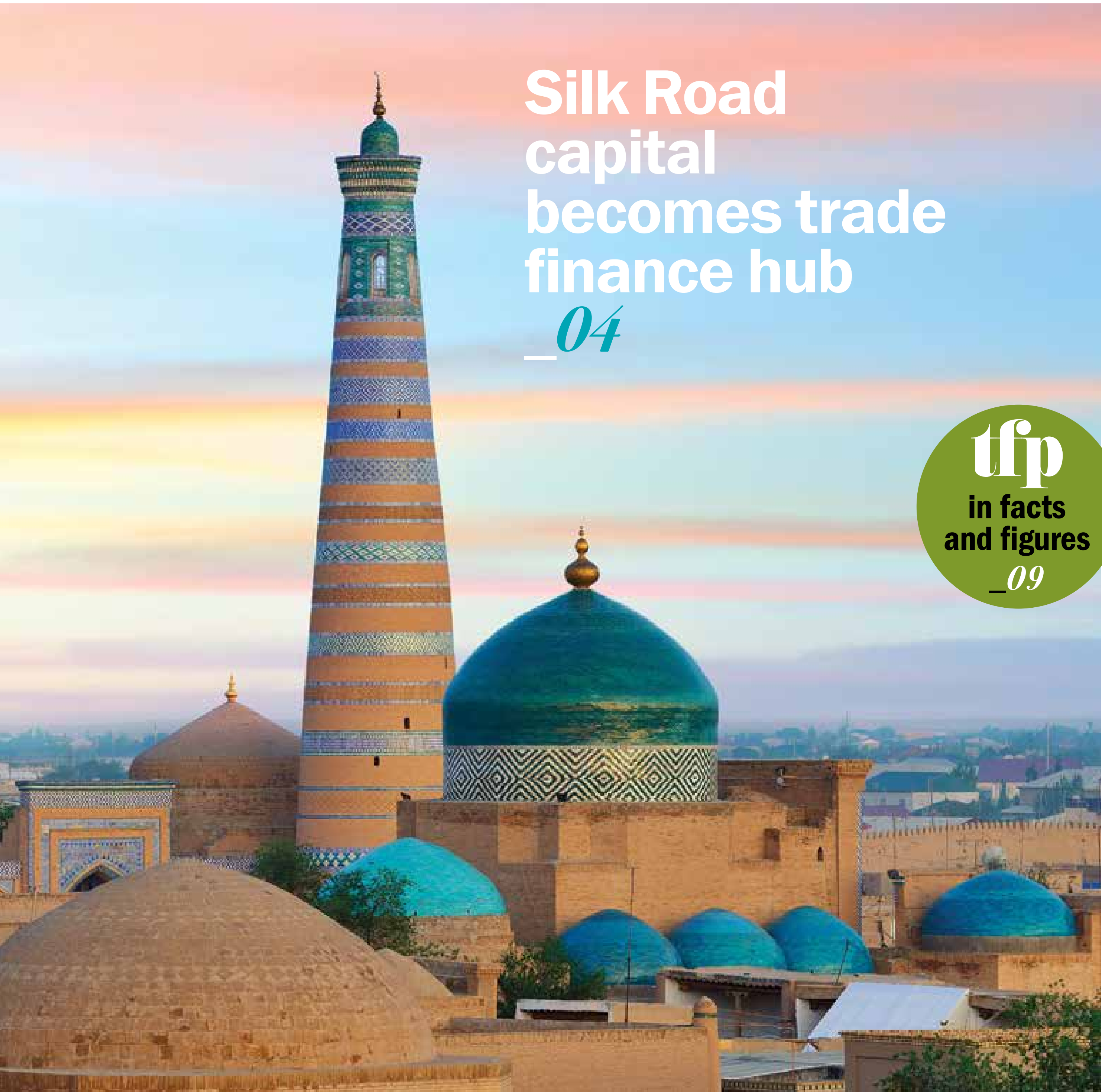
tfp Trade Exchange

THE MAGAZINE ALL
ABOUT THE EBRD'S
TRADE FACILITATION PROGRAMME

ISSUE 16



Silk Road capital becomes trade finance hub

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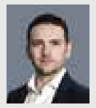

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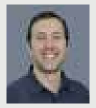

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You can now download back issues from December 2011 onwards at
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EDITOR'S LETTER

Greetings from the TFP team! International trade is experiencing another roller coaster year, with new highs and lows. But the EBRD remains steadfast in its mission to support international trade in the face of turbulent trade wars, de-risking and the rising cost of compliance. Continued access to trade finance, capacity development projects and industry networking events are priorities for us.

Our EBRD Trade Finance e-Learning Programme was one of these new highs, with over 5,000 students registering from 185 banks in 36 countries. We added two new e-learning modules: "Trade-based financing crime prevention" and "Going global: training for exporters and importers". Our exclusive report from the graduation ceremony starts on page 32.

We are open for business in Uzbekistan! This year we activated three limits and hosted the first EBRD TFP Information Session on Financing Trade with the EBRD, in Tashkent. Read all about it on page 4.

One of the highest points of the year for us took place at the planet's lowest point below sea level – Jordan. Here we hosted our TFP Information Session and Awards Ceremony at the EBRD 2018 Annual Meeting and Business Forum. We celebrated the most active and innovative partner banks in the countries where the EBRD invests and among other topics from other teams, our compliance team hosted a very heated discussion to demystify de-risking.

The TFP Trade Finance Forum 2018 was hosted in Tbilisi and it was the biggest success to date! Following a successful ICC Technical Meeting, guests representing more than 100 institutions from all over the world not only enjoyed opportunities to engage with colleagues from the trade finance industry but also experienced great Georgian hospitality. This year's Forum was co-hosted by the EBRD and ICC Banking Commission. Check out the article on page 24.

As always, we have our article sponsored by the TaiwanBusiness-EBRD Technical Cooperation Fund, which this time looks at the fitness equipment industry on the island. And a host of experts – Roland Guennou of OSACO Financial, Tod Burwell, CEO of the Bankers Association for Finance and Trade, and Karolin Kirschenmann of the Centre for European Economic Research – take us through the latest developments concerning de-risking, re-risking, due diligence and financial crime compliance training.

Lastly, our most popular section – the crossword and clinic – can be found on page 45. Thank you for an overwhelming number of high quality answers.

Kamola Makhmudova

The TFP team and Kamola Makhmudova,
Senior Banker, Financial Institutions Team
@KMakhmudova.

INSIDE *THIS* ISSUE

GET IN *TOUCH*

Banks interested in participating in the Trade Facilitation Programme (TFP) can contact us at our London office or email us at TFPOps@ebrd.com

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Email: childsk@ebrd.com

Importers and exporters should contact an issuing bank.

TFP website
www.ebrd.com/tfp

EBRD Trade Finance e-Learning Programme:
ebrd.coastlinesolutions.com

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TRADE FINANCE WEEK

Silk Road capital becomes trade finance hub

Conference promoted trade links between Ukraine, Asia and Middle East

Trade finance events don't get much better than this. At the end of April 2018 we hosted a fantastic week of seminars, bilateral meetings and a conference in Tashkent to boost trade opportunities in Uzbekistan and the wider region.

The week kicked off with a workshop for back office operations, attended by almost 50 trade finance specialists from local banks.

Then Wednesday saw our first ever conference dedicated to financing trade with the EBRD. The event was attended by more than 200 government officials, industry professionals, exporters and importers who met the senior managers of 20 leading banks from across the globe.

Sakhib Saifnazarov, Deputy Minister of Foreign Trade of the Republic of Uzbekistan

The conference participants were welcomed by Mr. Sakhib Saifnazarov, Deputy Minister of Foreign Trade of the Republic of Uzbekistan. In his speech he noted the important role played by IFIs – and the EBRD in particular – in modernising and diversifying the country's economy.

The week finished with a two-day seminar covering the foundations of trade finance, which was funded by the European Union. Over 50 attendees represented local banks, exporters and importers as well as the Central Bank of Uzbekistan.

All in all our Tashkent trade finance week provided an unprecedented platform for networking and industry collaboration among international banks, local trade finance experts, regulators, importers and exporters.

It was also our first chance to meet Uzbekistan's trade finance talent and exchange ideas that will form a solid foundation for innovation and the development of trade finance in the country.

And last but not least, a thank you, because behind every successful TFP event there is great support from the Resident Office. So here is our chance to cheer the excellent Tashkent RO team and the Uzbek Embassy in London. Thank you! •

"The EBRD Information Session in Tashkent was an excellent opportunity for local and international banks as well as corporate representatives to exchange experience, discuss business and the latest trends in international trade, as well as broaden the trade finance network."

Teodora Kamdzhilova, Deutsche Bank

Below, left to right: Kamola Makhmudova, EBRD; Zafar Khashimov, Korzinka.uz and Nigora Akilova, Nestle Uzbekistan

Panel on financing trade in Uzbekistan. Left to right: Alkis Vryenios Drakinos, EBRD; Kamola Makhmudova, EBRD; Kamila Alimbaeva, National Bank of Uzbekistan; Alexander Khan, Hamkorbank; Jahongir Fayozov, Ipoteka Bank; and Zafar Khashimov, Korzinka.uz

Nodira Mansurova, EBRD

"SMEs are key to economic growth as they foster private sector development, create jobs and promote innovation. Improving access to finance for Uzbek small and medium-sized businesses remains one of the key priorities for the EBRD's work in the country."

Nodira Mansurova, EBRD

Tamilla Kurbanova, Julius Baer

Yodgor Gafurov, PricewaterhouseCoopers, Ana Kavtaradze, Bank of Georgia, Morita Yoshitaka, Sumitomo Mitsui Banking Corporation, and Sergey Kostogryz, Raiffeisen Bank Aval Ukraine

Teodora Kamdzhilova, Deutsche Bank

FIGHTING FINANCIAL CRIME

TFP and ICA offer unique training opportunity

New courses allow EBRD partner banks access to internationally recognised qualifications

The TFP is proud to launch two training courses offering internationally recognised qualifications in financial crime compliance. Up to 120 TFP partner banks will have the chance to train their staff to the standard of leading international banks. The training is jointly funded by the EBRD and International Compliance Association (ICA).

WHY IS THIS TRAINING BEING INTRODUCED?

A survey carried out by the Banking Commission of the International Chambers of Commerce in 2015 identified a number of difficulties posed by various legal and regulatory requirements. These multiplied both the cost and complexity of compliance and created barriers to trade finance.

For example, 70 per cent of the participating banks said that they had rejected trade finance transactions due to the regulations on know your customer (KYC) and trade-based money laundering, with 46 per cent of respondents experiencing termination of correspondent relationships due to related costs and complexities.

In addition, 91 per cent of respondents expected compliance requirements to increase over the next year. And 53 per cent considered the lack of compliance harmonisation between jurisdictions a great challenge to the trade finance industry.

COLLABORATION

To address these challenges, two institutions – the ICA and EBRD – are for the first time jointly funding scholarships for two training courses

“Enhancing the knowledge and skills of regulatory and financial crime compliance professionals in developing economies is an ongoing priority for us.”

