CONSUMER CREDIT BULLETIN EUROPE
by Eurofinas, the voice of consumer credit providers in Europe

eurofinas

13
spring-summer 2015

30 June 2015

EDITORIAL

Dear Colleague,

New and challenging business and marketing models have emerged across Europe: social network selling, big data targeting, P2P and omnichannel customer journey to name a few, not to mention an ever more demanding regulatory environment.

As the recognised voice of consumer credit providers at European level, Eurofinas, together with Roland Berger Strategy Consultants, is currently running a survey on the future of European consumer finance.

This survey, a first at Eurofinas, provides European consumer finance professionals with a unique opportunity to share and compare their expectations for the consumer credit industry over the coming three years with their peers across various geographies.

The results of the survey will be aggregated into a publication on the future outlook for the industry and will also feed into a dedicated session at the 2015 Annual Convention of the European Consumer Credit Industry in Cascais, Portugal on 15 & 16 October 2015.

I am particularly proud to see a high value partnership of this nature between Eurofinas and Roland Berger. This survey will help further our understanding of consumer finance market trends, locally and at pan-European level. It also provides our industry with a unique opportunity to share and compare perspectives and expectations. The benefit of this initiative for the European consumer finance industry is clear and I for one can't wait to see the results at the Annual Convention.

I hope you enjoy our thirteenth edition of the CCBE and I look forward to seeing you all in Cascais.

Valentino Ghelli
Eurofinas Chairman

CONSUMER CREDIT BULLETIN EUROPE

by Eurofinas, the voice of consumer credit providers in Europe

eurofinas

13

spring-summer 2015

· FOCUS ON ·

INTERVIEW

Mario Nava, Director at the European Commission's DG FISMA, shares his views on the regulation and prudential supervision of financial institutions going forward and on the top priorities of DG FISMA.

p.4

EUROFINAS ROUNDTABLE ON BIG DATA

Find out about the views exchanged at the Roundtable on the impact of big data on the consumer credit industry.

p.8

SPOTLIGHT

Eurofinas' member VFN (NL) presents the consumer finance market in the Netherlands.

p.15

RESULTS OF EUROFINAS STATISTICAL SURVEY ON CONSUMER CREDIT

European consumer credit market grows in 2014 at strongest rate since 2005.

p.17

DEFAULT

Eurofinas meets the EBA


Cabot Square, Canary Wharf - June 2008 by Diliff

● On 26 May 2015, Eurofinas together with sister Federation Leaseurope led a delegation to meet the European Banking Authority (EBA) to discuss the prudential treatment of default. The topic is a work priority for the European Supervisor who is currently working on i) Regulatory Technical Standards (RTS) on materiality threshold for credit obligations past due and ii) Guidelines on the application of the definition of default.

Both documents are developed in accordance with Article 178 of the Capital Requirements Regulation (CRR). They aim at providing both quantitative and qualitative warnings of default and will have important consequences on institutions' calibration of risk estimates, monitoring of risk and IT. The Eurofinas meeting with the EBA was an ideal opportunity to put forward the specifics of consumer finance and ensure that the future framework matches, as much as possible, the operational constraints of our industry.

Regarding quantitative indications of default, the EBA proposes to introduce an absolute ceiling or threshold of 200 EUR for retail exposures and 500 EUR for all other exposures. We see this proposal as extremely conservative. We do not think that this proposal sufficiently takes into account the diversity of credit obligations and, in particular, the specific features of consumer finance. We also think that default should be recognised after both absolute and relative thresholds are breached.

Continued on next page >

> Continued

PARTICIPANTS IN THE MEETING INCLUDED:

Farah Allaoui, Crédit Agricole Consumer Finance
Alexandre Giraud, Eurofinas/Leaseurope
Yves-Marie Legrand, French Association of Finance Houses
Paul Lejeune, LeasePlan
Sebastien Marekovic, BNP Paribas Personal Finance
Hayley McEwen, Eurofinas/Leaseurope
Susanne Roehring, European Banking Authority
Barry Rotgans, Leaseplan
Michael Somma, Bankenfachverband
Dorota Siwek, European Banking Authority
Elodie Teule-Sensacq, Crédit Agricole

This will ensure that there is no artificial increase in the number of defaults due to IT failures or misunderstandings with clients. The development of the RTS is taking more time than originally foreseen. It seems that National Supervisory Authorities, members of the EBA, would disagree on the best approach to take.

On qualitative indications of default, the EBA plans to release draft guidelines this summer. The document should outline the Authority's views on the definition of an obligor's unlikeliness to pay, for example when the credit institution puts the credit obligation on non-accrued status, restructures a credit obligation, sells the credit obligation at a material credit-related economic loss or has filed for the obligor's bankruptcy. The document should also provide clarifications on the definition of technical defaults, multiple defaults and criteria for returning to non-defaulted status. A public consultation, to which Eurofinas will respond, will be conducted to collect industry views. A quantitative impact study should also be undertaken at the same time.

For more information, please contact a.giraud@eurofinas.org.

THE FUTURE OF RISK PARAMETERS

The IRB approach under scrutiny

The European Banking Authority (EBA) has recently taken a notable interest in the implementation of the Internal Rating Based (IRB) approach. The EBA wishes to improve the consistency of IRB models across institutions and made its views public in a recent dedicated discussion paper.

High on the EBA's agenda are the assessment methodology of the use of the IRB approach, the definition of default and material threshold, the calibration of risk parameters including Probability of Default (PD) and Loss Given Default (LGD) as well as credit risk mitigation techniques. All new requirements should be implemented by firms by end 2018.

The EBA recognised that there is a certain overlap with the work currently conducted at international level. However, the Authority believes that at least five years will be needed before the adoption of new Basel Committee standards and its future transposition in the EU regulatory framework. This time window should be used to significantly improve the comparability of internal models within the EU jurisdiction. The European Commission would support this objective.

CREDIT RISK

Towards a new Standardised Approach

As reported in the Consumer Credit Bulletin Europe nº12, the Basel Committee on Banking Supervision (BCBS) is currently working on the revisions to the Standardised Approach for credit risk. The proposed revisions seek to strengthen the existing regulatory capital standard by reducing the reliance on external credit ratings, updating risk weight calibrations and increasing the comparability with the Internal Ratings-Based (IRB) approach.

Eurofinas sees this development as critical and responded to a BCBS consultation on the subject. The Federation believes that the various requirements should be simple and suitable for a wide range of institutions and is concerned by the potential limitation of the use of external credit ratings. The proposed new risk weights will imply an important increase in capital requirements. Recalibration and fine-tuning of the proposed new standards are therefore needed to avoid a disproportionate impact on firms and ensure consistency with the review's objectives.

We also strongly advocate for a better recognition of physical collateral. Consumer credit providers and asset financiers that Eurofinas represents have specialist expertise, perform prudent collateral valuation and have in-depth knowledge of their customers with which they manage the risks that are inherent to their business. The lack of recognition of physical collateral places specialised providers at a disadvantage compared to other market players and has a significant impact on their ability to fulfil their role of support to the real economy.

