

## Highly Commended Winner

### Best Funding Solution

#### LC Waikiki

Alper Karabatak, Group Treasury Manager



Alan Parkes and Sahika Rana, Citi

#### LC WAIKIKI

LC Waikiki is a vertically integrated full-service apparel manufacturing/retail company and is the leader in the ready-made clothing market in Turkey.

### Commodity trade helps LCW with Sharia-compliant funding solution

#### The challenge

LC Waikiki (LCW) needed a solution that provided the company with financing to bridge its working capital gap between the time LCW needs to make payment to its suppliers, where orders typically must be put in months before delivery to secure production. This often includes a down payment when placing the order and the ultimate collection of proceeds from sale of goods to end customers.

The key requirement for the client was that the deal needed to be structured to be compliant with Sharia principles, where charging interest, as in a traditional trade finance transaction, is prohibited under Islamic law.

#### The solution

To achieve Sharia-compliant financing, Citi adapted a traditional import financing structure to align with Murabaha principles, a first for Citi's Corporate Trade Loan clients. Under the Murabaha financing structure, a series of transactional steps are undertaken by the financing bank and the customer to generate a profit and provide a basis for the funding provided to the client.

Leveraging Citi Islamic Investment Bank in Bahrain acting as agent for Citi booking entity and the client, as part of the structuring of the Murabaha transactions, Citi purchases a commodity (typically palladium or platinum) on behalf of the client from a Murabaha Commodity Broker equivalent to the financing amount requested by the client. Citi will then offer to sell the commodity to the client with a profit margin added to the original purchase price (the principal value of the financing). Citi acting as the agent of LCW sells the commodity to a separate commodity broker for the value of the financing amount. The purchase and sale transactions of the Murabaha structure are settled under a contractual netting arrangement between the two independent brokers, before the Citi booking entity disburses funds to the client under a standard import finance transaction.

The bank was able to structure, approve and execute a financing agreement for the Corporate Murabaha Import Financing within a tight timeline, ensuring the client was able to meet its funding requirement before the busy holiday period. The solution leveraged Citi's experience in Sharia-compliant financing to provide an alternative source of Sharia-compliant trade financing from a global bank, with Citi providing the structural and operational capabilities to execute the Murabaha structure in a streamlined and efficient way for LCW.

#### Best practice and innovation

This was the first Murabaha Import Trade Financing that Citi offered to a corporate client. The bank has extensive experience offering Murabaha and other Sharia financing structures as part of its wider product suite. And Citi is one of the first major global banks to open an Islamic bank, offering Islamic finance products for over 40 years.

To meet the client's tight funding timeline, to support the client's trade finance funding needs and offer a streamlined execution experience, Citi had to leverage this expertise.

"Our bank was able to quickly bring the Import Trade Finance and Murabaha structures and operating processes together into a holistic and complete offering for us, working in close consultation with Sharia scholars, legal experts and the bank's Sharia Supervisory Board," explains Alper Karabatak, Group Treasury Manager.

#### Key benefits

- Cost savings.
- Improved key performance indicator (KPI) metrics.

This solution demonstrates the banking partner's focus on introducing new and innovative solutions for clients, leveraging its global footprint and extensive capabilities,

to quickly adapt existing financing structures to suit the needs of LCW. Given the current economic environment in Turkey, LCW was looking to broaden its access to USD funding sources. Being able to work with a large international bank, which was able to quickly adapt the standard Import Advance structure to support Murabaha financing, meant LCW had a more diversified and larger pool of funders to ensure it had access to reliable and competitive USD funding in line with Sharia principles.

The implementation of the solution involved the cross functional support of numerous teams and departments at both the bank and LCW, ensuring LCW was able to promptly pay its suppliers to secure purchase orders, whilst operating a Sharia-compliant funding structure.

LC Waikiki (LCW), needed a Shariah compliant solution to finance their working capital gap between placing orders with international suppliers, which are needed to be placed months before delivery in order to secure production capacity and the ultimate collection of proceeds from the sale of goods to end customers.

In order to meet LCW's funding timeline, Citi was able to leverage our extensive Islamic financing experience and global capabilities, to quickly adapt a traditional import financing structure aligned with Murabaha principles in an efficient and scalable way, while also helping to diversify their funding sources. We are delighted to support LCW in this important financing.

**Tarun Khosla, EMEA Head of Trade and Working Capital Loans, Citi**

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