



Facilitating Open Account - Receivables Finance

NEWSLETTER / NOVEMBER 2017

CONNECT. EDUCATE. INFLUENCE.

IN-SIGHT

Connecting and Supporting the Open Account Receivables Finance Industry Worldwide

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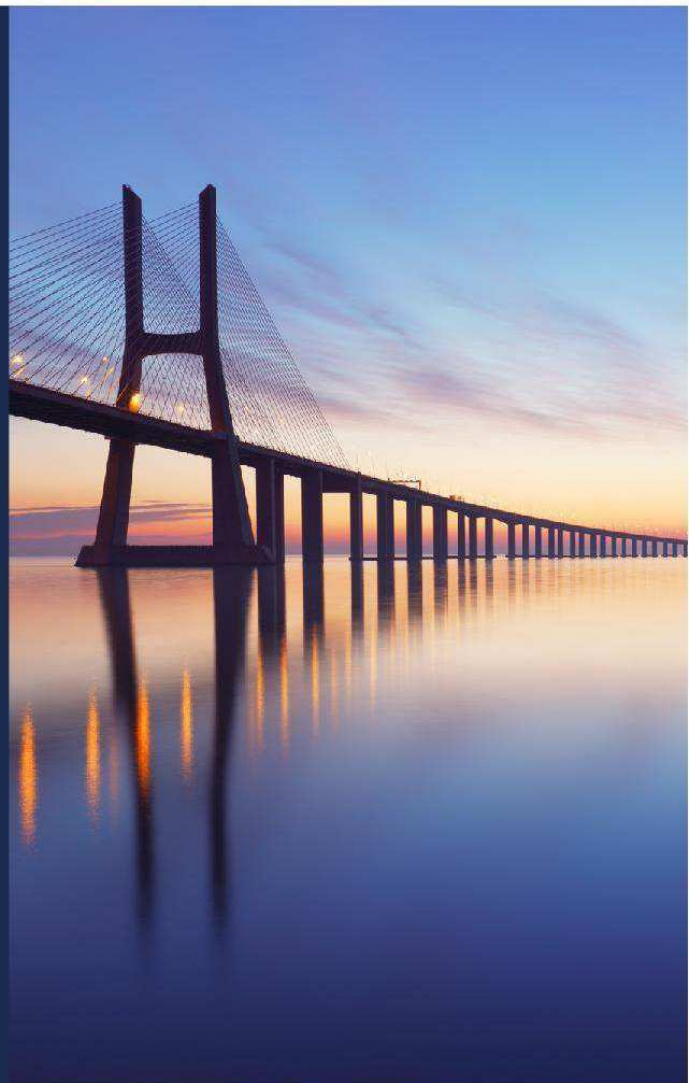
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GWENDOLINE DE VIRON
Head of Marketing and
Communication

Executive Summary

Hello everyone!

For the last time in 2017 it's my pleasure to introduce FCI's latest Newsletter and share with you all the latest news and updates in our Community.

Coming up in this edition, we start with FCI's Chairman, Çagatay Baydar who welcomes us in this publication by emphasizing the great progress we have made this year and focussing on the coming golden year for FCI 50th birthday.

Peter Mulroy updates us on the recent collaboration and development, including FCIreverse, Sharia compliant factoring rules, the launch of FCI's new CRM system, the members survey and the record number of enrolled student in our education program.

The "Connect" part starts with the introduction to FCI 50th Annual Meeting, highlighting the special logo for the 50th anniversary and some of the topics that will be covered during this special conference.

Lee Kheng Leong met with the Japanese Industry on the occasion of the New Export Nation Japan Conference organised with the local members. Mr. Toshiyuki Hirata, General Manager of Mizuho Factors shared his thoughts about the past and future on factoring in Japan.

Erik Timmermans, EUF Chairman and FCI Deputy Secretary General, gives an update on the latest news from EUF introducing the coming EUF-FCI joint conference in Athens the 4th EU Factoring and Commercial Finance Summit.

Some new members joined FCI recently - see the introduction on page 12.

Alberto Wyderka reports on the FELABAN meeting he and Çagatay Baydar attended earlier this month.

Education is one of the core issues of FCI, the education team reminds us of the importance of leading the sales team to success in factoring. FCI offers two well-developed online courses to train the sales force. They reported on the recent workshop in Ho Chi Minh City, conference on Open Account Receivables Finance, the Promotion on Factoring in Support of Intra-African Trade in Cape Verde and the GRIF seminar in Miami. Spyros Tsolis uses his experience by delivering a tailor-made training to one of the new member DS Factoring Concept in Germany. Finally Aysen Cetintas announces the launch of a new online course in 2018 "Introduction to Factoring and Receivables Finance" in addition to the ten existing online course.

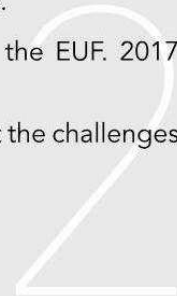
The influence part starts with Aaron Hughes, General Manager of Equiniti Riskfactor who shows us on how to gain competitive advantage through better due diligence.

John Brehcist, EUF Coordinator, comments on the 2017 half year figure of the EUF. 2017 seems to promise a high increase in Europe.

Finally, Daniel Huszar from Ecom introduces us to blockchain and speaks about the challenges and opportunities of using blockchain in the Receivables Finance world.

Enjoy!

Gwendoline



Welcome from Çagatay Baydar Chairman of FCI



ÇAGATAY BAYDAR
Chairman of FCI

Dear Friends,

The year is coming to the end and it's time to look at our achievements and prepare for the future. In 2017, 24 new members joined FCI and more are in the process of joining the association. 2017 has been a great year for FCI with plenty developments of cooperation with other associations, development banks, government representatives....

Next year it's FCI 50th anniversary. I hope we will meet most of you in Amsterdam, 10-14 June; see for more information in the dedicated article page 6. Looking back in 1968, we started with 21 members in 4 countries and we are now close to 400, representing 90 countries. FCI has achieved a lot during the last 49 years. Factoring developed tremendously and FCI, as the ambassador of Factoring, helped developing it factoring in many countries. Recently FCI was present in Tokyo (Japan), Ho Chi Minh City (Vietnam), Cape Verde where 50 years ago no one had even heard about factoring. At each conference, the room was a full house, with more than 200 participants in Tokyo for a promotion of factoring conference and, respectively, 80 attendees for both workshops in Vietnam and Cape Verde.

