NEWSLETTER / FEBRUARY 2018

CONNECT. EDUCATE. INFLUENCE.

50 Years FCI

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

Hello and welcome to the latest edition of the FCI Newsletter!

We start with a welcome from Chairman Çagatay Baydar, sharing an overview of FCI's important and extensive range of global activities and plans.

Next, Peter Mulroy, Secretary General looks at some of the key meetings and developments, including the Dubai Conference and the "FCIreverse" product, more on that later!

Referring to Conferences, we have reports from our recent India and Africa events; FCI is working hard to help build awareness and understanding in these key potential markets…

Yüce Uyanik explains Islamic Factoring and tells us how it can develop as a true trans-national method of finance.

New members are the lifeblood of our organisation; we are delighted to welcome and introduce you to: Huishang Bank, Lider Faktoring, Neurosoft and Stenn International.

Buyer centric supply chain finance is becoming a key part of the receivables finance world; FCI's latest initiative FCIreverse aims to help FCI members take advantage of this trend and opportunity; here we explain all!

Keeping up with law and its developments is essential; an FCI seminar on legal issues in receivables finance in Milan will focus on some of the key issues.

I'm particularly delighted to share with you the news that the FCI Foundation course on Domestic and International Factoring is now available in French; ça c'est formidable!

Sponsor member HPD and FCI's collaboration in education gives us the next item, a great story from Claudius Kurtna and his dream of working in African factoring.

And talking about education, John Brehcist shares with us the success of FCI's adapted COFIT Course held with a group of aspiring and ambitious managers from Afrexim Bank. Reinforcing the message of the power of learning, Aysen Çecintas discusses with Edgar Niedra of Invex Finance of Latvia about the importance of FCI Education programmes.

The Beijing Factors Association is setting up a Mediation Centre to help with dispute resolution; Lee Kheng Leong catches up with Zhang Guopong to find out about the plans.

Harry Biletta shares knowledge on the FCI two-factor volumes in 2017, whilst Sonja van Hateren transports us to the Caribbean to talk about factoring experience there.

Tom Gevers shares thoughts on ABN AMRO's approach to cross border asset based finance and Vivid Liu considers the potential of block chain in international factoring.

And finally, John Brehcist introduces a new column on FCI's Advocacy activities.

A really packed edition; I hope you enjoy!

Gwendoline

Welcome from Çagatay Baydar
Chairman of FCI



ÇAGATAY BAYDAR
Chairman of FCI

Dear Friends,

MANY PROJECTS FOR THE COMING MONTHS

Two months ago, we started the jubilee year of the *50th anniversary* of FCI, and what better occasion to celebrate the rise of factoring and receivables finance while looking in the past and to the future.

Factoring started during the *Phoenician empire* (1550 BC to 300 BC), when active trading took place across the Mediterranean. In the more modern era, factoring can be traced back to the trade in textiles in the USA and later the UK. Factoring therefore, is not new and I believe factoring will last for many more years.

FCI's 50th Annual Meeting (10-14 June) will take place in Amsterdam, The Netherlands, the city where FCI started in 1968 with the establishment of the FCI Secretariat. I can tell you that preparations for this Anniversary meeting have been underway for many months already and will result in a *conference that you cannot and should not miss*. I hope to meet most of our members in Amsterdam to celebrate together the magic age of 50. More information on the conference page 11.

You will see in the following pages that FCI does not only concentrate on this year's annual meeting, but is also working on several projects. We travel *around the world to spread the word about factoring and influence governments; we train new students, gain new members*.

Over the last 2 months, nearly every continent was covered, starting mid-January in *India* (Mumbai) for a promotion conference, followed by a regional conference on factoring in *Senegal* (Dakar), in cooperation with Afreximbank. In the *United Arab Emirates* (Dubai) we launched the project on International Islamic factoring (look at the dedicated article page 6) and FCIreverse (the first demo on the system was given at this conference). In *Ukraine* (Kiev), in cooperation with the EBRD, the education team introduced factoring to the National Bank of Ukraine and finally in *Panama*, where the Executive Committee meeting took place end of February and we organised a well-received workshop with the title "Thinking Bigger: How Receivables Finance is your gateway to Expand your Trade Finance business".

We continue our active promotion of factoring: in a few days, I have the pleasure to join the 4th EU Factoring and Commercial Finance Summit in *Greece* (Athens, organised in cooperation with EUF) and at the end of the month FCI organises a legal seminar on Legal Issues in Receivables Finance in Milan, *Italy*.

In this newsletter we introduce a new column on *Advocacy*; we will ensure that in the future we keep you aware of what is happening in that area. We realised from the survey we conducted last year that many of you are not aware of FCI's efforts in this field and decided to prepare an additional section in the newsletter to ensure greater awareness.

As you see, FCI has planned many projects for the coming months. This newsletter will give you all the details.

Best regards,

Çagatay Baydar

A Word from the Secretary General



PETER MULROY
Secretary General

As I sit on this Boeing 777 heading to Dubai for FCI's Middle East Regional Conference on Factoring, I reflect on where FCI is today, and where I was personally at the start of my career. In fact, 33 years ago last month, I was on a FLIGHT heading from NY to Abu Dhabi, to start my training program in international banking and trade FINANCE, where I would reside for over two years. And as I look back at all of the progress that has been made in the region over these many years, one of the most exciting DEVELOPMENT has been witnessing of the rise of receivables finance. Factoring is now active in almost every Middle Eastern country, in different forms and fashion, from invoice discounting, full non-recourse factoring, and most recently reverse factoring. However, as I return to the Middle East today, and look at the regional factoring figures in the Middle East, one would not sense such optimism, accounting for less than 0.3% of global factoring volume. However, *I can sense the winds of change blowing in the MEA region*.

FCI will roll out two important initiatives in Dubai this week. Josep Selles, FCI SCF Chairman will highlight the benefits of our new *payables & supply chain finance solution*, *FCIreverse*. This will allow members to obtain a *global operating platform* to support their anchor buyer and multiple supplier on-boarding process, with no up-front costs involved, making it an extremely attractive offer. FCIreverse will also have the capability to *on-board suppliers in global markets* as well, where members may have a more challenging time meeting strict internal KYC compliance hurdles or ensuring the commercial and legal risks are diminished working in a foreign legal environment. Whatever the reason, FCIreverse will remove barriers and allow our members to provide greater enhanced services to their clients.

With the support of some of our members in the Middle East, along with the Islamic Development Bank, the FCI Legal Committee created new rules for the *development of international Islamic factoring*, contracted between members through a supplemental agreement to the Interfactor Agreement, to allow for Islamic factoring through the two-factor system. The document will be presented for approval during the FCI Annual Meeting in Amsterdam in June 2018. We anticipate that this will *help spur membership and growth in factoring in the region*. Yuce Uyanik will lead the floor in Dubai to provide insight and unveil the newly drafted rules on cross border Islamic factoring.

Both initiatives have a great opportunity to change the trajectory of business in the region. And the story continues to evolve. FCI had no members in the ME region only 15 years ago, but today FCI has 10 members in four countries and it's growing. The Islamic Development Bank has become a great friend to factoring in general and FCI in particular, after they realized the tremendous value factoring has to support the growth of SMEs. So this conference, which is sponsored by our two members, Mashreq Bank and Noor Bank, will set the stage for what we hope will be another exciting decade ahead.

You can say the last three months have been quite an exciting time for FCI, especially in the *emerging markets*. FCI organized a number of very successful events in *Vietnam, Japan, Nigeria, Senegal, and India*. If we include our conferences to be held in Dubai and Panama this month, these events together attract nearly 1,000 executives from around the world. But a few of these events require special mention. Nigeria was an extremely successful exercise. FCI together with our members the AfreximBank and the Nigerian Export-Import Bank held a workshop for the Nigerian Congress and Senate's Banking Committees. They are considering

the passage of the African Export Import Banks' model law on factoring, but had asked experts in the industry to explain in greater detail the benefits of factoring to SMEs, Corporates and in general the Nigerian economy. Afterwards, FCI together with the two other parties wrote a joint position paper on the benefits of factoring in Nigeria. We hope that these investments will *result in the outcome of the approval of the law on factoring in Nigeria*, Africa's largest economy.

THE EXCITING THE RISE OF RECEIVABLES FINANCE

We also held together with AfreximBank a very successful training program in Dakar, Senegal, where we had nearly *100 banking and NBFI executives from West Africa and beyond*. Senegal is part of the OHADA states, a bloc of 17 West and Central African countries, that are bound together by common laws. Hence, OHADA and the AfreximBank are working on the deployment of the factoring model law in the region, which Senegal would greatly benefit from.
Regarding our new CRM system, I am quite excited about the possibilities of its use for the benefit of our members. It provides real-time information on members' volume figures, service statistics, attendance of meetings, enrollment in education courses, contact data and email correspondence. It allows the staff of FCI to know at any time the level of activity of each of our FCI members. Currently it is designed for the use by the Secretariat only. We realised the members would like to have access to their own data, we are currently looking at the possibilities.

In terms of new members and terminations in 2018, one can say the situation has certainly normalized. And in fact, for the first 6 weeks of 2018, we had a *record number of new members* join FCI, 16 in total (we average approximately 23 new members every year). But due to the previous slowdown, FCI together with a UK based market research firm, VIGA unveiled a survey to all of our members to learn what they think of FCI today, since it has been two years since the Union with IFG. We had 120 members complete the survey, representing nearly a third of the membership. The three most interesting outcomes from my perspective were the following: 1) close to 80% of the respondents said they will use, most likely or are considering using FCIreverse 2) 60% of all respondents said they were aware of what FCI was doing to defend the interests of the industry, 40% were not and 3) members stated that they would attend regional or annual meetings if distance is addressed (72%), wider array of subject matters are offered (44%) and/or discounts are provided (34%). We will discuss the findings during the upcoming board meeting scheduled for 26-27 February in Panama, and more importantly how we will address the gaps divulged in the findings, and present them to you during the Annual Meeting in Amsterdam in June.

