50 Years FCI

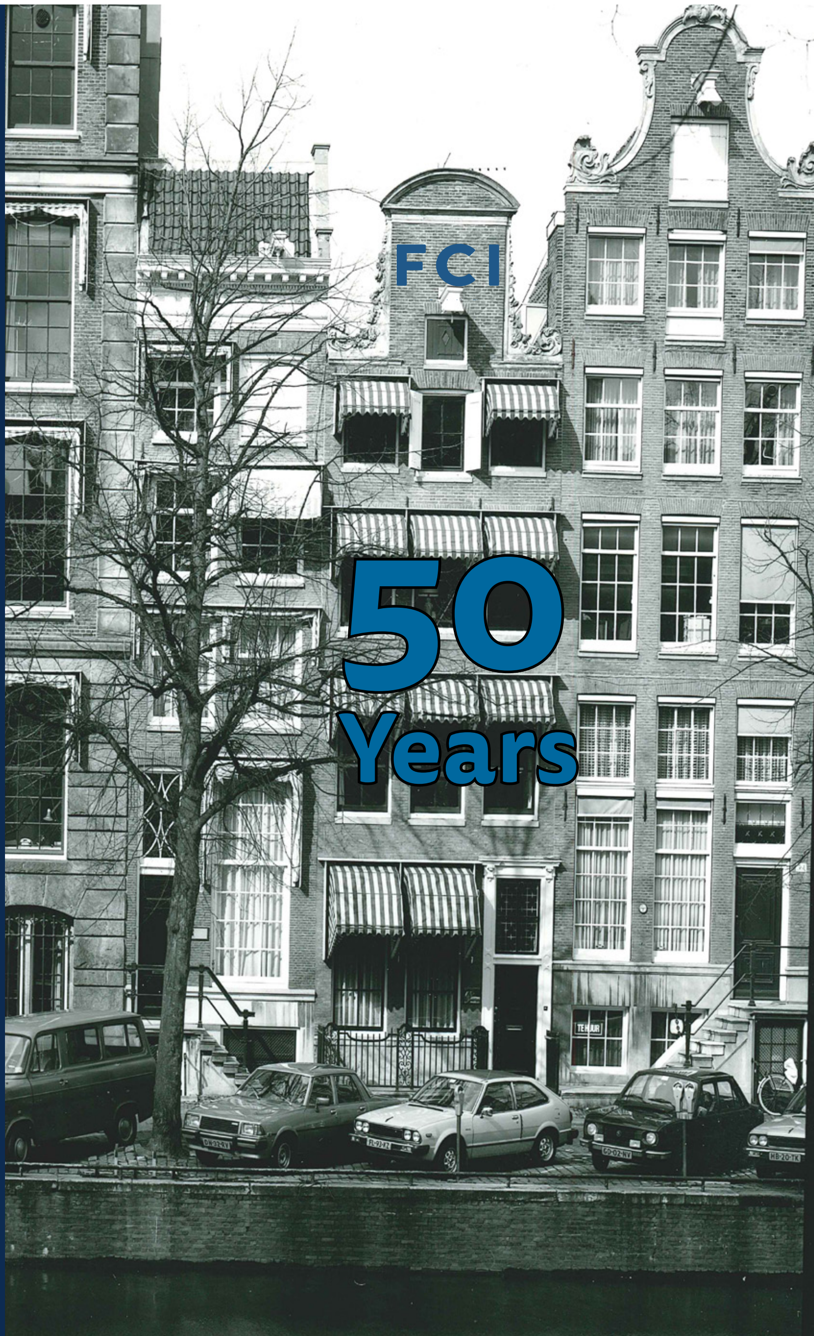
NEWSLETTER / MAY 2018

CONNECT. EDUCATE. INFLUENCE.

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

Contents:



GWENDOLINE DE VIRON
Head of Marketing and Communication

Executive Summary

Dear Readers,

We are happy to welcome you and invite you for a tour of the latest issue of the FCI Newsletter!

First of all, you will find the words of welcome from our Chairman, Çagatay Baydar, presenting the many projects in which FCI was actively involved the last months.

Then, Peter Mulroy, Secretary General underlines the importance of two initiatives which will be rolled out during our 50th Annual Meeting: the launch of the FCIreverse product and the new rules on Islamic Factoring.

During the last months, three important conferences took place. In this issue you will find reports on the regional conference and workshop on factoring in Dubai, the fourth EU conference on factoring in Athens and the conference entitled "New Export Nation Japan by FCI Export Factoring". Deng Sha Sha explains the concept of "One Belt One Road" developed in China and the reciprocal opportunities for the Chinese economy and for FCI.

We are happy to introduce in this issue nine of the numerous new members who joined FCI recently: Banco Ourinves in Brazil, BMCE Bank of Africa in Morocco, Incomlend in Singapore, Lusis & Co in Cameroon, Noor Bank in the UAE, OCBC Bank in Singapore, Phillip Bank in Cambodia, PrimaDollar in Bangladesh and UniFactor in Russia.

In the area of education, a successful factoring seminar took place in Kiev on the initiative of local banks via market lobbies and supported by EBRD, FCI, ACC and the National Bank of Ukraine. The subject was the long term plans for short term trade finance in Ukraine.

Spyros Tsolis, FCI Education Officer reports on the Malaysian economy and on the workshop and tailor-made training which took place in Kuala Lumpur.

Further, Spyros shares with us the success of the seminar on legal issues in receivables finance, which FCI and Assifact organised in Milan with the kind hosting of Banca Sistema.

Daniel Huszar from Efcom continues with an article over the threat of digitization: does it mean the death of the financial product?

Pietro Zardoni and Tiziano Sonzogni from UniCredit Factoring present their company and their positive experience as an FCI member, underlying the mutual benefits of their membership, in the context of the Italian economy.

Followed by Harry Biletta, FCI Director Planning and Development, who presents an overview of the FCI statistics for 2017.

Lee Kheng Leong, FCI Asia Chapter Director interviews Tan Ley Yen, CEO of IFS Capital Thailand about factoring in his country.

John Brehchist shares some updates and insight into the numerous activities undertaken in the field of advocacy in various areas, insisting on the importance of partnership to deliver results: with Afrexim in Africa, with the Insurance industry in the UK and with the EUF in Europe.

Welcome from Çagatay Baydar
Chairman of FCI

ÇAGATAY BAYDAR
Chairman of FCI

Dear Friends,

Welcome to the new edition of In-Sight. This newsletter is sent just a few days before the start of our celebration of FCI 50 years during the Annual Meeting in Amsterdam. The Secretariat is finalizing the last touches to make this conference an unforgettable one. In Peter's article you will discover some information about the history of FCI and the factoring. The last months have been very busy, not only preparing the celebration conference but also going around the world to spread knowledge about factoring. At the end of February, when the previous issue of In-Sight was out, I was with my colleagues of the Executive Committee in Panama for our meeting but also to participate in a promotion conference "Thinking Bigger: How Receivables Finance is your Gateway to Expand your Trade Finance Business". The conference had a great success and the feedback from attendees was very positive. It was an opportunity for the attendees to hear success stories from other parts of the world and also to discuss the state of the Industry in the region.

Prior to this, FCI held its second conference on factoring in The Middle East in Dubai in cooperation with one of our members, Dar al Tawreeq. It was perfect occasion to discuss the rules of Islamic International Factoring which the Legal Committee, in cooperation with Dar al Tawreeq, Noor Bank and International Islamic Trade Finance Cooperation developed. This will be presented in Amsterdam.

Early March, EUF and FCI organised the fourth edition of their well-appreciated EU Factoring and Commercial Finance. We were able to share with the European region the state of the industry as well as to launch the new version of the EUF Legal Study, an analysis of the legal and regulatory environments in Europe (and a number of important comparator countries).

Later that month, a legal seminar on legal issues in Receivables Finance was organised by the Education Committee in cooperation with Assifact (the Italian association) with Banca Sistema as the host. You will find an article on the seminar further in the newsletter.

A few days ago, our Japanese members in cooperation with FCI, represented by its chapter director Lee Kheng Leong organised a very successful promotion conference in Osaka that was attended by 170 participants. This conference is a great example of how FCI is helping people to get together strengthen their relationship.

In addition to those conferences/seminars, FCI joined the force of EBRD to train the factoring team of the National Bank of Ukraine at the end of February. A few weeks later, we had the same cooperation with IFC and the Mongolian Bank Association introducing factoring in Mongolia. The conference is part of IFC and FCI cooperation to introduce factoring in developing countries.

FCI participated in several conferences during the last months, just to mention some of them: RFix in London organised by BCR, where the preliminary factoring statistics where released, the ICC Annual Meeting in Miami (where we participated in meetings about the G20/B20, SCF, compliance and had discussions with the board and the secretariat about the future of the Uniform Rules for International Factoring (URIF)), TXF Trade and Treasury conference in Amsterdam, where Peter was a speaker and the CFEC Annual Summit in China, where FCI was represented by Ms Sun, FCI Vice-Chairman and Lee Kheng Leong, Asia Chapter Director.

