



FCI

NEWSLETTER / AUGUST 2019

CONNECT. EDUCATE. INFLUENCE.

Facilitating Open Account – Receivables Finance

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

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GWENDOLINE DE VIRON
Head of Marketing and
Communication

EXECUTIVE SUMMARY

Dear Readers,

Welcome to the latest edition of In-Sight!

The publication starts with the [welcome of FCI's new chairman, Patrick de Villepin](#).

Peter Mulroy, [FCI Secretary General](#), continues highlighting some of the initiatives that have taken place since the Annual Meeting in June: rise of factoring funds, edifactoring first half figures and reverse factoring.

Joao Costa, a factoring professional with 15 years experience, shares [his encounters as a new members](#). Following his interesting points is an article on the celebration of [FIMBank's 25th anniversary](#).

Some news from [China and the China Banking Association Factoring Committee](#) are presented, including highlights of FCI Vice Chairwoman, Ms. Sun Jianbo's speech. Then we move on to Africa, where you will read about [receivables finance in Zimbabwe](#), its challenges and opportunities.

The 'connect' section finishes with the [presentation of new members](#) that have joined FCI since the latest newsletter: ADCB, Bank of Tianjin, CXC, FACTS Uganda, FACTS Kenya, the ITFC, MAIB, Optimai, SBM Factors and Tinubu Square. And I can tell you that more are in the pipeline!

The education section starts with the testimonial of the best student of COFIT ([Certificate of Finance in International Trade](#)) organised in cooperation with Afreximbank.

The Education Team reports on the recent [webinar delivered to the Latin America and Caribbean members](#). They also present the upcoming seminar on "[Risk Management and Legal Considerations in Factoring and Receivables Finance](#)" which takes place on 21-22 October in Istanbul, Turkey.

Two members, Deutsche Factoring Bank and Acudeen, who together recently took part in our [mentoring program](#), share their experience. They highlight the advantages for both mentor and mentee. [Kent Faktoring then give us their impressions from the tailor-made training](#), another initiative to assist new members to implement international factoring.

The education section concludes with the newly developed training on [Sales and Marketing in Factoring and Receivables Finance](#). The training will take place on 28-29 November in Guangzhou, China.

The last section of the newsletter highlights the potential of [factoring in Malaysia](#).

Yüce Uyanik presents the [market potential of Islamic International Factoring](#), a market with huge promise. Betül Kurtulus asks the question, [would Turkey be able to tolerate high volatility?](#) Leigh Jones, Equiniti Riskfactor, suggests the [three ways to improve your risk performance through data technology](#).

Enjoy the reading!

Gwendoline

WELCOME FROM PATRICK DE VILLEPIN

Chairman of FCI



PATRICK DE VILLEPIN
Chairman of FCI

Dear friends,

Most of you had the opportunity to take some needed time off to rest and to prepare yourselves for the coming challenges. I can tell you that FCI is also in preparation for an extremely busy second half of the year. The FCI Executive Committee will meet in Paris end of September, an opportunity for the association to crystalize and execute on its objectives in the coming two years.

As I mentioned in Vietnam during FCI 51st Annual Meeting, *several challenges are in front of us*. With the potential looming global slow down, the changes in technology and their impact on our industry, the ever-increasing regulations impacting receivables finance, and the ensuing trade war taking place impacting our businesses, we are witnessing an onslaught of challenges. *The continued growth story in receivables finance around the world* (including the volumes generated via the edifactoring platform, which the Secretary General explains more in detail on the next page) has been truly remarkable, but with the *ever increasing challenges ahead of us*, if FCI does not make the necessary changes to adapt to this new reality, the association could become redundant in the near future. *We must continue to invest in talent, to cooperate and partner with the major stakeholders supporting our industry and to optimize our influence around the world.*

FCI's legal rules are key for the healthy growth of cross border business for our members, but we must also make sure that local jurisdiction and central bank policies are also in place, to ensure the healthy growth of receivables finance. We must also continue to promote factoring around the world, our core mandate. *FCI will continue to invest in advocacy, compliance and promotion. The rise of big data, blockchain and fintechs are already having a significant impact on our industry.* FCI must invest in the new technologies as we evolve becoming our own "consortia" one day soon, offering users easier access, increased services, and supplier/buyer interface. *FCI Academy* has been recently launched, answering the call to allow for education right at your doorstep, by offering more online training (webinars and online courses) and new courses to better meet the expectations from the market. For example, FCI Academy has developed a new training seminar on marketing and sales end of November in China and a new edition of the seminar on risk in Turkey at the end of October. And lastly, FCIreverse has been launched this year, having signed up some members already and about to launch the first *FCIreverse Users Group meeting* in Madrid in October.

As your new Chairman. I am committed to ensure FCI's future is strong!

Kind regards,

Patrick de Villepin
FCI Chairman

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A WORD FROM THE SECRETARY GENERAL



PETER MULROY
Secretary General

Normally this time of year in the summer in Europe, things certainly quiet down. But I can say that this has been quite an active period, since concluding the 51st Annual Meeting in Vietnam in June. There are many interesting initiatives taking place, and I just wanted the opportunity to highlight a few of them:

Rise of Factoring Funds

I had reported in In-Sight previously about the *rise of Receivables focused Funds around the world supporting the growth in factoring*. Hedge funds have been increasing their investments into the accounts receivable field over the past decade, providing debt capital to factoring companies against their receivables pool. Banks are still the most active form of debt capital for factors (whether they be subsidiaries of banks or independent non-bank financial institutions). The attraction by investors in funds in this asset class is appealing to investors due to their *relatively high yields, good performance and track record in terms of repayment/low loss given default, and regulations making them more appealing to foreign investors*.



One example previously reported in In-Sight was the launch direct Receivable Backed Funds in Latin America. In Brazil, for example "Fundo de Investimento em Direitos Creditórios" or FIDCs can be found financing SMEs. Non Brazilian based investors can invest in these FIDCs, and brokers can offer them to their own clients. And in certain cases, these FIDCs are tax-exempt if they meet certain requirements. FIDCs are similar to other types of securitizations. They are backed by various assets, including receivables and are structured as bankruptcy remote vehicles. They are ranked by various rating agencies based on their structure and risk appetite. FIDCs have become the most prominent form of financing in the factoring community today as their clients seek to raise capital by monetizing their receivables. Other countries such as Peru have also been successful in launching factoring funds. Our member, SRM is an example of such a fund working in these markets.

We have also seen the *rise of in-direct funds dedicated solely to the investment in debt capital funding factoring companies themselves*. I had the opportunity in late June to visit two of our new members, Symbiotics and Invescap (whose application is in process) both located in Geneva, Switzerland, and both dedicated to funding factoring activities indirectly through financial intermediaries. We have interest from other funds in the UK, US, and HK who have reached out to FCI to inquire about membership. I believe these companies could become important avenues for liquidity for many of our members. Please reach out to the FCI Secretariat if you would like to learn more.

RISE
OF
RECEIVABLES
FOCUSED FUNDS
SUPPORTING THE
GROWTH IN FACTORING
RISE OF IN-DIRECT FUNDS
FUNDING FACTORING
COMPANIES
THEMSELVES

In Vietnam during the FCI annual meeting in June we introduced some of these players to the members during a round table discussion, including our members

Symbiotics, Acudeen, based in the Philippines and Finacity (based in NY, and recently acquired by Greensill). Their presentation gave the members insight into the changing landscape in risk and liquidity in Receivables Finance. We will organize something similar during the *Annual Meeting in Washington DC 21-26 June 2020*.

EDI Volume 1st Half 2019

The overall volume for the first half 2019 in edifactoring increased 1.2% in the first half of 2019. This is after a first quarter increase over the previous year of 5%. The more challenging 2Q stems from a decline in volume from three primary countries: Turkey, China and Hong Kong. However, just to be clear, Turkey's contribution of the overall decline compared to the other two accounts for over 90% of their combined decline!



- Turkey has had the biggest impact. EF is significantly down from the previous year, losing over EUR 1 Billion in volume. The reasons are stemming from the *very challenging geo-political environment, the economic recession, a reduction in business* in two of the largest corporate clients using export factoring due to a slowdown in their business, and a reduction in some import credit lines and some import factors who have taken a cautionary approach to Turkey, due to the above.
- China's export factoring volume is down 13% YTD and IF is down 19% YTD. The reasons for this decline stems from a number of influences, but primarily due to the *slowing economy stemming in part from the trade war between the US and China*. Import factoring volume is down due to certain concentrations (outstanding invoices are nearly due, and the credit line will soon be available and utilized in the 2H, so expect to see an offset in the 2Q).
- Hong Kong's export factoring volume is significantly down by 48% and import factoring volume is down 24%. Reasons cited for the decline in EF is due to the *economic climate* in part stemming from the slow down in China, but also due to the *geo-political challenged in Hong Kong* today.

THE
OVERALL
VOLUME FOR THE
FIRST HALF 2019 IN
EDIFACTORING IS FLAT... A
DECLINE IN VOLUME FROM
THREE PRIMARY COUNTRIES:
TURKEY, CHINA AND HONG
KONG ... A LARGE
INCREASE IN EXPORT
VOLUME IN
TAIWAN

There are a number of positive take-aways as well from the statistics, including the good news that the decline has been offset by a large increase in export volume, over EUR 1.2 Billion out of Taiwan. However, this is large concentrated volume generated by one member held in the hands of one large corporate, leading to concentration concerns. However, we have also witnessed double digit increases in exports from such markets like India, Czech Rep, Russia, Spain, Malta, Germany, Honduras, Mexico, Argentina, Colombia and Uruguay.

<Continued from page 5

Payables Finance/Reverse Factoring

Since the Annual Meeting and the announcement of the signing of the MOU from four of our members to become



FCI REVERSE
POWERED BY DEMICA

FCIreverse Users, there has been an increased level of interest from FCI members and also some outside players as well. While these *four FCI members start to jump into this opportunity*, we have attracted French, South African, Chinese, Malaysian, Australian and Russian players as serious potential Users of the FCIreverse platform. Some outside players such as Development Banks are also starting to look into this platform as the needed solution to allow their respective markets to thrive in this growing field of payables finance/reverse factoring. They want *to help SMEs and Corporates in their respective markets to encourage them to shift their business to ship on open account terms without losing the coverage of a correspondent bank under a Letter of Credit*.

FCI is organizing its first *FCIreverse Users conference in Madrid on 17-18th of October* where

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USERS CONFERENCE IN
MADRID ON 17-18TH OF
OCTOBER TO DISCUSS
THE BUSINESS
OPPORTUNITIES

everyone interested in the solution is invited to a day and a half hands-on seminar to discuss the business opportunities. For that matter and for FCI members, a series of free conference calls are being carried out in order to help them spot potential buyers and suppliers, active in their markets with flows to other geographies supported by FCI members.

For those FCI members that are taking their first steps in cross border supply chain finance, the Communication Committee has also developed and released *new EDI messages that cover the needs of the members that were already operating SCF business and look to collaborate with export members who can also assist with the supplier on-boarding*.

