



FCI

NEWSLETTER / MAY 2021

CONNECT. EDUCATE. INFLUENCE.

Facilitating Open Account – Receivables Finance

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

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GWENDOLINE DE VIRON
Head of Marketing and
Communication

EXECUTIVE SUMMARY

Dear Reader,

Welcome to the latest In-Sight!

In this edition, [Patrick de Villepin, FCI Chairman, welcomes](#) the readers by giving some update on what happened during the last quarter and what will happen in the future, including the FCI Annual Meeting that will take place on 22-23 September.

[Peter Mulroy, FCI Secretary General, reports](#) on the discussions that took place in the factoring and credit insurance working group that met recently. With the demise of Greensil Capital, the working group had a lots of subject matter to discuss.

In the Connect section, [Alberto Wyderka, FCI Regional Director Americas, interviews](#) four members from Americas region on what happened during the pandemic regarding international factoring and how they see the future and the risks and opportunities.

[John Perego explains](#) the FCI reverse solution for modern trade finance in APAC. [Lin Hui, FCI Regional Director NEA, clarifies](#) why supply chains need FCI as times are changing in the industry.

The [new members](#) are presented: Bien finans, NAVAX and Trade Ledger.

In the Educate section, [Aysen Cetintas, FCI Education Director, clarifies](#) why FCI Academy confirms its position as the Global Leader of Receivables Finance Education. [Spyros Tsois, FCI Deputy Education Director, reports](#) on two education events organized with the EBRD to promote factoring in Uzbekistan and Kyrgyzstan.

The Influence section starts with an interview led by [Thompson Lui, FCI Regional Manager SSEA,](#) with Amit Agarwal, Executive Director, DBS, on his company's recent digital transformation, its influence on the industry, and why he thinks it was the right moment to implement it.

[Johannes Wehrmann reports](#) on insights from the webinar on Supply Chains in the post-pandemic world and its main takeaways.

[Nassourou Aminou, FCI Regional Manager Africa, explains](#) why there is a need to establish a uniform law on factoring in Africa and where Africa stands on this subject.

Finally, the publication ends with the [FCI spreading its wings](#) that report on FCI's representatives participation to partners event in the world, including a more in-depth report by [Betül Kurtulus](#) about her region. You can also discover the global FCI ad campaign #DISCOVERFACTORIZING.

Enjoy the reading!

Gwendoline

WELCOME FROM PATRICK DE VILLEPIN

Chairman of FCI



PATRICK DE VILLEPIN
Chairman of FCI

Dear Friends,

Time flies, and most of the world is still in lockdown or getting some freedom slowly. COVID 19 has changed our lives much longer than expected!

During the last quarter, FCI organized four regional networking E-events to allow its members to network even if no physical event were possible. The feedback from the members was very positive, and more than 1000 bilateral meetings took place amongst the members. That's much more than the number of meetings that normally take place during our traditional Annual Meetings, but of course, it doesn't replace a physical meeting. It was also a good opportunity to hear from each region and our members.

As you know, FCI usually organizes its Annual Meeting in June, but due to the pandemic, it was postponed to 22-23 September, to be held either virtually or as one hybrid one, with the physical part to be held in Amsterdam, the home city of the FCI Secretariat. The decision will be taken at the end of June when the ExCom will meet. We will submit the 5-Year strategic plan to the FCI Council for a vote at the Council Meeting. This plan will support a new direction for the Chain to help strengthen FCI in a future that will certainly be a challenging one for all of us.

FCI will organize a webinar on Changing Risk Patterns and Fraud Management in Receivables and Payables Finance on the 16th-17th of June. We have seen during the last year that more than ever with the current crises, Fraud constitutes the most important risk in Receivables & Payables Finance. It has a considerable impact on the Factor's performance and internal procedures. Fraud management requires solid internal processes with dynamic fraud detection & prevention mechanisms. The webinar replies to this demand.

Even if the new normal is different, things are moving fast for our Industry. We published the preliminary factoring statistics, and the final one will be out soon. Due to the pandemic, the world figure decreased by 6.6%, but two regions are increasing: Asia and Africa. We already hear that business is back this year: the figures from edifactoring and what we hear from members are positive. So we hope that 2021 will be back to a growth year.

Best regards,

Patrick

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PETER MULROY
Secretary General

WORD FROM THE SG

FACTORING AND CREDIT INSURANCE WORKING GROUP OVERVIEW

The FCI-Credit Insurance Working Group held its sixth annual meeting on 31 March 2021, to discuss the state of the industry. They reviewed the effect of the crisis on our respective industries and other developments, the impact on the demise of Greensill Capital, and the role that Funds played and will play in the future. Below are some highlights from the meeting.

2020 Performance and 2021 Prognosis

While most of the financial industry suffered from the pandemic of 2020, many credit insurers had one of the best years in terms of performance! Claims were quite low considering the extensive volatility in the global economy. The programs initiated by the European governments were supportive, which helped to reduce the claims requirements, and the EU state support was extended until 30 June 2021. For 2021, the outlook doesn't look too bad. It is uncertain what the government will do, but it may be better than expected with the continuous stimulus and support. Given the number of zombie companies supported by artificial government stimulus, the Berne Union and ICISA expect a surge in claims towards the end of 2021 into 2022. *The moratorium which supported these companies is soon coming to an end. US retail, as well as the commodity sector, were hard hit. He said there were other frauds and defaults, but they did not make the headline news. Some of the smaller private insurers decided not to join any of the government support schemes due to the costs and controls required by the governments.*

Euler stated that they expect to see a negative turn in terms of risk with the approaching cessation of global government stimulus programs. The credit insurance volume in 2020 declined slightly year over year. Some sectors were hit harder than others, like hospitality/tourism, retail, etc....*but it wasn't a big deal* to get the limits back for these sectors. Euler stated that they also see a similar increase in demand, driven by the need for capital relief products from the banks. However, they did report the first drop in credit insurance-backed factoring volume in over 30 years.

Coface said in 2020, and the hardest hit was retail, especially in the US, with a *significant rise in longer claims*. Turnover was impacted as well. There is a need to have more of a customer-centered approach and look at the specificities of the transaction. *Projections for 2021 show they are expecting a spike in risk later in the year. But, at the same time, they are also seeing demand pick up, driven by an increase in new business and experiencing an increase in pricing due to the increased risk.*

Atradius stated it was mainly a decent year in 2020. The expectations for 2H2021 is to see an increase in claims, but at least today, it's business as usual. Numbers regarding their factoring portfolio are stable. They see more demand as well for capital relief products. Regarding Africa, they have some concerns, especially in South Africa. However, the rest of the markets there are quite small and *not as much as a worry.*

PROJECTIONS
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Evolution of reverse factoring/payables finance post Greensill

The working group discussed the perils of the Greensill Capital case, which filed for bankruptcy protection on March 8, 2021. They had focused on providing financing to companies using supply chain

financing/reverse factoring and other related receivables finance services. Their credit insurer, BCC/Tokio, had pulled out of the program, which resulted in a domino effect, ultimately resulting in their bankruptcy. The question is what caused the domino effect. The industry bodies seem to be of the opinion that it wasn't due to the non-renewal of the policy. It appears the domino effect was caused by sub-standard risks fed into the policy, that the insurer was no longer willing to take on its balance sheet. Greensill was apparently unable to place the risks during the 6-month notification period. This tells us that the domino started long before the time that Greensill started talking to the media about the non-renewal of their credit insurance policy. It might have been the last push, but it was most certainly not the start of the death-spiral of an otherwise thriving company, as Greensill may have wanted people to believe.

QUESTIONS
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IN THE GROUP
ABOUT THE
RESPONSIBILITY OF
THESE FUNDS AND
WHO REGULATES
THEM

Some unsavory practices have come to light, including potential fraud. Although their company was known as a leader in the SCF space, their demise is not considered a systemic risk to the financial or the factoring and receivables finance sectors. However, it could result in potential future regulations around such issues as regulating third-party funds, the factoring of future invoices, and possibly some spotlight on the role of credit insurance in the RF space. *Questions were raised in the group about the responsibility of these funds and who regulates them.* There was also concern about the arms-length approach that these funds take with regards to factoring. In the Credit

Suisse case, it appears that they did not have a handle on the operations risk that existed. Some also expressed concerns about the reported rogue underwriter in Australia with the subsidiary of Tokio Marine in Australia, BCC, who exceeded their authority, resulting in a large concentration risk in a suspect-related group of clients.

One stated they had a number of factoring companies worried about the fall-out effect regarding the Greensill case. Many now disclose all reverse factoring exposure in the buyer's balance sheet and disclose their programs voluntarily. The increase in disclosure will be viewed positively by all parties. SCF may be initially tarnished, but the working group believes there will be little residue effect on the credit insurance sector. SCF is estimated to be less than 1% of the total credit insurance sector's market. We have to go back to basics and follow the number 1 rule, "Know Your Client"!

Some from the factoring side believe reverse factoring will get a *bloody nose, a pity* since it wasn't the product's fault, and more about poor business practices from all parties. *In France, SCF is not as developed and is more practiced in Spain and Portugal. We have lessons to learn from this case, such as on-board clients under such programs without strong and robust due diligence and positive ratings of the anchor buyer.*

One thought expressed was that we need to see more rules and standardization in SCF in general. Issues like extended terms need to be dealt with. We need to re-think the way of accounting treatment in general. We need to have clarity regarding accounting treatment. Euler agreed, saying this issue is a hidden risk. We need clarity from the accounting boards.



