European Bank
for Reconstruction and Development

ICC Banking Commission Technical Meeting
Tbilisi, Georgia, October 2018

Contact us

TFP website
www.ebrd.com/tfp

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

***Trade Exchange* is sponsored by**

Taiwan Business
EBRD Technical Cooperation Fund

tfp Trade Exchange

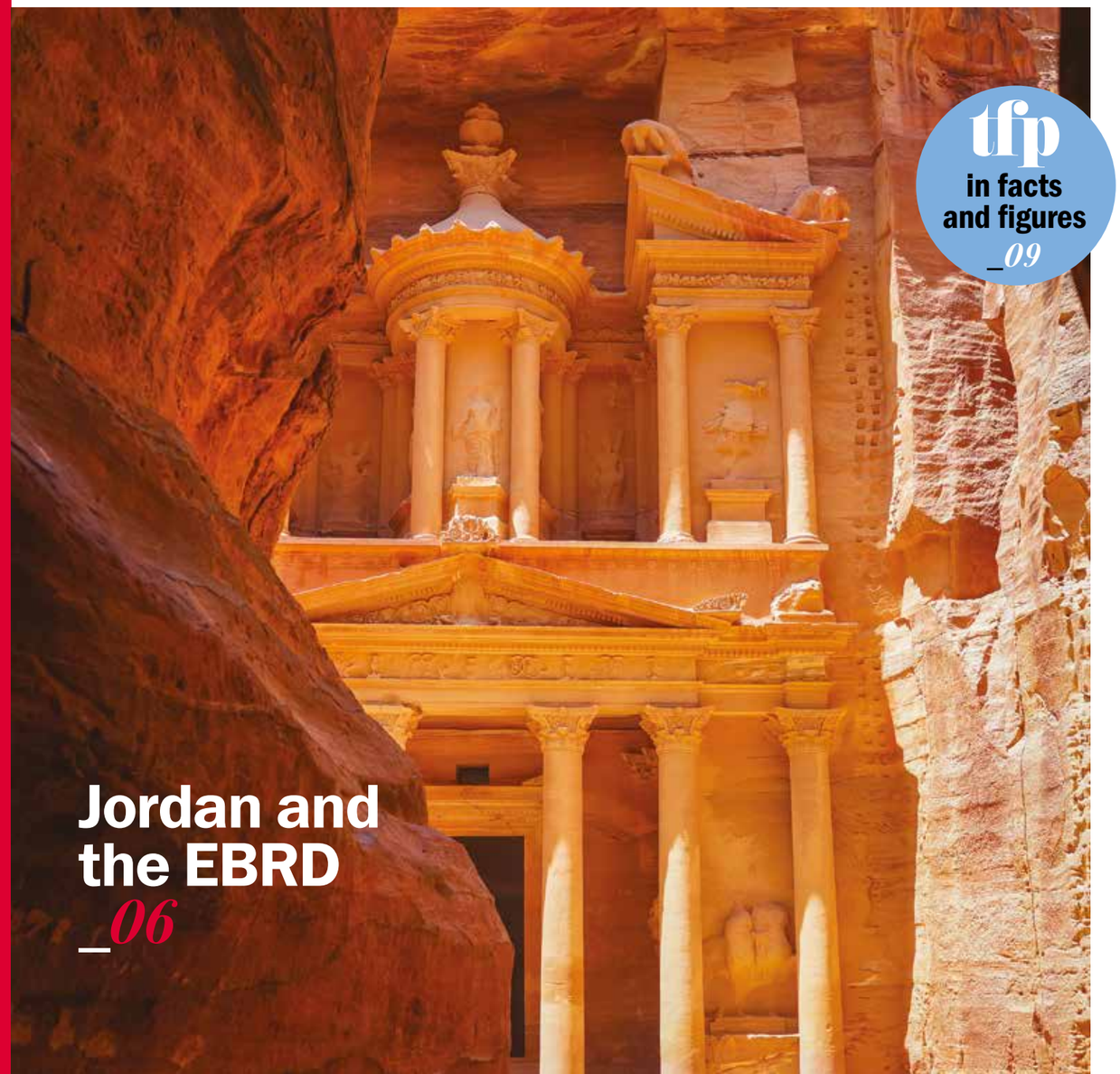
THE BIANNUAL MAGAZINE
ALL ABOUT THE EBRD'S
TRADE FACILITATION PROGRAMME

NEWS
A return to Uzbekistan
_04

IN DEPTH
Taiwanese LED street lights
_16

TRAINING
The Silk Road: reviving old trade links
_32

WINTER 2017/18



tfp in facts and figures
_09

Jordan and the EBRD
_06

YOUR TEAM

Executive Editor
Kamola Makhmudova
makhmudk@ebrd.com

Associate Editor
Ikbol Hakimov
hakimovi@ebrd.com

Editor
Hannah Fenn
fennh@ebrd.com

Picture Editor
Dermot Doorly
doorlyd@ebrd.com

Production Editor
Dan Kelly
kellyd@ebrd.com

Contributors

(in addition to those already acknowledged): Vincent O'Brien, Bo-Wei Jiang, Jenny Stephensen

Images: EBRD and image libraries

Designed by: Blackwood Creative – weareblackwood.com

Published by: EBRD Communications

One Exchange Square,
London EC2A 2JN
United Kingdom
Tel: +44 20 7338 6000
Fax: +44 20 7338 6100

Missed or misplaced *Trade Exchange*?

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

Subscriptions and *feedback*
www.ebrd.com

© EBRD 2018. All material is strictly copyright and all rights are reserved. Reproduction in whole or in part without the written permission of the EBRD is strictly forbidden. The greatest care has been taken to ensure accuracy of information in this magazine at the time of going to press, but we accept no responsibility for omissions or errors. The views expressed in this magazine are not necessarily those of the EBRD.

EDITOR'S LETTER

The year 2017 was exciting, but 2018 will be one to remember! The EBRD is extending new limits in Lebanon and West Bank and Gaza, and we will, as always, support green trade.

We will also be leading pioneering projects with trade finance colleagues to face challenges in correspondent banks and compliance relating to international trade. On page 22 you will find Bill Howarth, Executive President of the International Compliance Association, addressing this very issue in his article "International trade: a risky business?".

See page 10 for our round-up of the 2017 TFP Information Session and Awards Ceremony, along with the list of winning banks. The next such session and ceremony will take place in Jordan at the 2018 EBRD Annual Meeting in May. We expect to bring together representatives from issuing banks, confirming banks and co-financing partners under the TFP, trade finance associations and providers of trade finance services to join us.

On page 6 you can read what the EBRD has achieved in Jordan since it joined the Bank in 2011 and on page 18 you will find Thierry Senechal's summary of trade supply and demand in the southern and eastern Mediterranean (SEMED) region.

Check out the highlights from the 2017 TFP Forum in Vienna on page 26. A huge success, the forum was set against the backdrop of Vienna's Baroque streetscapes and imperial palaces. It was one of the most well-attended and stimulating forums we have had the pleasure of hosting, and it delivered exhilarating discussions and fantastic collaboration opportunities. Trade finance negotiations and pricing reviews were conducted while guests indulged in traditional Viennese hospitality. This year's forum will take place in Tbilisi and will be co-hosted by the EBRD and ICC Banking Commission.

Elsewhere in this edition our Taiwanese colleagues enlighten us on the benefits of LED street lighting as a replacement for mercury street lights. Don't miss it!

Our trade finance clinic remains the most popular section of the magazine and our trade finance crossword is still the only official trade finance puzzle in the world! Have a go – you'll find it on page 33.

With my warmest regards,

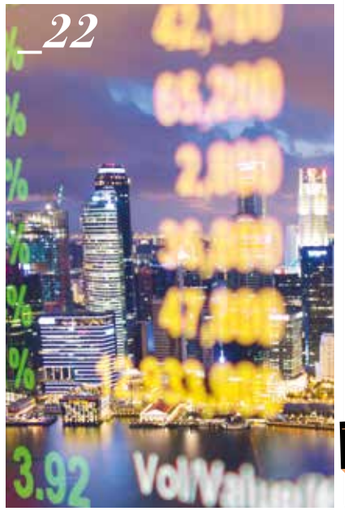
The TFP team and Kamola Makhmudova, Senior Banker, Financial Institutions Team @KMakhmudova.

Disclaimer
Terms and names used in this publication to refer to geographical or other territories, political and economic groupings and units, do not constitute and should not be construed as constituting an express or implied position, endorsement, acceptance or expression of opinion by the European Bank for Reconstruction and Development or its members concerning the status of any country, territory, grouping and unit, or delimitation of its borders, or sovereignty.

INSIDE *THIS* ISSUE

NEWS
_04-08
Learn what the EBRD has been up to in Jordan, Tunisia and Uzbekistan.

IN DEPTH
_10-25
How do you reduce the risks of international trade? And how has trade performed in the southern and eastern Mediterranean? Find out here.



TFP BRAIN *TEASERS*
_33-35

TRAINING
_26-35
The EBRD hosted an unprecedented forum to revive trade links along the old Silk Route. Plus, as always, test your trade finance knowledge with our trade finance clinic.

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**

Jenny Stephensen
Tel: +44 20 7338 6136
Email: stephenj@ebrd.com

Kellie Childs
Tel: +44 20 7338 6991
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

Trade Exchange is sponsored by
Taiwan Business
EBRD Technical Cooperation Fund

European Bank for Reconstruction and Development

European Bank for Reconstruction and Development (EBRD)
One Exchange Square
London EC2A 2JN
United Kingdom
Tel: +44 20 7338 6000
Fax: +44 20 7338 6119

© All figures are for 2017.