You will see in another article in this publication that FCI developed connections with other associations, organisations and companies and we can already see that thanks to the cooperation we have more voice. Cooperation with others is our strength for the future

Best regards,

Çagatay

A Word from the Secretary General

PETER MULROY
Secretary General

The 50th annual meeting is now only weeks away, a moment that the Secretariat has been preparing for over a year now. The exciting aspect for me has been learning not only about the very rich history of our Industry but also the evolution of those early days when FCI was formed back in the 1960s. In fact, it all started in 1964, when four Scandinavian Factors, one from the UK and one from the US came together under the banner "Factors Chain", all sharing an idea of creating an industry association for the benefit of supporting cross border open account receivables finance. *In November 1968, this group would organize its first annual meeting* in Stockholm, Sweden, to which most of their peers from the period would be invited. In those early days, factoring was just starting its spread outside the United States. By the time FCI was founded in 1968, it would have *15 members located in 12 different countries*. However, fifty years later, FCI would grow to nearly 400 members based in over 90 countries.

But the Industry goes back much further than this, starting in the *ancient Mesopotamia period over 4,000 years ago*. Factoring had a much different meaning back in that ancient agrarian period. Factoring is actually derived from the Latin word "factum" from the Latin verb "facere", which denotes a meaning of being a doer of sorts, or "someone who does something on behalf of someone else". Trading distances between city states in those early days required the use of factors, and they took on the role of providing *a form of financing and protection on behalf of buyer*, at a commission. The first factoring "communities" showed up in the 13th and 14th centuries in France and England respectively, whose concept was brought by the conquering Roman Empire nearly one thousand years earlier. However, *the modern era of factoring can be traced back to 1814 in the United States*, when an entrepreneur from NY expanded the concept of factoring as a middle man selling merchandise and providing credit on behalf of industrial manufacturers, also known as commission factors or "del credere" factoring. The concept would return to the shores of England nearly 150 years later, in 1960, with the formation of the first joint venture between an American factor and a British entrepreneur. And it would be those players along with others from Northern Europe who would meet in Stockholm, Sweden in November 1968, nearly *50 years ago to form FCI*.

THE INDUSTRY GOES BACK STARTING IN THE ANCIENT MESOPOTAMIA PERIOD OVER 4,000 YEARS AGO

In honor of this significant milestone, FCI will hold a special 50th Annual Meeting in Amsterdam, the location of the FCI Secretariat, from 10 to15 June. FCI will roll out two important initiatives during this meeting, the first being the *launch of FCIreverse*, FCI's new SCF buyer-centric reverse factoring platform. This will allow members to obtain a global operating platform to support their anchor buyers and multiple supplier on-boarding process, with no up-front costs involved, making it an extremely attractive offer. FCIreverse will also have the capability to on-board suppliers in global markets through the proprietary 4-corner model, where members may have a more challenging time meeting strict internal KYC compliance hurdles or ensuring the commercial and legal risks are diminished working in a foreign legal environment. Members will have a chance to vote on the new rules during the Council Meeting. FCI signed the formal Mandate Agreement with our IT partner, Demica this month, and the next phase will be pilot on-boarding. Whatever the reason, FCIreverse will remove barriers and allow our members to provide greater enhanced services to their clients.

The second initiative will be the roll out of the *new rules on Islamic Factoring*. With the support of some of our members in the Middle East, like Dar al Tawreeq, who together with FCI developed the blue print for this initiative, but also Noor Bank, UAE and the Islamic Development Bank, Saudi Arabia (via their subsidiary, ITFC). Together, with the support of the FCI Legal Committee we created new rules for the development of international Islamic factoring, called the *Uniform Rules for Islamic Factoring*. The document will be presented for approval during the upcoming council meeting in Amsterdam. We anticipate that this will help spur membership and growth in factoring in the Islamic countries. Yuce Uyanik will lead the discussion in Amsterdam next month, to provide insight and unveil the newly drafted rules on cross border Islamic factoring.

Lastly, as you may have learned, the Prudential *Regulation Authority (PRA) of the Bank of England has issued a Consultation Paper CP6/18* that has placed some doubt about the use of credit insurance as a means to qualify for capital relief, for whom many of our members rely on today. Since the global financial crisis, banks have increasingly turned to this product to support their lending activities, particularly as a risk distribution tool which enables banks to increase their lending activity, although certain banks' ability to obtain regulatory capital relief has also made it a more economically feasible, as well as effective, risk transfer which compares favorably to other CRM tools. Since the confirmation by both the Basel Committee (BCBS) and the European Banking Authority (EBA) that non-payment insurance can function as an effective credit risk mitigation technique, the product has helped spur the doubling in size of our Industry since the great recession in 2008-09, and as you know, nearly half of the EUR 2.5 Trillion in annual factored volume is backed by some form of credit insurance policy. However, if the consultation is brought into force, some of the proposals made by the PRA would make many traditional credit insurance products ineligible as a form of credit risk mitigation for our Industry. Hence, we decided as an industry body to write a response to their consultation. John Brehcist, FCI Advocacy Director will cover this in more detail in a later article.

With the 50th anniversary meeting only weeks away, I hope you will join us on this journey together, in part to honor our past, discuss our current state of affairs, and question what the future will bring for our Industry. There will also be many special guest speakers, and we hope that the experience will enlighten everyone about our great Industry!

Regional Conference and Workshop on Factoring in the Middle East, 21 February, Dubai 2018

The second Regional Conference and Workshop on *Factoring in the Middle East was held in Dubai* on 21st February 2018 with 55 delegates from 14 countries. The conference was organised in cooperation with Dar Al Tawreeq (a member of Tawreeq Holdings Group), one of the members of FCI in UAE.

After the opening speech from Mr Harish Parameswaran (COO of Tawreeq Holdings), Mr. Peter Mulroy (Secretary General of FCI) gave information about the history and present situation of factoring and its variations.

Ms. Filiz ÜNAL, Deputy Secretary General of Turkish Association of Financial Institutions, explained the development of Turkish factoring sector with figures.

During the panel on *Islamic International Factoring*, moderated by Mr. Yüce UYANIK, member of the Legal Committee of FCI, after a brief history of factoring, panelists, Ms. Ramahi (Dar Al Tawreeq), Mr. Al Hussein (ITFC), Mr. Ahmed (Noor Bank) and Mr. Mulroy (FCI) discussed the mechanism of Shari'a compliant international factoring. It is based on murabaha and is fully consistent with what is being done in FCI. Therefore, modifying only a few articles of the new Supplemental Agreement for Islamic International Factoring will be a perfect interface towards further globalisation of the GRIF.

The afternoon session was about *FCIreverse*. Mr. Josep Selles, Chairman of FCI SCF Committee, explained in detail the mechanism 3- corner and 4 – corner models of FCIreverse. The presentation was followed by the demo of the FCIreverse platform by Demica representative.

Finally, there was the panel on the challenges and opportunities for factoring in the Middle East, moderated by Mr. Mulroy. After all the discussions by the panellists Mr. Al Nasser (Dar Al Tawreeq), Mr. Nicole (PrimaDollar), Mr. Ali (Noor Bank) and Mr. Uyanik (FCI Legal Committee) it has been agreed that factoring and FCIreverse are almost fully Shari'a compliant and highly applicable in the region.

With the increasing international trade volume and knowledge on this perfect financial instrument, factoring and its variations will receive higher interest of the financial companies in the Middle East.

FCI expects new members from the region.

"The event was a great opportunity to hear the views and real life experience of practioners and those who provide support to the Industry, both in formal sessions and networking breaks. And great value too!"

"Thank you. This was a fabulous session!"

4th EU Conference on Factoring in Athens, 6-7 March 2018

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

FCI and the EUF held the Fourth *EU Factoring and Commercial Finance Summit in Athens*, Greece on the 6-7 March 2018. Sponsored by the Hellenic Factoring Association and Neurosoft, and in association with EBRD, the event brought industry leaders together from a wide range of countries. Senior representatives heard presentations and discussion from experts on an extensive range of relevant subjects.

Opened by the newly elected Chair of the EUF, Françoise Palle-Guillabert, the group heard an analysis of the Greek economy from Professor George Pagoulatos; Alexandros Kontopoulos, then updated on the Industry.

Magdalena Barczak shared the preliminary statistics for the Factoring Industry in Europe in 2017 with the key message of continued Industry growth outpacing GDP development.

Rudolf Putz of EBRD, spoke about the development of factoring in Eastern Europe, the CIS and the Southern and Eastern Mediterranean countries, highlighting how the Bank can work in partnership with the Industry to develop these emerging markets.

The EUF monitors EU developments to assess their potential impact; from this analysis the EUF organises lobbying activities to ensure that the legal and regulatory bodies take factoring and receivables finance into account. The results of these lobbying efforts were shared by the Technical Committees.

Josep Selles explained plans to enter the reverse factoring space, giving a presentation on FCIreverse, the new FCI platform for Approved Payables Financing.

The first day was concluded by Spyros Tsolis reminding the audience of the importance of learning and highlighting the wide range of FCI educational offerings.

Day two started with John Brehcist sharing the launch of the EUF's revised Legal Study. This comprehensive analysis of the legal and regulatory environments of the EU28 and five important comparator countries gives a wholly unique and in-depth perspective on the respective treatments of invoice finance. It is a key tool in discussing and promoting our Industry with regulators, lawmakers and other key stakeholders.

Practitioners Tom Gevers (ABN AMRO) and Roberto Fiorini (UNICREDIT ITALY) offered case studies on the extension of boundaries in industry solutions, sharing examples of real world bank/factor structuring of multi-country European receivables finance deals.

