FCI

Facilitating Open Account – Receivables Finance

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CONNECT. EDUCATE. INFLUENCE.

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, Çagatay Baydar welcomes us to speak about the several events hosted and changes that occurred in the last few months. He highlights the recent announcement of the 2023 World Factoring Statistics.

Neal explains his first months as Secretary General and the critical role FCI has to play in developing the market.

In the Connect section, Betül Kurtulus explains the evolution of factoring in her region, the CEE, SEE, and the Middle East, as well as the recent launch of the MENA Regional Committee. Thompson Lui clarifies how to start developing a factoring business in a market with no experience by highlighting ten key attention points. Nassourou Aminou reports on the recent Regional Conference in Africa that covered factoring, receivables finance and credit insurance. Lin Hui gives the lead on what he suggests for the Factoring Chinese markets with the comparison with EVs. I am reporting on the 9th European Factoring Summit that took place in Vienna, organised with the EUF. Alberto suggests rethinking the import factor role. The new member Raiffeisen Bank Ukraine is presented.

In the Education section, Aysen Çetintas reports on navigating the future of Supply Chain Finance as FCI Academy organise a masterclass on digitalisation and risk mitigation in collaboration with Schumann. Spyros Tsolis explains the importance of education and the support from Lendscape to help educate young professionals.

In the Influence section, Philippe Oberleitner describes the success story of factoring, especially in Germany. George Koukis explains the challenges and opportunities for factoring and SCF in the Middle East and North Africa. Rosanne Doyle speaks about the future of ABL risk management, as there is a need to automate to help mitigate risk and reduce fraud.

Finally, you can discover where FCI has been the last three months in FCI spreading its wings.

Enjoy the reading!

Gwendoline



ÇAĞATAY BAYDAR
Chairman of FCI

WELCOME FROM ÇAĞATAY BAYDAR
Chairman of FCI

Dear Reader,

Over the last three months, we have hosted numerous events, workshops and trainings, held many meaningful conversations with our members and explored new ways to expand our reach and impact within our industry and across the globe. We have also made many changes to FCI's internal workings under the guidance of our new Secretary General. Our team's commitment to embracing change is truly inspiring; their resilience and passion for what we do have driven us into this exciting new chapter for FCI with Neal at the helm.

In February, we bid farewell to our secretary general and welcomed Neal. Now, I would like to take a moment to bid farewell to Dr Rudolf Putz, EBRD's Head of the Trade Facilitation Programme (TFP) and welcome his successor, Ms Shona Tatchell. Rudolf's commitment to the EBRD TFP and boosting our Industry is truly inspiring. Rudolf is a true trailblazer in the industry.

We look forward to seeing what he does next. We also wish Shona all the success in this new role and look forward to working with her in the near future.

Last week, we shared the 2023 World Factoring Statistics, which revealed a subtle growth of 3.6% in our Industry's volume compared to the extraordinary growth of 18.3% in 2022. This shift towards a more stable growth pattern, reminiscent of the pre-pandemic period, is a positive sign. In a constantly changing world, it's reassuring to see how factoring and receivables finance can empower SMEs and corporations to secure liquidity, protect their businesses from customer bankruptcies, and extend collection support globally.

We will all head to Seoul for our 56th Annual Meeting in a few days. I look forward to seeing everyone there and discussing how we can navigate the future of Trade Finance.

Best regards,

Çağatay





NEAL HARM
Secretary General

A WORD FROM THE SG

It's Like Riding a Bike

Prior to coming back to FCI, I was working on strategic initiatives for a US domestic-based bank and then a Fintech. It has been a few years since I travelled internationally and worked directly in the international receivables finance industry. Interaction with people globally and learning about their culture are things that I truly missed. Meeting with people in person to hear their experiences in our industry is what drives me in this role for FCI. Although it has been a few years since I was directly in the industry, it is like riding a bicycle. It is something that you don't forget as the muscle memory kicks in.

If you know Amsterdam, you will immediately understand why bicycles come to mind. There are more bicycles in Amsterdam than there are people. It is a new way of life for me as I walk into the office every day and stay very alert to the bicycles that pass by in every direction. The city itself is fascinating in terms of its resilience and longevity as a trading market to the world. It is a city that is always thinking 50 to 100 years into the future. In the early 1900s, Amsterdam was experiencing a significant growth phase, and it developed a master city plan. A substantial part of the plan was that every neighbourhood was within a 30-minute bicycle ride to the city centre. Even though this was the beginning of the golden era for Automobiles, the city was seeing past that generation. Over 100 years later, that planning can be seen as the majority of those in the city commute by bicycle. That planning has created an immaculate and efficient city for transportation.

Like Amsterdam, FCI must look out into the future. FCI must leverage its inherent knowledge of receivables finance to understand, educate, and advocate in each region. FCI has grown beyond offering just the two-factor model of receivables finance. FCI has become the global leader in receivables finance. It is essential to take that perspective to continue to develop and grow receivables finance.

First and foremost, FCI must advocate and educate for the implementation of controls and regulations in various countries of receivables as a secure asset. A big focus for FCI is advocating within countries on the value of collateral registries. These registries provide clear notice to the owner or lien holder of the receivables. Without this fundamental platform, it is very easy for a given invoice to be financed more than once. Ironically, I spoke about the need for technology and regulations more than a decade ago to a group of global leaders in Istanbul. The talk focused on the need to (1) define regulations to support consistent/efficient working capital trade and (2) develop technology around security interests in the transaction. The laws around secured lending of trading assets continue to need attention as many markets around the world still do not have the legal infrastructure to ensure the asset for a financial institution, a fundamental need to close the working capital gap that exists around the world.

FCI MUST ADVOCATE AND EDUCATE FOR THE IMPLEMENTATION OF CONTROLS AND REGULATIONS IN VARIOUS COUNTRIES OF RECEIVABLES AS A SECURE ASSET

In more established receivables finance markets, the evolution of receivables finance is being seen as supply chain finance ("SCF") models are starting to take shape. This is another opportunity for FCI to employ its four-corner model (Supplier – Export Finance – Import Finance – Buyer) or two-factor model, which FCI has developed over 55 years to secure cross-border

receivables. This model is a proven platform to securely finance a supplier based on the asset owed by the buyer. Using FCI's platform (system and legal agreements) ensures that the proper regulations are followed in each market, the local financial institution addresses tax implications, and a security interest is perfected in the transaction. FCI has a critical role to play in the development and advancement of SCF. FCI needs to be proactive in the market to develop this financial product properly.



Getting out into the market is critical to my role. Although I now live in Amsterdam, I am spending most of my time on the road advocating, educating, and meeting members. The travel schedule has been hectic in these first 6 months as I have been at events and meetings across Asia, Europe, North America, and Africa. In these first 6 months, FCI and our membership have an incredible opportunity to expand and deepen open account receivables finance across all markets. It is a fascinating time to step into the role of Secretary General.

The opportunity for FCI is genuinely global, not just for emerging markets but for established markets as well. The established markets continue to need education and advocacy. The best example of this is the work that FCI through EUF has been doing regarding the Late Payment Directive in the EU. The initial intent of the directive is good. However, its proposed application will ironically create issues for SMEs in the EU as costs will increase for them based on studies that various independent parties have done. There is also a risk that companies will source products from outside the EU due to the restrictions that may be placed on the payments industry within the EU. The EUF has spent valuable time with legislatures and various advocacy groups to educate and advocate for them on the issues. This work is very positive for the receivables finance industry, financial institutions, and SMEs.

As I conclude this article and get ready to send it to Tanya and Gwendoline, I am on a short break with my family as my twin sons (Andrew and Jeffery) each graduated from university this past week. I think back to my graduation (a few decades ago) with the realization that completing my college degree was actually the beginning of my education. Education is so critical to the work that we do within FCI. It is that education that allows us to advocate for our members. I have learned so much in these first 6 months in my meetings with members, banking associations, EXIM Banks, and financial institutions. It is great to be back on this bicycle!



