FCI

NEWSLETTER / FEBRUARY 2020

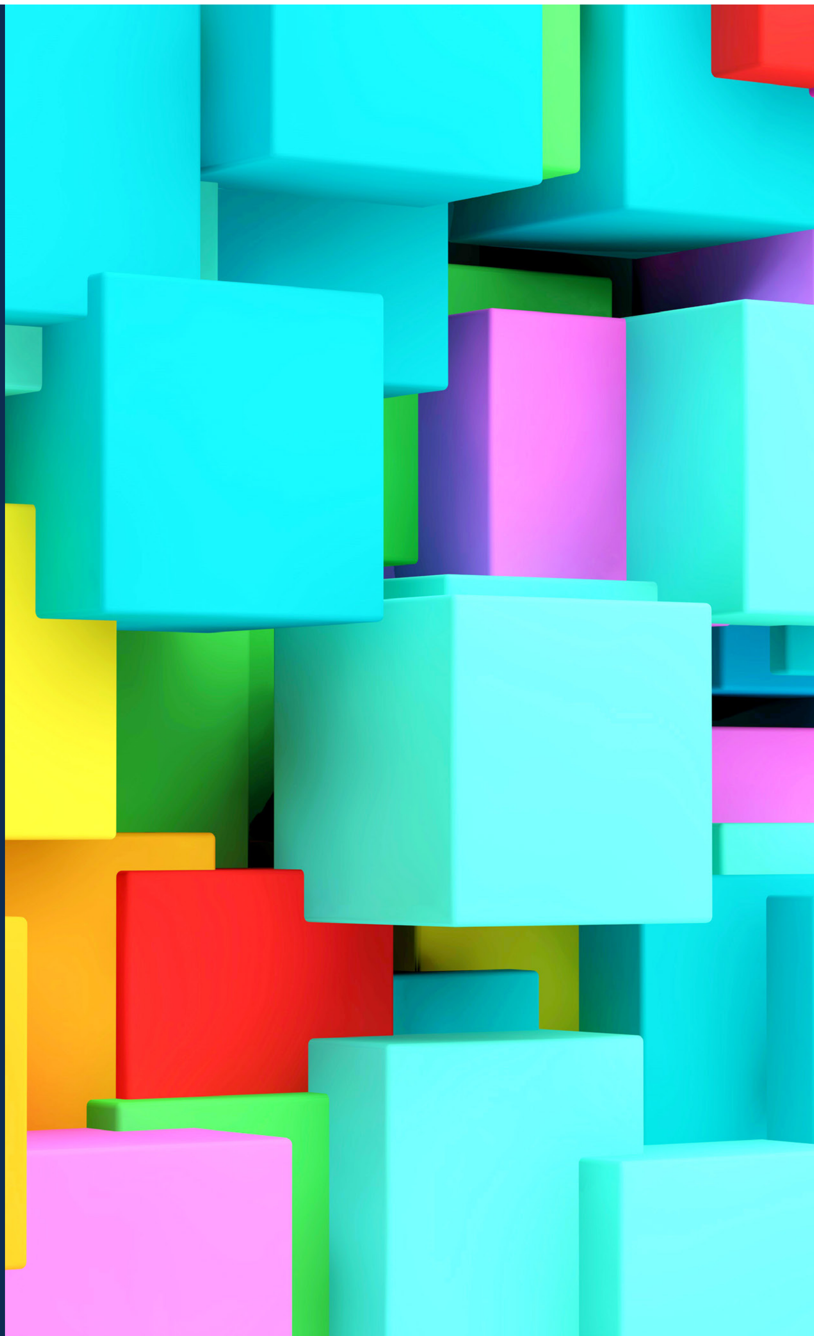
CONNECT. EDUCATE. INFLUENCE.

Facilitating Open Account – Receivables Finance

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

Contents:



GWENDOLINE DE VIRON
Head of Marketing and Communication

EXECUTIVE SUMMARY

Dear Readers,

Welcome in to the latest edition of In-Sight!

Patrick de Villepin, FCI Chairman, welcomes you to this FCI newsletter in highlighting all the challenges we face today and also how we prepare for the future.

Peter Mulroy states that we are living in disruptive times and enlightens us on some of the influences such as the corona virus, the trade war and criticisms against Supply Chain Finance. The article concludes with his views on global statistics predictions and edifactoring.com statistics.

Lin Hui enlightens how coronavirus shakes up the global supply chain and shows us some hints on how to take the advantages of the threats.

Going further, a reminder that the Sixth EU Factoring and Commercial Finance Summit will take place at the end of March along with EUF council meeting.

Monica Blanco updates us on FCIreverse and why to choose FCIreverse and not another platform outside FCI.

Follow on to discover a report on a recent collaboration between FCI and IFC in Mongolia where we co-organised a workshop for NBFIS on Supply Chain Finance and Factoring.

We see some potential for this market, as at the time of sending this publication, the FCI-Afreximbank Regional conference on Factoring and Receivables Finance in East Africa is taking place.

The connect section finishes with the traditional new members presentation: Al Tameer Leasing and Factoring (Egypt), Bank BelVEB (Belarus), Fintecly (Moldova), Tedfo Bangladesh and Woodhall Capital (Nigeria).

The next section on Education starts with the experience of Is Faktoring (Turkey) mentoring a new FCI member EFG Hermes (Egypt). Subsequently, Spyros Tsolis explains the experience on tailor-made training for NLB Slovenia. He shares with us the very successful recent webinar on edifactoring.com. Aysen Çetintas presents the new training on Sales and Marketing in Factoring & Receivables Finance. Finally, she presents the experience of the COFIT students in Africa, the 2019 session was finalized in January with the FCI week in Cairo.

The influence section starts with the traditions 'FCI spreading the wings' where you can discover the meetings, presence and partnerships of FCI.

Professor Dr. Prashanta Kumar Banerjee presents the progression of the policy support in introducing international factoring in Bangladesh.

The Hellenic Factoring Association explains the nightmare of tax burden in the Greek market and how they fight to eradicate this .

Finally the experience of factoring with the oldest agricultural branch, the winery, in Georgia is presented by TBC Bank.

Enjoy the reading!

Gwendoline

WELCOME FROM PATRICK DE VILLEPIN
Chairman of FCI

PATRICK DE VILLEPIN
Chairman of FCI

Dear Friends,

The new year started with many projects for FCI and the challenges faced added to our already full plate. Early January, the joint Credit Insurance/ Receivables Finance group met for the fifth time. They discussed the evolution of both industries in 2019, potential synergies, the issues encountered as well as education. It is key for both industries to educate people to reach the next level. FCI's Education Team has been quite active lately. At the end of last year, they were in Guangzhou, China for the new Sales and Marketing training on Factoring and Receivables Finance. They were in Egypt in January for the fourth week of the University-certified program which COFIT organised with the University of Malta and Afreximbank. A few days ago, Dubai was the venue for a successful regional workshop on Factoring and Receivables Finance. Not to mention that FCI offers to its members 9 online courses and 3 certificate programmes combining several of these courses. Education is key and I invite you to register to our worldwide recognised courses.

We also worked on advocacy (factoring law in Bangladesh, Nigeria, Kazakhstan and Jordan), promotion of factoring, elevation of FCI, but mainly on the 5-Year Strategic Plan that we will present at the Council Meeting in June in Washington. During the next Executive Committee Meeting in a few days in London, we will finalize the plan but also discuss such topics as the adaptation of some articles in the Constitution and other rules to prepare for the Council Meeting. As you can read, many projects are ongoing, you may discover more details on some of them in this publication.

The world is living with unexpected challenges today. With the trade war, political threats, environmental calamity and the spread of the corona virus, the general dynamic is to retreat from the status quo that the world has reached. New challenges oblige us to find new solutions and bridge the gaps. After crises, the world usually becomes stronger. My hope is that this will re-occur.

As you will read more in detail in Peter's article, our industry is threatened. The Supply Chain might be affected by the corona virus, the factoring volumes are in peril with the trade war, reverse factoring is being challenged by negative press. So how can we react to this? Our natural solution is to defend ourselves by closing borders for the virus, finding new ways to increase the transactions and claiming the benefits of reverse factoring.

FCI is preparing to forge forward with our new 5-Year Strategic Plan, exploring new frontiers, to boldly go where no man has gone before!