Conclusion

I also visited recently active and prospective members in the US and Canada earlier this month. The common concerns in both countries had to do with the *challenges brought on by the trade war between the US and China*. There are frustrations expressed about the loss of business and challenges that they face, as China is such a large market for US and Canadian products and services, especially raw material. The good news is that we should soon see two large banks in Canada join FCI as well, which will significantly increase our coverage in North America.



On the way, we will always be your safeguard

Factoring and Receivable Finance

A member of



Facilitating Open Account – Receivables Finance



中国建设银行
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THE FIRST YEAR IN THE LIFE OF A NEW FCI MEMBER



JOAO COSTA
Banco Ourinvest

I have spent 15 years in international factoring, but now I am living the unique experience of working as a new FCI member, building the product and business pipeline for Banco Ourinvest in Brazil.

Ourinvest is a bank specialized in international business, notably forex, hedging, international payments, and trade finance. Having a solution for open account receivables, being part of an international network, and keeping the Bank image of innovative, agile, and expert in international banking services, were the key drivers to become an FCI member.

It is always a challenge to implement new ideas and products within an organization: The IT department are curious about edifactoring, but they have a pipeline of other projects; the Legal department wants to read all about it before giving any opinion; back office and finance are full of questions about controls, systems and accounting rules; commercial is excited but have no idea how to sell it... and management wants to see business!

Thanks to a very professional and engaged team, we managed to set up the product and perform first transactions in record time. End of the day, what we should never forget is that, the main reason to join FCI and what will create a success story in the long run... is Business!

Some advice if you are a new member:

1- **Manage expectations:** Setting up a new product is always a struggle, to avoid unnecessary frustration among the organization, it is important to pass the message that good things take time to be built, success will not come overnight, but it will last if built on strong fundamentals.

2- **Build and use FCI network:** FCI is all about network. A new member is a new kid on the block, so make new friends, ask for support, advice, and business. FCI has tools that can and should be used, like mentorship and education programs. FCI is not limited to EDI messages, use of email and live calls are key to build the trust and understand how things should be done to kick off business in a smooth manner. Events like the annual meeting are unique opportunities for face to face meetings.

3- **Trust FCI network for risk management:** Risk cover on FCI two-factor scheme is much more than legal issues and disputes. It is about having a friend that can provide advice and support in a foreign jurisdiction. Before starting a new business, I often send email or call the import factor to assure documentation is correct and in place, what are the chances the buyer pays directly the exporter and, if required, we do invoice verification, especially on first transactions. Invoice verification can be just a comfort, not legally binding, most of the time done

THE
MAIN
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IS BUSINESS!



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by email - I confess we don't use much EDI for invoice verification.

4-Education, Education, Education: Implementing a new product like international factoring in an organization poses new problems, business flows, and risks. All areas need to be educated to understand the differences, challenges, benefits and tools of the product. FCI provides a complete package of education courses for all levels and areas of expertise. Use it. It will educate but also motivate the team to make the product a success case.

As a final message to all veteran FCI members, newcomers need your support and don't forget their business is new business for all. Be curious, try them and send business, reply fast on requests and, most important, guide new members on how to increase chances of success. Their success is also your success story.



TO
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AND, MOST IMPORTANT,
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DO YOU WANT TO ADVERTISE HERE?

The FCI newsletter - In-Sight - is sent to more than 7500 contacts in the Receivables Finance Industry; to FCI members but also to non-members, associations and service providers.

The publication updates anyone interested in, or working in the receivables finance industry on what is new in the Open Account Receivables Finance Industry as well as among FCI members.

Furthermore, the newsletter gives information on what FCI has to offer in terms of education and networking and updating you on advocacy initiatives. The FCI newsletter is recognised as one of the leading periodic publications in the industry.

The conditions are available [here](#)

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FIMBANK CELEBRATES 25TH ANNIVERSARY

Years at the Forefront of Global Trade

FIMBank has recently hosted its 25 year anniversary event at the Upper Barrakka Saluting Battery in Valletta, overlooking the majestic grand harbour, to commemorate this significant milestone. The Prime Minister, Dr Joseph Muscat, together with other prominent figures in the financial services industry, were also invited to this landmark event.

Over the course of these 25 years, FIMBank has established itself as a leading provider of trade finance, factoring and forfaiting solutions, developing a customer-driven ethos focused on optimising business performance and growth. FIMBank is an award winning organisation that has won a variety of awards and accolades in various categories over the years.

The FIMBank Group owes its inception to the establishment of the First International Merchant Bank Ltd, which commenced its operations in 1994. In 2001, the shares of the Bank were listed on the Malta Stock Exchange and four years later, the First International Merchant Bank changed its name to FIMBank p.l.c.

In 2003, FIMBank kick-started the expansion of its international network, with the acquisition of London Forfaiting Company Limited, a market leader in forfaiting. The Bank's global footprint was further enhanced by the establishment of the FIMBank DIFC branch in Dubai, and of Egypt Factors in Cairo in 2006. This was followed by the acquisition of India Factoring in 2007. In 2011, the Group achieved new heights, with its balance sheet reaching the USD 1 billion mark.



USD 7.7 million in 2017 and USD 10.2 million in 2018.

During this period, the Group achieved significant milestones, particularly with the development of its real estate finance proposition, targeting established developers in Malta, and the launch of its fully-fledged digital banking platform, catering for the needs of corporate customers.

The year 2018 was heavily characterised by the Bank's Rights Issue, which specifically brought to the fore the underwritten



Dr John C. Grech, Chairman, Mr Murali Subramanian, CEO, Dr Joseph Muscat, Prime Minister of Malta

**THE
BANK HAS
DEVELOPED A
REPUTATION FOR
TRUSTWORTHINESS
AND
RELIABILITY**

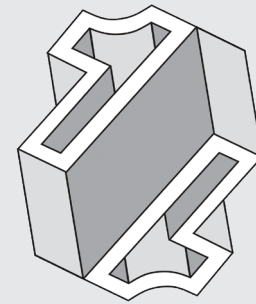
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agreement by the Bank majority shareholder United Gulf Holding, a member of the KIPCO Group. The cash injection of USD 105 million allowed the Bank to strengthen its capital base and undertake more business.

WE
CAN
CELEBRATE OUR
LONG-TERM
SUCCESSIONS, WHILST
LOOKING FORWARD TO
THE FUTURE WITH
OPTIMISM, AS WE
CONTINUE TO BUILD ON
OUR SOLID
FOUNDATIONS

"FIMBank's 25th anniversary is a strong message in itself. The Bank has developed a reputation for trustworthiness and reliability, as we continue building strong banking relationships with our clients in over 50 countries. It is a significant milestone for FIMBank, a clear indication of the Group's ability to adapt to changing circumstances. We are pleased to be in a position where we can celebrate our long-term successes, whilst looking forward to the future with optimism, as we continue to build on our solid foundations" stated Murali Subramanian, CEO of the FIMBank Group.



FIMBANK



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NEW TERM MEETING OF FAC CHINA BANKING ASSOCIATION CONVENED SUCCESSFULLY IN BEIJING



On 2 July, the newest term meeting of China Banking Association Factoring Committee (FAC) took place successfully in Beijing. CBA vice-president Bai Ruiming, FCI Vice-Chairman Sun Jianbo, ABC investment Director Jiang Ruibin, ICBC Corporate Banking Department Deputy General Manager Li Xinbin, SPDBank Transaction Banking Department General Manager Li Hua, were presented at the meeting and delivered speeches. The conference approved the Fourth FAC working report and elected the Fifth FAC Standing

Committee. ICBC was elected as the Chairing member of the Fifth Standing Committee of FAC. More than 80 participants from all FAC members and mainstream media attended the meeting.

On behalf of FCI, Vice-Chairman Sun Jianbo made a statement about the present situation, membership construction and the future development trend of FCI. Ms. Sun suggested to further promote cooperation with CBA in order to jointly accelerate high-quality development of domestic and international factoring business.

Ms. Sun Jianbo was invited to the meeting and delivered a speech on behalf of FCI. Ms. Sun stated that the global factoring industry in 2018 was a steady progress but opportunities and challenges coexist. Regarding factoring in China she highlighted that domestic factoring plays a more important role in the Chinese market,

"Thirdly, further cooperation is needed. In domestic sector, we will need to strengthen cooperation between banks and commercial factors. In the international sector, we should deepen diversified market cooperation and strengthen factoring cooperation in other countries which open account trade is dominating the foreign trade. The market is reciprocal. We cannot survive and develop independently. Just like "FCI two-factor system", cooperation is the right way to develop."



the complex and volatile foreign trade situation combined with the adjustment of some banks' internal policies have led to a relatively small volume of international factoring in China's banking industry. This decline urged us to look deep into finding the reasons and seek new growth opportunity for China's international factoring business as soon as possible. Her vision of the change includes increase of use of FCI Academy as training staff could improve the level of the industry, promotion

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of the application of financial technology to support the account receivables finance service and using the financial technology. She also stressed that further cooperation is needed through deepening diversified market cooperation and strengthening factoring cooperation in other counties using FCI two-factor system. She added the cooperation is also the path that FCI adheres to in its history and reminded about the MoU signed between CBA and FCI at FCI 50th Annual Meeting last year. One of the ideas of this cooperation is to create a GRIF in Chinese and to deepen cooperation on education. She also wants to expand the use of edifactoring platform by Chinese members and actively research the application of FCIreverse. She concluded the speech by stating *"We believe the association (CBA) and FCI will together make a prosperous future for the Chinese factoring industry."*



Mr. Li Xinbin, Deputy General Manager, Corporate Banking, ICBC, Chair Member of 5th Standing Committee of FAC delivered a speech on the recent trends in China's economic structure. It has continued to develop in the direction of optimization, adjustment and upgrading, Xinbin stated. Advanced manufacturing, high-tech industries and strategic emerging industries have grown rapidly, and there are abundant factoring resources. Factoring is an important means for the Chinese banks to serve the real economy. With

the rise of emerging technologies such as big data, blockchain, cloud computing, artificial intelligence, etc., it provides unlimited imagination for the innovative breakthroughs of China's banking industry in terms of factoring business model, operation and credit enhancement methods. According to statistics, at the end of 2018, the potential market of China's factoring has reached nearly 26 trillion yuan (about USD 3.8 trillion). The market for factoring is very broad and has ushered in tremendous development opportunities. The Chinese banks will take advantage of the trend and promote the vigorous development of factoring mainly through the following three aspects of innovation: Firstly, to cooperate with core enterprises in the industrial chain to realize the integration and innovation of factoring. Secondly, to use the platforms realizing the intelligent development of factoring business.

Thirdly, to rely on financial technology achieving innovative development of factoring. At present, the popularity of Internet among Chinese enterprises has exceeded 90%. Xinbin finished his speech stating that *"Today, it's becoming the trend to develop traditional factoring business though the innovation of financial technology."*

"The market for factoring is very broad and has ushered in tremendous development opportunities. The Chinese banks will take advantage of the trend and promote the vigorous development of factoring mainly through three aspects of innovation"



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CONNECT FACTORING IN ZIMBABWE

Introduction

The International Monetary Fund has estimated that the Zimbabwean economy is likely to contract by 5.2 per cent in 2019, with growth envisaged between 2020 and 2024 at an average 3.3% per annum.