Bill Howarth,
ICA President

that will be offered to the EBRD's partner banks: the ICA Certificate in Know Your Customer (KYC)/ Customer Due Diligence (CDD) and the ICA Specialist Certificate in Trade Based Money Laundering (TBML). The courses will also be offered to the central banks in selected countries where the EBRD invests.

This new collaboration between the two institutions has made it possible for EBRD partner banks to access the training undertaken by leaders in trade finance, minimise costs of compliance and, therefore, stimulate trade finance transactions in the EBRD's regions.

“We are very excited to offer our partner banks this unique opportunity to train their trade finance staff in compliance to the standards of leading international banks,” explained Kamola Makhmudova, EBRD. “These qualifications will be another step closer to removing trade barriers and facilitating trade between the countries where we operate, helping them establish correspondent connections with wider networks around the world.”

Echoing these comments, Bill Howarth, ICA President, said: “We are excited to be working with another like-minded entity that aligns with our vision for the professionalisation of compliance. Enhancing the knowledge and skills of regulatory and financial crime compliance professionals in developing economies is an ongoing priority for us. We look forward to working with the EBRD to empower these professionals to perform to the highest standards and to be able to fight financial crime more effectively.”

For more information about the ICA go to www.int-comp.org.

46% of respondents experience termination of correspondent relationships due to related cost

See page 42 for our Morocco seminar

Future events

Trade Finance e-Learning Graduation Ceremony
MARCH 2019
MINSK, BELARUS
Contact Yuka Narita at naritay@ebrd.com for more information.

Financing trade with the EBRD – Uzbekistan
APRIL 2019
TASHKENT, UZBEKISTAN
Contact Ikbol Hakimov at hakimovi@ebrd.com for more information.

ICC Ukraine event
APRIL 2019
KIEV, UKRAINE
Contact Paulina Martinez at paulina.martinez@iccwbo.org for more information.

TFP Annual Event and Awards Ceremony
MAY 2019
SARAJEVO, BOSNIA AND HERZEGOVINA
Contact Zammo Salam at salamz@ebrd.com for more information.

TFP-Joint Vienna Institute training
MAY 2019
VIENNA, AUSTRIA
Contact Kamola Makhmudova at makhmudk@ebrd.com for more information.

ICC Austria Trade Finance Week
20-24 MAY 2019
VIENNA, AUSTRIA
Contact Eleonore Treu at e.treu@icc-austria.org for more information. www.tradefinanceweek.org

TFP Trade Finance Forum
OCTOBER 2019
ATHENS, GREECE
Contact Marco Nindl at nindlm@ebrd.com for more information.

SMALL BUSINESSES

We are Trade Ready – are you?

Small businesses are the driving force behind the economy, which is why the EBRD is giving them, and international trade, a boost

The EBRD has launched a new initiative to increase access to trade finance and trade-related advice for small and medium-sized enterprises (SMEs).

The trade support initiative, known as Trade Ready, will help SMEs involved in import and export activities to get the finance and know-how they need to strengthen their ability to trade and to grow. The first countries to benefit from Trade Ready are Georgia and Serbia, with the Kyrgyz Republic to follow in 2019. Other countries will be added on a rolling basis.

ACCESS TO TRADE FINANCE

Many SMEs are unaware of the benefits of trade finance products and how accessible they can be. Trade Ready helps small businesses understand how trade finance instruments offered by local banks can reduce the risks involved in foreign trade and free up working capital for growth investments.

This advisory support also shows SMEs how to improve their business practices so that they are better prepared to meet local banks' requirements for trade finance products and are better placed to compete locally and internationally. The EBRD also trains local consultants on how to offer small businesses dedicated trade finance advice long into the future.

SMEs represent a largely untapped reservoir of potential trade finance clients for local banks. So Trade Ready also works with these banks to help them tailor and expand their trade finance products to the needs of SMEs and market them more effectively, diversifying their trade finance portfolio in the process.

INCREASING KNOW-HOW

As well as finance, SMEs need access to know-how to improve or expand their trade activities or launch into new markets.

The EBRD helps businesses work with local consultants and international advisers from the same industry to get the right advice to develop their commercial know-how.

The Bank also helps them connect through training events and opportunities to network with important partners, such as transport and logistics companies or foreign chambers of commerce.

Trade Ready in Georgia is funded by the European Union under its EU4Business initiative and in Serbia by the European Union and Luxembourg.●

For more information, please visit www.ebrd.com/tradeready.

You can follow us on Twitter
www.twitter.com/ebrdtrade

Join the TFP LinkedIn networking group
www.linkedin.com/groups?gid=4667852

Find us on Facebook
www.facebook.com/ebrdtfp

FACTS & *FIGURES*

A brief history

Launched in 1999, the Trade Facilitation Programme (TFP) aims to promote foreign trade to, from and among the economies where the EBRD invests 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.

800+
NUMBER OF CONFIRMING BANKS IN 88 COUNTRIES

TOP 10
countries by number of transactions
January-September 2018

1 Greece
2 Serbia
3 Ukraine
4 Cyprus
5 Belarus
6 Mongolia
7 Armenia
8 Georgia
9 Turkey
10 Egypt

TOP 10
confirming banks 2018
(as of September 2018)

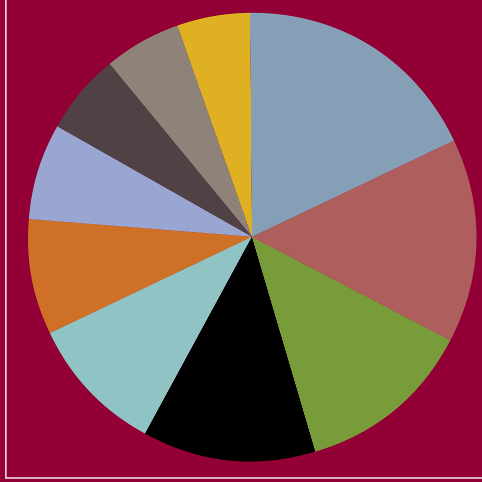
Bank	Country
1 Commerzbank	Germany
2 ING Bank	Netherlands
3 Unicredit	Italy
4 Citibank	United Kingdom
5 Intesa Sanpaolo	Italy
6 ODDO BHF	Germany
7 UBS	Switzerland
8 KBC Bank	Belgium
9 Deutsche Bank	Germany
10 CaixaBank	Spain

€17bn
TOTAL TRANSACTION VALUE SINCE 1999

Shinhan Bank of the Republic of Korea joined the TFP as a confirming bank in September 2018

22,800+
TOTAL NUMBER OF TRANSACTIONS SINCE 1999

Top 10 sectors supported in 2018



- Vehicles and spares (incl. agri)
- Metallurgical equipment, materials, metals and goods
- Foods and food commodities
- Industrial equipment and materials
- Clothing (inc. shoes and accessories)
- Consumer goods, sports and household equipment
- Household (electrical goods)
- Construction and equipment
- Energy, electrical devices and goods
- Medical supplies and equipment

100+
NUMBER OF ISSUING BANKS IN 26 COUNTRIES

TFP Annual Event and Awards Ceremony 2018

The Trade Facilitation Programme (TFP) holds its annual awards ceremonies at the EBRD's Annual Meeting to honour the most active issuing and confirming banks involved in the Programme. The 2018 TFP Event and Awards Ceremony took place on 10 May 2018 in Jordan as part of the EBRD Annual Meeting and Business Forum.

The ceremony was attended by the Governor of the Central Bank of Jordan, Ziad Fariz, hosted by Nick Tesseyman, EBRD Managing Director, Financial Institutions, and supported by David Yung-Lo Lin, Taipei Representative Office in the United Kingdom.

Mr Tesseyman said: "Trade finance is an essential part of fostering economic development and growth. It is our partner banks that make progress happen by providing the financial means that allow companies to explore and conquer new markets. The EBRD is proud to be associated with this, and our awards today are an expression of our recognition and appreciation."

The awards ceremony marked the end of the TFP's information session. The event attracted over 250 representatives from issuing and confirming banks as well as decision-makers in trade finance, and enabled them to discuss industry challenges with leading specialists, including regulators.

The focus of discussions was on new challenges, such as the rising cost of complying with anti-money laundering (AML) and know-your-customer (KYC) regulations. Experts discussed the impact of de-risking in trade finance, streamlining and reducing KYC costs and the potential and future trends in AML and KYC. The EBRD TFP team presented its action plan to address current industry challenges and support partner banks with mastering these new tests. •


David Yung-Lo Lin, Taipei Representative Office in the UK, main sponsor of the TFP Information Session and Annual Awards Ceremony


Joachim von Hänisch, SWIFT

WHAT PEOPLE SAID

"De-risking is a man-made problem, which fortunately means there can be a man-made solution."

John Cusack
Standard Chartered Bank


Sanja Gracin, Erste & Steiermärkische Bank, Croatia and Zuzana Franz, ODDO BHF, Germany


Panel discussion on correspondent banking in trade finance - challenges and solutions

WHAT PEOPLE SAID

"The event was super-professional. We enjoyed it very much and made plenty of new contacts. Also, a big thank you for the award. It is a flattering testament to how intensively our two institutions worked together last year."

Tamar Gugushvili
TBC Bank Georgia


Bankers make use of the networking opportunities


Panel discussion on compliance, with Maher Sheikh Hasan, Central Bank of Jordan, John Cusack, Standard Chartered Bank and Jens Fürhoff, Federal Financial Supervisory Authority (BaFin)


Sergey Kostogryz, Raiffeisen Bank Aval, Ukraine chats to Marco Nindl, EBRD

Left: Ziad Fariz, Governor of the Central Bank of Jordan and Nick Tesseyman, EBRD, present Nadia Al Saeed, Bank al Etihad, with the award for Most Active Issuing Bank in Jordan

John Mair and Kamola Makhmudova, EBRD, with Maher Sheikh Hasan, Central Bank of Jordan, Jens Fürhoff, Federal Financial Supervisory Authority (BaFin) and John Cusack, Standard Chartered Bank

Sa'ed Zuraikat, Housing Bank for Trade and Finance

Left: David Yung-Lo Lin, Taipei Representative Office in the UK, chats with Celine L.H. Chuang, First Commercial Bank

WHAT PEOPLE SAID

"A very professional event, well attended and well organised in the presentations and discussions. My warmest thanks go to all the organising team."

