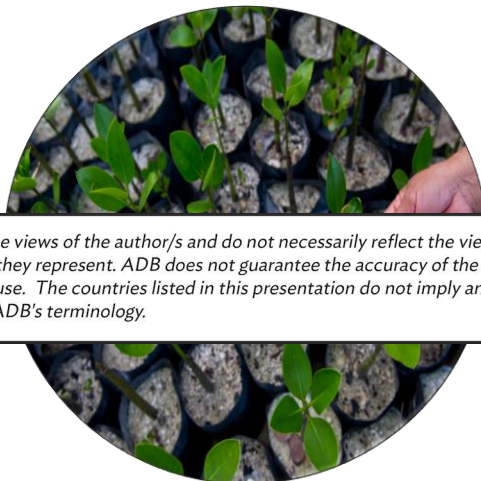




Environmental and Social Sustainability in Trade and Supply Chains Workshop



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Supply Chain Finance in Central Asia - White Paper



Aparna Soni Bhalla

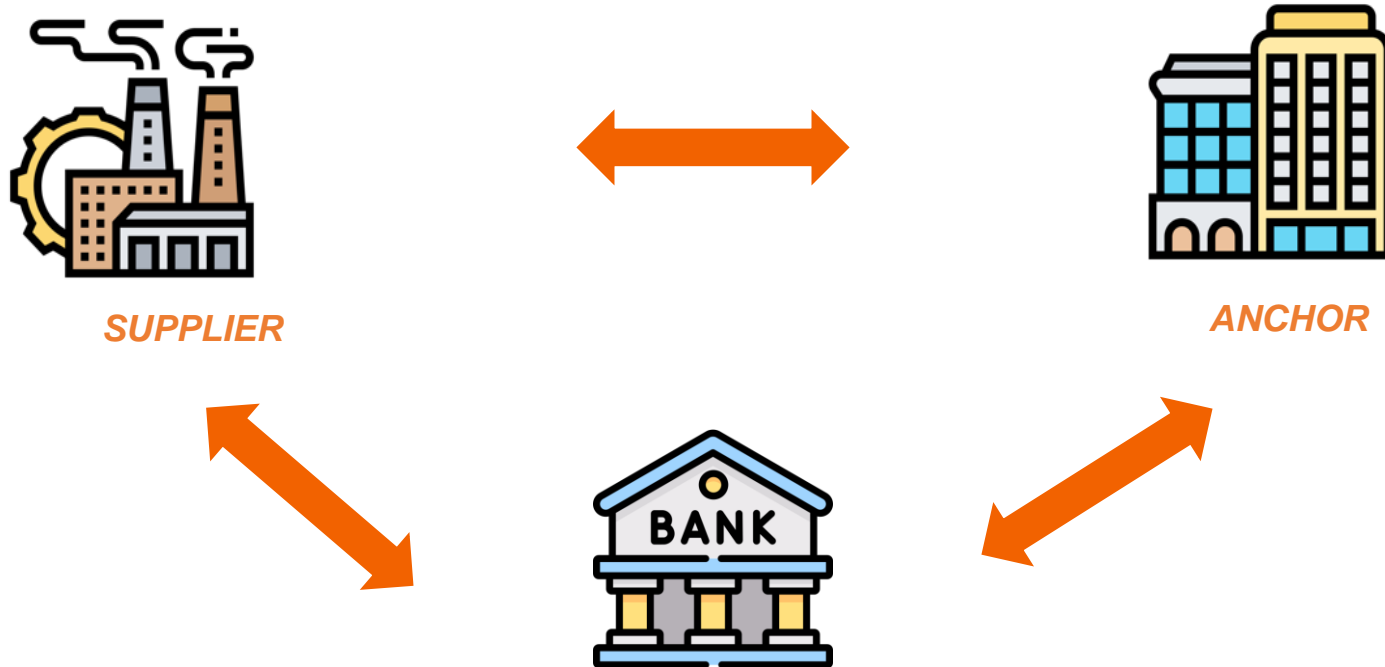
Relationship Manager, ADB TSCFP

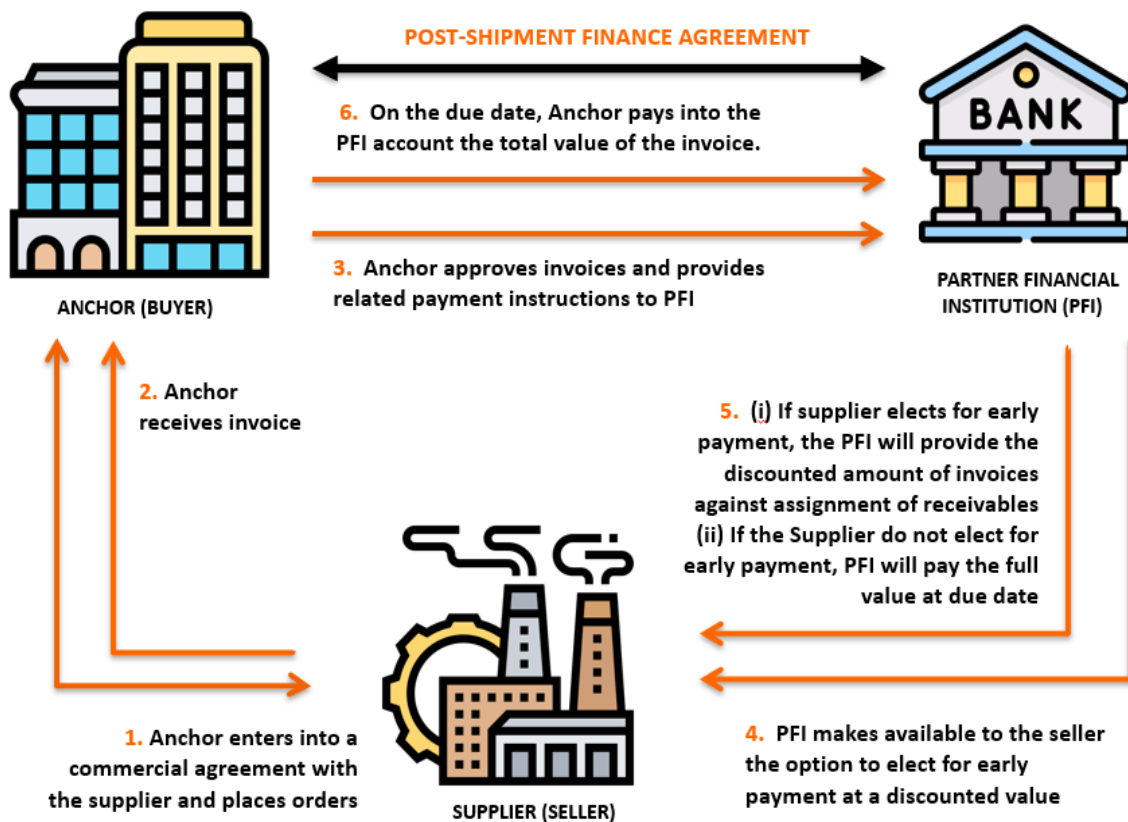
ASIAN DEVELOPMENT BANK

Supply Chain Finance in Central Asia & Caucasus

Environmental and Social Sustainability in Trade and Supply Chains
16 November 2022

Supply Chain Finance





Post Shipment Post Acceptance Supplier Finance / Payables Finance / Reverse Factoring

- Buyer led financing
- Funding to supplier upon deliver and acceptance of goods
- Credit risk on anchor buyer

Financial Products

<http://supplychainfinanceforum.org/ICC-Standard-Definitions-for-Techniques-of-Supply-Chain-Finance-Global-SCF-Forum-2016.pdf>

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Approach to White Paper

Countries of Coverage



Interview of 16 banks in the region

Feedback from various institutions like IFC, EBRD, FCI, etc.

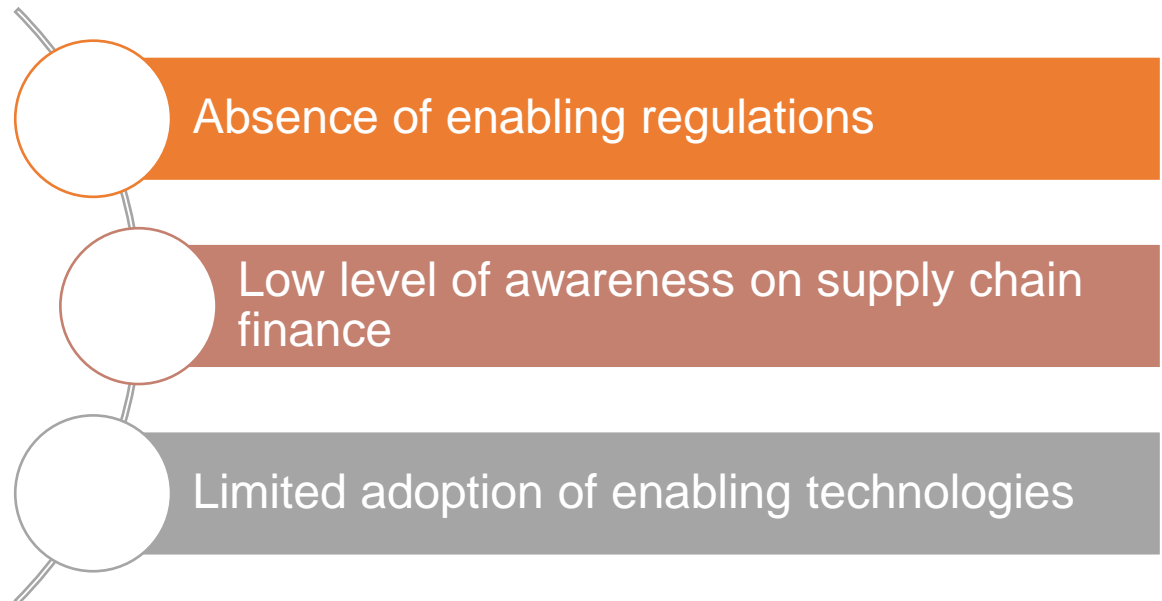
Receivables Based Financing (Factoring) Market Summary

	GDP Year 2021 (\$ billion)	Current Annual Factoring Volume		Potential Annual Factoring Volume in 3 to 5 Years (\$ million)	
		None	< 1% of GDP	1% of GDP	2.4% of GDP
Armenia	13.8		✓		330
Azerbaijan	54.6		✓		1,300
Georgia	18.7		✓		445
Kazakhstan	190.8		✓		4,541
Kyrgyz Republic	8.54	✓		85	
Pakistan	346.3		✓		8,243
Tajikistan	8.7	✓		88	
Turkmenistan	45.2*	✓		452	
Uzbekistan	69.2		✓		1,648

*Only 2019 data is available.

