



FCI

Facilitating Open Account – Receivables Finance



Annual Review 2023



As FCI's 2023 Annual Meeting takes place in Marrakech, Morocco, the cover shows the Mohammed VI Bridge, a cable-stayed bridge that spans the valley of the Bouregreg River near Rabat, Morocco.
(Photo: © Sadik Boujaida)

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 2023

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Facilitating Open Account – Receivables Finance

FCI in 2022: A Historic Year

As we reflect on 2022, it becomes evident that the year will be etched in the history books due to the remarkable growth rate of +18.3% observed in global factoring. And international factoring volume in the edifactoring environment increased by 28% in 2022. This unprecedented factoring volume surge marks the industry's most significant single-year increase.

After Covid-19 hit the world economy in 2020 and 2021, we are now facing the effects of the war in Ukraine and other geopolitical turbulences that have impacted trade and have exacerbated the problems which had already arisen during the pandemic: lack of raw materials, higher energy costs, and inflation rates with a consequent increase in prices of goods and commodities. Extensive discussions took place with the Executive Committee on the most worrying issues that will dominate the global economy in the following months: the threat of global recession, rising interest rates, and mounting debt distress. The factoring industry once again has proved its resilience. In many markets, pre-pandemic levels have been reached, and we witnessed the best year in 2022 ever recorded. Nevertheless, the macroeconomic situation and the high uncertainty are expected to lower the growth rate in 2023 and increase the credit risk environment.

Some other significant changes took place last year. FCI organised its first hybrid Annual Meeting since the pandemic in Washington DC, USA, the first time FCI held a physical in-person annual meeting since June 2019. FCI also launched the first Islamic International Factoring transaction booked between two of our members. In 2022 we also have seen a significant increase in applications: 33 new members have joined FCI, and over 20 new members have joined FCI in the first half of 2023. This is a true testament to our dedication to the industry through advocacy, education, and supporting the global trading network. While the increase is rewarding and a great sign, our Regional Directors and Managers are working hard to bring our frozen members back on board stemming from the impact of the war and pandemic and opening up discussions with ex-members who are still active in the industry.

In 2022 the FCI Academy announced the release of the first educational offering (Introduction to Factoring and Receivables Finance Course) available on-demand, meaning that when you register and pay, you can start learning immediately. It has been followed by the Fundamentals Course on Factoring and the Supply Chain Finance and Reverse Factoring Course.



Daniela Bonzanini,
FCI Chairwoman

Strategic Plan

After the launch last year, we continued to focus on implementing the 2-year strategic plan. The plan focuses on eight central themes, including:

- Supporting the Industry
- New Membership and Retention
- Strengthening the Trading Network
- Deployment of Edifactoring 2.0 Platform
- Enhanced Advocacy
- Improved Financial Planning
- Strengthening the Governance Model
- Environment, Social & Governance (ESG)

Our big priority is ensuring all FCI Members get the full support and attention they require. We want to build closer relations with members to understand their needs and the different market requirements to improve FCI support.

Simultaneously focusing on cost control to secure FCI financials, the Executive Committee actively engages in various initiatives such as enhanced governance and compliance, business development, and future investments.

The Importance of Cooperation with Regional Development Banks

FCI continues to work hard to benefit our members, advocate for the industry and push the industry's growth to new heights. To achieve this, we strategically partnered with Regional Development Banks like the European Bank of Reconstruction and Development (EBRD), the International Finance Corporation (IFC), the Africa Development Bank (AfDB), the African Export-Import Bank (Afreximbank), and the Asia Development Bank (ADB) to target and support financial institutions, governments, and central banks in specific regions around the world.

In all cases, we have focussed on education and awareness. All three have tailored educational offerings with the support of the FCI Academy. The African Development Bank launched two years ago a Grant to support the growth of factoring on the continent, which included the deployment of education and

training to hundreds of students. Supported by FCI Academy, Afreximbank also led a new one-year education program with the American University in Cairo, Egypt, called Certificate of Trade Finance in Africa (COTFIA) to assist in developing senior talent in trade & receivables finance within the financial services sector. The session is in its second year; in two years, more than 80 executives participated in the programme. On the other hand, the EBRD has purchased licences to offer factoring courses to their partner banks, expanding the reach of the FCI Academy's offerings. And the Asia Development Bank (ADB) is in a test phase to do the same, to support their members by offering FCI's newest course addition on Reverse Factoring.

FCI has also joined forces with these development banks to offer regional events and online seminars to promote factoring and bring together industry leaders, governments, factoring companies, banks, FIs, and others to network and discuss the benefits of the service. These partnerships benefit the regions and our members and expand awareness of FCI as the Global Representative Body for Factoring and Financing of Open Account Domestic and International Trade Receivables.

Conclusion

Considering the continuation of a challenging global environment, the FCI market survey results demonstrated the strength and resilience of the industry in 2022, with a staggering 18.3% growth rate over 2021. And international cross border factoring also gained a similar percentage. The increase demonstrates the massive demand for factoring and receivables finance services for SMEs and corporates globally. 2022 will undoubtedly go down as one of the best years ever! However, we now see headwinds based on the preliminary figures reported by our members and some national associations. It reflects the changing tides, but factoring, quite frankly, does well during economic uncertainty, and what's to come will not change this growth trajectory! Embarking on an exciting journey, the Executive Committee is diligently working to shape the future of FCI. Their efforts entail establishing a more robust chain, making new technological investments, fostering innovation, and formulating a new strategy. We invite you to join us in this endeavour!

Tolerance Bridge, Dubai, United Arab Emirates.



Introduction

Founded in 1968, FCI is the global representative body for the Factoring, Receivables, and Supply Chain Finance Industry, a global non-profit association based in the Netherlands, with 395 members located in 93 countries. After recovering economically in 2021 after the world shut down due to the pandemic, 2022 can be seen in many ways as an anomaly.

First, we entered the year with rising inflation and interest rates. For an association, this added challenges in terms of rising costs. However, for the factoring industry, this created incredible opportunities. Second, the war on European soil created great uncertainty. FCI was required to follow the laws of the Netherlands and freeze certain memberships from the region. Third, attendance at events in 2022 still had not recovered to pre-pandemic levels. And in fact, we witnessed a nearly 50% decrease in events and attendance from the peak period in 2019. And lastly, FCI launched the largest investment since it was created, the new Edifacting 2.0 platform, FCI's proprietary cross-border factoring communication platform, built and rolled out in April 2022 during the backdrop of these challenges. But our members' actual business witnessed achievements, reporting record growth, which may never be repeated. FCI also invested in other projects, further decentralising the association by building up our regional factoring centres; supporting our members' creation of global receivables exchanges and marketplaces; developing the UNIDROIT factoring model law; enhancing our reverse and



Peter Mulroy,
FCI Secretary General

Islamic factoring services; increasing our investments in areas of advocacy & public policy; rolling out the new SCF e-learning course and launching our new joint factoring-credit insurance course.

The Global Factoring Market

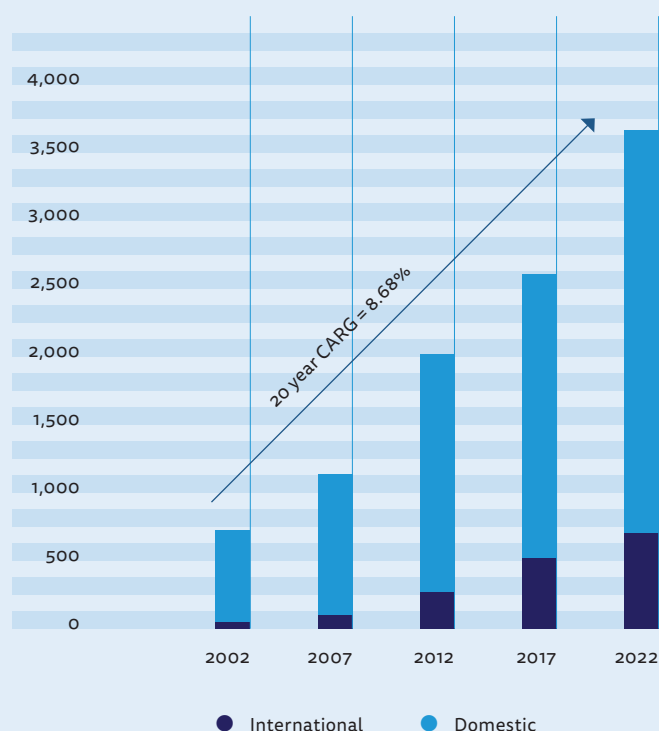
The world factoring statistics indicate that the Factoring and Receivables Finance Industry volume witnessed a significant growth of +18.3% in 2022 after the devastating impact of Covid-19 in 2020, reporting a decline in the volume of -6.5% that year, which is on top of an already improved environment in 2021, which saw an increase of nearly 13.5%. This translates to two years of back-to-back, double-digit growth! Compared with the previous year's €3,069 billion, the 2022 estimated volume of €3,659 billion represents an increase of €590 billion, the single biggest increase ever reported in a given year, a feat likely not to be repeated possibly in our lifetimes, stemming from the rebound of the worst economic crisis in a century, followed by massive government stimulus and a tidal wave of pent up consumer demand that resulted in growth rates unparalleled compared to any time before. In fact, 2022 will go down in the history books. Looking at the last 20 years and adding on the strong growth rate in 2022, we see that the twenty-year compounded annual growth rate is 8.68%, just an incredible feat. However, as we enter 2023, we see some clouds on the horizon.

Membership

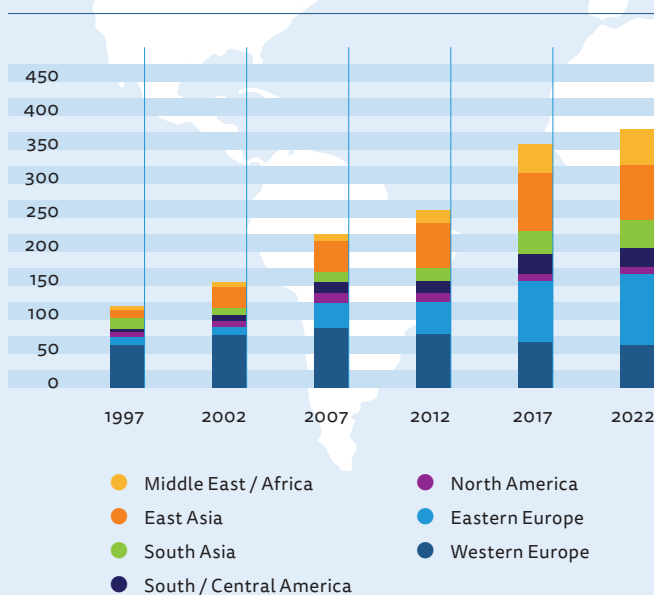
FCI has evolved as an association, increasing from more than 100 members 20 years ago to 395 members today. Back then, over 45% of our membership was based in Western Europe; today, the figure stands at 17%. Asia accounted for only 3% of our membership at the time but today, over 24%. Despite this incredible growth story, the global pandemic adversely impacted new membership in 2020-2021, as we were only able to add 17 new members in 2020 and 26 in 2021. That compares to a record 42 new memberships in 2019. However, we returned to a more normalised year in 2022, adding 33 new members. The composition of our new members in 2022 was much different than in the past. Only 33% of new members joined as associate/trading members, compared to a five-year average of over 65%. And over 70% joined FCI from emerging markets,

Global Factoring Volume Evolution 2002-2022

in billions of EUR



Evolution of FCI Membership 1997-2022



a trend that has been occurring, especially in the past decade. In both cases, this results in lower membership fees, as reflected in the top-line revenue figures for 2022. We already have 23 new memberships in 2023, and expect to achieve our objective of 40 for the year, a return to pre-pandemic levels.

2022-2023 Projects

Impact of Digitalisation and Technology

Someone recently described to me this period our industry is facing as turbulent. We are certainly in a period of great disruption, with a new era of technological advancements reshaping how our industry does business. With the rise of fintechs, the effects of digitalisation and the rise of Artificial Intelligence (AI) are creating numerous opportunities to enhance the client experience but simultaneously lower risk for the industry. But FCI also invested significantly in technology, creating the building blocks by launching the new Edifactoring 2.0, a vastly improved trading platform for our members, which rolled out in April 2022.

African Development Bank (AfDB) Grant

FCI also supported the deployment of the special purpose Grant authorised by the African Development Bank (AfDB) to deploy capacity building in the emerging factoring in Africa that will ultimately benefit SMEs across the continent. The project was to help upgrade and provide consultancy services for the capacity building for the emerging and established factoring firms in Africa, develop sustainable knowledge, and build a new learning platform in Africa. The Grant includes consultancy services to advise start-ups in the factoring space. It also provides advisory and mentoring services. It has helped

organise conferences and workshops in the region and train and sensitise users and government officials. It provided needed scholarships to enrol in the FCI Academy's online courses to various stakeholders. It also included funding for entrance into the FCI-Afreximbank 'Certificate of Trade Finance in Africa' (COTFIA) program, a one-year highly specialised combined virtual online and physical in-person education experience run by FCI through the American University in Cairo, Egypt. The grant went live on the 1st of February 2021, but the project didn't get into earnest until 2022, once the pandemic abated.

Supply Chain Finance (SCF) and the FCIreverse Project

FCI also made SCF investments in the FCIreverse platform. This project was launched in 2019 but, of course, was stymied by the pandemic. Nonetheless, one of our members, the State Bank of Mauritius (SBM), will go live in 2H2023, and we have two additional members in various onboarding stages. 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 the anchor FI by educating the supplier on the many benefits reverse factoring offers, signing a local factoring contract with the supplier, providing Know Your Customer (KYC)/Anti-Money Laundering (AML) guidance, and potentially even funding against assigned receivables.

