

Quick Start Guide to FCI



Facilitating Open Account - Receivables Finance

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Originally published at Amsterdam in May 2008 –
updated in March 2019

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The Purpose of the Quick Start Guide to FCI

New to FCI	Anybody joining a new organisation cannot feel quite at home until he knows the rules and customs and can mix more easily with older members, some of which have been in business for decades
Purpose	The purpose of the Quick Start Guide to FCI (from now on referred to as “QSG”) is to help you become acquainted with FCI, find your way around the wealth of knowledge FCI can offer you and become “operational” as soon as possible.
What you can find in the QSG	The QSG includes all important issues you need to be aware of, gives you some basic information of each and tells you where you can find more extensive information. The QSG is not meant to replace the FCI manuals or to serve as your “shortcut” to avoid studying the manuals!

Welcome to FCI! What Do You Do Now?

1. What do you get from FCI?

Check the contents	The first thing you must do is to check that the files you received from FCI are complete. You can find a full list of this material enclosed to the Induction Letter. Note any items that are missing and inform the FCI Secretariat as soon as possible. You will learn how to get these items as you go through this QSG.
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2. Appoint Your FCI General Correspondence Person.

The “General Correspondence” person	A first important step is to tell the FCI Secretariat whom you have designated as the FCI “ General Correspondence ” person in your organisation. This is the person to whom the FCI Secretariat will send all routine mail and messages.
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This same person also has the responsibility for going into the FCI Private Website MY FCI on a regular basis in order to download FCI circulars, manuals, etc. and ensuring that these documents are distributed to the right person(s) in your organisation. Normally also the other FCI members will approach the “General Correspondence” person when they want to start doing business with you.

Sometimes the Secretariat sends a general e-mail message to all members and this makes it impossible to include the name of a person or a

department. Such a message will instead be directed to the “General Correspondence” person. It is therefore very important that everyone is fully aware of who the General Correspondence person is within your organisation.

All in all, this person plays a vital role as an “ambassador” for your organisation. The selected person must therefore be fluent in spoken and written English, must be accessible most of the time and is typically **not** a senior executive, too busy to deal with international factoring on a daily basis. More likely, the “General Correspondence Person” will be the International Manager, responsible specifically for the development of the export and import factoring business.

The General Correspondence Person has one more task. The FCI Public Website lists all FCI members and their respective contact details. The name of the General Correspondence Person is on this website and if a potential export factoring seller wishes to contact your organisation, they will address themselves to the General Correspondence person. Hence the “ambassador” becomes part of the business development team.

3. FCI Member Catalogue

Make sure that FCI has your Member Catalogue details

The basic details of every FCI member are listed in the **FCI Member Catalogue**. If you have not yet done so, you should now write to the Secretariat with the details of your company along the lines of the catalogue sheets of other members.

List the right persons

For “**General Correspondence**” (see above), we suggest only one name of a full-time (international) factoring officer or manager. There is space for a second name, but ideally just one person should be fully responsible for this task. A title, a direct telephone number and a personal e-mail address are essential for the General Correspondence person.

For “**Contacts**”, we suggest one to four names (maximum). These are the persons who deal on a day-to-day basis with the actual processing of the invoices, the edifactoring.com operations, the routine questions regarding payments, disputes, etc. Normally, the “Contacts” persons are operational people, reporting to the more senior “General Correspondence” person. They should be identified with a title or function description and again with their e-mail addresses and direct telephone numbers.

For “**Management**”, we suggest one or two names (maximum) of people who are senior executives of the **factoring** activity in your organisation. For a factoring company that is usually the President, CEO or the Managing Director, for a bank member that is normally the General Manager or Head of the Trade Finance / Transaction Banking Department (or similar). The listed “Management” person(s) will only be contacted by the FCI Secretariat or by your future correspondents for major issues, including major problems. They must fully understand what goes on in international factoring, but they are not expected to know the details of all the operational issues. They carry ultimate responsibility for the success (or

lack of it!) of the factoring company or factoring division. An FCI Annual Meeting is normally attended by one person from “Management” accompanied by the “General Correspondence” person (normally the International Factoring Manager).

Please remember to keep the Secretariat informed about any changes in your Member Catalogue details. This is best done by sending to the Secretariat a copy of the original text with clear instructions about the changes.

4. E-mail and FCI Private Website “MY FCI”

What is MY FCI (Private Website)?

The FCI Private Website “MY FCI” is the virtual FCI house that all FCI members can visit. It is located on the FCI website, but the content is only available if you are logged onto the website with your own credentials. This virtual house has several rooms filled with books (the Library) that you can read or download. FCI encourages you to explore its virtual house: it contains the knowledge accumulated over more than 50 years of international factoring experience.

To help you become familiar with the MY FCI, all its parts and functions have their on-line user instructions: take the time to read these instructions, it will make your life much easier.

How does MY FCI system work?

All members of FCI can access MY FCI to view and download files that contain all FCI information (circulars, manuals, Member Catalogue, etc.).

The distribution of all official information from the Secretariat to all members is done **exclusively** in electronic format via MY FCI. One-to-one communications will be done by e-mail.

It is therefore **essential** that your company makes the necessary preparations as soon as possible. In order to access the MY FCI you need a User Name (your personal business email) and a Password. . The General Correspondence Person will receive an email to verify your access and create your own password. The General Correspondence Person has the right (and obligation) to create access for additional users. Credentials are individual. They must also ensure that all users are kept up-to-date, i.e. they are deleted when that person leaves the company

Subscribe to “Library Updates”

We advise you to click on “Library Updates” in your profile page to receive an automatic notification by e-mail of all new documents (circulars, manuals, etc.) uploaded by the FCI Secretariat onto the Private Website. This way you will never miss important information.

Emailings

FCI members receive emails regularly regarding the upcoming courses or events, the newsletter, the news and also some general promotion about FCI services. You have the possibility of adapting your mailings preferences

by clicking on the “Subscription Preferences” link at the button of each emailing. You can decide there which type of mailing you want to receive and which you don’t want, or unsubscribe to all mailings from FCI.

5. FCI App

What is FCI App

In 2018 FCI developed an App. The FCI App gives you access from your mobile or I-pad to information from the public and Private Website. To access the App, you need to download the App on Google or Apple Store “FCI network”. You can login with your Private Website credentials (reminder: the credentials must be private, they are linked to your name and email). There are 3 sections on the main menu: FCI, Annual Meeting and Chat. Under “FCI” you can find the latest news, the list of coming events, members list, education and FCI contact form.

Chat

On the FCI App, there is an area for the chat. It is the reason it’s compulsory to use your own personal credentials. From the chat you can send a message to another member that has already logged onto the App. If you start a message, you can look for the name of the person you want to contact and send him your message.

Annual Meeting App

The third area on the App is the Annual Meeting. Each year FCI uses this tab for the Annual Meeting. From 10 days before you can find the conference the program, list of speakers with biography and picture, attendees list, some practical information, list of sponsors with description. During the Annual Meeting, the presentations will be uploaded after the sessions under “documents” and the pictures will be uploaded daily. You can also fill in the satisfaction survey from there.

6. FCI Factor Code

The important Factor Code

All FCI members have a unique FCI Factor Code consisting of seven alphanumeric characters made up as follows.

- ✓ The first two characters are letters and represent your country code in the official ISO country code format, for example, Argentina is AR and Vietnam is VN.
- ✓ The last five characters are numbers and represent your factor number as allocated by the FCI Secretariat.

Your FCI Factor Code is shown in the Induction Letter and it will be stated on your member catalogue sheet.

You must use your Factor Code in edifactoring.com and all other forms of communication with other FCI members.

What Do You Get from FCI and How Do You Use It?

1. edifactoring.com

The FCI communication system

At the heart of all FCI Two-Factor business is the highly praised communication system, **edifactoring.com**. It was implemented for live processing by all FCI members on 8 April 2002.

Edifactoring.com is a fully internet-based system and there is no software to be installed in your local system. Its use is **mandatory** for all FCI Associate & Full members no later than six months after the start of membership.

You will find instructions on how to use it, including the initial user ID and password, in the **edifactoring.com User Guide**. You can download the User Guide from MY FCI, File Library section “edifactoring”.