During the recent Executive Committee meeting in Shanghai, it was decided, according to comments we got from some members, to publish on the private library of FCI a summary of the meetings of all the Technical Committees and Executive Committee. This will give more transparency to what is done. I would like to take this opportunity to specially thank my colleagues from the ExCom and all the Technical Committee Members for the work they do for the association, we don't have to forget their contribution to the success of the Chain today!

Best regards,

Çagatay Baydar

I HOPE WE
WILL MEET MOST
OF YOU IN
AMSTERDAM,
10-14 JUNE

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A Word from the Secretary General



PETER MULROY
Secretary General

The third quarter of 2017 has been a very active time for FCI. As stated in the Chairman's letter, we continue to [organize events and promote factoring around the world](#). Besides our successful events in Shanghai, Tokyo, and Ho Chi Minh City, we also held a successful training program together with the AfreximBank in Cape Verde, where we had nearly 100 executives from 12 different African countries attend. We also held a training event in [Indonesia](#). The central bank, Bank Indonesia (BI) had rescinded factoring licenses to our member, DBS and other commercial banks there, impeding their ability to offer export factoring services to their clients. We organized a half day workshop attended by eight senior policy executives from the BI. They came to understand the [important link between factoring and the development of SMEs](#), a subject very important to BI. They even asked FCI to assist them with their own internal SME initiative which they will launch in 2018. As a result of the meeting, we anticipate the BI to [reauthorize the practice of factoring in general](#), but also promote factoring as a means to provide working capital financing to SMEs.



We also have been working diligently on [FCIreverse](#), our newest Supply Chain Finance (SCF) initiative. We plan to launch a [Pilot Program in the Q1-2018](#), and expect to have our members on-boarded on the platform by the Q2-2018. Assuming there are no significant issues raised during this period, we anticipate launching the full member on-boarding campaign shortly after the Amsterdam Annual Meeting in June 2018.

We have also been working on a [Sharia compliant GRIF](#). With the support of some of our members in the Middle East, along with the Islamic Development Bank, the FCI legal committee created a supplemental agreement to allow for [Islamic factoring through the two-factor system](#). The document will be presented for approval during the FCI Annual Meeting in Amsterdam in June 2018. We anticipate that this will help spur membership and growth in factoring in the Middle East and Islamic countries.

We also rolled out a new CRM system within FCI. Through it we have been able to create a [Know Your Member \(KYM\) Report Card](#), which provides real-time information on our members volume figures, both via edifactoring but also those reported in the annual survey. It also includes service statistics, attendance of meetings, enrollment in education courses, contact data and email correspondence. It allows the staff of FCI to know at any time the level of activity of each of our FCI members. Corrective measures can be taken where we determine support is needed.



We also did a major *survey of our members*. We hired an external market research firm to help us perform this survey and prepare a full analysis of our members feedback. This was done to ensure that the information provided by our members remained confidential. The purpose was to understand what our members are thinking in terms of FCI's activities. The idea is to *analyze the members from various points of view by segmenting the membership both in terms of type of members* (large, small, bank, non-bank) *and regional segmentation*, which will give us a clearer view of whether FCI is meeting expectations. The survey results will be made available during the FCI Annual Meeting in Amsterdam.

We also achieved a *record number of students enrolled in FCI courses and seminars* this year. We anticipate 2018 even being stronger as we rollout our foundation course in multiple languages, including Spanish, Chinese, and French. We will also be adding a *new course on SCF and FCIreverse* in the first quarter 2018. You will see FCI launching *regional webinars* on topics of importance to our members. Our first webinar will be held this month together with our newest members in Europe wanting additional training on edifactoring. Our next webinar will focus on SCF and FCIreverse as well. More information to follow!

BANK
INDONESIA TO
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FCI 50TH ANNUAL MEETING

In just over one month, FCI will enter its 50th year of existence.

50 years is a magic number. According to a 2013 Harris poll the magic age is 50. For a person, being 50 you're young enough to reinvent yourself and old enough to have the confidence to make things happen. 50 years represent for FCI also an important number. FCI has evolved a lot in the last 50 years and is still working on many projects to develop. FCI's Chairman, Çagatay Baydar, has mentioned a few initiatives recently.

In preparation for this exceptional year, FCI has developed a special logo that will be used during the year 2018. You may have seen it in the "save the date", if not, here it is:



A special year means also a special birthday party. The 50th Annual Meeting of FCI will take place in *Amsterdam, the Netherlands, from Sunday 10 June until Thursday 14 June 2018*. Amsterdam was chosen as the venue for this special anniversary meeting, as FCI was founded in 1968 in this city with the establishment of the FCI Secretariat.

This special golden anniversary will provide an opportunity to look back and *celebrate the rise of factoring and receivables finance over the past 50 years but also look ahead at the next 50 years, to gauge the direction of the industry and discuss and debate the most important developments* such as the rise of fintechs/blockchain technology and their possible benefits and potential threats to the Industry; the impact of Basel regulatory capital requirements and the use of credit insurance as a risk mitigation tool and their combined effect on capital adequacy; the importance of implementing a robust compliance framework in a factoring operation; the benefits of establishing a Supply Chain Finance (SCF) platform inside your factoring operation; and the implementation of a SCF operating system within FCI to facilitate the activation of business by supporting the on-boarding process of anchor buyers and their suppliers, both on a domestic and cross-border basis.

The Netherlands, also known informally as Holland, is a country in Western Europe with a population of seventeen million. It is the main constituent country of the Kingdom of the Netherlands, alongside with three island territories in the Caribbean (Bonaire, Sint Eustatius and Saba). The European portion of the Netherlands exists out of twelve provinces and borders Germany to the east, Belgium to the south, and the North Sea to the northwest. The five largest cities in the Netherlands are Amsterdam, Rotterdam, The Hague, Utrecht and Eindhoven.

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Amsterdam is the country's capital, while The Hague holds the Dutch seat of parliament and government. The Port of Rotterdam is the largest port in Europe and the world's largest outside East Asia. Utrecht is a central node for road and railway communications, commerce and cultural events, while Eindhoven is an innovative city known for its economic attractiveness.

During the Annual Meeting, you will have the opportunity to listen to the *futurologist Leo Johnson* who explores the big ideas and innovations re-shaping business and society. Other subjects such as *compliance, FCIreverse, digital evolution*, symbiotic relationship between *factoring and credit insurance* and others will be presented or discussed. The networking time will be a mix of discovery of the Dutch culture and creating connections with existing and new correspondents which you don't have the possibility to meet.