Receivables as an Investable Asset Class

Another important initiative was the efforts of the working group established three years ago entitled 'Receivables as an Investable Asset Class (RIAC)'. Together with our 'fund' members along with additional non-bank members, including outside parties like insurers, pension funds, and other important stakeholders, FCI created a working group to discuss how to improve on the experience of members to raise debt capital, outside the traditional means through bank deposits. FCI had meetings with rating agencies FITCH and Moodys to help elevate funding growth from the capital markets into the factoring and receivables finance industry. And we are looking at ways to assist our members in finding new funding sources in order to help them grow and prosper.

FCI also witnessed a rise of factoring funds, as more and more companies engaged in providing debt capital to the factoring industry are considering joining FCI. We have onboarded a few new members in 2022 and expect more in the new year. These funds raise capital from investors (hedge funds, sovereign wealth funds, pension funds, and others), and the funds are distributed to finance companies/factors engaged in factoring, ABL, reverse factoring, and receivables securitisations, etc... Improved funding rates, preferred accounting, risk mitigation, cross-border flexibility, and funding diversification are major motivating factors for the increase in these types of funds. The track record in terms of performance/returns and supporting a factor's liquidity needs have tremendous upside potential.

Rise of Receivables Exchanges and the Evolution of Receivables Registries

FCI also witnessed an increased interest in the development of receivables exchanges as more and more companies are looking for alternative ways to raise debt capital to support the industry. 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 quite novel at the time when they designed an invoice auction exchange platform. Small and midsize businesses (SMEs) gain access to working capital by auctioning invoices to a global network of institutional buyers who compete to buy receivables via a real-time marketplace. The concept was an alternative to traditional factoring as we know it today. The technology has improved to such an extent that now a number of new players are emerging, many coming from markets like Singapore and India. In fact, FCI has onboarded a number of these new exchanges and marketplaces as members, and we believe this is a big part of the future for factoring!

Work of the Joint Factoring-Credit Insurance Working Group

FCI launched a joint factoring/credit insurance working group in 2017 that includes senior executives from the big three credit insurance companies, along with the associations Berne Union and ICISA. We organised our sixth meeting in January 2022 to discuss how to increase coverage in the emerging markets. The public sector conducts most credit insurance activities via multilateral institutions and Export Credit Agencies (ECAs). There is clear recognition that more needs to be done

to combat the inability to underwrite the client's customers, especially in emerging markets, due to: 1) Lack of buyer/debtor data information, 2) Political instability, and 3) Transparency and quality of data. Our recent meeting focused on the needs in Africa, and together with the African Export-Import Bank, an agreement was reached to build a new pan-African repository of payment data focused on SMEs. This will allow the industry to grow in markets where credible trade and payment data is sorely lacking. The project was launched in early 2023 with the expectation to go live in 2024.

Development of Islamic International Factoring

FCI developed a new set of rules governing Islamic Factoring with certain members in the Middle East. In June 2019, FCI signed a Memorandum of Understanding (MOU) with the International 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. FCI and our member, ITFC, organised a virtual 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.

Launch of the First Global Factoring Model Law (FML)

The purpose of the Model Law is to provide an instrument for States that want to introduce a new factoring law or update their existing laws. The FML was first initiated in 2019 by the World Bank representatives who recognised the importance of a standalone Model Law on Factoring, especially for those emerging markets considering factoring in their countries.

Dalian, Liaoning Province, China.



FCI sent a letter in May 2019 to the UNIDROIT Secretary General, Mr. Ignacio Tirado, to offer FCI's full support and backing. You know this model law has its origins dating back to when FCI was created. The very first attempt at developing a global legal framework on cross-border factoring was initiated in 1964 with the founding of Factors Chain, which named the first cross-border inter-factor agreement after our founding member, Shield Factors, UK (hence the Shield Agreement was introduced and Freddy Salinger, a significant architect in the earlier projects at the UNIDROIT and UNCITRAL was employed there). Shield Factors (later to be acquired by HSBC) and five others in Northern Europe and the US would create FCI in 1968, and the association would develop the Code of International Factoring a few years later and in 2000 the General Rules of International Factoring (GRIF). The Factoring Model Law Working Group is working towards a pragmatic yet flexible approach to capture the intricacies of factoring transactions while maintaining legal accuracy in the drafting process to cover a variety of factoring arrangements, such as factoring with/without recourse, reverse factoring, non-notifiable factoring, etc. It is emphasised that providing such legal clarities to a comprehensive spectrum of factoring transactions would boost investors' confidence and thus promote easier and greater access to credit.

Conclusion

2022 was a year of great feats for the factoring industry. The FCI market survey results demonstrated the strength and resilience of the industry, with a staggering 18.3% growth rate in 2022. And international factoring also increased with

a similar growth rate. 2022 will certainly go down as one of the best years ever! And if you take into consideration the growth rate in 2021 of +13.5%, this combined increase has been nothing short of spectacular. With 2022 behind us, the industry enters 2023 in a strong position, with numerous banks and NBFIs globally wanting to be a part of this incredible success story, resulting in a robust pipeline of prospective new members. We also are witnessing our first new member onboarding their first anchor buyer and their suppliers onto the FCIreverse platform, the deployment of our new trading platform edifactoring 2.0, and the first transactions reported from FCI's Islamic factoring initiative. With the wind behind our sails, we move into the new year from a business perspective. However, the industry itself is facing challenges, with a perceived increase in risk resulting from an economic slowdown in 2023 due in part to inflation, rising interest rates, the cessation of government stimulus, and elevated risk in financially stressed companies. We have already witnessed the collapse of Credit Suisse and Silicon Valley Bank, including others in the 1H2023. And due to the complexities of war in Ukraine, FCI is concerned about the impact it will continue to have on our membership. Now more than ever, our members benefit by connecting with each other to navigate ahead together and shape this period of uncertainty. Our members inform and strengthen FCI's representation on behalf of the global factoring, receivables, and supply chain finance industry whilst continuing to innovate and drive positive client deliverables. The factoring and receivables finance industry has experienced two amazing years of growth, and even though we anticipate a return to a more normalised state, we expect continued growth for the foreseeable future.

FCI Vision Statement & Mission Statement

FCI Vision Statement

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

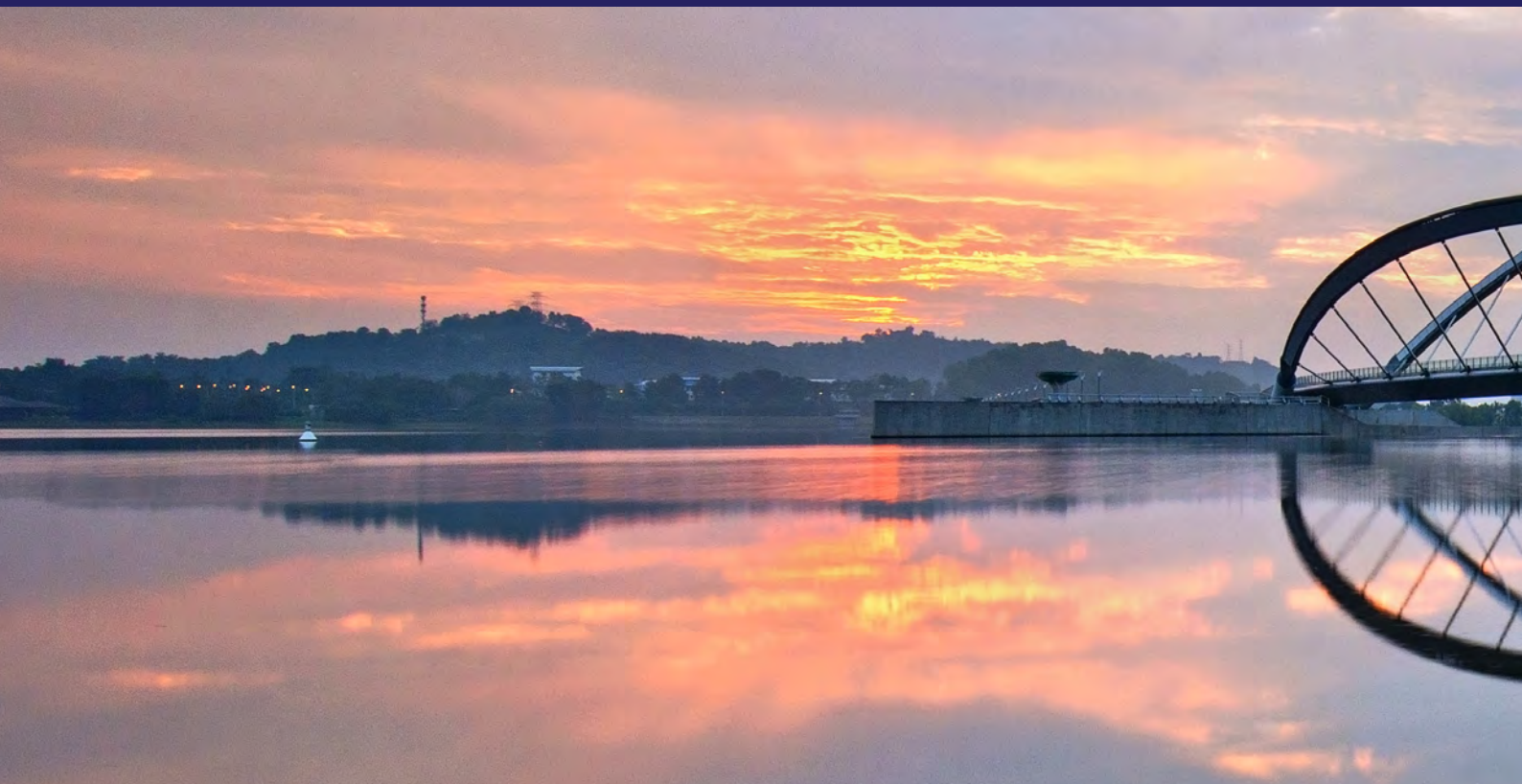
FCI Mission Statement

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.

Seri Saujana Bridge at sunrise at Putrajaya, Malaysia.



Roundtable Discussion | Factoring Outlook, ESG, Fraud & Risk

How companies do business internationally is changing fundamentally. Whether it is circumnavigating tariff and actual wars, diversifying procurement, coping with inflation and credit tightening, sustainability, and conditions favourable to fraud, factors are under pressure.

In this Roundtable, we are fortunate to have insights from a far-flung panel on the Environmental, Social, and Governance (ESG) criteria used to support sustainability and best workplace behaviours, the ongoing impact of fraud, risk management and the outlook for factoring in light of an expected stagnation in global trade.

To discuss these topics, **Tony Brown (TB)**, President of The Trade Advisory, based in New York, has been talking to:

- **Jean-Mee Ernest (J-ME)**
General Manager, MCB Factors Ltd, Mauritius
- **Zhixian Tang (ZT)**
Deputy General Manager Transaction Banking Department, Industrial and Commercial Bank of China (Macau) Limited, China
- **Alfredo Bresciani (AB)**
General Manager, UniCredit Factoring, Italy
- **Victor Ignacio Portillo Sanchez (VP)**
Head Corporate Banking Products, Banco Monex S.A, Mexico

TB: How are ESG factors impacting the factoring business?

AB: Since the Paris Agreement (2015), the European Union has issued several sustainability and finance regulations, aiming to reach the agreed ambitious targets of emission reduction. These seek to encourage the flow of capital towards sustainable investments, integrating ESG factors into risk management, promoting transparency on the sustainability of financial products, and acknowledging finance as leverage to reach results.

In 2020, the European Union introduced the EU taxonomy for sustainable activities: classifying which investments are environmentally sustainable in the context of the European Green Deal (a set of policy initiatives by the European Commission with the overarching aim of making the EU climate neutral in 2050).

ESG rating has become an essential tool to evaluate potential counterparties and investments, which opens new opportunities for factors, assignors, and debtors to optimise supply chains by offering ESG-linked financial products, thereby enhancing market positioning and reputation.

Supply Chain Finance is driving ESG transformation due to the buyers' focus on sustainability improvement, involving their whole supply chain. Consequently, sustainability practices have become part of supplier evaluation, offering access to credit and pricing conditions based on ESG rating.



This practice relies on third-party certification and fintech offering platforms that integrate these new requirements. In a constantly evolving market, ESG is becoming an increasing opportunity for factors that recognise it and adapt.

ZT: Although still in the early stages, there is broad affirmative consensus in Greater China about ESG. Some banks have launched innovative green factoring products to reduce environmental and social risks, while many others are also exploring green factoring options.

Undoubtedly, the ESG philosophy has influenced the promotion of factoring in many ways, from pricing to compliance. For example, traded products that are ESG-compliant qualify for lower-cost factoring, while those that are not, face stricter audit requirements, both internally and externally.

The ESG compliance standards vary from industry to industry. Compliance criteria for factoring clients focus on climate adaptation, payment transparency, disclosure of ownership information, economic inclusiveness, and labour standards.

I believe technology innovation is of great importance to the standardisation and promotion of ESG. Concurrently, technology allows assessment agencies to continuously enhance the objectivity and analytical efficiency involved in evaluating ESG compliance. Technology also lets lenders and clients quickly measure the benefits of progressive ESG adoption over time.

J-ME: More African countries are implementing environmental, social, and governance policies and offering sustainable financial products, according to a survey by the Official Monetary and Financial Institution Forum (OMFIF).

Out of 26 countries surveyed on the continent, 17 have some sustainability-focused policies – up from 12 last year – with South Africa, Mauritius, Kenya, and Egypt topping the report's sustainability policy rankings.

Climate change has had a significant continental impact, evidenced by rising sea levels, increased frequency of extreme weather events, health risks, crop failure, and food insecurity, all resulting in socio-economic hazards.

ESG factors are influencing African factors, especially those operating within large financial services groups. Some ESG schemes encourage sustainability, while others encourage clients to promote the growth of the local industry.

