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ICC BANKING COMMISSION MEETING

A leading event providing opinions, ideas, and insights about the forces driving change in trade & finance

PORTUGAL 2013

The Fast Evolving Trade Finance Landscape

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ICC Global Survey 2013

'Market Intelligence Group'

Partnership Relationship



International
Trade
Centre



BAFT-IFSA



Trends in International Trade and Finance

Pascal Lamy, WTO Director General,





2013 Global Survey - Banks & Countries

Afghanistan Georgia Norway

Geographical Spread of Respondents

The ICC Global Trade Finance Survey 2013 received 260 responses from 102 countries around the Globe. As in previous years the volume of responses was led by the advanced countries.

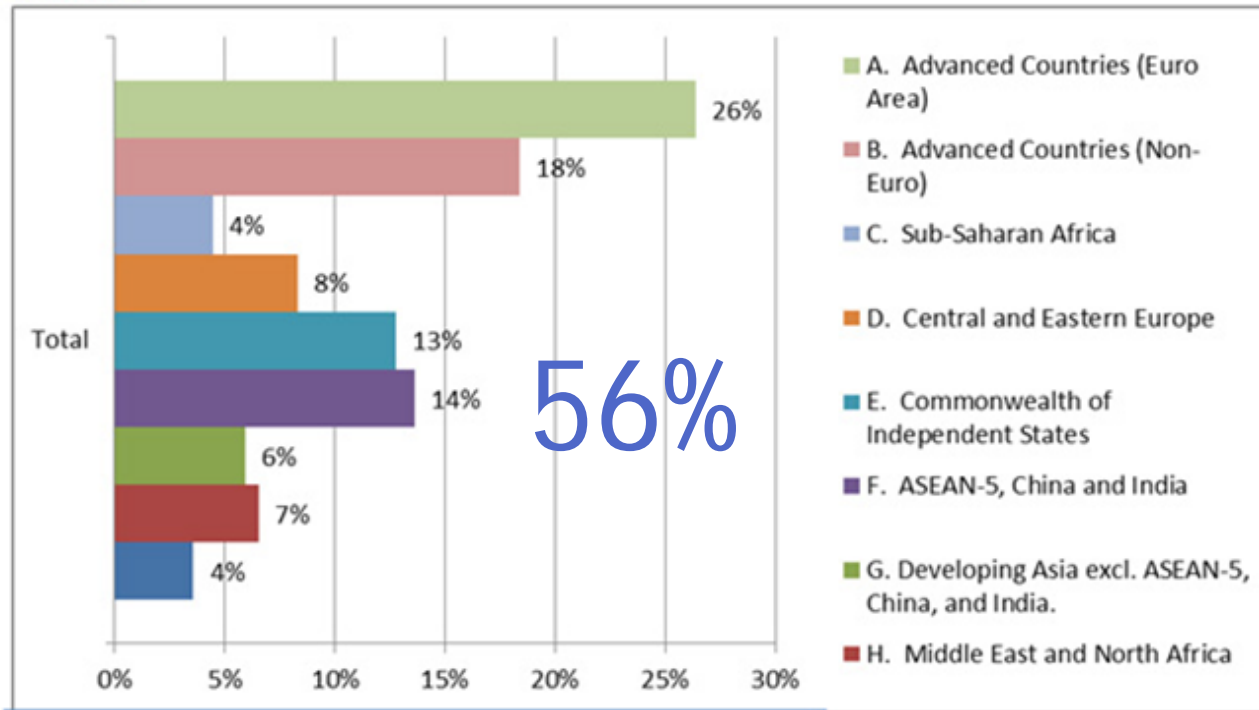
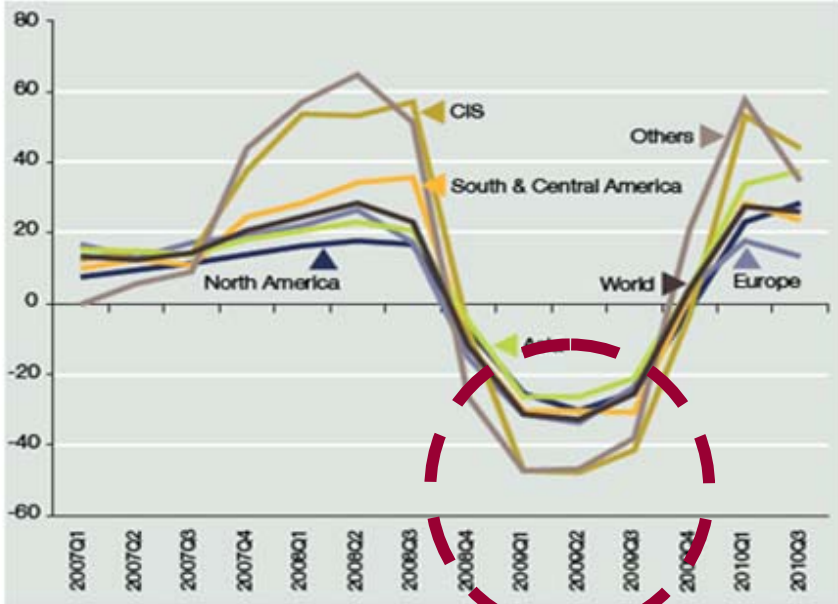


Figure 1. Geographic Spread of Respondents

The global cycle, world trade 2007Q1 – 2010Q3

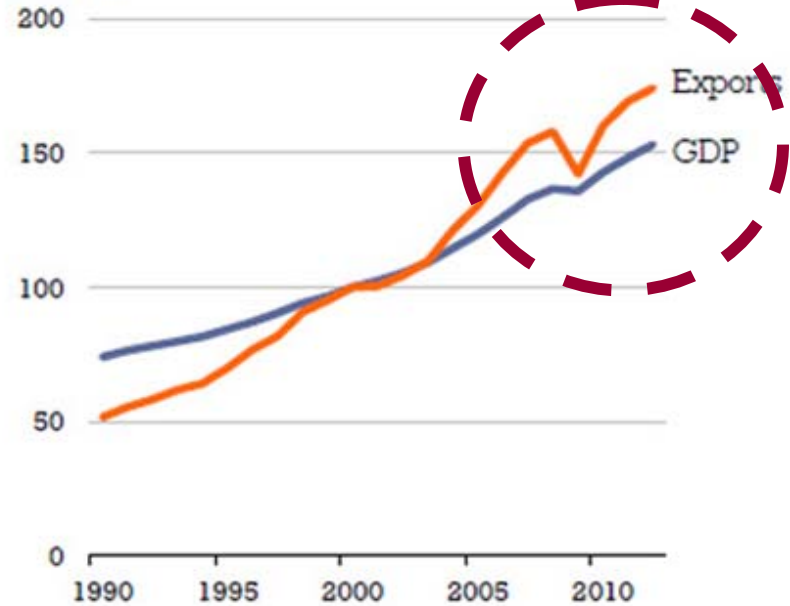


Source: WTO

The Story Starts September 2008



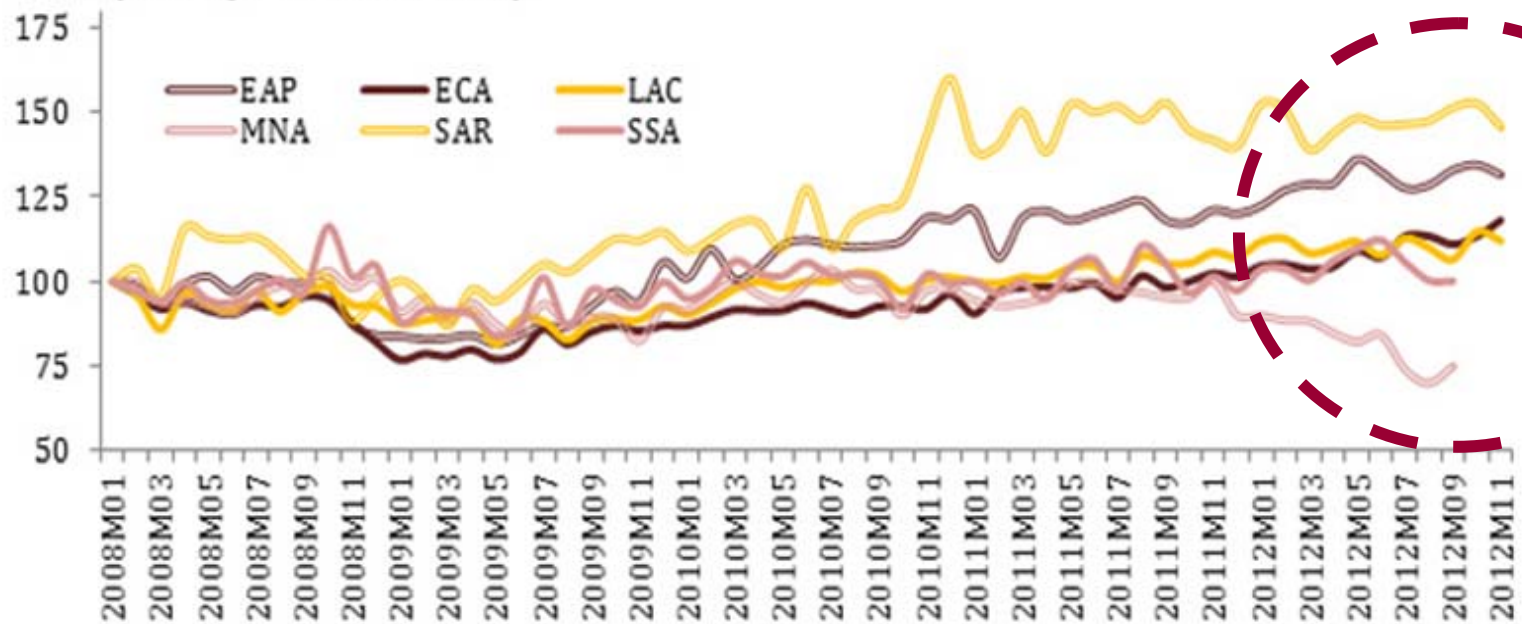
index (2000=100)