FACTORING EVOLUTION IN CEE, SEE AND THE MIDDLE EAST



MS. BETÜL KURTULUS
Regional Director CEE, SEE and the Middle East

According to a recent forecast by WTO economists[1], global goods trade is anticipated to rebound gradually in 2024 and 2025 after a contraction in 2023 driven by high energy prices and inflation. The volume of world merchandise trade is expected to increase by 2.6% in 2024 and 3.3% in 2025, following a 1.2% decline in 2023. Despite this positive outlook, risks remain due to regional conflicts, geopolitical tensions, and economic policy uncertainty. The report highlights that inflationary pressures are expected to ease, leading to real income growth, particularly in advanced economies, and boosting the consumption of manufactured goods. There are signs of recovery in demand for tradable goods in 2024, with indices of new export orders indicating improving trade conditions at the beginning of the year.

According to the Demica benchmark report 2024[2], Receivables Finance has emerged as the product with the highest growth potential within organizations, surpassing Payables Finance for the first time. Last year, 33% of respondents identified Payables products as having the highest growth potential. However, this figure has decreased to 27% this year. The shift in preference towards Receivables Finance is attributed to its ability to provide corporates with quick access to low-cost funding, particularly appealing in a higher interest rate environment. This trend is driven by higher demand from corporate treasurers seeking efficient financing solutions. Additionally, the report notes that while Payables Finance remains important, its utilization has decreased with falling inventory levels.

FCI's preliminary data would likely reflect similar trends in the receivables finance industry volume. The increase of +3.6% in 2023, following a substantial 18.3% increase in 2022, suggests a moderation in growth. This moderation could be attributed to various factors, including the geopolitical situation impacting global trade dynamics, as mentioned in the report.

THE CHALLENGES POSED BY GEOPOLITICAL TENSIONS CAN IMPACT TRADE FLOWS, LEADING TO CHANGES IN DEMAND FOR RECEIVABLES FINANCE SERVICES

We observe how these global trends affect its members and the broader industry. The challenges posed by geopolitical tensions can impact trade flows, leading to changes in demand for receivables finance services. Factors such as trade disruptions, changes in supply chains, and economic uncertainties in different regions can influence the volume and dynamics of receivables finance transactions.

Europe represents a more mature market where growth remains successful, and marketing expansion rates are

1 https://www.weforum.org/agenda/2024/05/global-trade-to-double-2024-imf-wto/#:~:text=World%20trade%20is%20picking%20up%20again&text=And%20the%20WTO%20projects%20world,a%20significant%20decline%20last%20year.

2 https://www.google.be/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.demica.com/resource/demicas-2024-benchmark-report-for-banks-in-trade-finance/%23:~:text%3DWe%2520are%2520pleased%2520to%2520announce,31%2520countries%2520around%2520the%2520world.&ved=2ahUKEwjQgpTHxK-aGAxVkogIHHQ4FDWoQFnoECBkQAw&usg=AOvVaw3FGve5MUnzAYkrQivwObvr

still at satisfactory levels. Moreover, within the Central and Southeastern European (CEE and SEE) region, there are countries demonstrating remarkable success in factoring and receivables financing turnover. Countries such as Poland and Turkey are leading the charge in infrastructure development, digitalization, and the enhancement of products offered to customers, thus propelling market growth trends. In addition to these, emerging players in countries like Ukraine and Georgia are carrying the flag for factoring and receivables finance despite the relative novelty of these financial instruments. High levels of investment in infrastructure and regulation, along with strong support from market players and educational efforts, are evident in these markets.

The MENA region has emerged as a key player in global trade, driven by recent geopolitical shifts. UAE and Saudi Arabia, particularly, are diversifying their economies beyond oil and actively supporting their non-oil trade exporters. I believe we will see this impact on receivables finance turnover in the region in the medium to short term.

FCI is leveraging this momentum by establishing the FCI Regional MENA Committee[3] with the support of regional members. We anticipate this initiative will facilitate closer and more efficient engagement with regional players, enabling FCI to provide more collaborative support for regional transactions. Our goal is to expand the committee's activities to encompass Gulf countries in the near future.

FCI IS LEVERAGING THIS MOMENTUM BY ESTABLISHING THE FCI REGIONAL MENA COMMITTEE WITH THE SUPPORT OF REGIONAL MEMBERS



3 https://fci.nl/en/regional-chapter

CONNECT

HOW DO YOU START DEVELOPING AN EXPORT FACTORING BUSINESS IN NEW MARKETS WITH NO EXPERIENCE IN THE SSEA REGION?



THOMPSON LUI
Regional Manager South
& South East Asia

The South and South-East Asian (SSEA) Region has mature markets and emerging markets. However, some nations are considered new ones with minimal to very little prior experience. One common factor is that almost all are export factoring focus for now. Export factoring can be a lucrative business venture, but developing this in new markets without prior experience can be challenging and sometimes even intimidating. However, with the right approach and strategies, you can successfully navigate such development paths to successful export factoring developments in new markets. Here's a guide to help you navigate this challenging but rewarding endeavour:

1. **Understand the Export Factoring Business**: Before entering a new market or developing a new product, it's crucial to have a solid understanding of how the export factoring business works. Familiarise yourself with the basic concepts, such as the role of exporters, importers, and factoring companies and the various types of factoring arrangements. Think of FCI Academy as your source of knowledge; there is no way around it. Education is mandatory.

2. **Research the Target Market**: Conduct thorough research on the target market to understand its dynamics, including the regulatory environment, competition, cultural nuances, and business practices. Identify key players in the market and assess their strategies and offerings. Suppose you read this article from countries like Bangladesh, Cambodia, New Zealand and the Philippines. In that case, you should spend ample time strategising your plans if you find regulations and guidelines from your central bank hard to locate or understand. FCI may be a good place to start.

3. **Build Relationships**: Networking is essential in the export factoring business. Attend industry events (receivables and factoring related), join relevant trade associations (export or industry-specific), and connect with potential clients, partners, and industry experts. Building strong relationships can open doors and provide valuable insights into the market.

4. **Offer Competitive Services**: To stand out in a new market, you need to offer competitive services that meet the needs of exporters and importers. This may include flexible financing options, quick approvals, competitive rates, and excellent customer service.

5. **Provide Value-added Services**: Consider offering value-added services that differentiate your offering from competitors. This could include credit risk assessment, collection services, and trade finance solutions tailored to the needs of exporters. What is your competitive advantage? Field or Industry specific?

6. **Adapt to Local Practices**: Each market has unique business practices and cultural norms. Be prepared to adapt your approach to align with local expectations. This may include offering local language support, understanding local regulations, and adjusting your marketing strategies.
7. **Utilise Technology**: Leverage technology to streamline operations and enhance service offerings. Invest in a robust factoring platform that allows for quick and efficient processing of transactions, as well as real-time reporting and analytics. Tech today saves costs and time as digitisation is the buzzword you often encounter.
8. **Provide Education and Training**: In markets where export factoring is poorly understood, consider providing education and training to potential clients. This can build trust and credibility and increase awareness of the benefits of export factoring.
9. **Focus on Customer Service**: Excellent customer service builds long-term client relationships. Ensure that your team is responsive, knowledgeable, and able to address any concerns or issues that may arise.
10. **Monitor and Evaluate**: Continuously monitor your performance in the new market and solicit feedback from clients and partners. Use this feedback to make improvements and refine your strategies.

In conclusion, supporting export factoring developments in new markets without experience requires research, networking, adaptability, and a commitment to providing excellent service. Following these guidelines can increase your chances of success in this competitive but rewarding industry.