VP: Albeit still in the early stages, ESG is a reality in Latin America. Its development is uneven, reflecting various levels of awareness and maturity in the ESG arena. The most important ESG factors affect not only the credit assessment of receivables

financing/factoring but also, increasingly, regional bank/factor credit assessment models.

Credit assessments now include obligors' and clients' ESG factors, and the type of goods is more relevant than before. The impact of ESG factors on an obligor's creditworthiness, for example, can help manage downside risks and identify suitable business opportunities. Some factors and banks, for example, have decided to leave the oil and gas sector and favour those businesses linked to sustainable energy sources.

Through the adoption of ESG criteria by factors and banks, they will be better equipped to manage sensitivity analysis for stress testing and financial projections and to allocate capital to clients with superior ESG compliance beneficially.

TB: How has your region been affected by fraud, and what steps are you taking to prevent it?

ZT: Fraud mitigation measures are diverse, starting with KYC to understand our customers' history, equity structure, operating performance, public reporting, and more, followed by background checks, such as understanding the reasonableness of the transaction and verifying trading history. Finally, continuous tracking of customers' financial health includes the proper use of financing proceeds.

Data technology can be used effectively to prevent fraud via corporate and individual data analytics. Underlying transactions can be authenticated by integrating a variety of data. For example, big data technology can analyse whether financing needs match trade volume, whether there is double financing, and whether commodity and cargo pricing is reasonable.

VP: In my view, the sophistication of fraud has evolved at the same pace as technological advancement. In Latin America, we have broadly adopted electronic invoicing with different degrees of success, which has helped immensely to minimise 'plain-vanilla' fraud. Nonetheless, the creation and further development of public registries across the region has been uneven and has yet to reach its potential. In Colombia, Costa Rica, Mexico, Chile, and Perú, registries have been installed, with some still in premature stages. More robust (digital) functionality is needed, especially to streamline pre-invoice assignment due diligence.

Accounting standardisation for Supply Chain Finance is another topic requiring urgent action, not only in Latin America. Its harmful absence was evident in recent events in our region, such as the financial debacle of Lojas Americanas in Brazil, Oceanografía in Mexico, and Abengoa in Spain – causing widespread 'collateral' damage to Latin American subsidiaries. Efforts to improve clarity for SCF will benefit creditors and



From left to right: Tony Brown, Jean-Mee Ernest, Zhixian Tang, Alfredo Bresciani, Victor Ignacio Portillo Sanchez.

factors, as well as the SME suppliers to the large buyers participating in these programs.

J-ME: Fraud has recently been one of the main threats affecting the receivables finance industry. Unfortunately, fraud cases rarely become publicly known as factors shy away from legal action because of unfavourable costs and benefits.

While it seems that *premeditated* fraud cases have not increased drastically on the African continent, fraud risk due to higher reliance on AI and technology is likely to increase as factors are pressed to provide quick decisions and same-day financing. Given the robustness of its financial institutions and only recent adoption of the cybercrime law, South Africa is a target for fraud.

On the other hand, *circumstantial* fraud has risen since the pandemic caused by the combination of struggling businesses and the relaxation of some factors of underwriting standards due to competitive pressures to close more deals.

To mitigate fraud on the continent, many factors have adopted a 'back to basics' approach that invests in training in factoring, knowledge sharing, deeper due diligence/monitoring, better internal governance (ensuring segregation of sales, risk, and operations), and the use of IT to identify inconsistencies. Finally, I see greater collaboration with fintechs to accelerate operational tasks, help in risk management, and smartly run Payables Finance solutions.

AB: Well, we should consider that notified factoring is one of the most secure transactions of short-term financing, given that we provide financing to the supplier with the repayment by a third party (the assigned debtor). However, with an industry turnover representing 12.5% of Europe's GDP in 2022, factoring is an appealing sector for criminals. Organised crime exploited the pandemic health emergency and the initiatives to promote economic recovery.

Generally, frauds can be both *internal* (such as accounting fraud, corruption, money laundering, asset misappropriation) or *external*, such as fake accounts receivable, false debtors, non-performing credits qualified as performing, receivables

assigned to a factor but already paid by the debtor or collected twice or also assigned to more than one factor.

To mitigate fraud, an ongoing collection of detailed information on counterparties, monitoring of internal processes, and the introduction of specific preventive controls are compulsory. Digital factoring platforms can offer further protection against frauds, for example, by checking counterparts' identity via double authentication systems and digital signatures together with other security checks on individual receivables.

Finally, I would say that Artificial Intelligence might quickly detect unusual (and potentially malicious) customer behaviours.

TB: Do you see another surge coming in cross-border trade and international factoring, or has it peaked or even diminished?

J-ME: For 2023, we expect real GDP growth in Mauritius to be around 5%, but the outlook is cautious in view of global uncertainties, the ramifications of higher interest rates, and the prolonged inflationary pressures.

It is worth noting that Mauritius, a WTO member since 1995, has signed trade agreements with several regional blocs and countries, including India, China, Turkey, and Pakistan. Through increased trade, these trade agreements create opportunities for import and export factoring growth.

Reverse Factoring is growing significantly. The immediate benefit to international factoring volume could come from the cross-selling factoring to the large database of suppliers enrolled in a buyer's Reverse Factoring programme.

AB: Increased inflation has triggered aggressive monetary tightening by EU monetary authorities, increasing interest rates to over 3%. This increases financing costs for the real economy, with companies often preferring internal liquidity, instead of factoring. Consequently, cross-border business represents an opportunity to be developed further by factors, leveraging risk sharing with other players. With global uncertainty, dialogue with industry peers is essential.

My view is that Supply Chain Finance can help reduce the problem by decreasing risks for the factor while suppliers can benefit from the Buyer's rating to secure lower cost receivables discounting.

VP: During the pandemic, a new word has become popular: 'nearshoring'. In Latin America in general, and specifically in Central America and Mexico, nearshoring has been a new source of business for cross-border invoice financing because of our proximity to the United States. The restructuring of supply chain hubs and vendor networks has proved to be an investment boon for our countries and will gain pace as regional supply chains strive for greater resiliency.

There are many reasons behind this diversification strategy. Among them, to mitigate delivery and logistics bottlenecks risks (e.g., Coronavirus) stemming from public policies in faraway countries and mitigate the disruptive effect of wars and other conflicts, such as the one in Ukraine.

In this new international trade order, Latin America could play a new and fundamental role given its proximity to the United States as well as positive factors associated with demographics, logistics, and costs. However, to capitalise on this mammoth business opportunity, Latin America needs to stand up to corruption, government bureaucracy, the lack of infrastructure, and better professional education.

ZT: I believe that, at least in the short term, the share of international factoring in the global factoring business will continue to remain steady and will not grow significantly – mainly due to the slowdown in global trade. In addition, in recent years, traditional international factoring has been challenged by technology platforms providing better conditions for direct trade financing.

Reverse factoring can positively impact the growth of international factoring volume. However, it is tough to estimate by how much and depends on customer acceptance as well as the operational capabilities of financial institutions to handle cross-border reverse factoring business. As the largest international factoring organisation, FCI can play a greater role in this process.

TB: Risk management is even more important in these challenging times. Do you foresee taking more actions to mitigate risks?

VP: Among the good lessons learned during the Covid-19 pandemic was that our risk management model was put into 'stress test' mode. The Greensill saga showed what harm one company's practices could have on accounts receivable and supply chain financing, emphasising the importance of due diligence and transparency.

A possible credit crunch resulting from uncertain economic circumstances has reduced credit appetite throughout Latin America, but we are gradually returning to normal. Some economic sectors have not fully recovered and are still under credit scrutiny. A more comprehensive approach has been implemented throughout our customers' supply chain, including their sourcing, manufacturing, marketing, and final distribution.

Our regulators and financial authorities have mandated a return to traditional risk management. For example, in factoring, we have returned to invoice verification, adequate notifications, reconciliation, and collection in a timely manner. In Latin America, we are confident that our pace of recovery will resume.

J-ME: Yes, sound risk management and increased investment in staff training are crucial in these challenging times exacerbated by the war in Ukraine, unpredictable demand patterns, supply chain disruptions, higher inflation, monetary policy tightening, interest rate hikes, and the phasing out of government support packages, among others. In this environment, clients are increasingly 'motivated' to assign 'fresh air' invoices and pre-invoice. Moreover, after two years of decline during the pandemic years, global insolvencies increased in 2022 and are predicted to rise further in 2023. A resetting of risk parameters is called for.

In Mauritius, there is a gap between the demand for credit insurance from suppliers (and factors) to the hospitality sector (with tourism now rebounding) and the shortage of cover on hotels, for whom credit risk appetite has yet to be restored.

FCI's two-factor model for export receivables has become an increasingly important alternative to traditional credit insurance and helps strengthen the export factor's KYCC exercise.

Credit risk analysis and management remain key. Being closer to clients, their debtors and understanding and managing the transaction risk well is equally important. AI and IT are gaining importance not only in risk management but also to measure, manage and mitigate sustainability risk – remaining always vigilant about compliance and cybersecurity.

ZT: I foresee that financial institutions will take additional measures to prevent and control risks, including developing more stringent risk management systems, adopting more advanced technologies, and developing more dedicated risk managers.

The positive effects of new technologies on risk management are undoubted, but they are also imperfect and have vulnerability to cybercrime and other systemic risks that require constant vigilance.

In recent years we have seen several causes of supply chain disruption, especially during the outbreak of the coronavirus. Consequently, in addition to credit and political risks, I think it is important to consider the negative impact of public health events, natural risks, and changes in the structure of the workforce on the continuous operation of the supply chain.

AB: Leaders in risk management annually formulate Credit Risk Strategies based on their definition of a Risk Appetite Framework adapted periodically to a changing environment. Recently, ESG risk factors mandated by EBA guidelines have also shaped Credit Risk Strategies.

Supply chain disruption assessment should include not only credit and political factors but also industry analysis, trends, and forecasts, macroeconomic forecasts in base and stressed scenarios (e.g., GDP, consumer, and business confidence indexes, consumption), and the impact of globalisation (realising that some industries and companies are more resilient to supply chain disruption than others). Ideally, these risks should drive forward-looking portfolio analysis, business origination, and underwriting.

TB: Thanks very much for your insightful comments, from which I gleaned the following:

- (1) Although early in adoption, ESG is gradually having a beneficial impact;
- (2) Digitisation, information technology, and traditional vigilance are becoming useful tools in the ongoing fight against fraud;
- (3) the global trade outlook offers a mixed bag for factors. International trade agreements and diversification of procurement are positives for factoring, and growth in reverse factoring is expected;
- (4) in risk management, the panel reports the need for greater vigilance throughout clients' supply chains, potentially aided by IT, as well as better internal education and greater use of FCI's two-factor program. Although market conditions are challenging, the consensus view is optimistic.

Leonard P. Zakim Bunker Hill Memorial Bridge across the Charles River, Boston, Massachusetts, USA.



Africa

Africa represents a 1% share of the total world factoring volume. Factoring volumes continued to grow in Africa in 2022. The African market adds up to a total of EUR 41 billion, indicating a significant growth rate of 29% compared to 2021, about the same increase compared to the previous year of EUR 32 billion. South Africa, the largest market accounting for over 80% of the entire volume on the continent, witnessed a staggering increase of 38%, and some Countries that led this growth included Egypt, Mauritius, and Tunisia. Indeed, it indicates that the African market continues its strong growth trajectory into the foreseeable future. **Nassourou Aminou**

Americas

The Americas rank third globally in terms of total factoring volume, accounting for a 6% share. North America, comprising approximately 3% of the global volume at EUR 97 billion, rebounded from a decline and recorded remarkable growth of 45.7% since 2020. This similar share percentage applies to the Latin American & Caribbean (LA&C) countries as well. Domestic factoring volumes witnessed significant growth across most LA&C nations, with all countries achieving percentages above 7.5% in 2022 despite the pandemic. Notably, the Americas region saw the highest relative growth of 77.3% in the 'two-factor system', increasing from EUR 3.26 billion to EUR 5.78 billion annually, representing 19.8% of the total volume. Import Factoring experienced remarkable growth, with LA&C displaying a 73% increase in export and import volumes from EUR 856 million to EUR 1.48 billion, surpassing the billion-euro mark for the first time in FCI history, with exports outweighing imports. Additionally, invoice trading volume in the region grew by 10.3%, surpassing the global growth rate of 4.4%. Overall, the region experienced positive growth across all analysed ratios, which is encouraging. **Alberto Wyderka**

North East Asia

In 2022, China's merchandise imports and exports set a new record at RMB 42 trillion, maintaining its position as the world's largest trader for six consecutive years. Despite China's slower GDP growth of 3% in decades, the factoring and supply chain finance (SCF) markets in the Northeast Asia region continued to grow, contributing to a decent overall performance. International two-factor business in the region showed encouraging growth, with export factoring from China increasing by 288% and import factoring from Japan rising by 188%. This standardised two-factor model provides a solid foundation for nurturing a sustainable factoring market in the region. The potential for establishing a unified market based on a comprehensive two-factor model, encompassing both 'forward' and reverse factoring, as well as international and domestic transactions, warrants further exploration and investment. **Lin Hui**

South and South East Asia

2022 has been a great year in terms of growth. Compared to the global figures from members of around 18.3%, South & South East Asia (SSEA) figures presented a higher number of over 44.6% though these numbers are only estimates. The SSEA market consists of both mature and emerging ones. Outstanding growth from the Indian emerging market witnessed 83.4%, and Singapore, as a mature market, saw 52% YOY growth. Vietnam showed growth of 11.1%, while other markets remained flat. **Thompson Lui**