2012 Trade Growth Uneven and harder to predict but Asia - South East Asia and South South comparatively constant

Merchandise export growth since the crisis (constant US\$) has been uneven for different developing regions

Index (100=Export Value in Jan 2008)

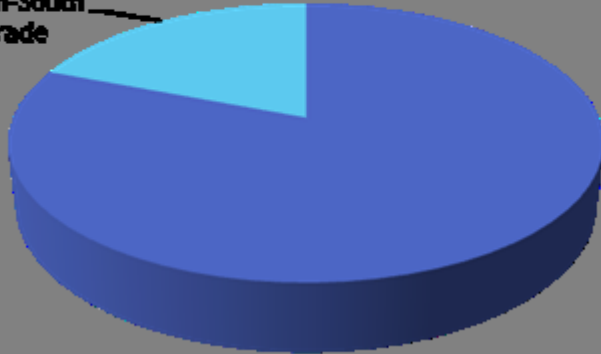


Source: World Bank

South South comparatively constant and momentum to be maintained !

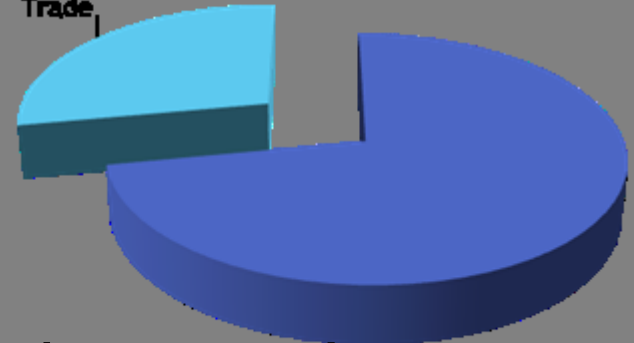
**2008 World Trade
US\$ 16.2 Trillion**

19 %
South-South
Trade



**2011 World Trade
US\$ 18.2 Trillion**

28 %
South-South
Trade

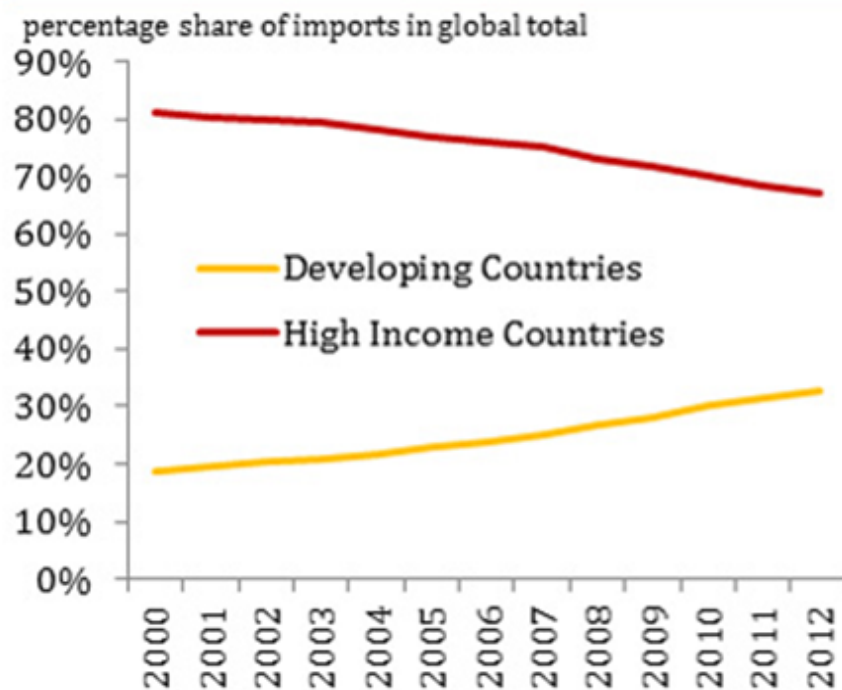


South South Trade is expected to accelerate,

- *reaching 50 percent of world trade by 2021,*
- *70 percent by 2031.*

Exports are growing pretty much everywhere but equilibrium balance has changed!

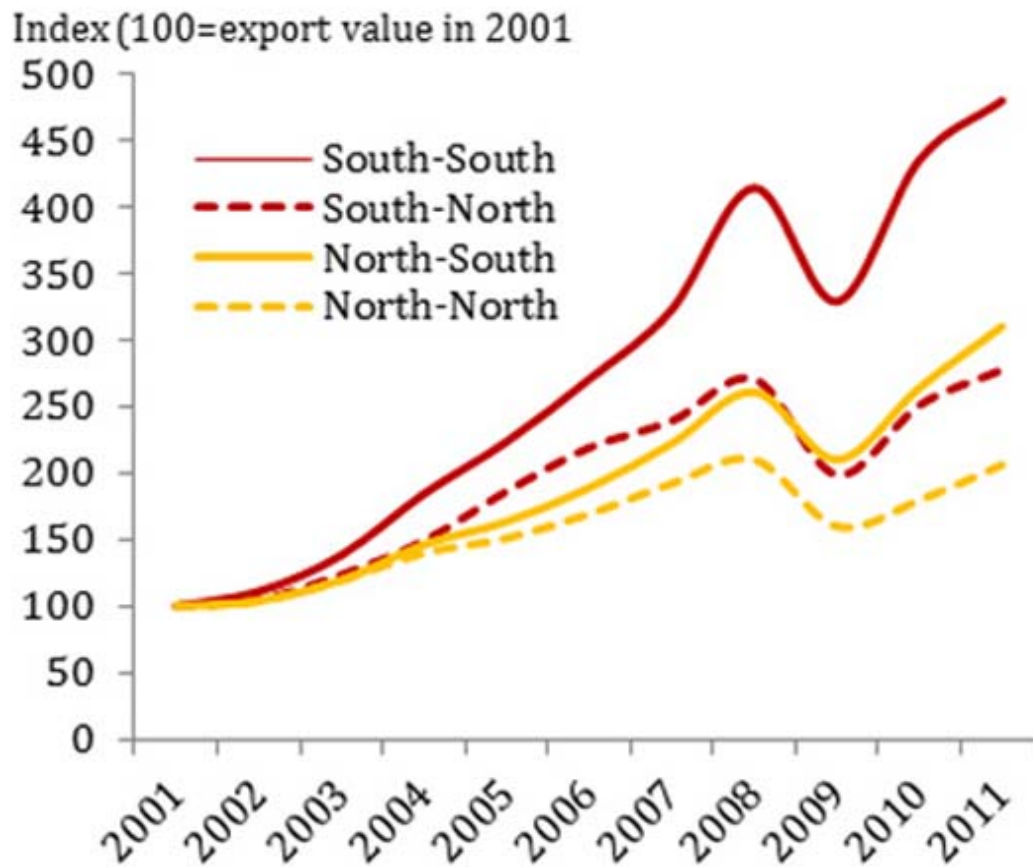
Growing importance of developing countries in global trade



Source: UN COMTRADE via

The South South dynamic is accelerating !

Figure 3: South-South trade has become increasingly more dynamic



Source: ITC Trade Map

Emerging Asia -



Exports

Imports

Emerging Asia - Primary Market Focus for Trade Finance

Regional Market Focus for Trade Finance

While the crisis rumbles on in Europe, the centre of gravity of world trade is shifting to Asia and the business focus of respondents reflects this shift with 23% of respondents identifying the Asean markets as the primary region for trade business focus.

