International
TRADE FINANCE

LiquidX chasing wider marketplace ambition

An ongoing programme of innovations at the LiquidX marketplace platform is expected to build upon the $500-600m of trade finance assets already traded each month on the electronic marketplace, which has swiftly carved a strong niche in its first year of operation. In its role as a complementary funding source to traditional banking, the New York-based LiquidX has executed over $4.5bn of trade volume since its 1 January 2016 inception, ITF was told in mid-February by Glenn Kocher, managing director at LiquidX.

"We host anywhere between $500m and $600m a month of new volume issuance," said Mr Kocher, in a telephone interview, noting that the assets involved are typically true sale account receivables (A/Rs), supply chain finance programmes and confirmed payables structures that dominate the open account space. "We expect that number to triple by the end of the year, to between $1.5bn and $2bn a month, because we have that type of volume in the pipeline under contract with various corporate participants."

Mr Kocher, a former head of trade and working capital at Barclays, emphasised that the LiquidX platform has processed over $45bn in post trade settlement, which comprises the aggregate flow of funds through the LiquidX settlement infrastructure from the point of sale to liquidation.

Founded by former TradeWeb chief executive, Jim Toffey, LiquidX has made these strides in such a short space of time through an innovative auction market model. By contrast to other marketplace platforms, which cater to the small and medium sized business segments, LiquidX deals in unlocking assets sitting on the balance sheets of mainly Fortune 1000 corporations, using its platform to connect buyers and sellers in a process which gives rise to transparency and best execution pricing.

"We are seeing a lot of interest in the marketplace model from both corporates and from funders," said Mr Kocher. "Our corporate sellers no longer have to work with just one bank in a supply chain programme, or bilaterally with multiple banks for their A/R financing needs, and our funders, whether they be a bank or non-bank, are using us to play offense as a compliment to both their origination and distribution platforms." Equally, a popular feature of the LiquidX platform is its private market function which allows corporates to customise their liquidity pool (often comprised of its relationship bank group) for execution of transactions outside the wider public market of the LiquidX marketplace. "A lot of trade finance participants join the LiquidX marketplace because it's the first true window to the asset class," said Mr Kocher.

While client confidentiality precluded him from naming LiquidX participants, he acknowledged that the platform's sellers are all large cap companies and multinationals, usually publicly traded, and often to be found in the commodities, healthcare, industrials and technology verticals. On the buyer side, diversity rules, but institutional players predominate, including global, European, US money centre banks and US regional and/or community banks.

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Editor's letter

Two reports in this issue of ITF highlight the efficacy of multilaterals in facilitating key trade finance gaps. In Ukraine, the World Bank's International Bank for Reconstruction and Development (IBRD) has guaranteed a euro-denominated $500m letter of credit (l/c) facility for Ukraine's state energy company Naftogaz. Known as the Gas Supply Security Facility, the transaction is the largest-ever World Bank guaranteed l/c deal, and also involved the IBRD covering standby interest facilities. The transaction's aim is to help Ukraine to move away from the prepayment model which its suppliers have required to date, to a post-delivery payment model backed up by l/cs that can ensure the security of gas imports for Ukraine through the winter.

In Myanmar, the first guarantee has been issued under the Asian Development Bank's Trade Finance Program (TFP), to back the import of fertilisers from Italy. The customer in Myanmar was an agricultural produce trader which imports fertilisers for sale to local farmers, while the exporter was a multinational firm that specialises in fertiliser and nutritional agricultural products. By establishing new or increasing existing bank credit lines, the TFP continues to supports trade that would not otherwise happen, in higher-risk markets such as Myanmar where it is costlier for banks to operate.

In the export credit agency community, the Export Credit Bank of Turkey (Türk Eximbank) is poised to extend a record $40bn in loans and insurance to over 100,000 Turkish companies in 2017, around 65 per cent of these comprising exporters. Adnan Yildirim, Türk Eximbank's general manager, said the agency provided $22bn in loans and $11bn in insurance in 2016, supporting around 22.7 per cent of Turkey's exports. "We plan to increase this to 26 per cent over this year," he told Turkish media.

Finally, ING and Societe Generale Corporate & Investment Banking have used blockchain technology to carry out a live oil trade between Mercuria, the global commodity trading group, and other multiple parties. The initiative reduced the average time required for a bank to complete their role in the transaction down from approximately three hours to 25 minutes, the banks said. Using ING's "Easy TradING Connect" platform, the experiment involved an oil cargo shipment containing African crude, which was sold three times on its way to China.

According to Patrick Arnaud, managing director for trade & commodity finance, ING, the use of blockchain can eliminate a lot of the inefficiencies and outdated procedures which hinder the commodity finance industry, "making the overall process faster and more cost effective and the tests we have been able to carry out have proved this".

Kevin Godier

Organisation index

Some of the organisations, banks and companies referred to in this issue of *ITF*

"We are also seeing increasing numbers from the non-bank institutions, for example credit funds and asset managers, playing in the high yield credit space where many of the mainstream banks don't operate. And some dedicated trade finance funds, based in London, Asia and Bermuda," he said. "The goal of the marketplace is for the liquidity pool to be as deep and as broad as possible, and for the asset base to have the same diversity so that for any given financial asset there is a natural seller and a natural buyer, who wouldn't otherwise have the opportunity to meet and transact efficiently" added Mr Kocher.

LiquidX operates in a global environment where it sees "cousins, rather than direct rivals", stressed Mr Kocher. He observed that a similar evolution took place in the corporate FX market a number of years back when the likes of FXall and 360T started to gain traction as bank agnostic platforms for that asset class. "You would also have to look at CRX Markets, which is a new venture of the 360T team" he added. CRX is a Munich-based independent marketplace for asset-based financing, "with a similar auction platform but a somewhat different approach", said Mr Kocher. "Whereas our platform is designed for the primary purchase of a variety of financial asset structures, such as receivables, supply chain and confirmed payables, CRX mainly focuses on supply chain structures by securitising the underlying cashflow into a conduit which in turn issues notes for investors to purchase. While this approach has its merits, ultimately it will be the platform which takes a holistic approach that will be most successful."

Other approximate peers include the working capital provider C2FO, which majors in dynamic discounting, and several other platforms specialising in the SME segment. LiquidX also differentiates itself from Prime Revenue, which unlocks cash from financial supply chains. "Their model is more about a technology workflow attached to a traditional bank arrangement approach, and as such the economics are more aligned to bank financing, whereas the LiquidX model is about volume and creating a network effect. For example, there are no upfront fees to join LiquidX, nor is there a licensing fee to remain a member of our marketplace, and we also like to award volume discounts. We take our fees on a transactional success basis. Furthermore, the high operating leverage we get from the technology and a standardised legal framework allows us to position LiquidX to be the lowest cost distributor to the market," Mr Kocher underlined.

Expansionary initiatives

Against this market backdrop, the ambition within the LiquidX team is to aim for what Mr Kocher described as "the Amazon or Ebay model for working capital and trade finance", drawing together a wide raft of financial asset types from multi-sector counterparties. Staff levels currently number 26, divided between the New York front office and a New Orleans back office, plus individuals located in India and the UK, and some 20 outsourced development specialists, which is expected to continue to rise.

Among other expansionary moves, a currency capability has recently been introduced, moving the platform away from what was an exclusively US dollar-denominated exchange to a marketplace able to deal and settle in sterling, euros, Swiss francs, Mexican peso and Canadian dollars. "Becoming a multi-currency platform also entails dealing with the various legal and regulatory issues that are relevant to each jurisdiction." observed Mr Kocher.

"From a technology and operations perspective, the platform is fully scalable on a global basis, but much of the hard work is in establishing a robust legal and regulatory framework, which accurately reflects the operating environment in a particular jurisdiction. So that for example, if a receivable is subject to Mexican law, we understand what needs to be done in Mexico to perfect interest and to secure enforcement rights if needed, and ultimately are able to ensure that the transaction is a valid one, and that the buyers and sellers are fully protected. We won't allow trading in a jurisdiction for which we haven't undertaken a full jurisdictional due diligence, using local counsel to make sure our documentation and process accurately captures the legal and regulatory requirements as well as the market conventions which all parties would expect even when dealing on a bilateral basis. LiquidX performs two primary roles on behalf of its member participants, platform administrator and collateral agent, and we take those responsibilities very seriously as trust is mission critical to our business."

LiquidX expects its first euro-denominated auction this spring, involving a large UK company focused on the commodity sector. "We also have a US chemicals company that wants to monetise its European A/R, among others."

A further push comprises ongoing work with US-based brokers and monoline underwriters to offer trade credit insurance (TCI) on the platform which is designed to cover both trade executions and to facilitate corporates and banks who require a transparent and efficient way of purchasing TCI on an as needed basis. "Because the TCI market is quite opaque and inefficient, we see this as a no-brainer opportunity. At present, there is no electronically transparent way of using TCI, and it's difficult to purchase 'pay-as-you-go' cover which will be of huge benefit to both corporates and banks. So we see this as an adjacent asset class where there's an obvious need for a marketplace approach: this applies to both insurance needs related to trades executed across the LiquidX platform and to assets that occur outside our market. In fact, we've seen great interest from the underwriting community in getting plugged in our marketplace because of the opportunity to tap a new and efficient business channel."

