The Quarterly Magazine All About EBRD’s Trade Facilitation Programme - December 2011

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EDITOR’S LETTER

I am delighted to introduce EBRD’s Trade Exchange, the new quarterly publication dedicated to the activities of the Trade Facilitation Programme (TFP).

Since 1999 the TFP team has played a key role in helping companies in the EBRD region of operations engage in trade by providing guarantees for international transactions. Trade Exchange aims to keep our clients, partners and donors informed and show how, by bringing much-needed liquidity, the EBRD has supported TFP’s Issuing Banks and enabled companies to keep trading.

In this issue we highlight TFP news and articles about the latest EBRD training programmes introduced for the coming year, and uncover the secrets of our unique e-Learning Programme, where a blend of electronic education, face-to-face training and trade finance news forums has proved both innovative and highly effective.

An article on the history of trade finance in the area of modern Ukraine invites us to look back at the roots of international trade in the EBRD countries of operations, while stories from our clients reflect on how they have benefited from doing business through the TFP and why they believe it essential.

We also include features about TFP events this year in Astana and Istanbul, where we brought together leading players in trade finance to exchange views and join our well-established business community.

We hope that you enjoy reading Trade Exchange and that it helps you enhance your business networks.

Warm regards,
Kamola Makhmudova, Executive Editor
makhmudk@ebrd.com
**NEWS UPDATE**

**FOCUS ON**

**Doing business in Mongolia**

In 2010 Mongolia recovered strongly from the economic crisis with an estimated GDP growth of 6.1 per cent, driven by some high commodity prices, an expansionary fiscal policy and a policy programme agreed with the International Monetary Fund (IMF) and the EBRD. The EBRD’s TFP team joined events specialist Exporta to organise the TFP in Mongolia conference, which took place on 24 September 2011. The conference, aimed at raising awareness of trade facilitation and best practice, was well attended by local and international financial institutions, companies, governments and the media.

The conference was opened by the Deputy Minister of Finance for Mongolia, who stressed the importance of improving the financing of commerce in the country. International trade is growing rapidly in Mongolia, and trade finance must be made more accessible, particularly for developing countries and small and medium-sized enterprises (SMEs). Key challenges to global trade and finance were high on the agenda at the recent International Chamber of Commerce (ICC) Trade Finance Summits and Banking Commission meetings (Beijing, China, October 2011), which brought together some 650 eminent banking professionals, international organisations and supervisory bodies from over 100 countries. As the world economy founders on debt and unemployment, the meeting emphasised that trade has been a prime source of growth over the past 60 years, and that trade finance must be made more accessible, particularly for developing countries and small and medium-sized enterprises (SMEs).

The event attracted the participation of primary multilateral institutions, the International Monetary Fund, the World Bank, the EBRD, and The Asian Development Bank, who took part in panel discussions with leading Chinese banks, and listened to key speakers such as Zhu Guangyao, Chinese Vice Minister of Finance, and Liu Mingkang, Chairman of the China Banking Regulatory Commission. As a founding partner of the ICC’s Market Intelligence Group on Changing Patterns in World Trade, the EBRD presented the role of its Trade Facilitation Programme (TFP) in supporting trade, in crisis response and in promoting intra-regional trade in the EBRD countries of operation. The EBRD e-Learning Programme, which blends face-to-face teaching with electronic education in partnership with the ICC, supports development of trade through developing people, which requires a strong dedication to capacity building, in trade finance skills and expertise.

A new ICC report, Global Risks – Trade Finance 2011, shows that trade finance is a relatively low-risk asset class that should not be feared by banks, nor overregulated by governments. ICC representatives underlined the measures announced by the Basel Committee on Banking Supervision and applauded this opportunity to refine the rules to foster the development of trade and support for SME clients.

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**Future Events**

**Trade Finance e-Learning Programme Graduation Ceremony**

**LONDON, UNITED KINGDOM**

18-19 MAY 2012

**EBRD Annual Meeting and Business Forum**

**LONDON, UNITED KINGDOM**

www.ebrd.com/pages/events
TFP in 2011

The EBRD continues to live up to its reputation as the best international development bank in trade, regularly winning industry recognition.

In 2011, the EBRD won two prestigious trade finance awards:
- Best Developmental Financial Institution in Europe, in Trade Finance magazine’s Trade Finance Awards for Excellence.
- Best Developmental Financial Institution of the Year Award, in Trade & Forfaiting Review.

In 2011, the EBRD won two industry recognition bank in trade, regularly winning international development to its reputation as the best bank in trade.

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TFP AWARDS CEREMONY

Prize attractions

The TFP team honoured its most active issuing and confirming banks at a special awards ceremony during the EBRD’s Annual Meeting (Astana, Kazakhstan, May 2011).

This year’s TFP ceremony attracted more than 150 visitors from over 50 banks, international businesses and media organisations from around the world.

The winners for 2010 were announced based on the number and the quality of transactions rather than the pure size of the business volume. Category winners included Commerzbank, which was named the ‘Most Active Confirming Bank’. Accepting the award, Per Fischer, Head of Financial Institutions at Commerzbank commented: “For the future we see the EBRD TFP as a strong platform from which to generate more trade finance in intra-CIS trade business and to intensify trade with other international markets as well.”

