NEWSLETTER / MAY 2019

FCI

CONNECT. EDUCATE. INFLUENCE.

Facilitating Open Account – Receivables Finance

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

Contents:

GWENDOLINE DE VIRON
Head of Marketing and Communication

EXECUTIVE SUMMARY

Dear Readers,

Welcome to our latest edition!

After the welcome by FCI Chairman, Çagatay Baydar, presenting also the 2018 world factoring volume, FCI Secretary General give an update on the latest development at FCI.

Alberto Wyderka presents the business opportunities and latest developments in his region. Next is Lin Hui, discussing leading the new generation of global open account trade finance in Northeast Asia.

Betül Kurtulus interviewed Servet Tuba Oz of Halk Faktoring AS on Turk Eximbank in Turkey.

We report on two recent regional conferences, the first organised with EUF in Lisbon, Portugal, the second with Afreximbank in Gaborone, Botswana.

A representative from Noor Bank describes the Islamic Trade Credit Takaful, a credit insurance used in Islamci Finance.

Afterwards, the 7 new members who joined within the last 3 months are presented: Banco BHD León, Fibabanka, Kentfactoring, Planworth Global Factoring Sdn Bhd, China International Factoring, Praxiabank and Symbiotics.

The recently launched FCI Academy is described, including all the new offerings for members and non-members. The education section goes on with reports from joint events with the EBRD, first in Kiev, Ukraine and secondly in Jordan.

We report on the seminar on Risk Management & Legal Considerations in Receivables Finance in Bucharest Romania. The success of the seminar justifies the organisation of a the second edition later this year.

The influence sections starts with the FCI spreading the wings article presenting the latest participations in conferences and meetings.

Lee Kheng Leong interviews Gay Santos (IFC) on PPSA- a new milestone for the financing of MSME in the Philippines through movable property which includes accounts receivables.

Daniel Huszar attempts to increase our knowledge about trade platforms, smart contracts and IoT.

Peter Mulroy disserts on the Factoring Laws and Their Impact on Factoring & Receivables Finance Industry.

Finally Yüce Uyanik highlights the differences between credit insurance and factoring and the advantages of the latest.

Enjoy the reading!

Gwendoline

WELCOME FROM ÇAGATAY BAYDAR
Chairman of FCI

ÇAGATAY BAYDAR
Chairman of FCI

Dear Colleagues,

Welcome to this new edition of In-Sight!

Recently you may have heard that FCI announced the 2018 final statistics, a great analysis that allows us to follow the trends of the Industry in the world but also to analize the behaviour of the markets. In 2018, the world factoring industry volume reached EUR 2.76 trillion, representing over 6% growth compared to the previous year.

When looking at the individual markets, we must remember that the local currency fluctuation against the euro played an extremely important role.

Europe is still the largest market accounting for 66% of the total and showed a growth of 7% reaching a volume of over EUR 1,828 billion. Next largest continent is Asia Pacific with an upward trend of 6% to reach close to EUR 696 billion. South America with a 4% growth is next, with a volume reported of over EUR 121 billion. North America follows with a negative trend (-2%) highly affected by Canada's significant decline. Africa slowly (+2%) continues its growth to exceed 22 billion. The Middle East also grew by 10%, to reach a figure close to 9 billion mainly thanks to United Arab Emirates 38% growth, in spite of the Israeli drop (-19%),.

The details of the figures will be available early June in the FCI Annual Review to be released at the Annual Meeting in Vietnam (9-14 June). The FCI Annual Meeting is THE annual gathering for the factoring and receivables finance industry. During this year's conference, important projects will be launched as follow-up of last year decision at the FCI Council Meeting: the first users of the FCIreverse platform will sign an MoU with FCI and the Islamic Trade Finance Corporate (ITFC) and FCI will sign an MoU to create an Islamic Factoring Chapter within FCI.

As you will see in the newsletter the last few months have been very busy with conferences, workshops, joint events with other like-minded organisations, the launch of FCI Academy, the re-branded education offering. With the aim to offer more opportunities to our members, we have launched new certificate programmes.

I look forward to meet many of you in Vietnam!

Kind regards,

Çagatay

A WORD FROM THE SECRETARY GENERAL

PETER MULROY
Secretary General

Since the last In-Sight, FCI has been quite busy preparing for the 51st Annual Meeting to be held in June in Vietnam. We have four major topics to be discussed and in part debated during the meeting, including 1) an update on the roll out of *FCIreverse* and an introduction of the members who have agreed to launch FCIreverse 2) the creation of a new *Islamic Factoring Chapter* along with a signing ceremony with our newest member, the Islamic Trade Finance Corporation (ITFC), a subsidiary of the Islamic Development Bank and a roundtable discussion on the rollout of the Rules of Islamic Factoring 3) a r*eview of FCIs strategy by senior industry executives*, to ensure alignment with the members and 4) a discussion on the next evolution of *edifactoring 2.0*, with upgrade to a decentralized system like Blockchain.

What happened over the last 3 months?

In March 2019, FCI organised with Afreximbank a *Regional Conference on Factoring and Receivables Finance in Southern Africa* in Gaborone, Botswana and in the same month, FCI together with the EUF (EU Federation for Factoring and Commercial Finance) organized a successful *EU Factoring and Commercial Finance Summit*. In April this year in Bucharest, Romania, FCI held a successful *Seminar on Risk Management & Legal Considerations in Receivables Finance*. We also organised a webinar in early May on *FCIreverse*, which allows our existing and prospective members to learn without having to leave their office and avoid travel costs. FCI also hosted *promotion events together with our partner EBRD* in Amman, Jordan and in Skopje, North Macedonia in April and May respectively.

In terms of advocacy, numerous positive changes are occurring around us. On January 2, 2019, the US Senate gave its consent for the ratification of the United Nations Convention on the Assignment of Receivables in International Trade. On 8 May, 2019 the *UNIDROIT met in Rome*, Italy at the urging of the World Bank/IFC to create a formal Model Law on Factoring, to which FCI issued a letter of support. The UNCITRAL continues its positive work in supporting the adoption of the Model Law on Secured Transactions, which also incorporates language to create a proper legal infrastructure for the development of factoring activities. *The Nigerian Congress passed the new Factoring Law*, and is now awaiting confirmation in the Senate, with the support of our partner, the AfreximBank together with FCI. And in *Bangladesh, the central bank issued its new draft policy on factoring*. FCI provided guidance on the adoption of this new policy, which will for the first time allow FIs to practice cross border non-recourse factoring.

FACTORING AND RECEIVABLES FINANCE INDUSTRY VOLUME SHOWS SOLID GROWTH, REPRESENTING A 6.5% INCREASE OVER 2017

FCI also announced the final results of the 2018 market survey, indicating that the Factoring and Receivables Finance Industry volume shows solid growth, representing a 6.5% increase over 2017, and indicating positive trends in all regions of the world. Europe accounts for 66% of the total, followed by Asia with 25% and the Americas with 8%. The progress shown in the last two years seems to indicate that the flat growth experienced in 2015-2016 period is behind us.

WE BELIEVE DECENTRALIZATION OF THE ORGANIZATION IS A MUST AND WILL ANSWER THE UNIQUE NEEDS THAT EACH REGION REPRESENT

And FCI has now hired *five regional directors*, three in the last four months. FCI recently announced the hiring of Mr Lin Hui based in Shanghai, China, covering *NE Asia*. Mr. Lin is one of the early pioneers of factoring in China. This region, comprised of six countries, accounts for 22% of FCI membership and *20% of global volume*. FCI also announced the hiring of Mrs. Betül Kurtulus, previous GM of Strateji Faktoring, based in Istanbul, Turkey. Betül has tremendous experience in factoring and has worked on technical committees inside FCI. She will oversee a new region, which combines *Central, Eastern, South Eastern Europe and the Middle East*. The region comprises 25% of the membership *but only 5% of global volume*, but with significant growth opportunities. We will shortly announce the appointment of the new Regional Director for Africa. Africa, which accounts for less than 10% of membership but only less than 1% of global volume, is still a very immature market and requires tremendous hand holding and special attention to promote factoring to banks, financial institutions, and entrepreneurs but also government and central bank officials. Our partner, the Afreximbank agreed to cover half of the costs, and the new Director will be housed in their head office based in Cairo.

The appointments complete our two existing regional directors that cover respectively the Americas via Mr Alberto Wyderka and the South and South East Asia region via Mr Lee Kheng Leong. South East Asia market represents 10% of the membership but has *significant growth opportunities with the passage of new factoring laws in India, Vietnam and Philippines* even if they have important barriers to growth. FCI will focus on educating the governments and their lawmakers on the benefits of factoring and receivables finance, especially for SMEs! The interest in RF in emerging markets is growing. Hence we believe decentralization of the organization is a must and will answer the unique needs that each region represent. We brought on very seasoned executives in open account trade finance, with strong market knowledge and look forward to you meeting them soon.

AMERICAS, A LARGE REGION

ALBERTO WYDERKA
Regional Director for Americas

As from the beginning of this year the FCI Executive Committee decided to merge into a single Region, Americas, what were two different regions: North America (NA) and Latin America and Caribbeans (LA&C).

A short chart shows below some characteristics of the region:

	# of FCI Members	Trade (Assoc + Full)	Affil.	Spons.	Total Fact. Vol. 2018	Growth 2018	Int'l Vol. 2018	2FS Vol. 2018
NA	11	10	-	1	€ 90,1 bn	-2 %	€ 16,2bn	€ 2,79 bn
LA&C	29	28	1	-	€ 121,2 bn	4 %	€ 3,2 bn	€ 0,75 bn
Total	40	38	1	1	€ 211,3 bn		€ 19,9 bn	€ 3,54 bn

I would like to focus this article on NA which -of course- includes the US and Canada.

Unfortunately, the negative growth shown by NA was due to the *significant drop of the Canadian volumes*.

Commercial financing in the US is offered mainly by banks and financial commercial companies through different products. Some are centered on the financing of the companies´ flows and others on assets, securitization, Asset Based Lending (ABL), SCF and factoring, among others.

Let me refer to ABL, SCF and factoring, all products directly linked to account receivables financing which is the core of FCI.

SCF almost doubles the accumulated volumes of ABL and factoring, and compared separatedly SCF volumes are four times higher than factoring, and 2.5 times higher than ABL.