The economic contraction has by and large been attributed to drought, foreign currency shortages, prolonged electricity cuts, fuel shortages to name a few. Prices of basic goods and services have increased significantly, with the rate of inflation recorded at 175.66% in June 2019¹.

In 2018 it had been reported that the *Zimbabwean economy would grow by 4.2% in 2019* according to the International Monetary Fund². As Zimbabwe's economic prospects continue to shift, there is a heightened *need for more working capital solutions for local businesses, especially solutions that are able to boost trade and positively impact GDP*. While the local receivables finance industry lags behind that of other African countries like South Africa and Nigeria, the building blocks for the success of factoring are in place. In the late 1990's and early 2000's finance and discount house operated in areas such as the export of agricultural produce. As such the market is to some extent aware of receivables financing products and it is now a matter of reintroducing and building on the current infrastructure.

Receivable Finance Industry

Zimbabwe's economy is 60% informal and *dominated by small to medium enterprise (SME)* trading. Factoring or invoice discounting does not currently feature prominently in Zimbabwe's

ZIMBABWE
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WHERE FACTORING
CAN TAKE HOLD
AGAIN AND BECOME
A KEY TOOL IN THE
FINANCING OF
TRADE

financial sector and the same can be said for the rest of Africa. This presents a great opportunity for growth in the sector. Although only 1% of the world's factoring is in Africa, the continent had a growth rate of 47.6% in 2016 outperforming regions such as Europe and Asia. This means Zimbabwe is in a place where factoring can take hold again and become a key tool in the financing of trade.

There is currently no legislation or regulation on receivables finance neither are there any guidelines on the subject issued by the central bank in Zimbabwe (Reserve Bank of Zimbabwe). Nevertheless, positive steps are being taken with the enactment of the Moveable Property Security Interests Act

[Chapter 14:35]. This legislation is the first of its kind as it seeks to provide more protection for holders of receivables and a way in which one can register same centrally, creating a searchable data base. The legal framework still requires much work and could further benefit from the adoption of a model law on factoring as is currently underway in Nigeria³.

Although most Zimbabwean companies continue to operate under challenging conditions, export and import substitution opportunities exist, and receivables financing offers a viable solution to many companies' working capital bottlenecks. *A marked increase in demand for receivables financing solutions has been observed in the first half of 2019* as many suppliers look to discount their current receivables as a means of beating inflation and preserving value through early payment. Initiatives such as "Buy Zimbabwe" have



TAKU
CHINHENGO
Harare
Receivables
Exchange



TAPIWA NHARI
Harare
Receivables
Exchange

1. Zimbabwe National Statistics Agency (ZIMSTAT) Consumer Price Index (Feb 2019 = 100) – June 2019 <http://www.zimstat.co.zw/>

2. International Monetary Fund World Economic Outlook April 2019 <https://www.imf.org/>

3. <https://www.vanguardngr.com/2018/07/nass-pledges-speedy-passage-of-factoring-bill/>



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increased measures aimed at reducing consumptive exports, increasing local production, promoting local value addition and increasing lines of affordable credit for local companies. This should better place businesses to take advantage of both the domestic and export markets, again giving rise to new opportunities for Receivables Financing.

Players in Local Factoring Market

Several Zimbabwean financial institutions offer factoring to their clients. However, these transactions are mostly loans backed by receivables and not pure receivable financing transactions. Some of the players in this market include large, established institutions as well as a few smaller players that have shown interest in the area. There is however a Zimbabwean company that offers factoring as the hallmark of its business, namely, Harare Receivables Exchange (HRE). HRE has been in operation since 2012 and has to date advanced in excess of USD 12 million. Admittedly this is a small amount in a market the company believe is in excess of USD 1.3 billion. HRE continues to provide factoring services to businesses at different stages of growth and in diverse industries.

MAIN
FACTORING
PRODUCTS ARE
CONFIDENTIAL
RECEIVABLES
DISCOUNTING, DISCLOSED
RECEIVABLES
DISCOUNTING, REVERSE
FACTORING AND
FUTURE RECEIVABLES
DISCOUNTING

The main factoring products offered by Zimbabwean companies are confidential receivables discounting, disclosed receivables discounting, reverse factoring and future receivables discounting. Suppliers from businesses large and small make use of these products but the majority of suppliers are SMEs. *The main industries that make us of these products are agriculture, manufacturing, retail (FMCG's) and mining.*

The rise in microfinance institutions in Zimbabwe has increased competition and pushed financial institutions to diversify their product offering. This again may lead to an increase in factoring services in Zimbabwe's near future.

Besides the banking institutions, other emerging players in the factoring market include private limited liability companies that offer trade finance services. At times these are related party transactions which offer another good source of trade finance within the Zimbabwean market. Another great development in the last 12 months has seen *local insurance companies beginning to provide trade and supply chain credit insurance which covers factoring transactions.* While a factoring association has yet to be established in Zimbabwe, there exist various other trade associations that are instrumental to the growth of the local factoring market.

At present, it is challenging to find statistics on factoring in Zimbabwe. Many financial sector participants are unwilling to share their factoring data, and it is also difficult to determine which institutions merely advertise the service opposed to actually availing it to clients. Clients play a part in driving the adoption of factoring and the more they become aware of the service the more it will grow.

Fintech Level of Development In Zimbabwe

Fintech has been embraced in Zimbabwe and its use and development continues to rise. Innovative fintech solutions are increasingly used to benefit local businesses, both new and established. It is estimated that transactions are now 90% cashless. This acceptance of

>Continued on page 16

paperless transactions was spurred on by the cash crisis faced in the country. Other key factors that fuel fintech development include the fact that, approximately 70%⁴ of the population is unbanked, creating a need for non-bank-based payment solutions. This in turn has encouraged the **increased use of electronic payment systems and accelerated innovation in this sector**. In particular, use of mobile payment systems has skyrocketed, facilitating 754 million out of the more than 1 billion transactions made in 2017. In 2018 it is reported that subscribers to mobile payment platforms increased by 41 per cent and internet banking subscribers increased by 65 per cent⁵. There are a number of players in this space. Fintech has disrupted the banking industry and redefined the bank-customer relationship. It is now essential to provide working capital business solutions through these and other platforms.

The increase of fintech in Zimbabwe is not without challenges. Local customers often encounter system failures, such as bounced transactions, duplicate debits from single transactions and delayed payment transaction confirmations which makes the customer experience far from seamless.

The Impact on Bringing Further Financial Services

Increased financial services are essential to bridging the gaps in the local market. There is a great need to accommodate Zimbabwe's large informal sector and to harness remittances from the Zimbabwean community abroad which are valued at approximately USD 60 million per month. An increase in the quantity and variety of financial services would result in additional revenue from these areas and also facilitate growth of SMEs⁶. In 2018, Zimbabwe's imports were valued at USD 6.4 billion, making a clear user case for receivables financing. On the export side, the government is on a drive to realign balance of payments by boosting exports mainly in the mining and agricultural sectors, again creating the perfect space for the growth of factoring.

The government has declared that "Zimbabwe is open for business." Though the road ahead is tough in ensuring that the environment is enabling and meets this lofty idea, government's push for increased investment and entrepreneurship means a greater demand for financial services, including factoring. Opening up the financial services sector will allow local businesses to maximise on new opportunities. Notably, the Reserve Bank of Zimbabwe has recently introduced empowerment facilities worth approximately USD 270 million, aimed at increasing access to finance for marginalised groups such as women and people with disabilities as well as certain key sectors such as horticulture and cross border traders. While this initiative is a step in the right direction, these facilities are currently under-utilised by banks and consumers⁷ and more needs to be done to ensure the effective disbursement of funds under the facilities. By availing these facilities to receivables financing, the government will directly target the end businesses and help them grow. Ultimately, factoring is providing a more immersive form of financial inclusion that develops trade and the lives of the community.

Zimbabwe is ready for the further use of Receivables Finance as a tool to promote financial inclusion and flexible funding options for both corporates and SMEs. This funding solution remains adaptable during both economic growth and uncertainty, and a clear case continues to be made for its use. With increased awareness of receivables financing options and the development of favourable guidelines and laws, Zimbabwe will become a great example for the African factoring community.

This article was originally written by Tariro Muzenda and Taku Chinhengo and published by BCR's TRF News in September 2018. It was updated to take into account the changing economic landscape Zimbabwe.

4 <http://blog.directpay.online/mobile-payments-penetration-state-of-digital-payments-in-zimbabwe>

5 <https://www.herald.co.zw/electronic-money-hits-96pc-of-transactions/>

6 <https://bulawayo24.com/index-id-opinion-sc-columnist-byo-135847.html>

7 <https://www.herald.co.zw/banks-sit-on-rbz-business-facilities/>

NEW MEMBERS

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

Since the last newsletter, the FCI family grew with the addition of the following Members. Today FCI counts **384 members**! We have about 10 members that are going to join in the next weeks.



ASSOCIATE

UNITED
ARAB EMIRATES

Abu Dhabi Commercial Bank (ADCB) was formed in 1985 and as at 31 March 2019 employed over 5,000 people from 84 nationalities, serving retail customers and corporate clients. ADCB is a full-service commercial bank which offers a wide range of award winning products and services in both conventional and Shari'ah compliant banking, operating in four business segments including Consumer Banking, Wholesale Banking, Treasury and Investments and Property Management.

On 1 May 2019, ADCB and Union National Bank merged and the combined entity acquired Al Hilal Bank, which operates as a separate Islamic banking entity under its own brand within the Group. The transaction reinforced ADCB's position as the third largest bank in the UAE, with assets of AED 423 billion based on pro forma financial information as at 31 December 2018. The Group serves approximately 1 million customers. ADCB Group, which is 60.2% owned by the Government of Abu Dhabi through the Abu Dhabi Investment Council, trades on the Abu Dhabi Securities Exchange (ADX) under the ticker of ADCB. As at 1 May 2019, ADCB's market capitalization was AED 67 billion.

ADCB places its focus on the UAE where it helps to make a significant contribution to the economy and the communities it serves. ADCB is one of the biggest SME lenders in the country and despite the economic slowdown, and unlike many market providers they have held the loan book levels whilst reducing the cost of risk. In 2018, ADCB launched digital account opening platforms for SMEs and mid-sized corporates, providing more simplicity and substantially reducing turnaround time. In Trade Finance, ADCB began automating workflow processing for all trade products with the launch of Automated Trade Workflow, made material improvements on ProTrade – ADCB's online trade platform and launched Trade Booster portal - a global directory of buyers and sellers to benefit from mutual trade. Today, 90% of all interactions Wholesale clients have with the Bank are fully digital.

By becoming a member of FCI, ADCB looks to provide a comprehensive factoring solution to clients that can enhance client liquidity while better managing the risk.

