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PARTNERSHIP MEETS EXPERTISE

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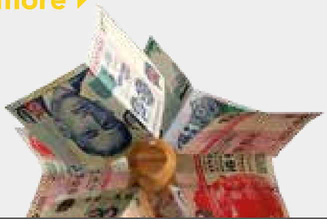

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Compliance tops Sibos agenda in Singapore

Sibos has been in existence for over 35 years, and now brings together 7,000 delegates, more than 100 speakers and some 200 exhibitors. Yet, this week there will be one word at the heart of almost every conversation: compliance.

The past year has seen compliance have a major impact on the work of financial institutions, companies and government agencies which, in turn, has had a significant effect on the global economy as a whole. Not a week goes by without Know Your Customer (KYC) and Anti-Money Laundering (AML) regulation making the headlines in the financial media. And this week, business leaders, decision makers and subject matter experts from a range of financial institutions, market infrastructures, multinational corporations and technology companies will convene in Singapore to once again mull over the future of the financial industry with respect to regulation.

But we are now at a stage where most market participants understand the regulation, are aware of what they must do to comply and have – largely – structured resources to allow for it. So why does it remain such an engaging issue?

Firstly, the costs of compliance can be huge. Not only do banks have to perform stringent checks on their customer bank each time they set up a new transaction – they also have to screen their customer's customers. For many banks, the mounting cost calls into question the profitability of maintaining certain correspondent banking relationships. And this is the second key issue: financial abandonment. In the current environment, the threat of whole countries being cut off from the international financial network, and hence unable to access trade finance, is a very real one.

Not to mention a worrying threat. Trade finance is the lifeblood of economic development; indeed, this issue of FI.News covers news of the African Export-Import Bank's **largest-ever loan facility**, amounting to nearly $1 billion, as well as the European Bank for Reconstruction and Development's **trade facility with Eurobank Cyprus** to provide €20 million. Such deals are essential to both the institutions and the wider economy in those countries. Losing such credit lines would be a major setback for economic development, as Florian Witt points out in an **article** on the impact of financial abandonment on Africa.

Yet, on the flip-side, if banks continue to stay in markets abandoned by their financial peers, they may face scrutiny from the regulators, i.e. are they truly complying with regulation, or bending the rules and ignoring risks to win market share? It is understandable why some banks are reluctant to tread where others refuse.

So the question is this: how do we harness the positive developmental aspect of trade while still toeing the line with respect to compliance?

For a global bank like Commerzbank, with 5,000 correspondent banking partners, the total cost of compliance is substantial. But rather than focus on the cost of maintaining each individual relationship, we look at the potential and value of keeping an entire network open. The key is to have a comprehensive and on-the-ground understanding of the risks in order to make the right decisions, as Tassilo Amtage and Thomas Piontek explain in their **piece** on the 'compliance conundrum'. Commerzbank has always taken pride in its in-depth understanding of local markets and regulatory/legal nuances – aided by a huge number of branches, representative offices and dedicated relationship managers providing us with market and client proximity that enables risk-based analysis, especially on our large network of correspondent banks. Yet we refuse to stand still in this respect, and continue to look to the future and how we can better find a solution. Indeed, at Sibos, Tassilo will be looking at the future of compliance in a session held in Conference Room 2 on Wednesday at 10.15am. It promises to be one of the event's most interesting sessions.

Of course, there are other key issues beyond compliance that will be dealt with at Sibos. For instance, at Commerzbank we are dedicated to realising the potential of sustainable trade. To this end, building on the success of our first report on the subject, we are honoured to present at Sibos a second publication: '**Insights: Scenarios for the future of sustainable trade**', available from our stand at the event. What is more, this issue of FI.News looks at the **banking situation in Singapore**, and considers the future for Singapore's **emerging border economies**. We also reflect on the impact of the **Transatlantic Trade and Investment Partnership**, as well as offering a focus on cash management and the potential for **instant payments**, among a number of other key insights from those at the forefront of their respective fields. I hope that you enjoy the issue.

> "The threat of whole countries being cut off from the international financial network, unable to access trade finance, is a very real one."

Christof Gabriel Maetze
Member of the Executive Management Board, Commerzbank

Meet Commerzbank at...

Engage with Commerzbank at conferences throughout the year

Event	Where	Date
African Investment Banking Conference	Frankfurt	19th – 23rd Oct 2015
Trade Finance – Horizons Africains	Lausanne	5th Nov 2015
2nd Annual Africa Forum	Frankfurt	9th – 20th Nov 2015
49th FELABAN Annual Assembly	Miami	14th – 17th Nov 2015
25th Anniversary of Commerzbank's Representative Office in Bangkok	Bangkok	16th Nov 2015
***GTR* Nordic Region Trade & Export Finance Conference**	Stockholm	25th Nov 2015

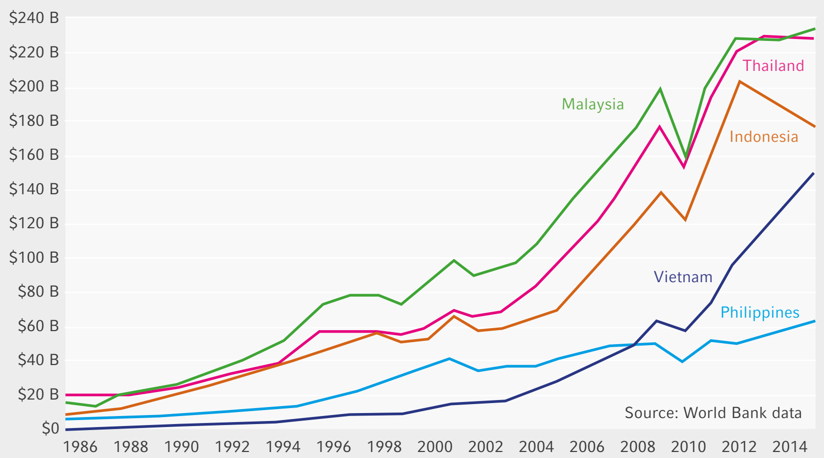
South East Asia: A powerhouse in the making

With Sibos taking place in Singapore, Agnes Vargas, Regional Head for Greater China & ASEAN Countries, looks at South East Asia, and argues that the future of the region's "frontier markets" depends on greater integration, both regionally and globally.

