

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

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EXECUTIVE SUMMARY



GWENDOLINE DE VIRON
Head of Marketing and
Communication

Dear Reader,

Welcome to the latest edition of In-Sight!

In this edition, FCI Chairwoman Daniela Bonzanini explains how FCI is preparing to further support its members and the new forward-thinking strategic plan for the next two years.

Peter Mulroy, Secretary General, speaks about the rise of receivables exchanges, the working group on Receivable Finance as an Investable Asset Class and the impact of technology on this subject.

The connect section starts with Lin Hui, Regional Director North East Asia reminding the importance to go back to basics and create a synergy amongst the members to help more companies with financing.

Ciprian Radu, Manager Business and IT Solutions explains the final stages of the Edifactoring 2.0 project that is today at its testing phase.

Nassourou Aminou, Regional Manager Africa reports on the recent Inter-African Trade Fair (IATF) where FCI was present and took the opportunity to promote factoring.

Meet with FCI Directors is the first instalment of a series of interviews of FCI front office representatives to allow you to get to know our representatives better.

The new addition of members is presented: Bien Finans, GPB-Factoring, RIFSO and Solidarity Welcome Bank.

In the education section, Aysen Cetintas reminds the importance of managing cash flow in Supply Chain Financing. Spyros Tsolis reports on the regional webinars organised since the latest issue of this publication: Greater China Webinar, Saudi Arabia Training Webinar in cooperation with GTR and the Latam Webinar on Sales and Business Development.

In the Influence section, Betül Kurtulus, Regional Director CEE, SEE and the Middle East tells on the quick recovery of the global economic activity during the crisis. She highlights the risk of inflation and the need for the industry to meet and discuss that brought the decision to organise a European Continental Factoring Conference early next year.

Thompson Lui, Regional Manager South and South East Asia presents the implication of the 32 countries removing China from GSP.

Finally, the traditional article FCI Spreading its wings gives us an overview of the meetings and partner events that took place since the August edition.

This edition is packed full of interesting articles and key industry insights, we hope you enjoy the reading.

Gwendoline

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DANIELA BONZANINI
Chairwoman of FCI

WELCOME FROM DANIELA BONZANINI

Chairwoman of FCI

Dear Friends and Colleagues,

Welcome to the FCI In-sight November 2021 Issue. A global recession of unprecedented size hit our economies in the middle of the digital revolution. The pandemic is still a global threat: in some countries the infection rates have fallen significantly, while in others, the virus remains difficult to control. Consequently, it is still hard to understand how the 'new normal' will look. However, we see some positive signs in terms of productivity. Thanks to the extensive support firms have received, they are reacting quickly, recovering the investments deferred during the emergency, introducing new organisational processes and benefitting from digital technologies. In some countries, the aggregate data of new production is returning to the levels before the health emergency.

Under this scenario, domestic and international business growth is expected, and FCI has to be ready to best support its members in bouncing back from the pandemic and benefitting from the momentum to emerge stronger. It has to create value for members, stakeholders, factoring users, and the industry as a whole in mature and emerging markets. From this, we have made a new forward-thinking strategic plan for the next two years focusing on:

- Supporting the Industry
- New membership and Retention
- Trading Network
- Edifactoring 2.0 Platform
- Advocacy
- Financial
- Governance
- Environment and Social Governance

To implement these plans in the best way, we have started creating working groups within the Executive Committee to better focus on specific topics and speed up the decision process to achieve the set goals. The idea is to allocate tasks, determine where we need to increase investments, and focus on our priorities as defined in our strategic plan. The working groups are the following:

- HR & Remuneration
- Finance, Budget & Investments
- FCI Governance
- Technology
- Innovation
- PR/Marketing
- Member Development/Retention

One of our big priorities is to build closer relations with members to understand their needs and the different market requirements to ensure all FCI Members are getting the full support and the attention they require.

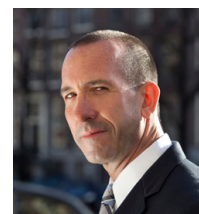
There is a lot to be done, but the committee members and I are ready to continue building a robust organisation. We will keep you informed on what is happening and how things are progressing in the coming months, so ensure you watch this space.

Kind regards,

Daniela Bonzanini

A WORD FROM THE SG

RISE OF RECEIVABLES EXCHANGES... MYTH OR REALITY?



PETER MULROY
Secretary General

With the advent of blockchain and the seamless ease in which corporates, SMEs, financial institutions and credit insurance companies can all communicate with each other in a highly secure manner is creating opportunities and a new paradigm shift in how factoring will be conducted in the future.

The concept of a receivables exchange was tested earlier this century, with the formation of The Receivables Exchange in the US. The idea of **creating an electronic auction marketplace for investors to purchase receivables** was something entirely novel at the time when The Receivables Exchange was launched. SMEs gain access to working capital by auctioning invoices to a global network of institutional buyers who compete to purchase receivables via a real-time marketplace.

These sellers controlled the pricing parameters, setting minimum advance rates and the maximum fee they were willing to pay. Investors, known as buyers (including banks, hedge funds, asset-based lenders, and family offices), competed to purchase these assets in real-time. The concept was an alternative to traditional factoring as we know it today. The best bid that meets the seller's parameters wins the auction. Although it had all the hallmarks of a great strategy, it suffered from fraud and other risk issues due to its initial focus on SMEs.

When NYSE Euronext acquired a minority stake in it back in 2011, the business was split in two, one focused on large corporate receivables purchase programs targeting sellers in the Fortune 1000 space and the other through a joint venture with Ariba that focused on SMEs (the latter never flourished and was later shuttered). The Receivables Exchange was later taken over by LiquidX, focusing on a large corporate segment and is still in operation today.

In 2019, FCI formed a working group entitled "**Receivables Finance (RF) as an Investable Asset Class**" **that comprises FCI members and companies who operate as funds to the factoring industry.** This working group was formed to debate the role FCI can play in supporting the creation of a receivables finance marketplace. The initiative was developed under the auspices of the ICC Banking Committee under the heading "IITF workstream". As RF increases globally, so have the liquidity needs of the financial players. Traditionally and historically, banks filled this gap. But we had seen the factoring industry grow from a little over \$500B in 2000 to over \$3.3 Trillion in 2020. And with the rise of Fintechs and other third-party providers, **new means of accessing the capital markets is necessary.**

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Moreover, with a low-interest-rate environment today, investors are looking for yield and safety. And most recognize the fact that the RF market is considered low risk when executed properly. So today, banks are the primary players as market makers. But **new entrants are looking at this asset class and clearing mechanisms, including distributors, hedge funds, insurance companies, and pension funds.**

We recognize that **we need to bring the market makers together and provide a platform to get investors to one location to generate business with market makers.** Today more non-bank players are interested in this initiative, as balance sheets are too constrained. Still, most players, including

Banks and NBFIs, need a robust platform with effective rules and standards to follow.

To be frank, banks generally do not like competition, so many were initially reluctant to create such a receivables exchange, as this would potentially “eat their lunch”. But as this article unfolds, you will see the innovators of future platforms are being driven not by the banks but by fintech and other non-traditional players in the emerging markets.

As we know, there exists today a \$1.5 Trillion trade finance gap globally. A portion of this is non-serviceable, but certainly, a significant amount can be realized. Unfortunately, on both sides of the table, ***it seems capital markets and trade finance experts are not developed enough to manage this opportunity, especially in the RF space effectively.*** As a result, we have witnessed some unique new entrants try. Still, no better example can be highlighted than the Greensill implosion, which showed all of us what can go wrong when industry bends the rules, manipulates well-founded structures that have been working for well over a century, and is a warning sign to those investors and other arms-length funds when proper due diligence fails. And the notion of relying on billions of dollars in exposure against a relatively unknown credit insurer player in the market was dubious at best.

We know that, for those who get it right, they are aware of what is happening underneath the hood of their car, but for those who do not, they will be subject to operational, concentration, dilution, fraud and other risks! The other stark observation is the role rating agencies played, placing strong investment ratings on a structure that was, in essence, a house of cards. Let's be honest, Greensill became the darling of Wall Street, Businesses and Governments alike, a catastrophe in the making. Not coincidentally, the FCI working group was formed in the shadow of this story, in part to debate the role FCI and the industry can play in supporting the creation of an RF marketplace. Investors want confidence in the asset class and a high level of trust. So, the question is, what kind of format/structure should an investor use? Do we rely on a model similar to the Credit Suisse/Greensill example? Highly doubtful.



