Facilitating Open Account – Receivables Finance

Annual Review 2020

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

FCI is building bridges:
- To global business opportunities
- To new markets
- To new partnerships
- To innovative products and services
- To know-how and leading expertise

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Published in 2020 by FCI

Photography
- cover and page 3:
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Design by
Engelse Verdonk Ontwerpers, Almere, The Netherlands

Printing by
MullerVisual, Mijdrecht, The Netherlands

Annual Review 2020

Content

FCI

Facilitating Open Account – Receivables Finance

We are Living in Disruptive Times

The times we are living through are indeed something not witnessed in many years. We face the starkest moment in our 52-year history in FCI. From the start of the Trade War, the brunt of BREXIT, upcoming US Elections, and many other regional geo-political events, these times are not for the weak hearted! But then came the Coronavirus. As the title of this article states, we are living in disruptive times. And ironically, it was to be the theme of the 52nd Annual Meeting that was to be held 21-25 June 2020 in Washington DC, long before the spread of the virus. It is difficult not to mention in this 2020 Annual Review article something about the future and the impact this Covid-19 health crisis will have on our industry.

Patrick de Villepin,
FCI Chairman

Let's first admit we don't really know what's in front of us. This health crisis is different from anything before. Different by its nature, different by its duration and different by its consequences. Since the beginning of April 2020, lots of us see a significant drop in turnover. Tomorrow, when the growth comes back again, the need for cash and risk mitigation services will be greater than any time before. Globally, Open Account trade volumes reached US$ 5 Trillion in 2019, approximately 6% of global GDP. If our Industry wants to continue playing a major role in the future, we need to fulfill three mandatory conditions 1) return back to basics: focus on risk mitigation, best practices, and investment in new technologies 2) deliver new solutions, new innovations for tomorrow and 3) the need to concentrate on targeting SMEs, the engine of economic growth all around the world.

5-Year Strategic Plan

As announced last year in Ho Chi Minh, FCI has developed a 5-year strategic plan through many iterations. Analyzing the current crisis, we concluded that many objectives couldn't be launched or reached until a return to some form of normalcy. Therefore, our plan will be repositioned and submitted during our Annual Meeting to be held 20-24 June 2021 in Washington DC in order to be rolled out. Yet, four main elements of this plan will need to be boosted in the next 12 months:

1. Invest in Education: FCI has a powerful Academy with 10 e-learning courses on every aspect of factoring. Last year, FCI rolled out its first series of webinars. Our visibility has incredibly increased, providing webinars to over one thousand of our members, staff and management.

2. Invest further in Decentralization: More and more, FCI will rely on its regional presence, regional directors helped by EXCOM members' sponsorship. We expect to hire a new Africa Director by next Summer. All this organization is being managed through ambitious objectives and strong KPIs to ensure it meets expectations.

3. Invest in Advocacy: In this field, FCI should be more visible and more present, especially in emerging factoring markets. In that respect, we would like to hire a part-time specialist and continue to invest in lobbying, working closely with our partners: the IFC/World Bank, AfreximBank, European Bank for Reconstruction and Development (EBRD), Asia Development Bank (ADB), IDB Invest for the Americas, the ICC Banking Commission and many other national factoring associations.

4. Invest in Technologies: In the long term, this means transforming FCI into a modern, digital technology hub, embracing all kinds of technologies (AI, Cloud, blockchain, APIs, cybersecurity), creating ecosystems and new platforms, connecting buyers and sellers. As a result, we announced in Ho Chi Minh City last June that we would invest in a new technology platform, that will create a modern look-and-feel, embedded with the most modern and sophisticated software, with multiple new functions, including buyer/seller on-boarding tool, AI (artificial intelligence) capability for dilution control, driven by a powerful community-based app, that would be blockchain ready. The contract has been signed and we expect the roll out of this new system latest by October 2021. The current edifactoring platform will continue to be usable for all members, until such time the new system is ready and a migration can be achieved.

For sure, FCI will remain at your service during the crucial period to come. Together, we need to reinvent our business. More than ever, we need to be proactive and mix a top-down / bottom-up approach. In the next steps, we have to 1) continue boosting the Chain and onboarding new members in emerging countries and 2) promote Factoring for SMEs all over the world. Our Industry is the solution to help them get out of risk.

Global Statistics

With all of these negative head winds, you would think that the Factoring Industry would have collapsed in 2019! However, that is not the case. Traditional cross border factoring volumes have seen a year of upheaval, and it does not seem to abate. The reasons include 1) the slowdown in global trade caused by the rise in protectionism 2) the global trade war between the US and China 3) the impact of sanctions by the West imposed on Russia/CIS countries 4) the severe fluctuation in commodity prices experienced during this period and other open account services that have cannibalized traditional factoring and 5) the geo-political reality, anxiety all of which has had an adverse impact on trade in general and in receivables finance in particular, especially in such larger factoring markets like the UK, Turkey, Russia, South Africa, Argentina, and South Africa, and the greater China region.

As was reported last year, the overall volume in edifactoring two-factor business increased 1.2% in the first half of 2019. But the volume dropped tremendously in the 2H2019, stemming solely from a steep decline in volume out of Turkey and the greater China region (the two largest export factoring markets in FCI). This severely impacted volumes as recorded in edifactoring in 2019, a precipitous decline of -19% compared to 2018. But as the Chinese say, with challenges come opportunities. Based on the reduction in cross border volume as reported in edifactoring, we were anticipating a reduction in domestic factoring volumes as well. But this did not happen. As we know, domestic volume grew 9.3% in the first half of 2019, the fastest pace since the great recession. Europe accounts for two thirds of global volume, and domestic factoring accounts for 80% of total factoring volume, so we were feeling a bit more relieved. Although things softened somewhat in the second half of 2019, the Industry overall did quite well. In fact, the world factoring statistics indicates a continued positive trend in 2019, a growth rate of 5%. That is on top of a 10-year average 9% CAGR since the start of the great recession since 2009! Europe, Africa and the Americas indicate positive trends, in Asia there was a drop of just under 2%, mainly stemming from the impact of the trade war between the US and China. We already know that the positive trend will stop in 2020 as we can already see a drop in volume in the 2nd quarter 2020!

Conclusion

One would think that the Factoring Industry has some significant forces to be able to repel the growing tide of disruption around the world. As you can see, we are living in disruptive times. However, as you will hear in the coming months, FCI will roll out a new 5-year strategic plan to address many of these issues and attempt to steer the association into a brighter future! And for those who are reading this Annual Review for the first time, we hope that this important annual publication will give you an in depth view of the magnitude and importance that our Industry holds today, and the opportunities for you to help spread the seeds of factoring to all corners of the world.

Rainbow Bridge, Qingdao, Shandong, China .

Introduction

Peter Mulroy,
FCI Secretary General

FCI is the global representative body for the Open Account Factoring and Receivables Finance Industry, a global non-profit association based in the Netherlands, with nearly 400 members located in 94 countries. 2019 was a growth year for FCI and the industry. FCI made significant investments for our future, adding new staff, launching our new Supply Chain Finance service FCIreverse, rolling out of our new CRM database, the deployment of the member report cards, and the build out of a decentralized, regional office platform. FCI saw the departure of a senior executive, but the addition of younger, new blood that will help elevate the chain into the foreseeable future. FCI is financially sound as 2019 was another strong year of performance. However, as I write this article, we are in the midst of one of the most challenging economic events in our lifetime stemming from the worldwide Covid-19 epidemic. This paper highlights the major achievements in 2019 but also the challenges and opportunities facing FCI and the industry today in the next years to come.

The Global Factoring Industry

The world factoring statistics for the Factoring and Receivables Finance Industry volume showed solid growth in 2019, indicating positive trends in most regions of the world. The 2019 volume of EUR 2,917 billion represents a growth of over 5% as compared with the previous year's EUR 2,767 billion. This increase in global volume in 2019 follows on the heals of another successful two years in 2017 and 2018, when the industry grew by 6% and 9% respectively, showing three straight strong years of solid growth. So, considering the many challenges with the trade war and geo-political issues, 2019 turned out to be quite a good year overall. More on the global factoring statistics can be found in this Annual Review.

Membership

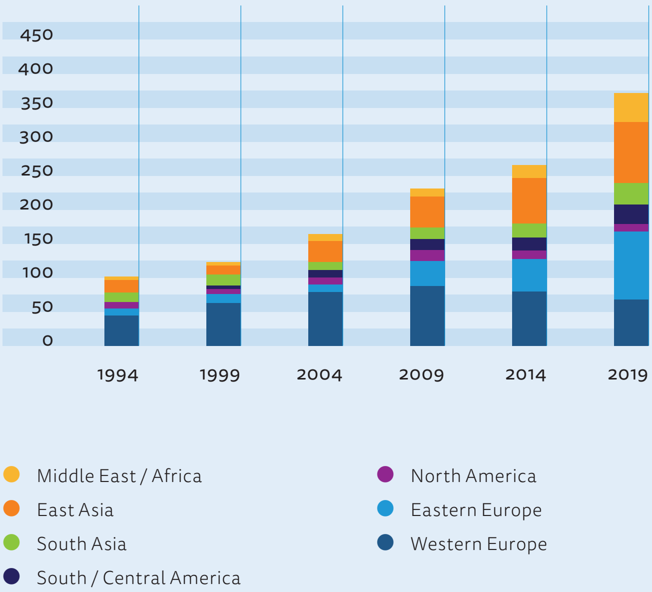
FCI has evolved as an association, having a little more than 100 members 20 years ago, to 392 members at year end 2019. Back then, over 45% of our membership was based in Western Europe. Today, that figure stands at less than 25%. Asia accounted for 3% of membership back then, today nearly 24%.

2019 was a record year for FCI in terms of new member on-boarding with 42 new members. In fact, FCI added between 2016-2019 a total of 129 new memberships. We are seeing most of this growth coming from the emerging countries. As part of our plan, FCI wants to achieve 500 members by 2025. This objective however will be more challenging with the impact of Covid-19 pandemic, which is expected to have an impact on member development globally, and we are already seeing its effect on new membership in 2020.

Technology

FCI also announced recently the launch a new IT project, to develop a state of the art global receivables finance platform, in part based on a decentralized database using Blockchain/ Distributed Ledger Technology (DLT). This system will replace the current EDI based platform that members use today to conduct cross border international factoring using our system and proprietary rules. FCI also announced the hiring of a new Manager, Business & IT Solutions in part to support the launch of the replacement project for Edifactoring.com, our unique trading platform that allows members to conduct cross border factoring solutions for their clients. This is an opportunity to replace the system with a potentially new platform using the newest technologies available. Migrating edifactoring to a blockchain environment is from a technology and cost perspective quite challenging, especially for most of our members. It is possible however to integrate blockchain in smaller incremental steps, using the edifactoring platform as our model, and expanding DLT over time. Having members on DLT would create efficiencies, in terms of speed, authenticity and security in conducting international factoring business between correspondent factors.

FCI Membership



Advocacy

FCI has also invested in capacity building and advocacy in numerous countries. We support the creation of sound policy and good regulatory framework for the healthy development of factoring. But we also want to ensure that the increase in regulations impacting the industry do not have unintended consequences. Unfortunately, most emerging countries do not yet have proper assignment laws and central bank policies in place to instil confidence for the banking and entrepreneurial community, to invest in factoring and receivables finance as an asset class. However, FCI continues to support the development of proper assignment laws, protections of rights of third parties, and the promotion of good governance, compliance, and proper central bank policies that create a sensible regulatory framework to support the healthy growth of our industry.

Factoring Law in Nigeria: In Nigeria, led by our partners/ members, the Afreximbank and the Nigerian Export Import Bank, we organised awareness seminars and meetings with stakeholders to promote and introduce factoring. FCI was invited to attend a congressional hearing on the law. It is now sitting with the Senate Banking Committee and is close to passage. This will be a game changer for Nigeria and the Continent, considering Nigeria is the largest economy in Africa and is expected to become the 4th most populous nation by 2060 per United Nations projections. And with the creation of the African Free Trade Agreement (AFTA) to be launched in July 2020, we anticipate Nigeria will be a leader in factoring in the future.

Central Bank Policy on Factoring in Bangladesh: Also, the Bangladesh Bank has drafted a new policy on international factoring, permitting banks to finance against assignments of export receivables. FCI has made numerous sensitization training sessions to the government. In October 2019, FCI held a conference together with the Bangladesh Bank, where they announced that the policy would soon be launched. In fact, the Central Bank announced on the 24th November the new policy, recognizing the importance of supporting Bangladeshi exporters and their shift to open account trade.