Kind regards,

Patrick

Patrick de Villepin

FCI Chairman

A WORD FROM THE SECRETARY GENERAL

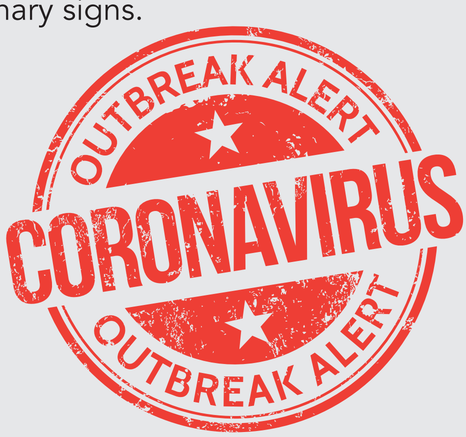
PETER MULROY
Secretary General

We are living in Disruptive Times

The times we are living through are indeed something not witnessed in many years. From the awakening of the Coronavirus, the Trade War, BREXIT, US Elections, and many other regional geo-political events, these times are not for the weak hearted! But as the Chinese say, with challenges comes opportunities.

Our biggest threat is of course the spread of the *CoV-2 Virus*. I have stayed in close contact with many of our members and have to say that they are going through something like never before. FCI sent a circular out a few weeks back, I do hope members have been able to encourage their clients in the medical supply field to assist our members in China due to the shortage in supplies. And of course, the *trade war* has also had significant repercussions on our members, clients and customers on both sides of the Pacific. We also see a battle brewing relating to the attack on SCF practices of Payables Finance/Reverse Factoring and Confirming, which could ultimately influence this business in the future. FCI will announce the *preliminary results of the global factoring statistics* early next month, however we can already see the tea leaves. International factoring has been severely impacted by the above. But as these major influences above are truly felt in the world economy, expect to see the effects domestically as well especially in 2020. Already Japan, Germany, UK and others are showing recessionary signs.

Impact of the Corona Virus on Factoring



What happens to China affects us all. That is a quote from the FCI Chairman. Our economies, supply chains and infrastructures are so delicately intertwined that we can see the impact the virus has had on our friends and colleagues in China, and the indirect influence it has had on all of us. For nearly a month, the country pretty much has come to a standstill. I was shared numerous pictures, videos and articles from our members in China, and I can tell you I have never seen anything quite like it. The report from *edifactoring in the first month showed a steep decline in volume out of China* representing one of the biggest single month drop in volume ever recorded. Of course, we anticipate that the volume will pick up, as we are hearing reports that employees are able to come back to work. I hear from the top four banks that staff have returned to work, and are in some cases back to a somewhat regular routine, albeit with the same temperature health controls and precautions that they practiced since virus began to spread. We are already hearing of a significant back log and delays due to the shutdown of plants across China. We hear such industries like tourism, restaurants, retail, leisure, auto production, telecommunications, hard and soft commodities, transportation, with the exception of gold, and in general supply chains that have at their center production in China. As one article stated "It will take a long time to recover foot traffic in shopping malls. More importantly, the virus has encouraged Chinese firms to attempt

EDIFACTORING IN THE FIRST MONTH SHOWED THE BIGGEST SINGLE MONTH DROP IN VOLUME EVER RECORDED large-scale shifts towards online operations, further increasing the reach of e-commerce to new consumers". But E-commerce will also have some adverse impact from the virus. While people are shopping online more as they stop going out, those companies could also be temporarily hit. Morgan Stanley in a recent report pointed out that "the logistic disruptions are affecting deliveries, and is a near-term negative for Chinese e-commerce players. For example, shutdowns throughout China means roads and highways have been closed. Alibaba last week warned that virus-related disruptions may hit its revenue growth in the March quarter. Its CEO Daniel Zhang said that the delay in employees returning to work is preventing merchants and logistic companies from resuming operations."

I attended last week a high level meeting of trade finance experts globally at the WTO. One of the largest banks in China, which normally sends a senior executive to this same meeting but due to the virus, refrained and joined by conference call. They indicated that the virus is on the decline and work has resumed for most companies with the exception of production in Wuhan. However, they are very cautious and still not at full capacity.

One of the largest global banks representative also reported at this meeting that they have revised down their growth estimates down nearly 10% due to the virus, but expect production to return to normal in the 2Q2020. The FCI edifactoring statistics for January look terrible out of the greater China region. We can only hope to see a rebound in the 2Q2020 but I am not holding my breath. As I write this article, the US and other international markets are in decline due to the spread of the virus outside of China. We can only hope that the virus is contained and that normal life can resume soon.

ONE OF THE LARGEST GLOBAL BANKS HAS REVISED DOWN THEIR GROWTH ESTIMATES DOWN NEARLY 10% DUE TO THE VIRUS

Trade War

Certainly the impact of the Trade War was felt far and wide within the factoring industry. Chinese exporters were hampered by the import duties imposed on a wide variety of Chinese goods. The increased import tariffs by the Trump administration has had a severe and chilling effect on trade from China, as the increased costs could not be absorbed by either the supplier, importer or end customers/retailers. ***The factoring industry witnessed a significant decline in trade volume in domestic and cross border factoring***, not just between these two giants but also between those markets that support the supply chains that ultimately are exported from China (especially from neighboring markets). Many were looking for alternative suppliers in other markets, but this process is time-consuming and challenging. SMEs have especially felt the brunt of the trade war, witnessing reduction in business, credit availability, and a loss of business confidence, creating both liquidity and overall financial pressure on clients.

Attacks against Supply Chain Finance (SCF)

The negative reporting from the rating agencies and in turn the negative press that followed about SCF/Payables Finance/Reverse Factoring really has caused a backlash. Moodys released

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late last year an article entitled "Reverse factoring is increasingly popular but can weaken liquidity at a time of stress". The US accounting board FASB has taken the matter up to review issues like terms extension and financial reporting of SCF programs. Just look at the following headline news from around the world over the past few months:

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

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

GOVERNMENTS CREATE UNNECESSARY HURDLES DUE TO A LACK OF UNDERSTANDING OF THE PRODUCT, AND DO NOT APPRECIATE THE BENEFITS

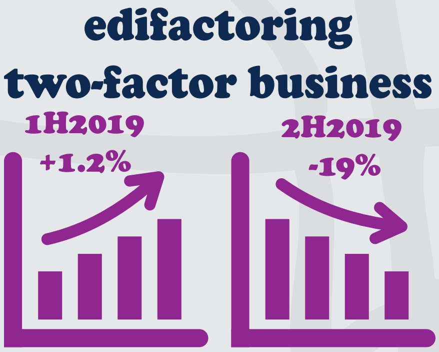
National governments in Poland, Netherlands, France, and soon Australia and other countries are not only creating laws/regulations but ones with teeth! The market always figures it out, but *governments create unnecessary hurdles due to a lack of understanding of the product, and do not appreciate the benefits of the low cost liquidity such programs generate for SMEs.*

In response to this, the GSCFF, a joint initiative of the ICC, EBA, BAFT, ITFA and FCI issued a paper that was sent to the public, and also to our membership this past week, discussing *its benefits*. You can find the paper in the FCI website, along with an article that just recently came out by GTR entitled "Industry Heavyweights call for nuance over SCF criticism". We hope the efforts will help counter some of the negative publicity generated over the past six months.

Global Statistics

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

As was reported last year, the overall volume for the first half 2019 in *edifactoring two-factor business* increased 1.2% in the first half of 2019. But the volume dropped tremendously in the 2H2019, stemming solely from the drop in volume from Turkey and the greater China region (the largest export factoring markets in FCI). The drop resulted in a decline in volume of -19% compared to 2018. This drop was solely due to the precipitous drop in export volume of these two markets. As such, I was anticipating a significant reduction in factoring volumes domestically as well. But this did not happen. As we know, domestic volume grew at the fastest pace since the great recession, an increase of factoring and commercial finance volumes growing by 9.3% in the first half of 2019. And as Europe accounts for two thirds of global volume, I was feeling a bit more relieved. We are beginning to receive some data from the launch of our requests for factoring data from our members, and we now see that the 2H2019 did soften somewhat. It appears volumes out of the greater China region will not look good. And volumes out of Turkey the same. However, the other markets especially in Europe did quite well considering the drag on volume in these particular markets.