A COHESIVE, THREE-LEVEL DEVELOPMENT PROCESS THAT SUPPORTS STAFF DEVELOPMENT

LEVEL 1st CAREER PATH
FOUNDATION COURSE ON FACTORING

LEVEL 2nd CAREER PATH
INTERMEDIATE COURSE ON FACTORING

LEVEL 3rd CAREER PATH
ADVANCED COURSE ON FACTORING

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CONNECT

UNLOCKING ECONOMIC GROWTH: INSIGHTS FROM THE FCI AFRICA REGIONAL CONFERENCE ON FACTORING, RECEIVABLES FINANCE, AND CREDIT INSURANCE



NASSOUROU AMINOU
Regional Manager Africa

On the vibrant canvas of Harare, Zimbabwe, the FCI Regional Conference on Factoring, Receivables Finance, and Credit Insurance illuminated the path towards economic empowerment in Southern Africa. Hosted by the African Export-Import Bank (Afreximbank) and FCI on April 22-23, 2024, the event welcomed over 200 participants from Zimbabwe, across the region and beyond.

Under the theme "Empowering Economic Growth Through Innovative Factoring & Receivables Finance Solutions," the conference provided a robust platform for industry leaders, government officials, and professionals to delve into the intricate factoring world.

The inaugural day commenced with opening remarks by Mrs. Kanayo Awani, Executive Vice President of Afreximbank and Chair of the Africa Chapter of FCI, alongside Mr. Neal Harm, Secretary General of FCI. Dr John Mangudya, Deputy Governor of the Reserve Bank of Zimbabwe, set the stage with an official welcome statement, emphasizing the pivotal role of financial innovation in driving regional prosperity.

Keynote sessions unveiled the current state of factoring globally and in Africa, highlighting challenges and opportunities. Presentations by industry experts elucidated the fundamentals of factoring and receivables finance, emphasizing its role in facilitating cross-border transactions and supporting SME growth with different topics: Mechanics of cross border Factoring and reverse factoring, Role of Import Factor and Export Factor, Towards a Facilitative Legal & Regulatory Environment for Factoring in Africa, Key Success Elements in Setting up Factoring Activities, The Best Practice Examples at the Country Level from Turkey & Egypt, Opportunities and Challenges facing the Factoring, Receivables Finance industry in the Southern Africa Region and Factoring as a Catalyst for Small and Medium Enterprises Development and Intra-African Trade.

The momentum continued into the second day, focusing on actionable initiatives and strategic discussions. Afreximbank spotlighted its initiatives for factoring, underscoring the institution's commitment to fostering financial inclusivity and intra-African trade. Panels explored the regulatory landscape and the role of financial regulators in promoting factoring, aligning with the vision of the African Continental Free Trade Area (AfCFTA). Practical insights were shared on setting up receivables finance platforms, drawing from the experience of industry leaders like EFCOM from Germany with the following topics: Afreximbank initiatives for Factoring, Discussion on how Financial Services Regulators can promote Factoring and exploit the opportunities brought by the AfCFTA, Setting up a Receivables Finance Platform, Factoring Experience in Southern Africa Region, a critical tool for providing liquidity and access to finance for SMEs.

A pivotal conference component was the credit insurance workshop, shedding light on the symbiotic relationship between factoring and credit insurance. Participants gained insights into

underwriting credit risk in the African context and discussed pragmatic solutions to challenges in obtaining credit insurance with a presentation on Introduction to Fundamentals of Credit Insurance & Mechanisms, The Southern Africa Experience: How to underwrite customer-debtor credit risk in Africa, Symbiotic Relationship between Factoring and Credit Insurance, Synergies of Credit Insurance and Factoring, Panel Discussion on Challenges of obtaining Credit Insurance in Factoring and Practical Solutions.

As the conference ended, Mr. Humphrey Nwugo, Regional Chief Operating Officer of Afreximbank, delivered closing remarks, encapsulating the spirit of collaboration and innovation that permeated the event. The discussions and insights gleaned from the conference serve as a beacon, guiding stakeholders towards a future where factoring, receivables finance, and credit insurance are instrumental in driving economic growth and fostering prosperity across Southern Africa.

In conclusion, the FCI Regional Conference on Factoring, Receivables Finance, and Credit Insurance in Southern Africa was not merely an event but a catalyst for change, igniting conversations and forging partnerships to unlock the continent's economic potential.



FCI REGIONAL CONFERENCE WAS NOT MERELY AN EVENT BUT A CATALYST FOR CHANGE, IGNITING CONVERSATIONS AND FORGING PARTNERSHIPS TO UNLOCK THE CONTINENT'S ECONOMIC POTENTIAL

CONNECT

WHAT WE CAN LEARN FROM THE DISRUPTIVE SUCCESS OF EVS



LIN HUI
Regional Director North East Asia

One day in late March, Neil and I were walking through the streets of Beijing, waiting for a traffic light to cross the pavement, when he muttered, "It's so quiet, just unbelievable." I suddenly realized that he was referring to the large number of EVs driving on the streets. The absence of noise from car engines has made the streets of Beijing much quieter.

Indeed, EVs are changing the world as we know it. It's also bringing a huge shock to the legacy automotive industry. What lessons does this disruptive force have for us?

Googling the history of electric cars, the first EV was born in the United States back in 1834. Interestingly, it is said that there had also been a surge in its development by the early 1900s. However, breakthroughs in combustion engine technology coupled with the alliance of the powerful petroleum industry brought the EV's progress to a standstill. Its range appeared limited to golf courses for a long time.

That is until Tesla came along and reversed the fortunes of the electric car. This disruptive power was born first and foremost from the Tesla team's reinvention of EVs, their strategic thinking and planning, and, of course, strong execution. Interested folks, I recommend you read an email from Musk titled "Tesla's Secret Master Plan". Let me excerpt the first paragraph here.

"As you know, the initial product of Tesla Motors is a high performance electric sports car called the Tesla Roadster. However, some readers may not be aware of the fact that our long-term plan is to build a wide range of models, including affordably priced family cars. This is because the overarching purpose of Tesla Motors is to help expedite the move from a mine-and-burn hydrocarbon economy towards a solar electric economy. Critical to making that happen is an electric car without compromises, which is why the Tesla Roadster is designed to beat a gasoline sports car like a Porsche or Ferrari in a head-to-head showdown."

By contrast, it's interesting to think about our overall objective, long-term plan, initial product, and benchmarking target.

As the car is for commuting, in the financial services industry, the provision of liquidity to businesses is an extremely vital area and an enormous market size. Amongst these, the factoring has suffered a fate much like that of the EVs, long in existence but late in going mainstream. Although many banks now claim to have factoring, but in the collateral-based lending culture, the concept of design is fundamentally different from that of a "pure EV". The change, I fear, will necessitate a disruptive force strong enough to make a difference. We need to look for the Tesla of our industry.

WE NEED TO LOOK FOR THE TESLA OF OUR INDUSTRY

In addition to Tesla, China is another crucial factor contributing to the disruptive success of the EV industry. Tesla's perfect combination with the Chinese market and Chinese manufacturing is what allowed Tesla to achieve its mass production milestones and financial profitability. More significantly, it has rapidly driven many followers and the emergence of the entire renewable energy industry, including batteries and power storage. The momentum of this disruptive new

force driving the global industry forward has become irreversible. Without change, the legacy automobile giants will be obsolete.

FCI has been in China for thirty years. While there have been many advances in China's factoring and supply chain finance markets over the past three decades, the "pure EV model" represented by two-factor business has yet to be mass-produced in China. We have almost all the major banks in China as FCI members, and their branch networks cover 95% of all companies in China. However, their two-factor business has long been limited only to export factorings. It is our first mission to break down the constraints, with the first nature principle, to reinvent two-factor business in the Chinese market, and to achieve mass production.

