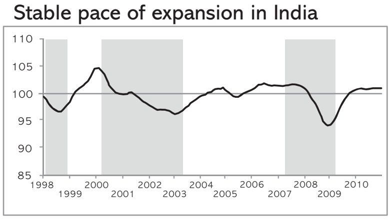
Slowdown in Brazil



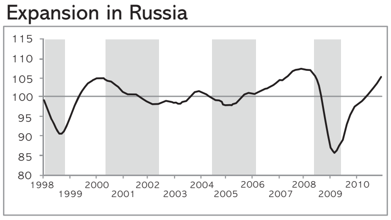
Stable pace of expansion in Canada



Stable pace of expansion in India



Expansion in Russia



The above graphs show each country's growth cycle outlook based on the CLI which attempts to indicate turning points in economic activity approximately six months in advance. Shaded areas represent observed growth cycle downswings (measured from peak to trough) in the reference series (economic activity).

SHOULD INDUSTRY SHOW ITS HEART?

SEND YOUR LETTERS TO THE EDITOR, FREDDIE DAWKINS, ON FREDDIE@CCRMAGAZINE.CO.UK

Jerry Ashton, CEO, CFO Advisors, USA

MANY in the accounts receivable management (ARM) world have been wringing their hands in despair over the way that we are viewed in the press. Some have even advocated a fully-expensed public relations campaign to distribute stories to counter our ongoing negative image. But to my awareness very few have found an impactful way to make that difference.

I formally invite *insideARM* and *ACA International* and every other credit and collections publication to step into this void to create and sponsor a special, charitable programme to be called INNVITE – INNocent VIctims of This Economy.

And, who are these INNVITE people? According to a *60 Minute* special report on US TV, these are the homeless kids who are the unfortunate and innocent victims of this economy – children now homeless along with their parents.

Are you aware that close to 25% of America's children now fall into the category of being at or near poverty level? Unequivocally, it is not their fault. Millions of good Americans have lost their jobs and even their homes in this 'great recession'.

Now – why should our industry reach out to these unfortunates, given so many needy hands that reach out from almost every quarter?

Firstly, because it is likely that we met their parents on the way down. At one time, they were homeowners or apartment dwellers. At one time, they had jobs and credit cards, And, as surely as night follow day, they were once on the other end of the phone when we made our collection calls.

Yes, we were one more painful stage on the way down to the bottom. We knew it, because they told us their pain, but we had to do our jobs.

Secondly, because our industry is large enough, and has heart enough, to make a difference in the lives of these unfortunates. Surely, there but for the grace of God, any of our collectors might find themselves there as well.

There is another industry connection, as well, to consider. Linda Almonte, the subject of *insideARM* attention this past year due to her summarily being fired by JPMorgan Chase and then turning 'whistleblower'. Thanks to being evicted from her San Antonio apartment along with her husband and children, she ended up in Florida where she, too, had to rely on friends and scramble for places to stay.

Because of this experience, Linda wrote to me about the upcoming show and asked me for help. She did not have to ask twice. Sensing that this could be an important way for the ARM family to show compassion, I reached out to a few people in our industry – without much initial success. "Why choose this as a charity?" "Our constituency has their own pet programmes." "How do we know this won't blow up in our face?"

Well, I humbly suggest that none of these considerations are good enough to stop us from giving INNVITE strong consideration.

So, what is it? Spend the money on a high-priced PR to put a positive 'spin' on our industry, or put it to work, instead, to make a difference. One is cosmetic; the other is life saving.

Sounds like a tough call, to me.

Jerry Ashton, CEO, CFO Advisors, USA

NEW EU DIRECTIVE – IMPACT ON ITALY

THE recent approval by the European Parliament of the directive against late payments in the public administration is going to impact hugely on both small and medium-sized Italian companies and foreign companies carrying out their business in Italy, mainly in the health and construction sectors.

A rough estimate sets the exposure of the Italian public administration towards such companies between €50bn and €70bn.

The newly enacted provision sets out a time limit of 30 days, which can be raised to 60 only in certain specific cases, if agreed by the parties in the relevant contract or otherwise. The extension of the term, however, shall not be unfair to the creditor.

The same payment terms are set out with respect to payments in the public sector; however, derogations to the terms are much more strict.

Indeed, an extension to the payment terms must be expressly provided for and also objectively justified, as it may be with respect to public entities providing health services. In any event, under no circumstances shall derogations exceed 60 days.

If the payment terms set out by the directive are exceeded, default interest is due at a rate equal to the ECB reference rate increased by 8%. In addition, the creditor will be entitled to receive an amount equal to at least €40 to cover debt collection costs.

The directive will enter into force 20 days after publication in the *Official Journal of the European Union*. Member States will then have two years to implement the directive.

Flavio Primiceri, Studio Legale Primiceri

March 2011

ICTF

THE ASSOCIATION OF INTERNATIONAL CREDIT AND TRADE FINANCE PROFESSIONALS

Published in association with credit collections & risk world

GLOBAL CREDIT NETWORKS – THE WAY FORWARD?

