FCI

Facilitating Open Account – Receivables Finance

Annual Review 2022

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

FCI is building bridges:

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

Annual Review 2022

Content

Facilitating Open Account – Receivables Finance

FCI in 2021, a Reflection on Growth in a Continuously Turbulent Period

Daniela Bonzanini,
FCI Chairwoman

Reflecting on 2021, there are many takeaways and lessons learnt, but the most important was the strong economic recovery which positively affected the Factoring and Supply Chain Finance Industry. A number of other important changes took place last year: first the FCI Council elected a new Executive Committee and Chairman during the September 2021 Annual Meeting which resulted in the approval and execution of a new 2-year strategic plan. The FCI Advisory Committee was reconstituted, which is represented by senior leaders of the largest factoring companies in the world. We also strengthened our strategic partnerships with the Regional Development Banks, released the new version of FCI's two-factor platform Edifactoring 2.0, hosted many webinars, had the chance to host our first in-person events at year end, and finally were able to meet members face-to-face across most regions, something greatly missed within the FCI network.

THE IMPACT OF COVID-19 AND THE WAR IN EUROPE

Although we all like to think that Covid-19 is behind us, the reality is that we are still feeling the effects from its grasp. Millions of cases are still being reported across the world, not to mention the domino effect it has had on global supply chains. The conflict in the Ukraine has been quite disruptive, having far reaching consequences including restrictions on the export of soft commodities which have adversely impacted Africa. Between the pandemic, the rise of costs of travel, and the focus on budgets, many are still reluctant to travel to meetings and attend FCI events.

The rise of inflation and interest rates brings a tremendous amount of uncertainly as well, with fears of a global recession in the near term. However, we also see an increase in demand from consumers after nearly two years of caution. This can be seen in the double-digit growth reported in factoring volume in 2021 and what we are seeing in the first four months in 2022.

STRATEGIC PLAN

The most important FCI initiative was the launch of the 2-year strategic plan. The plan focuses on eight central themes including:

- Supporting the Industry
- New Membership and Retention
- Strengthening the Trading Network
- Deployment of Edifactoring 2.0 Platform
- Enhanced Advocacy
- Improved Financial Planning
- Strengthening the Governance Model
- Environment, Social & Governance (ESG)

To implement these plans in the best way, we have created several working groups within the Executive Committee to better focus on specific topics, speed up the decision making and execution process in order to achieve the objectives set. We allocated tasks to each group to determine where we need to increase investments and focus on our priorities as defined in our strategic plan.

Our big priority is to ensure all FCI Members are getting the full support and attention they require. We want to build closer relations with members to understand their needs and the different market requirements to improve FCI support. There is a lot to be done, but the committee members are ready to build a robust organisation after the pandemic.

THE IMPORTANCE OF THE COOPERATION WITH REGIONAL DEVELOPMENT BANKS

FCI works hard to benefit our members, advocate for the industry and push the industry's growth to new heights. To achieve this, we strategically partnered with Regional Development Banks like the European Bank of Reconstruction and Development (EBRD), the African Export - Import Bank (Afreximbank) and the Asia Development Bank (ADB) to target and support financial institutions, governments and central banks in specific regions around the world.

In all cases we have focussed on education and awareness. All three have tailored educational offerings with the support of the FCI Academy. The African Development Bank launched last year a Grant to support the growth of factoring on the continent, which included the deployment of education and training to hundreds of students. Supported by FCI Academy, the Afreximbank also led the launch of a new one-year education program together with the American University in Cairo, Egypt called Certificate of Trade Finance in Africa (COTFIA) to assist in developing senior talent on trade & receivables finance within the financial services sector. On the other hand, EBRD and ADB have purchased licences to offer factoring courses to their partner banks, expanding the reach of the FCI Academy's offerings.

FCI has also joined forces with these development banks to offer regional events and online seminars to promote Factoring and bring together industry leaders, governments, factoring companies, banks and FI's, etc., to network and discuss the benefits of the service. These partnerships not only benefit the regions and our members but also expands awareness of FCI as the Global Representative Body for Factoring and Financing of Open Account Domestic and International Trade Receivables.

NEW EDIFACTORING 2.0 RELEASE

After almost three years in the making, Edifactoring 2.0 has officially been launched in April 2022. The platform has undergone a facelift, rigorous security tightening and has seen the addition of a few new features to make the processing of messages with transactions just that much easier for its users. FCI launched through two stages, the new Test Environment for users to explore the new platform, then the Production Environment of Edifactoring 2.0 went live on the 3 April 2022. Members can now use the upgraded platform to perform cross border factoring transactions.

This two-factor platform by FCI is designed to support the cross-border business model of FCI members and their clients through a set of electronic document interchange (EDI) messages. Many companies struggle with different languages and local laws. Hence, FCI's two-factor platform helps bridge this gap by allowing FCI members to communicate with each other in one safe and transparent place within the settings of the FCI Legal Framework using the pre-set messages.

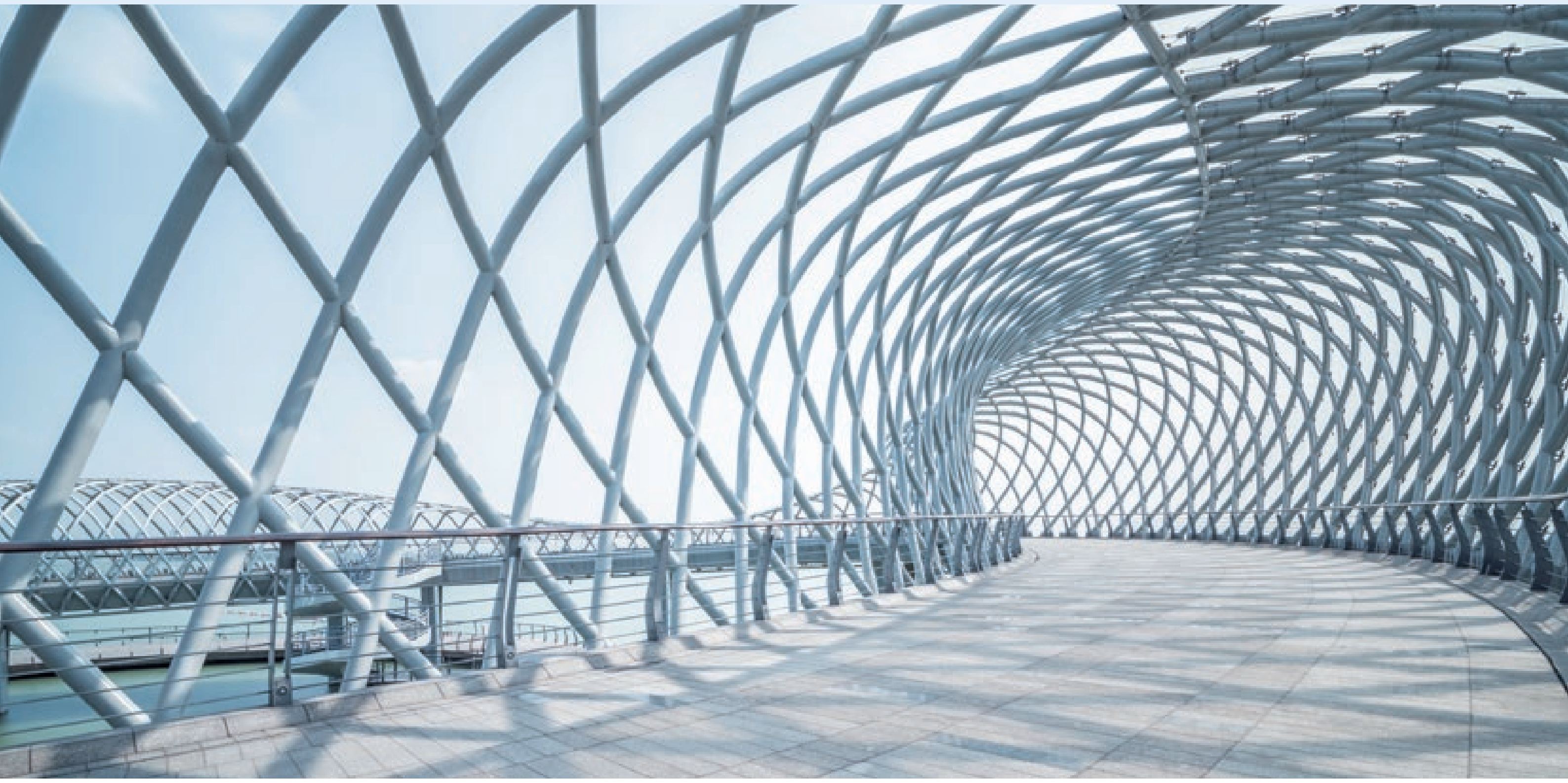
GLOBAL STATISTICS

The 2021 World Factoring Statistics report has proven the strength and resilience of our industry, picking ourselves back up after the pandemic. The Factoring and Receivables Finance Industry volume witnessed a significant growth of 13.5% in 2021, representing the first double digit increase reported in over two decades, with an estimated volume of EUR 3,093 billion. 2021 also saw a GDP penetration of 3.91% for the industry, a slight decline compared to 2020, stemming from the pandemic.

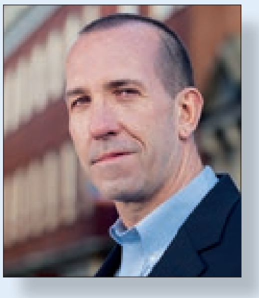
CONCLUSION

Even though 2020 was challenging in terms of both domestic and international business, 2021 showed a significant turnaround across the board. FCI reported a double-digit growth rate in 2021, compared to the previous year which delivered a -6.5% growth rate. International factoring also accelerated in 2021. FCI edifactoring platform reported a 15% growth in volume in international two-factor business in 2021. And in Europe, international cross border business grew nearly three times faster than domestic growth, a trend that we witnessed for most of the first 15 years of this century, only slowed due to the trade war and the pandemic. The launch of the new edifactoring 2.0 platform delivers a very modern upgrade and will lead to a more secure platform with future capabilities to adopt blockchain technology including seller and buyer on-boarding. So quite an amazing period of growth for our industry, for international factoring, for edifactoring, and for FCI members in particular.

Futuristic pedestrian footbridge, Suzhou City, China.



Introduction



Peter Mulroy,
FCI Secretary General

FCI is the global representative body for the Factoring and Receivables Finance Industry, a non-profit association in the Netherlands, with nearly 400 members in 90 countries. After a challenging 2020 stemming from the pandemic, 2021 was undoubtedly a turnaround year for FCI and the industry. We entered the new period with the continuation of the pandemic, and residue from the trade war, geopolitical turbulence, and the finalisation of BREXIT. Even today, we are in the midst of a significant conflict on the European continent. Despite these challenges, FCI invested significantly in upgrading our correspondent cross-border factoring platform, which today is blockchain-ready and will soon allow for supplier and buyer onboarding. We were also awarded a significant grant through a joint program developed by the African Development Bank and the Afreximbank to support the industry's growth there. This paper highlights the significant achievements in 2021 and the challenges and opportunities facing FCI and the industry today and in the years to come.

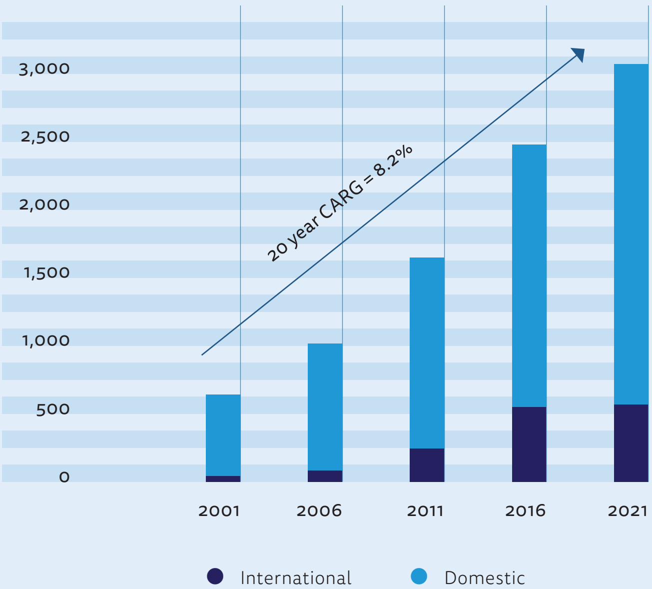
THE GLOBAL FACTORING MARKET

The world factoring statistics indicate that the Factoring and Receivables Finance Industry volume witnessed a significant growth of 13.5% in 2021 after the devastating impact of Covid-19 in 2020, reporting a decline in the volume of -6.5%. Compared with the previous year's EUR 2,724 billion, the 2021 estimated volume of EUR 3,093 billion represents the first double-digit increase reported over two decades. 2021 marks the end of a challenging period where businesses were interrupted due to the severity of the virus, and most meetings continued to be conducted virtually. As we entered 2022, we could see the sun on the horizon.

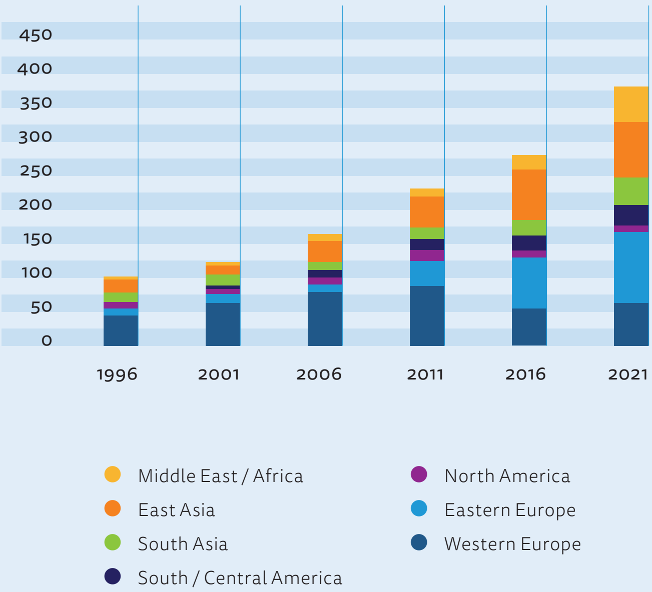
MEMBERSHIP

FCI has evolved as an association, increasing from more than 100 members 20 years ago to nearly 400 members today. Over 45% of our membership was based in Western Europe; however, the figure stands at 17% today. At the time, Asia accounted for only 3% of the membership, but today, over 24%. However, the global pandemic had an adverse impact on new membership in 2021, as we were only able to add 17 new memberships (compared to 26 in 2020). Between 2017-2021, FCI added a total of 145 new memberships. We are seeing most of this growth coming from emerging countries. As part of our new two-year strategic plan, which we rolled out in the 4th quarter of 2021, FCI is expected to increase membership to over 500 members by 2027. Indeed, this objective will be challenged due to the lingering impact of the global pandemic and the return of conflicts between states on European soil.