Bank Vozrozhdenie of Russia won the Export Deal of the Year and NBD Bank of Russia won the Import Deal of the Year (see page 8).

It was Ambassador Hsiao-Yueh Chang of the Taipei Representative Office in the UK who awarded Locko-Bank as the ‘Most Active Confirming Bank In Financing Trade with Taiwan’.

The most active users of EBRD’s guarantee facility in 2010 were: Artsakhbank of Armenia, Bank Respublika Azerbaijan, Belrosbank of Belarus, Raiffeisenbank Bosnia and Herzegovina, Kassymbekova of Kazakhstan, Demir Kyrgyz International Bank, Bank of Georgia, Bank CenterCredit of Moldova-Agroindbank, Credit Bank of Moscow, Komercijalna Banka Skopje of FYR Macedonia, TOJIKSODIROTBONK of Tajikistan, and OCP Bank of Tunisia.

Notable presentations at the event included a summary of TFP’s achievements by Rudolf Putz, Chair of the ICC Market Intelligence Group (MIG), as well as an account of the joint EBRD/ICC Trade Finance e-Learning Programme by Leo Cullen, Head of Trade Products, Coastline Solutions.

Individual award winners included Algirdas Kasumytevka, Head of International Division, Koostrumbank, who was among the top 10 graduates in EBRD’s e-Learning Programme in 2010.
How will Basel III affect trade financing? Here, Kemal Suffee and Samuel B. Whitman of White & Case LLP provide a brief summary of the changes from a legal perspective

The severe economic crisis now gripping many economies worldwide has exposed a number of weaknesses in the stability of the global banking sector. In response, the Basel Committee on Banking Supervision’s (the “Committee”) published the report, “Basel III: A Global Regulatory Framework for More Resilient Banks and Financial Systems” (December 2010), which sets out a number of measures intended to bolster the stability of the banking sector.

In summary, Basel III will affect trade financing in a number of ways, particularly in the area of the reforms relating to the liquidity coverage ratio and the risk weighting of lending. The intention behind these reforms is clear: in times when liquidity is scarce banks are required to have sufficient “high quality liquid assets” to meet anticipated payments and to have sufficient capital in place to cover losses. The reforms are intended to reduce the reliance on short-term funding. In addition, a new reporting requirement, that will affect all banks and types of financing, will be introduced requiring that a bank discloses its ratio of Tier 1 capital against its gross assets for the purposes of this ratio, the assets – including off-balance sheet letters of credit – are not risk-weighted and security is not taken into account. The European Commission will then decide whether to implement a binding requirement, the purpose of which is to place a limit on the extent to which a bank can lever its capital. If and when this is introduced as a hard limit a bank will not be able to create exposures that exceed 33 times its Tier 1 capital.

INCREASED COST

However, well-intentioned as these measures may be, they will come at an increased cost to lenders and, to some, at a cost so high that it could damage trade. The Committee has therefore tarred the exposure to look again at the impact its reforms will have on trade financing. In its report “Treatment of Trade Finance under the Basel Capital Framework” (October 2011), the Committee has agreed to two changes in the hope of reducing the costs to lenders: namely, to waive the one-year maturity floor for certain trade finance instruments under the advanced internal ratings-based approach for credit risk. Currently, the capital requirements for credit exposures are subject to a minimum maturity of one year and so do not take into account that many trade finance instruments have a maturity of less than one year. To waive the sovereign floor for trade finance related claims on banks using the standardised approach for credit risk. Under this approach the bank confirming the letter of credit takes a reimbursement risk on the issuing bank. Issuing banks in low-income countries are often unstable and so are subject to a risk weighting of 50 per cent or, in the case of short-term claims, 20 per cent. However, the risk weighting cannot be lower than the risk weighting of the issuing bank’s country of incorporation (the sovereign floor) and in the case of low-income countries this is typically 150 per cent.

When viewed through the lens of promoting trade in low-income countries, the Committee has indeed made positive changes that should result in reducing the capital requirements for banks engaged in trade finance. However, given the overall costs introduced by the Basel III reforms, only time will tell whether banks will consider trade financing profitable enough to allocate their highly capitalised capital to support it.
A structured approach towards trade financing is key to Inecobank’s success

Throughout the 15 years of its activities Inecobank has always placed particular importance on the provision of lending services. Inecobank, a lifelong pioneer in offering new financial products in the market, initiated its trade financing activities at the beginning of this decade, when the banks of Armenia were beginning to promote trade finance products among clients engaged in foreign trade.

In the initial phase, it was necessary to introduce Armenian companies to the advantages of complex trade finance products over the other existing and familiar loan products. The most convincing arguments were the low transaction costs and the assurance of protection from payment risks.

