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NAVIGATING THE CHANGING GLOBAL COMPLIANCE LANDSCAPE



Debt purchase is facing new regulatory scrutiny in north America and Europe. Laura White, chief compliance officer at PRA Group, takes a global view of what the future holds, and how successful companies are managing compliance challenges

PRA Group is Credit Today's partner in holding the biannual Debt Seller's Club, a forum for sellers in financial services to share challenges and opportunities

The past several years have been interesting times for sellers and buyers of debt, to say the least. In the US, firms began seeing increased regulatory scrutiny in the wake of the financial crisis with the adoption of the Dodd-Frank Act in 2010. New regulations have had significant consequences, affecting supply from debt sellers as regulators have held selling banks to higher standards. All of this activity has set up significant barriers to entry for competitors in the debt buying space this year.

In the US, debt buyers must now comply with a myriad of regulations including the Fair Debt Collection Practices Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transaction Act of 2003, the Gramm-Leach-Bliley Act, the Telephone Consumer Protection

Act, the Service Members Civil Relief Act and the US Bankruptcy Code. Firms are monitored by a collection of regulatory and legislative agencies including the Consumer Financial Protection Bureau, the Federal Trade Commission and the Federal Communications Commission, as well as attorneys general in all 50 US states.

Europe is also seeing a new wave of change in the regulatory landscape. In the UK, regulation is increasing significantly with the transfer of regulatory oversight of consumer credit from the Office of Fair Trading to the Financial Conduct Authority. The new agency, which assumed this oversight in April 2014, now regulates more than 50,000 firms that offer credit, loans or debt services. These developments could signal even further changes across other markets.

To adapt to these changes, I believe debt buyers will need strong, validated compliance programmes, and they will need to invest in systems, people and processes. The companies that will survive and be successful will be those which view compliance as central to their operational approach, rather than an additional process to manage. The new regulatory oversight will undoubtedly bring industry consolidation as purchasers unable to support the necessary compliance framework exit the market. In this new environment, I think it's likely that only the most professional and compliant players, with adequate scale, will survive.

At PRA Group, we have been successful in meeting the challenges of the US regulatory market, and we welcome these changes. With the acquisition of Norway-based Aktiv Kapital in July 2014, we expanded our presence in the UK and branched into 13 new countries throughout Europe. The combination of PRA and Aktiv created what we see as

a world leader in acquiring non-performing consumer debt, with a strong track record of compliance across north America and Europe. As a growing company with global reach, we realize that we are now managing multiple regulators in different countries and regions – it's a complex regulatory environment.

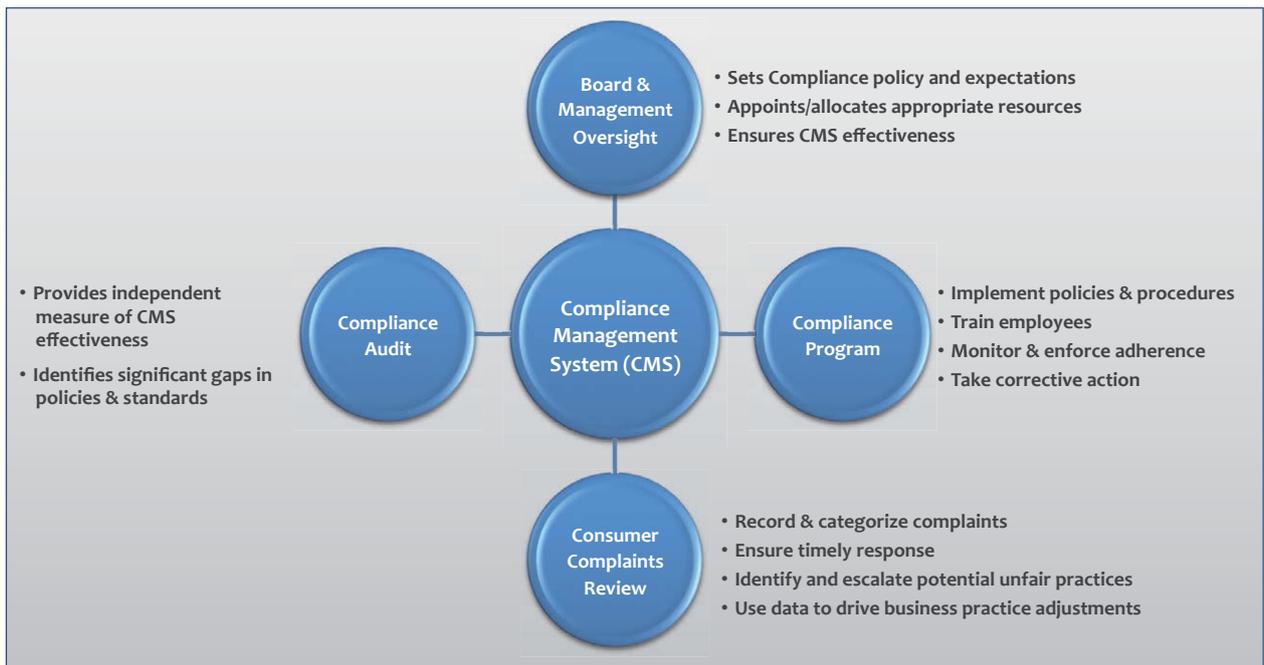
Fortunately, Aktiv Kapital had already clearly established its presence as a leader in compliance in Europe and Canada for more than 20 years, and this was one of the reasons PRA Group saw the acquisition as a great fit. When it was completed, we became the only debt buyer with true US, Canadian and European coverage across a wide variety of defaulted and insolvent customer account segments, with a complementary history of consumer protection law compliance. I believe it's hard to underestimate what a key asset this is for debt sellers in this global regulatory environment.

