

The De-Risking Delima –
to de-risk or not to de-risk that is the question!

Rudolf Putz, Head Trade Facilitation Programme (TFP)

30 April 2024



European Bank
for Reconstruction and Development

Central Europe and the Baltic states

- 01 Croatia
- 02 Czech Republic
- 03 Estonia
- 04 Hungary
- 05 Latvia
- 06 Lithuania
- 07 Poland
- 08 Slovak Republic
- 09 Slovenia

* The EBRD has suspended Russia and Belarus from receiving funding for projects or technical cooperation, following the invasion of Ukraine.

Southern and eastern Mediterranean

- 30 Egypt
- 31 Jordan
- 32 Lebanon
- 33 Morocco
- 34 Tunisia
- 35 West Bank and Gaza

South-eastern Europe

- 10 Albania
- 11 Bosnia and Herzegovina
- 12 Bulgaria
- 13 Kosovo
- 14 Montenegro
- 15 North Macedonia
- 16 Romania
- 17 Serbia

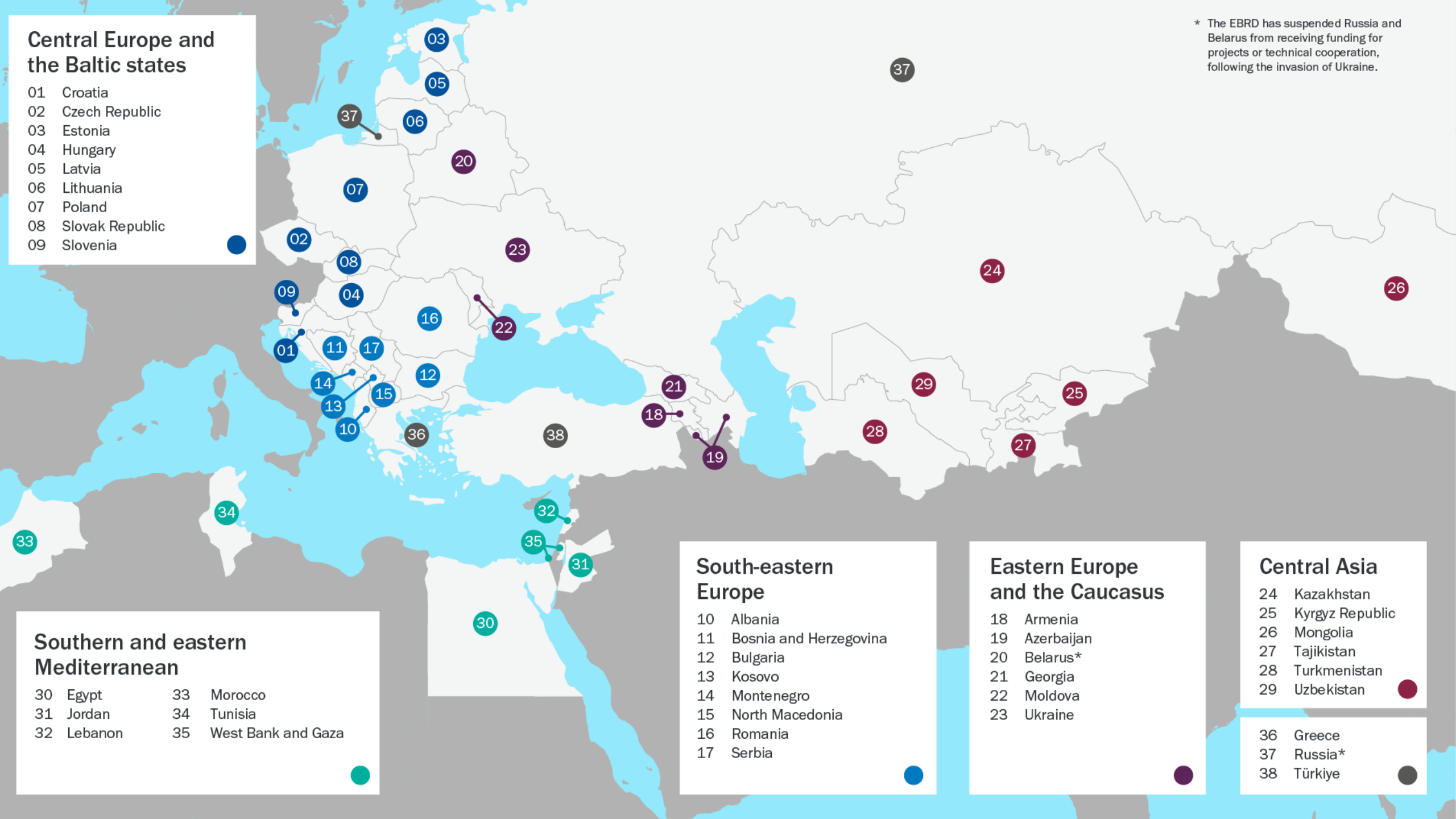
Eastern Europe and the Caucasus

- 18 Armenia
- 19 Azerbaijan
- 20 Belarus*
- 21 Georgia
- 22 Moldova
- 23 Ukraine

