A TFP first in Turkmenistan

Kiev conference: trading in difficult times

Transaction banking and regulatory change

TFP Trade and Investment Forum in Morocco

THE TFP in facts and figures
EDITOR’S LETTER

Welcome to this latest edition of Trade Exchange. As ever, we are excited to share with you our news, achievements and successful projects. One we are especially pleased to tell you about is our recent historic signing of a trade finance line for a private Turkmen bank, which you can read about in the news section on page 7.

Over the last few months our networking and information sessions have reached out to many in a wide range of locations such as Cyprus, Kiev, Morocco, Tbilisi and Vienna!

One of the main highlights of the year took place in Georgia at the TFP’s Annual Event and Awards Ceremony in May. Turn to page 10 for a list of the most active issuing and confirming banks in 2014, and a photo report of the ceremony.

We were also fortunate to receive contributions from Europe’s leading trade finance specialists. On page 20, Ruth Wandhofer takes us through her most recent publication and explains the ins and outs of transaction banking and the impact of regulatory change. And Philipp Rossberg, COO of the German ECA, presents on page 22 an interesting view on why times are tough for international traders and financiers, and looks at how institutions, such as the EBRD, and export credit agencies can work together to provide long-term stability.

As the world focuses more and more on investing in small and medium-sized enterprises, we asked our pioneering Taiwanese colleagues to share their innovative ideas about women’s involvement in entrepreneurial businesses (page 16). And on page 18 you can find out how women-led businesses get a boost in Turkey with the help of a ground-breaking new product developed by the EBRD.

We would also like to take this opportunity to thank our partner banks for appreciating our hard work and voting for us. It is a humbling acknowledgement of our work.

Finally, don’t forget to send us your answers for the trade finance Clinic “Conflict over conflict” on page 31 and share your opinions with the experts on TF-Expert@ebrd.com.

May the year 2016 be happy and peaceful for all of us!

Kamola Makhmudova
Senior Banker, Financial Institutions, EBRD
Email: makhmudk@ebrd.com
Twitter: @kmakhmudova

INSIDE THIS ISSUE

IN DEPTH

[Page 26]

Learn about the work of the German ECA, Hermes, and find out how the Taiwanese support the EBRD’s Women in Business Programme.

NEWS

[Pages 04-09]

Read about the ICC Trade Finance Week in Vienna and the EBRD’s latest Transition Report, launched in November.

GET IN TOUCH

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

Jenny Stephens
Tel: +44 20 7338 6138
Email: jstephens@ebrd.com

Rebecca Franklin Sukoenko
Tel: +44 20 7338 6476
Email: rfranklin@ebrd.com

Kellie Childs
Tel: +44 20 7338 6991
Email: kchilds@ebrd.com

Importers and exporters should contact an issuing bank.

TFP website
www.ebrd.com/tfp

EBRD Trade Finance e-Learning Programme
ebro.coastlinesolutions.com

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

© All figures are as of June 2015
Rebalancing finance

This year’s Transition Report, available online and in print, takes an in-depth look at the types of finance the transition region requires to move towards sustainable growth.

In the post-crisis era, growth in the region has come to a virtual standstill. As a result, there is little convergence at the types of finance the transition region requires to move towards sustainable growth.

The report assesses the balance between external and domestic funding. In particular, the report assesses in detail the role of private equity as a form of growth capital in the EBRD’s countries of operations. It also looks at whether the balance is right between public, household and corporate debt.

Finally, the report considers how the balance between traditional western European foreign direct investment and funding from further-flung regions might be improved.

It’s all a question of balance

The report assesses the balance between debt and equity financing, between foreign currency and local currency finance and between external and domestic funding. In particular, the report assesses in detail the role of private equity as a form of growth capital in the EBRD’s countries of operations. It also looks at whether the balance is right between public, household and corporate debt.

An investment gap is casting a serious shadow over the region's long-term growth prospects. To boost investment and close that gap, new funding sources need to be explored. Indeed, the report suggests that the challenge is not only to increase the quantity of finance that is available to firms and households, but also to rebalance its composition and improve its quality.

Hans Peter Lamberts, Acting Chief Economist, EBRD

Conducting trade in difficult times

Industry experts and specialists from across the globe came together in Kiev to discuss and exchange views on Ukraine’s business environment and trade finance market.

The conference entitles “Ukraine: Trade Finance 2015” took place on 1 and 2 October 2015. It was co-organised by the EBRD TFP team and World Wide Expert Conferences, and hosted by the International Chamber of Commerce (ICC) and the EBRD’s partner banks.

While Ukraine is going through a challenging period of tough reforms and volatility, trade finance remains one of the most important parts of banking activity. The conference examined the difficulties that banks and corporates are facing when structuring trade finance deals in the current economic situation.

Apart from the regular business agenda, the conference also provided plenty of networking opportunities where participants could exchange ideas in a more informal setting, strengthening business connections and improving the quantity and quality of finance available to firms and households.

