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CONNECT. EDUCATE. INFLUENCE.

Facilitating Open Account – Receivables Finance

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

Contents:

EXECUTIVE SUMMARY

GWENDOLINE DE VIRON
Head of Marketing and Communication

Dear Reader,

Welcome to the latest edition of In-Sight!

In this issue, we hear from FCI's Chair, Ms. Daniela Bonzanini, who shares her expectation about volume and how turbulences affect trade. She reports on accounting changes, Secretary General succession, and the Annual Meeting.

Peter Mulroy shares the pencil with Mr. Christopher Hart and Mr. Mark Watkins to speak about fraud evolution and how to handle it.

In the Connect section, Lin Hui, Regional Director of North East Asia, shares his view on the decrease in export in China and how critical 2023 will be for the market and the FCI Two-Factor model. Nassourou Aminou, Regional Manager Africa, explains why 2023 will be an essential year for the factoring industry in Africa, including the upcoming Annual Meeting in Morocco.

Mark Mandula, United Capital Funding, reports on the 9th Annual Supply Chain Finance Summit in January, in Spain, with the partnership of FCI. Betül Kurtulus, Regional Director CEE, SEE, and the Middles East, updates her region; some countries live in difficult times, and other parts have exciting movements. Monica Martin Blanco, SCF Consultant, explains the global supply chain crisis and how technology can help finance the supply chain. Thompson Lui, Regional Manager SSEA, reports on the recent event in GIFT City, India, on The Digital Revolution of Receivables Finance.

In this edition, we welcome and introduce our new Members IFS Capital Indonesia, Maalexi Private Limited, MNS Crédit, Mynd IFSC Private, Nimai TF Fintech Pvt Ltd (360tf), Rwil and Vayana. We get to know each of the FCI Technical Committees and their members. We introduce the Legal Committee in this issue, otherwise known as 'LegCom'.

In the Education section, Aysen Cetintas, Education Director, report on the EBRD & FCI Factoring Workshop in Moldova. Spyros Tsolis, Deputy Education Director, explains the face-to-face training led for Credit Oman. It is followed by an article on International Education Day, where some seniors from FCI share their views on education.

In the Influence section, Mr. Alberto Wyderka explains how SCF is developing in emerging countries. There are some typical activities and needs in the Latin American region. Luiza Buserska tells her view on the outlook for the economy and the receivables finance industry.

Finally, we finish with the 'FCI Spreading its wings' segment, highlighting what the FCI staff have been up to over the last quarter, including participation in other organisations' events.

We hope you enjoy the reading!

Gwendoline

DANIELA BONZANINI
Chairman of FCI

WELCOME FROM DANIELA BONZANINI
Chairman of FCI

Dear Friends and Colleagues,

Welcome to the FCI In-Sight February 2023 edition. We have entered the new year with residue from the pandemic, the ongoing major conflict on the European continent, and other geopolitical turbulences that have impacted trade.

Today we face multiple interconnected challenges, from economic uncertainty to geopolitical fragmentation. The threat of recession, the cost-of-living crisis, rising interest rates, and soaring inflation, the most worrying issues, in addition to the shortage of energy and food and mounting debt distress, will dominate the global economy in the following months.

The Factoring industry has been growing in the last two years, recovering from the slowdown caused by the pandemic. In 2021 factoring proved its resilience, and most countries recorded a growth in the turnover increase in global volume by 13.5%. 2022 official statistics are not yet available; however, the same positive trend is estimated: mid-year volume reported in the EU was up over 20%, Edifactoring volume at 31.12.2022 was up over 27% (EDI turnover is usually a good barometer for the overall trends of international factoring in general) therefore it is expected that the growth figure for 2022 will exceed that in 2021.

The turnover increase is partly due to inflation and a price rise. However, a significant share can be attributed to the growing demand for liquidity after government support has been lifted and the intense pressure on the working capital.

Applications from new members continue to be on the rise, making us feel confident about the spread of the FCI network, particularly in emerging countries.

Accounting system

Regarding the executive committee's new financial and administrative strategy, it was decided to acquire a customised bookkeeping system. The Secretariat has collected three offers in line with the current procurement pre-requisite. The team has reviewed the three vendors, the product, and its functionality, following the innovative solutions, security, and, more importantly, able to customise the financial and administrative process according to FCI business needs. The selected vendor is Exact Online, a business software market leader in the Benelux, supporting over 550.000 business owners located chiefly in the Benelux and Scandinavian markets, providing solutions to automate their accounting, financial, ERP, HRM, and CRM processes. The new bookkeeping system shall be sustainable on the Cloud, customised according to FCI's business activities and operations.

The first stage is to design the system according to the business units, enhance the General Ledgers for a more comprehensive and detailed financial registration/reporting, and finally, synchronize data between the current system in use by FCI to the new system.

Secretary General Succession

The process to replace the Secretary-General officially began last December. After uploading the Circular to the FCI membership, FCI sent out additional communications to all major external stakeholders to inform them about the search. We have just reached the deadline of 15 February and will begin reviewing the various applicants' backgrounds and qualifications for the position. High-quality candidates have directly submitted their applications and excellent names were recommended, which proves FCI members feel highly involved in the process. The Secretary-General will have to manage the organization, implement the strategies approved by the Executive Committee, and at the same time, bring innovation and have a clear vision of the future. The choice is critical and the Executive Committee is committed to working on that with a high sense of responsibility.

Annual Meeting

On 17-21 September 2023, the 55th Annual Meeting will be held in Marrakesh. The Meeting will provide the latest developments on various topics, including Supply Chain Finance, Receivables Finance, Factoring, and much more. It will feature insightful presentations by international industry pioneers and in-depth panel discussions by leading industry professionals on various topics. This year's FCI Annual Meeting will be held in Africa, one of the most promising regions! FCI is currently working on the final agenda to include customized sessions for emerging markets to share experiences and spread the knowledge of factoring. The Annual Meeting is also a great opportunity to network and discuss current issues within the Factoring and Receivables Finance Industry. This year the Annual Meeting will also be crucial for the future of FCI: the new Executive Committee will be elected, and the new Secretary General will be introduced. I hope to see most of you in Marrakesh for all the above reasons. Registrations are already open, so you can schedule your agenda well in advance.

Kind regards,

Daniela

A WORD FROM THE SG

PETER MULROY
Secretary General

FRAUD EVOLUTION: ARE WE CAPABLE OF DEALING WITH IT?

This article was written in cooperation with Mr. Christopher Hart and Mr Mark Watkins from EQ Riskfactor, a member of FCI, offering its client a risk management tool to manage account receivables and other asset based collateral.

In 2022, we saw the world return to normal after the pandemic. Then we saw the world change irrevocably with the war in Ukraine, leading to a raft of new trade sanctions and increased trade tensions between some of the world's major economies. Both of these factors will likely continue to influence world trade in 2023, with consequent effects on the factoring market.

Supply chains are being strained and, in many cases, redesigned; inflation is remaining stubbornly high in many markets; energy costs, in particular, are rising; it seems unlikely that the credit policies of funders are likely to be loosened any time soon; and there is the more pressing requirement in many parts of the world to pay back a tremendous amount of State support from the Covid era.

As we have seen, turbulent times bring many opportunities and consequent risks. Chief among these risks is the resurgence of fraud, and we have already seen anecdotal reports that fraud is increasing. A significant question for the industry over the course of this year, and perhaps beyond, is: are we ready? Are we capable of dealing with an increase in levels of fraud?

There are two aspects to this question. As factoring volumes continue to grow and the rate of increase is likely to quicken, do we as an industry have the experience within our operations to spot and deal with fraud, and how much can technology help?

We have to distinguish between two types of fraud, pre-meditated and circumstantial. In essence, these two types of fraud are very different in nature and require different approaches to combat. The former usually involves a pre-planned attempt by criminals to target a funder to steal money. Such schemes can be highly elaborate and may involve collusion between a client and its customers, making it even harder to identify.

DO WE AS AN INDUSTRY HAVE THE EXPERIENCE WITHIN OUR OPERATIONS TO SPOT AND DEAL WITH FRAUD, AND HOW MUCH CAN TECHNOLOGY HELP?

It is the utopia of invoice financiers to find a system that will alert them to a fraudulent invoice before it is paid, thereby avoiding a loss. This is particularly key in jurisdictions that do not have 'whole turnover' arrangements or cross-collateralisation capability. Traditionally, this has been a manual process, but technology is beginning to be used to combat such situations. Such tools draw information from various sources, not just internal to a funder's systems. Relevant data can also be extracted from other sources and combined with the funder's information to look for pre-defined warning signs. Early iterations of such transactional item tools have tended to generate many false positives. However, as these tools are refined over time, they may significantly impact addressing pre-meditated fraud.

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Mr. Christopher Hart

Mr. Mark Watkins

More common is circumstantial fraud, where a business under pressure may, for example, seek to use funding obtained via a receivables finance facility to cover what are perceived to be short-term cash issues by, for example, pre-invoicing a debt or creating fresh air invoices. The economic, geopolitical, and social landscape we are all experiencing is ripe for businesses and in particular business owners, to be put under significant pressure that will demonstrate behaviours of circumstantial fraud.

Example of Circumstantial Fraud Case

Start of the Business

The seller in question is a significant player in the textile market, having commenced production nearly three decades ago, and earned a reputable standing. The company has been a client of the EF's parent bank for almost half a decade and has maintained a positive track record.

The EF's credit committee approved a €1 million funding limit based on the positive financials and outstanding intelligence report about the seller's existing relations with other banks, factoring companies, and creditors. Meanwhile, the Import Factor granted a credit limit of €500.000 to a buyer. At that time, the EF was unaware that the buyer and the seller had not transacted any business.

Development of the Relationship

The EF received its initial assignment in September, and over the subsequent two and a half months, the EF financed the seller multiple times. As a result of the high turnover, the buyer limit was increased thrice within this period.

Disclosure of the Problem

In November, two months after the first assignment, the EF's parent bank noticed the receipt of an indirect payment from the buyer coincidentally. The bank cautioned that the buyer directly paid to the seller's account. This was the first buyer payment after the factoring relationship started. However, the EF immediately contacted the seller and informed the IF about the indirect payment requesting that all measures be taken to prevent further indirect payments. At the same time, the EF's risk department received some adverse information that reported the seller had severe liquidity problems.

A follow-up email was promptly dispatched to the IF, urging them to refrain from making indirect payments and to cross-check the ledger with the buyer. The IF notified the EF of discrepancies between their invoice records and that of the buyer. Immediately after discovering the discrepancies, the EF contacted the seller to arrange a visit. All the information was very vague and smelled like fraud.

Finally, the EF decided to call the local liaison office of the buyer and learned that the buyer usually purchased a maximum of €500k - €600k from each supplier annually. The office also mentioned that the purchase orders involved were not genuine. A couple of days later, the EF heard that the major shareholder of the seller had left the country.

