FCI

Facilitating Open Account – Receivables Finance

Annual Review 2021

FCI is the Global Representative Body for Factoring and Financing of Open Account Domestic and International Trade Receivables. With close to 400 member companies in approximately 90 countries FCI offers a unique network for cooperation in cross-border factoring.

FCI is building bridges:

- To global business opportunities
- To new markets
- To new partnerships
- To innovative products and services
- To know-how and leading expertise

Annual Review 2021

Content

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Facilitating Open Account – Receivables Finance

The Post Covid-19 Recovery: Back to Where We Came From or a New Normal?

Although the pandemic still remains rather challenging in 2021, we are finally sensing a return to normalcy. Of course, we heard of the recent news about the bankruptcy of Greensill, one of the largest names in the field of Supply Chain Finance, was surely not a good sign. And we hear from other members, especially non-bank FIs that it has been much more challenging to do business and raise capital in these challenging times, that being said, we do see light at the end of the tunnel. Virtual events became the only way to connect and listen to our peers. Last year's webinar series organised by FCI were highly appreciated. But, as we read in the surveys, members are missing the physical networking part, obviously the best way to develop additional correspondent relationships.

We all expect that 2021 will be better than 2020, albeit with some credit challenges possibly later in the year. We are already beginning to see a surge in domestic factoring as reported by our members in N. America, Europe and China and according to our latest international factoring figures, volume has surged, growing nearly double digit. However, we are still not out of the woods. But as the global economy will return to some normalcy, global trade will recover. Let's be prepared for this.

STRATEGIC PLAN

Over the past two years, FCI has developed a 5-year strategic plan, but after analyzing the current crisis, we concluded that many objectives couldn't be launched or reached until a return to some form of normalcy. Hence, we worked on an interim strategic plan, until such time we can consider the pandemic behind us, hopefully by 2022. Our plan is to reposition and submit certain elements of the 5-year plan during our virtual annual meeting, being held on 22-23 September 2021. We hope to be able to roll-out the full plan if we are fortunate to meet in Washington DC in June 2022. Let me highlight four principal elements of this plan:

1. Invest in Education: FCI has a powerful Academy with 10 e-learning courses on every aspect of factoring. Last year, FCI rolled out its first series of webinars. Our visibility has dramatically increased, providing webinars to over one thousand of our members, staff and management in 2021, FCI successfully rolled out virtual regional networking events, organising more than 1,400 bilateral meetings in the first half 2021. By meeting the needs of our members, stakeholders and public at large about factoring, FCI will ensure the continuous healthy growth of the sector.

2. Invest in Decentralisation: More and more, FCI will rely on its regional presence, regional directors helped by EXCOM

Patrick de Villepin,
FCI Chairman

members' sponsorship. In January 2021, FCI hired the new Africa Regional Manager. His first line of duty will be to execute the newly developed grant offered to FCI by the African Development Bank, supported and administered by the AfreximBank. We also anticipate by 2022 FCI will also hire a Regional Director for Western Europe. The "front office" organisation is being managed through ambitious objectives and strong KPIs to ensure the organisation meets expectations.

3. Invest in Advocacy: Advocacy is key if we are to defend the industry and ensure regulations do not lead to unintended consequences. One such example is the New Definition of Default (NDOD), which will result in a significant adverse impact on how the factoring industry assesses defaults in Europe, resulting in unnecessary increased provisions and potential losses. Together with our partner, the European Union Federation (EUF), we attempted to persuade the European Banking Authority (EBA) to provide some relief to the industry, since past due issues in factoring is subject to contractual clauses imposing conditions for payment (just the opposite as compared to a traditional loan). In other words, payment by the buyer is always subject to operational procedures as well as procurement conditions (and past dues generally having nothing to do with credit capacity, liquidity, or overall quality of the debtor). Hence, this and other global matters that impact our industry must be addressed by FCI in order to support the members in their respective jurisdictions. In this field, FCI should be more visible and more present, especially in emerging factoring markets. In that respect, we would like to hire a part-time specialist in 2022 and continue to invest in lobbying, working closely with our partners like the IFC/World Bank, AfreximBank, European Bank for Reconstruction and Development (EBRD), Asia Development Bank (ADB), IDB Invest for the Americas, the ICC Banking Commission and national factoring associations.

4. Invest in Technologies: FCI must transform itself into a modern, digital technology hub, embracing all kinds of technologies (AI, Cloud, blockchain, APIs, cybersecurity), creating ecosystems and new platforms, connecting buyers and sellers. As a result, FCI has undertaken a significant investment to rebuild the edifactoring trading platform used by FCI's 400 members. The new system's features will provide members a user friendly experience, with a modern look-and-feel, embedded with the most sophisticated software, with multiple new functions, including buyer/seller on-boarding tool, AI (artificial intelligence) capability for dilution control, driven by a powerful community-based app, that would eventually be blockchain ready. The current edifactoring platform will continue to be usable for all members, until the new platform is launched, expected in the 4th quarter of 2021.

With the harshness of this pandemic and its long reach felt globally, we need to reinvent our business. More than ever, we need to be proactive and mix a top-down / bottom-Up approach.

GLOBAL STATISTICS

FCI reported one of its more challenging years to date, with a 6.5% decrease in volume year on year. And after a positive year of growth in 2019 showing an increase in edifactoring two-factor business, 2020 was a much more challenging year, dropping 19% in transaction volume year over year. But as the Chinese say, with challenges come opportunities. And 2021 is already shaping up to be a strong growth year for all factoring products, including international. We are already witnessing a significant rebound in 2021 after a very challenging 2020!

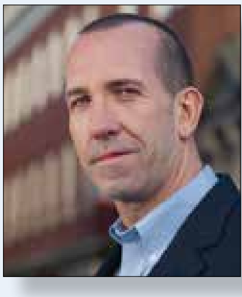
CONCLUSION

Even though we will continue to experience a growth year albeit with potential credit issues, Factoring will be in high demand once the crisis fully subsides. That's also the reason why we launched at the beginning of the year an institutional campaign to promote Factoring and FCI's important role in it. The theme of the campaign is explaining why and how Factoring is so important in times of crisis. So will we return to the old days, doing business as to how we were doing it prior to the crisis. Definitely no, we have entered a "new normal", led by a new virtual remote working world, the advent of advanced technologies in factoring, and the rise in new players like fintechs and new funds in the market. However, nothing will replace in person meetings, handshakes and looking eye to eye with a client. So it's a combination of both, past and future.
If our Industry wants to continue playing a major role in the future, we need to fulfil three mandatory conditions; 1) return back to basics: focus on risk mitigation, best practices, and investment in new technologies; 2) deliver new solutions, new innovations for tomorrow and 3) the need to concentrate on targeting SMEs, the engine of economic growth all around the world.

Ponte Governador Nobre de Carvalho, Macau.

Introduction

FCI is the global representative body for the Factoring and Receivables Finance Industry, a non-profit association based in the Netherlands, with nearly 400 members located in 90 countries. 2020 was a challenging year for the FCI members. We entered the new year with the continuation of the trade war, major geopolitical issues, and the finalisation of BREXIT. However, the most significant event, Covid-19, was waiting just around the corner. Despite the challenges, FCI made substantial investments in its future, adding new staff, upgrading the new CRM system, creating a KPI-focused platform to monitor staff performance, and continuing to build out our decentralised, regional office platform with the inclusion of Africa at year-end. This paper highlights the major achievements in 2020 but also the challenges and opportunities facing FCI and the industry today in the next years to come.



Peter Mulroy,
FCI Secretary General

THE GLOBAL FACTORING INDUSTRY

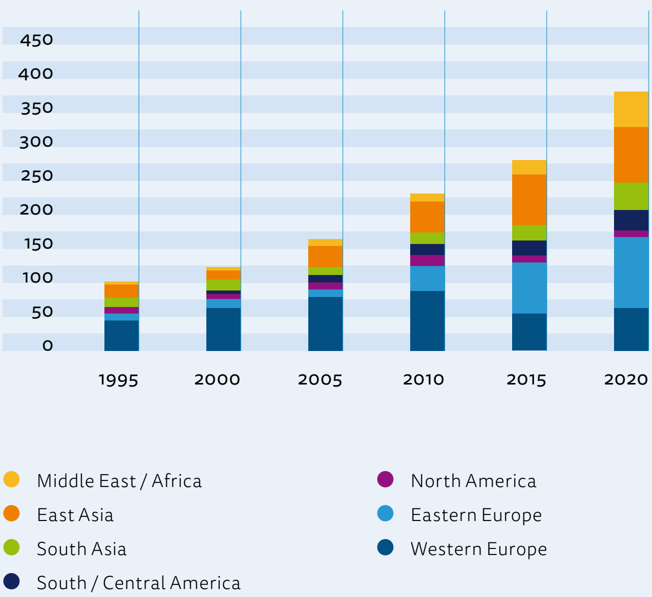
The world factoring statistics indicates that the Factoring and Receivables Finance Industry volume witnessed retraction due to Covid-19, showing negative trends in most regions. Compared with the previous year's 2,917 billion euro, the 2020 volume of 2,726 billion euro represents a decline of 6.5%. The last time the industry experienced a decline was in 2009 during the financial crisis, when the industry lost 3% in global volume. This decrease in global volume in 2020 follows a solid three-year growth spurt from 2017-2019, when the industry grew by 6%, 9%, and 5%, respectively. However, 2020 marks an unprecedented reduction stemming from the effects of the virus, resulting in a significant reduction in global GDP and Trade that had a substantial impact on our members.

MEMBERSHIP

FCI has evolved as an association, increasing from more than 100 members 20 years ago to nearly 400 members today. Back then, over 35% of our membership was based in Western Europe. Today that figure stands at less than 18%. Asia accounted for 3% of membership back then, today 30%. Although the global pandemic had an adverse impact on new membership in 2020, we could still achieve our revised budget estimate of 26 new memberships (compared to 42 in 2019). From 2016-2020, FCI added a total of 155 new memberships. We are seeing most of this growth coming from emerging countries. As part of our five-year strategic plan, which we plan to roll out in 2022, FCI is expected to increase membership to over 500 members by 2027.

Bloukrans Bridge, Eastern Cape, South Africa.

FCI Membership



2020-2021 PROJECTS

Physical to a Virtual World
Even with setbacks relating to the pandemic, FCI made significant investments, rolling out a completely virtual webinar series starting during the worst of the epidemic in the 2nd quarter of 2020. FCI had to postpone the physical annual meeting, which was to be held in Washington DC in June 2020. In its place, FCI held its first-ever virtual annual meeting in September.

Edifactoring 2.0
FCI also recently announced the launch a new I.T. project to develop a state-of-the-art global receivables finance platform. The project approach is based on Prince2 and Agile software development principles. The project has been developed in two phases: Phase one includes three stages: Definition and Design, Realisation, and Acceptance. FCI has already completed the first two stages and is now in the Acceptance stage. FCI will look at implementing Phase Two in 2022-2023, adding a blockchain security component adjacent to the edifactoring platform. The new system enhances the cross-border international factoring experience for all members.

South & Southeast Asia Regional Manager
We also had a change in leadership in the South and Southeast Asia region. Mr. Thompson LUI, a seasoned factoring executive based in Hong Kong, took over from Mr. Kheng Leong Lee. This region, which accounts for more than 9% of membership but less than 2% of volume, has significant growth opportunities with the recent passage of the factoring policy by the Bangladesh Bank, the passage of recent factoring laws/regulations in India, Vietnam, and the Philippines and a developing central bank policy on factoring in Pakistan.

Africa Regional Manager
FCI expanded our regional footprint by the creation of the new Africa regional manager position. Today Africa accounts for 11% of membership but less than 1% of global volume, is still relatively immature, and requires tremendous attention. Our partner, the Afreximbank, agreed to cover half of the costs during the first three years. Mr. Nassourou Aminou, a native of Cameroon, joined FCI in January 2021 with tremendous experience in factoring, credit insurance, and I.T. support solutions for factoring and receivables finance. He will be based in Cairo at the Headquarters of the AfreximBank. However, due to Covid-19, he will remain at his home office until further notice.

African Development Bank (AfDB) Grant
We also announced in December the creation of a special purpose Grant authorised by the African Development Bank (AfDB) to support the capacity building of emerging factoring firms in Africa that will benefit many SMEs across the continent. The objective is to upgrade and provide consultancy services for the Capacity Building of Emerging and Established Factoring Firms, developing a sustainable knowledge and learning platform in Africa. The grant includes consultancy services to advise the start-up and establishment of factoring companies. It will provide advisory and mentoring. It will help organise conferences and workshops as well as to train and sensitise users and government officials. It will offer scholarships to the FCI Academy's online courses to various stakeholders. It also includes funding for entrance into the FCI-Afreximbank "Certificate of Finance in International Trade" (COFIT) programme, a one-year highly specialised combined virtual online and physical in-person education experience at the headquarters of Afreximbank. The grant will go live on the 1st of February 2021.

FCIreverse Project
FCI also made investments in building a new global reverse factoring platform, what we call FCIreverse. This project was rolled out in 2019, but of course, was stymied in 2020 stemming from the pandemic. Nonetheless, we signed five MOUs in 2020-2021, of which one member in Africa will be onboarded onto the platform in 2021. We also have one major bank located in North America, which confirmed its intention to onboard. The platform will not only allow members to access an operating platform to onboard both anchor buyers and their domestic and foreign suppliers, but it will also allow the use of export factors around the world to support this effort by educating the supplier on the many benefits of reverse factoring offers, providing Know Your Customer (KYC)/Anti-Money Laundering (AML) guidance, signing a local factoring contract with the supplier, and potentially even funding the assigned receivables, if requested, by the anchor buyer's bank.