South East Asia, as a whole, has come a long way towards establishing itself as a trading and manufacturing powerhouse over the past few decades. Consequently, much of the region is already well-integrated into the global economy. Singapore is a global high-tech and financial services hub, Indonesia enjoys G20 membership, and the World Bank suggests Malaysia can soon become a "high-income" country. Now, the "frontier markets" of Thailand, the Philippines, Vietnam, Cambodia and Laos are seeking to emulate those longer-established regional giants. Key to their success will be a willingness to open up to foreign trade and investment. In this respect, international banking services will be of the utmost importance.

The primary step for these frontier economies is to integrate further on a regional level. Indeed, intra-Asian trade as a whole is increasing in importance, and will be a vital organ of economic growth, with China and Singapore the key drivers in the short to medium term. The secondary stage for emerging economies will be opening up to increased global trade and investment. In fact, the region's main economic partners are developed markets – Europe, the United States and Japan – and global integration is fundamental to the region's progress. The Philippines is a key example of success in this respect, combining globalisation with productive diversification, and transitioning to more reliable services-based industries.

Manufactured trade exports of Southeast Asian countries



Fortunately, the frontier markets are already moving in the right direction, following the external integration examples of Malaysia, Indonesia and the Philippines. As the graph shows, these economies have increased their manufactured export trade significantly since 1985.

Moreover, as Chinese labour costs increase, manufacturing industries with exports destined for developed markets are shifting to frontier markets, notably Vietnam and lately Myanmar, due to large young labour forces, lower costs, and specialist manufacturing skills emerging there. Similarly, foreign investment in these emerging economies is needed for crucial infrastructure development.

This opens up a number of significant opportunities for European businesses. In fact, many German corporates now prefer to locate their production in these emerging countries, where they have more control over patents and production. Thus, Europe is increasingly trading with the region. Commerzbank enjoys a significant and growing market share in facilitating this, with a commanding position especially in Cambodia, Laos, Myanmar and the Philippines – managing trade and credit lines, and building on its decades of experience in South East Asia since opening a Singapore office in 1970.

Yet such opportunities require risk mitigation. Letters of credit remain the dominant risk mitigation tool for global trade – allowing European companies to seize new opportunities with counterparts in new countries. But such documentary credits also have a large role to play at the regional level.

For example, Commerzbank is currently confirming letters of credit issued in Cambodia for sugar imports from Thailand: engaging with important trading companies, total orders stand at around €10 million. This highlights the importance of such credit lines to ensuring South East Asia's ability to export and import on a regional scale.

Of course, documentary credits alone are not enough. Our correspondent banking partners are our eyes and ears on the ground; they are well-connected within the local economic and political arena, and can further reduce risk for all trading counterparties. This is why we recently formed partnerships with several local banks in Thailand to offer simplified access for German or European corporates looking to start operations in the region – allowing a non-exclusive sharing of expertise and know-how. As South East Asian economies increasingly look towards global trade and investment for growth, such partnerships will be critical. ■

Charlie Lay, Commerzbank's analyst and strategist in Singapore, sees great potential for these emerging economies but argues that challenges must first be overcome: "Political risk, military coups, new policymakers and government corruption are challenges for these economies, which should channel their energy into managing political expectations, welcoming FDI, appointing competent technocrats and upgrading their national economic infrastructure." ■

> "Frontier markets are seeking to emulate regional giants. Key to their success will be a willingness to open up to foreign trade and investment."

Agnes Vargas
Regional Head Greater China and the ASEAN countries, Commerzbank

Singapore: South East Asia's financial and trading hub

Singapore commands a prime position in regional and international trade flows. As Sibos brings the financial world together in the city-state, FI.News looks at the ways in which partnerships contribute to its success.

"For banks seeking to apply expertise on a global scale, success lies not just in competition but in partnership."

Singapore celebrates 50 years of independence this year, during which time it has made significant strides forward in becoming a financial hub for South East Asia. More than 200 local and international banks operate here in a mature financial environment, thanks to its history as an economic centre, and its critical geostrategic location. With so many commercial institutions, competition is strong. But for banks seeking to apply their expertise on a global scale, such as Commerzbank, success lies not just in competition but in partnership.

Singapore is a key site in South East Asia for both import and re-export trade flows. Commodities from the developing world destined for Asia will likely pass through the island, whilst many manufactured Asian goods will transfer from here to Europe or America. At present, Asian commerce dominates the local market: over 70 per cent of import/export trade conducted through Singapore is associated with intra-Asian flows, and this figure is increasing. But business with the developed world will remain a key element.

Consequently, Singapore's local banks – notably DBS Bank, OCBC Bank and United Overseas Bank (UOB) – play a vital role in facilitating such regional and international commerce. DBS Bank, for instance, one of Singapore's largest banks, focuses on helping its clients build their business across strong Asian networks.

Opportunities lie in partnership

Of course, when facilitating international trade, local banks in Singapore rely heavily on their global partnerships.