Analysis of the Case

Fraud usually starts as an act of desperation. At this stage, the seller who turns crooked is an amateur in the psychology of crime. He is not sure of the factor's blind spot yet. The weaknesses in the factor's organisation or system are unknown to him. He does not have a plan yet.

Moreover, he thinks some extra money will carry him through the difficult time. A commonly used tactic is to generate a single fraudulent invoice, ideally from a high-profile and reliable debtor, and secure financing of up to 80% based on its value. The perpetrator can then clear the invoice by presenting a credit note or indirect payment notification in a few weeks. The first time it works, and sometime later, the client does it again, but with a variation. Instead of covering invoice X with a credit note before its maturity date, he issues a larger invoice Y to maintain his available funds. Using the financing from invoice Y, he makes a payment to the factor in settlement for invoice X, disguising it as a payment from the "real" debtor to deceive the factor. The process repeats itself, and what started with a small fraud is gradually becoming more extensive. The client is paying the factor back with the latter's money on an ever-increasing scale.

Are funders ready to combat these behaviours?

Utilisation of Technology to Reduce Risk and Help Prevent Fraud

The Digital strategy and focus of many funders during the Pandemic era were in the main customer-facing in its nature, ensuring the customer experience was pain-free and access to funds was quicker than previous credit approval processes, especially with the impact of Covid on businesses.

With the above-mentioned influencers to a rise in potential Fraud and Risk within a Factors Portfolio, the need to focus on internal systems and processes to manage Risk and prevent fraud is a necessity. Technology can once again help to mitigate and remove these problems.

In conjunction with the skilled and experienced analyst, data-led decision-making will drive and implement best practice Fraud and Risk assessment across a Funder's ongoing Operations.

TECHNOLOGICAL TOOLS ARE ALREADY AVAILABLE TO HELP AUTOMATE AND CAPTURE SIGNIFICANT AMOUNTS OF INFORMATION ACROSS THE WHOLE LIFE CYCLE OF THE CLIENT AND ITS ONGOING FACILITY MOVEMENTS

Technological Tools are already available to help automate and capture significant amounts of information across the whole life cycle of the client and its ongoing facility movements: -

- KYC and KYS Tools – Risk identifies issues across the prospect and ongoing client, its debtors, and their wider supply chain.
- Upfront Due Diligence of the Business
  - Types of data being obtained: -
    - → Financial data – balance sheet information, P&L data, calculated ratios.
    - → Open Banking – bank statement data/transaction level detail.
    - → Debtor, creditor, and item-level transactional data.
    - → Credit Reference data across the business
    - → Nominal activity and audit trail data extracted directly from entity account packages.
    - → Obtain a 360-degree view of the potential client to fund.

This upfront analysis helps Benchmark the client's expected behaviours and debtor performance during the facility's life.

Funders can automatically be alerted to any changes in the behaviour of facilities by utilising Risk Management software, such as Equiniti Riskfactor, to prioritise and focus resources on the cases that need direct attention.

CONNECT

A risk-based approach to Portfolio Monitoring.

Some example Metrics that are automatically utilised and calculated within Riskfactor daily are:

- Sales Movement - % levels
- Cash Movement - % levels
- Debt-turn trends - the potential impact of clients' debtors stretching payment terms
- Dilution/Erosions - potential pre-invoicing and fresh-air concerns.
- Risk Score Metrics – Financial and Collateral

Utilising the technology tools available will empower staff to tackle any 'real-time' changes in expected behaviours head-on, with data-driven evidence, to back up their investigations.

Being proactive, not reactive, is the Key.

Technology Ecosystems

The Covid pandemic has, in many cases, forced funders to consider new technological options in a much faster timescale than might traditionally have been the case. Now, with the effects of the pandemic fading in many places, a question is: are Funders still embedded into 'building their own,' or is it the time to expand their technological ecosystem and exploit further the benefits of 3rd party solutions?

There is a need to manage the interface between finance and technical people, which can sometimes be more complex. But, funders that are open to exploring a Partner approach with a number of 3rd Party Suppliers are the ones that will benefit from access to various tools and functionality that will close the gaps in their current internal processes. Moving into a world that utilises API and Cloud technology is one to embrace, not push back on.

IT IS IN CHALLENGING TIMES THAT FACTORING AS A PRODUCT FINDS EXCELLENT OPPORTUNITY

That having been said, the requirement for industry experience will remain. Funders will continue to need people to interpret the data and understand what the system is telling them about real-world issues. Closing gaps in processes and improving efficiencies are benefits of utilising technology. However, Funders will always need the experience of their staff to manage the relationship and challenge the client if potential fraud is the concern.

The next generation of our industry is experiencing challenging times. And it will continue to experience it, but it is in challenging times that factoring as a product finds excellent opportunity. Greatly enlarging the size of the market is the prize, but fraud is a significant danger we must counter as we grow. With the right technological tools, the experience and enthusiasm of its people, and ongoing support and education, the industry can continue to drive forward into 2024 and beyond in great shape.

ENHANCE YOUR SKILLS IN THE RECEIVABLES FINANCE INDUSTRY TO HELP PREVENTING FRAUD

FCI Academy constitutes the complete education programme on Factoring & Receivables Finance, providing a wide range of globally recognised and accredited educational offerings that aim to support personal, corporate and market development globally. Discover FCI Academy's online educational offerings starting in April 2023. Courses open for registration include:

FCI CAREER PATH - FIRST LEVEL
FCI Members only

INTRODUCTION & FOUNDATION LEVEL COURSES
Open-to-all | 2-3 Months

SUPPLY CHAIN FINANCE & REVERSE FACTORING COURSE
Open-to-all | 3-4 Months

Starting in July 2023, the following courses help to learn how to prevent fraud:

SPECIALISED COURSES:

- **Seller Selection & Control Course**

Open-to-all | 2-3 Months

CERTIFICATE PROGRAMMES:

- **Certificate of Risk Management in RF**

Open-to-all | 6-8 Months

FCI CAREER PATH - ADVANCED LEVEL
FCI MEMBERS ONLY

FCI Academy
Learn from the Global Leaders of Receivables Finance

Find out more by scanning the QR code or email us at fci@fci.nl

GETTING THE CHALLENGES RIGHT

LIN HUI
Regional Director NEA

China's merchandise imports and exports reached a new record high of RMB 42.07 trillion in 2022, maintaining the world's largest merchandise trade volume for the sixth year. However, the last quarter of 2022 witnessed three consecutive months of decline in China's export: down 0.3% year-on-year in October, 8.7% in November, and 9.9% in December. Things seem to be getting worse.

The China Shipping Outlook Q4 2022 released by Shanghai International Shipping Institute expects the Chinese shipping industry will continue to weaken in 2023. the China Shipping Confidence Index for Q1 2023 is expected to be 76.49 points, down 5.11 points from Q4 2022, falling into a rather sluggish range. Shipping companies are beginning to lament that there are more empty vessels but less cargo ready to be shipped. As if overnight, China's export which had been hot for decades, instantly went into a state of acute freeze.

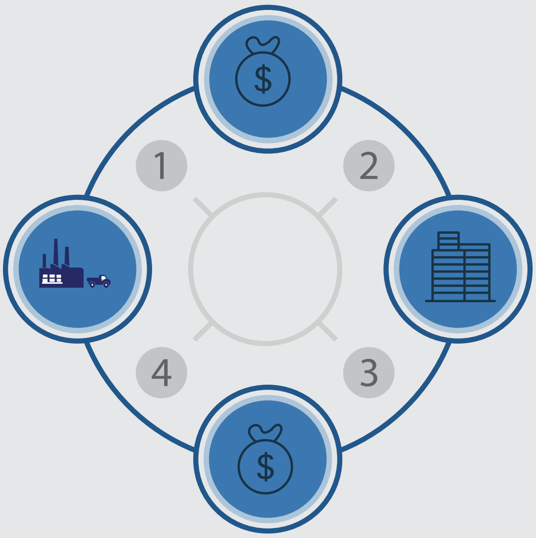
Some macroeconomists explained that this is due to a recession in the global economy and trade. IMF lowered its latest forecast for 2023 global economic growth to 2.7%, down 0.2% from the previous forecast. OECD's latest report forecasts a global economic slowdown to 2.2% in 2023, down 0.6% from its last forecast; U.S. economic growth in 2022 is 1.5% but slow to 0.5% in 2023, while the eurozone economy grows by 3.1% in 2022 and slow to 0.3% in 2023. The year 2023 will see a broader global slowdown in growth, with about a third of countries experiencing economic contraction.

However, the problem is that exports from Vietnam, India, and neighboring countries proliferate in the same period. An epic industrial restructuring is behind the decline in Chinese export growth. The Covid Pandemic, Russian-Ukrainian War, and geopolitical tensions are driving a realignment of the global supply chain.

Sony shifted 90% of its camera production capacity from China to its Thailand factory. Its factory in China will only produce items for sale on the Chinese market. Apple is also accelerating its plans to move some of its production outside China. Suppliers are being asked to plan more aggressively to assemble Apple products elsewhere in Asia, particularly in India and Vietnam. Foreign companies and many Chinese companies are implementing their "going abroad" strategy, setting up factories in Vietnam, Mexico, and other emerging countries to address the challenges of global supply chain reshuffling.

2023 will be a critical year for the Chinese market. The biggest positive came from the Chinese government lifting the Zero Covid policy and reopening the country to the world, bringing momentum to China's economic recovery. However, with the risk of a global recession and geopolitical uncertainty, export growth in the traditional sense is bound to encounter significant headwinds. How do our Chinese members, who have long favored export factoring, need to meet the challenges in this situation? How do we position ourselves in China market to draw a beautiful Second Curve? Let me highlight a few critical objectives.

Boosting the development of the two-factor model in both cross-border and domestic business.



Despite the headwinds of export growth, China, as a global trade power, is set to be one of the most important markets for international factoring. Among the vast number of small and medium-sized exporters, export factoring still has quite a long tail to fill in the development of the Chinese market. While the import factoring market is also almost uncultivated. Nevertheless, what is even more promising is the potential of the Chinese domestic market. We can lead the way in implementing a two-factor model and an open and productive "internet" of factoring involving global banks and non-bank factors, enabling 24/7 access to a broader range of qualified companies in the global supply chain.

Re-establishing the Perception and Confidence in Two-factor Model

Two-factor model is a network linking factors worldwide and a higher-level business model. Through standardized collaboration, members can obtain significant efficiency gains and develop boundless market coverage, thus completely overturning those outdated perceptions of factoring. In China market, we need to build up the mental model of two-factor business widely through systematic planning and promoting so that good conceptions and practices can be deeply rooted in people's hearts.