Potential market size of
\$17 billion

Key Challenges to grow supply chain finance in the region



Pakistan

- Started in 2017
- Market volume is small but still growing
- Currently no specific law which covers SCF, Framework being drafted
- Support from central bank to develop SCF
- Political, economic and credit context is likely to constrain growth in short term

Market potential of \$8 billion in long term*

*Potential derived based on GDP of the country



Uzbekistan

- Factoring started in 2008, reverse factoring has not started
- Government actively supporting since 2020
- Market is still evolving
- New law on non-bank credit institutions 2022
- Market growth is expected to remain conservative in short term

Market potential of \$1.6 billion in long term*

*Potential derived based on GDP of the country



Georgia

- Launched in 2019
- Offered only by commercial banks so far
- Various government initiatives to promote SCF
- New laws being drafted to establish framework for SCF
- SCF is growing with more banks adopting it
- It is projected to grow steadily over short to medium term

Market potential of \$445 million in long term*

*Potential derived based on GDP of the country



Armenia, Azerbaijan & Kazakhstan

- Small, largely unregulated markets for supply chain finance
- Required awareness of SCF along governments support of SCF
- Civil Codes provide the basic legal infrastructure
- Market demand is currently muted
- Interventions required to achieve the market potential

Market potential*
Armenia: \$330 million
Azerbaijan: \$1.3 billion
Kazakhstan: \$4.5 bn

*Potential derived based on GDP of the country



Kyrgyz Republic, Tajikistan & Turkmenistan

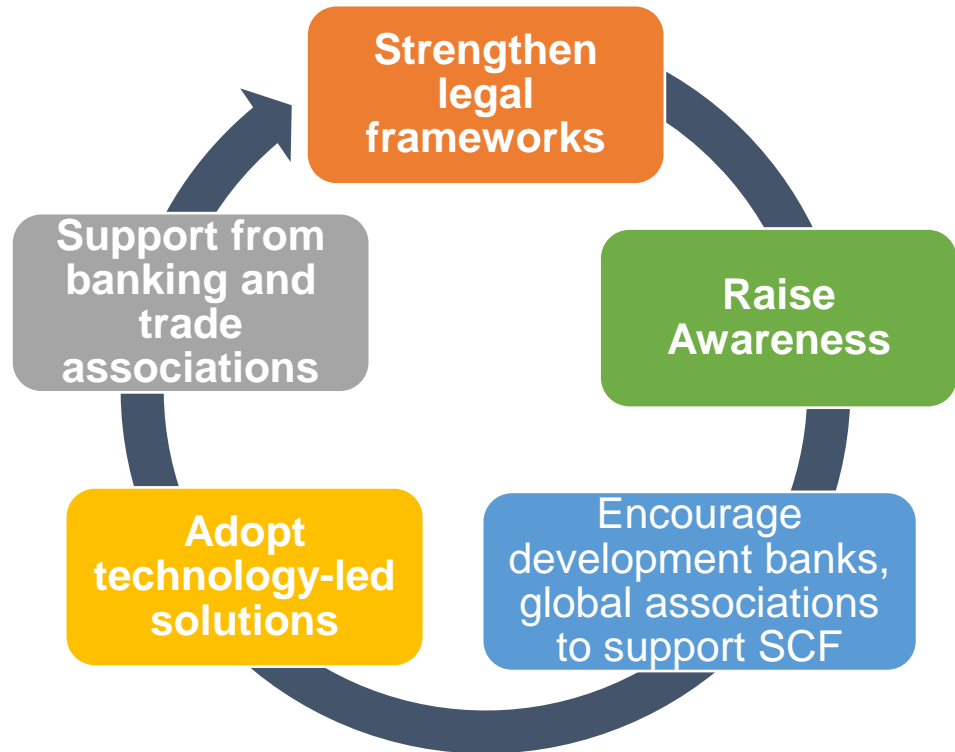
- Currently no SCF activity in these countries
- Legal framework available in Turkmenistan
- With regulatory interventions and creating awareness, possibility to grow in longer term

Market potential*
Kyrgyz Republic: \$85 million
Tajikistan: \$208 million
Turkmenistan: \$452 bn

*Potential derived based on GDP of the country



Action Plans



Thank You

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PANEL SESSION 1

Current developments on SCF in Western & Central Asia, Challenges & Way Forward

16 NOV 2022

9:45 AM – 10:30 AM



Can Sutken

Relationship Manager
ADB TSCFP

MODERATOR

PANEL SPEAKERS



Pikria Kekelia

Head of Trade & Structured Finance
Bank of Georgia

Ana Kavtaradze

Strategic Business
Development Advisor to
Business
Basis Bank



Funda Uzun

Trade Product Head
Citibank

Aparna Soni Bhalla

Relationship Manager
Asian Development Bank



Çağatay Baydar

Vice-Chairman
FCI

Session 2

Setting up SCF: The BOG experience

Levan Tetradze
Bank of Georgia

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Session 3:

FCI SCF Solutions and way forward

Ms. Aysen Cetintas

Education Director



Facilitating Open Account - Receivables Finance



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FCI - Factors Chain International



FCI Vision Statement

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



FCI Mission Statement

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

FCI is the Global Voice for Open Account Receivables Finance:

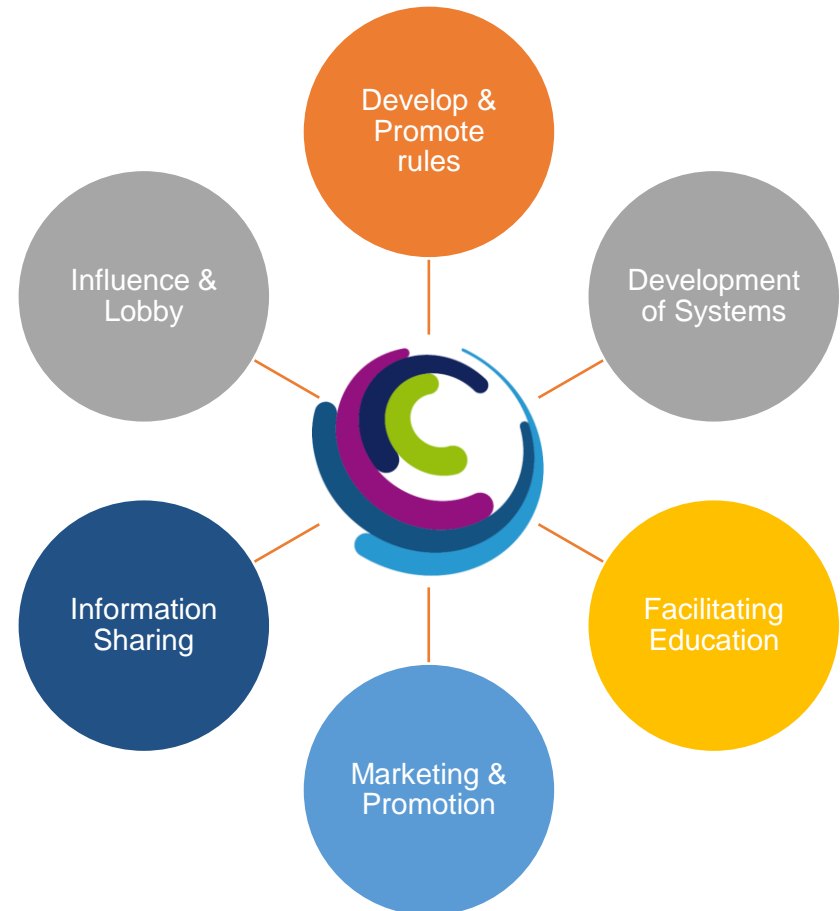
- FCI facilitates and promotes International Factoring through a Correspondent Factoring platform.
- FCI actively supports the growth of the Industry and works jointly with policy makers and stakeholders worldwide
- FCI promotes best industry practices through education
- FCI publishes Information &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





FCI's Deliverables

FCI is a facilitator of open account trade by:

- Promulgation of **general rules of international factoring**- most widely used set of rules
- Development of **state-of-the-art correspondent factoring system**- Edifactoring
- Creation of **robust education platform with** e-learning and seminars
- **Promotion of industry** through innovative marketing, conferences and lobbying
- Publishing **annual statistics on worldwide** factoring volume
- **Industry support** through lobbying of and information provision to regulators and lawmakers



CLOSE TO **400 MEMBERS**
IN **90+ COUNTRIES**

-  FCI+ Members active in Two-Factor
-  FCI+ Members not active in Two-Factor

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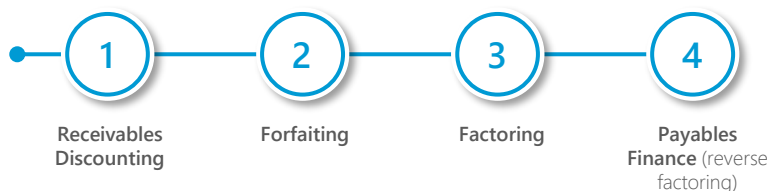
Supply Chain Finance product concepts

PRODUCT

SCF PRODUCTS

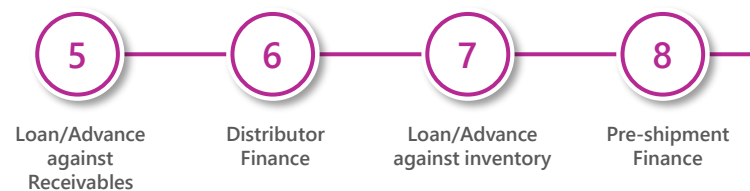
RECEIVABLES PURCHASE

Sellers obtain financing by selling receivables to a finance provider

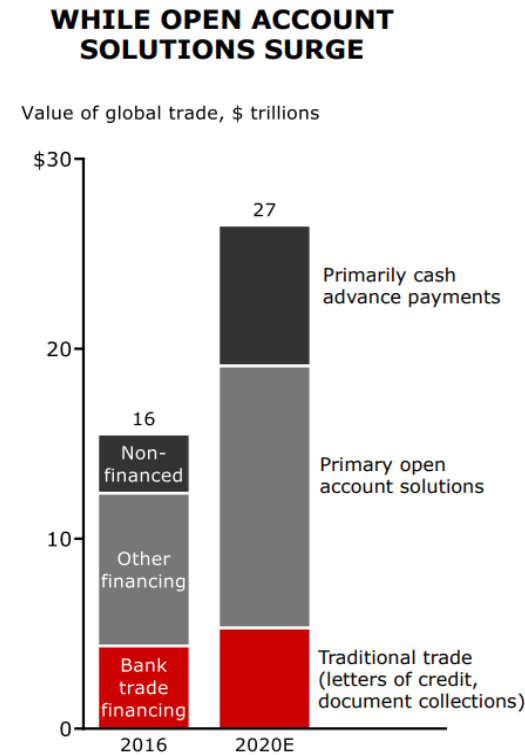
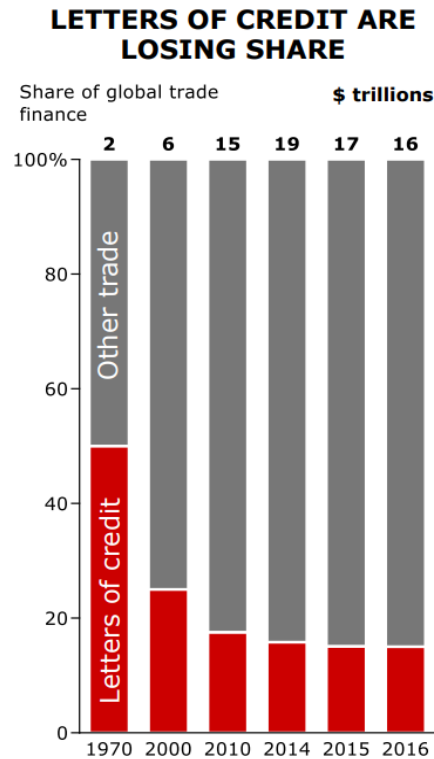


LOAN-BASED

Seller/buyers receive loans and advances against underlying assets (receivables, inventory, etc.)



