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Observations on International Trade Finance: Seizing a Moment to Make a Difference

By

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Observations on International Trade Finance:

Seizing a Moment to Make a Difference

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From the Report on GCF 2010

*“There is a clear need to ensure that commodities markets are more effective in serving the **interests of the real economy**, and that financial market speculators do not, **through excessive influx or unwinding of liquidity** in commodity futures markets, disturb the performance of commodity producers, consumers and intermediaries.”*

*“**Solutions must be found** to ensure that the prevailing terms of trade between countries are balanced and that **regulatory interventions are optimized**, with a view to protect the most vulnerable stakeholders **without providing an impediment to trade.**”*

*“The GCF will target problems and **issues in a multi-stakeholder context**, by convening a series of annual meetings **to address the perennial issues afflicting** the global commodities economy.”*

*“The aim is to find recommendations for an **appropriate market and regulatory policy mix** to deal with a gamut of commodity-related problems...”*

*It was suggested that access to commodity finance, especially in CDDCs, had been impaired by a **lack of voice for commodities in international regulatory and other initiatives**, such as for example in the drafting and implementation of the Basel II rules.*

Three Simple Thoughts...

Trade Finance:

1. Unparalleled Profile and Visibility
2. Acknowledged Value & Impact, Globally
3. Transformational Dialogue

A Call to Action: Stakeholders must Seize the Moment to Make a Difference



Unparalleled Profile

UNDERSTAND – be able to articulate
Your value internally and to clients

COMMUNICATE – actively seek
opportunities to tell the story

VALUE:

CHAMPION – promote the
contributions of trade
& supply chain finance

LEVERAGE – Dialogue with
BIS, Governments &
Regulators

*A World of
Commodities,
A World of Trade
Finance!*



*Informed treatment
of trade finance is of
critical importance*

Unparalleled Profile: Now What?

- ✓ Keep trade finance at the forefront of the value it creates and sustains
 - ✓ Communicate the unique nature of trade and commodity finance

- ✓ Tell the story of the capital efficiency of trade finance relative to other lines of business

The Moment is NOW to Champion Trade Finance

Acknowledged Value & Impact, Globally

As the VALUE of Trade Finance is acknowledged, its ability to generate positive impact increases...

- Finance becomes Political Capital
- Beneficiaries of Trade Finance must also voice its benefits
- Trade Finance is fundamental to commodity trade AND to international development



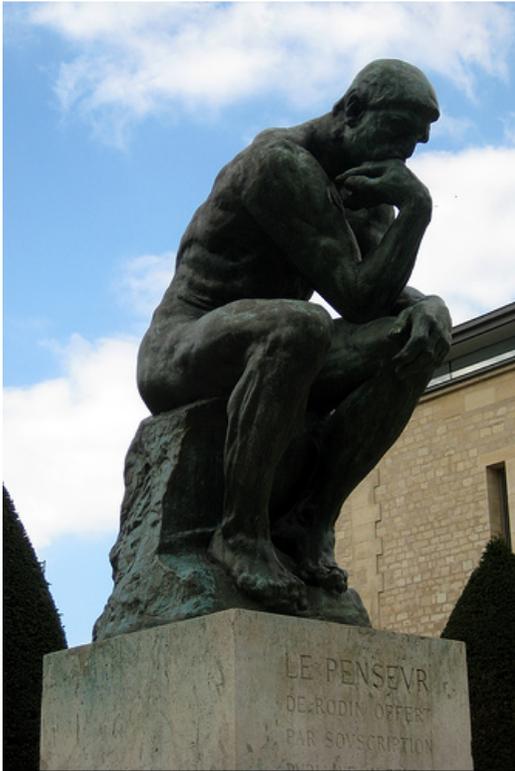


*Profile and value
must lead to
ACTION!*

Value to Impact: A Way Forward

- ✓ Trade finance acknowledged at the highest levels, as critical to trade and to global recovery
 - ✓ Commodity trade flows will become increasingly strategic, even as we express concern about the “Resource Curse” for developing economies
- ✓ Trade finance enables critical commodity trade flows, through balance sheet or asset-based structures, BUT, the favourable risk profile must be communicated and championed