Please note that in order prevent having unwanted messages sent to your factor code, your account in edifactoring.com will be set up only when you are ready to handle 2 factor business. Simply inform the Secretariat when the time is ripe. In the meantime, your two accounts in edifactoring.net (the testing environments) will be available for your staff training.

Comprehensive, powerful system

edifactoring.com is a very comprehensive and powerful system. It allows you to handle all communications relating to your FCI two-factor export and import business. You can find a complete overview of all system functions in chapter 2 of the User Guide.

Learning and testing

It is essential to learn how to use **edifactoring.com** and all of its functions before attempting to use it for real business.

You should first study the User Guide carefully and then practice using the test environment, edifactoring.net. The test environment is set up on different machines and completely separated from the production environment.

You have two factor accounts at your disposal in the test environment. This allows you to test sending and receiving and acting as Export and Import Factor without the need to involve another member of FCI.

You can find all details of the test environment and a recommended test plan in chapter 6 of the User Guide.

Interface

If you already have, or expect to have soon, a substantial volume of two-factor business, you should consider building an automatic interface to send and receive messages between your in-house factoring application and edifactoring.com.

An automatic interface saves you substantial manual input work and gives you extra user security. You can find the complete description and the

technical specifications to build your automatic interface in the section “Automatic Interface” of the “edifacting technical specifications” manual.

2. Manuals

Over the years FCI has developed technical manuals which are used both in the training courses and for reference purposes. These manuals deal with a wide range of issues arising in international factoring, including operations, communications, legal, credit and business development. In November 2011, the various manuals were updated and streamlined. There is now **one** manual, consisting of two volumes, which can be downloaded from MY FCI under “Manuals and Guides”. Following is a brief summary of each volume.

Volume I, consisting of:

The Marketing and Sales Toolbox

This manual should not be regarded as a textbook on marketing and sales techniques, nor is there a logical order for the material presented. Nevertheless, any FCI member company which is keenly interested in business development will find a whole series of papers and ideas which can be used in the process of marketing the concept of international factoring and selling it more successfully. There is a separate item in the MY FCI Library: “Marketing and Sales Toolbox”. Here you will find the various “tools”.

The Communication Manual

This manual is a complete “how to” document regarding the handling of international factoring transactions in cooperation with other FCI members abroad. All-important communication issues are covered including appropriate references to related “legal” rules. The Communication Manual is maintained by the Business & IT Solutions Committee of FCI.

Seller Selection and Control Manual

The first part of the manual examines the question of how we choose the right type of seller. What are the selection criteria? What information do we need about the prospect’s business in order to test these criteria? What is the decision-making process? The second part deals with the procedures for monitoring the business once the seller relationship has started. The manual is maintained by the Education Committee.

Buyer Risk Control Manual

Buyers have an unusual connection with a factoring organisation. Although there is no contractual relationship between them and the factor, nevertheless the buyers can have a major impact on the way the factoring service works. This manual examines the sort of risks which can arise in a factor/buyer relationship and how they can be controlled. The manual is maintained by the Education Committee.

Disputes Prevention and Handling Manual

The disputing of assigned accounts receivable by the buyers can cause more work, create more expense, expose factors to more risk and do more to harm the relationship between all the parties involved than any other event in the factoring arrangements.

The purpose of this manual is threefold: to identify what are the main

causes of disputes; to find ways of preventing them as much as possible; to manage them, when they do occur, so as to reduce their impact on all the parties involved. The manual is maintained by the Education Committee.

FCI Glossary

Volume II consisting of:

Legal Manual

The Legal Manual includes **all legal documents** which regulate the interfactor relationships between members and their rights and obligations vis-à-vis the FCI Association. You can find a more detailed description of the contents of this manual in the section, “FCI Legal Framework” of the QSG. The Legal Manual is maintained by the Legal Committee.

FCI Guide to the Establishment of a Factoring Operation:

This Guide is an eighty-page document with extremely valuable information, particularly for an organisation new to the factoring business. FCI sells the Guide for EUR 4,000 to non-members, but now that you have joined FCI you can have one copy of the Guide for free.

The material provided with this QSG does **not** contain the Guide itself, but FCI Circular 3175 will show you how to order a copy of the Guide, for you will be required to sign a Statement of Confidentiality.

Please study that FCI Circular 3175. With a market price of EUR 4,000, it should not be difficult to understand that the Guide is an excellent tool to consider all the important topics which affect the success (or failure) of a new factoring operation.

3. Circulars from the Secretariat

Information distribution

The principal method of distributing information to all members is the circular. During the year, the Secretariat produces a large number of these on a wide variety of subjects. All circulars can be retrieved by downloading them from MY FCI. They carry a consecutive number so that members can check to see if they have missed something.

Member Catalogue
circulars

Some circulars are concerned solely with the alterations and updates to the Member Catalogue. These circulars carry the prefix “MC” with their own consecutive number as well as the overall consecutive number.

The object of this dual system of numbering is that the person downloading the circulars from MY FCI can check that there is no circular missing in the overall sequence.

4. FCI In-Sight

FCI newsletter

Each quarter FCI produces a magazine style publication, the FCI newsletter, In-Sight, which gives news and views of FCI, its members and the receivables finance industry. Apart from items about the recent activities of the Secretary General, the Executive and Technical committees, FCI In-

Sight publishes interesting contributions from members about developments within their organisation or country. It also sets out a diary of forthcoming events in FCI and provides new members with an opportunity to introduce their organisation and staff. FCI In-Sight can be downloaded from the FCI Library under “Publications”, or on the website under “About FCI” => “Newsletters”.

5. FCI Annual Review

FCI brochure

The Annual Review is a brochure style publication which is suitable for distribution among:

- ✓ Shareholder banks/Shareholder companies/Bank branches
- ✓ Prospective Sellers
- ✓ Chambers of Commerce
- ✓ Authorities
- ✓ Financial institutions which are considering joining FCI
- ✓ Board Members, management and employees of FCI members.

It is essentially a marketing tool to promote international factoring, the receivables finance industry and FCI. It presents in an attractive format the latest updates from the Industry including the last year figures, qualitative and quantitative analysis of the industry, important subject(s)/update(s) for the Industry, regional updates and a global economic prospect. Many members have successfully used the Review in conjunction with their own promotion material to develop new business contacts in their market. There is a new edition of the annual review every year that is given at the Annual Meeting and available from that date on FCI website (under “News & Publication”).

Education and Training

Over the years, one of the important functions of FCI has been its training and education programmes. These consist of **e-learning courses, seminars & workshops, on-line training sessions & webinars and tailor-made training**. See also the FCI Education Catalogue (available on the FCI public website and MY FCI Private Website).

Seminars

FCI seminars & workshops deal with specific topics relating to factoring or FCI in general. Examples are:

- ✓ **Marketing and Sales Seminars**; offering practical assistance in creating greater awareness about factoring and international factoring in particular within the business community and offering practical assistance in making sales staff more successful in selling the factoring concept to domestic and export clients.
- ✓ **Risk Management Seminars**; a comprehensive seminar covering all

risk issues in a factoring operation, including Seller and Buyer Risks, Disputes & Frauds as well as KYC and Third-Party Risks. Best Practice sharing and group discussions enrich the theoretical part ensuring knowledge enhancement and understanding.

- ✓ **Operational Workshops;** specifically aimed at inter-factor communications sharing best practices in using the edifactoring.com system and other measures to improve the correspondent factoring system. Simulation exercises strengthen the understanding of the edifactoring.com messages functions and legal implications.
- ✓ **Legal Seminars;** focus primarily on the GRIF, the background of certain articles, the implications for day-to-day business and the delicate balance in keeping the GRIF as an acceptable document for both the group of Export Factors and the group of Import Factors. The Seminar combines presentations with smaller “group discussions” and plenty of Q&A sessions.
- ✓ **Workshop on Solutions on Solutions for Open Account Receivables Finance:** The Workshop is the only truly international comprehensive and integrated training on the theory and practice of the open account receivables finance products. Covering all key areas such as factoring, forfaiting, invoice discounting, supply chain finance, reverse factoring, asset-based lending and many other products this workshop enables participants to gain knowledge on the most important issues within the Receivables Finance Industry.

Seminars & Workshops are held at least once a year in each main region (Europe/Africa, Asia Pacific and the Americas) so that most delegates will not have to travel long distances.