Chair of the conference, Francis Malige, Managing Director, Eastern Europe and the Caucasus, EBRD (left), presented certificates to the Ukrainian graduates of the EBRD Trade Finance e-Learning Programme (above).
**NEWS UPDATE**

**TRADE FINANCE WEEK**

Education is the route to success

ICC Austria strongly believes that trade finance is the key to local and international prosperity and, therefore, local and international stability. And for that, education is essential. This is why we created the ICC Austria Trade Finance Week Award in 2014 to support outstanding young talent from the EBRD Trade Finance e-Learning Programme. Winners are invited to attend our ICC Austria Trade Finance Week and this year we were pleased to welcome Antonija Koceva of Komercijalna Banka, Egypt, who joined almost 600 participants from 40 countries.

For more information please contact Anna Brod on broda@ebrd.com.

---

**EBRD signs first deal with private Turkmen bank**

During his visit to Turkmenistan, EBRD Vice President for Russia, Central Asia and the Middle East, Didier Burkhalter, and Director for Financial Institutions, EBRD, Mike Taylor, signed a US$ 1 million trade finance guarantee agreement with Rysgal Bank. This agreement is the first under EBRD’s Trade Finance Programme for a private bank in Turkmenistan.

The agreement will allow Rysgal Bank to issue guarantees for foreign trade transactions with a ceiling of US$ 1 million under the TFP.

“Rysgal Bank represents an important next step in promoting cross-border trade facilitation products and factoring, as well as fraud protection and risk management,” said Rudolf Putz, Head of the Trade Facilitation Programme. “The signing of Rysgal Bank represents an important step in developing our support for banks in Turkmenistan. I am both excited and encouraged to see this milestone reached and look forward to working with Rysgal Bank in the coming years.”

**Future events**

**4th ICC Supply Chain Financing Summit**

5-10 March 2016

**SINGAPORE**

The flagship event providing opinions, ideas and insights into the forces that are driving change in trade finance. For more information contact Paulina Martinez on paulina.martinez@iccwbo.org.

**EBRD Annual Meeting and Business Forum**

9-11 April 2016

**JOHANNESBURG, SOUTH AFRICA**

For more information contact Paulina Martinez on paulina.martinez@iccwbo.org.

**TFP Annual Event and Awards Ceremony**

10 May 2016

**LONDON, UNITED KINGDOM**

The TFP’s Annual Event and Awards Ceremony will take place in London a day before the EBRD Annual Meeting and Business Forum (see below). For more information contact EBRD Annual Meeting and Business Forum.

**EBRD Annual Meeting and Business Forum**

11-12 May 2016

**LONDON, UNITED KINGDOM**

TFP Annual Event and Awards Ceremony will take place in London a day before the EBRD Annual Meeting and Business Forum (see below). For more information contact EBRD Annual Meeting and Business Forum.

**ICC Austria’s Trade Finance Week 2016**

4-7 April 2016

**VIENNA, AUSTRIA**

This five-day event, held at the offices of Raiffeisen Bank International, includes two conferences and a workshop of case studies covering bank guarantees and letters of credit. For more information contact EBRD’s Moscow Team at e.treu@icc-austria.org.
Facts & figures

A brief history

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

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

€12bn
TOTAL TRANSACTION VALUE SINCE 1999

113
NUMBER OF ISSUING BANKS IN 26 COUNTRIES

18,000+
TOTAL NUMBER OF TRANSACTIONS SINCE 1999

EBRD wins Euromoney trade finance award

The EBRD has won the Euromoney Trade Finance magazine’s award for Best Global Multilateral/Developmental Financial Institution for the third year running, despite stiff competition and a challenging economic and political environment.

This prestigious award recognises the outstanding work of the TFP team on promoting foreign trade to, from and among the countries where the EBRD invests.

“This award means a lot because it is voted on by more than 10,000 readers all over the world, so it is a real reflection of the value that the EBRD brings to clients,” says Kamola Makhmudova, TFP Senior Banker. “And although the EBRD does not have a global mandate, we were awarded the global award, which is a huge achievement.”

The EBRD also won the Trade Finance award for Best Developmental Financial Institution in Europe. Both awards were presented to the Bank at a prize ceremony on 10 June 2015.

“We have been stepping up our support for clients in this difficult economic environment and expanding our mandate to new countries and markets,” says Marco Nindl, TFP Principal Banker. “Our partners really appreciate this and the technical assistance we provide, for example through our e-Learning Programme.”

Almost 3,000 specialists from 187 issuing banks across the Bank’s countries of operations have participated in the donor-funded e-Learning Programme since its launch in 2010. The Programme helps participants achieve best international practice in trade finance.

For more information visit www.tradefinance.com

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

“...The Trade Finance Awards celebrate the best in class in trade, export and commodity finance over the past year, and recognise the companies that played vital roles in those transactions. We’re proud to say that the Trade Finance Awards remain the most coveted in the industry.”

