European Bank
for Reconstruction and Development

TFP Trade Finance Forum
Vienna, Austria, 26-27 September 2017

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EBRD Trade Finance e-Learning Programme
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THE BIANNUAL MAGAZINE
ALL ABOUT THE EBRD'S
TRADE FACILITATION PROGRAMME

SPRING-SUMMER 2017

tfp Trade Exchange

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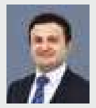

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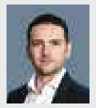

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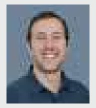

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Missed or misplaced *Trade Exchange?*

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

Subscriptions and *feedback*
www.ebrd.com

This year is proving to be exciting for us, with record numbers attending our events, and our partner banks taking to the stage to discuss huge sector challenges such as KYC, compliance and green trade finance.

Our award-winning Trade Finance e-Learning Programme is a great example of how to use technology for capacity building projects and know-how transfer. The basic and advanced trade finance courses that we offer are highly popular and receive amazing feedback.

This year's graduation ceremony was jointly organised by our Minsk office, which extended a warm Belarusian welcome to our students. The diverse mix of attendees gave the ceremony a very international air, and everybody made lifelong friendships speaking the common language of trade finance.

On a personal note, this year's graduation ceremony was very emotional for me. I am so proud to see our graduates, many of whom juggle full time jobs, family and many more life commitments, taking time to work and improve their skills, finish the 12-month online training and achieve high academic results. Hoda, pictured with me here, is a great example of a successful, clever and wonderful colleague, who completed our programme last year with the highest academic score. Hoda is a great ambassador for women in trade finance.

The rest of this edition is packed with so many highlights. On page 10 Thierry Senechal, CEO of consultancy firm Finance for Impact, looks in detail at the prospects for trade finance in Ukraine, the second most active country, where we have been supporting trade finance since 1999.

We also report on our new product, Green TFP (see page 18), the EBRD's joining of The KYC Registry, industry awards and our latest workshops on bank guarantees that were delivered by the outstanding Andrea Hauptmann. Our Taiwanese colleagues also share with us on page 16 their innovative ideas on green cities.

Lastly, don't forget to send us your answers for the trade finance clinic "Letter of credit – indefinite undertaking of issuing bank" on page 34 and share your opinion with the experts at TF-Expert@ebrd.com.

I send you my warmest regards!

Kamola Makhmudova

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

INSIDE *THIS* ISSUE

GET IN *TOUCH*

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

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Email: stephenj@ebrd.com

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Email: childsk@ebrd.com

Importers and exporters should contact an issuing bank.

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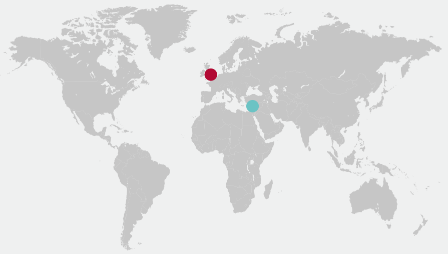
NEWS *UPDATE*



SWIFT

EBRD joins The KYC Registry

The Bank encourages its partner banks to follow suit

In a move to facilitate global and local financial flows and ensure their transparency, the EBRD has signed up to use SWIFT's Know Your Customer (KYC) Registry and is encouraging partner banks in countries where it invests to follow suit.

The KYC Registry is a centralised repository that maintains a standardised set of information about financial institutions required for compliance with KYC obligations. SWIFT is a global provider of secure financial messaging services and is used all over the world.

By signing up to use The KYC Registry the EBRD is joining more than 3,500 financial institutions in over 200 countries that already use the tool. The move also encourages EBRD partner banks in over 30 countries of operations to join the platform.

CORRESPONDENT BANKING

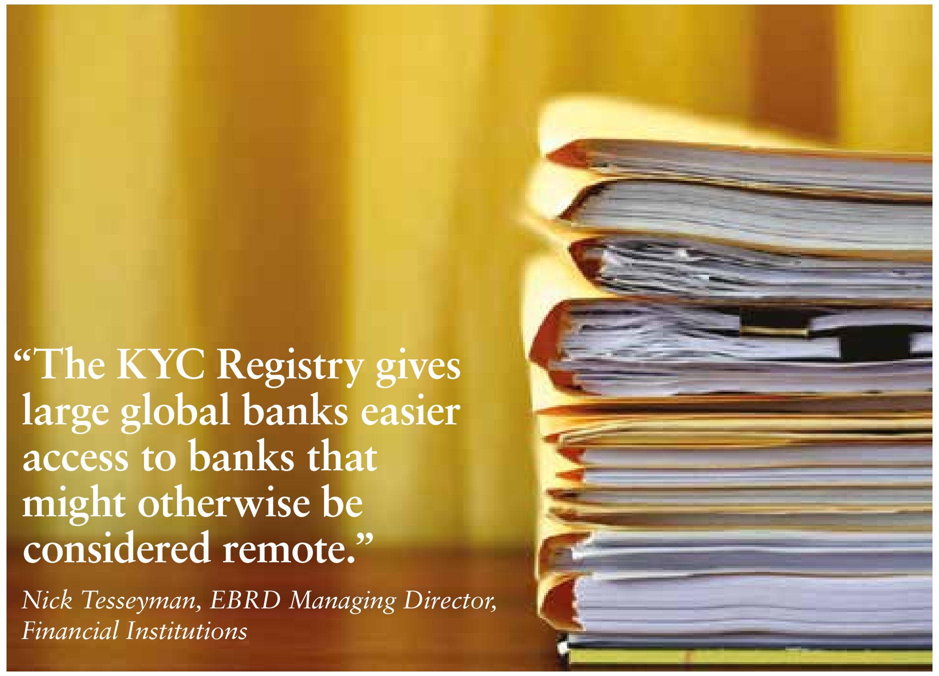
SWIFT has developed The KYC Registry in response to banks' need for a cost-effective, secure and easy-to-use way to exchange such data with correspondents.

Nick Tesseyman, EBRD Managing Director, Financial Institutions, said: "The KYC Registry enables banks to exchange information faster, more efficiently and more cost-effectively. It is vital to embrace the challenge of making anti-money-laundering operations effective. We must take every opportunity to help others in the banking community to enhance their confidence in current and potential correspondent banking relationships."

Luc Meurant, Head of Financial Crime Compliance Services at SWIFT, said: "With heightened expectations for compliance with measures to fight financial crime, banks in all markets need to demonstrate a steadfast commitment to increasing transparency levels. SWIFT is delighted to see the EBRD join The KYC Registry and to help the EBRD and its partner banks address these evolving challenges."

Axel Nikolaus Bommersheim, Director, Corporate Clients at Commerzbank, said: "The EBRD has been Commerzbank's highly valued partner for many years. Commerzbank is a member of the SWIFT KYC Registry User Group, and we consider the EBRD's joining as a very important step which paves the way for other institutions to follow. This is an important signal also to other institutions to use this efficient and effective repository."

www.swift.com



PRESS RELEASE

More support for trade in Cyprus

The TFP has signed Alpha Bank in Cyprus as issuing bank, with a total of €10 million.

The small domestic market in Cyprus makes trade and export competitiveness difficult for Cypriot business, so products tailored to market demand are key, especially for small and medium-sized enterprises.

TFP operations started in Cyprus in summer 2015 with the establishment of limits for Eurobank, Hellenic Bank and Bank of Cyprus.

TRANSACTIONS

TFP reaches new milestone

Our 20,000th transaction facilitates imports into Cyprus

The EBRD TFP team

The EBRD Trade Facilitation Programme (TFP) has financed its 20,000th transaction. The landmark was reached with the issuance of an €18,000 guarantee by order of Bank of Cyprus to Banca Popolare di Milano in Italy. The guarantee will cover the import of clothing from Italy to Cyprus.

A major objective of the TFP in Cyprus is to support the restoration of international trade links and correspondent banking relationships in trade finance. Since the start of the TFP in Cyprus in 2015, the programme has facilitated more than 160 foreign trade transactions to the amount of €70 million. These transactions were financed by three Cypriot banks and have supported foreign trade with 24 countries in Europe, Africa, the Middle East and Asia.

"Transaction number 20,000 serves as a good example of how the programme supports banks and their clients in Cyprus in growing their international business," said Rudolf Putz, Head of the TFP. "The success of our programme is a sign of the appetite in the market to expand and strengthen trade relationships. This is encouraging because where there is trade, there is growth."

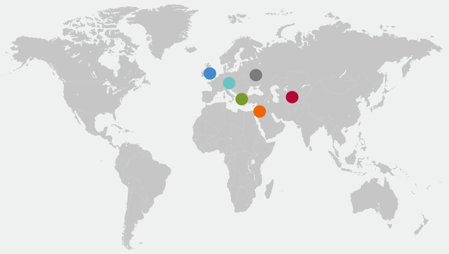
More than 80 per cent of deals concluded since the start of the TFP in Cyprus have covered transactions below €1 million. The value of the 20,000th transaction of €18,000 therefore fits well into this category of transactions mainly benefiting small and medium-sized enterprises – in this case, a small importer of clothing in Cyprus.

The TFP helps banks and their clients to grow their international business

In 2016, the programme's best year to date, the TFP's business volume rose to €1.54 billion from €867 million in 2015. The programme now includes more than 100 issuing banks in the EBRD region, with limits exceeding €1 billion in total, and more than 800 confirming banks throughout the world.

Supporting trade is one of the EBRD's key efforts in strengthening the economies where it invests and in promoting integration. The Bank today operates in more than 35 countries, from Morocco to Mongolia and from Estonia to Egypt. Since its establishment in 1991, the EBRD has invested more than €117 billion in over 4,700 projects.

> "The success of our programme is a sign of the appetite in the market to expand and strengthen trade relationships."
>
> *Rudolf Putz, Head of the TFP*



UZBEKISTAN

A new beginning

Agreement signed to explore ways of increasing EBRD engagement

The EBRD signed in March 2017 an agreement with the government of Uzbekistan to explore ways of increasing its investment in the country. The Memorandum of Understanding was signed by EBRD President Suma Chakrabarti and the authorities in the Uzbek capital, Tashkent.