One of the key talking points over the last year has been the potential impact and effect of the rapidly developing Fintech scene; a panel of experts (Luca Bottone, Kevin Day, Magdalena Wessel and Jeff Longhurst) participated in a panel moderated by John Brehcist. Whilst the direct competitive impact as yet is limited, opportunities for cooperation and integration exist, and the potential for major disruptive change continues.

Magdalena Wessel then asked if the Factoring Industry is entirely ready for GDPR? Andreas Bücker, Salvatore Marrone and Vagelis Papakonstantinou discussed the potential impact and concerns.

Françoise Palle-Guillabert chaired a panel of Industry experts; Richard Carter, Patrick de Villepin and Fausto Galmarini, looking to the future with a focus on what 2028 might bring. Common themes included technology development, new competition, standardisation and increase in regulation; all were thought likely to feature and impact development through the period.

The Conference was closed by FCI Chairman Çagatay Baydar, who thanked the speakers and audience for their active participation.

SUCCESSFUL CONFERENCE "NEW EXPORT NATION JAPAN BY FCI EXPORT FACTORING"

Following the success of the export promotion conference in Tokyo in October last year, our Japanese members, The Mitsubishi UFJ Factors Limited, Mizuho Factors Limited and Sumitomo Mitsui Banking Corporation together with FCI have decided to organize another conference in Osaka on 22 May 2018.

Like the previous one, this conference was well attended, by about *170 participants in majority from the SMEs*. The city has been chosen because there are numerous SMEs in Osaka.

According to a white paper by the Japanese Ministry of economy, trade and industry, 99.7% of the enterprises in Japan are SMEs. They employ 70% of the work force and the gross added value is of 55%.

FCI two-factors international factoring is very appropriate for this conference as it is suitable for SMEs.

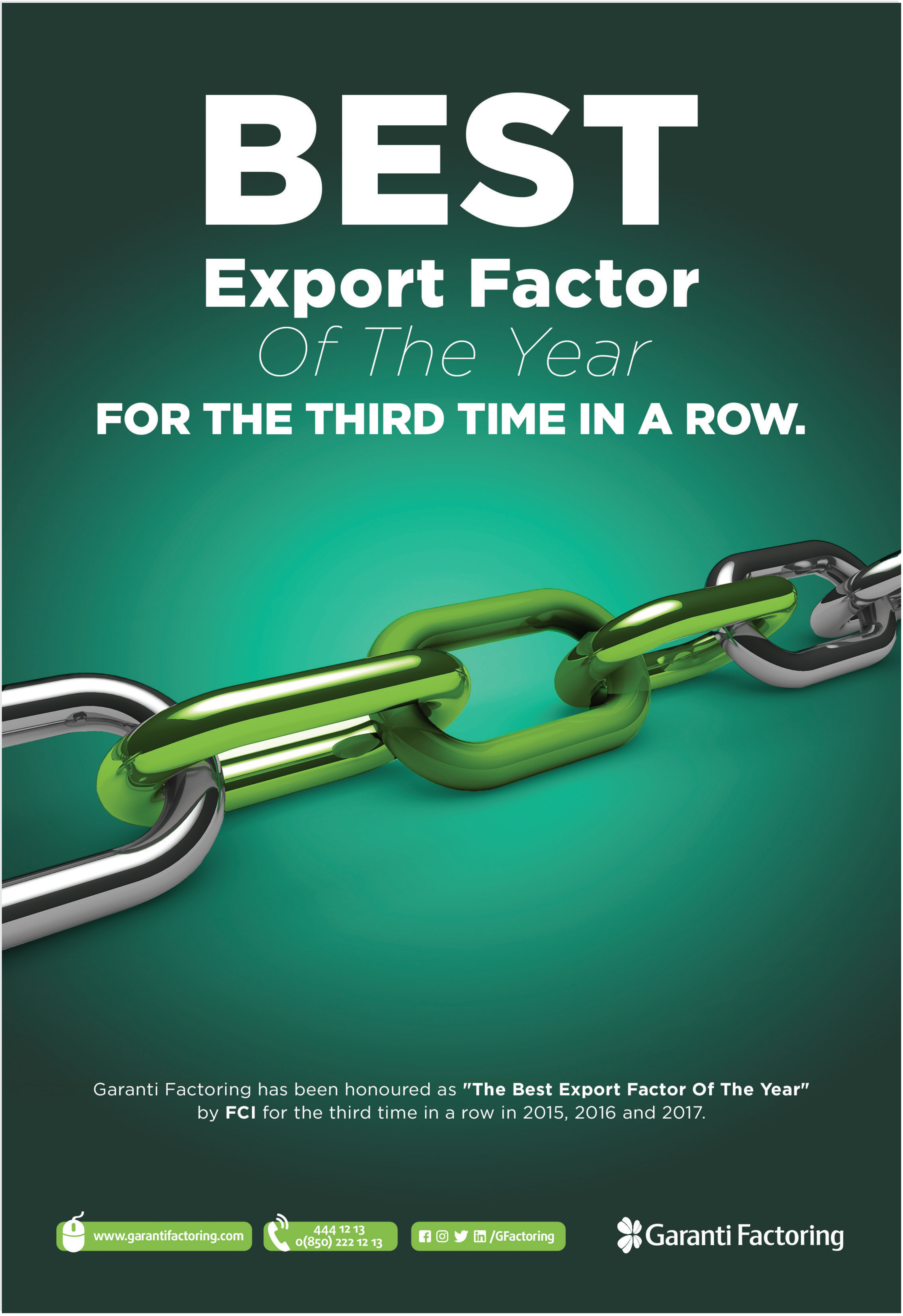
The support of JETRO (Japan External Trade Organization) underscore the importance attendees attached to this event.

We are sure that the enthusiasm of the participants will translate into a higher volume of export factoring from Japan and this will in turn generate more import factoring to our members offering import factoring business.

Testimonial: "It was the first time we learned that export factoring can be a tool for their risk hedging over our export receivables. It's a great discovery."

"It was the first time we learned that export factoring can be a tool for their risk hedging over our export receivables. It's a great discovery."

"Thank you. This was a fabulous session!"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THE INNOVATION OF INTERNATIONAL FACTORING IN ONE BELT ONE ROAD

DENG SHA SHA
China Mingsheng

What will come to your mind when we talk about One Belt One Road? Perhaps most people began to recall the Chinese history of Zhang Qian's travel to the western regions or Zheng He's voyages to the western seas. However, One Belt One Road we are talking about today is *the integrated transportation network by the railway, highway, aviation, marine, oil and gas pipelines, transmission lines, with the core concept of inter-connectivity*.

Then what opportunities will One Belt One Road Policy bring to our financial industry?

One is the large amount of financing needs for the countries along the belt and road to vigorously develop the infrastructure. According to the Asian Development Bank, the annual infrastructure investment in Asia will be around $730bn a year by 2020. The World Bank and The Asian Development Bank will provide only around $30bn to the Asian countries for the construction of infrastructure every year. As those countries along the belt and road have relatively little financial strength, their own funding will be only about USD 200 to 300 Billion. So there will be a huge funding gap for the infrastructure construction .

The other is the need for the convenience of trade financing. The full implementation of One Belt One Road will further *promote trade and investment between China and countries along the belt and road*, and generate a lot of cross-border investment, trade settlement and currency circulation. In 2016, in developing economics and emerging markets, the countries along the belt and road accounted for 45.6% and 27.7% respectively of China's imports and exports. And during the first three quarters of 2017, imports and export to these countries increased by 20.1%, which is 3.5% higher than the overall growth rate. These figures fully reflect the growing demand for the convenience of trade finance.

In order to better meet these demands of the One Belt One Road Policy, what kind of innovations shall we have in international factoring?

The first innovation will be created by the extension of business boundaries. Cross-border business has been expanded from trade to project contracting and energy resource development, and further expanded to high-speed railway, nuclear power, telecommunications, power grid construction and operation. Furthermore, construction of infrastructure such as ports, airports and highways will create the huge development of financing lease. Therefore, based on industrial upgrading, it is quite essential to apply the international factoring to these upgraded industries.

THE FULL IMPLEMENTATION OF ONE BELT ONE ROAD WILL FURTHER PROMOTE TRADE AND INVESTMENT BETWEEN CHINA AND COUNTRIES ALONG THE BELT AND ROAD, AND GENERATE A LOT OF CROSS-BORDER INVESTMENT, TRADE SETTLEMENT AND CURRENCY CIRCULATION

This extension of business boundaries will cause the second innovation, which will be the rules of international two-factor system. The upgrade on rules is required if two factors cooperate on

One Belt One Road projects. Presently, the GRIF is only applied to short-term international trade in goods, and cannot be applied on the construction projects or leasing industries. Besides, it has much higher requirements for the factors in countries along the belt and road to evaluate the buyer/owners' payment abilities and willingness, and to undertake the risk of the long-term project.

The third may be the supply chain finance, which is caused by the interest rate differentials between China and the other countries along the belt and road. China's rising labor costs and environmental costs will continue to shift production to low-cost countries. And based on the stable anticipation of RMB exchange rate, we can see the RMB interest rate is lower than in the other countries along the belt and road. It is bound to produce the need to provide the financing from import factors. With the promotion of RMB internationalization, it is expected that the supply chain financing will also be developed.