>Continued on page 6

Receivables Finance as Investable Asset Class – Impact of AR Funds from crisis

It was stated that as factoring and SCF increased, so has the liquidity needs of players. Banks have traditionally filled this gap. But our industry has nearly tripled in size over the past decade. This is *changing with the rise of Fintechs and other third parties, such as the increased prominence of hedge funds, family offices, and other types of asset managers on the playing field*. With a low-interest-rate environment, investors are looking for yield and safety. But the general consensus was the need to support this important initiative. *However, the Greensill case brought to light some of the concerns that these arms-length funds have when underwriting programs and getting engaged in the RF space. The obvious outcome is that some Funds are not doing their due diligence. There is also an issue of the practice of loss payee when these funds are working with factors/SCF firms as they do not have the control as we saw in the Greensill case. In general, these funds pose a potential risk to the industry when operating indirectly and at arm's length. The ones that get it right know what is going on underneath the hood of the car, and those that do not will be subject to operational, concentration, dilution, and potentially fraud risk).*

Rating agency role should also be questioned about the market's reliance on determining these program's creditworthiness. They don't know enough about the risks, and just having the backing of credit insurance isn't enough. They should not solely rely on the strength of the third-party risk mitigant. It appears that BCC didn't want to be insuring the third-party, arms-length investors. It wasn't a AA investment-grade structure!

Some insurers stated that they are investing in such forms like securitizations involving bankruptcy-remote entities. If it's a good seller, good structure, and the buyers are diversified, this is something they can do in their sleep. The rise of these funds is a positive and potential negative development if they don't do it right. NBFIs support more SMEs than the banks, so they are strategic. As long as they can structure the programs securely and the structure is sound, they will again get the insurance sector's support.

Joint CI/RF coordinated lobbying to adopt insurance shields globally

FCI had led an initiative in June 2020 to support the creation of a credit insurance shield in the US. Together with ICISA, we had organized a joint letter including the support of the major credit insurers to promote the formation of a shield in the US. It was sent to the US Treasury and US Department of Commerce. We received an acknowledgment, but due to the elections, it did not get any attention but was a worthwhile exercise. Unfortunately, it was not included in the top 100 priorities of the Trump administration. But we agreed that a second attempt should be made with the new Biden administration. Willis had written an effective paper, so it is a good paper for future communication.

Some stated that regarding the European programs, in hindsight, the industry is not sure of their effectiveness. They were quite expensive to the insurers, reducing margins and ceding income to the governments with no corresponding claims. Opinions are divided, in some countries like Denmark, it was well-received, but in others not so much. There were also challenges in implementing these credit insurance shields. There was no formality to

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them, so each market experience in the EU was different.

And they were very hard to administer for the insurance companies. But the overall benefit was obvious, supporting line structures in a fast deteriorating global economy!

Conclusion

In many ways, Factoring and Credit Insurance are tied at the hip - we are reliant on each other, symbiotic to a great extent. In essence, what happens to the one happens to the other due to our close correlation of supporting financing commercial transactions. As the reader can see, this past year was quite tumultuous but not as cataclysmic as some doomsayers were predicting. In fact, both industries got through it without too much trouble for a myriad of reasons. Although we are in a strong rebound economically, many predict a spill-over effect later in the year or 2022. Time will tell, and we will need to keep a close eye on these developments. We learned many things this past year, especially how a house of cards can collapse when factoring is not practiced properly. But we also learned how factoring has survived in one of the worst economic periods in our lifetimes. With the potentially increased risk environment approaching, companies will seek to mitigate the risk of their receivables. And credit insurers will surely step up. In fact, factoring always does well during challenging periods. Its secure nature and the controls that factoring affords will always allow it to sail through these harsh economic times.

The FCI Factoring-Credit Insurance Working Group is comprised of the following representatives:

- Patrick DE VILLEPIN, FCI Chairman, France
- Vinco DAVID, Secretary-General, Berne Union
- Arturs KARLSONS, Associate Director, Berne Union
- Rob NIJHOUT, Executive Director, ICISA, Netherlands
- Richard WULFF, Executive Director in-waiting, ICISA, Netherlands
- Laurent GOUREVICH, Head of Fin Institutions - Western Europe, Coface France
- Bert VAN HAGEN, MD, Atradius, Netherlands
- Lucia BALIETTI, Global Head-Direct Sales, Euler Hermes, France
- Stephanie PELLET, Structured Finance Manager, Euler Hermes, France
- Julian HUDSON, Global Head of Trade Credit, Chubb, UK
- Kanayo AWANI, MD, Intra-African Trade, AfreximBank, Egypt
- Peter MULROY, Secretary-General, FCI, Netherlands



CONNECT

AMERICAS: THE CURRENT SITUATION, THE VISION OF THOSE WHO FIGHT IN IT.



ALBERTO WYDERKA
Regional Director Americas

During the last two years, we talked about the dramatic impact of the pandemic in different spheres, such as how demand fell, the number of companies that went bankrupt, and how supply chains were interrupted. What's more, our way of working evolved, and we even affirmed that virtuality had come to stay: practically no more business trips, and that our work would be carried out remotely, with very circumstantial face-to-face meetings with clients and colleagues of this community, as well as of other communities. And many more forecasts of potential changes.

And so it was, and in a certain way, we froze in that conviction, and we even thought that after this Covid, things would continue in a very similar new normality.

Will it be like this?

The vast majority of animals are sociable beings, and man as a rational animal is the most sociable of all.

Social fatigue is catching up with us, and we no longer believe so much in the continuity of the virtual relationship. We want to return to our workplace, want face-to-face meetings again, be more effective, efficient, and interactive.

So, the forecasts in this field are not coming totally true. We will return, that's a fact, but in another way, with more care, with face-masks, washing our hands more, but we will return, despite having to continue living with this scourge for quite some time.

Will our business be picking up? Our International Factoring Volumes among correspondents have grown in these first four months of the year as it has not been for a long time. It was slow growth, but growth nonetheless.

In this piece, I will act as a moderator of a panel discussion. My effort will be to ask questions that do not contain an induced response. I have selected four colleagues, people with vast experience in the factoring field, and who belong to 3 large member Banks and a highly prestigious factoring Company. We will see with them what they think about the changes, how they see the business, and what they expect in the near future.

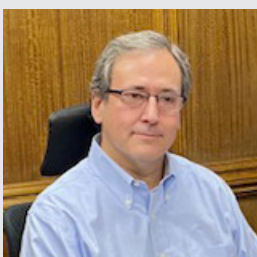
Let me introduce our guests:

Ms. MAO Chenyue, Senior Vice President, Wells Fargo Bank N.A. (MC)

Mr. Augusto Andres MERKT L., Head of Trade Fin. & Payments, Banco de Crédito del Perú, BCP (AM)

Mr. Cristian YANES, General Manager Factoring, Banco de Chile, Chile (CY)

Mr Robert KIENZLE, International Manager, Exicon Consultoria em Crédito e Cobrança Ltda., Brazil. (RK)



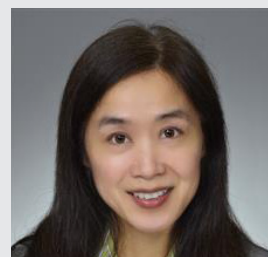
Cristian YANES



Robert KIENZLE



August MERKT



MAO Chenyue



AW: *What aspects of international factoring between correspondents were reviewed in your bank due to the COVID-19? Like in the field of risk, KYC, operational, challenges?*

MC: Like most of our peer partners, we have established internal policies regarding the client (counterparty) onboarding. We perform standard KYC, including, but not limited to, review of counter party's business scope, ownership, financial results - credit agency ratings if available, due diligence per compliance requirements, and company management information. We assign internal ratings for a counterparty based on due diligence results and set up a counterparty credit limit when we're an export factor. Periodic review is conducted on an annual basis for our counterparties, where applicable. All of our correspondents have been very cooperative.

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AM: During the pandemic crisis, I have not seen any important change in these points since the standard processes of credit risk, operational and compliance, include the evaluation process followed to any financial institution or product in crises. However, we encountered challenges during this crisis as a potential business in offering our clients who sell on an open account basis an opportunity to insure and finance their risks due to a probable credit weakness that their buyers would reach in this pandemic. Therefore, we investigated our export clients who sell on an open account basis and offered them the International Factoring product by financing and/or insuring their shipments. As you know, we are having impressive business growth during this crisis

because we perfectly meet the needs of those customers.

CY: The relationship with our correspondents and the review of our clients is a continuous exercise not only for Banco de Chile but also for our Factoring business. Our policy always seeks to strengthen the relationship with our good correspondents and be delighted with the new ones since we are aware of the advantages of having a wide and more efficient network, which we can offer to our clients.

RK: As soon as the scourge of pandemic arrived in Brazil with Government Decrees that hindered the coming and going of people and the closing of public places, there was a great fear with regard to the continuity of many companies in the most diverse segments, which motivated the suspension of our credit lines as Import Factor, but after 45 days we resumed our routines as we were already very careful in complying with the rules by our credit committee established even before the pandemic.



AW: *Have you observed any change in the appreciation of international factoring by your clients in this time of economic difficulty that has allowed your bank to discover new business opportunities with the offer of international factoring in the factoring model between correspondents (two-factor system)?*

MC: We're a true believer of the two-factor model for international factoring business. However, given US trade flows, Wells Fargo's role has been mainly as an import factor. We have experienced an increase in import factoring demands during these economic challenges, which is due to various reasons – increased risk

mitigation sentiment by the export factors and sellers and limited credit capacity in the insurance market, which has resulted in the international factoring market being a more dominant resource in certain industries. Collection services have also played an important role, with liquidity and cash flow becoming more critical to sellers and buyers.