Evolution of the Factoring Industry 2001-2021 — in billions of EUR



FCI Membership



2020-2021 PROJECTS

Impact of Digitalisation and Technology

With the advent of digitisation, artificial intelligence, blockchain, cloud computing, and big data, we are all witness to a significant evolution in how the rise in new technologies will impact our industry: business will be deployed in the future, which will create confidence for investors, improved efficiencies, and more excellent and faster service for our clients. But the real benefit will be felt tomorrow, with the seamless ease in which corporates, SMEs, financial institutions, fintech, and supporting third parties will one day communicate with each other on one open-source platform, in an interoperable environment, in a highly secure manner creating increased transparency, eliminating fraud, significantly reducing dilution risk, enhanced underwriting capabilities, and ultimately creating a vastly improved credit risk environment for the industry. This world is no longer a pipe dream, and FCI began the building blocks in 2021 through Edifactoring 2.0, a vastly improved trading platform for our members, which was rolled out in the 1st quarter of 2022. FCI also invested in other projects, including continuing to decentralise the association, building up our regional factoring centres; beginning to review the concept of developing a global receivables exchange and supporting the development of receivables registries; continuing to enhance our Supply Chain Finance (SCF) services, including FCIreverse; enhanced our investments in the area of advocacy & public policy; and rolled out the new SCF course which was finalised at year-end.

African Development Bank (AfDB) Grant

FCI also supported the deployment of the special purpose Grant authorised by the African Development Bank (AfDB) to deploy capacity building in the emerging factoring market in Africa that will ultimately benefit SMEs across the continent. The project was to help upgrade and provide capacity building for the emerging and established factoring firms in Africa, develop sustainable knowledge, and build a new learning platform in Africa. The grant includes consultancy services to advise start-ups in the factoring space. It also provides advisory and mentoring services. It has helped to organise conferences and workshops in Kenya and Nigeria as well as to train and sensitise users and government officials. It provided needed scholarships to enrol in the FCI Academy's online courses to various stakeholders. It also included funding for entrance into the FCI-Afreximbank Certificate of Trade Finance in Africa (COTFIA) program, a one-year highly specialised combined virtual online and physical in-person education experience supported by the American University in Cairo and held at the headquarters of Afreximbank. In addition, through the grant, Afreximbank and FCI organised a major event at the Inter-African Trade Fair in Durban, South Africa in November as part of the new Africa Continental Free Trade Agreement (AfCFTA). The grant went live on the 1st of February 2021.

Supply Chain Finance and the FCIreverse Project

FCI also made SCF investments in the FCIreverse platform. This project was rolled out in 2019 but was stymied in 2020 and 2021, stemming from the pandemic. Nonetheless, we signed four Memorandums of Understanding (MOU) in 2021, of which one began the final onboarding process in December.

Panoramic view of Robert Schuman Bridge by night, Lyon, France.

The platform will not only allow members to access an operating platform to onboard both anchor buyers and their domestic and foreign suppliers, but it will also allow the use of export factors around the world to support the anchor FI by educating the supplier on the many benefits reverse factoring offers, signing a local factoring contract with the supplier, providing Know Your Customer (KYC)/Anti-Money Laundering (AML) guidance, and potentially even funding against assigned receivables, if requested, by the anchor FI.

The impact of the Greensill Bankruptcy

The collapse of Greensill Capital, a financial services company based in the United Kingdom which filed for bankruptcy protection on the 8th of March 2021, sent shockwaves through the industry. I am pleased to report that Greensill was never admitted as a member of FCI! We have all seen companies rise and fall before, but this story was notorious as it was the first to make headline news within the SCF/Receivables Finance industry. They were a darling of Wallstreet, but there were many dubious signs, with questionable underwriting and/or compliance practices; the reliance on a sizeable portfolio against an unknown credit insurance player; questionable financing practices against future invoices; and the obvious negative practice of significant concentration risk in inter-company/related party financing. Fortunately, with the advocacy by FCI and the industry, it was discovered that Greensill was an outlier, not a systemic risk to the industry, and taught us all valuable lessons in the importance of education and following FCI best practices.

Trade Finance as an Investable Asset Class

Another important initiative was the efforts of the working group established two years ago entitled "Trade Finance as an Investable Asset Class". With our "fund" members and additional non-bank members, including outside parties like insurers, pension funds, and other essential stakeholders, FCI created a working group to discuss improving members' experience in raising debt capital outside the traditional means through bank funding. FCI had meetings with FITCH and Moodys rating agencies to help elevate the financing growth from the capital markets into the factoring and receivables finance industry.

Rise of Receivables Exchanges

FCI also witnessed an increased interest in developing receivables exchanges as more and more companies are engaged in providing debt capital to the industry. The concept of a receivables exchange was tested earlier this century with the formation of The Receivables Exchange in the US. The idea of creating an electronic auction marketplace for investors to purchase receivables was something relatively novel at the time when they designed an invoice auction exchange platform. Small and midsize businesses (SMEs) access working capital by auctioning invoices to a global network of institutional buyers

Aerial panoramic view of Marina Bay at dawn, Singapore.

who compete to buy receivables via a real-time marketplace. The concept was an alternative to traditional factoring as we know it today. The technology has improved so much that several new players are now emerging, and FCI is considering investing in this space.

Development of Islamic International Factoring
And finally, FCI developed, together with certain members in the Middle East, a new set of rules governing Islamic Factoring. In June 2019, FCI signed an MOU with the Islamic Trade Finance Corporation (ITFC) to create the new Islamic Factoring Chapter. This caps a three-year effort to 1) develop new rules on Islamic Factoring 2) onboard Islamic Banks and NBFIs, and 3) create a new Islamic Factoring Chapter. In November, FCI, together with our member, the Islamic Development Bank/ITFC, organised the first virtual meeting of the 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.

CONCLUSION

Considering the continuation of a challenging global environment stemming from the pandemic, FCI had another profitable year for the fourth year in a row. This was due to the support of our membership but also a strict control on costs. With 2021 behind us, we enter 2022 in a strong position, with over 30 new memberships in the 1st quarter alone, one of our members finalizing their onboarding onto the FCIreverse platform, the deployment of our new trading platform edifactoring 2.0, and the first transactions reported from FCI's Islamic factoring initiative. As we witnessed a significant turnaround in global factoring volume of 13.5% in 2021, we seem to be returning to some form of normalcy. However, the recent conflict in Ukraine will have a dampening effect on the industry, especially in Europe, but with the hope that the situation will abate in the near future. We continue to receive reports of very strong growth rates from our members, and FCI reports a very strong 32% increase in edifactoring statistics through April 2022. However, with the expectation of an increase in credit risk in the second half of 2022 in part due to the withdrawal of state support, the rise in inflation and interest rates, the conflict in Eastern Europe, and the continued impact of the pandemic in China and elsewhere, we have some concerns of the effects it could have on our membership. After all, the factoring community normally excels during times of crisis, and even though this period is challenging, we remain bullish and expect the industry to continue its positive trajectory for the foreseeable future.

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

Panorama of Washington along the Potomac River. Lincoln Memorial, Washington Monument and Memorial Bridge. Washington, D.C., U.S.A.

Roundtable Discussion | The Factoring Industry Evolution, where are we on Regulation, Digitalisation and Risk?

This year FCI have asked contributors across the globe to provide their perspective as we emerge from the pandemic on three key topics.

- **Regulation**
- **Digitalisation**
- **Risk**

The contributors are:

- **John Oliver (JO)**
  Head of Client Management – Open Account Products including some thoughts of Thorsten Hoeffken Head of Open Account Products, Barclays Bank Plc, United Kingdom
- **Stefan Wagner (SF)**
  Managing Director – ABN AMRO Asset Based Finance, Germany
- **Christine Chartier (CC)**
  Managing Director – SCF, Banque Nationale du Canada, Canada
- **Gavin Tarr (GT)**
  Head of Debtor Finance – First National Bank, South Africa

Can you provide an update on the impact of regulation that affects the industry in their region?

JO: The UK has seen two primary regulation changes that have impacted the overall Receivables product offering.

1. The requirement to move away from Libor has impacted primarily our Large and Global clients, where facilities were linked to Libor. However, the vast majority of our receivable facilities in the UK will be against Base Rate, so no impact has been felt.
2. From 1st December 2020, HMRC became secondary preferential creditors in insolvency processes, changing the order in which repayments are made.

Creditors are grouped into categories, and the following is a broad outline of the order of repayment:

- Secured creditors with a fixed charge
- Preferential creditors - company employees
- Secondary preferential creditors – HMRC only, regarding the taxes mentioned above.
- Prescribed part – a sum set aside for unsecured creditors
- Secured creditors with a floating charge
- Unsecured creditors

While this change has not impacted the UK Factoring or Confidential Receivables products that we provide where we have either purchased the receivable or have a Fixed charge, it has impacted our UK Asset Based Lending products where we are secured via a Floating charge and so appropriate reserve structures have been implemented which has generally restricted client's availability.

SW: Overall, the European Union, factoring companies, and banks are affected by constantly new regulatory requirements: This is often a race against time to comply with banking regulations (sometimes set with short timelines). This requires continuous investments, mostly in IT and process adaptations. You hardly meet anyone in our industry who is not struggling with the mere volume of regulation. However, it needs to be understood that regulation is made to protect customers and create a stable and safe financial industry, which means that it leads to a better and safer environment for our industry. We become less vulnerable to a crisis and more transparent and reliable to customers. My advice is to embrace regulation and use it to make your company better for clients, employees, shareholders, and society. But it is not forbidden to be critical, of course. Especially in Europe, we see regulation targeting a consistent and harmonised approach for the banking industry. Unfortunately, the execution of regulation in the different European countries can differ a lot, creating competitive differences and complexity, which a more standardised and harmonised approach could avoid. We welcome the ECB and other local regulators working on a standardised approach. It is also essential that smaller industries such as factoring are not overlooked in a coherent regulatory approach with the specifics and differences. In this context, it is necessary to stay in dialogue with regulators and strive for the best approach.

CC: The Canadian financial industry is highly regulated through multiple dedicated bodies. Banks in Canada are supervised by various regulators, with the Office of the Superintendent of Financial Institutions (OSFI) responsible for prudential regulation and financial stability and the Financial Consumer Agency of Canada (FCAC) accountable for consumer protection and market conduct. The Financial Consumer Agency of Canada (FCAC) monitors and supervises financial institutions and external complaints bodies regulated at the federal level. These entities include banks and federal credit unions. Trust and loan companies.

Every province and territory has one or more bodies to regulate financial institutions under provincial responsibility. These institutions include securities dealers, credit unions, caisses populaires, and other financial institutions that are registered or incorporated at the provincial level.
The activities of banks and foreign bank branches are limited by the Act, which sets out the types of business that a bank or foreign bank branch may carry on, the types of investments that may be made, and, for banks, the types of transactions that the bank may enter with related parties. Notably, banks and foreign bank branches are limited in their capacity to deal in securities, act as fiduciary, and distribute insurance products.

To carry on business in Canada, a bank or a foreign bank branch must obtain approvals from the Superintendent of Financial Institutions (the Superintendent) and the Minister.
Foreign banks may establish a presence in Canada by establishing a representative office with the Superintendent's approval. However, these offices are highly restricted in the types of activities that they can carry on in Canada. They are prohibited from carrying on a banking business in Canada. Instead, they can only act as a marketing office and referral conduit for Canadians who wish to carry on business with the foreign bank on a cross-border basis.

In summary, regulations in Canada are stable and quite exhaustive, leaving the industry in a secure environment (which was positively tested in 2008-9).

GT: While the Greensill case study has led to many questions around the viability of Reverse Factoring schemes, I expect that accounting treatment and transparency will be foremost of mind as we advance. In South Africa, Reverse Factoring schemes are fairly textbook in nature and often anchored by large public companies subject to high governance levels, so there has not been any change in approach or fallout with respect to Reverse Factoring schemes.

There is an increasing focus and regulation on the protection of information. This has led to some discussion around interpretation in receivables programs, specifically non-disclosed programs. Information and data are a vital component in risk assessment within receivables programs, and we have a robust credit bureau infrastructure in South Africa that enables the receivables industry. In other sub-Saharan African countries, this infrastructure is not as mature and does present challenges in growing the receivables market.

How is technology and digitalisation changing the Factoring industry in your region? Did you see an acceleration, what kind of change did you see in the last 24 months, and what do you expect from the future?

JO: The UK has seen a significant move towards digitalisation with many institutions moving towards data extraction technology with the aim of

- Improving user experience
- Increased fraud controls
- Remote auditing
- Reduction in travel time to and from clients
- End-to-end automation to reduce costs

From left to right: John Oliver, Stefan Wagner, Christine Chartier, Gavin Tarr.

The pandemic accelerated technology adoption, with solutions being found to allow the continuation of lending with remote assessment.

We have found that multiple Fintech providers are introducing new technology to solve elements of the facility journey. However, to date, no party is providing a full end-to-end solution for all client sizes, and coupled with the integration of technology to bank legacy systems, the implementation timelines will to a degree, mask the pace at which adoption is being undertaken.

SW: Digitalisation is making substantial progress in the factoring industry. We see the development in client solutions with improved or even new client propositions and internal processes at the same time – which of course, in turn, benefit the speed and quality of service to clients. New developments are often started in fintech, but also, the established factoring companies and banks are meanwhile speeding up with their developments. We often see that it is most successful when fintech and factoring companies/banks join forces, allowing them to combine their knowledge and experience to create the best solution.

Digitalisation is driven from different angles. One driver is the constant cost pressure that the banking industry has faced for many years based on several reasons. At the same time, digitalisation enables us to improve data analysis to benefit both the financial service and the client. This is required both from customer service and a regulatory perspective, including data and IT security. The most important element of digitalisation should be to create products and processes that fit the different needs of customer segments, may their focus be on simple, transparent, and inexpensive solutions, or structured deals also require advice and complex processes.

CC: Fintech seems to be making inroads with smaller companies, using a financial platform where a client will input the information required and get access to a factoring limit quickly. These are growing in number and size, but it is not easy to assess at this time how competitive (pricing, structure, securities, etc.) they are in the marketplace. Besides the arrival of several small Fintechs, we didn't see much technological impact in the past 12-24 months.