CEE, SEE and the Middle East

Factoring volumes continued to grow in CEE & SEE, but we see a different growth in the Middle East region. The total transaction volume of the CEE & SEE region, which increased by 18% in 2021, reached an increase of 25.5% in 2022. On the other hand, turnover in the Middle East remained at the same level as the previous year. In CEE & SEE region countries that led this growth included Romania, Cyprus, Czech Republic, Slovakia, Romania, Greece, Bulgaria, Georgia, Lithuania, Serbia, and Turkey, with over 30% increase compared with the previous year. But Poland, Russia, Turkey, Greece, and Hungary are the five big countries dominating the landscape in CEE & SEE. Additionally, there are some countries where the increase is very promising compared with the previous year, like Ukraine, Lithuania, and Moldova. Moldova is small in terms of turnover, which is an increase. However, we have not seen a notable rise in the Middle East market. **Betül Kurtulus**

European Union

EU data from 2022 shows impressive growth in the European factoring market. Turnover reached EUR 2.380 billion, with an increase of 19% over 2021. It is the second year of double-digit growth after the drop of 2020 due to the negative dynamic of the EU GDP during the pandemic. The European market is the most important globally, representing over 2/3 of the worldwide factoring market. The growth was driven by inflation resulting from the Russia-Ukraine conflict, which caused increased energy and raw material costs, along with the EU GDP rise. This growth is significant, surpassing the combined effects of inflation and GDP growth. The factoring penetration rate over European GDP in 2022 was 12.3% compared to 11.4% in 2021, proving the increasing importance of factoring in the real European economy. The percentage of international factoring was stable: 22% of the total turnover. Stable was also the percentage of non-recourse factoring (53%) due to clients' needs to cover debtors' risk. Funding of EUR 310 billion supports around 301,000 European clients, fostering growth, employment, and business success. The concentration level shown by the EU factoring market remained relatively unchanged, with the top five countries representing 72 % of the total EU European market: France (18%), Germany (16%), United Kingdom (15%), Italy (12%) and Spain (11 %). **Fausto Galmarini**

Africa

The initiatives undertaken in previous years by Afreximbank and FCI to support regulatory reforms and promote the model factoring law in Africa continue to show success. Progress has been made in West Africa to adopt the law, and in some countries members of the Central Bank of West Africa (BCEAO) have started the domestication of this uniform factoring law based on the Afreximbank factoring model law, namely: Niger, Togo, Burkina-Faso, Mali. At the same time, DRC changes the banking law to include Factoring into a new banking law as a Banking product to allow banks and non-financial institutions to issue this product. Some countries, notably Nigeria, Kenya, and Madagascar are still finalising laws in this direction. **Nassourou Aminou**

Americas

Following last year's report, international factoring is firmly consolidating in LA&C, evident from the substantial increase in factoring volumes. While direct international factoring is crucial, banks increasingly seek protection through correspondent coverage, which FCI contributed to. Collaboration with associations and government entities in establishing policies, regulatory frameworks, and best practices is vital for sustainable industry development. Domestic factoring also experienced significant growth, driven by factors such as e-invoicing and favourable laws in countries like Chile, where factoring accounts for approximately 10% of GDP; Peru and Colombia have followed suit, adopting similar laws, and the economic power of Mexico and Brazil, are the reason for this growth. **Alberto Wyderka**

North East Asia

Chinese governments have implemented favourable policies for SCF and are strengthening regulations to ensure orderly market development. Recently, the Central Bank released a draft of Local Financial Organisations Regulations for public consultation. This categorises non-bank commercial factoring companies as local financial organisations serving local enterprises. This has caused controversy as it restricts non-bank factoring companies from conducting business across provinces. Many commercial factoring companies argue that this would disrupt their business models and revenues, as they often rely on large corporations for reverse factoring and distributor financing, with clients dispersed across the country, unlike traditional factoring, which focuses more on local SMEs. While the final regulations are yet to be published, the policy direction is clear. Some believe it is opportune to introduce the FCI two-factor mechanism into China's domestic factoring market, considering its benefits and potential impact.

Lin Hui

South and South East Asia

Last year was quiet in specific markets in this area but not India. On 14 January 2022, the Reserve Bank of India issued the Registration of Factors (Reserve Bank) Regulations 2022, a notification in exercise of the powers conferred under Section 3 read with Section 31A of the Factoring Regulation Act, 2011. The industry is on a continual journey of clarification, enabling it to adapt and evolve based on clear guidelines. This is a clearer direction from NBFC-Factors and NBFC-ICC perspectives on the requirements to obtain a Certificate of Registration as a factor to start a factoring business within six months. **Thompson Lui**

CEE, SEE and the Middle East

FCI continued to support legal and regulatory reforms enabling factoring throughout 2022. We worked closely with EBRD and IFC World Bank to support the region's infrastructure. Several developments and engagements took place with the region's regulators and lawmakers. The Central Bank of Jordan has issued the 'Finance Companies Bylaw', which all finance companies (including factoring companies) will be subject to licensing and supervision by the Central Bank. Factoring law studies in Jordan, Palestine, Uzbekistan, and Ukraine, are in rapid development with the contributions of their central banks, ministries of finance, and investment banks. By the end of 2023, we will see the factoring law approved in a few countries. There are also significant developments in the legal infrastructure of government-supported digital solutions. Efforts are underway to increase the number of successful invoice registration centres, like Turkey, especially in CIS countries. Such government-supported digital solutions are vital for developing the receivable finance sector.

Betül Kurtulus

European Union

In 2022, the European Factoring and Commercial Finance industry faced several issues: the CSDD directive that requires all businesses to manage their entire operational environmental and social impacts, the EBA's final non-banking lending report, the EU-wide implementation of Basel III/CRR3 (including NDOD), the ongoing works on AML/CFT legislative package and the new AMLA, digital age VAT and the new directive harmonising aspects of substantive law on insolvency proceedings. Regarding the CRR Reform/Basel III, the EUF supported the position of the EU Council that doesn't include factoring in the ancillary services and welcomed the amendments on Article 183 and Article 213 which delete required coverage of frauds that credit protection needs to be eligible for credit risk mitigation. As for the eligibility and use of credit insurance as a CRM technique, EUF welcomed that the EBA and EIOPA work in close cooperation. In regard to the issue of the NDOD, the EU Council invited EBA to consider the need for providing flexibility to institutions. The EU Parliament stated that EBA shall update its default guidelines before June 2024.

Fausto Galmarini

Africa

In 2022, FCI and Afreximbank, with the FAPA Grant, held factoring promotion and awareness campaigns through various events. In partnership with the Central Bank of Central African Countries (BEAC), and the National Economic and Financial Council (CNEF) of the Republic of Congo, we held two Conferences in Congo. The conferences strengthened regional knowledge and awareness of factoring and highlighted the new Factoring law in the Republic of Congo. BCEAO, Afreximbank, and FCI hosted a webinar on Factoring and Receivables Finance in Africa, aimed to enhance the capabilities of actors involved in factoring activities in Africa. We hosted a factoring workshop, alongside the Afreximbank Trade Finance & Factoring Seminar, with the Central Bank of Uganda and the Bank Association. We also organised a workshop with the Egyptian Factoring Federation on empowering sustainable trade flows with factoring. Over 800 participants attended these events, emphasising capacity-building for individuals engaged in factoring activities. **Nassourou Aminou**

Americas

The most critical event is the FELABAN Assembly (Latin American Banking Federation) which boosts FCI's brand awareness, brings new potential members and strengthens ties with current members. I attend this and hold meetings with banks, Government Financing Agencies, and some Regulators. I also actively participated in major gatherings like the IFA Congress in Boston and the FELAFAC Congress in Lima, where I delivered presentations on FCI's mission and role and industry progress. I visited 11 countries, 15 cities, and 45 banks. With Monica Martin Blanco, FCI SCF Consultant, we visited multiple countries and banks, showcasing FCIreverse as an alternative solution and conducting platform demonstrations with Demica. The region leads in promoting FCIreverse. Education remains a top priority, with over 500 participants joining our September webinar. FCI Academy provided tailored virtual and in-person training sessions to banks on the mechanics of our two-factor system solutions, risks, and legal and commercial training. **Alberto Wyderka**

North East Asia

Our meetings and events were significantly impacted by repeated covid lockdowns and shifted almost entirely online. Digital tools have unprecedented relevance in a new reality of physical distancing. We held a regional networking meeting online in April, where digital transformation was discussed and received significant interest from members in the region. We had several online workshops to share some of the latest practices, giving participants new insights and inspiration. We remain committed to two-factor collaboration as the root of long-term prosperity for all our members and the FCI community. During the second quarter, we conducted a targeted survey and discussed the constraints on our members' two-factor businesses. We encourage members

to value the two-factor scheme as a fundamental norm. We work with members to address the shortcomings, improve effectiveness, and inspire them to participate in this network.

Lin Hui

South and South East Asia

Travel in 2022 was challenging for the SSEA region, but many restrictions have lifted in 2023. Due to this, it was difficult to visit potential and existing members, so FCI hosted the Regional Networking E-vent for Asia Virtually. This event was for members in the region to expand their networks while hearing from a few key regional leaders on important topics. I also was able to join various partner events virtually, including the FIDN 'Movables Finance & SCF Market' in the Philippines and Other Developing APEC Economies under the Context of Post-COVID Recovery, the International SCF opportunities in ASEAN market: connecting new factors to create opportunities for SCF and receivables funding / risk mitigation virtual networking event and the future of SCF and Receivables financing online event. I was able to establish awareness of FCI and promoted our organisation through these events.

Thompson Lui

CEE, SEE and the Middle East

We held events and workshops with our business partners, promoting international factoring, reverse factoring, and Islamic international factoring. Our annual CEE conference was held in Q1, just after the invasion, with many members, observers, and regulators in attendance. Despite the war's impacts, the region's domestic and international factoring transactions performed well. We organised a workshop on best factoring industry practices in Moldova and a Regional Trade Finance and Factoring Conference for Banks and Corporates in Georgia with the EBRD. Following the EBRD TPF Trade Finance Forum in Istanbul, we hosted a conference on Resilience and Developments of Factoring to discuss the COVID crisis and how the war on Ukraine affected the foreign trade and factoring business in CEE and SEE regions. We also joined the UATFF Annual Trade Finance Conference in Ukraine. FCI participated in various partner events across the region, where we discussed our services with FCI members, potential members, and clients. **Betül Kurtulus**

European Union

We continue to engage with regulators and lawmakers to improve how we provide our services for the benefit of all stakeholders. EUF and FCI jointly organised the annual EU Factoring and Commercial Finance Summit in Rome. It was very successful thanks to the participation, among others, of Giovanni Sabatini (ABI/The Italian Banking Association), that underlined the important contribution of factoring to the short-term financing to the businesses, and Antonella Correra (The EU Commission) providing updates on the Late Payment Directive. **Fausto Galmarini**

Africa

We have 43 African region members, representing 10% of the total FCI membership. Seven (7) new members joined FCI during the past year. These were Banque Centrale Populaire (BCP), Morocco, VISTA-Gui Bank, Guinea, Industrial Finance Corporation (IFCM), Mauritius, HCH Financial Services, Uganda, DJIKE Factor, Guinea, QUEST Financial Services, Zimbabwe, FIDUCIA, Nigeria. At the same time, we had three terminations in 2022. There are currently five potential new members for the year 2023: Fidelis Finance-Group, Burkina-Faso, Edge Plus Capital (EP Capital), Nigeria, Corplease, Egypt, African Trade Insurance (ATI), Kenya, Kweli Financial Service, DRC. **Nassourou Aminou**

Americas

Five new members joined our community: two as 'associates', one 'affiliate', and two 'sponsors'. Also, as reported last year, the Interbank reactivated the business in Peru, adding to the current members. This was undoubtedly good news. Only three companies ceased to be members, so the balance is positive. It is to highlight that of the 43 members that the region has, 86% are trade members (Associates), and 25% (11) are 'full members'. The Regional network is completed with three Affiliate members and three Sponsors. This structure also partly explains the significant volume growth of the 'two-factor system' mentioned previously.

Alberto Wyderka

North East Asia

By the end of 2022, there were 74 members in the region: 38 in Mainland China, 9 in Hong Kong, 20 in Taiwan, three in Japan, two in Korea, and two in Mongolia, respectively. Banks account for 85% of the total number of members in the region. Except for two Japanese banks that adopt the subsidiary franchise

model, the rest treat factoring and supply chain financing as products in their trade finance portfolios, needing more specialisation. The balance between scale and specialisation is the first issue that banks in the region face that must be addressed. Non-bank factoring companies are mainly from China. However, due to various factors, including foreign exchange restrictions, they can still not truly integrate into the FCI two-factor network and do business only on their terms. Under more regulatory pressure, many factoring companies opt-out or transition to the fintech model. This sector is undergoing a complex realignment as the tide rises and falls.

Lin Hui

South and South East Asia

Compared to the previous year, 2021, when FCI only had one new additional member from Bangladesh, in 2022, we saw a more diversified addition. FCI welcomed eight new members from the South and Southeast Asia region in 2022, including four from India, one from Indonesia, two from Singapore, and one from Vietnam. **Thompson Lui**

CEE, SEE and the Middle East

The preceding developments translated into five new members: four in the Middle East (Israel, Jordan, Oman and UAE) and one in SEE (Poland) joined FCI in 2022. We have new Islamic members activated in the region. We expect an increase in the turnover of FCI's product, 'Islamic International Factoring', especially in Turkey and the Middle East.

Betül Kurtulus

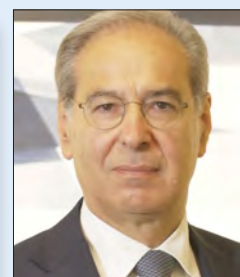
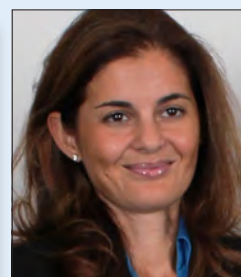
European Union

Even though EUF has a relationship with almost all the national factoring associations, contacts are in place to further enlarge the membership. **Fausto Galmarini**

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
- Fausto Galmarini, Chair EUF



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; economic environment and access to working capital in some countries: inflation, high-interest rate, cost of lending, securities; difficulties to get a reliable credit information and credit insurance cover in some countries and buyers; IT system and software to manage properly factoring transactions. Lengthy and costly implementation of factoring business process, training, capacity building, and IT platform. Cultural and languages barriers to international factoring.