On 12 May 2015, Eurofinas' Director General Tanguy van de Werve spoke at an event organised by the European Mortgage Federation (EMF) on liquidity, leverage and capital requirements. Frank Pierschel, co-Chair of the BCBS Task Force on the Standardised Approach was also present. The event was a good opportunity to reiterate the position of Eurofinas and to call for a better recognition of the role of physical collateral other than real estate.

interview

MARIO NAVA

Director, Directorate D, Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA), European Commission - Responsible for the regulation and prudential supervision of financial institutions.

Mr. Nava, what are DG FISMA's top work priorities in the short and medium-term? What are the greatest challenges going forward?

In just a few years, following the outbreak of the financial crisis, the EU has put forward an ambitious and unprecedented series of reforms to secure financial stability and improve the supervision of financial markets.

Banking Union is a reality and Capital Market Union is in the making. In the framework of the Capital Market Union project, one of the most important short-term priorities is to revive securitisation. We want to encourage an EU market for high-quality securitisation, with transparent, simple and standardised criteria. If we can achieve that, we can help free up banks' balance sheets so they can lend more to Europe's households and businesses. If SME securitisations could be returned – safely – to just half the level they were in 2007, this could be worth some 20 billion euro in additional funding. However, banks will continue to be an important distribution channel for market funding.

Apart from that, in the short-term, we will focus on the effectiveness of the reforms undertaken in the aftermath of the crisis. This will include the evaluation whether the objectives of the reforms have been achieved. This will be our major contribution to the Commission's "better regulation" agenda.

Our medium-term goal is a well-regulated EU Capital Markets Union encompassing all 28 Member States. The key objective of the EU Capital Markets Union is to improve access to capital for businesses, especially SMEs, and thereby promote growth and job creation. At its most simple, the aim of the Capital Markets Union is to put savers in touch with more opportunities for growth. By increasing the flow of capital, we will increase investment opportunities, help businesses get the capital they need to expand, provide more options for people to save for their old age, and strengthen financial stability.

In so doing, we will also maintain the vital role that the banking system plays in Europe's economy and the contribution that banks make to local communities. So developing our capital markets is a way of complementing existing sources of funding, not replacing them. Start-ups, SMEs and entrepreneurs in general need to be able to tap into alternative sources of funding.

What are your general views on the recently established Single Supervisory Mechanism (SSM) and Single Resolution Mechanism (SRM)?

The last 5 years have been a period of intensive rule making. And banks have been in the eye of the storm. It was a difficult task to craft rules that make sense everywhere in Europe. But it was nonetheless a crucial one. We had to respond to the financial crisis and to help restore financial stability and public confidence in the financial sector.

To start with, we focused on creating the Single Rulebook; to ensure that banks were better capitalised and risks better controlled. As the financial crisis evolved and turned into the Eurozone debt crisis it became clear that, for those countries which shared a currency and were even more interdependent, more had to be done. In particular, we had to break the vicious circle between banks and national finances. So we created the Banking Union.

We made the ECB the single supervisor for the Banking Union, and we put in place supervisory cooperation via the European Banking Authority (EBA). As a result we now have the strong institutions in place with the skills they need to do the job properly.

Last year, we put the new arrangements to the test. The largest European banks were subjected to the Comprehensive Assessment, made up of the stress test and the asset quality review. It was the widest and toughest test ever. The AQR element alone involved an in-depth examination of some 3.7 trillion euros worth of eurozone banks' assets. Not every bank passed the test with flying colours and some weaknesses were identified. But, having shone the lights on these weak points, supervisors both in the SSM and outside the Banking Union are now working hard with the banks concerned to put this right. I was pleased when I was in the US recently to hear that regulators there think our tests were credible – as of course, most importantly, did the markets.

Continued on next page >

> Continued

So banks are now stronger as a result of the new regulatory framework, the actions supervisors have taken, and market pressure. This will put them in a better position from which they will be able to lend again. We must continue to remain focused on securing financial stability because we need financial stability if our growth is to be sustainable. That is why we are committed to the full implementation of the Single Resolution Mechanism, which is the second pillar of the Banking Union.

On the resolution front, we have made real progress. Thanks to the BRRD (Bank Recovery and Resolution Directive), we now have common rules to help prevent bank crises in the first place, manage problems earlier when they do occur, and if banks still end up in serious difficulty, a common framework to manage this including a means to wind them down in an orderly way. The new BRRD rules are a game changer – for the first time, it is the shareholders and the creditors of banks, rather than taxpayers, who are first in line to pay for banks' mistakes. It's about bail-in rather than bail-out.

In the Banking Union, from next January, these rules will be delivered centrally via the SRM. In particular, the SRM will apply an integrated and effective resolution process at EU level for all banks in Member States subject to the SSM. It will be the responsibility of the Single Resolution Board (SRB), together with the Commission, to manage that process as of next year.

In the Commission, we are now working on the procedures to ensure a smooth resolution process among all possible actors involved: the ECB/SSM, the SRB, the Commission (as financial stability and State aid ultimate controller), and possibly the Council. Cooperation with the EBA will also be essential if resolution involves a bank established also in a non-participating Member States.

We are well on track for making the SRB fully operational, having appointed its top management team and supporting its work with a dedicated Task Force of the Commission for already one year. The SRB has already met several times in its executive session. The Commission, together with the ECB/SSM, participates in its meetings to ensure effective coordination. It would be composed of around 130 staff by end 2015 and it will be fully funded by mandatory contributions of the industry.

During 2015, it will work on resolution planning for the banks under its direct responsibility (significant banks under direct ECB supervision plus other cross-border groups). As of 2016, it will be fully operational in its ability to apply resolution tools, proposing decisions to the Commission and Council and instructing national resolution authorities to implement them.

So far, so good. So much for the framework and the achievements. However, for resolution to work on the ground, the BRRD need to be fully transposed by all Member States. And that also requires the intergovernmental agreement to be ratified by the participating Member States. As the Commission, we are now working on the full implementation of these remaining pieces.

What is your vision of the development of prudential standards at international level? What elements should/could be further converging?

International convergence of banking supervision and regulation remains an important priority as banks and financial systems are interconnected across borders and there are potential contagion and level playing field concerns. Yet there are difficulties with a one-size-fits-all approach and international standards need to be flexible enough so that they can be adjusted to the local – in our case, European – context. An area where we have to focus our attention is the comparability of capital calculations across banks. Banks should be able to use internal approaches as they can generate good sensitivity to risk and incentives for sound risk management. Yet, it has turned out that supervisors can improve their efforts to ensure consistency of these approaches across banks. There may also be scope for underpinning these efforts by additional guidance in international standards.

There have been a lot of discussions lately on how to increase European consumers' cross-border activities in the field of financial services. What are the most important measures that can be taken? Do you see the European Commission's Digital Single Market Strategy playing a role in this?

