

For a strong future.

# IN-SIGHT

Connecting and Supporting the Commercial Finance Industry Worldwide

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# Welcome from Michel Leblanc

Chairman FCI



MICHEL LEBLANC  
Chairman of FCI

Dear Friends,

We are already at the dawn of the fall or spring depending where you live. I hope you have enjoyed your vacations, sun and sea and most importantly good time with family and friends.

Very soon we will meet in Cape Town (South Africa) for our Annual Meeting. I am very excited about this event, as for me and for many of you it is the time of the year where I can **meet with colleagues, partners and many good friends**. It is the opportunity where, as FCI+ members, we can **exchange, enhance our business practices and prepare the future of our industry**.

As written in the last edition, March, April and May have been extremely busy months with a lot of meetings, seminars and discussions around interesting topics. Among them **Compliance**. Indeed it is an important topic for our industry and the Executive Committee members are putting a special emphasis on it, without putting aside other things such as our **Education programs, partnerships with key players** like International Chamber of Commerce (ICC).

Excellent work and efforts have been deployed by the technical committees in order to bring to a higher level our image and our way to do business.

The Marketing Committee, just to name one committee, will show you in Cape Town very professional work realized in order to give FCI+ and its members a **new image, with dynamism** in order to create the "bridge" between open account trade finance actors.

I do not want to minimize the work done by the other **committees** (Legal, Education, Communication, and Supply Chain Finance). To the contrary, I want you to join me next October in Cape Town **to discover the excellent work done and also realize the "load" of work still to be done**. On that note, I want to reiterate that your opinion is important, your involvement in our different technical committees is crucial for our future.

Please join me and my colleagues from the Executive Committee next October in Cape Town. It is **just the beginning of an extraordinary adventure together**.

All the best,

Michel Leblanc

I WANT  
YOU TO JOIN ME  
NEXT OCTOBER IN  
CAPE TOWN TO  
DISCOVER THE  
EXCELLENT WORK  
DONE

2



LEE KHENG LEONG  
Asian Chapter Director

## Asia Chapter Director Roving report

### Ping An Bank- cloud factoring program

During my visit to China, I found that one of our members in China Ping An Bank (PAB) has developed a very interesting factoring called "**Factoring Cloud**" which is probably the first of its kind in the world.

Under PAB Factoring Cloud, commercial factors can sign up to PAB program.

The advantages of this program are as follows:

- **For commercial factors**
  - It enables commercial factor to go into factoring without having to pay for a high software and hardware cost which is often a barrier to entry to factoring.
  - Commercial factors can also provide true blue factoring services.
  - They also have access to fund provided by PAB.
  - Apart from funding-commercial factors can also get additional services from PAB, such as the indemnity of factoring account management, business recommendation and etc.
  - It is a plug and play system and hence the commercial just need to have PC connected to internet.
- **For PAB**
  - This enables PAB to reach out to MSME via the commercial factors and while it focuses on the larger clients.
  - PAB is able to reach out to more clients through the commercial factors.
  - Although PAB is based in Shenzhen, they are able to reach out to clients in the 19 major cities in China such as Shanghai, Shenzhen, Beijing, Guangzhou, Fuzhou, Wenzhou, Nanjing, Hangzhou, Suzhou, Ningbo, Bengbu, Zhuhai, Haikou, Xi'an, Chongqing, Chengdu, Jinan, Qingdao, Tianjin.
- **For MSME**
  - MSME will have access to factoring services which shy away from most banks.
  - They get professional factoring services from commercial factors.

**FACTORING  
CLOUD**

# CONNECT



Ms. Zhuo Bing, General Manager PAB factoring centre, said "We started this scheme because although there are huge volumes of account receivables in China, bank factoring only occupied less than 15% of the total market. Most of the account receivables from MSME are not funded. Commercial factors complement bank factoring, since their core competency is in serving the MSME segment. However, you probably heard that most of commercial factors are still new to factoring in China and some commercial factors are not doing true factoring. I think with the cooperation between PAB and commercial factors, we can get a bigger share of the enlarged the factoring market. Hence, in November 2013 we started with 116 commercial factors to jointly set up PAB Golden Orange Factoring Club and launched Factoring Cloud in May 2014. The scheme proved to be popular with Commercial factors and to date we

have attracted 303 users. In addition we found that some of the commercial factors do not have factoring system and it is risky for them to do such business. With the controls and management reports under the system, it helps to reduce the risks faced by commercial factors in providing factoring services. Many of the commercial factors and their clients are very appreciative of this service. We hope more and more commercial factors can expand factoring business professionally, safely and efficiently by using PAB Factoring Cloud. In the meantime, we plan to work with other institutions, such as authority account receivables registration institutions, insurance companies and financial companies into Factoring Cloud to help commercial factors and to build a better factoring environment for commercial factors."

JinRon factor is one of Factoring Cloud users, its CEO Ms. Xu said: "We are very happy to be aFactoring Cloud user. PAB Factoring Cloud meets the needs of commercial factors' business as it provides flexible and simple system setup, virtual sub-account management, account receivable assignment and confirmation by Internet. Therefore, commercial factors can serve more clients through Factoring Cloud which also greatly improves efficiency"

PAB unique cloud factoring services is very similar to the block discounting services provided by bank for vehicle loans.

One positive benefit to FCI is that many of these users could become FCI members.



ERIK TIMMERMANS  
Deputy Secretary  
General

## Meeting with Turkish Factoring Industry 19 July 2016

When Peter and I planned a meeting with the Turkish Factoring Industry on Tuesday, 19th of July, no one could have foreseen that the weekend preceding the meeting a failed coup attempt was going to take place in the country. Obviously we followed the political situation in Istanbul closely during the weekend and ultimately we decided to honour our engagement and let the meeting take place as planned. The success of the meeting proved that this was the right decision.

**Turkey is one of the most important Markets for FCI in terms of membership** and in terms of two-factor turnover. It is also a market that has **evolved from a non-regulated into a highly regulated market**: all factoring companies have to obtain a license from the BRSA (Banking Regulation & Supervision Agency) and have to report to this body. The FKB is the official National Association of Financial Institutions (Leasing, Factoring and Consumer Finance) and during recent years FCI (as well as ex-IFG) has built a **strong cooperation with the Factoring arm of the FKB**, steered by Filiz Ünal, Deputy Secretary General and Mr. Ahmet Candan, Secretary General. FCI's past Chairman and current Vice-Chairman, Çagatay Baydar, is also Vice Chairman of the Turkish Factoring Association. Together we decided to organize a meeting with the Turkish Factoring Industry, in order to update our members about the evolution in FCI and also in order to meet with potential new members.

**More than 60 participants** accepted our invitation. All 18 FCI members were present (including two brand new members: Merkez and Arena) as well as 17 potential new members.

Presentations were made by Çagatay Baydar, Peter Mulroy, Filiz Ünal, Aysen Cetintas and myself. Judging from the many questions and reactions from the audience, there is **a lot of ambition in Turkey to further develop the domestic and international factoring market**.

The day finished with breath-taking views on the Bosphorus and a wonderful dinner. Istanbul is an exceptional place from many points of view. It is one of the most vibrant Factoring communities in the world, with highly motivated and educated professionals. But Istanbul is also one of the most intriguing and beautiful cities in the world. The Turkish economy may be under some pressure, also due to the recent political instability, but I am convinced that its **highly dynamic Factoring Industry will continue to flourish**.



# CONNECT

## Latin American Chapter



ALBERTO WYDERKA  
Latin American Chapter  
Director

In this edition of the newsletter I would like to share some comments regarding domestic and international factoring in the LA Region.

### DOMESTIC FACTORING

Due to closer Government tax controls, a progressive **conversion of paper invoice to electronic invoice** is being experienced in the largest countries in South America and Mexico and some others in the rest of Central America.

In conjunction with that, several regional IT companies developed **e-factoring platforms**, and all together strongly influenced the domestic factoring business in those countries.

Players are facing e-factoring as an opportunity for growth, due to a more secured way of doing factoring and invoice discounting.

Chile and Mexico led this process and it has set foot in Peru and Colombia with a steady use. Same development is being followed by other LA countries.

