TRADE FINANCE TALKS

ISSUE 18

The Rise of Collaboration in a Divided World

FEATURED ARTICLES:

- The evolution of Supply Chain Finance: From banks to distribution
- 5 common myths about carbon accounting: Is it really worth it?
- How MRPAs are paving the way for collaboration in Trade Finance

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1 FOREWORD

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1.1

Fragmented, but not broken: The international trade world in 2023

The need for collective action has never been more critical, and why Sibos represents such an important chance for the industry to come together to share lessons, ideas, and solutions.

The international trade world is inherently spread apart. There are 7 continents, and 195 countries, with 360 million square kilometres (139 million square miles) of ocean and 38 time zones spanning the globe.

With all of the barriers that exist, the industry simply cannot physically come together very often. But once a year, Sibos allows us to do exactly that.

This year, the conference is embracing this very idea. We are collectively tackling the theme of "Collaborative finance in a fragmented world", and it is a timely theme as well. The world is still piecing itself together following the COVID-19 disruptions, a collective breakdown in the global supply chain, geopolitical turmoil in almost every corner of the world, and the start of a violent war in Ukraine.

The Asian Development Bank released a report showing that the trade finance gap has increased from $1.7 trillion to $2.5 trillion. Despite the best efforts by the industry, the gap continues to widen, with no clear plan for how to reverse the trend.

2024 might bring a seismic shift to the global system as well. Upwards of 31 countries are having presidential, prime minister, or chancellor elections

in the next year, up to 31 if you count the UK's election in January 2025.

That's why the need for collective action has never been more critical, and why Sibos represents such an important chance for the industry to come together to share lessons, ideas, and solutions.

Even though the world seems to go down multiple divergent paths, the reality isn't as bleak as it may seem. The industry is increasingly coming together to find new solutions to new problems.

As traditional lenders pull back in the face of rising interest rates and economic uncertainty, alternative sources of funding are emerging, and supply chain finance has moved beyond the confines of traditional banking models.

Cross-border payments, a topic that will undoubtedly garner attention at Sibos, have also undergone a seismic shift. The complexities that once hindered businesses are gradually being replaced by streamlined, transparent systems. This transformation is a testament to the industry's collaborative efforts to decode and simplify the intricacies of global payments.

The urgency of climate change is a topic that no one can ignore. But this urgency has sparked collective action within the trade finance industry, from expanding carbon accounting to aligning surety with ESG efforts.

Climate change isn't the only aspect of ESG that is bringing people together. TFG hosted an "LGTBQ+ in Trade, Treasury & Payments" to bring up a subject that is ignored far too often in our industry. People in the LGBTQ+ community, specifically in international trade, are forced far too often to hide who they are, for fear of losing their jobs. But this panel brought together some of the leading figures in TTP, offering insights and personal stories that we can all learn from.

And finally, the elephant in the room has been and will be for the foreseeable future, the emerging digital frontier. It is the driving force behind many of the international trade developments in 2023 and will be the main topic of discussion at Sibos 2023.

The transition to digital platforms is a collective journey, requiring concerted efforts from all stakeholders to bridge gaps in consumer experiences, interoperability, and security.

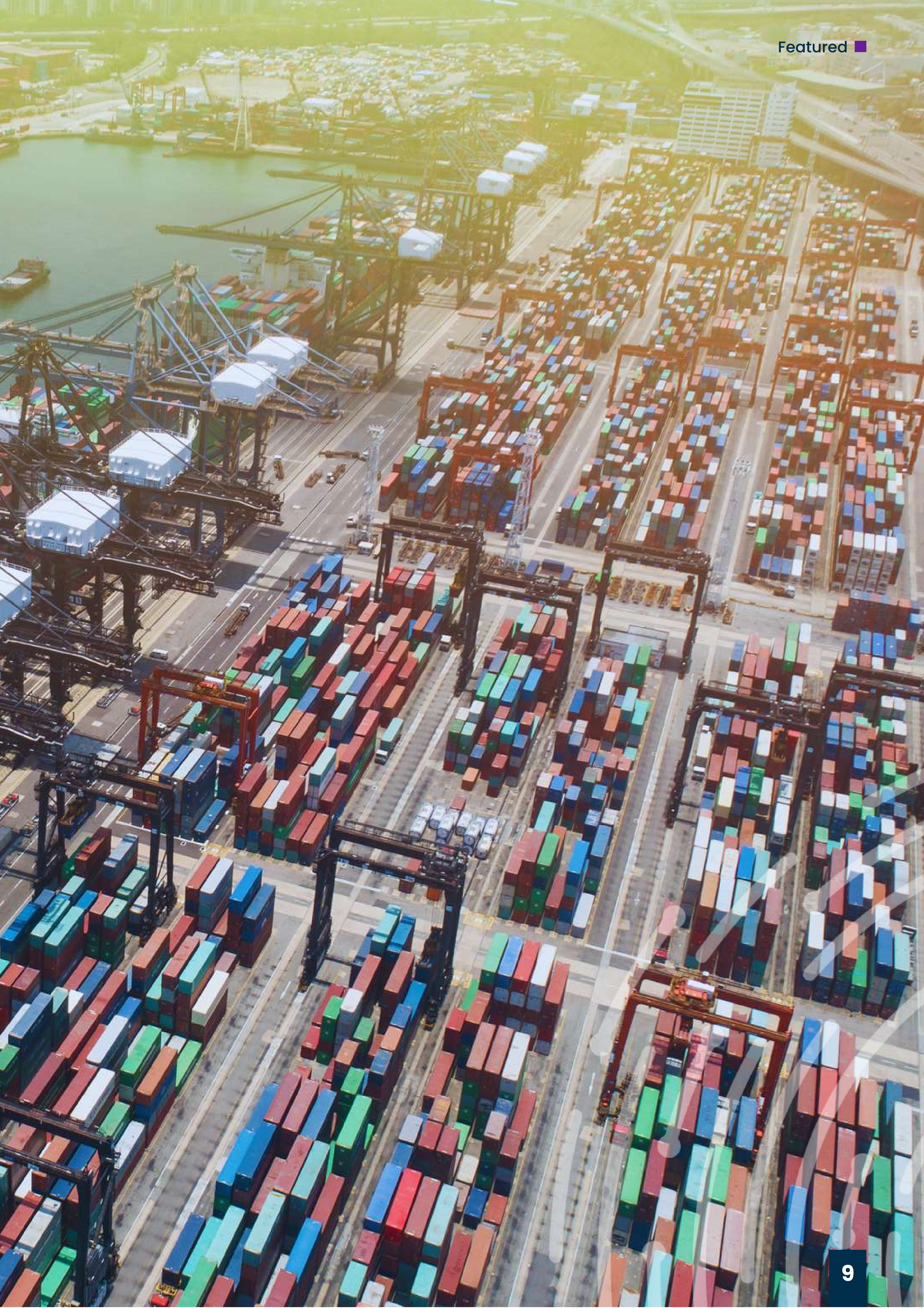
And this transformation has started. The UK recently passed one of the most impactful pieces of legislation in recent memory for international trade. On 20 September, the Electronic Trade Documents Act will become law, creating a clear pathway for industry-wide digital transformation.

As you delve into this edition, consider it a call to action—a precursor to the collaborative dialogues that will take centre stage at Sibos 2023. The challenges we face are monumental, but they are not insurmountable.

As always, TFG would like to thank all of our sponsors and industry partners for their thought leadership and collaboration in putting together the content that drives this magazine.

TRADE FINANCE GLOBAL

2 Featured



RYAN HOLLAR-GREGORY
Managing Director and Head of Distribution, Supply Chain Finance
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2.1

The evolution of Supply Chain Finance: From banks to distribution

The popularity of SCF programmes among investors started to rise in tandem with global interest rates, driven by the fact that these are short-term, uncommitted, self-liquidating assets that allow an investor to ride the rise in rates.

Over the past several months, corporates have increasingly been asking for details on a bank's distribution capabilities when deciding which financial firm to work with.

Although receivables and payables financing provides an alternative source of liquidity to companies while allowing them to improve their cash flow metrics, sometimes these programs can vary greatly in size –anywhere from $10 million to $10 billion.

When the programmes become that large and no single bank has the credit lines to support them, distribution becomes a valuable tool.

Distribution provides several benefits for participating banks and corporations. Distribution of supply chain finance (SCF) and working capital assets allows one bank to lead a program and work with other banks as participating lenders in the program.

Additionally, distribution allows banks to lead a large programme that may exceed available limits, collect fees from distribution, and enhance returns on a programme.

For the corporates, the benefits include having one point-of-contact bank to interact with on the programme regarding documentation or questions, using distribution to share wallet share with their bank group, and having the ability to remove or add banks as the programme size changes.

Evolution of the SCF investor base

When distribution strategies first appeared in the early 2000s, the investor base was only banks. Over time, asset managers, hedge funds, insurance companies, and other non-bank entities started to look at the supply chain as an asset class and invest in these programmes.

Currently, the market has bifurcated into the bank and non-bank market segments with minimal overlap. Typically, banks are more interested in investment grade corporates, and the non-banks have been more interested in the higher yielding non-investment grade options.

In the last three to five years, more non-banks have entered SCF and the working capital market.

These asset managers and hedge funds typically source their deals from financial technology (fintech) firms, banks, or directly from lower-rated corporates.

Historically the operational intensity associated with purchasing and managing a large number of invoices kept non-banks out of the market, but fintechs have started to provide technology that allows non-banks to effectively monitor and manage a large number of invoices.

Why the sudden interest in supply chain finance?

The popularity of SCF programmes among investors started to rise in tandem with global interest rates, driven by the fact that these are short-term, uncommitted, self-liquidating assets that allow an investor to ride the rise in rates.

Ten years ago, there were almost no non-bank investors interested in SCF. Today, some of the largest asset managers, insurance companies, and hedge funds have funds dedicated to SCF and working capital assets. In addition to the aforementioned benefits,

the rise of technology to accommodate operational needs, and the historically low default rates within SCF have contributed to the asset class's popularity. As the market becomes more transparent, standardised, and easier to access, we expect the investor base to grow along with increased adoption by a diverse group of corporations.

The future of SCF distribution

We see several factors that will impact the future of the SCF market.

The Financial Accounting Standards Board's (FASB) new supplier finance regulations will require that companies disclose if they have a SCF programme in place.

The effect of this increased transparency is still to be determined, however, more corporations may implement SCF programmes because they will now have visibility into their competitors that have already implemented them.

Secondly, banks that sell a significant amount of SCF are using similar participation agreements and distribution processes. This will make it easier for investors to sign up and buy from several different banks.

Lastly, more innovative legal structures – such as Irrevocable Payment Undertaking (IPU) and Drafts (i.e. Bills of Exchange) – are making it easier and more efficient to originate SCF programs in various jurisdictions.

A catalyst for growth for the distribution and origination of SCF will be more standardisation and transparency.

Banks that have experienced and dedicated distribution teams will be able to capitalise on the growth of the market and be in a position to influence the development of the investor market.

MARK ABRAMS
Managing Director, Global Head of Trade & Receivables Finance
Trade Finance Global (TFG)

2.2

Is trade and receivables finance the new home for private credit?

As TFG continues to evolve, we are committed to bridging the gap between demand and capital requirements, thereby introducing more effective and transparent financing solutions

The financial landscape has undergone a seismic shift in recent years. From zero or negative interest rates to the COVID-19 pandemic and geopolitical tensions, the world has seen it all. Amidst this backdrop, the role of private credit has evolved significantly.

The question now is, has trade and receivables finance become the new home for private credit?

The shifting landscape

Two years ago, treasurers and financial directors were scrambling to find investment avenues that could yield returns, as traditional deposits were offering zero or even negative interest rates.

Fast forward to today, and the scenario has changed dramatically. The influx of cheap capital from zero-bound rates and pandemic-era stimulus led to a looser investment standard.
The industry knew this would not last, and recent market trends have shown this era has ended.

Rising inflation, stemming from the quantitative easing policies and supply chain problems has led many central banks to increase interest rates.

The US Federal Reserve has set rates at a 22-year high, at 5.25-5.5%, and the Bank of England has set the rates at 5.25%, with expectations of another half-point rise in the future. In August, The Central Bank of the Republic of Türkiye increased rates to 25%.

All of these factors have led to a reasonable concern that the global economies will see varying levels of decline in the next few years.

In other words, this is not a regional shift, it is a major shift in the global market. And this has led to a more cautioned, reasoned approach to investments.

People are now looking for sensible, low-risk avenues to park their capital.

In this evolving landscape, private credit has emerged as a viable option. It involves funding real assets in a world where they are not listed, offering a unique proposition for investors.

At Trade Finance Global (TFG), we have observed a growing interest from institutional capital, particularly in trade and receivables finance.

Trade and receivables finance: A low-risk alternative

Trade and receivables finance lines are typically low-risk, self-liquidating facilities. They involve financing the supply chain, buying at one price and selling at a higher one, typically within a short duration of 90 to 180 days.

We are increasingly starting to see an interest in trade finance as an asset class, and this makes sense given the direction of the market. In our view, this is mainly because pricing tracks underlying rates (which are rising), along with the positive margin component; representing an attractive asset vs. US Treasuries, as an example.

Trade finance as an asset class is highly scalable and offers strong returns. It is not linked to certain market fluctuations but is tied to real, live trades.

This has led to increased interest from mid-market banks and institutional investors looking to diversify their portfolios.

Governments and Export Credit Agencies (ECAs) are also encouraging investments in trade finance to stimulate economic activity. This has led to new players entering the market, who are attracted by the new structures of guarantees that are presenting themselves.

But it isn't as black and white as simply investing in trade finance.

Trade finance involves a higher level of complexity due to various factors like different jurisdictions, sectors, and more niche topics, like issues of perishability. However, it offers a level of transparency that is often missing in other asset classes. Understanding the specificities of the trade, and demands of borrowers are crucial for determining how they intend to utilise the capital, and where capital is being deployed.

TFG's evolving role: Introducing TFG Distribution Finance

Historically, TFG has been the largest trade and receivables originator, connecting lenders with buyers, using our deep industry knowledge.

However, the growing demand for capital in the trade and receivables financing space has led us to evolve our role. We saw a gap in the market and realised that it needed a new, innovative solution.

Enter TFG Distribution Finance.

This new project will help build asset books for existing and new funders. This allows us to match the specific requirements of borrowers with the right kind of capital, thereby creating a win-win situation for all parties involved.

Though many people are starting to acknowledge the potential of investing capital into trade finance, it can be a difficult task without a dedicated team. TFG Distribution is the emerging solution to this problem.

Using TFG Distribution Finance, large lenders can put their capital to use without the need to create a dedicated team of trade finance experts. Lenders will see positive returns, and SMEs can access new capital.

Capital requirements: Bridging the gap

One of the biggest challenges in the trade finance market is the mismatch between what capital exists and current demand.

TFG Distribution Finance aims to bridge this gap by understanding the granular requirements of both borrowers and lenders. This is essential for scaling trade and receivables finance and bringing new liquidity into the market.

The economic uncertainties of recent years have led to a renewed focus on sensible, low-risk investments.

Trade and receivables finance offers a promising avenue for private credit, providing scalability, diversification, and a low-risk profile. As TFG continues to evolve, we are committed to bridging the gap between demand and capital requirements, thereby introducing more effective and transparent financing solutions.

In a world where economic stability is far from guaranteed, trade and receivables finance offers a new and promising avenue for private credit. It's not just about financing goods flowing across borders; it's about creating a more stable and transparent financial ecosystem for all stakeholders involved.

STAN COLE
Advisor
UNITE Global AS

2.3

Decoding cross-border payments: From initiation to settlement

International wires are a secure and relatively simple way to send large-value transactions internationally, as SWIFT does not limit the payment amount. However, wires take time to clear and settle, and there are fees involved.

Any business participating in international commerce normally needs to make payments in foreign currencies to suppliers/sellers overseas for goods and/or services sourced from other countries.

There are many different methods of sending money globally. Transferring money electronically is by far the dominant method, although some paper-based cash ways to pay still exist (e.g. cheque, bank draft, money order).

International wire transfers

An international wire transfer (hereinafter, "international wire") is a cross-border service offered by banks for transferring funds over an electronic network from a bank account in one country to another bank account in a different country.

International wires are practically synonymous with SWIFT transfers due to the pivotal role the SWIFT network (Society for Worldwide Interbank Financial Telecommunications) plays in facilitating such transactions.

Headquartered in Belgium, SWIFT is a global member-owned cooperative of c. 11,000 financial institutions spanning over 200 countries and territories, and is the world's leading provider of secure financial messaging services.

International wires using the SWIFT network are the most common method worldwide to transfer funds from one bank or financial institution (FI) to another.

There is a common misunderstanding about what SWIFT does. It is neither a clearing nor a settlement network. SWIFT is a financial messaging system which sends global payment orders initiated by financial institutions to be processed by a clearing or settlement system.

Sending an international wire involves two different processes – clearing and settlement.

Clearing

International wires are initiated in one country and settle in another. When a bank's personal or business customer initiates an international wire – via online banking, an app, by phone or in-person at a branch – they need to provide information about the payment destination and recipient based on SWIFT messaging standards, i.e. a common language for payment data across the globe.

The sender's bank ensures sufficient funds are available in the sender's account to cover the payment and applicable fees, debits the corresponding amount from that account and initiates the funds transfer by messaging a payment instruction/order to the recipient's bank via the SWIFT network.

Clearing covers the transfer and confirmation of payment information between the sending and receiving banks.

When the receiving bank receives the SWIFT message with all the required information, it deposits the payment amount into the recipient's account using its reserve funds. At this point, the payment has been cleared, and the clearing phase is completed.

No physical money is transferred between the two banks when conducting an international wire. Only the payment information included in the SWIFT message is passed between the banks.

Settlement: Net vs gross

Settlement is the final step in making a payment and involves collecting the funds for the payment order processed during the clearing phase. Banks can begin the exchange of funds to settle a payment right after clearing has taken place (funds deposited in the recipient's account) or later. Once the settlement has occurred, the payment is complete.

Payments can be settled either on a net or gross basis.

Net settlement:

When banks aggregate transactions (debits and credits) throughout the day and settle in bulk, by sending a final settlement wire at the end of the day.

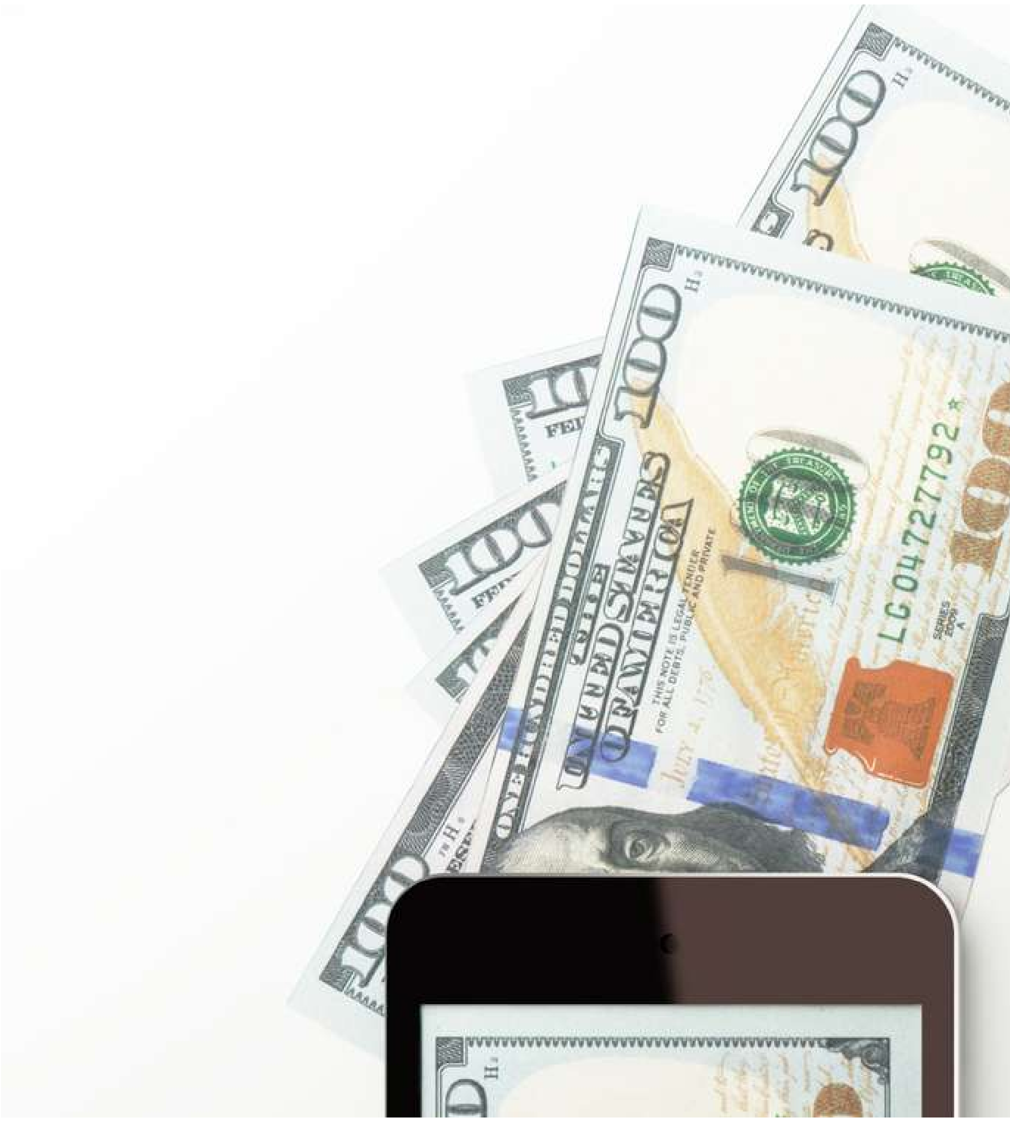
Gross settlement:

When individual payments are processed and settled instantly based on individual transaction data received in real-time.