Central Asia

- 24 Kazakhstan
- 25 Kyrgyz Republic
- 26 Mongolia
- 27 Tajikistan
- 28 Turkmenistan
- 29 Uzbekistan

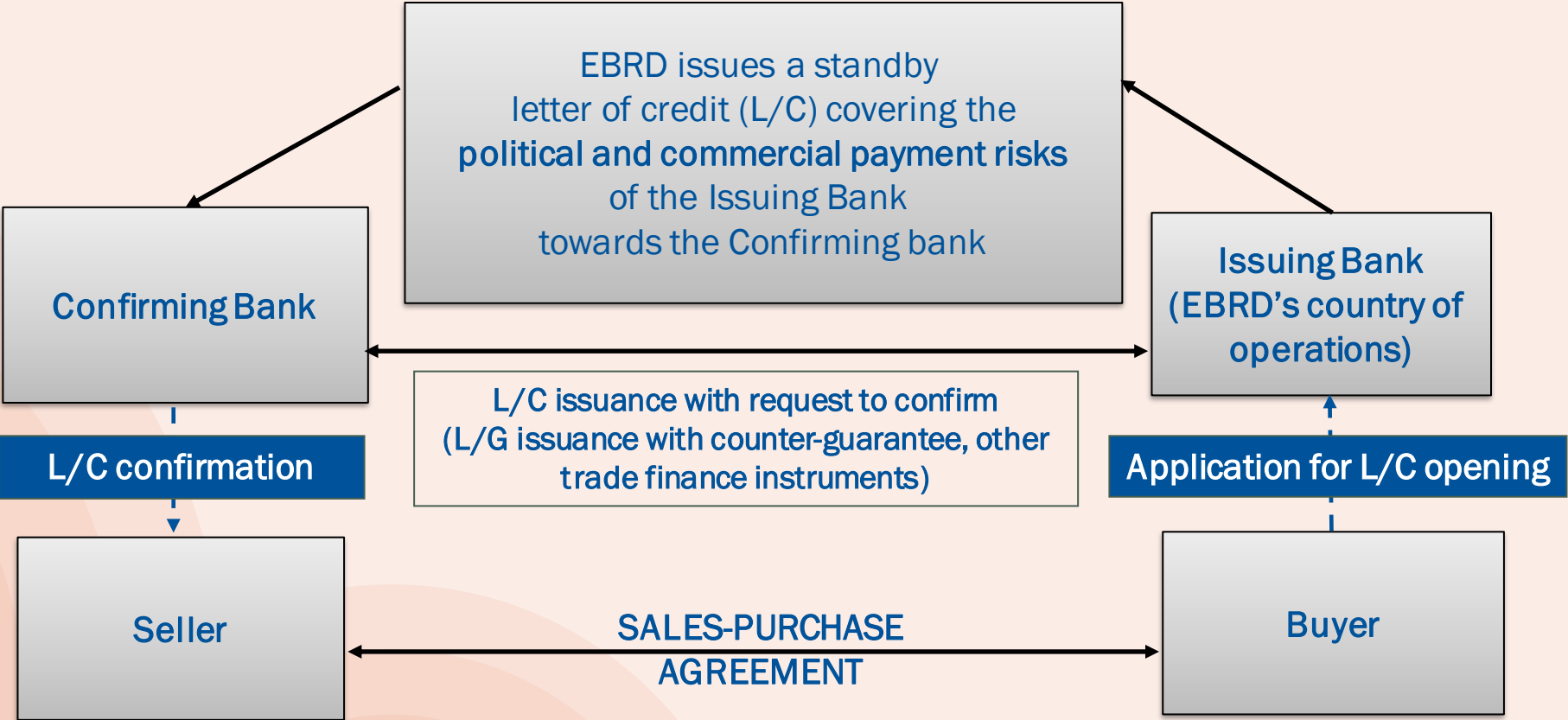
- 36 Greece
- 37 Russia*
- 38 Türkiye



TFP Guarantee Facility



European Bank
for Reconstruction and Development



TFP Guarantee Facility: Import of meat processing equipment from Denmark into Ukraine



European Bank
for Reconstruction and Development

Helping Ukraine to import meat processing equipment from Denmark



- The ongoing war on Ukraine has presented significant challenges for businesses in the country, yet Ukrainian companies have demonstrated remarkable resilience and determination to maintain their business as usual.
- Vinnytska Ptakhofabryka LLC (Ladyzhyn, Ukraine) is a prominent producer within the poultry meat industry.
- The company signed a contract with a manufacturer located in Denmark to secure the import into Ukraine of equipment for the processing of poultry meat.
- To support the trade, Ukrgasbank issued a letter of credit for EUR 4 mln with a 1-year tenor to a German confirming bank.
- The EBRD issued a standby letter of credit in favour of the German bank to cover 100% of the political and commercial payment risk of the Ukrainian issuing bank.
- This transaction, qualified as GET eligible, demonstrates cross-border collaboration in advancing green initiatives in Ukraine's poultry industry despite the ongoing war.