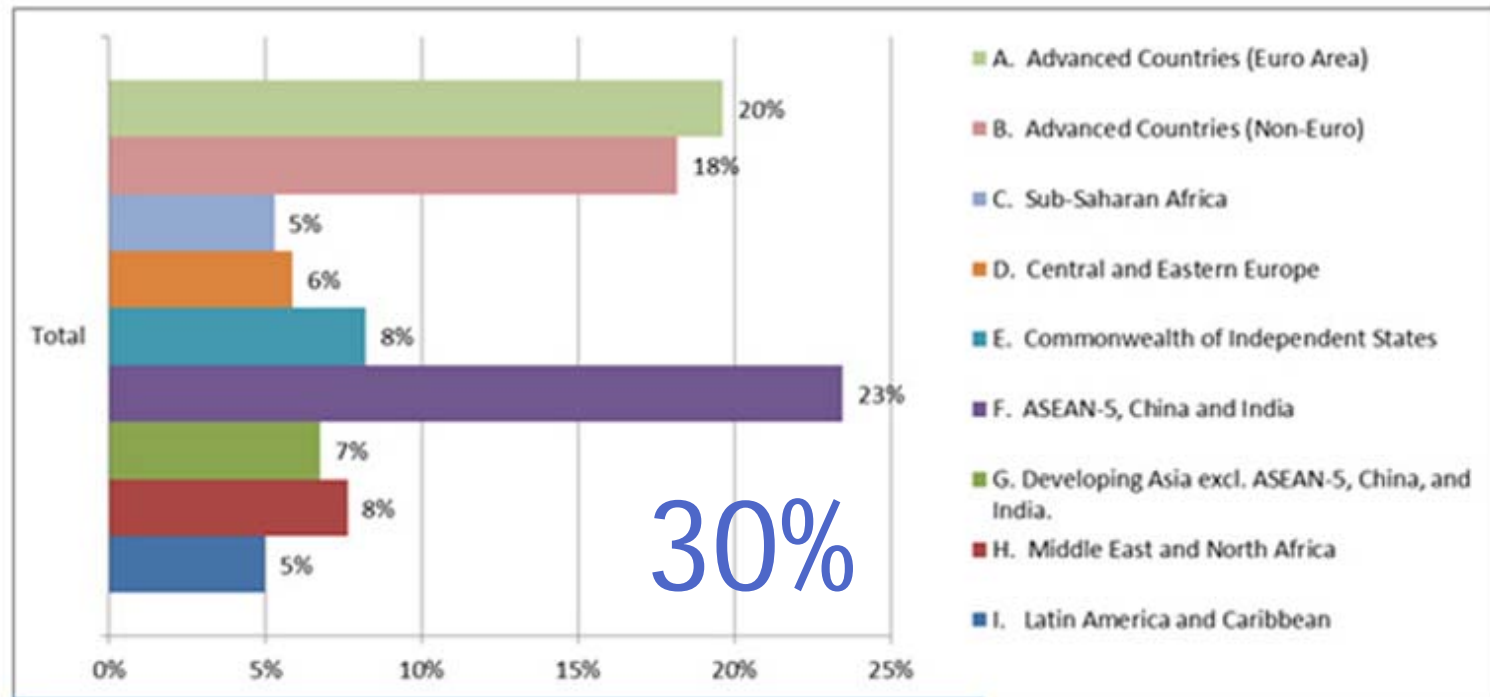


Figure 3. Regional Market Focus for Trade Finance

Exports LC's - Respondents Report Slight Decline

Trends in Export Trade Finance Volumes

When we examine the makeup of export trade products handled by respondent banks we see that in the context of export transactions commercial letters of credit have registered a slight decline from 44% in 2011 to 43% in 2012.

This slow downward trend is consistent with the reported shift from traditional trade finance products to open account structured transactions.

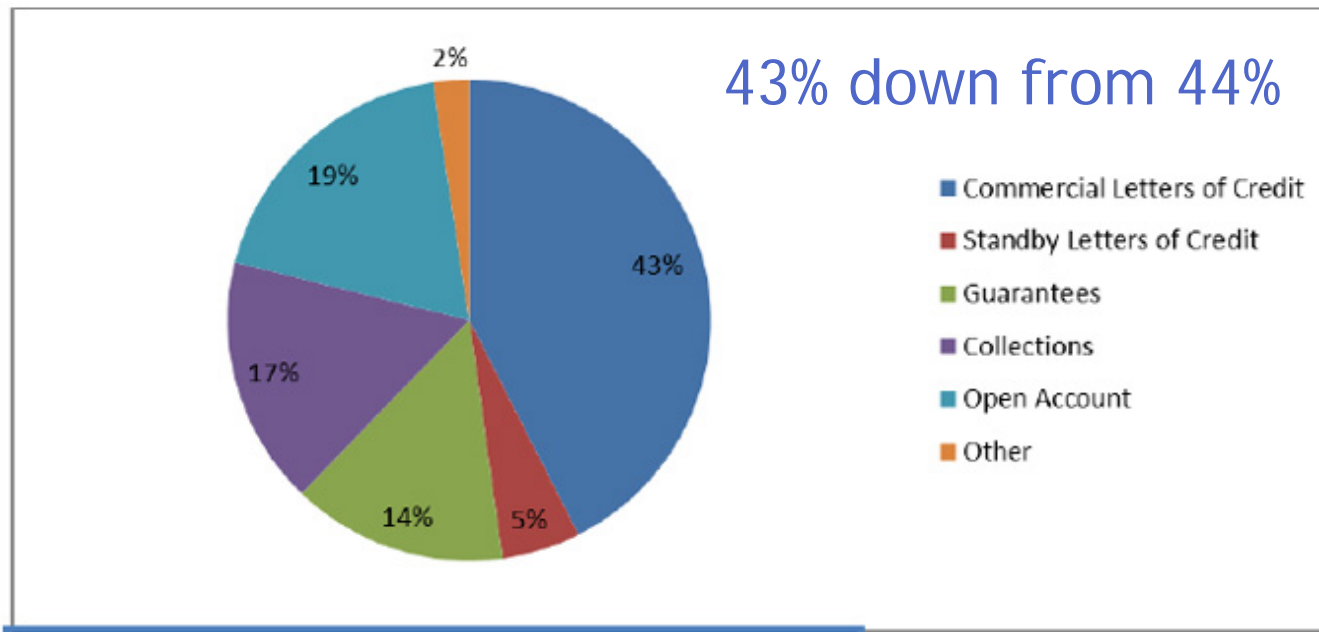


Figure 4. Export Trade Finance Volumes

Import LC's - Flat

Import processing

In terms of import processing the trends reported by respondents for commercial letters of credit was basically flat with 42% of respondents reporting an increase which was pretty much balanced with 41% reporting a decrease.

In the context of guarantees and standby letters the responses were more dramatic with 49% of respondents reporting increases in guarantees and 34% of respondents reporting increases in Standby Letters of Credit.

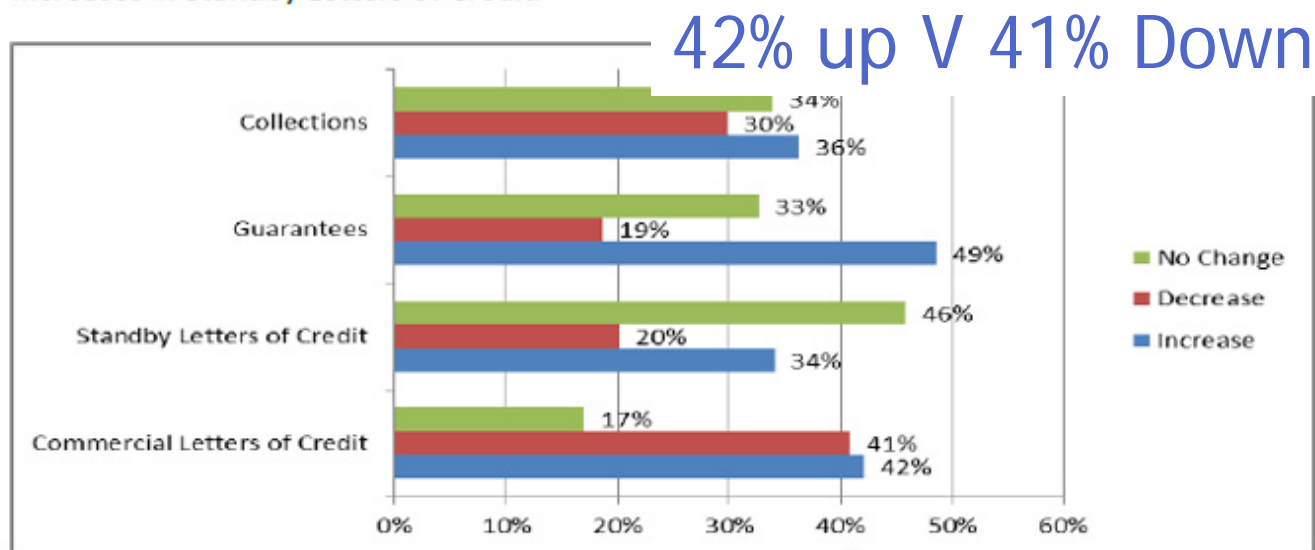


Figure 7. Import Processing

Trade Finance Activity Up

Trends in Trade Finance Activity

It was somewhat encouraging to see that respondents to the ICC Global Trade Finance Survey are continuing to report increased activity in trade finance business activity.

In this survey 68% of respondents reported an increase in the value of trade finance activity. Although it can be noted that this figure is less than the 80% reported last year.