Many measures have been adopted on EU level mostly in 2014 and Member States will have two years to implement them into national laws. For example, these measures include, among others, increased transparency in relation to payment accounts, packaged retail and insurance-based investment products, mortgage credits, easier access to and switching of payment accounts and many more. The Commission is monitoring the persisting barriers in the Single Market for financial services and will launch a public consultation seeking to understand how we might help to give consumers access to more products, better services and keener prices. This objective goes hand in hand with the Commission's Digital Single Market Strategy. Digitalisation provides opportunities for financial services and consumers to cross borders online and opens a possibility for more competition beyond the state borders. Innovative services and solutions help new entrants to challenge the established markets. The Commission will identify actions to take on the basis of the outcome of the consultation.

coming soon

Registration open!

ANNUAL CONVENTION OF THE EUROPEAN CONSUMER CREDIT INDUSTRY

Cascais (Lisbon), Portugal – 15 & 16 October 2015

A must-attend event in the business leader's agenda, with the right balance between powerful content and high-level networking

REASONS TO ATTEND

- Organised by the industry for the industry
- Truly European
- Largest event of its kind in Europe with 450+ participants every year
- 30+ countries represented
- Renowned for its compelling programme & first class speakers
- Acclaimed for its many networking opportunities
- Meeting with senior representatives from leading key industry solution providers
- Privileged registration fee for Eurofinas' member associations & their member consumer credit companies, as well as for Eurofinas' associate members
- More than ever, THE gathering of industry decision makers at European level

• With the European Consumer Credit and Leasing & Automotive Rental Industries holding once again their Annual Convention together to offer delegates a unique one-stop shop opportunity, the event will most certainly live up to its reputation as the undisputed gathering of the year for those industries at European level.

Our organising team is working on the 2015 academic and networking programmes to create another exceptional event in an outstanding location. The Convention will begin on Thursday 15 October in the early afternoon and continue on Friday 16 October for a full day programme rich in opportunities to learn, meet and connect. As part of the event, delegates, special guests and their partners will also be invited to a dazzling evening reception on 15 October. More information on the Convention and on accommodation is available on the dedicated website at www.annual-convention.eu.

Plan to attend and register as of now and also book your accommodation as soon as possible to avoid disappointment. Check the Annual Convention website regularly for the latest updates on the programme and the many activities planned. For more information, please contact a.valette@eurofinas.org.

Cascais 2015

Plan to attend
and register now!

15 & 16 October 2015 · Hotel Cascais Miragem · Cascais, Portugal
www.annual-convention.eu

SPONSOR THE CONVENTION

Sponsorship enquiries for the 2015 Convention should be addressed to Anne Valette, Head of Communication: a.valette@eurofinas.org

REMUNERATION POLICIES - TIGHTENING THE NOOSE

In accordance with article 92 of the Capital Requirements Directive (CRD), credit institutions are required to have in place remuneration policies that promote sound and effective risk management and do not encourage risk-taking that exceeds the level of tolerated risk of the institution. Against this background, on 4 March 2015, the European Banking Authority (EBA) released a far-reaching consultation on sound remuneration policies in the European financial sector. With this consultation, the EBA aims to achieve a risk aligned remuneration culture and framework as well as a level playing field between the different institutions. The rules apply not only to all credit institutions, but also to their subsidiaries that are not covered by the CRD. In addition, the rules must be applied to all employees of these institutions, as well as to all persons acting on behalf of the institutions or their subsidiaries.

The guidelines provide for detailed rules on a very wide range of topics relating to remuneration policies. More and stricter requirements apply to significant institutions, to staff highly involved with risk-taking, and variable remuneration. We are of the opinion that the application of the principle of proportionality is of utmost importance in this respect. In our response, we argue that firms which only carry out low-risk activities, such as specialised lending and asset finance, should be out of the scope of the CRD requirements and EBA guidelines. Alternatively, we ask the EBA to neutralise certain remuneration requirements and to confirm that institutions are not responsible for the remuneration policies of business partners and non-financial staff. We also stress that subsidiaries should not be treated as their mother company when their mother company is a significant institution.

We expect the final guidelines to be released by the end of 2015.

For more information, please contact n.hazeveld@eurofinas.org

FINANCIAL INTEGRATION

On 11 June 2015, the European Commission presented the latest edition of its report on European financial integration and stability. The report outlines the main challenges for the European integration going forward. For more information, please contact n.hazeveld@eurofinas.org

EU AND INTERNATIONAL INITIATIVES ON SHADOW BANKING

In accordance with article 395(1) of the Capital Requirements Regulation (CRR), a credit institution shall not incur an exposure to a client or group of connected clients the value of which exceeds 25% of its eligible capital. On 19 March the European Banking Authority (EBA) released a consultation paper on guidelines proposing criteria to set limits on institutions' exposures to shadow banking entities. With these guidelines, the EBA lays down requirements for credit institutions to establish an effective process and control mechanism, to ensure oversight by the managing body and to set aggregate and individual limits on exposures to shadow banking entities.

On 18 May 2015, the EBA organised a hearing on its consultation on exposures to shadow banking entities. Eurofinas attended this hearing and used the opportunity to raise the issue of the negative scope of the guidelines. The guidelines provide that entities that are not covered by EU prudential standards but are subject to comparable standards at national level should be excluded from the scope. However, the question arises as to the definition of the term "comparable". The EBA did not want to elaborate on the term during the hearing, but will discuss the point further internally.

Eurofinas is currently working on a response to the EBA consultation, in which it addresses the above issue. The consultation also serves as a good opportunity for the Federation to re-clarify a number of key specifics of the consumer credit/asset finance business.

Both the EBA consultations should be finalised by the end of the year.

For more information, please contact a.giraud@eurofinas.org

PARALLEL WORK OF THE FSB/IOSCO ON SHADOW BANKING

On 4 March 2015, the Financial Stability Board (FSB) and the International Organisation of Securities Commissions (IOSCO) released a joint consultation regarding the identification of significant shadow banking entities. Eurofinas responded.

INDUSTRY CONVENES ON BIG DATA

Big data represents an opportunity for the consumer credit industry as much as a challenge.

The comment was typical of the many views exchanged on 29 May, when representatives of the consumer credit sector and close partners came together at the Eurofinas' Industry Roundtable on Big Data in Brussels. The topic of the day was the impact of big data on the consumer credit industry and related opportunities and challenges.

Under the moderation of Jean Coumaros, Senior Vice President & Global Head of Financial Services at Capgemini Consulting, participants with various backgrounds and approaches to data analytics shared their views and experiences. Discussions ranged from technicalities on volume, velocity and diversity of data to wider-ranging themes such as regulatory concerns, public perception and ways to foster an innovative culture within companies.

The phenomena of big data is often described as the next big ICT revolution. It is believed that the gathering of vast amounts of data, combined with advanced data analytics, could allow companies to increase revenues from their current business as well as create new revenue streams. However, and as vocally stressed by participants at the Roundtable, the usage of big data brings with it many questions, be they organisational, technical, philosophical or legal.

Data access and usage are considered as key enablers in the European Commission's new Digital Single Market Strategy. Big data and the data-driven economy are viewed as having great potential to increase European growth and competitiveness in a number of sectors, including the financial services sector. A detailed action plan on the subject-matter is expected from the European Commission by year-end.