AM: Absolutely, our export clients found in this product an important way to mitigate and secure their payment risks, and in the same way we find the special support from our correspondents, the FCI Import Factors around the world for promoting the two-factor system.

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RISKS

CY: The current global crisis has increased the risks of counterparties, and this has meant that our exporters are looking to replace the Open Account payments term with Factoring deals, where they can get a guarantee over their sales and improve their cash flow. In addition to the aforementioned, International Factoring allows our customers to open new markets without having to assume default risks.

RK: Certainly, in this time of economic difficulty, a significant number of sellers come to us to seek credit limits for their buyers, many of whom we had previously prospected but had no interest in

using other payment methods. The growth was in the order of 30%.

AW: *With your activity in this industry in Brazil, what are the potential growth markets for international factoring?*

RK: The potential growth is very large, and the demand for our services has increased. In our case, the markets that we see with the greatest growth potential are in Latin America, such as Paraguay, Peru, Chile, and others. Now, it is important to highlight the need for our Association to make its Import Factor (IF) members have a greater commitment and fulfill their responsibilities in their role as IF, due to the lack of feedback or even the very damaging delay in responding to messages, which has affected the credibility of the two-factor system product.

AW: *BanChile is one of the most active banks in the Region in international SCF. Doing so also through edifactoring.com, how do you see the future of this solution in Chile for international imports business. ? Do you perceive satisfaction in your importing clients who use this solution?*

CY: Banchile Factoring is in a continuous digital upgrade process for local factoring and international factoring. This means we can provide our customers with electronic platforms. And for the current situation of pandemia and lockdowns, this has allowed operational continuity and support to our customers, and they greatly value it. And for our import customers, International factoring means a guarantee for them, allowing them to reach new providers and improve the terms of their purchases.

AW: *What would you recommend to a correspondent who wants to request risk coverage from WF?*

MC: Wells Fargo is a demonstrated leader in the market for many years, and we enjoy working in various industries and geographies. Buyers are not required to be an existing Wells Fargo client to

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participate. We have detailed requirements, and we offer various deal structures with certain tailor-made features. In addition, we have the resources to offer coverage on certain non-US/non-Canadian buyers.

Throughout the process, a seasoned professional team will work to meet correspondents' financial needs and clients. We're committed to providing world-class quality service to our global partners.

AW: What business opportunities have you found, if any, through international factoring in the version of factoring between correspondents (two-factor system)?

AM: During this crisis, we have found an interesting opportunity to promote International Factoring, offering our export clients only to protect the payment risk of their cross-border invoices, even if they do not want to be financed. In Peru, exporters appreciate international factoring as a very favorable financing alternative, including risk protection, rather than this protection itself. That is why we have created a by-product in that sense, and especially aimed at SMEs. This campaign has been duly supported by our correspondents (two-factor system).

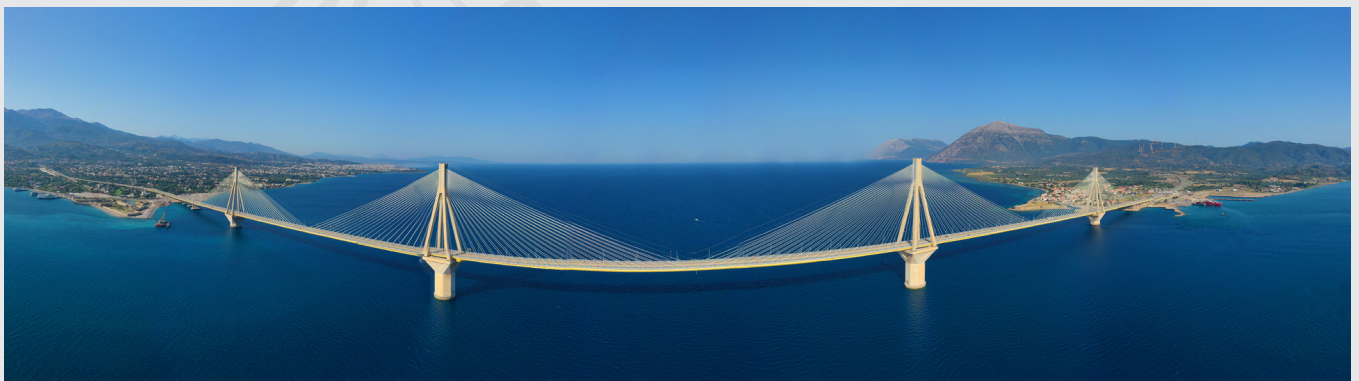
Thanks to all of you for your insights.

The negative impact that this pandemic has had and the economic effects that led us to a more disruptive world are undeniable to round up. However, life goes on, businesses will continue, and people will undoubtedly take more precautions and interact with a somewhat more conservative criterion. Likewise, this pandemic also gave us the vast opportunity to adjust processes and accelerate digitization. It also deepened negative aspects that need to be improved, such as the commitment of our members, especially many IFs, with quality service. It may sound frivolous, but answering a message can be decisive in keeping a company as a customer and convincing it of our service's values, even if the answer means the unavailability to take a risk. The truth is that inquiries and emails should be answered. It is also a sign of good practice and education.

But I also want to highlight an aspect that is very important to me and that in one way or another can be seen in the words of our interviewed colleagues: favorable opportunities for our members and clients have also arisen and will continue to arise.

In future editions, other colleagues from our Region will continue to accompany us with their experiences, ideas, and views on our business and our industry.

**FAVORABLE
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ARISE**



CONNECT

FCIREVERSE: A SOLUTION FOR MODERN TRADE FINANCE IN APAC



JOHN PEREGO,
SCF consultant
JSP Working Capital Services

It's hard to imagine that the roots of modern trade finance can be traced back to 5th Mesopotamia or the 'Land where rivers meet.' Today, this region is known as Iraq and Kuwait and parts of Syria and Turkey. But it was here, on the fertile banks of the Tigris and Euphrates river system, that the world's first international city flourished. Mesopotamia's history is marked by many important inventions that changed the world. It led the way in mathematics and science, astronomy, and geometry. It invented the wheel, the concept of time, sailboats, maps, and the earliest codes of law. And it is here in Mesopotamia, one of the first invoices was found: a receipt for clothing sent by boat from Ancient Mesopotamia to Dilmun, which is now Bahrain. It's strange to think that this invoice, which is nothing more than a series of intricate lines and impressions marked on an ancient clay tablet, represents the origins of modern trade finance. But this bookkeeping system was a precursor to modern-day supply chain finance (SCF) solutions and has led to the creation of innovative platforms like FCIreverse.

Like Mesopotamia before it, the Asia Pacific (APAC) region is crisscrossed by some of the world's largest supply chains. Today, it is a hub of activity as both global and regional companies seek to expand their presence. The need for cash to fuel that growth, while shoring up supply chains against risks and challenges thrown up by the current volatile environment for international trade, has pushed organizations to look for new solutions, with a growing number choosing SCF programs to help them reach their objectives.

A
RECENT
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FOR LENDING AND
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MERCHANDISE
TRADE

SCF represents a huge opportunity. A recent ADB study shows an unmet demand for lending and guarantees of roughly \$1.4 trillion to \$1.6 trillion, or between 8% to 10% of world merchandise trade. Considering that around half of global trade finance proposals originate from APAC, this means that 40% of rejected applications come from the region, and SME's are most affected.

There has also been significant growth in manufacturing in many APAC economies, historically a key industry for SCF. In the next decade, APAC is predicted to be the fastest-growing market for SCF. But, despite the opportunities presented by SCF, until recently, only a relatively small number of

organizations have implemented it as a solution across the APAC region.

FCI members are fortunate to access their SCF product in the FCIreverse platform launched in 2018 in partnership with technology providers, Demica. FCIreverse enables members to easily set up an SCF program or expand their current service offering for domestic and international businesses through its unique global network of nearly 400 members in 90 countries.

FCIreverse is an excellent solution for those companies with extensive domestic or international supply chains and comes in 2 forms; a 3-Corner model or a 4-Corner model. The 3-Corner model includes the buyer, anchor member (financial institution/import factor), and suppliers. It has applications for domestic and international business and enables the anchor member to finance and onboard suppliers.

The 4-Corner model includes the buyer, anchor member (financial institution/import factor),

CONNECT

suppliers, and a correspondent member (export factor). It has an application for international business where it's beneficial for a correspondent member in the supplier's country to collect information, financing, and supplier onboarding.

Having worked on SCF solutions across the APAC market for the past 20 years, I understand the challenges and opportunities associated with setting up an SCF business there. What is clear is that forward-thinking FCI members should be positioning themselves now for APAC's next chapter by seeking better solutions for their customers' supply chains.

In general, the main opportunity that SCF address' is to help companies seeking to achieve great improvements in working capital and healthy balance sheets to scale their operations while shoring themselves up against any headwinds. FCIreverse will improve cash flow by allowing the extension of days payable outstanding and simultaneously providing financial support to suppliers efficiently and cost-effectively.