Olivier Paul
International Chamber of Commerce (ICC)

Ziad Fariz, Governor of Central Bank of Jordan and Nick Tesseyman, EBRD, present Fayçal Badawi of BMCE Bank Of Africa with the award for Most Active Partner Bank in Morocco

TFP AWARDS 2018

Most active TFP issuing banks and confirming banks in 2017, by number of transactions

Most active issuing bank in Armenia
ACBA-CREDIT AGRICOLE BANK

Most active issuing bank in Belarus
Priorbank

Most active issuing bank in Bulgaria
Postbank

Most active partner bank in Croatia
ERSTE Bank

Most active issuing bank in Egypt
QNB ALAHLI

Most active issuing bank in FYR Macedonia
komercijalna banka ad skopje

Most active issuing bank in Georgia
TBC BANK

Most active issuing bank in Greece
ALPHA BANK

Most active issuing bank in Jordan
Bank al Etihad

Most active issuing bank in Kosovo
NLB

Most active issuing bank in the Kyrgyz Republic
Optima Bank

Most active issuing bank in Moldova
MOBIAS BANCA

Most active issuing bank in Mongolia
KHAN BANK

Most active issuing bank in Montenegro
HIPOTEKARNA BANKA

Most active partner bank in Morocco
BMCE BANK OF AFRICA

Most active issuing bank in Romania
ALPHA BANK

Most active issuing bank in Serbia
Eurobank Srbija

Most active issuing bank in Tajikistan
BANK ESKHATA

Most active issuing bank in Tunisia
AMEN BANK

Most active issuing bank in Turkey
Alternatif Bank

Most active issuing bank in Turkmenistan
"RYSGAL" PAYDARLAR TÄJIRÇILIK BANKY / JOINT-STOCK COMMERCIAL BANK "RYSGAL"

Most active issuing bank in Ukraine
Raiffeisen BANK AVAL

Most active confirming bank
COMMERZBANK

Academic Excellence Award in cooperation with the ICC
NATIONAL BANK OF GREECE

Deal of the Year
komercijalna banka ad skopje
Facilitating the import of a merry-go-round from Bulgaria to FYR Macedonia

Deal of the Year - Social Impact
DemirBank
Modernising the provision of medical care in the Kyrgyz Republic

Deal of the Year – Energy Efficiency
QNB ALAHLI
Import of energy efficient leather production equipment from Spain to Egypt

Albert Lumezi and Boryana Ivanova of NLB Banka Prishtina receive the award for Most Active Issuing Bank in Kosovo

WHAT PEOPLE SAID

"While de-risking is hardly 'news' for those in correspondent banking, there is still much at stake, including the future of banks' correspondent relationships. But that future is still very much within their control."

John Mair
EBRD

Ziad Fariz, Governor of Central Bank of Jordan and Nick Tesseyman, EBRD, present Sakir Somek and Ahmet Kinalisoy of Alternatifbank with the award for Most Active Issuing Bank in Turkey

~TFP AWARDS SPECIAL~TFP

Dancers entertain the crowd at the networking reception

Lina Bakhit, Jordan Ahli Bank

Yazid Ammari, Cairo Amman Bank

Sanja Gracin, Erste & Steiermärkische Bank, Croatia, Vincent O'Brien, ICC and Zuzana Franz, ODDO BHF, Germany take to the dance floor at the networking reception

WHAT PEOPLE SAID

"Every annual and semi-annual TFP event has been successful. Their popularity has grown substantially among the banks, policymakers, trade finance experts and service providers. They offer the most informative and exceptionally good networking opportunities to discuss the most vulnerable issues with market leaders."

Ana Kavtaradze
Bank of Georgia

Hassan Hesham and Emad Zaher of QNB Alahli, Egypt, and Islam Tawakol Al-Saffy, National Bank of Egypt, Egypt, display their awards

Award winners, speakers and students smile for the camera!

Borislav Centner and Sanja Gracin of Erste & Steiermärkische Bank D.D. Croatia receive the award for Most Active Partner Bank in Croatia

Chynara Alybaeva of Optima Bank receives the award for Most Active Issuing Bank in the Kyrgyz Republic

Most Active Issuing Bank

Kyrgyz Republic

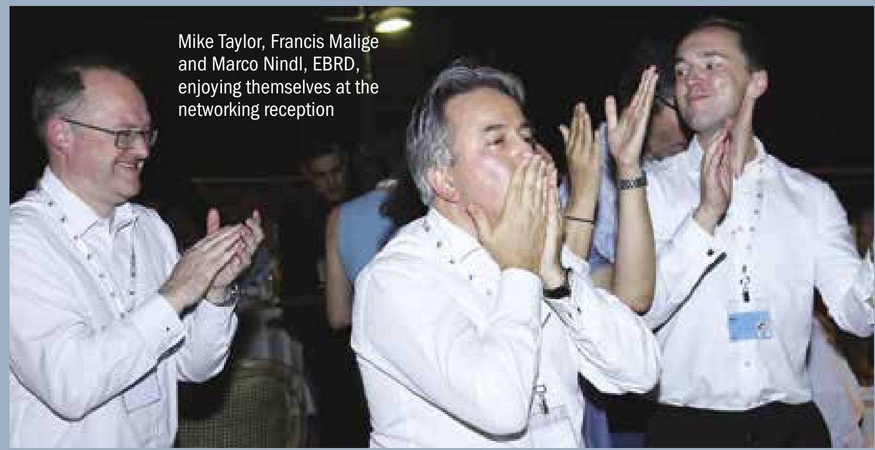
~TFP AWARDS SPECIAL~TFP AWARDS SPECIAL~TFP AWARDS SPECIAL~

Rudolf Putz, EBRD

Samer Freij, EBRD and Anas Al Masri, Bank Al Etihad

Irina Tyan, Marco Nindl, Zammurad Salam, and Isabelle Blanc, EBRD

Dancers entertain the crowd



Mike Taylor, Francis Malige and Marco Nindl, EBRD, enjoying themselves at the networking reception

WHAT PEOPLE SAID

"The Bank's new Green Economy Transition (GET) approach commits it to dedicating 40 per cent of its financing to green projects by 2020. One way of achieving this is through the Green TFP, which will stimulate the supply of high performance technologies and services."
Alistair Clark, EBRD

Members of the Taipei Representative Office in the UK with Annual Meeting guests

WHAT PEOPLE SAID

"What a great atmosphere! The main session and related events were remarkable, with an enormous amount of important and relevant information – trade finance development, challenges and solutions, compliance agenda, and so on."
Alla Červenková,
Ceskoslovenska Obchodni Banka,
Czech Republic

Ziad Fariz, Governor of Central Bank of Jordan and Alistair Clark, EBRD, present QNB Alahli with the award for Deal of the Year - Energy Efficiency

KEEPING IN SHAPE IS *BIG BUSINESS*

Fitness equipment made on the island plays a major role in the development of the global health and fitness industry, which is poised to grow even more in the coming years

In this modern and stressful world, keeping fit and healthy is at the forefront of many people's minds. Changing lifestyles and health habits, along with increased awareness of how to live well, have led many across the globe to value the importance of exercise. Therefore, working out – and doing so in the many fitness centres around the world – has become increasingly popular.

BEING PART OF SOMETHING BIG

The global fitness equipment industry – treadmills, free weights, weight equipment, cross-trainers and the like – is big business, having been valued at US$ 8 billion in 2017.

And the export market for products made on the island mirrors this trend. The market is worth more than NT$ 40 billion each year (US$ 1.3 billion equivalent), with exports primarily to China, Germany, Japan, the United Kingdom and the United States – the top three products being fitness equipment, golf equipment and outdoor sports equipment.

Fitness equipment is one of the most important revenue generators for the island's economy. In 2017 the island exported more than US$ 800 million worth of equipment and products worldwide, the main markets being the United States and European Union. For the United States, equipment from the island accounted for about 20 per cent (US$ 310 million worth) of all fitness equipment imports in 2017.

And as people around the world – especially in urbanised and developing nations – are increasingly aware of the benefits of exercise in combating obesity and a host of diseases, the demand for fitness equipment is expected to rise. The industry on the island is projected to grow at a rate of 6 per cent over the next few years.

©Taiwan External Trade Development Council, TAITRA

Global fitness industry was worth US$ 8 billion in 2017

HOW IT BEGAN

For more than four decades the island has been producing sports equipment, initially in the form of tennis rackets for professional players. Local fitness equipment suppliers began making equipment for the fitness industry in 1980 on an original equipment manufacturing (OEM) basis, meaning that a company that makes parts and products for other companies sells them under its own name or uses them in its own products.

By around 1990 some of the world's top fitness brands were inking OEM contracts with manufacturers on the island.

As the 1990s progressed, local companies began helping their customers design products – a cooperative effort known as original design manufacturing (ODM). Moving into ODM gave suppliers on the island the edge in an increasingly crowded industry.

LEADING BRANDS

Manufacturers on the island are now often the top choice for many importers because of their high-quality and innovative products at competitive prices.

One producer is Johnson Health Tech (JHT). JHT, founded in 1975, is among the world's largest and fastest-growing fitness equipment manufacturers and is home to some of the most respected brands in the fitness industry, including Matrix, Vision and Horizon. The company manufactures a wide range of equipment for both commercial and residential use, including treadmills, cross-trainers, exercise bikes and strength training equipment.

Matrix Fitness, one of JHT's top products and one of the world's fastest growing commercial fitness brands, has launched an entirely new cardio machine called the S-Force Performance Trainer. The unique design of this product will change both athletic training and the way fitness facility members experience high-intensity interval training (HIIT) in circuits, small group training and on the cardio floor.

IN NUMBERS

The island exported **US$ 800 million** in 2017

Of US imports of fitness equipment in 2017, equipment from the island accounted for **20%**

The fitness industry on the island is set to grow at **6%** over the next few years

"We know that high school and college coaches are always trying to improve their athletes' acceleration," explains Peter Sell, Director of Product-Commercial at JHT. "At the same time we thought we could do more with high-intensity interval training, both in group environments and as a stand-alone workout. The unique design of S-Force fits really well in a space where we could address both athletics and HIIT."

With governments around the world promoting initiatives to raise awareness of health and fitness, the growing number of fitness centres and the resulting increase in demand for equipment, manufacturers on the island are set to go from strength to strength.

Wan-Yu Kan
Manager of Taiwan Office for EBRD Business Development

DE-RISKING: IMPLICATIONS AND HOW TO ADDRESS THEM

The TFP is partnering with the Centre for European Economic Research (ZEW) in Germany to look into the drivers and consequences of reduced access to correspondent banking

Supporting trade is one of the ways the EBRD helps to foster integration and strengthen the economies in which it invests. The EBRD Trade Facilitation Programme (TFP) plays an important role in achieving this goal by promoting and facilitating international trade to, from and within the countries where the EBRD operates.

And it's successful. In 2016 – the TFP's best year to date – business volume rose to €1.543 billion from €867 million in 2015. The programme now includes more than 100 issuing banks, with limits exceeding €1 billion in total, and over 800 confirming banks throughout the world.

However, evidence is mounting that the pool of international banks willing to act as confirming banks has decreased considerably during recent years. The reduction appears to be part of a global de-risking trend in correspondent banking where a combination of tightened regulation, ballooning compliance costs in financial crime regulation and low profitability causes international banks to restrict or even terminate the provision of correspondent banking services to certain regions.

DECREASED PROVISION

The Financial Stability Board has estimated, for example, that the number of banks willing to provide correspondent banking services in Montenegro has decreased by 36 per cent and even by 56 per cent in Moldova since 2011. In other countries, the withdrawal of correspondent banks has been less pronounced, but the consequences are nonetheless tangible. An increasing number of local banks report that they face difficulties in finding international banks that are willing to facilitate international payment transactions, act as the confirming bank in trade finance products or provide international clearing services.

This limited access to correspondent banking is a cause for considerable concern and threatens the EBRD's objective of supporting financial and economic development. As international banks terminate the provision of cross-border services, local banks find it increasingly difficult to supply their customers with products that allow them to engage in international trade.

