

# NCOR BANK

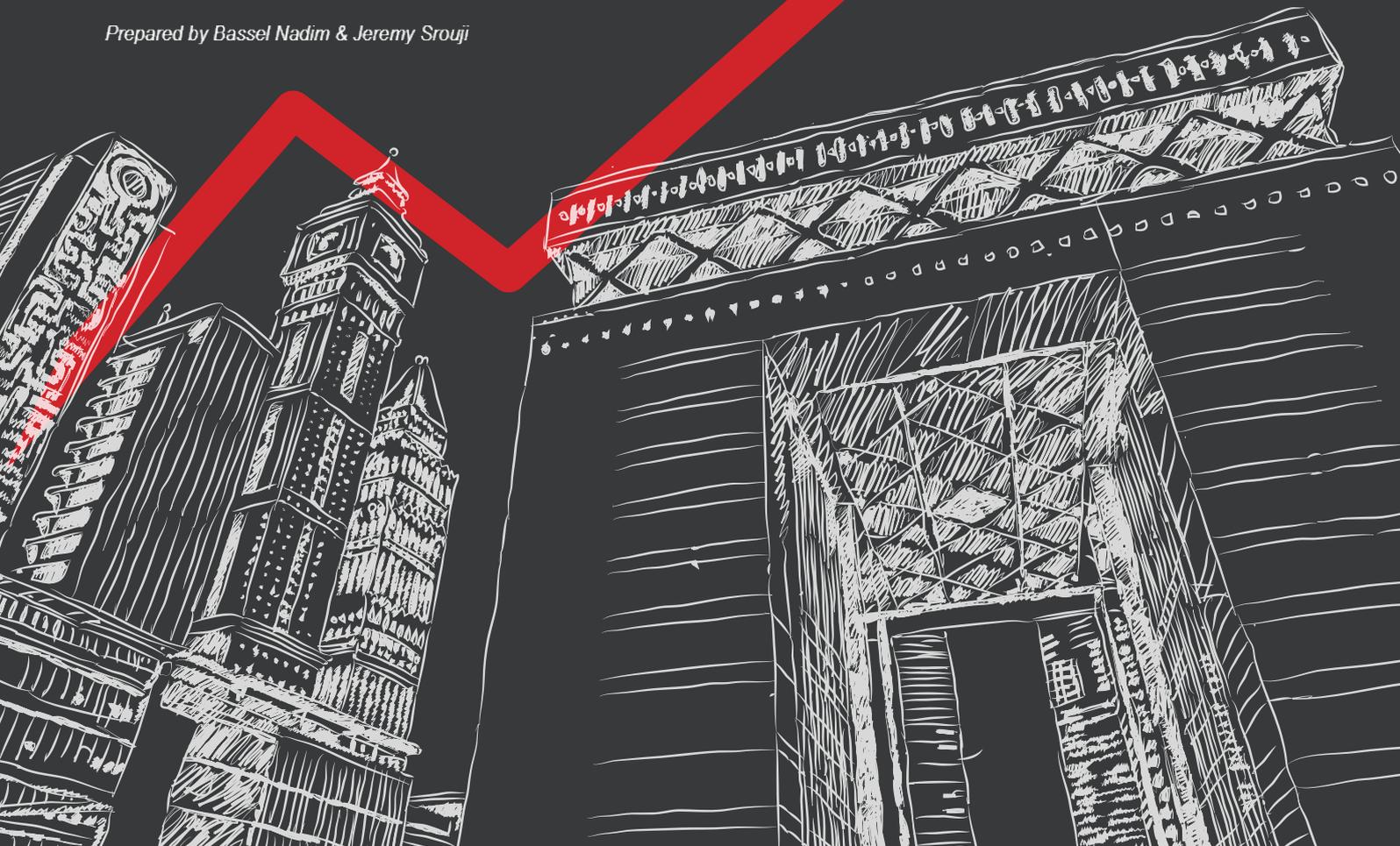
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## Trade Finance White paper

# The Evolving Landscape of Trade Finance in the UAE

*Prepared by Bassel Nadim & Jeremy Srouji*



**MEED**  
Middle East business intelligence

Rated 'A-' by Fitch

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## FOREWORD

**John Iossifidis**  
Chief Executive Officer  
Noor Bank

Through the ages, geography has been an important factor in shaping international trade patterns. This has been true for the UAE too, which has consolidated its status as a major gateway for trade at the intersection of East and West, North and South.

Location alone does not make a country competitive or attractive to investors from around the world. Domestic and international policies play a vital role in transforming a strategically located destination into a thriving economic hub. The UAE has achieved its enviable status due to the relentless efforts of its visionary leaders including the UAE President His Highness Sheikh Khalifa bin Zayed Al Nahyan, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, and His Highness Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces.

Expanding and upgrading ports and airports, cultivating a strong domestic banking industry including Islamic banks, establishing a world-class international financial centre and exchanges, building leading-edge logistics and procurement facilities, and encouraging local chambers of commerce to set up offices abroad have contributed to the development of a vibrant trade sector in the UAE. Private businesses and traders – small, medium and large – thrive in this enabling environment.

Trade finance is a major cog in the wheel that facilitates seamless cross-border business operations. In this context, the ethical financing options Islamic banks offer go a long way in supporting sustainable trade and enterprise.

Noor Bank has been at the forefront of Islamic banking innovation in pioneering cost-effective and creative Shariah-compliant solutions that meet the complex demands of its dynamic clientele. As part of its renewed focus on collaboration, excellence and innovation, Noor Bank seeks to push the boundaries of trade finance even further in the years to come.

On behalf of Noor Bank, I am pleased and proud to share the White Paper on Trade Finance in the UAE, prepared in collaboration with MEED, a leading business intelligence provider in the MENA region. I trust the research and insights on the current state of the trade finance landscape will be useful and inspire conversations among all players in this dynamic field.

**John Iossifidis**  
July 2018

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# Executive Summary

This paper explores the evolving trade finance landscape in the UAE

## UAE Trade Vision

- The UAE has ambitious goals to enhance its position as a global trade hub
- This includes expanding trade infrastructure, diversifying the export mix and achieving greater trade equilibrium in the non-oil sectors
- It seeks to ensure this is achieved through a commitment to environmental objectives and sustainability

## Defining Trade Finance

- Around 80% of world trade takes place via 'open account' transactions between importers and exporters
- For bank-intermediated trade finance, traditional instruments such as letters of credit and documentary collection remain important
- Globally, commodity finance, inventory finance and factoring have grown significantly in recent years

## Global Trade & Finance Flows

- Global trade flows recovered in 2017-8 despite protectionist measures
- The value of global trade is expected to reach US\$24 trillion in 2026, spurred by higher commodity prices and growing South-South trade
- The US withdrawal from multilateral trade agreements is contributing to the reshaping of trade corridors, including a new Trans-Pacific Partnership
- The Asia Pacific region accounted for 47% of global trade finance transactions in 2017 valued at US\$2.1 trillion, while the MENA region accounted for 11%
- MENA has the world's second highest trade finance rejection rate – 18% of transactions – due to the risk profile of clients and quality of applications

## UAE Trade Flows & Corridors

- The UAE witnessed significant trade growth in 2017 on the back of a booming import and re-export sector
- Asia and the MENA region were the destination of 76% of the UAE's exports, while 50% of UAE imports originated in Asia
- UAE exports & re-exports were valued at US\$158.4 billion in 2016, with imports of US\$257.9 billion

## Trade Finance in UAE

- Despite tighter liquidity conditions and longer-payment terms overseas, UAE trade businesses are generally optimistic about growth in sales and profitability
- The decline in UAE bank issuances of LCs is in line with global trends, and points to a shift towards more 'open-account' trading and alternative trade instruments

- The trade finance landscape in the UAE has diversified with the emergence of non-bank finance players and peer-to-peer lenders targeting medium-to-large corporates as well as selectively, the SME sector

## Industry Interviews

- UAE regulations related to enforcing a security over moveable assets, and the establishment of an electronic securities registry in 2018 enable financial institutions to expand inventory and warehouse financing solutions
- The implementation of VAT is helping to document the economy and business transactions, discouraging businesses from inflating turnover figures
- DMCC's Food Trade Group is helping to position the UAE as a global agro-commodities export and re-export hub
- Bank caution in extending trade finance to the SME sector, as well as capacity constraints, has created a funding gap which is being partly met by alternative finance providers and FinTech players
- The UAE trade finance market went through a learning phase following the 2015 commodity price downturn, but this has contributed to creating a more mature market and improving risk management practices
- Tighter global liquidity conditions have also contributed to diversify trade finance instruments, with a growth of supplier credit, credit-insurance schemes and factoring
- However, UAE businesses have faced challenges adapting to the reporting and compliance requirements of credit insurers

## Digital Transformation

- e-Commerce is re-shaping the trade finance landscape
- Online marketplaces like eBay & Alibaba have integrated SMEs into global trading networks, and e-Credit schemes have helped them to expand business abroad
- Blockchain has the potential to transform trade finance, with swifter shipping and settlement, and a reduction in transaction costs, with some successful trials in the UAE
- However, significant regulatory, technology-integration and transparency issues still need to be addressed

## Prospects for Ethical Trade Finance

- Convergence between the values of social-responsible investment (SRI) and Islamic finance principles is serving to promote more ethical & sustainable global trade practices
- Islamic finance providers and SRI actors can learn from their respective experiences and utilize trade finance as an instrument to promote more equitable development models



# UAE Trade Objectives & Vision

The UAE has ambitious goals to enhance its position as a global trade hub

Enhancing the UAE’s position as a global trade hub is a cross-cutting theme in Federal and Emirate-Level strategies and plans. This is reflected in UAE Vision 2021 in the objective of building a sustainable and diversified economy, as well as in the UAE Strategy for the Future’s focus on achieving economic and trade security. At Emirate-level, both the Dubai Industrial Strategy 2030 and the Abu Dhabi Economic Vision 2030 place great emphasis on bolstering manufacturing and productivity in non-oil sectors through technology-adoption, enhanced regulations and competitiveness. This includes achieving equilibrium for non-oil trade for Abu Dhabi by 2028.