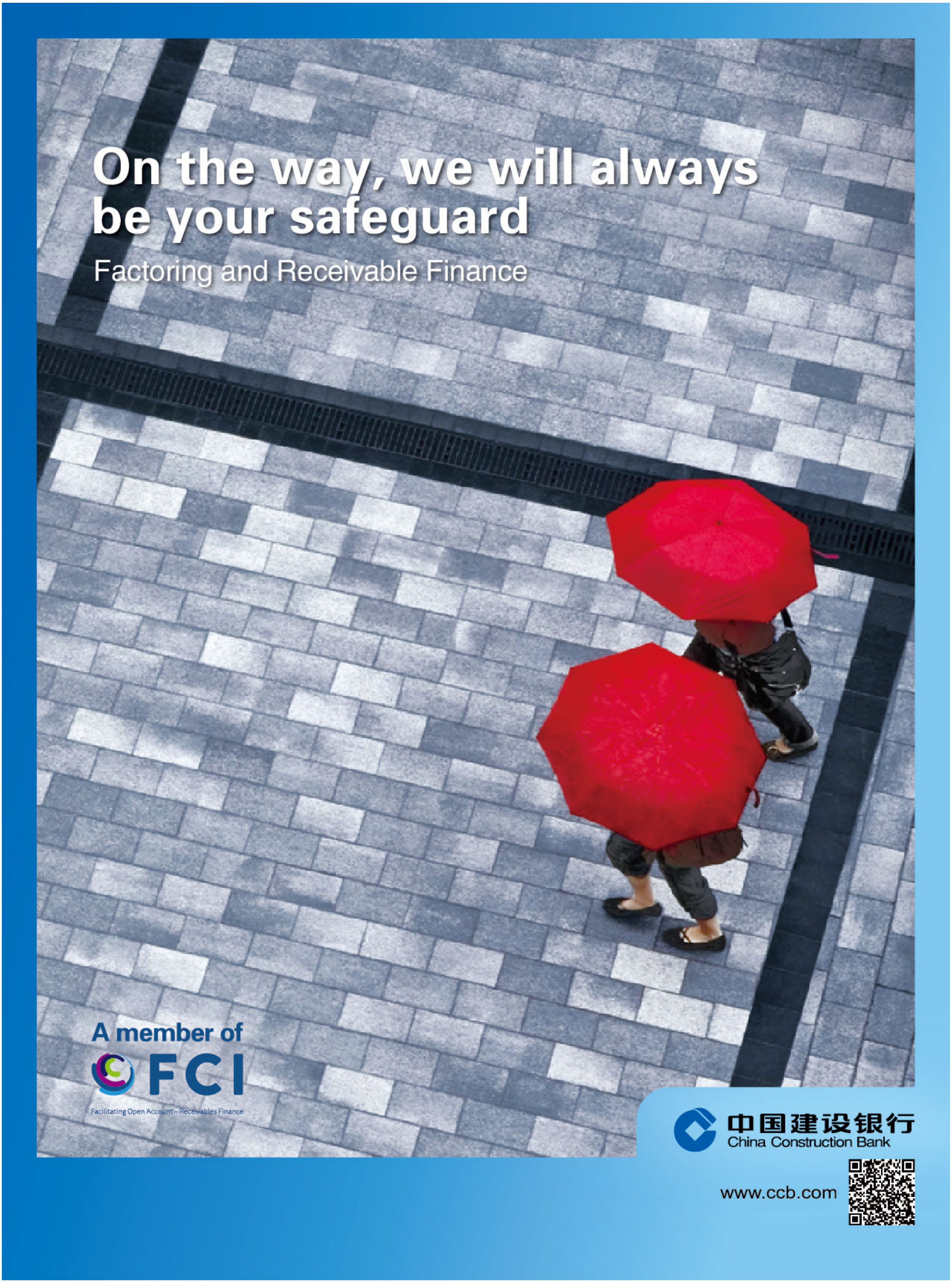
Then the first question which comes to me is: *is there room for FCIreverse*? May FCIreverse be an interesting hook to bring new members in the US, even if they are not interested in international business ? We will see.

And precisely let me refer to trade business. A quick look at export flows from LA & C countries to US, based on 2018 statistics on two-factor system, 70,4% of the total flow goes to US, and if we concentrate in Mexican export volumes, which in 2018 exceeded US$ 410 millions (of course this figure includes factorable and non-factorable products), over 76% they have as destiny the US.

Now, how many of the 10 trade members we have in NA are consistently and permanently involved in two-factor transactions with LA & C members ? Three.

Trust me, this is not a drama, let´s be positive, *this is a real business opportunity for NA members*. The challenge is promote them in the south where there are members who want and need more partners. Likewise, we should encourage LA & C members to expand their NA correspondence realationship beyond the three members with whom they usually operate; opening up to other excellent FCI alternatives, which if bilaterally developed, they will be ready to grow in the subregion. The result will be a mutual benefit.

But the challenge is not only limited to that, the current net needs to be broadened, it requires our efforts. And be assured, *there are many Banks exploring trade factoring with the willingness of becoming part of our community*. Towards such aim I am focusing my actions.



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CONNECT

LEADING THE NEW GENERATION OF GLOBAL OPEN ACCOUNT TRADE FINANCE IN NORTHEAST ASIA

LIN HUI
Regional Director for North East Asia

Northeast Asia plays a significant role in world trade growth. The region is the *largest global trade market* with five leading economies from this region ranking among the top 20 exporters and importers in global commerce.

Rank	Exporters	Value	Share	Annual percentage change	Rank	Importers	Value	Share	Annual percentage change
1	China	2263	12.8	8	1	United States of America	2410	13.4	7
2	United States of America	1547	8.7	7	2	China	1842	10.2	16
3	Germany	1448	8.2	9	3	Germany	1167	6.5	11
4	Japan	698	3.9	8	4	Japan	672	3.7	11
5	Netherlands	652	3.7	14	5	United Kingdom	644	3.6	1
6	Korea, Republic of	574	3.2	16	6	France	625	3.5	9
7	Hong Kong, China	550	3.1	6	7	Hong Kong, China	590	3.3	8
	Domestic exports	18	0.1	-28		Retained imports (1)	138	0.8	6
	Re-exports	532	3.0	8					
8	France	535	3.0	7	8	Netherlands	574	3.2	14
9	Italy	506	2.9	10	9	Korea, Republic of	478	2.7	18
10	United Kingdom	445	2.5	9	10	Italy	453	2.5	11
11	Belgium	430	2.4	8	11	India	447	2.5	24
12	Canada	421	2.4	8	12	Canada	442	2.5	7
13	Mexico	409	2.3	10	13	Mexico	432	2.4	9
14	Singapore	373	2.1	10	14	Belgium	403	2.2	8
	Domestic exports	188	1.1	16					
	Re-exports	185	1.0	5					
15	United Arab Emirates (1)	360	2.0	20	15	Spain	351	1.9	13
16	Russian Federation	353	2.0	25	16	Singapore	328	1.8	12
						Retained imports	142	0.8	23
17	Spain	321	1.8	11	17	Switzerland	269	1.5	0
18	Chinese Taipei	317	1.8	13	18	United Arab Emirates (1)	268	1.5	-1
19	Switzerland	300	1.7	-1	19	Chinese Taipei	259	1.4	13
20	India	298	1.7	13	20	Russian Federation (2)	238	1.3	24

The Northeast Asia region has also the most FCI banking members. So far, there are 62 banking members which represent 1/3 or the total FCI banking community. I*n Taiwan, Korea and Mongolia, all FCI members are banks. In China, commercial factors are growing robustly, however the market is dominated by banks*: 28 banks, including the world's top 4 banks – ICBC, CCB, BOC and ABC – are FCI members.

Top 1000 World Banks 2018: Top 5 by Tier 1: Global

Show 10 entries Search:

TOP1000 ranking	Bank Name	Country	World Region	Tier 1 Capital $m
1	ICBC	China	Asia-Pacific	324,126
2	China Construction Bank	China	Asia-Pacific	272,215
3	Bank of China	China	Asia-Pacific	224,438
4	Agricultural Bank of China	China	Asia-Pacific	218,104
5	JP Morgan Chase & Co	US	North America	208,644

For decades letters of credit dominated trade globally as the core finance product to reduce transaction risk and finance working capital requirements of the business. Changes in technology, transit, and economies demanded greater adaptability, convenience and lower cost to support the rapid growth in trade. Since the 80's and 90's, banks began to look for a more progressive instrument to support the next generation of trade finance. Factoring, as a solution to open account trade, became relevant and *was introduced from west to the east*.

FACTORING BECAME RELEVANT AND WAS INTRODUCED FROM WEST TO THE EAST

During the past 30 years, banks in the region have been learning and applying the techniques and practices of traditional factoring from service providers in the West, strengthening the credit and operation side of their factoring and receivable financing business. Meanwhile, the region's banks have also extended factoring upmarket to serve larger-scale clients, expanding the industry that was once stereotyped as a purely SME service. Today, the factoring volume of Northeast Asia reaches EUR 570 billion in 2018, representing 21% of the total world factoring volume.

However, banks in Northeast Asia have also been challenged for years whether they are in fact conducting real factoring business or not, since there are several distinctive characters and *differences when compared to the peer factors in the West*.

1) Client - larger scale corporates vs SMEs focused.
2) Service - administration service rarely provided vs well developed.
3) Agreement - facultative type vs whole turnover type.
4) Organization – operated by bank division vs subsidiary of parent bank or independent factoring house.

It is not necessary to argue whether the Asian banks are offering real factoring or not. It's also not necessary to have the banks in the region copy the same business model from the West, or to set up factoring subsidiaries. However, it is essential regardless of structure, that *Asian banks invest in their risk management skills by learning from the traditional factoring industry*. The banks must commit to setting up holistic (KYC) and penetrating (KYCC) "factoring" risk management techniques for their receivable finance business. The lack of these "factoring" risk management techniques will be impairing the client experience as other safeguard measures will need to be imposed slowing down the process or increasing the likelihood of credit loss by non-performance or fraud.

Today, this is not a regional issue just for banks in Asia. *The entire banking industry is focusing now on supply chain financing and receivable financing as the benchmark for building trade finance or transaction banking business for the next decade*. By adding FCIreverse to traditional two-factor scheme, FCI takes the leading role in building the new generation of global open account trade finance infrastructure.

