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Sent by email: niall.bohan@ec.europa.eu

15 September 2015

Proposals on SME Credit Information to be included in the Capital Markets Union Action Plan

Dear Mr Bohan,

I am writing to you on behalf of the European members of the Business Information Industry Association (BIIA) about the proposals on SME Credit information to be included in the Capital Markets Union Action plan.

BIIA is a non-profit trade association representing the business information industry. BIIA has global membership of 55 information companies of which 25 operate in the European Union. Our association actively cooperates with the other European information industry associations such as the Association of Consumer Credit Information Suppliers (ACCIS) and the Federation of European Business Information Services (FEBIS).

BIIA welcomes the European Commission's initiative to promote the creation of a Capital Markets Union and has responded to the Green Paper consultation on this subject which ran between February and May 2015 (copy attached).

BIIA in particular welcomes the fact that the European Commission recognises the importance of SME information for improving SME access to finance and has included this topic as one of the priority subjects in its Consultation on Building a Capital Markets Union (CMU). We are looking forward to the proposals to be announced in the upcoming CMU Action Plan following the Consultation.

As this is the first time that the Commission has addressed the topic of SME creditworthiness information in such a comprehensive and specific level, we believe it is crucial to use the opportunity of the CMU Action Plan to come forward with well-thought proposals, which would address the problem of SME information availability and would benefit SMEs, finance providers as well as SME information providers such as Credit Bureaus and Business Information Service providers).

On 28 May 2015, the European Commission organised a workshop on Improving Credit Information for SMEs in Europe, where the problems and relevance of SME Credit Information were discussed. The Workshop which BIIA attended, brought together representatives of lenders, investors and alternative finance providers, SME representatives, Credit Bureau and Business Information Providers, European and National central banks and policy makers, as well academics.

The Workshop was a very important step in the discussion of EU policy on SME information, as it highlighted certain critical issues related to SME information on which the positions of most of the stakeholders converged as well as issues requiring further discussion.

In particular, BIIA would like to highlight the following findings of the Workshop:

- **All stakeholders participating at the Workshop agreed that availability of relevant credit information, including positive information as well as trade credit data is a prerequisite to SME access to credit and capital.** This is an important conclusion which clearly warrants an action at the EU and national level to improve the availability of such information.
- At the same time, **it was acknowledged by all stakeholders that the level of availability of SME information is very diverse in different Member States. Similarly, the preparedness of SMEs to share their information with third parties is different among the Member State and the SME information markets (as well as broader credit information markets) have developed at diverging pace and shapes due to historical reasons.** Therefore, all the participants to the Workshop shared the view that at this stage a binding EU regulation or directive, mandating a one-size-fits all approach would be premature.
- **Facilitating cross border credit information flow has been identified as being second priority**, the first priority being the improvement of national credit information infrastructures.
- Besides the shared points of view there is a clear difference in approach towards some of the aspects related to SME data sharing. In particular the issue of confidentiality was approached differently by stakeholders, though the underlying concerns were recognised as being sharable by many during the debate. this is one the issues that clearly demonstrated **the need of a deeper discussion among stakeholder is necessary before taking any action** - SME representatives, finance providers (both traditional lenders and alternative finance providers), investors, SME information providers and policy makers at both national an EU level need to better discuss about the reciprocal needs and concerns to find common solutions forward.
- **There is a need to improve the awareness of SMEs of the importance of the availability and sharing creditworthiness information in order to access finance and capital.**

Based on the outcome of the Workshop, BIIA believes that there are certain key principles that the European Commission's should take into consideration in developing its upcoming policy initiatives designed to improve the availability of SME Credit Information. In summary these are as follows:

1. Full data sharing needs to be promoted for SME data, including both positive and negative, traditional credit data and non-traditional data. EU intervention is needed to address and eliminate unjustified national barriers to positive data collection and sharing.
2. Information held by Credit Bureau and Business Information providers should be accessible not only to banks, but should be available to all relevant credit information users (investors, alternative financing platforms, trade credit providers, telecoms and utilities companies).

3. In order to protect the interests of SMEs finance providers contributing to SME credit information databases, such databases should be accessible based on a principle of reciprocity, for strictly defined purposes only and the access should be limited only to clearly defined categories of subjects. These three principles (reciprocity, purpose limitation, subject limitation) will protect SMEs from abuse of their data by external players (e.g. competitors) not participating in the credit databases on a reciprocity basis;
4. Data held by public sources (public registers) relevant for the granting of credit should be made available to private credit reporting service providers.
5. While full harmonisation of credit information infrastructures and availability of data is neither desirable nor feasible at this stage, a certain minimum level playing field as regards the availability of and access to SME data should be promoted. In particular, local barriers preventing free flow of relevant credit information cross-border (such as national differences in data protection rules, banking secrecy regulations) should be eliminated. Such a level-playing field would also be a pre-requisite for cross-border data sharing and improving cross-border access to finance.
6. Business credit data (including SME data, business data on sole traders/entrepreneurs) should not be subject to the same restrictions as data on private individuals.
7. As regards the form of the upcoming EU policy actions in the field of SME information, the one-size-fits-all approach should be avoided. Any measure issued by the EU should set certain objectives with regard to availability of SME data, at the same time allowing for national flexibility. In BIIA's view, at this stage the most appropriate measure would be a Commission Recommendation or initiatives promoting Best Practices in the field of SME data availability and sharing.

We hope that you will find our contribution and comments helpful and we would of course be only too pleased to meet with you and members of your team to discuss these in more detail should you wish.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Joachim C. Bartels". The signature is written in a cursive, flowing style.

Joachim C Bartels
Managing Director
BIIA