Receivables Finance as an Investable Asset Class
FCI also witnessed a rise in factoring funds joining FCI. They include hedge funds, sovereign wealth funds, pension funds, and others who distribute debt capital to finance companies/factoring companies engaged in receivables finance, asset-based lending (ABL), reverse factoring, and receivables securitisations, etc. Enhanced yields, preferred accounting, risk mitigation, cross-border flexibility, and funding diversification are major motivating factors for the increase in these types of funds joining FCI. As part of this initiative, FCI was invited to sit on the ICC steering committee entitled "Trade Finance as an Investable Asset Class." Together with our "fund" members and other interested parties, FCI created a working group to discuss how to improve members' experience to raise debt capital outside the traditional means through bank funding.

Islamic Factoring
FCI developed together with certain members in the Middle East a new set of rules governing Islamic Factoring. In June 2019, FCI signed a Memorandum of Understanding (MOU) with

the Islamic Trade Finance Corporation (ITFC) to create the new Islamic Factoring Chapter. This caps a three-year effort to :
1) develop new rules on Islamic Factoring
2) onboard Islamic Banks and NBFIs and
3) create a new Islamic Factoring Chapter.

In November, FCI launched the very first meeting of the Islamic Factoring Chapter. We anticipate that this will help spur membership in FCI and in turn lead to significant growth in Islamic factoring around the world.

ADVOCACY

FCI has also invested in capacity building and advocacy in numerous countries. We support the creation of sound policy and regulatory framework for the development of a healthy factoring market. But we also want to ensure that the increase in regulations impacting the industry do not have unintended consequences. Unfortunately, most emerging countries do not yet have proper assignment laws and central bank policies in place to instil confidence in the banking and entrepreneurial community and invest in factoring and receivables finance as an asset class. However, FCI continues to support the development of proper assignment laws, protections of rights of third parties, and the promotion of good governance, compliance, and appropriate central bank policies that create a sensible regulatory framework to support the healthy growth of our industry.

UNIDROIT Model Law on Factoring: FCI joined with the UNIDROIT on 1-3 July 2020 for the first session of developing the UNIDROIT Model Law on Factoring. Since then, the UNIDROIT has organised three drafting sessions and is making significant progress. This is the first attempt to develop a model law on factoring by the UNIDROIT, which successfully launched the Convention on International Factoring in Ottawa in 1988. FCI supported the model law's creation through a letter in May 2019 and further sponsored by the World Bank. As a result, the UNIDROIT approved the project that year. Established in 1926 as an auxiliary organ of the League of Nations, the UNIDROIT is an intergovernmental organisation whose objective is to harmonise international private law across countries through uniform rules, international conventions, the production of model laws, sets of principles, guides, and guidelines. It is expected that the process to create the Model Law on Factoring will take approximately two years to complete.

Factoring Law in Nigeria: In Nigeria, led by our stakeholder, the Afreximbank, and our member, the Nigerian Export-Import Bank, we organised sensitisation seminars and meetings with the government to promote and introduce factoring. As a result, FCI was invited to attend a Senate Banking Commission hearing on the law in November 2020. In fact, the full Senate approved the draft legislation in February 2021. It still needs approval within the Congress and must be signed into law by their President; however, we are bullish that the factoring bill will become the law of the land soon. This will be a game-changer for Nigeria and the Continent, considering Nigeria is the largest economy in Africa and is expected to become the 4th most populous nation by 2060 per United Nations projections. And with the creation of the African Free Trade Agreement (AFTA) launched in January 2021, we anticipate Nigeria will be a leader in factoring in the future.

Central Bank Policy on Factoring in Bangladesh: The Bangladesh Bank approved its first policy on international factoring in June 2020, a considerable feat considering the impact of the pandemic. This permits banks to finance against assignments of export receivables. In addition, FCI has made numerous sensitisation training sessions to the government. In October 2019, FCI held a major promotion conference with the Bangladesh Bank to the public in August 2020 after the

Gwangan Bridge or Diamond Bridge, Busan, South Korea.

Central Bank's approval. We have since onboarded a total of 11 banks and NBFIs in the country, and we have high expectations for success in the market after the pandemic is brought under control there.

Global Supply Chain Finance Forum (GSCFF): The Global Supply Chain Finance Forum was established in January 2014, as an initiative of these industry associations, to address what has been recognised as a need to develop, publish and champion a set of commonly agreed standard market definitions for Supply Chain Finance and SCF-related techniques. FCI is one of five global industry bodies represented on the Steering Committee, overseeing the governing body which ultimately defends the interests of the reverse factoring/payables finance market. Other bodies include ICC, BAFT, ITFA, and the EBA.

Credit Insurance Shields: At the encouragement of our credit insurance members Coface, Euler-Hermes, and Atradius, FCI, together with our partner ICISA, the global association of private credit insurers, recently wrote to the U.S. Department of Treasury, U.S. Department of Commerce, and the U.S. Federal Reserve Bank to request the U.S. Government to establish an emergency, temporary federal trade credit insurance backstop programme to help protect and support suppliers of goods and services and their buyers that rely on trade credit insurance during this challenging time.

Nearly half of all factoring activity globally is backed by some form of risk mitigation product like trade credit insurance. Hence, it is imperative to support the trade credit insurance sector during this challenging period, which ultimately supports the receivables finance sector, directly benefiting SMEs throughout the United States.

In a recent poll of our members, it is estimated that 15-20% of insured buyer lines of credit supporting the factoring and receivables finance industry globally had been adversely impacted by the pandemic, reducing the availability of "eligible receivables" to fund SMEs. This has had a direct impact on the liquidity available to the SME sector. Therefore, FCI believes that it is in the interest of major economies to create a trade credit insurance government backstop programmes whereby the government participates in the trade credit insurers' exposure to support SMEs and their customers who might be suffering due to Covid-19.

CONCLUSION

Considering the severe environment brought on by the pandemic, FCI had one of the strongest years in terms of financial performance, exceeding our budget objectives by generating 26 new memberships in 2020. And to cap it off, FCI won a prestigious award as the "Best Trade Finance Innovator - Global 2020" from Capital Finance International (CFI), a leading online publisher backed by multilateral stakeholders and national institutions in trade and finance, which also partners with such events as the World Economic Forum in Davos. Thus, with 2020 behind us, we enter 2021 with 15 new memberships, a new MOU signed to onboard onto the FCIreverse platform and our regional networking events launch. And although we witnessed a drop in global factoring volume of -6.5% in 2020, we are already beginning to return to a state of normalcy. Already we are hearing reports of record performance by our members. However, with the expectation of an increase in credit risk in the second half of 2021 in part due to the withdrawal of state support, we are concerned about the impact it could have on our membership. However, the factoring community usually excels during crisis times; hence, we expect FCI membership to meet this challenge, based on the controls that factoring affords. And for those using history as a milestone, factoring certainly has the wind beneath its sails during and after times of crisis!

FCI Vision Statement & Mission Statement

FCI Vision Statement

FCI's Vision is to be the Global Association for the Open Account Receivables Finance Industry.

FCI Mission Statement

Receivables Finance is the core focus of the association and includes Factoring, Invoice Discounting and other Supply Chain Finance solutions.

FCI is the Global Voice for Open Account Receivables Finance:

- FCI facilitates and promotes International Factoring through a Correspondent Factoring platform.
- FCI actively supports the growth of the Industry and works jointly with policy makers and stakeholders worldwide
- FCI promotes best Industry practices through education
- FCI publishes Information & Statistics about the Industry
- FCI endorses financial stability, the prevention of financial crime and respect for regulatory compliance and conduct

The Second Severn Crossing, between England and Wales, United Kingdom.

Roundtable | Factoring as a Crisis-proof Financial Tool
"Europe's Zombie Problem has only gotten Worse"

So proclaimed a May 2021 article in The FT reflecting concern from the ECB. The article highlighted how unprecedented levels of government intervention gave artificial life-support to many potentially unviable companies and the risk posed as that unwinds. As Factors, we have a vital role in helping clients manage risk and protecting the seller from the inability to pay. In this discussion, we explore the relevance of factoring in times of crisis and hear from panelists how it's playing a critical role through providing liquidity, supporting adaption of supply chains, and managing risk. The panel also share their digital transformation experience and their thoughts on both the importance of innovation and industry standards.

John Beaney (JB), Director, HSBC GTRF,
was in conversation with:

- **Brendan du Preez** (BdP),
  Group Head Supply Chain & Working Capital Finance
  Standard Bank, South Africa
- **Eric Lu** (EL),
  Senior Vice President, CTBC Bank, Taiwan
- **Maria Luisa Muñoz** (MLM),
  Head of Transaction Banking, Bancolombia, Colombia
- **Roberto Weckop** (RW),
  Director & Head of International Business, Deutsche Factoring Bank, Germany

JB: Our theme is "factoring as a crisis-proof financial tool." Do you agree with the premise, and why?

RW: The moment of truth regarding the benefits of factoring is, in my opinion, happening, especially in risky times. Then Factors can prove that they still supply cash-flow while protecting their clients (and in FCI, their Factoring correspondents) against bad debts. Let me give you an example: Importers in many markets were asking for longer payment terms to cope with the massive decline in demand caused by lock-downs and further restrictive measures. At the same time, payables from their suppliers became due. Factors helped to cover these increasing risks and secured liquidity by prolonging receivable tenors and accepting bearable repayment agreements. The often underestimated third benefit of factoring (besides fast liquidity and risk assumption), the professional receivables management, was more in demand (especially with exports). Factoring clients could maintain the business relationship with most of their customers by offering more flexible business terms. But corporates in fast-growing industries (e.g. healthcare, food, electronics, e-commerce, household goods) had more demand for SCF solutions. The value of the collateral A/R increased and provided risk underwriters with more comfort.

EL: The rising demand for factoring services among SMEs worldwide can be attributed to the shortage of working capital. Several industries find it difficult to sustain as they receive

their payments late and their receivables on the balance sheet continue to increase. Thus, factoring has been of critical importance for such companies to avoid financial constraints. Factoring is also an effective way for clients to operate a credit facility with financing based on the validated collateral of the invoices; banks are thus more comfortable supporting credit lines than without such good security. During the pandemic, many SMEs face challenges to get sufficient working capital as banks are de-risking their portfolios or changing their risk appetite. Factoring can be an effective solution to secure timely financing for those SMEs.

MLM: It's already been fourteen months since the COVID pandemic has arrived in Latin America and has many challenges and learnings. The financial sector has played an important role in maintaining the economic flow, specially Factoring and Payables Finance facilities which gave suppliers and buyers the possibility to improve their supply chain movement.

From a Latin American financial view, this difficult time made a lot of changes to efficiency priorities. The cost of merchandise purchased is no longer the only reason to buy or select a supplier. As the disruption in supply chains happened and is expected to happen more frequently, resilience and flexibility in supply chains are now the main issues, and this made many players focus on strengthening good relations to assure supply, making Payables Finance and Factoring an important tool.

JB: Early in the pandemic, there was a squeeze on dollar liquidity. How did you manage?

MLM: As this happened, customer priorities changed and started to be focused upon demonstrating immediate liquidity, and this meant that banks did have to allocate disbursements to short-term credit and reduce client risk, making a perfect combination for Payables Finance and Factoring to be prioritised.
Bancolombia did reinforce its past strategy of supporting the supply chain and trade flows of its customers. With liquidity being reformed, factoring transactions took first place for customers, which helped supply chain resilience and flexibility for Colombian importers and exporters.

JB: Talk about the move from paper to digital communication with clients?

BdP: From our perspective, we saw a more collaborative model evolving, i.e., bank and SCF specialist fintech collaborate to bring added value in support of client ecosystems. In the times we find ourselves in, it is even more pronounced. As the wider industry moves to a more digital means of executing commerce, digital will become the way of life. In the context of SCF, digital data exchange is already embedded as part of the solution set, with one caveat being the considerations around regulatory requirements where certain underlying document sets may still be required, especially across the border, while specific SCF local market solutions are digitally driven.

EL: Features offered to our clients are major decisive factors when it comes to factoring services. Their considerations are credit limit, factoring fee, advance interest, and handling charges. Nonetheless, it is also important for a bank to have a user-friendly, intuitive portal for clients to check the balance, assign invoices, and apply requests for financing when needed. Clients will choose banks that use the latest, fast, and dynamic digital technology to solve their problems, to help to streamline their internal processes, and easily exchange extensive data with their system.

JB: What about "new" tech? Is it appropriate to apply such tech as part of solution structures?

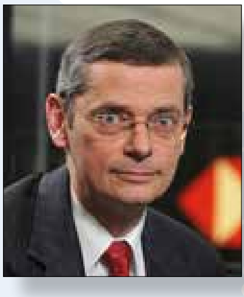
EL: We have also observed that blockchain and smart contracts initiatives are now applied in the services to further secure that authenticity of the invoices, prevent double financing, and ensure the process's speed and reliability. In the meantime, it can also tokenize the account receivables to achieve multi-tier financing to help SMEs in the upper-chain further to get more liquidity and improve supply chain resilience.

BdP: I would say that "new" tech is not yet commercialised at scale. We have seen an increase in POC's and that governments are more supportive and have high on their respective agendas to drive digital innovation in their respective markets. To this end, some of these markets have created sandbox environments and inviting various industry players in commerce, such as a bank, fintech players, etc., to collaborate around digital initiatives.

JB: please share your experience with Payables Finance.