Seminars & Workshops are typically a mix of plenum sessions and detailed discussions into small groups of between eight and twelve persons under the guidance of a very experienced group leader.

FCI seminars & Workshops have another great value in addition to learning; they offer you great networking opportunities. With just one trip to the seminar location you will be able to meet several colleagues from many other FCI members, some of which are or will be your correspondents.

Courses

In 1987 FCI offered its first **education course** on all aspects of international factoring. The number of students taking the course each year increased markedly and so it was decided in 2007 to introduce a new series of FCI courses available to all staff of FCI members.

There are nine different courses, two of which are “diploma” courses and seven “self-study certificate” courses.

The two diploma courses have a four-month study period. The students are required to pass an on-line multiple-choice interim exam, followed

by a written final exam. Students who pass the final exam will obtain an official FCI diploma. Students will have full assistance from the Education Team during their study. These courses are:

- ✓ **The Intermediate Course on International Factoring (Level 2)** – this requires either the successful completion of the Foundation Course on International Factoring (Level 1) or the passing of the special proficiency exam of Level 1.
- ✓ **The Advanced Course on International Factoring (Level 3)** – this requires either the successful completion of the Intermediate Course on International Factoring (Level 2) or a **prior** FCI diploma on International Factoring based on the former FCI Course on International Factoring, obtained before 2011.
- ✓ **Selling Factoring Diploma Programme – optional** - includes the sales courses, “**Pre-sales and Seller On-boarding in Factoring Course**” and “**Selling and Marketing Factoring Course**”. You can enrol the same student for both Certificate Courses on Selling Factoring in one term. Courses can also be taken independent of each other. Students who complete both courses successfully and receive the proficiency certificates in the same calendar year, can sit a final examination on Selling Factoring which takes place in the month of November. Participants who pass the final examination will receive the FCI Diploma on Selling Factoring.

The self-study courses have either a two-month or three-month study period (Sales Courses, Legal Course and Foundation Course – Level 1 **only**) and require passing an on-line multiple-choice exam. Students who pass the on-line exam will receive a **Letter of Proficiency** (only those students who successfully complete the Foundation Course on International Factoring-Level I receive a Bronze Certificate), **not** an official FCI Diploma. Students will **not** have any assistance from the Education Team during their study except for the Legal Course. These courses are:

- ✓ Foundation Course on International Factoring - Level 1,
- ✓ The Buyer Risk Control Course,
- ✓ The Seller Selection and Control Course,
- ✓ The Dispute Prevention and Handling Course,
- ✓ The Legal Course.
- ✓ Pre-Sales and Seller On-boarding in Factoring Course,
- ✓ Selling and Marketing Factoring Course

Foundation Course on International Factoring – Level 1 is available in three (3) languages, English, Chinese & Spanish and is offered four (4) times a year, terms starting on 1 January, 1 April, 1 July and 1 October. All other courses are offered twice a year, the first term starting on 1 January and the second on 1 July.

- ✓ On-line training sessions: A full list of topics is available covering the most important aspects in factoring and in the Two-Factor System. Their purpose is to provide members with the basic knowledge to facilitate their smooth integration to the FCI environment. Members may choose among topics like:
 - Introduction to FCI & the Two-Factor System
 - Basics FCI Two-Factor Operations
 - Basics of FCI Legal Framework
 - Basics of Risk Management in Factoring
- ✓ Webinars: a series of webinars are available for members to attend in order to acquire deeper knowledge on FCI and Factoring related topics. Follow our website to receive updated information on webinar topics and dates.

Specialised Training
Programme

Tailor-made Training: FCI Education Team, Ms. Aysen Çetintas, FCI Education Director and Mr. Spyros Tsolis, FCI Deputy Education Director, are available for on-the-spot training for new FCI members who joined the organisation during the past two years. The purpose is to offer guidance in the process of setting up FCI Two-Factor business and facilitating the new member's integration into FCI.

The Education Director and Deputy Education Director will act as specialist consultants, sharing their know-how acquired from their extensive factoring experience from their previous senior management positions and from their thorough understanding of FCI practices and procedures. For further information and for discussing an appropriate program, you can contact the FCI Secretariat at fci@fci.nl.

FCI Mentoring program: To get your business started it can be very useful to get guidance and advice from skilled FCI members who already have experienced this process and can share best practices with you.

For further information and for discussing an appropriate program, you can contact the FCI Secretariat.

Your Commitment

We draw your attention to the fact that in your application for Associate Membership your organisation made the formal commitment to enrol staff members in the FCI Course Programme and to attend all FCI seminars in your region. We have no doubt that you will honour your formal commitment and we trust that you fully appreciate the great educational opportunities that FCI offers you.

Getting Ready for the FCI Two-Factor Business

1. Best Set-Up of Your Factoring Operation

Why is it important?

The divisional structure of a factoring operation is key element that directly affects its success.

Products offered by a factoring operation may differ from company to company and have a direct impact on the organisational structure.

The number and size of the divisions and the organisational chart are very much dependent on the type of organisation.

If your company is a fully integrated factoring division of a bank, then the organisational chart may only consist of the International and Client Relations departments. Other services such as sales, marketing, credit control, accounting etc. are provided by the branches and/or the relevant departments of the bank.

At the initial stage of a factoring operation, many different functions can be assumed by the same persons or departments. Later on, as the volume of transactions and the type of factoring services offered increases, it is necessary to segregate the duties and create different departments to ensure the healthy growth of the organization.

More information

You can find extensive information on this topic in Part Two of the Guide to the Establishment of a Factoring Operation.

2. Segregation of Duties and Internal Controls

A vital issue

Segregation of duties is an essential feature of your internal controls. Lack thereof may put your company at serious risk.

Examples of segregation of duties are:

- ✓ The General Manager must have no control whatsoever over the tasks and work of the internal auditors;
- ✓ The operations department must not be linked to seller management and must not be able to authorise the level of advances to sellers;
- ✓ The Credit Management department must not be involved in the sales process;
- ✓ Once a sale is concluded, the Sales and marketing department must no longer be involved with the seller;
- ✓ Client Management reports to Credit Management and must not be involved in the seller's credit risk assessment. It must also not be involved in any operations transactions.

More information

You can find extensive information on this topic in Part Two of the Guide to the Establishment of a Factoring Operation.

3. Information Systems

A proper system is a must

A factoring company cannot operate for very long in today's market without a computerised information system. The benefits outweigh any initial concerns as to the cost of such a system. Many sellers have themselves sophisticated computerised systems and, in fact, even the smallest businesses will usually have their own PC and at least a computerised accounting package.

It is necessary to provide reports to your sellers on the status of their accounts, which is only possible with a computerised system. A computerised system will speed up the processing and maintenance of the accounts you maintain. The latest technology is also built to reduce human error. A good information system will provide you with a competitive edge.

Off the shelf systems

An Off the Shelf System buys in the expertise needed to develop and implement a factoring system. Off the Shelf Systems have usually been developed by software companies in partnership with large factoring organisations. As a result, they should cover all of the main requirements of a factoring company.

Although the expertise required to develop and implement the factoring system is with the software company, you will still need the IT expertise to provide some support, to ensure the system is integrated effectively with any other software packages you operate, and to enable an informed assessment of the packages available.

Own development

A self-developed system gives you control over every aspect of your system from development through to future enhancements. There are many advantages to this approach although the disadvantages should also be considered carefully.

Main features

The main features of a factoring information system are detailed below. These are the features of a basic system. Other processes can be operated using alternative means, although an all-inclusive system should be considered. An all-inclusive system will avoid any problems associated with integrating different operating systems and will make control and management reports easier to produce.

- ✓ Invoice processing;
- ✓ Collection process;
- ✓ Allocation of buyer payment;
- ✓ Finance to sellers;
- ✓ Credit cover management;
- ✓ Buyer and seller risk assessment;
- ✓ Control and management reports;
- ✓ Integration with the General Ledger.

More information

You can find extensive information on this topic (including a list of major vendors and negotiating tips) in Part Three of the Guide to the Establishment of a Factoring Operation.

