Trade Exchange tfp

THE BIANNUAL MAGAZINE
ALL ABOUT THE EBRD'S
TRADE FACILITATION PROGRAMME

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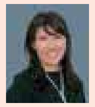
tfp

YOUR TEAM



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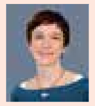

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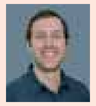

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Missed or misplaced *Trade Exchange?*

You can now download back issues from December 2011 onwards at **www.ebrd.com/tfp**

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www.ebrd.com

EDITOR'S LETTER

This past year, 2014, has been a challenging year due to the geopolitical situation in the EBRD region. Here in the TFP team we have carried on supporting important trade transactions and continuing our popular capacity building projects. Check out our news section to read about our exciting Trade and Investment Forum in London, and conferences in Georgia, Kiev and Tunis.

For our Expert Insight view we were fortunate to receive a contribution from one of Europe's leading specialists of trade finance guarantees, Andrea Hauptmann. In her article she tells us how to ensure demand guarantees are lodged successfully – especially important given the current economic climate. And on page 20 Hannah Fearn and Geoffrey Wynne of law firm Sullivan & Worcester talk us through the pros and cons of the bank payment obligation, a new electronic trade tool, comparing it with the traditional letter of credit.

Warsaw was the backdrop for this year's TFP Annual Event and Awards Ceremony that took place in May. Turn to page 10 for a list of the most active issuing and confirming banks in 2013, and a photo report of the ceremony.

As the world embraced football fever this summer during the FIFA World Cup, we asked our pioneering Taiwanese colleagues to share their innovative ideas. Read about the "green island's" eco-industry on page 16.

We would also like to take this opportunity to thank our partner banks, confirming banks, students, consultants and colleagues in the EBRD for helping us deliver over the past year the excellent service that warrants industry awards from the readers of *Trade Finance* magazine, *Global Trade Review* and *Trade & Forfaiting Review*. It is a humbling acknowledgment.

On behalf of the TFP team I would like to send season's greetings to all readers of *Trade Exchange*. May 2015 be a happy and peaceful year for all of us!

Kamola Makhmudova,
Executive Editor
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INSIDE *THIS* ISSUE

NEWS
_04-09
Read about the latest *Transition Report* and our conferences in Georgia, Kiev and Tunis.

Connect with TFP on Facebook, LinkedIn and Twitter
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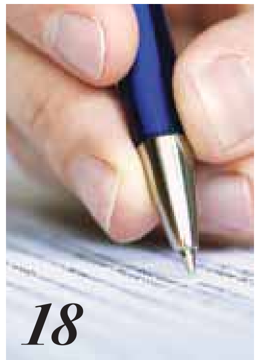

IN DEPTH
_16-21
Get some expert tips on how to lodge a successful demand, and learn about the new electronic trade tool, the Bank Payment Obligation.

TRAINING
_22-27
Find out about the TFP workshop at the Joint Vienna Institute and our series of workshops on ISBP provisions.

GET IN *TOUCH*

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Importers and exporters should contact an issuing bank.

TFP website
www.ebrd.com/tfp
TFP e-Learning Programme:
ebrd.coastlinesolutions.com

Taiwan
THE HEART OF ASIA

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NEWS *UPDATE*

The launch of the *Transition Report* at the EBRD headquarters, London

INNOVATION IN TRANSITION

EBRD report on how firms can transform economies

The EBRD's 2014 *Transition Report*, titled "Innovation in Transition", focuses on how individual companies across the transition region innovate. The report reveals how innovation can help increase firm productivity, boost economic growth and re-energise transition.

The report takes a broad view of innovation – by using a unique enterprise survey it analyses how firms innovate by introducing new products, new production processes, new ways to organise themselves, and new ways to market their products and services – and whether they do this by adopting products and technologies from advanced economies or by developing new products and processes themselves.

The report also takes stock of firms' investments in research and development and provides new insights into how managerial practices influence firm productivity.

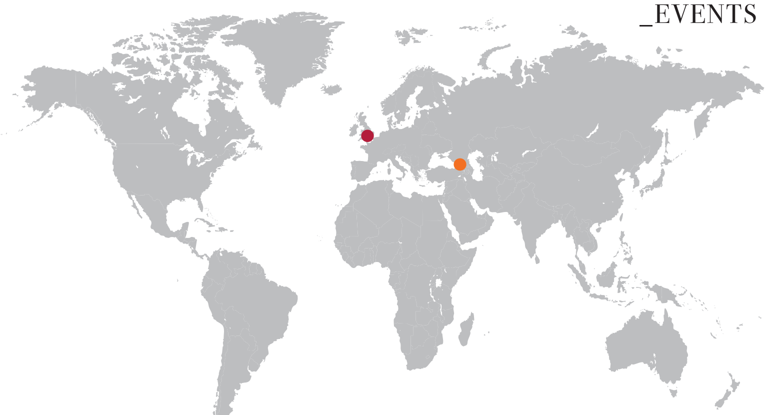
A key theme of the report is that, regardless of a country's level of economic development and of its progress along the transition path, firm managers can make decisions that have a profound influence on the efficiency and productivity of the businesses they run. Yet, which actions are most beneficial – research and development, adopting products that were developed elsewhere, or improving management practices – depends strongly on the business environment in which a firm operates. Governments can do a great deal to unleash this potential, but in order to determine the right measures for any given country they must work closely with the private sector.●

For more information please go to http://tr.ebrd.com

OPINION

"As firms move along their transition path, so will the countries in which they are based. The overall message of this year's *Transition Report* is a hopeful one."

Erik Berglof, EBRD Chief Economist



TBILISI CONFERENCE

TFP organises first Caucasus Trade Finance Conference in Georgia

International trade is growing rapidly in Armenia, Azerbaijan and Georgia, which means that trade finance is becoming ever more important. That's why the EBRD organised its first Caucasus Trade Finance Conference to unite issuing and confirming banks active in the region as well as decision-makers in trade finance to discuss industry challenges with leading specialists, including regulators and economists.

The event was held on 25 June in Tbilisi at the historic TBC Bank headquarters and was opened by Otar Nadaraia (Deputy Chairman of National Bank of Georgia), Mariam Megvinetukhutsesi (Deputy CEO at TBC Bank) and Bruno Balvanera (EBRD Director for Caucasus, Moldova and Belarus). This was followed by a presentation by the International Chamber of Commerce Paris on the results of their latest 2014 global survey on trade finance, and then panel discussions covering the latest trends and challenges in Armenia, Azerbaijan and Georgia. The conference was closed with an award ceremony for students of the EBRD Trade Finance e-Learning Programme.

AN UPWARD TREND

The conference has shown that there are a lot of opportunities for local banks and companies to become even more active in trade finance. But what also emerged was that increased capital requirements of foreign confirming banks have a negative impact on the availability of trade finance for some banks in the region. The general trend is that trade finance activity is picking up and local banks in Armenia, Azerbaijan and Georgia are able to increase their trade finance volumes. And where commercial banks are not able to provide support in their trade finance operations, the EBRD's TFP will try to fill the gaps and support the further growth of trade.