FCI will be celebrating its *50th anniversary* during the Annual Meeting in Amsterdam 10-14 June. We hope all of you will be able to attend, as it will be a conference like no other. This will be an opportunity to honor our past, present our current state of affairs, and peer into the future direction of our industry. We have many surprises in store for you and quite a robust agenda. SCF will certainly be one of the themes stemming from the roll-out of FCIreverse, but we will also celebrate an industry that dates back thousands of years, in its many different forms. There will also be very special guest speakers, including a historian, futurologist, experts coming from our industry and those who support us, including accountants, credit insurers, platform specialists, lawyers, and many familiar faces from the past, including FCI's previous secretary general, Mr. Jeroen Kohnstamm. We hope you will not miss out on this very special event.

Peter Mulroy

INTERNATIONAL FACTORING SUMMIT IN MUMBAI

On 16 January, the International Factoring Summit was held in Mumbai, India organized by the Factors Association of India, the SME Chambers of India and FCI. The conference speakers included FCI's Secretary General, as well as members of the Marketing Committee.

The Indian economy is in a transformation stage and the Government of India has been launching a number of initiatives that will ***help boost the country in one of the World's major economies***. The country aims to increase Foreign Direct Investments by campaigns like the one "Make in India" and thus, become a major industrial and trading hub. One of the country's advantages is the large percentage of young population in the age group of 25-50 years old in a total population of €1.3 billion. As a result, India is expected to experience a huge growth in the Banking and Finance sector which means that there is a lot of potential for factoring services to follow this trend.

Factoring commenced in India in 1991 by SBI Global Factors, yet the factoring framework was ***established in 2011 and enacted in April 2012***. FCI has currently 10 members in the country, varying from banks, affiliates of banks and independent factoring companies. The Factoring volume in India currently amounts to €3 billion which depicts the great potential this country has.

The conference was mainly addressing the ***MSME sector*** as well as ***potential new FCI members***. The aim was to obtain an overview of International Factoring and how this product can cover the financial needs of the MSMEs which will have an overall positive result for the Indian economy. Representatives of the State Bank of India, the Reserve Bank of India as well as the SME Chamber focused mainly on the efforts to achieve and support economic growth, the role of the Bank's Regulations and Compliance with its respective cost, the role of the Banks in the growth of MSMEs and the difficulties that an entrepreneur faces in finding financing sources. However, it was also mentioned that efforts are made in order ***to bridge the credit gap for the MSME sector and that factoring is seen as a complementary product to bank lending.*** As one of the speakers mentioned, International Factoring is India's window to Global Trade.

The FCI's Secretary General spoke about FCI and its key role in international factoring, the impact of factoring in the world economy, the global trends in factoring and trade finance as well as the respective opportunities and threats. The speakers from the Marketing Committee described the way ***International Factoring*** and more specifically, the ***two-factors system*** works. The benefits and costs were thoroughly analyzed. Moreover, FCI's new product, ***FCIreverse***, was introduced which covers the new and increasing need in the Supply Chain Finance area.

More than 150 attendants were present and remained all the way until the end of the conference actively participating with questions and concerns to the speakers and the local factors present. The event was followed by a networking lunch that gave the opportunity to discuss even deeper the different topics and issues raised in order to understand how the factoring product can help facilitate the increasing demand for MSME financing.



REGIONAL CONFERENCE ON FACTORING IN AFRICA

AFREXIMBANK URGES USE OF FACTORING TO EXPAND AFRICA'S REGIONAL VALUE CHAINS

African countries should make use of factoring in order to *take advantage of the opportunities for expanding the continent's regional value chains*, participants at a regional factoring conference held in Dakar have heard.

Kanayo Awani, Managing Director of the Intra-African Trade Initiative at Afreximbank, said at the opening of the Regional Conference on Factoring that, in spite of the potential upside, *Africa's SMEs continued to face difficulties in accessing finance*.

Ms. Awani, also Chairperson of FCI's Africa Chapter, noted that in other regions, such enterprises accounted for the largest shares of trade finance transactions concluded through factoring.

Africa only accounted for one per cent of global factoring transactions, stated Ms. Awani who explained that the low volumes of factoring in Africa was largely attributable to *lack of information and awareness*. She said that the conference, was to equip participants with relevant tools to tap into the opportunities available to grow factoring in the continent, especially in the context of intra-regional trade.

Ms. Awani added that the event would provide a regional view on factoring and offer attendees opportunity for discussions on the current state of the industry, new challenges, products and markets development. It would also create new skills and networking opportunities for the participants and give them practical information on successfully setting up factoring businesses.

Earlier, Peter Mulroy, Secretary General of FCI, said that despite the low factoring level in Africa, the continent had achieved important milestones that could help develop it further in the years to come.

"Today we are witnessing the birth of numerous initiatives at the government, ministerial and central bank levels in such markets as Cameroon, Nigeria, Ghana and others. This is, in part, thanks to the development of the *model law on factoring by Afreximbank*, the removal of burdensome stamp duty tax, the development of inclusive policies at the central bank level to promote and support financing to SMEs through factoring, and the push for development of cross-border factoring," he added.

Also speaking, Ismaila Gueye, Coordinator at the Directorate of Financial Sector and Competitiveness at the Ministry of Economy and Planning of Senegal, who represented his Minister, said that *African exporters were encountering a loss of competitiveness due to the fact that factoring and open account trade were not commonly used* in Africa as was the case in all other regions of the world. He commended Afreximbank and FCI for promoting such financial practices, saying that it would help put local SMEs on a level playing field with their global competitors.



CONNECT

ISLAMIC FACTORING



YÜCE UYANIK
Member of FCI Legal Committee

Introduction

Factoring has developed quite extensively over the past 100 years. As commercial banks expanded into factoring to capture the growth in open account trade and reach higher profit targets, managers gave importance to easy and banking-like transactions.

Factoring was considered as a narrow scale financial instrument and started to be modified as if it is another banking product. Financing, the secondary function of factoring, has been the primary reason for banks to do it. Discounting charges, the financial charge of factoring started to be called "interest", like in traditional banking loans. The "comfort zone" of bank factors added many new functions to factoring and as a result of this the word "factoring" began not represent the companies new service scope.

The market started to see *factoring companies as alternative moneylenders* that they could apply when they are not able to finance their business through the banks. Although this has increased the transaction volume, there have been problems in some countries in terms of the reputation of factoring. Especially some religious people started to move away from this alleged moneylending and interest generating financial instruments and began to refer to it as usury.

Exploring new horizons (previous motto of FCI), in this article, we'll mention a very new development about the expansion of factoring and we try to show that factoring, if used in its traditional way, has nothing to do with interest and is *fully compatible with Islamic Financial System*.

Islamic Financial System

Research shows that about 2 billion people in the world refer to themselves as adherents to the Islamic religion.

Some Islamic countries chose to exercise Laws based almost fully (e.g. S. Arabia, Iran) on Shari'a (also written as Shariah) rules derived and interpreted by the science of understanding and interpreting Sharia rules (Fiqh) from verses in the Holy Koran, prophet Muhammad (PBUH)'s behaviours (Sunnah) and his sayings (Hadiths), Qiyas (comparison), Ijtima (scholars' interpretation) and Ijma (consensus). Some other countries chose to use part of such interpretations in their Laws (e.g. Egypt, UAE) and some (e.g. Turkey, Azerbaijan) have no reference to Shari'a in their legal system (see map).

Traditional Islamic financial system gets its rules from Islamic fiqh. Therefore different interpretations of above resources due to different beliefs may define the same financial instrument as "halal" (permissible) or "haram" (not permissible). This is why Islamic financial institutions have their own Shari'a boards to decide whether an instrument is permissible or not.

The most common prohibition in Islamic finance is "riba" and "usury". Instead, trade of commodities is fully permissible. (Koran verse: 2/275).

Although every case may be subject to approval by Shari'a board scholars in different countries and even in different institutions in the same country, we can list the common principles of Shari'a compliant financial system as follows:

- Prohibition of interest (riba) in all financial transactions

- Adherence to goods, services and activities that are halal and acceptable to Shari'a principals and prohibition against unlawful (haram) earnings and expenditures.
- Adherence to the obligations of trust (amanah) and covenants (uqud) while fraud of giving less than due in measure and weight and unjust enrichment are prohibited (good faith in contracting).

Murabahah

As the money cannot be sold and rented as a commodity, *any financing must be related to trade of goods*.

In factoring we are mainly interested in Murabahah, where the islamic financial institution (IFI) buys the goods from the supplier and sells them to the buyer.

Assume that the buyer needs cash to buy some raw materials. IFI buys such raw materials in cash and finances the buyer by selling to the buyer the same materials in term basis with a price surplus. Although one may argue that this price difference, generally defined in accordance with the time value of money is like interest, unlike interest, this is permissible as the IFI buys and sells commodities, not the money. Same way, the IFI may be financing the supplier by providing cash payment for a term sale.