Emma Hughes, Executive Editor, Euromoney magazine
The Trade Facilitation Programme (TFP) holds its annual award ceremonies at the EBRD’s Annual Meeting to honour the most active issuing and confirming banks involved in the Programme. The winners are determined based on the number of guarantee transactions in the previous year. This year’s TFP Event and Awards Ceremony took place on 13 May 2015 in Tbilisi, Georgia, the day before the EBRD Annual Meeting and Business Forum. The event attracted over 300 bankers and trade finance specialists. Awards were presented by Nick Tesseyman, Managing Director for Financial Institutions at the EBRD, and Ambassador Chih-Kung Liu, Head of the Taipei Representative office in the United Kingdom.

This year’s TFP Annual Event and Awards Ceremony could not have happened without generous Taiwanese support, and funding from our sponsor TBC Bank Georgia.

WHAT PEOPLE SAID
“Cooperation between the EBRD and Sekerbank dates back to 2003, but in 2014 we became the first bank in Turkey to join the TFP as an issuing bank and use the guarantees under the programme. Working with the EBRD means we can better serve our clients in international trade finance. We are very proud to receive this award.”

Gulfer Turncay
CEO, Sekerbank

WHAT PEOPLE SAID
“Signing a Trade Finance Agreement with the EBRD added tremendous value to our trade business.”

Lina N. Bakhit
Jordan Ahli Bank

WHAT PEOPLE SAID
“The TFP has become an important financing instrument of EBRD local partner banks. It has strengthened their capability to develop trade finance and provide local SMEs with the effective means to expand international and domestic trade.”

Alexander Saevler
Director, Financial Institutions, EBRD

WHAT PEOPLE SAID
“Cooperation between the EBRD and Sekerbank dates back to 2003, but in 2014 we became the first bank in Turkey to join the TFP as an issuing bank and use the guarantees under the programme. Working with the EBRD means we can better serve our clients in international trade finance. We are very proud to receive this award.”

Gulfer Turncay
CEO, Sekerbank

Special thanks go to Aziza Sadikova, winner of Young Euro Classics’ European Composer Award 2014, who wrote the music for this event.
TFP DEAL OF THE YEAR

A small, specialist project to bring in artificial snowmaking equipment, transforming Georgia’s winter holiday season, was the 2014 TFP Deal of the Year.

Tourism generates around US$ 1.7 billion a year for Georgia and provides 10 per cent of the country’s employment. However, a lack of snow during the 2013-14 ski season meant that Georgia’s two main ski resorts of Gudauri and Bakuriani suffered heavy losses, threatening further losses to the country’s economy.

So a deal was put together to finance the import of artificial snowmaking equipment from Austria. TBC Bank provided a confirmed letter of credit (LC) for €2.28 million to cover the import of the machines and the LC was confirmed and post-financed by Raiffeisen Bank Austria (RZB). TBC’s obligations were covered by the EBRD’s standby LC under the TFP.

The project demonstrated how an LC supporting an artificial snowmaking project could bring about such a transformation. After a four-month construction period, the 2014-15 ski season opened with artificial snow (as natural snowfall had been scarce), along with 85 per cent of all hotels in Gudauri having been booked through to the end of January 2015.

WHAT PEOPLE SAID

“We are honoured to win this prestigious award from the EBRD, our long-standing partner in Georgia. This acknowledgement is a testament to our trade finance team’s professionalism and its sustained focus on offering innovative products to our clients.”

Vakhtang Butskhrikidze
CEO, TBC Bank

"Our cooperation with the EBRD and the TFP team has enabled us to offer new products to our customers and make our business more effective.”

Rasim Ismayilov
Deputy Chairman of the Board, Muganbank
WHAT PEOPLE SAID

"The EBRD’s ongoing support is incredibly important to us. Every award we have received from the Bank is extremely valuable, as it proves once again the effectiveness of our efforts and illustrates the results of our fruitful cooperation."

Uyanga Munkhbold
Khan Bank

WHAT PEOPLE SAID

"In 2014, banks participating in the TFP ‘club’ used the EBRD’s support to finance more than 1,756 trade transactions with a total value of more than €1.3 billion. The TFP community consists of more than 800 confirming banks in 88 countries and 113 issuing banks in 26 countries."

Nick Tesseyman
Managing Director, Financial Institutions, EBRD

WHAT PEOPLE SAID

"The EBRD provides the Bank of Taiwan London Branch with the opportunity to participate in loans and to be engaged in regions where it does not normally have any representation. We also benefit from a reliable money market trading partner."

Ke Hua
General Manager, Bank of Taiwan

WHAT PEOPLE SAID

"The TFP has proved extremely successful in promoting banking activities and trade-related finance in the countries where the EBRD works, and the Taiwanese experience of encouraging international trade has served as an excellent model for this success."