European Bank
for Reconstruction and Development

Supporting the export of green technologies from Lebanon

A leading Lebanese manufacturer and exporter builds power plants and substations through its EPC arm. An Issuing Bank under the TFP issued performance bonds for two renewable energy projects, which bolstered intra-regional trade. **Both transactions qualified as Green Trade.**

Export of power transformers from Lebanon to Armenia

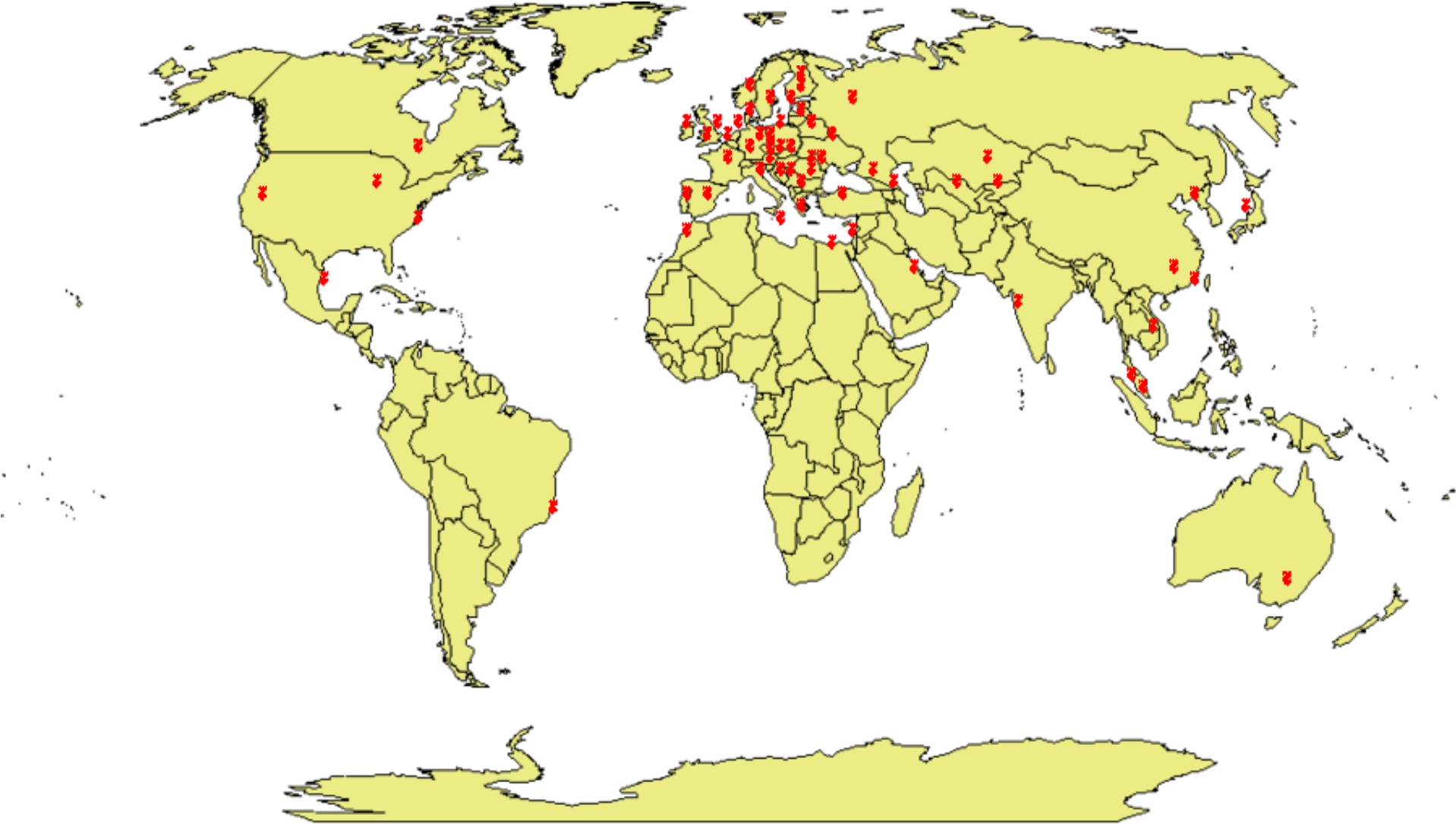
- An exporter in Lebanon sells power transformers to Armenia; the delivery is secured by a performance bond.
- An Issuing Bank under the TFP in Lebanon issued a performance bond for USD 355,000.00 in favour of the confirming bank in Armenia.
- The EBRD issued a SBLC in favour of the confirming bank, covering **100% of the political and commercial payment risk**

Export of substations from Lebanon to Jordan

- An exporter in Lebanon sells electrical equipment to Jordan, The delivery is secured by a performance bond.
- An Issuing Bank under the TFP in Lebanon issued a performance bond for USD 950,000 in favour of the confirming bank in Jordan.
- The EBRD issued a SBLC in favour of the confirming bank, covering **100% of the political and commercial payment risk.**