4. The Interfactor Agreement

Formalising the business relationship	The Interfactor Agreement is a document in formalising the business relationship between FCI members. It is a bilateral agreement in which two FCI members, as correspondents, declare they will be bound by the General Rules for International Factoring, the Rules of Arbitration and the edifactoring.com Rules.
When should you sign it?	As soon as you are operational, you should sign an Interfactor Agreement with all foreign members of FCI. It does not commit you, but you will have the agreement in place when you decide to work with an IF correspondent. Send two signed copies and the foreign company will sign both and return one copy to you.
Standard modifications	For only one country a Standard Modification of the Interfactor Agreement is in force and this one should be added in the specially provided space before you send it to members in that country. The text of this Standard Modification can be found in Legal Circular 0.2. No other changes or additions are allowed.
More information	For further guidance on this subject, see Appendix A of the Communication Manual.

5. Import Factor Information Sheet (“IFIS”)

You are ready to do import business.	<p>Once you are ready to receive import business from member Export Factors, you should issue an Import Factor Information Sheet (“IFIS”).</p> <p>An IFIS contains relevant information about the way you will handle import business and might, for example, state the types of trade you are particularly interested in. The IFIS should also state the precise text of the relevant assignment notice to be used for exports to your country, including an indication whether you supply Export Factors (and their sellers) with a stamp or with stickers.</p> <p>You should send your IFIS to the FCI Secretariat, to be uploaded on MY FCI, so that all FCI members will have access.</p> <p>Although there is no mandatory form for the IFIS, you should use the extensive example included in chapter 3 of the Communication Manual as the basis to create your own. You can also find examples of a poor and a proper IFIS in appendix C. Remember to keep it regularly updated.</p>
IFIS as a marketing tool	As a way of introducing your company to the other members of FCI, in addition to the IFIS, your latest audited financial statements in the English language will be uploaded onto the MY FCI, unless you request otherwise.

6. Introductory Letter and Notice of Assignment

One common requirement in domestic and international factoring is that the buyer is informed, or to use the technical term *notified*, by the seller that all present or future A/R will be assigned to the factor.

This notification is important for two main reasons:

- ✓ To prevent the buyer from making payment to the seller and obtaining a valid discharge; and
- ✓ To stop the buyer from using any claims or defences which he may have from other contracts.

The procedure for giving notice normally consists of two steps.

Introductory Letter

This is sent to all the buyers at the start of the factoring agreement by the IF but in the name of the seller. It advises the buyers that all their accounts payable arising from their purchases from the seller have been and will be assigned to the IF until further notice. This subject is examined in more detail in Chapter 5 of the Communication Manual together with an example of the text of a letter.

Notice of Assignment on the Invoice

This is a text provided by the Import Factor to inform the buyers that the Import Factor is now the legal owner of the account receivable and that payment should be made only to him.

The notice is best printed on the invoice by the computer at the time of raising the invoice. Labels printed with the text (sometimes known as “stickers”) can be used but care must be taken to avoid omitting them by mistake.

You might wish to discuss with your Legal adviser in what form and with which text you wish the assignment clause to be communicated to the buyers when you are acting as an Import Factor. See the legal circulars No. 13.1 and 13.2 (included in the Legal Manual) for further information.

In some countries the notice of assignment is a legal requirement and without it the assignment is not valid in respect of the buyer. In all countries it is a necessary administrative procedure to assist in the collection of the A/R. See also Chapter 6 of the Communication Manual for an example of a notice of assignment.

7. How to Select Import Factor Correspondents

Why is it important?

The success of an export factoring contract largely depends on the EF working with the right IF. The IF’s performance affects his company’s relationship with the buyers. It also affects the EF’s reputation with the seller. A satisfied export seller will speak well of the EF and boost his company’s image in the market-place. This in turn will create a good image for export factoring in general. Conversely, an IF who performs badly could cause the EF to lose a valuable seller and his future business.

Chapter 3 of the Communication Manual is largely devoted to this

Visit your IF
correspondents

important issue and you should study it carefully.

You should note particularly that visiting an IF is considered to be best practice. It is just as valid for selecting an IF as it is for selecting a new seller.

FCI Factors of the Year
Awards

Each year FCI conducts a survey among its members to select the best EF, the best IF and the best combined EF & IF of the year. The winners of the FCI awards receive a valuable prize. FCI asks all members to rate the quality of service that all their correspondents provide. For example, the criteria used to rate the IF are:

Business acceptance:

- Ability to provide prompt and sufficient credit limits.
- Knowledge of market, industry and buyers.
- Pricing.

Service provided:

- Credit limits maintained/renewed.
- Effective collection procedures.
- Prompt cash transfer.
- Prompt payments under approval .

Communications:

- General communication.
- Accurate and complete transaction details.
- Problem-solving.
- Proper use of edifactoring.com.

FCI announces the results of these awards at the Annual Meeting and distributes the complete ratings for all FCI members by circular. The circular provides a useful source of information to help you to choose an IF in each country.

You can also find all past award results on the MY FCI in the file library section "Service Quality".

More information

For further guidance on this subject, see Chapter 3 of the Communication Manual.

8. Acting as an IF

The skills of the ideal Import Factor

As an IF your principal tasks are to provide the factoring services of buyer credit risk protection and A/R collection. To perform these tasks effectively you will need the following attributes:

- ✓ The ability to assess a buyer's credit-worthiness quickly and accurately.
- ✓ The ability to collect invoices quickly while maintaining the goodwill of the buyer.
- ✓ The ability to remit funds quickly and with full information, so that the EF can allocate them easily.
- ✓ The financial strength to meet obligations.
- ✓ The ability to prevent or minimise problems and risks. For example, the ability to deal with disputes and to distinguish between real and sham disputes.

The Import Factor remuneration

Your remuneration for these tasks is calculated by applying the standardised FCI commission structure which is compulsory for all members. It helps the EF to quote a uniform commission to his export sellers, regardless of the destination countries. The structure has three elements:

- ✓ A flat rate, shown as a percentage (%) of the gross turnover, to cover the credit risk.
- ✓ A handling charge per invoice or credit note.
- ✓ Bank charges.

The IF may charge one, two or three of these items, but may not add any other elements. Chapter 10 of the Communication Manual deals with this in more detail.

The EF may seek to engage your services for reasons other than factoring services. For example, the EF may ask the IF, on behalf of his seller, to help find distributors for the seller's products or to make a special industry study. The payment for these services cannot be included in the factoring commission and so must be invoiced separately.

9. Managing Credit Risks

If you decide to offer import factoring services, you have to face the issue of managing your credit risk on the buyers you credit cover.

You basically have two choices: take your own risk or use credit insurance. Both have advantages and disadvantages.

Own risk

If your company is new to factoring, we can keep this very brief. Taking own credit risk requires great expertise in:

- ✓ Assessing the credit worthiness of buyers,
- ✓ Monitoring the buyers' payment performance,
- ✓ Adequate and timely collection procedures,

- ✓ Understanding warning signals from your factoring information system,
- ✓ Handling trade disputes,
- ✓ Dealing with insolvency issues.

Until you feel completely confident in the above areas, you should use credit insurance or stay out of import factoring. A large credit loss or repeated smaller losses can wipe out the entire income earned with factoring commissions!

Credit Insurance

Credit insurance is usually available in very developed markets and, in many ways, is a similar service to the credit cover provided by factoring. It can, therefore, be a competitor but it can also be an ally of factoring. Sellers can take out credit insurance instead of the credit cover provided by factoring and sign a recourse factoring contract. But you as a factor can also have a credit insurance policy in order to provide a full non-recourse import factoring service rather than underwriting and taking the risks yourself.

A credit insurance policy (contract) provides protection for the insured (the factor or the seller) against the non-payment of debts due to the insolvency of insured buyers. Cover is normally extended to include the protracted default of insured buyers – normally six months after due date of the invoice.

Insolvency covers a wide range of situations and its definition is normally the same as we use in our factoring contracts.

A key difference with factoring is that the insurer does not have direct contact with the buyers or daily access to the state of the A/R ledger. The insurer, therefore, must rely on what the seller or the factor tells him. For this reason, as we shall see later, the disclosure of all relevant information by the insured is of paramount importance when it comes to settling claims.

More information

You can find extensive information on credit insurance, its advantages and disadvantages in Part Five of the Guide to the Establishment of a Factoring Operation.

Legal Issues

1. FCI Constitution and Organisation Structure

The Constitution

Because its headquarters is in The Netherlands, the legal structure of FCI is that of a Dutch association and its constitution must be registered in accordance with Dutch law.