This situation combined with a **proper Law for financing invoices** (with different names according to the countries: in Chile a very good "Ley de factura", copied by Peru and Colombia), fueled the domestic industry, lowering risks in the process and in a certain way also in disputes. A clear example of this growth is Mexico, Chile and also in the Dominican Republic, we find banks transacting invoices in e-factoring platforms locally developed.

Brazil is a special case, where "Duplicata", a particular law for invoice financing is very well established and offered by banks, leaving factoring of invoices to factoring companies.

Regarding factoring law other countries are facing, it is **necessary for providing the service in safer conditions**. Guatemala is a good example, being in the final stage.

A PROPER  
LAW FOR  
FINANCING INVOICES  
FUELED THE DOMESTIC  
INDUSTRY, LOWERING  
RISKS AND IN  
DISPUTES



## INTERNATIONAL FACTORING

Knowledge and experience of domestic factoring together with a supportive legal and foreign exchange regulation environment helps build international factoring capability, at least this is the logical sequence. Whilst the prior existence of a factoring law is not required, it needs to be stressed, that in the case of countries like, Perú, Chile, and Colombia which have sanctioned a similar law which have **strengthened domestic factoring**, and México which also have low and important volumes of domestic factoring, are nowadays the **countries with the largest volumes in international factoring in our chain**.

The **Exchange Regulations** play an important role in the International Factoring's expansion. Currently the vast majority of Latin American countries have foreign exchange regulations which allow international factoring development without major problems. Venezuela, and to a lesser extent Brazil, whose FX framework is more regulated, of course make a much more difficult environment for the service development.

Notwithstanding the above-mentioned issues that are an attempt to explain the slow growth of international factoring, **Latin America & Caribbean is still a region with a huge growth opportunity** for the service, because of:

- the low current product expansion and growth opportunity
- the need by both importers and exporters for having a secure solution within which to develop their businesses
- the economic growth in Latin America
- the growth of the intra-regional and global trade.

These facts are increasingly perceived by both banks and finance companies, beyond the confusion that may exist regarding the international factoring.

Currently, FCI + is present in **17 countries** of the Region: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Netherland Antilles, Nicaragua, Panama, Perú, T & Tobago and Uruguay. In this environment, Perú is the country with highest volume of two-factor service, followed by Mexico, Brazil, Colombia and then Chile.

But there are some clouds in the sky, only 50% of our members show activity, and two members concentrate 54% of the regional turnover.

The actions of the Chapter are certainly focused on net expansion, but also one of the main contributions is helping new members in their start up process, with the close cooperation with the Director of Planning and Communication and Education Director.

Last but not least, **FELAFAC**, the Latin American Factoring Federation, where FCI + is one of the main members, continues strengthening its presence and fulfilling its role, mainly in education and advising the Financial Controllers of several countries for the establishment of good practices for risk control and recommending rules for a proper domestic factoring offer.

**LATIN AMERICA & CARIBBEAN IS STILL A REGION WITH A HUGE GROWTH OPPORTUNITY FOR FACTORING**

# CONNECT

## NEW MEMBERS

**One of the key reasons we exist is to connect people in the Industry – creating opportunities for business, networking, creating relationships that last.**

Since the last newsletter, the FCI family grew with the addition of a few Members; let's discover who they are.



Arena Faktoring A.S. was established in 2009 to offer domestic factoring services. On 28/09/2015 the shareholders were changed; the company now is owned by Tezmen Family.

Tezmen Family is also the owner of Tera Securities (established in 1990) and carry out financial activities by its branches in Turkey, Tera Europe London and Tera Lease and Rental Companies.

Arena Faktoring A.S. offers its customers innovative solutions with its dedicated and experienced personnel. The company is a member of the Association of Financial Institutions in Turkey.

With its membership in FCI, Arena Faktoring A.S. aims to reach more customers from different sectors and provide high-quality services in factoring transactions, not only in domestic, but also in international transactions with its fast, high-quality and solution based policy.



FCI is delighted to welcome Infinitum Factoring d.o.o. as its latest Affiliate Member. Infinitum Factoring d.o.o. is based in Zagreb, Croatia. They were established in 2013 and started offering both domestic and export factoring services the same year. They intend to start offering import factoring services in 2017.



Established in 1997, Merkez Faktoring provides factoring services with its 58 employees working at its head office and three branches in Turkey.

In 2015 Merkez faktoring adopted a strategy of growth and diversification with a rich product range and across various sectors and customer segments.

Merkez also provides tailor-made financing, guarantee and collection services to its customers and plans to ensure fast and secure growth with such projects.

## Postal Savings Bank of China Corporation Limited

They are a commercial retail bank, which provides basic financial services, especially to small and medium sized enterprises and rural and low income customers located throughout China. PSBC has 40,000 branches covering all regions of China. PSBC was set up with an initial capital of RMB20 billion in 2007 from the State Post Bureau. Today it has RMB1.5billion in deposits and the second largest number of branches, after the Agricultural Bank of China. During the Global Financial Crisis, the government took several measures to spread its national economic stimulus plan specifically to rural areas. This included using microfinance services provided by the Postal Savings Bank as a tool for national development and poverty reduction. The bank with its extremely broad reach also assists China's credit cooperatives in their microcredit schemes.

They started domestic factoring services in 2012. They intend to start export and import factoring services this year.



紫新嘉瀾保理  
Purple Vintage Factoring Limited

Purple Vintage Factoring Company was set up in March 2016 in Qianhai, Shenzhen, China. The company has a strategic focus to develop and promote export factoring business in China, assisting exporters in managing buyer credit risk and to provide export finance. It will also provide domestic factoring service with the aim to

mobilise seller's cash tied up in receivables in a more structured and controlled manner.

Although the company starts with a small team, the management team has vast experience in the banking and factoring industry, previously worked for leading banks and is well versed with international factoring practices.

"Being a non-bank commercial factoring company operating in China, we are faced with certain policy restrictions and SAFE regulations limiting certain activities. Despite this, we feel that there are ample opportunities for us to work with counter-parties and clients on factoring cooperation and we look forward to cooperating with FCI network members who are prepared to work with our new commercial factoring company", says Philip Cheng, Director of Purple Vintage Factoring Limited.

Versobank AS headquartered in Tallinn was established in 1999, and have representative offices in Ukraine and offices in Cyprus and United Kingdom. Its interests are represented by official agent companies in the Baltic States, Central Asia, Western Europe, Russia and

Ukraine. Versobank AS is an independent, privately held Bank focused on individual approach, high quality services, efficiency and unique solutions.

The Bank offers a full spectrum of commercial banking services such as payment services, deposit accounts, large variety of investment products, payment cards, loans, trade finance and documentary operations, factoring, stocks and bonds, capital management, etc.

Versobank AS started domestic and export factoring services in March 2016. They do not intend to start import factoring services at this time.

# CONNECT



**Standard Bank**

Standard Bank Group is the largest African bank with a unique footprint across 20 African countries. Headquartered in Johannesburg, South Africa, and listed on the Johannesburg Stock Exchange, Standard Bank has a 153-year history in

South Africa and started building a franchise outside southern Africa in the early 1990s.

The group has 54,000 employees and over 1,200 branches, which enable it to deliver a complete range of services across Personal and Business Banking, Corporate and Investment Banking and Wealth Management. Standard Bank's Corporate and Investment Banking division offers its clients banking, trading, investment, risk management and advisory services to connect selected emerging markets to Africa and to each other. It has strong offerings in mining and metals; oil, gas and renewables; power and infrastructure; agribusiness; telecommunications and media; and financial institutions.

The group's largest shareholder is Industrial and Commercial Bank of China (ICBC), the world's largest bank, with a 20.1% shareholding. In addition, Standard Bank Group and ICBC share a strategic partnership that facilitates trade and deal flow between Africa, China and select emerging markets.

Standard Bank continuously strives to improve its trade product offerings and services to its clients, and offers a basket of solutions to meet all the trade finance requirements of their clients. They also provide expert advice to assist their clients in managing the complexities, regulations and risks inherent to cross-border trade.

The company has been offering receivables discounting services (both domestic & export) for over 30 years. They are predominantly focussed on export factoring, but intend to start import factoring services this year.

Through its FCI membership, Standard Bank is able to offer its approved clients access to additional and competitive financing solutions, and to build key relationships with fellow FCI members.