EL: Payables Finance has been consistently growing since the 2009 financial crisis, while the volume of Factoring has been volatile over the years. The following makes Payables Finance a popular solution in many countries in Asia:

- Receivables fraud risk is real. Seller selection and proper due diligence of the transaction are major risk mitigation strategies to prevent fraud. However, the process is very complicated if the operation is done manually. Payables Finance is the most effective method to prevent fraud and minimise seller credit risk.
- Anchor buyers used to be the most dominant party in the supply chain, and suppliers normally are squeezed the hardest. However, we have noticed that those buyers now realised that they wouldn't succeed without the supplier's viability. Maintaining a long-term relationship and help their suppliers is the best way to secure access to stable and quality supplies. In





From left to right: John Beaney, Brendan du Preez, Eric Lu, Maria Luisa Muñoz, Roberto Weckop.

the meantime, anchor buyers can use this finance programme as a bargain to negotiate better payment terms. The increasing complexity of KYC/AML requirements from regulators makes factoring on-boarding of supplier a very time-consuming job. Payables Finance simplified the selection and implementation process, allowing banks to maximise the number of suppliers in the programme, and this will ensure new opportunities for growth in a turbulent time like this.

BdP: We have experienced an increased ask and need for more Payables Finance. Buyers want to ensure the sustainability of the supply chains and provide much needing liquidity support to their supply chains. From a banking perspective, risk factors, fraud, and credit risk drive Payables Finance's support. One can further argue that buyer-led solutions reach deeper into a client ecosystem providing access to liquidity when required.

JB: please share your risk management experience

RW: SMEs and corporates have discovered during the crisis that in many industries which have been strongly affected by the lack of demand and interruptions of global supply chains, no company is too big to fail. So the demand for comprehensive risk coverage by Factoring increased strongly. We received credit-limit requests for buyers in many sectors that have been considered low or no-risk industries before the crisis so that they were often excluded. To sell those receivables to a Factor and, through the asset sale and receipt of full payment, strengthen key financial metrics like Free Cash Flow has also become more important, including for SME clients.

EL: Covid-19 outbreak increases in the uncertainty of client's trade transactions, as well as the credibility of buyers. It is not unusual to see payment extension due to stagnant sales or financial difficulty arising from the pandemic, and even large buyers are facing temporary cash shortage and liquidity issues. In the meantime, trade credit insurance companies are cutting the credit limits down or set higher premiums for lower credit limits. More payment extension and claim declaration make maintaining the terms and conditions of existing policies mission impossible.

JB: Credit Insurance is a key partner for many Factors, and how has it performed?

EL: The pandemic has reaffirmed the importance of robust risk management measures to combat the non-payment risk of buyers. Many large clients in export sectors now realise a quick and effective solution like factoring is urgently required, which provides a safety net to their vulnerable business. It is unrealistic to expect the insurance company to see the pandemic from the client's perspective and give a forward-looking and prompt credit decision in its current state. Although the pandemic slows down the growth of the business and creates a tremendous impact on the global economy, it has transformed client's mindset and risk perception, which will be very beneficial to the growth and development of Factoring.

RW: Due to the expected wave of bankruptcies caused by the economic effects of Covid-19, credit insurers started in Q4 2020 to reduce their exposures in countries and industries which were particularly affected. In Germany, it was managed smoothly because temporary guarantees of the government-backed up the credit insurers. While credit approvals were granted in the past until further notice, Factoring companies have lately received more decisions with fixed expiry dates. All in all, the insurers have been quite supportive regarding the extension of payment terms of existing credit limits and the approval of repayment agreements. In Germany, the main Factoring companies are usually cooperating with more than one credit insurer. Besides this, the FCI Two-Factor model for Export receivables is also considered an alternative to credit insurance coverage.

JB: Did risk appetite support the resilience of the German Factoring market?

RW: In 2020, the German economy faced the strongest slump since the 2nd world war with a GDP decrease of 4,9 %. Despite this negative macro-economic trend, the German Factoring market could grow last year by 1,3 %. The growth was mainly driven by new smaller Factoring companies which are active in the domestic B2C Factoring and healthcare sector. This also explains the strong increase of Factoring clients, mainly located in the MSME and consumer segment. The volumes of the main market players in Germany have more or less suffered from the pandemic-driven economic crisis. The International Factoring has dropped by 2,7 %.

JB: Turning to Africa. Has the crisis reinforced the growth of SCF solutions in Africa?

BdP: We have seen a clear upward trend in the ask and need for SCF risk mitigating solutions from an African perspective. This is driven by a need to secure and support the value chain resulting in minimal disruption. Although this trend is largely driven by Global Multinational Companies operating across Africa, we see these needs coming across from local African corporates as well.

In Africa, this type of solution has become more critical in not just ensuring the continuation of supply but also creating an avenue in supporting under pressure cash flows and largely "guaranteeing" accelerated cash flows when required, and even more so during the Covid times, and especially during the period of hard lock-downs.

JB: For Africa, and given recent events in Europe, what is your view of the value of industry guidance and standards?

BdP: The key fundamentals and standards of these solutions, such as Factoring, should be followed. We have seen in the recent past that moving beyond the boundaries can have far-reaching negative effects on the entire value chain. At Standard Bank, we are an adopter and advocate of appropriate SCF solutions and are an active member in key global industry bodies in assisting to shape the future of the SCF business globally, but more importantly, the support it brings to Africa and our client base.

JB: Looking to 2022, what are your priorities?

MLM: Open account transactions will continue to grow in the future as payment terms are increasing; having a Factoring or Payables support will be essential for getting new suppliers and nearshoring ones; but as the digitalised world is coming (in fact, did come), Factoring, Payables, and even trade finance will have to get there so as disruptions continue this financial tools can support and help disruptions to be shorter. A key challenge will be a connected and digitalised Supply Chain Finance world.

JB: Thanks, everyone, for your insights.

To summarise:

(1) The pandemic has accelerated digitalisation resulting in more opportunities transforming factoring and through growing clients in vibrant industries.
(2) Factoring has delivered the expected benefits to clients and shareholders so far, but the challenges are not over.
(3) Anchor buyers see the need to support their supply chain, and Payables Finance is gaining traction.
(4) There are lessons to learn, and FCI has a vital role in education and advocacy.
(5) We must also now apply ourselves to the challenge of reducing climate change and supporting sustainability.

Octavio Frias de Oliveira Bridge, São Paulo, Brazil.

Regional Updates | 2020 Figures Main Takeaway

AFRICA

Despite the Covid-19 crisis, factoring volumes continued to grow in Africa in 2020. It increased from EUR 24 billion in 2019 to over EUR 25 billion in 2020, representing 2,8% growth. Countries that led this growth included Egypt, South Africa, and Botswana, with 2.5%, 2.8%, and 100% growth, respectively. Mauritius's volume declined by -11.9%, followed by Tunisia's -23.7%, mainly due to the impact of Covid-19.
Nassourou Aminou

AMERICAS

Americas were not spared by the storm that hit the world in 2020. The appreciation of the Euro vs the local currencies generated an overall decline of around 30% YOY since 2019, to EUR 150 billion down from EUR 218 billion. North Americas Sub-region showed a negative growth of -23%, where Canada declined by -18%, and the US recorded a fall of around -23%. These figures are due to the fact that the reported US volume is 26 times greater than Canada, making it difficult to balance a drop in US volumes.

Additionally, the LA&C Sub-region also reflected a decline of around -37%. Brazil, while in 2019 had the highest volume in the Sub-region, experienced the highest drop of close to -60% in 2020 (currency wise depreciation of Brazilian Real vs. Euro was at -42%). Argentina showed a decline of -35.6%, Chile declined by -19.6%, Peru with just -1.8% and Mexico had a decline of -43%. **Alberto Wyderka**

NORTH EAST ASIA

The outbreak of pandemic had a severe negative impact on the economies of the North-East Asia region during the first half of 2020. But during the second half of the year, most North-East Asian economies had shown a significant recovery in economic momentum. This upturn was driven both by strengthening global export demand and the rebound in domestic consumption spending due to the easing of pandemic-related restrictions in many countries.

Under such challenging circumstances, the North East Asia region achieved remarkable growth of 3.8% to 598.2 billion, with the global market share rose slightly to 22% accordingly. China achieved a 7% increase to 433 billion. With 72% of the regional market share and 16% of the global market share, China continues to be a major market and an important engine of growth for the factoring industry. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

There is no question about how our world was affected by the Covid-19 pandemic in 2020, however, while different parts of the world had their own timelines in stages of development, the SSEA region began to experience similar sufferings that North Asia had seen during earlier months of 2020. Overall, in terms of business activities, slowdowns in member countries were obvious, especially in EDI volume, pointing towards a downward trend starting from 2018.
In 2020, the drop showed even more magnitude, as both import and export figures reduced from nine figures to eight, where both sides saw drops in double-digit territory. This drop calls for a deep-dive analysis, with our members in the region, to identify the causes and a possible reengineering of the development and growth strategies. We also witnessed the credit response and collection time shortened, but the export/ import disputes frequency increased during 2020. **Thompson Lui**

CEE, SEE AND THE MIDDLE EAST

CEE & SEE is representing around 9% of the total volume of Europe, with EUR 173 billion shows an overall decline of close to 7%. The top five players show a decline in volume with, Poland (-5%), Russia (-6.3%), Turkey (-13%), and Greece (-4.1%) which makes up 76% of the market.

Turkey is the leading country in SEE, in terms of FCI turnover. However, due to economic shrinkage, the country has been experiencing a significant decline in another year, by -13%. It affects the entire region's growth rate, but there are a few positive exceptions in the region with a positive growth. Coming to the emerging markets of the Balkans, they have a very high sensitivity to falling developed markets' demand for manufactured goods and commodities, but factoring is growing in the region.

The Middle East represents 0.3% of the FCI turnover. The Middle East also declined by – 4.2%, to reach a figure close to 9.5 billion, mainly thanks to Israel, which experienced a 37% growth during this tough year. We are expecting this growth rate to affect the total turnover positively in the coming years.
Betül Kurtulus

EUROPEAN UNION

The data collated by the EUF show the impact of the sudden shutdown of the economy with the lockdowns and the absence of invoices to finance. Indeed, provisional figures for 2020 have shown a decrease of 5.4% year on year in factoring turnover in EU countries. It is the first decrease in factoring turnover in 11 years.

Total factoring turnover in the EU reached EUR 1.78 trillion comparing to EUR 1.91 trillion in 2019. A decrease in factoring turnover (-5.4%) was in line with the decrease of GDP of EU countries (-6.4%). The GDP penetration ratio for 2020 was slightly lower than in 2019 (11.1% comparing to 11.3%). The biggest EU countries in terms of factoring turnover were hit the most. Funding of EUR 245Bn (11% lower than in 2019) supports around 259,000 European clients in 2020 (7% decrease YOY). Firms still perceive factoring as a source of funding that also provides additional values, which clients appreciated in this year of uncertainty. **Françoise Palle-Guillabert**

Regional Updates | Legal, Regulatory & Advocacy

AFRICA

The initiatives undertaken in previous years by FCI and Afreximbank to support regulatory reforms with promoting the Factoring Model Law in Africa are starting to show success. Some countries are in the process of finalising laws in this direction, notably in Nigeria, Kenya, and Egypt. Notable progress has been made in West Africa with the adoption by the Central Bank of West Africa (BCEAO) of a uniform factoring law based on the Afreximbank factoring model law for eight countries (Ivory Coast, Benin, Senegal, Niger, Togo, Burkina-Faso, Mali, Guinea Bissau). **Nassourou Aminou**

AMERICAS

All the region's countries have a factoring law. However, not all of them have the same degree of ease in their application and not uniformity. In any case, they contribute to the growth of the industry.
Nor is it simple to access controllers and regulators with recommendations to improve existing laws. It is a region with an idiosyncrasy that often makes this objective difficult, as does the lack of deep knowledge on the part of regulators.
In any case, both banks and factoring companies strive to make the laws practical, obviously without violating them.
Alberto Wyderka

NORTH EAST ASIA

The new Civil Code of China was promulgated on 28 May 2020 and came into force on 1 January 2021. Factoring contract is included in the Civil Code as a separate chapter in the contract part. This indicates that factoring is becoming an important part of China's socio-economic landscape. It is no doubt that it will further promote the healthy and prosperous factoring market in China.

In terms of regulation, various local governments in China have promulgated regulatory measures for commercial factoring companies and have carried out a large-scale clean-up of commercial factoring companies in their jurisdictions. The number of commercial factoring companies will be significantly reduced.

In terms of policy, the Chinese government attaches great importance to the role of supply chain finance in the real economy and has formulated a series of guidelines that will be the milestone for the development of supply chain finance in China. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

The most important development of the SSEA region in 2020 would most likely go to the release of circular allowing factoring and supply chain finance-related products to develop in Bangladesh. Although most emerging markets in the region have room for improvement in this arena, the Central Bank of Bangladesh has made a huge effort in taking the industry and stakeholders forward. This is no coincidence that FCI has worked with local policymakers and her affiliates for years to achieve this first step after various seminars, workshops in Dhaka, and work visits to FCI headquarter to discuss best practices in the industry and share knowledge and experience from other nations having similar paths. Nonetheless, another emerging market, Thailand, has also announced "Digital Factoring" and called for gathering thoughts and advice from industry leaders to map out development paths ahead as the name itself suggested. **Thompson Lui**

CEE, SEE AND THE MIDDLE EAST

FCI working with EBRD continued to support legal and regulatory reforms to enable factoring throughout 2020 in regional countries. There were several developments as well as engagements with regulators and lawmakers in different countries:

- Joint FCI - EBRD online meeting with the Deputy Minister of Economic and Finance Of Ukraine and National Bank of Ukraine: FCI will be working closely with the UATFF task force to build the country's factoring infrastructure and law.
- Joint FCI - EBRD online meeting in Jordan, with the participation of the Central Bank of Jordan: FCI will be working closely with the Central bank, EBRD, and the local banks to build the country's factoring infrastructure and law.
- FCI organised informative meetings within the scope of digitalisation support works, where Turkey's factoring technology infrastructure was examined in detail.
- FCI organised a Preliminary Islamic Factoring Chapter Meeting with the participation of Islamic members of FCI including ITFC. The purpose of an Islamic Chapter, past projects, supplementary Agreement for Islamic International Factoring, approval by Sharia boards, and current activities were discussed. **Betül Kurtulus**

EUROPEAN UNION

Since the beginning of this crisis, the EUF keeps working hard and is in close contact with the European economic authorities to monitor, review and seek appropriate business support. Indeed, in 2020, the EUF has worked on numerous issues, the more important of which are prudential.

