Falcon forum feels the optimism

In what's become an annual staple for many Middle East and Asian corporations, the Falcon trade and corporate finance forum – held at the Madinat Jumeirah, Dubai – communicated the message of alternative finance through the medium of expert speakers and panellists.

One key theme at this year's event was the strength of the economic recovery and the fact that renewed growth in the OECD is underpinning rather than undermining growth in the emerging markets.

"Starting from the turn of the century we have seen a big shift in the global economy towards the emerging markets and towards Asia," explained Dr Nasser Saidi, the former chief economist of the DIFC – the forum's opening speaker.

And this means a more balanced global economy. "There is no longer just one engine of growth," explained Saidi. "Now there are two: Europe and the US; and the emerging markets and Asia. This is better for global economic growth as it leads to greater stability."

The final push

That said, while economic equilibrium is being restored, the same cannot be said of the banking system.

"The great financial crisis was the biggest disruption in banking and financial markets we have had since the Great Depression," highlighted Saidi. "We are now five years into the crisis and it has not yet been resolved."

Global banks in the advanced economies face "the four 'R's": regulation recapitalisation, retrenchment and restructuring.

Saidi made it clear that such pressures will result in retrenchment over the long-term, which creates an opening for alternative lenders.

Pascal Lamy, former director general of the World Trade Organisation and the forum's keynote speaker agreed – highlighting that, in his view, retrenchment is down to three factors: regulation; increasing banking operating costs; and the likelihood that traditional European and US banks will need higher recapitalisation.

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>
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"All of these factors combined mean that the traditional operators will remain constrained," explained Lamy.

Any reliance on the global banks – particularly in the key growth markets – will likely result in thwarted ambitions and stilted growth, again highlighting the need for new pools of liquidity.

As Lamy explained, the constraints on traditional operators, combined with the rapid growth of trade "obviously leaves room for non-bank operators and alternative finance".

While this is partly due to the welcome additional liquidity provided by alternative financiers, it is also due to their more innovative approach – something confirmed by the forum's two other speakers.

"Global banks – and often regional banks – are not geared to fully understand how to work with you, or lend to you," explained Mustafa Abdel Wadood, CEO of Abraaj Capital. "It takes specialists – hence the emergence of alternative lending, and the increasing role of private equity as partners in growth – to understand the specific requirements, and to be able to respond to client needs in a nimble way."

Dell's Martin Uchytil – finance director in the Middle East – agreed with this sentiment. "From a corporate perspective, multinationals look for expertise, capacity, flexibility and credibility in financing partners," he explained. "Additionally, the ideal finance partner should have local presence, as well as local market knowledge. It also needs global reach, a portfolio approach, a compliant partner, and someone that's easy to work with and can create innovative solutions to help whatever local needs a multinational has."

"Falcon, as an alternative finance provider," continued Uchytil "has brought Dell a different approach and a new flexible financing solution to complement the existing banks' offerings – allowing Dell the opportunity to address its own needs, and the needs of its partners, in a more complete manner."

Regulating the free

Of course, given the impact of regulation on global bank lending, delegates at the forum were keen to understand how future regulatory proposals could also restrict alternative financiers.

"Regulation is not a bad thing as long as it does not discourage innovation," explained Abdel-Wadood.

"The regulation of alternative financiers is a positive step," added Kamel Alzarka, chairman of Falcon Group, during the panel debate. "Falcon is already regulated by the DFSA, and far from restricting business, it encourages it – separating us from newcomers and less credible financiers."

Clearly, a new financial landscape that provides corporates with nimble, innovative and. when regulated, trustworthy lenders, is something to embrace.

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