

# TRADE FINANCE

*The global magazine for export and commodity finance*

[www.tradefinancemagazine.com](http://www.tradefinancemagazine.com)

## DEALS OF THE YEAR: Taking trade finance to new levels



### Deals of the Year

Mandated Lead  
Arranger



# An emphasis on creativity



## Alliance One International

<b>MLA:</b>	<b>Finacity Corporation</b>
<b>Amount:</b>	<b>\$55 million</b>
<b>Originator:</b>	<b>Alliance One International</b>
<b>Arranger:</b>	<b>Finacity Corporation</b>
<b>Agent:</b>	<b>Nord/LB</b>
<b>Funding source:</b>	<b>Hannover Funding Company</b>
<b>External auditor:</b>	<b>Deloitte &amp; Touche</b>
<b>Type:</b>	<b>Non-OECD trade receivables securitization</b>
<b>Legal counsel:</b>	<b>Chapman and Cutler; Jones Day</b>

Innovation in trade finance does not always come from the larger banks. In this case an innovative non-OECD trade receivables securitization for Alliance One International (AOI) had the larger trade banks sitting up and taking notice.

The three-year \$55 million securitization was arranged by Finacity Corporation, sought out by the client for its emerging market and receivables expertise. AOI was looking to mitigate risk and enhance its working capital position and Finacity and Nord/LB were successful in achieving both an investment grade and off-balance sheet execution in spite of the non-OECD nature of the receivable obligors and AOI's 'B' rating by Standard & Poor's.

A number of other challenges were also overcome to make this deal eligible for deal of the year status. The traditional path for a securitization, via a special purpose entity, was not available based on the covenants, but Finacity is able to take ownership of the receivables itself. The receivables in question were not finished products, but rather tobacco which is customised for each client and, in this case, sourced from a variety of jurisdictions – a challenge in itself. The solution was to work with Euler Hermes to wrap trade credit and political risk.

While the client is a US company based in North Carolina, the actual receivables invoicing entity is Swiss, and the operations are being managed from the UK, so there were compliance and legal issues to con-

sider in all countries for both Finacity and Nord/LB. Further challenges arose from the cross border nature of all of the transactions, with some obligors having open credit and others using letters of credit.

After successfully structuring the facility, the execution with the funding source, Hannover Funding Company, Nord/LB's asset backed commercial paper programme, depended upon Finacity's customization of its in-house fraud detection application and data repository to respectively verify and warehouse every purchased invoice. This was in addition to weekly reporting that provided all parties with visibility to assets, collateral values and receivables performance.

Adrian Katz, CEO of Finacity, comments: "We think this a good statement to the market and a breakthrough. Bringing this type of deal to the capital markets arena is a good movement for global trade. In addition these tobacco exporting countries badly need foreign currency revenues."

**Adrian Katz, CEO of Finacity:**  
**"We think this a good statement to the market and a breakthrough. Bringing this type of deal to the capital markets arena is a good movement for global trade."**

Omar Bolli, senior vice president, asset-backed finance at Nord/LB in New York, adds: "We are extremely pleased to have won this award, as it recognizes our main competitive advantage – our emphasis on creative transaction structures tailored to each client's circumstances." ■