ASIAN BANKS INVEST IN THEIR RISK MANAGEMENT SKILLS BY LEARNING FROM THE TRADITIONAL FACTORING INDUSTRY

FCI is uniquely positioned to support banks and factoring companies of any size, in any country to develop best practices for open account trade finance. With over 50 year's industry knowledge, and a global community of banks and factoring companies devoted to open account trade finance, membership in FCI is an opportunity to more quickly establish effective practices that are best suited to your market. From SMEs to Corporate clients, FCI understands your challenges and is here as your advocate to support your business.

SPECIAL ACCESS OF FCI MEMBERS CREDIT AGENCY IN TURKEY

BETUL KURTULUS
Regional Director for CEE, SEE and The Middle East

Betül Kurtulus (BK) interviewed Servet Tuba Oz (ST), International Manager of Halk Faktoring AS on Turk Eximbank. Turk Eximbank conducts "Credit Insurance" programs that cover export sector's exposure against politial and commercial risk as well as "Export credit" programs which provide the export sector with low cost financing. FCI members in Turkey have access to the programs.

BK: Who is Turk Eximbank?

ST: Turk Eximbank, established in 1987, is one of the leading and official export credit agency who is protecting exporters against political and commercial risks.

The entire capital of the Bank is owned by the Turkish Treasury.

They provide "Export Credit" programs besides credit insurance for the exporter companies with a lower cost of financing.

Türk Exim bank supports exporters, export-oriented manufacturers, overseas investors and contractors and companies engaged in foreign currency earning services through, medium and loan term, cash and non-cash loans.

Moreover, export receivables are discounted in order to increase export volume and easy access to new target markets through the promotion of sales of deferred payment conditions.

The total credit amount of Turk Exim bank as the end of 2018 was 26,9 billion USD, and the total insured amounts were 16,9 billion USD.

BK: What is the connection between Factoring Industry and Turk Eximbank in Turkey?

ST: Until 2015 Turk Eximbank was working directly with the exporters, who sell their goods to the foreign markets.

After 2015 The Association of Financial Institutions and Turk Eximbank had signed a protocol which allows factoring companies to reach the finance program of Eximbank "Rediscount Credits After Shipment Program"; the purpose of this program is to finance the exporters with a lower cost of financing.

BK: How does Rediscount Credits After Shipment Program work?

ST: Rediscount Credits After Shipment Program is a short term financing program with max value date 360 days of the exporter clients of Factoring Companies.

BK: What is the benefit of the program for an exporter?

ST: The only cost of this program is an interest and bank charge of the transaction, there is no other cost added to the transaction, on the other hand as the source of the borrowing is the Central Bank of Turkey the rates are too low.

BK: What is the aim of the protocol?

ST: Turk Eximbank would like to use the marketing advantage of the factoring industry, that will help them to extend the use of

Rediscount Credits After Shipment Program by the exporters.

BK: What is the role of Halk Faktoring in Rediscount Credits After Shipment Program?

ST: We are one of the leading and biggest user of this credit in the Market.

BK: How did you grow your volume in Eximbank?

ST: Our advantage is that we had established our export department in the middle of 2014, and as being a state bank like Eximbank; we thought we should be one of the important users of this product in the market. Our advantage is we are on the beginning, we set up all our mind set, IT solutions, marketing, underwriting issues due to the use of this product.

BK: Do you have other products with Turk Eximbank?

ST: In the future we would like to use the credit insurance and credit guarantee program of Turk Eximbank as they are active in a very large area in the world,

BK: Thank you Servet for your responses. It's quite interesting to show the experience of Turkey for other developing countries.

REPORT FROM THE FIFTH EU FACTORING AND COMMERCIAL FINANCE SUMMIT

Organised with the EUF on 21-22 March in Lisbon, Portugal

The fifth EU Factoring and Commercial Finance Summit has taken place in Lisbon with the support of the Portuguese Factoring Association ALF and sponsorship of Codix and Alvantia.

The conference, jointly organised by FCI and the EUF, brought over 120 professionals from all over Europe together to discuss the latest developments, opportunities and challenges in the Industry.

Presentations and panel discussions brought interesting findings to the audience. Some highlights include:

- Professor Ricardo Ferreira Reis of the Catolica Lisbon shared with the audience his team's latest research from Portugal into the importance of timely financial support in stressed financial environments, reinforcing the need for appropriate funding mechanisms to meet the needs of businesses at different stages of lifecycle.
- The initial statistics figures 2018 indicate a growth of 8% to around €1.7 Trillion turnover, average GDP penetration of around 11% and funding advances approaching €250Bn.
- The positive state and impact of Factoring in Portugal.
- The importance of ongoing lobbying efforts to persuade regulators of the importance of recognising the specific nature of receivables funding when setting the new rules.
- The EUF's operational committee enormous work to help protect and serve the Industry. One particular example has been the successful lobbying that has resulted in a derogated treatment in respect of the Net Stable Funding Ratio requirements.
- The update of the ground-breaking EUF Whitepaper on the Industry, a publication designed to communicate the benefits and success of our industry to interested stakeholders. Highlights include the dominance of Manufacturing, Service and Distribution sectors in the users, the prevalence by number of SME and by value of large corporate users, the continued and indeed improved low loss given default performance reported within a large-scale representative sample survey of the Europe wide market.
- The implications of the ongoing developments and impact of new technology, fintechs and digitalisation on the Industry. The conclusion that the effect of continuous change and evolution will continue to be felt across the whole sector.
- The challenging developments in Italy and Poland of new regulations that require split payments of invoices to separate the VAT element in the collection process. The impact is clearly a challenge for administration and control within our Industry.
- Key industry players representative attempted to address the impact of Brexit on the European market. The many options and permutations were discussed and analysed but perhaps in the end, the conclusion could only be que sera, sera!

REPORT FROM THE REGIONAL CONFERENCE ON FACTORING AND RECEIVABLES FINANCE IN SOUTHERN AFRICA

Domestic and International Factoring: Alternative tools for SMEs Financing in Africa
GABORONE, BOTSWANA, 12-13 MARCH 2019

On 12 and 13 March, FCI in cooperation with Afreximbank and with the support of FCI's Botswanian member Olympia Factors organised a Regional Conference on Factoring and Receivables Finance in Southern Africa.

The conference, sponsored by Codix and FBC Bank Limited, welcomed close to 200 participants to listen to senior experts from FCI, Afreximbank but also to many industry representatives from Botswana, Zimbabwe, South Africa, Cameroon and Zambia .

The event was the occasion to discover how domestic and international factoring are alternative tools for SMEs financing in Africa. The conference was opened by Mrs Elaina Gonsalves, Deputy Permanent Secretary for Financial Policy from the Ministry of Finance of Botswana.

The audience was very interested in the topics presented and many questions were raised during the Q&A sessions.

The conference was a good opportunity to present FCIreverse to the Southern African audience and the Certificate Programme of Finance in International Trade (COFIT), the joint initiative of Afreximbank and FCI was also promoted during the sessions. The presentation of real case studies and success stories from the industry finalised the two-day event.

CONNECT

ISLAMIC TRADE CREDIT TAKAFUL

PRAGYA SINGH
Noor Bank

Pragya Singh, GTS Factoring Debtor Relationship Manager of Noor Bank explains the trade credit Takaful. As Islamic Finance is developing a lot recently and the FCI Council approved last year the supplemental agreement for Islamic Factoring, we felt that it was the right moment to learn more about the subject. NoorBank was the first sharia compliants bank that joined FCI in 2018. Noor Bank participated in the working group that drafted the supplemental agreement along with Dar al Tawreeq, ITFC and FCI Legal Committee.

What is Islamic Trade Credit Takaful (Insurance)?

Takaful is "*the act of a group of people reciprocally guaranteeing each other*".

Trade Credit Takaful is "An Islamic alternative to conventional credit / political risk insurance based on Islamic (i.e. Sharia-compliant) principles"

Under Islamic Takaful (Insurance), only contracts that are "Shariah-compliant" can be insured. In other words, contracts dealing with Shariah-prohibited goods and services such as alcohol or pork are not eligible for insurance services.

For financial contracts (such as credit facilities), the Takaful/insurance may be provided to cover the principal investment, but not interest, since charging interest on credit is considered usury. Instead, transactions are covered under the Murabaha form of Islamic finance which enables customers to make a purchase without having to take out an interest-bearing loan. The bank buys an item and then sells it to the customer at a profit and on a deferred payment basis.

Islamic terminology & essentials used under Takaful Agreement (Insurance Policy):

1. 'Takaful Agreement' replaces the conventional 'Insurance Policy'
2. 'Company' replaces the conventional 'Insurance Company'
3. 'Participant' replaces the conventional 'Insured'
4. 'Contribution' replaces the conventional 'Premium'
5. Only Sharia Compliant Trade is eligible for Takaful protection/cover.
6. Investment of Takaful Contribution Funds by the Takaful/Insurance Company must be made only in Sharia Compliant and approved avenues.
7. 'Surplus' i.e. profits remaining after meeting losses, claim reserves and costs (operational and management) have to be shared by the Takaful Company with all Participants enshrining the principle of cooperative risk and reward sharing.

Key benefits of using Trade Credit Takaful?

1. Creates Additional Lending Capacity
2. Secures Letters of Credit/Financing Receivables
3. Permits More Competitive Pricing For High Risk Credits
4. Lowers Provisioning Requirements For Doubtful Assets
5. Strengthens a Bank's Balance Sheet Structure
6. Assists in the calculation of a more favorable Risk Weighted Capital Adequacy Ratio…
7. Provides valuable risk-insights into the debtor portfolio factored from the Credit Risk Intelligence Services offered by Trade Credit Takaful Insurers thus assisting credit risk monitoring of all covered debtors on real-time basis.