INTERNATIONAL SYMPOSIUMS ♦ NEW PROFESSIONAL DESIGNATION ♦ MEMBER PROFILES ♦ KPIS

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The Association of International Credit and Trade Finance Professionals

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Membership rates

Individual	$595 per annum
Corporate/2	$990 per annum
Group/3	$1,185 per annum
Group/5	$1,475 per annum
Group/6	$1,670 per annum
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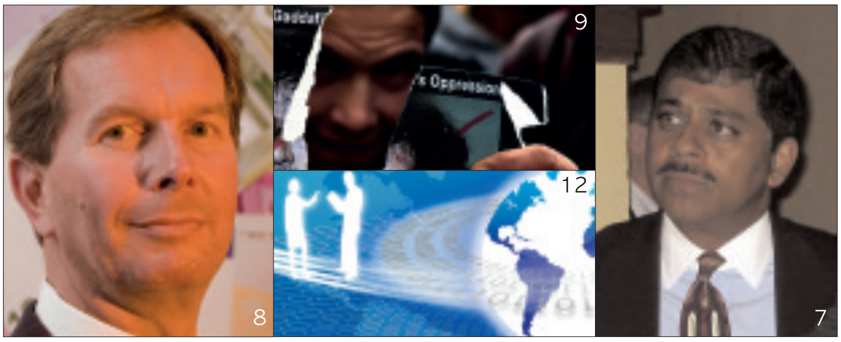

PRESIDENT'S LETTER

Welcome to the first ever edition of the ICTF Magazine!

The launch of The Association of International Credit and Trade Finance Professionals (ICTF) last September marked a new advance in international credit management, providing the international business community with an independent, membership-led organisation, set to become the leading association in its field.

Our mission is to advance the profession of international credit management by providing unmatched expertise, leadership, powerful connections, and leading-edge education and services. These goals are a passion shared by every member of the ICTF Board of Directors and by the ICTF staff.

First 300 members

A lot is happening at ICTF, and we are pleased to have welcomed close to 300 international credit and trade finance practitioners in just six months. The distinguished ICTF Accreditation Committee has recently announced the prestigious ICTF professional designation, Registered Global Credit Professional (RGCP™) and we encourage you to review the requirements and apply. Furthermore, professionals seeking greater expertise in the field of global credit and trade finance will soon have the opportunity to enroll in the most advanced and unique online educational courses, brought by ICTF.

The commitment and contributions of ICTF members and sponsoring partners, along with the unmatched expertise that ICTF brings to the marketplace, are the pillars of our success. The calibre of professionals and corporate involvement with ICTF is most impressive and testifies to our commitment to the advancement of international credit management.

On the events front, coming up are the ICTF Global Credit Professionals Symposium at the Fairmont Hotel in Chicago on 17-19 April and the ICTF International Credit Professionals Symposium in Amsterdam on 18-20 May, where we will discuss the most pressing global issues for international credit and trade finance practitioners, including best export credit and accounts receivable portfolio management practices, trading conditions in the Middle East, credit and collection software solutions, evolving trends in the order-to-cash processes, and much more!

To view the ICTF symposiums' programmes and list of acclaimed speakers, please visit our website now at www.ictfworld.org!

If you are not already an ICTF member, contact us today to find out how you can become part of the ICTF global community and take advantage of the most valuable programmes and resources designed to support your professional needs. Providing exceptional experiences, a vibrant international community and essential tools for our members is ICTF's top priority. It is the combined knowledge and expertise of the ICTF community that make ICTF the most relevant and essential international credit and trade finance association!

Best Regards,

Aneta Spilman, CAE
President
aneta.spilman@ictfworld.org

ICTF THE ASSOCIATION OF INTERNATIONAL CREDIT AND TRADE FINANCE PROFESSIONALS

GLOBAL SYMPOSIUMS SET TO INFORM PRACTITIONERS

ICTF has two important member meetings coming up in April and May.

The Global Credit Professionals Symposium will be held at the Fairmont Hotel in Chicago on 17-19 April, with a specially negotiated hotel room rate of only US$139 for delegates. The event kicks off on the Sunday evening, with a reception and welcome meeting. The discussion programme begins on Monday with a keynote address: "Mad About Trade: why main street America should embrace globalisation" by Daniel Griswold, director, Center for Trade Policy Studies – The Cato Institute.

This will be followed by an overview of how Cisco's Treasury and Cisco Capital established an enterprise wide, integrated risk management approach for its financial investments, trade receivables, and other key assets. The speaker is Wayne Super, senior director and chief risk officer worldwide, Cisco Capital Corporation, who will explore how inferential statistical analysis combined with traditional credit techniques and credit policies enable their ability to balance long-term portfolio stability, sales growth, risk management, and profitability.

The European Symposium will be held in May at the Crowne Plaza Amsterdam City Centre Hotel in The Netherlands.

