

FCI

Facilitating Open Account – Receivables Finance

Annual Review 2024



FCI's 2024 Annual Meeting takes place in Seoul, South Korea. The cover shows a night view of Jamsil Railway Bridge crossing the Han River and Lotte World Tower in Seoul.
(Photo: © Richard Sharrocks / Moment via Getty Images)

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

FCI is building bridges:

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

Annual Review 2024

Content

Welcome | A New Chapter for FCI 2
Çagatay Baydar, FCI Chairman

Introduction | FCI Evolves with the Trade Finance Industry 4
Neal Harm, FCI Secretary General

FCI Vision Statement & Mission Statement 7

Roundtable Discussion | The Interconnection and Future of the recent Three Legal Factoring Initiatives 8
Richard Stehl, Marek Dubovec, S.J.D., William Brydie-Watson, Esq., Enga Kameni, Ph.D

Regional Updates
- **2023 Figures** 12
- **Legal, Regulatory and Advocacy** 13
- **Promotion and Awareness** 15
- **Membership Mobilisation** 16
- **Challenges** 17
- **Outlook 2024** 19
  - **Africa** | *Nassourou Aminou*
  - **Americas** | *Alberto Wyderka*
  - **North East Asia** | *Lin Hui*
  - **South and South East Asia** | *Thompson Lui*
  - **CEE, SEE and the Middle East** | *Betül Kurtulus*
  - **European Union** | *Fausto Galmarini*

FCI Academy | Building a Resilient Trade Environment: The Role of Education in Fraud Detection in International Factoring 20
Aysen Çetintas

GIAR | 2023 Global Industry Activity Report 22
Ciprian Radu

FCI Expressed in Figures 27
Ciprian Radu

Factoring Turnover by Country/Territory in 2023 29

Total Factoring Volume by Country/Territory in the Last 7 Years 31

FCI

Facilitating Open Account – Receivables Finance

A New Chapter for FCI

I wish to express my sense of pride in FCI's extraordinary efforts and accomplishments over the past year. Reflecting on our journey, we have navigated significant changes and challenges while making remarkable strides forward. From hosting several events in collaboration with our esteemed partners to engaging in meaningful discussions with our members, we have explored new ways to expand our reach and impact within our Industry and across the globe. Our dedicated team's collective embrace of change particularly reassures me. Their resilience and enthusiasm propelled us forward into this exciting new chapter for FCI.



Çagatay Baydar,
FCI Chairman

In September 2023, the FCI Academy introduced Specialised Courses to our On-Demand Programme, enabling prospective learners to start studying immediately, eliminating the need to wait for course start dates. We are proud to announce that we are educating thousands of students every year, providing accessible and flexible learning opportunities to a diverse range of individuals. As Chairman, I emphasise that education stands at the core of our mission, recognising its paramount importance in guiding our endeavours and shaping the future of our Industry.

The 55th Annual Meeting held in Marrakech in October 2023 was a great success, drawing over 200 attendees, including senior industry professionals. The event featured a comprehensive programme with contributions from more than 50 industry-leading experts, who shared invaluable insights on the latest trends, challenges, and developments in the Global Factoring and Receivables Finance Industry. Additionally, it provided a platform for delegates to engage with our incoming Secretary General, Neal Harm, ensuring a seamless transition and fostering collaboration for the future.

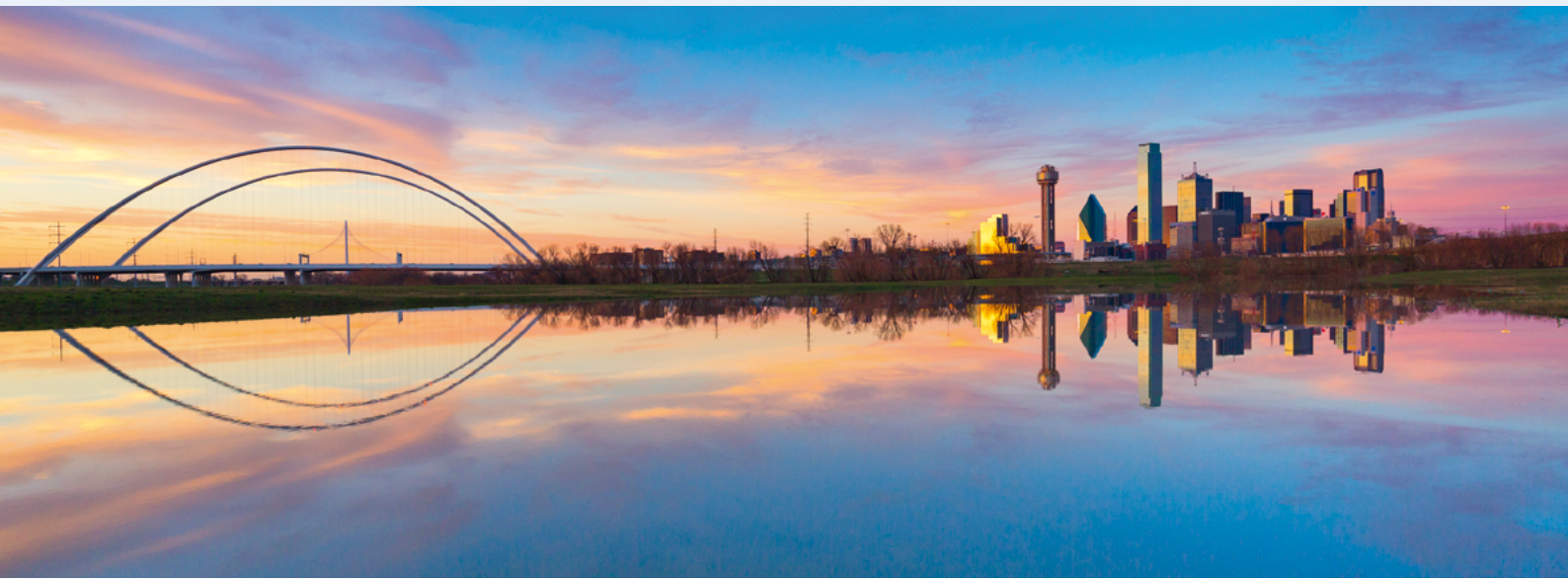
Secretary General Transition Period

The leadership transition within FCI marks a pivotal moment in our organisation's journey. With a new Secretary General taking the lead, we embark on a new chapter filled with exciting opportunities and renewed goals. Since assuming the role in March 2024, Neal has wasted no time making his mark. Building upon the foundation laid by Peter, Neal has swiftly implemented strategies to ensure a tangible return on investment for our members. By emphasising the value of FCI membership, he is dedicated to ensuring that every interaction with FCI delivers significant value to our members. Under Neal's guidance, we are poised to propel FCI further into the modern era, solidifying our position as an industry leader with a global impact.

The Importance of Cooperation with Regional Development Banks

FCI strategically partners with Development Banks such as the European Bank for Reconstruction and Development

The Margaret McDermott Bridge and the Margaret Hunt Hill Bridge, Trinity River, Dallas, Texas, USA.



(EBRD), the African Export-Import Bank (Afreximbank), the Asian Development Bank (ADB), the International Finance Corporation (IFC) of the World Bank Group, the Islamic Trade Finance Corporation (ITFC), and the Inter-American Development Bank (IDB). Our partnerships are focused on providing targeted support to financial institutions, governments, and central banks worldwide. We work towards promoting and educating people on factoring and supply chain finance. Our collaborations bring together industry leaders, banks, financial institutions, legal professionals, factoring companies, and governments to cover a wide range of topics. The ultimate goal of these partnerships is to advance financial inclusion in the countries we serve. I am grateful to these institutions, which we consider our business partners, for their contributions to our Industry. Explore our upcoming events by visiting our website and registering to see the significant impact our events have on knowledge, understanding, and expanding networks for our attendees.

Reorganisation of FCI

FCI has recently undergone a reorganisation and welcomed new Technical Committee Chairs and Members. The new Chairs are all highly motivated and eager to develop more projects with their respective committees. Technical Committees are crucial in advising FCI on projects contributing to the association's evolution. The four new Chairs, Mary Farley (Compliance), Monica Fernandez Barbero (Supply Chain Finance), Philippe Gresta (Education), and Richard Stehl (Legal), have been nominated and are already working alongside the current Chairs, Sevil Dinçer (Business & IT Solutions) and Chung Huei (Sarah) PON (Marketing & Communication). We congratulate them and look forward to working with them.

Additionally, FCI has introduced a few new Ambassadors for each region, representing the association and its values. FCI has established a new regional committee structure that considers the rapidly changing landscape of the trade finance industry, and is designed to address the diverse needs of our members and adapt to evolving market dynamics. The first regional committee has been established in the UAE as the Regional Committee for MENA. The committee upholds financial stability, prevents financial crime, and ensures regulatory compliance and ethical conduct within the region.

2024 and Beyond

FCI launched our SCF initiatives in 2019, with the launch of FCIreverse, FCIreverse consulting services, FCI SCF & Reverse Factoring E-learning course and the inclusion of SCF/Reverse Factoring in articles, events, and our website, for thought leadership. FCI is also a founding member of the Global Supply Chain Finance Forum (GSCFF), together with the ICC, BAFT, ITFA, and the EBA, we are able to help steer and guide the industry to new heights. Recently, we have taken steps to improve our SCF strategy. Neal joins FCI with significant experience in SCF with domestic and multinational banks, and we are optimistic that he will create a compelling and sustainable SCF strategy that meets our members' needs. Our commitment to providing our members with the best support and services in SCF remains unchanged.

Most recently, FCI played a supporting role in addressing the challenges of the EU Late Payments Regulation (LPR). The EUF shared suggestions and opinions on the Commission's proposal to regulate late payments in commercial transactions. They highlighted six key areas for improvement, including the need to retain or amend the Late Payments Directive. During the joint FCI-EUF 9th European Factoring Summit, Antonella Correra, European Commission Senior Policy Officer, shared a presentation on the EU Commission Proposal for Late Payment Regulation, highlighting the rationale and expectations. Correra explained that the three pillars of the LPD Revision include Clarity & Transparency, Enforcement, and Redress. On 23 April 2024, the EU Parliament (EP) adopted its position on the Late Payment Regulation (LPR) in plenary. The EP supported the idea that the payment term is fixed to 30 days for B2G, up to 60 days for B2B, and up to 120 days for certain goods, such as slow-moving goods. The consolidated document regarding the LPR and all the amendments adopted was published on 24 April 2024. We eagerly await the outcome and look forward to further developments in the Council.

At the 55th Annual Meeting, three initiatives were launched to revolutionise the factoring industry globally: the Factoring Model Law by UNIDROIT, the IFC/World Bank's Factoring Regulatory Guide, and the FCI Legal Study. These initiatives aim to boost the growth of factoring and receivables finance. A meeting with stakeholders will be held to discuss introducing these initiatives in markets that require legal and regulatory reforms, which will help expand factoring and receivables finance worldwide. In the roundtable discussion within this publication, Richard Stehl (FCI Legal Committee Chairman) discusses and shares more details on this subject with William Brydie-Watson (UNIDROIT), Marek Dubovec (International Law Institute) and Enga Kameni (African Export-Import Bank).

The last 12 months have been nothing short of transformative for our Industry and FCI members. With numerous changes and initiatives underway, we have much to look forward to at our upcoming Annual Meeting. Our programme is designed to help you easily navigate the future of Trade Finance, featuring industry-leading pioneers presenting and discussing crucial topics that will shape our Industry. With over 26 hours of networking opportunities, you'll have plenty of time to connect with colleagues and expand your professional circle. Don't miss out on our Annual Meeting or future events. I can't wait to see you there.

FCI Evolves with the Trade Finance Industry

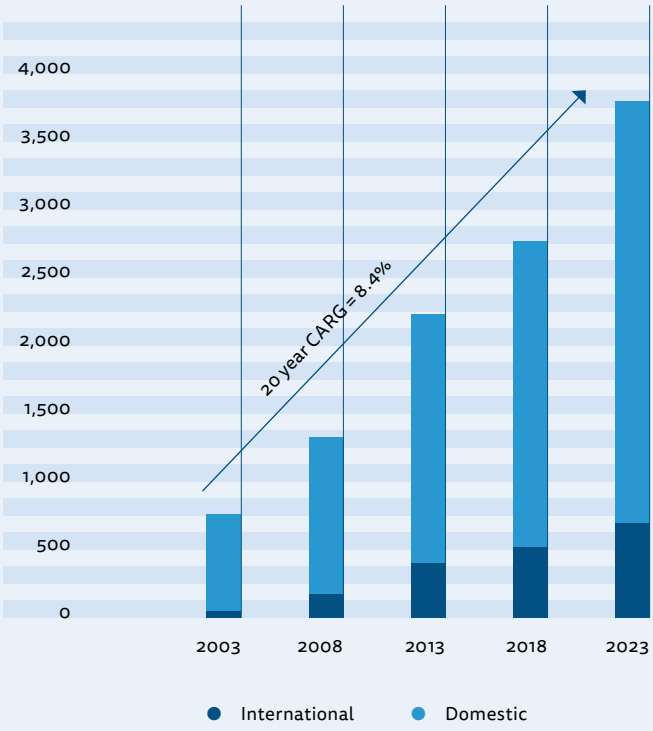
Founded in 1968, FCI is the global representative body for the factoring, receivables and supply chain finance industry, a global non-profit association based in the Netherlands, with almost 400 Members in over 90 countries. The past few years have brought their challenges, from the pandemic to supply chain issues to geopolitical stresses in various parts of the world. Although the pandemic has finally subsided at a global level, many challenges continue at a regional level, including interest rates and inflation that continue to impact specific markets. FCI dealt with several of its challenges in 2023, including the impact of Morocco's major earthquake just prior to the Annual Meeting in Marrakech. On top of these external issues and events, FCI underwent a significant change in the 4th quarter, with the election of a new Chairman and Executive Committee and the passing of the torch from one Secretary General to another. Despite these challenges, FCI continued to support its members during a period of growth in global factoring volume.