GT: There is continued momentum in the "Rise of Fintechs," Realistically, we would expect to see that trend continue. Many fintechs seek to solve points of inefficiency and/or poor client experience in legacy systems, often within a very narrow scope. In isolation, they look great and would suit a smaller bespoke offering but for the solution to exist within a larger, more complicated offering is where the fintech offering can fall short.

The answer for larger banks and organisations, in my opinion, is to work on the core IT architecture, making it flexible enough to interface seamlessly with the fintech, but at the same time preserve the governance and manage the overall risk of the underlying products or programs. This is easier said than done, but I know this is a journey, not an event, so it is vital to ingrain this thinking into your strategy, culture, and way of doing business.

How are you foreseeing risk with the new environment? What effect do you see?

JO: As expected, there has been a general upward trend in insolvencies throughout 2021 and into 2022, with Jan 2022 only exceeded by Nov 2021 since the lockdown commenced. Dec 2021 to Feb 2022 indicated a temporary stabilisation in insolvencies. However, March has seen a further acceleration.

We are seeing a general increase in client utilisation, and with global inflation and a necessity to start to repay Government funding, we will likely continue to see insolvencies increase.

SW: Risk is developing in line with all other developments in modern society. Needless to say that evaluating financial credit risk has always been a core competence in our business. The more dynamic development is taking place in other areas. Operational risk, IT security risk, sustainability risk, and non-financial risk have moved much more into the focus of attention based on substantiated reasons. This follows the technological progress made in business and geopolitical and societal developments. These risk types are also very much in the focus of banking regulation and highly relevant for our clients. Our responsibility is to address, identify, and evaluate all risk elements in all areas of our business, our products, processes, or our relations with clients and suppliers. In a modern financial service company, this responsibility can, of course, not just be left to risk departments, it is as much the responsibility of commercial departments. Therefore, all parties involved must be in constant dialogue about identifying risk and the actions to mitigate and manage it. Dealing with risks should not be seen as a threat or a burden. It is, at the same time, an opportunity. We can provide our customers with better advice and better solutions based on superior risk knowledge, benefiting our business model.

CC: Risk will continue to fluctuate according to the economic cycles. The current strategy from central banks to curb inflation may have a backlash effect that could turn the European and possibly global economies into a recession in 2023. This would impact credit risk on the buyer side, which could dampen the insurers' appetite and affect business globally. The ongoing and late Covid-19 outbreak in China could also increase and extend the problems in the supply chain and delay the return to normal flow and prices on that side.

GT: I believe that the importance of operational control should receive more airtime, specifically in Reverse Factoring schemes and generally in all receivables programs. There is often much focus on financial and credit rating, yet the real failure often happens due to a fraud event or poor governance. Despite all the innovation and changes in receivables finance over time, successful firms and programs are always underpinned by a robust operational framework. In many ways, it is vital to keep an eye on these basic principles through the current and future cycles of innovation and growth.

It is often tempting to let go of the basics in receivables finance at times like these, but quite honestly, the opposite is imperative. Given the consistent macro shocks to the global economy over the last few years (Covid, pockets of civil unrest, destructive weather patterns, military action, and the like), many great opportunities exist for receivables programs to fund companies as economies recover globally. Stakeholders will have expectations for finance houses to capitalise on these opportunities. With these opportunities and innovative fintech channels, the winners will be those companies that still tick the boxes of risk and governance principles that are tried and tested within the industry.

JO: Thank you for your interesting replies, we can see some common situations but also different ones around the globe.

Juscelino Kubitschek Bridge, Brasilia, Federal District, Brazil.

Regional Updates | 2021 Figures

AFRICA

With the resumption of the Covid-19 crisis, Factoring volumes continued to grow in Africa in 2021. It increased from EUR 25 billion in 2020 to over EUR 32 billion in 2021, representing 28.1% growth. Countries that led this growth included Egypt, South Africa, Mauritius, and Tunisia with 90%, 30%, 23.4%, and 20.5% growth, respectively. **Nassourou Aminou**

AMERICAS

The Two-Factor System volumes (international factoring), which can be operated only if the bank is a member of FCI, show that the Americas Region was the one who experienced the highest growth in relative terms, 24.1%, going from an annual volume of EUR 2.63 billion to EUR 3.26 billion. Dividing the region into two sub-Regions, North (the US and Canada) and LA&C, the breakdown of these figures shows a clear trend and import characteristics of the North sub-Region (EUR 2.5 billion, growth 25%) compared to LA&C (EUR 0.8 billion) almost entirely exporter, except for Chile (where the Bank of Chile sets the import trend with the largest market volume). The volume of invoices traded in the region grew by 39%, while the global growth was 16.26%. Still, the largest volume is found in the North sub-region. However, there was also significant growth in LA & C, which is very promising. In conclusion, despite Covid-19, the region experienced growth in general in all the ratios analysed, which is very encouraging. **Alberto Wyderka**

NORTH EAST ASIA

The past year has seen continuous mutation of coronaviruses. It's still a long way for the world to go out of this pandemic. Global supply chains have become increasingly vulnerable, and the global economy is in high uncertainty. With strict control and a series of macro-control policies, China's economy maintained its stability, achieving 8.1% GDP growth.
Both exports and imports grew by 21%, totaling more than USD 6 trillion. Factoring business volumes also achieved 8.4% growth according to FCI statistics. The overall performance of the Northeast Asian market was a bottoming out. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

In comparison to others, this is the only region where we recorded negative growth. To put things into perspective, South and Southeast Asian factoring markets can be classified into two categories: Singapore is considered a developed market and has supported the lion's share of international factoring volume to this SSEA region, up to almost 80%. Still, fluctuations observed in Singapore substantially impact the region, as seen in 2021. A long-time contributor and advocate to the international factoring industry and FCI adapted a different accounting practice and moved her two-factor system volume offline. This affected not only her volume but the whole region. Should this not be the case, SSEA would likely enjoy similar growth rates as her counterparts where a low double digits figure was possible. Bangladesh and India are catching up slowly and building momentum. **Thompson Lui**

CEE, SEE AND THE MIDDLE EAST

Factoring volumes grew in CEE/SEE and the ME region in 2021. It increased from EUR 4.146 billion in 2020 to over EUR 4.848 billion in 2021, representing 18% growth. The growth rate reflects the sustained increase in factoring volumes on the CEE/SEE/ME. Countries that led this growth included Czech Republic, Poland, Russia, Lithuania, Hungary, Romania, Slovenia, Slovakia, and Greece, with over a 19% increase compared with the previous year. But the five big countries that are dominating the landscape in CEE/SEE are Poland, Russia, Turkey, Greece and Hungary.

Additionally, there are some countries where the increase is very promising compared with the previous year, like Lithuania, Bulgaria, Czech Republic, Slovakia and Georgia . However, we do not see a notable rise in the Middle East market. **Betül Kurtulus**

EUROPEAN UNION

Data collated by the EUF show that in 2021, after the year 2020, characterised by the pandemic that led to a substantial reduction of the EU GDP and consequently of the factoring turnover (-5% in the year 2020), factoring and commercial finance volumes in the EU grew overall by 10.9% to reach EUR 2 trillion, thanks to the general economic positive trend. It's important to underline the impressive recovery of the volumes, which is higher than the turn overreached in 2019 before the pandemic. The European volumes represent 2/3 of the worldwide factoring turnover, it demonstrates the importance of factoring in the real European economy. 76% of the total European turnover is domestic business, and the balance is international business. 51% is referred to as non-recourse factoring in relation to the need of the clients to cover the debtors' risk.
Funding of EUR 275 billion supports around 265,000 European clients, helping them deliver growth, employment, and business success. With factoring and commercial finance now representing around 11.1% 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 more or less unchanged, with the top five countries representing 72.5 % of the total EU European market: France (18.2%), United Kingdom (16.4%), Germany (15%), Italy (12.9%), and Spain (10 %). **Fausto Galmarini**

Regional Updates | Legal, Regulatory and Advocacy

AFRICA

The initiatives undertaken in previous years by Afreximbank and FCI to support regulatory reforms by promoting the model factoring law in Africa are starting to show success. Notable progress has been made in Congo to adopt the law and in West Africa with the adoption by the Central Bank of West Africa (BCEAO) of a uniform factoring law based on the Afreximbank factoring model law for eight (8) countries (Ivory Coast, Benin, Senegal, Niger, Togo, Burkina-Faso, Mali, Guinea Bissau). Côte d'Ivoire was the first country to start the domestication of the stated law. Some countries are finalizing laws in this direction, notably Nigeria, Kenya, and Madagascar. **Nassourou Aminou**

AMERICAS

The end of 2021 allowed us to resume visiting trips to members and prospects. The first step was participating in the Assembly of FELABAN (Latin American Bank Federation), where meetings were held with banks and regulators. International factoring is consolidating in the region, as we saw in its volumes and the possibility of financing exporters and countries' growth and development. Domestic factoring already has the marked course as a commercial financing tool. One aspect that generates concern among the actors is the correct implementation of the assignment. The issue is practically settled in countries with a factoring law or where electronic invoicing works. In this regard, we are collaborating with the Associations and government entities to create policies and regulatory frameworks that will pave the way for the correct and healthy development of our industry sustainability.
Alberto Wyderka

NORTH EAST ASIA

China's Civil Code was formally implemented on 1 January 2021, including factoring for the first time. On the policy side, China continues to encourage and support the development of supply chain finance. Many documentations and measures have been issued at the national and local government levels. One notable initiative is that the People's Bank of China issued the Measures for the Unified Registration of Security Interests Over Movable Properties and Rights, including factoring as a type of security within unified registration. It is yet to be observed its pros and cons for the factoring business. At the same time, it is evident that financial regulatory efforts have been being strengthened to tackle the market disorder in recent years. The Chinese government aims to support the real economy and address SME financing by factoring and supply chain finance. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

The most symbolic development out of all SSEA markets in 2021 is issuing the Reserve Bank of India (RBI) licenses to operate TReDS (trade and receivables discounting system). According to McKinsey Global Payments, the Supply Chain Financial potential of global trade was at USD 17 trillion, whereas international factoring volume was only EUR 2.7 trillion. The domestic factoring percentage was only 0.2% of GDP in India. I see this as a clear strategic move to facilitate the growth of enabling trade-finance products/facilities such as import/export factoring, reverse factoring, supply chain financing, and forfaiting to prepare for the massive growth of international trade ahead. It seems the South Asian market in 2021 has made key developments in stirring factoring and receivables management in the right direction right after that from Dhaka in 2020, encouraging their counterparts from ASEAN nations to follow. **Thompson Lui**

CEE, SEE AND THE MIDDLE EAST

FCI continued to support legal and regulatory reforms to enable factoring throughout 2021. We worked closely with EBRD, IFC World Bank, to support the infrastructure of the countries in the region. With the effect of the pandemic, regulations have been organised to enable remote working conditions in many countries. Governments support remote contract signing and legal infrastructures of e-solutions. This support also brought many digital solutions into the receivable finance industry. In 2021, the United Arab Emirates adopted the new factoring law. We invested in capacity building and advocacy in numerous countries in CEE/SEE and the ME. We supported the creation of sound policy and a suitable regulatory framework for the healthy development of factoring. **Betül Kurtulus**

EUROPEAN UNION

In 2021, the European Factoring and Commercial Finance industry had many issues to face: the reply to the European Commission's request for technical advice from the EBA in terms of harmonisation, an update on the payment study, and the observatory regarding the Late payments directive by the Commission, the implementation of Basel III (touching, among other things, credit insurance as an eligible credit risk mitigation tool), new developments concerning sustainability as requested by the EBA, a draft legislative texts regarding new AML/CFT regulations/directive and prepared many responses to several consultations addressing sustainable corporate governance, insolvency laws, VAT rules for financial services and the EBA draft RTS to identify shadow banking entities.
Finally, in relation to the EU Commission's proposal for a regulation amending Regulation. 575/2013 to finalise the Basel III Reform, the EUF strongly advised recognizing the low-risk profile of purchased receivables not only for the AIRB Approach but also under the SA-CR by way of 1) the possibility to consider purchased receivables as eligible CRM tools under the Standardised Approach, allowing the possibility to opt for the risk weight of the account debtor in the case the agreement provides partial or full recourse to the client, 2) the possibility to apply to the definition of default at the level of a particular facility (invoice) as already provided for retail exposures, amending article 178, 3) the application of lower risk weight for exposures to purchased receivables to unrated corporate within a range of 50/75%. **Fausto Galmarini**

Regional Updates | Promotion and Awareness

AFRICA

In 2021, FCI and Afreximbank held a series of factoring promotion and awareness campaigns. We hosted the online Regional Networking E-vent Africa & Middle East during March, allowing members to network, discuss business opportunities, and learn best practices. In July, BCEAO, Afreximbank, and FCI hosted the 3-day Webinar series on Factoring and Receivables Finance in Africa, with over 1,000 participants focusing on building the capacities of actors involved in factoring activities in Africa. In November, we partook in the 1st National Conference on Factoring, organised to promote the use of Factoring in the Nigerian financial services mix. We also took part in the Intra-Africa Trade Fair (IATF) to be present and encourage factoring. Alongside the IATF, we hosted two Breakfast meetings to bring together senior officials from Africa and gather financial executives to get up-to-date information and examine the impact AfCFTA will have on SMEs' liquidity and the important role of factoring. **Nassourou Aminou**

AMERICAS

Visits and in person meetings were threatened due to the pandemic and were conducted virtually. A Regional Conference was held at the beginning of the year, with substantial participation of members and observers. Virtual training conferences were recurring topics. Virtual meetings with factoring associations were held where we participated in presentations and dissemination of the domestic and international business and market situation, like webinars organized by FELAFAC (the Latin American Factoring Federation) of which we are members. The follow-up given to FCIreverse through meetings, presentations, and technical demonstrations was significant, which positioned the region at the head of our organisation in promotion and high degrees of progress with banks. Education was the other field that was always prioritised in the region. A webinar held in October brought together over 600 participants, making it the largest presence held in this area by FCI. In November, Mr. Çagatay Baydar, Vice-chairman, and I attended FELABAN, which was highly positive. I continued visiting several members and prospects in the US and Mexico, two of the key countries, to increase our network. **Alberto Wyderka**

NORTH EAST ASIA

The Greater China region was once the most active region for two-factor business. But over the past decade, trade finance in the region fell into a dilemma, which hit the two-factor business directly. While it is true that there are external challenges of trade wars and geopolitics, the more critical issues are the awareness and attitude towards two-factor business, as well as the establishment of an efficient two-factor mechanism among the banks in the region. Therefore, it's our top priority to reperceive the value of the two-factor mechanism and return to the track of the FCI two-factor business. In September, we organised a Greater China two-factor webinar. Our former Secretary-General and his three grey-haired friends from the region joined together to share their stories and help the new generation recognise the vision and mission of FCI. We need consensus among the banks in the region. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

The region witnessed an unpresented disruption in general livelihood and economic activities in 2021. Cross-border travelling was at a complete stop, and commuting to the office became a historical practice. Even though FCI has adapted to hosting events online since 2020, we still face severe challenges in terms of bandwidth, affecting the quality and overall experiences. Apart from FCI's regional events online that we successfully organised, FCI also joined and spoke at events arranged by our partners like International Finance Corporation (IFC) and Asia Development Bank (ADB), promoting FCIreverse and supply chain finance knowledge in emerging markets like Cambodia, Pakistan, and Vietnam. **Thompson Lui**

CEE, SEE AND THE MIDDLE EAST

We organised various events, as well as workshops with our business partners, promoting international factoring, reverse factoring, and Islamic international factoring. FCI participated in GTR meetings across MENA. We discussed our services with FCI members, potential members, and clients during these meetings. We organised a workshop on "Factoring as an alternative tool for financing SMEs" jointly with the EBRD in Georgia, Uzbekistan, and Kyrgyzstan. We, along with the IFC World Bank Group and the Ministry of Finance of UAE, also organised an online conference, "Factoring as an alternative tool for financing," to promote awareness of factoring in UAE and to discuss the new factoring Law in UAE. We also organised a joint conference to discuss the opportunities on our latest product," Islamic International Factoring," jointly with ITFC. Furthermore, together with EBRD, we organised conferences on digitalisation to support the infrastructure of the countries, receivables recording systems, and other digital technologies. **Betül Kurtulus**

EUROPEAN UNION

Thanks to the impressive results of 2021, the European Factoring and Commercial Finance market represents two-thirds of the world's total turnover.