NEWS *UPDATE*

SMALL BUSINESSES

A return to Uzbekistan

EBRD financing to support trade and small local businesses

Demonstrating the EBRD's return to active support in Uzbekistan, the Bank is providing a major boost to local small and medium-sized businesses in the country, as well as to domestic importers and exporters.

Under the Bank's TFP, a trade finance facility of up to US$ 30 million is being made available to the country's largest financial institution, the National Bank for Foreign Economic Activity of Uzbekistan (NBU). The facility is part of a larger US$ 100 million financing package that also includes a US$ 70 million credit line to support micro, small and medium-sized enterprises across Uzbekistan. In addition, the Bank signed TFP limits with Ipoteka Bank for US$ 10 million and Hamkorbank for US$ 5 million.

The trade finance facility with NBU will help to support import and export transactions, further develop correspondent banking services and strengthen its trade finance product range.

And with 93 branches throughout the country, NBU will be well placed to provide much-needed financial resources to smaller businesses, especially in rural areas, by on-lending the EBRD funds to eligible companies that aim to grow their business.

EBRD First Vice-President Phil Bennett said: "We welcome NBU to the family of partner banks working with us in the economies where we invest. I am confident that our credit lines and financial know-how will help this institution become strong, resilient and active in supporting Uzbekistan's economy. At the same time I am also convinced that access to new funds will strengthen and deepen the growth of Uzbek companies and help them to realise their potential."

> **"The financial assistance and capacity building of the EBRD will be a great asset to the Uzbek economy."**
>
> *Sukhrob Kholmuradov, NBU Chairman of the Board*

NBU Chairman of the Board, Sukhrob Kholmuradov, expressed his deep conviction that signing the agreement between the NBU and EBRD marked the start of a mutual cooperation on new projects which would help develop the SME sector in Uzbekistan. "The financial assistance and capacity building of the EBRD will be a great asset to the Uzbek economy," he added.

The EBRD is the largest institutional investor in Central Asia, with close to €11.6 billion (US$ 12.3 billion equivalent) committed to projects in a variety of sectors, from infrastructure to agriculture, with a focus on private sector development.

Between 1992 and 2010 the EBRD invested €894 million in Uzbekistan in 54 projects and its current portfolio stands at €8 million. Entering a new stage of engagement in the country, the Bank has already identified a number of possible new projects to be signed in 2018. •

INTRA-REGIONAL TRADE

Boosting trade in Tunisia

US$ 10 million trade finance line to UIB

The EBRD is helping Tunisia expand international and intra-regional trade by providing a US$ 10 million trade finance line to Union Internationale de Banques (UIB), a subsidiary of Société Générale.

The trade finance line will allow UIB to issue guarantees in favour of confirming banks and provide cash financing for pre-export and post-import financing as well as for local distribution.

Technical cooperation projects will accompany this trade finance facility, to transfer know-how and share best practices in trade finance.

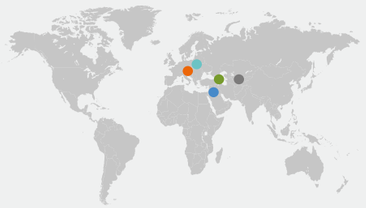
Antoine Sallé de Chou, Head of the EBRD office in Tunisia, said: "We are very pleased to welcome UIB to our Trade Facilitation Programme, which will boost cross-border trade in the country, reaching out to Tunisian exporters and importers as well as contributing to overall economic growth."

Kamel Neji, UIB General Director, said: "It is a great pleasure for UIB to sign this trade finance line agreement with the EBRD and to participate in its Trade Facilitation Programme. This second deal expands our partnership with the EBRD and is in line with our ambitious growth strategy for the corporate and SME market for 2017-20.

It will allow us to raise to a new level our recognised expertise in trade finance and our support for companies expanding their international trade. It will benefit our current and future clients, as well as the Tunisian economy."

Since September 2012, when EBRD operations began in Tunisia, the Bank has invested €364 million through 25 projects in the country. Supporting the regional development of the country outside Tunis is a special priority for the Bank and the EBRD therefore opened a second office in October 2016, in Sfax. •

> **"This second deal expands our partnership with the EBRD and is in line with our ambitious growth strategy for the corporate and SME market for 2017-20."**
>
> *Kamel Neji, UIB General Director*



BUILDING ECONOMIES

Developing Jordan

Jordan joined the EBRD at the end of 2011. Here we give an overview of what the Bank has achieved there so far

Jordan has been at the forefront of the EBRD's activities in the southern and eastern Mediterranean (SEMED) region. In just five years the Bank has committed US$ 1 billion to 38 projects that cover sustainable energy, financing for small businesses, infrastructure reform and economic inclusion. As part of its aim to promote an open market economy, the Bank has 87 per cent of its investments in the private sector.

RENEWABLE ENERGY

The EBRD began engaging in Jordanian renewable energy in 2012 by way of policy dialogue with the government. At that stage Jordan imported 97 per cent of its energy, so the Bank's aim was to help the country address energy shortages by using a clean energy source it abounds in – sunlight.

In 2014 the EBRD helped finance the country's first solar power plant. Our US$ 25 million loan, along with a parallel loan by the US Overseas Private Investment Corporation (OPIC), helped build a 20 MW solar photovoltaic power plant south-east of the southern city of Ma'an.

Also in the Ma'an governorate, in 2016, we helped finance the first wind project under the first round of Jordan's renewable energy feed-in tariff programme. It will increase the country's installed wind capacity by around 40 per cent.

Our involvement in renewable energy development continues to strengthen. By September 2017 we had financed eight utility-scale renewable projects in Jordan, and raised the cumulative installed capacity of EBRD-financed power projects to more than 1,000 MW, of which 300 MW comprised renewables. Jordan's solar programme is completing its second round and the country is a regional leader in the deployment of renewable energy.

INFRASTRUCTURE

Infrastructure projects are another EBRD focus. With more than a million refugees swelling the population to 9 million and testing Jordan's municipal services, the EBRD has put in place an imaginative municipal infrastructure investment framework, covering Jordan, Turkey and Lebanon. It allows the EBRD to help improve services such as wastewater and solid waste handling and, unusually, offers up to 50 per cent of grants, in effect enabling donors to support the government to provide affordable basic services.

Working with Jordan's Ministry of Water and Irrigation, the EBRD has financed two large pipelines taking wastewater to the country's biggest treatment plant at As-Samra, which serves half the population. In Irbid, Jordan's second largest city, a project under preparation will create a network for first-time wastewater connections for 100,000 people.

> "We have delivered important achievements in building a resilient and green economy."
>
> *Heike Harmgart, EBRD Regional Head for the Eastern Mediterranean*

ACCESSING FINANCE

The EBRD helps to ease problems that micro, small and medium-sized enterprises (MSMEs) face when trying to access finance. These MSMEs, which comprise 95 per cent of all active firms in Jordan, provide 70 per cent of total private sector employment and generate 40 per cent of GDP. Nurturing them is vital. The EBRD provides loans to Jordanian banks for on-lending to MSMEs, and trade finance lines to boost international and intra-regional trade.

A US$ 4 million facility with a microfinance institution, MicroFund for Women, has since 2015 provided small loans to Jordanian women entrepreneurs. In 2017 the facility was replenished with an extra US$ 2 million and in a first for banks and microfinance institutions, this facility is available to refugees, whose households are often headed by women needing to earn their own living.

US$ 1bn

has been committed to projects that cover sustainable energy, financing for small businesses, infrastructure reform and economic inclusion.

As part of our economic inclusion programme, an EBRD-financed mall in Amman's Abdali development included a training centre for young Jordanians wanting to work in shops and hotels. The centre is also open to Syrians, some of whom have found jobs.

And to support sustainable tourism, the Bank partnered with the United Nations World Tourism Organization to develop the sector based on responsible and sustainable planning.

The Bank also invested in the Ayla Oasis Project, a residential and commercial waterfront development. It is designed to use renewable energy produced on site which will lead to significant energy and water savings as well as reducing carbon emissions. The project is accompanied by training for young people and women, and transferring know-how to the local hospitality sector.

Heike Harmgart, the EBRD Regional Head for the Eastern Mediterranean, said: "Together with the Jordanian authorities and the private sector we have delivered important achievements in building a resilient and green economy and I look forward to concluding more investments across all sectors."

Future events

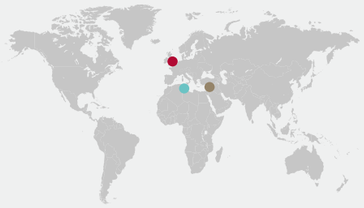
Trade Finance e-Learning Graduation Ceremony
21 MARCH 2018
MINSK, BELARUS
Contact Anna Brod at broda@ebrd.com for more information.

Financing trade finance with the EBRD – Uzbekistan
18 APRIL 2018
TASHKENT, UZBEKISTAN
Correspondent banking networking event.
Contact Ikbol Hakimov at hakimovi@ebrd.com for more information.

TFP Annual Event and Awards Ceremony
10 MAY 2018
DEAD SEA, JORDAN
Contact Zammo Salam at salamz@ebrd.com for more information.

