



February 2018 EU affairs newsletter

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Access to finance

European Commission Impact Assessment Roadmap on accounting and reporting- FEBIS preparing a contribution

On February 12 the European Commission launched a consultation on its Evaluation Roadmap on the impact **assessment on the public reporting by companies**.

This roadmap is the first step of a consultation process launched by the European Commission to build on hindsight after implementation in the Member States, to assess the performance and consistency of the different developments of EU legislation in the last 10 years, and to respond to a number of specific review clauses.

The details can also be downloaded from http://ec.europa.eu/info/law/better-regulation/initiatives/ares-2018-744988_en

FEBIS will take this opportunity to voice again in favour of better access to financial data on SMEs (and sole entrepreneurs) and raise again the problems emerging from the transposition of the Accounting directive 2013 / 34. FEBIS secretariat has therefore asked all FEBIS members to provide a list of problems members may encounter in their own country to list the obstacles you face in gathering financial and other unavoidable data when building a credit opinion on a company (and sole proprietorships).

Comments are thought especially on the following 4 points:

1. Whether the current financial reporting framework meets its objectives and will continue to do so in the digital economy, whether the level of harmonisation and simplification meets the needs of respectively the large cross border groups and the SMEs, the role of IFRS for non-listed and listed companies including governance aspects to ensure these are not detrimental to long term and sustainable investments, and the coherence of sectoral accounting legislation for banks and insurance companies with other EU reporting and prudential legislations;
2. Whether the financial and non-financial disclosures in the area of Environmental, Social and Governance (ESG) reporting by companies are fit for purpose, including as regards sustainability disclosures;
3. Whether to encourage experimentation with integrated reporting as a way to make the EU reporting framework more effective and efficient and if yes how;



4. Whether public corporate reporting does take enough consideration of – and at least is not a hindrance to – technological progress and how to make the best use of these new tools to do more with less.

FEBIS will then consolidate all input into a unique FEBIS paper, to then be able to contribute to this first stage in this consultation process and we will get other chances to contribute to this activity progresses.

European Commission progress report on Non-Performing Loans (NPLs)

The European Commission presented its first progress report on the EU's ongoing work to reduce non-performing loans (NPLs) in the European banking sector. The report follows on from an [action plan](#) to tackle NPLs that was agreed by EU economic and finance ministers in July 2017. It shows that NPLs have continued to fall in nearly all EU countries, although the situation differs significantly across Member States. The next step for the Commission is a package of measures to tackle NPLs, which is based on the action plan. It will be adopted in March.

NPLs are loans where the borrower – either a person or a company – is unable to make the scheduled interest or repayments for 90 days or more. NPLs can weigh heavily on banks' short- and long-term performance. This is because they generate less income than performing loans, which reduces a bank's profitability and may cause losses that diminish its capital. In extreme cases, this can threaten the viability of the bank, which has potential negative implications for financial stability in the EU as a whole. Furthermore, NPLs tie up significant amounts of a bank's resources, which reduces their ability to lend. This especially affects small and medium-sized companies (SMEs), which rely on bank lending much more than larger firms.

The next step is a package of new legislative as well as non-legislative measures, which the Commission will put forward in March. The measures will aim to reduce the level of existing NPLs and prevent the build-up of excessive levels of new ones in the future.

The package will include a blueprint establishing common principles to help Member States that choose to set up national asset management companies (AMCs) to help banks clean up their balance sheets. Transferring bad loans from banks to an AMC allows viable banks to improve their stability and focus on their core task of lending and offering services to households and firms.

The package will also include measures to further develop the secondary market for NPLs. *Other measures will offer greater protection to secured creditors, such as banks, by allowing them (under*



certain conditions) more efficient ways to recover value from NPLs through accelerated extrajudicial collateral enforcement (AECE). The package will also introduce statutory prudential backstops, covering newly granted loans by banks that later turn non-performing. This would prevent the build-up and potential under-provisioning of future NPL stocks through time-bound prudential deductions from banks' capital positions. ***Finally, the Commission is exploring, together with the ECB and the European Banking Authority (EBA), ways to improve transparency, for example by making data on NPLs more readily available and easier to compare.***

Tackling NPLs is a joint effort. The July action plan combines measures to be carried out by national governments, bank supervisors and EU institutions. The goal is that these measures will help create incentives to successfully address the problem of NPLs – and the tools and support needed to do so.

Here some more information about the [progress report on the reduction of non-performing loans](#)

SMEs

EC public consultation on the review of the SME definition

The European Commission has unveiled on February 6th a public consultation of the review of the SME definition, aiming at making it better fit the current EU SME landscape and also question some of the duties associated with SMEs.