Fourth, I think one of the most valuable innovation opportunities might be the cooperation mode between factors. With the extension and complexity of the business transactions, the traditional mode with only one export factor and one import factor may not be able to satisfy the business requirement. So, joint factoring or syndicate factoring might appear in near future.

The fifth innovation opportunity is the "New Four Great Inventions". According to research, the young people of the countries along the One Belt One Road have identified the high-speed railway, Alipay, sharing bicycles and online shopping as the "New Four Great Inventions" in China. So, we believe China's domestic factoring based on the e-commerce platform and third-party payment will also penetrate to international factoring in the coming days.

With the deeply continuous implementation of One Belt One Road Policy, I believe China will always maintain its highly distinctive Chinese characteristics, and contribute to the innovations and development of international factoring!

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 as we added the following Members:

BANCO OURINVEST

BRAZIL

Founded in 1979, the Ourinvest Group has a team of experienced managers and product specialists dedicated to excellence. In turn, Banco Ourinvest was founded in 1989, and is a respected investment bank located in Sao Paulo, Brazil, best known for its innovative products. In 2013 Banco Ourinvest S.A. started a full service foreign exchange department. The bank provides Brazilian Reais and foreign currencies to financial institutions, companies and individuals.

With more than 25 years of experience, and founded on values such as innovation and excellence, Banco Ourinvest is the financial institution of the group. It relentlessly works to offer clients products that have a high return and low risk. Based on the performance history of the Institution, the management team is recognized by both clients and the interbank market for its credibility and pioneering demeanor.

The Ourinvest Group works to exceed the expectation of the client every day. It is a financial institution that goes beyond the usual concept of a bank. It nurtures an environment of innovation with responsibility. The Group values its relationships with customers and counterparts and regards this as the greatest asset of the institution. The Ourinvest Companies have been doing business in Brazil for more than 35 years sustained by a series of leading-edge products and comprehensive knowledge of the financial markets.

http://ourinvest.com.br/

BMCE BANK OF AFRICA

البنك المغربي للتجارة الخارجية لإفريقيا

MOROCCO

BMCE Bank of Africa, it's about 60 years of Development: The Group operates today in 32 countries through a network of more than 1,600 branches. BMCE BoA has a large regional coverage in Morocco and is well positioned in Africa, Europe, Asia and North America.

BMCE BoA as multipotential Group is constantly looking to bolster its quality systems to meet the highest international standards. By adopting such an approach, it continues to enhance its reputation as a leading financial institution.

About Factoring at BMCE Bank:

With this privileged position, BMCE Bank could develop and distribute factoring products through (i) its large network of branches in Morocco and (ii) its strong position in international markets, especially in Sub Saharan Africa.

BMCE BoA will benefit from the expertise of Maroc Factoring, subsidiary of BMCE Bank Group.

Created in 1988, Maroc Factoring is one of the first factoring companies in Africa and the Arab world with 30 years of experience.

Factoring Project was launched at BMCE BoA on March 12, 2018.

www.bmcebank.ma

SINGAPORE

Incomlend is a Singapore-headquartered global invoice exchange where companies from different countries across the globe can fund their export receivables by selling them to private investors at a discount.

The platform trades in multiple currencies (USD, EUR, SGD, and HKD) and offers an integrated digital receivables discounting solution to both suppliers and buyers across its global supply chain, dynamic discounting and factoring products.

Investors' capital is protected against debtors' credit risk by world leading credit insurers. Funds rotating on the platform are secured on Trust accounts operated by a regulated international Trustee.

The vision of Incomlend is to digitalize global trade by automating and integrating document exchange, money flows and finance.

www.incomlend.com

CAMEROON

LUSIS & Co was incorporated in December 2015. Headquartered in Douala, the economic capital of Cameroon and the main gateway to Central Africa trade flows, its role is to help companies to optimize their chances of success by securing their transactions.

LUSIS & Co focuses on credit risks and receivables management. Its business lines include:

- Lusis Credit Insurance to prevent and anticipate potential non-payments,
- Lusis Claims for debt collection to limit the eventual losses,
- Lusis Sphere to provide relevant and accurate business information,
- Lusis Factor to finance credit periods.

Convinced that factoring is the right alternative to fund development of SMEs, LUSIS & Co is now achieving a synergic development of scale, and will be in the next few months the first exclusively-dedicated factoring company in Cameroon.

http://www.lusis-co.com

CONNECT

UNITED ARAB EMIRATES

Noor Bank PJSC (Noor Bank) began its operations, in Dubai, in 2008, as Noor Islamic Bank. It is a leading Islamic bank of Dubai, delivering a broad range of innovative Shari'a compliant financial products and services in the UAE. All of its operations are governed by the Shari'a Supervisory Board, comprising leading Islamic scholars with extensive experience and expertise in legal, financial and banking-related matters.

Since its inception, Noor Bank has differentiated itself from the crowd by providing excellent service that puts the customer first. Noor Bank focuses on providing unique and personalised services.

Noor Bank's Global Transaction Services (GTS) team also provides a comprehensive range of cash management, trade and factoring solutions, such as payments, receivables management, liquidity and investments solutions, as well as online banking and reconciliation. The Bank's expertise is exemplified by introducing a number of innovative 'industry first' transaction banking solutions for Corporate, SME and FI clients.

This includes Noor Bank becoming the first Islamic bank to develop and implement an innovative DMCC Tradeflow solution in the UAE, for online commodity Murabaha settlements. The Bank is also one of very few banks in the UAE to provide Islamic Factoring - offering clients immediate liquidity facility on unpaid invoices through a factoring software system that has been modified to comply to Shari'a principles. Additionally, Noor Bank also recently partnered with Euler Hermes, to receive trade credit insurance (TCI) – offering the Bank's clients with credit protection against buyer defaults.

For further details, please visit: http://noorbank.com .

SINGAPORE

Oversea-Chinese Banking Corporation Limited (OCBC Bank) is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore by The Asian Banker.

OCBC Bank and its subsidiaries offer a broad array of commercial banking, specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking service.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has more than 600 branches and representative offices in 18 countries and regions.

OCBC Bank's Global Transaction Banking Division offers cash management, trade finance and supply chain finance solutions to SMEs, large corporations, financial institutions and government entities. We offer a comprehensive suite of trade and supply chain finance solutions to meet the working capital and risk management needs of our clients.

For more information, please visit www.ocbc.com/business-banking.

PhillipBank
Your Partner In Finance

CAMBODIA

Phillip Bank Plc is a member of PhillipCapital which is based in Singapore, and established since 1975. PhillipCapital is an Asian integrated financial house providing a wide range of products and services with presence in 17 countries.

PhillipBank's mission is to be premier, safe and sound commercial bank that meets customers' needs and live up our tagline "Your partner in Finance".
www.phillipbank.com.kh

PRIMADOLLAR

BANGLADESH

FCI welcomes PrimaDollar Operations Limited Liaison Office Bangladesh (PrimaDollar) as newest Affiliate Member in Bangladesh.
PrimaDollar provides trade finance to exporters who can win bigger orders at better margins by offering open account, deferred payment terms to their buyers. Through its network of offices across South Asia, PrimaDollar partner with local banks and provide cross-border, open account trade finance at a low-cost and with high-advance rate.
The PrimaDollar group was founded in 2015. Its local presence allows it to help exporters, large and small, who would otherwise find working on open account to be difficult or even impossible. PrimaDollar's products have been accepted by Islamic financial institutions as being Shari'a compliant. PrimaDollar is backed by institutional and private investors and is funded at low cost from the London financial markets.
www.primadollar.com

UNIFACTOR

RUSSIA

UNIFACTOR is based in Moscow, Russia and was founded in 2016. The company offers a wide range of factoring services: recourse, non-recourse, reverse, management of accounts receivables, merchant advance finance, etc. The volume of financed invoices exceeds EUR 30 Million, the number of clients exceeds 50 (from different parts of Russia). In 2018 the company started international transactions.
Strategic partner of the company is Vostochny Bank. In 2017 UNIFACTOR was awarded as an Opening of the year at the Russian factoring market by Russian Financial Elite prize.

We wish them lots of success!

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

EDUCATE

The Long Term Plans for Short Term Trade Finance in Ukraine

AYSEN ÇETINTAS
Education Director

Factoring Seminar in Kiev, 20-21 February 2018

This seminar is initiated by local banks via market lobbies: ICC, ACC, NABU. Supported by EBRD, FCI, ACC in Ukraine and the National Bank of Ukraine.

The EBRD TFP team organised an innovative two-day seminar in Kiev, where we brought together for the first time regulator (National Bank of Ukraine), FCI (largest factoring association globally) and EBRD partner banks in Ukraine.

The workshop was a hybrid of training and panel discussions between key players on the market. Factoring is a complete financial package that combines working capital financing, credit risk protection, accounts receivable book-keeping and collection services. It is offered under an agreement between the so-called 'factor' and a seller. This is the first event training which is jointly funded by NBU, FCI and EBRD.

Factoring continues to grow successfully both in mature markets and in emerging market. Through their control methods and permanent monitoring of the receivables on their clients' debtors, factoring companies or factoring divisions of banks are able to provide more financing than traditional lenders, and at the same time limit their credit risks to a strict minimum.