ICC Austria Trade Finance Week
18-22 JUNE 2018
VIENNA, AUSTRIA
This is an excellent networking opportunity with 500 leading trade finance experts from various sectors and 50 countries.
Contact Eleonore Treu at e.treu@icc-austria.org for more information.

ICC Banking Commission Technical Meeting
OCTOBER 2018
TBILISI, GEORGIA
Banking Commission task forces and working groups gather to discuss technical topics related to bank guarantees, anti-money laundering and compliance, supply chain finance, factoring, forfaiting, legal issues and regulation.
Contact Marco Nindl at nindlm@ebrd.com for more information.



EBRD TFP Trade Finance Forum

Check out our video!

See page 26 for more.

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

INVESTING IN SEMED

Lebanon, Gaza and West Bank

The EBRD is extending its activities to Lebanon and the West Bank and Gaza.

The Bank will contribute to the development of Lebanon's economy through investments and advisory services. It will support international trade, private sector competitiveness, promote the sustainable supply of energy, and enhance the quality and efficiency of public service delivery.

In the West Bank and Gaza the EBRD will work for an initial period of five years to support the development of the economy with investments through a trust fund.

Operating from the EBRD office in Amman, the Bank will provide support for private sector competitiveness and innovation, increasing access to finance for micro, small and medium-sized enterprises, fostering a sustainable supply of energy and promoting private sector participation in energy efficiency and infrastructure.

Lebanon, West Bank and Gaza are part of the EBRD's southern and eastern Mediterranean (SEMED) region, which also includes Egypt, Jordan, Morocco and Tunisia, where the EBRD has been investing and engaged in policy reforms since 2012. •

See page 18 for more about trade in the SEMED region.

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-December 2017

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

21,600+
TOTAL NUMBER OF TRANSACTIONS SINCE 1999

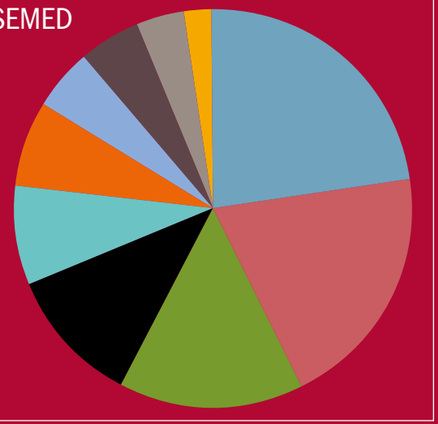
€15.3bn
TOTAL TRANSACTION VALUE SINCE 1999

Union Bank signing, Albania, November 2017

TOP 10
confirming banks 2017

	Bank	Country
1	Commerzbank	Germany
2	ING Bank	Netherlands
3	Unicredit Bank	Italy
4	Citibank Europe	UK
5	Deutsche Bank	Germany
6	Banca Popolare di Sondrio	Italy
7	KBC Bank	Belgium
8	ODDO BHF	Germany
9	UBS	Switzerland
10	Intesa Sanpaolo	Italy

Top 10 sectors supported in SEMED



100+
NUMBER OF ISSUING BANKS IN 26 COUNTRIES

TFP Annual Event and Awards Ceremony 2017

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 2017 TFP Event and Awards Ceremony took place on 9 May 2017 in Cyprus, the day before the EBRD Annual Meeting and Business Forum.

Opening the event, Nick Tesseyman, EBRD, said: "Over the last 17 years the TFP has gained recognition and appreciation from the industry and from its clients. The TFP has created a social network, developed trade finance training for small and medium-sized enterprises, supported new ICC national committees and introduced the Green TFP programme. These new projects and products play a key role in supporting the growth of trade finance and accessibility to finance for the small- and medium-sized firms which are so crucial to job creation, in addition to helping create greater equality of opportunity across societies."

The event attracted over 300 bankers and trade finance specialists. Awards were presented by EBRD management and Ambassador David Yung-Lo Lin, Head of the Taipei Representative Office in the United Kingdom.

Ambassador David Yung-Lo Lin, Head of the Taipei Representative Office in the UK

Boryana Ivanova Mustafa of NLB Banka Kosovo and Maria Mogilnaya, EBRD

Nick Tesseyman of the EBRD presents Evy Passa of the National Bank of Greece with the award for Most Active Issuing Bank in Greece

Panel discussion on the development of trade finance

Michalis Louis, Eurobank Cyprus

Mark Auboin (WTO), along with Karina Saroukhanian and Rudolf Putz of the EBRD

It was one of our most successful event and awards ceremonies

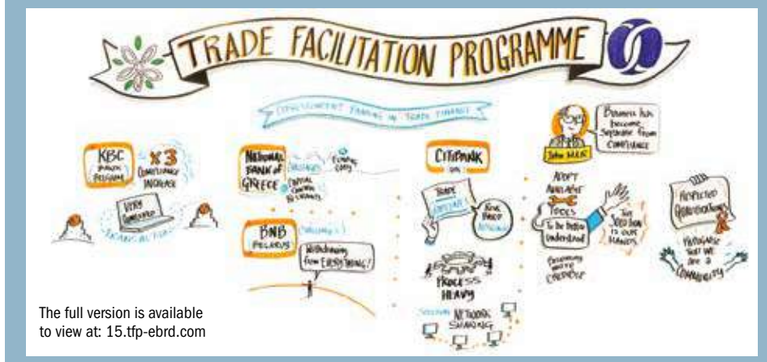
EBRD organisers: Kamola Makhmudova, Olga Moiseenko, Anastasiya Sarokina, Stalo Georgiou

WHAT PEOPLE SAID

"World trade growth may have slowed relative to pre-crisis levels, but trade continues to grow in emerging economies. Local financial institutions will need continued support from multilateral institutions."

Marc Auboin
World Trade Organization

EBRD TFP award winners



The full version is available to view at: 15.tfp-ebrd.com

Anna Brod, EBRD, chats with attendees

John Hourican, Bank of Cyprus

WHAT PEOPLE SAID

"This was the EBRD at its best, promoting growth through trade finance. Great event today."

Jean-Marc Peterschmitt,
EBRD

WHAT PEOPLE SAID

"Citibank was delighted to take part on the panel and talk about recent regulatory challenges that confirming banks face these days. Our cooperation with the TFP will continue and we hope to see Citi heading for the top of the TFP confirming banks list soon!"

Can Sutken
Citibank

Fadi Marie, Bank al Etihad, and Nick Tesseyman, EBRD

TFP AWARDS 2017

Most active TFP issuing banks and confirming banks in 2016, by number of transactions

Most active issuing bank in Armenia
Ardshinbank

Most active issuing bank in Azerbaijan
AccessBank

Most active issuing bank in Belarus
Priorbank

Most active issuing bank in Bulgaria
UBB

Most active partner bank in Croatia
PRIVREDNA BANKA ZAGREB

Most active issuing bank in Cyprus
HELLENIC BANK

Most active issuing bank in Egypt
CIB BANK TO TRUST

Most active issuing bank in FYR Macedonia
komercijalna banka ad skopje

Most active issuing bank in Georgia
BANK OF GEORGIA

Most active issuing bank in Greece
NATIONAL BANK OF GREECE

Most active issuing bank in Jordan
Bank al Etihad

Most active issuing bank in Kosovo
NLB

Most active issuing bank in the Kyrgyz Republic
DemirBank

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
Bancpost

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
Şekerbank

Most active issuing bank in Ukraine
Raiffeisen BANK AVAL

Most active confirming bank
COMMERZBANK

Best Intra-Regional Trade Transaction in 2016
Bank of Cyprus

Guarantee covering the construction and delivery of a composite floating dock from Ukraine to Cyprus.

Best Green Trade Finance Transaction in 2016
BANK OF GEORGIA

Guarantee covering the import of electrical and mechanical equipment from France for the Dashbashi power plant in Georgia.

Environmental and Social Excellence Award
VOJVOĐANSKA BANKA

Academic Excellence Award e-Learning
QNB ALAHLI

Local Currency Deal of the Year
DemirBank

Import of confectionery from Kazakhstan into the Kyrgyz Republic (Kazakh tenge 92.6 million)

John Mair, EBRD

WHAT PEOPLE SAID

"This event beautifully pieced together trends in trade finance, insurance, trade, economic developments and trade law to create a coherent picture of challenges trade finance faces today."

Alexander Plekhanov,
EBRD

Hans-Joerg Krohn and Holger Kautzky of Commerzbank receiving the award for Most Active Confirming Bank

Vincent O'Brien, ICC and Ahmed Benyahya, BMCE Bank of Africa, Morocco

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

WHAT PEOPLE SAID

"The people, colleagues and friends who attended the TFP event passionately care for their business and their clients. It is admirable how the EBRD manages to connect so many open-minded and recognised experts."

Joachim von Hänisch
KYC Compliance Services

The panel on Green TFP - Trade Finance Solutions for an Energy Efficient Environment

WHAT PEOPLE SAID

"I was very pleased to be with the EBRD team for the two days in Cyprus. The dynamics were superb and the annual awards ceremony really impressed me. This is creating amazing links within the industry."

