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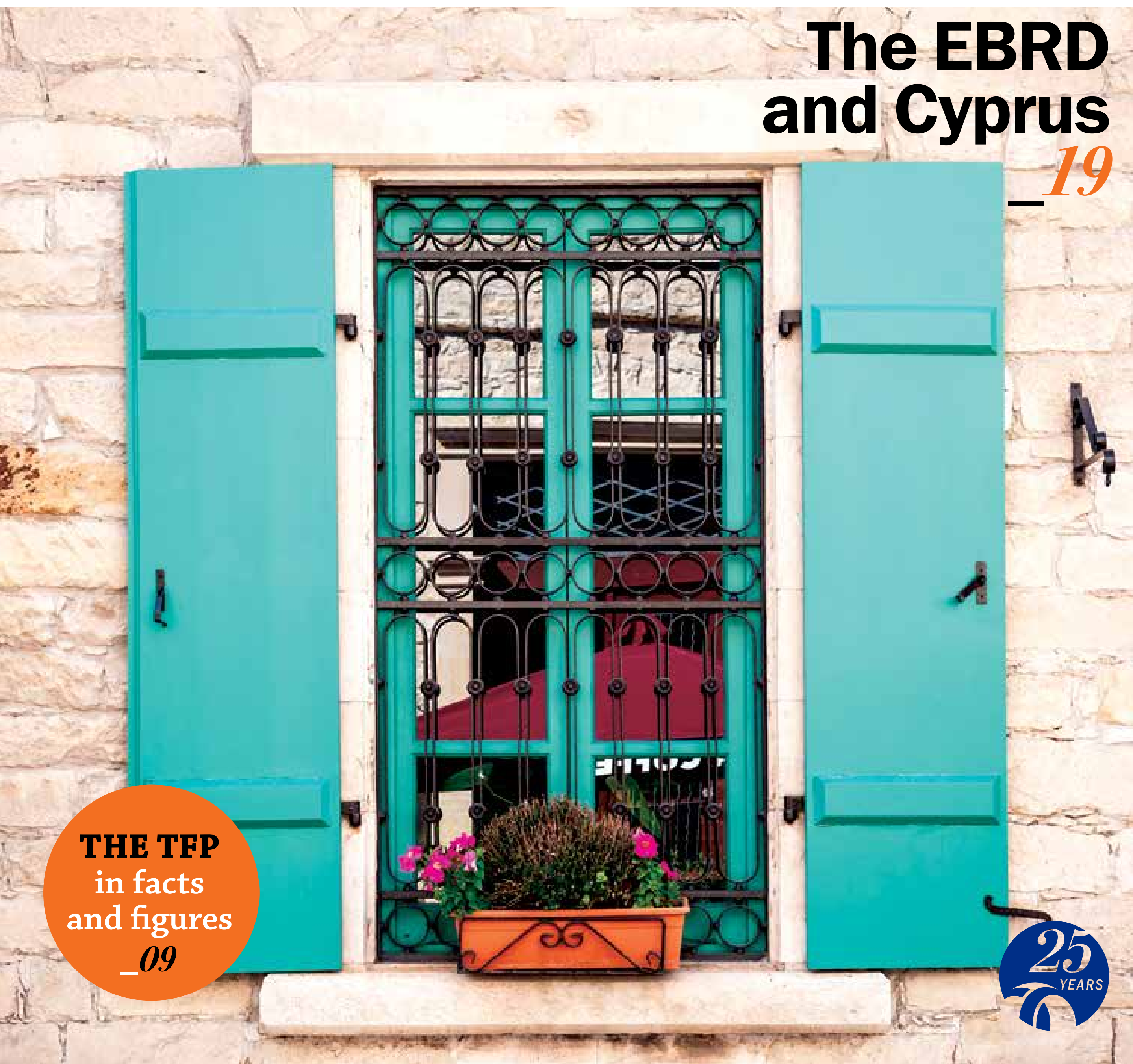
Trade Exchange

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

AUTUMN-WINTER 2016



The EBRD and Cyprus
_19

THE TFP in facts and figures
_09

25 YEARS

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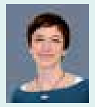

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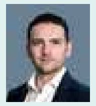

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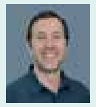

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You can now download back issues from December 2011 onwards at
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www.ebrd.com

EDITOR'S LETTER

This year – 2016 – has been special for us as we celebrated our silver jubilee. It has also been a successful year as we have continued to support the TFP's partner banks in some of the most innovative and complex transactions.

We hosted a record number of colleagues at our oversubscribed annual trade finance events in London (page 10) and Frankfurt (page 24), where our colleagues from Cyprus, Egypt, Jordan, Morocco and Tunisia took to the stage to introduce their markets to key players in the trade finance sector. The TFP team facilitated open dialogue for new, exciting and dynamic cooperation for business and training. Check out on page 5 a report on the first of our training sessions in Morocco, which covered the topic of compliance.

Looking to 2017, this issue of *Trade Exchange* provides an update on trade finance developments in two exciting new countries in the EBRD region: Cyprus and Greece (pages 18 and 19). In spite of the challenging economic environment in these countries, local banks have managed to support a high number of foreign trade transactions. Cyprus finished 2016 – its first year under the TFP – with record results, ranking in the top 5 most active countries, having done some intricate energy efficiency and important intra-regional deals. Our joint work also gave us the chance to appreciate the professionalism of our colleagues in Cyprus, both in our partner banks and the energetic ICC Cyprus team (page 20).

In our expert opinion section we showcase someone new to the spotlight: *Trade Exchange*'s award-winning trade finance specialist Irina Chuvakhina from Belarus, who on page 22 explains how to get your letter of credit right.

The clinic cases are getting trickier but the quality of answers we receive is still exceptional. It is this enthusiasm and loyalty from you, our readers, that means I look forward keenly to receiving your new ideas, expert advice and guidance!

So, thank you. And on behalf of the EBRD's TFP team, I send you our warmest regards,

Kamola Makhmudova

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Associate Director, Financial Institutions, EBRD
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INSIDE *THIS* ISSUE

GET IN *TOUCH*

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Importers and exporters should contact an issuing bank.

TFP website
www.ebrd.com/tfp

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

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European Bank for Reconstruction and Development

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NEWS *UPDATE*

TRANSITION REPORT

Equal opportunities in an unequal world

The EBRD's recently published *Transition Report 2016-17* casts a spotlight on inequality and inclusion, explaining how a failure to deliver a fair distribution of the fruits of progress may lead to setbacks in political and economic development. It also explores the causes of inequality of opportunity and looks at how to strengthen financial inclusion.

The report tracks the remarkable successes that have been achieved in post-communist societies, stressing that market economies have, on average, achieved impressive economic growth. Even if the path towards the market economy has involved short-term pain, this has been a price worth paying.

The report also shows that the "happiness gap" has finally closed with people on similar incomes in other regions.

But it points out that not everyone has benefited from growing prosperity. Even where inequality has declined, a perception of rising inequality often persists. Moreover, a belief that reforms have been designed for the benefit of others has led to reversals in political and economic transition and opened the way to anti-reform populism.

The report stresses the importance of designing reforms that do not simply deliver long-term growth on average but provide economic opportunities to broad segments of the population, thus cementing support from the majority.

SUSTAINABLE REFORMS

As the EBRD's Chief Economist Sergei Guriev writes in his foreword to this year's *Transition Report*: "(A) well-functioning market economy should be more than just competitive; it should also be inclusive, well governed, environmentally friendly, resilient and integrated.

"This is necessary in order to ensure that reforms are politically sustainable: reforms should deliver benefits to the majority of the population in both the short and long term, preventing populism both in times of crisis and in normal times."

OPINION

"A well-functioning economy should be inclusive, well governed, resilient and integrated."

Sergei Guriev, Chief Economist, EBRD

The *Transition Report* draws on a uniquely wide-ranging survey of people who have experienced transition first hand, including those born at the time of tremendous political, social and economic upheaval.

It reveals the true physical impact of that shock on people born at the peak of this period, noting that babies born during the periods of price liberalisation have turned out, on average, to be 1.1 cm shorter than those in similar social circumstances born either earlier or later.

The survey, the EBRD and World Bank's third *Life in Transition Survey* (LiTS III), polled the views of more than 51,000 randomly selected households at 75 locations in each of 34 countries.

