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Si informano gli Associati che l'EU Federation for the Factoring and Commercial Finance Industry ha pubblicato sul proprio sito (www.euf.eu.com) il nuovo numero della propria newsletter. La newsletter, allegata per pronto riferimento, è disponibile, insieme alle precedenti uscite, anche sul sito di Assifact, nell'area dedicata all'EUF (www.assifact.it > EUF > La Newsletter dell'EUF).

Cordiali saluti

Il Segretario Generale
 Prof. Alessandro Carretta

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Connecting and Supporting the Commercial Finance Industry Worldwide

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The EU Federation
for the Factoring
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Welcome from John Gielen EUF Independent Chairman

A warm welcome to our Spring Newsletter.

Dear Members and Beneficial Owners,

It's my great pleasure to welcome you to the latest edition of our new design Newsletter! Feedback on our new layout in Autumn 2014 was very positive and we hope you will equally enjoy this Spring 2015 version.

First of all, I'm delighted to tell you that at the Annual EUF Council Meeting, we elected a **second Vice Chairman of the EUF ExCom**. **Françoise Palle-Guillabert** DG of the ASF has served on the ExCom since its inception, so I am really pleased that she brings her in depth experience and enthusiasm to this important role. Within this edition you will see her article on a recent important roundtable in France on the funding of SMEs where Françoise was able to champion the role of our type of funding to these drivers of the real economy.

In this issue we hear also from Diego Tavecchia, our Chairman of the Economics and Statistics Committee, about the growth of the industry and the diverse approaches taken to delivering our solutions across Europe.

And the Legal Committee's Chairman Maggie Wessel tells us about the EU's Capital Markets Union initiative and the role that the EUF is playing in influencing the development of this major initiative designed to boost business by bringing a standardised approach to capital access.

And Peter Mulroy, of the the Prudential Risk Committee shares with you the impressive start to the work of our latest committee

John Brehcist, EUF Co-ordinator reminds us of a very important and ground breaking gathering that took place earlier this year in Brussels, the First EU Factoring Summit.

A warm welcome to this latest edition; we hope you find it interesting and valuable. As I always say, if you have any thoughts, comments, ideas or advice, do please let us know; they will help us make your Newsletter even better!

With every best wish,

John Gielen
Independent Chairman



The Legal Committee

Unlocking funding for Europe's businesses – also by overcoming legal barriers



MAGDALENA WESSEL
Chairman of the Legal
Committee

On February 18 this year, the EU Commission launched its consultation on "Building a Capital Markets Union" (http://ec.europa.eu/finance/consultations/2015/capital-markets-union/index_en.htm). In its press release of that day, the EU Commission calls this a "landmark project to unlock funding for Europe's businesses and to boost growth in the EU's 28 Member States with the creation of a true single market for capital". The idea is aimed particularly at start-ups and SMEs who need improved access to financing and capital, but also at larger companies that wish to expand - those who need financing should be able to reach investors, and with the help of the EU, the "investment chain" is to become "as efficient as possible".

The core of this consultation on how to achieve a Capital Markets Union (CMU) is a Green Paper (COM(2015) 63 final) which is accompanied by a Commission Staff Working Document under the title of "**Initial reflections on the obstacles to the development of deep and integrated EU capital markets**" (SWD(2015) 13 final). Both these documents mention factoring several times and also describe some (in particular legal) impediments which hamper the development of e.g. factoring as a cross-border means of financing.

The EUF and in particular its Legal Committee was pleased to note that e.g. the regulatory gap in the Rome I-regulation (Regulation (EC) No. 593/2008 on the law applicable to contractual obligations) is indirectly referred to in both documents, as the documents mention legal issues with regard to the priority and effectiveness of assignments against third parties as one of the obstacles for factoring. After having reiterated its views regarding the Rome I-regulation in several position papers over the last years (most recently in its position paper dated March 30, 2015), the EUF is now cautiously optimistic that the EU Commission will finally take up the reviewing process of Art. 14 of the Rome I-regulation once more after the issue more or less silently fell off the agenda in 2012.