Today Inecobank has a fully effective range of tools in the sphere of trade finance. Currently we cooperate actively with the EBRD, IFC, Atlantic Portafarinigo, OFID and Commerzbank. In 2007 Inecobank was recognised by the EBRD as the most active bank in the sphere of trade finance in Armenia, and in 2009 the EBRD recognised Inecobank as the most active issuing bank within the scope of its Trade Finance Programme as a whole. In 2010 Inecobank won an award from Commerzbank AG for excellent cooperation in the trade finance sphere. Inecobank has been cooperating with the EBRD for close to nine years, and although I have been working with the EBRD for only a little over two of those years, I’m proud to say that we tend to collaborate most often with the EBRD. We have been cooperating with the EBRD for close to nine years, and although I have been working with the EBRD for only a little over two of those years, I’m proud to say that we tend to collaborate most often with the EBRD. We wish your organisation a number of interesting and significant projects together. Working with foreign producers and banks has introduced our knowledge and experience, as each request is unique and individual, and for cross-border transactions we seek out credit institutions like the EBRD and the International Finance Corporation (IFC) for help with financing trade products under comprehensive schemes: of these I would say that we tend to collaborate most often with the EBRD. We wish your organisation many more projects together.

UBINANK, AZERBAIJAN

Unibank is at the forefront of promoting trade finance in Azerbaijan, as Gulnara Seyidova explains

I have been working in trade finance at Unibank since June 2009. The experience has been richer than I could have imagined. While the job can be demanding, it’s also enjoyable and I am fortunate to be linked with friendly and hardworking colleagues under our supervisor, R carg Alakbarov.

Together we’ve achieved a great deal.

Trade in Azerbaijan has always been of great importance, and international trade has been part of our history since the time of the ancient Silk Road which connected east, south, and western Asia with the Mediterranean and European world, as well as parts of North and East Africa. Trade finance is not yet widespread in Azerbaijan, but at Unibank we believe it offers both a necessary and important tool for the development of our future trade.

In Unibank, as well as other highly-rated banks in Azerbaijan, we aim to keep our customers well-informed on trade finance purposes and practices, as we believe these products offer great potential for more widespread trade between counterparties in Azerbaijan and overseas. Like all other trade departments, we deal with letters of guarantee, letters of credit, post-financing, disbursements, collections etc… and it is a great feeling knowing that we also help our customers with their needs. Sometimes it can be a wild ride but we have proved that we are more than capable of overcoming all of the problems we face. We have dealt with many different kinds of customers and situations, and with a wide range of foreign suppliers. Working with foreign producers and banks has broadened our knowledge and experience, as each request is unique and individual, and for cross-border transactions we seek out credit institutions like the EBRD and the International Finance Corporation (IFC) for help with financing trade products under comprehensive schemes: of these I would say that we tend to collaborate most often with the EBRD. We have been cooperating with the EBRD for close to nine years, and although I have been working with the EBRD for only a little over two of those years, I’m proud to say that I recently won an online scholarship from this institution to participate in the EBRD/IFC’s online training programme. I’m very grateful for this opportunity and am hoping that this will equip me for further success in the future. I’m looking forward to mastering further knowledge in the field, and I very much hope that the collaboration between our two institutions will enable us to implement a number of interesting and significant projects together. Thanks are due to the friendly and efficient EBRD staff with whom we work, as well. We wish your organisation a profitable and stable year ahead.”

UBS, SWITZERLAND

In Azerbaijan, UBS’ trade finance business is developing very well, particularly in the commodity, consumer and investment sectors. These business streams are predominantly covered with short-term payment-L /C and forfaiting, and with a relatively small number of guarantees. We notice an increasing demand for longer tenors of 3-5 years, covering investment goods on a bank-to-bank loan basis.

In Armenia, we have noticed a growth in trade finance volume of up to 1 year and recently handled more transactions with UBS counterparties in this country. Business potential in Georgia has been limited for the last couple of years but we look forward to a renaissance in the future.

Isabelle Simmen
Trade and Export Finance – TEF, Consulting Financial Institutions, UBS

“Working with foreign producers and banks has broadened our knowledge and experience” Gulnara Seyidova, Leading Specialist in the Trade Finance and Documentary Operations Department, Unibank
The EBRD’s Office of the Chief Economist (OCE) charts the trade increases between 2000-2008 and suggests how to achieve similar growth in future

Over the past decade the EBRD region of operations has expanded into global trade networks in terms of both volume and reach. Nevertheless, the recent economic crisis has still shaped the long-term tendency of export growth in the region as well as across the world. The gradual increase in world exports before the crisis was followed by a dip in global exports by 12 per cent in 2009, the largest decline in more than 70 years, while exports from the EBRD region declined by around 11 per cent, driven mostly by contraction in global demand (Figure 3).

In 2010 exports in the EBRD region recovered by almost 10 per cent while global export growth reached an exceptionally high 14.5 per cent of growth.

Across the last decade, transition economies have achieved closer trade ties with neighbouring countries and new trading partners, and in the presence of increasing world exports the region’s share of trade has risen from around 4 per cent in 2000 to almost 8 per cent in 2010. This increase compares with a growth in exports from China around 4 per cent in 2000 to about 11 per cent in 2010 (Figure 2).