Concerning the EBA Guidelines on loan origination and monitoring published on 6 May, 2020, we obtained a postponement in the entry into force (30 June 2021), more proportionality, and a less prescriptive character. But not all national delegations of factoring are satisfied with the final text.

On the new Definition of Default, another crucial issue, the EUF has warned on the specificities of factoring for a very long time, as a delay in trade receivable does not mean a default as in bank loans. High-level representations have been held with the EBA to avoid unattended side effects throughout the entry into force of the new regime. **Françoise Palle-Guillabert**

Regional Updates | Promotion and Awareness

AFRICA

FCI, in collaboration with Afreximbank, held a series of factoring promotion and awareness campaigns in 2020. These included:

- Nairobi, Kenya, February 2020: Regional Conference on Factoring & Receivables Finance in East Africa; brought together more than 140 participants from Africa.
- Online E-vent, July 2020: Factoring and Receivable finance in Africa amidst Covid-19: A wake-up call. A webinar is part of the FCI webinar series organised to benefit our members and all industry stakeholders during these difficult days. The Factoring Industry Overview and the Impact of Covid-19. We had around 260 participants.
- Africa Chapter Online Factoring Workshop to discuss the regional situation of the industry. It was followed by the 10th Africa Chapter Annual General Meeting & Annual General Assembly. **Nassourou Aminou**

AMERICAS

With the pandemic causing lockdowns, requirements imposed not only complicated the way we were used to performing our work but undermined our methodology. However, during the first quarter of the year, we had the opportunity to organise together with Ms. Monica Martin, our SCF Consultant, a business trip visiting five countries and 18 banks to promote our FCIreverse solution including, Chile, Peru, Colombia, the Dominican Republic, and Mexico.

As of April, everything changed. Thus, meetings were held with prospects and members virtually. Translated into figures, 45 virtual meetings were held with members, and 33 with prospects. In addition, progress was made in meetings with organisations, such as IDB Invest, to reach cooperation agreements focused mainly on education and promoting and consolidating factoring in the region. **Alberto Wyderka**

NORTH EAST ASIA

Mongolia is one of the few emerging markets in North-East Asia. Two of Mongolia's leading banks are FCI members. In early 2020, prior to the outbreak, FCI and IFC jointly organised a seminar in Ulaanbaatar to introduce the best practice of factoring and supply chain finance.

The Greater China area accounts for 87% market share of the region. Numerous fraud cases have accompanied the rapid growth of the market during the past few years. In May, we held a webinar on commercial fraud, inviting three experts to share their practical experience on fraud. Over 300 participants attended this event, which provided a renewed awareness of the importance of a rigorous two-factor mechanism in practice in the anti-fraud context. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

We had no physical events in 2020, due to the spreading of Covid-19 in the SSEA region, in fact, part of Asia had already been affected prior to my joining in February. FCI adapted immediately and switched to organising events online, representing the best alternative to meeting members, potential members and industry associates but reduced the effectiveness of promoting FCI and warming up relationships.

Regardless of the constraints, FCI has participated in and organised events together with ADB, IFC, and various local trade bodies and regulatory bodies in seminars, workshops, training programmes, and conferences to raise awareness towards FCI and related product offerings. Most importantly, these cooperation events deepen our tides to take our partnerships to the next level. **Thompson Lui**

CEE, SEE AND THE MIDDLE EAST

In 2020, we organised various promotional, educational & sales events, as well as workshops with many of our business partners, promoting international factoring, reverse factoring and Islamic international factoring.

FCI joined the Euromoney conference in Vienna and visited the country members at the beginning of the year. FCI participated in the GTR meeting in MENA, followed by an FCI workshop for two days in Dubai for our members in the region.
We organised online conferences with EBRD and educational activities with the UATFF task force to develop factoring activities and infrastructure in Ukraine.
We attended the Worldwide Expert Conferences in Uzbekistan to promote awareness of factoring. We organised a joint event with the SME Banking Club to factoring market innovations review for the CEE and SEE regions and we joined the 6th Annual SME Banking Club Conference 2020 and the ITFA Middle East Trade Finance Dialogues. **Betül Kurtulus**

EUROPEAN UNION

During this very special period, the EUF has organised several online events.
A workshop named "Building bridges between Finance and SMEs" was held on 13 October. Stéphanie Yon-Courtin, Member of the European Parliament and Vice-Chair of the Economic and monetary affairs committee (ECON), chaired this webinar dedicated to SMEs' funding. The event gathered Andrea Beltramello, cabinet member of Executive Vice-President Valdis Dombrovskis; Patrick de Villepin, Chairman of FCI; Alban Maggiar, President of SMEunited, and national SMEs' representatives from France, Germany, and Italy.
On 6 November, the EUF and FCI held their first online EU Factoring Summit in the Covid world. The successful webinar, attended by over 200 participants worldwide, witnessed vibrant discussions, especially on the impact of Covid-19. It took place simultaneously as the 2020 Council. Meetings took place in October and November with the German presidency of the EU and the Portuguese future presidency, which has started in January 2021. **Françoise Palle-Guillabert**

Regional Updates | Membership Mobilisation

AFRICA

We have 41 members in the Africa region, representing 10% of the total FCI membership. Four (4) new members joined FCI during the past year. These were Woodhall Capital (Nigeria), Mamlaka Capital Partners (Kenya), Avuna (Nigeria), Ziada Credit Solutions (Mauritius), and there are currently prospects from North and West Africa in the pipeline. We have the overall of 13 Banks' potential prospects in Africa, mostly in West and Central Africa who do Factoring Business. **Nassourou Aminou**

AMERICAS

The region accounts for 41 members at the end of 2020. During the year, only three members of the region withdrew: one bank and two factoring companies, and we got three new members, all in Peru: Banco Santander, Primus Capital and Euro capital.

The actions carried out in the year, despite having been virtual, augur good future expectations, some of which will occur in the next year, despite the consequences of the scourge that is punishing the world and the region, especially Latin America and Carribean. **Alberto Wyderka**

NORTH EAST ASIA

By the end of 2020, the number of members in the region is 82. The Greater China region accounts for 91%. And bank members account for 73%. A high concentration of members from the Greater China region and bank members characterises the membership composition of the region. As the global manufacturing hub, the region is also one of the most active trade finance centres for global banks. In transforming traditional trade finance into supply chain finance, banks in the region are clearly at the forefront of this trend. It's the strategic priority for the region to establish a new mechanism for enhancing collaboration under the two-factor model to achieve synergistic efficiencies in supply chain finance. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

We have seen both additions and terminations of memberships within the year 2020, summing to two net additions to a total number of memberships. Furthermore, FCI approved one membership upgrade from the affiliate category to associate ranking. Due to the wide range of lockdowns, the pace and effectiveness of membership applications and processing were abruptly affected. Business activities of existing members were also heavily disrupted, causing a higher number of memberships applying for exits due to lack of sustaining business transactions and uncertain outlook of economic profitability. **Thompson Lui**

CEE, SEE AND THE MIDDLE EAST

The CEE region represents 15% of the total FCI membership. Poland and Russia are the two biggest markets in CEE.
The SEE region represents 15% of the total FCI membership. Turkey is the leading country in SEE in terms of the number of FCI members. In the Balkans, we have new banking chains in FCI, which will also affect the region's growth. And although their turnover is small yet, we see that Belarus differs positively in terms of the increase in the number of members in the FCI and their turnover.
The Middle East represents 3% of the FCI membership.

The foregoing developments translated into six new members in 2020: five in CEE (Belarus, Cyprus, and Romania), one in the Middle East (Saudi Arabia).

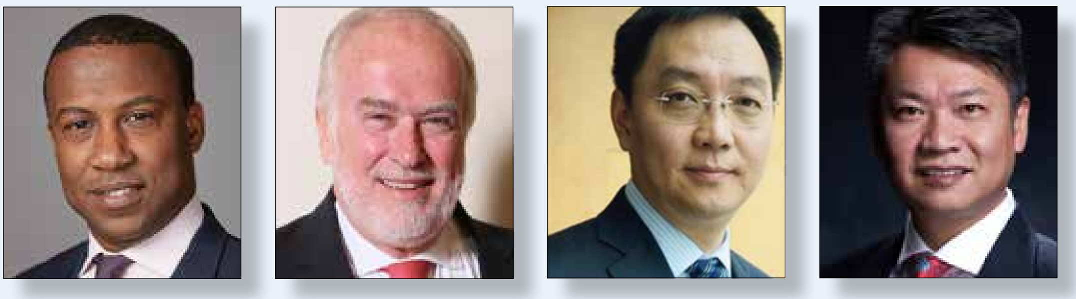
We expect to see an increase in the turnover of FCI's product Islamic International Factoring, especially in Turkey and in the Middle East. **Betül Kurtulus**

EUROPEAN UNION

The EUF Excom has been enlarged to Portugal with the election during the last Council on the 6 November 2020, of Vitor Graça, Secretary General of the Portuguese association.
We will keep on recruiting new members as far as possible in the current situation to build an even more representative federation of the European factoring industry. Croatia and Norway joined in 2020. **Françoise Palle-Guillabert**

From left to right:

- **Nassourou Aminou**, FCI Regional Manager Africa
- **Alberto Wyderka**, FCI Regional Director Americas
- **Lin Hui**, FCI Regional Director North East Asia
- **Thompson Lui**, FCI Regional Manager South and South East Asia
- **Betül Kurtulus**, FCI Regional Director Central, Eastern and South-Eastern Europe and the Middle East
- **Françoise Palle-Guillabert**, Chair EUF



Regional Updates | Challenges

AFRICA

Despite the growth in factoring volumes, there remain several challenges which include:

- Insufficient Knowledge about the product, Education, Skills, and Experience in the Factoring industry;
- Legal environment & Regulation: Lack of Legal Framework in the different countries, capital requirements,
- Economical environment and access to working capital in some countries: inflation, high-interest rate, cost of lending, securities;
- Difficulties in getting reliable Credit information and Credit insurance covers in some countries and buyers;
- IT system and software to manage properly Factoring transactions;
- Long and costly implementation of factoring business process, training, capacity building, and IT platform.

Nassourou Aminou

AMERICAS

The challenges are multiple and come from the markets because they have different idiosyncrasies, realities, and reasons. The challenges vary in each market.
However, I am encouraged to find a common denominator in these challenges.

On the one hand, the rate of concentration of members is one of them. The US, Chile, and Peru concentrate approximately 56% of the total members of the region. It is necessary to grow in the US, Canada, Mexico, and Brazil and the countries where we do not have a presence, which is seven.

On the other hand, education is a permanent challenge. Fortunately, we found in the webinars a tool that allowed us to reach approximately 770 participants. We will apply the same methodology in 2021, where we hope to have the same success.
Alberto Wyderka

NORTH EAST ASIA

The global economy is in a post-pandemic recovery phase, and the region has started to see a significant pick-up in international trade volumes in the second half of 2020. However, we also note that the rapid rise in commodity and raw material prices puts much pressure on the supply chains, especially SMEs. Meanwhile, trade policy uncertainty will continue for some time. As a supply chain financial service provider, Factor must shift its focus from SME financing to the overall goal of maximising the efficiency and resilience of the supply chain.
In response to the current complex economic environment, inter-institutional cooperation must be strengthened to improve efficiency and reduce friction. A return to the two-factor model is the inevitable direction of the industry's development. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

Needless to stress, here is the level of disruptions our global economy collectively faced in 2020. In this regard, developing and emerging markets were among the hardest hit compared to wealthier developed markets. SSEA region, composed of mainly the former, heavily relied on international trade and investment activities, as impacts were evidenced by EDI trade volume reduced to nearly 50% in a few member countries. To a certain degree, SSEA has not been able to put on an optimistic hat yet, for a pandemic is not yet contained, vaccination has just begun, and recovery remains on paper. Wile post-pandemic impacts may begin to emerge, and this is a topic for another day.
Thompson Lui

CEE, SEE AND THE MIDDLE EAST

Almost all governments, European central banks, and countries central banks all brought COVID 19 relief measures during 2020 to prevent social and economic effects. With all these support programmes, it is still inevitable to see that the impact on earnings and balance sheets is likely to intensify in the coming quarters. It is necessary to evaluate credit risks, sectoral risks for both buyer and seller. It is essential to analyse the balance sheet and cash flow. I think we will see these effects more in the developing countries of Europe like in the Balkans.
Despite its volatility, the effect of Covid-19 on digitalisation is massive. Digital developments such as blockchain-based central invoice registration systems, central supply chain platforms supported by government banks are promising.
Betül Kurtulus

EUROPEAN UNION

We have, beyond the crisis, to think about the factoring of tomorrow. Indeed, factoring has a role to play in the economic recovery and in promoting sustainable growth. On that account, EUF's attention has been drawn to EC's request for technical advice to the ESAs (including EBA) regarding digital finance and related issues. The reports to be issued by the EBA (October 2021 and March 2022) could impact factoring providers in Europe, among which Fin / Big Techs.