INVESTORS
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Under the new management, Credit Suisse has all but abandoned this business model after seriously looking under the hood of their car! Also, the issue of multiple legal jurisdictions bedevils most in the RF sector. The necessity of getting this right is paramount. Without it, we can never truly achieve the formation of a single uniform receivables exchange.

Over the past year, I have contacted many companies interested in partnering with FCI to provide both a receivables registry platform and a global receivables exchange. Some are offshoots of the booming domestic receivables exchange that developed in India called TREDIS. The concept of a receivables exchange in India was first recommended by the Financial Sector Reforms (FSR) Committee in 2008 in their report “Hundred Small Steps”. As a result, a platform was established based on a reverse factoring model, whereby credit exposure was backed by large anchor buyers (Corporates), who offered confirmed invoices of their MSME suppliers for discounts. The platform was based initially on another highly successful reverse factoring (confirming) model in Mexico created by NAFIN, a Mexican development bank.

The Reserve Bank of India (RBI) in 2014 issued guidelines on the Trade Receivable e-Discounting System (TREDIS) platform to focus solely on domestic receivables business. Today, the platform generates approximately US\$500 Million in domestic receivables per month. Based on this success story, ITFS was launched, another government initiative to create a similar auction marketplace for Exporters and Importers to obtain financing from multiple financiers at competitive pricing.

We are in the beginning stages of discussions with these potential exchanges, but I believe the

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market is ripe for their creation, not just benefiting the large corporates but also SMEs. Moreover, the benefits to FCI members would be significant:

1. The platform would provide greater reach across geographies for Import Factors to offer debtor underwriting/credit protection services.
2. Export Factors would have increased access to a larger piece of the pie, especially those not restricted by geographies.
3. Ability to provide finance to Exporters without taking up significant exposures (based on the invoice-by-invoice auction process).
4. Increase the basket of financing products in due course, including reverse factoring.
5. Creation of a digital KYC process and AML checks on business activities.

This all ties in with RF as an investable asset class. We know that banks are decreasing their exposure in correspondent banking, not increasing. Credit insurance has its own set of complications, and the rating agencies wrap issue is a question mark.

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We also see issues like accounting treatment and transparency issues relating to reverse factoring programs still up in the air. However, large accounting bodies like the IFRS and FASB are attempting to answer some of these questions. This creates uncertainty and insecurity in our industry, the pillars of any successful capital market. However, this asset class is better understood today than ever before, but there is still a perception of enhanced risk here. This asset class of receivables is as close to cash in comparison to any other, the highest liquid asset. Most factors book turns in on average 60 days. Default rates tend to be relatively low. Nevertheless, technology has brought us to this crossroad, and the need to enhance this asset class and evolve as

an industry is upon us. *The time bodes well for the relaunch of receivables exchanges around the world.*





SUPPLY CHAIN FINANCE & REVERSE FACTORING

Supply Chain Finance & Reverse Factoring Course

Many businesses are now taking advantage of supply chain finance to improve their working capital, build stronger supplier relationships and reduce supply chain risk. But what is supply chain finance, how does it work and how can the FCI Academy help you achieve your goals?

With six fully comprehensive modules, the FCI Academy is proud to announce the release of the latest online course that focuses on Supply Chain Finance and Reverse Factoring. This is the latest addition to the Academy's globally recognised and accredited educational offerings that aim to support personal, corporate and market development globally through short online courses.

Covering all aspects of the trade cycle, students will:

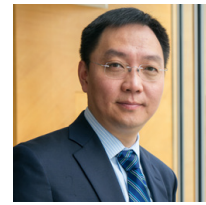
- Gain an understanding of physical, financial and information supply chains
- Attain in-depth knowledge of reverse factoring
- Understand the buyer and all of their requirements, responsibilities and challenges
- Learn how to establish reverse factoring deals
- Master the supplier onboarding process
- Gain a complete understanding of the role of Factoring organisations.

The course will start on 3 January 2022, but registrations are already open. We are running an 'Early Bird Discount' until 10 December 2021 so visit fci.nl/education or email fci@fci.nl, to find out more.



CONNECT

BACK TO BASICS, AND THINK DIFFERENTLY



LIN HUI
Regional Director North East
Asia

This article is extracted from the speech of Mr. LIN Hui, Regional Director of North-East Asia, at a recent FCI Greater China Webinar.

Back to basics is one of the strategic goals set out in FCI's five-year plan. After 30 years of development, factoring in Greater China has reached a critical point where we need to settle down from noises in the market, find our original intention and return to our roots. Here are some examples of noises in the current market.

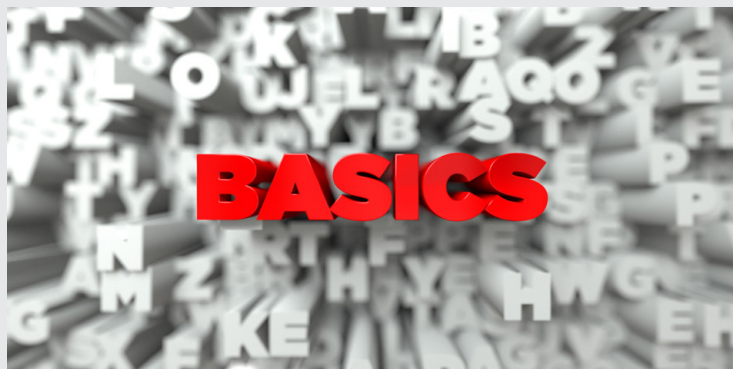
Low-price competition. Banks are competing for their preferred big clients by lowering prices and lowering risk control requirements. At the end of the day, the factoring risk control measures are surrendered, and the factoring system is idle. Factoring and lending are mixed, and the boundaries between them are blurred. Once losses occur, factoring becomes the scapegoat.

Enclosure competition. Banks are keen on acquiring clients in bulk by capturing supply chain platforms or anchor companies to enclose the supply chain businesses within their private territories. In comparison, the large companies have also risen to establish their supply chain platforms or factoring companies, enclosing their territories, and building their kingdoms. With all the lords entering the field, it is hard to imagine that this will be the factoring or supply chain finance ecology we expect. This sense of enclosure is essentially the opposite of the cooperative philosophy of the two-factor mechanism.

Another noise is from those companies who siphon off funds under the name of factoring and speculating in the real estate and securities markets. They are much worse in nature than Greensill ever was.

It is particularly worrying that the younger generation, who grew up in such a noisy environment, could easily lose their way if they are unaware of where the industry has come from. That is why we have also invited the seniors who have made significant contributions to the foundation of factoring business in Greater China to review our beginnings and give us some guidelines today.

To me, back to basics means to find the beliefs and values of FCI. Sometimes, I feel there might be a misunderstanding among our members that people consciously or unconsciously treat their relationship with FCI as both parties over the table. But in fact, FCI would not have existed until the members created FCI. The beliefs and values of FCI should be the ones of each member of FCI.



So what are FCI's values? I suggest each of us think about and discuss this issue together. Let me share my views. I think FCI values are embodied in the following aspects at least.

The first is **to serve SMEs wholeheartedly**. The noises of price competition come from the fact that we strayed from this core value and took big businesses as our priority.

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BACK TO
BASICS MEANS TO
FIND THE BELIEFS AND
VALUES OF FCI:

- TO SERVE SMES
WHOLEHEARTEDLY
- TO HAVE MEMBER
SYNERGY

We should learn something from Starbucks for their wholehearted customer service. Starbucks makes their customers expect more than coffee at each of their stores. Can we make our clients expect more than funding from each FCI member, creating a sense of belonging and values for clients? Only if we can serve SMEs wholeheartedly, we will not be like the dealers of coffee beans, selling factoring as commodities. We need to make every FCI member like every Starbucks store, providing standardized and comprehensive accounts receivable financing services to our customers so that companies can have a standard, efficient, simple but secured experience. The concept of Whole turnover has rarely been applied in Greater

China so far, and we need to figure it out.

The second one is to **have member synergy**. This corresponds to the current feverish competition of enclosure. The supply chain of enterprises is in all directions, which determines that the development path of factoring and supply chain finance must be based on the synergistic network of financial institutions. This synergy of financial institutions includes the compliance and implementation of international rules. It requires common values and behavioral norms among each other so that FCI members worldwide can indeed be under one roof.

Grasping the above two points, we can ensure that we are on the right track. However, to fly high, a rocket needs a strong driving force, and this driving force comes from people, from people who would like to think and think differently.