For further details, please visit www.adcb.com



ASSOCIATE

CHINA

Bank of Tianjin Co., Ltd. is formerly known as Tianjin City Cooperative Bank Co., Ltd., a limited liability commercial bank established in Tianjin Municipality of the People's Republic of China in November, 1996 with the approval of the People's Bank of China. The Bank changed its name to Tianjin City Commercial Bank Co., Ltd. in August 1998 and then to Bank of Tianjin Co., Ltd. in February, 2007. As at 31 December, 2018, the Bank had a total of 14 tier-one branches. And the Bank was listed on The Stock Exchange of Hong Kong Limited on 30 March, 2016.

The Bank is primarily engaged in banking business and related financial services, including corporate banking, retail banking, treasury business, and other business.

Under the unremitting efforts and excellent work of the staff across the Bank, in 2018, the Bank won various awards, such as the "Excellent Asian City Commercial Bank Award", "Green Financial Bank Award", "Outstanding Commercial Bank Brand Award", etc. And we ranked 200th in the Top 1000 World Banks 2018 published by the Banker, a UK publication, ranking 32nd among the 135 Chinese banks on the list. Besides, China Lianhe Credit Rating determined our credit rating as AAA, the highest corporate credit rating of domestic commercial banks and the rating outlook was stable.

For further details please visit: www.bankoftianjin.com



AFFILIATE

MEXICO

CXC provides highly specialized services related to the operation and financing of portfolios of income generating assets (i.e. loans, leases and invoices), including: i) Monitoring and reporting on asset portfolios, ii) detailed payment tracking and cash reconciliation, iii) collection services, iv) document/invoice revision and compliance assurance, v) on-site audits of processes, vi) back-up servicing and vii) company background checks.

CXC is rated by Fitch Ratings and certified in ISO 9001 (Quality Management) and ISO 27001 (Information Security Management). As of June 2019, CXC was responsible of managing more than US\$2.2 billion in assets.

For further details please visit: www.cxc.com.mx



ASSOCIATE

UGANDA

Financial Access Commerce and Trade Services (Uganda) Limited ("FACTS Uganda") is a non-bank financial institution, specialized in Supply Chain Finance (SCF) and Factoring, incorporated under the laws of the Republic of Uganda in 2015 with its registered office in Kampala. FACTS Uganda is a subsidiary of FACTS East Africa B.V. ("FACTS EA"), a finance group based in Amsterdam, the Netherlands.

FACTS Uganda is focusing on the agribusiness, health and manufacturing sectors, as well as

CONNECT

other emerging entrepreneurs that have limited access to finance from mainstream Financial Institutions. FACTS Uganda has succeeded in building a client portfolio in various industries and market segments. Originally FACTS's focus was on the domestic market but sees potential in the East Africa regional market and in particular in cross-border trade finance.

FACTS Uganda's vision is to become the leading SCF and Factoring Institution in Uganda. FACTS understand the challenges of the market, while being dedicated to increasing awareness of the SCF and Factoring products with highly skilled and experienced staff in the field.

FACTS Uganda operates on a sustainable commercial footing and is convinced that economic IMPACT is best achieved through developing a vibrant and resilient SME sector. FACTS Uganda seeks responsible investment and is signatory to United Nations Principles for Responsible Investment (UNPRI) as it strives for impact in the form of demonstrable and reportable links to the UN Social Development Goals (SDGs).

As a member of FCI, FACTS Uganda will support the international trade of its clients and provide all stakeholders with better risk management.

For further details please visit: www.factsafrica.com



ASSOCIATE

KENYA

Financial Access Commerce and Trade Services (Kenya) Limited ("FACTS Kenya") is a non-bank financial institution, specialized in Supply Chain Finance (SCF) and Factoring, incorporated under the laws of the Republic of Kenya in 2015 with its registered office in Nairobi. FACTS Kenya is a subsidiary of

FACTS East Africa B.V. ("FACTS EA"), a finance group based in Amsterdam, the Netherlands.

FACTS Kenya is focusing on the agribusiness, health and manufacturing sectors, as well as other emerging entrepreneurs that have limited access to finance from mainstream Financial Institutions. FACTS Kenya has succeeded in building a client portfolio in various industries and market segments. Originally FACTS's focus was on the domestic market but we see potential in the East Africa regional market and in particular the cross-border trade finance market.

FACTS Kenya's vision is to become the leading SCF and Factoring Institution in Kenya. FACTS understand the challenges of the market, while being dedicated to increasing awareness of the SCF and Factoring products with highly skilled and experienced staff in the field.

FACTS Kenya operates on a sustainable commercial footing and is convinced that economic IMPACT is best achieved through developing a vibrant and resilient SME sector. FACTS Kenya seeks responsible investment and is signatory to United Nations Principles for Responsible Investment (UNPRI) as it strives for impact in the form of demonstrable and reportable links to the UN Social Development Goals (SDGs).

As a member of FCI, FACTS Kenya will support the international trade of its clients and provide all stakeholders with better risk management.

For further details please visit: www.factsafrica.com



ASSOCIATE

UNITED
ARAB EMIRATES

The International Islamic Trade Finance Corporation (ITFC) is a member of the Islamic Development Bank (IsDB) Group. It was established with the purpose of advancing trade among OIC member countries, which would ultimately contribute to the overarching goal of improving socioeconomic conditions of the people across the world. Commenced operations in January 2008, ITFC has since consolidated all trade finance businesses that used to be handled by various windows within the IsDB Group. Earning the A1 rating by Moody's reflects the Corporation's efficiency in service delivery by responding swiftly to customer needs in a market-driven business environment.

Since 2008, ITFC has provided more than US\$45 billion of trade financing to OIC Member Countries, making the Corporation the leading provider of trade solutions for OIC Member Countries' needs. With a mission of being a catalyst for trade development among OIC Member Countries and beyond, the Corporation helps entities in Member Countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools, which would enable them to successfully compete in the global market.

ITFC is chairing the Islamic Chapter of FCI. They will be onboarded to edifactoring on a later day.

For further details please visit: <http://www.itfc-idb.org/en>



ASSOCIATE

MOLDOVA

Moldova Agroindbank (MAIB) is a universal commercial bank, providing its services to all market segments: large, small and medium enterprises, micro enterprises, leasing, investment services.

With a 28-year-long history, MAIB is an institution of systemic importance, which holds the leader position in the banking sector of the Republic of Moldova, with its market share being of about one third of the sector.

Moldova Agroindbank's mission is to provide the highest-quality and most accessible financial services through a network of 66 branches and 127 agencies all over the country in order to add value to stakeholders, to inspire confidence in the future and provide a sense of security by creating new opportunities.

MAIB strives to become a regional financial group and be the first choice for its clients and partners. Customer-focused approach, team spirit, integrity, responsibility and excellence are the values on which the bank relies in the accomplishment of its mission.

For further details please visit: www.maib.md

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SPONSOR

SINGAPORE

Optimai is a Financial Technology specialist building the next generation platform.

Optimai Factoring & Supply Chain Financing System is modular and manages accounts receivables financing, invoice financing, domestic and export factoring, Islamic factoring, supply chain financing, etc. We support advanced features such as dynamic pricing based on the quality of debtors. Our solutions are aggressively priced and often enable our customers to lower their technology cost by 50%. Our agile technology enables us to deliver robust and customizable systems often within 6 months.

Our technology has built-in API, is cloud-ready and real-time.

For further details please visit: www.optimai.com



ASSOCIATE

MAURITIUS

SBM Factors Ltd is a wholly owned subsidiary of the SBM (NBFC) Holdings Ltd which in turn is a wholly owned by SBM Holdings Ltd, the ultimate holding company of SBM Group.

SBMF operates a factoring business to provide factoring services to SBM's current and future customers, contributing to the development of the Holding Company as a financial institution in providing comprehensive financial services.

SBMF is the holder of a Factoring Licence issued by the Financial Services Commission on the 06th January 2017.

For further details please visit: <https://nbfc.sbmgroup.mu>



SPONSOR

FRANCE

DIGITAL TRANSFORMATION

Founded in 2000, Tinubu Square is a software vendor, enabler of the Credit Insurance, Surety and Trade Finance digital transformation.

Tinubu Square enables organizations across the world to significantly reduce their exposure to risk and their financial, operational and technical costs with best-in-class technology solutions and services. Tinubu Square provides SaaS solutions and services to different businesses including credit insurers, receivables financing organizations and multinational corporations.

Tinubu Square has built an ecosystem of customers in over 20 countries worldwide and has a global presence with offices in Paris, London, New York, Montreal and Singapore.

For further details please visit: www.tinubu.com

We wish them lots of success!

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

EDUCATE

EDUCATION IN AFRICA: ALL THE STUDENTS THAT ATTENDED COFIT PASSED WITH SUCCESS AND RECEIVED THE UNIVERSITY ACCREDITED CERTIFICATE

FCI in cooperation with Afreximbank and University of Malta organised for the 4th time the Certificate of Finance in International Trade (COFIT) for African students. Today we know the results of the last edition. All 7 students that followed the course succeeded and received the certificate accredited by the University of Malta.

The certificate was divided into 4 modules of one week each, two modules in Malta with lecturers from the University of Malta and two modules in Cairo, Egypt, with FCI and Quarterback lecturers.

Let's meet with Lloyd Gabriel Musha (Manager, Credit Risk Assessment, Afreximbank), the student with the highest grade of the last edition, to hear his feedback on the programme. We have asked him four questions about the certificate.

FCI: What does the COFIT programme bring you in your daily work today?

The COFIT programme brings customer centricity and allows me to provide bespoke solutions that serve the Bank's clients whilst satisfying the objectives of the Bank. It allows me to effectively contribute in deal teams, embrace team-work, gives me an opportunity to innovate and handle seemingly challenging transactions in a manner that delivers results cost effectively. It brings happiness in doing my work.



FCI: What differentiates the COFIT programme from other study programmes you have followed?

COFIT is delivered by reputable and experienced practitioners and strong academics bringing the best of both worlds for the greater good of the learners, their employers and sponsor partners of the programme like Afreximbank, clients of financial institutions and important various stakeholders. It draws students from across different markets and fields which sets a great platform for sharing experiences and best practice. The programme is practical in nature such that straight from the classroom, one immediately delivers at work and adds value to stakeholders.

FCI: What did you like the best in the programme?

