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Where some trade banks fear to tread?

NEWS | 15 August 2013



Falcon Group's recent financials confirm that large-scale international bank retrenchment from trade finance – particularly in Asia – has increased appetite for specialist alternative funding solutions.

Profits have doubled in 12 months to nearly US\$44m in 2012-13 from US\$23m. Turnover

was just shy of US\$1.7bn, an increase of US\$600m over the same period.

Widening reach

The financier is widening its reach up the food chain, doing deals with the US\$5bn and US\$6bn market caps, as well as the smaller US\$100m turnover corporates. But size and balance sheet is not what determines the prospective attractiveness of a client to Falcon. Clients are a mix of electronic business, cars, commodities, and capital goods – Falcon does not see itself a product specific funder.

"We are taking a transactional and entrepreneurial approach to our client needs rather than the balance sheet approach – so if the deal makes sense to us and we can hedge and structure it in a way that gives us comfort, it works for us," said Kamel Alzarka's Falcon's founder and chair.

Are they more expensive than banks? "Yes we are, but we are not doing what the banks are doing," said Alzarka. He continued: "I don't think we are incredibly expensive and our margins are single digits. Our pricing depends on the transaction – how we secure and structure it – and are not usurious rates at all."

Regulation and balance sheet

The financier elected to be regulated by the Dubai Financial Services Authority (this was not compulsory) to "show more transparency" and believes its KYC and AML risk management just as rigorous as any bank's – after all the compliance team were hired from the banking sector. "We have three full time employees focusing entirely on compliance – one in Dubai and two in London. Given we have 46 employees – but this will be up to around 60 in six months – that is a high compliance ratio," commented Alzarka.

Any misconception that Falcon is some kind of broker was corrected by Alzarka. "We have our own strong balance sheet and US\$100m – soon to be US\$150m – of equity in our business. So we fund everything ourselves and its all kept on the balance sheet – we are not selling stuff around and brokering to the highest bidder," he told *TFR*.

However, while Falcon does not originate to distribute, it does work closely with trade banks – as a borrower. "They fund us so we can lend," said Alzarka, adding: "They are happy to deal with us rather than a broker because of our balance sheet – if anything went wrong we absorb the loss but a broker's loss gets pushed back to the bank."

See also ['Who will fund the new trade locomotive?' Dubai forum report](#)





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