Sellers drive pricing

The LiquidX auction protocol involves the seller driving the market, and discovering optimum value for the assets offered, by setting two prices. The first price, explained Mr Kocher, is the maximum discount the seller will accept, while the second is the buyout price, akin to the 'But It Now' price offered on Ebay. "Ultimately, the LiquidX market protocol is designed to help buyers and sellers achieve market equilibrium with maximum flexibility. For example, a seller might want to accept nothing higher than 2 per cent over Libor, and his buyout price might be 1.90 over Libor," suggested Mr Kocher. "Maybe an interested party comes in and wants the whole amount, so pays the bottom and the transaction closes. If not, bidding takes place, in which investors can take a pro-rata share of the basket. If a $100m A/R basket is offered, and I only want $50m, at say 200 basis points (bps), another investor can also come in, and in order to be more competitive, take the next $50m at say 198bps over. In this case, as is often the way our auctions close out, the seller would receive the dollar-weighted average price of 199bps over for the full basket."

However before assets are transacted, "we run market soundings to gauge liquidity and levels for the assets being contemplated", said Mr Kocher. "We're a high-touch platform because we understand how important it is that both buyers and sellers have a high degree of confidence when going into a programme or a new asset for the first time. After the first few funding rounds have gone off, the process takes on a more programmatic look and there is less human intervention in the trading activity which in turn drives the operating efficiency and best price execution. It's actually very interesting to watch the market dynamics take shape. For example, we might have two different corporates selling the exact same credit and tenor, but where one seller gets paid on time and the other gets paid an average of a few days late, and because all of the historical performance data is retained and available on the platform for investors to see, the late paying programme trades at a premium, so effectively the market has priced in the slow pay characteristic of that particular trade. That type of information is unavailable in the private bi-lateral bank market of today, and will be extremely powerful not only to electrify the asset class but ultimately to expand it," said Mr Kocher.

Broadridge role underlined by LiquidX MD

Glenn Kocher, managing director at LiquidX, has highlighted the role played by Broadridge Financial Solutions, which made a strategic investment and entered into a referral, sales and marketing alliance with LiquidX in March 2016. "The relationship goes beyond a financial investment - we share a go-to-market strategy and are expanding together in related areas," he said. "They are one of the largest transaction processing firms, processing over $5 trillion daily in fixed income volume and over 125 million trades annually, making them a trusted partner to the street and a logical choice as back-up servicer of the LiquidX platform. They are also a big investor in blockchain, which gives us obvious opportunities to collaborate there as well."

Finance

ING, SocGen apply blockchain to oil trade

Pushing on with the trade finance community's incursions into distributed ledger potential, ING and Societe Generale Corporate & Investment Banking (SGCIB) have used blockchain technology to carry out a live oil trade between Mercuria, the global commodity trading group, and multiple other parties.

Using ING's "Easy TradING Connect" platform, the experiment involved an oil cargo shipment containing African crude, which was sold three times on its way to China. It included traders, banks as well as an agent and an inspector, all performing their role in the transaction directly on the platform. The initiative reduced the average time required for a bank to complete their role in the transaction down from approximately three hours to 25 minutes, the banks said.

According to Federico Turegano, SGCIB's global head of natural resources and infrastructure, the platform "allowed real-time access to information for all parties, eliminating the need for an acknowledgment process." He added: "It also keeps a full data record, which is useful for auditing and as well as having an intuitive navigation system and a well thought through design."

Patrick Arnaud, managing director for trade & commodity finance, ING, said: "The commodity finance industry is hampered by nature by inefficiencies and outdated procedures. By applying blockchain technology, we expect that we can eliminate a lot of these, making the overall process faster and more cost effective and the tests we have been able to carry out have proved this.

12 banks using SWIFT's gpi service

Financial messaging services provider SWIFT announced that 12 global transactions banks are using its new global payments innovation (gpi) service, which went live in January. It said on 16 February that ABN AMRO, Bank of China, BBVA, Citi, Danske Bank, DBS Bank, Industrial and Commercial Bank of China, ING Bank, Intesa Sanpaolo, Nordea Bank, Standard Chartered Bank and UniCredit are now live with SWIFT gpi, exchanging gpi payments across 60 country corridors. Almost 100 banks have signed up to join the initiative, which will be rolled out in phases.

SWIFT gpi enables banks to offer a faster, more transparent and traceable cross-border payments service. A new gpi tracker feature allows banks to provide corporate treasurers with a real-time, end-to-end view on the status of their payments, including confirmations when payments have been credited to beneficiaries' accounts. Treasurers also now have certainty that remittance information, such as invoice references, are transferred unaltered to the beneficiary. SWIFT said it is already designing the next phase of gpi, which will include additional digital services, such as a rich payment data service. Swift launched a proof of concept in January to explore the potential of using blockchain and other technologies for real-time nostro account reconciliation, which forms part of the gpi's third phase.

The Easy Trading Connect platform helped to digitalise and standardise the transaction process from start to finish."

Growing numbers of banks and enterprise developers have been pursuing the trade finance use case for blockchain, which is seen by many observers as the future for cross-border payments. Among others involved in some of the leading initiatives are HSBC, Barclays, Bank of America, Citi, Deutsche Bank, ICICI Bank, Emirates NBD, R3, IBM, Skuchain, Bolero and Infosys.

However trade financiers say that there is as yet no consensus on how to best use blockchain technology, for which common standards have still to be established via collaborative ventures.

IFC and StanChart renew GTLP efforts

Maintaining their efforts to boost global trade in emerging markets, the International Finance Corporation (IFC) and Standard Chartered have agreed to renew and boost their Global Trade Liquidity Programme (GLTP) partnership with an additional $1bn of capacity.

Aimed at boosting global trade in emerging markets by increasing the amount of financing available, the third series of the GTLP comes at an essential time when many global banks are pulling back their support due to increasing compliance costs and higher capital requirements for trade under Basel III. The new facility will provide liquidity to help banks increase their credit limits, manage risk and support trade in challenging emerging markets, particularly in in lower income countries. An estimated 20 per cent of the additional liquidity is used to support small and medium enterprises.

Standard Chartered said it will originate a portfolio of trade finance transactions of up to $1bn through emerging market issuing banks. Under the risk-sharing model, IFC participates in up to 50 per cent of this pool of eligible trade transactions, or up to $500m. The issuing banks will further extend the financing to local importers and exporters to promote global trade.

The portfolio-based GTLP programme was launched in 2009 as a public-private partnership to channel capital from banks and development finance institutions to support trade in developing markets and address the shortage of trade finance resulting from the global financial crisis by helping with liquidity and guarantees to large financial institution networks (ITF 568/7; 558/6; 552/1; 547/1; 544/1; 542/1). The IFC announced an extension of the programme in 2012 to continue promoting international trade growth in emerging markets, including many of the world's lowest income countries.

According to the IFC, the GTLP has supported nearly $20bn of trade since its inception. Alex Manson, global head of transaction banking at Standard Chartered, said: "Renewing this partnership with IFC underscores our commitment to support and promote economic growth and help bridge the global trade finance gap; through GTLP, we expect to provide more than $5bn to support trade over the next three years."

Another GTLP participant bank is Japan's Sumitomo Mitsui Banking Corporation, which entered into a $1bn trade finance facility with IFC in early 2016 (ITF 696/9).

Standard Chartered launches API for transaction banking

Standard Chartered has unveiled its Open Banking Application Programming Interface (API) Developer Portal for transaction banking, enabling allowing any developer to make improvements to the platform. The initiative marks one of the first times that a large international bank has created an openly-modifiable platform for its transaction banking services, although banking APIs have also been launched by National Bank of Australia, Overseas China Banking Corporation and BBVA. Standard Chartered said the launch is part of its "digitisation agenda" and its efforts to increase collaboration with corporates, fintech firms and developer communities. The portal is "the first to launch API services for cash, trade and securities services", said Gautam Jain, global head, digitisation and client access, transaction banking, Standard Chartered. He added; "Open banking has the potential to fundamentally change how we deliver the bank to our clients." The portal will initially provide a repository of API services focused on cash management and then roll out other API services for the bank's trade and other businesses.

Multilaterals

IBRD-supported Ukrainian gas supply facility becomes effective

A euro-denominated $500m letter of credit (l/c) facility guaranteed by the World Bank for Ukraine's state energy company Naftogaz has become effective, with the intention of ensuring the security of gas imports for Ukraine through the winter. Issued by mandated lead arrangers (MLAs) Citi and Deutsche Bank, the facility was opened on 16 February, and secured by the political risk guarantee (PRG) guarantee of the World Bank's International Bank for Reconstruction and Development (IBRD), itself in turn backed by a sovereign counter-indemnity treaty entered into with the Ministry of Finance of Ukraine.

Known as the Gas Supply Security Facility, the transaction is the largest-ever World Bank guaranteed l/c deal, and also involved the IBRD covering standby interest facilities. It will enable the country "to get safely through the cold season", according to Ukrainian finance minister Oleksandr Danyliuk.

The transaction is directly tied to the IMF-led bailout of Ukraine, and is designed to improve the terms on which Naftogaz purchases gas, and to help Ukraine to move away from the prepayment model which its suppliers have required to date, to a post-delivery payment model backed up by l/cs. Ukraine has been involved in a gas dispute with Russia, once its sole supplier of gas, and has required support to help it switch suppliers after suspending imports of Russian natural gas in November 2015 and importing only European gas.

Key to the new transaction is that the combined PRG and l/c facility are more cost-effective than Naftogaz's other loan agreements. The IBRD guarantee is valid for a term of four years, with two years available for gas purchase and two years for repayment. According to the funding conditions, Naftogaz will continue buying gas under its existing eligible contracts, and the l/cs will convert into loans when payments are made. The IBRD has guaranteed that Naftogaz will repay those loans to the banks within twelve months. Also critical is that Naftogaz will be able to purchase gas from any supplier, again using the PRG and l/cs, depending upon the competitiveness of the available gas supply proposals.

