



# World Factoring Yearbook **2016 EDITION**

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The **most authoritative** work of reference on the global factoring industry

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## INTRODUCTION

The six members of the Swiss Factoring Association reached a turnover of CHF 1.82 billion in 2015. Compared with the previous year, this reflects a decrease of 55 per cent. Domestic factoring accounts for 94 per cent of turnover.

## FACTORING INDUSTRY ENVIRONMENT

For 2015 as a whole, the Swiss economy recorded growth of just less than 1 per cent. This confirms the Swiss National Bank's (SNB) assessment at the time of the minimum exchange rate discontinuing against the euro. However, this momentum is not replicated across the whole economy. Profit margins are still under pressure at many companies, and the willingness to invest and the demand for labour remain commensurately subdued. Consequently, the unemployment rate has again risen slightly in recent months. Since the SNB predicts a more modest pace of global economic growth, it is also expecting a slower recovery in Switzerland. For this year, it is anticipating GDP growth of between 1 per cent and 1.5 per cent, instead of around 1.5 per cent, as had previously been predicted.

The Swiss National Bank is maintaining its expansionary monetary policy. The target range for the three-month Libor remains at a negative interest rate, between -1.25 per cent and -0.25 per cent, and interest on deposits at the SNB is unchanged at -0.75 per cent.

The Swiss franc is still significantly overvalued. Negative interest is making Swiss franc investments less attractive. At the same time, the SNB will remain active in the foreign

exchange market, in order to influence exchange rate developments where necessary.

The SNB has seen the global economic outlook deteriorate slightly in recent months, whilst the environment in international financial markets has remained volatile. Against this background, the negative interest rate and the SNB's willingness to intervene in the foreign exchange market serve to ease pressure on the Swiss franc. The SNB's monetary policy is thus helping to stabilise price developments and support economic activity.

The new conditional inflation forecast has been revised downwards slightly compared to the previous quarter. The further drop in oil prices is contributing to a decline in inflation in the short term. In the medium term, the main causes that are dampening inflation are the globally low inflation levels and the lacklustre outlook for the global economy. The SNB continues to expect that inflation will re-enter positive territory in the coming year. It is projecting an inflation rate of 0.8 per cent for 2016, compared with 0.5 per cent in the December forecast. For 2017, the inflation forecast is at 0.1 per cent, which is 0.2 per cent lower than in the previous quarter, while for 2018 it is 0.9 per cent. The conditional inflation forecast is based on the assumption that three-month Libor remains at -0.75 per cent throughout the entire forecast period.

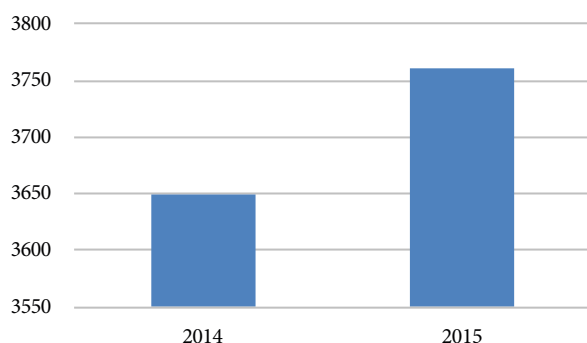
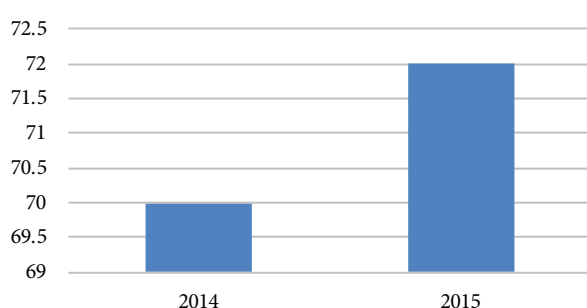
Even though the interest rate on sight deposits from commercial banks with the SNB is below zero, interest rates for neither overdrafts nor factoring fees have fallen so far. But obviously, the economic environment for the factoring industry will be more difficult in the current year, with an increasing risk of bad debt losses.

The average payment period for receivables is a little more than 40 days (with the granted payment period usually being 30 days). However, there are some industries that only pay their bills after 60 days, such as the construction industry and the public sector.

Regarding the legal framework, factoring in Switzerland continues to benefit from a liberal economic environment. For example, banking licenses are not required. However, factoring is financial intermediation, and institutions are regulated by the Swiss Financial Market Supervisory Authority, FINMA.