The *Transition Report* analyses the factors behind inequality of opportunity, including parental background, gender and geographic location, and then proposes policy responses that could help to address the challenges of inequality and to tackle poverty and excessive concentrations of wealth.

The report concludes with a chapter outlining progress in delivering structural reforms across the regions where the EBRD invests.●

Read the full report online at 2016.tr-ebrd.com

TRAINING

Compliance is crucial

Compliance is a vital element of a bank's business; without it, a bank cannot function. This is why Citibank's Ruth Wandhöfer delivered in March 2016 – under the umbrella of the TFP – a new training course on the subject for bankers in Morocco.

The primary aim was to help bankers better understand current compliance issues and improve their assessment of key risks.

The course, sponsored by the European Union, was hosted at Banque Central Populaire Morocco (BCP) and was split over two days, with the first for BCP staff and the second for all existing and potential TFP partner banks in Morocco. Overall, 60 participants representing 15 different banks attended.

DIVERSITY

One of the highlights was the diverse mix of participants: some were from institutions headquartered outside of Morocco, for example in Europe, while others represented local or regional banks. This meant the mix of business models, approaches to compliance, geographic coverage and overall internal business management varied widely, which all made for great discussions as institutions shared their organisational approaches and experiences.

Money laundering, terrorist financing, fraud risks and cybercrime proved to be the most popular sessions, which included practical recommendations on how banks should organise themselves internally, how they can ensure regular staff training, have a clear emergency response plan to a cyber-attack, and how to ensure that any physical or digital risk loopholes are closed.

Learning how to deal with fraud and cybercrime was one of the topics discussed on the course

Participants shared their experiences of trade finance fraud and money laundering cases and debated the challenges of, for example, identifying whether shell companies were involved in the trade finance chain and the difficulty of applying sanctions requirements to individuals involved in the actual shipping of goods.

In terms of taking industry-wide steps the role of the International Chamber of Commerce (ICC) was also discussed, and how it could support compliance efforts by adding further compliance requirements into its conventions for trade, such as the letter of credit.

LEARN AND CONNECT

Ruth Wandhöfer has extensive experience of the European banking industry and European and international law enforcement agencies, working with them to ensure appropriate information exchange and the development of best practice. Therefore this training was a good opportunity for participants to learn of the current environment, and for Moroccan banks to get better connected to their European counterparts across relevant industry forums. What is more, armed with all the information from the training course, some participants were even able to actively prevent an attempt of fraud that occurred just a few days after the course. So all in all it was a very worthwhile couple of days.●

Ruth Wandhöfer is Global Head of Regulatory and Market Strategy at Citibank.

"The aim was to help bankers better understand current compliance issues and improve their assessment of key risks."

ICC GLOBAL SURVEY

Trade finance trends

The ICC Banking Commission has released its latest Global Survey on Trade Finance, revealing the industry's latest ups and downs

International trade has been slowing in recent years and compliance requirements have led to an increase in costs, affecting small businesses in particular. But while the industry is facing challenges there are some positives to be taken.

GLOBAL AND REGIONAL TRENDS

With trade growth reaching a post-crisis low of 2.7 per cent in 2015, it came as no surprise that this year's Global Survey, released by the International Chamber of Commerce (ICC) Banking Commission, revealed a slump in the growth of trade finance. Indeed, only 52 per cent of respondents – national, regional and global banks with trade finance functions – reported an increase in overall trade finance activity, down from to 63.3 per cent in 2014 (see chart opposite). Certainly, the Global Survey shows that the industry continues to face challenges, with 61 per cent of respondents reporting a global shortage of

trade finance.

While the trade finance industry faces challenges, there are some positive trends. Indeed, 47.3 per cent of respondents stated that their net income from trade finance had increased since 2014, despite the majority saying that fees had remained the same. Arguably, this reflects tighter practice around trade finance agreements to ensure profitability. In addition, there have been positive developments in supply chain finance (SCF) as a business line, with nearly 35 per cent of respondents reporting an increase in SCF deals for import and export operations.

The regional trade focus of banks changed very little between 2014 and 2015. Most notably, the proportion of banks with a primary trade finance focus in western Europe decreased from 16.8 per cent to 10.6 per cent. Conversely, the proportion of banks that focused on central and eastern Europe increased from 7.1 per cent to 8.5 per cent.

TRADE FINANCE GAPS

Primarily, this year's Global Survey highlights the impact of compliance requirements on trade finance. Over 90 per cent of respondents suggested that the cost and complexity of compliance requirements – particularly relating to anti-money laundering (AML) and know your customer (KYC) – are the chief barriers to the provision of trade finance. Forty per cent of respondents reported terminating banking relationships due to compliance requirements, with 83 per cent expecting compliance costs to increase in 2016.

In addition, this is disproportionately affecting small and medium-sized enterprises, which submitted 44 per cent of all trade finance proposals yet faced 58 per cent of total proposal rejections. This compares unfavourably with large corporates and multinationals, which submitted 40 per cent and 16 per cent of proposals yet only experienced 33 per cent and 9 per cent of rejections, respectively.

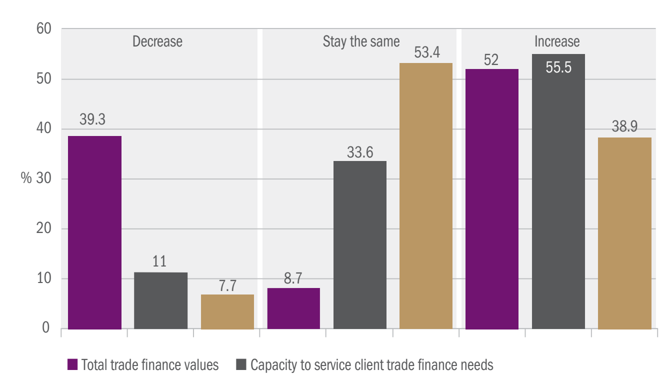
Geographically, the greatest unmet demand was reported in Russia, the Middle East and North Africa, and sub-Saharan Africa. The proportion of rejected transactions for these regions was more than twice the proportion of proposed transactions. For example, trade finance proposals from Russia comprised only 5 per cent of all proposed transactions, but 12 per cent of rejections.

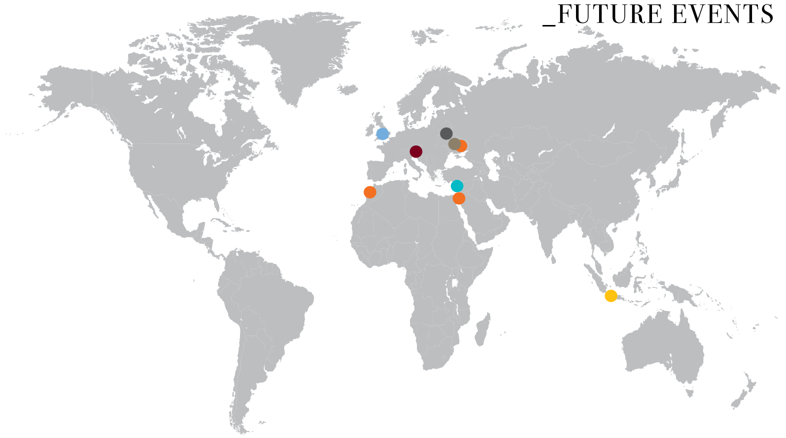
SUSTAINABILITY IN TRADE FINANCE

Even in a volatile landscape, sustainable trade finance – factoring sustainability into the strategy and operations of banks' trade finance activities – is gaining momentum. Fifty-five per cent of respondents reported rejecting trade finance transactions due to internal or external environmental policies in 2015, while 65 per cent were implementing more stringent environmental and social criteria. Certainly the risk landscape is changing and sustainability is beginning to influence client credit ratings, with 75 per cent of respondents revealing that their bank is actively tracking developments related to sustainable trade or trade finance. ●

For more information please go to www.iccwbo.org.