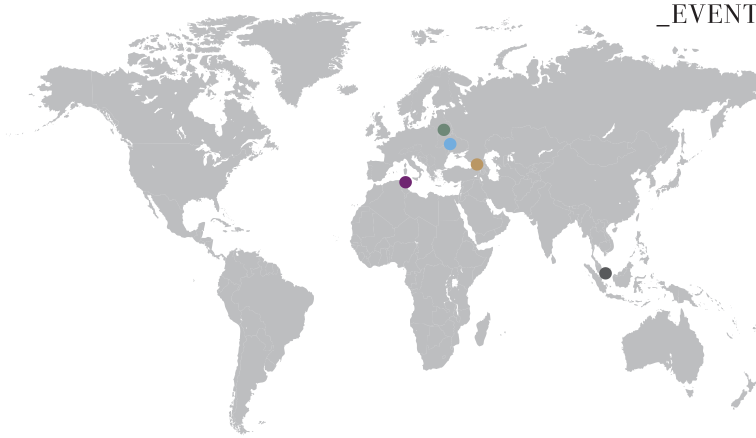
Trade finance colleagues from Armenia, Azerbaijan, Georgia, Germany, Turkey and Uzbekistan

Apart from the informative presentations and lively panel discussions, participants particularly enjoyed the networking opportunities. One delegate, Zara Melkonyan, Head of International Department at Araratbank, Armenia, enthused: "The Caucasus Trade Finance Conference was a real success, as is always the case with the EBRD's events. I am sure the conference was very useful for all participants as it involved the exchange of ideas on the most current and relevant topics, which is of high importance in light of today's changing international environment and the situation in the region."●

www.ebrd.com/news

"I am sure the conference was very useful for all participants as it involved the exchange of ideas on the most current and relevant topics."

Zara Melkonyan, Head of International Department at Araratbank, Armenia



KIEV CONFERENCE

Hope for Ukrainian trade as EBRD boosts support

The EBRD's Trade Facilitation Programme teamed up with Worldwide Expert Conferences for their first joint annual event on 30 September–1 October in Kiev. Many industry experts from 12 countries ranging from Canada to Japan attended to meet, exchange views and hear about the situation in Ukraine.

The TFP currently works with eight local banks in Ukraine, and over 100 more around the EBRD region, to enable its private corporate clients to continue international trade. At the time of writing, the TFP has supported trade transactions worth €1.5 billion in Ukraine, of which over €175 million has been processed in 2014.

But, as in other sectors, the EBRD is increasing its engagement in trade finance in Ukraine. Head of the TFP, Rudolf Putz, explained: "We are working to up the number of local banks with whom we cooperate, and we believe that by the end of this year Ukraine will become one of the largest countries for the EBRD's TFP."

He went on to say that "in Ukraine we want to support medium-sized transactions with tenors of up to one year primarily, but we can also facilitate up to three years on a case-by-case basis, and provide additional trade finance limits and share risk for Ukraine in conjunction with other IFIs."

A priority area now for the TFP is energy efficiency – for example by supporting the import of energy-efficient equipment, such as modern tractors for agriculture and equipment for renewable energy generation. Representatives of several credit export agencies expressed an interest in supporting such imports.

Newly appointed EBRD Managing Director for Ukraine, Moldova, Belarus and the Caucasus, Francis Malige, summed up the situation for Trade Exchange: "Ukraine is facing severe recession, a geopolitical crisis with a military conflict, a banking system crisis and an energy supply crisis all at the same time, each of which would represent a very serious issue in any country. So Ukraine's resilience is admirable, and this really puts a heavy responsibility on our shoulders to rise to the occasion – while not compromising our sound banking and transition mandate."

Regarding trade finance, he added: "The TFP has been an important tool in strengthening the ability of local banks to provide trade finance and in giving local SMEs the support they need to sustain their export and import businesses. The TFP recently extended its award-winning e-Learning Programme to all partner banks in Ukraine with the support of donor funds from EBRD shareholder governments."

Trade finance is one of many sectors in which the EBRD is supporting its clients through difficult times and to better prepare dynamic private enterprises for when growth will return. The Bank aims to have invested about €1 billion this year in Ukraine.●

www.ebrd.com/news

Networking at the Worldwide Expert Conference

"We believe that by the end of this year Ukraine will become one of the largest beneficiaries of the EBRD's TFP"

Francis Malige speaking at the conference

TRADE AND INVESTMENT FORUM, TUNIS

Promoting trade in Tunisia

As part of its drive to support the Tunisian economy, the EBRD organised a one-day Trade and Investment Forum in Tunis on 22 October 2014.

Around 100 representatives from local and foreign commercial banks, corporates, SMEs and business associations attended the event.

The Forum offered a unique chance to learn about investment opportunities in the southern and eastern Mediterranean (SEMED) region, and in Tunisia in particular, and to share trade finance banking expertise.

The event was opened by Marie-Alexandra Veilleux-Laborie, Head of the EBRD's Resident Office in Tunisia, and by FIPA Tunisia's Khalil Laabidi, who thanked the EBRD for extending its investments through 9 strategic projects in the last 12 months.

The morning session was dedicated to investment opportunities with the EBRD in key strategic sectors – agribusiness, manufacturing and services, and small business support (where the EBRD has supported more than 100 projects since it established its presence in the country).

The afternoon focused on facilitating trade with Tunisia and capacity building projects. Attendees heard how the EBRD's technical cooperation can add value to investments through activities such as policy dialogue, legal reform, training programmes and project preparation.

The two panels – one on financing imports into Tunisia and the other on supporting intra-regional trade – discussed the country limits availability and the role the EBRD's TFP could play in facilitating the import/export operations of Tunisian companies.

The Forum provided not only a great networking opportunity, but also a chance for some to shine, as the first Tunisian graduates of the EBRD Trade Finance e-Learning Programme received their certificates of achievement. Of the five graduates, Kameleddine Limam and Sami Slama of Amen Bank were named top students, and were awarded the prize of a week's on-the-job training at Landesbank Baden-Wuerttemberg.●

Luca Vincenzo Rossi awards top students with the opportunity to train at Landesbank Baden-Wuerttemberg

Tunisian graduates receive their certificates of achievement

Future Events

Trade Finance e-Learning Programme Graduation Ceremony

MARCH 2015

MINSK, BELARUS

The EBRD Trade Finance e-Learning Programme Graduation Ceremony will take place during the Trade Finance in CIS event organised by Worldwide Expert on 19-20 March 2015. All students who have successfully completed the programme by 15 January 2015 will be eligible to attend.

Contact the EBRD TFP team for more information.

ICC Banking Commission Meeting

20-24 APRIL 2015

SINGAPORE, SINGAPORE

Contact Paulina Martinez at paulina.martinez@iccwbo.org for more information.

TBILISI2015

EBRD Annual Meeting and Business Forum

14-15 MAY 2015

TBILISI, GEORGIA

For more information, visit: www.ebrd.com/am.

TFP Annual Event and Awards Ceremony

13 MAY 2015

TBILISI, GEORGIA

The TFP's Annual Event and Awards Ceremony will take place in Tbilisi a day before the EBRD Annual Meeting and Business Forum (see above). The TFP event will also host an awards ceremony for the most active participating banks of 2014. Attendance by invitation only.●

Contact the TFP team for more information.

PRESS TALK

"The EBRD has once again been voted the best development bank in trade. It's no mean feat, when you consider the amount of development finance in the market over the past few years. But the EBRD has continued to stay ahead of the pack through the broad range of its funding and its admirable focus on financing renewable and clean energy projects."

Global Trade Review

Rudolf Putz, Head of TFP, collecting *Trade Finance* magazine's awards for Best Development Financial Institution Europe and Global

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www.twitter.com/ebrdtrade

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www.facebook.com/ebrdtfp

Marco Nindl and Kamola Makhmudova receiving the award from Peter Gubbins, Managing Director of GTR

TOP INDUSTRY AWARDS

EBRD wins major accolades

The EBRD's Trade Facilitation Programme has scooped three major industry awards: "Best Development Bank in Trade" from *Global Trade Review* (GTR); "Best Developmental Financial Institution" in the Global and Europe categories from *Trade Finance*; and "Best Development Finance Institution" from *Trade & Forfaiting Review*.