We hope that the Annual Meeting will be attended by both the group of *chief executives* as well as those *executives in charge of international factoring*. The FCI Annual Meeting opens with a welcome dinner on Sunday 10 June and closes with a farewell dinner on Thursday 14 June. This allows attendees to fully benefit from networking opportunities. All social activities during the Annual Meeting are open to all delegates, including sponsors, observers and potential new members, to maximize the networking opportunities.

Finally, we have known for many years that the presence of the spouses greatly improves the working climate and it is therefore hoped that many of the delegates will be accompanied to enjoy the very interesting *spouses' program*. It remains one of the very good traditions within FCI!

Registrations are open so don't wait and register on <https://fci.nl/en/event/FCI%2050th%20Annual%20Meeting%20Amsterdam/4187>



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MEET THE JAPANESE FACTORING COMMUNITY



TOSHIYUKI HIRATA
Mizuho Factors

Prior to the emergence of China as a factoring powerhouse in Asia and the world, Japan was the largest factoring country in Asia. Although Japan is now not the top factoring country in Asia, Mizuho Factors Ltd has been getting the FCI 5 years consistency Award. This is a great achievement. Lee Kheng Leong (KL), FCI Asia Chapter Director, took the opportunity during his visit to Tokyo to interview Mr Toshiyuki Hirata (TH), the General Manager of Mizuho Factors, to find out the secret recipe of this success and also discover the recent development of the Japanese Factoring market. Like many countries, Japan is moving towards electronic invoice financing. There is also a renewed interest in international factoring as the Japan Export Trade Organisation (JETRO) is focusing on helping MSME to expand overseas. FCI two-factor international factoring with its wide coverage to countries which the Japanese companies are exporting to will play a very useful role in the New Export Nation Japan by FCI export factoring, a theme coined by JETRO during our conference in Tokyo in October.

KL: Mizuho has consistently won the Quality consistency over the past 5 years award. How did you achieve it?

TH: First, we always make sure to reach complete understanding with the correspondent factor and the export client.

- With IF/EF: to check special rules and conditions when we start a new deal
- With Exporter: to explain accurate rules and conditions

Secondly, we maintain sound and correct business processing:

- We provide the IF with complete information related to sales channels when we send the preliminary request.
- We strictly check all shipping documents when we receive invoices.

Thirdly, we hire highly qualified staffs with long experience in international bank business and correct knowledge of the GRIF.

KL: Japan was the top international factoring market in Asia until it was taken over by Taiwan in 1999 and by China thereafter. What do you think are the reasons?

TH: At that time our main export clients were Japanese international companies. These companies had already established subsidiaries and built factories in major overseas markets. Accordingly export form Japan had been shifted to group company trade or production in consuming countries.

Moreover easing of monetary conditions in Japan made it easier for export clients to borrow money from the banks with low interest rates. Therefore they don't need invoice discounting due to its additional administrative burden to exporter compared with a loan from banks. On the other hand as NEXI and credit insurance have been popularized during that time, awareness about factoring had been rapidly decreased among trade officers and also financiers. That caused a decline in the number of new users of export factoring.

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KL: According to a white paper by the Japanese Ministry of Economy, Trade and Industry SMEs account for 99.7% of the enterprises, providing employment to 70 % of the workforce and contributing to 55% of the GDP in Japan. As two-factor international factoring is primarily aimed at exports shouldn't there be a huge volume of international factoring?

TH: Due to the progress of the IT, many SMEs will try to start international business. Many of these companies were purely domestic companies in the past. We think that by supporting these new export companies through factoring, we will probably be able to get new business.

KL: What is the volume of e-invoice financing in Japan? If this is classified as factoring what will be the volume of factoring in Japan?

TH: Old type of payable management system (Ikkatsu-Factoring) by factoring companies had been shifted to newly developed e-invoicing system (Densai, Denpei etc.) gradually. Even though transaction statistics is partly disclosed, it seems that the market volume has more than doubled than before immigration.

New users is steadily increasing right now. We understand turnover of the e-invoicing will also increase in the future.

Official data is only available by Densai, which is managed by banking association.

Turnover of 2016 - USD105 billion. Balance USD42 billion, Number of invoice 1.7million

KL: South Korea and China are two of your largest trading partners. Do you think international factoring can be developed further with these two countries?

TH: Both countries are important business partners for Japan. Further development of factoring depends solely on the business policy of FCI members in China and Korea.

We are very sorry that they are inactive especially in the field of import business.

In Korea, many export factor do mainly direct export covered by an insurance, without using a Japanese import factor.

KL: What is your view of factoring in Japan and how can FCI help its promotion?

TH: Exports by SMEs most of which were purely domestic companies in the past, will increase in the future. As JETRO supports the activities of around 6,000 exporters we can acquire new export clients if we are able to maintain our efforts to spread factoring in corporation with JETRO. We would like to ask FCI to strongly support our promotion efforts.

KL: What do you think of the recent export factoring promotion conference in Tokyo? Should we have more of such conferences?

TH: The export factoring seminar in Tokyo was a well-timed event. Some attendants asked why such events had not been organised earlier as export factoring is surely a useful tool for SMEs in Japan. We would like to ask FCI to plan regularly this type of event in Japan, not only in Tokyo but also in Osaka, so that Japanese members can increase their export factoring volume in the future.

KL: Thank you Mr Toshiyuki Hirata for those interesting insights in the Japanese market.



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UPDATE ON EUF



ERIK TIMMERMANS
Deputy Secretary General

The Executive Committee of the EUF met in Paris on 15 September at the offices of our French member ASF. The half year figures for the European factoring industry were presented and showed an impressive *growth of 9,3% per annum*. The *GDP penetration* in the EU reaches now *10,7%* (see entire report page 26). These figures illustrate the growing importance and recognition of factoring as a flexible and safe financing solution for European SMEs. It is the task of the EUF to inform European regulators and stakeholders about the *positive economic impact of factoring in Europe* and to ensure that *regulatory initiatives take into account the specifics of this asset-based secured and monitored financing technique*.

One of the important tools to inform the world about what happens in the European Factoring Industry is the EUF Yearbook. The 2017 edition is now available on the [EUF](#) and on the FCI website for downloading. Please make sure you get a copy and you share it within your network.

Collecting information on factoring in Europe is a core activity of the EUF. I am pleased to see the progress the Economics and Statistics Committee under the Chairmanship of Magdalena Barczak is making. On the EUF website you can now find more *in-depth statistics on various aspects, such as average client size, average funding, days outstanding*, etc... See the article on statistics on page 26.