In Greater China, factoring is embedded directly in the banks, which is very different from the traditional model in the European and American markets. We can't follow the logic of traditional banking business to do factoring well, nor can we fully copy the traditional European and American models. We need to adapt our organizational structure to adapt to the specialized nature of factoring truly. We need to realize the continuous optimization of products, risk control, collaboration, and customer experience through digitization and process reengineering, and others. All these issues are worthy of our consideration and solution.



CONNECT

EDIFACTORING 2.0 - FINAL STAGES



CIPRIAN RADU
Manager Business & IT
Solutions

After the previous newsletter's updates, edifactoring 2.0 has gone through testing, updating, and advancing. Therefore, we have just a few updates to share with you in this edition.

For those unfamiliar with Edifactoring, it serves to support the two-factor business model of FCI members through a set of electronic document interchange (EDI) messages. Some of them include invoice & credit notes (MSG 9), adjustment/cancellation of invoice & credit notes (MSG 10), payment (MSG 11), invoice verification request (MSG 70), invoice verification response (MSG 74), etc. There are around 40 messages that have been developed and deployed so far on the edifactoring.com platform to facilitate factoring.

For more than a year, edifactoring 2.0 was under development, making its transformation in 17 steps to the current existing and available build. For that *Centric, FCI & ComCom have been working hard to ensure this platform is one-of-a-kind and give a fresh look for our factoring platform*. In the last article, published in February, I've mentioned that there might be surprises. Now I can say that we have enhanced the platform by *adding 'Message by Ledger' that allows users to multiple select invoices and generate operational messages* like the Payment, for instance, a public folder that contains all the messages in one place for a quick finding and interaction and also the already mentioned message grouping who gives a quite interesting perspective when you want to see in one place grouped messages that share the same seller and buyer. All of these and many other elements wish to provide a future breath to our EDIfactoring.com while keeping and adapting all the great things that are currently available. This is already available for the User Test Force comprising around *40 FCI members who started testing in early November*, intending to further refine and enhance the system with their feedback. Furthermore, one of the main goals was to achieve a new security standard, so in that direction, we already received good feedback from our Security Auditor.

What's next? I think that *the next is the end of the road for this project done with the Go Live* moment. I don't want to speculate, but I think this is close, and the spring of 2022 will be most likely that moment with a concrete date to be announced after we are sure that everything is ready. Would you please stay tune for more news and watch out for the internal circulars? Thank you for being with us.

You can still enroll to be part of the User Test Force. Check the circular release last month how you can join. Thank you.

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On the way, we will always be your safeguard

Factoring and Receivable Finance

A member of



Facilitating Open Account - Receivables Finance



中国建设银行
China Construction Bank

www.ccb.com



CONNECT

PROMOTING FACTORING IN AFRICA



NASSOUROU AMINOU
Regional Manager Africa

From November 15 to 21, 2021, the 2nd Inter-African Trade Fair (IATF 2021) was organized by Afreximbank in Durban (South Africa).

According to the latter, this fair is a trade show that provides a platform for sharing information on trade, investments, markets and allows buyers and sellers, investors, and countries to meet, discuss, and conclude trade agreements.

This is an opportunity for exhibitors to showcase their products and services, engage in business-to-business (B2B) exchanges, and conclude trade agreements.

It is also a unique and valuable platform for businesses to access an integrated market of over 1.2 billion people with a GDP of over USD 2.5 trillion created under the AfCFTA.

On this occasion, FCI was keen to be present and visible to promote factoring in all its forms as a development tool for SMEs that help boost economies within the framework of inter-African trade. FCI and, in collaboration with Afreximbank, chair of the Africa Chapter initiative, organized two Breakfast meetings.

Day 1: Boosting African trade through factoring, this event brought together governments officials, regulators, central bankers, and other officials from Africa to get up to date information on what is happening on the continent, examine the impact AfCFTA will have on the necessity for SME'S to have access to liquidity, and the vital role factoring will play in the future.

Day 2: Its gathering banks and financial institutions to get up-to-date information on what is happening on the continent, examine the impact AfCFTA will have on the necessity for SMEs to have access to liquidity, and the important role factoring will play in the future.

We had important contributions from business experts who spoke to us about the opportunities

and challenges they face, and here is a list; Mr. Onyebuchi Memeh, Executive Director & Head of Trade, Transaction Banking, South Africa & Southern Africa at Standard Chartered S.A; Mr. Hope Yongo, CEO's advisor to the Nexim Bank Nigeria, Mr. Gavin Tarr, Head of Debtor Finance, FirstRand Bank S.A.; Mr. William Murwisi, Managing Director, Olympia Factors Commercial, Botswana.

On the FCI stand, we were honored by the visit of Professor Benedict Oramah - President of Afreximbank, and Madame Kanayo Awani, Managing Director of IATI of Afreximbank.

This event made it possible to receive more than a thousand visitors and banks who wanted to know more about the factoring business and the implementation of the model law in the respective countries in particular: Senegal, Ivory Coast, South Africa, Zimbabwe, Mauritania, Cameroon, Congo, DRC,

FCI
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INTER-AFRICAN
TRADE



CONNECT



Nigeria, Guinea, Sierra Leone, Egypt, Angola, Algeria, Burkina-Faso ...

Despite the context of the Covid-19, the promotional actions carried out in West Africa during this year and during the IATF 2021 have started to bear fruit in Côte d'Ivoire and Nigeria with the adoption projects Factoring law, so we hope for positive results in 2022.

We met more than a dozen banks that have expressed their interest in becoming a member of the FCI network and launched Factoring business and products: Domestic Factoring, Reverse Factoring, and International Factoring.

The primary needs expressed are focused on training, capacity building, support, and coaching of banks and Factors to launch Factoring activities. FCI Academy has solutions to meet these needs through FCI E-Learning courses and its consultants who have more than 20 years of experience in the business.

In addition, all these initiatives are dependent in several countries on the absence of a clear and conducive legal framework to give better visibility to banks and potential investors to embark on this activity.

Ultimately, with the current context of post-Covid-19 recovery, Factoring appears to be an ideal tool for relaunching and accelerating intra-African trade in the coming years in Africa.

THE
PROMOTIONAL
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BEAR FRUIT IN CÔTE D'IVOIRE
AND NIGERIA WITH THE
ADOPTION PROJECTS
FACTURING LAW



CONNECT

MEET WITH FCI'S DIRECTORS

In this series of Director Interviews, we have asked our directors to answer a few questions so you can get to know them a little better. In this newsletter we speak with Mr. Lin Hui, Mrs. Betül Kurtulus and Mr. Thompson Lui. Stay tuned to read about other Directors in the next editions.

Mr Lin Hui, FCI's Regional Director North-East Asia.

What got you started in the industry?

I started in this industry back in the early 1990s, almost 30 years ago. I must have been one of the first few people in China to be exposed to Factoring. It was the Bank of Communications that gave me this opportunity. I was just a young staff working in the international business department of the Bank of Communications Shanghai Branch in the areas of export trade services. One day I was called out of the blue to attend a lecture on international Factoring, presented by the then Secretary General of the FCI, JK, visiting our head office. What impressed me was his firm and precise figure and the disruptive vision he firmly put forward: Factoring would replace letters of credit as the standard vehicle for international trade payment and settlement. This notion is engraved in my mind to this day.

Over the past 30 years, I have experienced the industry's journey in China from scratch to world number one. But we are still far from the goal of becoming a standard vehicle for international trade payment and settlement. In my view, the businesses of today are more and more involved in global supply chains. They are increasingly looking for partners who can work together as an international network rather than in their silos. For the industry, including every bank and factor in the world, to move to the next level, it must move away from a unilateral financing-led mindset towards a holistic payment and settlement network advocated and led by FCI.

Where do you see the subsequent positive market gain or change?

Open Account has become the standard method of payment for both domestic and international trade. As a result, the focus of global banking trade services is shifting from documentary business to Open Account trade services. This is the following positive change that I see. It will further drive the following developments.

1. An inter-bank Open Account trade services network will be established, and the two-factor model will become a standardised inter-bank application.
2. The organisational structure, functions and processes of bank trade services will be reorganised. Trade services will return to the core business of commercial banks.
3. Factoring will thus be transformed from a niche market to a mass market and become a standardised means of b2b payment for the global supply chains.

One of the major problems is that there are too many so-called "factoring products", "solutions", or "innovative platforms" with various labels in the market. Not to mention the businesses, even the banks, are confused. I have looked at the different models that have emerged over the last decade, and none of them have gone beyond the basic FCI two-factor structure. Therefore, a more straightforward path for the industry would be to go back to the basic FCI structure and promote the digital integration of trade.