**国家电投**  
**SPIC**

**国核商业保理股份有限公司**  
State Nuclear Power Commercial Factoring Company

State Nuclear Power Commercial Factoring Co., Ltd. was registered in Shanghai Free Trade Zone in December 2013. They are a pilot enterprise in commercial factoring and were authorized by the Commerce Ministry. They also chair Shanghai Commercial Factoring Association.

State Nuclear Power Commercial Factoring Co., Ltd. is part of State Power Investment Corporation, a large state-funded enterprise owning registered capital of 45 billion RMB and total assets of 722 billion RMB. State Power Investment Corporation is the only comprehensive energy enterprise group possessing assets of hydropower, thermal power, nuclear power and new energy, and doing business in electricity, coal, aluminium, logistics, finance, environment protection, high-tech industry. The number of employees is reaching 140 thousand; the corporation includes 7 listed companies in which 2 are Hong Kong red chips and the other 5 are listed in domestic A-share market.

State Nuclear Power Commercial Factoring Co. (SNPCFC) is proactively expanding cross-region & cross-industry businesses in parallel with the sound and stable development of business inside the industry. The state-related background contributes to the strengths of SNPCFC, especially in business reputation, funding, business negotiation, and cost control.



Being headquartered in Shanghai, China and founded in 2014, SINOIF is an international company with a view to provide comprehensive domestic and international factoring service and solutions to our clients all over the world.

Since its establishment, SINOIF has recorded an excellent performance and rapid development. In 2015, the whole factoring volume of SINOIF has remarkably exceeded the amount of RMB 0.8 Billions (approx. USD 119 Millions) .

We are headquartered in Shanghai since establishment. After two years' rapid development and in order to provide instant services to our client, we have located our branch offices in Beijing, Ningbo, Shenzhen and Singapore which could be approached by the clients conveniently.

Now there are 41 staffs working in SINOIF.

Our holding company is a multi-national financing group with a view to provide comprehensive domestic and cross-border financing solutions to our clients all over the world since establishment in 2012.

The backup from our holding company could facilitate our full factoring services to our clients, especially the financing.

Solid connect with client and channels

- We have set up some comprehensive market channels with local business bureaus and cooperative banks which geographically covered all eastern coastal provinces and some important central & western provinces in China.
- We are confident to approach most of the well qualified Export & Import companies in China.
- Thanks to the good preparation in the last two years, we are well connected with lots of large Export & Import companies in China who have firm intention to co-operate with us in the segment of international factoring.

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We wish them lots of success!

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

We take the opportunity in this newsletter to mention to you that thanks to our cooperation with our partners, FCI Members can benefit from **discount on the registration fee** of their events. Some of the next events are:

- GTR Asia Trade & Treasury Week 2016, 6 - 8 September, Singapore
- The Global SME Finance Forum 2016, 19-21 September, Beijing
- GTR Africa Trade & Infrastructure Finance Conference 2016, 5-6 October, London
- Joint Workshop on Documentary Credit, Forfaiting & Bank Guarantees, 12-13 October, Vienna
- ICC Austria & EBRD joint workshop on Factoring, 14 October, Vienna
- Commodity Trade Finance Conference 2016, 25 October, Lugano (Switzerland)

Please have a look in the [partner events section of the website](#) for details and discount code.

# CONNECT

## The most effective way of Communication – Meet with Edifactoring Experts



SEVIL DINÇER

Chairman of Communication Committee

*Communication is about more than just exchanging information and is also a two-way street. It's not only how you convey a message so that it is received and understood by someone in exactly the way you intended, it's also how you listen to gain the full meaning of what's being said. Effective communication helps you deepen your connections to others and improve teamwork, decision making and problem solving.*

Throughout the years the communication between FCI members has been provided mainly by edifactoring, a **valuable tool developed by the dedicated ComCom team**. The ComCom has been working backstage for developing tools to improve our members' performance and exploring new ideas and products for the same purpose since then.

Triggered by the Union, the Communication Committee decided to play a more proactive role with the aim to better serve our existing members as well as our new members who are unfamiliar with edifactoring.

To complete this mission, first a brand-new training, **focused primarily on the operations of the FCI Two-Factor business and the use of edifactoring.com**, was held in Vienna with the joint efforts of the ComCom and the Edcom. As it achieved great success, it will be repeated in other countries in the future.

The other challenge was to allocate some time during the regular ComCom meetings to meet the local FCI members. It was initiated in Italy in February 2016 with great success and thus repeated in Hong Kong and Taiwan in June 2016.

The purpose of these meetings was to give the **participants a chance to talk with the people who are in charge of edifactoring** about the international two factor business.

The Hong Kong meeting was attended by 21 delegates representing 10 members. A big thank you to DBS Bank (HK) Ltd for their hosting.

The next meeting was held in Taipei with over 30 delegates, including one member from China. A big thank you to Taipei Fubon Commercial Bank for their hosting.



The Communication Committee made a short presentation focusing on the below mentioned topics, not only to give a better knowledge of the communication platform but also to create a chance for the participants to get to know each other and share FCI knowledge/good practices, new ideas and needs.

The topics covered during the meetings were:

1. Introduction to FCI and ComCom
2. edifactoring.com
  - brief history of the FCI communication systems
  - role of the system administrator
  - edifactoring.com system security
  - first time log in edifactoring
  - setting up the factor and sysadmin profiles
  - new users and segregation of duties
  - a day at work
  - short overview of the messages
3. Q&A, any needs, comments and new ideas

All of the meetings resulted in a very positive feedback from the attendants thanks to their sincere contributions.

Some of the feedback:

*"Thank you for arranging a communication meeting for Taiwanese members. It was very successful, and all Taiwanese members were happy and satisfied with it...."*

*"First of all, we appreciate for organising the meeting in Taiwan, which made it a lot more convenient for us. The meeting was excellent, The Q&A was useful, we asked questions and requested some issues we are currently facing and asked for the possibilities to amend, add or even delete these functions.*

*I mainly benefited of :*

- *How to operate the main functions properly*
- *How to check the performance reports and compare to other banks around the world*
  - *How to filter the items to check for something specifically*
- *To know what other banks are currently facing about the system, so that I am aware of what's going on*
  - *To understand the history of the Comcom, which was fascinating*
  - *To know more factoring teams from other local banks in Taiwan. "*

After getting such a positive feedback, the Communication Committee will certainly continue to approach FCI members in their own country believing that this is the most effective way to communicate to make their wishes become reality...

## FUTURE CONFERENCE

The second part of this year is busy: it includes several gatherings for our Members: a **joint workshop with EBRD on International Factoring**, the **Annual Meeting** (We are sure we don't have to mention again that it is the first Annual Meeting since the successful union with IFG) and a **Regional Conference on Factoring and Receivables Finance in the Middle East**.

The workshop organised in cooperation with EBRD and the Annual Meeting will be presented in the section "educate" further in the publication. Let's discover what to expect from the regional conference in the Middle East:



The **first Regional Conference in the Middle East** is organized in cooperation with the FCI Marketing and Education Committees. This Regional Promotion Conference focuses on a **regional view on factoring**, offering attendees a unique opportunity, not only to discuss the current state of the Industry, new challenges and products & markets developments, but also to network with players in the same region.

The conference offers a mixture of presentations on Factoring, on the Two-Factor System and the new organization, Factoring in the Middle East, Sharia Compliant/Islamic Factoring, Risks and Risk Mitigation, How to set up Factoring Activities, Legal, Factoring in Turkey, Factoring in Egypt and Insurance for Trade Finance.

The conference is aimed at an audience of **professionals from the Middle East Region** and beyond, and particularly towards the leaders of factoring companies, specialized banks and financial institutions, consulting firms, official organizations, companies offering their services to the world of factoring (lawyers, insurers, IT providers) and exporters and other companies interested in the world of factoring.