We also have to think of factoring beyond Europe. Consistently, works have started between EUF and FCI on the governance of their relations and articulating the representations of the two entities vis-à-vis public bodies. **Françoise Palle-Guillabert**

Regional Updates | Outlook 2021

AFRICA

With the Covid-19 crisis, most economies in Africa have been impacted as well as all factoring projects underway in 2019 in several countries have been slowed down or frozen. Some countries have shown the resilience of their economy in the face of this crisis. At the end of 2020, we noted a significant enthusiasm for the launch of factoring activities by banking groups, local banks, and independent companies in several countries such as Senegal, Côte d'Ivoire, Nigeria, and Kenya. And this, for classic factoring and SCF-reverse factoring programme, emphasises the digitisation of processes and innovation.

Faced with the challenges raised, these turn out to be opportunities to be exploited for the next years in all areas related to the industry to allow all stakeholders to benefit from factoring as an innovative instrument for financing economies and SMEs of African countries. **Nassourou Aminou**

AMERICAS

Any forecast contemplates this pandemic, the acceleration of vaccinations, mobilisation, subsidised financing granted by governments, all of which impact GDP growth and consequently our business. Any forecast must help us understand where factoring is going with Covid.

Our international factoring volumes growth in the first four months of 2021 has not been seen for a long time. Members in the region are true believers of the two-factor model for international factoring business, and then the growth expectation is there.

The domestic factoring volumes of the region fell significantly in 2020. In some countries like Brazil, the drop was 50%, rebounding in the last quarter. Likewise, we could talk about other countries in the region. I am observing in the region that members are constantly changing and adapting themselves for a better service, focusing on best practices and proper KYC.

I believe that within all the difficulties, the members also find an opportunity to be better, more efficient, more valued.

Alberto Wyderka

NORTH EAST ASIA

After the global pandemic, the digital wave will have a more profound impact on the factoring industry. The use of technology to enrich and enhance factoring services has become an industry consensus. As the first region to recover after the pandemic and one of the most active regions globally in terms of financial innovation, Northeast Asia is expected to make a breakthrough in the localisation of international rules and digitalisation of the platforms. China has proposed its dual circulation strategy. The huge consumer and supply chain markets provide an impetus for the continued development of the region's factoring and supply chain finance industry. FCI will be committed to strengthening synergies among our members and promoting the development of the two-factor system in the region on all fronts. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

We very much like to think optimistically towards how the world and commercial activities shall recover in 2021, and we need to look at the facts cautiously. All pandemics shall pass but the impacts and marks such left behind may require all of us to adapt. Many businesses will remain conservative in investing in new products and education. Due to lockdowns, supply chain of goods and finance are still at not back to pre-pandemic levels. Many members are operating in contingency mode where a fraction of workforce is on duty alternatively and this puts lots of stress on response time, decision making turnaround time to crucial business activities. These being said, this pandemic we may regard as a wake-up call to how the industry can raise awareness of a more diverse supply chain to mitigate risks, an opportunity for the industry to embrace and adapt more quickly to how technology can help us raise efficiency. Most of all, central banks and policy makers alike can realise how FCI can work with them in improving SCF industry and securing their nations' export driven receivables as the ultimate goal.

Thompson Lui

CEE, SEE AND THE MIDDLE EAST

Coming to 2021, the risks to growth come from a more widespread resurgence of new Covid strains. The pace of vaccination is also another risk of the economies going back to normal. But the expectation for the GDP growth for most of the countries in the region is very positive. It seems that GDP in almost all countries will bounce back, and factoring will benefit from this growth.

Covid-19 pandemic also accelerates the digitalisation of all regions. We are still in the early days of such initiatives, but as commerce increasingly digitises and the new digital receivables, finance opportunities will flourish.

The next challenge is how regulations and policies will adapt globally accepted digital innovations. **Betül Kurtulus**

EUROPEAN UNION

The Covid-19 pandemic continues to affect all of us. The impact is significant on the activity of factors, and the coming months will be decisive for our economy.

In 2021, EUF actively works to avoid any damage to factoring of the new Definition of Default.

Another issue is the EU Late Payments Observatory. EUF wishes to take part in the Observatory. The Federation joined the preparatory work. As far as late payments are concerned, EUF strongly advocates for the prohibition of the ban on assignment, which helps the undertaking in finding funding.

And we are still working on implementing Basel III in the Union, with adapted and proportionate measures for factoring.

More than ever, the Factoring and Commercial Finance Industry has a crucial role in supporting economic growth, employment, and wealth creation in Europe, especially with the end of government supporting measures. **Françoise Palle-Guillabert**

FCI Academy | The Centre of Educational Excellence

EDUCATION as a tool to make Factoring more inclusive

Aysen Çetintas, Director of Education

The importance of small and medium-sized enterprises (SMEs) in national economies is well known, including their global impact, since, by number, they dominate the world business stage. But notwithstanding the wide acknowledgment of SMEs' importance to national economies, they still face difficulties that need to be addressed, and one of them is limited access to finance.

In this context, it is important to highlight two main aspects that are frequently interlinked. The first one is access to finance and financial inclusion. The second one is financial inclusion and financial education, also known as financial literacy.

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

Across the world, companies use factoring as a flexible source of financing as it facilitates the much-needed access to finance by corporates and SMEs. Factoring companies or factoring divisions in banks can provide a greater financing level than traditional lenders to SMEs while limiting their credit risk to acceptable levels. Factoring continues to grow successfully both in mature and emerging markets.

Financial education has been identified as a vital knowledge resource for financial decision-making, but insufficient attention has been given to how SMEs' financial literacy affects their access to finance and sustainability.

Education is named as one of the main pillars of FCI for more than 50 years. Since the early years of its foundation, FCI's mandate was to spread knowledge, educate the industry, and develop best practices in domestic and international factoring and related open account finance products.

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.

To ensure high professional standards, FCI Academy has developed its specialised series of learning programmes. In this way, seasoned factoring professionals can share knowledge with new or less experienced colleagues. FCI provides various learning opportunities: from the much-respected e-learning diploma courses to regular seminars, webinars, and tailor-made programmes for new and experienced members.

The aim is always to give FCI members the expertise they need to offer their clients top-quality professional factoring services. Five decades of knowledge and experience have culminated in a key USP (Unique Selling Point), which has already supported the development of thousands of factoring professionals within our membership and prospective members, providing everything from knowledge of basic factoring skills to technical disciplines, supporting new products and creating opportunities for FCI members organisations and other financial institutions to foster learning within their business environment.

Every year, about 1,000 students participate in different distance learning courses. More than 700 delegates attend various FCI seminars, workshops, and training events online and onsite.

We are a trusted education partner of commercial and development banks, multilateral organisations, 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.

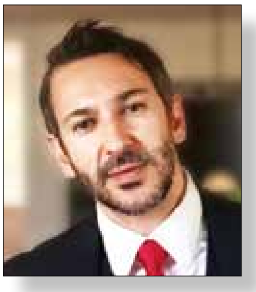
Our methods and locally customised programmes have already proved to be highly effective for educating the local financial and trade finance community, including Regulators and Central Banks. At FCI Academy, we believe that by imparting knowledge and high-quality education to the Receivables Finance Industry, we help pave the way for continual and sustainable progress.

All businesses across the globe are feeling the coronavirus (Covid-19) impact; our industry is no exception. The current challenges need to be faced effectively by experienced & skilled professionals. Educating your staff is currently the investment with the highest return and the only way to ensure sustainable business growth.

FCI Academy
Learn from the Global Leaders of Receivables Finance

The Economic Shot

One year after the unprecedented global crisis, which placed the world at a halt, 2021 starts with a new breath of air, where oxygen starts slowly pumping hopes towards the world's economic recovery.



Kyle Mota,
FCI Director of Administration

Perhaps it is hard to imagine that after years of geo-politics conflicts from the cold-war era, global financial recessions, and a new wave of ideological terror and nationalism, the world would suddenly confront an invisible enemy which cannot be dealt with by diplomacy or military tactics as we know since the end of WWII.

Incredibly, one might wonder if the invisible enemy was released, whether as a new shift to nature or to a new global order. Either way, the world's solution is to one big shot to the arm to end this war: The vaccine.

The surge of Covid-19 shook the world economy in unprecedented ways where mathematicians and economists could no longer predict the global economic future but rather scientists to guide us in this misty road to recovery.

According to the 2020 World Bank – Global Financial report, the output for advanced economies was projected at -7.7% in 2020 and 2.9% growth in 2021. Emerging economies were projected to contract at a rate of -5.4% in 2020 and a positive 2.0% growth in 2021. This sense of hope and optimism came following the first discovery of a possible antidote by the end of 2020 with the Russian's Sputnik V created by the Gamaleya Institute by created by German-Turkish scientists from BioNTech in partnership with the American giant pharmaceutic company Pfizer. Economists could gradually re-write the global economic projection according to new developments and vaccine rollout plans.

Overall, the global economy is estimated to have contracted 4.3% in 2020, a decrease of 0.9% difference from its original economic forecast. The projection in advanced economies was less impacted than predicted despite the resurgence of cases across Europe and the US. Meanwhile, emerging economies saw a rebound in 2020 faster than expected, with China leading exceptional recovery results with enormous spending and investment plan and, therefore, surprisingly shifting the course of the global economic order.
(page 21: Graph 1)

However, despite China's successful results, many other emerging economies still face deeper economic impacts. Latin America and the Caribbean, the Middle East and North Africa, and Sub-Saharan Africa, still linger with deeper recession and slower recovery in the years to come due to the latest Covid-19 outbreak cases. Notably, these regions' dependence on natural resources and industrial commodities shall be reduced by weak global demand.

The prospect for the global economy is genuinely uncertain. The global GDP is expected to increase 4.0% in 2021 if proper management of the pandemic and vaccine rollout is in place to stop new cases and variants, a gradual and steady reopening of business activities, and the continuity of monetary policy to secure economic developments. In the latest World Economic Outlook report, the IMF Chief Economist Gita Gopinath stated:

"Even with high uncertainty about the path of the pandemic, a way out of this health and economic crisis is increasingly visible,"

The global GDP in 2022 is estimated to be 4.4% below pre-pandemic forecasts, with the emerging economies region twice higher than in advanced economies, showing the daunting challenges ahead due to the continued slow growth followed by the uncoordinated and weak response in curbing the Covid-19 crisis.

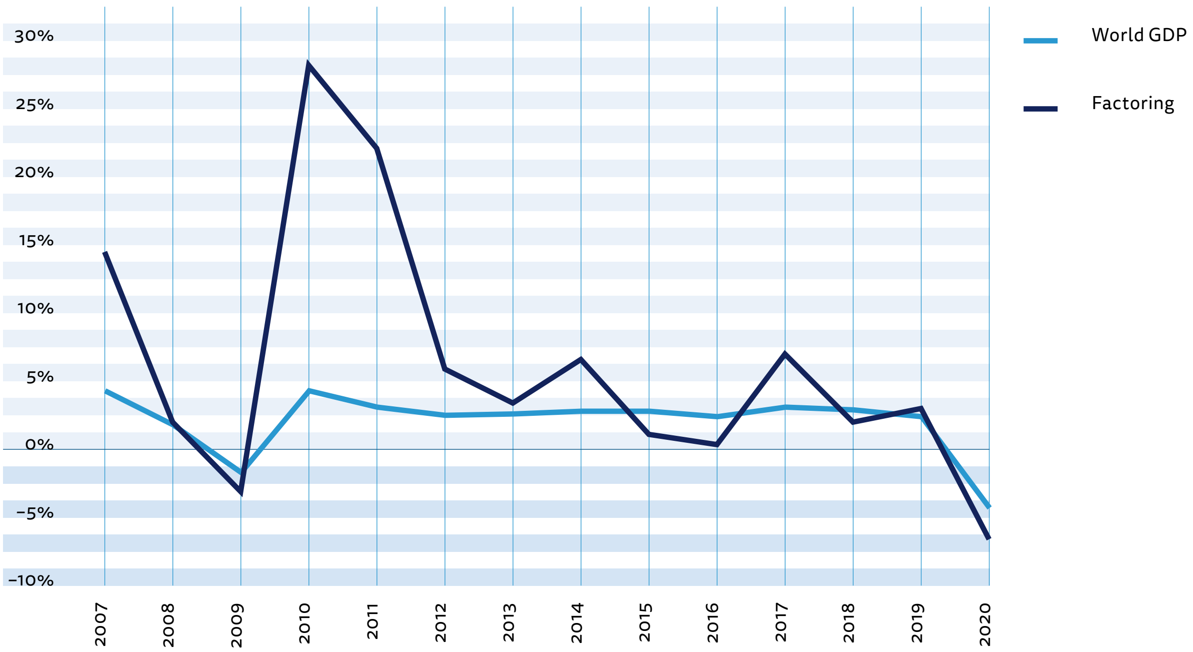
With no surprise, the factoring business activities in 2020 have systematically decreased according to global GDP outcomes, to approximately -6.5%. Europe is primarily the largest contributor in the total global decline, accounting for an approximately -7%. South and Central America -36%, North Americas -23%, while the Asia Pacific resulted in an increase of 1.4% and Africa almost 3%, opposite from original projections.
(page 21: Graph 2)

Many of these results follow fragments issues in 2020 regarding geopolitical disputes, trade wars, and currencies depreciation against the EURO and US Dollar. Unfortunately, these fragments will remain throughout 2021, despite the new US administration's resurgence ambition to lead global order after a poisonous Trumpism era, as China takes the stage as the new economic power in the world.