Conclusion

One would think that the factoring industry has some significant forces to be able to repel the growing tide of disruption around the world. We estimate that the total volume in 2019 will be in the range between *3 to 5% growth for the year.* That is coming off two strong years of growth of 6.5% in 2018 and 9.2% in 2019. The preliminary figures will be released to the public on the 10th March. One note of caution. For the first month, January 2020, the edifactoring statistics show a significant drop in business especially coming out of the greater China region, due predominantly to the coronavirus. We have to see if this will continue into the rest of the 1Q2020. But we expect February to be another challenging month. As you can see, we are living in disruptive times. In fact, it is the theme of the 52nd Annual Meeting to be held 21-25 June in Washington DC. However, as you will hear in the coming months, FCI will roll out a new 5-year strategic plan to address many of these issues and attempt to steer the association into a brighter future!

CORONAVIRUS SHOCK ON GLOBAL SUPPLY CHAINS

LIN HUI
Regional Director North East Asia

From the beginning of time, pandemic plagues and disease were disruptive forces that had profound economic and social consequences. In this way, the Coronavirus is similar. But unlike past crises, this virus is uniquely different because we are in a much more mobile world where peoples are more connected and economies more integrated.

Within a period of weeks, the virus had spread across continents. Similarly, as China reacted to contain the virus with the resulting consequences shutting down the economy, the effects on the supply chain were equally profound and far-reaching.

Friday, 14th February in Europe, Fiat Chrysler confirmed that it is *temporarily halting production at a car factory in Serbia* because it can't get parts from China due to the coronavirus outbreak.

Earlier on Wednesday, 12th February in the US, the CEO of Under Armour addressed the situation during an earnings call that "From a supply chain point of view, there could be challenges that develop from the material, factory, and logistics perspective." *Problems on sourcing fabrics, trims, and packaging* "could prove to be difficult in the second half of the year."

These are just two examples. The reality is virtually every business either directly involved in the design, production, marketing, selling of a product, and the many companies that service them are their employees are directly or indirectly impacted.

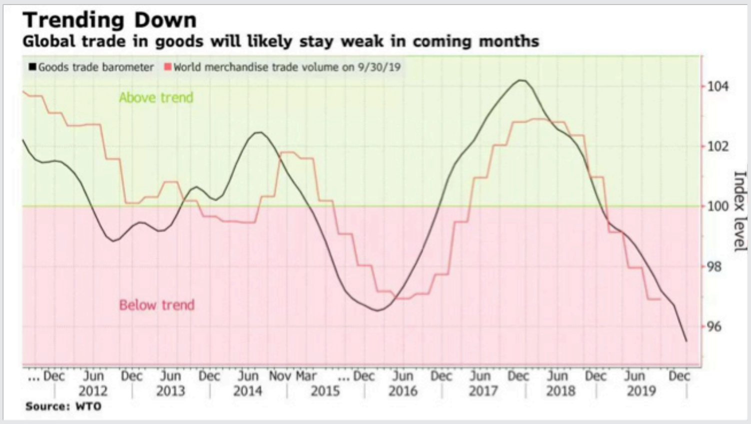
Meanwhile, in Wuhan and Hebei Province, China, tens of thousands of doctors and nurses have been working around the clock combating the virus *to save lives and contain the spread of the disease*. Despite being a resource-rich country, their efforts have made more difficult due to the shortage of medical protective supplies and facilities suitable to support treatment for so many people. These professionals are resorting to using goggles made of plastic folders, taping up masks, drinking as little as possible, or even wearing diapers to extend the usefulness their disposable protective clothing.

Outside of Wuhan, in China, the 1.4 billion Chinese people are requested to wear protective masks for going to any public area including their working place. There are not nearly enough masks to support the needs of the population.

In response, The WHO announced the *Pandemic Supply Chain Network*, formed by the World Economic Forum for use in health emergencies, to support medical supply manufacturers to increase production and prioritize sending supplies to front-line health emergency responders.

THEY REFLECT HOW OUR WORLD IS TRULY MORE MOBILE, MORE INTEGRATED, AND MORE DEPENDENT ON THE MUTUAL HEALTH OF ALL COMMUNITIES

What is striking about these examples is that they reflect how our world is truly more mobile, more integrated, and more dependent on the mutual health of all communities. The reality is our economies and the supply chains that support them are far more integrated than even a decade ago. A factory in Japan may provide parts to a firm in China, which in turn supplies a company in the US, with the final products for sale on the shelves of retailers around the world. China's extensive manufacturing infrastructure has grown to be the hub of this global supply chain with partners in well over 100 countries. This represents more than 80 percent of global GDP. Just as when the US or EU is not well, when China is not well, global trade is not well. WTO says the Coronavirus will further weaken global trade growth in Q1.



Although it is still difficult to make predictions about the situation for the entire year, *the impact of the virus has businesses reappraising their supply chain strategies*. The current just-in-time concept leaves little room for delays along the whole supply chain. While many firms cannot manage all the tiers of their suppliers along the supply chain, they have greater incentive to seek visibility and flexibility in who and where they place their partnerships to manage just-in-time risk more effectively.

So where does this leave us now?

The *good news is the numbers for new infections are now declining*, and China's government's strong response has moved to counter the economic fallout from the coronavirus should mitigate the risks on global supply chains. We expect the *capacities of the factories and logistics will recover quickly* and despite the current uncertainty, there will be a V-shaped recovery this year.

When FCI learned about the severe shortage in medical supplies in China, Patrick de Villepin, FCI Chairman, immediately encouraged "*the membership of FCI to offer quick financing solutions to its clients in the medical supply industry to allow them a swift reaction to their urgent needs.*"

As the global association of receivable financing, the FCI network connects the global supply chains in a unique way. Thousands of businesses, SMEs particularly, are the clients of FCI members. Our membership supports approximately 1,500 trillion Euros B2B transactions annually. In good times, and bad, *FCI members need to coordinate more closely with each other to help clients respond to manage the challenges and embrace the opportunities of the dynamic global supply chains*. The expertise of our industry in trade transactions, combined with the strength and flexibility of the FCI network can support China and its global supply chain partners to regain momentum and growth ASAP.

THE EXPERTISE OF OUR INDUSTRY IN TRADE TRANSACTIONS, COMBINED WITH THE STRENGTH AND FLEXIBILITY OF THE FCI NETWORK CAN SUPPORT CHINA AND ITS GLOBAL SUPPLY CHAIN PARTNERS TO REGAIN MOMENTUM AND GROWTH ASAP

"All a man could win in the conflict between plague and life was knowledge and memories." The *Covid-19 while disruptive will most certainly lead to innovations and insight that will advance our capabilities well into the future*. We are committed to seeing that FCI is well-positioned to support the global supply chains to make these learnings a reality that adds value for our members and their clients.

SIXTH EU FACTORING AND COMMERCIAL FINANCE SUMMIT

The Summit is the only annual event organised by EUF & FCI representing over 98% of European market players. It's organized **by** the Factoring Industry **for** the Factoring Industry. Participants will have the opportunity to share latest updates and be involved in promoting and celebrating the impact of the Commercial Finance Industry which supports the real economy and employment in Europe.

This Summit is a unique opportunity for Industry Leaders in Europe to network and address topics that really matter for the European Factoring Industry. The programme will address the *latest updates, promoting and celebrating the impact of the Factoring and Commercial Finance Industry*.

The conference is organised for anyone who needs to be up to date with the latest trends and developments in the European Factoring and Commercial Finance Industry, including:

- Senior Managers of FCI members
- CEOs of Industry players who are members of National Associations represented by the EUF
- CEOs of Industry players from other European and interested countries
- Teachers, Researchers and Professionals with an interest in the finance of business in Europe
- Supply Chain Finance companies
- Companies offering their services to the world of factoring (lawyers, insurers, IT providers)

Testimonials from previous editions:

"Very enlightening panels, Excellent organization, relevant agenda, profitable FCI/EUF common effort should be continued"

"A unique opportunity, for industry leaders to network, address topics and exchange best practices that matter in factoring"

More information and registration on [FCI website]

MONICA BLANCO
FCI SCF Consultant

WHO BENEFITS FOR FCIreverse

This is the most recurrent question when we talk about FCIreverse in all the forums. To say that FCIreverse is of interest to all FCI members and to all non-members is impudent but is still true.