Benefits of Using Sharia-Compliant Products In Bank Risk Management

1. Effective means of doing additional business with clients while respecting internal control limits (country and credit)
2. Effective means of sharing credit / political risks with an outside partner (an investment grade rated Insurer)

Sharia-Compliant Products as Credit Risk Enhancers

1. Viable Alternatives to Bank Guarantees
2. Provide (conditional) security for Bank Assets
3. Ensure continuous involvement of insured party(s)

Risks Covered By TRADE CREDIT TAKAFUL:

Trade Credit Takaful covers risk of non-payment of an eligible trade debt owned to the Bank (assigned by the Supplier i.e. Bank Obligor) by an approved BUYER/DEBTOR up to the approved takaful credit limit. Such non-payment to be triggered by:

1. Commercial reasons: - buyer insolvency, failure or refusal of buyer to pay for goods/services accepted by it, failure or refusal of guarantor to honor obligations. ; and/or
2. Political factors affecting payment such as: - currency/transfer restrictions, expropriation, war & civil disturbances.

Takaful coverage is available upto maximum 90% and balance 10% risk is to be retained by the Bank.

Eligible claim payments are approved and advanced generally after a waiting period of 180 days.

About Noor Bank

Noor Bank was established in January 2008, in Dubai, United Arab Emirates. In 2018, as it celebrated its 10-year anniversary, Noor Bank was ranked as the 11th largest bank in the UAE in terms of assets.

Noor Bank is a full-service Shariah-compliant bank, offering a comprehensive range of products and services in in corporate and personal banking, wealth management, Takaful (Islamic insurance), treasury and trading. Takaful (Islamic insurance). It has a presence across the country, with branches in Abu Dhabi, Dubai, Sharjah and Al Ain. Noor Bank is the first Islamic bank to offer FCI backed export and import factoring solutions backed by Islamic insurance.

Trade Credit Takaful covers risk of non-payment of an eligible trade debt owned to the Bank (assigned by the Supplier i.e. Bank Obligor) by an approved BUYER/DEBTOR up to the approved takaful credit limit

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:

Banco BHD León

ASSOCIATE

DOMINICAN REPUBLIC

Banco BHD León, founded on July 24, 1972, is a pioneer in the multiple banking services in the Dominican Republic.

It is the second largest private bank in terms of assets in the country, and the fifth in the region of the Dominican Republic and the Caribbean. It is a leader in ROE and in Capital in the region.

Dedicated to commercial banking, it has a significant participation in the market share of companies and individuals of medium and high income.

www.bhdleon.com.do

Fibabanka

ASSOCIATE

TURKEY

Fibabanka is a Turkish private commercial bank that is specialized in corporate, commercial, SME and enterprise, agriculture, retail and private banking. The Bank provides banking products and services with a young and dynamic workforce through a network of 72 branches in Turkey.

Fibabanka has been operating under Fiba Group since 27 December 2010. The Bank has a strong shareholding structure, principally under the ownership of Fiba Holding, which holds 71.57% of the common shares of the Bank. The other shareholders are International Finance Corporation ("IFC") and The European Bank for Reconstruction and Development ("EBRD"), each holding 8.96% of the common shares of the Bank, and the Abraaj Group ("Abraaj"), with a 9.95 % stake in the Bank. Fiba Holding is part of the Fiba Group, one of Turkey's largest private sector conglomerates which was founded in 1987 by Mr. Hüsnü Özyegin, a pioneer Turkish banker and prominent businessman. Fiba Group is present in 12 countries, operating through 66 companies mainly in the financial services, retail, energy and real estate industries.

Under the current conjuncture and changing foreign trade conditions, international factoring has started to be much more important for the financial institutions in Turkey to provide solutions to their exporter and importer customers.

Fibabanka's target is to become one of the first banks providing factoring services to foreign trade companies while increasing its market share of foreign trade volume in Turkey, gaining new customers and introducing factoring products as a solution for international collection, guarantee and financing needs.

https://www.fibabanka.com.tr

KENTFACTORING

ASSOCIATE

TURKEY

Kent Faktoring was established in 1997. The main shareholder of the company is Mr. Ali Baran SÜZER. (99.99%).

SÜZER Group has more than 60 years of experience in various sectors. They manage investments in banking-finance, tourism, energy, facility management service and real estate in several countries with more than 1.200 employees.

Kent Faktoring provides domestic factoring services for corporate and commercial customers based on a high service quality and customer focus. This development strategy is the basis for a productive and long-term collaboration between Kent Faktoring and its customers.

The services provided and our tailored finance products allowed to create a customer base that includes leading companies in their respective industries.

After FCI Membership Kent Faktoring offers also international factoring service to its clients and wishes to contribute to the growth of international factoring under FCI umbrella.

www.kentfactoring.com.fr

Planworth Global Factoring Sdn Bhd
Member of Malaysian Factors Association (584821-P)
A member of GC Group of Companies
Since 1992

AFFILIATE

MALAYSIA

Planworth Global Factoring Sdn Bhd (PGF) is associated with Grand Columbia Group of Companies (GCG) which is a USD multi million asset company in Malaysia, Singapore, China and Papua New Guinea. GCG was established since 1992 (Website: www.grandcolumbia.com). Main businesses of GCG are: Financial Services, Property Development and Management, Construction and insurance brokering. GCG is fast expanding its business interest in Asia and Asia Pacific.

GCG's Financial Service division include a well-established Financial Institution in Papua New Guinea namely Finance Corporation Ltd ('FinCorp') (website: www.fincorp.com.pg).

In Malaysia, GCG operates factoring business under the name of PGF. PGF offers 'Factoring' to sectors such as supplies, food, cleaning, maintenance and services to Government and private organizations (Website www.Planworthfactoring.com).

GCG has expanded the factoring business to Singapore under the name of Planworth Global Factoring (S'pore) Pte Ltd.

In the Financial Service business, CGC plans are to expand factoring and supply chain business as and when opportunity arises.

SINOIF
CHINA INTERNATIONAL FINANCE

ASSOCIATE

SINGAPORE

China International Factoring (Singapore) Pte. Ltd. (hereinafter called "SINOIF-Singapore ") is a limited company founded in March, 2017, with the holding company in China.

SINOIF- Singapore is mainly engaged to provide the international factoring service to the clients in Singapore, as well as in other countries. Based on the support from the holding company in respect of capital and mature risk management, SINOIF- Singapore can provide financing to cover up to 100% of the fund needed by the exporters against their receivables arising from OA and SINOIF- Singapore is capable of assisting the exporters to have an effective full-chain risk migration.

In the future, together with FCI and other peer companies, SINOIF- Singapore will take solid steps and empower the industry for sailing further ahead, forge consensus and innovate excellence.

Praxiabank

ASSOCIATE

GREECE

Praxia Bank is a privately-owned bank, with Atlas Merchant Capital Fund LP as its sole international shareholder. Praxia operates under the protection of the Deposit and Investment Guarantee Fund and is supervised by Bank of Greece and SSM.

Implementing a user-friendly and modern digital banking experience, Praxia Bank adopts the most up-to-date standards and practices to deliver outstanding value to SMEs. Through dedicated and empowered RMs and savvy product experts, Praxia offers Investment Finance as well as Trade Finance to SME's, to fuel their growth and enhance their value.

Specifically, in relation to Trade Finance, Supply Chain Finance will play a key role in Bank's offering, including all type of Receivables Finance products aiming to satisfy the SME's short-term, operational, working capital financing needs.Symbiotics is the leading market access platform for impact investing. Over the past decade, the company has originated and structured nearly 3,700 investment transactions, worth more than USD 4.8 billion, on behalf of 425 companies in 83 emerging and frontier markets, all serving a measurable sustainable and inclusive finance objective, purchased by 50 different investment funds and institutional investors.

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symbiotics

AFFILIATE

SWITZERLAND

Symbiotics is a registered asset manager in Switzerland, a registered investment adviser in the United Kingdom, and has further office presence in Mexico, the Netherlands, Singapore, South Africa and the United States, regrouping more than 145 employees worldwide.

We wish them lots of success!

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

LAUNCH OF THE FCI ACADEMY

FCI Academy
Centre of Knowledge for Receivables Finance

Learn from the Leaders of the Receivables Finance Industry

Education is a key element for the *future development and professionalisation of the factoring & receivables finance industry*.

FCI Academy constitutes the most complete education programme on Factoring & Receivables Finance, providing a wide range of globally recognised and accredited educational offerings that aim to support personal, corporate and market development globally.

Through our education offerings, we provide access to an exceptional learning experience to help transform the professionals of the receivables finance industry.

In the FCI Academy, we utilise a variety of knowledge delivery systems that include Online Learning Methods (e-learning courses, webinars, on-line training sessions) as well as Training Sessions (seminars & workshops, on-site tailor-made trainings), for enhancing professional and business growth.

We invite you to view in detail all our offerings and schedule now the *LEARNING PLAN* for your institution.

The growing importance of capacity building in trade finance

FCI Academy has launched a range of online certification programmes in order to meet the ever-growing needs of the receivables finance community.

- **Certificate Programmes**

Aiming at enriching knowledge in specialised subjects and developing the skills of factoring professionals who have specific roles in a factoring operation, we have introduced a series of Certificate Programmes, focusing on specific areas in factoring & receivables finance.

Our Certificate Programmes concentrate on the most important aspects of a factoring operation, namely Sales & Marketing, Operations, Risk Management & Legal issues. Their syllabuses have as basis the Foundation Course on Factoring, complemented by specialised courses for each program.

Our online certification programmes are developed and taught by leading industry experts. Courses ensure all participants are well equipped to become active actors on the international trading stage. Once successfully completed, participants will become a certified professional in Receivables Finance.

EDUCATE

- o Certificate on Sales & Marketing in Receivables Finance
- o Certificate on Risk Management in Receivables Finance
- o Certificate on Legal Aspects in Receivables Finance

• FCI "Career Path" endorsed by the London Institute of Banking and Finance

"Their Success is Your Business Growth"

The "FCI Career Path" education program is a cohesive, *three-level development process* which supports your staff from their first step as "new entrants in the receivables finance industry", until they become highly-qualified "industry professionals". It is a unique, globally acknowledged, career-focused learning plan, endorsed for its high-standards in terms of quality & content by the London Institute of Banking and Finance (LIBF).

Students who successfully complete all three levels receive the *FCI Gold Diploma*.

About LIBF

Founded in 1879 as the Institute of Bankers, the LIBF has remained at the forefront of professional education in financial services ever since, with its alumni working in major financial institutions the world over.

LIBF is a university college that exists to advance banking and finance by providing outstanding education and thinking, tailored to the needs of individuals, business and society.