Commenting on the awards, Rudolf Putz, Head of the TFP, said: "We are delighted that the readers of *Trade & Forfaiting Review*, *Global Trade Review* and *Trade Finance* have once again recognised the EBRD's achievements in the development of innovative trade finance and technical assistance projects for banks and their clients in eastern Europe, the CIS and the southern and eastern Mediterranean."

In 2013 banks participating in the TFP used the EBRD's support to finance more than 2,000 trade transactions with a total value of more than €1 billion. Preference was given to transactions that support the development of small and medium-sized enterprises and trade between the countries in which the EBRD operates. The TFP was particularly important for banks and their clients in Belarus and Ukraine.

Similar figures are expected for 2014 and the TFP is expected to remain in high demand due to the lack of availability of trade finance facilities from foreign commercial banks.●

For more information visit www.tfreview.com, tradefinancemagazine.com and gtreview.com.

Facts & figures

A brief history

Launched in 1999, the Trade Facilitation Programme (TFP) aims to promote foreign trade to, from and among the EBRD countries of operations through a range of products.

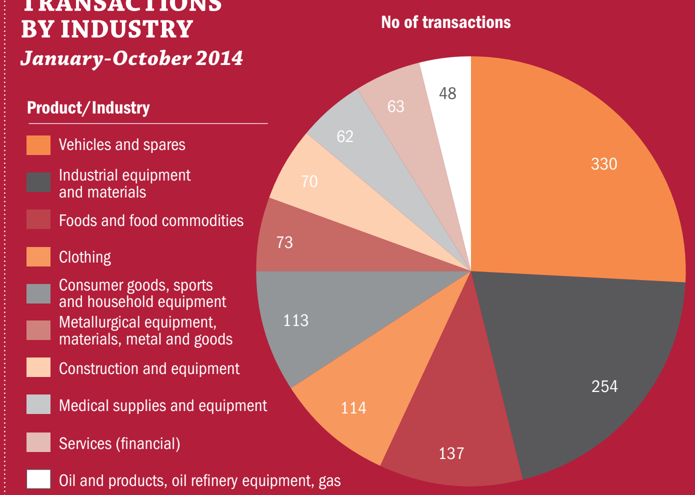
Through the Programme, the EBRD provides guarantees to international confirming banks and short-term loans to selected issuing banks and factoring companies for on-lending to local exporters, importers and distributors.

CONFIRMING BANKS OPERATE IN 88 COUNTRIES

TOP 10 CONFIRMING BANKS
January-October 2014

	Bank	Country
1	Commerzbank	Germany
2	Unicredito	Italy
3	BHF-Bank	Germany
4	UBS	Switzerland
5	KBC Bank	Belgium
6	WGZ BANK	Germany
7	Raiffeisen Bank International	Austria
8	ABN Amro	Netherlands
9	Deutsche Bank	Germany
10	ING Bank	Netherlands

TOP TEN TFP TRANSACTIONS BY INDUSTRY
January-October 2014



TOP 10 COUNTRIES BY NUMBER OF TRANSACTIONS
January-October 2014

	Country
1	Russia
2	Ukraine
3	Armenia
4	Belarus
5	Georgia
6	FYR Macedonia
7	Moldova
8	Azerbaijan
9	Kazakhstan
10	Serbia

NUMBER OF CONFIRMING BANKS OPERATING IN 88 COUNTRIES
see map above

800+

€10.7 billion

TOTAL TRANSACTION VALUE SINCE 1999

110

NUMBER OF ISSUING BANKS IN 25 COUNTRIES

17,000+

TOTAL NUMBER OF TRANSACTIONS SINCE 1999

TFP ANNUAL EVENT AND AWARDS CEREMONY 2014

The Trade Facilitation Programme (TFP) holds its annual award ceremonies at the EBRD's Annual Meeting to honour the most active issuing and confirming banks involved in the Programme. The winners are determined based on the number of guarantee transactions in the previous year.

This year's TFP Event and Awards Ceremony took place on 16 May 2014 in Warsaw, Poland, straight after the EBRD Annual Meeting and Business Forum.

The event attracted over 140 bankers and trade finance specialists. Awards were presented by Nick Tesseyman, Managing Director for Financial Institutions at the EBRD, and Ambassador Jack K.C. Chiang, Taipei Representative Office in Poland.

● *This year's TFP Annual Event and Awards Ceremony could not have happened without generous Taiwanese funding and support.*

Colleagues from Bank Eskhata, Tajikistan

Aigul Teleusheva of Demirbank collecting the award for most active issuing bank in Kyrgyz Republic

Per Fischer receiving the "Most active confirming bank" award on behalf of Commerzbank

Rasim Ismayilov of Muganbank shares his thoughts on winning the award for most active issuing bank in Azerbaijan

Promsvyazbank won the award for most active issuing bank in Russia

Nomulin Basbish of Khan Bank receiving the award for most active issuing bank in Mongolia

WHAT PEOPLE SAID

"We are honoured to win this prestigious award from the EBRD, our long-standing partner in Georgia. This acknowledgement is a testament to the distinguished professionalism, high quality of service and sustained focus on innovative products offered by TBC Bank's Trade Finance team."

Vakhtang Butskhrikidze
Chief Executive Officer, TBC Bank

Mariam Megvinetukhutsesi of TBC Bank collects the award for most active issuing bank in Georgia

Rudolf Putz congratulates the award winners

WHAT PEOPLE SAID

"The Development Aid Team of Commerzbank is most honoured by once again having contributed to receiving the 2013 award for most active confirming bank. We thank the TFP team for their excellent cooperation."

Moldindconbank won the award for most active issuing bank in Moldova

Vincent O'Brien, Chair of Marketing Intelligence Group, ICC Banking Commission, presents the results of the Global Survey on Trade Finance 2014

TFP AWARDS 2013

Most active TFP issuing banks and confirming banks in 2013, by number of transactions

Most active issuing bank in Armenia
ARARATBANK

Most active issuing bank in Azerbaijan
MUGANBANK

Most active issuing bank in Belarus
Priorbank

Most active issuing bank in Bosnia and Herzegovina
Raiffeisen BANK

Most active issuing bank in Bulgaria
Postbank

Most active issuing bank in FYR Macedonia
komercijalna banka ad skopje

Most active issuing bank in Georgia
TBC BANK

Most active issuing bank in Kazakhstan
KAZKOM

Most active issuing bank in Kosovo
BANKA PËR BIZNES

Most active issuing bank in Kyrgyz Republic
DemirBank

Most active issuing bank in Moldova
MOLDINDCONBANK

Most active issuing bank in Mongolia
KHAN BANK

Most active issuing bank in Romania
BT

Most active issuing bank in Russia
Promsvyazbank

Most active regional issuing bank in Russia
НБД БАНК

Most active issuing bank in Serbia
Eurobank

Most active issuing bank in Tajikistan
BANK ESKHATA

Most active issuing bank in Ukraine
Raiffeisen BANK AVAL

Most active issuing bank in local currency financing
LockoBank

Most active confirming bank
COMMERZBANK

Most active Taiwanese confirming bank
臺灣銀行 BANK OF TAIWAN

EBRD/ICC 2013 Academic Excellence Award
ArmSwissBank

The 2013 award winners

TFP DEAL OF THE YEAR

The building of the new generation fibre-optic network in Armenia was the 2013 TFP Deal of the Year.