Ambassador Chih-Kung Liu
Taipei Representative Office in the United Kingdom

WHAT PEOPLE SAID

"We feel very honoured to receive this prestigious award from the EBRD for the fifth time."

Uyanga Munkhbold
Khan Bank

WHAT PEOPLE SAID

"The EBRD’s support for more than 800 confirming banks in 88 countries and 113 issuing banks in 26 countries."

Nick Tesseyman
Managing Director, Financial Institutions, EBRD
The Taiwanese government supports women entrepreneurs not just domestically but also in the EBRD’s countries of operations

Su Hsia-lien is exactly the sort of female entrepreneur that the Taiwanese government is aiming to support. When she set up her organic farm in a rural area in the eastern part of the island, she was a computer novice. But thanks to a computer training course offered by the government she now operates the business via email and the internet, having transformed it into a profitable business. The computers not only enabled her to increase production and open up sales channels, but they also created a future for Ms Su’s female employees, who also received information and communications technology (ICT) training.

PROMOTING INCLUSION

Ms Su’s story shows how ICT can really benefit entrepreneurs setting up businesses in rural areas. And empowering women so that they can participate fully in the economy is something the Taiwanese government is committed to, because it recognizes that a gender-balanced economy is a key driver of growth.

At the latest Asia-Pacific Economic Cooperation (APEC) conference held in the Philippines on 16 September 2015, the Taiwanese led a one-day seminar entitled “Empowering Women through Information Communications Technology for Inclusive Growth”.

The seminar was part of the Innovation for Women and Economic Development project that was set up in May 2013 by the Taiwanese government in collaboration with Australia, Chile, South Korea and the Philippines. The Taiwanese Minister without Portfolio, Joyce Yen Feng, said during her opening speech: “The flourishing development of ICT and other innovations has made up for insufficiencies in internet infrastructure and location discrepancies, thereby broadening marketing pathways for women-owned microbusinesses, and small and medium-sized enterprises.”

She continued: “It is important that women be encouraged to use ICT tools to build up digital capabilities, establish business networks and form corporate alliances.”

INITIATIVES

Two Taiwanese initiatives in particular support women entrepreneurs: the Micro-Business Startup Phoenix Programme (set up in 2007), which provides women entrepreneurs with low-interest, guarantor- and collateral-free loans; and the Flying Goose Programme (established in 2002), which provides financial and knowledge-based assistance for women who want to start up a new business.

By June 2014 these two programmes had provided loans totalling US$ 70 million and offered more than 1,100 training courses nationwide on computer, management and marketing skills, attracting approximately 98,000 participants. So far these initiatives have helped 12,000 women establish their own businesses, not only achieving greater equality in the economy but also generating a further 3,300 jobs for the wider society.

SUPPORTING THE EBRD WOMEN IN BUSINESS PROGRAMME

As well as encouraging its own women entrepreneurs, the Taiwanese government also supports the EBRD’s efforts to promote female economic inclusion, namely through the Bank’s Women in Business Programme in the Western Balkans, and the Caucasus. The Taiwanese are generously providing not only the funds (€1.25 million) for technical assistance, but also the people with the know-how. For example, in 2013 successful Taiwanese businesswoman Cathy Chin, Managing Director of UPLC Information Corp., presented e-business courses under the Women in Business Programme in the Western Balkans, sharing her expertise and personal experience of running a modern business.

So by giving all these women entrepreneurs – Ms Chin and Ms Su included – access to financing and business know-how, they can unlock their potential and help to drive economic growth forward.

This article is based on two articles from Taiwan Review published in October 2013 and September 2015. http://taiwantoday.tw

UNLOCKING POTENTIAL

More than 35% of Taiwanese SMEs are owned by women

45% of the women-owned SMEs have stayed in business for more than 10 years

More than 50% of the women-owned SMEs are service providers

Women-owned businesses account for around 20% of sales revenue of all SMEs
IN DEPTH

EBRD UPDATE: WOMEN IN BUSINESS

HELPING BUSINESSWOMEN IN TURKEY

Women entrepreneurship plays a key role in creating jobs and driving economic growth, which is why the EBRD runs its Women in Business programmes. The latest programme to be launched was in Turkey.

The Turkish business environment can be a tough one for women; with just 33.1 per cent participation rate in the workforce, women are extremely under-represented, and only 1.2 per cent of these women are employers. They face certain challenges when trying to access the finance and know-how required to establish and grow their businesses. The financing gap in particular is a major obstacle. The lack of adequate finance, particularly in relation to short tenors or excessive collateralisation, coupled with fewer opportunities to gain managerial experience, tends to restrict women-led businesses to the micro and small segments, typically in low value-added, low productivity sectors.

A UNIQUE PROGRAMME

To address these challenges, the EBRD launched the Turkey Finance and Advice for Women in Business Programme in October 2014. It is the first of its kind in Turkey and aims to strengthen the role of female entrepreneurs in the economy.