Of the discussions with the authorities, the EBRD President said: "I am delighted that the EBRD is re-engaging with Uzbekistan. These discussions have been highly fruitful and there is great interest on both sides in reinvigorating the relationship between the Bank and Uzbekistan. This is a new beginning in EBRD-Uzbek relations."

EBRD staff in London meet Sodiq Safoyev, EBRD Governor for Uzbekistan, and Alisher Kurmanov, Uzbek Ambassador to the United Kingdom

The Memorandum of Understanding sets out the areas for potential cooperation. It includes a potential programme of advice and financing for small and medium-sized enterprises, a trade finance programme to support cross-border trade and cooperation, and measures to improve the competitiveness of the Uzbek economy, including through attracting foreign direct investment that will result in the transfer of technology and know-how.

With regard to the potential development of trade finance, in 2017 the EBRD's TFP team will extend trade finance limits for selected banks in the country. The team will also extend its award-winning education programme for trade finance professionals in Uzbekistan.

The EBRD President also signed an agreement to work with Uzbekistan to address the legacy of Soviet-era uranium mining and processing in the region, under the Environmental Remediation Account for Central Asia supported by the European Union.

He also met representatives from private sector companies, the diplomatic community, other international financial institutions and civil society organisations.

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

The Bank has invested €894 million in Uzbekistan. Its current portfolio of €8 million in the country is managed from Tashkent and London.

www.ebrd.com/uzbekistan

€11.6bn has been committed to projects in Central Asia by the EBRD, the region's largest institutional investor

"This is a new beginning in EBRD-Uzbek relations"

Suma Chakrabarti, EBRD President

Future events

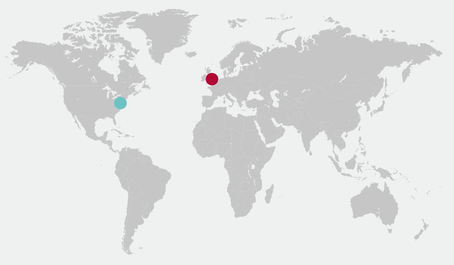
EBRD TFP Trade Finance Forum
26-27 SEPTEMBER 2017
VIENNA, AUSTRIA
For more information contact Marco Nindl on nindlm@ebrd.com or Kelly Childs on childsk@ebrd.com

Ukraine Trade Finance Forum - Silk Road Trade Finance
4 OCTOBER 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 Annual Meeting and Business Forum
MAY 2018
JORDAN
For more information go to www.ebrd.com

EBRD Trade Finance e-Learning Graduation Ceremony
NEW
1ST QUARTER 2018
ATHENS, GREECE
For more information contact Kamola Makhmudova, makhmudk@ebrd.com



INDUSTRY LEADER

The EBRD has won GTR's "Best Development Bank in Trade" award

Rudolf Putz, Head of the TFP, and Anna Brod, receive the award at the GTR Awards Charity Dinner on 23 May 2017

You can follow us on Twitter
www.twitter.com/ebrdtrade

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

Find us on Facebook
www.facebook.com/ebrdtfp

INNOVATION

Green TFP wins innovation award

The EBRD's mould-breaking Green TFP has won an award for "innovative product" from the leading business and finance magazine *Global Finance*.

Following a vote by the editorial board, the publication included Green TFP on its prestigious list "The Innovators 2017 – Trade Finance". The full list of winners who were chosen worldwide is published in *Global Finance*'s 30th anniversary issue in June 2017, which focuses on innovation in the financial industry.

The EBRD's Green TFP was launched in 2016 and allows our partner banks to use their existing TFP facilities for the financing of exports, imports and local distribution of imported Green Economy Transition (GET) technologies and services.

Rudolf Putz, Head of the TFP, proudly commented: "This award is a huge recognition not only for us but also for our partner banks, and we would like to share this award with issuing and confirming banks all over the world that have used our facilities in 2016 for financing Green TFP transactions. It is an important innovative step for trade finance and it strengthens the EBRD's efforts to make the countries where we invest greener with our activities."

www.gfmag.com

See page 18 for more about our Green TFP

Marco Nindl accepting the award

AWARD WINNER

We did it again!

The EBRD Trade Facilitation Programme has once again been named the Best Development FI in Europe, Middle East and Africa 2016 by Euromoney's *Trade Finance* magazine.

Accepting the award, Marco Nindl, Principal Banker, EBRD, commented: "On behalf of the TFP team I am very pleased to receive this award from Euromoney's *Trade Finance* magazine. It is recognition of our hard work over the last year and the satisfaction of service we provide to our partner banks in the programme."

https://tradefinanceanalytics.com

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.

800+
NUMBER OF CONFIRMING BANKS IN 88 COUNTRIES

TOP 10
countries by number of transactions
January-December 2016

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

19,900+
TOTAL NUMBER OF TRANSACTIONS SINCE 1999

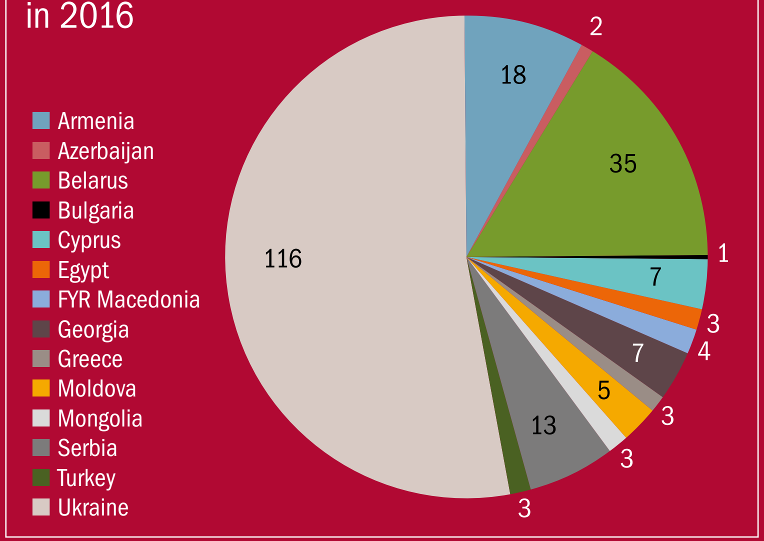
€14.9bn
TOTAL TRANSACTION VALUE SINCE 1999

Turkish Bank signing in April 2017

TOP 10
confirming banks 2016

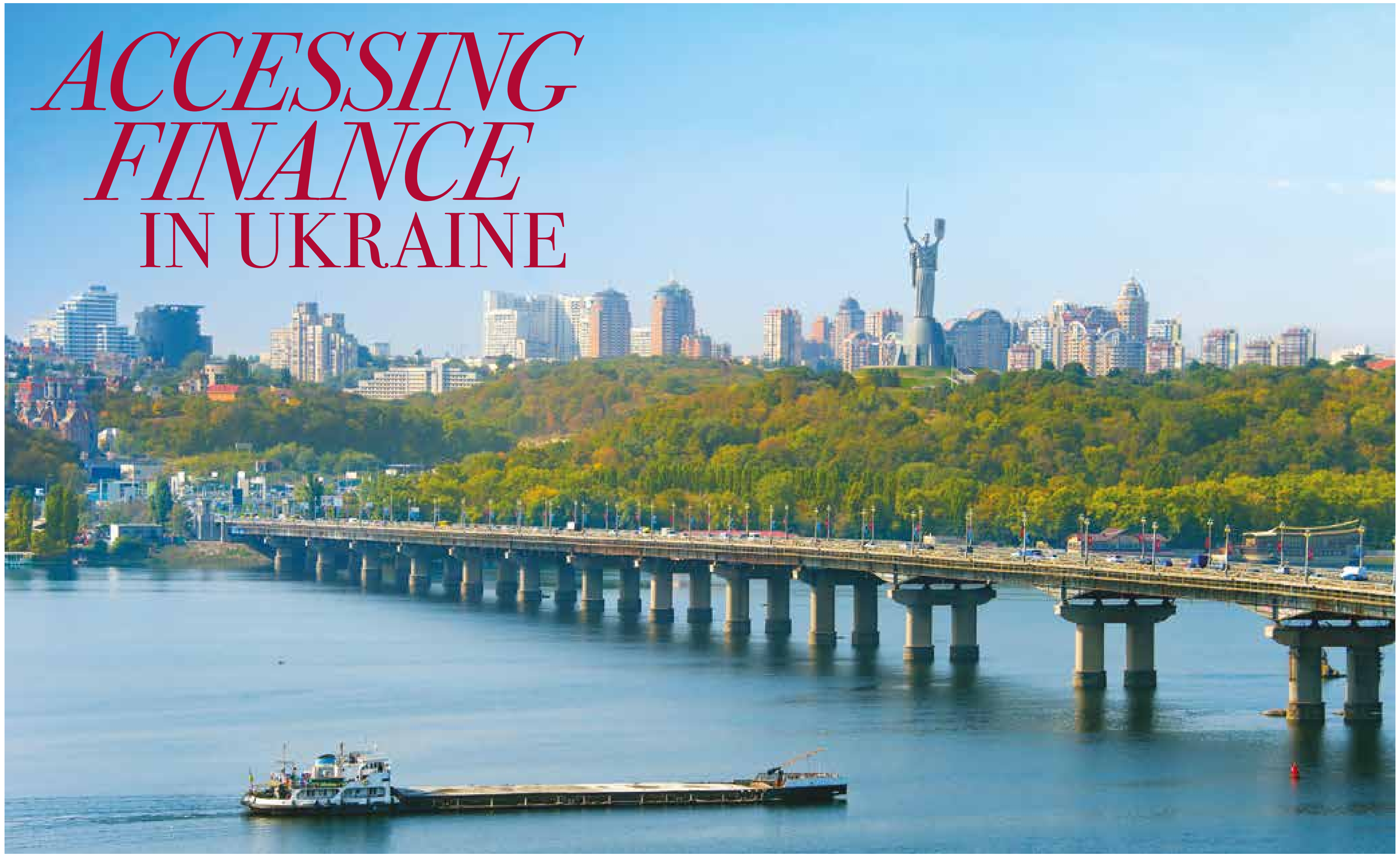
	Bank	*Country*
1	Commerzbank	Germany
2	KBC Bank	Belgium
3	Deutsche Bank	Germany
4	ING Bank	Netherlands
5	BHF-Bank	Germany
6	UniCredit Bank Austria	Austria
7	Citibank	UK
8	Intesa Sanpaolo	Italy
9	Banca Popolare di Sondrio	Italy
10	Raiffeisen Bank International	Austria

Number of Green TFP transactions in 2016



100+
NUMBER OF ISSUING BANKS IN 26 COUNTRIES

ACCESSING FINANCE IN UKRAINE



Thierry Senechal, CEO of consultancy firm Finance for Impact, looks at the prospects for trade finance in Ukraine

In recent years Ukraine has experienced acute political and economic challenges. While transition from the socialist regime started in the early 1990s and much was done to shift to a market economy, many unexpected constraints have emerged. A weak external environment, delayed structural reforms, a poor macroeconomic environment combined with the conflict in the east led to economic recession in 2014-15. The conflict in Donetsk and Luhansk (industrialised areas with a 16 per cent share in GDP on average) has negatively affected all sectors of the economy. At the regional level, Ukraine is also largely lagging behind its neighbours in terms of economic recovery.

