

Global Commodities Forum

31 January - 1 February 2011

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

By

**Mr. Alexander R. Malaket, President, OPUS Advisory
Services International Inc., Toronto**

**GLOBAL
COMMODITIES
FORUM**

Palais des Nations, Geneva
31 January - 1 February 2011
E-Building, Geneva, Switzerland



"The views expressed are those of the author and do not necessarily reflect the views of
UNCTAD"



Advisory Services
International Inc.



Observations on International Trade Finance:

Seizing a Moment to Make a Difference

Geneva, Switzerland, January 2011

Alexander R. Malaket, CITP, President
OPUS Advisory Services International Inc.



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

The Sibos "Microcosm" on Basel II

2

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



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

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

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



Advisory Services
International Inc.

Thank You.

Alexander R. Malaket, CITP, President

OPUS Advisory Services International Inc.

ar.malaket@opus-advisory.com

Mobile: +1 647 680-6787

www.opus-advisory.com

www.opus-seminars.com

OPUS Trade Finance Blog:

<http://opusadvisory.wordpress.com/>

**GLOBAL
COMMODITIES
FORUM**