FCI

Facilitating Open Account – Receivables Finance

NEWSLETTER / NOVEMBER 2019

CONNECT. EDUCATE. INFLUENCE.

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

Contents:

GWENDOLINE DE VIRON
Head of Marketing and Communication

EXECUTIVE SUMMARY

Dear Readers,

Welcome to the latest edition of In-Sight!

The publication starts with the welcome from our Chairman who gives us an overview on some latest developments of FCI. Peter Mulroy continues reporting on the disruption period we are lately witnessing. Afterwards we thank Jacqueline Wolde Yohannes for her tremendous contributions to FCI and welcome Kyle Mota.

Monica Blanco enlightens us on FCIreverse developments and the recent Forum held in Madrid in October. Then moving on to Belgrade, Serbia, with a report on the successful Regional Conference on Factoring in CEE and SEE. The news from South East Asia – is presented with the Factoring Workshop in Dhaka, Bangladesh and the joint workshop with IFC in Cambodia.

The 'Connect' sections finishes with the presentations of the 10 new members that joined since the latest edition of In-Sight: Akbank AG, Banco Monex, Indonesia Eximbank, IPDC, KAPPS, Kuveyt Turk, NLB, Prime Bank, Primus Capital and United Finance.

The 'education' section includes feedback from the workshop to promote factoring in support of intra-African trade and the African Continental Free Trade Area. You can read from Aysen on the Risk Management and Legal Considerations Seminar in Istanbul that was attended by 100 participants. The cooperation with EBRD for a workshop to promote factoring in Kosovo is presented afterwards. Finally, Spyros Tsolis tells us more about the second Factoring Conference organised with the Egyptian Factoring Association in Cairo.

The 'influence' section starts with FCI spreading the wings where you can find short reports on meetings and joint event FCI representatives participated in.

Betül Kurtulus tells us about switching to a lower year and IMF data on the growth projection in the CEE, SE & MEE

Kheng Leong tells us more about the opportunities for export factoring in South and South East Asia due to recent changes in the environment.

Yong Zhao summarizes the recent legislative progress of factoring in China. If everything goes well, by 2020 China will become the first country to specify Factoring Contract as an independents and typical contract in the Civil Code.

The 'Influence' section concludes with receivables financing in Africa and what benefit we can have from the AfCTA.

The newsletter ends with two eulogies as the industry lost two important men: Mr Harvey Guberman and Mr Nils Otto Nielsen.

Enjoy the reading!

Gwendoline

WELCOME FROM PATRICK DE VILLEPIN
Chairman of FCI

PATRICK DE VILLEPIN
Chairman of FCI

Dear Friends,

This is my second address in the newsletter as Chairman of FCI and I can tell you we are preparing the future of the association with the Executive Committee and the Secretariat. During the Executive Committee meeting in Paris at the end of September, we decided to create an Advisory Committee. FCI Advisory Committee will provide counselling, strategic advice and vision for the association. This committee would act as a think tank to provide input from senior executives representing some of the market leaders in the factoring, receivables and supply chain finance space.

We also discussed to create a 5-year strategic plan for FCI. The preparation work started last week and conclusions are expected by the end of March 2020. The idea is to bring the Chain to another level, taking into account the market changes, the different needs of the regions, change of governance structure but also innovation in technology and services. Our approach is a more top-down bottom up approach. This plan should be submitted to vote by the FCI Council at the Annual Meeting in Washington DC (21-26 June 2020).

The meeting was also an opportunity to invite the French trading members and some prospects to meet with the Executive Committee and discuss the current issue in the market. We went back home with a few take-aways from the discussions. We will use it in preparing the above strategic plan.

You will see in the newsletter, the last quarter was busy for FCI: organising successful events, joining partners and members events, on-boarding new members. I had the pleasure to meet some of you at the Polish Factors Association Congress and at FCI Workshop on Risk Management and Legal Considerations in Istanbul.

I already want to wish you a happy holiday season to you and your family and I am looking forward to our 2020 challenges!

Patrick de Villepin

FCI Chairman

A WORD FROM THE SECRETARY GENERAL

PETER MULROY
Secretary General

Someone recently stated that our industry is at a cross roads. We are certainly in a period of great disruption, from the *impact of the trade wars* that have been unleashed over the past two years; to *the rise of fintechs, the effect digitalization and blockchain on our industry; the rise of regulations and issues relating to accounting treatment, and lastly the explosive interest in factoring from the emerging countries*. This is all occurring in the backdrop of FCI's anticipated rollout of a new 5-year strategic plan in 2020. There are many interesting initiatives taking place, and I just wanted the opportunity to highlight just a few of them.

Assessing the negative growth story in the 3rd Quarter 2019 in international factoring

I had reported in the last In-Sight edition that overall volume for the first half 2019 in edifactoring increased +1.2%. This is after a first quarter increase over the previous year of +5.0%. I had expressed *concerns of the decline in volume coming from three primary countries: Turkey, China and HK*. If we compare the YTD international factoring figures at the end of October compared with the previous year, we note that after a good start in 2019 the *growth figures have been steadily shrinking and have shifted to a negative sign since July*:

The reasons for this decline can be summarized by looking at three primary markets:

- Turkey has had the most damaging impact on volume, declining in 2019 by over 40%. Export factoring lost over EUR 1 Billion in volume. The reasons are stemming from the *very challenging geo-political environment, an economic slowdown, and a reduction in business* in two of the largest corporate clients using export factoring due to a slowdown in their business. Also, some import factors who have taken a cautionary approach to Turkey, due to the above.
- China region is also suffering. China's volume has further declined by -30% in both Imports and Exports, an indication of the effect the Trade War is having on their economy. The trade war was a hot topic of discussion during my visit to New York last week, where I had met most of our members. They had all stated that *the affects of the increased import tariffs by the Trump administration has had a severe and chilling effect on trade from China*, as the increased costs could not be absorbed by either the supplier, importer or end customers/ retailers. Many were looking for alterative suppliers in other markets, but this process is time consuming and challenging. The repercussions are increased stress on SMEs engaged in trade, a reduction in credit availability, and loss of business confidence, creating both liquidity and overall financial pressure on clients.
- Hong Kong is witnessing a decline of 40%, in part driven by the *current challenges stemming from the unrest there*. And Singapore is down by 11% YTD as well. The most significant development we have seen this decade has been the growth of inter-Asian trade, but with the stress felt in the region, the opposite now holds true, creating a significant drag on growth.

However, there are a number of positive takeaways from the statistics, including the good news that *the decline has been partially offset by a large increase in export volume out of Taiwan. The Middle East shows a positive sign in imports thanks to the UAE's successful results. And*

THERE ARE A NUMBER OF POSITIVE TAKEAWAYS FROM THE STATISTICS

Latin America is showing positive signs of growth from some of the "newer" markets like Honduras, Uruguay, and Colombia adding to the growth already experienced in Mexico, Argentina and Peru.

Based on this second half falloff, I was anticipating other challenging news on volume growth this year but was pleasantly surprised to receive the *EUF report on total volume reported in the EU in the 1H2019*, which shows factoring and commercial finance volumes *grew by 9.3%*. This continued growth is on the backdrop of a slow down in GDP growth across Europe this year. The European Central Bank in their July 2019 bank lending survey, credit standards tightened in the second quarter of 2019 for loans to enterprises, marking the end of the net easing period started in 2014, as concerns about the economic outlook and increased risk aversion translated into tighter internal guidelines and loan approval criteria. Hence, the very impressive factoring growth in the EU bucks this trend proving once again the importance factoring is playing in providing the necessary liquidity to SMEs, supporting the real economy.

THIS TREND PROVING ONCE AGAIN THE IMPORTANCE FACTORING IS PLAYING IN PROVIDING THE NECESSARY LIQUIDITY TO SMES, SUPPORTING THE REAL ECONOMY

The EDI statistics has historically been a good indicator of what is transpiring in cross border factoring in general. The data gives us a clear indication that the second half of 2019 will be more difficult across the board, even though the growth in the EU provides a strong cushion to shield us from an otherwise very challenging year.

Impact of Scrutiny on Payables Finance/Reverse Factoring (RF)

FCI held our first FCIreverse Forum and Users Conference in Madrid on 17-18th of October. Monica writes about this very successful event later in this InSight, however during this conference, an article appeared in the local press in Spain about the negative impact and abuse of companies using RF. It was taken from a recent article by Moodys entitled "RF is increasingly popular but can weaken liquidity at a time of stress". The article discusses the impact of RF on finance in general, and raises alarm bells:

1. **Greater Transparency**: Many buyers are not required to make public their RF programs, so users of financial statements may not be aware, despite the potential material consequences
2. **Extension of Terms**: There is a leverage impact of hidden debt like obligations where RF allws payments to suppliers to be stretched behond normal commercial terms
3. **Impact on Future Liquidity:** Because of the potential size of these RF programs, where one funder is taking a significant percentage of the payables on the buyers balance sheet as direct exposure, if the corporate is experiencing challenges, the cancellation of such programs can lead to a sudden working capital outflow over a short period of time, leading to a liquidity crunch

The Carillion and Abengoa bankruptcies have been used as examples of such negative practices. Moody's concerns stem from what they refer to as balance sheet window dressing, when the buyer requests their suppliers to extend terms of payment. The supplier is generally indifferent

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because they are being paid days after the invoice issuance in any case, but by lengthening the due date, the customer is able to run up large working capital related liabilities with the bank. And even though this is a date-certain payment obligation to a bank, current accounting practices appear to allow the balance sheet liability to be reported as trade payables rather than bank debt.

And it is this question that is being put to the test. A letter sent to the US Financial Accounting Standards Board (FASB) in early October from the big four accounting firms said that while typical payment terms with suppliers historically might have been 60 to 90 days, some entities are now trying to negotiate payment terms with suppliers of up to 180 days or greater. The big four pointed out that because there are no specific disclosure requirements under US accounting regulations, there has been limited disclosure of supply chain financing schemes. *They have asked FASB to require more disclosure to increase the schemes' transparency and clarify whether the owed invoices should be classified as trade payables or debt*. Under international accounting practices, companies do not have to report the owed invoices as debt on their balance sheet and can instead account for them under trade payables, boosting cash flows.

There are also forces against the trend of extended payment terms, viewed by some governments as manipulation by large buyers against SMEs. *The EU's Late Payment Directive is one example*. The Directive was created in 2011 and attempts to combat late payment in commercial transactions. Under the directive, public authorities have to pay for the goods and services they procure within 30 days, or in exceptional cases 60 days. Outside the public sector, businesses have to settle their invoices within 60 days, but a longer period can be agreed between the parties "providing it is not grossly unfair to the creditor". Other initiatives are shining a spotlight as well:

- The UK government recently set up new rules, which require companies that bid for government contracts to pay 95 per cent of their invoices within 60 days and to work towards a payment term of 30 days.
- The EU Commission initiated a study which FCI participated in, intending to obtain a comprehensive analysis of the supply chain finance market with the intention to identify barriers to finance SMEs.
- The Australian government's small business Ombudsman has announced it will also investigate whether reverse factoring is being used by big business to manipulate the reporting of working capital and cash reserves. They state that while reverse factoring could be "a good product if used properly", in some cases it is being used by companies to make their own cash flow look better.