TRADE HAS DECLINED

Ukraine's exports and imports declined in 2014-16 due to weak demand and supply-side constraints. The cumulative decline of exports was 39.4 per cent over the period 2013-15; imports fell by 62.4 per cent over the same period. Some sectors were more affected than others, for instance, machinery and equipment exports suffered from trade deterioration with the CIS market.

Historical trading relationships have been severely affected and there is no immediate sign of recovery. Historically, Ukraine imported oil and natural gas, machinery, equipment and chemicals from the countries of the former Soviet Union (for example Russia and Belarus). As a result of the conflict, the volume of trade with Russia declined from about 32 per cent of total trade in the early 2010s to 8.5 per cent in mid-2016.

Moreover, many non-tariff barriers (NTBs) are negatively impacting cross-border trade. These NTBs include: cumbersome customs procedures and long processing times for cross-border transactions; limited automation of customs operations; inadequate cross-border facilities; and limited infrastructure for providing information to the private sector. According to the World Bank's *Doing Business 2017* report, for instance, Ukraine ranked 115th out of 190 economies in 2016 on the trading across borders ranking, against 109th the preceding year. This ranking is the one of the worst in the region (see graph, right) and has deteriorated in recent years.

Not only has Ukraine ranked low in terms of cross-border trade performance in past years but also the country was considered "logistics unfriendly". The World Bank Logistics Performance Index (LPI) showed Ukraine's ranking falling from 61st in 2014 to 80th in 2016 (out of 160 countries). The indicators relating to the efficiency of customs

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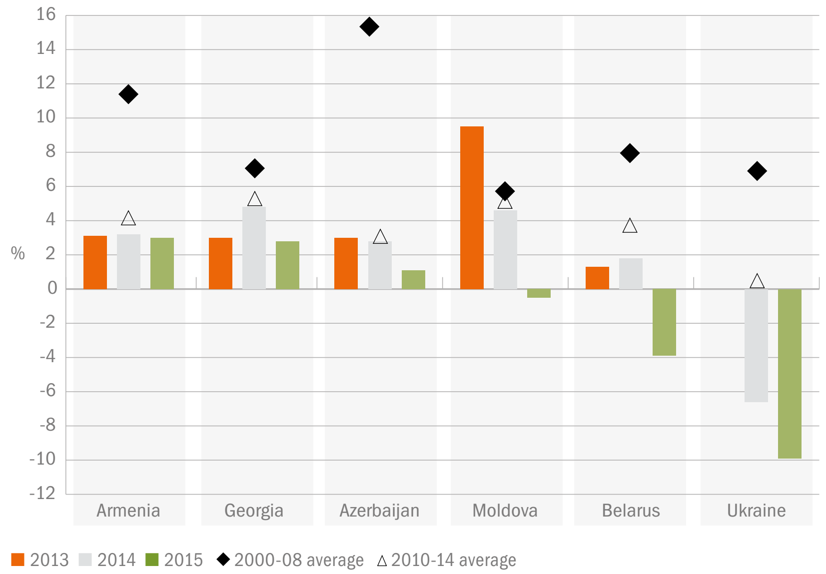
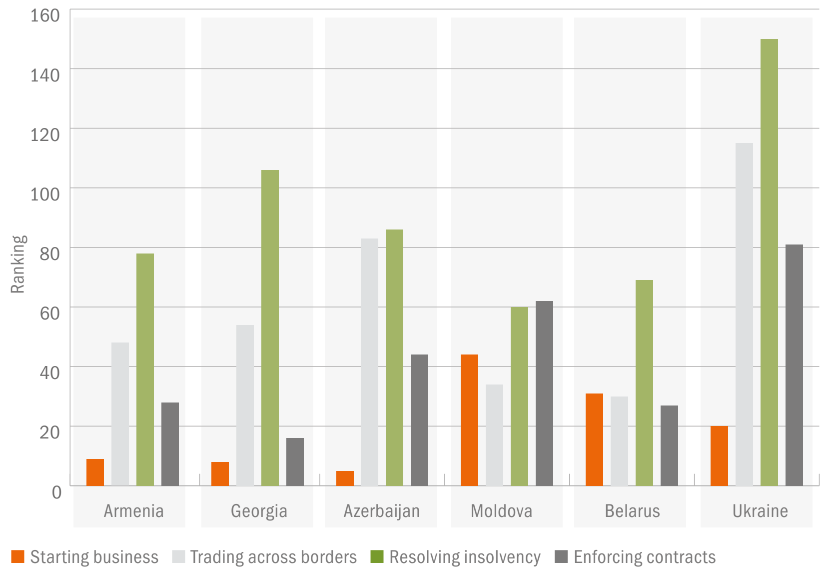
Real GDP growth in eastern European countries



Source: EBRD

Ease of doing business in Ukraine (ranking out of 190 economies in 2016)



Source: The World Bank's *Doing Business 2017* report

"Many non-tariff barriers are negatively impacting cross-border trade."

Thierry Senechal, CEO, Finance for Impact

www.finance-for-impact.com

Continued from p11
and quality of logistics services pointed to a worrisome deterioration in 2016. On customs efficiency, Ukraine moved from 69th in 2014 to 116th in 2016 (from 72nd to 95th for logistics services).

Lastly, enforcing contracts and resolving insolvency remain two major impediments to cross-border trade in Ukraine. According to the *Doing Business 2017* report, it takes 378 days on average to enforce a contract in the case of a dispute in Ukraine at the high cost of 46.3 per cent of the claim. Furthermore, insolvency proceedings involving domestic legal entities are time-consuming and costly. On average it takes 2.9 years in Ukraine to resolve insolvency, with the recovery rate being 7.5 cents to the dollar. Needless to say that, under these conditions, commercial banks will remain hesitant in providing financing to the real economy.

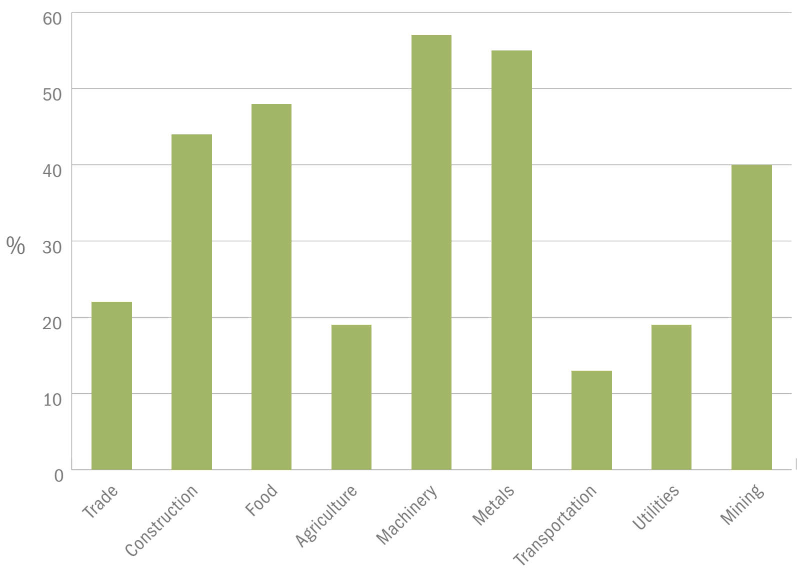
DEMAND

In terms of cross-border trade, there are certain areas of the economy that show promise, such as small and medium-sized enterprises (SMEs). SMEs are best defined conceptually by their position between large corporations and informal microenterprises, with low productivity and confined to local markets. SMEs collectively make up 99.7 per cent of all enterprises and account for about 78 per cent of all employment and 61 per cent of revenues. There were about 1.9 million companies registered in the official registry in 2015. The most important sector of activity for SMEs is trade, followed by agriculture and then industry. These sectors account for more than half of economic activity.

Opportunities for cross-border trade are strong in the agriculture sector. Unrealised (postponed) foreign trade demand is expected to be satisfied in the coming years when current restrictions are lifted and macroeconomic constraints removed. Unused production capacities created untapped potential for growth and

Ukraine has a competitive advantage in the agro sector

Share of non-performing loans (March 2016)



Source: NBU

2.9
the average number of years it takes to resolve insolvency in Ukraine

World Bank *Doing Business 2017*

financing in the agriculture, food and agritech sectors. With its low wage costs and fertile soils, Ukraine has a competitive advantage in the agro sector and access to trade financing will be important. In addition, several free trade opportunities may open up in the near future and lead to a growth in cross-border trade. For instance, the recently agreed Canada-Ukraine Free Trade Agreement (CUFTA) and the Deep and Comprehensive Free Trade Agreement (DCFTA) between the European Union and Ukraine are expected to boost bilateral trade.

SUPPLY

In the face of unprecedented political and economic challenges, the government sought to stabilise the banking sector. Recent reforms to the banking system have led to a slight increase in the performance of financial institutions. The share of assets of the largest banks has risen in past years, with the top 20 banks representing 89.7 per cent of total assets in mid-2016, thus showing clear signs of consolidation in the banking sector. In addition, profitable trading operations have improved the financial results of many banks in recent months.