Armenian telecommunications company Ucom imported from Romania optical cables that will enable it to provide broadband internet, IP television and landline digital telephone services, the so-called triple play technology.

Ucom is the first and currently only company in Armenia that is building the fibre-optics to operate this technology.

Under the TFP the EBRD issued a guarantee to support intra-regional trade between Armenia and Romania. In this particular transaction Ameriabank issued a letter of credit with post-financing for just over US$ 900,000, confirmed by Commerzbank. The EBRD guaranteed 100 per cent of the political and commercial payment risk and Dutch development bank FMO shared part of this risk.

The tenor of the underlying transaction was for three years, a tenor that would not have been possible without the support of the EBRD.

Gagik Sahakyan of Ameriabank receives the Deal of the Year award

Two of the many attendees who enjoy reading *Trade Exchange*

SPECIAL ~ AWARDS SPECIAL ~ AWARDS S

TFP AWARDS SPECIAL ~ TFP AWARDS SPECIAL ~ TFP AWARDS SPECIAL

Innesa Amirbekyan, winner of the Trade Finance Clinic Gold Award, with Jack K. C. Chiang, Head of the Taiwanese delegation

NBD Bank was named "Most active regional issuing bank in Russia"

Mihaela Nadasan, Executive Director Banca Transilvania, collecting the award for most active issuing bank in Romania

WHAT PEOPLE SAID

"Thank you, EBRD, for this prestigious prize, which is proof of our sustained efforts and focus on our valuable clients, supporting their needs and increasing access to import and export trade."

Ömer Tetik, CEO, Banca Transilvania

WHAT PEOPLE SAID

"The EBRD TFP team has greatly supported the development of trade finance business at Muganbank. Winning the 2013 award for most active issuing bank in Azerbaijan has enhanced the image and credibility of Muganbank, both in the domestic and international trade finance market."

Rasim Ismayilov,
Deputy Chairman of the Board,
Muganbank

Rasim Ismayilov, Muganbank

Panel discussion on staff development with Anne Kiem (CEO, Institute of Financial Services UK), Rudolf Putz, Vincent O'Brien and Kamola Makhmudova

Holger Kautzky, Commerzbank and Axel N. Bommersheim, Commerzbank, with Marc Auboin, WTO Switzerland

Elmir Hasanov, Chairman, Muganbank and Aslan Abasov, Deputy Chairman Bank Respublika

Banka per Biznes won the award for most active issuing bank in Kosovo

THE *GREEN* ISLAND

Football kits made from recycled plastic bottles are just one of many "green" products made by the Taiwanese

One of the major sporting events of the summer of 2014 was the FIFA World Cup in Brazil. While the Taiwanese did not compete directly in the tournament, they did make a significant contribution – through high-tech sportswear.

Using innovative techniques, polyethylene terephthalate (PET – a material frequently derived from recycled plastic bottles) can be broken down into a fabric which is more comfortable and sweat-absorbent than cotton. The method has been so successful that at the 2014 World Cup, the kits of 10 national football teams were Taiwanese products.

PET recycled clothing is also a big earner; FIFA estimated that profits from the World Cup would be more than US$ 40 billion, and that the Taiwanese textile industry would be the main beneficiary of this. According to the Ministry of Economic Affairs, the Taiwanese hold 70 per cent of the PET recycled sportswear market.

LEADERS IN RECYCLING

The Taiwanese are proud of their commitment to environmental sustainability and have been leading the green initiative in Asia since the 1990s – they were placed third in the 2013 *World Competitiveness Yearbook* sustainable development rankings.

And recycling is a particular success; the rate of recycling plastic bottles, for example, has now reached 95 per cent, higher than the 75 per cent achieved in Japan.* This can be attributed largely to the government's subsidy and incentive policy. Having set up a fund to encourage recycling and waste reduction, the government now spends 6 billion New Taiwan dollars a year on subsidies paid to the recycling companies. Statistics show that this policy has proved increasingly lucrative; in 2011, for example, 193,000 tonnes of plastic were collected and converted into raw materials worth US$ 172 million.*

Since the technological island is home to several world-renowned electronics companies such as Asus, Acer and HTC, finding an adequate solution for the huge volume of discarded electronic components has previously been a problem. In response to demand, a number of electronic waste recycling companies have been launched. These companies have greatly enhanced the island's recycling capabilities and it can now fully meet the challenge of recycling substantial quantities of electrical components, while also making a profit.

SPREADING THE WORD ON GREEN PRODUCTS

It is the awareness of sustainable development that is driving the green revolution of Taiwanese industry, along with the understanding of how green industries can strengthen the economy as a whole. According to the Taiwan External Trade Development Council, Taiwanese green exports accounted for 13.5 per cent of total exports in 2012, amounting to US$ 40.5 billion.

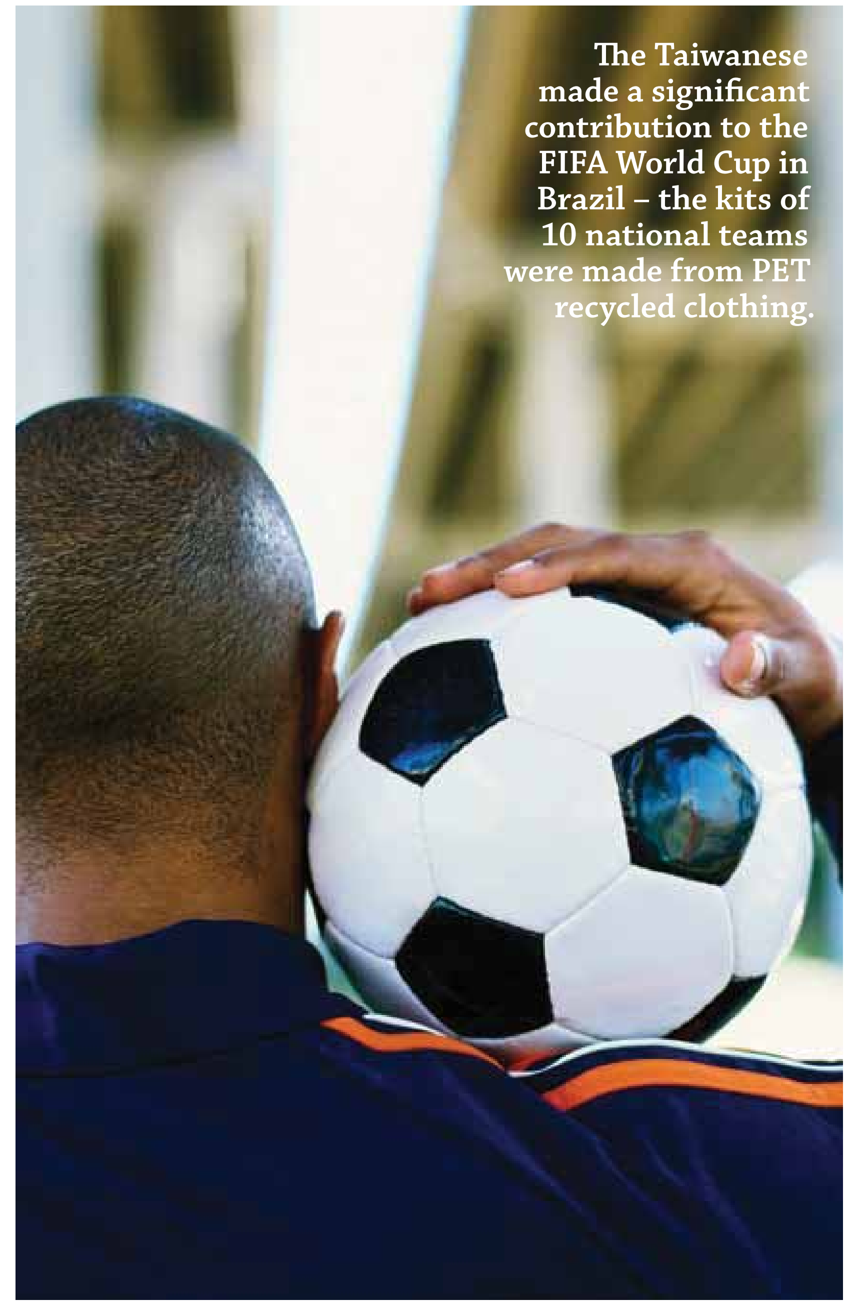
The government actively encourages the growth of "green business" through raising awareness, and there are a number of exhibitions and workshops that take place each year focusing on green industries and their business opportunities on the island.