Neal Harm,
FCI Secretary General

On a personal level, I am honoured to take on the role of Secretary General. I have been a practitioner in the industry of working capital finance with a focus on International for over 30 years. I have been very active within FCI over most of those years, joining several working groups, being elected to the Executive Committee, and receiving FCI awards with various teams. Joining FCI in this new role gives me the opportunity to work with global members and associations to advance the role of FCI in every market. I took on this challenge because FCI has excellent growth opportunities and I look forward to deepening and expanding FCI's market. My focus within FCI is ensuring that everyone on the team is focused on our Member's Return on Investment. For our members, I want to make sure that every member is capitalising on FCI's advocacy, education, global network of trade, and working capital institutions.

Global Factoring Volume Evolution 2003-2023 — in billions of EUR

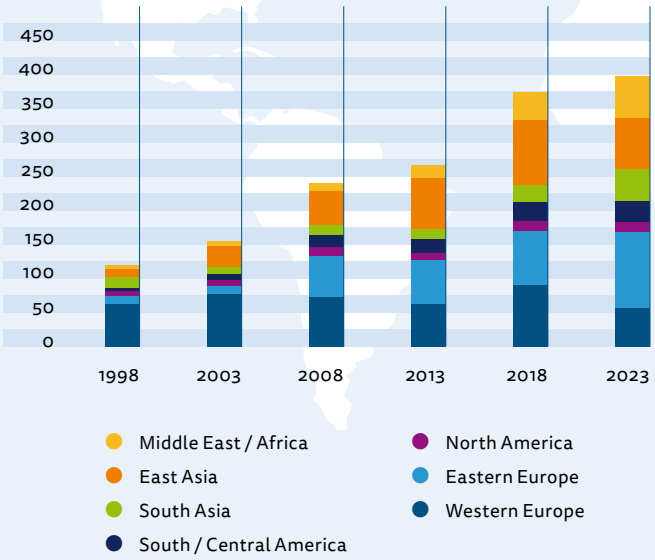


As I have taken the role of Secretary General, I see the challenges that we face as an institution with 56 years under our belt, but more importantly, the opportunities that are being presented to FCI, like India developing the Gujarat International Finance Tec-City (GIFT City), Africa rolling out the Model Law on Factoring, Asia developing various supply chain finance platforms, development banks coming to FCI to grow emerging markets with them, and FCI through EU Federation (EUF) taking a lead on addressing the Late Payment Regulations in Europe. Each market has a different need, and FCI is equipped with the talent and resources to support those needs for its Members. It is important for FCI to leverage and expand its network to continue supporting and developing business for its members. This focus, and several new initiatives will be touched on in this report.

The Global Factoring Market

As was predicted in last year's report, 2023 volumes slowed from the prior two years. However, the world factoring statistics indicate that the 2023 volumes in factoring and receivables finance witnessed a continued growth trajectory,

Evolution of FCI Membership 1998-2023



increasing by +3.6%, which comes off the heels of two consecutive solid growth years in 2021-2022. Compared with the previous year's EUR 3,659 billion, the 2023 estimated volume of EUR 3,791 billion represents the industry's third straight year of growth, albeit a slowdown compared to the tremendous post-pandemic bump. In fact, 2023 can be considered a more traditional year, as we swing back to normalised single digit increases.

Membership

FCI has evolved as an association, increasing from more than 100 members 20 years ago to almost 400 today. Back then, over 45% of our membership was based in Western Europe and almost exclusively limited to traditional two-factor Members; however, that figure stands at 17% today. At the time, the Asia Pacific region accounted for only 5% of membership, but today, it is 24%. FCI added 31 new memberships in 2023 - below the 2019 peak where 45 new members were onboarded; the growth in new memberships has improved after suffering the lingering impact of the global pandemic. Regarding member retention in 2023, FCI had 26 terminations reported for the year, compared to 14 in 2022. The composition of new members in 2023 continued from affiliate members, with over 70% joining FCI from emerging markets. This trend has been occurring, especially in the past decade.

Along with the evolution is the continued growth in Affiliate, Sponsor, and Partner Members. Organisations and Financial Institutions see the value or the Return on Investment as being associated with FCI. FCI is a thought leader in open account trade receivable finance, which is evident in the continued growth in the Membership. For this reason, the Executive Committee is embarking on a strategic review of the needs of FCI Members that will be concluded later in 2024.

2023 Initiatives

Impact of Digitalisation and Technology

Technology took centre stage within FCI over the past two years, which resulted in one of the biggest projects in FCI's history, an investment of nearly EUR 1 Million to build the new edifactoring 2.0 platform. Since its launch in April 2022, FCI has been making steady improvements to it, and the users' feedback has been positive. FCI also invested significantly in its internal accounting and treasury functions by implementing an internally controlled bookkeeping system, bringing all the bookkeeping activities in-house for the first time and implementing a new invoice approval system called 'Zenvoice', which will ensure that all invoices are approved within the Secretariat in an automated fashion to include the responsible party overseeing the expense, ensuring four eyes principle. This process will allow FCI to have better control between the bank accounts, credit card activities, and other systems that will all be seamlessly and automatically directed to the proper GL accounts in the new accounting system.

The global tech advancements have changed FCI's Membership composition over the years. FinTechs and other technology firms have become a big part of FCI's ecosystem. The technology firms include fraud/risk prevention, digitisation, collateral registries, and alternative finance solutions. Financial Institutional Members are embracing the technology and thought leadership these Sponsor and Partner Members bring to FCI. Events have become more engaging across the Membership with these firms, along with related whitepaper and joint interviews with trade-related publications.

FCI also witnessed an increased interest in developing receivables marketplaces wanting to join FCI, as more companies are engaged in providing debt capital to the industry. Small and midsize businesses (SMEs) gain access to working capital by presenting invoices to a global network of institutional buyers who buy receivables via a real-time marketplace. The concept was an alternative to traditional factoring as we know it today. The technology has improved to such an extent that a number of new players are now emerging, especially in India and Singapore, and FCI is helping to lead the way.

African Development Bank (AfDB) Grant

FCI continues to support the deployment of the special purpose grant authorised by the African Development Bank (AfDB) to deploy capacity building in the emergence of factoring in Africa, ultimately benefiting SMEs across the continent and buyers across the globe. The project was to help upgrade and provide

consultancy services for the capacity building of emerging and established factoring firms in Africa, developing sustainable knowledge, and building a new learning platform in Africa.

The grant includes advising start-ups in the factoring space. It also provides advisory and mentoring services. In the past year, it helped support the organisation of conferences and workshops across Nigeria, Senegal, and Morocco to train and sensitise future factoring users, commercial banks, and government officials. It provided needed scholarships to various members and stakeholders in Africa, allowing them to enrol in the FCI Academy's online courses. It also included funding for entrance into the FCI-Afreximbank 'Certificate of Trade Finance in Africa' (COTFIA) programme, a one-year highly specialised hybrid education experience orchestrated by the Afreximbank and partly led by the American University in Cairo. In addition, through the grant, Afreximbank and FCI organised a major event on factoring under the AfCFTA at the Inter-African Trade Fair in Cairo, Egypt in November. The grant went live on the 1st of February 2021 and ended on the 31st of December 2023.

Supply Chain Finance and the FCIreverse Project

FCI has made investments in the FCIreverse platform to support supply chain finance with its initial launch in 2019, but of course, it was stymied from the pandemic. Over the past 5 years, the product has evolved globally with more and more financial institutions and technology companies getting more involved, which has led FCI to reorganise the SCF committee and refocus its efforts on the core of FCI's traditional 4-corner model. In this model, which leverages the two-factor system, the export factors around the world can support the anchor buyer's FI, by educating the supplier on the many benefits reverse factoring offers, signing a local factoring contract with the supplier, providing Know Your Customer (KYC)/Anti-Money Laundering (AML) guidance, and potentially funding against assigned receivables.

The Evolution of Receivables Registries

FCI also witnessed an increased interest in the development of receivables registries. However, there is a hesitation in some markets due to the risk of financial institutions perfecting their rights to the invoice as an asset. The focus and push within the private sector have caught the attention of several central banks and regulatory agencies. The ability for financial institutions to publicly register their debt or ownership against a company's trade receivable as an asset is a critical step for a market to provide security around the trade receivable.

Advocacy

FCI has worked diligently on launching three significant initiatives, each announced during the 55th Annual Meeting in October 2023, namely the UNIDROIT Model Law on Factoring, IFC/World Bank's Factoring Regulatory Guide, and the FCI Legal Study. The purpose of the Model Law is to provide an instrument for States that want to introduce a new factoring law or update their existing laws. The Model Law was first initiated in 2019 by World Bank representatives who recognised the importance of a standalone Model Law on Factoring, especially for those emerging markets who are considering introducing factoring in their countries. The Factoring Model Law Working Group is working towards a pragmatic yet flexible approach to capture the intricacies of factoring transactions while maintaining legal accuracy in the drafting process to cover a variety of open account arrangements, such as factoring with or without recourse, reverse factoring, non-notifiable factoring, etc. It is emphasised that providing such legal clarities to a comprehensive spectrum of factoring transactions would boost investor confidence and thus promote easier and greater access to credit.

Islamic International Factoring

FCI's recent strides in Islamic international factoring marks a milestone in the realm of global finance. Through a collaborative effort with key stakeholders, including the International Islamic Trade Finance Corporation (ITFC), FCI has developed a comprehensive set of rules tailored specifically for Islamic factoring. By signing a Memorandum of Understanding (MOU) with ITFC and convening a virtual meeting of the Islamic Factoring Chapter, FCI aims to attract more Islamic Banks and NBFIs, fostering broader membership and catalysing substantial growth in Islamic factoring worldwide.

This initiative not only promotes Shariah-compliant financial markets and instruments but also underscores the importance of adapting regulatory frameworks to accommodate Islamic finance principles, thus bolstering cross-border operations and enhancing the resilience of the international finance system. Onboarding more Islamic Finance Institutions (IFIs) into the FCI network will contribute significantly to developing Shariah-compliant financial markets and monetary instruments, fostering innovation and stability while facilitating seamless cross-border operations.

Furthermore, with enhanced communication facilitated by FCI, the turnover of Islamic international factoring is expected to experience notable increases in the years to come, reflecting the growing significance of this sector in the global economy. FCI has witnessed several Islamic factoring transactions the last year.

Conclusion

FCI underwent significant leadership change in 2023 and entering 2024, both in the Secretariat and the Executive Committee. Everyone across FCI has embraced these changes, showing the resilience of the infrastructure and membership. FCI is evolving along with the trade finance industry, helping close the existing trade finance gap.

FCI Vision Statement & Mission Statement

FCI Vision Statement

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

FCI Mission Statement

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

FCI is the Global Voice for Open Account Receivables Finance:

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

Night view of Seoul, South Korea.



The Interconnection and Future of the recent Three Legal Factoring Initiatives

Critical to the global acceptance and expansion of factoring and the financing of open account trade receivables is an in-depth understanding by market participants of the legal and regulatory framework in each country where such transactions are sought to be conducted. With this in mind, FCI announced the results of its Legal Study at FCI's 55th Annual Meeting in Marrakech on 30 October 2023. The Legal Study was built upon a comparative legal study for the factoring and commercial finance industry, conducted in 2013 by the European Federation for the Factoring and Commercial Finance Industry (EUF), covering 27 European Union countries and six benchmark markets. Guided by Mr. Yuce UYANIK, a member of the FCI Legal Committee, FCI issued detailed legal questionnaires to FCI members in an additional sixty (60) countries outside of the European Union, with responses from fifty-eight (58) countries received and analysed. The combined Legal Study covers ninety-one (91) countries– the most extensive and comprehensive legal study of factoring and trade receivables finance. Useful topics surveyed include Local Regulations, Electronic Communications, Prohibition Against Assignments, Disputes, Force Majeure, and many other important legal issues which vary from country to country. The Legal Study results are presented in summary fashion, with the quantitative answers presented in pie chart representations reflecting percentage responses from all countries, supported by insightful charts detailing responses to survey questions from each participating country. The appendix to the study contains reproductions of the actual questionnaire responses from each country for users who wish to obtain specific information from a particular country.

Richard Stehl (RS), Chairman of the FCI Legal Committee, discussed the FCI Legal Study with the following prominent factoring experts (from left to right):

- **Marek Dubovec, S.J.D. (MD),** Director of Law Reform Programs, International Law Institute
- **William Brydie-Watson, Esq. (WB-W),** Senior Legal Officer, UNIDROIT
- **Enga Kameni, Ph.D (EK),** Senior Manager (Legal Services), African Export-Import Bank



Richard Stehl, Chairman of the FCI Legal Committee

RS: Recently, in 2023, we witnessed the introduction of three powerful initiatives for receivables finance: FCI's Legal Study, UNIDROIT's Factoring Model Law and IFC's Knowledge Guide on Factoring Regulation and Supervision. What are your thoughts on the synergistic impact of these three initiatives on the factoring and receivables finance industry?

MD: Over the last two decades, law reforms changing private law rules have not delivered the desired economic benefits, including increased receivables finance activity. Regulatory and practical challenges must be addressed at the same time. Each of the three documents addresses a specific aspect of an ecosystem conducive to receivables financing transactions. International financial institutions that support reforms should make all three papers part of the reform projects.

WB-W: The FCI Legal Study, UNIDROIT Model Law on Factoring, and IFC Factoring Regulation Knowledge Guide are well positioned to have a solid complementary impact on global factoring practice. As a starting point, the UNIDROIT Model Law on Factoring provides an international standard for countries looking to improve their legal framework to facilitate factoring and receivables finance. The IFC Knowledge Guide provides corresponding guidance on regulation, supervision and licensing. These two instruments are designed to work together - Annex I of the IFC Knowledge Guide even contains a factoring law template structure that incorporates the elements of the UNIDROIT Model Law on Factoring and the IFC Knowledge Guide.







The FCI Legal Study then provides a comprehensive and detailed comparative study on the current state of factoring law and regulation in 91 countries. This valuable data will allow the factoring industry to assess how domestic legal and regulatory regimes compare to international standards and identify those areas where legal and regulatory reform are most needed to strengthen factoring practices and increase global factoring volumes.