Supply Chain Finance (SCF)/Reverse Factoring: There have been a number of attempts to sully the good reputation of reverse factoring. The negative reporting from the rating agencies and in turn the negative press that followed really has caused a backlash. Moody's released late last year an article entitled "Reverse factoring is increasingly popular but can weaken liquidity at a time of stress". The US accounting board FASB has taken the matter up to review issues like terms extension and financial reporting of SCF programs. Just look at the following headline news from around the world over the past few months:

- US: Securities Exchange Commission (SEC) backs more reverse factoring disclosure
- US: US authorities eye transparency overall for SCF
- Australia: ACCC to investigate "unfair" reverse factoring
- Australia: Telstra's exposure to RF ramped up to almost $600 Million from just $42 Million in 12 months, making it the least large Australian company to embrace hard to detect cashflow weapon
- UK: What's vendor finance? Why do some call it Bullying?
- Spain: The financial product that toppled Abengoa and Carillion, wounded Dia and threatens Aldesa. Moody's warns of the use of confirming as covert debt. Telefonica changes the way of its accounting reporting for reverse factoring to give transparency

Language used for SCF/reverse factoring (RF) is rather aggressive in tone with words used like "bullying", "weapon", "unfair" and many more. We have seen the rise of regulations as reported in our newsletter In-Sight. New regulations/legislation have been launched in the EU like the Director of the European Parliament on Unfair Trading Practices in B2B relationships in the food supply chain, limiting terms to 30 days. The EU has also created the Late Payments Directive that limits all credit terms for public and private companies to 60 days.

National governments in Poland, Netherlands, France, and soon Australia and other countries are not only enacting laws/ regulations but ones with teeth! The market always figures it out, but governments create unnecessary hurdles due to a lack of understanding of the product, and do not appreciate the benefits of the low-cost liquidity such programs generate for SMEs. In response to this, the GSCFF, a joint initiative that includes the ICC, EBA, BAFT, ITFA and FCI issued a paper that was sent to the public, and also to our membership this past week, discussing its benefits. You can find the paper on the FCI website. We hope these efforts will help counter some of the negative publicity generated over the past six months.

Other Advocacy Projects: Recently, the US Senate approved the Convention on the Assignment of Receivables, a document that was to a great extent developed by the late Freddy Salinger, a past member of the FCI Legal Committee together with Spiros Bazinas, retired leader from UNCTITRAL. The convention will soon become a proper treaty and globally recognized as the standard for assignment language and rights of ownership in receivables, once it has been ratified by five countries and becomes a formal treaty. FCI sent a letter in support for the creation of a new Factoring Model Law, to be launched and spearheaded by the UNIDROIT in Rome. We recognize that much more work needs to be done as 90% of all global trade is estimated to be conducted on open account terms.

Projects & New Partnerships

FCIreverse: FCI also made investments into building a new global reverse factoring platform, what we call FCIreverse. This will not only allow members to access an operating platform to on-board both anchor buyers and their domestic and foreign suppliers, but it will also allow the use of export factors around the world to support this effort, by educating the supplier on the many benefits reverse factoring offers, including education of the supplier, signing a local factoring contract under local jurisdiction, providing Know Your Customer (KYC)/Anti-Money Laundering (AML) guidance, and potentially even funding the assigned receivables, if requested, by the anchor buyer's financial institution. The platform went live on the 1st January 2019.

FCI Factoring Funds: FCI also witnessed a rise of factoring funds, as more and more companies engaged in providing debt capital to the factoring industry are considering joining FCI. We have on-boarded three such companies in the past year and more to follow. These funds raise capital from investors (hedge funds, sovereign wealth funds, pension funds, and others) and the funds are distributed to finance companies/factors engaged in factoring, ABL, reverse factoring, and receivables securitizations, etc.... Improved funding rates, preferred accounting, risk mitigation, cross-border flexibility, and funding diversification is a major motivating factor for the increase in these types of funds. FCI is also engaged in an initiative led by the ICC Banking Commission on the topic "Trade and Receivables Finance as an Investible Asset Class". We will see where this goes, but so far, the track record in terms of performance/returns and supporting a factor's liquidity needs have tremendous upside potential.

Credit Insurers: The majority of our members use credit insurance to mitigate their commercial and political risk against the client's customer/debtor. We estimate that over half of the factoring volume estimated at close to EUR 3 Trillion is backed by some form of credit insurance. Credit insurance and factoring have a symbiotic relationship, as they rely on one another to provide capital solutions for SMEs. As a result, FCI launched a joint factoring/credit insurance working group that includes senior executives from the big three credit insurance companies, along with the associations Berne Union and ICISA. We organized our fifth meeting this past January to discuss how to increase coverage in the emerging markets. Most credit insurance activity is conducted via the public sector via multilateral institutions and Export Credit Agencies (ECAs). There is clear recognition that more needs to be done to combat the inability to underwrite the client's customers, especially in emerging markets due to: 1) Lack of buyer/debtor information 2) Political instability 3) Transparency and quality of data. Our recent meeting focused on the needs in Africa, and together with the African Export-Import Bank, an agreement was reached to build a new pan-African repository of payment data focused on SMEs. This will allow the industry to grow in markets where credible trade and payment data is sorely lacking.

Fintechs: Every day we see the creation of new Fintech companies and the launch of new projects, together witnessing an increased level of cooperation between financial institutions. The evolution and importance of services like credit insurance, payables finance, reverse factoring and other Supply Chain Finance (SCF) programs, including traditional factoring has resulted in a dynamic shift in usage, and we only anticipate this to increase in this post-Covid era. Opportunities for the industry include the rise of technologies to enable the accumulation of data from ERP systems direct to factoring platforms, the use

Francis Scott Key Bridge, Washington D.C., USA.

of artificial intelligence to determine fraud and dilution risk, and the rise in e-invoicing will also have an important impact on the evolution of our industry. In fact, digitization will bring many new players into the industry, and result in a much larger playing field globally.

Islamic Factoring: FCI developed, together with members located in the Middle East and our new partner, the Islamic Trade Finance Corporation (ITFC) a new set of rules governing Islamic Factoring. In June 2019, FCI signed a Memorandum of Understanding (MOU) with ITFC to create the new Islamic Factoring Chapter. This caps a three year effort to 1) develop new rules on Islamic Factoring 2) on-board Islamic Banks and NBFIs and 3) create a new Islamic Factoring Chapter. We anticipate that this will help spur membership in FCI and in turn lead to significant growth in Islamic factoring around the world. We are excited about this initiative and anticipate seeing many new Islamic banks and non bank financial institutions to join FCI and the new Chapter and to develop Islamic factoring around the world.

Other new projects: FCI also invested in a new CRM system, which will allow members to obtain reports on their performance and improve service quality. FCI also launched the new e-learning course on Introduction to Factoring and Receivables Finance, which was rolled out in 1H2020. And stemming from the Covid-19 crisis, FCI in the 2nd quarter 2020 launched a series of free webinars on a range of topics important to our industry that was attended by over 2,000 managers and executives representing members from 87 countries.

Conclusion

After a very successful 2019, FCI entered 2020 with great hope and optimism. However, the Covid-19 crisis has certainly adversely impacted the factoring industry, as well as FCI, with reduced memberships in comparison to budget. However, this is offset by reduced travel and committee costs. The FCI Annual Meeting has also been postponed and moved to next year, which will not take place 20-24 June 2021. FCI is in the process of preparing a new 5-year strategic plan that will be rolled out during next year's annual meeting, however a 2020-2021 interim strategic plan has been developed and will be highlighted during the upcoming virtual membership forum and council meeting, scheduled for 23 September 2020. As a result, FCI will pair down its expectations for 2020, as a result of the extremely challenging macro-economic environment. However, we cannot lose sight of our accomplishments. In the past five years, FCI absorbed the biggest merger in its history, survived a challenging geo political and economic environment, developed the new Supply Chain Finance service called FCIreverse, signed the MOU with the Islamic Trade Finance Corporation due create the first Islamic Factoring Chapter, further decentralized and expanded our regional footprint with new consultants in Africa, CEE/SEE, Middle East, and South/SE Asia, finalized the largest arbitration cases in FCI's history, and celebrated 50 years, our golden anniversary. And in 2020 FCI will launch the next evolution of our platform, a blockchain-ready trading system, what we refer to as Edifactoring 2.0. FCI enters this 52nd year with cautious optimism about our future, and considering these extremely challenging times, FCI is well positioned to weather the storm and to pass on our legacy of success to the next generation!

FCI Vision Statement & Mission Statement

FCI Vision Statement

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

FCI Mission Statement

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

FCI is the Global Voice for Open Account Receivables Finance:

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

Bhumibol Bridge on Chao Phraya River, Bangkok, Thailand

Roundtable | Building a Bright Future in Disruptive Times

The impact of the pandemic has been epochal. The disruption of supply chains and evaporation of demand caused by global lockdowns has fundamentally affected cashflow cycles, liquidity and counterparty risk. This would have been harmful enough without the added overhang of trade wars, protectionism, and other threats to globalization.

How then are factoring companies globally dealing with today's crisis and tomorrow's prospects? Will Covid-19 accelerate digitization of trade documents and processes? Is remote- working workable for international factors? Is diversification of global sourcing an opportunity to develop new factoring business in emerging markets? To answer these questions, Tony Brown (TB), President of The Trade Advisory, based in New York, has been talking to:

- **Liu Yunfei** (LYF)
  DGM, Global Transaction Banking, Bank of China, China
- **Michelle Knowles** (MK)
  Head of Trade Finance Product, ABSA, South Africa
- **Luis Carrera Sarmiento** (LCS)
  Tribe Leader, Wholesale Products & Services, Banco de Credito BCP, Peru
- **Stuart Brister** (SB)
  Head of Global Receivables & Trade Finance, Wells Fargo Commercial Capital, USA
- **Miranda Stokkingreef** (MS)
  CEO, ABN AMRO Asset Based Finance, Netherlands

TB: Will Covid-19 change how you conduct trade and international factoring?

LYF: Yes, for sure. More activities have been moved online with fewer paper documents required. Almost every step of the factoring could be done online: uploading of and discounting of digitized invoices, buyer acceptance of delivered goods, and disbursement of funds.

We've also accelerated technology to monitor the physical supply chain logistics pertaining to factored transactions but that only works if goods are moving – and the recent lockdown resulted in a complete freeze of all movement of goods.

Another big issue is whether, as a result of supply chain disruption, overseas importers will diversify their sourcing away from China. We're already seeing Chinese exporters collapsing. It might be still too early to tell how we could adjust but it's sure that change is coming.

MK: First, trade remains a paper-intensive business across financial and physical supply chains. The impact of Covid-19 now requires a rapid acceptance by regulators and banks of digital authentication and delivery of documents.

Second, in our markets we are seeing various impacts: delays in receipt or loss of trade documents, or non-delivery of documents due to lockdown and reduction of courier services. Because people are working remotely, we have to accept electronic signatures for lack of printers and scanners.

LCS: The imperative to rapidly embrace digital transformation will accelerate and must be accomplished in the next year.

SB: Recent events have taught us the need to have optionality, diversification, liquidity, and "out of the box" thinking. Traditional products aren't obsolete, to the contrary they just need to adapt. We are spending more on digitization and on items from operational efficiency (e.g. digital signatures, electronic presentation of documents, OCR and AI), to risk mitigation tools to improve market liquidity. My assessment is that Trade and Factoring products will be sought after in a volatile market and the value proposition highlighted.

MS: Covid-19 social distancing and ongoing testing will drive clients and factors into working remotely. This will boost video conferencing, conference calling and other digital communications. Other technologies like blockchain will become more common while local strategic production will impact globalization and undermine trade and international factoring opportunities. We see uptake of financing under e-procurement platforms.

TB: What affect will the recent crisis have on International Factoring as a risk mitigation tool?

LYF: Compared to other risk mitigation tools like LCs, import factor PUGs are predicated on the absence/settlement of commercial disputes. The pandemic triggered disputes between traders as to order cancellation, late/non-delivery of goods, etc. Buyers refused payment for goods they alleged (often wrongly) that the exporter failed to ship. In short, when the recent crisis caused extreme scenarios, the risk mitigation function of factoring seemed to fall short of expectations.

We do see more exporters resorting to export credit insurance and the Chinese government has launched policies to help exporters by providing subsidies and enhanced funding of Sinosure, the state-owned export insurance company.

MK: We see an increasing demand for products such as loans against Receivables in our market where Receivables finance is not yet available. Factoring and other Receivables Finance solutions allow access to working capital finance through the purchase of debtors, releasing money tied up in their sales ledger to fund business growth and overhead without the need for the more traditional forms of collateral required by banks.

LCS: During this crisis, International Factoring will be perfect since exporters desperately seek non-recourse post-shipment financing outside of their banks´ export credit lines (to preserve these for any liquidity emergency). Export Factors will seek higher Import Factor debtor limits but there is a real risk that credit risk appetite on importers could be restricted by import factors and credit insurers, thus reducing the attractiveness of International Factoring.

SB: As risk and assets get repriced, the risk mitigation of factoring will intuitively appeal to more market participants who might not have normally sought out the product due to margin compression or perception of counter-party risk. Education and market investment will be key as the knowledge set is limited. Additionally, it will take time for supply chains to reset and demand to return.

MS: As an import factor our risk appetite will be very limited but as an export factor it may be used as a risk mitigation tool. However, the value of the risk mitigation benefit could be undermined if import factors face stress in maintaining/increasing buyer credit limits. Furthermore, the risk appetite of credit insurers will play an important role in the ability of the import factor to provide sufficient cover.

TB: Is the convergence of Trade, Finance and Logistics a threat for traditional lenders?