One of these events is the Eco-Products International Fair, which in 2014 featured winners of the Taiwan Green Classics Awards. The Awards recognise green products and services of the highest quality and innovation, and winners gain exposure through various marketing initiatives. Also, the Bureau of Foreign Trade produces the *Taiwan Eco Products Directory* listing products with environmentally friendly components, such as LED lighting applications, printing materials and environmental protection and pollution prevention products. The directory can also serve as a reference for green procurement.●

For more information on Taiwanese green trade, visit http://green.taiwantrade.com.tw/.

* Source: the Taiwanese Environmental Protection Administration.

The Taiwanese made a significant contribution to the FIFA World Cup in Brazil – the kits of 10 national teams were made from PET recycled clothing.



CASE STUDY: TAIWAN COOPERATIVE BANK

Taiwan Cooperative Bank (TCB) was founded in 1946 and its business ranges from banking, insurance, securities, to trusts and asset management.

Over many decades TCB has built up a solid customer base; as of 31 May 2014 the Bank had 287 Taiwanese branches and 10 overseas outlets, creating the most extensive branch network of Taiwanese banks and positioning itself as a market leader in deposits and loans business – TCB boasts NT$2.41 trillion in deposits and NT$1.91 trillion in loans business.

To help customers increase their foreign trade in central and eastern Europe, TCB joined the EBRD's Trade Facilitation Programme as a confirming bank. And to meet today's challenges in an increasingly globalised market, TCB has continued to increase its Taiwanese and foreign service locations; the Tianjin branch, the third outlet in China, was inaugurated on 1 August 2014 and the Fuzou branch (the fourth outlet) is expected to open for business soon, too.

Looking ahead, TCB will continue to provide its customers with a complete array of financial services, as well as striving to become a global bank and to fulfil its commitment to being the best financial institution for nationals around the world.

TCB in Taipei

GETTING YOUR DEMAND RIGHT

Demand guarantees provide valuable protection for those conducting trade, especially in the current challenging environment, but they're not always easy to get right. Andrea Hauptmann of Raiffeisen Bank International provides some pointers on how to lodge a successful demand.

Lodging a demand under a URDG 758 guarantee may initially seem simple but in reality more than 30 per cent of claims are considered to be formally inconsistent with the guarantee terms and conditions.

This can be because the principle of strict formalism of a guarantee often causes problems for clients. It means that all the terms and conditions stipulated in the guarantee must be followed, along with the provisions of the ICC's Uniform Rules for Demand Guarantees (URDG). Normally there is little room for interpretation as to whether the demand complies, but to ensure a successful demand, the following points are important.

STATEMENT OF BREACH

This is the most important part of the demand under the URDG. The statement must be in line with the stipulations in the guarantee and the URDG, otherwise the question as to whether the statement is complying is a matter of interpretation.

The URDG require a statement that there is a breach and the respect in which the applicant is in breach. Only a general explanation/declaration of the kind of breach is required, but this can leave room for interpretation.

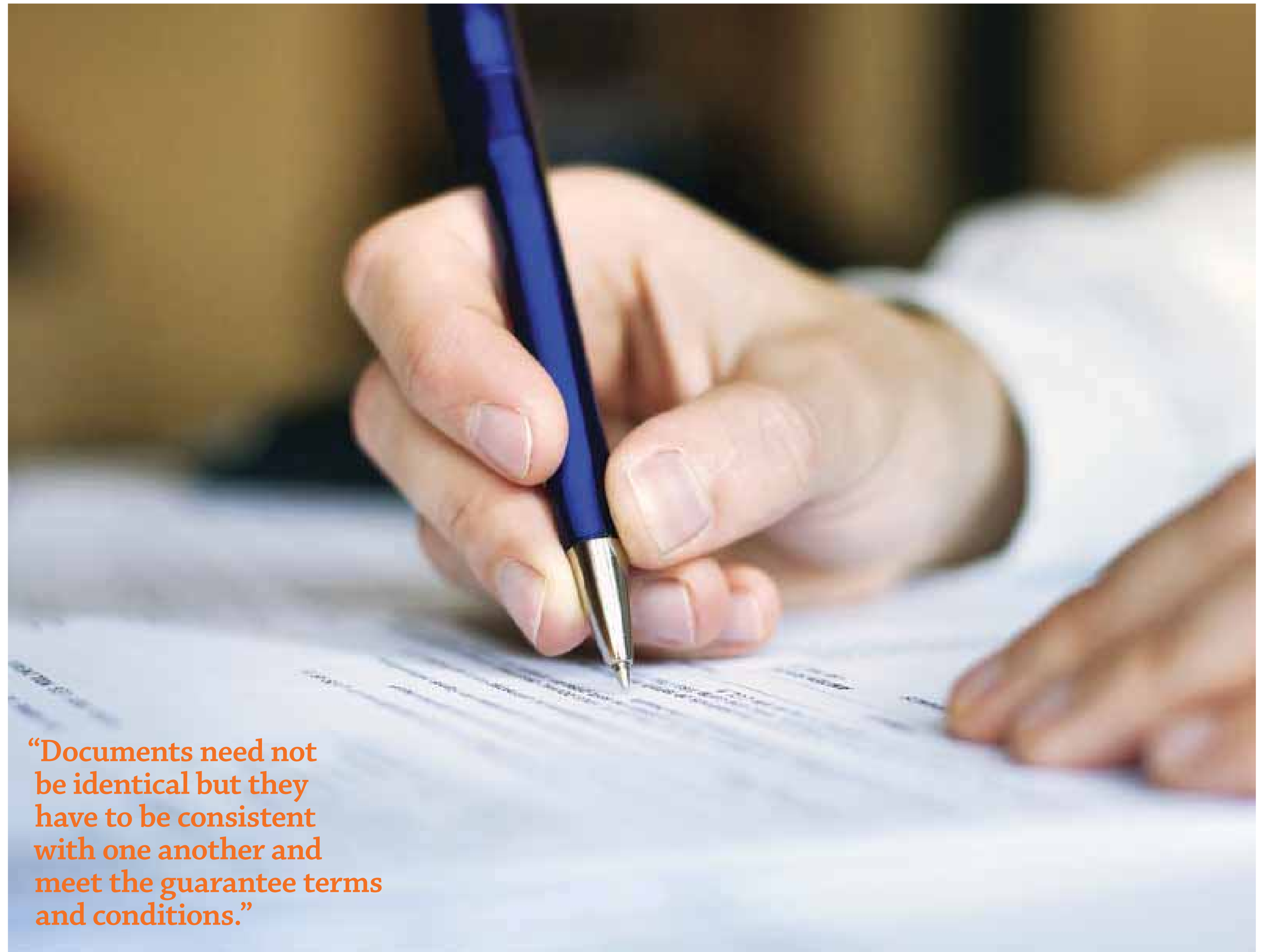
COMPLYING DATA

The amount asked for in the demand must not exceed the available amount of the guarantee, even if the invoice value exceeds the guarantee value. A claim may be lodged for the guaranteed amount only (at the most).