To all those members that are doing factoring transactions, *FCIreverse is a way of moving into reverse factoring in a very safe way*. FCIreverse is not only a platform, powered by the industry leader but *also encompasses ther services put together to help the FCIreverse members when stepping into this new side of business*. Helping the members to originate business and to build their own portfolio is part of what FCIreverse is.

But let's imagine that you are a company or bank that already has this kind of business, then FCIreverse is not only a platform but the most advanced on-boarding tool to help you gather all the documentation needed on your KYC/AML processes. A comprehensive tool to be used by the FCI member to reach successfully and safely, all the supplier base, designed as a journey where the supplier knows the next steps to be taken as well as the missing steps to on-board itself into the program, with almost no company intervention. This very same tool is being sold by Demica as a separate tool to big banks and is embedded in the FCIreverse platform as part of its core value proposition.

For those FCI members with no international scope, FCIreverse puts them in the same playing field as the bigger international banks thanks to the 4-Corner Model. The banks with limited footprint can also benefit from it in the same way using the 4-Corner Model and will have a better geographical reach when trying to fullfilled the client's needs.

Those banks that want to exclusively exchange business originated by other international branches of the bank will also greatly benefit from FCIreverse as it will provide them with a legal frame to determine responsibilities while keeping ring fences in place.

And for all of them, FCIreverse means business. Being part of FCIreverse powered by Demica means that you are part of the pool of banks that Demica will offer business. As Demica grows in its expansion, you will find opportunities to invest in their programs.

Let's talk about your opportunities, are you ready?

MONGOLIA: WORKSHOP FOR NBFIS ON SUPPLY CHAIN FINANCE AND FACTORING

FCI in collaboration with the International Finance Corporation (IFC) and The Financial Regulatory Committee of Mongolia held a workshop for non-banking financial institutions on supply chain finance and factoring on January 14-15 in Ulaanbaartar. The event brought together *80 delegates* from non-banking financial institutions some of which have a factoring license and relevant officials of FRC.

Mr. LIN Hui, FCI North East Asia Director and Mr. LAI Jinchang, Lead Financial Sector Specialist of IFC, World Bank Group shared the best practices and knowledge on Factoring, Supply Chain Finance and Movable Asset Finance at the workshop.

Montsame, the Mongolian News Agency reported this event and introduced that *Factoring gives non-banking financial institutions an opportunity to provide low-risk financial services to their customers and increase their profit and enhances solvency and provision of goods and services of small and medium enterprises in Mongolia*."

Exports now account for more than half of Mongolia's GDP. The main export commodities are mineral products (copper, coal, molybdenum, tin, tungsten, and gold), natural or cultured stones, jewelry, textiles, animal origin products, hides and skins. Mongolia's main export partner is China (80% of total exports).

Two of the leading Mongolian Banks, Golomt Bank and TDB are members of FCI. "*For developing factoring concept in new markets like Mongolia, it's more important we help our new members to build up successful business cases on export factoring through FCI network.*" LIN Hui emphasized that it's for the benefit of the whole FCI network.

FACTORING IN EAST AFRICA

At the time of writing the article, we are finalizing the preparation for the joint conference with Afreximbank in East Africa. On 27 and 28 February about 120 senior executives from factoring companies, banks and non-bank financial institutions, government agencies, consulting firms and IT providers.

They will be joined by regulators, lawyers and insurers for the sharing of best practices in regulatory and legal regimes, innovation and credit insurance services that can facilitate the growth of factoring in support of SMEs.

Factoring can provide more financing to SMEs than traditional lending channels if the knowledge and capability are developed and shared.

The Conference is aimed at creating ***awareness, building capacity and providing opportunities for networking*** in the factoring industry. It will feature presentations, panel discussions and success stories and will allow attendees to discuss the current state and challenges of the factoring industry. Discussions will also cover products and market development.

Commenting on the conference, Kanayo Awani, Managing Director, Intra-African Trade Initiative, Afreximbank said: "*Promoting Intra-African Trade and facilitating Industrialization and Export Development are key pillars of Afreximbank's current strategy. We believe that factoring will support their implementation capacity in the context of the untapped opportunities.* ***Factoring provides a solution to address the challenge of access to financing for African SMEs.*** *Afreximbank will continue to play a leading role in facilitating the growth of factoring in Africa especially in creating awareness and building requisite capacity.*"

Peter Mulroy, FCI Secretary General, added: "*It is generally recognised that* ***Africa presents some of the most exciting global opportunities for economic development and expansion****. Factoring is capable of providing support for future success in both funding SMEs and inter-African trade. FCI's African Chapter is in place to help guide this expansion and develop the necessary skills in market to drive growth at the regional level.*"

CONNECT

NEW MEMBERS

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

Since the last newsletter, the FCI family grew with the following Members. Today FCI counts **385 members**! We still have a lot of prospects that will soon join FCI.

ALOULA
Al Taamir for Leasing and Factoring CO

ASSOCIATE

EGYPT

Al Taamir for Leasing and Factoring CO – Al Oula started operations in December 2015 with a paid-in capital of EGP 50 million to reach EGP 170 Million by now.

Our Major shareholder is Al Taamir for Mortgage - with a contribution of 90% of our company's capital.

Our Main focus is on the large and medium tickets companies to provide several financial solutions (Short and Long-Term) for all sectors and industries.

Our strategy is to build, improve and develop our relationship with customers and attract new ones with our considerable financial experience.

With the current success of our company in the leasing sector, we are now offering short-term finance to the Egyptian market by providing all types of factoring products.

For further details, please visit www.aloula-eg.com

BEL VEB

ASSOCIATE

BELARUS

Bank BelVEB OJSC is a universal credit and financial institution. With many years of experience and established reputation both in international and domestic money markets to its credit, Bank BelVEB OJSC holds a leading position among commercial banks in the Republic of Belarus in international payments, foreign exchange transactions and trade finance.

At present BankBelVEB's branch network covers over 22 cities of Belarus and includes 30 service offices. Strong performance of the Bank's branch network has always been pivotal in reaching to, and broadening of, its clientele and channeling of banking products to increase sales of services.

Pursuing its key lines of business, Bank BelVEB OJSC, all through its history of business operation, has held leading positions within the country's banking industry in rendering export and import payment services and financing foreign trade transactions. This is evidenced by credit lines established by banks from Germany, Austria, Italy, the Czech Republic and other countries to finance contracts for the delivery of goods and services necessary to implement investment projects in Belarus. Owing to Bank BelVEB OJSC high standing in the international financial community, many foreign companies and organizations opt for Bank BelVEB OJSC as their guarantor bank.

Bank BelVEB OJSC business development strategy coupled with a meticulous on-going analysis of financial transactions enables it to promptly respond to market challenges and focus its resources on the most promising lines of business. Attaining maximum customer satisfaction and providing the widest possible spectrum of services have always been and remain to be the Bank's priority goal

For further details please visit: www.belveb.by

FINTECLY — AFFILIATE — MOLDOVA

FINTECLY SRL is a non-bank financial institution based in Republic of Moldova with its registered office in Chisinau. The company is licensed and regulated by the National Bank of Moldova.

Company is run by the team of highly skilled and experienced professionals whose vision is to be the leading factoring and SCF provider in Moldova. We understand the challenges of the market, while being a real partner for growing businesses in their attempts to bring the best known local products to the customers worldwide.

By joining FCI we will extend our services to local companies helping them to thrive in international markets by access to the best practice in factoring and flexible finance solutions.

More info about FINTECLY SRL and its factoring offer can be find on company's portal www.factor.md

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TEDFO — AFFILIATE — BANGLADESH

Tedfo Bangladesh Limited provides trade services including all-inclusive shipping, inward logistics, and trade documentation to the Bangladesh exporters since 2016. In addition, it also enables Bangladesh exporters to showcase their products to global buyers through online showroom at Tedfo global B2B marketplace.

Tedfo is going to introduce short term receivable finance and ensure all of its trade services from its single online platform (https://tedfo.com) from 2020.

Using Tedfo platform, exporters will be able to get buying leads, prepare trade documentation, maintain sales ledger, book and track shipments, and apply for trade finance together. Providing technology enabled trade services along with great customer support at a competitive price is the core strength of Tedfo.