A panel of international credit practitioners, trade finance and legal experts, will examine country-specific credit, collections, financing and legal issues of doing business in the Middle East – credit management perspectives and effective approaches to credit risk assessment, trade finance solutions, security instruments and successful debt collections. Discussion will be led by Tim Lane, regional director, trade credit and bonds – R K Harrison Financial Risks, UK and panellists will include: Debbie Barbour, partner – DLA Piper Middle East LLP, UAE; Arnold Geelhoed, credit control director EMEA & APAC – Elsevier, The Netherlands; Daniel-Francis Morin, CEO, R2A Platform Middle East – Coface, France and Vince Wellings, regional credit manager, EMEA – Halliburton, UK.

♦ To view the full programmes and list of speakers, visit www.ictfworld.org.

GLOBAL CREDIT NETWORK

THE ICTF Global Credit Network is free to members and the best way to instantly access relevant, timely and in-depth industry and country trade credit information with trade references, payment scores, critical account alerts, industry payment benchmarking, country payment trending, portfolio analysis and more.

Powered by Smyyth, ICTF's platinum sponsor, the ICTF Global Credit Network is:

♦ Timely – updated, scored and trended throughout the day.

♦ Relevant – trade credit data from industry peers and ICTF members.

♦ Anonymous – your identity is not displayed.

♦ Easy – data is automatically handled by a secure FTP site.

♦ Secure – encrypted transmissions.

Powerful features built into the system include:

♦ Online, instant response.

♦ Industry-specific trade data reporting.

♦ Payment and account trending analytics.

♦ Benchmark your customer payments vs your industry.

♦ Comprehensive dashboards of your accounts.

♦ Member generated alerts for payment problems, bankruptcies and more

To join the ICTF Global Credit Network contact info@ictfworld.org.

JOIN THE RGCP PROGRAMME

DEVELOPED and administered by ICTF, the Registered Global Credit Professional (RGCP™) designation is sought and held by international trade credit and finance practitioners who possess the knowledge and experience to excel in today's complex global business environment.

The RGCP™ designation programme is an essential part of the ICTF mission to:

♦ Advance the profession of international trade credit and finance by providing unmatched expertise, leadership, connections, and leading edge education and services.

♦ Attract a membership of international trade credit and finance professionals who demonstrate a commitment to excellence, continued professional development and sharing of best practices with fellow members and peers.

♦ Establish, maintain and promote the highest standards of competence and ethics among international trade credit and finance professionals.

♦ Increase awareness of the value of international trade credit and finance, and elevate the status of the profession.

The RGCP™ designation is intended for individuals who are currently employed in the field of international trade credit and trade finance. Candidates must choose one of the following paths and meet the specific requirements: Experience; Education and experience; Current professional designation and experience.

HOW CAN YOU BEST USE KPIS TO IMPROVE BUSINESS?

ALWAYS a topical issue, key performance indicators (KPIs) for credit and risk managers have been much in discussion within member forums recently.

Tony Ash, owner of SLM Revenue Management Consultants based in the UK, said: "KPIs should not be used in isolation as it is possible that one measurement may give a different result to another and, in some cases, even give a wrong impression of performance."

He used days sales outstanding (DSO) as an example, saying that there are two principal ways of measuring it – the accountant's way (ledger balance divided by annual sales times 365 days) and the exhaust (or count back) method.

"In my view, the accountant's method is quite inaccurate," he said. "The exhaust method is only valuable when you know the average terms of payment (ATP). The ATP can also be affected by the value of sales to the various groups of payment terms so must be weighted according to sales.

"For example if a high percentage of sales is with 60 day customers then the ATP will be towards to 60 day mark. However if the reverse is the case then the ATP will be closer to, say, the 30 day mark. This can change from month to month and DSO will fluctuate accordingly. To overcome this I always use a moving annual total (MAT) for both DSO and ATP as this also overcomes peaks and troughs in trading. An average DSO should be no more than 15 days greater than the average ATP."

Mr Ash also looks at overdue debt. "I measure this as a percentage of annual sales and not as many do, as a percentage of the ledger balance, as this can fluctuate significantly according to current month sales," he said. "Measuring against annual sales flattens out peaks and troughs in trading an accurate trend. Depending upon the type of trade and the company I would expect the percentage figure to be no worse than 3%.

"Another KPI is the ledger movement analysis. This looks at the increase or decrease in the total value of the ledger from one month to the next and measures it against the movement in the value of sales across the same two months. In theory, if everything is equal, if sales go up the ledger balance goes up; if sales go down the ledger balance goes down. It is when you have opposing movements it shows the value of a positive or negative trend in the ledger. Like other KPIs, the MAT irons out the monthly fluctuations."

He explained that, although there are others that he uses according to particular circumstances, one that he considers as essential is the credit note ratio (CNR). "Many companies do not have accurate reporting on customer service issues,"

Tony Ash, owner, SLM Revenue Management Consultants

he said. "The CNR provides information that might not otherwise be noticed. It looks at the number of credit notes raised in the month and expresses it as a ratio against the number of invoices raised. The monthly invoice/credit note figures are added up over twelve months to identify the size of the problem.

