



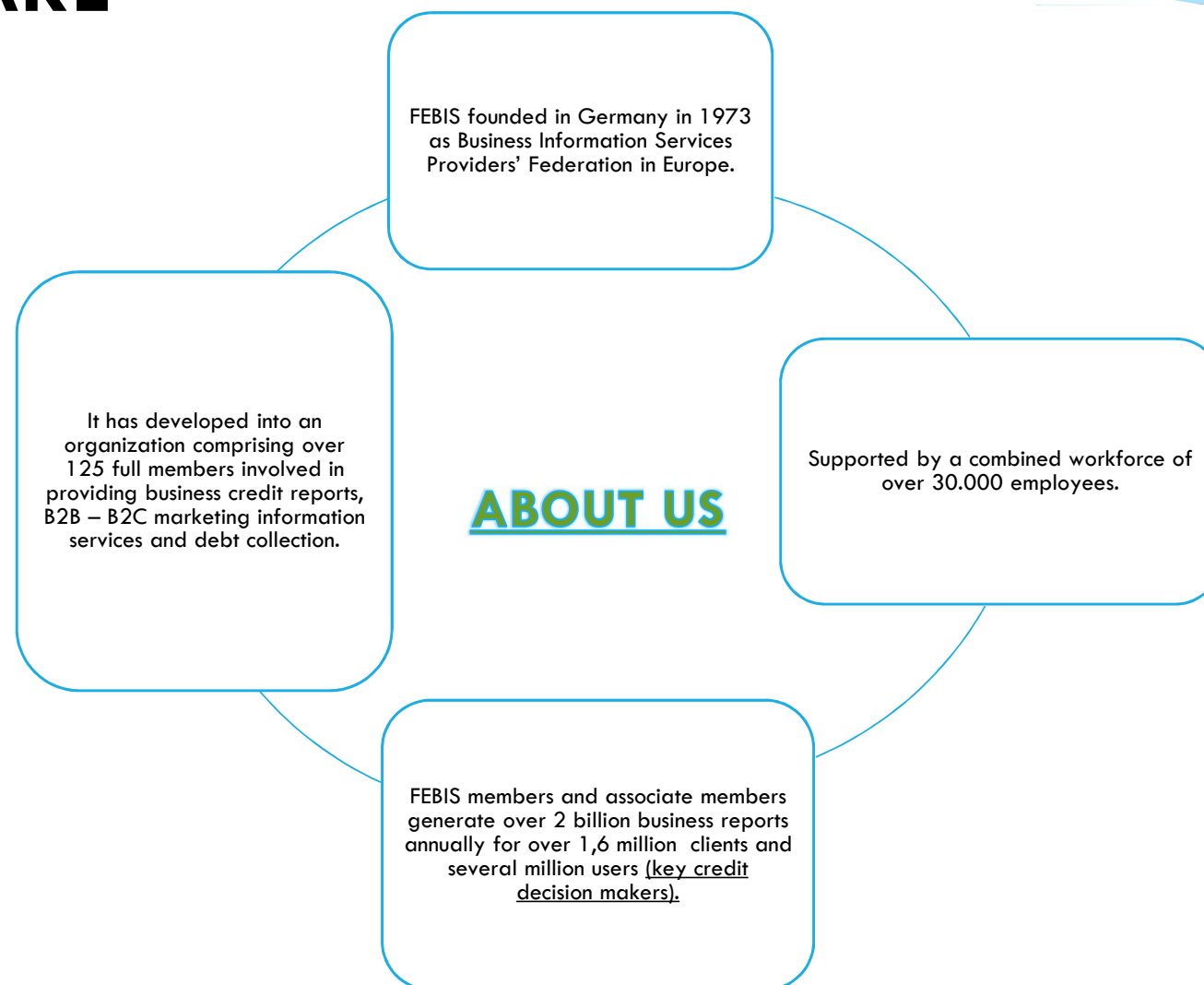
# **CREDIT REPORTING IN EUROPE**

## **FEDERATION OF BUSINESS INFORMATION SERVICES**

**LUIS CARMONA**  
VICE-PRESIDENT OF  
FEBIS

Frankfurt, 18 June 2019

# WHO WE ARE



# CREDIT REPORTING IN EUROPE

## SUMMARY

### Data sources

Big data effect

Opportunities: Innovation Tools

Challenges: Regulatory framework

Case Studies

Trade Credit

## DATA SOURCES

Data cumulative: public information + internet data = BIG DATA

Well structured, routine information patterns, enable access to structured data

Open data: accessible, at marginal cost, and ready to redistribute

Corporate information techniques gather mainly:

- Financial data
- Administrative data Corporate data firmographic
- Corporate links (shareholder, client, supplier)
- Previous payment experience data

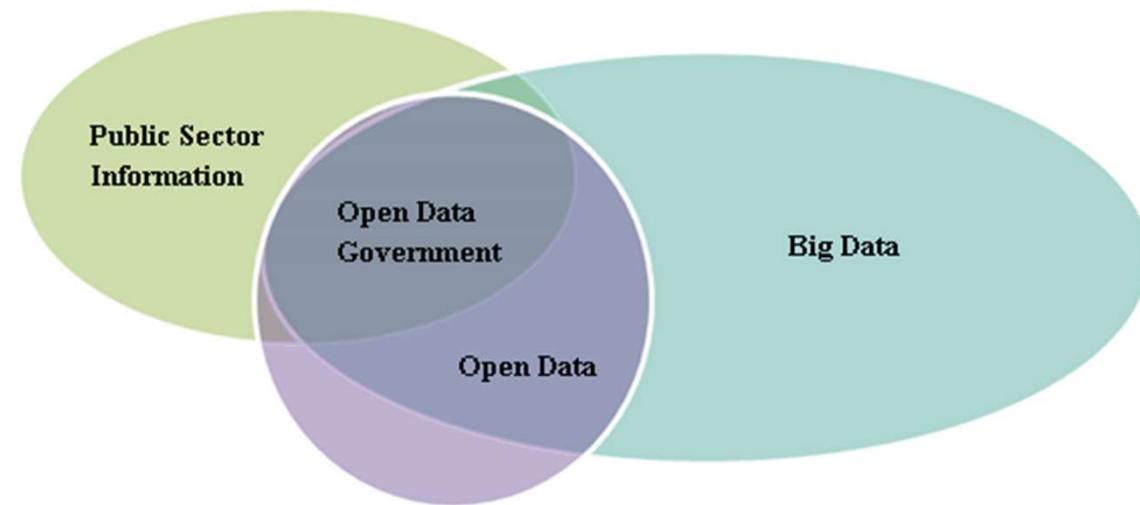
### ADDED VALUE

To help users achieving their purposes:

- Statistical Scores
- Sectorial Clusters
- Market Prospections
- Compliance

*Usually, the quality of these tools diminishes along with the company size analysed.*

(Open Data market in UE+28 estimate, 300 billion EURO in 2020).



## CREDIT REPORTING IN EUROPE

### SUMMARY

Data sources

Big data effect

Opportunities: Innovation Tools

Challenges: Regulatory framework

Case Studies

Trade Credit



## BIG DATA EFFECT

Increased opportunities for “non-structured” Information processing.  
Increase in the amount of available data.  
Increased analytics, mathematical and statistical capabilities

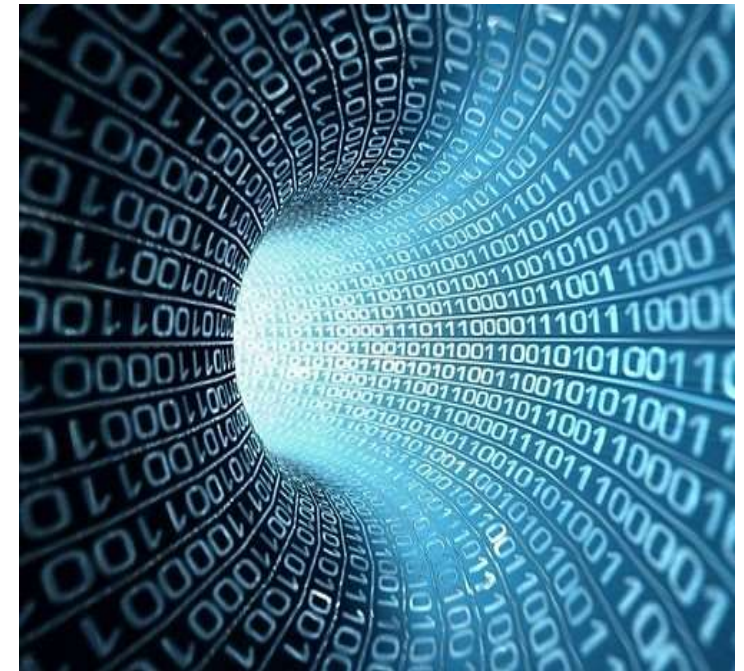
BD causes democratization of data and models creation.  
However...