This in turn makes it challenging for local firms to import important production inputs or sell their goods internationally. In fact, some firms have reported that they have had to cancel their international trade activities altogether because they were not able to make international payments and/or obtain trade financing.

RISK PERCEPTION

There is also little hope for change; continued concerns about money-laundering, sanction violations and terrorism financing make it unlikely that international correspondent banks will return to countries that are perceived to have a high risk of financial crime.

This puts the quest for adequate responses to the withdrawal of correspondent banks to the top of the TFP's agenda.

In a first step, the TFP team will conduct research in order to build an in-depth understanding of the tectonic shifts in the correspondent banking market in recent years. Joining with scientists from the Centre for European Economic Research (ZEW) in Mannheim, Germany, the TFP team will look deeply into both the drivers and implications of reduced access to correspondent banking for local banks and their customers.

"In a way, correspondent banking serves as an essential link between local firms and the global economy," says Karolin Kirschenmann, deputy head at the Department of International Finance and Financial Management at ZEW. "When the link is severed, the interruptions in international trade can be substantial. Together with the EBRD we want to understand how exactly the withdrawal of international correspondent banking affects local economies in emerging Europe – and what can be done about it."

At the core of the project will be a comprehensive survey of issuing and confirming banks in the economies where the EBRD invests that will allow precise insights into how, where, when and why correspondent banks terminate the provision of services. The survey will then be paired with statistical analyses to investigate how exactly the reduced availability of correspondent banking affects trade in the EBRD regions. For this, the researchers will examine in detail how local firms adjust their international trade activity when local banks face limited access to correspondent banking.

Together, the survey and the statistical analyses will then form the basis for developing ways to address de-risking in the economies where the EBRD operates. The survey will be conducted at the end of 2018 and the results will be made available by mid-2019.

Please note: the results of the survey will be treated in the strictest confidence. Results will be published for the EBRD regions as a whole only, making it impossible to identify individual correspondent banks or local banks.

"Correspondent banking serves as an essential link between local firms and the global economy. When the link is severed, the interruptions in international trade can be substantial."

Karolin Kirschenmann

A HELPING HAND FOR DUE DILIGENCE

Expert Roland Guennou explains why it's important for banks to use the new Wolfsberg Questionnaire as a basis for due diligence

The Wolfsberg Correspondent Banking Due Diligence Questionnaire (CBDDQ), released publicly in February 2018, is an important upgrade to the historical Wolfsberg Questionnaire in helping banks carry out their due diligence on respondent institutions based on a recognised industry standard. The new questionnaire reflects how correspondent banking (CB) due diligence practices have evolved over recent years.

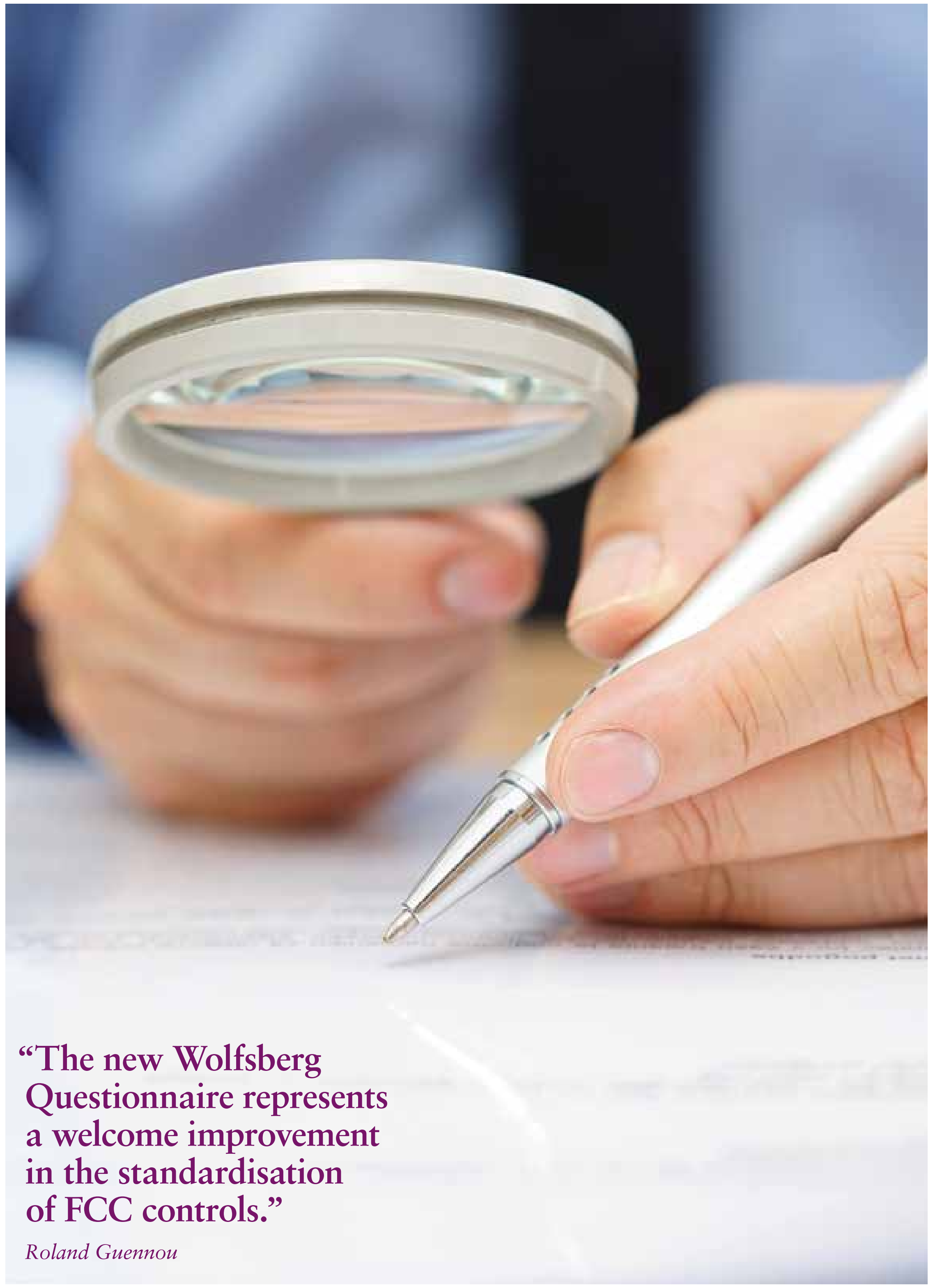
PURPOSE OF THE CBDDQ

The questionnaire is a tool for providers of CB services to assess the risk profile of their respondent institutions based on the information offered by the respondent firm. It examines the corporate profile of the respondent, its inherent risks, and the existence and scope of its financial crime compliance (FCC) programme – its three-lines-of-defence governance structure. In other words, it is a self-assessment mechanism by the respondent that supports the due diligence enquiries performed by the correspondent.

Each financial institution is therefore a dual user of the questionnaire in the following ways.

- As a correspondent, it helps to assess the FCC programme of its respondent when providing CB services. This is particularly important when providing advisory services in trade finance.
- As a respondent, the CBDDQ allows it to demonstrate the adequacy of its FCC programme. This is critical in securing ongoing access to clearing and other correspondent services in major world currencies and financial centres.

The questionnaire is a starting point for due diligence, providing a common platform and terminology to initiate the due diligence process required by Financial Action Task Force (FATF) Recommendation 13; it is not a substitute for each institution's assessment of its CB relationship risks. As stated in the FAQ accompanying document: "As a general approach, the CBDDQ should be used as the basis of bilateral CDD [customer due diligence] discussions between respondent and correspondent."



"The new Wolfsberg Questionnaire represents a welcome improvement in the standardisation of FCC controls."

Roland Guennou

SCOPE AND NOTABLE ABSENTEES

The questionnaire has been expanded to include more details on anti-money laundering (AML) and sanctions programmes, internal risk assessments, CDD and transaction monitoring. It also covers anti-bribery and corruption programmes, hence branching out to other areas of FCC beyond AML.

There are, however, a few areas of global concern which remain notably absent from the questionnaire, including:

- measures against the financing of proliferation and controls dealing in dual-use goods. This is not only in the scope of FATF recommendations, it is also an important element in trade finance relationships
- measures against tax evasion which constitute a primary line of enquiry in FCC
- the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) status, which are most often part of CB due diligence.

Respondent institutions should therefore be prepared to provide additional information to their correspondents on these topics.

REGULATION BY PROXY

While the questionnaire is aimed at creating a common standard across the industry, its primary focus on US and EU regulations makes it in effect a tool of regulation by proxy vis-à-vis the community of respondents.

Section 5 of the questionnaire on policies and procedures explicitly makes reference to US and EU standards, while reference to relevant international standards (Wolfsberg, Bank of International Settlements, FATF) is absent. Evaluating their FCC programmes against US and EU standards is a necessary exercise for respondent firms to avoid de-risking by major banks but they should still be evaluating their programmes against international norms to support globally consistent FCC controls across all jurisdictions.

When performing a benchmark against US and EU regulations respondents should make reference to:

- (for the United States) Chapter X (10) of the Code of Federal Regulation (CFR) and the FFIEC BSA/AML examination manual
- (for the European Union) the provisions of the 4th EU Money Laundering Directive and the CDD Risk Factor Guidelines from the European Supervisory Authorities (ESAs).

SOME GOOD PRACTICES

When completing the Enterprise-Wide Risk Assessment (EWRA) section (Q47 and beyond), respondent institutions should make reference to the outcomes of:

- their national risk assessments (NRA) in the way they conduct their own EWRA, as this will demonstrate command of the risk environment and help the correspondent bank's efforts
- their country's mutual evaluation report (Immediate Outcome 4 – preventive measures) as correspondents are very likely to look at these parameters to assess the sector's effectiveness at implementing preventing measures.

CONCLUSION

The CBDDQ represents a welcome improvement in the standardisation of FCC controls and is expected to contribute to reducing the cost of compliance in CB services and help limit de-risking.

It is not, however, an end in itself and should be used as a check-list by financial institutions to ensure that they actively identify and measure the financial crime risks within their business; that they have the requisite controls to manage the risks and take a proactive approach to risk management; and that they remain engaged partners who can communicate effectively on the current and future state of their FCC programmes.●

Roland Guennou is Managing Partner at OSACO Financial and a member of the International Compliance Association's external faculty.

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TFP TRADE FINANCE FORUM 2018, GEORGIA

The EBRD held its seventh annual EBRD TFP Trade Finance Forum in Tbilisi on the 18 and 19 October 2018. In past years this event has been successfully held in Vienna, Frankfurt, London and Istanbul.

More than 200 representatives from over 100 financial institutions and trade finance organisations from more than 40 countries came together to discuss the latest trends, developments, challenges and opportunities in trade finance.

Giorgi Kobulia, Minister of Economy and Sustainable Development, opened the conference, alongside Bruno Balvanera, Managing Director for Central Asia, EBRD, and Alexander Saveliev, Director, Financial Institutions, EBRD.