Tedfo vision is to innovate and offer solutions that empowers business to grow locally and globally. The team of Tedfo conducts business and maintain customer relationships based on 4 (four) unique values, including convenience, commitment, compliance and confidentiality (4C).

Tedfo has been working and innovating to be the leading trade service provider for the Bangladesh exporters and to be most trusted Business to Business marketplace for the global buyers.

For further details please visit: www.tedfor.com

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WOODHALL CAPITAL

AFFILIATE

NIGERIA

Woodhall Capital International Limited ("Woodhall Capital") is a boutique advisory firm that specializes in raising international funding, debt and equity capital, for its local clients. We work with a select group of corporate entities and financial institutions in emerging markets to access capital and find strategic partnerships in the global financial markets

We are a leading advisory firm committed to supporting its clients in their bid to enhance their enterprise value in an increasingly complex global economic environment.

The firm works closely with clients and counterparties to anticipate, understand, manage and resolve issues arising from the complexity and uncertainty associated with trading in emerging economies like Sub-Saharan Africa.

Woodhall Capital puts at the service of its corporate clients, a full range of transaction services required for the execution and financing of cross border transactions.

For further details please visit: www.woodhallcap.com

We wish them lots of success!

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

MENTORING EXPERIENCE
A TURKISH MEMBER MENTORS AN EGYPTIAN MEMBER

When the first "mentorship program" was announced, we eagerly submitted our application for mentorship. When we look up the word "mentor" in the dictionary, it is defined as "*an experienced and trusted adviser.*" So a company needs to be experienced as well as trusted in order to be a mentor.

Is Faktoring A.S. was a member of FCI since our foundation, namely 27 years. As far as two-factor export factoring is concerned, Turkey is a fairly mature market. In terms of knowledge of two-factor system, GRIF and "how to do", a knowledge of *30 years has been accumulated since the foundation of first factoring company in Turkey*. So as far as "experienced and trusted" criteria are concerned we may say that we were fit for the role.

We have mentored another new entrant before and when we first learned about EFG Hermes Factoring's request for a mentor we happily accepted.

Turkey both exports to and imports from Egypt so it was really exciting for us to be *mentoring a new correspondent in the Egypt market who had the potential to turn out to be our business partner*.

MENTORING A NEW CORRESPONDENT IN EGYPT ...THE POTENTIAL BUSINESS PARTNER.

We first set up a conference call to correctly define *the needs* of EFG Factoring. We wanted to know other than the subjects that we will go through whether there was any special needs of the company.

When we learned that EFG Hermes would prefer not only to have the FCI Framework and would like to have a comprehensive factoring workshop, we also included other division managers in the program.

We had full two-day program with Mamdouh Gobba, Business Development Vice President of EFG Hermes.

1st day started with basics of FCI Environments (members network, private net…etc), then we have continued with legal aspects of two-factor system: FCI Constitution, GRIF, Interfactor Agreement, Legal Circulars

On the second day we have continued with presentations of Marketing, Operations, Credit, Client and Correspondent Relations Department's presentations. So every aspect of factoring was touched. We have tried to transfer product knowledge and also risk prevention and fraud detection techniques as they are implemented in a multi layered manner. We also went through examples and best practices.

It was a wonderful experience for us too, and we were very lucky to have the chance to be the mentor of EFG Hermes.

In the future if any mentor request should arise we will again volunteer. Not only do you *get to know a potential business partner, but also you learn from their questions and current processes*, as each company has different way of looking into risk, marketing and client management. You learn country characteristics so when a new business arises you have an idea of a potential seller or buyer behavior.

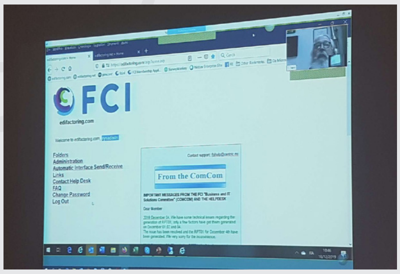
EDUCATE

ON-SITE TAILOR-MADE TRAINING PROGRAM FOR NLB D.D., SLOVENIA

SPYROS TSOLIS
Deputy Education Director

NLB d.d. Slovenia, a new member that joined FCI in October 2019, is ready to include FCI Two-Factor International Factoring in its product portfolio as a new line of business. To support their smooth onboarding into the FCI environment, they decided to use FCI's tailor made training programs and invited FCI to hold at their premises a specialised training program on Edifactoring.com, focusing on the Two-Factor system, including edifactoring messages, their operational framework and their legal implications.

Mr. Spyros Tsolis, FCI Deputy Education Director visited Ljubljana on 17-18 December 2019 and held a 1 ½ day training on edifactoring.com aspects. The program included presentations on FCI generic topics, on each and every edifactoring message used daily by the operations team as well as a business simulation exercise, during which, participants had the opportunity to test their knowledge on edifactoring by acting as Export & Import Factors that cooperate under the two-factor framework.



Moreover, a more technical session was delivered online by Mr. Harry Biletta, FCI Director Planning & Development, attended by NLB's IT team, in order to understand the system architecture and its basic specifications.

Tailor-made trainings, especially on-site, are becoming more and more popular, as members have the opportunity to train their staff at their premises on any factoring & receivables finance topic they wish, recognising the added value of this learning method. The FCI Education Team, with the valuable support of other FCI experts, is ready to design tailor-made training programs for all FCI members as well as for any financial institution, on any topic that is related to factoring & receivables finance.

"While onboarding ourselves for FCI new business line, as a new FCI member, we have decided to get support from FCI education staff. Together with FCI Team, Mr. Spyros Tsolis, we prepared a two day Onsite tailor made training. It was highly effective learning method for employees from various departments i.e. Trade finance, legal, Development, Accounting, Back Office and IT where we have recognized factoring model through FCI and Edifactoring as very complex and holistic solution. Having FCI expert onsite and special guest on Skype, we were well acquainted with many topics and get answered all raised issues and questions on the spot. Additionally to that excellent value added experience, Mr. Spyros Tsolis and FCI staff has offered their help in implementing phase whenever needed."

WEBINAR ON EDIFACTORING.COM

It is nowadays a fact that webinars are becoming more and more popular and is one of the most preferred digital learning methods. FCI has introduced webinars since September 2018 and since then, has held quite a number of very successful and *well-attended online events on various topics* for FCI members and financial institutions that seek to receive specialised knowledge of Factoring specific topics.

During 2019, many new members joined FCI with the willingness to launch FCI Two-Factor international factoring business. As such, the FCI Education Team with the valuable support of the FCI Regional Directors, organised a webinar on edifactoring.com to introduce FCI's communication platform and its basic characteristics.

The webinar on edifactoring.com was held on 5 February 2020 and was a very successful digital learning event, attended by 51 delegates representing 20, mostly new, FCI members from *17 countries and 3 continents*. It was a very interactive session, participants raised many questions, all promptly replied in detail.

The webinar introduced participants to edifactoring.com, presented the most important messages used daily by the operations teams, referring also to the legal implications of every message as well as focused on the best practises to build an efficient FCI Two-Factor framework within their organisations. It also provided them the opportunity to interact with each other, building relationships that could result in fruitful win-win business cases.

Webinar facilitators & presenters were Ms. Aysen Cetintas, FCI Education Director, Mr. Harry Biletta, FCI Director Planning and Development and Mr. Spyros Tsolis, FCI Deputy Education Director.

FCI Education is able via such modern learning tools not only to introduce new concepts on factoring & receivables finance but also to continuously support FCI members and financial institutions in their learning process.

Some testimonials from participants:

"I now have a better understanding of the message types in both ways, from IF to EF and EF to IF"
Marcela Jose FERNANDEZ DIAZ, Banco Atlantida, Honduras

"It was a nice piece of time, where we gained more global knowledge of service"
Isabel LAMEIRAS, Millennium BCP, Portugal

EDUCATE

AYSEN ÇETINTAS
Education Director

TRAINING ON SALES AND MARKETING IN FACTORING AND RECEIVABLES REPORT

GUANGZHOU, CHINA 28-29 NOVEMBER 2019

LEARN FROM THE LEADERS ON BEST SALES PRACTICES AND GENERATE HIGH-RETURN & LOW-RISK BUSINESS FOR YOUR ORGANIZATION!