In October 2014, the EBRD signed letters of intent with four Turkish banks: GarantiBank, IsBank, VakifBank and VakifBank – expressed an interest in offering them the required finance and technical support. The EBRD is providing up to €300 million to local banks for on-lending to women-led businesses. The European Union, the Turkish Ministry of Labour and Social Security and the Turkish Employment Agency are supporting the programme with €38 million for credit enhancement, business advisory services, ongoing coaching, business skills courses, mentoring and networking opportunities, as well as technical assistance for the partner banks. Frankfurt School of Finance & Management is project consultant for the programme and has already started delivering technical assistance to Turkish banks.

STRONG INTEREST FROM BANKS

Six Turkish local banks – Finansbank, GarantiBank, IsBank, VakifBank, TEB and VakifBank – expressed an interest in joining the programme by way of signing Letters of Intent. To date, the EBRD has signed agreements with four – VakifBank (US$ 55 million); Finansbank (US$ 50 million); IsBank (US$ 30 million); and TEB (€50 million). TEB and Finansbank have already started on-lending to eligible SMEs, and IsBank and VakifBank will begin once they have completed the necessary assessments.

BUSINESS LENS

The programme also offers a new web-based diagnostic tool, entitled “Business Lens”, for women-led SMEs. This tool has been developed to help women better understand their business operations and examine both strategic and operational aspects of the management process. The assessment examines the competencies of respondents in seven distinct areas:

- financial management and performance
- market knowledge
- marketing and sales
- human resources
- strategy and organisation
- risk management
- operations.

Through a detailed questionnaire, Business Lens provides a score in these seven areas, and the overall score, which is based on a weighted average, gives an indication of how well the business is managed. In addition to this, the Business Lens also generates a financial report that contains all the information banks need when an entrepreneur wants to get a loan application started. The report also contains additional information supporting the loan application.

REGIONAL SEMINARS

The EBRD is in the process of organizing a series of regional Women in Business seminars. At least 15 have been planned in order to reach at least 2,000 women-led SMEs and female entrepreneurs.

CASE STUDY: TURKEY

Through a detailed questionnaire, Business Lens provided a score of 55 out of 100 for a business in the region. The business was able to increase its turnover by 29 per cent within a year, making new potential customers available to their clients. As a result of this stronger online presence, the business was able to increase its turnover by 29 per cent within a year, making new potential customers available to their clients. There is a gallery where they can view the different cars available, and they can book and pay online.

For more information please visit www.ebrdwomeninbusiness.com.

IN NUMBERS

Project fund: €300m

In credit lines, €38 million package for credit enhancement and tailored business advice.

Our targets:

15,000 women entrepreneurs reached across Turkey;

12,000 sub-borrowers from our partner banks;

240 enterprises benefiting from the advisory projects;

640 women trained in entrepreneurial skills;

80 women receiving mentoring.

Online marketing? We know how!

With the help of the EBRD, a Turkish woman-led car rental and private transportation company – DogSat – has been able to expand its customer range via online marketing. The EBRD’s local consultant worked with the company management to launch a new, fully equipped booking website. The new website uses the latest online technology to allow customers to select their rental cars directly. There is a gallery where they can view the different cars available, and they can book and pay online.

As a result of this stronger online presence, the business was able to increase its turnover by 29 per cent within a year, making new potential customers available to their clients who would never have known the existence of such a company. They’re also taken on two new employees and are seen to work with a consultant again in the future.
THE HEART OF BANKING

A book by global industry and regulatory expert Ruth Wandhofer explains the ins and outs of transaction banking and the impact of regulatory change

The global economy continues as fundamental transformation following the financial crisis of 2007/08, which triggered a significant decline in world trade. To ensure the stability of financial institutions and prevent future crises of such scale, a raft of regulatory measures was developed, ranging from strengthening banks’ balance sheets to ring-fencing and trapping liquidity and capital in local balance sheets.

Against this background, it is important to understand the role of banks as enablers of trade finance, movement of money and exchange and settlement of financial instrument trades. All of these activities are provided by a particular area in banking: transaction banking. Often called the backbone of our financial system, transaction banking effectively constitutes “the plumbing of the financial system”, providing the reader with a deep insight into what transaction banking delivers for the global economy and discusses how this area of banking business is being challenged by the ongoing global regulatory reform, while also proposing some practical approaches to solving these challenges.

The journey begins with an overview of a number of key regulatory developments, which the banking industry is in the process of complying with or adjusting to. Regulatory initiatives include the Basel III Accord, Recovery & Resolution Planning requirements, country approaches to Bank Structural Reform/Ring-fencing at a macro level, as well as additional G20 and more specific regulations including OTC derivatives trading and clearing rules, asset protection, shadow banking, consumer protection and global standardisation initiatives.