FCI shares this last opinion. We agree and encourage the creation of specific minimum standards and norms. FCI serves on the *Global Supply Chain Finance Forum (GSCFF), an industry body together with the ICC, BAFT, ITFA, and European Banking Authority (EBA)*. The Forum is in the process of creating a white paper, with the support and leadership of its Chairman, Christian Hausherr, Deutsche Bank on these challenging questions. FCI will make this White Paper available to all members in the coming weeks ahead.

THE GLOBAL SUPPLY CHAIN FINANCE FORUM IS IN THE PROCESS OF CREATING A WHITE PAPER ON THESE CHALLENGING QUESTIONS

2020 and beyond

As mentioned in the opening article from our Chairman, Patrick de Villepin, FCI is developing a new *5-year Strategic Plan*. The plan incorporates suggested changes over the next five years in such areas as:

Membership

- Broaden scope of membership
- Become more meaningful to market leaders
- 500 Members by 2022

Organization

- Further decentralize the Association
- Define needs by region and create separate strategic plans for each
- Become a more performance driven organization

Governance, Innovation, Advocacy and Sustainability

- Change the governance structure to increase the voice of the members
- Innovation in FCI's Technology Platform & Services
- Enhance FCI's advocacy, outreach and lobbying to influence and support the growth of receivables finance globally
- Develop sustainability policy

Although the plan is in draft form, it will be discussed during a meeting with senior executives from the industry next month in London. It will also be discussed amongst the FCI Ambassadors, Committee Members and FCI staff, before it is submitted to the Executive Committee for their consideration in their March meeting in London. Once approved, it will be shared with the rest of the membership for their consideration and feedback, before it is submitted to the FCI council meeting in Washington DC on 24 June 2020 for final approval. Much more information on this to follow!

FCI
HAD ITS
BEST YEAR EVER
IN MEMBERSHIP
EXPANSION
45 NEW MEMBERS

Conclusion

As the year end is fast approaching, I can confirm that FCI had its best year ever in membership expansion. FCI signed up 45 new members in 2019, coming from all regions of the world, and half coming from many new emerging markets. *This figure is nearly double the average of new members on-boarded over the past three years. As a result, our first half figures as reported by our auditor BDO shows FCI ahead of plan.* FCI is estimated to post another profitable year in 2019, as we did in 2018. We have also expanded the team, by adding Kyle Mota to replace Jacqueline Wolde Yohannes as Director of Administration. We gave Jacqueline a very nice send off in October, and we wish her all the best as she enjoys her well deserved retirement. We also added two new regional directors, Betul Kurtulus representing CEE/SEE/ME region and Lin Hui representing the greater China region and NE Asia. Lastly, we added Monica Blanco who is running our FCIreverse project. We have made some significant in-roads this year, albeit a challenging environment and I want to thank all of our Directors, Staff, Committee members, and Ambassadors for their continuous support and excellence, serving you, our members.

FAREWELL JACQUELINE, WELCOME KYLE

On 1 November, Jacqueline Wolde Yohannes, FCI's Director of Administration, retired from FCI and handed over her responsibilities to Kyle Mota. Kyle joined FCI on 1 August and has worked diligently side by side with Jacqueline for the past three months. Jacqueline had been working as Director of Administration for FCI since 2006, after an international career. She was not only responsible for the day-to-day running of the Secretariat in Amsterdam, including HR, Finance, data systems, but also organised FCI's seminars and annual meetings during her tenure.

Now, after 3 months of transition, Kyle has taken over and we are excited to work with him in the ongoing responsibilities, which will also include statistics and data management.

During the annual meeting in Vietnam, last June, the official goodbyes had been said to Jacqueline and in October, while attending her last FCI seminar in Istanbul, Turkey, accompanied by Kyle, she bade farewell to a number of colleagues and members of several FCI committees. For Kyle, the FCI Annual Meeting 2020 in Washington DC, will be the first event he is organising for FCI.

Kyle is originally from Montréal, Canada and is a Dutch national. He's an economist, with a Master studies in Economics from McGill University in Canada and received his MBA in International Relations and Political Economy from LSE, the London School of Economics and Political Science. He comes with 20 years' experience in finance and administration working for private as well for the public sector.

We would like to welcome our new Director of Administration and thank , once again, Jacqueline Wolde Yohannes for her dedication and the tremendous-successful work for FCI.

MONICA BLANC
FCI SCF Consultant

FCIreverse FORUM MADRID

For several months, Avarina Miller and I had been talking to members and non-members alike in what we called origination calls. These calls had the objective of creating awareness of how FCIreverse could work in their organizations, which clients and segments in their domestic market or region were likely to have interest in the solution and which buyers had unserved suppliers in geographies where other FCI correspondent members could help, we also include with potential revenues under these programs.

The message started to a create interest and some big players, middle banks, factors, state banks and non-members and even big corporates started to approach FCI's Regional Directors to have more information about how they could benefit from the solution.

FCIreverse, unlike two-factor system, allows any member to choose how to deploy from exclusively domestic to regional or cross-border with or without the help of any other member which has been proven to be very appealing for financial institutions that have several subsidiaries as FCI's neutral legal scheme allows them to exchange business without compromising internal risks and revenue policies.

During the course of these calls, we became aware of *how different the development and the knowledge of SCF were in the different markets but also within the membership*. While some members were very successful in deploying SCF schemes, usually in well-developed markets, some although quite knowledgeable themselves were struggling on implementing the solution within their companies as they didn't know how to market it or how to turn factoring portfolios into SCF opportunities.

Avarina and I were then convinced that a *Forum had to be created in order to give the membership the necessary tools to implement successful reverse factoring programs and give the opportunity to those already deploying them to meet and talk to all those which potentially could help them in their challenging markets and started to work from there to create the first FCIreverse Forum entirely focused on reverse factoring*.

When starting to think about the possible lectures and most suitable speakers we tried to think about giving a fairly good idea from the macroeconomic effect of this business in the economy of a country up to how to actually sell and implement this solution within your company, but also what were the perspectives of the buyers themselves, the big corporates when using this solution and how the future was seen by them. We needed to give this kind of support to the members as we learned that market and revenues were out there for the members to collect.

Macroeconomic landscape had to be referred to Spain. Spain was the first country to develop

the solution and had 25 years of history marketwise, seemed fair to take it as a reference from where to extract the potentiality of the solution. I then contacted Carlos García Casas, one of the founding fathers of Confirming in Spain and President of the Spanish Association. In the heat of an early-August afternoon, we outlined the speech. Sometimes it is challenging to talk to Carlos, as he is the human living example of what big data is, his

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memory is capable of connecting information from 25 years ago with the most recent numbers and extract very valuable information. He promised to talk about how the product started and the different waves of growth and how the product, in the past 25 years, had permeated in such a way that it was not only used by large corporates but by SMEs as well.

CaixaBank also had to come to the stage as they are the third player in the Spanish market with a broad expertise in both factoring and reverse factoring in the domestic market and one of the strongest partners in two-factor system in FCI and first signee of the MOU to start FCIreverse. They had to share their experience. They came up with the idea of being the hosts of this first forum and were excited about it. Caixabank provided FCI with the event space at the auditorium of their Headquarters in Madrid. Their lecture was going to be simple: factoring two-factor system means for them 25% of the international business, so they were quite confident that something similar could be achieved for SCF if FCI membership was supporting this business. Before becoming a bank CaixaBank was categorized as a savings bank, so they still do not have the international presence of the first two players in the Spanish market so FCIreverse made total sense for them as a way of having a competitive advantage in the market. The prospective of close to 400 FCI members in 94 countries was too promising to be dismissed.

These first two lectures and commitments were fairly easy to put in place, but we needed the opinion of the *large corporates as well. How do they see a market tool that could be the market answer to onboard suppliers equally easy in their domestic markets that those placed in regions far-away? How did the corporates use reverse factoring and on which grounds did they seek this solution? This is something we wanted to tell the audience*. It would be very interesting indeed to hear them talk from their perspective. Demica told me there was this one person that could be a great example. He had been the former treasurer of Sigma Foods, the 5 bigger world players in lunch meats with sales over 5.4. billion USD. But even before that he had been the treasurer of the former Alcatel which would become Nokia, the world-known telecommunication company and to every company he was involved in, he had implemented SCF from scratch. They told me the name of someone I knew too well: Luis Montesinos.

Luis was the classic example of the phrase “you have to be cruel to be kind”. He was and still is a well-known person in the industry, uncompromising with any bank but with a clear understanding and objective to create standards of communication and use of working-capital strategies for company’s optimization. He always guided you to your best, pushing you to become creative in order to find ways of resolving issues and he never got a no for an answer.

Luis wanted to know more about FCIreverse, so with a short explanation, he was on-boarded and *in love with the solution because, as he stated this was the answer to what he had been seeking over the years: standardization and worldwide awareness of the possibilities of the product*. I was happy, because even if I had always been a true believer in this new FCI solution, getting reassurance from someone who perfectly understood the key use of factoring and reverse factoring in order to achieve negative working capital and a European Award based in financial performance and in continuous innovation was comforting.

Over lunch, Luis told me that he had left the company a few months ago and that he had started his own business LMB-Consulting, where he teaches and gives seminars consulting to corporates to make them achieve the same results in terms of working capital optimization he had always achieved in the past. I asked him to talk all about his experience as Treasurer and as consultant. Weeks after, in several follow-up calls we started to

plan a panel discussion with other corporates where he would be the moderator.

After this point, getting *KPMG* onboarded was kind of easy although it took several debates, calls and pulling and pushing but it felt like getting the perspective of one big four was the right thing to do.

But as happy we could get, we were still missing one important component: "*How to implement the solution and sell it*", the missing leg. Demica again was key to onboard this missing piece. Again, it was a person very well known in the industry and so well-versed and trained in these matters. Joaquin J. Krigjsman's experience is remarkable. He had to implement the solution not once but three times in the same bank in different locations and ING was no small bank. He is very passionate about this business and bursting with ideas.

So, we planned that for Madrid, he would talk about how the 3*Corner Model would fit regional banks and factoring companies equally in deploying their first domestic solution. The FCIreverse platform is just a plug and play while the 4Corner Model would fit larger banks in broadening their solution in those difficult countries and currencies* but it is also a way for any FCI member to broaden their business by giving support to these banks.

He would also give us the knowledge in his lecture of how to look into the potential market opportunity and spot SCF potentials, how to target the clients and create certain value to start building a bigger business case. After that he would tackle how to on-bard suppliers.

The rest of the event would be the chance for Demica to *explain to the members how they will support them in originating programs not only providing technology*. Avarina Miller would explain how they would put all the machinery to work for the members in order to get deals. She would conduct a panel also with all the big banks interested in the solution, Société Générale, Raiffeisen Group and DNB and ask them what kind of support they needed from other members.

As soon as, the first attendees started to arrive, the event became a reality. Everything worked smoothly, participation was very high and assured a communicative and educational event. At the end, attendees asked whether these events will be repeated and the answer is yes.

We will be still performing origination calls to inform the members of the potentialities of their own market and revenues so anyone can book one of these calls by writing me at blanco@fci.nl and we also plan to *have these kind of training events in other geographies as well later in the spring*.