The Constitution is made up of two elements:

The **Articles of Association** - these set out the broad structure of FCI and have to be registered; and

The **By-laws** - these contain the more detailed rules which are more likely to need amendment as FCI develops. These amendments can be made without having to go through the formal registration procedure (see under "The Council" below).

The registration is done in the Dutch language but for ordinary purposes the English translation can be used. The full English text is in the Legal Manual which can be found in the library section of MY FCI.

The Council

The Council is the highest authority within FCI. It alone can establish the policy and the general principles of operation of FCI. The Articles of Association, the By-laws, the GRIF, the edifactoring.com Rules and the Rules of Arbitration can be amended **only** with the approval of the Council.

It consists of full members and associate members of FCI but only full members have the right to vote on the above issues. The voting rights of associate members are limited to the election of the Chairman and those three candidates for ordinary membership of the Executive Committee who gain the highest number of votes from both full members and associate members.

The Council must meet at least once a year. Additional meetings may be called by the Executive Committee or at the request of at least 10% of the members.

The Executive Committee

Article 5 of the Constitution states that FCI is managed by the Executive Committee. The Executive Committee can best be compared to a board of directors of a business corporation or company. The Executive Committee consists of a Chairman, two Vice Chairmen, an Immediate Past Chairman and seven, or in the event that (for whatever reason) an Immediate Past Chairman does not form part of the Committee, eight other members. Unless the number of members of the Executive Committee falls below 6, the Executive Committee remains validly composed.

Members of the Executive Committee are elected by the Council at its Annual Meeting. The Executive Committee also appoint the Secretary General and have the power to set up technical committees.

The Technical Committees

The **Technical Committees** can be established by the Executive Committee for specific purposes either on a continuous basis or for a limited time only. Usually they are made up of specialist staff from member companies.

At present there are four technical committees:

The Business & IT Solutions Committee deal with all matters relating to the transfer of information between members.

The Education Committee are responsible for the development and implementation of FCI's educational policy.

The Legal Committee deal with the maintenance of all FCI legal documentation and any issues arising from them.

The Marketing & Communication Committee help FCI to achieve its first objective, that is, “to promote the growth of international factoring transactions”.

The Secretariat

The Secretariat is the collective name for the Secretary General and all other employees of FCI.

The Executive Committee appoint the Secretary General who is directly responsible to the Executive Committee for the administration of FCI and the implementation of the decisions taken by the Council and the Executive Committee. The Secretary General must ensure that minutes of the Council, the Executive Committee and the Technical Committees are prepared and circulated.

The Secretary General and all other employees of the Secretariat must be independent of any member of FCI.

2. FCI Legal Framework

The Constitution

The Constitution sets out the “rules of the club” of FCI and deals with rules of membership and the various parts of the FCI organisation.

General Rules for International Factoring (GRIF)

The GRIF contains the rules governing the business of international factoring between FCI members. By signing the Interfactor Agreement (see below), members agree to be bound by the GRIF in the way that they do business together.

Interfactor Agreement

This is a bilateral agreement in which two FCI members, as correspondents, declare they will be bound by the General Rules for International Factoring, the Rules of Arbitration and the edifactoring.com Rules.

Rules of Arbitration

Fortunately, serious disagreements between members are rare but when they do arise, they will ultimately be decided by arbitration as foreseen in Article 10 of the GRIF.

edifactoring.com Rules

These rules govern the exchange of edifactoring.com messages between FCI members. By signing the interfactor agreement a member agrees to be bound by these rules.

Supplemental Agreements

Supplemental Agreement for Non-Notification Cross Border Factoring
 Supplemental Agreement for POM (Purchase Order Management)
 Supplemental Agreement for RESCUE (Receive Extra Support for Collection of Unpaid Exports)
 Supplemental Agreement for Invoice Verification service

Legal Circulars

When specific issues arise concerning the GRIF or other legal documents, they should be submitted to the Legal Committee who will then publish their decision as a Legal Circular.

3. Your Export Factoring Agreement

You may well find that you will have to include in your factoring agreement with your clients (sellers or exporters) some of the concepts of the GRIF. For example, if one of the credit-covered buyers becomes insolvent, your IF is not obliged to make his payment under approval until 90 days past due date. But this may mean with payment transfer delays that you do not receive the money for several days after that. To cover this delay, you should consider making the payment under approval period 110 days in your agreement with the seller.

You are strongly advised to consult your lawyers in order to avoid possible conflicts between the export factoring agreement and the FCI Interfactor Agreement, which is based on the GRIF. Your Import Factor correspondents have no knowledge of your export factoring agreement and so it is your responsibility to ensure that your agreement is in line with the GRIF.

Some Export Factors enclose the complete GRIF to their factoring agreement, but this has risks. If you do this, you must really be fully aware of those risks. The GRIF is a set of rules only applicable to the EF-IF relationship. The seller may be confused or worse, he may misuse some of the GRIF rules to play in his favour; think for example about what invoices are covered, days for payments under approval, various warranties and the like.

4. Authorised Signatures

In FCI we do not use and exchange authorised signatures. There is no burden of verification on the receiver who is entitled to rely on any message or signed commitment received from a correspondent. This is irrespective from the person who sent it.

The only obligation of the receiver is to verify which FCI **member**, not person, sent the message.

Sent is binding

It follows that anything sent by your company fully binds you vis-à-vis your correspondent. It does not matter if a credit cover for 10 million EUR is sent by your managing director or by the cleaning person at night. Once sent, your company is fully liable and bound.

Protect your environment

It is therefore essential that you protect your work environment and ensure that only authorised persons can send messages to other members of FCI. This is a matter of internal controls and you should consider issues like:

- ✓ Access to the physical mail department,
- ✓ Access to fax transmissions, either from fax machines or from computers,
- ✓ Access to e-mail sent from your company,
- ✓ A proper procedure for authorising the sending of messages that bind legally or financially your company.

Where Can You Go For Help?

1. The MY FCI (Private Website)

Your first stop should be MY FCI. Here you will find a wealth of information in this central database – technical manuals, circulars, statistics, etc. It is very important that you use the MY FCI properly.

2. FCI Secretariat and Education Team

If after your search of the MY FCI you still have not solved your problem, you should get in touch with the FCI Secretariat. On administration matters you should address your email to the Secretariat at fci@fci.nl.

For all education matters, including queries from students about the content of a course, you should address these to the Education Team at fci@fci.nl.

3. Regional Chapter Directors

FCI represents its member's needs on a more localised basis through its network of Regional Chapters. These Chapters organise events and activities which have a particular focus on regional issues and opportunities.

4. Chairman of the Technical Committees

If your question is a technical factoring one concerning a current business problem and the relevant manual has not helped, you should contact the chairman of the appropriate technical committee. This can be done by sending your enquiry by email to the FCI Secretariat.

Please do not send such enquiries to the chairman of the Education Committee or the Education Team. They can deal only with questions related directly to the courses and examinations.

5. Members of the Executive Committee

An important task of the Executive Committee is to serve as points of reference for all members of FCI. For this purpose, a number of countries have been allocated to each member of the Executive Committee. You can find out who the Executive Committee member is for your country by referring to the pertinent circular in MY FCI. He or she will be pleased to help you. Every year a new circular is issued after the Annual Meeting of FCI.

6. National Factoring Associations

If there is a factoring association in your country, you should become a member.

National factoring associations usually offer a set of training programmes tailored to their country's environment and can assist in dealing with regulatory issues.

7. If You Need Consultants

In your process of establishing a factoring operation, and/or soon after the start of your activities, you may find that you need expert advice in one or more areas.

A word of warning!

Factoring is a very specialised industry that requires specific expertise. This expertise can only be acquired by becoming a true factoring professional after many years of exposure in the industry.

If you are in a country where factoring is not yet established, you will hardly be able to find consultants who have the expertise to serve you. Even in countries where factoring is long established, it is difficult to find true independent specialists (persons who are not already employed by factor).

Whilst you may find, or even be approached by, consultants willing to offer you all kind of services and claiming expertise in this field, you should be very cautious before engaging them. Have you ever met a consultant who wants to serve you but at the same time he tells you that he has no idea of what he is taking about?

