



# The Factoring Industry Worldwide & The Role of International Factoring

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Factoring Conference Bucharest  
6/10/09

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# Factoring Basics

- The Factoring Company provides flexible finance against the assignment of commercial (B2B) receivables.
- Services in a factoring agreement:
  - Finance
  - Credit Protection
  - Receivables Administration
  - Collection
- Total amount of “purchased receivables” in 2008 in the world : approx. 1.250 billion € (increase with 100 % last 5 years).
- Factoring clients : mostly SME’s, but trend towards bigger clients.





# Industry Figures

(from IFG's Global Industry Activity Report 2009)

- Turnover 2008 : 1.222 billion €
- + 3,75% compared to 2007
- Approximately 1.600 factoring companies
- Financed amount at year end : 210 billion €
- Factoring Clients : 570.000
- Employees : 60.000
- Future expectations : important growth





# Common types of Factoring

- FULL Factoring: (with administration and collection)
  - Without recourse (with credit protection)
  - With recourse (no protection against bad debts)
- INVOICE Discounting (Client does part of administration & collection)
- REVERSE Factoring (Contract between Factor and Debtor, offering finance to suppliers)
- Recent evolution towards Asset Based Lending in the USA and the UK





# World Market Shares end 2008

1. UK and Ireland : 18,94 %
2. France : 10,99 %
3. Italy : 9,99 %
4. Germany : 8,51 %
5. USA : 8,03 % (without ABL)
6. Japan : 5,73 %
7. Spain : 4,69 %
8. China : 4,51 %
9. Netherlands : 3,69 %
10. Australia & New Zealand : 2,67 %





# Most important Growth markets & their Growth Potential

## Growth % (average = 3,75 %)

1. Malta 108%
2. Slovenia 82,42%
3. Thailand 77,17%
4. Croatia 75%
5. China 66,79%
6. Serbia 63,72%
7. Romania 63,64%
8. Switzerland 55,19%
9. Bulgaria 50%
10. Ukraine 47,64%

## Penetration % (average 3,45%)

- 0,74%
- 1,94%
- 0,60%
- 3,54%
- 0,96%
- 0,64%
- 0,52%
- 1,73%
- 0,67%
- 0,54%





# International Factoring

- 80 % of World Factoring turnover is Domestic Factoring
- Cross-border factoring continues to grow more rapidly than domestic factoring.
- Direct Export Factoring (Factoring Company deals itself with foreign buyers)
- Two-Factor system (Export Factor uses services of Import Factor in buyer's country)





## Background for growth in international factoring (WTO figures)

- In the last 50 years, growth in world exports has exceeded growth in world output by more than 2 to 1.
- In 2007, world merchandise exports grew by 6.0% , while world GDP increased by only 3.5%.
- In 2007 the world merchandise exports reached a total value of \$13.6 Trillion.
- There is a shift in “market shares” in World Trade between regions
- Trend towards open account (buyer’s market)







# Export : engine for growth





# Common Terms in Trading

- Letter of Credit:
  - Strong situation for the exporter: goods will be accepted and paid if documents are OK
  - But : expensive / importer has to open credit line / importer cannot inspect goods, only documents
- Documents against Payment:
  - Good situation for the exporter: goods will be paid before documents released to importer
  - But : importer may not clear the papers / importer cannot inspect goods, only documents
- Open Account:
  - Strong situation for the importer: pays when goods received and accepted
  - But: risky situation for the exporter : will he get paid?

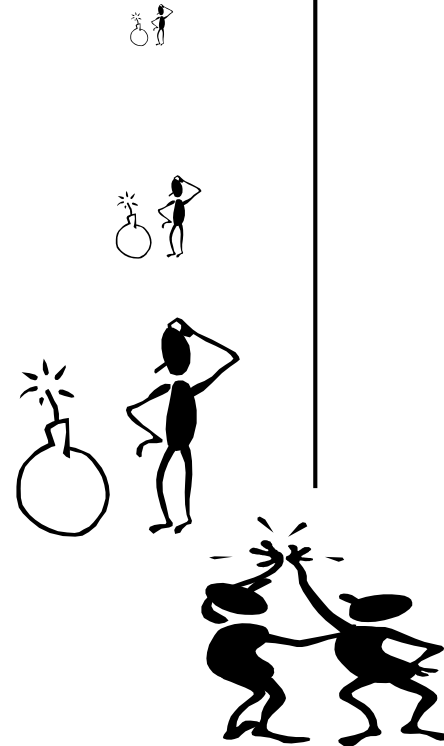




# International Factoring: a competitive tool

- ◆ L/C – Letter of credit
- ◆ D/P – Documents/payment
- ◆ Open Account
- ◆ International factoring