LIBF's focus is on lifelong learning: equipping individuals with the knowledge, skills and qualifications to achieve what they want throughout their career and life.

• Seminars & Workshops

FCI organizes regularly seminars & workshops on contemporary topics relevant to the receivables finance industry. All seminars and workshops enjoy high participation and are conducted on all continents to ensure maximum outreach.

Knowledge is delivered with a variety of methods, including plenum presentations, group discussions and panels with industry experts, sharing best practices and the latest developments in our industry. They also provide an excellent environment for networking and promotion of factoring services between FCI members.

Our current list of Seminars & Workshops includes:

- o Marketing and Sales Seminars
- o Risk Management Seminars
- o Operational Workshops
- o Legal & GRIF Seminars
- o Workshop on Solutions for Open Account Receivables Finance

• Webinars

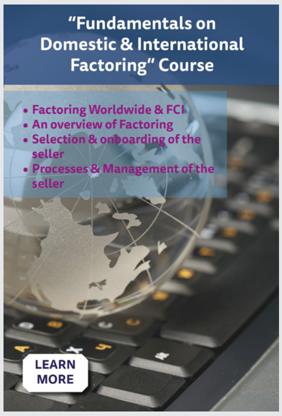
FCI Webinars are modern, on-line, highly-effective education offerings for maximising knowledge delivery, as participants can, without leaving their desks, learn about the basic concepts of factoring & receivables finance.

FCI Webinars are primarily benefiting new members and new entrants in the industry, who highly appreciate and recognise the added value during their set-up & onboarding process.

- FCI Essentials
- Risk Management in Factoring
- FCIreverse

• Tailor-made training programs & Mentoring

FCI is offering to – especially new – members the opportunity to train their staff on factoring & receivables finance's basic concepts as well as offering guidance in the process of setting up FCI Two-Factor business and facilitating the new member's integration into FCI.



• Courses open-to-all

"Fundamentals on Domestic and International Factoring" Course

FCI, being a Global Association for the Receivables Finance Industry, is also offering selected e-learning courses to any individual, organisation, financial institution, etc. that wishes to learn more about Factoring & Receivables Finance.

These courses are offered to all that do not yet enjoy an FCI membership but wish to obtain knowledge from the industry leaders.

Our renewed website on FCI Academy (https://fci.nl/en/education/index) provides detailed information on all offerings and links to specific brochures as well as the opportunity to register online for the online courses & events.

FCI - EBRD WORKSHOP ON FACTORING IN UKRAINE

SPYROS TSOLIS
Education Officer

FCI & EBRD joined again forces, supported by the National Bank of Ukraine (NBU) & the local Banking community, and held, on 21 May 2019, the second Factoring Workshop in Kiev, Ukraine. Following the first successful workshop of February 2018 which marked the start of the effort to establish a fertile and efficient environment for the development of factoring & Receivables Finance in Ukraine, this event provided a detailed overview of the latest developments on the regulatory framework for factoring, addressing also the current status of the Ukrainian factoring market. Moreover, best practises and the experience from European markets has been shared with the participants.

The workshop was attended by more than sixty executives from NBU & the Ukrainian Banks, who actively participated and raised a lot of interesting points during the presentations and the panel discussion.

In their welcome remarks, Mr. Volodymyr Kuchin, NBU Head of Office of European Integration and International Programmes & Mr. Matteo Patrone, Managing Director, Eastern Europe & Caucasus, EBRD, expressed their confidence that factoring will have a very important and vital role in financing the real economy of the country and confirmed that their institutions shall constantly support this effort.

The morning session continued with a presentation on a comparative study of the EU Factoring market delivered by Mr. Spyros Tsolis, FCI Education Officer, followed by best practise sharing of the Polish Factoring market, presented by Mr. Andrzej Zbikowski, Vice Chairman and Founding member of the Polish Factoring Association. Poland represents a success story in the EU region and is a point of reference for emerging countries.

The afternoon session included presentations from the local teams that are working on this project. Ms. Olena Polyakova, Redcliffe Partners and Mr. Ihor Olekhov, Baker & McKenzie, informed participants on the latest legal and regulatory framework changes on factoring and addressed the possible challenges that may be faced in the future. Mr. Igor Deynikov, EDIN, presented the latest technological advances (e-invoicing) in receivables finance and the electronic platform for factoring that their company provides.

The afternoon session continued with a presentation of Mrs. Nataliia Tykhovska, JSC "Ukreximbank", that presented the current factoring market in Ukraine and the challenges that local commercial banks face in initiating factoring internally and the perception of the market for the product. The workshop was concluded with a panel discussion moderated by Mrs. Kamola Makhmudova, Senior Banker, EBRD, where local banking experts, namely Mr. Vladislav Berezhny, Director, PJSC "CREDIT AGRICOLE BANK", Mrs. Tykhovska and Mrs. Inna Shvetsova, Raiffeisen Bank Ava who along with Mr. Ammar Al-Saleh, Senior Counsel & member of the Legal Transition team of EBRD, discussed on the next steps to be followed for the development of the receivables finance industry in the country.

In their concluding remarks, Mrs. Makhmudova and Mr. Tsolis mentioned that EBRD & FCI shall continue providing their support to the Ukrainian Banking community to establish a fruitful and efficient factoring market in the country and that awareness of the product benefits and continuous education of all stakeholders should be in the core focus, supported by a favourable regulatory & legislative environment.

AYSEN ÇETINTAS
Education Director

SUCCESSFUL WORKSHOP ON FACTORING AS AN ALTERNATIVE TOOL FOR FINANCING SMES, JORDAN

The workshop on "the Case for Factoring as an alternative tool for financing SMEs" was held on 17 April in Amman, the capital of Jordan. EBRD Legal Transition Programme Team and FCI partnered to organise the first factoring workshop in cooperation with the Association of Banks in Jordan. More than 50 representatives from the financial sector, regulatory bodies, government authorities and commercial banks participated in the meeting with great interest.

The Legal Transition Programme (LTP) is the EBRD's initiative to contribute to the improvement of the investment climate in the Bank's countries of operations by helping create an investor-friendly, transparent and predictable legal environment. LTP activities focus on the development of legal rules and the establishment of the legal institutions and culture on which a vibrant market-oriented economy depends. The Legal Transition Programme covers "Access to Finance" including secured transactions, factoring, leasing, blockchain and Fintech.

The LTP is active in the entire EBRD zone of operations, including the countries of Central and Eastern Europe and the former Soviet Union, as well as the southern and eastern Mediterranean area.

Following the opening speech made by Dr. Adli Kandah, Director General of Association Banks and Dr. Heike Harmgart, EBRD Director Jordan, Betul Kurtulus, FCI Regional Director responsible for Middle East and Aysen Çetintas, FCI Education Director, delivered presentations with regard to the latest developments in receivables finance industry, the world of Factoring, statistics and FCI and the technical aspects of the receivables and payables finance products.

The workshop continued with two important panel discussions addressing the implementations of factoring transactions, the development of the legal infrastructure in Jordan and ideas on the necessity of a legal infrastructure for factoring in emerging and developing countries.

From left to right: Betül Kurtulus (FCI), Ammar Al-Saleh (EBRD), Amir Matar (EBRD), Aysen Cetintas (FCI), Samer Freij (EBRD)

Group picture from the joint conference with EBRD in Kiev, Ukraine

EDUCATE

RISK MANAGEMENT & LEGAL CONSIDERATIONS SEMINAR, 4-5 APRIL 2019, BUCHAREST, ROMANIA

SPYROS TSOLIS
Education Officer

One of the most successful FCI seminars was held in Bucharest on 4 & 5 April 2019. The topic focused on "Risk Management & Legal Considerations" issues that factors are facing in their daily operations. This was the second seminar on the topic, the first one being held in Beijing, China, last October. The Seminar took place at the premises of our FCI Member, Unicredit Bank, to whom we are grateful for their hospitality and the state-of-the-art facilities provided.

It proves to be a highly demanded and always popular topic, as factors are nowadays, more than ever, focusing on the risks involved in factoring transactions and their legal implications.

More than sixty (60) delegates from fourteen (14) countries attended the seminar. Plenum presentations and group discussions enhanced the knowledge of the participants, who also facilitated the sessions with their active participation and involvement. It also gave them the opportunity to network and strengthen their relationships with correspondents.

Mrs.Daniela Bonzanini, FCI Education Committee Chairman, Mr.Yuce Uyanik, FCI Legal Committee member along with the FCI Education Team, Mrs.Aysen Cetintas, FCI Education Director & 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.

Due to the ***high demand for this topic***, the FCI Education Committee decided ***to repeat the seminar in October 2019, this time in Istanbul, Turkey***. 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.

FCI is committed to provide high quality education to the Factoring & Receivables Finance industry with a special focus on Risk Management issues to ensure that the statement of "Factoring is a safe & low risk financing tool" is always confirmed.

"Well structured, intuitive, greatly facilitating assimilation of GRIF via case study analysis." Theodorakis Mandalis - Ethniki Factors (NBG), Greece

"Having the possibility to discuss not only about cases from practice but also get into the details of the GRIF is very helpful." Candisa Banea - Eurofactor, Germany

"Legal consideration and experiences on fraud cases help us all to be more careful as the sector facing more issues due to the economical downturn globally." Zekeriya Güser - Teb Faktoring, Turkey

FCI SPREADING THE WINGS:

MEETING WITH PARTNERS, PROSPECTS, ORGANISATIONS

SCF Forum Asia 2019, Singapore, 23 May

In line with its objective of supporting SCF activities, FCI is again one of the partners for this event.

SCF Forum Asia brings together treasurers, procurement directors, banks, technology vendors and academics to learn from each other and set out the future of Supply Chain Finance. This one-day conference featured case studies from companies who have developed successful supply chain finance. The event was well attended by more than 150 participants.

FCI was represented by its Regional Director for South and South East Asia , Lee Kheng Leong who was one of the panelists in the panel discussion on The Supply Chain Finance Ecosystem: How banks and fintechs are working together to deliver better solutions for corporates. The panel highlighted the challenges facing the SCF industry.

Kheng Leong highlighted that FCI recognized this problem and to help its members to overcome this problem , it has implemented FCIreverse. FCIreverse is an approved payable international supply chain platform. It enables its 400 members in over 90 countries and their clients to use a common system and a common legal agreement.

