Trade Exchange tfp

THE QUARTERLY MAGAZINE ALL ABOUT THE EBRD'S **TRADE FACILITATION PROGRAMME** MARCH 2012

Powering trade in the energy sector
_12

THE TFP in facts and figures
_7

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TFP web site
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TFP e-Learning Programme:
ebrd.coastlinesolutions.com

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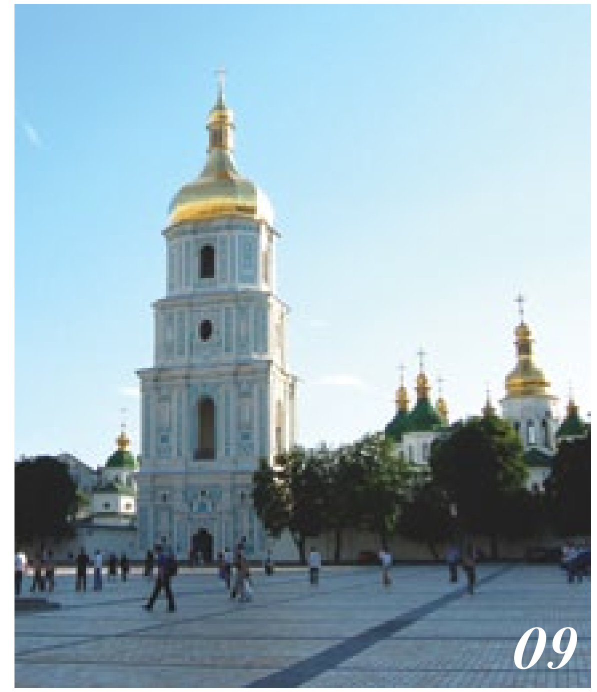


Find out how donors support trade finance
PAGE_18

EDITOR'S LETTER

First of all, a big thank you for the many emails we received following our first issue of *Trade Exchange* in December 2011. Our trade finance clinic was of most interest and attracted a good number of responses – six of you managed to find the right solution. Check the correct answer on page 23 and test your knowledge with another brain-teaser.

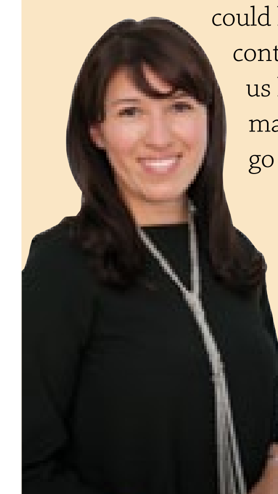
Last year was a successful one for the Trade Facilitation Programme (TFP) and we processed transactions in many different sectors. Hundreds of these transactions were in power and energy, and to tell you more about what we do in this sector my colleagues from the EBRD's Power and Energy team have put together a short feature.

Our regional focus stories were sent to us this time from colleagues and participating banks in Belarus, Moldova and Ukraine. You can read about the views of banks participating in the TFP in those countries, as well as the EBRD's activities there.

Our Trade Finance e-Learning Programme is highly respected throughout the industry. Read about the recent graduation ceremony in Moscow and the feedback from some of our students. But what of our continuing role in the trade finance community? Watch this space to find out how we will be contributing further.

We greatly enjoyed compiling this issue and could hardly squeeze in all the interesting contributions from around the world. Let us know what you think – contact us on makhmudk@ebrd.com and your message will go straight to the Editor's inbox.

Happy reading!



Kamola Makhmudova, Executive Editor
makhmudk@ebrd.com

NEWS *UPDATE*

The EBRD's London headquarters

FOCUS ON

Triple-A rating reaffirmed amid record investments

A record year of investments in 2011 provided strong EBRD support to a region that continues to face risks, especially from persistent economic tension in the eurozone.

The EBRD provided financing of just over €9 billion across countries stretching from south-eastern and central Europe to central Asia. This was up slightly from the level invested in 2010. The total number of individual loans and equity investments remained strong at 380.

The Bank is entering 2012 in robust form, bolstered by a capital increase to which all major shareholders, including all the G-8 nations, have subscribed, and by solid earnings despite extremely challenging market conditions.

Backed by a further increase in reserves and a reaffirmation of the EBRD's triple-A rating and stable outlook from all three major international rating agencies, the Bank is well placed to continue delivering a high level of investments to support economic modernisation across its countries of operations.

The EBRD continued to support all key economic sectors. Thirty per cent of investments in 2011 were in the diversified corporate sectors, 32 per cent went to the financial sector, with a priority on the small and medium-sized enterprise sector, and 38 per cent of total investments were in the energy and infrastructure sectors.

Looking forward to 2012, the EBRD will initiate its investments into the southern and eastern Mediterranean (SEMED) region, in response to a call from the international community to provide support for emerging Arab democracies. At the end of 2011 Jordan and Tunisia became new EBRD members and have joined existing shareholders Egypt and Morocco in seeking to benefit from EBRD support.

www.ebrd.com/news

FINANCIAL SECTOR

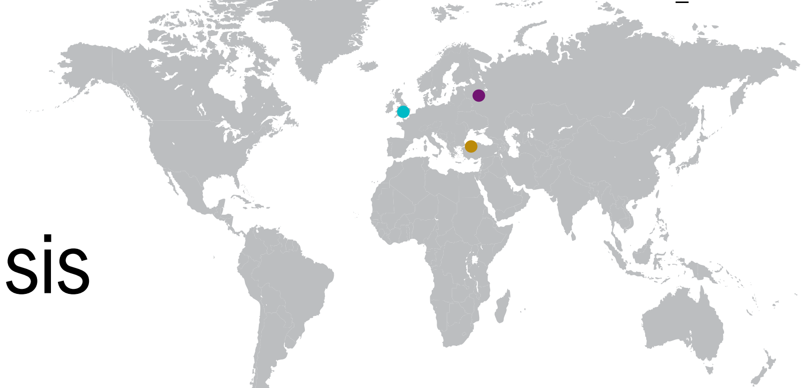
EBRD strategy for 2012

This year is likely to be another difficult one in the financial sector in the EBRD's countries of operations.

We will focus on mobilising finance to the real economy by lending to small businesses, financing energy efficiency projects and through the Trade Facilitation Programme (TFP).

To help regenerate the financial sector we will invest in financial institutions and promote local currency lending. This will be supported by measures to develop local capital markets and strengthen local financial infrastructure.

Nick Tesseyman, Managing Director, Financial Institutions, EBRD



MOSCOW CONFERENCES

Trade finance and the euro crisis

Despite temperatures in Moscow falling to minus 27 degrees Celsius, nearly 100 delegates attended a conference "Trade Finance in Russia and the CIS" organised by WorldWide Expert on 26-27 January 2012.

Trade finance bankers and specialists from Russia, the wider CIS region and large foreign commercial banks met to discuss trends, the future and the impact of the euro crisis on trade finance. The EBRD was represented by Rudolf Putz, Head of the TFP (who also chaired the conference) and Anna Brod, Analyst in the TFP team.

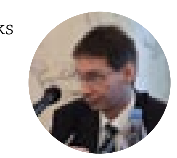
The panel discussion on risks and demand for Russian trade finance focused on the competition between state-owned and private Russian banks, with foreign commercial banks now increasingly supporting the latter. "Private Russian banks have a higher number of short-term trade finance transactions and utilise our trade finance facilities several times a year, while state-owned banks have fewer and larger transactions with longer tenors," noted panellist Sardor Kholmakhmadov from Landesbank Baden-Württemberg.

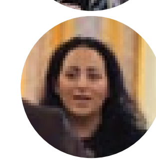
Other discussions concluded that while trade was expected to grow in 2012, this depended on the outcome of the financial crisis. Higher pricing is becoming a bigger issue and funding is more difficult, especially refinancing in US dollars in the eurozone. Considering that most trade finance transactions in Russia have a funding element and require not only risk cover, there will be more competition for the limited international funding.