So, we all wish to see a great participation again because, as our Secretary General said in his opening speech, *FCIreverse is here to stay*.

REGIONAL CONFERENCE ON FACTORING IN CEE AND SEE

On 3 and 4 October 2019, 120 attendees gathered in Belgrade, Serbia, for the annual Regional Conference on Factoring in CEE and SEE. The conference was full house and attendees had the opportunity to listen to presentations and lively panels discussions. As reported by some attendees "*the FCI conference was really interesting, a great success!*"

The first day, diverse presentations on the state of the market in CEE and SEE were presented as well as in Serbia in particular. It was followed by a panel discussion on the factoring in CEE and SEE where the panellists reported different opinions depending on their own market. The need to educate the legislators was highlighted (but are they willing to be educated? was the question). Some of them in the region were present and showed their interest to understand better the factoring and receivables finance industry.

The day ended with presentation on technology from some of the gold sponsors. Are we heading to a fully technology based industry? Is it technically possible? What are the risks? What is the value and security of tokens?

The attendees gathered for a Serbian networking dinner at the end of the day.

The second day started with the presentation on mechanics of factoring. The presentation was aimed to educate new people in the industry (including regulators). Additionally, there was a panel discussion on compliance and how to avoid big losses in the region. The panellists demonstrated that compliance is a must in factoring. The employees of the factoring industry need to be trained on compliance to protect against internal fraud but also set limits. "Don't ignore your employee intuition" highlighted one of the panellist!

The love and hate relationship of between credit insurance and factoring companies was afterwards discussed by a panel. How can we best cooperate with credit insurance?

The newly developed business line, FCIreverse was afterwards presented showing the customer journey of reverse factoring and highlighting why FCIreverse is for everyone but also commenting on the recent challenging articles on reverse factoring. The FCIreverse Forum in Madrid on 17- 18 October elaborated more on the subject.

Last but not the least, panellists discussed how to further develop the two-factor model in CEE and SEE region. Taking the knowlegde of some experienced users from developed market, the

panellists interacted on what are the difficulties to develop it in their own market. For example, the recent economic slowdown in Croatia didn't help to develop the business there, while other independent companies encounter issues with corresponding banks.

During the entire event, we could feel the willingness to network with other attendees, lively discussions took place during break outs and were concluded or continued during the networking lunch.

Attendees returned home with many new ideas and hopefully some additional potential new correspondent for cross border factoring.

We would like to thank the Serbian Factoring Association for their great support in organizing the conference and the sponsors: AOFI, Codix, HPD Lendscape, Neurosoft, OTP Banka and TeleGroup Finance for making this conference possible.

Some testimonials include:

"One and only chance to speak about factoring and to be understood" Vladimir Ivanovic, UniCredit Bank ad Serbia JSC Belgrade

"Excellent content & organization, great participation, great return for the gold sponsorship" Claudia Perri, HPDSoftware

"The conference fulfils my high expectations. I am glad to be chosen as a panelist. Many devoted, highly educated professionals were present. Serbia and other countries in SEE have big potential for further development. I wish many success to serbian colleagues." Dejan Barbutovski, A.B.S. Factoring doo Slovenia

"A focused event with applies presentations with a strong practical side. A good occasion to share best practises in the region and better understand what differentiates us." Alecsandra Valasuteanu, UniCredit Bank Romania

"FCI has "upped" the level in this conference recognizing the positive future for the CEE/SEE regions", Peter Brinsley, Point Forward Ltd

WORKSHOP ON FACTORING IN DHAKA

FCI together with Bangladesh Institute of Bank Management organized a workshop on factoring on *9 September 2019* in Dhaka, Bangladesh.

The event was graced by the Deputy Governor of Bank of Bangladesh, Mr. Ahmed Jamal. Mr. Jamal spoke on the drafting of the factoring policy which will be issued soon. The policy is currently is at its final stage. FCI, through Peter Mulroy, Secretary General, helped in the drafting of the said policy.

The event was well attended by *100 participants* mainly from banks. Many of them are eagerly waiting for the factoring policy to be issued so that they can establish International Factoring.

This timely workshop was introduced by Peter Mulroy, FCI Secretary General. Mulroy gave an introduction on FCI, the role of FCI international factoring, FCIreverse and Islamic factoring. As Bangladesh is an Islamic country, *the banks are keen on learning how Islamic factoring works*. This will help to work with other Islamic countries on Islamic factoring.

Kheng Leong Lee, FCI Regional Director, gave a presentation on the fundamentals of both domestic and international factoring.

The workshop was sponsored by FCI members Prima Dollar and Tradewind Finance. Together with Wells Fargo, they gave insightful presentations on how export factoring can help Bangladeshi exporters to compete with the other Asian exporters by exporting on open account through international factoring. The participation by FCI's experienced members who shared their experiences and how to help emerging countries to go into international factoring demonstrated the strength of the FCI network.

The workshop has left a very good impression amongst the participants and many have indicated their willingness either to join FCI or to learn more about factoring through the FCI academy.

"The workshop arranged by FCI and BIBM came a very welcome sign for all the Supply Chain Financiers of Bangladesh. It was an wonderful opportunity for us to know about the practices on international arena, the financing frameworks and the benefits we can receive through membership of FCI. On the local side, we got to know the updates of the regulatory guidelines for Supply Chain Financing from the Central Bank. Such events creates a good vibe in the market and encourages more participants in the SCF industry." IPDC Finance

"Around the world, factoring is a growing source of external financing for large corporations and SMEs. The use of factors to provide prepayments for the sale of goods and services in an international perspective is necessary to increase the volume of international trade as well. So a workshop on factoring was a must require in context of Bangladesh.The workshop was compressed but touches all the area of factoring. Success story of the companies who are already in the business was a motivation for the others.
In financial year 2015, Bangladesh graduated from the status of low income country to the status of lower middle income country and in 2024 Bangladesh will graduate to Developed Country. Are we ready to accept the challenges which will come after 2024? " Tradewind Finance

FCI JOINS IFC FOR A WORKSHOP ON FACTORING AND SUPPLY CHAIN FINANCE, CAMBODIA

FCI together with IFC and the Association of Banks in Cambodia jointly organized a very successful workshop on factoring and supply chain financing in Phnom Penh at Phnom Penh Hotel. This workshop follows the very successful Promotion Conference held in February 2017 with IFC in the same city. Cambodia has an appetite to learn more and develop factoring.

The workshop was graced by Mr. Heng Bomakara, Deputy Director General of Banking supervision, National Bank of Cambodia.

About 100 participants from banks and fintech companies attended the workshop.

The event was sponsored by our member VTeam Financial Services Group. Joyce Yang, VP of VTeam and Lai Jinchang, Lead Financial Sector and Infrastructure Specialist, IFC spoke on supply chain financing and its role in Agriculture industry.

FCI was represented by its Regional director for South and South East Asia Lee Kheng Leong who conducted a talk on fundamentals of factoring, domestic and international factoring as well as FCIreverse.

Participants were excited to learn how FCI two-factor can help the Cambodian exporters to seize the opportunities arising from the shift in supply chain to South East Asia.

Testimonials from attendees:

"The workshop on Factoring has provided me new knowledge as well as opening new business opportunities for our bank."

"Factoring is very new to Cambodia, however, it will bring more business opportunities to banking and finance industry in this country."

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 addition of the following Members. Today FCI counts **392 members**! We have still a bunch of prospects that are about to join FCI..

AKBANK AG

ASSOCIATE

GERMANY

Akbank AG is headquartered in Frankfurt am Main, Germany, and operates in Corporate and Private Banking, Treasury and Financial Institutions and Retail Banking segments. Akbank AG concentrates on traditional corporate banking with renowned and internationally active companies and targets to step up its efforts to provide services and products that are in the best interest of its customers. The bank will continue to deliver a strong trade-finance –asset volume with its diversified corporate client base and in order to support its funding strategy, the bank will maintain liability growth in retail and private banking business lines and will further diversified its deposit base. Akbank AG will continue investing in sophisticated, efficient and innovative applications of digital technologies.

The shareholder of Akbank AG is Akbank T.A.S., Istanbul.

Akbank AG has recorded a strong net income performance also in financial year of 2018 with 37 million EUR net profit. The Bank continued its healthy and efficient operations with a zero non-performing loan ratio. The Bank has successfully maintained 38% asset growth on a CAGR basis between 2013 and 2018.

The Bank is also a voluntary member of the Deposit Protection Fund of the Association of German Banks, Einlagensicherungsfonds des Bundesverband Deutscher Banken, and offers protection to both corporate and retail deposit holders up to a level of 20% of its shareholders' equity on an individual basis.

For further details, please visit www.akbank.de

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monex

ASSOCIATE

MEXICO

Banco Monex, S.A. (Monex) is part of a Mexican financial group listed in the Mexican Stock Exchange with more than 30 years of experience, offering a diverse range of financial products to companies and individuals on a comprehensive basis service, including international and domestic factoring, corporate finance, E-commerce, derivatives, multicurrency digital accounts, cash management, investments, fiduciary services, among others.

Monex is known for providing customized services to our clients through our 40 branch offices in Mexico, as well as in all our branch offices outside Mexico, which are located in Houston, Los Angeles, Washington, New York and Toronto, Canada. The same business model is followed by Monex Europe at our branch offices in Spain and UK, from where we service companies of all countries of the European Union.

At Monex we stand out due to the constant search for excellency in everything we do. Therefore, it is important for us in Monex to offer, in addition to a personalized service, an efficient and effective operation execution. This formula has allowed us to achieve the leadership position we hold today.

Monex is committed to their clients, employees, shareholders, financial partners and the community in general.

For further details please visit: www.monex.com.mx

Indonesia Eximbank

ASSOCIATE

INDONESIA

Lembaga Pembiayaan Ekspor Indonesia (Indonesia Eximbank) / IEB was established by the Act No 2, 2009 regarding Lembaga Pembiayaan Ekspor Indonesia (Indonesia Eximbank). IEB is a Government's owned financial institution which mandated to support Indonesia's national export program through financing, guarantee, insurance and consultancy services. IEB as a quasi-sovereign institution is rated with Indonesia's sovereign credit rating: BBB/Stable (S&P), BBB (Fitch) and Baa2 (Moodys).

The range of product and services; (1) financing facility: working capital and trade finance (pre & post shipment), investment and project finance (domestic and overseas), buyers credit; (2) guarantee: buyer's payment guarantee, exporter's credit guarantee for local financing bank, performance guarantee, advance payment guarantee; (3) export insurance: buyer's payment risk coverage, export performance risk coverage, overseas investment / project risk coverage and political risk coverage.

Recipient, beneficiaries and applicants of IEB facilities are corporations (SME as well as large corporations), financial institutions and banks. The facility can be structured on a conventional basis as well as sharia based.

IEB is currently an active member of Asian Exim Bank Forum (AEBF), Global Network for Export Import Banks and Development Financial Institutions (G-NEXID), International Working Group for Export Credits (IWG), Berne Union, and Amman Union. The Bank also has bilateral cooperation with global banks and financial institutions and multilateral agencies ie Asian Development Bank (ADB), Islamic Development Bank (IsDB) and Africa Export Import Bank.

