

# ASCENT

Anticrisis Settlement & Commodity Centre

## Background information and project highlights

- *A global system of countertrade and debt settlement designed to help companies facing financial distress to avoid insolvency and continue operations*
- *Aimed at mitigating the impact of the financial crisis on the real economy by reducing manufacturers' and consumers' overdependence on credit recourses*
- *Created in October 2008, amid the credit crunch, by Russian businessman German Sterligov*
- *Operates in more than 17 countries in Europe and Asia, including Russia, countries of the former Soviet Union such as Kazakhstan and Ukraine, China and the United Kingdom*
- *Offices in the UK, Russia, Hong Kong, Mainland China, Kazakhstan, Ukraine and other countries*
- *Committed to highest standards of transparency and accountability*

## Background

In recent decades, an over-reliance on credit in financing both capital and operational expenses has been a key feature in developed as well as emerging markets. As governments and corporations got addicted to cheap debt capital in order to leverage growth and underpin demand, while speculators multiplied their profits in a sea of liquidity, the global economy became more and more 'virtual'. But when the cheap capital bonanza ended and liquidity started to dry up it was the real economy that suffered. Losses made by the tycoons of the virtual economy caused lay-offs, bankruptcies and even social unrest that were all too real.

## ASCENT in a nutshell

ASCENT offers an alternative to the vicious circle of credit-dependence. It is a global system of countertrade and debt settlement designed to help companies facing financial distress to avoid insolvency and continue operations.

For a company on the verge of bankruptcy, perhaps because of a drop in sales and diminishing operating cash-flow, it is crucial to remain a 'going concern' with a secure supply of raw materials and the means to service debt and pay salaries. By using ASCENT such a company can exchange excess inventories of its finished products (at a price below a notional market value but above an estimated liquidation price) for raw materials and the minimum amount of cash needed to pay interest expenses, make due principal repayments and cover labour costs. They can also use ASCENT to offset operational liabilities and settle interest-bearing debt by a discounted value of excess inventories.

# ASCENT

Anticrisis Settlement & Commodity Centre

Although it has similarities to systems of countertrade or barter – where goods and services are exchanged for those of equivalent value – money plays an important role. Each chain of transactions is terminated by a payment, made to the first participant in the chain (see How the ASCENT System Works). This ensures there is sufficient cash in the system to maintain fluidity and encourages ASCENT participants to use cash more sparingly and efficiently.

## The creation of ASCENT

ASCENT was created in October 2008 in response to the international financial crisis by Russian businessman German Sterligov with €15 million of his own funds. Over the next few months, ASCENT worked with partners to open regional offices across Russia and in Mainland China, Hong Kong, Kazakhstan, Ukraine, the United Kingdom and other countries.

## Transparency and accountability

*ASCC has two key elements, which guarantee transparency and accountability:*

- **A global computer network** connected to a secure database, which contains information about all the trading organisations registered with ASCENT. It also has details of the goods and services they wish to trade, and what they want to receive in return. Clients can access the system securely from their PCs, and receive near real-time notice of potential trading opportunities as they arise.
- **A physical network of Regional Settlement and Commodity Centres (RSCCs).** Each RSCC is established as a limited liability company by ASCENT and a partner based in the territory. This provides the checks and balances to ensure that the products and money registered on the system are real and that transactions will be honoured.