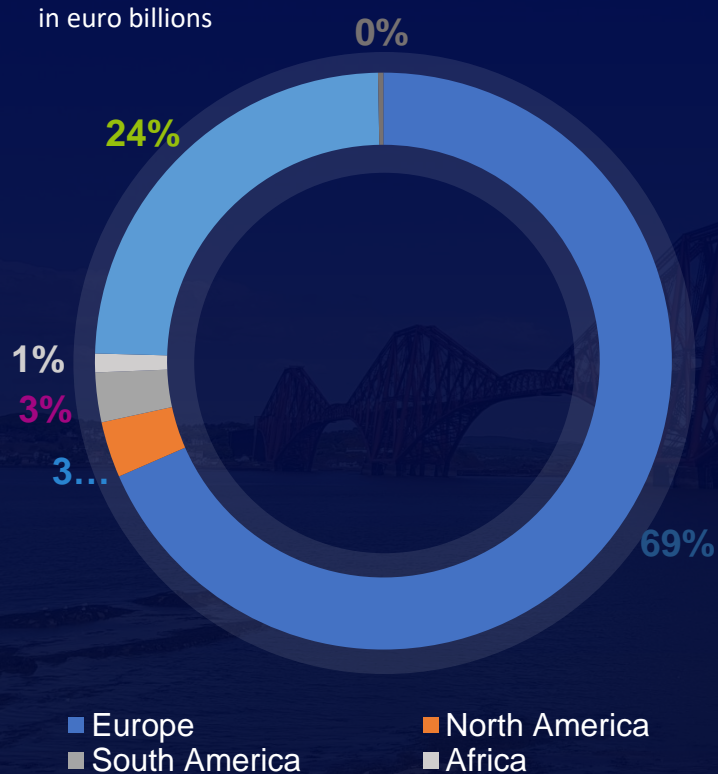
TRADE FINANCE HAS BEEN MOVING TO OPEN ACCOUNT SOLUTIONS



Source: World Bank; ICC Global Survey Rethinking Trade and Finance (annual reports 2010-2015); MISYS Financing Future Supply Chains

FCI 2021 GLOBAL FACTORING STATISTICS AND MARKET SHARE BY REGION

in euro billions



in euro billions

	2020	2021	Group rate % Change
Europe	1,844,721	2,118,041	14.8%
North America	66,598	97,000	45.7%
South America	83,559	86,048	3%
Africa	25,242	32,345	28.1%
Asia- Pacific	697,093	751,096	7.7%
Middle East	9,516	9,176	-3.6%
Total	2,726,728	3,093,706	13.5%

Source: FCI members

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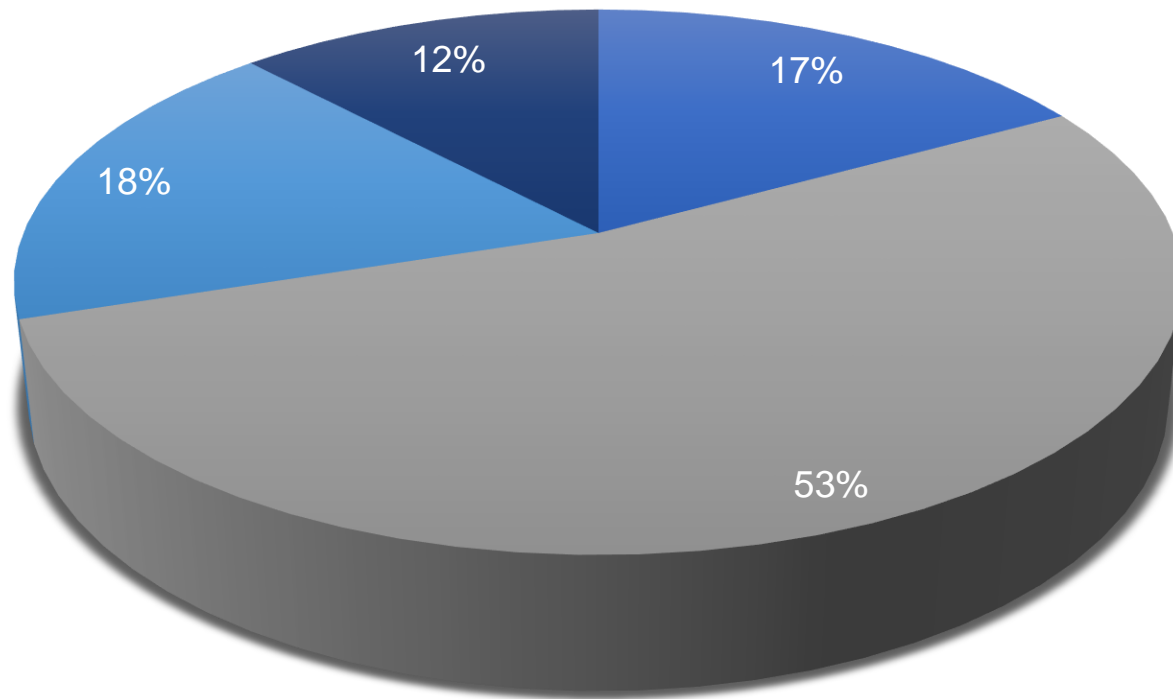
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FACTORING PRODUCTS – 2021



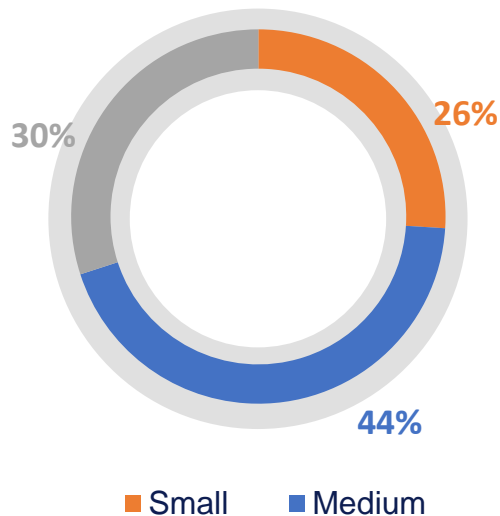
- Recourse factoring (without credit protection)
- Non - recourse Factoring (with credit protection)
- Invoice Discounting
- Reverse Factoring of Supplier Finance

Source: FCI members

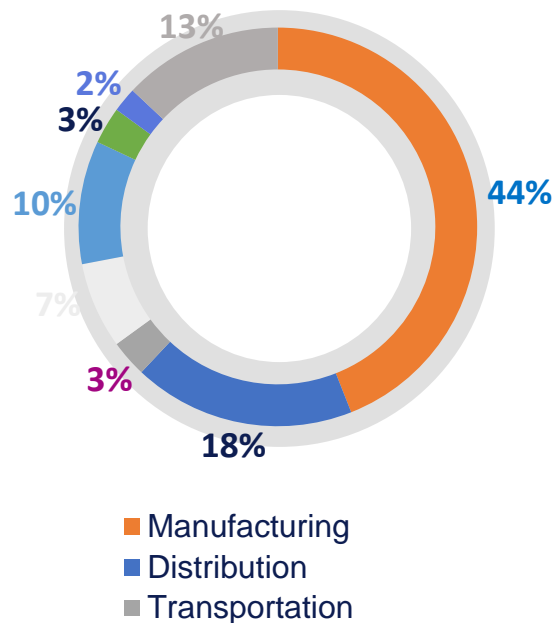


FACTORING PRODUCTS BY CATEGORY

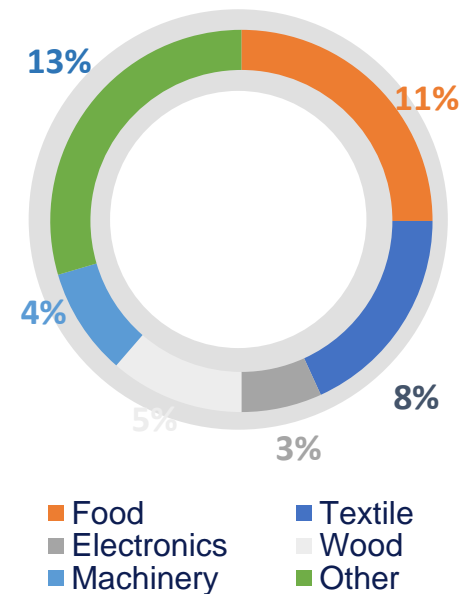
Total number of active sellers



Average of industries type sellers in members portfolio



Manufacturing by type



Source: FCI members

COMPARISON TO OTHER FORMS OF TRADE FINANCE

Factoring, LC & Credit Insurance Comparisons with World Exports 2012-2021

In USD Millions	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	CAGR
X border factoring	464,700	555,941	588,185	578,664	533,736	623,344	599,398	606,649	640,496	645,418	3.34%
Global factoring	2,811,346	3,078,505	2,817,263	2,588,182	2,500,706	3,117,437	3,172,165	3,266,866	3,353,875	3,503,623	2.14%
Credit insurance	1,538,609	1,630,925	1,709,579	1,586,000	1,634,000	2,056,895	2,097,201	2,116,000	2,159,000	2,453,000	5.32%
Letters or credit	2,854,918	3,125,957	3,044,682	3,014,235	3,044,375	2,996,883	3,098,777	2,735,000	2,735,000	2,735,000	-0.43%
Total world exports	17 930 470	18,378,730	18,935,210	18,432,650	16,943,000	17,739,320	19,480,000	18,932,952	17,871,990	22,518,788	2.3%

Sources:

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

FCI Solutions International Factoring The Two Factor System

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WHY DOES O/A SOLUTION BECOMES MORE IMPORTANT?

Strong competitive environment

- Better communications, more information, easier comparison
- Buyer's market – buyers dictate the terms
- Better payment terms – increasing demand

Global trading environment

- Importers prefer same terms as their local market
- L/Cs no longer accepted by majority of buyers
- Open accounts terms requested by majority of buyers

Sellers need to...

- Replace the L/Cs
- Offer competitive open account terms
- Manage the risk of their buyers
- Find appropriate financing – cash flow & business growth

FACTORING: DEFINITION

Factoring is a specialized financial service for open account (O/A) trade receivables, offered either by a subsidiary/division of a bank or an independent provider that offers a range of services to a business based on their clients accounts receivable.

A factor provides some or all of the following basic services:

Credit Cover

Collection

Finance

A/R Ledger Administration



FACTORING : WHY DOES IT MATTER?

Support for (in particular SME) business to develop and grow

Support for export development

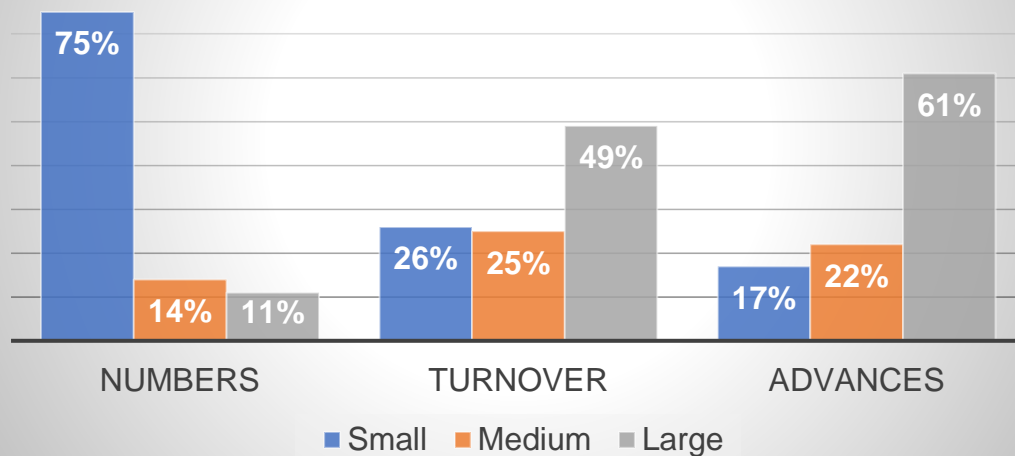
Creating and supporting employment

Efficient economic growth

Low risk for the Financial Institution

WHO IS USING FACTORING?