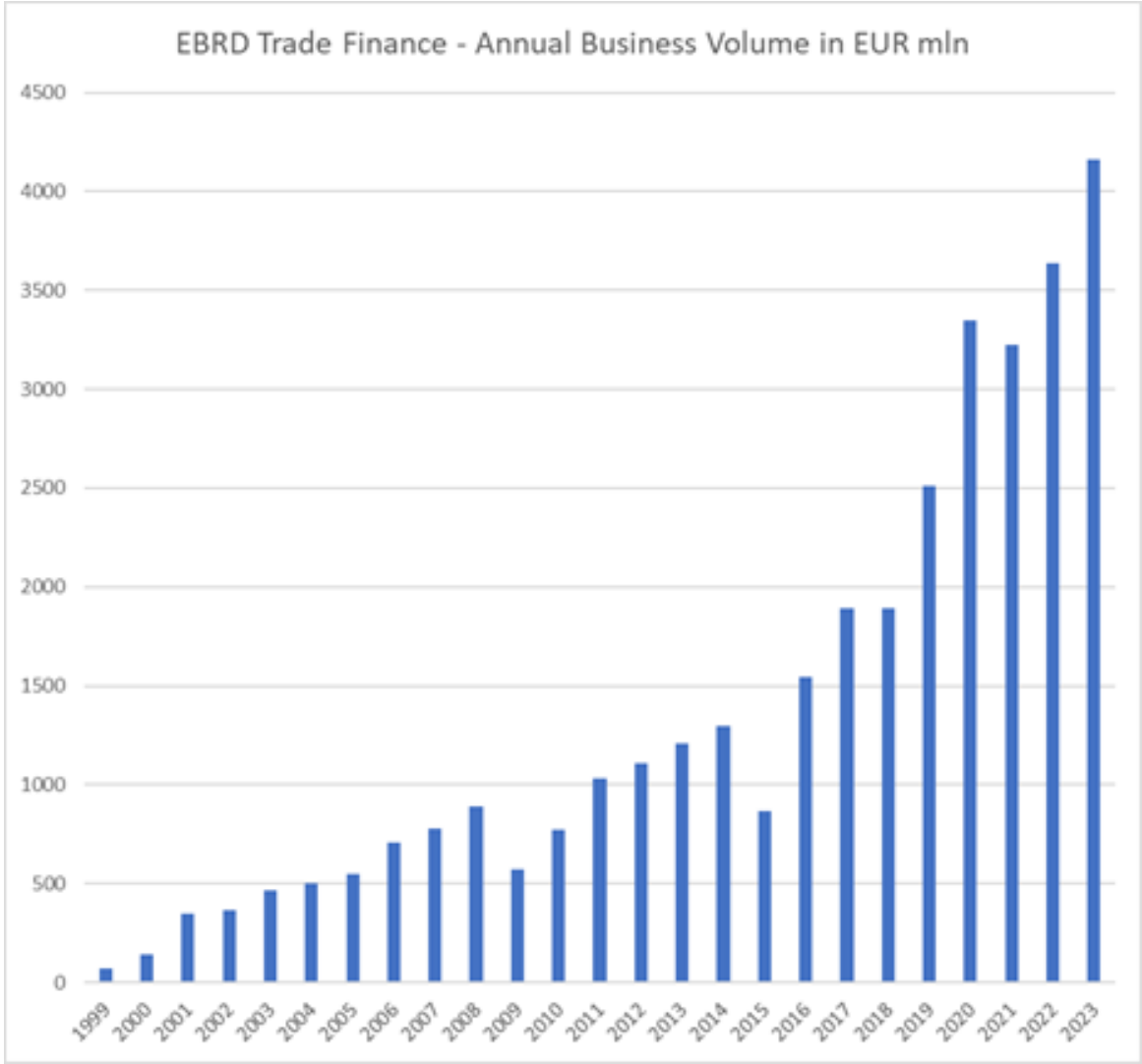
TFP – More than 800 Confirming Banks around the world



TFP Statistics – Annual Turnover EUR 4bn



European Bank
for Reconstruction and Development



Established
1999

Issuing banks
120+

Number of operating countries
30

Number of transactions
30,000+

Total transaction value since 1999
€30+ billion

Confirming banks
800+

TFP - Ranking No of Transactions by Country

1,916 Transactions in 2023



European Bank
for Reconstruction and Development

- | | |
|-------------------------------|----------------------------|
| 1. Tunisia | 13. Lebanon |
| 2. Egypt | 14. Tajikistan |
| 3. Ukraine | 15. Jordan |
| 4. Serbia | 16. Moldova |
| 5. Morocco | 17. Kazakhstan |
| 6. Turkiye | 18. Romania |
| 7. Greece | 19. Kyrgyz Republic |
| 8. Uzbekistan | 20. Kosovo |
| 9. Mongolia | 21. North Macedonia |
| 10. Georgia | 22. Azerbaijan |
| 11. Armenia | 23. Montenegro |
| 12. West Bank and Gaza | 24. Albania |

