



March 2018 EU affairs newsletter

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Access to finance

FEBIS contribution on the European Commission Impact Assessment Roadmap on accounting and reporting

In February, 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.

FEBIS sent a comments paper on the Roadmap outlining the need to get access to data, the issue of individual entrepreneurs and the issues raised with the national transposition of accounting directive 2013/34 in some Member States. The comments paper can be seen together with comments coming from other organisations at http://ec.europa.eu/info/law/better-regulation/initiatives/ares-2018-744988/feedback_en

Since then, the Commission has now released its public consultation on public reporting by companies which is open until end of July 2018 (*see next item*).

European Commission opens a public consultation on the issue of public reporting by companies

This public consultation has been unveiled by the EU commission on 21 March 2018 and is open until 21 July 2018. The public consultation can be seen at https://ec.europa.eu/info/consultations/finance-2018-companies-public-reporting_en

It builds upon the roadmap fitness check assessment and proposes to assess **whether the EU reporting framework is still fit for purpose**. Its first objectives are to assess whether the EU public reporting framework is overall still relevant for meeting the objectives, adds value at the European level, and is effective, internally consistent, coherent with other EU policies, efficient and not unnecessarily burdensome. Secondly it will also review specific aspects of the existing legislation as required by EU law, and thirdly it will assess whether the EU public reporting framework is fit for new challenges (sustainability, digitalisation). Other ongoing developments in EU policies might also have an impact on the public reporting framework (Capital Markets Union, Common Corporate Tax Base, digitalisation of companies' lifecycle, etc.).

Feedback is welcomed from all stakeholders, and FEBIS will surely prepare a thorough contribution. In order to get the broadest possible coverage and as many national examples as possible, **we kindly ask all FEBIS members to send their comments including examples of national issues with the transposition of accounting directive and the access to data** to FEBIS secretariat or to Stephanie at stephanie@svmconsult.com.



European Commission presents measures to accelerate the reduction of non-performing loans in the banking sector

On 14th March 2018, the European Commission unveiled measures to address the high stock of NPLs and prevent their possible future accumulation. It builds on ongoing efforts by Member States, supervisors, credit institutions and the EU: this has led to stocks of NPLs declining in recent years across banks and EU countries.

The measures aim to put the EU banking sector on an even sounder footing for future generations, with rock-solid banks that perform their indispensable role in financing the economy and supporting growth. The package complements work on the Capital Markets Union and is an essential step towards the completion of the Banking Union, one of the immediate priorities agreed by EU leaders to strengthen Europe's Economic and Monetary Union.

In addition, the Commission is also presenting its second progress report on the reduction of NPLs in Europe, showing that the decline of NPL stocks is continuing.

This package sets out a comprehensive approach with a mix of complementary policy actions that target four key areas:

- Ensuring that **banks set aside funds** to cover the risks associated with loans issued in the future that may become non-performing.
- Encouraging the **development of secondary markets** where banks can sell their NPLs to credit servicers and investors.
- **Facilitating debt recovery**, as a complement to the insolvency and business restructuring proposal put forward in November 2016.
- Assisting Member States that so wish in the restructuring of banks, by providing non-binding guidance – a blueprint – for establishing Asset Management Companies (AMCs) or other measures dealing with NPLs.

In particular, the proposals include the following key elements:

1. Ensuring sufficient loss coverage by banks for future NPLs

- A Regulation amending the [Capital Requirements Regulation \(CRR\)](#) introduces common minimum coverage levels for newly originated loans that become non-performing. In case a bank does not meet the applicable minimum level, deductions from banks' own funds would apply.
- The measure addresses the risk of not having enough funds to cover losses on future NPLs and prevents their accumulation.

2. Enabling accelerated out-of-court enforcement of loans secured by collateral



- Under the proposals, banks and borrowers can agree in advance on an accelerated mechanism to recover the value from loans guaranteed with collateral.
- If a borrower defaults, the bank or other secured creditor is able to recover the collateral that underpins a loan in an expedited way, without going to court.
- Out-of-court collateral enforcement is strictly limited to loans granted to businesses and subject to safeguards. Consumer loans are excluded.