Whilst all the modules were very much challenging and exciting, I particularly enjoyed module 4 "Commercial Finance" by FCI. The group presentation assignments were real business scenarios, were quite challenging and had to be delivered in a short space of time. It gave us the opportunity to work as teams in an organised fashion, challenging each other, sharing tasks and at the end of the day successfully delivering a group assignment. The experience was awesome and very enriching. The exercise caused us to go beyond the boundaries, put to test

EDUCATE

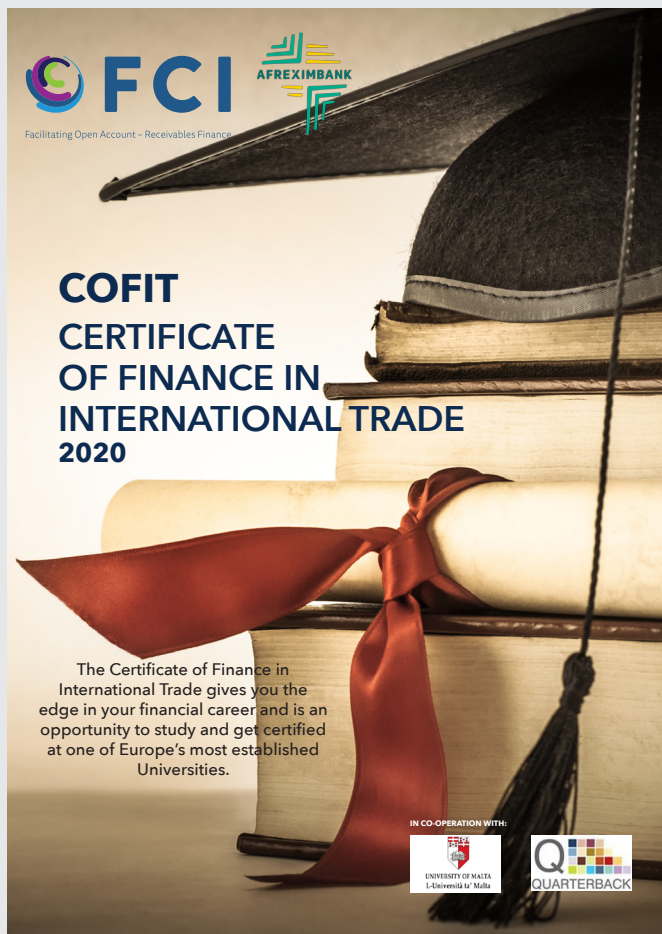
our abilities to collaborate and effectively work as teams despite our different backgrounds and showed us that indeed the sum of whole is greater than one.

FCI: There are always areas of improvement, can you tell us what improvement you could recommend in the programme?

Overall a good programme. I would encourage the university to obtain more data and case studies on Africa on various relevant topics covered by the programme. Institutions like Afreximbank can assist as the Bank has a strong research department and has quite a bit of case studies on transactions done across the continent. Also provide feedback on the various assignments that we did so that we identify learning needs.

FCI: Thank you Lloyd for your replies, I think it gives people a better understanding of the programme.

Are you interested to get the same certificate? The 2020 edition of COFIT is open for registration, if you are interested to receive the documentation on the programme, please check [here](#) or send an email to COFIT@fci.nl



"I have previously attended several training and seminars on factoring and other forms of supply chain financing; however this training has provided me with much better understanding of the factoring and its challenges. I believe the knowledge gained will greatly assist me in my role as operation officer with my organisation tasked with administering and monitoring facilities" **Shirley Sandra Torsoo, Afreximbank, Egypt**

EDUCATE SUCCESSFUL WEBINAR FOR LATIN AMERICAN & CARIBBEAN MEMBERS



SPYROS TSOLIS
Education Officer

A series of four (4) webinars were specially designed for and delivered to Latin American & Caribbean members from 16 to 19 July 2019. The webinar proved to be a great success as our members registered participants from all functions/departments who not only familiarized themselves with *fundamental principles of Factoring & Receivables Finance* but also learned *more about FCI, its legal rules and operational procedures*.

More than one hundred (100!) participants enjoyed the sessions, having the opportunity to learn and interact with FCI experts, gaining valuable knowledge on related topics. Moreover, they actively interacted and chatted with each other, sharing best practices from their experience and local markets.

The topics presented focused on Sales in Factoring, Risks in Factoring, Operations & Legal framework of FCI. Webinar Facilitators were Mr. Alberto Wyderka, FCI Regional Director Americas, Mrs. Aysen Cetintas, FCI Education Director, Mr. Harry Biletta, FCI Director Planning & Development and Mr. Spyros Tsolis, FCI Education Officer. Mr. Wyderka delivered the "Sales in Factoring" webinar and also provided valuable feedback on every *topic in Spanish*, ensuring high level of knowledge delivery for participants who extremely appreciated this.

Feedback received was very positive and encouraging for the future, highlighting the effective learning nature of this webinar:

"It is an excellent way to enhance our abilities and information about factoring."

"Excellent sessions, very clear and understanding. It has useful information for us to use with our clients. "

"I understood a lot of things about FCI that maybe before was not clear."

"It's actually a better way for learning. Helps a lot for members on different places around the world."

Within one year from their launch, FCI Webinars have become a benchmark for online education in the Receivables Finance Industry, providing high-quality education not only to FCI members but also to all industry participants.



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EDUCATE

SEMINAR ON "RISK MANAGEMENT & LEGAL CONSIDERATIONS IN FACTORING & RECEIVABLES FINANCE"

Following the successful and full-house seminars in Beijing (October 2018) & Bucharest (April 2019), FCI Academy is organizing the third series of this highly demanded seminar, to be held in *Istanbul on 21-22 October 2019*.

It is a fact that all risk types in factoring have direct and indirect legal implications that may result in unfavorable incidents, effecting negatively the factor's financial performance. Irrespective of the factoring business line (domestic/international, with/without recourse, etc.), the close cooperation of all departments in a factoring operation is crucial and a basic element for a successful result.

Within this context, FCI Academy is offering this seminar, in a combined structure, addressing all key areas in risk management and related legal considerations in factoring & receivables finance, with a special focus on cross-border transactions and the GRIF. *The FCI Legal & Education Committees have worked closely and produced a comprehensive, highly interactive & practical training program* where industry experts and members of the Legal and Education Committees act as presenters and instructors in all sessions.

Istanbul, Turkey has been selected as the seminar venue, our well-established and respected member *Deniz Faktoring A.S.* offered to host this event at their premises. We expect participants from Europe, Middle East and North Africa to join, however, attendants from other regions are warmly welcomed. Team members from Operations, Credit & Risk, Legal departments are expected to benefit the most from this seminar. However, it is important to note that *risk management, legal framework knowledge and their interactions are not only tasks of the Credit, Risk & Legal staff of a Factor.*

This training event will also be a great occasion for participants to network and share best practices in managing risks and addressing legal issues.



"Factoring" and "low risk financing" are two terms that are frequently combined in the financial industry. Studies within the European region have confirmed this relationship, ranking factoring as the most secure method for short-term financing. To maintain and improve this status proves to be a difficult exercise, *as recognizing and managing the risks involved in a factoring transaction is not always an easy task.*

FCI Academy is committed to continuously support the Receivables Finance Industry by offering high-quality education programmes and by constantly adjusting its syllabuses to the latest industry developments.

More information and registration [here](#).

...RANKING
FACTORING AS
THE MOST SECURE
METHOD FOR SHORT-
TERM FINANCING. TO
MAINTAIN AND IMPROVE
THIS STATUS PROVES
TO BE A DIFFICULT
EXERCISE

EDUCATE MENTORING

Bremen, Germany – Deutsche Factoring Bank (DFB) hosted a two-day mentoring program for one of Philippine's leading FinTechs, new FCI member Acudeen Technologies Inc.



ROBERTO
WECKOP
Deutsche
Factoring Bank



MAGELLAN
FETALLINO
Acudeen
Technologies

As part of a tailor-made training offer, the FCI mentoring program strives to provide a new member (mentee) with the possibility to visit an experienced member (mentor) usually for 2-3 days to get an insight in the organization and operational processes of the mentor's international business. The mentor offers support, guidance, shows best practices, gives helpful tips and shares knowledge. It supports the mentee in understanding the FCI way to do cross-border factoring business (GRIF, edifactoring, others).



From L-R: Divine Grace Acoba; Czarina Alayon; Bernd Seufert; Magellan Fetalino; Brigitte Herzog; Nathaniel Pelea; Mario Salazar; Jasmin Neubauer; Roberto Weckop

Following a meeting of Magellan Fetalino, CEO of Acudeen and Roberto Weckop, Director

International Business of Deutsche Factoring Bank during an FCI promotion conference in Manila in November last year an onsite training program was organized at the end of April in the premises of DFB in Bremen. Almost 3 months before the program started, both companies discussed in

detail the needs of Acudeen and designed a tailor-made training schedule considering all requirements of the mentee. It included 1-2 hours meetings with key employees of DFB's International, Client & Debtor Risk Management, Client Relationship and Legal department to give the 5 visitors of Acudeen an in-depth insight of DFB's well established operations, processes, technologies and organization. DFB shared their success factors which made them win FCI service quality awards for several consecutive years.



Acudeen Team getting an explanation Import-Export Operations on EDI Processing by Jasmin Neubauer and Brigitte Herzog

At the end of the mentoring session both factoring companies concluded an Interfactor Agreement as a base for their further cooperation. This agreement opens the door for more opportunities to accelerate and strengthen ties between Philippine and European businesses.

EDUCATE



The signing of the Interfactor Agreement: Magellan Fetalino, Founder & CEO Of Acudeen and Bernd Seufert, International Relationship Manager



During a joint dinner in a typical Northern German restaurant the impressions of the 2 days were reflected upon and more private topics related to culture, food, hobbies etc. were exchanged.

The following quotes express the value and take-aways of the mentorship program:

"As I realize it, years of experience can really create a seamless process from KYC, to credit check, to approval, to fund disbursement...to collections. Harmonious coordination and interaction internally that involves internal process makes it the primary key to irrefutable output." Czarina Alayon, Collections

"Deutsche Factoring Bank gained more than 40 years of factoring experience. I think for me, this alone can vouch for their expertise in this industry. Also, they maximize their manpower with greater individuality in terms of roles and relationship across all departments" – Divine Grace Acoba, Acudeen KYC and Data Process

"As a long-standing FCI member we are happy to share our broad International experience and know-how with Acudeen, an ambitious, new technology-oriented newcomer in the FCI industry. We formed a good foundation for the future development of cross-border businesses between the Philippines and Europe." Roberto Weckop, Director International Business DFB

"Acudeen has now an Interfactor Agreement with Deutsche Factoring Bank, one of the top 5 Factoring banks in Germany – the only Philippine entity that has one. We will soon be able to provide factoring and receivables discounting services to exporters that has buyers/clients from across Europe." Magellan Fetalino, Acudeen Founder & CEO

EDUCATE

INTERVIEW WITH A NEW MEMBER: KENT FAKTORING



AYSEN ÇETINTAS
Education Director

FCI Education Director, Aysen Çetintas (AC), interviewed Kent Faktoring, a new member from Turkey on their view on FCI and its education.

AC: FCI's mission revolves around three key activities of Network, Educate and Influence; how does this fit with Kent Faktoring's approach and thinking?

Kent Faktoring continues to provide domestic factoring services for its customers for more than 20 years. Our main goal is to provide customer satisfaction and a solution approach. Turkey is a country with a very high export volume. In 2018, 168 billion USD exports took place. Therefore, exports are the main contributors to the country's economy. As Kent Faktoring, we knew that FCI would be a good partner for us when we decided to offer international factoring services with the idea of meeting the credit guarantee and financing needs of exporting companies.