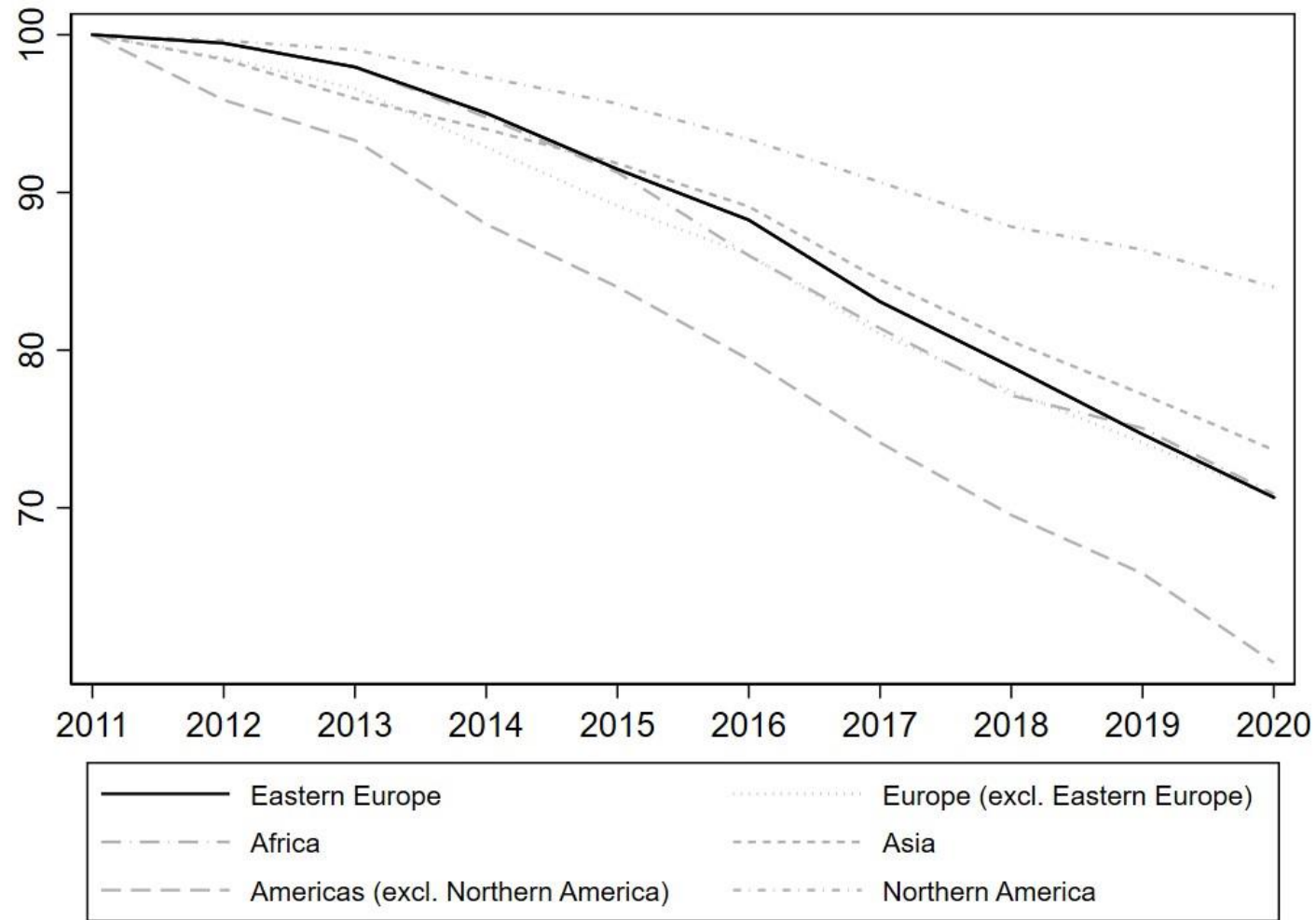
TFP - Top 20 Most active Confirming Banks in 2023 by Number of Transactions



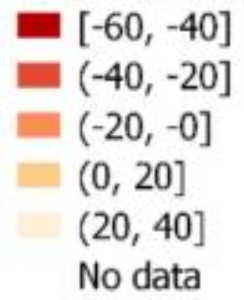
European Bank
for Reconstruction and Development

1.	JP Morgan Chase Bank	11.	ODDO BHF Aktiengesellschaft
2.	Raiffeisen Bank International AG	12.	Citibank Europe Plc
3.	Deutsche Bank A.G.	13.	Yapi ve Kredi Bankasi A.S.
4.	Commerzbank A.G.	14.	Societe Generale
5.	CaixaBank S.A.	15.	Turkiye Vakiflar Bankasi T.A.O.
6.	UBS Switzerland AG	16.	JSC TBC Bank
7.	Intesa Sanpaolo S.p.A.	17.	Erste Group Bank AG
8.	Unicredito S.P.A.	18.	Banco Bilbao Vizcaya Argentaria S.A.
9.	ING Belgium SA/NV	19.	KBC Bank N.V.
10.	Banca Popolare di Sondrio	20.	BNP Paribas S.A.