Thierry Senechal
Finance for Impact

Hossam Rageh, Commercial International Bank Egypt, with Nick Tesseyman, EBRD

David Sargsyan and Armen Abajyan of Ardshinbank, Armenia receive their award

Mona Badry of QNB Alahli, Egypt, receives the Academic Excellence Award from David Bischof, ICC Paris, and Nick Tesseyman, EBRD

Academic Excellence Award

Maximilian Burger-Scheidlin of ICC Austria with Marco Nindl of the EBRD

STREET LIGHTING
THE TAIWANESE WAY

Switching from mercury vapour to LED street lights reduces pollution and improves efficiency

As the sun sets and the light fades, street lights the world over flicker on to light up the dark. In many countries these street lights use mercury vapour, which is highly toxic. But on the streets of Taiwanese cities, this illuminated night-time scene is made entirely of LED street lighting.

Street lights, the ubiquitous elements of the urban environment, have commonly been using vaporised mercury to produce light. However, this method is not very energy efficient and can cause pollution; when damaged the lights contaminate the environment by releasing a toxic gas.

Therefore the global trend is to replace mercury street lights with LED ones, which not only improve the life of bulbs and reduce carbon dioxide emissions by using less electricity, but they also make it safer for road users and pedestrians, as they have superior luminosity.

LEADERS IN LED STREET LIGHTING

Launching their "Mercury Street Sunset Plan" in 2015, the Taiwanese have been among the first in the world to replace all of their mercury vapour street lights with LED ones.

The high-tech island has 1.27 million LED street lights in use. As a result, power consumption is estimated to have decreased by 0.9 billion kilowatt-hours each year, with the reduction of 470,000 metric tonnes of carbon dioxide emissions. What is more, the power saving rate has been increased to 70 per cent, and hundreds of millions of US dollars have been saved in electricity costs and maintenance fees.

The Taiwanese LED street lighting industry also has the advantage of being built with Taiwanese technology, which can provide multi-functional and customised products and services. Furthermore, the Taiwanese supply chain of LED street lighting is complete, resulting in lower costs and a faster production cycle, which makes the price-performance ratio very high.

GOING SMART

But for this high-tech island, going green is not enough – LED street lighting is going smart as well.

Smart lamps can provide lighting and collect data at the same time. Based on a smart monitoring system that is capable of controlling lighting and measuring flows of people, smart lamps can even monitor temperature, humidity and air quality, all of which are valuable to data analysis and research.

The Taiwanese smart street light system is supported by domestically developed technology. Using a wireless sensor network, the system can automatically adjust light intensity according to changes in daylight and traffic volume. Furthermore, the smart design is capable of providing real-time data about its functional status so that timely repair can be carried out whenever malfunction occurs.

Cities are going smart with highly efficient street light, advanced monitoring and remote control systems. The integrated "LED plus" can provide even more functions; for example, lighting poles can be used to host an array of sensors, monitors and cameras that will then link up with wifi to provide PM2.5 (particulate matter), smoke, parking violation, theft and trespassing detection, litter monitoring, licence plate recognition, water level monitoring and facial recognition. The resulting advantages are integrated energy savings, environmental quality control, local tourism promotion, traffic guidance and disaster prevention.

So far 20,000 Taiwanese smart LED street lamps have been installed in several counties as field-test models. The island intends to develop an international benchmark for such lights.

1.27 million
LED street lights in use.

TAIWANESE SOLUTIONS

With the growing awareness of sustainable development, there is now a global trend to adopt environmentally friendly applications. Due to the eco-friendliness, high capacity, high efficiency, and standardised power supply specifications and colour temperature of these lights, Taiwanese LED street lighting is very competitive and advantageous globally.

The Taiwanese lights have also been exported to more than 20 countries, with North America accounting for 30 per cent of the market share; the island plays host to many prestigious international LED lighting companies such as Leotek, Delta Electronics, Mean Well and Everlight. In 2017 Leotek won an open bid for supplying over 100,000 LED street lamps in Jordan.

As Taiwanese LED street lights and electric power supplies gain increasing recognition, it is expected that Taiwanese LED lighting will help to solve energy efficiency problems faced by the economies where the EBRD invests. •

20,000
Taiwanese smart LED street lamps have been installed in several counties as field-test models.

For more information please visit:
LED Inside: www.ledinside.com.
Industrial Technology Research Institute (ITRI): www.itri.org.tw

TRADE COMPETITIVENESS *IN SEMED*

Thierry Senechal, CEO of consultancy firm Finance for Impact, gives an overview of trade performance in the southern and eastern Mediterranean (SEMED) region

JORDAN

Jordan has been hit by a regional crisis of unprecedented magnitude, which has negatively affected the capacity of firms to conduct cross-border trade. Jordan's exports and imports have declined recently, with the trade deficit reaching US$ 11.5 billion in 2016.

Still, the business environment remains resilient, mostly because Jordan has successfully launched business reforms. For instance, it has improved its credit information system, established a private credit bureau, modernised its customs administration and introduced efficient cross-border trade processes. As a result, Jordan has managed to maintain GDP growth above 2 per cent in the past three years.

Time and cost to import and export in Jordan remain far below the SEMED average. For example, in 2016 it took three documents to complete normal export processing and six documents for a normal import processing. Jordan's ranking in The World Bank Logistics Performance Index also improved from 102th position in 2012 to 67th in 2016, putting it in the category of a "logistically friendly country".

Historically, Jordan has been considered a natural hub for transit trade in the region. However, transit trade between Jordan and neighbouring countries is now more difficult because of border closures. Anecdotal evidence suggests that about 5,000 trucks used to make the Jordan-Syria cross-border trip each month before the Syrian uprising; that number has now plummeted to 100.

To service the trade community, Jordan offers a diversified and well-performing banking system that includes 25 banks (16 Jordanian and 9 foreign). The total number of branches is 18.3 per 100,000 adults, which is in line with the average for the region. The bank's total assets-to-GDP ratio (169.7 per cent) is the fourth highest among selected Arab countries after Qatar (516.9 per cent), Lebanon (340.1 per cent) and United Arab Emirates (198.7 per cent).

While lending has increased over time, the focus remains too much on households. The credit facilities extended to small and medium-sized enterprises (SMEs) only reached 8.7 per cent in 2016 (of all credit facilities), whereas the SEMED region's average is around 20.0 per cent. The percentage of firms accessing the banking system to finance working capital is 26.1 per cent, below the figure for Morocco (49.3 per cent) or Tunisia (44.7 per cent).

Jordan's total trade finance portfolio was estimated at about US$ 8 billion in 2016, or about 25-30 per cent of the total volume of cross-border trade for the same year. About 60 per cent of trade finance is provided by three commercial banks, with each of them having a trade finance portfolio of more than US$ 1 billion. "Plain vanilla" trade finance is available in most banks, for example letters of credit (L/Cs), guarantees, standby letters of credit and bills of collection, but modern supply chain finance solutions are not (or are rarely) part of the offering.

TUNISIA

Tunisia's economy has for the last few years been evolving against a backdrop of protracted political transition and a difficult international economic environment. GDP growth has remained modest (0.8 per cent in 2015 and 1.3 per cent in 2016) due to slower activity in the manufacturing, tourism and mining sectors. Unemployment remains high for women (22 per cent), young graduates (30 per cent) and youth (35 per cent).

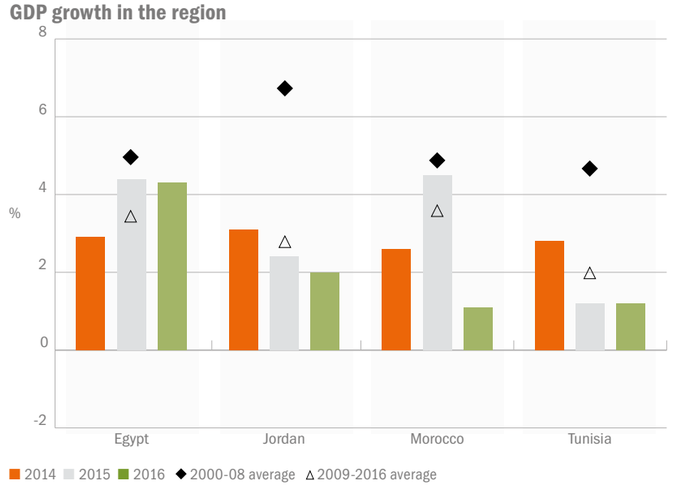
In terms of trade performance, buoyant imports – especially for energy, capital goods and raw materials for the textiles and auto sectors – along with declining exports for some agricultural products widened the current account deficit. Transit trade with neighbouring countries also declined. Exports to Libya, of mostly agricultural products, construction material, steel and consumer goods, significantly dropped since 2011; imports, consisting mostly of oil and related products, have almost halted.

The Tunisian banking sector is quite dense and comprises a large number of commercial banks and other financial institutions. Currently there are 23 banks (three public), one offshore bank, two investment banks, eight leasing firms and two factoring firms for 11 million inhabitants. In past years, the banking sector has shown mixed financial results, suffering from the combination of post-revolution instability, Europe's anaemic growth and sustained security risks. The level of non-performing loans (NPLs) remains a challenge; NPLs comprised about 17 per cent of total loans at the end of 2016 and many banks still keep on their books a significant number of loans from the troubled tourism industry.

There is also a continuing bank liquidity problem, with most financial institutions relying on central bank funding as credit growth remains higher than deposit growth. As evidence of these liquidity constraints, there is a persistently low deposit-to-GDP ratio (58.6 per cent in 2015), far below the ratios in Morocco and Jordan. Furthermore, customer deposits are insufficient to fund the system's loan portfolio growth.