Despite liquidity in the banking sector, lending to the corporate sector is still rather conservative. Lending will remain limited unless banks clean up their balance sheets and fully disclose the real quality of their assets. Recent evidence shows that the ratio of impaired loans increased from 10 per cent in 2013 to above 30 per cent in 2016 (the rate of NPLs reported by foreign banks in the third quarter of 2016 is 37.5 per cent, and 44.2 per cent for public banks). The level of default on loans remains very high in some sectors. For instance, in the trade

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Continued from p13

sector, the share of NPLs is about 22 per cent of the total portfolio, with worrisome performance in the machinery and metals sectors.

Ukraine's total trade finance portfolio remains too small. As of 1 May 2016, the total amount of loans provided to business in Ukraine amounted to US$ 31.19 billion (UAH 777.85 billion). The trade finance portfolio (letters of credit, guarantees, avalised bills of exchange and factoring) accounted for only 4.71 per cent of total lending capacity (US$ 1.47 billion or UAH 36.6 billion). The share of trade finance out of the total loan portfolio was abnormally low for a country willing to engage in a sound export strategy over the years to come.

WHO PROVIDES TRADE FINANCING?

The main providers in Ukraine are: Ukreximbank (state owned); Prominvestbank (subsidiary of a foreign bank); Raiffeisen Bank Aval (majority owned by Raiffeisen Bank International and the EBRD); Oschadbank (state owned); Alfa-Bank (ABH Holding Luxemburg); PrivatBank (privately owned); First Ukrainian International Bank (privately owned); Credit Agricole (subsidiary of a foreign bank); OTP (subsidiary of a foreign bank); and VTB (subsidiary of a foreign bank). These 10 banks hold a joint share of 77.5 per cent of the overall trade finance portfolio in Ukraine.

Despite the demand of some corporates, the whole offering of supply chain finance is largely missing. Commercial banks usually offer traditional trade finance represented by letters of credit and guarantees for corporates with a sound credit history. Other financing and risk mitigation techniques that would support trade and financial flows along end-to-end business supply and distribution chains, domestically as well as internationally, are limited.

For instance, international factoring is in high demand by traders but is largely unavailable. The international factoring mechanism is perceived as a good working capital solution for smaller corporates that could not access traditional bank finance. This mechanism allows a small business to draw money against its sales invoices before the customer has actually paid. By outsourcing the credit function, SME exporters could therefore convert the high fixed cost of operating an international credit department into a variable expense.

Although a number of banks have tried to offer factoring services to their clients, factoring accounted for less than 1 per cent of total bank lending. The lack of a robust framework is considered a major constraint for developing international factoring.

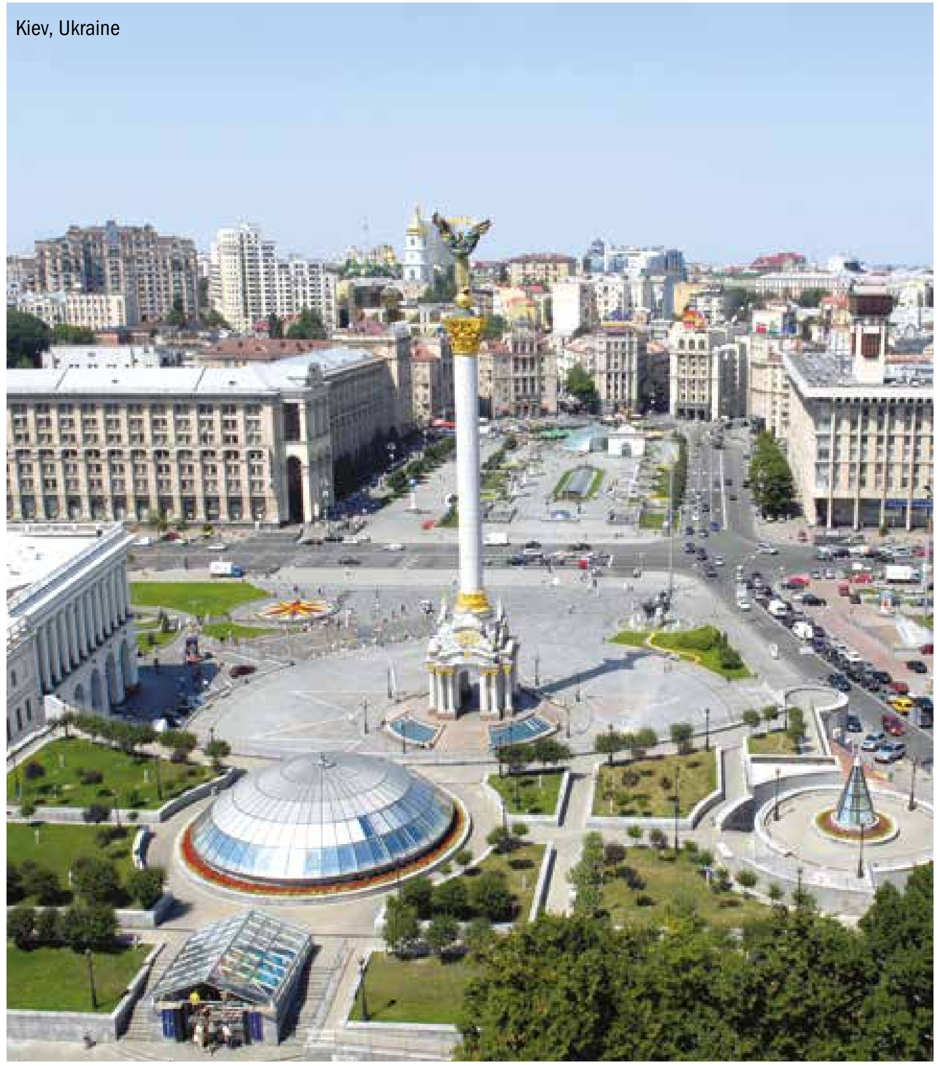
Furthermore, the cost of funding is an important obstacle to cross-border trade in Ukraine. Although the banking sector is fairly liquid, the cost of finance remains high, with evidence of credit terms in foreign currency ranging from a peak of 27-30 per cent in mid-2015 to 18-19 per cent in mid-2016 (and fluctuating at around 10-12 per cent in foreign currency for local companies). At the peak of the crisis, the central bank raised the country's key interest rate to about 30 per cent to stem the decline of the hryvnia and stabilise money markets, but this led to an almost complete shutdown of lending (interest rates above 40 per cent were applied to SMEs, in particular the ones not showing good creditworthiness). The use of financial and non-financial collaterals (for example, mortgages or pledges of real estate or financial assets, and cash) is another deterrent to cross-border trade.

As a result, the trade finance gap is significant in monetary terms, in particular for credit-constrained SMEs. The value of rejected transactions remains high, in particular for SMEs. It is estimated that about 40 per cent of the demand for trade finance is rejected on average, with anecdotal evidence suggesting that several financial institutions do not want to take on any risk of trade finance transactions for smaller firms. Overall, commercial banks are clearly selective in terms of risk, as they focus on larger corporates and larger ticket transactions. The share of SME business for most foreign banks is below 10 per cent of the bank's total portfolio. Not surprisingly, Ukrainian SMEs typically use open account terms for exporting and importing goods and services.

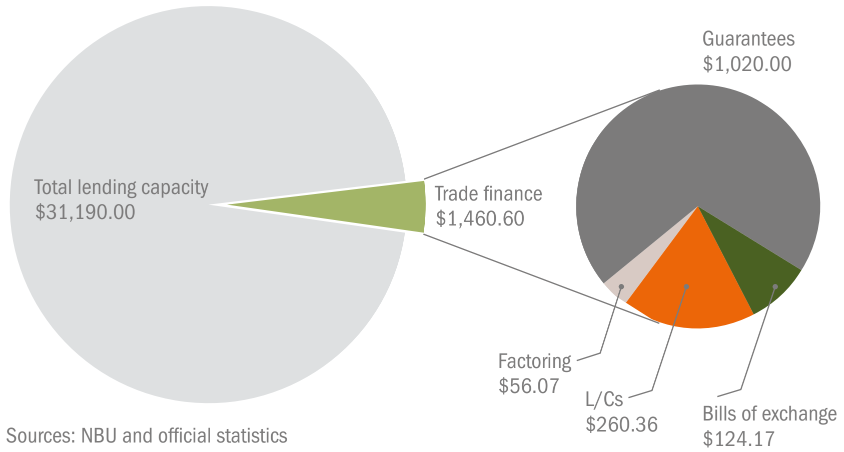
CONCLUSION

Market failures, notably in financial markets, fell disproportionately on Ukrainian SMEs in recent years, resulting in credit rationing, high funding costs and limited use of trade finance. While the banking sector is populated with several banks that possess experience in short-term financing techniques, there is clearly a deficit of affordable trade finance and working capital targeted at SME exporters and importers. Still, looking forward, and assuming that access to finance constraints can be removed, the existing export sector seems well placed to play a more constructive role in economic diversification.●

Thierry Senechal conducted a trade finance diagnostic study for the World Bank in 2016. Most of the data and key background material are extracted from this study.


Kiev, Ukraine

Share of trade finance in Ukraine (US$ million)



Sources: NBU and official statistics

"The international factoring mechanism is perceived as a good working capital solution for smaller corporates that could not access traditional bank finance."

Thierry Senechal, CEO, Finance for Impact

THE TFP IN UKRAINE IN NUMBERS

2016 saw
US$ 322 million
of business for some 230 transactions

Over 2,100 trade transactions worth almost
US$ 2.5bn
have been supported to date

Out of 24 countries using the TFP in 2016,
Ukraine ranked 2nd
in terms of volume of transactions

OLD CITY, *SMART CITY,* GREEN CITY

The city of Tainan is embracing smart technology to create a better environment for its visitors and inhabitants

Tourists flock to the ancient city of Tainan to visit its huge array of temples and fortresses, sample its unique cuisine and wander the narrow, bohemian streets. As the former Taiwanese capital with a 300-year heritage, it is rich with culture and history.