It is gratifying to see our efforts deliver such essential benefits for European business. We also work to reinforce these key messages with our regulators and lawmakers and improve the way we provide our services for the benefit of all stakeholders. In March 2021, the EUF and FCI tried to organise the EU Factoring and Commercial Finance Summit in Rome. Due to the pandemic and the travel difficulties, the Summit was postponed to April 2022, again in Rome. **Fausto Galmarini**

Regional Updates | Membership Mobilisation

AFRICA

We have 40 members in the Africa Region, representing 10% of the total FCI membership. Two new members joined FCI during the past year. These were Global Corp Factoring, Egypt, Research Innovation Finance Solution (RIFSO), Morocco, and there are currently anticipated three new members for the next year 2022 Banque Centrale Populaire (BCP), Morocco, Industrial Finance Corporation (IFCM), Mauritius, HCH Financial Services Ltd, Uganda. **Nassourou Aminou**

AMERICAS

The challenging world economic crisis, derived from the outbreak of the Covid-19 virus and the redirection of budget allocation, in some cases, postponed banks' decisions regarding their affiliation to FCI. Four new members were obtained in the region, but these reasons mentioned above somehow influenced not achieving the budget of 6 new members. However, the expected termination budget of 5 members luckily did not occur when only two members terminated their membership. Another good sign is that one of our former members in Peru, a large bank well known to all, is reviewing their reincorporation in our community. Unfortunately, the region does not have a development bank committed to our industry and FCI, like the Afreximbank and the EBRD, which exert considerable influence. I aim to achieve a similar approach with some development entities and work together.
Alberto Wyderka

NORTH EAST ASIA

By the end of 2021, there were 78 members in the region, 42 in Mainland China, 9 in Hong Kong, 20 in Taiwan, 3 in Japan, 2 in Korea, and 2 in Mongolia, respectively. We terminated four commercial factors from China as they were no longer in business or had changed their strategy. Concerned about the risks of shadow banking, the Chinese regulatory authorities have tightened the supervision of NBFI, which has had a negative impact on the commercial factors. However, we believe this will benefit the industry in a long-term perspective. We place the recognition and adherence to FCI two-factor philosophy as the fundamental principle of our regional development strategy and apply it in consolidating and growing our network in the region. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

Even though SSEA faced numerous challenges, three new members joined the FCI family from the SSEA region. Many financial institutions like banks and non-bank FIs had second thoughts about joining FCI due to budget concerns and unforeseen ambiguity, thus freezing their plans to develop international factoring programs until these uncertainties fade away in 2022. Two members have decided to terminate memberships in 2021 due to organisation restructures and management changes. However, one ex-member has already re-evaluated the pluses of rejoining FCI immediately and is in the process of returning as an associate member. Overall, SSEA achieved only one net addition in terms of membership which was half of its objective of the net increase of 2 members.
Thompson Lui

CEE, SEE AND THE MIDDLE EAST

The preceding developments translated into eight new members: two in CEE (Bosnia and Herzegovina and Kosovo) and six in SEE (Turkey, Moldova, Russia, Uzbekistan) joined FCI in 2021. We have new Islamic members in the region. 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

Following the policy to enlarge the membership, Norway and Croatia have joined the Federation. Contacts are in place to further enlarge the membership. **Fausto Galmarini**

From left to right:

- **Nassourou Aminou**, FCI Regional Manager Africa
- **Alberto Wyderka**, FCI Regional Director Americas
- **Lin Hui**, FCI Regional Director North East Asia
- **Thompson Lui**, FCI Regional Manager South and South East Asia
- **Betül Kurtulus**, FCI Regional Director Central, Eastern and South-Eastern Europe and the Middle East
- **Fausto Galmarini**, Chair EUF

Regional Updates | Challenges

AFRICA

Despite the growth in factoring volumes, there remain several challenges which include: insufficient knowledge about the product, education, skills, and experience in the Factoring industry; legal environment & regulation: lack of legal framework in the different countries, capital requirements; economic environment and access to working capital in some countries: inflation, high-interest rate, cost of lending, securities, and so on. Difficulties in getting reliable credit information and credit insurance covers in some countries and buyers; IT system and software to properly manage Factoring transactions; long and costly implementation of Factoring business process, training, capacity building, and IT platform; and finally, cultural and cultural languages barriers for international factoring. **Nassourou Aminou**

AMERICAS

The evolution of Covid-19 impacted all political/economic decisions, then came the incomprehensible situation in Ukraine. Undoubtedly, growth will be affected, and the challenge will be necessary. It is to be expected that inflation and interest rates will increase. Many companies were able to survive Covid-19 thanks to financial aid granted by governments. Many of them have not yet adapted to survive without that subsidy. However, they will have to face the increase in inflation, interest rates, and a still contracted demand. We must not take our eyes off the political changes in the region. The negative political influence of Venezuela, Cuba, and Nicaragua impacts other countries' credibility and risk. Chile is accommodating its new socialist government, and results are still to be seen. The quality of service regarding communication between correspondents has deteriorated, showing a need for improvement. **Alberto Wyderka**

NORTH EAST ASIA

Businesses tend to localise their supply chains and take a more conservative approach to payments in international business due to Covid-19, geopolitical issues, and globalisation. It is a challenge for our industry how to adapt to this change. While traditional international trade suffers, cross-border e-commerce is proliferating. In China, many small and medium-sized exporters engaged in cross-border e-commerce sprouted. It is another challenge for us to offer appropriate financial services to this SME section. An even bigger challenge for banks in the region is how to break out of their own. A wave of transformation of the traditional trade finance and working capital loan models with the help of digitalisation and factoring-centered supply chain finance is coming. It is a disruptive reinvention that banks in the region need to be well prepared for. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

Back in the 2008 financial crisis, the pricing model suddenly became irrelevant, and import factoring credit lines pricing jumped ten-fold, but this was short-lived. The impacts we experienced from Covid-19 vary from country to country. Only those who have experienced lockdowns, quarantines, and supply chain breakdowns share the pain. Many Asians were hit by the fourth and fifth covid waves in 2021, sending them into lockdown or survival mode, resulting in all non-essential business activities being halted. FCI's 2021 SSEA activities, including planned education programs, were suspended, and budgets and resources were reformulated and reallocated to fulfill emergent needs. 2021 was the second year in which cross-border traveling was either suspended or adversely constrained by multiple factors, including the meltdown mechanism. This did not help our promotion effort or communication, for our sole connection relied on bandwidth. **Thompson Lui**

CEE, SEE AND THE MIDDLE EAST

Russia's invasion of Ukraine could be a turning point for Europe's political and economic landscape. As the effect of Omicron started to wane, all economic data were predicting an acceleration in the economies in the second quarter of the year until February. However, due to the wide range of sanctions announced so far, higher commodity prices, and disruption to financial markets, the expectations turn to slow down the region's growth rates in nearly all countries. Russia's invasion of Ukraine will slow growth and raise inflation across emerging markets in CEE/ SEE. The main impact is the price and supply of commodities produced by Russia/Ukraine. The rise in commodity prices supports the growth of commodity exporters, which will increase the export volume of the region countries, but the manufacturing exporters will face difficulties. The combination of higher inflation and weaker growth is likely to keep emerging markets policy normalisation plans, after a covid period, would be postponed. **Betül Kurtulus**

EUROPEAN UNION

The Covid-19 pandemic has shaken the whole world. The impact on our economy in 2020 and the first quarter of 2021 was more challenging than in 2008 and had devastated the economic, social, and maybe political consequences across Europe. This was an unprecedented health crisis that affected us all. Generally speaking, all banks need softer regulatory constraints. New European regulations on non-performing loans (Calendar Provisioning) and the definition of default (DoD) were enforced in the Union. In the context of the Covid-19 crisis, they had a modest impact on businesses thanks to the State guarantee on the moratorium and new medium-term loans. However, the EBA estimates an increase in NPLs due to the conclusion of the State support program for businesses. For this reason, the EUF will continue to talk with the Authorities for a different treatment of the past due to factoring, avoiding indicating insolvent businesses that have creditworthiness and good rating. **Fausto Galmarini**

Regional Updates | Outlook 2022

AFRICA

At the end of 2021, we saw the adoption of the Factoring Law in Congo and eight West African countries, resulting in significant enthusiasm for the launch of factoring activities in several countries like Mauritius, Senegal, Ghana, Côte d'Ivoire, Nigeria, Kenya, and others. Afreximbank's FAPA Grant is providing some FCI E-Learning courses to 200 candidates and Consulting services to 26 selected emerging Banks and Factoring companies enabling the launch of Factoring activities. Banks are increasingly interested in traditional factoring and the Reverse Factoring program, emphasizing the digitalisation of processes and the innovation of products that meet market needs and risk appetite. Faced with the challenges raised, these turn out to be opportunities to be utilised for the next couple of years in all areas related to the Factoring industry, allowing stakeholders to benefit from factoring. **Nassourou Aminou**

AMERICAS

The aggression against Ukraine has impacted the value of oil and gas, affecting countries worldwide and impacting the value of commodities and value-added products from the region. These events affect the risks and appetite to assume them, although the coverages are growing gently for now. Banks generally opted for the retail business as strategic above other offers such as foreign trade. However, there seems to be a reversal of the banks, the NBFIs, and fintech, to return to export financing through instruments that mitigate their risk, opening the doors to factoring between correspondents. FCI needs to develop and grow more in countries like the US, Canada, Mexico, and Brazil, to encourage FCI membership growth in other nations. In the same way, we will continue promoting and disseminating our FCIreverse and Edireverse solutions. The Americas Region is where our offer was spread consistently, effectively, and with follow-up. It is a solution that, due to the multiple areas that intervene in making the final decision, requires a long start up/ decision process. But we have high hopes and very near to positive decisions from several banks.
Alberto Wyderka

NORTH EAST ASIA

The outlook for the region's market in 2022 is not promising due to the pandemic and geopolitical reasons. However, based on the trend of supply chain localisation and regionalisation, the domestic and intra-regional markets will be the main growth drivers. In particular, the official effectiveness of RCEP brings great potential for the growth of the factoring market in the region. Secondly, import factoring, reverse factoring, and cross-border e-commerce in the Chinese market will become new engines of the region's growth. What will be more significant in the long run is that banks in the region need to re-conceive their factoring, supply chain finance, and trade finance ecosystem to initiate a digitised reinvention in enormous internal and external challenges. FCI members will play an active role in leading this effort. **Lin Hui**

SOUTH AND SOUTH EAST ASIA

In Spring 2022, a good majority of mainlanders are still in lockdown, half of the expressways/highways are closed, and this translates to nightmarish supply chain breakdowns in China, radiating globally. Sellers can no longer give estimates to buyers' delivery schedules. Importers or wholesalers fail to distribute to your local stores. Physical supply chains have limitations this time. We learned our lessons, so we performed everything else as "electronically" as possible. From the end of 2021, we started to see e-platforms popping up from all corners, and many predict we can only evolve electronically and efficiently. My question to you is will you ride this wave of evolution by adapting and embracing swiftly, or you fight it or ignore it till you cannot. **Thompson Lui**

CEE, SEE AND THE MIDDLE EAST

Economic shocks and political instabilities will be the most critical factors affecting trade and trade finance in the upcoming period. Russia's invasion of Ukraine will slow growth and raise inflation across the emerging markets of CEE/ SEE. The main impact channel is via the price and supply of commodities produced by Russia/Ukraine. Some regional countries will be affected more, like Turkey, as the country recorded its widest trade deficit in December. Therefore, we may not see a decrease in total export volume due to increased prices. However, we expect a reduction in export volume in the region, mainly due to growth. I expect that there will be an increase in receivable financing transactions in 2022 with the effect of both the new law in the Middle East, the UAE, which is the largest trade center, and its new members.
Betül Kurtulus

EUROPEAN UNION

The EU was affected by the Covid-19 crisis, therefore the European Factoring and Commercial Finance Summit organised by the EUF and FCI in Rome was postponed to 4th - 5th of April 2022.
Regarding the perspectives of the factoring business in the year 2022, the EUF has two main issues to solve: the first is the NDOD because the new rule generates many "false positive" errors with the buyer with a good rating or Public Authorities being wrongly classified as default because the EBA considers a trade receivable as a credit obligation/loan. The real solution to the NDOD issue lies in understanding the difference between a trade receivable and a loan and treating the former accordingly: 90 days past due of an invoice is not a real default signal. Historical data and the lower level of risk of factoring than bank lending prove it. The second issue is the consequence on the real economy of the Russia – Ukraine conflict and the related sanctions that could cause a shock due to the lack of raw materials and higher cost of energy.
In any case, the factoring industry in Europe is strong and has everything it takes to thrive also in the uncertain scenario we will face in the time to come. **Fausto Galmarini**

FCI Academy | Does Education on Supply Chain help to solve Challenges?

