

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

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EXECUTIVE SUMMARY



GWENDOLINE DE VIRON

Head of Marketing and
Communication

Dear Readers,

Welcome to the latest In-Sight.

In this edition, Daniela Bonzanini, FCI Chair, emphasizes the significance of attending the FCI Annual Meeting scheduled for September 17-21 in Marrakech, Morocco. Peter Mulroy informs us about the highly anticipated launch in the legal field for the Factoring Industry during the Annual Meeting: the introduction of the Factoring Model Law, the IFC Factoring Regulatory Guide, and the FCI Legal Study.

Betül Kurtulus reports on challenges and opportunities in CEE, delving into the factors that will shape the future and providing insights into the current situation. Kyle Mota outlines what to anticipate at the FCI 55th Annual Meeting. Thompson Lui explains how to control the risk in Supply Chain Finance better. Lin Hui shares the driving change in the Chinese Market regarding commitment and community. Nassourou Aminou reports on the workshop on capacity building and how to launch factoring activity by banks and factors in Africa.

We introduce the new members: ATIDI, Focus Factor, Fiducia, Schumann, and Silk Road Bank. To discover more about the members of the FCI SCF Committee, please check the newsletter.

In the Education section, Aysen Çetintas reports on the event organised with EBRD in Samarkand, Uzbekistan. Spyros Tsolis explains the change in the education offering as the specialized course will become available "on-demand".

As elucidated by Pierre Mansourati and Federico Avellan-Borgmeyer, Islamic Banking Factoring is described as a financing solution compliant with Shariah principles. Rosanne Doyle and Bill Noel emphasize the stability of factoring as a financial strategy, particularly during economic crises. Additionally, George Koukis delves into the new collaborations emerging in Supply Chain Finance within the context of Industry 4.0.

Lastly, we report on the events or meetings attended by representatives of FCI.

Enjoy the reading!

Gwendoline



DANIELA BONZANINI
Chairman of FCI

WELCOME FROM DANIELA BONZANINI

Chairman of FCI

Dear Friends and Colleagues,

The Annual Meeting in Marrakech is starting in less than two weeks and we already have over 250 registered attendees. The Meeting will feature insightful presentations by international industry pioneers, in-depth panel discussions on a range of topics by leading industry professionals, and presentations by the Chairman and Secretary General. In addition, the Meeting is well known for its plentiful networking opportunities, and Marrakesh will provide a beautiful backdrop for many of our sessions. In fact, the medina quarter is a UNESCO World Heritage site and one of the busiest markets in Africa. We will have the opportunity to discover many of the sites during the networking events and evening dinners. For the first time, we are organising an FCI Awards Dinner and we will transform the desert into an amazing awards dinner venue on Wednesday evening, 20th September.

As you know, Peter Mulroy, FCI Secretary General will step down as Secretary General on 29th February 2024. The FCI Executive Committee has gone through great lengths to find a suitable successor. We had over 40 candidates submit their interest and we have now reached the end of the road, having selected the chosen finalist, who just this week signed a letter of intent. The person will be introduced for the first time during the upcoming annual meeting. We encourage you to attend, where you will have the first chance to meet the successor and also have the opportunity to say farewell to Peter. It will be a very memorable week. We hope you can join us. Registrations are open until the 8th September.

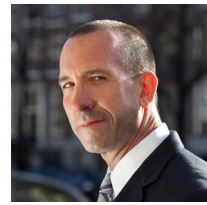
I hope to seeing you all in Marrakech!

Best regards,

Daniela

A WORD FROM THE SG

A NEW ERA FOR FACTORING: THE LAUNCH OF A GLOBAL AND LEGAL REGULATORY FRAMEWORK



PETER MULROY
Secretary General

On Monday, 18th September, during the 55th FCI annual meeting, factoring will enter a new era. The launch and release of three major initiatives that have taken years to achieve together will create a catalyst of significant change for the factoring industry globally. For years, factoring has evolved and morphed from one element of invoice finance to another, without the support of any operating manual, neither for policymakers, legislatures, nor central banks. As we have reported this year, factoring is growing faster than ever in our history. The implementation of a legal and regulatory framework for factoring – comprising of private law and regulatory rules – is thus the focus of many jurisdictions seeking to promote access to finance through factoring by leveraging the potential that receivables offer a new and novel asset class. For the first time, the industry has launched three distinct yet essential milestones to help hasten the rise of factoring and receivables finance like never before.

Factoring is grounded in the legal principle of allocating third-party rights and ensuring the protection of said rights through the framework of the law. Due to differences in national laws, these products have many variations, and the precise nomenclature varies from market to market. Still, all exist to provide financing solutions to businesses, particularly SMEs, based upon the receivables created by the client stemming from the commercial contract of sale between the client and its customers. With a factoring solution based on a contract entered into by the factoring company and its client, the company pays an agreed percentage of approved debts/receivables as soon as they are assigned.

In most developed markets, countries have adopted legal and regulatory frameworks to allow for the assignment of receivables and the protection of third-party rights. However, many emerging countries need laws or regulatory schemes to govern factoring transactions. When drafting a contract for the assignment of receivables, relevant parties usually rely on general provisions in contract law as its legal basis. Consequentially, these practices result in frequent legal disputes regarding the creation, priority, and perfection of the assignment of receivables. Without a solid legal framework for factoring, legislative loopholes are incrementally remedied by a mixture of legislative interventions and judicial interpretations. However, a healthy factoring industry is challenged without reshaping the legal infrastructure. In this sense, efforts are urgently required to move the needle and directly introduce functional factoring legislation and regulations to complement and support the advancement of factoring transactions. Hence, in 2019 the UNIDROIT began its journey to create the Factoring Model Law.

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 existing laws. The FML was first initiated in 2018 by certain World Bank representatives, including Murat Sultanov, who recognized the importance of a standalone Model Law on Factoring, especially for those emerging markets considering factoring in their countries. FCI sent a letter that same year to the UNIDROIT Secretary General, Mr. Ignacio Tirado, to offer

FCI's full support and backing. The genesis of this model law can be traced back to the establishment of FCI. 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), together with 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.

Since adopting the FCI Code, international private law organisations have begun to adopt various uniform instruments in receivable financing. The Code partly inspired the UNIDROIT to develop the Ottawa Convention on International Factoring in 1988 (in which my predecessor, Mr. Jeroen Kohnstamm, past FCI Secretary General, was involved). The UNCITRAL Receivables Convention was released in 2001 (to which Freddy Salinger from the FCI Legal Committee played an instrumental role in its development). And in 2016, the UNCITRAL Model Law on Secured Transactions was created to provide a functional, integrated, and comprehensive approach to all types of transactions that fulfil security purposes of all kinds of tangible and intangible movable property. However, there was a recognition that lacking an FML would hinder the factoring growth, especially in developing countries. The FML is envisioned to provide legal clarity to a comprehensive spectrum of factoring transactions, which would boost investor's confidence and thus promote easier and greater access to credit, significantly benefiting SMEs. Mr. Ignacio Tirado and Mr. William Brydie-Watson from the UNIDROIT will lead the launch of the new FML in Marrakech in September.

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The IFC/World Bank's Factoring Regulatory Guide

Notwithstanding the growing demand for establishing a coherent regulatory framework, historically, guidance on the regulatory aspects has never been provided. In the past, FCI has submitted guidance papers on specific attributes that would benefit an economy in implementing a regulatory framework. However, the absence of a global regulatory guide was a hindrance, and the IFC/World Bank took it upon themselves to create a comprehensive regulatory guide on factoring to fill this gap while promoting coordination between the private law and regulatory regimes. Having supported the editing of the guide, I can provide a brief overview of how they explain the purpose of such a Guide:

"This is achieved by providing a set of considerations and options to guide domestic policy choices regarding the fundamental building blocks of a factoring regulatory framework. To understand these fundamental building blocks, it is necessary to consider how factoring activities fit into the different governance frameworks for financial markets, which allocate responsibilities, regulatory powers, and supervisory functions to one or more administrative authorities. These different architectural frameworks impact the way factoring companies are licensed, particularly the licensing requirements they are subject to. These licensing requirements can include prudential regulations and conduct of business requirements. Prudential regulation primarily comprises capital adequacy standards and provisioning requirements that maintain financial institutions' soundness and the financial system's

stability in its entirety. Conduct of business requirements consists primarily of the rules which apply to how firms carry out their business, combat anti-money laundering, and treat their customers."