This regional conference promises a lot of very interesting exchanges between professionals from the same region. We are sure that the feedback from the attendees will be similar to what we have heard after the regional conference in CEE held in June in Bucharest:

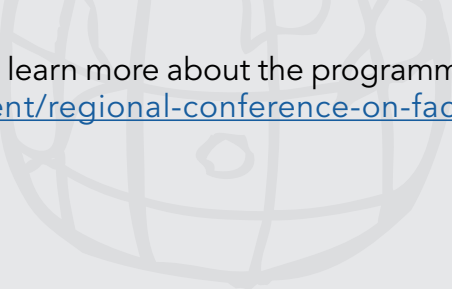
*"Interesting topics and a good opportunity to network with like-minded professionals"*  
Vincent Valletta, Chief Risk and Compliance Officer, MFC Merchant Bank Ltd

*"Very animated talks on SCF that opened new angles to the topic"*

*"Excellent platform for information on recent developments and new contacts"*

*"As usual, a very good opportunity to share ideas how to face the current factoring issues"*

If you wish to learn more about the programme and register, take a look at the website: <https://fci.nl/en/event/regional-conference-on-factoring-receivables-finance-in-the-middle-east-dubai/3741>

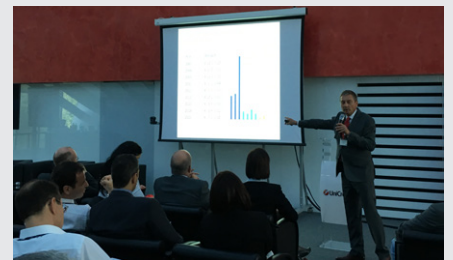


## PAST CONFERENCE

Since the last newsletter, there was only one conference, as in the last two months, the business slowed down due to the summer holidays (or winter for some countries). We mentioned in the previous article the **Regional Conference on Factoring in CEE** (Central East Europe) that took place early June in Bucharest, Romania. As you read before, comments from the attendees were very positive and the results of the satisfaction survey was high. All subjects were very much appreciated but one stood out, the **panel on Technology and Innovation**. The discussion between specialists from IT companies, including representatives from our sponsor members Codix, HPD and Efcom, brought lots of interest and questions from the audience.

Apart from presentations and panels, a lot of discussions took place during breaks and dinner. We can tell you that new business deals were made during this conference! This (two half days) regional conference proved to be very convenient for attendees and the same format will be proposed again in the future.

We thank especially UniCredit Bank for hosting the conference and Codix for the wonderful dinner in a typical Romanian location.



More pictures of the conference are available on our website [www.fci.nl](http://www.fci.nl)

In the previous section we mentioned the coming workshop organised in cooperation with EBRD. As you know FCI has strengthened its relationship with EBRD over the last few years. This workshop is a result of this cooperation. On 19 and 20 September, EBRD is organising its yearly TFP Trade Finance Forum in Frankfurt, where all their partner banks are invited. With EBRD, we thought that it's a great opportunity to promote factoring among their partner banks and offer them the chance to learn more about international factoring without additional travel. The workshop is also very interesting for our members' newly hired employees.

### **PRACTICAL WORKSHOP ON INTERNATIONAL FACTORING, IN COOPERATION WITH EBRD, FRANKFURT, GERMANY, 21 SEPTEMBER 2016**



The conference is meant to be an **introduction to International Factoring**. Topics on the agenda will include overviews of FCI and the Two-Factor system, the World of Factoring, risks and risk mitigation aspects, cross-border Factoring, EBRD and Factoring and a panel with EBRD Partner Banks who have launched Factoring and work within the FCI network.

The conference offers the attendees numerous opportunities to discuss issues of common interest with their peers and with FCI representatives.

This workshop is aimed at FCI Members and non-members, particularly EBRD's partners banks.

Speakers include Mr Peter Mulroy (FCI), Mr Marco Nindl (EBRD) , Mr Erik Timmermans (FCI), Mrs Aysen Cetintas (FCI), Mrs Maria Mogilnaya (EBRD), Mrs Tamar Gugushvili (TBC Bank Georgia), a representative from Bank of Georgia, Mr Gevorg Khachatryan (ArmSwissBank).

Already more than 50 people have signed up, don't wait to register, places are limited! (registration is free)

More information on the [FCI website](#)



## FCI ANNUAL MEETING

You know that the yearly gathering of FCI Members will take place in **Cape Town, South Africa, from 23 to 29 October**. FCI's 48th Annual Meeting will be the first annual meeting organized together as one association after the successful union between FCI and IFG on 1st January 2016.



The Annual Meeting is a great opportunity to **network with your peers globally** but also to **discuss current issues of the Factoring and Receivables Finance Industry**. The meeting will address issues which are important for you and your company, such as strategy and will include the official Members' meeting. It is **the only opportunity to meet your global correspondents in one spot!** The Annual Meeting will open on Sunday 23 October with welcome cocktails and dinner.

**On Monday**, after the opening remarks by **Mr. Michel Leblanc, Chairman of FCI** and **Mr. Peter Mulroy, Secretary General**, **Ms. Lebo Mashile, a South African poet and writer**, will welcome us to South Africa. An award-winning writer, television presenter, actress and activist, Lebo Mashile is a South African household name who is most recognizable for her lyrical poetry which has captivated audiences in many countries around the world. Ms. Mashile's passion for the arts and social justice is evident in her prolific body of work. Ms. Mashile spoke at Dr. Oramah's investiture as President of Afreximbank in Cairo last year, which was highly appreciated.

Following the opening addresses, we welcome our Keynote Speaker: **Former President of the Republic of South Africa, Mr. F.W. de Klerk**. Mr. de Klerk has been at the forefront of transformation, having led his country out of apartheid into a new era of democracy under the leadership of Mr. Nelson Mandela. Together, both gentlemen won the Nobel Peace Prize, and we are excited to have Mr. de Klerk with us.

The morning plenum session will conclude with the traditional **"Year in Review"** presentation by the FCI Secretary General and a **presentation on the new branding** by FCI's Chairman Mr. Michel Leblanc, Secretary General Mr. Peter Mulroy and Deputy Secretary General Mr. Erik Timmermans.

In the afternoon, the delegates will be divided into five groups to discuss a number of topics in so-called roundtable discussions. Topics are:

- ***Vision, Mission and Rebranding of FCI+***

After the successful Union between FCI and IFG, the scope of the renewed organisation changed. The Executive Committee worked on the **vision and mission** and the Marketing Committee worked on a **new branding to reflect the changes**. This will be the first opportunity to present the project and get your opinion and views. There is no better moment than the first Annual Meeting after the Union to rebrand FCI and send a strong message to the Industry about the new organization, the truly global representative body for the Factoring and Receivables Finance Industry.

- ***Supply Chain Finance Initiative***

Supply Chain Finance is a wide concept that includes many products related with receivables finance. During the last months, the SCF Ad-hoc committee has worked on what has been known as **confirming or reverse factoring**, with the objective to give all FCI+ members the possibility to start another business line, out of factoring. We believe in this business and the volumes around the world confirm that there is a market niche to develop this product.

# EDUCATE

- *Compliance: presentation and discussion on the new initiative*

**KYC and Compliance** requirements have become an important challenge in international factoring. At the same time, clear and transparent compliance rules can reinforce the two-factor platform and create new business opportunities. The FCI ExCom has installed an ad-hoc Compliance Committee, and in Cape Town, the ad-hoc committee will present proposals for an FCI Compliance framework.

The Monday evening is free.

On Tuesday the **Chief Economist of Nedbank, Mrs. Nicky Weimer**, will talk about the economy in South Africa.

The presentation is followed by a panel discussion on "**Spreading the Word about Receivables Finance: a win-win for all stakeholders**". The Panel will discuss how a low risk financial product provides SME support, employment, wealth creation and economic growth. The panelists include

- **Dr. Benedict Oramah**, President, **Afreximbank**, Egypt. Dr. Oramah holds M.Sc. and Ph.D. Degrees in Agricultural Economics. He was appointed to the position of Executive Vice President of the Bank in October 2008 and in 2015, as President of Afreximbank.

- **Mr. Hyung Ahn**, Global Manager, Trade & Commodity Finance, **IFC**, USA. Mr. Hyung Ahn is a member of IFC's Financial Institutions Group Management Team. He leads IFC's Global Trade Finance Program and all trade related solutions.

- **Dr. Marc Auboin**, Economic Counsellor, **World Trade Organization (WTO)** (introducing their recent study on Receivables Finance). Dr. Marc Auboin is responsible in particular for trade and finance issues, including trade finance, and for WTO relations with the IMF and World Bank.

- **Mr. John Brehcist**, Advocacy Director **FCI and EUF** Coordinator (highlighting the recent White Paper from the EU Federation on Factoring). John's consultancy Roundwindow specializes in Strategic Management Development, helping CEOs and their companies define and develop their strategy, structure, process and people.