Do you feel enough is being done to get youth involved in this industry?

This generation of young people has grown up with the Internet. They are more interested in e-commerce, venture capital, mobile payments and fintech than traditional commercial credit



and trade finance. Trade finance businesses such as letters of credit, on the other hand, have been shrinking over the past two decades, and there is no incentive to take in enough new blood. This has created a discontinuity and disconnect. Over the past decade or so, there have also been a number of fintech companies, receivables financing or supply chain finance platforms created by young people around the world. Still, these people lack the background and a fundamental understanding of the industry. As a result, they are vulnerable to going radical and falling into various crises or even scandals, Greensill being a typical example.

We need to absorb and nurture the younger generation under the age of 35, let them dip into the industry's fundamentals and take more responsibility for its development. But, at the same time, the industry needs young people to accelerate its digital application and transformation.

What keeps you motivated?

What motivates me to move forward is, first and foremost, the belief that we need to develop Factoring as a standardised tool for global supply chain companies in the area of payments. I think we have a group of people committed to this belief and have been spreading the concept and methodology around the world for decades. And it is this group of people who have taught me by example and inspired me to go forward despite the odds.

What is your favourite movie?

Apollo 13. Although I saw it more than twenty years ago, the film left a lasting impression on me. It portrays to people that in the face of a crisis, it is necessary to work together as a team and to mobilise the potential of everyone. At the same time, we can appreciate that whether failure is an option or not is only a temporary question. The point is that fear and division are never options for human beings. The challenges facing the world today are enormous, and Apollo 13 can teach us something.

We want to thank Lin for letting us get to know him a little more.

Ms Betül Kurtulus, FCI's Regional Director CEE, SEE and the Middle East

What got you interested in the industry?

When I started the factoring industry in 1993, it was a new type of financing that had just taken its first steps, and it was fascinating.

How does factoring help businesses besides the financial aspect?

- Receivables as collateral, better collateral value compared to short term bank finance.
- Direct monitoring, greater collateral control
- Better knowledge of markets and sectors
- Low capital utilisation, low loss given default ratio (LGD)
- Cross-selling opportunities, portfolio diversification
- Risk-sharing with third parties (Insurance Companies, Correspondent Factors, etc.)
- Secure access to SME financing

How do you feel about the digital transformation in the industry?

Digitalisation is, of course, a necessity for every financial institution. The most challenging issue is how to choose the right technology? What technology do we need? Technology investments

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CONNECT

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also require substantial budgets. The size of these budgets is directly related to the success of the projects.

My own experience is that technological changes do not offer the same opportunities for institutions in all dimensions. It is now necessary to add digitalisation experience to the features that we call must-have for senior levels in financial institutions because investment in technology is directly related to companies' success.

In this regard, software and technology companies need to be very close to their clients to have an agile relationship. The main concern of the companies is how to choose the right technology? The FI's resources, project cost, project management, and the SW references are essential. In most developing countries, local support is critical; language issues and local accounting adaptabilities are also other problems. Partnering with an SW company with Local knowledge gives market knowledge and new market trends. The wrong investment of SW or digital solutions can be easily turned into a never-ending story with an increasing cost.

You have a table of 5 for dinner; who would you invite, passed or living?

It would have to be my daughter, my husband, Elon Musk, Ataturk and Freddy Mercury.

What was your first car?

Renault R 9 1.4 Broadway

We want to thank Betül for letting us get to know her a little more.

Director Spotlight - Mr Thompson Lui, FCI's Regional Manager South and Southeast Asia.

What got you started in the industry?

One of my previous employers was an approved vendor to General Motors, and one of the banking partners was Bank of America NA; I think you can all connect the dots how I started working for GMAC.

What were the key highlights and opportunities of 2020 from an industry perspective in trade, receivables and supply chain finance?

One of the key highlights in 2020/21 is the primary relocation of global manufacturers and global brands shifting their sourcing needs to diversify and mitigate risks. Take Google's parent Alphabet as an example; now she makes Pixel in Vietnam, Smart home products in Thailand, Cloud and Nest products in Malaysia and Taiwan, where diversification and de-concentration have played significant roles in this long process. This relocation process presents challenges and lots of opportunities for emerging nations in South and Southeast Asia in SCF and RF industries. This also brings lots of new potential business to these new markets.

How do you feel about the digital transformation in the industry?

I can say my expectations are pretty rational after taking experience from the DOTCOM bubble. At the beginning, everyone had unrealistic expectations towards how .com could transform our world, and shortly afterwards, disappointed by its burst. Now, 20 years later, we all enjoy online shopping, streaming, WFH and video conferencing. Similarly, like any other significant transformations that affect our world, I see this as a process and a series of milestones. Still, eventually, it will benefit all one way or the other.



CONNECT

What was your first car?

Many of you have heard this before from me about my first car, but I will repeat here anyways: it was an old GM sedan that cost me USD200 that I bought from a mechanic who put this automobile together using parts from other cars. She drew lots of attention on campus cause the muffler often fell and made sparks just like you have seen in FI racing; her engine would shut down while making a right turn after stopping in front of a stop sign; her windows refused to open, but she helped me move my old mattress and belongings back and forth from campus to home a few times with my best buddies each lending "a hand" holding it to the roof. I said "goodbye" to her while watching her being towed away after driving my father for the first time in that sedan and leaving him stranded in North York. She carried a 2.8L V6, BTW!!!

What is your favourite movie?

Each of us got a list of favourite movies and, when asked, often spilt out several, but it isn't easy to just name one. I struggle too to name one, but I will name "Dances with Wolves", starring Kevin Costner. Anyone that has watched it needs no explanation. So, to those who do not fancy movies touching North American history, humanity and Kevin, watch it.

We want to thank Thompson for letting us get to know him a little more and look forward to finding out more about our other directors in the next edition, so stay tuned!



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ON FACTORING**



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FCI Career Path Courses are available to FCI Members only | Find out more at fci.nl/education or email us at fci@fci.nl

ENHANCE YOUR SKILLS IN THE RECEIVABLES FINANCE INDUSTRY

FCI Academy constitutes the complete education programme on Factoring & Receivables Finance, providing a wide range of globally recognised and accredited educational offerings that aim to support personal, corporate and market development globally. Discover FCI Academy's online educational offerings:



INTRODUCTION & FOUNDATION LEVEL COURSES

Open-to-all | 2-3 Months



SPECIALISED COURSES

Open-to-all | 2-3 Months



CERTIFICATE PROGRAMMES

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NEW MEMBERS

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



Since the last newsletter, the FCI family grew with the following Members. Today FCI counts 384 members! We still have a lot of prospects that will soon join FCI.

bien finans

ASSOCIATE

TURKEY

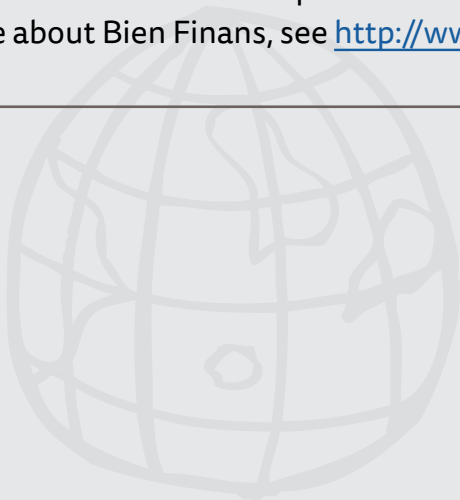
Bien Finans Faktoring A.S. was established in September 2020 in Turkey and received official authorization from the Banking Regulation and Supervision Agency on January, 2021. Bien Finans is a brand-new factoring entity itself as well as being backed by a part of over 50 years experienced Ercan Group of Companies.

The Group's first investment was in mining sector in 1965. The Group operates in the rapidly developing sectors of Turkey such as building materials industry, energy, tourism and insurance with over 4000 employees nowadays. The Group also exports building materials to nearly 70 countries in 6 continents. Ercan Group of Companies' customer focused approach, targeting sustainable development, lays behind our Group's success achieved until present.

Bien Finans offers innovative and applicable financing alternatives and solutions to their customers both domestic and international transactions and operating in various fields, especially in the building materials-construction sector in Turkey. Determining its strategies with the aim of becoming a good player of the factoring sector, Bien Finans maintains its identity as an exemplary company in its sector with its strong financial structure, balanced customer portfolio and trustworthy brand.