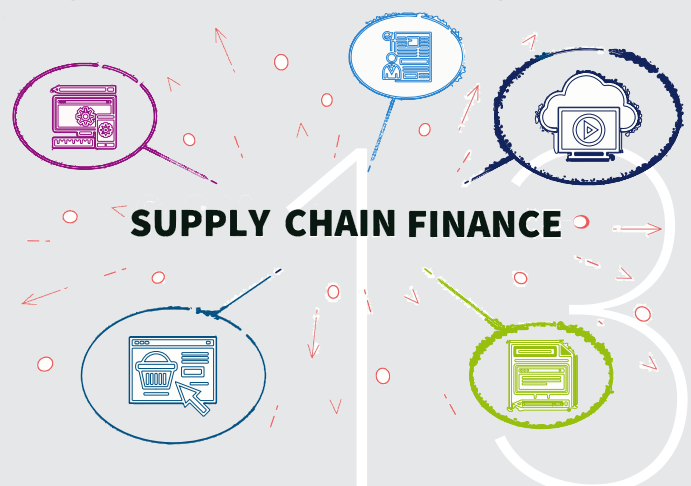
One of the more interesting uses I have seen for FCIreverse is how it can assist with Letter of Credit (LC) migration to open an account. There has been a general long-term market trend towards moving away from letters of credit as importers and exporters become more confident in trading with each other on an open account basis. LC's are essentially a pledge to make a payment – issued by a bank on behalf of its importing client and is a written undertaking that a bank gives on behalf of its customer to pay the exporter an amount of money within a specified time frame – as long as the exporter complies with certain terms and conditions. SCF is an open account product leverages an Irrevocable Payment Undertaking (IPU) from the buyer (importer). An IPU is a promise by the buyer to pay the financier the amount owed to the seller following the sale of goods or services and the creation of the receivables. When using the 4-Corner model, the supplier is being paid by the Correspondent member taking Anchor member risk, so FCIreverse can be an excellent tool to encourage the migration from LC to an open account.

One of the more quirky uses I have seen is enabling companies to adapt their processes to the Asian business environment. For example, suppliers will want to have more money before the Chinese New Year to pay staff bonuses. SCF provides a perfect solution as suppliers can choose if and when they take an early payment. Without SCF in place, suppliers would have to request early payment via phone or email, putting more administrative burden on a buyer's accounts payable staff.

But setting up a SCF business is not without its challenges – particularly when buyers work with suppliers in different countries worldwide. From navigating diverse legal jurisdictions to weighing up IT investments, creating an SCF business can be expensive and time-consuming. At the same time, supplier participation rates in individual programs can be hindered by legal, KYC, and language or other issues that make supplier onboarding challenging in all but the funders' markets – and sometimes in those too.

One of the initial challenges is determining which customers to target. Traditionally SCF serves customers who have large complex supply chains that stretch out across the globe. Many are Investment Grade with turnover >\$1bn in revenue. However, FCIreverse has been designed to support buyers who generate revenue of less than €1 billion. This includes

FCIREVERSE
IS HOW IT CAN
ASSIST WITH
LC MIGRATION
TO OPEN AN
ACCOUNT



organizations who are not investment-grade companies with an AAA or AA rating but rather mid-size corporate buyers and/or privately held companies. Investment grade or not, many SCF programs can grow to become very large. This generally means that a single financier can't handle the whole of the lending required, and there will be pressure on the customer limits in place. If it is impossible to increase the limit, the financier will have to inform their customer that they cannot further grow their SCF program. That would be a challenging conversation. A better option would be to introduce other funders to the program and continue growing. FCIreverse provides syndication so the Anchor member can invite other funders to participate in the buyer's program. Another challenge is the lack of knowledge of SCF solutions, so extensive training and education programs are needed to sell and implement SCF effectively. FCI Members can leverage FCI endorsed consultants with knowledge and experience in SCF by engaging them in specific consulting assignments. Programs need to be designed around Business Planning, Implementation, Go-Live & Coaching that maximize sales opportunities, analyze buyer expenditure, as well as helping to formulate leading-edge sales pitch documents, buyer onboarding support, and more.

**THE
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SUCCESSFUL SCF
PROGRAMS IS SUPPLIER
ONBOARDING,
SPECIFICALLY IF SUCH
SUPPLIERS ARE NOT
CLIENTS OF THE
BANK**

However, the biggest challenge that banks generally face when rolling out successful SCF programs is supplier onboarding, specifically if such suppliers are not clients of the bank.

By harnessing Demica's best-in-class multi-lingual platform, FCIreverse gives members, and their customers, a powerful online onboarding tool that greatly enhances the efficiency of supplier onboarding. With the 4-Corner model, there is a global network of Correspondent members who can onboard suppliers transparently and seamlessly anywhere in the world. Using a Correspondent member to collect information, educate and onboard suppliers, or provide finance makes it easy for the suppliers to speak the local language, know the

local rules/laws, and help suppliers through the KYC/AML collection process. This feature is unique to FCIreverse that can save considerable time and cost in a traditionally difficult process, leading to increased supplier adoption and subsequently a high-performing program.

In a post-pandemic world, the companies that will emerge from the crisis successfully are the ones that have adapted quickly to changing demands and put measures in place to ensure that their supply chains have the capabilities to respond to a digital future. By evolving their systems and processes to mitigate the ongoing impact of COVID-19 on supply chain sustainability, forward-thinking organizations are building resilience against future risk.

Just as the Mesopotamians had the agility and foresight to innovate in the 5th century, today, FCI is innovating with the FCIreverse platform, enabling members to add value to their customers' business. By providing access to the fast-growing SCF market, FCIreverse allows members to use best practice systems and processes without the significant financial investment that larger IT companies would require.

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Smart Matchmaking Platform

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Smart Matchmaking Platform



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CONNECT

WHY SUPPLY CHAIN NEEDS FACTORS CHAIN?



LIN HUI
Regional Director North East Asia

The epidemic has accelerated the world's embracing technology into a new digital normal that is impacting cultures and relationships across communities internationally, nationally, and locally. These trends are pushing human society to new dimensions, where technology itself is now at the frontier of competition and influencing how countries, companies, and people interact. With this reality, there is an urgent need to establish new global norms for collaboration and governance. This is especially true for the global supply chain. While the role of technology is extraordinary, **supply chain remains at the heart of economic vitality through every economy**. The factoring and supply chain finance industry must embrace these challenges.

Throughout its century-old development from North America to Europe, then to Asia and the rest of the world, the factoring industry has made impressive achievements in facilitating trade and SME finance. Over the last two decades, Anchor-based reverse factoring has become a "hot" area of interest. This inspires a wave of creative and competitive energy in the industry:

- The fast emergence of Fintech companies.
- Large enterprises identify the opportunity to diversify and set out to build their own finance eco-systems.
- Banks look to expand the corporate banking market with reverse factoring. But they tend to view the anchor resources as scarce and private, reluctant to enter partnerships with other banks in this regard.
- Even within banks, supply chain finance teams (departments) and factoring teams (departments) often conflict over objectives and interests.

The statistics also reflect the fact that two-factor business volume still represents a very low percentage of today's €3 trillion global factoring market turnover and that the practice of reverse factoring is largely limited to a unilateral model.

Economists tell us what motivates individuals to make choices is the maximization of their interests. But when everyone pursues their self-interest, the outcome is worse than if they had both cooperated. This is called the Prisoner's Dilemma. It provides us with insight into the risk of how silos, control issues, challenges with transparency, and lack of collaboration undermine the growth potential of the factoring and supply chain finance industry.

WHILE
MANY SUPPLY
CHAINS HAVE AN
ANCHOR BUSINESS,
THEIR SUPPLY CHAIN
DEPENDS ON UPSTREAM
AND DOWNSTREAM
PARTNERS, EACH WITH
ITS DISTINCT
CUSTOMERS

The numerous fraud cases, the lack of collaboration from factors operating within their isolated systems, the resulting information silos, and the lack of trust between market players limits effectiveness and growth. The reality is that while many supply chains have an anchor business, their supply chain depends on upstream and downstream partners, each with its distinct customers. Any unilateral model cannot achieve the visibility and comprehensive understanding necessary to manage risk effectively through these multi-dimensional relationships or provide solutions that can drive industry growth.

CONNECT

To serve the trillion-dollar supply chain market more productively, the factoring and supply chain finance industry needs to break through the boundaries of isolation and move towards a more collaborative model that drives the transparency and insight necessary for understanding the businesses involved in each supply chain transaction.

Let us imagine a scenario like this:

- The factors form a factors chain that mirrors the transaction flow of the businesses involved in this supply chain relationship.
- The factors and the businesses are matched in pairs to form a dual chain structure based on their shared understanding of the trade and the business process.
- The factors and businesses paired with have the resources to allow field audits of the transaction process to be carried out at any time.
- When a transaction occurs between any two businesses in the supply chain, the two corresponding factors in the factors chain are directly linked according to the standardized two-factor protocol for their business engagement. The factoring parties may be from different firms or maybe within the same bank but with independent responsibilities. Regardless of this, each factoring party has the responsibility for overseeing their area within the trade transaction.

**THE
FACTORING
AND SUPPLY CHAIN
FINANCE INDUSTRY
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COLLABORATIVE
MODEL**

The two-factor mechanism provides a “genetic code” that enables the factors chain and the supply chain to form a stable DNA-like chain structure. It allows the factors chain to extend indefinitely as the supply chain grows or adjusts while assuring visibility necessary for prudent risk management.

This multi-lateral model has the flexibility to cover all supply chain businesses, with the ability to maximize liquidity, with oversight necessary for risk mitigation, thus improving the overall efficiency and resilience of the supply chain.