Unlike clearing, only a settlement network can facilitate settlement. The clearing system that has handled a transaction, e.g. CHIPS, will send the payment information to a settlement network to settle it, e.g. Fedwire.

Interbank settlement systems are run by central banks. If both transacting banks have a settlement account with the central bank in the country, the central bank directly debits the sending bank's account and credits the receiving bank's account (both in central bank money).

Once the funds have been transferred to the receiving bank's account, the settlement phase has been executed and the international wire completed.



Differences between clearing and settlement

A key difference is that clearing determines the commitment of the funds and settlement is how banks do the funds reconciliation with each other.

Settlement involves the exchanging of funds between the sending and receiving banks, while clearing normally ends without movement of funds between the banks.

Timing is another difference.

The clearing process takes place fast, and is typically finished within minutes, whereas the timing of settlement is more flexible, as the payment recipient can already access the funds in their account by the end of the clearing phase.

Other considerations

International wires are a secure and relatively simple way to send large-value transactions internationally, as SWIFT does not limit the payment amount. However, wires take time to clear and settle, and there are fees involved.

Should the bank of the sender not provide the currency for payment, or if it lacks a direct account connection with the recipient's bank, the use of intermediary banks in correspondent banking will be necessary.

This lengthens the payment chain and adds time and cost. An international SWIFT wire can touch 2 to 5 banks on route to the recipient, and may take up to 5 business days to clear and settle for low-volume payments in exotic currencies involving additional intermediaries along the way.

International wires can be expensive. Sending banks typically charge a flat service fee for issuing wires, usually $10

to $50 per transaction. When intermediary banks are involved, each can also lift their own fees, unknown to the sender in advance.

Moreover, the recipient's bank may deduct a fee for receiving the incoming transfer ("bene-deduct"), usually between $10 and $20 but as high as $40 in some markets. Higher cost makes international wires suitable mostly for larger value cross-border transfers but uneconomical for lower value, mass payments.

Nowadays, there are alternatives to international SWIFT transfers for sending commercial payments cross-border.

New, innovative financial market infrastructures (FMI) are emerging that reimagine the business of moving value across borders, which can enable low-cost real-time payments with instant settlement on a global scale.

ADAM HEARNE
CEO
Carbon Chain

2.4

5 common myths about carbon accounting: Is it really worth it?

To tweak an old proverb, the best time to start measuring emissions was 20 years ago. The second best time is now, as regulation tightens and more opportunities in trade finance and product differentiation emerge.

While a growing portion of the industry starts to seize the opportunities of measuring and managing emissions, many commodity traders still hesitate. Why undertake the complex process of carbon accounting, if it's hard, if it's not a legal requirement, and if it only draws attention to their high-carbon products rather than their competitors?

There are five common reasons for why some perceive carbon accounting as not worth the effort.

But if we address them one by one, it becomes clear that carbon accounting is crucial for future-proofing supply chains and unlocking rewards from customers and banks. Moreover, today's technology can make the complex parts of measuring emissions surprisingly easy.

Myth 1: There's no mandate, so let's just wait

"We don't have to report emissions, so let's not waste time or money measuring them. Until regulators and legislators force us with incentives or penalties, carbon accounting is a bad

investment." The reality: Carbon regulation is already here and spreading. Companies in a number of jurisdictions are (or will soon be) legally required to report their emissions, including Canada, Chile, New Zealand, Japan, the UK, Australia, US, Singapore, China, France and Switzerland.

On top of that, the new EU Corporate Sustainability Reporting Directive (CSRD) is set to quadruple the number of companies subject to mandatory carbon disclosure.

Some 60% of the world's emissions come from global trade supply chains. So, commodity traders who haven't yet felt the shocks of carbon pricing and reporting rules will soon be unable to escape them.

Ships are now subject to International Maritime Organization carbon reporting and rating rules, while the upcoming EU Carbon Border Adjustment Mechanism will force importers to report and pay a price on high-polluting imports. Biden recently announced that the US will require all major Federal suppliers to disclose greenhouse gas (GHG) emissions and set science-based targets.

There will be winners and losers. Companies that get their house in order now can ensure proper and smooth compliance when new regulations hit. Carbon accounting not only enables traders to measure the impact of carbon pricing schemes, but can help lower costs, by identifying and modelling how to reduce priced emissions.

The time to start is now. Over half of the world's companies by market cap are already getting ahead and voluntarily measuring and reporting their emissions through CDP.

Myth 2: Too long to complete; too hard to get right

"Carbon data is in short supply. Sometimes, we can't even trace all our suppliers and product origins. We've heard there's huge room for error when following average-based methods, so what's the point?"

The reality: Carbon accounting is indeed a challenge for unprepared businesses, especially for calculating supply chain or Scope 3 emissions, which are the most significant source of a typical business's emissions and carbon risks — sometimes as much as 90%.

Suppliers often don't measure or disclose their carbon information, and the scant information reported can be incomplete, unverified and hard to compare.

However, businesses don't need to look far for the right tools. Carbon accounting can be completed accurately and on time using the GHG Protocol's globally accepted methods for various carbon footprints, including supply chain emissions estimation when primary data is missing. They can also utilise CDP's proven mechanism for requesting supplier disclosure.

Many commodity traders and producers are turning to specialist software and machine learning to fill asset-level carbon data gaps, all the way from source to shipment. For example, thyssenkrupp Materials Services Eastern Europe has adopted a digital carbon tracking solution to measure emissions across its metals supply chains and create standards for supplier transparency.

The process of getting carbon accounting right is an investment, but one to start as soon as possible and to keep improving. The new ISSB Sustainability Disclosure Standards provide companies with a grace period of one year to start reporting their Scope 3 emissions, acknowledging that these are the hardest to account for.

Myth 3: We focus on stakeholders, not nice-to-haves

"We need to focus on serving our customers, generating value for stakeholders, and accessing trade finance, not on optional add-ons. Especially not in a time of supply chain disruption"

The reality: Business expectations are changing. More and more customers are requesting the carbon intensity of their purchases, and are finding ways to source lower-carbon products in order to meet their own net-zero targets and regulatory requirements.

81% of financial institutions assess their portfolio's exposure to climate-related risks, and 77% are requesting climate-related information from their clients. Building trust in business has never been more important. It means being able to share the carbon footprint of the products you trade and sourcing lower-carbon options to support customers' sustainability goals, like in the case of metals trader Concord Resources Limited and leading aluminium rolling mill Niche Fusina Rolled Products (Fusina).

When it comes to trade finance, building strong partnerships with banks involves responding to, or preempting, requests for carbon reporting. This can unlock immediate benefits like interest rate discounts and sustainability-linked loans (SLLs).
For example, Societe Generale has signed major deals with two leading metals commodity merchants, to pilot access to SLLs tied to emissions-reduction KPIs.

Myth 4: There's no single standard: it's an alphabet soup!

"The prevailing standards aren't decided yet. We don't have time to navigate the myriad of reporting standards with all their acronyms. If they're not uniform, then we'll be duplicating work, and customers won't be able to easily compare our data with competitors"

The reality: Until recently, the existence of multiple carbon reporting standards and frameworks has been blamed for some industry inertia.

However, there has long been one main go-to global standard for carbon accounting (the GHG Protocol) which is the key reporting frameworks (TCFD, CDP, SASB, GRI) align with, even if companies vary in which frameworks they follow and how comprehensively they report. The reality is that a future update to a reporting standard isn't going to materially change what is required when it comes to reporting. All the data collection, verification, baseline setting and target setting will all be very similar, so don't use that as an excuse to get started.

Efforts now to move early will not be in vain.

That's why the recent publication of the ISSB standards, which aim to unify all others, is a big step towards a global baseline for sustainability- and climate-related financial disclosure

Myth 5: We already know our high-carbon goods

"We know oil contributes more to global warming than aluminium, but we're not responsible for what happens after we sell it, or for our customers' choices. Diving deeper into the exact emissions will just expose us to reputational risk, and most of our portfolio is metals anyway." The reality: Unless they quantify their trade emissions from end to end, commodity traders (and their financiers) don't truly know their high-carbon goods.

There can be huge variations in so-called 'high' carbon product emissions; a tonne of aluminium can be between 3-20 tonnes of carbon dioxide equivalent per tonne of aluminium in carbon intensity. Or one copper refinery might emit less than another, but it might source from a significantly more carbon-intensive mine.

Some traders fear that opting for the most robust methodology out of the recommended options will only make a competitor's product look unfairly lower-carbon if that competitor takes a weaker approach.

However, reputational concerns about carbon disclosure pale in significance next to the danger of failing to identify carbon-related risks ahead of time. Environmental risks could cost supply chains $120 billion by 2026, and sharing your product or corporate carbon footprint, even if it is high, is better than it being exposed.

The carbon footprinting process allows traders to find ways to lower emissions and manage the impacts of carbon pricing (for example by screening suppliers and rating assets against industry benchmarks like the IMO Carbon Intensity Indicator and the Poseidon Principles).

It's also the most fundamental tool for avoiding the kind of greenwashing that's caused by making low-carbon claims without verifiable data.

Counting carbon puts you in control

To tweak an old proverb, the best time to start measuring emissions was 20 years ago. The second best time is now, as regulation tightens and more opportunities in trade finance and product differentiation emerge.

Today, tools are available that make it possible to accurately and painlessly account for and report trade emissions, while pinpointing carbon risks.

Put it this way: for every business that delays, another competitor is ready to seize the emerging financial incentives and meet customer demand for low-carbon products.

GILLES GOAOC
Surety Business Manager EMEA & APAC, Subject Matter Expert
Tinubu

2.5

How can surety carriers align with ESG?

Surety carriers have a unique opportunity to support the green transition, grow emerging industries, and promote sustainable financing practices. However, challenges must be addressed.

Surety bonds play a vital role in managing risks across major projects by providing financial guarantees that ensure delivery, and mitigate against potential losses. As the world accelerates its focus toward sustainability, the surety industry must keep up and make a positive contribution to financing a more sustainable and resilient world.

Whilst there is growing recognition across the industry of the need for sustainable practices, for many surety carriers, doing so poses challenges. The industry's ability to adapt and develop suitable bond products will be pivotal in supporting sustainable financing and achieving the UN's Environmental, Social, and Governance (ESG) goals.

Carriers need to genuinely support sustainable and emerging industries, promote corporate investment in net-zero decarbonisation, and embed ESG practices to ensure the surety bond industry maintains a relevant value proposition into the future.

Reporting requirements

To increase transparency and boost environmental and social responsibility across the finance industry, the European Union's Sustainable Finance Disclosure Regulation (SFDR) mandates ESG disclosure obligations for asset managers and other financial market participants.

As of March 2021, banks, insurers, investment firms, and other financial institutions must report sustainable investment practices in a standardised format so investors can make informed decisions. Non-compliance with the SFDR can have adverse consequences, such as disciplinary action from local financial authorities, and negative signalling to current and prospective clients and investors.

Moving towards net-zero

It is more important than ever that surety carriers introduce products that are tailored to help their existing clients pursue more sustainable initiatives.

Given that approximately 50% of surety bonds are for the financing of major construction projects such as rail, road, and marine infrastructure, there is a clear need for the industry to support sustainable infrastructure. The construction industry is moving towards net-zero, focusing on low-carbon materials, circular building methods, waste reduction, and regulatory compliance. Surety carriers must adapt to support these changes.

Adapting and aligning surety underwriting practices will mean shifting focus from the traditional assessment of financial statements, to assessing projects through a holistic lens, considering factors such as climate resilience, and the viability of innovative technologies.

For some time now, surety carriers have recognised climate change as a major risk that will impact their underwriting practices. They increasingly incorporate ESG into risk assessments and recognise the strength of sustainable and resilient projects that can withstand future environmental challenges.

Some carriers are setting targets for responsible underwriting and investment, and have announced future plans to phase out coverage for certain activities such as fossil fuels projects.

Balancing innovation risks

With surety carriers aiming for zero losses, they still show hesitation towards financing renewable projects such as solar energy or wind farms. Their reluctance to issue bonds for projects in emerging industries or those involving innovative technologies stems from the difficulty in assessing the associated risks.

Contrastingly, in established sectors where success is proven, carriers can confidently calculate the risk through historical data and experience.

Often, newer industries involve start-ups that invest in transformative technology, but lack a track record. This causes carriers to hesitate to issue bonds, making it difficult for projects to go ahead without exposure to risk.

Without access to bonds, these innovators resort to using their available capital, and take on larger risks – in turn, limiting their ability to grow and realise the full potential and impact of their innovations.

Emerging industries also come with the risk of delays, which can be lengthy, resulting in contractor bankruptcies.

One such example is the EDF nuclear reactor in Flamanville in north-western France, which started construction in 2007 but has yet to be completed.

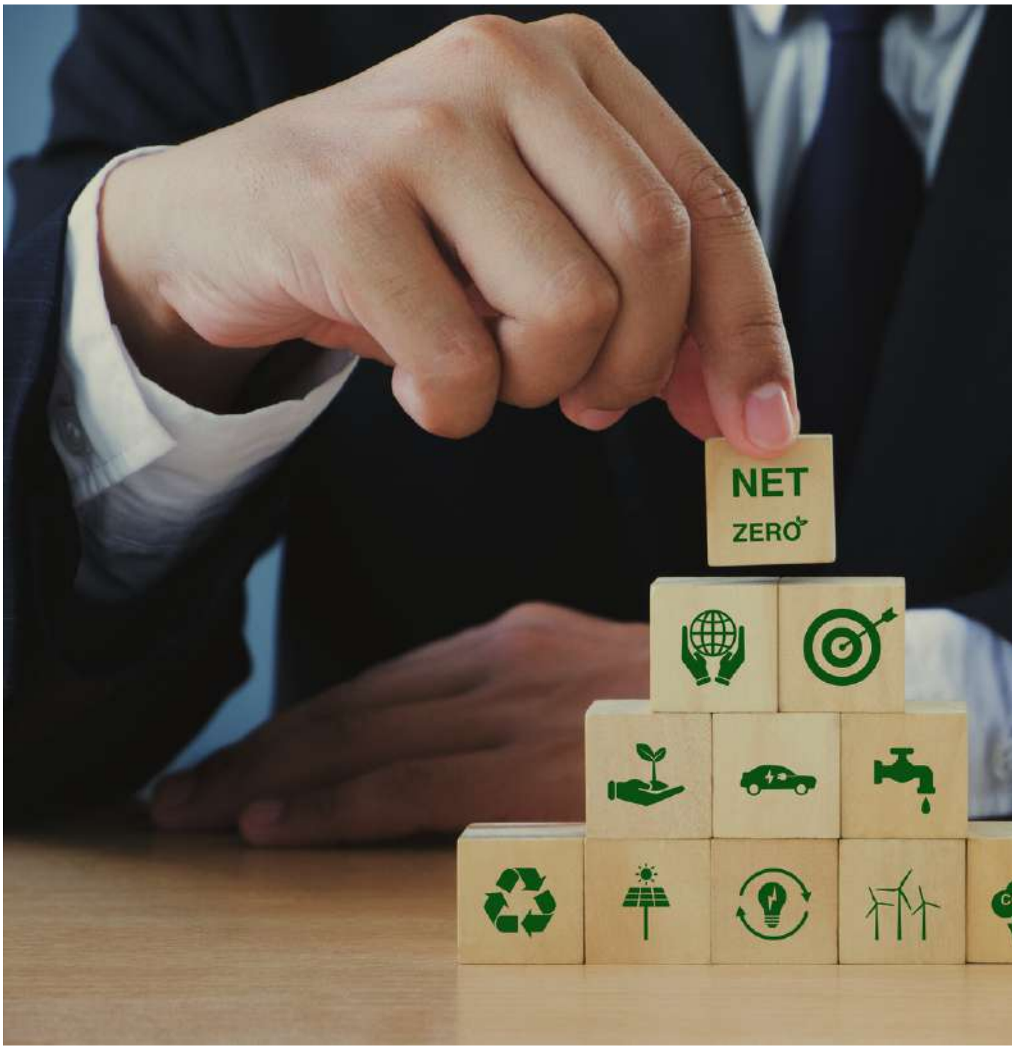
The project was expected to take four years and cost €3 billion. However, a range of issues have caused delays of over a decade, with EDF currently expecting nuclear fuel loading to be scheduled in early 2024, with costs continuing to mount.

In a more positive sign, some progress is occurring as renewable energy becomes more mainstream and is increasingly backed by larger corporations. Whilst this encourages surety carriers to participate, progress is slower than the pace required to meet transition goals.

As innovation extends beyond solar and wind farms to new industries, the cycle of risk and uncertainty will also continue to grow.

To address this, surety carriers must adapt their underwriting approach to include a better understanding of the business models and risks associated with emerging industries. One major challenge lies in establishing a common understanding across the industry of sustainability.

Different stakeholders have varying definitions, making it challenging to apply a consistent approach. Aggregating various sources of data and improving access to information through digitisation for more accurate information can give carriers the information they need to assess sustainability and risks more accurately.



Collaborating with external experts, such as engineers and industry-specific consultants, can also help assess viability.

New carbon markets

The emergence of carbon credit markets has created opportunities for surety companies to issue bonds that cover carbon credits, supporting companies in their decarbonisation efforts.

Companies are striving to meet their net-zero targets, necessitating the purchase of carbon credits. We see this in companies such as Total Energies and other petroleum giants who are buying carbon credits to demonstrate their commitment to reducing emissions.

Issuing bonds to cover these credits could ensure accountability and provide a secure financial mechanism to support decarbonisation. Whilst such bonds do not yet exist, increasing demand for carbon credits could secure a new market for the surety industry to play a crucial role in providing the necessary financial guarantees to ensure market integrity.

An internal view

Whilst surety bonds can support the green transition, carriers must go beyond simply shifting support from coal to renewable energy projects, and assess their own operations. Major surety players like Atradius are proactively aligning with ESG principles.

benefits such as speed, efficiency, accuracy, and competitiveness.

Whilst the environmental aspect of ESG has drawn attention, a comprehensive approach that includes social and governance factors is also important. However, the surety industry is not currently a frontrunner in this area, and more work is needed.

Encouraging employee engagement can contribute to the social goals of ESG, and whilst many carriers engage in these practices, they can also consider how to better support the social aspects of the projects they underwrite.

This would go some way to addressing growing pressure from employees who want to work for companies that prioritise all ESG factors, as well as external pressures from banks, clients, and stakeholders.

An internal view

Surety can play a vital role in financing and supporting net zero in several ways, with the future of surety intertwined with sustainability principles.

Carriers have an opportunity to support their clients' decarbonisation efforts, while also adapting their own practices to align with sustainability goals. By introducing new bond products that promote decarbonisation, and by investing in emerging industries, surety carriers can contribute to a more sustainable future.

However, to fully embrace sustainability, they must overcome challenges in assessing project risks, change their underwriting perspectives, and diversify data sources. By doing so, the surety industry can play a vital role in supporting the transition.

They are implementing policies to achieve net-zero targets, adopting digitalization to reduce paper usage, and enhancing efficiency.

By digitalising their internal processes, surety bond carriers can transition to e-bonds, eliminating traditional paper bonds, which still account for around 95% of bonds worldwide.

These efforts signal the industry's growing commitment to sustainability and demonstrate the potential for surety carriers to adapt and align their practices with sustainability. Not only does digitalisation reflect a more sustainable approach, but it comes with organisational

ANDREW ROBERTS
Head of EMEA
RightShip

2.6

From starboard surprises to portside perils: Inherent risks in the shipping industry

At a macro level, shipping is at an inflection point where circumstances are elevating the potential risks for traders.