Increased capital requirements and reduced lending will influence international trade, as foreign commercial banks will support their clients in their home countries and limited lines will be available for foreign clients.

Holger Kautzky from Commerzbank stressed, however, that his bank's trade finance business will be expanded further. Once Basel III is implemented, the bank's capital requirements, even for sight letters of credit, will increase. The impact on pricing, however, could not yet be estimated. Mr Kautzky also highlighted the close and very successful cooperation with the EBRD and added that "the EBRD will remain our biggest IFI partner in the region".

Below: Rudolf Putz and Anna Brod, EBRD TFP





Talking trade

Exporta's 5th Russia and Eurasia Trade and Export Finance Conference took place on 7 February 2012 in Moscow and, as in previous years, the EBRD joined Exporta in organising the afternoon sessions.

Rudolf Putz, Head of the TFP, moderated a discussion on the role of Russia in intra-regional Eurasian trade flows. Representatives from Promsvyazbank, BPS-Sberbank, Locko-Bank and VTB Bank, Ukraine took part in the session that raised a constructive discussion on pricing levels under the current market conditions.

Kamola Makhmudova, Principal Banker in the TFP team, was joined by representatives from Bank Respublika, Priorbank and Bank CenterCredit to analyse support mechanisms for trade in the wider Eurasia region.

The EBRD's Resident Office in Moscow was represented by Eric Rasmussen, who presented an interesting case study on how the EBRD is expanding Russia's project finance capacity and driving project finance innovation.

Left to right: Vincent O'Brien, ICC Banking Commission, and Kamola Makhmudova, Rudolf Putz, Maria Mogilnaya, EBRD TFP

Future Events

TFP Annual Event and Awards Ceremony

17 MAY 2012

LONDON, UNITED KINGDOM

The TFP's Annual Event and Awards Ceremony will take place in London the day before the EBRD Annual Meeting and Business Forum (see below). This year's TFP event will offer a unique opportunity to share trade finance banking expertise through presentations by professional trade finance bankers and specialists. The event will also provide the stage for singing agreements with banks that have recently joined the TFP, and host an awards ceremony for the most active participating banks of 2011.
Attendance by invitation only.

Contact the TFP team for more information.

LONDON 2012

EBRD Annual Meeting and Business Forum

18-19 MAY 2012

LONDON, UNITED KINGDOM

For more information, visit: www.ebrd-annual-meeting.com.

TFP Trade Finance Forum

26-28 SEPTEMBER 2012

ISTANBUL, TURKEY

Contact the TFP team for more information.

Rudolf Putz (left) receives the award from Alistair Clark, Managing Director, Environment and Sustainability, EBRD

EBRD ENVIRONMENTAL AWARD

A winning team

TFP awarded environmental and social accolade

Each year the EBRD's Environment and Sustainability Department (ESD) selects a number of EBRD projects to receive environmental and/or social recognition for their work in the past year.

This year, the TFP team won the 2011 award for participating in the development of an online training course for environmental and social issues in trade finance. The course has recently been adopted by the International Chamber of Commerce.

Anne Maria Cronin, Principal Environmental Adviser in the ESD, says of the course: "It really helps local banks to understand the environmental and social risks that could be associated with trade finance activities, which in turn could carry significant reputational risks for local banks as well as for the EBRD."●

EBRD BLOG

Trade finance uncertainty as IFI additionality increases

Trade finance has had another rollercoaster year in 2011, and the outlook for the industry this year is becoming at least as challenging.

In this post we take a look back at developments in trade finance in 2011, and examine the outlook for 2012, with a particular focus on the strong role of the EBRD's Trade Facilitation Programme in this area.

To read more visit: www.ebrdblog.com/wordpress/2012/02/rising-uncertainty-for-trade-finance-and-increasing-ifi-additionality.

PRESS TALK

"Due to the continued lack of availability of trade finance in many countries of [the] EBRD's region, and combined with the increased demand for trade finance, it is expected that the EBRD's TFP will remain high in demand."

Trade Finance
June 2011

"This is a must read for anyone interested in trade facilitation programmes. The EBRD have come up with an extremely well-designed publication that just oozes with useful stats and interesting highlights. I am looking forward to the next one."

Dickon Harris,
Deputy Editor, *Trade Finance*

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.

CONFIRMING BANKS OPERATE IN 77 COUNTRIES

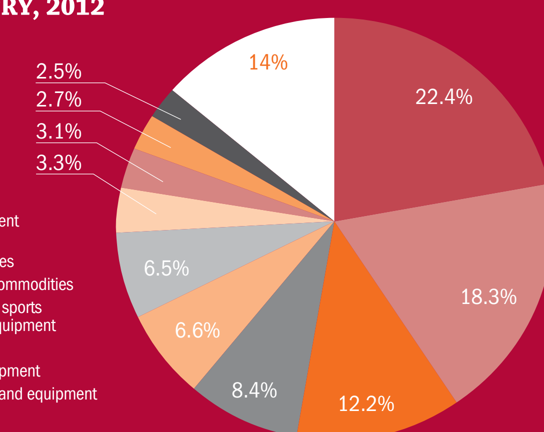
TOP 10 CONFIRMING BANKS
October-December 2011

	Bank	Country
1	Commerzbank	Germany
2	UBS	Switzerland
3	Deutsche Bank	Germany
4	UniCredito Italiano	Italy
5	Raiffeisen Bank International	Austria
6	ING Bank	Netherlands
7	KBC Bank	Belgium
8	JP Morgan Chase Bank	United Kingdom
9	UniCredit Bank Austria	Austria
10	Skandinaviska Enskilda Banken	Sweden

800+

NUMBER OF CONFIRMING BANKS OPERATING IN 77 COUNTRIES ***see map above***

TFP TRANSACTIONS BY INDUSTRY, 2012



11,700+

TOTAL NUMBER OF TRANSACTIONS SINCE 1999

€7.2 billion

TOTAL TRANSACTION VALUE SINCE 1999

102

NUMBER OF ISSUING BANKS IN 20 EBRD COUNTRIES OF OPERATIONS

24

NEW TRADE FINANCE AGREEMENTS SIGNED IN 2011

IN *DEPTH*

RAIFFEISEN BANK AVAL, UKRAINE

LASTING RELATIONSHIPS

Vitaliy Kyslenko of Raiffeisen Bank Aval reflects on his bank's cooperation with the EBRD

It's been 10 years since Raiffeisen Bank Aval and the EBRD began working together under the TFP. Despite our experience in documentary business and trade finance, and having a strong position in the Ukrainian banking market, entering into the TFP immediately opened up new challenges and opportunities for us to improve our trade finance business.

Over the past 10 years the TFP team has been continually developing advantages for its participating banks. In particular, the range of products has expanded. For example, banks are able to act as issuing banks and confirming banks, as well as receive cash advances under the revolving credit facility.

The EBRD also cultivates a high level of professionalism in its participating banks through training and consultancy services. Its online training – the e-Learning Programme – is one of the best examples of how it ensures banks have a detailed understanding of trade finance and documentary business.