The factoring industry needs to reflect on how the supply chain will evolve and how moving from a unilateral SME financing mindset to a two-way trade finance mindset can best shift the industry’s focus from providing financial services to SMEs to the overall goal of maximizing the efficiency and resilience of the supply chain.



CONNECT NEW MEMBERS

One of the key reasons we exist is to connect people in the Industry – creating opportunities for business, networking, creating relationships that last.

Since the last newsletter, the FCI family grew with the following Members. Today FCI counts 378 members! We still have a lot of prospects that will soon join FCI.



bien finans

ASSOCIATE

TURKEY

Bien Finans Faktoring A.S, was established in September 2020 in Turkey and received official authorization from the Banking Regulation and Supervision Agency in January 2021.

Bien Finans is a brand new factoring entity itself as well as it is being backed up by a part of over 50 years of experienced Ercan Group of Companies. The Group's first investment was in mining sector in 1965. The Group operates in the rapidly developing sectors of Turkey such as building materials industry, energy, tourism and insurance with over 4000 employees as of today. The Group also exports building materials to nearly 70 countries in 6 continents.

Ercan Group of Companies' customer focused approach, targeting sustainable development, lies behind their Group's success. Bien Finans offers innovative and applicable financing alternatives and solutions to their customers, both in domestic and international transactions and operations in various fields, especially in the building materials construction sector in Turkey.

Determining its strategies with the aim of becoming good player of the factoring sector, Bien Finans maintains its identity as an exemplary company in its sector with its strong financial structure, balanced customer portfolio and trustworthy brand.

Bien Finans is honoured to be a part of the FCI family to build up a stronger international relations further reinforce our market position.

To find more about Bien Finance, see www.bienfinans.com

NAVAX

SPONSOR

AUSTRIA

NAVAX is an international group of companies with headquarter in Vienna. With branches in the German-speaking economic area, Austrian, German and Swiss customers are given comprehensive advice.

NAVAX designs, optimizes and digitizes company processes. More than 250 employees work on the success and growth of the corporate group, primarily in the financial industry, production, construction and professional services sectors. Over 1,000 corporate customers and more than 100,000 users work with the software solutions introduced by NAVAX.

From Business Intelligence (BI) to Artificial Intelligence (AI). From app development to platform operation. From standard software to individual software. From business software solutions for

CONNECT

Customer Experience (CX) to Enterprise Resource Planning (ERP), NAVAX implements future-oriented business models and the associated business processes for its customers.

"It is our mission to support the customers in their successful operations, identify cost savings within processes and to find an ideally suitable solution for them. Customer orientation is thus the top priority in our activities" Oliver Krizek, Chief Executive Officer & Owner.

And we love it.

To find more about Navax, see www.navax.com



SPONSOR

UNITED KINGDOM

Trade Ledger was founded in 2016 to help the financial services sector reimagine complex business finance for SMEs and mid-market corporates in the digital economy. The lending-as-a-service (LaaS) platform supports all secured and unsecured business lending products across the end-to-end customer journey from onboarding to origination, management and servicing. With direct connections to customer accounting packages and a range of third-party data sources, the Trade Ledger platform allows for comprehensive risk profiling and a seamless customer experience. Backed by venture capitalists Point72, Foundation Capital and Hambro Perks, and other notable investors such as Court Lorenzini (founder of DocuSign), Trade Ledger is currently scaling globally to accommodate a fast-growing client base of global trade banks, regional and national banks, and alternative finance providers. Trade Ledger was awarded LendTech Initiative of the Year 2020, Lending Platform of the Year 2019, and Startup of the Year 2019.

To find out more about Trade Ledger, see www.tradelledger.io.

We wish them lots of success!

Other Members who joined more recently will be included in the next issue of In-Sight.

FCI Academy
Centre of Knowledge for Receivables Finance

Changing Risk Patterns and Fraud Management in Receivables & Payables Finance

**Online, 16-17 June 2021
14:00 CET**

Facilitating Open Account – Receivables Finance

The banner features a collage of images including a bar chart, a padlock, and people working at a computer.

Join us!

More information and registration [here](#)

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EDUCATE

FCI ACADEMY CONFIRMS ITS POSITION AS THE GLOBAL LEADER OF RECEIVABLES FINANCE EDUCATION



AYSEN ÇETINTAS
Education Director

The FCI Academy is an effective response to a global need for high-quality, flexible business education available to all parties in the financial industry. Our overarching objective is to provide high-quality education on Factoring and Receivables Finance to the Global Financial and Trade Community at the FCI Academy.

Over 10,000 students have already benefited from their participation in our digital learning programs over the past decade. Also, over 5,000 delegates had the unique opportunity to attend our in-person training events, seminars, and webinars, learning directly from industry experts, and network with industry professionals.

Our collaboration with international academic institutions provides FCI Academy with global accreditation and recognition and continuously ensures the highest quality of our programs.

We are the trusted education partner of commercial and development banks, multilateral, corporates, industry associations, and universities, supporting their efforts with FCI Academy training tools in establishing a fertile and efficient framework and capacity building for Factoring and Receivables Finance.

Our methods and locally customized programs have already proved to be highly effective for educating the local financial and trade finance community, including Regulators and Central Banks.

FCI Academy has now opened its virtual doors and unveiled its online curricula of the Certificate Programmes and the Specialized Online Courses to all industry stakeholders!

FCI Academy is an open-source knowledge for any individual, organization, financial institution, and corporate that wishes to learn more about Factoring and Receivables Finance. Therefore, we offer specific, open-to-all e-learning courses for the Industry stakeholders and other professionals.

FCI Academy, the complete education program on Factoring & Receivables Finance, provides a wide range of globally recognized educational offerings. In addition to Introduction to Factoring and Receivables Finance and the Fundamentals on Domestic and International Factoring, the Specialized Courses and the Certificate Programmes are offered to all parties in the industry.

FCI
ACADEMY
HAS NOW OPENED
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CERTIFICATE PROGRAMMES
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ONLINE COURSES TO ALL
INDUSTRY
STAKEHOLDERS!



FCI Academy

Learn from the Global Leaders of Receivables Finance

20

EDUCATE

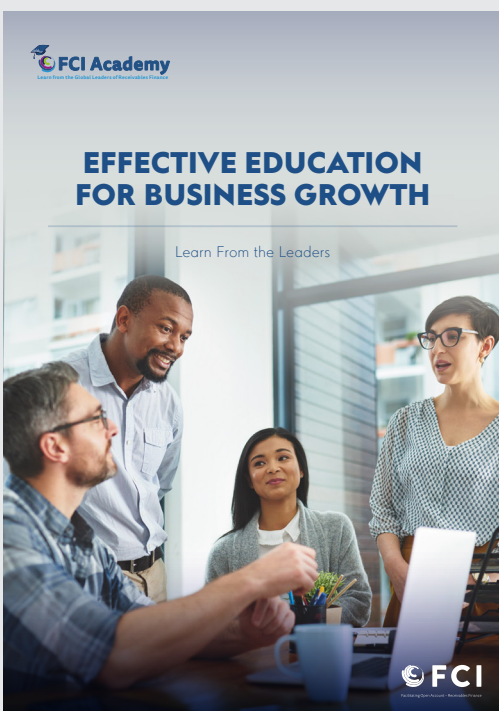
FCI Members also have the opportunity to enroll in the exclusive FCI Career-Path, an 18-month, unique, three-step professional development program accredited by the London Institute of Banking and Finance, aiming to provide participants with adequate knowledge to become highly educated industry professionals.

At FCI Academy, we believe that by imparting knowledge and high-quality education to the Receivables Finance Industry, we help pave the way for continual and sustainable progress.

FCI Academy Movie (click on the image to see it)



FCI Academy Brochure (click on the image to download it)



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EDUCATE

FCI-EBRD EVENTS FOR UZBEKISTAN & KYRGYZSTAN



SPYROS TSOLIS
Deputy Education
Director

FCI & EBRD continued their joint effort to introduce and promote Factoring & Receivables Finance in EBRD's member countries. In this respect, two consecutive events for Uzbekistan and Kyrgyzstan were organized on 15 & 27 April 2021, respectively.

Both events were chaired by Mrs. Kamola Makhmudova and attracted many participants, including regulators & banking professionals who were actively engaged during the online conferences.

• Uzbekistan, 15 April 2021

The event coincided with EBRD's 30-year birthday, a very important milestone in EBRD's long history of supporting the growth and development of various regions.

Uzbekistan has a well-developed banking sector offering a wide range of financial products. Nevertheless, even though most banks include factoring in their product portfolio, it is still not developed, as there is a lack of expertise and knowledge.

Both government officials that opened the event, namely Mr. Saidkamol Burkhanov, Head of Banking and Finance Department at the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, and Mr. Abrorkhodja Turdaliev, Deputy Governor of the Central bank of Uzbekistan, highlighted the importance of promoting factoring more provided its risk-mitigating characteristics compared with other short-term working capital solutions. Both promised to support this effort from their respective positions and in cooperation with the commercial banks.

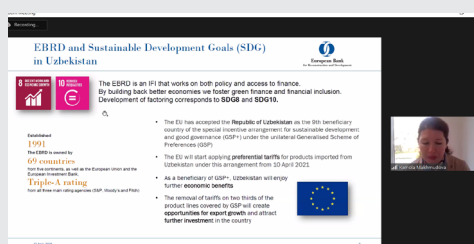
In addition, Mr. Alkis Drakinos, EBRD Director, Head of Uzbekistan, emphasized the importance of factoring in providing working capital, especially to SMEs, supporting their growth and the entire economy. EBRD will be standing next to the local banking community to enhance the use of factoring & receivables finance.