DBS Bank comments: "Financial institutions, such as DBS, are often requested to confirm letters of credit or handle trade collection services beyond geographies,

some of which are broader than the region's trade corridors. In order to facilitate trade, banks would collaborate with a broader correspondent network to deliver these services. As corporates are multi-banked across many countries, the challenge for FIs in the region is to support their clients' cross-border requirements in a seamless manner within the ambit of the local regulations imposed by national regulators. With Commerzbank's network, DBS can deal with around 200 countries and over 4,500 banks globally."

Dirk Rohde, Commerzbank's Senior Relationship Manager in Singapore, adds: "Such partnerships between local and global banks present a 'win-win situation' for both parties. Based on the bank's business strategy for the Singaporean branch, Commerzbank does not compete with local banks on the ground. At the same time, more clients in Singapore seek international trade and payment services, so using Commerzbank's range of correspondent banking networks and contacts abroad means that for partners such as DBS, transactions can be executed in various locations, and their business range is amplified."

As a result, Commerzbank can complement services on the ground, and continue to expand its market share in this vital line of business, adding new trading partners to its portfolio.

Moreover, the diverse range of trade flows traversing Singapore presents different priorities for partnerships. On the one hand, trade with developed markets is witnessing increases in the demand for open accounts and bank payment obligations, since trust and confidence in partnerships are established. On the other hand, emerging markets present future opportunities, but such trade must rely on confirming banks to minimise risk. So in this respect letters of credit are still common – requiring a confirming bank with an international reach.

Significant regional banks located in Singapore:

DBS Bank (formerly Development Bank of Singapore)
- Established: 1968
- The largest bank in Singapore and South East Asia. Its partnership with Commerzbank rests on the Trade Alliance Ticket for guarantees, letters of credit and documentary collection.
- Maintains over 280 branches and offices in 18 markets including presence in Europe and America.

Oversea-Chinese Banking Corporation (OCBC)
- Established: 1932
- Singapore's longest-established bank, and the second-largest banking group by total assets.
- Maintains over 630 branches and offices in 18 countries, including presence in Europe and America.

United Overseas Bank (UOB)
- Established: 1935
- Maintains over 500 offices in 19 countries, including presence in Europe and America.

These are among the highest-rated banks in the world, with 'AA1' from Moody's and 'AA-' from Standard & Poor's.

The future of Singaporean banking

Looking ahead to its next 50 years, Singapore will doubtless continue developing as a South East Asian economic hub, building on sustained progress in international trade flows and financial services. This represents great prospects for more fruitful partnerships to develop between international institutions, and local regional banks.

The compliance conundrum: Can financial abandonment be prevented?

While banking compliance is a necessary tool in the fight against crime and unethical practice, its implementation has a number of unintended consequences. In a special feature for FI.News, Tassilo Amtage and Thomas Piontek suggest how banks may better avoid the need to cut the supply of trade finance to perceived "risky" markets. Meanwhile, Florian Witt looks at the impact of financial abandonment on economic development in Africa.

> "Banks may benefit from taking a risk-based approach; looking into the inherent risk of the country, the customer and the transaction."
>
> Tassilo Amtage

> "For the majority of African economies, trade is their key means of sparking development – yet such progression is threatened by financial abandonment."
>
> Florian Witt

Dealing with compliance and better understanding risk

By Tassilo Amtage and Thomas Piontek

Understandably, the immediate priority over the past few years for banks has been to focus on complying with "Know Your Customer" and "Anti-Money Laundering" regulation. Banks have invested in technology and staff to cope with the increasing burden – all at significant cost.

There is no doubt that such reasonable regulatory measures to combat financial crime have a justified purpose – reducing unwelcome banking behaviour and reducing funding for terrorism or other illegal activity. Yet, the rising costs are a burden that many small and medium-sized banks are struggling to bear, which has a significant impact on the dynamic of world trade. As Florian explains, banks should understand the wider importance of keeping trade moving and what this means for international growth and development.

In this respect, banks may benefit from taking a risk-based approach; looking into the inherent risk of the country, the customer and the transaction instead of applying a broad brush and abandoning whole markets that are perceived by the financial community to be "risky". This could drive a new common sense with respect to compliance; it is certainly the Commerzbank approach.

However, such an approach obviously requires very detailed knowledge on the political, regulatory, and economic environment in each market, as well as the individual banks and companies with which you may do business. For Commerzbank, this approach is helped by the bank's expertise and on-the-ground presence, which puts it in a better position to understand the risk.

Tassilo Amtage
Senior Regulatory Advisor,
Regulatory Services

Thomas Piontek
Senior Regulatory Advisor,
Regulatory Services

Further integration of front and back office may also be beneficial. By involving relationship managers in compliance-related tasks, banks can benefit from having the full picture on the customer, which enables them to assess the risk in a much more detailed way. As such, the relationship managers can fully achieve their role as the bank's first line of defence, putting compliance at the very centre of the bank's operations. This would drive better information-sharing between business units, and a more holistic approach to compliance risk management.

We also see KYC becoming more holistic in its approach. If you go back several years, most banks would use some sort of application to review accounts and transactions. That was perceived to be sufficient at the time, yet we now need a more detailed understanding of the specific risks and potentially suspicious conduct in order that we can manage compliance risk more proactively. This could be helped for example, by comparing the business model of a customer with peers, or by comparing trade flows for a certain region or country with similar regions or countries.

By going the extra mile on customer due diligence in this way, Commerzbank is able to both protect the bank and keep the supply of trade finance going into areas that need it the most. ■

Financial abandonment: An African perspective

By Florian Witt

The costs of compliance can be huge, especially when dealing with banks located in a diverse continent such as Africa, where business practices, political environments and local regulations vary greatly from country to country. As such, rather than "kick the tyres" of local banks in certain smaller African countries – where the business revenues from doing so may barely cover the cost – many global banks are withdrawing completely, in what has been referred to as "financial abandonment".