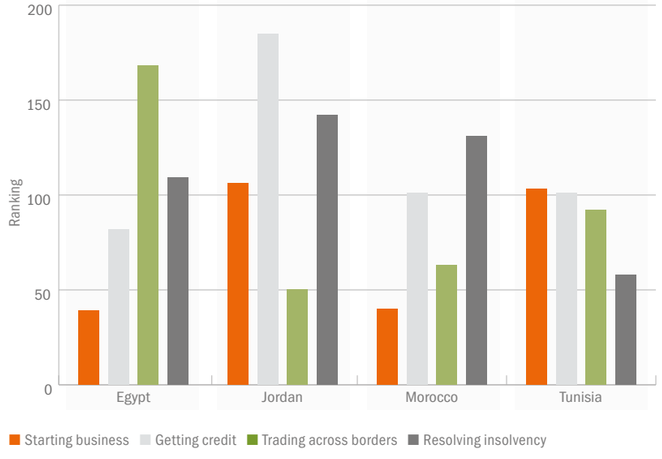
Tunisia's total trade finance portfolio was estimated at about US$ 7 billion in 2016. Most commercial banks offer trade finance tools, and of these the import L/C is the most widely used to facilitate the import of large volumes of goods. Of the total trade finance portfolio, the import L/C represents 34.7 per cent (against 9.5 per cent for the export L/C). International guarantees (inward and outward) are also typically used in cross-border transactions, as well as collections.

GDP growth in the region



Sources: EBRD and World Bank

Trade performance in the SEMED region



Sources: EBRD and World Bank

MOROCCO

The Moroccan economy depends heavily on weather conditions. After a record cereal production in 2015, Morocco suffered a severe drought in 2016. As a result, agriculture production (representing almost 15 per cent of Morocco's GDP),

Continued on p20

Continued from p19

contracted by around 10 per cent and dragged the overall GDP growth down to 1.1 per cent in 2016. Exports remained stable, reaching US$ 22.8 billion in 2016 (against US$ 22 billion in 2015), but imports moved from US$ 37.6 billion in 2015 to US$ 41.7 billion, thus increasing the trade balance deficit.

Although Morocco has reduced barriers to trade by liberalising controls in the last 10 years, there is still a substantial level of protection, excessive formal protocols and bureaucracy leading to long wait times for cross-border trade. According to the World Bank's Doing Business surveys, Morocco's ranking for trading across borders significantly deteriorated between 2014 and 2016, moving from 31st to 63rd (out of 190 economies).

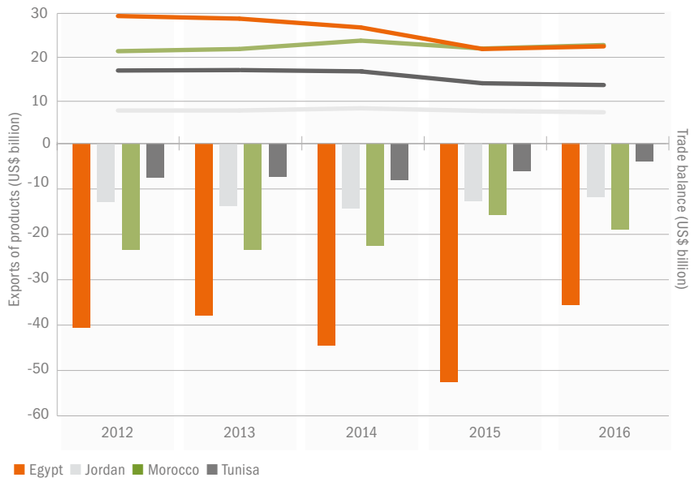
The enforcing of contracts and the resolution of insolvency remain two major impediments to trade development in Morocco. According to the World Bank's *Doing Business* 2017 report, it takes 510 days on average to enforce a contract in the case of a dispute at the cost of 25.2 per cent of the claim. Insolvency proceedings involving domestic legal entities are lengthy and costly; on average, it takes 3.5 years to resolve insolvency, with the recovery rate being 28.1 cents to the dollar. The World Bank Logistics Performance Index also showed Morocco's ranking dropping from 50th in 2012 to 86th in 2016 (out of 160 countries), putting it in the category of "partial performance of logistics providers".

Morocco's financial system is bank dominated and highly concentrated. There are 83 financial institutions, including 19 universal banks with total assets of about 140 per cent of GDP. The top three banks – Banque Centrale Populaire (BCP), BMCE Bank and Attijariwafa – account for over two-thirds of banking assets and deposits.

The banking system is characterised by its openness to international markets, which is reflected both by the presence of foreign institutions in Morocco and Moroccan banks abroad. Morocco's institutions include some of Africa's largest banks, and several have become major players on the continent and continue to expand their footprint. For instance, BCP and Attijariwafa cover 11 and 10 countries in Africa, respectively. BMCE Bank has become the second largest banking group in Africa, with a presence in 20 countries.

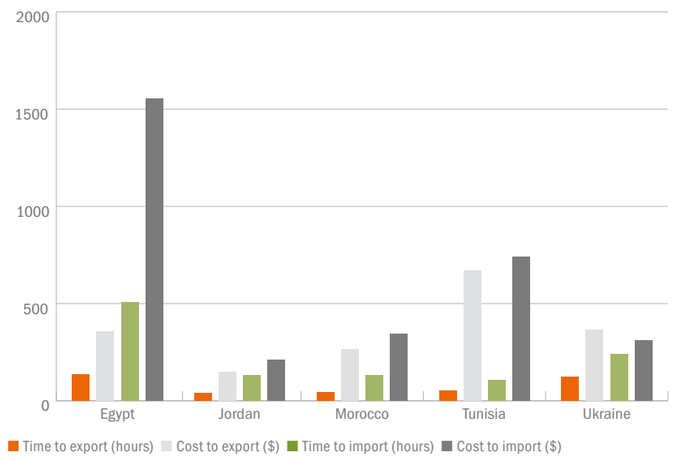
Moroccan banks are adequately capitalised and profitable, mainly due to large interest rate margins, low operating costs, and rising fees and commissions. There is no overall capacity constraint. Short-term liquidity is said to be abundant in the largest trade finance banks, in line with the favourable risk profile of the industry. The usual range of traditional trade finance products and services is available to corporates to support their cross-border transactions, including L/Cs, bank guarantees, standby L/Cs, performance bonds, short-term import and export loans, open account and supply chain finance services.

Exports and trade balances 2012-16



Source: ITC

Time and costs of cross-border trade, 2016



Source: World Bank

EGYPT

The government has been implementing a bold and transformational reform programme aimed at boosting the economy and enhancing the country's business environment. Despite the government's current efforts, social conditions remain a concern; inflation caused by the currency flotation, energy subsidy reform and other food price shocks have significantly affected Egyptian households, especially the poor and the vulnerable segments of the population. Unemployment continues to be high at 12.7 per cent in 2016, and rates are higher among the youth and women. The sharp increases in inflation (10.2 per cent and higher for food) have negative short-term effects.

As the SEMED country with the highest GDP (US$ 332.3 billion), Egypt's cross-border trade is comparatively low (in 2016, exports and imports reached US$ 24.6 billion and US$58.7, respectively). The European Union remains a strong partner and bilateral trade with the EU more than doubled between 2004 and 2016, reaching its highest level in 2016 (from €11.8 billion in 2004 to €27.3 billion in 2016).

But there are significant barriers to trade in Egypt. According to the World Bank's Doing Business surveys, Egypt's ranking for trading across borders significantly deteriorated between 2014 and 2016, dropping from 99th (out of 190 economies) to 168th. There are many reasons for this drop, such as the lengthy time needed for, and high costs of, importing goods and services – 505 hours and US$ 1,554 for a standard transaction in 2016, respectively, against an average of 123 hours and US$ 432 for a similar transaction in the three other SEMED countries.

> **"The banking system is characterised by its openness to international markets, which is reflected both by the presence of foreign institutions in Morocco and Moroccan banks abroad."**
>
> *Thierry Senechal*
> *www.finance-for-impact.com*

There are 38 banks registered in Egypt. The National Bank of Egypt, Banque Misr and Banque Du Caire, the three largest public banks, control 40 per cent of the banking sector. Bank assets increased by 27.4 per cent between October 2015 and October 2016. The corporate sector accounted for 57.9 per cent of total credit facilities, while household deposits acquired 61.78 per cent of total deposits at the end of October 2016. Return on average assets and equities posted 1.5 per cent and 24.4 per cent, respectively, and a net interest margin of 4.0 per cent for 2015. The ratio of NPLs to total loans reached 5.9 per cent at the end of June 2016, which is far below the average in other SEMED countries.

CONCLUSION

The trade markets in the SEMED region labour under several constraints, including the use of systematic collateral, which prevents SMEs from accessing short-term trade finance, and the decline in the number of correspondent banking relationships, which could have negative consequences for trade performance. However, unrealised (postponed) foreign trade demand is expected to be satisfied in the future when current macroeconomic constraints are removed. •

INTERNATIONAL TRADE: *A RISKY BUSINESS?*

Why does international trade attract criminals and what is being done to deter them? Bill Howarth of the International Compliance Association fills us in

International trade finance is a longstanding commercial activity, but the volume and value of transactions has increased dramatically since the mid-20th century as globalisation has accelerated. Recent World Bank data estimate the value of merchandise exports at over US$ 16 trillion annually.

