

THE EVOLVING ROLE OF FACTORING AND FCI FOR THE DEVELOPMENT OF GLOBAL SCF MARKET

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FCI MISSION



FCI Vision Statement

FCI's Vision is to be the Global Association for the Open Account Receivables Finance Industry.



FCI Mission Statement

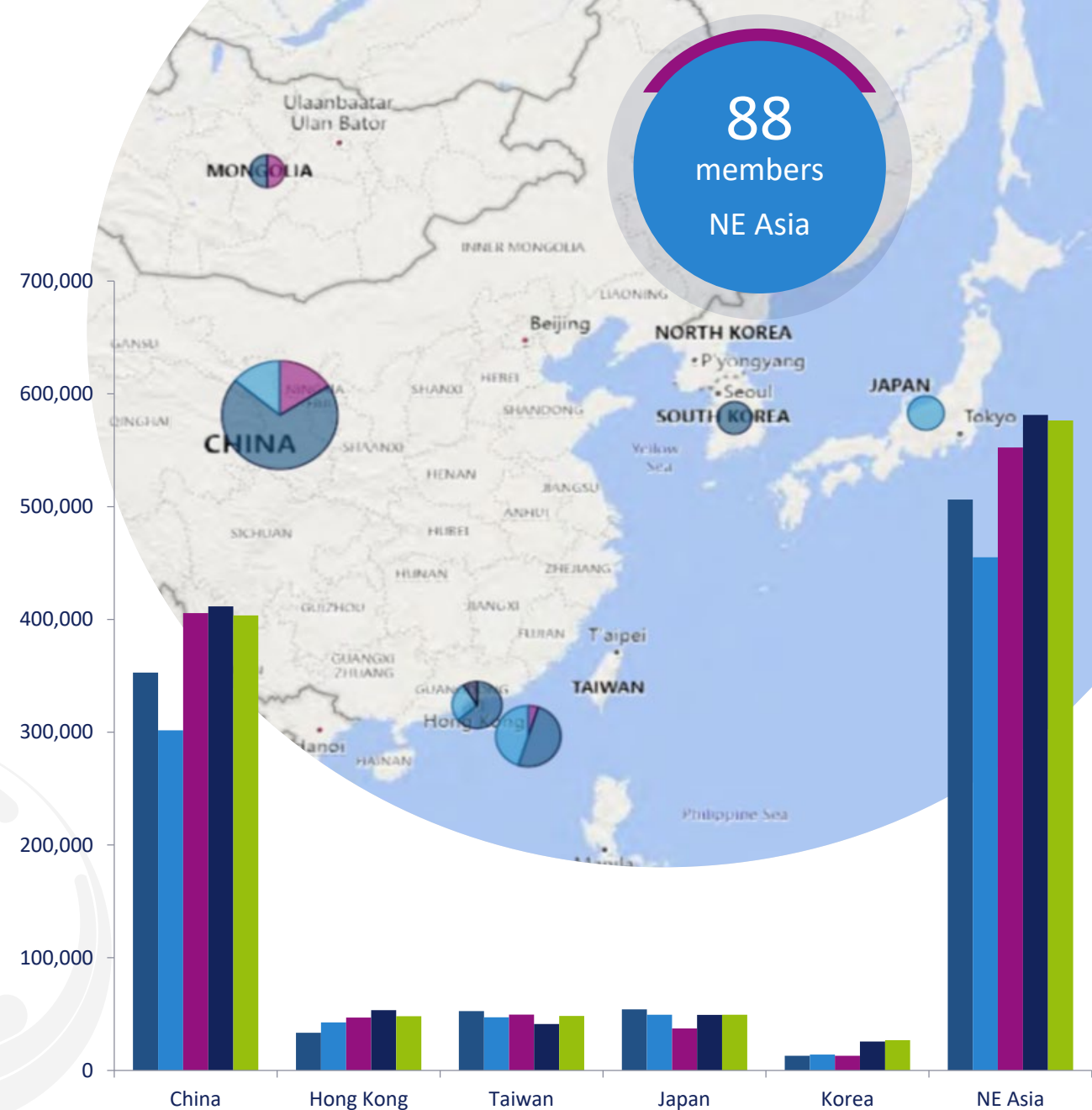
Receivables Finance is the core focus of the association and includes Factoring, Invoice Discounting and other Supply Chain Finance solutions.