Nassourou Aminou

Americas

Following the Covid-19 pandemic, our region has had negative and positive changes. Changes are occurring due to growing economies, consolidation of legislation, and expansion of electronic invoicing, which enhances transparency and combats fraud. FCI is committed to supporting its members through education, dissemination of the business, expanding the network and collaborating with associations and end users. The political movement of changing governments in 2023 poses a challenge, impacting the country's risk and overall economic activity. We must improve our understanding of our services among potential users, banks, and NBFIs. Strengthening legal and regulatory frameworks in the region is crucial, considering existing legislations like Chile's 'Invoice Law' and leveraging UNCITRAL's Factoring Model Law. Adaptation becomes necessary as alternative financing options such as fintech gain popularity. Changes in operations and payments require innovation and flexibility. Within these challenges, international factoring between correspondents must continue to grow as a lower-risk option for export financing and an affordable purchasing tool for importers. **Alberto Wyderka**

North East Asia

The main challenge for the region in 2022 comes from the virus. China's Zero-Covid policy aimed at stopping the spread is the most stringent and long-lasting globally. At the end of 2022, China announced the removal of this policy. The supply chain and confidence in the market, disrupted by the three-year pandemic, will still take time to recover gradually. Geopolitics was a challenge in 2022, as the Russia-Ukraine war strengthened divisions and rivalries, and anti-globalisation forces became more powerful. The region is undergoing a restructuring of the supply chain landscape, which the globalisation process has gradually shaped over the decades. The region's factoring and SCF market environments are more complex and challenging than ever. **Lin Hui**

South and South East Asia

SSEA mainly consists of emerging nations where many are categorised as tier 2 by the world bank income tiering system, lower middle and upper middle-income groups to be precise. Banks and NBFIs here are relatively more sensitive in costs associated with developing international factoring and related fees in joining FCI. However, some nations in this region still need a clear regulatory landscape that can foster a conducive environment for the development of international factoring. This process takes time and effort. To meet these challenges, FCI is determined to work with regional partners like ADB, IFC, FIDN, etc. **Thompson Lui**

CEE, SEE and the Middle East

CEE countries passed the first winter of the Russia-Ukraine war better than expected. CEE countries purchased less natural gas from Russia while finding other energy sources. Following the invasion, it has been seen that CEE countries are more integrated with Europe than with Russia. In other words, the Russian exposure to the CEE countries was at a manageable height and manageable with well-planned monetary policies. During 2022 inflation peaked throughout CEE and SEE but is likely to miss targets in 2023-24 as rising energy prices could slow disinflation. But it is unlikely that inflation in the foreseeable future will return to the relatively low levels seen before the Covid-19 pandemic. The Middle East is positively differentiated from these problems due to rising energy prices. Therefore, there will be no economic problems for the region's countries if the energy prices remain at these levels. The demand for open account transactions is increasing in the region. **Betül Kurtulus**

European Union

Regarding the Late Payment Directive review, EUF sent a position paper underlining that the directive of 2011 has not led to a decrease in late payments, especially not in the public sector. Practical measures to enforce compliance with such payment terms are more relevant than fixing maximum payment terms by law. Forms of financing like factoring are a solution to the late payments issue. Limiting or prohibiting 'bans on assignments' would increase the availability and use of factoring in the EU. Following the EUF goals on CRR reform, it is challenging to introduce new elements in the CRR compromise text of the European Parliament and the Council of the EU. Recent bank failures will likely decrease room for deviation from the agreed text. The EUF's best option is to defend the achievements obtained in the previous stages, considering the EBA estimates an increase in NPLs from the conclusion of the State support program for businesses granted in the Covid period. The EUF will continue to talk with the Authorities about a different treatment of factoring concerning its consolidated low level of risk even during the negative cycle of the economy. **Fausto Galmarini**

Africa

At the end of 2022, we saw the adoption and domestication of the factoring law in four countries in West Africa (Togo, Niger, Mali, Burkina-Faso), resulting in significant enthusiasm for the launch of factoring activities and opportunities studies made by the International Finance Corporation (IFC), who released during the year 2022, some market studies into five countries which showed a lot of interest, with an estimated potential volume and opportunities on Factoring and SCF solutions into different following countries: Morocco (\$8 bn), Nigeria (\$27.1 bn), Kenya (\$28.7 bn), Ivory Coast (\$6.5 bn) and Uganda (\$ 6.5 bn). Afreximbank's FAPA Grant is providing some consulting activity under capacities building to train around 19 remaining Banks and emerging Factoring companies into this program, enabling the launch of Factoring activities that will significantly impact the whole African region. **Nassourou Aminou**

Americas

Despite the challenges, the accounts receivable financing industry holds a promising outlook and will continue to expand. The temptation is to predict how they will be financed, and which vehicles will be used, whether it be banks, NBFI, fintech, other platforms, or 'finders'. Each segment offers distinct advantages and risk considerations. Instances of complex fraud, such as Greensill and the recent Lojas Americanas case in Brazil, highlight the need for vigilance. It is essential to note that individuals perpetrate fraud, and not the instruments. Those who take undue advantage to finance through factoring at sky-high rates are companies with a dubious reputation and often due to overconfidence by Management and the lack of monitoring and auditing. Blockchain technology, while associated with incidents like the liquidation of 'we-trade' or the insolvency of Marco Polo, undoubtedly increases transparency and eliminates fraud risks often resulting from flawed business models. Legal uncertainties will hopefully find clarification with the upcoming Factoring Model Law from UNCITRAL. Our flagship solution, trade factoring between correspondents, will continue its growth in the region with the active participation of members. **Alberto Wyderka**

North East Asia

The year 2023 marks the start of the post-pandemic era and the 30th anniversary of factoring in China. We need to find a breakthrough path in the Chinese market for the region's future and for the industry over the following decades. We must do two things right: first, help banks rediscover the importance of factoring in their transaction banking strategy and secure specialisation through organisational innovation. Second, a localisation strategy must be implemented as soon as possible. We must establish our local entity, create our community, and engage more local talent and practices to transform the local market. We need to identify and solve problems locally, thus gathering new impetus to the global two-factor network. **Lin Hui**

South and South East Asia

Anticipate a more dynamic 2023 market with positive momentum as regional events return to enhance awareness and promote international factoring, including educational initiatives focused on SCF-related products. FCI's proactive initiatives promoting education and expanding memberships will be added to the already healthy pipeline. Despite budgetary constraints for 2023 travel, I will focus on high-growing markets and remotely develop markets like that of Oceania. Finally, we should also pay keen attention to the development of fintech and the concept of 'Market place' as this may take this region to a new level of advancement.

Thompson Lui

CEE, SEE and the Middle East

The technological developments discussed in detail in almost all 2022 events are more important than economic development. Economic developments in all regions will depend on successfully integrating new technologies into the economic cycles. In the long term, they are the key to further growth and continued productivity. The importance of technology in Trade finance is vital to more efficient use of resources. Productivity in business has increased considerably in recent years, especially in developed markets, with a correspondingly positive impact on potential growth. In the long term, increased productivity will be needed to ensure more robust economic growth. Technological developments are the key to this and are thus the guarantors of the future of our business.

Betül Kurtulus

European Union

It is difficult to repeat the impressive results of 2022 due to the expected drop in the EU GDP, the complexity of the Ukraine-Russia conflict, and the ECB's policy to reduce the inflation rate, increasing the cost of funding significantly. The EUF has two main issues to solve: firstly, the NDOD. The new rule generates many 'false positive' errors with the buyer with a good rating or Public Authorities being wrongly classified as default because the EBA considers a trade receivable a credit obligation/loan. A possible solution is to adopt the AIRB model that allows a different calculation of the past due but needs data that a single factor can't have. EUF is evaluating a data pooling of all the members to obtain a representative and exhaustive sample to submit for the approval of the Central Banks. Secondly, the CSDD for the sustainability of the business with the high expectations of the Authorities. To face this new framework, The EUF has decided to establish a specific Committee dedicated to the ESG aspects that are becoming increasingly relevant, in which each member can share their experience. EUF has done and will do everything necessary to protect its business concerning the importance of its role in developing the real economy.

Fausto Galmarini

FCI Academy | The Crucial Role of Technical Assistance and Education in the Development of Factoring in Emerging Economies

Factoring plays a vital role in facilitating trade and supporting economic growth. While factoring has long been established in developed economies, its development in emerging economies requires a strategic approach. Technical assistance and education are two essential factors contributing significantly to the successful establishment and growth of factoring in emerging economies. In this article, we explore the importance of technical assistance and education in fostering the development of factoring in these economies.



Aysen Çetintas,
Education Director

- **Enhancing Knowledge and Awareness:**

One of the key challenges emerging economies face is the lack of knowledge and awareness about factoring. Many businesses, especially small and medium-sized enterprises (SMEs), are unfamiliar with the benefits and mechanisms of factoring. Technical assistance programs can bridge this knowledge gap by providing educational resources, training sessions, and awareness campaigns. By disseminating information about the advantages of factoring and how it can improve cash flow, mitigate risks, and support business growth, technical assistance programs can create a conducive environment for adopting factoring.

- **Building Capacity and Expertise:**

Establishing a robust factoring industry requires the presence of skilled professionals who can effectively manage and operate factoring companies. Technical assistance programs can offer training and capacity-building initiatives to enhance the expertise of individuals involved in factoring. These programs can cover various areas, including risk assessment, credit management, legal frameworks, and technology utilisation. By developing a pool of skilled professionals, emerging economies can create a sustainable and competitive factoring sector that meets international standards.



Courses

available on demand

Introduction to Factoring and Receivables Finance Course

Fundamentals on Domestic and International Factoring Course

Supply Chain Finance and Reverse Factoring Course

For more information and registration visit

fci.nl

- **Strengthening Legal and Regulatory Frameworks:**

To foster the growth of factoring, emerging economies need well-defined legal and regulatory frameworks that protect the rights of all parties involved, ensure the enforceability of contracts, and facilitate smooth transactions. Technical assistance programs can support the development of such frameworks by providing guidance, expertise, and best practices from established factoring industries. By aligning local regulations with internationally recognised standards, emerging economies can attract domestic and foreign investors, boosting the growth of their factoring sectors.

- **Encouraging Collaboration and Networking:**

Technical assistance programs can play a pivotal role in facilitating collaboration and networking among various stakeholders in the factoring ecosystem. By organising conferences, workshops, and industry forums, these programs enable factoring companies, financial institutions, policymakers, and regulators to exchange knowledge, share experiences, and establish partnerships. Such collaborations foster a supportive ecosystem that encourages innovation, knowledge transfer, and the development of best practices in factoring.

- **Leveraging Technology:**

In today's digital age, technology plays a crucial role in the success of any financial service. Technical assistance programs can provide guidance on adopting and leveraging technology in the factoring process, which includes implementing digital platforms for invoice submission, verification, and payment processing and utilising data analytics and artificial intelligence to enhance risk assessment and decision-making. Embracing technology not only improves the efficiency and speed of factoring operations but also enables emerging economies to leapfrog traditional infrastructure constraints and compete on a global scale.

In conclusion, technical assistance and education are integral components in the development of factoring in emerging economies. By enhancing knowledge and awareness, building capacity and expertise, strengthening legal frameworks, encouraging collaboration, and leveraging technology, these initiatives lay the foundation for a vibrant and sustainable factoring industry. Governments, development agencies, and industry associations must continue to prioritise technical assistance and education programs to unlock the immense potential of factoring and support the economic growth and development of emerging economies.

Samuel Beckett Bridge, River Liffey, Dublin, Ireland.



2022 Global Industry Activity Report (GIAR)

Introduction

No Annual Review should miss out on the Global Industry Activity Report (GIAR), so it is time to reveal once again the 2022 outcome as reported by our dedicated members. Maintaining the 2019 updates and improvements made to the GIAR report while adding new perspectives to some of the usual graphs, we attempt to focus on the results from the member's survey and ultimately provide an overall impactful report on the global factoring industry. We have included in the 2022 survey, our newly added report on E-Invoicing alongside a more granular look at the Seller Industry types, now a permanent addition. While as for the Covid-19 pandemic, since the pandemic has finally come to some conclusion, we cancelled our data collection for it.

For the new readers, a short introduction is needed. This Report originates from 2009 and includes data derived from the material captured from within the FCI survey, which the members have kindly completed. Members worldwide provide FCI with a unique vantage point by offering a glimpse into each of our member's internal data points. The GIAR's scope is to provide a unique analysis of our Industry having two different angles: the first being the quantitative and numerical aspects of the global industry, 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

I am sorry to report that, once again, this year, the basis of our analysis for 2022 does not incorporate all data as we had in previous years. So as a disclaimer, this report is the closest to reality that can be generated as today based on the figures we have received to date (approximately 50% response rate from our members, down from the previous year's 51% response rate, collection of data is becoming more tedious and difficult unfortunately).

As in years past, the principal challenge for the survey continues to be that in many countries, the infrastructure and capability to collect and analyse data varies dramatically. So, the level of detail the individual markets provide remains highly variable. One of the real challenges for the Receivables Finance (RF) industry is to help people everywhere better understand the importance, value, and power of information in our public policy/advocacy discussions hence the value in collating the key and accurate information at the country levels. Whilst 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.