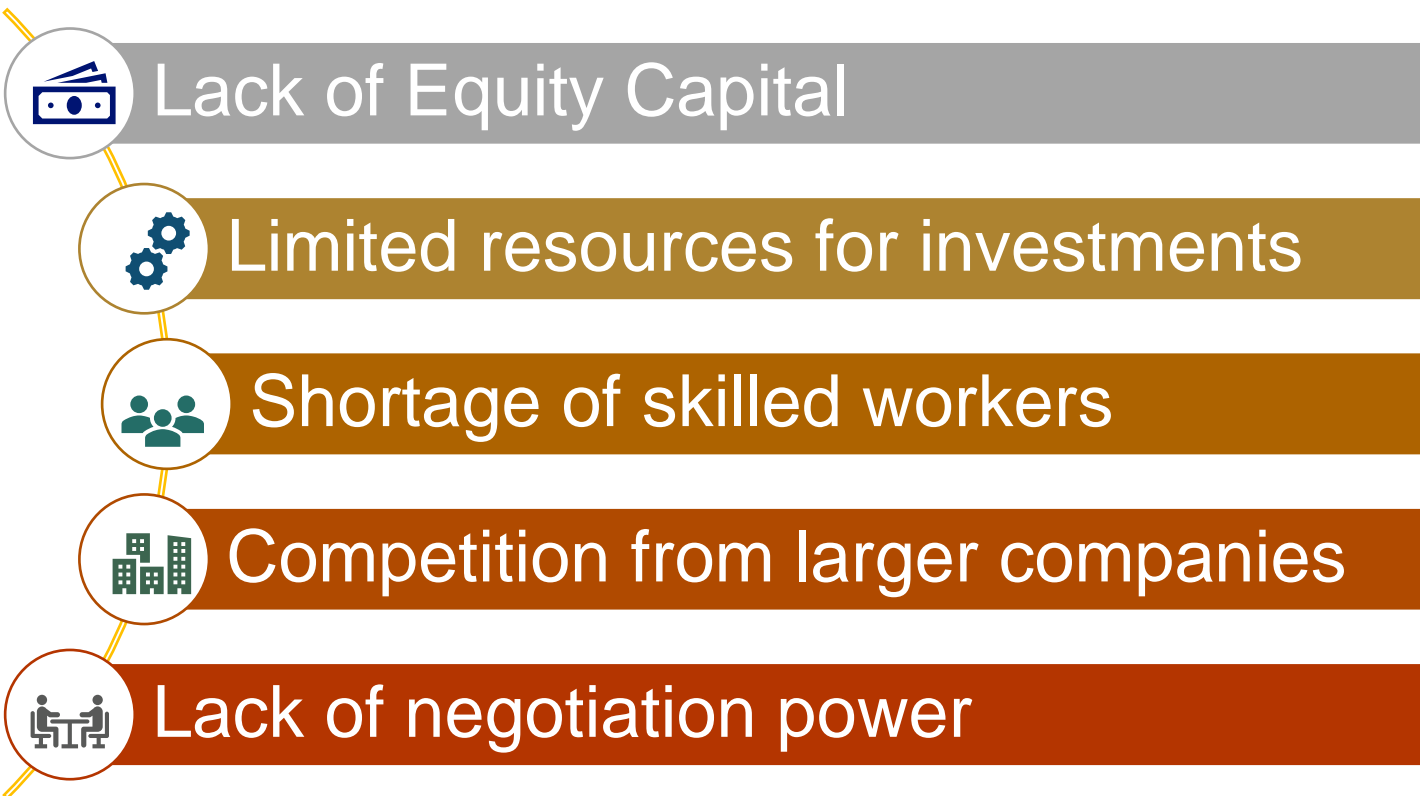
Comparison of Clients by Company Size



Source: EUF White Paper 2019



SME WEAKNESSES



FACTORING & INVOICE FINANCE VARIATIONS

Full Service (non-recourse) Factoring

With Recourse Factoring

Invoice Discounting

International Factoring:

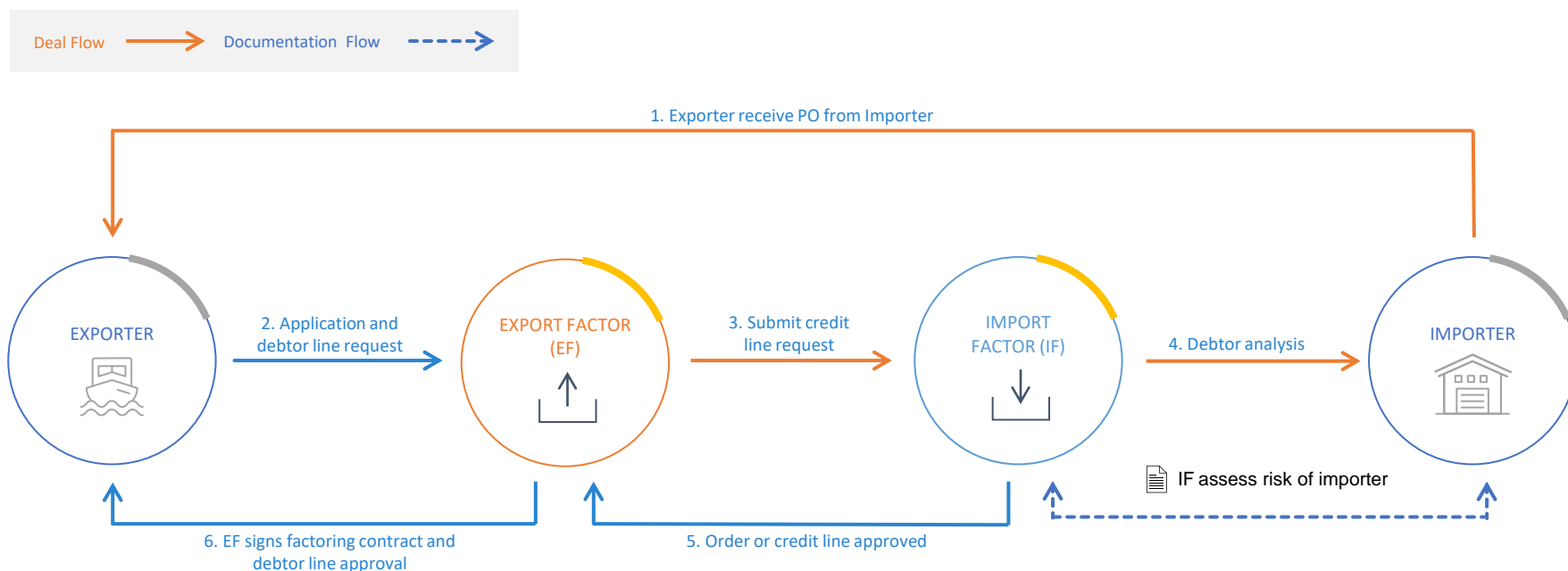
- Direct Export
- Two-Factor Export

Reverse Factoring / Supplier Finance / Approved Payables Finance

Asset Based Lending

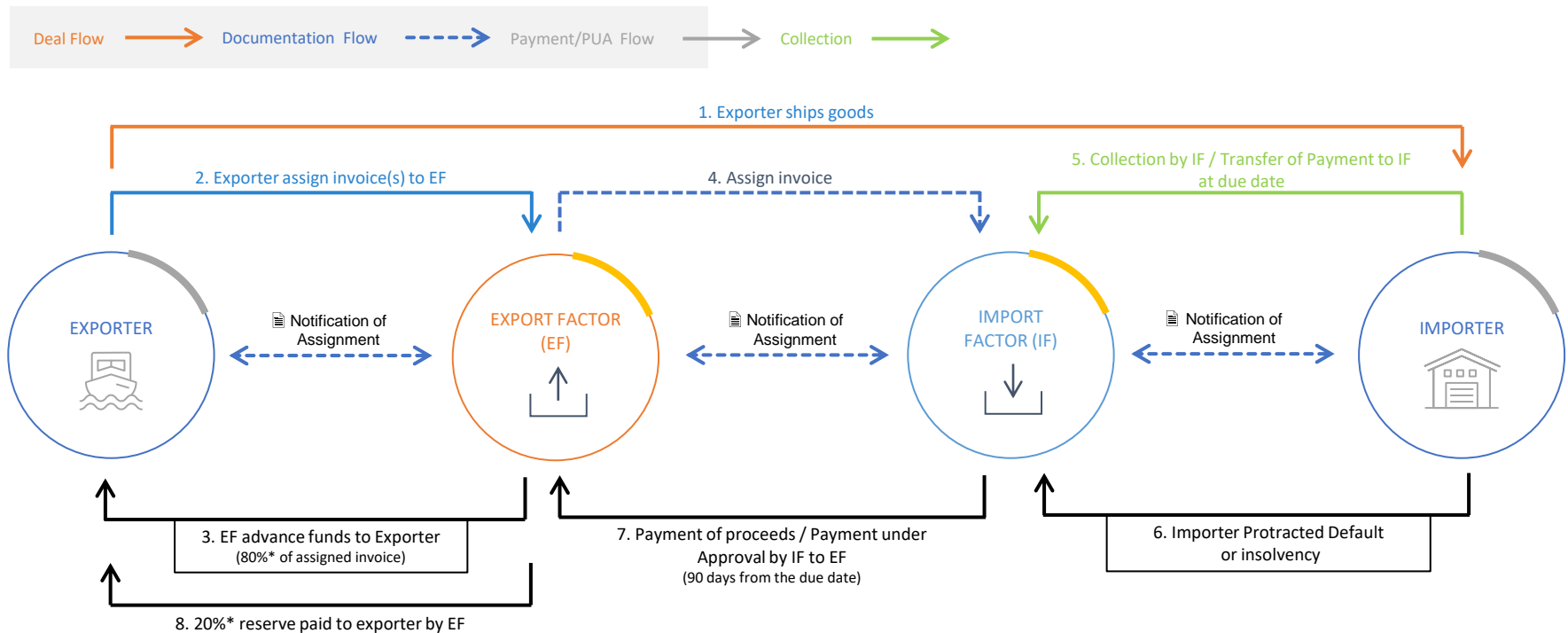
FCI TWO-FACTOR SYSTEM MECHANICS (ON EDIFACTORING.COM)

FIRST PHASE: APPLICATION & APPROVAL



FCI TWO-FACTOR SYSTEM MECHANICS (ON EDIFACTORING.COM)

SECOND PHASE: ASSIGNMENT AND FINANCE



* Percentage based on the Factoring agreement signed with his Factoring Company

INTERNATIONAL FACTORING: THE FCI TWO-FACTOR SYSTEM



GENERAL RULES FOR INTERNATIONAL FACTORING

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



EDIFACTORING.COM

- Proprietary system owned and operated by FCI for its members
- Web based communication platform
- Edifactoring 2.0
 - Blockchain-ready
 - New version of edifactoring.com

Cross-border trade communication platform



THE FCI TWO-FACTOR SYSTEM

Export Factor provides his clients with...