HPD Lendscape Workshop, 16 May, Singapore

HPD Lendscape in collaboration with FCI held a workshop on working capital financing in Singapore on 16 May at Park Royal on Pickering.

The workshop was attended by 40 participants from various banks and factoring companies.

FCI Regional Director for South and South East Asia, Lee Kheng Leong gave an update of the latest market survey outcome highlighting on the growth of international factoring in Asia and the potential of Singapore being a centre of excellence in working capital financing in this region.

The participants were happy with the workshop as it is not only the first FCI workshop but it is also the first gathering of the working capital specialists in Singapore and it is also their first networking opportunity. Many expressed the need for further networking sessions to share experiences and new ideas.

INFLUENCE

Regional Conference on Factoring as an alternative tool for financing SMEs, 14 May

Skopje, North Macedonia

USAID's Factoring Project in collaboration with FCI, the Economic Chamber of Macedonia, the Macedonian Banking Association and Faktor Trust organised its first regional conference on "Factoring as an alternative tool for financing SMEs" in Skopje on 14th May 2019.

WHAT IS THE "USAID" FACTORING PROJECT?

The overarching goal of the USAID Factoring Project is improving the competitiveness of SMEs by expanding their market opportunities through access to alternative financing services. The project supports SMEs by informing them about the access to alternative financing options. Factoring, as one of them, supports the growth of companies by providing quick access to finance and accelerating the cash flow required for companies to grow more efficiently.

The conference was opened by four high-profile speakers, Dr. Koco Angjusev, Deputy Prime Minister for North Macedonia, Gretchen Birkle, Acting Country Representative, USAID, Shiret Elezi, Deputy Minister of Finance of North Macedonia and Panos Papatheodorou, Executive Committee Member, FCI

Nearly 150 representatives of small and medium-size enterprises, financial institutions, the legal and regulatory community, chambers of commerce, business service providers and regional factoring associations had the opportunity to hear the latest trends in the factoring industry by the senior experts of FCI and other factoring institutions in the Balkan area. The conference programme addressed a wide range of topics covering the opportunities & challenges facing the receivables finance industry and providing innovative solutions to finance MSMEs in North Macedonia.

Caixa meeting on innovation

CaixaBank gathered 70 of its best clients in San Sebastian, Northern Spain, to talk about Innovation in working capital where the focus was new market practices and new technologies like Blockchain.

FCI was invited to a panel discussion where Mónica Martín Blanco offered an explanation about how FCIreverse can converge real trade flows with financial flows as well as to offer a glimpse in other interesting market practices.

FCIreverse webinar, 8 May

For the second time this year, FCI organised a free webinar on FCIreverse to update the membership of the status of the project, how it works, what are the legal bases, present FCIreverse platform and ask questions. More than 50 participants joined the webinar, mainly from members but a few prospects that are considering joining FCI for FCIreverse participated also in the webinars.

EBRD Trade Facilitation Programme Awards ceremony in Sarajevo, Bosna Herzegovina

Our Chairman Mr. Cagatay Baydar and Regional Director Ms. Betul Kurtulus participated in awards ceremony in Sarajevo, Bosna Herzegovina on May 7th.

We are so glad to accept the invitation and be a part of the program. It is always really great to see so much energy and enthusiasm in the team and around the Trade Facilitation Programme.

FCI Chairman Cagatay Baydar along with FCI Regional Director Amercias joined the IFA Annual Conference on 3-6 May

The IFA Annual Conference is one of the main conference in America for factoring companies. FCI, represented by its Chairman Çagatay Baydar and FCI Regional Director Americas Alberto Wyderka. Çagatay Baydar moderated a panel on the Strategic Roles of Factors in Expanding the Frontier of Trade in the 21st Century with Lanre Bakare (Factoring and Supply Chain Finance Limited), Simon Featherstone (Latam Factors Servicios Financieros) and Hugo Hermosa (Logros Factoring).

The conference was an excellent opportunity for Alberto Wyderka to meet with members and prospects.

Both Cagatay and Alberto were very satisfied with the meetings and new contacts.

Kafalah SME Financing Conference 29-30 April in Riyadh, Kingdom of Saudi Arabia.

This is a unique annual event organized by the Kafalah program for SME financing in cooperation with the World Bank group. The organization sponsored by this Excellency minister of commerce and investment by Dr. Majid bin Abdullah Al Qasabi and H.E. Governor of the Saudi Arabian Monetary Authority (SAMA), Dr. Ahmed Bin Abdulkarim Al Kholifey.

During the two-day event a lot of information was provided on the current financing environment for SME's in Saudi Arabia and opportunities to develop it, build relationships between public and private financial institutions, legislative bodies, and governmental agencies that support financing.

On different panel discussions, speakers discussed current and future financial opportunities for specific business sectors and fields including best practices for SME banking services, expanding financing options through non-banking finance institutions, new supply chain solutions for industrial and tourism industries.

One other important topic of the conference was Fintech revolutionizing the SME finance landscape. During the conference speakers highlighted the latest trends and developments in Fintech, touching up on the importance of the regulatory framework that balances financial integrity and stability while fostering the enabling environment for innovation in the financial system.

INFLUENCE

Asia Pacific Finance Forum (APFF) Trade and SCF workshop in Singapore, 22 April

APFF is a platform for public-private collaboration to accelerate the development of robust integrated financial markets in APEC. APFF is one of the three policy initiatives under the APEC Finance Minister's process. FCI is honoured to be one of the supporting organisations of the workshop.

This year's workshop seeks to raise the awareness of how digital trade and supply chain finance can be progressed for custom clearance. The workshop aims to develop a Strategy for the digitilisation of Trade and Supply Chain Finance covering three areas:

1/ Legal and policy reform, 2/ Standardisation and interoperability, 3/ Development of APEC Digital Trade Lab.

About 50 participants mainly from banks and fintechs attended the workshop. FCI's regional director for South and South East Asia , Lee Kheng Leong was on the Panel on " What are the legal and market practice changes needed?"

However, although FCI has two electronic/digital platforms, the edifactoring.com for international factoring and Demica system for FCIreverse, we do not face any problems on digital transfer of receivables as we have interfactor agreements and FCIreverse agreements among the members, under which members are required to accept the electronic transaction. Furthermore, should members have any dispute between one another, they can use the FCI arbitration. Thus far, none of the arbitration cases concern electronic transactions.

Specialist meeting at Unicredit in Vienna, 1 April

Ms. Monica Martin Blanco, FCI's SCF Consultant, was invited to speak at Unicredit CEE Regional event in Vienna on Monday, 1 April 2019.

The meeting was organised for the CEE Working Capital specialists in 11 CEE countries as well as risk managers and credit analysts form the same region.

The meeting counted 38 participants. Monica presented on FCI, its two-factors system, FCIreverse and risk mitigation instruments. The speech was well received by the attendees.

FCI was happy to contribute to raising knowledge on the association and products/services offered for a group that account several members in FCI.

GTR Russia, 27 March, Moscow

Betül Kurtulus, FCI Regional Director for CEE, SEE and the Middle East was invited to speak at the panel on Political risk, trade credit insurance, and working capital solutions for Russian corporates in a challenging market. It was also the opportunity for Betül to meet the Russian members and present FCI to some prospects.

Rfix Conference 6-7 March, London

FCI partnered yet again with BCR for Rfix conference and presented the preliminary statistics for 2018 during the conference. Çagatay Baydar (FCI Chairman) and Peter Mulroy (FCI Secretary General) presented the still growing figures for 2018. In 2018 the Industry reached 2,76 trillion euros, an increase of 6%. It was also a nice opportunity to discuss with members and other contacts from Europe and beyond that were present at the conference.

GTR Turkey 2019, 5 March 2019, Istanbul

Betül Kurtulus, FCI Regional Director for CEE, SEE and the Middle East was invited to speak at GTR Turkey. She participated in a panel on New horizons for Turkish exporters where she could speak about FCIreverse. The conference was also a great place to meet with representatives from the Turkish receivables finance Industry.

ICC Supply Chain Financing Summit in Singapore, 27-28 February

As a part of FCI's mission to work with like minded organisations to promote open account financing, it was a partner event of the 2019 ICC Supply Chain Financing Summit in Singapore.

The two day event from 27 to 28 February was very successful and was attended by more than 300 participants which are mainly Financial Institutions, Banks and Fintechs.

Many participants come from countries in the region. There was a contingent of 26 participants from Bangladesh, comprising representatives from Banks, Finance Companies and Central Bank.

FCI took this opportunity to host a welcome dinner for the Bangladeshi delegates. One of the delegates Mr. Sjjad Hossain Chowdhury commented "Thanks FCI for this kind gesture and we look forward to be associated with FCI in the coming days". We hope this goodwill will prevail and hopefully we can help Bangladesh to join the world of international factoring.

FCI's Regional Director for South and South East Asia, Lee Kheng Leong was on the panel discussing on the scope for alternative finance - what are the opportunities and risks for non-bank provider.

Mr. Lee highlighted that open account financing in various forms provide great opportunities for non-bank provider and if properly managed it is a very secured and safe form of financing. He also mentioned that FCI provides training on all aspects of receivable financing to help both banks and non-bank financial institutions to run efficient, safe, viable and growing receivable financing products.

PPSA- A NEW MILESTONE FOR THE FINANCING OF MSME IN THE PHILIPPINES THROUGH MOVABLE PROPERTY WHICH INCLUDES ACCOUNTS RECEIVABLE

LEE KHENG LEONG
Sout and South East Asia Regional Director

GAY SANTOS
IFC

The Philippines was one of the early adopters of international factoring in Asia. It went into international factoring in the early 1980s much earlier than China and India. There were two FCI members then. However, due to the financial crisis of 2007 to 2008, international factoring disappeared from many South East Asian countries including Philippines. Recently, however, Philippines have been working on law which enable financial inclusion. The objective is to enable MSME in the Philippines to obtain financing. After many years of hard work, the IFC managed to get the Personal Property Security Act (PPSA) to become law in 2018. This is an important law as it is one of the first in Asia. Besides, this law covers receivable which will help the development of factoring in Philippines. It will be a show case for many Asian countries who are also trying help MSME to obtain financing. FCI Regional Director of South & South East Asia, interviewed, Gay Santos, Senior Financial Sector Specialist of IFC, to find out how PPSA will help MSME in Philippines .