For further details please visit: www.indonesiaeximbank.go.id

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IPDC FINANCE

AFFILIATE

BANGLADESH

Operating since 1981, IPDC strives to be the most passionate financial brand in the country that goes beyond the pursuit of financial inclusion of its customers and enable them to live unbound. With an unprecedent journey of 38 years, IPDC created meaningful stories in different walks of its treasured clienteles' lives.

Supply Chain Finance is one of the most important strategic products of IPDC Finance Limited. In most emerging markets including Bangladesh, Small and Medium Enterprises (SMEs) lack access to credit and liquidity that they require for their daily working capital needs. With a motto to serve a wider range of SME clients, IPDC intends to expand its arena beyond metro cities of Bangladesh. It has been increasing its branches and partner locations nationwide, as well as ensuring an active presence online. As a financial partner, IPDC nurtures SMEs through developing viable solutions specifically to meet the goals of small and medium businesses. These SMEs are one of the most crucial driving factors of the economy, supporting the big Corporate Houses in both production and operation.

IPDC took the challenge of working with these SME entrepreneurs, starting supply chain financing in 2012. IPDC established a coordinated approach by working as a financial bridge between the SMEs and the Suppliers by providing low cost financing at very lenient terms and conditions. This resulted in IPDC becoming the market leader within a span of 5 years. Currently IPDC holds a share of around 30% in this industry while competing with established Banks and NBFIs.

For further details please visit: www.ipdcbd.com

KAPPS Consulting Pte Ltd

SPONSOR

SINGAPORE

KAPPS Consulting Pte. Ltd. is an MBO of the IT Solutions Business of KPMG Advisory Services Pte. Ltd.

KAPPS Consulting (KAPPS) offers a range of financial applications software including the Trade Financing (Open Account) Software Solutions for Factoring, Reverse Factoring, and Supply Chain Financing. Our solutions are purpose-built to handle both buyer-led or seller-led programmes under a single platform. KAPPS System is used by banks and independent factors, including several that deploy the System across the region. Our Invoice Financing and Approved Payable platforms can be used by banks to set up their financing communities.

KAPPS Factoring System (FactorPro) covers a wide range of services and functions for Domestic, Direct Export, Export, Import, with key features for both pool based and invoice-by-invoice financing, insurance as well as interfacing seamlessly with the FCI edifactoring.com

KAPPS Reverse Factoring and SCF System enables banks and finance providers to implement and execute buyer-led supply chain financing programmes effectively. The System handles financing of the suppliers from the Pre-Shipment to the Post-Shipment Post-Acceptance (based on Approved Payables) stage. KAPPS Distributor Financing Solution is also available for financing the importers and distributors on the extended payment terms.

KAPPS System is modular, coupled with ready APIs. It can be deployed either on-premise or on-cloud. Our solutions are highly cost-effective and enables rapid roll-out to multiple countries.

For further details please visit: www.kapps.com.sg

KUVEYTTÜRK

ASSOCIATE

TURKEY

Kuveyt Türk has been leading the participation (Islamic) banking sector in Turkey for 30 years with its 5,861 employees and 420 domestic branches in 72 cities.

Since its foundation in 1989, Kuveyt Türk has made significant contributions to the development of participation (Islamic) banking in Turkey with its dynamic structure, corporate governance approach and innovative products offered to its customers.

Main field of operation is, in addition to the Bank's equity, to collect funds from domestic and foreign customers through "Current Accounts" and "Profit/ Loss Sharing Accounts" and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

As of 30 September 2019, 62.24% of the Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüsü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

For further details please visit: www.kuveytturk.com.tr

NLB

ASSOCIATE

SLOVENIA

NLB d.d. is a member of NLB Group, the largest international financial group with headquarters in Slovenia and an exclusive strategic interest in South-Eastern Europe. In addition to NLB d.d., a main entity in Slovenia, NLB Group is comprised of six subsidiary banks in SEE, several companies for ancillary services (asset management, insurance, real estate management, etc.).

NLB d.d is publicly listed company, its shares having been admitted for trading on the Ljubljana and London stock exchanges in November 2018, which ensures independent and professional corporate governance and a new opportunity for investors. Some of the most renowned global financial investors joined our journey as our new shareholders. The trust that was showed by them is a confirmation of NLB Group's strong current performance and a perspective value-

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creating future.

We are focused on delivering the best customer experience on the market. We are building unique omnichannel product distribution, partnership programme, and end-to-end customer solutions. Innovation is at the core of our being. Traditionally, NLB d.d. has been a market leader in innovation. With the introduction of new solutions such as the mobile wallet 'NLB Pay', and the transfer of our most innovative offers on all the markets of NLB Group, we maintain the position of a trendsetter.

In NLB d.d., we are happy and proud to join FCI and are looking forward to having all other NLB Group subsidiary banks joining, presumably in 2020.

For further details please visit: www.nlb.si

Prime Bank AFFILIATE BANGLADESH

Established in 1995, Prime Bank is a top-tier private commercial bank in Bangladesh having highly diversified financial products and services under both Conventional and Islamic mode.

The Bank is prominent for its superior service quality, brand image, strong corporate governance and corporate culture.

With total assets of over US$ 3.50 billion, 146 branches, more than 3,000 employees and over 1 million Customers, Prime Bank has been the most consistently top-rated bank in Bangladesh and reputed among regulators as distinctly 'Compliant'.

Prime Bank has strong focus in Corporate segment in Bangladesh and handles around 4% of the total trade of the country. The bank has correspondent network with 255 banks spread across 69 countries to facilitate international trade transactions. It enjoys sufficient credit lines from our correspondents, including credit limit from Asian Development Bank (ADB) under Trade Finance Facilitation Program (TFFP) and from International Finance Corporation (IFC) under Global Trade Finance Program (GTFP), for adding confirmation to letter of credit as and when required.

The bank is a publicly traded company and owned by diversified groups of sponsors, institutions, foreign investors and general public where no individual/institution owns more than 10% of the total stock.

For further details please visit: www.primebank.com.bd

PRIMUS CAPITAL SERVICIOS FINANCIEROS ASSOCIATE CHILE

Primus Capital is a Chilean Financial Institution stablished in 2014 when a group of executives with an extensive business experience in the financial industry, partnered with a group of investors from the real sector of economy. The result is a company that has a strong financial accumen but also understand the entrepreneur point of view.

The company provides financial solutions to customers in a wide range of industries in the economy under a business model based on quick reply, safe transactions and state of the art technology. This strategy has allowed Primus Capital in a short period of time to become a relevant player in the Non-Bank Financial Services in Chile and Peru, with a subsidiary company opened in 2017 in the neighboring country, also becoming a relevant actor. This success is based on the service quality and reliability provided to our customers.

Primus Capital is associated to ACHEF (Chilean Association of Factoring Companies) and the Peru-Chile chamber of commerce, now by joining FCI we will extend our services to chilean exporters helping them to thrive in international markets, so they can bring the quality products Chile is known for, such as wines, fruits and seafood to the world.

As more than 85% of our customers are SME's, Primus Capital opened a credit facility with Interamerican Development Bank (IDB) to continue supporting this key sector that accounts for more than 46% of the added value of the economy.

Since our beginnings we have served more tan 3.200 customers and around 50 thousand factoring operations delivered.

We are committed to continue helping our customers through FCI's network.

For further details please visit: www.primuscapital.cl

UNITED FINANCE
aiming to serve better...everyday

AFFILIATE

BANGLADESH

United Finance Limited began its journey as United Leasing Company Limited in 1989 under the sponsorship of Duncan Brothers Limited, a company with a more than 150 year history in Bangladesh, the Asian Development Bank, the Commonwealth Corporation and several local and international corporations. In 1995, the Company obtained its license from Bangladesh Bank as a financial institution and is traded in Dhaka Stock Exchange as an "A" Category Share.

Over the last 30 years, United Finance has grown from strength to strength and is considered to be one of the most trusted names in the financial services industry in Bangladesh. The principal activity of the Company is to provide:

- Mid to long term finance in the form of lease, home loan, term loan and assignment backed financing.
- Working capital finance in the form of credit-sale financing (domestic factoring), distributor financing, short term revolving loan and pre-delivery financing.
- Deposit services in the form of insured and uninsured build-up deposit schemes, earners' deposit schemes and term deposits.

The United Finance is committed to serve the entire spectrum of customer segments in Bangladesh with special focus on small and medium enterprises and individual home owners and depositors.

For further details please visit: www.unitedfinance.com.bd

We wish them lots of success!

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

EDUCATE

SPYROS TSOLIS
Education Officer

EDUCATION IN AFRICA

PROMOTING FACTORING IN SUPPORT OF INTRA-AFRICAN TRADE AND THE AFRICAN CONTINENTAL FREE TRADE AREA

FCI & Afreximbank joined forces and held a successful workshop on Factoring & Receivables Finance at Durban, on 7 November 2019.

The Factoring Workshop was a part of the 2019 Afreximbank Trade Finance Seminar, a 4-day program that aims *to equip African financial institutions, bankers and professionals from regulatory agencies, corporates and legal firms with the skills necessary for dealing with the challenges of financing transactions under heightened global economic uncertainty*.

The last day of the conference was dedicated to Factoring and the solutions it offers to companies for *supporting their business development and enhancing the growth of Intra-African Trade*.

FCI was represented by Mrs. Aysen Cetintas, FCI Education Director & Mr. Spyros Tsolis, FCI Education Officer who delivered presentation on presented Global Factoring trends, FCI Solutions for supporting Intra-African trade as well as on more technical issues including setting up factoring operations and Risk Management in Factoring.

Moreover, the two panel discussions one on "Opportunities & Challenges that the Receivables Finance Industry is facing in the region and ways of how to be more innovative to provide more financing solutions to SMEs" and a the second one providing "an overview and a detailed insight on Credit Insurance services in the region". Local Industry professionals shared their extensive experiences and facilitated very interactive sessions under the moderation of Mr. Gavin Tarr, Head of Debtor Finance, First National Bank, S.Africa & Mr. Nassourou Aminou, Regional Director of HPD Lendscape and an experienced professional in Credit Insurance.

Let's discover extract from the opening speeches:

"Together with our partner, FCI, the African Export-Import Bank is pleased to provide a platform for countries to further the cause of the development of alternative but effective sources of trade finance in general and factoring specifically in the context of widening trade finance gap and limited liquidity across the continent. In fact, Afreximbank places the promotion of Factoring as a strategic priority as it believes that it will stimulate growth in many African economies and increase Intra-African trade while expanding value chains for export development. (...)Open Account terms for trade would be important in facilitating the realization of the Intra-African trade aspirations of the AfCFTA and enhancing competitiveness. The continent needs Factors to fill the trade finance gap and to support SMEs that cannot obtain traditional banking funding. Also, to help deal with the significant reduction in correspondent banking relationships in Africa, it is necessary as sales in open account terms continue, to highlight that banks and NBFIs have the capability to access FCI's global correspondent factoring network referred to as the two-factor system to support international trade in a compliant, risk-managed manner. It is in the context of these considerations that the African Export-Import Bank deems it imperative to continue to create awareness, demonstrate the relevance, and highlight the potency of factoring in Africa given our commitment to support the operationalization of the AfCFTA and in keeping with our ambitions to use factoring as an instrument to implement our Intra-African trade and, industrialisation and export development strategies." Kanayo Awani, Afreximbank, Egypt

"Holding the event here in Durban is appropriate, considering that South Africa is the oldest factoring market in Africa. Ned Bank was the first bank in South Africa to join FCI in December 1968. (...) FCI would have had only 15 members at that time, in 12 countries. FCI now has close to 400 members in 90 countries.