Critical to making that happen is reinventing a two-factor business without compromises and being able to beat all forms of secured lending in a head-to-head showdown in terms of performance and customer experience. In the past, two-factor business was not well received, and people thought it was not as straightforward and efficient as secured lending on its own.

IT IS OUR FIRST MISSION TO BREAK DOWN THE CONSTRAINTS, WITH THE FIRST NATURE PRINCIPLE, TO REINVENT TWO-FACTOR BUSINESS IN THE CHINESE MARKET, AND TO ACHIEVE MASS PRODUCTION

It's like the telephone network: where only a few people have telephones, having a phone is not much use to the user, but rather just a fixture. At that time, the telephone company is sure to lose money. However, when there is a certain amount of telephone ownership in an area, the network reaches its value.

Almost any new marketplace initially has a high unit cost before it can be optimized, and this is no less true for two-factor businesses. Our strategy is to enter a market with relatively high traffic density, where we have enough trading members willing to work with each other to build this service network for local sellers and buyers, which in turn allows us to tune its various properties to the customer's best satisfaction. Then, expand the market as fast as possible, increase the volumes and reduce the unit price.

At the take-off stage, the power consumption is maximal. If no target were in sight, any bank would find it hard to justify and fall back to secured lending. However, where the standardization of nodes reaches a certain level of capability, the network density and customer coverage exceed a threshold in a certain region, it comes to our cruising altitude to shake off all forms of secured lending in all dimensions of operational efficiency, customer experience, etc.

CONNECT

150 REPRESENTATIVES FROM THE EUROPEAN FACTORING MARKET MEET IN VIENNA



GWENDOLINE DE VIRON
Head of Marketing & Communication

On 21 and 22 March, FCI and The EU Federation for Factoring & Commercial Finance (EUF) hosted the 9th European Factoring Summit in Vienna, Austria. This ninth Summit provided a unique opportunity for Industry Leaders to network and address topics that matter to the Factoring Industry. The programme addressed the latest updates and promoted the impact of the Factoring and Commercial Finance Industry in Europe.

The event saw record numbers in attendance, with over 150 delegates from across the European industry. Over the two days, attendees listened to various speakers and panels. EUF presented the Preliminary Statistics and Figures for the Factoring Industry in Europe in 2023, with an increase of 2% compared to 2022, reaching EUR 2,44 trillion in turnover. When sharing the concentration of 2023 Factoring turnover, the top 5 countries, being France, Germany, the UK, Italy and Spain, held 71,4%. The Austrian market had a total volume of EUR 36,463 billion in 2023. Expressing that once more, the growth was higher by 1,61 % than the GDP growth of -0,8%.

Attendees heard reports from the EUF's ESG, Prudential Risk and Legal Committees. The presentations included the latest CRR reform / Basel III developments and the EBA Definition of Default (DoD). In the CRR Reform/Basel III, the update in the final text is that the mention of factoring among the "ancillary services" has been removed and that the mandate to study the eligibility of credit insurance as a CRM tool has been kept and extended to EIOPA but with a very short deadline. On the Late Payment Regulation, the EUF responded to the COM's call for evidence on the LPD review in March 2023.

Mr. Ignacio Tirado, UNIDROIT Secretary-General, shared updates on the launch of the UNIDROIT Model Law on Factoring; its success will depend on the implementation and that UNIDROIT is looking to expand its coalition of stakeholders to promote and implement the MLF.

Attendees then witnessed a panel discussion on Digital evolution in Trade and Commercial Financing and what to expect in the future.

During the panel discussion on Factoring for Sustainable Development, attendees could hear from Mr. Othmar Karas, Member of the European Parliament, via video message and Mr. Fabien Le Tennier from the EBA and other industry practitioners.

WE NEED TO LOOK FOR THE TESLA OF OUR INDUSTRY

Ms. Antonella Correra, European Commission Senior Policy Officer, shared a presentation on the EU Commission Proposal for Late Payment Regulation, highlighting the rationale and expectations. Ms. Correra explained that the three pillars of the LPD Revision include Clarity & Transparency, Enforcement, and Redress. The following panel on the same topic was lively, and having the European Commission, the factoring industry, and the trade industry on the stage resulted in interesting takeaways.

The presentations we had from the various speakers were very insightful, including UNIDROIT Factoring Model Law, the economy in CEE & SEE, the upcoming changes around AML/CFT and the opportunities and challenges of Factoring & Supply Chain Finance (SCF) in the age of AI.

The final panel, which looked at where the industry would be by 2030, gave attendees a hint about what to expect in the future.

All in all, the Summit was a great success, and FCI and the EUF thanked everyone who attended the event, including all the speakers, for their invaluable insights and knowledge sharing. FCI and EUF would like to thank the event Sponsors, Raiffeisen, CODIX, Comarch, Lendscape, Lenvi Riskfactor and Finwave, for their support, also extending a thank you to the event partners, EBRD, Österreichischer Factoring Verband, BCR Publishing, Global Trade Review, and Trade Finance Global.

FCI Chairman, Mr Çagatay Baydar, said this about the Summit: "What a wrap, the last two days have been extremely interesting. Seeing again so many faces at our European Summit is great. The topics covered are so important for our industry and networking was amazing to create new relations with other factors".

IT IS OUR FIRST MISSION TO BREAK DOWN THE CONSTRAINTS, WITH THE FIRST NATURE PRINCIPLE, TO REINVENT TWO-FACTOR BUSINESS IN THE CHINESE MARKET, AND TO ACHIEVE MASS PRODUCTION

EUF Chairman, Mr Fausto Galmarini, shared his thoughts on the Summit: "The EUF is very satisfied for the strong attendance of the Summit in which a lot of topics have been touched, starting from the Regulatory framework, to the digital innovation in the sector and the role of factoring in helping the businesses to manage the net working capital, giving a big support to the real economy. So wide participation give us further strength to continue the work for the success of our sector".



CONNECT

IMPORT FACTOR, A ROLE TO RETHINK.



ALBERTO WYDERKA
Regional Director Americas

The vision and strategy of our organisation cover different fields and aspects of the accounts receivable financing industry, but factoring between correspondents or Two-Factor systems is the heart and soul of FCI. This solution can only be offered by a bank or an NBFI to its clients if they are members of FCI and are part of our community.

Just as it would be unthinkable to carry out a factoring operation without the existence of a supplier and a buyer, factoring between correspondents would also be unimaginable without the participation of an Exporting Factor and an Importing Factor.

In this interaction of its participants, I want to focus on the Export Factor and the Import Factor.

I always thought that comparisons are hateful and often unfair, but sometimes, they have to be made.

If I were to ask which of these two protagonists is more critical for a factoring operation between correspondents, the answer would be, without elaborating, the Export Factor.

Of course, it is the one who generally originates the operation, who finds the exporter and brings him to the operation, solves the latter's needs, and generates profitability both for himself and for the Import Factor.

But if there were not an importer factor willing to assume and guarantee the importer's risk, perform the collection administration, and finally cooperate in the resolution of a possible dispute, there would be no factoring between correspondents.

Of course, the Export Factor could provide another export factoring service, the direct one, but that is different. The risks are more significant, and collection is less effective and secure, to mention just a few aspects.

So, who is the most important? It's like the chicken and the egg: who appeared first?

I believe both parties contribute with their specific roles so that a factoring operation between correspondents can be offered to an exporter and executed.

BOTH PARTIES CONTRIBUTE WITH THEIR SPECIFIC ROLES SO THAT A FACTORING OPERATION BETWEEN CORRESPONDENTS CAN BE OFFERED TO AN EXPORTER AND EXECUTED

Having resolved the issue in a Solomonic way, the question that arises is: why is there a greater propensity for our members to offer export factoring and much less to provide import factoring?