Ask FCI

Therefore, the FCI Executive Committee has endorsed the idea to make Ms. Aysen Çetintas, FCI Education Director and Mr. Spyros Tsolis, FCI Education Officer available for on-the-spot training for new FCI members who joined the organisation during the past two years. The purpose is to offer guidance in the process of setting up FCI Two-Factor business and facilitating the new member's integration into FCI.

Ms. Çetintas & Mr. Tsolis will act as a specialist consultants, sharing with you their extensive factoring experience acquired from their previous senior management positions and from their thorough understanding of FCI practices and procedures. For further information and for discussing an appropriate program, you can contact the FCI Secretariat (see also Tailor-made Training Programme).

If you need a specialised consultant on a specific issue, or complete assistance in setting up your new factoring operation, FCI may be able to put you in touch with the person you need. FCI has a database of factoring professionals, all with several years of factoring management experience in many different markets. If FCI can find a professional who is willing to assist you, all further negotiations regarding the engagement must be conducted directly by yourself. FCI will not help you in this.

Miscellaneous Issues

1. English Language

The **English language is the only language** used in FCI and all paperwork, all meetings of FCI and written communications among members are in English. It is therefore essential that in your company there are at least two or three persons who are “at home with” English, not only in the written form but also in the spoken form.

2. The Roles of the FCI Committees

FCI as an organisation deals with several projects and offers an extensive range of services to its members. Much of this work originates from the “brains” of the FCI Committees and it cannot be accomplished without their valuable input. Following is a brief description of the role and tasks of each FCI Committee.

Executive Committee

The Executive Committee consists of twelve members, elected by the FCI Council every 2 years, and can best be compared to a board of directors of a business corporation or company. Article 5 of the Constitution states that FCI shall be managed by the Executive Committee. The Executive Committee also appoint the Secretary General and have the power to set up technical committees (for specific purposes either on a continuous basis or for a limited time only) and to appoint their chairmen.

The Executive Committee are responsible to implement the Council decisions, to supervise the FCI Secretariat and to allocate tasks to the Technical Committees.

Business & IT Solutions Committee

The Business & IT Solutions Committee deal with all matters relating to the transfer of information between members in the FCI two-factor system.

The Business & IT Solutions Committee are responsible for edifactoring.com and its continuous improvement, for increasing the efficiency and reducing costs of the FCI two-factor system and for the maintenance of the Communication Manual.

Education Committee

The Education Committee are responsible for the development and implementation of FCI’s educational policy.

Working closely with the Education Director & the Education Officer, the Education Committee supervise all FCI courses, decide on the modification of existing or on the release of new courses, decide on the development of new education programs & manuals, and may organise education seminars and workshops.

Legal Committee	<p>The Legal Committee are responsible for the maintenance of all FCI legal documentation and any issues arising from them.</p> <p>Another important task is to assist FCI members in clarifying legal issues and in assisting them to solve possible problems with their correspondents.</p> <p>Changes to the GRIF, for example, are often the result of issues raised by FCI members.</p>
Marketing & Communication Committee	<p>The Marketing & Communication Committee help FCI to achieve its first objective, that is, “to facilitate & promote international factoring through a correspondent factoring platform”, by organising promotion conferences, maintaining the FCI public web site www.fci.nl, and producing the FCI Annual Review.</p> <p>Another important task is to provide FCI members efficient tools to sell export factoring such as specialised training seminars and the Sales and Marketing Toolbox.</p> <p>Finally, the Marketing & Communication Committee also promotes “FCI” to its members by supervising the release of the quarterly newsletter “FCI In-Sight” and organising each year a new award relating to the development of export and import factoring.</p>
Compliance Committee	<p>The Compliance Committee was established to develop a compliance policy, both internal and external, to ensure that all laws, regulations and FCI Core Values are in place and to better understand the risks associated with FCI’s business activities.</p>
Supply Chain Finance (Ad-hoc) Committee	<p>The SCF Committee has been created to analyse how FCI can develop a role and how it can provide added value to the Institutions developing other products such as Supply Chain Finance, not forgetting invoice discounters, forfaiters, etc.</p>

3. Annual Financial Statements and Compliance documents

You must ensure that the FCI Secretariat (and also your FCI correspondents!!) receives your latest financial statements at least once per year, and within six months after your year end as well as a valid set of all your Compliance documents (KYC/AML forms). If the FCI Secretariat does not receive your financial statements within nine months, your company runs the serious risk of losing its membership in FCI, at the discretion of the FCI Executive Committee.

MY FCI	<p>The FCI Secretariat will upload your latest financial statements onto the MY FCI, unless requested otherwise.</p>
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4. FCI Market Survey of Factoring Volumes

The FCI Secretariat prepares in March each year the accumulative FCI and

world-wide statistics on factoring volumes. This includes several pages of very detailed information.

The FCI statistics play an extremely important role both for the world-wide factoring industry and for research organisations. Released to hundreds of factoring bodies, economic and research organisations, and press publications, the FCI statistics are the **sole** undisputed and recognised source of world-wide factoring volumes.

The FCI statistics are prepared based on the input of each member of FCI who compile a detailed market survey questionnaire. We ask you to make a note of this and ensure that your company submits your market survey questionnaire on time. It is not only your constitutional obligation (see Rule 1b of the FCI Constitution) to do so, but it is also the only way for the Secretariat to produce this extremely valuable information.

You can also find all past factoring volume statistics on the MY FCI in the file library section "Statistics".

5. The FCI Annual Meeting

Held once a year in different areas of the world, the FCI Annual Meeting is the formal "event of the year" which all members of FCI should attend.

Lasting over a week, the Annual Meeting exposes you to interesting presentations, valuable group discussions and formal plenum sessions.

The most important event is the Council Meeting, held on the last day of the Annual Meeting. It is here that the members of FCI decide on changes to the Constitution and the GRIF, decide on major projects and new investments, and elect the members of the FCI Executive Committee.

The FCI Annual Meetings give you the feeling of what it is like being a member of FCI and, again, the opportunity to make invaluable personal contacts with the most experienced factoring professionals around both during formal events and in casual settings.

6. FCI Logo

You will probably be proud to display on your letterhead and other printed documents the FCI logo. The logo can be found in digital form on MY FCI in the "Marketing and Press Toolbox". Although new members start as Associate Members, this is only an internal FCI matter. You can call yourself "**Member of FCI**" on all your printed documents and letterheads

Appendix A – A Brief Overview of the FCI Two-Factor System

1. Why Have Two Factors?

The problem	A factoring company intending to serve exporting sellers needs to provide services in a wide range of countries. It needs to offer an efficient service to the seller, while managing the factoring risk. It is impractical for a single factoring company to set up its own operation in each country to which the factor's clients wish to export. The costs are high and the factor would need considerable local knowledge which he can only develop over time.
Two-factor solution	This problem is FCI's main focus. One solution is to co-operate with factors in the buyer's country and this is known as the <i>two-factor system</i> . The factor in the seller's country (the Export Factor or EF) establishes a relationship with a correspondent factor in the buyer's country (the Import Factor or IF). Each factor has relevant local knowledge and expertise and can operate in the way most appropriate for that home market. A sound operational system, especially for communications between the two factors, ensures that the relationship works efficiently for the good of the client.
The aim	The service elements of international factoring include sales finance, buyer credit protection and collection of invoices. The aim of the two-factor system is to combine the strengths of the EF and IF to provide these services internationally in a way that is reliable, safe and competitive.

2. Roles and Responsibilities

Who are the parties involved?	In addition to banks and sellers' agents, there are four main parties involved in the two-factor system:
Seller	Sells goods or services to the buyer in another country. Receives a factoring service from the EF. Often called <i>supplier</i> , <i>client</i> or <i>exporter</i> but FCI adopts the standardised term <i>seller</i> .
EF in the seller's country	Has responsibility to the seller to whom he provides a service. Has responsibility to the IF for the seller's performance.
IF in the buyer's country	Has responsibility for the buyer from whom he collects payment and whose payments he guarantees. Has responsibility to the EF.
Buyer	Receives goods or services from the seller.

