

BORSA MERCI INTERNAZIONALE PROJECT



DESCRIPTIVE REPORT OF THE PROJECT

Dott. Giorgio Fiorenza

DESCRIPTIVE REPORT OF THE BORSA MERCI INTERNAZIONALE PROJECT - BMI

The Project and its Aims

Our first goal is to spread the word of our "Project" that aims to develop exchange opportunities at the global level between accredited businesses by their respective States of origin and transmit our operations as part of Expo Milano 2015. Italy will host this Universal Exposition this year from May 1st to October 31st and it will be the biggest event ever organized on Food and Nutrition. For six months, Milan will become a global showcase in which all countries will show the best of their technologies to give a concrete answer to a vital need: how to provide healthy, safe and enough food, for the entire population, while respecting the planet and its equilibrium. The exhibition area will be 1.1 million square meters, including more than 140 countries and international organizations with more than 20 million visitors expected. These are the numbers for the most important international event held in our country that will take place in just over three months.

Expo Milano 2015 will be the platform for an exchange of shared ideas and solutions on the theme of food and nutrition that will stimulate the countries' creativity and promote innovations for a sustainable future.

Given the specific purpose of the Exhibition, addressed to food and nutrition, the Project will operate on all products and services in general, regardless of whether or not these are related with the theme of the event.

To be thorough, I wish to state that the Embassy of your country in Italy, has been duly informed and in addition to having received the relative informational material, whether among those who attended the presentation of the project reserved to the International Diplomatic Corps in the month of September 2014, or the presentation of the "simulation" of the Project's operations held this past January 20th. It specifies that the embassies have been involved in order to transmit to the trade promotion Entities and to the Chambers of Commerce of their respective countries, both the accepted documentation and that advisory notice of merit. Both events took place at the headquarters of the Grand Hotel Flora - the Marriott on Via Veneto in Rome.

Distinctive Features of the BMI Project

After the aforementioned simulation of the project's operation, I would like to summarize and specify the distinctive features of the Project BMI. These specificities, in fact, do not stop at the simple analysis of the operations and the regular updating and upgrading of the digital platform on which the project is based, but also takes into account all the complementary options ranging from the analytical study of the “trade promotion agency,” for those developed or developing countries, who are not currently provided, until the use of the so-called “polo tecnologico” better known in San Marino as “Parco Scientifico e Tecnologico”

(<http://www.smtechnosciencepark.sm/on-line/home/parco-scientifico-tecnologico.html>),

to optimize sales opportunities for products handled within the Borsa Merci Internazionale upon realization of logistic, mechanic, and information technology support, to allow countries without advanced technologies to be able to align with each other.

Also for this reason it was decided to use 8 digits for the identification code of a specific product instead of the 12 or sometimes even 14 digits used by the more advanced countries.

The choice of using UNSPSC codes and the possibilities for development

The use of the “UNSPSC” code (United Nations Standard Products and Services code), designed as part of the UN Development Program (UNDP, namely the United Nations Program for Development), was not chosen at random. Compared to the codes of the Harmonized System (Harmonized System - HS) and those of the Nomenclatura Combinata (NC), the "UNSPSC" codes allow all States, even those who have never used any coding, to be able to dialogue for the proposition of their products in the international market. Through the "UNSPSC" system, in fact, it is possible to identify a product not only through the numeric codes but also through a "descriptive" note.

To optimize the functionality of the system and the speed of matching, one of the main tasks of the Project BMI is to encode those products that have not yet been coded so as to realize, within three years, a single nomenclature among participants in the Project.

In this way, you can give a “dynamic” aspect to the contents of the various “static” sites of the different countries or their respective trade Entities where products are given codes mainly focusing on the taxation and duty identification applied to each individual trade, not to the real and precise identification, beyond a reasonable doubt, of the product in question.

The consultants of BMI are available to answer questions of varying nature that the trade Entities will want to submit. In this perspective, we will certainly need helpful suggestions and feedback experiences with the trade promotional Entities of the individual participating States and also to those whom, at the time preferred to wait in "the wings", despite having revealed a strong desire to join. The BMI, in this way, will be a "complementary" business in favor of the Entities themselves.

Legal norms, commercial and professional conduct

We are finalizing the notes for both the participating Countries and with the accredited subjects, who will need to validate and approve the acceptance of all the legal rules, commercial and professional conduct that dictate times and conditions of the Project operations. And this guarantees the reliability of the product BMI.