Like any channel which facilitates the transfer of value, this has not escaped the attention of the professional criminal fraternity. As such, the 21st century has seen a commensurate development of appreciation of the abuse and misuse of trade activity.

The hugely influential international body, the Financial Action Task Force (FATF), wrote about these concerns in 2006 and 2008. Since 2012 there has been a variety of useful reports published by groups such as the Asia Pacific Group (APG), the Australian regulator and financial intelligence unit (AUSTRAC), and the UK regulator Financial Conduct Authority (FCA), which have all highlighted that the sector represents a higher risk in terms of financial crime.

WHY ARE CRIMINALS INTERESTED IN TRADE?

There are a number of reasons why criminals may be attracted to international trade products and services as a conduit to disguise and/or benefit from the proceeds of crime. The following areas should be considered when assessing the financial crime risks posed by trade activity and relationships.

- The vast volume of international trade and associated transactions increases the scope for suspect trade transactions to be camouflaged and, as such, offers potential opportunities for facilitating large-scale money laundering.
- The volume of trade not only has the potential to hide individual transactions, but makes effective oversight and enforcement challenging. The international aspect often crosses regulatory and legal frameworks.
- The movement of goods through multiple transhipment points and third parties adds intricacy to the money trail and can enable criminals to distance themselves from the activity. Again, variable standards and controls in different jurisdictions can also assist criminals to embed criminal property into a complicated chain of trade payments and shipments.
- Some countries do not have well-established banking systems. This is of concern as money launderers may more readily collude with criminal partners located in these jurisdictions to organise illicit activity – leading to the designation of "high risk" countries.

The above are far from exhaustive, but form a solid base from which to build when considering risk. In addition, many trades rely on correspondent banking arrangements (which in itself is commonly recognised as being a relationship which poses a high degree of risk, given the reliance on the effectiveness of downstream systems and controls).

"The 21st century has seen a commensurate development of appreciation of the abuse and misuse of trade activity."

Bill Howarth, Executive President, International Compliance Association

THE POWER OF EDUCATION

It's not all doom and gloom though. Trade-based financial crime is high on the agenda of many institutions, which recognise the risks and the potential consequences (legal, regulatory, social, to name but a few) of becoming unwittingly involved in criminal activity.

Systems and controls around trade-based financial crime continue to evolve. Technology is playing an increasing role, but well educated and qualified professionals with an eye for what is "unusual" are at the forefront. This applies to various strata and roles – from relationship managers and middle/back office staff, through to second line/compliance people. Understanding the typologies involved in trade-based financial crime (how this illicit activity might manifest), as well as other aspects such as high risk indicators, allows those who are closest to the customer to identify and escalate any potential issues they encounter.

THE ROLE OF THE INTERNATIONAL COMPLIANCE ASSOCIATION

The International Compliance Association (ICA) supports the professionalism of practitioners through its qualifications, one of which specifically addresses trade-based money laundering.

Since it started in 2001, the ICA has been a prominent advocate for the development of the international community through education and professionalisation. The ICA has awarded in excess of 130,000 qualifications worldwide and worked with various international firms, government bodies and regulators to promote the professional status of, and standards that are applied to, practitioners working in roles affected by compliance.

For example, the ICA worked with Sector Skills Councils in the United Kingdom to develop and evolve national occupational standards in compliance areas. More recently it has worked with the Banking Standards Board (BSB), a voluntary organisation supported by the UK government and financial services, which was established to promote high standards of behaviour and competence across UK banks and building societies.

The ICA has engaged with, and contributed to, the BSB's ongoing work to develop a coherent and relevant definition of professionalism within banking, undertaken to strengthen professionalism through enhanced training and assessment and the promotion of professional qualifications.

130,000
ICA qualifications awarded worldwide since 2001

Undertaking an ICA qualification and becoming part of the Association's international community is a powerful proposition. As well as gaining valuable insight and certifying your knowledge, you are playing a key role in countering financial crime and developing/expanding best practice, which ultimately aids the commerciality and security of the global community – something on which the success of the historic international trade environment may ultimately depend.

DE-RISKING: TOWARDS SOLUTIONS?

Collaboration and inclusion are the way forward, says Louis de Koker of La Trobe Law School, Australia

"With minimal changes, therefore, the current gatekeeper role can be abolished while the whistle-blower role is enhanced."

Louis de Koker ,
La Trobe Law School, Australia

Since 2013, large banks have closed a significant number of accounts of remittance service providers, charitable organisations and even politicians. These terminations extended to correspondent banking relationships, complicating access to trade finance and increasing the threat that some countries and more regions may be excluded from the global financial system.

Such terminations, generally called "de-risking", are often the result of a complex combination of factors in which anti-money laundering (AML) and the combating of financing of terrorism (CFT) concerns feature prominently.

INTERNATIONAL ACTION AGAINST DE-RISKING

Concerned about de-risking, international standard-setting bodies and national regulators issued statements calling on banks not to engage in large-scale terminations. The Financial Stability Board is working with the World Bank, the Committee on Payments and Market Infrastructures and the Financial Action Task Force to pursue a four-point plan to: (i) deepen their understanding of the extent and impact of these terminations; (ii) provide increased regulatory clarity; (iii) support AML/CTF capacity building in affected low capacity countries; and (iv) harness technology to improve customer due diligence measures of correspondent and respondent banks.

No compelling evidence has yet emerged that these measures have reversed the de-risking tide. The four-point plan puts forward sound objectives but it may be time for a more fundamental reconsideration of the AML/CFT approach.

BANKS AS GATEKEEPERS

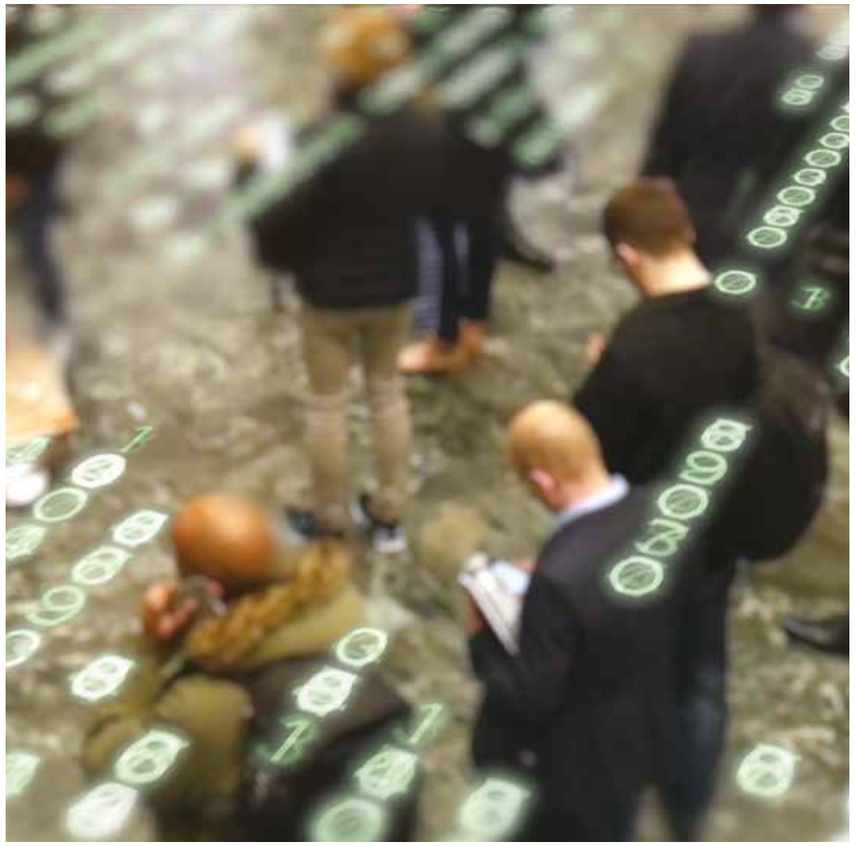
The current strategy against money laundering and terrorist financing was formulated in the 1980s. It views banks as gatekeepers of the banking system who should prevent criminal abuse of the system and only allow access to those whose money laundering and terrorist financing risks they are able to control.

What is not often appreciated, however, is that the client risks to be managed in this context are national security and law enforcement risks. Apart from fraud risks, these are not risks that banks traditionally managed. The identification and assessment of some of these risks depend heavily on sensitive intelligence that governments generally do not share with banks. The potential for making a wrong call on these risks is therefore higher than often appreciated by policy-makers. Spectacular penalties for compliance failures feed a fear of compliance failure. This, in turn, increases the costs of risk management and renders many commercial relationships unprofitable.

So what can be done differently?

INCREASED COLLABORATION

The accuracy of money laundering and terrorist financing risk management can be increased and the costs diminished by employing public-private risk management partnerships. The state holds key data and information that banks require to manage national



security and law enforcement risks. Governments therefore need to get better at sharing relevant information. Some intelligence will always remain too sensitive to share with the private sector but improved information flows will enhance the efficiency and effectiveness of risk management processes.

Know Your Customer (KYC) utilities that allow relevant information to be accessed or shared by industry stakeholders are already having a positive impact on client identification costs. Increased government involvement in utility models and collaborative development of improved risk indicators and profiles would increase the risk management value of shared data models.

RIGHT TO ACCESS PAYMENT SERVICES?

At a more fundamental level, it is time to rethink the exclusionary approach underpinning the AML/CFT efforts. Clients who are excluded by one bank may be accepted by a smaller bank that has not identified their risk level correctly.