Trends in trade finance values 2014-15 and capacity to service client needs





Future events

CITF Training
JANUARY/FEBRUARY 2017
JORDAN, MOROCCO, UKRAINE
For more information contact Kamola Makhmudova at makhmudk@ebrd.com

EBRD Trade Finance e-Learning Graduation Ceremony
17 MARCH 2017
MINSK, BELARUS
For more information contact Anna Brod at broda@ebrd.com

ICC Banking Commission Annual Meeting
3-6 APRIL 2017
JAKARTA, INDONESIA
For more information go to www.iccwbo.org

TFP Information Session and Awards Ceremony
8-9 MAY 2017
CYPRUS
For more information contact Kamola Makhmudova at makhmudk@ebrd.com

EBRD Annual Meeting and Business Forum
9-11 MAY
CYPRUS
For more information go to www.ebrd.com

ICC Austria's Trade Finance Week
15-19 MAY 2017
VIENNA, AUSTRIA
This week-long event will include conferences on bank guarantees and letters of credit, as well as offering a great opportunity to meet around 500 of the leading trade finance practitioners from across the globe.
For more information go to www.tradefinanceweek.org

Ukraine Trade Finance Forum – Silk Road Trade Finance
JULY 2017
KIEV, UKRAINE
For more information contact Kamola Makhmudova on makhmudk@ebrd.com

ICC Banking Commission Technical Meeting
6-9 NOVEMBER 2017
LONDON, UNITED KINGDOM
For more information go to www.iccwbo.org

EBRD staff at the event in Athens

INFORMATION SESSION

Financing foreign trade with Greece

The EBRD Trade Facilitation Programme (TFP) held an information session entitled "Financing Foreign Trade with Greece" in Athens on 15th September 2016 with the aim of boosting growth in trade finance and encouraging the utilisation of the EBRD's trade finance facilities.

The event attracted over 100 representatives from issuing and confirming banks under the TFP, as well as representatives of the local chamber of commerce, local companies active in import and export, and trade finance professionals.

Participants had the opportunity to discuss challenges facing the industry with leading specialists including regulators and economists. The information session was opened by Nick Tesseyman, EBRD Managing Director for Financial Institutions, and by the Governor of the Bank of Greece, Yannis Stournaras, who welcomed the EBRD's engagement in trade finance, which will foster integration and growth.

Jean-Marc Peterschmitt, EBRD Managing Director for Industry, Commerce and Agribusiness and Chief Operating Officer for Client Services Group, provided an overview of the Bank's investments and activities in Greece to date and an outlook for the year ahead.

The EBRD started investing in Greece in 2015 on a temporary basis. One of the first activities was presenting the Bank's TFP to Greek banks and attracting their interest in participating in the programme. As a consequence, to date the EBRD has approved trade finance limits for a total of €200 million for National Bank of Greece, Alpha Bank, Eurobank and Piraeus Bank to support the expansion of international trade.

Peter Sanfey, EBRD Country Economist for Greece and Deputy Director for Economics, Policy and Governance, stressed that the Greek economy was slowly stabilising. In the area of trade finance Greece was now less dependent on the eurozone than before the crisis, he said, and confirmed that the EBRD's TFP will support the establishment of successful trade links and correspondent banking relationships with new trading partners. This commitment was also reiterated by commercial banks attending the workshop.

A panel with the four systemic Greek banks also discussed challenges for trade finance and how the TFP would be able to support the future trade finance business of its clients.

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www.ebrd.com/greece

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www.twitter.com/ebrdtrade

Join the TFP LinkedIn networking group
www.linkedin.com/groups?gid=4667852

Find us on Facebook
www.facebook.com/ebrdtfp

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 88 COUNTRIES

19,000+

TOTAL NUMBER OF TRANSACTIONS SINCE 1999

Historic signing with Oschadbank, November 2016, Ukraine

TOP 10 CONFIRMING BANKS
January-September 2016

	Bank	Country
1	Commerzbank	Germany
2	Banco Popolare di Sondrio	Italy
3	KBC Bank	Belgium
4	Unicredito	Italy
5	Deutsche Bank	Germany
6	Raiffeisen Bank International	Austria
7	UBS	Switzerland
8	ABN Amro	Netherlands
9	BNP Paribas	France
10	Societe Generale	France

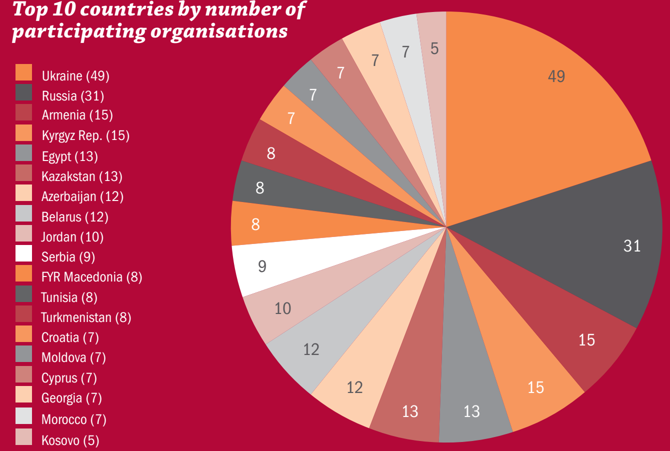
NUMBER OF CONFIRMING BANKS OPERATING IN 88 COUNTRIES
see map above right

800+

100+

NUMBER OF ISSUING BANKS IN 27 COUNTRIES

EBRD TRADE FINANCE E-LEARNING PROGRAMME:
Top 10 countries by number of participating organisations



TOP 10 COUNTRIES BY NUMBER OF TRANSACTIONS
January-June 2016

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

€13.3bn

TOTAL TRANSACTION VALUE SINCE 1999

TFP ANNUAL EVENT AND AWARDS CEREMONY 2016

The Trade Facilitation Programme (TFP) holds its annual award ceremonies at the EBRD's Annual Meeting to honour the most active issuing and confirming banks involved in the Programme.

This year's TFP Event and Awards Ceremony took place on 10 May 2016 in London, the day before the EBRD Annual Meeting and Business Forum.

Opening the event, Nick Tesseyman, EBRD Managing Director, Financial Institutions, said: "Over the last 15 years the TFP has gained recognition and appreciation from the industry and from its clients. The programme has played a key role in supporting the growth of small and medium-sized firms that are crucial for sustainable growth and job creation."

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

This year's TFP Annual Event and Awards Ceremony could not have happened without generous Taiwanese support, and funding from our sponsor Norton Rose Fulbright.

Muganbank, the most active issuing bank in Azerbaijan, presents the EBRD with a special gift

The event attracted hundreds of trade finance specialists

We are delighted to welcome for the first time Turkish Bank from Cyprus

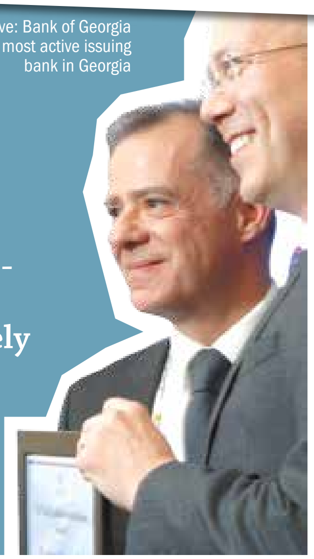
Above: Bank of Georgia was the most active issuing bank in Georgia

The most active issuing bank in Morocco was Banque Centrale Populaire

Overall Deal of the Year

Eurobank Cyprus wins Deal of the Year - Intra-regional Trade and Overall Deal of the Year

The TFP team very much enjoyed working with the excellent trade finance team of Eurobank Cyprus. The construction of the 90 km three-lane road in Egypt was a great challenge that was met effectively by the joint efforts of the EBRD and Eurobank Cyprus.



Right: Achilleas Malliotis, General Manager of Eurobank Cyprus

Alexander Saveliev, EBRD Director, Financial Institutions opening the information session

Right: Panel discussion on trade finance solutions for imports of energy efficient machinery and equipment

Left: Panel discussion on the development of trade and trade finance in the SEMED region

The TFP supports a large number of transactions in the EBRD region. This important annual event brings together all key sector decision-makers to discuss market challenges such as pricing, compliance, energy efficiency in trade finance, correspondent banking and education.