You will find below a ten points summary with all you need to know about the future of factoring in Ukraine:

1. In Ukraine, *factoring could become useful both for the SMEs and larger companies* . NBU and local banks looked together at how it can be a good alternative either to mitigate risks (risk protection) or to increase cash flows and to 'outsource' labour-intensive administration (including debt collection).
2. Factoring may also be particularly *attractive in financial systems with weak commercial laws and enforcement*. Like traditional forms of commercial lending, factoring provides small and medium enterprises (SMEs) with working capital financing. However, unlike traditional forms of working capital financing, factoring involves the outright purchase of the accounts receivable by the factor, rather than the collateralization of a loan.
3. Factoring is quite distinct from traditional forms of commercial lending where credit is primarily underwritten based on the creditworthiness of the seller rather than on the value of the seller's underlying assets. In a traditional lending relationship, the lender looks to collateral only as a secondary source of repayment. The primary source of repayment is the seller itself and its viability as an ongoing entity. In the case of factoring, the seller's viability and creditworthiness, though not irrelevant, are only of secondary underwriting importance. In factoring, the underlying assets are the seller's accounts receivable, which are purchased by the factor. Factoring only requires the legal environment to sell, or assign, accounts receivables and depends relatively less on good collateral laws or efficient judicial systems than traditional lending products. *In Ukraine, local legislation needs to be adjusted to international practices to allow the successful growth of factoring products.*
4. Factoring may still be hampered by weak contract enforcement institutions and other tax, legal and regulatory impediments. *Weaker governance structures may also create*

additional barriers to the collection of receivables in developing countries.

5. *There are also a number of additional tax, legal, and regulatory challenges to factoring in many emerging markets.* For instance, the tax treatment of factoring transactions often makes factoring prohibitively expensive. For example, some countries that allow interest payments to banks to be tax deductible do not apply the same deduction to the interest on factoring arrangements, VAT taxes may be charged on the entire transaction (not just the service fee), and stamp taxes may be applied to each factored receivables. In addition, capital controls may prevent non-banks from holding foreign currency accounts for cross-border assignments.
6. *The legal and judicial environment may also play a critical role in determining the success of factoring*. A key legal issue is whether a financial system's commercial law recognizes factoring as a sale and purchase.
7. Another legal issue is whether a country has a Factoring Act or a reference in the law (or civil code), which *legally recognizes factoring as a financial service*. This recognition serves multiple purposes. It serves to clarify the nature of the transaction itself. For example, a Factoring Act explicitly dictates how judges must rule towards factors in the case of default of sellers or customers. It also tends to legitimize the factoring industry. The indication is that a supportive legal and regulatory environment encourages the factoring industry to grow.
8. *A weak information infrastructure may also be problematic for factors*. The general lack of data on payment performance, such as the kind of information that is collected by public or private credit bureaus or by factors themselves, can discourage factoring.
9. Factoring is, in risk terminology, a low Loss Given Default (LGD) solution, providing opportunity for safe, secure funding in an increasingly risk aware regulatory environment.
10. Factoring offers a unique combination of meeting user's, provider's and regulator stakeholder's needs simultaneously; a real and unique win-win in business finance. The EBRD-led factoring working group will work together with colleagues in Ukraine to *update the legislation, train local banks, regulatory government bodies and SMEs to facilitate trade finance.* Watch this space!

EBRD will continue working on a new legislation in Ukraine, aimed at distinguishing factoring operations from collection activities and bad loans portfolio management. Legal issues, restrictive regulation and low market awareness of the product are the reasons why "pure" factoring operations are stagnating in Ukraine (<0.1% of GDP).

With a target of 3.5% of GDP (avg level for emerging markets) factoring has a high potential to generate UAH 100 Billion of additional short-term funding to local trade and production firms, particularly SMEs.

Boosting Malaysian Companies' Growth with Factoring: Workshop and Tailor-made Training in Kuala Lumpur

SPYROS TSOLIS
Education Officer

Malaysia has one of the best economic records in Asia, with its GDP growing at an average of 6.5% per annum for almost 50 years, estimated to reach USD 365 Billion in 2018. Today, the *Malaysian economy is the fourth largest in Southeast Asia* and 38th in the world. Notable are also the facts that its labor productivity is significantly higher than in the neighboring countries, due to a high intensity of knowledge-based industries and the adoption of cutting edge technology for manufacturing and the digital economy, placing the Malaysian economy in the 23rd position in the most competitive countries index in the world in the period of 2017-2018.

Malaysia being an exporter of natural and agricultural resources and petroleum, has an export-oriented economy. *Almost 75% of the GDP output are exports*, out of which approx. 70% are delivered to – mainly neighboring – Asian countries with the rest being equally distributed between Europe and North America.

DESPITE THE IMPRESSIVE DATA, FACTORING IN MALAYSIA REMAINS STILL AT QUITE LOW LEVELS

Despite the above impressive data, factoring in Malaysia still remains at quite low levels. According to the 2017 FCI statistics, the factoring volume in Malaysia reached EUR1.8 Billion, experiencing however a 17% growth since 2016. It is, without doubt, a very promising market with great potentials, especially for international factoring – mainly export factoring – transactions. FCI has three members in Malaysia, namely Standard Chartered Bank Malaysia, IFS Capital (Malaysia) and RHB Bank Berhad that are active, mainly, in domestic factoring operations.

The FCI Education Committee, taking into account these facts, decided to organize a training workshop for all Malaysian Factors on 18 April 2018. The workshop focused on FCI, *international factoring and the FCI Two-Factor system operations* and benefits as well as on the new initiatives of FCI, namely the *FCIreverse and Islamic Factoring*. All topics attracted great attention and the session was highly interactive. It was also a great opportunity for local factors to come together and share views on the future of factoring in Malaysia, exploring ways to further promote it in the market. The Workshop was attended by 26 delegates representing 14 local factoring companies. Particular attention has been also placed on the FCI Education offering, presenting the multiple ways of receiving factoring training, especially on the support that new members receive from FCI using the "tailor-made training" tool.

It became evident that local factors are eager to promote factoring, with the Malaysian FCI members being the leaders in these efforts. Education is the first step in this challenging path and our member RHB Bank Berhad, recognizing the benefits, invests in it. A *two-day tailor-made program* has been organized on 19-20 April 2018 for the staff of RHB Bank Berhad, covering all topics in factoring and the FCI Two-Factor system. The FCI Education Team delivered the training, the first day being dedicated to general factoring topics (legal, accounting, organization, mechanics, etc.), including an extensive Risk Management workshop, covering all risks included in a factoring operation (seller, buyer, fraud, third-party, etc.). The second day was dedicated to the FCI Two-factor system and consisted of two workshops, an Operational Workshop (edifactoring.com and messages) and a Legal Workshop (GRIF articles). The training was attended by all RHB Factoring & Transaction Banking Departments, nearly 60 staff members joined both days of the workshop, which was held at the excellent facilities of RHB Academy. The feedback received by both participants and RHB Academy management was very positive, all valued the in-depth theoretical analysis and best-practices shared by the FCI Education Team. Such trainings, without doubt, are beneficial to our members as the value received compared with the investment made ratio is extremely high.

Malaysia will definitely play a leading role in the growth of factoring in the region in the coming years. The combination of a performing economy along with the focus of local financial institutions on factoring is the perfect blend that must, in all cases, be supported by a solid legal framework for factoring as well as by investment in education.

Legal Seminar on Legal Issues in Receivables Finance

SPYROS TSOLIS
Education Officer

FCI, in cooperation with *ASSIFACT (the Italian Factoring Association)* and with the kind hosting of *Banca Sistema* SA, organized a Seminar on Legal Issues in Receivables Finance, in Milan on 21-22 March 2018.

FCI Legal Committee members acted as presenters, covering a wide range of key legal issues in Receivables Finance, including the most recent developments in UNCITRAL, in Shariah-Compliant Factoring and the new Reverse Factoring service of FCI, the FCIReverse. Special focus has been placed on the General Rules of International Factoring (GRIF) and their implications on the FCI Two-Factor cross-border transactions, followed by highly interactive plenum sessions with case studies.

Mr.Galmarini, Chairman of Assifact, presented on "Factoring in the World and Europe" with a more detailed analysis of the Italian Factoring Market, complemented by the valuable input of Banca Sistema legal experts, Mr. Pompeo & Mr. Marrone.

Staff from International & Operations Departments and Legal Departments were the perfect participants' blend, actively contributing during the plenum sessions as well as during the break-out sessions ensuring the success of the event.

The positive impact of the event was also highlighted at the comments received from participants:

"I found the presenters very well prepared and competent, I will recommend the seminar to my other colleagues" (Nicola ERBA, Debtor Management, BCC Factoring Spa, Italy)

"Very good organized, interactive discussions, interesting speakers who possess high level of knowledge of the GRIF and the factoring field (both theoretical as well as practical)" (Effrosyni SYRMOU, Legal Counsel, NBG Factors, Greece)

Participants mostly valued the practical implications of GRIF articles in their daily business operations and, definitely, the exchange of views and ideas on various legal issues in their regions. They had also the opportunity to network and share best practices as well as to promote their bilateral business.

DANIEL HUSZAR
Efcom

The Threat of Digitization

Would user experience beat personal relationship?

During the past months, Fintechs have been at the heart of the digitization debate in Trade Finance. One aspect of this discussion is Fintech as a competitive threat. While it is important to think about that, I believe that this perspective falls short of *identifying the real threat behind tech-driven companies*. Giants the likes of Google, Facebook, Amazon, Apple and Paypal have been shaping the Internet for a long time since its inception. While we might not think about them as direct competition to our products, they have the agility and the funds to become a sizable threat to traditional finance. In this article, I will give you examples of this growing trend and also ideas how to leverage your advantages.