Yet economic diversification for the UAE does not consist solely in expanding the non-oil sectors, but doing so through a commitment to future economic sustainability, environmental objectives and happiness. In this vision, trade enables the UAE to boost its economic ties with the world and demonstrates its competitive positioning in the global economy. Achieving greater trade equilibrium in the non-oil sectors and diversifying the trade mix are ambitious objectives, but ones that the UAE is steadily progressing towards. Below, we summarize four of the UAE’s federal strategies as they relate to trade.

## UAE Fourth Industrial Revolution Strategy (2017)

- Promote the use of innovative technologies to enhance government services, economic and environmental sustainability
- Apply renewable energies and bio-engineering to strengthen food and water security
- Integrate Blockchain and digital technologies to enhance financial services and transactions



## UAE Strategy for the Future (2016)

- Sets out an approach to identify future needs and challenges and how to address them through medium and long-term planning
- Identifies 15 priority sectors to build a more sustainable economy and enhance quality of life
- These include government services, technology & smart systems, health, education, trade security and food security



## UAE National Innovation Strategy (2014)

- Aligned to UAE Vision 2021, seeks to integrate innovation into regulatory frameworks and government services
- Identifies seven priority sectors for innovation, R&D and technology adoption including renewable energies, transport, education, health, water and space
- Expand human capabilities in science, technology and mathematics



## UAE Vision 2021 (2010)

- Investments in non-oil sector and expansion of trade infrastructure
- Creation of an enabling environment for trade and investment in new economic sectors such as aerospace and technology
- Improved regulation of competition and protection of consumers
- Enhancement of competitiveness in foreign markets
- Development and promotion of commercial diplomacy



# Defining Trade Finance

Trade finance in its classic forms includes LCs and documentary collection

## Trade Finance Definition

Trade finance is the financing of international trade flows. It exists to mitigate or reduce the risks involved in an international trade transactions between exporters and importers. In its simplest form, an exporter requires an importer to prepay for goods shipped. The importer naturally wants to ensure that an exporter has not pocketed the payment without shipping the goods.

As trade takes place across borders, sometimes with companies that are unfamiliar with one another, trade finance helps settle the conflicting needs of exporters and importers. It addresses key risks associated with trade such as payment risk – will the importer default on payment or face bankruptcy – and country risk, the political and economic risks associated with the export country.

## Letters of Credit

A LC is a commitment to pay issued by an importer's bank. The bank provides a letter of credit to the exporter - or the exporter's bank - providing for payment once shipping documents (i.e. a bill of lading) are presented. The exporter's bank may also provide financing or advance payment to the exporter, while waiting for payment to be made by the importer, to speed-up the transaction. The financing extended will be recovered once the importer's payment is received by the exporter's bank. There are many variations of LCs depending on their purpose, this includes standby LCs, transferable LCs and back-to-back LCs. There is also LC Confirmation, where the issuing bank guarantees its commitment to pay the exporter. This functions as a second layer of guarantee, in addition to the LC.

## Murabaha Trade Finance

Islamic finance uses the murabaha structure to issue LCs to facilitate trade transactions. In the murabaha structure, the bank purchases the goods from the exporter on behalf of the importer, and then resells the goods to the importer with a profit margin on a deferred payment basis. Payments on a deferred basis can be made to the bank in installments or in one lump sum. In practice, murabaha LCs operate in the same way as standard LCs. Repayment tenors can be tailored to an importer's working capital requirements. As with conventional banks, Islamic banks offer a full-range of trade finance services, including documentary collections and advance payment to suppliers. They will however refrain from financing trade transactions involving prohibited goods i.e. alcoholic beverages, weaponry.

## Documentary Collection

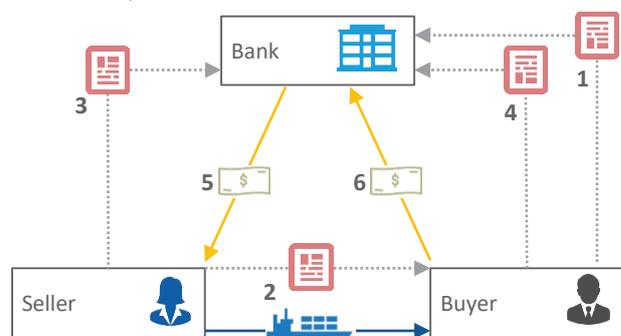
Documentary collection is a trade transaction where the exporter hands over the task of collecting payment for goods to be shipped to his or her bank, which sends the shipping documents to the importer's bank together with payment instructions. DCs are so-called because banks take responsibility for exchanging documents and funds on behalf of the exporter and importer. While DCs are cheaper than LCs, they are riskier for exporters because the bank is not responsible for verifying the accuracy of documents or guaranteeing payment, with limited recourse if an importer does not pay. DCs are useful however where the exporter and importer have a longstanding trade relationship, and if the importer is located in an economically stable market.

## Supply Chain Finance

Trade finance has shifted away from letters of credit to more streamlined approaches with Supply Chain Finance (SCF), which accounts for an estimated 80% of global trade transactions and is used by both large and small corporates.

As they become more comfortable with their buyer and supplier relationships, businesses conduct trade transactions on an 'open account' basis consisting of regular payments for a continuing flow of goods, rather than individual transactions. In 2006, SWIFT launched the Trade Services Utility (TSU) platform to facilitate SCF transactions. The matching system for trade documents allows banks to provide funding throughout the physical supply chain. SCF transaction overview:

1. SCF facility agreed between the buyer and the bank
2. Seller ships the goods and issues an invoice to the buyer
3. Seller submits invoice to bank's SCF platform
4. Buyer approves invoice on bank's SCF platform
5. Bank pays the seller, less interest and fees
6. Bank debits the buyer's bank account at invoice maturity



**Globally, suppliers and buyers have shifted to 'open account' transactions, which represent around 80% of all trade finance transactions**

# Defining Trade Finance

## Commodity and inventory finance have grown significantly

### Structured Trade Finance

Commodity finance has seen a major resurgence since the commodity price boom of 2007-8, providing liquidity and risk mitigation for commodity production and trade. It enables producers to ensure they have sufficient cash flow for production, and allows them to repay the financing in full or on a deferred payment basis once they sell or export their goods. Traders benefit by reducing their exposure to a single country or commodity, while financiers assist producers to access new markets and customers.

Commodity finance is split into three categories – energy, metals & mining and soft commodities, such as crops. It works by allowing a producer to obtain financing against a commodity's predicted worth, and to repay once the assets are sold. Funding techniques include pre-export finance, countertrade, barter and inventory finance. If all goes to plan, the financier is reimbursed through the sale of the assets. If not, then he / she normally has recourse to some or all of the assets. Structured trade finance transactions can be tricky due to fluctuations in commodity prices, and they are normally based on pricing prediction models.

### Inventory and Warehouse Financing

Inventory financing is short-term finance extended to a company so that it can purchase commodities or products for re-sale. The inventory is used as collateral against the finance received. It is a useful form of financing for businesses that need to pay their suppliers in a shorter period of time than it takes for them to sell their products to customers.

A form of inventory financing is warehouse financing, where finance is extended to manufacturers on the basis of goods or commodities held in trust in a warehouse. This is beneficial for businesses as it enables them to obtain financing on more favorable terms than short-term working capital, with repayment schedules better aligned with their sales cycle. It also enables businesses to obtain additional financing as they build-up product stock. The goods are usually held in third-party warehouses approved by the financier, or in warehouses owned by the business, but controlled by an independent third-party. A good example of warehouse financing-based solution is the Tradeflow platform offered by DMCC in Dubai.