EK: 2023 marked an important turning point in the global factoring industry, especially from a legal perspective. The UNIDROIT Factoring law harmonises international best practices into one document. The deliberations were transparent and inclusive and gave a sense of ownership to industry players rather than to bureaucrats. The Legal Study also provided valuable insights into critical legal issues to be considered in factoring transactions. The overarching conclusion is that legal and regulatory issues play a fundamental role in the continuous growth and development of factoring. I would like to point out that before the UNIDROIT Model Law, the African Export-Import Bank (Afreximbank) had been at the forefront of the promotion of a facilitative legal and regulatory environment for factoring to thrive. Afreximbank's efforts culminated in the launching of the Afreximbank Model Law on Factoring in 2016, which has been adopted by many African countries, notably Mali, Togo, Burkina Faso, Niger, Côte d'Ivoire and The Republic of Congo. Some African countries, such as Egypt, have used the Afreximbank Model Law as a guide in developing local laws, while others are at different stages of adopting the law. The UNIDROIT Model Law complements Afreximbank's support of the creation of enabling legal and regulatory reforms, which has been evolving for more than 15 years now.

RS: The FCI Legal Study highlights the growing acceptance of electronic communications, invoicing and signatures. While these have certainly contributed to the ease and convenience of the execution of factoring transactions, do you see any challenges associated with them?

MD: Digitalisation and technologies present opportunities, but challenges must also be carefully addressed. For instance, many jurisdictions recognise electronic invoices as assets that embody the receivable. Thus, their holders may acquire rights to the receivable. The rights of these holders may conflict with factors that perfected their transfers by registration. Another challenge arises when a factor acquires receivables on a digital platform, assuming that recording of the transfer on the platform protects it against competing claims. Laws need to specify what rights transfers of electronic invoices, whether or not on platforms, convey on transferees. While digitalisation and technologies undoubtedly streamline the processes within the relationship between the factor and assignor, they may also generate legal uncertainty.

WB-W: The transition to fully electronic factoring practices continues apace across the world. However, this transition has not been smooth in all countries, especially in legal regimes where it is unclear whether electronic documents are legally equivalent to paper documents. The UNIDROIT Model Law on Factoring is technology-neutral. It does not provide any particular standards on how transfer notices of payment instructions must be made, allowing for electronic communications, invoicing and signatures (to the extent the implementing country's general law permits them). Further, the Model Law does require enacting countries to establish an electronic registry for the registration of notices regarding the transfer of receivables. It does not contemplate countries establishing a paper-based registry.

It should also be noted that UNCITRAL has adopted several international standards designed to facilitate the use of communications technology to create new opportunities for trade, including the UNCITRAL Model Law on Electronic Commerce (1996), the UNCITRAL Model Law on Electronic Signatures (2001), the United Nations Convention on the Use of Electronic Communications in International Contracts (2005) and the UNCITRAL Model Law on Electronic Transferable Records (2017). These instruments help guide both countries and private parties on the rules for equal treatment of electronic and paper-based information and legal recognition of electronic transactions and processes.

EK: Yes, I see several challenges. Notably, internet penetration is not the same for all continents. E-signatures and e-invoicing require fast and uninterrupted internet connections. Inaccessibility may stymie total acceptance of these new methods of consummating factoring transactions. In addition, electronic transactions increase the possibility of fraud, particularly with respect to the potential forgery of signatures and invoices. Not all factors have sufficient technology, internal controls, or procedures to detect fraud.

Furthermore, many factors must invest in and develop technological and other infrastructure to adapt and transact business electronically. Though this may be a short-term problem, it would still affect prospective and emergent factors, especially from a cost perspective. Lastly, using e-signatures to create a valid and binding contract can be challenging, raising significant legal issues, particularly if an e-invoice or e-signature is disputed in a jurisdiction with underdeveloped or emerging legal and regulatory frameworks for electronic communications.

continued on page 10

RS: The FCI Legal Study reports that, in many cases, the resolution of a dispute in a lower court can take up to two years, with an additional two years to resolve an appeal from a lower court ruling. As the Legal Study also confirms that arbitration and mediation are available in most countries, do you see these methods as more expedient and efficient for resolving disputes? Are there any impediments to employing these methods?

MD: Arbitration and mediation are more expedient methods of resolving disputes, but they may be costlier. Technology has created even more efficient and less expensive online dispute-resolution mechanisms. Enforcement and resolution of disputes is less of a concern to a factor purchasing a receivable than to a lender financing inventory or other hard assets. A predictable legal regime, along the lines of the UNIDROIT Model Law on Factoring, reduces legal risks, including disputes, by providing a transparent source of information to resolve conflicting claims – a factoring registry.

WB-W: Dispute resolution and enforcement remain an issue in many countries, even where recent regulatory and private law reforms have taken place. Efficient dispute resolution and enforcement regimes remain essential to expand global factoring practices, as parties are unlikely to buy receivables and expand credit if they are not confident they will be able to enforce their legal interest if a dispute arises. Whether judicial processes, arbitration or mediation provide the most efficient and cost-effective mechanism for parties to resolve disputes will vary between jurisdictions. The continual increase of ratifications of the 2018 United Nations Convention on International Settlement Agreements Resulting from Mediation (the Singapore Convention) which now has 56 signatories and 14 States Parties is a strong indication that mediation will play a more central role in resolving disputes in coming years.

EK: Arbitration and mediation certainly may be quicker and more efficient. However, factoring is specialised, and there may need to be more arbitrators and mediators available who fully understand the complexities of factoring. I am concerned that there may be a significant lack of knowledge and expertise of the subject by persons willing to serve as arbitrators and mediators, particularly in emerging jurisdictions. Many may need to be more familiar with the conceptual underpinnings, conduct, and operationalisation of factoring. In addition, many countries do not presently have a robust and developed mediation and arbitration system. Industry players may be willing to adopt arbitration and mediation but may be challenged where there is no existing infrastructure.

RS: The majority of countries participating in the FCI Legal Study report that international conventions, such as the UNIDROIT Convention on International Factoring, the United Nations Convention on the Assignment of Receivables in International Trade and the United Nations Convention on Contracts for the International Sale of Goods have not yet been adopted as part of their respective country's laws. As each of these international conventions has specific valuable contributions to facilitate international trade, in your view, what is the best way to encourage wider adoption of all or significant portions of these conventions?

MD: Each of these three conventions makes a different contribution. The Vienna Sales Convention is one of the most successful commercial law treaties ever, as evidenced by its ratification in 97 States. The UNIDROIT Convention is considered outdated and applicable only to a narrow set of factoring transactions. Its further ratification should not be encouraged. The UN Receivables Convention became the backbone of the UNIDROIT Model Law on Factoring by addressing several critical aspects of international assignments of receivables and international receivables. Collective efforts should be shifted to promoting the implementation of this Model Law that would render the ratification of the two treaties governing assignments of receivables redundant. We should avoid creating conflicts and overlaps when multiple laws may apply to a receivables finance transaction.

WB-W: The UNIDROIT Convention on International Factoring (1988) and the United Nations Convention on the Assignment of Receivables in International Trade (2001) are crucial instruments designed to facilitate global factoring transactions and would undoubtedly have done so if they had been widely implemented. However, it is reasonable to conclude that neither treaty has yet had the desired effect in harmonising international private law, having only attracted nine and two States Parties, respectively.

Legal reform is a challenging exercise in many countries and often takes years. Two possible strategies might assist in encouraging widespread adoption of international standards. First, it is suggested that promoting "soft law" instruments such as the UNIDROIT Model Law on Factoring might be more effective as an initial step towards implementing international standards. The Model Law on Factoring provides a more flexible instrument for countries to consider, as it doesn't require countries to agree to every provision or undertake a treaty ratification process. Despite having only been launched in October 2023, the Model Law on Factoring is already achieving some success, as it is in the process of being implemented in several countries across the world, including Malaysia, the United Arab Emirates and Ukraine. A second strategy would be to promote international instruments with

a focus on the concrete economic benefits that implementation will bring to countries rather than a focus on the technical legal rules (which can be analysed once a policy decision has been made to implement the instrument). The factoring industry is particularly well-positioned to undertake this kind of advocacy.

EK: The first step is continuous education and training to build capacity. Evidence has shown that such conventions are quickly adopted when regulators and law makers understand them. Organisations leading these adoption efforts should always include participants from different parts of the world involved in law reforms in their respective jurisdictions, many of which may already be studying or attempting to implement these conventions. Such inclusion will ensure that there is global ownership. Participants would be able to provide local knowledge and expertise, which would be helpful in the deliberations and adoption processes.

RS: Finally, what would you like to see expanded upon or covered in the next FCI Legal Study?

MD: As the primary audience of the Legal Study is the factoring industry, the topics covered provide helpful information. One aspect that may be expanded upon is the legal and regulatory updates. For instance, the Legal Study notes adopting factoring laws in Africa. However, a law not based on an international standard may become an obstacle to factoring. These updates could highlight some core elements of newly adopted factoring laws and regulations, assessing whether those features are conducive to factoring transactions.

WB-W: There are two initiatives that I would encourage the FCI Legal Committee to consider undertaking to build upon the success of the FCI Legal Study. First, I suggest that the FCI Legal Committee could consider using the data from the 2023 Legal Study to prepare an assessment of whether the legal and regulatory rules in the 91 countries covered by the study are compliant with the core rules of the UNIDROIT Model Law on Factoring, and the core policy recommendations of the IFC Knowledge Guide. This initiative would have several benefits: (i) it would provide a clearer picture of current global legal and regulatory frameworks against international standards, (ii) it would allow easier identification of priority areas where reforms are urgently needed, (iii) it would serve as a valuable tool for advocating to countries as to why they need to undertake reforms and implement the relevant treaties/model laws, and (iv) it would further improve synergy between the FCI Legal Study, the UNIDROIT Model Law on Factoring and the IFC Knowledge Guide. It is suggested that FCI, UNIDROIT and the IFC could work collectively on this enterprise under the guidance of the FCI Legal Committee.

Second, I suggest the FCI Legal Committee consider preparing a Factoring Practitioner's Guide to accompany the UNIDROIT Model Law on Factoring. The Practitioner's Guide would explain how parties to a factoring transaction comply with the Model Law and would become an international best practice guidance document that would be of great use to FCI Members.

EK: I would like to see many contributions focusing on other countries and jurisdictions, primarily developing and African countries. In addition, factors and actors in these jurisdictions should be part of the legal study in terms of providing their experiences and challenges. Furthermore, institutions with continental knowledge and expertise, like Afreximbank, should be included and consulted in such processes.

Bandra Worli Sea Link, Mumbai, Maharashtra, India.



2023 Figures

Africa

Africa represents a 1.3% share of the total world factoring volume. Factoring volumes continued to grow in Africa in 2023. The total market adds up to EUR 3 billion, indicating a significant growth rate of 13.5% compared to 2022, about the same increase as the previous year of EUR 41 billion. South Africa, the largest market accounting for over 80% of the entire volume on the continent, witnessed an increase of 14%. Countries that led this growth included Mauritius, Egypt, Tunisia, and others for 158%. This indicates that the African market continues its strong growth trajectory into the foreseeable future. **Nassourou Aminou**

Americas

In 2023, the Americas Region represented 6% of global factoring volume. South and Central America saw an increase of 4.3% to EUR 129 billion. North America decreased by 10.7% to EUR 92.8 billion. The region's total domestic factoring volume reached EUR 222 billion, while international factoring exceeded EUR 11 billion. Two-Factor System international factoring dropped by EUR 0.7 billion from EUR 5.8 billion in 2022 to EUR 5.1 billion in 2023, representing 20.5% of total volume. This decrease occurred in the volume of imports factoring in North America. Latin America & Caribbean (LA&C) maintained almost the same volume as last year, with exports outweighing imports. Growth in 2022 marked the first time the LA&C sub-region surpassed the billion-euro threshold, which was happily confirmed. Overall, the region experienced positive growth, which is very encouraging. **Alberto Wyderka**

North East Asia

North-East Asia recorded 7% growth in 2023. Mainland China was the main driver, with a 10% increase over the previous year. Despite an economic slowdown in China, such strong growth is remarkable. It reflects that factoring and supply chain financing benefit from China's macroeconomic policies, which have shifted focus from the property sector to the manufacturing sector to support the real economy. China accounts for 81% of the region's market. However, Hong Kong's market underperformed, shrinking by more than 20%. Japan experienced modest and steady growth, while Taiwan saw a surprising drop of 14%. **Lin Hui**

South and South East Asia

South and South East Asia (SSEA) showed significant growth of 12.5% in 2023 compared to 2022, rising from EUR 126 billion to EUR 142 billion. The highest increase was in Singapore at 36.4%, followed by India at 10.2%. In 2023, EDI volume grew by only 5.3%, while other regions experienced a decrease. We should expect India and Vietnam to grow stronger than other emerging markets in SSEA for years to come. India and Gift City will play significant roles as the growth engine of this region. **Thompson Lui**

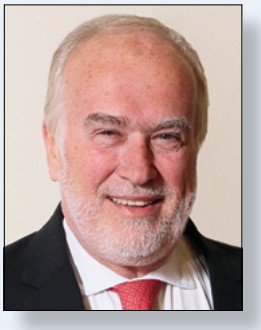
CEE, SEE and the Middle East

Although the growth rate of factoring volumes in the Central and Eastern Europe (CEE) and Southeast Europe (SEE) region last year was less robust than the previous year's expansion, 2023 was still a productive year compared to the region's economic growth rates. While total transaction volume in the region increased by 25.5% in 2022, it experienced single-digit growth in 2023. Countries such as Romania, Hungary, Slovenia, Croatia, Serbia, Poland, and Turkey led the growth in the CEE and SEE region. By contrast, turnover in the Middle East remained stagnant compared to the previous year. This slowdown can largely be attributed to challenges in obtaining data rather than a decrease in turnover. **Betül Kurtulus**

European Union

In 2023, the total European Union turnover reached EUR 2.443 billion, an increase of 2%. After two years of double-digit growth, we expected a lower increase due to the negative dynamics of the EU GDP, which dropped to 0.4% from 3.5% in 2022. The ECB's severe policy to curb inflation led to rapid increases in lending rates, coupled with conflicts between Russia and Ukraine and Israel and Palestine. Despite this, the European factoring market remains the most important globally, representing 66% of the world market. The penetration rate of factoring over European GDP in 2023 was stable at 12%, proving its importance in the European economy. International factoring also remained stable at 22% of the total turnover. Non-recourse factoring (53%) was higher than recourse factoring, as clients sought to cover debtors' risk. Funding of EUR 304 billion supports around 303,000 European clients, aiding economic development, employment, and business success. **Fausto Galmarini**







From left to right:

- **Nassourou Aminou**, FCI Regional Manager Africa
- **Alberto Wyderka**, FCI Regional Director Americas
- **Lin Hui**, FCI Regional Director North East Asia

Legal, Regulatory and Advocacy

Africa

The initiatives undertaken in previous years by Afreximbank and FCI to support regulatory reforms and promote the model factoring law in Africa continue to show success. Incredible progress has been made in West Africa in adopting the law.