This is a significant problem given the developmental aspect of international trade. Certainly, it is well established that emerging economies are adept at converting trade activity into GDP growth, which can in turn lead to better quality of life for their populations, driving reduced poverty, better facilities, better education, and longer life expectancy. This is one of the reasons why development financial institutions, such as the African Development Bank or the International Finance Corporation, created Trade Facilitation Programmes for African banks in partnership with Commerzbank.

For the majority of African economies, trade is their key means of sparking development. Ethiopia is a perfect example: in the last few years, the country has opened up its local markets in order to prop up international trade, which has had a hugely positive impact on GDP growth and wealth distribution. Yet such progress is threatened by financial abandonment. And Ethiopia is not the only economy under threat.

The key to keeping trade finance flowing to these economies, while at the same time complying with all the necessary regulation, is to have an in-depth and on-the-ground understanding of the risks, as Tassilo and Thomas explain. It is this market and client knowledge – greatly augmented by our local presence and many decades of expertise on the continent – that has allowed us to remain present in 50 of the 54 African countries. A risk-based approach has helped us to define the areas of businesses we can accept within our risk strategy – which we define with respect to various aspects, i.e. credit, compliance or reputational risk.

Africa, and many other emerging economies, rely on trade finance as their lifeblood. As long as we can assess the various risks and carefully define our appropriate strategy to them, it is our responsibility not to cut off that supply. ■

Florian Witt
Regional Head Africa,
Commerzbank

Cash management and the innovation game

FI.News talks to Ingrid Weisskopf and Rainer Wolff about what is next for the cash management industry, including "instant payments" and the role of FinTechs.

Explain the importance of innovation in cash management.

IW: The strategic requirements in transaction banking go beyond responding to general market requirements. It's essential that banks actively monitor new initiatives, identify business opportunities and introduce new services. In particular, instant payments in euro, intraday liquidity, digital currencies and non-bank service providers are the hot topics on the horizon.

Why is there so much conversation around instant payments?

IW: It is more market-driven than bank-driven; our retail customers are younger and fully digitalised. However, I think as things stand the demand will be small in the corporate world. We can already process payments very rapidly and few corporates are desperate for this to be quicker. Nevertheless, as far as the offer is there, I think corporates will see a need for instant payments in select cases.
RW: Yes, that is right; the introduction of instant payments may throw up new opportunities for corporates. For instance, corporates could pay seasonal workers instantly, after their work has finished.

What is the situation in Europe?

IW: Some countries, such as the UK, Sweden and Denmark for instance, have installed faster payment systems, but there is no pan-European solution.
RW: Undoubtedly, the emergence of new domestic platforms is a concern to the European Central Bank and other regulators as it might end up creating a fragmented market in Europe for instant payments, similar to that which existed for regular payments pre-SEPA. For it to really work, solutions must be harmonised and integrated across Europe.
IW: The European framework is an issue, however. Transfers are currently forwarded via clearing systems with limited operating hours. The differences are settled at the end of the business day. Instant payments would require a 24-hour clearing solution.

What is next for instant payments?

IW: There will be increasing pressure on the market to think more about the opening of the clearing systems in terms of flexibility and operating hours – but this is a medium-term development.
RW: One of the key challenges is investment in the necessary IT infrastructure. However, it makes no sense to make this investment before we know how instant payments will really work, the European infrastructure and the real business case for making the changes.

Moving on to the role of FinTechs in the payments space – what should their role be?

RW: There are two sides to this; firstly, some banks see FinTechs as competitors who will eat into their market share. On the other hand, FinTechs are innovative, meeting customer demand and contributing to moving our industry forward. My view is that we should work together with FinTechs – harnessing their innovation with our reputation, global reach and technological infrastructure. Indeed, this is why at Commerzbank we have the **main incubator** and the **CommerzVentures**, through which we invest in innovative start-ups.

What sets Commerzbank apart with respect to cash management?

RW: Our efficient services and our expertise – we speak clients' languages, know their markets and understand the drivers of their success. But we also refuse to stand still. Hence why we have created a new Innovation Lab, which is charged with looking at what's next on the horizon; identifying important regulatory, market and technology drivers of change.
IW: Our huge network is also becoming increasingly rare in the modern banking landscape. We move money around the world through a network of 5,000 partner banks in over 200 countries and complement this with access to all major euro clearing systems.

Ingrid Weisskopf
Head of Product Management Cash Services and Advisory FI

Rainer Wolff
Specialist Cash Services, Innovation Lab

EBRD signs trade facility with Eurobank Cyprus

Commerzbank is active partner in the €20 million deal.

The **European Bank for Reconstruction and Development** (EBRD) has agreed a €20 million trade facility with Eurobank Cyprus Limited in order to extend trade and develop foreign financing. Commerzbank is one of the major confirming banks involved in the EBRD's Trade Facilitation Programme (TPF) in Central Eastern Europe and Asia.

Eurobank will become the first issuing bank under the programme in Cyprus. Through the facility the EBRD will issue guarantees in favour of international commercial banks covering the political and commercial payment risk of the transactions undertaken by Eurobank. CEO of Eurobank, Michalis Louis, commented: "We are particularly pleased and honoured to sign this agreement with the EBRD today. It is a vote of confidence for the Cyprus economy."

Michael Benner, Senior Relationship Manager for Greece and Cyprus at Commerzbank's Financial Institutions Department, remarked: "Commerzbank is heavily involved in trade operations in the region, and we can support the EBRD and the TFP's issuing banks. It's a mutually beneficial relationship. There is clearly much scope for Commerzbank to work in Cypriot development at present."