Finance

Collection

Credit
Risk
protection

A/R
Admin

...using the services of the Import Factor

IMPORT FACTOR SERVICES



CREDIT PROTECTION

Credit Protection, of undisputed invoices, that the buyer(s) do not pay within 90 days from the due date.

Non-payment by the buyer because of financial difficulties or another reason other than dispute:

Import Factor **pays under approval (PUA)** in full (according to credit line granted) at 90 days after due date of the invoice!



THE FCI TWO-FACTOR SYSTEM

Export Factor provides his clients with...

Finance

Collection

Credit
Risk
protection

A/R
Admin

...using the services of the Import Factor

EDUCATION



Coaching
Mentor
Inspirational
Training
Education
Management
Opportunities



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FCI Solutions Reverse Factoring

FCIreverse

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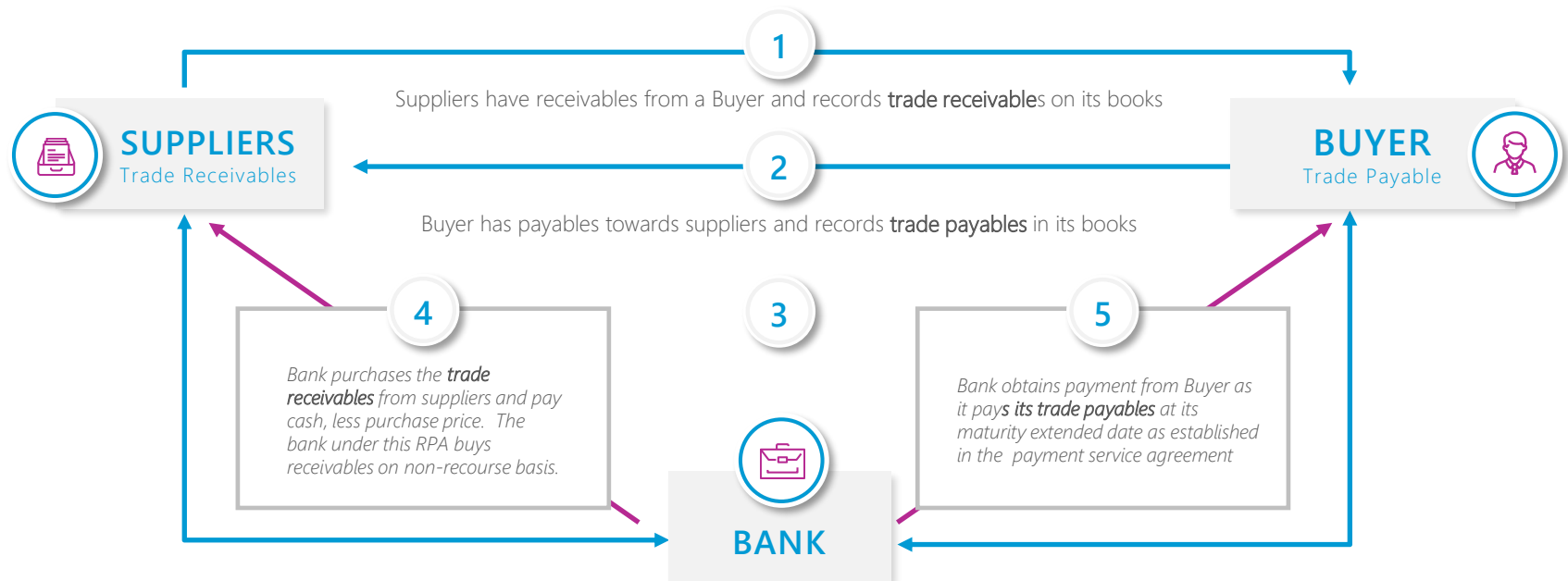


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WHAT IS REVERSE FACTORING

HOW DOES IT WORK?



TYPICAL FEATURES OF REVERSE FACTORING

REVERSE FACTORING



The parties to the reverse factoring agreement are the Buyer and the Bank



The Bank undertakes transactions as an uncommitted facility.



The parties to the financing part of the deal are the Suppliers



All the risks rely with the Buyer as its only based on confirmed, good to pay invoices. Financing price based on buyer.



No Credit Assessment of suppliers, bank perform KYC procedures



Bank will be paying the supplier 100% of the value of the receivable minus purchase price



The supplier and the bank sign a receivable purchase agreement without recourse



The supplier signs receivable purchase agreement without recourse, takes payment off-balance sheet



THE ADVANTAGES

BENEFITS TO SUPPLIERS

ADVANTAGES FOR ALL THE SUPPLIERS/ SME'S

- ✓ **Off Balance Sheet financing**
 - Price based on the Buyer's credit rating profile
 - No pledge, commitment or impact on its assets or use of its credit facilities
- ✓ **Short documentations**
 - Absolute flexibility to discount some, all or none of the invoices

BENEFITS TO ANCHORS

ADVANTAGES FOR CORPORATES

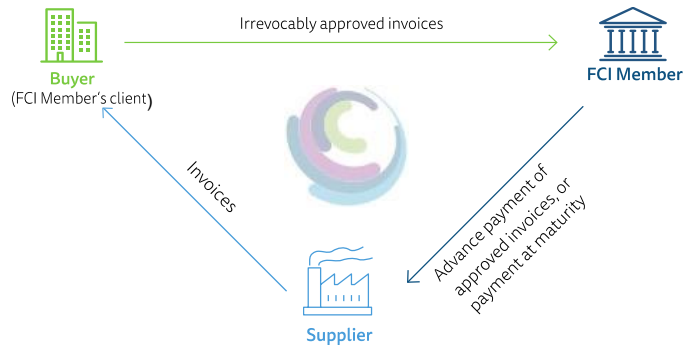
- ✓ **P&L improvement**
- ✓ **Improving liquidity position**
- ✓ **Extension of payment terms**
- ✓ **Balance Sheet upside**
 - Release burden of suppliers inquiries (payment outsourcing)
- ✓ **Simple process for payment orders**
- ✓ **Optimize reconciliation process**

FCIreverse SOLUTION



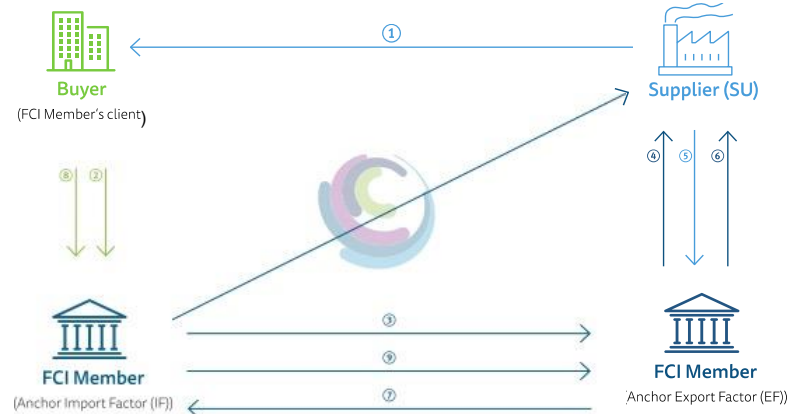
Combines the power of the FCI member network, solid FCI legal framework and an award-winning technology powered by Demica

3-corner model (Local SCF programmes)



Only one financier working with an Anchor Buyer and financing its supplier base after the Buyer transferring approved, ready to pay, dispute free invoices.

4-corner model (Global SCF programmes)



- 1 Goods and invoices
- 2 Buyer confirms invoice
- 3 IF sends confirmed invoice
- 4 EF sends purchase offer to SU
- 5 SU accepts and assigns invoices

- 6 EF effects advance payment to SU
- 7 Assignment of invoice (subject to legal documentation) from EF to IF
- 8 Buyer pays IF
- 9 IF to pay EF

Reverse factoring programs that have far suppliers. The financier running the program for the Anchor Buyer can connect to other FCIreverse members to request on-boarding and financing capabilities for suppliers in such jurisdiction.

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FCIreverse TICKS ALL THE BOXES



Provides Buyer
& Supplier
cooperation



Supports
moving to open
account trade



Supports
globalisation &
trade growth



Eases
compliance
regulations



Reduces
adoption costs



Eases cultural
barriers



Provides
state-of-the-art
technology



Enhances
working capital
optimization



Saves
KYC costs

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NEW COURSE

►► SUPPLY CHAIN FINANCE & REVERSE FACTORING

- MODULE 1 Understanding the Supply Chain
- MODULE 2 Global Trade, and the increased role of Open Account solutions
- MODULE 3 A briefing on Reverse Factoring and its Variations
- MODULE 4 Reverse Factoring - The Role of the Buyer Establishing a Reverse
- MODULE 5 Factoring Programme
- MODULE 6 FCReverse

Available 6 times a year!



FCI Academy constitutes the most complete education program on Factoring Certification

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FCI Solutions

Islamic International Factoring

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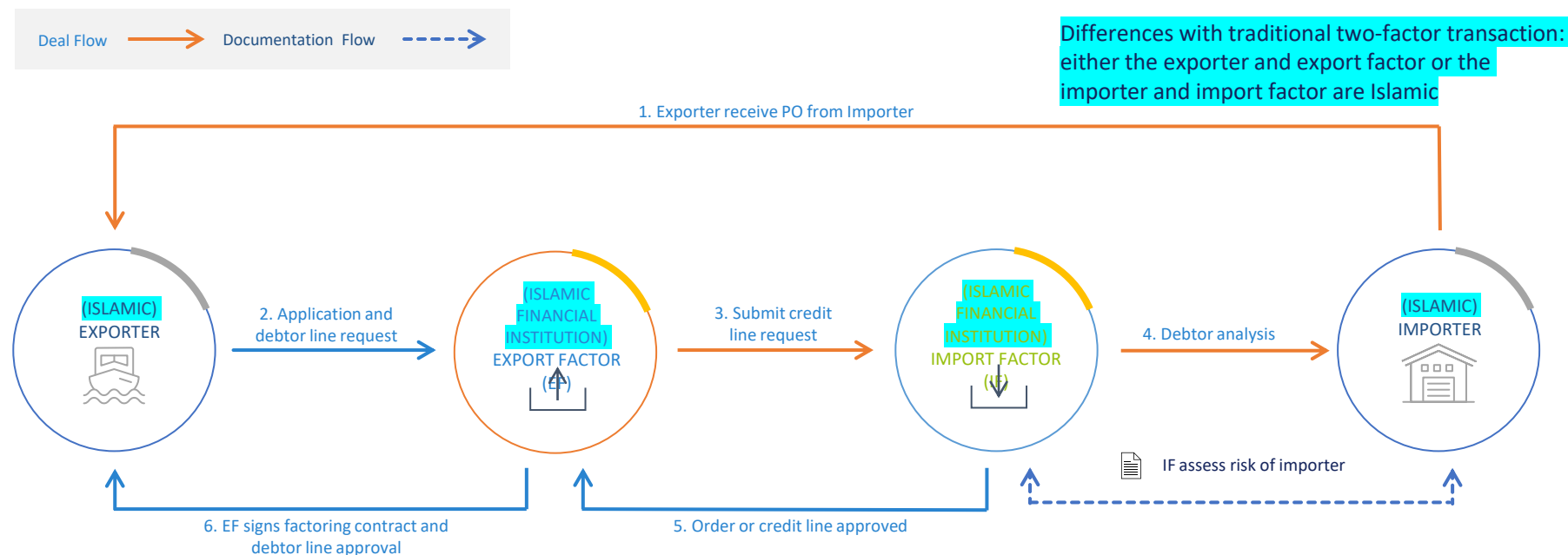