FCI, as a representative of the factoring industry, strives to improve the sector and protect its interests. With its many years of experience, it sees new trends and needs in the sector and offers new products in order to develop business. *Thanks to the great membership network, we feel stronger.* We know that this will create opportunities for new and lucrative cooperation. In addition, professional skills is very important in the field of international factoring for us because it's a new product for the company. Therefore, with a wide range of training programs offered by FCI, we believe that we have the *professional support we need to manage our international business securely and efficiently.*

AC: There is clearly a real fit in philosophy here; understanding that, which of the FCI educational products have you used and why were they attractive to you?

Our General Manager, Cafer Sadik Karabüber, attended the FCI Risk Management Seminar held in Bucharest in April. The seminar focused on seller/buyer control, risk assessment and fraud, distribution management. *This seminar gave us the opportunity to learn how to deal with the negative situations that we may face when we are conducting factoring transactions* and how to handle with them or prevent them. We see this as a big win. Although risk is a part of our lives, it will be an important factor for our company's success to prevent /reduce and manage it correctly. It was very useful to work on striking case studies and to have a chance to discuss with other participants at the seminar.

What particular benefits do you see in using FCI Education, in particular the "Tailor-made training for new members"; does it make you a better business? Given that view, is FCI Tailor-made training something you would recommend to other members – and if so why?

During our participation period to FCI - 20 years later again - we have benefited from the experiences and recommendations of Mrs. Betül Kurtulus, FCI Regional Director. After setting up the structure within the company for international factoring applications, it was time for the training of the employees. We did not want this product to be an issue that only a part of the employees dominated. We dreamed of an education in which all departments and employees from all levels will participate. So this product would be assimilated and adopted by the entire company, and we needed this synergy. International factoring is an area with too many details and different departments had a lot of questions about the various aspects of this issue: what is FCI two-factor system, how to sell this product, seller selection, legal framework, manuals,

EDUCATE

fraud, risk management, operational risks etc. FCI has many different educational opportunities, of course, we will continue to use them, but not every employee has the opportunity to participate in these seminars. So we had the opportunity to meet with FCI Education Director Mrs. Aysen Çetintas and she prepared a *special daily in-house training program for our needs*. *Interactive design of the training* allowed participants to show more interest and to respond to their questions. We think the program provided maximum benefit.

We strongly recommend FCI Tailor-made training to other members . This training was a great guide for us in the process of establishing two-factor business.



"WE STRONGLY
RECOMMEND FCI TAILOR-MADE
TRAINING TO OTHER MEMBERS .
THIS TRAINING WAS A GREAT
GUIDE FOR US IN THE PROCESS OF
ESTABLISHING TWO-FACTOR
BUSINESS."

EDUCATE

TRAINING ON SALES & MARKETING IN FACTORING AND RECEIVABLES FINANCE



AYSEN ÇETINTAS
Education Director

Learn from the Leaders on best sales practices and generate high-return & low-risk business for your organization!

FCI Academy is proudly announcing a brand new and highly interactive training on Sales and Marketing in Factoring and Receivables Finance in **Guangzhou, China on 28-29 November 2019.**

In any organisation, the *sales department plays a pivotal role in the success of the business.* The unique and important role of sales is to bridge the gap between the potential client's needs and the products/services that the organisation offers that can fulfil their needs.

Sales play a key role in *building loyalty and trust between customer and business.* Excellent sales people are those that not only make the sale but also create a long-lasting positive influence on the client.

Selling factoring services can be very challenging, especially in this environment where there is very strong competition. Not only do you have to help clients determine if factoring is suitable for them but you also have to show them how your solution is more beneficial for them compared to other solutions.

In this training you will find the answers to the following questions and many others:

- How do you break through that barrier?
- How do you outsell the factoring competition?
- Does the client need factoring?
- Does the client qualify for factoring?



About the training

The format of this training follows the successful formula whereby selected subject matter experts and the members of the FCI Marketing and Education Committees act as instructors (using a series of different training techniques including business game, role plays and presentations). During the second day, a "business game" will be staged in which all participants have to apply some of their selling skills, followed by a special session, inspired by the famous TV show "Who wants to be a millionaire".

The training will focus primarily on "selling" international factoring and will stress the fact that factoring is not to be sold on price but rather on added-value for a business. Businesses do not purchase a service based solely on price. Rather, *they buy a service to fulfil a need.* The more their needs are met, the greater the value to them and hence the higher the price they are willing to pay. Good & effective sales people know how to uncover hidden needs spending more time listening and asking questions than talking.

The training will take the attendees through the sales process in a logical way and review each of the following areas:

EDUCATE

1. The discovery process, where the sales person selects the suitable client and determines the needs.
2. The sales presentation where the sales person describes how the service will be of benefit to the client in meeting the client's needs: features and benefits.
3. Overcoming any objections the client may have.
4. Closing the business deal.

Special attention will be paid to complementary sales approaches, competition, positioning (prioritization & incentivization) of the product, fintechs & platforms etc.

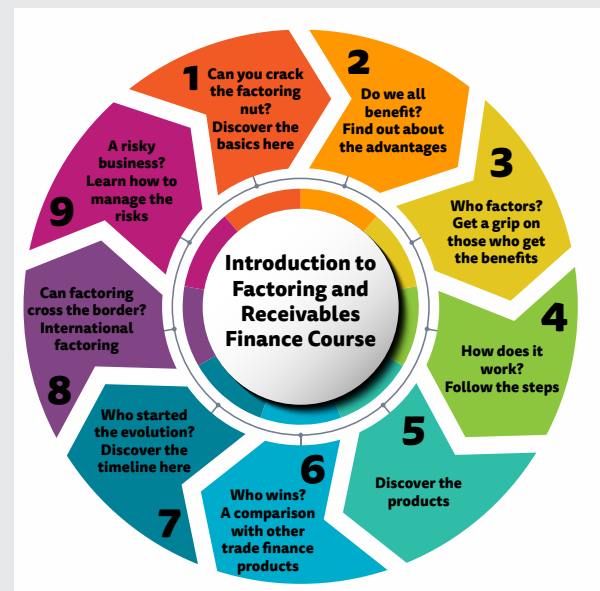
Because of the scope of the training, attendants should be actively involved in their company/bank in the sales & marketing process, either as "sales/marketing person" or as "sales manager" (in a supervisory role) or as product manager and similar. Their role should include or even concentrate on selling both domestic & international factoring.

The training will be in the English language but we will conduct special group discussions in Mandarin for Mandarin speaking delegates.

Please save the date, complete your registration on [FCI website](#) and don't miss this opportunity to learn the best practices and new trends in selling and marketing of factoring.



The new course comprises nine modules and practical cases:



INFLUENCE MALAYSIA BOLEH! - POTENTIAL OF FACTORING YET TO BE UNLEASHED.

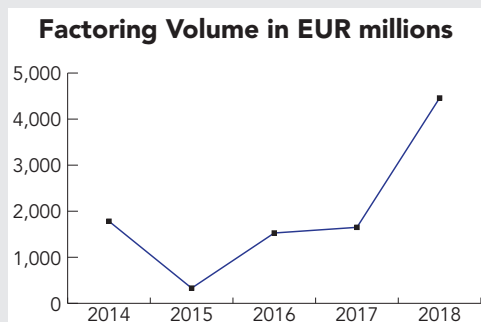


LEE KHENG LEONG

South and South East Asia
Regional Director

Malaysia is an export-oriented economy. It is the *third largest economy in the Association of South East Asian Association (ASEAN)*. Malaysia was one of the earliest South East Asian countries to join FCI in the early 1980's. During this period there was good international factoring volume with some countries in Europe and Singapore.

However, like many of the ASEAN countries, Malaysia was affected by the Asian Financial Crisis in 1997. As a result, international factoring disappeared from Malaysia. Following the Asian Financial Crisis, Malaysia factoring companies focus on doing the invoices from the government sector which is relatively safe.



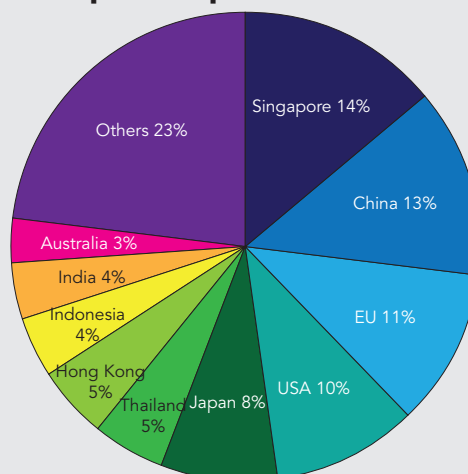
However, recently there were some changes. We have three members in Malaysia, an international bank, Standard Chartered Bank, a local bank RHB Bank and an independent factor, Planworth Global International Factoring.

Last year the *factoring volume in Malaysia increased by 170%* from EUR 1.65 billion to EUR 4.46 billion as the result the CAGR over the last 5 years since 2014 was 25.7% as shown on the left.

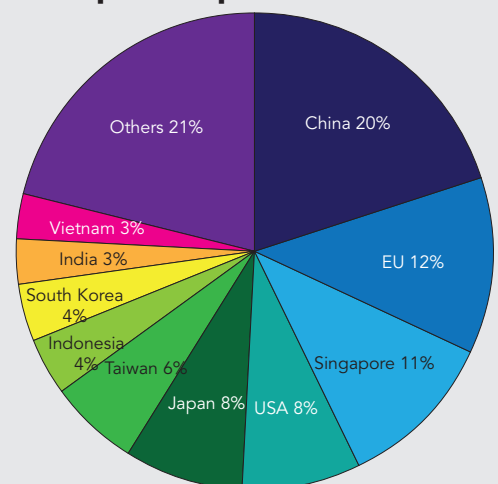
Malaysia has *good export international factoring potential* as its top ten import and export countries are well represented by FCI members.

Besides there is also high volume of trade with the ASEAN countries which will translate good potential for intra ASEAN trade. According the ASEAN secretariat, *ASEAN will be the fourth largest economy in 2030.*

Top 10 Export Countries



Top 10 Import Countries



Unlike other South East Asian countries, there is a factoring association in Malaysia called the Malaysian Factors Association. This association has 15 members and it is a good platform to promote international factoring in Malaysia.

The Malaysian factoring turnover of Euro 4.46 billion (USD 5.12 billion) in 2018 represented a *penetration rate 1.4%* of over GDP USD 354.3 billion which is low compared to the world average of 4.18%. Based on the world's average penetration, Malaysia factoring volume has the potential to reach USD 14 billion.

Malaysia has great potential for Islamic factoring as there are 16 Islamic financial instructions in Malaysia. The motto in Malaysia is *Malaysia Boleh which in Malay means Malaysia can.* In summary Malaysia Boleh international factoring.



YÜCE UYANIK

Member of FCI Legal Committee

INFLUENCE

THE MARKET POTENTIAL OF ISLAMIC INTERNATIONAL FACTORING

"Though still a small share of global finance, Islamic finance is growing rapidly and has enormous potential for further growth." This is what is written on International Monetary Fund (IMF)'s website about Islamic finance.

World Bank supports the idea of IMF stating that the Islamic finance industry has expanded rapidly over the past decade, growing at 10-12% annually. In accordance with the World Bank report in many majority Muslim countries, Islamic banking assets have been growing faster than conventional banking assets. There has also been a surge of interest in Islamic finance from non-Muslim countries¹.