The updated comparative *Legal Study on Factoring in Europe* is being finalized and will be available by the end of this year. This study has become a key instrument for analysing the differences in the European Factoring environments. It will be presented at our *4th EU Factoring Summit which will be held in Athens, Greece on 6-7 March 2018*, following the EUF's Council meeting where a new Executive Committee and new Chairperson will be elected. The Summit is a joint organization between FCI and EUF and can count on the support of the Hellenic Factoring Association and of EBRD, the European Bank for Reconstruction and Development.

The program of the Summit will give you a unique opportunity to rub shoulders with your European factoring colleagues. The Summit will be opened by Françoise Palle-Guillabert, CEO of the French ASF, who will by then be the newly elected Chairperson of the EUF. As keynote opening speaker, we are honoured with the presence of Dr. Platon Monokorousos, Group Chief Economist of Eurobank Ergasias in Greece. He will share his insights into the state of the Greek and the EU economic and political situation.

The Conference program is set up in three major parts: *Markets, Products and Trends*. In the "Markets" part we will have a look at the *Greek factoring industry*, at the *European figures 2017* and at the *major activities in the EUF* in the past year. The "Product" sessions will cover the new *FCI reverse factoring initiative*, how to do *multi-country receivables finance deals in Europe* and a panel with *Fintech receivables players* promises to give you real world information on what happens in this area. The "Trends" part will be about the *new comparative legal study* as well as on *GDPR* and how to be prepared for it in the factoring industry. The summit will be closed by a panel of industry thought leaders on *"Factoring in 2028"*. Confirmed panellists are



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Patrick de Villepin, CEO of BNP Paribas Factor and Chairman of the French factoring association, division of ASF. Also Joachim Secker, CEO of Targo Commercial Finance Germany and Chair of the German Factoring Association will join the panel. The Italian Association, Assifact has also agreed to take part as well as UK Finance.



The yearly EU Summit has grown in four years' time to a "must attend event" for everyone who is involved in the European factoring industry. Therefore, I hope to see you on 6-7 March 2018 in Athens, Greece! You can already register for this conference [here](#).

Erik Timmermans
Chairman EUF
Deputy Secretary General FCI



INFORM
EUROPEAN
REGULATORS AND
STAKEHOLDERS
ABOUT THE POSITIVE
ECONOMIC IMPACT
OF FACTORING IN
EUROPE



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 as we added the following Members:



Exponencial Confirming is the largest local provider of digitalized and integrated Supply Chain Finance Fintech Solutions, aiming at connecting buyers, suppliers and funders through an ecosystem that allows access to immediate cash from unlimited options. Through its

E-Confirming platform, Exponencial Confirming has delivered over EUR 280 million in fresh cash to more than 4,500 SME's in Colombia, advancing more than 70,000 invoices per year.

As a FINTECH platform, it allows suppliers to visualize available invoices, and request immediate advanced payment. Exponencial offers users the possibility to obtain fresh cash from invoices in a transparent, highly secured and quick manner.



FNB has been globally recognised for its innovative approach and achievements in providing digital solutions to clients, going beyond banking, helping clients manage their lives. This fits in perfectly with FNB's slogan of "How can we help you?"

As a financial institution, FNB provides innovative personal, private, business, commercial and corporate banking services to millions of customers. FNB Debtor Finance embraces FNB's culture of innovation and delivery of excellence, making it one of the leading lending providers in the market.

FNB Debtor Finance's working capital experts will tailor funding solutions to meet the unique financing needs of its diverse clients.

We wish them lots of success!

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

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***You wish to include
your advertising
here?***

***Members: Check the circular
4090 to get the conditions
Non-Members: contact us***

Or contact FCI Head of Marketing & Communication Gwendoline de Viron
deviron@fci.nl



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51 FELABAN ANNUAL ASSEMBLY IN MIAMI



ALBERTO WYDERKA
Latin America Chapter
Director

From 11 to 14 November 2017, the 51st FELABAN Annual Assembly took place in Miami. For those who do not know what FELABAN means, it is the Latin American Bank Federation.



This is the most important financial event for Latin American Banks which reunites the largest number of banks, financial institutions, multilaterals and industry suppliers, not only from LA and the Caribbeans but also from North America, Europe and the Far East. The Assembly takes place every other year in Miami and the year in between, in any other LA or Caribbean Country. Following such scheme, it has been agreed that the 2018 Annual Assembly will take place in Punta Cana, DR.

The task of the Assembly is to be a *forum for discussions and presenting important topics related to the financial industry*. Some of these were: "Digital Transformation of the Banking Industry", "Indebtedness of the Emerging Markets within a global volatile environment", "The financing of International Trade - Current and future status: How will it affect Latin America?" among others.

But the most relevant issue is that this Assembly will be mainly a *forum for networking* above any other activity. It was impressive watching how attendants jump from one meeting to another, looking for colleagues which they have never met before, and trying to find a place to hold their meeting.

This year, the Assembly reunited over 1700 participants in four days, from 1,000 different financial institutions from over 54 countries, with more than 2000 networking meetings.

FELABAN clearly becomes for FCI one of the best sources *to meet current prospects and approach new ones*, as well as a space to shake hands with our current members which also attended the Assembly. This is the reason I always attend this event as FCI LA & Caribbeans Chapter Director.

For the first time this year, FCI had its own "business table" where our meetings were held. In addition, the attendance of our Chairman Çagatay Baydar gave FCI a more relevant presence. We made a very good team! It was interesting and important for prospects to receive Çagatay's views as our Chairman, sharing his



Alberto Wyderka and Çagatay Baydar

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Bank's successful cases. For those prospects who have several subsidiaries in the Region, it was very positive for them to learn about the successful strategy of BNP Paribas, who developed their own net with their subsidiaries in Europe, all members of our organisation. It was particularly interesting for Central American prospects who have subsidiaries in each country of the Sub-Region.

For the next FELABAN Assembly to be held in November 2018 in Punta Cana, DR, FCI is planning its own event within the Assembly, for prospect Banks and non-banks as well as for those FCI members who will also attend. It will require hard and committed work within the Region and it will give surely FCI a more relevant presence not only in FELABAN, but also a gaining exposure in the entire Region.