Some countries members of the Central Bank of West Africa (BCEAO) have started the domestication of this uniform factoring law based on the Afreximbank factoring model law, namely: Niger, Togo, Burkina-Faso, Mali and Côte d'Ivoire.

At the same time, DRC changed the banking law to include factoring into a new banking law as a banking product to allow banks and non-financial institutions to issue this product. Some countries, notably Nigeria, Kenya, and Madagascar are still finalising laws in this direction. **Nassourou Aminou**

Americas

The UNIDROIT Factoring Model Law (FML), recently concluded and in which FCI had crucial participation in its drafting, was distributed to members and associations of the region for them to review it, have their opinions and compare it with the country's factoring law, (if it exists), and improve it if deemed necessary, and for countries that do not have a factoring law, let the FML serve as inspiration.

During the year, I held meetings with regulators, especially from countries where factoring is very important and there is positive concern about the growth they are observing. These advocacy actions are essential to expand the markets in which we are present and promote new financial instruments in some countries. In this way, we help to adapt regulatory frameworks, disseminate good practices and correct financial principles of this business, with a special focus on the solution for cross-border operations, especially using our model.
Alberto Wyderka

North East Asia

In 2023, China implemented a series of major financial regulatory reforms and measures.

The National Financial Regulatory Administration (NFRA) was formally established to enforce unified supervision, consolidate financial market order, contain risks in the financial sector, and steer financial resources flow to the real economy.

China Securities Regulatory Commission (CSRC) stepped up its crackdown on financial frauds by listed companies. SASAC, the supreme governing authority of SOEs, banned SOEs from trading to obtain financing.

Combining these policies will undoubtedly create a favourable environment for factoring to better serve China's real economy. **Lin Hui**

South and South East Asia

2023 was a year when FCI planted seeds with some of the regulatory bodies and started to see some actions in terms of working together in this regulatory landscape. We have begun engaging with key markets like India, the Philippines and Vietnam.

India, for instance, FCI has started to explore the possibility of working with the regulatory body of GIFT City India, where the jurisdiction is encouraged to innovate to cope with the exponential growth of international trade and foreign investment. FCI should expect to work with the International Financial Services Centres Authority (IFSCA) towards some common goals and create synergies from 2024 and onwards. We expect the Philippines and Vietnam to develop swiftly in this field. **Thompson Lui**

continued on page 14







From left to right:

- **Thompson Lui**, FCI Regional Manager South and South East Asia
- **Betül Kurtulus**, FCI Regional Director Central, Eastern and South-Eastern Europe and the Middle East
- **Fausto Galmarini**, Chair EUF

CEE, SEE and the Middle East

Throughout 2023, FCI remained committed to supporting legal and regulatory reforms to facilitate factoring in the Central and Eastern Europe (CEE), Southeast Europe (SEE), and Middle East regions. We collaborated closely with esteemed partners such as the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) World Bank Group to bolster the infrastructure of these regions.

Numerous engagements and developments occurred with regulators and lawmakers in the region, paving the way for advancements in the legal framework governing factoring. Noteworthy progress includes ongoing factoring law studies in Jordan, Uzbekistan, and Ukraine, with active involvement from their central banks, ministries of finance, and investment banks. In 2024, we anticipate enacting regulatory reforms supportive of the factoring sector in these countries.

Furthermore, significant strides have been made to enhance the legal infrastructure for government-backed digital solutions. Initiatives are underway to expand the presence of successful invoice registration centres akin to Turkey's model, particularly in Middle Eastern countries. We are witnessing a growing demand for education from these countries' financial sectors and regulators, reflecting a keen interest in fostering sectoral development.

These government-supported digital solutions are pivotal in advancing the receivable finance sector. They streamline processes and contribute significantly to the sector's growth and sustainability. **Betül Kurtulus**

European Union

In 2022, the European Factoring and Commercial Finance industry faced several issues:

- the CSDD directive that requires all businesses to manage their entire operational environmental and social impacts,
- the EBA's final non-banking lending report, the EU-wide implementation of Basel III/CRR3 (including NDOD),
- the ongoing works on AML/CFT legislative package band the new AMLA,
- digital age VAT and
- the new directive harmonising aspects of substantive law on insolvency proceedings.

Regarding the CRR Reform/Basel III, the EUF supported the position of the EU Council that doesn't include factoring in the ancillary services and welcomed the amendments on Article 183 and Article 213 which delete required coverage of frauds that credit protection needs to be eligible for credit risk mitigation.

As for the eligibility and use of credit insurance as a CRM technique, EUF welcomed that the EBA and EIOPA work in close cooperation.

In regard to the issue of the NDOD, the EU Council invited EBA to consider the need for providing flexibility to institutions. The EU Parliament stated that EBA shall update its default guidelines before June 2024. **Fausto Galmarini**

The Storms River Bridge, also known as the Paul Sauer Bridge, Eastern Cape of South Africa.



Promotion and Awareness

Africa

FCI partnered with Afreximbank and the FAPA Grant to conduct factoring promotion and awareness campaigns through conferences, workshops, and webinars. Working with MFW4A and the Association of African Development Finance Institutions (AADFI), FCI held a webinar on Factoring training under the FAPA Grant on 30 March 2023. In partnership with the Central Bank of West African countries (BCEAO), FANAF, and FCI, a Factoring and Credit Insurance workshop occurred during the Regional Conference in Senegal in June 2023. From 31 July to 3 August 2023 in Abuja, Nigeria, FCI organised consulting and workshop training and capacity building for nine emerging and established banks and factoring companies, aligning with the FAPA grant guidelines. This workshop was tailored to beneficiaries' needs. In October 2023, FCI joined the Afreximbank Trade Finance & Factoring Seminar in Lagos, Nigeria, where it organised a one-day workshop on 'The Future of the Factoring Industry in Africa: Where will we be by 2030?' in partnership with the Central Bank of Nigeria and NEXIM. FCI also co-hosted with Afreximbank the IATF 2023 Africa Chapter Factoring Exposition & Workshop in Cairo, Egypt, in November 2023. **Nassourou Aminou**

Americas

There was important labour with Associations, with presentations at FELAFAC (the Latin American Factoring Federation), where we are members, and I participated, like every year, in FELABAN, the best event in the region to discover new potential members – I also met Multilateral Organisations (IDB Invest and some Regulators), to promote the financing of national and cross-border accounts receivable, especially the Two-Factor System (2FS), and to strengthen FCI's brand awareness – always fulfilling FCI's mission: to be the voice of the industry and promote the growth of our community. I also participated in the IFA Congress in New Orleans, and from there I visited members in the USA. Education is and will be a high priority in the region. Virtual and face-to-face tailor-made training was given to some banks on the mechanics of our 2FS solution, risks, and legal and commercial training. **Alberto Wyderka**

North East Asia

In March, our members in Beijing celebrated the 30th anniversary of 'FCI in China', looking back at the development of the Chinese market from scratch. Immediately following this, we held a far-reaching seminar in Shanghai to discuss the new challenges and goals of FCI in China for the next 30 years. Factoring is no longer a niche market in China; it is about enabling a wider range of businesses and their supply chains with enhanced liquidity and risk management support. The focus of the new China strategy is to create a marketplace of productive engagement in China where the power of FCI's member network can be fully unleashed, providing a new paradigm for FCI's global marketplace. **Lin Hui**

South and South East Asia

In the year 2023, we supported promotion in certain markets in the area. In the first quarter, we joined efforts with some local stakeholders like the International Chamber of Commerce (ICC) and Bangladesh Institute of Banking Management (BIBM) to promote international factoring and visit local members (many newly joined). Also, in the same quarter, FCI held a promotional event in GIFT City India in the finance and technology area to explore the fintech development and 'marketplace' possibilities and our event was very well received. In the 3rd quarter, I spoke at an event that IFC and FCI jointly organised together with local members and sponsors in risk management and supply chain management. I also took the opportunity to meet with local members in Singapore during the same week. **Thompson Lui**

CEE, SEE and the Middle East

In 2023, FCI led numerous initiatives in the region, advancing the factoring industry and fostering key stakeholder collaboration, to promote international factoring, reverse factoring, and Islamic international factoring. Our annual CEE conference saw significant attendance from members, observers, and regulators. The success of FCI's regional gatherings continues to grow each year, encouraging collaboration and knowledge exchange among our expanding membership base. We also hosted workshops at events like the EBRD Annual Meeting in Samarkand and the GTR conference in Riyadh, focusing on best practices in the factoring industry. After the FCI Annual Meeting in Marrakech, we partnered with EBRD to host a joint conference on Factoring and Supply Chain Finance. Additionally, we participated in the EBRD TPF Trade Finance Forum in Vienna. Our commitment to supporting Ukraine remained steadfast, as demonstrated by our involvement in the UATFF Annual Trade Finance Conference. We also engaged in partner events across the region, including in Baku, the UAE, and Uzbekistan. In Istanbul, we had meaningful discussions about our services with both current and prospective FCI members and clients. **Betül Kurtulus**

European Union

As underlined in the trend of the market, the European Factoring and Commercial Finance market represents more than two-thirds of the world's global turnover. It is gratifying to see the results of our efforts in supporting effectively the European real economy. We also work to reinforce these key messages with our regulators and lawmakers and to improve the way we provide our services for the benefit of all the stakeholders. In April 2023, EUF and FCI jointly organised the EU Factoring and Commercial Finance Summit in Cologne. It was very successful, thanks also to the participation, among others, of Mr Gaetano Chionsini, Head of Statistics EBA, who gave a snapshot of the lending market and NPL. The programme addressed the latest updates and promoted the impact of the factoring industry in Europe. **Fausto Galmarini**

Membership Mobilisation

Africa

We have 46 members in the African region, representing 10% of the total FCI membership. Six new members joined FCI during the past year. These were Fidelis Finance Group, Burkina-Faso, Edge Plus Capital (EP Capital), Nigeria, Corplease, Egypt, African Trade Insurance (ATI), Kenya, Kweli Financial Service, DRC and Bridge Bank Group (Côte d'Ivoire). At the same time, we had Three (3) Terminations during the year 2023. **Nassourou Aminou**

Americas

As part of the activity to attract new members to our community and observe budget restrictions, in 2023, I held face-to-face meetings with 45 banks, including members and prospects, and NBFI. To this, it must be added more than 30 virtual meetings with prospects. I also participated in the IFA Congress, USA FELAFAC and FELABAN Assembly. Three new members joined our community during 2023, one in México (INTERCAM Banco) as an Associate Member, two in the USA (Standard Chartered Bank NY Branch and TCLG Inc.), one as an Associate Member and the other one as a Partner Member. Only 2 companies ceased to be members, so the balance is still positive. I always like to highlight that 86% of our members are Associate members and 25% of them are Full members. Three are Affiliate members, three are Sponsors, and one is a Partner. All of them form a networking structure that also partly explains the growth of 2FS volumes in the region.
Alberto Wyderka

North East Asia

The membership structure in the region is dominated by banks with a high penetration rate and a stable number of members. Most of them are mainly engaged in export factoring and are therefore keener on adding banks from other regions as import factors rather than adding new members from this region. A much more proactive approach would be to encourage FCI business between members in the region, thus prioritising their import factoring and FCIreverse business. Non-bank factoring companies in the region are currently mainly from China. While most are in a phase of contraction and repositioning, some are in the process of transforming themselves into FinTech companies to continue to be part of our ecosystem. **Lin Hui**

South and South East Asia

SSEA has been growing its member base for the past year, and there were 9 new additions and three terminations in 2023. I believe this net addition in membership is promising even for emerging markets, but then again, unfortunately, SSEA still has not found the product FCIreverse suitable to grow in the region. A few members inquired but were discouraged after hearing average costs and lack of service support in Asia.

For the past year, the SSEA region has benefited from the repaid growth of emerging markets within the area, especially since we had some innovative platform providers joining FCI immediately upon FCI's creation of a new partnership for FINTECHs. While we only have 2 affiliate members in the region, FCI is planning to support them in upgrading to associate capacity to fit their growing needs. **Thompson Lui**

CEE, SEE and the Middle East

In response to the positive developments in the Central and Eastern Europe (CEE), Southeast Europe (SEE), and Middle East regions, FCI welcomed seven new members in 2023. These additions included members from Kosovo, North Macedonia, Romania, Saudi Arabia, Serbia, Georgia, and the UAE. **Betül Kurtulus**

European Union

EUF has relationships with nearly all national factoring associations and will continue efforts to further expand its membership. To reinforce lobbying with regulators and European authorities, the EUF has established closer cooperation, particularly with Leaseurope and the European Banking Federation (EBF). **Fausto Galmarini**

Rainbow Bridge over Tokyo Bay and Daiba Island, Tokyo, Japan.