Aysen Çetintas,
Director of Education

How are the worldwide risks affecting the Supply Chains and Logistics?

The Covid-19 crisis put supply chains into the spotlight. Over the past year, supply-chain leaders have taken decisive action in response to the challenges of the pandemic: adapting effectively to new ways of working, boosting inventories, and ramping their digital and risk-management capabilities. Yet despite that progress, other recent events have shown that supply chains remain vulnerable to shocks and disruptions, with many sectors wrestling to overcome supply-side shortages and logistics-capacity constraints. In many sectors, there are signs that the investment rate in digital supply-chain technologies is slowing down.

At this point, we face a very critical question.

Is it worthwhile to get Education in Supply Chain Management (SCM) to improve Resilience to face Challenges?

Across the globe, organisations are starting to recognise the strategic importance of SCM. More and more organisations in both the public and private sectors realise the value SCM plays in ensuring they can deliver on all aspects of their value chain. A considerable number of organisations adopt supply chain management every year. But unfortunately, due to a lack of supply chain managers, organisations assign the implementation process to employees based on experience. That's why sometimes organisations fail to implement the system properly. It could be a reason for the increasing demand for qualified supply chain manager roles worldwide.

Do we need Education for Sustainable Supply Chain Finance Management?

Every organisation wants to profit from its current investment and its deployed resources. It is impossible to get their desired output without implementing the supply chain management process productively.

Therefore, supply chain managers' demand is increasing rapidly in organisations from every category. Due to the current Covid-19 pandemic, the market for supply chain individuals will only proliferate as companies experience the risk of having inadequate supply chains.

Many universities worldwide offer bachelor's degrees and Master's courses to improve the personnel's performance. These programmes provide the fundamentals of supply chain management to students from a global perspective. In addition, various trade organisations and associations develop and offer online and onsite learning events about supply chain management to enhance the knowledge of the industry stakeholders.

Implementing a supply chain system in the organisations helps them operate and tackle uncertain problems and future challenges.

Benefits of Education in Supply Chain Management

Education in supply chain management lets students know about different organisations' best practices from various industries. This allows students to benefit from theory and benchmark practices applicable to the job.

Here are some core benefits of getting a formal education in supply chain management.

- **Understanding Supply Chain's Main Objective**

The supply chain's primary objective is to improve an organisation's responsiveness and agility and improve service to customers and generate profits. Supply chain managers are responsible for creating a reliable network to deliver on-time supply. It is also beneficial to maintain the quality of a product and reduce the operation cost throughout the supply chain.

- **Improve Resilience to Face Challenges**

Due to rapid changes in industry trends, it is challenging to maintain the whole supply chain process's effectiveness. Supply chain managers have to keep an eye on improvements in technology, including software and business processes. The education in supply chain management guides the students to stay updated on supply chain technology and work.

- **Improve the Decision-Making Process**

Sometimes, supply chain managers get confused in the decision-making process. For example, companies need warehouses at different locations that provide easy logistics or transportation for customers for better outputs. This can change based on customer demand. Education helps the qualified supply chain manager calculate the Return on Investment of their decisions.

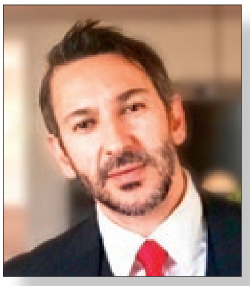
No doubt, education is vital for success in every field of life. Education in supply chain management helps improve the performance and profit of organisations. But it also provides many employment opportunities for students.

- FCI has an online Supply Chain Finance and Reverse Factoring Course on offer. This supply chain finance (SCF) course has been developed to provide the participants with an understanding of global trade, physical, financial, and information supply chains, identifying their financial consequences.

You may visit the FCI website to learn more.

Economic Peril

As we started to enter the year with paces of normalisation, signs for a healthy recovery are shaken by the surge of Omicron. While a part of the world relaxes its restriction, pushing forward business activities to steam the economy, the Omicron impact placed further uncertainty on consumer expenditure, the constraint of the workforce due to ongoing restriction, subsequently limiting to 1% the growth in advanced economies despite positive economic prospects by the end of 2021.



Kyle Mota,
FCI Director of Administration

On 24 February, Russia's invasion of Ukraine set a tragic humanitarian crisis in Eastern Europe, a downfall in currencies, and divided the global economy between west and east following an unprecedented package of sanctions against Russia and Belarus to end the hostile invasion.

Still dragged by Covid-19 and its variants, China set the Zero-Covid strategic policy, a touch for further disruption in the supply chain and a setback for the global economic recovery.

According to the International Monetary Fund (IMF) Report from April 2022, the global growth is projected to slow from an estimated 6.1 % in 2021 to 3.6 % in 2022 and 2023. This is 0.8 and 0.2 % points lower for 2022 and 2023 than projected in January. It is estimated that Russia and Ukraine will suffer the largest GDP contractions in 2022. The Global Financial Stability Report underlines numerous financial fragility risks.

The economic effects caused by this conflict send a shock wave throughout the globe, hitting commodity markets, trades, and global financial ties. Europe, Central Asia, Middle East, North Africa, and sub-Saharan Africa are most affected due to the price increases on fuel and food, impacting directly lower-income households, including the Americas and far East Asia.
(page 21: Graph 1)

The IMF has designed a model for the G20 to explore the global microeconomics effect following the Sanctions on Russia. Such spectrum scenario includes embargoes and the disconnection of Russia from the global financial system, inevitably having a direct impact on to rest of the world with the intense disruption, notably in Europe, added by the impact on inflation and its business activities.

Moreover, the sanctions on Russia have led to further geopolitical conflicts and exacerbating risks and instability in Europe primarily. The ECB Microeconomics Report tells us that given the starting point for the Eurozone, with a strong labor market and headwinds, economic activity is still projected to expand at a relatively strong pace in the coming quarters.

Despite the current economic risks, many experts seem optimistic and believe in continuous growth for factoring. However, it is notably a picture whereby we have to face it cautiously with the slowdown in the 2H2022 due to rising interest followed by the withdrawal of some government financial stimulus.

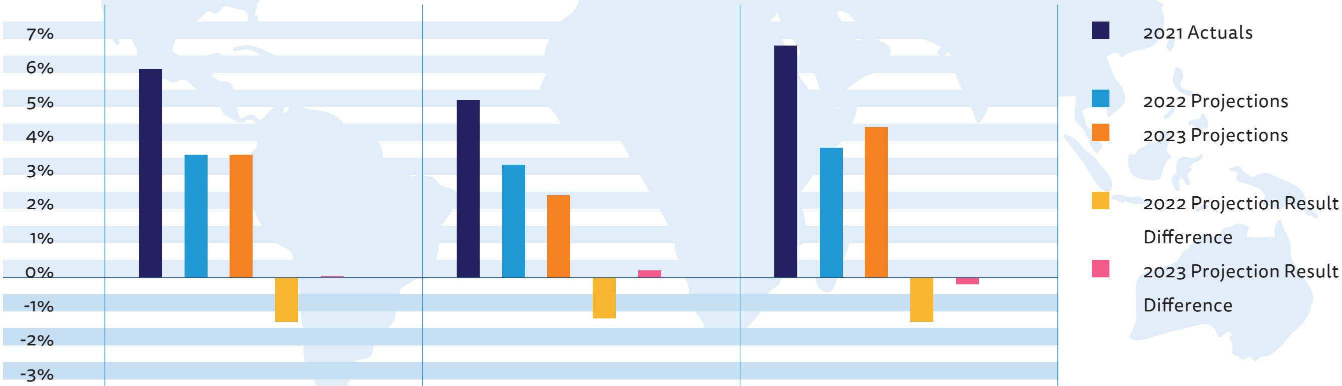
The global factoring market reached a value of USD 3,503 billion in 2021. It is expected, however, to reach USD 4,877 billion by 2027, according to experts, presenting a 6.1 % of compound annual growth rate (CAGR) throughout 2022-2027.
(page 21: Graph 2)

The year 2022 might be remembered as the year of uncertainty, where projections are no longer foreseeable by economists and experts but more likely by fortune-tellers.

The difficulties from the 2008 crisis still exist in the global economy. The pandemic in 2020 set back the previous years of slow recovery. The Russia -Ukraine conflict seems to be a new and more profound rupture, shaking diplomatic relations and cracking bridges of a healthy prospect of economic globalisation. The tip of the iceberg appears to be melting not only with climate change but also releasing economic and intoxicating hazards around the globe.

Twilight view of two bridges spanning the Newark Bay, New York, New York, U.S.A.

Graph 1: Overview 2021 vs. 2022/2023 Projections



World Economies : GDP

Actuals
2021: 6.1%

Projections
2022: 3.6% | 2023: 3.6%

2021 Projection result difference
2022: -1.3% | 2023: 0.0 %

Advanced Economies : GDP

Actuals
2021: 5.2%

Projections
2022: 3.3% | 2023: 2.4%

2021 Projection result difference
2022: -1.2% | 2023: 0.2%

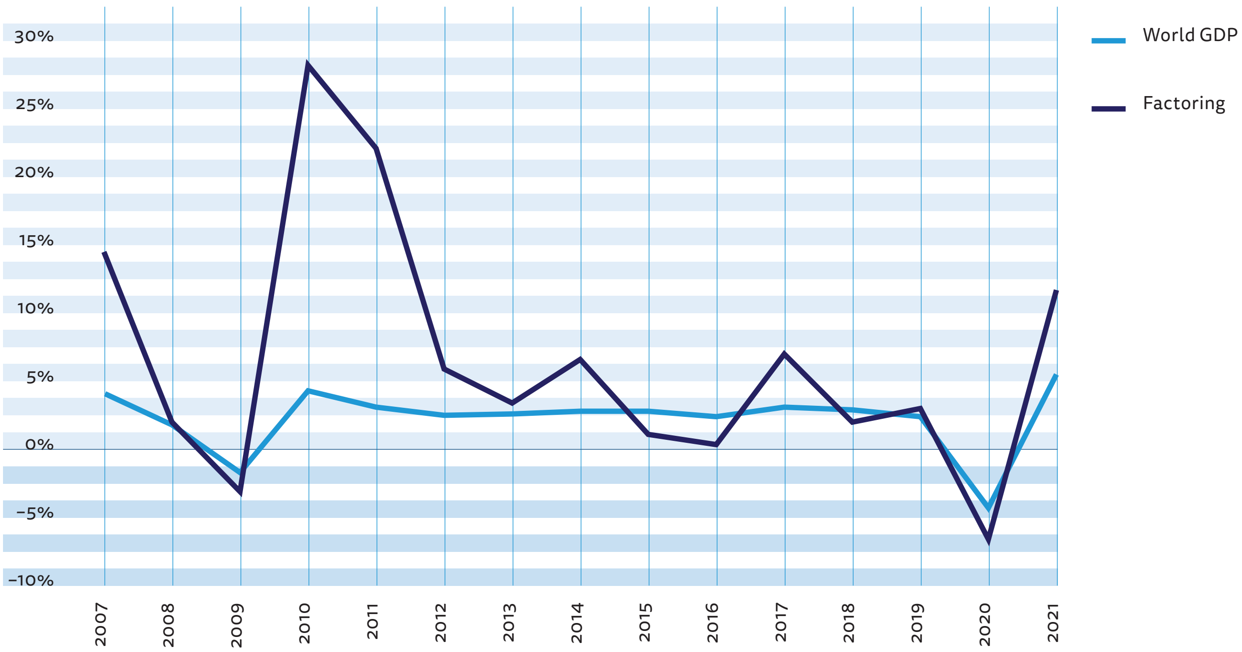
Emerging Economies : GDP

Actuals
2021: 6.8%

Projections
2022: 3.8% | 2023: 4.4%

2021 Projection result difference
2022: -1.3% | 2023: -0.2%

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



Sources

- World Bank Report 2022
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2021 Global Industry Activity Report (GIAR)

INTRODUCTION

No Annual Review should miss out on the Global Industry Annual Report (GIAR), so it is time to reveal the 2021 outcome as reported by our dedicated members. Maintaining the 2019 updates and improvements made to the GIAR report while also adding new perspectives to some of the usual graphs, we attempt to focus on the results from the members' survey and ultimately provide an overall impactful report on the global factoring industry. In this year's report, E-Invoicing was added alongside a more granular look at the Seller Industry types and revisiting for the second year the Covid-19 pandemic report in an attempt to see how the perspective changed over time for our members.

For the new readers, a short introduction is needed. This report has its origins dating back to 2009 and includes data derived from the material captured within the FCI survey, which the members have kindly completed. Having members from across the world gives FCI a unique vantage point to receive insights from each of our member's internal data points. The GIAR's scope is to provide a unique analysis of our Industry having two different angles: the first being the quantitative and numeric aspects of the global industry, 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

I am sorry to report that this year, the basis of our analysis for 2021 does not incorporate all data as happened in the previous years. So as a disclaimer, this report is the closest to the reality that can be generated today based on the figures we have received to date (approximately 51% response rate from our members, down from the previous year's 60% response rate, a possible reason being the short period allocated for data collection this year having one month less time to gather the data). Nonetheless, plenty of exciting material surfaced from our generous members this year.

One of the fundamental challenges for the Receivables Finance (RF) industry is to help people everywhere understand the importance, value, and power of information in our public policy/advocacy discussions and the essential requirements of collating accurate information at country levels. As in years past, the survey's principal challenge is that in many countries, the infrastructure and capability to collect and analyze data varies dramatically - and so the level of detail that individual markets can provide remains highly variable. While some countries (usually but certainly not exclusively the established developed markets) have sophisticated centralised methods for collating market information, others have little provision.

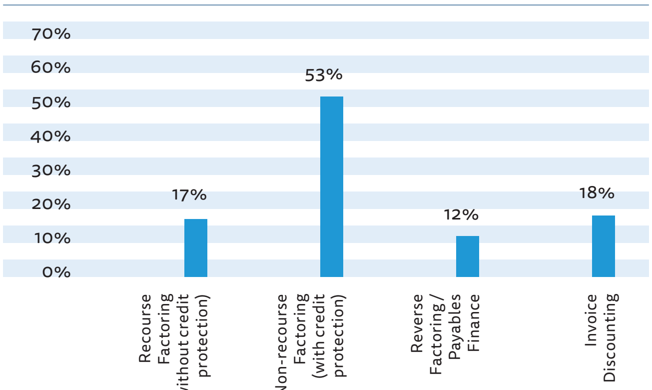
Ciprian Radu,
FCI Business and IT Solutions Manager

Hence, we rely upon the best estimates from experts within these markets.