90% of world trade – from bulk raw commodities to breakbulk and finished goods – is moved on approximately 60,000 trading ships, crewed by about 1.5 million seafarers. To most traders, the potential risks associated with any one of these vessels is an unknown. How can you ensure that the ships you're evaluating for supply chain activity are at an acceptable standard? How can you mitigate the potential risks associated with ocean-bound vessels?

Overview of risks in shipping

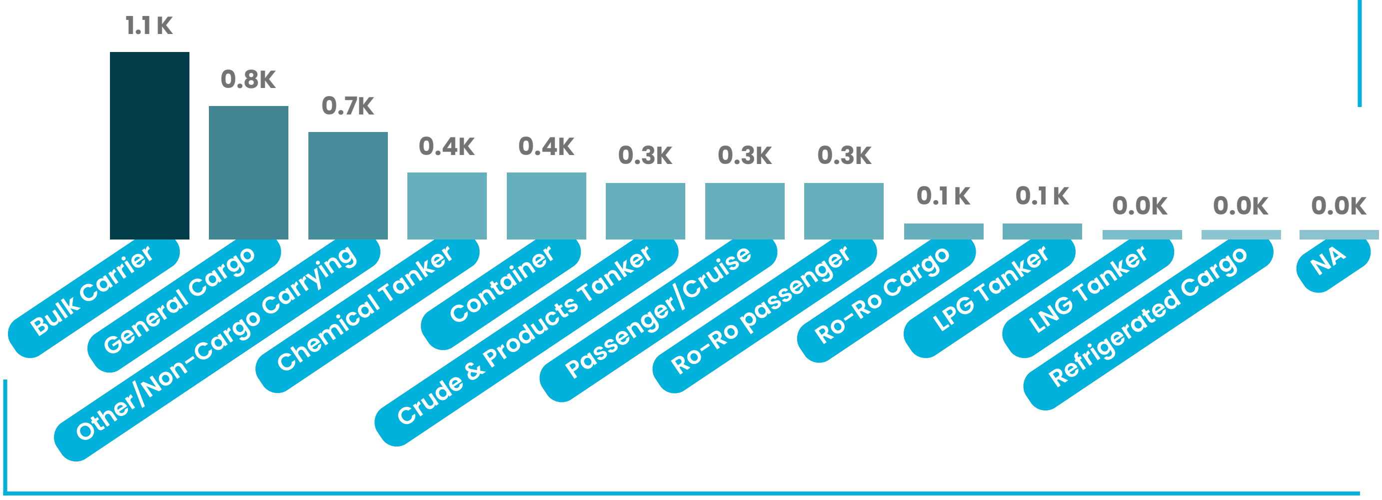
At a macro level, shipping is at an inflection point where circumstances are elevating the potential risks for traders. One such risk is the increasing average age of the global fleet. This trend is driven by a number of factors, including hesitancy to order new vessels while new technologies are being developed. Additionally, an increase in vessel value is associated with prolonged operational lifetimes. Volatile market conditions can also impact the maintenance regimes of ships, reducing the quality and reliability of assets as vessels can be traded harder in bullish markets and maintained more conservatively in bearish markets.

In addition to these factors, COVID-19 changed the reality of shipping. During 2020 and 2021, seafarers kept global trade moving. They were not, however, properly recognised as key workers and "no crew change" clauses combined with local port and global travel restrictions restricted the ability to repatriate crew.

This resulted in many seafarers serving well in excess of 12 months on board vessels without relief. Travel restrictions during the pandemic also limited the ability of shore staff and third-party organisations to undertake routine inspections of vessels.

A number of shipowners found the cost of maintaining their vessels was too great, so they opted to abandon them and their crews without any further consideration.

Incidents by vessel type



As such, 2022 saw the highest number of seafarer abandonment cases ever recorded.

These issues have been further compounded by the ongoing Russia-Ukraine war, and many experienced seafarers are leaving the industry as a result. This increases the workload on remaining crews, giving rise to a greater risk of incidents, and threatening the continuity of the industry.

This is at a time when the industry needs an influx of talent to meet industry demand, manage risks from new fuels and technologies,and maintain pace with a rapidly changing world.

Recent trends and inherent risks

This picture of heightened risk is reflected in the data from incidents and port state control deficiencies and detentions which show an observable increase.

In 2022, 4,604 incidents were registered by RightShip, with dry bulk vessels, cargo vessels, and chemical tankers having the highest incident numbers. Incidents occurred on young and old vessels, with 46 incidents in the past two years occurring on vessels only one-year-old. Of these 46, 25% of the incidents were RightShip Category B, the second-most severe kind of incident (includes injury, significant vessel damage, severe structural damage, explosion, fire, flooding, etc.).

Tragically within these 4,604 incidents, 193 lives were lost, 113 crew members reported missing, and 86 seafarers suffered serious injuries.

Impact of incidents on traders and trade: the micro view

Time is a critical factor for most traders, which means important decisions on vessels can be made with very limited information at hand.

Ships can often be chosen based on their compliance with minimum requirements such as being registered under a flag state, classified by a classification society, and adequately insured.

Some operators might also prefer newer ships. However, these criteria only provide a very narrow perspective of a ship's associated risks.

Poor quality tonnage, poor operational quality and a history of incidents can generate a broad range of potential risks and impacts for traders which can result in significant consequential damage.

In the example below, we have two vessels. Both vessels are of a similar age, and both are flagged, classed, and insured. Yet the gap in quality between the two vessels – and therefore the difference in potential risk – is vast.

The range of conditions and risks that can impact a vessel is broad: from simple reduced maintenance, which can limit the performance capability of vessels; to unplanned machinery breakdown and stoppages, which can cause significant supply chain disruption; to even more serious incidents such as groundings, fires, explosions, and other significant events, which can result in serious environmental impact or loss of life.

The resulting potential impacts on a trader range from inconvenient to severe: from delays, performance claims, and missed deadlines, to breach of contractual sale and purchase provisions, damage to or loss of cargo, loss of a vessel, significant pecuniary costs, and reputational impact

There is also an additional ESG dimension that can impact a trader's potential risk scenario, with GHG emissions and extensive social risks involving seafarers coming into play, which are becoming increasingly common with the introduction of new supply chain social due diligence legislation.

The frequency of these incidents can surprise those not well-versed in maritime risk: RightShip data shows that **10.4%** of vessels face some sort of detention at ports and terminals, where the average duration of detention is **5.4 days**. These detentions can be the result of hull and machinery damage (which accounts for nearly **18%** of all incidents recorded by RightShip) and disruption or operational incidents have the potential to cause significant impact on the broader supply chain – as we saw in an extreme example with the Ever Given in the Suez Canal.

Increasing assurance through vessel trade check and vetting

RightShip's vision is a zero-harm maritime industry. Over 22 years, we have helped charterers and traders gain greater assurance of the vessels used in their supply chain activities through, inter alia, due diligence processes that go beyond basic compliance with statutory and regulatory requirements.

The RightShip Vessel Trade Check is a digital solution used by traders, trade finance institutions, and insurers, to gain an instant evaluation of a vessel against a suite of customisable due diligence criteria that exceed basic statutory and regulatory requirements.

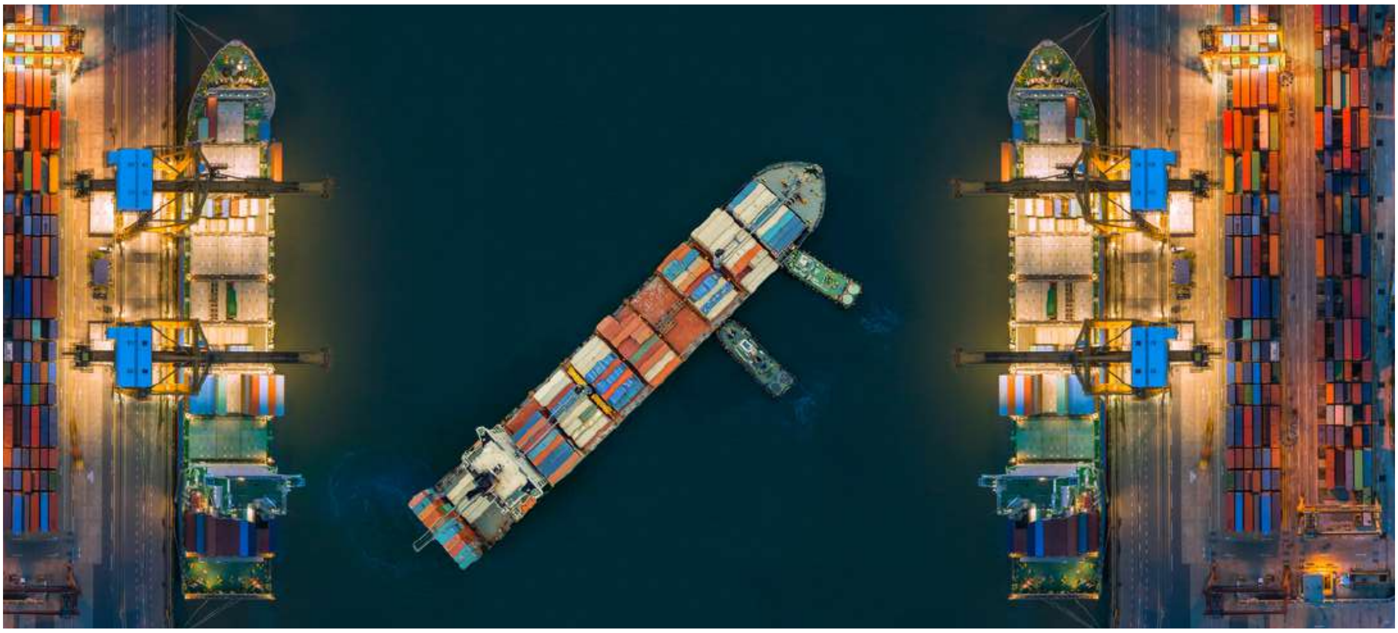
and includes additional criteria such as evaluation of Class Survey Status reports, and incidents reports for suitable preventative measures for all recent incidents or events.

No. of Inspections	No. of Inspected ships	Detention Ratio
206,393	38,759	10.4%
with >=1 deficiency 85,081	Avg No, of Deficiencies 1.7	Avg No. of days detained (minimum) 5.4
with >=1 deficiency and detention 4,877		

RightShip's data shows that the detention ratio drops to **8.5%** for vessels which have been vetted by RightShip's Operations team, against those which have not been vetted (**11.3%** detention ratio).

The due diligence process also evaluates potential ESG risks, including environmental risks and the extensive social risks that can be part of shipping (such as crew welfare and seafarer abandonment). Even aside from moral reasons, such risks can impact traders because of a higher potential for incidents, as industry data shows a strong connection between crew welfare and incident likelihood.

Third-party due diligence should be considered an essential part of a trader's process. For our part, as an ESG-focussed digital maritime platform, RightShip provides flexible and continuous support for traders based on qualitative data-driven insights. Understanding and reducing the risks associated with vessels benefits not just the trader, but all involved in the transportation of ocean-bound cargo.



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2.7

How MRPAs are Paving the Way for Collaboration in Trade Finance

The standardisation of MRPAs plays a notable role in reducing the trade finance gap and promoting inclusion within the industry. MRPAs provide a standardised method of transferring risk, making it easier for participants to evaluate and join transactions.

The trade finance industry offers a diverse range of instruments, structures, and mechanisms, all aimed at transforming trade opportunities into tangible realities. One such mechanism employed by financial institutions is the utilisation of Master Risk Participation Agreements (MRPAs).

These agreements enable active risk participation, allowing financial institutions to effectively manage and distribute risks, safeguarding the interests of all parties involved while promoting a resilient international trade ecosystem.

Mark Abrams, Managing Director, Global Head of Trade & Receivables Finance at Trade Finance Global, spoke with Geoffrey Wynne, Partner and head of Sullivan's Trade & Export Finance Group, to explore the evolution, significance, and future prospects of MRPAs.

Understanding the evolution and function of MRPAs

Risk Participation Agreements (RPAs) are a means of sharing risk in trade finance transactions, which originated primarily between banks. These agreements enable financial institutions to transfer a portion of their transactional risk to other parties while maintaining

a customer-facing role. As Wynne explained, "When a bank wanted to stay forward facing to the customer while it transferred part of the risk of that transaction to another party, participation agreements were a great way of doing it."

In addition, Wynne highlighted the two main types of risk participation: funded and unfunded.

In funded risk participation, he noted, "Funded risk participation is where the seller of the risk is funded by the participant on day one and then pays the money back when it's paid back."

This type of participation ensures that the participant is directly involved in financing the transaction from the beginning. On the other hand, unfunded risk participation covers the risk without immediate funding. The participant is obligated to pay only in the event of a default, earning a return for assuming the risk. This type of participation allows for risk transfer without the need for upfront funding.

Furthermore, the need for standardisation in risk participation agreements became apparent when various banks independently drafted their own set of agreements. The lack of consistency coupled with the complex nature of trade finance prompted a group of banks to take action and initiate a standardisation process.

This collaborative effort led to the introduction of MRPAs, including the widely recognised BAFT MRPAs, in 2008. The standardisation of MRPAs has established an industry-wide framework for banks and their counterparties in the global trade finance market. It simplified trade finance transactions, streamlined negotiations, and enhanced transparency.

The challenges and considerations when engaging in MRPAs

recognise the strength of sustainable and resilient projects that can withstand future environmental challenges.

Some carriers are setting targets for responsible underwriting and investment, and have announced future plans to phase out coverage for certain activities such as fossil fuels projects.

Dealing with MRPAs involves navigating challenges and considerations that require striking a balance between the interests of both the seller and participant while adhering to regulatory and compliance obligations.

Wynne emphasised this balance, stating, "We tried to balance the position between the seller of the participation and the participant. The seller says to the participant: here are all the documents, if you accept my offer, then you're in the transaction."

Evidently, companies should carefully review the provided documentation, assess their risk exposure, and align the terms of the MRPA with their objectives and risk appetite.

Alongside the need for balance, regulatory and compliance considerations come into play. The core objective is to ensure the effective transfer of risk from the seller to the participant. Wynne pointed out, "From a regulatory and legal point of view, the idea is to make sure that the risk is transferred from the seller

to the participant." Sellers seek assurance that the risk is successfully transferred, whether through selling or funding, to remove it from their books.

Conversely, participants want to ascertain their rights to the underlying transaction and understand their obligations, particularly if they are funded. It is essential to align the MRPA with regulatory requirements, ensuring transparency, accountability, and clear delineation of rights and responsibilities for all involved parties.

Unlocking trade finance opportunities: The impact of MRPAs on the trade finance gap and driving inclusion

The standardisation of MRPAs plays a notable role in reducing the trade finance gap and promoting inclusion within the industry. MRPAs provide a standardised method of transferring risk, making it easier for participants to evaluate and join transactions. As Wynne said, "You've got a standard way of transferring risk. Consequently, it makes life a lot easier." The use of BAFT-based MRPAs as an industry-standard framework has enhanced transparency and facilitated more efficient participation in trade finance transactions, "Since the transaction will be based on BAFT, the participant already has a pretty good idea of how it's going to become involved in it," Wynne added.

Besides facilitating risk transfer, MRPAs open doors for non-bank originators and investors to enter the trade finance market. By signing an MRPA, these entities gain direct rights

and increased confidence in their participation.

Wynne underscored the simplicity of this approach, stating, "If you sign this MRPA, you are getting direct rights against the party paying. It is that simple."

The inclusion of guarantees or credit insurance further mitigates credit risks and reinforces confidence among non-bank originators and investors. Moreover, MRPAs demonstrate versatility in accommodating different market participants. While originally designed as a two-way document for sellers and participants, Wynne explained that the current usage often involves one-way agreements tailored to specific needs.

He noted, "A lot of the work we do now is one way, which is exactly right." This adaptability allows for variations in structures and arrangements, offering flexibility to meet the diverse requirements of market participants.

Lastly, the adoption of MRPAs promotes accessibility for smaller buyers and sellers who have historically faced challenges in accessing trade finance instruments. As Wynne stated, "If you really want to be in this marketplace and are prepared to sign a promissory note that says you will pay in 90 days' time, while you can get the funding to the seller in ten days, there's arbitrage, and there's the marketplace."

Through streamlining the funding process and expediting access to funds, MRPAs create a thriving marketplace that welcomes participants of all sizes.

The future of MRPAs: Addressing investor needs and evolving dynamics

The future of MRPAs in the trade finance landscape is propelled by the commitment to maintain the relevance and accessibility of MRPAs for a wide array of market participants. Reflecting on the evolving dynamics of MRPAs, Wynne pointed out the importance of refinements and updates, such as the removal of LIBOR.

However, he emphasised that the key consideration lies in the relationship between sellers and participants, traditionally dominated by banks. To foster inclusivity and expand access to trade finance through participation, addressing investor concerns, such as cumbersome documentation, becomes paramount.

Wynne expressed his confidence, stating, "There will be changes to meet the investor's needs. That's where I see this going."

3 An industry without borders or barriers

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3.1

The power of allies: navigating LGBTQ+ inclusion in trade, treasury, and payments

This power that allies bring is a testament to their ability to offer unwavering support. From wearing symbolic items like rainbow lanyards to attending events, allies show up visibly, creating a powerful show of solidarity, which can make an impactful difference for some community members.

The international trade, treasury, and payments space is about removing barriers, bridging divides, and finding common ground to keep the world connected.

At the heart of it all, there's a human element: unseen but ever present.

Creating an inclusive environment on a macro scale requires the creation of environments for an inclusive society. On a micro scale, everyday people must come first.

A first for the industry, Trade Finance Global (TFG) has partnered with several major organisations in the trade, treasury, and payments space to come together and speak openly about an often overlooked yet invaluable segment in the industry: the LGBTQ+ community.

What does LGBTQ+ mean?

LGBTQ+ is an abbreviation for lesbian, gay, bisexual, transgender, queer or questioning, and more. These terms are used to describe a person's sexual orientation or gender identity.

Lesbian

A woman whose enduring physical, romantic, and/or emotional attraction is to other women.

Gay

The adjective describes people whose enduring physical, romantic, and/or emotional attractions are to people of the same sex.

Bisexual

A person who can form enduring physical, romantic, and/or emotional attractions to those of the same gender or more than one gender. People may experience this attraction in differing ways and degrees over their lifetime.

Transgender
An umbrella term for people whose gender identity and/or gender expression differs from what is typically associated with the sex they were assigned at birth. People under the transgender umbrella may describe themselves using one or more of a wide variety of terms— including transgender or nonbinary.

Queer
An adjective used by some people whose sexual orientation is not exclusively heterosexual or straight. This umbrella term includes people who have nonbinary, gender-fluid, or gender nonconforming identities.

Questioning
Sometimes, when the Q is seen at the end of LGBT, it can also mean questioning. This term describes someone who is questioning their sexual orientation or gender identity.

Source: https://gaycenter.org/community/lgbtq/

TFG's Deepesh Patel spoke with industry experts Catherine Lang-Anderson, Partner at Allen & Overy; Natasha Condon, Global Head of Trade Sales at JP Morgan; Roberto Leva, Trade and Supply Chain Finance Relationship Manager at the Asian Development Bank; Rogier van Lammeren, Managing Director Head of Trade and Working Capital Products at Lloyds Bank, and Alan Koenigsberg, SVP Visa Commercial Solutions at Visa.

Over the course of the discussion, the importance of allyship arose as a vital way to break down barriers, find common ground, and propel LGBTQ+ inclusion across the sector.

Allyship: A bridge to inclusivity

An ally is a person who stands in solidarity with LGBTQ+ people, particularly when they themselves do not identify as LGBTQ+.

Allies are vital across all parts of diversity, equality and inclusion (DEI), promoting inclusivity, equality, and social change.

They may take various kinds of action. These include: educating themselves and others about LGBTQ+ issues, using their privilege to amplify marginalised voices, challenging discriminatory behaviour, and working to create safer and more accepting environments for LGBTQ+ individuals.

van Lammeren said, "It's really the allies who bridge the gap between the wider organisation or industry and the smaller groups of individuals within it who are actively trying to deliver change. Having people around us who can influence wider groups of people really makes a difference between doing an okay job or doing a really great job when it comes to diversity, equality, and inclusion."

This power that allies bring is a testament to their ability to offer unwavering support. From wearing symbolic items like rainbow lanyards to attending events, allies show up visibly, creating a powerful show of solidarity, which can make an impactful difference for some community members.

Condon said, "Every time you meet someone welcoming, maybe they're wearing that rainbow lanyard, you don't need to worry about having

that conversation or censoring the pronoun you use to describe your partner. You know, it's going to be okay."

One of the powerful aspects of allyship is that it is open to anyone: all it takes is the right mindset and a willingness to support those around you.

Lang-Anderson said, "Being an ally is partially about educating yourself and knowing that you'll always need to be open and eager to learn. It's important not to let a lack of complete knowledge hold you back from trying to visibly show support. People will always be happy to help you when they can see your commitment to being supportive."