Promoting structural transformation in the trade finance sector of commercial banking

Although many banks have acknowledged the trend of traditional trade finance shifting toward factoring and supply chain financing, they have not kept up with the rapid pace of changes in supply chain dynamics nor made the necessary adjustments to their organisational structures and business processes. This has not only resulted in poor customer experiences, but bankers have become increasingly frustrated and overwhelmed by the fragmentation of the workflows. The trade finance and transaction banking sector of commercial banking is at a turning point. Our Chinese banking members are in a unique position to create a model for the future of trade finance for global banks.

- TO PILOT AND USHER IN A NEW ERA BELONGING TO THE TWO-FACTOR MODEL
- THE TWO-FACTOR MODEL IS A NETWORK LINKING FACTORS AROUND THE WORLD AND A HIGHER-LEVEL BUSINESS MODEL
- OUR CHINESE BANKING MEMBERS ARE IN A UNIQUE POSITION TO CREATE A MODEL FOR THE FUTURE OF TRADE FINANCE FOR GLOBAL BANKS

CONNECT

THE YEAR 2023 WILL BE AN IMPORTANT YEAR FOR THE FACTORING INDUSTRY IN AFRICA.

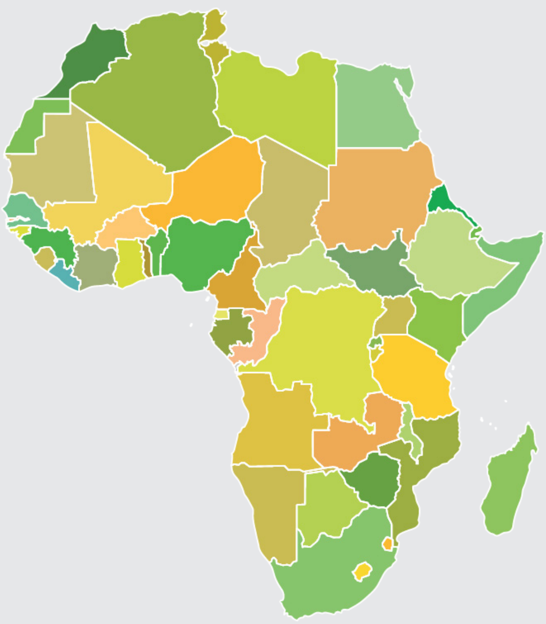
NASSOUROU AMINOU
Regional Manager Africa

At the start of 2023, which begins with a certain number of very symbolic activities which are announced in the factoring industry in Africa, everyone has their eyes riveted on the next holding of the 55th FCI annual meeting. which is scheduled from 17 to 21 September 2023 in Marrakech, Morocco. The last time an event of this magnitude took place in Cape-Town in South Africa was 7 years ago in 2016. To understand the importance and impact of this event, it is necessary to take a retro look - perspective of the activities and actions carried out during the last year by FCI and in particular our Chairman, Mrs. Daniela Bonzanini and Secrretary General, Mr. Peter Mulroy therefore the 1st official trip to Africa dates back to January 30, 2014 in Accra in Ghana and this at the start of his first term 10 years ago. As well as Afreximbank, its historical partner of the FCI Africa Chapter for the initiative for the promotion of factoring in Africa for several years.

The year 2022 was marked by a consolidation of achievements with the adoption of laws on factoring by several 4 countries such as Togo, Niger, Burkina-Faso, Mali and it should be noted that these countries were preceded by Egypt in 2018 and Congo in 2021. Other major countries will follow this momentum such as Côte d'Ivoire, Senegal, Guinea-Bissau, Nigeria and Kenya. Some countries have already opened the door by introducing into the newly passed banking laws the legal mechanism which recognizes Factoring as a financial product, this is the case of Madagascar and the DRC.

THE YEAR 2022 WAS MARKED BY A CONSOLIDATION OF ACHIEVEMENTS WITH THE ADOPTION OF LAWS ON FACTORING BY SEVERAL 4 COUNTRIES

During the same year, FCI launched an initiative to co-opt nearly 13 ambassadors among its members in several African countries such as Egypt, Tunisia, Morocco, Senegal, Ivory Coast, Nigeria, Cameroon, Congo, Kenya, Botswana, Zimbabwe, South Africa and Mauritius. Their role is to execute the FCI regional strategy for Africa, provide regular Factoring Market development reports and advocacy on Factoring, Mobilize Factors to support and participate in FCI and Afreximbank Factoring Strategy and events. To date, we have registered in 2022 up to 47 members despite some cancellations and the short-term objective is to reach the symbolic figure of 50 members by the end of 2023. It should be noted that at the same period IFC subsidiary of the World Bank has carried out and published several studies of potential opportunities in Factoring and SCF that may exist in Africa. The study revealed for the first time in Africa the potentials in volume for the following



countries like Nigeria ($27.8 billion), Kenya ($28.7 billion), Côte d'Ivoire ($6.5 billion) and Morocco ($8 billion). These studies sufficiently show the potential that exists and the opportunities in the major countries that are models of economic and financial development in Africa after South Africa and Egypt.

In terms of training, promotion and capacity building in Factoring, thanks to the FAPA grant received from Afreximbank and the AfDB in the region, we have organized webinar workshops for Banks and Factors on the theme how launch factoring activities and over two days we recorded strong attendance records of nearly 250 people online and permanently. Regarding the FCI E-learning, training took place in various themes with nearly 150 participants and 43 participants for the certification on Trade Finance in Africa (COTFIA). In terms of consulting for capacity building, we have trained nearly 7 banks and factors in Africa to have the necessary tools to launch the factoring activity.

Finally, in view of all the above, the year appears to be a year of particular importance for FCI and for factoring in Africa with the consolidation of all the actions and promotion and capacity building activities that have been carried out. For the past ten years through the Africa chapter of FCI in partnership with Afreximbank. First, this by the importance of the event which will take place on the African continent, and which will bring together more than 400 delegates members of FCI or not coming from all over the world and hope for a strong African participation which is expected.

This year will be marked by a strong mobilization of promotion and launch activities expected from factoring projects in countries such as Nigeria, DRC, Ivory Coast, Morocco, and Kenya. This through a webinar which will be organized at the continental level for the promotion of this event and will be followed by the regional conference which will be organized in Dakar, Senegal in June 2023 where the participants will be exclusively banks and factors of more than 15 African countries and many other activities will be organized to mark this event.

TO BE A YEAR OF PARTICULAR IMPORTANCE FOR FCI AND FOR FACTORING IN AFRICA WITH THE CONSOLIDATION OF ALL THE ACTIONS AND PROMOTION AND CAPACITY BUILDING ACTIVITIES THAT HAVE BEEN CARRIED OUT

In the light of the achievements of recent years, and the activities carried out and the events planned for this year 2023, these lay the groundwork for an embryonic industry which is taking shape for better development and its flight for a promising future for the Factoring industry in Africa.

AN AMAZING GLOBAL EVENT IN MADRID, SPAIN!

9TH ANNUAL SUPPLY CHAIN FINANCE SUMMIT

MARK MANDULA
Senior Vice President,
United Capital Funding

The purpose of this article is to provide a short recap of a very important international summit that happened last month in Madrid, Spain that should be of great interest to the global factoring and supply chain finance industries.

The 9th annual Supply Chain Finance Summit (SCFS23) "Releasing SCF Opportunities in a Challenging World" attracted a record crowd of Supply Chain Finance, Legal, Accounting, Banking, Factoring, Regulatory, Trade Association, IT and Software professionals from all over the world in Madrid. For two days, the Summit provided the attendees critical intelligence, guidance and awareness of the supply chain finance industry and it also showcased the newest emerging technologies in the sector. Case studies and new structures in the industry were also discussed, and there were numerous opportunities for networking with sector decision makers at the event.

The BCR programme was held in partnership with FCI and the Spanish Factoring Association.

SCFS23 attracted over 150 professionals from the following countries: The Netherlands, Spain, The United Kingdom, Saudi Arabia, Switzerland, France, Italy, Portugal, India, Turkey, Dominican Republic, Egypt, Morocco, Columbia, Germany, Greece, Finland, the United States, Singapore, Estonia, Mauritius, Ukraine and Argentina.

I was honored to be able to participate as an Invited speaker and served as chair for a fascinating panel on day 2 of SCFS23.

Our panel focused on how to successfully manage an effective supply chain finance programme in 2023 and beyond. The discussion explored how to not only establish an effective supply chain finance programme but also looked at techniques to profitably manage it in the very challenging global economic macro environment.

Specific areas of discussion, conversation and dialogue included how to set objectives and expectations for a supply chain finance programme, where is the industry now and where is it headed, how to manage and mitigate risks raised by the current global supply chain crisis, and what to look for in well run supply chain finance programmes on a global basis.

I was very fortunate to moderate a panel of global experts, all of whom have extensive experience and expertise in their respective industry sectors. It was truly a pleasure and honor to have them on the panel and they shared openly and professionally their unique insights on the supply chain finance industry.

The professionals that served on the panel included Karel Krejčí, Principal Director, Working Capital & Trade Finance, Accenture (Spain); Claudia Perri, Regional Commercial Director, Southern Europe, DACH, Czech Republic and MENA, Lendscape (Greece); Anil Walia, EMEA Supply Chain Finance – Payables, Deutsche Bank (Germany) and Enrico Viganò, CEO & Founder, FinDynamic (Spain).

The panel did an excellent job responding to the set of questions I prepared and posed to each, including the following:

- Where is the programme now and where is it heading against original objectives?
- What are some plans to manage and mitigate risks raised by the global supply chain crisis?

- What should we look for in successful SCF programmes?
- What is the impact for corporates and suppliers on their liquidity when financing stops?

In summary and conclusion, SCFS23 was an enormous success and provided all who attended insight into the future of the industry. The Summit accomplished each of the goals established and noted in the brochure distributed in Madrid. These included to "provide intelligence, guidance and illumination to help each of us navigate in the current climate of uncertainty and volatility." Well done!

The article was published on BCR TRFnews in January

Daniela Bonzanini, FCI Chair, welcomed the attendees on behalf of FCI.

Mónica Martín Blanco, FCI SCF Consultant, presented a case study: FCIreverse as a successful business case to develop SCF in developing markets (the case of Mauritius and SBM Factors) with Niraj Rambaccussing, Head of Factors, SBM Factors and Lawrence Wong, Founder & CEO, La Trobe.

Peter Mulroy, Secretary General, FCI was the chairperson of the second day.

Alberto Wyderka joined online the panel discussion on Challenges and opportunities for SCF initiatives in emerging markets.