LYF: Yes, it's been quite obvious for several years that such convergence constitutes a powerful competitor to factors. "Core Enterprises" in supply chains place orders to thousands of upstream suppliers, whereas factors stand at the periphery. So such Core Enterprises "know their customer" and "know their business" better than factors when deciding whether or not to provide financing to their suppliers. Because of their intensive involvement in the underlying transaction, they require fewer



From left to right:
Liu Yunfei
Michelle Knowles
Luis Carrera Sarmiento

documents than factors when extending financing. Banks on the other hand still have the competitive edge in low funding cost. Nevertheless, banks are paving the new way of cooperating with these emerging peers.

MK: I do not think this convergence is a threat but rather an opportunity to achieve end-to-end digitization, thereby allowing traditional lenders to offer more innovative solutions. This relies on regulatory support to facilitate standardization. Trade is global so the significant number of documents and players (banks, customs authorities, shippers, and insurers, among others) involved in trade finance transactions makes it difficult for the industry to digitalize quickly. Covid-19 will accelerate the removal of legal barriers to digital trade.

LCS: SCF initiatives leveraging blockchain IT and run by group of banks, insurance companies, customs, etc., such as R3, Marco Polo, IBM, We Trade, etc. will accelerate convergence, disrupt conventional trade financers, and provide a more efficient SCF ecosystem.

SB: I think you will see continued cooperation and technologies to bridge these groups, but the all-in-one solution is years away. Banks will focus on digitization and financial efficiencies, and will wait for global standards to develop in logistics and streamlined supply chains.

MS: Convergence of trade, finance and logistics will make the supply chain more efficient and will provide integrated solutions – even for SMEs. However, self-registration for buyers, suppliers and transporters may create KYC issues for banks as regulatory gatekeepers. The challenge will be for international factoring to participate in this convergence, or lose out.

TB: Where are new growth markets for International Factoring?

LYF: For decades, factoring has focused manufactured goods rather than services, which are capturing a larger share of international trade. So, there is huge potential in service trade, even though technical issues have to be overcome – e.g. verification of service delivery and corresponding accounts receivable.

For us, attractive opportunities exist in markets like Vietnam, Philippines and Mexico –since many Chinese manufacturers have already moved their production to other countries to deal with never-ending tariff wars. Recognizing this trend, we have already built up our own business capacity abroad (including IT applications) – relying BOC expatriates with domestic factoring know-how to explore their local markets and develop new business.

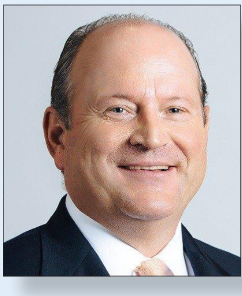
MK: Small and medium enterprises (SMEs) are critical for the economic and social development of emerging markets. They create the majority of employment opportunities but often lack access to adequate finance. Covid-19 will no doubt exacerbate this.

The African Export-Import Bank (Afreximbank) has made the case for factoring to address the challenges in SMEs' access to finance. Work is underway to overcome regulatory hurdles, create centralized KYC/AML databases, etc. Africa accounts for a mere 1% of international factoring and thus is an important growth market.

LCS: We have to observe the new post-crisis environment to identify new opportunities, industries/markets to grow. My crystal ball says that bank export factors should start negotiating domestically with credit insurers to increase export clients' pre and post-shipment credit limits.

SB: As procurement shifts from China for geographical diversification and low costs, we see factoring opportunities in Southeast Asia. Challenges remain educating regional Financial Institutions and SMEs on product knowledge, operational implementation, market segmentation, and pricing/selling the value proposition. The other issue remains funded solutions with Banks in a limited liquidity market.

MS: New markets could be found in healthcare industry like equipment, face masks etc. Lenders will be focused on financial restructuring and recovery – especially if Covid-19 progresses to secondary waves and governments spend less on subsidizing the economy. The creditworthiness of debtors will be a challenge for factoring and will drive the risk appetite for new business and markets.



From left to right:
Stuart Brister
Miranda Stokkingreef
Tony Brown

TB: What is the most disruptive challenge your institution faces in the next 12 months?

LYF: With the overall Covid-19 situation under control in China, many expect the economy will pick up quickly. Unfortunately, the virus is now spreading internationally and it seems that the global economy is hibernating. I am worried that the combination of reduced export orders and weak domestic demand will prolong the recession and even cause an economic slump. Notwithstanding government policy efforts to stimulate SMEs lending, with the gloomy global outlook, we are concerned not only for our profitability but also for higher NPLs.

MK: The impact of Covid-19 on the economy, our business and our staff and clients. Our immediate focus is to ensure the stability of our trade operations and to manage the challenges caused by disrupted supply chains and teams working remotely. We are also seeing requests for extensions of maturity dates on certain product lines and are actively monitoring increased claims under guarantees. We see opportunities to support critical sectors such as PPE, pharmaceuticals etc.

LCS: The new normal once the current crisis is over will be extremely digital, and this situation has increased the need for that transformation – in months, not years! The cultural change for financial institutions will be formidable.

SB: The pandemic taught us that things can change instantaneously. This only proves that capital is precious, balance sheets matter and technology investment is vital. The adaptability of our customer-centric service is paramount. Risk will be repriced and in the long run will equilibrate demand and supply. As capital gets distributed more efficiently the balance between growth and risk will be measured more closely. "Outside the box" thinkers who solve customer needs through great customer experience will be the winners.

MS: These are unprecedented times. It will be a challenge to continue to support our complete client base if the pandemic continues for a long period of time. Payment holidays and special measures will support clients on the short run, however invoices expire and then do no longer count as eligible collateral, reducing the availability of financing. We rely heavily on our credit insurer partners to help us navigate the best way forward on a case by case basis. Still we remain committed in our mission to support as many of our clients as we can.

TB: Thanks to everyone for their insights.
My five takeaways:
(1) The pandemic will accelerate digitization of trade processes (with implications for factoring);
(2) Remote- working is here to stay;
(3) Debtor risk will be repriced as credit insurers get cold feet;
(4) Procurement diversification will increase non-China sourcing, boosting factoring in emerging markets;
(5) Supply Chain transparency will be imperative, leading to greater convergence between traders, shippers and lenders.
There will be great opportunities for factoring but the road will be bumpy. Hold on!

Bay Bridge, San Francisco, California, USA.

Regional Updates | 2019 Figures Main Takeaway

Africa

Factoring volumes continued to grow in Africa in 2019. It increased from EUR 22 billion in 2018 to over EUR 24 billion in 2019 representing 10% growth. The growth rate reflects the sustained increase in factoring volumes on the African continent which stood at about EUR 18 billion in 2015. Countries that led this growth included Egypt, South Africa and Tunisia with 13.9%, 12.3% and 7% growth, respectively. The same five countries have dominated Africa's factoring landscape as shown on page 27. Notably, however, several small-sized factoring companies are emerging particularly in Botswana, Senegal, Cameroon, Nigeria, Kenya and Zimbabwe. The African Export-Import Bank ("Afreximbank" or "the Bank"), together with partners such as FCI continue to play a significant role in supporting intervention mechanisms that are creating opportunities for SMEs to fully benefit from factoring. **Kanayo Awani**

Americas

Americas showed a global growth of 3.5%, or in absolute terms it is EUR 7,4 billion. If we subdivide the Region between the US and Canada, for instance, the North Americas Sub-region and the Latin American & Caribbean (LA&C) Sub-region, the former showed a negative growth of -3.7%, where Canada grew 30.9% and the US had a fall of -4.6%. These figures are due to the fact that the reported US volume is 28 times greater than that of Canada, making it difficult to balance a drop in US volumes. Additionally, the LA&C Sub-region reflects a growth of 8.9%, where Argentina shows the highest growth of 34.9%, although its volumes are lower when compared with Chile, which grew 26.8% and Peru with 15.7%, while Brazil with the highest volume in the Sub-region, experienced a drop of - 1.2%. Comparing the reported volumes for each of the two Sub-regions, LA&C is one and a half times larger. **Alberto Wyderka**

North East Asia

The North East Asia region, representing 23% of global volume with EUR 683 billion indicates a drop of just under 2% from 2018's EUR 695 billion. China's volume declined by 2% followed by Hong Kong's -10% mainly due to the Trade War and the challenging political environment in Hong Kong. Taiwan increased by 3%. Japan, along with Korea, remain on a par level with the previous year. **Lin Hui**

South and South East Asia

It is undeniable that members in APAC countries were in general affected by this trade war as China required a lower volume of raw materials and thus imported less. For Oceania, Australia was basically flat in 2019 but New Zealand reported, for the first time, EUR 35 million volume. In ASEAN, many members in this region observed marginal fluctuations in overall volume except for Singapore where FCI has its majority of SSEA memberships. While APAC in general dropped 1.1% in volume, Singapore was heavily impacted and saw a negative growth of 10%.

For South Asian countries like India and Sri Lanka, the former increased 12.3% and the latter reported EUR 200 million compared to none in 2018. Despite the fact that overall factoring figures were slightly down in 2019, risks evolved from international trade increased and the need for factoring grows steadily. **Thompson Lui**

CEE, SEE and the Middle East

The CEE region represents 10% of the total FCI membership. We can see a consistent growth trend over the years on the total factoring turnover of the CEE region. Poland, being the largest market in the region, is maintaining its steady growth over the last five years with a growth rate of 17% in 2019. Whereas, we can see that Russia, being the second biggest market in the region, has grown 2.9% percent. Hungary recorded a growth of 23.7%, while Estonia of 8.3% and the Czech Republic of 6.8%.

The SEE region represents 10% of the total FCI membership. Turkey is the leading country in terms of both the share in the FCI turnover and the number of FCI members. However, due to economic shrinkage, the country has been experiencing slowdown over the last years, with 18.7% drop to 22 billion in 2019. Therefore, in local currency the reported figure is -10%. The second biggest market in the region, Romania, has recorded a 3% shrinkage. While on the contrary, we see a 10% growth in Bulgaria, 42% in Slovenia and 35% in Serbia.

The Middle East represents 0.3% of the FCI turnover and 3% of the FCI membership. The Middle East also grew by 12%, to reach a figure close to 10 billion mainly thanks to United Arab Emirates, which experienced a 17% growth and Israel's rebound (+2.6% increase). We are expecting this growth rate to affect the total turnover positively in the coming years. **Betül Kurtulus**

European Union

Data collated by the EUF shows that in 2019, factoring and commercial finance volumes in the EU grew overall by 7.9% to reach EUR 1.91 trillion. As before, 80% of this represented domestic business and the balance international. This rate of growth, which equaled that seen in 2018, again clearly outpaces the increase in GDP in Europe. Funding of EUR 275 billion is supporting around 280,000 European clients, helping them to deliver growth, employment and business success. With factoring and commercial finance now representing around 11.3% of EU GDP, this is an increasingly powerful and vital contribution to economic development in Europe.

The high level of concentration shown by the EU factoring market remains unchanged, with the top five countries in 2019 representing 73.6 % of the total EU market: France (18.3%), United Kingdom (17.3%), Germany (14.5%), Italy (13.8%), and Spain (9.7%). **Françoise Palle-Guillabert**

Regional Updates | Legal, Regulatory & Advocacy

Africa

Afreximbank working with FCI continued to support legal and regulatory reforms to enable factoring throughout 2019. There were several developments as well as engagements with regulators and law makers in different African countries:

- OHADA: Participation in the semi-annual meeting of OHADA Council of Ministers to continue discussions on the proposed OHADA Uniform Act on Factoring that is expected to be implemented in 17 OHADA Member States.
- Botswana: Engagements with Regulators in Botswana who expressed interest in adopting a targeted regulatory framework for factoring and for which a Sensitization Forum is being planned.
- Nigeria: Afreximbank, FCI and members of the Nigerian Factoring Working Group continued with advocacy efforts and engagements with Senators and Members of the House of Representatives of the Nigerian Parliament on the introduction and enactment of the Factoring Bill.
- Egypt: Executive Decrees by the Financial Regulatory Authority to implement the Financial Leasing and Factoring Law No 176 of 2018 were issued. The Bank also reviewed the (i) Financial Leasing Guarantee Agreement and (ii) Factoring Insurance Agreement issued by Export Credit Guarantee Company of Egypt (ECGE).

Kanayo Awani

Americas

The presence of adequate factoring legislation, especially in LA&C, is not uniform in all countries.

On the one hand, among the countries with consistent legislation we could mention: Chile (although the law was recently complicated by establishing 30 days as the maximum term of sales), Colombia and Peru (they took the Chilean legislation as a model), Guatemala and Mexico (specific legislation). Santo Domingo is on that same road.

On the other hand, there are countries like Argentina and Brazil with different laws for financing sales in open accounts. Argentina with the "Deferred Payment Check" (recently passed the "e-check" law) and Brazil with the "Duplicata".

In 2019, no significant legislative or regulatory developments occurred that facilitate the offer of financing for open account sales. **Alberto Wyderka**

North East Asia

There were two regulatory documents released in 2019 which could be regarded as milestones to our industry in the region.