The event was sponsored by local partners Bank of Georgia, Basis Bank and TBC Bank, as well as international partners. •


Guests from Armenian and Georgian banks


Marco Nindl, EBRD, introduces Giorgi Kobulia, Minister of Economy and Sustainable Development of Georgia, to open the Forum


Anna Brod, EBRD, chats with participants


From left to right: Shota Dekanosidze, Liberty Bank, Georgia; Firuza Hotamova, Bank Eskhata, Tajikistan; Teona Jolokhava, TBC Bank, Georgia; Kamola Makhmudova, EBRD; Tamuna Guguishvili, TBC Bank, Georgia; Zara Ayvazyan, HSBC Bank Armenia


Doina Buruiana, ICC; Sean Edwards, ITFA; Çagatay Baydar, FCI; Eleonore Treu, ICC; Marco Nindl, EBRD


Florian Witt, ODDO BHF, Hans-Joerg Krohn, Commerzbank, Sigrid Assmann, ODDO BHF, Zuzana Franz, ODDO BHF; Aygul Zamaleeva, ODDO BHF


Alex Plekhanov, EBRD

"The event was outstanding. The team spirit, care, attention to detail, passion and love and hard work of the TFP team was very much in evidence. On behalf of Georgia and as one proud Georgian citizen, thank you!"

Ana Kavtaradze
Bank of Georgia, Georgia

This was one of the most fruitful, informative, well organised and enjoyable events that I have ever attended.

Hamdi Dahadha
Cairo Amman Bank, West Bank and Gaza

Thank you for the invitation to Georgia and enabling us to briefly talk about our small region. Apart from meeting many colleagues and trade finance experts and expanding our relationships, we also enjoyed experiencing beautiful Georgia.

Boryana Ivanova Mustafa
NLB Banka, Kosovo

A big thank you to our Forum partners

Bruno Balvanera, EBRD

I am delighted that this year Tbilisi was honoured to host the EBRD's 7th TFP Trade Finance Forum. It was the largest TFP event in the history of the EBRD and this reiterates Georgia's significance as a regional hub in international trade. Trade enhances globalisation, bringing countries closer together and making them more accessible, and the EBRD plays a huge role in helping the private sector to be part of this global trade initiative.

Bruno Balvanera, EBRD

Giorgi Kobulla, Minister of Economy and Sustainable Development of Georgia

Sukhishvili Georgian National Ballet

Huge thanks to the EBRD organisers, left to right: Marco Nindl, Kamola Makhmudova, Rosie McSweeney, Zammurad Salam, Kellie Childs

Panel discussion on the development of trade finance in Central Asia, moderated by Kamola Makhmudova, EBRD

Inci Yilmaz, Burgan Bank, Turkey and Azjargal CH. Khan Bank, Mongolia

It was a great opportunity to meet partner banks and discuss the latest trends. As well as the presentations and panel sessions, I really enjoyed the performance of Sukhishvili, as well as the excursion on the Friday, and this is the opinion of all the participants I spoke to.

Teodora Kamdzhilova
Deutsche Bank

Sukhishvili Georgian National Ballet and the EBRD team

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Alexander Saveliev, Director, EBRD

Above: Karim Dagher BLOM Bank, Lebanon and Piero Rizzi, Citibank, UK

Below: Sean Edwards, ITFA, UK and Anton Paul, *Financial Times*, UK

Above: panel discussion on the development of trade finance in the Western Balkans, moderated by Anna Brod, EBRD

“The event filled its brief in every way: informative on trade issues, and a great opportunity for networking while enjoying a warm and pleasant atmosphere.”

Elena Koukoutsidou
Alpha Bank Greece, Greece

“It was an honour to be part of such a knowledgeable and interesting panel. Thank you for also including Nordea.”

Elin Hagberg
Nordea Bank

Kevin Day, HPD LendScape, UK

As a newcomer to the programme, the Forum was very helpful and the opportunity to meet so many colleagues from different banks was of great value.

Suela Bokshi
Union Bank, Albania

“It was a pleasure to attend the event and be on the panel. I thought the EBRD team did a first-class job and set the scene for some meaningful debate, networking and collaboration.”

Kevin Day
HPD LendScape, UK

Kamola Makhmudova, EBRD; Vincent O'Brien, ICC, and Ana Kavtaradze, Bank of Georgia

Trade finance specialists

The topics and discussions were interesting, speakers and panels very good, as were the networking opportunities, the dinner and the trip after the conference. I left Tbilisi with many unforgettable memories.

İnci Yılmaz
Burgan Bank

CORRESPONDENT BANKING: IS IT TIME FOR *RE-RISKING?*

We hear a lot about de-risking, but some banks are now starting to "re-risk". Tod Burwell, President and CEO of the Bankers Association for Finance and Trade (BAFT), explains what has been going on

A World Bank report published in November 2015 established that 75 per cent of large international banks acknowledged a decline in correspondent banking relationships.

The same month, the Financial Stability Board (FSB) outlined a four-point plan to curb the decline, which affected mostly lesser developed economies and left some virtually excluded from the global financial system.

Almost three years later, this trend continues, with an estimated 25 per cent cumulative reduction in correspondent relationships from 2009-17.

Despite a seemingly dark picture, I believe there is light emerging, as some banks are starting to build relationships in markets where they previously scaled back.

But first, what has been driving de-risking?

ASSESSING THE SYMPTOMS

De-risking by correspondent banks has been studied, measured, analysed and reduced to three primary drivers: strategy, cost and risk.

Strategy

Following the 2007 financial crisis and subsequent capital constraints, businesses needed to make some hard decisions about their future investments in products, markets and client relationships. This was a sign of good discipline and sound business management.

Unfortunately, this had the consequence of some firms deciding to exit certain markets, clients or business lines as they refocused their strategies on areas where they could effectively compete.

Cost

The cost of compliance has risen as banks added people, platforms and processes to better manage financial crime risk. Although fines related to anti-money laundering represent only about 10 per cent of penalties paid by banks over the past 10 years, they have been significant enough to make banks more risk averse.

With compliance costing more, banks need a higher minimum revenue to meet their business objectives, meaning that some relationships will not be large enough to bank. Aggregating smaller relationships is an opportunity for regional banks, but creates a new risk (nested accounts) for upstream correspondents to consider. Reducing the cost of compliance without sacrificing the quality is critical to enabling correspondents to lower the threshold for banking smaller and higher-risk relationships.

Risk

Risk as a driver for de-risking has several layers, including country risk, local regulatory supervision and transparency, reliability of laws and actual level of illicit activity. The type of business and respondents' clientele also affect the risk profile of banks.

Also, correspondents are guided by their own internal ability and tolerance to manage various levels of risk, which is why correspondents have different policies for downstream relationships.

Risk in itself is a driver, and it has a high correlation to cost as a driver for de-risking.

TREATING THE DISEASE

Despite perceptions that nothing has been done to address the underlying issues, there have actually been dozens of initiatives from both the public and private sectors.

The public sector has updated guidance, clarified regulatory expectations, considered revisions to data privacy and information sharing, examined beneficial ownership rules and practices, and provided capacity building to lesser developed markets most affected by de-risking.

More work is needed, but ongoing public-private sector dialogue has changed the tone to create a more collaborative approach to solving financial crime and financial exclusion.

BAFT and other industry associations have also published best practice guidance, and have regularly engaged policymakers to reconcile rules and regulatory intentions with actual practices.

The Wolfsberg Group has expanded the question set in its Correspondent Banking Due Diligence Questionnaire to eliminate the need for multiple questionnaires from different correspondents (see page 22). And SWIFT has agreed to adopt this as part of its KYC Registry, which helps to streamline the collection of data for over 4,000 participating institutions.

Technology providers have worked closely with banks to deploy artificial intelligence, cognitive computing, biometrics and other emerging technologies to improve efficiency and effectiveness.

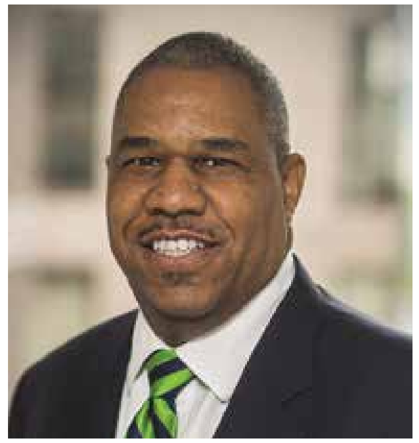
Using sophisticated algorithms, some firms report having reduced by up to 80 per cent the number of accounts in certain high-risk segments that require enhanced due diligence. This not only reduces cost, but ensures higher quality review on the most risky transaction sets.

BAFT has also expanded its series of financial crime compliance workshops, some of which will take place in the countries where the EBRD invests. These training sessions will be jointly organised by BAFT and the EBRD.

BAFT has also launched a de-risking working group that is preparing a Respondent's Playbook – a guide for respondent organisations to better understand the expectations of correspondent banks, which can improve their likelihood of securing correspondent relationships.

RE-RISKING

Some correspondent banks have yet to go through the cycle of business strategy and client/market rationalisation, so there will be more de-risking to come.



> "Some correspondents have begun to 're-risk' and build new relationships in markets where they may have previously scaled back."
>
> *Tod Burwell, President and CEO of the Bankers Association for Finance and Trade (BAFT)*

However – and here we can begin to be optimistic – some correspondents have begun to "re-risk" and build new relationships in markets where they may have previously scaled back.

The emergence of challenger banks and non-bank payment service providers are creating options to fill the payments and remittances void, leveraging lower cost channels. Non-bank providers are increasing their investments in financing trade. The Financial Action Task Force (FATF) regularly updates its list of high-risk and non-compliant jurisdictions.

Respondents need to ensure their risk management practices and compliance culture meet international expectations. Governments must ensure their regulatory and legal frameworks are robust.

The urgency for a solution to de-risking is alarming but there is reason to believe there is some light emerging.

Trade finance's next generation

MINSK~2018

The EBRD's TFP team hosted the annual graduation ceremony for the EBRD Trade Finance e-Learning Programme in Minsk on 21 March 2018.

In total, almost 4,000 students from many of the countries where the EBRD invests finished the course by the end of 2017 and we are proud to share with you the top 25 graduates (see page 31).

The EBRD Trade Finance e-Learning Programme is supported by funding from donors such as the EBRD's Shareholder Special Fund and the European Union. The EBRD also greatly appreciates the enthusiastic support from international commercial banks; each year our top students spend trade finance internships in Austria, France, Germany and Italy.

Huge thanks also go to our other sponsors Commerzbank, KBC Bank Belgium, Banca Popolare di Sondrio, ICC Austria, ICC Paris, Deutsche Bank, BRC Publishers, China Systems and Coastline Solutions.

Our e-Learning Programme is growing from year to year, and 2018 follows this trend with large numbers of students having enrolled.

We congratulate all our graduates. These trade finance professionals are a true example for peers in the sector and we are looking forward to following their successful careers.•


Rudolf Putz, EBRD

Teodora Kamdzhilova, Deutsche Bank

WHAT PEOPLE SAID

"It's great that the EBRD provides the opportunity for many people from different countries to learn something new, to grow professionally."

Alexander Rovdo
Priorbank, Belarus


Eleonore Treu of ICC Austria presents Ivana Gladkova, Stopanska Banka, FYR Macedonia with her prize


Trade Facilitation Programme Workshop at the Joint Vienna Institute, 13-18 May 2018

From left to right
Front row: Athanasia Koumi (Greece), Olimbi Marko (Albania), Oyunbolar Tseeleinamsan (Mongolia), Joachim Bald (trainer, Frankfurt School of Finance & Management), Ute Buhler (trainer, Frankfurt School of Finance & Management), Alla Klishcha (Ukraine), Natalia Savca (Moldova), Alla Gadaichuk (Ukraine)
Middle row: Ivana Rajndl (Croatia), Heba Youssef Amin Kamal (Egypt), Zorana Milovic (Serbia), Jasna Laudanovic (Serbia), Mehdi Berrada (Morocco), Inci Yilmaz (Turkey), Levent Bayroglu (Turkey), Gulsana Satarova (Kyrgyz Republic), Max Dutsyak (Program Office, JVI), Olivera Jovansovska (FYR Macedonia)
Back Row: Azjargal Chuluunbaatar (Mongolia), Andriy Perekhoda (Ukraine), Tigran Yesayan (Armenia), Davit Barghutyan (Armenia), Mohamed Aly Abdelkawy Zahran (Egypt), Vahe Grigoryan (Armenia), Mavlonbek Isakov (Uzbekistan), Giorgi Dolidze (Georgia), Bakhodir Halmetov (Uzbekistan), Akromali Umaraliev (Uzbekistan)

Dmitry Senko, Alexey Parzhin and Marina Doschechko from Bank BelVEB, Belarus

Anna Brod, EBRD, presents Ayman Ibrahim el Sayeed Ibrahim, National Bank of Egypt with the prize of attendance to KBC's International Bankers' School

Above: Vincent O'Brien, ICC with Dmytro Malov and Olena Levada from First Ukrainian International Bank, Ukraine

Right: Vahan Harutyunyan, Ineco Bank, Armenia, Innesa Amirbekyan, IDBank, Armenia, and Vahe Grigoryan, Converse Bank, Armenia

The team from Bank BelVEB, Belarus

David Bischof of ICC Paris

Attendees enjoy one of the presentations

WHAT PEOPLE SAID

"The course is excellent and I especially like its practical step-by-step nature."

Dmytro Malov
First Ukrainian International Bank, Ukraine

Award
Scholarship to attend the JVI workshop, Vienna

Rudolf Putz, EBRD, presents Olivera Jovanovska with her award of a scholarship to attend the Joint Vienna Institute training workshop held in Vienna, Austria 2018

TOP 25 GRADUATES 2018

1. **Kateryna Prus**
   Oschadbank, Ukraine
2. **Ayman Ibrahim el Sayeed Ibrahim**
   National Bank of Egypt, Egypt
3. **Heba Yousef Amin Kamal**
   QNB Alahli, Egypt
4. **Valeriy Mazur**
   Oschadbank, Ukraine
5. **Oleg Denisov**
   Bank Saint Petersburg, Russia
6. **Mohamed Magdy Mohamed Mostafa**
   QNB Alahli, Egypt
7. **Vahan Harutyunyan**
   Inecobank, Armenia
8. **Mohamed Ahmed Mahmoud**
   National Bank of Egypt, Egypt
9. **Nesma Gamal Mohamed**
   QNB Alahli, Egypt
10. **Tanja Shiljkovski**
    NLB Banka Skopje, FYR Macedonia
11. **Natalia Vladimirovna Obyskalova**
    Sberbank Russia, Russia
12. **Olga Bogatyrova**
    Oschadbank, Ukraine
13. **Yanina Ropitska**
    Raiffeisen Bank Aval, Ukraine
14. **Vahe Grigoryan**
    Converse Bank, Armenia
15. **Ivana Gladkova**
    Stopanska Banka, FYR Macedonia
16. **Olivera Jovanovska**
    Stopanska Banka, FYR Macedonia
17. **Olena Levada**
    First Ukrainian International Bank, Ukraine
18. **Dmytro Malov**
    First Ukrainian International Bank, Ukraine
19. **Svitlana Fedorova**
    Raiffeisen Bank Aval, Ukraine
20. **Mohamed Abdelhady Gomaa**
    QNB Alahli, Egypt
21. **Irena Klymenko**
    Oschadbank, Ukraine
22. **Sergii Kochuk**
    Oschadbank, Ukraine
23. **Elena Dergacheva**
    BPS-Sberbank, Belarus
24. **Wessam Ahmed Abouel-Ezz**
    National Bank of Egypt, Egypt
25. **Hadeel Hussein**
    Cairo Amman Bank, Jordan

Participants record the event

It's a thumbs up from Ekaterina Yakovets, Irina Afanasieva and Alex Evdonich from Bank BelVEB!

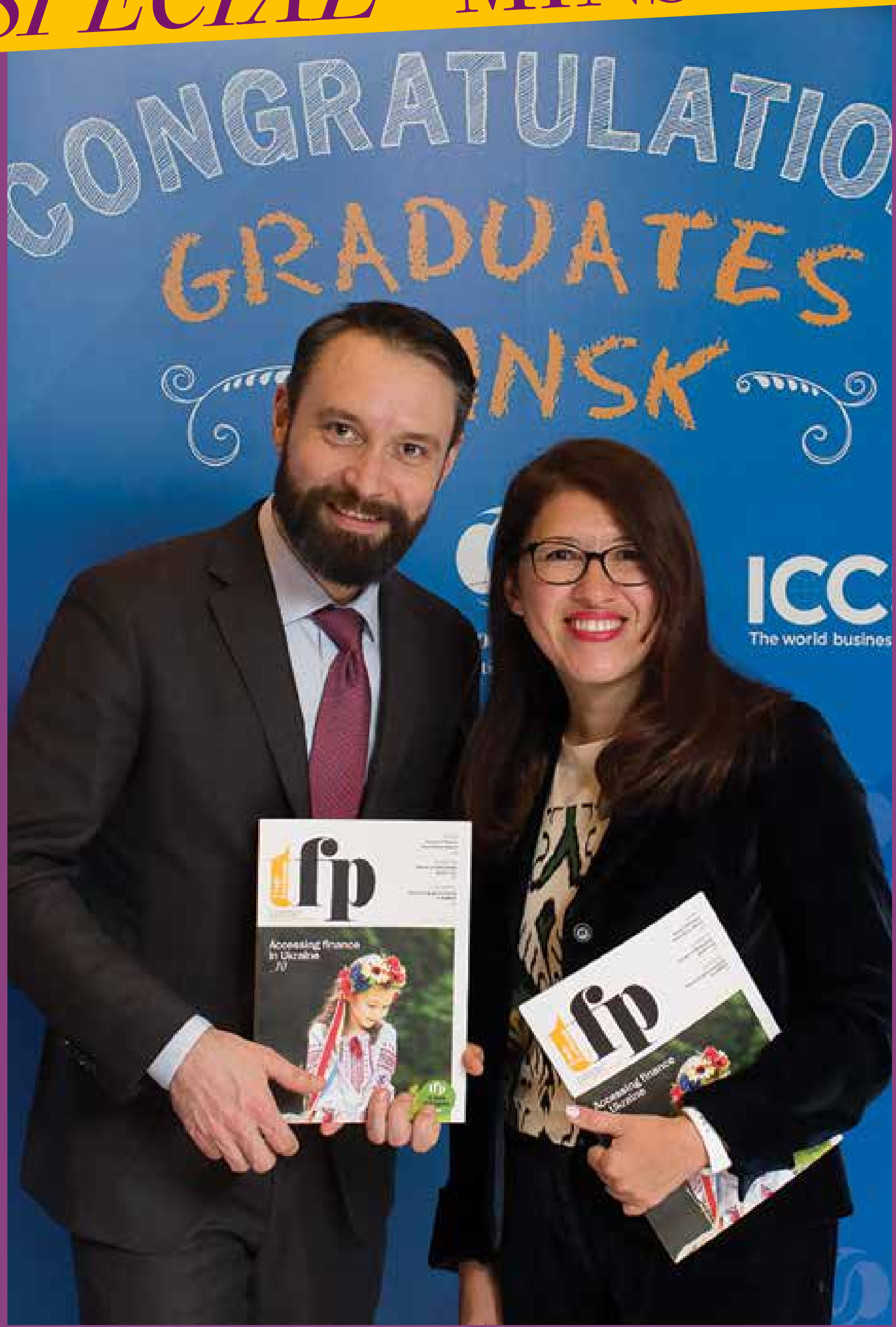
WHAT PEOPLE SAID

"The graduation ceremony and the chance to network with banking colleagues from other countries tops all the knowledge I gained from my studies. It's wonderful that the e-Learning Programme is available to representatives from the non-banking sector, like me."

Lesia Kravchuk
CLAAS Group, Germany

Tatiana Ivashkova, Raiffeisen Bank, Rudolf Putz, EBRD, and Irina Chuvakhina, Priorbank, Belarus

DS SPECIAL ~ MINSK AWARDS SPECIAL ~ MINSK AWARDS SPECIAL ~



Dennis Sigtoff, DZ Bank, with Kamola Makhmudova, EBRD

Hovsep Voskanyan, Commerzbank, Minsk Representative Office

David Bischof, ICC Paris, presents Tanja Shiljkovski with the award of top student of the ICC-EBRD e-Learning Programme

WHAT PEOPLE SAID

"I recommend the EBRD Trade Finance e-Learning Programme to all my colleagues. It's no exaggeration when I say that this study was one of the reasons behind my career success."

Mohamed Ahmed Mahmoud
National Bank of Egypt, Egypt

Mohamed Ahmed Mahmoud, National Bank of Egypt, Egypt, Eleonore Treu of ICC Austria and Ivana Gladkova, Stopanska Banka, FYR Macedonia

Our winners!

WHAT PEOPLE SAID

"The TFP e-Learning Programme has been instrumental in helping me to develop professionally. The course materials are very accessible and have given me a deep professional knowledge."