Therefore, as the world is shifting its economic nature, the one securing rapidly and successfully growth in 2021 must first learn its enemies and ensure a clear global economic environment to stream new air of prosperity to this interconnected world. We know by the immediate solutions hold initially one shot through a thin needle.

Graph 1: Overview 2020 vs 2021/2022 Projections

Graph 2: Overview Global GDP Growth Percentage vs Factoring Growth Percentage



Sources

- World Bank Report 2021
- Global Economic Prospects 2021
- IMF - International Monetary Fund Report
- EUF Newsletter Spring 2021
- The New York Times
- Afreximbank
- FCI Industry Statistics

2020 Global Industry Activity Report (GIAR)

INTRODUCTION

**Ciprian Radu,
FCI Business and IT Solutions Manager**

Keeping up with the excellent tradition from past Annual Reviews, it is time to present the 2020 Global Industry Annual Report (GIAR). Maintaining the 2019 updates and improvements made to the GIAR report, we attempt to focus on the outcome from the member survey, the impact the results provide us, and ultimately providing a comprehensive, impactful report on the factoring industry, including in this year's report a newly added section related to Covid 19 pandemic impact on our members.

As a short introduction, this Report has its origins dating back to 2009. It includes data derived from the material captured within the FCI survey to which the members have kindly filled out. Having members from across the world gives FCI a unique vantage point to receive insights from each member's internal data. The GIAR's scope is to provide a unique analysis of our Industry having two different angles: the first being the quantitative and numeric aspects of the global business, and another is the usage of a wide range of qualitative elements which provides an opportunity to assess the general sentiments and opinions of its key participants.

QUANTITATIVE ANALYSIS

One thing certain is that the basis of our analysis for 2020 does not incorporate all data, as it happened in the previous years. So as a disclaimer, this outcome is the closest to the reality that can be generated as of now based on the figures we have received to date (approximately 60% response rate from our members, down from the previous year's 75% response rate, most likely due to Covid-19).

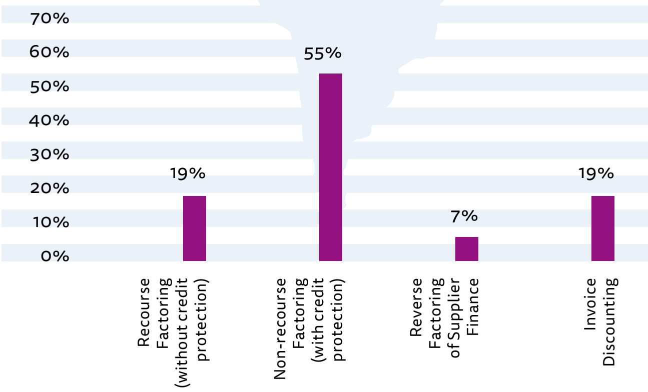
As ever, the principal challenge for the survey continues to be that in many countries, the infrastructure and capability to collect and analyse data varies dramatically - and so the level of detail that individual markets can provide remains highly variable. Thus, one of the fundamental challenges for the Receivables Finance (RF) Industry is to help people everywhere to understand the importance, value, and power of information in our advocacy discussions and the key requirement, therefore collating accurate information at country levels. While some countries (usually but certainly not exclusively the established developed markets) have sophisticated centralised methods for collating market information, others have little provision. Hence, we rely upon the best estimates from experts within these markets.

So, here we are then; the initial findings of the 2020 GIAR Report...

Brooklyn Bridge and Manhattan Financial District, New York, USA.

Product analysis: Similar to the 2019 report, we will continue to present to you the way volumes are split by-products based on the data we received from our members. Since each member provides different products related to their market, this cannot be denoted as a marker for a specific country.

Product Distribution



In 2020, the Covid-19 Pandemic impact on the business made risk mitigation even more needed and consequently non-recourse factoring to strengthen further its position in the preferred demand at the proportionate expense of recourse and invoice discounting. Its substantial value might also explain another prominent important reason for non-recourse demand as a means to decrease the cost of capital under Basel capital allocation requirements and the increase in usage of off-balance sheet treatment by corporates.

The above product distribution does not reflect all the countries. The relative proportions in individual countries continue to vary. The individual figures will reflect the local market conditions and the legal and regulatory environments; this chart shows what a "typical" country distribution looks like. While it should be noted that, for example, many countries do not yet record any reverse factoring type business, for Spain it might represent around half the total market; similarly, in the UK, one of the largest individual global factoring markets, invoice discounting is around 90% of the volume. Romania, my home country, recorded 36% for Reverse and 50% for Non-recourse.

Another note on this topic is that Reverse Factoring (also known as SCF/Confirming/Payables Finance) may have continued its decreased trend, showing a market share of 7% in 2020, down from 10% in 2019. However, FCI only captures a small percentage of the total reverse factoring market globally. Therefore, FCI formally entered the reverse factoring market with the launch of our new solution, FCIreverse, in 2019 with our intention to help support the growth of this important service to our members today and in the coming years ahead!

INDUSTRY DYNAMICS

Below you can see how things changed related to last year:

It appears that this year we reached 4.24 % of GDP penetration for the industry, a slight improvement compared to what we had witnessed in the previous year (4.05%). Europe is around its 10% penetration rate, always having in mind that the industry is quite mature. We used current estimates and thus not finalised GDP figures for 2020.

Quickly looking at the figures:

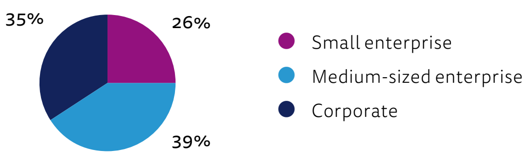
- Client numbers are estimated to be around 726,000, and the debtor numbers have reached an estimated level of 17.5 million. However, these figures have a relatively high level of uncertainty because it combines both whole turnover and spot level types of relationships, highly sensitive to market fluctuations, structure and conditions.

- Companies active in the Factoring Industry that serve the pool of clients and debtors globally are estimated to be down around 4155.

- Direct employment is estimated to be around 99,720. We could mention that this number is highly correlated to the labor-intensive service that our industry requires. Although as technology and automation continue their upward trend, we anticipate the figure will remain flat, even with the industry's continued growth at the current rate.

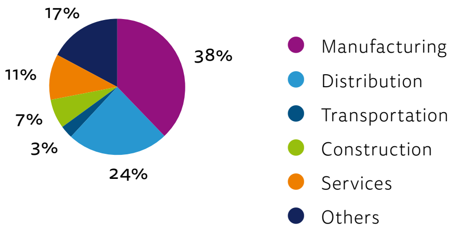
- Average turnover per client is considered to have remained close to EUR 3.8 million; hence, we continue to be dealing with mainly SME businesses in a number of terms based on the smaller end of the spectrum. Our data shows that our member's figures representing their clients' portfolios are mainly SME, close to 66% (65% in 2019), as shown below:

Total Number of Active Sellers



- The breakdown of the types of industries is represented in the member's portfolio. It seems that the Industry has its weighting towards Manufacturers, Distributors, and Service Providers, as shown in the picture below, highlighting the FCI members' feedback. This, of course, cannot be denoted as a marker for a specific country.

Average of Industries Type of Sellers in Members Portfolio



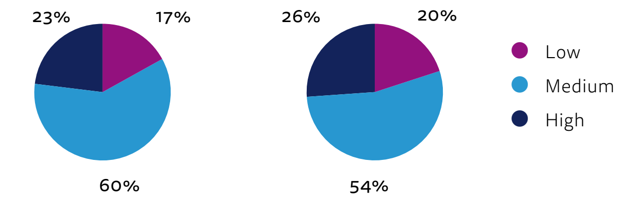
For 2020, we again have a very high-level view of Companies active in the Factoring Industry concentration like in past years. Where the figures are available, the top five concentration ratio (CR5) was reported as 88% of the market (82% in 2019, 2018, and 2017). Bank divisions appears to reach 53% (from 39% - 2019, 45% - 2018, 45% - 2017), bank-owned subsidiaries at 28% (from 35%, 32%, 25%) whilst Independents stable to 7% (from 7%, 6%, 13% respectively). Again, while a final report may yet adapt these interim figures and, as it was last year, the domination of banks at the expense of independents keeps its strong position in the industry.

QUALITATIVE ANALYSIS

One of the things that makes the GIAR survey unique is that it provides an ongoing record and analysis of the perceptions within the Industry on a wide range of topics and trends and their potential effects on the Industry and its future development. Each year we ask respondents to give their view on the status and direction of the Industry in their own country. Our sample data for this analysis includes views from 56 countries that have responded to the FCI survey.

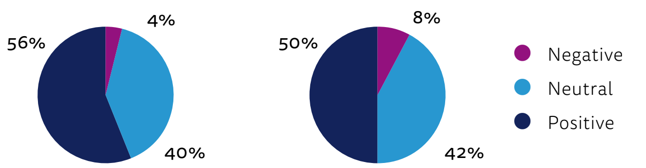
The first and key elements to consider are Factoring Awareness and Acceptance. The year 2020 presents itself similarly to 2019, maintaining the view that, in general, it continues to be a considerable opportunity to build and develop on past successes within the Industry. However, the position has a small deterioration compared to last year's survey, which showed 62% medium awareness compared to 60%. And acceptance of the product has also declined, from 58% medium to 54% (although a high level of acceptance improved from 23% to 26% in the survey).

Awareness Level **Acceptance Level**



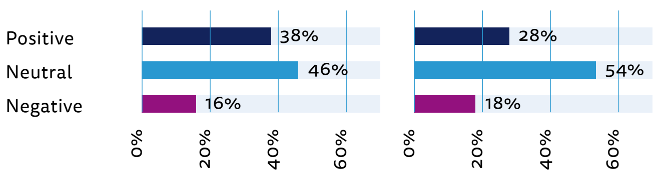
The trust in the *industry resilience*, after a hard hit year economically speaking, can be noticed in this year's responses where respondents continue to demonstrate a high level of confidence and optimism that the Industry can continue to support businesses with an essential role in supporting the real economy on a global scale. There was a decrease from 6% in 2019 to 4% in 2020, while the optimistic level increased from 54% to 56%. On the other hand, confirming the last year's cautionary note presented in the GIAR 2019, the demand revealed an increase in the pessimistic percentage reaching 8% from a low of 4%, obviously stemming from the pandemic. No doubt that 2020 was a challenging year. However, the signs of 2021 might signal that a rebound is at hand. FCI turnover figures show a positive YOY growth rate in 2020 compared to the previous year.

Industry Development Outlook **Demand Level Outlook**



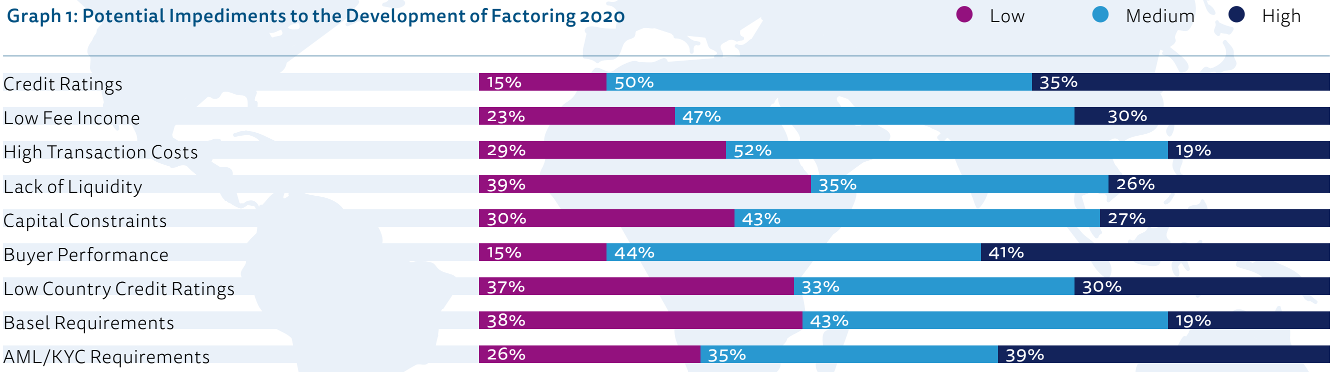
Connecting to last year's report on these two topics, the trend continued to reduce confidence stemming from both reports connected to turnover and profitability, indicating an adverse impact to margins and, hence, a decrease in profitability, mainly consolidating the cautionary respondents likely affected by the 2020 turmoil.

Turnover Level Outlook **Profitability Level Outlook**

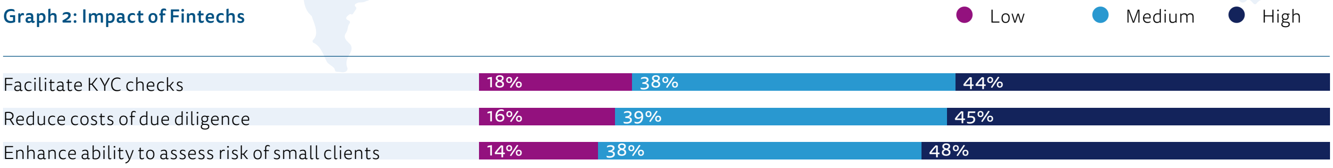


On the risk management front, responses to the questions regarding their outlook for client and debtor risk in their markets are in line with GIAR 2019 forecast. It shows a worsened outcome showing a negative outlook doubling from last year for both parties. Client/debtor risk was up to 24% from 12%, nearly doubling in size.