Sometimes, however, one of the best things that an ally can do is provide space when it is needed.

Lang-Anderson added, "A big learning point in my journey as an ally has been knowing when to step back. Some people may not be out at work or out in all parts of their lives, and it's really important to respect that space as well."

Allies in the work environment

People are at the heart of any great organisation, and when they feel their best, they perform at their best, making an inclusive and supportive environment critical for business success.

"Allies are essential to make a person feel at ease in a work environment. Being unable to rely on colleagues as allies would be as hard as going through your personal life without friends or family," Leva said. It's a very bad situation that does not allow you to give 100%. That's how important the role of an ally is in an organisation," he added.

But it's more than just helping others excel at work; embracing allyship is a powerful tool for self-development to help the ally themself grow and thrive in other areas.

Leva added, "Embracing the attitude of an ally also allows someone to grow their level of empathy overall, which really goes beyond just helping the LGBTQ+ community and can help a person grow and thrive in their role. Especially when that role involves dealing with people from different backgrounds or life situations."

The concept of allyship does not stop at the walls of your organisation. There can be countless opportunities, particularly for leaders in any industry, to use their professional skills to promote inclusivity in other settings.

Koenigsberg said, "I made a New Year's resolution one year that I wanted to start giving back, and I've since joined two nonprofit boards.

Between opportunities like these and your day job, sometimes magic happens, and you can bring all that together.

Maybe the nonprofit can come into the company for a lunch and learn, or the company can sponsor a gala dinner event. All of that sends a very positive message about your own personal commitment."

Fostering positive change

Through shared experiences, supportive actions, and genuine engagement, allyship can drive meaningful change and make the world of trade, treasury, and payments a more inclusive and welcoming space for everyone.

Condon said, "It's an admirable thing to advocate for yourself, but people who fight for others when there's no personal benefit to them, those people are special."

In a realm where financial institutions are often

associated with numbers and transactions, it is important to remember that true progress transcends balance sheets.

Allyship emerges as a beacon of hope and transformation, capable of weaving inclusivity into the fabric of the trade, treasury, and payments industry.

As the discourse on allyship gains momentum, it is clear that the road to inclusivity begins with open conversations, empathetic actions, and a collective commitment to fostering positive change.

Allies in the work environment

Stonewall LGBTQ+ Allies Programme:
A comprehensive program by Stonewall that offers in-depth training and understanding to foster LGBTQ+ inclusion in workplaces: https://www.stonewall.org.uk/stonewall-lgbtq-allies-and-trans-allies-programmes/lgbtq-allies-programme

How to be an LGBTQ+ ally - Imperial College London:
How to be an LGBTQ+ ally - Imperial College London: A resourceful guide from Imperial College London that provides insights and actionable steps on being an effective LGBTQ+ ally, emphasizing the importance of creating an inclusive environment: https://www.imperial.ac.uk/equality/resources/lgbtq-equality/how-to-be-an-lgbtq-ally/

https://www.wiley.com/en-us/Allies+and+Advocates:+Creating+an+Inclusive+and+Equitable+Culture-p-9781119772934

Allies and Advocates: Creating an Inclusive and Equitable Culture:
A book by Amber Cabral that offers practical strategies and real-world examples to promote inclusion and diversity, guiding readers on how to transition from discriminatory behaviors to building meaningful connections across diverse backgrounds: https://outrightinternational.org/

LGBTQ Freedom Fund: A fund that actively pays bail to secure the safety and liberty of LGBTQ individuals in jail and immigration detention, while also addressing the disproportionately high rate of jailing on LGBTQ individuals due to a combination of discrimination and poverty: https://www.lgbtqfund.org/

National Center for Transgender Equality:
A leading advocacy organization focused on advancing the rights and well-being of transgender individuals in the U.S., offering resources, knowledge, and action opportunities on various issues affecting the transgender community: https://transequality.org/

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3.2

Rethinking correspondent banking: The real implications of de-risking

De-risking disproportionately impacts developing economies. Particularly vulnerable are the communities that rely on these services to access financial resources and dollar liquidity from the developing world to sustain their populations.

For ages, correspondent banking has played a vital role in the global payments system. Through correspondent banking relationships, banks gain access to a diverse range of financial products across various jurisdictions enabling them to offer cross-border payment solutions and services to their customers.

Nonetheless, in recent years major banks around the world have been terminating their long-standing correspondent banking relationships. This phenomenon, commonly known as 'de-risking', is fundamentally reshaping the global financial services market.

While predominantly pursued with the intention of mitigating risk exposure for financial institutions amidst growing regulatory pressures, the consequences of de-risking extend beyond the banking sector. Many countries are threatened by the loss of their connectivity to the global financial system. For smaller developing countries, de-risking is not just a banking concern, but a considerable trade issue endangering their basic human needs.

To delve deeper into the key drivers of de-risking and its real

impact on global trade and developing markets, Trade Finance Global's (TFG) Deepesh Patel spoke with Shane Riedel, Founder and CEO at Elucidate.

Unveiling the catalysts behind de-risking

The ongoing Ukraine-Russia conflict has magnified the global regulatory focus on the financial services sector, particularly in areas of financial crimes, anti-money laundering (AML), and counter-terrorist financing (CTF) regulations. In response, financial institutions have notably cut back their risk appetite.

Although the declining risk appetite and the intensifying AML/CTF scrutiny are often perceived as the main motives behind de-risking, the underlying factors are much more complex. From Riedel's perspective, de-risking reflects a reaction to the multifaceted commercial realities in today's financial markets.

As Riedel pointed out, "De-risking is just a response to the commercial realities of the market. The instances of genuine de-risking due to financial crime or compliance reasons, represent an astonishingly small percentage of the overall exits observed in the market."

In addition, Riedel clarified that the primary reason behind de-risking lies in commercial decisions that are centred around the costs of regulatory compliance, saying, "In most instances, the reason that banks are consolidating their portfolios is a commercial decision, based on the cost of regulatory compliance." Whilst acknowledging the significance of enhancing compliance frameworks, Riedel cautioned against focusing solely on implementing additional compliance measures. Rather, he suggested exploring the systemic factors that hinder banks from effectively evaluating the commercial aspects of their correspondent banking relationships.

Aiming for more cost-effective partnerships or inclusive distribution of risks and costs across the market, he explained, "We need to look at the systemic reasons why banks can't make the commercial elements work and how to change that."

The economic impact of de-risking

De-risking disproportionately impacts developing economies. Particularly vulnerable are the communities that rely on these services to access financial resources and dollar liquidity from the developing world to sustain their populations.

As dollar liquidity declines, the challenge obviously demonstrates the real intersection of financial market dynamics and basic societal needs.

Underscoring the fragility of such economies and the struggles faced by these nations and their SMEs, Riedel added, "In these markets, fewer opportunities are being created for SMEs who could otherwise have been more involved if the trade finance gap was better bridged or if more opportunities for international trade was available to them."

Another often overlooked impact of de-risking is its potential to trigger underground transactions. The closure of bank accounts may force organisations and individuals to resort to cash transactions, effectively creating an environment that precludes the goals of AML/CTF regulations.

Riedel notes, "What we are seeing is the evolution of shadow banking, entities that are less regulated and less transparent. The impact of de-risking has generally been to not only remove or reduce opportunity but also to reduce transparency in the market." The rise of shadow banking and the inadvertent promotion of untraceable transactions represents a stark paradox in the global efforts to maintain a secure financial ecosystem.

Balancing risk and accessibility

While digitisation has led to significant progress in correspondent banking, particularly in the payments and trade sectors, operational, compliance, and risk management processes remain stagnant.

Riedel highlighted that while the payments and trade sectors have successfully integrated digitisation, risk management still relies heavily on manual processes, such as manual Know Your Customer (KYC) checks, qualitative assessments, and governance procedures.

He explained, "The moment you get to the operations, compliance and risk side of the house, the processes are the same today as they were 10-15 years ago." This disparity calls for the adoption of digitisation and automation into the compliance domain, reducing manual processes and achieving a balance between risk assessment and operational efficiency.

Riedel asserted, "The only way to address this is by bringing digitisation and automation to the commercial side."

Furthermore, partnerships have the potential to achieve a balance between risk and accessibility. Riedel illustrated this potential with a real-world example of the collaboration between Elucidate and Dow Jones.

This partnership allows financial institutions to access quantified and objective risk scoring, supporting their compliance strategies. Riedel said, "We can take some of the most cumbersome, qualitative processes and start to put values against them."

Similarly, various financial instruments such as Letters of Credit (LCs), can benefit from such a data-driven approach.

Riedel pointed out how this approach can transform the traditional LC processes, stating, "We enable banks to pre-qualify those letters of credit by determining the riskiness of the originating bank."

This risk-based approach helps banks to accelerate their decision-making process and enhances operational efficiency without compromising due diligence.

The future of correspondent banking

With disruptive market entrants such as digital currencies and the introduction of multi-currency payment platforms fueling competition and sparking innovative solutions, the correspondent banking sector is likely gearing up for a transformational change.

Moreover, the correspondent banking industry is continuously adopting strategic aggregation models and nesting multiple layers of aggregation to enhance operational efficiency, albeit with added complexity.

As the market navigates complex layers of payment clearing, and where multiple banks are engaged in a single transaction, the role of data and standardisation cannot be overstated.

As Riedel stressed, "The role of data and standardisation becomes even more important to avoid the chaos of numerous rejected payments and ultimately more de-risking."

COLLEEN OSTROWSKI
SVP and Treasurer
Visa

3.3

The time is now to unlock the future of cross-border payments

As global connectivity increases and people continue to work international jobs, the payments industry must adapt and grow alongside the demand. It is on the payments industry to match this growing demand and make cross-border payments as seamless as possible.

Cross-border payments can play a special role for people and businesses around the world. They allow us to send money to our loved ones, book a holiday of a lifetime, or start a business in another country.

However, cross-border payments have traditionally been slow, expensive, and opaque. For individuals, this could mean paying high fees and waiting days or even weeks for their money to arrive.

For a business, it could mean losing out on an opportunity to grow and expand into a new market. And for the global economy, it can drag on trade and investment.

For banks, it can mean experiencing significant delays and fees on cross-border payments.

While the banking system at face value can be seen as responsible for these inefficiencies, it is not entirely its fault. Banks face significant regulatory and compliance hurdles that can hinder their ability to create smoother processes.

The challenges of cross-border payments

Though we believe that cross-border payments should be easy and accessible for all, we understand there are inherent roadblocks. Today's world is smaller and more connected than ever before, but the reality is that the international financial systems underpinning this global community still have their speedbumps.

There are many challenges, but we want to highlight the top three that hinder progress in cross-border payments: complex compliance and regulations, legacy infrastructure, and lack of transparency.

Complex compliance and regulations

Cross-border payments are subject to various regulations in different countries, making it difficult for the traditional financial system to deliver rapid cross-border payments. The sheer number of hoops that need to be jumped through adds complexity and time penalties.

In many countries, businesses are required to obtain a license before they can send or receive cross-border payments. These can vary significantly in difficulty to acquire. In other countries, businesses may be required to report all cross-border payments to the government. And in some countries, there may be limits on the amount of money that can be sent or received cross-border.

This level of regulatory complexity doesn't help anyone. It can create significant delays in the process and impact a bank's ability to serve its client's needs.

We're here to help ease some of these pains. Banks that use our solutions will experience far fewer pain points during cross-border transactions.

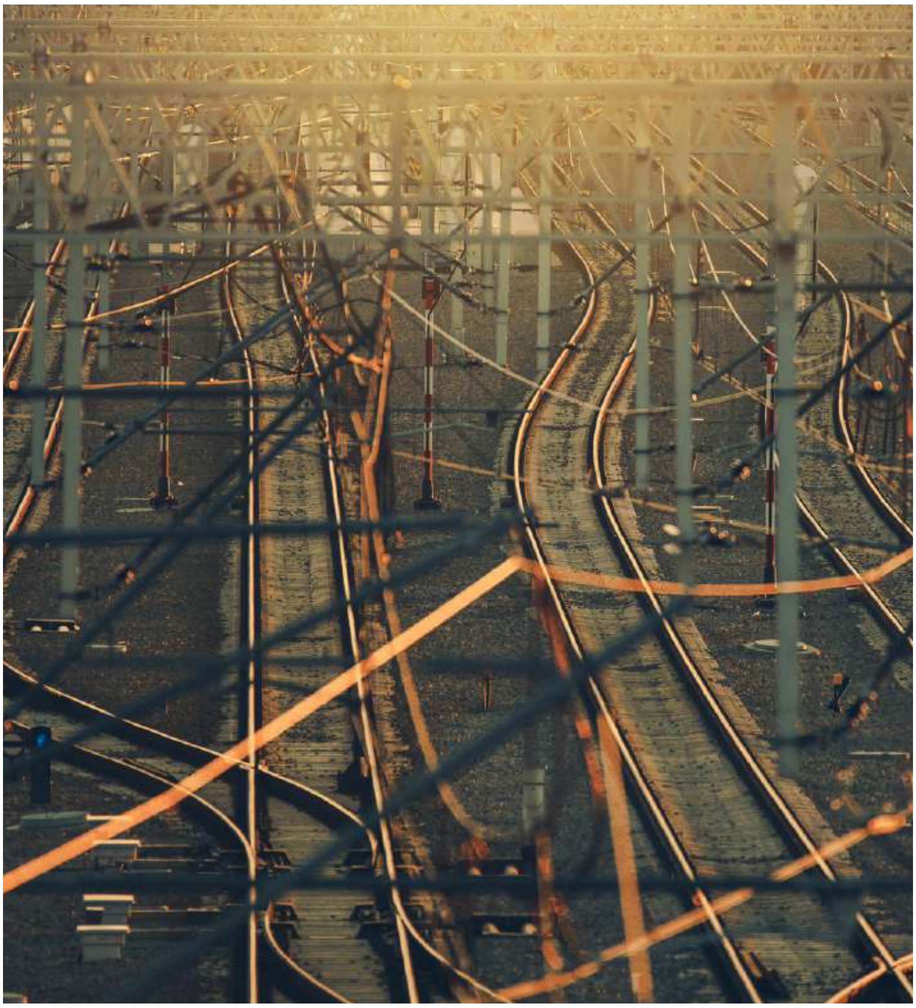
As banks experience a more seamless payments process, so will their customers, creating a better, faster, and more reliable system for all.

Legacy infrastructure

Many of the technologies designed for cross-border payments that are in place today were created decades ago.

These legacy infrastructures still exist because they store vital data, and altering or updating them can introduce enormous risks. In situations like this, banks have an obligation to be risk averse
and protect the system for their clients - if it ain't broke,why risk it?

Nevertheless, as other contemporary technological offerings continue to advance, the inefficiencies in these legacy systems become more



pronounced by comparison. According to a Rapyd report in 2023, nearly 40% of businesses experienced delays of more than five days for sending or receiving cross-border payments.

While multi-day delays may have been acceptable years ago when these legacy systems were conceived, the modern customer expects more from their bank and is not shy about asking for it.

Banks are hesitant to disregard these legacy infrastructures, and it makes sense. But as the payments industry continues to progress, the industry is finding ways to integrate new technologies into systems.

Lack of transparency

The fees and charges associated with cross-border payments can be opaque and difficult to understand, potentially leading to unexpected surprises.

The varying risk appetites of intermediary banks can lead to unexpected challenges in the money transfer process. While the originator bank may have no issue initiating the transfer, factors such as the client's name or other details may cause complications with another bank along the way.

This can leave the customer uninformed about any problem until they seek answers from their originator bank regarding the delayed arrival of their funds.

In addition, the fees associated with cross-border payments can vary depending on the time of day, the currency used,

and the country of origin and destination. This can cause customers to receive a larger final bill than they expected, and only their bank to direct any displeasure towards.

While they may be legitimate reasons, customers cannot see the behind-the-scenes operations and instead only experience long delays in sending remittances to their families while seeing considerable fees applied to their hard-earned money.

The World Bank's Remittance Prices Worldwide Q1 2023 report shows that the average cost of sending remittances globally is 6.24%, which is 3.4% above the UN's SDG goals.

This is a major challenge in cross-border payments but is one that the industry needs to deal with internally.

It should be a goal for all of us to make these issues a thing of the past. We are confident that the innovative minds in the industry, combined with growing technological inventions, will alleviate these problems.

Plenty of challenges but plenty of opportunities

There are indeed numerous challenges facing the cross-border payments industry, but that shouldn't put a damper on our expectations for the future.

In 2023, we are seeing more demand than ever before. As global connectivity increases and people continue to work international jobs, the payments industry must adapt and grow alongside the demand.

It is on the payments industry to match this growing demand and make cross-border payments as seamless as possible.

Luckily, there are developing technologies that will help foster this growth and help the industry meet the demand and alleviate many of the challenges we already discussed.

But we must keep in mind that there is no one magic solution, instead many of the emerging technologies will play a role in easing the current challenges.

Stablecoins and Central Bank Digital Currencies (CBDCs) are emerging as one of the potential tools to combat the current challenges facing cross-border payments. While there are still many unknowns, and they certainly will not be an all-encompassing panacea, this growth in interest represents a widespread desire to seek out and develop solutions that can ease the life of all global users.

There are multiple technological advances that can help move the needle on cross-border payments, but it may be that none of them are sufficient on their own. It requires an entire ecosystem of development and integration.

Visa's approach to cross-border payments

Visa is committed to advancing the future of cross-border payments. We are working with partners worldwide to develop new technologies and solutions that will make cross-border payments faster, cheaper, and more transparent.

We aim to create a world where cross-border payments are as easy and convenient as domestic payments. This can benefit everyone involved, from individuals and businesses to the global economy.

The future of cross-border payments: Faster, cheaper, and more transparent

The landscape of financial services has undergone a significant transformation in recent years. This evolution is evident in the rise of neobanks, which have been at the forefront of offering competitive cross-border transactions. Their agility and innovative approach has set them apart, enabling them to swiftly address the needs of the modern consumer.

However, the journey hasn't been as smooth for larger institutional players. These entities are ensnared by a web of regulatory, financial, and technical challenges.

It's essential to understand that these challenges aren't always a result of their inefficiencies or reluctance to adapt. For instance, a systemically important bank (SIB) operates under a different risk framework than a burgeoning fintech startup.

The stakes are higher for SIBs, and their risk appetite is understandably more conservative. For this reason, the traditional trade finance sector will not move as fast as many fintechs, and the world does not expect this either.

Yet, the demand is clear: consumers want payments that are faster, more affordable, and transparent. So, how can traditional financial institutions meet these expectations without compromising their inherent risk parameters? The solution could lie in collaboration.

By partnering with experts who have a foot in both worlds, traditional financial institutions can leverage the best of both.

At Visa, we bridge this gap, offering the dynamism, speed, and innovative problem-solving capabilities of a startup. At the same time, we bring the credibility, trustworthiness, and reliability that established financial institutions can provide.

By outsourcing challenges to us, traditional players can remain relevant in this ever-evolving financial landscape, delivering on consumer expectations while maintaining their core principles.

HARRY SMORENBERG
CEO & Founder
SCC & Transactives

MICHAEL SALMONY
CEO & Founder
Payments Innovation Consulting

3.4

The game changer in Open Banking: B2B integration

Open banking is shaking up the financial industry and revolutionising the way banks share data with each other, as well as with third parties such as app developers, fintechs and other financial service providers.

As we know, open banking is a phenomenon that is sweeping the world. It is transforming financial services just as much as the migration from the closed Nokia to the open smartphone transformed telecoms. Leveraging the creativity of third parties (putting apps on top of banks) will unleash unprecedented innovation in payments, loans, user interfaces, insurance, compliance and much more.

Initially, people were solely considering open banking with an emphasis on consumers and the advantages in retail. Naturally, this was already a significant breakthrough, as bank customer services were enhanced.

But since B2B can attract the most money, the focus quickly turned to helping the corporate treasurer, the SME, and the B2B space. The volumes and margins in B2B are bigger, corporate customers are prepared to pay well for efficiency gains, and incumbents have served some sectors (e.g. SMEs, which actually typically make up 90% of most economies) rather poorly.

Thus, there is huge potential in improving efficiencies and gaining high rewards for solving them.

The key question now is: where do we stand, how "opened up" are the financial and corporate services really, and how can one leverage the power of data, open innovation and new legislative and technological developments for the benefit of all?

The economic impact of de-risking

Open banking is shaking up the financial industry and revolutionising the way banks share data with each other, as well as with third parties such as app developers, fintechs and other financial service providers.

It began with payments but is now spreading across the entire spectrum of financial services, known as "Open Finance." This is a phenomenon occurring simultaneously with the liberalisation of various industries, including telecoms, health, energy, IoT devices, and government services, under the umbrella of "OpenX." This will enable the fusion of data in ways that are entirely unprecedented.