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

To find more about Bien Finans, see <http://www.bienfinans.com>



CONNECT



GPB-FACTORING

AFFILIATE

RUSSIA

GPB-factoring was established in 2010 as a 100% subsidiary of Gazprombank, which is one of the largest financial groups in Russia, providing a wide range of banking, financial, investment products and services to corporate and private customers, financial institutions and private investors.

Gazprombank is one of the three largest banks in Russia by all major indicators and ranks third in the list of banks in Central and Eastern Europe in terms of equity.

GPB-factoring offers a full range of factoring services, including recourse and non-recourse factoring, payables finance, supply chain finance etc.

We have a strong position in the oil and gas, steel, construction, telecommunications industries. GPB-factoring currently ranks 4th on the Russian factoring market by funds in use indicator (approx. \$ 1,4 bln. as of September 30th 2021).

To find more about GPS-factoring, see www.fcvl.com



RIFSO

AFFILIATE

MOROCCO

RIFSO is one of the first Moroccan fintechs to embark on invoice financing and cash credit to make it easier for millions of entrepreneurs who have daily needs. After launching its digital and regulatory-compliant model, we have proven our efficiency and value proposition.

RIFSO is registered in Morocco as a Fintech. It has developed an online platform (Called a marketplace) that offers factoring services to SME's and exporters. RIFSO is an intermediary between customers and financial partners.

The end-to-end processing of a financial request is fully conducted online. A customer application is assessed and a decision made in 24 hours.

On receipt of a financing request, RIFSO undertakes the analysis of the loan applicant's clients. Within 24 hours, a decision is made and contractual documents are executed electronically. RIFSO's banking partners then disburse the loan directly into applicant's accounts within 48 hours. All financing is done on a full recourse basis.

Reverse factoring for buyers who wish to facilitate financing for their suppliers and allow them to be paid in advance of invoice maturity through their banking partners.

RIFSO joined FCI with the aim of encouraging export finance by setting up partnerships with international Factors to offer financing on competitive terms.

To find more about RIFSO, see <http://rifso.tech>

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RUSSIA

JSC CB "Solidarnost" is a high-tech financial institution aimed at facilitating trade and financial relations between Russian business and its partners from Asia, the CIS countries and Africa, ranking 53d among the largest Russian financial institutions (capital of 19.07 billion rubles).

The Bank's potential is confirmed by both national and foreign rating agencies:

- ACRA rating is BB - (RU) with stable outlook;
- Moody's rating - B2 with stable outlook
- China Golden Credit Rating – BB-, Stable Outlook (11.06.2021)

JSC CB "Solidarnost" is among the 100 most reliable banks in Russia, providing a full range of financial and banking services to foreign and Russian business in those cities where the Bank has opened its branches - Moscow, St. Petersburg, Samara, Irkutsk, Yekaterinburg, Blagoveshchensk, Vladivostok. To find out more, visit their website here: www.kapitalbank.uz/uz/welcome.php

We wish them lots of success!

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

FCI Membership –
Build your cross-border business
with confidence
#DISCOVERFACTURING



FCI facilitates safe and crisis-proven receivables finance solutions. Unique common rules, a modern communication platform, as well as education and advocacy solutions are supporting our large network of 400 members in 90 countries to conduct their international business.

Join our global community and take advantage of all the benefits.

www.fci.nl



Facilitating Open Account – Receivables Finance

EDUCATE

THE NEW SUPPLY CHAIN FINANCE AND REVERSE FACTORING COURSE FROM THE FCI ACADEMY



AYSEN ÇETINTAS
Education Director

Supply Chain Financing: Managing Cash Flows to Keep Firms and their Value Chain Healthy

COVID-19 has disrupted supply chains around the world. There's no doubt that the pandemic has tested the resilience and flexibility of supply chain leaders globally.

The pandemic has also proved to be a real test of corporate values and purpose. Consumers, investors, governments may judge companies on how they respond to this period of disruption.

The crisis induced by the pandemic forced several companies to explore alternative and innovative ways to fund the supply base. First of all, a tightened supply chain and extended payment terms emerged as the two major fallback options.

While companies look at extending pay terms to preserve cash, the strategy could negatively affect the suppliers. On the other hand, supply chain financing offers a more viable solution for faster payments and can be a valuable source for organizations.

Regarded as one of the oldest commercial payment activities, supply chain financing ensures that businesses are always adequately equipped with the working capital necessary to keep the operations running. With cash becoming the king, especially in pandemic times, supply chain financing will soon gain even greater prominence.

FCI Academy has launched a new e-learning course on Supply Chain Finance and Reverse Factoring. As the latest addition to FCI Academy's six online modules, the course aims to help businesses improve their working capital, build stronger supplier relationships, and reduce supply chain risk.

Covering all aspects of the trade cycle, the course will equip students to understand physical, financial, and information supply chains and how they tie into payables finance and reverse factoring.

COVERING
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CHAINS AND HOW THEY TIE
INTO PAYABLES FINANCE
AND REVERSE
FACTORING

With the new SCF and Reverse Factoring Course, the FCI Academy provides a 360-degree education offering, including receivables finance and payables finance solutions to all stakeholders in the supply chain finance industry.

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. At the FCI Academy, our overarching objective is to provide high-quality education on Factoring and Receivables Finance to the Global Financial and Trade Community.

More information on the course [here](#)

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SPYROS TSOLIS
Deputy Education Director

EDUCATE

FCI ACADEMY – REGIONAL WEBINARS

FCI Academy stays committed to spreading knowledge on Factoring & Receivables Finance, this time with a series of webinars and online trainings held for industry professionals and other stakeholders located in the Americas, Greater China & the Middle East regions. Webinars subjects focused on region-specific training needs, and the programs were developed and adjusted accordingly, in cooperation with our Regional Directors & local industry professionals.

1. China & Greater China Region: “The FCI Two-Factor Scheme: The Secured Framework for Open Account Trade,” 28 September 2021

It was almost 30 years ago when FCI Two-Factor Model was introduced to the rapidly growing, highly extrovert Chinese market, marking the era of a period of continuous expansion, positioning China as the most crucial export factoring market globally.

Today, living in a challenging and very dynamic environment, the Chinese factoring industry needs to re-orienteer and re-capture its leading position. It is this need that FCI Academy, with the initiative of FCI NE Asia Regional Director, Mr. Lin Hui, managed to fulfill successfully, organizing a very successful and well-received webinar. The webinar was bilingual in English & Chinese, elevating its positive impact.

Experts on Greater China market and key industry players gathered online and discussed critical issues in developing the industry in the region. The program contained presentations and panel discussions, covering many aspects of factoring (e.g. the 2-Factor model under the new Capital Adequacy Requirements), highlighting the multiple benefits of the 2-Factor model via Export & Import Factors best practice sharing.

Along with FCI professionals, local industry experts acted as presenters and panelists, contributing to knowledge sharing via case studies and best practice sharing. Namely:

- Ms. ZENG Haitao, Bank of China, China
- Ms. TIAN Hua, China Everbright Bank, China
- Ms. Sarah PON, Unicredit Factoring Spa, Italy
- Mr. Eric LU, CTBC Bank, China
- Ms. Vivid LIU, China Construction Bank, China
- Ms. Shasha DENG, China Minsheng Banking Corp., China
- Mr. Marvin LO, Bank of China (Hong Kong) Limited, China
- Mr. FENG Yuan, ICBC, China
- Mr. Haiming ZHENG, Chang'an Inkasso Commercial Factoring Co., Ltd., China
- Ms. Mandy CHIEN, Taipei Fubon Commercial Bank, Taiwan
- Mr. Jeroen Kohnstamm, former FCI Secretary-General
- Mrs. ZHANG Yanling, Bank of China, China
- Mr. Philip CHENG, Former Senior Factoring Manager Asia-Pacific HSBC & Trade Finance Head ICBC (Asia)
- Mr. Otto LIN, President of former Chailease Factoring Company, Taiwan



EDUCATE

FCI & FCI Academy would like to express its gratitude to all presenters & panelists, and all participants.



2. Saudi Arabia: FCI-GTR Webinar on Factoring and Receivables Finance Training, “Factoring as an alternative tool for financing SMEs and Big Corporates, Boosting the potential of Trade Finance for Banks and NBFI,” 6 October 2021

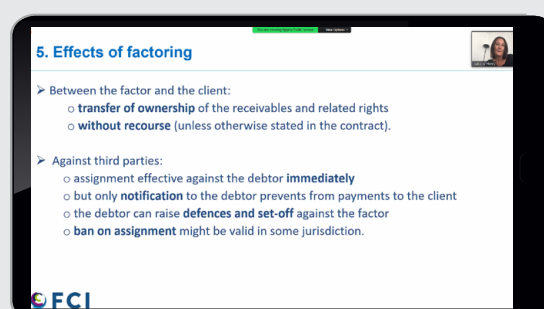
Saudi Arabia’s financial sector is proliferating, contributing to the development of the economy. Equally, domestic & international trade growth is positioning Saudi Arabia at high rankings within the global trade markets.