Maximize positive impact on commodity trade & development



Le Penseur de Rodin

Chart a thoughtful way forward in commodity trade finance

Transformational Dialogue

1

sibos 2010
Amsterdam
25 - 29 October 2010
The Sibos "Microcosm" on Basel II

2

Coming into the Light: The Revitalization of Trade Finance
Author: Susan Feinberg
Date: 10/2010

Trade Finance Services: Current Environment & Recommendations: Wave 3
Sponsored by The International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) through the International Finance Corporation (IFC) and the Inter-American Development Bank (IDB).
BAFT-IFSA
April 2010

An ICC Banking Commission Market Intelligence Report
Global Survey
Rethinking Trade Finance 2010
ICC

A Survey Among Banks Assessing the Current Trade Finance Environment
Sponsored by The International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) through the International Finance Corporation (IFC) and the Inter-American Development Bank (IDB).
BAFT-IFSA
April 2010

The Dialogue Evolves...

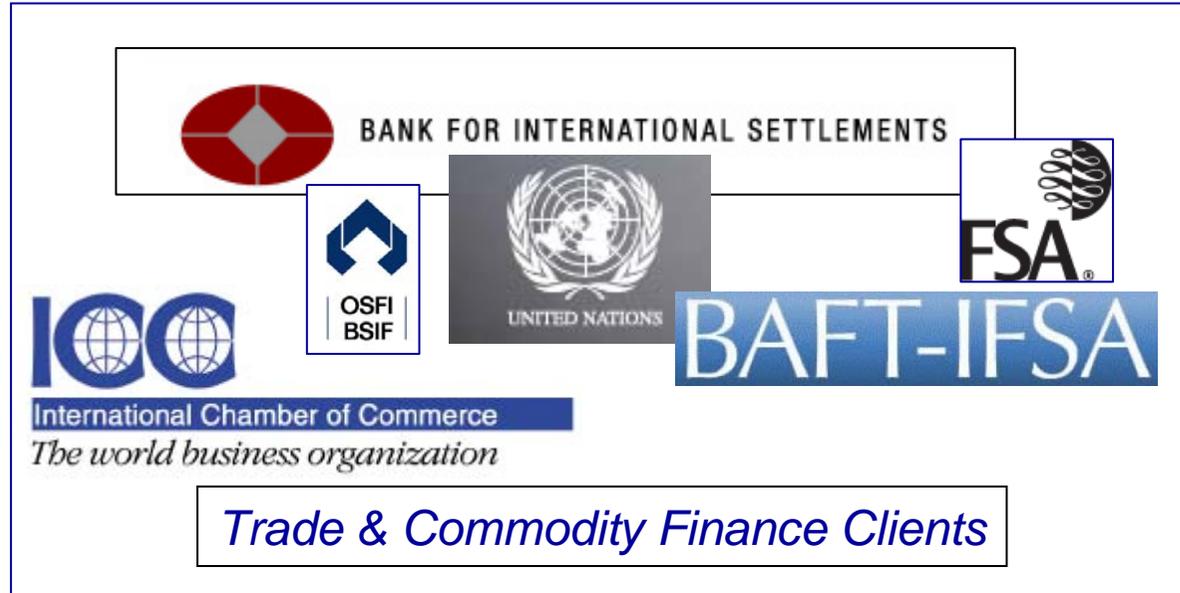
3

Commercial/Development Implications

Dialogue is a step forward; The endgame is the important factor



Transformational Dialogue



*Momentum to
constructive dialogue
MUST continue*

- ✓ Regulation and capital adequacy are critical aspects of financial sector stewardship.
- ✓ The Regulator/Industry dialogue is evolving, BUT...
- ✓ Business and end-clients need to weigh in to motivate a more collaborative dynamic; dialogue with national Regulators also critical

Dialogue must be inclusive and solution-oriented



*Decide your position
or the market will
decide for you*

So, What?



- Competition for capital is intense
- Capital efficiency is a competitive advantage
- Increased capital allocation to trade finance allows greater support for trade
- This links directly to support for commodity trade, and international development

Basel II & III have DIRECT implications for trade/development.



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Thank You.

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