Naftogaz Commercial Director Yuriy Vitrenko told reporters in Kiev on 17 January 17 that a tender to select suppliers of gas using the new funds will be announced, as was done to accompany a $300m loan from the European Bank for Reconstruction and Development in 2015, which was extended so that Naftogaz could purchase gas from European suppliers.

"This is a strategically important transaction for Naftogaz and Ukraine, which enhances Ukraine's ability to access the European and Russian gas markets," said Tim Scales, a partner at Allen & Overy, which acted for Citibank NA and Deutsche Bank AG as MLAs, Citibank Europe's UK Branch as facility agent, and Citibank NA's London Branch as offshore accounts bank on the IBRD-guaranteed facility.

He added: "While the World Bank PRG product has become a recognised feature in long-tenor project financing in emerging markets, the MLAs and IBRD developed an innovative structure on this transaction to deploy the product for short-term trade financing." Mr Scales said that the deal also indicates "the continued liquidity and appetite of major commercial banks, even in the most challenging emerging markets jurisdictions, where there is substantive multilateral support and political risk mitigation."

Political risk claim pending on Ukrainian crushing plant

Zurich is the lead insurer on a $120m political risk claim caused by the conflict in Ukraine, according to a mid-February report by The Insurance Insider. This said that the insured party is US-headquartered grain trader Cargill, which had to abandon a sunflower crushing plant near Donetsk in Eastern Ukraine in July 2014. The plant was reportedly struck by a missile and occupied by pro-Russian forces shortly afterwards.

The Minnetonka, Minnesota-based Cargill has invested in Ukraine since the early 1990s, but ran into the country's political and economic chaos in 2008, after it had acted as a trade financier and lent money for commodity deals. It subsequently had to restructure around $100m tied up in the failed Delta Bank, and more than $100m in Nadra Bank, another Ukrainian bank that eventually failed.

ADB issues first Myanmar trade finance guarantee

The first guarantee for Myanmar has been issued under the Asian Development Bank's (ADB) Trade Finance Program (TFP), to back the import of fertilisers from Italy. The guarantee was issued in favour of Banca Popolare di Sondrio in Italy in respect of the payment obligation of United Amara Bank (UAB), one of the TFP's local partner banks in Myanmar.

Announcing the deal on 16 February, ADB said the customer in Myanmar is an agricultural produce trader which imports fertilisers for sale to local farmers. The exporter is a multinational firm that specialises in fertiliser and nutritional agricultural products. "Through ADB's TFP, we were able to connect our customer in Myanmar with the supplier in Italy. The TFP not only connected the banks but also bridged the transaction with a guarantee," said UAB's chief executive Thein Lwin.

Backed by ADB's AAA credit rating, and offering a 24-hour response time, the TFP is a demand-driven facility which supports markets in developing Asia in which commercial banks are not able or willing to assume sufficient risk to meet their clients' needs. By establishing new or increasing existing bank credit lines, it supports trade that would not otherwise happen. In markets where demand has fallen—such as the Philippines, which by 2014 had an investment-grade country rating and a stable banking system – the TFP has been less active. By contrast higher-risk markets where it is costlier for banks to operate – such as Pakistan, Bangladesh, Mongolia, Sri Lanka and Uzbekistan - have all been markets where demand for the TFP has been strong.

"Myanmar is an exciting market with great potential," said Janet Hyde, TFP relationship manager for Myanmar. Other ADB officials have stressed Myanmar's infrastructure needs in sectors including telecommunication equipment and power plants, as well as the perennial SME requirement for trade finance in what is predominantly a cash-based economy. The first TFP agreement to support trade finance in Myanmar was issued in October 2015, when ADB signed an agreement with CB Bank to provide up to $12m per annum to support the trade finance operations of the bank. The move potentially allow banks in the US, Europe, Singapore, Thailand, China and elsewhere to work with Myanmar banks to support more trade with local companies.

The US rolled back broad restrictions on investment and trade with Myanmar in 2012, but over 100 senior officials, businessmen and companies linked to the country's military junta remained on the sanctions list, and were barred from doing business with US companies. However in September 2016 the US decided to lift all remaining sanctions on the country, but the Burmese military has shown little sign of stepping back from political life or allowing the country's undemocratic constitution to change.

OECD export credit rates

Minimum interest rates for officially supported export credits

		15 Feb 14 Mar	15 Jan 14 Feb
Australian $		3.15	3.24
Canadian $	less than 5 yrs	1.87	1.85
Canadian $	5–8.5 yrs	2.11	2.12
Canadian $	over 8.5 yrs	2.40	2.41
Czech koruna		0.31	0.27
Danish krone	less than 5 yrs	0.53	0.48
Danish krone	5–8.5 yrs	0.85	0.72
Danish krone	over 8.5 yrs	1.16	1.04
Euro*	less than 5 yrs	0.34	0.29
Euro	5–8.5 yrs	0.64	0.59
Euro	over 8.5 yrs	0.98	0.93
Hungarian forint		2.45	2.43
Japanese yen	less than 5 yrs	0.83	0.85
Japanese yen	5–8.5 yrs	0.89	0.92
Japanese yen	over 8.5 yrs	0.95	0.96
Korean won		2.82	2.87
N. Zealand $		3.70	3.69
Norwegian krone		2.18	2.11
Polish zloty		4.03	3.87
Swedish krona	less than 5 yrs	0.42	0.33
Swedish krona	5–8.5 yrs	0.98	0.91
Swedish krona	over 8.5 yrs	1.22	1.16
Swiss franc	less than 5 yrs	0.14	0.16
Swiss franc	5–8.5 yrs	0.37	0.35
Swiss franc	over 8.5 yrs	0.65	0.59
UK pound	less than 5 yrs	1.33	1.28
UK pound	5–8.5 yrs	1.67	1.64
UK pound	over 8.5 yrs	2.01	2.00
US dollar	less than 5 yrs	2.48	2.49
US dollar	5–8.5 yrs	2.92	2.96
US dollar	over 8.5 yrs	3.23	3.29

*The reference Euro bond yields are an average of the relevant spot rates for triple-A Euro government bonds in the Euro area in the previous month with the five latest observations getting a double weight. The daily spot rates are published by the ECB on its website www.ecb.int/stats/money/yc/html/index.en.html, under Statistical Data Warehouse.

Rates published monthly, normally around mid–month. A premium of 0.2 is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

A CIRR is fixed for each currency, including the euro, that is used by participants in the Consensus. CIRRs are subject to change on the 15 of each month.

Central Bank move

Illustrating the shortage of local trade finance capacity, the Central Bank of Myanmar said on 20 February that it may allow foreign banks to launch trade-related services if local banks are unable to facilitate trade financing for importers and exporters. Central Bank director general U Win Thaw told the *Myanmar Times*: "The Central Bank has already allowed local private banks to do trade financing. If they [local private banks] cannot fulfil the matter of trade financing, we have a plan to allow foreign bank branches in Myanmar to serve importers and exporters with trade only accounts, but other types of account will not be given permission to open at these branches," he said.

"Some private banks offer trading financing but the amount is very small. The amount a bank can support an exporter is just $4m or $5m. They cannot grant the amount necessary for the businesses," said Dr Soe Tun, chair of the Myanmar Rice Entrepreneurs Association.

Currently, nine banks among 24 local banks in Myanmar are involved in trade financing and support traders with pre-shipment financing and post-shipment financing, the Myanmar Times said. According to U Win Thaw, the Central Bank is committed to liberalising the financial sector gradually, and has a framework for foreign banks to join the sector step by step, while providing time for local banks to develop and catch up.

AIIB and IFC join hands in Asia

The Asian Infrastructure Investment Bank (AIIB) and the International Finance Corporation (IFC) have signed an agreement to deepen collaboration and enhance infrastructure finance in Asia. The multilaterals signed an International Swaps and Derivatives Association (ISDA) master agreement, permitting them to hedge each other's interest rate and currency risks associated with emerging market investments. The two institutions previously worked together in September, in co-financing the Myingyan gas-fired power project in Myanmar. The ISDA protocol is their first formal bilateral agreement. The Asian Development Bank, African Development Bank and European Bank for Reconstruction and Development have also signed ISDA agreements with the IFC. The IFC's deputy treasurer for Asia, Andrew Cross, said: "Modern infrastructure is essential for lasting growth and prosperity. Yet the financing gap in this sector is huge, totalling trillions of dollars a year in emerging markets alone. Our partnership with the AIIB will enable us to offer more efficient infrastructure financing."

Insurance

EHDA establishes London presence

Extending its remit to focus on disruptive opportunities in trade finance and credit insurance, the Euler Hermes Digital Agency (EHDA) has established a presence in London for the first time with the appointment of Raphael Caruso as head of the Innovation Lab for Euler Hermes Northern Europe Region.

Based in the company's Canary Wharf office in London, Mr Caruso joined EHDA in December 2016, with a role to assist Euler Hermes to prototype, develop and test new propositions in the Northern Europe region. Euler Hermes said on 17 February that it is already working on

Euler Hermes appoints new UK & Ireland head

Euler Hermes appointed Milo Bogaerts as chief executive for its UK and Ireland office, succeeding Valerio Perinelli. The new role, based in London, is effective from 1 April, 2017. Mr Bogaerts began his career at Euler Hermes in the Netherlands in 1997, where he held a number of positions before joining Interpolis Kredietverzekeringen, a joint venture between Euler Hermes and Achmea, in 1999. He held various management positions with Interpolis and Achmea, and rejoined Euler Hermes as chief executive for the Netherlands in 2012. In February 2016, he was appointed regional director for market management, commercial and distribution in Northern Europe, and moved to London.

several significant projects in the UK with Mr Caruso's assistance.