Challenges

Africa

Despite growth in factoring volumes, several challenges remain, including insufficient knowledge about the product, education, skills, and experience in the factoring industry; legal environment and regulation: lack of legal framework in different countries and capital requirements; economic environment and access to working capital in some countries: inflation, high-interest rates, cost of lending, and securities; difficulties in obtaining reliable credit information and credit insurance coverage in some countries and with certain buyers; IT systems and software to manage factoring transactions effectively; long and costly implementation of factoring business processes, training, capacity building, and IT platforms; and cultural and language barriers to international factoring. **Nassourou Aminou**

Americas

One of the main challenges in LA&C is achieving greater activation of FCI's 2FS model, which strengthens members' sense of belonging. FCI cooperates with members by linking them, establishing connectivity, developing the correspondent concept, providing training, and organising meetings with clients and associations. If members are unwilling to provide Import Factor (IF) services and take risks, implementing the 2FS model will be challenging. In North America, members offer excellent IF services. The challenge is to show LA&C members the business potential of becoming an IF, which can generate income and open opportunities for other businesses while respecting their risk standards and policies. Banco Chile, BanColombia, and Exicon stand out as IFs in LA&C. Several others generate volumes that could be larger. The challenge is to help them grow, take more risks, and attract those undecided about import factoring.

Improving legal and regulatory frameworks for adequate factoring treatment remains a challenge. UNCITRAL's Factoring Model Law can inspire current factoring laws or the design of new ones. FCI and national Factoring Associations have a role in these issues. The speed and quality of communication services between correspondents should improve and increase in other regions. Education and appreciation of this issue by members is another challenge, particularly convincing them it is an investment rather than an expense. **Alberto Wyderka**

North East Asia

The fragmentation of global trade due to geopolitical considerations is causing unprecedented challenges to international cooperation. While globalisation is not dead, it is being reconfigured along geopolitical lines. Our region has suffered significantly. We must all adjust and adapt to this process. The region's businesses, supply chains, trade flows, and patterns are changing rapidly. They demand solutions for new markets (e.g., OBOR countries), new products (e.g., automotive, batteries), and new channels (e.g., Temu, Shein), and this requires us to localise more in the region for rapid response and resilience. **Lin Hui**

South and South East Asia

New members from this SSEA region are almost entirely export factoring driven and rely heavily on FCI's import factoring members to support their international factoring development. Some of these new members are concerned about the relatively tight credit policies and selectiveness of their import counterparties – three main destinations for this export emerging market, namely the USA, EU and China. While USA and EU markets have relatively larger pools of import factoring service providers to support their needs, China still needs to improve in terms of offering competitive and meaningful IF services. Also, speaking about import factoring capabilities, India and Vietnam, which are growing in terms of importing raw materials for manufacturing, may need to plan to take on this challenge. **Thompson Lui**

continued on page 18



CEE, SEE and the Middle East

The CEE and SEE regions face numerous challenges from internal and external factors. The economic downturn, worsened by geopolitical tensions like Russia's invasion of Ukraine, has resulted in higher financial risks, such as exchange rate fluctuations and regulatory hurdles. Corporate insolvencies are rising, and economic growth lags behind potential, with businesses facing higher input costs and lower foreign demand. Despite some signs of consumer-driven recovery, companies in these regions continue to confront pressures from rising commodity and labour costs, creating a challenging business environment in 2024.

Germany remains the primary trading partner for most CEE economies, and there are signs of a consumer-driven rebound in daily necessities, supporting economic activity in the CEE region. These conditions suggest a continued need for working capital in the factoring sector.

In the Middle East, sustainability is crucial for economic diversification. The region benefits from the global economy's resilience, facilitated by lower commodity prices and vigilant policy measures to counter inflationary pressures. However, ongoing political risks, shipping disruptions, and lower oil production create uncertainty and uneven recovery across the Middle East and GCC (The Gulf Cooperation Council).

While sustainability and green financing are key priorities across all regions, transitioning to these conditions may pose short-term challenges, particularly for Small and Medium Enterprises (SMEs). These challenges may affect trade finance and Supply Chain Finance (SCF) transactions, impacting the broader economic landscape. As businesses adapt to sustainability requirements, smaller enterprises may face initial hurdles navigating the complexities of becoming more environmentally friendly. **Betül Kurtulus**

European Union

Regarding the review of the Late Payment Directive and the introduction of the Late Payment Regulation (LPR), the EUF sent a position paper to the EU Commission highlighting that the 2011 directive has not decreased late payments, especially in the public sector, where public administration debtors are still paying late. The new LPR, which obligates payment within 30 days, will likely increase funding needs (estimated at EUR 150 billion by the European Association of Businesses), necessitating greater SME resilience.

Forms of financing like factoring are not part of the problem but rather part of the solution to the late payments issue. Limiting or prohibiting 'bans on assignments' would likely increase the availability and use of factoring in the EU. We hope the trilogue will accept our proposal to remove the ban on assignment from supply contracts. The CRR review requires an effort to introduce new elements in the compromise text of the European Parliament and Council of the European Union.

In a recent roundtable with EBA, the use of credit insurance as a risk mitigation technique was examined, but we didn't expect positive feedback because European insurers could not provide data evidence. We believe the best result for EUF is to extend the technical past due from 30 to 90 days, which would significantly reduce automatic defaults, even if not entirely. **Fausto Galmarini**

Corrientes Bridge, Pontevedra, Spain.



Outlook 2024

Africa

At the end of 2023, we saw the adoption and domestication of the factoring law in one country in West Africa (Côte d'Ivoire), resulting in significant enthusiasm for the launch of factoring activities and opportunities studies made by The International Finance Corporation (IFC) who released during the year 2022 some market studies into five countries who are showing a lot interested, with an estimated potential volume and opportunities on Factoring and SCF solutions into different following countries: Morocco (USD 8 billion), Nigeria (USD 27.1 billion), Kenya (USD 28.7 billion), Ivory Coast (USD 6.5 billion) and Uganda (USD 6.5 billion). Afreximbank's FAPA Grant is providing some consulting activity under capacities building to train around 19 remaining Banks and emerging Factoring companies into this programme, enabling the launch of Factoring activities that will have a significant impact in the whole African region. **Nassourou Aminou**

Americas

Challenges are a constant, much like political changes and uncertainties. However, the outlook for the accounts receivable financing industry remains positive and promising. Regional trade is growing, and accounts receivable will continue to expand, attracting banks and factoring companies. In 2023, volumes grew again, and we expect this trend to continue in 2024. In October 2024, FCI will host an event in Miami on SCF, Factoring, and 2FS, focusing on legal aspects, in collaboration with IDB Invest and FIBA.

- FIBA: Our ambition is to collaborate in various fields, prioritising education and exploring other joint events.
- IDB Invest: We aim to strengthen ties with this organisation, similar to our work with EBRD and Afreximbank.

We are optimistic about the growth and consolidation of open account financing, factoring, and especially our flagship 2FS model, thanks to our dedicated current and future members. **Alberto Wyderka**

North East Asia

The biggest certainty in 2024 is uncertainty. However, if we can't handle uncertainty, we can't handle growth. Navigating uncertainty requires a growth mindset and self-awareness.

We are very aware of how tremendous market growth will be created in Northeast Asia as a hub for global merchandise trade if members here can reach or even surpass the market sophistication of their counterparts in today's European markets. Of course, we are also very aware of the region's strengths and bottlenecks, which require our determination to change. 2024 is an important window of time for us, and it is already here. **Lin Hui**

South and South East Asia

SSEA had a great year 2023, and no market keeps growing and defies the statistic curves. We can still reasonably expect healthy growth in terms of memberships and activities as well as factoring volume. We also need to keep in mind that budget constraints can hinder growth and maintaining meaningful partnerships. In many markets, I have yet the budget to travel to meet new members for the first time since I joined FCI. Hopefully, I can grow my membership base in Indonesia, Thailand and Malaysia to justify a visit in 2024. **Thompson Lui**

CEE, SEE and the Middle East

The economic outlook for Europe in 2024 is promising, with a projected rebound in export growth by 2.2%, an improvement from the previous year. This export growth is expected to be accompanied by a recovery in import trade volume, forecasted to increase by 1.6%.

Easing interest rates anticipated in 2024, alongside an expected recovery in economic activity and increased demand for European goods, makes the outlook more optimistic. Anticipated improvements in export and import volumes suggest a positive trajectory for the European economy in 2024, aiming for resurgence and stability. A positive factoring market is expected in 2024 for CEE and SEE regions.

The Middle East is expected to grow by 2.3% in 2024 as it benefits from favourable commodity prices. The region is also using commodity profits to diversify into new sectors and markets, further driving growth. **Betül Kurtulus**

European Union

EUF expects slightly better turnover growth in 2024 due to EU GDP recovery and lower interest rates from reduced inflation. Geopolitical conflicts pose challenges. EUF has three main issues.

First, NDOD causes many 'false positive' errors by classifying buyers as default due to overdue payments. Extending the technical past due from 30 to 90 days could help but requires CRR revision. EUF relies on members to gather needed data to prove factoring's lower risk to EBA.

Second, the LPR requires debtors to pay invoices within 30 days. EUF hopes the final draft prohibits or limits assignments, as factoring addresses late payments.

Third, CSDD mandates due diligence on corporate environmental and human rights impact. EUF seeks exemption as compliance would be burdensome for the industry.

EUF remains committed to protecting the factoring industry and its role in supporting the real economy. **Fausto Galmarini**

Building a Resilient Trade Environment: The Role of Education in Fraud Detection in International Factoring

In the dynamic world of international trade, where transactions span borders and involve numerous parties, the risk of fraud is ever-present. With the rise of open account transactions in supply chain finance, where goods are shipped and delivered before payment is made, the importance of education in detecting and avoiding trade fraud cannot be overstated. Educating stakeholders about the intricacies of trade finance and the various fraud schemes empowers them to make informed decisions and safeguard their businesses.



Aysen Çetintas,
FCI Education Director

Here's why education is crucial in this realm:

- **Understanding Fraud Schemes:**

Education provides Banks and Factors with insights into the different types of fraud schemes prevalent in trade finance. From invoice fraud to false documentation and identity theft, awareness of these schemes enables stakeholders to recognise warning signs and take proactive measures to mitigate risks. By understanding how fraudsters operate, businesses can implement effective controls and protocols to prevent fraudulent activities.

- **Recognising Red Flags:**

Education equips the Factors with the ability to identify red flags that may indicate potential fraudulent transactions. Suspiciously low prices, unusual payment terms, and discrepancies in documentation are all signs that warrant further investigation. Through training and awareness programmes, stakeholders develop a keen eye for detecting anomalies in data and abnormalities in the behaviour of sellers and buyers, enabling them to intervene before falling victim to fraud.

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Learn from the Global Leaders of Receivables Finance

Courses
available on demand

Introduction to Factoring and Receivables Finance Course

Fundamentals on Domestic and International Factoring Course

Supply Chain Finance and Reverse Factoring Course

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fci.nl

- **Strengthening Due Diligence:**

Educated factoring teams understand the importance of conducting thorough due diligence on their trading partners. From verifying credentials and past performance to assessing reputations and compliance records, due diligence is essential for mitigating fraud risks. Education provides guidance on effective due diligence practices, empowering businesses to make informed decisions about their counterparties and minimise exposure to fraudulent activities.

- **Embracing Technology Solutions:**

In today's digital age, technology plays a crucial role in fraud detection and prevention. Educating Factors and other stakeholders about the latest technological advancements in trade finance, such as blockchain, AI-powered analytics, and secure payment platforms, enables them to leverage these tools to enhance transparency and security in their transactions. By embracing technology solutions, businesses can automate processes, improve data integrity, and reduce the risk of fraud.

- **Promoting Transparency and Compliance:**

Education fosters a culture of transparency and compliance within organisations. By educating stakeholders about relevant trade regulations, compliance requirements, and ethical standards, businesses can ensure that all transactions are conducted in accordance with legal and ethical guidelines. Transparent practices not only deter fraud but also build trust and credibility among trading partners and regulatory authorities.

- **Building a Resilient Supply Chain:**

Ultimately, education is essential for building a resilient and robust supply chain ecosystem. By equipping stakeholders with the knowledge and skills to detect and prevent fraud, businesses can safeguard their supply chains against disruptions and losses. Education fosters collaboration, information sharing, and continuous improvement, enabling businesses to stay ahead of emerging threats and adapt to changing market conditions.

Fraud prevention holds significant value for Factors

The value of fraud prevention to financial institutions operating in open-account trade finance extends beyond financial considerations. It encompasses protecting reputation, mitigating financial losses, complying with regulations, enhancing customer trust, improving operational efficiency, gaining a competitive advantage, and supporting economic growth. Financial institutions safeguard their interests by investing in robust fraud prevention measures and contributing to a secure and resilient trade finance ecosystem.

In conclusion, education plays a critical role in detecting and avoiding trade fraud in factoring and other types of open account transactions within supply chain finance. Businesses can mitigate risks, enhance transparency, and build resilient supply chains by empowering banking and factoring professionals with knowledge about fraud schemes, red flags, due diligence practices, technology solutions, and compliance requirements.

Through ongoing education and awareness initiatives, Factors can stay vigilant and proactive in safeguarding their businesses against fraud in the dynamic world of international trade.

Tolerance Bridge, Dubai Water Canal, Business Bay, Dubai, United Arab Emirates.



2023 Global Industry Activity Report

Introduction



Ciprian Radu,
FCI Business and
IT Solutions Manager

No FCI Annual Review is replete without a deep industry analysis, which the Global Industry Annual Report (GIAR) provides to our dear readers. Hence, it is once again time to reveal the 2023 outcome as reported by our dedicated members. We've felt that for this year, our data collection and analysis of the Fintech sector is well covered; hence, we decided to add a new question that tries to shed light on the impact the credit insurance industry has on our business in order quest to create a more focused and robust survey and ultimately provide a more beneficial report on the global factoring industry.

For the new readers, a short introduction is needed. This report has its origins dating back to 2009, and it includes data derived from the material captured within the FCI survey, which the members have kindly completed. Members from across the world provide FCI with a unique vantage point by sending their insights to FCI and offering a glimpse into their internal data points. The GIAR's scope is to provide a unique analysis of our Industry having two different angles: the first being the quantitative and numerical aspects of the global industry, and the other is the usage of a wide range of qualitative elements which provides an opportunity to assess the general sentiments and opinions of its key participants.

