FCI

NEWSLETTER / FEBRUARY 2019

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 this latest issue of our quarterly newsletter!

In this edition, Peter Mulroy gives feedback on the recent meeting with credit insurance players. The meeting focused especially on Africa with invited stakeholders. In his article Peter updates us on what occured in 2018 and the situation in Africa.

FCIreverse is presented with feedback on the webinar session that was organized in January following the start of the project.

In the next article, our new Regional Director for CEE, SEE and the Middle East gives her views on the trends in her region and her objectives.

Lee Kheng Leong interviews two members in Vietnam, the country FCI is organising for the annual meeting this year. Both give their views on the situation of factoring in Vietnam and the difficulties they encounter.

The next pages illustrates the FCI events organised during the next month: the EU Factoring and Commercial Finance Summit, a joint event with the EUF and the Regional Conference on Factoring and Receivables Finance in Southern Africa, organized with Afreximbank with the help of our local member Olympia Factors. We present feedback from the successful conference held jointly with IFC in the Philippines at the end of last year.

Before ereporting on the numerous new members, we explain the social media presence of FCI. Please join us on social media to be kept up to date on latest news.

The education section starts with the presentation of the brand new course that will be launched in the coming weeks. The course familiarizes students with Factoring and Receivables Finance.

Followed by COFIT 2018-2019, is afterwards presented, the Certificate of Finance in International Trade is organised in cooperation with Afreximbank for the African continent.

Finally the education section finishes with the coming seminar on Risk Management and Legal Consideration in our industry that will take place in Bucharest on 4-5 April.

The influence section starts with some feedback from recent participation in conferences and meetings.

Afterwards, Ulrich Brink, member of FCI Legal Committee, explains to us the UN Assignment convention that has been ratified by the US Senate at the end of last year. He completes the article by informing about the influence the ratification may have in the world of international finance.

Çagatay Baydar is interviewed about the recent protocol with Exporters Assembly.

To finalize, the subject of how blockchain could disrupt banking is discussed.

Finally, John Brehcist in his advocacy column, highlights why creating an appropriate legal environment is important, showing the example of the recent success in the UK and the need for FCI and EUF to advocate for our Industry.

Welcome to our latest edition!

Gwendoline

WELCOME FROM ÇAGATAY BAYDAR
Chairman of FCI

ÇAGATAY BAYDAR
Chairman of FCI

Dear Colleagues,

2019 has commenced with numerous projects. In this newsletter, we speak about many of them. I would like to highlight one that is not mentioned in any article, the Islamic Rules for International Factoring. As you know at the 50th Annual Meeting in Amsterdam, the council validated the new rules for Islamic International Factoring. Now the work has started to promote the rules in the Islamic communities to convince them to join FCI as a member in order to to use these rules.

At our 51st Annual Meeting in Ho Chi Minh City, Vietnam, the Islamic rules will be one of the important topics, not only because we will be in a region where we can find Islamic financial institutions, but also because we are convinced that it's part of the main business lines of FCI in the future. The conference will cover many other topics, I invite you to look at the brochure on our website.

The Annual Meeting will take place from 9 to 14 June and I hope to see many of you there to discuss, listen to great speakers, but also vote for the future of the association. As you know this year the Executive Committee will be elected for the next 3 years.

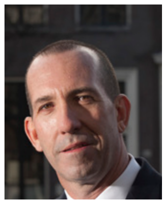
As I write this letter I am on my way back from the Executive Committee meeting in Taipei. We had two full days of meeting, the agenda was very tough. Our Secretary General presented the latest 20 membership applications and we were very happy to see so much interest in joining FCI. With the recent appointment of a Regional Director for Central, Eastern and South Easter Europe and the Middle East (Ms. Betül Kurtulus) and a Regional Director for North East Asia (Mr. Lin Hui) we are strenghtening our regional presence by creating 6 regions and decentralizing the prganisation. This goes together with a re-definition of the region, Mr. Lee Kheng Leong covering the South and South East Asia and Mr. Alberto Wyderka the Americas. We are also about to appoint a new Regional Director for Africa. Tt should be announced in the coming weeks. We hope not only to be able to better support to our members but also to attract more members as our aim is to grow.

After the meeting, we met with the 20 Taiwanese members to understand the viewpoints and get feedback from them on the recent projects of FCI.

Kind regards,

Çagatay

A WORD FROM THE SECRETARY GENERAL



PETER MULROY
Secretary General

Credit Insurance and Receivables Finance Working Group

I wanted the chance to update you on a recent meeting that we had in London. This was the the fourth meeting of the joint Credit Insurance/Receivables Finance working group that was initiated by FCI a few years back, bringing together the three major association representing the interests of the industry, including the Berne Union and ICISA, along with senior executives from the big three insurance companies: Atradius, Coface, and Euler Hermes. This meeting had a special focus on Africa, as we also invited special stakeholders from the continent representing the interests of both sectors, including the African EximBank, African Development Bank (AfDB), EBRD, ATI Insurance. Activa Insurance, ITFA, JLT (which recently merged with Marsh) and Lombard, a South African multi-line insurance company and the leading surety underwriter in the country.

What Occurred in 2018?

In terms of the health of the industry, some reported that the CI industry overall showed modest growth in 2018. In 2017 their members had reported figures more accurately and data was now more comprehensive. The CI industry is seeing the largest growth in the emerging markets particularly coming from the public ECAs. Business grew significantly in South Asia, and moderate growth in North America. Europe was flat. The BREXIT effect is not showing in higher claims yet but is expected. There were some large insolvencies globally in Asia, Europe and the US. As supply chains become more regional focused, will likely experience a declining trend in cross border trade, the good news is claims ratio was rather benign in 2018. It does not reflect the global slowdown and the economic concerns in the market concerning risk. But seeing some significant concerns, as claims in China increased significantly, predominantly in the construction sector. And in Europe and the States, retail/food insolvencies are on the rise, especially as consumers continue to shift to on-line retail e-commerce.

Advocacy in 2018

The main issue discussed related to the use of credit insurance as a form of guarantee to support factoring and receivables finance. The Prudential Risk Authority (PRA) had sent out proposed regulations for public comment that would severely change the landscape and conditions by which banks/factors could use credit insurance in the future. Numerous industry bodies like the Berne Union, ICISA, FCI, ICC, and others wrote letters to the PRA to identify these issues. Vinco David stated that due to the influence of the stakeholders who had written to the PRA, he believes the message has been heard by them, although they have not yet responded officially to any organization. However, some did hear some indirect feedback that they are considering the positions held by the industry stakeholders.

PRA HAD SENT OUT PROPOSED REGULATIONS FOR PUBLIC COMMENT THAT WOULD SEVERELY CHANGE THE LANDSCAPE AND CONDITIONS BY WHICH BANKS/FACTORS COULD USE CREDIT INSURANCE IN THE FUTURE

The working group also discussed a similar issue raised by the insurance regulator in China, which had created new regulations that could adversely affect the domestic receivables finance industry as well, especially when there is an assignment/transfer of the receivable to the third party. FCI had written a letter questioning some of the elements of the regulation. It was addressed to the newly combined insurance and banking regulator in China, the CBIRC (which merged in 2018). It was suggested by the China Banking Association (CBA) to wait until there was an appropriate time to address this issue with this new regulatory body

Education of CI/Factoring

We also discussed the need to elevate education of CI within FCI. Today, the CI associations offer education but only in the form of seminars, tutorials, and in-person training. Unlike FCI, they do not have any on-line courses. So the idea is to create a new course that offers both answers to questions for the factoring industry relating to CI, and CI industry relating to factoring. The course should have the objective of understanding "how to insure the factoring business", including:

- Technical aspects
- Operational aspects
- Controlling fraud and awareness
- Basel/Capital Treatment
- Best practices/avoiding "abuse"
- Map/where CI/Risk Participations are practiced and how/to what degree

Discussed as well the need to bring awareness to the credit insurers on the risks of SCF/reverse factoring. There is less knowledge on the topic within the CI sector, so the CI industry is very interested in education tools. FCI just recently developed a white paper on SCF, which we will use as the basis for a future e-learning course on SCF.

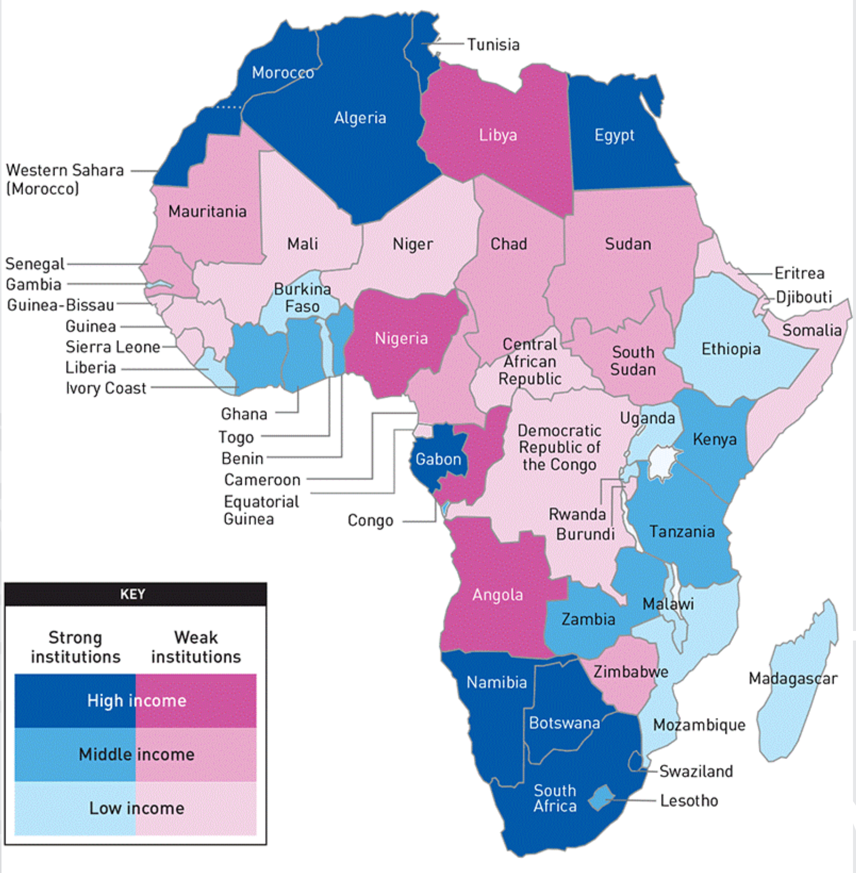
Africa

One person stated that most of the insurance activity in Sub-Sahara Africa (except South Africa) is conducted via the public sector: multilateral institutions and ECAs. Insurance increased in Africa in 2017-2018 significantly (albeit based on smaller volumes in comparison to other regions), however the growth was uneven, and was more tilting in the medium/LT space, supporting large infrastructure projects, especially in oil and gas. But the impediments in Africa are significant:

1. Lack of buyer/debtor data
2. Political instability
3. Transparency – quality of data

Africa's Markets

Analysis of wealth and institutional strength reveals six basic categories.



Note: Map excludes the following island nations: Cape Verde, Comoros, Mauritius, Sao Tome and Principe, and Seychelles.
Source: World Bank (2014 data on GDP per capita, at constant 2005 US$); the World Bank's "Doing Business 2015" Index

The consensus amongst the stakeholders is that there has to be more done to support the collection or raw data, especially in sub Sahara Africa and in those middle and lower income countries as shown in the graph above. The credit insurers are highly engaged in the high income markets, especially in South Africa, Morocco and Egypt.

2017 World Factoring Volumes (in millions Euros)

Country	Continent	Sub Region	Domestic	International	Total
Kenya	Africa	Eastern Africa	193	22	215
Mauritius	Africa	Indian Ocean	203	5	208
South Africa	Africa	Southern Africa	17,069	48	17,117
Egypt	Africa	Northern Africa	367	51	418
Morocco	Africa	Northern Africa	3,174	200	3,374
Tunisia	Africa	Northern Africa	323	16	339
			21,329	342	21,671

Northern Africa

Represents 8 countries including Algeria, Egypt, Libya, Morocco, Sudan, Tunisia, and Western Sahara. Euler has access to Allianz Global, their parent. They have operations throughout the continent via this German insurance provider. They will reinsure risk in South Africa and some selective risk elsewhere. Allianz is taking significant risk in the region. All of the insurers were quite active, especially in Morocco.

EBRD is only doing back to back transactions directly with FIs in this region. They do not work with the corporates directly in N. Africa. He stated that they need to know the exporters, look at the supply chain, and manage insurance policies effectively. They also use SWIFT where the mother company can take the KYC/AML risk. They do a lot of business with the French bank subsidiaries in Northern Africa.

Southern Africa

Represents 5 countries including Botswana, Lesotho, Namibia, South Africa, and Swaziland. Lombard/ stated that many non-banks in RSA are using CI. They are witnessing an increase in fintechs in Southern and East Africa as well. Banks don’t have CI policies themselves. Local factors are asking for coverage on large domestic buyers in this region that are subsidiaries of large foreign corporates. But underwriting SMEs is nearly impossible outside of RSA. Also they have macro-economic struggles in this region.

East Africa

Represents 20 countries including Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Réunion, Rwanda, Seychelles, Somalia, Somaliland, Tanzania, and Uganda. Lombards is also witnessing an increase in fintechs in East Africa as well. Euler has in Kenya and Uganda a license and also has Allianz to assist. There are active yet small invoice discounting markets in Tanzania, Kenya and Uganda. But this is factoring “extra light”, non-recourse factoring not yet conducted in this region of any magnitude. Standard Chartered is doing some work in Kenya and the region in RF, but they do it through their own master insurance policy, and we do not have any feedback on the magnitude. Atradius has a credit guarantee supporting mostly North and South Africa. They are not targeting East Africa today.

FCI has lost a number of NBFI members (four in total) in Kenya. There are some legal and tax impediments that need to be addressed. There is only one member left there, Ecobank, and it too is planning to move its operation to a country that shows more growth opportunity in factoring. SE stated that forfeiting is growing in Kenya. KA stated that they are seeing significant growth in Intra-African trade here as well. At the Intra-African Trade Fair held in Cairo last month, organized by the Afreximbank, over US$ 32 B deals were signed.

Western Africa

Represents 16 countries including Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, the Niger, Nigeria, Senegal, Sierra Leone and Togo. Coface is probably the largest credit insurer in the region, supporting French clients doing business there, also supporting the large French bank groups i.e. SG, BNP, Credit Agricole, etc. Per ICISA, they work with ATI, supporting credit insurers in sub-sahara Africa. Afreximbank has held three joint conferences in the region over the past 3 years. It seems to be catching on, as the region is growing and more banks/factors are using the service. Coface has a unique proposition in the region, whereby they will on-board banks and provide CI and a factoring platform offered by Dancerace to manage the receivables.

Central Africa

Represents nine countries: Cameroon, Central African Republic, Chad, Congo Republic - Brazzaville, Democratic Republic of Congo, Equatorial Guinea, Gabon, São Tomé & Principe. Coface has no subsidiaries in this region, and it seems most of the others are not doing much. FCI has one member in the Congo Republic, Banque Postale du Congo (but no activity to date). Otherwise FCI has no activity in this region and the credit insurers, especially short term, is quite small there..

Southern Africa

Represents five countries: Botswana, Lesotho, Namibia, South Africa, and Swaziland. FCI together with Afreximbank will hold a large regional factoring conference in Botswana on the 12-13 March. There will also be session on credit insurance during the event, so all participants are invited to attend.

Conclusion:

There were a number of ideas discussed at this meeting, besides the good cooperation that exists between the members of the group. It was decided to hold this meeting in Africa in the future, so that we can bring more players who are active in the market together under one room. But in summary, four good suggestions were presented:

- Create a Pan-African Payment and Settlement database, building a central repository of data on payments and past dues. This could come as a start from the factors and the stakeholders from this working group
- Continuous networking with African Stakeholders: Afreximbanl, ATI, ADB, Africa Re, Activa
- Develop formal partnerships to increase risk on the continent.
- Increase Risk participations

CONNECT

FCIREVERSE

It's ready!

On 10 January 2019, FCI organised the first webinar on the history of Supply Chain Finance (SCF) and an introduction on the benefits of FCIreverse, FCI's new payables finance buyer centric solution, based on reverse factoring.

It is intended for anchor buyer companies that have several suppliers who could benefit from early discount programs. The benefit to the supplier stems from the provision of lower cost of funds, due to the leveraging of the balance sheet of the buyer based on their confirmation to pay the invoice "date certain, amount certain", creating an arbitrage. For the buyers themselves, it can improve supplier management, create the opportunity to negotiate better payment terms, ultimately allowing for better cash flow forecasting and a stronger, more resilient supply chain. The product is offered in collaboration with Demica who owns and operates the technology platform powering FCIreverse.

The platform is now ready to be used, several potential test users are in discussion to pilot the platform but many questions were still raised by FCI members. Therefore, the webinar was organised to present to the interested members the project, its history, the reason why it was developed, the costs, the legal framework and the operations. The webinar was presented by Peter Mulroy, FCI Secretary General and the SCF Committee: Josep Selles (Chairman), Philippe Gresta and Monica Martin Blanco.

Josep Selles explained the background of the project, starting with the initial creation of SCF/confirming in Spain in the early 1990s, stemming from the economic crisis at the time, the increase of risk and the decrease in the use of factoring. Santander came with the idea to offer the suppliers an interesting advanced payment proposal without recourse. Today confirming accounts for 50% of the total Spanish factoring market.

Peter Mulroy explained how FCI decided to expand its core offering from traditional factoring to payables finance/reverse factoring. He noted several barriers to entry for the FCI membership, coming from the legal and regulatory environment, cost of technology/platforms, the rapid change in technological evolution with Blockchain, as well as issues relating to KYC/AML. The FCI membership confirmed on several occasions their willingness to have access to such kind of platform from FCI. It was confirmed by a members survey launched in 2016 where 76% showed their interested in the platform. After an RFP and interviewing finalists, the platform chosen was from Demica.

BCP participants following the webinar

Banco Supervielle participants following the webinar

IT'S A GREAT OPPORTUNITY AS IT'S THE FIRST NETWORK APPROACH FOR A REVERSE FACTORING SOLUTION BASED ON GLOBAL NETWORK, A ROBUST LEGAL FRAMEWORK, STATE-OF-THE-ART TECHNOLOGY, AND A CROSS BORDER ELEMENT, ALL TO INCREASE REVENUES FOR ALL PARTIES CONCERNED.

The costs to use the platform were also detailed by the Secretary General, it includes an annual fee of EUR 5,000, the costs of implementation by Demica and an ongoing revenue share (pay as you go formula).

Philippe Gresta presented the operations and demonstrated the flexibility of FCIreverse. The project has 2 types of operations: 3-corner and 4-corner. The 3-corner model is used for domestic transactions and/or cross-border one when the member doesn't need a counterparty in the other country. An additional declination of the 3-corner is the 3+ -corner model where the factor needs the help of another FCI member to onboard the supplier due to for example language issues or KYC documentation gathering. Once the onboarding process is completed, the correspondent factor disappears from the relationship and a standard 3-corner model is carried out.