From left to right: Alberto Wyderka (FCI's Latin America Chapter Director), Çağatay Baydar (FCI's Chairman), Mr. Rafael E. Velasco Posada (SVP Eport Financing, Bancomext) and Mrs. Maria Álvarez Ávila (VP Foreign Financial Institutions, Bancomext)

You want to contribute to FCI's next newsletter? You want to send suggestions? Contact FCI's Head of Marketing and Communication Gwendoline de Viron deviron@fci.nl



On the way, we will always be your safeguard

Factoring and Receivable Finance

A member of



Factoring & Receivable Finance

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EDUCATE

LEAD YOUR SALES TEAM TO SUCCESS IN FACTORING!

Do you want your sales team maximize opportunities and close more sales in factoring?

Target group:

- Sales & Marketing Teams
- Product Managers
- Relationship Managers



FCI offers 2 certificate courses specially designed to train your Sales Force :

- ***Selling and Marketing Factoring Course*** focuses on the key objectives of the factoring selling process (sales skills) by incorporating the product benefits as well as on the marketing of Factoring, both internally & externally.
- ***Pre-Sales and Seller On-Boarding in Factoring Course*** provides valuable knowledge to strengthen your sales force in their daily selling efforts. Seller selection criteria complemented with information on the basic operational and legal rules of factoring enrich your sales force, not only to make a successful sale but also to educate the market.

After completing the two courses, the students can sit an optional diploma examination on Selling Factoring. They will become certified sales experts by receiving the FCI Diploma on Selling Factoring.



You want to get more information or register? [Click here](#)

EDUCATE

FCI WORKSHOP ON SOLUTIONS FOR OPEN ACCOUNT RECEIVABLES FINANCE

Great walkthrough of Receivables Finance theory and opportunities coupled with valuable practical experiences by professionals from Asia and Europe.



The very first international workshop organised by FCI in cooperation with IFC, a member of the World Bank Group, was successfully launched in Ho Chi Minh City Vietnam on 10-12 October 2017.

The workshop was attended by **80 delegates** representing FCI members and non-member institutions (commercial banks, factoring companies, SCF companies, invoice financiers, bank management institutions) from 15 different countries in Asia.

Participants from all levels enjoyed the comprehensive programme over three days, covering all key areas, from marketing & sales to risk management, from legal to operations, and gained knowledge on the most important products within the Receivables Finance Industry such as factoring, invoice discounting, Supply Chain Finance, reverse factoring and asset based lending.

For the participants, attending was a great opportunity to **acquire market valuable skills and developing their career**. As with all FCI educational events, there were ample opportunities to meet new colleagues, exchange experiences and discuss bilateral business.

AUDIENCE

The Workshop is aimed at professionals new to the Industry and those who need to widen their knowledge and experience to progress within their organisation, and particularly towards:

- Sales, risk and compliance, operations professionals and lawyers within banks and financial institutions
- Managers about to move to more senior positions
- All staff at middle management level who want to see a bigger picture of the industry
- Anyone wishing to receive a thorough understanding of the essentials of receivables finance

The same training programs on open account receivables finance products will be offered in emerging markets on an annual basis in order to promote secured transactions and to support SMEs to have greater access to private sector finance.

"The Vietnam FCI event was one of the best networking functions I have ever attended in SE Asia. My team also learnt additional techniques on how to mitigate fraud risk for our funding partners." Cliff ENTREKIN, Convergence Capital Group

"The broad field of factoring was concisely covered in a short period, effective and essential for factoring companies and who are willing to get into factoring." Rahat AMJAD, United Finance Limited

EDUCATE

“PROMOTING FACTORING IN SUPPORT OF INTRA-AFRICAN TRADE” 2017 FACTORING WORKSHOP

FCI, the African Export-Import Bank (Afreximbank) and the African Capacity Building Foundation (ACBF) joined forces for the successfully held one-day Workshop on Factoring at Sal Island, Cape Verde on 9 November 2017 in the context of Afreximbank’s Advanced Structured Trade Finance Seminar held that same week.

The Workshop has been attended by nearly 100 delegates coming not only from African countries but also from Europe and Asia.



FCI Secretary General, Mr. Peter Mulroy, FCI Education Director, Mrs. Aysen Cetintas and FCI Education Officer, Mr. Spyros Tsohis delivered presentations on the basic concepts of factoring with special focus on the benefits of factoring for SME’s. Factoring is considered an *ideal financial tool for SMEs which are regarded as the backbone of modern economies* and, in this respect, supporting them is essential for economic growth. Factoring for SMEs, as a concept, has also attracted considerable attention in the region and Financial Institutions are focusing on it, recognizing the benefits of Factoring in terms of credit offering as well as risk management. Moreover, case studies were also presented on *Cross-border Factoring and Reverse Factoring* that triggered an extensive discussion among delegates on the benefits of FCI Two-Factor system as well as on FCIreverse, the new service which soon will be available for FCI Members.

Of equal value were also the presentations delivered from industry experts on *Credit Insurance*, stressing the *symbiotic relationship* that exists with Factoring. Factoring and Credit Insurance are no longer considered to be on a competitive edge but rather on a complementary one. Global experience has shown that these *two services can jointly support SMEs and Corporates achieving their growth goals*. The panel discussions following the presentations elaborated more on this relationship and gave a valuable insight on the current status of Credit Insurance in Africa.



EDUCATE

FCI LEGAL TRAINING ON GRIF SUCCESSFULLY HELD IN MIAMI

Another successful FCI Legal Training on the General Rules for International Factoring (GRIF) was held in Miami USA on 20 - 22 September 2017 with participants mainly from Latin American countries.

Unlike the traditional Legal Seminar that has the whole FCI Manual Volume II as a subject, this seminar aims at dealing with the *details of the GRIF only*.

Participants from all levels had the opportunity to review the rules and discuss and answer the prepared questions of the details of the GRIF, coupled explanations by the experts from the Legal Committee of FCI.

Since understanding the GRIF is highly important in *risk management of a factoring company*, this regional seminar attracts the attention of many international factoring companies all over the world.

Discover testimonials from attendees:

"FCI Legal Seminar on GRIF is an excellent way to get knowledge of said rules, and also great opportunity to learn from the participants' experience."