SIMILARITIES MURABAHAH AND FACTORING :

- ORDER IS APPROVED
- FACTOR IS THE SOLE OWNER
- FACTOR TO PAY BY AGREED DATE
- RELATED TO SALE OF GOODS OR RENDERED SERVICE

The IFI may also ask the supplier to send the goods to the buyer on his behalf and to assign the receivable on the invoice to him. The buying and selling price of the goods by the IFI are different to cover the profit that is generally calculated in accordance with the time difference between the date of payment in cash to the supplier and expected due date of the invoice. Assignment provides transfer of full ownership of the receivable and title on the goods. Therefore the collection of the receivable by the IFI must be in his own name, not as an agent of the supplier. One also should keep in mind that the IFI must know about the purchase order and instruct the seller to send the goods before the shipment and assignment. Therefore assignment of outstanding receivables related to earlier sales is not acceptable in Murabahah.

Traditional Factoring

To be able to understand the basics of factoring, it is better to look at its history.

Although, some tell about Babylonians for first assignments of receivable, we want to go to the start of overseas trade. First there were ship owners, captains and owners of the merchandise. After trade developed, ship owners with multiple ships started to stay at home and transferred their ownership rights to factors (traders on behalf of the merchandise owner) in different countries. The difference of the factors was that they were not acting as commissioning agents but as owners of merchandise to pay the seller the purchase price of the goods later after collection. In time some factors started to prepay the discounted amounts to the suppliers. The Factor's Act 1889 dealing with this is still in force in the UK.

After 1929 financial crisis, under the recession, the factors started to buy the receivables like buying the goods and to pay the purchase price of the receivable. With the assignment the full ownership and title is transferred to the factor which becomes the beneficiary party (the party to be paid to as owner of the rights of the account).

Similarities between Factoring and Murabahah

The similar points between Murabahah and factoring that make factoring an acceptable instrument under Shari'a are:

- Order (sales contract) is approved by the factor (Article 17 of the GRIF– Order based approval)
- Factor is the sole owner of the receivable and all rights of the supplier is transferred to the factor. (Article 12)
- Factor has an obligation to pay the purchase price of the receivable to the supplier on any agreed date. (Articles 23 & 24)
- The receivable is related to a bona fide sale of goods or rendered service. (Article 28)

Two Factor International Islamic Factoring

Since Shari'a allows trade with people from other religions, international factoring is not necessarily done between factors in two Islamic countries. Transactions between one Islamic and one Non – Islamic factor is also possible.

Supplemental Agreement for Islamic International Factoring

While factoring itself is in conformity with the Islamic rules, ***the agreements between the parties should also be Shari'a compliant***. That is why the interfactor agreement and the GRIF have been reviewed by a working group and some references to "interest", "agency" and "goods" were modified in accordance with the requirements by creating a Supplemental Agreement for Islamic International Factoring. It is expected that it will be submitted to the ***Council for approval in June 2018***.

Conclusion

T***raditional international factoring is in full conformity with Islamic Shari'a***. FCI members may easily get into a correspondent relationship and act together with Shari'a applying financial institutions through a supplemental agreement.

The first ***positive impact of the supplemental agreement will be on the reputation of factoring***. Those who think that factoring is financing only, will better understand that, whatever the modern application is, non recourse factoring basically is a purchase and sale, and may be applied without any financing.

Relatively, it will be seen better that, the rent of the borrowed money (interest) doesn't apply to factoring where perfect assignment occurs (ownership is transferred). The term "discounting charge" applies whenever there is prepayment of the purchase price.

The first positive impact of the supplemental agreement will be on the reputation of factoring. ...

The rent of the borrowed money doesn't apply to factoring where perfect assignment occurs. ... FCIreverse is also fully compatible with Islamic financial system.

Although we have not mentioned about the details, ***FCIreverse is also fully compatible with Islamic financial system***.

Considering that 25% world's population believes in Islamic rules, this bridge in international factoring will help both sides to come closer and increase the trade. This new horizon will mean ***more correspondents, more members, more factoring***.

CONNECT

WHY SHOULD YOU COME TO FCI 50 ANNUAL MEETING

AMSTERDAM, 10-14 JUNE 2018

Here are 10 reasons why you shouldn't miss the golden Annual Meeting:

- Celebrate the factoring and receivable finance industry
- Launch of FCIreverse project
- Presentation of the new accounting report on factoring
- Discuss the digital evolution
- Meet your correspondents (and reach out to new ones)
- Listen to the committee activities
- Panel on credit insurance
- Hear from the last initiatives of FCI on advocacy
- Vote on the proposal of Supplemental Agreement for Islamic International Factoring
- See the great testimonials from previous annual meetings:



"Being my first time attending the conference, I was highly impressed with its diversity in terms of the attendance as well as the content. The balance between scheduled events as well as free time allowed interaction opportunities with the participants. Congrats to the organizers!"

Alexa Foglia, Banco Atlantida

I really enjoyed the conference! It was a welcome gathering of true professionals, discussing trends in factoring, SCF, Fintech, Regtech and also compliance."

Gert Demminck, Philip Sidney

"Great oportunity for networking, get updated informatión about New trends and ways of doing international factoríng mostly SCF"

German Magnoni, Banco Supervielle

"Great conference to meet with global Factoring executives and find ways to learn, to improve your own processes and opportunities for mutual collaboration."

Zain Ali Dun & Bradstreet

More information and registration on our website: https://fci.nl/en/event/FCI%2050th%20Annual%20Meeting%20Amsterdam/4187

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 as we added the following Members:

CHINA

Headquartered in Hefei, Anhui Province, Huishang Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 12 November 2013, the Bank underwent H Share Listing. As of 30 June 2017, the registered capital of Huishang Bank was RMB11,049,819,283, the total assets were RMB812,678 million, and the Bank has 419 branches and sub-branches (including 17 branches and 402 sub-branches).

The Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency. With the full recognition and widespread praise from all sectors of society, in 2016, the Bank was named one of the top 200 in the "Top 1000 World Banks" by The Banker, a UK magazine, with the ranking at No. 188.

www.hsbank.com.cn

TURKEY

Lider Faktoring A.S. (further – Lider) is headquartered in Istanbul with 26 branches across Turkey.

The Company was established as Setat Factoring in 1992. Later Group purchased Setat Factoring licence and changed its name to Lider. Lider has gradually expanded its branch network from none in 2002 to 26 branches covering clients in 60 cities. Lider plans to continue its expansion and open up more new branches in the coming years. Lider's geographic expansion strategy primarily focuses on areas where there is existing factoring demand, which are in close proximity to an industrial center and with low factoring penetration.

Lider is a publicly traded company where the majority of the shares are held by the family and 9.9% of the shares are held by Credit Suisse. 15% of Lider shares are traded on Borsa Istanbul.

Lider is mainly active in "with-recourse factoring", providing the Company with recourse to both the underlying debtor and the customer. Lider also does non-recourse factoring by the supplier financing method.

Lider generally manages a diversified portfolio with the majority of its factoring volumes in small sized transactions, sourced from a broad range of companies across many industries, mainly in the manufacturing sector.

In addition, Lider has good corporate governance controls. Lider's current (August 2017) corporate governance rating by SAHA is 9.10. Lider, for three years (2010, 2011 & 2013), has been awarded the prestigious corporate governance award from Corporate Governance Association of Turkey ("TKYD") in the "non-public companies" category.

Lider has been receiving credit ratings from Fitch Ratings since 2009. In September 2016, Fitch Ratings determined Lider's national long-term rating at A-(tur). The rating has a Stable Outlook.

www.liderfaktoring.com.tr

GREECE

Neurosoft was founded in 1994 and has set the provision of qualitative solutions and services to its clients, both in Greece and abroad, as a primary goal.

Neurosoft is a fully integrated ICT company with Software Development, System Integration and Information Security capabilities. The staff headcount exceeds 180+ highly skilled employees with deep experience in their field. The company is located in Athens with presence in UAE, Cyprus and UK.

Neurosoft business activities include:

- Design, development and integration of innovative products and solutions for Sales & Trade Finance Operators with fully customized Business Intelligence & Risk Management solutions.
- Design, implementation operation and support of large scale infrastructure solutions for Operators of Critical Networks and Critical National Infrastructures Stakeholders.
- Provision of Cyber Security Solutions & Services (Security Assessments, Consulting and Managed Security Services).

The company is committed to client impact, continuous investments in R&D, innovation, adoption of advanced methodologies and well-known international standards (ISO, OWASP etc). It demonstrates a track record of successful local & international group(multi-country) installations & continuous technical support, always on time – on budget – on spec.

Neurosoft has won the Premio Le Fonti Impresad' Eccellenza "Software House" for Excellence in Software award.

www.neurosoft.gr

UNITED KINGDOM

Stenn International is a UK-based, non-bank trade finance provider specialized in cross-border trade. Stenn's trade finance solutions are comprehensive and can be combined to cover the entire supply chain from purchase order to delivery of goods.

Innovative practices allow Stenn to finance in sectors and geographic regions currently under-served in global trade. The company finances all manner of goods, from apparel and footwear to consumer electronics and household goods.

In 2016, Stenn launched an additional $300 million financing platform to fund international trade receivables originating from developing countries exporting to creditworthy buyers globally. The company operates globally with offices in Los Angeles, Dallas, New York, London, Hong Kong, Shanghai and Guangzhou.

www.stenn.com

We wish them lots of success!

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

CONNECT FCI REVERSE POWERED BY DEMICA

FCIreverse

The Supply Chain Finance solution for your SMEs and mid-corporate clients

Take advantage of FCI's network strength to offer your clients a complete Supply Chain Finance solution supporting both domestic and international suppliers.

What is FCIreverse?