But while it is an old city, Tainan is also densely populated with about 1.9 million inhabitants. It therefore faces many challenges commonly seen in fast developing ancient cities – narrow roads, traffic congestion, ineffective water management, inadequate educational resources and an ageing population.

BECOMING SMART

To overcome these challenges, Tainan, like many other cities, is embracing digital technology that will help to improve public services, protect the environment and enhance the lives of the people that live there.

In 2015 the city began working with mobile operator FarEasTone (FET) to develop and deploy cloud, mobile app and IoT (Internet of Things) technologies that would link up Tainan's public services to increase efficiency. This collaboration between city and mobile carrier has enabled the local government to launch innovative services.

By working together and building a common vision, FET developed smart city services in six areas.

- A smart city operations centre: this is a cloud-based central data depository where the city authorities can link information from different sources to provide more integrated services.
- Water resource monitoring and disaster management.
- An intelligent bus/bus stop operating system: exact locations for buses and estimated arrival times for each bus are available for mobile apps and bus stop displays. And beacon integration allows nearby attractions and location-based information to be pushed to users' mobile phones.
- A mobile education platform for elementary and middle schools: the CloudPlay mobile learning (mLearning) programme is a platform for outdoor education for elementary and middle school students and teachers across the city. This innovative, cloud-based mobile application integrates outdoor education course content and field trip curricula with multimedia, social messaging and real-time positioning to engage students and promote creative thinking and problem solving.
- Cloud-based health monitoring stations: Tainan has deployed these into more than 300 community health centres to monitor the city's ageing population. Citizens can also access their own data via a mobile app to monitor their health.
- A mobile commerce platform for local shops and businesses: this is essentially an app that promotes local shops and businesses by providing accurate location-based services, automatic message pushes and discount coupons. Over 800 local stores signed up to the platform in 2016 and more than NT$10 million in revenue was achieved in the first year of operation.

800
local stores signed up to a mobile commerce platform in 2016* achieving more than NT$10 million in revenue

** Data taken from the Tainan/FarEasTone Smart City Project quarterly report to the Ministry of Economic Affairs.*

THE BENEFITS OF SMART CITY TECHNOLOGY

Each type of smart city service needs to have clear benefits. Take water resource monitoring and disaster management as an example. Over the years, the Taiwanese have earned international recognition for their expertise in the forecasting of, and response to, extreme weather. A government initiative to improve its extreme weather response prompted the national Water Resource Agency to work with the city of Tainan and FET to develop capabilities to improve flood control and disaster recovery. These capabilities include:

- near real-time data collection, data analysis and dissemination of results
- real-time water resource monitoring
- emergency information broadcast in real time, with flood warnings issued via mobile applications
- data backed up regularly to ensure availability at all times
- data integration across agencies so that disaster response times are quicker.

MOVING TOWARDS A GREEN CITY

Green cities, or sustainable cities, gradually appeared in the 1980s and 1990s as part of a general growing awareness of environmental protection. With smart city services as a backbone – that is, a mature mobile platform, cloud, IoT and telecommunications – Tainan is now looking to build on this and emerge as a green city.

> "Tainan faces many challenges commonly seen in fast developing ancient cities"

Green cities draw on, among other things, renewable energy, which minimises ecological damage and increases the quality of air in the city. However, renewable energy currently accounts for less than 5 per cent of current Taiwanese power supply. With a national target of 20 per cent of total power supply to come from renewable energy sources by 2025, simply using existing technologies is not going to be enough. Research and development, manufacturing production and massive deployment of new renewable energy sources are all needed to reach this target.

A TECHNOLOGY TRIAL PARK

The Taiwanese authorities plan to make Tainan a permanent base for the technology industry and to develop the Shalun renewable energy park as a centre for research, development and investment.

The park is to be a test site for new renewable energy technology and will create a zero-waste economy, featuring electric buses that can be wirelessly charged, cars fitted with solar panels and eco-friendly buildings.

The development of Shalun will prove that urban development can coexist with nature, and the park will be a major contributor to the goal of renewable energy providing 20 per cent of total power supply.

JOIN THE GREEN TFP *REVOLUTION!*

The EBRD's Maria Mogilnaya explains the idea behind our Green Trade Facilitation Programme

When we were told that over 100 companies had expressed an interest in attending our workshop in the Kyrgyz Republic, and that the Chamber of Commerce and Industry had to close registration because there weren't enough seats in the conference room, we couldn't quite believe it. No one had expected such interest!

This workshop – held in Bishkek in December 2016 – was part of our Green TFP pilot. Local companies came to learn how they could finance imports of energy or resource efficient technologies and materials.

WHAT IS THE GREEN TFP?

The Green TFP is a new concept that contributes to the EBRD's Green Economy Transition (GET) approach by stimulating the supply of high performance technologies and services into or across the EBRD's countries of operations.

The EBRD launched the GET approach in 2015 to put investments that bring environmental benefits at the heart of its mandate. Building on a decade of successful green investments, the GET approach seeks to increase the volume of green financing from an average of 24 per cent of the EBRD's annual investments in the 10 years up to 2016, to 40 per cent by 2020.

There are a number of technologies with significant potential environmental benefits, which are currently not deployed in the EBRD region or have a negligible market penetration.

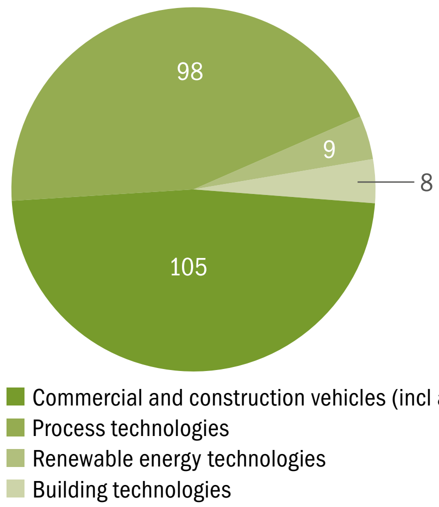
And this is where the Green TFP comes in as it can support the introduction and use of higher performance technologies through supply chains, and including supply chain finance.

The concept of the Green TFP is very straightforward: by combining short-term trade finance instruments (supported by the TFP) with medium- or long-term investment financing (for example, through the Green Economy Financing Facilities, GEFFs), both our partner banks and their clients win. This combination will support the creation and development of supply chains and it is where we see a lot of potential for more trade in GET technologies and services.

In its first year, the Green TFP has supported 220 foreign trade transactions in GET technologies and services with a total volume of €198 million, across 14 countries in the EBRD region. This has resulted in annual energy savings of 339,750 MWh (the equivalent of double the yearly district heating demand of the city of Pristina in Kosovo); water savings of 26,300 m³ (the equivalent of the annual water supply to 550 people in Ukraine); and emission reductions of 181,600 tCO_2 (the equivalent of removing more than 50,000 cars from the streets in Europe).

Because of the innovative nature of the Green TFP, the EBRD was named by *Global Finance* as one of The Innovators 2017 – Trade Finance (see page 8).

GREEN TFP TRANSACTIONS IN 2016



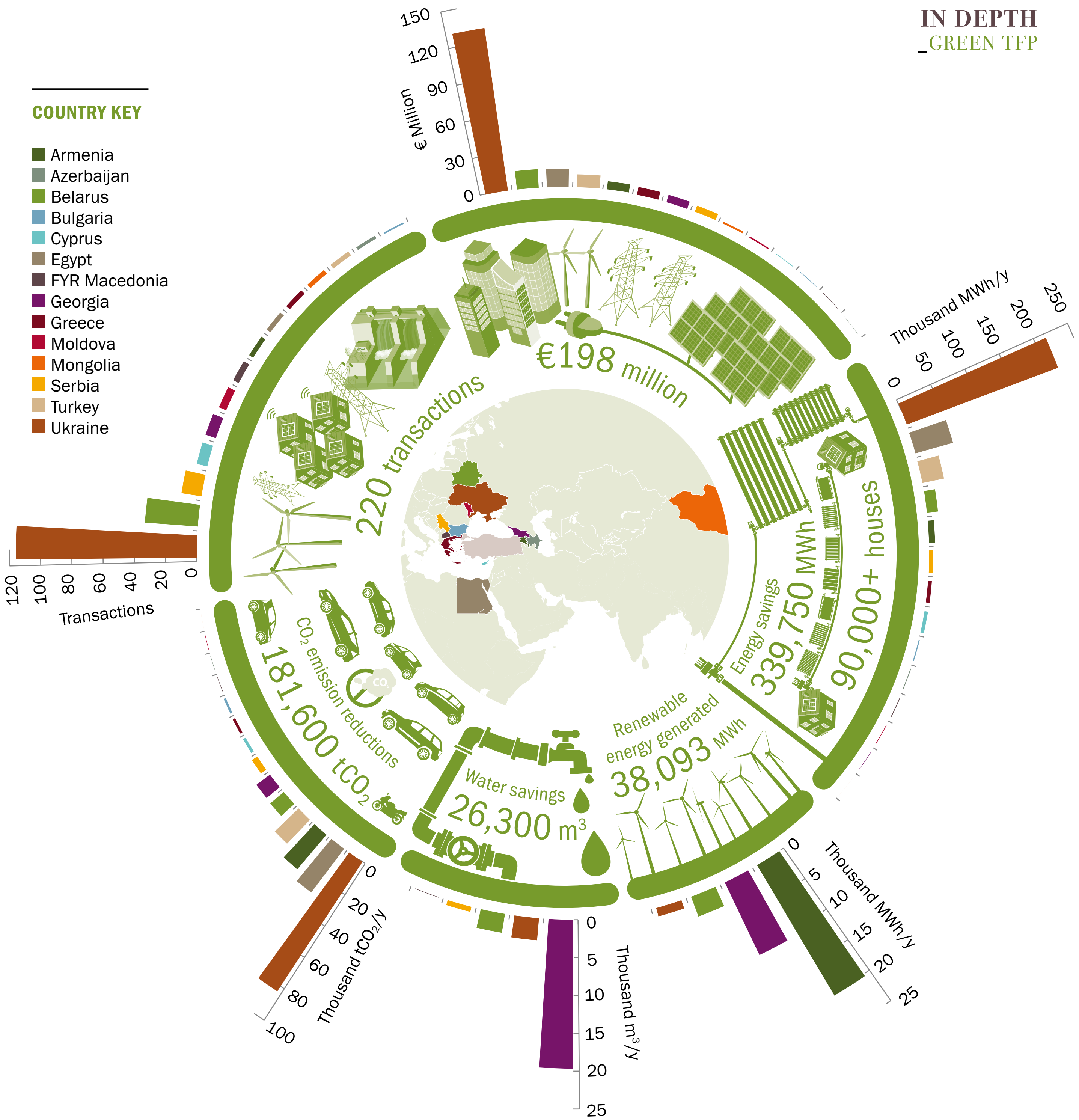
Participants at the workshop in the Kyrgyz Republic