1. The China Banking and Insurance Regulatory Commission (CBIRC) issued a "Notice of Strengthening Regulation and Administration of Commercial Factoring Companies", requiring local financial regulatory bureaus to take measures to clear out unqualified factoring companies and to maintain strict control on new registrations.
2. In Taiwan, the Financial Supervision Commission released a circular announcing its punishments to the banks involved in receivable finance fraud cases, and requiring the banks to strengthen credit risk and operation control measures on factoring and receivable finance business. FCI maintains continued communications with regulators in the region to facilitate a sustainable and stable regulatory environment for the healthy growth of our industry. **Lin Hui**

South and South East Asia

In SEA markets, Vietnam is considered one of the earlier exporting nations to acknowledge the importance of helping exporters and therefore embracing international factoring at a rather early stage. Despite this early adaption, law perfection is still ongoing. For instance, under Law No. 47/2010 on Credit institutions, addition of without recourse definitions shall further bolster transparency amongst service providers and users. While in South Asia, Bangladesh, The Bangladesh Bank had swiftly filled a gap related to assigning rights, namely circular no. 43 dated November 2019. These might not be the quantum leaps for global trade, but are essential steps for international factoring to thrive. **Thompson Lui**

CEE, SEE and the Middle East

Besides global political uncertainty, the effects of the trade war and possible impacts of the Brexit will contribute to the economic slowdown in all of the countries in the region. In most countries, the decline is concentrated on exports, but domestic demand held up well, as we see in the Czech Republic and Hungary. One of the major economies in the CEE region; the Greek market, has been taxed with an amount that affected the whole sector in 2019. However, for this year, the tax will be exempted. In 2019, Greece had a growth of 2.8%.

Betül Kurtulus

European Union

In 2019, the European Factoring and Commercial Finance industry had many developments to track: an upcoming report on supply chain finance from the European Commission, the law applicable to the third-party effects on assignments of claims, the implementation of Basel III, an assessment of the late payment directive...

From a political perspective, the European elections were an opportunity to raise awareness about factoring and to promote its benefits for the economy. To this end, the EUF White Paper had been updated. It demonstrates that the European Factoring and Commercial Finance is a real success story, providing flexible funding with very low levels of loss given default. This form of finance should be associated with a lower risk weighting and a lower cost of capital.

With the prospect of Brexit, we modified the EUF Rules of Membership. A new status of Partner was introduced into the Rules of Membership. It opens the doors of the Federation to European countries which are not EU members at a reduced partnership fee. Accordingly, in March 2020, UK Finance joined the Federation as Partner. **Françoise Palle-Guillabert**

Regional Updates | Promotion and Awareness

Africa

Afreximbank, in collaboration with FCI and other partners, held a series of factoring promotion and awareness campaigns in 2019. These included:

- Gaborone, Botswana, March 2019: The workshop "Domestic and International Factoring: Alternative tools for SME financing in Africa" brought together more than 180 participants from Africa.
- Cairo, Egypt, September 2019: Afreximbank helped organize a Conference themed "International Factoring to Enhance Intra-African Trade" hosted in Cairo, Egypt in association with the Egyptian Factoring Association (EFA), FCI, and the *Gesellschaft für Internationale Zusammenarbeit* (GIZ). The Conference brought together 117 attendees mostly from Egypt and the North Africa region.
- Durban, South Africa, November 2019: The theme of the workshop was: "Promoting Factoring in Support of Intra-African Trade and the African Continental Free Trade Area" and it was attended by around 125 participants from across the continent.

Kanayo Awani

Americas

2019 was a very active year. The strategy was to contact and strengthen bonds with members and prospects, as well as ensuring the presence of FCI in the different forums, assemblies, events organized by other organizations involved in the Account Receivables financing industry, Factoring Associations, Regulators and other events related to the industry.

I have visited 20 countries and 104 entities, of which 53 are current members and 51 prospects.

We were present at the FELABAN Assembly in Hollywood, Florida together with our Secretary General, Mr. Peter Mulroy and Mr. Çagatay Baydar. I attended the SFNet Meeting in NY with Mr. Peter Mulroy; and the IFA Conference in San Diego with Mr. Çagatay Baydar. In addition, some other meetings were held with four Factoring Associations from Latin American countries and presentations were made in several Chambers of Exporters and Importers of Latin American countries. **Alberto Wyderka**

North East Asia

We held a sales, marketing and promotion seminar in Guangzhou, China in November. Eighty delegates and observers joined this event which offered the attendees not only practical knowledge on selling factoring, but also served as a great occasion for networking among FCI members. Person to person contacts is one of the key elements to the success of FCI two-factor business. We received many positive feedbacks from the delegates and strongly suggest that the management of our members to support their staffs to join FCI events more actively in the future. **Lin Hui**

South and South East Asia

FCI collaborated with other parties to promote factoring in SSEA in 2019. We organised a Workshop on Factoring in Dhaka, Bangladesh with BIBM and supported by Bangladesh Central Bank in September and another Workshop on Factoring and Supply Chain Finance in Phnom Penh, Cambodia with IFC in October. The FCI Annual Meeting took place in June in Ho Chi Minh City, Vietnam. The SSEA Regional Director was invited as a speaker to other organisations' events such as ICC Academy, HPD Lendscape, SCF Forum Asia 2019 and Financial Infrastructure Development Network Forum. In addition, FCI supported the Japanese members to promote export factoring in Japan, for the third time in three years. Today, there is no better time to raise awareness towards how we deal with various risks. FCI is progressing with an online effort to support the raising of awareness about our Industry in the region.

Thompson Lui

CEE, SEE and the Middle East

In 2019, we organized various promotional, educational & sales events, as well as workshops with many of our business partners, promoting international factoring, reverse factoring and Islamic international factoring.

FCI participated in GTR meetings in MENA, Istanbul, and Moscow. During these meetings, we had the opportunity to discuss our services with FCI members as well as potential members and clients. We organized a workshop on the subject of "Factoring as an alternative tool for financing SMEs" jointly with the EBRD and the Association of Banks in Jordan. We also attended the Kafalah SME Financing Conference to promote awareness of factoring in Saudi Arabia, in cooperation with the World Bank Group. Furthermore, together with Factortrust and USAID, we organized in North Macedonia the 2019 Regional Conference on "Factoring as an alternative tool for financing SMEs". We also held our yearly SEE & CEE conference in Belgrade in cooperation with the Serbian Factoring Association.

Betül Kurtulus

European Union

Thanks to the impressive results of 2019, the European Factoring and Commercial Finance market represents two thirds of the world total.

It is very rewarding to see our efforts deliver such important benefits for European business. We also work to reinforce these key messages with our regulators and lawmakers and to improve the way that we provide our services for the benefit of all.

In March 2019, the EUF and FCI organised a EU Factoring and Commercial Finance Summit in Lisbon. The 112 participants who joined the Conference were updated on the latest developments in the region and also took advantage of the opportunity to network with their peers.

Françoise Palle-Guillabert

Regional Updates | Membership Mobilisation

Africa

Seven new members joined FCI in 2019. These were, Bayt El Khebra for Factoring (Techno Factoring) Egypt, SBM Factors Ltd. Mauritius, Banque Nationale Pour Le Development Economique Senegal (BNDE), Financial Access Commerce and Trade Services Uganda Limited (FACTS), Financial Access Commerce and Trade Services Kenya Limited (FACTS), Woodhall Capital International Limited, Nigeria, and Al Tameer Leasing Finance-Factoring Co. (Al Oula), Egypt. So far in 2020, one new Factor has joined FCI (Mamlaka Capital Partners, Kenya) and there are currently prospects from East and West Africa in the pipeline. **Kanayo Awani**

Americas

At the end of 2019 we had 40 members in the Region, 10 of them in the US and Canada and 30 in the rest of LA&C.
Although we suffered unfortunately the loss of a couple of members in the US and another in LA&C, 6 new members have luckily joined our region. One of those is Banco LAFISE, in Nicaragua, with a wide presence in most Central American countries and in Colombia.
While we need to grow in membership, growth in the US and Canada must be emphasized and our growth in LA&C must be balanced. Almost 50% of our members are in two countries: Chile and Peru.
It will be key to increase our members in Brazil, Mexico, Colombia and Argentina and consolidate our presence in the rest of the countries. **Alberto Wyderka**

North East Asia

We have 86 members in the North East Asia Region, representing 22% of the total FCI membership. Five new members joined FCI during the past year. The North East Asia region has a high concentration of banking members. In the Greater China area, our banking members cover at least 90% of the business accounts as well as their domestic or international trade and payment settlement. We have no shortage of ingredients, but just need the correct cooking method. During the past decade, a "lending" mentality prevails amongst the banks for provision of receivable finance facility or services in the region. This is obviously an incorrect approach which causes destructive competitions and leads to the occurrence of some fraudulent cases. It must be upgraded into a real "trade finance" model based on coordination by two-factors with KYCs on both sides. We have members realizing the difference and taking measures to transform. **Lin Hui**

South and South East Asia

SSEA represent 10% of the total FCI membership. FCI SSEA region had 5 terminations in 2019 compared to only 1 in 2018. SSEA will need to grow memberships in order to expand.
In 2019, the membership in SSEA increased with three new members in Bangladesh, one in Indonesia, two in Singapore and one in Indonesia. Members, banks and trade finance service providers all have endured the trade war and pandemic related disruptions; unfortunately, the impacts may go beyond what retailers are suffering now and radiate like ripples and affect factors, banks and credit insurance providers. **Thompson Lui**

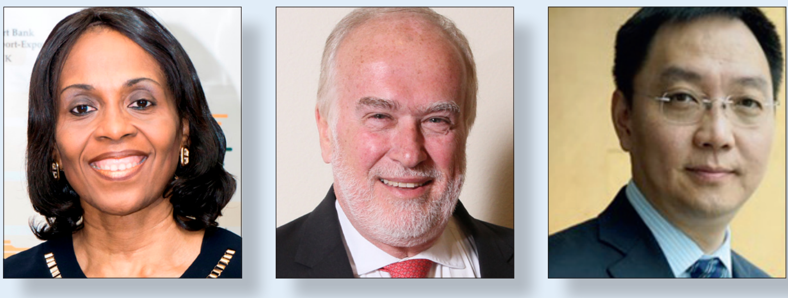
CEE, SEE and the Middle East

The foregoing developments translated into 13 new members: 2 in CEE (Hungary and Greece), 8 in SEE (Slovenia, Turkey, North Macedonia, Moldova), 3 in the Middle East (United Arab Emirates and Saudi Arabia), which joined FCI during 2019.
We expect to see an increase in the turnover of FCI's product "Islamic International Factoring," especially in Turkey and in the Middle East. **Betül Kurtulus**

European Union

For the EUF, following the policy to enlarge the membership, Norway and Croatia have now joined the Federation.
For FCI, their membership grew with 4 new western European members: one each in Switzerland, France, Germany and Austria.
The FCI ExCom met in Paris in September and whilst there took the opportunity to meet with the French members and discuss the evolution of the industry. **Françoise Palle-Guillabert**

- **Kanayo Awani**, Managing Director, Intra-African Trade Initiative, African Export-Import Bank, Chair FCI Africa Chapter
- **Alberto Wyderka**, FCI Regional Director Americas
- **Lin Hui**, FCI Regional Director North East Asia
- **Thompson Lui**, FCI Regional Manager South and South East Asia
- **Betül Kurtulus**, FCI Regional Director Central, Eastern and South-Eastern Europe and the Middle East
- **Françoise Palle-Guillabert**, Chair EUF



From left to right:
Kanayo Awani
Alberto Wyderka
Lin Hui

Regional Updates | Challenges

Africa

Despite the growth in factoring volumes, there remain several challenges which include:

- Insufficient knowledge about the product and the industry hence the need for continued capacity building and advocacy.
- Uncertainty around FX risks given dominance of domestic factoring.
- Difficulties in procuring credit insurance.
- Absence of credit bureaux and reliable credit information on buyers
- Difficulties in securing competitively priced funding.

Kanayo Awani

Americas

In a Region like the Americas and especially in the LA&C Sub-region, the challenges are multiple and varied, and its evolutionary state of business, always in the same Sub-region, has a very wide growth space.
My first challenges have been to generate proactive actions with financial institutions to add factoring to their commercial business, as well as aligning Country Factoring Associations with FCI. Also, my efforts were centered in enhancing communications with country regulators and lawmakers in order to facilitate factoring business expansion, and to consolidate FCI's presence through the growth of its members in the Region. **Alberto Wyderka**

North East Asia

Trade uncertainty is rising caused by the spread of Covid-19, trade frictions and geopolitical issues. North East Asia is one of the regions with the most negative impacts. In comparison, domestic market and intra-regional trade might be the glimmer in the dark.
Trade efficiency: for many years, FCI two-factor scheme has been expected by the banks in the region as the new standard for global trade finance business after documentary credit. But it needs to improve its efficiency to meet the demand and pattern of trade today. This downturn of economic cycle currently gives us an opportunity to make up the shortcomings.
Lin Hui

South and South East Asia

Travel restrictions suspended businessmen from traveling, pandemic disrupted supply chain logistics and ultimately derailed international trade. Both are vital in our factoring world of receivables. Without trade and receivables, our members suffer a decrease in volume but an increase in risks. All these can lead to higher credit costs and therefore less appetite from import factors to offer much needed credits as buyers face massive disruptions in their business models.
Thompson Lui

CEE, SEE and the Middle East

Unfortunately, our turnover expectations for the year 2020 will far from surpass the 2019 figures. Covid-19, which has caused a pandemic around the globe, will cause a reduction in almost the whole world's economies. Despite its volatility, the constantly changing situation surrounding the coronavirus leaves no doubt about its massive impact on the economy as a whole.
Betül Kurtulus

European Union

The EUF was affected by the Covid-19 crisis. The European Factoring and Commercial Finance Summit which was scheduled to be held on 30-31 March by the EUF and FCI in Rome had to be postponed.