Initially, access to functions and data at banks was realised by innovative third parties in an entirely market-driven way. However, regulators saw the need to make this very successful, but informal and potentially unsafe, development more structured, safe and pervasive.

For this purpose, regulators required that all banks must open up, that standard technical interfaces (APIs) be utilised, that only licensed third parties may access customers' data, and that this may only be done with explicit user consent, among other stipulations.

This API revolution is unlocking the data and making banking functions (e.g. initiation of payments) available via non-bank third parties such as fintechs, paytechs, insurtechs, etc.

This eliminates antiquated and insecure methods such as screen-scraping and, in the B2B realm, permits the secure linking of ERP systems and accounting software to automate treasury and trade.

This leads to improved real-time overviews of funds, enhanced management of cash flows, more accurate liquidity predictions, better access to financing for SMEs, an improved order-to-pay cycle, reduced compliance and reporting costs, and much more.

Open banking: the natural fit for B2B

We can thus see that open banking's data sharing benefits are a natural fit for B2B payments, treasury and trade with topics such as

- Acceleration of data collection and analytics,
- collection of necessary data in real-time,
- aggregation of bank account data into a single accounting portal, enabling automated, reconciliation of the entire data set rather than doing it piecemeal,
- simplification of issuing invoices/processing B2B payments,
- accelerating payments via APIs to enable accounting platforms by issuing invoices with integrated payment instructions and acceptance capabilities,
- reducing processing fees of B2B payments to nearly zero with APIs that integrate payment data to minimise card processing fees for third parties,
- Turbo-charge the deployment of platforms and ecosystems where financial services are embedded to provide holistic solutions,
- and much more...

It is great to acknowledge the significant potential of open banking within our industry, but we also need to understand the current landscape.

What do we see in reality?

Sadly, there is still much progress to be made across the board, specifically having to do with:

- Poor implementation/fragment-ation/unconnected silos,
- lagging in thinking and development (safe-keeping traditional income streams),
- legacy processes and traditional back-office systems,
- uncertainty about opportunities and risks

Thus we believe it is imperative that key experts come together to see the potential in B2B, to see the scale of the global revolution in Open Banking, Open Finance and OpenX, and to learn from best-of-breed developments around the world.

Come and join us on 20th November in Tokyo!

RETA JO LEWIS
President and Chair
Export-Import Bank of the United States

3.5

Levelling up exporters: How the Export-Import Bank of the United States supports American companies and their overseas customers

EXIM's Minority and Women-Owned Business Division (MWOB) works to educate companies that are owned by minorities, women, veterans, people with disabilities, and the LGBTQ+ community, along with rural and startup businesses, about EXIM's programs and help guide them through the application process.

Today, many exporters – large, medium, and small – struggle to secure the financing they need to compete internationally. Often, companies find themselves in a position where private financing alone is not an option. That is where the Export-Import Bank of the United States (EXIM), America's official export credit agency, is stepping in with its powerful tools to help address the gaps in financing U.S. exports.

With a mission of supporting American jobs by facilitating U.S. exports, EXIM helps companies across nearly all sectors with export finance solutions designed to help them succeed, grow, and win. Our mandate allows us to authorise transactions of all sizes, from as small as a few thousand dollars to deals worth hundreds of millions.

Since our establishment 89 years ago, EXIM has played a critical role in fostering economic opportunity for U.S. companies and for partner nations that American companies do business with around the world.

We offer direct loans, loan guarantees and insurance products, backed by the full faith and credit of the United States, to support the export of U.S. goods and services. Those products can directly translate to export growth.

One customer, an Arizona-based engineering firm who began using EXIM's working capital loan guarantee in 2005, has now exported a total of $55 million in goods and services, increased their revenue, and expanded into multiple markets worldwide.

EXIM has several congressional mandates, which focus on providing financing to small businesses, supporting exporters looking to do business across sub-Saharan Africa and promoting transformational exports across various sectors, including telecommunications and renewable energy.

Our agency's commitment to sub-Saharan Africa runs deep, and that is why our work is centred on supporting U.S. exporters, both large and small, looking to do business around the world. Today, EXIM is open for business in most countries in sub-Saharan Africa and has authorised numerous transactions in this region across a wide variety of sectors.

On June 1, EXIM's Board of Directors approved a historic $900 million transaction that will build two solar energy power plants in Angola, the agency's largest renewable energy project to date.

Over the past 20 years, EXIM has supported nearly $20 billion for projects with African nations. As the agency continues to advance this core mandate and expand efforts throughout the region, the central goal should be to create new opportunities with Africa for U.S. exporters.

At EXIM, we recognise the critical role that small businesses play in shoring up supply chains and promoting economic growth globally. On average, nearly 90% of the transactions EXIM processes, and 30% of the agency's total portfolio support small businesses.

During the last fiscal year, 87% of EXIM transactions directly benefited U.S. small business exporters, and 33% of total direct export value supported was for small businesses.

Informed by the recommendations of EXIM's Council on Small Business, which provides feedback on ways the agency can help find new opportunities for U.S. exporters while striving to externalise the risks associated with doing business internationally, we work to provide quality products that will bolster U.S. small business exporters.

In addition to advancing the agency's central mandates, we recognise that prioritising and advancing women and gender equity in trade finance is critical. EXIM is dedicating significant time and resources to ensure that women-owned businesses have the tools they need to grow and thrive through exporting.

A direct result of some of that work can be seen by looking at a woman-owned rubber band manufacturer based in Arkansas. An EXIM export credit insurance policyholder since 2007, the company has now exported over $22 million to more than 60 countries. Further, EXIM's Minority and Women-Owned Business Division (MWOB) works to educate companies that are owned by minorities, women, veterans, people with disabilities, and the LGBTQ+ community, along with rural and startup businesses, about EXIM's programs and help guide them through the application process.

The division also works closely with organisations that have a women-owned or minority trade focus to create opportunities for MWOB businesses. The MWOB division, in combination with EXIM's comprehensive products and services, can play a strong role in helping all entrepreneurs realise their full potential.

EXIM understands there is no single solution to the challenges that many U.S. businesses face. And that is why we provide holistic financing solutions that we know are helping U.S. companies compete.

Through a variety of products, services, and specialised divisions designed to address the problems that different exporters are confronted with, EXIM is uniquely positioned to help ensure that U.S. exporters and their customers overseas have the tools they need to not only compete in the global marketplace but to win as well.

SARAH MURROW
CEO
Allianz Trade UK & Ireland

3.6

International expansion: Leveraging trade credit insurance in a post-Brexit, post-pandemic world

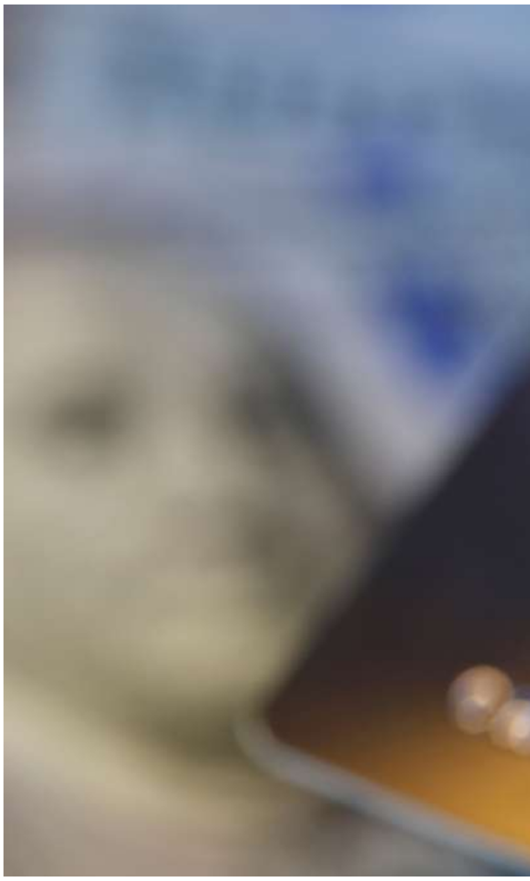
Sarah Murrow explains how trade credit insurance can help UK companies grow export revenues safely at a time of heightened credit risk

This is an exciting time for the UK, adapting to a new post-Brexit world, reaching out to new markets and relationships, and finding a new role in the global economy.

UK companies have also shown themselves to be surprisingly resilient in maintaining export order books, despite some significant headwinds. According to our recent Allianz Trade Global Survey 2023, UK exporters remain cautiously optimistic about export revenues, with 83% expecting growth in export turnover in 2023, the highest of all the seven countries covered by the survey.

That said, we're in a challenging economic and global trade environment. Over half of respondents to the survey expect a moderate increase in export turnover of between 2% and 5% after two years of double-digit growth.

But as we move into next year there are fewer clouds on the horizon. Better-than-expected inflation figures for June are hopefully an early sign that inflation is abating, and after muted GDP growth of +0.2% this year and +0.5% in 2024, we expect UK growth to recover to 1.6% in 2025.



Where are UK exporters looking to expand?

The Global Survey revealed that UK companies are more likely to optimise existing export markets, although many are intending to explore new territories.

Just over half (51%) of corporates plan to gain further market share in existing markets, while 49% want to diversify and target new countries.

Post-Brexit, UK businesses are taking a more open approach, and are seeking new trade opportunities and relationships.

The UK is taking a much more open view, actively looking to support exporters through new trade relationships and reciprocal commitments.

How is the credit risk landscape shaping up?

We're clearly in a period of heightened credit risk. Some 43% of UK exporters expect an increase in the risk of non-payment in 2023, a big jump from 27% last year. This is in line with our outlook for global insolvencies, which we expect to surge by 21% in 2023 and a further 4% in 2024. In the UK, the business insolvencies are expected to increase 16% this year, falling back to 9% in 2024 as the environment improves.

A looming debt challenge is also on the horizon. The full impact of higher interest rates on the cost of financing has yet to trickle through to the economic environment. Companies large and small will have significant levels of debt maturing in coming years that'll need to be refinanced at much higher rates. The impact of higher borrowing costs will hit highly leveraged companies and fragile SMEs the hardest, in particular in countries like Italy and Spain, putting additional pressure on margins and insolvencies.

What challenges do businesses face when exporting in this climate?

Exporting to new markets and sectors can be daunting, even at the best of times. Businesses may be unfamiliar with business partners, payment terms and credit risks, as well as debt collection frameworks and insolvency rights. In many countries, the bankruptcy process is complex and many businesses don't have the appetite or expertise to pursue debts in these markets.

Entering new export markets or sectors will also often require companies to extend favourable credit to new customers. However, we've seen in the current environment that customers are taking longer to pay. Half of UK exporters told us that they expect the length of export payment terms to increase, more than double in 2022 and well above average (42%) for all countries in 2023. Allianz Trade's analysis also found that Day Sales Outstanding (DSO) in 2022 increased by +5 days to 59 days.

With current delays in receiving payments and higher financing costs, many businesses are in effect becoming involuntary banks. But when companies stretch receivables, it can strain cash flow and affect working capital – and this is where trade credit insurance can help. If a customer is late to pay, or becomes insolvent, we step in to collect debts owed and indemnify the loss to our customer.

Can trade credit insurance help UK businesses grow exports?

One of the reasons I've been in credit insurance for 20 years is because it's such a dynamic product. It's highly versatile and applicable at every stage of the economic cycle, and it's of huge value to businesses of all sizes – from micro-SMEs to multinationals.

It gives businesses the confidence to enter into open credit agreements with new customers, or enter new markets and sectors. We've operated in these countries and sectors for decades and have a physical presence in these local markets that can support our customers.

Even where companies are looking to consolidate growth in existing export markets, trade credit insurance can help offset increased levels of credit exposure, especially for SMEs that tend to concentrate on a small number of critical customers.

Many businesses also use trade credit insurance to supplement their credit risk assessment. With over 70,000 clients and monitoring all sectors in 160 plus countries, we also give exporters access to information and insights they wouldn't otherwise have. For example, if a customer experiences late payment, we can identify potential cash flow problems and alert other customers supplying that same company accordingly to help them avoid a credit loss.

Can insurance also help with financing?

The other key reason that our customers buy credit insurance is to access financing. By protecting trade receivables with trade credit insurance, exporters can oftentimes access higher amounts of funding, or potentially access funding at better terms.

In the UK, payment terms are still the preferred option for exporters. Interestingly, we found that more UK companies are turning to Buy Now, Pay Later schemes to finance their exports, which could unlock trade financing for SMEs that were previously shying away from global trade.

Buy Now, Pay Later is particularly relevant for e-commerce, and is a key area of product development for Allianz Trade. For companies pursuing a digital distribution model, we now offer an API-powered plug-in product that can facilitate and insure transactions on a case-by-case basis. We also provide a trade credit insurance solution to financial institutions and Buy Now, Pay Later providers working with online retailers.

Allianz Trade recently partnered with e-commerce payments platform Two and trade finance bank Santander Corporate & Investment Banking (CIB), to provide the first global B2B Buy Now, Pay Later solution for large multinational corporates: E-Commerce Credit Insurance.

Can insurance also help with financing?

Despite current challenges, there are always opportunities out there for UK exporters – they'll always find good buyers in good markets and sectors. However, businesses need to be equipped with the right information in order to focus their efforts and mitigate the risks. That's why we launched Trade Match, an online tool that helps exporters identify countries or sectors offering the best export opportunities.

Our goal is to give UK businesses confidence in tomorrow, despite uncertain economic times. Post-Brexit the UK is re-establishing trade relationships, and we can provide UK businesses with confidence to export through our predictive credit intelligence, our global reach, and boots-on-the-ground resources.

STEVEN BECK
Head, Trade and Supply Chain Finance Program
Asian Development Bank

3.7

ADB Report: Trade finance gap grows to $2.5t, and sustainability remains a key strategy

Trade is a powerful tool of economic growth, development, poverty reduction and prosperity. Much of it cannot happen without adequate, timely, and affordable financing. The ADB Trade Finance Gap Survey provides a barometer of the state of the market and explores solutions as well as emerging developments that can help drive trade financing to where it is most needed.

ADB's flagship Trade Finance Gaps Survey returns for its eighth edition, confirming expectations that the global trade finance gap – unmet demand for trade financing – has worsened, reaching $2.5 trillion, an increase of 47% since the last stock-taking which pegged the gap at $1.7 trillion in 2020.

The gap now represents about 10% of global merchandise trade, and continues to adversely affect small and medium-sized businesses around the world.

Geopolitical and trade tensions, the Russian invasion of Ukraine, and factors such as inflationary pressure coupled with interest rate increases all combine to contribute to the worsening of the trade finance gap. Familiar factors such as financial crime (anti-money laundering and countering the financing of terrorism) compliance, along with customer and counterparty due diligence (Know Your Customer, or KYC) requirements continue to be reported as obstacles to the provision of trade financing for SMEs.

This year's survey sheds light on novel aspects that hold special relevance given the present market conditions. These include the emergence of innovative financing methods like **Deep Tier Supply Chain Finance (DTSCF)**, designed to extend liquidity to the most distant parts of global supply chains. The report also highlights the potential of green, eco-friendly, and sustainable finance to reduce the trade finance gap. 76% of responding firms expressed interest in exploring such innovations.

In its inaugural examination of sustainable trade, financing, and Environmental, Social and Governance (ESG) factors, the ADB's survey unveiled the following statistics:

- 82% of respondent banks consider ESG and sustainability as strategic imperatives.
- 74% of these banks have plans to transition towards ESG-aligned and sustainable financing.
- In a similar vein, 70% of firms participating in the survey believe that aligning with ESG criteria could enhance their access to trade financing.

This data reflects a broad sense of priority and optimism regarding ESG considerations within the trade financing landscape.

The digitalisation of trade, including through digital documents and improved processes and interoperability, is likewise seen as a potentially important factor shaping the market, with 73% of firms expressing optimism that meaningful digitalisation can enable significant improvements in efficiency.

Over 63% of banks see significant value in digitalisation, particularly around regulatory compliance and improved understanding of and engagement with SME clients. Both groups, however, acknowledge that the cost and complexity around digitising trade poses a significant challenge.

At the same time, key findings from survey respondents signal that awareness-raising and advocacy efforts may be generating positive impact, with linkages between trade, financing, digitisation, sustainability, and sustainable finance presenting a series of areas that have the potential to narrow the trade financing gap, particularly given alignment in perspective on these issues between banks and their clients.

The 2023 survey indicates that there may be some notable developments in the views of businesses around the state of their supply chains.

While policymakers, multilateral institutions and others remain concerned about supply chain resilience and transparency, survey respondents seem to be indicating that their supply chains have rebounded well from recent crises.

Approximately 12% of responding firms indicated that they are concerned about visibility in supply chain operations and only 14% of firms are concerned about supply chain resiliency. This finding is notable and bears monitoring.

A blueprint for better trade financing

As with past editions of the ADB survey, some consideration is given to potential solutions aimed at narrowing the trade financing gap.

This edition focuses on a few categories of solutions, proposing that we collectively work to create more financing capacity by developing trade finance further as an investable asset class. Additionally, the significant interest in – and potential of – DTSCF should motivate focus on developing this form of financing, including all necessary enabling conditions such as legal frameworks and the actions of various stakeholder groups.

The transformative attention around ESG and sustainability should also be the subject of proactive attention, in particular, to assure that ESG and sustainable trade, and all related market and regulatory requirements serve to attract more capital in support of trade finance – and not evolve to become an exacerbating factor to the gap because appropriate measures were not taken to align trade and financing with ESG and sustainability requirements.

Digitalisation, in particular, support of the ADB-funded **Digital Standards Initiative (DSI)**, can also help narrow the trade financing gap. Furthermore, progress has been made in several regions towards adopting digital trade practices.

This is notably due to governments aligning with the UNCITRAL Model Law on Electronic Transferable Records (MLETR), a trend that should be both encouraged and accelerated.

Finally, trade financing has proven its efficacy in times of crisis, including during COVID-19 , and in country-specific crises such as the recent one which erupted in Sri Lanka.
The imperative to assure adequate access to timely trade financing in times of local, regional, or global crisis is clear, and its value in maintaining control of the trade finance gap is clear.

In the end, the importance of tracking – and mitigating – the global unmet demand for trade financing hopefully helps ensure we do not lose economic value, are able to continue to drive trade-based international development, and can regain ground in trade-based poverty reduction from the progress reversed by COVID-19 .

Trade is a powerful tool of economic growth, development, poverty reduction and prosperity. Much of it cannot happen without adequate, timely, and affordable financing.

The ADB Trade Finance Gap Survey provides a barometer of the state of the market and explores solutions as well as emerging developments that can help drive trade financing to where it is most needed.

4 Navigating the Digital Frontier: Efficiency, Collaboration, and Inclusion in Modern Trade

MICHELLE KNOWLES
Managing Director: Head of Trade and Working Capital Product
ABSA

4.1

Bridging the trade finance gap: Absa's digital journey in Africa

In a world marked by complex challenges and dynamic shifts, Africa's trade landscape has proven resilient, driven by determined economies and a burgeoning trade spirit. Despite hurdles posed by global geopolitical shifts, inflation, and supply constraints, Africa's steadfast commitment to economic growth through trade remains unwavering.

In the wake of the pandemic, the global economy has seen a confluence of challenges, including geopolitical risks, interest rate changes, and commodity price fluctuations.

The African trade landscape has navigated its own complex journey through market turbulence and volatility, with rising inflation and supply limitations posing hurdles. Despite this, the continent stands resilient, propelled by some of the world's fastest-growing economies, with trade emerging as a crucial driver of economic growth and recovery.

In Sub-Saharan Africa, this year's growth projection of 3.6% - despite a global slowdown - underscores the resilience of the economies in that region.

Africa's aggregate cross-border trade, though modest in recent decades at 2-3% of global trade, is gradually evolving, with intra-regional trade now accounting for 17% of Africa's exports.

This determination to bolster economic ties does not stop at Africa's shores. Europe remains a prominent trade partner, closely followed by China, and the Middle East and Africa (MEA) are witnessing increased flows, indicative of a broader uptick in bilateral trade activity.

Despite the clear importance of trade, limited access to trade financing continues to loom large for small and medium-sized businesses across Africa, hindering their growth and potential. This complex issue is influenced by many factors, including the costs associated, with trade finance instruments, perceptions of risk, data challenges, and regulatory hurdles.

While the continent's trade finance gap was narrowing pre-pandemic, shrinking from \$120 billion to around \$81 billion, subsequent geopolitical uncertainties in regions like Ukraine and Taiwan, coupled with broader macroeconomic dynamics, have since led to a widening of this gap. Spiralling input costs and supply chain bottlenecks further exacerbated the situation.

In this context, the digitalisation of trade finance emerges as a beacon of hope, holding promises for banks and SMEs alike. By automating and streamlining trade finance processes, digital tools can significantly reduce costs, foster inclusivity, and enhance the availability of financing for African businesses.