The IFC/World Bank will launch the new Factoring Regulatory Guide during the upcoming annual meeting. Mr. Murat Sultanov will attend to present the guide to the delegates. The guide will be a North Star, especially for central bankers worldwide who are looking for support to develop and create a proper regulatory framework for factoring.

The FCI Legal Study

To top it all off, in 2020, FCI approved launching an exciting new project to uncover the legal and regulatory mechanics for factoring worldwide. Since 2013, the European Federation for the Factoring and Commercial Finance Industry (EUF) has been conducting its unique comparative legal study for the factoring and commercial finance industry to cover 27 countries of Europe and six benchmark countries. In part inspired by the work of the EUF, FCI decided to expand the Legal Study to the other countries not covered in their study, to include all countries where FCI has membership. As a result, data was collected from 58 countries in addition to 33 countries of EUF's Legal Study. The combined FCI-EUF Legal Study covering 91 countries is the most extensive and comprehensive receivables finance study that has ever been made.

The study took over two years to complete, and was very time-consuming as it required extensive work to answer detailed legal questions from our member countries. FCI thanks once again to all participants in answering this unique study. The combined work will now allow anyone access to a comprehensive understanding of the legal and regulatory framework set up in each of the countries FCI operates in today. The study will allow experts to help determine what parts of the UNIDROIT Factoring Model Law and the IFC/World Bank Factoring Regulatory Guide can be implemented to enhance further the framework member countries already have in place, and will certainly help those countries that have little to no framework today. Hence, the idea of using these instruments combined will help guide the industry to new heights. Ms. Isabelle Henry, a member of the FCI Legal Committee, will present the Legal Study during the upcoming annual meeting.

THE
COMBINED
FCI-EUF LEGAL
STUDY COVERING 91
COUNTRIES IS THE MOST
EXTENSIVE AND
COMPREHENSIVE
RECEIVABLES FINANCE
STUDY THAT HAS
EVER BEEN MADE

Conclusion

The EBRD will also be launching its own legal and regulatory study during the annual meeting, which incorporates approximately a dozen or so countries based in their countries of operation. And, of course, holding the annual meeting in Africa for only the second time in FCI's history, I would be remiss if we did not say some words about the AfreximBank Model Law on Factoring, which they created over five years ago, which has helped and inspired governments throughout the continent to adopt a legal code for factoring in their home markets. Their investment helped jumpstart factoring in sub-Saharan Africa and has made factoring a recognized name, especially for SMEs in over a dozen African markets today. The AfreximBank will also speak at the upcoming annual meeting and present a detailed report on the fruits of their labour!

The 55th FCI annual meeting in Marrakech will be the launching pad for these distinct but harmonious tools that will help launch a new era for the factoring industry. This moment is

significant thanks to the incredible efforts made by the global bodies mentioned here and so many names who have helped support the legal stepping stones for the factoring industry over the past century. Special recognition to the FCI legal committee members who participated in all of the meetings organized by the UNIDROIT, including Ulrich Brink, Edward Wilde, and Jin Saibo. Also, special thanks to the UNIDROIT Working Group, composed of international legal experts from around the world, chaired admirably by Henry Gabriel, Member of the UNIDROIT Governing Council and Professor, Elon University in the US, who had also spoken in person during the 54th FCI Annual Meeting in June 2022 in Washington DC about the FML project.

We are at an inflection point, and I hope the event will be remembered as a date when the industry came together to work side by side to help elevate factoring from a worldwide legal and regulatory perspective! See you in Marrakech!

**THE
55TH FCI
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IN MARRAKECH WILL
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NEW ERA FOR THE
FACTORING
INDUSTRY.**



CONNECT CHALLENGES AND OPPORTUNITIES IN CENTRAL AND EASTERN EUROPE (CEE) FOR THE NEW DECADE



BETÜL KURTULUS
Regional Director CEE, SEE
& the Middle East

The Central and Eastern European (CEE) region is poised to navigate complex and diverse challenges and opportunities in the upcoming decade. These challenges are far-reaching and differ from country to country within the region.

In the realm of trade finance, encompassing the financial tools and mechanisms that facilitate international trade transactions, the CEE region may encounter several intricate challenges in the 2020s. These challenges are influenced by a convergence of economic, regulatory, technological, and geopolitical factors.

Global Economic Uncertainty: A Foremost Challenge

Global economic uncertainty is the foremost and pivotal challenge faced by countries in the CEE region. Factors such as trade tensions between major economies, shifts in global demand, and fluctuations in commodity prices can significantly impact the stability and predictability of trade transactions. These uncertainties introduce elevated risks for both trade financiers and exporters.

Navigating Digital Transformation: A Regulatory Frontier

ONE
OF THE MOST
FORMIDABLE
CHALLENGES
PERTAINS TO
REGULATORY
TRANSFORMATION
DRIVEN BY
DIGITALIZATION

One of the most formidable challenges pertains to regulatory transformation driven by digitalization. Embracing digital technologies, including blockchain, artificial intelligence, and electronic documentation, holds immense promise for enhancing efficiency and transparency within trade finance. However, the assimilation of these technologies could present hurdles related to infrastructure development, regulatory compliance, and data security. Achieving digitalization at a governmental level necessitates collaborative efforts among diverse stakeholders, spanning government bodies, financial institutions, technology providers, and trade associations. The overarching objective is to cultivate an

ecosystem that simplifies trade processes, diminishes costs, and fuels economic expansion by harnessing the potential of digital innovations.

Governments are well-positioned to foster the growth of digital trade finance platforms that interconnect banks, exporters, importers, and governmental agencies. These platforms can potentially streamline trade finance tools' application and endorsement procedures. The ultimate goal is to create an ecosystem that simplifies trade processes, reduces costs, and supports economic growth by leveraging the power of digital technologies. Digitalization at the governmental level in trade finance refers to government agencies and institutions adopting digital technologies and platforms to enhance trade finance processes' efficiency, transparency, and effectiveness. This digital transformation can positively impact facilitating international trade, reducing trade barriers, and supporting economic growth.

The Imperative of Electronic Documentation

Promoting the widespread adoption of electronic documentation is another vital pursuit. Governments can champion the utilization of digital documents, including digital invoices, bills of lading, and certificates of origin. This shift from physical paperwork expedites document processing, mitigates the risk of fraudulent activities, and expedites trade procedures. Noteworthy exemplars of this transition can be found in countries like England.

Navigating Compliance and Regulatory Dynamics

Until Compliance and Regulatory Change, matters reach a facilitating level, it will continue to be challenging for institutions. Trade finance transactions are subject to a complex web of international regulations, sanctions, and anti-money laundering (AML) requirements. Keeping up with evolving compliance standards and ensuring adherence to international regulations can be demanding for CEE banks and businesses. The evolving landscape of compliance and regulations poses an ongoing challenge for institutions until a harmonized state is achieved. Trade finance transactions are subject to a complex tapestry of international regulations, sanctions, and anti-money laundering (AML) requisites. Keeping abreast of these dynamic compliance standards and ensuring unwavering adherence to international regulations demand concerted efforts from CEE banks and businesses.

ESG Factors and Their Influence

The emergence of environmental, social, and governance (ESG) factors introduces an additional dimension to trade finance deliberations. Enterprises are under growing pressure to showcase sustainable practices, necessitating financiers to incorporate ESG criteria into their risk evaluation protocols.