However, the regulatory gap in the Rome I-regulation is not the only legal issue which is addressed in the two aforementioned documents and which could be resolved in the process of building a CMU: The **CMU-Green Paper also brings up the idea of further harmonization in the field of insolvency law in order to reduce divergences between national insolvency frameworks and thereby also uncertainty for investors and financiers.**

With a view to factoring, civil or contract law also holds some potential for EU-wide harmonization and thereby reduction of legal barriers for SMEs who wish to use factoring as a means of financing. Contractual bans and/or limitations on assignments represent such a barrier for especially factoring and commercial finance: in some EU member states, contractual clauses generally prohibiting the assignment of receivables or only allowing assignments under certain conditions prevent SMEs contractually from using their assets, i.e. the receivables, to obtain financing. Such contractual clauses are often imposed on SMEs through the terms and conditions of those of their clients and purveyors with more market power, even though there are no objective and tenable reasons for such clauses – ultimately, both SMEs' clients and purveyors would benefit from the receivables' assignments to factoring companies, e.g. through trade discounts granted to the SMEs' clients.

This legal issue has been or is currently being resolved in some EU member states, at least in part: As an example, in Germany, B2B-assignments are valid and effective despite a ban on assignments having been contractually agreed upon between the factoring client/assignor and his client, i.e. the debtor. In the UK, a legislative proposal for the nullification of bans on assignments is currently being discussed. Unfortunately, bans on assignments are still valid in other EU member states such as the Czech Republic, Greece, Spain and to some extent also in Italy, thereby creating a legal

The Legal Committee

Unlocking funding for Europe's businesses – also by overcoming legal barriers



MAGDALENA WESSEL
Chairman of the Legal Committee

obstacle for factoring. Hence, an **EU-wide harmonized solution enabling all SMEs to use their receivables as assets on which to base their financing would help create a favourable legal framework for factoring in Europe.**

The CMU Green Paper and the corresponding Commission Staff Working Document also refer to the lack of information for potential financiers, especially with a view to credit information on SMEs, as another hurdle. Although this is described as a more structural hurdle, there is also a legal aspect to it: Not only do only very few EU member states have a widely known and used system for gathering and disseminating credit information, but even where such systems exist, data protection laws often make their use more difficult, also because many SMEs can be considered as micro-sized enterprises which are from a legal point of view often treated similarly to natural persons and sometimes even consumers. In this context, the ongoing discussions within the EU institutions regarding the General Data Protection Regulation are of interest as is the idea of creating a harmonized European approach to gathering, evaluating and disseminating credit information.

It remains to be seen what results the consultation on the EU Commission's CMU Green Paper will bring about – hopefully, it will help to promote not only the knowledge of factoring, but also improve parts of the legal framework for factoring and commercial finance in Europe.



Conference on SMEs' funding in Paris



FRANÇOISE PALLE-
GUILLABERT
Vice-Chairman

ASF organized on the 31st of March, under the patronage of Michel Sapin, French ministry of the economy, **a seminar on the funding of SMEs**. 350 persons (French MPs, businesses' managers and representatives of the SMEs, ...) attended. The event consisted of two round tables, respectively on cash funding and investment funding, and of a focus on SMEs' funding in the frame of EU big policies.

The first round table, dedicated to factoring, grouping, as speakers, President and Vice-President of ASF's factoring commission Patrick de Villepin and Patrice Coulon, ASF's General Director Françoise Palle-Guillabert, and also representatives of businesses and two MPs, proved useful and constructive. Indeed, representatives of the industry were given the opportunity **to show that factors accompany more and more businesses and on a longer period of time, that cost of factoring means today even less in the context of very low interest rates and is in any case second if compared to the material need for a small business to build a long term relationship with its funding provider.**

Former sceptics among the audience were finally deeply interested by the two proposals the factoring industry made at the end of the round table in order to foster SMEs' funding and summarized by ASF's President, Philippe Dumont, at the end of the conference before representatives of the ministry : **facilitating recourse to factoring in the context of procurement contracts for public bodies thanks to a specific provision in the call-to-tender and to a dedicated guarantee fund to indemnify in case of public late payments ; constituting a guarantee fund to ease factors' interventions in sectors where unusual invoicing is practiced ;** the industry intends to allocate 2 more G€ to the funding of SMEs.