PRACTICAL SUPPORT

As a next step the reader is taken on a deeper dive into the nature and ecosystem of the transaction banking business. Case studies show how different transaction banking solutions offer practical support to a multitude of clients, ranging from financial institutions to corporates and governments. The key services offered – payments, cash management, trade and supply chain finance and securities services – are discussed in detail in terms of how they sustain the real economy every day. Following this scene setting, a specific chapter is dedicated to the international Basel Accord, with an easy-to-follow analysis of the four consecutive versions, highlighting how each has had a different impact on banks’ balance sheets. Basel III, with its capital and liquidity requirements, clearly stands out as the most important change. In the global context, Basel III is having profound effects on areas such as trade finance, both in terms of cost and availability, in particular for smaller businesses that tend to have less choice in financing their operations.

A chapter on payments legislative developments in Europe and the United States, including the Payment Services Directive II, Single Euro Payments Area and Dodd-Frank 1073, follows to complement the picture.

REGULATORY IMPACT

Equipped with this background the book examines how these various regulatory changes impact each type of transaction banking service and where unintended consequences are likely to arise, unless they are corrected by regulators. This analysis is of specific value as it also highlights the likely response of banks in terms of business model adjustments, client segment focus and general risk appetite. Certain regulations, while laudable in their objectives, may reduce the ability of banks to provide these services, which would ultimately have an impact on the real economy. In particular, ring-fencing requirements (for example in the United Kingdom, Europe and the United States) could have unintended consequences for transaction banking by breaking up the interconnected network upon which it is based. This “Balkanisation” of banking services does not fit well with a globally interconnected economy that focuses on growth. If banks are not connected to each other around the globe, trade finance cannot reach remote areas which rely on this support to grow and thrive.

To conclude, the book examines options on how to solve the most prominent issue of our time, the “too big to fail” dilemma. Various factors ranging from accounting standards alignment to improved global disclosures, culture change and the need for enhanced supervision and regulator trust all form part of this discussion.

With regulatory change continuing at a rapid pace, implications for banks are starting to become more apparent. From reduced returns to increased expenses, a contraction of the loan book but increasing appetite for long-term deposits, global regulatory reform is reshaping the banking industry on a daily basis. At the end of the regulatory reform journey banks will certainly have stronger balance sheets, which bring extra resilience. However, how much of this will be at the expense of the real economy and in how far risks may start to emerge in other areas outside the banking industry are worthwhile issues to ponder.


The book examines options on how to solve the most prominent issue of our time, the “too big to fail” dilemma.
Many of the EBRD’s countries of operations are important export destinations for German companies.

**A GLOBAL PORTFOLIO**

Reflecting the strength and diversification of Germany’s national exporting industry, Hermes is one of the world’s largest ECAs. It manages the underwriting activities of the German ECA’s (Hermes) and the latter as a medium to long-term horizon. In other words, states for adventurous international traders and their financiers remain turbulent.

So it is in times like these that non-commercial market participants such as the EBRD and export credit agencies (ECAs) – including the German ECA, Hermes – can act as solid rocks. Backed by single (Hermes) or multiple (the EBRD) sovereigns, these institutions are driven by strong credit profiles. Such characteristics make them ideal partners for the banking sector, which is awash with liquidity but struggling to take on challenging credits for various reasons, including risk concerns and regulatory constraints.

In the context of trade and export finance, third-party credit support (in the form of insurances, guarantees and/or stand-by letters of credit) from international financial institutions and ECAs is particularly important. Such unfunded support allows banks to efficiently deploy the liquidity available to them while mitigating their exposure, reducing capital employed and freeing up lines for exporting and importing clients.

The EBRD’s Trade Facilitation Programme (TFP) and the broad range of insurance and guarantee products offered by Hermes as a “pure-cover” (that is, non-lending) ECA, are excellent examples of this fruitful cooperation between governmental agencies, the banking market and the exporter and importer community. However, while the EBRD’s achievements in the context of the TFP are no doubt familiar, it might be worth getting a flavour of the German ECA’s activities.

**A GLOBAL PORTFOLIO**

**NEW COVER PROVIDED TO SELECTED COUNTRIES 2014 (IN € MILLION)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>2,244</td>
<td>2</td>
</tr>
<tr>
<td>Turkey</td>
<td>1,734</td>
<td>4</td>
</tr>
<tr>
<td>Egypt</td>
<td>517</td>
<td>10</td>
</tr>
<tr>
<td>Austria</td>
<td>412</td>
<td>12</td>
</tr>
<tr>
<td>Greece</td>
<td>240</td>
<td>24</td>
</tr>
<tr>
<td>Belarus</td>
<td>201</td>
<td>29</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>188</td>
<td>37</td>
</tr>
<tr>
<td>Serbia</td>
<td>110</td>
<td>40</td>
</tr>
</tbody>
</table>

the time of writing. Individual transactions supported in the country span a number of EBRD target sectors, such as health care (equipment for Turkish hospitals), industry (diesel engines for automotive plants) and above all, the renewable energy sector, where Hermes has supported 29 large projects (those of more than €10 million) since 2010. It is notable that many of these transactions were carried out via on-lending structures involving Turkish banks that are also active participants in the EBRD’s TFP.