Michael Benner and Yvonne Bischoff from Commerzbank's Trade Product Management were invited to present the bank's capabilities to 100 representatives – including the International Chamber of Commerce, the World Trade Organization, trade finance professionals and specialists – at the signing in Limassol.

Commerzbank coordinates Afreximbank's largest loan

Commerzbank was Mandated Lead Arranger, sole Coordinating Bank and Documentation Agent on **African Export-Import Bank's** (Afreximbank) largest ever loan facility – which has attracted an aggregate equivalent of more than US$1 billion.

The deal closed on 6th July as a dual-tranche facility, with the US$458 million and €406.5 million tranches repayable after two years. Afreximbank will repay debt and provide funding for corporate investment and trade finance. 34 banks contributed.

Florian Witt, Commerzbank's Head of Africa, said: "Today represents a new landmark for development in the region. We thank Afreximbank for selecting us to coordinate this prestigious facility."

Major report on Bangladesh published

Commerzbank has produced a major new report on Bangladesh. Within 'Insights: Bangladesh', a wide range of experts from a variety of fields explore the challenges and opportunities facing the present and future development of the South Asian nation.

The report looks at sustainability, economic forecasts and grassroots industry experience in Bangladesh, as well as the crucial role of the banking sector. Leaders from the Bangladeshi business, finance and political worlds join Commerzbank's own representatives to give their vital and targeted insights on this key emerging country.

Read the report at:
http://www.commerzbank.com/Report/Bangladesh

Commerzbank's second report on sustainable trade launched at Sibos

Report looks at potential scenarios for sustainable trade over the coming decades.

In time for Sibos 2015, Commerzbank has produced a new report on sustainability in trade. Drawing upon expert opinion and case studies, 'Insights: Scenarios for the future of sustainable trade' offers a projection for sustainability in the global economy for the coming decades. The report follows the success of Commerzbank's previous publication, 'Insights: Five drivers of sustainable trade', which outlined the key areas that will shape sustainable models: regulation, demand, supply chains, standards, and the need for innovative finance.

It was clear that these findings had to be projected into the future. The new report assesses the global economic outlook for the next 10-15 years against these main drivers of sustainable trade, offering the "best-case" and "worst-case" scenarios – and a likely outcome in between.

Commenting on the report, Christof Gabriel Maetze says: "'Scenarios' illustrates Commerzbank's ethos of sustainable trade and commitment to the long term; we must anticipate future outcomes, preparing for the problems – and opportunities – of the next 10-15 years and beyond. Sibos is the perfect opportunity to engage with the financial world on this vital topic."

The first report was published in March 2015, and both reports have been developed in partnership with Oxford Analytica.

Read the report at **www.commerzbank.com/Report/Scenariosofsustainabletrade**

Financial Institutions presents mobile app

Commerzbank has launched the ***FI Lounge*** app, specifically designed for Financial Institutions. This app will allow our FI clients to easily stay in touch with us wherever they are and to obtain up-to-date information, such as daily research material, practical advice and FI-relevant publications. Clients can liaise with us via the 'Meet Commerzbank' function which provides information on any events and conferences in which we participate. The app also gives access to comprehensive product information. Try our new app and experience how Partnership meets Expertise!

German Myanmar Business Chamber founded

With Commerzbank a founding participant, the Chamber has been formed to promote working cooperation between Germany and Myanmar, as well as to facilitate the sharing of technology and expertise.

Commerzbank was represented at the launch by Piyakanit Yen-Ura, Senior Representative at the bank's Bangkok Office, among 150 other senior guests and business leaders. For President Jens Knoke, the forum's goals are to "share experiences and know-how, facilitate contacts, dialogues and projects and create business opportunities".

Agnes Vargas, Commerzbank's Regional Head, Greater China & ASEAN, comments: "As a founding associate, Commerzbank is in a leading position to help drive increasing and better cooperation with the country."

Commerzbank wins EBRD's "Most Active TFP Confirming Bank" for 11th time

Commerzbank confirmed more letters of credit than any other bank under the Trade Facilitation Programme last year.

Commerzbank has been awarded the European Bank for Reconstruction and Development's (EBRD) "**Most Active Confirming Bank" award for 2014**. It marks the eleventh consecutive time that the bank has confirmed the most letters of credit in a year under the EBRD's Trade Facilitation Programme (TFP). The announcement was made at the EBRD Annual Meeting in Tbilisi, Georgia.

Commenting on the award, Holger Kautzky, Head of Financial Institutions, at Commerzbank, said: "Our continued partnership with the EBRD is central to our work in the region; indeed, as many as 101 issuing banks in 19 countries in the Commonwealth of Independent States and Central Eastern Europe have used Commerzbank to confirm letters of credit under the EBRD's Trade Facilitation Programme. "

Kautzky added: "With experienced relationship managers and our network of branches and representative offices across the region, we offer our customers a deep knowledge of these challenging markets. We continue supporting our clients during difficult economic times, of course, in line with the current regulatory framework." ■

Commerzbank's "Sustainable Trade Finance Program" honoured in *Global Finance*'s Innovators Awards

Global Finance Magazine has recognised Commerzbank in **its annual listing** of global financial institutions and firms that are engendering innovation in treasury and transaction processing.

Commerzbank was honoured for its approach to sustainable trade. Not only does the bank assess its strict set of sustainability criteria against every single transaction it receives, it has also released a forward-looking report titled 'Insights: Five drivers of sustainable trade' in March 2015 to drive change among competitors in order that this approach might be adopted universally.

Ruediger Geis, Head of Product Management Trade, comments: "As a bank, we have always focused on driving long-term partnerships with clients and stakeholders – as such, we have become increasingly engaged with the topic of sustainability generally, and sustainable trade in particular."