EU Factor Factoring: The Economics and Statistics Committee

Factoring in the EU: a story of growth

The EU Factor Factoring has recently released the final statistics of the EU factoring industry for 2014. These figures show, once again, **a strong growth path for the industry as a whole**, although individual national markets have different trends. In particular, the total turnover for the EU Countries increased about 7.43% reaching the unprecedented level of 1,374 billion euro of turnover. Some pictures may be useful to explain how the factoring and commercial finance industry, during the recent years, has become more and more important to the EU economy.

Factoring in the EU has been growing since 2009 despite the negative situation of the economy as a whole. In particular, **the factoring industry was actually able to represent an effective alternative for the EU businesses to the short-term financing granted by the banks, funding which during the last 5 years dropped significantly**.

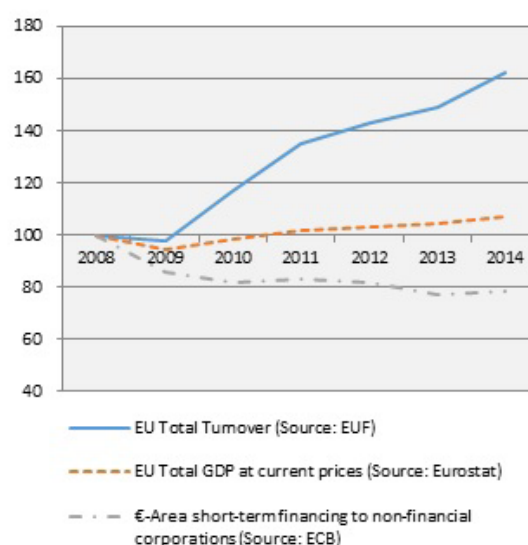
This has been made possible by the fact that factoring, actually, bears a risk cost that is estimated to be about a third of that borne by the banks: **a quick survey of balance sheets for the year 2013 of 15 representative factoring companies among the EU shows a cost of risk of 0.64%, against the 1.90% in bank lending for the same period** (according to the EBA risk dashboard). This exercise, although very interesting, is not sufficient to prove the common knowledge that the industry already knows about the lower riskiness of factoring. The collection of accurate and reliable figures on losses on clients for the EU factoring industry will be a very important and challenging task for the EU Factor Factoring.

In the last three years, the estimated number of clients of the factoring industry continued to grow, approaching 175 thousands of businesses served.

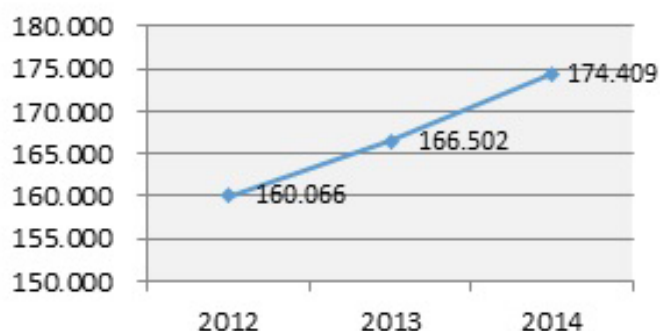


DIEGO TAVECCHIA
Chairman of the Economics
and Statistics Committee

Trends of factoring turnover, GDP and short-term financing in the EU (2008=100)



Number of active relationships (Clients)



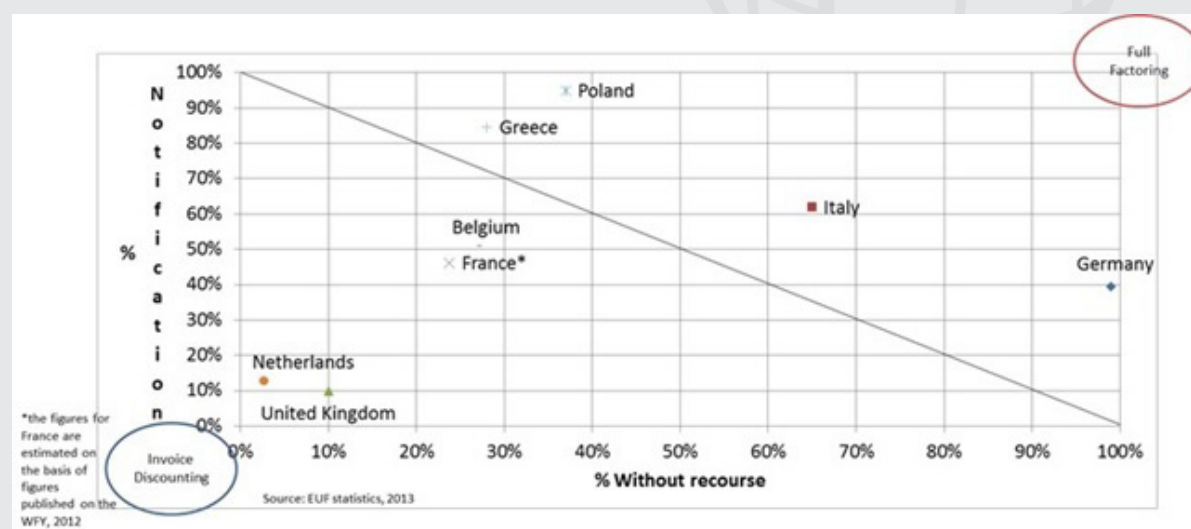
EUFS: The Economics and Statistics Committee