EHDA is an in-house venture which began life in Paris last year in a push to develop innovative application programme interface- (API) driven tools to identify, generate or capture disruptive opportunities in trade finance (ITF 711/6). Its partners include data scientists, online business marketplaces, supply chain finance providers and alternative lenders. By harnessing the power of digital technologies and established Euler Hermes risk underwriting expertise, the aim is to create a new generation of product lines and open new markets for trade credit insurance.

"London has the unique combination of hosting the world's leading insurance market and being one of the world's leading global fintech hubs. It is a natural selection for Euler Hermes to choose London to invest in developing the future of trade credit insurance," said Fabrice Desnos, chief executive of Euler Hermes Northern Europe, which has offices in 16 countries.

Prior to joining Euler Hermes, Mr Caruso was strategy and fintech manager at Direct Line Insurance Group.

Among its more recent innovations, Euler Hermes has partnered with open account trade finance platform Fluent to offer single transaction credit insurance enabling banks and businesses to buy and sell trade receivables. The first contract produced by EHDA was announced on 12 September 2016. This involved a similar partnership, this time between Euler Hermes and URICA, a fintech platform offering French companies instantaneous payment and single invoice cover within an online financing solution aimed at reducing late payment within SME supply chains.

Agencies

Turkish ECA posits ambitious 2017 volumes

As the Turkish government seeks to bump up its level of export support, the Export Credit Bank of Turkey (Türk Eximbank) is set to extend $40bn in loans and insurance to over 100,000 Turkish companies in 2017, when it will also launch its own rating system to assess companies' credit standings.

Adnan Yildirim, the export credit agency's general manager, told press on 15 February that Türk Eximbank provided $22bn in loans and $11bn in insurance in 2016, supporting around 22.7 per cent of Turkey's exports. "We plan to increase this to 26 percent over this year by offering $40bn in loans and insurance," he said, in comments cited by Hurriyet Daily News.

The move comes around one month after Fitch became the latest agency to cut Turkey's sovereign borrower rating, stripping the country of its last remaining investment grade status with a major credit institution.

Mr Yildirim said his agency plans to reach around 100,000 companies in 2017, around 65 per cent of these comprising exporters, and that improvements in its loan offers are underway. "We will offer loans in line with the results of our rating system. In this vein, we will make our own rating system by the end of this year," he said, according to a follow-up press release by Türk Eximbank.

Mr Yildirim added that larger exporters will also be able to benefit from Türk Eximbank loans by presenting collaterals from the Credit Guarantee Fund (KGF), which traditionally provides guarantee for SMEs that cannot get credit due to insufficient collateral. This was corroborated by KGF General Manager Ismet Gergerli, who affirmed a massive increase in his organisation's credit volume to TL250bn ($69.5bn), compared to a previous level of TRY20bn.

He commented: "We had a limited cooperation with Eximbank in the past. This has changed as well. We offered loans to small- and medium-scaled enterprises from our own sources in the last 25 years. However, only 11 per cent of our exporters are composed of SMEs, and

Türk Eximbank ties up with SACE

Italy's SACE and Türk Eximbank have signed a co-insurance agreement designed to enhance trade and investment opportunities for Italian and Turkish companies. SACE said on 22 February that the agreement is intended to create a common risk-sharing platform between the two export credit agencies to boost new transactions in a wide range of sectors and increase support to projects involving both large and small-medium Italian and Turkish companies. The agreement will also promote the creation of a legal framework to bring into effect joint Turkish-Italian projects in third countries. "This initiative is expected to generate new transactions in strategic sectors for both Italian and Turkish economies," said Alessandro Decio, SACE's chief executive and general manager.

SACE and Türk Eximbank have previously signed a collaboration agreement to mutually exchange information of relevance. SACE has also provided its Turkish peer with a technical training programme focused on buyer credit policy. Türk Eximbank already has similar deals in place with US and Russian-Kyrgyz counterparts, and also plans "to clinch deals with the UK and Belgium", said general manager Adnan Yildirim.

the remaining 89 per cent are not. It was not possible for us to boost our exports only by offering financial support to SMEs. In this vein, we have all decided to offer loans to non-SMEs."

Mr Gergerli said KGF has also "eased the bureaucratic procedures for all exporters," adding that the collateral applications were typically responded to in less than 24 hours. "We offered collaterals to 23,000 companies in the last three weeks," he underlined.

Mr Yildirim said 44 per cent of export loans offered by Türk Eximbank are extended via 28 different Turkish loan programmes. "Compared to other lenders, Türk Eximbank's lira-based loans offer an average of 6 percentage points of interest rate advantage. This is around 2-2.5 per cent in foreign exchange loans," he said, adding that "we are about to provide new advantages in the upcoming period".

UKEF support doubled for Tanzania

The UK's export credit limit for Tanzania has doubled to £750m, according to the British Prime Minister's Trade and Investment Envoy to Tanzania Lord Hollick, who made the announcement during a visit to Dar es Salaam in mid-February. The support is being made available through Britain's export credit agency (ECA), UK Export Finance (UKEF), and builds on the UK's position as the number one foreign direct investor and one of the largest donors in Tanzania.

The additional £375m in UKEF capacity will help Tanzanian buyers access the finance they need to buy from the UK, and makes UKEF's offering for the East African country one of the most competitive in the ECA market, Lord Hollick was reported as saying by local media on 17 February.

During his visit, he discussed several investments proposed by British firms and Tanzania's priority infrastructure projects with a number of ministers and senior officials. Lord Hollick also visited the site of a proposed new flyover in Dar es Salaam which will be manufactured by UK firm Mabey Bridge backed by UKEF support, and will help to reduce traffic congestion in the capital. UKEF is already active in Tanzania via its provision of finance for the construction by UK firm BAM Nuttall of the third terminal at Julius Nyerere International Airport in Dar es Salaam.

Elsewhere in Africa, UKEF recently announced its support for the Offshore Cape Three Points project in Ghana (ITF 715/6).

KfW's export and project finance business returns to 2014 levels

Led by its export and project finance operation, the international development business transacted by Germany's KfW Group in 2016 fell slightly to €24.9bn, down from an exceptional €27.9bn clocked up in 2015. In the export and project finance sector, which is handled by wholly-owned subsidiary KfW IPEX-Bank, new commitments of €16.1bn were achieved, after a record €20.2bn in new volumes notched up in 2015, the best result since KfW IPEX was hived off from KfW in 2008.

The volume of new 2016 export and project finance commitments was just below the €16.6bn recorded in 2014. Summing up the results, KfW said that the largest contributions, amounting to €3.1bn, were extended to the power, renewables and water sectors, mainly to onshore and offshore wind farms and also to combined-cycle power plants. Maritime industries received €2.4bn and the financial institution and trade finance sector absorbed €2.1bn in fresh commitments, which were often provided by KfW IPEX working as part of a syndicate with other banks.

The KfW Development Bank provided some €7.3bn in finance to developing countries and emerging economies on behalf of the German federal government, with some two thirds of this going to climate and environmental protection projects, including environmentally friendly power generation and distribution. Almost a third of these new commitments went towards development projects in Africa. Meanwhile Deutsche Investitions- und Entwicklungsgesellschaft, a subsidiary of KfW, achieved the highest volume of new business in its almost 55-year history, by committing around €1.6bn in 2016 for investments by private companies in developing economies, up 46 per cent year-on-year.

Recent evidence of KfW financing activity was seen at the $1.2bn Fadhili independent power project in Saudi Arabia, where KfW IPEX participated in a $950m project financing package.

Forfaiting newsbrief and country list — 1st Quarter 2017

EUROPE

Country	Years Max
Austria	5
Belarus	*
Belgium	5
Bosnia-Herzegovina	3
Bulgaria	3
Croatia	3
Cyprus	0
Czech Republic	3
Denmark	5
Estonia	2
Finland	5
France	5
Georgia	1
Germany	5
Gibraltar	5
Greece	*
Hungary	2
Iceland	*
Ireland	3
Italy	2
Latvia	2
Liechtenstein	5
Lithuania	2
Luxembourg	5
Macedonia	3
Malta	5
Netherlands	5
Norway	5
Poland	3
Portugal	2
Romania	3
Russia	1
Serbia	2
Slovakia	2
Slovenia	1
Spain	5
Sweden	5
Switzerland	3
Turkey	5
Ukraine	*
UK	5

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ASIA PACIFIC

Country	Years Max
Australia	5
Bangladesh	1
Brunei	3
China	5
Hong Kong	5
India	5
Indonesia	3
Japan	3
Kazakhstan	2
Macau	5
Malaysia	5
Mongolia	1
New Zealand	5
Pakistan	1
Philippines	3
Singapore	5
South Korea	5
Sri Lanka	3
Taiwan	5
Thailand	5
Uzbekistan	*
Vietnam	2

AMERICAS

Country	Years Max
Argentina	1
Bahamas	3
Barbados	3
Bermuda	3
Bolivia	*
Brazil	3
Canada	5
Cayman Islands	3
Chile	5
Colombia	5
Costa Rica	1
Cuba	*
Dominican Republic	1
Ecuador	*
El Salvador	*
Guatemala	*
Honduras	*
Mexico	3
Nicaragua	*
Panama	1
Peru	3
Puerto Rico	1
Trinidad & Tobago	1
Uruguay	2
USA	5
Venezuela	*

MIDDLE EAST

Country	Years Max
Bahrain	3
Iraq	1
Israel	3
Jordan	3
Kuwait	3
Lebanon	*
Oman	3
Qatar	3
Saudi Arabia	3
Syria	*
UAE	3
Yemen	*

AFRICA

Country	Years Max
Algeria	1
Angola	*
Benin	*
Botswana	1
Burkina Faso	*
Cameroon	*
Egypt	1
Ethiopia	*
Gabon	*
Ghana	2
Kenya	1
Ivory Coast	*
Libya	*
Mali	*
Mauritania	*
Mauritius	3
Morocco	3
Namibia	*
Nigeria	*
Rwanda	1
Senegal	*
South Africa	3
Sudan	*
Togo	*
Tunisia	3
Uganda	*
Zambia	*

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Detailed above, is an updated list of countries and credit periods which can currently be considered. For your ease of reference, recent changes are indicated in brackets either (deteriorated) or (improved).