FCI's growth during this period has shifted to lesser developed and developing countries, as we can see here in the African continent. And in the past five years, over half of new members on-boarded into FCI has come from lower income markets. FCI's mission, to spread factoring and receivables finance to all corners of the world has really bared fruit.

(...)Africa is the new frontier for factoring. So it's a fact that many developing countries ten years from now will witness a renaissance in receivables finance. Most of the trade in ten years in these markets will be on open account, and will join the rest of the world where it is estimated over 90% of global trade will be conducted on credit terms in the future." Aysen Cetintas, FCI

"For me, the Workshop was quite an eye-opener in the sense that it revealed to us all, the possibilities on how much more business, we, banks, can do with our existing customers, and new customers.
This is particularly critical when it is considered that we can use the product to finance these customers without them needing to provide collateral.
It is clear that banks need to apply the product far more than they are doing now (if at all).
In Nigeria, we have the largest market in Africa, and financing and developing the SME segment using Factoring, is for me personally, the biggest motivation." Nomso Ezenta, First City Monument Bank (FCMB) Limited, Nigeria

EDUCATE

RISK MANAGEMENT & LEGAL CONSIDERATIONS SEMINAR IN ISTANBUL ACHIEVED A RECORD SUCCESS!

AYSEN ÇETINTAS
Education Director

About 100 participants met in Istanbul to discuss real-life cases and share best practices.

One of the most successful seminars in the FCI history was held in Istanbul *on 21 and 22 October 2019*. The topic focused on "*Risk Management & Legal Considerations*" issues that factors are facing in their daily operations. This was the third seminar on the topic, the first one held in Beijing, China, last October and the second one in Bucharest, Romania, in April this year. The Seminar took place at the premises of our FCI Member, *Deniz Factoring – Deniz Akademi*, to whom we are grateful for their hospitality and the state-of-the-art facilities provided.

The second day of the seminar started with the opening speech of *Mr. Patrick de Villepin, Chairman of FCI*. He addressed the audience with a visionary and inspirational speech about the future strategies of FCI as well as the educational goals to be achieved for continuous success in business.

Ninety-five (95) delegates from seventeen (17) countries and forty-three (43) institutions met in Istanbul, Turkey to discuss risks and legal aspects in factoring transactions. Plenum presentations and group discussions enhanced the knowledge of the participants, who also facilitated the sessions with their active participation and involvement.

Ms. Daniela Bonzanini, FCI Education Committee Chairman, Mr. Yuce Uyanik, FCI Legal Committee member along with the FCI Education Team, Ms. Aysen Cetintas, FCI Education Director and Mr. Spyros Tsolis, FCI Education Officer, acted as presenters and group leaders during the seminar. Feedback received proves that it has been a very valuable event for all participants, as all concepts discussed apply to all different functions in a factoring operation.

The seminar was also a great occasion for participants to network and share best practices in managing risks and addressing legal issues. It is a training event that should be attended by all staff in a factoring operation and must be included in the training programmes of all Factors.

EBRD INVITED FCI TO COOPERATE ON A WORKSHOP TO PROMOTE FACTORING IN KOSOVO

EBRDs Legal Transition Team organised a factoring workshop in cooperation with FCI and the Central Bank of Kosovo in the context of their "Legal Transition Programme. The objective of this programme is "*to improve the investment climate in the Bank's countries of operations by helping create an investor-friendly, transparent and predictable legal environment*"

Following the welcome remarks by Neil Taylor, Head of Kosovo, EBRD and Sokol Havolli, Deputy Governor, Central Bank of Kosovo, Betul Kurtulus, FCI Chapter Director responsible for CEE, SEE & ME and Aysen Cetintas, FCI Education Director delivered a presentation with regard to the latest developments in receivables finance industry, the world of Factoring, statistics and FCI.

The two representatives from FCI introduced the audience to the operational aspects of domestic and international factoring, reverse factoring, advantages of factoring for SME's and comparison to traditional trade finance. In this part of the meeting valuable information was shared about domestic and cross-border factoring applications with practical examples.

The workshop continued with two important panel discussions. The first panel moderated by Ammar Al-Saleh, Senior Counsel of EBRD was about the factoring regulation introduced by the Central Bank of Kosovo. The second panel, moderated by Maria Mogilnaya, Associate Banker, EBRD TFP, opened the discussion about the implementations, challenges and opportunities of factoring transactions in Kosovo.

The event hosted nearly 100 representatives from banks, senior legal experts from distinguished law firms, sellers, buyers and other market stakeholders was a major step forward with regard to increasing awareness about the advantages of factoring for SMEs integration in the economic growth and to encourage the use of the receivables finance applications in Kosovo.

CAIRO CONFERENCE: INTERNATIONAL FACTORING TO ENHANCE INTRA-AFRICAN TRADE

SPYROS TSOLIS
Education Officer

For the second year in a row, FCI has participated the Factoring Conference that the Egyptian Factoring Association (EFA) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (GIZ) are organising with the support of Afreximbank in Cairo, on 25 September 2019.

This year, the conference dealt with *the role that International Factoring could play in enhancing Intra-African Trade that remains in very low levels compared with other regions.* Intra-African exports were 16.6% of total exports in 2017, compared with 68.1% in Europe, 59.4% in Asia, 55.0% in America and 7.0% in Oceania. It is evident that there is a huge space for further improving this figure using the correct financial tools.

With the *new law on Factoring recently approved by the Egyptian authorities*, the conference timing was excellent and attracted great attention. The conference was attended by more than one hundred and fifty (150) participants, coming from local and regional banks and financial institutions.

Keynote speaker, Dr. Cherine Khallaf, Head of Development Projects Council, Ministry of Industry and Trade welcomed this initiative, highlighting the importance of International Factoring in supporting exporters mainly SMEs, who are the backbone of modern economies.

FCI was represented by Mr. Spyros Tsolis, Education Officer, who delivered presentations on FCI solutions that can actively support such efforts. Moreover, he participated on a panel discussion for Credit Insurance, presenting the initiatives that FCI is taking with the Berne Union and major Credit insurance industry players to develop an efficient environment for the development of credit insurance in the region.

Additionally, success stories from companies for which International Factoring was a growth tool were shared with participants.

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

5 September - A.B.S. Group Event

In Ljubljana, Slovenia, FCI executives participated in A.B.S. 3rd Annual Group Event with more than 130 guests from 10 countries. FCI executives, Peter Mulroy, Betül Kurtulus and Çagatay Baydar represented FCI in presentation and panel discussion.

A.B.S. Factoring d.o.o. is member of A.B.S. Group, largest privately owned (bank – independent) factoring group in Europe. A.B.S. Global Factoring AG has been established in 1996 in Wiesbaden, Germany. Group is present also in Austria, Switzerland and Sweden. Slovene company joined FCI back in 2007 and is offering export and import services in two-factors system successfully for more than a decade.

Slovenia is small economy with 2 million inhabitants and ca. 43 Billion EUR of GDP. Export to Germany, Italy, Austria and other EU countries is of high importance.

During the visit of FCI executives, a joint meeting with other FCI members in Slovenia was organised. The idea is to establish a Slovene factoring association in the nearest future that will afterwards apply for EUF membership.

19 September - International Factoring Congress Warsaw

The 10th jubilee of the International Factoring Congress of the Polish Factoring Association has been taken place, on 19 September, in Warsaw, at the Prague Center Koneser.

The conference organized since 2010, gather Polish and international factoring experts and was an excellent opportunity to exchange experiences and establish new businesses.

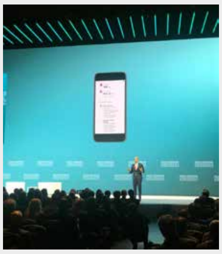
The industry experts shared their opinions on the continuation of the factoring industry and the future of receivables finance. The participants also discussed the functionality of the factoring services in the eyes of the clients and the good practices with the participation of clients

We also had the opportunity to listen to the new chairmen of FCI, Mr. Patrick de Willepen, and he gave a brief speech on FCI's 2018 update, the numbers and statistics, and the future of the receivable finance

Taking advantage of this opportunity, the FCI representative, CEE Director Betul Kurtulus, held a joint meeting on 18 September with Polish FCI members at the headquarters of ING Commercial Finance in Warsaw. During the meeting, cooperation between the members and FCI and FCI plans for the future has been discussed.

INFLUENCE

23-26 September - Sibos - Report from Betül Kurtulus



Held in London, Sibos 2019 saw the biggest participation ever, 11,500 delegates and more than 300 exhibitors. What I have found interesting was seeing technology, security, and compliance companies as much as banks.

The main topic of the meeting was the technological and social changes which bring challenges – and opportunities as well- to our industry.

We have heard Ms. Minouche Shafik's speech on the global economy and the industry challenges to come. Ms. Shafik, Director of the London School of Economic and Political Sciences, especially emphasizes changing economic systems and their effects on employment. The monetary policy implemented in Europe is driven mostly by supply rather than demand. This signals that growth issues are not expected to be solved in the short term. Ms. Shafik said that there is a problem with borrowing in emerging countries and that in the countries where the growth rate is higher than the interest rate, there is still room to get a loan. She also emphasized that investment opportunities might change, especially in Europe, due to the aging population. She went on to say that emerging countries are still facing with the old-fashioned problems and this is why they are not able to recover their economies, stating that giving central banks the autonomy is the number one problems.

What I have found the most important for our business was that Brexit might affect the route of export. However, we still do not have any idea about what the trade relationship with Europe and the rest of the world will be like, and we will only be able to find an answer to that after Brexit. This issue is especially vital for emerging countries.

At Sibos, another subject I have noticed was the developments in artificial intelligence (AI) and their influence on our lives. Financial institutions are ramping up their researches and developments on AI applications. It is a fact that AI will change our world in at most 20 years, affecting employment. Manufacturing jobs will be affected by AI, and machines will replace workers. There will be fundamental changes in banking. Which roles can be replaced and be automated? We will be focusing more on concepts like cybersecurity, compliance, reliability, and innovation.

In conclusion, during the meeting, the main topics were to work closely with our customers in technological, banking, and trading aspects, to be carefully in touch and integrated with innovation, and to invest definitely more in training.

7-9 October - SME Finance Forum and Study Tour

On 7 and 8 October, Betül Kurtulus, Monica Blanco and Peter Mulroy attended the SME Finance Forum in Amsterdam. The forum is organized by IFC. Peter Mulroy moderated a panel on How digitalization of supply chain finance can increase access to finance for SMEs. Panelists included George Shapiro (CEO & Chairman, The Interface Financial Group), Filiz Unal (Deputy Secretary General at Association of the Financial Institutions) and Duncan Logan (Supply Chain Finance, Bank of America Merrill Lynch).