FCI executives presented on factoring and provided an overview of the main product characteristics, including its mechanisms, legal, risk and operational frameworks, and a detailed report on the global volumes and growth potentials.

A panel discussion with local & international experts discussed the challenges Uzbek banks face in developing factoring, complemented by international best practices and policies to face them, as these were experiences in the Polish market.



"Well arranged, informative and topic focused. Got few interesting leads and ideas to work on." UzEXIM Capital



EDUCATE

• Kyrgyzstan, 27 April 2021

Kyrgyzstan has a growing economy and a developed financial sector. Factoring is present, regulated by the Central bank. Most commercial banks include it in their portfolio but still lack the proper attention from the banks and the business community.

The event's target was to introduce factoring & receivables finance to the local financial community and unlock the great potential of the product for the Kyrgyz businesses.

In their welcome remarks, Mr. Neil McKain, EBRD Director, Regional Head for the Kyrgyz Republic, Tajikistan and Turkmenistan, and Ms. Zhyldyz Sulaimanbekova, Head, Banks Supervision Methodology and Licensing Department, National Bank of Kyrgyz Republic, highlighted the benefit of factoring and committed to supporting the efforts of EBRD & FCI for building a fruitful and fertile environment for its growth.

During the event, participants had the opportunity to listen and learn from FCI executives & experienced industry professionals all about factoring, including the product's unique risk protection characteristics, as well as learn about the legal issues that may be faced during the launch of the product and, of high importance, recognize the importance of an IT/digital framework for factoring. What has been very encouraging was the very active interaction from participants, asking questions to presenters and panelists and commenting on specific topics.

There is a high interest from the Kyrgyz finance professionals to promote factoring. In this respect, FCI & EBRD will continue supporting their efforts via the various learning mechanisms established, including online training and e-learning courses on Factoring & Receivables Finance.

ONLINE FACTORING CONFERENCE FOR KYRGYZSTAN
"FACTORIZING: BEST INDUSTRY PRACTICES"
BISHKEK, KYRGYZSTAN
27 APRIL 2021

WELCOME REMARKS
NEIL MCKAIN

REGIONAL DIRECTOR (KYRGYZ REPUBLIC,
TAJIKISTAN, TURKMENISTAN)
EBRD

FCI | European Bank for Reconstruction and Development

ONLINE FACTORING CONFERENCE FOR KYRGYZSTAN
"FACTORIZING: BEST INDUSTRY PRACTICES"
BISHKEK, KYRGYZSTAN
27 APRIL 2021

WELCOME REMARKS
MRS. ZHYLDYZ SULAIMANBEKOVA

HEAD, BANKS SUPERVISION
METHODOLOGY AND LICENSING
DEPARTMENT,
NATIONAL BANK OF KYRGYZ REPUBLIC

FCI | European Bank for Reconstruction and Development

"FACTORIZING: BEST INDUSTRY PRACTICES"
27 APRIL 2021

MRS. NERGIS AYVAZ
GENERAL MANAGER
QNB FINANS
FACTURING
TURKEY

MRS. CHINARA ALYBAEVA
HEAD OF GLOBAL
TRANSACTION BANKING
DEPARTMENT
QISC OPTIMA BANK
KYRGYZSTAN

MRS. ELENA BUBNOVA
CHIEF CREDIT OFFICER
QISC "KYRGYZ
INVESTMENT AND
CREDIT BANK"
KYRGYZSTAN

MRS. NATALIA BABISHEVA
CORPORATE & SME
MARKETING - REGIONAL
DIRECTOR
DEMIR BANK
KYRGYZSTAN

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Invoice Financing Techniques

SUPPLIER-LED

- Factoring
- Early Payment Discounting
- Receivables Discounting

BUYER-LED

- Buyer-facilitated Factoring
- Dynamic Discounting
- Reverse Factoring, a.k.a.
 - Payables Finance
 - Supply Chain Finance

Financing initiated by the Supplier

Financing initiated by the Buyer

Terminology: Global Supply Chain Finance Forum

supplier plus

CIS / CENTRAL ASIA COUNTRIES FACTORING OVERVIEW

- CIS / Central Asia Countries**
 - GDP and Export Volumes per Country
 - Main Export Partners per Country
- The Factoring product**
 - Definition
 - Market positioning
- Current market environment**
 - Developments and conditions affecting business
 - Factoring in the Developed markets & Emerging markets
- GDP penetration of Factoring in various countries**
 - volumes per market
 - GDP penetration per country
- Conclusions**
- Recommendations**

FCI

INFLUENCE

DIGITAL TRANSFORMATION AND ITS IMPORTANCE TO THE INDUSTRY



THOMPSON LUI
Regional Manager SSEA

Today, I am interviewing Amit Agarwal (AA), Executive Director and Head of Open Account Trade (OAT) Products at Global Transaction Services, DBS, about digital transformation in this edition. Amit is responsible for leading the overall business performance, strategy, and product innovation across the suite of solutions comprising receivable purchases, supplier financing, distributor financing, and finance leases. Amit also oversees the bank's OAT business across its network countries.

TL: *We have heard about digitalisation for some time now within our industry, but what exactly digitalisation does?*

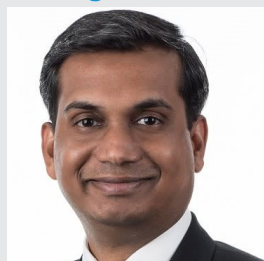
AA: There is no doubt that digitalisation is the current revolution in the industry. It has accelerated the fusion of the physical and financial supply chain. In layman's terms, it brings greater efficiency, cost reduction, full transparency and traceability in the supply chain, resilience to disruption, excellent customer service, etc. It has proved to be a key competitive advantage in ensuring sustainable long-term business growth.

TL: *What are the pros and cons of this transformation?*

AA: Digitalisation is an ongoing business transformation journey with wide-ranging benefits. It transforms business processes and makes them more efficient - saving time, money, and resources in the long run. Cost savings can range from obvious costs like maintaining legacy infrastructure to more strategic cost savings such as optimum resource planning (due to improved visibility).

Supply Chain Digitalisation 4.0 aims to bring a network effect where all stakeholders for a business are aligned and have transparent access to all the required/consented data. It improves visibility and enables businesses to be nimble in view of ever-changing customer demands. Should I put myself in manufacturers' shoes, long term benefits are apparent, almost comparable to switching from combustion engines to electric vehicles (EVs). While there is no con of digitalisation, there are challenges in implementing a transformation agenda. Any change is not easy. Most of these barriers are internal and include organisational structure, alignment between various business partners, and employee pushback. The lack of a runway is another major challenge when traditional organisations are looking to invest in such initiatives as there is often an expectation of immediate payback. As such, transformation is only possible with higher adoption by all stakeholders and ecosystem partners.

TL: *Digitalisation requires capital investment. Will benefits outweigh this extra cost?*



Amit Agarwal
DBS Bank

AA: Benefits of digitalisation are greater efficiency, improved connectivity and reduced cost of operations. This can be best explained by a simple use case in the financial supply chain. Instead of providing physical documents to financial institutions which is a manual and time-consuming process, DBS RAPID facilitates business transactions by integrating real-time data services into the corporates' business platforms via APIs. While the cost-benefit of eliminating the physical transfer of documents is viewed as 'marginal,' benefits accrued through time saved in making payment or financing the underlying trade can run into millions per transaction. Hence, digitisation of

INFLUENCE

BENEFITS
OF
DIGITALISATION
ARE GREATER
EFFICIENCY, IMPROVED
CONNECTIVITY AND
REDUCED COST OF
OPERATIONS

business processes will build economic profit in the long run.

TL: The world is still affected by COVID. Is this the best time to roll out such program?

COVID-19 has exposed the fragility of the supply chain during lockdowns. Both physical and financial supply chains were severely impacted. On the flip side, digital solutions made it possible for some businesses to expand their market base. Solutions that we have implemented are related to the digital onboarding of suppliers of large corporates, supplementing the corporates' need to diversify its supply chain. For example, a leading consumer electronics manufacturer of indoor air cleaning appliances required

increased stocking at the distributor's end. Understanding that most SME distributors were facing a liquidity crunch, the manufacturer and DBS set up a digital distributor financing program. Within 24 hours, several APIs were built to obtain data from the manufacturer eliminating the need for financial documents from distributors. Digital KYC was enabled, with no requirement for physical branch visit. As a result, DBS' solution enabled 38 distributors to be onboarded within three weeks, providing the much-needed liquidity to facilitate the stocking and sale of the appliances. In a similar instance, a corporate had to reorganise its supplier base due to lockdown and onboard new suppliers to continue production. Onboarding suppliers within 24 hours using DBS Digital Supplier Onboarding solution helped corporates manage challenges during uncertain times. There are many other examples, but the noteworthy point

DIGITAL
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STRENGTHEN
BUSINESS
CONTINUITY

is the willingness of corporates to strengthen their capabilities by embracing digitalisation. The pandemic has proven to be a catalyst for rapid digitalisation of trade and supply chain finance. Corporates recognise the benefits of digital technologies to strengthen business continuity and build longer term resilience.