For the 4-corner model as explained by Gresta, there is an import factor and an export factor during the entire transaction as exemplified in traditional FCI two-factor operations.

Monica Martin Blanco continued the presentation and highlighted the legal framework. She highlighted the need to sign different agreements with Demica to be able to on-board transacts on the platform. The factor member, the anchor buyer and the supplier must also each individually sign an agreement with Demica. In addition, other agreements are necessary between the parties but are not done on the platform. For the 3-corner model it means a commercial agreement between buyer and supplier, a bilateral reverse factoring agreement between the factor and the buyer and a bilateral Receivables Purchase Agreement (RPA) between the factor and the supplier. For the 4-corner model, in addition, there is a need for an interfactor agreement for FCIreverse between the Import Factor and the Export Factor. All parties would be subject to the Rules of FCIreverse.

Peter Mulroy concluded the seminar by highlighting the advantages for pilots to join the project. In summary he said "it's a great opportunity for the market as it's the first network approach for a reverse factoring solution based on global network, a robust legal framework, state-of-the-art technology, and a cross border element, all to increase revenues for all parties concerned. And the initial pilot members will have first mover advantage, as much publicity will follow them as a result.

FCI intends to repeat the webinar again in the coming months, so keep an eye on the FCI website to register as places are limited.

Following the webinar, a few participants sent their feedback, let's discover one of them:

"General impression is quite positive. The topic that was the subject of the webinar was clearly structured and presented. Presenters were well prepared and excellent. Timings were respected. Really appreciated the chat feature. Beside the questions function it was also very nice to have the private chat option to talk to the colleagues attending the webinar. Nice networking element to it. Before the webinar the topics that were not quite clear, at least to me, were the full legal scheme and pricing. Both topics were covered and well explained during the webinar. Overall, it was very useful and gave me better understanding of the subject." Anita Josipovic, Latam Trade Capital

LET'S MEET FCI NEW REGIONAL DIRECTOR FOR CEE, SEE AND THE MIDDLE EAST

BETÜL KURTULUS
Regional Director for CEE, SEE and the Middle East

Betül Kurtulus joined us in January and is the Regional Director for Central, Eastern and South Eastern Europe and the Middle East. She presents in this article what are the key trends in Europe and the Middle East in relation to trade right now and what are the biggest challenges for small to mid-sized corporates.

Factoring industry has been growing. As reported by FCI's 2017 Global Factoring figures, the world factoring statistics indicate that the industry experienced another strong year in 2017 and initial data shows that the industry will continue to in 2018.

World factoring volume was over €2.598 trillion in 2017. Total with €1.701 trillion turnover Euro zone has been generating 65% of the total turnover during 2017.

THE EXPECTATION SHOWS THAT EURO AREA GROWTH HAS BEEN CUT SHARPLY TO 1.4% THIS YEAR FROM 1.9% LAST YEAR

Economic indicators show that the expectation of the global growth will be close to 3% in 2019 from the expectation of 3.2% last year. The highest decline in growth has been expected from Euro area. The expectation shows that Euro area growth has been cut sharply to 1.4% this year from 1.9% last year.

For the last 10 years economic and financial volatility and also global risks are very high but even in that period factoring industry is growing more than the growth rate of the Euro zone. Receivable finance industry has a very important role in the growth of global trade by continuing to finance SMEs during this volatile period. Factoring is a direct channel for SMEs to access capital, these engines of growth supporting the economy around the world especially in the emerging countries like in the CEE and SEE region and also in the Middle East.

FACTORING IS A DIRECT CHANNEL FOR SMES TO ACCESS CAPITAL, SUPPORTING THE ECONOMY AROUND THE WORLD ESPECIALLY IN THE EMERGING COUNTRIES LIKE IN THE CEE AND SEE REGION AND ALSO IN THE MIDDLE EAST

In the Euro area, the realized and expected GDP growth rate and the potential growth rate of some of the countries will be over 3% like Bulgaria, Poland, Romania, Serbia and also smooth growth rate in Baltic countries. The share of factoring in GDP expected to be higher than 3-4 percent in 2018 in many of the countries in the region. Compared to the European average there is still the potential for growth, especially in standard factoring products. Turkey will likely slow down sharply in 2019, but in the long run we will be facing economic recovery with prudent policies from central bank. The expected growth rate of Turkey will still be promising and over 4% during 2020.

In the Middle East area some of the governments like Dubai have committed themselves to increased infrastructure developments, along with the growth of the SME sector. We see growing awareness and requirement for structured trade finance products and for the improved technology to drive it in the Middle East area.

IN THE MIDDLE EAST WE SEE GROWING AWARENESS AND REQUIREMENT FOR STRUCTURED TRADE FINANCE PRODUCTS

Preparing the ground for 2020 sustainable growth can only be reached by the transformation of business models that hold digitalization effectively. Besides digitalization, the growth of the sector also depends upon the regulations and the expertise of the sector in export factoring.

Even though Turkey's factoring activities are mostly dominated by domestic transactions there is great potential to grow in export factoring. With strong export factoring expertise, the great success of the Turkish factoring industry will continue with the impact of technology on receivables finance industry.

WITH STRONG EXPORT FACTORING EXPERTISE, THE GREAT SUCCESS OF THE TURKISH FACTORING INDUSTRY WILL CONTINUE WITH THE IMPACT OF TECHNOLOGY ON RECEIVABLES FINANCE INDUSTRY

Turkish factoring industry from the last decade invested in IT-based projects intensively and established, the Receivables Recording Centre, Private Integrator system, Trade Chain Finance Platform (TCFP) under the management of the Association. I believe that Turkey expertise on export factoring and investments on IT based projects will have a crucial role in the future of the factoring industry.

FCI has invested and launched a new business line of FCIreverse. The development of new markets and new technologies plus the continuing growth in trade, the future is bright for the industry.

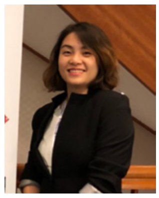
My key objective is to get the tail winds in the region with a new product like FCIreverse, implementation of Islamic factoring and investments on other IT solutions.

CONNECT

VIETNAM- A COUNTRY WITH GOOD POTENTIAL FOR INTERNATIONAL FACTORING

LEE KHENG LEONG

Asia Chapter Director



HO HAI YEN
VietinBank

VU THUY CHUNG
SHB

Our next annual meeting will be in Ho Chi Minh City in June 2019. Vietnam is one of the members of the Association of South East Asian Nation (ASEAN). With a GDP of US$2.55 trillion, ASEAN is home to thriving industries such as infrastructure, manufacturing and the digital economy. ASEAN is set to be the world's fourth largest economy by 2030. Vietnam is one of the fastest growing economies in ASEAN. Like all emerging countries, it has great potential for export factoring. It has transformed itself from an agrarian to a manufacturing and export-oriented economy. Its total factoring volume has grown at from Euro 100 million in 2014 to Euro 700 million in 2017. Our South and South East Asia Chapter Director, Lee Kheng Leong (KL) interviewed Ms Vu Thuy Chung, (VTC) Vice Director International Banking Centre SHB and Ms Ho Hai Yen (HHY), Deputy Head, Factoring Department, VietinBank to find out the potential of factoring in Vietnam..

KL: Vietnam achieved a GDP growth rate in 2017 is an impressive 6.8%, the best in the decade. What contributed to this growth?

VTC: According to General Statistics Office of Vietnam, the growth in Vietnam was due to the growth of 8% and 7% in industry and construction sector and services sectors respectively and a significant recovery of the agro-forestry sector (2.09% - much higher than 1.36% of 2016).

HHY: Vietnam saw strong growth in 2017 with an impressive Gross Domestic Product (GDP) growth rate of 6.8%, the country's best performance in a decade. This result was 0.1% higher than the initial target of 6.7% and much higher than last year's 6.21%. The country's total GDP in 2017 was more than VND5,000 trillion (US$220 billion), with a per capita income of US$2,385, up US$170 versus 2016. Contributing to the growth rate of 6.81%, the agriculture, forestry and fishery sector saw a significant recovery with a rise of 2.9% (higher than 1.36% of 2016), contributing 0.44 percentage point to the overall growth; the industrial and construction sector contributing 2.77 percentage points; the service sector contributing 2.87 percentage points and part of its 7.44% rise can be tied to increased attention to tourism. One of the most important keys to Vietnam's growth this year is foreign investment in manufacturing. The strong rise of processing and manufacturing industry, especially the high number of exports of Samsung Vietnam, helped offset the decline of the mining industry.

KL: In 2017 Vietnam Export and import hit a record of USD 400 billion. Would this help export and import factoring?

VTC: 2017 marked a successful year for trade with export turnover reaching $214 billion. Textiles and garments, electronic components and mobile phones made major contributions to Vietnam's export economy. Besides vegetable and fruit exports were also positive, achieving a 43% year-on-year increase.

Vietnam's imports largely comprised raw materials and mechanical spare parts for manufacturing and production purposes as well as for projects in power and energy.

The growth in the high stable import export commodities creates a favourable environment for the Factor to develop factoring business.