Enough with the disclaimers! So, here we are, the findings of the 2021 GIAR Report...

Product analysis: Similar to the 2020 report, we will continue to present the way volumes are split by product based on the data we received from our members. Since each member provides different products related to their market, this cannot be denoted as a marker for a specific country.

Product Distribution



In 2021, due to the pandemic, the need for risk mitigation was also maintained at a higher level. Consequently, non-recourse factoring kept its strengthened position as recorded in 2020 at the proportionate expense of recourse and invoice discounting. Traditional non-recourse and Reverse Factoring (also a non-recourse product) combined equated to 65 % of the total (62% in 2020), while Recourse and Invoice Discounting lost 3 points and reached a total of 35% (38% in 2020). A classic well-known important reason for non-recourse demand might also be explained by its substantial value to decrease the cost of capital under Basel capital allocation requirements and the increase in usage of off-balance sheet treatment by corporates.

The above product distribution does not reflect all the countries. The relative proportions in individual countries continue to vary, and the unique figures will reflect the local market conditions and the legal and regulatory environments;

this chart shows what a "typical" country distribution looks like. While it should be noted that, for example, many countries do not yet record any reverse factoring type business, Spain might represent approximately half of the total market; similarly, in the UK, one of the largest individual global factoring markets, invoice discounting is around 90% of the volume. Romania, my home country, recorded last year around 50% for Reverse and 40% for Non-recourse, and 10% for Recourse.

It is to be mentioned that Reverse Factoring (also known as SCF/Confirming/Payables Finance) for the first time, witnessed an increased appetite from our members, showing a market share of 12% (7% in 2020 or 10% in 2019). As reported by our members, many consumers continued to increase their purchases from the large "big box" retailers or via e-commerce due to the pandemic at the expense of the smaller retailers. As many of these larger investments-rated corporate buyers have developed SCF programs to offer their vendors, more and more FCI members have entered the space. Again, it is to be mentioned that FCI members only capture a small percentage of the total reverse factoring market globally. FCI formally entered the reverse factoring market with the launch of our new solution, FCIreverse, in 2019 to help support the growth of this vital service for our member's domestic reverse factoring service via the three-corner model and their cross-border business via the four-corner model.

INDUSTRY DYNAMICS

Below you can see how things have evolved from year to year:

We used current estimates for 2021 GDP data. It appears that in 2021 we reached 3.91 % of GDP penetration for the industry, a slight decline compared to what we had witnessed last year (4.24%). This is due to an increased GDP volume while the growth of the factoring industry was slightly less. Europe, similarly to 2020, achieved a 11% penetration rate, the highest in comparison to all other regions, keeping in mind that the industry is quite mature.

Quickly looking at the figures:

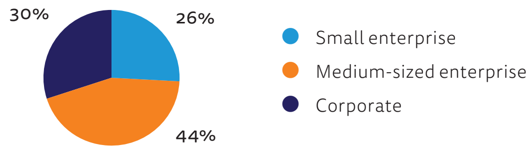
- Client numbers are estimated to be around 870,000 (higher than 2020), and the debtor numbers have reached 21.0 million. These figures have a relatively high uncertainty level because they combine all turnover and spot level types of relationships, susceptible to market fluctuations, structure, and conditions.

- Companies active in the Factoring Industry that serve the pool of clients and debtors globally increase to around 4,193.

- Direct employment is estimated to be around 100,000. We could mention that this number is highly correlated to the labor-intensive service that our Industry requires. Although as technology and automation continue their upward trend, we anticipate the figure will remain flat, even with the industry's continued growth at the current rate.

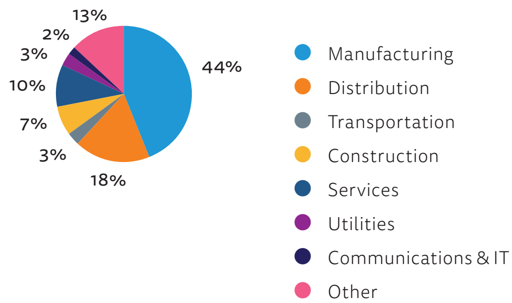
- Average turnover per client is considered to have remained close to EUR 3.5 million; hence, we continue to be dealing with mainly SME businesses in a number of terms based on the smaller end of the spectrum. Our data shows that our member's figures representing their clients' portfolios are mainly SMEs, close to 70% (66% in 2020 and 65% in 2019), as shown below:

Total Number of Active Sellers



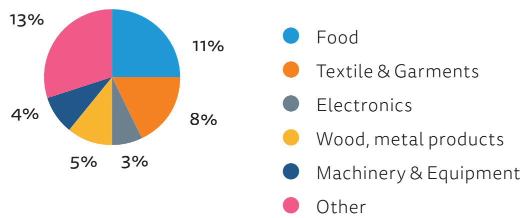
- For this year, we requested help from our members to provide greater detail on industry types within their portfolios. The breakdown of the types of industries is represented in the members' portfolios. Again, it seems that the Industry has its weighting towards Manufacturers and Distributors, as shown in the picture below, highlighting the FCI members' feedback. This, of course, cannot be denoted as a marker for a specific country.

Average of Industries Type of Sellers in Members Portfolio



Using the magnifying glass to highlight the impressive Manufacturing figure of 44%, we can see the following granular distribution by sub-types:

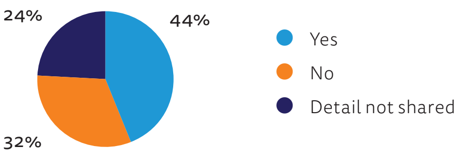
Manufacturing by Type



For 2021, we again have a very high-level view of the distribution of the Factoring Companies active in the Receivables Finance Industry like in past years. Where the figures are available, the top five concentration ratio (CR5) was reported as 83% of the market (88% in 2020, 82% in 2019 and 2018). Bank divisions appears to be 46% (53% in 2020, 39% in 2019, 45% in 2018), bank-owned subsidiaries at 27% (28% in 2020, 35% in 2019, 32% in 2018) whilst Independents rose to 10% (7% in 2020, 7% in 2019, 6% in 2018). Again, while these interim figures may yet be adopted in a final report and, as reported last year, the domination of commercial banks at the expense of independents continues their strong position in the industry.

Another territory not tapped yet by our report was the invoicing type accepted by our members. This year, we introduced this topic by targeting the E-invoicing type (invoices that are issued, transmitted, received, processed, and stored electronically). Here are the first findings. 44% of the population confirmed that they use and accept such invoicing. Within the 44%, where granular data was shared, an average of 66% of total invoices processed were considered E-invoices. I can only assume that digital/e-invoices will entirely replace traditional paper-based invoices in the near future.

E-invoicing among Respondents

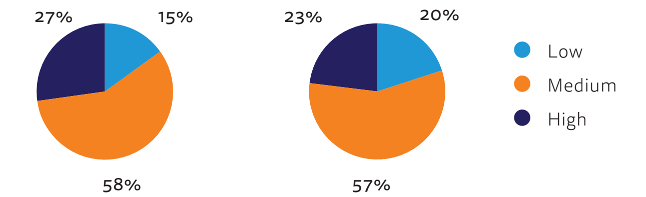


QUALITATIVE ANALYSIS

One of the things that make the GIAR survey unique is that it provides an ongoing record and analysis of the perceptions within the Industry on a wide range of topics and trends, including their potential effect on the Industry and their future development. Each year we ask respondents to give their view on the status and direction of the Industry in their own country. Our sample data for this analysis includes members' views from 53 countries that have responded to the FCI survey.

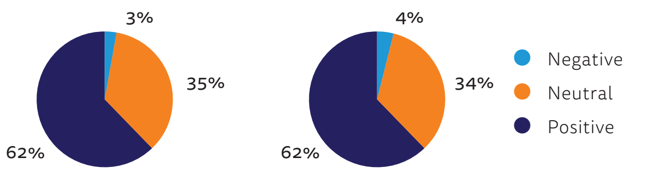
The first and critical elements to consider are *Factoring Awareness & Acceptance*. For Awareness, the high position increased for 2021 to 27% from 23%. The position shows a small deterioration for the medium compared to last year's survey, which showed 60% medium awareness compared to the current 58%. And acceptance of the product has also declined, from 26% high to 23% (although a medium level of acceptance improved from 54% to 57% in the survey), which looks like a switch between the two positions. Yet again, the year 2021 presents itself similarly to 2020, maintaining that, in general, it continues to be a considerable opportunity to build and develop on past successes within the industry.

Awareness Level **Acceptance Level**



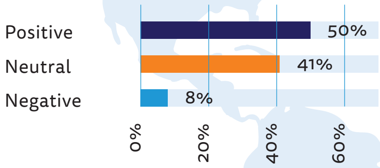
The trust in the *industry resilience*, yet again, is fully confirmed in the responses received. Respondents continue to demonstrate a high level of confidence and optimism that the industry can continue to support businesses with an essential role in supporting SMEs and the real economy on a global scale and as explicit confirmation, backed by the volumes that increased by two digits in some places. In 2020 the optimistic level was 56%, yet in 2021 we reached a high positive of 62%. Demand also shows a fantastic confidence boost with a +12 points increase in 2021 to get 62% versus last year at 50%. As an extra note, I have to mention that although by the time of this article, FCI turnover figures show a positive YOY growth rate compared to the previous year, the world witnessed a new turmoil with the conflict in Ukraine with rather devastating consequences which will most likely have an adverse impact on the factoring industry in Europe and as a consequence on the Global economy results by the end of 2022. Ending the optimistic start of this post-pandemic phase with a pessimistic note is not what I wished for. However, nothing good can come from the current situation, and we all hope for a peaceful resolution to be reached as soon as possible.

Industry Development Outlook **Demand Level Outlook**

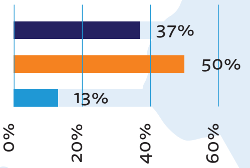


Compared to last year's report on these two topics, Turnover and Profitability Outlook, the 2020 reduction in confidence stemming indicates an adverse impact on margins and hence a decrease in profitability. However, we see a complete reversal in 2021, boosting confidence in both perceptions. Optimism undoubtedly increased in 2021, but I wonder how 2022 will show here. Time will tell.

Turnover Level Outlook

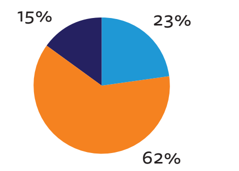


Profitability Outlook

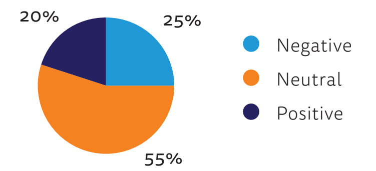


Also, on the risk management front, responses to the questions in terms of their outlook for client and debtor risk in their markets show a boost of confidence in Client/Debtor risk with a total positive of 35%.

Client Risk Outlook

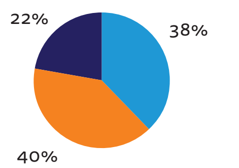


Debtor Risk Outlook

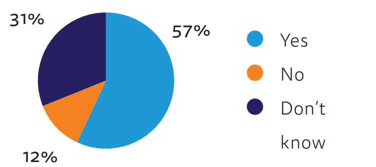


We can spot changes in members' views relating to the shortfall of factoring, still with confidence has increased. The increased concerns regarding the rise in protectionism, the US-China trade war, and Brexit finalisation have made our members more aware of the impact but unsure of how it will affect the industry in the future. It could be that the current situation is starting to make itself present as these results were collected during the start of this year, granting enough time for the current European situation to make its negative influence felt to those who completed the surveys.

Shortfall of Factoring to fund International Business?



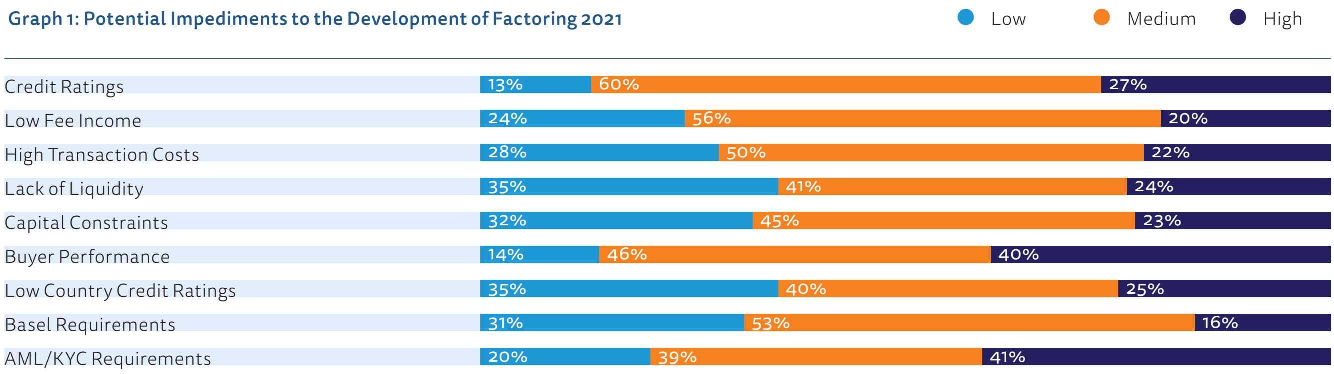
Could Protectionism widen any Trade Finance Gap even more?