**DRIVING EXPORTS**

The EBRD transition region has a diversified exports destination which encompasses a wider range of markets than some other emerging markets. For instance, exporters from emerging Asia have become increasingly focused on their own region, while export market concentration in the Middle East and North Africa (MENA) has remained broadly unchanged. In contrast, both EBRD and Latin America countries have diversified their export markets significantly.

Much of this diversification has taken place to intra-regional exports – especially within the SEE (south-eastern Europe) and the CEE (central Europe) regions and to a lesser extent within the EEC (eastern Europe) and the Caucasian countries – grow faster than exports to large outside partners such as Russia or the European Union (EU). Central Asian countries on the other hand decreased their internal trade, and instead strengthened links with countries such as Belarus and Ukraine as well as Asia, while Turkey strongly increased its exports to the SEE and MENA regions (Figure 4).

**COMPETITIVE ADVANTAGE**

An analysis conducted in the EBRD Transition Report 2010 indicated that there were three main factors behind the export growth in EBRD countries of operations between 2000-2008:

- Rapid global trade growth. Real imports of trading partners doubled for most EEC and CIS countries and the Baltic states, and rose by at least 40 per cent for the other countries, in line with rapid expansions in global trade over the period.
- Low unit labour cost at the beginning of the decade. According to the findings of the International Labour Organisation, countries in the SEE and CEE sub-regions demonstrated lower unit labour cost (ULC) than most of the other emerging markets in 2001. The ULC in Czech Republic, Poland, Hungary, the Slovak Republic and Turkey were estimated to be about 35-40 per cent of those in the United States. However, some of this competitive advantage has since faded away. Between 2001 and 2008 the ULC in transition countries grew between twice and 10 times as much as those in the United States.
- Free trade agreements reducing tariffs. Trade liberalisation has been an important factor for global trade networks, encompassing both the 2004 and 2007 waves of accession to the European Union and the multilateral Free Trade Agreement among SEE countries in 2006. Other trade liberalisation agreements have also contributed during the period, namely between the European Union and Albania, Latvia, Romania and Hungary; between Turkey and countries in the SEE region (Albania, Bosnia and Herzegovina, Croatia and FYR Macedonia) and the MENA region (Egypt, Lebanon, Morocco, Syria and Tunisia); between Belarus, Kazakhstan and Russia, and between Ukraine and Belarus, FYR Macedonia, Moldova and Tajikistan. As a result, tariffs faced by CEE and SEE exporters have fallen, and although the average decline has been modest, some industries have faced large changes, with tariffs falling by as much as 20 per cent or rising by as much as 45 per cent.

Pre-crisis tariff cuts benefitting exporters in the transition region were partly offset by increases in non-tariff barriers. Figure 1 shows the trade-weighted average non-tariff trade barriers faced by exporters in each of their export markets. Except in Albania, Azerbaijan and some central European countries, exporters faced increasing barriers between 2000 and 2007.

**FUTURE GROWTH**

However, these factors of growth are unique to the last decade: In order to achieve a similar export growth in the future, policy-makers need to create an environment favourable to exports that is also a source of innovation and growth. This will be increasingly important, as other sources of growth will remain weak in near future. The process will become more difficult as the one-off effects from entering free trade areas subside and ULC catch up with those of trading partners, and policy measures will therefore be necessary to sustain rapid export growth. In particular, policy-makers can stimulate greater export orientation by lowering non-tariff trade barriers that impede new and major existing export markets – a policy that Turkey, for example, has actively pursued during the past few years. They can also improve key aspects of the domestic business climate by reducing corruption and improving the rule of law and customs procedures.

The EBRD invests and operates in the following 29 countries: Albania, Armenia, Azerbaijan, Belarus, Russia and Ukraine, Georgia, Georgia, FYR Macedonia, Croatia, Estonia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Mongolia, Montenegro, Poland, Romania, Russia, Serbia, Slovak Republic, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan. The EBRD ceased making new investments in the Czech Republic in 2007, but still manages a portfolio in the country.
Trade finance is key to developing world trade. Thierry Senechal, Senior Policy Manager at the International Chamber of Commerce (ICC) explains why

Market conditions are grim. The ICC experts and practitioners who gathered in Beijing on 24-28 October 2011 anticipated that Q3 2012 will offer no respite from the current poor economic environment. As the world goes through a de-leveraging process, with most governments lacking the flexibility to implement fiscal stimulus, economic growth will be slow and uneven in some regions. Trade volumes may drop, leading to low or negative growth in employment.

A further challenge is presented by the regulatory environment, which may complicate the difficult process of trade recovery and a return to growth: specifically, by not treating trade finance as a low-risk asset class from a regulatory perspective, the new Basel Capital Framework could make trade finance less accessible and less affordable, stalling recovery and job creation, in particular in the developing world. Treating low-risk, low-cost trade finance transactions as a high-risk asset class from a regulatory perspective is not only unrealistic, it will actually make the banking system less stable.

Thierry Senechal

NOTABLE FEATURES OF THE ICC REGISTER DATASET

Short tenor of trade transactions. The average tenor of all products in the dataset is 147 days; the off-balance sheet products covered by the Register (Import L/Cs, export confirmed L/Cs, and distance trade L/Cs and guarantees) have average tenors of less than 80 days.