The consultation is open until **6 May 2018** and can be found at https://ec.europa.eu/info/consultations/public-consultation-review-sme-definition_en; with the link to the questionnaire at https://ec.europa.eu/eusurvey/runner/review_sme_definition

FEBIS regulatory committee will start working on a contribution and also possibly with other EU associations such as UEAPME to see if common synergies can be found in this contribution to public consultation.



Data

EP discuss free flow of data, FEBIS works on a draft position paper

The European Parliament has now started intense discussions on the free flow of non-personal data regulation. After a first exchange of views at the end of January which concentrated on national exceptions for public security and mixed datasets, the EP IMCO (Internal Market Committee) held another debate on February 21st which featured the major points voiced by the rapporteur and shadow rapporteurs.

The rapporteur, MEP Corrazza Bildt, insisted on the idea to enable free flow of non-personal data and to remove obstacles instead of creating some more barriers, she is pushing for a more liberal view that would prevent any restrictive standards or data localisation requirements.

Her draft report should be ready by beginning of March, with other discussions set forth in March. Deadline for amendments is at the moment kept for 26 March 2018

During the discussion hearing on 21/02, a [briefing note](#) giving a first impact assessment of the proposal by the European Parliament services was released.

FEBIS regulatory committee is finalising a position paper on the issue outlining again the question of individual entrepreneurs acting in their business capacity and mixed datasets. Some contacts have already been made with the rapporteur and shadow rapporteurs and they will be sent the FEBIS paper as soon as it is ready.



Fintech

European Commission to issue an Action Plan on FinTech in March

The European Commission should issue its Action Plan on FinTech early March, but some leaks have been circulating for about a week. According to the draft, the major points of the plan could be as follows:

- On the authorisation and licensing of '*innovative FinTech activities*': The European Supervisory Authorities (ESAs) will map out by Q1 2019 the current approaches and procedures, to assess how proportionality and flexibility are applied by national authorities. The ESAs may also recommend adaptation of the EU financial services regulatory framework.
- On data exchange, open standards and interoperability: The Commission envisages a European Open Banking eco-system covering payment and other accounts and encourages ongoing efforts by market players to develop standardised PSD2 and GDPR compliant Application Programming Interfaces (APIs) by mid-2019.
- In Q4 2018, the ESAs will identify best practices in Members States' existing innovation hubs and / or regulatory sandboxes. Based on that work, the Commission will present a *Blueprint with recommendations on regulatory sandboxes, also in Q4 2018*. All competent authorities (both at EU and national level) are encouraged to adopt these facilitators.
- The Commission will set up an Expert Group to review the fitness of the EU financial services regulatory framework for the use of disruptive technologies by Q2 2019.
- EU FinTech Lab: The Commission will host an EU FinTech Lab where the ESAs and national authorities can engage with technology solution providers in a neutral, non-commercial space during targeted sessions starting in Q2 2018.
- The ESAs will evaluate by Q4 2018 the cost and benefits of developing a coherent cyber threat testing framework for significant market participants and infrastructures within the whole EU financial services sector.



ICCR

FEBIS will be represented at the ICCR next meeting in Washington, in April the 5th and 6th, 2018

FEBIS will take part in the next ICCR meeting. - the core of the discussions will be around the *draft policy guidance on alternative data, for SME Finance*.

The relevance of the themes, involving SMEs, are always of our highest interest, hence our contributions, to this draft document have been particularly thoughtful.

As mentioned in our last newsletter, this working paper is a reply to the mandate from the G20 – GPFI – who are determined to set guidelines to help SME financing as part of the financial inclusion and digital economy plan.

In the next meeting's agenda, the recent ICCR members' comments on the new WB document on *Financial Consumer Protection and New Forms of Data Processing, Beyond Credit Reporting* will be, as well, discussed.

This report aims at providing an overview of the benefits and risks, for financial services to consumers, when providers use new forms of data.

This document is mostly consumer oriented, however, FEBIS contributed with comments on related issues as directorships, shareholders and individuals' business capacity, as well as discrimination by legal form in terms of information constraints.

The conclusions could be, in turn, incorporated to the broader document on "Innovative Approaches to Credit Reporting".

Documentation on the above is available to any Febis member interested. In addition, help as to prepare the next meeting, is also welcome.



About FEBIS– Federation of Business Information Services

Benefiting from the opening of markets within Europe and overseas, world-wide business has experienced substantial growth. As business grows so does the demand for business information, in particular, intelligence for cross-border business activities.

In 1973, leading European credit information agencies joined forces to form the Federation of Business Information Services FEBIS (initially known as FECRO), with its registered office in Frankfurt. Today, FEBIS has developed into a sizable organization comprising more than 100 members from all over the world involved in providing Business Information and credit information services of national and International importance.

As the industry association, FEBIS strives to look after common interests of its members. While monitoring new legislation like data protection laws and insolvency laws, FEBIS also oversees and the application of public sources and information.