Through all of this, we can see the transformative potential of digital trade solutions, which is helping Absa Bank's concerted efforts to bridge this gap and empower businesses through technological innovation and collaboration.

The journey to digital innovation

Headquartered in South Africa and fully operational in ten African markets, we are attuned to the critical nature of expanding access to trade finance by enhancing its digital capabilities.

The transformational potential of technology in bridging the African trade finance gap is undeniable. Trade finance, as a convergence of physical, information, and financial flows, stands uniquely positioned to benefit from digital innovation.

The COVID-19 lockdowns served as an initial catalyst for the adoption of digital trade finance solutions, disrupting traditional paper-driven processes that hindered swift access to finance. Over the course of the pandemic, Absa witnessed a substantial uptake in the adoption of our digital trade solutions across the continent.

While innovative technologies are readily available, their efficacy hinges upon regulatory and legal reforms, making widespread collaboration among policymakers, banks, financial institutions, and development finance institutions (DFIs) paramount - something that Absa is actively involved with.

Initiatives like the African Continental Free Trade Area (AfCFTA) provide a further avenue for collaboration and establishing standards tailored to African trade while remaining aligned with global standards. AfCFTA, underpinned by robust political momentum, offers a prime opportunity to dismantle barriers to regional trade, with digitalisation as a cornerstone.

Ongoing efforts within the AfCFTA framework actively address policy recommendations, regulatory adjustments, and the establishment of digital standards, fostering an environment conducive to digital trade.

Combining global and local lenses

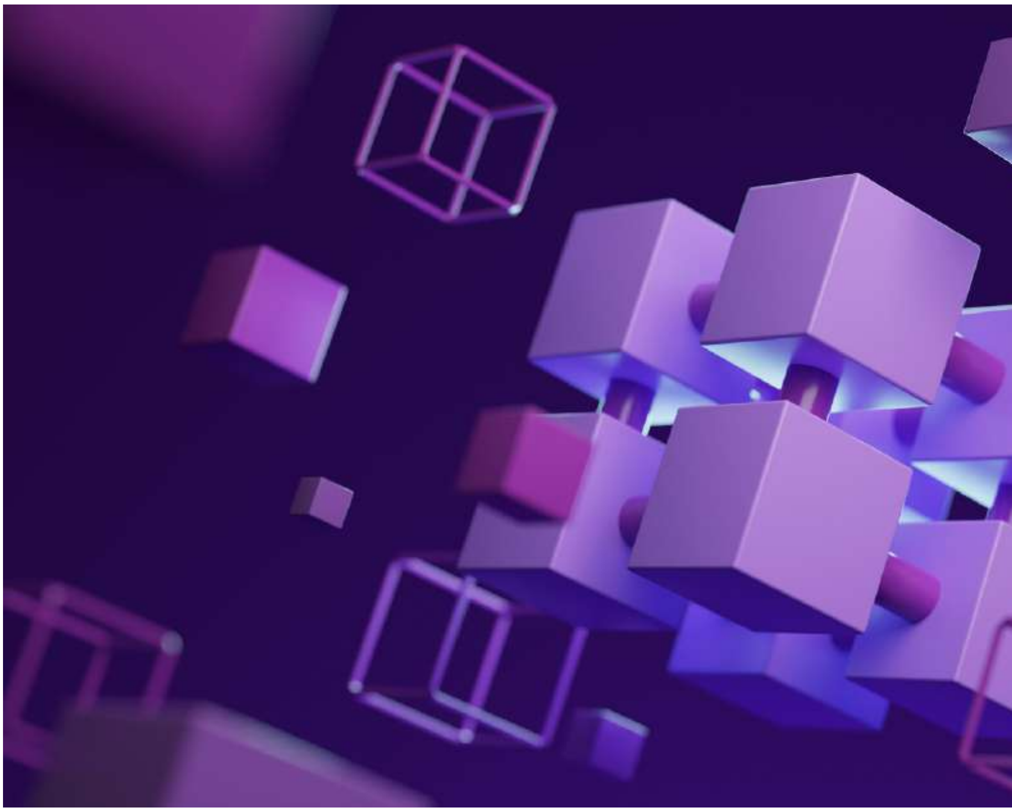
When exploring the realm of tradetech, it becomes evident that a dual perspective - both global and local - is essential to fostering comprehensive and impactful growth.

Integrating a global lens ensures the improvement of regional value chains and bolsters seamless integration into the broader global value chains. This approach acknowledges the interconnectedness of economies and the benefits of collaboration across borders. However, it is equally imperative to adopt a local lens, recognising the nuanced intricacies of emerging markets that demand tailor-made solutions and a deep understanding of local dynamics.

Notably, East Africa has exhibited robust momentum in trade digitisation, intertwining payment capabilities and unveiling digital platforms that empower small businesses to expand their trade horizons.

The triumph of initiatives like M-PESA in mobile money underscores the potency of localised approaches. Initiatives like the Africa Trade Gateway, pioneered by Afreximbank, further exemplify the commitment to driving digital transformation.

Africa's innovation landscape in trade digitisation is vibrant, yet success hinges on fostering a collaborative environment for effective economic transformation.



When it comes to trade digitalisation, collaboration is key

Absa's approach to digitalising trade is rooted in a multi-faceted strategy, reflecting our commitment to innovation and seamless integration across the complex landscape of platforms, standards, and players.

Central to our strategy is a client portal built on open-source architecture. This portal empowers the bank to seamlessly integrate with various ecosystems through Application Programming Interfaces (APIs), ensuring it can connect with strategic partners and systems efficiently.

Moreover, Absa is harnessing the power of big data and artificial intelligence (AI) to optimise key processes. By leveraging these technologies, we are not only staying ahead of increasing regulatory demands but also automating checklist processes, leading to lower overall client costs.

Our partnership with Traydstream, a pioneering AI platform in the trade space, is a great example of our innovation journey. This collaboration has enabled Absa to automate crucial steps within the trade lifecycle, transforming labour-intensive document-checking processes into streamlined digital workflows.

The solution went live in December 2022 and is anticipated to deliver substantial benefits. With estimated wait times of 2-5 days reduced to 10-15 minutes per stage, enhanced accuracy, and improved client experiences, the resulting cost reduction is projected at an impressive 60-70%.

Moreover, our commitment to creating connected and trusted ecosystems is embodied by our status as the first African bank to join the Contour Network. This decentralised technology platform unifies banks, corporations, and ecosystem partners, fostering the seamless flow of reliable data across global trade routes.

As Absa navigates the intricate trade finance landscape, its comprehensive strategy underscores its dedication to driving digitisation, automation, and integration that ultimately empowers smoother, more efficient, cost-effective, and more sustainable trade processes.

Trade digitalisation is also great for ESG

Digital trade technologies also hold significant benefits from an environmental, social, and governance (ESG) perspective, aligning with Absa's commitment to fostering a just and sustainable economy.

As a notable example, Absa's sustainable financing solutions are geared towards supporting SMEs, including women and youth, who constitute a significant portion of the economy.

This commitment is mirrored in Absa's emphasis on addressing environmental and social imperatives, especially given the continent's priority to alleviate poverty and drive economic growth in line with the United Nations Declaration on Financing for Development.

One of our central focuses is empowering SMEs with more inclusive access to finance, exemplified by initiatives like the Supplier Financing solution, which directly influences supply chains and aligns with sustainability principles.

Through this digital platform, corporate buyers can accelerate the payment collection of trade receivables for their suppliers, offering instant liquidity.

This approach not only bolsters the sustainability of suppliers' financial well-being but also contributes to a more robust and resilient supply chain for corporate buyers.

As Absa continues our journey as a catalyst for positive change, the convergence of trade technologies and ESG principles pave the way for impactful and sustainable transformation across economies and societies.

Pioneering progress in trade finance

In a world marked by complex challenges and dynamic shifts, Africa's trade landscape has proven resilient, driven by determined economies and a burgeoning trade spirit. Despite hurdles posed by global geopolitical shifts, inflation, and supply constraints, Africa's steadfast commitment to economic growth through trade remains unwavering.

Absa Bank's approach to digitalising trade finance emerges as a beacon of hope in the face of these challenges. By harnessing the transformative power of technology, Absa stands committed to bridging the trade finance gap that hampers SMEs' growth potential.

As we continues our journey as a catalyst for impactful change, the synthesis of trade technologies, innovation, and ESG principles paints a promising picture for the continent's future.

4.2

Q&A: Visa's Veronica Fernandez on moving from traditional to seamless consumer experiences with embedded finance

VERONICA FERNANDEZ
Senior Vice President and Regional Head of Visa Commercial Solutions for North America
Visa

BRIAN CANUP
Assistant Editor
Trade Finance Global (TFG)

Financial institutions can redefine their go-to-market strategy and leverage embedded finance to distribute services beyond their own capabilities and channels. Complementary partnerships with platforms that provide access to customer bases or new industry verticals can become a strong lever for financial institutions to scale non-direct channels and acquire new customers.

There has been a dynamic shift in the financial ecosystem happening for several years now that many of us are not aware of. And that's exactly the point.

Embedded finance is the term referring to the integration of financial services and products directly into the non-financial platforms, applications, or services that people already use in their daily lives.

Instead of accessing financial offerings through traditional standalone channels, embedded finance brings these services directly to the consumer within their existing interactions.

To learn about this hidden, but vital aspect of finance, Trade Finance Global's Brian Canup **(BC)** spoke to Veronica Fernandez **(VF)**, Senior Vice President and Regional Head of Visa Commercial Solutions for North America at Visa.

BC: *Veronica, thanks for joining us! Could you please give a brief introduction for our readers? Who are you, and what is your background?*

VF: *My name is Veronica Fernandez. I manage Visa Commercial Solutions for North America.*

Visa Commercial Solutions encompasses small business debit and credit, our large middle market business, our government business, and our B2B fintech partnerships business.

Before this role, I spent about four years on the merchant side of our business, where I oversaw the team responsible for managing our e-commerce and marketplace customer card-on-file relationships.

In that role, I experienced a lot of what was happening in embedded finance on the consumer side with ride-share apps, marketplaces, etc.

Those seamless experiences are what businesses of all sizes are looking for today.

Macrotrends in embedded finance

BC: Your previous roles have clearly given you a detailed understanding of this area. With this in mind, could you describe some of the macro trends that are driving embedded finance now in 2023?

VF: When I think about the world of embedded finance, what's interesting to me is that we've actually been embedding finance for many, many years. Take for example, the retail and travel merchants, who are not banks, but use solutions like private label cards to offer financial services as one of the earliest forms of embedded finance.

But what we've seen unfold in recent years coming out of the pandemic, is a rapidly evolving digital economy which is necessitating the need for even more embedded finance and streamlined payment solutions.

That shift is something we like to refer to as the consumerisation of B2B payments. B2B clients are just like consumers – they are demanding faster, more seamless and efficient digital payment experiences. That's really what's driving embedded finance today – whether you're a consumer looking to pay for gas using your vehicle or a business trying to pay your supplier with a virtual card while on business travel.

Another trend driving innovation and advancement in the embedded finance space is the growing ties between fintechs and financial institutions.

Financial institutions want to offer a differentiated product, and they want to get to market faster. We see them more open to partner with fintech's than to build a solution from scratch, And fintech's want the scale a financial institution can bring them.

BC: What were some of the key changes that led to this rapid development and adoption of embedded finance?

VF: Whether you're a consumer or a business owner, we're all looking to be able to do things in one place – and payments are no different. Think of our personal lives; we've all experienced a less-than ideal website where we're redirected in order to complete one seemingly simple task. It's an experience wrought with friction.

API infrastructure has been a game changer driving the growth of embedded finance .With the advent of API's, they have made it much easier to integrate and provide features quickly, It drives that connectivity.

Building a ubiquitous digital experience

BC: How have consumer expectations shifted in terms of financial services and how is embedded finance helping to meet them?

VF: Today's consumers expect a ubiquitous digital experience in nearly everything they do. Embedded finance has been making those payment experiences seamless, and it's transforming things like distribution and access.

Let me highlight one example of embedded finance that takes distribution and access to new levels, streamlining both sides of a transaction – rideshare apps. On the consumer side, you can request and pay for a ride from directly within in an app. And on the driver's side, driver's can be paid to their card of choice enabling them to access their pay at the end of a shift versus waiting for a traditional pay cycle.

Another common example is using your mobile banking app to quickly send money as a gift or wedding present to a friend or cousin anywhere in the world, directly to their debit or virtual card.
Embedded finance blends those financial services seamlessly into customers' daily activities and interactions with businesses.

Yes, consumer expectations have shifted, but embedded finance is helping meet those expectations.

And from a business perspective, using embedded finance or payments creates a stickier customer. Simply put, a happy customer will be loyal, which will drive long-term revenue to the business.

BC: What are some of the challenges that businesses and consumers face when adopting embedded finance? Some companies may struggle with the intricacies of digital adoption. How are they able to implement embedded finance?

VF: Some of the business challenges we see include integration problems, the need for program management support, and questions about building, selling, and servicing financial products. These challenges can demand substantial investment in technology and resources. However, there are companies that offer services like program management.

From a business challenge standpoint, data privacy and security are paramount. Embedding financial services into non-financial platforms can heighten data privacy and security concerns.

Another challenge that must be addressed is customer loyalty and trust. Do you have the type of customer that will trust you with their financial services?

It might be challenging for customers to make that leap versus working with traditional financial institutions, but I do think that customers are able to take bigger chances and get out of their comfort zone if you're able to provide them with a seamless experience.

Making sure the experience is easy and flawless is most important.

The benefits of partnering with fintechs

BC: How can financial institutions benefit from partnering with certain brands and fintechs? But maybe look at this more from the brand's point of view; how does that partnership work?

VF: Financial institutions can redefine their go-to-market strategy and leverage embedded finance to distribute services beyond their own capabilities and channels.

Complementary partnerships with platforms that provide access to customer bases or new industry verticals can

become a strong lever for financial institutions to scale non-direct channels and acquire new customers.

These collaborations between fintechs, FIs and distribution partners can help to offer banks and merchants turnkey services for delivery of embedded financial products.

Visa is at the forefront of these partnerships, with a unique network of networks strategy to drive growth.

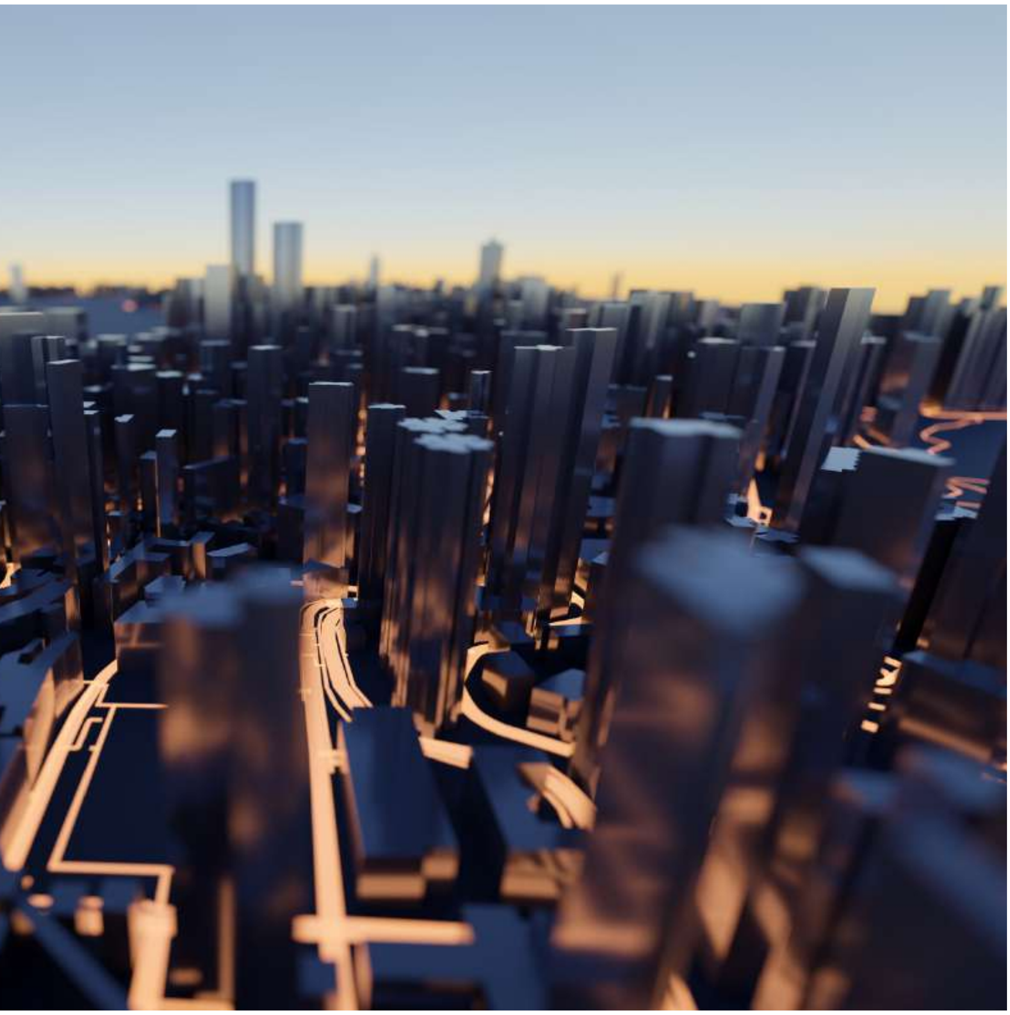
By expanding Visa's embedded finance offerings and partnering with fintechs and platform providers across the value chain, Visa helps businesses and financial providers adapt to this new reality while unlocking new opportunities to drive growth in the digital economy.

Case studies - embedded payments

BC: Do you have any case studies for some of these topics you've mentioned?

VF: One recent example is with a European company called Weaver. which is like a plug-and-play specialist.

Weaver accelerates the adoption of embedded finance solutions among B2B SaaS companies. We're working closely with them on the payment side as it relates to B2B software as a service (SaaS).



The future of embedded finance

BC: What can we anticipate for the future of embedded finance? I know trying to predict the future can be an impossible task, but if you had to give your best-educated guess, what will the next five to ten years look like?

VF: Businesses want to grow their offerings, offer digital payments options and increase engagement, and consumers want products and services that are easy to understand, use and pay for. Digital is really the future, and that's what's going to continue to drive the momentum.

One example of where we're seeing embedded finance take off is within the fleet and fuel vertical. Both embedded payments and digital fleet cards can play a central role in the future development of vehicle fleets, as they help drive organizational efficiencies, and eliminate time-consuming manual processes.

Our goal is to make fleet management more digitally accessible, enhance operational efficiency, and remove time-consuming manual tasks that aren't feasible in an omnichannel environment like a phone.

I think we're going to see continued collaboration and innovation from financial institutions, from fintechs, and from the networks to accelerate growth and innovation.

PATRIK ZEKKAR
CEO
Enigio

4.3

Interoperability: The way forward to develop digital trade!

The path to achieving interoperability involves standardising the methods by which multiple technical solutions can exchange digital trade documents, as facilitated by the new Electronic Trade Documents Act.

Over the last couple of years, we have seen an escalating development of digitalising trade. Fuelled by the obvious benefits, such as reduction of funding, courier, and administration costs, as well as the safety and speed of transferring trade documents digitally.

In a trade chain, there are on average between 6 and 10 parties end-to-end, i.e. Carrier to the Port authorities, corporates and banks in various geographical locations, with different tasks and procedures, which is one reason why it has been particularly challenging to adhere digitally to all demands.

Further, legislation has been a blocker to fully exploring the technical capabilities.

The digitalisation demand has lately also been fuelled by both increased fragmentation and localisation in global trade and supply chains due to geopolitical events, which considerably increases the complexity, costs and changes or diversion of traditional trade corridors.

Unit economics still rules

Today there are a handful of initiatives, platforms, and solutions in the market offering services with the aim to digitalise trade. There are also several projects initiated to standardise documents, data models and APIs. It is highly unlikely that one technical solution can, or will absorb the market demand.

It is also highly unlikely that corporates, logistic service providers and/or banks will sign up on all available solutions and platforms, as it's neither practically nor economically sustainable.

Collaboration and cooperation critical pre-requisites

Collaboration and partnerships remain essential conditions for advancing the digital transformation of the trade industry. This is particularly relevant when addressing the fragmented document data flow between various parties and processes.

Sustainable business models

History has starkly demonstrated the need to operate in an open and collaborative or cooperative environment. It has also made it abundantly clear that such an environment necessitates sustainable collaborative or cooperative business models.

Several recent examples of ceased trade digitalisation initiatives have proven that a non-sustainable business model does not do the trick, and does not create the credibility and trust needed in such digital transformation.

Interoperability and sustainable business model

The two requirements for building and operating a reliable, resilient, and sustainable global digital trade system, are interoperability and sustainable business models. These two requirements are undeniably and strongly interdependent.