In addition to being able to discount bills of exchange, promissory notes and deferred payment letters in these markets, London Forfaiting can also consider adding their silent confirmation to unconfirmed letters of credit dependent on specific transaction details. For many exporters, premium increases, market rate additions, non availability and additional restrictions continue to make silent confirmations of unconfirmed letters of credit a cost effective alternative to credit insurance.

Please contact London Forfaiting at the office below to discuss indicative terms for any of your current and future business. Alternatively, you can always visit their website at www.forfaiting.com, to check the latest Country List on line or obtain general information on forfeiting and the other services they provide.

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Emerging markets risk indicators

Africa — Egypt's FX reserves lift to 7-month level

The first tranche of the IMF's $12bn loan and bond issuances have helped lift Egypt's foreign exchange reserves significantly, to $26.4bn at end-January, providing seven months of import cover. However the long-awaited reforms enacted by Cairo have seen inflation surge and Euler Hermes expects zero GDP growth this year, after a 3.5 per cent expansion in 2016. Commercial risk remains high given a difficult business environment characterised by red tape, weak credit supply, poor infrastructure, increasing lending rates and a depreciating currency, Credendo said. Another IMF borrower, Ghana, experienced an unexpected deterioration in its fiscal deficit in 2016, to 9 per cent of GDP. Public debt is larger than previously thought, at 74 per cent of GDP at end-2016, instead of an officially predicted 66 per cent. The ongoing IMF programme ends in April, and the new government asked to extend it until October. Furthermore import cover by foreign exchange reserves is fairly low at about 3 months.

Nigeria's economy is projected to have contracted by 1.54 per cent in 2016, according to a budget ministry document seen by Reuters. This marked its first recession in a quarter of a century. The country has been hit by low global prices and militant attacks on the southeastern Delta oil hub, which have slashed government revenues. Local banks are facing severe foreign exchange shortages. Local currency guarantee provider GuarantCo and the Nigeria Sovereign Investment Authority have recently co-launched a credit guarantee company, InfraCredit, to boost infrastructure development in Nigeria. InfraCredit is expected to become fully operational by Q2, capitalised with up to $200m.

Mozambique was the only sub-Saharan country Africa to see its political risk, default risk and external transfer risk increase to 'high' on Aon's latest political risk map. This was attributed by Aon to deterioration of the general credit rating in the last quarter of 2016, due to an ongoing debt crisis. Public debt has surged to 130 per cent of GDP, in the wake of $1.4bn in previously undisclosed loans uncovered in April. Due to inflamed civil war risk, Credendo downgraded the MLT political risk category of Democratic Republic of Congo from 6 to 7 and ceased cover for MLT risks. 19 December marked the end of President Joseph Kabila's second term. The constitution prohibits a third term, but elections were postponed to 2018. Growth slowed to 4 per cent in 2016, while FX import cover has fallen to 3.5 months.

Cote d'Ivoire has agreed a three-year IMF programme supported by arrangements under the Fund's Extended Credit Facility and Extended Fund Facility for $674m. But civil unrest erupted in early January when soldiers seized control of Bouake, the second city. Euler Hermes forecast that South Africa's GDP will lift by 1.5 per cent in 2017, after stalling in 2016 due to serious drought. Rising political tensions, especially over the contested legitimacy of President Zuma, contribute to the risk of a sovereign downgrade. Coface said the agrofood and automotive sectors represent two major concerns regarding trade payments.

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Credendo short-term political risk rating	Credendo medium- to long-term political risk rating	D&B rating
Algeria	CLC	C	—	—	3	4	5
Angola	CLC	D	B1	B	6	6	6
Benin	CLC	B	—	BBB-	4	6	–
Botswana	OA	A4	A2	—	1	2	3
Burkina Faso	ILC	C	—	—	4	7	–
Burundi	CLC	D	—	—	7	7	–
Cameroon	CLC	C	BB+	BBB–	4	6	5
Central African Republic	CIA	E	—	—	7	7	–
Chad	CLC	D	—	—	4	7	–
Comoros	CLC	—	—	—	4	7	–
Congo (Republic)	CIA/CLC	C	B3	B+	4	7	–
Cote d'Ivoire	CLC	B	Ba3	BBB-	4	7	6
Djibouti	CLC	C	—	—	4	7	–
DR Congo	CLC	D	B3	—	6	7	
Egypt	CLC	C	B3	B	5	6	6
Equatorial Guinea	CLC	D	—	—	4	7	–
Eritrea	CIA	E	—	—	7	7	–
Ethiopia	CIA/CLC	C	B1	B	5	7	6
Gabon	CLC	C	B1	BBB-	4	5	5
Gambia	CLC	—	—	—	6	7	–
Ghana	CLC	B	B3	B	6	6	6
Guinea	CLC	D	—	—	6	7	–
Guinea-Bissau	—	—	—	—	4	7	–
Kenya	ILC	A4	B1	BB–	4	6	5
Liberia	CLC	D	—	—	7	7	–

Emerging markets risk indicators

Africa (continued)

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Credendo short-term political risk rating	Credendo medium- to long-term political risk rating	D&B rating
Libya	CIA	E	—	—	7	7	7
Madagascar	CLC	D	—	—	6	7	–
Malawi	CLC	D	—	—	6	7	6
Mali	CLC	D	—	—	4	7	–
Mauritania	CLC	D	—	—	6	7	–
Mauritius	OA	A3	Baa1	—	2	3	3
Morocco	OA	A4	Ba1	BBB	2	3	4
Mozambique	CLC	D	Caa1	B-	6	7	5
Namibia	OA	A4	Baa3	BBB	3	4	4
Niger	CIA	C	—	—	4	7	–
Nigeria	CLC	C	Ba3	B+	6	6	6
Rwanda	ILC	C	—	B+	4	6	–
Senegal	ILC	B	B1	—	3	6	4
Seychelles	ILC	—	—	BB	4	6	–
Sierra Leone	CLC	—	—	—	5	7	6
South Africa	OA	C	Baa2	BBB	3	4	4
Sudan	CIA	E	—	—	7	7	–
Swaziland	CLC	—	—	—	5	6	–
Tanzania	ILC	C	—	—	4	6	4
Togo	ILC	C	—	—	4	6	–
Tunisia	ILC	B	Ba3	BB-	4	4	5
Uganda	ILC	C	B2	B+	4	6	5
Zambia	CLC	D	B3	B+	4	6	5
Zimbabwe	CIA	E	—	—	7	7	7

Americas – Argentina maintains economic momentum

Argentina's risk profile improved again on 24 February, when Royal Dutch Shell confirmed it will invest US$300 million to develop a shale oil and gas reserve in the huge Vaca Muerta reserve in the country's south. US and French firms are among the other international companies working on exploiting the 30,000 square kilometre reserve. Coface recently upgraded its country risk assessment from C to B. Euler Hermes predicted that Argentina's GDP will rebound in 2017 after recession in 2016. Coface has downgraded Mexico's country risk assessment from A4 to B, citing the economy's strong reliance on exports to the US, which represent 7 per cent of GDP, higher inflation and falling investments. New US president Donald Trump has expressed strong anti-Mexican rhetoric. Despite FX reserves covering 4.2 months of imports in November 2016, moderate external debt and a contingency facility from the IMF, the risk of a renegotiation of the NAFTA free trade agreement is an analyst concern. GDP is expected to grow by 1.5 per cent in 2017, Coface said.

According to indicators developed by SACE, credit risk in Brazil worsened by 10 points compared to 2015. The number of bankruptcies has risen, many projects have been postponed or downsized, government debt has been escalating for 5 years, and the financial system's lending capacity has declined. However FX reserves are strong and a limited ratio of foreign debt to GDP shields Brazil from possible external shocks. Euler Hermes forecasts an eventual exit from recession in 2017. Coface's first Brazil payment survey found that overdue days per sector generally average a relatively low 30 days. A project loan has been completed under Colombia's Fourth Generation (4G) infrastructure initiative, aiming to renovate and expand the country's road network. Colombian developer Autopistas Urabá said it received a $450m loan from Sumitomo Mitsui Banking Corporation for the construction of 109 km of the 4G Mar 2 motorway, marking the eighth part of the project to reach financial close. The 4G, 10-year programme is the backbone of Colombia's 2014-2018 National Infrastructure Development Plan.

After two debt restructurings over the past decade, Jamaica pledged to use a recently approved IMF stand-by agreement only in the event of external shock. Euler Hermes forecast 2016 growth at 1.5 per cent, stymied by low commodity prices, modest US growth and weak domestic demand. Daniel Ortega has been sworn in for a third consecutive term as Nicaragua's president, with his wife Rosario Murillo as the new vice president. The country has enjoyed good economic growth, single-digit inflation and moderate debt service levels despite relatively high external debt. But Venezuela is scaling back its aid due to the severe economic crisis it is experiencing, potentially affecting the balance of payments. Euler Hermes estimates that Peru's real GDP increased by 4 per cent in 2016, up from 3.3 per cent in 2015 but below the 5.9 per cent average recorded in the previous decade. It said the expected recovery in commodity prices could help the mining sector regain momentum.