INFLUENCE

DEMICA INSIGHTS WEBINAR

Q1 2021: SUPPLY CHAINS IN THE POST-PANDEMIC WORLD



JOHANNES WEHRMANN
Senior Director, Origination
Demica

As the light at the end of the COVID-19 tunnel grows brighter, businesses must assess how they manage their working capital and supply chains. Our expert panel from across the corporate and treasury world discussed how this could take shape.

1. The working capital story of COVID-19 has been one of contrasting fortunes, with many large corporates sitting on large piles of cash while SMEs have struggled.
2. As firms are weaned off the crutch of government financial support, it will become clear whether firms have made their working capital support systems more robust and which 'pandemic trends' are here to stay.
3. Our panel of experts also discussed in the recent webinar '[Demica Insight Q1 2021: Shape of the Recovery](#)' the [collapse of Greensill](#), and what that might mean for the trade finance industry.

A Tale of Two Pandemics

The impact of COVID-19 on the business world has effectively been a tale of two pandemics, with many larger firms able to digitalize operations quickly while many SMEs shut their doors quickly.

The pandemic has hit certain industries harder than others. Demica insight data shows that while automotive tier 1 suppliers struggled in 2020, they have started 2021 strongly as much of the world reopens. In contrast, some 'pandemic trends' may be here to stay, with demand for IT equipment being strong throughout 2020 and remaining that way in Q1 2021. This sector is interesting from a working capital perspective, as the growth of the 'device as a service' model generates consistent receivables, creating a receivables finance opportunity.

However, what has gone under the radar is how the pandemic has similarly had disproportionate effects on the working capital of large corporates compared to that of SMEs. Damian Glendenning, the former Treasurer of Lenovo and currently Chairman of CompleXcountries, noted during the webinar: *"There is a big difference between how large companies are faring through all of this which is generally pretty well, and how small companies are doing, which are generally struggling."* He further noted that *"most large companies are sitting on much bigger cash balances than they would usually hold."*

While these large corporates are sitting on piles of cash, in part due to government support, many SMEs are struggling to meet their short-term commitments. [Research by BDO](#) from December, which was presented during the webinar, revealed that 18% of respondents to a UK mid-market-targeted survey cited access to finance as their biggest threat to business in 2021, while 28% of businesses reported that they had only 1-3 months of cash reserves. 5% had no cash reserves at all.

Supply Chain Health: Nurturing Support or Jungle Rules?

While many large corporates have not faced these issues, this is their problem too. This is because the respective universes of the large corporations and the SME meet each other in the supply chain. Large corporates often have thousands of SMEs in their supply chain and are dependent on these firms' survival to operate.

This issue led to one of the key talking points of our webinar discussion: Whether large corporates should prop up their supply chains in the post-pandemic world. On one hand, it was argued that

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corporates should support their supply chain, as supply chain health is crucial for any business. This was affirmed by our panelist, Simone Del Guerra, CEO of UniCredit's factoring business, who remarked, "We do hope that companies realize that a healthy supply chain is fundamental," adding that he hoped that the pandemic-fuelled growth in demand for supply chain finance he has seen would continue, as to support the SMEs most negatively impacted by the pandemic. However, it was also argued that weaker firms in the supply chain should be allowed to fail.

The decisions that large corporates make in this domain will have huge consequences for how SMEs can manage their working capital, which will be a key factor in the demand for working capital finance solutions from these firms.

Ripping off the Bandage

Crucially, the time for large corporates to make these decisions is fast approaching, as governments around the world look to withdraw [financial support for businesses](#) that were negatively affected by the pandemic. Our panel agreed that the withdrawal of government support will be a crucial moment in understanding the working capital health of large corporates.

For now, there has not been a noticeable shift in the data for many industries during the pandemic. However, this is not clear if this is due to the blow of the pandemic being softened by the bubble wrap of government support or genuine robustness in the supply chain.

Our panel discussed how firms sitting on piles of cash would be well-advised to be using this time to optimize their working capital before government funding is withdrawn. Otherwise, they will find themselves in a situation where they are trying to stem the tide of withdrawn funding after the damn has already broken, especially with a potential downturn on the horizon. This point was made by our panelist Jenny Shutt, a Director at BDO's Corporate Advisory Business, who stated that, with UK Government funding looking to phase out in September, "we do have a six-month window where this (working capital) needs to be prioritized."

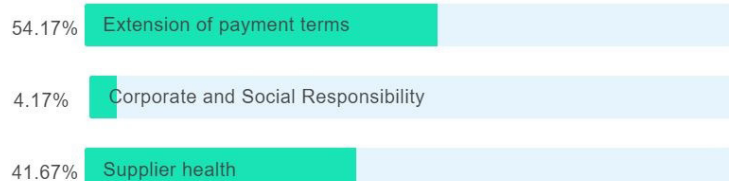
Looking to the Future

The decisions made by large corporates will not be the only factor in determining the demand for working capital solutions. The collapse of Greensill has posed several questions about the future of supply chain finance, particularly the response from regulators.

The webinar audience was polled over how hard they thought the impact of the Greensill collapse would be felt across the industry. 29% believed that the issues were totally specific to the company, while 61% majority felt that the collapse would have a moderate impact on the industry, with increased disclosure on transactions likely. Just 9% felt that changes to accounting standards would be introduced, such as a push for SCF to appear on-balance-sheet.

1 of 2. What do you see being the primary driver of demand for Approved Payables Finance over the next 12 months?

Multiple choice with single answer



To learn more about the issues discussed, listen to the webinar [on-demand here](#).

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THE URGENT NEED FOR THE ESTABLISHMENT OF A UNIFORM LAW ON FACTORING IN AFRICA?



NASSOUROU AMINOU
Regional Manager Africa

Factoring in Africa accounts for around 1% of the global market with a volume of around \$ 27 billion. This extremely low level of use of this product is a finding which highlights the fact that this industry as a whole is in its embryonic stage. This weakness also appears as a great future opportunity for developing the market and the economies as SMEs represent 90% of businesses on the continent. The market today is mainly dominated by five (5) countries such as South Africa, Egypt, Morocco, Mauritius, and Tunisia.

According to studies, the major problem identified that limits the development of this activity is the lack of the legal, regulatory and fiscal framework adequate for this activity. Out of 54 countries in Africa, there are only about four countries with formal law including, South Africa, Egypt, Cameroon, and Benin.

The major difficulty that African countries face is the lack of knowledge and experience, background in the trade, and know-how in this field of factoring activity.

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The objective of the uniform factoring law is to define the main standard principles in the field to make it possible to eliminate the diversities of the laws and exclude their conflicts to ensure a legal unification and ultimately, to promote the development of the activity and the relatively unknown product in the African economic environment. This is to avoid confusion and misunderstanding which was raised some years ago in Brazil, Spain, China and Germany.

Thanks to the initiative launched by Afreximbank and FCI to promote factoring and awareness in 2016, the model law will be able to define the standards and technical terms of the business and the areas covered in particular: the method of sale retained, the components of each factoring product, the rules of interpretation, and regulation and taxation will

be the responsibility of each country. The uniform law may also define the scope of application, limitations, exclusions, the consecration of the parties' autonomy, the effects of the assignment, and the rights, obligations, and exceptions so that no one is unaware of them.

In the end, a uniform law will make it possible to supervise the activity between the parties in a country and promote the exchanges of the parties between the countries, to develop products such as classic factoring, reverse factoring, and import-export factoring for the benefits of suppliers, buyers, and banks, secure transactions between parties with complete peace of mind, increase risk appetite for banks based on well-defined standards.

With the entry into force of the African Continental Free Trade Area agreement (AfCFTA) in January 2021, factoring is emerging as a preferred trade finance instrument for SMEs in Africa. Therefore, it has become urgent and necessary for African countries to put in place a uniform factoring law to accelerate the establishment of this agreement and promote intra-African trade. With factoring, SMEs will be able to fully play the role of catalyst in establishing this free trade agreement and

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developing this activity by banks and factoring companies.

To achieve this objective, it will be important to put in place resources to educate the market and promote this activity at all levels of economic actors: Central Banks, Banks, Factoring companies, the judiciary, lawyers, companies, and SMEs, etc.

Since the last physical FCI and Afreximbank Regional Conference in Nairobi in February 2020, despite the Covid-19 crisis, Africa as a whole is starting to move and show its interest in Factoring as a whole. Several initiatives are being completed, particularly in countries such as Nigeria, Kenya, Algeria, the BCEAO zone, which has eight countries

(Côte d'Ivoire, Benin, Burkina Faso, Guinea-Bissau, Mali, Niger, Senegal, and Togo).

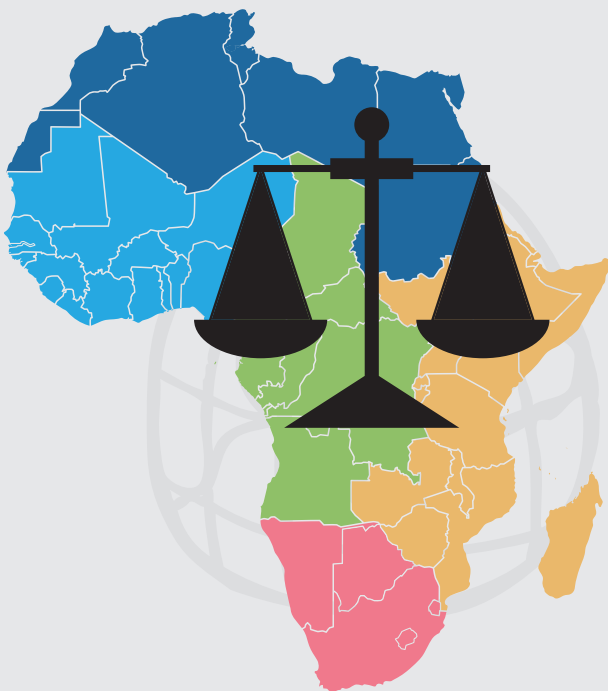
Several Banks have been identified with Factoring projects being launched in these same countries and several countries simultaneously. We are moving from the awareness and advocacy phase to actively taking this activity into account in the African financial ecosystem.