HHY: In 2017, export turnover gained $213.8 billion, an increase of 21.1% compared to 2016. Import turnover obtained $211.1 billion, up by 20.8% over 2016. The high trade volume is a necessary condition but not a sufficient condition. In fact, factoring has been applied in Vietnam for more than 15 years and four banks are members of FCI which provide Vietnamese factors with a good environment for them to compete and learn from international partners. However, Vietnam accounts for the minor volume of international factoring in comparison with other countries in Asia. In Vietnam, factoring is mainly used for domestic transactions. Though Vietnam is opening strongly in the worldwide market, international factoring is not as popular as domestic. It is usually considered as a high-cost and complicated product. It is also difficult for Vietnam enterprises, especially SMEs, to recognize its benefits against costs. Import factoring is even harder to penetrate into Vietnam market due to credit limit obstacle. In addition, there is only a small number of financial institutions providing factoring services in Vietnam (eight official providers, three of which are members of FCI). Thus, Vietnam factoring's full potential is not realized yet, leaving room for improvement and further development.

KL: Is there any factoring law in Vietnam? Does it help factoring?

VTC: In Vietnam, Factoring activities are governed by Law on Credit Institutions, Decision 1096/2004/QD-NHNN and Circular 02/2017/TT-NHNN. Vietnamese Factors face a lot of difficulty for doing factoring because there are conflicts between Vietnam law and International Practices on Factoring Activities. Hence it helps domestic factoring rather than international factoring.

Vietnamese Factors face a lot of difficulty for doing factoring because there are conflicts between Vietnam law and International Practices on Factoring Activities

HHY: On May 17, 2017, the State Bank of Vietnam issued the Circular No. 02/2017/TT-NHNN stipulating on factoring activity of credit institutions, foreign banks' branches, took effect on September 2017, and replaced Decision No. 1096/2004/QD-NHNN dated September 6, 2004 and Decision No. 30/2008/QD-NHNN dated October 16, 2008 of the Governor of the State Bank of Vietnam on amendments to regulations on factoring services provided by credit institutions which were issued together with Decision No. 1096/2004/QD-NHNN. Circular No. 02/2017/TT-NHNN has overcome some limitations of Decision No. 1096/2004/QD-NHNN and Decision No. 30/2008/QD-NHNN. For the first time, the definition of "payable factoring" was given which is a big advantage for development of factoring in Vietnam. Moreover, this circular also considered electronic factoring providing an important legal framework for reverse factoring. Last but not least, Circular No. 02 has given definition of "non-notification factoring" contributing to diversify the factoring products. However, the main obstacle was not overcome yet. The definition of factoring as one form of credit makes it difficult to approach and implement in Vietnam.

KL: Although factoring was introduced to Vietnam in the 1980s and Vietnam is the sixth largest economy in ASEAN, its international factoring volume is only Euro 300 million. What do you think is the reason for this? How can this be increased?

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VTC : According to a research of SBV, there are two main reasons that result in the modest volume of International Factoring in Vietnam, i.e.:

- The first reason was due to Vietnam Legal and Regulatory Regime: there are conflicts between Vietnam law and International Practices on Factoring.
- The second reason was due to the Factors themselves. There is lack of key trained factoring professionals and facilities to develop factoring activities.
- The third was due to the Enterprises: Vietnamese Enterprises are familiar with traditional payment methods and not factoring.

The research team has proposed the following solutions to promote the factoring activities in Vietnam:

- Amend, supplement and complete regulations regarding the factoring activities.
- Simplify the processing procedure, review and streamline the policies and mechanism.
- Improve knowledge for the Factors and Enterprises.

HHY: In Vietnam, factoring is considered as a lending operation, following Law on Credit Institutions. Thus, all restrictions on lending instruments are also applicable to factoring, which has reduced the qualified customers. Customers using factoring are mainly big enterprises, long-term customers or state-owned corporations. The common profile of them is strong financial position, solid business plan and many collaterals. 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. As you said, SMEs accounted for 98 percent of all enterprises, 40 percent of GDP, and 50 percent of employment in Vietnam. This is a potential market to exploit. Vietnamese banks should apply reasonable credit assessment and approval method for SMEs which should not be treated in the same way as large enterprises.

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: FCI two-factor is primarily for SMEs. As SMEs accounted for 98 per cent of all enterprises, 40 percent of GDP, and 50 percent of employment in Vietnam, do you think FCI will be able to help the Vietnamese SMEs to expand their export sales?

VTC: One of the greatest problems of SME enterprises is their lack of funding and limited access to finance. FCI's two-factor system will help SME Enterprises gain access to finance, provide opportunities to sell on open account payment terms as well as to overcome language barriers when dealing with foreign partners. It therefore helps them to expand their export sales. So in the context of SMEs accounted for 98% of all enterprises, 40% of GDP and 50% of employment in VN, FCI and FCI's two-factor system is a great solutions that helps Vietnamese SMEs to resolve their difficulty.

HHY: Liquidity and capital is what SMEs want, but they might have limited credit history, lack of collateral, in transparent information. FCI two-factor factoring service can provide short-term funding against receivables, together with 100% credit risk protection and collection services, allows companies to improve competitiveness and attract foreign partners so that they can expand trade volume and grow business. In Vietnam where factoring is treated as lending product and issuing financing often requires collateral, the credit risk protection from Import Factors might help SMEs to reduce bank's collateral requirements, obtain higher financing percentage and lower cost.

KL: What do you think FCI can do to help Vietnamese banks to grow the international factoring?

VTC: Most of Vietnamese Enterprises do not have strong knowledge of international factoring and its benefits, they typically use traditional payment methods in dealing with export sales. FCI may support Vietnamese banks to promote international factoring to enterprises by organizing training courses directly, conferences or seminar programs.

HHY: In 2016, FCI in cooperation with IFC, Vietnam Bank Association and VIB Bank organized a Conference on International Factoring, which helped not only Vietnamese commercial Banks but also policy-makers, financial companies, exporters, importers to understand more about Vietnamese factoring market, what is factoring and its benefits. After this conference, in 2017, State Bank of Vietnam issued their new Factoring circular which is more in line with nature of product than the previous one and creates legal framework for new kind of factoring product such as reverse factoring and non-notification factoring. Also, some export and import companies are interested in factoring product and had their first factoring transaction. We also hope that the FCI Annual Meeting, which will be held in Vietnam this year, could become a strong momentum for the development of factoring industry in Vietnam.

> We also hope that the FCI Annual Meeting, which will be held in Vietnam next year, could become a strong momentum for the development of factoring industry in Vietnam

KL: What is the future of export factoring in Vietnam?

VTC: In the context of rapid growth in GDP, hitting a record in import export sales and a number amount of SME enterprises in the economy, Vietnam has the prerequisite to promote export factoring activities, and is considered a potential market for development of international factoring. However, lack of knowledge of factoring and existing commercial culture are the main obstacles to the development of this service in Vietnam.

HHY: Factoring services has high potential. Despite modest volume over past years due to lack of awareness from import-export companies, cumbersome credit assessment processes from factor and commercial banks, Vietnamese factors are still optimistic about the future of Factoring: Factoring gains acceptance by more companies because it offers financing with lower cost, higher risk protection and especially it helps SMEs to expand business through open account payment terms. On the other hand, Banks look at factoring in a new light because they are expecting that by 2020 about 90% transaction of international trade will be done on open account. Banks also need to target SMEs which need funds.

KL: Vietnam is one of the countries of the China Belt and Road and the Regional Comprehensive Economic Partnership. Many of the countries in the Belt and Road and RCEP are members of FCI. Do you think this will help to expand your international factoring?

VTC: Yes, this will help to expand our international factoring. However, our recent customers still lack the knowledge of factoring so we are in the process of educating and guiding them. We hope we will exploit the geographical advantages of Vietnam as well as benefits of FCI membership to develop the Factoring business in the near future.

KL: Thank you for the useful insight into the opportunity of factoring in your country. FCI members look forward to visiting your country in June 2019 for the FCI Annual Meeting and to learn more about your country.

CONNECT

FIFTH EU FACTORING AND COMMERCIAL FINANCE SUMMIT

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

For the fifth time, the EU Federation and FCI are organizing the EU Factoring and Commercial Finance Summit. The conference is the only European one organized by the Factoring Industry for the Factoring Industry.

FCI and EUF represent over 98% of all European market players. The Summit is a unique opportunity for Industry Leaders to network and address topics that really matter for the Factoring Industry.

Attendees will have the opportunity to listen to the latest updates and be involved in promoting and celebrating the impact of the Commercial Finance Industry who support the real economy and employment in Europe.

The programme will allow you to:

- Get an update on the most recent evolutions on the European Factoring scene, both in terms of figures as in terms of products offered.
- Discover the findings of the updated EUF White Paper.
- Fintech, Blockchain, new technologies… take a look behind the buzz and get informed about initiatives that can really influence your Industry.
- Listen to how will the Factoring Industry will look after Brexit. Get the views from the big players of the Industry
- Hear what the consequences of CRR/ Basel III are.
- Discover the Poland and Italy case regarding split payment.
- Find out what the factoring industryis like in Portugal.
- Learn what roused the factoring industry in 2018. Report from EUF Technical Committees.

Attendees include anyone who needs to be up-to-speed with the latest trends and developments in the European Factoring and Commercial Finance Industry, including:

- SENIOR MANAGERS
- CEOS OF INDUSTRY PLAYERS
- TEACHERS, RESEARCHERS AND PROFESSIONALS WITH AN INTEREST IN THE FINANCE OF BUSINESS IN EUROPE
- SUPPLY CHAIN FINANCE COMPANIES
- COMPANIES OFFERING THEIR SERVICES TO THE WORLD OF FACTORING (LAWYERS, INSURERS, IT PROVIDERS…)

More information and registration: https://fci.nl/en/event/Fifth%20EU%20Factoring%20Summit%20Lisbon%202019/5346

AYSEN ÇETINTAS
Education Director

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

Factoring continues to grow successfully both in mature markets and in emerging markets. Through their control methods and permanent monitoring of the receivables, factoring companies or factoring divisions of banks are able to provide more financing to SME's than traditional lenders.