Facilitating Access for SMEs

ASSOCIATIONS
LIKE OURS ARE
PIVOTAL IN BRIDGING
THE TRADE FINANCE GAP
AND FOSTERING SMES' ACCESS
TO FUNDING BY PROVIDING A
PLATFORM FOR
COLLABORATION AMONG
DIVERSE STAKEHOLDERS
WITHIN THE TRADE
FINANCE ECOSYSTEM

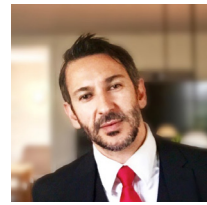
Small and medium-sized enterprises (SMEs) in the CEE region face challenges securing trade finance, particularly in contexts marked by limited credit availability or stringent collateral prerequisites. Facilitating access to financing for these enterprises is a pivotal enabler of economic advancement and international trade. Associations like ours are pivotal in bridging the trade finance gap and fostering SMEs' access to funding by providing a platform for collaboration among diverse stakeholders within the trade finance ecosystem. By uniting banks, factors, insurers, and other stakeholders, we stimulate collaboration and partnership, ultimately paving the way for innovative solutions for SMEs.

E-invoicing allows SMEs to create, send, receive, and manage invoices electronically. This leads to quicker processing, reduced errors, and increased efficiency in the invoicing process. In Poland and Turkey, where SMEs are a vital part of the economy, and the e solutions are developed, such efficiency gains can lead to faster payment cycles and improved cash flow. The fact that these examples are increasing in the region will play an important role in SME financing.

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FCI ANNUAL MEETING

This year FCI brings the 55th Annual Meeting to Marrakech, Morocco. After Cape Town in 2016, FCI organizes its Annual Meeting in Africa for the second time in the history of FCI.



KULE MOTA
Director of Administration

The vibrant city of Marrakech is known for its bustling markets, rich culture, and historical significance. Marrakech, a former imperial city in Western Morocco, is a major economic centre and home to mosques, palaces, and gardens. The Annual Meeting in Marrakech draws participants from diverse backgrounds: government officials, global business leaders, economists, experts, and more. The event is aimed to transcend geographical and knowledge boundaries, creating a space where people with different perspectives could come together to engage in meaningful discussions and brainstorm on the future of receivables finance and its evolvement in this increasingly interconnected world.

The theme of this Annual Meeting will be Back to Business, Back to Basics, highlighting the impact of the past and how receivables finance evolves and adapts for the future.

The Annual Meeting is a great opportunity to network and discuss current issues within the Factoring and Receivables Finance Industry. The Meeting will feature insightful presentations by international industry pioneers, in-depth panel discussions on various topics by leading industry professionals, and global and regional statistic updates. In addition, the Meeting is well known for its plentiful networking opportunities, and Marrakech will provide a backdrop for all of these networking sessions while providing some incredible sightseeing.

The conference begins with the opening address by FCI Secretary General. You will hear from Prof. Benedict Oramah, President, Afreximbank, Mr. Mamoun Tahri-Joutei, Central Director - Economic Intelligence and Sustainable Development, Bank of Africa, Mr. Ahmed Attout, Ag. Director, Financial Sector Development, African Development Bank Group (AfDB) and Eng. Hani Salem Sonbol, CEO of International Islamic Trade Finance Corporation, followed by the speech from FCI Chairwoman, Ms. Daniela Bonzanini. The highlights of the day are the launch of the new Model Law on Factoring, presented by Mr. Jose Ignacio Tirado, Secretary General, and Mr. William Brydie-Watson, Senior Legal Officer, UNIDROIT, presentation of the Regulatory Guide by Mr. Murat Sultanov, Senior Operations Officer, IFC (member of the World Bank Group) and the launch of FCI Legal Study by Ms. Isabelle Henry from FCI Legal Committee and the EU Federation (Ms. Magdalena Wessel, Chairwoman of EUF Legal Committee).

Day two will include the Panel discussions and regional and technical committee reports, followed by Membership Forum. The Tuesday evening Networking and dinner are organized at the historic Palais Soleiman, considered one of the most beautiful examples of civil architecture in Marrakech and a masterpiece of the finest artisans from Fes and Marrakech!

Day three of the conference will start with the FCI Council meeting and, afterward, Export-Import speed dating or bilateral discussions. Later this day, on Wednesday evening, the FCI Awards will be presented to the well-deserved winners at Palm Grove. This unique landscape is a key part of the origins, subsistence, and prosperity of Marrakesh.

**THE ANNUAL
MEETING IN
MARRAKECH DRAWS
PARTICIPANTS FROM
DIVERSE
BACKGROUNDS**

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Thursday, the final day of our conference, is the networking day outing. The Annual Meeting is not just confined to formal discussions; it also provides attendees with opportunities to experience Marrakech's rich cultural heritage. Guided tours of historical sites, culinary experiences, and artistic performances allowed participants to immerse themselves in the city's unique ambiance and foster informal networking. The highlights of the day are: The Majorelle Garden, Yves Saint Laurent Museum, Koutoubia Mosque, Bahia Palace, visit to the Souks, Old Medina, and the Jamaa el-Fnaa Square.



Last but not least, FCI's spouse program continues to be an exciting and enjoyable few days, and it remains one of the great traditions within FCI.

We are looking forward to meeting you in Marrakech.

À bientôt!

A promotional poster for the FCI 55th Annual Meeting in Marrakech 2023. The background is a warm, brownish-orange gradient with a faint, stylized map of Morocco. The text is arranged in a clean, modern layout. The top right features the event title in large, bold, sans-serif font. Below it, the dates and location are listed in a smaller font. The bottom right features the FCI logo and tagline. The bottom left features a large, stylized number '11' in a light grey font.

**FCI 55TH
ANNUAL
MEETING**
marrakech 2023

17TH - 21ST SEPTEMBER 2023
MÖVENPICK HOTEL MANSOUR EDDAHBI
PALAIS DES CONGRÈS | MARRAKECH

FCI
Facilitating Open Accounts – Revitalizing Finance

CONNECT

RISK EVOLVEMENTS IN SUPPLY CHAIN FINANCE:

HOW TO BETTER CONTROL THEM (TWO PARTS)



THOMPSON LUI

Regional Manager South &
South East Asia

As some of you may notice that I will attend the event jointly organized by APEC Business Advisory Council (ABAC)/Asia-Pacific Financial Forum (APFF), FCI & Landscape on 7 September 2023, in Singapore in which the main topic is stated above as the theme of this two-part article.

Part ONE:

Risk evolution in supply chain finance refers to the changing nature and level of risks associated with financing arrangements within a supply chain. Supply chain finance involves using financial instruments (products) and services to optimize cash flow and working capital for businesses involved in a supply chain. As this process unfolds, various risks can emerge, transform, and impact the effectiveness of supply chain finance, especially this is more evident in emerging markets, for mature markets have accumulated experiences from running decades of operations. New developments can learn from these experiences and avoid unnecessary mistakes by identifying these risks in this article's first part and how to mitigate these risks in part two.

NEW
DEVELOPMENTS
CAN LEARN FROM
THESE EXPERIENCES AND
AVOID UNNECESSARY
MISTAKES BY
IDENTIFYING THESE
RISKS

Here's how risk evolution in supply chain finance typically occurs:

1. **Traditional Risks:** Initially, the risks in supply chain finance are likely to be more traditional, such as credit risk. This is the risk that a buyer or supplier within the chain might default on their payments, affecting the financial stability of other participants.
2. **Operational Risks:** As supply chain finance involves sophisticated coordination among various parties, operational risks come to the forefront. These could include disruptions in logistics, production delays, quality issues, and changes in demand. These risks can affect the timely flow of goods and services, directly influencing the repayment abilities of participants.
3. **Market Risks:** The evolving dynamics of the market, including fluctuations in currency exchange rates, interest rates, and commodity prices, can impact the profitability and stability of businesses in the supply chain. These risks can ripple through the chain, affecting the ability to fulfill financial obligations.
4. **Technological Risks:** As supply chain finance processes become more digitized, the reliance on technology introduces new risks. Cybersecurity threats, data breaches, and technical glitches can disrupt the flow of information and funds, potentially leading to financial losses.
5. **Regulatory and Compliance Risks:** The regulatory environment can change, impacting supply chain finance's legal and compliance aspects. New regulations or changes in existing ones might require adjustments to financing structures, documentation, or reporting practices.
6. **Environmental and Social Risks:** With increasing emphasis on sustainability and social

CONNECT

responsibility, risks related to environmental and social factors are evolving. These might include reputational risks stemming from unsustainable practices within the supply chain, affecting financial relationships.