3. Further developing secondary markets for NPLs

- The proposal will foster the development of secondary markets for NPLs by harmonising requirements and creating a single market for credit servicing and the transfer of bank loans to third parties across the EU.
- The proposed Directive defines the activities of credit servicers, sets common standards for authorisation and supervision and imposes conduct rules across the EU. It means that operators respecting those rules can be active throughout the EU without separate national authorisation requirements.
- Purchasers of bank loans are required to notify authorities when acquiring a loan. Third-country purchasers of consumer loans are required to use authorised EU credit servicers. Consumer protection is ensured by legal safeguards and transparency rules so that the transfer of a loan does not affect the legitimate rights and interest of the borrower.

4. A technical blueprint for how to set up a national Asset Management Companies (AMCs)

- The non-binding blueprint guides Member States on how they can set up national AMCs, should they find it useful, in full compliance with EU banking and State aid rules.
- While considering AMCs with a State aid element as an exceptional solution, the blueprint clarifies the permissible design of AMCs receiving public support. The blueprint also sets out alternative impaired asset measures.
- The blueprint suggests a number of common principles on the set-up, governance and operations of AMCs. The blueprint draws on experience and best practices from AMCs already set up in Member States.

For More information:

[MEMO](#)

[Factsheet](#)

[Texts of the proposals and background documents](#)



Sustainable finance

EC publishes an Action Plan on Sustainable Finance

At the end of 2016, the Commission appointed a high-level expert group to set out strategic recommendations for how to develop an EU sustainable finance policy. On 31 January 2018, the group published its [final report](#) arguing that sustainable finance is imperative both to fund society's long-term needs, and to safeguard the stability of the financial system. Based on the report's recommendations, the Commission adopted on 8 March 2018 an [action plan on 'Financing Sustainable Growth'](#) to set out an EU strategy for sustainable finance.

The policy agenda laid out in the action plan combines legislative and non-legislative measures.

The first step is **to define what is sustainable and establish an EU classification system, a taxonomy, for sustainability activities**. This taxonomy will make sure there is market consistency and clarity. The Commission plans to table a legislative proposal in May that will put in place a system to develop an EU taxonomy.

Also in May, the Commission will put forward a proposal to make sure asset managers, pension funds and insurance companies take into consideration environmental, social and governance factors and risks in their investment decisions. The proposal will also aim to ensure they are more transparent towards end-clients.

Of course, this will not be possible without the right transparency by issuers. **This is why the Commission is going to evaluate the current reporting requirements for issuers to make sure they provide the right information to market participants**, as outlined by the public consultation launched to collect views on this subject.

The Commission will also propose EU labels for green financial products, such as green bonds or green investment funds. The success of organic labels for food or eco-labels for clothing and household products has shown that labels can help consumers identify sustainable options.



Data

EP discuss free flow of data, FEBIS submits 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 Corazza 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 is ready since mid March, with other discussions set forth in March, and the deadline for amendments was kept at 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 sent a position paper on the issue outlining again the question of individual entrepreneurs acting in their business capacity and mixed datasets.



Fintech

European Commission issues an Action Plan on FinTech in March

The European Commission has unveiled on 8th March an Action Plan on how to harness the opportunities presented by technology-enabled innovation in financial services (**FinTech**).

This Action Plan envisages to enable the financial sector to make use of the rapid advances in new technologies, such as blockchain, artificial intelligence and cloud services. At the same time, it seeks to make markets safer and easier to access for new players. This will benefit consumers, investors, banks and new market players alike. In addition, the Commission is proposing a pan-European label for platforms, so that a platform licensed in one country can operate across the EU.