### Factoring

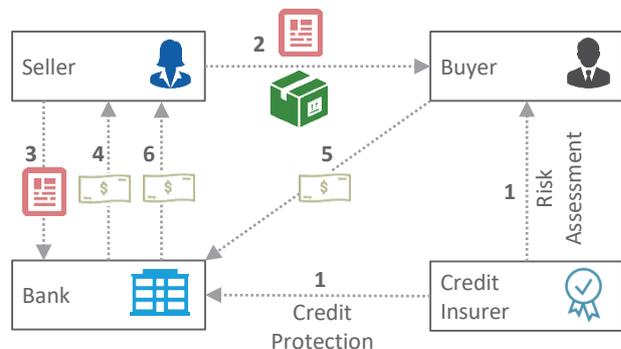
Factoring, also known as accounts receivable financing, is a

widely-used instrument in trade finance. It involves a factor – either a bank or a factoring company – who agrees to pay a seller the value of his / her invoices, less a discount for commissions and fees. This allows the seller to release cash tied up with invoices, boosting working capital. The factor advances most of the invoiced amount immediately, and the balance upon receipt of funds from the buyer. The advance rate and the repayment terms vary.

There are two types of factoring – with recourse, and without recourse. In the first, if the factor is unable to collect payment from a buyer on outstanding invoices, he / she can claim them back from the seller. Recourse factoring makes up the majority of accounts receivable financing. In the second, the risk of non-payment by the buyer owing to default or bankruptcy is taken over by the factor. Non payment due to commercial disputes is not covered.

Non recourse factoring is usually tied up with trade credit insurance. In the case of a default, insolvency or bankruptcy by a buyer, the factor claims back an agreed percentage of unpaid invoices through the policy. Factoring transaction overview:

1. The credit insurer conducts risk assessment & due diligence on the buyer, determines a credit ceiling, and offers credit protection to the factor (i.e. the Bank)
2. An invoice is issued by the seller to the buyer and goods are prepared for shipment
3. The seller submits a copy of the invoice to the factor
4. The factor provides advance payment on the invoice to the seller, minus fees and commissions
5. The buyer settles the invoice with the factor, within the expected payment timeline
6. The factor issues the remaining balance payment on the invoice to the seller

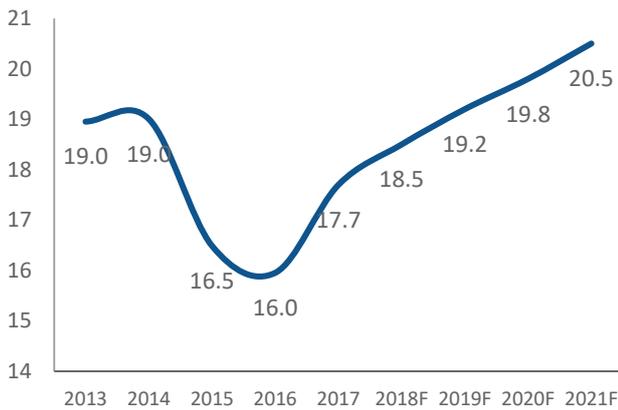


**Factoring is an important instrument for businesses to obtain working capital and better manage cash flows**

# Global Trade and Finance Flows

Global trade flows recovered in 2017-8 despite protectionist measures

**Global Trade Flows**  
In US\$ trillion

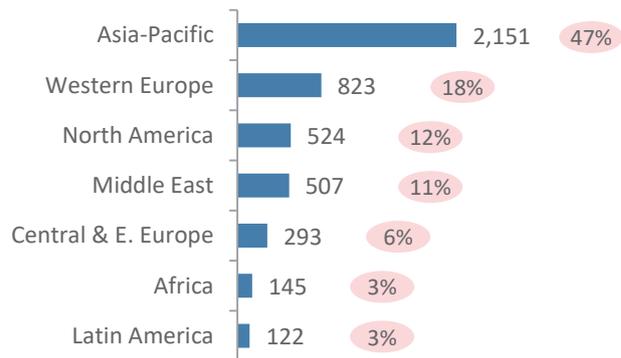


Global trade flow values contracted in 2015 and 2016, driven by a fall in commodity prices, as well as sluggish world economic growth. The recovery in 2017, with growth of 4.7%, exceeded the majority of analysts' forecasts.

The WTO expects trade values to grow by 4.4% in 2018, and 4% in 2019, with the highest growth coming from South-South trade corridors. While protectionist discourse from the United States did not visibly impact trade in 2017, in the longer-term the introduction of US tariffs on China, and pulling away from multilateral trade agreements could dampen the growth forecast through 2018-19. Taking note of these trends, the International Chamber of Commerce expects global trade to hit a new high of US\$24 trillion by 2026, supported by a steady increase in the expected price of commodities such as copper, aluminium and crude oil.

The increased protectionism from the US has given new impetus to strengthening South-South trade corridors. China's 'Belt and Road' investment program of US\$1.6 Trillion to boost trade and transport infrastructure across Central Asia to Europe and Africa, both via maritime and overland routes, will see a significant re-shaping of supply chains. Meanwhile, the remaining 11 countries in the Trans Pacific Partnership including China, Japan and Australia, were ratifying in mid-2018 a new comprehensive agreement on trade to cover farm and industrial products, intellectual property rights, e-commerce and simplified customs procedures in this vast region.

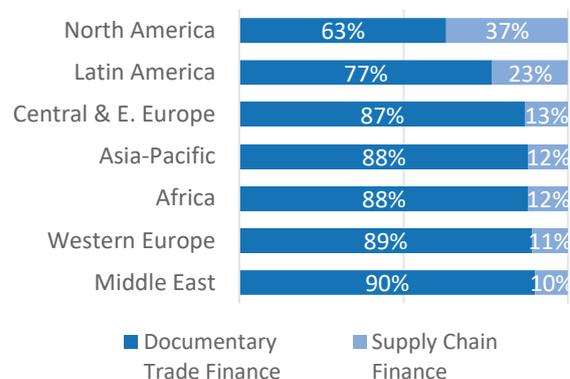
**Trade Finance Volumes by Region, 2017**  
In US\$ billion and percent (%)



The Asia-Pacific region accounts for 47% of global trade finance volumes, equivalent to US\$2.1 trillion in 2017, based on estimates by the International Chamber of Commerce.

Documentary trade finance remains an important feature of bank-intermediated trade finance around the world. This includes letters of credit, guarantees and documentary collection. Supply chain finance is gaining in popularity as banks seek more cost-effective and streamlined solutions. The four most popular SCF techniques for banks in 2017 were payables financing, receivables discounting, factoring and advances against receivables.

**Documentary vs Supply Chain Trade Finance**  
In percent (%)

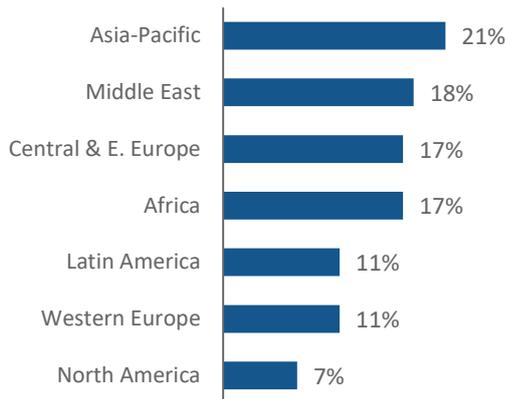


**The value of global trade is expected to reach a new high of US\$24 trillion in 2026 on the back of a steady increase in commodity prices and growing South-South trade corridors**

# Global Trade and Finance Flows

MENA has the world's second highest trade finance rejection rate

## Trade Finance Transactions Rejected In percent of transactions

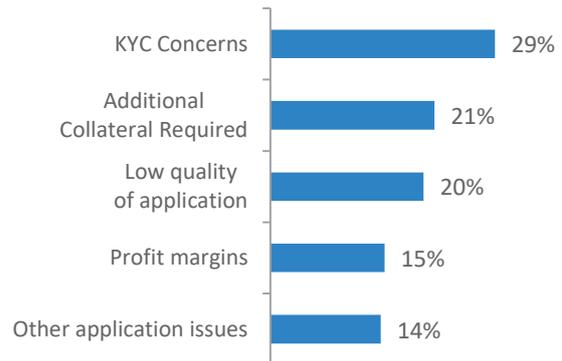


### Rejection Rates & Compliance Costs

The International Chamber of Commerce's (ICC) 2018 study found that banks in the Middle East region had the world's second highest trade finance rejection rate. Rejections are mainly driven by KYC concerns, collateral issues, the risk profiles of clients and the quality of applications. Globally, large corporates have the lowest rejection rates, with 71% of transactions successful, while for SMEs only 61% of applications are successful. Following the 2008 financial crisis, large corporates have consolidated their banking relationships for trade finance purposes. As a result, banks, including in the Middle East region, are seeking to grow their trade finance business through a focus on medium-sized corporates and mid-market players, with strong fundamentals.