In the competitive industry of factoring and receivables finance, factors need to enter in new markets and win new clients. But even more important is the need of increase the loyalty of the current clients. According to this point, the sales persons do not only need to sell, they have to retain those who are already clients.

FCI has been aiming to introduce the factoring product in new regions for many years. As a result of these efforts, the number of new members and the need for sales training increase in emerging and developing markets.

The FCI Marketing and Education Committees teamed up to offer a *brand new training* addressing sales, marketing and promotion of factoring. The objective of the training is to get familiarized with all aspects of sales in factoring. The attendees get a better understanding of the positioning of factoring and receivables finance, promotion, finding the most suitable potential seller and identifying the needs of the prospective customers and closing the deals.

Mr. Roberto Weckop, FCI Marketing Committee Chairman, and Mr. Joao Pereira, Ms. Sarah Pon, Ms. Joyce Yao, FCI Marketing Committee members along with Mr. Lin Hui, FCI Regional Director NE Asia and FCI Education Team, Ms. Aysen Cetintas & Mr. Spyros Tsolis, acted as presenters and group leaders during the seminar.

Seventy delegates from eight countries and forty institutions met in Guangzhou, China. Plenum presentations and group discussions enhanced the knowledge of the participants, who also facilitated the sessions with their active participation and involvement. The format of this training combines a variety of learning methods including plenum presentations, business simulation game, panel discussions on important topics for the factoring industry and also, group discussions on real cases shared by active industry professionals.

In particular, the panel discussions about "*Successful Sales Cases*" attended by *Ms. Vivid Liu, Ms. Sarah Pon, Ms. Avis Yang, Ms. Melanie Wei and "One-belt/One-road Project and related Transactions*" attended by *Mr. Ma Alex, Mr. Xu Lingyun and Mr. Chen Jianhong* were the paramount highlights of the training.

Feedback received proves that it has been a very valuable event for all participants, as all concepts discussed apply to all functions in factoring sales and marketing.

The training was also a great occasion for participants to network and share best practices in managing factoring sales and seller selection. It is a training event that should be attended by the new FCI members and all staff involved in factoring sales.

"The seminar is efficient witjh full content covered. The sharing session, business session run very well." Louise Zuo You Xia, China construction, Singapore Branch

"Very substantial content" Yiwan Lu, UOB China

COFIT – CERTIFICATE OF FINANCE IN INTERNATIONAL TRADE

Following the success of the Certificate of Finance in International Trade that created great feedback in previous years, the programme has been run again in 2019 and was completed in January in Cairo. As before, a group of high performing managers from Afrexim Bank and other African banks were the core participants, and they were joined on the last module, which is Receivables Finance specific, by senior executives of selected African enterprises.

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

THE COFIT PROGRAMME IS THE ONLY DIRECT INDUSTRY FACING PROPOSITION IN THE WORLD THAT PROVIDES ATTENDEES WITH UNIVERSITY RECOGNISED CERTIFICATION POINTS

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

The programme remains intensive and certainly hard work for the participants who were all experienced managers with Master level degrees and MBAs to their name - but they all found it rewarding and a new experience. With a mixture of academic lectures, practical sessions,

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examinations and assessments, the participants not only need to absorb a significant amount of material, but also to be able to demonstrate their new knowledge and understanding. The environment is one where knowledge and experience is definitely shared.

The feedback from participants was really positive; here are some examples of what they had to say:

"This programme is the most comprehensive factoring and receivables finance course I have ever been over the year. It combines theoretical courses with experience sharing from practitioners and business simulations. A must-do for anyone looking to start a factoring business or enhance their knowledge." – Benoit Messi, Afreximbank

"I would recommend this program to most executives that lead dynamic organizations with lots of financial and economic demands." – Fatima Tahwa, Paper Place Ltd.

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

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

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

FCI SPREADING THE WINGS:
MEETING WITH PARTNERS, PROSPECTS, ORGANISATIONS

8 January - Strategic Meeting at BNP Paribas Factor office in Brussels, to prepare for the Annual Meeting and 5-Year Strategic Plan

On 8 January, FCI Chairman, Patrick de Villepin invited some FCI representatives to discuss the preparation of the Annual Meeting in Washington and the 5 Years Strategic Plan. Peter Mulroy, Harry Biletta, Aysen Çetintas, Gwendoline de Viron and Kyle Mota met in the office of BNP Paribas Factor in Brussels. During the day, active discussions took place to propose an agenda of the conference that would respond the best to the attendees expectations, mixing lessons learned from the past and preparation of the future. The group was pleased with the meeting outcome. The Annual Meeting agenda can be discovered on FCI website and registrations are open. The Marketing team of BNP Paribas Factor joined part of the meeting to discuss how to promote best our annual flagship event.

9 January - Joint Factoring and Credit Insurance Working Group

On 9th January, the fifth meeting of the joint Credit Insurance / Receivables finance working group took place in FCI office in Amsterdam. It brought together three major association representing the interest of the industry along with senior executives from the big three insurance companies (Atradius, Coface and Euler Hermes). Special stakeholders (Afreximbank and ATI Insurance) were invited. They discussed the next steps of collaboration and situation of the Industry. The participants agreed on the need of education for both industries together and shared difficulties in some region due to geo-political situation. The next meeting will take place in January 2021.

9-10 January - ComCom Meeting & Harry Biletta's Farewell

On 9 & 10 January, the Business & IT Solutions Committee (ComCom) met in FCI office in Amsterdam. It was the last committee meeting for Harry Biletta, Director Planning and Development, who retires on 29 February. The Secretariat thanked Harry for his long service at FCI and for all of his accomplishments during this time, including his contributions to the building and overall efficient running of edifactoring.com, his annual exercise of gathering the global statistics, his organization of the FCI international factoring awards, and so many others, too many to be named.

One of the main subject of the meeting was the future of Edifactoring.com. As you know, edifactoring.com will be upgraded to be ready for blockchain. Another important topic was FCIreverse on edifactoring. As you know, members can make reverse factoring solution on edifactoring through

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special message that have been developed.

It was also a good occasion to already welcome Ciprian Radu who joined FCI on 1st February as new Business and IT Solution Manager. Also known as “Cipi”, a Romanian national, comes to FCI with many years of technical experience. Many of you know him from his days at UniCredit Bank, Romania in Financing & Advisory. He has also been a long serving member of the Business & IT Solutions Committee (better known as the ComCom) and has been working closely with edifactoring.com for many years. Cipi will be based in Bucharest.

14-15 January - Euromoney Central and Eastern European Forum

The 25th Central and Eastern European Forum held in Vienna on 14th and 15th January. Betül Kurtulus, FCI Regional Director, attendeed the forum. Dominant themes for this year’s Forum included the potential of sustainable and responsible capital markets in the CEE region, the implications of trade wars, and the end of Libor.

The first morning began with an opening speech from Jürgen Rigterink, First Vice President and Head of Client Services Group, EBRD. During the day, we listened to Ministers from Hungary, Romania, Bulgaria, North Macedonia and Uzbekistan for informative and engaging keynote interviews on their country’s economic developments.

For the monetary policy session on day two, we listened to Central Bank Governors from many countries in the region, including Hungary, Czech Republic, Slovenia, Croatia, Albania, North Macedonia, Moldova, and Georgia.

Overall, During the event, 21 sessions covered topics including macroeconomics, corporate finance, digitalization, monetary policy, CEE banking, sustainable funding.

30-31 January - BCR SCF Summit in Amsterdam

On 30-31 January, BCR held for the fifth time it’s Annual Supply Chain Finance Summit. Peter Mulroy was one of the moderator of the conference discussing on the changing economic landscape and the effect on global trade and SCF market trends with Martine van der Hoek (Trade Credit Insurance), Avarina Miller (Demica) and David Henig (European centre for International Political Economy). The session explored the impact of looming economic risks in terms of global trade and currency war, a disorderly Brexit process and financial vulnerabilities due to high level of accumulated debt. The panel was an interesting and dynamic discussion about the ramifications of the looming geopolitical risks and the affects of the rise of threatening regulations. There will be certainly an impact from the Coronavirus, we are already seeing it and further destabilizing factors will occur that will impact growth. However, the unending opportunities that SCF brings to all players but especially to SMEs will continue to unfold!