Mr. Josue PEREZ (Banco Nacional De Comercio Exterior S.N.C., Mexico)



"FCI Legal Training is an experience for everyone."
Ms. Maria SOTIROPOULOU (ABC Factors A.E., Greece)



SPYROS TSOLIS
Education Officer

EDUCATE TAILOR MADE TRAINING FOR NEW MEMBERS

DS FACTORING CONCEPT GMBH TRAINING ON LEGAL ISSUES AND GRIF



Using the tool of *on-site training*, offered by the FCI Education Team to new members, DS Factoring Concept GmbH had the opportunity to learn more about the *FCI Legal System & the GRIF*. The one and a half day training held at Monchengladbach, Germany (DS headquarters) on 18-19 September 2017 and was attended by all company division heads.

The Training focused primarily on FCI legal system and the GRIF, the background of certain articles, the implications for day-to-day business and the delicate balance in keeping the GRIF an acceptable document for both the group of Export Factors and the group of Import Factors. The format of the training combined presentations with group discussions and Q&A sessions with practical examples and genuine cases.

The below testimonial from Mrs. Agnes Urbancsek, Head of Legal, DS Factoring Concept GmbH, stresses on the *importance of such trainings for new FCI members in their effort to smoothly facilitate their integration into the FCI Two-Factor environment*.

"FCI has organized a 2-days in-house legal training tailor-made for our Company in September 2017. The training covered -among others- the legal framework of FCI and in-depth information on international factoring, with specific focus on GRIF.

The numerous attendees from different departments of our Company have enjoyed an interactive session with Mr. Spyros Tsolis from FCI and gained a good understanding of the 2-factor-system including the most relevant legal questions emerging in this context.

By means of case studies the training has provided us with a useful practical knowledge in this area and an awareness for eventual risks for our business."

EDUCATE



AYSEN CETINTAS
Education Director

FCI LAUNCHES A NEW ONLINE COURSE IN 2018

"INTRODUCTION TO FACTORING AND RECEIVABLES FINANCE"



FCI is now providing ten online training courses on different topics for members and non-members.

In 2018, FCI expands the training programme and will soon add a [new online training course](#) to the portfolio.

Introduction to Factoring and Receivables Finance

What is it?

An introductory level training programme for anybody who wants to learn the basics of factoring and receivables finance.

Who is it for?

The course will be offered to [member](#) and [non-member](#) companies, as well as to [third parties](#) and interested [individuals](#).

What is the content?

It consists of nine mini e-learning modules:

- What is Factoring and Receivables Finance and what is it for?
- What are the benefits?
- Who can use it?
- How does it work?
- Products available and their variations
- Comparison with other Bank/Trade Finance Products
- Market evolution
- International Cross Border Factoring
- Risks and their management

and four case studies.

The course will be rolled out early 2018, please keep an eye on the FCI website for the details.

*"FCI offers very
effective training!"*



ONLINE COURSES

As mentioned in the previous article, FCI is offering ten online learning courses; nine of which are reserved to FCI members:

<p>Foundation Course on International Factoring Certificate Course</p> <p>English Spanish Chinese</p> 	<p>Intermediate Course on International Factoring Diploma Course</p> 	<p>Advanced Course on International Factoring Diploma Course</p> 
<p>Dispute Prevention & Handling Course Certificate Course</p>	<p>Legal Course Certificate Course</p>	<p>Pre-Sales & Seller Onboarding in Factoring Course Certificate Course</p>
<p>Selling and Marketing Factoring Course Certificate Course</p>	<p>Seller Selection & Control Course Certificate Course</p>	<p>Buyer Risk Control Course Certificate Course</p>

and the last one is for non-members:

E-learning Foundation Course on Domestic and International Factoring
Available in English, Chinese and Spanish

The courses teach you all there is to know about international factoring, FCI's two-factor system, seller and buyer control, the legal framework, commercial dispute management and how to sell export factoring.

Next term start on 4 January, registrations are open till 8 December. Don't wait and register on [our website](#)

Online learning gives you the liberty to study when it fits you best!

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GAINING COMPETITIVE ADVANTAGE THROUGH BETTER DUE DILIGENCE



AARON HUGHES
Equiniti Riskfactor

Pre-lend surveys and regular audits are key risk management tools for Invoice Finance lenders. However, these due diligence processes can be outdated, ineffective, and prone to failure. Worse still, they can be intrusive and time consuming for the customers.

In this article we explore the *strategic challenges presented by Invoice Finance due diligence*, and the *opportunities lenders are seeing to improve efficiency and deliver better customer experience*.

Invoice Finance brings with it a unique set of complexities, which need careful assessment at the outset. These include the need to *fully understand the business* and its sales ledger processes, the debtor base, and any issues that might affect the security underpinned by the receivables. With the collateral changing constantly, the underwriter needs to know how the receivables have performed in the *past*, what they are worth *now*, and how they may look in the *future*.

An Invoice Finance survey sets out to do that, with specialist auditors spending a day or more with the prospect, collating historic sales and purchase ledger data, testing paper trails and sampling invoices. This highly manual process requires considerable preparation by, and assistance from, the prospect. The working papers and routines have not significantly changed since invoice finance was first introduced and do not always reflect improvements in SME accounting systems over the last 20 years.

Once on board, similar routines are applied to the *regular audits* carried out. Although this is beginning to change, typically the lender would put the customer on a fixed audit frequency of 6 months or a year. The audit again takes a day or more of the customer's time, and through a series of tests like those completed at Survey, seeks to confirm that the collateral is as expected and that the lending is still secure. Often, there is no other in-depth analysis between audits. As a result, the *audit can sometimes yield negative results that were not expected and can come too late to resolve easily*.

Taken together, the survey and audit processes present very significant strategic opportunities for the lender.

By and large, the processes are manual, error prone and unsophisticated, with stand-alone Excel workbooks to record results the norm. A "one size fits all" approach is typical. The majority of lenders have their own Audit teams, tasked with covering all new business and ongoing audits across the UK. This is expensive, and effective resource management is challenging.

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Having clients on *regular audit dates can help*, allowing easier diary planning. But from a risk control perspective, this approach is highly problematic. Ensuring consistency of approach through oversight and quality assurance is essential but is rarely delivered effectively, particularly with teams spread across the UK.

Viewed from the Customer's perspective, audits can be regarded as intrusive, time-wasting and adding no value to either the running of their business or the relationship with their lender.

Ongoing due diligence is essential to allow lenders to continue their support for their Customer, and to maximising funding, and is a vital part of the internal control environment. But weaknesses in any part of the process carry significant business risks. There is a straightforward credit risk associated with poor audit planning and scheduling, or inadequate or inappropriate testing at audit, or wrong conclusions being drawn from the results. Losses can quickly be incurred through ill-informed lending decisions or not spotting a problem early enough.