7. **Supply Chain Complexity:** As supply chains become more global and complex, the interdependence among various parties increases. This complexity can lead to a lack of transparency, making it challenging to assess risks accurately.
8. **Emerging Risks:** Over time, new risks can emerge due to changes in the business landscape, economic conditions, geopolitical factors, or unforeseen events (e.g., pandemics). These risks might not have been initially considered but can significantly impact supply chain finance.

Businesses involved in supply chain finance need to monitor and manage these evolving risks continuously. This involves implementing risk mitigation strategies such as diversification of suppliers, establishing contingency plans, using financial derivatives to hedge against market risks, investing in robust cybersecurity measures, and staying updated with regulatory changes.

The risk evolution in supply chain finance reflects the dynamic nature of modern business environments. Companies engaged in supply chain finance need to adopt a proactive and adaptable approach to risk management to ensure the effectiveness and resilience of their financial operations within the supply chain. In part two of this article, we shall continue to share how we can manage these evolving risks in our next insight.



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COMMITMENT AND COMMUNITY: DRIVING CHANGE IN THE CHINESE MARKET



LIN HUI
Regional Director NEA

In China, factoring is considered an exotic matter, meaning something introduced from abroad that was not native to China originally. Tomato was also an exotic item introduced from America about 400 years ago. Its Chinese name (番茄) means “foreign eggplant”. Interestingly, long after its introduction to China, tomatoes were grown in the nursery as an ornamental plant. Not until well into the twentieth century did tomatoes become generally accepted as edible fruit and vegetable by the Chinese. The process of popularizing exotic products in China seems to be quite time-consuming.

Fortunately, factoring takes less than three hundred years to gain popularity in China. In just thirty years, the Chinese factoring market seems to have jumped from zero to the world’s top. We have witnessed many positive changes in the Chinese factoring market. But as serious practitioners, we are more concerned with the realities of the market and how to drive meaningful change.

THE
FCI MODEL
INTRODUCED
FACTORING TO
THE CHINESE
MARKET OVER 30
YEARS AGO

The FCI model introduced factoring to the Chinese market over 30 years ago. Yet today, frankly speaking, the FCI model is like the tomato in its history, still an ornamental plant in the nursery. Beyond the nursery are various “plastic” factoring, money business in the name of factoring, or supply chain finance. On the other hand, some people are always biased against the FCI model, thinking it is a foreign product and doubting its applicability to the Chinese market. But an eggplant is never a tomato. We need an enlightenment movement with commitment and community in the Chinese market.

First and foremost, it is about people. Who are “we”? Whose commitment? Whose community? While almost all mainstream Chinese banks are now members of the FCI, most still see themselves as guests and hold a wait-and-see mentality. In the Chinese market, we need to get Chinese members to find themselves as the host of FCI, to think, as our founding members did over 50 years ago, about what kind of FCI we need in China and take responsibility for it.

Chinese banks have raised many talented people with FCI’s value during the past decades. They are experienced and motivated. However, due to frequent internal transfers and turnover, many individuals are no longer part of the business lines associated with FCI. They are valuable assets to the FCI community. Creating the China Community is about creating a mechanism and a platform where our people, no matter where they are, can rally around and devote themselves to a truly thriving Chinese market.

Next, it is about relationships and networking. Relationships and networking are important because they connect us to social capital. The fundamental strength of the FCI model stems from the enormous social capital generated by the FCI network. This is a common feature of trade finance. Yet when trade finance slipped into the lending business, everyone retreated to “bowling

CONNECT

alone". This is a decline in business culture that we must reverse. By reigniting people's deepest desire to work together in harmony, we will build, nurture and leverage relationships, networks, and social capital, ultimately accumulating the tremendous power the FCI network can have.

Finally, we should get everyone mobilized to solve today's practical problems. We all know that FCI's two-factor model could be better. It is up to us rather than other people to continuously improve it.

-- China is a vast country with a huge domestic market. How can the FCI model be implemented in China's domestic factoring market?

-- We often hear complaints about not finding a suitable import factor, but how can we make a breakthrough in our import factoring?

-- Many Chinese banks are active in domestic supply chain finance programs; how can we connect with international supply chain finance programs through FCIreverse?

-- What role can the FCI model serve in supporting the transformation of Chinese banks' transactional and corporate banking business?

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Addressing these issues is not just about the future of the Chinese market but also about the future of FCI and the global banking industry. The changes in the Chinese market will greatly contribute to the evolution of the global industry.



Bridge Xinghay bay China

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**FCI/Afreximbank, in Partnership with
NEXIM**



NASSOUROU AMINOU
Regional Manager Africa

FOUR DAYS' WORKSHOP TRAINING UNDER THE AFDB/FAPA GRANT ON CAPACITY BUILDING ON HOW TO LAUNCH FACTORING ACTIVITY BY BANKS AND FACTORS IN AFRICA

Abuja, Nigeria, 31 July 2023

NEXIM Bank Nigeria hosted a four days' Afreximbank Workshop Training under the AfDB/FAPA grant on capacity building on how to launch Factoring activity by Banks and Factors in Africa in Abuja, Nigeria, between 31 July – 03 August 2023.

The key objectives of the training program in accordance with the FAPA Grant are to Engage extensively with Banks and Factors to identify their challenges and scope out solutions for business continuity; Provide training and capacity-building and skill sets related to factoring; Train and advise banks and factoring companies (start-ups and established factoring companies) with onsite or online capacity-building, mentoring support; and; Provide advisory services in such areas as Organization, Operations, Legal, Risk, Sales, Audit, IT, Business Plan, Feasibility Studies, and Administration. Putting emerging and established factoring firms in one room to ensure that lessons learnt are shared and synthesize the way forward for collaboration between the two.

**THE
KEY
OBJECTIVES ARE TO
IDENTIFY THE
CHALLENGES AND SCOPE
OUT SOLUTIONS FOR
BUSINESS CONTINUITY,
PROVIDE TRAINING AND
CAPACITY BUILDING
AND TRAIN AND
ADVISE**

The workshop took place in Abuja at the NEXIM Bank Head-office. It hosted more than thirty-five participants from thirteen Banks, Factors, and regulators as the Central Bank of Nigeria, among others from Nigeria, Ghana, and Cameroon, and shared their expertise, market perception, and challenges with attendees on how to build and launch Factoring Operations.

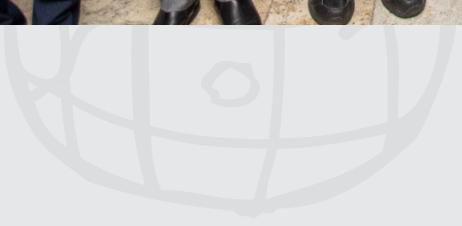
The conference was opened by Abba Bello, CEO of NEXIM Bank, Peter Mulroy, Secretary General, FCI, and Peter Adeshola Olowononi, Representative of Afreximbank Regional Chief Operations Officer for West Africa Anglophone Region. Following the welcome remarks, the workshop sessions include presentations, knowledge transfer and sharing of FCI proprietary documents, discussion sessions, experiential learning via practical case studies, one-on-one meetings, etc, delivered by FCI Academy experts and Consultant. The sessions covered various topics, such as Factoring products and global industry trends, a Report on GIZ Factoring Diagnostic in Nigeria, an update on Factoring advocacy and Initiatives activities in Nigeria, FCI Factoring Operational Guide, workflow and organizational Factoring business process, Contract and Legal documents, Training on General and Business Risks, Methodology of Audit, Credit Committee, Factoring accounting standards, IT solutions, Afreximbank Factoring credit solutions, Q&A sessions to

CONNECT

share challenges, Experience and perspectives and ended with brainstorming and one-to-one meeting with Banks, Regulator and Factors.