Emerging markets risk indicators

Americas (continued)

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Credendo short-term political risk rating	Credendo medium- to long-term political risk rating	D&B rating
Anguilla	ILC	—	—	—	4	6	–
Antigua	CLC	—	—	—	4	7	–
Argentina	ILC	B	B3	B	4	5	6
Aruba	ILC	—	—	BBB	1	4	–
Bahamas	OA	—	Baa3	—	3	3	–
Barbados	ILC	—	Caa1	—	3	4	–
Belize	SD	—	Caa2	—	3	7	–
Bermuda	30/SD	—	A2	AA	2	3	–
Bolivia	ILC	C	Ba3	BB-	2	5	6
Brazil	ILC	C	Baa3	BB+	2	5	4
Cayman Islands	SD	—	Aa3	—	2	3	–
Chile	OA	A3	Aa3	AA+	2	3	3
Colombia	ILC	A4	Baa2	BBB+	3	4	4
Costa Rica	ILC	A4	Ba2	BBB–	2	3	4
Cuba	CLC	E	Caa2	—	7	7	6
Dominica	ILC	—	—	—	3	6	–
Dominican Republic	ILC	B	B1	BB-	3	5	4
Ecuador	CLC	C	B3	B	6	6	6
El Salvador	ILC	B	B3	BB-	2	5	5
Grenada	ILC	—	—	—	4	6	–
Guatemala	ILC	C	Ba1	BB+	2	4	5
Guyana	CLC	—	—	—	5	6	–
Haiti	CLC	D	—	—	6	7	–
Honduras	ILC	C	B2	—	3	5	5
Jamaica	ILC	C	Caa2	B	3	7	5
Mexico	OA	B	A3	A	2	3	3
Montserrat	ILC	—	—	—	4	7	–
Netherlands Antilles	OA	—	—	—	2	5	–
Nicaragua	ILC	C	B2	B+	4	7	6
Panama	ILC	A4	Baa2	A	3	3	3
Paraguay	ILC	C	Ba1	BB+	2	5	6
Peru	OA	A4	A3	A-	1	3	4
Puerto Rico	CLC	—	B2	BB	2	2	–
St Kitts	SD	—	—	—	4	5	–
St Lucia	ILC	—	—	—	3	7	–
St Vincent	ILC	—	B3	—	5	5	–
Suriname	ILC	—	B1	B-	4	7	–
Trinidad & Tobago	ILC	A4	Baa3	—	3	3	4
Turks & Caicos Islands	SD	—	—	—	2	2	–
Uruguay	ILC	A4	Baa2	BBB+	3	3	3
Venezuela	CIA	E	Caa3	CCC	7	7	6

Emerging markets risk indicators

Asia — Rising mining sector risks pinpointed by EFIC

Recent mine closures, strongly supported by Philippines President Rodrigo Duterte, "highlight significant contract alteration risks", according to Australia's EFIC. It said the current administration "has shown a preparedness to sacrifice mining revenues and aggressively revise prior decisions in order to ensure compliance with stricter environmental standards", highlighting an immediate closure of 23 of 41 metal mines, plus the suspension of another five, under an environmental clampdown. EFIC also sees new Indonesian divestment requirements as a "move toward resource nationalism". Mines with a Special Mining Permit license must now be at least 51 per cent Indonesian owned within 10 years of production. Euler Hermes expects Indonesia's real GDP growth to pick up slightly to 5.2 per cent in 2017, despite low commodity prices, subdued export expansion and declining credit growth. FX reserves cover some 5.5 months of imports, over twice debt service requirements.

China's ongoing economic slowdown, overcapacities and the high indebtedness of many businesses will trigger further increases in business insolvencies in 2017, according to a recent Atradius report. This underlined that the current economic slowdown has led to increasing overdue invoices and businesses requesting longer payment terms, a trend expected to continue in 2017, when 6.4 per cent growth is anticipated. Insolvencies are also expected to rise further after a substantial increase in 2016, as overcapacity and high indebtedness remain an issue in many sectors, especially construction, steel and metals, shipping, mining and paper. China's FX reserves fell to the lowest level in nearly six years ($3.01trn) in December, testing the central bank's resolve to control the yuan's descent.

In India, the November cancellation of Rs500 and Rs1,000 notes, representing more than 85 per cent of currency in circulation, has slowed Asia's third-largest economy. Consumption and services were the most affected because of their high cash intensity. In mid-January, the IMF downgraded India's growth forecast by 1 per cent, to 6.6 per cent, because of the high-value currency ban. As the cash shortage fades, a rebound in economic activity is forecast at 7.2 per cent by the IMF for 2017/18. Myanmar's commitment to reforms motivated Credendo to open MLT political risk cover in November. Credendo said the difficult business environment and the military's vested interests nonetheless merit its highest systemic commercial risk rating, C. A similar C commercial risk rating is applied to Vietnam by Credendo, which cited limited FX reserves, corruption and political interference in justice.

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Credendo short-term political risk rating	Credendo medium- to long-term political risk rating	D&B rating
Afghanistan	CIA	E	—	—	7	7	7
Bangladesh	ILC	C	Ba3	BB-	3	5	5
Brunei	ILC	—	—	—	2	2	–
Cambodia	CLC	C	B2	—	3	6	5
China	ILC	B	Aa3	A+	1	2	4
Fiji	ILC	—	B1	—	4	6	5
Hong Kong	OA	A3	Aa1	AAA	1	1	2
India	OA	A4	Baa3	BBB–	2	3	4
Indonesia	ILC	A4	Baa3	BBB	3	3	4
Korea (North)	CLC	—	—	—	7	7	–
Korea (South)	OA	A3	Aa2	AA-	1	1	2
Laos	CLC	D	—	—	6	7	–
Macau	ILC	—	Aa3	—	1	2	–
Malaysia	OA	A2	A4	A	3	2	3
Mongolia	CLC	C	Caa1	B-	5	6	–
Myanmar (Burma)	CLC	D	—	—	4	6	6
Nauru	ILC	—	—	—	2	5	–
Nepal	CLC	D	—	—	3	6	6
New Caledonia	ILC	—	—	—	2	4	–
Pakistan	CLC	C	B3	B	4	7	6
Palau	ILC	—	—	—	4	4	–
Papua New Guinea	ILC	B	B2	—	4	6	5
Philippines	OA	A4	Baa2	BBB	1	3	4
Singapore	OA	A3	Aaa	AAA	1	1	2
Sri Lanka	ILC	B	B1	B+	3	6	5
Thailand	ILC	A4	Baa1	A-	3	3	4
Vanuatu	ILC	—	—	—	5	4	–
Vietnam	ILC	B	B1	BB-	3	4	5

Emerging markets risk indicators

Eastern Europe/CIS — Greek debt concerns continue

Re-emerging concerns on Greece are related to €6.2bn in bond redemptions due in July 2017 that are only partly covered by public deposit holdings estimated at €5.9bn. A Eurogroup meeting on 20 February suggested that the teams will assess ways to implement new structural measures. However the IMF said that fiscal targets set by the Europeans are not realistic without a nominal debt haircut or new measures, while most EU members are reluctant to grant Greece debt forgiveness. The IMF cautioned in May 2016 that a moratorium on all Greek payments until 2040, maturity extensions, and an interest rate cap on loans are required to keep the Greek economy afloat.

$4bn in liquidity support from Azerbaijan's sovereign oil fund and a move by the Central Bank of Azerbaijan to free-float the local currency, the manat, has bolstered the economy. However, given that economic developments still depend heavily on the oil price level, Credendo said it ratings should stabilise at 4/7 for short-term Azeri political risk and at the highest C/C category for the commercial risk in the coming months. The manat's continued depreciation has raised risks for the highly dollarised Azerbaijani banking sector, which is burdened by heavy bad loans, Credendo added. FX reserves stand at what Credendo termed "an adequate 3 months of import cover". Citing an improved financial-economic situation and a stable political situation, Credendo has upgraded Serbia's MLT political risk to category 5. It said moderate to high financial risk is on a downward trend, after years of external debt build-up. While FX reserves have declined slightly in relative and absolute terms, they still covered almost five months of imports in October 2016. Furthermore banking sector asset quality and profitability are rising, Credendo said.

The European Union Council decided to renew its sanctions against Russia for six months in December. The US also expanded sanctions against Russia by adding new persons on the Specially Designated Nationals List and the Sectoral Sanctions Identifications List to target sanction evasion and other activities related to the conflict in Ukraine. FX reserves cover nearly one year of imports. Ukraine's authorities have taken over PrivatBank after imprudent lending policies led to capital losses. Ukraine's economy grew by 4.7 per cent, year-on-year, in the fourth quarter, after shrinking by 16 per cent in the previous two years. The EBRD has highlighted non-performing loans as an acute lingering problem for Ukraine.

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Credendo short-term political risk rating	Credendo medium- to long-term political risk rating	D&B rating
Albania	CLC	C	B1	—	4	6	4
Armenia	CIA	E	B1	BB-	5	6	–
Azerbaijan	CLC	C	Ba1	BB+	4	5	5
Belarus	CIA	D	Caa1	B-	7	7	6
Bosnia and Herzegovina	CLC	C	B3	—	4	6	6
Bulgaria	ILC	A4	Baa2	BBB+	1	4	4
Croatia	OA	B	Ba2	BBB-	1	4	3
Estonia	OA	A2	A1	AAA	1	1	2
Georgia	CLC	C	Ba3	BB	3	6	5
Greece	CLC	C	Caa2	B-	4	5	5
Hungary	OA	A4	Baa3	A-	2	4	4
Kazakhstan	CLC	C	Baa3	BBB+	3	6	5
Kosovo	CLC	—	—	—	3	7	–
Kyrgyzstan	CLC	D	B2	—	5	7	6
Latvia	OA	A4	A3	AAA	1	2	3
Lithuania	OA	A3	A3	AAA	1	1	3
Macedonia	CLC	C	—	BB+	3	5	4
Moldova	CLC	D	B3	—	5	7	–
Montenegro	CLC	C	B1	—	3	7	–
Romania	OA	A4	Baa3	BBB+	1	3	3
Russia	CLC	C	Ba1	BBB-	3	4	6
Serbia	ILC	B	B1	BB–	2	5	5
Tajikistan	CLC	D	—	—	7	7	6
Turkmenistan	CIA/CLC	D	—	—	5	6	6
Ukraine	CIA/CLC	D	Caa3	B-	6	7	6
Uzbekistan	CIA/CLC	D	—	—	6	6	6

*WR = withdrawn rating

Emerging markets risk indicators

Middle East — Iraqi trade bank lifts 2016 income

Trade Bank of Iraq (TBI) lifted its operating income by 6 per cent in 2016, year-on-year, to $591m. "The increase in our fee and net interest income by 5.1 per cent and six per cent respectively," were cited by TBI's chairman Faisal Al Haimus as the drivers behind the income rise. In an interview with Banker Middle East, he forecast that government enterprises will account for approximately 70 per cent of TBI revenues in 2017, while the corporate and retail sectors are expected to contribute 20 per cent and 10 per cent respectively. "While focusing on trade finance, our aim is to expand our market share in corporate finance in addition to serving the needs of the public sector in trade and project finance," he noted.

In Iran, President Rouhani is facing mounting criticism due to the slow return of foreign investment and the reluctance of international banks to finance deals after nuclear sanctions were lifted. The China Export and Credit Insurance Corporation (Sinosure) has opened a $1.3bn line of credit for the first phase upgrade of an oil refinery in the southern Khuzestan Province. This follows a series of small deals covering Iranian obligors which have been extended by European export credit agencies. Atradius experienced a near 40 per cent rise in applications for commercial risk cover on Saudi Arabian business over the 24-month period to end-June 2016. It also reported an increase in the frequency and intensity of claims received and paid over the same two years.

Fitch Ratings has upgraded Israel's ratings, including lifting the country ceiling to AA from AA-. Fitch said Israel's external balance sheet has continued to strengthen. FX reserves had reached $98bn by end-October, equivalent to almost 12 months of current external payments. The country has returned annual current account surpluses each year since 2003. Turkey's current account deficit surged to $4.3bn in December 2016, taking the annual shortfall to $32.6bn, an estimated 3.8 per cent of GDP. After years of strong economic expansion, Coface is predicting Turkey's economy will grow by just 2.5 per cent in 2016 and 2.7 per cent in 2017, as government spending kicks in. Currency risks and the current account deficit provide key challenges, while Syrian border tenions, higher interest rates and inflation plus plunging tourism revenues are keeping a lid on the retail sector, Coface said. Fitch has downgraded Turkey to BBB-.

Country	Preferred payment terms	Coface grading	Moody's sovereign rating	Fitch sovereign rating	Credendo short-term political risk rating	Credendo medium- to long-term political risk rating	D&B rating
Bahrain	ILC	B	Ba2	BB+	2	4	4
Iran	CIA/CLC	E	—	—	6	6	6
Iraq	CIA	E	—	B–	6	7	7
Israel	OA	A3	A1	AA	2	3	3
Jordan	ILC	C	B1	—	4	5	5
Kuwait	SD/OA	A3	Aa2	AA+	3	2	4
Lebanon	CLC	C	B2	B-	5	7	6
Oman	OA	A3	Baa1	A-	3	3	3
Palestine	CLC	—	—	—	7	7	–
Qatar	OA	A3	Aa2	AA+	3	3	3
Saudi Arabia	OA	B	A1	AA+	2	2	3
Syria	CIA	E	—	—	7	7	7
Turkey	ILC	B	Ba1	BBB-	3	4	4
United Arab Emirates	OA	A4	Aa2	AA+	2	2	3
Yemen	CIA/CLC	E	—	—	7	7	6

Glossary

CAD = Cash against documents
CIA = Cash in advance
CLC = Confirmed letter of credit
ILC = Irrevocable letter of credit
NA = Not available
OA = Open account
SD = Sight draft;
30/SD to 180/SD — days sight draft
WR = Withheld rating

Sources

Coface, EDC, Fitch, Moody's, Credendo.

Development finance update

AFRICA: The African Development Bank disbursed a $2.8m equity investment in Shelter Afrique.

The AfDB said it is also arranging for an immediate $20m loan to the company to consolidate the position of the affordable housing specialist for 2017 and beyond. Shelter Afrique is owned by 44 African countries, together with the African Development Bank and African Reinsurance Corporation as shareholders. "With the strong measures taken by Shelter Afrique to improve its governance and the support of its shareholders, the company can move to the next stage of its development," said Gabriel Negatu, director general at AfDB's East Africa Regional Development and Business Delivery Office. Shelter Afrique has recently been the subject of press speculation of overstated asset quality and substandard management operations.

ASIA: The Asian Development Bank (ADB) approved $3.7bn in climate finance in 2016, according to recently released figures.

ADB said this marked a 42 per cent boost from the $2.6bn reached in 2015. In 2016, climate finance from ADB's internal sources reached a record $2.65bn for climate mitigation and about $1.08bn for climate adaptation. Including financing from external sources, ADB delivered over $4.4bn in climate finance in 2016. "ADB is responding to the Paris Agreement by boosting its support to climate action in developing member countries in line with their Nationally Determined Contributions and the Sustainable Development Goals," said ADB president Takehiko Nakao. "ADB remains committed to scaling up its climate financing to $6bn by 2020, of which $4bn will target mitigation and $2bn adaptation." It is expected that ADB's spending on climate change will increase to around 30 per cent of its overall financing by 2020. ADB is also developing a Climate Change Strategic Framework, to spell out its direction regarding climate change from 2017-2030.

BELARUS: The European Bank for Reconstruction and Development (EBRD) extended a five-year €15m loan to Raiffeisen Leasing Belarus.

Marking the EBRD's first engagement in the Belarusian leasing sector, the loan will offer a much-needed financial product to small and medium-sized Belarusian businesses that still find access to finance challenging, EBRD said. The borrower is the largest private player in the Belarusian leasing market, which is dominated by state-owned leasing companies. It aims to increase market share and expand its operations throughout Belarus. "We are very happy to sign this first leasing project in Belarus with a company that is ultimately controlled by Raiffeisen Bank International, our strategic partner in the region and in the country," said Alex Pivovarsky, EBRD head of office in Belarus. Raiffeisen Leasing Belarus is operationally integrated into Priorbank, a local bank fully owned by Raiffeisen Bank International, which has partnered with EBRD since 1997.

LEBANON: The World Bank Group earmarked $200m for upgrading Lebanon's road network.

It said the funds will be used to repair around 500 kilometres of roads in the first phase of a broader government plan to revamp the country's crumbling road sector. The project includes a $45m grant from the bank-administered Concessional Financing Facility (CCF), marking the first time Lebanon has received CCF funding. The CCF was created in 2016 to support middle-income countries that have in the past been recipients of regular bank financing, but are currently experiencing unusual social and economic duress. The non-grant $155m loan portion of the package is repayable over 32.5 years. Lebanon has one the highest per capita rates of road accidents in the world. The World Health Organization estimated the total number of road traffic fatalities in 2015 at 1,088, and their associated economic cost at between 3 and 5 per cent of GDP.

TURKEY: The EBRD and the Industrial Bank of Turkey (TSKB) provided €6m of working capital financing to Ulusoy Un Sanayi Ve Ticaret AS.

Divided 50:50 between the two lenders, the financing will be used to purchase, store and sell agro-commodities, EBRD said. The borrower is a flour miller and grain trader based in the Black Sea region city of Samsun. The funding will help make the company more competitive domestically and abroad, EBRD said. Ulusoy Un produces and sells flour used for the production of bread, biscuits, chapattis and noodles. It exports its wheat flour to 72 countries on five continents. The financing marks the first investment under a joint programme between the EBRD and TSKB set up in 2016 to improve and simplify access to finance for SMEs across Turkey.

VIETNAM: The Asian Development Bank (ADB) signed a revolving credit agreement with the Saigon Hanoi Commercial Joint Stock Bank (SHB).

Under the agreement, ADB's Trade Finance Program (TFP) will provide a $20m direct loan to SHB to support pre-shipment and post-shipment trade transactions. Eric Sidgwick, ADB country director for Vietnam, said the facility will enhance SHB's capacity to provide trade-related loans to clients, including for pre-export finance of agriculture products, garments, and electronics for export to markets such as China, Japan, and Singapore. SHB became a partner bank in the TFP in early 2016. The TFP has subsequently supported a total of 25 SHB transactions worth over $160m.

Two weeks in trade finance

AFRICA: Afreximbank and Ecobank Transnational Incorporated (ETI) signed a memorandum of understanding (MOU) on trade and investment.

Under the agreement, the African Export-Import Bank (Afreximbank) and Ecobank will design joint innovative and tailor-made financial instruments and solutions to support private sector corporates and select strategic public sector institutions, as well as SMEs. The two banks said the initiatives envisaged include the creation of a $500m programme dedicated to financing trade among Afreximbank member countries where Ecobank conducts banking business. These will be operations eligible for Afreximbank's interventions through co-financing, syndication of loans, risk participation or through any other appropriate mode of cooperation.

ANGOLA: Portugal's Companhia de Seguros de Crédito (Cosec) is negotiating to increase its credit line to €1.5bn.

Cosec president Miguel Gomes da Costa said in a joint interview with radio station Antena 1 and financial newspaper Jornal de Negócios that the credit line was unused, because Angola has more attractive financing alternatives than those offered by Portuguese banks. However he stressed that the Angolan government is interested in taking advantage of two- to seven-year funding made available for medium-term public works. Mr da Costa admitted that claims in relation to Angola, both for default by importers and transfer risk, had increased, but highlighted an improvement in transfer payments.

AUSTRALIA: Société Générale and the Clean Energy Finance Corporation provided A$100m ($76.8m) to a solar project.

Genex Power, an Australian company, will use the state funding to transform an old gold mine in northern Queensland into a solar PV facility that will increase the renewable energy generation in the state by 6 per cent. The Kidston Solar Project Phase One is a future 50MW facility located 270 km north-west of Townsville, in one of the highest solar radiation areas in Australia. Genex will also provide equity and will draw an A$8.85m grant from the Australian Renewable Energy Agency. It has appointed the US' First Solar to supply solar modules for the first installation, and hopes to start transmitting power to the grid by the end of this year.

BANGLADESH: Standard Chartered arranged a $197m financing for a power plant near Sirajganj.

The World Bank's Multilateral Investment Guarantee Agency (MIGA) said it guaranteed $69.5m of the finance, as part of its efforts to stimulate private investment in low-income countries. Siemens Bank will co-finance the deal, which will account for 80 per cent of the required capital for the combined-cycle dual fuel 220MW power plant being developed by North-West Power Generation Company Ltd (NWPGCL). The remaining 20 per cent will come in the form of equity from NWPGCL. The MIGA cover protects for up to 15 years against the risk of non-honouring of sovereign financial obligations. "We are working on a number of projects in Bangladesh across the power sector value chain and count on MIGA's continued support to help transform this sector," said Surya Bagchi, global head of project and export finance at Standard Chartered. The plant is located 130km northwest of the Bangladeshi capital, Dhaka. Siemens AG will provide the gas turbine, steam turbine, generator, auxiliary systems and series.

BELARUS: OAO Belinvestbank became a confirming bank under the EBRD's Trade Facilitation Program (TFP).

The agreement "allows Belinvestbank to confirm documentary letters of credit, issue guarantees and other instruments, finance the banks participating in the TFP in their clients' export/import operations using the EBRD's guarantees," the bank said. Belarus and the EBRD signed a memorandum of understanding in May 2015. Since then, Belinvestbank and the EBRD have concluded four credit lines worth €60m.

BURKINA FASO: The African Export-Import Bank (Afreximbank) will mobilise $1.5bn to support a national five-year development plan

The bank's President, Benedict Oramah, said Afreximbank had identified 15 out of the 83 projects in the development plan for financing. He said the 15 projects are in trade financing, agro-processing, renewable energy, telecommunications, tourism and logistics. "Since Burkina Faso became a member of the bank, we have provided sizeable amounts of trade finance facilities to local entities operating in its textile, oil and gas and banking sectors," Mr Oramah said in a statement.

CANADA: Canacol Energy tapped a five-year, $265m senior secured term loan with a lending syndicate including EDC.

Credit Suisse acted as sole lead arranger and sole bookrunner. Mandated lead arrangers consisted of Export Development Canada (EDC), Davivienda and Citibank. The managers were Metrobank, Banco Internacional de Costa Rica, Bladex, BHD International Bank and Bancaribe. The new credit agreement will replace Canacol's two existing facilities with BNP Paribas and Apollo Investment Corporation Senior Notes, and will defer amortisation payments until March 2019. It also

Two weeks in trade finance

reduces Canacol's total annual interest costs. The loan will carry interest at Libor plus 5.5 per cent and will be secured by all of Canacol's material assets. Canacol is an exploration and production company with operations focused in Colombia and Ecuador.

ECUADOR: The Japan Bank for International Cooperation (JBIC) signed a $50m green loan with the government.

JBIC said its portion of the loan is $25m. The credit line is co-financed with Mizuho Bank as lead arranger, plus Joyo Bank, Hachijuni Bank and the Bank of Yokohama. JBIC provided a partial guarantee for the co-financed portion. JBIC said the transaction marked its first to the Ecuadorian state under its 'Global action for Reconciling Economic growth and Environmental preservation' (GREEN) operations and will be used for energy efficiency projects in the country. The Inter-American Development Bank will provide a similar loan. JBIC said the transaction should propagate advanced Japanese environmental technologies, aligning with a November 2015 'Actions for Cool Earth: ACE 2.0' initiative announced by the Japanese government

GLOBAL: Markel International is to enter the surety market in March.

Markel said in mid-February that it had appointed two underwriters with over 30 years' combined experience in the surety and trade credit industries to the new team. It said the business will initially focus on opportunities in the UK, Ireland and continental Europe with the intention to expand into other regions outside of North America. Ewa Rose, managing director of the trade credit, political risk and surety business, said the move follows broker and client demand, predicting that it would bring "much needed capacity" to the market. Markel's operation has grown to include hubs in London, Singapore, New York and Dubai offering a range of solutions to corporate and financial institution clients. It established itself as a trade credit insurer in 2010, and introduced political risk and contract frustration capabilities in early 2016.

GLOBAL: TriLinc Global Impact Fund said it has funded an excess of $500m in total investments across 20 countries since inception.

During January alone, TriLinc approved an additional $25.8m in term loan and trade finance facilities to companies operating in Latin America and Sub-Saharan Africa. The largest trade finance recipient was an Ecuadorian shrimp exporter, for which TriLinc funded ten separate transactions totalling $6.78m, all with a fixed interest rate of 9.25 per cent, and a maturity date of 6 June, 2017. Other trade finance transactions in January included a $167,578 facility as part of a larger $9m senior secured trade finance facility to a Moroccan-based scrap metal recycler and processor. This carried an interest rate of one month Libor +10.5 per cent, and is set to mature in mid-July. TriLinc also funded two separate transactions, totalling $4.038m, as part of a $5m revolving trade finance facility with an Ecuadorian tuna processor and exporter. Priced at 9.50 per cent, both transactions are set to mature on 9 May. All of the financings were secured by a mixture of inventory, accounts receivable, and purchase contracts.

IRAN: Sweden's EKN said there is no possibility of financing large and long-term export transactions, due to remaining US sanctions.

"So far banks are not offering long-term financing due to uncertainty regarding the US sanctions," said Victor Carstenius, EKN's country analyst for Iran. Although EKN has issued guarantees for exports to Iran for around SEK1bn ($110.8m) in 2016, "it is mainly letters of credit with short credit terms that are used as payment tools in transactions with Iran at the moment," said Mr Carstenius. "So it is primarily letter of credit guarantees that EKN issued. For transactions to Iran, the Swedish exporter must first and foremost ensure that there is a bank that can perform the transaction. The transaction must also take place within the framework of the sanctions that still remain in place. This means, among other things, that the transaction cannot be performed in USD, since the USA has sanctions remaining that cover banks." "Mr Carstenius said euros are the most common currency used for Iranian deals.

NORWAY: Norwegian Cruise Line Holdings Ltd (NCLH) secured export credit financing supporting its purchase of four €800m vessels.

Italian shipbuilder Fincantieri said that Cassa Depositi e Prestiti (CDP) and SACE, together with a pool of export credit lenders, played a crucial role in helping it win the contracts for the four 140,000 gross tonne ships. It said the export finance package covered 80 per cent of the contract price of each ship delivered through 2025, and gave it the chance to offer "an appealing technical, commercial and financial package", which it said is still subject to some conditions.

RUSSIA: The International Investment Bank (IIB) extended a €2.25m one-year pilot loan to Russia's B&N Bank.

The Moscow-based IIB said the deal will cover the supply of chemical additives from Russia to Romania, and marked the first use of the IIB's Trade Finance Support Programme between the countries, both of which are IIB members. The IIB also issued the first loan supporting Polish imports to Russia, via a short-term $3m loan issued to Russian CB LOCKO-Bank to finance the purchase of building and finishing materials made in Poland. This marked the first

Two weeks in trade finance

Russian-Polish trade financing deal for IIB. "The Trade Finance Support Programme aims to promote trade and economic cooperation of the Bank's member countries with a focus on supporting SME export development," said deputy chairman of IIB board Denis Ivanov. The IIB's current nine members/shareholders are Bulgaria, Cuba, Czech Republic, Hungary, Mongolia, Romania, Russia, Slovakia and Vietnam, all participating through inter-governmental agreements.

THAILAND: Export-Import Bank of Thailand (Exim Bank) launched a loan scheme including free credit insurance, targeting exporting SMEs.

Each borrower is eligible to seek up to THB50m ($1.43m) through Exim Export Credit Plus, which charges different interest rates for borrowing in baht or US dollars, said Exim Bank president Pisit Serewiwattana. Mr Pisit estimated that SMEs will borrow around THB3bn under the scheme, which requires collateral worth 25 per cent of the total loan. Borrowers in baht are charged at 4.5 per cent for the first year and prime rate minus 1 per cent for the second year. Borrowers in US dollars are charged Libor plus 3 per cent for the first year and Libor plus 3.5 per cent for the second year. The credit insurance covers 90 per cent of potential buyer non-payments. Exim Bank is targeting new loans worth THB35bn this year, up from THB20bn last year.

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