Quantitative Analysis

I am sorry to report that, once again this year, the basis of our analysis for 2023 does not incorporate all data as it happened in the previous years. So, as a disclaimer, this report is the closest to reality that can be generated based on the figures we have received to date (approximately 46% response rate from our members, down from the previous year's 50% response rate, leading to the conclusion that data collection is becoming more challenging as time progresses unfortunately). I have to say, with bitterness, that we are on a descending path with the success of data collection, having in each year, at least since I am covering this part, a constantly reduced number of responses, making everything hard to corroborate and in the end to provide a more realistic picture of the global factoring industry. I only hope for a great commitment by all of our members in the future.

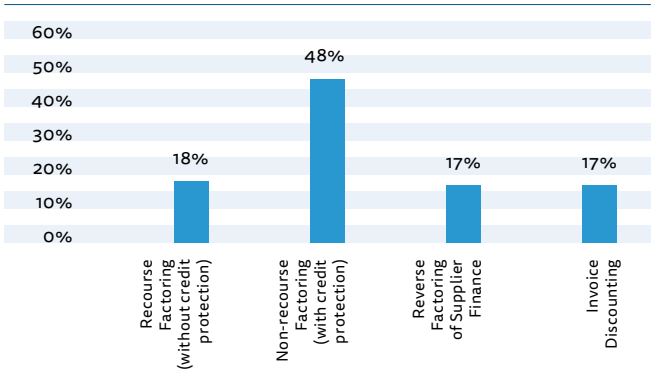
As in years past, the principal challenge for the survey continues to be that in many countries, the infrastructure and capability to collect and analyse data varies dramatically, so the level of detail the individual markets provide remains highly variable. One of the real challenges for the Receivables Finance (RF) industry is to help people everywhere better understand the importance, value and power of information to support our public policy/advocacy discussions with governments and central banks globally, hence the value in collating the key and accurate data at the country level. Whilst some countries (usually but certainly not exclusively the established developed markets) have sophisticated centralised methods for collating market information, others have little provision. Hence, we rely upon the best estimates from experts within these markets.

Enough with the disclaimers! So, here we are, the findings of the 2023 GIAR Report…

Product analysis: Similar to the 2023 report, we will continue to present how volumes are split by product based on the data we received from our members. Since each member provides different products related to their market, this cannot be denoted as a marker for a specific country.

For 2023, we have determined the following product levels:

Product Distribution GIAR 2023



Compared with 2022, 2023 shows a stark decrease in the use of non-recourse factoring, a drop to 48% (56% in 2022). Of course, this does not belittle the fact that most companies prefer non-recourse factoring services as a means for risk mitigation and off-balance sheet treatment, but this shows the first decrease since pre Covid period. Traditional non-recourse and Reverse Factoring (also a non-recourse product) have a combined 65%

figure compared to the total (69% in 2022), while Recourse and Invoice Discounting reached a combined total of 35% (30% in 2022). As mentioned in the past, a classic, well-known, important reason for non-recourse demand might also be explained by its substantial value as a means to decrease the cost of capital under Basel capital allocation requirements and the benefit of off-balance sheet treatment by corporates.

The above product distribution does not reflect all the countries. The relative proportions in individual countries continue to vary, and the individual figures will reflect the local market conditions, as well as the legal and regulatory environments; this chart shows what a "typical" country distribution looks like. Whilst it should be noted that, for example, many countries do not yet record any reverse factoring type business.

Again, we see that Reverse Factoring (also referred to in certain markets as Supply Chain Finance (SCF)/Confirming/Payables Finance) continue to be for our members an important product, showing a market share of 19% (13% in 2022, 12% in 2021). The significant increase in market share belies the growth story of this important and relatively new means of receivables finance. As reported by our members, many consumers continue to increase their purchases from large 'big box' retailers or via large e-commerce platforms, users of reverse factoring in many developed economies. As many of these larger investment-rated corporate buyers have developed SCF programmes to offer their vendors, more and more FCI members have entered the space. Again, it is to be mentioned that FCI members only capture a small percentage of the total reverse factoring market globally.

Industry Dynamics

Below, you can see how the business has evolved from year to year:

2023 was a year of steady growth compared with the booming year of 2022 for factoring. In 2023, we recorded only a single-digit growth rate of 3.6% (18.3% in 2022). Nonetheless, GDP penetration for the industry maintained its level of penetration, showing a 4.27% increase compared to what we witnessed last year (4.09%). Europe maintained its previous GDP penetration rate for the industry of 10%, the highest in comparison to all other regions, keeping in mind the fact that the industry is quite mature. We used current estimates for 2023 GDP data, the source being IMF datasets available on the web.

Quickly looking at the figures:

- Client numbers are estimated to be around 1,097,000 (1,045,000 in 2022), and the debtor numbers have reached an estimated level of 25 million (23 million in 2022).

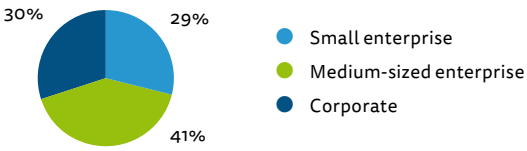
These figures have a relatively high level of uncertainty because they combine both whole turnover and spot-level types of relationships and are highly sensitive to market fluctuations, structure, and conditions.

- Companies active in the Factoring Industry that serve the pool of clients and debtors globally are estimated to be around 4,244 (4,199 reported in 2022).

- Direct employment is estimated at around 120,000 (105,000 in the 2022 report). We could mention that this number is highly correlated to the labour-intensive service that our Industry requires. Although as technology and automation continue its upward trend, we anticipate the figure will remain flat, even with continued growth of the industry at the current rate. However, we see factoring building quite quickly in the emerging markets, so this could upend this conclusion.

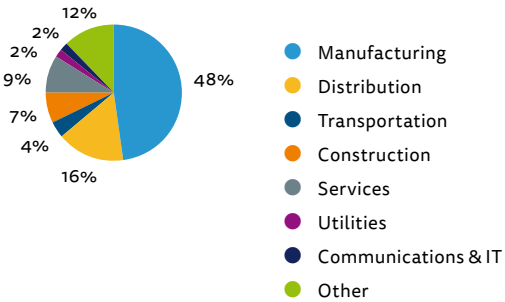
- The average turnover per client is considered to have remained close to EUR 3.5 million, similar to past reports; hence, we continue to deal mainly with SME businesses in a number of terms based on the smaller end of the spectrum. Our data shows that our member's figures representing their clients' portfolios mainly consist of SMEs, close to 70% (64% in 2022, 70% in 2021 and 66% in 2020), as shown below:

Total Number of Active Sellers 2023



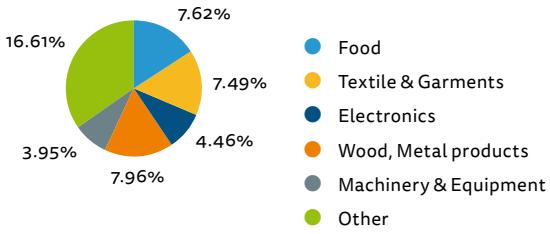
- For this year, we continue to provide greater details of the industry types within our respondents' portfolios. The member's portfolio represents the breakdown of the types of industries. Again, it seems that the Industry has its weighting towards Manufacturers and Distributors, as shown in the picture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

Average of Industries Type of Sellers in Members Portfolio 2023



Using the magnifying glass to highlight the impressive Manufacturing figure of 48% (the previous year 45%), we can see the following granular distribution by sub-types:

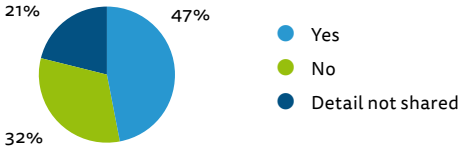
Manufacturing by Type 2023



For 2023, we again have a very high-level view of the distribution of the type of Factoring Companies active in the Receivables Finance Industry like in past years. This data derives from our members' views, as they typically represent the Top 5 Members by market within their countries. Where the figures are available, the top five concentration ratio (CR5) was reported as 85% of the market (81% in 2022, 83% in 2021, 88% in 2020). Bank divisions appear to have increased their share to 51% (49% in 2022, 46% in 2021, 53% in 2020), bank owned subsidiaries showed the same figure from last year 23% (23% in 2022, 27% in 2021, 28% in 2020) whilst Independents increased by 2 points from previous year to 11% (9% in 2022, 10% in 2021, 7% in 2020). Again, as reported last year, the domination of commercial banks at the expense of independents continues their strong trend in the industry.

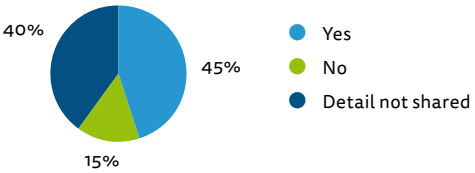
For the third year since we started to collect data about E-invoicing business (invoices that are issued, transmitted, received, processed and stored electronically), we have 47% (48% in 2022, 44% in 2021) of the population confirmed that they use and accept such type of invoicing. Within the 47%, where our responders shared granular data, an average of 66% (66% in 2022 and 2021) of total invoices processed were considered E-invoices. The same consideration as in the past report can be maintained as I can only assume that digital/e-invoices will fully replace traditional paper-based invoices in the near future.

E-invoice among Respondents 2023



As a novelty for this year, we've asked our members to share the percentage of the buyer's portfolio that an insurance company covers and as shown below, 45% of our members are using an insurance company to cover their buyers with an average of 42% of the number of the buyers being under an insurance company.

Members that use Credit Insurance Coverage for Buyers 2023

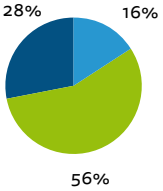


Qualitative Analysis

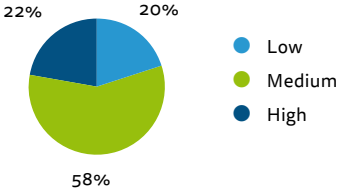
One of the aspects that makes the GIAR survey unique is that it provides an ongoing record and analysis of the perceptions within the Industry on a wide range of topics and trends, including their potential effect on the Industry and their future development. Each year, we ask respondents to give their views on the status and direction of the Industry in their own country. Our sample data for this analysis includes member's views from 46 countries/territories (51 countries/territories in 2022) that have responded to the FCI survey.

The first and key element to consider is *Factoring Awareness & Acceptance*. This query tries to reflect the respondent's view on how they perceive their awareness and acceptance within their country. For the year 2023, compared to 2022, there is still room for a considerable opportunity to build and develop on past successes within the Industry. For Awareness, the high position increased for 2023 to 28% from 24%, with 4 points on the expense of the medium position, which showed a decline compared to last year's survey (60% for 2022) to the current 56%. On the Acceptance of the product, we see that it remained similar to last year's figure at 22%, while for the medium, we see a drop to 58% from 59% recorded in 2022.

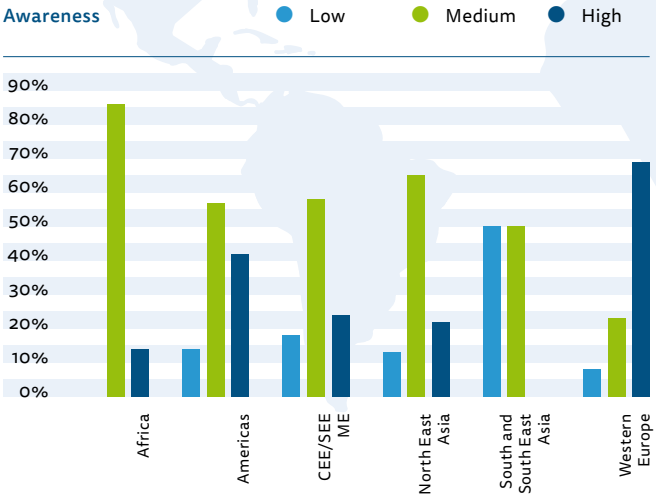
Awareness

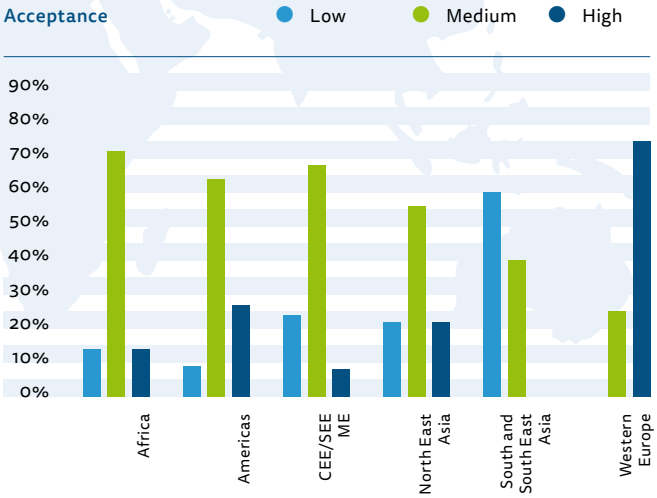


Acceptance

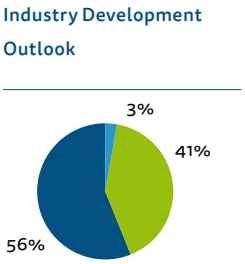


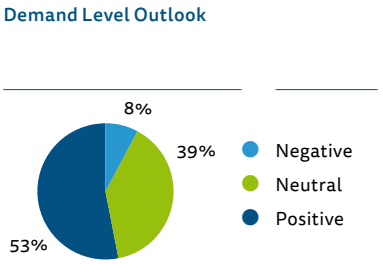
In a broader view, by region, shown below is the Awareness and Acceptance view:



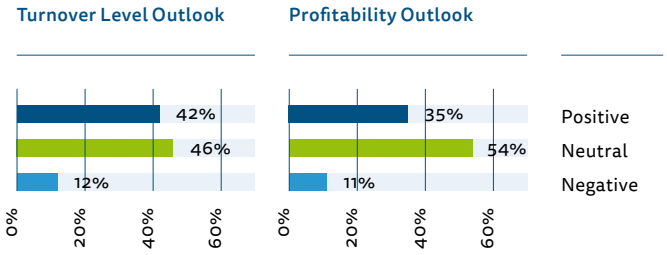


Yet again, the trust in *industry resilience* is fully confirmed in the responses received. Respondents continue to demonstrate a high level of confidence and optimism that the Industry has the capacity to continue to support businesses, with an important role in supporting SMEs and the real economy on a global scale. In 2023, the trust in development outlook had an optimistic level of 56%, with a small decline from 60%. Negative remained constant at 3%. For the question "Would factoring still be considered a demanded product?" our respondents show a confidence of 53% versus last year at 59%. Our most pessimistic respondents on this topic are now at 8% negative, while in 2022, we had 3%.