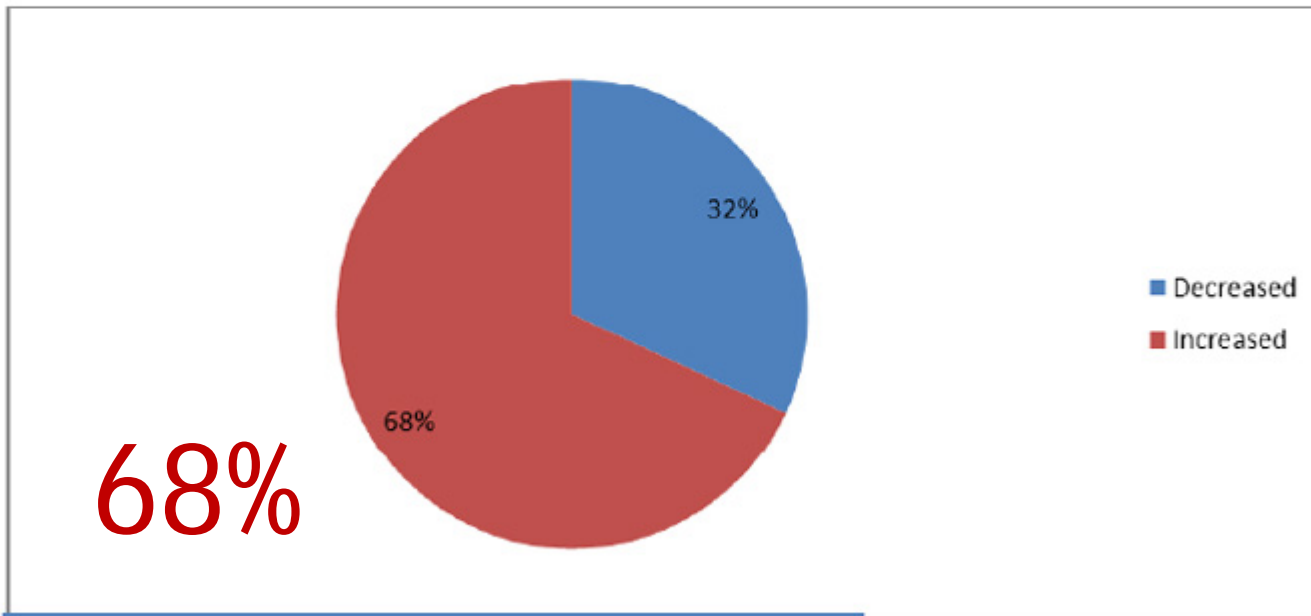


Figure 9. Trends in Trade Finance Activity

Confirmations - up!

Requests for confirmation (Comparing 2012 with 2011)

Many commentators on the international trade finance markets have made positive comments on the slow but steady increases in business activity over the past few years.

In terms of demand for confirmations this year's survey appears to support this proposition in that 67% of respondents reported increased demand for confirmation of letters of credit.

However, bear in mind that the figure in last year's survey was 69%.

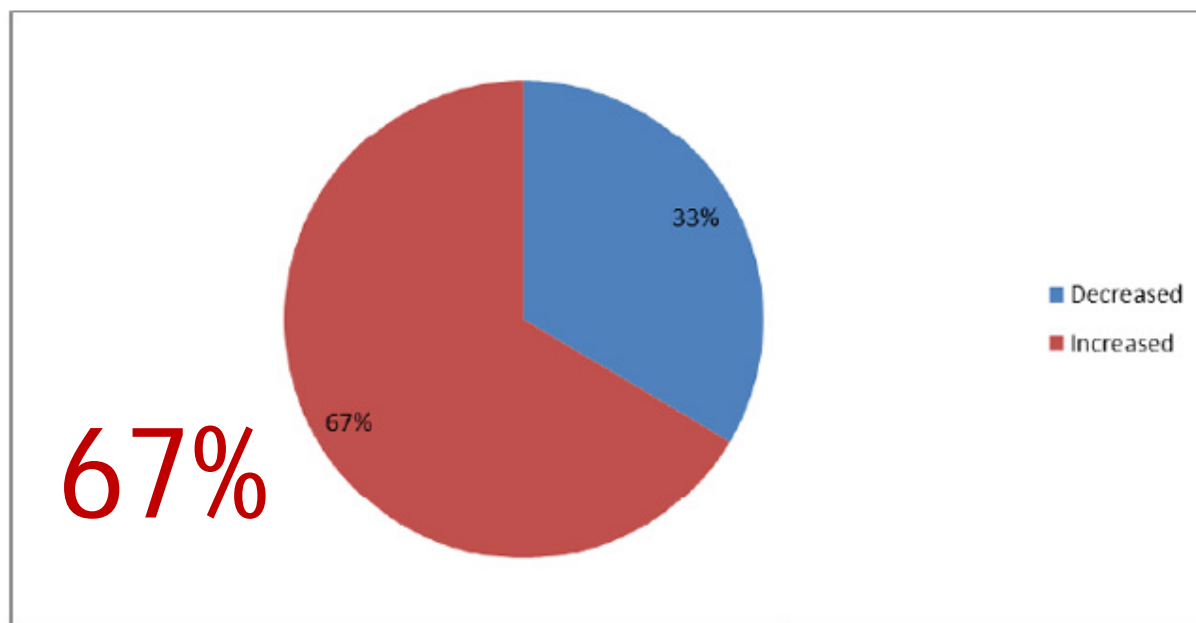


Figure 10. Requests for Confirmation

Trade Pricing - CONSTANT OR DOWN !

It is quite a conundrum that there still remains a significant gap in the market for trade finance and risk coverage but at the same time approximately 80% of respondents report no change or a decrease in pricing.

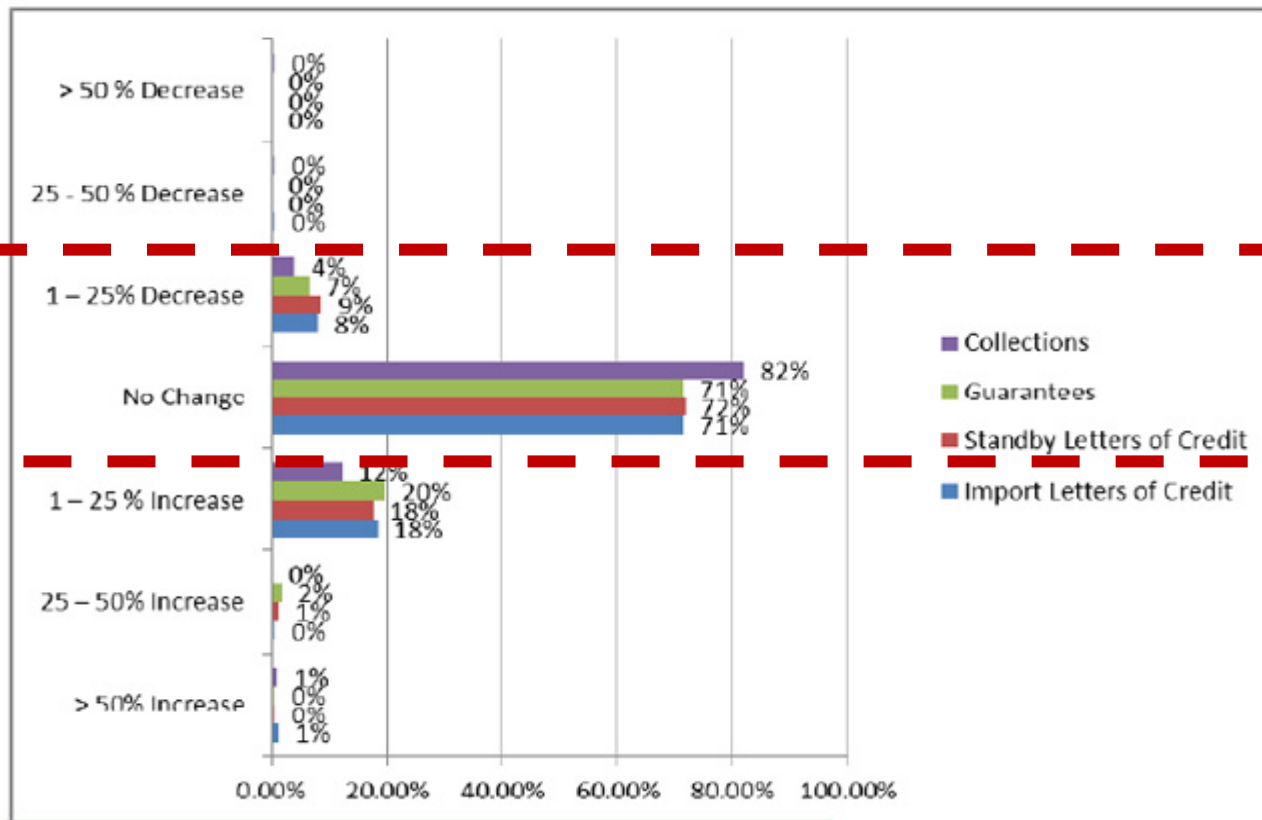


Figure 11. Trade Trends for Trade Fees



COURT INJUNCTIONS - DOWN !



Level of court injunctions (Comparing 2012 with 2011)

It is encouraging to see that the percentage decrease of reported court injunctions barring payment under trade finance instruments comes in at 69%. Such figures indicate a definite return towards more normal trade conditions in the marketplace.