Low default and loss across all product types. Using a standard calculation, ICC calculated the following average default and loss rates within each product type over the three focus years of this dataset (2009-2011):

1. Import L/Cs: default 0.067 per cent, loss 0.008 per cent
2. Export confirmed L/Cs: default 0.09 per cent, loss 0.03 per cent
3. Standbys and guarantees: default 0.013 per cent, loss 0.001 per cent
4. Import loans - corporate risk, default 0.06 per cent, loss 0.007 per cent
5. Import loans - bank risk, default 0.09 per cent, loss 0.05 per cent
6. Export loans - corporate risk, default 0.29 per cent, loss 0.017 per cent
7. Export loans - bank risk, default 0.17 per cent, loss 0.01 per cent

ICCs has recently provided overwhelming evidence that trade-finance related assets are low-risk. The ‘Global Risks – Trade Finance 2011’ report which contains data from major international banks reflecting a minimum of 65-65 per cent of traditional global trade finance activity, found that fewer than 3,000 defaults were observed in the full dataset of 14.4 million transactions.

The ICC report also noted that statistics provided by the multinational development banks (MDBs) exhibited no significant defaults or losses. Of 11,992 guarantees reviewed by ICC, and issued by MDBs trade finance programmes valued at over US$ 20 billion over the past six years, no defaults and no losses have occurred. Of the 11,258 trade loans disbursed by MDBs to banks valued at US$ 35.8 billion, no defaults and no losses have occurred.

In conclusion, the rules set by bank regulators under Basel III impose capital requirements on trade finance that may have adverse impact on growth. While the changes proposed by Basel Commission on Banking Supervision (BCBS) are a positive step in the support of global trade, more could be done to reflect the low risks associated with trade-finance.

As a minimum, policy-makers around the world should encourage MDBs to maintain or enhance the trade-finance programmes crucial to keep trade flowing, especially to emerging markets and in times of economic turbulence, both sustaining jobs and supporting further job creation.

ICCs has recently provided overwhelming evidence that trade-finance related assets are low-risk. 11.4 million transactions.

Thierry Senechal, Senior Policy Manager at the International Chamber of Commerce (ICC)

The ancient art of trade finance

The ancient art of trade finance was practised more than 2,500 years ago

In the first millennium BC a number of different tribes lived in the territories of modern Ukraine: the Hlyver, Holome, Budrin, Svyatoslav, Cimerian, and the Sviatoslav. During the Greek colonization period of 700 to 600 BC, inns were asked to sea to access the resources of the northern Black Sea and, to found temporary trade colonies, some of which eventually developed into large cities, or ‘poleis’. The ancient cities of the northern Black Sea coast reached the apex of their development in the 4th century BC, being the main suppliers of grain to the Mediterranean markets.

The Scythians, who inhabited almost the entire central and eastern part of the territory of Ukraine at that time, were engaged in agriculture and cattle breeding, and had a mainly nomadic lifestyle. ‘Trade networks dependent on the Scythians’ wealth was the trading of goods delivered through the Greek cities, and their main exports were grain (wheat, barley and millet), as well as cattle, dried fish, leather, wool, hemp, and slaves.

From the end of the 7th century BC many of the cities of Greece, Asia Minor and other lands minted their own coins, and more than one thousand cities had their own mints. These existed in Kerchinskaya (Vorontsova, Crimea), Chersones (Kherson, Crimea), Olbia (Paratoysiy, Crimea) and Mykolaiv region, as well as Talyk (Yevpatoria, Crimea), and Simferopol (Simferopol, Crimea). The turnover and range of commerce during the 5th-6th centuries BC gave rise to a system for calculating rates of exchange for coins of different types which was operated by professional money-changers or ‘trapezai’. The trapezai were also able to identify if a coin was counterfeit or defaced, received money for safe-keeping and provided loans to interpreters and merchants.

The main instrument of trade-finance in the ancient world was the ‘maritime loan’ provided to merchants and shippers to organize their long-distance maritime foreign-trade expeditions. All of the conditions of the deal were put into the agreement: the rate of interest dependent on the length of the trip and the loan was paid back no later than twenty days after the return of the ship. The amounts of maritime loans were significant and interest could run from a few weeks to one year.

Taking into account that long-distance journeys were quite risky at that time, the bankers charged interest for Black Sea region expeditions of 20-30 per cent on loans, and frequently syndicated them, sharing the rate with other trapezai or wealthy citizens.

As we can see, the foreign trade and banking transactions had their place in the territory of modern Ukraine more than 2,500 years ago, and even in very early times, international trade was facilitated by ‘trade-finance’ mechanisms.

Sviatoslav Kuzmych, Deputy Head of Financial Institutions and Trade Finance Division, The State Export-Import Bank of Ukraine
The EBRD is extending the scope, content and delivery of its on-line training, as Kamola Makhmudova reports

ENHANCED PROGRAMME

The success of the initiative has prompted an expansion of the Programme Phase II, which includes training in the recently revised ICC trade rules for Demand Guarantees (URDG 758 and Incoterms 2010) that were live on 19 September 2011 and the “Environmental and Social Issues in Trade” module was launched in November 2011.