A rather challenging market in 2014 has, without doubt, been Ukraine due to its dramatic political and economic developments which started at the end of 2013. Despite increased risks, Hermes remained open for cover during the year and supported new transactions totalling €317 million – more than 14 per cent of all German exports to the country.

**COMPLEMENTARY INSTITUTIONS**

Evidently there is significant geographical overlap between the activities of the German ECA and those of the EBRD. In terms of products, the TFP arguably provides the closest match to the instruments offered by the German ECA but the EBRD as a whole offers a broader variety of solutions that could be used in the context of projects supported by Hermes, such as local currency financing, local capital market issuances, equity or mezzanine investments in projects importing German equipment, and so on.

Consequently, although the guidelines within which both institutions operate are rather different, with Hermes being subject to a strict set of rules (for example, linking support to content requirements and imposing limits on total coverage) and the EBRD having a primarily developmental angle and focus on the private sector, there are plenty of opportunities to turn two solid but isolated mics into one single bedrock of international trade.

Philippe Roosberg is a Partner in PwC’s Finance & Regulation Advisory Practice and serves as Chief Operating Officer of the German ECA, which is jointly managed by Euler Hermes Aktiengesellschaft and PwC AG WPG.
Event brings together trade finance professionals and industry specialists, providing the backdrop for the first signing with a Cypriot bank

Current market conditions in Cyprus mean that local banks have insufficient trade finance facilities from foreign commercial banks, and so to finance foreign trade transactions they use either cash deposits held in foreign correspondent banks or security under trade finance facilities provided by international financial institutions.

In response to a request from the Cypriot authorities, the EBRD will be investing in Cyprus to support reforms and a return to economic growth. The Bank will use its expertise to attract foreign correspondent banks or security under trade finance facilities provided by international financial institutions.

Part of this investment came on 1 July 2015 in the form of the country’s first TFP Information Session. It was entitled ‘Financing foreign trade with Cyprus’ and attracted up to 100 representatives from issuing and confirming banks in the TFP, as well as the International Chamber of Commerce and Industry (ICCI) and Vincent O’Brien from the International Trade and Forfaiting Association discussed the development of factoring in the EBRD region along with ways to provide companies with wider access to this source of financing.

Presentations by Marios Tsiakkis, Director, Small Business Support, EBRD’s Cyprus office; and (top) Charlotte Ruhe, e-Learning certificate from Libor Krkoska, Head of the World Trade Organization, and industry experts such as regulators and economists.

Topics discussed covered the latest trends and developments in trade finance, including factoring and supply-chain finance. The factoring business remains largely under-developed or non-existent in the EBRD regions (with the exception of a few countries). Leading specialists from factoring companies and organisations such as International Factors Group and International Trade and Forfaiting Association discussed the development of factoring in the EBRD region along with ways to provide companies with wider access to this source of financing.

Presentations by Marios Tsiakkis, Director, Small Business Support, EBRD’s Cyprus office; and (top) Charlotte Ruhe, e-Learning certificate from Libor Krkoska, Head of the World Trade Organization, and industry experts such as regulators and economists.

"We are particularly pleased and honoured to sign this agreement with the EBRD. This facility will enable and assist our clients operationally and in a cost-efficient manner to promote their export/import businesses.”

Michalis Louis
CEO, Eurobank Cyprus
To highlight the attractive investment opportunities in the southern and eastern Mediterranean (SEMED) region—and in Morocco in particular—the EBRD organised a Trade and Investment Forum in Casablanca on 3 June 2015. Participants learned about the EBRD’s programmes and activities that support investors, strengthen the local economy and boost cross-border trade and cooperation. Laurent Chabrier, EBRD Director for Morocco, opened the event with an overview of the Bank’s activities in Morocco, focusing on how to do business with the Bank and commenting: “Our capacity to invest in projects and to reform the business environment relies on the investors and entrepreneurs in Morocco.”

Adil Chikhi, EBRD Director for Industry, Commerce and Agribusiness in the SEMED region, presented the Bank’s products and services and outlined current projects in property and tourism, manufacturing and services as well as agribusiness.

Meriem Zairi, member of the Confédération Générale des Entreprises du Maroc (CGEM) – Commission on Relations Banque-Entreprises spoke about Morocco’s competitive advantages in terms of trade and investment in private companies and, in particular, small and medium-sized enterprises (SMEs).

Other sessions focused on the EBRD’s advice to small businesses, consultancy opportunities and a detailed sector overview of the Bank’s activities in Morocco.