FCI, in cooperation with *Afreximbank and Olympia Factors* are organizing a "Conference on Factoring & Receivables Finance" in the Southern African region, focusing on a regional view on factoring and aiming to promote the use of modern financing tools that have a proven record of supporting the growth of the real economy.

Botswana has been selected as the venue for the conference, the country is located at the center of southern Africa, positioned between South Africa, Namibia, Zambia, and Zimbabwe. One of the world's poorest countries at its independence in 1966, it rapidly became one of the world's development success stories.

Botswana has been one of the world's fastest growing economies, averaging 5% per annum over the past decade. Economic activity is expected to intensify to 4.5% in 2017, up to 4.8% by 2019. Economic growth will be driven by the mining activity, construction, services sector and intensified public investments.

BOTSWANA HAS BEEN ONE OF THE WORLD'S FASTEST GROWING ECONOMIES, AVERAGING 5% PER ANNUM

The EU signed an Economic Partnership Agreement (EPA) in 2016 with the Southern African Development Community (SADC), comprising Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland.

SADC EPA countries are strong in the exports of diamonds and in South Africa, Botswana, Lesotho and Namibia these constitute a large to dominant share of their exports to the EU. Other products from the region include agricultural products (beef from Botswana, fish from Namibia or sugar from Swaziland), oil from Angola or aluminum from Mozambique.

It is generally recognised that Africa presents some of the most exciting global opportunities for economic development and expansion. Our industry is capable of providing support to this growth but knowledge and capability need to be developed and shared. The African Chapter is in place to help support this expansion and skills creation at a regional level.

More information: https://fci.nl/en/event/Botswana%20Regional%20Conference%20on%20Factoring%20and%20Receivables%20Finance%20in%20Southern%20Africa/5345

SUCCESSFUL FACTORING CONFERENCE OF IFC AND FCI IN THE PHILIPPINES

Innovating and providing more financing product alternatives to MSMEs

The Philippines' Personal Property Security Act (Republic Act No. 11057) was passed in August 2018. This law seeks to increase access to finance for MSMEs and farmers through a stronger legislative framework for lending using movable assets (i.e., anything other than land). The IFC and FCI Southeast Asia Factoring and Receivables Finance Conference was held in Manila on 28 November 2018. The event was attended by about 100 participants from Banks, officials, financial institutions and exporters. It was a truly South East Asia conference as participants came from Vietnam, Indonesia, Singapore, Malaysia and India.

Gay Santos, IFC Senior Financial Sector Specialist, gave an update on the Personal Property Security Act, which was just passed this year. This law which covers accounts receivables as well will be a boon to factoring as it gives great certainty to assignment of receivables and established the right of assignment. This is the first law of its kind in Asia to help MSMEs to have access to financing and will be a good example for other Asian countries to follow.

In the Philippines, although factoring is already being practiced it has not reached its full potential of mobilizing finance to MSMEs. The event was meant to increase awareness of the benefits of accounts receivables financing and factoring to MSMEs. The event also marked the recognition of Acudeen as the first Philippine entity to join FCI. The event was sponsored by VTeam Financial Service Group of China.

It was a very lively conference as there were many questions raised by the participants. Based on the feedback and the interest by the participants, we are upbeat about the factoring market in Philippines. The success of this conference has prompted more request to deliver more of such conferences in the Philippines next year.

"Innovation is key to efficient business and markets and factoring with tech enablement is an innovation to look out for in emerging markets." Tushar JHA, NMB Bank Ltd, Nepal

"The conference was highly informative. Hopefully our MSMEs would be able to venture in on the factoring/movable assets financing to help them sustain their businesses."

"FCI forum/seminar is very useul and helpful, especially to emerging markets. The organization has been generous ad dynamic with its members and prospective members as well."

GWENDOLINE DE VIRON
Head of Marketing and Communication

FCI IS PRESENT ON SOCIAL MEDIA!

In this changing world, nowadays for some of the audience, social media is the first source of information. Recommendation, evaluation, discussion on social media have today a high impact on brand visibility and reputation.

At FCI we recognised it a several years ago but we realize that some of you may not be aware of our social media presence. Therefore we decided to dedicate an article on social media.

Here is a recap of where FCI is present on social media:

LinkedIn:

A company page (829 followers): a window for professionals: FCI is publishing information that we want to share with people that want to discover FCI, what we do, the receivables finance industry and news. https://www.linkedin.com/company/fci-factoring/

A public group (2053 members) where you can share your thoughts, articles, updates… Both FCI and the group members can publish information there. Don't hesitate to request to join the group if you are interested! https://www.linkedin.com/groups/2175590/

WeChat (121 members):

Chinese Members of FCI Committees cooperated to the create this, FCI Secretariat helped to promote the group. The group is a place where you can ask questions, share information but also where FCI can share recent news. If you wish to join, send an email to Lin Hui or Gwendoline de Viron so they can add you.

Twitter (384 followers): @fci_factoring

On the twitter account information is shared more often than on other social media. It's all short message as allowed by the media. FCI follows also its members and partner associations. We re-tweet and like the news we think could be interesting for our network and followers. https://twitter.com/fci_factoring

Facebook:

Company page (405 followers): the company page has the same purpose as LinkedIn page, we know that the younger generation is more on this media. https://www.facebook.com/FCIfactoring/

Private group (270 members): FCI has a private group to allow sharing of pictures from FCI events, discuss subject, share FCI coming events… https://www.facebook.com/groups/5897023462/

The presence on social media has been developed for you members to share more information but also to promote FCI in the industry. Please don't hesitate to join us and share the news that may interest your network.

If you see another page/group that presents itself as FCI, it's not an official one so no information on it is confirmed by us but shouldn't follow it.

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:

China Systems

SPONSOR

HONG KONG

China Systems is the leading trade finance software solution provider worldwide. Our flagship core products for back-office, Eximbills®, and front-end, Customer Enterprise, are used by many international banks as a single Solution to meet their trade finance, payments, guarantees, factoring and supply chain finance processing requirements. The Solution has become widely accepted as the de facto standard for trade finance processing worldwide as a result of China Systems' more than 35 years of expertise, commitment and global footprint.

Today, China Systems has a growing international base of loyal customers in more than 60 countries as it continues to explore new business areas in the financial world. Using its knowledge in solution design and financial institutions' architecture, and its extensive experience in systems development and implementation, China Systems has created a powerful business enabling development platform catering for the needs of a range of international transaction banking services.

The company's expertise centers around providing automated solutions for niche areas of banking that systems suppliers have traditionally paid less attention to, including trade finance, guarantees, factoring and supply chain finance, as well as for more standard offerings in the payments and remittance space.

Factoring and Receivables Financing are part of our SCF solution, covering Reverse Factoring, Invoice Discounting as well as Import, Export and Domestic Factoring, fully supporting EDI for message exchange.

Maybank

ASSOCIATE

SINGAPORE

We are a subsidiary of Malayan Banking Berhad, Malaysia and our established presence in Singapore and Asean countries have been of more than 50 years.

In Singapore alone, we have been a qualifying full bank since 1960 (under the name of Maybank Singapore) and factoring has been one of our product offerings for more than 10 years. The number of invoices we handle yearly exceeds 40,000 pieces with the numbers growing in tandem with our client base.

To support Maybank's global vision, we are actively exploring international factoring opportunities with reputable banks worldwide.

You are welcome to enquire with us for more information as we could be your ideal partner in international factoring.

Do write or call us at Transaction Banking department

web

ASSOCIATE

CHILE

Nuevo Capital was founded during 2013 and although the Company is relatively new, our top management has a large experience in the factoring business and the Chilean banking industry, which has allowed us to grow very rapidly.

Nuevo Capital provides domestic factoring and leasing to SMEs, car loans for individuals and thanks to our recent FCI membership we will start providing international factoring soon.

With a Company staff of 400+ persons distributed in 23 branches along the country, loyalty, leadership, efficiency and integrity are our key organization values that allow us to serve 2.500+ clients.

ASSOCIATE

HUNGARY

OTP bank Plc. is the largest Hungarian universal bank and one of the best capitalized bank in Europe. The bank has been established in 1949. In 1995 the bank's shares have been introduced into the Budapest Stock Exchange. The state's ownership in the bank represents one single voting preference (golden) share. Currently the bank is characterized by dispersed ownership of mostly private and institutional (financial) investors. After successful acquisitions in the past years the bank became a key player in the Central and Eastern European region. Beside Hungary, OTP Group currently operates in 8 countries of the region via its subsidiaries. OTP Group provides high quality financial solutions to meet the needs of almost 18 million customers through nearly 1,500 branches, agent networks and the state-of-the-art electronic channels.

The factoring business has been introduced in 2013. Even in the first full year OTP Bank took over the leading position in the Hungarian factoring market and could permanently keep it with a market share of 49% in 2017. The successful entering into the factoring market has been continued by the OTP Group members. Wide range of factoring products are available in Bulgaria, in Croatia, in Romania, in Slovakia, in Montenegro and in Russia. Through FCI membership OTP Bank extends the range of export factoring products to its clients and offers to the export factors for use its market knowledge and wide corporate relationship structure in Hungary and in the regions covered by the OTP Group.