It is FCI's new Supply Chain Finance buyer centric solution, which is based in Reverse Factoring. It is intended for buyer companies that have several suppliers who could benefit from their buyer's lower cost of funding. For the buyers themselves, it can improve supplier management, create the opportunity to negotiate better payment terms, ultimately allowing for better cashflow forecasting and a stronger, more resilient supply chain.

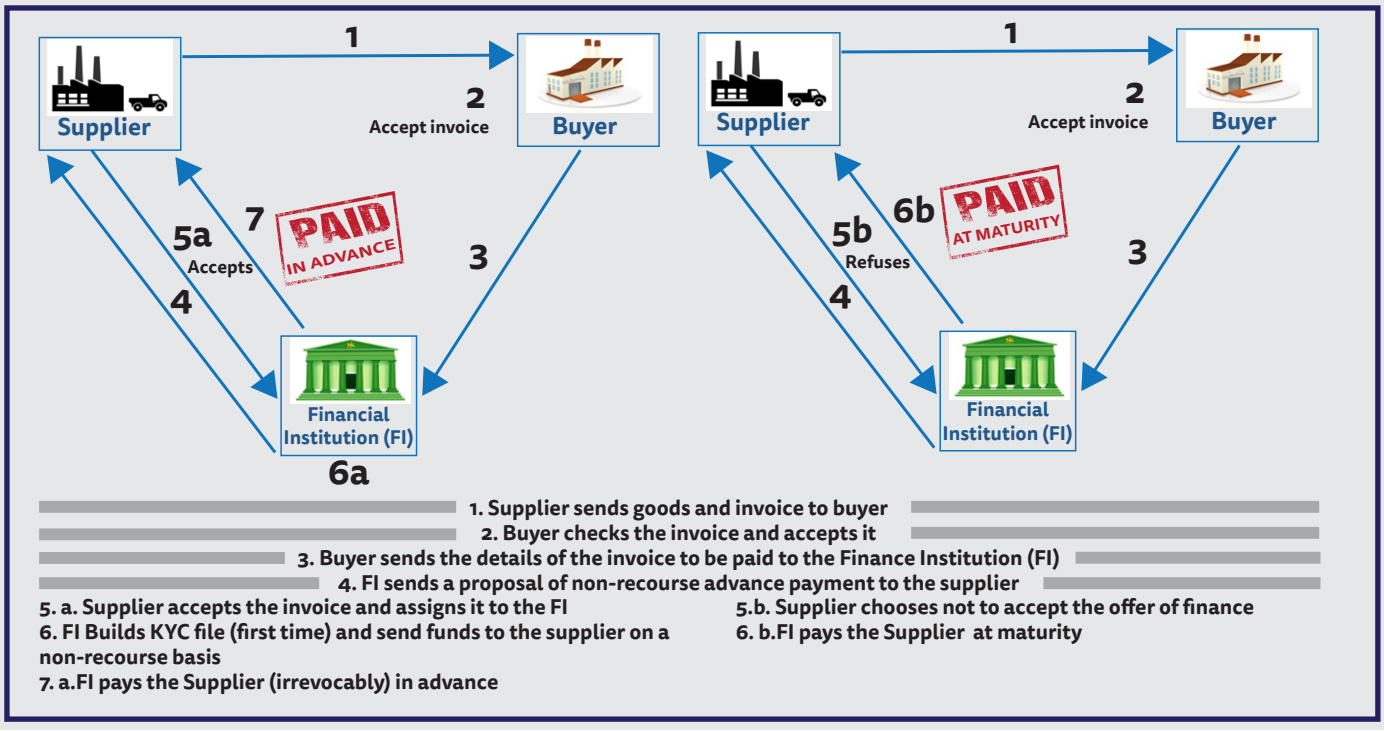
There are two types of FCIreverse:

- 3 corner model (Buyer, Financial Institution, Supplier) – this may be used for both Domestic and International business
- 4 corner model – this may be used in International business where it's beneficial for a correspondent factor in the supplier's country to become involved

KEY BENEFITS FOR FCI MEMBERS

- Generation of new income
- Increase in total factoring turnover
- Enhanced competitive advantage by offering additional solutions
- Achievement of better pricing
- Saving on SCF IT investment and support
- Lower risk product

3 Corners Model



1. Supplier sends goods and invoice to buyer
2. Buyer checks the invoice and accepts it
3. Buyer sends the details of the invoice to be paid to the Finance Institution (FI)
4. FI sends a proposal of non-recourse advance payment to the supplier
5. a. Supplier accepts the invoice and assigns it to the FI
6. FI Builds KYC file (first time) and send funds to the supplier on a non-recourse basis
7. a.FI pays the Supplier (irrevocably) in advance
5.b. Supplier chooses not to accept the offer of finance
6. b.FI pays the Supplier at maturity

BUYER

- Enhanced reputation with suppliers
- Ability to negotiate better payment terms and so improve working capital requirements
- Enhancement of image through supporting SMEs and promoting economic growth
- Reduction of administrative costs through payment process rationalisation and improvement

SUPPLIER

- No impact on Supplier's credit lines as the financing is based on the buyer's financial strength
- Lower costs based the creditworthiness of the buyer
- Receivables can be removed from the Balance Sheet
- No additional IT tool required
- Early visibility of approved invoices & better cash flow management
- No separate cash accounts are required to receive advance payments

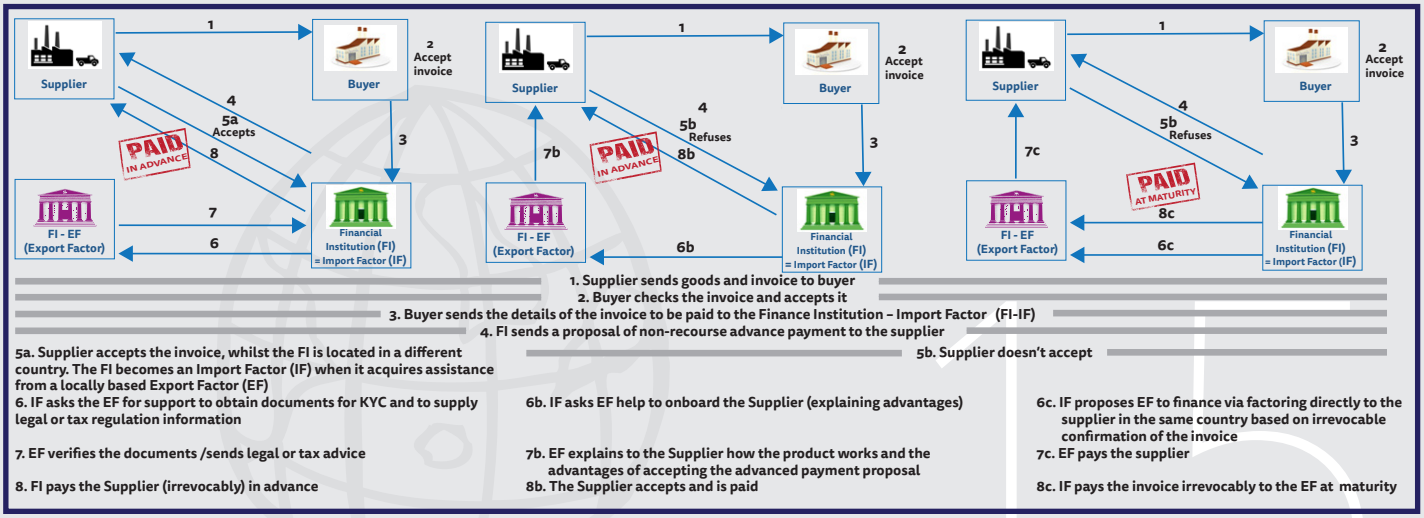
BENEFITS

RISKS

- Buyer's banking exposure will increase where the non-recourse advance payment is reported to a Central Bank
- Cancellation of receivables, credit notes or changes over confirmed trade receivables are not accepted
- Most suitable for recurrent suppliers

- Potential for liquidity issues if the time needed by the buyer to approve the invoices becomes extended
- Very short credit periods may therefore not be appropriate for use with this solution

4 Corners Model



1. Supplier sends goods and invoice to buyer
2. Buyer checks the invoice and accepts it
3. Buyer sends the details of the invoice to be paid to the Finance Institution – Import Factor (FI-IF)
4. FI sends a proposal of non-recourse advance payment to the supplier

5a. Supplier accepts the invoice, whilst the FI is located in a different country. The FI becomes an Import Factor (IF) when it acquires assistance from a locally based Export Factor (EF)

5b. Supplier doesn't accept

6. IF asks the EF for support to obtain documents for KYC and to supply legal or tax regulation information

6b. IF asks EF help to onboard the Supplier (explaining advantages)

6c. IF proposes EF to finance via factoring directly to the supplier in the same country based on irrevocable confirmation of the invoice

7. EF verifies the documents /sends legal or tax advice

7b. EF explains to the Supplier how the product works and the advantages of accepting the advanced payment proposal

7c. EF pays the supplier

8. FI pays the Supplier (irrevocably) in advance

8b. The Supplier accepts and is paid

8c. IF pays the invoice irrevocably to the EF at maturity

EDUCATE

LEGAL SEMINAR ON LEGAL ISSUES IN RECEIVABLES FINANCE

21-22 MARCH, MILAN, ITALY

As a follow up to earlier legal seminars, the FCI Legal Committee is pleased to offer a new seminar "Legal Issues in Receivables Finance". The programme will cover all key areas of the legal scheme with a special focus on everything there is to know about the General Rules of International Factoring (GRIF), the background of certain articles and the implications for day-to-day business.