> "The creation of value chains for GET technologies and services is needed and the Green TFP is the solution for manufacturers and suppliers to penetrate the market."
>
> *Terry McCallion, EBRD Director, Energy Efficiency and Climate Change*

THE KYRGYZ REPUBLIC IS JUST THE BEGINNING

Since the Green TFP is implemented in partnership with the EBRD's GEFFs, it benefits from the same tools developed under the new programme-level approach funded by the Austrian Federal Ministry of Finance. Thus the Green TFP's implementation is supported by engineers, bank relationship managers, trade finance experts and marketing specialists. They have already developed different marketing materials and other tools to be used by the issuing and confirming banks, and the importers and exporters of GET technologies and services. And it was these materials and the full Green TFP concept that we piloted in the Kyrgyz Republic.

Another pilot took place in Armenia in March 2017, and we are planning further pilots for the second half of 2017. Different countries have different legal and regulatory environments which could affect the uptake of GET technologies and services. Therefore we need to test the concept in different markets so that it can be adjusted to meet varying needs. ●



Green TFP marketing materials at the workshop in Armenia

> "Green TFP is particularly useful for financing smaller imports of high performance technologies and services into less advanced countries."
>
> *Rudolf Putz, Head of the TFP*

SHAPING *FUTURE* TRADE

With the EBRD TFP having marked its 20,000th transaction, Rudolf Putz, Head of the TFP, looks at the programme's main objectives

Discussing legal and regulatory framework for factoring in Kosovo

"The TFP was established to build skills in partner banks and foster relationships with foreign commercial banks."

Rudolf Putz, Head of the TFP

The TFP has arguably had its best year to date. The programme's business volume rose to €1.54 billion in 2016 from €867 million in 2015. And in terms of individual countries, Ukraine generated the highest number of transactions, followed by Armenia, Cyprus, Belarus and Serbia. What's more, in 2017 the readers of Euromoney's *Trade Finance* magazine, *Global Trade Review* and *Global Finance* voted the EBRD "Best Development Bank in Trade Finance".

Combine all of that with our 20,000th transaction (see page 5) and launch of our "Green TFP" facilities (see page 18), things seem to be going from strength to strength.

HELPING THE SMALLER BANKS

However, foreign commercial banks are increasingly reluctant to establish trade finance facilities for smaller TFP partner banks due to the high cost of compliance. It costs a bank the same, or even more, to carry out compliance for a small bank offering limited business than a larger bank offering more opportunities. This has the unfortunate effect of blocking out the most vulnerable from correspondent relationships.

The TFP is therefore developing a technical cooperation project under which consultants employed by the EBRD will help TFP partner banks put together standardised compliance reports which will be regularly updated and meet the reporting requirements of the EBRD and most major foreign confirming banks in different jurisdictions.

Technical cooperation has continued to develop and strengthen organisational capacities in trade finance, improve know-how and, more generally, help EBRD trade finance operations to contribute more effectively to a country's transition to a market economy.

To achieve these objectives a range of tools are provided, including advisory services tailored to the needs of individual partner banks, training workshops and innovative internet-based training.

One need only look to banks in Armenia, Belarus, Georgia and Mongolia to see how successful this has been; a few years ago, banks in these countries still needed TFP support for most of their trade finance transactions, whereas now they can finance significant parts of their trade finance business with facilities provided by foreign commercial banks.

73%

of partner banks required continuous TFP support for trade finance transactions

Partner bank survey, 2015

THE FUTURE

The TFP was established to build skills in partner banks and foster relationships with foreign commercial banks and indeed the programme has helped more than 170 partner banks to establish a track record in trade finance.

However, this is no longer our key objective (although a small number of new partner banks will continue to be added each year). Our main objective now is to ensure that our partners can sustain trade flow, especially in times of market disruption.

While the more advanced countries in central Europe and the Baltic states do not need our support anymore, TFP guarantee cover is still required by banks in the CIS (Commonwealth of Independent States) countries and less advanced countries in the Western Balkans.

A partner bank survey in 2015 showed that 73 per cent of partner banks required continuous TFP support for trade finance transactions that foreign commercial banks are unable or unwilling to finance, and 46 per cent of partner banks (all of them small or medium-sized banks) needed the programme to support most or all of their trade finance transactions. We expect that smaller banks, banks in countries in the early stages of transition and banks in countries with higher country risk, such as Ukraine, will need TFP facilities for most or all of their trade finance business for the foreseeable future.

Over the past years we have seen demand for TFP support also in the Bank's newer countries of operations, such as Greece, Cyprus and the southern and eastern Mediterranean (SEMED) region.

Larger TFP partner banks in SEMED benefit from a high number of trade finance facilities provided by foreign commercial banks. However, in most cases these facilities are only available for smaller transactions and for tenors of up to 6-12 months. TFP facilities are needed for larger transactions and transactions with longer tenors. An example of a larger transaction guaranteed by the TFP was the import of grain silos into Egypt, financed through a letter of credit with a tenor of 18 months. Egypt is one of the largest importers of grain and the silos will increase Egypt's grain storage capacity.

As for Greece and Cyprus, most foreign commercial banks are still unwilling to undertake any unsecured trade finance activity there. The most active confirming banks have reduced their country limits and tenor lengths. TFP facilities are supporting trade flows and encouraging confirming banks to maintain relationships with selected partner banks until their commercial trade finance facilities are reinstated to suitable levels.●

www.ebrd.com/tfp

Top trade finance talent

MINSK ~2016

The EBRD's TFP team once again hosted the annual graduation ceremony for the EBRD Trade Finance e-Learning Programme in Minsk on 17 March 2017.

In total, 128 students from many of the EBRD's countries of operations finished the course by the end of 2016, and we are proud to share with you the top 25 graduates (see page 25).

The EBRD's e-Learning Programme is supported by funding from donors such as the EBRD's Shareholder Special Fund and the European Union. The EBRD also greatly appreciates the enthusiastic support from international commercial banks; each year our top students spend trade finance internships in Austria, France, Germany, Italy and the United Kingdom.

We also welcome new sponsor KBC Bank Belgium, which awarded one of our top students with an internship in Brussels. KBC Bank was our second most active confirming bank last year and has now joined the e-Learning Programme as a sponsor for the first time. Huge thanks also go to our other sponsors Commerzbank, ICC Austria, ICC HQ and Banca Popolare di Sondrio, China Systems and Coastline Solutions.

Our e-Learning Programme is growing from year to year, and 2017 follows this trend with a large number of students having enrolled.

We congratulate all our graduates. These young trade finance professionals are a true example for peers in the sector and we are looking forward to following their successful careers. •

Hoda Abd El Hameed Ezzat El Shimi and Nada Abdelhamid Kamel of QNB Alahli record the event

The team from Bank BelVeb, Belarus

WHAT PEOPLE SAID

"I found the e-Learning Programme very useful as it covers most current and relevant trade finance topics, as well as making me approach trade finance products from a different angle. I would highly recommend this course."

Pena Poladov, our first student from Turkmenistan
Central Bank of Turkmenistan, Turkmenistan

Trade Facilitation Programme Workshop at the Joint Vienna Institute, 14-19 May, 2017
From left to right
Front Row: Ms Firuza Hotamova (Tajikistan), Ms Chynara Alybaeva (Kyrgyz Republic), Mr Rudolf Putz (Trainer, EBRD), Mr Joachim Bald (Trainer, Frankfurt School of Finance & Management), Ms Ute Bühler (Trainer, Frankfurt School of Finance & Management), Ms Biljana Jaćimović (Bosnia and Herzegovina), Ms Eleonora Avetisyan (Armenia), Ms Eleni-Lilika Tsoumpa (Greece)
Middle Row: Ms Veneta Miteva (Project Coordinator, Frankfurt School of Finance & Management), Ms Teodora Petkova (Bulgaria), Ms Jasmina MIlovska (FYR Macedonia), Ms Mirjeta Kadrijaj (Kosovo), Ms Nada Abdelhamid (Egypt), Mr Karim Morsy (Egypt), Mr Athanasios Vlachopoulos (Greece), Mr Milić Čavić (Serbia), Ms Rasha Adly Mohamed Hassaan (Egypt), Mr Giorgi Vashakidze (Georgia), Ms Aikazerini Theodorou (Greece), Ms Tamar Mikadze (Georgia), Ms Kateyna Iakovleva (Ukraine)
Back Row: Mr Bariş Can Galipoglu (Turkey), Mr Bariş Nerezoğlu (Turkey), Mr Pena Poladov (Turkmenistan), Mr Gulam Sylapov (Turkmenistan), Mr Viorel-Mihai Andreescu (Romania), Mr Mohamed Moudden (Morocco), Mr Maksym Dutsyak (Program Officer, JVI)

Jahan Shamsiev, EBRD, with Irina Antonova, BelGazpromBank, Belarus

Mohanad Mostafa Ahmed Mehaya, QNB Alahli, Egypt receives his awards from Eugenia Zhiglova, KBC Bank, and Rudolf Putz, EBRD

WHAT PEOPLE SAID

"This graduation ceremony was not only a fantastic event but also a great chance to network with other trade finance experts from different countries."