The Action Plan sets out 19 steps to enable innovative business models to scale up, support the uptake of new technologies, increase cybersecurity and the integrity of the financial system, including:

- The Commission will host an **EU FinTech Laboratory** where European and national authorities will engage with tech providers in a neutral, non-commercial space;
- The Commission has already created an [EU Blockchain Observatory and Forum](#). It will report on the challenges and opportunities of crypto assets later in 2018 and is working on a comprehensive **strategy on distributed ledger technology and blockchain** addressing all sectors of the economy. A distributed ledger is an information database that is shared across a network. The best-known type of distributed ledger is blockchain.
- The Commission will consult on how best to promote the **digitisation of information published by listed companies in Europe**, including by using **innovative technologies** to interconnect national databases. This will give investors far easier access to key information to inform their investment decisions.
- The Commission will run workshops to improve information-sharing when it comes to **cybersecurity**;
- The Commission will present a blueprint with **best practices on regulatory sandboxes**, based on guidance from European Supervisory Authorities. A regulatory sandbox is a framework set up by regulators that allows FinTech startups and other innovators to conduct live experiments in a controlled environment, under a regulator's supervision. Regulatory sandboxes are gaining popularity, mostly in developed financial markets.

The Action Plan also goes along with a proposed regulation on crowdfunding, which will make it easier for these platforms to offer their services EU-wide and improve access to this innovative form of finance for businesses in need of funding. Once adopted by the European Parliament and the Council, the proposed Regulation will allow platforms to apply for an EU label based on a single set of rules. This will enable them to offer their services across the EU. Investors on crowdfunding platforms will be protected by clear rules on information disclosures, rules on governance and risk management and a coherent approach to supervision.



All related documents, including the Action Plan can be found at

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/fintech-financial-technology_en

European Commission's latest updates on Creditworthiness

As outlined in Action 9 of the Consumer Retail Financial Services Action Plan (from March 2017) states that the European Commission is working to introduce common creditworthiness assessment standards and principles for lending to **consumers**, and also considers developing a minimum set of data to be exchanged between credit registers in cross-border creditworthiness assessments.

In January 2018, the Commission re-convened the Expert Group on the Implementation of Directive 2008/48/EC on Consumer Credit (CCD), to present the content of the Action Plan to representatives from EU Member States and kick-off a discussion on the two elements under Action 9. The minutes of that meeting have been recently made public. Highlights are as follows:

1. The minutes acknowledge that Member States have adopted different approaches with regards creditworthiness, with some having adopted rather strict and specific guidelines and others more principle-based approaches. It is mentioned that several Member States are currently preparing or updating their own guidelines on creditworthiness assessment and that, in that context, possible additional EU-level guidance would be viewed 'positively'.
2. It is recognised in the minutes **that there is a wide disparity** on (i) the existence of credit databases across the EU; (ii) on the obligation for creditors to provide data (negative and/or positive) to such databases; (iii) on the obligation to consult such databases when performing creditworthiness assessment and the manner to use this data in the assessment; and on (iv) how foreign creditors can have access to such databases.
3. Member States generally recognized that there is currently a limited demand for cross-border offers of consumer credit as national markets seem competitive. Member States would welcome additional surveys/studies from the Commission to identify if particular barriers exist. **Further to the meeting, the Commission has started a mapping exercise of national approaches and uses to credit databases and will also be mapping national creditworthiness practices.**



ICCR

FEBIS to be represented at an ICCR meeting at the World Bank in Washington

On the 5th & 6th of April the World Bank will be hosting a meeting of its International Committee on Credit Reporting (ICCR). Key topics to be debated include:

- Policy Guidance for Alternative Data for SME Finance
- Financial Consumer Protection and New Forms of Data Beyond Credit Reporting
- Cybersecurity
- Scoring, Innovation and Improved Creditworthiness Evaluation Tools and Methodologies

FEBIS will be represented by Luis Carmona and Bernie Grady. Further details will be provided about the outcome of the meeting and the possible implications for FEBIS members at the forthcoming FEBIS Spring Meeting in Madrid.



Consultations

Title	Subject	Open until	link
EU consultation on SME definition	SME definition	6 th May 2018	https://ec.europa.eu/info/consultations/public-consultation-review-sme-definition_en
EU consultation on public reporting by companies	Accounting and public reporting/Access to data	21 July 2018	at https://ec.europa.eu/info/consultations/finance-2018-companies-public-reporting_en



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.