The first step of any “BIG DATA” project is the **quality of data**:

- ⇒ Quality data
- ⇒ Historical information
- ⇒ Eliminating duplicates
- ⇒ Eliminating obscure evolution dates

Therefore, .... and even if it seems paradoxical... as available data increases, a bigger need arises to have the essential data within the “Open Data” type: well structured/known/ good quality standards.

Showing unstructured data intelligently. This is the big challenge.



## CREDIT REPORTING IN EUROPE

### SUMMARY

Data sources

Big data effect

Opportunities: Innovation Tools

Challenges: Regulatory framework

Case Studies

Trade Credit

# INNOVATIVE APPROACHES

SME's credit evaluation tools should count with the following contents:

Mixed Information systems. Enhancing their performance as they append new data.

- Systems information (data lakes) + user information

Customized and multivariable decision maker systems

*Variables: data and features of the transaction / Statistical scores (creditworthiness/ liquidation) / Internal Information of the user / Credit limits / outstanding debt....*

Monitoring systems (default / delays in payments):

Comparatives: industry & geographical behaviour/ with other industries

Alerts: On specific data of individual reports / On aggregated (portfolios)

- Intuitive and dynamic Dashboards

Customized by the user / Interaction by combining user and system data

AI: Organization/classification of companies into clusters, with  
real value for the user

*AI discrimination algorithms – (machine and Deep learning)*

Cloud Data Storage





## CREDIT REPORTING IN EUROPE

### SUMMARY

Data sources

Big data effect

Opportunities: Innovation Tools

Challenges: Regulatory framework

Case Studies

Trade Credit

## CHALLENGES: REGULATORY FRAMEWORK

According to the last FEBIS survey on **Credit reporting systems status in Europe**, encompassing the 28 EU countries plus Serbia, Turkey and Switzerland within the framework of ICCR collaboration for the G-20 SME Finance Action Plan.

As a conclusion, despite being in the Big Data era, we may observe a lack of basic and crucial information in many of the countries analysed.

Data samples, hindered for being disclosed:

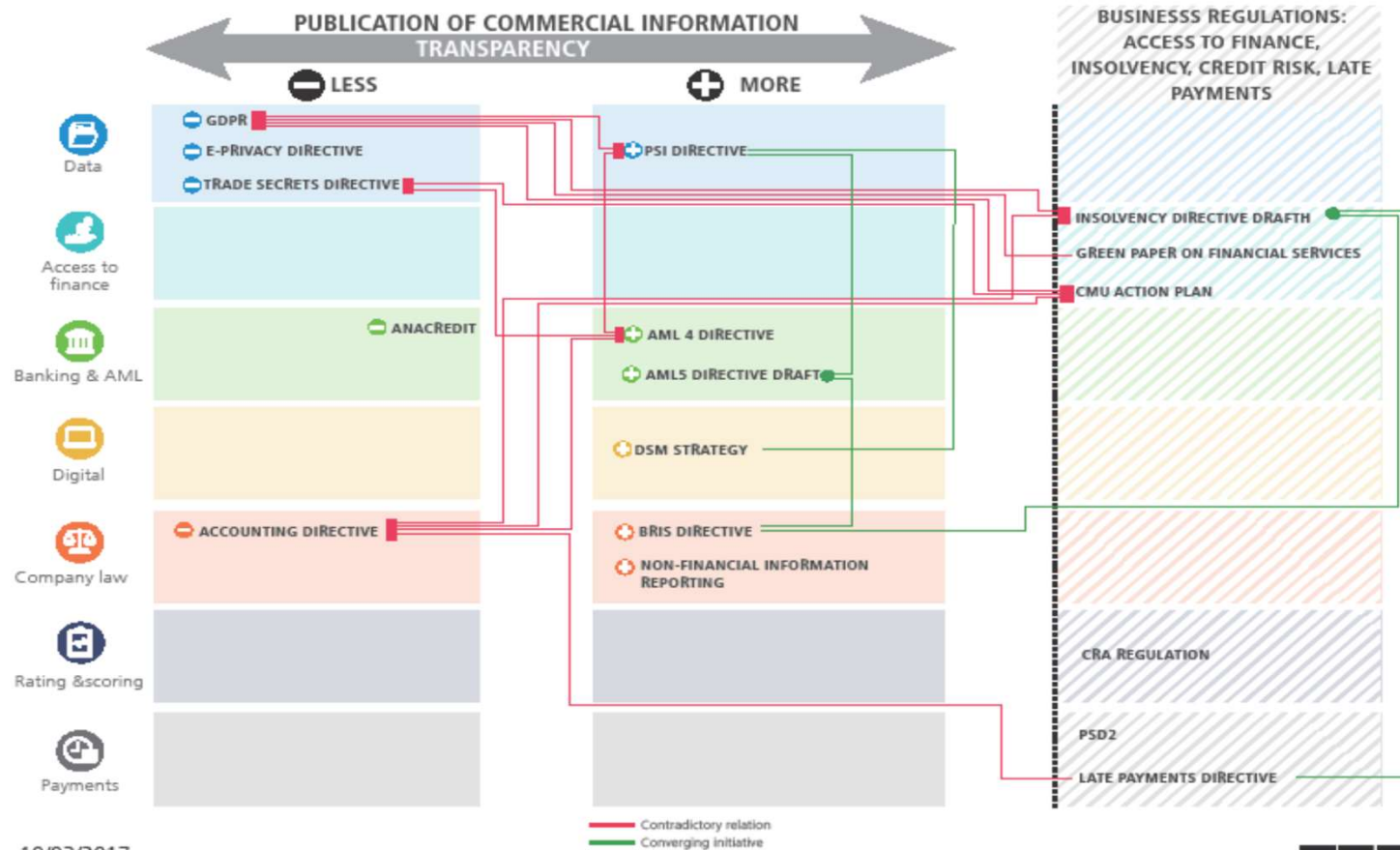
- *Business status (whether they are active any longer)*
- *Financials*
- *Shareholders*
- *Employee size*
- *Activity abroad (imports – exports)*
- *Information on non-registered entities, such as associations, cooperatives, sole proprietors (considered as consumers in some regulations when they do have business partners as other businesses), etc...*

Improve and promote Cross border data transfers.

Aligned with Open data and global trends.

# CHALLENGES: REGULATORY FRAMEWORK

## RELATION BETWEEN PUBLICATION OF INFORMATION AND OTHER REGULATIONS



10/03/2017  
Versión 4

FEBIS

## CHALLENGES: REGULATORY FRAMEWORK

### CONCLUSIONS

There is a **paradox** between, on one hand, working in an environment where the value and quantity of information is increasing and, on the other hand, witnessing an **access reduction to essential data** for concluding **reliable credit information**. Something crucial for the good functioning of trade and corporate transparency.

New trends to help widening data access:

- Follow up the GDPR (General Data Protection Regulation) implementation
- PSI (HDVS)
- Late payments revision
- Early Warning Europe – Early Warning and Second Chance – (**FEBIS active in the last 5 expert workshops**)
- Public Reporting
- SME Access to Finance -

And improving financial systems

- CMU Action Plan, unlock more investments for all companies (especially SMEs), attract more investment into the EU from the rest of the world, make the financial system more stable by opening a wider range of funding sources
- Fintech Action Plan (for a more competitive and innovative financial system)

## CREDIT REPORTING IN EUROPE

### SUMMARY

Data sources

Big data effect

Opportunities: Innovation Tools

Challenges: Regulatory framework

Case Studies

Trade Credit

## CHALLENGES: CASE STUDIES

UK – The Small and Medium Sized Business (Credit Information) Regulations 2015 (based on the Small Business Enterprise & Employment Act 2015) 

A Government initiative to improve competition in the SME lending marketplace by improving the provision of credit data from the 9 largest commercial banks (referred to as “Designated Banks”) to alternative finance providers, via Designated Commercial Credit Reference Agencies (CCRAs).