The EBRD’s TFP team would like to continue training current trade finance professionals, to equip them with a thorough understanding of trade finance instruments. With the extension of Phase II, the e-Learning Programme consists of seven modules:

- Mentor 600: Comprehensive training in Letters of Credit, UCP 600 and ISP
- OC Master: Advanced training in Letters of Credit
- ISP Master: Advanced training in Standby Letters of Credit and ISP 98
- URDG Master: Advanced training in Demand Guarantees and URDG 758
- Incoterms® 2010: Comprehensive training in Incoterms® 2010
- Environmental and Social Issues in Trade: Comprehensive training in environmental and social issues related to trade finance.

The e-Learning Programme, funded by the EBRD’s Shareholder Special Fund, now covers all of the ICC traditional trade products and Incoterms rules that are a key feature of international commercial contracts involving the shipment of goods. The selected students are awarded with scholarships that cover up to 100 per cent of the tuition fees on this programme.

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The EBRD held a graduation ceremony in Moscow on 8 February 2011 to recognise the achievements of students who had completed its Trade Finance e-Learning Programme (TFP). The ceremony was held in conjunction with the fourth annual Russia and Eurasia Trade and Investment Forum, organised by Exporta Publishing and Events.

“The conference was the first of its kind and, thanks to the EBRD’s strong partnership with Exporta, was a great success,” said Rudolf Putz, Head of the Trade Facilitation Programme at EBRD. “Participants were engaged by knowledgeable panel speakers, who talked on a range of topics.”

The e-Learning Programme offers an opportunity for staff from the EBRD’s client banks to study two basic trade finance subjects (Collections and Letter of Credit) and two advanced subjects (ISP Master and DC Master). Students have up to 12 months to complete four on-line training modules. Upon completion, they receive an International Chamber of Commerce (ICC) certificate of achievement for each module. Exceptional graduates are awarded scholarships and training opportunities with leading banks.

Five graduates won special recognition awards from the EBRD’s partner banks, which supported this project. Sergey Kostogryz of Raiffeisen Avai Bank, Ukraine, won an EBRD Award of Excellence for an outstanding contribution to the EBRD’s partner banks, which supported this project.

The ceremony was held in conjunction with the fourth annual Russia and Eurasia Trade and Investment Forum, organised by Exporta Publishing and Events. 10

“EBRD has dedicated even more resources towards keeping credit lines open and trade moving”

Vincent O’Brien, ICC Banking Commission Market Intelligence Group

2011 GRADUATION CEREMONY

ROLL OF HONOUR 2010
Outstanding results were achieved by these students in the first year of the e-Learning Programme

ERINA REPISHKO
MINSK TRANSIT BANK – BELARUS

TATYANA GORTAYCHEVA
JSC BANK CENTERCREDIT – KAZAKHSTAN

VIOLA MAYDAN
The State Export-Import Bank of Ukraine – UKRAINE

STEVENA KASSYMBEKOVA
KAZKOMMERTSBANK – KAZAKHSTAN

ELENA GOLOVLEVA
BANK CENTERCREDIT – KAZAKHSTAN

ZURA SALIMBAYEVA
SBERBANK KAZAKHSTAN – KAZAKHSTAN

AIGERIM KASSYMBEKOVA
TRANSBANK KAZAKHSTAN

KAJRENDIYAZOVA
KAZKOMMERTSBANK – KAZAKHSTAN

YURIY MAKALIN
AVAI BANK – UKRAINE

What the students say
“EBRD’s e-Learning Programme is the best on-line training I have ever seen for people working in trade finance and documentary operations. This Programme will definitely be useful both for the beginner and the skilled. Perfectly prepared material and a convenient interface. For people for whom English is not a native language, the interactive element proved to be extremely user-friendly.”

AVAI BANK – UKRAINE

“The conference was the first of its kind and, thanks to the EBRD’s strong partnership with Exporta, was a great success,” said Rudolf Putz, Head of the Trade Facilitation Programme at EBRD. “Participants were engaged by knowledgeable panel speakers, who talked on a range of topics.”

The e-Learning Programme offers an opportunity for staff from the EBRD’s client banks to study two basic trade finance subjects (Collections and Letter of Credit) and two advanced subjects (ISP Master and DC Master). Students have up to 12 months to complete four on-line training modules. Upon completion, they receive an International Chamber of Commerce (ICC) certificate of achievement for each module. Exceptional graduates are awarded scholarships and training opportunities with leading banks.

Five graduates won special recognition awards from the EBRD’s partner banks, which supported this project. Sergey Kostogryz of Raiffeisen Avai Bank, Ukraine, won an EBRD Award of Excellence for an outstanding contribution to the EBRD’s partner banks, which supported this project.