After the event the SME Finance Forum organized 10 study visits, including one to FCI. 14 participants joined the visit.

During the visit, FCI introduced the audience to international and domestic indicators of global factoring, showing that in a period of 20 years, the compound annual growth rate equaled

10%. In a comparison to other forms of trade finance with world exports from 2011 to 2018, global factoring accounted for more than US$ 3,1 million with a growth rate of 2,5%.

As per a World Trade Organization (WTO) study mentioned during the presentation, factoring has a strong positive effect in allowing SMEs to access international trade. Factoring in fact, is a true determinant of the world trade: for every 10% increase in factoring available, this leads to a 1% increase in real trade flows, mostly exports. It also showed that there is a strong but casual link between factoring and SMEs trade on a macro level, highlighting the important role of factoring in supply chains. Trade finance, in particular factoring, matters!

Open account receivables finance solutions are becoming more important to their business as there is a strong competitive environment with better communications, more information and better payment terms available. Factoring offers benefits to all the stakeholders in the supply chain: sellers (both SMEs and large corporates), buyers and banks.

Herman Annink, Chair of Compliance Committee talked about the importance and the role of compliance in factoring, pointing out that the core concept of the financial industry and international trade is based on "trust", and he is "proud that FCI is considered a trustworthy, professional party in the financial community and international supply and delivery". Specifically, he drew the attention to compliance and integrity risk management as being a strong business qualifier.

At the end of the visit, Betul Kurtulus, Regional Director for Central, Eastern and South Eastern Europe and the Middle East for FCI, highlighted that "success is having a comprehensive plan, continuous development and implementation, and talented people working together. In the FCI family, every day, we work for our community, to make their business experience a little bit better, productive and successful."

23 October - EBRD meeting in Athens

The 2019 EBRD TFP Trade Finance Forum has been organized in Athens, Greece. EBRD hosted more than 300 representatives from over 145 financial institutions and organizations from 40 countries. Our General Secretariat Peter Mulroy and our Executive committee members, Mr. Cagatay Baydar and Mr. Panos Papatheodorou, and SEE & CEEE and Middle East Regional Director Betül Kurtulus participated in the meeting with a large number of participants.

Our Secretary-General spoke on the panel on Trends and Developments of Trade Finance in EBRD's Countries of Operation in Eastern Europe, the CIS, and the Southern and Eastern Mediterranean.

And our Executive Committee member Mr. Cagatay Baydar spoke on the panel on Access to Trade Finance through Supply Chain Finance.

At the end of the two-day meeting, many bilateral meetings and discussions were held.

INFLUENCE

2-5 November - FELABAN Annual Assembly (Latin American Banks Federation)

From 2nd to 5th November it took place the FELABAN Assembly at Hollywood, Fl.

More than 500 participated between banks, IT companies, financial companies, capital funds and other financial providers from Latin America and the Caribbeans, the US, Canada, Europe, Japan and China and from other countries.

FCI is a regular participant of this event, which in terms of convening banks and financial institutions, is one of the most important in the world.

This year the FCI decided to participate with a booth, whose main benefits were to achieve greater visibility and a place to hold meetings.

It was also a point of attraction reflected in that many participants stopped at the stand to ask for more information in addition to being attracted by our screen that permanently showed who we are and details of our new FCIreverse product.

Our team consisted of Peter Mulroy (Secretary General), Çagatay Baydar (ExCom member) and Alberto Wyderka (FCI Americas Director), holding more than 35 meetings with banks, financial companies, other suppliers of the industry. Several meetings held were with current FCI members but most with prospects. FELABAN showed to be an excellent starting point to expand our network.

Next year the FELABAN Assembly will be held in Guatemala, where FCI has already confirmed its participation.

Peter Mulroy, Cagatay Baydar, Alberto Wyderka

Peter Mulroy, Godwin Tang (Cathay Banco), Cagatay Baydar, Dannel Huang (Cathay Banco), Alberto Wyderka

Cagatay Baydar, Alberto Wyderka, Maritza Arellano (Banco Lafise), Carlos Bruceno Rios (Banco Lafise), Peter Mulroy

5-6 November - Shenzhen Conferences

On 5-6 November 2019, China Commercial Factoring Financing Cooperation 4th Conference (CFFC) & 2019 International Factoring and Supply Chain Finance Conference (IFSCF) were successfully held in Shenzhen.

Pingsheng Liu, Secretary of the Party Committee, Shenzhen Municipal Financial Regulatory Bureau, Josep Sellés, Executive Committee Member and Chairman of Supply Chain Finance Committee of FCI, Jiangshan Yin, President of Shenzhen Factors Association, President of Innovation Institution of Factoring and Supply Chain Finance in Qianhai, and Michael Bickers, President of BCR, gave a speech at the opening ceremony.

It was highlighted that the commercial factoring industry has become one of the fastest growing industries in supply chain finance, playing an important role in alleviating the difficult and expensive financing for small and medium-sized enterprises, reducing the leverage ratio of enterprises and improving the commercial credit environment. The development of the industry in the last few years achieved a fast growth. In addition the development of supply chain finance in the digital age faces many opportunities and challenges but the digitization of trade requires the joint efforts of the government and enterprises.

Zhengli Fu, Director of Division II of Local Institution Regulation of Inclusive Finance Department of China Banking and Insurance Regulatory Commission, made an on-the-spot interpretation of the Notice on Strengthening the Supervision and Administration of Commercial Factoring Enterprises issued by China Banking and Insurance Regulatory Commission recently (Yin Bao Jian Ban Fa [2019] No. 205).

The conferences included also two roundtable forums and six parallel forums of industry's experts.

13 November - Open Account Trade Finance Conference in New York

CODIX held a joint event together with FCI adjacent to the Secured Finance Network (SFN, previously known as the CFA) 75th annual meeting in NY this past week that was accompanied by executives from some of the major North American factoring firms, most of whom are members of FCI. Peter had a chance to discuss the draft 5 year strategic plan with them, and provide some overall guidance in terms of the current state of the global receivables finance industry. Billy Quinn and Laurent Tabouelle from CODIX gave an overview of their platform and discussed some of the major developments in technology benefiting the industry

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The FCI newsletter - In-Sight - is sent to more than 8000 contacts in the Receivables Finance Industry; to FCI members but also to non-members, associations and service providers.

The publication updates anyone interested in, or working in the receivables finance industry on what is new in the Open Account Receivables Finance Industry as well as among FCI members.

Furthermore, the newsletter gives information on what FCI has to offer in terms of education and networking and updating you on advocacy initiatives. The FCI newsletter is recognised as one of the leading periodic publications in the industry.

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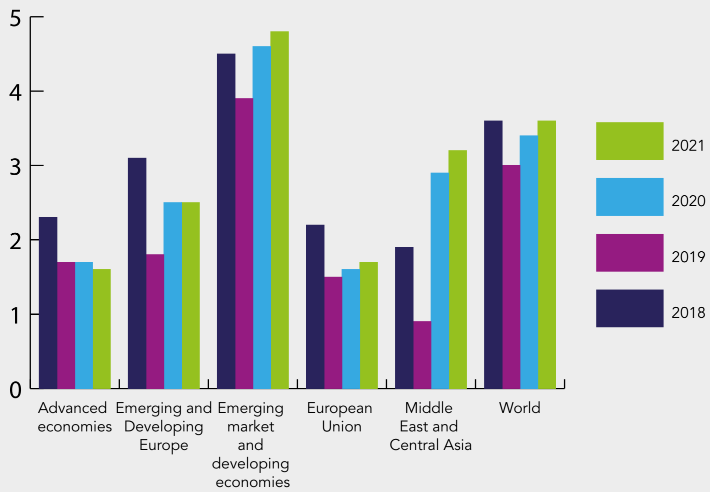
CEE, SEE AND THE MIDDLE EAST: SWITCH TO A LOWER GEAR

BETÜL KURTULUS
Regional Director Central, Eastern and South Eastern Europe and the Middle East

Looking at the IMF's growth data, we see that the growth rate in the emerging and developing Europe and the European Union was at 3.1 percent and 2.1 percent, respectively, in 2018. But the growth expectation for these regions is at 1.8 percent and 1.5 percent respectively. We also witnessed a decline in advanced economies. As we can see, the slowest decline expectation is for emerging market and developing economies.

Real GDP growth (Annual percent change)	2018	2019	2020	2021
Advanced economies	2.3	1.7	1.7	1.6
Emerging and Developing Europe	3.1	1.8	2.5	2.5
Emerging market and developing economies	4.5	3.9	4.6	4.8
European Union	2.2	1.5	1.6	1.7
Middle East and Central Asia	1.9	0.9	2.9	3.2
World	3.6	3	3.4	3.6

Real GDP Growth (Annual Percent Change)



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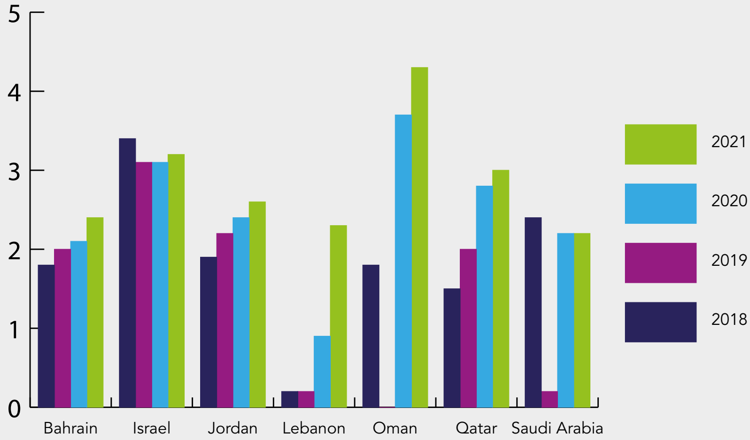
The global economy has been experiencing a slowdown. The worldwide growth of 2019 is expected to be the slowest since the global financial crisis in 2008, according to the World Economic Outlook of the International Monetary Fund. Monetary policies in Europe are generally on the supply side, so this will not solve the demand side of the problems. This means that the problems on the growth side will continue their existence. External demand is very important for the growth of EMEA EM economies.

We experienced GDP growth is slowing the most in Turkey, as the country struggles with high external financing needs and a poor mix of economic policies. Following the stability in the exchange rate in the first quarter of 2019, a downward trend in inflation, and also the expectation of inflation, the capital inflow has accelerated. Today we see a different economic atmosphere, as compared to the global developments we have faced in the last years. Due to the negative effects of the trade wars, central banks have started to move in a dovish better words -affable/quiet ? manner. We have seen the examples of it, as central banks are consecutively decreasing the interest rates. During this period of low-interest rates, investors have been led to the search for yield. Even though Turkey has started to cut interest rates, it is still in a position to attract foreign capital.

Saudi Arabia will not have a very promising growth in 2019, but we can say that export-supported growth in 2020 is more optimistic.

As a result of the current political instability in Lebanon and the recent social events, the expectation for growth this year and the year ahead is not high. We see the most optimistic growth rate in the region in Israel.