The reasons given by our members who do not offer import factoring are as varied as they are multiple. Pages could be written. But I want to stop at some of them, which I find the most significant and profound, and simultaneously give an opinion on them.

1. "The risks are different; if the importer does not pay, I must pay" Yes, of course.

Now, is this risk greater than granting another type of guarantee or an import letter of credit? I do not think so.

The argument that if the importer does not pay, the bank pays is valid, but 1. The bank pays when

it collects, not before, and 2. if the importer goes bankrupt or becomes insolvent, the bank pays 90 days after the due date, and in that time, many things happen. The bank can find actions that allow it to mitigate the impact of the importer's insolvency or bankruptcy. The entire guaranteed amount is not necessarily a loss; there is always the possibility of a partial recovery.

But to further support my statement, let's compare the coverage given by a bank through an import letter of credit opened by it. What happens if the opener of the letter of credit becomes insolvent or bankrupt? The paying bank debits the account of the opening bank and pays, with which the opening bank pays without appeal. The bank will have less than 90 days to try to improve its situation. Sure, I can be told that the bank will indeed have collaterals. It is true, but nothing prevents an import factor from requesting some additional collaterals if necessary, such as a "promissory note" or a shareholders's guarantee, for example, even though it is not recommended to do so. There is much difference between both cases.

NOTHING PREVENTS AN IMPORT FACTOR FROM REQUESTING SOME ADDITIONAL COLLATERALS IF NECESSARY

2. "It is very difficult to obtain financial information from the prospective importer, there is no credit bureau in the country."

It's true. It happens in many countries; in my Americas Region, I can give several examples.

However, with those importers who are clients with credit facilities granted, would it not be possible to risk cover them? Yes, of course. It might be possible that a client's line might be fully used, but is it also possible to enlarge it, perhaps with some additional collaterals? In other words, I do not deny the argument. However, more is needed to say that import factoring is not offered for this reason.

3. "The account officer says that the income is less than if we use the line of credit in another risky operation."

This means in another different direct credit operation, with very different risk, without the possibility of atomisation.

Import factoring is a different service/tool. In many markets, it is novel to assist importing clients who purchase on an open account. It is structured on the latter's purchase flow, not only on a specific operation/invoice as in the L/C's.

Now, Is the marginal income added to the risk coverage commission in the international factoring operation? Is the income arising from the exchange operation in countries whose currency is different from the dollar or the euro added to the total income of the transaction? Such revenues are often very significant. Also, considering that these transactions are related to a flow rather than an isolated and sole transaction such as a letter of credit, revenue is prominent. Let's do the right calculation, and many myths will probably fall.

We hear different reasons that attempt to justify why import factoring is not offered. However, each of them has risk and profitability arguments that make them not so blunt.

4. Safe environment and solid legal framework: are these aspects valued?

The General Rules for International Factoring (GRIF) provides a solid legal framework for the importing factor, clearly establishing his obligations and also his rights and protections against events that may arise in an operation. The requirements include the complete accuracy of the importer's data, the possibility of suspending coverage in the event of the financial deterioration

of the importer (complying, of course, with the procedures established by the GRIF, including notice time and acceptance of invoices already shipped), complete assignment, and the right to suspend coverage in the event of a dispute until it is resolved and then reinstate it for the resulting amount.

What can we say about the "edifactoring" operating platform with its rules, robust control, and monitoring environment?

5. The correspondent relationship that is developed generates new business opportunities between banks and clients and non-clients who, otherwise, the bank may not be able to approach, or the client directly rejects the approach. This is very different from an L/C, which is unique, as stated and is obtained if the importer approaches the bank. And why would this happen?

Import factoring generates a universe of opportunities that are only sometimes explored or exploited. It could benefit the importer by contributing to better financial management, allowing them to extend payment terms, buy more (more sales for the exporter), and make their local purchases more efficient and at zero cost. Without a doubt, it is a combo that builds loyalty for the importer, with a risk for the bank that is no greater than that of any other credit assistance.

The excellent and efficient service provided to the Export Factor will generate loyalty on its part, generating new business opportunities in the future.

Proximity to the importer allows us to measure their payment behaviour and anticipate possible problems through early warnings.

In a short time, we will meet in Seoul at our Annual Meeting, and Import factoring will be one of the central topics. Let's hope, beyond what has been said in this article, that our members will develop more appetite for these operations and begin to adopt the role of import factors.



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 395 members! We still have a lot of prospects that will soon join FCI.

Raiffeisen Bank
Разом з Україною

ASSOCIATE

UKRAINE

Raiffeisen Bank Ukraine was registered on March 27, 1992, and is the largest bank with foreign capital in Ukraine. The bank is also the largest foreign creditor for Ukrainian businessbusinesses and the largest humanitarian donor among Ukrainian banks. In October 2005, it became part of the Austrian banking group Raiffeisen Bank International AG. As of December 31, 2023, Raiffeisen Bank International AG owned 68.21% of the bank's shares, the European Bank for Reconstruction and Development - 30%. A wide range of banking services is provided to 2.65 million customers of Raiffeisen Bank in Ukraine through a network of about 300 branches throughout Ukraine, as well as and through the Raiffeisen Online and Raiffeisen Business Online applications and other remote channels 24/7.

Within the Trade Finance and Factoring Department, since 2008, Raiffeisen Bank Ukraine providehas provided a comprehensive suite of services, including domestic recourse and non-recourse factoring, domestic reverse factoring, bills of exchange, guarantees, letters of credit, and collections. Looking ahead, we are excited to enhance our offerings with international factoring, reaffirming our dedication to empowering businesses and driving economic growth.

Find out more about Raiffeisen Bank Ukraine by visiting 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.

EDUCATE

NAVIGATING THE FUTURE OF SUPPLY CHAIN FINANCE: A MASTERCLASS IN DIGITALISATION AND RISK MITIGATION



AYSEN ÇETINTAS
Education Director

In the beautiful city of Vienna, prior to the European Factoring Summit on 21st March, the FCI Academy, **in collaboration with Schumann**, organised a masterclass titled "De-risking Supply Chain Finance through Digitalisation." This exclusive gathering brought together leading industry experts and professionals eager to delve into the transformative potential of digitalisation and risk mitigation in Supply Chain Finance (SCF).

Unlocking the Potential of Digitalisation and Risk Mitigation

The masterclass spotlighted two critical facets of modern SCF: digitalisation and risk mitigation. Over the course of three immersive hours, attendees had the privilege of hearing insights from industry experts on harnessing the power of digital technologies to streamline supply chain processes, enhance visibility, and mitigate risks. The participants gained invaluable perspectives on how digitalisation revolutionises SCF practices, paving the way for faster, more secure, and more cost-effective transactions.

In an era marked by unprecedented volatility and uncertainty, the masterclass highlighted the importance of digitalisation in risk mitigation in SCF. Through engaging discussions and real-world case studies, participants gained a deeper understanding of the various mechanisms available for mitigating the risks within the Supply Chain Finance cycle.

A highlight of the masterclass was the interactive Q&A session, where attendees had the opportunity to engage directly with the speakers, pose questions, and clarify doubts. This dynamic exchange of ideas fostered an environment of collaborative learning, enabling participants to gain practical insights and build valuable connections within the SCF community.

Looking Ahead!

The collaboration between FCI Academy and Schumann paved the way for a future where digitalisation unlocks new opportunities and fosters businesses towards greater success.

In conclusion, the masterclass on de-risking SCF through digitalisation was a milestone event to the transformative power of collaboration, innovation, and shared expertise. As the SCF landscape evolves, FCI Academy continues to organise events like these, which serve as sources of inspiration, guiding industry professionals towards a future defined by resilience, agility, and prosperity.





SPYROS TSOLIS
Deputy Education Director

EDUCATE

EMPOWERING TOMORROW'S LEADERS: THE CRUCIAL ROLE OF SUPPORTING EDUCATION IN DEVELOPING COUNTRIES.