Highlights:

UNCITRAL-MODEL FACTORING LAW, UNIFICATION OF FACTORING LAW, INTERNATIONAL STANDARDS, RULES, LEGISLATIONS

DR. ULRICH BRINK, MEMBER OF THE FCI LEGAL COMMITTEE

FCIREVERSE

MONICA MARTIN, MEMBER OF THE FCI SCF COM

"THE NEW PLATFORM CREATES FOR FCI MEMBERS OPPORTUNITIES TO DIVERSIFY THEIR TRADITIONAL FACTORING ACTIVITIES AND MOVE INTO THE "BUYER-CENTRIC APPROVED PAYABLES" REVERSE FACTORING AREA."

FCI ISLAMIC INTERNATIONAL FACTORING SCHEME

YÜCE UYANIK, MEMBER OF THE FCI LEGAL COMMITTEE

"THIS VARIATION ON THE TRADITIONAL TWO-FACTOR SCHEME"

FACTORING AND PUBLIC ADMINISTRATION "ITALIAN CASE"

SALVATORE MARRONE AND MARCO POMPEO, BANCA SISTEMA

You want to get more information or register? Click here



IN FRENCH

FOUNDATION COURSE ON DOMESTIC AND INTERNATIONAL FACTORING FOR NON-MEMBERS

We have outstanding news to share!



FCI e-learning Foundation Course on Domestic and International Factoring for non-members is ready to be launched in **FRENCH on 2 April 2018!**

This new course will facilitate the learning experience of the francophone students from emerging and developed markets while supporting FCI to spread best practice and factoring knowledge in new territories.

For registration please use the link: https://fci.nl/en/education/non-member-course



HPD SOFTWARE AND FCI COLLABORATION FUELS KENYAN STUDENT'S DREAMS TO BRING FACTORING TO AFRICA

Claudius Kurtna takes first steps in launching his career with Factoring Foundation course

FCI Foundation Course on Domestic and International Factoring

At the end of 2016, HPD Software, a go to provider of secured lending software, announced its *annual bursary for students from a variety of emerging markets* to complete the FCI's Foundation Course on domestic and international factoring. The course was developed by FCI. Keen to facilitate education and development of the commercial finance industry, HPD and FCI came together to support those wishing to enter the sector, and under the HPD project FCI provided 22 free licences to students in emerging markets in 2017.

Graduate - Claudius Kurtna

Claudius Kurtna, a 28-year-old Kenyan citizen, studied in Uganda for his A-Levels and then returned to Kenya to complete his education in business administration. He was one of the first students to graduate on the Foundation Course. He comments:

"I have always tried to gain a grasp on where the future is going. I am particularly interested in the area of software for financial institutions and am particularly fascinated by the factoring model. I am passionate about increasing the level of trade across the African continent, between countries - Africa should do more trade with itself, and I believe factoring offers the perfect solution for that."

For some time, Claudius has been a keen follower of Afreximbank, the African Export Import bank established in 1993. Through the bank, he received details of the FCI Foundation Course, which he then signed up for:

"The course seemed to offer the perfect online introduction into factoring covering four key areas:

- Understanding domestic and international factoring
- Historical background to factoring
- Selecting and onboarding the seller
- Business process and managing the seller

"I can see the real potential for factoring in Africa, and I am keen to be part of this. I believe that few people understand what it is or how to leverage its potential. I knew that having this grounding could really help me to progress not only my own career, but to also be part of something much bigger in the future."

Course outcomes

Claudius was able to complete the entire Foundation Course in Factoring via an online portal during a one-month period. He passed the exam in October 2017.

"The course has given me the confidence to begin exploring a possible career as an outsourced factoring agent or specialist for African financial institutions. And I'd like to now begin saving to complete the second tier of the course, to provide me with even more comprehensive knowledge - something I will look into during 2018.



EDGAR NIEDRA
INVEX FINANCE

EDUCATE

INVEX FINANCE INTERVIEW

FCI Education Director, Aysen Cetintas (AC), asked Edgar Niedra (EN) from Invex Finance in Latvia, FCI member since June last year, what he thought of FCI education, how it helped his company, what he thinks about the education program.

AC: For FCI, Education is one of its three key focus activities; Network, Educate and Influence. How does this fit with SIA Invex Finance's own philosophy as a new member of FCI?

EN: As I know from my previous 11 years' experience within FCI, FCI is devoted to ensuring high standards of two-factor international factoring among the members. Besides the main asset of FCI – the GRIF itself, the knowledge of GRIF and all the other documentation is very essential in order for the many members around the World to provide high quality factoring service. This perfectly fits with the philosophy of Invex Finance – to provide high quality factoring service to countries covered by FCI.

AC: Which of the FCI educational products have you used or are planning to use and why did you choose them?

EN: In my previous experience, I have completed the FCI education career path – including Advanced Course, as well as attended different seminars. It all created very much value for me. Therefore, currently our *new employee is participating in the Foundation Course*, because it gives a good insight into and overall overview of how FCI two-factor factoring works.

AC: Do you see "FCI Welcome Education Package for New Members" bringing a source of competitive advantage for SIA Invex Finance?

EN: We very much value the FCI initiative to provide such support to new members and we see it as a very valuable tool for the new employees of our company.

AC: You attended the FCI Webinar "Introduction to Operations" in December. What value has this webinar brought to the education of your colleagues?

EN: I like the idea that FCI is using new technologies in the education programs. All our company employees attended the Webinar. For me it was interesting how this type of webinar works, for our new employee there was some new and useful information on some practical issues. I see the main advantage of webinars the possibility to interact online with the presenters and clarify any unclear issue. I would suggest that FCI develop webinars also for other topics, especially for the new products like FCIReverse, that would be of interest also for experienced specialists.

AC: Would you recommend FCI Education Package and Webinars to the new members in other markets?

EN: As I mentioned above, in order to provide high quality FCI two-factor factoring service, it is essential to be knowledgeable about the FCI documentation and rules. FCI education program provides a very good means to do that and I would strongly suggest all new members take advantage of this offer.

AC: What could be done to make the FCI education solutions even better at meeting the needs of new members?

EN: For new members, a special webinar would be beneficial to introduce them to the meaning of different rules and manuals and the FCI Library structure.

AC: Thank you!

EDUCATE
COFIT IN AFRICA



JOHN BREHCIST
FCI Advocacy Director

Following the success of the adapted version of the *Certificate of Finance in International Trade* that created great feedback in 2016, the programme has been run again in 2017 and was recently completed in Cairo. As before, a group of high performing managers from Afrexim Bank were the core participants, and they were joined on the last module, which is Receivables Finance specific, by further *African bank managers*.

Demonstrating again that Education is *one of the key pillars of the FCI offering for its members*, this course, which runs over four week-long sessions, is a combined offering from FCI and the University of Malta and is delivered by university academics and Industry experts who have between them extensive and in depth front line experience and knowledge to share. The syllabus and material truly is ground-breaking and the course is the only direct industry facing proposition in the world that provides attendees with portable university recognised certification points.

Following feedback form the previous edition, the course material has been further *refined and in this enhanced version* continues to cover a very wide range of topics which run from basic theory to highly practical applications and role play. As before, the range of subjects is comprehensive covering for example Financial Instruments, Interpretation of Accounting Statements and Economic Statistics, An International Trade Overview, Trade Politics and Economics, Trade Based Money Laundering and Financial Crime, Structured Commodity Finance, Risks and Challenges of International Trade, International Business Financing, International Marketing, Developing Countries: Growth, Crises and Reform, Islamic Finance and Emerging Markets, Introduction to Factoring and Commercial Finance, Legal Aspects, Marketing, Sales, Account Management, Fraud and Risk Management… without doubt a very extensive and wide ranging set of material.

The course remains *intensive and certainly hard work* for the participants who were all experienced managers with between them a raft of Master level degrees and MBAs to their name - but they all found it rewarding and a new experience. They certainly also kept their presenters on their toes! With a mixture of academic lectures, practical sessions, examinations and assessments, the participants not only need to absorb a significant amount of material, but also to be able to demonstrate their new knowledge and understanding. The environment is one where knowledge and experience is definitely shared; having been part of the delivery team for the latest sessions which were held in Cairo in January 2018, I can confirm it's clear that the effort participant students put in is as real as the enjoyment both they and the tutors get!

This COFIT latest programme was again delivered with the welcome support of Afrexim Bank, and this special edition again has demonstrated the importance and flexibility of FCI's educational capability to deliver a programme which is focused on the particular needs of the client organisation.

I'm delighted to say that again the feedback from participants was really positive; here are some examples of what they had to say:

"Shirley Sandra Torsoo (Manager, Loan Administration): 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 operations officer with my organisation tasked with administering and monitoring facilities."





Again, the whole programme has received consistent appreciative feedback from the attendees:

Andrew Masuwa (Manager, Client Relations): "*The COFIT training is important for every factoring business with a serious intention to equip its staff with practical and technical expertise in the growing receivables finance industry. The trainings are delivered in a simple way for everyone to understand.*"

Anthony Edordu (Assistant Manager, Legal Department): "*COFIT IV module is an important part of the overall training. We had the opportunity of putting together the various topics we learnt over the past three modules, particularly during the business game. Overall, I found the teaching very practical and I believe the knowledge gained through the course will be functional and useful in real work.*"

As one of the presenters, the rewarding news is to report that the students felt we had brought them new knowledge and experience.

The last element of the programme is a two-day focused business simulation; without giving away secrets to future participants, this highly intensive exercise gives the participants the ***opportunity to put their learning into practice, and to work together in a competitive team.***

They have the opportunity to show their knowledge, their commitment and teamwork; for many of the participants this is also a rare chance to get individual feedback on their own personal performance which they all reported as being very useful.