Nothing will be left to chance. The participating States will be "obligated" to promptly update BMI of any changes in regulations relating to the banking system, fiscal or commercial, on the presence of active or passive embargoes or other restrictions of any kind or nature, valid for the country in general and for companies accredited in particular. Always the Countries, through their Entities, will then provide a regular update on all accredited companies operating within the platform, while the companies, in turn, shall promptly notify any condition changes within corporate, banking and operational set-up and structure, that are initiated or have in mind to initiate.

However, to allow the parties (seller and buyer) to conduct negotiations and conclude the business right now, we are preparing a "uniform" system for the direct involvement of the credit institutions of the various Countries of reference. These institutions may, where considered, offer all or some of the services that may be required as part of the operations of the Borsa Merci. For the Parties there will be obviously no need to open a new bank account to operate on the Borsa Merci since the Party, as necessary, will operate through its own credit institution.

This, in summary, the Borsa Merci Internazionale Project while, in more detail and with reference to what will be the real and precise definition of the negotiation, I would like to specify and highlight what will be the mode of approach between BMI and the contracting Parties.

The negotiation freedom of the Parties

After explaining briefly the characteristics of the Project BMI and the reasons for the choice of the “UNSPSC” codes, I move to illustrate aspects of the autonomy of the negotiating parties.

With reference to the aspect of autonomy it is important to note that:

- a) the transaction warrants exclusive and independent competence of the Parties, the buyer and seller, in all aspects, conditions and particular characteristics the many different aspects of the goods offered for sale, such as, for example, type, quality, delivery and ways and time of payment;
- b) BMI, among other tasks, mainly promotes the opportunities for exchange, facilitating and assisting the interested Parties until the physical contract is signed. As previously indicated, there is no cost neither for the "entrance" in to the system, nor registration or periodic subscription to the accredited Agencies themselves. Only when the actual signing of the purchase contract will the contracting Parties pay a "fee" in favor of BMI, based on the contractually predetermined agreements;
- c) BMI therefore has no right and will never have to go into the various specific aspects of the “negotiation” with the exception of the conditions of subscription (registration with the Register of Companies or the Chamber of Commerce, Certificate of Incorporation, Bylaws, the budgets of the last three financial cycles, the declaration that they are not subject to any insolvency proceeding, definitive statement of not having ever been convicted for some specific offenses, declaration of not being part of terrorist organizations specifically mentioned in the lists drawn up by international organizations) that the Parties have signed to be validated, in the “BMI system,” by the Promotional Entities of their respective countries of origin;
- d) it is therefore the free choice of the Parties, the buyer and seller agree according to their various requirements to the contractual conditions, resulting in a varied records also according to the habits, the traditions and customs of the different countries involved in the negotiation.

The Main tools to Guarantee Payment

This leads to aspects of the guarantee of the effectiveness of the payment and delivery of related goods.

In this regard, it should be noted that any type of agreement should originate from the negotiations, the Parties must not overlook, for the delivery of the goods offered and the payment of the same, by using as a means of guarantee between the Parties, the regulation of the trade transaction through the documentary credit collection and letter of credits.

Regulation by documentary collection is the form that guarantees the seller (in the case of documents characteristic of the goods) that their goods will not be given until the buyer sends payment, the collecting bank, and the corresponding amount (D/P - documents against payment).

The letter of credit is a binding obligation taken by a Banking Institution (the issuing bank) to pay the seller of goods and services a determined amount upon presentation of documents that conform to the terms and conditions specified in the text of the credit itself.

As is common knowledge, in the context of international trade operations connected with the letter of credits there came a need for rules of conduct to be applied uniformly through the adoption of the “Norme ed Usi Uniformi relativi a Crediti Documentari - NUU” (Uniform Customs and Practice for Documentary Credits - UCP) of the I.C.C. - International Chamber of Commerce which was signed by almost all countries of the world.

The NUU are brief, concise (the latest revision is no. 600 of 2007), and even if they do not provide an answer to all the specific cases that can occur in a Borsa Merci, as the one I projected, and more generally in international trade, it constitutes a solid framework of principles that leave the Parties both an indication of the necessary details and the possibility of explicit exceptions to specific points of the Rules.

This tool is the foundation of international trade that allows taking on the essential guarantees in favor of each of the two contracting parties against potential non-fulfillment from various natures of the counterparty.

In regards to the appropriate verification, European banks have internal control systems (know your customer) that assign a score to holders of newly created ongoing relationships. Based on the score report they can monitor the account depending on their contributing risk factor for anti-laundering.