Banks in the Middle East region, at the interface of trade with East Asia, Europe and Africa, are faced with significant compliance costs as a result of having to deal with multiple jurisdictions, as well as ensuring they comply with AML standards and international sanctions applied to specific countries, entities and individuals. Changes in regulations and sanctions regimes contribute to higher compliance costs, and breaches can result in significant fines for banks. The most recent ICC survey found that 68% of bankers consider increased regulations and compliance costs as a major concern, putting pressure on already thin margins.

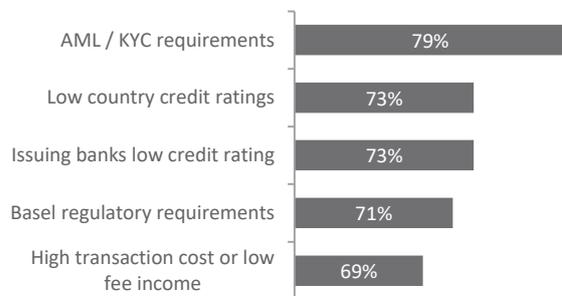
## Reasons for Transaction Rejection ICC Global Survey



### Trade Financing Gap

The Asian Development Bank estimates the gap in global trade finance to be \$1.6 Trillion annually. The bulk of this unmet demand is in emerging markets with micro, small and medium enterprises that wish to export their goods. The ADB found that while liquidity levels have recovered in the past five years, trade finance is disproportionately available to large corporates, while smaller enterprises are often excluded. The main reasons for not better serving the SME segment includes insufficient levels of collateral and low financial literacy among SMEs. As banks become more risk averse, it is a gap that they are increasingly unlikely to service.

### Top 5 Barriers to trade finance transactions\*



\* As declared by bank executives in the survey 'agree' or 'strongly agree'

**The Asian Development Bank identifies a trade finance gap of US\$1.6 Trillion globally, mainly in unmet demand from SMEs in emerging markets**

Trade Finance 2018

Source: ICC, Rethinking Trade Finance, 2017; ICC – Global Trade – Securing Future Growth, 2018; WTO, 2018

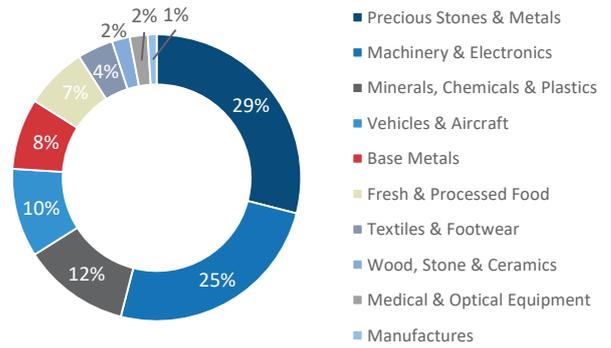
# UAE Trade Flows & Corridors

Re-exports account for 74% of the UAE's total non-oil exports

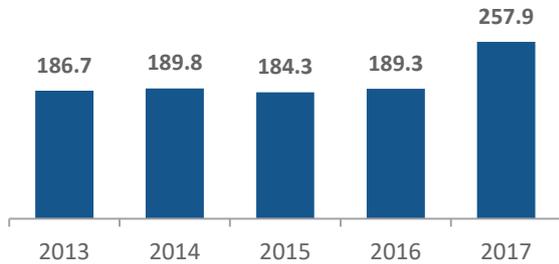
**UAE Non-Oil Exports & Re-Exports**  
In US\$ billion



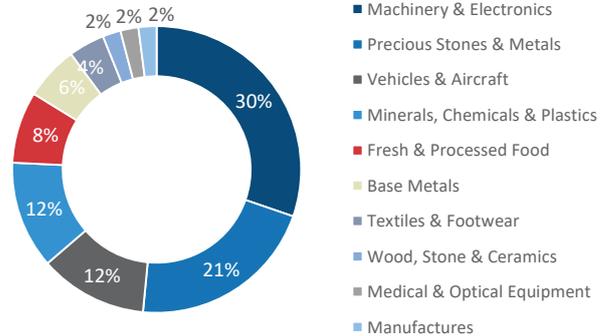
**Exports & Re-Exports by Type, 2017**  
In percent of total



**UAE Non-Oil Imports**  
In US\$ billion



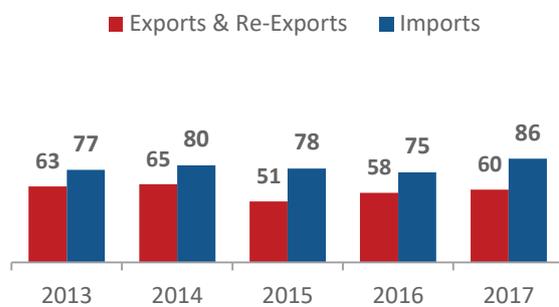
**Imports by Type, 2017**  
In percent of total



Non-oil exports are an important indicator of the UAE's trade performance and diversification efforts. In 2017, the UAE's non-oil exports and re-exports amounted to US\$158.4 billion, on the back of growing merchandise exports to East Asia and the MENA region. The UAE is the largest re-export hub in the region, with re-exports accounting for 74% of total (free zone and on-shore) exports in 2017. It accounts for 25% of the global physical trade in gold, and is a major hub for the re-export of fresh and processed food to the GCC region.

One quarter of the UAE's trade is also conducted through free zones. In 2017, 28% of the UAE's total exports and re-exports were transacted through free zones, while free zones imports accounted for 25% of the UAE's total imports.

**UAE Trade Transacted through Free Zones**  
In US\$ billion



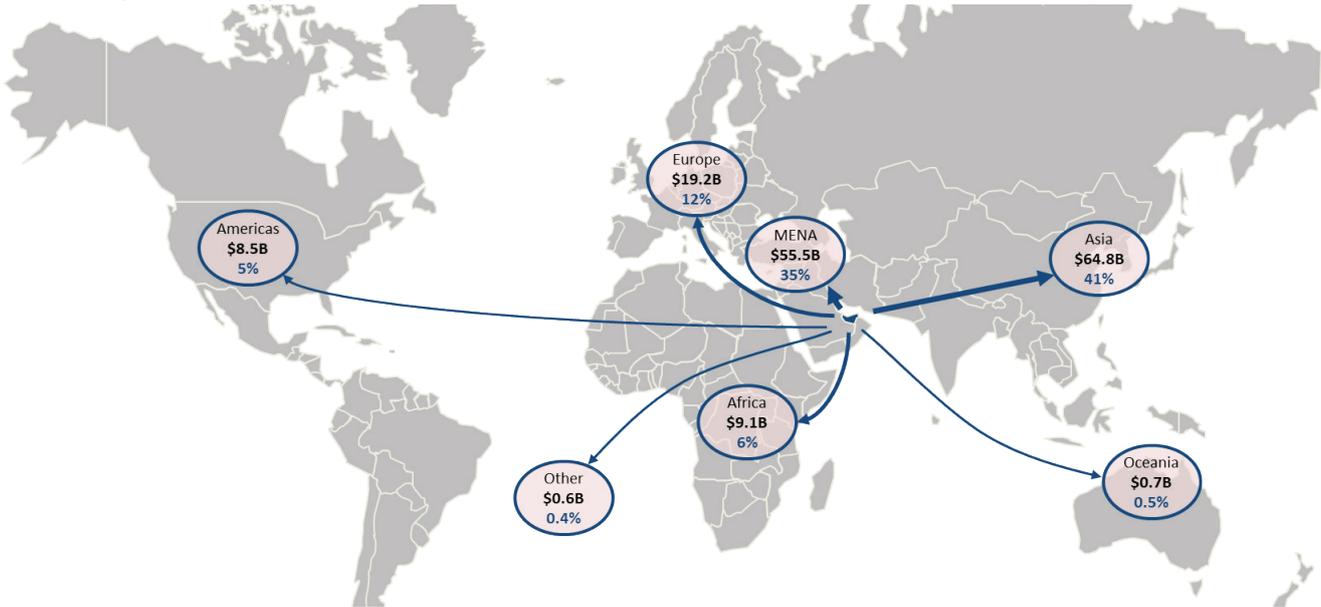
**The UAE is the largest re-export hub in the region, with precious stones, metals, machinery & electronics accounting for 54% of exports**

# UAE Trade Flows & Corridors

Asia & the Middle East region account for 76% of the UAE's total exports

## UAE Non-Oil Exports, 2017

Value (US\$ billion) & Percent of Total



## UAE Non-Oil Imports, 2017

Value (US\$ billion) & Percent of Total



UAE Non-Oil Trade Balance (US\$ B)	MENA	Africa	Europe	Oceania	Americas
	32.8	-6.7	-36.5	-2.4	-23.7

While 50% of the UAE's imports originate in Asia, and 22% in Europe

# Trade Finance in the UAE

Businesses are optimistic despite tighter liquidity and longer payment terms

## UAE Trade Businesses Optimistic

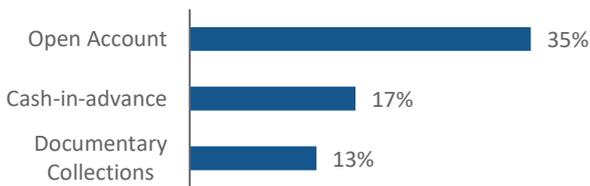
Global credit insurer Coface published a UAE Payments Survey in 2017 surveying 136 companies from across key economic sectors including agro-food, automotive, chemicals, construction, energy, ICT, metals and retail. UAE private sector leaders were cautiously positive, with 52% of exporters and 59% of domestic suppliers expecting an increase in sales, and 44% and 42% respectively an increase in profitability. However, weaker global trade patterns and tightened liquidity have resulted in longer payment terms, impacting UAE exporters to a greater degree than domestic suppliers.