Factoring is expected to play an essential role in this effort, supporting SMEs and other companies to improve their cash flow and mitigate risks. Through its control methods and permanent monitoring of the receivables of their clients, factoring companies or factoring divisions/departments of banks can provide more financing than traditional lenders to Small and Medium-sized Enterprises (SMEs) and Big Corporates. At the same time, limit their credit risk to acceptable levels.

In partnership with GTR, FCI organized a 1-day online training, addressing all related issues, including a session on Legal Issues on Conventional & Islamic Factoring. The program included a panel discussion on the challenges that the Saudi Arabian market is facing, mainly in creating awareness about the product and establishing a fertile business & legal environment to support its growth.

FCI executives accompanied by International & local experts delivered a presentation on various topics, including Marketing mechanisms and functions, benefits for all parties involved, risk management, set-up of factoring operations, best practices from developed markets, etc. Moreover, a panel discussion, moderated by Mrs. Betul Kurtulus, FCI Regional Director, S & SE Europe & Middle East, highlighted the most important challenges faced during the launch process of Factoring in Saudi Arabia.

Feedback received from participants was very positive. FCI will be following up with our local partners to support their efforts.



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3. Americas: Sales & Business Development “Let’s make our Potential Clients become True Generators of Profitable Businesses - This is your Factoring Sales Toolkit,” 17-18 October 2021

After the strong demand received from Latin American & Caribbean members and non-members, we decided to organize a webinar focusing on Sales & Business Development, a way to reboot the factoring business, especially as markets open up again and trade is growing between the region and North America & Europe. To further enhance this learning process, the webinar was held in the Spanish language.

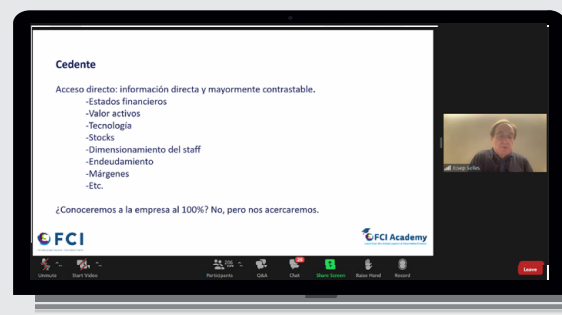
More than 300 participants listened & interacted with industry experts, getting a better understanding of factoring and its benefits, receiving business development & sales tips, and sharing their views on the region's challenges during this process.

Under the lead of FCI America Regional Director, Mr. Alberto Wyderka, a team of top experts joined, namely:

- Mrs. Marina Azzara, Banco Supervielle & FCI Education Committee member, Argentina,
- Mr. Joao Costa Pereira, Ourinvest & FCI Marketing Committee Member, Brazil
- Mr. Josep Selles, Consultant, Former FCI Vice-Chairman & Member of the FCI Executive Committee, Spain
- Mr. Joaquin Durany, Caixabank, FCI Executive Committee Member, Spain
- Mr. Victor Portillo, Banco Monex, Mexico
- Mr. Julio Nielsen, Euro capital & FCI Executive Committee Member, Chile

who presented on the main principles of factoring focusing on sales techniques & risk issues included during the sales process and discussed in a very lively panel all challenges met during this effort, including best practices and case studies.

FCI Academy is grateful to all distinguished speakers & participants that valuably contributed to the success of this event, looking forward to organising more educational activities in the region.



INFLUENCE

HOW IS THE ECONOMY RECOVERING FROM THIS CRISIS?



BETÜL KURTULUS
Regional Manager CEE,
SEE and the Middle East

In our August newsletter, we wrote about the positive economic developments despite the effects of the Delta variant on the regional countries and the positive effects of this on the region countries. In the second quarter of the year, we wrote about the uncertainty of the impact of the Delta variant, the removal of the government support on the working capital finance, and its effects on the economies. In the last quarter of the year, we see that positive expectations realized in the factoring market.

As the pandemic-related restrictions are eased, and business returns to normal, it is reasonable for the government support to be lifted gradually. A rapid lifting of government support could be detrimental to businesses facing weaker demand recovery and supply constraints. **On a positive tone, the recovery in global economic activity has been much faster than seen in previous crises.** Furthermore, emerging economies are much better placed than in the past to weather the market volatility. Companies have adopted a much more cautious strategy and have deleveraged. Hence, the impact of the removal of government support should be modest, and companies are likely to manage their financing strategies comfortably.

Another concern is whether we see deterioration in the credit quality of the borrowers?

As I stated, borrowing companies have deleveraged significantly and are financially strong. The rapid recovery in employment rates and higher savings (government support plus lower spending during the pandemic have led to a sharp increase in household savings) mean the credit quality is also stronger for retail investors.

I also expect that Public-Private partnerships can help close the finance gap and modernize the facilitation of capital.

Especially the governments in emerging economies have realized the importance of the PPP projects. Encouragingly, the legal infrastructure has been developed, and public and private sector people have accumulated significant expertise on these projects in emerging economies.

The financial strength of both governments and companies is much stronger as compared to previous crises. With lower debt levels and more prudent financial management, the risk of a debt spiral is very low except in a few economies

THE
RECOVERY
IN GLOBAL
ECONOMIC ACTIVITY
HAS BEEN MUCH
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IN PREVIOUS
CRISES



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INFLUENCE

However, the risk of inflation is real. Supply constraints and easy monetary policies have been the main reasons behind the recent jump in global inflation. Although central banks are giving the proper policy response and tightening their policies, supply constraints are unlikely to be resolved in the near term. This will likely keep energy and transportation prices high. Furthermore, the sharp drop in spending during the pandemic has led to some pent-up demand, and as this gets exercised, there will be demand-pull inflationary pressures in the coming months. This means central bank policies will get even tighter and hurt the global growth outlook, at least in 2022.

IN
THE
EMERGING
MARKET OF
EUROPE, ECONOMIC
RECOVERY REMAINS
ON TRACK DESPITE
THE COVID-19
SURGE

In line with these economic developments, **we can see that the CEE, SEE, and Middle East region has gained very good momentum.** Behind this, besides the economic growth, our regional members also have an outstanding contribution.

There is much interest in factoring in the emerging Balkan countries. We decided to organize our traditional CEE event in Budapest, Hungary, at the very beginning of next year. This will be an excellent opportunity to discuss the possible business potential. This year we are combining this event with central Europe that both the import and export factors will come together and discuss the future of Factoring in the region. Check here for more details and registration.



European Continental Factoring Conference Budapest, Hungary | 25-26 January 2022



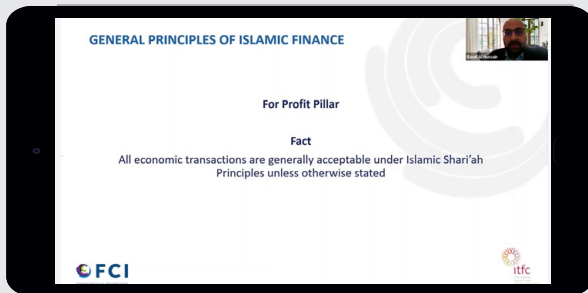
INFLUENCE

The event in the CEE/SEE and the Middle East Region:

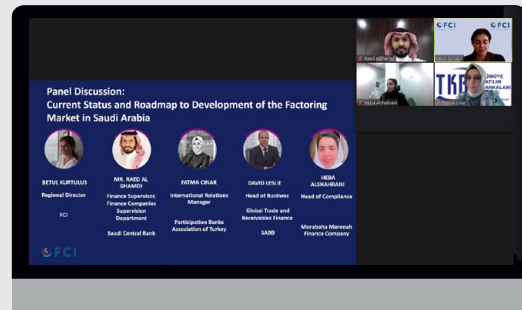
In the last quarter (13 September), we organized our first **online conference on Islamic International factoring jointly with ITFC**.

The meeting is a significant milestone for understanding the dynamics and market potential of Islamic International factoring. In addition to Islamic banks, important information is provided for non - Islamic members of FCI to use this product. We thank ITFC for their support.