The matter is closely connected to other legislative files in particular the Proposal for a General Data Protection Regulation (DPR). Ironically, the final text of the DPR, which has not yet been agreed upon, may well hamper the ability of companies to take full advantage of big data.

PARTICIPATING COMPANIES

Basisbank, BBVA, Beobank, BNP Paribas Personal Finance, Capgemini Consulting, Cofidis, CRIF, Eurobank, Experian, FICO, FinConsum, Geomatic, Klarna, Kreditech, NG Data, Pinsent Masons, TeamBank and Volkswagen Financial Services.

> “Big data will need equally big data protection.”
>
> **GIOVANNI BUTTARELLI,** European Data Protection Supervisor

Critical voices, including European Data Protection Supervisor (EDPS) Giovanni Buttarelli, have raised strong concerns as to the implications of big data and the need to protect citizens. The EDPS views a European big data framework as one of the most important issues for the coming years.

Main views exchanged at the Eurofinas Roundtable on Big Data will be consolidated in a publication to be released in early fall with findings being showcased at the Annual Convention of the European Consumer Credit Industry organised by Eurofinas in Cascais, Portugal on 15 & 16 October.

views from

BIG DATA IS A BIG DEAL FOR OUR WORLD

ANDERS NIELSEN, *Senior Solution Manager, Experian Decision Analytics (Europe, Middle East & Africa)*

In just the last two years, more than 90 per cent of the data in the world was created. Over the next decade, digital media content alone is projected to increase by 440 per cent. In parallel with that, big data technologies can now process unfathomable, and until recently largely unmanageable, volumes of information. As an example, it was until recently out of reach for machines to interpret human voice data.

So, big data is a big deal. What's more, it has the power to help address some of our nation's pressing needs, from protecting consumers against fraud to helping families secure affordable loans. It is also the key to fulfilling the insatiable demand of internet savvy individuals who expect instant, personalised engagement through all channels.

But many providers do not realise the potential in the data that they have. Take, for example, information on how people use their credit and debit cards. Analysing your customers' spending patterns opens the door to a world of insight on needs and behaviours which help serve your customers better. Credit providers can then engage in the right way and offer what the customer wants at every stage in their life. Good, loyal relationships are built on big data.

With so many weighty challenges burdening our world, the reality is that we are able to achieve so much more as a society when we make better sense of our complicated surroundings.

That's exactly what we're doing right now. We are analysing data to gain insight into the causes of cancers, provide better healthcare, and improve our ability to avoid financial disasters. Think of atmospheric and climate research applications, or the comparative analysis of the entire genome DNA sequence - or of health studies that offer better understanding of genetic diseases.

Like any powerful tool, it must be deployed wisely. With the eruption of information, we open ourselves up to new risks and privacy concerns. Without careful management, data can be hacked. The last year and half has seen more headlines about cyber-attacks on corporations. Consumers have fallen victim to the loss of personal identifiable information. These events have had a big impact on the way people and companies think about data and the future of data.

But abandoning big data isn't the solution. Today's corporate leaders have an opportunity to proactively address the challenges. They can make training mandatory for all employees, enforce strict compliance rules, empower dedicated compliance officers and data governance experts and make data security excellence a core company value. This is especially critical for companies holding and processing consumer data.

Consumer data been a part of Experian's DNA throughout its 30 year history, so has a culture of valuing data and the people that data concerns. Experian has immense focus on data security and privacy – a vital focus for any consumer data guardian.

As long as privacy rights are respected, adequate security measures are in place, compliance protocols are carefully followed and a commitment to data accuracy is maintained, the opportunities brought by big data should not be hindered. Instead, big data should be embraced for its big benefits.

With it we can prevent fraud and consumer identity theft, manage debt, retain and improve customer relationships. The businesses fuelling our economy can also use it to plan, target and execute better customer strategies, turning data into value-added insight.

“With so many weighty challenges burdening our world, the reality is that we are able to achieve so much more as a society when we make better sense of our complicated surroundings.”

That's the real promise of big data: giving researchers an unprecedented opportunity to look at our society's problems from a new perspective, allowing them to capture the value hidden within their data assets.

DATA PROTECTION – THE BEGINNING OF THE END IN SIGHT?

• Despite the many pessimistic forecasts on the Council's ability to finalise its work on the Proposal for a General Data Protection Regulation (DPR), the Member States reached an agreement on 15 June.

The Council is maintaining its more proportional approach compared to the European Parliament's position established a year ago. They differ on many issues of key relevance for the consumer credit industry, such as data minimisation, the right to be forgotten and to erasure, and automated processing / profiling.

The DPR is viewed as a cornerstone for the Digital Single Market and the pressure is high to finalise the work on the file. The Council and European Parliament are standing far apart on many key issues and it remains to be seen how long it will take them to find a common final agreement. The DPR will be a top priority of the Luxemburg EU Presidency as of 1 July.

A first negotiation meeting between the three EU Institutions will take place on 24 June. The work is likely to continue into Q1 2016.

BRINGING THE eIDAS REGULATION TO THE PRIVATE SECTOR

Elena Alampi and Alessandra Sbordoni, Members of the European Commission's Legislation Team (eIDAS) Task Force, presented their work at the Eurofinas' Legal & Policy Committee on 19 May.

• The 1999 eSignatures Directive will soon be replaced by the eIDAS Regulation adopted by the EU Institutions in the summer 2014. The new Regulation will gradually enter into force between 2016 and 2018.

The existing eSignatures Directive was deemed out-of-date. There were a lack of cross-border technical interoperability and common legal understanding. With the eIDAS Regulation, the European Commission hopes to strengthen the Single Market by boosting trust and convenience in cross-border electronic transactions. It is a cornerstone of the Commission's agenda for the Digital Single Market.

The Regulation does not impose the mandatory use of electronic identification schemes and trust services. However, the Commission is promoting the uptake in the private sector and has organised a number of private stakeholder events for identified key sectors, including insurance and consumer credit.

WHAT IS THE eIDAS REGULATION?

The new Regulation covers electronic identification and trust services (time stamping electronic seals and website authentication, etc.) for electronic transactions. Trust services are for the first time brought in under the scope of the EU framework.

BREAKING BORDERS

• The Digital Single Market took off on 6 May, when Andrus Ansip, Vice-President of the European Commission presented the Commission's strategy for a Digital Single Market.

The strategy is built on three pillars:

- Improving access for consumers and businesses to digital goods and services across Europe
- Creating the right conditions and a level playing field for advanced digital networks and innovative services
- Maximising the growth potential of the digital economy

In the next two years, a high number of concrete proposals of direct relevance for the consumer credit industry, such as big data, geo-blocking, online platforms, cross-border e-commerce rules and cybersecurity will be put forward.

COFACE CONFERENCE ON FAIR AND ACCESSIBLE FINANCIAL SERVICES

On 11/12 May 2015, the Confederation of Family Organisations in the European Union (Coface) organised a conference on fair and accessible financial services. The objective of the event was to exchange best practices on financial inclusion, advice and alternatives to mainstream financial services. Eurofinas attended.