ASSOCIATE

AUSTRIA

Sberbank Europe Group, headquartered in Vienna (Austria), is a fully-fledged universal banking group that is 100% owned by Sberbank of Russia, Russia's largest bank. Based on its broad network and its profound know-how of the Russian and CIS markets, Sberbank Europe is the preferred partner for European companies doing business in Russia and within the markets of its presence. Sberbank Europe is present in eight markets in Central and Eastern Europe (CEE): Austria, Bosnia and Herzegovina, Croatia, Czech Republic, Germany, Hungary, Slovenia and Serbia. Sberbank Europe offers services to around 690 thousand customers, operates 191 branches, and counts more than 4,000 employees. The total assets of Sberbank Europe amount to EUR 11.8 bn (as of HY 2018).

www.sberbank.at

CONNECT

UniCredit Bank ASSOCIATE

BOSNIA AND HERZEGOVINA

UniCredit Bank d.d. Mostar is a registered commercial bank headquartered in Bosnia and Herzegovina. With the total assets of BAM 5.6 billion and capital of BAM 823.4 million, the Bank currently operates the network of 76 branches covering the entire territory of Bosnia and Herzegovina, which makes UniCredit Bank products and services available to every client in all major towns and places in Bosnia and Herzegovina. UniCredit Bank is the leading bank in Bosnia and Herzegovina according to majority of performance indicators. (data as of 30/6/2018).

UniCredit Bank offers a full set of banking products and services, including corporate banking, retail banking, financial institutions, cross-border operations, and investment banking services. Its business success is based on continuing improvement of service quality and creating products according to financial market demands, whereby the client is always put in the center of its business activities. With the service model of business, which ensures segment approach to every client, as well as easy and efficient service providing, UniCredit Bank enjoys reputation of a stable and reliable partner in Bosnia and Herzegovina. Membership in UniCredit Group further contributes to its strength and stability.

UniCredit Bank ASSOCIATE

SERBIA

UniCredit Bank Serbia is a member of UniCredit. UniCredit offers local expertise as well as international reach and accompanies and supports its clients globally, providing clients with unparalleled access to leading banks in its 14 core markets as well as in another 18 countries worldwide. UniCredit European banking network includes of Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey. From 2001, since UniCredit Bank is present in Serbian market, it is building its identity in a way that will bring multiple values added to all stakeholders. Thanks to constant improvement of processes, and placement of additional products as well as services, each designed according to needs of the clients, the bank year after year further strengthens its position as one of the market leaders in terms of profitability, efficiency and productivity. In line with its strategy, UniCredit Bank is engaging itself in the process of increasing reputation on the local market through its socially responsible business. UniCredit Bank is making a difference by contributing to the economic, social and cultural well-being of the communities it serves.

UniCredit Bank ASSOCIATE

SLOVENIA

UniCredit Bank Slovenia d.d. provides concrete banking solutions for the needs of customers on Slovenian market since 1991. We focus on effective and simple solutions that can help individuals, families, entrepreneurs, small and large companies. We want to understand the challenges and opportunities that customers face in their everyday lives and support their ambitions with our expertise, offering them optimal financial solutions.

Being part of UniCredit Group is our competitive advantage. We provide top service to international clients who operate on Slovenian market as well as Slovenian companies in their efforts to expand their business abroad.

Our Group's strategy is to remain a simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive client franchise: 26 million clients.

UniCredit offers both local and international expertise to its clients, providing them with unparalleled access to leading banks in its 14 core markets through its European banking network: Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey.

Leveraging on an international network of representative offices and branches, UniCredit serves clients in another 18 countries worldwide.

Zagrebačka banka
UniCredit Group

ASSOCIATE

CROATIA

Zagrebacka banka is part of UniCredit Group with clear and long-term strategy: UniCredit is and will remain a simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive client franchise: 26 million clients.

Zagrebacka banka has been the leading bank in Croatia for years in terms of the quality of products and services, technological innovations, the network of self-service devices and successful business results. In Croatia, the Bank has more than 60 thousand corporate clients and more than 1.3 million retail users.

As a member of the UniCredit Group since March 2002, one of the most successful banking groups in Europe, Zagrebacka banka is also one of the leading banks in Central and Eastern Europe (CEE). The main subsidiaries of Zagrebacka banka are: ZB Invest, the Zagrebacka banka investment fund management company, which holds approximately 27 percent of the market share AZ fond, while the compulsory pension fund of Zagrebacka banka and Allianz, holds approximately 41 percent of the market share.https://www.efghermes.com

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中原保理
ZHONGYUAN FACTORING

ASSOCIATE

CHINA

Zhongyuan Commercial Factoring Company has the biggest factoring market share of Henan province, China, the factoring volume is over 250 million Euros. The company is a 100% subsidiary of Zhongyuan Asset Management Company, which is affiliated to the people's government of Henan province. Zhongyuan Commercial Factoring Company is committed to the supply chain financial services, through creating standardized business processes, and provides comprehensive factoring services such as trade financing, accounts receivable management, and sales ledgers management, in order to optimise the allocation of financial resources and support the development of Small and Medium Enterprises.

We wish them lots of success!

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

EDUCATE

NEW COURSE

Introduction to Factoring and Receivables Finance

NEW

AYSEN ÇETINTAS
Education Director

BRAND NEW COURSE

A short introductory-level programme for those with no prior knowledge about Factoring & Receivables Finance

FCI delivers an extensive programme of training seminars, webinars, workshops and eLearning courses covering the latest developments in factoring, receivables finance and supply chain finance.

In addition to our wide variety of eLearning courses for FCI members and other Financial Institutions, we are glad to launch a *brand new course* for all users who aim to understand the basic concepts and variations of Factoring and Receivables Finance as well as the major risks and benefits associated with this form of financing.

The course content is explained in an interactive and clearly understandable manner. Case studies are used throughout the course to help bring the concepts to life and to foster interaction.

Course Outline

- Module 1- What is Factoring and Receivables Finance and what is it for?
- Module 2- What are the benefits?
- Module 3- Who can use it?
- Module 4- How does it work?
- Module 5- Products available and their variations
- Module 6- Comparison with other Bank/Trade Finance Products
- Module 7- Market evolution
- Module 8- International Cross Border Factoring
- Module 9- Risk management
- Cases

For whom?

This highly interactive course is designed to provide participants with a basic understanding of factoring and other receivables finance products and how they work.

THE COURSE IS IDEAL FOR GENERAL PRACTITIONERS WORKING IN BANKS, CORPORATES, INSURANCE COMPANIES OR FINANCIAL INSTITUTIONS IN ALL FUNCTIONS, AS WELL AS INDIVIDUALS – LAWYERS, CONSULTANTS, ACCOUNTANTS, UNIVERSITY STUDENTS AND ANY OTHER INTERESTED PERSON - NEW TO THE INDUSTRY WHO NEED TO LEARN THE BASICS OR ENHANCE THEIR KNOWLEDGE OF FACTORING AND RECEIVABLES FINANCE.

Those who successfully complete the course will receive an FCI certificate.

For more information please keep an eye on the FCI website!

SPYROS TSOLIS
Education Officer

EDUCATE

COFIT 2018-2019

Dedicated Certificate Program on International Trade for Africa

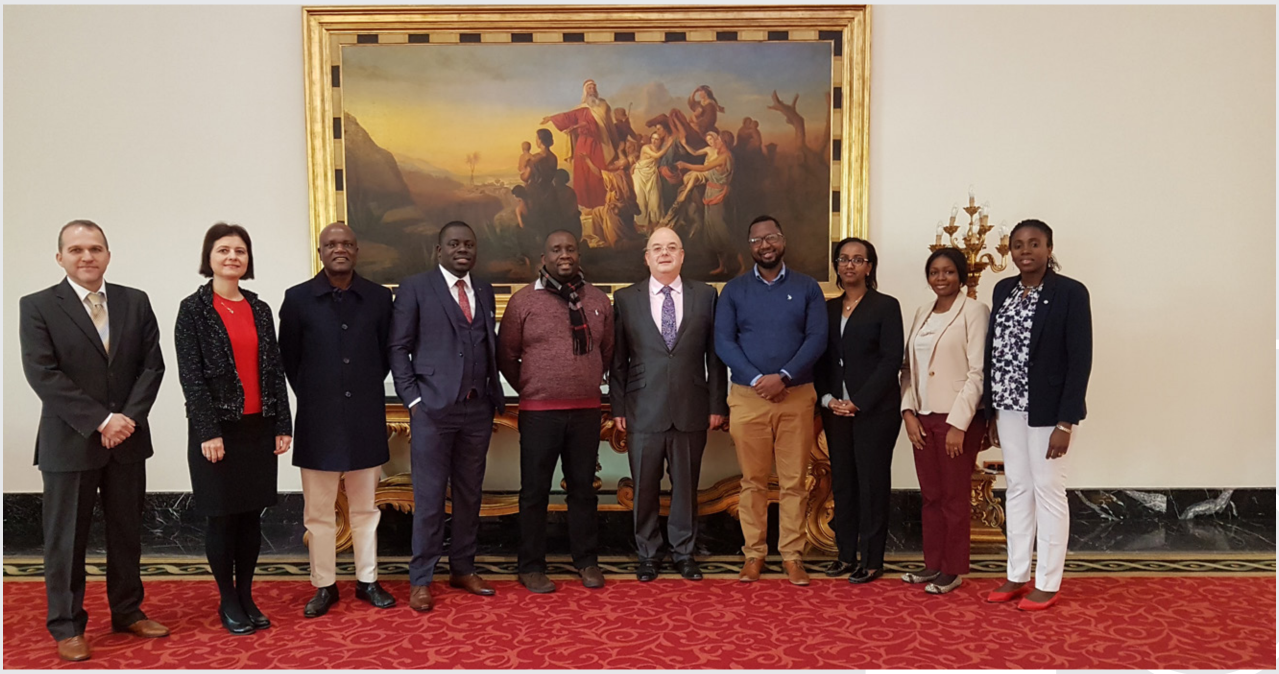
The fourth and final module of the COFIT (Certificate of Finance in International Trade) program was held at Cairo, Egypt, between 14-19 January 2019. It has been a very interactive module, delivered by FCI, including presentations on Factoring & Receivables Finance that raised the awareness of all participants on the subject. Participants had the opportunity *to apply all knowledge delivered to them in a business simulation game* focusing on setting-up and running a factoring company, facing the challenges and finding solutions on issues raised. All participants greatly valued the program and were interested in continuing their factoring education path with FCI.