Real GDP Growth (Annual Percent Change in ME)



Also, Russian growth suffers from geopolitical tensions and a lack of deep reforms. The real GDP growth expectation for 2019 is still not very promising. However, the rest of the emerging countries of the SEE & CEE region, the small economies are still promising. In all these countries, growth is driven by domestic demand, mostly on consumption.

The Czech Republic and Hungary rely particularly on the automotive industry, with automotive exports amounting to 23% and 18% of the GDP, respectively, the second and third-highest rates in the world. The CE4 countries produced 3 million cars in 2017 (4 million with Slovakia included), CE4 countries plus Slovakia, and Slovenia dominate the top positions in the GDP-adjusted ranking for the automotive industry. I want to highlight the region's dependence on the sector. In other words, the CEE is of some importance to the auto industry, but the auto industry is of extreme importance to CEE. The sector accounts for 17 % of industrial output, 16 % of manufacturing jobs, and 25 % of total exports in the SEE. And the important part for us is that the sector is all working on an open account.

Taking into consideration the demand for open account transactions and trading activities for automotive and other sectors, we foresee a more significant increase in the market shares and turnovers in the factoring and reverse factoring areas in the coming period.

Real GDP growth (Annual percent change)

CEE	2018	2019	2020	2021	2022
Armenia	5.2	6	4.8	4.5	4.5
Azerbaijan	1	2.7	2.1	2.1	2.2
Belarus	3	1.5	0.3	0.1	0.1
Czech Republic	3	2.5	2.6	2.6	2.5
Estonia	4.8	3.2	2.9	2.8	2.8
Georgia	4.7	4.6	4.8	5	5.2
Hungary	4.9	4.6	3.3	2.9	2.6
Latvia	4.8	2.8	2.8	2.9	3
Lithuania	3.5	3.4	2.7	2.5	2.4
Moldova	4	3.5	3.8	3.8	3.8
Poland	5.1	4	3.1	2.7	2.5
Russian Federation	2.3	1.1	1.9	2	2
Slovak Republic	4.1	2.6	2.7	2.7	2.7
Ukraine	3.3	3	3	3.1	3.2

Advanced economies	2.3	1.7	1.7	1.6	1.6
Emerging market and developing economies	4.5	3.9	4.6	4.8	4.8
World	3.6	3	3.4	3.6	3.6

SEE	2018	2019	2020	2021	2022
Albania	4.1	3	4	4	4
Bosnia and Herzegovina	3.6	2.8	2.6	2.6	2.8
Bulgaria	3.1	3.7	3.2	3	2.8
Croatia	2.6	3	2.7	2.5	2.3
Kosovo	3.8	4.2	4	4	4
Montenegro	4.9	3	2.5	2.9	3.2
North Macedonia	2.7	3.2	3.4	3.2	3.3
Romania	4.1	4	3.5	3	3
Serbia	4.3	3.5	4	4	4
Slovenia	4,.1	2.9	2.9	2.7	2.3
Turkey	2.8	0.2	3	3	3

Middle East	2018	2019	2020	2021	2022
Bahrain	1.8	2	2.1	2.4	2.4
Israel	3.4	3.1	3.1	3.2	3.1
Jordan	1.9	2.2	2.4	2.6	2.8
Lebanon	0.2	0.2	0.9	2.3	2.6
Oman	1.8	0	3.7	4.3	0.9
Qatar	1.5	2	2.8	3	2.4
Saudi Arabia	2.4	0.2	2.2	2.2	2.4

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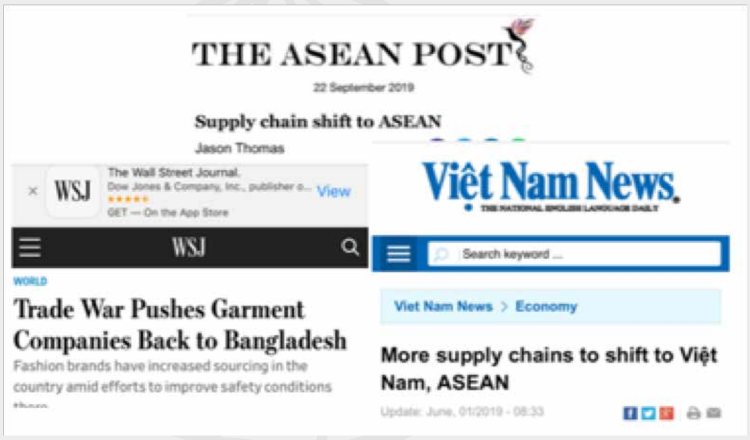
INFLUENCE

SHIFTING OF SUPPLY CHAIN TO SOUTH AND SOUTH EAST ASIA(SSEA) - GREAT OPPORTUNITY FOR EXPORT FACTORING IN THIS REGION

LEE KHENG LEONG

South and South East Asia Regional Director

The trade war between the US and China has hastened the shift in supply chain from China to other parts of the world and in particular to SSEA. Due to the rising manufacturing costs in China many companies are looking to shifting to lower labour cost countries. Whilst the lower labour cost is one factors, there are other costs involved in the shifting such as equipment, factories and logistics which were holding them back from relocating the increase in tariffs has created a greater urgency to speed up this process.



Many countries in the SSEA are benefiting from this with Vietnam being the major beneficiary and Bangladesh being the beneficiary for the garment and textile industries.

Most of the exports arising from this shift in supply chain are to the US and EU.

This new development creates new opportunities for export factoring as many of the US and EU buyers are requesting for open account terms.

US and EU import factors who have hitherto been focusing on North East Asian countries should divert some of their focus to South and South East Asian countries as many of the export factors in these countries need mentoring to achieve their full potential.

However, whilst there is great opportunity are the SSEA countries ready to seize this new found opportunity?

India is ready for this as it has 8 FCI members but there is room for more. In terms of two-factor export factoring, they are not very far from China with Euro 532 million in 2018 compared to China's Volume of Euro 752 million However in terms of number of factors it falls behind China, 8 compares to China 50.

The numbers of FCI members in the other SSEA countries except for Singapore (10) and India (8) are found to be wanting, Bangladesh (4), Brunei(0), Cambodia(1),Indonesia (2), Laos(0), Malaysia (3), Myanmar (0),Pakistan(0), Philippines (1), Sri Lanka (1), Thailand (2), Vietnam (4).

Until recently there is only one member in Bangladesh but they have caught up recently with 5 members.

Hence to capture the business arising from the shift in supply chain especially for the Small and Medium Size Enterprises SSEA countries need to increase the number of export factoring companies.

While large corporates are either able to take the buyer's risks directly or through credit insurance, SMEs are unable to take such risks and hence they will miss out on this great opportunity unless facilities are available to help them to mitigate such risk. Credit insurance may be useful for large corporates but it pale in comparison to FCI two-factors for the SMEs as shown below:

	Credit insurance	*FCI two factor*	*Comments*
Credit coverage	*90%*	*100%*	*Many SMEs are not able to assume the 10% risk*
Payment under approval	*180 days from due date*	*90 days after due date*	*The 90 days difference help to reduce the cashflow cycle for SMEs, increase the velocity of working capital and reduce interest cost*
Collection	*No*	*Yes*	*Collection help to detect dispute and fraud risk early and help SMEs to nib the problem in the bud*
Minimum premium payable at the outset of the policy	*Yes*	*No, service fee is paid as you use*	*SMEs are unable to meet the minimum premium. FCI on the other hand is a pay as you use scheme. SMEs only need to pay when there is sale*
Policy limit (Maximum Liability)	*Yes*	*No*	*Claims are limited to the policy limit. In FCI two factor there is no policy limit. SMEs will be covered up the aggregate limit of all the buyer approved*

Apart from quality of product and price, buyers are also looking for the most preferred credit terms, that is open account. All things being equal, they will go to the country which the SMEs are able to offer the most favourable trading terms. Hence, to get a lion share of this huge market potential, SSEA countries should help their respective SMEs to be able to provide the most competitive trading terms.

COMPELLING REASON FOR SSEA COUNTRIES TO GO INTO INTERNATIONAL FACTORING QUICKLY

The window is short, they will miss it once the buyers decide on which country they should source their products as it will take quite some time for them to change their supply chain again. Therefore, there is a compelling reason for SSEA countries to go into international factoring quickly and with sufficient number of factors to assists the SMEs. In this connection, FCI is ready to assist. With its vast network of close to 400 members in over 90 countries, seamless international factoring process, transparent and widely accepted global rules of international factoring, it will help the SMEs in the SSEA to source from new and better market. Besides, the FCI academy will help to train good factoring professionals in their factoring banks/companies. This will help the SSEA banks and finance companies to mitigate their concern in credit risks, fraud and dispute risks commonly associated with domestic and international receivable financing.

INFLUENCE

LEGISLATIVE PROGRESS OF FACTORING IN CHINA

YONGJUN ZHAO
Fortune International Factoring Co. Ltd. China

Generally, the countries and regions with modern statutory law would legislate and regulate the assignment of civil obligatory rights or the assignment of commercial obligatory rights, i.e. factoring. However, most of them only regulate the assignment of civil obligatory rights in one part of Civil Code and very few of them, such as Portugal and Macau of China, regulate the assignment of civil obligatory rights in one part of Civil Code and the assignment of commercial obligatory rights in one part of Commercial Code both. Although the United States takes judicial precedent as the main source of law, the assignment of commercial obligatory rights (factoring) is only subject to the uniform rules of Article IX 'Secured Transactions' in U.U.C.

The current *Contract Law of China preliminarily established the general rules for the assignment of civil obligatory rights*, thus basically building the legal environment for the assignment of accounts receivable. However, *the legislation on assignment of commercial obligatory rights is still missing*, which leads to the situation that corresponding judicial cases do not have lawful regulations to rely on. With the comprehensive deepening of political and economic reform, China made a major decision in October 2014, that is, compilation of the Civil Code. In August 2018, Standing Committee of the National People's Congress (NPC) deliberated for the first time the draft Civil Code provisions and issued the first draft to the public in September 2018. With the active effort by the Supreme People's Court, the bank and commercial factoring industries, the Constitution and Law Committee of NPC, after deliberation, *agreed to establish a special chapter to stipulate factoring contract in the second revision of draft Contract Part of Civil Code.* In December 2018, Standing Committee of NPC deliberated for the second time the draft Contract Part of Civil Code and the chapter on factoring contract as included in the scope of deliberation for the first time.

The distinctive feature of China's factoring legislation is that there are special chapters to regulate both the assignment of the civil obligatory rights and commercial obligatory rights (factoring), in the Contract Part of Civil Code. On the one hand, principle provisions on the assignment of the civil obligatory rights are regulated in Chapter 6 'Modification and Assignment of Contract' in the second revision of draft Contract Part of Civil Code, including Assignment of Obligatory Rights and the Exceptions, Notification of the Assignment of Obligatory Rights, Assignment of Accessory Rights, Obligor's Right of Defense against the Assignee, Claiming Offset by the Obligor against the Assignee, and Expenses for Assignment of Obligatory Rights. These provisions basically maintain the general rules on the assignment of civil obligatory rights in the current Contract Law and legislative stability is hence maintained. On the other hand, principle provisions on the assignment of the commercial obligatory rights are also regulated in Chapter 16 'Factoring Contract' in the second revision of draft Contract Part of Civil Code,

THESE PROVISIONS RESPOND TO THE LEGAL NEEDS OF THE FACTORING INDUSTRY AND REFLECTS THE OPENNESS AND FORESIGHT OF THE LEGISLATION IN CHINA.

including *Definition of Factoring Contract, Fictitious Accounts Receivable, Notification of the Factor to the Debtor, Recourse Factoring, Non-Recourse Factoring, and Multiple Assignment of Accounts Receivable*. These provisions respond to the legal needs of the factoring industry and reflects the openness and foresight of the legislation in China.