Education is not just a tool, it's a catalyst for social and economic development. It holds a transformative power, fostering growth and supporting change when its seeds are planted in fertile soil, like the minds of young professionals. Well-educated young professionals are not just crucial for innovation and entrepreneurship, they are the seeds of a brighter future, equipped sufficiently to secure better job opportunities, not only for themselves but also for future generations.

However, access to quality education is only standard for some. Disparities are faced due to factors like poverty, gender inequality, and inadequate infrastructure. In addition, such disparities create a skills mismatch between education and market demands, often hindering young professionals' ability to contribute effectively to their societies and economies.

In addressing these discrepancies, FCI Academy is delighted to collaborate with Lendscape, which is under the aegis of Lendscape's donor funding programme. This initiative is specifically tailored to grant young professionals access to FCI Academy's comprehensive range of educational offerings. These include courses in Factoring and Supply Chain Finance products, which play a pivotal role in stimulating economic growth. The main objective of this scheme is to increase accessibility to education and to support capacity building in developing countries by providing easy access to a variety of learning opportunities.

It is not the first time that Lendscape has offered such a valuable initiative. The first successful project was launched in 2017 and lasted for four years. During this period, more than 50 young professionals from developing countries across Africa & Southeast Asia were granted access to FCI Academy's e-learning courses, thanks to the donor funds from Lendscape. This new donor funding programme has a much wider coverage in regions, allowing applicants not only access to FCI Academy's specific e-learning courses but also to our online & onsite training events.

Lendscape's CEO, Kevin Day, said: "*Education stands as a cornerstone for sustainable growth and progress, serving as the bridge between potential and achievement.*



LENDSCAPE

Amidst the rapid evolution driven by technology, it is crucial to uphold the foundational principles of factoring and receivables finance. Empowering the next generation with essential knowledge and best practices not only ensures continuity but also cultivates a fertile ground for innovation and advancement.

At Lendscape, we acknowledge the pivotal role of education. We're proud to support FCI Academy and its mission to provide high-quality learning opportunities to the global finance and trade community.

FCI Secretary General Neal Harm said, "*Education is fundamental to our industry's growth and success. FCI provides inclusive and equitable learning for all. Through our strategic partnership with Lendscape, we aim to support those who are currently unable to access education, ensuring that everyone has the opportunity to thrive in the industry.*"

INFLUENCE

FACTORING IN VOGUE: THE SUCCESS STORY CONTINUES



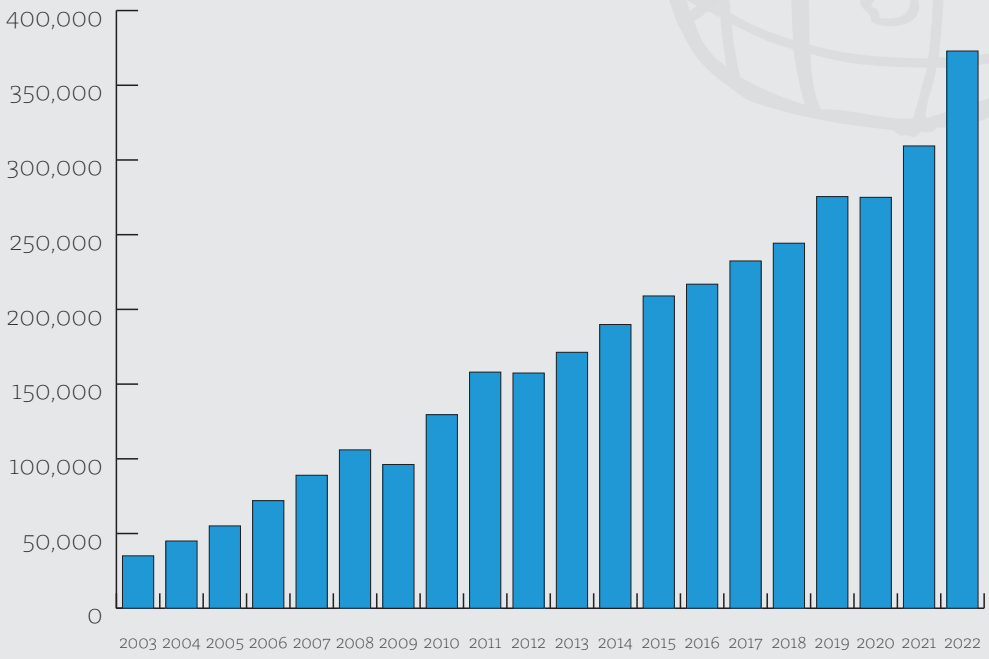
PHILIPPE OBERLEITNER
MD, NAVAX Software

In recent years, factoring has steadily established itself in the financial market in Germany and is enjoying growing popularity. Given the current volatile conditions, such as rising interest rates, inflation and an opaque political environment, the question arises about what the future holds for the factoring market.

The market trend over the last two decades

Looking at the development of factoring over the last 20 years, the market - measured by turnover volume - has increased tenfold, with steady growth recognisable, and this is particularly evident in the FCI chart:

Sales Volume of the German Factoring branch 2003-2022
in euros millions



Source: FCI

Record year 2022

The German factoring market recorded a record growth of 20.5% in 2022, corresponding to a total volume of €372.9 billion. This growth was primarily favoured by banks' reluctance to lend, which meant that alternative financing options such as factoring gained importance. Both national and international factoring grew strongly, with Eastern Europe, Benelux, Austria and the USA being important partner regions. The factoring ratio in Germany rose to 9.7% but still lags significantly behind other European countries. This suggests that there is still room for further positive developments and growth.

Solid revenue growth in the first half of 2023

The members of the German Factoring Association (DFV) recorded solid revenue growth of 5.7% in the first half of 2023 compared to the same period of the previous year, reaching €192.8 billion.

The national factoring business increased by 12.6% to around €142 billion. Despite rising insolvencies, the number of factoring clients remained stable at around 106,000. In contrast, the international factoring business recorded a decline of 9.7% to around €50.8 billion due to a fall in exports and orders from German companies.

Due to various challenges, DFV members are more cautious about the future, reflecting the uncertainty of energy prices, the shortage of skilled labour and increased investment costs. The above figures represent the German factoring market, with DFV members covering around 98% of the factoring volume organised by the association in Germany.

Factoring future prospects

The study published in January 2023 by the Bundesverband Factoring für den Mittelstand (BFM) provides insights into assessing future prospects. According to the survey, factoring will gain in importance in Germany, particularly among SMEs.

- Around 26% of industrial companies with a turnover of over €2.5 million are considering factoring as part of their financing strategy
- 37% see factoring as protection against bad debt losses. Factoring enables companies to sell outstanding receivables and obtain immediate liquidity.
- Factoring is seen as crisis-proof and adaptable, so its use is constantly growing, especially among larger companies.

Medium-sized companies are increasingly looking for quick and uncomplicated financing options. According to the BFM study, 18% of decision-makers in SMEs consider using factoring to increase their liquidity in the future - compared to 14% two years ago. The revenue-congruent principle of factoring is of particular interest in sectors such as import and export (78%), manufacturing (69%) and trade (58%). It offers an efficient financing option for growing companies and, at the same time, non-recourse protection against payment defaults (56%).

Success booster: strong IT solution for a growing market

HARDLY ANY OTHER FORM OF FINANCING CAN BOAST SUCH AN IMPRESSIVE SUCCESS STORY AS FACTORING.

Hardly any other form of financing can boast such an impressive success story as factoring. Nevertheless, not all factoring providers are benefiting equally from the boom. At the same time, requirements are increasing from all sides. The expectations of customers and legislators about user-friendly online applications for credit lines and the digital submission of invoices represent a significant hurdle.