The ceremony was held in conjunction with the fourth annual Russia and Eurasia Trade and Investment Forum, organised by Exporta Publishing and Events. 10

“EBRD has dedicated even more resources towards keeping credit lines open and trade moving”

Vincent O’Brien, ICC Banking Commission Market Intelligence Group

2011 GRADUATION CEREMONY

ROLL OF HONOUR 2010
Outstanding results were achieved by these students in the first year of the e-Learning Programme

ERINA REPISHKO
MINSK TRANSIT BANK – BELARUS

TATYANA GORTAYCHEVA
JSC BANK CENTERCREDIT – KAZAKHSTAN

VIOLA MAYDAN
The State Export-Import Bank of Ukraine – UKRAINE

STEVENA KASSYMBEKOVA
KAZKOMMERTSBANK – KAZAKHSTAN

ELENA GOLOVLEVA
BANK CENTERCREDIT – KAZAKHSTAN

ZURA SALIMBAYEVA
SBERBANK KAZAKHSTAN – KAZAKHSTAN

AIGERIM KASSYMBEKOVA
TRANSBANK KAZAKHSTAN

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“Know-how’ and ’Do-how’ are essential to undertake trade, says Vincent O’Brien

Trade finance is undoubtedly in a challenging place at the moment: global growth is slowing, credit availability is tightening and liquidity is becoming an even more scarce resource. ‘Default’ and ‘restructuring’ have become a regular part of our daily dialogue and the storm clouds of depression are constantly overhead.

However, to undertake trade you must ‘know-trade’. Since its inception the EBRD has directed significant resources towards technical assistance and training in trade finance. I am fortunate to have been involved in this process of empowering people right from the very start. I have had the opportunity of working in each and every country of the former Soviet Union, with young enthusiastic people who share a vision of advancement and progress for themselves and their countries. In all technical disciplines ‘know-how’ is important, but in terms of trade finance ‘do-how’ is much more important.

To play the trade finance game you must have both detailed insight and the know-how to apply trade finance rules, operations and procedures. It has been my pleasure to deliver traditional face-to-face training workshops, covering everything from the basics of trade finance, through structured trade finance, to the rules of the International Chamber of Commerce (ICC) and more recently in the current challenging environment, insight into how to solve disputes, restructure obligations and keep trade credit lines open with international counterparts.

Since the onslaught of the financial and economic crisis the EBRD has dedicated even more resources towards keeping credit lines open and trade moving. The EBRD has enhanced their already successful learning platform by adding an electronic learning dimension through partnership with the International Chamber of Commerce (ICC), in order to establish certified trade finance electronic learning programmes. The EBRD has had the foresight to embrace the benefits of a blended learning solution that combines the very best of traditional trade finance workshops, supported by a structured and accredited electronic learning platform.
THE LEGAL DIMENSION

How do legal relationships work in international trade, what happens if there is a default and how best to protect banks? Stephen Tricks presents the case for legal training

“S

it is the laws of the United Kingdom are like your football teams? England, Scotland and Northern Ireland have different teams and different laws.” I was in Minsk trying to explain to twenty representatives from local banks that although the United Kingdom is a single state, historically it is made up of separate countries, so it is always preferable to refer to “English law” rather than “United Kingdom law.” Suddenly one of the participants solved my problem by drawing an analogy with the national football teams playing in the qualifying stages of the European Championship. As ever, sport was the great connector. The football analogy worked and I used it again in subsequent seminars.

In December 2010 I embarked on a series of training workshops for EBRD’s Trade Facilitation Programmes, starting in Belgrade. By the end of November 2011 I shall have delivered 13 workshops in 12 different countries. The aim, which we are always trying to achieve, is to give participants from EBRD’s client banks a better understanding of the legal relationships which arise in international trade finance and the legal proceedings which may follow a default. I had previously given many presentations on international trade law in London and western Europe, but I was worried that participants from the local banks would not want to listen to me talking about legal issues for almost a full day. However, much to my surprise and pleasure the level of interest shown in the seminars has been high and the feedback very positive. Although most banks would hope to never have a major default that landed them in court in London, Paris or Frankfurt — members of trade finance departments, legal departments, middle management and senior management have all been eager to learn and to discuss the issues.

Publications from the International Chamber of Commerce (ICC), such as Incoterms and UCC have done much to harmonise international trade law and practice around the world, but one still needs to address some unfamiliar legal concepts. For instance, the English law of international trade is based on the historical assumption that all goods would be carried by sea. It is only in the past 50 years that the UK has seen the development of air freight and more recently road and rail freight. Under English law a ship’s original bill of lading has a special function as a document of title but the same does not apply to road, rail or air waybills. By contrast, banks in Central Asia will almost invariably be dealing with carriage by land or air, rather than carriage by sea. Nevertheless, the participants are keen to understand how the legal relationships work, what happens if there is a default and how best to protect the bank. The case studies, which are based on real problems I have encountered over many years as an international trade lawyer, provoke much interest and debate. But it is also interesting to hear the participants debating legal and practical issues which arise in their own countries. I have learnt a lot about local law in Skopje, Yerevan, Moscow, and Almaty in the past few months. The confirming banks can rest assured that the issuing banks take their responsibilities seriously and are keen to make the relationship work.

These workshops have also given me an opportunity to see places I would not often expect to see; the grass plains of Mongolia in spring, Red Square on a summer’s evening and the mountains behind Bishkek in the autumn...