Factoring in the EU: a story of growth



DIEGO TAVECCHIA
Chairman of the Economics
and Statistics Committee

But factoring is not only a financing tool: it also presents a significant component of service, including receivables administration, collection services and credit protection. The importance of this additional service component is different from Country to Country, and depends on the actual needs of the businesses that operates in each Countries, reflecting the well-known flexibility of factoring. A complete description of the factoring market requires a thorough understanding of the composition of the offered services in the different markets: a picture which was presented at the first EU Factoring and Commercial Finance Summit on January explains the differences among some EU Countries.



The ESC is glad to notice that the quality and completeness of the figures provided by the members is now improving and allows more accurate estimates and comparisons: this is crucial to reach a more detailed analysis of the industry, to the benefit of the lobbying activity of the EUFS, but also of each factoring company operating in the EU.



* The picture is downloaded from European Commission's Facebook page

The Prudential Risk Committee

Up, running and working for you!



PETER MULROY
Chairman of the PRC
Committee

The Prudential Risk Committee (PRC) has been working on a number of different areas of concern over the past year.

The Prudential Risk Committee is the EUF's newest Committee, formed in September 2013, but time has flown and the team has been very busy indeed working with colleagues in both the Legal and Economics and Statistics Committees to address the opportunities and challenges arising from the constantly developing regulatory environment in Europe.

The Committee's core purpose is to look at these developments through the critical lens of a set of practitioners; people from those businesses on the ground who will be directly affected by any changes in regulation. In doing so, we have created a forum to determine **the general business and economic impact of the prudential regulatory framework that is being continuously developed.**

We currently have nine members, and I thank them each and all for their time, effort and contribution. They all come from across a range of key European markets (and given we have a maximum capacity within the Committee for ten members, that means one more volunteer is welcome to join us!), bringing a rich breadth and depth of industry knowledge and experience.

Over the last year or so we have been actively involved in meetings on the CRD IV, in particular with the **Liquidity Coverage Ratio**. This work - in conjunction especially with the Legal Committee - has led to the **successful derogation for the factoring industry from this potentially very onerous and damaging measure**. Whilst the LCR makes common sense for deposit taking institutions, it certainly would not for our industry, where we don't have customer deposits and do have our self-liquidating assets!

We have participated in the **ECB discussions on the impact of the TLTRO funding scheme** and which has had asymmetric effect on the access to this source of capital depending on ownership types; whilst too late to change this particular round, the ECB now knows and understands our position for future implementations.

We have also responded to the **Basel Committee's consultative document on Operational and Credit Risk** and have very usefully met with Mr Karl Cordewener, Deputy Secretary General of the Basel Committee to share our views.

Projects for this coming year and the next include **assessment and reaction to the 4th AML directive** (both at an EU and a national level) **and working to eliminate any adverse effects of the proposed Net Stable Funding Ratio** (which like the LCR could discriminate against our Industry unless adapted).

We will also be looking at the **EBA consultation process on Shadow Banking** which could significantly affect our sphere of operations, and on the desirability of research and the ultimate creation of a receivables registry approach to try to prove how (as we already anecdotally very well know) factoring is inherently a low risk form of finance.