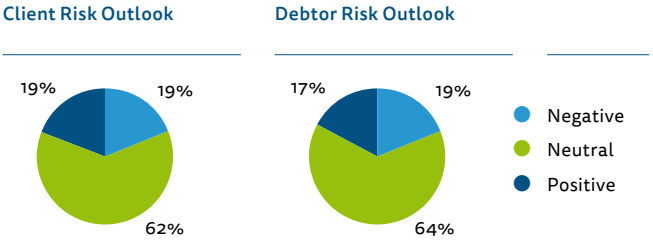




The next two questions were dedicated to Turnover and Profitability Outlook. Pessimism for Turnover increased to 12% in 2023 (4% in 2022), while the 42% positive (51% in 2022) view for Turnover level and paired with a 35% positive (38% in 2022) profitability we can conclude that confidence in the product is still strong but with a more pragmatic view shown by the increase in the neutral views, especially in parallel with the small single-digit increase in factoring turnover of 2023 versus 2022 (two digits growth).

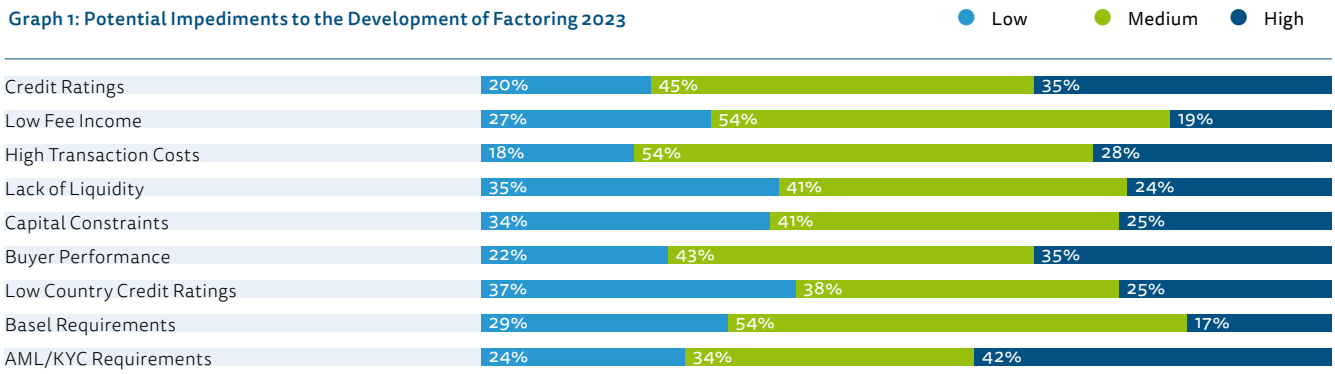


On the risk management front, responses to the questions in terms of their outlook for client and debtor risk in their markets show a boost of confidence in relation to Client/Debtor risk, having a positive view with a combined total of 36% (19% from clients coupled with 17% from debtors) while in 2022 this total was 32% (16% from clients coupled with 16% from debtors) mirrored by a total negative view of 38% (19% from clients coupled with 19% from debtors) while in 2022 this total was 39% (16% from clients coupled with 23% from debtors).



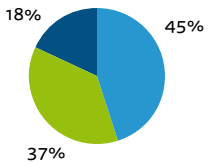
We also looked at several variables impacting factoring. Almost each of the impediments compared to 2022 presented variations. AML/KYC maintained its 42% position as an impediment to the industry (40% in 2022). Higher transactional costs are now viewed at 28% rather than 29% in 2022. Credit ratings increased slightly from 34% in 2022 to 35% in 2023. Also, liquidity showed that 24% see it now as a high impediment rather than 22% in 2022. *(Graph 1)*

Graph 1: Potential Impediments to the Development of Factoring 2023

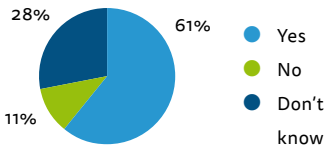


Moving forward, we can spot changes in members' views relating to the shortfall of factoring in a negative way. 45% of our respondents see a shortfall rather than 36% from 2022. Trade protectionism fears maintained its level from 2022, enhanced by the war in the east part of Europe. While we keep mentioning past experiences like the US-China trade war or Brexit finalisation that might have left some scars and lessons learned with the war in the east part of Europe, made our respondents placed this issue at 61% level vs 60% in 2022.

Shortfall of Factoring to fund International Business?



Could Protectionism widen any Trade Finance Gap even more?



Conclusion

With the fantastic 2022 year behind us, 2023 comes in with a moderate and toned-down picture, more focused on prudence. Hope is still present in our respondents' answers. Despite all the challenges, 2023 has also shown potential with moderate growth, confirming once again that factoring is still growing and a viable solution, especially during challenging times. The question of resilience in factoring remains to be seen, especially in 2024, a year that will add, on top of everything, an election year in Europe and the United States. Time will certainly tell.

In conclusion, we would like to thank all country respondents for their hard work in gathering this data on behalf of their countries and sharing it with us, year after year. We could never be able to do this without you! Thank you!

Juscelino-Kubitschek Bridge spans Lake Paranoa, Brasilia, Federal District, Brazil.



FCI Expressed in Figures

For the calendar year 2023, the number of members who contributed to the FCI Survey was close to 47% (50% in 2022), and their total volume added up to EUR 1,517 billion. Hence, all data hereafter relates exclusively to these real figures.

Comparing the data with 2022 figures, we noticed in 2023 a continuation of the positive trends in Domestic Factoring, while for International, we noticed a double-digit decline (around -12%). For Domestic Factoring, 2023 showed growth in almost all categories, with remarkable Reverse and Invoice Discounting results. Non-recourse maintained a turnover level similar to that of the previous year. Direct Export showed a double-digit decline. For International, shared turnover for International Reverse, Invoice Discounting, and collection services were the only figures that presented positive values.

Domestic Factoring share of the total volume had a 3-point increase from last year and reached **84%**, of which 14% accounts for Recourse Factoring, 43% without Recourse, 16% Invoice Discounting, 19% Reverse, 5% Collection only and Non-Notification with 3%.

Grouped **Export Factoring** and **Direct Export Invoice Discounting** show a decline from last year, accounting for **13%** of the total (16% in 2022). The Export Factoring volume related to the two-factor business remained the same as in 2022, with approximately 7% of the total, while Direct Export is 93%. Invoice Discounting recorded a +45% YOY increase in 2023.

Import Factoring accounted for **2%** of the total, where 55% represents two-factor business.

Reverse Factoring accounts for the remaining **1%**.

The following chart shows the results of the contributions received from the members and the estimates for 2023 for their countries. With the strengthening of the USD, the same picture viewed in the USD currency shows a slightly better outcome.

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

	2017	2018	2019	2020	2021	2022	2023	Variation 2022/2023
Invoice Discounting	303,272	266,606	263,236	189,095	192,244	119,309	204,240	71.2%
Recourse Factoring	231,270	245,583	191,167	143,882	138,914	169,747	180,598	6.4%
Non-Recourse Factoring	478,640	482,885	474,564	494,366	554,512	552,369	550,115	-0.4%
Collections	40,866	57,185	53,693	49,954	53,106	56,685	58,724	3.6%
Non-Notification Factoring					17,621	48,789	42,934	-12.0%
Reverse	50,010	89,482	139,358	76,305	151,344	171,238	240,963	40.7%
Islamic Factoring			0	81	145	147	25	-82.7%
Total Domestic Factoring FCI	**1,104,058**	**1,141,741**	**1,122,019**	**953,682**	**1,107,887**	**1,118,285**	**1,277,599**	**14.2%**
Export Factoring	292,408	211,195	216,721	158,990	139,332	188,672	142,844	-24.3%
Import Factoring	55,460	31,719	28,464	18,095	21,753	27,168	21,402	-21.2%
Export Invoice Discounting	106,104	59,569	47,467	33,717	49,574	39,615	57,536	45.2%
Reverse	4,497	7,638	6,075	6,446	6,185	15,322	17,891	16.8%
Total International Factoring FCI	**458,469**	**310,120**	**298,727**	**217,249**	**216,844**	**270,777**	**239,673**	**-11.5%**
Grand Total FCI	**1,562,527**	**1,451,861**	**1,420,746**	**1,170,931**	**1,324,731**	**1,389,062**	**1,517,272**	**9.2%**
World Domestic Factoring	2,078,758	2,244,214	2,375,406	2,206,000	2,496,438	2,956,642	3,094,945	4.7%
World International Factoring	519,540	522,852	541,699	520,728	597,268	702,562	696,509	-0.9%
World Total	**2,598,298**	**2,767,067**	**2,917,105**	**2,726,728**	**3,093,706**	**3,659,204**	**3,791,455**	**3.6%**

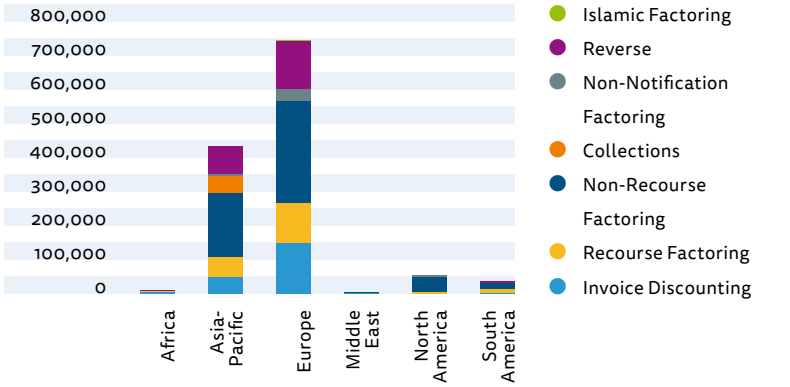
in millions of USD

World Total	**3,117,437**	**3,172,165**	**3,266,866**	**3,353,875**	**3,503,623**	**3,917,178**	**4,188.420**	**6.9%**

All contributions by continent to the FCI Members' domestic volume show **Europe** at the top, with **58%** (58% in 2022). In Europe, Non-Recourse volume accounts for 40% of the total (47% in 2022), Recourse volume 15% (17% in 2022), whilst Invoice Discounting volume shows 20% (10% in 2022) and Reverse volume at 19% (17% in 2022). **Asia Pacific** has **35%** (36% in 2022), while the **Americas** have **6%**, and **Africa and the Middle East** have a total of **1%**, keeping the same ratio as it was in 2022, which fills the picture for domestic volume.

FCI Members Domestic Volume 2023

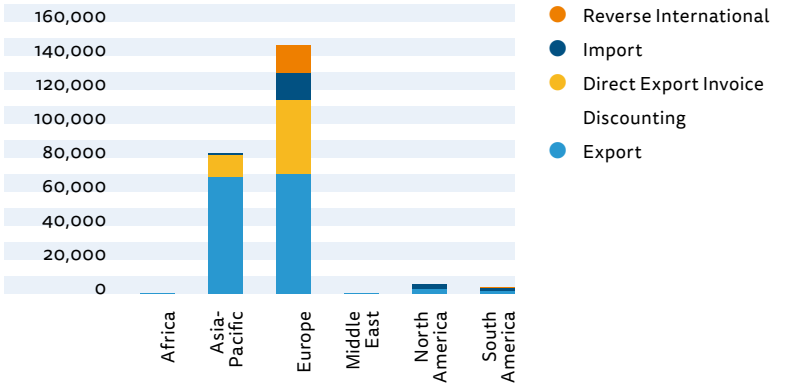
in millions of EUR



When breaking down the FCI Members International Factoring (Export and Import) volume by continent, **Europe** registered an increase, accounting for **61%** of the total (54% in 2022). **Asia Pacific** shows a decline with **34%** of the total (42% in 2022). The **Americas** accounted for a slight increase, with one point from the previous year reaching **4%**, whilst **Africa and the Middle East** combined represented less than **1%**, maintaining their previous position from 2022.

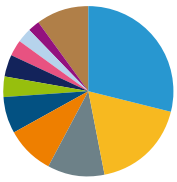
FCI Members International Volume 2023

in millions of EUR



When breaking down the volume of FCI Member Countries/Territories on Domestic Factoring volume, we find the 'Top Ten' adding up to 90% of the total volume, with China in first position with 29%, followed by Spain (18%), Italy (11%), France (9%), United Kingdom (7%), Japan and the United States with 4% each, Poland and Germany with 3% each and ending with Greece (2%).

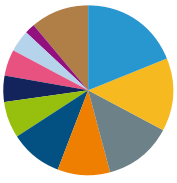
Share of 2023 FCI Domestic Factoring Volume



China	29%	United States	4%
Spain	18%	Poland	3%
Italy	11%	Germany	3%
France	9%	Greece	2%
United Kingdom	7%	Rest	10%
Japan	4%		

When breaking down the volume of FCI Member Countries/Territories on International Factoring volume, we find the 'Top Ten' adding up to 88% of the total volume, having Spain in the first position (19%), followed by Italy (14%), Taiwan (13%), Germany and China with 10% each, United Kingdom (7%), Singapore and Hong Kong with 5% each, Poland (4%) and the United States (2%).

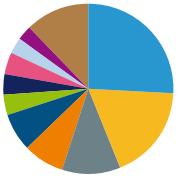
Share of 2023 FCI International Factoring Volume



Spain	19%	Singapore	5%
Italy	14%	Hong Kong	5%
Taiwan	13%	Poland	4%
Germany	10%	United States	2%
China	10%	Rest	11%
United Kingdom	7%		

The volume of the 'Top Ten' FCI Members' Total Factoring volume by Country/Territory accounts for 88% of the total, China leading the way with 26%, followed by Spain (18%), Italy (11%), France (8%), United Kingdom (7%), Japan, Germany and Poland with 4% each, United States and Taiwan with 3% each.