Ruediger Senft, Head of Corporate Responsibility, adds: "While there is growing consensus on the importance of sustainability, it has not yet translated into global agreement on what exactly constitutes sustainable trade or practices. Such lack of clarity is likely to constrain corporate action and commitment. We hope that our report – and our work more generally – can help to drive more collaboration in order to establish and fulfil basic sustainability standards." ■

"Best Trade Bank in CEE"

Commerzbank has been recognised as the **top trade bank in Central and Eastern Europe** (CEE) by leading specialist magazine, *Trade & Forfaiting Review*.

Holger Kautzky, Head of Financial Institutions, said: "We have consistently been acknowledged by *TFR* among the best-performing trade banks. This reflects our continuing dedication to providing trade finance in the region. It is an endorsement of our extensive network of bank partnerships, enabling us to develop a strong presence over the last 20 years."

TFR's award recognises the crucial work financial institutions do in supporting the region's relatively young economies' aims. ■

Commerzbank voted "Leading Euro Clearing Bank in Asia Pacific"

The Asian Banker Award reflects the bank's growing network and influence in the region.

Commerzbank has been voted "Leading Euro Clearing Bank in Asia Pacific" as part of *The Asian Banker*'s Transaction Banking Awards. The bank has achieved a growing market share for Euro clearing in Asia Pacific, expanding its network and offering an increasing number of local corporates access to Euro payment capabilities.

On receiving the award at the 16th Asian Banker Summit in Hong Kong, Jörg Motel, Head of Financial Institutions at Commerzbank, said: "This award reflects our transformational growth in Asia – having been present in the region for more than 60 years, our expertise has grown and developed."

Agnes Vargas and Alexander Rost of Commerzbank added: "Clearing is one of the services needed to facilitate smooth international trade and cross-border transactions. Through our global network of correspondent banks, we are able to provide this service seamlessly for our Asia-based clients."

The Transaction Banking Awards are widely acknowledged by the financial services industry as the highest possible accolade in the Asia Pacific region, evaluating banks' achievements in cash management, payments, and trade finance. Winners are determined through a combination of surveys, interviews and field research.

Florian Witt named in *Global Finance* list of most influential people in African finance

Florian Witt: "A real honour"

Florian Witt, Commerzbank's African Regional Head, has been recognised in *Global Finance Magazine*'s 'Who's Who in African Finance 2015'. Published in the magazine's annual African Supplement, the list honours the most influential figures in African business and financial communities.

[video here...]

Michael Watt, Africa editor of *The Banker*, speaks with Florian Witt, Regional Head Africa, Commerzbank, during the African Development Bank (AfDB) 2015 annual meeting in Abidjan. To access "The Banker's View" from AFDB 2015 in collaboration with This is Africa, visit **TheBanker.com/AFDB**

Under Florian, Commerzbank has strengthened its presence and market share in Africa, developed African banks' reputation in global markets and increased the profile of trade finance. Florian has also helped drive the establishment of a new research hub in Abidjan, Ivory Coast.

Commenting on the news, Florian says: "It is a real honour to be included in the list given the calibre of peers included. But I should point out that Commerzbank's success in Africa, one of the world's fastest-growing regions, could not have been achieved without the hard work and dedication of our whole team, as well as the valued advice and experience of our substantial networks of some 400 correspondent banks."

The full list will be distributed at the 2015 IMF-World Bank Annual Meetings in October.

COMMERZBANK

Costa Rica: An economic anchor in Central America?

Costa Rica is generally regarded as a success story. Here, Commerzbank's Thomas Krieger, Regional Head for Latin America, argues that the country must secure more investment to improve infrastructure, and control the rising fiscal deficit to maintain a long-term international edge.

Costa Rica enjoys many comparative advantages in the regional and global environment. A stable political base rests on democracy, and good relations with other countries. The country has witnessed solid GDP development despite the financial crisis, while its highly-skilled, educated labour force is predicted to be completely bilingual within the next decade. In addition, Costa Rica is a very green economy: it seeks to become a carbon-neutral country by 2021.

Over the past decade, Costa Rica has sought to consolidate its integration into the global economy. Exports of agricultural commodities have been supplemented with high-tech manufacturing and tourism, while the services sector has grown – notably in design, engineering and computer software. But if Costa Rica is to fully compete regionally and internationally, then it must continue to find more sources of investment, for much-needed improvements in national infrastructure and to be able to deliver on promises of sustainability.

In this respect, the Costa Rican government has a proven track record at attracting significant levels of FDI, especially for a small country, allowing it to withstand slowing growth abroad. Its extensive pursuit of free trade agreements with parties across the globe enables greater integration into the global economy. Therefore, there is significant long-term potential in Costa Rica for both corporate and financial institutions.

Furthermore, the country's key geographic position with access to the Pacific allows growing commodity trade with emerging Asian markets, whilst China especially sees it as a beachhead for investment across the Americas. Meanwhile, Costa Rica's proximity makes it the most popular nearshore location for US companies, as well as a strategic offshore setting near the dollar zone for European corporates. Government-supported tax benefits and economic zones also provide incentives for multinational corporations. However, more focus should be on controlling the fiscal deficit.

Increasing export capacity is necessary. For instance, the departure of Intel's business – more as a result of cutting costs and consolidation of operations in Asia – was a stern reminder, since these had at one point represented 20 per cent of national exports. Costa Rica's task will be to maintain competitiveness in the face of rival manufacturing costs, especially from Mexico and Brazil. Particularly, the devaluation of several currencies in the region since last year is a concern for exports, as the Brazilian real and Mexican and Colombian pesos have all dropped significantly compared to Costa Rica's colón. Chinese

investment thus offers the possibility of exporting solar panels, for example, as well as providing vitally-needed employment.

