

Risk Mitigation

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Agenda

- Define the major Risk components associated with International Sales and Payments – “Risk Grid”
- Discuss strategies to avoid or significantly reduce these Risks
- Review corporate examples in practice today

Fifth Third Corporate Profile

- Headquartered in Cincinnati, Ohio, The Company has \$117 billion in assets, operates 15 affiliates with 1,316 branches
- Fifth Third Bancorp was named the seventh strongest bank in the world by Bloomberg Markets magazine
- Fifth Third ranked #326 on Fortune's annual listing May 2011
- Top 10 Superregional Bank, Fortune magazine, March 2011

What key areas of Risk have company's experienced in the last 5 years?

Customer Perspective

What companies are looking for:

- Tools to unlock liquidity trapped in the trade cycle
- Financing receivables of varying tenors and sources
- Direct financing of customers, regardless of jurisdiction
- Working capital for exporters to complete contracts
- Financing for suppliers

Risk Grid

Slow payment/default	Financing risk	Commercial risk
Bankruptcy		
Contract repudiation	Contract risk	
Contract dispute		
Abusive bond drawing		
Foreign exchange control legislation	Political risk	Country risk
Discharge of debt legislation		
Government repudiation of debt		
Payment moratorium		
Insurrection/overthrow/domestic turmoil		
Non-payment due to war		
Non-payment due to natural disasters	Transfer/economic risk	
Currency inconvertibility		
Currency fluctuation/devaluation	FX risk	

Commercial Risk

Slow payment/default	Financing risk	Commercial risk
Bankruptcy		
Contract repudiation	Contract risk	
Contract dispute		
Abusive bond drawing		

Commercial Risk – Probability of loss that increases as the repayment period of a credit or loan increases; risk of not being able to meet your financial obligations. Here are a few key risk drivers:

- Liquidity
- Slow Payment
- Bankruptcy
- Credit
- Contract Dispute

Commercial Risk Mitigation Examples

US based company – providing terms to remain competitive with commercial LC's

US based Company – protect against contract non performance or support long lead times

US based companies unlocking liquidity by reshaping their balance sheet

Country Risk

Foreign exchange control legislation	Political risk	Country risk
Discharge of debt legislation		
Government repudiation of debt		
Payment moratorium		
Insurrection/overthrow/domestic turmoil		
Non-payment due to war		
Non-payment due to natural disasters	Transfer/economic risk	
Currency inconvertibility		

Country Risk – Political decisions that negatively impact your company’s business plan in a foreign country. Here are a few risk drivers for :

- Foreign Exchange control legislation and inconvertibility
- Non-payment due to natural disaster or war
- Payment moratorium
- Government repudiation of debt

Country Risk Mitigation Examples

Easing of monetary requirements in China to buy and sell in local currency

Government impose moratorium for payments to foreign suppliers

Credit insurance programs – Payment exclusions



Questions?

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