Deal of the Year
ENERGY EFFICIENCY

TFP AWARDS 2016

Most active TFP issuing banks and confirming banks in 2015, by number of transactions

Most active issuing bank in Armenia
ARARATBANK

Most active issuing bank in Azerbaijan
MUGANBANK

Most active issuing bank in Belarus
Priorbank

Most active issuing bank in Bulgaria
Postbank

Most active issuing bank in Egypt
CIB BANK TO TRUST

Most active issuing bank in Georgia
BANK OF GEORGIA

Most active issuing bank in Jordan
Bank al Etihad

Most active issuing bank in the Kyrgyz Republic
DemirBank

Most active issuing bank in FYR Macedonia
komercijalna banka ad skopje

Most active issuing bank in Mongolia
KHAN BANK

Most active issuing bank in Morocco
BANQUE POPULAIRE

Most active issuing bank in Romania
ALPHA BANK

Most active issuing bank in Serbia
Eurobank Srbija

Most active issuing bank in Tajikistan
BANK ESKHATA

Most active issuing bank in Tunisia
BTK

Most active issuing bank in Turkey
Şekerbank

Most active issuing bank in Turkmenistan
Rysgal Bank

Most active issuing bank in Ukraine
Raiffeisen BANK AVAL

Most active TFP confirming bank
COMMERZBANK

EBRD and ICC Academic Excellence Award
BANK OF GEORGIA

Deal of the Year – Intra-Regional Trade: Construction of a new three-lane 90 km road in Egypt
Eurobank Cyprus

Deal of the Year – Social Impact: Modernising the provision of medical care in Armenia
ConverseBank

Deal of the Year – Energy Efficiency: Improving the energy efficiency of greenhouse infrastructure in Armenia
AMERIABANK

Overall Deal of the Year: Construction of a new three-lane 90 km road in Egypt
Eurobank Cyprus

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

Holger Kautzky, Head of Financial Institutions, Commerzbank, receives the award for most active TFP confirming bank

DS SPECIAL ~ TFP AWARDS

TFP AWARDS SPECIAL

Winners with the TFP team

Above: Belarusky Narodny Bank receives the EBRD and ICC Academic Excellence Award

Most Active Issuing Bank in Egypt 2015

The EBRD is 25 years old, which makes this awards ceremony particularly special as we look back on a quarter of a century of successful support for emerging economies, and ahead to the challenges and opportunities of the future.

Below: Rysgal Bank won the award for most active issuing bank in Turkmenistan

Nadia Al Saeed, CEO of Bank Al Etihad, receives the award for most active issuing bank in Jordan

Deal of the Year SOCIAL IMPACT

Representatives of Converse Bank receive the award for Deal of the Year - Social Impact

SMART CITIES: RESHAPING INDUSTRY

Smart cities are being created around the world and the Taiwanese are at the forefront of development

As the world continues to see an explosion of technological advances, the possibilities for innovation and development have never been greater. One of these developments is smart cities – the idea that public services such as schools, libraries, transport systems, hospitals and even power plants, are linked via information and communications technology (ICT) and the Internet of Things (IoT) in order to increase efficiency and better meet residents' needs.

Turning this idea into a reality are the Taiwanese, and in doing so they are attracting global attention as they build intelligent-driven networks with a huge number of smart applications.

The Taiwanese have long dominated the traditional ICT industry, which in the past was driven by ICT manufacturing. But with the world changing fast, traditional ICT has struggled with revenue creation. However, things could change with the coming of the IoT era; with the Taiwanese' rich experience and the backbone of infrastructure in ICT manufacturing, the Taiwanese ICT industry can actively search for undeveloped business in the so-called "blue ocean" of smart cities.

TRANSFORMING INDUSTRY

The Taiwanese aim to reshape and modernise existing industries by channelling more resources into smart technologies, including smart devices, health care, securities, logistics and transport.

One of the larger industries being transformed is energy. In 2016 the Taiwanese set an ambitious goal of a "nuclear-free homeland" by 2025, which signals a notable policy shift towards accelerating the growth of renewable energy, implementing a strict energy-saving programme and expanding the capacity of traditional power plants, all with IoT playing an important role.

As this traditional infrastructure begins to age and the island enters a post-industrial phase, industrial safety management is among the most important issues. This is encouraging policy-makers to consider working with local operators to construct petrochemical pipeline leak detection systems under the management of the Office of Pipeline Safety.

What is the Internet of Things?

IoT, as it is also known, is essentially the connection of physical devices via the internet; things such as vehicles, appliances and buildings that are embedded with software and sensors that enable them to collect and exchange data with us, applications and each other.

Left to right: Buddy Dyer, Mayor of Orlando, Florida, United States; Asaf Zamir, Deputy Mayor of Tel Aviv, Israel; Christophe Ferrari, President of Grenoble-Alpes Metropolis, France; Jonathan Tsang, Vice Chairman of ASUS and President of ASUS group

BRINGING IDEAS TO FRUITION

To make the concept of smart city a reality, the infrastructure of the low power wide area network (LPWAN) is indispensable. Among all LPWAN technologies, Sigfox and LoRa are the two most progressive. Taipei City plans to showcase its LoRa network infrastructure in the second half of 2017 at the 2017 Universiade and 2017 World Congress on Information Technology. LoRa's biggest competitor, Sigfox, aims to cover six special municipal cities before mid-2017 and finish its insular coverage by the first quarter of 2018.

Meanwhile, Taipei City is promoting various IoT applications; the popular bike-sharing system, YouBike, the EasyCard mobile payment services and Edimax's pollution monitoring system AirBox are all on their way to being replicated globally. Furthermore, with an ageing population, it is believed that more than 5,000 Taiwanese citizens in public housing will receive better smart electricity services and water supply systems as part of smart solutions for the senior health care programme.

In addition, the island's highly successful electronic toll collection (ETC) technology that was set up in 2012 is set to expand, as intelligent transportation becomes a reality. IoT deployments on a larger scale, including smart parking, smart mobile payments and smart vehicles, will not only bring new momentum to cities but also generate large quantities of data that will be processed and analysed in real time. This means that the authorities will be able to collect all the data they need to redesign public transport systems.

> "The Taiwanese aim to reshape and modernise existing industries by channelling more resources into smart technologies."

Profits in the traditional ICT industry are falling each year and the Taiwanese ICT industry is facing considerable uncertainty. However, IoT and smart cities open up a brand new avenue of innovation. While these new trends come with new challenges, they also represent new opportunities that the Taiwanese intend to grab with both hands.●

smartcity.org.tw/index_en.php

CASE STUDY: TAIPEI COMPUTER ASSOCIATION AND SMART CITY SUMMIT & EXPO

The Taipei Computer Association (TCA) is the leading Taiwanese industry association. Its 4,000 members engage in the various fields of manufacturing and sales of software, hardware, semiconductors and components, and network communication services. It aims to bring together organisations and individuals who share the same vision to drive the development of the IoT and smart cities.

TCA's services include exhibitions, business delegation, professional certification, legal advice and lobbying, e-learning, industry information and training.

Together with Taiwanese ICT leaders IBM Taiwan, Tatung Company, Chunghwa Telecom, Asus Cloud, Advantech, the Information Technology Research Institute (ITRI) and the Institute for Information Industry (III), TCA created the Taiwan Smart Solution Alliance (TSSA) in early 2014.

The TSSA, along with TCA and the City of Taipei, are organising the Smart City Summit & Expo, which is an annual trade show for IoT solutions.

The Smart City Summit and Expo will take place 21-24 February 2017 in Taipei City.

FOSTERING *GROWTH*

Things have not been easy for Greece over the last few years but the EBRD is helping to get things back on track

CASE STUDY

In February 2015 the EBRD Governors voted with an overwhelming majority for the Bank to invest in Greece until the end of 2020. The Bank's investments, backed by technical assistance and policy dialogue, are intended to strengthen Greece's economy and contribute to its recovery.

From 2008-15 the Greek economy went through a dramatic economic contraction; output fell by about one-quarter and unemployment rose to more than 25 per cent. With a lack of investment in recent years and political uncertainties regarding Greece's debt repayments, prospects for a quick recovery have been weak. However, if economic and political stability can be maintained, the potential for a bounce-back from 2017 is strong.

INVESTMENT BEGINS

Work began in earnest in the autumn of 2015, when the EBRD participated in the recapitalisation of the four systemic Greek banks for a total of €250 million. Momentum continued with a further two transactions, bringing the year's total investments to €320 million.

> "If economic and political stability can be maintained, the potential for a bounce-back from 2017 is strong."

The EBRD also signed its first trade finance facility in Greece with the National Bank of Greece in March 2016. Later in the year it signed three similar facilities with Alpha Bank, Eurobank and Pireaus Bank. The total amount available under the Bank's Trade Facilitation Programme (TFP) is €200 million. Greek banks are expected to use the facility for trade in services and, to a limited extent, cash advances benefiting local exporters as well as for imports of intermediate goods and equipment.