The panel will be moderated by Mr. Peter Mulroy, FCI Secretary General.

The morning will end with **Chapters presentations**. Regional representatives will update you on **initiatives and what happens in the different regions of the World**. You will not only be interested to hear about your own regional market but also about others, and emerging markets can learn a lot from mature markets. It is in the interest of mature markets to see emerging markets evolve, thus facilitating their trade options. Moreover, it's interesting to know what happens in the regions you are working with. More details to be discovered on Asia, Latin America, North America, Europe and Africa.



PLEASE  
REGISTER BEFORE  
23 SEPTEMBER!

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# EDUCATE

The afternoon will be dedicated to **Committees' presentations**. You will hear updates from the Legal Committee, Education Committee, Communication Committee and Marketing Committee. It will allow you to

- Keep updated on the **Association's life**
- Learn in detail about the **changes in the constitution**, which will be voted on during the council meeting
- Stay aware of the Association's representation in **initiatives** such as Uncitral...
- Learn the latest update on **Edifactoring**
- Discover **new projects** by the Committees
- Understand the complete **education offer**
- Learn about the evolution of the education participation
- Be aware of the **new marketing initiatives**
- Discover the next promotion and education conferences
- **Thank the Committees' members** for their time and availability for the Association

*"just the beginning  
of an extraordinary  
adventure all  
together"*

Michel Leblanc,  
Chairman of FCI

In the evening, a walking tour in Cape Town (the Slave Lodge, St George's Cathedral, Church Square, Postal Stone & Green Market Square) is organized followed by a dinner in "Gold", to experience some of the best dishes Africa has to offer.

**Wednesday** is the traditional day of the **Members' forum**; the afternoon is "free" for networking, but we will organize a special luncheon for all "observers".

**On Thursday**, you will discover Cape Town during a full day excursion, the **traditional networking day**. A full day excursion to Cape Peninsula and Robben Island. Highlights include:

- **Peninsula** : Travel into Cape Peninsula via Camps Bay along the spectacular scenic drive of the Atlantic seaboard over the picturesque Chapman's Peak Drive, before crossing the peninsula to Boulders Beach to view the penguins.
- **Robben Island**: The island prison was once home to former South African president Mr. Nelson Mandela. It is now a World Heritage Site (since 1999) and museum, a poignant reminder of the price paid for freedom. The boat trip takes you across Table Bay, and allows spectacular views of Table Mountain. Once on the island the tour will take you to the infamous maximum security prison, and allow interaction with an ex-political prisoner.

The evening is free.

**On Friday morning**, the **Council Meeting** takes place. The meeting traditionally ends with the **award ceremony** for best Import Factor, best Export Factor, best Import & Export Factor, etc.

The afternoon is free. The Annual Meeting will close with the **Farewell cocktail and dinner** in Lourensford Cellar in Somerset West. Do not miss this spectacular end to the week's meeting!

We hope that we can count you amongst the attendees of the FCI+ Annual Meeting, 23-29 October, Cape Town, South Africa!

More information and registration is available on [our website](#). Don't wait places are limited!

# EDUCATE

## WELCOME EDUCATION PACKAGE FOR NEW MEMBERS



AYSEN CETINTAS  
Education Director

The idea behind the new extended education offer is to support all new members regardless of their type of membership with the **same standard education package**. Our objective is to furnish the FCI new members in all markets with the **standard knowledge and skills** which will facilitate their integration into FCI and the two-factor system and to assist them in generating quality factoring business.

### Education Tools - free of charge

- FCI Quick Start Guide.
- FCI Guide to the Establishment of a Factoring Operation.
- One free registration for the Foundation Course per member, provided that the company commits to enrol a second student to the Foundation Course against payment within the consecutive 12 months after the registration of the first student.
- One free registration for the Intermediate or Advanced Course per member, provided that the company commits to enrol a second student to the Intermediate or Advanced Course against payment within the consecutive 12 months after the registration of the first student.
- One free registration for any seminar/workshop (travel and accommodation expenses excluded) within 24 months after the admission.
- Webex sessions on selected topics by FCI Directors (maximum 4 hours). Topics available:

Introduction to Factoring, Two-Factor System and FCI (45 min.)	Basics of Dispute Prevention and Handling (45 min.)	Introduction to Risk Management in International Factoring (60 min.)
edifactoring.com (45-60 min.)	Basics of Fraud Detection and Prevention (45 min.)	Basics of Seller Selection and Control (45 min.)
Introduction to Operations of the Two-Factor System (60-90 min.)	Basics of Selling Factoring (45 min.)	Legal Matters (60 min.)

- FCI Mentoring program  
The programme aims to match experienced volunteer members (the mentors) with new and inexperienced members (the mentees) for the specific purpose of providing support, guidance, giving practical and helpful tips and passing know-how to the mentees.

### Education Tools - against payment

- Tailor-made training by the Education Director or Chapter Directors - €500/per day + travel and accommodation expenses of the trainer.
- Webex sessions (above 4 hours) - €100/per hour.

The programme will be launched after the FCI 48th Annual Meeting.

OUR AIM IS TO ASSIST FCI  
NEW MEMBERS IN ALL MARKETS WITH  
STANDARD KNOWLEDGE AND SKILLS

## FCI CONTINUES TO ASSIST THE NEW MEMBERS

### How to set up a successful factoring business?

Tailor Made Training for The Standard Bank of South Africa Ltd.

16-17-18 August 2016

*This program helps you to become completely familiar with the legal environment, operational requirements, day to day procedures and practices of the FCI two-factor platform."*

In countries where factoring is new, it is not possible for a member to obtain trained staff by hiring personnel from existing factoring companies. Therefore FCI offers **in-house customized training programs specific to your company's learning needs**.

The factoring team of SBSA joined a tailor-made training organised by FCI in Johannesburg. The training module comprised a complete vision of the business process and allowed the bank to validate the way they operate. The topics varied **from operations to legal aspects, risk management, sales and best practices in factoring**.

Standard Bank has a 154-year history in South Africa. They currently operate in 20 countries on the African continent, including South Africa, as well as in other selected emerging markets. SBSA's strategy is to build the leading Africa-focused financial services organisation using all their competitive advantages to the full. Standard Bank is a member of FCI since May 2016.

### Who should apply?

This program is available to **new members who joined FCI during the past two years**. The purpose is to **offer guidance in the process of setting up FCI Two-Factor business and facilitating the new member's integration into FCI**.

FCI Education Director or Regional Chapter Directors will act as specialist consultants, with extensive factoring experience from their previous senior management positions in the factoring industry, and from their thorough understanding of FCI practices and procedures.

For further information and for discussing an appropriate program, please contact the FCI Secretariat or Ms. Aysen Çetintas-Education Director (cetintas@fci.nl).



Offer guidance in the process of setting up FCI Two-Factor business and facilitating the new member's integration into FCI

# EDUCATE

## FCI FOUNDATION COURSE FOURTH TERM OCTOBER 2016



AYSEN CETINTAS  
Education Director

We announce the release of the fourth term October 2016 series of the Foundation Course on International Factoring, **starting on 1 October 2016**.

**FCI offers the Foundation Course four times a year (1 January, 1 April, 1 July and 1 October).** All other on-line Courses are offered twice a year, the first term starting on 1 January, the second on 1 July.

### IMPORTANT NOTICE

New members – admitted within past 24 months – have one free registration for the Foundation Course, provided that the company commits to enrol a second student to the Foundation Course against payment within the consecutive 12 months after the registration of the first student.

### The “Career Path” of FCI Education

The “Career Path” is an education plan consisting of three steps, which will meet the training requirements of your staff regardless of knowledge and experience level.

- |         |                                                          |
|---------|----------------------------------------------------------|
| Level 1 | Foundation Course on International Factoring-Certificate |
| Level 2 | Intermediate Course on International Factoring-Diploma   |
| Level 3 | Advanced Course on International Factoring-Diploma       |

## Foundation Course on International Factoring LEVEL 1 of FCI “Career Path”

### Content

FCI Foundation Course provides an [overview of international factoring](#) including a brief history of the industry, FCI, the different types of factoring, selection and on-boarding of the prospective seller, the seller management and the benefits, the methods and the mechanism of two-factor system.