"The thought process behind this KPI is that, generally speaking, a credit note is raised when something has not be done correctly. Therefore it can be used as a measure of customer service. A ratio of, say, 1:30 suggests a good level of customer service but at the other end, a ratio of 1:7 or below suggest a high level of errors. Errors cost money in terms of reworking and possible loss of customers. If the ratio is poor then one needs to investigate further to identify the principal causes of error and which department is the main culprit."

Further comments and thoughts on the KPI issue, including comments from Nick Tiltman, managing director at European Plus Limited in the UK, Michael C. Dennis, manager of global credit risk management for Seagate in San Francisco, William Bastiaan, managing director 3ACredit (Europe) in Geneva, Gerwin Braam, global credit manager at AkzoNobel Functional Chemicals bv in The Netherlands, and Eddie Pacey, a credit management consultant based in London, can be viewed in the members discussion area of the ICTF website.

TAKE PART IN GLOBAL SURVEY

THE P&A Group of companies, in partnership with The Institute of Credit Management (ICM), The Association of International Credit & Trade Finance Professionals (ICTF) and Sheffield Hallam University, is conducting a major survey to find answers to the following questions:

- How long are customers taking to pay their bills?
- What impact has the recession had on how and when you are paid?
- What are the differences between sectors?
- Which countries are best and worst at paying on time?

The aim is to publish the results by the end of March 2011 – the white paper report will look in depth at the global picture and is intended to provide businesses with useful information aimed at improving credit controls.

The survey can be completed in 10 minutes or less by visiting the website www.surveymonkey.com/s/8KFY6JD.

POSITIVE AMBITIONS FOR THE CREDIT INDUSTRY

In his role as director of global credit risk management for Hanesbrands, Russell D'Souza knows all about how credit can have a high-profile position within a company

By Freddie Dawkins

RUSSELL D'Souza is director, Global Credit Risk Management, for Hanesbrands Inc, based in the Greensboro/Winston-Salem area of North Carolina.

A down-to-earth location. But when I first asked Mr D'Souza how he got into credit management, he laughed loudly and admitted that it was at 30,000 feet, over the Pacific Ocean!

The job offer and location are not quite as weird as they might sound. "As a senior financial analyst, I was on my way to work in Australia for a few weeks as part of a team on a special project," he explains. "During the flight, I was called up to discuss some points with the CFO and he asked if I would be interested in moving into credit management.

"He told me not to take a decision immediately, complete the project, have a chat with my wife and then respond. It was probably the most unlikely job offer – yet I have never regretted accepting the move into credit and risk management. It certainly has changed my life."

In his professional life, Mr D'Souza is also past chairman of Finance, Credit & International Business (FCIB) and board member of the National Association of Credit Management (NACM), and he was the international credit manager at Hallmark Cards, Inc.

"I would say my specialisms these days are credit risk management, international business development, corporate finance and treasury," he says.

"In my current job as director of global credit risk management for Hanesbrands Inc, which I started back in February 2008, I manage the global credit risk function at a $4.4bn public corporation in the apparel industry. The company is a key supplier to the mass channel, department store, sporting goods and mid-tier stores in the USA, and internationally.

"We have a nationally-recognised stable of brands include Hanes, Champion, Bali, Playtex, L'Eggs, Hanes Her Way, Just My Size and Duofold."

So how has Hanesbrands developed its credit policy? "Good question! Most of the places I have worked in have operated on an *ad hoc* basis, with no formalised policy as such," he explains. "People often claim to have formal credit policies – but they do not in reality.

"Without a doubt, the credit function can be a high-profile position, as it has grown from a fairly US-centric discipline to one of enormous international business importance. So a good credit policy, along with solid terms and conditions are vital.

"In fact, I am just rewriting our own policy at the moment – and it has taken me the better part of a year so far, as it has to include our offices ranging from Argentina to Australia."

Mr D'Souza reports to a senior vice president of finance and treasury. Each country reports into him so, as the head of global credit in the USA, he has something like 50 people reporting to him globally.

"When I was hired just over three years ago, Hanesbrands had been split away from the Sara Lee Corporation. I had to reduce our staff numbers from 200 to 75 globally, and this was done mostly by attrition.

"It was a tough initiation but I got through it, and I think we are all the stronger for the business reorganisation."

Mr D'Souza often receives requests for career advice, and he is profoundly supportive of bringing good people into credit management.

"I would say, to anyone considering a career in credit management, you can make a real career, especially in the international markets. But you must not become complacent. It is good to reinvent yourself every three years, seek new qualifications and keep abreast of latest developments.

You must not become complacent. It is good to reinvent yourself, seek new qualifications and keep abreast of latest developments

"I know this might sound a bit corny, but it is a jolly good reason to join the ICTF and enter the training programmes we have on offer."

For the ICTF, Mr D'Souza has very positive ambitions. "I would like us to be the unequivocal leader in global credit. I want us to seek out and recruit members who are thought-leaders in business and credit.

"At Hanesbrands, credit management was originally seen as a back-office function. No longer. We are now involved in developing our strategic plan as a partner and we are viewed as a valuable business partner in the process, and my team are sought out to move to other departments, because we have all worked hard to be good at our jobs and to understand the company's needs." **ICTF**

Implementing the right credit strategy for your business is a vital means of ensuring everything runs smoothly, as Jacques Vincken knows only too well

By Freddie Dawkins

THE MAN WITH A PLAN

JACQUES Vincken is Shell downstream credit manager Europe and global commercial fleet and retail. A popular speaker at international credit risk management events, he has worked in the finance function of Shell for nearly 27 years in various businesses (Upstream, Chemicals, Downstream), has extensive experience in commercial finance and is a true credit professional.

Mr Vincken has had overseas assignments in various Shell divisions and companies. In his previous job as global credit manager for Shell Chemicals, he successfully standardised the credit management processes of Shell Chemicals on a global basis.

He managed to dramatically decrease the working capital and has made the organisation a cash-conscious environment throughout. In addition, Mr Vincken set up a credit strategy for Shell Chemicals that is still very successful and has helped the division through the recent crisis with minimum bad debt. He has also launched a successful China credit strategy.

Mr Vincken received the CEO Awards in 2007 and 2008 for his success in the credit and contract management process. He is a strong believer in professional credit management supporting businesses in their growth strategies and giving added value.

The Chemicals Credit Strategy was a great success, leading the credit organisation within Shell Chemicals towards the professional arena. In his new job, in Shell Downstream, Mr Vincken has embarked on a new – as he puts it – "exciting journey, including the 'EU Hunt for Cash', not only establishing a well-oiled cash machine, but at the same time embarking on a massive mindset change, transforming a big organisation from reactive to very pro-active". At the same time he is setting up new credit strategies that will help the business in its growth strategies.

Mr Vincken is an active member of various external credit associations, previously the Finance Credit and International Business and the European Chemicals Credit Association, the Institute of Credit Management and now ICTF. A founding board member of ICTF, he is excited about the future of the association.

He also serves as an active board member and chairperson within some of these organisations and is a frequent speaker on credit management topics at various conferences around the world, the most important being the annual China Credit and Risk Management conferences.

Along with a credit strategy, he is a great supporter of credit policies. "We have an overall global credit manual and then, in each country where we do business, we have an operational credit manual," he explains.

"We review our credit policies annually, or sooner, if events happen that are important to update. As an example, the recent anti-money-laundering policies are important to get into our manuals as soon as possible."

For terms and conditions, how much input do the credit and risk management managers have in ensuring they reflect market good practice? "This varies per Shell class of business," he says. "In Shell Chemicals we had a strict credit control framework in our standard terms and conditions for contracts."

And links with sales – so often a difficult area – is there a formal line of reporting within Shell, between the credit department and sales, to foster a collaborative approach, or is credit still viewed as a sales-blocker rather than a sales-enabler?

"Credit reports into finance and is seen as a clear FN function. We are global. We however do work very closely with our sales, customer centre and sales support colleagues." **ICTF**

ICTF

VOLATILE TIMES FOR TRADING PARTNERS

The recent uprisings and protests in North Africa and the Middle East may lead to difficulties when it comes to trading with companies in those areas affected

By Dr Hans Belcsák

The popular uprisings in North Africa's Maghreb and throughout the Middle East are still evolving, and it remains difficult to predict exactly what the results in each country will be.

What most of the revolts have in common is that they have been spontaneous eruptions aiming to get rid of the established, autocratic and repressive order and to bring freedom and self-government, without, however, any concrete plans for what is to come afterwards and without the institutions required to make democracy work.

This highlights the good fortune Egypt has had in that the armed forces will now run the country and maintain law and order until political parties have had a chance to organise and meaningful elections can be held. In many of the other countries in upheaval, there is a distinct risk that militant Islamist forces, as the most disciplined and best-organised, will be able to take advantage of the confusion and disarray and gain firm footholds.

Morocco is still the relatively most peaceful of the countries in the Maghreb and to date, the signs of unrest have been restrained. Tens of thousands did protest in various cities on 20 February, but there were no serious clashes with the police and business was largely unaffected.

King Mohammed VI has announced the creation of a new Social and Economic Council with the brief to carry out reforms, but the Monarch, one of the youngest Arab rulers, has already done much to address the needs of the population of 32 million and is well liked by many.

So far the banned Islamist group Justice and Charity, the biggest and best-organised opposition force, has not been able to gain much traction. This situation warrants watching, but the near-term prospects are not alarming.

Protests in Algeria

There were minor demonstrations in Algeria throughout last year and there have been more recent protest marches in Algiers, Oran and Constantine, even though the authorities tried to head off problems with a number of concessions.

Although the regime has indicated that it will end the state of emergency that has been in place for nearly two decades, opposition groups insist that this is not enough.

While President Abdelaziz Bouteflika, who is 73, is apt to remain under pressure, both from the protesters and from inside the establishment, he is, at this point, little more than a figurehead serving as a front man for a somewhat nebulous group of aging military officers who hold the real power.

Besides, the mood here is different from that in Tunisia or Egypt, because people still vividly remember the brutal civil war in the 1990s in which at least 200,000 died. They do not wish for the bloody strife to return.