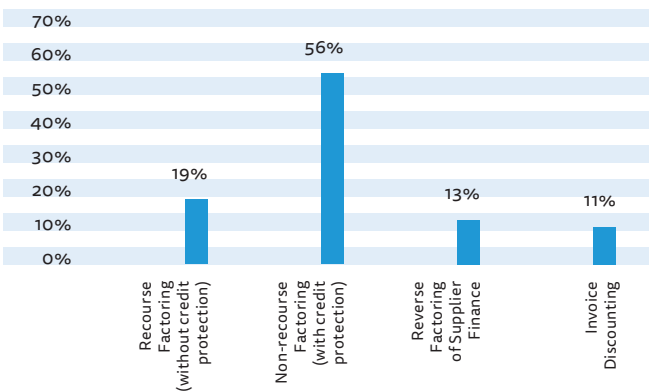
Ciprian Radu,
FCI Business and IT Solutions
Manager

Enough with the disclaimers! So, here we are, the findings of the 2022 GIAR Report...

Product analysis: Similar to the 2022 report, we will continue to present how volumes are split by product 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.

For 2022 we have determined the following products levels:

Product Distribution 2022



Compared with 2021, 2022 shows again the need for risk mitigation on a higher level, and consequently, non-recourse factoring kept its strengthened position with an actual increase by three percentage points, reaching the share of 56% against a decline in invoice discounting. Traditional non-recourse and Reverse Factoring (also a non-recourse product) combined equated to 69 % of the total (65% in 2021), while Recourse gained 2 points and Invoice Discounting lost 7 points and reached a combined total of 30% (35% in 2021). A classic well-known important reason for non-recourse demand might also be explained by its substantial value 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, and 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. Whilst it should be noted that, for example, many countries do not yet record any reverse factoring type business, for Spain, it might represent approximately half of the total market; similarly, in the UK, one of the largest individual global factoring markets, where invoice discounting accounts for 90% of the total volume.

It is to be mentioned that Reverse Factoring (also referred to as Supply Chain Finance/Confirming/Payables Finance), for the first time, witnessed an increased appetite from our members, showing a market share of 13% (12% in 2021, 7% in 2020). As reported by our members, many consumers continued to increase their purchases from the large 'big box' retailers or via e-commerce platforms due to the pandemic, at the expense of the smaller retailers. As many of these larger investment-rated corporate buyers have developed SCF programs to offer their vendors, more and more FCI members have entered the space. Again, it is to be mentioned that FCI members only capture a small percentage of the total reverse factoring market globally. 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 for our member's domestic reverse factoring service via the three-corner model and their cross-border business via the four-corner model.

Industry Dynamics

Below you can see how things have evolved from year to year:

It appears 2022 was a booming year for factoring, recording double-digit growth compared to 2021 (18.3%). Consequently, GDP penetration for the industry reached the level of 4.09%, an increase compared to what we had witnessed last year (3.85%). Also, if you compare GDP growth rate of approximately 3% in 2022 to the factoring growth rate of 18%, you will see that factoring increased five times faster; certainly, the biggest increase ever recorded (the average growth compared to GDP growth has been approximately 2.5 times over the past decade). Europe maintained its previous GDP penetration for the industry of 10%, the highest compared to all other regions, considering that the industry is quite mature. We used current estimates for 2022 GDP data.

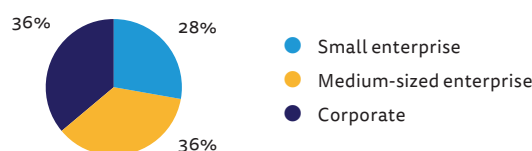
Quickly looking at the figures:

- Client numbers are estimated to be around 1,045,000 (870,000 in 2021), and the debtor numbers have reached an estimated level of 23 million (21,0 million in 2021).

These figures have a relatively high level of uncertainty because it combines both the whole turnover and spot-level types of relationships, highly sensitive to market fluctuations, structure, and conditions.

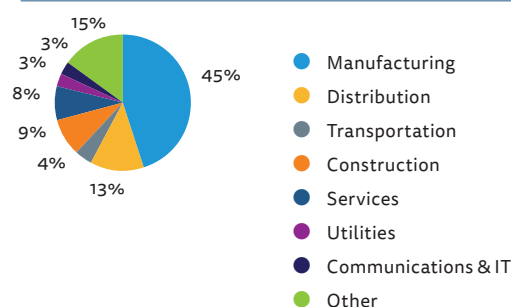
- Companies active in the Factoring Industry that serve the pool of clients and debtors globally are estimated to be around 4,200 (4,193 reported in 2021).
- Direct employment is estimated to be around 105,000 (100,000 in 2021 report). We could mention that this number is highly correlated to the labour-intensive service that our Industry requires. Although as technology and automation continues its upward trend, we anticipate the figure will remain flat, even with continued growth of the industry at the current rate. However, we see factoring building quite quickly in the emerging markets, so this could upend this conclusion.
- Average turnover per client is considered to have remained close to EUR 3.5 million, similar to past reports; hence, we continue to deal mainly with 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 64% (70% in 2021, 66% in 2020, and 65% in 2019), as shown below:

Total Number of Active Sellers 2022



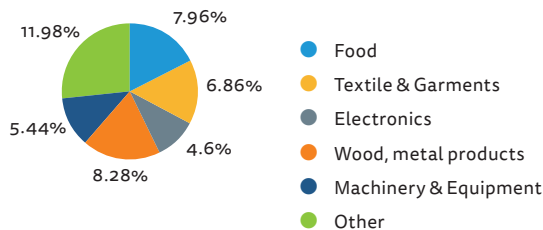
- For this year, we continue to provide greater detailed industry types within our respondents' portfolios. The member's portfolio represents the breakdown of the types of industries. Again, it seems that the Industry has its weighting towards Manufacturers and Distributors, as shown in the picture below, highlighting the FCI member's feedback. This, of course, cannot be denoted as a marker for a specific country.

Average of Industries Type of Sellers in Members Portfolio 2022



Using the magnifying glass to highlight the impressive Manufacturing figure of 45%, we can see the following granular distribution by sub-types:

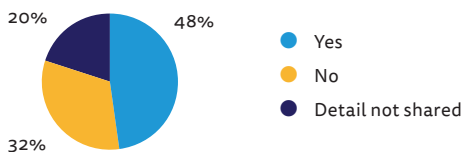
Manufacturing by Type 2022



For 2022, we again have a very high-level view of the distribution of the type of Factoring Companies active in the Receivables Finance Industry like in past years. This data derives from our member's views, as they typically represent the Top 5 Members by the market within their countries. Where the figures are available, the top five concentration ratio (CR5) was reported as 81% of the market (83% in 2021, 88% in 2020, 82% in 2019). Bank divisions appears to raised to 49% (46% in 2021, 53% in 2020, 39% in 2019), bank owned subsidiaries declined to 23% (27% in 2021, 28% in 2020, 35% in 2019) whilst Independents declined to 9% (10% in 2021, 7% in 2020, 7% in 2019). Again, as it was reported last year, the domination of commercial banks at the expense of independents continues their strong position in the industry.

Another territory not tapped yet by our report was the invoicing type accepted by our members. This year, we continue to share new details on this topic by targeting the E-invoicing business (invoices that are issued, transmitted, received, processed, and stored electronically). Here are the first findings. In 2022 we have 48% (44% in 2021) of the population confirmed that they use and accept such type of invoicing. Within the 48% where granular data was shared, an average of 66% (same in 2021) of total invoices processed were considered E-invoices. The same consideration as in the past report can be maintained as I can only assume that digital/e-invoices will fully replace traditional paper-based invoices in the near future.

E-invoice among Respondents 2022

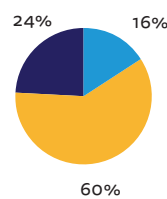


Qualitative Analysis

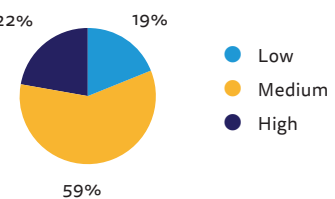
One of the aspects that makes the GIAR survey unique is that it provides an ongoing record and analysis of the perceptions within the Industry on a wide range of topics and trends, including their potential effect on the Industry and their future development. Each year we ask respondents to give their view on the status and direction of the Industry in their own country. Our sample data for this analysis includes members' views from 51 countries that have responded to the FCI survey.

The first and key element to consider is *Factoring Awareness & Acceptance*. This query tries to reflect the respondents' view on how they perceive awareness and acceptance within their own country. For the year 2022, compared to 2021, there is still room for a considerable opportunity to build and develop on past successes within the Industry. For Awareness, the high position decreased for 2022 to 24% from 27%, while for the medium, the position shows a small improvement compared to last year's survey, which indicated 58% medium awareness compared to the current 60%. On the Acceptance of the product, we have a small decline, from 23% to 22% high; for the medium, we see an increase to 59% from 57% recorded in 2021.

Awareness

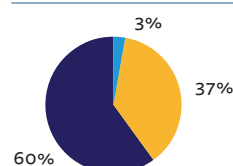


Acceptance

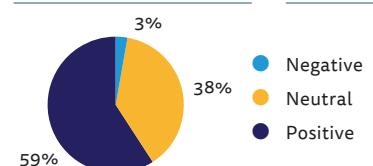


Yet again, the trust in industry resilience is fully confirmed in the responses received. Respondents continue to demonstrate a high level of confidence and optimism that the Industry has the capacity to continue to support businesses with an important role in supporting SMEs and the real economy on a global scale. In 2022 the trust in development outlook had an optimistic level of 60%, with a small decline from 62%. Negative remained constant at 3%. Would factoring still be considered an in-demand product? For this, our Demand question shows a confidence of 59% versus last year at 62%. Our most pessimistic respondents on this topic are now at 3% negative, while in 2021, we had 4%.

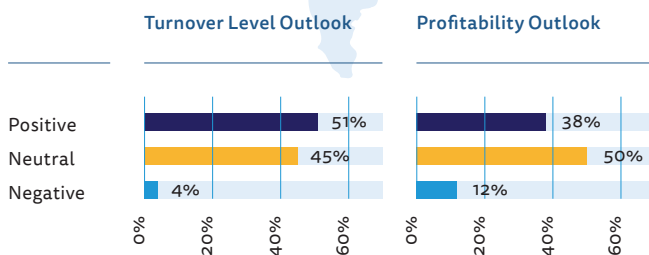
Industry Development Outlook



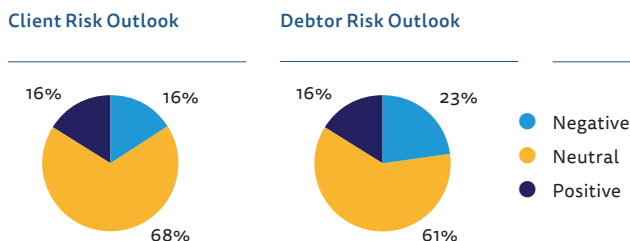
Demand Level Outlook



The next two questions were dedicated to Turnover and Profitability Outlook. While 2020's reduction in confidence indicates an adverse impact on margins and hence a decrease in profitability, we shared a complete reversal in 2021, indicating a boost of confidence in both perceptions. Optimism certainly increased in 2021, and we wrote in our last GIAR how 2022 will show here. I am happy to share that 2022 is still confident. We have a 51% positive view vs. 50% in 2021 for Turnover level and paired with a 38% positive profitability vs. 37% in 2021. We can conclude that confidence in the product is stable, confirmed in a way by the factoring turnover of 2022, which recorded an 18% year-on-year growth versus 2021.



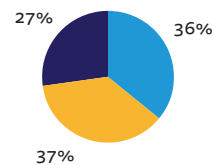
On the risk management front, responses to the questions in terms of their outlook for client and debtor risk in their markets show a boost of confidence in relation to Client/Debtor risk, with a totally negative view of 39% (16% from clients coupled with 23% from debtors) while in 2021 this total was 48%. Neutral responses gained ground this year by counting more than 60% on both.



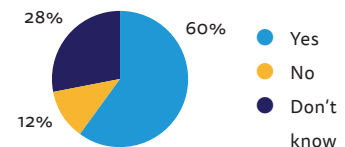
We also looked at a number of variables impacting factoring. Each of the impediments compared to 2021 presented variations. AML/KYC maintained its 40% position as an impediment to the industry. High costs are now viewed at 29% rather than 22% in 2021, and credit ratings also had an increase from 27% to 34%, while for liquidity, we have noticed that only 22% see it now as a high impediment. (Graph 1)

Moving forward, we can spot changes in members' views relating to the shortfall of factoring, still with increased confidence. Trade protectionism fears had again been raised, enhanced by the war in the eastern part of Europe. While we keep mentioning past experiences like the US-China trade war or Brexit finalisation that might have left some scars and lessons learned, the war that had not yet ended by the time of this article and with its presence for nine months in 2022 made our respondents place this issue at 60% level vs. 57% in 2021.

Shortfall of Factoring to fund International Business?

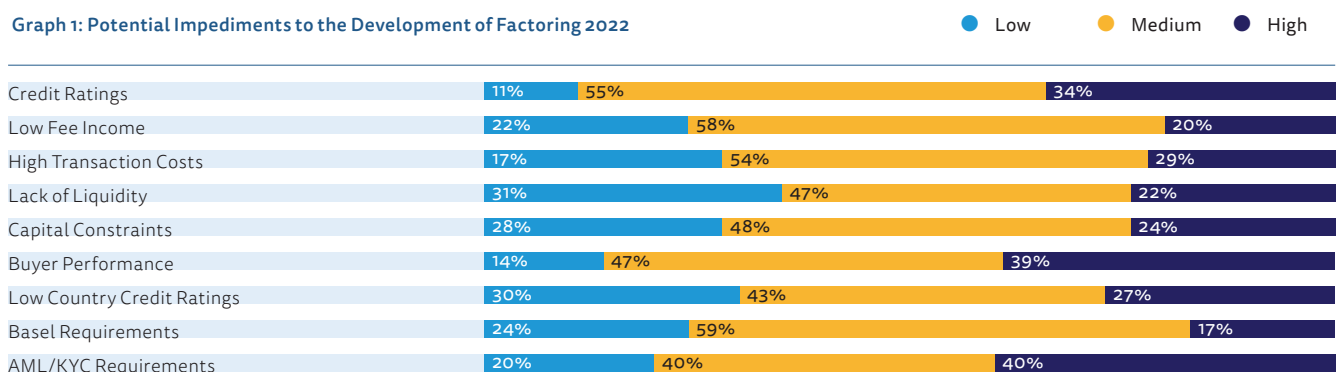


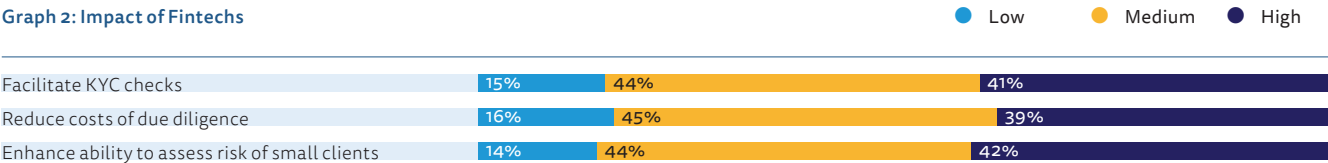
Could Protectionism widen any Trade Finance Gap even more?