The expected outcomes from the workshop is an increase in the number of Factoring companies and Business, in the volume of factoring, and an enhanced credit quality portfolio of the factoring companies through Opportunity to learn practical skills and knowledge in factoring from industry experts; Receipt of FCI propriety toolkits and materials for best practice factoring activity; Risk-based factoring transaction assessments to reduce credit and operational losses; Development of standard factoring products and Participants show lot of interest and excellent feedback on satisfaction survey. Factoring is becoming more and more popular in Africa, particularly in countries such as Egypt, Mauritius, Côte d'Ivoire, Nigeria, Kenya, and many others. This is thanks to the promotion and training actions organized through conferences and seminars with the support of Afreximbank and the FAPA Grant.

In two years, Grant Program, in the Capacity building for Emerging & Established factoring Firms component, nearly 16 banks and Factors have been trained in 6 regions of Africa. In the Development of Knowledge and Learning Platform component, 350 people subscribed to the FCI E-learning on Factoring course, nearly 1800 people participated in conferences and exhibitions, and 1400 people participated in our webinars organized with Afreximbank. These initiatives are beginning to bear fruit with considerable impact on the promotion and development of the Factoring industry in Africa in the coming years.



CONNECT NEW MEMBERS

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

Since the last newsletter, the FCI family has grown with the following Members. Today FCI counts 403 members! We still have a lot of prospects that will soon join FCI.



ATIDI, previously known as ATI, was founded in 2001 by African States to cover trade and investment risks of companies doing business in Africa. ATIDI predominantly provides Political Risk, Credit Insurance, and Surety Insurance. Since its inception, ATIDI has supported USD78 billion worth of investments and trade into Africa. ATIDI has maintained an 'A/Stable' rating for Financial Strength and Counterparty Credit by Standard & Poor's for over a decade. In 2019, ATIDI obtained an A3/Stable rating from Moody's, which has now been revised to A3/Positive. Our brand promise: Re-thinking risk through innovative risk-mitigation and financial interventions and Enabling finance by opening new avenues and solutions for trade and investment in Africa. While our commercial name has changed, our legal name (African Trade Insurance Agency) remains the same, meaning the rebranding does not affect our existing contractual arrangements. As we roll out our new brand identity, we remain committed to building confidence in trade and investment de-risking and delivery – to help shape finance, unlock growth potential and support the continent's development.

Learn more about ATIDI via their website [here](#).



Focus Factor Plus has been one of the leading private factoring companies existing in the Serbian market for over 10 years. Our aim is to support our client's business activities, helping them provide funds and increase liquidity, which can lead to continuous business growth. Our experts and the experience of our team provide in any moment full advisory services to clients finding the best solution for the specific needs of clients by making tailor-made offers and products due to the needs of the client's business. Aiming to provide our clients the possibility to accelerate the collection of receivables and have more liquid funds in the business, our company offers Factoring, Reverse factoring, Assignment of receivables, and Corporate & Financial Advisory. By providing fast, reliable, and effective factoring services, we are addressing to production and trading companies helping them overcome liquidity gap by undertaking their receivables and supporting them to increase their business activities by shortening collections terms and investing funds further in business. In our business, our experienced team strictly follows all legal frames and KYC procedures, as well as following trends in digitalisation and IT improvements. We are situated in Serbia, Beograd offering services of both domestic and international factoring to all clients on the country level.

Learn more about Focus Factor Plus d.o.o. via their website [here](#).

CONNECT

The logo for Fiducia, featuring the word "fiducia" in a blue, lowercase, sans-serif font. The letter "i" is stylized with a blue circle around it.A green circular icon with a white outline, containing the word "PARTNER" in white, uppercase, sans-serif font.

PARTNER

A dark blue oval icon with the word "NIGERIA" in white, uppercase, sans-serif font.

NIGERIA

Fiducia is a platform that connects corporate buyers, suppliers, and financiers in a digital marketplace where invoices can be financed and traded. By leveraging the credit profiles of their corporate buyers, Fiducia provides suppliers access to the lowest-cost financing while preserving the liquidity of corporate buyers. Fiducia strengthens cash flow for corporate buyers and suppliers alike without impacting client on-balance sheet loan profiles. For financiers, Fiducia provides access to a deep pool of previously overlooked corporates and newly de-risked suppliers seeking financing. Fiducia is thoroughly compliant with Nigerian and leading global best practice data protection regulations. Accessible across a range of devices, Fiducia leverages technology to link businesses to a wide network of alternative funding sources concurrently. Following the highest data privacy and security standards, the Fiducia funding platform is also supported by an effective legal framework adding to financier protection. Fiducia's transformational proposition is attracting the interest and support of leading African financial service partners. Today, Fiducia's financial services and funding partner ecosystem includes many of Africa's top developmental finance institutions, equally committed to solving Africa's supply-chain finance challenges. Fiducia is the game changer that will assist historically underfunded SMEs and mid-sized corporates in the region to access formal capital markets, driving broadly inclusive transformational growth.

Learn more about Fiducia via their website [here](#).

The logo for SCHUMANN, featuring the word "SCHUMANN" in a bold, blue, uppercase, sans-serif font. The letter "U" is stylized with a blue circle around it.A green circular icon with a white outline, containing the word "PARTNER" in white, uppercase, sans-serif font.

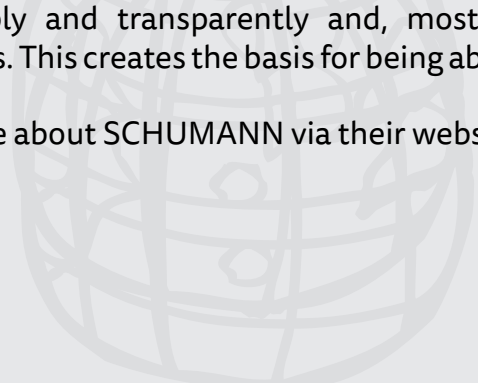
PARTNER

A green oval icon with the word "GERMANY" in white, uppercase, sans-serif font.

GERMANY

For 25 years, SCHUMANN software products and consulting services have enabled clients worldwide to transform their credit risk management digitally. SCHUMANN develops software that optimizes the management of credit risks at industrial and wholesale companies, leasing and factoring businesses, as well as credit insurers and providers of surety bonds. SCHUMANN has 200 employees and about 290 customers. The software solution, CAM Financial Services software, gives their clients access to a wide range of modules for comprehensive digitization of all processes in credit risk management. The solutions integrate a market-leading large number (50+) of global and local information providers, trade credit insurances (Allianz Trade, Atradius, Coface, R+V), and enable excellent integration into peripheral systems. Using workflow management systems in credit risk management supports compliance with procedures, clarifies responsibilities, and enables the automation of processes. Workflow management as the core of the CAM software solutions enables clients to map and execute business processes and decision rules simply and transparently and, most importantly, to adapt them independently by themselves. This creates the basis for being able to automate processes end-to-end with business partners.

Learn more about SCHUMANN via their website [here](#).

A faint, light gray globe graphic in the background, showing latitude and longitude lines.