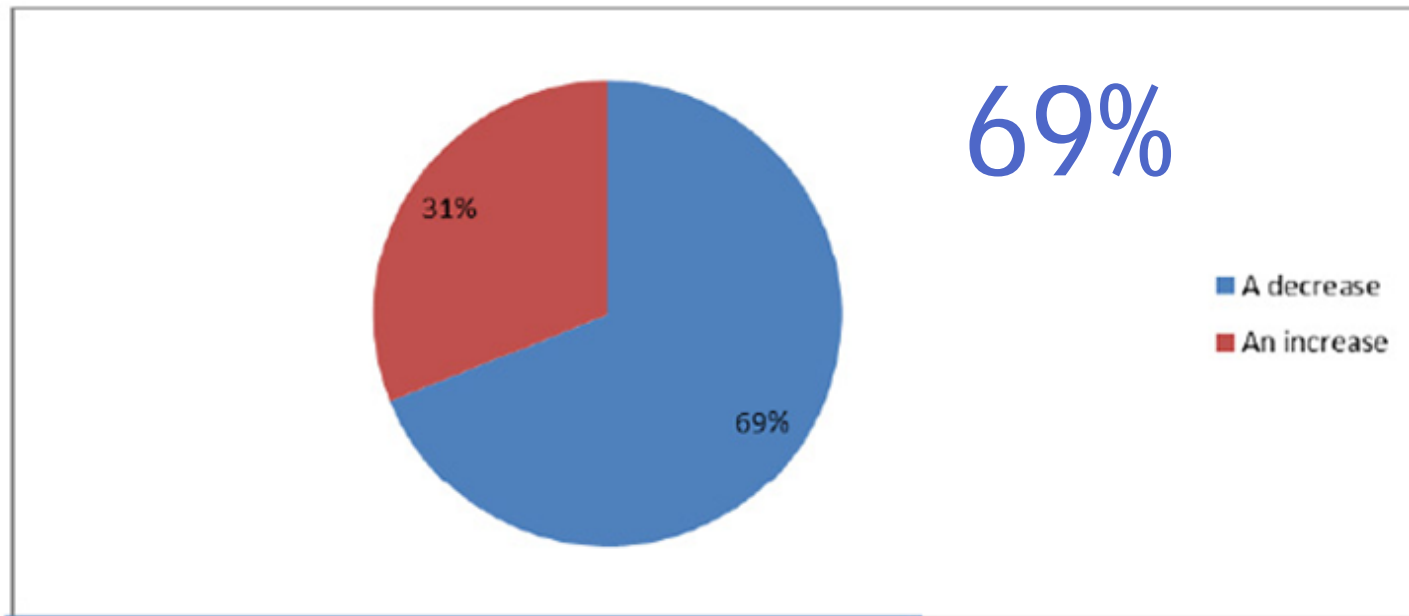


Figure 12. Trade Trends for Trade Fees

CLAIMS - GUARANTEES AND STANDBYS !



Claims under guarantees and standbys (Comparing 2012 with 2011)

Comparing 2012 with 2011 we see an improvement in the trend concerning claims made under guarantees and standby letters of credit.

For 2011 it was reported that 57% of respondents saw an increase in claims whereas this current survey shows that 52% report a decrease in claims.

Despite this improvement as reported this area needs monitoring on an on-going basis.

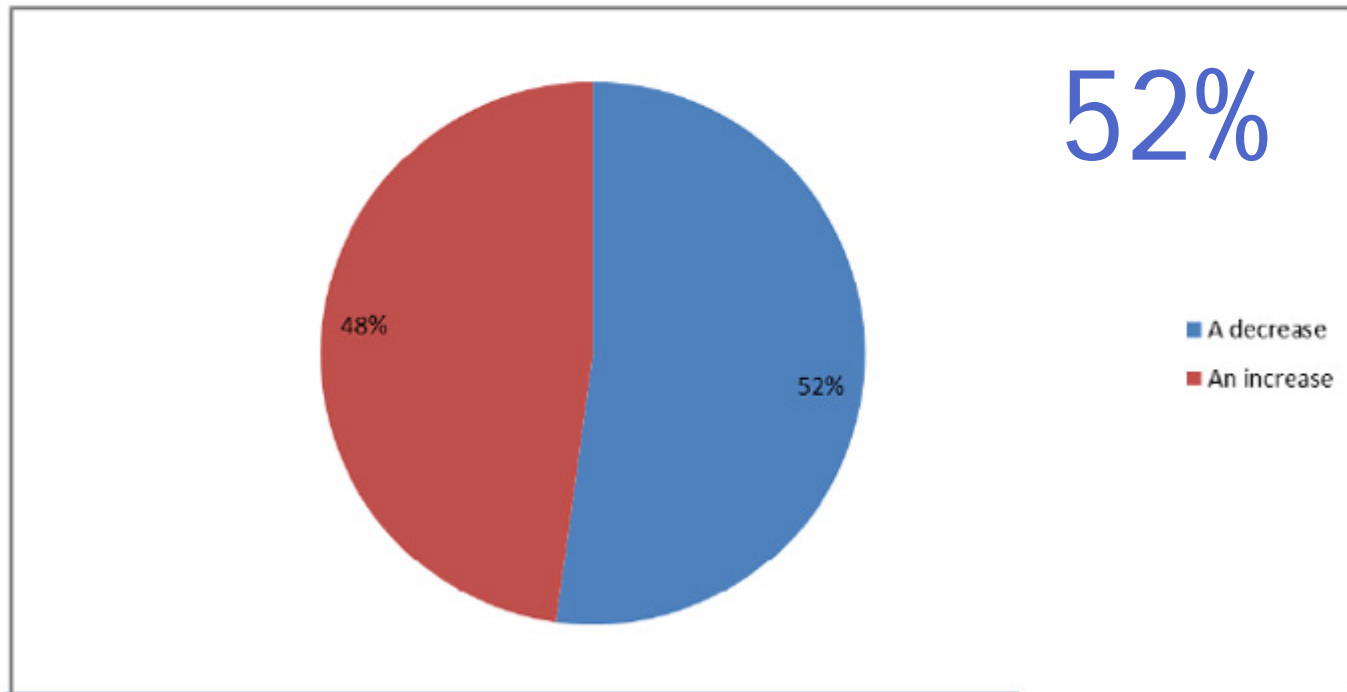


Figure 15. Claims under guarantees and standby letters of credit

ALLEGATIONS OF FRAUD - DOWN!



Percentage of fraud allegations

We are also seeing a positive trend in the reported number of fraud allegations in relation to transactions supported by trade finance instruments. The 2012 survey saw 62% of respondents reporting a decrease in the number of allegations of fraud and this number has made a marginal improvement to 65%, in this year's survey.

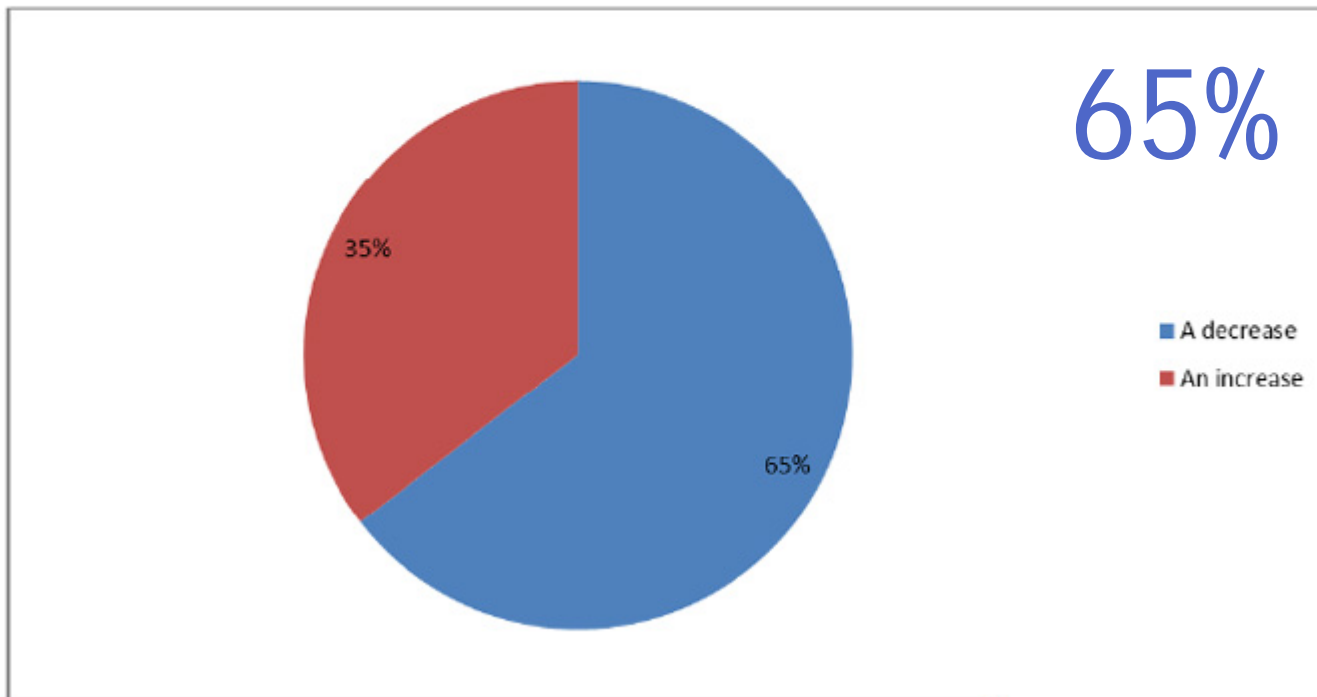


Figure 16. Percentage of fraud allegations

TIGHTENING OF TRADE CREDIT GUIDELINES

Review of bank internal criteria and guidelines for processing trade related transactions

It is interesting to observe that 69% of respondents reported that their banks had reviewed their internal guidelines in respect of processing trade related transactions and 82% of that group reported that the consequent impact was the introduction of more stringent controls and guidelines.

