

## **SPEECH - Mr Tsakiridis for the FENCA Congress**

### Introduction

Ladies and Gentlemen,

Dear Colleagues and Friends,

Welcome to the 10th FENCA Congress that is conducted this year in Greece and in particular in Athens.

I believe that the work of our Conference will be particularly constructive and you will have the opportunity to enjoy your stay in a beautiful and hospitable country and in a historic city, so that you leave with the best impressions.

Our Congress aims at further developing the European debt management industry, the sharing of information and the mutual support of one another on common issues.

It will also contribute to the effective approach of national associations supporting one another and creating a single front for the defense of the industry's interests. We believe that in times of financial crisis, the values of support, solidarity and cooperation become particularly important and significant, constituting the only way to development.

Meanwhile, your presence here, in our country, acquires a symbolism of support, optimism and faith in the effort us Greeks are making, in this particularly critical financial period for us.

### The current financial situation in Greece

Ladies and Gentlemen,

I believe that you are all more or less aware of the financial situation in our country. In order to deal with this difficult situation, a series of measures have been taken into effect, like:

- Pensions Reform
- Labour Law Reform
- Zero increases in wages and pensions, no new hiring in the public sector
- Cuts in wages, pensions and public sector employees' allowances
- Measures aiming to increase state revenues through increasing VAT rates, excise taxes and extraordinary corporation taxes

Currently, we are in the midst of a critical transition period and we all hope that the measures will prove fruitful, and that if they are combined with other development measures, at some point the desired financial recovery will be realized.

#### The financial system in Greece

Naturally, in light of the international crisis, the banking system has faced difficulties. In reality, it is found between crossfires. On the one hand, it is being accused of absorbing funds for its stabilization and on the other hand of not distributing cash back into the market. On the one hand, households' dire economic situation has eroded deposits and on the other hand, the weak flow of money has stifled households and above all small and medium sized businesses.

The figures speak for themselves:

- Loans in arrears: 22 bn., 28 bn. are forecasted
- Loans overdue: 8.2 %
- Decrease in deposits 7% since 1/1/2010(16.3 bn. Euros)
- Reduced loans growth, according to the Bank of Greece's figures, to 2%, from 4.2% in December 2009.

It is obvious to any modern European country that part of the solution to this problem could be provided by the credit briefing and negotiating sector.

It would thus be reasonable for the responsible bodies in our country as well, to “mobilize” companies of the sector to assist in the quick settlement of debts. The Firms of our sector can directly address people in debt, in order to agree to a mutually beneficial, non judicial mean of repayment so as to release funds to financial institutions and banks which will then flow into small and medium sized enterprises that are currently threatened by extinction due to financial suffocation.

Such steps forward have yet to be taken in this area.

## The credit collection industry in Greece – ESEDA

Ladies and Gentlemen,

Apart from the difficulties faced in this financially difficult context, our industry also has to face considerable barriers hindering its strengthening and development.

From 1995, since the creation of the first companies in Greece, until today, the industry is faced unfortunately with hesitation, suspicion and prejudice. This attitude is still persisting despite the fact that large multinational corporations are being involved in the sector via their subsidiaries.

Apart from that, with the 3758/5-5-2010 Bill, the companies of the sector have been restricted, exclusively, to the briefing of debtors about their debts and the negotiation of the mean and the rest of the terms for the repayment of these debts, thus turning into single purpose companies.

This Bill essentially deprives the firms of the sector of the possibility to maintain the width of services they used to provide, like the promotion of financial products, supporting telephone services and other activities. In a relatively limited market like the Greek one, the abolition by law of the above activities has deprived the firms of the sector of the possibility to achieve greater economies of scale.

According thus to this legal framework:

- Firms do not receive money; they only inform debtors about their debts.
- The state determines their framework of operation and controls them.

Since it was founded in 2005, ESEDA has aimed to contribute to the formation of the necessary conditions in order for the companies of the sector to function properly by maintaining a strict regulatory framework in the market for the negotiation of demands according to the standards of the European Union, which will ensure:

- The protection of the Greek financial and credit system
- The sustainability of legal businesses.
- The maintenance of the jobs of the thousands of employees in the industry.
- The credibility of the sector .

Since its establishment, the Association was the first to create a framework of strict operational regulations, aiming to avoid malpractice and to respect the personality of borrowers.

A few quick points regarding ESEDA:

<b>ESEDA in numbers</b>
<ul style="list-style-type: none"><li>- Established in 2005</li><li>- 12 member - companies</li><li>- 3,200 employees</li><li>- 350,000 telephone contacts on a daily basis</li><li>- €54.5 m. turnover in 2010</li></ul>

Today, we aim to be the sector's key institutional representative continuing the discussion with the State, public bodies, business and social partners in the market.

Meanwhile:

- We inform the public and the authorities in order to familiarize them with issues of briefing and financial claims negotiations
- We defend institutional collective interests, overall trade policy and the activities which fall under the procedures of briefing and financial claims negotiations
- We contribute to the sector's employees' long term education and training in order for them to comply with professional requirements and to give them the right to long-term development
- We check our operations in a way that ensures the full protection of consumers' rights

In the past year, the State took some initiatives towards the right direction, the implementation of which we believe will contribute to the cleansing of the industry.