Challenges also lie in improving transparency and reducing bureaucracy in the financial environment. As such, Commerzbank has continued to extend its network of partner banks – now working with 11 of the country's 13 banks, and thereby almost doubling its market share in trade business since 2012.
In the long term, Costa Rica's focus on sustainability requires channelling investment into secure energy sources, with green bonds likely to increase in importance.
As Costa Rica cements its place as an advanced economy, there are clearly great opportunities for financial services to engage in its development. ■

Thomas Krieger
Regional Head Latin America, Commerzbank

Turkey's economic resilience put to the test

Turkey's resilience lies in its sound financial system, largely owing to regulatory standards implemented over a decade ago.

Having experienced a slump in growth in 2014, Turkey's economy recovered quickly in the second half of the year. Though it is yet again facing a more difficult environment, inflation since 2014 has dropped to comparatively low levels, and public finances remain relatively strong. As such, despite a backdrop of political uncertainty, as well as weak export development and the problem of international reserve volatility, the average economic growth forecast for the next three years is still about three per cent.

Turkey's economic resilience is explained by multiple factors. For a start, the country's economic model, build on domestic demand, means that it is less reliant on Chinese growth than other resource-rich economies. It has also been able to diversify in terms of major markets and funding.

"Turkish banks have been able to raise capital in Asia and the Middle East with increasingly longer maturities, mostly in the form of bilateral loans," explains Ivica Langauer, Regional Head of CEE/ Turkey at Commerzbank. "In addition, the local banks have, on numerous occasions, exhibited an ability to deal with crises by refinancing and rolling over syndicated loans and trade finance portfolios," adds Langauer. "2014 was the latest example. Despite pessimism, corporate loans proved resilient and asset quality was maintained – enabling swift recovery and enabling investment to pick up quite quickly."

At the core of Turkey's resilient banking system are the strict regulatory standards implemented after the country's banking crisis in 2010.

"Long before banks in developed countries had to comply with the eight per cent capital adequacy ratio stipulated by Basel II, Turkish banks were already required to maintain a minimum 12 per cent," comments Semra Demirli, Head of Commerzbank's Istanbul representative office. "Not surprisingly, Turkish banks therefore compare favourably, with low non-performing loan ratios and high capitalisation. Such a resilient system subsequently provides the necessary strong foundations for global trade and foreign direct investment (FDI)."

In this respect, Turkey is seventh in the EU's top import list and fifth in terms of exports. Net exports were the main driver of GDP growth in 2014, and a weak lira should sustain such a pattern. The EU also accounts for roughly half of net FDI inflow into Turkey. In particular, in order to reduce dependence on oil, the country has created unprecedented investment opportunities in renewable sources. Therefore, as the Turkish economy starts to rebound, European corporates have much to gain by looking at their neighbouring market.

Transatlantic Trade and Investment Partnership: Addressing the key questions

A comprehensive agreement for reducing trade barriers, increasing investment and upholding standards, the Transatlantic Trade and Investment Partnership (TTIP) aims to promote global economic growth. First announced in June 2013, 10 rounds of negotiations have taken place without conclusion, making this year's deadline for implementation seem unrealistic. Financial institutions have their own concerns, so Ruediger Geis, Head of Product Management Trade at Commerzbank, offers some key insights.

What are the likely economic impacts on European trade?

TTIP is more than a simple free trade agreement, eliminating tariffs. It represents an opportunity for small and medium-sized enterprises (SMEs) in particular; reducing the bureaucratic costs of transatlantic trade, which many cannot afford, thus enabling them to expand into new markets. Removing non-tariff barriers, such as import quotas and licences, would also make American business much easier. Although economists argue over growth forecasts, I think that support for European SMEs is vital, as is higher spending power for consumers across the EU. Fundamentally, common transatlantic standards will simplify commerce, benefitting the export industry.

What about investment?

Investment is key: a third of European foreign direct investment (FDI) goes to the US, whilst around half of America's investment abroad lies in the EU. Since 2008, investment has suffered, but TTIP can build on experience of previous free trade pacts and promote investment in European and American markets, and beyond. Some worry about threats to sovereign legislation, but we believe negotiations should strike a balance and must not collapse over important issues of investor protection.

Will TTIP cover financial services?

Including financial services is definitely important to avoid double burdens and disadvantages for European institutions in international competition. The 2008 crisis highlighted the need for uniform regulation. Currently, European and US financial environments are very different with respect to regulation, making business rather inefficient. A consistent regulation with close attention paid to extra-territorial effects could set a global gold standard. But so far, the US has been reluctant to bring financial services into negotiations.

“Consistent regulation with close attention paid to extra-territorial effects could set a global gold standard.”

Ruediger Geis
Head of Product Management Trade, Commerzbank

Would TTIP threaten emerging markets?

On the one hand, TTIP might marginalise third parties by providing preferential access to markets. On the other hand, it could actually strengthen the role of emerging players: increases in wealth may result in a greater demand for goods and services from developing economies.

Finally, could TTIP weaken the World Trade Organisation (WTO)?

Again, views differ. Some argue that bilateralism undermines the WTO. TTIP must not sideline multilateralism, which is a better approach. However, negotiators should ensure that TTIP remains compatible with WTO requirements. Promoting global integration is crucial – remember, the Doha Agenda has stalled, so TTIP should renew impetus for liberalisation. And this is not the only trade agreement in the works – 12 countries are currently negotiating the Trans-Pacific Partnership (TPP), which will give a boost to another 40 per cent of the global economy. Looking ahead, if negotiated soon, I can see TTIP helping rather than hindering the WTO.