The rise of Fintech, or how user interfaces became king

Our access to the Internet used to be stationary. We sat down in front of a desktop computer, dialed up the web via modem and started "surfing". This was an exploratory approach: clicking on links interconnecting information. This paradigm has been replaced by mobile Internet, as early as in November 2016, when according to StatCounter mobile devices overtook desktops for the first time on Internet access worldwide. Financial products are more and more accessed digitally, while traditional bank branches are in decline.

The defining feature of mobile interfaces is their small size compared to desktop computers, presenting a design challenge for a smooth customer journey. In essence, surfing the web has been replaced by task-driven use cases: texting, sharing a picture on social media or wiring a transaction.

This is exactly what Fintechs do well: *providing a great user-experience while connecting and leveraging legacy systems*. Besides the common issue of lacking experience with handling risk associated with lending, they often face reputational and financial challenges which prevents them from being able to scale their business model. What if there was a company who could use Fintech strategies, but without funding- or reputational constraints holding it back?

PayPal

Founded in 1998, PayPal started out as a payment processor of (US) Bay auctions - largely replacing checks as payment within the platform.

After 2000, PayPal tailored its product to cater more to business accounts. Instead of relying on interest on deposited amounts, service charges were leveraged as a new model of income.

Today, with almost 200 million users worldwide and eBay dwindling in popularity, the company is positioned as a convenient way to send money across (digital) borders.

Since early 2018, PayPal is rolling out ATM-compatible debit cards, direct depositing paychecks, and FDIC insurance to its US customers. Because PayPal doesn't have a banking license in the US, it's not running these services, but a Delaware bank handles debit cards, a bank in Georgia deposits checks that users take pictures of, and banks in Utah offer loans to customers and small businesses.

Strategically PayPal behaves like a Fintech. There are partnerships with numerous banks, to scale their services into territories that were unavailable before. The key difference is that with its strong customer base and deep pockets, PayPal could be able to truly threaten established financial services.

The disappearance of the product

PayPal Plus is a product offered to businesses on top of processing payments (e.g. in online stores). The advantages are that for an additional fee, *the client gets the payment immediately* *and is protected against default*. Sounds familar? This is PayPal's way of doing factoring. As a cross-border payment platform it is easy for them to offer this on top of payment processing for businesses. It is almost an afterthought in the digital realm.

Online platforms are interconnecting services and as a result are making products dissapear as we know. In essence, nobody cares about a service or the product itself. What customers care about are tanglible benefits resulting from the use of a service.

Mobile apps are a closed ecosystem, meant only for the execution of very limited tasks. The more a company can keep the user within their ecosystem, the more business it can generate with a conglomerate of services. This is what makes big tech companies so dangerous for financial service providers - it's just another feature within their ecosystem. In the future, while Apple and Google are rolling out their payment systems, Amazon could offer bank accounts with free Amazon Prime, further blurring the borders between products.

Additionally, in this mobile internet age, friction should be minimized at all costs. In user experience terms, friction is defined as interactions that inhibit people from intuitively and painlessly achieving their goals within a digital interface. Friction is a major problem, because it can lead to the frustration of would-be customers to the point of abandoning their tasks - meaning the interaction with a small device needs to be simple to be effective. PayPal's one touch payment is one of it's key elements to reduce friction for the end-user. Even switching apps, when performing different tasks is friction - another advantage for big tech, because their design across platforms is similar and as such will lead to a more intuitive customer journey.

But the sky is not falling, yet.

Options to consider:

There are still advantages for traditional financial service providers and I believe they lie in the analogue world.

Despite most financial tasks are handled online, face to face interaction is still of the utmost importance. A survey from SurveyMonkey from July 2017 resulted in 80% of 1,000 millenials still want the option of going to a physical branch to conduct their business. Explaining complex products and consulting clients about their business in person fills a gap that simple app interactions can't provide. Additionally, it builds trust - a true business relationship. Which in turn helps to build trust in your brand. This multi-channel approach makes it possible for the client to interact with you on their terms, be it via browser, an app or face to face. We will see less physical (bank) branches, but it would be a mistake of abandoning them completely. As of now, your brand is most probably much closer connected to financial services than most big tech companies, which should be leveraged. In 2018, they still lack physical branches.

You probably guessed it already: there is no way around building your own platform approach.

It should be very well designed in terms of its user interface to reduce friction as much as possible - the customer journey needs to be intuitive and enjoyable. Since mobile Internet is a quite mature product in 2018, there are multiple established design standards. An inhouse or outsourced user interface expert will be of essence to add value to your platform.

Furthermore, additional services are an important part of a platform. These services could go beyond providing an overview about liquidity, or making transactions. If we look at the SME business market, a lot of them are in dire need of applications to help manage their business. For example an accounting package, or a simple treasury tool to identify gaps in funding, which you then could use to cross-sell your products.

I firmly believe that a combination of good business relationships and accessible technology is the key for success in the digital age - let's start building it today.

PIETRO ZARDONI,
TIZIANO SONZOGNI
UNICREDIT FACTORING

Some Insights from The Largest Two-Factor Volume Actor in Europe

UniCredit Factoring S.p.A., part of UniCredit Group, is a company specialized in offering international factoring products and services. With its presence on the market for over 40 years, UniCredit Factoring is one of the organizations which had the greatest impact on the development and spreading of factoring services in Italy. With a turnover of EUR 39,5 Billion in 2017 and with approximately 300 professionals, out of which, 80 are directly involved in managing business relationships with clients, UniCredit Factoring is now one of the leading factoring companies in Italy.

UniCredit Factoring has *joined FCI in 2002* and is an active FCI member which offers tailored high-quality factoring services globally, including import and export activities.
The cooperation between UniCredit Factoring and FCI has always been very profitable, in particular the *FCI training services are really effective to enrich factoring expertise*: on-line courses, career path and seminars help not only for daily two-factor operation through edifactoring.com but also on legal issues in receivable finance, resulting in time savings and costs optimization. The GRIF itself and all the tutorial materials are very essential and effective. The Foundation Course and the various seminars give a good insight into the subjects and an effective overview of how FCI two-factor factoring works.

The FCI statistics related to 2017 highlight that, within FCI, UniCredit Factoring is ranked #1 for two-factor business in Europe and #3 worldwide.
Considering the customers' growing needs on international business, UniCredit Factoring has more and more focused on cross border transactions. Many success stories were done during 2017, two of them could be an effective example of how factoring solutions can support the customer business.

Cross-border reverse factoring: UniCredit Factoring's client (Buyer) - headquarters in Switzerland, provided a potential list of his several sellers, UniCredit Factoring purchased receivables from sellers, directly or with the support of FCI network and covered the insolvency risk (no-recourse) of the client giving to the sellers the opportunity of advance payment/discount of receivables.

Cross-border true sales transactions: UniCredit Factoring purchased receivables from six European Subsidiaries of an European Group acting in Automotive sector and covered the insolvency risk of about 40 buyers worldwide directly or with the support of FCI network. Under this scheme the customer obtained the required benefit of a Single Point of Entry for a Pan-European Factoring solution that means: (i) One single contract and (ii) One single pricing in order to cover all the Sellers & Buyers/countries involved.

Both business cases have provided UniCredit Factoring with an important channel for the acquisition of new customers and cross-selling opportunities within the Group thanks to the well-structured portfolio of UniCredit financial solutions.
According to the 2017 figures provided by Assifact ("Associazione Italiana per il Factoring" - Italian Association for Factoring Activities) related to the Italian market, the turnover of

the Industry increased by 9.4% compared to 2016 up to EUR 221 Billion.

In 2017 UniCredit Factoring followed the strong growing trend of the market and performed even better than the Italian market average, increasing its market share by 52 bps compared to 2016 (from 17.3% to 17.8%).

For what concerns the Loans at the end of December 2017, the Industry increased by 1.5% compared to 2016 while UniCredit Factoring increased by 11.7% compared to 2016 up to more than EUR 10 Billion with a market share growing from 18.8% to 20.7%.

UniCredit Factoring will continue on focusing the cross-border business and tailor made solutions in 2018, it has constantly enhanced its specialist professional competencies, as well as its product portfolio made of innovative and tailor made products dedicated to Corporates and multinationals Companies.

As part of UniCredit, UniCredit Factoring shares the clear and long-term strategy of the Group: UniCredit is and will remain a simple successful Pan European Commercial Bank, with a fully plugged in Corporate & Investment Banking Division, delivering a unique Western, Central and Eastern European network to its extensive 25 million clients franchise.

Today, UniCredit Factoring is growing stable, always with the goal to provide excellent business relationships and services to partners, create a mutual trust, make sure that the clients are happy to work with UniCredit.

The partnership between UniCredit Factoring and FCI for sure will boost further development of the business network and the international factoring activities while ensuring the highest professional standards within the factoring business also thanks to the effective and well-designed FCI education learning programs. Of course the trust and great support of all the correspondents is and will remain the key success factor.

Highest professional standards within the factoring business also thanks to the effective and well-designed FCI education learning programs

HARRY BILETTA
FCI Director Planning and Development

INFLUENCE

FCI Two-Factor Volume in 2017

From edifactoring

Although the contributors were a lesser number than in the previous year, the breakdown of the FCI Members volume amounting to EUR 1.562.527 Million remains stable.