Share of 2023 FCI Factoring Volume



China	26%	Germany	4%
Spain	18%	Poland	4%
Italy	11%	United States	3%
France	8%	Taiwan	3%
United Kingdom	7%	Rest	12%
Japan	4%		

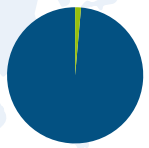
Factoring Turnover by Country/Territory in 2023

in millions of EUR

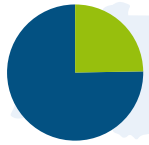
● EUF ● FCI estimate

Country/Territory	Domestic (*)	International(*)	Total	Companies(*)
Africa				
Botswana	28	9	37	19
Cameroon	300	–	300	2
Congo, Republic of the	30	–	30	1
Egypt	1,102	185	1,287	32
Kenya	5	1	6	4
● Mauritius	250	75	325	6
● Morocco	2,200	150	2,350	8
Senegal	119	–	119	3
● South Africa	42,490	137	42,628	110
Tunisia	375	17	392	6
Uganda	8	–	8	2
Total Africa	**46,907**	**575**	**47,482**	**193**
Asia Pacific				
Australia	54,319	11	54,330	6
● China	519,951	114,623	634,574	2,000
Hong Kong	10,000	25,920	35,920	9
India	16,378	1,000	17,378	11
Indonesia	321	137	458	60
● Japan	59,000	1,622	60,622	5
Korea	16,387	9,217	25,604	21
Malaysia	4,387	72	4,459	25
Mongolia	44	–	44	2
New Zealand	35	–	35	1
Singapore	25,000	35,000	60,000	19
Sri Lanka	–	200	200	1
Taiwan	11,000	32,000	43,000	20
● Thailand	4,300	10	4,310	10
Vietnam	70	1,074	1,144	8
Total Asia-Pacific	**721,192**	**220,886**	**942,078**	**2,198**
Europe				
Armenia	75	20	95	5
● Austria	15,967	20,496	36,463	4
Azerbaijan	106	6	112	1
Belarus	455	240	695	14
● Belgium	135,734	–	135,734	5
Bosnia Herzegovina	69	–	69	4
● Bulgaria	4,235	2,650	6,885	8
● Croatia	1,230	185	1,415	10
● Cyprus	3,830	945	4,775	6
● Czech Republic	8,316	3,352	11,668	6
● Denmark	10,392	9,102	19,494	9
Estonia	3,869	31	3,900	11
Finland	25,000	3,000	28,000	5
● France	275,300	151,300	426,600	12
Georgia	180	2	182	4
● Germany	275,865	108,579	384,444	180
● Greece	21,578	3,112	24,690	8
● Hungary	12,541	1,283	13,824	15
Ireland	26,900	1,717	28,617	6

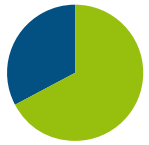
Total Factoring Volume



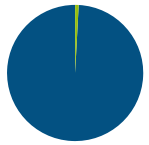
Africa 1.25%



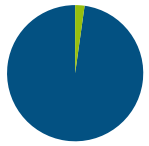
Asia-Pacific 24.85%



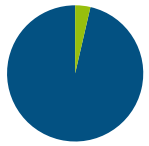
Europe 67.40%



Middle East 0.25%



North America 2.45%



South America 3.81%

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

Factoring Turnover by Country/Territory in 2023

in millions of EUR

● EUF ● FCI estimate

Country/Territory	Domestic (*)	International(*)	Total	Companies(*)
● Italy	232,219	66,459	298,678	30
Kosovo	30	–	30	3
Latvia	457	345	802	8
● Lithuania	5,100	60	5,160	12
Luxembourg	339	–	339	1
Malta	282	414	696	3
Moldova	–	9	9	3
● Netherlands	168,528	–	168,528	5
North Macedonia	15	23	38	5
● Norway	26,173	–	26,173	4
● Poland	87,048	16,441	103,489	24
● Portugal	38,495	5,698	44,193	14
● Romania	7,641	1,019	8,660	12
Russia	78,299	–	78,299	34
Serbia	1,900	200	2,100	22
Slovakia	1,680	1,234	2,914	6
● Slovenia	1,100	1,400	2,500	20
● Spain	233,005	37,388	270,393	20
Sweden	21,473	–	21,473	15
Switzerland	2,620	87	2,707	5
Turkey	24,444	2,206	26,650	59
Ukraine	592	–	592	16
● United Kingdom	340,087	23,094	363,181	46
Total Europe	**2,093,169**	**462,097**	**2,555,266**	**680**
Middle East				
Israel	3,360	840	4,200	7
Lebanon	83	–	83	3
Oman	93	–	93	4
UAE	3,500	1,500	5,000	4
Total Middle East	**7,036**	**2,340**	**9,376**	**18**
North America				
Canada	1,850	1,250	3,100	5
● USA	85,700	4,000	89,700	250
Total North America	**87,550**	**5,250**	**92,800**	**255**
South America				
Argentina	2,350	10	2,360	7
Brazil	30,783	165	30,948	600
Chile	39,000	3,000	42,000	200
Colombia	7,960	350	8,310	14
Costa Rica	1,441	–	1,441	6
Dominican Republic	247	29	276	18
Guatemala	160	–	160	15
Honduras	75	5	80	10
● Mexico	34,200	1,300	35,500	21
Peru	22,675	486	23,161	7
Uruguay	200	17	217	2
Total South America	**139,091**	**5,362**	**144,453**	**900**
Grand Total	**3,094,945**	**696,510**	**3,791,455**	**4,244**



Jiaozhou Bay Bridge, Qingdao City, Shandong Province, China.

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

in millions of EUR

● EUF ● FCI estimate

	2017	2018	2019	2020	2021	2022	2023	Var 2022/2023
Africa								
Botswana	–	–	–	180	180	180	37	-79.6%
Cameroon	–	–	–	–	–	–	300	100.0%
Congo, Republic of the	–	–	–	–	–	–	30	100,0%
Egypt	418	517	589	604	1,153	1,181	1,287	9.0%
Kenya	215	–	–	–	6	6	6	0.0%
● Mauritius	208	227	230	203	250	144	325	125.7%
● Morocco	3,374	2,532	2,532	2,532	2,532	2,532	2,350	-7.2%
Senegal	–	–	–	–	–	–	119	100.0%
● South Africa	17,117	18,582	20,873	21,465	27,905	37,393	42,628	14.0%
Tunisia	339	316	338	258	311	378	392	3.7%
Uganda	–	–	–	–	8	8	8	0.0%
Total Africa	**21,671**	**22,174**	**24,562**	**25,242**	**32,345**	**41,822**	**47,482**	**13.5%**
Asia Pacific								
Australia	47,658	54,330	54,330	54,330	54,330	54,330	54,330	0.0%
● China	405,537	411,573	403,504	433,162	469,575	576,885	634,574	10.0%
Hong Kong	46,945	53,500	48,150	45,743	44,000	45,000	35,920	-20.2%
India	4,269	4,532	5,089	3,562	8,600	15,771	17,378	10.2%
Indonesia	682	–	458	458	458	458	458	0.0%
● Japan	37,284	49,348	49,446	51,225	58,666	57,277	60,622	5.8%
Kazakhstan	106	–	–	–	–	–	–	0.0%
Korea	13,094	25,645	26,927	25,604	25,604	25,604	25,604	0.0%
Malaysia	1,650	4,459	4,459	4,459	4,459	4,459	4,459	0.0%
Mongolia	–	–	–	–	–	44	44	0.0%
New Zealand	–	–	35	35	35	35	35	0.0%
Singapore	44,000	44,000	39,600	29,034	29,034	44,000	60,000	36.4%
Sri Lanka	116	–	200	200	200	200	200	0.0%
● Taiwan	49,548	41,198	48,419	42,500	49,000	50,000	43,000	-14.0%
● Thailand	5,600	5,877	5,877	5,877	6,105	6,105	4,310	-29.4%
Vietnam	700	1.100	1,100	904	1,030	1,144	1,144	0.0%
Total Asia Pacific	**657,189**	**695,562**	**687,594**	**697,093**	**751,096**	**881,312**	**942,078**	**6.9%**
Europe								
Armenia	120	135	150	160	160	164	95	-42.1%
● Austria	21,091	24,107	27,220	26,762	30,459	35,884	36,463	1.6%
Azerbaijan	65	–	112	112	112	112	112	0.0%
Belarus	250	380	570	610	754	636	695	9.3%
● Belgium	69,641	76,340	84,819	81,716	99,368	124,166	135,734	9.3%
Bosnia Herzegovina	–	–	91	50	69	69	69	0.0%
● Bulgaria	2,919	3,211	3,532	3,300	5,100	7,599	6,885	-9.4%
● Croatia	1,340	1,094	1,140	1,132	1,230	1,365	1,415	3.7%
● Cyprus	2,830	3,585	3,181	2,940	3,200	4,807	4,775	-0.7%
● Czech Republic	6,121	6,778	7,240	6,990	9,224	11,857	11,668	-1.6%
● Denmark	14,948	18,637	18,838	18,695	21,910	25,532	19,494	-23.6%
Estonia	2,495	3,600	3,900	3,900	3,900	3,900	3,900	0.0%
Finland	24,000	25,800	28,000	28,000	28,000	28,000	28,000	0.0%
● France	290,803	320,409	349,714	323,567	364,900	421,500	426,600	1.2%
Georgia	25	28	137	152	185	247	182	-26.3%
● Germany	232,431	244,300	275,491	275,000	309,400	372,923	384,444	3.1%
● Greece	13,151	14,635	15,045	14,430	17,656	23,507	24,690	5.0%
● Hungary	5,730	6,911	8,550	8,820	10,671	12,053	13,824	14.7%
Ireland	26,294	26,294	28,617	28,617	28,617	28,617	28,617	0.0%

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

in millions of EUR

● EUF ● FCI estimate

	2017	2018	2019	2020	2021	2022	2023	Var 2022/2023
● Italy	228,421	247,430	263,364	234,842	258,350	296,106	298,678	0.9%
Kosovo	–	–	–	30	30	30	30	0.0%
Latvia	720	784	805	815	823	920	802	-12.8%
● Lithuania	3,000	3,660	3,400	2,700	3,300	5,500	5,160	-6.2%
Luxembourg	339	339	339	339	339	339	339	0.0%
Malta	350	554	696	696	696	696	696	0.0%
Moldova	3	4	5	5	3	5	9	80.0%
● Netherlands	89,713	98,368	112,148	113,758	131,940	163,663	168,528	3.0%
North Macedonia	–	–	–	23	25	25	38	52.0%
● Norway	22,682	25,923	26,441	25,235	28,105	30,914	26,173	-15.3%
● Poland	44,300	56,474	66,141	62,864	78,950	98,201	103,489	5.4%
● Portugal	27,008	31,757	33,800	31,468	34,487	42,078	44,193	5.0%
● Romania	4,560	5,007	4,854	5,023	5,990	7,847	8,660	10.4%
Russia	33,792	43,840	45,125	42,302	68,684	82,600	78,299	-5.2%
Serbia	603	650	883	930	1,080	1,690	2,100	24.3%
Slovakia	1,646	2,521	2,032	1,604	2,263	2,914	2,914	0.0%
● Slovenia	1,200	1,400	2,000	1,750	2,000	2,190	2,500	14.2%
● Spain	146,292	166,391	185,559	182,264	199,364	257,636	270,393	5.0%
Sweden	20,094	19,822	20,625	20,625	21,473	21,473	21,473	0.0%
Switzerland	3,832	593	593	593	593	2,707	2,707	0.0%
Turkey	34,575	26,894	21,857	18,966	15,944	24,094	26,650	10.6%
Ukraine	295	295	258	258	258	592	592	0.0%
● United Kingdom	324,260	320,193	328,966	272,677	328,429	353,539	363,182	2.7%
Total Europe	**1,701,939**	**1,829,143**	**1,976,239**	**1,844,721**	**2,118,041**	**2,498,697**	**2,555.266**	**2.3%**
Middle East								
Israel	3,295	2,665	2,734	3,748	4,000	4,200	4,200	0.0%
Lebanon	662	675	675	675	83	83	83	0.0%
Oman	–	–	93	93	93	93	93	0.0%
Qatar	62	–	–	–	–	–	–	0.0%
UAE	4,000	5,500	6,435	5,000	5,000	5,000	5,000	0.0%
Total Middle East	**8,019**	**8,840**	**9,937**	**9,516**	**9,176**	**9,376**	**9,376**	**0.0%**
North America								
Canada	5,392	2,280	2,985	2,448	2,700	3,100	3,100	0.0%
● USA	87,000	87,821	83,757	64,150	94,300	100,800	89,700	-11.0%
Total North America	**92,392**	**90,101**	**86,742**	**66,598**	**97,000**	**103,900**	**92,800**	**-10.7%**
South America								
Argentina	2,282	3,064	4,133	2,662	3,502	4,114	2,360	-42.6%
Bolivia	44	–	–	–	–	–	–	0.0%
Brazil	50,432	47,281	46,711	18,850	20,998	26,679	30,948	16.0%
Chile	22,756	26,500	33,600	27,000	29,400	41,000	42,000	2.4%
Colombia	7,655	7,142	7,667	5,525	6,241	8,260	8,310	0.6%
Costa Rica	231	–	–	836	900	900	1,441	60.1%
Dominican Republic		302	337	253	276	276	276	0.0%
Guatemala		282	300	300	300	300	160	-46.7%
Honduras	27	67	75	52	52	80	80	0.0%
● Mexico	23,314	24,477	25,200	14,361	16,994	34,179	35,500	3.9%
Peru	10,105	12,023	13,905	13,657	7,270	8,194	23,161	182.7%
Uruguay	98	110	103	63	115	115	217	88.9%
Total South America	**117,088**	**121,248**	**132,031**	**83,559**	**86,048**	**124,097**	**144,453**	**16.4%**
Total World	**2,598,298**	**2,767,068**	**2,917,105**	**2,726,728**	**3,093,706**	**3,659,204**	**3,791,455**	**3.6%**

Photography

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