Interoperability is not only a practical convenience and an economic requirement but also a reliable and resilient requirement in a critical area such as global trade.

Stand-alone "closed garden" arrangements will have vulnerability due to weaker "back-bone" arrangements in the event of technical disruptions.

Clear industry demand

Operating certain trade flows, corridors, and commodities, or even digitising specific types of trade documents in a closed environment may be feasible now.

However, this approach will never harness the full adoption, potential and greater value of global trade digitalisation.

The need for interoperability between various trade technology initiatives, platforms, and solutions will come with a cost—a cost that is substantially lower than the potential gains.

Therefore, the market should be prepared to absorb these costs in order to reap the numerous higher benefits and ensure the sustainability of a digital global trade network. It is both a benefit and a requirement that should be readily accepted.

Figure 1.1 - Overview of International roaming technology and operations

Fact box 1: *Roaming refers to the ability for a cellular customer to automatically make and receive voice calls, send and receive data, or access other services, including home data services, when travelling outside the geographical coverage area of the home network, by means of using a visited network.The seamless extension of coverage is enabled by a wholesale roaming agreement between a mobile user's home operator and the visited mobile operator network. The roaming agreement addresses the technical and commercial components required to enable the service.*

Telecommunications ahead of trade

Trade is not the only industry gone through the business model devolvement in relation to a technical interoperability transformation.

A historically similar and comparable example of evolvement has been made in the telecom operator network sector. The telecom operators have developed a roaming business model structure to support the interoperability between networks with regional and international data and voice communications for the benefit of the users and the economic efficiency of societies.

For the telecom network, interoperability also gave "back-bone" arrangements, increasing reliability and resilience significantly.

A generic transfer process that fits all

The path to achieving interoperability involves standardising the methods by which multiple technical solutions can exchange digital trade documents, as facilitated by the new Electronic Trade Documents Act. This refers specifically to level 4 interoperability, as detailed in fact box 2.

Therefore we are developing a production-ready generic process for a legally compliant switching of electronic original mediums between two or several different original medium solutions.

This approach will achieve broader and more rapid industry penetration compared to other isolated, closed initiatives, thereby enhancing the realisation of business benefits for users. It also provides a strong justification for a newly developed business model.

Factbox 2: – *Interoperability levels in the context of electronic originals.*

Level 1: Human to Human interoperability
Replacing paper with an electronic original that can be possessed, electronically signed, freely transferable and shared over digital channels instead of using physical freight. This creates a more secure document, improves speed significantly and is an easy first step for electronic trade documents when the law comes into force.

Level 2: Common understanding of a standard defined data model and API (e.g. FIATA, DSCA, BIMCO etc.)
Systems can communicate and share information of data within documents, but does not automatically cover singularity and

possessability according to the new Electronic Trade Documents Act, paper may be needed still for certain use cases.

Level 3: Common system understanding and capability to use an underlying electronic original medium technology.
Transfer of possession of an electronic original document in its singularity can be made between different parties using different systems, but the underlying original medium technology representing the digital asset remain the same.

Level 4: Capability to transfer an electronic original between different original medium technologies.
Transfer of a singular original from one original medium technology to another original medium technology. A comparison could be moving an original from one physical paper document to another physical paper document without risking double spend and two authoritative originals existing at the same time.

MARIYA GEORGE
CEO & Co-Founder
ClearEye

TOM FITZGERALD
Managing Director and Global Head of Trade and Working Capital Product Delivery
JP Morgan

4.4

Future-proofing trade finance: The digital transformation journey with ClearEye

In today's interconnected global economy, trade finance relies on a diverse range of stakeholders, collectively empowering international trade. The complexity of this ecosystem, combined with the numerous entities involved, highlights the importance of embracing technology to promote collaborative finance.

Transitioning from documents to pixels, from cash to virtual payment gateways, and from local markets to international ones, the sweeping transformation of global trade into the digital world is redesigning the trade finance ecosystem. The alliance between ClearEye and J.P. Morgan represents the metamorphosis of the future of trade finance digitisation.

As the industry anticipates the upcoming Sibos 2023, themed 'Collaborative finance in a fragmented world,' TFG's Deepesh Patel sat down with Mariya George, CEO & Co-Founder of ClearEye, and Tom Fitzgerald, J.P. Morgan's Managing Director and Global Head of Trade and Working Capital Product Delivery.

Gaining an advantage through digitalisation

The journey of the trade finance industry towards digital transformation has encountered a distinct lack of momentum. With insolvencies of various fintech companies making headlines and the rapidly evolving regulatory frameworks influenced by current geopolitical events, navigating the digital landscape has proven to be a consistent challenge for the industry.

Recognising the need for transformative change, ClearEye and J.P. Morgan have joined forces with a revolutionary vision for the industry: to future-proof trade finance operations. George said, "It all starts with the back-office operations. There are a lot of challenges in today's back-office operations, including the constantly changing regulatory challenges and needs, as well as the rising costs."

George offered more information on ClearEye's flagship platform, ClearTrade, and its robust capabilities, "ClearTrade focuses on three components: Digitisation, compliance/trade-based money laundering automation, and doc-exam operations automation." Reinforcing the value of integrating ClearTrade and how the alliance bolsters J.P. Morgan's trade finance objectives, Fitzgerald said, "Our internal business case around using this platform incorporates uplifting our compliance capabilities, reducing operational costs, and getting leverage through a partner relationship versus purely relying on in-house IT resources."

Empowering collaborative finance through technology

In today's interconnected global economy, trade finance relies on a diverse range of stakeholders, collectively empowering international trade. The complexity of this ecosystem, combined with the numerous entities involved, highlights the importance of embracing technology to promote collaborative finance.

Echoing ClearEye's vision for technology-driven collaboration, George noted, "I don't think there's a better way to bring the world together than through technology."

But ClearTrade's capabilities extend beyond transaction processing.

"It's a platform that can bring together the compliance team, the operations team to access all these external data sets that are required to do all the compliance checks," she elaborated.

Furthermore, consolidating compliance and trade finance operations into a single automated solution is a remarkable step towards addressing one of the most notable challenges facing trade finance operations – fragmentation.

From exporters initiating transactions to banks handling cross-border exchanges, trade finance processes entail substantial lead times, typically lasting for days. ClearTrade can significantly expedite these processes. "With technology advancements," George pointed out, "the lead times of trade finance processes can be reduced from days to hours. That's a significant change."

The platform's ability to automate labour-intensive manual checking processes including trade-based money laundering (TBML) verifications, holds the potential to revolutionise the pace and efficiency of trade finance operations.

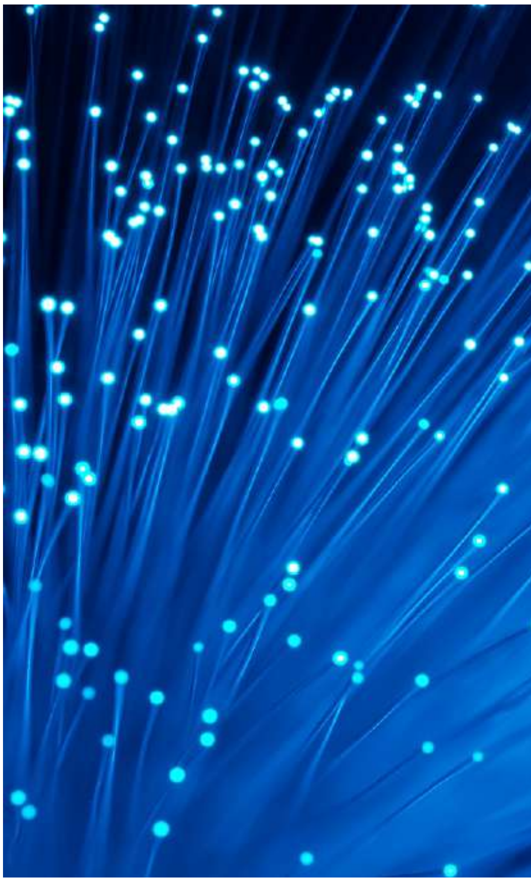
Additionally, the alliance has successfully addressed one of the most persistent conundrums in the digital transformation of trade finance: how to adopt technology while maintaining trust in the financial industry.

This alliance demonstrates that striking a balance between the two is undoubtedly achievable. Despite the innovative nature of the collaboration, J.P. Morgan's core principles of vendor evaluation and risk management have been integral to the alliance.

"The relationships might have a slightly different contractual structure, but at the end of the day, you're relying on a third party that needs to protect our business, our clients, and our data. The concerns, the rules, and the risks that go into a fintech alliance are no different than a traditional vendor," Fitzgerald underscored.

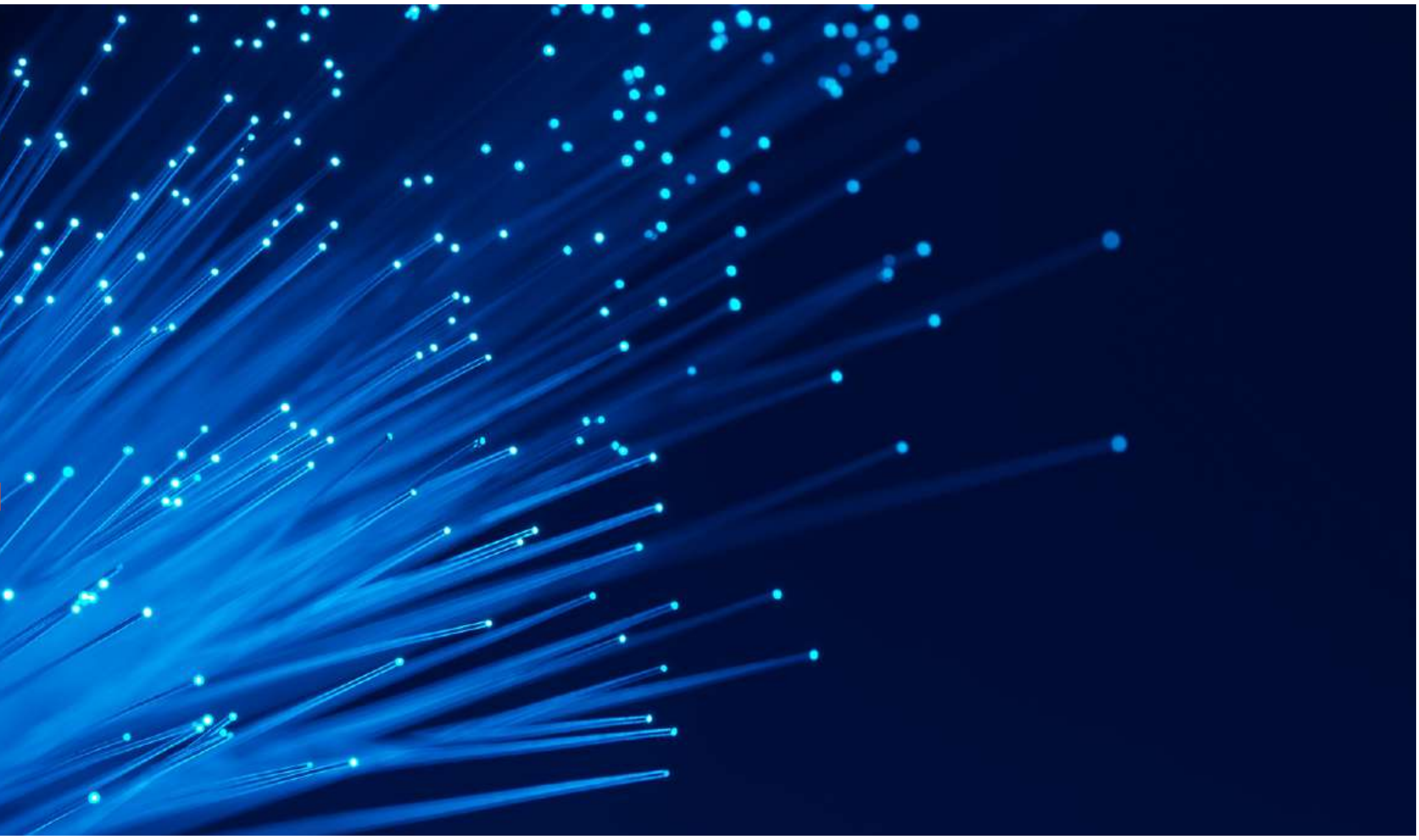
Supercharging efficiency: Single platform, multiple features

Starting in the domain of unstructured data processing, ClearTrade has evolved over the years into a breakthrough solution for trade finance operations and compliance Highlighting the platform's capabilities, George put forth the several key features it offers:



- Automated noun extraction: ClearTrade automates noun extraction, a process that simplifies the identification of sanctioned entities and contributes to potential efficiency gains of 50% to 70%.
- Comprehensive compliance checks: With compliance as a priority, ClearTrade integrates data sets from multiple sources, enabling comprehensive checks such as vessel and container tracking, Bill of Lading validation, and the identification of military and dual-use goods.
- Dynamic rules engine: The platform's dynamic rules engine offers users the flexibility to define and adjust rules, adapting to evolving regulations and requirements.
- Modular design: Its modular design allows financial institutions to tailor their adoption, starting with digitisation and compliance before expanding to include document examination.
- Full auditability: Another powerful feature is the system's full auditability, ensuring transparency and accountability for every transaction and user action.

From a regulatory perspective, the platform's ability to determine high-risk transactions by dissecting numerous variables offers a robust digital product for regulatory compliance automation.



According to Fitzgerald, "The ClearTrade platform can be configured to consider many daa elements that you see in current G7 trade sanctions, such as Russian oil price caps.''

Forging ahead: ClearEye's vision for the future

Digitising trade finance presents an unprecedented opportunity to reshape the industry, making it more efficient, inclusive, and sustainable. Following on their pioneering role in the digitisation of trade finance operations, ClearEye's future holds multiple opportunities to scale.

George affirmed, "We want to go deep and really solve the trade finance operations problem. There are different product types and other areas that we want to dive into. That's our immediate focus area.''

With a solid foundation in digitising trade finance operations, the strategic alliance between J.P. Morgan & ClearEye is set to inspire and future-proof the industry.

DEEPA SINHA
Vice President of Payments & Financial Crimes
BAFT (Bankers Association of Finance & Trade)

4.5

Navigating the future of digital payments: Efficiency, security, and compliance

As the digital payment landscape continues to evolve, collaboration and innovation emerge as vital strategies for managing risks. Industry stakeholders must come together to share insights, best practices, and emerging threat intelligence.

In an era marked by technological advancement and rapid digitisation, the landscape of financial transactions has undergone a transformative shift.

Traditional modes of payment, such as checks and physical currency, have given way to the convenience and efficiency of digital payments.

Automated Clearing House (ACH), wire transfers, and credit cards have become the cornerstones of modern commerce, enabling seamless transactions across borders and time zones. However, as these digital payment methods flourish, industry stakeholders are increasingly cognisant of the inherent risks that come hand-in-hand with this progress.

The Digital advantage: Efficiency and accessibility

Digital payments have revolutionised the way businesses and consumers conduct transactions, offering unparalleled convenience and speed. ACH transfers allow for the automatic movement of funds between accounts, streamlining processes like payroll and bill payments.

Wire transfers expedite international transactions, eliminating the time-consuming intermediaries of traditional cross-border commerce. Credit cards, with their widespread acceptance and instant payment capabilities, have become the go-to choice for in-store and online purchases.

Beyond the convenience, these digital methods have democratised financial access. Small businesses can now compete on a global scale, reaching customers beyond their local markets.

Consumers benefit from the flexibility to manage their finances, make purchases, and pay bills with a few clicks. However, these benefits come intertwined with potential risks that necessitate careful consideration.

Navigating the risks: Security and fraud

The rise of digital payments has also given rise to an array of cybersecurity challenges. With transactions occurring in the virtual realm, the potential for cyberattacks, data breaches, and fraud has grown exponentially.

While security breaches predominately occur with merchants connected to the network rather than the payment systems themselves, malicious actors are constantly seeking vulnerabilities in payment systems to gain unauthorised access to sensitive information, leading to financial loss and reputational damage for both businesses and consumers.

ACH transactions, while efficient, can be susceptible to account takeovers and unauthorised withdrawals. Wire transfers, particularly in international contexts, may be subject to fraudulent instructions that divert funds to the wrong destinations.

Credit card fraud remains a persistent concern, with cardholder information being compromised via retailer breaches. As these risks evolve, industry stakeholders must adopt comprehensive security measures to safeguard digital transactions.

The role of regulations and compliance

Recognising the critical need to address these challenges, regulatory bodies have implemented measures to protect digital payment ecosystems.

The Payment Card Industry Data Security Standard (PCI DSS) provides robust requirements for safeguarding credit and debit card data, requiring encryption, regular security assessments, and compliance reporting.

A lack of PCI compliance by non-bank entities (major retailers, most prominently) has been the proximate cause of major data breaches, demonstrating that a secure ecosystem relies on compliance by all data handlers.

The EMVCo (Europay, Mastercard, and Visa Consortium)'s global card and mobile payment security standards are a major step forward in securing new payment types and have reduced payments fraud worldwide. The new EMV Secure Remote Commerce (SRC) standard is increasingly found online, where it's called "Click to Pay" and leverages a combination of methods to secure card-not-present transactions.

The Bank Secrecy Act and Anti-Money Laundering regulations impose robust due diligence practices on financial institutions, mitigating the potential misuse of digital payment platforms for illicit activities.

Yet, achieving compliance is not a one-size-fits-all solution. Industry participants must tailor their security protocols to their specific operational landscapes. Robust authentication mechanisms, multi-factor identification, adoption of the latest standards from bodies like the PCI Council and EMVCo, and real-time transaction monitoring are among the strategies that can fortify digital payment platforms against threats.

Uneven regulations between banks and non-banking financial institutions across the global payments industry are a problem that needs to be addressed. The BAFT Global Payments Industry Council, comprised of senior bankers in global payments, is publishing a collaborative white paper titled "Uneven Regulations in Payments", which is a model code for how to remedy the uneven payments landscape.

It addresses the uneven regulations' four themes and their implications:

- 1. Regulatory Oversight,
- 2. Extension to Sponsorship – Indirect Scheme Participation,
- 3. Consistency of KYC/CDD Requirements,
- 4. Permissibility of Cross-Border Activity.

The overarching principle should be to avoid ambiguity or "silent" rules, which will then lead to different interpretations and difficult enforcement. The paper will be published later this year.

Collaboration and innovation as defenders

As the digital payment landscape continues to evolve, collaboration and innovation emerge as vital strategies for managing risks. Industry stakeholders must come together to share insights, best practices, and emerging threat intelligence.

Financial institutions, retailers, fintech startups, cybersecurity experts, and regulatory bodies must forge partnerships to create a united front against cyber threats.

Furthermore, embracing technological advancements such as artificial intelligence (AI) and machine learning can empower payment platforms to detect anomalies and patterns that indicate fraudulent activities. Real-time fraud detection algorithms can provide an additional layer of security, swiftly identifying and blocking suspicious transactions.

No pain no gain

The ongoing digital payment revolution offers a host of benefits, enabling businesses and consumers to transact with unprecedented ease. However, these advantages are accompanied by inherent risks that require strategic vigilance and action.

Security breaches, fraud, and compliance challenges underscore the need for comprehensive risk management strategies. By implementing robust security measures, adhering to regulations, fostering collaboration, and leveraging innovative technologies, the industry can navigate the intricate landscape of digital payments and usher in an era of secure and seamless transactions.

IAIN MACLENNAN
Head of Trade and
Supply Chain Finance
Finastra

4.6

Industry collaboration is a catalyst for truly digital trade

Collaborating with companies that offer cloud solutions and open ecosystems gives banks the agility required to digitally transform their operations and seamlessly implement technologies and third-party applications, such as for document compliance checking, AML and KYC compliance.

From payments, credit and lending, to trade and supply chain finance, the entire financial services industry is being disrupted. Regulatory requirements, industry standards and the environmental, social, and governance (ESG) agenda have accelerated.

Economic and marketplace uncertainty, supply chain disruptions, and the pressure to meet changing customer demands have led to a turbulent situation for financial services.

Thankfully, innovation and new technologies are quickly progressing from industry trends to provide banks with real-world use cases that enhance how they do business. This is enabling them to reach new customer segments, remain agile enough to navigate new demands, reduce efforts to comply with regulations, and improve risk management.

A new era of tech-driven trade finance

Paper documents and original signatures are costly, unsustainable, can be easily duplicated and are the main cause of friction in trading. The Model Law on Electronic Transferable Records (MLETR) provides a framework in terms of the digitisation of paper documentation, paving the way for digitised, real-time trade and settlement that enables banks to serve more customers through streamlined and efficient processes.

Now that the Electronic Trade Documents Act is officially an act of law in the UK, other markets are expected to quickly follow suit.