FCI is the Global Voice for Open Account Receivables Finance:

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

FCI IN NORTHEAST ASIA

- NE Asia plays a significant role in global trade and trade finance field.
- L/C down, OA up. Factoring became popular in NE Asia.
- 88 FCI members in NE Asia
 - China: 30 banks, 20 non-bank factors
 - Hong Kong: 9 banks, 2 non-bank factors
 - Taiwan: 20 banks
 - Japan: 1 bank, 2 bank-owned factors
 - Korea: 2 banks
 - Mongolia: 2 banks
- Banks take the leading role in the region, while non-bank factors are integral part of a robust receivables finance market.



COMPARISON TO OTHER FORMS OF TRADE FINANCE

Factoring, LC & Credit Insurance Comparisons with World Exports 2011-2018

In USD Millions	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
X border factoring	342,204	464,700	555,941	588,185	578,664	533,736	623,344	599,398	7.3%
Global factoring	2,610,844	2,811,346	3,078,505	2,817,263	2,588,182	2,500,706	3,117,437	3,172,165	2.5%
Credit insurance	1,495,227	1,538,609	1,630,925	1,709,579	1,586,000	1,634,000	2,056,895	2,233,201	5.1%
Letters or credit	2,806,965	2,854,918	3,125,957	3,044,682	3,014,235	3,044,375	2,996,883	3,098,777	1.2%
Total world exports	17,816,372	17,930,470	18,378,730	18,935,210	18,432,650	16,943,000	17,739,320	19,480,000	1.1%

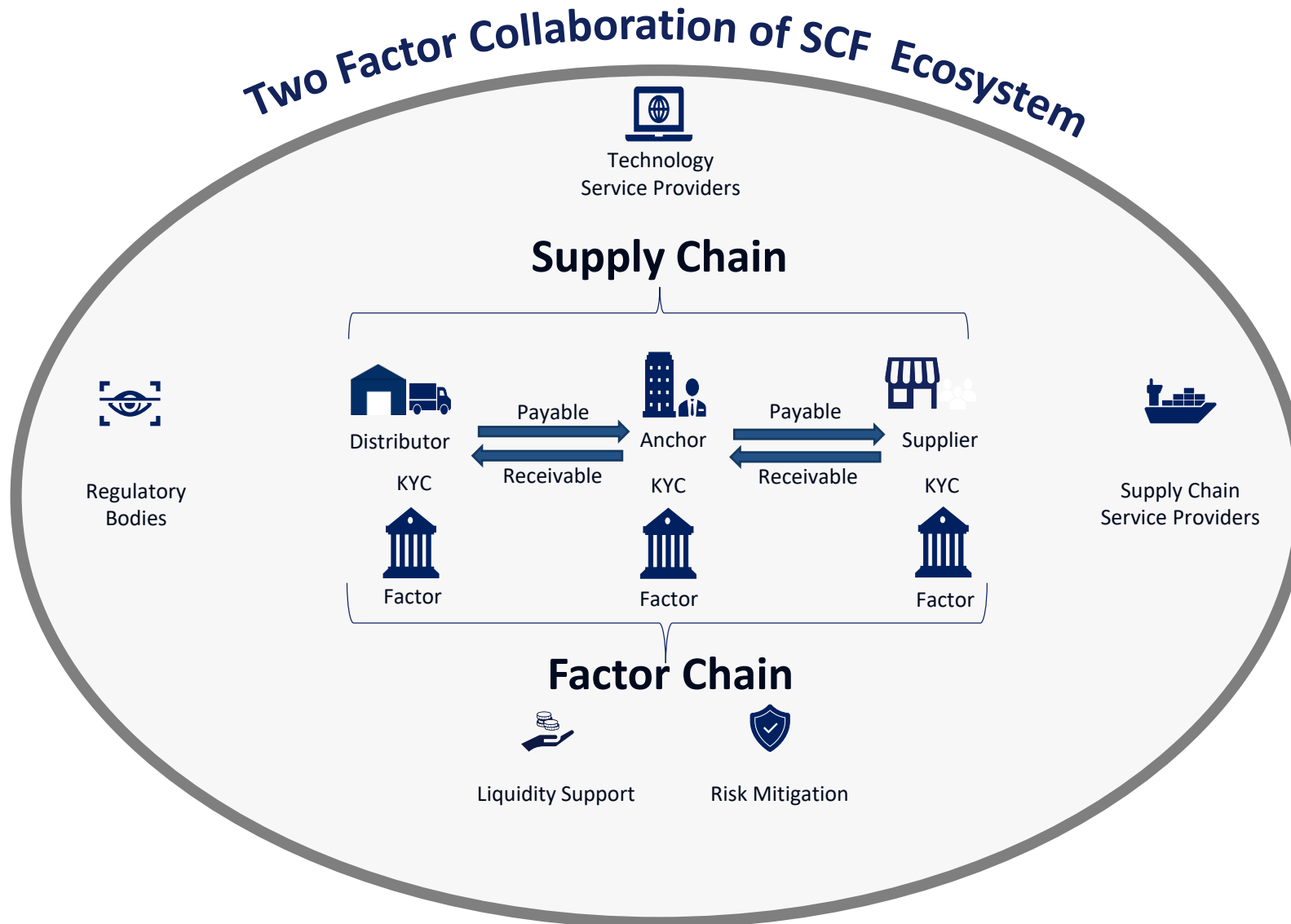
+10% increase due to
+20% oil price increase