## MARKET PERFORMANCE AND SUPPLY

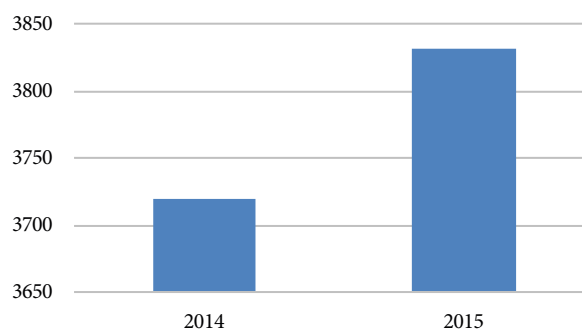
Since 2011, Swiss factoring institutions have been primarily focusing on the domestic market. In 2015, this business segment reached a turnover of CHF 1.72 billion. Export factoring reached a volume of CHF 101 million (6 per cent of the total turnover).

**Domestic Factoring Volume (EUR Millions)****International Factoring Volume (EUR Millions)**

It is regrettable that the largest member of the Swiss Factoring Association completely pulled out of in-house and full factoring last year. The bank is now focusing on offering factoring solutions specifically for internationally-oriented big companies. The drop in turnover of around CHF 2.3 billion is almost entirely a consequence of this, because most of the factoring business from this bank has now been transferred to a company which is not a member of the Swiss Factoring Association.

Factoring represents a small proportion of the wider financial market. With a factoring volume of less than 1 per cent of GDP, factoring plays a lesser role in Switzerland than in other European countries. When considering financing of larger companies, the strength of Switzerland's

banking industry and banks' loan departments means that it is unlikely that factoring will reach the levels that other countries report. In addition, factoring services are still considered expensive for many companies.

**Total Factoring Volume (EUR Millions)**

On the other hand, banks are more and more restrictive in their lending to SMEs, prompting these businesses to consider factoring as an option.

The four remaining members of the Swiss Factoring Association have grown faster than the Swiss economy in the year 2015. These members focus on factoring services for small and medium sized enterprises in Switzerland. In addition to full service contracts, these entities also provide in-house factoring and business-to-consumer factoring.

**FUTURE TRENDS**

There is currently a demand amongst bigger Swiss companies to find new ways of financing the purchase of goods, such as reverse factoring, where the buyer benefits from long payment periods, whilst the supplier benefits from immediate cash.

For several years, sales have been increasing in e-commerce. Purchase via invoice is a payment option which could improve sales through online marketplaces even more. In such cases, factoring has become an interesting tool for both managing cash flow and checking credit.

### Products.

Full factoring / non-recourse factoring:

The most comprehensive type of factoring, offering all types of services namely funding, debt administration and collection, bad debt protection and customer information.

- **Recourse factoring-** The factor provides all types of services except bad debt protection.
- **In-house factoring-** The factor provides all types of facilities apart from debt collection.
- **Invoice discounting-** In this arrangement, the only facility provided by the factor is finance. The client is a reputable company that would like to deal with its customers directly, including collection of debt. Therefore, this factoring arrangement is confidential.

### Client types.

- Factoring providers offer their services to a wide number of industries.
- The minimum client turnover varies from provider to provider, but is usually at least one million Swiss francs.
- Factoring services are usually offered for business-to-business-transactions only..

### Die Produkte.

Full Factoring / Non-recourse factoring

Ist die umfassendste und gebräuchlichste Art von Factoring. Sie bietet Debitoren-Finanzierung, Schutz gegen Forderungsverluste sowie Debitoren-Buchhaltung und -Inkasso.

- **Recourse Factoring**
- Der Factor leistet alle Factoring-Komponenten, mit Ausnahme des Schutzes gegen Forderungsverluste.
- **Inhouse Factoring**
- Der Factor leistet alle Factoring-Komponenten, das Debitorenmanagement verbleibt aber beim Kunden.
- **Invoice Discounting**

Hier konzentriert sich die Leistung des Factors auf die Finanzierung. Der Klient verfügt über eine ausgezeichnete Bonität, möchte die Debitorenbeziehungen weiterhin direkt pflegen. Die Debitoren sind über das Factoring Agreement nicht informiert (stilles Factoring).

### Die Art der Kunden und Debitoren.

- Die Factoring-Institute bieten ihre Dienste Unternehmen aus den verschiedensten Branchen an.
- Die Anforderungen an Bonität und Mindestumsatz eines Factoringkunden sind von Institut zu Institut unterschiedlich, ein geforderter Mindestumsatz von CHF 1 Million ist jedoch häufig.
- Die Factoring-Dienstleistungen werden üblicherweise für Forderungen gegenüber Unternehmen angeboten.

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