Other relevant data (such as name and address of the beneficiary and applicant, contract number and so on) have to be stated exactly as per the guarantee terms. Inconsistencies might lead to the guarantor rejecting the demand unless the guarantee is amended or the applicant agrees to waive the discrepancy.

SIGNATURES

If the guarantee calls for verification of signatures, the guarantor must make sure the demand is sent by an authorised employee of the beneficiary in line with the verification requirements. In practice, if verification is required, this normally means that the person signing has to be included in the list of authorised signatories of the beneficiary organisation. Ideally the guarantee would expressly state that a reliable bank must confirm that the signatures appearing on the demand are legally binding on the company. If the guarantee does not provide for verification of signatures, the signatures have to be accepted as presented, which may cause problems, but those problems are between the applicant and the guarantor.



EXAMINATION OF DOCUMENTS

This is probably the most controversial point. Documents need not be identical but they have to be consistent with one another and meet the guarantee terms and conditions – evidencing, for example, the contract number, goods description, consignee as per the guarantee terms, delivery as per delivery terms, and so on. The standard for complying documents under a URDG demand guarantee is now more aligned to the required standard in the UCP.[1] The following are some examples of non-complying documents in the context of a URDG 758 demand guarantee.

[1] URDG 758, sub-article 19 (b) states: "Data need not be identical to, but shall not conflict with, data in that document, any other required document or the guarantee."

UCP 600, sub-article 14 (d) states: "Data in a document, when read in context with the credit, the document itself and international standard banking practice, need not be identical to, but must not conflict with, data in that document, any other stipulated document or the credit."

Transport documents

A number of common errors can be found in these documents. For example, in one particular case the delivery terms stated "CIP Almaty", but the CMR evidenced delivery up to the Ukrainian-Hungarian border. Also, if a transport document is required, it has to be issued in accordance with the requirements for that particular document, for instance, a CMR if it requires the document to be "stamped and signed by the carrier". (Therefore a carrier's stamp without a signature is not acceptable because the document is not properly issued.) Another discrepancy might be that the quantity shown on the transport document is not in accordance with the invoiced quantity.

Other documents

If a certificate of quality is called for, the guarantee should stipulate what (minimum) terms of quality should be certified. If it does not, the bank is not allowed to make any objection as long as the document is entitled "Certificate of Quality". This is the case even if there is no mention of the quality in the document.

INSTRUCTIONS TO GUARANTOR

The beneficiary needs to give exact and correct instructions to the guarantor in that the beneficiary has to clearly express that he is lodging a demand.

For example, documents sent "for collection" will not be treated as a demand under a guarantee and will not be examined with regard to their conformity with guarantee terms. Since a collection does not impose an independent payment obligation on the bank, the bank will only effect payment if the guarantee applicant agrees to it.

TIMELINE

A demand must be presented to the guarantor (or any other place for presentation as mentioned in the guarantee) on or before expiry. Within the validity of the guarantee, the beneficiary might correct any discrepancies in the demand or the supporting documents. After expiry, the beneficiary can only hope that the applicant waives the discrepancies and accepts payment made under the guarantee. In most cases the applicant will not grant a waiver and the guarantor will reject the demand.

Remember, according to the rules, each presentation shall identify the guarantee under which it is made, such as by stating the guarantor's reference number for the guarantee. If it does not, the time for examination indicated in article 20 shall start on the date of identification. If the identification occurred after the guarantee expired this could be a critical mistake for the beneficiary.

These are just some examples that highlight the importance of careful preparation for a demand under a guarantee.●

Andrea Hauptmann, Senior Director, Head of Guarantees Department at Raiffeisen Bank International.

THE BANK PAYMENT OBLIGATION – IS IT THE FUTURE?

The bank payment obligation (BPO) is a new electronic trade tool that has many benefits. The market has so far been slow to use it, but could it one day replace the traditional, paper-based letter of credit? Hannah Fearn and Geoffrey Wynne of Sullivan & Worcester UK LLP compare the two instruments.


"For sellers wanting to transact with buyers without a track record or in riskier jurisdictions, the BPO mitigates payment risk."

WHAT IS A BPO?

The BPO – sometimes referred to as an "electronic letter of credit" – was launched in June 2013 under the ICC's Uniform Rules for Bank Payment Obligations (URBPO). To date, take-up in the market has been limited, suggesting that trade customers do not yet understand the purpose of the BPO and how it might assist their trading relationships.

The underlying nature of a BPO is the same as for a letter of credit (LC): it is an irrevocable undertaking given by one party to pay another on satisfaction of specified conditions. A BPO is a method of payment for an underlying trade transaction and it allows parties to mitigate the risks of trading by transferring the payment risk to a bank.

A key structural difference between a BPO and an LC is the identity of the beneficiary. A BPO exists between two banks: the obligor bank, which undertakes to make a payment, and the recipient bank, which receives that payment. As the recipient bank is the beneficiary of the BPO, the seller in the underlying transaction has no direct claim against the obligor bank. By contrast, an LC is issued in favour of the seller, meaning that the seller (as beneficiary) has a direct claim against the issuing bank for payment. Another difference is how payment is triggered. An LC requires presentation of documents relating to the underlying trade transaction. These documents could be in paper or, if permitted, electronic form. The issuing bank then examines the documents to determine whether the presentation is a complying one. A BPO, however, requires data about the underlying transaction to be submitted to an electronic data matching platform, which automatically determines whether those data match the requirements of the BPO. If there is a data match, the obligor bank must honour the BPO in the same way that an issuing bank honours an LC following a complying presentation.

THE BENEFITS AND RISKS OF ELECTRONIC PROCESSES

The BPO, which is created and managed entirely electronically, offers an alternative to the document-heavy LC. By automating the process, a BPO should be quicker and cheaper than a paper-based LC. Also, relying on an electronic platform to automatically compare data removes the element of subjectivity inherent in examination of documents (although it also requires parties to be exact in the data they submit). Sellers could find the process of submitting data more straightforward than making a presentation under a paper LC, potentially leading to fewer rejections.

However, using automated processes means less scope for scrutinising transactions at a time when regulators seem to require banks to act as gatekeepers to the risks of financial crime. Trade finance is perceived as a high risk area for money laundering and other crime, and the guidance recently published by the UK's Financial Conduct Authority requires banks to develop policies and controls to prevent trade instruments being used to finance crime. This requires examination of the trade transaction's underlying payment instruments. The potential advantages of BPOs over paper LCs, in terms of costs and time, might be diminished to the extent that the examination of transactions prohibits the full use of automated processes.

It would be unfair to say that the increased burden on banks to scrutinise the business of their customers would only affect BPOs. Increased regulation may necessitate changes in the way banks operate all types of independent payment undertakings, including LCs, which are, like BPOs, intended to be independent of the underlying transaction.

AN ELECTRONIC LC, OR AN ENHANCEMENT TO OPEN ACCOUNT TRADING?

Most trade transactions are carried out on open account basis. This is the least secure payment method for a seller, who has no certainty of payment after shipping its goods. LCs give security to both parties, giving a seller certainty of payment and a buyer certainty of delivery (on the basis of the relevant shipping documents being presented to its issuing bank).