Domestic figures account for 70% of the total, Invoice Discounting showing a drop of 9% other products also decreasing.

Export Factoring represents 19% and records a growth of 14%; two-factor exports full service decreased by 2% and direct exports with recourse by over 3% whilst direct exports full service increased by over 6%.

Direct export invoice discounting was stable around 7% of the total, although recording a decrease.

Import Factoring slightly decreased to just under 4%, although recording a drop of 13%, turnover switching from two-factor to direct.

Accumulative Turnover Figures for All FCI Members Compared to Worldwide Factoring Turnover

(in Millions of EUR)

	EUR 2011	EUR 2012	EUR 2013	EUR 2014	EUR 2015	EUR 2016	EUR 2017	VAR YOY
Invoice Discounting	279,113	302,030	330,518	299,930	310,313	333,544	303,272	-9%
Recourse Factoring	267,523	306,187	339,644	356,058	301,948	236,613	231,270	-2%
Non-Recourse Factoring	331,257	352,353	344,863	372,115	434,456	481,172	478,640	-1%
Collections	26,018	27,786	31,399	40,123	57,725	47,472	40,866	-14%
Reverse							50,010	
Total Domestic Factoring FCI	903,912	988,529	1,046,425	1,068,226	1,104,441	1,098,800	1,104,058	0%

FCI Share 53%

Export Factoring	162,972	192,573	219,285	242,472	261,214	256,551	292,408	14%
Import Factoring	30,943	36,707	50,481	54,081	66,612	63,446	55,460	-13%
Export Invoice Discounting	51,069	85,163	87,447	89,025	96,871	108,038	106,104	-2%
Reverse							4,497	
Total International Factoring FCI	244,983	314,442	357,213	385,579	424,697	428,035	458,469	7%

FCI Share 88%

Grand Total FCI	1,148,895	1,302,971	1,403,638	1,453,804	1,529,138	1,526,836	1,562,527	2%

FCI Share 60%

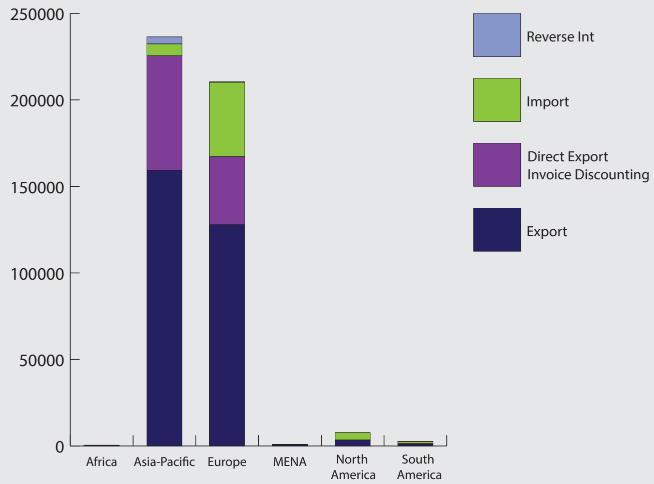
World Domestic Factoring	1,750,899	1,779,785	1,827,680	1,857,410	1,838,366	1,868,855	2,078,758	11%
World International Factoring	264,108	352,446	402,798	490,114	529,379	507,112	519,540	2%

World Total	2,015,007	2,132,231	2,230,477	2,347,524	2,367,745	2,375,967	2,598,298	9%

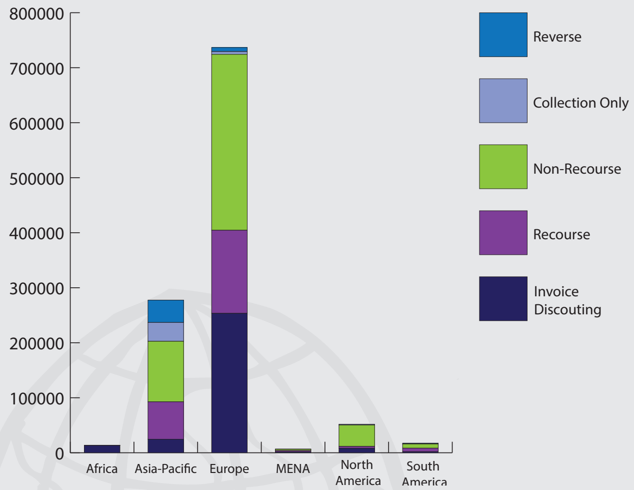
INFLUENCE

The various continents' contribution to the FCI members' domestic volume shows Europe at the top by far. Here the non-recourse represents over 40%, invoice discounting 27% and recourse 21%.

FCI Members International Volume 2017 in EUR millions



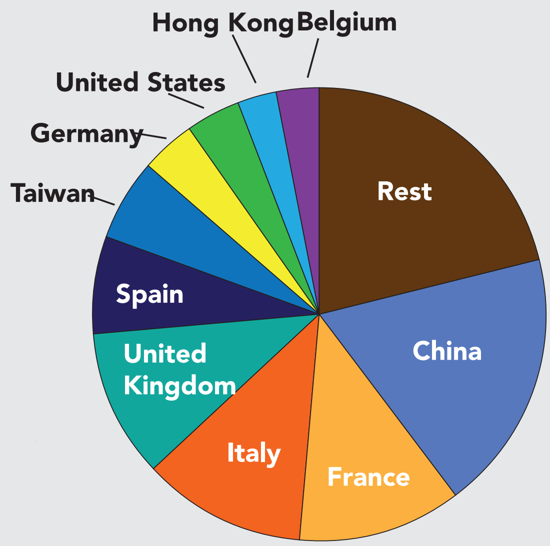
FCI Members Domestic Volume 2017 in EUR millions



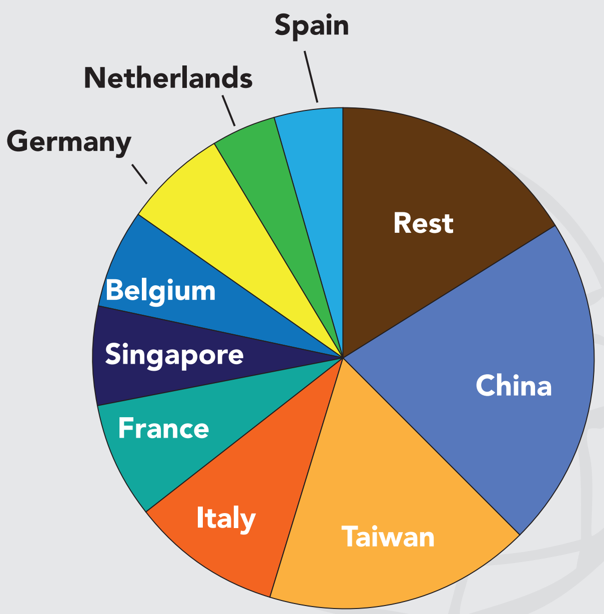
When breaking down the FCI Members International volumes by continent, Asia Pacific takes the lead with a 52% share, Europe follows with 46%. The Americas together account for just over 2%.

The volume of the "Top Ten" FCI Members' countries accounts for to 78% of the total, China leading the way with 19% followed by France and Italy with 12%, UK with 11%, Spain (7%), Taiwan (6%), Germany and USA (4%) and finally Hong Kong and Belgium (3%).

Share of 2017 FCI Factoring Volume



Share of 2017 FCI International Factoring Volume



When breaking down the volumes of FCI Members' Countries International Factoring we find the "Top Ten" adding up to 85% and again we find China in first position with 20%, followed by Taiwan (16%), Italy (9%), France (7%), Belgium Singapore and Germany (6%), Spain and Netherlands (4%).

ASIA CHAPTER DIRECTOR DIALOGUE WITH THE TAN LEY YEN CEO OF IFS CAPITAL THAILAND

Following the Asian Financial crisis, factoring in South East Asia declined substantially. Thailand however, is on the road of recovery. In this issue, we hope to find out more about the Thai factoring with Tan Ley Yen of IFS Capital Thailand.

KL: Last year the Factoring volume in Thailand grew by 6%. What do you think contributed to this growth?

LY: Generally, the Thai economy performed better in 2017 than 2016, so most factoring companies could achieve some growth in factoring volume. IFS Capital Thailand, for example, was able to achieve 10% growth in factoring volume.

KL: Is this trend likely to continue in this year?

LY: Yes, I expect the trend to continue this year as the Thai economy is expected to do even better than in 2017.

KL : Thailand is the second economy in ASEAN and it has a large manufacturing sector as well. This augurs well for factoring. Do you foresee Thailand as a big factoring country in ASEAN going forward?

LY: Thailand not only has a large manufacturing base, it also has a large base of MSMEs which account for almost 98% of all registered companies in Thailand. So, this is good for factoring as MSMEs is the main target group for factoring in Thailand.

KL : Thailand is also a major export country with export of goods and services forming 68% of the GDP. Do you see this translated into more export factoring?

LY : Theoretically, with such a strong export sector, there should be a huge demand for export factoring services in Thailand but the truth is that we find it hard to promote export factoring services in Thailand. There are two main reasons for it: 1) Thai exporters generally seem more comfortable selling on L/C terms and do not see the need to sell on open account term, and 2) banks are very supportive of exporters in Thailand especially those with export L/C as they can easily get support like packing credit from banks and at very low preferential rates. However, I hope this mindset will change in the future.