### Level – Who should attend?

This course is suitable for [new and recent entrants to the industry](#) and is appropriate for staff employed at all levels within the industry with less than 12 months factoring experience. The Foundation Course also counts towards the Intermediate Course Diploma qualification.

## **Assessment**

The student takes an on-line exam of **30 multiple choice questions** covering the study material to be completed in 120 minutes. The successful student will receive an FCI Bronze Certificate. No online help by the Education Director.

## **Study Material**

Foundation Course **study material and e-learning modules**.

## **Study Time and Examination**

The course is designed to be completed within a period of **3 months**.  
The students can take the online examination between 1 November and 31 December 2016.

## **Training Language**

The course is offered in **English only**.

## **Cost**

Eur 250.-/student

## **How to Enrol?**

Please register to the **on-line option on the FCI Private Net for the Foundation Course**.

Please note the following important points:

1. The Course is meant for the staff of FCI members in any position or department.
2. For the Foundation Course on International Factoring there is no limit to the number of registrations per FCI Member Company.

For the Course, the online enrolment process should be completed not later than Tuesday 20 September 2016.

**REGISTER ONLINE  
BEFORE 20 SEPTEMBER  
CLICK [here to register](#)**

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# INFLUENCE COMPLIANCE



ERIK TIMMERMANS  
Deputy Secretary General

Compliance and Risk Management are a **top priority for all Financial Institutions** and therefore also for most FCI Members. Factoring and more generally Open Account Receivables Financing have quite recently been identified by regulatory bodies (EU Directive and FATF) as areas with a **high risk for Trade Based Money Laundering**. Even if FCI as an association is unlikely to be directly in the scope of Anti Money Laundering and Terrorist Finance, most of our members are. For these reasons, the Executive Committee, under the leadership of Adrian Rigby (HSBC) and Peter de Koning (ABN-AMRO ComFin) has decided to increase FCI's accountability by **implementing a Compliance Charter**.

An **Ad Hoc Compliance Committee** was formed with the following members:

- Peter Ball (HSBC, UK)
- Audrey Vedovelli (BNP Paribas Factor, France)
- Stephan Vitzthum (GE Capital, Germany)
- Mary Farley (CIT, USA)
- Harry Biletta (FCI, Netherlands)
- Erik Timmermans (FCI, Belgium) who acts as Project Leader.

The committee met once by conference call on 29 June and once during a full day meeting in Amsterdam on 25 July.

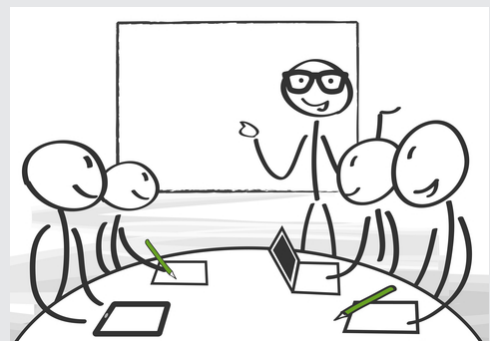
The Committee identified three areas where FCI Compliance should be active:

## **1. Developing an Internal FCI Compliance Framework.**

This framework will make sure that FCI is **internally aligned with Best Practices in terms of Compliance Risks**. It concerns topics such as System Security, Competition Law, Code of Conduct and Integrity, Member Acceptance policy, etc...

## **2. Advice to Members on Best Practices**

This framework should offer members a benchmark and Risk Model for their own use and for use in the Correspondent Factoring environment. A sort of **FCI "Wolfsberg" guide on AML/FATF** should be developed. Transaction Monitoring on Edifactoring is not in the scope, but the framework should give **guidelines for Transaction monitoring activities** by the members. FCI is not a regulatory body and has only an advisory role. But the ambition should be to create a "de facto standard" for a compliance framework in the Receivables Finance Industry.



# INFLUENCE

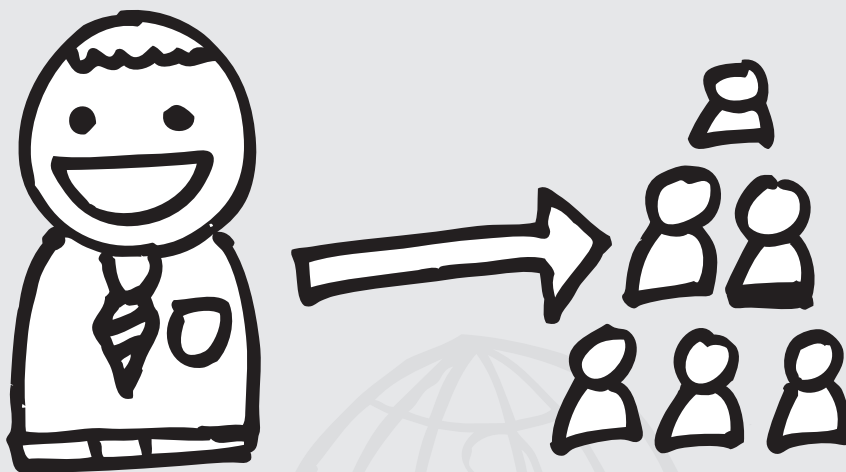
## 3. Education & Advocacy

FCI should show thought leadership in the area of Compliance in Open Account Finance and has to organize **seminars and publications** in this field.

The Ad Hoc Compliance Committee made the following **recommendations** to the Executive Committee, which will be discussed and implemented at the Annual Meeting in Cape Town later this year.

1. The formal set-up of the **Compliance Committee in FCI** (with an advisory role), reporting directly to the FCI Council.
2. The decision to **budget for the hiring** of a Compliance Officer in FCI.
3. In the meantime FCI can work on some “low hanging fruit” in the compliance area, by organizing a **training/networking event for members**, by **improving the procedure for screening of new members** and by developing a **standard AML/KYC document** to be used by all members who are active on the Two-Factor Platform.

We look forward to discussing this extremely important topic of Compliance in detail with our members at the Annual Meeting in Cape Town!



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# INFLUENCE

## Supply Chain Finance on the road to Cape Town 2016



PETER MULROY  
Secretary General



STEVEN VAN DER  
HOOFT  
CEO, Capital Chains

*We wanted the opportunity to update you on the work of the SCF committee. As you know from the circular dated 27 May 2016, FCI announced that it had contracted with Windesheim University of Applied Sciences (Windesheim), who in turn contracted with a company called Capital Chain both based in the Netherlands to oversee the launch of a Request for Information (RFI) project in order to help us in the process of pre-selecting a SCF solution vendor that could deliver a specific IT platform for the SCF business which FCI is looking to introduce to its members. This was followed by a formal press release, to notify all vendors around the world that FCI would be launching such an initiative and to give all parties the chance to react. FCI received ten responses during this RFI period, and the SCF Committee met on the 23rd July to review the submissions and discuss next steps relating to this important project. This article discusses in more detail this process and more importantly next steps that can be expected in the coming months ahead.*

### Market Opportunity

FCI members, that means you, currently offer three main factoring services: domestic factoring, export factoring and import factoring. In the export- and import factoring business we can then make the distinction between direct- or two-factor business. As an addition to the 'regular' factoring solutions, some FCI members have a reverse factoring solution in place.

Alexandra Barbosa, Head of Specialised Corporate Lending Department at Banco BPI, in her article in FCI Horizons issue of January 2015 made a very good remark on the position of reverse factoring to 'regular' factoring: "This is where, in my view, **FCI can play a key role. Confirming is not an enemy of factoring**, it is an ally; and this is why it is so often called reverse factoring. International factoring's actual competitors are the traditional financial products that support cash needs and which do not match the real working capital needs of the companies. In fact, there are many suppliers that do not use either confirming or factoring in their international trade, meaning there is much room for growing products related to sale of receivables."

The main obstacle for many factors and banks is the fact that they cannot service international suppliers in all countries, either because of language, local rules and regulations or other reasons. The few institutions that have a truly global presence still face these dilemmas in some countries and indicated that a FCI supported solution would be of interest to them.

### Introduction

With the approval, at the Annual Meeting in Singapore 2015 to move ahead with the project to research the possibilities of Supply Chain Finance [SCF] for FCI, the SCF committee under the Chairmanship of Josep Sellés performed much work to date. To ensure we do not start a discussion around terminology like Josep already indicated in his article in FCI Horizons issue July 2015, this article will use **SCF to describe confirming or reverse factoring**. In this same article by Josep, a second phase was described that entailed the search for a "reliable and high-performing IT platform" to develop a SCF product for FCI which would "open doors to all members who are today doubting on whether to invest in an IT platform to develop a SCF product".