Moving forward to our last topic, the rise of fintechs, the questions regarding the potential impact of fintechs on the industry are generally similar with past results. The survey results present some shift in values versus the previous year in the high perception responses for each category. Fintechs more likely to facilitate KYC enhancements recorded an increase from 40% to 41%. Their potential use for client risk assessment presented this year an increase in this ability from 39% in 2021 to 42% in 2022, while their ability to provide reduced costs for due diligence dropped in 2022 from 41% score to 39%, respectively. (Graph 2)

Graph 1: Potential Impediments to the Development of Factoring 2022





Conclusion

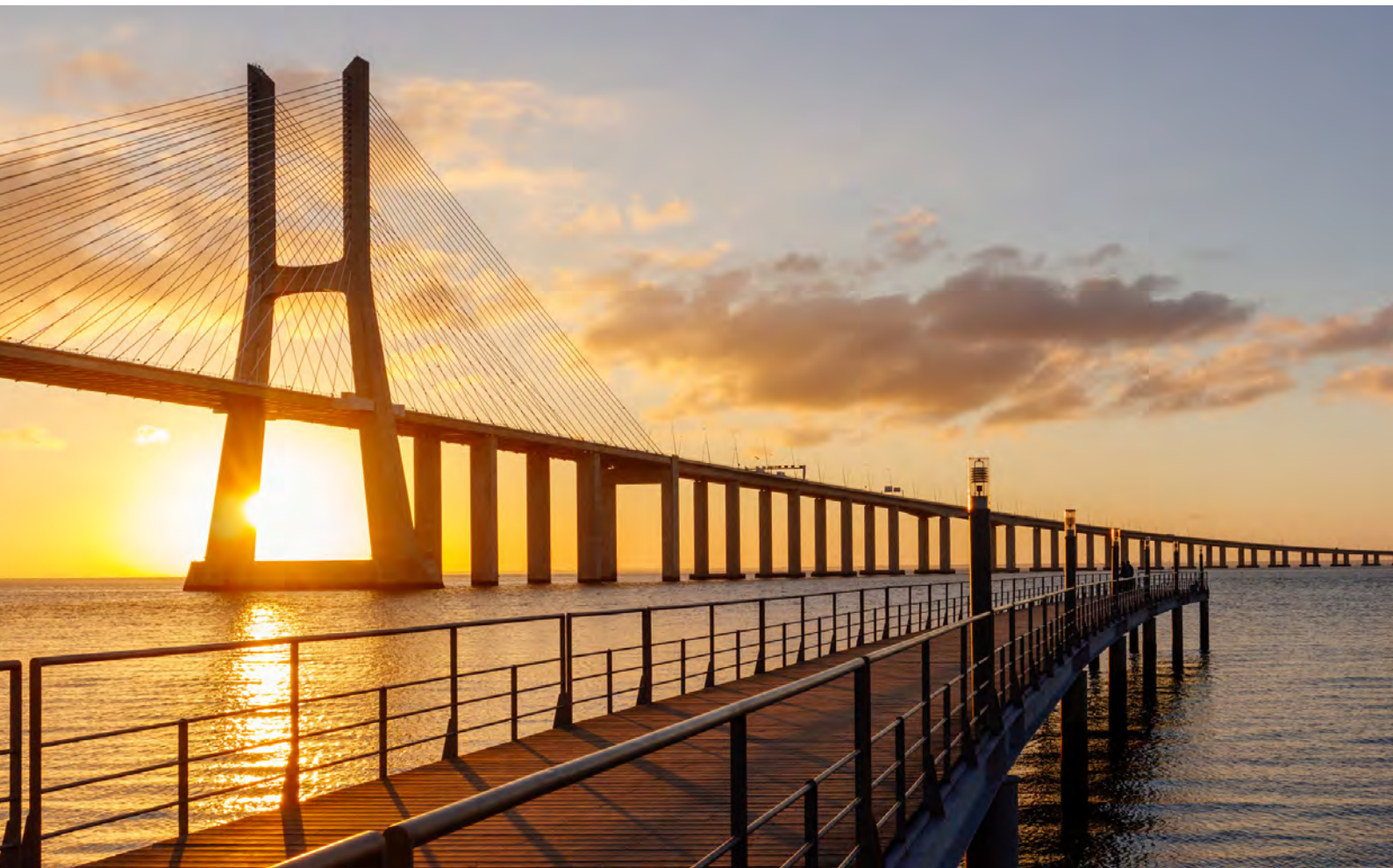
The 2022 GIAR report, alongside the Industry’s astounding increase in factoring volumes, showed a positive change in business environment. The continuation in 2022 of the phenomenal growth results of 2021, confirms yet again that factoring is strong, especially during challenging times. This can be confirmed by just remembering that 2022 was a year with many challenges, influenced by the conflict in the eastern part of Europe, inflation, and the spike in energy prices, yet factoring still recorded such incredible growth.

As the inspiration for a better ending is still not available to me, I dare to repeat the last year’s ending by saying one obvious impression from the figures, which I hope will never be lost on us, is that 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 true 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 fully. FCI attempts to assess the data from multiple sources in order 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!

Vasco da Gama Bridge at sunrise, Lisbon, Portugal.



FCI Expressed in Figures

For 2022 the number of members who contributed to the FCI Survey was close to 50% (51% in 2021), and their total volume added up to EUR 1,408 billion; hence all data hereafter relate exclusively to these real figures.

Comparing with 2021 figures, we noticed 2022 is a continuation of the positive growth in almost all areas, including some surprising increases like the ones observed for Domestic non-notification or Export Reverse factoring figures. In our previous article covering 2021, the two-factor export business showed an impressive double-digit figure recovery on the credit protection side of the product, while the Direct Export part showed a double-digit decline figure. We promised to revisit this comparison, and by making such comparison, we noticed that this year's direct export showed a greater interest by reported figures from our members. The only figures showing negative trends were for Invoice discounting, both Domestic and Export.

Domestic factoring share of the total volume had a small decrease from last year by 2 points. It reached **81%**, of which 15% accounts for recourse factoring, 50% without recourse, 10% invoice discounting, 15% reverse, 5% collection only, and non-notification with 5%.

Grouped Export factoring and Direct export invoice discounting recovered from last year with the same percentage growth of 2%, accounting for **16%** of the total (14% in 2021). Approximately 7% of the total export factoring volume relates to the two-factor business, while Direct Export is 93%. Invoice Discounting recorded a -20% YOY decrease.

Import factoring accounted for **2%** of the total, where 58% represents the two-factor business.

As for special factoring business, **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 2022 for their countries. Another aspect to be mentioned is the strengthening of the US dollar, same as in 2021, showing some moderate growth in 2022, indicating lower foreign exchange volatility. War in Ukraine and the resulting energy price fluctuations recorded throughout Europe might have also affected the eurozone. But remember, over 50% of the FCI Members' factoring volume is generated within the eurozone; therefore, it is safer to assume observing these figures denominated in Euros creates a more accurate picture.

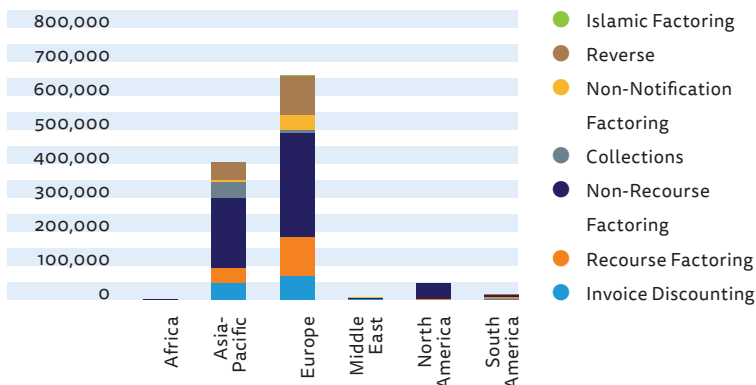
Accumulative Turnover Figures for All FCI Members Compared to Worldwide Factoring Turnover

in millions of EUR

	2016	2017	2018	2019	2020	2021	2022	Variation 2021/2022
Invoice Discounting	333,544	303,272	266,606	263,236	189,095	192,244	119,309	-37.9%
Recourse Factoring	236,613	231,270	245,583	191,167	143,882	138,914	169,747	22.2%
Non-Recourse Factoring	481,172	478,640	482,885	474,564	494,366	554,512	552,369	-0.4%
Collections	47,472	40,866	57,185	53,693	49,954	53,106	56,685	6.7%
Non-Notification Factoring					0	17,621	48,789	176.9%
Reverse		50,010	89,482	139,358	76,305	151,344	171,238	13.1%
Islamic Factoring				0	81	145	147	1.3%
Total Domestic Factoring FCI	1,098,800	1,104,058	1,141,741	1,122,019	953,682	1,107,887	1,118,285	0.9%
Export Factoring	256,551	292,408	211,195	216,721	158,990	139,332	188,672	35.4%
Import Factoring	63,446	55,460	31,719	28,464	18,095	21,753	27,168	24.9%
Export Invoice Discounting	108,038	106,104	59,569	47,467	33,717	49,574	39,615	-20.1%
Reverse		4,497	7,638	6,075	6,446	6,185	15,322	147.7%
Total International Factoring FCI	428,035	458,469	310,120	298,727	217,249	216,844	270,777	24.9%
Grand Total FCI	1,526,836	1,562,527	1,451,861	1,420,746	1,170,931	1,324,731	1,389,062	4.9%
World Domestic Factoring	1,868,855	2,078,758	2,244,214	2,375,406	2,206,000	2,496,438	2,956,642	18.4%
World International Factoring	507,112	519,540	522,852	541,699	520,728	597,268	702,562	17.6%
World Total	2,375,967	2,598,298	2,767,067	2,917,105	2,726,728	3,093,706	3,659,204	18.3%

FCI Members Domestic Volume 2022

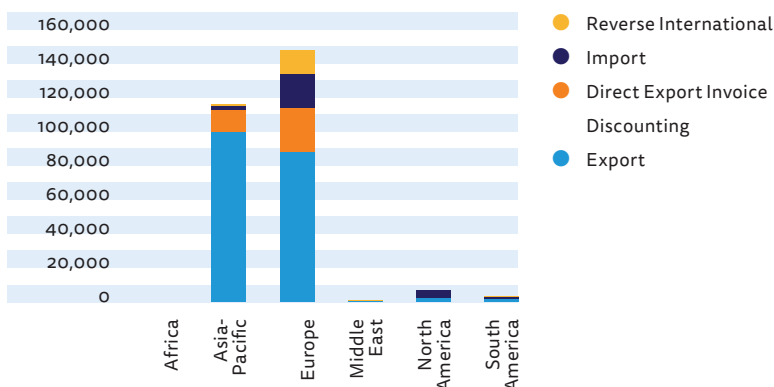
in millions of EUR



All contributions by continent to the FCI Members' Domestic volume show Europe at the top, by far, with 58% (59% in 2021). In Europe, Non-Recourse volume accounts for 47% of the total (46% in 2021), Recourse volume for 17% (14% in 2021), whilst Invoice Discounting volume shows 10% (21% in 2021) and Reverse volume 17% (15% in 2021). Asia Pacific with 36% (35% in 2021), the Americas with 5% and Africa and the Middle East with a total of 1% (as in 2021) fill the picture for Domestic volume.

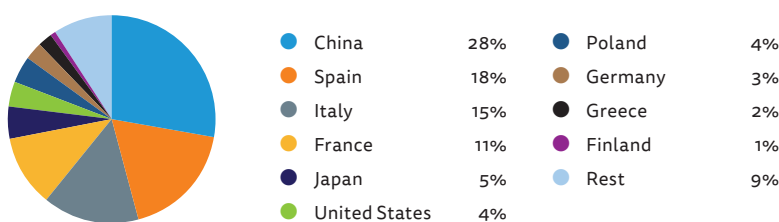
FCI Members International Volume 2022

in millions of EUR



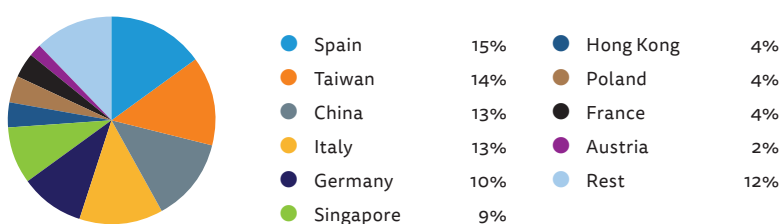
When breaking down the FCI Members International Factoring (Export and Import) volume by continent, Europe registered a decline, accounting for 54% of the total (57% in 2021). Asia Pacific registered a recovery back to 2020 value of 42% (39% in 2021). The Americas accounted for only 3%, whilst Africa and the Middle East combined represented less than 1%, maintaining their previous position from 2021.