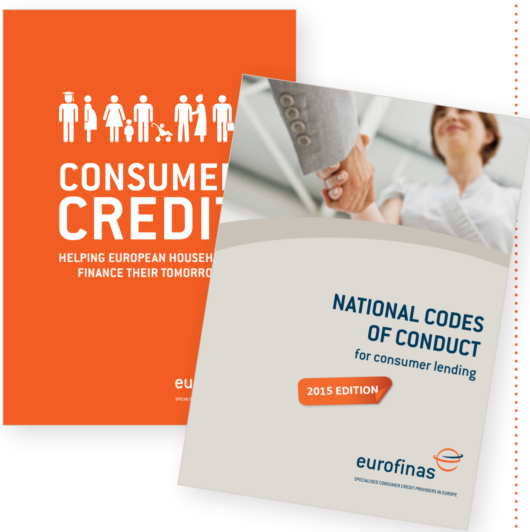
The event was opened by Mick McAteer, Chairman of the Financial Services User Group (FSUG). In order to promote financial and social inclusion, he advocated to raise consumer awareness, enhance consumer protection regimes and promote independent advice. Reinforcing these points, the European Consumer Organisation (BEUC) stressed that the provision of advice in the financial services sector still lacks completeness, objectivity and transparency. The BEUC argued that timely information is still missing as well as key information documents for most products and services. Advice currently provided by financial institutions and intermediaries is often biased and of poor quality. Against this background the BEUC advocates for a complete ban of sales rewards as well as the promotion of alternative not-for-profit financial services providers.

For more information on this event, please contact n.hazeveld@eurofinas.org

OVER-INDEBTEDNESS

- We are currently reviewing the Eurofinas Consumer Credit brochure and the Eurofinas brochure on national codes of conduct. These will be released in June.

We also plan to work over the summer on a Eurofinas brochure covering members' initiatives to prevent or tackle over-indebtedness.



IMD II – STILL ON STEP 1

- Negotiations are going slow on the recast of the Insurance Mediation Directive (IMD II). The process has been held up by lengthy discussions on the scope of the Directive. Initial discussions have only just start.

The Council and the European Parliament disagree on key issues, such as professional and training requirements, information requirements and cross-selling practices.

Eurofinas is on the frontline, addressing industry concerns to key policy-makers. We strongly oppose the European Parliament's request for a 200 hour training over a 5-year period for all insurance intermediaries. Our position is widely supported by the Council. It is unclear whether we will see a final agreement before the summer break.

For more information on the Directive and news on Eurofinas' latest actions, please contact i.bengtzboe@eurofinas.org

SECURITISATION UNDER SCRUTINY

● Securitisation, a tool for European growth? The European Commission is currently assessing the opportunity to introduce a dedicated framework for simple, transparent and standardised securitisation. An EU-wide initiative on 'high-quality' securitisation would ensure high standards of process, legal certainty and comparability across securitisation instruments through a higher degree of standardisation of products. The initiative would increase the transparency, consistency and availability of key information for investors and promote increased liquidity. This should facilitate issuance of securitised products, and allow institutional investors to perform due diligence on products that match their asset diversification, return and duration needs.

Eurofinas closely follows this development and contributed to a recent consultation by the European Commission on the subject.

BENCHMARKS – NEGOTIATIONS KICK OFF

● On 19 May 2015, the European Parliament adopted its report on the Commission's proposal for a Regulation on indices used as Benchmarks in Financial Instruments and Financial Contracts, including consumer credit agreements. This has cleared the way for negotiations with the Council and the Commission to start next month.

In line with Eurofinas' position, the Parliament removed the obligation to carry out a suitability assessment for consumer credit contracts but proposed that the Commission shall assess whether the conduct of business provisions laid down in the Consumer Credit Directive and the Mortgage Credit Directive are sufficient.

FOLLOW US ON LINKEDIN

● Did you know? Eurofinas has created a company profile on Linkedin. Follow us to be informed of all our activities and what really matters for consumer credit professionals active in Europe.

Linked in

SPEAKING AT EVENTS

● **Alexandre Giraud**, Senior Legal Adviser on the "Banking Regulation in Europe" at ASNEF's Annual General Assembly on 29 May in Cádiz, Spain. ASNEF is Eurofinas Spanish member association.

● **Alexandre Giraud** on the latest EU legislative and regulatory developments at the 2015 FCA Bank Compliance & Legal Seminar on 12 June in Turin, Italy.

● **Valentino Ghelli**, Eurofinas Chairman took part in a panel discussion on "How can Credit Bureaus Impact Economic Growth" representing the point of view of European credit providers on behalf of Eurofinas on 12 June during ACCIS' Annual Conference in Bologna, Italy. ACCIS is the Association of Consumer Credit Information Suppliers at European level.

NEW EIF GUARANTEE

EUROPEAN INVESTMENT FUND

● Did you know? The European Investment Fund (EIF) launched a dedicated guarantee facility for Master student loans. The so-called Erasmus+ Master Student Loan consists of a capped portfolio guarantee providing credit risk protection to financial institutions granting new loans to mobile Master students. Contact a.giraud@eurofinas.org or j.bucyte@eurofinas.org for more information.

EUROFINAS' 2015 ASSOCIATE MEMBERS

ACCIS
AXA MPS ridefiniamo la protezione in banca
BNP PARIBAS CARDIF
cbp
CRIF Together to the next level
Experian A world of insight
FICO
Genworth
logalty
MetLife
pwc
Roland Berger Strategy Consultants
QuickSign
White Clarke Group

INTERESTED IN BECOMING AN ASSOCIATE MEMBER OF EUROFINAS?

- Requests for information on Eurofinas' associate membership benefits should be addressed to Anne Valette, Head of Communications at a.valette@eurofinas.org

views from

CONTRACT DIGITIZATION AS A MAJOR BUSINESS DRIVER

Benoit Lassara, Co-Founder, QuickSign / Antoine Genel, Business Development Trainee, QuickSign

● Throughout Europe, digital transition unleashed an unprecedented wave of innovation that has not left financial services by the roadside. In particular, contract digitization – which entails the possibility to access, complete and sign a contract paperlessly – is a major stepping stone toward a full digital customer experience in the financial sector.

A win-win solution for consumers & companies

Whether for direct banking, consumer credit or wealth management, it appears that contract digitization is often a missing link to a full, end-to-end digital relationship with customers. Contract digitization makes it simple, easier, faster but also safer for customers to sign a contract – on a tablet in point-of-sale or from a computer at home. It is undoubtedly a factor of simplicity and immediacy, as it removes time-consuming steps such as contract printing, signing, mailing and physical archiving.

For financial services providers as well, digitization brings major benefits: as clients are not required to print and send a contract, it helps improving conversion ratios online, it reduces and simplifies back office work, and it also limits risks related to errors or omissions linked to the client's consent. Besides eliminating time-consuming paper-based procedures, digitalization also offers important opportunities to modernise and standardise business processes. It is indeed a major driver for adopting cross-channel commerce processes.