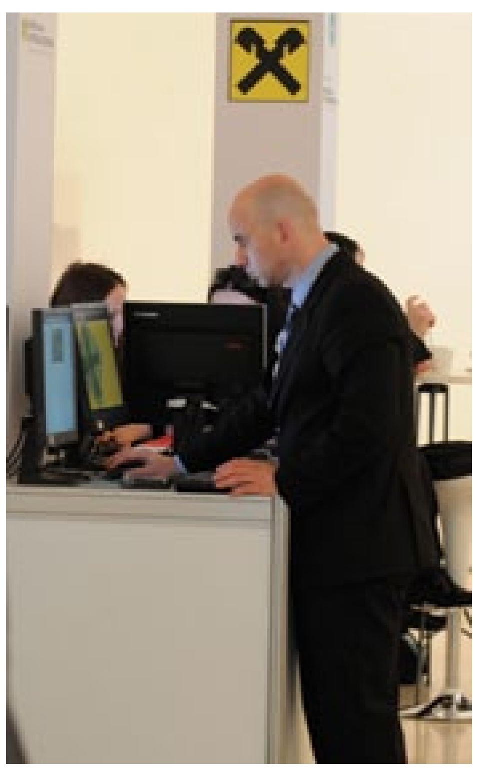
Being part of the TFP has certainly brought huge benefits for us. For instance, the mere fact we were approved as a participating bank was an affirmation of our good reputation. Then after being approved, most other participating banks in the EBRD's countries of operations received information about us, which automatically extended our business relationships.

Although the TFP is not the only credit line our bank has that supports trade-related transactions, it has given additional confidence to us and our customers, especially in times of crisis. The quality of TFP services is a now a benchmark that we use when establishing relationships with other banks for trade-related transactions.

With TFP support Raiffeisen Bank Aval has finalised transactions for Ukrainian importers and supported businesses in areas such as automobiles, agricultural machinery and retail of household equipment.

I am sincerely grateful to the TFP team for its long-term support, loyalty, development and training opportunities.

Vitaliy Kyslenko, Head of Public Sector and Trade Finance Division, Raiffeisen Bank Aval



MOLDOVA-AGROINDBANK

Support for intra-regional trade

We have been active as an issuing bank under the TFP since 1999. The EBRD particularly supports us in intra-regional transactions; one example being the import of metal products to Moldova from Ukraine. We issued several letters of credit, confirmed by ING Bank, Ukraine, and the EBRD guaranteed 100 per cent of the political and commercial risk.

Our participation in the TFP has allowed us to improve our trade finance business and widen the range of products and services we offer. And our clients benefit too; they enjoy limited risk and lower funding costs, and because the TFP provides an additional source of funding, they have been able to increase their international trade activity and expand their market share.

Natalia Vrabie, President, Moldova-Agroindbank

"Being part of the TFP has certainly brought huge benefits for us"

Vitaliy Kyslenko

MINSK TRANSIT BANK, BELARUS

STRIVING FOR SUCCESS

Conducting trade finance is tough work in Belarus

If anyone asked me to describe our work in documentary business in one word, I would say that it was a fight – a fight to defend our customers' desire to be successful and rightful importers on the international markets.

One of the difficulties is how foreign banks in developed countries view Belarusian banks; the risks involved when dealing with Belarusian banks are high, and nowadays access to the news is so easy and the ratings of various countries tend to make headlines.

Another obstacle is that prepayment for imported goods is still forbidden in our country, so a letter of credit is the only payment method for most of our customers.

That is why the EBRD's Trade Facilitation Programme is our best chance of obtaining confirmation and guarantees from foreign commercial banks. What is more, when we want to cooperate with an unknown bank, we pay special attention to whether it collaborates with the TFP; if it does, we know we can easily establish a relationship and that it will accept EBRD guarantees.

Competition among Belarusian banks is high and our experience and knowledge are essential, which is why we are constantly striving to learn and obtain new skills. The TFP e-Learning Programme has brought us new benefits, practical knowledge and key answers to questions that often arise in our daily operations. It has also made our staff real business experts and professionals.

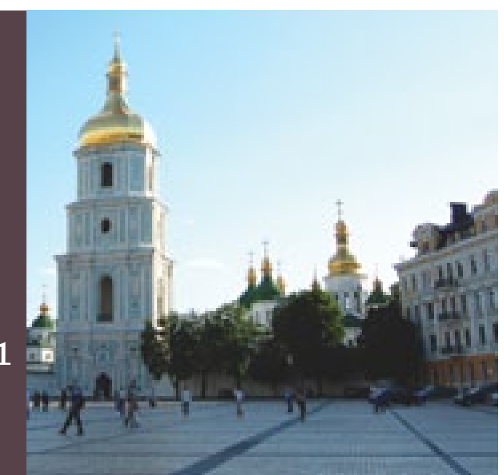
Thanks to the documentary business we conduct we are getting to know new customers. And thanks to our customers, we are working with new banks – all of which will help us to win our fight!

Kate Beganskaya, Deputy Head of Settlements Department, Minsk Transit Bank

EBRD RESIDENT OFFICE, KIEV

The EBRD is the largest financial investor in Ukraine

Our Resident Office in Kiev reports on its results for 2011



The EBRD is the largest financial investor in Ukraine. As of 31 December 2011 it had committed over €7.5 billion (US$ 9.6 billion) in 294 projects.

Last year saw the Bank's second highest operational result since 1993. It signed 41 new transactions worth €1.02 billion (US$ 1.3 billion).

Other significant numbers for 2011

- 35 private enterprises and 5 financial institutions benefited from EBRD funding.
- The Bank made 16 equity investments, which set an all-time annual record for the EBRD in Ukraine.
- Almost €230 million went to projects in the manufacturing sector.
- Agribusiness signings reached over €190 million through 12 transactions.
- Nearly €190 million was provided to the Ukrainian banking sector.
- The Bank launched a new US$ 100 million lending facility for micro, small and medium-sized enterprises in Ukraine.

COMMERZBANK, GERMANY

Using clean lines and EBRD limits, Commerzbank has a long history of trade finance with banks in Moldova, Ukraine and Belarus.

In Moldova, GDP grew 6 per cent in 2011 and demand for trade in international equipment and machinery grew accordingly. Therefore we expect further increasing demand for letters of credit and guarantees.

In Ukraine, financial institutions are also conducting trade finance business using tools such as sight letters of credit, post financings and guarantees. Trade finance here has huge potential: GDP grew 4.5 per cent in 2011 and we expect an augmentation of 2.5 per cent in 2012.

In Belarus, Commerzbank accommodates transactions with various trade finance instruments. The modernisation plans for the economy provide for substantial further growth potential.

Holger Kautzky and Axel Nikolaus Bommersheim, Financial Institutions - CIS, Baltic Countries, Mongolia, Commerzbank

EBRD RESIDENT OFFICE, MINSK

BOOSTING THE PRIVATE SECTOR

Belarus has great potential for change and EBRD support can help achieve this

With street names such as Komsomolskaya, Karl Marx and Lenin, it's easy to believe that Belarus is a Soviet theme park.

From Minsk Traktorni Zavod, one of the largest tractor manufacturers in the world, to the neighbourhood instant-photo shop, the heavy hand of the state is everywhere, generating around 75 per cent of the country's GDP. Yet there are signs of a nascent private sector. Minsk is home to swanky restaurants and designer boutiques that would not look out of place in London's more prosperous neighbourhoods. It is this contrast between its Soviet legacy and its evident potential for change that makes Belarus so captivating.

In this much maligned but strangely endearing country the EBRD endeavours to support private sector development. To date, it has invested €839 million in 42 projects there. In 2011, as Belarus went through a deep economic crisis which caused its currency to plunge and year-end inflation to reach an estimated 108.7 per cent, the EBRD invested a record €194 million.

Last year Belarus was the most active country under the TFP, highlighting the importance of trade for this industrious country that used to be the manufacturing base for much of the Soviet Union.

Since a recalibration of its strategy in early 2011, the EBRD is now focusing

exclusively on developing the private sector, although exceptions are made for public sector projects with a strong environmental impact that would improve the living conditions of the Belarusians and are conducive to significant reforms nation-wide.