## Credit to Customers is Common Practice

Companies in the UAE usually grant credit to their customers, using several instruments. The most frequently used by exporters was open account, followed by cash-in-advance and documentary collections. This has become an established way of doing business, partly due to the tighter liquidity conditions, and is sometimes requested by customers as a condition for engaging in business. For domestic suppliers extending credit to their customers, 44% used open account transactions, 26% post-dated cheques and 21% conducted some form of due diligence. Letters of credit and documentary collections were not widely used by domestic suppliers.

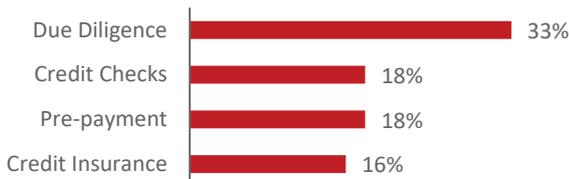
### How UAE exporters grant credit to their customers?

Percent of respondents



### Precautionary measures taken when extending credit

Percent of respondents



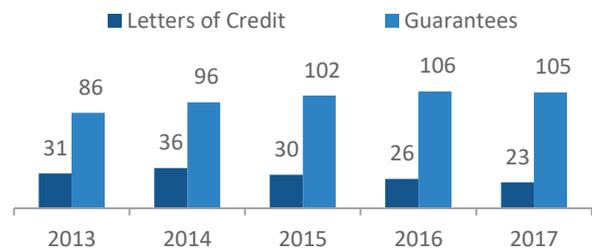
## No Major Risk for Unpaid Invoices

UAE exporters and domestic suppliers reported average payment terms of 60 to 90 days, with average delays of 30 to 60 days. However, there were significant variations among sectors, with long delays in the construction and energy industries, resulting in a squeeze on liquidity, additional interest costs and income losses for companies.

That said, overall outstanding receivables and unpaid invoices accounted for single digit percentage of total annual turnover. Exporters reported outstanding receivables and unpaid invoices accounted for between 2% to 5% of total annual turnover. For domestic suppliers, 18% of respondents said that outstanding receivables accounted for less than 2% of total sales, while 20% said it accounted for 5 to 10% of their turnover and 16% for more than 20% of turnover.

## Decline in issuance of LCs by UAE banks

UAE Commercial Banks LCs and Guarantees Issued US\$ billion



UAE Central Bank reports a decline in the issuance of LCs and growth of guarantees, which can be attributed to slower import growth as well as a shift towards more open account transactions. The increase in issuance of guarantees is more difficult to elucidate, as guarantees are not uniquely a trade instrument and are frequently used in construction and infrastructure projects to protect the interests of the parties. Yet the growth in guarantees could also be attributed to a rise of forfaiting and factoring, as bank guarantees are the underlying instrument in these transactions. The decline in bank-issued LCs is in line with global trends and points to increased sophistication of the UAE trade finance sector.

## Unpaid invoices for exporters remained within 2% to 5% of total annual turnover in 2016

# Trade Finance in the UAE: Players

The UAE is home to global trade finance players\*

Player	Launched	Description
	2002	DMCC was established in 2003 with the purpose of strengthening the UAE's position as a global hub for trade, storage and financing of commodities. It is currently home to over 13,000 businesses engaged across the commodities supply chain as well as a base for a wide-range of businesses.
	2006	Euler Hermes, a global leader in trade credit insurance, guarantees, collections services and economic research, launched its GCC operations in 2006. As a subsidiary of the world's largest insurer, Allianz, EH has contributed significantly to strengthening the trade finance industry in the region.
	2006	FIMBank, a Malta-based global trade finance bank, established an office at the DIFC in 2006. It offers a diverse range of structured trade finance, factoring and forfaiting solutions. In the region, its factoring and forfaiting offering is also delivered through its fully-owned subsidiary, Menafactors.
	2013	The global American bank set up its Dubai operation at DIFC in 2013 to better serve the Middle East and North Africa region with trade financing, payments and foreign exchange solutions. It is mainly focused on mid-sized and large corporates, as well as serving its international clients.
	2014	Extends Shariah-compliant supply chain finance to small and mid-sized companies, including factoring and reverse factoring solutions. Dar Al Tawreeq has distinguished itself through the use of a cloud-based Supply Chain Finance platform for its clients.
	2014	The UAE's first peer-to-peer lending platform, Beehive offers small businesses invoice financing covering 80% of outstanding invoices due within 60 to 120 days. Partners need to have a good credit history and 12 months activity. As of March 2017, it funded in excess of \$20M through 150 SME funding requests.
	2015	EFA Group is a Singapore-based asset management company specialized in private debt strategies such as commodity finance, asset-backed finance and receivables and supply chain finance. The group established a branch operation in Dubai in 2015, and incorporated as full-fledged subsidiary company at DIFC in 2017.
	2016	InDate is a UAE-Swiss trade information and advisory firm specialized in the Middle East and European markets. It provides clients with tailored trade finance solutions, conducts credit worthiness & risk assessments as well as assists with debt restructuring and negotiation strategies.

**The landscape includes banks, specialized finance companies, peer-to-peer lenders, insurers and advisory firms assisting to structure and advise on solutions**

# Trade Finance in the UAE: Interviews

## Noor Bank is developing new risk-mitigating structures for trade finance

Celebrating its ten-year anniversary in January 2018, **Noor Bank** was one of the first players to launch a Shariah-compliant factoring solution in the UAE. It continues to innovate in its trade finance offering, evolving its products and services to adapt to a fast-changing landscape.

**NOOR BANK**

**Kazim Ali**  
Head of Corporate Banking  
Noor Bank



### How would you describe Noor Bank's current trade finance strategy and how are you positioning yourself in this market?

Our current focus is on emerging and large corporates. We are working closely with other financial institutions— i.e. insurers, trade and commodity platforms –to develop new risk mitigating structures that can support our clients. This is possible for larger transactions, as we deploy the same resources and effort to arrange an AED 5 million versus an AED 50 million trade finance contract; however, the returns on the latter are higher. We see technology as a disruptor in our current strategy and we are looking at how digital technologies can help us build more efficient business processes to capture the smaller transactions.

SMEs remain important, however our strategy in that sector is no longer credit-led. Beyond trade finance, our current focus is more holistic and seeks to help SMEs achieve 'operating excellence' by addressing their specific needs. Small businesses in this market need efficient payment solutions, cash and liquidity management, documentary collections, FX and commodity risk-mitigation products. The payments space is very interesting for us, and we believe that digital technologies will play a transformative role here.

Alternative lenders and FinTechs are not directly competing with us, as there is sufficient trade finance demand in the market. These players are generally willing to take on more risk than banks, with higher returns, and it could make sense for them, especially if they manage to achieve scale. That said, there are questions about whether the higher cost of credit versus higher-returns business model is sustainable, especially when trade margins can be so thin.

**It applauds the new UAE regulations on security over moveable assets, which will enable banks to further expand inventory and warehouse financing solutions for their clients**

### How important is trade finance within Noor Bank's overall banking offering and what is your target customer profile?

The importance of trade finance reduced in the past two years due to commodity price adjustment and the general business environment. However, we are optimistic and expect this line to grow 1.5 to 2 times faster than our other business lines over the next three years. As for target customers, we look for value-added business models, discipline and the client's ability to manage risk within his / her business. Traditional turnover criteria remain in place, but we are more interested in the sustainability of business models. We see VAT as a positive development, as it helps to document the economy, and there are less incentives for businesses to inflate sales, which created some problems in the past.

**"We see technology as a disruptor and we are looking at how digital technologies can help us build more efficient business processes to capture smaller transactions."**

### How is Noor Bank's relationship developing with DMCC?

DMCC is important for us from a contract perspective, as we do a lot of *murabaha* commodity-based transactions in both our retail and corporate businesses. It is a good platform because it is based in Dubai and aligned with the Sunday – Thursday trading calendar. We are aiming to develop new asset-based financing structures through DMCC to grow our trade finance offering.

