

Symposium 2021

Content summary

The Future of factoring: challenges and opportunities

How will the factoring business develop in the future? What will possibly be decisive for success? At the efcom Symposium 2021 we looked at various aspects. Find our presentation abstracts and respective links to the live presentations.

The factoring industry depends primarily on a region's economical, legal and technological condition resulting in corresponding opportunities for growth and development.

The question is thus, where will the overall industry journey lead? How should the use of new technologies be assessed in this respect? Various experts gave us the answers at the efcom Symposium 2021. In addition, our responsible colleagues report on how we ourselves have renewed and optimised our products.

We hereby present an overview of the contents. On this paper you will find the overviews of the lectures and one expert dialogue from past October 7th, 2021, along with their respective YouTube links.

efcom symposia are meant to be "think outside of the box – discover new paths for yourself" events. We are sure you will find yours.

*Yours,
efcom*

1. Peter Mulroy (FCI): Factoring, a global success story

Due to the pandemic, there was a 6.5% decline in global industry volume in 2020. This even exceeds the value recorded in 2009 by a factor of five (approx. EUR 200 billion) and is a minus record within the FCI records of the past 40 years. Nevertheless, factoring has seen a rapid upswing globally over the past 20 years: the total factoring volume in 2020 was around 3.4 trillion US dollars.

What can be said about the emerging opportunities and challenges? In 2020, there was a significant decline in productivity worldwide. However, in 2021, a recovery can already be seen in the factoring markets, especially in developed markets such as Europe, the USA, Russia, South Africa or China. This is, in particular, due to the stimulating measures taken by governments.

There is a great danger for the entire factoring industry due to the emergence of so-called "zombie companies". These have been able to survive, among other things, with the help of COVID-19-related protective measures on the part of governments, but they present blatant risks.

Opportunities arise from increasing investments in the new business sector and in new technologies. Analogous to the developments after the crisis in 2008/2009, there will probably also be significant growth after the COVID 19 crisis. But: One has to keep an eye on the also increasing risks and concentrate on sustainable risk profiles as well as the core products, furthermore, ensure adequate risk hedging and invest in reliable technology providers for this purpose. The motto here is clearly "back to basics".

For more information:

www.fci.nl



[Peter Mulroy's
lecture as video](#)



2. F. Avellán Borgmeyer, T. Lui (FCI): Factoring in Asia

Factoring has experienced an enormous up-swing in the Asian region over the past 10 years. China is one of the big players here. An important role is played by the big tech companies, which are very innovative, pick up on the latest trends and implement them very quickly. Alibaba, Jing Dong and Tencent are examples of this development.

Amongst others, these platforms offer various payment options and financing at the touch of a button. Even for normal purchases, people hardly ever pay in cash. Innovation is very fast, users are skipping phases and using state-of-the-art technologies such as mobile payment. In addition to Singapore and Japan, South Korea and China have now also caught up. And there are emerging countries like India, Bangladesh, Vietnam, which are making considerable progress.

In general, as a local bank with a large portfolio of offerings, you have to move on or you will get stuck. In addition, the tech giants are also increasingly entering the factoring sector, as they have data that the classic banks do not have: Payment flows, purchasing behaviour, etc.

Non-banks are usually focused on SMEs. They have to deal with increasing requirements, for example in the area of compliance or risk control. How can they still keep up with the big players? Through flexibility and innovative performance, non-banks and FinTechs occupy untapped market segments. In this respect, the Asian region will remain a dynamic technological hotspot. East and West may learn from each other and FCI continues to foster the industry.

For more information:

www.fci.nl

www.efcom.de/en



[Federico Avellán Borgmeyer's and Thompson Lui's expert dialogue as video](#)



3. Oliver Rölle, Michael Petrovic (efcom): Highlights in 2020

As part of the continuous optimisation of our efOnline application, we have rewritten the entire front end in the past in order to be able to use the latest web technologies. Another important aspect was that the entire application should be mobile-compatible. The goal was to be able to access the data from anywhere.

The efOnline dashboard is completely customizable. In addition, users can initiate processes themselves, which further reduces the workload of the factor's staff. The customer receives full transparency of their data and the processes. Furthermore, efOnline is a white-label solution. This means that it can be adapted according to the respective corporate design. Our long-term goal is to move more and more functions from ef3 to efOnline in order to make work easier and more comfortable. Stay tuned!

A lot of the ef3 improvements have revolved around automation. Here we were able to redesign or add to numerous processes in such a way that they meet the requirements in practice even more. Also worth mentioning are enhancements in the area of access competences, assigned rights or interfaces.

