



Factoring in the emerging markets

GTR catches up with *Gilbert Coleiro*, managing director of Fim Business Solutions, and *Silvio Mifsud*, executive vice-president, head of information and administration, Fimbank, to find out more about the bank's future in factoring.

Malta-based Fimbank has been steadily carving out a niche for itself as a highly specialised provider of trade and trade-related financing.

The achievements of its factoring business have been demonstrated by the recent sale to the State Bank of India of its stake in GTF, an Indian factoring company. The deal highlights Fimbank's strategy of acquiring start-up factoring firms, rapidly expanding their business before selling them on.

GTR: What have been the key developments in terms of Fimbank's growth over the last 12 months?

GC: Clearly the factoring strategy has been and will be critical for the development of Fimbank with regard to the product offering as well as the IT development and support which is critical for this labour intensive product.

The success and the successful disposal of our Indian joint venture offering factoring

has been extremely important for our recent strength of capital and confidence in our strategy.

GTR: Which regions and sectors are seeing increased demand for factoring services?

GC: The product has gone from strength to strength and the recent sub-prime crises have made it even more important for small and medium-sized enterprises (SMEs) and banks equally. We see the emerging markets with the biggest potential and need for the product – many markets are still untapped.

GTR: Do you have any success stories over the last year, where certain emerging markets new to the concept of factoring have reaped the benefits?

SM: Our Indian joint venture is the very best example, but also our recent projects in Dubai and Egypt, as well as in Latin

America (Brazil in particular) will underline the success of the product and the need for those markets to have access to these products.

[GTR – At the beginning of 2007 Fimbank established Egypt Factors, its Egyptian joint venture in factoring together with Commercial International Bank in Cairo. It has also signed an agreement with Panama-based Bladex (Banco Latinoamericano de Exportaciones) to set up a joint-venture factoring company offering factoring services across Latin America. In November 2007, it launched Menafactors in the Dubai International Financial Centre. The joint venture has been set up with National Bank of Dubai.]

GTR: What type of companies are the main users of Fimbank's factoring services?

GC: Factoring is most useful for the SMEs, but also for larger companies it can be a good alternative either to mitigate risks (risk protection) or to increase cashflows and to 'outsource' labour-intensive administration (including debt collection).

GTR: Do you think the perception of factoring in the financial markets is changing?

SM: Factoring has become increasingly important and is being increasingly recognised as an important product within the financial markets but in particular in emerging markets. The sub-prime crises have accelerated this process in my opinion, but the trend was there – it just increased the speed.

GTR: Looking towards the coming months, what trends do you predict will emerge in the factoring market?

SM: The sub-prime crises will create more need for factoring (and forfaiting) and increase margins due to the increased demand, hence this is a good opportunity for both products but probably even more for factoring

GTR: Are there any regulatory or legal issues that might affect the factoring business? For instance, what will be the impact of Basel II?

GC: Basel II will make factoring even more important for SMEs as it might be the only source of funding for an unrated company. Also, factoring companies often are not regulated or have less stringent rules hence offer a true alternative.

GTR: In terms of technology, has Fimbank implemented any new systems to facilitate its factoring business?

SM: Deployment of the right technology platform has been a critical success factor for our factoring strategy since inception and subsequently at the very early stages of the project entrusted Fim Business Solutions (FBS), the Fimbank IT subsidiary with this task.

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After extensive research of the factoring IT systems available on the market FBS decided to partner with a leading global technology vendor to customise and deploy their software system as a full solution that could be easily extended to Fimbank and its joint ventures (JVs).

The model chosen to deliver this solution is via a hosted platform within the FBS network operations centre in Malta. Through this hosting service FBS provides access to a fully managed system over secure internet links for internal users as well as clients. The advantages of this approach are numerous and include: the opportunity for the JV to concentrate on its core competency – factoring; avoiding the need of local IT expertise and remove technical complexity; reduced start-up costs as well as IT costs that are directly linked to the volume of the business; a significantly shortened time to market; and peace of mind that all IT operations are being handled by industry specialists

To date this platform is being used by Fimbank in Malta as well as two JVs in Dubai and Cairo with plans for new projects in Latin America.

Given that the technology platform is now proven we also have plans to extend this service to the general industry. We are also planning to include the integration of a selection of factoring back office activities as part of our service offering. This we believe will provide a very attractive value proposition both for new and established factors.



Coleiro: Many markets untapped



Mifsud: Technology is a critical success factor