One of the challenges banks have faced was the difficulty in enforcing security over floating assets, such as commodities held in a warehouse. We are encouraged by the UAE Federal Law of 2016 on the Mortgaging of Moveable Assets, as well as the more recent April 2018 decree establishing an electronic securities registry managed by the Emirates Development Bank. This enables financial institutions to offer a wider range of warehouse and inventory financing products, which are a better and more risk-mitigated structure than overdraft facilities. We believe that this will also enhance operations and transactions through DMCC, as it is something well-established in the other global commodity hubs such as Rotterdam and Singapore. This is clearly in line with the UAE's strategy.

# Trade Finance in the UAE: Interviews

## DMCC Tradeflow transaction values reached US\$15.8B in 2016

**DMCC** is the world's most interconnected free zone, and the leading trade and enterprise hub for commodities. DMCC has contributed significantly to establishing the UAE as a global center for financing, storing and trading commodities.

**Sanjeev Dutta**  
Executive Director - Commodities  
DMCC

**DMCC**



### How is the trade finance landscape evolving and what shifts are you excited about as they impact DMCC?

Over the last few years, the non-oil trade in the UAE has grown despite the major economic factors impeding global trade. In a recent survey conducted by the International Chamber of Commerce, 61 percent of financial institutions reported that demand for trade finance exceeds supply. The UAE has benefited from this because Dubai and DMCC are a key trade hub for Africa and Asia.

In terms of shifts, the digitization of trade finance represents the most significant evolution. This is coming at us very quickly via Blockchain. Blockchain will create a platform to trade with speed, transparency and significantly reduce risk. There are quite a few pilots being carried out by trading houses and I expect that markets will have a fully operational platform by 2020 backed by the top trade finance players in the world.

### The DMCC-Maersk deal for trade finance collateralized against goods in transit is innovative. What more can you tell us about DMCC's Food Trade Group?

We launched FTG in 2016 to address the significant challenges facing the sector. The aim was to bring traders, producers and financiers together and allow them to play a more active role in supporting the development of the food trade market while reducing risk, and maximizing profit for stakeholders. As you are probably aware, 90 percent of our food requirements in the Gulf region are imported from abroad.

### The launch of DMCC's Food Trade Group covering commodities such as tea, coffee and agricultural goods strengthens the UAE's position as a global food trading hub

Having an effective and efficient food trading platform is vital.

Our initial challenge was that no one across the value chain was ready to make the first move. Each market actor – quite understandably – was wary to commit, as they were uncertain as to what kind of value they would get in return. DMCC created a framework that would provide a level of certainty. We developed a classic inspections and ratings program. Each trader undergoes a due diligence exercise assessing their operations and facilities, and is assigned a star rating between one and five. This system provides clarity for financiers, and enables them to make informed and confident decisions. We are very proud that this ratings scheme is independent and autonomous. Our own facilities and assets undergo this process like everyone else.

**“As you are probably aware, 90 percent of our food requirements in the Gulf region are imported. Having an effective and efficient food trading platform is vital.”**

### What other innovations has DMCC overseen and how is this supporting the trade industry?

DMCC Tradeflow is the only electronic central registry for commodity ownership in the region. Our value-added services include Shariah-compliant commodity Murabaha, forward financing transactions, inventory financing, as well as certified storage facilities through our Warehouse Inspections and Ratings Program.

In July 2017, we welcomed FIMBank, a global provider of trade finance, factoring and forfaiting solutions, to our Tradeflow platform. And in November of that year, we announced the ground-breaking of a new 7,500m<sup>2</sup> Coffee Center in Jebel Ali, a result of our collaboration with China to create a global marketplace for the coffee trade in Dubai. The DMCC Coffee Center will offer infrastructure and services for storage, processing, warehousing and delivery, and is expected to handle up to 20,000 tons of green coffee bean annually.

We have also signed an MoU with Dubai SME, a government agency mandated to develop the SME sector. Our goal is to create a web-based trade finance platform for SMEs, where they pledge their assets for financing purposes, easing some of the challenges they face.

# Trade Finance in the UAE: Interviews

For InDate, the trade finance offering will continue to diversify in MENA

**InDate** works with trade finance providers, insurers and clients across the GCC, Middle East and Europe to structure innovative trade finance solutions. It also provides advisory and information services related to credit worthiness, risk, debt recovery and credit control.

**Rafi Yachoua**  
Chief Operating Officer  
InDate



## What motivated you to set up InDate and offer this range of services?

I previously worked with one of the global trade credit insurance companies operating in the GCC. What we noticed was that the information provided to trade credit insurers about clients in the region was often incomplete, inaccurate and late. Credit insurers typically need reports within three to five days. We saw an opportunity to position ourselves initially as an information provider on companies in the region. As we familiarized ourselves with the local market, our offering expanded to structuring solutions and being the interface between insurers, financiers and clients.

## What do you consider the main challenges in relation to trade finance in the region?

We have noticed two main challenges. The first is what I call a 'translation' challenge. Many small and medium-sized clients have difficulty engaging with trade finance providers abroad and locally. The second is that trade finance providers are generally risk averse towards local clients. In some cases, the risks associated with these clients are justified, i.e. collateral, credit history and documentation, but in other cases, it is driven by unfamiliarity with the region. Traditional banks have scaled back their lending to SMEs, resulting in clients being under-funded.

## How do you see the trade finance sector evolving in the GCC and UAE?

We have had a strong demand to structure solutions for local clients, working with credit insurers and brokers and engaging non-bank trade finance providers in Zurich,

London and locally. While banks will remain important trade finance players in the region, we see the funding gap for SMEs being filled increasingly by non-bank finance providers with strong knowledge of the market. Another area of interest for us is project finance for equipment, ship-building, and airplanes. This follows a similar structure to trade finance, but with higher volumes and transaction complexity. We believe the market for tailored solutions in project finance is equally under-served in the region.

"While banks will remain important trade finance players in the region, we see the funding gap for SMEs being filled increasingly by non-bank finance providers with strong knowledge of the market."

**InDate also believes there is a good opportunity in the region to structure and advise on project finance solutions**

# Trade Finance in the UAE: Interviews

## EFA Group is positive for trade finance demand and the region's potential

Established in 2003 in Singapore, **EFA Group** is an asset management company specialized in private debt strategies such as commodity finance, asset-backed finance and supply chain finance. The group established a branch operation in Dubai in 2015, and incorporated as full-fledged subsidiary at DIFC in 2017.

**Kamran Yousuf**  
Head of Structured Trade  
& Commodity Finance  
EFA Group



### How is your portfolio split globally and what were the drivers for setting up in Dubai?

EFA Group has US\$1.2B in assets under management. This includes US\$800M dedicated to short-term commodity financing and US\$100M for longer-term fixed asset financing. In July, we launched our SME trade finance and factoring offering for non-commodity trading. We started on-boarding clients in the UAE in 2012, and some of our own clients from SE Asia established operations here, creating greater demand for working capital. Asian trade finance funds are traditionally active in the commodities space, and we are excited to diversify our offering to other sectors such as IT, pharmaceuticals & equipment.

### How does EFA Group compete with banks & their lower capital cost, and how does it position itself vis-à-vis clients in the region?

While it is true that banks have a lower cost of capital, there are cases where banks are operating at the upper limits of their funding capacity, as well as customer segments that they are not serving due to their target customer criteria. This creates a good opportunity for us. While our due diligence and risk profiling of clients is just as robust as banks, one advantage is that our response time can be faster, i.e. 30-days from initial request to approval. EFA has financed almost US\$2B of trade flows in 2016 and year-to-date in 2017, we have financed more than \$3B. This is still a mere drop in the ocean as compared to bank lending. Nevertheless, we believe this is still a substantial amount as

we do our part to fill in the financing gap left by the banks to the aforementioned customer segments.

We mainly target the middle-market of companies, with turnover of between \$50M to \$3B. This includes established companies, family businesses and high growth businesses. Large MNCs are not on our radar, as they are usually well-served by global banks. When conducting due diligence on a client, we focus on the historical volume of trade as well as the value, as turnover figures can change significantly with commodity price fluctuations.

“There are cases where banks operate at the upper limits of their funding capacity, as well as customer segments they are not serving due to their target customer criteria. This creates a good opportunity for us.”

### What challenges do you see in trade finance in the GCC region, as compared to SE Asia?

The commodity trade has a long history in Geneva, and Singapore established itself as a commodity hub in the past 30 years. Dubai is the youngest of the three as a commodity trading center and there is no doubt that the market went through a learning phase. The main challenge for all trade financiers is fraud, as well as ‘artificial’ trades where clients’ balance sheets are not reflective of real business transactions. Following the commodity price adjustment in 2015, and the implementation of stronger due diligence and risk management by banks and finance companies, the situation has much improved. Clients with healthy trade portfolios ultimately survived the downturn, and we have been able to build relationships with repeat clients in both the commodity and non-commodity space. Despite some geo-political risks in the region, the UAE’s geographic position is unrivaled. EFA Group is committed to the region and have recently expanded our origination team in Dubai.