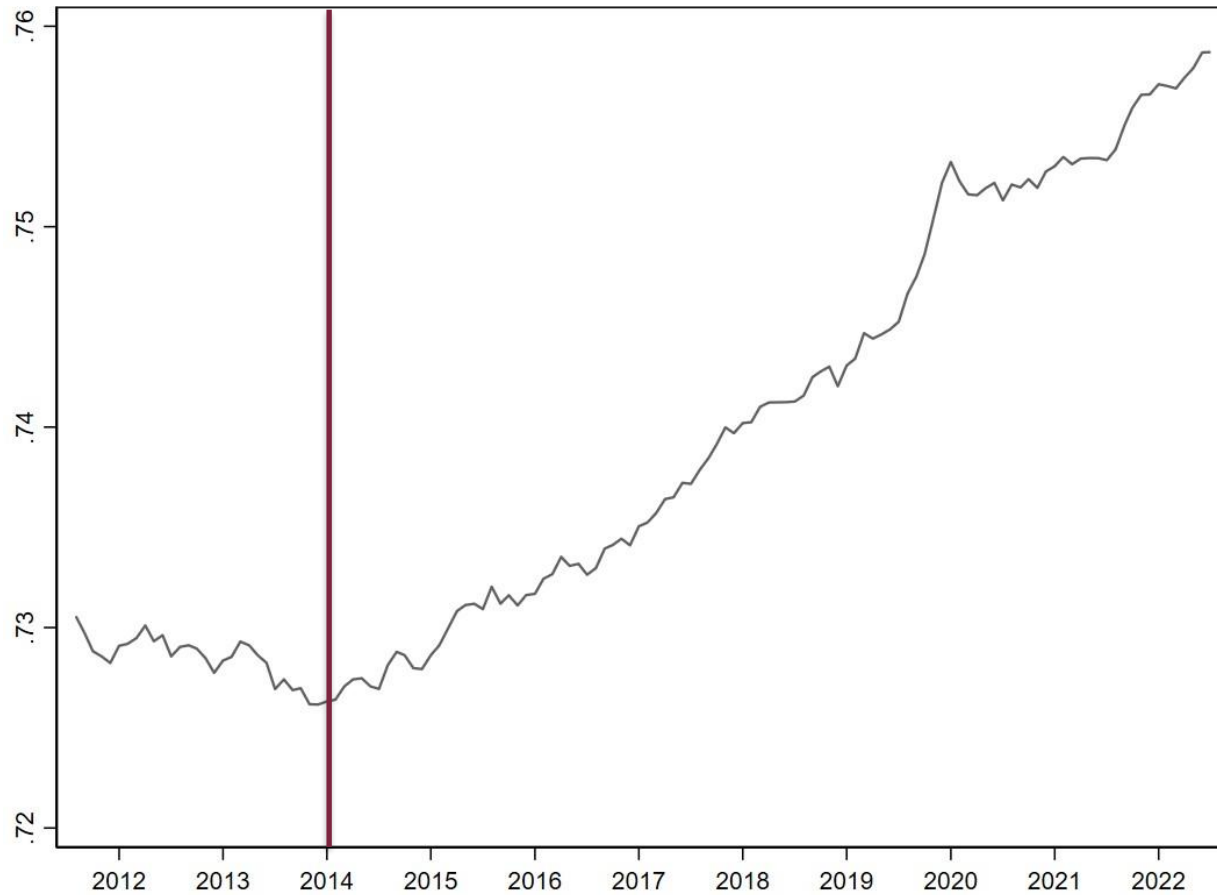
But can exporters continue to rely on their (cor)respondent banks...?