Towards generalization in Europe

Contract digitization is an ongoing process in many European countries, in particular on some markets such as consumer credit (car loans, loans, credit card, revolving credit...), retail banking (current accounts opening, savings accounts creation...), and insurance (car insurance, home insurance, life insurance...). This process is accelerating thanks a new, favourable regulatory framework.

The eIDAS regulation (regulation nº910/2014 of the European Parliament and of the Council) which was recently passed widens the scope of the previous legal framework and establishes a clear, effective, comprehensive framework for e-identification, authentication, signatures and related trust services in Europe. This new set of rules reinforces the legal value of electronic signatures, in particular as it affirms that an electronic signature cannot be denied legal effect on the grounds that it is in electronic form. It also defines different legal effects according to the level of signature (simple, advanced, qualified) and makes remarkable positive steps, for instance by providing for the first time that qualified electronic signatures have the same legal effect of handwritten signatures (article 25).

Challenges for digital contract solutions

In this context, digital contract management solutions appear to be a key to success in digitization strategies. However, it is a difficult task to choose the right digital solution for your organisation, as decisions factors are numerous and critical:

- *legal compliance*: there are various levels of electronic signature, with different technical requirements and legal consequences that may not meet your organisation's needs;
- *adaptability*: your organisation may offer a variety of products, services and options and therefore of possible contracts to submit to its clients (contract type, subscription type, number of signatories, type of mandatory documents...);
- *multi-channel*: there may be many possible environments for contract signature in your organisation, and thus numerous types of tools that must be supported (branches computers, salespeople tablets, etc.) which may moreover change quickly;
- *innovation*: your organisation must be in position to benefit much-expected innovations (for instance regarding data prediction allowing for workflow adaptation, or image processing allowing for an automatic completing of the forms);
- *capacity*: managing thousands of daily subscriptions requires strong infrastructures, in order to ensure security of your organisation's operations.

Since 2008, QuickSign is committed to assist financial services providers in their strategies of digitization of contracting processes. QuickSign offers best-of-breed technology and tailored solutions for financial services providers.

Benoit Lassara
Antoine Genel

SPOTLIGHT ON THE NETHERLANDS

VFN

- The Vereniging van Financieringsondernemingen in the Netherlands (VFN) was founded in 1928. The Association has 25 members and 34 associate members. Membership comprises of independent specialised consumer credit providers, bank owned subsidiaries, captive car finance companies and commercial credit providers. Since 2014, crowdfunding and peer-to-peer lenders who comply with the VFN Code of Conduct can apply for full VFN membership. Already several peer-to-peer lenders have joined the VFN.

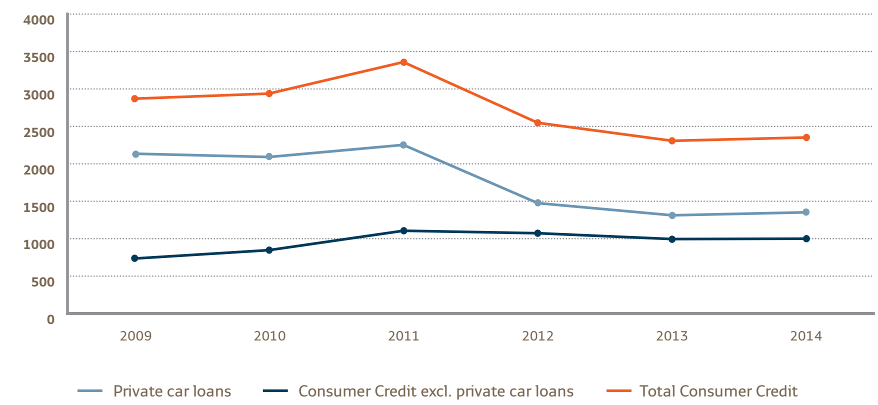
Consumer Finance Market

After the financial crisis, granting consumer credit in the Netherlands has decreased considerably. The market did not stabilise until 2014. The positive developments in consumer confidence and consumer spending in the recent quarterly figures however, which are also reflected in the VFN Consumer Credit Barometer, predict further recovery in 2015.

An important characteristic for the Dutch market is the relatively high amount of mortgage credit (approximately 100% of GDP) and the relatively low amount of consumer credit (approximately 4% of GDP).

Following the sharp decline in private real estate prices, many Dutch households faced mortgage debts which exceeded the value of their house. The situation on the Dutch housing market considerably affected the economic recovery. In order to mitigate this effect in the future, the Ministry of Finance annually decreases the maximum loan-to-value ratio for mortgage credit to a level of 100% in 2018; the maximum loan-to-income has also been decreased substantially. Mortgage credit granting, which was previously only limited by the industry Code of Conduct, is therefore now formally limited by the Ministry of Finance.

Provided Consumer Credit by VFN members
(in million €)



Source: VFN Annual Report 2014

THE NETHERLANDS IN BRIEF (2014)

POPULATION
16.8 million

GDP	€ 655 bn
GDP growth	0,8%
GDP per capita	€ 37.500
Inflation	1,0 %
Unemployment	7,2 %
Budget Deficit	-2,6%
Public debt to GDP	69%

Sources: CBS / CPB

The maximum amount of consumer credit which can be granted is still determined by the VFN Code of Conduct. The VFN Code of Conduct specifies the maximum credit which can be granted based on the applicant's income and financial obligations. The Code of Conduct is acknowledged by the Dutch Financial Authority (AFM) as providing sufficient consumer protection regarding the prevention of over-indebtedness. The VFN Code of Conduct, combined with the availability of both positive and negative credit data in the central credit information system which is provided by the Dutch credit bureau BKR has resulted in sound lending practices with relatively low amounts of consumers in arrears.

Traditionally, non secured revolving credits are the most important product in the Dutch consumer credit market. However, in recent years instalment loans became more popular. In 2014 instalment loans accounted for almost 20% in newly granted consumer credit.

Continued on next page >

> Continued

Regulation

The Dutch consumer credit providers need to comply with strict regulations. These regulations tend to include aspects which are often only in the stage of early discussions at a European level.

The effective interest rate is maximised by law at 14% and besides the interest, no additional fees can be charged to consumers.

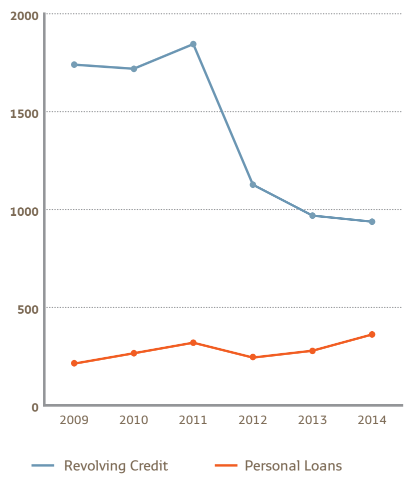
Training requirements were sharpened in 2014. As of 2015, all advising employees need to have centrally prescribed diplomas and subsequently pass a 3-yearly exam. For employees who are active in a non-advising role, training requirements were also more formalised. The VFN developed specific training schemes for employees who are active in Point of Sale finance in a non-advising role.