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CONNECT



NORTH MACEDONIA

Silk Road Bank has more than 30 years of presence in the North Macedonian market. Originally, the Bank was established in April 1993, among the first private banks in North Macedonia. In May 2016, the Swiss Investment Group Silk Road Capital AG acquired the shareholding of Alpha Bank Greece and renamed the bank as Silk Road Bank, from its prior Alpha Bank incorporation as a subsidiary. Silk Road Capital AG specializes in the Banking sector of CEE and CIS since 2001, having owned a number of financial sector investments in the region. The bank has implemented Western governance and risk management quality standards. Silk Road Bank AD Skopje distinguishes itself from the other banks in the Country by following prudent Swiss banking principles offered through client-oriented services and innovative solutions. At date, Silk Road Bank offers universal banking products and services, including wholesale and corporate banking, retail banking, card services, and a full-service treasury to service over 10,000 corporate and retail clients. While one of North Macedonia's smaller banks, Silk Road Bank is one of its most successful, with a consistent track record of high returns on equity and growing profitability as well as one of the market's best asset quality performers. Silk Road Bank is the sole issuer and acquirer of American Express Cards in North Macedonia. Additional to the centrally located head office in the Capital, Skopje, Silk Road Bank has 15 branch locations across North Macedonia, of which six in the Capital and 9 located in Tetovo, Kumanovo, Bitola, Gevgelja, Kavardci, Kocani, Ohrid, Strumica and Prilep, which allows for comprehensive hands-on client coverage at all the major centers and export free zones of the dynamic North Macedonian economy. Since 2017 the Bank has been collaborating with the European Investment Bank and European Investment Fund as an apex bank, administering a Credit Default facility intended to support micro and start-up financing. Silk Road Bank became an FCI member in early 2023 and offers its clients a variety of factoring structures, including 2-factor and insurance coverage, with a growing list of counterparties in the main trade partners of North Macedonia. In this regard, Silk Road Bank is a pioneer bank in Factoring in the Country. Silk Road Bank is confident, as an FCI member, along with the sagacious and client-oriented banking practices of providing its clients with consistently high-quality services and modern product structures. Silk Road Bank is an increasingly important contributor to the Country's economic development with an emphasis on facilitating foreign trade growth.

Learn more about Silk Road Bank via their website [here](#).

We wish all our new members lots of success!

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

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MEET WITH FCI'S TECHNICAL COMMITTEES - SUPPLY CHAIN FINANCE COMMITTEE (SCF COM)

The FCI Executive Committee has appointed Technical Committees to work on specific topics. The members of the Committees represent their companies, which are members of FCI. In this edition of this series, we highlight the Supply Chain Finance Committee (SCF Com) members and thank them for all the work they do for FCI.

The SCF Committee has been created to analyse how FCI can develop a role and provide added value to the Institutions developing other products such as Supply Chain Finance, not forgetting invoice discounters, forfeiters, etc. This is the committee's aim, and with the assistance of a group of experienced specialists chosen among our members, we are confident it will achieve this important goal and design the future of FCI. The committee is currently helping to promote and support the FCIreverse platform. Today, the SCF experts of the committee include:

Ms. Christine CHARTIER



National Bank of Canada, Canada

Christine holds a master's degree in business law in France as well as a Coaching certificate. For the past 20 years, she held various positions at BNP Paribas Group in France and in Canada through Trade Finance Business, Forfaiting business but essentially with Factoring business, where she spent more than 10 years at BNP Paribas Factor France, participating in the structuration of large international deals. Back in Canada, she joined the National Bank of Canada in October 2019 in the position of a Senior Advisor, in Supply Chain financing and was promoted to General Manager of this group in March 2020.

Mr. Simon PETERMAN



Raiffeisen Factor Bank, Austria

Presently Factoring Coordination Manager for 12 factoring units in CEE at Raiffeisen Factor Bank AG in Austria, Simon Peterman was previously a Member of the Management Board of Invictus FS, Slovenia, Head of Transaction Banking Product Management at Erste Bank, Member of the ICC Global SCF Steering Group, Chairman of the CEE Chapter of FCI, Netherlands and started his career as a credit insurance underwriter at the Slovene Export Credit Agency.

In the next edition of In-Sight, we will present the members of the final Technical Committee, so stay tuned!

EDUCATE

EBRD AND FCI PARTNERSHIP CONFERENCE ON FUNDAMENTALS OF FACTORING AND RECEIVABLES FINANCE

Samarkand, Uzbekistan, the 17th of May 2023



AYSEN ÇETINTAS
Education Director

The European Bank for Reconstruction and Development (EBRD) hosted its 32nd Annual Meeting and Business Forum in Samarkand, Uzbekistan, between 16-18 May 2023, under the banner of "Investing in Resilience".

The Business Forum offered discussion panels where a wide range of topics was discussed, including energy security and renewables; the short and long-term challenges caused by the war on Ukraine; digitalisation in emerging markets; and financial inclusion.

Factoring spreading its wings over Central Asia

On the 17th of May, FCI, in partnership with EBRD Trade Facilitation Programme (TFP), hosted a one-day conference on Fundamentals of Factoring & Receivables Finance in Samarkand, Uzbekistan. The conference took place alongside the EBRD Annual Meeting. It hosted over a hundred industry professionals, among others from Uzbekistan, Tajikistan, Kazakhstan, and Kyrgyzstan, and shared their expertise with attendees on building Factoring Operations on the National Level.

Rudolf Putz, Head of TFP, EBRD, opened the conference, and Peter Mulroy, Secretary General, FCI. Following the welcome remarks, the presentations and panels offered discussion and networking opportunities on various topics, such as global industry trends, development of trade and receivables finance through the lens of Trade Facilitation, SME Finance and Legal Transition Teams of EBRD, advantages of factoring and reverse factoring in comparison to traditional trade finance, experiences from different client segments and successful case studies.

Factoring continues to grow successfully both in mature and emerging markets. Through their control methods and permanent monitoring of the receivables of their clients, factoring companies or factoring divisions/departments of banks can provide more financing than traditional lenders to Small and Medium-sized Enterprises (SMEs) and, simultaneously, limit their credit risk to acceptable levels.

Factoring and reverse factoring provide access to finance for private exporters and importers, including small businesses, strengthen local capacity in trade finance, and advances trade finance

skills. Domestic and international businesses, including small and medium-sized enterprises (SMEs), in Central Asia's most populated country, Uzbekistan, will be able to continue their business activities despite the outbreak of the coronavirus pandemic and the global economic crisis.



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SPYROS TSOLIS
Deputy Education Director

EDUCATE

ADJUSTING LEARNING TO THE NEW WORKING PATTERNS – ON-DEMAND ONLINE COURSES

New working models have been developed to support the need for business continuity during the pandemic, now becoming more standardised due to the positive elements that organizations & employees experienced.

As a result, hybrid working models, home working and remote working are now allowing for flexible management of human resources. Our industry is not excluded from these transformations. The feedback from our members and other industry stakeholders is quite clear: flexibility in our HR management, working hours adjustments to individual needs, and on-demand & personalised learning.

On-demand learning is aligned with employees' specific training needs, making the adequate learning material immediately available to develop skills further and support growth. Win-win for all!

It has been one of our most important achievements to make most of our courses available on an "on-demand" basis. It required both a change in our education strategy and an investment in our LMS & registration process. We gradually started from our short, entry-level "Introduction to Factoring & Receivables Finance" course, continued with our new "Supply Chain Finance & Reverse Factoring" course and recently with the launch of all languages "Fundamentals to Domestic & International Factoring" course. Practically, any student can start any course a few minutes after completing the registration & fee payment process.

In addition, we are happy to inform you that, in a few days, our specialised courses will also be under the "on-demand" structure. More specifically, the:

- "Seller Selection & Control" course
- "Buyers Risk Control" course
- "Dispute Prevention & Handling" course
- "Selling & Marketing Factoring" course, and
- "Pre-sales & Seller On-boarding" course

will be available during the first days of September.

Following the changes and adjusting to them is one of our competitive advantages, FCI Academy remains committed to this principle and will continue to support our Receivables and Payables Finance industry by offering high-level & effective learning at the moment of need!