Looking ahead to the rest of 2012, several credit lines to banks for on-lending to micro, small and medium-sized businesses are planned, as well as an expansion of the TFP.●

Francis Delaey, Head of the EBRD's Resident Office in Minsk

EBRD RESIDENT OFFICE, MOLDOVA

MAKING *OUR MARK* IN MOLDOVA

Julia Otto feels the presence of the EBRD

Arriving in Moldova as an EBRD banker you get a real sense of our work here. Driving down the main street in Chisinau, for example, it is hard not to notice the new trolleybuses with the EBRD and EU logos on the back windows.

Chisinau itself is a good reason to visit this country. Not just because of the great architecture, but also because of the people themselves. Friendly, well-educated and effortlessly switching between at least two languages (Romanian and Russian) or often three (plus English or French), Moldovans are always open for constructive dialogue. And this is largely the reason why the EBRD is so active here.

Since our Resident Office opened in 1996 we have invested over €1 billion in 85 projects. But there is much more to be done. In 2012 we will continue to invest in infrastructure and transport, promote private sector development, provide debt and equity financing to local partner banks and support international and intra-regional trade.●

Julia Otto, Head of the EBRD's Resident Office in Chisinau

CUSTOMS UNION

PROMOTING TRADE THROUGH ECONOMIC INTEGRATION

Asset Irgaliyev of the EBRD's Office of the Chief Economist looks at the economic effects of the Eurasian Economic Community

The idea of a customs union (CU) among former Soviet countries can be traced back to the beginning of the 1990s. The greatest disintegration process in the 20th century was followed by integration among former communist countries to form the world's largest customs union by land size.

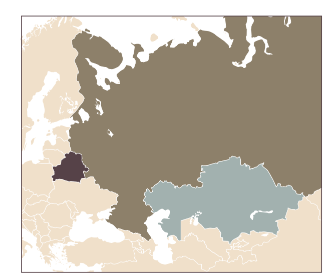
In January 2010 Belarus, Kazakhstan and Russia introduced a common external tariff (CET) on imports from third countries, based mostly on the Russian duties that prevailed until that year. Since Russian duties were the highest among the three countries there have been significant duty hikes on a number of sensitive products in Belarus and Kazakhstan, with varying exceptions in each of the three member countries.

The three countries conducted free trade with each other before the CU existed, so the only change is the implementation of the external tariff. The removal of internal tariff and non-tariff barriers among countries with a CET can have either positive or negative effects; it can increase the gain from trade if the importer from the partner country substitutes less efficient (higher costs) domestic supplies for more efficient (less costly) imports from that country, resulting in "trade creation". Or it creates "trade diversion" if the lower-cost imports from outside the CU are displaced by the output of a partner country because of the distorting impact of the tariffs.

It is hard to say how the CET has affected the CU members, as few quantitative analyses have been conducted. But one study – by Souza (2011) – demonstrates that the CU would be a GDP-reducing framework wherein the negative trade diversion effects clearly overwhelm any positive trade creation effects. Most industries are negatively affected and the external positions of the CU members worsen.

But there are some short-term economic benefits from being in the CU. Belarus can hope for lower energy prices, as duties on Russian oil imports for further re-exportation will be eliminated. Kazakhstan may benefit from duty free exports of commodities such as coal, metal and petrochemicals to the rest of the CU.

For Russia, the CET should benefit its manufacturers since the import duty will increase the common tariff that led to import duty hikes for various items in Belarus and Kazakhstan. By building up a "common tariff wall", Russian producers of cars, trucks, buses, flat metals and metal pipes, dairy and milling products face less competition in Kazakhstan and Belarus because producers from third countries (for instance, in south-east Asia) have been put at a disadvantage.



Customs union membership might be costly in the short run for countries with lower duties, but it should start to bring benefits once trade facilitation and reductions in non-tariff barriers have been achieved. Countries can increase their chances of reaping the rewards from the CU by conducting structural reforms and improving their business environment to attract investors. These should stimulate intra-regional trade and increase the competitiveness of Belarus, Kazakhstan and Russia on an inter-regional scale.●

POWERING TRADE

In each issue we will be highlighting a particular sector of the EBRD's work. This quarter we look at the Power and Energy team.

When the TFP swings into action to finance the sale of a transformer, turbine or drum of electric cable, it is participating in one of the largest and most important sectors of any economy: the one that supplies electricity from industrial generators through a network of cables and transformers to every home and business and so provides heat, light, entertainment, cooking, communications and industrial processes.

The EBRD has been closely involved with this crucial sector since its foundation in 1991, working with governments to improve the institutional and regulatory framework, and providing long-term finance for the renewal of ageing and polluting infrastructure.

Nandita Parshad, Director, Power and Energy, EBRD

To date the TFP has supported 413 power and energy transactions worth €342 million; in 2011 alone, 17 transactions worth up to €39 million were completed. One of these – notable because it was intra-regional – involved the import of a diesel generator set to Belarus from Poland. Here, a bank in Minsk issued a letter of credit that was confirmed by a bank in Warsaw, and the EBRD guaranteed the political and commercial risk that was partially shared by FMO.

WHO WE ARE

The Power and Energy team has 35 staff who work on electricity and gas distribution projects throughout the EBRD's countries of operations. Among us there are more than 20 nationalities. Most of us have studied economics and finance and some have an engineering background.

We have a passion for social and economic development and enjoy the work we do. It is rewarding to see the positive impact of the Bank's financing on people's lives, which could be anything from extending the electricity distribution network to remote villages, to building a new power plant that replaces a polluting and inefficient facility.

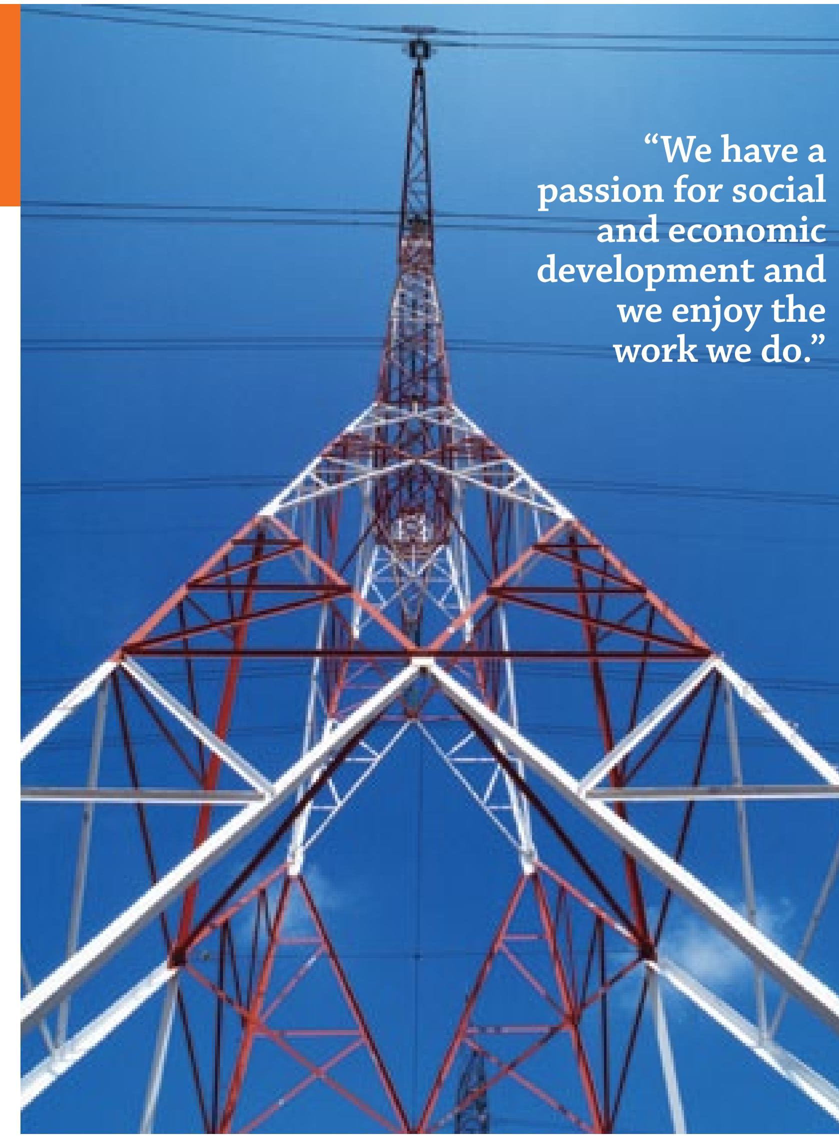
WHAT WE DO

We provide loans and make equity investments in all types of power projects – from greenfield generation plants, especially renewable energy, through the transmission grid to distribution networks and individual meters.