Alternatively, they disappear into the cash and cyber economy. Their exclusion may therefore result in higher crime risk for the system as a whole. Such exclusion undermines the crime combating objectives of AML/CFT. It also undermines financial inclusion, a key enabler of the UN's Sustainable Development Goals. Millions of poor clients are excluded by compliance cost and identity verification barriers resulting from conservative AML/CFT compliance practices.

Can we embrace an AML/CFT system where the bankers are not gatekeepers but guardians of an all-inclusive banking system?

In such a system they would offer payment and savings products to all, while working collaboratively with industry and government to identify potential criminal behaviour and, as under the current system, report that to the financial intelligence unit. More transactions, especially those more likely to involve crime, would be subject to AML/CFT review while collaboration would aid effectiveness and efficiency. Banks would be liable for failing to use available information to identify and report potential criminal behaviour and not merely for dealing with criminal clients.

BUILDING BLOCKS IN PLACE?

Such a future is not fanciful. Elements of it are already evident in the right to a bank account that is recognised in different forms in a number of countries.

Under the Second European Payment Services Directive, credit institutions must provide payment institutions, such as remittance service providers, with non-discriminatory and proportionate access to payment account services.

Public-private partnerships in AML/CFT are also growing. These partnerships, such as Australia's FinTel Alliance, facilitate intelligence collaboration between banks and government agencies. RegTech (regulatory technology) furthermore enables collaboration in ways that protect the rights of clients and institutions while supporting AML/CFT goals.

With minimal changes, therefore, the current gatekeeper role can be abolished while the whistle-blower role is enhanced.

WHAT CAN BE DONE BETTER?

Approaching AML/CFT slightly differently does not mean that much of what is currently done should not continue to be done. Whichever path the AML/CFT community takes, more capacity building will, for example, be required to enable institutions to navigate the complexities of global business better. Too often de-risking actions appear to result from a lack of understanding of different business models, foreign jurisdictions and the clients and counterparts linked to those.

"De-risking" points to gaps in the current system. Some of these are relatively easy to address but to solve the problem comprehensively we need to reconsider the exclusionary approach. A collaborative and inclusive approach would advance integrity with greater effectiveness and efficiency. •

UM *UPDATE*~FORUM *UPDATE*~FORUM *UPDATE*~FORUM *UPDATE*

TFP TRADE FINANCE FORUM 2017, VIENNA

The EBRD's Trade Facilitation Programme (TFP) hosted one of the most important conferences of the trade finance calendar, bringing together the industry's main players for a two-day conference to discuss the latest developments in trade finance.

Held at Raiffeisen Bank International on 26-27 September 2017, the EBRD TFP Trade Finance Forum attracted almost 200 guests from 90 financial institutions and 35 countries, ranging from Mongolia to Morocco, India and Egypt, which was a testament to how much the TFP is valued and appreciated by EBRD partners.

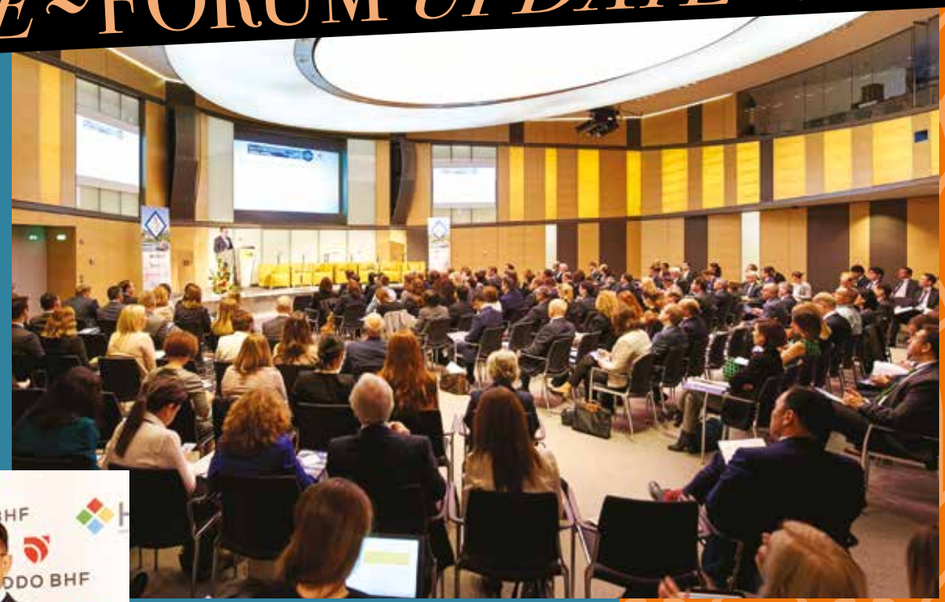
Panel discussions covered topics such as trade finance developments in Belarus, Greece, Moldova, Ukraine and from south-eastern Europe to the southern and eastern Mediterranean; the digitisation of trade; the risks of de-risking in correspondent banking and subsequent enhancement of trade finance due diligences; and trade finance services and solutions on KYC and compliance.

The forum was a keenly anticipated event and much-needed platform through which those involved in trade finance could raise important industry-related questions and share experiences.

The event was fully funded by the Taiwanese and partner banks, including Raiffeisen Bank International, Addiko Bank, DZ Bank and ODDO BHF.

Kuang-Wei Hsiao, First Secretary,Taipei Economic and Cultural Office in Austria, Marco Nindl, EBRD, Vanessa Y.P. Shin, Chief of Mission, Taipei Economic and Cultural Office in Austria, and Kevin Wang, EBRD

Bill Howarth of the International Compliance Association with Kamola Makhmudova, EBRD



Harald Waiglein, Director General of the Austrian Federal Ministry of Finance

Rudolf Putz, Head of the EBRD TFP, is interviewed at the event

> Possibly the most important topic in trade finance today is the issue of de-risking. It was great to bring together pragmatic experts from different stakeholder groups to talk frankly about the challenges, impacts and solutions. What matters now is that effective solutions are developed by all stakeholders together.
>
> **John Mair, EBRD**

The event attracted almost 200 guests from 35 countries

Networking drinks and dinner took place at the Park Hyatt, Vienna

“The TFP forum is one of the best industry events for meeting trade finance specialists to exchange ideas and experiences, and the 2017 forum was no exception. It also sets the standard for future events: perfect organisation, well-selected discussion topics, excellent speakers, keen interest from participants – and this all in the marvellous city of Vienna!”

Zuzana Franz, ODDO BHF

Above: Zuzana Franz of ODDO BHF, Germany

Discussions were held on the development of trade finance in Belarus, Moldova and Ukraine

Panel discussions on the “risk” of de-risking in correspondent banking **(above)**; and trade finance services and solutions on KYC and compliance **(below)**

Alexander Saveliev, EBRD, presents e-Learning graduate Marina Kolyabina, CISEG Service, Austria, with her certificate

The development of trade finance in Greece was discussed at this panel

“I got an extensive insight into many trade finance aspects, such as new market areas, transaction handling and technological advancements. Thank you EBRD for this wonderful opportunity!”

Nantia Anemogianni, National Bank of Greece

TFP TRADE FINANCE FORUM 2017, VIENNA

UM *UPDATE*~FORUM *UPDATE*~FORUM *UPDATE*~FORUM *UPDATE*

UM *UPDATE*~FORUM *UPDATE*~FORUM *UPDATE*

“TFP forums are always very good, but Vienna was outstanding. What stood out for me were the incredibly interesting cultural gala events, which not only introduced guests to the cultural heritage of the host country, but also allowed us to become part of it for a second. The hard work and passion the TFP team put into the event made it truly memorable.”

Ana Kavtaradze, Bank of Georgia

Yasser Ibrahim, National Bank of Egypt, UK, Elfriede Taurua, Austrian Financial Market Authority and Alexander Saveliev, EBRD

Ana Kavtaradze, Bank of Georgia, enjoying a spin on the dancefloor

Barbara Helfgott and the orchestra “Rondo Vienna”

Vladimir Dedioul, Priorbank, Belarus and Martina Zimmerl, Raiffeisen Bank International, Austria

TFP TRADE FINANCE FORUM 2017, VIENNA

The prestigious Elmayer Dance School of Vienna extended technical assistance in dancing to top trade finance professionals

Dennis Sigitoff and Piotr Napolski of DZ Bank, Germany, with Joachim Von Haenisch, SWIFT, UK and Pavel Zarutskiy, Raiffeisen Bank International, Austria

“The highlight for me was the panel on compliance issues in correspondent banking. It placed a spotlight on small banks and small countries, since the problems we face today can be just the beginning of a chain of problems for the worldwide banking network and the global economy.”

Zaruhi Melkonyan, Araratbank, Armenia

REVIVING TRADE ALONG THE OLD SILK ROAD

Forum promotes trade links between Ukraine, Asia and the Middle East

Trade is being rekindled along the ancient Silk Road thanks to an EBRD conference that took place in October 2017 in Kiev.

The "Ukraine Silk Road Trade Finance Executive Forum" attracted key players in trade finance, including banks, exporters and importers from countries across Asia, Europe, the Middle East and North Africa, who gained insights into Ukraine's business environment and current trends in international trade.

In return, Ukrainian participants were informed about new market opportunities in Asia and the Middle East and they had a unique chance to be introduced to decision-makers from major Asian and Middle Eastern banks.