There are operational risks linked to inefficiencies in the processes. Poor resource management will lead to back-logs and delays in report submission. And strategically, delays – particularly in completing new business due diligence - can lead to customer dissatisfaction, reputational damage, additional expense, reduced return on equity, and restricted growth.

In a *highly competitive market*, lenders are looking at the opportunities they now have to *improve the end to end process, increase efficiencies, speed up new business acquisition, and serve the customer better*.

Investment in technology is at the forefront of these developments. Better lender-side automated risk analytics is driving a number of efficiencies in the due diligence space. On the back book, these include daily sales ledger transaction analysis, leading to fewer, and better focussed, risk-based audits.

Routine audits can be replaced by desk-top analysis, with on-site visits reserved for higher risk customers, and with reduced intrusion on their time. Audit workbooks that integrate data automatically from core systems, and highlight risk areas to test, improve the control environment still further, with governance and reporting around the process significantly enhanced.

For new business surveys, the development of data extraction tools now allows the lender to analyse the prospect's accounting records quickly and unobtrusively. This will pre-populate a survey report, and highlight specific areas for further testing. Early pre-approval of terms can be granted based on this remote analysis alone.

As well as *cost savings and improvements* in the quality of analysis, this approach also allows faster decisioning and improved competitiveness in winning new business.

We are seeing significant change in the Invoice Finance market, driven by new entrants and new products. One route to success will be *investment in technological solutions to enhance core processes and improve customer experience*. With improved customer experience, longer lasting and more valuable relationships are developed and maintained.

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INFLUENCE

2017 HALF YEAR'S FIGURES

European factoring market accelerates



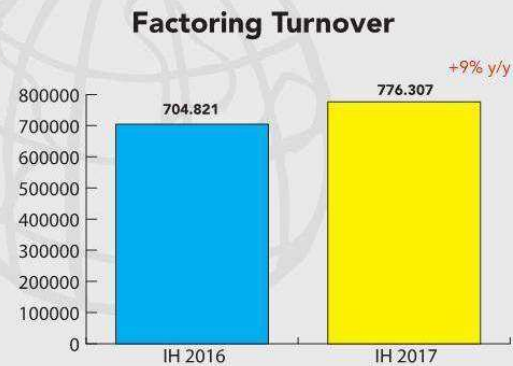
JOHN BREHCIST
EUF Coordinator

The EU Federation for Factoring and Commercial Finance recently collated the first half year's turnover results for EU factoring market. Responding countries represented 97% of the European factoring market.

Factoring turnover in the first half of 2017 for EU countries exceeded **776 billion euro**, an outstanding year on year increase of 9%.

Accordingly, 2017 is shaping up to be the **8th year of constant, continuous growth in factoring turnover**, confirming that factoring is now perceived by companies as one of their main sources of funding.

In the same period of 2016, year on year increase was 3,14%, so this year's higher value suggests that final turnover growth for 2017 will be significantly higher than that experienced in 2016 and could even exceed 15%, a figure that would be more than twice the market's 5 years' average compound annual growth rate.



Source EUF

Pct variation has been corrected in order to avoid biases due to exchanges rates

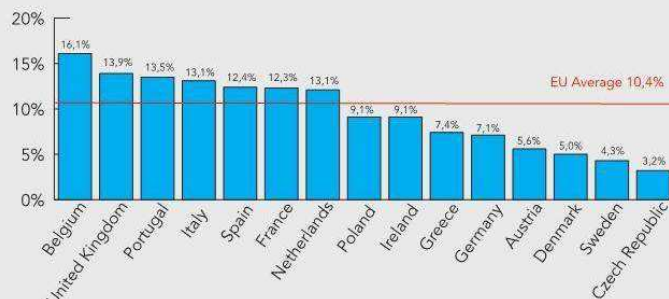
The country which had the **highest impact** on EU factoring half year's statistics was **Italy**, with almost 17% of yearly increase.

Three other countries who had significant increases in absolute values were **Germany, France and Spain**, with increases respectively 8,7 billion €, 8,2 billion € and 8,1 Billion €.

In the case of Spain, to ensure comparability, data for the first half 2016 has been restated since it did not include two important market players, who at that time withheld their data.

This year's **GDP penetration ratio was higher than the last year's** (10,4% comparing to 9,6% in first half of 2016), and there were wide variations between countries. The lowest GDP penetration ratio was in Czech Republic (3,2%) and the highest in Belgium (16,1%).

IH 2017 GDP Penetration Ratio



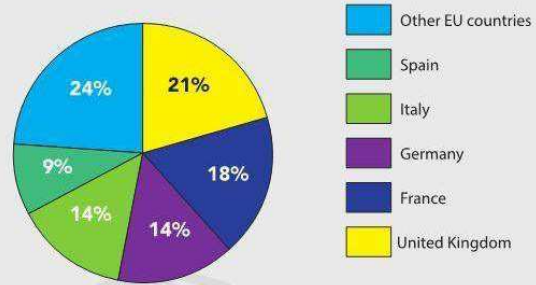
Source EUF

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The high level of concentration shown by the EU factoring market remained unchanged. At the end of the first half of 2017 the **top five countries represented 76% of the total EU market** and were: United Kingdom, France, Germany, Italy and Spain.

In conclusion, data collected by the EU Federation for the first half of 2017 shows that **factoring is developing much faster than the EU economy** and this is because it is **becoming a recognized source of financing for companies**. Moreover, there is a **growing interest in non-recourse factoring**, which apart from financing, also provides credit cover against the risk of debtor's insolvency. The combination of these two main features is being seen by companies as a key element in supporting their sustainable development.