Trade finance facilities fit well with the first two priorities identified in the EBRD's Strategy for Greece, namely:

- supporting the resurgence and enhancing the resilience of the private sector through a shift to a more export-oriented growth model
- supporting the stabilisation of the financial sector and deepening intermediation to unlock private sector access to finance.

The Bank's TFP – with its export, import, distribution and factoring guarantees, cash advances for small and medium-sized enterprises and corporates of various sizes, as well as its wide network of confirming banks – will complement and provide more capacity for existing schemes, and will strive to support the reopening of trade lines by foreign commercial banks.

In conjunction with the Bank of Greece, the EBRD hosted an event promoting trade finance in Greece which was attended by 100 participants from the banking and business communities (see page 8).

The Representative Office in Athens is now fully operational, having grown to a team of 10, while total business volume since the office opened has surpassed the €500 million mark.●

For more information please contact Sabina Dziurman on +30 211 1064 300.

Sabina Dziurman and her team in the EBRD's office in Athens

Libor Krkoska and fellow members of the EBRD office in Cyprus

ON THE ROAD TO *RECOVERY*

In May 2014 Cyprus became an EBRD recipient country. So what has been happening since then?

CASE STUDY

The global financial crisis was severe and far-reaching, and naturally Cyprus was not immune. The Cypriot economy was hit by a deep recession that emerged after a boom period between 2004, when Cyprus joined the European Union, and 2008 when it adopted the euro.

But despite having made important progress towards European integration, significant transition challenges remained. So in May 2014 the EBRD's shareholders agreed to begin operations in the country, with the priorities of strengthening the financial sector, completing the government's privatisation programme and improving the business environment.

First of all the EBRD focused on bank recapitalisation, becoming a significant shareholder in the two largest local private banks, Bank of Cyprus and Hellenic Bank, with just over a 5 per cent ownership stake in each bank. The EBRD shareholdings in both banks focus on NPL restructuring, balance sheet repair and operational efficiencies. If the Cypriot financial sector and economy as a whole are to fully recover from recession, it is vital that the local banking sector is stabilised and restructured.

The corporate sector has also benefited from early EBRD intervention, including a €10 million loan to Interorient Shipmanagement which the company will use to expand activities, including investing in the private concession for the Limassol Port as a member of the winning consortium.

In line with its strategy to support sustainable energy, the EBRD financed the construction, development and operation of five solar photovoltaic parks with a total capacity of 11.9MWp, the first solar photovoltaic project of this scale to be implemented in Cyprus. It will strengthen the country's efforts to reduce greenhouse gas emissions and dependency on imported fuel.

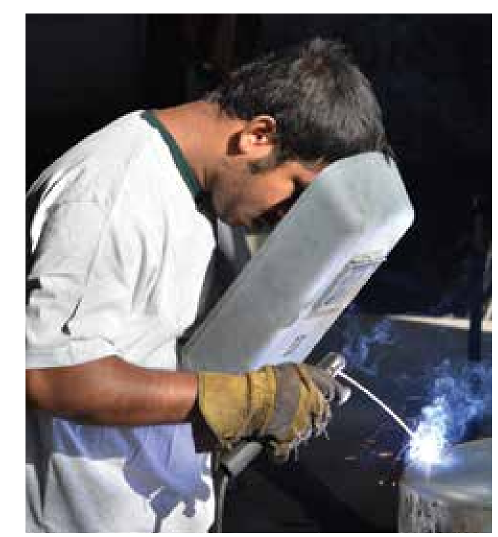
In addition, the EBRD's Advice for Small Businesses Programme has been providing advisory services to over 40 small and medium-sized enterprises as well as running several training sessions for Cypriot consultants to assist further expansion of local professional services, one of the key pillars of the Cypriot economy alongside tourism.

TRADE FINANCE

Support for trade finance is an integral part of EBRD assistance to the Cypriot banking sector, helping local financial institutions to regain the confidence of their international partners. The Bank agreed to provide a total of €90 million in trade finance limits to three local banks – Eurobank Cyprus, Bank of Cyprus and Hellenic Bank – and organised several trade finance information and training sessions for local trade finance specialists. In its first year of participating in the EBRD Trade Facilitation Programme (TFP), Eurobank Cyprus won the TFP's prestigious award for 2015 Deal of the Year – Intra-regional Trade.

Also, by way of supporting the expansion of trade finance in Cyprus and the wider region, the EBRD 2017 Annual Meeting and Business Forum will be held in Nicosia, Cyprus on 9-11 May, and will include a dedicated trade finance event. ●

For further information on EBRD activity in Cyprus contact Libor Krkoska on +357 22 39 55 00.



IN DEPTH
_ICC IN CYPRUS

A STABLE *FUTURE*

Cyprus is making an impressive recovery after being hit by deep recession in 2013. Here, Marios Tsiakkis, Secretary General of the Cyprus Chamber of Commerce and Industry, reports on the country's economy and how the EBRD has helped

CYPRUS INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

"Cyprus is now concentrating on attracting foreign investment and bringing in new business."

Stability and development – these are the words being used to describe the Cypriot economy nowadays. The country exited its economic adjustment programme in March 2016 after various sectors of the economy had performed well, creating expectations for substantial economic development that will move the country away from the recent recession.

More specifically, the economy's growth rate in the second quarter of 2016 reached 2.7 per cent of GDP. This is attributed to the positive performance of hotels, restaurants, wholesale and retail trade, manufacturing, construction and transport. Positive indicators have also been noted in real estate, exports and the services sector. The only negative growth rate recorded was among intermediary financial institutions.

Moreover, the major economic sectors have shown remarkable results. The tourism industry is expected to experience record arrival levels (by July there had been a 19.8 per cent increase, with 1.7 million tourists) and a substantial rise in income. The expected record 3 million arrivals by the end of the year is indicative of the improvement in the tourism industry.

Needless to say, these positive developments have not solved all the problems caused by the long economic crisis. The country still suffers high unemployment rates (12.1 per cent), a large amount of non-performing loans (€27 billion, or 45 per cent of total loans), insufficient finance sources, massive borrowing by companies and households, and low competitiveness and productivity. So there is much work still to be done.

Therefore Cyprus is now concentrating on attracting foreign investment and bringing in new businesses. It is doing this through domestic activities, such as pushing for institutional reform, and initiatives abroad, such as promoting the Cypriot economy. This endeavour is in line with the government's aims of creating new jobs and developing innovation, technology and entrepreneurship.

THE MOST SIGNIFICANT REFORMS

Whether economic growth will continue this upward trend largely depends on a series of reforms. Specifically, the government is promoting:

- licences for casino-resorts and the creation of a technology park
- substantial changes to real estate taxation
- finalisation of urban planning regulations which will define the development of British military bases
- the construction of a marina in Makronissos, Agia Napa
- major public sector reform
- simpler procedures for the licensing of strategic investments.

EBRD SUPPORT

The EBRD has offered vital financial assistance to the Cypriot economy and will continue to do so until 2020.

EBRD support includes €10 million for the construction and operation of five photovoltaic parks with a total capacity of 11.9MWp, a €20 million trade facility with Eurobank Cyprus, and work with the Bank of Cyprus launching a new financing plan for Cypriot companies by providing guarantees to international commercial banks. These guarantees will cover any liabilities that may derive from trade transactions, covering the political and financial cost in case of non-payment.

"The tourism industry is expected to experience record arrival levels and a substantial rise in income."

Marios Tsiakkis
Secretary General of the Cyprus Chamber of Commerce and Industry

THE ROLE OF THE CCCI

The Cyprus Chamber of Commerce and Industry (CCCI) represents more than 95 per cent of the country's companies, not only offering its members a wide range of services but also promoting their interests at the executive and legislative levels.

The CCCI also promotes Cyprus on an international level, showcasing Cypriot businesses and attracting foreign investment.

In cooperation with the Ministry of Energy, Commerce, Industry and Tourism and the Cyprus Investment Promotion Agency (CIPA), the CCCI organises more than 10 business delegations a year in different countries, presenting investment opportunities, as well as advertising the island as a service centre and ideal place for foreign companies to have their regional headquarters.