	Pays the IF for the invoice from the seller.
Functions of international factoring	The basic functions of international factoring are the same as for domestic full-service factoring: <ul style="list-style-type: none"> ✓ Financing the seller ✓ Credit cover ✓ Accounts receivable (A/R) administration ✓ Collection of outstanding invoices.
Who is responsible for what?	The EF and IF divide these functions between them on the basis that: <ul style="list-style-type: none"> ✓ The EF has responsibility for the seller. He finances the seller and provides the A/R administration. <p>The EF is best placed to monitor and handle the communication with the seller. He has the contract with the seller in his own country and he may also factor the seller's domestic sales.</p> <ul style="list-style-type: none"> ✓ The IF has responsibility for the buyer. He provides credit covers to the EF and collects the outstanding invoices. <p>The IF is based in the buyer's country and is best placed to undertake credit assessments and communications in his home market.</p> <ul style="list-style-type: none"> ✓ The EF and IF have responsibilities to each other. <p>An Interfactor Agreement regulates their respective responsibilities. It does so by binding the EF and the IF to abide by the GRIF, the Rules of Arbitration and the edifactoring.com Rules.</p>

3. How the Two-Factor System Works

Flow of transactions	The flow of basic transactions between the parties in the two-factor system is described by the following fourteen steps.
1	The EF and IF agree to work together.
2	The seller identifies a prospective buyer.
3	The seller approaches the EF about factoring services, signs a contract and asks for credit covers.
4	The EF asks the IF to assess the buyer for credit-worthiness.
5	If the buyer is credit-worthy, the IF gives a credit cover.
6	If the buyer agrees to buy the goods or service, the seller despatches the goods or provides the service. The seller also sends the buyer the invoices. Each of these has a notice printed on it, assigning it to the IF.
7	The seller assigns the invoices to the EF and sends copies of the invoices.
8	The EF assigns the invoices to the IF and sends invoice details.
9	The EF finances the seller for part of the invoice value.
10	On the due date of the invoice, the buyer pays the IF who transfers funds to the EF.

11	If the buyer does not pay on time, the IF starts his collection procedures.
12	If the buyer does not pay within 90 days of the due date, the IF must pay under approval .
13	The EF transfers the payment for the invoice to the seller, after deducting the pre-financed amount.
14	The buyer may raise a dispute that can only be resolved with the seller. Both factors help to achieve this.
Credit risk protection	<p>This is one of the most important aspects of the service the two-factor system provides. The EF offers the seller protection for credit risk in case the buyer does not pay invoices within 90 days of the due date:</p> <ul style="list-style-type: none"> ✓ The EF covers himself against the credit risk by obtaining credit cover from the IF. ✓ The EF gives the seller the same credit cover for the buyer. ✓ Ultimately the IF therefore carries the credit risk of the buyer. ✓ The EF carries a risk on the IF.
Seller exports to more than one country	<p>The seller has only one export factoring contract with one EF. However, the seller will usually sell to more than one buyer and to more than one country. The EF therefore chooses one or more correspondent IFs for each country to which the seller wants to export. In some cases, one IF may cover more than one country. Each IF correspondent takes care of all the buyers that he agreed to cover in his country or countries.</p>

4. Advantages

Seller	<p>The two-factor system has many advantages for the seller:</p> <ul style="list-style-type: none"> ✓ One export factoring agreement covers the credit risk of his sales to several buyers in several countries. ✓ He can deal with the EF in his own language. ✓ The factors sort out any payment problems with the buyer, leaving the seller free to preserve a good business relationship with his customers. However, the seller will need to be involved if there is a dispute. ✓ He does not need a detailed knowledge of the law or trade customs in the buyer's country. ✓ Through the EF and IF, he can obtain valuable information on the standing of foreign buyers, on trade customs and market potential. ✓ He can deal on open account terms and avoid the cost of letters of credit.
Buyer	<p>Dealing with a factor in his home country offers three major benefits for the buyer:</p> <ul style="list-style-type: none"> ✓ All communication is in his own language. ✓ He can pay invoices locally in the most convenient way. He chooses the option that gives cleared funds, for that particular currency, most quickly and cheaply. ✓ He can deal on open account terms and avoid the cost of letters of credit.
EF	<p>The two-factor system offers benefits to the EF:</p>

- ✓ He is able to offer his sellers an export factoring service in a large number of countries without setting up an operation there himself.
- ✓ The IF takes on the credit risk of the buyers in the destination country.
- ✓ The IF takes care to collect payments from the buyers and, if necessary, to take legal action against them.

IF

The two-factor system is an excellent way for the IF to generate new business and increase his portfolio of buyers, thus spreading the credit risk.

5. Disadvantages

Risks

The strengths of the two-factor system are also the source of its weaknesses, namely:

- ✓ The reliance the IF must place on the EF's ability to identify suitable sellers.
- ✓ The reliance the EF must place on the IF's dealings with the buyers.
- ✓ Co-operation between the EF and IF.

An EF may have a seller who exports to 20 countries. If the IF in just one of those countries gives poor service, then the EF could lose the export factoring contract. This results in loss of business for the EF and all his corresponding IFs.

Similarly, poor co-operation between EF and IF or failure to follow the FCI interfactor communication procedures can result in the loss of business.

There is also a credit exposure on the IF which the EF must assess and manage.

Appendix B – Member Catalogue Page

Purpose The purpose of this appendix is to show an example of a poor and a proper Member Catalogue page. Please use the “proper” example to prepare the Member Catalogue page of your company.

You can find more information on the FCI Member Catalogue, including the proper persons to be listed, in the section “Welcome to FCI – Member Catalogue”.

1. Example of a Poor Member Catalogue Page

Country	Fantasyland
Factor Code	FY99900
Company Name	Largest World Bank Ltd.
Department/Division	Head Office
Postal Address	P.O. Box 123
Postal Code	100100
City	METROPOLIS
E-mail	info@largestworldbank.com
Web site	
Telephone 1	+999-10-7777 0000 (switchboard)
Telefax 1	+999-10-7777 0001 (central mail room)
Working hours	08.30-12.00 / 13.00-17.30
General Correspondence	Mr. Ben, Chief Executive Officer Tel +999-10-7777 0000 (switchboard)
	Mr. Pete, Bank General Manager Tel +999-10-7777 0000 (switchboard)
Contacts	Mr. John, Chief Letters of Credit Tel +999-10-7777 0000 (switchboard)
	Mr. Carl, Chief Corporate Loans Tel +999-10-7777 0000 (switchboard)
Management	Mr. Bob, President of the Board Tel +999-10-7777 0000 (switchboard)
	Mr. Ben, Chief Executive Officer Tel +999-10-7777 0000 (switchboard)
Shareholders	Various

2. Example of a Proper Member Catalogue Page

Country	Fantasyland
Factor Code	FY99900
Company Name	Largest World Bank Ltd.
Department/Division	Factoring Division
Postal Address	P.O. Box 123
Postal Code	100100
City	METROPOLIS
Visiting Address	1, Fantasy Ave.
Postal Code	100818
City	METROPOLIS
E-mail	pete@largestworldbank.com
Web site	
Telephone 1	+999-10-7777 6652
Telefax 1	+999-10-7777 6600
Working hours	08.30-12.00 / 13.00-17.30 Monday to Friday
General Correspondence	Mr. Pete, FCI Contact Person Tel +999-10-7777 6652 pete@largestworldbank.com
Contacts	Mr. John, Factoring Manager (Export) Tel +999-10-7777 6653 john@largestworldbank.com Mr. Carl, Factoring Manager (Import) Tel +999-10-7777 6654 carl@largestworldbank.com
Management	Mr. Bob, Head of Factoring Department Tel +999-10-7777 6650 bob@largestworldbank.com Mr. Ben, International Factoring Manager Tel +999-10-7777 6651 ben@largestworldbank.com
Shareholders	Universe Investments Limited The Bank of Europe PLC Others

Appendix C – Import Factor Information Sheet

Purpose The purpose of this appendix is to show an example of a poor and a proper IFIS. Please use the “proper” example to prepare the IFIS of your company. You can find more information on the IFIS and of its purpose in the section “Getting Ready for the FCI Two-Factor Business – IFIS”.

1. Example of a Poor IFIS

Import Factor Information Sheet

Britannia Factors plc

Chariot Chambers, Perfidy Place, LONDON, EC2N 3BU, United Kingdom

Telephone: 00 44 1234 555657 e-mail address: GB99900@fci.nl

Seller Information

Must always be provided, giving as many details as possible, including the names and address of all debtors.