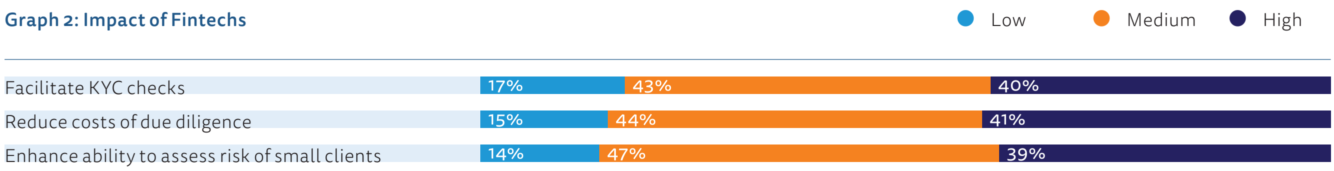
We also looked at several variables impacting factoring. The percentages can be seen in the table below, and we would like to mention that AML/KYC regulations this year rose to 41%. In comparison, we had 39% in the previous year, probably due to the increased deals that might have generated more negative results. The members have also shown an improvement in liquidity. The situation has improved with a slight decrease in High impact from 26% to 24%. The profitability part of factoring stemming from lower fee income and large transaction costs increased the potential impediments to the development of the business by around 3% for each category. *(Graph 1)*

We keep monitoring the rise of Fintechs based on our member's perceptions. Like in past years, the questions regarding the potential impact of Fintechs on the industry are generally similar to past results. The survey results present decreasing values this year in the high perception responses for each category. For the second year in a row, a noticeable drop is whereby Fintechs are more likely to facilitate KYC enhancements, with a significant reduction from 45% to 40%. Their potential use for client risk assessment declined this year with a decrease from 48% in 2020 to 39% in 2021, while their ability to provide reduced costs for due diligence dropped in 2021 from 45% score to 41%, respectively. *(Graph 2)*

Graph 1: Potential Impediments to the Development of Factoring 2021

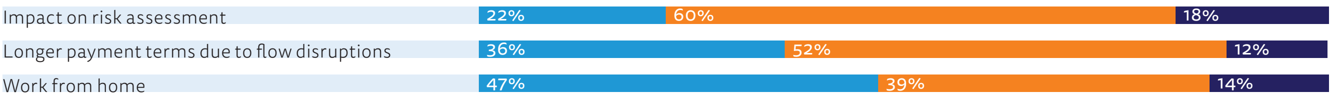


Graph 2: Impact of Fintechs



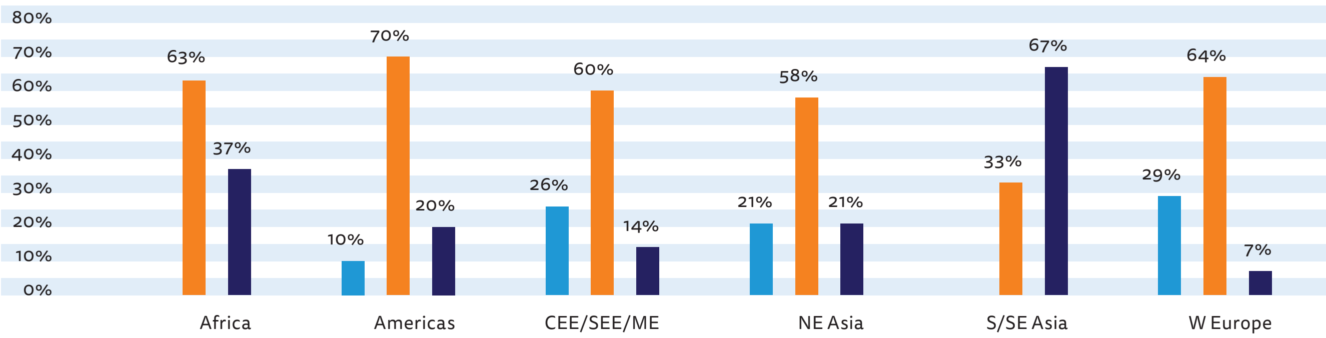
Graph 3: Pandemic Effects of Organisation's Ability to do Business

Low Medium High



Graph 4: Impact of Risk Assessment by Region

Low Medium High



It is time to see how the Covid-19 pandemic, with the increased availability of vaccines and better health management due to ease in travel restrictions, affected our members' business after one year. Here is what we understood from our respondents. In all chapters, there is a clear improvement in the business environment. The high impact decreased in two places by more than 10 points. Impact of Work from home lowered to 14% from 27%, clearly a sign of adjustment to the new way of working from home. Risk assessment dropped to 18% from 29%, and payment terms showed a moderate decline to 12% from 14%. *(Graph 3)*

As for risk assessment, the pandemic's impact is apparent, indicating members' desire to control their existing portfolios while reducing the appetite for new business. This impact differed depending on the region, with Asia now at the highest level, perhaps due to the recent surge in cases and much more strict lockdown procedures that made it more challenging to the business environment. This is mainly witnessed in the South/South East Asia region, which has undergone severe challenges due to the increase in Covid-19 cases in 2021. *(Graph 4)*

CONCLUSION

The 2021 GIAR report showed the positive change in the business environment stemming from medical ingenuity by stemming the adverse effects of the pandemic on society. However, the distribution of this ingenuity was quite different from region to region. Compared to the previous year, 2020 will remain in our collective memory as one of the most disruptive periods in our lifetimes, but 2021 will be viewed as our comeback and have long-term consequences that will impact us for years to come. 2021 certainly felt like a breath of fresh air after a depressing 2020 when almost everything was affected. The data from 2021 is a mirror opposite to the grim data set of 2020, reporting optimistic results and demonstrating incredible hope and resiliency among our members. The astounding growth results in 2021 confirm that factoring is strong and can act as a beacon of hope for SMEs and the business environment during challenging times. However, there seems to be no respite for us stemming from another more artificial disruptive event that will make 2022 another challenging year, maybe keep reminding us of the frail nature of humanity. It is not easy in a different manner from 2020, but still, it will have its impact, one way or another.

Again, from last year's ending, I say one unmistakable impression from the figures, which I hope will never be lost on us, is that the factoring industry in comparison from market to market is much different, especially when comparing developed to developing countries. In many countries, the infrastructure is not yet sufficiently developed to address the questions in our survey fully. This makes it very challenging to assess their actual performance, develop sensible estimates, and derive information that we consider credible. Hence FCI attempts to assess the data from multiple sources to best estimate each market performance.

And last but not least, in putting together this review, we collect, consider and manage a large number of data sets, and its collation is a significant task. We want to thank all country respondents for their hard work in gathering this data on behalf of their countries and sharing it with us year after year. We could never do this without you! Thank you!

FCI Expressed in Figures

We are pleased to announce the Global Factoring Statistics for the calendar year 2021. The number of members who contributed to the FCI Survey was close to 51% (60% in 2020), a decline mainly due to the adverse impact from the pandemic. Their total volume added up to EUR 1,324 billion. Hence, all data hereafter relates exclusively to these real figures.

Comparing the data with 2020 figures, we noticed a general recovery in all areas showing promising results, however there were also a few negative exceptions, one crucial observation being Export factoring evolution presented itself yet again on a descending path while its sister product, Import factoring, showed a recovery. With no intention to promote FCI's main product, the two-factor export business which is predominantly conducted on a non-recourse basis showed an impressive double digit recovery increase as a on the credit protection backed product, however the Direct Export factoring figure showed a double digit decline last year. This comparison will be interesting to be revisited next year because the two-factor export business as of today is looking very strong, up over 30% through April 2022. Otherwise, all other products registered YOY positive growth, in line with the world figures and indicating a significant recovery from the challenges faced in 2020.

Domestic factoring share of the total volume slightly increased by 2% from last year. It reached **83%**, of which 13% accounts for recourse factoring, 50% without recourse, 17% invoice discounting, 13% reverse, 5% collection only, and non-notification with 2%.
Grouped **Export factoring** and **Direct export invoice discounting** decreased from last year by 2%, accounting for **14%** of the total (16% for 2020). 10% of the total export factoring volume relates to the two-factor business, while Direct Export is 90%. A significant drop was registered for Direct Export Factoring. Invoice Discounting recorded a +47% YOY increase.
Import factoring accounted for **2%**, of which 58% accounted for two-factor business.
As for special factoring business, **Reverse factoring** accounts for the remaining **1%**.

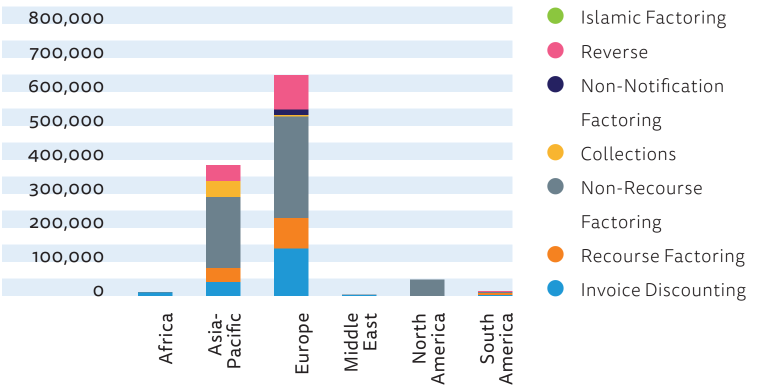
The following chart is the result of the actual contributions received from the Members together with the estimates for 2021 for their countries. Another aspect to be mentioned is the strengthening of the US dollar. While in 2020, the overall figures in USD fared better than the one in the standard EUR currency, the outcome is pictured showing some moderate growth in 2021, indicating lower foreign exchange volatility.

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

	2015	2016	2017	2018	2019	2020	2021	Variation 2020/2021
Invoice Discounting	310,313	333,544	303,272	266,606	263,236	**189,095**	**192,244**	2%
Recourse Factoring	301,948	236,613	231,270	245,583	191,167	**143,882**	**138,914**	-3%
Non-Recourse Factoring	434,456	481,172	478,640	482,885	474,564	**494,366**	**554,512**	12%
Collections	57,725	47,472	40,866	57,185	53,693	**49,954**	**53,106**	6%
Non-Notification Factoring						**0**	**17,621**	
Reverse			50,010	89,482	139,358	**76,305**	**151,344**	98%
Islamic Factoring					0	**81**	**145**	80%
Total Domestic Factoring FCI	**1,104,441**	**1,098,800**	**1,104,058**	**1,141,741**	**1,122,019**	**953,682**	**1,107,887**	**16.2%**
Export Factoring	261,214	256,551	292,408	211,195	216,721	**158,990**	**139,332**	-12%
Import Factoring	66,612	63,446	55,460	31,719	28,464	**18,095**	**21,753**	20%
Export Invoice Discounting	96,871	108,038	106,104	59,569	47,467	**33,717**	**49,574**	47%
Reverse			4,497	7,638	6,075	**6,446**	**6,185**	-4%
Total International Factoring FCI	**424,697**	**428,035**	**458,469**	**310,120**	**298,727**	**217,249**	**216,844**	**-0.2%**
Grand Total FCI	**1,529,138**	**1,526,836**	**1,562,527**	**1,451,861**	**1,420,746**	**1,170,931**	**1,324,731**	**13.1%**
World Domestic Factoring	1,838,366	1,868,855	2,078,758	2,244,214	2,375,406	**2,206,000**	**2,496,438**	13.2%
World International Factoring	529,379	507,112	519,540	522,852	541,699	**520,728**	**597,268**	14.7%
World Total	**2,367,745**	**2,375,967**	**2,598,298**	**2,767,067**	**2,917,105**	**2,726,728**	**3,093,706**	**13.5%**

FCI Members Domestic Volume 2021

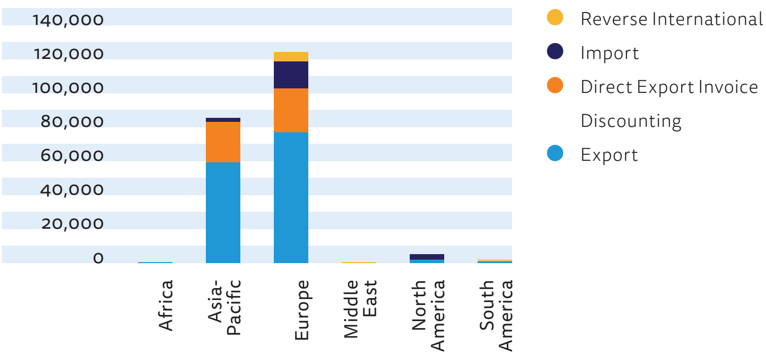
in millions of EUR



All contributions by continent to the FCI Members Domestic volume shows Europe at the top, by far, with 59% (65% in 2020). In Europe, Non-Recourse volume accounts for 46% of the total (51% in 2020), Recourse volume 14% (16% in 2020) whilst Invoice Discounting volume shows 21% (25% in 2020) and Reverse volume at 15% (6% in 2020). Asia Pacific accounts for 35% (29% in 2020) of the total, while Americas 5% and Africa 1%, keeping the same ratio as it was in 2020, which fills the picture for Domestic volume.

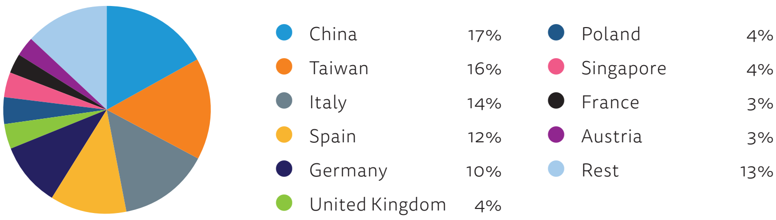
FCI Members International Volume 2021

in millions of EUR



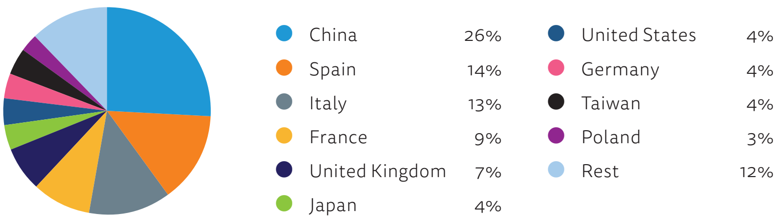
When breaking down the FCI Members International Factoring (Export and Import) volume by continent, Europe registered a mild recovery, accounting for 57% of the total (55% in 2020). Asia Pacific reported a decline reaching 39% (42% in 2020). The Americas accounted for only 3%, while Africa and the Middle East combined represented less than 1%, maintaining their previous position from 2020.

Share of 2021 FCI International Factoring Volume



When breaking down the volume of FCI Member Countries/Territories International Factoring volume, we find the "Top Ten" adding up to 87% of the total volume, having China in the first position with 17%, followed by Taiwan (16%), Italy (14%), Spain (12%), Germany (10%), United Kingdom, Poland, Singapore with 4% and France and Austria (3%) each.

Share of 2021 FCI Factoring Volume



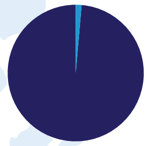
The volume of the "Top Ten" FCI Members' Total Factoring volume by Country/Territory accounts for 88% of the total, China leading the way with 26%, followed by Spain (14%), Italy (13%), France (9%), United Kingdom (7%), Japan, USA, Germany, and Taiwan with 4% each and Poland (3%).