For sellers wanting to transact with buyers without a track record or in riskier jurisdictions, the BPO mitigates payment risk as the seller can rely on the payment undertaking given by the buyer's bank. The BPO provides less comfort for the buyer, however, as payment by the buyer's bank will be triggered by the submission of matching data alone. The buyer's bank will not, by virtue of giving the BPO, receive the underlying shipping documents that confirm (absent fraud) that the shipment has been made.

While similar to an LC in many ways, a BPO is something different. In fact, electronic LCs already exist, with the rules of eUCP intended to work with UCP 600 where electronic documents may be presented under an LC. Instead, a BPO could be seen as an enhancement to open account trading, allowing sellers to obtain security of payment from buyers with whom they do not have a track record, at (potentially) a lower cost to buyers than opening an LC.

ARE BPOS LIKELY TO REPLACE LCS?

For the foreseeable future, it seems that BPOs and LCs will sit alongside each other. Banks still have certain obstacles to overcome as they start to use BPOs. But as the industry embraces increased automation and traders demand faster, cheaper methods of settling payment, it may be that the electronic BPO becomes the preferred method of payment over the traditional LC.●

Hannah Fearn – Associate, and Geoffrey Wynne – Partner, Sullivan & Worcester UK LLP

SEE PAGES
_14-15
of the March 2013 issue of *Trade Exchange* for more "super banker" tips

TRAINING *DIGEST*

IMPROVING SPECIALISTS' SKILLS

New and revised provisions of the International Standard Banking Practice were the focus of an EBRD workshop road show

Workshop participants in Albania

Happy faces in Kyrgyz Republic

The EBRD delivered a series of one-day workshops examining the detailed application of both new and revised provisions of the International Standard Banking Practice (ISBP) in day-to-day documentary operations.

With the aim of further developing the skills of trade finance specialists across the EBRD's countries of operations, the workshops also offered practical examples and case studies of how to apply ISBP in practice.

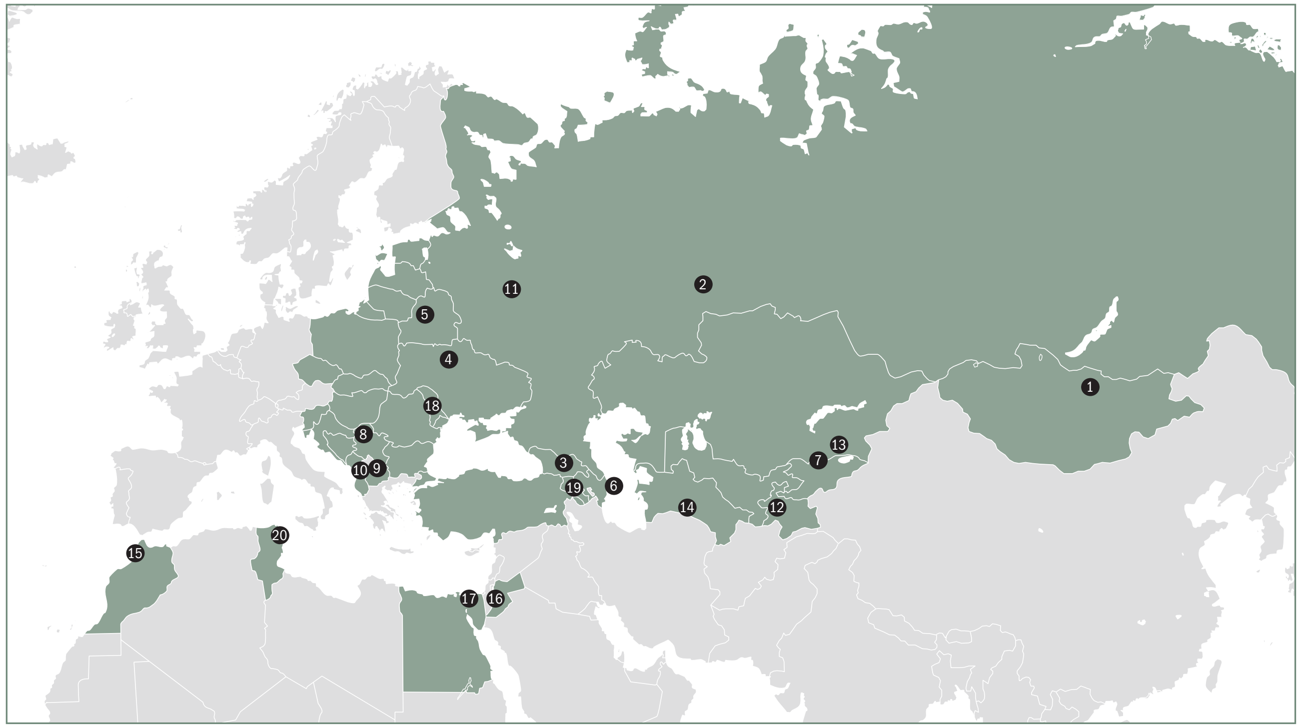
The workshops were delivered by Vincent O'Brien, a leading specialist in international trade and finance who has delivered this training in more than 70 countries.

Feedback has been exceptionally positive with participants expressing their appreciation for the support from the EBRD Shareholder Special Fund, which funded this technical cooperation (TC) project.

The first workshop was held in Ulaanbaatar in May 2013 and the last workshop in Tunis at the end of October 2014, spanning 19 countries.

Since its establishment, the EBRD's Trade Facilitation Programme has been promoting know-how transfer and capacity building by offering bespoke TC projects. These projects help to promote the application of prudent banking standards and have been supported by institutional, commercial and sovereign donors. ●

Attendees in FYR Macedonia



"Participating in the workshop was a real honour for me. I was very impressed by the open-minded and friendly nature of all involved, and Vincent passed on his expert knowledge to participants in an informative and engaging way. Thank you, EBRD, for offering us this opportunity."

Radhouane Houria, Head of Trade Finance at Banque Tuniso-Koweitienne

YOUR KEY TO THE COMPLETE ROAD SHOW

In chronological order

1. Ulaanbaatar
2. Yekaterinburg
3. Tbilisi
4. Kiev
5. Minsk
6. Baku
7. Bishkek
8. Belgrade
9. Skopje
10. Tirana
11. Moscow
12. Dushanbe
13. Almaty
14. Ashgabat
15. Casablanca
16. Amman
17. Cairo
18. Chisinau
19. Yerevan
20. Tunis

Participants at the workshop in Jordan

M UPDATE~FORUM UPDATE~FORUM UPDA

TFP TRADE FINANCE FORUM 2014, LONDON

The 2014 TFP Trade Finance Forum took place in London on 22-23 September 2014 and was attended by more than 160 guests from 90 institutions in 22 countries.

The Forum was initially established in 2009 as a response to the financial crisis, and serves as a vital networking platform, which was particularly important this year in view of constraints on the international trade finance markets and the complex geopolitical situation in eastern Europe, including Ukraine.

At the top of the agenda were discussions about financing intra-regional trade, increasing exposure to factoring services, as well as the developments in the southern and eastern Mediterranean (SEMED) region and banking in the EBRD's less advanced countries of operations.

The event was sponsored by Bank of Georgia, BHF-Bank, Commerzbank, Erste Bank, Landesbank Baden-Wuerttemberg and WGZ Bank, and received generous funding from the Taiwanese and the EBRD Shareholder Special Fund.●

Forum guests hearing about challenges in the trade finance sector

Innesa Amirbekyan of Converse Bank, Armenia and Suren Kocharyan of Ameriabank, Armenia, with special guest from Commerzbank, Axel Bommersheim

Ambassador Chi-Kung Liu welcomes participants to the Forum

"It was a pleasure to participate in the TFP's conference. It was very interesting and provided a great opportunity to meet the excellent TFP team, as well as colleagues from other banks. I am looking forward to similar opportunities in the future."