The 3758/2009 Bill that regulates the market and imposes rules that put the chaotic situation that prevailed in order, was voted. For the drawing of this new bill some of the proposals we has submitted in the context of public consultation were taken into consideration by the legislator, like the mandatory registration in the Registry, the strict conditions for the registration in this Registry and others.

Also included were provisions introduced by ESEDA through the strict Code of Conduct which its members have already adopted and uphold.

Then the **Registry of Credit Collection Companies**, something we had long demanded, has been created, in which companies that have the right to operate in the sector are registered. The fact that all the members of EESA are also members of the Registry also vindicates the Association:

- It rewards the policy of strict criteria that ESEDA sets for its members
- It protects the seriousness and credibility of our member companies
- It reinforces the industry's social role
- It helps to protect the rights, not only of companies, but also of consumers and of the thousands of employees who work in briefing and debt management companies
- It provides a message of unity and participation in decision making between the industry's reliable companies.

In our opinion, it is vital that a period of at least one year is given in order for the Registry to be implemented and its effectiveness to be evaluated. We believe that it is essential that the Registry operates in accordance to the provisions of the legislation in order to deal -mainly- with phenomena of institutional variations – particularly from firms that are not listed in the Register.

Especially in today's difficult economic environment, we support initiatives that provide solutions to households and lead citizens to a more effective management of their debts. That is our role.

Ladies and Gentlemen,

The existing environment demands that we leave behind the unsuccessful formulas of the past. It demands greater courage, further determination and bold initiatives which will seek the public's best interests.

It is with sorrow that we witness efforts to change the Legal Framework in our country, before the effectiveness of the existing Legislation is evaluated, without taking into consideration the European standards. In this way restrictions are planned to be imposed that conflict elementary operational regulations of a firm i.e. according to reports in the press, the government is planning to introduce a law, according to which, if a debtor states to the firm for the briefing of debtors, during the second or any following contract, that he does not wish to be informed further, then he will not be disturbed for a period of at least one month.

We are confident that the government has not examined the consequences of these possible changes, namely:

- The risk of a further delay in the arrears' collection and the perpetuation of the phenomenon of overcharge. The degree of delay in the recovery of debts to banks has a decisive influence on the evaluation of banks by supervisory authorities, while it adversely affects the overall performance of the banking industry.
- The risk of justifying irresponsible behavior and multiplying expired arrears without any consequences
- Extending banks' failure to open up liquidity in order to finance the thousands of small businesses which are suffocating
- The danger of thousands of jobs being lost in our sector
- Depreciation of investments of millions of euros. Companies are required to invest in the training of human resources and in technological infrastructure and have own high capital. In case these firms were forced to shut down, then non-institutional, opportunistic and non-controlled firms might enter the market leading to dire consequences for both the sector and the consumer.

We therefore invite the government to review the bill and adapt it to what is happening in the EU.

It is absurd that we are still discussing the necessity of the debt management industry in Greece. FENCA's strong alliance and the experience it bestows upon us make our efforts stronger and more effective.

### Proposal

Ladies and Gentlemen,

In accordance with the Memorandum signed with the IMF of the European Union, the Greek State is obliged to collect hundreds of millions in uncollectible arrears for its Inland Revenue and Insurance Funds.

The tax evasion phenomenon and the public debt constitute the greatest wounds to the Greek economy. Huge amounts are lost due to the State's inability to control and collect lost earnings and, despite the efforts made, the attempts always fail.

At ESEDA, we have the expertise and infrastructure to support such initiatives. We therefore recommend to the government that we cooperate in collecting debts for the State. We have drafted a study which proves exactly what the State can gain from our proposal.

Even political leaders widely accept the fact that the public revenue collection mechanism is insufficient and inefficient. Our contribution will boost revenues, in the fight against tax evasion, as well as aid in the recovery of insurance funds.

On a daily basis, we prove that the debt management industry in Greece possesses the ability to perform as a mediator as well as to guarantee the financial system's equilibrium. As an intermediary link between consumers and banks, we can contribute to the necessary flow of funds necessary for the development of the economy.

Indeed, many of you are already familiar with this: this cooperation is applied successfully in several European countries. But in the present case, we are debating the obvious.



The current government shows its will, as it faces the country's bankruptcy, to disassociate itself from the mindset and the practices which led the economy to its current plight.

### Epilogue

ESEDA keeps abreast with developments. We continue to put forward responsible, constructive and realistic proposals in the hope that they will serve the public's interest. After all, cooperation can only be a good thing.

We urge the government to consider us a partner in the creation of a new strategy which will be to the benefit of both the consumers and the companies which are active in this area.

We also call upon you our colleagues from FENCA, to join us in our efforts to convince both the European and the Greek institutions of the need to develop a new, pan European institutional framework which will include all the necessary reforms. The sooner this takes place, the sooner Greece and Europe will find a way out of the crisis.