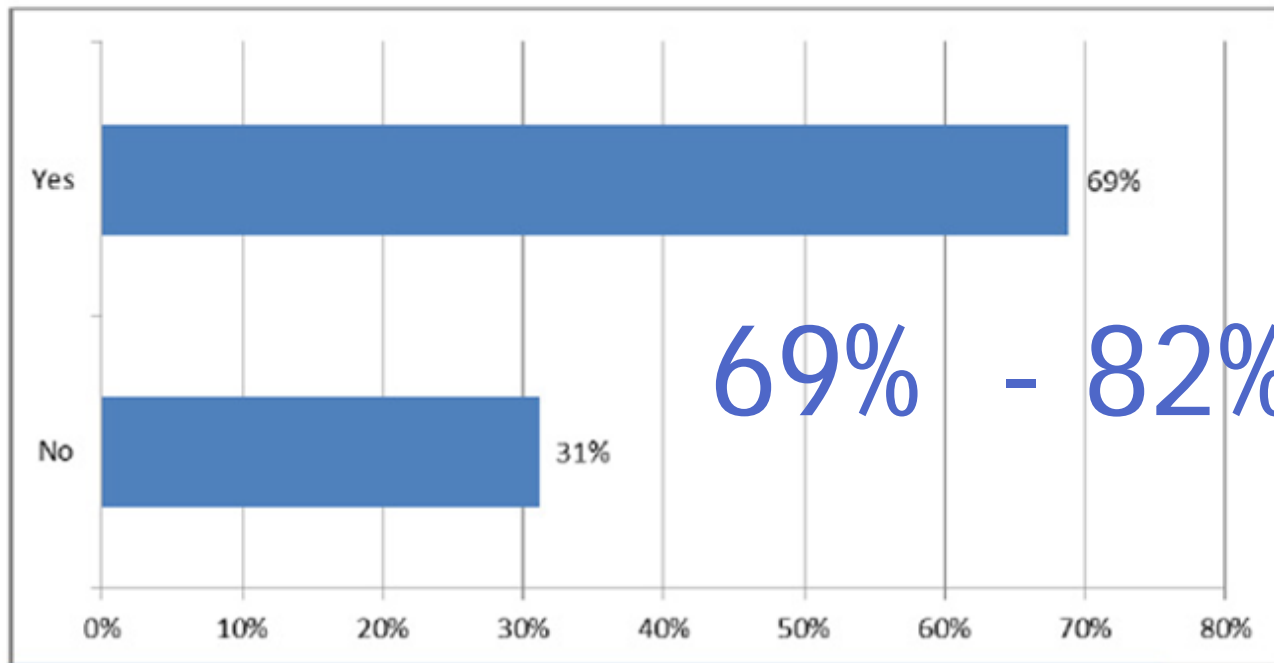


Figure 17. Review of bank internal criteria and guidelines

KYC - impact on trade finance business !

KYC “know your customer” principles impact on trade finance business

From our on-going global trade finance surveys it is now becoming clear that KYC issues are coming to the fore as substantive issues which on occasion impede or in fact result in trade deals not being done.

With 66% of respondents reporting that KYC to some extent or to a large extent negatively affects trade finance business this means that this is now a hot topic for discussion among the stakeholders involved in supporting international trade and finance.

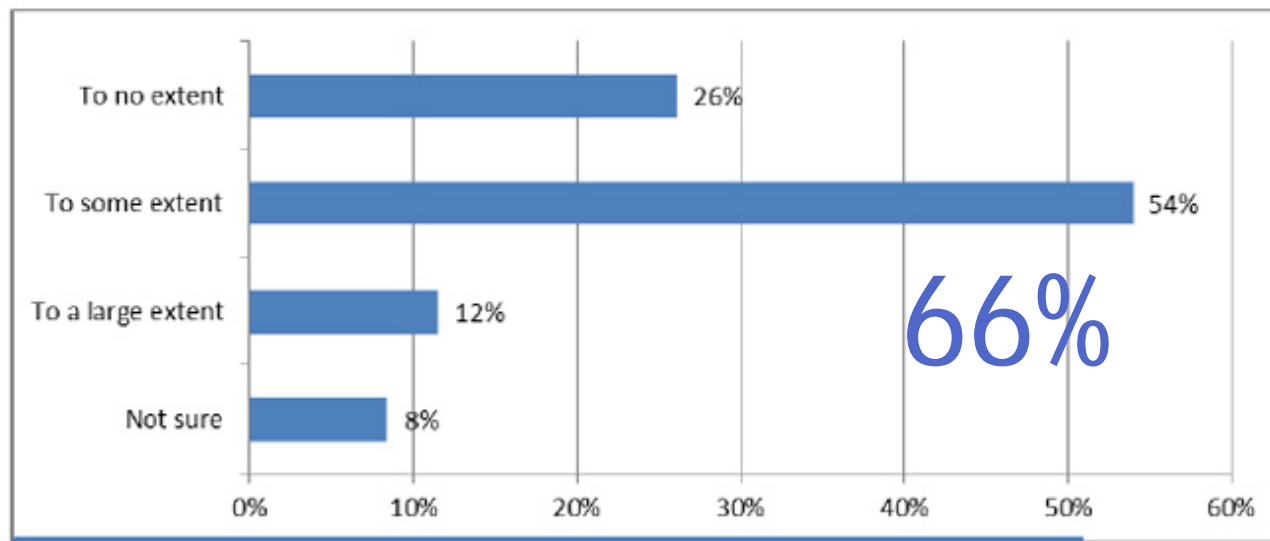


Figure 18. KYC “know your customer” principles impact on trade finance



Compliance challenges

□ 51% reported that Sanctions Compliance restricted trade finance operations in 2012 to a greater extent than in previous years.

□ 57% of respondents reported that in their view Basel III will impact negatively or very negatively on their trade finance business

- Consequences identified in order of priority were
- increased fees charged to customers,
 - reduced international trade activity and
 - banks withdrawing from the trade finance market.

Trade Credit Losses lower or much lower than conventional lending !

Losses in traditional trade products versus general banking facilities

The low loss level of trade finance products has been consistently documented in the ICC's global trade finance survey and this year's survey remains consistent with that theme:

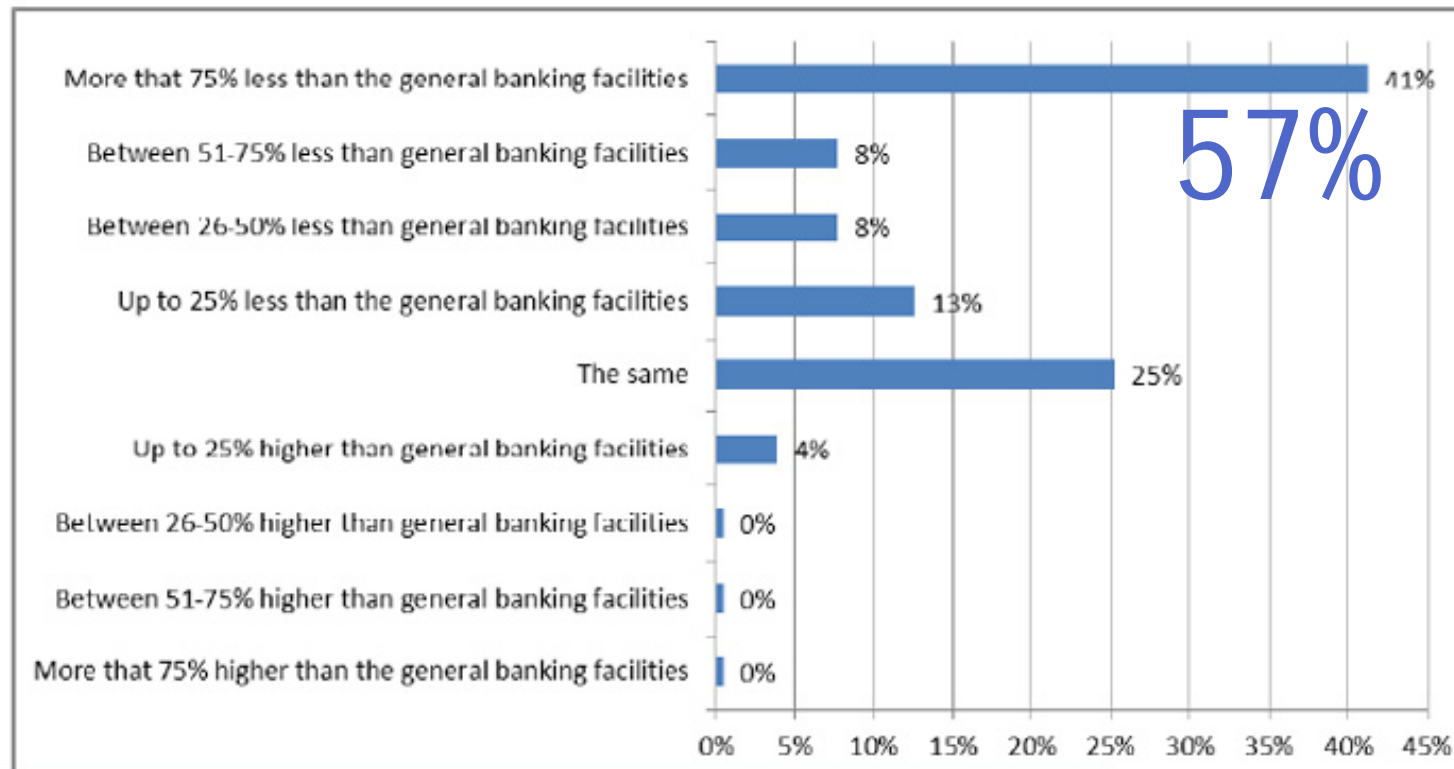


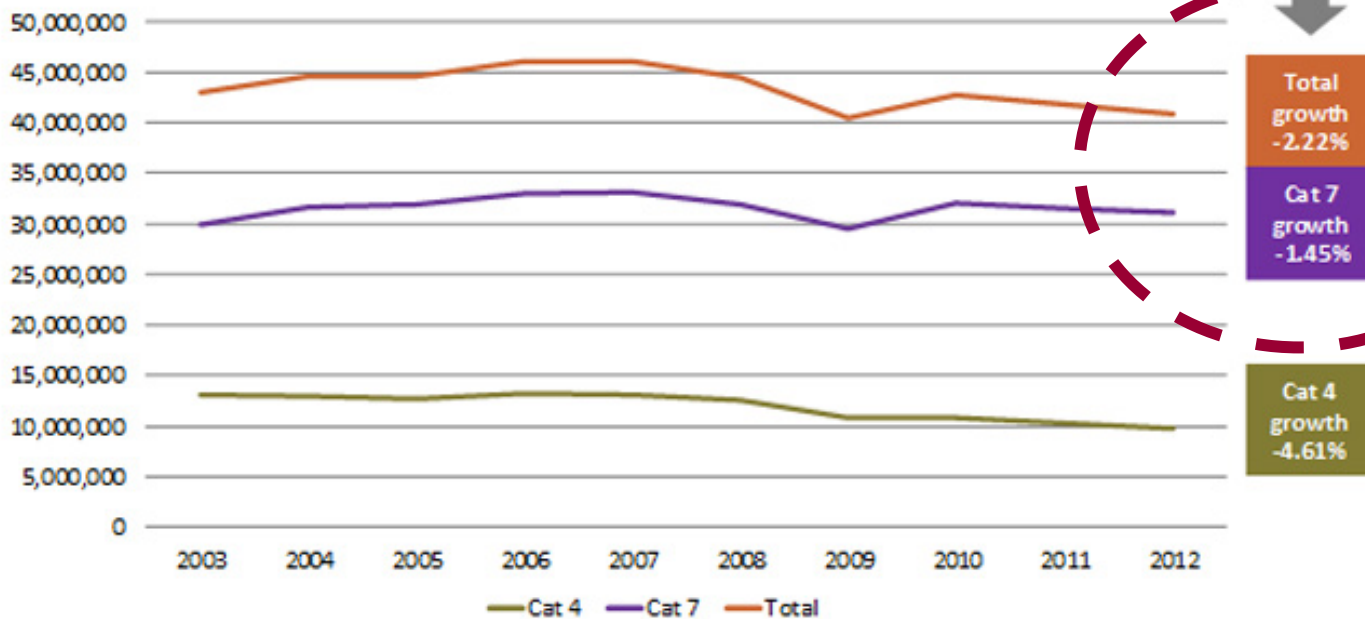
Figure 19. Losses in traditional trade products versus general banking



SWIFT TRADE MESSAGING DOWN 2.25%

The year 2012 shows an overall decrease in trade traffic by 2.22%

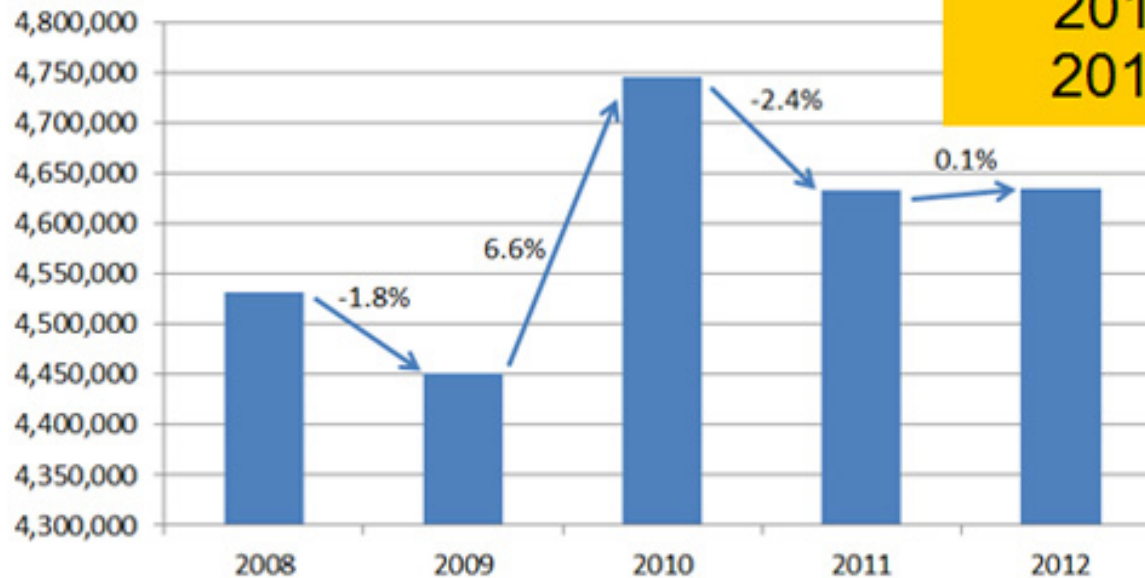
SWIFT trade traffic worldwide in number of messages, 2003 - 2012



Extract your own statistics with the SWIFT product: Watch
Find more on: http://www.swift.com/business_intelligence/our_solution

MT 700 - ISSUANCE SLIGHTLY UP

**Volume of MT 700
2008 - 2012**



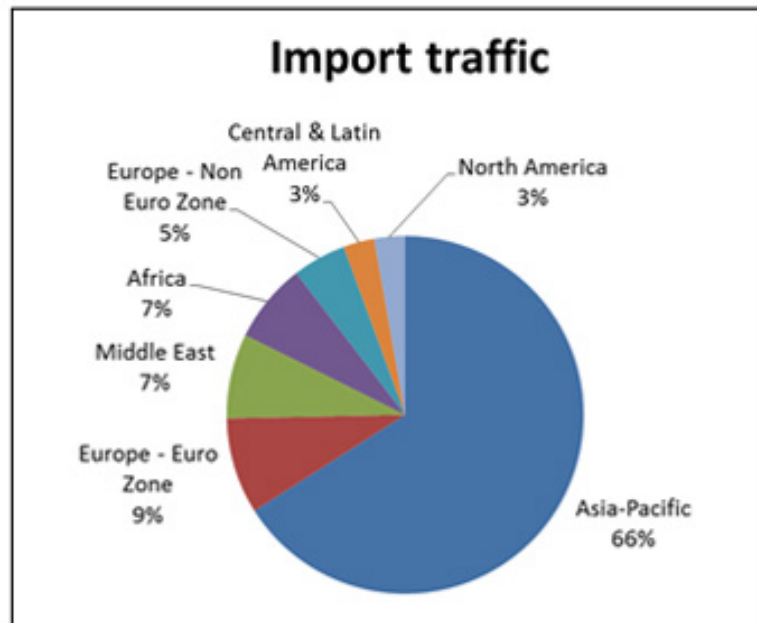
Number of MT 700
2011: 4,631,906
2012: 4,634,608



Extract your own statistics with the SWIFT product: Watch
Find more on: http://www.swift.com/business_intelligence/our_solution

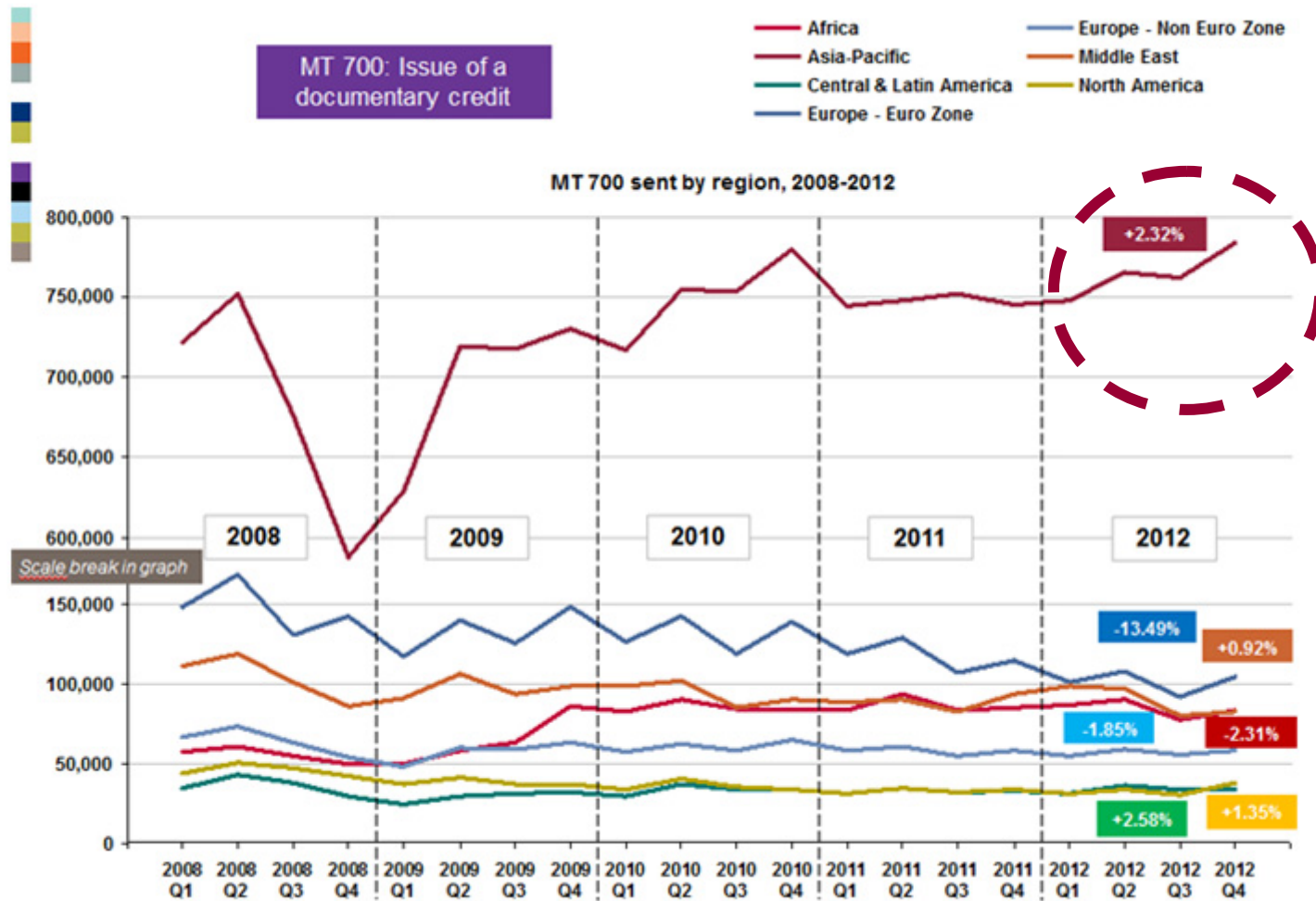
2012 - Asia Pacific 66% of Import Trade World Traffic