**AVAILABLE
ON-DEMAND**

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INFLUENCE

ISLAMIC BANKING FACTORING: A SHARIAH- COMPLIANT FINANCING SOLUTION



PIERRE MANSOURATI
efcom



FEDERICO AVELLÁN
BORGMEYER
efcom

Islamic banking has gained significant traction recently due to its adherence to Shariah principles and ethical banking practices. **By 2022, the Islamic Banking Industry volume reached approximately 3.6 Trillion US Dollars** internationally. Some 1000 banks operate in the Islamic Banking Industry worldwide; 500 are Islamic banks, and the other 500 have Islamic Branches distributed around 76 countries. The international financial crisis in 2008 led to the bankruptcy of many banks worldwide. According to international reports, **1,000 banks were bankrupt, and none were Islamic**. The working nature of Islamic Banks, according to the World Bank and IMF, is that they provide funding for contracts to assets and not money. Money, an essential part of Islamic Financing, is used as an exchange method, not a product. Money can neither be sold nor bought.

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INTERNATIONALLY

Islamic Financing is based on two fundamental principles that lead to stability:

- 1- **Risk sharing and not risk shifting**. We are sharing the risks and not shifting them. This means sharing of profit and loss.
- 2- **All transactions are covered by tangible assets** representing the real economy.

Factoring, a financial tool widely used in conventional banking, has also found its place in Islamic banking. We aim to explore the concept of Islamic banking factoring, its fundamental principles, and its practical application within the framework of Shariah law. By analyzing the key features, benefits, and challenges of Islamic factoring, we will highlight its potential as a viable alternative to conventional factoring.

AAOIFI, the Accounting and Auditing Organization for Islamic Financial Institutions, a Bahrain-based not-for-profit organization established to maintain and promote Shariah standards for Islamic financial institutions, issued around 61 legitimate standards and 50 accounting and governance measures. Today's standards are being cited and applied in many Islamic financial institutions, creating standards for factoring suitable for this vital industry that deals with the real economy.

Factoring has a very positive impact on development. From a juristic perspective, the movement of goods renders production. If the goods stay frozen, no production occurs. However, if the products move from one place to another, they render production, in which the seller and buyer use this movement.

The legitimate regulations are those that are authorized except for other prohibited actions according to Sharia. Yet, the most important is to follow a group of legitimate regulations, including prohibiting fraud and interest and non-utilization of interest rates.

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Islamic Banks do not use interest rates but an indicator of profit. The profit indicator varies from one product to another and from one client to another according to risk, effort, and all essential matters in this context. The product to be sold must be acquired, and this is a crucial part of the legitimate regulations.

Risk sharing, or sharing in profit and loss, is a feature of Islamic Financing. Any funding in Islamic Financing shall be in the form of contracts. There are types of contracts: **Selling Contracts**, which are of various kinds, and **Financial Contracts** that can be used in factoring since there is a seller and buyer, agreement and satisfaction, and product price, and this is the core of factoring; seller, buyer, and products to be sold.

Among these contracts are **Murabaha, Salam, Istisna'a and Ijara** Contracts. All these formulas have legitimate regulations, mechanisms, and practical measures. In these contracts, a juristic committee assesses these contracts and the concerned parties, the seller, buyer, and products to be sold, as well as the selling and execution mechanisms; these are essential legitimate measures to execute in a transaction.

ANY
FUNDING IN
ISLAMIC
FINANCING SHALL BE
IN THE FORM OF
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CONTRACTS, AND
FINANCIAL
CONTRACTS

ISLAMIC
BANKING
FACTORING
PROVIDES A SHARIAH-
COMPLIANT ALTERNATIVE
FOR BUSINESSES SEEKING
FINANCING SOLUTIONS
WHILE ADHERING TO
ISLAMIC PRINCIPLES

Conclusion:

Islamic banking factoring provides a Shariah-compliant alternative for businesses seeking financing solutions while adhering to Islamic principles. By incorporating risk-sharing, asset-based transactions, and ethical guidelines, Islamic factoring offers a sustainable and socially responsible approach to financing. As the awareness and demand for Islamic financial products continue to grow, Islamic banking factoring holds significant promise in facilitating economic growth and fostering equitable financial practices.

The Authors:

As a Senior Banker with over 30 years of business experience in North America, Africa and the Middle East, Pierre Mansourati is today ecom's Senior Business Development Director for the Middle East and Africa out of Lebanon. Pierre holds a degree in Business Administration from Ottawa University and speaks Arabic, French and English.

Federico Avellán Borgmeyer is ecom's Chief Partner Officer in charge of Global Marketing, Sales and Special Products Development, such as Islamic Factoring. Federico has worked for over 30 years in Banking technology, holds an MS from Technische Universität Berlin and a scholarship from the University of Illinois and speaks German, English and Spanish.

Ecom is a market leader in the development, marketing, and sales of receivables finance software solutions for the financial industry on a global scale. Its systems process today at 50 financial institutions over 100 million receivables worth over 200 billion Euros in 15 countries, also in the Middle East

Source:

Dr. Mohamed El-Beltagi, Egyptian Islamic Finance Association on Factoring and SCF Conference MEA 2023

INFLUENCE

FACTORING FINANCE: A SOLID ANCHOR IN ECONOMIC STORMS



ROSANNE DOYLE
Solifi



BILL NOEL
Solifi

With the factoring finance market valued at \$3,271 billion in 2021 and estimated to grow by 79% to \$5,872 billion by 2031, there is no doubt that this sector represents a solid rock within the wider working capital industry.

In the Middle Ages, factoring began when merchants and traders used accounts receivable as collateral. It was in the 18th century that accounts receivable were introduced by textile merchants as a means to generate cash flow.

With time, this practice gained widespread adoption, and in the 20th century, commercial companies began specializing in purchasing accounts receivables.

The global factoring industry continued to grow and expand through the centuries, with no signs of slowing down.

So why has factoring successfully navigated so many economic waves over the centuries?

Factoring has become a trusted and essential practice across many industries. Factoring allows companies to seize market instability opportunities where other sectors face challenges during taxing economic downturns. When banks are less likely or willing to take on risky accounts, this opens the door for other lenders, factors and ABL specialists, who understand the value that can be extracted from lending against accounts receivable and inventory. They are experts in managing risk and providing maximum liquidity to the borrower.

FACTORS ARE
EXPERTS IN
MANAGING RISK AND
PROVIDING MAXIMUM
LIQUIDITY TO THE
BORROWER

From a customer's perspective, banks have been tightening their underwriting conditions, rates are rising, the cost of money is high, and the threat of a recession is looming, meaning that factoring remains an accessible and affordable option for customers who do not qualify for traditional finance products.

If banks are steering away from riskier business, why do factors embrace it?

Factors use their internal evaluation processes and metrics to determine if a business meets the criteria for financing and ultimately decide based on the value of the receivables rather than the business's creditworthiness. As a result, factors can lend money when a traditional lender does not. Even so, factors must still be concerned with minimizing their risk.

At the core of this operation should be a reliable platform streamlining the factor's processes, enabling efficient vendor management, multi-data-point import and workflow automation.

What's at the heart of the success of factoring finance?

Historically, factoring referred to invoice financing, which includes accounts receivables. Over the years, the emergence and increased use of inventory factoring has surfaced. Inventory factoring refers to the ability of the factor to generate revenue by acquiring inventories and reselling them.

The expansion of 'traditional' factoring to include inventory factoring has allowed customers to

INFLUENCE

diversify their portfolios, thus minimizing risk and increasing growth.

In addition, inventory factoring allows lenders to strengthen their relationship with their customers by affording them the ability to finance different types of collateral. In an unpredictable economic climate, factors can further reinforce this relationship, becoming true customer partners.

Whether it is leasing, dealer finance or wholesale finance, an experienced asset finance partner is the game changer for factors, as they can tap into a wealth of knowledge and expertise, which allows factors to capitalize on their processes and offer financing with no additional software purchases, additional modules or cost.

So what's the catch?

Like all financial products, factoring is exposed to the same risks triggered by fraudulent activity. As factors operate in precarious situations, it is crucially important that they remain vigilant and can quickly identify threats which could minimize their profits and add increased risk.