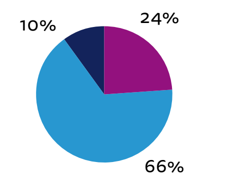
Graph 1: Potential Impediments to the Development of Factoring 2020



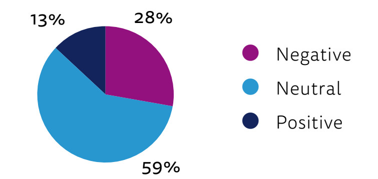
Graph 2: Impact of Fintechs



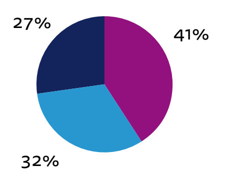
Client Risk Outlook



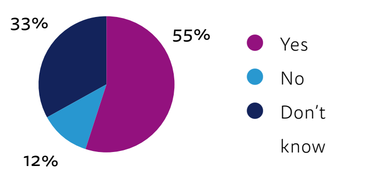
Debtor Risk Outlook



Is there a Shortfall of Factoring to fund International Business?



Could Protectionism widen any Trade Finance Gap even more?



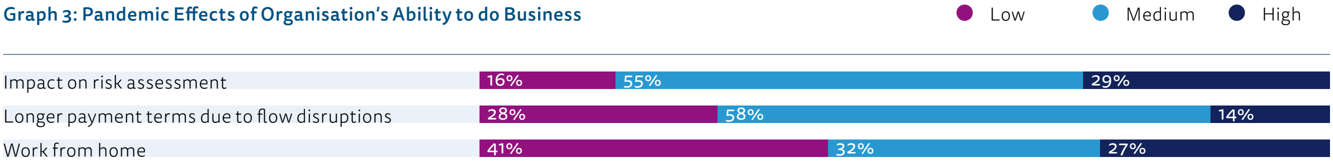
We also looked at a number of variables impacting factoring The percentages can be seen in the table above, and we would like to mention that AML/KYC regulations are once again significantly less in comparison to the previous year, a drop from a high of 43% in 2019 to 39% in 2020. The members have shown a reduced lack of liquidity. The situation has improved, increasing from a low impact from 31% to 39%. The profitability part of factoring stemming from lower fee income and large transaction costs increased the potential impediments to the development of the business by 3% for each category. *(Graph 1)*

Similar to 2019, there was a slight change in members' views relating to the shortfall of factoring. However, the increase of concerns regarding the rise in protectionism and specifically the US-China trade war and Brexit finalisation seems to have made our members more aware of the impact but unsure of how it will affect the industry in the future.

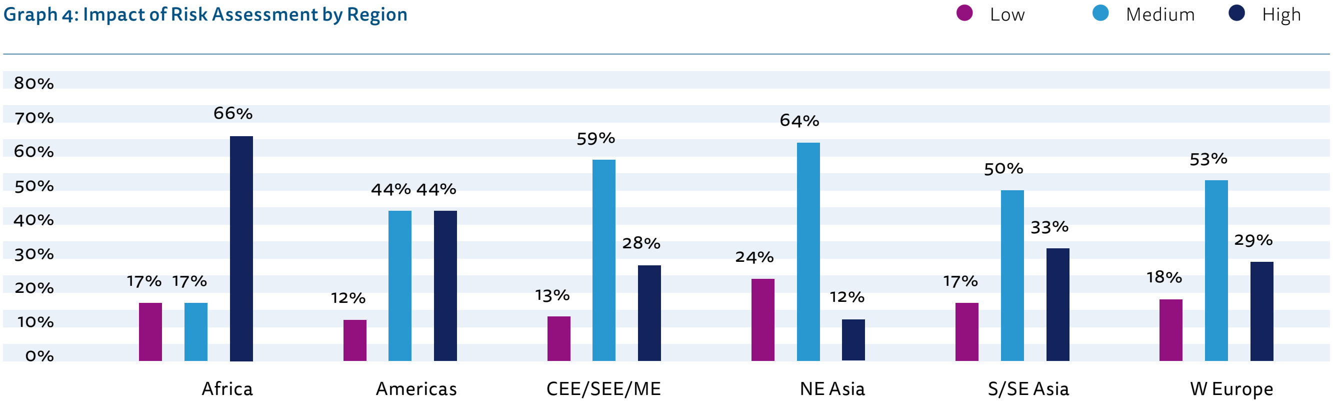
We keep monitoring the rise of Fintechs based on our member's perception and, like in past years, the questions regarding the potential impact of Fintechs on the industry are similar to past results. The survey results in present decreasing values this year in the high perception responses for each category. A noticeable drop is when Fintechs are more likely to facilitate KYC enhancements, with a significant reduction from 53% to 45%. Their potential use for client risk assessment presented this year a decline in this ability with a decrease from 53% in 2019 to 48% in 2020, while their ability to provide reduced costs for due diligence remained somehow in close proximity to 2019's 47% and 45% respectively. *(Graph 2)*

We could not leave 2020 without placing questions related to Covid 19 pandemic impact on their business. Here is what we understood from our respondents. Members tried to cope as best as possible with the new remote work conditions and the effect of the drop in GDP in 2020. Not all countries were indeed affected in an equal measure, some being less impacted than others depending on their own government's stimulus relief measures to the lockdown that was in place.

Graph 3: Pandemic Effects of Organisation's Ability to do Business



Graph 4: Impact of Risk Assessment by Region



From a technical point of view, moving to the Work from Home category, seems to have not been as impactful as it seems due to the increase of payment terms and calls for force majeure, which had inherently appeared due to supply chain disruptions. *(Graph 3)*

As for the risk assessment, the pandemic's impact is apparent relating to members controlling their existing portfolios while reducing the appetite for new business. This impact was different depending on the region, with the Americas at the highest level. *(Graph 4)*

CONCLUSION

This year's GIAR once again tries to provide an overview of the global factoring industry for a highly negative year from a human perspective that impacted us all. 2020 will remain in our collective memory as a very disruptive year on many levels with consequences that will impact us for years to come. While working with the data from 2020, I must admit that it was not quite a desirable task due to the somewhat depressing nature of the sector. Yet, if having this report as a reference to this point in time, it is still quite important to maintain the in-depth analysis of the data. The data from our member's responses can give the reader a compelling and broad picture of the Factoring Industry. I cannot find a better ending than this one obvious impression from the figures, which I hope will never be lost on us because the factoring industry in comparison from market to market is much different, especially when comparing developed to developing countries. This makes it very challenging to assess their actual performance, develop sensible estimates, and derive information that we consider credible. In many countries, the infrastructure is not yet sufficiently developed to address the questions in our survey. Hence FCI attempts to assess the data from multiple sources to best estimate each market performance.

And last but not least, in putting together this review, we collect, consider and manage a very large number of data sets, and its collation is a significant task. We want to thank all country respondents for their hard work in gathering this data on behalf of their countries and sharing it with us, year after year. We could never do this without you!
Thank you!

Øresund Bridge, between Denmark and Sweden.

FCI Expressed in Figures

For 2020 figures, which took place in a very challenging year for the industry, the number of members who contributed to the FCI Survey was near 60% (75% in 2019). Their total volume added up to EUR 1,170 billion. Hence all data hereafter relate exclusively to these actual figures.
Compared with 2019 figures, we noticed that only the products which provided credit protection for domestic and export factoring registered a positive figure, showing a more cautious approach by the members and their clients. All other products reported a YOY decline, in line with the world figures.

Domestic factoring share of the total volume had a slight increase with 2% from last year. It reached 81%, 15% accounts for recourse factoring, 52% without recourse, 20% invoice discounting, 8% reverse, and 5% collection only.

Export factoring decreased from last year by 1%, accounting for 13% of the total factoring volume. 13% of the total export factoring volume relates to the two-factor business.

Import factoring accounted for 2%, where 59% representing two-factor business.

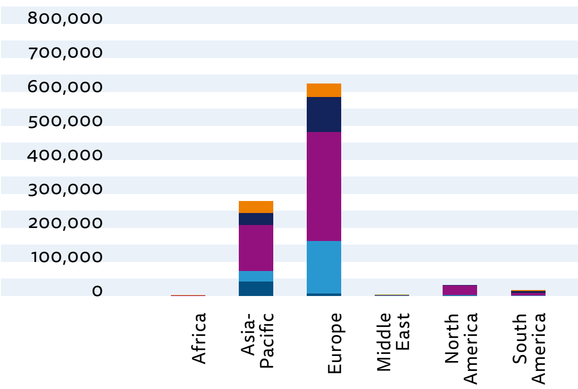
As for special factoring businesses, Direct export invoice discounting accounts for 3%, while Reverse factoring accounts for the remaining 1%.

The following chart is the result of the actual contributions received from the Members together with the estimates for 2020 for their countries. Another aspect, increasingly visible in our report, is the currency's impact, as FCI reports its figures in EURO, considering the Eurozone countries account for over half of global volume. As you know, there were some significant swings in currency valuation during this pandemic year, which in some cases drastically impacted the translated figures.
If the table below would have been shown in USD, a different outcome is pictured showing some growth in 2020, indicating this foreign exchange volatility.

Accumulative Turnover Figures for All FCI Members Compared to Worldwide Factoring Turnover — in millions of EUR

	2014	2015	2016	2017	2018	2019	2020	Variation 2019/2020
Invoice Discounting	299,930	310,313	333,544	303,272	266,606	**263,236**	**189,095**	-28%
Recourse Factoring	356,058	301,948	236,613	231,270	245,583	**191,167**	**143,882**	-25%
Non-Recourse Factoring	372,115	434,456	481,172	478,640	482,885	**474,564**	**494,366**	4%
Collections	40,123	57,725	47,472	40,866	57,185	**53,693**	**49,954**	-7%
Reverse				50,010	89,482	**139,358**	**76,305**	-45%
Islamic Factoring							**81**	
Total Domestic Factoring FCI	**1,068,226**	**1,104,441**	**1,098,800**	**1,104,058**	**1,141,741**	**1,122,019**	**953,682**	-15%
Export Factoring	242,472	261,214	256,551	292,408	211,195	**216,721**	**158,990**	-27%
Import Factoring	54,081	66,612	63,446	55,460	31,719	**28,464**	**18,095**	-36%
Export Invoice Discounting	89,025	96,871	108,038	106,104	59,569	**47,467**	**33,717**	-29%
Reverse				4,497	7,638	**6,075**	**6,446**	6%
Total International Factoring FCI	**385,579**	**424,697**	**428,035**	**458,469**	**310,120**	**298,727**	**217,249**	-27%
Grand Total FCI	**1,453,804**	**1,529,138**	**1,526,836**	**1,562,527**	**1,451,861**	**1,420,746**	**1,170,931**	-18%
World Domestic Factoring	1,857,410	1,838,366	1,868,855	2,078,758	2,244,214	**2,375,406**	**2,206,000**	-7%
World International Factoring	490,114	529,379	507,112	519,540	522,852	**541,699**	**520,728**	-4%
World Total	**2,347,524**	**2,367,745**	**2,375,967**	**2,598,298**	**2,767,067**	**2,917,105**	**2,726,728**	-6,5%

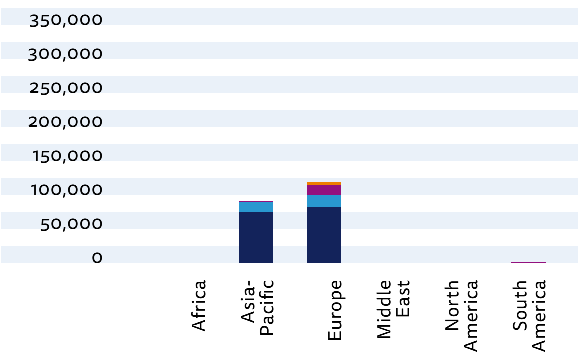
FCI Members Domestic Volume 2020 — **in millions of EUR**



- Islamic Factoring
- Reverse
- Recourse
- Non-recourse
- Invoice Discounting
- Collection Only

All contributions by continent to the FCI Members Domestic volume shows Europe at the top, by far, with 65%. In Europe, Non-Recourse volume accounts for 51% of the total (47% in 2019), Recourse volume 16% (18% in 2019) whilst Invoice Discounting volume shows 25% (29% in 2019) and Reverse volume at 6% (6% in 2019).

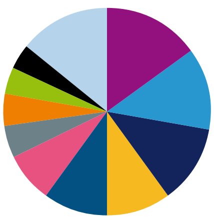
FCI Members International Volume 2020 — **in millions of EUR**



- Reverse International
- Import
- Direct Export Invoice Discounting
- Export

When breaking down the FCI Members International Factoring volume by continent, Europe registered a decline, explained by the lockdown due to the health measures implemented, accounting for 55% (64% in 2019). The Asia Pacific reported an increase reaching 42% (32%). The Americas accounted for only 3%, while Africa and the Middle East combined represented less than 1%.

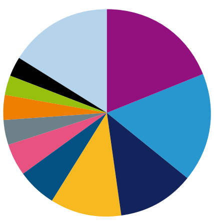
Share of 2020 FCI International Factoring Volume



Italy	15%	Hong Kong	5%
Taiwan	13%	France	5%
China	12%	United Kingdom	4%
Spain	10%	France	4%
Singapore	10%	Rest	14%
Germany	8%		

When breaking down the volume of FCI Member Countries/Territories International Factoring volume, we find the "Top Ten" adding up to 86% of the total volume, having Italy in the first position with 15%, followed by Taiwan (13%), China (12%), Spain and Singapore (10%) each, Germany (8%), Hong Kong and France (5%), United Kingdom and Poland (4%) each.

Share of 2020 FCI Factoring Volume



China	19%	Poland	4%
Italy	17%	Germany	4%
France	12%	Taiwan	3%
Spain	11%	Singapore	3%
United Kingdom	6%	Rest	16%
Japan	5%		

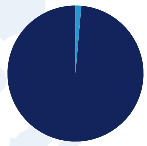
The volume of the "Top Ten" FCI Members' Total Factoring volume by Country/Territory accounts for to 84% of the total China leading the way with 19%, followed by Italy (17%), France (12%), Spain (11%), UK (6%), Japan (5%), Poland and Germany (4%), Taiwan (3%), and Singapore (3%).