In contrast with bank factoring's continuing decline of business, commercial factoring has experienced a tremendous development since 2012. By now, commercial factoring enterprises have facilitated the receivables financing of 3 million of small- and medium-sized enterprises with the total of 4 trillion Yuan. *Factoring has become a significant means for small-and medium-sized enterprises to solve the problems of financing difficulty, and for big enterprises to deleverage and cut costs.*

According to the legislation planning, China aims to *finish the uniform compilation of Civil Code by 2020.* With the legislation of the assignment of the commercial obligatory rights (factoring) being included to the Civil Code, *China will become the first country in the world to specify Factoring Contract as an independent and typical contract in the Civil Code*. This is a landmark event in the international factoring industry, which will contribute to the future development of China's factoring industry and provide important reference to the legislation of the assignment of commercial obligatory rights (factoring) in other countries and regions.

COMMERCIAL FACTORING ENTERPRISES HAVE FACILITATED THE RECEIVABLES FINANCING OF 3 MILLION OF SMALL- AND MEDIUM-SIZED ENTERPRISES WITH THE TOTAL OF 4 TRILLION YUAN

RECEIVABLES FINANCING AND AFRICA

TAKU CHINHENGO
Harare Receivables Exchange

TAPIWA NHARI
Harare Receivables Exchange

Introduction

The African Continental Free Trade Agreement has been signed by 54 (out of 55) of the African Union member states, with Eritrea being the only country not to have signed the Agreement. The Agreement breathes life to the formation of the African Continental Free Trade Area (AfCFTA), which represents the consolidation of the African continent into one major trading bloc.

Why the Interest in the AfCFTA?

Africa is a sizeable continent, with a surface area 50% larger than North America. It is home to 55 countries with a combined GDP which is 10% smaller than France, yet its population is 17 times larger and contains a wealth of accessible natural resources. Currently, the African population is expected to grow in excess of 2.5 billion by the year 2050. This means that by 2050, Africa will represent 26% of the world's working age population. Combined with the average GDP per capita of 2% per annum, this points to a great potential that requires the right tools and leadership to convert this potential into reality.

Why is Receivables Financing important to Africa?

Receivables financing is a cost-effective alternative form of financing where businesses can unlock funding held in their yet to be paid invoices. *This funding option remains largely under-utilized in Africa, with the key reasons for this being a lack of awareness, availability and structure in the product offering across the various African countries*. Previously excluded Small and Medium sized Enterprises (SMEs) are able to access funding as the risk is taken on the buyer rather than the invoicing company. SMEs represent over 95% of registered entities worldwide and employ more than 50% of the world's workforce and contribute to more than 35% of Gross Domestic Product (GDP). This makes receivables financing crucial for SMEs, and those in Africa in particular, as they generally face funding challenges and limitations. Through cross border receivables financing, businesses can export or import between countries and be assured of payment from their counterparties.

AFRICAN CONTINENTAL FREE TRADE AREA (AFCFTA): THE CONSOLIDATION OF THE AFRICAN CONTINENT INTO ONE MAJOR TRADING BLOC

What Benefits does Receivables Financing present for Africa and the AfCFTA?

The purpose of the AfCFTA is *to eliminate up to 90% of tariffs that are currently placed on African goods*. This will boost intra-African trade as countries are able to freely trade amongst themselves and promote the transfer of technology, industrial development, economic productivity and diversification of economic growth sources.

With increased market access and reduced trade barriers due to the AfCFTA's implementation, the scope for receivables financing will be greatly increased. Africa will be strategically placed to grow its factoring volumes by simply leveraging the existing extra-territorial trade networks. For example, if invoices for the fuel, precious stones, vehicles and machinery exported by South Africa to its largest bilateral regional trading partners Botswana and Namibia were to be used to unlock immediate receivables finance, trade volumes would be increased.

AFRICA WILL BE STRATEGICALLY PLACED TO GROW ITS FACTORING VOLUMES BY SIMPLY LEVERAGING THE EXISTING EXTRA-TERRITORIAL TRADE NETWORKS

What Benefits does Receivables Financing present for Africa and the AfCFTA?

70% of global trade is conducted on open account giving receivables financing a place to bridge the divide between trading parties with a service that enables them to more securely and transparently trade without worrying about payment terms. With the use of, for example, the two-factor system in cross-border transactions utilized by members of FCI, *African exporters can expand into new markets without the use of letters of credit whilst still protected against debtor default. Receivables Financing facilities will minimize payment waiting periods across supply chains which will increase enterprise efficiency and stock turnover.*

The creation of the AfCFTA is projected to grow Africa's overall trade with the rest of the world by US$17 billion, effectively boosting exports by US$25 billion, with the highest growth observed in the agricultural and industrial sectors

Conclusion

The African Continental Free Trade Agreement aims to consolidate Africa into one major trading block. In this endeavor, *receivables financing presents itself as a key catalyst for unlocking working capital and an avenue towards efficient and secure payments across the continent.* SME's are poised to benefit the most which points a better and economically stronger Africa for future generations to come.

This article was published by: Harare Receivables Exchange (Private) Limited.

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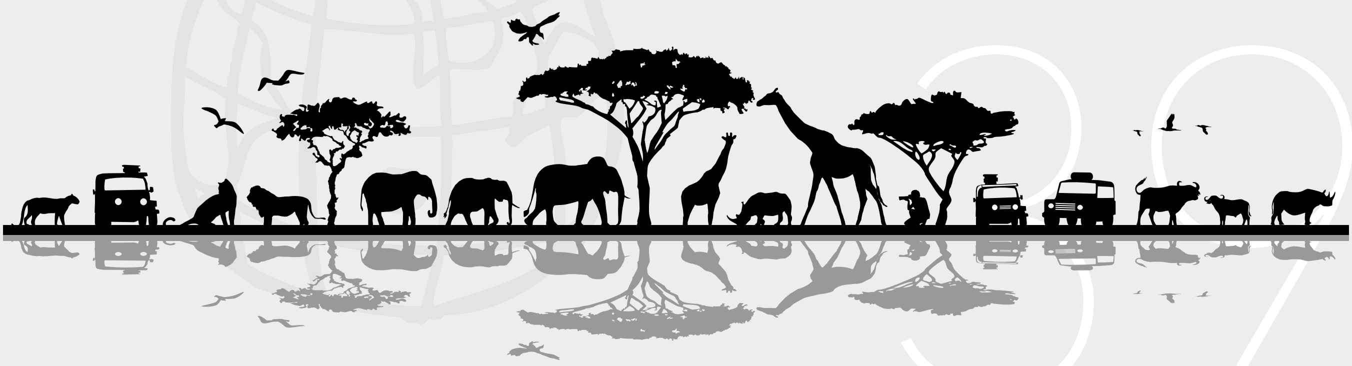

IN MEMORIAM
Mr. Harvey Guberman

Mr. Harvey Guberman passed away on the 10th October after a short illness. He was a member of the FCI Legal Committee since 2002 and his friends and colleagues in the Legal Committee are deeply saddened to have lost a valued colleague and friend. They honoured Harvey during their meeting in Istanbul.

Harvey was born in 1941 in New York, United States. He graduated from Brooklyn College, B.A., 1963 St. John's Law School, J.D., 1965. He was a partner in the firm of Ballon Stoll Bader & Nadler, P. C. located in New York, New York, specializing in asset-based lending, factoring, financing and creditors' rights. Prior to joining the firm, Harvey was Special Counsel to Hahn & Hessen, LLP, specializing in those same areas. He was formerly a partner at the firm of Kreindler & Relkin, P.C., and previously served as Senior Vice President and General Counsel to the factoring division of The CIT Group/ Commercial Services, Inc. for sixteen years, where he dealt with complicated factoring and financing contract negotiation, inter-creditor agreements, workouts and bankruptcy matters. Harvey was a Fellow of the American College of Commercial Finance Lawyers, a Past President of the Association of Commercial Finance Attorneys, a Past President of the Lawyers Association of the Textile and Apparel Industry and a former Chairman of the American Bar Association's Accounts Receivable, Financing and Factoring Subcommittee. He had been a lecturer in commercial law at the New York Institute of Credit and participated as a lecturer and panelist at various seminars and conferences for FCI, Executive Enterprises, the Banking Law Institute, the American Bar Association, the Practicing Law Institute, Stafford Webinars and others. He was the author of "Financing in Chapter 11," Corporate Accounting, 1986, and has been listed as a reputable lawyer by Martindale-Hubbell.

Condolences can be sent to his wife at the following address:

Mrs. Brenda Guberman

43 Reynolds Drive

Lido Beach, NY 11561

U.S.A.

The funeral service has already taken place and no other memorials are planned.

Harvey was a great friend of FCI and we will miss him dearly. May he rest in peace.

IN MEMORIAM
Mr. Nils Otto Nielsen

We regret to inform you that Mr. Nils Otto Nielsen passed away on Tuesday 22 October.

Nils Otto attended the very first FCI Meeting in 1968 under the employment of Founding Member A S Factoring in Norway. Nils Otto was FCI Chairman during 1992-1993 and a member of the FCI Executive Committee between 1994 and 1997 and was a member for the Communication Committee between 1994 and 1998. He was also part of the IT Committee between 1970 and 1999 for (former) IFG, and supported IFEXCHANGE as a consultant for many years before the FCI-IFG Union. More recently, he was a partner in the firm Triangle Trade Finance, along with Mr. Ben Hosh and Mr. Ove Dag Alsaker.

The funeral service took place on 1 November.

From long-time friend and colleague, Ben Hosh, the following:

It is with much sadness that I am sharing my thoughts about Nils Otto who passed away on Tuesday 22nd October this year. For the factoring industry it is the end of a 52-year association which began in 1967 in Oslo, Norway at Factoring Finans AS, one of the FCI founding members. His contribution to FCI/IFG was exceptional as a long-term member of the IT committee, FCI Executive Committee Member for several years and FCI Chairman for 2 years.

I first met Nils Otto in 1970 during my first involvement with FCI and we became firm friends; this friendship was based on his firm commitment to the industry we both loved, his trustworthiness and his wonderful sense of humour all of which remained undimmed until the very end. The time we have spent together in each other´s company and each other´s homes has always been, and will remain, an unforgettable and important part of my life.

In 2003 Nils Otto and I formed a consultancy business together and his professional approach to supporting our work and making it successful has been unchanged from the beginning until the last time I met him in Oslo in September of this year.

I am certain that all friends and associates of Nils Otto who have known him over the years will agree that he was a special human being and will be greatly missed by us all.

Nils Otto Nielsen was one of the pioneers of FCI and we are deeply saddened to lose another of our Founding Fathers.

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