This is hoped to have a significant impact on international trade by reducing friction, making it easier and cheaper for companies to buy and sell internationally and helping to reduce financing gaps for MSMEs.

By reducing barriers to entry, costs and friction in trade, and improving accessibility and availability of liquidity, companies can grow faster and increase their trading volumes. The success of digital trade will be supported by – and in turn encourage the increased adoption of – technologies such as AI, ML, the Internet of Things (IoT) and distributed ledger.

Improved access to digital data and technologies such as AI and ML enable banks to automate and improve processes such as credit decisions. Adopting digital identities can further reduce the processing time and costs for compliance in loan processing.

This is particularly advantageous for MSMEs, whose loan applications are often rejected in the Know Your Customer (KYC) or Anti Money Laundering (AML) phase because they lack the necessary proof of identification or 'institutional data'.

Additionally, distributed ledger technology and blockchain enable actors in the supply chain to exchange information securely and quickly. Documents become less prone to forgery and are more transparent, and smart contracts can be used to automate and process transactions in real-time.

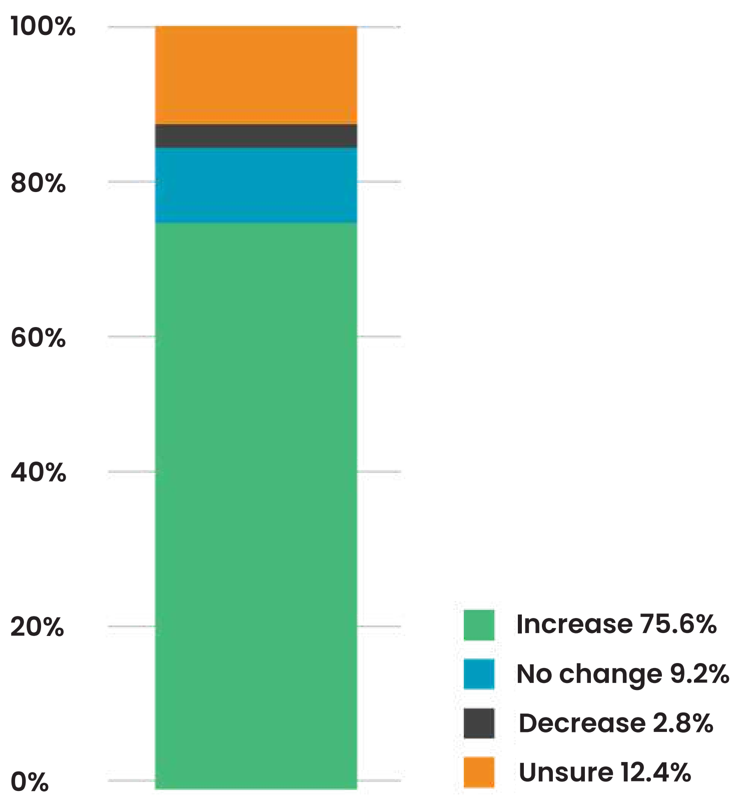
Utilising advanced data and AI-driven analysis provides banks with a holistic, on-demand and streamlined view of their customers and their business, which can be used to facilitate more personalised services to improve customer retention and acquisition.

This includes meeting the high demand for embedded, connected and automated finance through IoT, as well as supporting sustainability initiatives.

According to Finastra's survey in collaboration with East & Partners, three out of four global banks plan to increase their exposure to green lending by more than 16% in the next 12-18 months or more.

Through increased product innovation and data analytics, banks can generate industry and regionally-relevant ESG KPIs and use them to accurately assess the credentials of corporates.

Green lending exposure change



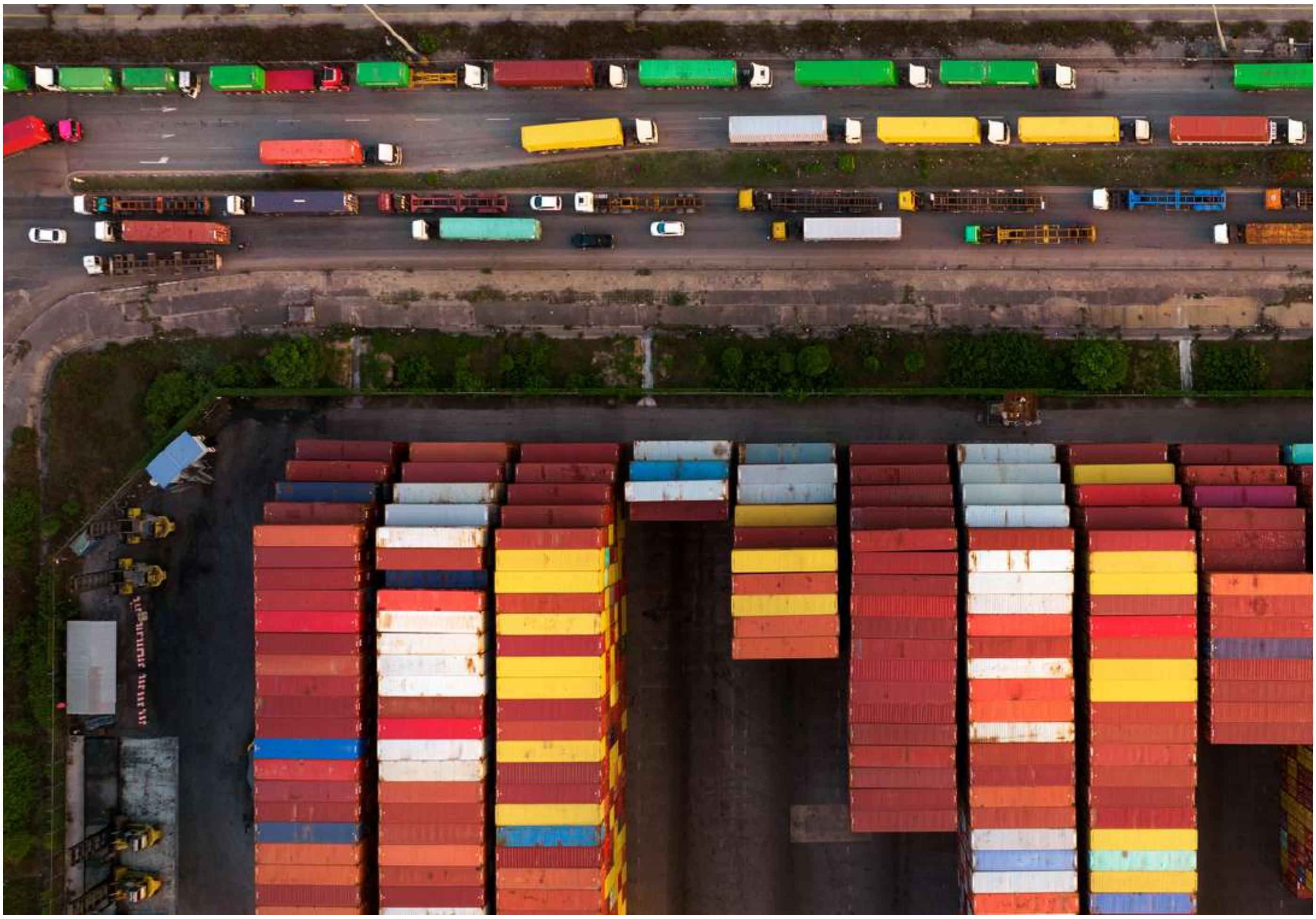
They can then provide incentivised trade finance or other loan offers to those that are considered "green" or "greening".

Digitalisation through ecosystem play

For financial institutions to effectively support digital trade and remain competitive, industry collaboration is essential. Finastra's research reveals three in four global banks are planning to connect with an average of three fintechs in the next 12-18 months. The largest proportion of respondents want to plug into a platform of integrated fintech solutions (56%), with only 6% preferring to build capabilities in-house.

A key starting point for banks is ensuring that middle and back-office processing systems are up-to-date and support the adoption of new processes, technologies and improved data access.

Collaborating with companies that offer cloud solutions and open ecosystems gives banks the agility required to digitally transform their operations and seamlessly implement technologies and third-party applications, such as for document compliance checking, AML and KYC compliance.



In addition to acquiring the agility needed to swiftly adapt to new customer, industry, and regulatory requirements, partnerships contribute to enhanced scalability and decreased capital overheads, as well as a reduction in the time to value.

Despite our increasingly fragmented world, the international trade ecosystem is becoming more open, collaborative and transparent than ever before.

Through open APIs and open finance, banks are able to embrace new technologies and connect previously disconnected "digital islands" to create a truly digital, sustainable and inclusive trade and supply chain finance industry that is well-equipped to adapt to future demands.

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4.7

The future of digital trade finance: An in-depth Q&A with Surecomp

To drive faster digitalisation and adoption of electronic documents in global trade, strong alliances between leading companies in global trade are needed. The partnership of Surecomp and WaveBL is a prime example of how powerful and successful such an alliance can be, revolutionising the global trade industry for the better.

With the passing of the UK's Electronic Trade Documents Act (ETDA), the digital trade world is changing. While this is welcomed news for the entire industry, it also means that new partnerships and innovations need to come to fruition.

The legal framework is now a reality, the burden is now on the industry to take advantage of the moment.

That is precisely what Surecomp and Wave BL are doing with their collaboration. To learn more about this collaboration, and their efforts to further digital trade, Trade Finance Global's **Brian Canup (BC)** sat down with **Enno-Burghard Weitzel (EBW)**, Senior Vice-President of Strategy, Digitization and Business Development, Surecomp and **Ofer Ein Bar (OEB)**, VP Business Development, Wave BL.

BC: Let's jump right into things. Can you give an overview of the Surecomp and WaveBL collaboration?

EBW: We both share the vision of the need for collaboration to effectively bring digitisation benefits to the trade community. As our solutions complement each other nicely, our shared customers benefit from an enriched user experience.

While users on RIVO can manage the full Letter of Credit (LC) lifecycle, with the connection to WaveBL, they can enjoy greater value from the deep integration of their eBL into their LC flow. With a stronger value proposition, the solutions can jointly and individually provide better business cases to corporates and banks, enabling them to have faster ROI.

OEB: The WaveBL platform is used regularly for the issuance of electronic Bills of Lading, by several of the largest container ocean carriers, issuing thousands of electronic Bills of Lading every month. The majority of trade transactions are between an exporter and an importer and do not require banks to be involved in the trade documentation process.

As the adoption of electronic documents by banks is very slow to say the least, partnering with Surecomp, with its expertise in the trade finance world, was only a matter of time.

Surecomp is a leading expert company in every matter concerning trade finance with a clear advantage with the FI industries. The joint solution will allow banks and corporates to get access to the WaveBL Bills of Lading through the Surecomp Rivo platform. The Surecomp platform will integrate the WaveBL eBL into the trade finance LC flow, creating a full end-to-end stream of a transaction for each party involved. Stay tuned, as the next stage will come soon!

BC: The big news of the year is the passage of the ETDA in the UK. How does this landmark legislation fit in with Surecomp and WaveBL's partnership?

EBW: It's the core of our partnership. We both want to foster the adoption of digital documents. While national law is still enforcing paper, both of our teams have to spend a lot of time convincing the parties that going digital with dedicated solutions is an alternative.

Now, everyone can rely on national law in more and more jurisdictions, namely the UK and Singapore. So any BL issued referencing Singapore or UK law, now can be issued as eBL, which sets the legal basis.

WaveBL brings the technical expertise for reliable and scalable digital issuance, and the RIVO platform enables the parties to manage the whole trade finance transaction with all parties. Seems like we've all just waited for the UK to be the digital booster.

OEB: The ETDA gives electronic bills of lading and related trade documents the same legal status as their paper counterparts. The landmark legislation modernises and overhauls outdated laws surrounding the use of electronic trade documents in international trading.

ETDA makes cross-border and international trade more efficient, cost-effective, and environmentally sustainable. ETDA is part of the global effort to harmonise and digitise global trade. Besides ETDA removing a huge barrier to trade digitalisation, it acts as a vote of confidence by the highest authority regarding the path we are on.

BC: What are the opportunities for trade digitalisation in the UK (and beyond), and how can businesses, both large and small, take advantage of them?

EBW: We fully embrace the work of the UK team of experts, from the legislation, the ICC and the industry. Now enabling any trade contract and title document to be fully digital, is truly pivotal since a major share of all the trade contracts out there are based on the UK law already today.

So no more rule books are needed to accept digital documents in a small club with high barriers to join.

Now everyone has the option to adopt rapidly across the industry, and across countries. This will put some healthy competitive pressure on other countries to follow quickly.
On RIVO, parties will be able to issue and manage any document as digital original, significantly reducing the barriers to trade and making trade finance available to everyone.

OEB: The UK is considered a major hub for global trade, leading the legislation worldwide. This has been the case with COGSA 1992, and now with the ETDA 2023, taking MLETR a further step.

According to the UK Department for Science, Innovation and Technology, the UK economy is set to see over £1 billion boost over the next decade, with UK businesses enjoying huge cost savings.

The UK ETDA also act as the cornerstone for digitalising trade across the world. Global trade is facing new regulatory requirements and industry standards. Environmental, social, and governance (ESG) compliance issues are also playing a role. In these uncertain economic times, supply chain disruptions and changing customer demands are also leaving their mark.

However, the adoption of electronic trade documents acts, such as the Electronic Trade Documents Act (ETDA), is expected to reduce friction and financing gaps, making it easier and cheaper for companies to engage in cross-border transactions.
It is now the time to realise these spoken benefits.

BC: What are some of the challenges that come with digitalising trade documents, and what is Surecomp doing to address these issues?

EBW: It seems that the key preconditions for going digital are the legal foundation, the technical basis and the willingness of the parties to change. We've touched upon Singapore and the UK, the other G7 countries pledged to implement MLETR in their national laws by 2025.
Surecomp are actively involved in the working groups in Germany and France.

So let's consider this done.

Going digital requires a technical platform, that is open, scalable and fit for purpose, i.e. trade finance specific.

Openness is key because the trade community is so diverse, two trade transactions will almost never include identical parties. And with so many parties and technical speciality solutions around, the more open a solution, the greater the value it can provide to the community.

Our successful partnership and technical syncing with WaveBL serve as an excellent demonstration of our strategy in action. Additionally, there are various other solutions for issuing electronic Bills of Lading (eBLs), and we plan to integrate with those that are open to collaboration in the next phase.

This will create a generic 'eBL value proposition', providing a service without forcing the parties to limit their ability to conduct their own business.
Lastly, we're engaging with the

experts and practitioners in the industry to showcase the level of maturity and functional coverage. Sharing success stories is a necessity to support the change journey.

BC: Do you have a case study for the successful implementation and use of Surecomp's RIVO platform?

EBW: Being a digital collaboration platform, RIVO serves corporates, financial institutions and fintechs alike. Hence, any case study can only represent a small fraction of RIVO's value proposition.

But, let's look at one corporate, with a centralised treasury function at the headquarters.

Operating globally, they engage hundreds of trade finance experts spread across 50+ countries to support their sales teams in their product delivery.

Their key criteria for choosing RIVO as their trade finance management solution were UX and reporting. With so many colleagues dealing with their guarantees, stand-bys and commercial LCs, they needed a solution that is easy to onboard, intuitive in use and provides strong, yet flexible workflows.

Being a publicly listed company, they used to handle their quarterly financial reporting to their Group Finance manually. Now, they can automate this process using our built-in Business Intelligence (BI) reporting tools. These features alone made RIVO an attractive choice for them. Furthermore, as a Software-as-a-Service (SaaS) solution, RIVO keeps getting better each quarter with new features. For instance, we recently collaborated with ICC Germany on a proof of concept for electronic Bills of Lading (eBLs), adding even more value for the company.

We provided evidence that all trade parties, exporters, importers, as well as the banks, can fully manage a WaveBL bill of lading through RIVO. In the next phase we'll extend this to further eBL issuers, invite shipping companies and further participants.

So, without having to lift a finger, the company we featured in our case study can now take advantage of electronic Bills of Lading (eBL) features and easily transition to digital workflows for their Letters of Credit (LC). This experience also offers valuable insights from a fintech perspective, making it a compelling case study in that regard as well.

BC: Trade digitalisation is gaining more mainstream acceptance now, with the UK codifying it, and numerous other jurisdictions working on similar laws. What are the next steps that will make tangible progress within the international trade industry?

EBW: Pivotal players actually pushing it to their day-to-day business. If digitisation is bringing an economic benefit, each party should share these benefits with its counterpart for actually going digital. E.g. a shipping company charging higher fees for non-eBLs, a bank waiving the courier charges under eUCP LCs, and corporates giving better payment terms if all documents are sent digitally. The quicker people experience tangible benefits, the faster they'll adopt the new technology.

OEB: To drive faster digitalisation and adoption of electronic documents in global trade, strong alliances between leading companies in global trade are needed. The partnership of Surecomp and WaveBL is a prime example of how powerful and successful such an alliance can be, revolutionising the global trade industry for the better.

Digital transformation of international trade reduces the costs of engaging in international trade, connecting more businesses and consumers globally. This requires policymakers to address the unstoppable digitisation of trade documentation. End-to-end trade digitalisation requires global access to reliable, affordable, and fast connections to close the digital divide as well as a legal framework enabling secure data transmission across borders.

Data and process standards for the submission of shipping instructions and issuance of the bill of lading have already been established through DCSA and accepted by many container carriers, with more to follow. What is crucial to move ahead is the worldwide, across the board, adoption of eBLs and related trade documents using platforms such as WaveBL's platform.

5 Partner Events

DATE	CONFERENCE	PROVIDER	LOCATION
12 - 14 Sept 2023	Global SME Finance Forum 2023	SME FINANCE FORUM	Mumbai
12 - 15 Sept 2023	WTO Public Forum 2023	World Trade Organization	Geneva
17 - 21 Sept 2023	55th Annual Meeting	FCI Facilitating Open Account - Receivables Finance	Morocco
18 - 21 Sept 2023	Sibos 2023	sibos	Toronto
19 - 20 Sept 2023	3rd Annual Global Trade and Supply Chain Summit	ECONOMIST IMPACT	Dubai
25 - 26 Sept 2023	London IP Week 6.0	LIPW London IP Week	London
28 - 29 Sept 2023	Energy Trading Week Europe	commodities people	London
28 - 29 Sept 2023	Women in AML & Sanctions Forum	ACI Proficiency	Washington
3 Oct 2023	ExCred Americas	ExCred Series	New York
11 - 13 Oct 2023	ITFA 49th Annual Conference	ITFA	Abu Dhabi
12 - 13 Oct 2023	ACI's 5th Conference on U.S.-China Trade Controls	ACI Proficiency	Washington
18 - 22 Oct 2023	International Trade & Prosperity Week	ICC United Kingdom	London & Virtual
19 - 20 Oct 2023	Trade Finance Investor Day 2023	TFD initiative	Hertfordshire
24 - 26 Oct 2023	European Blockchain Convention	EUROPEAN BLOCKCHAIN CONVENTION	Barcelona

DATE	CONFERENCE	PROVIDER	LOCATION
26 - 27 Oct 2023	Energy Trading Week Americas	commodities people	Texas
31 Oct - 2 Nov 2023	Mines and Money IMARC	mines and money	Sydney
14 Nov 2023	ExCred Africa	ExCred Series	Johannesburg
14 Nov 2023	Real Time Payments and Fraud Management Summit	K	New York
15 Nov 2023	Commodities Asia Summit	FT LIVE	Singapore
16 - 17 Nov 2023	London Forum on Global Economic Sanctions	C5	London
20 Nov 2023	Transaction Innovation Forum 2023	TRANSACTION INNOVATION FORUM 2023	Tokyo
22 - 23 Nov 2023	Going Global Live London	GOING GLOBAL	London
22 - 24 Nov 2023	Global Banking Credit Risk Management Conference	TAREMAEVENTS WORLDWIDE EVENTS & CONFERENCES	Brussels
28 Nov 2023	Transform Payments Europe 2023	REUTERS EVENTS	London
28 - 30 Nov 2023	Mines and Money London	mines and money	London
13 - 14 Dec 2023	New York Forum on Global Economic Sanctions	C5	New York
24 - 25 Jan 2024	Commodity Trading Week APAC	commodities people	Singapore

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TRADE & RECEIVABLES FINANCE

Trade Finance Global (TFG) is the leading B2B fintech in trade finance.

TFG's data-led origination platform connects companies with innovative trade and receivables finance solutions from over 300 financial institutions.

We assist specialist companies to scale their trade volumes, by matching them with appropriate financing structures – based on geographies, products, sector and trade cycles. Contact us to find out more.

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TFG are strategic media partners for trade conference providers around the world.

TFG also hosts the International Trade Professionals Programme with LIBF, and funds the Accelerate Scholarship, a grant to help students to pursue a career in trade. Others know us through our Annual International Trade Awards, celebrating outstanding players and contributors in the trade ecosystem.

Through these activities, TFG is democratising trade finance.

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