We have also changed the menu structure, which is now much leaner than before. In addition, more search dialogues, for example, have been added to ef3. All in all, transparency and performance have been improved in many areas - and this will continue in the future.

For more information:

www.efcom.de/en



4. Christian Faber (BWB): Cross-border factoring

There is an increasing trend of cross-border involvement. One of the reasons: For some years now, there have been very low conditions in factoring, low margins and thus lower profitability.

What makes cross-border so difficult: Among other things, there are different regulatory regimes with regard to the required supervision. In addition, there are country-specific differences regarding the effectiveness of an assignment of receivables.

Those who nevertheless want to expand their business abroad on their own initiative must pay attention to the following points: Inquire about one's own authorisation status as well as review and adapt one's own factoring contracts with regard to the applicable laws in the

respective country. Here it is advisable, for example, to agree on the assignment statute according to the native country law so that one does not have to comply with a law that may be unknown.

Alternatively, existing international platforms can be used for foreign business. Examples of this are FCI's two-factor-system or WOA's Xchange platform. With both solutions, all participants submit to common rules and thus enable smooth settlement.

Overall, there is a lack of sufficient regulatory and legal harmonisation – both within and outside the EU. This would greatly facilitate the possibilities of international business.

For more information:
www.bwb-law.de



[Christian Faber's
lecture as video](#)



5. Federico Avellán Borgmeyer (efcom): PSD2 and factoring

PSD2 is a regulation of payment services and payment service providers. The aim of this directive is to increase Europe-wide competition and participation in the payment industry also by non-banks. By harmonising consumer protection and rights and obligations for payment service providers and users, the aim is to create a level playing field.

For transactions or a purchase over the internet, one's own bank usually has to be involved for the payment process. Through PSD2, there are now a whole range of companies on the market that offer this service, i.e. payment initiation. That means we work with a company that handles the entire process between the merchant, the bank and the customer. What opportunities does this create for factoring?

One example would be the recording and forecasting of cash flow for SMEs. With the help of AI, you could predict what the cash flow might look like in the coming months. This would be an opportunity for both SMEs and factor banks, as the processing effort could be reduced.

It could also be used in the area of creditworthiness and rating of debtors: If we were to get real-time data from debtors via the PSD2 directive, then it would be possible to make better offers and possibly do without certain external creditworthiness and ratings.

We at efcom are constantly thinking about how we can use new technologies to increase security, convenience, and success for your business.

For more information:

www.efcom.de/en



[Federico Avellán Borgmeyer's
lecture as video](#)



6. Harald Ross (b4value.net): eInvoicing

According to a 2014 European Directive, all European countries will be required to ensure that a centrally defined CEN data format is received by all authorities. Unfortunately, the reality in most EU countries is different: There are numerous implementation variants and statuses.

Things do not look any better in Germany: All federal states have enforced the EU law in their own form. Accordingly, there are 16 transposition derivatives. Nevertheless, there is one positive effect: the administration is proving to be a catalyst for digitalisation.

Looking at the issue from the perspective of a digital VAT reporting system in Europe, there is one main motivation for pushing this issue further: There is a VAT shortfall of about 164 billion euros in Europe (2020). In Germany it is about 22 billion euros.

Which models exist or which are currently being discussed? One is the clearance model, which has been implemented in Italy. The idea is that every invoice goes through a state platform. Another model, which has been implemented in Hungary, is the tax reporting model. There, it is the case that I have to transmit a data set to the authority parallel to my invoice.

What are the future challenges for entrepreneurs? On the one hand, the speed of digitalisation has accelerated significantly. On the other hand, a large part of the processes in organisations is driven by documents. Here we can observe enormous potential for optimising automation simply by switching to structured data. In addition, the complexity of legal, professional, and technical requirements for companies will grow significantly in the future.

For more information:

www.b4value.net



[Harald Ross`
lecture as video](#)



7. A. Danciu, J. Jeschner (Main Incubator): Quantum computing

We explore the potential of new technologies that can have an impact on our society, but also on banking and financial services. Among other things, we deal with quantum computing. What is so special about quantum computers?

Especially the phenomena found in quantum mechanics, such as superposition and quantum entanglement, enable enormous computing power that far exceeds that of classical computers. How can we use the principles and technologies for us?

We have examined this using a securitisation, an asset backed security transaction, as an example. There are hundreds of thousands of claims and many criteria that have to be met. So it is a combinatorial optimisation problem.

As a result, the actual calculation took only a fraction of what we needed compared to the productive system. In the classical system, adding demands and/or criteria leads to an exponential increase in computing time. With quantum computers it is different: if enough stable qubits are available, we can stay with the same computing time!