The international Covid-19 pandemic is shaking the whole world. This is an unprecedented health crisis that affects us all. The impact on our economy is tougher than in 2008 and will have devastating economic, social and maybe political consequences across Europe.

Since the beginning of this crisis, the EU Federation has organized itself to protect its people and ensure continuity of service. We are in close contact, both with the European economic authorities and European sister federations, in order to monitor, review and seek appropriate support for business. New European regulations on non-performing loans (NPL) and the definition of default (DoD) are about to be enforced in the Union. In the context of the Covid-19 crisis, they will have a powerful impact on businesses and on European economic growth. It might be wise to postpone their entry into force.

In the international area, we welcome the announcement of the Basel Committee to postpone the implementation of Basel 3 regulation. Generally speaking, all banks need softer regulatory constraints. **Françoise Palle-Guillabert**

From left to right:
Thompson Lui
Betül Kurtulus
Françoise Palle-Guillabert

Regional Updates | Outlook 2020

Africa

Overall, the general outlook for most African economies in 2020 is tipping southwards. A recent McKinsey Report (April 2020) has noted that after two decades of steady economic growth, the Covid-19 Pandemic could tip Africa into its first recession in 25 years. This prognosis has an implication for the overall business landscape. African countries are likely to experience major negative impacts in trade and business volumes due to the adverse effect of the pandemic on business activity globally. Specifically, restrictions on movement are seeing business volumes drop as logistic operations are constrained and supply chains disrupted. Within this context, the solvency of buyers is likely to impact payment on invoices. It is expected though that a Post-Covid-19 environment will present a new paradigm for business in general and factoring specifically in Africa with shifts expected towards food, health care and medical equipment manufactures and value chains.
Kanayo Awani

Americas

It is very difficult to forecast future expectations due to the impact that Covid-19 will have on the economies of all countries. Let's hope those almost certain falls will be as low as possible. However, we are facing a very disruptive year and in my opinion a threat to globalization. I believe that two-factor volumes can become a growing business depending on the response of our Import Factors.
What is also to be expected is that payment terms will be lengthened affecting not only domestic transactions, but also condition the approval of new risks in international operations. The challenges faced in 2019 that I mentioned before will continue to be present in the current year. **Alberto Wyderka**

North East Asia

The evolution of the global pandemic makes the 2020 outlook highly uncertain. Supply chain is disrupted. The global and regional economic growth are set to decline. Business delinquencies and defaults will rise. FCI has implemented an emergency contingency plan requiring the cooperation between export factor and import factor in response to the dynamic situations. Strong and coordinated efforts are needed to contain the pandemic and minimize its impact on all of us. North East Asia is probably the first region to rebound after the crisis. China, where the outbreak began, is resuming its business close to a normal level though export is still in a doldrum due to the weak demand from the US and Europe. Given the strong incentives to investment and consumption, there is reason to believe it will be in favor of factoring and SCF business development in the domestic and intra-regional market.
Lin Hui

South and South East Asia

Non-performing assets, bad debts and credit costs will increase and can bring temporary negativities to our eco system. Nevertheless, despite the fact that trade and factored volume may decline, an increase in risk mitigation awareness is expected and thus interests and demand in FCI's education and memberships are both expected to remain positive in 2020, especially in SSEA markets. Last but not least, both US and Japan governments have publicly stated to their manufacturers to consider moving out of PRC after the outbreak. The question is where to? While moving back to homeland is an option, is SSEA an alternative worth mentioning? Is SSEA ready to embrace this possible movement? **Thompson Lui**

CEE, SEE and the Middle East

For the year 2020, for which we have lowered growth expectations to below zero, we expect to see the most significant influences of this economic contraction on the developing markets themselves. In addition to their very high sensitivity to falling developed markets' demand for manufactured goods and commodities, disruption on the supply chains, SEE and CEE countries will most likely experience a significant tightening in financial conditions. However, we expect an improvement in the economies at the end of 2020. It is inevitable for this to cause shrinkage in total factoring volume, as it does in all cases of crisis. **Betül Kurtulus**

European Union

In this unprecedently challenging time, European Factors are giving particular attention to the needs of businesses, from micro to SME, from merchant to large corporate. All of them are exposed to the consequences of this exceptional crisis. Indeed, the European Factoring Industry confirms its complete commitment both to protect its people and to give full support to all its clients whose activities have been so dramatically affected.

The European factoring statistics are generally good for the first quarter of 2020. However, with the economy coming to a sudden halt, and in the absence of new invoices to finance, we expect them to deteriorate in April and May.

More than ever, the Factoring and Commercial Finance Industry has a key role to play in supporting economic growth, employment and wealth creation in Europe.
Françoise Palle-Guillabert

The Importance of Education

Trade finance is a fundamental part of corporate banking, underpinning approximately 80% of world trade. It has been at the heart of the global economy for hundreds of years: surviving many wars, crises and pandemics. However, the Covid-19 pandemic has left markets scrambling and global supply chains have been severely disrupted. The WTO estimates a potential decline in global merchandise trade in the order of 13%–32% in 2020.

**Alex Gray,
London Institute of Banking & Finance (LIBF) - Head of Trade Finance**

Resilient Business Models

The economic effects of locking down major economies for an extended period are an unknown. But, as economies start to re-open, banks are beginning to prepare their staff and systems for the anticipated bounce-back: i.e. the hoped for 'V-shaped recovery'.

Digitisation is a 'must do' in the 'new operating normal', but for trade it will only be part of the solution. Automation will not eliminate the need for skilled staff to oversee transaction processes. Machines will not be able to replicate the relationships that trade finance professionals build across the market. In fact, relationships are likely to be more important in an uncertain future as global trade practices evolve and new operating processes are adopted.

One thing *is* certain: there will regulatory pressure on banks to show that their businesses really are resilient. This won't just mean 'can you show that your core systems are backed-up?' or 'how do you operate remotely?'. It will go much deeper and wider to encompass resilience in its broadest context.

Regulators will want to see that individual bank employees are knowledgeable and can function well with minimal direct supervision. There should be no "key man" risk, no breakpoints in institutional knowledge and expertise. That means having all staff carefully trained and supported in a fast-moving environment.

The Importance of Training

How best to meet these training needs? Even in an open-office environment, it is hard to coherently share knowledge beyond immediate teams. Experienced staff may not even know exactly what it is that they need to explain.

That is why formal training programmes, such as those offered by specialist organisations like The London Institute for Banking and Finance (LIBF), are needed. LIBF has a faculty of industry experts who lead programmes that deliver demonstrable and quantifiable results.

LIBF also recognises suitable learning programmes that relate to banking and finance - even if they do not exactly match units in our awards. These endorsements mean the participants can be confident of the quality of the course they're undertaking.

For example, the FCI Academy "Career Path" programme is endorsed by LIBF. This is because it is a cohesive, multi-level development process that supports FCI members as they become highly qualified professionals in factoring and receivables finance.

That sort of outside expertise relieves senior managers from the burden of trying to share their knowledge while grappling with other business and regulatory challenges. It can also help banks make sure that essentials are not overlooked in the day-to-day whirl. For example, ensuring that trade documentation is correct is not a glamorous role, but it is critical. Do a bank's document checkers hold recognized qualifications, in the same way that other professionals do? They should.

Just as importantly firms develop internal cultures – both good and bad. But professional standards should not be left to 'how we do things round here'. In sales, for instance, a miss-sold product or solution can prove very costly, both financially and reputationally. External training helps set the right norms.

At the same time, firms have to change to compete. That can leave a gap between staff acquiring a new skillset and keeping up to date with the latest developments. The way to bridge that is with modular training (associated with CPD credits). Think, for example, of digitisation and sustainability. What questions do you want your people to ask and be able to answer?

Conclusion

Training in trade finance will be decisive in the years ahead for three main reasons:

– First, being able to show you have the right, trained staff gives regulators comfort – and that cuts compliance costs.
– Second, good staff want access to training and expert qualifications. Providing it boosts employee satisfaction, loyalty and operational efficiency.
– Finally, and perhaps most importantly, customers pay for trustworthy, tailored expertise. No-one really quibbles about the bill for a fine meal at a good restaurant – they understand that it takes judgement, skill and training. Just don't try charging the same for a burger.

Now is the time to redouble the focus on training and be prepared.

2020 Global Economic Overview

Kyle Mota,
FCI Director of Administration

As the sun went down on the last day of 2019, a new dawn began for global economic prosperity, after months of uncertainty, divergences, and an era of protectionism. However, in the midst of this new sunrise an unexpected shadow arose, a protagonist for 2020 named Covid-19.

Economists have learned since the unpredictable financial crisis in 2008-2009 how to establish future economic projections. However, they could not foresee that the world was about to face an unimaginable challenge. The invisible enemy knows no economic or political boundary, nor does it respect any border. The Covid-19 is the new example of an erratic globalized world.

The IMF's World Economic Outlook (WEO) initially projected a growth rate up to 2.5 % in 2020, a considerably small and insignificant rise from the post-crisis low of 2.4 % registered in 2019, amongst a backdrop of weak trade and investment and a limited forecast. This time, as the Covid-19 had first hit China, the second largest global economy in January, the fiscal disruption and its global impact took all economists to evaluate and revise projections, resulting in a sharp contraction in global GDP, estimated in those early days of the crisis at -5.0% to -8.0% in 2020, a severe retrenchment since the last financial crisis.

Thus, assuming that containment actions and proper policy support are met during this crisis in the second half of 2020, projections of growth to 5.8 % is expected in 2021 after expected normalization of economic activities.

However, the World Health Organization (WHO) later expressed concerns about the global social and economic impact, far from the optimistic views from various global economists. The same concerns have been also expressed by The IMF Managing Director, Kristalina Georgieva:

"Today we are confronted with a crisis like no other. In fact, we anticipate the worst economic fallout since the Great Depression..."

Consequently, the WEO has now predicted a contraction growth of -6.3% for 2020 and a relatively small rebound of 2.4% in 2021, according to the latest economic effect registered in the first quarter.

The output for advanced economies is projected at -7.7% in 2020 and 2.9% growth in 2021, with the United States contracting -7.9% in 2020 and 3.0% growth in 2021; the European Union -8.8% to a growth of 3.3% in 2021; and Japan to contract -5.9% in 2020 and an expected positive result growth of 2.5%.

Moreover, the outlook for emerging economies is projected to contract at a rate of -5.4% in 2020 and a positive 2.0% growth in 2021, that is assuming China growth rate sticks at -4.8% in 2020 and 3.4% in 2021, Brazil with -7.5% in 2020 and 0.6% in 2021, India with -3.9% in 2020 and 0.9% in 2021 and the Middle East and Central Asia with -5.6% in 2020 and 0.8% in 2021.
See Graph 1

In face of the current events and the global economic projections, we can obtain adjacent predictions how the factoring industry will respond in 2020 and 2021. However, despite the parallel results compared to previous years, we can see a significant spike in 2010, right after the financial crisis. Hence, we may exceed our expectations once again in part dependent on economic incentives being reached.
See Graph 2

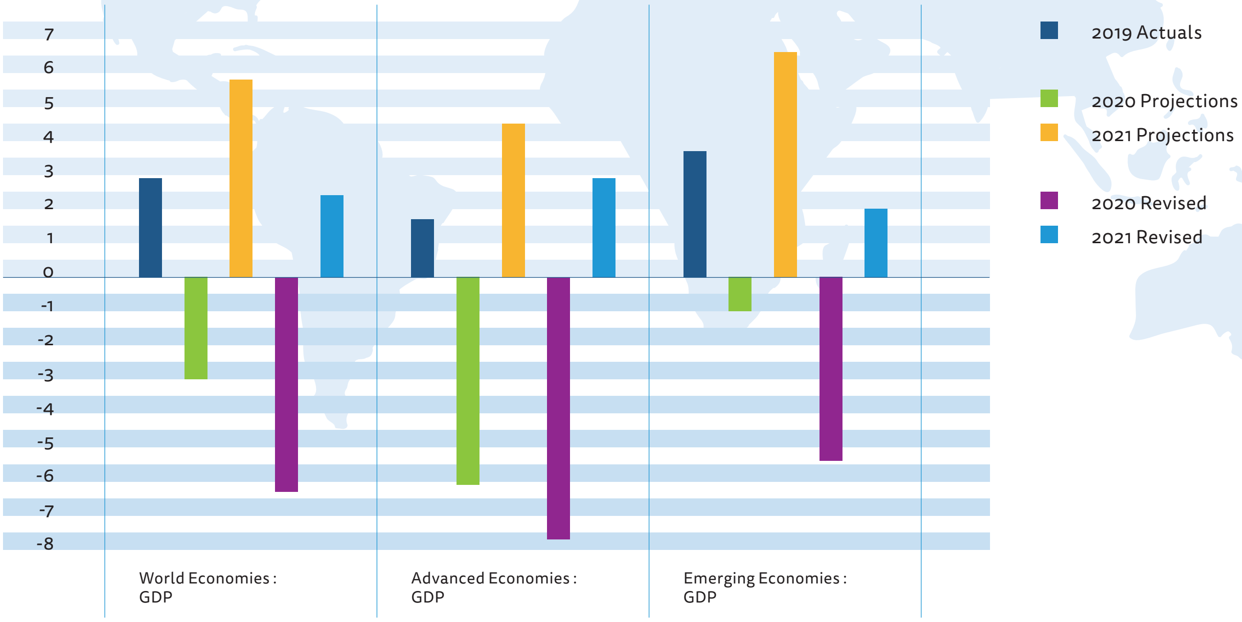
Although economists are likely to be more accurate, in reality the projections to countries such as the United States, the European Union, China and other developing economies may have a far worse result than expected for 2020, due to confused policies, inconsistent political/government response, and the threat of a second wave in the second half 2020.

The Organization for Economic Cooperation and Development (OECD) has articulated more serious apprehensions, as cautioned by OECD's Secretary General, indicating that advanced economies should expect the worse. If the correct measure is taken, the economic disruption may last some years, yet if not, it might not have a proper recovery for many years to come.

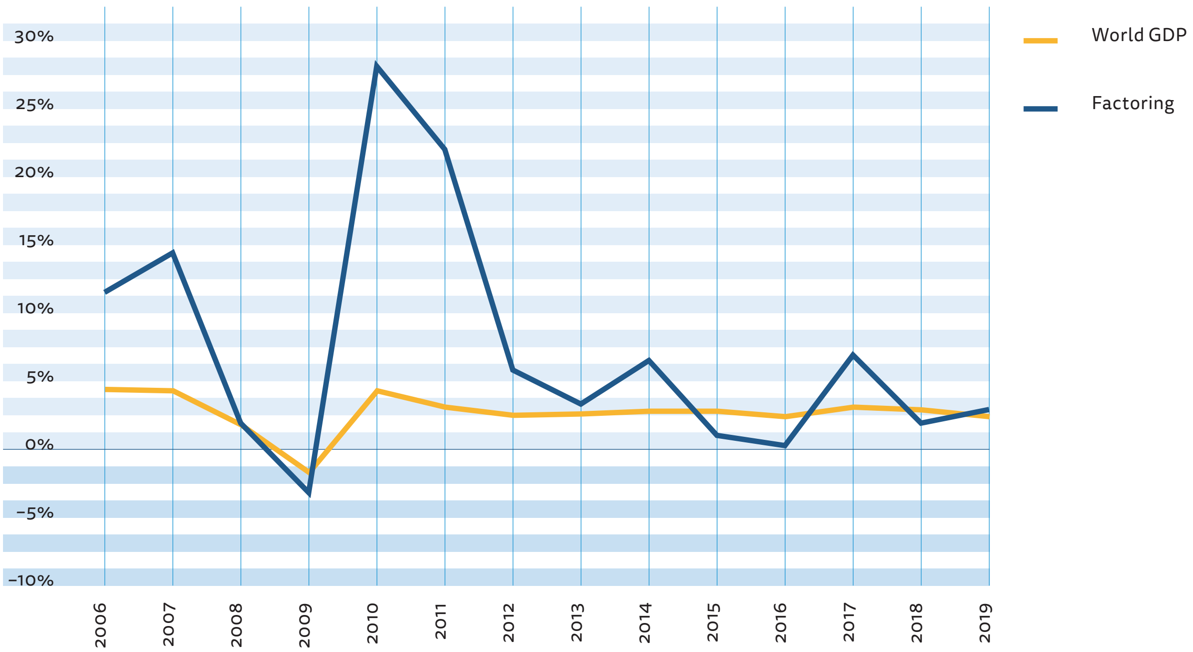
The containment from further disruption already expected for the second half of 2020 is to establish a grounded fiscal stimulus, so confidence and aggregate demand can be elevated avoiding further depression in the next years. The monetary and liquidity incentives harmonized by central banks shall reduce the economic stress by ensuring a proper and synchronized recovery. Banks should also engage in negotiated cooperation with SME's, by providing capital facility loans, as well as extending incentives on open accounts receivables finance; lastly and most importantly the creation of a transparent multilateral cooperation, circumventing other economic risks.

Perhaps complex, but necessary to heal the pain for the new dawn...

Graph 1: Overview 2019 vs 2020/2021 Projections



Graph 2: Overview Global GDP Growth Percentage vs Factoring Growth Percentage



Sources:
The World Bank Group; IMF International Monetary Fund; OECD Organization for Economic Cooperation and Development; McKinsey & Company; Brookings; WEF World Economic Forum.

2019 Quantitative and Qualitative Report

2019 Global Industry Activity Report

Introduction

Keeping up with the good tradition from past Annual Reviews, we once again present you with the 2019 Global Industry Annual Report (GIAR). Although similar to past reports, we attempt to focus on the outcome of the member survey, the impact the results provide us, and include some additional new data sets, but ultimately providing an overall compelling powerful report on the factoring industry.

This Report has its origins dating back to 2009 and includes data derived from the material captured within the FCI survey that FCI members have kindly completed. The GIAR's scope is to provide a unique analysis of our Industry having two different angles: the first being the quantitative and numeric aspects of the global business and another is the usage of a wide range of qualitative elements which provides an opportunity to assess the general sentiments and opinions of its key participants.

Quantitative Analysis

One thing for certain is the fact that the basis of our analysis for 2019 does not incorporate all data. So as a disclaimer, this outcome is the closest to reality that can be generated as of now, based on the figures we have received to date (approximately 75% response rate from our members).

As ever, the principal challenge for the survey continues to be the fact that in many countries the infrastructure and capability to collect and analyze data varies dramatically. Some countries have limited capability for collating market information, while others have sophisticated centralized methods. Hence, we rely upon the best estimates of experts within those markets. Therefore the level of detail that individual markets are able to provide remains highly variable. One of the real challenges for the RF Industry is to help people everywhere to understand the importance, value and power of information in our advocacy discussions and the key requirement consequently of collating accurate information at country levels.

So, here we are then; the initial findings of the 2019 GIAR Report...

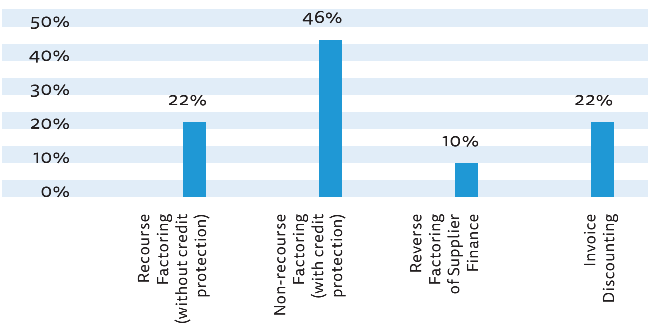
Product analysis: This year we thought that it would be interesting to present to you the way volumes are split by products based on the data we received from our members. There will be no comparison to 2018 because of the differences in the data sets that were used in last year's report. Since each member provides different products related to their own market, this cannot be denoted as a marker for a specific country.

Past studies show that there has been a substantial increase in non-recourse and supply chain finance business at the

Ciprian Radu,
FCI Manager Business and IT Solutions

Harry Biletta,
FCI Consultant Business and IT Solutions

Product Distribution



proportionate expense of recourse and Invoice discounting. In fact, if you look back ten years to 2010, the global non-recourse figure stood at 28% compared to 2019 at 46%, indicating a sharp increase in demand for non-recourse factoring. This stems from non-recourse factoring's risk mitigation benefit, its substantial value as a means to decrease cost of capital under Basel requirements, and the increase in usage of off-balance sheet treatment by corporates.

Of course, the relative proportions in individual countries continue to vary and the individual figures will reflect the local market conditions, as well as the legal and regulatory environments; this chart shows what a "typical" country distribution looks like. Whilst it should be noted that for example many countries do not yet record any reverse factoring type business, for Spain it represents around half of the total market. Similarly, in the UK, one of the largest individual global factoring markets, invoice discounting represents around 90% of the volume.

It appears that Reverse Factoring (also known as SCF/ Confirming/Payables Finance) may have decreased as a percentage, from 14% to 10% this year. However, FCI only captures a small percentage of the total reverse factoring market globally. FCI formally entered the reverse factoring market with the launch of our new solution, FCIreverse in 2019. We are excited to help support the growth of this important service to our members today and in the coming years ahead!

Industry Dynamics

Below you can see how things changed in relation to last year: It appears that this year we reached 4.05 % of GDP penetration for the Industry, a slight improvement compared to what we had witnessed last year (3.95%). Europe increased to 11% penetration keeping in mind the fact that our Industry is still well established. We used current estimates and thus not finalized GDP figures from the IMF for 2019.

Quickly looking at the figures:

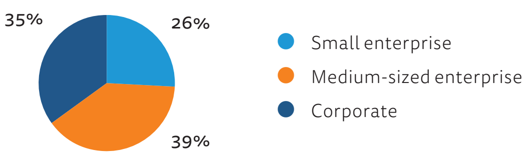
- Client numbers are estimated to have reached around 770,000 and the debtor numbers to have reached an estimated level of 18.6 million. Enough to say that these figures have a relatively high level of uncertainty because it combines both whole turnover and spot level types of relationships, highly sensitive to market structure and conditions.

- Companies active in the Industry that serve the pool of clients and debtors is estimated to be around 4260.

- Direct employment is estimated to be around 102,000. We could mention that this number is correlated to the labour-intensive service that our Industry requires. Although as technology and automation continues its upward trend, we anticipate the figure will remain flat, even with continued growth at the current rate.

- Average turnover per client remained close to EUR 3.8 million; so, in the Industry we continue to be dealing in numbers with mainly SME businesses based on the smaller end of the spectrum. Our data shows that our members' data on their clients' portfolio is mainly SME, over 60% as shown below:

Total Number of Active Sellers



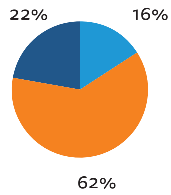
The Industry continues to demonstrate a very high level of factoring supplier concentration, like last year. Where the figures are available, the top five concentration ratio (CR5) was reported as 82% of the market (82% in 2018 and 2017, 84% in 2016). Bank divisions lost ground to 39% (from 45%, 45%, 46%), bank owned subsidiaries continue their growth to 35% (from 32%, 25%, 27%) whilst Independents recovered a bit to 7% (from 6%, 13% and 11%) respectively. The domination of banks at the expense of independents is keeping its strong position in the Industry.

Qualitative Analysis

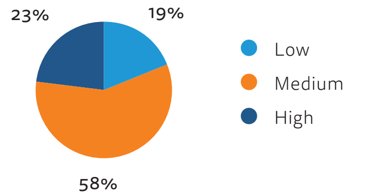
One of the things that makes the GIAR survey unique is it provides an ongoing record and analysis of the perceptions within the Industry on a wide range of topics and trends and their potential effects on the Industry and its future development. Our sample data for this analysis includes members' views from 52 countries that have responded to the FCI survey.

The first and key element to consider is Factoring Awareness & Acceptance. The responses show that in general there continues to be considerable opportunity to build and develop on past success within the Industry. The position has rather significantly deteriorated compared to last year's survey which showed 72% medium awareness compared to 62%. And acceptance of the product has also declined, from 68% medium acceptance to 58% (although a high level of acceptance improved from 10% to 23% in the survey).

Awareness Level

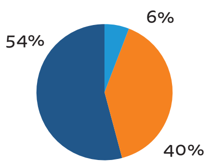


Acceptance Level

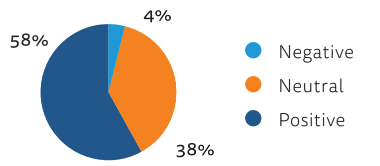


As can be seen below, respondents continue to demonstrate a high level of confidence and optimism that the Industry has the capacity to continue to support SMEs and grow its important role in supporting the real economy on a global scale. As for demand, there seems to be a continued strong support. However compared to 2018, it is somewhat lower, most likely stemming from the geo-political challenges experienced last year. Nevertheless, on a cautionary note, with the weak demand outlook in 2020 stemming from Covid-19, combined with the continued trade war and these other barriers to trade growth, the overall picture appears rather alarming.

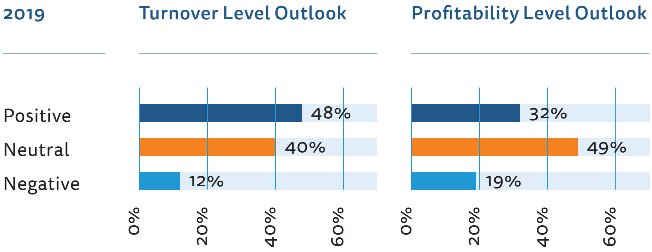
Industry Development Outlook



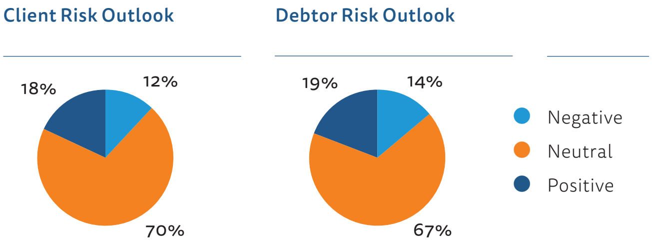
Demand Level Outlook



The trends from last year are showing once again a reduction in confidence stemming from both reports connected to turnover and profitability, indicating an adverse impact to margins and hence a decrease in profitability. These responses suggest that respondents remain overall leary about future prospects and recognize that there are potential issues facing their operations in the current global climate.



As always, risk management continues to be a key focus for providers, so the participants' responses to questions on their outlook for client and debtor risk in their markets are important. We can see a slight improvement in the outlook of client risk but with little change in debtor risk in 2019. We anticipate this will only worsen in 2020, stemming again from the global pandemic and continued trade tensions.

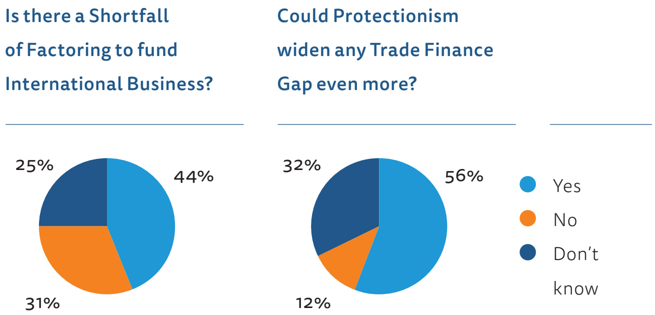


Over the past few years, FCI has extended the range of questions for respondents in cooperation with the Asian Development Bank, which annually organizes a study on trade finance. Their report, "Trade Finance Gap, Growth, and Job Survey" reports a USD 1.5 Trillion trade finance gap, and looks at its impact on SMEs, the engine of economic growth and future employment in most economies. The two organizations have a common interest in looking at the impact of regulation, credit and capital issues and the role technology will play in developing the Industry, especially in this post-Covid-19 world!

We also looked at a number of variables impacting factoring on Graph 1 page 25. The results are quite revealing, of which three stand out. The responses this year suggest that participants view the effect of AML/KYC regulations significantly less in comparison to the previous year, a drop from a high of 37% to 20% in 2019. However, regarding the view on lack of liquidity the situation has improved somewhat increasing from a low impact from 27% to 31%. And the Basel capital impact increased, from a high of 21% to 31% this year, indicating the significant effect Basel is having on the factoring industry, mainly coming from the bank factors. During the financial crisis in 2008-2009, governments around the world who for years boasted about the self-evident benefits of limited regulation had to sink trillions of dollars to prevent the global banking system from collapsing.

The current Covid-19 inspired crisis, which is much worse in terms of its impact on the global economy, is different since governments are more prepared, benefiting from the increase in capital stemming from these Basel requirements over the past decade. This is witnessed by the numerous positive stress tests that governments have undertaken on the banking sector, leading to a much healthier financial system that so far has been able to weather the storm. So, the impediments seem to have shifted somewhat since 2018, as indicated by our responders.

There was little change in the views of members relating to the shortfall of factoring. The increase of concerns regarding the rise in protectionism and specifically the US - China trade war resulted in our members being more aware of the impact but unsure of how it will affect the industry in the future.



What is interesting is the rise of Fintechs and the success that they have experienced over these past few years. Like in years past, we asked for respondents' perceptions regarding the potential impact of Fintechs on industry. The survey results show an enhanced perception that Fintechs are more likely to facilitate KYC enhancements, with a high potential response rate from 30% to 53%, a significant rise. This could be a greater acceptance of Fintechs' abilities. Their potential use for client risk assessment remained relatively unchanged year over year. However, it is expected that numerous Fintechs will be adversely impacted by the Covid-19 crisis, which could likely lead to many Fintechs going out of business, stemming from credit losses, rise in fraudulent transactions and an increased challenge to raise capital: see Graph 2 on page 25.

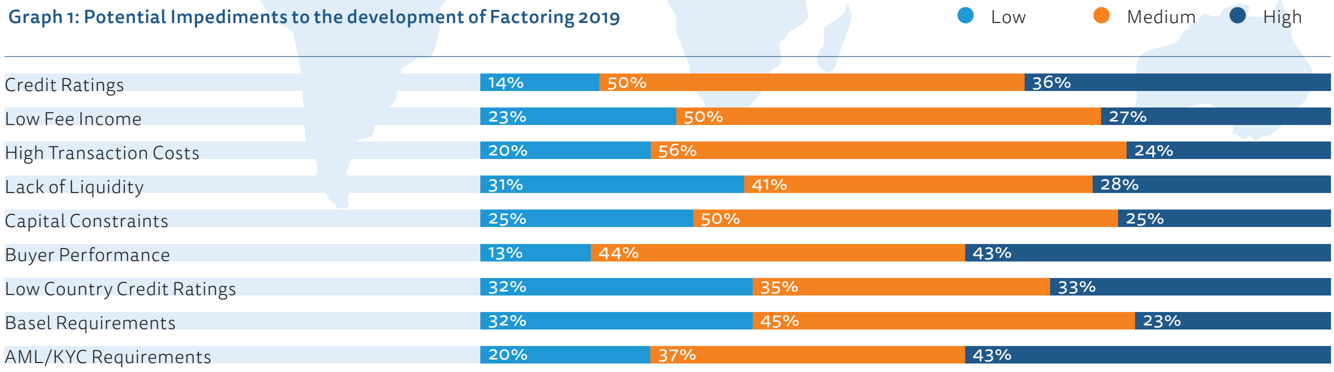
Conclusion

This year's GIAR once again provides an overview of the global factoring industry which demonstrates some considerable changes compared to the previous year, both in terms of quantitative and qualitative analysis. Although 2019 seems like a century ago, considering the abrupt consequence this crisis has had on the global economy, it still is nonetheless imperative that we take the opportunity to provide an in-depth analysis of the data provided by our members. From the responses, we can gain a compelling and broad picture of the

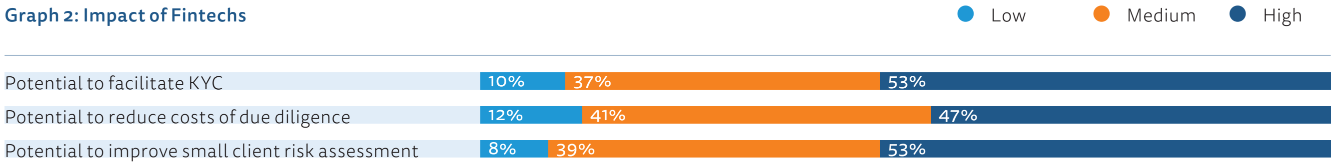
Industry. However, it is not lost on us that the factoring industry in comparison from market to market is much different, especially when comparing developed to developing markets. This makes it very challenging to assess their true performance, to develop sensible estimates and derive information that we consider credible. In many countries the infrastructure is not yet sufficiently developed in order to fully address the questions in our survey. Hence FCI attempts to assess the data from multiple sources in order to best estimate each market performance.

In putting together this review, we collect, consider and manage a very large number of data sets, and its collation is a significant task. We would like to thank all country respondents for their hard work in gathering this data on behalf of their countries. We could never do this without you!

Graph 1: Potential Impediments to the development of Factoring 2019



Graph 2: Impact of Fintechs



FCI Expressed in Figures

In 2019, the number of members who contributed to the FCI Survey was in close proximity to the previous year, representing almost 75% (70% in 2018) in number and their total volume added up to EUR 1,420 billion.

Domestic factoring share of the total volume had a small increase with 1% from last year and reached **79%** where 17% being recourse factoring, 42% without recourse, 23% invoice discounting, 12% reverse and 6% collection only.

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

	2013	2014	2015	2016	2017	2018	2019	Variation 2018/2019
Invoice Discounting	330,518	299,930	310,313	333,544	303,272	**266,606**	**263,236**	-1%
Recourse Factoring	339,644	356,058	301,948	236,613	231,270	**245,583**	**191,167**	-22%
Non-Recourse Factoring	344,863	372,115	434,456	481,172	478,640	**482,885**	**474,564**	-2%
Collections	31,399	40,123	57,725	47,472	40,866	**57,185**	**53,693**	-6%
Reverse					50,010	**89,482**	**139,358**	56%
Total Domestic Factoring FCI	**1,046,425**	**1,068,226**	**1,104,441**	**1,098,800**	**1,104,058**	**1,141,741**	**1,122,019**	**-2%**
Export Factoring	219,285	242,472	261,214	256,551	292,408	**211,195**	**216,721**	3%
Import Factoring	50,481	54,081	66,612	63,446	55,460	**31,719**	**28,464**	-10%
Export Invoice Discounting	87,447	89,025	96,871	108,038	106,104	**59,569**	**47,467**	-20%
Reverse					4,497	**7,638**	**6,075**	-20%
Total International Factoring FCI	**357,213**	**385,579**	**424,697**	**428,035**	**458,469**	**310,120**	**298,727**	**-4%**
Grand Total FCI	**1,403,638**	**1,453,804**	**1,529,138**	**1,526,836**	**1,562,527**	**1,451,861**	**1,420,746**	**-2%**
World Domestic Factoring	1,827,680	1,857,410	1,838,366	1,868.855	2,078,758	**2,244,214**	**2,375,406**	6%
World International Factoring	402,798	490,114	529,379	507,112	519,540	**522,852**	**541,699**	4%
World Total	**2,230,477**	**2,347,524**	**2,367,745**	**2,375,967**	**2,598,298**	**2,767,067**	**2,917,105**	**5%**

Export factoring is similar to last year, accounting for **15%** of the total. 9% of the total export factoring volume relates to two-factor business.

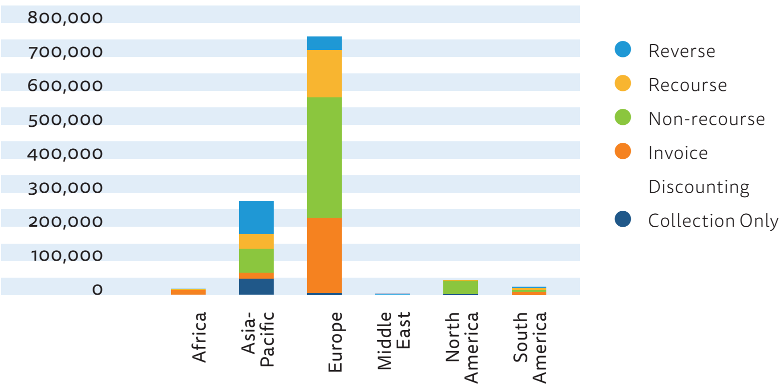
Import factoring accounted for **2%** where 54% representing two-factor business.

As for special factoring business, **Direct export invoice discounting** accounted for **3%** while **Reverse factoring** accounted for the remaining **1%**.

The charts are the result of the actual contributions received from the Members together with the estimates for 2019.

FCI Members Domestic Volume 2019

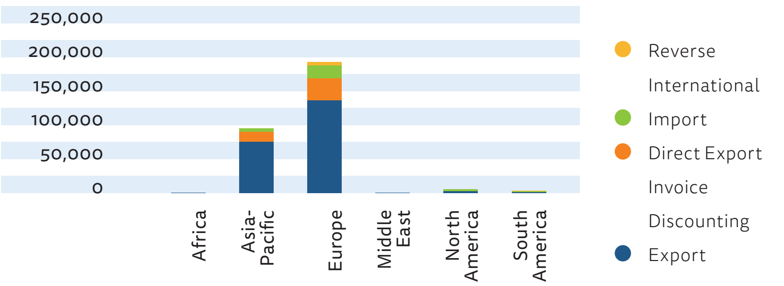
in millions of EUR



All contributions by continent to the FCI Members Domestic volume shows Europe at the top by far with 67%. In Europe the Non-Recourse volume accounts for 47%, Recourse 18% whilst Invoice Discounting shows 29%, reverse at 5%.