Sources:

- Factoring figures reported by FCI in US Dollars.
World Factoring includes both domestic and cross border factoring volume.
- Short and medium term sovereign credit insurance figures reported by the Berne Union.
- The LC figures from ICC/SWIFT study.
SWIFT does not release LC issuance data, but in December 2010 its board agreed to carry out a 'trade snapshot', releasing the number of MT700 commercial standby and guarantee messages, including average invoice size. All figures are estimates based on actual data. In 2018, SWIFT trade finance volume increased 3.4% as measured in MT700 messages.
- The world merchandise export figures from the WTO in US dollar value.



THE ROLE OF FCI IN THE GLOBAL SUPPLY CHAIN FINANCE



FCI LEGAL FRAMEWORK

FCI Constitution

- Govern FCI structure
- Rules of FCI membership

Inter Factor Agreement (IFA)

- Agreement executed between FCI members
- In accordance with FCI legal framework

General Rules for International Factoring (GRIF)

- Regulates various aspects of International Factoring
- Defines roles and responsibilities of Import and Export Factor

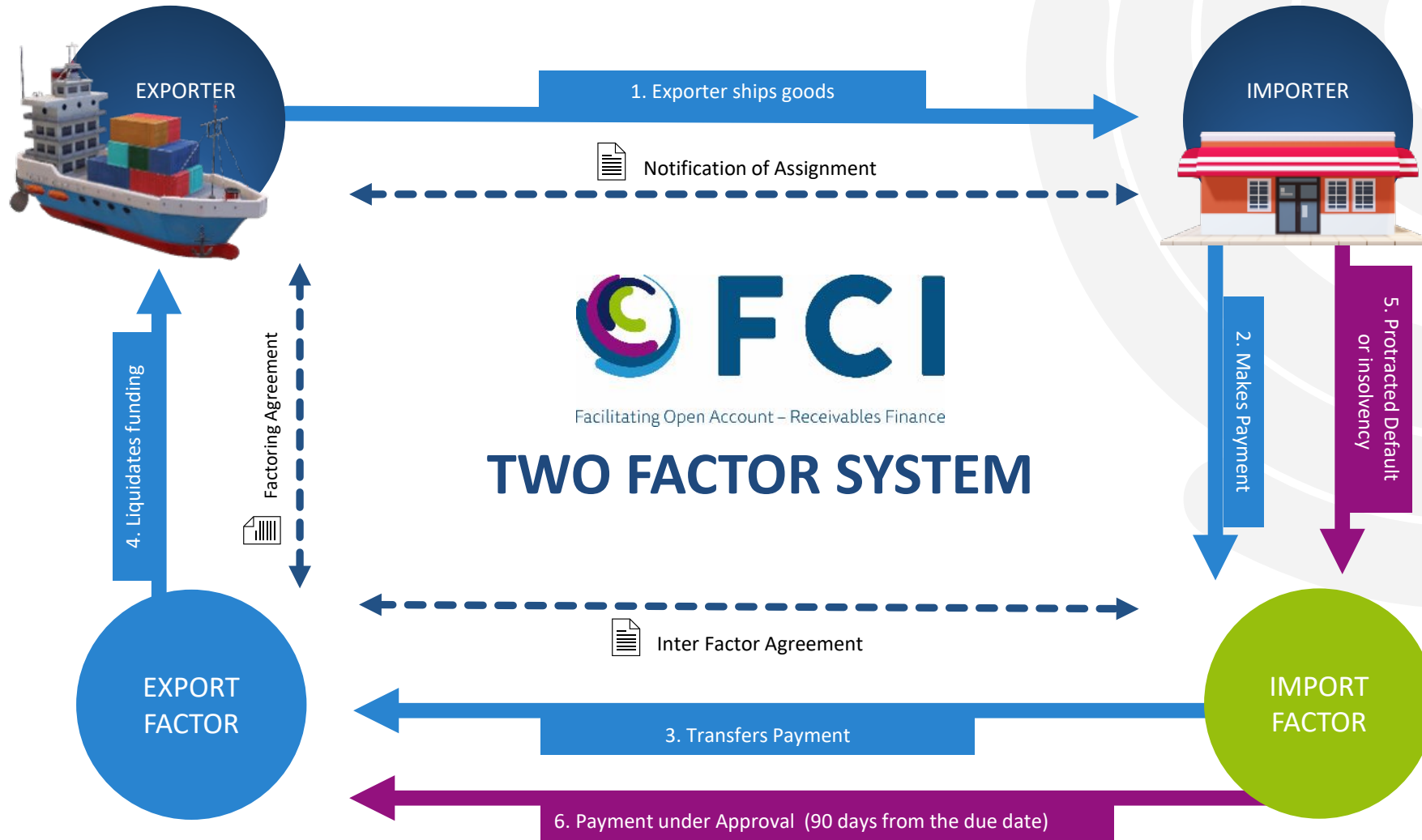
Edifactoring.com rules

- Implementation of edifactoring.com Communication System in April 2002 made it necessary to introduce basic rules for EDI environment
- These rules have global applicability

FCI Rules of Arbitration

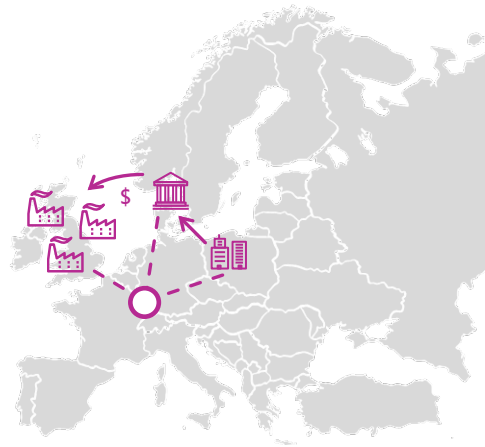
- Procedures to be followed in the case two correspondents resort to arbitration

FCI BUSINESS MODEL: TWO FACTOR, SELLER-ORIENTED SOLUTION



FCI BUSINESS MODEL: FCIREVERSE, THE BUYER-ORIENTED SOLUTION

 3-corner model (Local SCF programmes)

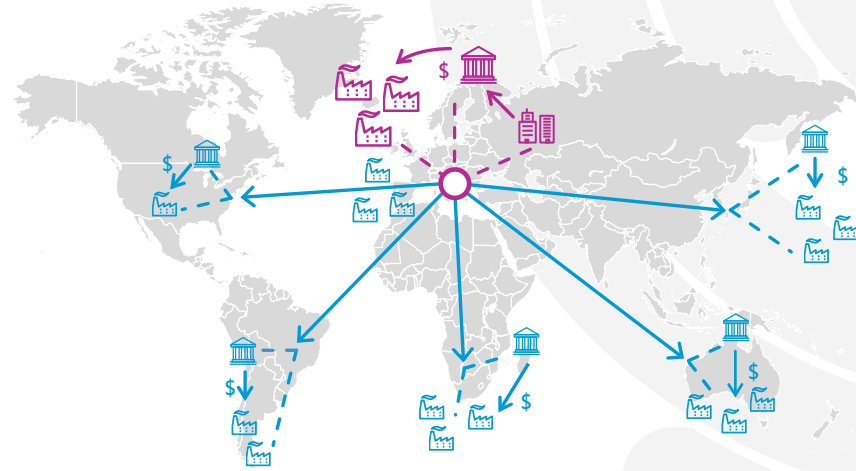


 Local buyer  Local supplier  Anchor (Import) Member

The Anchor (Import) Member originates, funds, and manages a local reverse factoring / SCF (Supply Chain Finance) programme for suppliers in the markets in which it operates.

The buyer and suppliers are either based locally, or in jurisdictions where the funder has the ability to finance and onboard suppliers.