The most dangerous type of fraud is not the isolated large-scale big-values but the frequent, small-value incidents that often go unnoticed, allowing the often desperate borrower to accumulate significant fraud value levels over time.

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MODERN
FACTORING
SOFTWARE PLAYS
A VITAL ROLE IN
HELPING FACTORS
NAVIGATE RISK
EFFICIENTLY.

Customers may only sometimes make the right decision when under financial stress. Therefore, proven software can significantly reduce risk and improve the factor's ability to track customer behavior by analyzing and providing real-time insights to help determine whether a particular instance or behavior is a concerning trend or a poorly made decision.

This is where modern factoring software plays a vital role in helping factors navigate risk efficiently. Automation and data analysis can detect new suspicious activity in account receivables in real-time, enabling factors to act upon fraudulent invoices, verification

discrepancies and payment fraud.

A trusted factoring software solution allows factors to remain in control and manage their risk efficiently by establishing various criteria, leveraging the system to calculate and approve or reject transactions automatically, generating comprehensive and customized reporting, and receiving real-time notifications and alerts. APIs can manage multiple data sources to give the factors a holistic overview, ensuring the overall risk is acceptable.

In conclusion, factoring will continue to be a growth area in 2023 and beyond, which will see customers looking to factoring to provide needed cash and liquidity in their organizations.

Factors must seize this market opportunity. This can be supported through a secure and scalable software solution that improves process efficiency and manages and minimizes portfolio risk.

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INDUSTRY 4.0 DRIVING COLLABORATION IN SUPPLY CHAIN FINANCE



GEORGE KOUKIS
QUALCO

Small and medium-sized enterprises (SMEs) are crucial for economic growth and social development, playing a significant role in most economies. However, minimal access to traditional funding hinders their potential. This is primarily due to information asymmetry with banks and the lengthy, costly due diligence processes.

A significant opportunity arises with Supply Chain Finance (SCF) on the verge of transformation and the emergence of Industry 4.0 alongside groundbreaking technologies like Artificial Intelligence (AI) and Big Data analytics. This opportunity involves bridging the information-sharing gap, revolutionising risk assessment, and expanding SCF possibilities for SMEs.

Leveraging Industry 4.0 for SCF Transformation

The advent of Industry 4.0, also known as the Fourth Industrial Revolution (4IR), brings significant opportunities for financial institutions operating in SCF. Digital technologies like AI, Distributed Ledger Technology, and the Internet of Things (IoT) enable greater transparency, streamlined processes, and real-time data exchange. These advancements lead to enhanced effectiveness, minimised costs, and increased trust of stakeholders in SCF.

Data can be analysed using machine learning and predictive analytics to extract valuable insights. This revolutionises risk assessment by mitigating transactional uncertainties, deciphering payment patterns, and unravelling other crucial due diligence elements. Fintech companies using real-time data and advanced analytics can proactively identify and mitigate risks, make informed decisions and adapt swiftly to evolving situations.

DATA
CAN BE
ANALYSED USING
MACHINE LEARNING
AND PREDICTIVE
ANALYTICS TO
EXTRACT VALUABLE
INSIGHTS

Building a Collaborative Technology Ecosystem

Collaboration among various stakeholders involved in the supply chain, including banks and intermediaries, fosters the development of a robust SCF ecosystem. This collaborative ecosystem unlocks many opportunities for all participants.

Financial institutions play a vital role in offering solutions and services to cater to the working capital requirements of suppliers and buyers. Through streamlined SCF programs leveraging technology and digital platforms, suppliers can access prompt payment options for their invoices, enhancing their financial stability and competitive edge. Meanwhile, buyers utilise SCF to optimise their working capital, extend payment terms, and reduce costs.

Financial institutions can access accurate and up-to-date information about inventory levels, production processes, and delivery schedules with IoT sensors and real-time data analytics. This comprehensive visibility improves risk assessment, decision-making, and the ability to provide precise financing solutions. Financial institutions can evaluate supplier performance, detect potential bottlenecks, and negotiate favourable financing terms based on real-time data, leading to more informed and strategic financing decisions.

Bridging the Information Asymmetry

SMEs often struggle to provide the documentation and historical financial data needed for due diligence, making it challenging for banks to assess their creditworthiness. AI and Big Data

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analytics bridge this gap by utilising alternative data sources and non-traditional credit assessment models. These technologies can analyse various data points beyond traditional financial statements, find patterns, detect anomalies, and extract valuable insights that humans might miss.

This data-driven approach enhances risk assessment accuracy and efficiency, leading to more informed decision-making in providing financing solutions to SMEs. By considering these factors, businesses can generate a comprehensive risk profile for SMEs, enabling fairer evaluations. Proven software solutions like [QUALCO ProximaPlus](#) provide businesses with advanced modelling tools for practical risk assessment and informed decision-making. The platform's capabilities contribute to improved credit assessments and due diligence processes, enhancing SCF transactions' overall efficiency and effectiveness.

The increasing integration of Industry 4.0 principles raises an immense potential for SCF to revolutionise the financial landscape. AI-driven risk assessment can lead to fairer evaluations, unlocking previously inaccessible funding opportunities. With the SCF ecosystem continuing to evolve, the entire supply chain stands to benefit from streamlined processes and improved efficiency. A remarkable opportunity to reshape the future of SCF lies ahead, driving and propelling global economic growth.

DATA-
DRIVEN
APPROACH
ENHANCES RISK
ASSESSMENT ACCURACY
AND EFFICIENCY, LEADING
TO MORE INFORMED
DECISION-MAKING IN
PROVIDING FINANCING
SOLUTIONS TO
SMEs



SUPPLY CHAIN FINANCE & REVERSE FACTORING COURSE

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

Covering all aspects of the trade cycle, students will:

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

Scan the QR code
to find out more



 **FCI Academy**
Learn from the Global Leaders of Receivables Finance

INFLUENCE

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

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

JUNE 2023

Afreximbank 30 AGM Accra Ghana

On 18 to 21 June 2023, Nassourou Aminou attended the 30th Annual Meeting of African Export-Import Bank (Afreximbank) in Accra, Ghana. The event brought together thousands of people, including African and Caribbean leaders and senior government officials, African, Caribbean and other policymakers, corporate leaders, bankers, academia and other thought leaders.



Tailor-made Training: DP World Financial Services Dubai



Spyros Tsolis was the trainer for our member DP World Financial Services at Dubai, UAE, organizing a tailor-made training session on the FCI Two-Factor Operational & Legal frameworks. A fantastic team of committed, result-oriented professionals, who are looking to add value in their organization. On behalf of FCI Academy, a big thank you all for the great session & warm hospitality!

JULY 2023

FELAFAC: How Digital Factoring supports the growth of our businesses

On 5 July, Julio Nielsen joined Claudio Martinez (FELAFAC) and Federico Avellan (efcom) where he shared global FCI figures by continent, countries and main products while highlighting LATAM and main trends. Complementing the above as Digital Factoring a platform to grow our businesses, under a European perspective.



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INFLUENCE

Worldwide Expert Conferences 6th Annual International Conference Uzbekistan

Betul Kurtulus attended the International Trade Finance Conference in Baku, Azerbaijan on 13 July 2023. She was among trade finance experts from international commercial banks and speak on trade finance in Caucuses and Azerbaijan. The Caucasus region is strategically located at the crossroads of Europe and Asia, making it a key hub for trade between these two continents. However, political tensions and conflicts in the region can impact trade flows and create uncertainties for trade finance operations. Azerbaijan and other countries in the Caucasus have diversified trade partners, including neighbouring countries, the European Union, and countries in Central Asia and the Middle East. This diversification can lead to a variety of trade finance needs and requirements. Small and medium-sized enterprises (SMEs) play a significant role in the economies of the Caucasus region. However, these SMEs can face challenges in accessing trade finance due to limited credit history or lack of collateral. Initiatives to improve access to finance for SMEs can stimulate trade growth. Factoring and reverse factoring is a new but well-demanded product in the region.



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