With the launch in January 2021 of the FAPA Grant fund financed by the African Development Bank, Afreximbank, and in partnership with FCI, several activities are planned to strengthen the capacities of banks, factoring companies, legislators, etc.

We can cite as activities: technical assistance to banks and factoring companies, FCI E-Learning which will give access to training to more than 200 employees of banks and financial institutions in several fields specialized in Factoring, access to Certificate of Finance International Trade (COFIT) training and several regional conferences (8) will be organized in several parts of Africa during the two years of the FAPA program.

More than ever, it is urgent to accelerate these initiatives to establish a uniform law that can have standards that will allow the implementation of this activity in all African countries to allow effective implementation of intra-African trade within the framework of the AfCFTA.

TO
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FCI SPREADING ITS WINGS: E-MEETING WITH PARTNERS, PROSPECTS, ORGANISATIONS

More than ever, FCI is partnering with several organisations to promote factoring and defend the industry during these special times. FCI was also invited to be a speaker at several other organizations' webinar. Below you can read about what happened.



2 February: XII Annual international Conference, Financing the Export and Import in Russia

FCI participated in XII Annual international Conference, Financing the Export and Import in Russia.

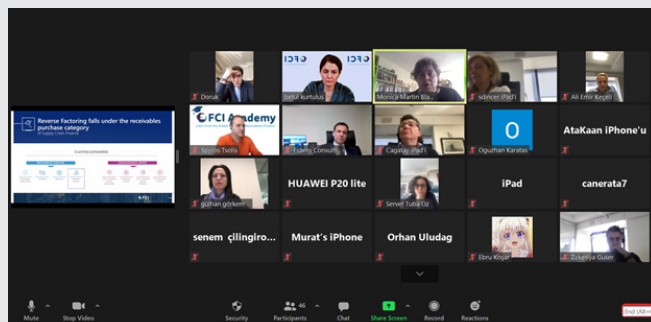
In different panels, changing landscape of the banking sector in Russia has been discussed. How does the current economic situation reflect on corporate export-import activity? What changes have occurred in export-import activity during pandemic months? Has the geographical focus

changed? Has the cooperation with foreign banks changed? Also, the cooperation with ECAs has been discussed during different panels. This is our second event with Worldwide export conferences after Uzbekistan. We joined Russia after the Uzbekistan event.

FCI gave a presentation on the Opening Potential for Banks and Corporations to Increase their Market Share.

8 March

We organized a zoom meeting with our Turkish member on FCIreverse. Our FCIreverse consultant, Ms. Monica Martin Blanco, presents the Main flows of a reverse factoring transaction, FCIreverse value proposal, 3-Corner Model – a standard Reverse Factoring transaction, 3+Corner Model - One-time collaboration needed for on-boarding, 4-Corner Model – Two Factor System meets FCIreverse and constructing a sustainable and profitable reverse factoring infrastructure. Turkey, as one of the biggest export factoring country, have a great potential for reverse factoring. Members are now working on the MOU and the potential deals on reverse factoring.



23-24 March

Mr. Basel Al-Hussain, Dubai Branch Manager of ITFC, and Aymen Kasem, Division Manager of Trade Development, participated in the Regional panel for the Middle East and North Africa, moderated by Ms. Betul Kurtulus, Regional Director for FCI.

Mr. Al-Hussain explained the main activities of ITFC, for Trade development and financial support for their 57 member countries. He also highlighted the response programs to help member countries address the COVID pandemic issues.

Mr. Al-Husseyin mentioned that ITFC builds unique solutions for its member countries' countries' needs. Despite the pandemic's pandemic's negative effect on the member countries, ITFC's support

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continued to its members as they achieved a noticeable increase in the number of new clients in the regions. He also mentioned that ITFC is planning to introduce new financing services such as risk-sharing alternatives for FIs and bank guarantee products, aiming to offer flexible solutions to member countries with a special focus on SMEs.

During the event, there was a special session for ITFC's AATB, Arabic Africa Trade Bridge Program, during the event.

Aymen Kasem, Division Manager of Trade Development, ITFC, presented Arab Africa Trade Bridge Program. AATB program is a multi-donor, multi-country, and multi-organizations program aiming to create and enhance trade and investment flows between Arab and African member countries.

Please find the full interview in the IFN Islamic finance News <https://www.islamicfinancenews.com/itfc-plans-new-products.html>



15 May

On the 15th of May, China-Tianjin Supply Chain Finance Industry (Talent) Alliance held an inauguration ceremony in Tianjin Binhai New District. The Alliance is initiated by Nankai University, Tianjin University of Finance and Economics, and Binhai New Area Government, with the participation of over 140 institutions.

Mr. Sun Yang, Deputy Director of the Tianjin Municipal Bureau of Finance, said that the establishment of the Alliance aims to focus on supporting the innovative development of the supply chain finance industry, forming a high-end professional, open and active, diversified, and forward-looking industry talent networking and interacting mechanism, and effectively promoting the supply chain finance industry gathering in Tianjin.

Mr. Lin Hui, Director of FCI Northeast Asia region, attended the event and delivered a speech. He appreciated the Tianjin government for their support to the industry and said, "The new wave of global supply chain finance development requires the resonance of the industry, to which the exchange of mindsets is very important. FCI has taken the important decision to open up FCI courses to non-members. The path to the future of the industry needs the beacon cities like Tianjin around the world."

Mr. Lian Maojun, member of the Standing Committee of the Tianjin Municipal Committee and Secretary of the Binhai New District Committee, attended and spoke.

Mr. Jin Liquan, President of the Asian Infrastructure Investment Bank, and Mr. Li Dongrong, President of the China Internet Finance Association, former Vice Governor of the People's Bank of China, also delivered speeches.



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SOME NEWS FROM CEE, SEE AND THE MIDDLE EAST

April

There are plenty of interesting facts, but also inspiration in the Efcorm #factoring podcast. You can Listenlisten to it from [this link](#)

"There is a common feature I see in successful countries: educated and dedicated staff."

"...sharia compliant international factoring... opens the doors for new business opportunities..."



"...software companies and technology companies need to be very close to their clients and have an agile relationship..."

"...The wrong investment of software or digital solutions can easily turn into a never-ending story with increasing costs..."

"...In a rapidly evolving world, digitalization is no longer an achievement, it is a requirement..."

Members meetings

We are organizing members's meeting in CEE/SEE and the Middle East region. FCI Secretary General Mr. Peter Mulroy, our Education Directors Ms. Ayşen Çetintaş, Mr. Spyros Tsolis, our Manager of Business and IT Solutions Cipriad Rado, and our Head of Marketing & Communication, Ms. Gwendoline de Viron, participating in the meetings.

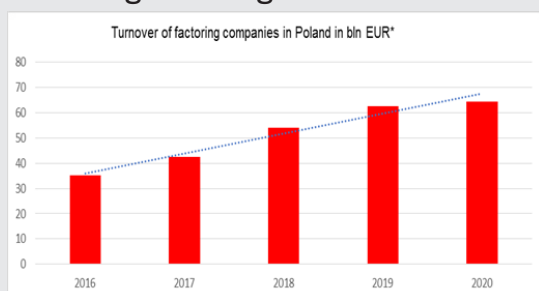
Meeting online with our members, whom we have not been able to meet physically for a long time, has been extremely beneficial. We will continue our online meetings with our members in the region.

We organised during the last quarter meetings with:

ENDB- UAE, ERSTE BANK HUNGARY Zrt- Hungary, AB SEB BANKAS- Lithuania, ARMSWISSBANK – Armenia PEKAO FAKTORING – Poland

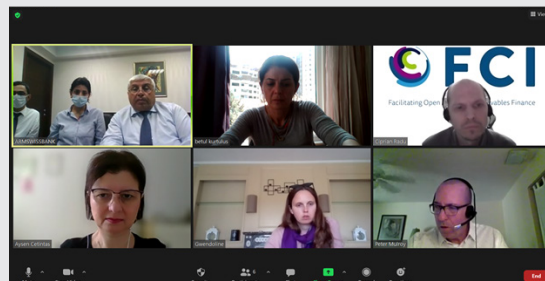
They reported that the pandemic year of 2020 has changed the reality around Pekao and had an impact on the business activity of many sectors. In this turbulent environment, Pekao Faktoring (PF) managed to gain two-digit growth last year. Factoring is a crisis-resistant solution. However, Poland's factoring market growth rate in Poland in 2020 was 3% compared to 16% for 2019. PF was the engine of factoring market growth in Poland with approx. 21% growth rate in 2020. The company increased its market share to over 20%. This was possible, among others, thanks to the agile management of the company, which enabled the adjustment to the changing business environment, optimization of processes, and digitalization. As of today, PF is the largest and fastest growing factor in Poland.

Factoring market growth in Poland:



BETÜL KURTULUS

Regional Director CEE,
SEE, the Middle East



Meeting with ARMSWISSBANK

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