SMEs are the backbone of any healthy economy, so with that in mind the CCCI is pushing for completion of the necessary structural reforms that will eliminate bureaucracy and facilitate business activity, although it recognises that significant steps have already been taken in this direction in recent years.

The CCCI also believes that business activity should be supported through incentives in order to strengthen the economy, which in turn will reduce unemployment and gradually increase employee income.

There is still much work to be done but the economy is back on an even keel, offering Cyprus a brighter future.

www.iccwbo.org

AT A GLANCE

The economic growth rate in the second quarter of 2016 reached
2.7%
of national GDP

€10 million
of EBRD support for the construction and operation of five photovoltaic parks

Future event

The EBRD and ICC are organising a joint conference on "Rethinking trade finance"
MAY 2017
CYPRUS
For more details please contact Kamola Makhmudova (makhmudk@ebrd.com) or Anastasia Sarokina (sarokina@ebrd.com).

IN DEPTH
_EXPERT INSIGHT

LETTERS OF CREDIT - IT'S ALL IN THE DETAIL

Getting the terms of your letter of credit right is essential for a smooth trade transaction. Irina Chuvakhina of Priorbank, Belarus, tells us how

Quite often in life things don't turn out how we imagine they will, and so good communication and being able to manage expectations – our own and those of others – is an effective approach for success.

In a trade transaction, where any differences in the parties' interests is obvious, this approach can work very well, especially with a letter of credit (LC).

The pure number of parties involved in an LC transaction – starting with an importer and ending with an exporter, with banks in the middle – may hinder the success of a whole trade deal because each party involved lacks the necessary information to reach the end goal. It's like several people each having a piece of a jigsaw puzzle but without having the complete picture in front of them.

This often happens because trade parties do not take enough care over the details within the LC and then the banks make an independent decision based on the documents presented, LC terms and UCP rules, taking no notice of the sales contract terms.

As a result, there are a lot of non-complying presentations under LCs. The bankers hear the exporter's complaints of payment delays and the importer's dissatisfaction with the banking service, especially when the issuing bank issues an LC that refers automatically to a standardised LC application form without taking into account the applicant's real trade needs.

CONSIDER THE OTHER PARTIES

To avoid this, the importer should take extra care over the LC terms from the outset by taking into account the exporter's requirements. The exporter, in his turn, must communicate with the importer regarding the LC conditions before the LC is issued. The importer should not be left alone to deal with the LC, which could result in ambiguous instructions to the issuing bank, documents that have to be signed or countersigned by the applicant, or contract or other terms and documents that bear no relation to the LC itself. All of this may render the LC unacceptable to the exporter.

"Banks play a key role in the life of an LC and they can't be underestimated."

The beneficiary's demands in respect of an issuing/confirming or advising bank need to be understood in the context of an LC structuring. The applicant cannot nominate them at their discretion. Nor can the applicant decide on a bank without communicating it to the beneficiary, as the beneficiary must know what bank risk he is taking. This way the LC will be addressing common concerns of both parties.

Therefore the best way to complete a deal successfully is to get the applicant's and the beneficiary's approval of an LC draft before an actual LC issuance.

ACKNOWLEDGE THE BANKS

Banks play a key role in the life of an LC and they can't be underestimated. They issue, confirm, advise the LCs, take up and check documents, and make payments. A well-drafted LC is vital for the issuing bank itself not only as issuer, but also as the party instructing other banks in the LC chain.

And further cooperation between all other banks involved after the LC has been issued means that it reaches the beneficiary more quickly, especially in cross-border transactions where there are different time zones, languages and cultures to contend with.

Always remember that each bank has its own internal rules and regulations over UCP and can stop the transaction at any stage. For example, a confirming bank, having undertaken to honour a complying presentation in addition to that of the issuing bank, bears the risk of non-payment by the issuing bank under the LC due to its poor financial situation or because of country risk. Furthermore, it will not give its confirmation if such risk cannot be estimated, or if the LC terms could potentially lead to a dispute with the issuing bank regarding the status of the presented documents. An advising bank may not deliver the LC to the beneficiary if it is not the advising bank's customer or because of compliance or other reasons.

Despite the best efforts of both the applicant and the banks under the LC, the beneficiary still has the right to say no regarding the issued LC, and may not start or may stop shipments because in the long run the deal should meet the beneficiary's expectations. Therefore, for it to do so, the beneficiary should be proactive throughout the transaction rather than act once the LC has been issued.●

For more information please contact Irina Chuvakhina at irina.chuvakhina@priorbank.by

Five-point plan to a smooth LC transaction

1. Negotiate the LC terms in detail before the contract of sale is signed. If necessary, ask your bank for assistance.

2. Ask questions, listen to your partner, try meeting the requirements but estimate the pitfalls.

3. Get the beneficiary's approval of the LC terms before the LC is issued.

4. Look at the banks involved in the chain, consider the risk, time and costs and find a balance.

5. Trust, think positively but don't leave the LC to the mercy of fate!

M *UPDATE* FORUM *UPDATE* FORUM *U*... RUM *UPDA*

TFP TRADE FINANCE FORUM 2016, FRANKFURT

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

Held at AKA European Export and Trade Bank's Frankfurt headquarters on 19-20 September 2016, the EBRD TFP Trade Finance Forum attracted almost 200 guests from 90 financial institutions and 35 countries, ranging from Mongolia to Morocco, India and Egypt, which was a testament to how much the TFP is valued and appreciated by EBRD partners.

Panel discussions covered topics such as trade finance developments in Belarus and Ukraine; technical assistance and capacity building; developments in the southern and eastern Mediterranean region; developments in the Caucasus and Central Asia; KYC (Know Your Customer) and compliance; sustainable trade finance; and supply chain finance.

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

The event was fully funded by the Taiwanese and partner banks, including AKA, Bank of Georgia, Bayerische Landesbank, BHF Bank, CIB Egypt, Commerzbank, Converse Bank, DZ Bank, KBC Bank and Raiffeisen Bank International.

Left: Moushira Samir, QNB ALAHLI, and Moustafa Abdel Meguid, CIB Egypt, with Marco Nindl of the EBRD

Johann Ernst, Alternate Board Director Germany, EBRD

Alexander Plekhanov, Office of the Chief Economist, EBRD

> The forum was a great chance to learn more about the TFP through the very interesting panels and, of course, to meet with many banks. The passion the TFP team puts into the event truly made a difference.
>
> **Maria Lagonigro, UBI Banca**

Panel discussion on trade finance in south-eastern Europe

M *UPDATE* ~FORUM *UPDATE* ~FORUM *UPDATE* ~FORUM *UPDA*

Panel discussion on trade finance services and solutions on KYC and compliance

Taiwanese Ambassador to Berlin, Jhy Wey Shieh

The Taiwanese provided generous funding for the event

Panel discussion on the development of trade finance in Belarus and Ukraine

“”

It was a pleasure to meet the TFP team and a great opportunity to discuss topics of mutual interest with so many bankers.

Boryana Ivanova Mustafa
NLB Banka

TFP TRADE FINANCE FORUM 2016, FRANKFURT

Our very own *Trade Exchange* with forum participants

“”

The presenters were well prepared, the sessions were well attended and a superb job was made of selecting thought-provoking topics. Thanks for making the forum so worthwhile.

Alla Červenková
Ceskoslovenska obchodni banka

Panel discussion on the development of trade finance in the southern and eastern Mediterranean

M UPDATE ~FORUM UPDATE~FORUM UPDA

TFP TRADE FINANCE FORUM 2016, FRANKFURT

Panel discussion on supply chain finance

> It was an excellent forum in which to hear and understand the challenges faced by banks in emerging markets as well as their counterparties.
>
> **David Heynes**
> **EMEA at Accuity**

Panel: technical assistance and capacity building

Left to right: Kellie Childs, EBRD, and Elke Willems and Eugenia Zhiglova of KBC Bank Belgium.

> In-depth discussions of important issues with reputable and experienced colleagues from different backgrounds are very effective in furthering the development of trade finance in our bank.
>
> **Zaruhi Melkonyan**
> **Araratbank**

Panel discussion on sustainable trade finance

It's a thumbs up for the forum!