KL: We heard about financial inclusion which is promulgated by IFC . What is this the financial inclusion?

GS: Financial inclusion is about bringing more people into the formal banking system. It is one of the key focus areas of the International Finance Corporation – World Bank Group's Advisory Services in the Philippines.

KL: How many MSME will be included in this financial inclusion?

GS: This is hard to predict however, IFC's country experience show that legal reforms help in promoting greater financial inclusion. In the Philippines, based on the World Bank Findex data only approximately 12% of the adult population (15 years old and above) have access to formal borrowing i.e., around 8 million out of the 69 million Filipino adult population. In the context of MSMEs, (based on latest statistics I can find 2016), there are 916k businesses in the Philippines of which 99.6% are MSMEs. Taking this into account, there are still a lot of MSMEs that need access to finance.

KL: Through the hard work of IFC, the Philippines government has finally passed the Personal Property Security Act (PPSA) into law? What is PPSA?

GS: Personal Property Act was passed into law in August 2018. It is among the fastest moving legislation in the history that is a product of true collaboration between public and private sector with IFC as the technical advisor. It was lodged in Congress in May 2017 and passed into law in a little over a year. Personal Property Security Act is about broadening the use of movable assets (anything other than land) as collateral for MSMEs and farmers to access finance. Personal Property Security Act replaced the Chattel Mortgage law of 1906 which has not kept up with its true spirit of mobilizing finance to MSMEs and farmers. The law enhanced the creditor rights, provided for a centralized registry of movable assets held as collateral, clarified priority rules in case of default among others. This aims to increase the confidence of financial institutions to lend more utilizing movable assets as collateral.

KL: I understand that it includes movable property such as receivables. Would this help in receivables financing such as factoring?

GS: Yes, it will provide a stronger legislative framework for receivables financing. It is not a silver bullet though in creating the market. It will entail parallel effort to educate the market to expand receivables financing.

Vietnamese financial institutions are notoriously reluctant to lend to small companies, which have low liquidity and credit ratings. As a consequence, companies with small scale cannot approach the service to improve their working capital.

KL: Would it help in international factoring in Philippines?

GS: Yes, same response as above

KL: Apart from having a secured environment for receivable financing/ factoring, there is also a need for receivable management such as credit control and client selection. How can FCI help in this area?

GS: FCI should continue its partnership with relevant stakeholders in the Philippines to deliver a series of capacity building events in these areas.

KL: Is the PSSA the first in Asia? Would IFC replicate it in other part of Asia?

GS: I am not sure if it is the first but it is the most updated one based on the latest UNCITRAL Model law on Secured Transactions. Secured Transactions reform is integral to IFC's work program to promote financial inclusion and strengthen.

KL: Thank you for the useful insight into the opportunity of factoring in your country.

PERSONAL PROPERTY SECURITY ACT (PPSA) TO BECOME LAW IN 2018. THIS IS AN IMPORTANT LAW AS IT IS ONE OF THE FIRST IN ASIA

TRADE PLATFORMS, SMART CONTRACTS AND LOT

DANIEL HUSZAR
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efcom

Blockchain in trade and receivables finance is not just talk anymore. There are multiple initiatives with real-life transactions, namely by different bank consortia – MarcoPolo, we.trade and Voltron to name a few of the platforms that have been introduced. What these platforms have in common is their desire to further leverage the power of blockchain to digitise the trade process. As a technology, blockchain allows a simple and secure way of sharing trade-related data between different (financial) institutions.

Potential benefits include:

- Reducing processing time, because all relevant participants are informed with transparency about the progress of the transaction. An audit trail also provides improved traceability.
- Reduction and possibly elimination of paper-based processes, since everything is stored on a shared ledger.
- Triggering of automated events due to the use of so-called smart contracts, which can be leveraged further by using 'Internet of Things' (IoT) sensors.
- The idea to use smart contracts together with blockchain is common to a lot of platforms. But what exactly is a smart contract?

Smart contracts

The idea of smart contracts started in the 90s but didn't come to fruition until the past few years. In theory it sounds utopian: contracts are set forth in computer code instead of paper and after the contract is digitally signed, it will self-execute. None of the contractual parties need to manually interfere with the process - the code will facilitate the handling.

POTENTIAL BENEFITS OR USING BLOCKCHAIN INCLUDE:

- REDUCING PROCESSING TIME
- REDUCTION OF PAPER-BASED PROCESSES
- TRIGGERING OF AUTOMATED EVENTS IS DONE WITH SMART CONTRACTS

Surprisingly, the concept of a smart contract should not be that foreign to us, because we use them in our daily lives: e.g. a vending machine could be called a smart contract (although a primitive one). If you want to buy a chocolate bar (goods) at a vending machine, you need t o insert a token of value (coin = funds). The machine will check, whether the token has a sufficient value and holds the goods in escrow during the process. If the funds are valid, the goods will be released. This "if = then" structure allows for more complex automatic processes triggered by real-life events, e.g. across a whole supply chain.

Let's look at potential uses of this technology within trade an d receivables finance.

Smart contracts and the Internet of Things

To do more complex things with a smart contract, we will often need data from the outside world - either from third-parties (e.g. exchange rates), or sensoric data from real-life events (e.g. changes in GPS position through an IoT device). The Internet of

INTERNET OF THINGS IS A NETWORK OF DEVICES THAT HAVE INTERNET CONNECTIVITY WHICH ALLOWS THEM TO INTERACT AND EXCHANGE DATA

Things is a network of devices that have Internet connectivity which allows them to interact and exchange data. Data provided using this method can be used to trigger smart contract processes when pre-defined conditions are met.

For example, on a supply chain finance blockchain platform, the seller could publish the manufacturing status of a product. Other parties included in the transaction, such as the buyer and logistics provider, could track the transmitted status. When the product is close t o completion, the logistics provider could send containers to pic k up the finished product. These containers should contain IoT sensors, which broadcast the GPS location of the shipment to the blockchain.

The advantage of this transparent monitoring would allow the di fferent steps of the process to speed up altogether by triggering actio ns within a smart contract, e.g. the execution of the payment terms of the contract upon delivery. A bank who is funding the transaction would have visibility into the original contract, the sales order, and the correspond ing delivery status. This would allow them to validate the origin and authen ticity of the service provided by a secure blockchain - reducing the funding risk.

Trouble in Paradise

Adding unprecedented transparency and security to transactions through platforms utilising smart contracts, blockchain technology and IoT sounds like a pretty good deal. Let's have a look at some of the issues with real-life adaptation of these technologies:

- The lack of interoperability of platforms does pose a problem – it is a huge advantage for this technological concept to have access to a lot of data due to large numbers of participants. By a concentration of parties on one platform it also becomes easier to use standards. Luckily, this is a challenge that the market should solve, as i t is likely that only a few platforms will be continuously used in the end.
- It is still not clear whether smart contracts are valid without a written agreement in multiple jurisdictions. For example, in German law (at the time of writing), a written contract would take precedence over a contract set forth in code. This of course, is very bad news if we want to increase efficiency through automation, because we have to fall back on manual paper trails to resolve disputes.
- Lastly, the IoT has inherent security issues because so many de vices have to produce reliable data. For one, there is the possibility of operational failure resulting in inaccurate data. Furthermore, devices could be tampered with, producing fraudulent data which could lead to bad decisions.

As always, it will take time to reach the full potential of new technology. The technological basis to facilitate digitisation already exists, but it will be up to the market, adapting standards and regulation to shape the business of the future.

Issues with real-life adaptation of these technologies:

- *The lack of interoperability of platforms does pose a problem*
- *Are smart contracts valid without a written agreement in multiple jurisdictions?*
- *the IoT has inherent security issues because so many devices have to produce reliable data*

The article has been originally published in BCR publication.

INFLUENCE

FACTORING LAWS AND THEIR IMPACT ON FACTORING & RECEIVABLES FINANCE INDUSTRY

PETER MULROY
Secretary General

For years FCI has been on the forefront of supporting efforts to help build sustainable legal and regulatory environments to support the growth of factoring and receivables finance. We also have supported the creation of sound policy and good regulatory framework for the healthy development of factoring. But we also want to ensure that the increase in regulations impacting the industry do not have unintended consequences.

Some countries have either adopted a specific code on factoring or their civil code contains some language relating to assignment language in support of factoring. But in emerging countries, most do not possess proper contract law, and hence do not have language to support proper assignment of accounts and protection of the rights of third parties to legally execute factoring transactions. Parties have to rely on the general assignment provisions when drafting contracts. Due to the lack of understanding of the 1) product in developing environments 2) developed case law and 3) tradition of publishing judicial decisions, this sometimes creates uncertainties in relation to interpretation of contracts and hence increases perceived risks and/or stifles creativity of business practices. Unfortunately, many emerging countries do not yet have proper assignment laws and as such there is a lack of confidence embedded in investors minds, who are concerned about redress in courts and attempts to recoveries from their rights as owners of the debts, resulting in a disregard for this valuable asset class.

TO PROVIDE FACTORING CUSTOMERS WITH BOOK KEEPING, COLLECTION FUNCTIONS AND 100% PROTECTION AGAINST BAD DEBTS

FCI Model Law on Factoring

FCI continues to support the development of proper assignment laws, protections of rights of third parties, and the promotion of good governance, to create a sensible legal and regulatory framework to support the development of a healthy legal infrastructure for the industry. As such, FCI (initially developed by the IFG Legal Committee) created a draft Model Law on Factoring (FML), which has been used in certain countries to the benefit of local economies. The FML was invoked and guided by the UNCITRAL's Convention on the Assignment of Receivables in International Trade. The Convention was used as a backdrop for the formation of the FML. The convention was put into force in 2001, however it wasn't until this year, on January 2, 2019, that the US Senate gave its consent for the ratification of Convention. It will take five countries to allow the convention to become a formal treaty, but with the adoption by the United States, it is anticipated this will now occur in the coming years ahead. FCI has promoted and supported the adoption of the Convention by governments around the world.

Based on the FML, Afreximbank created the

Afreximbank Model Law on Factoring for African countries which also largely conforms to the Convention. We can learn from the Afreximbank initiative that this text is a sound basis for further evolution. International good practices in factoring can also be found in the FCI General Rules of International Factoring (GRIF), available on the FCI website (www.fci.nl). The GRIF has been constantly updated and interpreted by the Legal Committee of FCI.