Given the increasing importance of compliance,



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A HEIGHTENED FOCUS ON COMPLIANCE



Concepts and information presented were taken from the "Compliance Management Review" section of the CFPB Exam Procedures Manual accessible on the CFPB's website, www.consumerfinance.gov.

we have a realistic outlook on the debt sale market: We know that debt sellers don't have to sell to us. They are outsourcing risk. That's why we're committed to being fully compliant with the many consumer protection laws and regulations in all of our markets. We have to know what is required before our clients do. As such, we build relationships on trust, based on our ability to manage and execute global compliance programs.

An example of our company's leadership role in US compliance is the continued convergence of seller certification criteria with long-standing PRA Group policies.

In August 2014, the US Office of the Comptroller of the Currency (OCC) issued risk management guidance for debt sellers. In its guidance, the OCC, which charters, regulates, and supervises national banks and supervises the federal branches and agencies of foreign banks, outlined expectations for

banks engaging in debt sale. The agency recommended due diligence and outlined many practices which had already been longstanding practices of PRA, including prohibition on debt re-sale, a constrained approach to customer litigation, and insourced collection processes. We are strongly committed to these best practices, and we were pleased to see them formally outlined by the OCC.

As a leader in the global debt buying industry, PRA Group has combined a successful track record in US compliance with our long history of compliance success throughout Canada and Europe from the former Aktiv Kapital companies. Our philosophy is simple: Do the right things. We understand that compliance with applicable laws and regulations promotes a better customer experience and higher satisfaction, and this is a driving force behind our passion for compliance. This view is shared by our

management team, which has significant industry experience in successfully managing international regulatory compliance and customer service.

To comply with state and federal oversight and the laws, regulations and guidance that impact every aspect of our business, we have adopted a compliance management system to proactively identify legal and regulatory requirements and effectively manage change. Compliance is at the heart of our culture, supported by comprehensive policies and procedures, training, and an extensive network of internal controls.

Our global compliance team reports to PRA's chief executive officer and board of directors. We are responsible for advancing compliance by testing controls, conducting compliance risk assessments, overseeing remediation of compliance issues, proactively identifying emerging risks, and escalating them to our executive management team

and our board.

This comprehensive approach to compliance is an extremely strong value proposition for debt sellers that face regulatory scrutiny in the various countries in which they operate. Sellers are increasingly concerned with maintaining their reputation and their customer relationships. Our approach to compliance has incorporated PRA Group's experience throughout countries and markets to assure ongoing compliance with consumer protection laws.

As new regulations are adopted in new markets, I believe debt sellers will increasingly come to rely on debt buyers that will be able to provide innovative and flexible solutions, while adhering to the strictest standards of compliance and customer treatment.

These debt buyers will prove to be important and valuable assets in helping meet the global compliance challenges of the future. 