**The group is expanding its supply chain finance offering for both commodities and non-commodity trade, and considers that the market went through a learning phase**

# Trade Finance in the UAE: Interviews

## AGE Group revisited its trade finance strategy following the 2015 downturn

**AGE Group** is one of the leading suppliers of structured steel products in the GCC. It has participated in many iconic UAE projects, including Yas Island, the Burj Khalifa, the Dubai Mall and Dubai Sports City. With the commodity price crash of 2015, and tighter global liquidity conditions, AGE Group re-visited its trade finance strategy.

**Asim Siddiqui**  
Group Managing Director  
AGE Group



### How has the regional trade finance landscape changed?

Since the commodity price crash of 2015, banks have become more conservative and liquidity has tightened, putting pressure on both our supplier and client relationships. While traditional bank intermediated trade finance continues to supply 80% of our financing needs, 20% is now conducted on an open-account basis between ourselves and our suppliers. In 2011, one Chinese supplier offered to trade with one of our businesses in which we have a minority interest on an open-account basis, via transactions backed by Chinese trade credit insurer Sinasure. That open-account credit limit has since increased from US\$2M to US\$45M. For our main steel business it made sense, especially in these tighter conditions, to negotiate such credit facilities with our suppliers, because on the sales side, we have been extending credit to our clients for years. There is definitely an increased interest from suppliers – as well as credit insurers themselves – to support open-account trade transactions in the region, but there is also a level of complexity involved that should not be underestimated.

“Bank intermediated trade finance continues to supply 80% of our financing needs, while 20% is now conducted on an open-account basis between ourselves and our suppliers.”

### What have been the main challenges of operating in this shifting landscape?

There are significant conditionalities and compliance requirements when conducting business backed by a trade credit insurance scheme. Trade credit insurers have strict reporting and disclosure requirements in relation to counterparties, as well as limited windows (i.e. 30-days) to submit claims for non-payments or defaults. This resulted in a rude awakening for many trading companies in the region, in addition to losses on specific accounts, as claims were turned down. A second challenge has been the inadequate due diligence conducted by banks and credit insurers on specific clients. In some cases, credit ceilings are imposed on clients with excellent payment histories, while in other cases, clients with a worse track record are accorded higher ceilings. We have had to work within these constraints. That said, we have been fortunate to build relationships with UAE banks that understand the nature and complexity of our business, as well as the fluctuations in commodity markets.

“There is increased interest from suppliers and credit insurers to support open-account transactions, but there is a level of complexity that should not be under-estimated.”

### How do you see the evolution of trade finance in the region?

We will see continued growth in open account trading, as well as factoring and reverse-factoring intermediated both by banks as well as new non-bank trade finance players. However, for companies to transact with non-bank players and credit insurers, education and awareness are critically important to understand technicalities and reporting requirements. We are also keen on Shariah-compliant solutions and are happy to see how banks have expanded their offering in their area. We have worked with Noor Bank since 2011, and the Islamic-factoring solution has been very well adapted to the needs of our business. We have also built a good relationship with Dubai Islamic Bank and Standard Chartered’s “Saadiq” Program. The only limitation for us with Islamic banks is in securing over-draft facilities – as transactions needs to be asset-based – but we are glad to see Islamic banks becoming more prominent players in trade finance.

**The group believes UAE businesses took time to adjust to open-account trading and credit insurance schemes, particularly in terms of compliance requirements and conditions**

# Digital Transformation

## e-Commerce is helping to integrate SMEs into global trade value chains

### Digital Transformation

Throughout this paper, we have seen how access to adequate and reliable trade finance creates export opportunities by enabling smaller and medium sized businesses to participate in global trade networks, contributing to employment and productivity. However, the increasing compliance and risk management costs for banks, have constrained access to traditional forms of trade finance, particularly in developing and emerging markets, as well as a decline in correspondent banking relationships. A white paper by the World Economic Forum – New Markets Lab in July 2017 makes two recommendations to remedy this situation. The first is to focus on “bottom-up” approaches, encouraging regulators, banks, traders, intermediaries and technology companies in emerging markets to establish dialogue and develop localized solutions, taking into account needs of all players in the value chain. The second is to expand technology-driven digital solutions for trade finance intermediated by both bank and non-bank players. The emergence of eCommerce trade finance solutions and Blockchain are worth looking at more closely.

### e-Commerce & e-Trade Credit

Given the costs of accessing an export network for small and medium businesses, many rely on intermediaries who source products locally and export them overseas. In a survey conducted by Deloitte with 1,500 Australian and New Zealand trade businesses in 2016, it was found that 59% delivered goods directly to customers, 24% used traditional intermediaries and 12% relied on online platforms such as eBay to deliver their goods. Close to eight out of 10 transactions conducted through eBay Australia consisted of delivering goods to customers overseas. Online marketplaces like eBay, Alibaba and Airtasker have helped to integrate small and medium-sized businesses into global trading networks, and digital trade finance solutions have followed closely behind. Alibaba has pioneered in this area, partnering with alternative finance players in the US, UK and other markets to offer buyers in these markets e-Credit lines of US\$5,000 to US\$300,000 to source products through the site, allowing Chinese businesses to expand their overseas trade. In 2016, Interlinkages, an online trade finance origination and bidding platform launched in Hong Kong, enabling banks and other players to offer trade finance in markets where they do not have a physical presence.

## Blockchain is helping to digitize the trade finance process, leading to swifter shipping and settlement, and a reduction in transaction costs

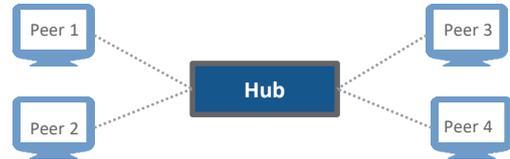
Trade Finance 2018

Source: DMCC, The Future of Trade, 2016; World Economic Forum, New Markets Lab White Paper, 2017; Chartered Accountants Australia & New Zealand, Deloitte, The Future of Trade, 2017; Deloitte, The Future of Financial Infrastructure, August 2016

It also allows participants from lower credit rated countries or banks to partner with insurers as guarantors to be able to transact business via the platform. These are interesting examples for the MENA region particularly as eCommerce platforms become more prominent in the region.

### Blockchain Trade Finance Solutions

Blockchain is a digital ledger technology (DLT) that keeps a secure record of all transactions taking place on a peer-to-peer network, without the need for a central third-party or clearer. There are three variations of Blockchain.



#### Public ‘Permissionless’ Blockchain

A fully decentralized open system where the ledger is updated by individual users using pseudonyms.

#### Private ‘Permissioned’ Blockchain

Controlled by a central organization, such as a company responsible for database management & auditing

#### Hybrid Blockchain

Controlled a group of vetted users who update, preserve and manage the network collectively.

In terms of trade finance, Blockchain offers the potential for automating letters of credit, swifter customs and compliance procedures, and faster settlements, eliminating the need for correspondent banks. At the same time, challenges related to how legacy systems used by banks, freight operators and customs will be integrated into Blockchain still need to be addressed, as well as updating legal frameworks and standards around ‘smart contracts’ for regulators and compliance officials. That said, several proofs-of-concept trialing the use of Blockchain for trade are being implemented around the world. Dubai Customs, IBM and du are exploring the use of Blockchain for a trade finance and logistics solutions for the import and re-export of goods in and out of Dubai. The World Economic Forum for its part commissioned Deloitte in 2016 to deliver a detailed study on the use of Blockchain in financial services. The description of the Blockchain-enabled trade finance transactions and potential benefits from this study are set out below.