Mostafa El Toweiry
Barclays, Egypt

Nelli Kocharyan, Converse Bank, Armenia, Vincent O'Brien, ICC and Inessa Amirbekyan, Anelik Bank, Armenia

Hans-Joerg Krohn of Commerzbank, Germany and Hovsep Voskanyan of Commerzbank, Minsk Representative Office at the opening ceremony

Ileana-Otilia Popescu and Catalin Ciuperca of Bancpost, Romania share a trade finance joke

Stephen Clinton of Coastline Solutions

Award
Internship at Commerzbank
Frankfurt, Germany

Hans-Joerg Krohn of Commerzbank, Germany presents Hoda Abd El Hameed Ezzat El Shimi of QNB Alahli with her prize as top graduate of the EBRD's Trade Finance e-Learning Programme 2016

WHAT PEOPLE SAID

"Taking part in your e-Learning Programme has given me a great opportunity to explore my potential, boosting both my knowledge and self-esteem."

Hoda Abd El Hameed Ezzat El Shimi
QNB Alahli, Egypt

TOP 25 GRADUATES 2017

1. **Hoda Abd El Hameed Ezzat El Shimi** QNB Alahli, Egypt
2. **Nada Abdelhamid Kamel Awad** QNB Alahli, Egypt
3. **Mohanad Mostafa Ahmed Mehaya** QNB Alahli, Egypt
4. **Rasha Adly Mohamed Hassan** QNB Alahli, Egypt
5. **Mohamed Samy Ahmed Mohamed** QNB Alahli, Egypt
6. **Yasmine Raafat Abo Al Makarem Mohamed Eid** QNB Alahli, Egypt
7. **Mai Medhat Hanafy Osman** QNB Alahli, Egypt
8. **Kareem Abdel-Rahman Abdel-Moneem Morsy** QNB Alahli, Egypt
9. **Lana Ružman Petrinec** Privredna Banka Zagreb, Croatia
10. **Ahmed Yehia Ismail Ahmed** QNB Alahli, Egypt
11. **Liana Sahakyan** Araratbank, Armenia
12. **Daryana Alexandrovna Ermakova** Sberbank, Russia
13. **Pena Poladov** Central Bank of Turkmenistan, Turkmenistan
14. **Kateryna Iakovleva** Raiffeisen Bank Aval, Ukraine
15. **Sasho Petkovski** Stopanska Banka, FYR Macedonia
16. **Jasmina Milovska** NLB Banka Skopje, FYR Macedonia
17. **Anna Stanislavovna Belova** Sberbank, Russia
18. **Mirjana Svilar Aleksovska** NLB Banka Skopje, FYR Macedonia
19. **Iana Lavrishko** Raiffeisen Bank Aval, Ukraine
20. **Ileana Otilia Popescu** Bancpost, Romania
21. **Viorel Mihail Andreescu** Bancpost, Romania
22. **Elena Alexandrovna Pshenichnikova** Sberbank, Russia
23. **Sergey Kosyan** Inecobank, Armenia
24. **Ramy Ibrahim Mohamed Salem** QNB Alahli, Egypt
25. **Dora Ioannou** Hellenic Bank, Cyprus

Eleonore Treu of ICC Austria

Some of the trade finance family from the EBRD, QNB Alahli, Egypt and Commerzbank, Germany

WHAT PEOPLE SAID

"This is the first time I've attended the e-Learning awards ceremony. I was impressed by the professionalism of the participants, and even more impressed by their dedication and positive energy! After meeting all these enthusiastic young colleagues in Minsk I dare to predict: the future looks very good for trade finance."

Hans-Joerg Krohn
Commerzbank, Germany

Zuzana Franz of BHF-Bank and Eugenia Zhiglova of KBC Bank

MINSK AWARDS SPECIAL ~

~MINSK AWARDS SPECIAL~MINSK AWARDS SPECIAL~

Olga Moiseenko, EBRD, receiving her certificate

Kamola Makhmudova talks to Sandra Prosnec of Erste Bank, Croatia

Nelli Kocharyan, Converse Bank, Armenia with Vincent O'Brien, ICC

Alexander Kashlach of Bank BelVeb looking pensive

WHAT PEOPLE SAID

"Having completed the challenging yet addictive e-Learning Programme, this event offered me the opportunity to exchange views and experiences with outstanding professionals from various countries."

Catalin Ciuperca
Bancpost Romani

Our winners!

WHAT PEOPLE SAID

"It was a great pleasure to be part of such an outstanding ceremony in Minsk. Congratulations to all graduates, in particular to our ICC Austria prize winners: Ileana-Otilia Popescu and Ahmed Ismail. Well done!"

Eleonore Treu
ICC Austria

Eleonore Treu of ICC Austria presents Ileana-Otilia Popescu, Bancpost, Romania and Ahmed Ismail, QNB Alahli with their prize of attendance to ICC Austria's Trade Finance week

Award
Attendance to ICC Austria's *Trade Finance Week*

WHAT PEOPLE SAID

"This was the best online training I have ever come across in trade finance, and one of the most comprehensive and challenging courses. A huge thanks to the EBRD for this opportunity."

Mohamed Samy Ahmed Mohamed
QNB Alahli, Egypt

Vincent O'Brien presents Mohamed Samy Ahmed Mohamed, QNB Alahli, Egypt, with his prize - an invitation to the ICC Banking Commission's technical meeting in London in November 2017

Dora Ioannou, Hellenic Bank, Cyprus receives her prize, which is sponsored by Coastline Solutions, from Rudolf Putz

Smile! Hoda Abd El Hameed Ezzat El Shimi, QNB Alahli, and Mirjana Svilar Aleksovska, NLB Banka, FYR Macedonia, record the event

Girl power in trade finance

Irina Chuvakhina, Nadezhda Nedorubkova and Anna Adashick of Priorbank, Belarus with Kamola Makhmudova and Anna Brod of the EBRD

Sergey Kosyan, Ineco Bank, Armenia (right) applauds one of the winners receiving their certificate

WHAT PEOPLE SAID

"It is amazing to see how the TFP's worldwide community of banks is growing. The number of experts that graduate each year is impressive and the hugely successful graduation ceremony in Minsk is proof of this; we are all inspired by your enthusiasm and true love of trade!"

Eugenia Zhiglova
KBC Bank, Belgium

WHAT PEOPLE SAID

"I was astonished by the cordial atmosphere. To me, it was as if old friends were being reunited. There were many smiles and everyone paid tribute to one another with respect and professionalism. The TFP e-Learning Programme is a true bridge between generations – young professionals and experienced trade finance specialists – and this ceremony is the pinnacle of it all."

Konstantin Nagornyak
Granum Trading

Minsk

Award
One week's attendance to Bankers' School
KBC Bank, Belgium

Eugenia Zhiglova, KBC Bank, Belgium congratulates Mohanad Mostafa Ahmed Mehaya, QNB Alahli, Egypt on winning a week's attendance to Bankers' School organised by KBC Bank

~MINSK AWARDS SPECIAL~MINSK AWARDS SPECIAL~

SEMED IN FOUR *STEPS*

Trade finance specialist Andrea Hauptmann went on a tour of the southern and eastern Mediterranean to talk about guarantees

About a year ago the EBRD asked if I would deliver training sessions about guarantees in the SEMED region. It took a bit of time to organise but after a couple of months we were off!

It was a great experience and I was impressed by the high level of knowledge as well as the enthusiasm of all the participants.

It was an honour and a pleasure to conduct these four seminars for the EBRD and I am looking forward to coming back. We met as colleagues and parted as friends.

The 50 participants made up a keen audience, mostly comprising experienced trade finance bankers, and we had a lot of interesting discussions.

Happy trade finance professionals at the EBRD are highly motivated and always keen to learn more!

As with the three locations before, we had another fantastic audience of about 40 very active and interested bankers.

We can guarantee lots of fun at EBRD training events, even when discussing a "dry topic" topic such as international guarantees!

TRADE-BASED MONEY LAUNDERING

The International Compliance Association has a course to bring your knowledge of financial crime risks up to scratch

In 2013 the UK's Financial Conduct Authority (FCA) produced a report that looked at banks' control of financial crime in trade finance.

It highlighted the existence of some unflattering training and awareness practices in banks, including:

- providing only generic training that does not take account of trade-specific risks (for example Financial Action Task Force/ Wolfsberg red flags)
- failing to roll out trade-specific financial crime training to all relevant staff engaged in trade finance activity, wherever located
- relying on "experienced" trade processing staff who have received no specific training on financial crime risk.

Equally concerning was the report's finding that a number of trade finance staff had passed a globally recognised professional qualification, specifically for international trade finance practitioners, which "did not cover, in any detail, the financial crime risks in trade finance business".

This is concerning because trade finance is an area that the Financial Action Task Force (FATF) has identified as being exposed to a wide range of risks and vulnerabilities that can be exploited by criminal organisations and terrorist financiers.

One of the reasons for this is the sheer volume of trade that takes place annually (around US$ 19 trillion), as well as the limited resources available to most customs agencies, which means that only about 2 per cent of the 500 million containers moved globally each year have their contents screened.

Clearly, effective training is much needed in this sector and, following the above-mentioned FCA report from 2013, the International Compliance Association (ICA) developed a training programme to address the specific financial crime risks that exist in this sector. The course looks at some of the common methods (known as typologies) used by criminals, such as undervaluing imports and overvaluing exports.

The ICA Certificate in Trade-Based Money Laundering is aimed at practitioners and operational staff working in international trade, as well as compliance professionals whose responsibilities extend to trade-based activities.

The course continues to attract a healthy number of participants, many of whom have provided positive feedback on the course content, materials and relevance to today's environment. Indeed, feedback from the most recent intake found that 100 per cent of respondents would recommend the course to others.

For more information about the course go to www.int-comp.org/qualifications/all-certificates-and-diplomas/cert-tbml/.