On 30 January, EBRD and FCI took the opportunity to have a bunch of members and partners in the city to organise a dinner and discuss the opportunities for the industry. New business relations were created in an informal atmosphere.

6-7 February in Istanbul, Turkey, presentation to the Kazakh governmental institutions

On 6 & 7 February, at the Association of Financial Institution, Betül Kurtulus, FCI Regional Director, joined a meeting to present along with other Turkish organisations (Minister of Finance, BRSA, Turkish Treasury, Credit Bureau, Central Bank and Ministery of Trade) factoring and how it's handled in Turkey to a Kazaksthan delegation (government representative). The second day, some FCI members gave a presentation about their experience.

19-20 February, GTR MENA, Dubai

FCI was an institutional partner of GTR MENA in Dubai. Aysen Çetintas, FCI Education Director and Betül Kurtulus, FCI Regional Director attended the conference. Betül was a speaker for the workshop breakout on Trade Receivables Discounting. The conference was also a great opportunity to meet with members and prospects in the Middle East.

In Dubai, Aysen and Betül met with Anisse Terai and Basel Al Hussein at International Islamic Trade Finance Corporation (ITFC) in Dubai to discuss the Islamic Factoring Chapter.

During the last months, FCI meetings with members in Central East and South East Europe.

INFLUENCE

PROGRESSION OF POLICY SUPPORT IN INTRODUCING INTERNATIONAL FACTORING IN BANGLADESH

PROFESSOR DR. PRASHANTA KUMAR BANERJEE
Director (RD&C), BIBM

At the outset, I would like to present a few achievements of Bangladesh by way of looking at the fundamentals of its Economy. The *GDP growth rate has been 7.5 per cent or more per annum in recent times*. The share of industries to GDP increased from 33.6 percent in 2017- 2018 to 35.00 per cent in fiscal year 2018-2019. Import payment during July–February of 2018-2019 was USD 37.839 billion. Importantly the composition of the imports has changed in favor of industrial raw materials. A 6.43 per cent plus growth happened in exports in FY 2018. However, the irony is that the exports base of the country is narrow with only six items contributing to 90.76 per cent of the export's proceeds and one item, RMG (woven and knitwear) accounting for almost 83.49 per cent of the exports revenue.

Hence, diversification export products and expansion of export destinations are felt urgent for graduating Bangladesh as a developed country. To this end, carefully designed trade financing and payment method among others is necessary. The survey conducted by ICC clearly observes that market momentum shifts towards open account terms and importers of North America, Europe and Asia clearly move from Letter of Credits (L/Cs) to open account settlement. Open account trade has been experiencing accelerated growth in Asia in the recent years because *exporters are facing insistence by importers that trade be conducted on open account terms*.

OPEN ACCOUNT TRADE HAS BEEN EXPERIENCING ACCELERATED GROWTH IN ASIA IN THE RECENT YEARS

As it is understood that International factoring provides a simple solution of problems faced in case of open account trade regardless of whether the exporter is a small organization or a major corporation, a number of initiatives have already been taken in Bangladesh to launch this financial service. *The Ministry of Commerce (MOC), People's Republic of Bangladesh has included international factoring first time as a legitimate method of international trade finance in its export policy* 2015-2018. In this perspective, it is nice to recall the commitment of the then Honorable Minister of Commerce, People's Republic of Bangladesh, Mr. Tofail Ahmed, MP for introducing this financial service in an International seminar on International Factoring held in 2015 in Dhaka. Several training, research and tour programs were also conducted by BIBM with the help of FCI for capacity building of bankers and financial experts.

THE MINISTRY OF COMMERCE HAS INCLUDED INTERNATIONAL FACTORING AS A LEGITIMATE METHOD OF INTERNATIONAL TRADE FINANCE

These initiatives prompted regulator and policy makers to take actions for launching this financial service1. In this perspective, Bangladesh Bank (BB), central Bank of Bangladesh, has formed a core committee and a technical committee to check the nitty-gritty of this service. Committees have already provided *a procedural manual called 'Guidelines on International*

Factoring' with a view to providing policy as well as *a framework of operation of international factoring for practitioners and for the users of international factoring*. This manual covers several issues of international factoring like procedures, organization structure, membership, pricing, risk, rules, documentation, and assignment of export invoice, legal issues and dispute.

Bangladesh Bank has also initiated to soften relevant sections of its Foreign Exchange Regulation Act , 1947 and Guidelines for Foreign Exchange Transaction (GFET) – 2018 favoring export under International Factoring. With the issuing of Foreign Exchange (FE) circular number 43 dated November 17, 2019, *BB has permitted exporter to assign usance bill of export to a licensed bank/ financial institutions abroad prepaying in full, final and without –recourse settlement.* Currently, BB is progressing to issue a circular for export under open account and repatriation of export proceeds under international factoring on recourse basis. This upcoming circular will allow possibly banks with Authorized Dealership to permit exporters to ship goods on usance terms under open account not exceeding four months from the date of shipment under international factoring. This circular may let exporters to send export documents/bills/ invoices through electronics platform/ suitable arrangements directly to importers/ other relevant parties, which was a true hurdle in introducing international factoring in Bangladesh.

BB HAS PERMITTED EXPORTER TO ASSIGN USANCE BILL OF EXPORT TO A LICENSED BANK/ FINANCIAL INSTITUTIONS ABROAD

As mentioned above, *Bangladesh Institute of Bank Management (BIBM), the national Training, Research, Consultancy and Education institute on banking and finance, has been acting as a catalyst in promoting this financial service*. FCI was always positive in assisting BIBM for promoting international factoring among banking and financial communities in Bangladesh Meanwhile, five banks and financial institutions of Bangladesh become affiliate member of FCI .

What are the possible steps are required to be taken for making international factoring is effective in boosting export from Bangladesh

Now the question is what are the possible steps are required to be taken for making international factoring is effective in boosting export from Bangladesh. First and foremost, institutional and individual capacity is required to be developed for running financial service smoothly. Like earlier, Bangladesh Institute of Bank Management (BIBM) can take the leading role jointly with FCI to this end. Regional Development Banks like Asian Development Bank may also contribute in operating international factoring in Bangladesh through giving technical and funding supports to the relevant stake holders.

THE NIGHTMARE OF TAX BURDEN IN THE GREEK MARKET

Panos Papatheodorou (PP - FCI ExCom member) interviews the Hellenic Factoring Association (HFA) protagonists who achieved in a few months' time to reverse things by convincing the Greek authorities to revoke the new tax burden.

Factoring played a key role in providing much – needed liquidity for the Greek business entities and Economy, especially during the recent Financial Crisis.

In this period Business entities faced liquidity reduction, particularly in the SME's sector.

Greek Banks proved to be weak to support demand for liquidity,
- *under the burden of NPE's legacy (c.45% of Banks books) and*
- *following the imposition of capital controls in June 2015 (rendered inactive in September 2019)*

During this hard period, factoring best practices performed by the Greek Factoring industry ensured that all factored assets were backed up by real and tangible commercial transactions, preventing fraudulent practices to slip through credit controls and risk management. As a result, the Greek factoring industry achieved to increase its contribution in the country's GDP up to 8%.

Under these circumstances, in May 2019 the previous Government imposed 0.6% charge against the factoring advanced outstanding, similar to an existing tax that has been being charged since 1975 on the Bank loans balances.

IN MAY 2019 THE PREVIOUS GOVERNMENT IMPOSED 0.6% CHARGE AGAINST THE FACTORING ADVANCED OUTSTANDING

PP: Can you tell us about the effect of this tax on the industry?