In countries like UAE, Malaysia and Turkey, factoring has been used as a Sharia compliant financial instrument on the basis of "Commodity Murabahah", "Bay al Dayn" and "Murabahah" respectively in domestic market. The idea of expanding Islamic factoring to be exercised internationally with other Islamic countries and the rest of the world emerged in 2017 and FCI started working on Islamic International Factoring with a working group. The Supplemental Agreement for Islamic International Factoring has been approved by the Council of FCI during the 50th Annual Meeting in Amsterdam in 2018.

There are *only a few differences between the General Rules for International Factoring (GRIF) and Islamic finance principles*. Consequently, The Supplemental Agreement for Islamic International Factoring has only *three important deviations from the GRIF*:

1. As interest is prohibited in Islam, any late payments by the export or import factors will be subject to *"late payment amount"* to be agreed on by the parties, not to "interest".
2. As trade of some goods and services are prohibited in Islam, the *product or service related to the receivable must be approved* by the other party before the first assignment by the export factor.
3. *Transactions with prohibition of assignment are not acceptable.*

Since there is no reference to financing between the export and import factors in the GRIF, all the other terms and conditions of the GRIF are applicable in an Islamic International Factoring transaction in terms of a "wakalah/ tamleek" (assignment). It should also be noted that there is no restriction in Islam to prevent trade between a Muslim and a non-Muslim. Therefore this *new opportunity is open to all FCI members*.

How does Islamic International Factoring Work?

Islamic International Factoring works on the basis of tamleek, exactly like the assignment in normal international factoring, with the only difference being the signing of the Supplemental Agreement to cover the above-mentioned deviations. If the export factor is an Islamic one, the import factor may sometimes receive an order approval request instead of a credit line, depending on which Islamic financial instrument is used as a basis for factoring.

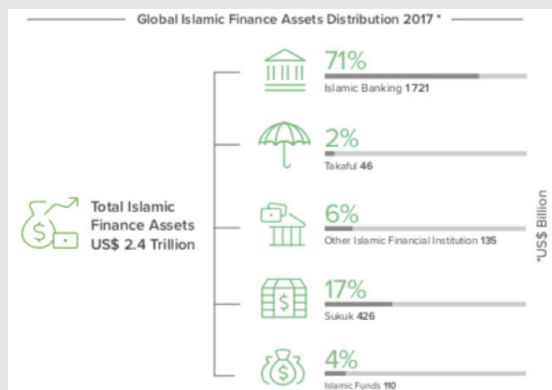


Figure 1: Global Islamic Finance assets Distribution (2017) Source: Islamic Finance Development Report 2018 (IRDI)

¹ <http://www.worldbank.org/en/topic/financialsector/brief/islamic-finance>, 31th March 2015

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Figure 2 shows an Islamic International Factoring transaction with an Islamic export factor and non-Muslim import factor. Whatever the Islamic financial transaction is used as a basis for Islamic factoring, the receivable is assigned to a non-Muslim import factor under the GRIF and Supplemental Agreement for Islamic International Factoring. For the import factor there is no more differences in their action than the above listed deviations.

The flow of transaction is not different for an Islamic import factor. As shown in Figure 3, a conventional export factor assigns their receivable to the Islamic import factor under the GRIF and the Supplemental Agreement for Islamic International Factoring under the basis of their conventional factoring agreement with the supplier. The only restriction for the export factor may be the related goods or services that must be agreed on at the time of approval.

Potential Volume of Transactions

To be able to forecast the potential international factoring volume increase by way of Islamic International Factoring we need to analyse the following subjects:

1. The growth rate of Islamic financial assets

In accordance with the IRDI's Islamic Financial Development Report-2018, the global Islamic financial assets increase at a rate that is higher than the increase in the conventional banking assets. Considering the population growth rate and the existing trend, one may easily conclude that the importance and the share of Islamic finance in the global finance markets will increase in the future. It is expected that the global Islamic finance assets will reach USD 4 trillion in near future. The line graph shows an average growth of 6% between 2012 and 2017 despite the fall in 2014. The estimated size of the industry is based on the assumption that the potential size of the industry grows by at least 10% annually.

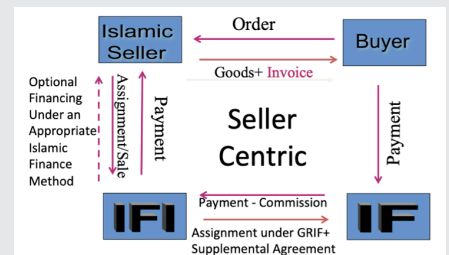


Figure 2: Islamic International Factoring by Islamic Export Factor

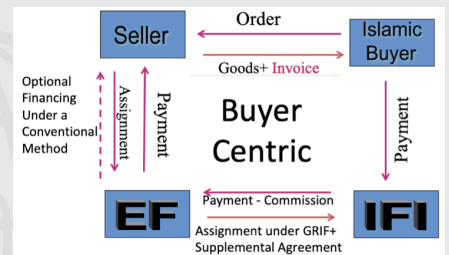


Figure 3: Islamic International Factoring with an Islamic import factor

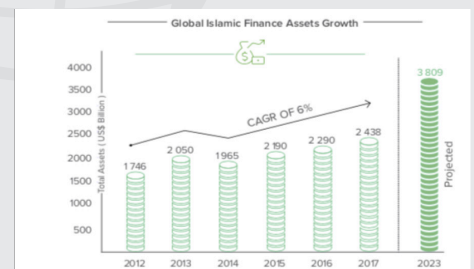


Figure 4: Global Islamic Finance Assets (Growth Global Islamic Finance Report, 2017, Dubai Islamic Bank, p. 35)

2. The percentage of Islamic assets in the Total Assets of OIC countries.

Figure 5 shows the percentage of Islamic financial assets within total financial assets in OIC countries. Taking into account the above listed reasons for the expected growth of Islamic assets we should expect also that the percentages in many countries will grow with the increase in the awareness of commercial people avoiding interest based transactions and the increase in the number of Islamic financial institutions. It is obvious that increase in Islamic international factoring transaction volumes will contribute to such a growth.

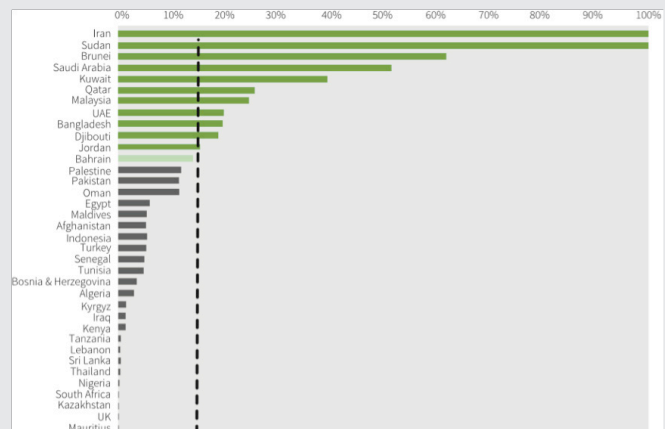


Figure 5: Percentage of Islamic Assets within Total Financial Assets by Country

3. International Trade Volume of Organisation of Islamic Cooperation (OIC) Countries.

OIC is the second largest inter-governmental organisation after United Nations with a membership of 57 states spread over four continents. It endeavours to safeguard and protect the interests of the Muslim world in the spirit of promoting international peace and harmony among various people in the world².

To be able to estimate the potential international trade volume that could be subject to Islamic international factoring transactions, we should first look at the cross sectional international trade data of OIC countries with all countries of the world. Such data is made available by World Bank's international trade statistics. The following is the list of countries that have significant international trade volumes in terms of exports and imports in accordance with mainly 2016 figures.

FCI Members	Country	Total Volume with OIC	Imports from OIC	Exports to OIC	OIC
47	China	327.194.784,09	89.245.126,77	237.949.657,32	
9	United States	183.886.036,78	78.110.489,49	105.775.547,29	
8	Germany	121.723.996,89	37.400.792,71	84.323.204,18	
8	India	119.871.677,76	57.512.140,12	62.359.537,64	
3	Japan	117.279.997,41	49.423.734,00	67.856.263,41	
5	United Arab Emirates	107.516.287,28	37.127.150,49	70.389.136,79	1
11	Italy	106.342.985,79	54.650.729,52	51.692.256,27	
8	Singapore	94.024.066,89	50.906.668,66	43.117.398,23	
4	France	87.440.168,58	37.696.061,31	49.744.107,27	
2	Korea, Rep.	80.893.998,07	26.819.490,07	54.074.508,00	
14	United Kingdom	60.354.336,65	32.344.210,46	28.010.126,19	
6	Spain	59.713.576,24	30.730.179,96	28.983.396,28	
2	Thailand	54.985.222,08	20.901.883,55	34.083.338,53	
11	Russian Federation	51.330.786,02	10.729.534,23	40.601.251,79	
5	Netherlands	50.101.166,54	28.924.927,71	21.176.238,83	
0	Saudi Arabia	48.201.664,58	19.701.653,70	28.500.010,88	1
20	Turkey	47.507.325,53	17.564.362,96	29.942.962,57	1
1	Switzerland	40.576.565,88	21.482.165,45	19.094.400,43	
4	Belgium	37.510.140,00	16.870.617,45	20.639.522,55	
3	Malaysia	31.621.772,38	12.289.630,78	19.332.141,60	1
171	Total 1st 20	1.828.076.555,44	730.431.549,39	1.097.645.006,05	4
179	Others (201)	683.392.396,69	327.853.210,66	355.539.186,03	52

Figure 6: Global International Trade Volumes with OIC Countries
Created by Yüce UYANIK using data from OIC, World Bank (2016) & FCI

In accordance with the list, the global trade volume of OIC countries is calculated as 2.5 trillion USD. About 73% of this volume (1.8 trillion) is reached by the first 20 countries listed above. Only four of such countries are a member of OIC (Countries with 1 at the right-hand side of the list).

This list proves that there is a huge potential volume that can be reached by FCI members by Islamic International Factoring. The numbers on the left-hand side of the list show the number of FCI members in those 20 countries.

Conclusion

Islamic Finance assets is growing faster than conventional financial ones. Future expectations show that the growth rate will be more than 10% per year.

FCI has developed Islamic International Factoring facility to open a new door to this system. Undoubtedly, FCI reverse transactions will also be available by the implementation of Supplemental Agreement for Islamic FCI reverse in a very short time.

Therefore Islamic International factoring will be a new and fruitful horizon for both Islamic and non-Muslim members of FCI *creating higher and higher trade finance volumes.*

ISLAMIC
INTERNATIONAL
FACTORING WILL BE
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OF FCI

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WOULD TURKEY BE ABLE TO TOLERATE HIGH VOLATILITY?