Ruediger Senft talks sustainability in *Thomson Reuters*

Commerzbank's Head of Corporate Responsibility writes for *Thomson Reuters* on banks' role in sustainable trade

The issue of sustainability is rapidly rising up the agenda as a result of scarce resources threatening trade, increased regulation and globalisation. Writing an Executive Perspective for *Thomson Reuters*' 'Sustainability' section, Ruediger Senft, Head of Corporate Responsibility at Commerzbank, highlights the important role financial institutions play in ensuring that global trade remains a sustainable and viable model for the future. The piece reflects upon Commerzbank's influential recent report, '**Insights: Five drivers of sustainable trade**'.

The article stresses that in a world of increasing demand for finite resources, commercial practices must adapt in order to sustain viable economic and human development for the future. It emphasises that whilst there is "growing consensus on the importance of sustainability", if companies are to become more responsible, then there must be "clarity" and "encouragement" from the banks that finance them. Senft notes that banks represent a vital sector in promoting sustainability, and argues that in line with the findings of the report, long-term strategy must prevail over a desire for short-term profit. For Commerzbank, this is the essence of sustainable banking.

Senft points out Commerzbank's commitment to "taking sustainability to the next level" from within the finance sector, highlighting the bank's Environmental, Social and Governance (ESG) Risk Management department, which works with corporations to check the sustainability of prospective transactions for "environmental, social and ethical risks". For instance, banks can apply sustainability criteria to prospective lending.

The article represents the thought-leadership on sustainable banking Commerzbank has championed with its report, 'Insights', published in March 2015, which draws on contributions from notable experts in various fields. A second report, 'Insights: Scenarios for the Future of Sustainable Trade', has been released in time for the 2015 Sibos Conference in Singapore, and brings the focus forward to the experience of sustainability in the future. In line with the reports, Senft writes that banks' responsibility for promoting and working towards sustainability must be conveyed to the public, governments, NGOs, academia and the media – the article is a clear representation of this strategy.

> "If companies are to become more responsible, then there must be clarity and encouragement from the banks that finance them."
>
> **Ruediger Senft**
> Head of Corporate Responsibility, Commerzbank

'Sustainability' is a platform at *Thomson Reuters*, focused on channelling insights on the critical theme of sustainability, from experts in climate, energy, health, law and corporate governance, and is part of the news organisation's 'Corporate Responsibility & Inclusion' initiative. Executive Perspectives, a series in 'Sustainability', draws on expertise and practical experience from thought-leaders in the field of sustainability, and provides examples of business and the non-profit sectors benefitting from responsible and sustainable models.

The full article can be found on Thomson Reuters' website at: **http://sustainability.thomsonreuters.com/2015/04/29/executive-perspective-banks-key-to-advancing-sustainable-trade/**

People on the Move

Hans-Kurt Schaefer has taken over the role of Senior Representative in **Taipei** from **Thomas Debelic**, who is now Senior Representative in **Vietnam.**

Joel Baroan is now the Representative and Senior Research Analyst Africa in **Abidjan.**

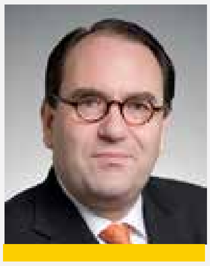
CLOSE UP: THIERRY DE NEVE

Senior Representative,
Ivory Coast

How long have you worked at Commerzbank?
I celebrated my seventh year at Commerzbank in September this year. I started with a great team in Corporate Banking in Brussels, helping to further expand our market share and build robust partnerships with multinationals. Like Germany, Belgium is an export-oriented economy – a perfect fit with Commerzbank's international network. In this context, I enjoyed working on several major transactions for exporters, many in Africa.

Tell us about your new role in Ivory Coast.
Heading our first Representative Office in French-speaking Africa is a fantastic challenge. Responsible for 14 countries, we intend to capture the growing, dynamic business flows between Europe and Africa, supporting European companies, and building a strong reputation and market share for Commerzbank in an area traditionally dominated by French banks – this will certainly keep us busy! The Abidjan office will also coordinate with our other representative offices as Africa's research hub.

What attracts you to working in Africa?
It is ambitious and transforming – dynamism is everywhere. Abidjan gives great momentum to the region: in fact, Ivory Coast is one of the fastest-growing economies, with an eight per cent growth rate over the last five years. I really appreciate learning from other cultures, having lived abroad as a child – it will be great for my sons growing up in such an environment. Business in Africa means dealing with people. So our local presence is really making a difference.



CLOSE UP: PETER BORN

Senior Representative,
India

How long have you worked at Commerzbank?
I started my Commerzbank career in 1992 and have worked in the FI division ever since. I led the representative office in Korea, experiencing first-hand how banking responded to the Asian financial crisis, and in Vietnam, where I established our office and saw the emerging markets of Indochina really take off. I moved to Mumbai in 2012, drawing on previous experience of India serving as the head of the Indo-German Chamber of Commerce in New Delhi.

What does your role as Senior Representative in India involve?
I am responsible for cooperating with 105 correspondent banks across the subcontinent, providing finance and Commerzbank's expertise for trade and transactions. We support our FI clients not only in India, but also in Nepal, Bhutan, Sri Lanka and the Maldives. Not even a handful of international banks cover most of the smaller markets. As a representative office rather than a branch, our network of contacts across India and even beyond is key to our success.

What have you enjoyed most about working in Asia?
What strikes me most is the rich diversity. From New Delhi to Ho Chi Minh City, to Seoul, and now Mumbai, working with people who might want to do business in any part of Asia is exciting. Especially being in Mumbai, you see fascinating contrasts and contradictions – it is a vibrant city, India's thriving economic hub. I hope the new government can help it realise its true potential. There are great opportunities in India and Asia as a whole.

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