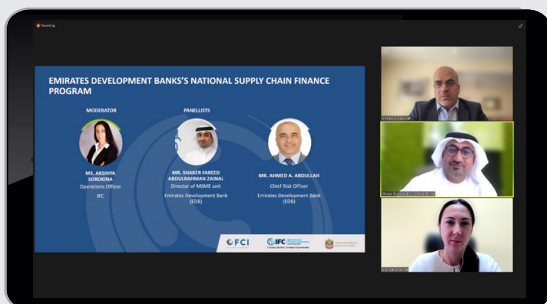
During the conference, the engagement of our Islamic and non-Islamic members leveraged and significantly contributed to knowledge and awareness about Islamic International Factoring. I am delighted that the first interfactor agreements are on the way, and we will see a significant turnover increase on this product for the coming year.



We held a **training meeting with GTR in Saudi Arabia** (6 October). We see that this meeting, which is focused on factoring and SME financing in parallel with Saudi Arabia's economic vision, is essential, beneficial, and visionary for the banks in the region.



And finally, in the United Arab Emirates, one of the most important trade hubs of the Middle East region, we organized the conference **"Factoring as an alternative tool for financing & opening potential for Banks and NBFIs" with IFC** on 7 October. The meeting took place with the active participation support of the Ministry of Finance and our local members. As a result, we will see the positive effect of the new factoring and secured transaction law on the region's transaction volume.



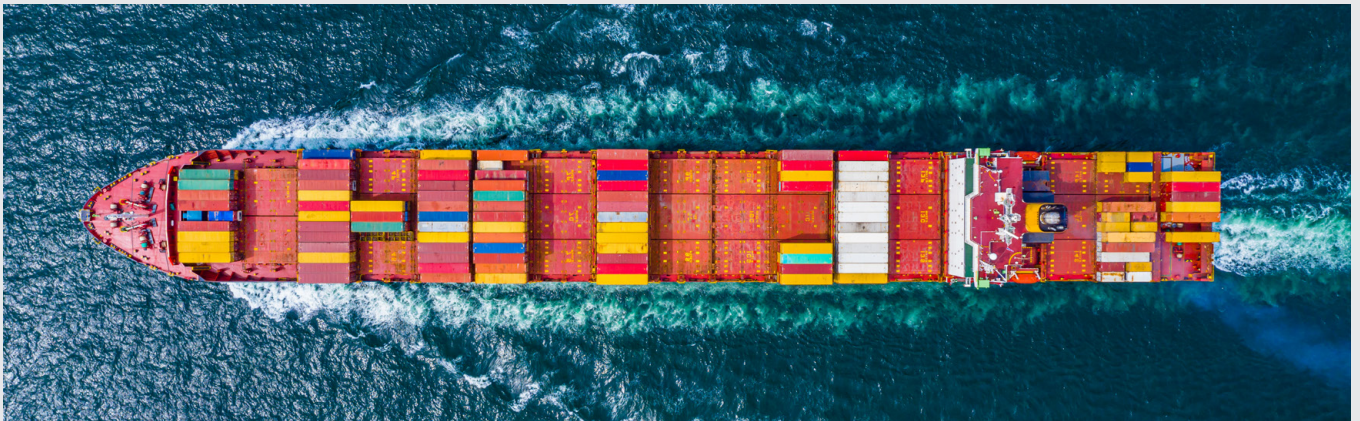


THOMPSON LUI
Regional Manager SSEA

INFLUENCE

32 COUNTRIES REMOVED CHINA FROM GSP AND ITS IMPLICATIONS

On 1st of December 2021, European Union 27 nations plus five others, including the United Kingdom, Canada, Turkey, Ukraine, and Liechtenstein; China (PRC) will no longer issue GSP certificates to exporters selling to these destinations, according to CGAC ¹(China's General Administration of Customs). What is GSP? Generalized System of Preferences² is, in layman terms, a special tariff treatment (lower than usually imposed) given to developing nations exporting to developed nations; developed nations or blocks lowering import tariffs to those developing nations / LDC (Least Developed Countries) exporting selected goods.



EAEU (Eurasian Economic Union) that includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia, has stopped providing special (preferential) tariff treatment to PRC earlier (the 12th of October, 2021). These changes are very likely to impact how importers source their merchandise and how exporters market (or make) their products, not to mention how manufacturers shall plant their factories in the long run. So, do these potential changes affect your international business? Today, we mainly list out these questions to further research to formulate your answers, for we shall try to lay out the big picture only. Given these two recent announcements, most would form a general impression that such happened just lately. However, countries like Belarus, Canada, Japan, Kazakhstan, Russia, and Switzerland have removed PRC from the GSP list since 2014, followed by the European Commission immediately in January 2015. Therefore,

one may question why removals happened a few years back, all of a sudden, appear now as headlines in our economic section of online finance website portals?

The purpose of this article is not to investigate and calculate the magnitude of such removal but to encourage readers to find out more related developments to derive both short-term impacts and long-term implications to the international trading community that includes our members, banks, independent factors exporting clients and importing debtors.

TO
ENCOURAGE
READERS TO FIND
OUT MORE RELATED
DEVELOPMENTS TO
DERIVE BOTH SHORT-
TERM IMPACTS AND LONG-
TERM IMPLICATIONS TO
THE INTERNATIONAL
TRADING
COMMUNITY

>Continued on page 30

CONNECT

<Continued from page 29

Take the garment/apparel/RMG industry for instance. It is generally categorized as manufacturing with a relatively thinner margin and labor-intensive than the EMS sector (electronic manufacturing services). Hypothetically, an import tariff increase of 9% (please refer to the chart in this article to locate the actual tariff imposed) to one 40-foot container of T-shirts brings marginal impact financially to an importer/exporter in the short run. How about this 9%



increase repeatedly on an aggregate basis? According to WTO (World Trade Organization), China is the largest apparel exporting nation globally, with a mind-boggling figure of USD 142 billion last year (2020). This figure was already a discounted one due to COVID, in which it took a 7% haircut from that of 2019 prior to the pandemic. PRC takes the lion share of this export segment, and it was close to 32% of the world total. Vietnam has overtaken Bangladesh as the world's second and third largest, respectively, but they were distant second and third, accounting for roughly 6.4% each. Turkey ranked fourth with a 3.4% share, and India ranked fifth with 2.9% of the world market. These top garment/RMG exporting nations have the workforce and bells and whistles to contend the throne given enough time, the right strategies, and policies. Now, put yourself into the shoes of both the importers and the merchandisers'. What will be the compelling reasons you have not to source your products elsewhere and diversify given this difference in your bottom line? COVID already shook the minds of these global merchandisers and arguably reshaped their contingency plans. Can they afford not to?



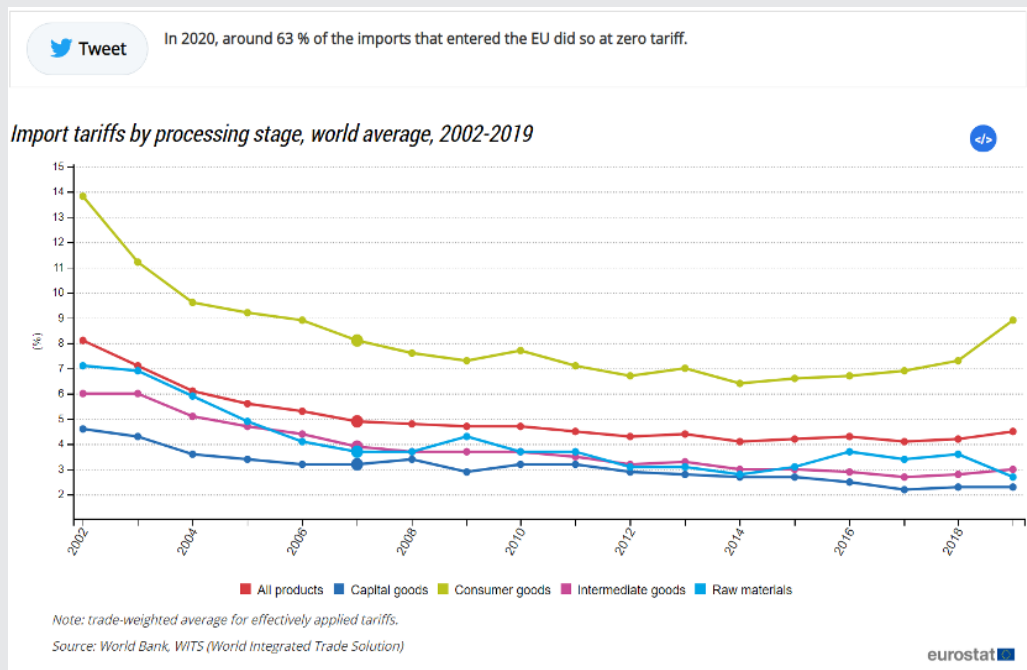
One recent article by Asia Times³ cited a trend of manufacturers moving from China to Vietnam, Bangladesh, and India. Due to this change in G, I can agree, but not for this reason alone. One needs to look beyond GSP and leap forward to GSP+⁴, in which eligibility requirements are more comprehensive. Some international trade commissioners have described them as "not a walk in the park," even though the plus system still uses the

GSP structure as a backbone. Upon glancing through these new proposed requirements, one would quickly conclude that putting all your eggs in one basket out of cost and logistic concerns is out of the question, especially after experiencing the logistic nightmare related to COVID and the recent energy-related shutdowns in the mainland.