> The Frankfurt forum provided not only the chance to talk with TFP colleagues but also the opportunity to exchange ideas and experiences with other banks.
>
> **Carsten Fischer**
> **Unicredit Bank AG**

Vahe Dalyan and Innesa Amirbekyan of Converse Bank

Taking the opportunity to network

IMPARTING *KNOWLEDGE* IN ASHGABAT

Trade finance expert Stephen Tricks reports on his travels to Turkmenistan to deliver a workshop on the role of international sanctions in trade finance

It was 9 o'clock on a Monday morning and I had the breakfast room at the Oguzkent Hotel in Ashgabat all to myself. Having flown overnight from London with a change of planes in Istanbul, followed by 90 minutes of queuing for visas, immigration and customs, the peace and quiet was welcome. But where was everybody? Outside, the broad streets were almost empty as the summer heat rose to 40 degrees celsius. Inside the hotel, an enormous structure of white marble and gold, the staff outnumbered the guests.

It had taken months of planning with the EBRD and several weeks for the local EBRD Resident Office (RO) to obtain the necessary invitation letter from the State Migration Service of Turkmenistan, so I was pleased to be here. But I was still not sure whether there would be much interest in my workshop on the role of international sanctions in trade finance.

By Monday afternoon things were looking up. I visited the RO and met Lala Achilova, who had done a brilliant job in organising the catering, the printing of my materials and high-quality certificates for the participants. Engin Goksu, the Head of the RO, gave me a warm welcome. Nazar, the interpreter for the workshop, invited me out for dinner.

Wherever I travel, whether it is for the EBRD, Clyde & Co or other organisations, I never cease to be amazed at how pleased people are that I have visited their country. All over the world people want to improve their lives through work and through trade. Understanding trade finance, and the regulations that go with it, is a small but important step in that process.

> "All over the world people want to improve their lives through work and trade. Understanding trade finance, and the regulations that go with it, is a small but important step in that process."
>
> **Stephen Tricks**

And so on Tuesday morning I walked in the glare of the sun on the white marble buildings to nearby Osus Bank, the venue for the workshop. Approximately 30 representatives of commercial banks, state banks and trading organisations attended, which is a good number for such a seminar and in line with what I had expected. At first, progress was slow. My materials and my presentation had been translated into Russian. I spoke in English and Nazar interpreted for me.

The effect of sanctions on international trade and trade finance is, of course, a serious topic and I was not expecting to see many smiles as we covered UN sanctions, US sanctions, EU sanctions and the current position with countries such as Iran and Russia. However, it wasn't until after lunch that the fun really started.

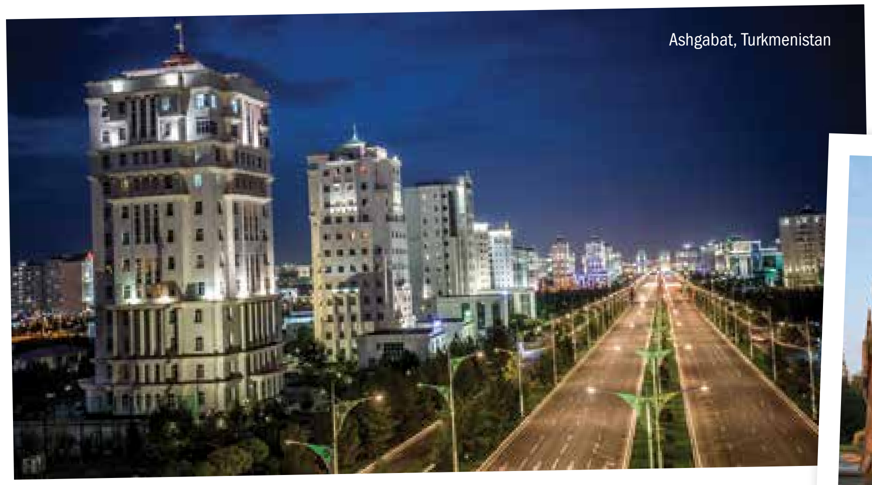
I had been told not to expect much response from the participants in the way of questions or comments, but as we were going through the various case studies, the questions started coming thick and fast, mostly in Russian, but with a few bits of English. Nazar and I had our hands full trying to respond to everyone, but it was great fun and very encouraging to see such high energy levels on a difficult topic.

Gulshat ensured everything ran smoothly. Engin and Kamola Makhmudova gave short thank you speeches while the certificates were handed out. There were still plenty of smiles in the group photos at the end of the day.

This was a trip I shall not forget for a long time, and I want to give my special thanks to Kamola, Gulshat, Lala, Engin and Nazar for their support. It was a pleasure and I hope to return to Ashgabat soon. ●

This session in Turkmenistan, funded by the European Union, was part of a series of workshops on the role of sanctions in international trade finance delivered in 16 countries in 2015-16 that was funded by the European Union and the EBRD's Shareholder Special Fund.

Stephen Tricks is a consultant for international law firm Clyde & Co and acts as trade finance technical consultant for the EBRD.



Ashgabat, Turkmenistan

Course participants with Stephen Tricks and EBRD staff

EBRD ACTIVITY IN TURKMENISTAN TO DATE

56
number of projects

€241 million
cumulative EBRD investment

2015
TFP signs first deal with private Turkmen bank

Data valid as of 31 October 2016

FACTORING *FROM* FRANKFURT *TO* KOSOVO

Following the TFP Trade Finance Forum, Factors Chain International (FCI) and the EBRD organised a practical workshop on international factoring. Suzana Shehu of Kosovo's Banka per Biznes reports

With Kosovo's economy based on small businesses, factoring has become a new area of interest to the Kosovan financial sector. And given that I work at a bank which is considering factoring as a new product for our clients, this workshop was extremely useful.

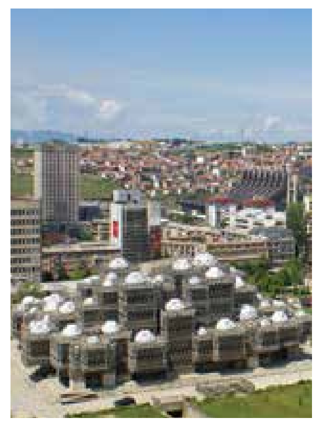
The event provided a great introduction to factoring, global factoring figures, and the benefits of FCI and its two-factor system. The sessions on risks and risk mitigation in both domestic and international factoring, and on how to set up factoring activities, provided particular food for thought.

The most interesting part of the workshop, I thought, was the panel discussion where three existing FCI members (and also TFP partner banks) – ArmSwissBank, Bank of Georgia and TBC Bank – shared their experiences of launching factoring and discussed the challenges, opportunities and lessons learned. The three challenges that were common to all three banks were (and to all factors in emerging markets): educating clients (selling factoring as a product), educating support units within the bank (raising awareness internally and getting the buy-in from risks, legal, operations and, of course, management) and training factoring specialists, with the help of FCI's educational programme and the EBRD's advisory services and workshops.

Everything I learned during the workshop was very useful, and I hope to incorporate much of it into the future strategy of our bank. Banka per Biznes is in the process of becoming the "home bank" for SMEs and I believe there is a special place for factoring in this strategy, as factoring can cover the needs of small businesses in relation to domestic trade and distribution of imported goods. While factoring is new to Kosovo and therefore not very developed, the ideas gained during the workshop in Frankfurt will help my colleagues and me to achieve our goals.

I would like to thank FCI and the EBRD for giving me the opportunity to attend such an interesting and well organised workshop. I look forward to working with the EBRD to develop factoring in Kosovo.●

Suzana Shehu, Head of Operations Department, Banka per Biznes



Pristina, Kosovo

From left to right: Suzana Shehu, Banka per Biznes, Boryana Ivanova Mustafa, NLB Banka, Maria Mogilnaya, EBRD, and Mirjeta Kadrijaj, NLB Banka

> "While factoring is new to Kosovo and therefore not very developed, the ideas gained during the workshop will help my colleagues and me to achieve our goals."

Suzana Shehu

TFP BRAIN *TEASERS*

THE TRADE FINANCE CROSSWORD

Our crosswords focus on important trade finance rules and test your technical knowledge of the applicable rules of practice. This one has a focus on URDG 758.