Source: EUF

Detailed data per countries can be found on the [euf website](#)

Turnover Volumes by Country (Millions of €)

30 June 2017	Notes	Total Turnover	Pct var. on the previous year (Total)	GDP Penetration	EU Market Share
Austria*		9.959	6,6%	5,6%	1,24%
Belgium*		34.637	12,4%	16,1%	4,16%
Czech Republic*	(1)	2.864	20,1%	3,2%	0,34%
Denmark*	(1)	7.132	13,0%	5,0%	0,86%
France*		139.457	6,2%	12,3%	16,87%
Germany*		113.245	8,4%	7,1%	14,21%
Greece*		6.331	6,1%	7,4%	0,87%
Ireland*	(3) / (4)	12.560	7,7%	9,1%	1,77%
Italy*		109.565	16,9%	13,1%	12,95%
Netherlands*		43.755	15,3%	12,1%	4,47%
Poland*	(1)	19.776	13,6%	9,1%	2,38%
Portugal*		12.776	14,8%	13,5%	1,56%
Spain*	(4)	70.101	13,1%	12,4%	7,83%
Sweden*	(1)	10.332	2,9%	4,3%	1,77%
United Kingdom*	(1)	160.280	4,0%	13,9%	25,60%
EUF Members (*)	(1)	752.772	9,3%	0,7%	100,00%
Other EU countries	(2)	23.535	na	5,4%	
EU Total Turnover	(1) / (2) / (3)	776.307	9,0%	10,4%	96,90%

Notes:

- 1) Pct variation has been corrected in order to avoid biases due to exchange rates fluctuation.
- 2) Turnover estimates on the basis of the available information
- 3) GDP estimates on the basis of the available information
- 4) 2016 data has been restated to reflect changes in institutions providing data and to ensure comparability

Source: EUF Members

FACTORING AND COMMERCIAL FINANCE NOW REPRESENTING AROUND 10.4% OF EU GDP

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THE CHALLENGE OF BLOCKCHAIN IN TRADE AND RECEIVABLES FINANCE



DANIEL HUSZÁR
Efcom

The value of a single bitcoin is \$7,141.59 at the moment, which has rallied from around \$1,000 starting in April 2017. While the rise of bitcoin makes international headlines, it could distract from the bigger picture: to see it as the first application on a protocol called „blockchain” - similar to email, which could be called the first application of the Internet.

As with every new technology, use cases need to be tested and brought to market until something sticks. In recent months there has been a growth in promising blockchain applications, e.g. to track and verify the origin of diamonds (for a prospective buyer). The R3 consortiums very own blockchain platform and even the factoring of invoices via blockchain.

The goal of this article is to help you understand [how blockchain works](#), using bitcoin as an example. I will then explain some of the challenges blockchain faces, and hopefully inspire you to think about [possible applications in your business](#).

What is the blockchain?

All business is based on trust. Without that, there can be no exchange of value.

We can place trust in individuals as well as institutions and objects, such as money. A bank note of an official currency represents a value. One of the key elements why this works is, because it cannot be legally copied. Additionally, there are security measures, such as watermarks, which protect against counterfeit money. Within the digital realm, things get more complicated. [Digital items can be copied conveniently](#), just as a picture can be sent to everyone on your contact list. With regards to digital currency, this results in the problem of double spending: one party can never be sure that one specific digital coin has not been spent with another transaction. The solution is to [build a system](#) - a network - [where digital items cannot be copied easily: the blockchain](#).

This network contains a ledger, which contains all bitcoin transactions ever performed.

This ledger is shared and updated across the network. Take for example: a bitcoin transaction between party A and B. This means a new line in the ledger is created. A “block” is one page of this ledger and the next block contains all information of the block before - they are “chained” together. Every transaction happening within the network has to be approved by a certain number of participants (nodes), before it is written in a computer code (chain) – this code makes up the distributed ledger.

Because of its unique disposition, the blockchain has some interesting features:

- Everybody within the network has access to the ledger, and once the transaction has been approved by the network and saved within the ledger, [it is irrevocable and can never be erased](#). This approval process solves the double spending issue.
- If a fraudulent transaction found its way into the network, it would be rejected as counterfeit by the other participants – the digital token could not be spent twice. Therefore the decentralized nature of the blockchain adds [another layer of security to the network](#).
- Since all the information is shared, the [network is very robust against attacks](#). If parts of the blockchain network would fail, the stored information remains intact, because it is shared by every participant.

But perhaps most importantly: transactions are not the only information that can be stored on the blockchain – rather virtually any data can be stored. This could either represent a value in itself, or a value within the real world e.g. the history and ownership of a diamond. One could view blockchain as a tool to share information in a transparent and efficient way between multiple parties.

With all that said, why hasn't blockchain “caught on” yet?

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Challenges.

The relationship between blockchain and trade and receivables finance might be an especially complex one, because of the harsh regulations on financial products within some countries. Cross-border trade adds another layer of regulations to consider. Furthermore, for the advantages of blockchain to really come into effect, it should be used for *complex transactions with multiple parties involved* - adding a political dimension to the technical and regulatory challenges.

Because of these specific challenges, we need an *interdisciplinary team* to make a blockchain project happen. This team might find itself confronted with the harsh realities of complex project work:

- Experts from business, law and technology do not necessarily understand each other's jargon; hence it is difficult to combine knowledge to find use cases for a new technology. We need to speak the same language to make this happen.
- Backend projects like this, which are aimed to overthrow basic processes of our business, are much harder to implement than a nicely designed front-end portal or app. (One of the reasons why Fintech companies can be so agile and quick in their project approach - they simply do not have to transform so many legacy systems).
- As a result, projects like these get very complex with a lot of stakeholders and the challenge becomes again more organizational than technological.

How to approach a blockchain project

It might be tempting to imagine that progress in technology research is linear; but this is not the case because there are too many factors influencing what we would perceive as progress. The market, availability of technological advancements and the implementation are all factors that constantly change the reality of what is possible and what is not. As a result, the best chance we have to adapt is to use an *iterative process*, which means to constantly re-examine how to build a product and how to sell it - throughout the whole process.

In summary:

- A possible solution is to work towards small goals, incrementally. *To start with a small project*, that has a defined, applicable outcome. If the benefit turns out to be good, the project can be scaled up to become a bigger project. If not, the team learned valuable lessons about the technology and each other's perspective on it.
- Ideally, every organization would have a *research & development team* (or just one person) to explore these ideas - in my opinion; only through experimentation with emerging technology can we build the use cases of tomorrow.
- Changes within the market through emerging technology can only be a threat if we would miss out on these incremental steps and have to adapt everything in a short period of time (like the music industry in the wake of mp3).

One starting point could be to try and mirror a real-life supply chain finance transaction on the blockchain. This would allow adding multiple parties to test the validity of the approach. One of the expected advantages would be that every participating party (e.g. buyer, seller, credit insurer, etc.) has access to all relevant information and by this speeding up the process while adding transparency. This could become a bigger project if scaled accordingly.

A more complex undertaking from the start would be to build a central registry of invoices on the blockchain to combat double-assignment.

In conclusion, *the most important aspect is to start working with emerging technologies early*. It doesn't matter if it is a small research and development team, or enthusiasts working under the umbrella of an institution as FCI or a large bank - the future will be built in small steps.

Let's start today.



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