# INFLUENCE

To ensure all SCF solution providers interested in this opportunity would be taken into account for this project, we reached out for your help in determining the final list. It is here that the Request for Information [RFI] started, with a next appearance on stage at the Annual Meeting in Cape Town this October.

## *Target of the RFI*

The SCF Committee in coordination with Windesheim prepared a list of **all necessary functional aspects that the SCF solution vendor should be able to meet**, all of this to support FCI's goal to offer their member base a competitive advantage in the SCF market space.

FCI members currently not active in offering SCF solutions should be enabled to start offering **SCF domestically**. This way, the FCI SCF solution can be used to gain initial experience in offering SCF to later extend their services towards other geographical regions. In this setup, there is no need for other FCI members to participate and hence this would be a 'regular' **3-corner model**.

FCI members currently active in SCF on the other hand, can **use the FCI SCF solution as a way to do business in more countries**. The major obstacle for any financier in offering SCF on a global scale is meeting both local regulations and the imminent KYC requirements on the supplier side. With the extensive experience in doing two-factor international factoring that FCI possesses, this should be used in the international SCF market space as well. For this **4-corner model** it is of crucial importance that both the IF and EF can take different roles. The roles described in the RFI were: buyer contact, buyer contract, supplier contact, supplier on-boarding, supplier receivables purchase agreement, SCF program funding, supplier payments and buyer credit risk.

## *RFI process*

The SCF Solution Provider of choice has the potential of servicing 400+ members across the globe and hence there is a need to find a **reliable, financially stable, experienced and reputable partner** that will grow with FCI and above all else, will not put the reputation of FCI at risk. All of the SCF solution providers that participated in the RFI were scored based on the following ten categories which in turn incorporate the above three overall qualifications: Company Information & Overview, Qualifications, Customers, Platform Technology, Implementation Plan Financial Institution (FCI member), Implementation and on-boarding Buyers and Suppliers, Operational Details, Accounting & Legal, Fees, and Other Comments

This work is not yet completed as reference checks are currently being performed and clarifications on some of the answers to the RFI documentation are currently being analysed.

**During the Annual Meeting in Cape Town we'll have several sessions on SCF on Monday to discuss more details and answer most of your questions. It should lead to a council voting for the continuation of this project. Depending on the final vote, ideally approved, the SCF-committee would move forward on the negotiations with the top-SCF solution vendor(s) and a pilot phase.**

# INFLUENCE

## *Process towards the FCI Annual Meeting in Cape Town*

A more **detailed report of the RFI process** and its outcomes will be made available mid-September and shared with the FCI members.

Once the whole RFI process is finalized and the top-SCF solution vendors have been selected and approved by the FCI Executive Meeting, we are only halfway as we need the **council to agree upon the next steps** that need to be taken in order for this FCI SCF solution to see the actual light of day.

An **online survey** will be sent out to all FCI members following the RFI report (mid-September) to identify the current appetite from the FCI members to participate in this FCI SCF solution as an update to the earlier survey carried out in 2015. A pilot group of FCI members will be identified to be among the first to implement the FCI SCF solution after the approval from the council meeting.

## *FCI Annual Meeting in Cape Town*

During the Annual Meeting in Cape Town we'll have several sessions on **SCF on Monday** the 24th of October where we will discuss more details and answer most (if not all) of your questions regarding this new activity, the proposed timelines and obviously the costing. In our view this should lead to a **council voting for the continuation of this project** and hence creating a road map after Cape Town!

## *After the FCI Annual Meeting in Cape Town*

Depending on the final vote of the council meeting, the next steps forward will be put to paper. Ideally if approved, the SCF-committee would move forward on the **negotiations with the top-SCF solution vendor(s) and a pilot phase** with the SCF solution vendor of choice. This should allow both the SCF solution vendor as well as the FCI organisation to fine-tune the processes and to prepare for a gradual roll-out to all interested FCI members. The whole process won't happen overnight, but we are confident that the current SCF project will take FCI into the next era and further capitalize on the important role that FCI and its members play in international factoring and supply chain finance. The local know-how and expertise will turn FCI standards into the standards for SCF. But first things first, we look forward to meeting you in Cape Town in October to further exchange views.

Steven van der Hooft is CEO of Capital Chains, a training and consultancy company focusing solely on financial supply chain management. Capital Chains works for banks, active in (international) transaction banking, as well as corporates dealing with the increasing complexity around interactions between the physical and the financial supply chain.





JOHN BREHCIST  
FCI Advocacy Director

# INFLUENCE

## GLOBAL INDUSTRY ACTIVITY

### REPORT FOR 2015

The FCI+ Global Industry Annual Report GIAR for 2015 builds upon the annual work done early in the year to collate information on country turnovers.

As well as looking at the quantitative aspects of the industry, this survey considers some of the **qualitative aspects** of the Industry and the general sentiment of its key participants.

The full analysis of the Industry numbers will be available in the FCI Annual Review but in summary the survey indicates:

- Annual reported turnover of €2.37Tn represents **3.8% of the sum of the GDP of countries where there is a factoring industry** and **3.5% of total global GDP**.
- The most developed region is the **EU 28** where the average **GDP penetration is now over 10%**.

**EU >10% of GDP**

- The proportions of total turnover are respectively :

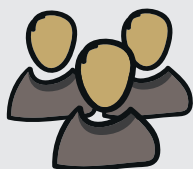
Non-Recourse Factoring	Recourse Factoring	Invoice Discounting	Reverse Factoring
47%	27%	19%	5%

- Where reported

**Export Factoring = 16%**

**Import Factoring = 3%**

- **Advances** against invoices were estimated to be over **€360Bn** at the end of the year.



- **Client numbers** are estimated to have reached around **570K**.
- **Debtor numbers** are estimated to be around **18M**.
- **Employee numbers** are estimated to be around **56k**.

- The total number of **companies** active in the Industry is estimated at around **2,500**.

- **Client turnover per employee** appears to have remained relatively **constant** since 2014 at a global estimated average of around **€42k**, with **average turnover per client around €4M**, placing the factoring service squarely in the SME market place.



- Global average productivity similarly appears to have remained relatively constant with an average of just over **ten clients per employee**.

- **Asset Based Lending** advances totalling **€91Bn** were reported from five countries, with still far and away the largest market being the USA, representing €80Bn of this total.

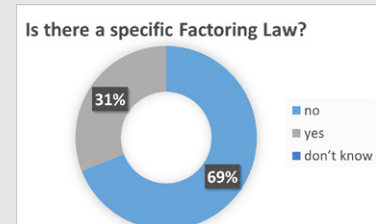
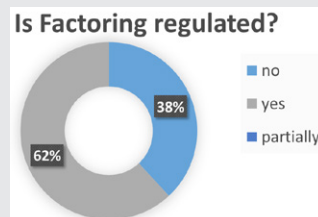
- Where the figures are available, the **top five concentration ratio (CR5) averages 82%** of the market.

As well as all these numerical data, the survey also looks at the **sentiment of the industry providers** at a country level. The full study considers levels of awareness and acceptance, the development outlook, turnover and profitability prospects, debtor and client risk profiles. This analysis can be seen in the FCI Annual Review.

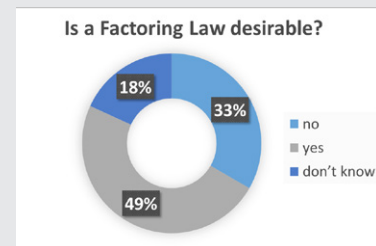
# INFLUENCE

Over recent years there has been an **increasing emphasis on compliance, legal and regulatory environments** and this is becoming a focal point for FCI+ and its members. So in this survey we asked a range of questions regarding these issues and the effects and impact they might have upon the Industry's development and growth.

Respondents were asked to report on the **legal status of the Industry** in their country. For those that answered, in the majority of them factoring is subject to regulation but only in a minority is there a specific factoring law.