For transactions carried out with non-resident counterparties, European banks, on the basis of bilateral agreements with main Credit Institutions, they are equipped with control systems that minimize the waiting time required to start new continuous relationships. The big banking system, through the network of foreign subsidiaries and their corresponding banks, they succeed to substantially cover all of the trade areas in the world allowing an adequate service for skills and a reduced timetable.

The conclusion of the contract after successful matching and the terms of payment of the price and the relative timing

After the digital platform has identified the possibility of matching, BMI becomes director of the negotiating operations while not entering into the matters of the transaction.

The two contracting Parties of each single contract will operate through their own banks. After concluding a series of "commitments", that at each step of their negotiations they are automatically projected from the platform by means of dedicated windows, the Parties will be obliged to accept the information in the windows above-mentioned, otherwise the electronic platform will not allow them to go ahead for the realization of the contractual stage. The two contracting Parties of the individual contract will operate through their banks. Having concluded a number of "commitments" that at every progress of their negotiations are automatically projected from the platform through special windows the Parties will be obliged:

- 1) The "draft" of the contract, in English, must be provided by the predisposed Party seller, which must in turn pass it directly to the BMI. This draft, is reported with all the documents in the possession of the seller to "represent" the existence, quality and degree of "perishability" and more generally all the features of the offered goods, including terms and conditions of payment;
- 2) BMI extrapolating all and only the identification data of the "counterparty", verifying the legitimacy of the proposal and its contents, and sends it to the buyer, indicating the last authority

to endorse, confirming the proposed contract by the selling Party, or to review the contract reporting any modifications, additions, or other exceptions. At this point, the buyer may indicate in turn what are the documents or certifications or other that they will need to prepare the practice from their credit institution, with contingent opening of letter of credit, on which they will be given the certain terms and procedures relating to the control and collection of the goods, as essential elements for the release of the money;

3) The buyer in turn retransmits, as always to BMI a new contract, which will be further inspected by BMI before everything is transferred back to the attention of the seller for verification of merit;

4) After "refined", defined and mutually established the type, form and content of the contract, which must include a procedural summary of all the steps followed thus far and also include the procedural process necessary to closing the deal, BMI will convene the Parties at its branch office. Before the formal convocation, the system will produce another set of "screens" containing contractual commitments, to be "accepted" individually in order to access the subsequent ones in order to reach the "letter of convocation";

5) Firstly, the screens and then after the real and precise contract, there will be a summary of all the conditions accepted by both contracting Parties, which govern the contractual relationship both between them, and between them and BMI. In detail, in accordance to what is illustrated in the "screens" the payment should be done routinely in the following manner:

a) prior to the convocation for the signing of the final contract, the buyer will have to demonstrate that they have made a deposit or otherwise have obtained a bank guarantee, through the opening of a letter of credit as a type stand by, amounting to 10% of the value the contract (3% to counted to the "commission" for BMI and the remainder 7% as a guarantee from the seller, which is a balance of the sale price, to count as a deposit pending contract signing);

b) contextually at the drawing up of the contract, BMI becomes entitled to a commission of 3% (1.5% from the buyer and 1.5% from the seller) of the contract value, which will be retained by the guarantee issued (*L/C stand by*) by the buyer and as you see in the previous point, as agreed in advance and contractually with the Party vendor.

At this point, then, the seller is paid, in addition to the 7% of the deposit (*L/C stand by*), also the earnings of the letter of credit for a further 91.5% of the value, and then for a total of 98.5% "net" and that is part of the commission deducted, due to BMI equal to 1.5% of the contract price.

The buyer will pay, in addition to 10% related to the opening of the guarantee *L/C stand by*, the remaining 91.5% of the price for a total of 101.5% of the price (100% of the price in addition to 1.5% of fees payable to BMI).

This type of operation should limit to a minimum the occurrence of any disputes between the contracting Parties, given the constant and continuous review of the proceedings that are exchanged between the Parties to the achievement of the final act.

However, to ensure the speedy resolution of any possible dispute, the Company GEOMEDE s.r.l. with headquarters in Florence, has already been picked to resolve them as they are duly authorized by the Italian State to handle international "mediation".

In summary, this system ensures all Parties involved: seller, buyer and BMI.

To reconcile the needs of the seller (immediate fulfillment of the price and guarantee to not relinquish the goods until payment has been made) and to the buyer (payment only when there is availability of goods) and those of BMI that is guaranteed to collect the commission at to conclusion of the deal.

This to summarize is the operation of the Project BMI. For further details, you can write to the following email address:

giorgio.fiorenza@progettobmi.it

Thank you for the attention that you have reserved for this, I welcome this opportunity to extend my best regards.