We support private investors through equity investments in power and gas companies in countries such as Bulgaria, Moldova, Poland, Romania and Turkey, and financing independent power producers in central Europe.

We engage in dialogue with governments and, through technical cooperation, support the reforms that enable energy sectors to function according to market principles, such as increased competition, market liberalisation and private ownership.

We strengthen the frameworks for the regionalisation of electricity markets through financing cross-border transmission lines and boosting energy trading. We are also heavily involved in transmission investments, including the Black Sea Transmission Line between Georgia and Turkey, and projects in Ukraine, Kazakhstan, Russia and the Western Balkans.



CASE STUDY

Supporting renewable energy in Georgia

Georgia's mountains have huge potential to generate clean renewable energy from hydro power. Less than 20 per cent of this potential has been developed, while neighbouring Turkey's fast growing economy urgently needs power.

The EBRD's strategy in Georgia has focused on using this potential to meet that demand, for example through the construction of the 87 MW Paravani greenfield hydro power plant (HPP) in the Samtskhe-Javakheti region of Georgia, for which the EBRD is providing US$ 63.5 million through its A/B loan structure and US$ 5 million in equity.

The project is being developed by Anadolu Endüstri Holding, one of Turkey's largest conglomerates. The first Turkish energy investment in Georgia, the Paravani plant will supply electricity to both the Georgian and Turkish electricity grids.

The Paravani HPP sets an important precedent for future renewable energy projects in Georgia and the region. Not only is it the first large-scale greenfield renewable project financed by the EBRD in Georgia and the first power plant to use the Black Sea Transmission Line, it will also be the first private power generation project in Georgia, where state-owned facilities control around 50 per cent of the domestic electricity supply.

Did you know...?

- We are working more and more in priority areas such as the Caucasus and Central Asia, including recent investments in Georgia (see case study) and Tajikistan (a €7 million loan to fund metering refurbishment).
- Our team is the biggest contributor to the EBRD's Sustainable Energy Initiative. We contribute 42 per cent of the Bank's investments in energy-efficiency-related projects, including large hydropower plants and renewable energy projects. Of all projects financed by the Power and Energy team in 2011, renewables represented about 44 per cent and comprised mainly wind, small hydropower plants and biomass projects.

In numbers

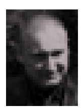
148

Cumulative EBRD financing to power and energy projects since 1991 is €7 billion across 148 projects, with a total value of €25.3 billion.

€1.2bn

Since its inception, the Bank has gradually increased annual business volume in the power sector, which has exceeded €1 billion a year since 2009, and reached over €1.2 billion in 2011 in more than 25 projects across 18 countries.

TO *STANDBY* OR TO *GUARANTEE?*



Kim Sindberg looks at the structural differences between guarantees and standby letters of credit

Approaches to standby letters of credit (standbys) and guarantees differ around the world. People perceive things in different ways, and practice evolves in different ways. Take for example the Americas where standbys are generally used when issuing a guarantee undertaking. In Europe, however (and for that matter in other parts of the world), guarantees serve the same purpose.

It does not seem fruitful to have too many rules dealing with instruments that are intended to cover similar transactions.

The question is whether it makes a difference what these instruments are called – in other words, can a guarantee always be used in lieu of a standby and vice versa?

RULES VERSUS STRUCTURE

When considering the difference between a guarantee and a standby, the rules used are important. They define the basis for the transaction, the obligation of the parties and they reflect the structure of the transaction.

The traditional guarantee begins in the situation where a guarantor issues an undertaking vis-à-vis a beneficiary. If the beneficiary would like to obtain an undertaking from its own bank, then this is solved by using a counter-guarantee.

This means that the beneficiary of the guarantee receives a guarantee issued by a bank (guarantor), even though it is originally issued by the applicant's bank (counter-guarantor). The counter-guarantee indemnifies the guarantor in the event a complying demand is made (by the beneficiary) under the guarantee. The counter-guarantee and the guarantee are two separate guarantees, independent of one another.

"The rules used are important. They define the basis for the transaction."

In similar circumstances using a standby, the standby is generally confirmed by a confirming party. The ISP 98 rules state that the "issuer" includes a "confirmer" as if the confirmer was a separate issuer and its confirmation was a separate standby issued for the account of the issuer (ISP 98, Rule 1.11(c)). In other words, there is only one instrument, but two parties (issuer and confirmer) obligated under it.

As such, ISP 98 involves a more sophisticated "gallery of characters" than URDG 758. A standby may nominate a person to carry out certain duties, for example confirm the standby (ISP 98, Rule 2.04), while the rules for guarantees do not include this option. For guarantees, it is only possible to add an "advising party", whose sole role is to advise the guarantee and not to assume any kind of "undertaking" under it (for example, URDG 758, Article 10(c)). If an undertaking by another party is required, then a counter-guarantee is necessary.

The table (right) is a comparison of the structural differences of demand guarantees and standbys. The assumption is a situation where the beneficiary's bank has obligated itself to the beneficiary.

To conclude, the standby is a more sophisticated instrument than a traditional guarantee. In some cases this does not matter but in others this is vital, for example, in cross-border transactions where the beneficiary requires an undertaking by its own bank.

The demand guarantee is a reliable instrument that has been alive and kicking for many years. However, when making a facts-based analysis it is hard not to conclude that the standby has significant advantages, in the situation where the beneficiary requires an undertaking from its own bank.●

Kim Sindberg, Vice President and Technical Trade Finance Adviser, Nordea

IN DEPTH
_GUARANTEES AND STANDBYS

	Guarantee	Standby
Rules versus no rules	Even though rules designed for demand guarantees have existed since 1992 (when URDG 458 came into force), many guarantees are issued without reference to any rules.	Almost every standby is issued subject to rules, either ISP 98 (International Standby Practices) or UCP 600.
	Comment It is an advantage that standby/guarantees are issued subject either to ICC/IIBLP rules than to no rules at all. Although some provisions in the rules may not be desirable, it is still easier to navigate when one knows which rules apply. Being subject only to local law means that the outcome of a potential dispute is uncertain.	
Points of entry/availability	A guarantee is only "available" with the guarantor. The beneficiary must make the demand to the guarantor. The beneficiary cannot present a demand to a counter-guarantor.	A standby may include a "confirming party" which (depending on the wording in the standby) allows the beneficiary to present either to the confirmer or the issuer.
	Comment For the beneficiary, the standby has an advantage over the guarantee. When the beneficiary has done its "duty" under a standby, that is, made a complying presentation to the confirmer, then both the issuer and confirmer are obligated. For guarantees only a complying demand to the guarantor obligates the guarantor.	
Expiry dates and places	The counter-guarantee and the guarantee are two separate guarantees and each includes its own expiry date/place. These are normally "adjusted" so that the guarantor has enough time to make a demand under the counter-guarantee. However, there is a risk this may not be possible.	Since there is only one standby, there is only one expiry. If there is a confirmer, then the presentation must be made to the confirmer or, if the standby permits, also to the issuer.
	Comment The confirmer knows that the issuer is obligated when a complying presentation is made under a standby. The same is not true for a guarantor that has issued a guarantee on the basis of a counter-guarantee, as the guarantor must make a complying demand to the counter-guarantor. When a complying presentation under a standby is made to the confirmer then the risk of documents being lost in transit lies with the issue. The same is not true for guarantees. This may, however, be solved by allowing for electronic demands.	
Protection	It is not clear if a guarantor that is not being reimbursed by the counter-guarantor due to, for example, an injunction against the counter-guarantor, is protected by URDG 758. According to the Guide to ICC Uniform Rules for Demand Guarantees – URDG 758, in similar circumstances it would be possible to sue the applicant.	The general rule is that when a confirmer pays out on the basis of the nomination granted by the issuer, the confirmer is "protected" by the applicable rules. This is the case, for example, where a court injunction is filed against the issuer.
	Comment This is a legal issue, and it may be hard to foresee the outcome of an actual case. However, it appears that the standby offers more protection in cases like this.	
Law and jurisdiction	For demand guarantees, the applicable law and jurisdiction is the place of the counter-guarantor for the counter-guarantee and the place of the guarantor for the guarantee.	There is a general understanding that law and jurisdiction of a standby is the place where the standby is available.
	Comment The rule for guarantees is stated clearly in URDG 758, but it can be a messy situation with two guarantees covering the same transaction – subject to two different laws/jurisdictions.	