Although at the moment Private Lease contracts are not in scope with the laws on financial supervision, the Dutch Financial Authority (AFM) is investigating whether additional consumer protection is required in the field of transparency and over-indebtedness prevention. The VFN is active in promoting initiatives which focus on self regulation as a good alternative for legislation.

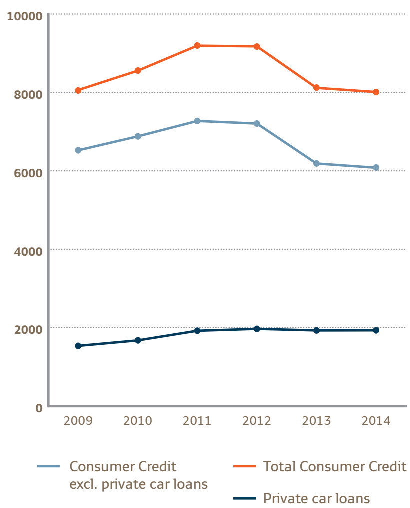
Following reports from the AFM on the market of crowdfunding and peer-to-peer lending, several regulatory aspects for regular credit providers are now applied to crowdfunding and peer-to-peer lending as well. These aspects concern for example licensing obligations and executive staff screening procedures.

More at www.vfn.nl

By VFN members provided Personal Loans and Revolving Credit (in million €)



Total VFN members' outstanding Consumer Credit (in million €)



Source: VFN Annual Report 2014

FUTURE OF EUROPEAN CONSUMER FINANCE

Still time to take part in the Eurofinas Roland Berger Survey

In April we launched our survey inviting top executives of consumer finance providers to share and compare their views on the future of our industry. There is still time for consumer credit providers to participate! The survey poses questions on themes that will shape the future of consumer credit in Europe: from P2P and the sharing economy, to socio-demographic factors. The survey is the first of its kind by Eurofinas and offers industry practitioners a unique opportunity to participate and benefit from a project that looks at the challenges our industry faces.

So far we have received completed questionnaires for 18 countries and we expect this number to rise. Members and all those participating in the survey will receive a full report, free of charge courtesy of Roland Berger. Participating companies will also be entitled to a complimentary benchmarking report comparing their responses with the aggregate results.

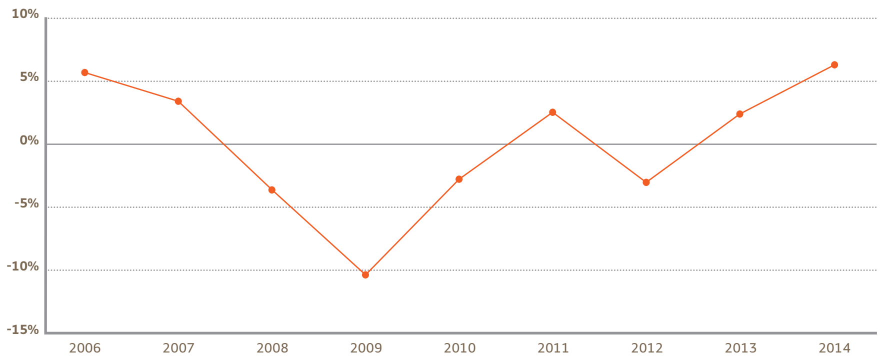
The results of the survey will feed into a dedicated session at our Annual Convention this October in Cascais, Portugal. This session will feature a panel of top industry executives discussing and debating the findings of the survey. It is therefore imperative we have good participation to ensure meaningful conclusions to inform the debate. It is your chance to have your voice heard on the future of the industry.

If you are a consumer credit professional interested in taking part in the survey, please contact c.low@eurofinas.org

EUROPEAN CONSUMER CREDIT MARKET GROWS IN 2014 AT STRONGEST RATE SINCE 2005

Positive developments in all categories of lending

Chart 1: Total Eurofinas New Consumer Credit, 2006 - 2014*



* Figures are adjusted for exchange rates from June 2009 onwards. Growth rates for 2008 and previous periods are on an unadjusted basis.

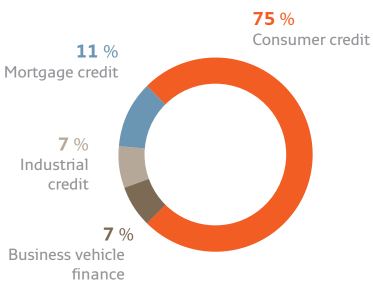
European consumer credit providers, represented through Eurofinas[1], granted new loans worth €356.2 billion in 2014, an increase of 7.7% compared to 2013[2]. The results of the Eurofinas 2014 Annual Survey show increases in new business across all lending categories and especially in the car finance market, with particularly strong growth in new cars for both consumers and businesses. Additionally, credit for commercial vehicles sped up to double digit growth while personal loans and non-automotive point of sale credit also experienced healthier market conditions.

The latest 2014 survey shows that Eurofinas members account for approximately 47% of the total outstanding portfolio for consumer credit and consumer vehicle finance in the 14 countries reporting these figures (Norway and the Netherlands are excluded as we do not have an accurate sizing of their national market). Eurofinas members reported €456 billion in outstanding consumer credit loans at the end of 2014, compared to a total market of €916 billion.

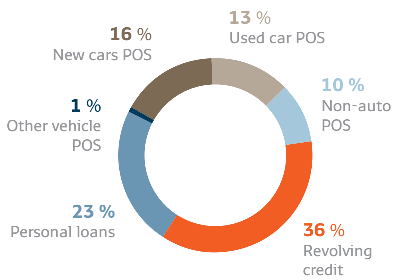
Chart 1 shows the trend in consumer credit lending by Eurofinas members between 2006 and 2014. These growth rates are based on a homogeneous sample of members reporting from year to year and are adjusted for exchange rate fluctuations from the year 2009 onwards. Despite negative market developments in 2012, growth has returned to pre-crisis levels in 2014 amidst a climate of increased consumer confidence.

Chart 2:

Proportion of New Credit by Loan Type



Proportion of New Consumer Credit by Loan Type



The proportion of new credit in 2014 generated by various loan types is shown in **Chart 2**. New consumer credit lending contributes three-quarters of the total, with this category showing gains for new business financed in 2014 of 8.4%. Mortgages contribute a much smaller proportion of new business, and have increased their share of new credit by 2 percentage points in 2014.

In the consumer credit lending category, personal loans contribute around a quarter of new credit and revolving credit just over a third. Personal loans grew in 2014 by 4.6%, while revolving credit reversed last year's decline, increasing by 3.3%. A category that continued to grow was non-automotive point of sale, with an increase in 2014 of 3.4%.