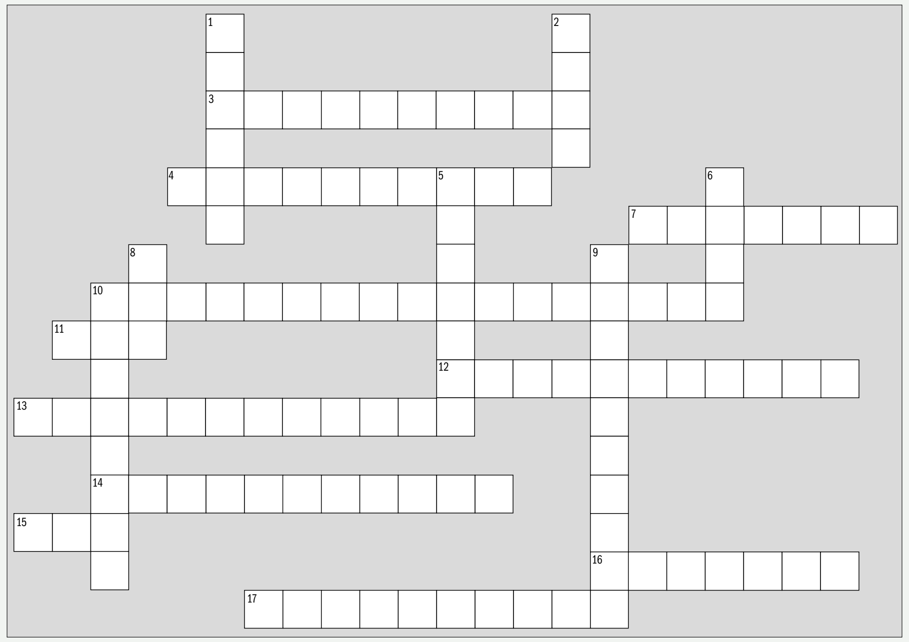
2%
of the 500 million containers moved globally each year have their contents screened

Financial Action Task Force (FATF)

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 ISP98 rules.



NO3

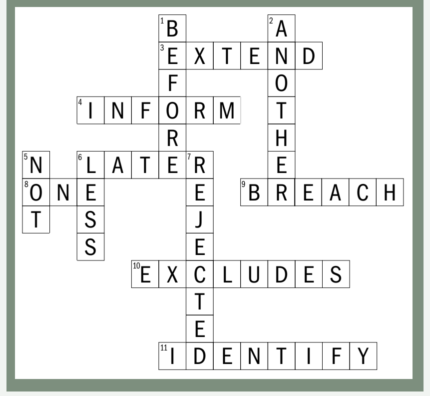
ACROSS

3. A confirmer is a person who, upon an issuer's __________ to do so, adds to the issuer's undertaking its own undertaking to honour a standby (10)
4. These rules __________ the applicable law to the extent not prohibited by that law (10)
7. A standby is issued when it leaves an issuer's _______ unless it clearly specifies that it is not then "issued" or "enforceable" (7)
10. A __________ supports the obligations of an applicant to pay for goods or services in the event of non-payment by other methods (10, 7)
11. A standby is an irrevocable, independent, documentary and binding undertaking when issued and need ___ so state (3)
12. Documents presented which are not required by the standby need not be examined and, in any event, shall be ___________ for purposes of determining compliance of the presentation (11)
13. "Signature" includes any symbol executed or adopted by a person with a present intent to ____________ a document (12)
14. An issuer's ___________ towards the beneficiary are not affected by the issuer's rights and obligations towards the applicant under any applicable agreement, practice or law (11)
15. The receipt of a document required by and presented under a standby constitutes a presentation requiring examination for compliance with the terms and conditions of the standby even if not ___ of the required documents have been presented (3)
16. If a demand _______ the amount available under the standby, the drawing is discrepant. (7)
17. ISP98 rules apply as terms and __________ incorporated into a standby (10)

DOWN

1. "Demand" means, depending on the context, either a request to ______ a standby or a document that makes such request (6)
2. A nominated person is not authorised to ____ the person making the nomination (4)
5. An undertaking subject to these rules may expressly modify or _______ their application (7)
6. An issuer or nominated person is required to examine documents for inconsistency with each other ____ to the extent provided in the standby (4)
8. An issuer is ___ required to notify the applicant of receipt of a presentation under the standby (3)
9. Nomination does not obligate the nominated person to act except to the extent that the nominated person __________ to act (10)
10. Use of the phrase "unless a standby otherwise states" or the like in a rule emphasises that the text of the standby ________ over the rule (8)

LAST ISSUE'S SOLUTIONS NO2



TFP BRAIN TEASERS

PIT YOUR WITS AGAINST THE EXPERTS!

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

"Letter of credit – indefinite undertaking of issuing bank"

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

Our customer, the beneficiary of a letter of credit subject to UCP 600, shipped the goods by road to the place of destination and presented the documents to our bank, which we remitted as a presentation of documents to the issuing bank. Our bank was only acting in the capacity of an advising bank, but we provided a support service to our customer by reviewing the documents before remitting to the issuing bank.

We considered that the documents on their face constituted a complying presentation and our expectation was that the issuing bank would honour the complying presentation of documents without delay.

An extract of the letter of credit is included below for your guidance.

Unfortunately, the issuing bank refused the presentation and issued a "notice of refusal" stating the following two discrepancies:

"+ON CMR DELIVERY TERMS FCA TIRASPOL ON BASIS OF '**INCOTERMS 2010**' MISSING +DISCRIPTION (QUANTITY) OF GOODS ON MOVEMENT CERTIFICATE EUR.1 DIFFERS FROM OTHER DOCUMENTS (**ROLLS I/O CARGO PLACES**)"

To clarify, the issuing bank rejected the documents and continues to withhold payment, first because the CMR transport document does not indicate the words "INCOTERMS 2010" and second because documents other than the movement certificate describe the goods as "cargo places" whereas the movement certificate describes the goods as "rolls", notwithstanding the fact that the description of the goods in the letter of credit makes no reference to either rolls or cargo places.

After some time the issuing bank returned the presented documents to our bank but the issuing bank did not make the payment under the letter of credit.

As we are all aware, the letter of credit is defined under UCP 600, article 2 as "a definite undertaking of the issuing bank". In this current situation, the letter of credit has turned out to be quite the opposite.

We welcome the opinion of the panel of experts on this most unfortunate situation for our exporting customer who, as a small business, is striving to develop its international trade business. A loss such as this will be a major setback and shakes the customer's confidence in trade finance instruments.

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:45Adescr goods and/or services:
+GOODS AS COMMERCIAL INVOICE PROFORMA NO. 626-13 DTD 11.11.2016
 FABRIC, 295 CM PRINTED
 FCA TIRASPOL ON BASIS OF'INCOTERMS 2010'
:46Adocuments required:
1.SIGNED COMMERCIAL INVOICE IN TWO ORIGINALS
2.PACKING LIST IN ONE ORIGINAL
3.PHOTOCOPY OF CMR - INTERNATIONAL CONSIGNMENT NOTE-COPY FOR SENDER
4.PHOTOCOPY OF MOVEMENT CERTIFICATE
5.BENEFICIARY'S CERTIFICATE STATING THAT ORIGINAL OF CMR AND ORIGINAL
  OF MOVEMENT CERTIFICATE TRAVEL WITH THE GOODS.
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SOLUTION

"What's a month between friends?"

(Autumn-winter 2016 issue)

"DEAR TRADE FINANCE CLINIC,
I know that by referring to the ISBP and copying and pasting we can come to the conclusion that the maturity date of 29 December 2016 is technically in order.

However, in our day-to day-business it is also important to use common sense and have the interests of our customers foremost on our minds.

When the letter of credit is available by acceptance at 90 days' sight, despite the discrepancies and the subsequent waiver received from the applicant, it is common sense that the 90 days should be calculated from the date of presentation of the documents and not from the date of waiver receipt and documents acceptance.

Therefore, the presenting bank's message to the issuing bank is in my mind quite reasonable.

Perhaps the language used and the words "unreasonable and unfair" contained in their message are not appropriate for business correspondence by SWIFT. They should have asked the issuing bank to calculate the maturity date as the presentation date + 90 days, which would be in line with what the exporter and importer had agreed in their contract.

Azhar Salikhova
Bank CenterCredit, Kazakhstan

WITH RECOGNITION

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

GOLD

Innesa Amirbekyan, Anelik Bank, Armenia

SILVER

Hoda Abd El Hameed Ezzat El Shimi, QNB Alahli, Egypt
Kareem Abdel-Rahman Abdel-Moneem Morsy, QNB Alahli, Egypt
Mohamed Samy Ahmed Mohamed, QNB Alahli, Egypt
Housam Al-Khoury, Bank al Etihad, Jordan
Eleonora Avetisyan, Armeconombank, Armenia
Domenico Del Sorbo, Trade & Export Finance Specialist, Italy
Andrej Eftimov, NLB Banka, FYR Macedonia
Mostafa El Toweiry, Barclays, Egypt
Jelena Gušav, OTP Bank, Serbia
Ahmed Yehia Ismail Ahmed, QNB Alahli, Egypt
Nelli Kocharyan, Converse Bank, Armenia
Sergey Kosyan, Inecobank, Armenia
Riabi Lamia, Attijari Bank, Tunisia
Mai Medhat Hanafy Osman, QNB Alahli, Egypt
Jasmina Milovska, NLB Banka, FYR Macedonia
Svitlana Piatak, UKRSOTSBANK, Ukraine
Pena Poladov, Central Bank of Turkmenistan, Turkmenistan
Sandra Prosnec, Erste & Steiermärkische, Croatia
Yasmine Raafat Abo Al Makarem
Mohamed Eid, QNB Alahli, Egypt
Raghda Salah, QNB Alahli, Egypt
Amani Samih, Bank al Etihad, Jordan
Aneta Stojmanovska, Komercijalna Banka, FYR Macedonia
Irena Vaskov, Komercijalna Banka, FYR Macedonia

GRADUATE UPDATE

"It was such a pleasure to have the opportunity to complete all seven modules of the EBRD Trade Finance e-Learning Programme and to be recognised as a top performer. With my background in TFP and a few months of e-Learning experience, I am confident that the acquired skills will allow me to meet new challenges and achieve more in trade finance. It will draw on my experience in higher education. I am particularly enthusiastic to apply these skills to new initiatives.

Also please accept my gratitude for an internship opportunity at Banca Popolare di Sondrio. It is highly motivating and inspiring."

*Liana Sahakyan,
Araratbank, Armenia.*

What do you think? Provide us with your expert view

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

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