CONNECT

UPDATE ON CEE, SEE AND THE MIDDLE EAST

BETÜL KURTULUS
Regional Director CEE, SEE & the Middle East

Nine months after Russia invaded Ukraine, CEE economies have proven more resilient than feared at the start of the war. The worst scenario calculated at the beginning of the war did not materialize. One reason for this is that the economies of CEE countries are more integrated with Europe than with Russia. In other words, the Russian exposures to the CEE countries were at a manageable height and manageable with well-planned monetary policies, and it happened in this way. Especially the Central European countries followed very tight monetary and fiscal policies. We can especially talk about the Czech Republic here. Czech Republic took stringent and early measures, implemented an excellent monetary policy, and continued without disturbing it. In general, the CEE region managed 2022 well with good monetary policies. As another reason why the CEE region was not severely affected, we can specify that energy prices increased more slowly than expected and went down before expected. The lack of a general European energy policy is one of the risks for the CEE countries. High energy prices will affect companies in energy-intensive sectors (especially manufacturing, chemicals, construction, and food) and SMEs with limited capital and funding opportunities. But energy prices are not at a level that will adversely affect growth dynamics in the medium term.

Despite the economic slowdown in Europe, orders and economic activity remained resilient in 4Q22. Job opportunities were almost the same as at all-time highs in sectors with high employment, such as electronics, machinery, and automotive. Only Turkey differs from the others among these countries by applying an unorthodox policy mix. The expected GDP growth to slow in Turkey is up to 5% for 2022, despite fiscal and monetary easing ahead of this year's parliamentary and presidential elections. It should also be calculated that the economic effects of the great earthquake disaster in Turkey.

I want to mention our sorrow for the loss of life in the terrible earthquake in Turkey and our destroyed houses and cities. I wish compassion for all the lives we lost and patience for those who lost their loved ones, homes, and families.

At the upcoming CEE Conference, which we are organizing in Zagreb, Croatia, in March, participants will have the opportunity to discuss various economic developments with countries in the region. Topics of discussion will include the development of receivables financing, financing options for SMEs, the impact of EURO adaptation on receivable finance, and updates on factoring and reverse factoring transactions.

Major oil and gas producers in the Middle East have benefitted substantially from strong global demand, rising output, and high prices for their energy exports in 2022. For the region's net energy exporters, 2023 still shows substantial opportunities and returns.

We can easily write that there will be no economic problems for the region's countries if the energy prices remain at these levels. Oman and Bahrain, which has a more limited oil reserve than the countries in the region, developed policies to support non-oil export products. In Oman especially, political and structural reforms were made, and the results of the discipline in fiscal policy were obtained. We witnessed a significant interest during our visit to Oman banks, especially for open account trade financing and SME financing.

The UAE differs from the countries in the region as it is less dependent on energy than the countries where the real estate market is developed. The new factoring law will also show the

expected increase in receivable financing. With this aspect, UAE can be a role model for other countries by implementing factoring and open account financing in the region.

FCI participated in UATFF Annual Trade Finance Conference-2022

FCI participated in UATFF Annual Trade Finance Conference-2022. The conference focused on: the current state (in particular, statistical data) of the Ukrainian market of trade financing and factoring; food security problems and challenges faced by Ukraine and the world in particular; tools and opportunities to support exporters in Ukraine.

This conference started in 2014 as a professional Trade Finance and Factoring specialists meeting. It has become an anchor event for inviting international partners of Ukraine and trade leaders in Ukraine to exchange ideas and foster cooperation. It provided a broad view of the developments in the financial market sector focused on financing trade. For the open Ukrainian economy, trade drove GDP growth and job creation. Trade Finance and Factoring facilitate trade growth, and the Financial sector gets further demand from trade businesses for new financial solutions.

As FCI, we support the UATFF team, their activities, and the trade finance conference every year. We have continued our support by participating in the conference also in 2022.

CONNECT

FINANCING THE SUPPLY CHAIN

MONICA MARTIN BLANCO
SCF Consultant

The global supply chain has been in crisis for many, many months and companies are still very concerned about being able to deliver their products or services with acceptable margins.

Raw material shortages, transportation delays, skyrocketing shipping costs, and exponential growth in demand are just a few of the problems companies have been trying to overcome or solve. Other dynamics, adding pressure to fragile supply chain networks, include rising inflation, interest rate hikes, and rising geopolitical tensions that have skyrocketed global prices for all commodities.

ACCORDING TO THE CFO SURVEY, CFOS ARE PESSIMISTIC ABOUT THE ECONOMY

According to the CFO Survey, a study conducted quarterly by Duke University and the Federal Reserve Banks, CFOs are pessimistic about the economy, and while they expect prices to decline a bit by the end of 2023, they believe the average will remain high, with inflation being the main concern with 31% of its respondents expecting negative real growth.

Although about two-thirds of CFOs report that current interest rates have not yet affected their capex or non-capex plans, nearly 40 percent say they have already reduced their spending plans or plan to reduce them if interest rates rise another two percentage points. However, it is worth noting that all CFOs identify the supply chain itself as the main risk issue for their organizations. But not for this year but for all over the next decade.

Against this backdrop of complex supply chain challenges with rising costs, many companies struggle to plan for cash flow and revenue effectively. In this sense, companies are being myopic and are either transferring the cost to consumers or absorbing the costs themselves, to the detriment of their results. Neither scenario is sustainable neither is stockpiling as a strategy to manage a potential loss of revenue, yet more than half of respondents have indicated that they are using these approaches.

Companies can't look for short-term solutions to their supply chain problems, even if these measures help relieve pressure momentarily. These same managers who implement these measures anticipate that the risks of the supply chain will continue to be a trend in the next decade and for this reason it is not possible to put hot rags on the subject but require long-term solutions. Operating the supply chain as a cost center, prioritizing agility and profitability above all else, and postponing supply chain network redesigns are not sustainable approaches in this volatile environment.

FLEXIBILITY AND UNDERSTANDING OF CRITICAL END-TO-END RISK EXPOSURES IN SUPPLY CHAIN NETWORKS ARE CRITICAL TO BUILDING THE RIGHT RESILIENCE. FINANCIAL INSTITUTIONS CAN HELP MAKE THE SUPPLY CHAIN MORE FLEXIBLE, AGILE AND PREDICTIVE

Flexibility and understanding of critical end-to-end risk exposures in supply chain networks are critical to building the right resilience, and in this regard, financial institutions can help make the supply chain more flexible, agile and predictive to face the challenge of future interruptions. Banks can put all the financial instruments and the most powerful technological tools to provide the differential value that companies need.

This differential value that allows connecting the supply chain with the financial forecasts that technology provides can give companies an idea of what they can and cannot control and, more importantly, what they can improve to find smart financial solutions that help them address supply chain issues in the midst of these ever-changing market conditions.

Technology, especially Artificial Intelligence -powered machine learning and solutions that offer real-time insights and predictive capabilities, can help finance the supply chain if all the inside teams work in partnership to connect supply chain scenarios with forecasting and financial planning.

Traditionally, purchasing and finance teams have not had proactive collaboration. By getting these teams to work more harmoniously, organizations can identify the best near-term solutions to alleviate immediate supply chain disruptions and pressures, while helping the business make more informed strategic decisions that will make its supply chain better and supply more resistant, flexible and predictive over time.

CONNECT

THOMPSON LUI

Regional Manager South & South East Asia

FCI VISITED GUJARAT INTERNATIONAL FINANCE TEC-CITY, TO EXPLORE THE DIGITAL REVOLUTION OF RECEIVABLES FINANCE

On 27 and 28 February, the FCI team headed to Gujarat International Finance Tec-City in India to host "The Digital Revolution of Receivables Finance in GIFT City", the first in-person event for FCI in the South & South East Asian region since 2018. FCI's team, including Peter Mulroy, FCI Secretary General, and Thompson Lui, FCI Regional Manager, were joined by the FCI Marketing Committee Members, Sarah Pon, Joao Costa Pereira and Danny Hsu. The aim of this event was to promote our industry in this rapidly growing region.

Over the 2 days, we welcomed over 120 industry professionals to network, learn and discuss all things factoring and receivables finance with those both working in and those interested in getting into this niche but rewarding market. Gujarat International Finance Tec-City (GIFT City) is a planned business district in the state of Gujarat, India. It is the new business destination offering a competitive edge to financial services and Technology related activities. We felt it was the perfect place to host this gathering as we all look into the future of Trade Finance for this region.

Day one started off with Welcome Remarks by Mr. Peter Mulroy where he reflected back on FCI's visits to India and how we look forward to growing and nurturing the relationship. Peter introduced the Keynote speaker, Shri. Injeti Srinivas, Chairperson of International Financial Services Centres Authority (IFSCA). Shri Srinivas shared his thoughts on the partnership between FCI and IFSCA. Mr. Dipesh Shah, Executive Director for Development at the IFSCA presented the opportunities in GIFT IFSC. He shared the vision of the Prime Minister for GIFT IFSC, India's IFSC features, structure, activities and the new Regulatory Architecture and well as highlighting the opportunities for FCI members on the ITFS platform. Peter then reported on the overview of the Global Factoring Industry and FCI. Mr. João Costa Pereira, Banco Ourinvest Trade Desk and FCI Marketing Committee Member, moderated the panel discussion on Receivables as an Investable Asset Class, featuring panellists; Mr. Jinchang Lai, IFC - International Finance Corporation Principal Operations Officer, Asia and Pacific, Financial Institutions Group; Mr. Ranadeep Mookerjee, ICICI Bank Regional Head Structured Trade Sales and Mr. Pramit Joshi, Credlix Senior Director.

Attendees listened to a panel discussion on Factoring Platforms, Market Places & Supporting Technology, moderated by Mr. Ashutosh Sharma, IFSCA General Manager for Development. Panellists including Mr. Kalyan Basu, Vayana TradeXchange Managing Director & CEO; Dr. Azam Pasha, Maalexi CEO & Co-Founder; Mr. Federico Avellan Borgmeyer, efcom Chief Partner Officer and Mr. Ketan Gaikwad, RXIL Global Director, shared their expertise on this subject. Participants then heard from each of our Gold sponsors where they both presented and spoke about who they are and the work they are doing in the region. Mr. Pankaj Mundra, 360tf Co-Founder & Chairman, shared the latest insights from the, first of its kind, Indian Corporates focused Export Finance

Survey examining business profile, trade metrics, widespread issues, facilities and agreements.

On day two, the morning was focussed on educating participants of the Mechanics of Factoring in FCI, Ms. Sarah Pon, Unicredit Factoring Spa International Relationship Manager and FCI Marketing Committee Chairwoman. Mr. João Costa Pereira, Banco Ourinvest Trade Desk and FCI Marketing Committee Member, shared a presentation on the FCI framework and how the platforms work in FCI. Following this, the audience heard explanation on the FCI best deal winner transactions presented by Mr. Danny Hsu, Taishin International Bank Assistant VP-Factoring Product Team Head and FCI Marketing Committee Member. He also shared various case studies on fraud and dilution risk.