Share of 2022 FCI Domestic Factoring Volume



When breaking down the volume of FCI Member Countries/Territories on Domestic volume, we find the 'Top Ten' adding up to 91% of the total volume, having China in first position with 28%, followed by Spain (18%), Italy (15%), France (11%), Japan (5%), United States and Poland with 4% each, Germany with 3%, Greece (2%) and Finland (1%).

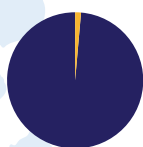
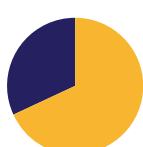
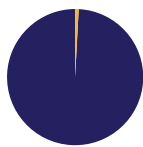
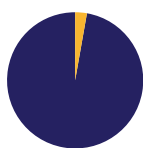
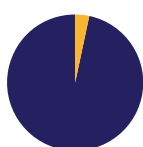
Share of 2022 FCI International Factoring Volume



When breaking down the volume of FCI Member Countries/Territories International Factoring volume, we find the 'Top Ten' adding up to 88% of the total volume, having Spain in first position with 15%, followed by Taiwan (14%), China and Italy with 13% each, Germany (10%), Singapore (9%), Hong Kong, Poland and France with 4% each, Austria (2%).

Factoring Turnover by Country/Territory in 2022

in millions of EUR

Country/Territory	Domestic (*)	International(*)	Total	Companies(*)	Total Factoring Volume
Africa					
Botswana	100	80	180	19	 Africa 1.14%
Egypt	1,063	118	1,181	32	
Kenya	5	1	6	4	
Mauritius	122	22	144	6	
Morocco	2,424	108	2,532	7	
South Africa	37,272	120	37,392	110	
Tunisia	361	17	378	5	
Uganda	8	-	8	2	
Total Africa	41,355	466	41,821	185	
Asia Pacific					
Australia	54,319	11	54,330	6	 Asia-Pacific 24.08%
China	472,682	104,203	576,885	2,000	
Hong Kong	11,000	34,000	45,000	13	
India	14,821	950	15,771	11	
Indonesia	321	137	458	60	
Japan	55,000	2,277	57,277	5	
Korea	16,387	9,217	25,604	21	
Malaysia	4,387	72	4,459	25	
Mongolia	44		44	2	 Europe 68.29%
New Zealand	35		35	1	
Singapore	4,000	40,000	44,000	20	
Sri Lanka	-	200	200	1	
Taiwan	14,000	36,000	50,000	20	
Thailand	6,105		6,105	6	
Vietnam	70	1,074	1,144	8	
Total Asia-Pacific	653,171	228,141	881,312	2,199	
Europe					
Armenia	84	80	164	5	 Middle East 0.26%
Austria	14,499	21,385	35,884	4	
Azerbaijan	106	6	112	1	
Belarus	467	169	636	14	
Belgium	124,166		124,166	5	
Bosnia Herzegovina	69	-	69	4	
Bulgaria	5,215	2,384	7,599	8	
Croatia	1,222	143	1,365	11	
Cyprus	4,000	807	4,807	6	 North America 2.84%
Czech Republic	8,161	3,696	11,857	6	
Denmark	11,107	14,425	25,532	9	
Estonia	3,869	31	3,900	11	
Finland	25,000	3,000	28,000	5	
France	268,930	152,570	421,500	12	
Georgia	245	2	247	4	
Germany	263,716	109,207	372,923	210	
Greece	20,617	2,890	23,507	8	 South America 3.39%
Hungary	10,811	1,242	12,053	20	
Ireland	26,900	1,717	28,617	6	
Italy	237,344	58,762	296,106	29	

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

● EUF

● FCI estimate

Factoring Turnover by Country/Territory in 2022

in millions of EUR

Country/Territory	Domestic (*)	International(*)	Total	Companies(*)
Kosovo	30		30	3
● Latvia	514	406	920	9
● Lithuania	5,500	-	5,500	12
● Luxembourg	339	-	339	1
● Malta	282	414	696	3
Moldova		5	5	3
● Netherlands	163,663		163,663	5
North Macedonia	13	12	25	5
● Norway	30,914		30,914	4
● Poland	80,940	17,261	98,201	25
● Portugal	36,686	5,392	42,078	14
● Romania	6,787	1,060	7,847	12
Russia	81,910	690	82,600	20
Serbia	1,550	140	1,690	18
● Slovakia	1,680	1,234	2,914	6
● Slovenia	990	1,200	2,190	20
● Spain	222,920	34,716	257,636	18
● Sweden	21,473		21,473	15
Switzerland	2,620	87	2,707	5
Turkey	20,922	3,173	24,094	62
Ukraine	592		592	16
● United Kingdom	330,980	22,559	353,539	46
Total Europe	2,037,832	460,865	2,498,697	700
Middle East				
● Israel	3,360	840	4,200	7
Lebanon	83	-	83	3
Oman	93		93	4
UAE	3,500	1,500	5,000	4
Total Middle East	7,036	2,340	9,376	18
North America				
Canada	1,850	1,250	3,100	5
● USA	96,200	4,600	100,800	250
Total North America	98,050	5,850	103,900	255
South America				
Argentina	4,108	6	4,114	7
Brazil	26,494	185	26,679	600
Chile	38,000	3,000	41,000	150
Colombia	7,960	300	8,260	14
Costa Rica	900		900	6
Dominican Republic	247	29	276	18
Guatemala	185	115	300	10
● Honduras	75	5	80	10
Mexico	33,426	753	34,179	18
Peru	7,702	492	8,194	8
Uruguay	100	15	115	2
Total South America	119,197	4,900	124,097	843
Grand Total	2,956,642	702,562	3,659,204	

Bay Bridge and rising sun, San Francisco, USA.

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

in millions of EUR

	2016	2017	2018	2019	2020	2021	2022	Var 2021/2022
Africa								
Botswana	-	-	-	-	180	180	180	0.0%
Egypt	550	418	517	589	604	1,153	1,181	2.4%
Kenya	215	215	-	-	-	6	6	0.0%
Mauritius	256	208	227	230	203	250	144	-42.4%
Morocco	2,708	3,374	2,532	2,532	2,532	2,532	2,532	0.0%
● South Africa	16,291	17,117	18,582	20,873	21,465	27,905	37,393	34.0%
Tunisia	373	339	316	338	258	311	378	21.5%
Uganda	-	-	-	-	-	8	8	0.0%
Total Africa	20,393	21,671	22,174	24,562	25,242	32,345	41,822	29.3%
Asia Pacific								
Australia	47,658	47,658	54,330	54,330	54,330	54,330	54,330	0.0%
● China	301,635	405,537	411,573	403,504	433,162	469,575	576,885	22.9%
Hong Kong	42,676	46,945	53,500	48,150	45,743	44,000	45,000	2.3%
India	3,881	4,269	4,532	5,089	3,562	8,600	15,771	83.4%
Indonesia	682	682	-	458	458	458	458	0.0%
Japan	49,466	37,284	49,348	49,446	51,225	58,666	57,277	-2.4%
Kazakhstan	106	106	-	-	-	-	-	0.0%
Korea	14,142	13,094	25,645	26,927	25,604	25,604	25,604	0.0%
Malaysia	1,527	1,650	4,459	4,459	4,459	4,459	4,459	0.0%
Mongolia	-	-	-	-	-	-	44	100.0%
New Zealand	-	-	-	35	35	35	35	0.0%
Singapore	40,500	44,000	44,000	39,600	29,034	29,034	44,000	51.5%
Sri Lanka	116	116	-	200	200	200	200	0.0%
● Taiwan	47,189	49,548	41,198	48,419	42,500	49,000	50,000	2.0%
Thailand	5,300	5,600	5,877	5,877	5,877	6,105	6,105	0.0%
Vietnam	658	700	1,100	1,100	904	1,030	1,144	11.1%
Total Asia Pacific	555,536	657,189	695,562	687,594	697,093	751,096	881,312	17.3%
Europe								
Armenia	100	120	135	150	160	160	164	2.5%
● Austria	19,621	21,091	24,107	27,220	26,762	30,459	35,884	17.8%
Azerbaijan	56	65	-	112	112	112	112	0.0%
Belarus	330	250	380	570	610	754	636	-15.6%
● Belgium	62,846	69,641	76,340	84,819	81,716	99,368	124,166	25.0%
Bosnia Herzegovina	-	-	-	91	50	69	69	0.0%
● Bulgaria	1,947	2,919	3,211	3,532	3,300	5,100	7,599	49.0%
● Croatia	2,825	1,340	1,094	1,140	1,132	1,230	1,365	11.0%
Cyprus	2,925	2,830	3,585	3,181	2,940	3,200	4,807	50.2%
● Czech Republic	4,848	6,121	6,778	7,240	6,990	9,224	11,857	28.5%
● Denmark	13,237	14,948	18,637	18,838	18,695	21,910	25,532	16.5%
Estonia	2,495	2,495	3,600	3,900	3,900	3,900	3,900	0.0%
Finland	22,000	24,000	25,800	28,000	28,000	28,000	28,000	0.0%
● France	268,160	290,803	320,409	349,714	323,567	364,900	421,500	15.5%
Georgia	14	25	28	137	152	185	247	33.5%
● Germany	216,878	232,431	244,300	275,491	275,000	309,400	372,923	20.5%
● Greece	12,782	13,151	14,635	15,045	14,430	17,656	23,507	33.1%
● Hungary	3,635	5,730	6,911	8,550	8,820	10,671	12,053	13.0%
Ireland	23,952	26,294	26,294	28,617	28,617	28,617	28,617	0.0%
● Italy	208,642	228,421	247,430	263,364	234,842	258,350	296,106	14.6%
Kosovo	-	-	-	-	30	30	30	0.0%

● EUF ● FCI estimate

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

in millions of EUR

	2016	2017	2018	2019	2020	2021	2022	Var 2021/2022
Latvia	867	720	784	805	815	823	920	11.8%
Lithuania	3,100	3,000	3,660	3,400	2,700	3,300	5,500	66.7%
Luxembourg	339	339	339	339	339	339	339	0.0%
Malta	275	350	554	696	696	696	696	0.0%
Moldova	17	3	4	5	5	3	5	66.7%
● Netherlands	82,848	89,713	98,368	112,148	113,758	131,940	163,663	24.0%
North Macedonia	-	-	-	-	23	25	25	0.0%
● Norway	21,867	22,682	25,923	26,441	25,235	28,105	30,914	10.0%
● Poland	39,396	44,300	56,474	66,141	62,864	78,950	98,201	24.4%
● Portugal	24,517	27,008	31,757	33,800	31,468	34,487	42,078	22.0%
Romania	4,037	4,560	5,007	4,854	5,023	5,990	7,847	31.0%
Russia	28,004	33,792	43,840	45,125	42,302	68,684	82,600	20.3%
Serbia	555	603	650	883	930	1,080	1,690	56.5%
● Slovakia	1,646	1,646	2,521	2,032	1,604	2,263	2,914	28.8%
● Slovenia	1,000	1,200	1,400	2,000	1,750	2,000	2,190	9.5%
● Spain	130,656	146,292	166,391	185,559	182,264	199,364	257,636	29.2%
Sweden	20,481	20,094	19,822	20,625	20,625	21,473	21,473	0.0%
Switzerland	3,832	3,832	593	593	593	593	2,707	356.5%
Turkey	35,085	34,575	26,894	21,857	18,966	15,944	24,094	51.1%
Ukraine	295	295	295	258	258	258	592	129.5%
● United Kingdom	326,878	324,260	320,193	328,966	272,677	328,429	353,539	7.6%
Total Europe	1,592,988	1,701,939	1,829,143	1,976,239	1,844,721	2,118,041	2,498,697	18.0%
Middle East								
● Israel	3,080	3,295	2,665	2,734	3,748	4,000	4,200	5.0%
Lebanon	610	662	675	675	675	83	83	0.0%
Oman	-	-	-	93	93	93	93	0.0%
Qatar	62	62	-	-	-	-	-	0.0%
UAE	3,831	4,000	5,500	6,435	5,000	5,000	5,000	0.0%
Total Middle East	7,583	8,019	8,840	9,937	9,516	9,176	9,376	2.2%
North America								
Canada	5,609	5,392	2,280	2,985	2,448	2,700	3,100	14.8%
● USA	89,463	87,000	87,821	83,757	64,150	94,300	100,800	6.9%
Total North America	95,072	92,392	90,101	86,742	66,598	97,000	103,900	7.1%
South America								
Argentina	1,891	2,282	3,064	4,133	2,662	3,502	4,114	17.5%
Bolivia	44	44	-	-	-	-	-	0.0%
Brazil	45,379	50,432	47,281	46,711	18,850	20,998	26,679	27.1%
Chile	25,050	22,756	26,500	33,600	27,000	29,400	41,000	39.5%
Colombia	7,630	7,655	7,142	7,667	5,525	6,241	8,260	32.4%
Costa Rica	231	231	-	-	836	900	900	0.0%
Dominican Republic	-	144	302	337	253	276	276	0.0%
Guatemala	-	-	282	300	300	300	300	0.0%
● Honduras	27	27	67	75	52	52	80	52.5%
Mexico	22,510	23,314	24,477	25,200	14,361	16,994	34,179	101.1%
Peru	1,550	10,105	12,023	13,905	13,657	7,270	8,194	12.7%
Uruguay	84	98	110	103	63	115	115	0.0%
Total South America	104,396	117,088	121,248	132,031	83,559	86,048	124,097	44.2%
Total World	2,375,968	2,598,298	2,767,068	2,917,105	2,726,728	3,093,706	3,659,204	18.3%

Photography

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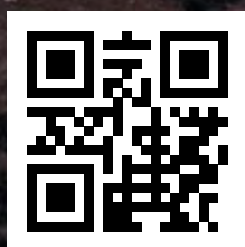
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