COMPETITIVE, INDUSTRY-FOCUSED EDUCATIONAL PROGRAMME TO ACHIEVE PROFESSIONAL DEVELOPMENT GOALS IN THE FINANCE OF INTERNATIONAL TRADE

The COFIT is an Academic program that has been jointly developed by the University of Malta and International Factors Group (IFG, Since 1st January 2016, IFG and FCI entered into a Union) in cooperation with Afreximbank, in order to meet the demands of the commercial world and offer a platform from which participants can increase their understanding of all aspects of International Trade, Import/ Export Business, Logistics and Finance of International Trade.

The main objective of the programme is to deliver a *competitive, industry-focused educational programme* that will provide the tools needed to achieve *professional development goals in the finance of international trade*. The emphasis throughout is on the practical aspect of real-life international trade scenarios.

The next academic year of the COFIT program shall commence in April 2019 and, as always, is expected to attract considerable interest and participation.



EDUCATE

SEMINAR ON "RISK MANAGEMENT & LEGAL CONSIDERATIONS IN FACTORING & RECEIVABLES FINANCE"

SPYROS TSOLIS
Education Officer

4-5 April, Bucharest, Romania

"Factoring" and "low risk financing" are two terms that are frequently combined in the financial industry. Studies within the European region have confirmed this, ranking factoring as the most secure method for short-term financing. To maintain and improve this status proves to be a difficult exercise, *as recognizing and managing the risks involved in a factoring transaction is not always an easy task*.

All risk types in factoring have also direct and indirect legal implications that may result in unfavorable incidents, having a negative effect on the factor's financial performance. Irrespective of the factoring business line (domestic/international, with/without recourse, etc.), the close cooperation of all departments in a factoring operation is crucial and a basic element for a successful result.

Within this context, aligned with our member's demands, we are pleased to offer a new seminar, in a combined structure, addressing all key areas in risk management and related legal considerations in factoring & receivables finance, with a special focus on cross-border transactions and the GRIF. *The FCI Legal & Education Committees have worked closely and produced a comprehensive, highly interactive & practical training program* that has already received excellent feedback during its first edition that took place at Beijing, China, last October. Industry experts and members of the Legal and Education Committees will act as presenters and instructors in all sessions.

This time, Bucharest, Romania has been selected as the seminar venue, our well-established and respected member Unicredit Bank S.A. offered to host this event. We expect participants from Europe, Middle East and North Africa to join, however, attendants from other regions are warmly welcomed. *This training event will also be a great occasion for participants to network and share best practices in managing risks and addressing legal issues.*

RECOGNIZING AND MANAGING THE RISKS INVOLVED IN A FACTORING TRANSACTION IS NOT ALWAYS AN EASY TASK

Team members from Operations, Credit & Risk, Legal departments are expected to benefit the most from this seminar. However, it is important to note that risk management, legal framework knowledge and their interactions are not only tasks of the Credit, Risk & Legal staff of a Factor. We need to continuously ensure that all departments have a common understanding & knowledge of the possible risks and their implications in order to constantly confirm the statement that "factoring is a safe & low risk financing method".

More information and registration on [FCI website.]

FCI 51ST ANNUAL MEETING

9-14 June, Ho Chi Minh City, Vietnam

FIRST ANNUAL MEETING IN VIETNAM

BASEL REGULATORY CAPITAL REQUIREMENTS AND THE USE OF CREDIT INSURANCE

THE RISE OF FINTECHS/ BLOCKCHAIN TECHNOLOGY

NETWORKING

Register now on https://fci.nl/en/event/FCI%2051%20Annual%20Meeting%20Ho%20Chi%20Minh%20City/5074

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

BCR Supply Chain Finance Summit in Amsterdam, the Netherlands, 24-25 January 2019

The fourth edition of the summit took place end of January. Peter Mulroy, FCI Secretary General spoke twice during the conference. Mulroy discussed with other players from the industry on Fintech powered SCF: how digital platforms & networks can enable working capital. He highlighted the brand new platform developed by Demica for FCIreverse. Peter also participated in the final panel on Supply Chain Finance in 2020. The conference was also an occasion for FCI to meet with members and prospects in the world of SCF.

Executive Commitee meeting in Tapei followed by a meeting with Taiwanese members on 20 February 2019

The Executive Committee meeting was organised this time in Taiwan. The agenda of the meeting was subsequent and included the audited budget 2018 and updated budget 2019 as well as the presentation of the 20 applications for membership received since the last meeting.

After the meeting, the Members of the Executive Committee organized a meeting with local members to discuss the concerns of the local market but also the recent projects of FCI: the launch of FCIreverse, the introduction of the new North East Asia Chapter Director LIN Hui, the overview of FCI education, the evolution of two-factor business, the development of credit insurance insdustry as a tool to support factoring and the introduction of blockchain and distributed ledger technology and its implication on the factoring industry. The format of the meeting was presentations followed by roundtable discussions. It allowed ExCom members to understand the viewpoints and get feedback from local members on each subject.

GTR MENA in Dubai on 18-19 February 2019

Betül Kurtulus, FCI's new Regional Director for SEE, CEE and the Middle East was in Dubai for the GTR MENA conference. She met with local members and prospects and listened to several actors of the industry. More than 800 delegates met there to discuss trade finance for the Middle East.

New Export Nation Japan Conference on 20 February in Fukuoka

FCI together with our three Japanese members, The Mitsubishi UFJ Factors Limited, Mizuho Factors Limited, Sumitomo Mitsui Banking Corporation and Jetro held the third series of the New Export Nation Japan by FCI in Fukuoka on 20 February 2019.

Fukuoka is the sixth largest city in Japan and has a large base of SME exporters.

This conference was a follow-up of the two previous very successful conferences in Tokyo and Osaka last year.

There were about 70 participants. FCI was represented by its regional director, Lee Kheng Leong who spoke on the overview of international factoring.

According to a study by Japan's Ministry of Economy, Trade and Industry Japanese SME accounted for 99.7% of all enterprises, employed 70% of the work force and accounted for 50% of the gross value added.

As two-factors is very suitable for SMEs, it will be a useful tool to help the Japanese SME exporters. Furthermore, Japan is the second largest export country in Asia. As such there is huge potential for export factoring.

Jetro was impressed with the presentations and is convinced that FCI export factoring will help the Japanese exporters to compete with other Asian exporters and hence they are looking at publishing FCI export factoring on their website with one line enquiry on export factoring. This will be forwarded to our members for follow-up. This initiative will create greater awareness of FCI export factoring in Japan.

UN ASSIGNMENT CONVENTION RATIFIED BY U.S. SENATE

Dr. ULRICH BRINK
Member of FCI Legal Committee

Before the year 2018 ended, the United States Senate ratified the United Nations Convention on the Assignment of Receivables in International Trade. This convention was drafted by a Working Group of the United Nations Commission on International Trade Law (UNCITRAL) in the last decade of the past century and adopted by the UN General assembly in 2001. FCI was represented in the Working Group by the late Freddy Salinger whose contributions to the text were of utmost importance for the factoring industry.

Other than the Ottawa Convention in International Factoring (1988) that only applies to notified factoring, the *UN Convention relates to all kinds of cross-border receivable finance transactions*. It states important principles for such transactions, e.g. allowing the assignment of future receivables and disallowing ban-of-assignment clauses in trade finance. Unless otherwise agreed, clients represent the validity of the receivable, while factors take the default risk. The law of the jurisdiction in which the client is located is to determine if the factor is allowed collection in case of insolvency of the client, and the priority if a receivable was assigned more than once by the same assignor.

UNITED STATES SENATE RATIFIED THE UNITED NATIONS CONVENTION ON THE ASSIGNMENT OF RECEIVABLES IN INTERNATIONAL TRADE

UNLESS OTHERWISE AGREED, CLIENTS REPRESENT THE VALIDITY OF THE RECEIVABLE, WHILE FACTORS TAKE THE DEFAULT RISK

The UN Assignment Convention has meanwhile become the model for the Model Law on Secured Transactions (also applicable to domestic transactions), adopted by the UN in 2016, various Model Laws on Factoring, and new factoring laws enacted after the Convention was published.

Its ratification by the United States of America should incite other countries to also adopt the convention, thereby creating a safe basis for international receivable finance, and adapt domestic law accordingly. Currently, the European Union is considering legal solutions for the priority issue that are compliant with the UN Convention. In addition to the Model Law, the UN have published a comprehensive Legislative Guide (2007) and a Guide to Enactment (2017). A Practice Guide will be finalized in 2019. FCI has been following that development closely and is ready to assist its members and states in the process of transformation.

BETÜL KURTULUS

Regional Director for CEE, SEE and the Middle East

ÇAGATAY BAYDAR

General Manager TEB Factoring

HELP FOR EXPORT IN TURKEY

TEB Factoring entered into a protocol with the Exporters Assembly to help exporters to have access to advantageous financial products and services. Betül Kurtulus, one of the FCI regional Directors met Çagatay Baydar to understand the project.

Could you give us detail about the protocol you entered into with the Exporters Assembly?

Turkish Exporters Assembly (TIM) as the roof organization of the exporting firms around 83,000 was established in 1993. It continues its studies on a legitimate basis as the professional organization of the firms involved in foreign trade.