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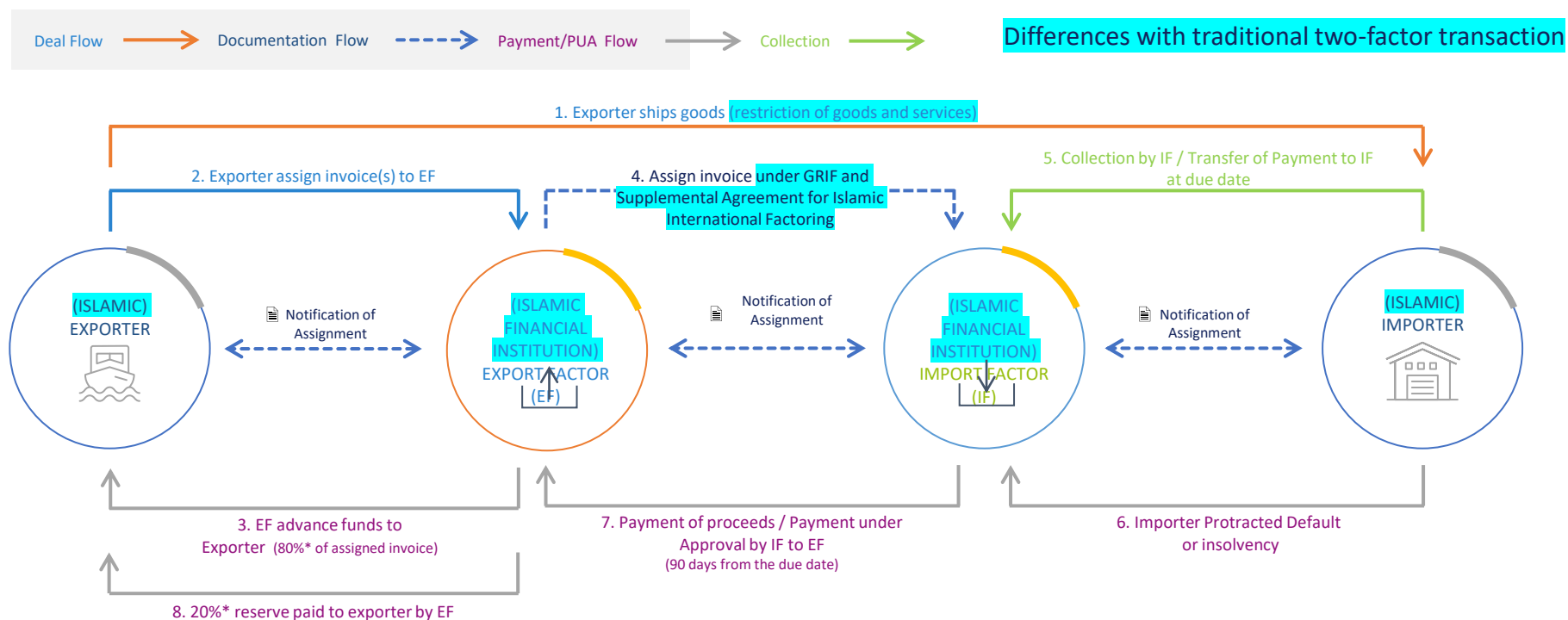
ISLAMIC INTERNATIONAL FACTORING (ON EDIFACTORING.COM)

FIRST PHASE: APPLICATION & APPROVAL



ISLAMIC INTERNATIONAL FACTORING (ON EDIFACTORING.COM)

SECOND PHASE: ASSIGNMENT AND FINANCE



* Percentage based on the Factoring agreement signed with his Factoring Company

FOR FCI MEMBERS: WHAT IS THE SUPPLEMENTAL AGREEMENT FOR INTERNATIONAL ISLAMIC FACTORING?

Modifications

- Shari'a compliant goods and services:
 - Article 3
- Interest replaced by Late Payment Amount:
 - Articles 9 (ii), 26 (i) (ii) and (iii), 27 (vii), 28 (i), 31 (iii) and (iv) and 32 (iv)
 - Factor must own the receivable
 - Articles 20 (ii) and 25,

Workflow for conventional factors

- Conventional factor as import factor:
 - Signing the Supplemental Agreement for Islamic International Factoring
 - No more workload than ordinary import factoring actions.
- Conventional factor as export factor
 - Signing the Supplemental Agreement for Islamic International Factoring
 - Getting agreement of the Shari'a Board of the IFI import factor about the restricted goods or services (it will be included in the Supplemental Agreement – Schedule 1)
 - No more workload than ordinary export factoring actions.

Challenges and Opportunities

The way forward..

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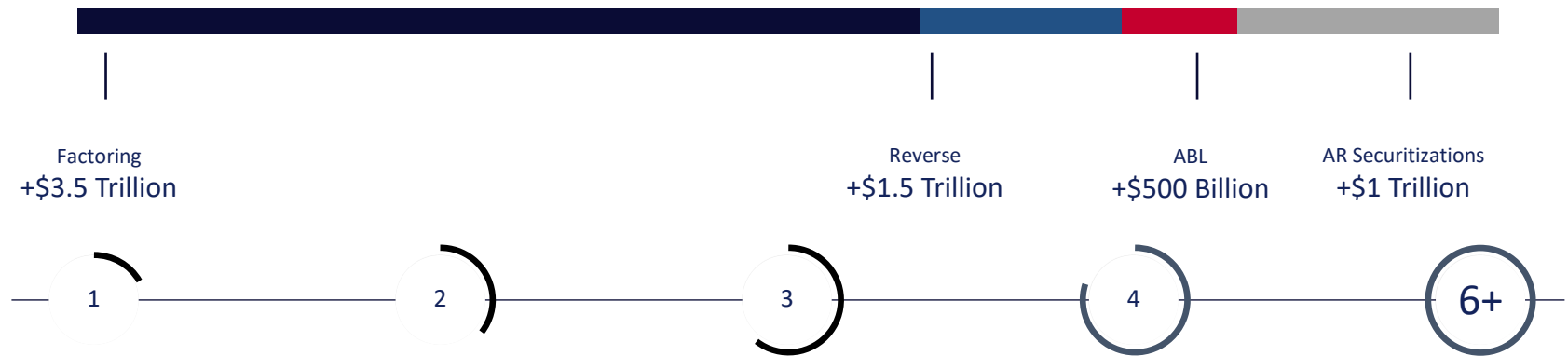
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Global estimate receivables finance market 2021-2030



By 2030, Receivables Finance market estimated to exceed \$10 Trillion, based on a 6% CAGR over the next decade, accounting for nearly 10% of global GDP!

*Factoring figures reported by FCI
**ABL figures reported by SFNet
***Reverse Factoring figures reported by BCR and
****AR Securitization figures estimated by FCI

EMERGING MARKETS

FCI has been working with our major stakeholders including the AfreximBank, the AfDB, EBRD, the ADB, Inter-American Development Bank (IDB Invest) and the IFC/World Bank.

They have all played an important role in helping elevate the knowledge of factoring in the emerging markets.

Besides what was mentioned previously, for example just in 2021-2022:



DEMOCRATIC REPUBLIC OF CONGO

Updating their Banking Act to include Factoring.



BCEAO

Approved the AfreximBank Model Law on Factoring (West Africa): Niger, Ivory Coast, Togo and Burkina Faso



EGYPT

Amended Banking Act to incorporate factoring law.



REPUBLIC OF CONGO

Passed the AfreximBank Model Law on Factoring.



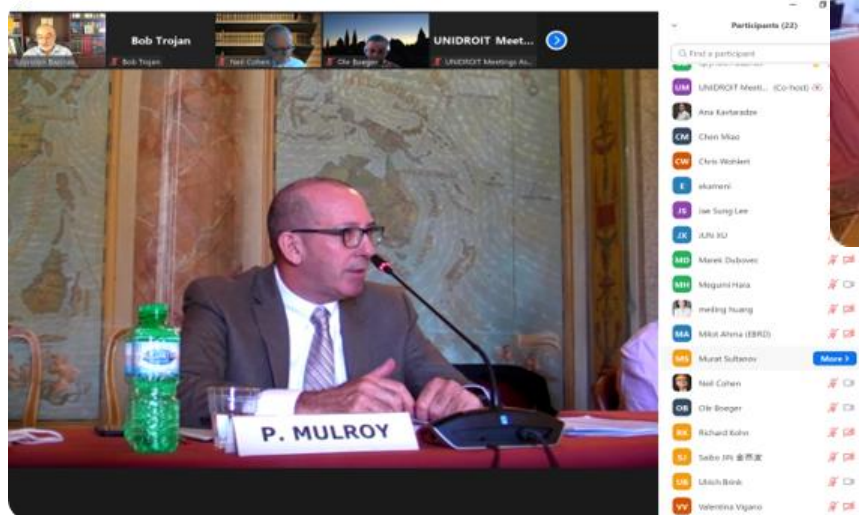
NIGERIA

Congress passed AfreximBank Model Law on Factoring, awaiting Senate approval



UNIDROIT - THE FACTORING MODEL LAW (FML) PROJECT

FCI has been at the forefront of the creation of the UN factoring model law project!



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Thank You

Aysen Cetinas
cetintas@fci.nl

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Session 4:

Can technology provide any solution?

Raja Debnath
Veefin

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GLOBAL SaaS Leader in SCF Technology

4+Years | 150% YoY Growth | 30+ Clients | 140+ Team



Think of VeeFin, when you think of SCF

Video Uploaded on the Event Site



Session 5:

ADB's Supply Chain Proposition, TA capabilities and Action Plan

Aparna Soni Bhalla

Relationship Manager, ADB TSCFP

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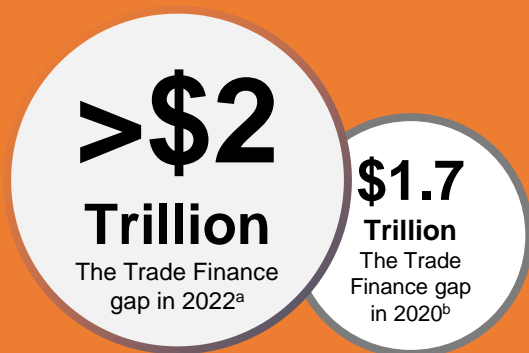
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The Trade Finance Gap continues to widen.



a ADB. 2021. Trade Finance Gaps, Growth and Jobs Survey. October.

b ADB. 2022. Toward Inclusive Access to Trade Finance: Lessons from the Trade Finance Gaps, Growth, and Jobs Survey. August.