YES, IT DID



BETÜL KURTULUS
Regional Director Central,
Eastern and South Eastern
Europe and the Middle East

I would like to share statistical data about Turkey's economy recorded in 2018:

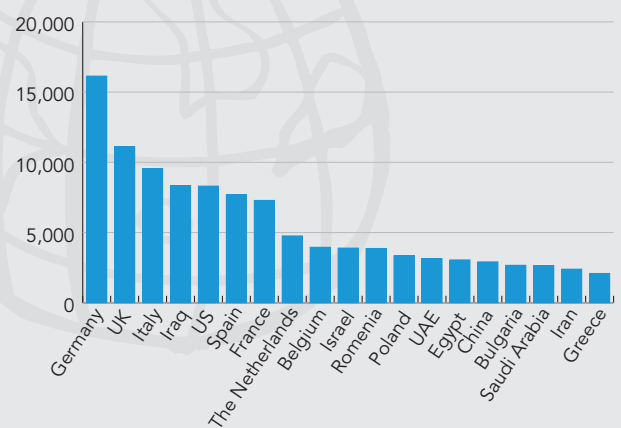
Turkey has a population of 82 million people, and it has a labor force of 33 million people. Its average age is 32. Its total GDP for 2018 was USD 784 billion, and its GDP per capita for 2018 was USD 9,621.

In 2018 the total export value recorded was USD 168 billion, while the total import value was USD 223 billion. In 2018, its tourism revenues by themselves were USD 25.2 billion, and the number of companies with foreign capital was 65,533.

Major export markets are Germany (9.6%), UK (6.6%), Italy (5.7%), Iraq (5.0%), US (4.9%), Spain (4.6%), France (4.3%), Netherlands (2.8%), Belgium (2.4%) and Israel (2.3%).

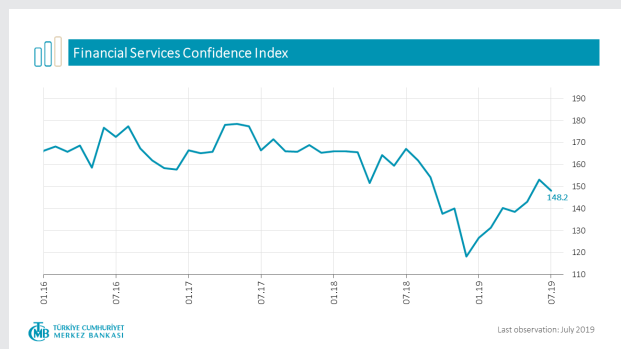
Turkey is the 13th largest economy in the world and 5th largest economy compared with the EU in 2018 (GDP at PPP, IMF WEO).

2018 Top 20 Export Destinations



During the last two years, one of the facts that affected growth negatively was political uncertainty. Now with the end of the election period, a new period without elections for at least four years might raise the expectations and affect the economic growth positively. The consecutive elections unavoidably cause political and economical exhaustion.

There have been eight elections in Turkey in the last five years. Now in the period without elections, some structural reforms might be brought to the agenda; this can lead to economic efficiency and can help foreign capital inflow.



As you all know, Turkey lived through a **period of excessive market volatility last year**. There are a number of reasons behind this, the main factor being the risk of a sudden stop in capital inflows. External lenders became concerned whether Turkey would be able to tolerate high volatility or not?

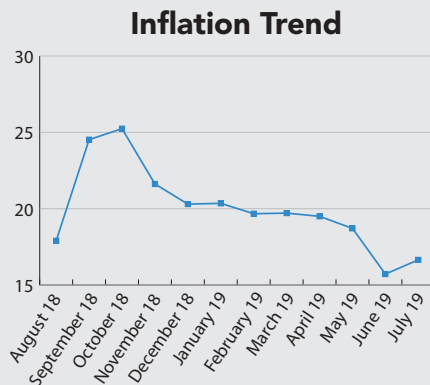
The fact that the corporates had a serious shortage of foreign exchange led to an erosion of confidence for both corporates and Turkey and increased the expectation for corporates to fail. With the possibility of facing too many corporate default problems, a risk reduction was performed. This reduction restrained domestic market dynamics and economic growth. However, where we stand, we see that the corporate default problem has minimized. Corporates have by and large managed to rollover their debt obligations while the sharp fall in imports led to a drop in external financing needs of the country. Both of these factors helped to relieve such concerns.

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Furthermore, I must say that Turkey is a survivor. Looking at the last decades, I would especially like to point out that compared with the financial problems faced, corporate default problem was quite limited in past crises.

Following the stability in the exchange rate in the first quarter of 2019, a downward trend in inflation, and also the expectation of inflation, the capital inflow has accelerated.

Looking at Turkey's export data, we see that despite the global slowdown, export volume has increased in recent months. At the end of the last six months, the total export value has risen to USD 83 billion.

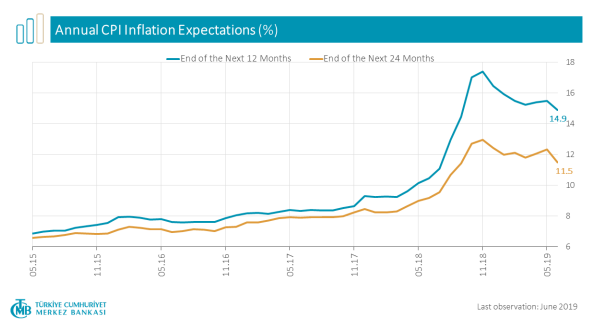
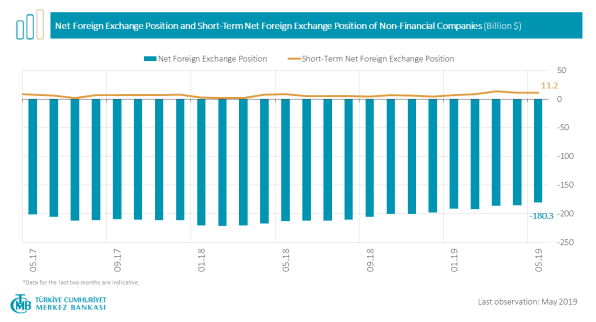


Furthermore, for the economy to recover, there have been really high expectations of a decrease in the interest rates. In its last monthly central bank meeting, the Central Bank of Turkey has decided to decrease the interest rates by 425bp and signaled that further rate cuts were in the pipeline.

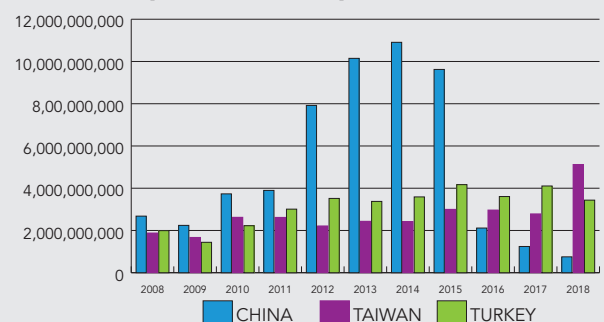
Today *we see a different economic atmosphere*, compared to the global developments we have faced in the last years. With the adverse effects of the trade wars, central banks started to move in a dovish manner. We have seen the examples of it, as central banks consecutively decreasing the interest rates. During this period of low-interest rates, investors have been led to the search for yield.

Even though Turkey started to cut interest rates, it is still in a position to attract foreign capital.

With this overall picture, I believe that *Turkey's position in FCI and its market share will continue increasing.*



Exports of the Top Three Markets



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INFLUENCE

THREE WAYS TO IMPROVE YOUR RISK PERFORMANCE THROUGH DATA TECHNOLOGY



LEIGH LONES
Equiniti Riskfactor

Whether you're evaluating risk at one of the biggest commercial lenders in the world or as an independent factor, you're likely taking on more risk at a faster pace.

And that's because both Asset-Based Lending (ABL) and factoring continue to grow at healthy rates in the US. According to the recent Secured Finance Foundation Impact Study, in 2018 ABL commitments by US lenders grew by over 6% and the volume of receivables financed by factoring showed gains in excess of 3%. So, with this growth, how can you keep risk in check whilst taking on more clients?

Risk-management technology can help you out pace your competitors in a way that reduces frustration and promotes growth. This is especially true as the US market continues to shift from referral-based to data-driven client acquisition. It creates clear oversight so you can spot trends and react promptly across your portfolio.

By embracing technology, you can collect, analyze and respond quickly to easily accessible data that helps you accomplish three things simultaneously: mitigate risk, improve efficiency, and develop your organization's talent.

1. Understanding your portfolio's quality will help mitigate risk

Technology driven risk analytics tools help you better understand your portfolio's quality. Though with the **automation of analytics**, you can move quickly by applying algorithms to your existing data, which allows you to understand what's working and what's not. It can identify what types of clients stay longer and monitor shifts in concentration in geography and by industry. It can also help you flag risk and compliance issues while they are still small and correctable. Additionally, it can provide a true cost analysis of which clients are most profitable, giving you a clear roadmap for where to invest your time and resources.

2. Improving your operational efficiency

Risk analytics technology also improves your **operational efficiency**. Chances are you are now pulling static data from legacy systems despite the size of your company. This often creates multiple daily and weekly reports with redundant information. While not everyone has the budget or buy-in to truly integrate and aggregate all their available data, there are ways it can help you work faster and more efficiently on any scale.

3. Developing your talent's data IQ

Another benefit of investing in technology is **it gives risk and portfolio managers a greater understanding of how to use their data wisely**. Nearly every conversation I have with a client eventually turns to their concerns about how to teach the next generation of talent to assess risk; spot compliance issues, and understand everything that data and risk analytics can do.

Risk-management technology can become an invaluable mentor who is always there. Our customers have found that digital natives increasingly use it in the early part of their decision-making. Their smartphones have trained them to rely on a machine instead of a person to answer a question. Data dashboards build on that well-practiced preference. For senior people, risk analytics technology can validate their thoughts and provides the hard data to support any changes.

This is an extract of an article published on www.fci.nl



Peter MULROY
Secretary General
mulroy@fci.nl



Harry BILETTA
Director Planning &
Development
biletta@fci.nl



MONICA BLANCO
SCF Consultant
blanco@fci.nl



Aysen CETINTAS
Education Director
cetintas@fci.nl



LEE Kheng Leong
Regional Director South
and South East Asia
khengleong@fci.nl



LIN Hui
Regional Director
North East Asia
linhui@fci.nl



Betül KURTULUS
Regional Director
Central, Eastern and
South Eastern Europe
and the Middle East
kurtulus@fci.nl



Spyros TSOLIS
Education Officer
tsolis@fci.nl



Gwendoline de VIRON
Head of Marketing
and Communication
deviron@fci.nl



**Jacqueline
WOLDE YOHANNES**
Director of
Administration
woldeyohannes@fci.nl



Alberto WYDERKA
Regional Director
Americas
wyderka@fci.nl



Leena BAKSHI
Administrative Assistant
fci@fci.nl



Adi SHINE
Administrative Assistant
fci@fci.nl



Teresa VAN DE PUTTE
Administrative Assistant
fci@fci.nl

You can reach FCI Staff by calling +31 20 6270 306



Facilitating Open Account – Receivables Finance

FCI Office

Keizersgracht 559
1017 DR Amsterdam
The Netherlands
Tel: +31 20 6270306
Email: fci@fci.nl
Web: www.fci.nl