KL : As you may be aware that open accounts has outstripped letters of credit worldwide. More Asian exporters are acceding to the importers demand to sell on open accounts terms. I believe Thai exporters will do so as well. Would FCI 100% Credit protections and collection service help the Thai exporters?

LY: I am sure Thai exporters will change their mindset in response to the demand by importers worldwide for open account credit term and this bodes well for export factoring in Thailand in the future. Although credit insurance is now readily available in Thailand, it only provides up to a maximum of 90% credit protection, so 100% credit protection provided by FCI members certainly help.

KL: I understand that Thailand will be implementing the secured transaction law as promoted by IFC which will help to provide better security for movable property such as receivable. Will that have an impact on factoring in Thailand?

LY: We refer to this secured transaction law as the Business Security Act in Thailand which has been implemented since March 2017. Yes, it helps the factoring business as we can now register online with the Ministry of Commerce either debtor by debtor or the whole receivables of our factoring clients. This gives us an added security in addition to the legal assignment of receivables.

KL: Would Thailand benefit from the One Belt One Road strategy of China?

LY : Certainly. Thailand will benefit from the One Belt One Road initiative of China as China is building a railway linking Kunming in Yunnan Province of Southern China to Vientiane in Laos and Bangkok, Thailand. In the future, this railway line might link Thailand to Malaysia and Singapore.

KL : Are there any measures implemented by the Thai government to help MSME and will these have impact on factoring?

LY: Thai Government usually has measures to help MSMEs but these measures usually involve the banks such as helping MSMEs to secure soft loans from the state-owned banks. These measures obviously will have some negative impact on the factoring business initially. However, as these MSMEs grow they may need factoring to support their growing receivables. This will lead to more demand for factoring services.

JOHN BREHCIST
FCI Advocacy Director

FCI ADVOCACY

Welcome to this second regular article on the advocacy activities of FCI; I want to share with you some updates and insight into the activities being undertaken to promote and defend our solutions with stakeholders and policy makers worldwide as part of our policy to actively support the growth of the Industry. As our Industry grows, so does the opportunity and need for us to share our story with friends, influencers, regulators and lawmakers.

Around the time of our first column, I was talking to Ms. Kanayo Awani, Managing Director, Intra-African Trade Initiative, Afrexim Bank and Chairperson, FCI Africa Regional Chapter about some of the activities that have been taking place in Africa over the last couple of years. As readers will know, ***Africa provides a set of key emerging markets for factoring, as well as hosting some established and developing country markets***, so our activity is particularly important and has the opportunity to be influential in shaping the operating environment. So in this second article, I'd like to share with you some of her insights.

Having identified weak or lack of law as a challenge to factoring in Africa, working with FCI and other partners, Kanayo tells me that Afreximbank has been at the forefront of facilitating an enabling legal and regulatory environment for factoring to thrive in the continent. Back in 2016, on the sidelines of the FCI Annual Meeting in Cape Town, you may remember that Afreximbank launched a Model Law that African countries could draw inspiration from, adopt and adapt to suit their own particular environments. Since the launch of the Model Law, supported by FCI, Afreximbank has prioritised its implementation as a key activity for the Africa Regional Chapter.

In a bid to promote its adoption, Afreximbank organised information and awareness seminars in three of its Intra-African Trade hubs, Abuja (Nigeria), Abidjan (Cote D'Ivoire) and Nairobi, (Kenya).

Being fully aware of the fact that support from local stakeholders is essential to implement the model law, Afreximbank has engaged with regulators, law makers and factoring associations to promote the adoption of the model law across different jurisdictions. In particular, it is working with the Nigerian Export Import Bank (NEXIM) to ensure that the model law is implemented in Nigeria. Towards the end of 2017, FCI and Afreximbank jointly met with Nigerian Legislators and Regulators and discussed, amongst a range of issues, the importance of factoring to the Nigerian economy and advocated for the implementation of the law in that country.

And specifically for Nigeria, the FCI, Afreximbank, and Nigeria Factoring Working Group delegation also advocated for the Central Bank to implement changes in the foreign exchange regime which would allow for Open Account trade and to admit Factors as Authorised Dealers in Foreign Exchange. It appears that the law makers were positively disposed and are targeting 2018 for passage and adoption of the law.

Other development work is going on simultaneously; for example, Afreximbank is also partnering with African regional organizations such as OHADA (Organization for the Harmonization of Business Law in Africa) to have the model law implemented in OHADA Member States, which include 17 African countries. Back in 2016, the team addressed the OHADA Council of Ministers and presented the model law on factoring at its biennial meeting in Brazzaville (Republic of Congo).

Afreximbank has engaged with regulators, law makers and factoring associations to promote the adoption of the model law across different jurisdictions

Since then there has been a continued follow up process and more recently on 7th February this year, on the sidelines of the FCI - Afreximbank Promotional Conference in Dakar, representatives met with its Executive Secretary for an update session. Implementation is now anticipated in the last quarter of 2018. It's said that "All good things come to him that waits!" - we'll monitor for progress and bring our readers updates and news in this column.

From the challenges and opportunities of emerging markets, let's move now to an issue that has been impacting one of the most mature developed markets.

A recently issued ***Consultation Paper "CP6/18" from the Prudential Regulation Authority (PRA) of the Bank of England*** has generated some doubts and concern about the ability to continue to benefit from the use of credit insurance as a means to obtain regulatory capital relief. And whilst this may sound like something of a technical issue, this relief is one upon which many FCI members currently rely.

And whilst it's true that the PRA is a national (UK) implementor of regulation, it is also influential and the decisions it takes will be carefully considered and potentially emulated by other European regulators. So any actions it considers which might be detrimental to the Industry also run the risk of contagion over to other regulatory environments.

So, what exactly is the problem? Both the Basel Committee (BCBS) and the European Banking Authority (EBA) have previously separately confirmed that non-payment (credit default) insurance can function and be relied on as an effective credit risk mitigation technique. The confidence that the use of these products provides (as well as creating good business for insurers) has helped support the doubling in scale of the factoring industry that we have seen since the depths of the 2008-09 recession. And it's important to realise that almost half of the EUR 1.5 Trillion annual factored volume that we see in Europe is backed by some form of credit insurance policy.

Unfortunately, if some of the proposals made by the PRA in their consultation were brought into play, it appears that they could have the effect of making many traditional credit insurance products that have been relied as a form of credit risk mitigation for our industry may become ineligible for capital relief. Of course, the effect of this would likely be to increase providers regulatory capital requirements, leading both to increased finance costs and potential strangulation of the solution supply.

Because of this threat, FCI decided as an industry body to use its advocacy capability and write a response to the PRA's consultation. We understand from our discussions with relevant experts that the regulator is having an open consultation and is very willing to listen to concerns and ideas.

Accordingly, we have prepared and sent a submission voicing our concern as the representatives of end users. Having discussed also our provider representative partners like the ICC Banking Commission, BAFT, Berne Union, ICISA, and others, we believe that our combined and aligned voices will be heard and make a difference. We will of course update you with the outcomes when we hear.

In another important advocacy intervention, the EUF, part of FCI, has over the years repeatedly pointed out that there is ***a gap in the Rome I-regulation on the law applicable to contractual obligations***, namely that it is unclear which law is applicable to the third-party effects of assignments. Although again this might sound at first a little academic, establishing governing law becomes very important in cross-border dispute, collections and the ranking of priorities.

On several occasions in recent years, it had seemed likely that the EU Commission would imminently present a legislative proposal to fill this regulatory gap, for example back in 2011, when it mandated the British Institute of International and Comparative Law with collating a research study on article 14 of the Rome I-regulation and the third-party effects of an assignment in the conflicts of laws.

However, despite its time and cost, this review did not result in a legislative proposal from the EU Commission. Only six years later, in April 2017, did the EU eventually launch a public consultation on conflict of laws rules for third party effects of transactions in securities and claims, to which the EUF issued a response.

In March 2018, based on this preparatory work the Commission finally released its proposal to close the gap in the Rome-1 regulation, to update the law applicable to the third-party effects of assignments of claims, together with offering an impact assessment, to which stakeholders could provide their feedback until May 2018.

Over the years, the EUF has consistently advocated for the law of the assignor's habitual residence or centre of main interest to be applicable to the third-party effects of assignments of claims, both in position papers and responses to consultations, as well as in personal meetings.

The EUF Legal Committee is delighted to report that in article 4 paragraph 1 of its current regulation proposal, the EU Commission states that the general rule to be applied in such cases is based on the law of the assignor's habitual residence. This shows that the EU Commission has been convinced by the EUF's line of arguments and follows the EUF's point of view. In the proposal document it refers to both the factoring industry and different EUF publications - a very positive development in this issue and another EUF lobby success.

Of course, we will now have to ensure that this positive legislative proposal is not amended negatively or watered down by the EU Parliament and/or the Council during the administrative process which will take place over the coming months, but it's great to note a real example of where advocacy has made a positive difference.

To sum up what's the message throughout this article? I think what's central is that we've seen how partnership is the key to delivering results in advocacy; working with like-minded partners to deliver results; with Afrexim in Africa, with the Insurance industry in the UK and with the EUF in Europe. I'm looking forward to reporting more successes in our next article.

PARTNERSHIP IS THE KEY TO DELIVERING RESULTS IN ADVOCACY

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