Kamola Makhmudova, chair of the conference and senior banker in the EBRD's Financial Institutions team, expressed how proud the EBRD was to host the forum, which covered the latest trends in trade and facilitated interaction with new market players.

"This unprecedented forum has brought together senior banking and legal professionals from Amman, Beijing, Cairo, Dubai, London, Seoul, Taipei and Tokyo to meet key Ukrainian partner banks and corporates that are engaged in trade with Asia and the Middle East. By running this conference, we are opening a new chapter in reviving trade links along the ancient Silk Road," she explained.

> "By running this conference, we are opening a new chapter in reviving trade links along the ancient Silk Road."
>
> *Kamola Makhmudova, EBRD*

The TFP played a leading role in organising the conference in cooperation with the Ukraine International Chamber of Commerce (Ukraine ICC), Ukreximbank, Oschadbank and Credit Agricole Ukraine.

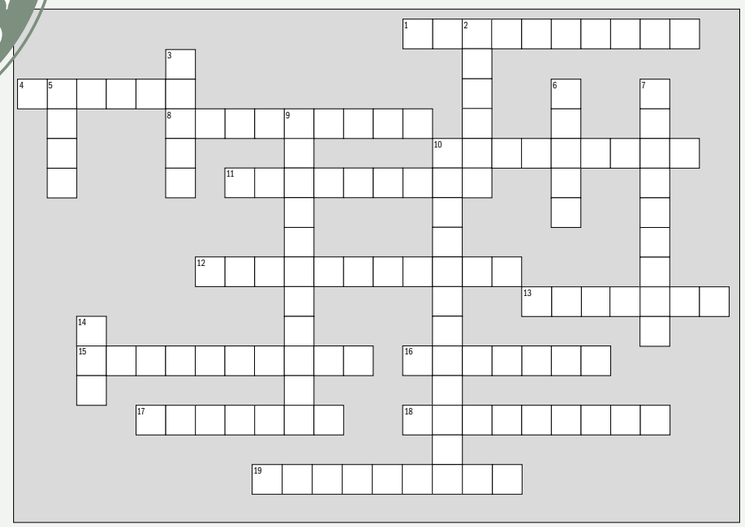
Since its inception in 1999 the TFP has supported several thousand trade transactions in Ukraine, the Bank's most active country under the programme. To date, 15 Ukrainian banks have been engaged in trade transactions under the TFP, covering a variety of export-import contracts between Ukraine and the European Union, as well as in countries further away, such as Argentina, New Zealand and Vietnam.

To date, hundreds of Ukrainian bankers have received scholarships and completed online trade finance training which has equipped them with the necessary know-how to conclude more sophisticated trade transactions.

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 URC 522 rules.



NO4

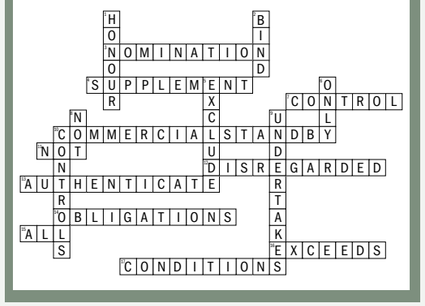
ACROSS

1. Banks shall have no _____ to handle either a collection or any collection instruction or subsequent related instructions (10)
4. The _____ is the one to whom presentation is to be made in accordance with the collection instruction (6)
8. Banks assume no _____ or responsibility should the instructions they transmit not be carried out, even if they have themselves taken the initiative in the choice of such other bank(s) (9)
10. Banks are only _____ to act upon the instructions given in such collection instruction, and in accordance with these Rules (9)
11. Unless otherwise authorised in the collection instruction, banks will _____ any instructions from any party/bank other than the party/bank from whom they received the collection (9)
12. Banks assume no liability or responsibility for the form, sufficiency, accuracy, _____, falsification or legal effect of any document (11)
13. The collection instruction should give specific instructions regarding _____ (or other legal process in lieu thereof), in the event of non-payment or non-acceptance (7)
15. Banks have no _____ to take any action in respect of the goods to which a documentary collection relates, including storage and insurance of the goods even when specific instructions are given to do so (10)
16. Collections should not contain bills of exchange payable at a future date with instructions that commercial documents are to be delivered against _____ (7)
17. Banks will not _____ documents in order to obtain instructions (7)
18. "Documents" means _____ documents and/or commercial documents (9)
19. "Collection" means the handling by banks of _____ as defined in subarticle 2(b) (9)

DOWN

2. Banks must determine that the documents received appear to be as _____ in the collection instruction (6)
3. Amounts collected (less charges and/or disbursements and/or expenses where applicable) must be made available without _____ to the party from whom the collection instruction was received (5)
5. Banks using the services of another bank or other banks for the purpose of giving effect to the instructions of the principal, do so for the account and at the ____ of such principal (4)
6. Banks will act in good _____ and exercise reasonable care (5)
7. If the documents do not appear to be listed, the remitting bank shall be _____ from disputing the type and number of documents received by the collecting bank (9)
9. All documents sent for collection must be accompanied by a collection _____ indicating that the collection is subject to URC 522 (11)
10. For the purposes of these Articles, _____ is the procedure whereby the presenting bank makes the documents available to the drawee as instructed (12)
14. Goods should ___ be despatched directly to the address of a bank or consigned to the order of a bank without prior agreement on the part of that bank (3)

LAST ISSUE'S SOLUTIONS NO3



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.

"Cash cover – gone undercover"

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

Our bank issued a letter of credit in favour of a beneficiary in a neighbouring country. The letter of credit was available with the nominated bank and on our request the nominated bank added its confirmation and advised the credit to the beneficiary.

To facilitate the adding of confirmation by the nominated bank we made a prepayment to the nominated bank for the full value of the letter of credit by way of "cash cover".

The problem is that the nominated bank has become insolvent and has now closed its doors for business, remaining under direct control of the regulator.

We have today received a presentation of documents directly from the beneficiary which appear on their face to comply with the terms and conditions of the credit.

However, our questions are as follows:
1) Can the beneficiary present the documents direct to our bank, as the place for presentation was clearly stated in the credit as that of the neighbouring country?
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?

We await your expert reply.

WITH RECOGNITION

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

GOLD
Nina Akhremenko, Belgazprombank, Belarus
Aneta Cvetkovska, Komercijalna Banka Skopje, FYR Macedonia
Domenico Del Sorbo, Trade & Export Finance Specialist, Italy
Nelli Kocharyan, Converse Bank, Armenia

SILVER
Kareem Abdel-Rahman, QNB Alahli, Egypt
Eissa Mohamed Eissa, National Bank of Egypt, Egypt
Housam Jeries Khoury, Bank al Etihad, Jordan
Nadezhda Khrustaleva, DemirBank, Kyrgyz Republic
Maria Minaeva, Deutsche Bank, Russia
Lamia Riabi, Attijari Bank, Tunisia
Elena Ristevska, Komercijalna Banka Skopje, FYR Macedonia
Irena Vaskov, Komercijalna Banka Skopje, FYR Macedonia
Ani Yeghiazarya, Ar.Medtechnica LLC, Armenia

What do you think? Provide us with your expert view

SOLUTION
"Letter of credit – indefinite undertaking of the issuing bank"

(Spring-summer 2017 issue)

DEAR TRADE FINANCE CLINIC,
This situation illustrates how important it is to pay attention to details when creating a notice of refusal.

UCP 600 subarticle 16 (c) (ii) states that the notice of refusal must indicate each discrepancy that is the basis for refusal. The way discrepancies are described in the refusal notice is critical. The list of discrepancies must be complete and specific as to why the bank considers each to be a discrepancy.

In the context of the issuing bank's refusal notice, neither of the two claimed discrepancies was clearly stated (having been further clarified by the advising bank), nor were specific reasons for determining those discrepancies highlighted. It is also unclear whether the status of the documents was indicated.

Let us analyse the discrepancies stated by the issuing bank to determine whether they are valid.

First discrepancy: in the case of CMR we are dealing with a photocopy, which should be examined under UCP 600 subarticle 14 (f) and further clarified by ISBP 745 paragraph A6 (a). As the LC did not require the CMR to indicate the trade term or its source, the CMR need not have quoted the data stated by the issuing bank as "missing".
No discrepancy!

Second discrepancy: the LC did not make any reference to "rolls" or "cargo places" in the description of goods. For this reason, the reference in the Movement Certificate to "rolls i/o cargo places" is not a discrepancy. It should also be noted that in the context of UCP 600 subarticle 14 (d), the reference to "conflict with" (instead of "inconsistent with" in UCP 500) made it clear that banks should be specific in determining non-compliance due to discrepancies in data between documents. However, in its refusal notice the issuing bank is highlighting only the difference in description of goods between the documents – without any reference to conflict between data in documents.
No discrepancy!

The discrepancies stated are therefore not valid, and as per UCP 600 subarticle 16 (f) the issuing bank is precluded from claiming that the documents do not constitute a complying presentation.

In my opinion, the advising bank should have supported its exporting customer to contest the discrepancies raised by the issuing bank and insisted on honouring the compliant presentation.

Innesa Amirbekyan
Anelik Bank, Armenia

Send your answers to TF-Expert@ebrd.com

ANSWERS TO THE CROSSWORD WILL APPEAR IN THE NEXT ISSUE OF *TRADE EXCHANGE*

SOLUTIONS AND PRIZE-WINNERS WILL BE ANNOUNCED IN THE NEXT ISSUE