The potential for factoring: for example, in the purchase optimisation of invoices. Here, we are dealing with a highly complex process that can be significantly accelerated. The advantages: optimal liquidity management, higher earnings and no additional risk. So it makes sense as a company to look at this and find out what are the processes or possibly new products that can arise on the basis of this technology.

For more information:

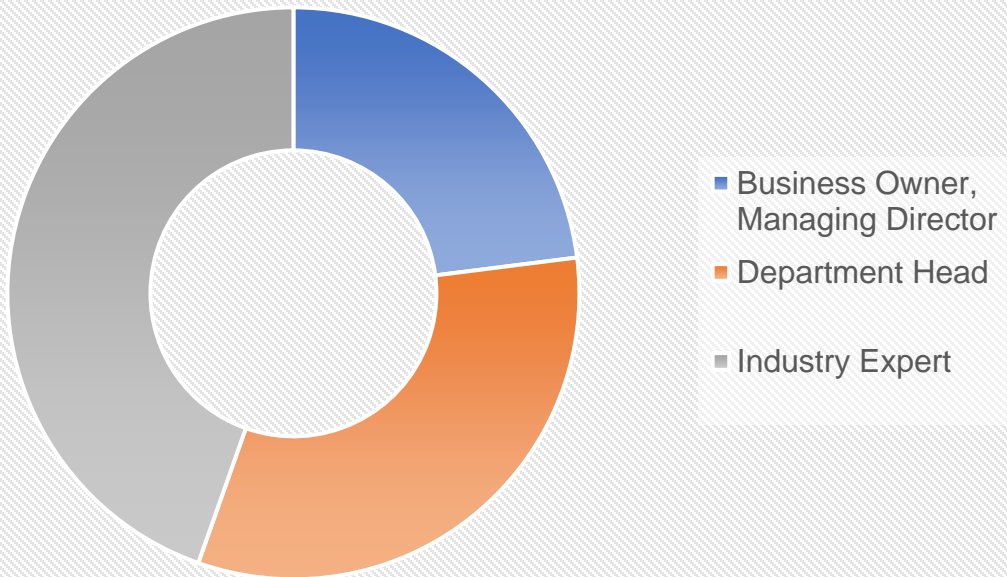
www.main-incubator.com



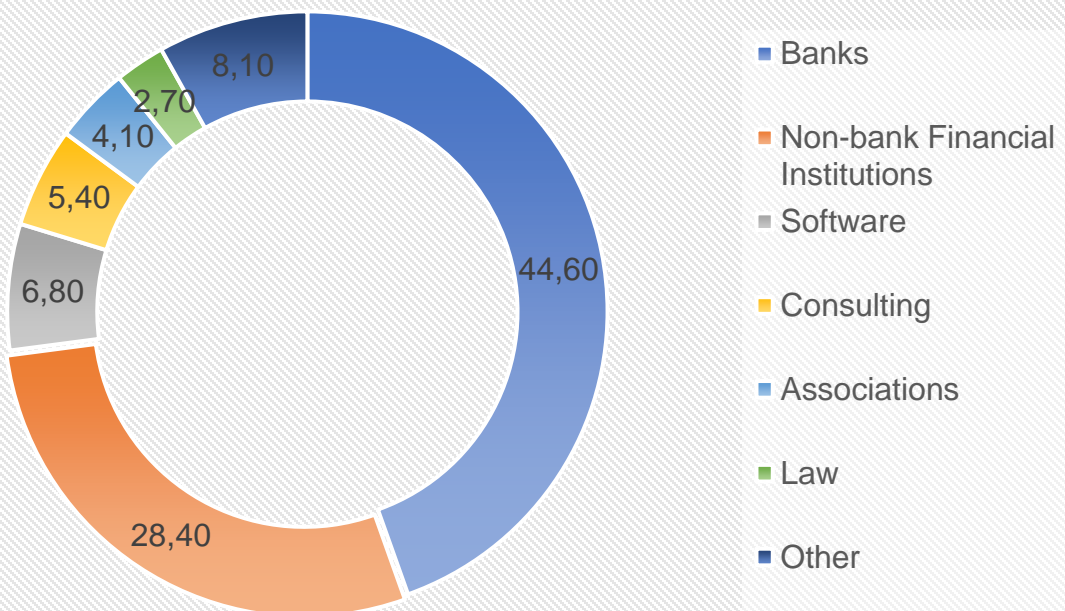
[Augustin Danciu`s and Jens Jeschner`s lecture as video](#)



Participants: which functions?



Participants: which industries?



More information? Please contact us.

If you are interested in further information about this event or about efcom gmbh:
Please contact us via e-mail at f.avellan-borgmeyer@efcom.de

Thank you very much!

Where you can find us:

