



FEBIS Comments on the Capital Markets Union Mid-Term Review

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FEBIS is the federation of leading Business Information Services Providers and Credit Information Agencies. Today it has developed into an organization comprising 80 full members involved in providing both business & consumer credit reports (including scoring), debt collection services and marketing information services of national and international importance. Supported by a combined workforce of over 25.000 employees, FEBIS members and associate members generate over 1,300 billion business reports annually for over 1,6 billion European organizations, providing these clients with business support for the provision of credit and other commercial services. Aggregate sales turnover of FEBIS members and its associate members is in excess of € 11 billion. More information on FEBIS at www.febis.org

General comments

FEBIS members support the Commission's initiative to put in place an ambitious plan for a Capital Markets Union in the EU, as this is greatly needed and could improve the way European SMEs can get better access to finance. Acting as key providers of credit and business information in the EU, FEBIS member companies welcome any measure aiming at improving access to credit and would like to emphasise that better access to key credit and business information is essential to achieve this goal.

FEBIS members would like to insist on 3 major points that must be considered in the course of the CMU Mid-Term Review:

- 1. The need to improve data availability for credit reference purposes to enable better access to finance such as trade credit***
- 2. The promotion of information exchange and re-use possibilities to define accurate credit scores and reports enabling better early-warning alerts to prevent insolvencies***
- 3. The need to strike an appropriate balance in the European regulatory framework between enabling business development and privacy protection***

1- Improving data availability for credit reference purposes to enable better access to finance such as trade credit

FEBIS largely supports the initiative of the CMU but insist that *allowing first access to business and credit information by credit reporting service providers is key*. Data availability really is a key first element which is totally necessary for enabling SMEs and also micro companies and entrepreneurs a better access to finance. In this end, **it should be made clearer that entrepreneurs and micro companies are acting in their business capacity and should therefore be considered as legal persons**, allowing scoring processes which are sometimes done on sole traders and entrepreneurs. Availability of key financial data (eg annual accounts) should be guaranteed also for the micro-companies and individual entrepreneurs as they are a key pre-requisite element needed by credit reference agencies to be able to do relevant scoring which then lead to better access to financing schemes.

Our member companies have always had great interest in all policies related to Small Businesses as their business models is based on granting the best company information they can:

- to credit institutions to ensure small businesses get access to credit and finance,
- when providing credit management solutions for trade credit, which is also a source of finance, mainly for SMEs



In order for this to happen, it is crucial that financial information from SMEs remains and /or becomes available for credit reporting and business information services. The two go hand in hand: one cannot promote better access to finance and credit if no formal financial information from SMEs is available, as lenders will be all the more cautious and reluctant to lend money if they don't have thorough credit impact assessment report.

FEBIS therefore thinks the Commission should ensure that financial information from SMEs remains or becomes available for credit and business information providers in order to ensure fair credit and business information reporting which will then lead to better access to finance.

2- The promotion of information exchange and re-use possibilities to define accurate credit scores and reports enabling better early-warning alerts to prevent insolvencies

To do so, it seems important to define rules that will be about the same for all Member States regarding:

- disclosure rules of annual accounts, cf. the directive 2013/34,
- access to public data,
- access to positive and negative data, in particular from National Central Banks

in order to enable easier cross-border financing and trade credit, but also to enable business information companies to fine-tune their scoring models thanks to more / better information, for the benefit of the supplier and the customer or the lender and the borrower.

FEBIS welcomes the initiative of the Commission to foster the development of a common minimum set of comparable information for credit reporting and standardised credit quality information, since national traditions regarding the availability of credit information and the possible usage that can be made greatly vary from country to country. A set of common standards would be very good but it should not be done at the expense of credit information businesses nor lower the reuse possibilities for credit and business information already existing in some member states. A common set of harmonised standards to define the thresholds/levels differentiating micro, small, midcap and big companies which could be applied consistently across all EU legislation and Member States would also be welcomed.

FEBIS members are also supportive of defining a standard for financial and corporate reporting that promotes good financial management and credit awareness amongst SMBs, these standards should also ensure that finance providers are able to make lending decisions responsibly considering factors such as affordability. **Rather than creating an "IFRS for SMEs", FEBIS considers more urgent to define (or redefine) common accounting standards and disclosing rules for SMEs and/or access rules to the information for credit reference agencies among Member States.** This should also be extended to a set of key business information features that should become available for credit reporting or scoring all across the EU.

These common set of standards should be clearly and carefully defined with the credit professionals such as FEBIS members to ensure that they encompass all that is needed to ease the credit facilities for SMEs.



Credit reference service providers can help SMEs with early-warning systems flagging out difficult situations at an early stage and thus help avoiding liquidations but for this they need to have access to comprehensive financial and corporate information to make accurate and best updated credit reporting services. Enabling a better flow and re-use of individual entrepreneurs and SME financial information can help portray an accurate trade credit picture and thus avoid cascade liquidations coming from late or non-payment of business counterparts.

3- The need to strike an appropriate balance in the European regulatory framework between enabling business development and privacy protection

Any initiative improving access to finance for SMES should be welcomed and encouraged and in order to better promote access to alternative financing, credit report agencies and business information providers need to get better access to key information on SMEs. But when the directive 2013/34 will be fully transposed in Member States, this will in fact result in a lack of key accounting information available and it will therefore become more difficult to make thorough and accurate credit report assessments, and thus reduce the credit facilities for SMEs. And if FEBIS members do understand correctly the objective pursued with the disclosure exemption proposed by the directive, we must underline that it may be counterproductive for the company itself.

In addition to accounting information, other crucial data is endangered of becoming available:

- Corporate links via shareholders/participations are in some countries not mandatory to be disclosed, in some others only at the foundation date, nevertheless further updates are rarely made available. This causes a big impediment in tracing properly a company's trajectory and it also conflicts with the purpose of recent legislation requiring due diligence for financial institutions and companies to identify the beneficial owners (as stated in AML directives).
- In some EU countries, crucial information, as the company status (whether it is no longer active), is difficult to ascertain. Only the tax authority has the record of each year's activity tax paid which proves the company continues activities, but this is never disclosed. Consequently, credit reporting systems try to find multiple ways to overcome this obstacle.
- Non-registered businesses (sole proprietorships, cooperatives, co-ownerships, associations, etc) constitute, in their majority, "thin files" not enough to conclude a proper credit opinion, mainly due to non-being accessible except for some governmental institutions. However, the weight of these businesses is considerable in the overall trade credit and the national economies. The future "credit file standards" should, definitely, be intended to nourish these files as well.

A too stringent approach on data protection mixing individual and businesses' interest could greatly impede the availability of this information, **so it is crucial to ensure that fair third party (customer /supplier) economical legitimate interests remain a valid ground for data processing in terms of credit and business information. It should be made clearer that entrepreneurs and micro companies are acting in their business capacity and should therefore be considered as legal persons**, allowing scoring processes which are sometimes done on sole traders and entrepreneurs.



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