The COFIT challenge is a great opportunity for ambitious managers to build their knowledge and progress in their business; for their employers, it's a key mechanism to build skills, capability and create loyalty.



MEDIATION CENTRE- A WAY TO STABILIZE CHINA'S FACTORING INDUSTRY



ZHANG GUOPING
Beijing Factors Association



Arising from the economic slowdown in China since 2015, there were many problematic factoring cases which leads to many unresolved disputes. As a result of this, the Beijing Factors Association has decided to set up a Mediation Centre in China, the first of its kind in China. FCI Asian Chapter Director Kheng Leong Lee (KL) interviewed Mr. ZHANG Guoping (GP), the head of Beijing Factors Association to see how the Mediation Centre will help in the stabilization of factoring industry in China.

KL: When was the Beijing Factoring Association Mediation Centre established?

GP: Beijing Factoring Association Mediation Centre was set up on March 25, 2017 under the direction and supervision of Beijing Association for Alternative Dispute Resolution (BAADR).

KL: What prompted Beijing Factoring Association to set up this centre?

GP: As a result of the rapid development of factoring industry in China there are more and more disputes especially in commercial factoring. Cases have been piling up in court. Hence it has dawned upon us that it will be very costly if such disputes were to be settled in the court. Besides resolving dispute in court is very time consuming which could otherwise be deployed to do business. BFA introduces mediation to give factors an alternative to court and arbitration. Although Mediators have no legal standing and do not decide on the outcome of the dispute, they are experts in guiding the disputing parties to come to an amicable settlement.

KL: How many unresolved disputes are there in China?

GP: According to Beijing Higher People's Court (BHPC) dispute cases on factoring are increasing. This problem is further compounded as the court is shorthanded and judges may not have the commercial knowledge of factoring. From the analysis of LAWXP, a data base specialized on law field, the ratio of commercial factoring disputation is about 7.7% in 2016 compared with banking factoring.

KL: Will the mediation centre cover cases outside Bejing?

GP: Beijing is currently the first and only pilot city of setting up Sue & Mediation Coordination System. The mediation result will be accepted by Beijing Higher People's Court (BHPC). By co-operating with BAADR and BHPC, BFA Mediation Center will facilitate dialogue between parties in a dispute in a quick and efficient manner to arrive at amicable solution. Other cities will implement this model progressively.

KL : Can it handle cases involving banks?

GP: The fundament concept of factoring is the same for both banks and commercial factors. The difference is that they are supervised by different governmental supervisory bodies. Now commercial factoring's supervisory body will be transferred from the Ministry of Commerce to China Banking Regulatory Commission. In addition, as BFA's members also include banks, BFA Mediation Center can deal with disputes involving banks and commercial factors.

KL: Is there any government support for this?

GP: Yes. As the capital of China, Beijing has a significant meaning in China's law environment. Beijing Association for Alternative Dispute Resolution (BAADR) is set up to coordinate the mediation resources and set up a platform for resolving the disputes in a more efficient and harmonious way. The members of BAADA's Advisory Committee include judges from the Supreme Court and Beijing Higher People's Court (BHPC), arbitrators from Beijing Arbitration Commission, officers from Beijing Municipal government. BFA Mediation Center is a member of BAADR.

KL: How would this help the development and stabilization of factoring in China?

GP: Factoring industry has a relatively short history in China compared to Europe especially in commercial factoring. Both factors and judges lack factoring knowledge. Mediation will be a good choice for factors to solve the disputes. It is efficient, time saving and less costly as it will be handled by factoring experts. Under the coordination of Mediation Centre the judges and government officers will not only get more information on the factoring industry but will also accumulate more experiences. This will be a positive influence on China's factoring law and facilitate the development of a healthy and robust factoring industry in China.

Thank you Mr. Zhang Guoping for this interesting interview that will be of great interest to our readers, I am sure.

As a result of the rapid development of factoring industry in China there are more and more disputes especially in commercial factoring. ... Besides resolving dispute in court is very time consuming which could otherwise be deployed to do business. BFA introduces mediation to give factors an alternative to court and arbitration.

INFLUENCE

FCI TWO FACTOR VOLUMES IN 2017



HARRY BILETTA
FCI Director Planning and Development

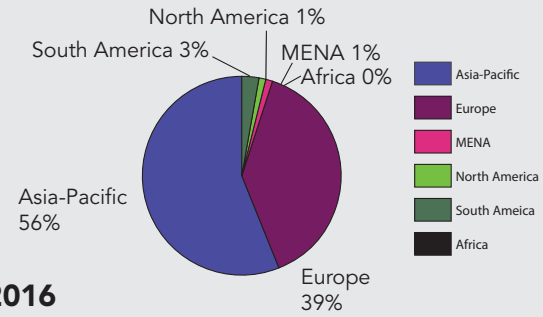
From edifactoring

Since July 2014 we have been forbidden to circulate timely the edifactoring «Service Quality» Reports in compliance with the EU Competition Law.

We have prepared some graphs relating to full year volumes for 2017 vs. 2016 hoping that you may find them useful.

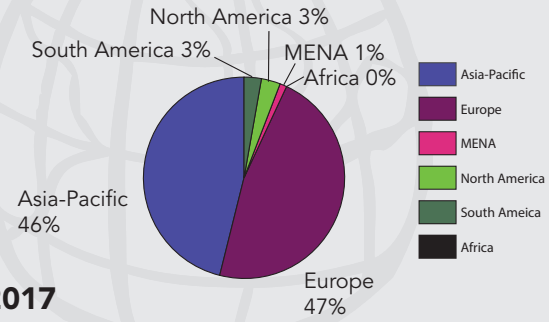
They are aggregate figures and hence not in breach of any known law.

FCI Two-Factor Export from Edifactoring



2016

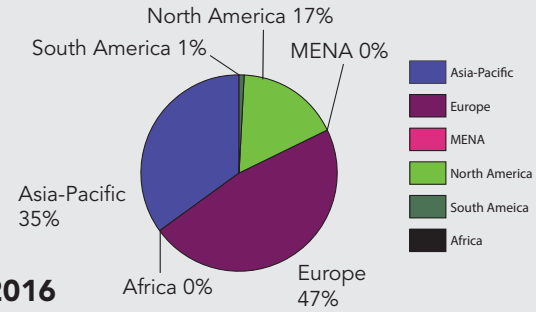
FCI Two-Factor Export from Edifactoring



2017

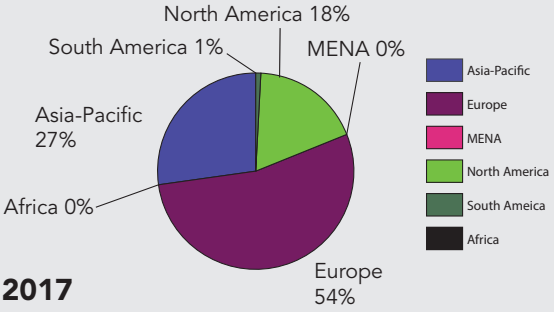
The market «riorganisation» in China and neigbouring countries continued to influence the figures and the Asia Pacific share of the total exports dropped to below 50% for the first time after many years.

FCI Two-Factor Import from Edifactoring



2016

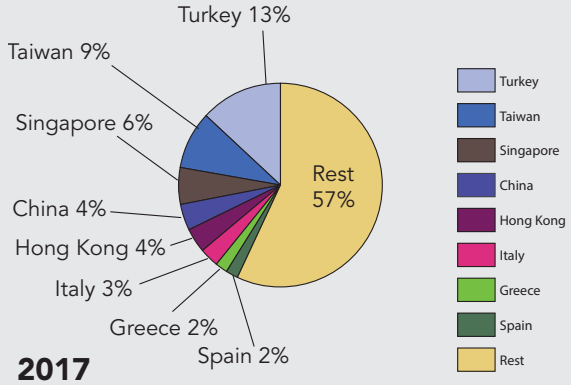
FCI Two-Factor Import from Edifactoring



2017

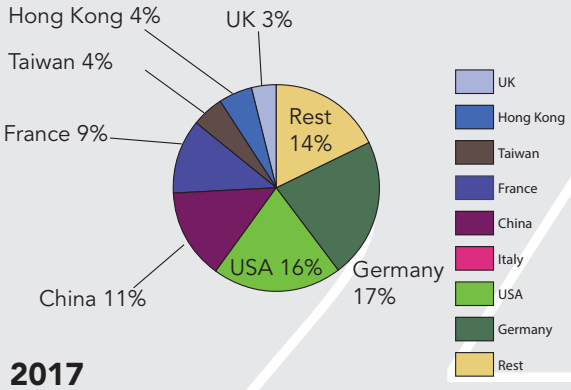
As far as Imports are concerned, N.America managed to hold its position in spite of the reduced flow from the Far East whilst Europe's volumes increased its share to 54% and Asia Pacific further dropped to 27%.

Share of Two-Factor Export



2017

Share of Two-Factor Import



2017

As for FCI two factor exports, Turkey held its leading position followed by 4 Asian countries (Taiwan, Singapore, China and Hong Kong); Italy leads the traditional European group.

Germany acquired the first position for FCI two factor imports closely followed by USA and Italy, but this is the area where most the effect of aggregation is apparent (two groups concentrated European business on their German outfit).