Vahe Grigoryan
Converse Bank,
Armenia

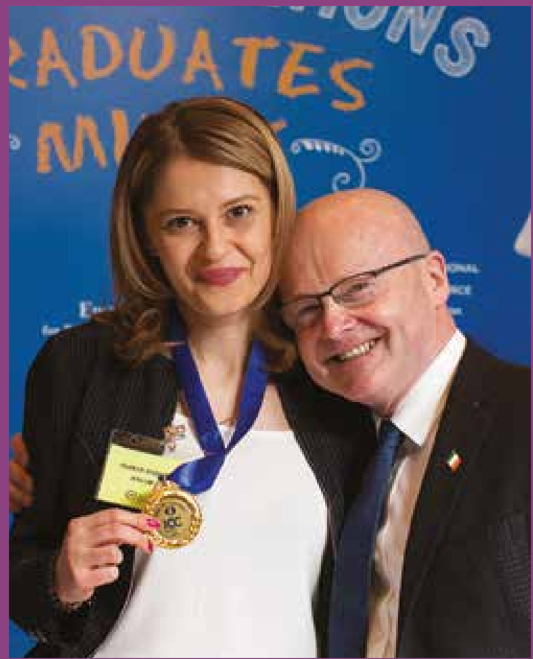
Vahan Harutyunyan, Inecobank, Armenia, Kamola Makhmudova, EBRD, and Vahe Grigoryan, Converse Bank, Armenia

Award

Attendance to the JVI training workshop in Vienna, Austria

Rudolf Putz, EBRD, presents Yanina Ropitska, Raiffeisen Bank Aval, with her certificate

Innesa Amirbekyan, IDBank, Armenia with Vincent O'Brien, ICC



Trade Exchange always creates excitement

WHAT PEOPLE SAID

"Being one of the first e-Learning graduates back in 2011, I always enjoy this ceremony where the TFP family welcomes its next generation of professionals. I believe that my e-Learning experience was essential for achieving best practice in trade finance"

Innesa Amirbekyan
IDBank, Armenia

Kamola Makhmudova with colleagues from Oschadbank, Ukraine

Trade finance royalty!

WHAT PEOPLE SAID

"This training course is extensive and complex, but at the same time very interesting due to the huge amount of information and practical examples."

Kateryna Prus
Oschadbank, Ukraine

Rudolf Putz and Kamola Makhmudova with the top graduates Ayman Ibrahim el Sayeed Ibrahim and Mohamed Ahmed Mahmoud from National Bank of Egypt

Award
Attendance at the 2018 Client Training Seminar
Frankfurt, Germany

Hovsep Voskanyan, Commerzbank, presents Kateryna Prus with the award to attend the 2018 Client Training Seminar in Frankfurt, Germany

MINSK AWARDS SPECIAL~MINSK AWARDS SPECIAL~

LONG-TERM PLANS FOR SHORT-TERM *TRADE FINANCE* IN UKRAINE

An innovative two-day seminar in Kiev brought together the regulator (National Bank of Ukraine), the world's largest factoring association, FCI, and EBRD partner banks in Ukraine

In February 2018 the TFP team organised two days of training and panel discussions among key trade finance players and was the first training jointly funded by the NBU, FCI and EBRD. Many aspects of factoring were discussed, and we summarise them below.

FACTORING IS ON THE UP

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

Factoring could become very useful for small and medium-sized enterprises (SMEs) and larger companies alike; it could be a good way to mitigate risks (risk protection) or to increase cash flows and "outsource" labour-intensive administration (including debt collection).

It may also be particularly attractive in financial systems with weak commercial laws and enforcement. As with traditional forms of commercial lending, factoring provides SMEs with working capital financing. But unlike traditional forms of such financing, factoring involves the outright purchase of the accounts receivable by the factor, rather than the collateralisation of a loan.

It is also quite distinct from traditional forms of commercial lending where credit is primarily underwritten based on the creditworthiness of the seller rather than the value of the seller's underlying assets.

In a traditional lending relationship, the lender looks to collateral only as a secondary source of repayment. The primary source of repayment is the seller itself and its viability as an ongoing entity.

WHAT IS FACTORING?

Factoring is a complete financial package that combines working capital financing, credit risk protection, and accounts receivable book-keeping and collection services. It is offered under an agreement between the "factor" and the seller.

In the case of factoring, the seller's viability and creditworthiness, though not irrelevant, are only of secondary underwriting importance. In factoring, the underlying assets are the seller's accounts receivable, which are purchased by the factor.

CHALLENGES MUST BE OVERCOME

Factoring only requires the legal environment to sell, or assign, accounts receivables and it doesn't depend on good collateral laws or efficient judicial systems as much as traditional lending products do. However, in Ukraine local legislation needs to be adjusted to align with international practices to allow factoring products to grow successfully.

Factoring may still be hampered by weak contract enforcement institutions and other tax, legal and regulatory impediments. Weaker governance structures may also create additional barriers to the collection of receivables in developing countries.

There are also a number of additional taxation, legal and regulatory challenges to factoring in many emerging markets. For instance, the tax treatment of factoring transactions often makes factoring prohibitively expensive. Some countries that allow interest payments to banks to be tax deductible do not apply the same deduction to the interest on factoring arrangements.

What is more, VAT taxes may be charged on the entire transaction (not just the service fee), and stamp taxes may be applied to each factored receivables. Capital controls may also prevent non-banks from holding foreign currency accounts for cross-border assignments.

The legal and judicial environment may also play a critical role in determining the success of factoring. A key legal issue is whether a financial system's commercial law recognises factoring as a sale and purchase.

Another legal issue is whether a country has a Factoring Act or a reference in the law (or civil code) that legally recognises factoring as a financial service.

This recognition serves multiple purposes. First, it clarifies the nature of the transaction itself. For example, a Factoring Act explicitly dictates how judges must rule towards factors if sellers or customers default. And second, it legitimises the factoring industry; a supportive legal and regulatory environment encourages the factoring industry to grow.

> "In Ukraine local legislation needs to be adjusted to align with international practices to allow factoring products to grow successfully."

A weak information infrastructure may also be problematic for factors. The general lack of data on payment performance, such as the kind of information that is collected by public or private credit bureaus or by factors themselves, can discourage factoring.

COLLABORATION CONTINUES

Factoring is, in risk terminology, a low loss given default (LGD) solution, providing the opportunity for safe, secure funding in an increasingly risk-aware regulatory environment. It offers a unique combination of meeting user, provider and regulator stakeholder needs simultaneously and so is a real win-win in business finance.

The EBRD-led factoring working group will collaborate with colleagues in Ukraine to update legislation, train local banks and work with the regulator, government bodies and SMEs to facilitate trade finance.

As a Bank we will continue working on new legislation in Ukraine that aims to distinguish factoring operations from collection activity and bad loan portfolio management. Legal issues, restrictive regulation and low market awareness of the product are the reasons why "pure" factoring operations are stagnating in Ukraine (less than 0.1 per cent of GDP).

Therefore, with a target of 3.5 per cent of GDP (the average for emerging markets), factoring has huge potential to generate UAH 100 billion (€34.1 million) of additional short-term funding to local trade and production firms, particularly SMEs.

With the success of this workshop in Ukraine, more training is set to be offered in due course.

TRAINING MATTERS

Roland Guennou explains why training the trade finance community to fight financial crime is vital

Back in the summer the EBRD joined forces with the International Compliance Association (ICA) to deliver a series of trade-based money laundering (TBML) training sessions. I had the pleasure of facilitating the first two such events on 5 May and 1 August in Morocco and Tunisia, respectively.

During highly interactive workshops, participants bolstered their knowledge of the legal and regulatory aspects of money laundering prevention, trade finance vulnerabilities and trade-based laundering typologies.

The sessions also covered the broader financial crime landscape of sanctions, dual-use goods, and bribery and corruption. The course finished with a review of how the risk-based approach and relevant controls such as customer due diligence and suspicious activity detection play a critical part in the application of anti-money laundering/combating the financing of terrorism measures.

Where risk assessment, effective controls and mitigation of financial crime risks are much more important than uniform checks, undertaking relevant training is key to improving the impact of financial crime compliance overall.

Specifically, I can see three key areas where investing in professional development can make a real difference.

FOCUSING ON OUTCOMES

Trade finance is, like market activities, a transactional and time-sensitive business. Anyone involved in it can easily become caught in the daily grind of processes, systems and tick boxes, and lose sight of the key objectives of financial crime compliance (FCC).

Quality FCC training takes participants away from the daily pressure of "doing" and helps them to see why these controls matter and what makes them effective process participants.

BUILDING A SENSE OF COMMON PURPOSE

It is easy for relationship managers and operations and compliance officers to operate in silo under business processes designed to maximise throughput and efficiency. But it is when these functions work together that financial crime can be best understood, spotted and prevented. Training sessions where members of each function come together to share experiences create an invaluable sense of common purpose and willingness to progress as a team.

> "Looking beyond the rules and processes, preventing financial crime is most often about exercising sound judgement."
>
> *Roland Guennou*

GROWING TOGETHER AS PROFESSIONALS

FCC is constantly evolving and various organisations provide thought leadership on the challenges posed to trade finance by organised crime and how to effectively apply the regulatory arsenal to combat TBML.

Cutting-edge training always focuses on the institutions and resources available to FCC professionals to continue their development, from supranational bodies such as the United Nations and the Financial Action Task Force, to industry forums and the thematic work of leading national regulators.

Looking beyond the rules and processes, preventing financial crime is most often about exercising sound judgement when confronted with a new or unexpected situation. By helping the trade finance community keep its eyes on relevant outcomes, work as a team and grow as a community, professional training is playing a key role in improving the effectiveness of FCC programmes.

Roland Guennou is Managing Partner at OSACO Financial and a member of the ICA's external faculty.

PROMOTING *INTERNATIONAL TRADE* IN ROMANIA

Workshop attendees

As a part of the TFP's technical assistance and in close cooperation with the International Chamber of Commerce in Romania, on 26 and 27 July 2018 the EBRD organised a two-day workshop on advanced topics in trade and finance.

International trade plays an important role in a country's economic development. At the same time, steady growth of international trade would not be possible without the harmonisation of practices among countries and trading partners. Over the years, the International Chamber of Commerce (ICC) has developed a number of internationally recognised standards and principles that help importers and exporters as well as their financiers to find common ground and apply the trading terms consistently.

The TFP/ICC joint workshop was delivered by Vincent O'Brien of the ICC. It was developed by the TFP with the aim of providing players in the international trade supply chain with the foundation knowledge in international trade and finance in order to expand their business in international markets. The initiative received a warm welcome from Romania's major banks, which attended the event and took an active role in the discussions.

The topics covered included international contract terms, methods of payments and types of trade finance instruments, all of which was combined with the review of advanced and complicated case studies. While the most technical and sophisticated matters were discussed, the atmosphere was very friendly and cheerful. This showed that international trade is not only vital, but also a very exciting area which connects experts worldwide.

This workshop has the valuable additional feature of acting as a preparation event for participants who may wish to acquire an internationally recognised qualification, namely the Certificate in International Trade and Finance (CITF), which was developed by the London Institute of Banking and Finance (LIBF) in partnership with the ICC. At the end of the workshop participants had an opportunity to test their knowledge gained during the workshop by attempting to solve questions from the CITF exam.

> "International trade is not only vital, but also a very exciting area which connects experts worldwide."

This unique collaboration between the TFP, ICC and LIBF brought together trade finance experts to promote international principles and networking in the countries where the EBRD invests, to overcome common challenges.

Over the last few years the TFP has organised CITF workshops in a number of jurisdictions and we hope that this will not only promote the application of international trade standards and practices in the EBRD regions, but will also serve as a base for networking and facilitating trade between countries.

And last but not least, we wish the best of luck to those participants who decided to pursue the CITF qualification and sit the CITF examinations!