Türk Ekonomi Bank (TEB) and Turkish Exporters Assembly (TIM) have signed a collaboration protocol to meet the financing requirements of exporter companies. According to the protocol, TEB will provide advantageous financial products and services for exporter companies. TEB Factoring and TIM also signed a protocol and started a new collaboration in this field.

What is the scope of the collaboration?

TEB Bank allocated 300 million USD, and TEB Factoring allocated 50 million USD resources under the collaboration.

As Turkey completed the targeted 170 billion dollars of export in 2018, one of the most critical factors contributing to the country economy, mainly the growth will also be on export this year. TEB factoring signed a collaboration protocol with Turkish Exporters' Assembly (TIM) to provide exporters with financing possibility and commercial supports under very advantageous conditions.

What is the role of TEB Factoring in this protocol?

TEB Factoring is one of the leading companies of the sector with their national and international awards obtained and their breakthroughs. Having made use of the post-shipment re-discount credit for the first time from Exim bank, having been chosen as the most liked company in its sector, TEB Factoring holds the record in the field by winning the world's best export factoring company six times.

We, TEB Factoring, provided services to over 4 thousand clients in 2018 and realized approximately 9 billion TL turnover. The prepayment we realized as of year-end was over 1.7 billion TL. We closed the year on only export factoring with nearly 5.6 billion TL turnover and near 1 billion TL receivables, and we obtained a share of approximately 20% in the sector.

We will provide a source of 50 million USD loan facilities to exporters which are a member of TIM under our collaboration with TIM, and we will continue to contribute value to our country and support the increase of the country's export.

INFLUENCE

HOW BLOCKCHAIN COULD DISRUPT BANKING?

Extract from an article of CBInsight.

The complete article can be found here:
https://www.cbinsights.com/research/blockchain-disrupting-banking/

Blockchain is transforming everything from payments transactions to how money is raised in the private market. Will the traditional banking industry embrace this technology or be replaced by it?

Blockchain technology has received a lot of attention over the last few years, propelling beyond the praise of niche Bitcoin fanatics and into the mainstream conversation of banking experts and investors.

Last September, JPMorgan Chase CEO Jamie Dimon took a stab at Bitcoin: "It's worse than tulip bulbs. It won't end well. Someone is going to get killed." Lloyd Blankfein, head of Goldman Sachs echoed that thought, saying, "Something that moves 20% [overnight] does not feel like a currency. It is a vehicle to perpetrate fraud."

Despite the skepticism, the question of whether blockchain and decentralized ledge technology (DLT) will replace or revolutionize elements of the banking system remains.

And this very loud and public backlash against cryptocurrencies from banks begs another question: What do banks have to be afraid of?

The short answer is "a lot."

Blockchain's role in banking

1. *Payments*

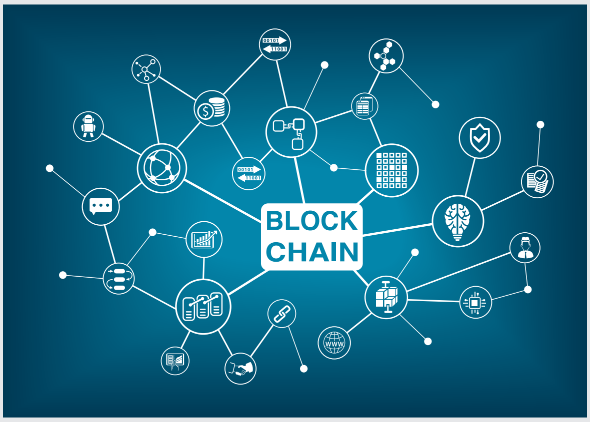
- Blockchain technology offers a high-security, low-cost way of sending payments that cuts down on the need for verification from third parties and beats processing times for traditional bank transfers.
- 90% of members of the European Payments Council believe blockchain technology will fundamentally change the industry by 2025.

2. *Clearance and Settlements Systems*

- Distributed ledger technology could allow transactions to be settled directly, and can keep track of transactions better than existing protocols, like SWIFT.
- Ripple and R3, among others, are working with traditional banks to bring greater efficiency to the sector.

3. *Fundraising*

- In initial coin offerings (ICOs), entrepreneurs raise money by selling tokens or coins, allowing them to fundraise without a traditional investor or VC firm (and the due diligence that accompanies an investment from one).
- Blockchain company EOS raised over $4B in its year-long ICO ending in 2018.



4. Securities

- Blockchain removes the middleman in asset rights transfers, lowering asset exchange fees, giving access to wider global markets, and reducing the instability of the traditional securities market.
- Moving securities on blockchain could save \$17B to \$24B per year in global trade processing costs.

5. Loans and Credit

- Blockchain-enabled lending offers a more secure way of offering personal loans to a larger pool of consumers and would make the loan process cheaper, more efficient, and more secure.
- The first live securities lending took place in 2018 with a \$30.48M transaction between Credit Suisse and ING.

6. Trade Finance

- The use of blockchain and distributed ledger technology (DLT) can support cross-border trade transactions that would otherwise be uneconomical because of costs related to trade and documentation processes. It would also shorten delivery times and reduce paper use.
- With approximately 80 to 90% of world trade relying on trade finance, the influence of blockchain on the market would be felt globally throughout all industries that use cross-border trading.

Beyond the hype

Disruption doesn’t happen overnight. Blockchain technology is still in its infancy, and a lot of the actual technology has yet to be perfected. Die-hard believers in cryptocurrency believe that it will replace banks altogether.

Others think that blockchain technology will supplement traditional financial infrastructure, making it more efficient. One thing is clear, however: blockchain technology will indeed transform the banking industry.

ADVOCACY: CREATING AN APPROPRIATE LEGAL ENVIRONMENT

JOHN BREHCIST
FCI Advocacy Director

For me, advocacy is very much about creating the environment where our Industry can develop and grow. Many of you may be aware of the recent success in the UK in the change in the law in respect of Ban on Assignment.

Until this change was made, a contract could prohibit the ability to assign or transfer rights created as part of that contract. If one of the parties happened to be an SME looking for finance from a factor, any attempt to assign the benefit of the contract which was in breach of the assignment restriction. This made the transfer ineffective, effectively barring that SME from raising working capital against its invoices.

> Regulations which invalidate restrictions on the assignment of receivables have been passed

Following intensive negotiation and pressure, regulations which invalidate restrictions on the assignment of receivables (in many contract types) have been passed by both UK Houses of Parliament and are now in force.

This is of course excellent news for the UK market and congratulations to those who drove the changes on behalf of the Industry.

EUFederation
Factoring & Commercial Finance

In Europe, FCI and the EUF are engaged with the European Commission's Director General for Internal Market, Industry, Entrepreneurship and SMEs (DG) on the subject of Bans on Assignment, which create the same and similar issues for SMEs across Europe (here, the situation is even more complex as legal and regulatory environments vary from one EU country to another; there isn't and never has been the level playing field that some people perhaps believe exists).

In 2017, the factoring industry in the EU provided over €217 billion of working capital financing to more than 200,000 businesses in the Region. According to the EUF White Paper "Factoring and Commercial Finance" (January 2016, cf. http://euf.eu.com/what-is-euf/whitepaper-factoring-andcommercial-finance.html) it's mostly SMEs and principally businesses in the manufacturing, services and distribution sectors that use factoring and similar products.

The amount of working capital provided by the European factoring industry has to be seen in relation to the total factoring turnover, which in 2017 was over €1.6 trillion. In relation to the total GDP of Europe, the factoring industry turnover represented 10.5% of EU GDP.

> The factoring industry turnover represented 10.5% of EU GDP

(We will soon know the figures for 2018 and the expectation is that these will have risen; in my estimation it will probably in the order of 5% on average across the EU.)

As the EUF has argued in its latest communications with the DG:

"Notwithstanding the different scopes of application and legal effects, all forms of bans on assignments (including restrictions on creating securities over receivables) … … create obstacles and hinder the use of factoring as a means of financing and mitigating risks such as slow- or non-paying customers/debtors. The EUF therefore strongly advocates the abolition or at least limitation of all bans on assignments of both public and private sector receivables in order to further facilitate factoring and thereby support business creditors, especially for SMEs that are often confronted with late payments."

The EUF therefore strongly advocates the abolition or at least limitation of all bans on assignments of both public and private sector receivables in order to further facilitate factoring

This wider context of payment performance has also been a focus of EUF efforts with the DG, which is currently undertaking a full review of the 2011 Late Payments Directive. Amongst proposals that have been raised is the idea of having a more centralised legislative approach to tackling late payment. In response to this, the EUF notes that:

"In some countries, there is already a body in charge of late payment management. Enforcement of existing legislation is also a matter for the judiciary, i.e. courts of law. Penalties alone are unlikely to (further) alter late payment behaviour, as can be seen from the experience of the effects of late payment interest to be paid by the debtor. Utilisation of such processes and penalties also affect the relationship between enterprises"

EUF thinks pragmatically that access to receivables finance is actually a more realistic solution to the problem

In other words, the EUF thinks pragmatically that *access to receivables finance is actually a more realistic solution to the problem*:

"Stricter payment terms do not automatically result in fewer late payments. Neither is a monitoring and enforcement system for establishing stricter payment terms likely to change existing trade/business practices significantly. Furthermore, such an approach goes against basic business principles such as contractual freedom. However, sharing information about invoice management measures such as factoring is certainly needed. The EUF would welcome and support such measures, also in cooperation with EU and national institutions."

It's great to celebrate the success achieved in the UK on Bans on Assignment; for now, the work goes on in Europe with EUF, and worldwide with FCI.

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