Since they are angered by nagging joblessness, poor housing, high prices and corruption, growing difficulties must be reckoned with. But the economy remains in a relatively strong position and there is plenty of hard-currency liquidity.

Conflicts in Tunisia

In Tunisia, the ouster of President Sine El Abidine Ben Ali more than a month ago has created conflicts between politicians jostling to fill the political void that show clearly the difficulty of moving from an autocratic regime, toppled by street opposition, to a working democratic model.

>>

>> The interim prime minister has now been forced out by a new wave of demonstrations and the largest Islamic group, Ennahada, is demanding that Ben Ali's former party be decertified and permanently banned because it supported the dictatorship. The latter warns that Islamic participation in a future government would hurt women's rights and tourism.

Ennahada questions the legitimacy of a committee of university scholars working on recommendations to shape elections, while the armed forces remain on stand-by.

As yet there is no end in sight to the political mess and the economy is being hurt by the persistent unrest. Foreign business interests are also directly affected if they involve any dealings with state companies, with local operations of foreign firms working in partnership with members of the deposed President Ben Ali's family (there are scores of those), or with enterprises owned by this family, whose assets have been frozen in Switzerland and in most other countries where they were deposited

In the longer run, there will be reason to worry about rapidly rising crime, with gangs already beginning to rampage through several neighborhoods of Tunis. This makes Tunisia a test case for the Arab world.

A successful transition would give Arab youngsters seeking change a model to turn to. Failure will mean economic losses, a possible return to military rule, and support for the opinion that the nations of the Maghreb are not ready for democracy.

Civil war in Libya

Libya is in the midst of a civil war in which the opposition to Colonel Qaddafi now holds most of the Eastern part of the country and with it the bulk of the nation's oil resources.

But, while reports have it that oil exports from Eastern terminals have resumed, most international petroleum companies operating in Libya have found it wise to evacuate their staffs, and the small local population of not much over six million cannot muster all the technicians and engineers required to run the energy sector. So, unless and until foreigners feel it is safe to return, more and more of Libya's oil production will have to be shut down.

Meanwhile, the sanctions that are being imposed by the European Union and the United States and the freezing of Qaddafi's assets abroad are at least temporarily raising havoc with cross-border payments, and port closures are seriously hampering trade.

Libya, one needs to stress, may be headed for chaos, because Qaddafi spent 40 years hollowing out every single institution that might have challenged his authority. Libya lacks the steadying hand of a military that could prop up a collapsing government. It has no parliament, no labour unions, no political parties and no civil society.

Damaged economy in Egypt

In Egypt the banks, businesses and factories have only just reopened, but the economy has already been hurt by a collapse in tourism and foreign investment since the protests erupted on 25 January.

A rash of strikes have hobbled enterprises across the nation as emboldened unions press escalating demands, with many Egyptians having convinced themselves that if the authorities seized "all the billions" that Mubarak and his cronies stole and distributed the money to the population, everyone would be well-off.

Libya may be headed for chaos – it lacks the steadying hand of a military that could prop up a collapsing government

The work stoppages have also crippled customs and maintenance operations at Cairo airport, and a growing lack of law and order has become a major worry. Moreover, plenty of difficulties could emerge from a rising tide of legal complaints, charging corruption, against members of President Mubarak's regime, including some of the most powerful Egyptian politicians and businessmen.

There is money for outbound payments as key sources of hard currency, from Suez Canal transit fees (about US$5bn annually) to US aid (US$1.5bn), remittances from Egyptian expatriates (US$8bn) and oil (US$9bn) are still flowing, but the economy will need considerable outside help to recover and, above all, it requires socio-political stability, which is not a near-term prospect.

Rebellions in Yemen

Yemen is as close as a country can come to being a failed state, with the regime of President Saleh facing rebellions in the North and South as well as the presence of Al Qaeda in the Arab Peninsula (AQAP), arguably the most active, aggressive and dangerous branch of this organisation. Saleh is a consummate manipulator who cannot be forced out easily.

Were Saleh to be toppled, however, the result could tear the country apart and lead to chaotic conditions, crippling an economy that is running out of oil and water and is less and less able to support a population in which many have not enough to eat, but every second person has a gun.

Thousands of protesters are continuing to demonstrate across the nation, demanding that President Saleh step down. He has been rallying tribal support, with some successes and a number of setbacks. For now, he can count on the backing and the loyalty of the top brass in the army and security forces, who hail, like he does, from the Sanhan tribe. But discontent is rife in the lower ranks of the military.

No mass unrest in Saudi Arabia

Unrest in Yemen also poses a threat to Saudi Arabia, where so far open signs of discontent have been few and far between, but where there is a growing risk of the upheavals in nearby Bahrain spreading along the causeway to the Shiite-majority Eastern Province, which contains 80% of the Kingdom's oilfields.

Saudi Arabia is one of the few oil producers in the world with spare production capacity, and it has already increased liftings to prevent market shortages in the wake of Libyan production and export problems. For now, any interruption of output in the Kingdom appears unlikely.