TRAINING *DIGEST*

E-LEARNING PROGRAMME GRADUATION 2012

It was the afternoon of 7 February 2012 and the Petrovsky Salon in Moscow's Marriott Royal Aurora was packed. The last session of Exporta's 5th Annual Russia and Eurasia Trade and Export Finance conference was taking place, but no one dared to leave early because the second annual graduation ceremony of the EBRD Trade Finance e-Learning Programme was about to start.

The graduates of 2012 braved frosty Russian weather and travelled to Moscow to receive their ICC Certificates of Achievement. All of them had 12 months to complete seven modules – the most extensive suite of trade finance training available to any trade finance professional worldwide.

You couldn't tell who was more nervous – the graduates, the TFP team or Thierry Sénéchal, Senior Policy Manager at the ICC Banking Commission who came to Moscow especially for this event. For many graduates it was a rare opportunity to receive their certificates directly from the regulator in trade finance.

THE PRIZE-WINNERS

As in the previous year, the TFP's partner banks awarded the best students with special prizes. **Commerzbank** invited Innesa Amirbekyan of Ameriabank to complete a two-week internship at its headquarters in Frankfurt. Michael Gutsa of Credit Bank of Moscow won a bespoke one-week training course in London, sponsored by **Euromoney Training**. Mariia Ivaschenko of Raiffeisen Bank Aval and Nadica Bosilkova Boskova of Komercijalna Banka Skopje both won iPads, presented by **China Systems** and **eBSI**. Suren Kocharyan of Ameriabank received a subscription to DC Pro, courtesy of **Coastline Solutions**, as did Olga Belovolova of NBD Bank, the only top graduate from a regional Russian bank.

And so we look forward to meeting next year's graduates and continuing our ground-breaking work in educating trade finance professionals throughout the EBRD's countries of operations.●

1 MICHAEL GUTSA Credit Bank of Moscow, Russia
2 INNESA AMIRBEKYAN Ameriabank, Armenia
3 MARIIA IVASCHENKO Raiffeisen Bank Aval, Ukraine
4 NADICA BOSILKOVA BOSKOVA Komercijalna Banka, FYR Macedonia
5 SUREN KOCHARYAN Ameriabank, Armenia
6 NATALIA SHATILO Belgazprombank, Belarus
7 ANETA STOJMANOVSKA Komercijalna Banka, FYR Macedonia
8 KRISTINA SOGHOMONYAN Araratbank, Armenia
9 NATALIA AFANASYEVA Bank Saint Petersburg, Russia
10 MARINA DZHULAI Raiffeisen Bank Aval, Ukraine
11 YAROSLAV BODENCHUK Raiffeisen Bank Aval, Ukraine
12 KATERYNA SHULGA Raiffeisen Bank Aval, Ukraine
13 ANNA BABAYAN Araratbank, Armenia
14 NATALIA KESHABYANTS Credit Bank of Moscow, Russia
15 MIKHAIL TIMOFEEV Transcapitalbank, Russia
16 ULAN ASANAKUNOV Demir Kyrgyz International Bank, Kyrgyz Republic
17 NIKITA PODOSENKOV Credit Bank of Moscow, Russia
18 VITALIY GARBARUK Raiffeisen Bank Ava, Ukraine
19 RADMILA ANDONOVA Komercijalna Banka, FYR Macedonia
20 OLGA BELOVOLOVA NBD Bank, Russia

Rudolf Putz, EBRD TFP, with Kateryna Shulga, Raiffeisen Bank Aval, Ukraine

COULD IT BE YOU?

The ICC Banking Commission will be inviting one of next year's best graduates to attend its meeting in Portugal in spring 2013, with travel and accommodation expenses paid.

WHAT THE STUDENTS SAY

I enjoyed the TFP e-Learning Programme immensely. The modules are very well organised and take the student from the very basic concepts of trade finance to the depths of each topic. Having completed the Certified Documentary Credit Specialist (CDCS) course in the past, I found the programme very interesting, and that it complemented my existing knowledge.

Mohamed El-Naggar
Senior Supervisor in the Trade Finance Unit, National Bank of Egypt

For me, the major attraction of the e-Learning Programme is its flexibility and how it can be accessed any time, which allows you to learn around a busy work schedule and family life. Besides the flexibility, the excellent course material and the great tutorials improved my knowledge of documentary collections, letters of credit and standbys, as well as helping me to solve some dilemmas that I had in my daily work.

Nadica Bosilkova Boskova
Officer in Charge in the International Payment Operations Unit, Komercijalna Banka Skopje

I like the fact that the programme is online and the students can study at any time. Moreover, it incorporates all the latest changes in internationally accepted rules and standards. Experienced managers like myself can refresh their knowledge and professional vocabulary, which we use every day when structuring trade finance transactions with our partner banks from abroad.

Olena Kozoriz
Head of Financial Institutions and Trade Finance, The State Export-Import Bank of Ukraine

From left to right: Lusine Balasanyan, Suren Kocharyan and Innesa Amirbekyan

RULES FOR *SUCCESS*

Ameriabank staff describe what the e-Learning Programme has done for them

Benjamin Franklin once said that "an investment in knowledge pays the best interest", and we agree. That is why our staff take part in the EBRD Trade Finance e-Learning Programme, which helps those involved in the TFP to achieve best international practice and promotes the correct application of the ICC Trade Rules.

In 2011 three of our staff successfully completed the programme – Suren Kocharyan, Head of Trade Finance Department; Lusine Balasanyan, Chief Specialist of Payment Instruments and Escrow Accounts Division; and Innesa Amirbekyan, Chief Specialist of International Banking Division.

Anyone involved in trade finance can participate – from beginners to experienced international trade professionals. As it's online it can be used any time and anywhere, and a combination of audio, video, animation, on-the-spot feedback and case studies all help to keep the learner interested and motivated.

The e-Learning Programme has helped us enormously. It has given us an opportunity to refresh our trade finance knowledge and skills under the eyes of the world's leading trade finance experts. But more importantly the material and information on the course applies to our day-to-day operations, which means we can better structure our trade transactions. For example, having completed the "Environmental and Social Issues in Trade" module, we can now conduct – almost unassisted – thorough environmental due diligence on a trade finance transaction; previously we needed to consult another department to get the best expertise.

Ameriabank is one of the leaders in trade finance in Armenia and we believe this training will help us to further improve our business in this area.

So this is a personal thank you to the TFP staff for their dedication, enthusiastic support and motivation, for helping us get the most from the e-Learning Programme in particular, and our fruitful cooperation with the EBRD in general.●

> "We can now conduct – almost unassisted – thorough environmental due diligence on a trade finance transaction"

Suren Kocharyan, Head of Trade Finance Department, Ameriabank

DEVELOPING TRADE WITH DONOR SUPPORT

Technical cooperation is vital for banks wanting to improve their trade finance business

Donor funding from governments and international institutions is crucial to the EBRD's work. The funding helps banks, most of which are already taking part in the TFP, to increase their trade finance operations and offer a wide range of trade finance products and structures to their clients.

Technical cooperation (TC) is one of the three key components (the other two being guarantees and trade advances) of the TFP whose overarching goal is to increase the pace and sustainability of the transition process in the EBRD's countries of operations by creating a sound basis and environment for direct investment, trade and financial intermediation.

TC also helps participating banks to better meet the needs of local importers and exporters by providing consultants who train and advise bank staff in processing trade finance products and documents, and to improve their transaction structuring skills. This in turn should lead to a growth in international and intra-regional trade finance transactions at these banks.

TYPES OF TC

Under the TFP, TC is delivered in four major ways, and these cover the most essential areas of trade finance development. They are:

- seminars and workshops, providing local, country-specific, regional or supranational trade finance knowledge
- advisory services to improve the skills of staff and ability of banks to provide trade finance services
- the e-Learning Programme
- conferences and other types of TC (such as legislative support).

CONSULTANTS

The most commonly used method is bespoke consultancy services for banks that are joining the TFP for the first time, or advanced training for banks that already participate but require further training or advice.

These projects normally entail the consultant visiting the bank between one and five times to train trade finance staff and other relevant personnel over a period of up to a year. The sessions are tailored to each bank's needs and focus on the areas in which they need to improve most.

Using knowledgeable, personable and flexible experts to help deliver the goals of the TFP has meant we have received positive feedback from beneficiaries of TC and participants of TFP-related events.

TFP Trade Finance Forum, Istanbul

DONORS

It is no exaggeration to say that the success of previous and ongoing TC assignments could not have been possible without donor funding. It is key to preparing and enabling countries whose banking sectors are in need of development, to safely and profitably engage with other regions.

Donors can contribute TC funding either individually or through multi-donor funds. TFP TC projects are funded by the Early Transition Countries (ETC) Fund, the European Union, the Shareholder Special Fund, Norway, Switzerland, Italy and Taipei China, among other donors.

For more information visit www.ebrd.com/

SSF

The EBRD Shareholder Special Fund (SSF) is a multi-donor fund established to complement existing TC funding for projects across sectors and regions. It provides flexibility and predictability as well as additional funding for multi-donor funds where it is often used to co-finance.

The TFP e-Learning Programme is funded by the SSF.

YOUR VIEW

"Taiwanese funding not only contributes to technical cooperation projects of the TFP, but also provides expertise in high-tech and green energy related to the EBRD's operations. We share the Bank's vision in creating a sound and sustainable environment for direct investment, trade and financial intermediation."

Ambassador Shen Lyushun, Taipei Representative Office in the UK

"Our TC advisory projects and innovative programmes, such as e-learning, are very important for educating our clients, bringing them up to international standards and, ultimately, enabling them to do business with commercial banks without the EBRD."

Gana Petersen, Senior Manager, EBRD

"The TFP e-Learning Programme has brought us new benefits, practical knowledge and key answers to questions that often arise in our daily operations. It has also made our staff real business experts and professionals."

Kate Beganskaya, Deputy Head of Settlements Department, Minsk Transit Bank

"The EBRD's online training – the e-Learning Programme – is one of the best examples of how it ensures banks have a detailed understanding of trade finance and documentary business."

Vitaliy Kyslenko, Head of Public Sector and Trade Finance Division, Raiffeisen Bank Aval

TFP TC in numbers

€6.5m
CONTRIBUTED SINCE THE TFP'S INCEPTION IN 1999

1,000
trade finance specialists from 210 banks in 17 EBRD countries trained in basic and advanced-level TFP procedures

76
TFP TC PROJECTS IMPLEMENTED BETWEEN 2003 AND 2011

250 PEOPLE ATTENDED THE TFP'S TRADE FINANCE FORUM IN ISTANBUL IN 2011

300+
students
ENROLLED IN THE EBRD TRADE FINANCE E-LEARNING PROGRAMME

LOOKING INTO *LOCAL TRADE* DOCUMENTATION

Igor Roussine recounts his experiences of training local staff in the Russian regions

From a chilly minus 25 degrees in Novosibirsk to Almaty in the middle of a hot and dry central Asian summer – as a TFP consultant I have travelled to 9 countries and met more than 60 banks while delivering training in trade finance.

It's a varied role. Sometimes you give a presentation to 70 people who have gathered from all the regional branches of a bank in Moldova; sometimes you meet just a few well-experienced trade finance specialists from a top bank in Moscow; or sometimes you have a very enthusiastic team of young and motivated officers of a medium bank somewhere in the Caucasus.

One particular workshop sticks in my mind. It was the winter of 2010 when I began work on a new project to advise banks participating in the TFP on the use of trade finance facilities. I travelled with a colleague to Nizhny Novgorod, an old Russian city on the banks of the Volga and Oka rivers, 400 km north-east of Moscow, to deliver a two-day training course.

REVIEWING DOCUMENTATION

I had visited Nizhny Novgorod several times in 2007 and 2008 and I've always enjoyed my time there – it has a great view of the Volga from the famous "Utyos", which in Russian means a high sharp hill on the riverside.

Our task there – in the middle of that winter of 2010 – was to update local NBD Bank staff on the EBRD's requirements for underlying transactions.

As part of the training, we reviewed a selection of internal documents relating to the import of frozen meat, fish and vegetables, as an example of a transaction arranged by NBD Bank. We realised, however, that we needed to see for ourselves underlying financial and transport documents to establish that the goods were of foreign origin.

So a half-hour drive brought us to the warehouse facilities of NBD Bank's client. The client's accountant immediately referred us to the "TORG-12" document (which I had, until then, not heard of), which is a local document – in Russian called "torgovaya nakladnaya"* – signed by two parties to a contract for every lot delivered. It fixes the quantity and price of the handled goods and was the exact document we needed to verify each delivery of the imported goods. In addition, a certificate from the local veterinary authority confirmed the foreign origin of the frozen meat, and that the product could be distributed in that particular region.

We were very pleased with the outcome of our trip and we gave a detailed report to the EBRD's TFP team with guidance on how to structure trade finance transactions for fast-moving goods in Russia.

As I heard later, NBD Bank had substantially increased its use of the TFP line for supporting similar transactions, and the EBRD even awarded it the Trade Finance Import Deal of the Year in 2010.

* Trade waybill

Igor Roussine
Independent Consultant, Austria

"Our task there – in the middle of the winter of 2010 – was to update local NBD Bank staff on the EBRD's requirements for underlying transactions."

A view towards the Kremlin, Nizhny Novgorod

TFP TC projects in 2011

30

Crisis response workshops on restructuring and legal proceedings in connection with bad debt in trade finance, jointly funded by the EBRD Shareholder Special Fund and Western Balkans Investment Framework

14

FRAUD PREVENTION SEMINARS JOINTLY FUNDED BY THE SWISS TECHNICAL COOPERATION FUND, THE EARLY TRANSITION COUNTRIES (ETC) FUND AND THE WESTERN BALKANS INVESTMENT FRAMEWORK

7

BANKS IN BELARUS RECEIVED TRADE FINANCE ADVISORY SERVICES FUNDED BY THE EBRD SHAREHOLDER SPECIAL FUND

2

FACTORING WORKSHOPS IN BOSNIA AND HERZEGOVINA AND FYR MACEDONIA FUNDED BY THE WESTERN BALKANS INVESTMENT FRAMEWORK

LEARNING ABOUT *FACTORING*

Silvio Fasola describes his work for the TFP

As an independent consultant teaching and advising on factoring, my job is varied and can take me all over the world. Between 2006 and 2011 it brought me to the EBRD's Trade Facilitation Programme, where I supported banks and factoring companies in Bosnia and Herzegovina, FYR Macedonia, Montenegro, Serbia, Russia and Ukraine through seminars and consultancy services.