# Digital Transformation

Blockchain can eliminate correspondent banks in trade finance transactions

## Blockchain Trade Finance – Future State Process



1. Following the sale agreement, the financial agreement is shared with the import bank through a 'smart contract'
2. The import bank reviews the agreement, prepares a letter of credit and submits it to the export bank for approval
3. The export bank reviews the letter of credit. A smart contract is generated to cover the terms and conditions of the LC.
4. The exporter digitally signs the LC within the smart contract to initiate the shipment

5. Goods are inspected by an independent inspection company, and the customs agent in the country of origin, with digital signatures for approval
6. The goods are shipped by freight from Country A to Country B, and inspected by a local customs agent, prior to being received by the importer
7. The importer digitally acknowledges receipt of the goods in the smart contract. The importers approval automatically initiates the payment from the importers bank to the exporters bank through the smart contract

### Future State Benefits

- **Real Time Review:** financial documents uploaded and accessible through DLT are reviewed and approved in real-time, accelerating goods shipment
- **Transparent factoring:** invoices accessed on DLT provide real-time and transparent view into the need for short-term financing
- **Less intermediation:** banks extending trade finance through DLT do not require an intermediary to assume risk, reducing the need for correspondent banks and credit insurers
- **Reduced transaction fees:** smart contracts and automated settlements reduce transaction fees and manpower requirements
- **Regulatory transparency:** regulators and customs officials are provided with real-time view of essential documents to implement AML procedures and customs approvals

### DLT Challenges

Three continued challenge areas include greater transparency with trade finance agreements, interoperability for smart contracts and amending regulatory frameworks:

- **Transparency of trade finance agreements:** bills of lading and invoices should be transparent within smart contracts to reduce counterpart risk. Banks and shipment carriers need firmer accountability standards to share financial information
- **Interoperability:** banks, customs and freight operators utilize systems that may be unable to interface with DLT. Stakeholders and technology providers will need to develop tailored solutions
- **Regulatory frameworks:** frameworks need to be updated to enable compliance officials to review trade documents and issue regulatory approvals, within the framework of smart contracts

**However, several issues still need to be resolved including enabling the different systems used by banks, customs and freight operators to interface with DLT**

# Prospects for Ethical Trade Finance

Financial institutions play a critical role in promoting ethical trade finance

## The Role of Financial Institutions

The International Chamber of Commerce (ICC) highlighted in its 2017 report that banks and trade finance players “have a unique opportunity to identify the dynamics of sustainable trade and help pave the way toward sustainable economic development.” In particular, banks can assist their corporate clients to achieve sustainability objectives, by identifying transactions where environmental, social and ethical issues need to be addressed before extending financing.

The European Parliament’s directive on non-financial and diversity information issued in 2014 extended social and environmental reporting requirements to banks and insurance companies. Despite a growing consensus on the importance of sustainable trade, there is no agreed definition or assessment criteria for sustainable trade practices that can be applied by financial institutions. An ICC working group established in 2017 defines sustainable trade finance as transactions that “minimize adverse environmental or social impact or risk or that promote environmental protection or social benefits.” Composed the commercial and development banks, the working group seeks to equip banks with the tools to better identify and mitigate negative environmental and social impacts when financing trade.

A number of certification bodies have emerged to promote sustainable trade practices – addressing issues such as deforestation, working conditions, use of agrochemicals, gender norms - with purchasers committing to only import from certified suppliers. This is contributing to building a community of knowledge and best practices.

## Convergence between SRI, ESG and Islamic Finance

These efforts can be significantly bolstered by the growing convergence between Islamic Financial Institutions, Environmental, Social and Governance (ESG) and Socially Responsible Investment (SRI) actors in advanced markets. While SRI actors can benefit from the restrictions applied by Islamic funds in dealing with highly-leveraged entities, which has proved to be an effective prudential approach for investments, Islamic financial institutions have much to

learn from the positive screening applied by SRI and ESG investors that also weigh the positive contributions of trade finance or investment transactions to environmental objectives – i.e. renewable energies, sustainable land exploitation - human rights, labor standards and positive social contributions.

The Islamic Trade Finance Corporation, launched in 2008 to promote trade as an instrument of socio-economic development between Muslim countries, strives to set a benchmark in ethical trade finance. It disbursed \$4.8B in trade finance in 2016 to clients in Asia, Central Asia MENA, and Sub-Saharan Africa, including a facility for medicines to Djibouti, boosting cotton exports from West Africa to Turkey and a capacity-building and financing facility for coffee producers in Indonesia.

## Typical Screens in Ethical Finance

	SRI	ESG	Islamic Finance
<b>Negative Screening</b>			
Alcohol	✓		✓
Gambling	✓		✓
Highly Indebted			✓
High Interest Income			✓
Narcotics	✓		✓
Nuclear Power	✓		
Pornography	✓		✓
Tobacco	✓		✓
Weapons	✓		✓
<b>Positive Screening</b>			
Corruption	✓	✓	
Environmental	✓	✓	
Executive Pay	✓	✓	
Gender	✓	✓	
Human Rights	✓	✓	
Labor Standards	✓	✓	
Social	✓	✓	
Political Donations	✓	✓	

**Islamic financial institutions share similar values to socially-responsible investors and can contribute to building a fairer & more sustainable world trade order**

# Noor Bank's Offering

## Your privileged partner for Trade Finance

### Trade Finance Solutions

Noor Bank offers a full-range of trade financing solutions tailored to its clients' business needs. Products cover imports, exports, guarantees and short-term financing. An Islamic Factoring solution offered in partnership with Euler Hermes assists businesses to obtain cash against their outstanding trade invoices, while securing credit protection insurance to better manage the risks associated with cross-border trade.

#### Import Services

- Import Letter of Credit
- Import Murabaha Finance
- Import Documentary Collection

#### Export Services

- Export Letter of Credit
- Export LC Confirmation
- Export Documentary Collections

#### Guarantees

- Bill / Tender Guarantee
- Performance Guarantee
- Advance Payment Guarantee
- Retention Guarantee
- Labor Guarantee

#### Islamic Factoring

- Shariah-compliant solution that offers clients cash advances against their accounts receivable
- Helps manage cash flow by releasing cash tied up with invoices, and can also be combined with credit protection insurance for up to 90% of the invoice value
- Assists businesses to better manage their cash flows, enabling them to secure cash that can be re-invested in working capital, production or in expanding inventory
- First Islamic bank to offer FCI backed export and import factoring solutions

#### Integrated Supply Chain Finance Platform

- Reverse Factoring/Dynamic Discounting using an online platform where Seller, Buyer and Bank participate in the transaction
- Enables corporates to use their idle cash or use bank financing to early pay their suppliers and obtain cash discounts significantly more than bank finance cost or potential earnings on idle cash

#### Trade Finance Officers:

##### Niraj Kumar

GTS Structured Trade Product Manager  
Corporate Banking  
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##### Merlyn DCruz

GTS Senior Manager Assets & Trade Products  
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**Usman Khakwani**  
Head of Business Banking,  
Noor Bank

## Conclusion

With the UAE strengthening its position as an emerging global trade hub in an increasingly dynamic financial landscape, the trade finance process is on the cusp of a massive transformation, offering tremendous scope for fine-tuning and competency-building.

Over the years, the global trade finance ecosystem has continued to grow and embrace new technologies. This strategic white paper, developed by Noor Bank in collaboration with MEED, maps the latest trends and assesses the impact of digital tools on the industry.

The document explores the potential of new technologies, such as blockchain, to not only enhance the overall banking system but also bring lasting benefits for trade finance.

With advancement in technology and the movement towards an open

account trade, e-filing of exports and imports, e-delivery and digitalisation have become inevitable in the trade finance process. Banks that fail to embrace digital technologies are likely to face increased challenges in the trade finance lifecycle.

In this context, the white paper sheds light on the current market dynamics and the need for technology integration and transparency. It also underscores the role of ethical, sustainable trade practices including implementing socially responsible investments (SRI) and adopting Islamic financial principles.

We believe that our white paper contains important lessons that all stakeholders engaged in trade finance should take on board. We encourage everyone in the trade chain to use this study to benchmark and enhance their own systems and controls.

## About Noor Bank

Noor Bank was established in January 2008, in Dubai, United Arab Emirates. In 2018, as it celebrated its 10-year anniversary, Noor Bank was ranked as the 11th largest bank in the UAE in terms of assets.

Noor Bank is a full-service Shariah-compliant bank, offering a comprehensive range of products and services in corporate and personal banking, wealth management, Takaful (Islamic insurance), treasury and trading. It has a presence across the country, with branches in Abu Dhabi, Dubai, Sharjah and Al Ain.

Noor Bank strives to deliver customers creative, innovative and responsible products and services, tailored to suit their specific business and personal needs. Its efforts to provide professional services and build lasting relationships have resulted in a consistent growth of new customer segments among individuals, investors, institutions, companies and public-sector entities.

In addition to its esteemed Board of Directors, Noor Bank is overseen by a Shariah Supervisory Committee, a team of reputed scholars and experts who oversee and ensure Islamic compliance on all documentations, financial products & services and banking operations.

Noor Bank is rated "A-" IDR with a stable outlook by Fitch Ratings.

## About MEED Insight

MEED Insight is the consulting arm of the MEED business. It provides tailored market research, business plans, feasibility studies and corporate strategy development studies to help our clients make more profitable and informed business decisions. MEED Insight has access to a wealth of regional information ranging from broad macroeconomic statistics to specific sector data to help its clients accurately and cost effectively forecast market growth and trends.

MEED Insight has a particular focus on project-related market data thanks to its proprietary database of projects in the region, MEED Projects. Thanks to the respected MEED name and magazine, MEED Insight consultants have considerable access to the market, enabling them to speak directly to clients, consultants, government ministries and other companies.