CCRAs have to apply to HM Treasury to be Designated. The selection process is very rigorous on *the basis of breadth of customer base, excellence of in-house product development and strict governance and security procedures*

The Designation process underpins the core initiative to improve UK finance markets and increase access to finance for smaller businesses

The role of the Designated CRAs is to receive SME credit information from Designated Banks and provide equal access to this information to all Finance Providers that agree to share their own credit data within 12 months of being given access. This is a significant milestone in a major structural reform that promotes competition in the SME credit market.

It recognizes the fundamental role that CRAs can play in improving credit conditions in addition to the value of positive credit data sharing

[https://www.legislation.gov.uk/ukdsi/2015/9780111138861/pdfs/ukdsi\\_9780111138861\\_en.pdf](https://www.legislation.gov.uk/ukdsi/2015/9780111138861/pdfs/ukdsi_9780111138861_en.pdf)



## CHALLENGES: CASE STUDIES



### UK (II) - The Small and Medium Sized Business (Credit Information) Regulations 2015

During the application process the British Business Bank which handles the process for the Government, stated: “The control of credit information by existing providers is a barrier to entry in the market for lending to smaller businesses. Opening up access to credit data held by the big banks will increase the reliability of credit scores, enabling alternative finance providers (i.e. leasing, renting crowdfunds) to make better-informed decisions about finance provision to smaller businesses.”

Exclusively for data relating to SMEs under 25 mm GBP revenue per annum

Data sharing has been operating for some years, on a voluntary basis and under the reciprocity principle, however current account turnover data was not included and coverage was patchy.

It is now a legal requirement for the 9 Designated Banks to share their SME credit data

Each bank supplies summary statement data (covering balances, credit and debit turnover) from all SMEs relating to credit cards, current accounts and loans

**It has been agreed that Designated CRAs can also use the data to improve credit scores to both Finance Providers and Trade Credit Providers. Trade Credit Providers however cannot access the raw credit data provided**

## CHALLENGES: CASE STUDIES

### FRANCE

Exemptions granted to Member States by the 2013/34 accounting directive enabling SMEs not to publish (part of) their annual accounts (transposed through different French regulations from 2014)

The directive enables *itself* the development of a different level playing field, among Member States.

Announcements of Annual Accounts filing in the French Official Gazette				
Filing year	Availability to the general public from the Business Register		Total of all filed Annual Accounts	% of (partially) non publically available Annual Accounts
	No business that exercised the « confidentiality option »	Yes		
2015	321 488	897 407	1 218 895	26,38%
2016	466 175	797 073	1 263 248	36,90%
2017	638 237	733 359	1 371 596	46,53%
2018	715 333	621 627	1 336 960	53,50%
At 2019/04	246 695	165 352	412 047	59,87%
Total	2 387 928	3 214 818	5 602 746	

## CHALLENGES: CASE STUDIES

### SPAIN



Non registered businesses have limited data available – hindering proper screening.

As a result, numerous alternative funders desist to serve these targets and many transactions among companies are rejected.

Credit buros, with banks information, reserved for banking industry, with partly exceptions to the general market.

## CREDIT REPORTING IN EUROPE

### SUMMARY

Data sources

Big data effect

Opportunities: Innovation Tools

Challenges: Regulatory framework

Case Studies

Trade Credit

# TRADE CREDIT

## CONCEPT AND ISSUE OF TRADE CREDIT

Trade credit is extended bilaterally between firms and exist in the form of supplier credits. A credit is granted from the seller of a good to the buyer under which the buyer can delay the payment of the purchasing price for a certain period of time.

The intensive use of inter-firm financing is surprising given that financial intermediaries such as banks are supposed to be more efficient in providing credit to firms. Inter-firm financing is considered rather expensive with implicit annual trade credit interest rates amounting up to 40%.

GDP – importance.

According to a survey by the IMF (2009), about 60% of all international trade transactions are financed via trade credit.

Users of commercial and credit information. All economical layers, MSMEs, big corporations, screening and small credits, etc...

Ever forgotten. It simply requires more appropriate conditions.

.....Thank you all very much.