Factoring Turnover by Country/Territory in 2020

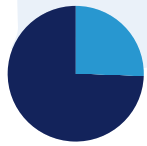
in millions of EUR

Country/Territory	Domestic (*)	International(*)	Total	Companies(*)
AFRICA				
Botswana	100	80	180	19
Egypt	522	82	604	21
Mauritius	197	5	203	4
Morocco	2,424	108	2,532	25
South Africa	21,396	69	21,465	110
Tunisia	248	10	258	5
Total Africa	**24,888**	**354**	**25,242**	**184**
ASIA PACIFIC				
Australia	54,319	11	54,330	6
China	389,845	43,316	433,162	2,000
Hong Kong	11,436	34,307	45,743	17
India	3,150	412	3,562	11
Indonesia	321	137	458	60
Japan	49,845	1,380	51,225	5
Korea	16,387	9,217	25,604	21
Malaysia	4,387	72	4,459	25
New Zealand	35	–	35	1
Singapore	3,194	25,840	29,034	13
Sri Lanka		200	200	1
Taiwan	6,350	36,150	42,500	22
Thailand	5,877	–	5,877	6
Vietnam	524	380	904	9
Total Asia-Pacific	**545,670**	**151,423**	**697,093**	**2,197**
EUROPE				
Armenia	65	95	160	7
Austria	12,101	14,661	26,762	4
Azerbaijan	106	6	112	1
Belarus	320	290	610	16
Belgium	81,716	–	81,716	5
Bosnia Herzegovina	50	–	50	4
Bulgaria	2,050	1,250	3,300	9
Croatia	1,092	40	1,132	19
Cyprus	2,900	40	2,940	6
Czech Republic	4,521	2,469	6,990	6
Denmark	9,820	8,875	18,695	9
Estonia	3,869	31	3,900	11
Finland	25,000	3,000	28,000	5
France	219,406	104,161	323,567	12
Georgia	152	–	152	3
Germany	204,875	70,125	275,000	46
Greece	12,492	1,938	14,430	8
Hungary	8,064	756	8,820	20
Ireland	26,900	1,717	28,617	6
Italy	183,216	51,626	234,842	35
Kosovo	30	–	30	1
Latvia	403	412	815	9
Lithuania	1,350	1,350	2,700	6

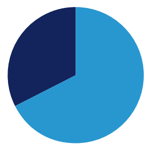
Total Factoring Volume



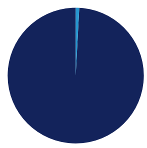
Africa 0.93%



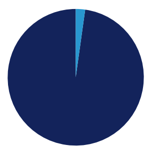
Asia-Pacific 25.57%



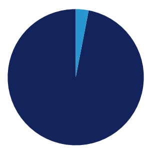
Europe 67.65%



Middle East 0.35%



North America 2.44%



South America 3.06%

** Some figures used in the table might be data from previous year where the information received by the members lacked*

EUF FCI estimate

Factoring Turnover by Country/Territory in 2020

in millions of EUR

Country/Territory	Domestic (*)	International(*)	Total	Companies(*)
Luxembourg	339		339	1
Malta	282	414	696	3
Moldova		5	5	3
Netherlands	91,007	22,751	113,758	5
North Macedonia	12	11	23	5
Norway	22,712	2,523	25,235	4
Poland	51,998	10,866	62,864	25
Portugal	27,568	3,900	31,468	11
Romania	4,205	818	5,023	17
Russia	41,629	673	42,302	40
Serbia	835	95	930	18
Slovakia	1,011	593	1,604	7
Slovenia	1,000	750	1,750	18
Spain	151,114	31,150	182,264	17
Sweden	20,006	619	20,625	15
Switzerland	495	98	593	5
Turkey	16,664	2,302	18,966	79
Ukraine	258		258	19
United Kingdom	251,675	21,003	272,677	32
Total Europe	**1,483,307**	**361,414**	**1,844,721**	**572**
MIDDLE EAST				
Israel	2,999	749	3,748	10
Lebanon	554	121	675	3
Oman	93		93	4
UAE	3,500	1,500	5,000	6
Total Middle East	**7,146**	**2,370**	**9,516**	**23**
NORTH AMERICA				
Canada	1,958	490	2,448	73
USA	62,500	1,650	64,150	250
Total North America	**64,458**	**2,140**	**66,598**	**323**
SOUTH AMERICA				
Argentina	2,656	5	2,662	5
Brazil	18,779	71	18,850	600
Chile	25,000	2,000	27,000	165
Colombia	5,525	0	5,525	14
Costa Rica	836	0	836	6
Dominican Republic	228	25	253	18
Guatemala	185	115	300	10
Honduras	43	9	52	10
Mexico	13,900	461	14,361	18
Peru	13,324	334	13,657	8
Uruguay	55	8	63	2
Total South America	**80,531**	**3,028**	**83,559**	**856**
Grand Total	**2,206,000**	**520,728**	**2,726,728**	**4,155**

Seven Mile Bridge, Florida Keys, USA.

Total Factoring Volume by Country/Territory in the Last 7 Years

in millions of EUR

	2014	2015	2016	2017	2018	2019	2020	Var 2019/2020
AFRICA								
Botswana	–	–	–	–	–	–	180	100.0%
Egypt	435	537	550	418	517	589	604	2.5%
Kenya	–	215	215	215	–	–	–	0.0%
Mauritius	206	235	256	208	227	230	203	-11.9%
Morocco	4,200	2,708	2,708	3,374	2,532	2,532	2,532	0.0%
South Africa	15,898	14,672	16,291	17,117	18,582	20,873	21,465	2.8%
Tunisia	355	354	373	339	316	338	258	-23.7%
Total Africa	**21,094**	**18,721**	**20,393**	**21,671**	**22,174**	**24,562**	**25,242**	**2.8%**
ASIA PACIFIC								
Australia	42,290	41,761	47,658	47,658	54,330	54,330	54,330	0.0%
China	406,102	352,879	301,635	405,537	411,573	403,504	433,162	7.3%
Hong Kong	30,800	33,425	42,676	46,945	53,500	48,150	45,743	-5.0%
India	4,340	3,700	3,881	4,269	4,532	5,089	3,562	-30.0%
Indonesia	810	682	682	682	–	458	458	0.0%
Japan	51,072	54,184	49,466	37,284	49,348	49,446	51,225	3.6%
Kazakhstan	–	106	106	106	–	–	–	0.0%
Korea	12,713	13,094	14,142	13,094	25,645	26,927	25,604	-4.9%
Malaysia	1,782	330	1,527	1,650	4,459	4,459	4,459	0.0%
New Zealand	–	–	–	–	–	35	35	0.0%
Singapore	37,840	38,900	40,500	44,000	44,000	39,600	29,034	-26.7%
Sri Lanka	38	116	116	116	–	200	200	0.0%
Taiwan	56,680	52,693	47,189	49,548	41,198	48,419	42,500	-12.2%
Thailand	4,144	4,414	5,300	5,600	5,877	5,877	5,877	0.0%
Vietnam	100	335	658	700	1,100	1,100	904	-17.8%
Total Asia Pacific	**648,711**	**596,619**	**555,536**	**657,189**	**695,562**	**687,594**	**697,093**	**1.4%**
EUROPE								
Armenia	70	75	100	120	135	150	160	6.7%
Austria	16,400	18,264	19,621	21,091	24,107	27,220	26,762	-1.7%
Azerbaijan	–	13	56	65	–	112	112	0.0%
Belarus	–	320	330	250	380	570	610	7.0%
Belgium	55,374	61,169	62,846	69,641	76,340	84,819	81,716	-3.7%
Bosnia Herzegovina	–	–	–	–	–	91	50	-45.1%
Bulgaria	1,728	1,820	1,947	2,919	3,211	3,532	3,300	-6.6%
Croatia	2,498	2,885	2,825	1,340	1,094	1,140	1,132	-0.7%
Cyprus	2,671	2,414	2,925	2,830	3,585	3,181	2,940	-7.6%
Czech Republic	5,912	5,064	4,848	6,121	6,778	7,240	6,990	-3.5%
Denmark	10,463	12,606	13,237	14,948	18,637	18,838	18,695	-0.8%
Estonia	2,010	2,010	2,495	2,495	3,600	3,900	3,900	0.0%
Finland	20,554	23,095	22,000	24,000	25,800	28,000	28,000	0.0%
France	226,598	248,193	268,160	290,803	320,409	349,714	323,567	-7.5%
Georgia	5	14	14	25	28	137	152	10.9%
Germany	189,880	209,001	216,878	232,431	244,300	275,491	275,000	-0.2%
Greece	13,017	12,869	12,782	13,151	14,635	15,045	14,430	-4.1%
Hungary	2,827	3,779	3,635	5,730	6,911	8,550	8,820	3.2%
Ireland	25,476	25,978	23,952	26,294	26,294	28,617	28,617	0.0%
Italy	183,004	190,488	208,642	228,421	247,430	263,364	234,842	-10.8%
Kosovo	–	–	–	–	–	–	30	100.0%
Latvia	680	867	867	720	784	805	815	1.2%
Lithuania	5,550	3,150	3,100	3,000	3,660	3,400	2,700	-20.6%
Luxembourg	339	339	339	339	339	339	339	0.0%

in millions of EUR

	2014	2015	2016	2017	2018	2019	2020	Var 2019/2020
Malta	296	275	275	350	554	696	696	0.0%
Moldova	13	17	17	3	4	5	5	0.0%
Netherlands	53,378	65,698	82,848	89,713	98,368	112,148	113,758	1.4%
North Macedonia	–	–	–	–	–	–	23	100.0%
Norway	17,182	18,476	21,867	22,682	25,923	26,441	25,235	-4.6%
Poland	33,497	35,020	39,396	44,300	56,474	66,141	62,864	-5.0%
Portugal	21,404	22,921	24,517	27,008	31,757	33,800	31,468	-6.9%
Romania	2,700	3,651	4,037	4,560	5,007	4,854	5,023	3.5%
Russia	29,170	23,332	28,004	33,792	43,840	45,125	42,302	-6.3%
Serbia	306	445	555	603	650	883	930	5.3%
Slovakia	1,036	1,036	1,646	1,646	2,521	2,032	1,604	-21.1%
Slovenia	563	329	1,000	1,200	1,400	2,000	1,750	-12.5%
Spain	112,976	115,220	130,656	146,292	166,391	185,559	182,264	-1.8%
Sweden	28,290	26,078	20,481	20,094	19,822	20,625	20,625	0.0%
Switzerland	3,832	3,832	3,832	3,832	593	593	593	0.0%
Turkey	41,229	39,310	35,085	34,575	26,894	21,857	18,966	-13.2%
Ukraine	1,035	442	295	295	295	258	258	0.0%
United Kingdom	350,622	376,571	326,878	324,260	320,193	328,966	272,677	-17.1%
Total Europe	**1,462,585**	**1,557,066**	**1,592,988**	**1,701,939**	**1,829,143**	**1,976,239**	**1,844,721**	**-6.7%**
MIDDLE EAST								
Israel	3,000	2,108	3,080	3,295	2,665	2,734	3,748	37.1%
Lebanon	416	508	610	662	675	675	675	0.0%
Oman	–	–	–	–	–	93	93	0.0%
Qatar	62	62	62	62	–	–	–	0.0%
UAE	5,020	5,350	3,831	4,000	5,500	6,435	5,000	-22.3%
Total Middle East	**8,498**	**8,028**	**7,583**	**8,019**	**8,840**	**9,937**	**9,516**	**-4.2%**
NORTH AMERICA								
Canada	5,831	5,530	5,609	5,392	2,280	2,985	2,448	-18.0%
USA	97,670	95,000	89,463	87,000	87,821	83,757	64,150	-23.4%
Total North America	**103,501**	**100,530**	**95,072**	**92,392**	**90,101**	**86,742**	**66,598**	**-23.2%**
SOUTH AMERICA								
Argentina	1,299	1,551	1,891	2,282	3,064	4,133	2,662	-35.6%
Bolivia	22	44	44	44	–	–	–	0.0%
Brazil	31,782	28,965	45,379	50,432	47,281	46,711	18,850	-59.6%
Caribbean	–	45	–	–	–	–	–	0.0%
Chile	24,850	22,300	25,050	22,756	26,500	33,600	27,000	-19.6%
Colombia	8,985	10,333	7,630	7,655	7,142	7,667	5,525	-27.9%
Costa Rica	2,337	2,710	231	231			836	100.0%
Dominican Republic	–	–	–	144	302	337	253	-24.9%
Guatemala	–	–	–	–	282	300	300	0.0%
Honduras	–	22	27	27	67	75	52	-30.1%
Mexico	25,486	19,291	22,510	23,314	24,477	25,200	14,361	-43.0%
Peru	8,293	1,475	1,550	10,105	12,023	13,905	13,657	-1.8%
Uruguay	70	90	84	98	110	103	63	-38.8%
Total South America	**103,124**	**86,826**	**104,396**	**117,088**	**121,248**	**132,031**	**83,559**	**-36.7%**
Total World	**2,347.513**	**2.367,790**	**2,375,968**	**2,598,298**	**2,767,068**	**2,917,105**	**2,726,728**	**-6.5%**

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Design by
Engelse Verdonk Ontwerpers, Almere, The Netherlands

Printing by
Zwaan Lenoir / Printinghouse, Wormerveer, The Netherlands

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