Immediately after the voting of the Law that imposed this tax on our services we drafted *a very comprehensive impact assessment that we shared with the government*. Using domestic data, examining thoroughly the structure of the Greek market and also considering reports released from international institutions (OECD, EUF etc), we reached the conclusion that the imposed tax would have the following negative effects:

i. *Shrinking of public revenue*: The imposition of the 0.6% levy on Factoring advances by Greek Factors could result in a significant unfavorable shrinking of the sector (since Factoring would be rendered as a non-competitive financial service against the traditional tools of financing), resulting in a reduction of income tax and VAT paid by the Factoring companies.

ii. *Increase of the businesses' financing cost* particularly affecting small- and medium-size businesses and export-oriented businesses). SMEs use Factoring as a means of effectively enhancing their working capital needs. This legislation would burden the cost of their financing and even result in significant operational difficulties.

iii. *Weaker contribution of Factoring to the growth of the Greek economy*: Leasing and hire purchases also decreased severely as a result of the economic crisis and remained well below pre-crisis levels in 2017. By contrast, factoring and invoice discounting activities have remained relatively stable over 2009-2016, and have increased since 2016. Additionally, this obstruction would also severely injure national Factoring GDP penetration which in 2018 reached 7.6% and therefore would result in further diverge below EU average of +10%.

PP: What were the advantages of the factoring industry before taxation?

Factoring proved to be a highly used financial solution since its launch in the Greek market in the early 1990s. After its first decade in which local Factors had to educate the market and following their successful performance in services offered, an accelerating number of companies is now using factoring. The beneficial at that time legal and tax regime allowed Factors to offer:

- Low Factoring cost for SMEs which consist the main part of Factoring portfolio on national level
- Specialized financial analysis and transaction monitoring
- Long experience and high level of know-how

PP: How long has this tax been applied to and how has it had an impact on the sector experienced during this period?

The tax was applied in April 2019 (effective from 1/6/2019) and was removed in December (effective from 1/1/2020). It remained in force for eight months. According to our estimations, *the sector was substantially affected* as in H1 2019 our industry experienced an increase of 4.8% compared with H1 2018 whereas in H2 2019 the increase slowed at 1.0% resulting on a slight annual growth of 2.8%. Although, we could be satisfied with the final performance, our strong growth in 2018 (+11%) created more positive expectations.

PP: How did the factoring association conduct the discussions with authorities?

Hellenic Factors Association as the representative body of the factoring industry in Greece sent a very *detailed memorandum to the Ministry of Finance* and was given the chance to present its arguments in two consecutive meetings with two Deputy Ministers of Finance. In that meetings we tried to communicate the impact on the economy, increasing the cost of finance especially for SMEs. We followed an institutional approach, using data from annual reports of widely acknowledged institutions on the role of factoring for SMEs and this was a very valid argument for a liberal government that is currently trying to put all resources in recovering the Greek economy.

PP: You have had great success in removing tax, how was this achieved?

As mentioned earlier, immediately after the voting of the bill we drafted a very comprehensive impact assessment document elaborating on legal, tax and business ground the flaws of this tax mainly in corporates. Along with the technical approach we adopted a lobbying strategy with our major stakeholders i.e. Hellenic Banking Association, Hellenic Federation of Enterprises, Athens Chamber of Commerce and Industry, Greek Exporters Association, Federation of Industries of Greece. Through this choice we tried to communicate all negative effects to corporate world. It was the voice of the corporates that strongly leveraged our arguments.

IT WAS THE VOICE OF THE CORPORATES THAT STRONGLY LEVERAGED OUR ARGUMENTS

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PP: How do you think this success could be achieved in other countries / factoring markets dealing with similar taxation issues?

According to the latest release of *EUF Legal Study such levy or tax is missing from other European countries*. In any case, from our recent experience, *we strongly believe that the representative bodies of Factoring in each country should support, promote and develop Factoring business in cooperation with local regulators*. From this short but painful process we realized *the need to communicate the role of our industry more intensively across our stakeholders*. You need to act proactively if you need to participate in any consultation process. You need to create allies, to develop common actions, to educate, to receive feedback and to support if you want to be supported.

THE NEED TO COMMUNICATE THE ROLE OF OUR INDUSTRY MORE INTENSIVELY ACROSS OUR STAKEHOLDERS

PP: What are the positive consequences for your Industry / market following the removal of this tax?

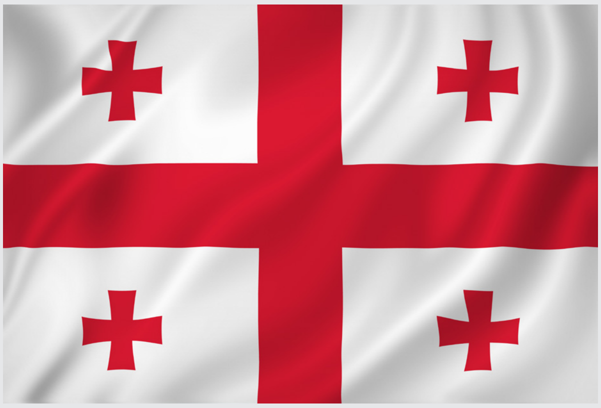
After the removal of this tax we expect factoring to contribute in the restart effort of the Greek economy. We aim to regain our growth momentum and allow our members to focus on expanding their products and improve their services for the benefit of Greek corporates.

PP: In which sectors do you expect growth as an effect of removing this tax?

Generally SMEs are expected to benefit from this tax removal. Usually large corporates have a number of financing alternatives. In Greece factoring is very common among food and beverage, plastics and chemicals, pharma, transportation and telecoms.

I want to thank the contributors to the interviews, Mr. George Karagiannopoulos (CEO Eurobank Factors S.A.), Mr. Alexandros Kontopoulos (CEO ETHNIKI FACTORS S.A.) and Ms. Maria Raikou (Managing Director ABC FACTORS AE), all acting as representatives of the Hellenic Factoring Association.

GEORGIAN EXPERIENCE OF FACTORING WITH THE OLDEST AGRICULTURAL BRANCH



Georgia counts its history of producing alcoholic beverages not into centuries, but rather into millennia. The UNESCO recognizes Georgia as the Cradle of Wine, acknowledging that the locals were already making wine here 8,000 years ago. According to the Georgian Wine Agency and as per TBC Capital's research, over 525 endemic grape varieties can be found in Georgia. Hence, winemaking is the oldest and most important branch of agriculture in Georgia. One producer approached us to get access to finance. After negotiation, a first factoring deal with Rosbank Factoring (RB Factoring, a subsidiary of Societe Generale) under the FCI umbrella for export of wine was concluded. After successful completion; this was followed by several subsequent transactions and became a regular deal.

TBC sees growing interest in factoring services in Georgia, especially among companies, which often experience limited access to direct funding, which causes working capital shortages. TBC BANK believes that together with RB Factoring, its counterparty banks, FCI colleagues, and local exporters it can promote this product further.

TBC SEES GROWING INTEREST IN FACTORING SERVICES IN GEORGIA, ESPECIALLY AMONG COMPANIES, WHICH OFTEN EXPERIENCE LIMITED ACCESS TO DIRECT FUNDING

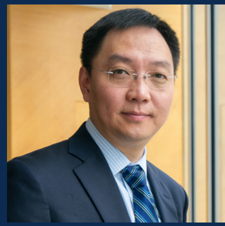
JSC TBC Bank is a leading Georgian universal bank headquartered in Tbilisi, Georgia. TBC Bank has been listed on the London Stock Exchange since 2014; earning the right to move to the premium segment of the LSE has placed TBC among the world's 12 most influential banks. Over the course of the past six years, the bank has demonstrated top results in corporate governance and proved that it is a company of highest standards.

TBC Bank is a market-leading provider of Trade Finance services in Georgia and offers a wide range of trade finance products with a customer-centric and flexible approach with its female-dominated team. According to the National Bank of Georgia's results for the fourth quarter of 2019 - TBC holds the largest market share, which is 50%.

Peter Mulroy
Secretary General
mulroy@fci.nl

Monica Blanco
SCF Consultant
blanco@fci.nl

Aysen Cetintas
Education Director
cetintas@fci.nl



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

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

LUI Thompson
Regional Manager
South and South East
Asia
lui@fci.nl

Kyle Mota
Director of
Administration
mota@fci.nl

Ciprian RADU
Manager Business
& IT Solutions
radu@fci.nl

Spyros Tsolis
Education Officer
tsolis@fci.nl

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

Alberto Wyderka
Regional Director
Americas
wyderka@fci.nl

Leena Bakshi
Administrative Assistant
fci@fci.nl

Adi Shine
Administrative Assistant
fci@fci.nl

Teresa van de Putte
Administrative Assistant
fci@fci.nl

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

FCI

Facilitating Open Account – Receivables Finance

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