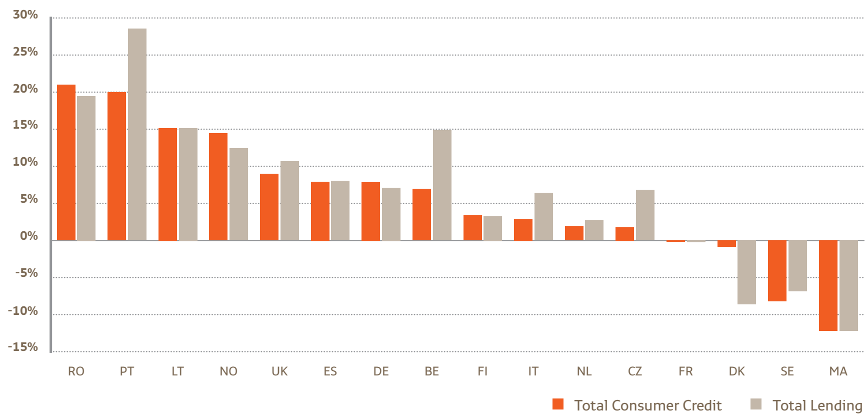
The consumer vehicle financing business continued to be an area of positive developments in 2014, with new car business increasing by 13.3% and used cars by 8.2%. The other vehicle category (motorbikes, caravans etc.) also increased, showing 9.3% growth. Strong growth in new lending was similarly seen in new business cars, with an increase of 12.0%, while commercial vehicles enjoyed 10.2% growth. Used business vehicles were the only category to exhibited negative growth, although at a lesser rate than previously, dropping by -1.8%.

Continued on next page >

1. The following Eurofinas members took part in the Annual survey: UPC/BVK (Belguim), CLFA (Czech), BFACH (Germany), Finans og Leasing (Denmark), ASNEF (Spain), FKL (Finland), ASF (France), ASSOFIN (Italy), LBA (Lithuania), APSF (Morocco), VFN (Dutch), FINFO (Norway), ASFAC (Portugal), ALB (Romania), AFINA (Sweden), FLA (UK).
2. All growth rates mentioned in this article are adjusted to exclude the impact of exchange rate fluctuations.

> Continued

Chart 3: Total Lending and Consumer Credit, adjusted for exchange rates



Aggregate figures for 2014 show recovering market conditions and improvements can be seen across almost all Eurofinas Members' national markets. **Chart 3** shows a comparison of growth in total lending and growth in consumer credit across various countries in 2014. Romania and Portugal are the highest performers in new consumer credit lending, with growth rates exceeding 20%. Many large markets such as Germany and the UK also experienced strong growth, contributing to the well performing European figures. Only a small minority of countries experienced declines in their new consumer credit business.

On the whole, results for 2014 offer a persuasive case that consumption was a resurgent activity in most European economies in 2014. Much of the GDP growth in 2014 was catalysed by consumer spending. Consumer confidence levels rose towards the end of 2014 boosted by the relatively cheap price of oil, low inflation and the ECBs continued program of quantitative easing. Going into 2015, consumer spending is expected to remain a driver of growth. The European Commission has forecast GDP growth to rise to 1.7% for the EU and 1.3% for the euro area – and much of this will be driven by consumer spending. Some consumers may opt to save more in 2015 in order to plan ahead, which may dampen consumption growth to a degree. Consumer credit institutions can therefore afford to be cautiously optimistic about the business environment this year.

EUROFINAS QUARTERLY SURVEY NOW AVAILABLE

• Eurofinas has the results of its Quarterly Survey for Q1 2015. The Quarterly Statistical Enquiry is a brief survey of member associations' quarterly figures, including new business for personal consumption and consumer car finance.

For more information, or a copy of the results please contact c.low@eurofinas.org

RESEARCH ON CONSUMER CREDIT: KEEP US INFORMED

• As reported in previous editions of the Consumer Credit Bulletin Europe, Eurofinas has dedicated a webpage to showcasing national research findings on European consumer credit markets. By doing so, Eurofinas reinforces its role as the information hub on national consumer credit markets across Europe. This initiative should help Member Associations and the wider community to learn more about our industry at local level and can also be a source of inspiration to conduct similar research.

In order to enrich the information already available for 8 European countries, we invite all Eurofinas Member Associations to keep us informed of any ongoing research on the consumer credit market conducted at national level or beyond.

For more information, contact
c.low@eurofinas.org

CONSUMER CREDIT BULLETIN EUROPE

eurofinas

SAVE THE DATE

events / meetings

- For latest updates on events and meetings, consult the calendar on Eurofinas' website home page.

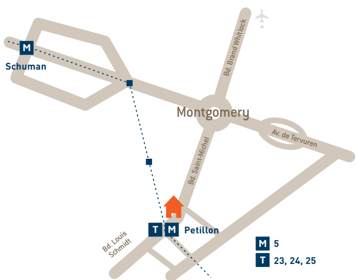
Internship at Eurofinas
find out more here

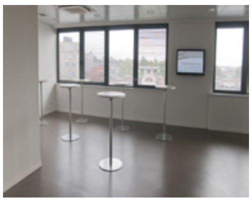
INTERNSHIP OPPORTUNITIES

Eurofinas offers internship opportunities to fresh University graduates having demonstrated an interest in consumer finance (thesis, report, publication, etc.). For more information, please contact t.vandewerve@eurofinas.org

EUROFINAS OFFICE IN BRUSSELS

Blvd Louis Schmidt 87
1040 Brussels - Belgium
T +32 2 778 05 60
F +32 2 778 05 78
www.eurofinas.org





Eurofinas spacious meeting rooms and adjacent lounges, including Wi-Fi, are available for any Brussels meetings you may wish to organise. For more information, please contact a.valette@eurofinas.org

EUROFINAS STAFF

TANGUY VAN DE WERVE
Director General
t.vandewerve@eurofinas.org
T +32 2 778 05 61

NADIA HAZEVELD
Intern
Legal & public affairs
n.hazeveld@eurofinas.org
T +32 2 778 05 72

ISAK BENGTZBOE
Legal Adviser
Legal & consumer affairs
i.bengtzboe@eurofinas.org
T +32 2 778 05 73

CHARLES LOW
Junior Adviser
Statistics & economic affairs
c.low@eurofinas.org
T +32 2 778 05 66

JURGITA BUCYTE
Senior Adviser
Statistics & economic affairs
j.bucyte@eurofinas.org
T +32 2 778 05 63

HAYLEY MCEWEN
Senior Adviser
Statistics & economic affairs
h.mcewen@eurofinas.org
T +32 2 778 05 71

ALEXANDRE GIRAUD
Senior Legal Adviser
Legal & consumer affairs
a.giraud@eurofinas.org
T +32 2 778 05 64

ANNE VALETTE
Head of Communications
Communications, marketing & media relations
a.valette@eurofinas.org
T +32 2 778 05 65

YOUR FEEDBACK COUNTS!

To provide feedback on this newsletter, or to be added to/removed from our mailing list, please contact a.valette@eurofinas.org

INGRID VERMEERSCH
Secretary
Administrative support
i.vermeersch@eurofinas.org
T +32 2 778 05 60