Andreja Turcin, Director, EU Desk, Privredna Banka Zagreb

"I'd like to thank the TFP team once again for this wonderful Forum. The venue was pleasant and comfortable, panel discussions exciting, and possibilities for networking numerous and inviting."

Alexander Zantovich, Head of International Trade and Structured Finance, Belgazprombank.

Welcome from the TFP team in London

Representatives from Bank of Georgia, Belarusky Narodny Bank and BHF-Bank discuss cooperation with the EBRD

Daniel Bolschun, Forum organiser, and Ana Kavtaradze of Bank of Georgia

EXPANDING KNOWLEDGE, *BUILDING* NETWORKS

Following the first successful Trade Facilitation Programme (TFP) workshop at the Joint Vienna Institute (JVI) in June 2013, the EBRD once again welcomed 25 trade finance bankers from 14 countries to Vienna from 18-23 May 2014.

Like the previous workshop, the aim was to provide participants with a deeper understanding of the dynamics, risks and product structures that are at their disposal when assisting their corporate clients with their international trade business.

Equally important to the knowledge shared during the workshop was the coming together of leading specialists from the EBRD's most active issuing banks, thus indirectly facilitating regional trade.

In addition to the lead facilitators – Ken Pasternak and Kiki Magireli from BankT&D Consulting – participants had lively interactive sessions with various trade experts including Vincent O'Brien, Edith Babuscio, Stephen Tricks of Clyde & Co, Max Burger-Scheidlin, Karl Mayrl of Erste Group Bank and Andrea Hauptmann of Raiffeisen Bank International.

The EBRD's TFP team gave an overview of its objectives and approaches, along with details of its e-learning and education resources that have been developed in collaboration with the International Chamber of Commerce.

In the words of a participant these were "...five days of intense exchange and debates. My wish is that these contacts and exchanges from this week will continue beyond the workshop. I will do my best to pass on the knowledge shared at the JVI with all my colleagues in our Trade Finance and Correspondent Bank Division, and will use every opportunity to create and enhance business between our bank and the EBRD."

In thanking the EBRD for this opportunity, another participant wrote that the workshop was "an important contribution in the development of our skills that I've already begun to implement in my day-to-day work".

Obtaining knowledge, sharing it with colleagues and having the network of TFP banks at their fingertips – participants could not ask for more from this workshop.

"The workshop... helped me widen my understanding of TFP products and reconsider some current negotiations and transactions."

Ekaterina Zubkova
Deputy Head, Trade Finance and Documentary Operations Department, Bank Saint Petersburg

My week at the JVI was an unforgettable experience for me. It was interesting to meet bankers from different countries sharing experiences from various operations according to country peculiarities, ideas and points of view."

Daler D. Sadikov
Head of International Business Department, Bank Eskhata

PIT YOUR WITS AGAINST THE EXPERTS!

Every issue of *Trade Exchange* includes a brain-teaser, drawn from the real-life trials of a trade finance expert. Here is your chance to demonstrate your ability to disentangle the most involved, contentious or just plain weird combinations of documents and to solve a puzzle in the field of documentary operations.

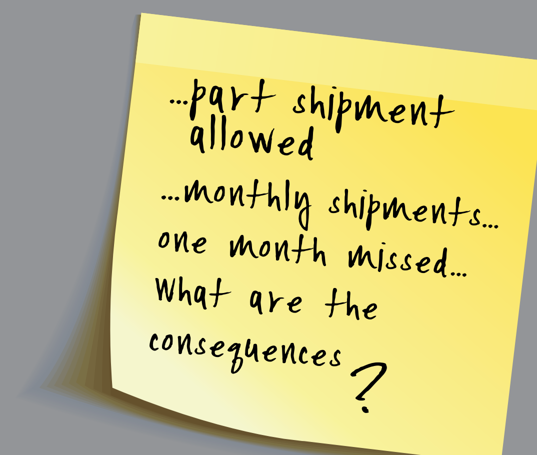
What do you think?
Provide us with your expert view

Unexpected consequences

Here is an urgent query for your expert attention.

Our bank added confirmation to a letter of credit issued by a bank covering the import of farmed fish. The letter of credit allowed for part shipments, for example:

July 2014 – up to US$ 50,000.00
August 2014 - up to US$ 50,000.00
September 2014 - up to US$ 50,000.00
October 2014 - up to US$ 50,000.00
November 2014 - up to US$ 50,000.00
December 2014 - up to US$ 50,000.00



Documents were presented in respect of the July and August shipments and paid in a timely manner.

However, due to poor weather conditions a shipment was not made by the exporter for September 2014 but a subsequent shipment and presentation of documents was made for the month of October 2014.

The issuing bank has returned the documents in respect of the October 2014 shipment without any payment and advised that "the credit is no longer available and has been removed from the issuing bank's books".

We would appreciate your confirmation that the action of the issuing bank is contrary to the irrevocable undertaking of an issuing bank under UCP 600 and that the issuing bank must honour the complying presentation in respect of the October shipment, along with any subsequent complying presentations should they arise.

We await your urgent reply.

Send your answers to **TF-Expert@ebrd.com** Solutions and prize-winners will be announced in the next issue of *Trade Exchange*

SOLUTION

"Warehouse to warehouse"

(Spring-Summer 2014 issue)

DEAR TRADE FINANCE PROFESSIONALS,
This is one query where the correct technical answer can result in unintended negative consequences for an exporter that has shipped his goods in good faith. A lesson to be learnt from this real life query is that it is imperative to first determine the correct technical answer based on the rules and standards, and then as a bank active in supporting secure international trade make the correct, fair and just final decision regarding settlement.

From the many replies received it is clear that all respondents understood the importance of insurance cover being effective on or before the date of shipment evidenced on the transport document. This is an important and practical requirement where the rules clearly reflect the practice.

However, some respondents made the point that if the insurance cover was effective from "warehouse (of seller) to warehouse (of buyer)" then the logical conclusion is that cover would have been effective before the actual date of shipment on the transport document.

In determining the correct technical answer, respondents first referred directly to the applicable UCP 600 rules and then supported their final technical decision by referring to the ISPB (ICC Publication 745E).

The panel of experts congratulate all successful respondents but have selected the response of Irina Chuvakhina from Priorbank, Belarus, as the model answer. To view this answer please visit **ebrd.coastlinesolutions.com/answer.**

WINNERS

The bankers and trade finance specialists who answered correctly are (in alphabetical order):

Wael Ali Abdel Aziz, Commercial International Bank, Egypt
Nigar Allahverdiyeva, Azerbaijan Industry Bank, Azerbaijan
Innesa Amirbekyan, Converse Bank, Armenia
Ketevan Antidze, Commerzbank, Georgia
Anna Babayan, Araratbank, Armenia
Irina Chuvakhina, Priorbank, Belarus
Dominico Del Sorbo, Studio Del Sorbo, Italy
Andrej Eftimov, NLB Tutunska Banka, FYR Macedonia
Tamar Gugushvili/Nino Papashvili, TBC Bank, Georgia (joint answer)
Elena Jordanoska, Komercijalna Banka Skopje, FYR Macedonia
Ruzanna Kusikyan, Araratbank, Armenia
Jasmina Milovska, NLB Tutunska Banka, FYR Macedonia
Lamia Riabi, Attijari Bank, Tunisia
Ilaha Rizvanova, Azerbaijan Industry Bank, Azerbaijan
Kristina Soghomonyan, Araratbank, Armenia

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Google Play Store or Blackberry App World

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TFP e-Learning Programme

http://ebrd.coastlinesolutions.com