SMEs financing needs are growing and the gap continues to widen

...Supply Chain Finance is an important tool to bridge the gap

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Supply Chain Finance Development Strategy

Awareness Deepening



Provision of tailor-made webinars and/or e-training on SCF

Regulatory support



Collaborate with regulators and governments to bridge regulatory gaps

SCF Capacity Development



Provision of intense and targeted technical support to banks to build a SCF business;

Risk Participation



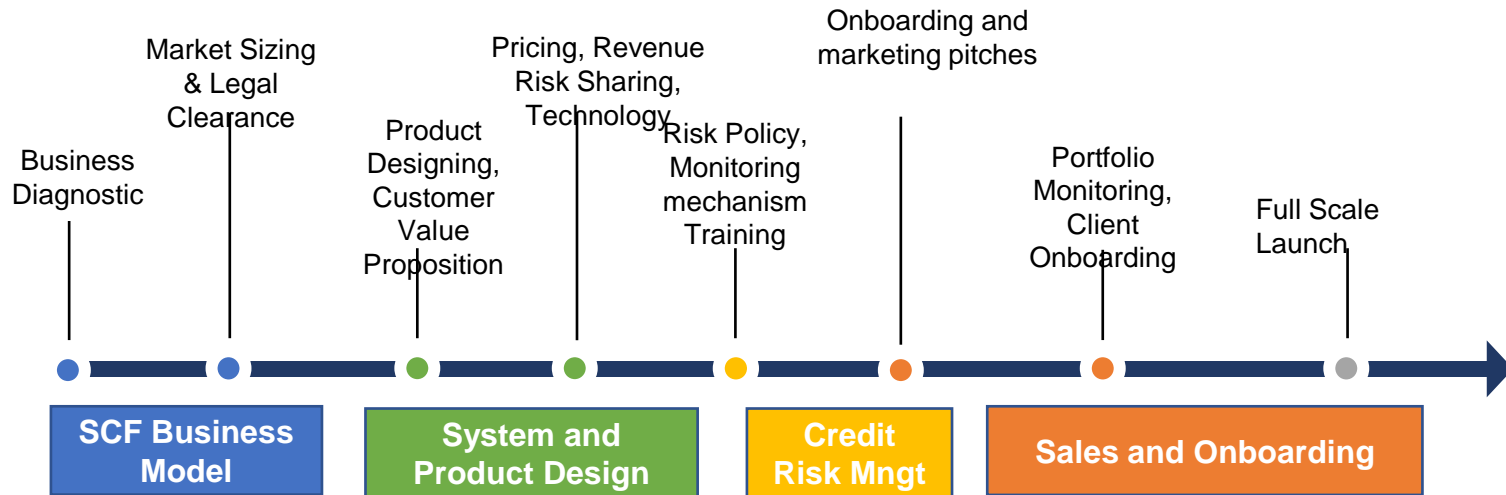
After completion of intense TA, onboarding of as SCFP Partner bank.



Knowledge Sharing and Regulatory Initiatives



SCF Capacity Development: Technical Assistance



Project timeline of 8-10 months

Risk Participation with Banks

Funded/
Unfunded Risk
Participation with
the banks

ADB to share
obligor risk with
the bank

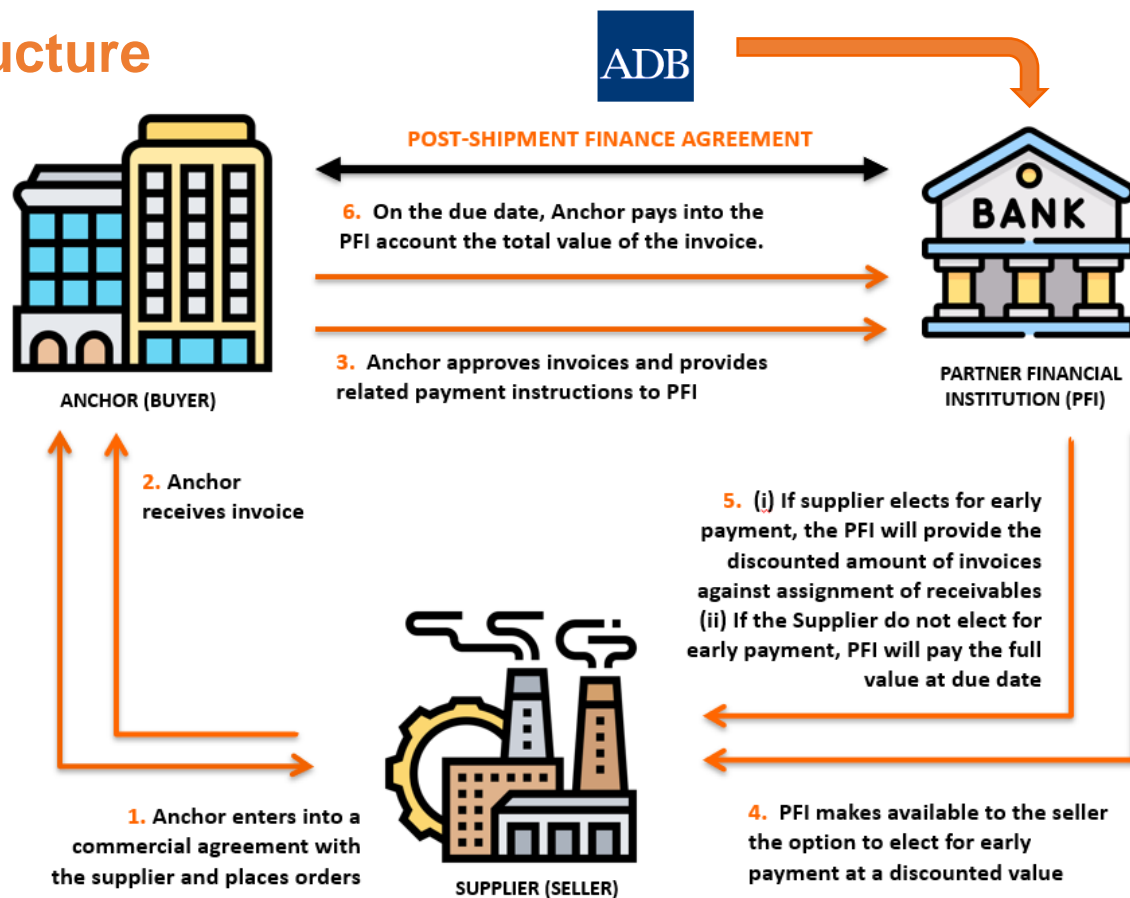
Revolving short
tenor
transactions of
90-180 days

Banks gets
capital relief
based on ADB
rating

Improvement for
banks in risk
appetite and risk
adjusted returns

Risk Participation: Structure

Post- Shipment Post Acceptance Finance



Other Initiatives

Deep Tier Supply Chain Finance white paper

- <https://www.adb.org/sites/default/files/publication/828506/adb-brief-219-deep-tier-supply-chain-finance.pdf>

Enhance transparency and traceability of supply chain

MLETR Advocacy Project

- <https://www.adb.org/sites/default/files/publication/704041/digitalizing-trade-asia-legislative-reform.pdf>

NO. 129
SEPTEMBER
2022

ADB BRIEFS

Deep-Tier Supply Chain Finance

KEY POINTS

- Trade and supply chain finance promote stability and resilience in supply chains by supporting working capital needs of buyers and suppliers. However, small and medium-sized enterprises (SMEs) continue to struggle with access to financing.
- Environmental, social, and governance (ESG) targets and sustainability goals are not reachable without the participation of all supply chain participants. Deeper understanding of supply chains through greater visibility of participants, processes, and behaviors is imperative.
- Deep-tier supply chain finance (DTSCF) presents a compelling solution to fill the financing gap for SMEs, while penetration into the deeper tiers of global supply chains can assist in meeting ESG and sustainability goals.
- This paper presents the opportunities that DTSCF and its underlying technology can offer, a sample of models that have been successfully

Sunil Mascarenhas
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Trade and Supply Chain Finance
Asian Development Bank (ADB)

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Carmen María Ramírez Ortiz
Relationship Manager Associate
Trade and Supply Chain Finance
ADB

Ben Sandstad
Senior Legal Counsel
ADB

Angela Chia
Partner
Mayer Brown

INTRODUCTION

Increasing stability, resilience, and transparency in global supply chains
The coronavirus disease (COVID-19) pandemic highlighted the fragility of the globally integrated system of production and trade that underpins the world economy. The increased efficiencies of global supply chains have given consumers and companies virtually limitless choices and helped to keep prices low and inflation at bay. However, the pandemic showed that the very linkages that have provided significant benefits can also spread shocks across economies, if they are not properly structured and managed. Other issues linked to trade, such as adverse impact on the environment, unequal distribution of economic benefits, and the presence of child labor and human trafficking in supply chains, have been brought into sharp focus by the growing attention to environmental,

and sustainability issues. These realizations urgently need to be upgraded so that their negative impact can be mitigated, and that they may play a role in other sustainability-linked goals.

Effects of supply chain linkages, and to use these sustainability goals, the inner workings of these are transparent and traceable end-to-end. Serious when all components, players, and behaviors within entities assessed, and their efforts at meaningful

Digitalizing Trade in Asia Needs Legislative Reform

- Legislative gaps impede the digitalization of trade.
- Digitalization enables global trade and supply chains more robust, supports economic growth, and job creation, and closes financing gaps for micro, small, and medium-sized enterprises (MSMEs).
- Adoption of the Model Law on Electronic Transferable Records (MLETR), developed by the United Nations Commission on International Trade Law (UNCITRAL), would address the problem. Only five jurisdictions have taken the step to date: Bahrain, Belize, Kuwait, Singapore, and the Abu Dhabi Global Market.
- Widespread adoption of the MLETR holds the promise of increased efficiency, consistency, and coherence in the modernization and harmonization of legislation on electronic commerce.
- The time for legislative reform is now: the expected benefits will contribute to post-coronavirus disease (COVID-19) pandemic economic recovery.

Rajul Ranend
Legislative Reform Lead
International Chamber of Commerce

Carmen María Ramírez Ortiz
Consultant
Trade and Supply Chain Finance
Asian Development Bank

Oswald Kuhrer
Managing Director of ICC Digital Standards Initiative

Steven Beck
Head of Trade and Supply Chain Finance
Asian Development Bank

INTRODUCTION

This report identifies country-level legislative gaps that inhibit the digitalization of trade in three economic country groupings in Asia: the Association of Southeast Asian Nations (ASEAN), the Central Asia Regional Economic Cooperation (CAREC) Program, and the South Asia Subregional Economic Cooperation (SASEC) Program.¹ It provides a snapshot of developments and opportunities for legal reform to enable the digitalization of tradeable records.

"Universal standards will connect existing digital islands and enable market focus to improve customer experience. As a leading and neutral voice in the industry, it made sense to bring this project under the umbrella of ICC. This will allow the ICC DSI to lead and coordinate efforts in developing standards and provisions for digital trade."

— John H. Densen AIG, ICC Secretary General

a globally harmonized, digital trade environment. It envisions digital standards that enable seamless digital trade throughout the trade ecosystem, with end-to-end interoperability for exporters, shippers, ports and customs authorities, logistics providers, financiers, and importers.

This will translate into further resilience in trade finance and supply chain processes, increased productivity, the introduction of innovative services and products, and the United Nations (UN) Sustainable Development Goals (SDGs). This innovative and strategic technology to reduce the global trade finance gap, particularly among MSMEs.

In partnership with the International Chamber of Commerce, European Signatories, and the Asian Development Bank (ADB), the International Chapter of Commerce (ICC) Digital Standards Initiative (DSI) was launched in 2020. The DSI is focused on establishing

¹ ASEAN is a regional grouping comprised of Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Timor-Leste.

² CAREC is a regional grouping comprised of Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, the People's Republic of China, Tajikistan, Turkmenistan, and Uzbekistan.

³ SASEC is a regional grouping comprised of Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka.