In the afternoon attendees learned about the EBRD’s Trade Facilitation Programme (TFP), especially its recent activities in SEMED. Representatives of local and foreign banks discussed the financing of imports to Morocco and looked at how local and foreign banks can support the import of energy-efficient technologies with the help of the TFP. Morocco is a founding member of the EBRD and became a country in which the Bank invests in 2012. To date the Bank has invested €473 million in 18 projects across the country, in addition to €130 million of TFP credit lines with local banks. The EBRD has also provided technical assistance to more than 135 local SMEs.

TFP TRADE & INVESTMENT FORUM 2015

MOROCCO

The informative EBRD Trade and Investment Forum in Casablanca has given us the opportunity to share expertise and comprehensive knowledge between the EBRD’s experts and local banks.

Karim El Baz, Banque Centrale Populaire

Laurent Chabrier, Country Director for Morocco, EBRD, delivered the award for most active partner bank in Morocco to Fayçal Badawi, Head of Corporate Banking at BMCE Bank.
opportunity for me to mix with other cultures. But wherever we came from, we all had the same aim of developing and promoting sustainable trade, although much of our work in this area takes place behind the scenes.

The second part of the training was a 3-day internship at Commerzbank’s head office and a one-day internship at Commerzbank’s Paris branch. In the head office I had the chance to see how the nitty-gritty of daily business was done. It was especially interesting to see how Commerzbank handles the new instrument of payment - bank payment obligations. I was given a very detailed explanation of the processes in place and the systems used. I also met some people from the financial institutions Africa team who shared their opinions on the current developments in the African markets with me.

In Paris the focus was mainly on trade business and I met people from both operations and sales.

All in all this was a fantastic experience that has taught me many things that I can take with me and apply to my everyday work in Tunisia. I would also like to express my gratitude to the EBRD and Commerzbank for this opportunity.

Radhouane Houria, Banque Tuniso-Koweitienne
Five-day event in Vienna provides invaluable training and networking opportunity

The EBRD welcomed participants to the third Trade Facilitation Programme (TFP) workshop at the Joint Vienna Institute (JVI), which took place in Vienna on 3-8 May 2015. Twenty-three trade finance bankers from 16 countries attended the five-day event.

The aim was to offer participants a deeper understanding of the dynamics, risks and product structures at their disposal when helping their clients with their international trade business.

Over the five days all the important aspects of trade finance were covered, from the basics to the more advanced. Programme director Ken Pasternak of BankTDK Consulting kicked things off with sessions on business trends, leadership, management and decision-making skills. Then various trade experts – Andrea Hauptmann of Raiffeisen Bank International, Maximilian Burgard-Scheidlin of ICC Austria, Vincent O’Brien of ICC International, Maximilian Burger-Scheidlin – and consultant Edith Babuscio – delivered lively and engaging seminars on topics such as warehouse financing, corruption, sanctions, letters of credit and effective teamwork.

The EBRD’s TFP team also gave an overview of its aims and activities, along with information on its e-learning and educational resources that have been developed in collaboration with the International Chamber of Commerce.

While the knowledge imparted during the seminars was invaluable, just as important was the opportunity for attendees to mix with leading specialists from some of the EBRD’s most active issuing banks – a great and informal way to facilitate regional trade.

FOR INFORMATION ON DATES AND LOCATIONS OF WORKSHOPS, PLEASE CONTACT ANNA BRED ON breda@ebrd.com.

Participants of the workshop

WHAT PEOPLE SAID

Thank you for this fantastic opportunity. The main benefit for me was to hear and exchange opinions with high-level specialists from the ICC and leading international banks, sharing their expertise and outlining market developments. Igor Kudinov, Head of Documentary Operations, MegaBank, Ukraine

The training was incredibly informative and made me see trade finance products from a different angle – especially regarding risk, which is very important to bankers. Angarag Uurmbileg, Financial Institutions & Trade Finance Officer, Khan Bank, Mongolia

The most challenging part of our work is deciding how to handle a case that is not clear or that involves risk. Therefore the case studies and examples used in the workshop were invaluable. Dara Inanu, Supervisor of Letters of Credit, Hellenic Bank, Cyprus

WHAT PEOPLE SAID

Thank you for this fantastic opportunity. The main benefit for me was to hear and exchange opinions with high-level specialists from the ICC and leading international banks, sharing their expertise and outlining market developments. Igor Kudinov, Head of Documentary Operations, MegaBank, Ukraine

The training was incredibly informative and made me see trade finance products from a different angle – especially regarding risk, which is very important to bankers. Angarag Uurmbileg, Financial Institutions & Trade Finance Officer, Khan Bank, Mongolia

The most challenging part of our work is deciding how to handle a case that is not clear or that involves risk. Therefore the case studies and examples used in the workshop were invaluable. Dara Inanu, Supervisor of Letters of Credit, Hellenic Bank, Cyprus
TFP Annual Event and Awards Ceremony
London, United Kingdom, 10 May 2016

*download a free QR reader app from the App Store, Google Play Store or Blackberry App World

CONTACT US

TFP website
www.ebrd.com/tp

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