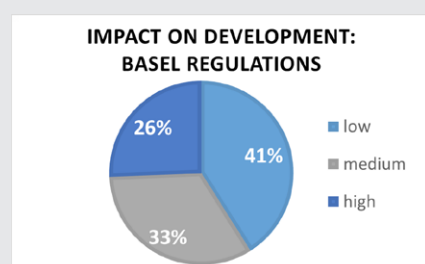
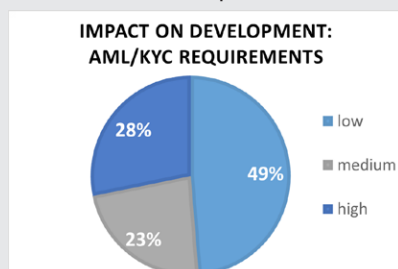


Where no law was reported, **almost half of the respondents believed that a factoring law would be desirable.**

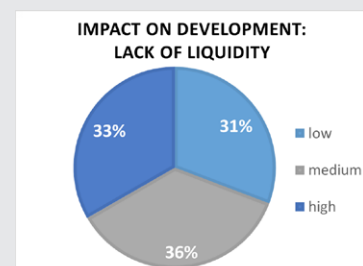
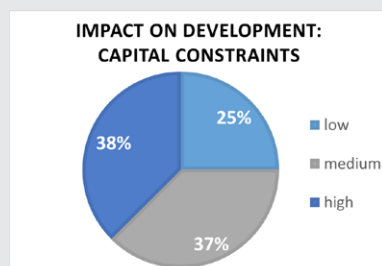


Respondents were asked about the degree to which a range of regulatory and compliance initiatives could be an impediment to the development of factoring in their country.

For example, the **perceptions about the impact of externally imposed AML and KYC requirements and Basel regulations were quite similar**, with a slightly higher overall level of concern regarding the potential effects of Basel:



From an internal provider perspective, **both capital constraints and liquidity were seen as proportionately greater concerns.** The responses indicate that the ability to support the lending requirements and opportunities is an important consideration in the ongoing development of the Industry:



The GIAR survey results show clear opportunity for FCI+ to continue to work with members and stakeholders through its Committees and Chapters locally and globally **to enhance knowledge, opportunity and capability.** They also provide the reader with a real window of insight into the Global Factoring Industry.

# INFLUENCE

## MODEL LAW ON SECURED TRANSACTIONS

Approved by UNCITRAL Commission



DR ULRICH BRINK  
Member of Legal  
Committee

The United Nations Commission on International Trade Law (UNCITRAL) plays an important role in **developing the legal framework of international trade** by preparing or promoting the adoption of new international conventions, model laws and uniform laws.

In addition to 60 member states of UNCITRAL, other United Nations Member States, as well as international and regional organizations (both intergovernmental and non-governmental) are invited to attend both UNCITRAL annual sessions and working group sessions as observers. Among these were EU Federation for Factoring and Commercial Finance (EUF), Factors Chain International (FCI), and International Factors Group (IFG) (now integrated in FCI).

Following previous work, such as

- the general recommendations of the UNCITRAL Legislative Guide on Secured Transactions (the "Secured Transactions Guide")
- the United Nations Convention on the Assignment of Receivables in International Trade (the "Assignment Convention")
- the Supplement on Security Rights in Intellectual Property (the "Intellectual Property Supplement")
- and the UNCITRAL Guide on the Implementation of a Security Rights Registry (the "Registry Guide")

The working group undertook work to prepare a simple, short and concise **model law on secured transactions**. The Working Group met biannually, in Vienna and New York, and reported to the Commission in the ordinary Commission session that took place annually.

The Model Law is intended to be useful to states that do not currently have efficient and effective secured transactions laws, as well as to states that already have workable laws but wish to modernize their laws and harmonize them with the laws of other states. While a convention is designed to unify law by establishing binding legal obligations, **a model law is a legislative text that is recommended to states for enactment as part of their national law**. It is expected that states will wish or need to adjust the text of the model to accommodate local requirements.



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Obviously, a law that has 104 articles, plus the ones on the Registry, is a complex system, and it refers to a multitude of various secured transactions. Therefore, only some of the rules relating to receivables finance shall be introduced hereafter.

Like the Secured Transactions Guide and the Assignment Convention, the Model Law applies to outright transfers of receivables such as factoring. The main reasons for this approach are that outright transfers of receivables take place in the context of financing transactions and it is sometimes difficult to determine at the outset of a transaction whether an assignment will be held to be an outright or a security assignment.

**The model law provides for the assignment of future receivables**, i.e. receivables that have not yet arisen at the time the assignment is made. This facilitates factoring.

Any contractual limitation to the assignment of receivables is invalid in the receivables listed (often referred to as “trade receivables”). The rationale underlying this approach is **to facilitate the use of receivables as security for credit**, which is in the interest of the economy as a whole, without unduly interfering with party autonomy. This rule does not affect statutory limitations to the creation or enforcement of a security right in certain types of receivable (e.g. consumer or sovereign receivables).

This rule does not excuse the assignor from liability for damages caused by breach of that contractual provision. Thus, if the debtor of the receivable has sufficient negotiating power to force the grantor to accept the inclusion of a “no-assignment clause” in their agreement and a breach of that agreement by the grantor results in a loss to the debtor of the receivable, the grantor is liable to damages under contract law. However, the debtor of the receivable may not avoid the contract because of that breach or raise against the secured creditor (assignee) any claim it may have against the grantor for that breach. In addition, an assignee that accepts a receivable as security for credit is not liable for the grantor’s breach just because it had knowledge of the “no-assignment clause”. Because of those rules, **a factor does not have to examine each contract from which a receivable might arise to determine whether it contains an anti-assignment clause**. This facilitates assignments of bulk receivables and transactions in which future receivables are involved.

The articles relating to the rights of assignors, assignees and debtors reflect rules that mirror the Receivables Convention in the terminology of the Model Law. **Once notified, the debtor is obliged to pay the assignee, and before that, payment to the assignor discharges the debtor**. Of course, as the debtor cannot prevent the assignments, its rights of defenses and set-off are upheld.

While a secured creditor can enforce its security right only in case of default of the grantor, the assignee of an outright transaction is to collect the receivable whether or not the assignor is in default, as the factor purchases and pays for the receivable. Articles that address enforcement are not applicable to outright transfers. Therefore, a factor is entitled to collect at any time, once the receivable became due.



# INFLUENCE

Priority and Third-Party effectiveness are important issues in factoring. The problem arises when the same assignor assigns a receivable to more than one assignee. A similar issue arises when a judgment creditor attaches the receivable, or when the insolvency practitioner of the assignee tries to collect. **The factor must ensure that it has the right to collect.**

**More than one concept of determining priority exists today**, e.g. the time when the assignment was made, or the time of notification, or the time of registration.

While the Ottawa Convention (1988) could not find a solution and remained silent on the issue, the Receivables Convention offered a conflict of law rule pointing to the law of the state where the assignor is located. **The Model Law suggests an electronic registry that is easy to access**, in which all security rights are to be registered, unless possession of a tangible movable asset or control of an asset by the secured creditor give sufficient evidence to third parties. As for receivables, **registration of the present or future transfer is required to assure priority over other assignees or the insolvency administrator of the assignor.**

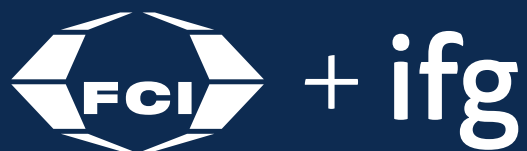
While notification of the debtor is not required to ensure the validity of the transfer of present or future receivables, at the end of the day **protection of the assignee from the intervention of third parties can only be ascertained by registration.** The debtor therefore might not have knowledge of the assignment (non-notification factoring); however, by searching the registry anybody can find out whether or not an assignment was made to a factor. This might result in practical, not legal limitations of non-notification factoring and invoice discounting. On the other hand, invoice discounting is flourishing in a legal environment that requires notification for preserving priority.

FCI+ is proud to have contributed to the model law, which enables states **to modernize and harmonize secured transaction law, and implement rules on factoring to ensure financing of commerce and trade for the benefit of the economy.**

**The model law on secured transactions provides for the assignment of future receivables ... to facilitate the use of receivables as security for credit ... The Model Law suggests an electronic registry that is easy to access, in which all security rights are to be registered, unless possession of a tangible movable asset or control of an asset by the secured creditor give sufficient evidence to third parties.**



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For a strong future.

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