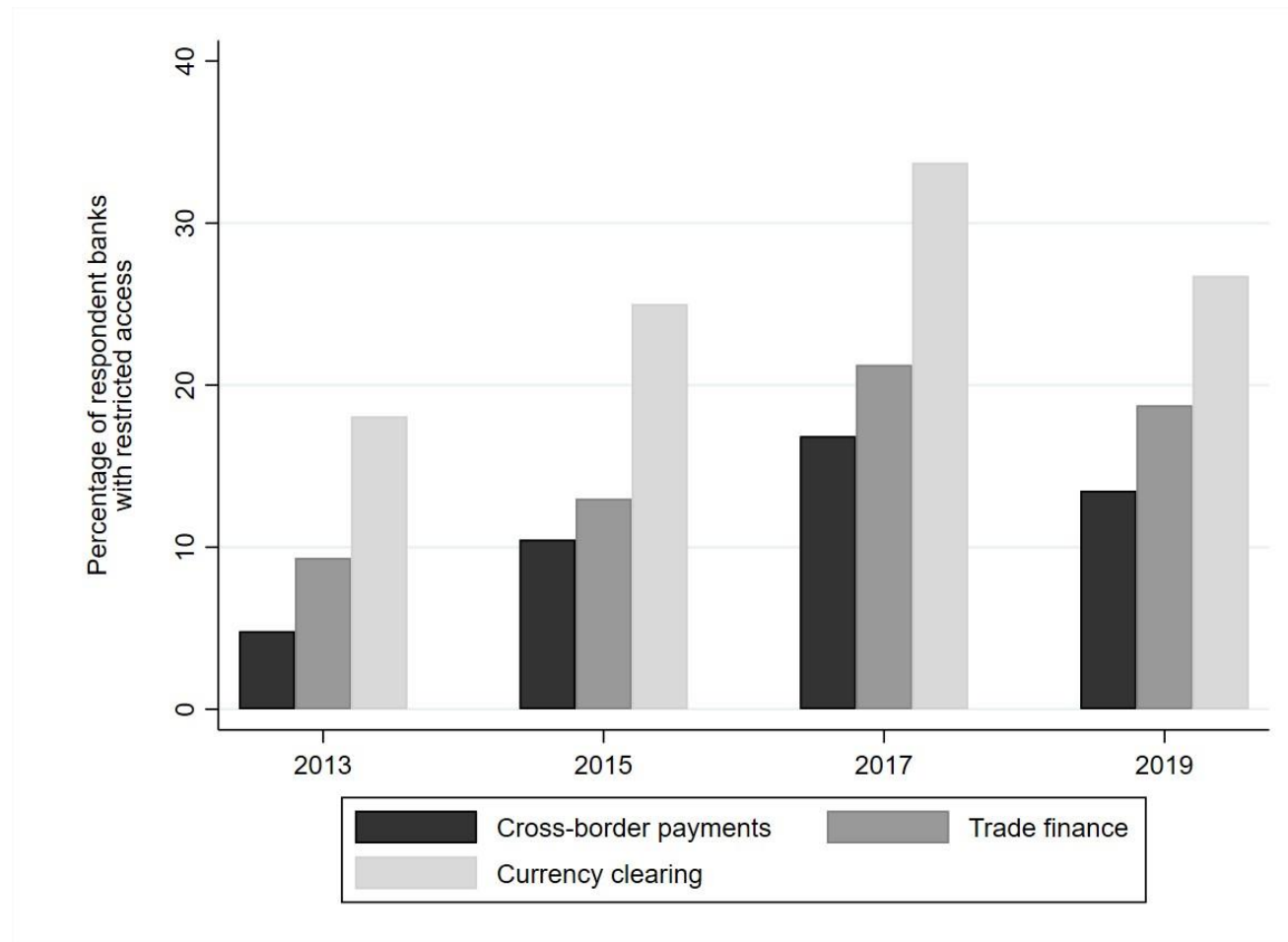
Percent change in number of correspondent banks, 2012-2018



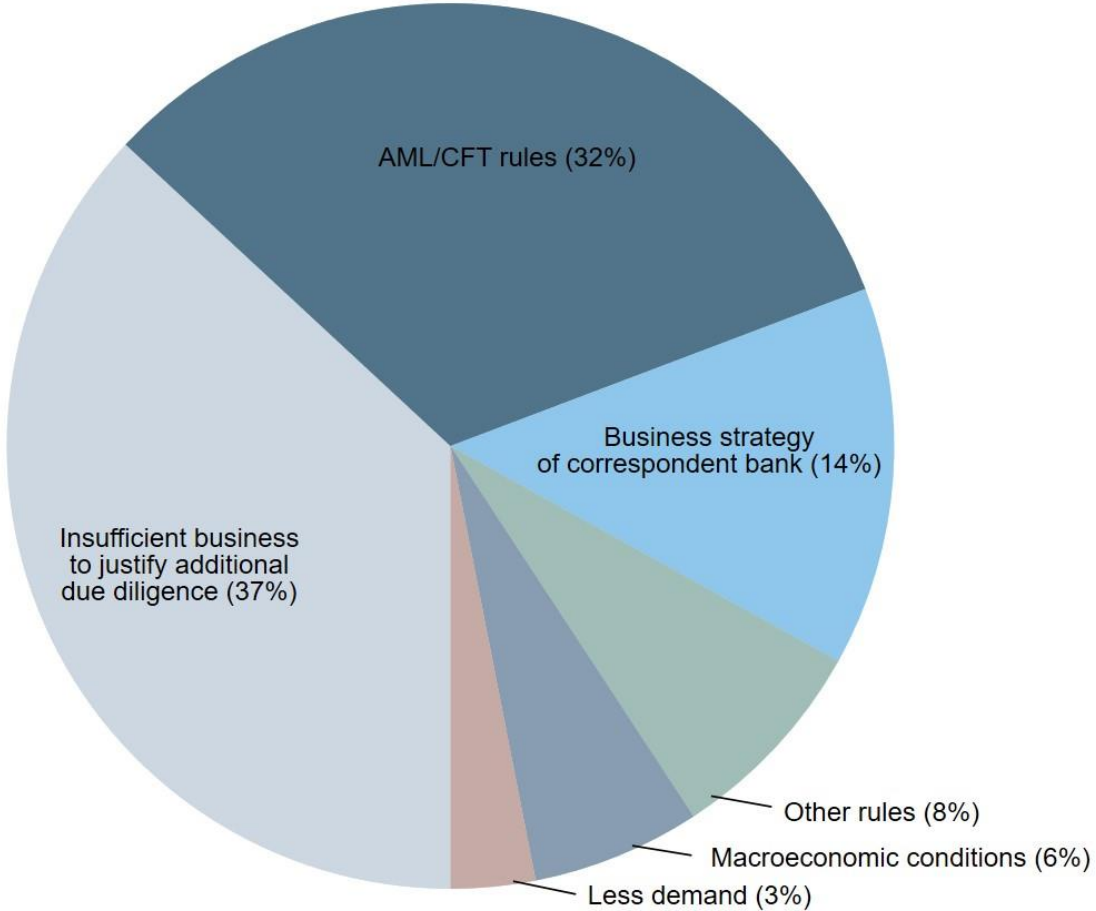
The market for correspondent banking services is becoming more & more concentrated



Respondent banks are increasingly cut-off from correspondent services



Respondent banks' own view



Why is this happening?