## Exporter

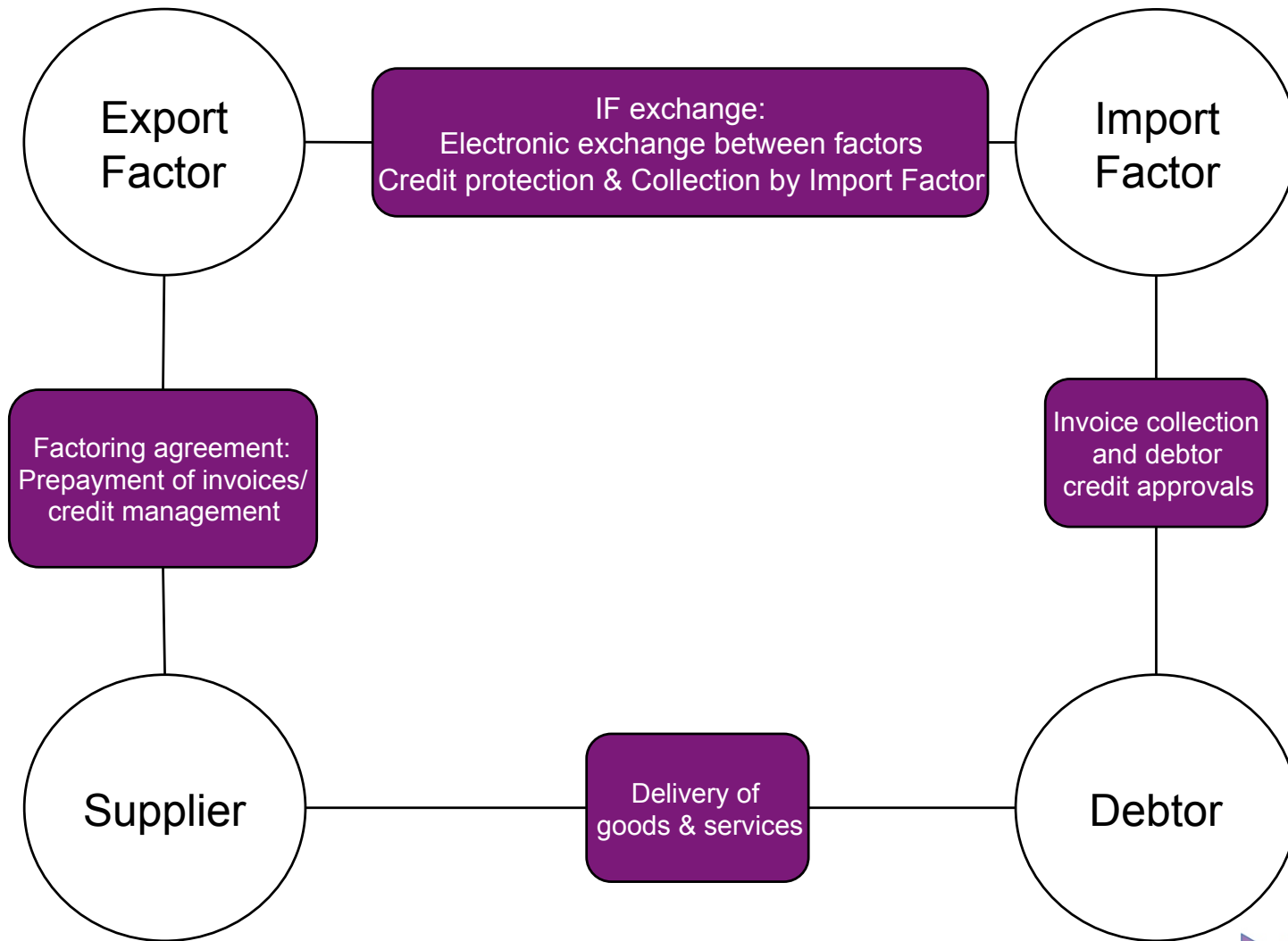


## Importer





# The Two-Factor System





## Two-Factor step by step

1. Client signs factoring agreement with export Factor
2. Client receives order from debtor abroad
3. Client requests his Export Factor to approve the credit line on the debtor
4. Export factor sends info to Import Factor (info on Supplier, Debtor, Credit line requested)
5. Import factor analyzes and (hopefully) approves the credit request on the debtor
6. Export Factor confirms credit line to his client





## Next steps...

7. Client makes delivery and sends invoice to the Debtor with assignment text, instructing to pay exclusively to Import Factor
8. Client assigns receivable to his Export Factor
9. Export Factor pre-pays the invoice (generally 80%) to his Client and assigns receivable to Import Factor
10. Import Factor administrates and collects the debt according to local laws, customs, language, time zone,...
11. Debtor pays to the Import Factor
12. Import Factor transfers money to Export Factor
13. Export Factor pays the remaining sum to his client





## In case of non-payment

- Dispute : Import factor informs Export Factor who has to solve the dispute together with his client and inform Import Factor about outcome
- Non-payment by the debtor because financial difficulties : Import Factor pays out in full (according to credit line granted) at 90 days after due date of the invoice)





# IFG's role in the industry

- Started in 1963 as the first international 2-Factor platform
- 2-Factor activity between members is still core business
- In 2002 IFG became also Trade Association: “Defend the Factoring Industry’s interests worldwide” (Education, Information, Lobbying, Networking)
- Today 160 members in 56 countries
- 4 Types of membership
- 4 Regional Chapters







# IFG's Two-Factor Support

- Organising Legal Environment:
  - Legal Committee
  - GRIF, DEX, IFA...
- Organising Transaction Platform:
  - IT Committee
  - IFexchange
- Helping members to get started:
  - Operations Seminar
  - Tailor-made trainings
  - Mentorship Programme
  - E-learning course





# IFG's Trade Association Activities

- Education Program:
    - IFG Academy (diploma of Factoring Professional)
    - Seminars on specific topics (Risk Management...)
  - Networking Program:
    - Meetings on different staff levels
    - IFG Forum on LinkedIn
  - Annual Meeting : Conference on the state of the Industry
  - Information Services:
    - News
    - Global Industry Activity Report
    - Studies on Legal aspects
    - Country Reports, etc...
  - Industry Representation and Lobbying:
    - Regional Forums on (International) Factoring
    - EU Forum : Co-operation platform between national associations (UK, Spain, France, Italy, Germany, Poland, Denmark...) and international associations (IFG + FCI)
- Mission:
- legal harmonization
  - promotion of the industry
  - publish statistics & information
  - monitor law initiatives on EU level





Thank you for the attention

Questions?

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