ACROSS

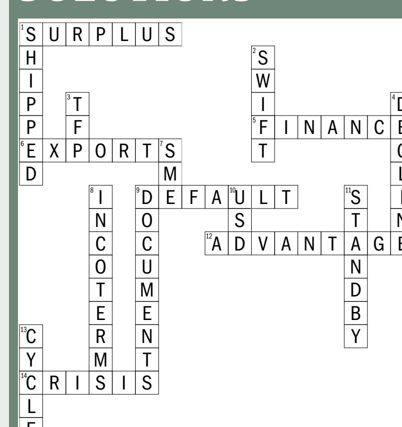
3. The guarantor shall without delay inform the instructing party or where applicable the counter-guarantor of any demand under the guarantee or any request as an alternative to ______ the expiry of the guarantee (6)
4. Where at time of receipt of the guarantee application the guarantor is not prepared or unable to issue the guarantee, the guarantor should without delay ______ the party that gave the guarantor its instructions (6)
6. Under a URDG 758 guarantee, neither the demand nor the supporting statement of breach in respect of obligation under the underlying relationship or any other document may be dated _____ than its date of presentation (5)
8. In a URDG 758 guarantee, the expression "multiple demands prohibited" or similar means that only ___ demand covering all or part of the amount available may be made (3)
9. A demand under a URDG 758 guarantee shall be supported by such other documents as the guarantee specifies, and in any event by a statement by the beneficiary indicating in what respect the applicant is in ______ of its obligation under the underlying relationship (6)
10. The requirement for the supporting statement of breach applies except to the extent the guarantee expressly ________ this requirement (8)
11. Each presentation under a URDG 758 guarantee shall ________ the guarantee under which it is made such as by stating the guarantor's reference number for the guarantee. If it does not, the time for examination indicated in article 20 shall start on the date of identification (8)

DOWN

1. Under a URDG 758 guarantee, neither the demand nor the supporting statement of breach may be dated ______ the date the beneficiary is entitled to present a demand (6)
2. Where the URDG 758 guarantee provides that only one demand may be made, and that demand is rejected, _______ demand can be made on or before expiry of the guarantee (7)
5. Under a URDG 758 guarantee any supporting statement or other documents indicating amounts more than the amount demanded does ___ make a demand a non-complying demand (3)
6. A demand is a non-complying demand if any supporting statement or other document required under the guarantee indicates amounts that in total are ____ than the amount demanded (4)
7. An incomplete presentation which does not indicate it is to be completed later may be ________ as not being a complying presentation (8)

LAST ISSUE'S SOLUTIONS

NO1



PIT YOUR WITS AGAINST THE EXPERTS!

TFP BRAIN *TEASERS*

Every issue of *Trade Exchange* includes 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 operations.

What's a month between friends?

Dear TFP Experts, can you please clarify the correct procedure to be taken in the following situation?

We issued a letter of credit available by acceptance with our bank as issuing bank at "90 DAYS SIGHT".

Documents were presented on approval by the presenting bank with discrepancies in respect of conflict in data between documents. We issued a timely notice of refusal by way of SWIFT message MT 734 as is the normal practice and contacted the applicant for a waiver of the discrepancies.

Despite many follow-up communications the applicant did not provide the waiver of discrepancies until 28 days after the date we received the documents from the presenting bank.

Upon receipt of the waiver from the applicant our bank took up the documents on the same day and accepted the draft for payment at 90 days from the date of our acceptance.

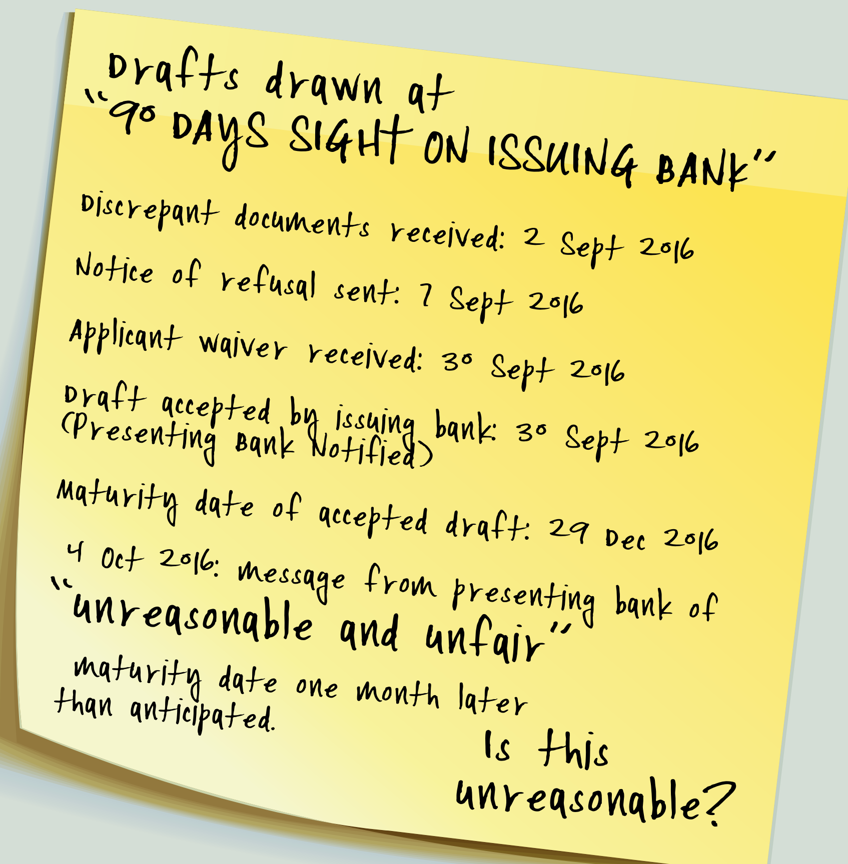
When we advised the presenting bank that the discrepancies had been waived and informed them of the forthcoming fixed maturity date we were surprised to receive a message from them stating:

"As the maturity date is now one month later than anticipated by the beneficiary this is unreasonable and unfair."

Can you please provide guidance as to whether our approach is correct?

We in the documentary operations department believe it is, but other colleagues in the commercial side of the bank disagree.

We await your expert reply.



ASH NEWS FLASH NEWS FLASH NEW

CPD learning hours awarded to EBRD TFP CITF workshops

The EBRD TFP has been working in partnership with the London Institute of Banking & Finance to develop CITF preparatory workshops held in the countries where the EBRD invests.

All workshop participants now qualify for 12 CPD Learning Hours/ PDUs which can be included in recertification records for CDCS and/or CSDG recertification.

The EBRD TFP wishes to acknowledge the ongoing support of the London Institute of Banking & Finance in providing the CITF certification in international trade and finance, which is now becoming firmly established as the international driving licence for trade professionals.

ASH NEWS FLASH NEWS FLASH NEW

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

SOLUTION

"Documents acceptable as presented"

(Spring-summer 2016 issue)

"DEAR TRADE FINANCE CLINIC,

First of all, the expression "documents acceptable as presented" should not be used in a credit, as this clause is not defined in UCP 600.

However, if the clause is used, its meaning should be defined in the credit – that is, the issuing bank should explain carefully its intention. If it is not strictly defined then the definition shall have the following meaning under international standard banking practice: documents acceptable as presented.

That is to say, a presentation may consist of one or more of the stipulated documents, provided they are presented within the expiry date of the credit and the drawable amount is within the amount available under the credit. The documents will not otherwise be examined for compliance under the credit or UCP 600, including whether they are presented in the required number of originals or copies.

Typically this means that only three elements will be examined.

- At least one of the documents required by the letter of credit (LC) must be presented.
- The presentation must be made within the expiry date of the LC.
- The drawable amount must be within the available amount under the LC.

This means that the beneficiary may present only one of the documents requested under the LC, and the document examiner will only check that (i) it is the correct document; (ii) the presentation has been made within the expiry date of the LC; and (iii) the drawable amount is within the amount available under the LC.

In this particular case we do not have all the relevant data regarding the dates under the LC, but if we assume that the presentation was made within the expiry date of the credit, and we can see that the drawable amount does not exceed the available amount under the LC, then no other examination needs to be made.

Consequently, since the clause "documents acceptable as presented" has not been defined in the UCP and the issuing bank has not explained the clause in the LC terms, there is always the danger of misunderstandings and misinterpretations. But taking into consideration the available data and according to the relevant articles in UCP 600 as well as ISBP, in my opinion this is a complying presentation. Best regards,

Elena Ristevska
Komercijalna Banka AD Skopje

WITH RECOGNITION

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

Innesa Amirbekyan, Converse Bank, Armenia
Nelli Kocharyan, Converse Bank, Armenia
Lamia Riabi, Attijari Bank, Tunisia

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