- June 2014: BNP Paribas \$8.9 billion fine in U.S. for violating sanctions against Sudan, Cuba, and Iran
- U.S. regulator signals: Any global transaction threatening the integrity of the U.S. financial system can be tried in front of a U.S. court
- Stricter enforcement of AML/CTF regulations since 2014-15 is causing correspondent banking relationships to be terminated as banks reassess the costs of financial crime compliance
- De-risking: Withdrawal by banks from areas with higher perceived (financial crime) risk
- De-risking: Intensified more recently due to links between Central Asian / Caucasus and Russia / Belarus (“re-export” to Russia, transport through Russia, etc.)

EBRD TFP supports Correspondent Banking: Existing Activities



European Bank
for Reconstruction and Development

1. Standard Setting:

Introduction of SWIFT KYC

2. Technical Assistance:

Individual Advisory services for Partner Financial Institutions

Advisory to Regulators for sanctions compliance

Practical workshops and case study analysis

3. Online Training Courses for PFIs:

International Chamber of Commerce (“ICC”)

International Compliance Association (“ICA”)

Association of Certified Anti-Money Laundering Specialists
 (“ACAMS”)

London Institute of Banking and Finance (“LIBF”)

4. Referrals:

Encourage Western European banks to
continue engaging with Central Asia and
Caucasus banks

Encourage trade finance initiatives

5. Raising awareness:

Bring up “de-risking” to regulators and
decision makers

Organise a 1-day seminar on de-risking

EBRD TFP supports Correspondent Banking: Planned Activities



European Bank
for Reconstruction and Development

1. Standard Setting:

Cross-regional alignment of common AML/KYC requirements for EU and USA

Accept electronic documents

Facilitate the introduction of transparency registers

2. Technical Assistance:

Facilitate building digital strategies in Partner FIs

Review and promote digital solutions (incl. for AML/CTF and sanctions compliance)

3. Capacity Building:

Individual advisory services for Partner FIs in Correspondent Banking

Continued training on KYC, AML/CTF and sanctions compliance

Practical workshops and case study analysis

4. Policy dialogue:

Propose measures for clearer implementation of sanctions regulations

Review the establishment of a trusted independent 3rd party for compliance audit

5. Raising awareness:

Raise awareness of the importance of correspondent banking and trade for developed economies

Continue with a dedicated event on de-risking at the EBRD Annual Meeting

Promote (regular) information exchange between CB and RB Regulators

Regular publications on correspondent banking topics

Technology as one Key to Compliance



European Bank
for Reconstruction and Development

Technology:

- reduces cost
- reduces operational risk
- facilitates efficiency
- fosters reliability between business partners

EBRD actively supports digitalisation of its Partner FIs:

Organisation of training courses & dedicated conferences

Advisory services for Partner FIs

Market analysis for referencing to Partner FIs

Market studies

EBRD TFP : Cooperation with Banking Associations



European Bank
for Reconstruction and Development

- Digitalisation of correspondent and transaction banking
 - Standardisation of reports and transactions
 - Organisation of training courses & dedicated conferences
 - Advisory services for Partner FIs
 - Market analysis for referencing to Partner FIs
 - Market studies
 - Policy dialogue
-

Contacts



European Bank
for Reconstruction and Development

**Trade Facilitation Programme
European Bank for Reconstruction
and Development**

One Exchange Square, London
EC2A 2JN, UK

E-mail: Group-TFPOps@ebrd.com

Website: www.ebrd.com/tfp

Join us on our social networks:

Twitter:

www.twitter.com/ebrdtrade

Facebook:

www.facebook.com/ebrdtfp

LinkedIn:

www.linkedin.com/groups?gid=4667852



Rudolf Putz

Head of TFP

Tel: +44 207 338 7776

E-mail: putzr@ebrd.com

Nana Khurodze

Senior Banker

Tel: +44 7789393165

E-mail: KhurodzN@ebrd.com

Marco Nindl

Senior Banker

Tel: +44 7540 704446

E-mail: nindlin@ebrd.com

Jenny Stephensen

Principal Banker

Tel: +44 207 338 6136

E-mail: stephenj@ebrd.com

Olga Kompaniets

Principal Banker

Tel: +44 7584 268063

E-mail: kompanol@ebrd.com

Irina Tyan

Principal Banker

Tel: +44 7584686971

E-mail: tyani@ebrd.com