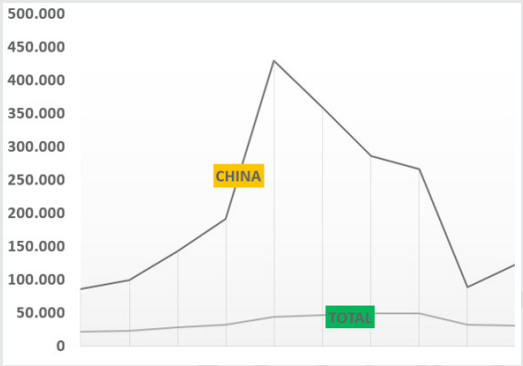
BUSINESS FLOW

FROM	TO	€M
Asia-Pacific	Africa	27.45
	Asia-Pacific	4,276.70
	Europe	1,437.57
	MENA	0.85
	North America	2,522.18
	South America	35.27
	Asia-Pacific Total	8,300.02
Europe	Africa	13.03
	Asia-Pacific	12.93
	Europe	8,040.78
	MENA	36.44
	North America	282.33
	South America	7.42
	Europe Total	8,392.92
MENA	Europe	105.12
	MENA	0.61
	North America	62.56
	MENA Total	168.29
North America	Africa	0.19
	Asia-Pacific	496.69
	Europe	30.57
	North America	10.86
	North America Total	538.32
South America	Africa	2.66
	Asia-Pacific	2.35
	Europe	157.21
	North America	326.86
	South America	89.72
	South America Total	578.79
	Grand Total	17,978.34

TO	FROM	€M
Africa	Asia-Pacific	27.45
	Europe	13.03
	North America	0.19
	South America	2.66
	Africa Total	43.33
Asia-Pacific	Asia-Pacific	4,276.70
	Europe	12.93
	North America	496.69
	South America	2.35
	Asia-Pacific Total	4,788.67
Europe	Asia-Pacific	1,437.57
	Europe	8,040.78
	MENA	105.12
	North America	30.57
	South America	157.21
	Europe Total	9,771.25
MENA	Asia-Pacific	0.85
	Europe	36.44
	MENA	0.61
	MENA Total	37.90
North America	Asia-Pacific	2,522.18
	Europe	282.33
	MENA	62.56
	North America	10.86
	South America	326.86
	North America Total	3,204.78
South America	Asia-Pacific	35.27
	Europe	7.42
	South America	89.72
	South America Total	132.41
	Grand Total	17,978.34

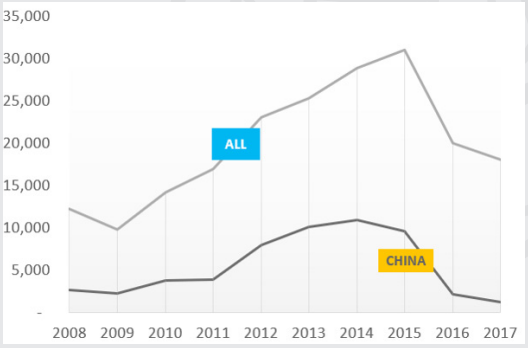
This chart is meant to show the business flow from Export Factor continent to Import Factor continent and vice-versa, irrespective of the actual location of exporter and importer. As always, the intra continent flows represent a very substantial part of the 2 factor business.

FCI Average Invoice Value 2018-2017 (in euro) Total Vs China



When we compare the Average Invoice Value during the last 10 years of the entire FCI and that of Chinese Exports we note that whilst the latter had an upward trend with a peak of almost 430 thousand € in 2012, the overall figure remained rather stable within the range of 22-49 thousand euro. The downward curve for China seems to indicate that the market is slowly returning to more standard industries and "factorable" products.

FCI total two-factor exports volume all Vs China 2008-2017 (in euro millions)



Lastly, on the topic of China as part of the whole, we see how the total FCI Export volume trend follows very much China's.

INFLUENCE
FACTORING IN THE CARIBBEAN



SONJA VAN HAASTEREN
FactorPlus



Can you imagine doing business in an area that consists of *all medium to small size communities with their own legislation, culture and often even currencies*? Welcome to the Caribbean!

The total Caribbean area populates about 42 million people, of which 75% lives in Cuba, Dominican Republic and Haiti. Puerto Rico, Jamaica and Trinidad and Tobago all have approximately 1 million inhabitants, meaning the other islands have less than half a million people living there. All the islands have their own rich history, often influenced and related to the West, but not completely similar (anymore) on, for example, legislation. Factoring, whether direct, import or export, is therefore a *very challenging undertaking as economies of scale are hard to come by*.

Factoring

Factoring is not a common product in the Caribbean region, mainly because there aren't many factoring companies, and banks often stick to their traditional lending operations. *Setting up a factoring business means educating the market from scratch*. Once you want to expand, it means starting all over again in a whole new country with different legislation, customs, culture and banks. With sufficient knowledge about the region and the different legislations, there are options to factor client's (export) invoices. *It just forces the factor to be very up to date about all the aspects* (including foreign exchange issues) of the specific country.

Most factoring clients are thrilled with the solution it offers as it keeps them free from (additional) bank loans, helps them with the cumbersome process of collections and a solution for their credit risk. *The key for the factor is always to be very closely tied to the market, become a true partner for the clients and keep a good relationship with the debtors*.

The challenging parts for the factor, once established, are managing credit risk and ensuring good collection performance.

Credit risk

It is typically not a custom nor requirement to publish your financials, they are only submitted to the Tax Authorities. In addition, credit insurance is not a common product in the region, and requesting disclosure of financials can lead to awkward moments. Therefore, there's *much less transparency about the financial health of companies* than for example in Western Europe.

However, locally, *people know pretty well how companies are performing* as they see and hear things due to the smaller communities, combined, of course, with their own payment experiences. When the factor is well connected to the market, they gather sufficient information based on all of these aspects to establish good credit management and are therefore not just a valuable service provider for their clients, but can also cooperate with credit insurers.

What is it like to collect in the Caribbean?

Many people have the impression that the average days you have to wait for payment is significantly longer than what we're used to in, for example, Western Europe. Although it varies per island, it is *on average only a few days later.*

COMPARED TO MOST WESTERN COUNTRIES, COLLECTING ON AN INVOICE TAKES MORE EFFORT IN THE CARIBBEAN

Overall businesses have good payment behaviour, especially when they don't have cash flow issues. And just like you would expect, choices must be made when cash is tight: who do I need and what can I delay. So far, nothing new.

Maybe unconsciously it also matters whether you run into that person often, after all many islands are pretty small. This means that a *supplier abroad may have a disadvantage over someone local.*

Next to bank transfers, cheques and cash are also regular payment methods. Many companies have their own courier to pick up the cheques or cash as the postal company is perceived as not reliable and not fast enough. And another thing, when delivering invoices or any other important document, the courier often comes with two copies, one to be signed as proof of receipt and approval.

It is normal to send out monthly statements if there are multiple invoices outstanding, and to have a set date for your courier to pass by to pick up the cheque.

Compared to most Western countries, collecting on an invoice takes more effort in the Caribbean. You spend more time on phone calls, sending statements and passing by to pick up checks or deliver the statements or copy invoices. There's of course a shift towards more digitalisation, like relying on emails and bank transfers, however it's not as common yet as most of us are used to.

About FactorPlus:

FactorPlus was established in 2006 and provides traditional, non-recourse factoring services from Curacao, Aruba, Bonaire, Sint Maarten and the Netherlands to local customers for their local or international invoices, and out of which we also serve export factoring to the Caribbean.

INFLUENCE

A SINGLE GROUP FACILITY

THE WAY FORWARD FOR CROSS-BORDER ASSET BASED FINANCE



TOM GEVERS
ABN AMRO Asset Based Finance

Introduction

A typical Asset Based Finance ("ABF") structure incorporates receivables that are originated by a client in the jurisdiction of the financier. The debtors related to those receivables may be located anywhere in the world and they owe receivables that are governed either by the law of the client or of the debtor. As a result, the receivable portfolio of the client can be governed by multiple laws. These typical ABF structures are tested and proven enforceable.

A typical securitization structure would incorporate multiple client entities that sell receivables by true sale to a special purpose vehicle. The consolidated receivable portfolio will incorporate multiple governing laws and the receivables will not be originated by the vehicle. These securitization structures are tested and proven enforceable.

By combining the principles of ABF and Securitization, *a flexible cross-border structure can be achieved that incorporates the best of both worlds and can be applied to a broader sweet spot of companies*. Furthermore, the structure brings several benefits for clients that a multi bilateral ABF facility cannot accommodate.

Structure Outline

ABN AMRO Asset Based Finance has developed a unique Cross-Border structure that consolidates all receivables of a client's operating companies ("Opcos") throughout Europe, by pooling them into *one client entity by means of a true sale assignment*. This intra-group client entity ("Client SPV") is typically established in the Netherlands (with minimal formalities required) or the United Kingdom, set up for this purpose only, and does not have any other activities so that it can be considered rather bankruptcy remote. *The resulting consolidated asset pool of receivables will be part of a ABF facility in the country of the Client SPV*.

The true sale assignment from the Opcos to the Client SPV makes use of an important regulation related to choice of law in the European Union. This regulation, often referred to "Rome I" is based upon and replaces the Convention on the Law Applicable to Contractual Obligations 1980. The cornerstone of Rome I for receivable finance programs is the principle that the relationship between assignor and assignee under a voluntary assignment of a claim against another person (the debtor) shall be governed by the law that applies to the contract between the assignor and assignee under this Regulation. As a result, the true sale assignment of the receivables can be governed by the (lender friendly) laws of the Netherlands or the United Kingdom, despite some local perfection requirements. These perfection requirements are mostly related to the identification of the receivables assigned, which is stricter in some European countries than in the Netherlands or UK. There are a few European countries that have their own specific interpretation of Rome I, and for those countries, like Germany and Hungary, a true sale assignment under local law is preferable.

Despite the choice of law for the true sale assignment, the law governed by the receivable will continue to be applicable to the relation towards the Debtors. As a result, specific requirements,

like for instance notification of the debtor, continue to be applicable. Taking local requirements for notification into account is however not uncommon within ABF.

Benefits

The biggest advantage of the Singe Group Facility is the fact that the ***client has a single source of funding, available at central level for the treasurer, and under a single finance contract.*** The whole international receivable portfolio can be monitored from a central borrowing base portal, providing insight at total, Opco, debtor or invoice level. This enables the client to benchmark credit management of Opcos throughout the group.

Furthermore, specific ABF covenants, like dilution, can be applied over the total portfolio. As a result, the super-performing Opcos can compensate for lower performing Opcos that would otherwise default under their local arrangement. As such, the facility can be optimized for maximum utilization.

New Opcos can easily join the facility and start assigning their receivables to the Client SPV. This is a big advantage to clients that have a 'buy and build' strategy, as they basically have their finance already arranged prior to the acquisition.

Enforceabilty

One of the results of consolidated asset pooling is the fact that a bankruptcy of an Opco is a rather remote event. This Opco is not a direct borrower under the facility, and the receivables are not owned any more by the bankruptcy estate. The receivables will be recovered by debtor payments and the facility may continue if the other Opcos are still going concerns. Worldwide collection activities at debtors to recover the outstanding amounts of such Opco are common within ABF and have shown a successful track record.

Typically, all Opcos are a guarantor under the total facility. So, any shortfall due to a bankruptcy of an Opco entity might be recovered by applying such guarantee to the remaining Opcos.

About ABN AMRO Asset Based Finance

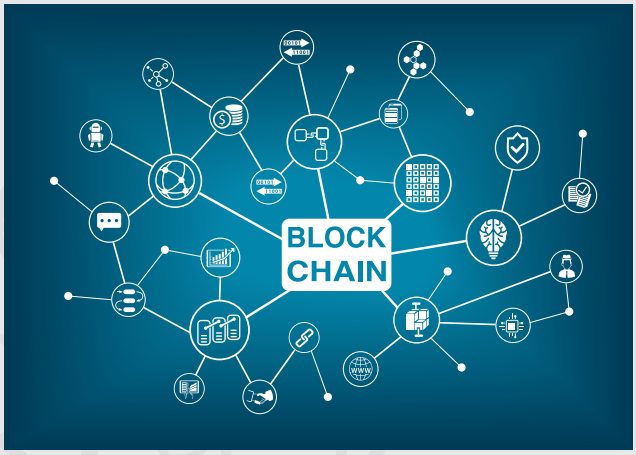
ABN AMRO Asset Based Financing focuses on corporate financing, operational asset leasing, stock and receivables financing and credit management. With activities in the United Kingdom, France, Germany, Belgium and the Netherlands, the entity employs over 750 people. The domestic operations provide SME and Corporate ABF products, whereas the International Clients team offers innovative ABF structured solutions for large corporates, like the Single Group Facility. The team has client hubs in Amsterdam, London and Paris.

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BLOCK CHAIN FOR INTERNATIONAL FACTORING- THE FIRST OF ITS KIND IN CHINA



VIVID LIU
China Construction Bank



At the beginning of 2018, China Construction Bank launched its first international factoring blockchain transaction and became the *first bank in China to apply blockchain technology to international factoring business*. Also for the first time in the industry, CCB sets up a Factoring Blockchain Eco-system (Fablock Eco) which involves direct multiparty participation among customers, factoring commercial banks, etc. This is a major breakthrough for CCB to build a Fintech Bank with "Blockchain + Trade Finance".

Blockchain is a new application mode of computer technologies such as distributed data storage, peer-to-peer transmission, smart contract and encryption algorithm. It has the technical features of being irrevocable and unforgeable.

CCB`s application of FaBlock has creatively involved both parties of the underlying transaction and achieved *automatic identification and assignment of qualified account receivables through smart contract*. With the entire transaction flow to be visualized and traceable, FaBlock effectively solves operational problems such as complicated message transmissions and A/R confirmation procedures, which is of great and positive significance in preventing fraud risk in traditional trade financing and enhancing customer experience.

In recent years, China Construction Bank has always been committed to support the real economy with product and technological innovations, focusing on supporting SMEs, also making great efforts on the OBOR initiative. In 2017, CCB's industry-leading international factoring volume surpassed CNY 200 billion. Its factoring services covers invoice finance, two-factor factoring, direct factoring, project factoring and has established a comprehensive product line. Meanwhile, CCB will continuously promote applications of new technologies in international factoring.

ADVERTISING OPPORTUNITY



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.

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ADVOCACY

FCI ADVOCACY



JOHN BREHCIST
FCI Advocacy Director

First of all, a warm welcome to this new column, in which I hope to share with you in each future Newsletter the work that FCI is doing across the globe to enhance knowledge, awareness and understanding of our industry and its vital role in supporting economies, wealth creation and employment. As part of our Mission to influence the operating environment, FCI promotes and defends the Industry with stakeholders and policy makers worldwide and actively supports the growth of the Industry, working jointly with lawmakers and regulators across the globe.

In this first article, I'd like to share with you an important initiative in which The EU Federation for the Factoring and Commercial Finance Industry (EUF) has undertaken an update of its unique guide to the *Legal and Regulatory environments across Europe* and compares these with some important markets including Turkey, Russia and the USA.

Despite the perception of a single market and a level playing field, this study demonstrates clearly that across the EU28 we do not have a common approach to our Industry; this is important for us as it helps inform our discussions with the regulators and lawmakers in Europe and demonstrates to them the particularities and benefits of our unique form of funding.

For those of our members who have not yet been introduced, the EUF is the representative body for the factoring and commercial finance industry in the EU. Its members comprise industry associations active in the EU and include FCI (which is also the legal owner of the EUF).

It seeks to *engage with governments and legislators to enhance the availability of finance to business*. It acts as a platform for the industry, bringing together national experts to speak with a common voice to key legislative decision makers across Europe,

Our industry has a valuable role to play in EU economic growth and employment; the EUF *works to debate with regulators and legislators, to ensure they are fully aware of the benefits that the Industry has to offer within current financial markets*.

The study has been in place for some years now and continues to develop to accommodate the changing face of laws and regulations in European countries. Back in 2011, the EUF acquired and updated the project which was originally started by the UK's ABFA and IFG.

After a review in 2013, we have again now updated the content, and this latest version has been expanded to create a *unique and comprehensive compendium of the 2017 legal, fiscal and other environments relating to receivables financing in all of the EU member states and in five important non-EU "benchmark" countries.*

It consists of fifteen broad questions touching most of the areas of receivable financing and factoring; the value of the study lies in its bringing together this important information in one place for reference purposes.

All answers to the questions have been given by individual respondents to their best knowledge of the environment of factoring and receivables financing existing in their respective countries at the time of responding. These responses have in turn been reviewed from a high level legal perspective by the international law firm Clifford Chance LLP or their local country correspondents.

The updated version is being publicly launched at the fourth EU Factoring and Commercial Finance Summit which is held this year in Athens, 6-7 March and the report will be available to members from that time.

So what does the report tell us? The most basic and all-encompassing similarity of the reviewed national legal frameworks is also the most obvious: *Receivables financing is offered and practised in all the 28 EU member states as well as in all five benchmark countries*. However, this is just about as far as the unanimity goes - under which name and how exactly receivables financing is predominantly provided differs from country to country: While in Spain, "confirming" is offered as a special and very popular kind of (reverse) factoring, invoice discounting is predominant in Great Britain and factoring without recourse prevails in Germany.

A legal definition of factoring can be found in Bulgaria, Germany and Malta, whereas in Turkey and Croatia, specific laws on factoring exist. In many European countries, there are no specific laws or rules for factoring, but only for the assignment, pledge or transfer of receivables which are often to be found in the national civil codes; this is the case in Belgium, Poland, Finland and France.

Approaches also differ with a view to *procedures and formal requirements*: In the large majority of countries covered, the assignment of receivables is done in writing, either for the purely practical purposes (Austria, Poland, Scotland and Sweden) or because this is more or less strictly required by law (in the Netherlands, Portugal, Romania and Russia).

The notification of debtors is also a requirement in the majority of the countries. Such notification is required in e.g. Belgium, Bulgaria, Croatia, Denmark, Estonia, Finland, Hungary, Poland, Spain and Sweden, although the effect can vary from binding the debtor to the assignment (e.g. Hungary and Poland) to making the assignment valid and binding on third parties (e.g. Finland).

These variations regarding basic traits of factoring and receivables financing show that the legal framework surrounding factoring companies and the financial services they offer is by no means completely uniform or fully harmonised, either within or outside the EU. Nevertheless, certain widespread parallels and similarities can be observed, as well as some significant differences.

To sum up, this updated Legal Study is an *important contribution to the Industry's knowledge base and an important example of how FCI is creating understanding and informing opinion*. In this case, the key focus is the EU, which represents around 60% of the Global Factoring Industry turnover. But FCI's interest and involvement in advocacy is global and in future issues I'll share with you some examples of our wider programme of influence conducted though Regional Chapters and the Secretariat.

RECEIVABLES FINANCING IS OFFERED AND PRACTISED IN ALL THE 28 EU MEMBER STATES AS WELL AS IN ALL FIVE BENCHMARK COUNTRIES

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