UNCITRAL Model Law on Secured Transactions

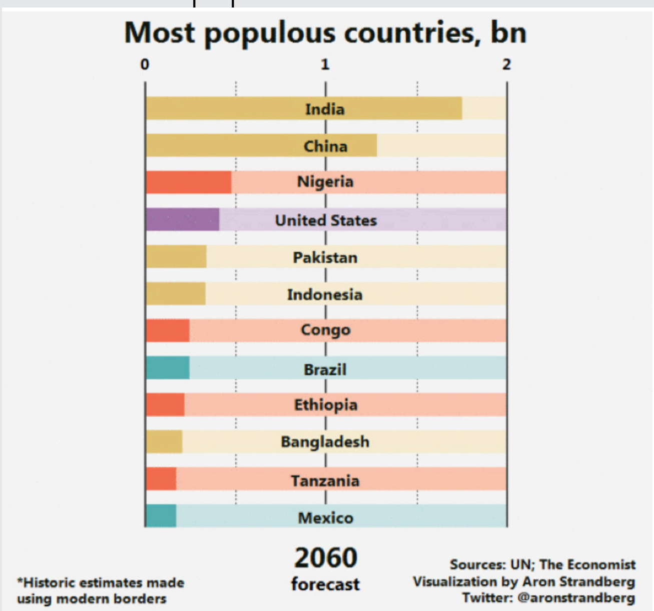
Around the same time, FCI and IFG were active in creating in the UNCITRAL Working Groups a Model Law on Secured Transactions (2016) (UNML).The Convention sets forth modern uniform rules governing the assignment of receivables for use in international financing transactions.

WORLD BANK'S SUGGESTION TO LAUNCH A FORMAL MODEL FACTORING LAW UNDER THE AUSPICES OF THE UNIDROIT

Meanwhile, we see a strong demand by countries for model laws that have a narrower scope than the UNML. Some countries have started to reform secured transaction laws. This is also evidenced by the World Bank's suggestion to launch a formal Model Factoring Law under the auspices of the UNIDROIT, the International Institute for the Unification of Private Law who's projects include drafting of international conventions and production of model laws . Other than a convention which is binding on countries after ratification, and subject to deviations only to the extent allowed by the convention itself, a Model Law is a suggestion for the harmonization of domestic law. We understand that the UNIDROIT, in a preliminary meeting on the 8th May, 2019 in Rome agreed to move forward with the formation and adoption of the Model Law on Factoring.

The Future of Receivables Finance

Why is this important. Well most developed countries have adequate laws protecting investors in factoring. However, most of the largest countries in terms of population are either considered low, lower and middle income as defined by the World Bank (Tier 1-3, representing countries with per capita income of less than US$12K). As you can see below, most of these countries are deemed "emerging" with the exception of the U.S. If you look at expected population growth and estimates by 2060, over 40 years from now, all of these countries except for the US and India have proper factoring laws in place to protect investors. However, in most of these markets, factoring is just getting started. They represent our industry's future, and FCI is making numerous inroads to help develop factoring in all corners of the world. This is why the question of supporting a FML is of paramount important to FCI, our members and stakeholders.



Differences between Factoring Model Law vs UNCITRAL Model Law on Secured Transactions

A factoring law is substantial for the development of a safe environment, creating trust in the handling of transactions. An assignment of a receivable is effective notwithstanding any agreement between the initial or any subsequent assignor and the debtor or any subsequent assignee limiting in any way the assignor's right to assign its receivables.

We understand that there are serious objections to single out receivable finance from a model law on secured transactions covering also other collateral. It has been widely accepted to include outright assignments used in factoring in a secured transactions regime to allow the same rules to govern priority conflicts. Model laws (ML) relating to only a limited class of assets might endanger that approach. On the other hand, it may be difficult to convince legislators to fully implement the UNML in one go as various established ways to secure credit are involved and might need to be reformed.

Any Model Law on Secured Transaction, whatever its scope is, must deal with interfaces to other laws when implemented by national legislators. The number and type of such interfaces depend on the scope of the ML and certainly a ML with a smaller scope will have other conflicts with existing laws of that jurisdiction. But conflicts are sure to arise and are to be solved by restricting either the scope of the ML, or the existing laws.

FCI, in following the ideas of the UN Assignment Convention and the UNML, has certain expectations for a Model Factoring Law. First of all, we would like the scope expanded to all kinds of receivable finance. We note that the limited success of the Ottawa Convention on International Factoring was caused by a somewhat narrow scope, the lack of substantive rules and the failure of the authors to at least find a conflict-of-law rule for priorities among competing claimants. Receivable finance industry nowadays offers various kinds of credit facilities, among them factoring, supply chain finance or reverse factoring, and others – all based on outright assignments of receivables (with the exception of some domestic legislation based on pledges or subrogation). Hence, such a FML should be all encompassing under the heading of Factoring / Receivables Finance.

FCI HAS CERTAIN EXPECTATIONS FOR A MODEL FACTORING LAW. FIRST OF ALL, WE WOULD LIKE THE SCOPE EXPANDED TO ALL KINDS OF RECEIVABLE FINANCE.

Conclusion

There are many considerations as well outside of a ML that investors must consider. Questions should be raised to determine whether:

1. a. A functioning and unbiased court system exists to facilitate collection of receivables,
    - i. Availability of civil courts
    - ii. Sufficient capacity for short procedures Predictability of court decisions
    - iii. Clear rules in substantive law including legislation and prior court decisions

   b. Clear procedural rules safeguarding the parties' rights while disallowing delays caused by the judge or by the parties

   c. Short procedures for clearing disputes,
    - i. Including the availability of technical experts advising on the disputed quality of the goods or services,
    - ii. Including rules for the court and the parties to request relevant documents,
    - iii. Special procedures for undisputed claims to ensure speedy collection.
    - iv. Many payment delays are not caused by genuine disputes but are based on the inability of the debtor to meet its payment obligation. For that reason, fake disputes may be brought forward to profit from the delay in procedures. For undisputed cases it is

useful to have a special procedure bypassing litigation and allowing the creditor speedy collection

d. Availability of Appeals courts for important cases

e. Availability of court officers (or other officers) to execute verdicts by seizures, attachments or other types of execution.

FCI WELCOMES THE IDEA OF THE FORMATION OF A FACTORING MODEL LAW. FCI IS WILLING TO ASSIST UNIDROIT IN ITS WORK, AS IT IS IN FCI'S INTEREST TO PROMOTE THE FML

2. Whether or not a prudential regulation system should extend to receivable financiers, and to which extent they should be subject to banking supervision, is also a question outside the Model Law itself. These issues must be solved by the legislator, taking into account the structure of the business in the relevant country.

But in summary, FCI welcomes the idea of the formation of a Factoring Model Law. FCI is willing to assist UNIDROIT in its work, as it is in FCI's interest to promote the FML. If there were ever a moment in time to support and push for a worldwide factoring law it is now. We appreciate the support of the World Bank/IFC, the UNCITRAL and UNIDROIT to help us achieve this dream.

The author thanks Mr. Ulrich Brink, Attorney at Law, Bette Westenberger Brink, Germany for his contributions to this article. This article is a condensed version of a longer article that has been published on the FCI website. If you are interested to learn more details, have a look at our website www.fci.nl.

FACTORING'S PROTECTION AGAINST BAD DEBTS VS CREDIT INSURANCE

YÜCE UYANIK
Member of FCI Legal Committee

Being the largest factoring chain, FCI has two main activities and value propositions:

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

Therefore, FCI's role by establishing global standards has always been very important to provide factoring customers with book keeping, collection functions and 100% protection against bad debts.

The Export factor provides credit cover on the foreign buyers backed through his correspondent in the import country. The Import factor, very often belonging to a banking group or a bank himself, has access to all necessary information from public sources, other banks and from his own database allowing him to evaluate the standing of a buyer. All customers are constantly supervised, direct experience is derived from the collection efforts, i.e. payment performance is monitored.

In time, after the emergence of credit insurance industry, some export factors decided to leave the two - factor system to do direct international factoring and some continued to provide their clients a more expensive but better service using the information and collection expertise of their foreign correspondents (import factors) mainly located in the buyers' countries. Recent developments show that also some of the import factors benefit from some advantages of credit insurance as risk sharing.

As factoring and credit insurance are two different institutions it is very normal that they have some differences. I will not go through all of them but will emphasize the most differentiating ones in terms of protection against bad debts:

- Factoring is sale of the receivable from the shipment whereas the credit insurance is a side coverage. Protection of credit insurance comes into force after the proof that the debtor is unable to pay.
- Factor has to pay the purchase price of the receivable whenever they receive it from the debtor or on the 90th day after the due date of the receivable, whereas the insurer starts investigating the collectability of the receivable after the failure of the debtor is proven and pays.

- Factoring covers 100% of the receivable whereas credit insurance's coverage is always below this level.
- Factors may agree on flexible payment terms but credit insurance companies may have general maximum terms.
- Import factors constantly verify and monitor the debtors' existence and payment performance, as stated above, being the owner of the receivable, whereas the insurance companies may have no direct contact with the debtors until a problem occurs.

Years ago, we had learned the following to diminish the seller risk as export factor. "If the seller knows better than the factors about the debtor, this means, either they do not need factoring or there will be a possible fraud." Some of the arbitration cases and the requirement in the Legal circular 17:2 to advise the import factor about the relationship between the seller and the debtor, prove this possibility.

Therefore, one of the main selling propositions of international factoring is the existence of import factors, their expertise and ability to monitor and supervise the debtors to protect the suppliers against bad debts.

Of course, the credit insurance industry is one of the major assistants of factoring system but it cannot protect the supplier's rights as factoring does. This is always enough to justify the price difference between factoring commission and insurance premium. Import factors' involvement in monitoring the risk position of the debtors is the main reason for exporters to chose factoring to sleep better in comfort and peace in mind.

- FACTORING COVERS 100% OF THE RECEIVABLE
- FACTORS MAY AGREE ON FLEXIBLE PAYMENT TERMS
- IMPORT FACTORS CONSTANTLY VERIFY AND MONITOR THE DEBTORS' EXISTENCE AND PAYMENT PERFORMANCE

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