Ms. Aysen Cetintas, FCI Education Director, shared by video, an update from FCI Academy. She highlighted the importance of capacity building and knowledge sharing in the factoring and receivables finance industry. The audience were then presented a role play on a transaction so they could understand the various points of communication in a standard cross-border transaction. João narrated the role play while the 4 corners were played by Sarah as the Import Factor; Danny as the Importer; Mr. Ananda Sengupta, ICICI Bank Head Credit, Distributions & Portfolio Management - International Financial Institutions and Sovereign, as the Export Factor, and Mr. Rahul Poddar, Arvind Limited Senior Manager, as the Exporter. Following the role play, Danny moderated the panel discussion on regulation & legal framework where panellists shared their expertise on this. Panellists included Mr. Ravi Valecha, India Factoring & Finance Solutions CEO; Mr. Raj Khosa, IFSCA Senior Consultant; and Ms. Manjusha D. Tailong, MNS Credit Management Group Assistant General Manager for Client Relation. Finally, Peter, Sarah, João, Danny and Thompson went up on stage to share the key take-aways of the two-day conference and share their experiences, ending with the concluding remarks by Peter.

Over all, this event was a great success. This brought the spot light for many FCI members to India, sharing its business potential and interest to expand further into the global market. FCI looks forward to returning to India for another instalment.

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 386 members! We still have a lot of prospects that will soon join FCI.

PT. IFS Capital Indonesia (Member of the IFS Group)

ASSOCIATE

INDONESIA

Factoring Financing Pioneer

PT IFS Capital Indonesia is the pioneer of ARP (factoring)/invoice financing in Indonesia, established in Jakarta in 1990, under the name of PT Niaga Factoring Corporation, a joint venture company between PT Niaga tbk, PT Usaha Sarana Sejati and IFS Capital ltd. In November 2005, IFS Capital Ltd became major shareholder and changed the company name to PT IFS Capital Indonesia

Now IFS Capital Indonesia is focusing in 3 main products: Leasing, ARP (Factoring), and Property loan Program

Domestic & Export Factoring

Cash flow solution that allows a company to sell it's receivables (invoice) to IFS Capital Indonesia and receive early payment.

This financing solution is useful for company with recurring sales and receivables but are unable or do not want to wait for the standard 30 – 60 days payment terms to receive payment

Leasing

Investment & refinancing facilities of Heavy equipment , Trucks and Machineries.

Property Loan

Working capital & investment loan with property collateral

To find out more about PT IFS Capital Indonesia visit https://www.ifscapital.co.id

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MAALEXI

PARTNER

INDIA

Maalexi is a blockchain enabled demand-aggregating digital ecosystem that helps small food and agri-businesses directly access cross-border trade and finance.

The platform helps small local exporters, processors, and producers to sell more, and realize better margins, by facilitating their trade with medium and large buyers in international markets, and securing the risks in these complex cross-border trades on its full-stack platform. Deal origination, execution and financing happen at one-place for both – the buyers and sellers engaging in trade, and the financial institutions financing these trades. Maalexi mitigates key trade risks in cross-border trade which include: Counterparty, Demand & Supply, Legal, Quality & Quantity, Document and Delivery, and Payment or Credit, hence making these trades secure, and bankable.

Maalexi's proprietary data analysis processes are augmented with advanced AI and ML applications, secured through blockchain based technologies and embedded with risk and trade finance management solutions. The platform has reached a level of automation that assures that there are negligible incremental transactional costs for Financial Institutions thereby helping them scale, by executing the smallest trades securely, with requisite due-diligence, and full end-to-end visibility.

Maalexi is on a mission to 'strengthen global food security' by democratizing cross-border trade and finance for small food and agri-businesses.

To find out more about Maalexi, visit https://www.maalexi.com

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MNS Credit Management Group — Credit Solutions Beyond Expectations

SPONSOR

INDIA

MNS Credit Management Group, a leading global debt collection agency for India since 1999, provides professional services in commercial debt collection, business information reports, and legal consultation globally.

MNS has a proven track record of successfully assisting creditors in managing their past-due invoices, credit, and receivables, wherever they are situated. It has also established itself as a long-standing member of the world's largest and most extensive network of collection professionals. Following ethical, fair, and internationally recognised debt collection practices for over two decades, MNS is proud to provide the best technical expertise, soft skills, and human resource practices to assist its clients.

MNS Reports can facilitate Factoring Companies for assessing limits for the exporter, and its worldwide network of Associates can be leveraged for Import Factor and promoting business of Factoring Companies. In the case of overdue factor accounts, MNS's core strength of Debt Collection can provide amicable recovery solutions at very competitive terms and conditions.

Visit the MNS website at www.mnscredit.com for more details.

M1 NXT — NxtGen Trade Finance

PARTNER

INDIA

About M1 NXT

M1 NXT is a next-generation leading provider of working capital solutions specializing in cross-border transactions and finances for sales/purchases made on an open account basis. It is a Future-Ready, Secure, and Paperless online platform approved by International Financial Services Centres Authority (IFSCA) to set up the International Trade Financing Services Platform in GIFT City, Gujarat. Mynd IFSC Pvt Ltd, owners of M1NXT, is a wholly owned subsidiary of Mynd Solutions Pvt Ltd that has given India's Central Bank-regulated digital market place-M1xchange.

Visit the M1 NXT website

About M1xchange

M1xchange is a TReDS (Trade Receivables e- Discounting System of India) exchange that started in April 2017. M1xchange facilitates the financing of trade receivables (goods +services) of MSMEs from corporate buyers through 'factoring' or by financiers (Banks and NBFC). In a short span of time, M1xchange has onboarded 51 Banks/Financial Institutions, 1,200+ Corporates, and 15,000 + MSMEs and has facilitated discounting of invoices of more than Rs 40,000 Crores. (equivalent to USD 5 bn). Transactions on M1xchange have a legislative backup under the Factoring Regulation

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Visit the M1xchange website

360tf

AFFILIATE

INDIA

At 360tf, we analysed the Global Trade gap, understood what businesses longed for and what banks would like support on, and built a platform to connect the two groups digitally to make the best deals happen. Backed by over a decade of Trade Finance expertise, 360tf is a NIMAI group endeavour focused on building a novel ecosphere that instantly connects businesses and financial institutions across the globe digitally to fund trade flows at the best of terms.
The strong reception 360tf has been receiving on social media and the ready acceptance from the market demonstrates the value the platform brings to its constituents across 40+ geographies. 360tf is rapidly becoming the preferred partner in meeting trade finance requirements of all corporates across the globe irrespective of their size or current banking arrangements.
We take pride in continuously upgrading our product stack with solutions that meet real-world problems innovatively. Our latest additions covering Factoring & underwriting of cross-border trade for our corporates integrate perfectly with our price and bank discovery services helping deliver added functionality and value to them through a tried and tested familiar platform.
To find more on 360tf, visit https://www.360tf.trade

RXIL GLOBAL

PARTNER

INDIA

RXIL Global IFSC Limited is a Finance Company registered under the International Financial Services Centre (IFSC) in GIFT City, India and regulated by the International Financial Services Centres Authority (IFSCA).
RXIL Global operates the International Trade Financing Services (ITFS) platform which is an electronic marketplace for facilitating trade financing for exporters and importers by providing access to multiple financiers. RXIL Global's ITFS platform shall play an important role in arranging credit for exporters & importers from global institutions through Factoring, Forfaiting and other trade financing services at competitive cost. Also, it will be leveraged by exporters and importers across the world for availing trade finance services, thereby making GIFT-IFSC a preferred location for attracting global liquidity.
RXIL Global IFSC Limited is a wholly owned subsidiary of Receivables Exchange of India Limited (RXIL). RXIL is the first Trade Receivables e-Discounting System (TReDS) platform in India, an entity incorporated and governed by the regulatory framework put in place by the Reserve Bank of India (RBI). RXIL is a joint venture between Small Industries Bank of India (SIDBI) and National

Stock Exchange (NSE) along with State Bank of India (SBI), ICICI Bank and YES Bank as other shareholders.
To find more about RXIL Global IFSC Limited, visit rxilglobal.com

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VAYANA TRADE XCHANGE

PARTNER

INDIA

Vayana TradeXchange (VTX) is an end-to-end digital exchange marketplace facilitating easy and affordable cross-border trade finance globally. It is registered and regulated by IFSCA, (International Financial Services Centres Authority) Gift City, Gandhinagar, India, the unified regulator set up under the IFSCA Act 2019 by the Govt of India. Vayana (IFSC) Pvt Ltd operates the VTX Platform under the broad framework put in place by IFSCA for setting up and operating International Trade Financing Services (ITFS) Platforms.
VTX enables Sellers (Exporters) and Buyers (Importers) across the globe to avail various types of trade finance products which helps them address their trade receivables and payables resulting in better management of cashflows. The unique feature of VTX is an auction-based dynamic rate discovery mechanism that helps the participants (Exporters/ Importers) get the best possible discounting rates from multiple financiers across the globe in a currency of their choice, just at the click of a button with no locational constraint. VTX ITFS Platform is the first and only FCI member which is live and in operation today under license from IFSCA. VTX is developing a strong global connect and focusing on the needs of the Indian economy as well as to serve as an international financial platform for the entire region and the global economy as a whole.
In the days to come VTX will usher in a new era of auction-based digital crossborder trade financing with a global reach and connect seamlessly with its participants across the globe. Vayana TradeXchange is part of Vayana Network which is the largest supply chain finance platform in India having a presence in USA, Singapore and Dubai. Vayana Network facilitates financing of more than USD 1 Billion month on month (more than all regulated domestic platforms put together in India) to over 2 hundred thousand MSMEs for 1000 plus supply chain programs in 25 different sectors through its multiple financer network of large public and private sector banks in India. The company is backed by strong institutional investors including IFC, March Capital, Marshall Wace, BII, PayU, Chiratae Ventures, Jungle Ventures and others.
Visit Vayana's website to find out more

We wish all of our new members lots of success!
Other Members who joined more recently will be included in the next issue of In-Sight.

MEET WITH FCI'S TECHNICAL COMMITTEES - LEGAL COMMITTEE (LEGCOM)

The FCI Executive Committee has appointed Technical Committees to work on specific topics. The Technical Committees are composed of a chairman who reports to the Executive Committee and 3 to 5 members. The members of the Committees represent their companies, which are members of FCI. In this edition of this series, we highlight the Legal Committee members and thank them for all the work they do for FCI.