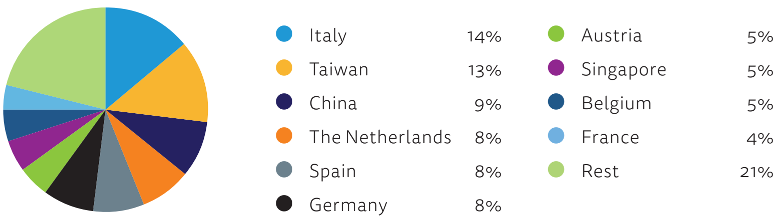
FCI Members International Volume 2019

in millions of EUR



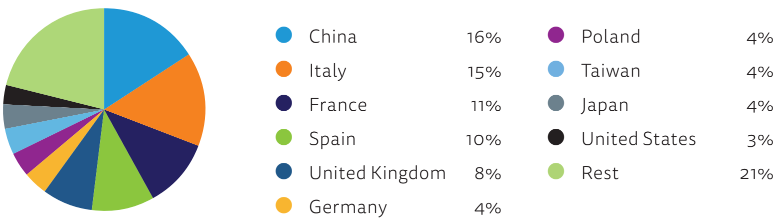
When breaking down the FCI Members International Factoring volumes by continent, Europe consolidated last year its leading position accounting for 64% of the total (61% in 2018), Asia Pacific continues to decrease reaching 32% (34% in 2018). The Americas accounted for only 3% whilst Africa and Middle East together represented less than 1%.

Share of 2019 FCI International Factoring Volume



When breaking down the volumes of FCI Members Countries/Territories International Factoring volume, we find the "Top Ten" adding up to 79% of the total volume, having Italy in first position with 14%, followed by Taiwan (13%), China (9%), The Netherlands, Spain and Germany (8%), Austria, Singapore and Belgium (5%), and France (4%).

Share of 2019 FCI Factoring Volume



The volume of the "Top Ten" FCI Members' Total Factoring volume by Country/Territory accounts for 79% of the total, China leading the way with 16% followed by Italy (15%), France (11%), Spain (10%), UK (8%), Germany, Poland, Taiwan and Japan (4%), and US (3%).

Factoring Turnover by Country/Territory in 2019

in millions of EUR

Country (Companies)	Domestic	International	Total
Egypt (11)	464	125	589
Mauritius (3)	227	3	230
Morocco (25)	2,424	108	2,532
South Africa (110)	17,262	3,611	20,873
Tunisia (5)	325	13	338
Total Africa (154)	**20,702**	**3,860**	**24,562**
Australia (6)	54,319	11	54,330
China (2,000)	363,154	40,350	403,504
Hong Kong (17)	12,038	36,113	48,150
India (10)	4,500	589	5,089
Indonesia (60)	321	137	458
Japan (3)	48,143	1,303	49,446
Korea (16)	17,233	9,694	26,927
Malaysia (25)	4,387	72	4,459
New Zealand (1)	35	–	35
Singapore (18)	22,770	16,830	39,600
Sri Lanka (1)	–	200	200
Taiwan (23)	13,652	34,768	48,419
Thailand (6)	5,877	–	5,877
Vietnam (15)	–	1,100	1,100
Total Asia-Pacific (2,201)	**546,428**	**141,166**	**687,594**
Armenia (7)	60	90	150
Austria (4)	19,598	7,622	27,220
Azerbaijan (1)	106	6	112
Belarus (17)	340	230	570
Belgium (5)	84,819	–	84,819
BosniaHerzegovina (4)	91	–	91
Bulgaria (8)	2,357	1,175	3,532
Croatia (10)	980	160	1,140
Cyprus (3)	3,115	66	3,181
Czech Republic (6)	4,464	2,776	7,240
Denmark (9)	9,787	9,051	18,838
Estonia (11)	3,869	31	3,900
Finland (5)	25,000	3,000	28,000
France (13)	239,026	110,688	349,714
Georgia (4)	137	–	137
Germany (180)	187,334	88,157	275,491
Greece (9)	13,136	1,909	15,045
Hungary (9)	8,125	425	8,550
Ireland (6)	26,900	1,717	28,617
Italy (33)	204,134	59,230	263,364
Latvia (6)	420	385	805

Country (Companies)	Domestic	International	Total
Lithuania (9)	1,600	1,800	3,400
Luxembourg (1)	339		339
Malta (3)	282	414	696
Moldova (3)		5	5
Netherlands (5)	89,718	22,430	112,148
Norway (4)	23,797	2,644	26,441
Poland (24)	55,469	10,672	66,141
Portugal (13)	29,062	4,738	33,800
Romania (19)	4,038	816	4,854
Russia (34)	44,820	305	45,125
Serbia (21)	790	93	883
Slovakia (9)	1,280	752	2,032
Slovenia (20)	1,200	800	2,000
Spain (21)	162,473	23,086	185,559
Sweden (15)	20,006	619	20,625
Switzerland (5)	495	98	593
Turkey (79)	19,420	2,437	21,857
Ukraine (19)	258	-	258
United Kingdom (34)	303,946	25,020	328,966
Total Europe (688)	**1,592,792**	**383,446**	**1,976,239**
Israel (10)	2,334	400	2,734
Lebanon (3)	554	121	675
Oman (4)	93		93
UAE (6)	4,137	2,298	6,435
Total Middle East (23)	**7,118**	**2,819**	**9,937**
23 Canada (73)	2,358	627	2,985
USA (250)	77,953	5,804	83,757
Total North America (323)	**80,311**	**6,431**	**86,742**
Argentina (5)	4,121	12	4,133
Brazil (600)	46,648	63	46,711
Chile (165)	30,900	2,700	33,600
Colombia (14)	7,617	50	7,667
Dominican Republic (18)	303	34	337
Guatemala (10)	185	115	300
Honduras (2)	56	19	75
Mexico (19)	24,656	544	25,200
Peru (12)	13,482	423	13,905
Uruguay (2)	87	16	103
Total South America (847)	**128,055**	**3,976**	**132,031**
Total (4,236)	**2,375,406**	**541,699**	**2,917,105**

Total Factoring Volume

Africa 0.84% Asia-Pacific 23.57% Europe 67.75% Middle East 0.34% North America 2.97% South America 4.53%

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

	2013	2014	2015	2016	2017	2018	2019	Var 2018/2019
Egypt	450	435	537	550	418	517	589	13.9%
Mauritius	145	206	235	256	208	227	230	1.3%
Morocco	2,755	4,200	2,708	2,708	3,374	2,532	2,532	0.0%
South Africa	19,400	15,898	14,672	16,291	17,117	18,582	20,873	12.3%
Tunisia	373	355	354	373	339	316	338	7.0%
Total Africa	**23,123**	**21,094**	**18,721**	**20,393**	**21,671**	**22,174**	**24,562**	**10.8%**
Australia	40,206	42,290	41,761	47,658	47,658	54,330	54,330	0.0%
China	378,128	406,102	352,879	301,635	405,537	411,573	403,504	-2.0%
Hong Kong	32,250	30,800	33,425	42,676	46,945	53,500	48,150	-10.0%
India	5,240	4,340	3,700	3,881	4,269	4,532	5,089	12.3%
Indonesia	819	810	682	682	682	0	458	100.0%
Japan	77,255	51,072	54,184	49,466	37,284	49,348	49,446	0.2%
Korea	12,343	12,713	13,094	14,142	13,094	25,645	26,927	5.0%
Malaysia	1,782	1,782	330	1,527	1,650	4,459	4,459	0.0%
New Zealand	–	–	–	–	–	–	35	100.0%
Singapore	9,970	37,840	38,900	40,500	44,000	44,000	39,600	-10.0%
Sri Lanka	–	38	116	116	116	0	200	100.0%
Taiwan	73,000	56,680	52,693	47,189	49,548	41,198	48,419	17.5%
Thailand	3,348	4,144	4,414	5,300	5,600	5,877	5,877	0.0%
Vietnam	100	100	335	658	700	1,100	1,100	0.0%
Total Asia Pacific	**634,441**	**648,716**	**596,633**	**555,550**	**657,189**	**695,562**	**687,594**	**-1.1%**
Armenia	62	70	75	100	120	135	150	11.1%
Austria	14,110	16,400	18,264	19,621	21,091	24,107	27,220	12.9%
Azerbaijan	–	–	–	13	56	65	112	72%
Belarus	–	–	320	330	250	380	570	50.0%
Belgium	47,684	55,374	61,169	62,846	69,641	76,340	84,819	11.1%
BosniaHerzegovina							91	100.0%
Bulgaria	1,600	1,728	1,820	1,947	2,919	3,211	3,532	10.0%
Croatia	3,146	2,498	2,885	2,825	1,340	1,094	1,140	4.2%
Cyprus	2,823	2,671	2,414	2,925	2,830	3,585	3,181	-11.3%
Czech Republic	5,302	5,912	5,064	4,848	6,121	6,778	7,240	6.8%
Denmark	8,932	10,463	12,606	13,237	14,948	18,637	18,838	1.1%
Estonia	1,899	2,010	2,010	2,495	2,495	3,600	3,900	8.3%
Finland	17,699	20,554	23,095	22,000	24,000	25,800	28,000	8.5%
France	200,459	226,598	248,193	268,160	290,803	320,409	349,714	9.1%
Georgia	0	5	14	14	25	28	137	398.2%
Germany	171,290	189,880	209,001	216,878	232,431	244,300	275,491	12.8%
Greece	12,094	13,017	12,869	12,782	13,151	14,635	15,045	2.8%
Hungary	2,661	2,827	3,779	3,635	5,730	6,911	8,550	23.7%
Ireland	21,206	25,476	25,978	23,952	26,294	26,294	28,617	8.8%
Italy	178,002	183,004	190,488	208,642	228,421	247,430	263,364	6.4%
Latvia	592	680	867	867	720	784	805	2.7%
Lithuania	2,763	5,550	3,150	3,100	3,000	3,660	3,400	-7.1%
Luxembourg	407	339	339	339	339	339	339	0.0%
Malta	178	296	275	275	350	554	696	25.6%
Moldova	–	13	17	17	3	4	5	25.0%
Netherlands	52,000	53,378	65,698	82,848	89,713	98,368	112,148	14.0%
Norway	16,296	17,182	18,476	21,867	22,682	25,923	26,441	2.0%
Poland	31,588	33,497	35,020	39,396	44,300	56,474	66,141	17.1%
Portugal	22,303	21,404	22,921	24,517	27,008	31,757	33,800	6.4%
Romania	2,713	2,700	3,651	4,037	4,560	5,007	4,854	-3.1%

in millions of EUR

	2013	2014	2015	2016	2017	2018	2019	Var 2018/2019
Russia	41,960	29,170	23,332	28,004	33,792	43,840	45,125	2.9%
Serbia	679	306	445	555	603	650	883	35.8%
Slovakia	1,068	1,036	1,036	1,646	1,646	2,521	2,032	-19.4%
Slovenia	626	563	329	1,000	1,200	1,400	2,000	42.9%
Spain	116,546	112,976	115,220	130,656	146,292	166,391	185,559	11.5%
Sweden	30,544	28,290	26,078	20,481	20,094	19,822	20,625	4.1%
Switzerland	3,100	3,832	3,832	3,832	3,832	593	593	0.0%
Turkey	32,036	41,229	39,310	35,085	34,575	26,894	21,857	-18.7%
Ukraine	1,340	1,035	442	295	295	295	258	-12.5%
United Kingdom	308,096	350,622	376,571	326,878	324,260	320,193	328,966	2.7%
Total Europe	**1,353,742**	**1,462,510**	**1,556,977**	**1,592,988**	**1,701,939**	**1,829,142**	**1,976,239**	**8.0%**
Israel	1,060	3,000	2,108	3,080	3,295	2,665	2,734	2.6%
Lebanon	352	416	508	610	662	675	675	0.0%
Oman							93	100.0%
UAE	3,500	5,020	5,350	3,831	4,000	5,500	6,435	17.0%
Total Middle East	**5,000**	**8,498**	**8,028**	**7,583**	**8,019**	**8,840**	**9,937**	**12.4%**
Canada	5,680	5,831	5,530	5,609	5,392	2,280	2,985	30.9%
USA	83,739	97,670	95,000	89,463	87,000	87,821	83,757	-4.6%
Total North America	**89,419**	**103,501**	**100,530**	**95,072**	**92,392**	**90,101**	**86,742**	**-3.7%**
Argentina	856	1,299	1,551	1,891	2,282	3,064	4,133	34.9%
Brazil	31,552	31,782	28,965	45,379	50,432	47,281	46,711	-1.2%
Chile	25,500	24,850	22,300	25,050	22,756	26,500	33,600	26.8%
Colombia	7,076	8,985	10,333	7,630	7,655	7,142	7,667	7.4%
Dominican Republic	–	–	–	–	144	302	337	11.6%
Guatemala	–	–	–	–	–	282	300	6.4%
Honduras	–	–	22	27	27	67	75	11.9%
Mexico	28,061	25,486	19,291	22,510	23,314	24,477	25,200	3.0%
Peru	8,163	8,293	1,475	1,550	10,105	12,023	13,905	15.7%
Uruguay	58	70	90	84	98	110	103	-6.4%
Total South America	**101,412**	**103,124**	**86,826**	**104,396**	**117,088**	**121,248**	**132,031**	**8.9%**
Total World	**2,208,372**	**2,347,513**	**2,367,790**	**2,375,967**	**2,598,298**	**2,767,067**	**2,917,105**	**5.4%**

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Published in 2020 by FCI

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