Stephen Tricks, Partner, Clyde & Co LLP

TPF Forum in Istanbul

Daniel Bolschun, Principal Banker, EBRD, describes how the TPF Forum has developed into a trade finance hub which fosters trust through information sharing and direct communication

This year’s event in Istanbul attracted more than 200 bankers and trade finance specialists from various areas including the International Chambers of Commerce of Paris and Istanbul, factoring associations and trade finance specialists. “It is the ideal platform to network and to get updated information for trade finance purposes,” stated Commerzbank’s Axel Nikolaus Bommerheim of the two-and-a-half-day forum. It attracted participants from Armenia, Azerbaijan, Austria, Belarus, Georgia, Germany, Italy, Kazakhstan, the Kyrgyz Republic, Mongolia, Russia, Serbia, Slovenia, Switzerland, Turkey, the UAE and Ukraine, among others. And it offered sessions on international trade issues as well as opportunities for bilateral meetings to discuss correspondent banking relationships, the availability of counterparty and country banking limits, cooperation on different transactions, pricing, tenors and other topics.

“This is the ideal platform to network and to get updated information for trade finance purposes” Axel Nikolaus Bommerheim Managing Director, Commerzbank

Presentations by EBRD staff such as Gana Petersen, Head of Financial Institutions, and Mazharul Zubairi, Principal Banker, Loan Syndications, provided valuable insight into the Bank’s technical cooperation projects as well as the current state of the syndicated loans market.

An additional attraction was the extracurricular evening programmes which provided ideal opportunities for participants to socialise and engage in networking in a relaxed and friendly atmosphere among fellow bankers. Feedback on the TPF Forum has been positive. Alexander Geller from Asian Pacific Bank in Russia, for example, emailed us to say that “we have already begun cooperation with confirming banks from Italy, France, Germany and who are near to AFR. We are discussing two deals at the moment and that is, to my mind, the best confirmation of the importance of the event.”

Sponsors have also been equally enthusiastic about the 2011 event, which drew support from Isbank, Bank of Georgia, Commerzbank and Landsbank Baden-Württemberg (as well as the EBRD Shareholder Special Fund). These sponsors have already asked the EBRD to host the TFP Forum in future and have offered generous support. As Isbank stated in a recent message to the EBRD: “We sincerely hope that this event will take place again next year and that we will see you once more in Istanbul.”

Trade Finance: The lifeline of international trade

Axel Nikolaus Bommerheim, Managing Director, Commerzbank recounts his experience of the event

Commerzbank participated for the third time in the Trade Finance Forum (5-7 October 2011) in fascinating Istanbul. For me it was the second trip to the city since the TPF first took place in 2008. It was also the second time that Commerzbank had the pleasure of contributing as a sponsor. Climbing the stairs on arrival at the venue, I met Daniel Bolschun of the EBRD who unexpectedly challenged me to maintain the tradition of the Forum with sessions of three panels. Of course I accepted it meant a lot of preparation but it was great fun.

One of the main objectives on each day of the Trade Finance Forum was to emphasise that trade finance is the lifeline of international trade and supports the real sector, enhances living standards and increasingly develops emerging markets. We also underlined that trade finance business is safe — not only in the experience of all the participants, but also as proven by information and statistics prepared by the International Chamber of Commerce (ICC). Their updated ‘Global Risks – Trade Finance 2011’ was published recently with the support of international leading trade finance banks (including Commerzbank) and other institutions, amongst them the World Trade and Telecommunication (SWIFT), the World Trade Organization (WTO) and the Asian Development Bank (ADB).

Commerzbank is very grateful to the EBRD for once again organizing the Trade Finance Forum in Istanbul, and to Isbank for hosting the event. It was outstanding and it is the ideal platform for meeting colleagues, exploring opportunities for future business cooperation and obtaining important updated information for trade finance purposes.

Commerzbank has received the EBRD’s TFP award for its commitment and has been the formal bank sponsor for the TFP’s e-Learning Programmes.
Leo Cullen describes the special e-Learning environment which is enhancing global trade.

**EMPOWERING THE TRADE COMMUNITY**

Over the past ten years it has been my pleasure to manage the development and running of the International Chamber of Commerce (ICC) online trade finance training and information service. This has given me the opportunity to work with and learn from the world’s leading experts in trade finance and to travel the world to meet trade finance practitioners, implement training solutions and observe training methods.

A thirst for knowledge is a common characteristic among trade finance practitioners. But readers who work in trade finance will know that this is a lifetime’s work... a journey, rather than a destination. Issues arise every day that can challenge and frustrate trade finance bankers and can communicate directly with students to help them attain maximum benefit and offer support. The interaction creates a special learning environment, akin to a school or university. The TFP team furthers this environment by arranging graduation ceremonies and by offering awards to the highest achieving students.

Leo Cullen, Head of Trade Products Coastline Solutions

“The blended learning method adopted by the EBRD…is unique in the trade finance world”

Leo Cullen, Head of Trade Products Coastline Solutions

Training Digest: _F-Learning_Consultant View_
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