The FCI Legal Committee offers on continuous basis assistance to the FCI members in answering questions of a legal nature or relating in particular to the FCI GRIF. For problem resolution between export factors and import factors, a more formal FCI Arbitration process is available, even though most conflicts are settled in an amicable manner, based on the strong ties which exist between most of the FCI members. Today the legal experts of the committee include:

Dr. Ulrich BRINK

Bette - Westenberger - Brink Lawyers, Germany

Dr. Brink advises clients in the banking and finance industry as well as medium-sized and large companies in all areas of financing and corporate law, in particular corporate succession. He has contributed significantly to the development of factoring in Germany and today advises clients comprehensively on national and international factoring. His professional background includes: Observer in working groups of the UN Trade Law Organization (UNCITRAL) on international receivables financing and credit protection (1998 - 2007 and 2013-2018); Member of the Legal Committee of the International Factors Group (IFG) in Brussels (until 2015) and FCI in Amsterdam (since 2016); Examiner in the 2nd state law examination (1981-2018); Lecturer at the Johannes Gutenberg University Mainz - Department of Law and Economics (until 2017); President EUROPAFACTORING (1999 to 2007); Managing Director of the German Factoring Association eV (1986 to 2007) and Research assistant at the Institute for International Law of Savings, Giro and Credit at the University of Mainz (1972 - 1977). Mr Brink did a Studies and legal traineeship in Berlin, Bonn and Mainz from 1968 to 1972.

Ms. Isabelle HENRY

Société Générale, France

Ms. Henry has 18 years' experience in Corporate Finance, out of which over 15 years in domestic and international factoring, as well as Supply Chain Finance. She holds a master's law degree from Sorbonne University and a master's law degree from Université Catholique de Louvain (Belgium). She has been working with FCI legal committee for many years and is also member of ASF (French factoring association) Legal Committee since 2010.

Mr. JIN Saibo

Consultant, China

Saibo JIN, Ph.D and LLM of international law, Vice Chairman of the Financial Securities Commission of All China Lawyers Association (ACLA), Vice Chairman of Special Arbitration Commission on Financing Disputes of China International Economic and Trade Arbitration Commission (CIETAC), Deputy Director of Research Center of Banking Law & Practices of Shanghai Law Society (SBL&P).

Jin was invited by the PRC Supreme Court to the program (2002-2005) to draft the first Supreme Court's judicial interpretation on letter of credit in China, the Provisions of Some Issues Concerning the Trial of Cases of Disputes over Letters of Credit; and also has been invited by the same to submit the proposal draft for the program (2012-2013) of drafting the Supreme Court's Guideline concerning the Trial of Cases of Disputes over Independent Demand Bank Guarantees. Jin has extensive experience over 18 years in dealing with complicated litigations and arbitration cases of the disputes arising from cross-border commercial and financial transactions including letters of credit, demand guarantees, bulk cargoes, ships building and sales, international project contracting, security transaction and disputes of negotiable instruments. Jin has published more than ten books, in Chinese or in English.

Mr. Yüce UYANIK

Consultant, Turkey

Yüce Uyanık is a member of the Legal Committee of FCI, a former factoring executive, instructor, training consultant and author with a Masters in Law (LL.M.) degree. After having served several international factoring companies, he worked as the CEO of four factoring companies and one leasing company until 2003. His first book on the Code (in Turkish) was published by the Turkish Factoring Association in 2002 and was the only book outlining the rules of international factoring until his most recent one, Understanding the General Rules for International Factoring: A Comprehensive Guide has been published by FCI in 2021. The book's uniqueness and success led to Yüce being invited onto the Legal Committee of FCI in 2003 on which he has served ever since. He has also published several articles on legal matters. He took part in the preparation and revision of many FCI documents including the preparation of the first drafts of "The GRIF with Commentary", "Supplemental Agreement for Islamic International Factoring" and "The General Rules for FCIreverse." Yüce has been lecturing on international trade, finance and accounting at several universities in Turkey. He has also given international legal seminars for FCI on the General Rules for International Factoring (GRIF) and Purchase Order Management (POM).

Mr. Edward WILDE

Consultant, United Kingdom

Edward Wilde is a member of FCI's Legal Committee, having recently retired from full time practice as a Solicitor (advocate) in London, England. He has over 40 years' experience of resolving legal and practical problems affecting the operations of factoring and asset based lending companies. He has also advised the UK Government on matters where laws such as VAT or bans on assignment should be changed to encourage the development of factoring, as an aid to working capital finance .More recently he wrote a model factoring law for Afrexim Bank to encourage factoring in Africa and which is now before the Nigerian National Assembely. He has written a number of text books about the law relating to factoring. For 25 years he was the honorary Legal Counsel and Secretary to the UK Factors and Discounters Association (now UK Finance) representing 95% of the UK factoring market. For 8 years he was chairman if the Legal Committee of International Factors Group.

Mr. Marco LONI

Consultant, Italy

Marco Loni has a vast extent of experience in the Legal landscape. He is currently one of the FCI Legal Committee Members.

In the next edition of In-Sight, we will present the members of another Technical Committee, so stay tuned!

AYSEN ÇETINTAS
Education Director

EBRD & FCI FACTORING WORKSHOP IN MOLDOVA

30 November 2022

The European Bank for Reconstruction and Development (EBRD) and FCI partnered to organise a one-day Factoring Workshop for the region. On 30 November 2022, EBRD and FCI headed to Chisinau, Moldova, to present an insightful and in-depth Factoring Workshop. The workshop did not only give participants an understanding of the latest developments and trends within the industry but also allowed them to discuss these with fellow industry professionals and create fruitful connections.

Ms. Angela Sax, Head of EBRD, Moldova, shared her opening remarks and mentioned the importance of the factoring operations in Moldova and for the region. The workshop was attended by 22 professionals from 7 different banks and financial institutions. FCI Regional Director for the CEE, SEE and Middle East region, Ms. Betül Kurtulus, moderated the workshop.

Moldova is a small economy with real incomes lagging behind other countries in the region. Severe structural weaknesses constrain faster convergence. Weak governance, poor public services, and an unstable business environment have adversely affected investments and caused sizeable emigration of the young and active population. With insufficient investments and especially FDI, growth is predominantly driven by remittances fueling private consumption. At the same time, low-value-added products predominate in modest export volumes. The EU is Moldova's main trading partner, accounting for around two-thirds of exports.

Small and medium-sized enterprises (SMEs) play a significant role in modern economies. They create jobs, enhance competition, contribute to technological change, and increase the use of domestic resources and products. In Moldova, SMEs represent an important sector of the economy employing around 60% of the workforce. One of the most critical obstacles to SME growth in Moldova is the lack of access to finance. Enabling SMEs to overcome this obstacle is integral to the country's SME strategy.

The banking sector dominates Moldova's financial system, and bank financing is the dominant form of external finance for Moldovan SMEs. SMEs receive a disproportionately small share of bank lending, and their expansion has many impediments. Many banks perceive the SME market as risky, costly, and challenging. High collateral requirements for bank loans and the importance of rural areas have fostered the development of microfinance institutions and savings and credit associations as an alternative to bank financing.

The one-day workshop about factoring has paved the way for developing successful factoring operations for Moldovan banks and financial institutions. The main goal of the training event was to provide participants with a comprehensive understanding of the benefits and advantages of factoring for various parties in the economy. The objective was to equip attendees with the necessary tools and knowledge to effectively leverage the potential of trade finance, ultimately supporting the trade activities of clients with the support of the EBRD.

EBRD and FCI would like to thank all who were involved in the event preparation and those who attended. The workshop was the perfect display of education and connection.

SPYROS TSOLIS
Deputy Education Director

FCI ACADEMY TAILOR-MADE TRAINING FOR CREDIT OMAN SAOC

There is no doubt that face-to-face training programmes have the most significant learning impact on the participants. Among the main benefits are real-time interaction, the promotion of collaborative learning, and the lack of distraction (compared with online training). Especially if the programme is tailored to meet specific learning demands, the positive outcomes are multiplied.

FCI Academy's tailor-made programmes are again becoming popular for good reasons. It is an essential tool, especially for new FCI members, to achieve high-value learning for their staff at a low cost.

We had the opportunity to design and organise such a programme for our new member Credit Oman SAOC, at Muscat on the 14th-15th of February 2023. Two full days of presentations, discussions, and some fun, have set the foundations for Credit Oman's success in Factoring & Receivables Finance.

Many senior managers and experienced professionals participated in this training, learning about open account receivables finance solutions, understanding the risks involved in factoring, and exploring the FCI solutions with a more detailed reference to the operational and legal frameworks of FCI and the Two-Factor system. On behalf of FCI, Ms. Betul Kurtulus, FCI Regional Manager for CEE, SEE & Middle East, and Mr. Spyros Tsolis, FCI Deputy Education Director, were the training leaders.

The positive learning impact of this training has been confirmed by a "Level 2 evaluation", measuring the level of improvement of knowledge and skills of all participants. Moreover, all participants have received a Certificate of Participation.

At the end of this intensive and comprehensive programme, solid foundations have been set to develop further factoring & related receivables & payables finance products in Credit Oman. FCI, through its FCI Academy programmes, will remain a continuous supporter of this effort, this being one of its primary missions.

INTERNATIONAL EDUCATION DAY 2023

On this International Education Day (24 January), we look at education's impact on our industry and its importance in today's world. It is a no-brainer that in life, the more one is educated, the more one can accomplish, and the more one is successful; well, this is the same in business. The more people and companies are educated in factoring and receivables finance, the better the industry does as a whole and the more adaptable a company is for anything that may disrupt the 'norm'.

Factoring has been around for centuries; evidence of a rudimentary form of factoring was found over 5,000 years ago in ancient Mesopotamia. Not long after that, in ancient Egypt and Greece, debts were acknowledged in writing and recorded on papyrus. But it wasn't until the Roman era when the first debt collection specialists appeared that they received a commission of up to 1% of the money collected from the debtor. The Romans spread that concept throughout Europe as their Empire grew(1). The more companies heard of this new form of finance and learnt about its inner workings and structure, the bigger the industry grew. Today, factoring has adapted to modern life. It is based on the concept of selling (or assigning) a business's outstanding receivables (=sales invoices) to the Factor and receiving a set of trade-related services, which now includes:

- Protection against bad debts
- Collection of receivables
- Financing
- Receivables ledger administration

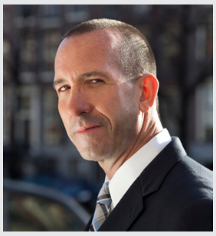
The Factor will include Sales Ledger Management and Collection services. Depending on the product offered, a company may choose to fully outsource its collection activity and ledger monitoring to a factor or keep these functions in-house. Outsourcing these activities can be a unique benefit for SMEs. However, larger companies with established and dedicated accounts departments may find it easier to keep their collection and ledger monitoring and management activities in-house.