King Abdullah last week responded to the first signs of unrest in his country by announcing social and economic concessions costing an estimated 135bn Saudi riyals (US$36bn) and targeting, in particular, shortcomings in housing, employment and education. The goal is also to protect Saudis, who mostly work in the public sector, better against cost-of-living pressures.

So far, there has been no mass unrest in the Kingdom of the kind seen in Tunisia, Egypt and Libya, but there have been some street protests in Jeddah and a few small demonstrations in Riyadh.

Extra jobs in Oman

In Oman, a Sultanate that has been a leading reformer in health, education and women's rights, thousands of youngsters have confronted police in the industrial centre and port of Sohar after the security forces fired rubber bullets and two protesters were killed.

Sultan Qaboos bin Said, who exercises absolute power in this state where political parties are banned, responded to the unrest with a promise to create some 50,000 extra jobs for the 2.7 million citizens, and ordered the state to pay registered job seekers 150 rials (US$390) a month until they find work.

So far, exports of oil and oil products (typically 160,000 bpd from Sohar) have not been affected, but there have been business disruptions as demonstrators have blocked roads to an industrial area that includes the port, a refinery, and an aluminum factory.

National dialogue in Bahrain

Bahrain has seen unrest that is different in that it takes place across a sectarian divide and pits a majority Shiite population against its Sunni rulers. This majority has long been restive, claiming economic and political discrimination.

After first seeking to quell protests violently, the ruling al-Khalifa family withdrew the military and the security forces and called for a national dialogue in which all options are said to be on the table, but the opposition cannot agree on what it should demand – with established political groups generally willing to accept some compromises, while the youth movement wants the al-Khalifas to give up power completely.

Meanwhile, many parts of the tiny country are paralysed by strikes, with a distinct potential to affect anyone doing business with the Kingdom. With very limited oil resources of its own, Bahrain depends for its economic well-being heavily on its role as regional financial hub, and there is no telling yet to what extent the unrest will damage financial activities and scare off foreign capital.

In Bahrain, the ruling family withdrew security forces and called for a national dialogue in which all options are said to be on the table

With a currency pegged to the US$, Bahrain's US$3.77bn in international monetary reserves could be quickly depleted in the event of an all-out capital flight, quite aside from the fact that Bahrain, host for the US Fifth Fleet, is crucial to US strategic interests.

Limited unrest in Kuwait

The unrest in Kuwait has been limited so far, but there have been clashes between demonstrators and security forces seeking to disperse them with tear gas.

Most Kuwaiti citizens tend to be well-off and unlikely to take to the streets, but there are sizeable numbers of stateless Arabs demanding citizenship.

Demands made in Jordan

More difficult is the situation in Jordan, where Islamists, liberals and traditional supporters of a move toward a constitutional monarchy have joined voices demanding limits on the extensive executive powers of the Hashemite King.

King Abdullah is torn between appeasing an East Bank establishment that has a tight grip on power and worries about the loss of state benefits, and the push for wider reforms that would empower Jordanians of Palestinian origin, many of them poor refugees.

In the short run, a new government complicates dealings with this country, the more so as its installation by the King has not calmed the situation and workers are still in the streets while the companies they are supposed to work for cannot function.

Moreover, the concessions that have been made to the protesters, including a sharp rise in civil service salaries, exceed what the public coffers can afford and add to the fiscal strain on a regime that is already more than US$20bn in debt.

To be watched for potential trouble down the road is the Islamic Action Front, the main opposition organisation, which is the political arm of the local Muslim Brotherhood.

Uprising unlikely in Syria

In Syria, finally, there is, for now, not much chance of an Egypt-like popular uprising. President Assad and his people, an Alawite minority in a largely Sunni Moslem nation, are maintaining an iron grip – and Syrians still remember 1982, when the President's father, Hafez al-Assad, razed the town of al-Hama to the ground and had 40,000 of its residents massacred because they dared to challenge his dictatorship.

The Mukhabarat (secret police) has been out in force to prevent public gatherings such as those which occurred in Cairo's Tahrir square, but the regime is not invulnerable. There is considerable unrest, based on economic discontent, due to badly executed reforms that have hurt people not exactly living in the lap of luxury to begin with.

The government no longer has the cash to continue the old system under which the Baath party regime kept wages low but promised secure jobs and access to life's basics, such as food and fuel, at artificially low prices.

Everywhere in Damascus televisions have been tuned in to reports of the uprisings in Egypt and other North African and Middle Eastern lands, and people who want to see social change are watching and waiting. **ICTF**

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INTERNATIONAL CREDIT NETWORKS: THE FUTURE?

Web-based credit networks have been helping credit professionals in the US for many years. Is it time for them to help those working in a global market?

By John Broderick

A professional credit network should deliver the following elements:

- On-demand Software as a Service (SaaS) platform available 24/7.
- Data is aggregated and reported along with data contributed by other industry companies to track business credit trends.
- Within a group, data can include a member number (or be anonymous). Outside a group, all sources are anonymous. Within export networks contributors are always anonymous.
- Intra-group communications and alerts are monitored for compliance.
- Flash alerts for special conditions, PFC, NSF, bankruptcy or material change in payment trends.
- Data updated daily.