A BESPOKE SERVICE

But when delivering training, one size doesn't fit all, of course. You have to tailor your approach to each client's circumstances. Some of the banks were thinking of setting up a factoring unit, either as a bank division or as a separate company, and others had only recently started factoring operations.

Those that were about to launch factoring as a new financial product were more interested in the structure and organisation of their future factoring unit, as well as the basic training needed for those setting it up and running it. Those who had already started operations were keener for professional advice on modifying the structure already in place and some support for possible improvement to their processes.

As for the seminars, they provided an introduction to factoring for virtually all participants, whose main interest was in learning as much as possible about factoring functions, product variations, legal issues, types of organisation, structure of a factoring operation unit, appropriate IT systems and business outlook. More than once it became apparent that some of the attendees would have liked more detail and I did my best when answering their questions. However, a seminar format is not a full course and it has a limited scope as well as time constraints.

From the comments I received and my own impression, all participants improved their knowledge and became more familiar with factoring, despite being at different levels. And since my work with them I have heard that some have already achieved healthy volumes of factoring business. It's great to know I have contributed in a positive way.

Silvio Fasola, Independent Consultant, Italy

"When delivering training, one size doesn't fit all, of course. You have to tailor your approach to each client's circumstances."

NEW WORKSHOP *LAUNCHED*

The EBRD rolls out training on recently introduced international trade and finance rules

The EBRD has launched an advanced workshop based on recently introduced international trade and banking rules of the International Chamber of Commerce (ICC).

The two-day workshop, entitled "Guarantees under URDG 758 and Incoterms® 2010", is being delivered in 15 of the EBRD's countries of operations by Vincent O'Brien, a member of the ICC Banking Commission's Task Force on Guarantees.

The first day focuses on best international practice in the use of guarantees. Participants are given advanced training on the use of, and how to apply, URDG 758 to the benefit of all parties involved in international contracting where demand guarantees are required. According to the 2011 ICC Global Trade Finance Survey, the use of demand guarantees to support trade contracts is increasing dramatically.

> "Traders... are clearly getting the benefit of a tightly defined set of rules."

For further information about guarantees under URDG 758 see page 14.

The second day is dedicated to the revised Incoterms® 2010 rules which have now passed their first birthday as the new international commercial terms came into effect globally on 1 January 2011. Vincent O'Brien explains: "The past year has seen the new Incoterms® rules applied in every country in the world. I have seen some teething problems where counterparties experienced confusion with the removal of four rules and the creation of two new important ones, namely DAP and DAT. However, traders seem to be used to the new rules and they are clearly getting the benefit of a tightly defined set of rules applicable to the contract of sale."

Interestingly, the rules are used extensively for international contracts, as well as being commonly used for domestic contracts.

Workshops have already been held in Mongolia, Russia and Georgia throughout February 2012. The schedule until June 2012 is listed below.

Vincent O'Brien, ICC Banking Commission Market Intelligence Group


Participants at the workshop in Yekaterinburg, Russia

Date	City	Country
6-7 March 2012	Kiev	Ukraine
14-15 March 2012	Yerevan	Armenia
3-4 May 2012	Minsk	Belarus
8-9 May 2012	Baku	Azerbaijan
24-25 May 2012	Bishkek	Kyrgyz Republic
5-6 June 2012	Ashgabat	Turkmenistan
11-12 June 2012	Belgrade	Serbia

This training project was initiated by the EBRD's TFP team and supported by the EBRD Shareholder Special Fund

PIT YOUR WITS AGAINST THE EXPERTS!

Every issue of *Trade Exchange* will include a brain-teaser, drawn from the real-life trials of a trade finance expert. Here is your chance to demonstrate your ability to disentangle the most involved, contentious, or just plain weird combinations of documents and to solve a puzzle in the field of documentary collections.

Military action as force majeure

As a beneficiary's main bank under letters of credit we confirm most, but not all, of our exporting customers' letters of credit.

About five months ago we forwarded a presentation as a second advising bank to a confirming bank under a credit available by deferred payment at 360 days from the bill of lading date with that confirming bank.

The confirming bank processed the documents without any communication to us or the beneficiary regarding discrepancies or otherwise.

However, it has since transpired that, because of local unrest and subsequent military action in the country of import, it has been impossible to unload the goods at the port of discharge stated in the letter of credit. Furthermore, the issuing bank has been closed for some time.

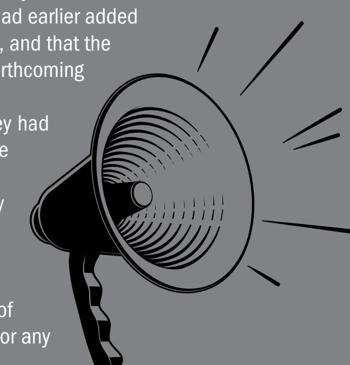
We have been advised by the confirming bank that payment may be delayed due to a "force majeure event" at the port and country of destination.

We argued on behalf of the beneficiary that this was not the correct approach as they had earlier added their confirmation to the letter of credit, and that the confirming bank must honour on the forthcoming maturity date.

The confirming bank stated that they had no liability as this situation was a "force majeure event", quoting UCP 600 Article 36: "A bank assumes no liability or responsibility for the consequences arising out of the interruption of its business by Acts of God, riots, civil commotions, insurrections, wars, acts of terrorism, or by any strikes or lockouts or any other causes beyond its control".

What do you think?

Provide us with your expert view



SOLUTION
"Flying without a plane"

(December 2011 issue)

First, the fact that the air transport document evidenced transhipment is irrelevant to this question, as according to UCP 600 Article 23(c)(i): "An air transport document indicating that transhipment will or may take place is acceptable, even if the credit prohibits transhipment".

Second, if we review UCP 600 Article 23(a)(iv) we can see that the air transport document must "indicate the airport of departure and the airport of destination stated in the credit".

The air waybill presented satisfies this and all other requirements. Therefore, the document complies.

UCP 600 does not contain any provision stating a need for an air transport document to evidence or name the mode of transport used, as is the case with a bill of lading, which needs to evidence shipment on board a "named vessel".

Naturally, the document checker's default expectation is that all parts of the carriage covered by an air waybill will be effected by aeroplane. However, it is not uncommon for an air carrier to carry the goods by means other than air for part of a journey. It may be useful to know that this practice is reflected in the IATA air waybill, which expressly states in the conditions of contract on the face of the document that "[a]ll goods may be carried by any other means, including road, or any other carrier unless specific contrary instructions are given hereon by the shipper".

The document is acceptable as presented and your bank must honour – which not only reflects your obligations under the rules but makes perfect sense as the goods have been safely received by your importing customer.

WINNERS

The bankers and trade finance specialists who answered correctly are (in alphabetical order):

Innesa Amirbekyan, Ameriabank, Armenia
Lusine Balasanyan, Ameriabank, Armenia
Suren Kocharyan, Ameriabank, Armenia
Mariia Minaeva, Locko-Bank, Russia
Irina Ryzhova, ICICI Bank Eurasia, Russia
Vitaliy Shvayuk, Raiffeisen Bank Aval, Ukraine

Send your answers to **TF-Expert@ebrd.com.** Solutions and prize-winners will be announced in the next issue of *Trade Exchange*.

Visit us at the EBRD Annual Meeting and Business Forum*

*download a free QR reader app from the App Store, Android Market or Blackberry App World

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