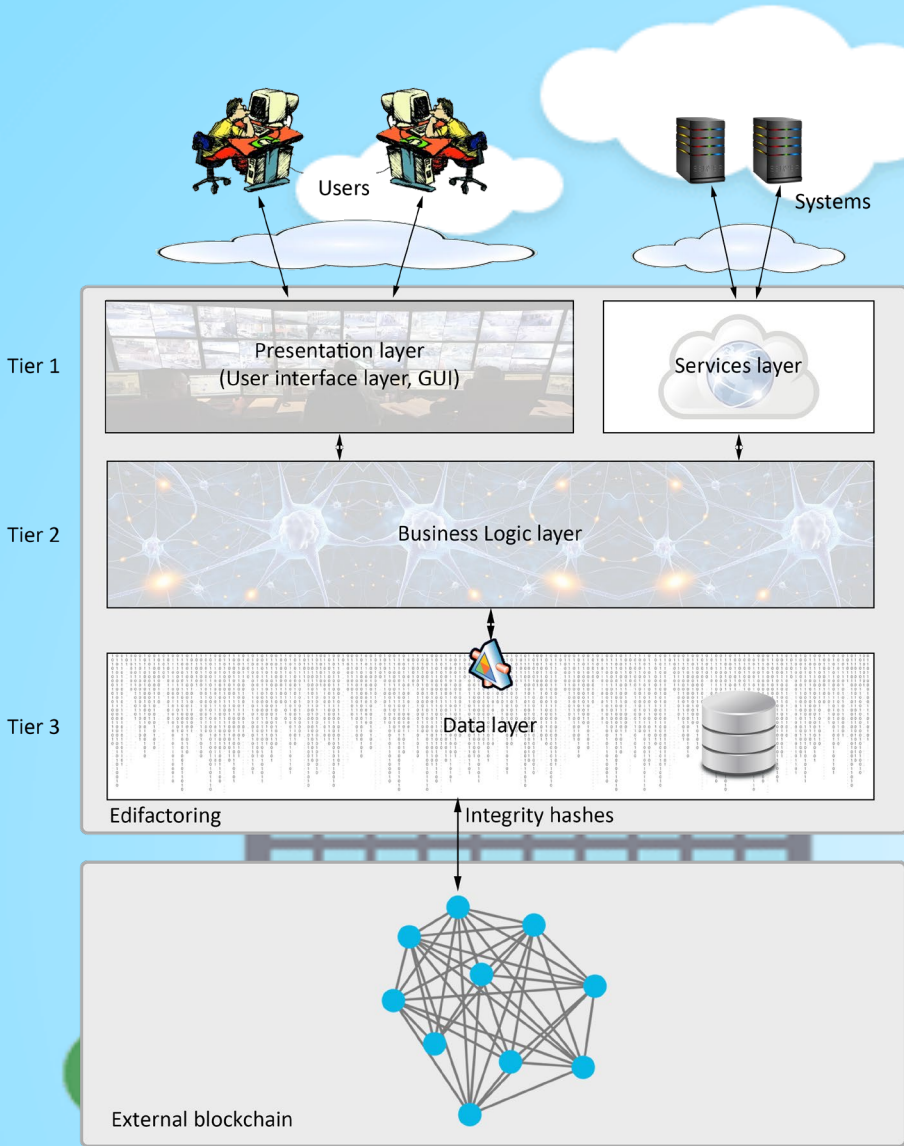
 4-corner model (Global SCF programmes)



 Foreign supplier  Banco del Exportador

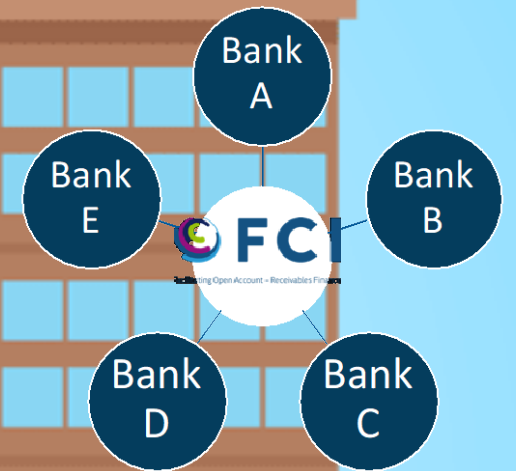
The Anchor (Import) Member originates, funds, and manages the local portion of an SCF programme, with support from Correspondent Members in foreign jurisdictions. By leveraging local market capabilities from other FCI members, the Anchor Member is able to arrange global programmes, while the Correspondent Members manage local supplier onboarding and payments.

FCI PLATFORM: BLOCKCHAIN-READY EDIFACTORING 2.0



Technology Refresh

- A modern look-and-feel
- Highly increased maintainability
- Modern software technology
- Possibility of additional functionality (buyers/sellers, app, etc.)



SUMMARY

- The global trade finance market has evolved into a non-LC-based supply chain finance market.
- Traditional factoring laid the foundation for today's supply chain finance.
- The application of Two Factor Model will contribute to the robust development of global supply chain finance market. FCI Two Factor Synergy will constitute an important mechanism to prevent fraud in supply chain finance.
- Promoting the development of an integrated supply chain finance market requires not only banks, but also non-bank institutions as participants.
- FCI, as the global association of factoring and receivables finance, will continue to work jointly with policy makers and stakeholders worldwide, improving the legal infrastructure, business model and platform, to drive the industry forward.