In 2021, 15.71% of global trade was held by factoring, with a volume of over €3,093 billion in 2021(2). This is only increasing; 2021 showed a +13.46% growth compared to 2020 and proved that you are missing a growing market if you don't understand Factoring and Receivables Finance. The impact of Covid-19 on global trade highlights the importance of education on factoring. Without this knowledge, companies may not have been able to adapt as quickly to the changing business environment. Last year's growth highlights how many companies turned to Factoring to improve their working capital. This demonstrates that having well-educated employees who adapt to changing business needs can benefit the company. We asked a few of our Executives for their thoughts on the importance of education; this is what they had to say.

"Education is the key to success - Life is a constant learning process in a continuously changing environment filled with opportunities and threats for individuals and businesses. Education is the key to moving beyond the fear of the unknown in social and business life as a process of experience reconstruction paired with proper skills and knowledge to deliver success and growth. In other words, education is widely identified as the great engine of personal and corporate development in all aspects of life. Education is a strategic priority for FCI, as it is a core function that offers a wide

variety of products designed to meet the business needs of its members. The FCI Academy provides training for members and those engaged in factoring, trade receivables, payables financing, and other supply chain B2B transactions, regardless of whether they are members. Education is of paramount importance for any further growth, and FCI, as a leading global Association, will continue to focus and invest all of its energy on building the new digital future and proceed in tailor-made solutions and proper training for our industry." - Mr. Panos Papatheodorou, FCI Education Committee Chairman & Head of Investment Committee at R.E.F. Real Economy Fund AIF V.C.I.C. Ltd.

"More than ever, the importance of having skilled and well-educated resources has considerably increased. People have to face a completely new environment. Therefore, providing them with relevant business knowledge is fundamental to increasing their confidence in dealing with new challenges. Education is a key element for the growth of our industry. As such, it remains a top priority for FCI. We will continue to invest in education to support members and the entire industry worldwide." - Ms. Daniela Bonzanini, FCI Chairman.



"Education is the lifeblood of any organization to achieve success. Excellence is not accidental but is achieved through knowledge, fortitude, and perseverance. However, many take education for granted. Like all matters, education is a choice, but those who abandon it do so at their peril. As Aristotle once said, "choice, not chance, determines your destiny." - Mr. Peter Mulroy, FCI Secretary General.

"Education is fundamental for everybody to improve the quality of life, which is very important for the society and the companies operating therein to achieve their goals more easily, faster, and safer. Education has been named one of the main pillars of FCI for more than 50 years. Since the early years of its foundation, FCI's mandate has been to spread knowledge, educate the industry, and develop best practices in domestic and international factoring and related open account finance products. In the early years, almost all countries had no accumulated knowledge of factoring. Today FCI continues to hold the mission of spreading the knowledge to developing and emerging markets and to share experience and best practice with all stakeholders." - Ms. Aysen Cetintas, FCI Education Director.

"The remarkable growth of our industry during the last 20 years has been led by all the knowledgeable professionals who believed in the direct benefits of Factoring & related products but also invested in education. FCI Academy has been the strategic education partner for all industry experts, having trained more than 20,000 of them from 90 countries, who trusted us in supporting capacity building at all hierarchical levels in their organizations. This trust is our strength to continue offering the required expertise & knowledge, using all modern, "high learning impact" methods, constantly adjusting to the rapidly changing demands of our industry." - Mr. Spyros Tsolis, FCI Deputy Education Director.

So, on this International Education Day, we urge companies to invest in their future by investing in educating their staff.

To learn how FCI can help educate your staff, visit www.fci.nl/academy to discover the FCI Academy and its broad educational offerings.

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LUIZA BUSERSKA
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WHAT IS THE OUTLOOK FOR THE ECONOMY AND THE RECEIVABLES FINANCE INDUSTRY? IS THERE LIGHT AT THE END OF THE TUNNEL?

Faced with fears of a recession, businesses must look to partners and alternative sources of financing to meet the challenges.

The world economy is facing several turbulent challenges. Inflation that is higher than seen in several decades, tightening financial conditions in most regions, the war in Ukraine, and the ongoing austerity measures against the COVID-19 pandemic, especially in China, all weigh on the outlook.

The price spike (raw materials such as oil, gas, food, and metals), the waves of refugees, and the disruption of financial and trade channels for cooperation increase the uncertainty for business.

Barely resurfaced from the bottom to which the pandemic and the economic crisis sent them, now the companies are facing new dangers. In the current situation, there are hardly any businesses that are not worried about further deepening problems and even recession. In this situation, small and medium-sized enterprises are particularly vulnerable. The issues mentioned above inevitably take their toll and catalyze business managers to consider revenue diversification and working capital opportunities.

About a third of the global economy has faced several consecutive quarters of negative growth. Global growth is forecast to slow below 2% in 2023. This is the weakest growth profile since 2001, excluding the global financial crisis and the acute phase of the COVID-19 pandemic, and reflects significant slowdowns for the largest economies. Global inflation is expected to peak at 4.5% to 4.75% in January 2023, remain at this level, and gradually begin to decline in 2024. At the same time, regional differences are expected to increase due to unequal monetary and fiscal policies and unequal opportunities to support economies in individual countries.

Also, larger shocks in energy and food prices could cause inflation to be contained longer. A global tightening of financing conditions could trigger widespread debt distress in emerging markets. A gas cut by Russia could depress European production, and new global health fears could further slow growth. Geopolitical fragmentation also means retarding trade and capital flows.

Against this background, central banks have dramatically increased interest rates to reduce inflation, pushing the global economy closer to recession. For most sectors, inflationary pressures, rising rates, and a looming recession are associated with several challenges, including pricing and contract updates, higher costs, supply chain delays, and staff shortages. Many companies cannot withstand the pressure and are forced to declare bankruptcy.

Right now, SMEs and even larger market players have an urgent need to ensure flexibility and find alternative sources of funding to meet their immediate needs, pay staff and meet the expectations of their customers. Companies are facing an expected deterioration in their ability to service their debts. For this reason, banks are increasingly tightening controls and lending criteria for businesses of all sizes to reduce risk. Therefore, more than ever, companies need a partner who

COMPANIES NEED A PARTNER WHO CAN PROVIDE THEM WITH FLEXIBILITY AND QUICK ACCESS TO FINANCING, TAKING INTO ACCOUNT THE SPECIFICS AND NEEDS OF EACH BUSINESS

can provide them with flexibility and quick access to financing, taking into account the specifics and needs of each business. This will help companies not only survive but even take advantage of potential opportunities for development and modernization as they arise. Right now, the factoring industry is beneficial by lending a hand to improve the economic climate.

I hope that the possible downturn is not as severe as initially expected. According to experts, if the European Central Bank (ECB) stops aggressively raising interest rates, then a good opportunity and a ray of light can be expected in the second half of 2023 for the economy and financial markets.

Data show that for the United States, very little growth is expected in 2023 – between 0.5% and 1%, as is the forecast for 2024. For Europe, especially the Eurozone, a slight recession can be expected in the first six months of next year, but then a return to economic growth. For emerging markets with stronger central banks and better monetary policy flexibility, as in Latin America, better results can be expected. For 2023, the outlook for China has also been revised upwards, especially after the easing of Covid measures and if the economy opens up. Of course, it can be assumed that countries and regions that are self-sufficient in energy will have an advantage.

Both national economies and businesses are now looking for security. It is expressed in the diversification of production, shortening the transport route, and finding alternatives for supplies and new financial sources. This is now being realized as a strategic priority.

When companies are trying to survive in this climate, it is greatly beneficial to get quick and adequate financial support, saving you the slow and clumsy traditional procedures for credit approval. The latter depends on many factors – sometimes, the decision is delayed due to approaching the end of the fiscal year or waiting for the results of an ongoing audit.

Ultimately, the unpredictability of the current geopolitical and economic situation requires lenders to have the flexibility to be responsive and provide predictability for business owners, providing the tools they need to operate confidently and with an eye to the future.

For now, it remains to be seen what will be the behavior of the central banks and whether they will soften the previous aggressive policy of raising interest rates, which has an impact on the economy on a global scale and will give an impetus to the development. But the fact that economies are currently withstanding aggressive rate hikes not seen in decades means they are stable enough. This gives reason to expect, after some delay, especially during the winter months, a ray of light at the end of the tunnel, both for the economy in general and for the receivables finance industry in particular, especially towards the second half of 2023.

THIS GIVES REASON TO EXPECT A RAY OF LIGHT AT THE END OF THE TUNNEL, BOTH FOR THE ECONOMY IN GENERAL AND FOR THE RECEIVABLES FINANCE INDUSTRY IN PARTICULAR, ESPECIALLY TOWARDS THE SECOND HALF OF 2023

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Regional Director Americas

SUPPLY CHAIN FINANCE IN DEVELOPING COUNTRIES.

SCF in emerging countries vis a vis SCF in developed countries.

The first question is if the SCF in emerging countries is the same or similar to that of developing countries or regions. And quite frankly, I don't know whether supply chains in emerging markets differ from those in the West or developed markets. In short, any supply chain comprises more or less the same players. Some of them are more key in Western supply chains than those in emerging countries. For instance: distributors are crucial in the Western once. Or in China, although it would not be conceivable not to have them in emerging countries. We should focus on each player's strategy depending on the economy. In LA, for example, for the US buyer, the supplier from LA is strategic, and here again, what sub-region of LA are we talking about? Mexico is key in providing products, and the Central American countries also provide goods, but it is also true when the US buyer transfers the production to those countries (I mean the "maquila"). And in this game, financing is key for the provider of any kind. Now, the differences are to be found in the economic stability and the political risk that we are observing, and such political risk influences economic stability. LA developing countries are predominantly producers and exporters of raw materials with continuous fluctuations in prices and producers of other added-value products, which in many cases are also affected by fluctuations of other variables. If we add to this the expected increase in inflation, with an increase in domestic demand, strict monetary policies from central banks as an attempt to anchor inflationary expectations, added restrictions in exchange policies, increase in interest rates due to global stricter conditions, or social tensions, obviously the chains are affected, and disruptions are generated in certain tranches. But still, the SCF functions with no doubts. For instance, not so long ago, the increase in freight prices that generated delays in shipments and merchandise arrivals caused stock accumulation. In such cases, the stage to be financed, with uncertainty, are those stocks, growing then, the ¨warehouse financing¨. But this has been changing as the problem normalizes. In LA & C Region, especially in some countries, services have grown, generating opportunities. As for the last comment, I cannot oversee and not highlight the changes and political tensions being observed. Nicaragua, Peru, Venezuela, Cuba, Chile, Argentina, and Bolivia, and we have to wait for the course that Brazil will take, which will undoubtedly have an impact on production and, consequently, on the different supply chains. Confidence deteriorates, rates rise, investments become restricted, and demands vary. But the countries continue to function, and elections are approaching in some countries that would promise changes. Hence, it is fair to have a look of cautious optimism, and the companies, in one way or another, will continue to produce knitting chains in need of financing.