Within the US a disconnected network of credit groups has existed for well over a century. The value of these groups in building the infrastructure of US commerce has been enormous.

Reliable information is vital

At the core, credit extension is a method of facilitating the trading relationship between parties. The existence of reliable information is the key component of enabling this relationship.

With every advance in technology and information access credit groups have evolved. Every aspect of communication has impacted the flow of information, be it the Pony Express, telegraph, trains or telephones, to today's instantaneous transmittal of data worldwide.

The key question is what are the benefits of doing on an international basis what has been done within the US? In our experience a number of factors have come together which makes this type of effort worthwhile.

During the recent worldwide credit crunch, many companies which relied on credit insurance as a method of protection found themselves denied coverage on strategic and, in many cases, fundamentally sound accounts.

The aversion to risk was so strong that it paralysed the processes that companies had historically relied upon. The only option to continuing to do business was to assume that credit risk without the umbrella of protection.

At this point customer information becomes critical. In contrast to the US, verifiable payment information in Europe is very difficult to source and is very expensive. Many reports need investigation and are created on a customised basis.

This may result in a delay of the decision process. Competitively this can result in lost sales opportunities and, as a result, competitive pressure may force unwise decisions.

In this type of scenario, it would be useful to have the ability to go online and instantaneously view:

- ♦ A thirteen month history of the payment experiences.
- ♦ High credit extended to the customer.
- ♦ Average high credit.
- ♦ The network's earliest sales date to the customer to establish history.
- ♦ Track the amount owing.
- ♦ Trend the days slow.
- ♦ Reliable metrics which predict the probability being paid on time.
- ♦ Aggregated data to build portfolio scorecards for instant and consistent decisions.

Instant access to data of this type gives the critical market intelligence needed for management to make informed decisions.

Emerging market benefit

There is a very important benefit that is tangential to the ability to make informed decisions but is nonetheless critical. In discussions we have had with companies looking to build their businesses in countries such as India, China and South Korea, a major difficulty has been the inability of their customers to obtain financing.

A principal barrier has been the absence of a verifiable history of acting as a responsible business partner. In areas where the information infrastructure lacks the fundamentals to prove the customer has acted responsibly over a period of time, the customer lacks the resources necessary to secure outside financing to grow their business.

Having the ability to meet with a funding source and presenting them with a report detailing a history of fulfilling their commitments will act as a much needed incentive for lenders to provide critical investment capital. If an entrepreneur is able to provide a detailed history of positive experience there is a much higher probability of securing financing.

In this way the development of a historical record of experience works to the benefit of both the supplier and the customer.

Obstacles to developing a secure network

In reality there is only one obstacle. There must be willing participants. The technological and legal issues have been resolved and the network is working successfully today.

Participants concerned about anti-trust and privacy issues have significantly more security with a web-based network than with groups which meet in person.

A virtual environment is one where the rules are set, rigid and cannot be circumvented within the virtual network. Comments and remarks are governed by the system. Strong anti-trust vigilance is far easier to enforce because drop down menus will only contain permissible remarks and all comments must go through a centrally-monitored firewall.

From an anti-trust standpoint it is far easier to defend an action where the range of all discussion is strictly set from the beginning. You will never need to answer a question about what discussion took place at a certain meeting or at the bar one night, because the online system mandates safe default parameters.

The virtual network's strict anti-trust standard has led to more contributors because it meets the conservative standard of sceptical corporate attorneys who previously have prohibited credit group participation.

For networks formed to exchange information across borders an extra degree of caution is enforced by not ascribing any data set to a particular contributor. It is allowable to know who participates within the network but the specific contributor of a particular reference is kept anonymous.

At the core, credit extension is a method of facilitating the trading relationship between parties. The existence of reliable information is the key component of this

How a network grows

A virtual credit network is connected by one element: customer commonality. On the face of it credit networks seem to be organised along industry vertical lines but, in reality, unless they share common customers they have nothing in common. The key driver is 'customer overlap'.

As a case in point we started with the data from two companies in the footwear industry and quickly built it to many data contributors. When we analysed the data we noted that a number of the contributors were heavily involved with outdoor footwear and athletics. This led to an initiative for the outdoor industry and cross over to areas such as sunglasses, outdoor apparel, golf, and fishing equipment, for example. In turn each of these areas has a portion of their data overlapping with other industry verticals.

The following is an example of how quickly value can be returned to network members:

- ♦ 14 month summary.
- ♦ 80 Members contributing.
- ♦ Data gathered for 461,000 accounts.
- ♦ 71,500 reports delivered in the last six months.
- ♦ Payment metrics established for 300,000+ trade families.
- ♦ 45.2 million trade lines of experience reported.

Cost

For ICTF members there is no cost to join the network. The requirements are submission of a complete A/R file on a monthly basis and membership in the ICTF. There is also the benefit of access to the Smyyth Network which contains data gathered from 50 different groups. Access to the Smyyth data and reports may require payment but rates are discounted for ICTF members. **ICTF**

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