Credit Approvals

Credit decisions are normally given within 14 days in receipt

Of application for new debtors, and may be easier provided that we get all debtor details:

All credit lines granted should be regarded as preliminary until we receive your confirmation that the seller has signed a factoring agreement and business will commence.

Preliminary credit lines given will be withdrawn after 90 days if not utilised but may be extended by prior arrangement.

Pricing

We follow the FCI standard prices. Our commission varies for each buyer according to the turnover, number of invoices and risk assessment of the buyer.

Dunning Procedures

Statements of account are forwarded monthly to the buyers.

Payments under Approval For approved and undisputed debts, we will make a PUA 90 days after invoice due date if the buyer is financially unable to pay.

Transfer of Funds

All payment will be via SWIFT:

- Daily if above a minimum amount, or
- Weekly.

Reporting

We are EDIFACT users.

In addition we provide the FCI standardised reporting system.

Visits

Sellers and their agents are always welcome to visit us. Please contact Mr Philip Helpful.

2. Why Is the IFIS Wrong?

Seller Information	Names and addresses of buyers (not debtors!) are not part of the seller information. Buyers' details are provided by sending preliminary credit assessment requests.
Credit Approvals	<p>Replies to credit cover requests (not credit approvals!) must be sent within 10 days, not 14 days.</p> <p>Credit covers/lines are always firm; they can have an expiry date but stating that they are "preliminary" is nonsense and against the rules of the GRIF. Furthermore, credit lines do not expire after x days just because you state so in your IFIS; they expire only if you state the expiry date.</p> <p>Finally, if the EF did not yet sign a contract with the seller, he must not send credit cover requests; the EF must send preliminary credit assessment requests instead.</p> <p>Again, refer to buyers, not to debtors.</p>
Pricing	<p>There is no FCI standard pricing and there has never been one! What we have a standardised commission structure that all FCI members must use. See Chapter 11 of the Communication Manual.</p> <p>More importantly, the commission must apply to all seller's buyers and not a different commission for each single buyer. The EF simply cannot sell export factoring if the commission is different for each buyer. It is the responsibility of the IF to calculate one price based on the buyers' information provided by the EF.</p>
Dunning Procedures	<p>For a start call it "collection" and not "dunning".</p> <p>Sending a statement of account monthly is not enough. You must explain how many reminder letters you will send (and the frequency), explain your telephone collections and explain when and how you will start taking legal action.</p>
Payments under Approval	<p>For all approved and undisputed invoices, payments under approval must be made 90 days after invoice due date irrespective to the reason of non-payment. Whether or not the buyer is financially unable to pay is totally irrelevant.</p>
Transfer of Funds	<p>If there is no bilateral agreement in writing between EF and IF, all payments collected from buyers must be remitted to the EF daily irrespective to the amount.</p>

Reporting

- ✓ The name of the FCI communication system is edifactoring.com, and not EDIFACT.
- ✓ It is unnecessary to state “we are edifactoring.com users”. All FCI members are, it is a constitutional obligation. Moreover, being an edifactoring.com user has nothing to do with rendering reports to the EF, unless you stand fully behind the edifactoring.com CRS.
- ✓ The FCI standardised reporting system does not exist any longer. It has been discontinued in 1994!

You must state here how and when you will render your regular reporting to the EF:

- ✓ If you stand fully behind the edifactoring.com Centralised Reporting System (CRS), state so here and indicate that you will not send any report to the EF; the EF is expected to retrieve and check the CRS.
- ✓ If you do **not** stand behind the edifactoring.com CRS, state here which reports you will send to the EF and the frequency.

Missing Information

The following essential information is missing in the above example IFIS:

- ✓ Contacts and hours of operation,
- ✓ Assignment text,
- ✓ Introductory letter,
- ✓ Special information,
- ✓ Money laundering requirements.

3. Example of a Proper IFIS

Import Factor Information Sheet

Britannia Factors plc

Chariot Chambers, Perfidy Place, LONDON, EC2N 3BU, United Kingdom

Telephone: 00 44 1234 555657 e-mail address: GB99900@fci.nl

Contacts and Hours of Operation

State here the names, responsibilities, e-mail addresses and direct telephone numbers of the persons in your company who will handle import business, and the time when they can be reached (your normal working days and hours).

Seller Information

Must always be provided, giving as many details as possible. If the actual turnover, number of buyers, number of invoices/credit notes differs considerably from the information given to us, we reserve the right to re-assess our commission. Instructions concerning the charge-back of rest amounts, discount grace period, and name, address and authority of seller's agent should also be mentioned.

Credit Covers

Normally, our decision is taken within 7 days or less. In case of delay we will notify the EF within 10 days. Should it be necessary to contact the buyer, we will do so only with the seller's permission. Our credit covers are valid until further notice is given, unless otherwise stated.

Important Notice on Request for Credit Covers

In order to take credit cover decisions in the shortest possible time, it is very important for us to have:

- The bankers of the buyer in the UK,
- The correct style of the buyer (legal name of registration and address).

Please always mention this information on your request for credit cover.

Assignment

The following assignment clause must be placed on all invoices (original and all copies) in order to avoid payments being made directly to the seller:

"The debt shown in this invoice has been assigned to Britannia Factors plc who are entitled to receive payment.

Payment must be in the invoice currency and made by bank transfer to Britannia Bank plc, Albion Street, LONDON, EC1A 1AA, sort code 00-00-00, for the credit of account number (123456789) and quoting your supplier's name. If you have any claims or queries about this invoice or a general enquiry, please telephone Britannia Factors on +44 (0)1234 555657."

Introductory Letters

State here your instructions and procedures for sending introductory letters to the buyers in your country. Attach copy of your introductory letter in English and in your local language to the IFIS. See the Communication Manual for more information.

Pricing

Risk Coverage Commission: the commission is fixed separately for each seller depending on line of trade, payment terms, etc. Normally, it is between 0.5 percent (%) and 1 percent (%) of the gross turnover.

Handling Commission: the handling commission for each invoice and credit note is the equivalent of EUR 6.00 charged in the currency of the invoice.

Collections only: the commission is usually 0.3% of the gross turnover.

Legal Collection Fees: all legal collection fees on credit-covered accounts receivable are met by us. Legal collection fees on partially credit-covered accounts receivable are split in proportion to the balance covered and the balance not covered. Fees on non-covered accounts receivable are for the account of the EF.

Bank Charges: our commission does not include bank charges.

Collection Procedures

Statements of account are forwarded monthly to the buyers, even if there is a balance which is not yet due. Two reminder letters are forwarded. The first is sent 8-14 days after the due date of the invoice. The second is sent two weeks later. In the latter we threaten the buyer with legal action. Invoices will be passed for legal action approximately 40 days after the due date but, for unapproved accounts receivable, only with the EF's permission.

Transfer of Funds

All payment orders will be via SWIFT:

- Daily if above the minimum amount agreed to in writing with the EF and weekly for smaller amounts, or
- Daily for any amounts in the absence of a written agreement with the EF.

Reporting

We stand fully behind the edifactoring.com Centralised Reporting System (CRS), and we will not send any additional report to the EF; the EF is expected to retrieve and check the CRS.

Special Information

Include, where necessary:

- Your willingness to accept cross-border non-notification factoring,
- Special requirements and any other information related to your own company's operations,
- Specific regulations and factoring customs of your country, for example whether prohibition of assignment is used, retention of title, etc.

Money Laundering Requirements

Include here your requirements for money laundering for the EF to comply with.

Visits

Sellers and their agents are always welcome to visit us. Please contact Mr Philip Helpful.

WHAT YOU MUST NOT INCLUDE IN YOUR IFIS

You should **never include** in your IFIS procedures and information such as:

- Anything that is not 100% in line with the FCI GRIF,
- Payment under approval statements like "all undisputed and credit covered invoices unpaid 90 days after due date...etc., etc.". This is unnecessary and already regulated by the GRIF to which you, and all other members of FCI, must abide.

Remember that anything included in your IFIS that is not 100% in line with the FCI GRIF has no validity whatsoever and only creates confusion for the EF. Any bilateral deviations to the GRIF must be agreed to in writing by the EF and IF. The IFIS is not an agreement or a contract; it is simply an information document.