TRADE FINANCE THE *DEUTSCHE BANK WAY*

Yanina Ropitska of Raiffeisen Bank Aval, Ukraine, was one of our top e-Learning graduates of 2017. Here she tells us about her prize of a week at the International Bankers Seminar in Frankfurt

Yanina receives her certificate from Teodora Kamdzhilova, Deutsche Bank

When I think back to Minsk in March 2018, it was a tremendous feeling to be listed among the top performers in the EBRD Trade Finance e-Learning Programme. Just as exciting was being awarded the special prize of a delegate place to the one-week, Deutsche Bank International Bankers Seminar held in Frankfurt from 23 to 28 September 2018.

First of all, I'd like to say how grateful I am for having had the opportunity to attend the seminar, which brought together about 30 representatives of partner banks around the world to exchange experiences and knowledge of international trade and transaction banking services.

The programme was well structured and delivered in an excellent manner. It covered such issues as trade finance products and solutions, structured export finance, structured commodity trade finance, FI and country risk and anti-financial crime in trade finance, among other things. Speakers also presented many useful and practical cases regarding trade finance business, as well as documentary and guarantee business.

The week also included some intercultural awareness training, where we tried to answer questions such as: what impact (positive and negative) can cultural differences have on working effectively? How far does your national culture influence you and your actions? What can we all do to work more effectively in an international environment? All participants enjoyed exhilarating discussions and fantastic collaboration sessions.

> "I am confident that my newly acquired skills will allow me to serve my clients better, mitigate their risks and manage new challenges in trade finance."
>
> *Yanina Ropitska*

We also had an opportunity to learn more about digitalisation and fin-techs during a guided tour through Deutsche Bank headquarters with the Deutsche Bank trade finance financial institutions team.

All in all, I am confident that my newly acquired skills will allow me to serve my clients better, mitigate their risks and manage new challenges in trade finance. I am extremely keen to apply these skills to new initiatives in my professional and personal life.

Trade finance aside, it was my first time in Frankfurt. I was amazed by this beautiful city, which is not just Germany's financial centre but also a city steeped in history and culture. I was able to spend some time either side of the seminar being a tourist and relishing what the city offers. I really had an enjoyable stay with Deutsche Bank in Frankfurt.

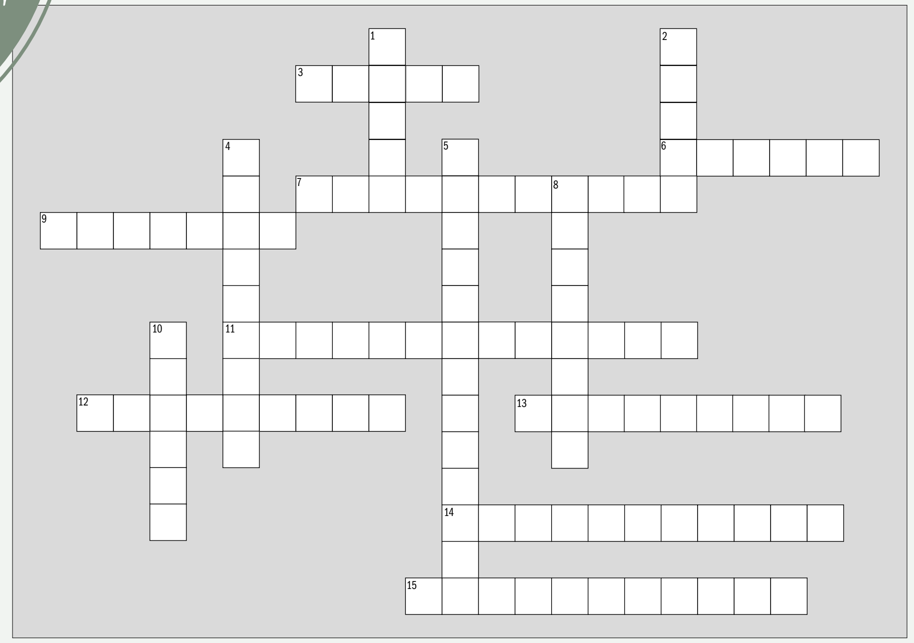
Lastly, it was a great opportunity to meet all the seminar participants and I hope to stay in touch with all of them! •

TFP BRAIN *TEASERS*

The trade finance crossword

Our crosswords focus on important trade finance rules and test your technical knowledge of the applicable rules of practice. This one has a focus on the URR 725 rules.

NO5



ACROSS

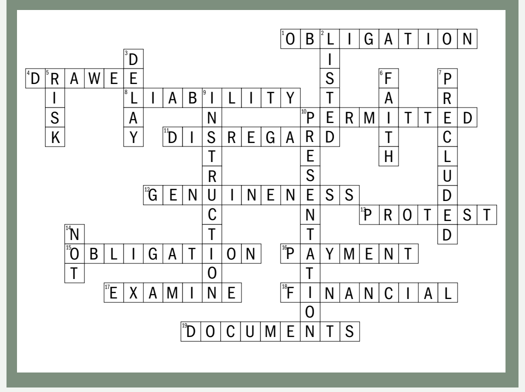
3. A reimbursing bank will not process a request for back _____ from the claiming bank (5)
6. Except to the extent expressly agreed to by the reimbursing bank, the reimbursement authorisation should not be subject to an ______ date (6)
7. A claiming bank must ___________ its acceptance or rejection of a reimbursement undertaking amendment to the reimbursing bank (11)
9. A reimbursing bank's charges are for the account of the _______ bank (7)
11. The issuing bank is responsible for indicating in the documentary credit that _____________ is subject to these rules (13)
12. A reimbursement undertaking cannot be amended or _________ without the agreement of the claiming bank (9)
13. The issuing bank shall be bound by and liable to _________ the reimbursing bank against all obligations and responsibilities imposed by foreign laws and usages (9)
14. An authorisation or request by the issuing bank to the reimbursing bank to issue a reimbursement undertaking is ___________ (11)
15. Reimbursement ___________ means a separate irrevocable undertaking of the reimbursing bank, issued upon the authorisation or request of the issuing bank, to the claiming bank (11)

DOWN

1. A reimbursing bank is irrevocably bound to honour a reimbursement _____ as of the time it issues the reimbursement undertaking (5)
2. A reimbursing bank shall have a maximum of _____ banking days following the day of receipt of the reimbursement claim to process the claim (5)
4. A reimbursing bank is not _________ with or bound by the terms and conditions of the credit (9)
5. Reimbursement _____________ means an instruction or authorisation, independent of the credit, issued by an issuing bank to a reimbursing bank (13)
8. ________ bank means a bank that honours or negotiates a credit and presents a reimbursement claim to the reimbursing bank (8)
10 Except as provided by the terms of its reimbursement undertaking, a reimbursing bank is not obligated to ______ a reimbursement claim (6)

LAST ISSUE'S SOLUTIONS

NO4



TFP BRAIN TEASERS

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 professional. 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.

"Second time unlucky"

Dear Experts,
Please provide your opinion on the following situation.

Our customer, the beneficiary of a letter of credit subject to UCP 600, shipped the goods by air and the documents were then presented to the issuing bank well in advance of the expiry date and within the presentation period.

However, the presentation was refused by the issuing bank, which stated the one following discrepancy:

"Airwaybill indicates transhipment which is prohibited in the letter of credit"

We disagreed, pointing out that even though transhipment was prohibited in the letter of credit and indicated in the airwaybill, this is not a discrepancy under UCP 600, article 23. The issuing bank replied on the same day they received our disagreeing message and conceded that the transhipment discrepancy was not valid and thereby withdrawn, but that as issuing bank it was now refusing the documents with the one discrepancy:

"CONFLICT IN WEIGHT – weight in packing list stated as NET 198KG whereas weight in weight list states as NET 192KG"

Despite our protesting that the issuing bank had an obligation to pay, we have not yet received payment and the expiry date of the letter of credit is now more than one month ago.

Please clarify if the issuing bank must pay and let us know if we may pass your answer to the issuing bank?

We await your expert reply.

WITH RECOGNITION

The following readers were also recognised for their technical merit (alphabetical order):

All of the below get a GOLD medal.

GOLD

Ulviya Nabiyeva, Pasha Bank, Azerbaijan
Innesa Amirbekyan, IDBank, Armenia
Irena Vaskov, Komercijalna Banka, FYR Macedonia
Vahe Grigoryan, Converse Bank, Armenia
Nelli Kocharyan, Converse Bank, Armenia
Svitlana Piatak, Citibank, Ukraine

What do you think? Provide us with your expert view

SOLUTION

"Cash cover – gone undercover"

(Winter 2017/18 issue)

DEAR EXPERTS,

Having considered the situation described in the winter 2017/18 issue of *Trade Exchange*, the following answers should be given to the following questions raised by the issuing bank.

Question 1: Can the beneficiary present the documents direct to our bank, as the place of presentation was clearly stated in the credit as that of the neighbouring country?

Answer: Yes, the beneficiary can present the documents directly to the issuing bank. According to sub-article 6 (d(ii)) of UCP 600, a place for presentation other than that of the issuing bank is *in addition to the place of the issuing bank*.

Question 2: As we have already made a prepayment of the letter of credit amount as cash cover, do we also have an obligation to pay the beneficiary, as this would be double payment of the letter of credit amount?

Answer: If the documents presented to the issuing bank constitute a complying presentation, the issuing bank has an obligation to pay the beneficiary. This obligation of the issuing bank is stipulated by sub-article 7 (a) of UCP 600 and we can refer to commentary to UCP 600 for a detailed explanation: "Sub-article 7 (a) states the basic rule that an issuing bank's undertaking is to honour a presentation that complies with the terms and conditions of the documentary credit when the documents are presented to the nominated bank or the issuing bank. The specific methods of honour are articulated in sub-articles (a) (i) to (v). The sub-article states that honour is to be effected by the issuing bank when the documentary credit is only available with the issuing bank or when the presenter chooses to make a presentation directly to the issuing bank (sub-article (a) (i)) or, in the event that a nominated bank does not honour (sub-articles (a) (ii), (iii) and (iv)). Sub-article (v) states that the issuing bank will honour if the documentary credit is available by negotiation and the nominated bank does not negotiate."

The issuing bank cannot refuse to pay the beneficiary referring to "the prepayment already made under the letter of credit", and it cannot consider the payment to the beneficiary as double payment under the letter of credit.

The issuing bank has transferred a cash cover to the nominated bank in order to facilitate the adding of confirmation by the nominated bank. The cash cover should be used by the nominated bank for payment to the beneficiary provided that all conditions stipulated by the issuing bank in the letter of credit are met (for example, documents that constitute a complying presentation are presented to the nominated bank, the nominated bank has sent them to the issuing bank, and so on).

If the letter of credit expires in the nominated bank without utilisation, the nominated bank should return the cash cover to the issuing bank. Upon receipt of the documents directly from the beneficiary the issuing bank must inform the nominated bank about such a presentation under the letter of credit and claim to return the cash cover to the issuing bank.

According to the standard banking practice the issuing bank can transfer the cash cover to the nominated bank if the issuing bank approved the respective risk limit towards the nominated bank. Unfortunately, this operational risk of non-return of the cash cover is a risk and problem for the issuing bank only.

Svitlana Piatak
Citibank, Ukraine

Send your answers to
TF-Expert@ebrd.com

European Bank
for Reconstruction and Development

TFP Trade Finance Forum
Athens, Greece, October 2019

Contact us

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