The best way to benefit from the sustained factoring boom is to rely on a powerful IT solution. This solution must enable the complete mapping of the entire factoring business with maximum efficiency - from accepting factoring customers to payment transactions. This is because manual processes are no longer cost-effective as customers increase. You can find out more in this fact sheet.

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INFLUENCE

FACTORING AND SCF: CHALLENGES & OPPORTUNITIES IN MENA



GEORGE KOUKIS
Int. Bus Dev Director, Qualco

The Middle East and North Africa are recognised for their dynamic business environments for businesses with many economies at different stages of maturity and financial markets. Factoring and Supply Chain Finance (SCF) have become instrumental in helping companies manage their cash flows and finance their growth strategies. These financial services are pivotal in helping businesses manage cash flows and finance growth strategies. However, various obstacles must be addressed to harness these services' potential benefits fully:

- **Limited Awareness:** Limited awareness and understanding of factoring and SCF among businesses in the MENA region represent one of the fundamental challenges. Many companies, especially small and medium-sized enterprises (SMEs), are either unaware of these financing options or do not fully understand how to benefit from them. This lack of awareness is a significant barrier to adopting factoring and SCF solutions.
- **Regulatory Hurdles:** The regulatory environment for factoring and SCF varies significantly across the MENA region, with some countries offering a more conducive framework than others. In many instances, unclear or restrictive regulations can hinder the growth and effectiveness of factoring and SCF services, making it challenging for financial institutions to offer these products and for businesses to access them.
- **Market Perception and Trust**: Factoring and SCF often have a perception issue. They are viewed as last-resort financing options associated with businesses in financial distress, which can deter companies from exploring these financing solutions. Moreover, trust plays a crucial role in adopting SCF, particularly in the relationships between buyers, suppliers, and financiers. Building this trust within MENA's diverse business culture is vital.
- **Technological Infrastructure:** While technology has the potential to enhance the efficiency and accessibility of factoring and SCF significantly, the MENA region exhibits a varied landscape in terms of digital infrastructure and adoption. The lack of technological integration in financial services can limit the availability and effectiveness of these financing solutions.

The evolving economic landscape of the MENA region also presents numerous opportunities for the expansion and effective implementation of factoring and SCF, catalysing significant growth across various sectors:

THE EVOLVING ECONOMIC LANDSCAPE OF THE MENA REGION ALSO PRESENTS NUMEROUS OPPORTUNITIES FOR THE EXPANSION AND EFFECTIVE IMPLEMENTATION OF FACTORING AND SCF

- **Growing SME Sector**: The SME sector is an important component of MENA's economy, contributing significantly to employment and GDP. Factoring and SCF offer tremendous opportunities to support SME growth by improving their access to working capital and reducing cash flow uncertainties. Financial institutions that develop tailored factoring and SCF solutions for SMEs can tap into a vast and underserved market.
- **Economic Diversification Efforts**: Many MENA countries are actively working to diversify their economies beyond oil and gas. This shift creates opportunities for emerging-sector businesses, increasing the demand for innovative financing solutions like factoring and SCF to

support their growth trajectories.

- **Digital Transformation**: The digital transformation wave sweeping across the MENA region presents an opportunity to overcome some challenges facing factoring and SCF. Fintech startups and digital platforms are beginning to address the gap in awareness and accessibility, offering more streamlined and user-friendly financing solutions. These innovations can also facilitate better risk management and fraud prevention.
- **Cross-border Trade**: The MENA region's strategic geographic location as a trade hub connecting Asia, Africa, and Europe positions it uniquely to leverage factoring and SCF for cross-border trade financing. There is a significant opportunity to support the region's export and import activities, further integrating MENA economies into global trade networks.

Despite the challenges, the prospects for factoring and SCF in the MENA region remain promising. Proven platforms like QUALCO ProximaPlus, with customisable and intuitive interfaces, are well-positioned to transform this sector by enhancing user engagement and addressing educational barriers. With its capabilities in handling multiple languages and currencies, QUALCO ProximaPlus facilitates smoother transactions and compliance with local regulations, supporting economic diversification and SME accessibility to sophisticated financial products. This transformation will necessitate collaborative efforts among governments, financial institutions, and businesses, all enabled by advanced technology

QUALCO

INFLUENCE

THE FUTURE OF ABL RISK MANAGEMENT: SAAS TECHNOLOGY



ROSANNE DOYLE
Global Head of ABL/Factoring, Solifi

The ABL industry is increasingly concerned about risk; fraud, energy prices, inflation, compliance, and supply chain costs are all areas that can be challenging to manage.

Asset-based lending (ABL) organisations require cost-effective solid risk mitigation strategies that do not rely heavily on limited resources.

The solution? Technology.

SaaS technology platforms dominate lending, allowing quick and efficient data transfers between disparate systems. This technology is rapidly evolving to react to asset-based lenders' most common pain points. Cloud-hosted technology gives lenders the tools to work with, such as application programming interfaces (API) functionality, which permits different applications to share data and provide in-depth insights.

However, while these tools are readily available, ABL organisations are often not utilizing them to their full potential. This means they could be missing out on significant benefits of technology, which can streamline processes.

Automation is the strongest tool to combat fraud.

One of the biggest benefits of SaaS technology is that it supports managing the risk of fraud through automation. Automation saves invaluable time by reducing workload and mitigating risk more quickly and consistently. Many lenders still use manual processes that could be streamlined with automated SaaS technology.

ONE OF THE BIGGEST BENEFITS OF SAAS TECHNOLOGY IS THAT IT SUPPORTS MANAGING THE RISK OF FRAUD THROUGH AUTOMATION

Firstly, proper technology can efficiently secure the storage, management and analysis of large quantities of data. The more high-quality data lenders have access to in near-real time, the easier it becomes to recognise and react to potential threats. Automated systems can monitor transactions for anomalies, helping promptly detect and prevent fraudulent activities. Unusual activity is much clearer to identify when there is a significant amount of data to compare it to, but doing so manually is impossible.

Secondly, using APIs within a software solution is imperative in mitigating risk. Powerful SaaS ABL solutions with data integration further improve data management and identification of potential fraudulent activity, as the information can be quickly collated from various internal and external sources into easily accessible reports and dashboards. Through fully integrated systems, lenders can transfer data between internal and external systems securely and efficiently. Most importantly, with API integrations, processes like ineligible calculation, loan application and credit decisions are automated, minimising the risk of human error.

Automation can also help businesses mitigate fraud risk by alerting lenders of any unusual trends without manually analysing large volumes of data. This enables lenders to react to potential fraud much more quickly, removing the possibility of any suspicious activity being overlooked. Analysts can import monthly ageing reports from borrowers with accounts receivable automation

tools to calculate ineligible instantly.

Eliminate the risks of non-compliance

Fraud is not the only challenge ABL organisations face, as ensuring compliance can also be complicated. Evolving regulations, especially when working across multiple jurisdictions, can catch lenders out on compliance.

Utilising automated calculations enhances lenders' ability to adhere to compliance standards. Traditionally, credit decisions and calculations were reliant on manual data extraction and analysis, introducing the possibility of human error. Mitigating this risk is critical and can be effectively addressed with the proper software platform with built-in interest and fee calculation tools. Various complex calculations can be automated with technology, including collateral values, ineligible, advance rates, loan balances, line limits and sub-limits. Additionally, automation enables lenders to expedite the calculation process, saving time and speeding up the entire loan process, from account opening to approvals. Whilst this may not directly eliminate risk, it provides lenders additional time and resources to concentrate on other aspects of their business.

It all comes down to reporting.