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Thank You

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PANEL SESSION 2:

Correspondent Banking Challenges in the backdrop of elevated geo political risks

1:00 PM – 2:00 PM



Vin O' Brien

Director
ICC UAE

MODERATOR

PANEL SPEAKERS



Amna Hasan

Country Head Investment Banking
& Financial Institutions
Askari Bank



Ketevan Antidze

Chief Representative /
Head of the
Representative Office
Commerzbank AG



Zuzana Franz

Head of International Banking Sales III /
Director International Banking
ODDO BHF



Hasan Apaydin

International Trade &
Finance Specialist
ICC Turkiye



Ankita Pandey

Relationship Manager
Asian Development Bank

Session 4:

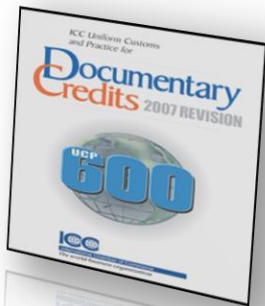
Trade Finance Case Studies

Vincent O' Brien
Director, ICC UAE





Case Studies ..shades of grey



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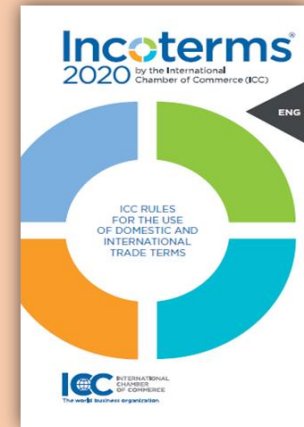
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ClF Rotterdam



“I will not pay as goods not delivered to Rotterdam”



Documents Comply – To Pay or Not to Pay ?

Bank in Georgia issued Irrevocable Letter of Credit **available by sight payment** with the same bank in Georgia.



Documents presented to the Bank in Georgia and upon examination they comply.

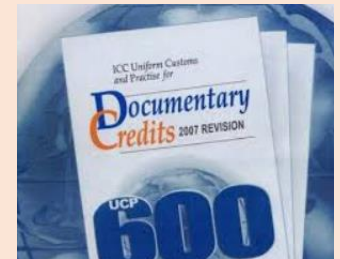
At the same time the same bank in Georgia received documentary collection which included bills of lading exactly the same as those presented under the letter of credit – ***strange but true!***

On checking with Carrier, the carrier confirmed in writing that none the Bills of Lading were ever issued by that Carrier or their agent.

Questions : 1) to pay or not to pay?
2) what to do!

Trade Fraud

FUN *da*mentals!



UNCONDITIONAL GUARANTEE

“We will only pay on condition”

SWIFT MESSAGE MT999

Importer in Georgia is importing an exotic plant from a country in Africa.

Exporter in Africa will only ship on receipt of advance payment but their bank will issue advance payment guarantee to the Georgian Importer before the advance payment needs to be made.

Advance payment guarantee issued by Bank in Africa.
Georgian Importer makes advance payment to African Exporter.

Exotic plant not shipped.

With no sign of shipment claim was made on Bank in Africa by MT999 SWIFT message with demand text exactly per wording of advance payment guarantee. Message has been proven to have entered African Banks SWIFT system before expiry of the African bank's guarantee. African bank guarantee expressly allowed for presentation by SWIFT MT999 in the event that the bank of beneficiary did not have SWIFT RMA with the guarantor bank.

Bank did not pay, arguments exchanged by SWIFT and then a bit later the guarantee expired.

Bank in Africa later said that the *“message was not received by the guarantee department **and in any event an MT999 is not an authenticated SWIFT message and not acceptable as a demand under URDG758** – anyhow the guarantee has now at this point long expired”*

Pay or not to pay – that is the question?



Presentation by Fax



Standby LC (ISP98) – USD3.0 M

*Standby LC called for
“Statement of Default stating...”*

Demand Made by “Statement of Default stating...”

Covering fax to bank said

*“We present via fax as there is problem with
couriers due to COVID lockdown & standby
expires tomorrow – we hope to submit
original statement of default by courier or by
hand”*

*BENEFICIARY PRESENTED ORIGINAL PAPER DOCUMENTS 12 DAYS AFTER
EXPIRY DATE OF STANDBY LETTER OF CREDIT*



Force Majeure : “Maybe Yes – Maybe No!”

USD11,000,000.00

European exporter shipping goods to Ukraine for almost 4 years (7 successful presentations and payment) under irrevocable confirmed documentary credits.

Credits confirmed by BIG EUROPEAN BANK and excellent track record on payments – so BIG EUROPEAN BANK was Nominated Bank and Confirming Bank.

EXPORTER NERVOUS THAT GOODS POSSIBLY MAY NOT BE DELIVERED DUE TO SITUATION IN UKRAINE.

Despite the delivery risk, the exporter still makes shipment of approximately USD 11,000.000.00 under Irrevocable Confirmed Documentary Credit.

Goods could not be delivered due to current and ongoing situation.

Documents presented to confirming bank – documents comply but Confirming Bank said

***“FORCE MAJEURE
completely beyond our control”***

Did they “Pay or Not Pay” – that is the question!

MINI CASE MONGOLIA – Read it ... Read it ...Read it?

BUYER IN MONGOLIA IS CONTRACTING WITH LARGE CONSTRUCTION CONTRACTOR FROM OVERSEAS TO DEVELOP COAL MINE.

OVERSEAS CONTRACTOR HAS TO PROVIDE ADVANCE PAYMENT STANDBY LC FOR 10% OF CONTRACT VALUE SO VERY LARGE BANK IN OVERSEAS COUNTRY ISSUES ADVANCE PAYMENT STANDBY IN FAVOUR OF BUYER. "EVERYBODY - - - - -"

STANDBY LC HAS OPERATIVE CLAUSE

'This standby LC becomes operative on payment of USD 5Million on account number 002020212 of overseas contractor with bank for agriculture in CERTAIN CITY'

What happened ...what went very very wrong?

EXAMINE THIS STANDBY WORDING



"BIG INTERNATIONAL BANK":

WE UNDERTAKE TO PAY THIS STANDBY FOR AN AMOUNT OF USD780,000.00 UNCONDITIONALLY TO YOU AGAINST YOUR COMPLYING DEMAND PROVIDED IT IS IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS STANDBY AND THE EXPRESS TERMS OF THE LEASING AGREEMENT NO 0808080 DATED 17 JUNE 2018.

IN THE EVENT OF ANY CONFLICT BETWEEN THIS STANBY AND THE LEASING AGREEMENT THE TERMS AND CONDITIONS OF THE OPERATIVE LEASING AGREEMENT WILL PREVAIL.

THIS STANDBY EXPIRES ON 30 SEPTEMBER 2022 - SUBJECT TO UCP 600 OF THE ICC"

UPAS LC CASE - UPAS

“DEVELOPMENT BANK Guarantee (SBLC) to Confirming Bank in support of all or part of Issuing Bank’s obligations in respect of an Eligible Instrument”

- 16 Jun 2021: DEVELOPMENT BANK RECEIVES SWIFT DEFAULT CLAIM



LC Payment Terms:
180 days from the
date of negotiation
BY CONFIRMING
BANK

*but beneficiary will
get payment at sight*

8. Docs Presented
triggering unconditio
undertaking of Issuir
Bank to reimburse.

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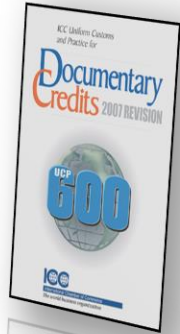
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The Oil Trader Case



**OIL TRADER
SELLER**
Beneficiary

DOCUMENTS REQUIRED:

THIS CREDIT IS AVAILABLE WITH UNICREDIT BANK AG, SINGAPORE AT FIXED PAYMENT DUE DATE ON 28 FEBRUARY 2020 AGAINST PRESENTATION OF THE FOLLOWING DOCUMENTS IN ONE ORIGINAL PLUS ONE COPY UNLESS OTHERWISE STATED:-

1. SIGNED COMMERCIAL INVOICE
2. FULL SET 3/3 ORIGINAL BILLS OF LADING ISSUED OR ENDORSED TO THE ORDER OF 'UNICREDIT BANK AG, SINGAPORE BRANCH' MARKED 'FREIGHT PAYABLE AS PER CHARTER PARTY'.
3. CERTIFICATE OF QUANTITY ISSUED OR COUNTERSIGNED BY INDEPENDENT LOADPORT INSPECTOR.
4. CERTIFICATE OF QUALITY ISSUED OR COUNTERSIGNED BY INDEPENDENT LOADPORT INSPECTOR.
5. CERTIFICATE OF ORIGIN.

**ISSUING BANK
SINGAPORE**
Issuing Bank

4. 29 November Issues conditional payment obligation (L/C)
“available with issuing bank by deferred payment fixed
Date of 28 February 2020 – AMOUNT USD37 MILLION
DOLLARS”

3. Assumes importer
credit risk and issues
LC.

2. 27 Nov 2019
Requests issuing of a
payment obligation
(L/C) in favor of seller

**13. IN THE EVENT THAT DOCUMENTS CALLED FOR ARE NOT AVAILABLE AT TIME OF PRESENTATION/NEGOTIATION,
PAYMENT WILL BE EFFECTED AGAINST:
(A) BENEFICIARY'S COMMERCIAL INVOICE.
(B) BENEFICIARY'S LETTER OF INDEMNITY DULY SIGNED BY AUTHORIZED SIGNATORY(S).**

**OIL TRADER
BUYER**
Applicant



1. Signs sales agreement

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WORDING ON COUNTER GUARANTEE

"SHORT IS GOOD"

"BIG BANK IN CHINA:

WE UNDERTAKE TO PAY TO YOU WITHOUT RESERVATION AND NOTWITHSTANDING ANY CONTESTATION FROM OUR PRINCIPAL OR ANY THIRD PARTY ANY SUM OR SUMS DUE FROM TIME TO TIME NOT EXCEEDING IN TOTAL THE AMOUNT OF MAXIMUM USD 10 MILLION US DOLLARS IN RESPECT OF ALL CONTRACT LIABILITIES PRIMARY OR SECONDARY.

PAYMENT WILL BE MADE UPON RECEIPT BY US OF YOUR FIRST DEMAND QUOTING OUR COUNTER GUARANTEE NO.INTGU007 IN WRITING OR BY AUTHENTICATED SWIFT-MESSAGE WHEREIN YOU STATE THAT YOU HAVE RECEIVED A CLAIM FROM THE BENEFICIARY WHICH IS WITHIN THE VALIDITY AND IS IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF LOCAL ADVANCE PAYMENT GUARANTEE AND A COPY OF THE BENEFICIARY'S CLAIM HAS BEEN MAILED TO US'

SUBJECT TO URDG758 OF ICC"

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**IN THE GENERAL DIVISION OF
THE HIGH COURT OF THE REPUBLIC OF SINGAPORE**

Kuvera Resources Pte Ltd

... Plaintiff

And

Suit No 57

JPMorgan Chase Bank, NA

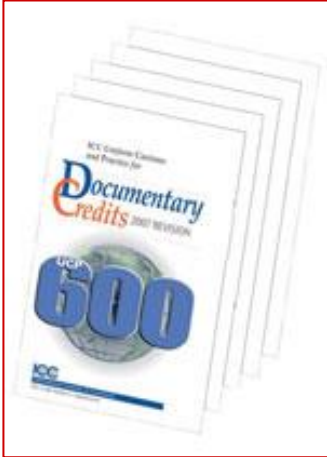
... Defendant

Conclusion

194 Considering the evidence in totality, I am satisfied that, if the defendant had paid the plaintiff against its complying presentation, OFAC would have held that doing so was a breach of the SySR. In any event, I am also independently satisfied that paying the plaintiff would have been a breach of the SySR. The defendant is therefore entitled to rely on the Sanctions Clause as a complete defence to the plaintiff's claim.



UCP U can pay!
UCP . ..U can pray!



UCP U Call Police !

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