The SCF and its added value for our developing Region.

Access to financing for companies in LA is only for some alike, and obviously, the greatest difficulties are for SMEs. In the rest of the world, it will be the same. But in the region, informality is one reason for this fact. However, these companies need financing, but the issue is that they only sometimes meet the minimum requirements demanded by banks. Consequently, one of the alternatives is to rely on non-bank financial companies whose interest rates, we know, are very different from those of banks. Likewise, these companies are suppliers of good products, which makes them eligible suppliers for large buyers. SCF's solution allows them to enter the banking circuit, forcing them to leave informality and become transparent. The banks begin to operate with them based on the buyer's risk. But this does not stop here. Once these companies enter the banking financial circuit, a wide range of product offerings opens up for the banks, and that is, cross-selling. So, SCF brings added value to SMEs, with the possibility of obtaining finance more economically, therefore more profitable, growing their sales and productivity, and improving their image, thanks to its formal improvement and transparency.

SCF BRINGS ADDED VALUE TO SMES, WITH THE POSSIBILITY OF OBTAINING FINANCE

Some typical activities of our Region.

The opportunities in emerging regions are enormous and often arise from particular activities or services. For example, nearshoring is a modality widely used among some countries in the region. When we talk about ¨nearshoring¨ we refer to ¨maquila¨ and this activity is also excellent to be factored, especially with the FCI factoring solution, which is factoring between correspondents (2FS). But if we take a more expanded look, it is also excellent for the SCF. Not all ¨maquilas¨ are the same. It is a production system excellent for the textile industry, which does not mean that it does not apply to other industries.

The traditional link in the ¨maquila¨ in the Americas Region is with large buyers from the US and SMEs that produce mainly in Central America. However, it also occurs in some South American countries. And they are diverse because, in some cases, the large buyer provides the raw material with which the company that produces will be making a transitory import, produces, and exports. Although the raw material is provided, the producer needs financing to cover other needs: salaries and payment for energy use. The large buyer pays the labor and costs of the process and the profit. SCF fulfills its role, for instance, lengthening and unifying the buyer's payment term and allowing the producer not to wait for the invoice's due date to get the money. And also, as I said, traditional factoring, especially under the FCI model, factoring between correspondents, is a perfect solution. Now, when the producer is the one who buys the raw material based on the buyer's guidelines and other raw materials, added to face other production costs, it is where the SCF finds an extended chain, since the one who supplies, the one who produces also needs financing and thus we can scale in the chain. Therefore, SCF is a very positive solution for "nearshoring," very common in international trade between the US and some LA countries.

SCF is so-called in all LA countries. Does it develop in the same way in all of them?

THE SCF IS PERFORMED IN ALL COUNTRIES WITH DIFFERENT DEGREES OF DEVELOPMENT, BUT THE PRODUCT IS NOT CALLED IN THE SAME WAY

The SCF is performed in all countries with different degrees of development, but the product is not called in the same way. It is not always called SCF or RF/Confirming, but it is linked to a factoring version to fit in with different regulatory frameworks. And here, a question arises: could this practice hinder the development of the SCF, or will it develop differently? Take the case of Brazil, for example. And in the same way, the growing weight of compliance in Latam countries affects the SCF. I mentioned Brazil as an example, a massive country with a huge economy, the biggest in LA. If we search the internet for SCF in Brazil, we will probably not find too much. But value chains are still financed. It is only a question of wording, of naming—for instance, the case of factoring. Ten years ago, this solution was considered financing of last resort; then, nobody talked about factoring, only the factoring companies took the greatest risk. There were more than 7,000 companies.

On the other hand, there was, and still exists, the traditional (domestic) solution for financing invoices: the ¨duplicata¨. This was changing, and today there is more talk of factoring. In the case of SCF, it has other names, and it is done a lot, perhaps in larger volumes than in Mexico, and it has been done for a long time under different names, but unfortunately, there are no statistics or records on this type of financing. It is not recognized as a product, there have been different forms, and neither the Associations nor the Central Bank publishes statistics. We can find some background in Petrobras' platform (Petrobras, the Brazilian oil company), an excellent platform, and the exciting thing is that no bank had it at that time. Banks could get on the platform and bid. Suppliers looked at their invoices and saw which ones were approved and how many banks were willing to buy them. It was a Market Place. Fintech companies currently have a significant presence and do this task, generally only facilitating intermediation between large purchasing companies, suppliers, and banks that join the platform. We found the confirmation of Santander, which was undoubtedly the first to bring the concept of confirming as a solution to the SCF. Another alternative is the "Investment Funds" or FIDIC. Banks or large companies create their funds to purchase invoices from their suppliers. They are funded by going to the market, and they structure each funding for a specific debtor. And I want to mention that, incredibly, there is not a single SCF solution for the international market or international trade, and this fact becomes a great challenge. At the time of writing this article, the Brazilian financial market was precisely affected by the still unclear facts that affected ¨Lojas Americanas¨, one of the largest Brazilian retailers, a part of a group of well-known and reputed shareholders. But we are still at an early stage, so we are only coming across speculations on what happened. What is clear is that neither factoring nor SCF have triggered the irregularities. Those, if proven, must be sought in other facts. But we can say that the observance of good practices, compliance rules, and adequate regulations on which factoring or SCF operations are typically structured would remove our solutions from any eventual suspicion.

SCF: contributes to the future of emerging countries in their international trade and technological opportunities.

For developing countries, SCF is undoubtedly a driver of the economy as it allows access to financing to all or most companies that are part of the chain. Most banks and NBFIs are looking to implement this solution in almost the Americas Region. And we must not lose sight of the fact that by allowing banks to finance the companies that participate in the chain, they can leap at risk by including in this financing companies that, perhaps due to their required risk standards, would not finance. In other words, SCF is significantly up-to-date and desired by banks as a financial solution. An important issue is the expansion of electronic invoicing in the Region. It is a reality that the electronic invoicing promoted and sanctioned by governments has as its first objective to make the economy transparent and, as a second, a fiscal objective. It may be the opposite: first, a fiscal reason, and second, transparency. But it's also true that it has made our industry easier by reducing the chances of fraud. And the electronic invoice facilitates the expansion of the SCF. Another topic to mention is the platforms. I see a platform of all kinds developed in different countries in the Americas Region, including Latin American: Mexican, US, Chilean, Brazilian, and European. Many are efficient and reliable, covering practically all stages of the process. Unfortunately, there are also providers with more limited proposals that sometimes offer undeveloped processes. This is not good for the industry. I think it is essential that quality companies make their solutions visible. Finally, and regarding the cross border, SCF is the solution that evolves more slowly, becoming a great opportunity for the future.

FOR DEVELOPING COUNTRIES, SCF IS UNDOUBTEDLY A DRIVER OF THE ECONOMY AS IT ALLOWS ACCESS TO FINANCING TO ALL OR MOST COMPANIES THAT ARE PART OF THE CHAIN

FCI SPREADING ITS WINGS:
MEETING BOTH ONLINE AND IN-PERSON WITH PARTNERS, PROSPECTS, ORGANISATIONS

More than ever, FCI has been partnering with organisations to promote factoring and boost the industry. FCI Directors were invited to speak at other organisations' events. Below is what has happened over the past three months.

DECEMBER 2022

6th UNIDROIT FML Working Group Meeting

The draft Factoring Model Law (FML) has been finalized by the UNIDROIT - International Institute for the Unification of Private Law FML working group during its 6th and final session held on 1 December in Rome. The FML working group reviewed all 190 comments presented and was a great catalyst for the enhancement of the law. The UNIDROIT Governing Council will review the draft FML for final approval during its upcoming annual meeting in May 2023, hence we anticipate having the final model law shortly thereafter.

Certificate of Trade Finance in Africa (COTFIA) Programme

On 10-15 December, the FCI Academy hosted Course 6 from the Certificate of Trade Finance in Africa (COTFIA) programme. This programme was organised by the African Export-Import Bank (Afreximbank), AUC School of Business and FCI. Lecturers and presenters in this Course included FCI Secretary General, Peter Mulroy, Education Director, Aysen Cetintas, and Deputy Education Director, Spyros Tsolis and featured leading professionals including Nassourou AMINOU, Christian Faber, Doaa Hafez, Mónica Martín Blanco, João Costa Pereira, Claudia Elena Cuzuban-Perri and Afroditi Stavraki. They all shared their expert knowledge and experience in Commercial Finance and Practical Applications.

INFLUENCE

FEBRUARY 2023

ITFC TRAINING PROGRAMME

FCI organized a training program for ITFC (INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION) on 6th February 2023, in Jeddah, Kingdom of Saudi Arabia. The training took place at IsDB Group Headquarter with broad participation of ITFCs business development, origination and processing functions, as well ITFCs representatives from its Regional Hubs. Open account trade financing is gaining increasing importance in OIC member states. At the same time, ITFC's support will continue in implementing Islamic international factoring, and new business opportunities in this field will contribute to the open account trade of all countries.

GTR MENA

On 21 February, Betul Kurtulus participated in a panel discussion at GTR MENA, in Dubai. The panel provided an update on the current operating environment and offer insights into risk mitigation strategies being deployed in the face of changing requirements, from managing supply chains and negotiating interest rate fluctuations to the change in approach to issues around sustainability, to the impact of changing trade flows and investment corridors on the speed of developments. The conversation also centred on the importance of trade cooperation, partnership building and risk sharing, including the crucial role of multilaterals and export credit agencies in achieving economic resilience and industrial transformation.

ICC Bangladesh Training Workshop & local members dinner

The ICC Bangladesh, in partnership with FCI and Bangladesh Institute of Bank Management, hosted a one-day-only training workshop on How to deploy supply chain finance and international factoring in your business in this post-pandemic world, which took place on Sunday, 19 February 2023, at the Westin Hotel in Dhaka, Bangladesh. The seminar explored and explained how companies can build an international factoring business from within. Peter Mulroy, Thompson Lui, Sarah Pon and Aysen Cetintas all participated in this workshop and shared their expertise with participants.

On Monday 20 February, FCI organised a dinner with local members. Peter Mulroy, Thompson Lui and Sarah Pon could discuss with them to understand the opportunities and difficulties of the local market

Dinner with Indian Member in Mumbai

On 23 February, FCI organised a dinner with the members in Mumbai. They discussed on development of the open account world in India and best steps to take to achieve success in the open account receivables finance space. Peter Mulroy, Thompson Lui and the MarCom team (Sarah Pon, Danny Hsu and Joao Costa) participated at the dinner attend by 25 guests.

FCI

Facilitating Open Account – Receivables Finance

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