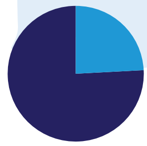
Factoring Turnover by Country/Territory in 2021

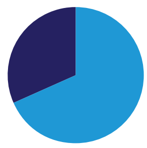
in millions of EUR

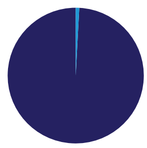
Country/Territory	Domestic (*)	International(*)	Total	Companies(*)
AFRICA				
Botswana	100	80	180	19
Egypt	1,045	108	1,153	21
Kenya	5	1	6	4
Mauritius	240	10	250	4
Morocco	2,424	108	2,532	25
● South Africa	27,815	90	27,905	110
Tunisia	295	16	311	5
Uganda	8	–	8	2
Total Africa	**31,932**	**413**	**32,345**	**190**
ASIA PACIFIC				
Australia	54,319	11	54,330	6
China	397,212	72,363	469,575	2,000
Hong Kong	12,000	32,000	44,000	13
India	7,900	700	8,600	11
Indonesia	321	137	458	60
● Japan	57,000	1,666	58,666	5
Korea	16,387	9,217	25,604	21
Malaysia	4,387	72	4,459	25
New Zealand	35	–	35	1
Singapore	3,194	25,840	29,034	13
Sri Lanka		200	200	1
● Taiwan	14,000	35,000	49,000	22
Thailand	6,105	–	6,105	6
Vietnam	320	710	1,030	8
Total Asia-Pacific	**573,180**	**177,916**	**751,096**	**2,192**
EUROPE				
Armenia	65	95	160	7
○ Austria	12,656	17,803	30,459	4
Azerbaijan	106	6	112	1
Belarus	381	373	754	16
○ Belgium	99,368	–	99,368	5
Bosnia Herzegovina	69	–	69	4
● Bulgaria	3,500	1,600	5,100	8
○ Croatia	1,096	134	1,230	11
Cyprus	2,685	515	3,200	4
Czech Republic	6,264	2,960	9,224	6
○ Denmark	10,684	11,226	21,910	9
Estonia	3,869	31	3,900	11
Finland	25,000	3,000	28,000	5
France	236,400	128,500	364,900	12
Georgia	185	–	185	3
Germany	221,100	88,300	309,400	200
○ Greece	15,149	2,507	17,656	8
Hungary	9,814	857	10,671	20
Ireland	26,900	1,717	28,617	6
○ Italy	201,976	56,374	258,350	34
Kosovo	30		30	1

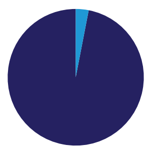
Total Factoring Volume

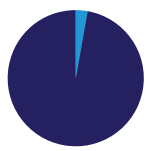

Africa 1.04%


Asia-Pacific 24.28%


Europe 68.46%


Middle East 0.2%


North America 3.13%


South America 2.8%

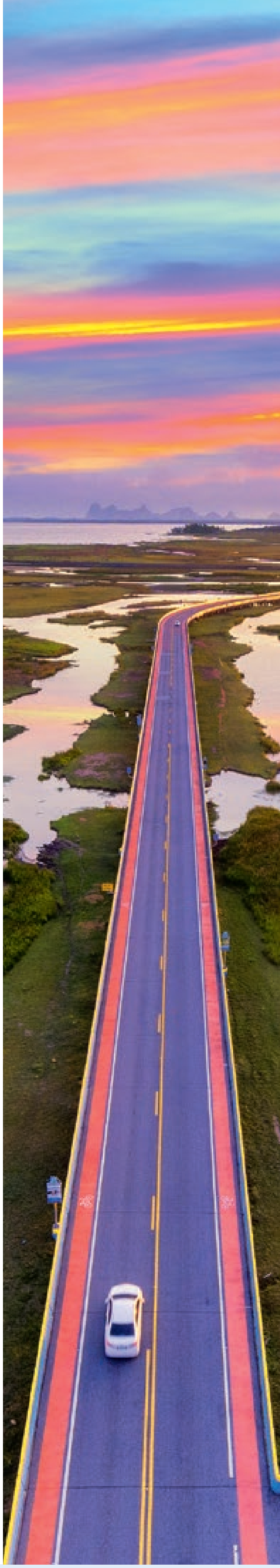
** Some figures used in the table might be data from previous year where the information received by the members lacked*

○ EUF ● FCI estimate

Factoring Turnover by Country/Territory in 2021

in millions of EUR

Country/Territory	Domestic (*)	International(*)	Total	Companies(*)
Latvia	466	357	823	9
Lithuania	3,200	100	3,300	6
Luxembourg	339	–	339	1
Malta	282	414	696	3
Moldova	–	3	3	3
Netherlands	131,940	–	131,940	5
North Macedonia	13	12	25	5
Norway	28,105	–	28,105	4
Poland	49,618	29,332	78,950	25
Portugal	30,187	4,300	34,487	13
Romania	5,062	928	5,990	18
Russia	67,714	970	68,684	20
Serbia	990	90	1,080	18
Slovakia	1,425	838	2,263	7
Slovenia	900	1,100	2,000	18
Spain	170,187	29,177	199,364	17
Sweden	21,473	–	21,473	15
Switzerland	495	98	593	5
Turkey	13,787	2,157	15,944	79
Ukraine	258	–	258	19
United Kingdom	306,495	21,934	328,429	46
Total Europe	**1,710,233**	**407,808**	**2,118,041**	**711**
MIDDLE EAST				
Israel	3,200	800	4,000	10
Lebanon	83	–	8	3
Oman	93	–	93	4
UAE	3,500	1,500	5,000	4
Total Middle East	**6,876**	**2,300**	**9,176**	**21**
NORTH AMERICA				
Canada	1,600	1,100	2,700	73
USA	90,000	4,300	94,300	250
Total North America	**91,600**	**5,400**	**97,000**	**323**
SOUTH AMERICA				
Argentina	3,498	4	3,502	6
Brazil	20,915	83	20,998	500
Chile	27,200	2,200	29,400	165
Colombia	5,941	300	6,241	13
Costa Rica	900	–	900	6
Dominican Republic	247	29	276	18
Guatemala	185	115	300	10
Honduras	43	9	52	10
Mexico	16,390	604	16,994	18
Peru	7,198	72	7,270	8
Uruguay	100	15	115	2
Total South America	**82,617**	**3,431**	**86,048**	**756**
Grand Total	**2,496,438**	**597,268**	**3,093,706**	**4,193**



Thale Noi Bridge, Phatthalung, Thailand.

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

in millions of EUR

	2015	2016	2017	2018	2019	2020	2021	Var 2020/2021
AFRICA								
Botswana	–	–	–	–	–	180	180	0.0%
Egypt	537	550	418	517	589	604	1,153	90.9%
Kenya	215	215	215	–	–	–	6	100.0%
Mauritius	235	256	208	227	230	203	250	23.4%
Morocco	2,708	2,708	3,374	2,532	2,532	2,532	2,532	0.0%
South Africa	14,672	16,291	17,117	18,582	20,873	21,465	27,905	30.0%
Tunisia	354	373	339	316	338	258	311	20.5%
Uganda	–	–	–	–	–	–	8	100.0%
Total Africa	**18,721**	**20,393**	**21,671**	**22,174**	**24,562**	**25,242**	**32,345**	**28.1%**
ASIA PACIFIC								
Australia	41,761	47,658	47,658	54,330	54,330	54,330	54,330	0.0%
China	352,879	301,635	405,537	411,573	403,504	433,162	469,575	8.4%
Hong Kong	33,425	42,676	46,945	53,500	48,150	45,743	44,000	-3.8%
India	3,700	3,881	4,269	4,532	5,089	3,562	8,600	141.4%
Indonesia	682	682	682	–	458	458	458	0.0%
Japan	54,184	49,466	37,284	49,348	49,446	51,225	58,666	14.5%
Kazakhstan	106	106	106	–	–	–	–	0.0%
Korea	13,094	14,142	13,094	25,645	26,927	25,604	25,604	0.0%
Malaysia	330	1,527	1,650	4,459	4,459	4,459	4,459	0.0%
New Zealand	–	–	–	–	35	35	35	0.0%
Singapore	38,900	40,500	44,000	44,000	39,600	29,034	29,034	0.0%
Sri Lanka	116	116	116	–	200	200	200	0.0%
Taiwan	52,693	47,189	49,548	41,198	48,419	42,500	49,000	15.3%
Thailand	4,414	5,300	5,600	5,877	5,877	5,877	6,105	3.9%
Vietnam	335	658	700	1,100	1,100	904	1,030	13.9%
Total Asia Pacific	**596,619**	**555,536**	**657,189**	**695,562**	**687,594**	**697,093**	**751,096**	**7.7%**
EUROPE								
Armenia	75	100	120	135	150	160	160	0.0%
Austria	18,264	19,621	21,091	24,107	27,220	26,762	30,459	13.8%
Azerbaijan	13	56	65		112	112	112	0.0%
Belarus	320	330	250	380	570	610	754	23.6%
Belgium	61,169	62,846	69,641	76,340	84,819	81,716	99,368	21.6%
Bosnia Herzegovina	–	–	–	–	91	50	69	38.0%
Bulgaria	1,820	1,947	2,919	3,211	3,532	3,300	5,100	54.5%
Croatia	2,885	2,825	1,340	1,094	1,140	1,132	1,230	8.6%
Cyprus	2,414	2,925	2,830	3,585	3,181	2,940	3,200	8.8%
Czech Republic	5,064	4,848	6,121	6,778	7,240	6,990	9,224	32.0%
Denmark	12,606	13,237	14,948	18,637	18,838	18,695	21,910	17.2%
Estonia	2,010	2,495	2,495	3,600	3,900	3,900	3,900	0.0%
Finland	23,095	22,000	24,000	25,800	28,000	28,000	28,000	0.0%
France	248,193	268,160	290,803	320,409	349,714	323,567	364,900	12.8%
Georgia	14	14	25	28	137	152	185	21.7%
Germany	209,001	216,878	232,431	244,300	275,491	275,000	309,400	12.5%
Greece	12,869	12,782	13,151	14,635	15,045	14,430	17,656	22.4%
Hungary	3,779	3,635	5,730	6,911	8,550	8,820	10,671	21.0%
Ireland	25,978	23,952	26,294	26,294	28,617	28,617	28,617	0.0%
Italy	190,488	208,642	228,421	247,430	263,364	234,842	258,350	10.0%
Kosovo	–	–	–	–	–	30	30	0.0%
Latvia	867	867	720	784	805	815	823	1.0%
Lithuania	3,150	3,100	3,000	3,660	3,400	2,700	3,300	22.2%

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

in millions of EUR

	2015	2016	2017	2018	2019	2020	2021	Var 2020/2021
Luxembourg	339	339	339	339	339	339	339	0.0%
Malta	275	275	350	554	696	696	696	0.0%
Moldova	17	17	3	4	5	5	3	-40.0%
Netherlands	65,698	82,848	89,713	98,368	112,148	113,758	131,940	16.0%
North Macedonia	–	–	–	–	–	23	25	8.7%
Norway	18,476	21,867	22,682	25,923	26,441	25,235	28,105	11.4%
Poland	35,020	39,396	44,300	56,474	66,141	62,864	78,950	25.6%
Portugal	22,921	24,517	27,008	31,757	33,800	31,468	34,487	9.6%
Romania	3,651	4,037	4,560	5,007	4,854	5,023	5,990	19.3%
Russia	23,332	28,004	33,792	43,840	45,125	42,302	68,684	62.4%
Serbia	445	555	603	650	883	930	1,080	16.1%
Slovakia	1,036	1,646	1,646	2,521	2,032	1,604	2,263	41.1%
Slovenia	329	1,000	1,200	1,400	2,000	1,750	2,000	14.3%
Spain	115,220	130,656	146,292	166,391	185,559	182,264	199,364	9.4%
Sweden	26,078	20,481	20,094	19,822	20,625	20,625	21,473	4.1%
Switzerland	3,832	3,832	3,832	593	593	593	593	0.0%
Turkey	39,310	35,085	34,575	26,894	21,857	18,966	15,944	-15.9%
Ukraine	442	295	295	295	258	258	258	0.0%
United Kingdom	376,571	326,878	324,260	320,193	328,966	272,677	328,429	20.4%
Total Europe	**1,557,066**	**1,592,988**	**1,701,939**	**1,829,143**	**1,976,239**	**1,844,721**	**2,118,041**	**14.8%**
MIDDLE EAST								
Israel	2,108	3,080	3,295	2,665	2,734	3,748	4,000	6.7%
Lebanon	508	610	662	675	675	675	83	-87.7%
Oman	–	–	–	–	93	93	93	0.0%
Qatar	62	62	62	–	–	–	–	0.0%
UAE	5,350	3,831	4,000	5,500	6,435	5,000	5,000	0.0%
Total Middle East	**8,028**	**7,583**	**8,019**	**8,840**	**9,937**	**9,516**	**9,176**	**-3.6%**
NORTH AMERICA								
Canada	5,530	5,609	5,392	2,280	2,985	2,448	2,700	10.3%
USA	95,000	89,463	87,000	87,821	83,757	64,150	94,300	47.0%
Total North America	**100,530**	**95,072**	**92,392**	**90,101**	**86,742**	**66,598**	**97,000**	**45.7%**
SOUTH AMERICA								
Argentina	1,551	1,891	2,282	3,064	4,133	2,662	3,502	31.6%
Bolivia	44	44	44					0.0%
Brazil	28,965	45,379	50,432	47,281	46,711	18,850	20,998	11.4%
Caribbean	45	–	–	–	–	–	–	0.0%
Chile	22,300	25,050	22,756	26,500	33,600	27,000	29,400	8.9%
Colombia	10,333	7,630	7,655	7,142	7,667	5,525	6,241	13.0%
Costa Rica	2,710	231	231	–	–	836	900	7.7%
Dominican Republic	–	–	144	302	337	253	276	9.1%
Guatemala	–	–	–	282	300	300	300	0.0%
Honduras	22	27	27	67	75	52	52	0.0%
Mexico	19,291	22,510	23,314	24,477	25,200	14,361	16,994	18.3%
Peru	1,475	1,550	10,105	12,023	13,905	13,657	7,270	-46.8%
Uruguay	90	84	98	110	103	63	115	82.5%
Total South America	**86,826**	**104,396**	**117,088**	**121,248**	**132,031**	**83,559**	**86,048**	**3.0%**
Total World	**2,367,790**	**2,375,968**	**2,598,298**	**2,767,068**	**2,917,105**	**2,726,728**	**3,093,706**	**13.46%**

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