Effectively reporting on compliance is a crucial part of risk management. To facilitate this, data needs to be easily accessible for lenders to inform stakeholders about loan performance and the financed sectors. Utilising software tools like a dashboard, which manages upstream and downstream data, allows lenders to capture, report, and identify key ratios that contribute to defining compliance. Using software that aggregates data, the information is directed to a data lake, allowing lenders to transform their data for various reporting needs. This approach grants lenders a 360-degree view of their data to evaluate financial and collateral risk and viability.

Overall, the best way to mitigate risk as an ABL organisation is to invest in the right SaaS technology, which ensures compliance, allows easy data management throughout the loan process and uses automation to flag any potential issues. Lenders leveraging a robust SaaS platform can protect their business from various risks while tailoring solutions to meet their specific needs.

solifi

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.

MARCH 2024

7 March | TFG Women in Trade, Treasury and Payments



Daniela Bonzanini, our previous Chairwoman, was selected as one of the outstanding women in the trade, treasury, and payments industry by Trade Finance Global (TFG) for their Women in Trade, Treasury & Payments 2024 campaign. FCI also attended the evening gathering where we heard from Ms Johanna Hill, Deputy Director-General at the World Trade Organization and Nusrat Ghani, UK's Minister of State Dept for Business & Trade and Cabinet Office.

21 March | EU Federation Council Meeting



The EU Federation (EUF) hosted its Annual Council Meeting in Vienna this year, prior to the 9th EU Factoring Summit. Neal Harm attended this meeting where it was announced, following the elections, that Mr. Fausto Galmarini, a member of the Executive Committee of Assifact, the Italian Association for Factoring, had been re-elected as EUF Chairman. At the same meeting, the EUF Executive Committee also re-elected Magdalena Wessel of DFV (Germany) and Vitor Graça of ALF (Portugal) as Vice-Chairs, further cementing and strengthening the organisation's highly knowledgeable and experienced leadership team.

24-26 March | Secretary General Korea Visit



Neal Harm & Lin Hui visited Seoul, Korea, back in March. While we were there, they invited members to a short meeting. The meeting provided an opportunity for them to connect and network and to discuss the FCI model & network, practices of factoring and Supply Chain Finance in Korea, the 56th Annual Meeting, and various other regional opportunities. While in Seoul, they both visited the hotel for the Annual Meeting.



26-28 March | Secretary General China Visit

Neal Harm & Lin Hui visited Beijing, where they met with the China Construction Bank, China Banking Association, and others. The two were also invited to join a private dinner with fellow industry peers.

APRIL 2024

7 April | TFG Trade Finance Talks Podcast - inclusive growth in the factoring industry

To better understand the principles of financial inclusion, equitable regulation, and sustainable growth in the factoring industry, Trade Finance Global (TFG)'s Deepesh Patel spoke with new FCI Secretary General Neal Harm. Listen to the podcast via https://lnkd.in/erCpVrgN



24 April | FCI Academy Tailormade Training – CBZ Holdings



Aysen Cetintas, Nassourou Aminou and Neal Harm went to CBZ Holdings in Zimbabwe to deliver a Training Workshop on Factoring to a team of over 50 people. The team covered various topics, including Introduction to Factoring, mechanics of domestic and international transactions, advantages for the involved parties and risk management overview. We look forward to seeing how this education further enhances CBZ's success.

25 April | FCI Academy Tailormade Training - Bankinter



We conducted a comprehensive 4-day training session for Bankinter, focusing on enhancing the skills of their Operations, Legal, Compliance, International Business, and Risk teams. The programme covered essential topics such as the FCI 2-Factor system, Legal and Operational frameworks, Sales strategies, and Risk management, delivered by Spyros Tsolis & Mónica Martín Blanco. With over 70 participants engaged, discussions delved into Factoring, Receivables and Payables finance components alongside real-world business scenarios. These interactions shed light on the challenges inherent in navigating a mature and competitive market landscape.



25 April | Berne Union Spring Meeting 2024

Our regional Director, Ms. A. Betül Kurtulus, joined and moderated the breakout session at the Berne Union Spring Meeting in Oslo, Norway, on 25 April 2024, bringing insights and expertise to the discussion. The Breakout Session on Factoring, highlighting Cooperation with Export Credit

INFLUENCE

Insurers, was a resounding success. Betul delved into diverse business models across countries, exploring nuances in credit coverage and financing for factoring companies. Additionally, insightful studies were also shared on various funding alternatives facilitated by factoring companies.

30 April | Legal Perspectives in Factoring and Supply Chain Finance



We, along with EBRD, TFP, and in collaboration with GIZ, delivered a targeted capacity-building event in Amman for the Central Bank of Jordan to explore the legal, regulatory, and operational intricacies of factoring and supply chain finance. By offering tailored insights into the operational dynamics of factoring, we aim to equip regulators with the knowledge necessary to foster its uptake and sustainable growth. Spyros Tsolis and Betul Kurtulus participated in the workshop as they jointly presented the fundamentals of Factoring & Receivables Finance, explaining the definitions, mechanisms and risk elements.

MAY 2024

13 May | Member Meeting – Kuveyt Türk Participation Bank



Betul Kurtulus visited Kuveyt Türk Participation Bank and held a highly productive meeting with the bank's team. She discussed the bank's short—and medium-term goals and investments in infrastructure and marketing, as well as its targets and achievements to date. Kuveyt Türk joined FCI in 2019 and has since been a strong advocate for the Islamic international factoring product, both within its organisation and through FCI. In 2021, its first year of operations, their deal was awarded the Best Deal of the Year. The team's professionalism and substantial product promotion investments have significantly benefited the bank's customer portfolio and Turkey's export sector. Their increasing transaction volumes are swiftly elevating their standing among correspondents.

14 May | EBRD Annual Meeting 2024



Çagatay Baydar was in Yerevan at the EBRD Annual Meeting, participating in the 2024 EBRD Trade Facilitation Programme Information Session. He shared our latest preliminary 2023 statistics in the panel discussion on the Development of Factoring and Supply Chain Finance, moderated by Irina Tyan, EBRD, alongside panellists Anzhela Barseghyan, ARMSWISSBANK CJSC; Kamola Burikhodjaeva, J.P. Morgan; and Tamara Khizanishvili, TBC Bank.

15 May | GTR KSA 2024



This year, we hosted fundamentals of factoring and an open account receivable finance workshop alongside GTR KSA. The workshop was designed to delve into the essentials of factoring and open account receivables finance, specifically concentrating on establishing robust open account trade finance and factoring operations within organisations. This workshop served as a developmental roadmap, offering insights into building such operations, complemented by enlightening case studies and success stories from various nations. Throughout the seminar, Spyros Tsolis and Doaa Hafez explored the nuances of SME financing and concentrated on how factoring and supply chain finance play pivotal roles in facilitating financing for SMEs. Furthermore, the workshop covered Islamic international factoring, explaining how it works and how to engage in open account transactions both with Islamic financial institutions and conventional ones.

22-23 May | BCR RFIx 2024



Our Secretary General, Neal Harm, spoke at the 2024 Receivables Finance International Convention, held from the 22nd to the 23rd of May in London and organised by BCR Publishing. Neal addressed various topics concerning the global factoring industry trends, including a retrospective analysis of 2023 trends and performance, regional opportunities for growth in Open Account trade finance, the performance of different receivables finance products, innovation in product development, and key trends for 2024/25 along with an assessment of the future.

21-23 May | Berne Union Prague Club Biennial Meeting 2024

Betül Kurtulus, Spyros Tsolis and Aysen Cetintas attended in the Prague Club Biennial Meeting hosted by Berne Union in Athens, on 21-23 May. Betül and Spyros, along with Alexandros Kontopoulos from NBG Factors, shared the latest factoring developments in a panel discussion. The conference for the global export economy, took place in Greece for the first time. The conference saw participation from 26 countries, all attending to discuss global synergies aimed at the development of international trade, export security, and strengthening the extroversion of enterprises.





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