Vice-chairman of China Center for International Economic Exchanges and former vice-minister of commerce Mr. WEI Jianguo wrote, in an article published by PEOPLE.NET⁵, on the 5th of November 2021, brought us his views, providing another angle. He reminded readers that this process is almost inevitable once a nation has progressed beyond the line segregating developed nations and the ones becoming, where low margins and labor-intensive industries are steppingstones, and that China is now recognized by most that it is time for China to move on to

innovative sectors. He also urges readers to distinguish between GSP and Most Favored Nation (MFN) and Preferential Normal Trade Relations (PNTR). I also encourage you to spend one minute to glance through the definition plus pros and cons here⁶.

Mr. WEI got to the point where all economies must transform and progress. From a macro point of view, this process of advancement has been going on for as long as we can remember and document, so the questions are what happens next and how we strategize our moves to plant seeds for the next 5 to 10 years should you agree that labor-intensive manufacturers with low margins are relocating to neighboring countries that are relatively more cost-effective? Look no further, just back a few paragraphs, you shall find the top contenders if you are in the apparel industry or your exporting clients are, or your debtors are sourcing from these. Following your clients is a process that requires careful planning and executing this plan of action in the course of years, not months unless you have footprints already set up in the emerging markets like in the South and Southeast Asian region. Yes, it would be best if you learned the new markets again. Yes, this time it will be multiple destinations to look at that require more effort. Yes, all these destinations have different legal landscapes to seek opinions from your advisors. But then, can you afford not to?



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- 1 CGAC circular number 84 in Simplified Chinese: <https://www.waizi.org.cn/doc/122882.html>
- 2 GSP definitions from Wikipedia: https://en.wikipedia.org/wiki/Generalized_System_of_Preferences
- 3 Asia Times: <https://asiatimes.com/2021/11/eu-poised-to-pull-chinas-gsp-trade-privileges/>
- 4 <https://www.mayerbrown.com/en/perspectives-events/publications/2021/09/european-commission-proposes-update-of-generalized-system-of-preferences-gsp>
- 5 <http://www.people.com.cn/n1/2021/1105/c32306-32274815.html>
- 6 <https://www.thebalance.com/most-favored-nation-status-3305840>

INFLUENCE

FCI SPREADING ITS WINGS: MEETING BOTH ONLINE AND IN-PERSON WITH PARTNERS, PROSPECTS, ORGANISATIONS

More than ever, FCI has been partnering with several organisations to promote factoring and boost the industry. FCI directors were invited to speak at other organisations' events. Below is what happened over the past three months.

13 September: FCI & ITFC Online Conference on Islamic International Factoring

FCI, in partnership with the ITFC, organized a webinar on International Islamic Factoring. The webinar allowed attendees to understand the factoring industry, what international factoring is along with how it works, some fundamental principles of Islamic Finance Islamic International Factoring, and the benefits of the industry for both Islamic and non-Islamic financial institutions. It was followed by a panel discussion with experts from the Islamic factoring industry to discuss growth opportunities, supply chain finance, and the comparison of Murabaha and factoring.

22-23 September: FCI 53rd Virtual Annual Meeting 2021

From 22-23 September 2021, FCI hosted the 53rd Virtual Annual Meeting through a new, innovative, and interactive virtual platform. Welcoming over 600 attendees, this year's meeting focussed not only on the membership forum and council meeting but explored various topics, including how we can move into a positive post-covid world, how receivables finance can be viewed as an investible asset class, examining the risk factors and role of credit insurance, finishing the open-to-all section of the agenda with an in-depth discussion with various Development Bank senior executives.

The second half of day two was exhilarating as FCI announced the top FCI Academy students from 2021, the International Trade Professionals Programme (ITPP) 2021 winners, the FCI 2021 Business Awards, and the newly elected 2022 Executive Committee and Chairwoman. Have a look at the special edition of In-Sight on the subject (October edition).

23 September: Polski Związek Faktorów 12th International Factoring Congress

Our Regional Director for CEE, SEE, and The Middle East, Ms. Betül Kurtulus, presented the theme of "Factoring in times of a pandemic in Poland and the world."



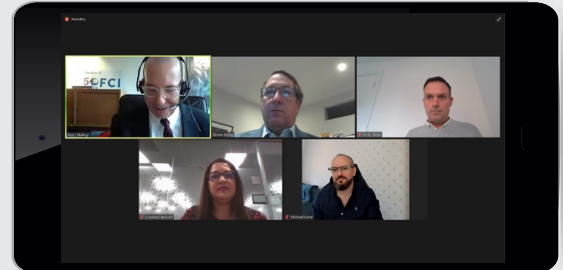
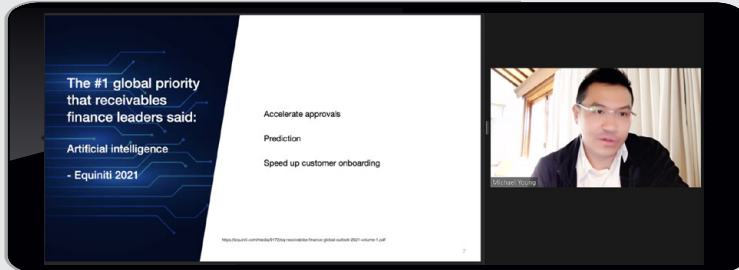
29 September: FCI & BCR Webinar on Rebooting Your Factoring Practice for the Post COVID-19 "New Normal."



This webinar was designed to educate and challenge leaders in the global factoring industry to think about how they can successfully lead the "rebooting" of their professional factoring and receivables finance practices in a post-COVID-19

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environment. Four unique areas of leading-edge programming were covered in this session, including significant impacts on the global factoring industry, leadership and operating under new demands while prioritising the safety of your team, current and incoming digital tools for the receivables management industry as well as defining resources for growth in the COVID-19 era.



4-5 October: GTR Saudi Arabia 2021

FCI partnered on this event where our Regional Director, Ms. Betül Kurtulus, participated in a session. This session reflected on some of the latest financing trends, from the increasing popularity of supply chain financing programmes to greater use of and demand for receivables financing products such as factoring and invoice discounting, while also looking at the importance of various public initiatives in supporting trade diversification and the growth of SMEs across the Kingdom.

7 October: FCI & IFC Webinar for Factoring and Receivables Finance Conference, Supported by the UAE Ministry of Finance

On Thursday, 7 October, FCI and IFC came together to bring a webinar supported by the UAE Ministry of Finance, focusing on the new secured transaction law of the UAE. More than 100 participants joined the online event. The webinar's objective was to discuss the new Secured Transaction law and various aspects of factoring as an alternative financing tool. In addition, global and regional industry experts explained the legal and regulatory framework for factoring in the UAE, presented the new Emirates Development Bank's National Supply Chain Finance Program, and highlighted challenges and latest developments in the global and UAE's factoring industries.

8 October: efcorm Factoring Symposium 2021

FCI partnered with efcorm on the Factoring Symposium 2021 to boost the industry where Peter Mulroy and Thompson LUI spoke at the event. Peter delivered a lecture on "Factoring, a global success story... will it continue?" and Thompson spoke with expert Federico Avellán Borgmeyer on the evolution of factoring in South East Asia and North Asia.

18-21 October: Global SME Finance Forum 2021

At FCI, we constantly support greening SME finance. Thus, we are proud to have partnered with the 2021 Global SME Finance Forum. The conference gathered global thought leaders, climate finance advocates, leading experts, and practitioners in the field of SME finance to share their visions, insights, and experiences in promoting green finance for SMEs. In addition to the in-depth discussion of how green finance would influence the development of Agri-finance, supply chain finance, and tourism, the conference also included special regional sessions focusing primarily on the Middle East, Africa, Latin America, and Europe.



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