So it's going to be a busy time – and we trust a highly productive period – representing and promoting the interests of the Industry from the practical on the ground perspective.

If you want to now more, or would like to get involved, you know what to do - get in touch with me, Peter, anytime!



First Joint Summit for EUF, IFG and FCI



JOHN BREHCIST
EUF Coordinator

At the end of January 2015, the Factoring and Commercial Finance Industry met together in Brussels for the first time ever at a Summit organized aiming specifically at joining forces and developing common solutions to support the real economy. The **EUF** and the two international global networks for Factoring and Commercial Finance (**IFG and FCI**) gathered together 150 participants from 33 countries around the world who discussed **Factoring market evolution, trends and direction in Europe, developed country comparisons to identify best practices and considered challenges and opportunities for the Industry.**

As well as presentations specific to the Industry, the meeting welcomed an informative and in depth review of the Europe wide economy from the well-known and often quoted Peter De Keyser of BNP Paribas Fortis. **Our Industry provides a secure low loss financial service to the businesses that are the wealth creators in the real economy of the EU 28.** These users are the engines of sustainable growth and employment generation and our Industry is uniquely positioned to support them. It's also important to note that **Europe represents around 60% of global Factoring Industry turnover; in 2014 the EU28 figure was around €1.36Trillion, which is over 10% of EU GDP.**

So we already are important players in the Region. But in general, we have been insufficiently known and understood by the regulators and lawmakers, too often simply being treated as part of the wider banking system with no cognisance of what separates us. The focus of the meeting was very much on **the importance of engaging with the political and regulatory leadership and sharing our messages**, including the recent real success in having the CRD IV LCR implementation adapted to accommodate the special position of Factoring. And this also explains why the Organisers of the Conference chose Brussels for this first European Summit: to strengthen their dialogue with European decision makers to support them in their commitment to develop tools for the real economy and SMEs in particular.

The perspectives of the combined group were clearly captured by the comments of key participants: "In recent years Factoring has established itself as an important form of financing for corporations and has been recognized as THE PRODUCT to support SMEs in particular" stated Daniela Bonzanini, Chairman of FCI.

Margrith Lütischg-Emmenegger, Chairman of IFG, believes that "success will strongly depend on harmonization with regard to legal and regulatory aspects as well as accounting treatment. It is important at the European level but also globally. 77% of the European turnover is in the hand of 5 countries (namely UK, France, Italy, Germany and Spain). We need to further develop awareness in other markets as well."

John Gielen, the Chairman of EUF, has known Factoring for over fifty years. He recounted that it started in the USA in the sixties but that in Europe it rapidly became much more significant compared to the rest of the world. John noted that "modern Factoring has always had to think globally and act locally. This has become even more important since the financial and banking crisis in 2008 and the current economic crises that we face."



First Joint Summit for EUF, IFG and FCI



JOHN BREHCIST
EUF Coordinator

With over 130 top Industry representatives present, the Meeting was without doubt a real success and the feedback received from the attendees was overwhelmingly positive. For example:

"The best event in years: you have made a long story short!" Patrick de Villepin, BNP Paribas Factor

"Ground breaking and long awaited - joint meeting of all RF players in Europe - well done! Let us keep on!" Jean-François Phan Van Phi, HSBC, France

"Great to see the power of all these organisations working together!" Anon

Following the afternoon Conference, a reception meeting and dinner was held with the keynote speech being given by Michael Theurer, a German MEP who is a prominent Member of the Alliance of Liberals and Democrats for Europe. Herr Theurer is also a Member of the ECON Committee and has a particular interest in the funding of SMEs, having previously been a Member of the SME intergroup Board. He for one now understands the role and potential for our form of Finance; meanwhile, **our work within IFG and the EUF will continue in 2015 to align and, like him, make many more Members influential vocal advocates of our Industry.**



EU FEDERATION FOR FACTORING AND COMMERCIAL FINANCE

The EUF is the Representative Body for the Factoring and Commercial Finance Industry in the EU; It is composed of national and international industry associations that are active in the EU;

The EUF seeks to engage with Government and legislators to enhance the availability of finance to business, with a particular emphasis on the SME community. The EUF, acts as a platform between the factoring and commercial finance industry and key legislative decision makers across Europe bringing together national experts to speak with one voice.



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