SWIFT Regional Analysis – Import



Asia-Pacific continues to register far greater volume for sent (import) MT 700 with 66% of the world traffic in 2012. It is followed by Europe – Eurozone (9%) and Middle East (7%).

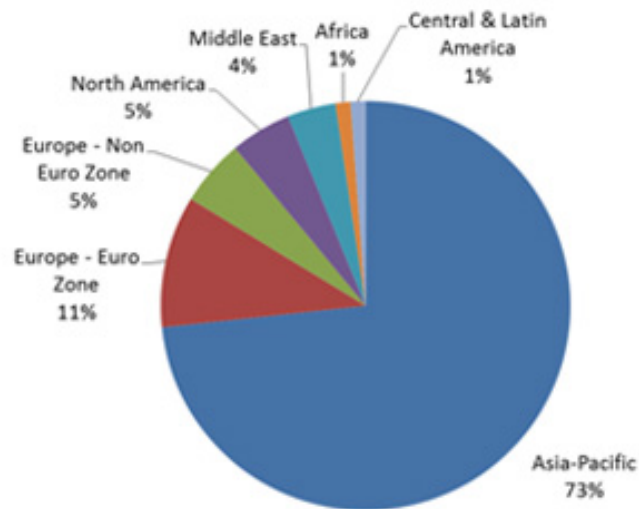
2012 - Asia Pacific up 2.32%



2012 - Asia Pacific 76% of Export Trade World Traffic

SWIFT regional analysis – Export

Export traffic



Asia-Pacific continues to register far greater volume for received (export) MT 700 with 76% of the world traffic in 2012. Followed by Europe – Euro Zone (11%) and Europe – Non Euro Zone (5.5%).

the countries with the highest growth in 2011 compared to 2010 were:

Bangladesh: 42%

Bahrain: 22%

Qatar: 22%

Russia: 20%

Venezuela: 16%

Nepal: 13%

Ethiopia: 11%



The countries with the highest decrease in 2011 compared to 2010 were:

-Sri Lanka: -28%

Italy: -19%

Netherlands: -15%

Spain: -15%

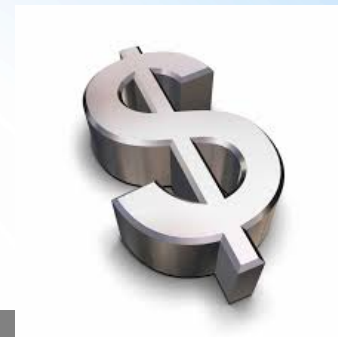
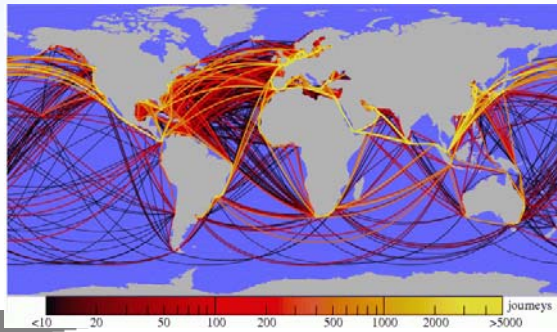
Germany: -12%

Nigeria: -12%

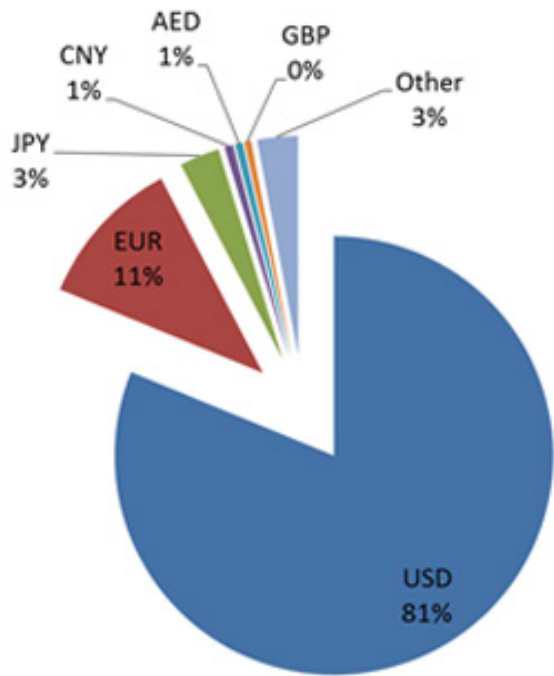
Lebanon: -11%

Turkey: -10%

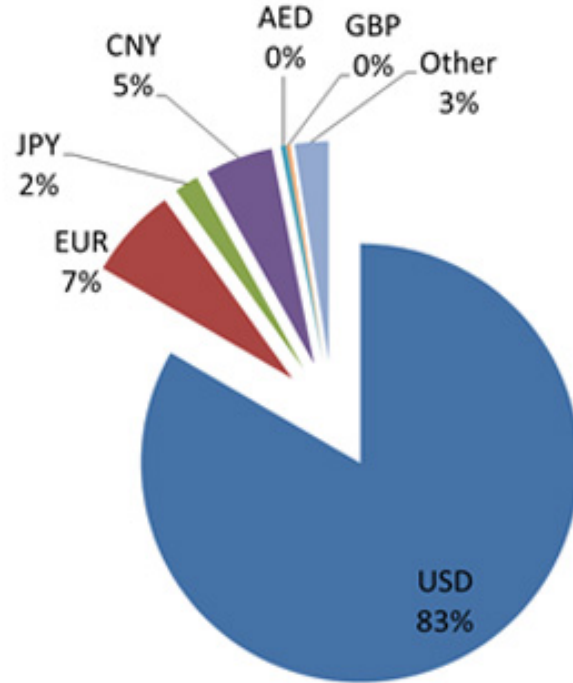




Volume of L/C (MT 700)



**Amount of the L/Cs (MT 700)
(converted to USD)**



2012 - Multilateral Development Bank

	EBRD	IFC	IDB	ADB
Program Title	TFP	GTFP	TFFP	TFP
Number of Countries of Operation	20	94	21	18 (soon to be 19 with expansion to Myanmar)
Program Commencement	1999	2005	2005	2004
Number of Transactions since Commencement (year end 31 December 2012)	13,504	25,000	1,079	6,295
Value of Transactions since Commencement	EUR 8.8billion	USD 21.8 billion	USD\$2.62 billion	USD\$12.6 billion
Number of Confirming Banks	800	1,050	224	120
Claims to Date	2	zero	zero	zero
	No losses			
Website	ebrd.com/tfp	www.ifc.org/gtfp	www.iadb.org/	www.adb.org/tfp

2012 - 1.4 % increase to USD 17 Trillion

Berne Union members history 2012

Short-Term Export Credit Insurance								
in million USD	2005	2006	2007	2008	2009	2010	2011	2012
New business covered	843,719	975,262	1,126,721	1,296,878	1,122,608	1,257,911	1,495,344	1,529,864
Claims paid	702	783	1,007	1,128	2,418	1,508	1,323	2,093

Medium Long Term Export Credit Insurance								
in million USD	2005	2006	2007	2008	2009	2010	2011	2012
New business covered	104,241	126,891	142,120	153,591	190,589	173,393	191,195	180,636
- of which insurance	100,433	119,321	132,522	142,225	164,038	161,529	177,005	157,238
- of which lending	3,808	7,570	9,599	11,366	26,552	11,864	14,190	23,397
Claims paid	2,115	1,913	1,245	1,128	3,004	1,836	2,457	2,608





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Thank you for you most valuable time!