

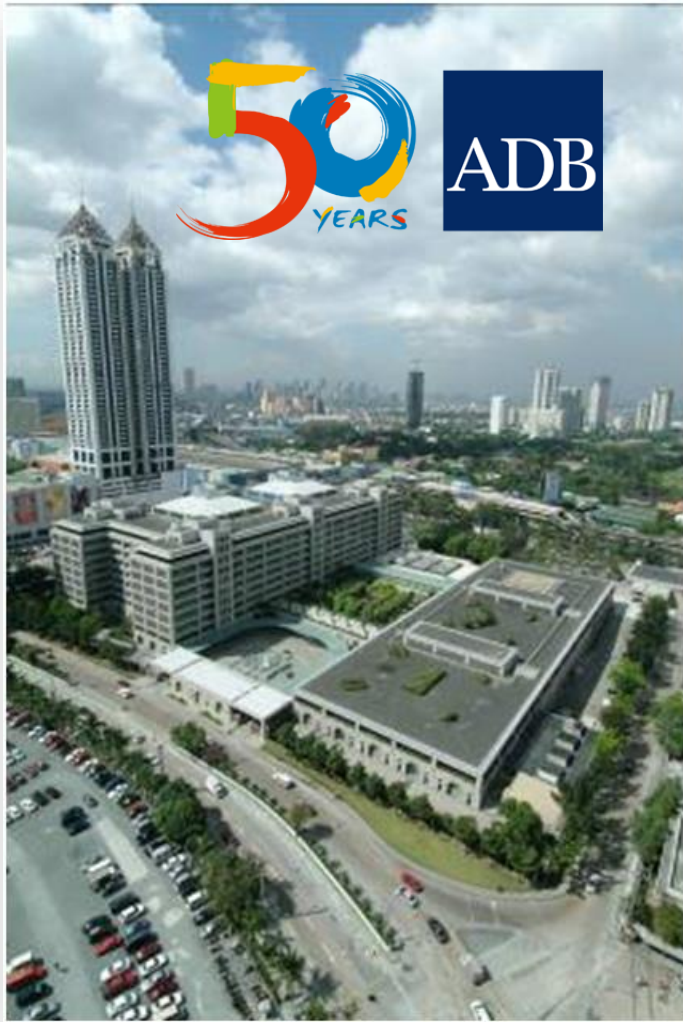


Trade Finance Program

Can Sutken
Investment Specialist
Asian Development Bank

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About the Asian Development Bank



- ▶ **Founded in 1966**
- ▶ **AAA-rated** multilateral development bank
- ▶ **Products:** loans, guarantees, equity, policy advice, and technical assistance
- ▶ **Vision:** Asia and Pacific region free of poverty

UN recognizes trade finance as an “essential tool” in achieving the SDGs



ADB Trade Finance Gaps Study (2017)

- **\$1.5 trillion** global trade finance gap
- **40%** in Asia and the Pacific
- **74%** of rejected trade finance transactions come from SMEs and midcap firms.
- **10%** more Trade Finance → **1%** more jobs

What is the Trade Finance Program (TFP)?

TFP **provides guarantees and loans to banks** to support trade:



Works with over 240 banks



Takes bank risk only

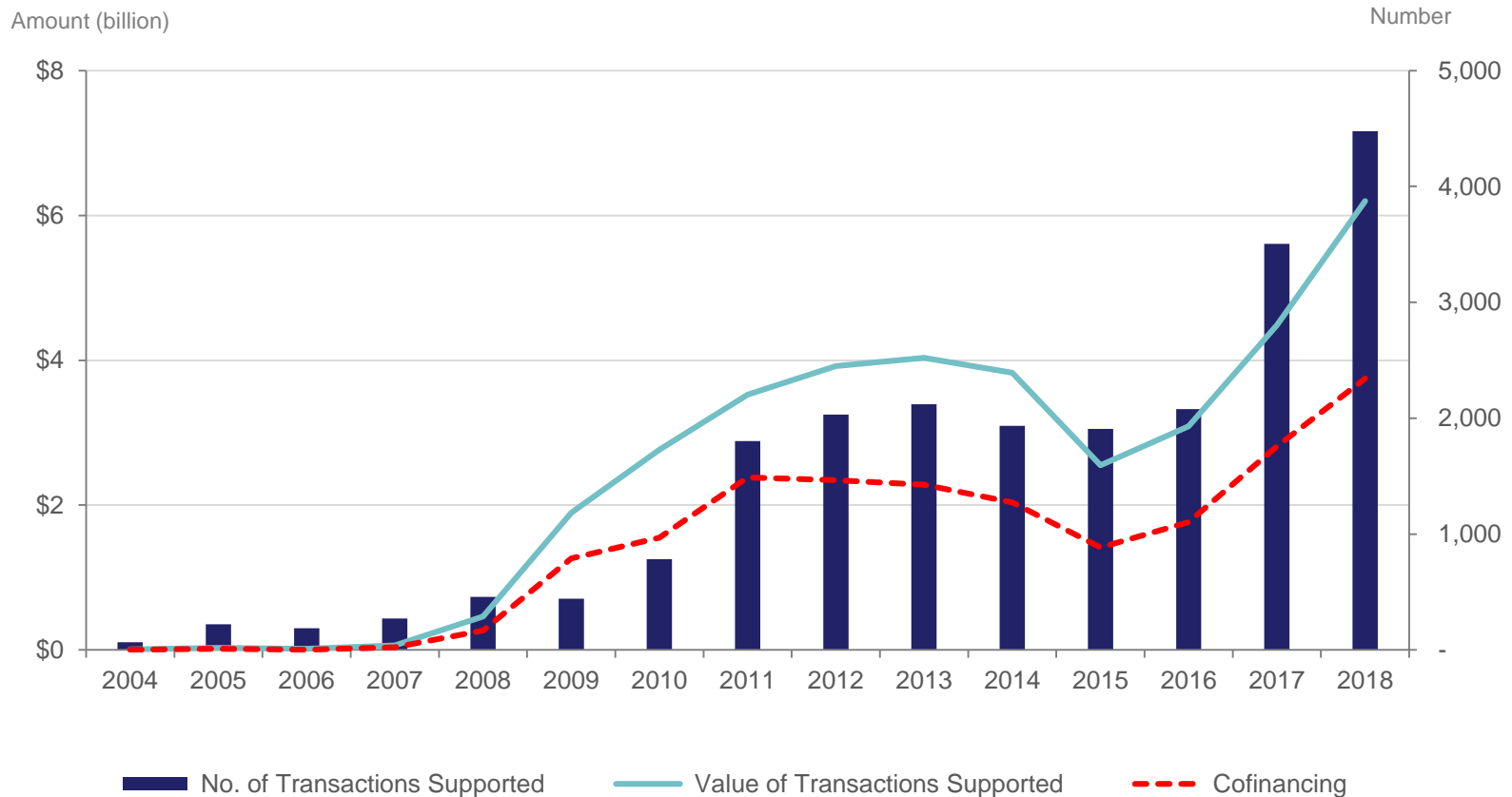


Fills market gaps → growth, jobs



Deepens private sector involvement

TFP Portfolio (2004 to 2018)



2018 vs. 2017

- 38% increase in value transactions supported
- 33% increase in cofinancing
- 28% increase in no. of transactions supported

TFP in 2018

Transactions supported (US\$)

\$6.20 billion

2009-2017
\$30.09 billion

Cofinancing

\$3.75 billion

2009-2017
\$17.85 billion

Number of transactions

4,476

2009-2017
16,607

SMEs supported

3,475

2009-2017
12,213

Number of partner banks

240+

Six most active of 22 TFP countries

Armenia, Bangladesh, Mongolia, Pakistan, Sri Lanka, Viet Nam



How does TFP provide the support?

Main products:

1

Credit Guarantee

ADB issues a guarantee to cover risk of non-payment by a bank

2

Revolving Credit Facility

ADB provides direct loan to the local bank

3

Risk Participation Agreement

4

Funded Risk Participation Agreement

TFP's Portfolio per Product

Credit Guarantee

22.04 B

14,742
Transactions

Revolving Credit Facility

681.M

2,396
Transactions

Risk Participation Agreement

14 B

5,046
Transactions

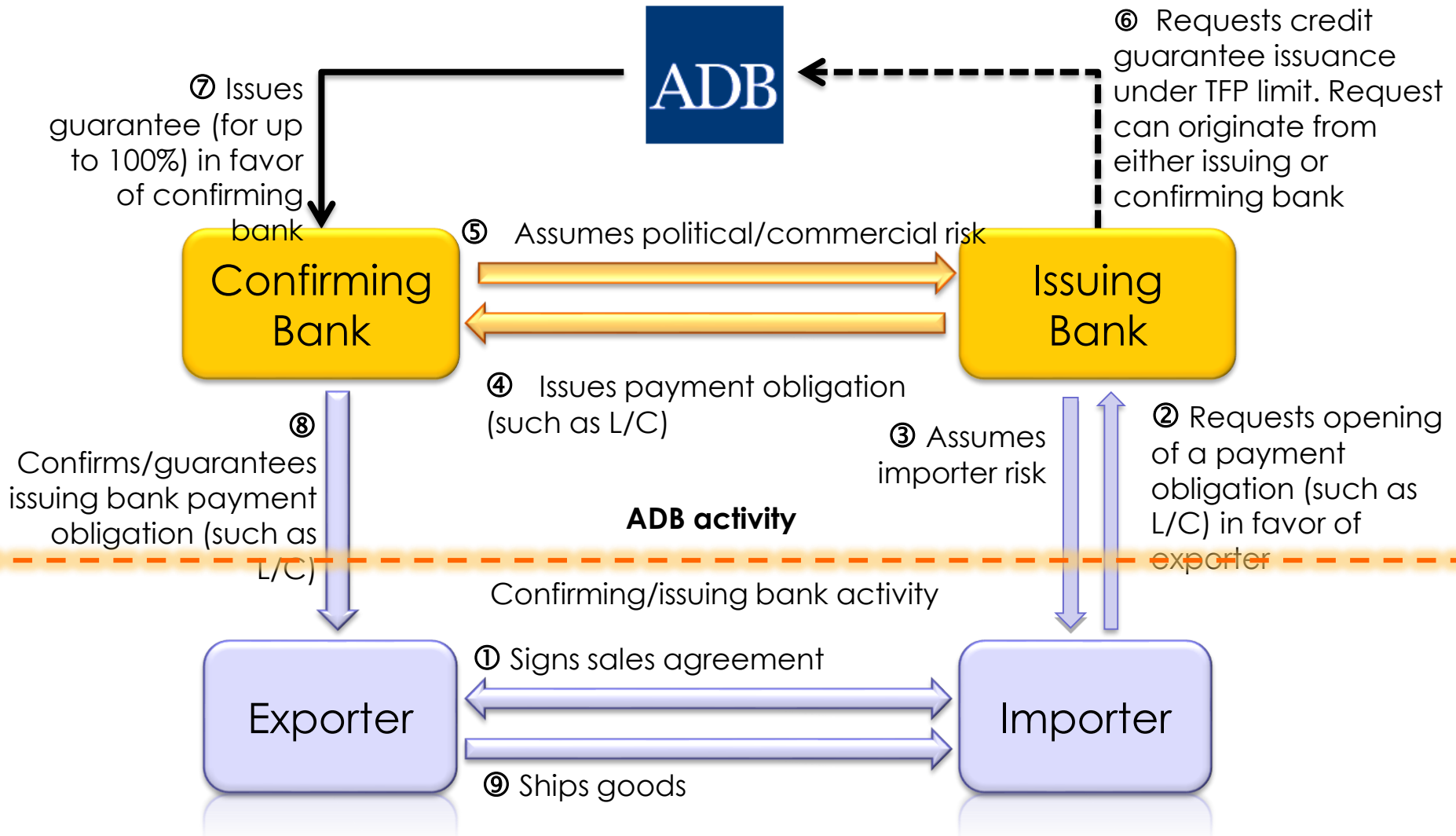
Funded Risk Participation Agreement

146.7 M

106
Transactions

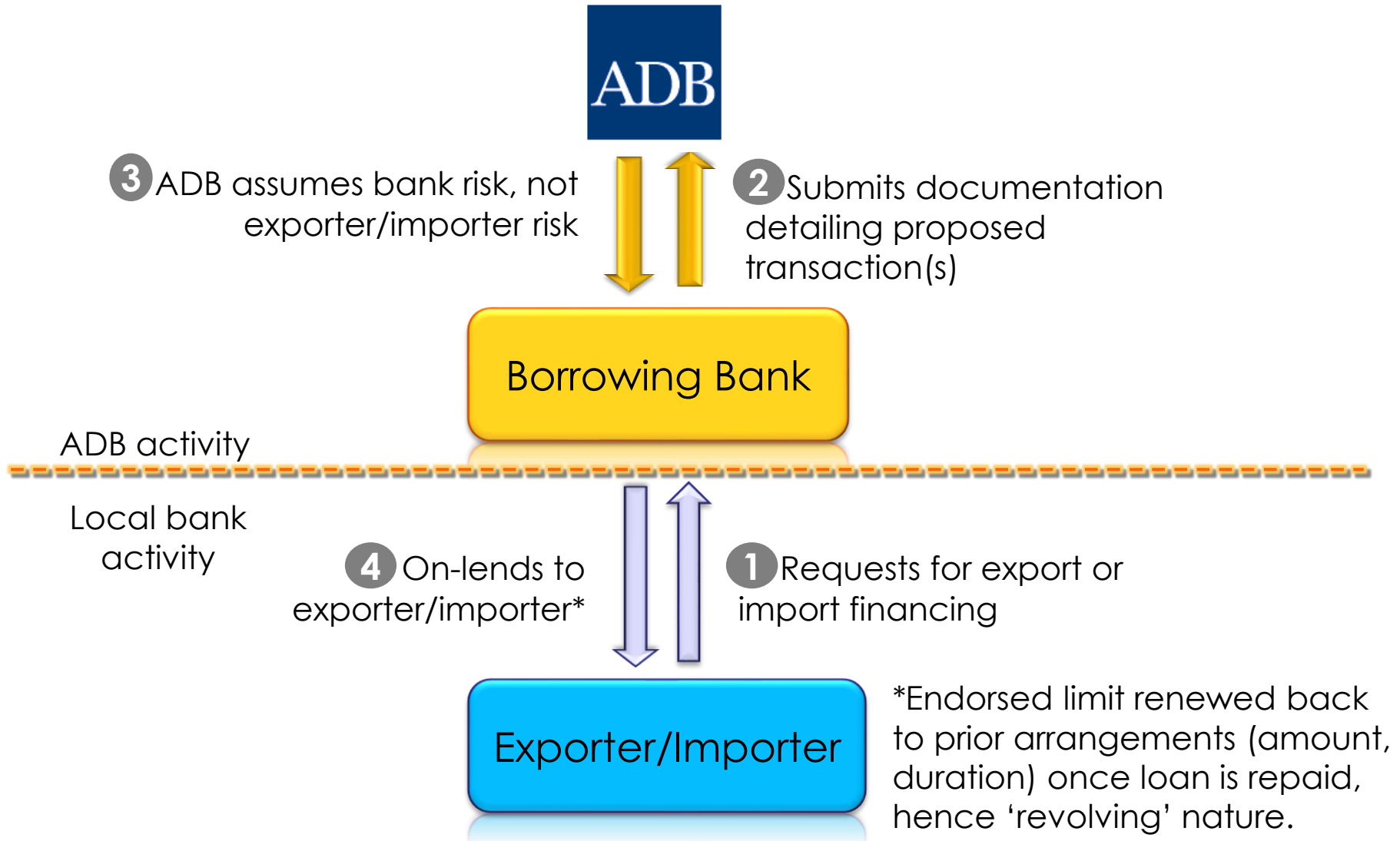
Credit Guarantee (CG)

ADB provides guarantees in 24-48 hours to confirming banks for up to 100% of payment risk.



Revolving Credit Facility (RCF)

ADB provides import and export financing through local banks.



Pricing: Guarantee (CG) & Credit (RCF)



1

Market-based, but competitive pricing

2

Pricing information obtained from market participants

3

Varies according to transaction details (e.g. tenor)

Benefits of TFP

▶ To Customers/ Businesses:

- Increases trade capacity allowing more trade to flow
- Facilitates importer and exporter entry into new markets
- Helps build new trading networks

Benefits of TFP

▶ To Issuing Banks:

- New relationships with correspondent banks
- Increases credit lines and/or reduces cash collateral requirements
- Boosts non-interest (fee) income
- Provides critical support in times of crisis
- Provides feedback following each annual review that helps set benchmarks for improvement

Benefits of TFP

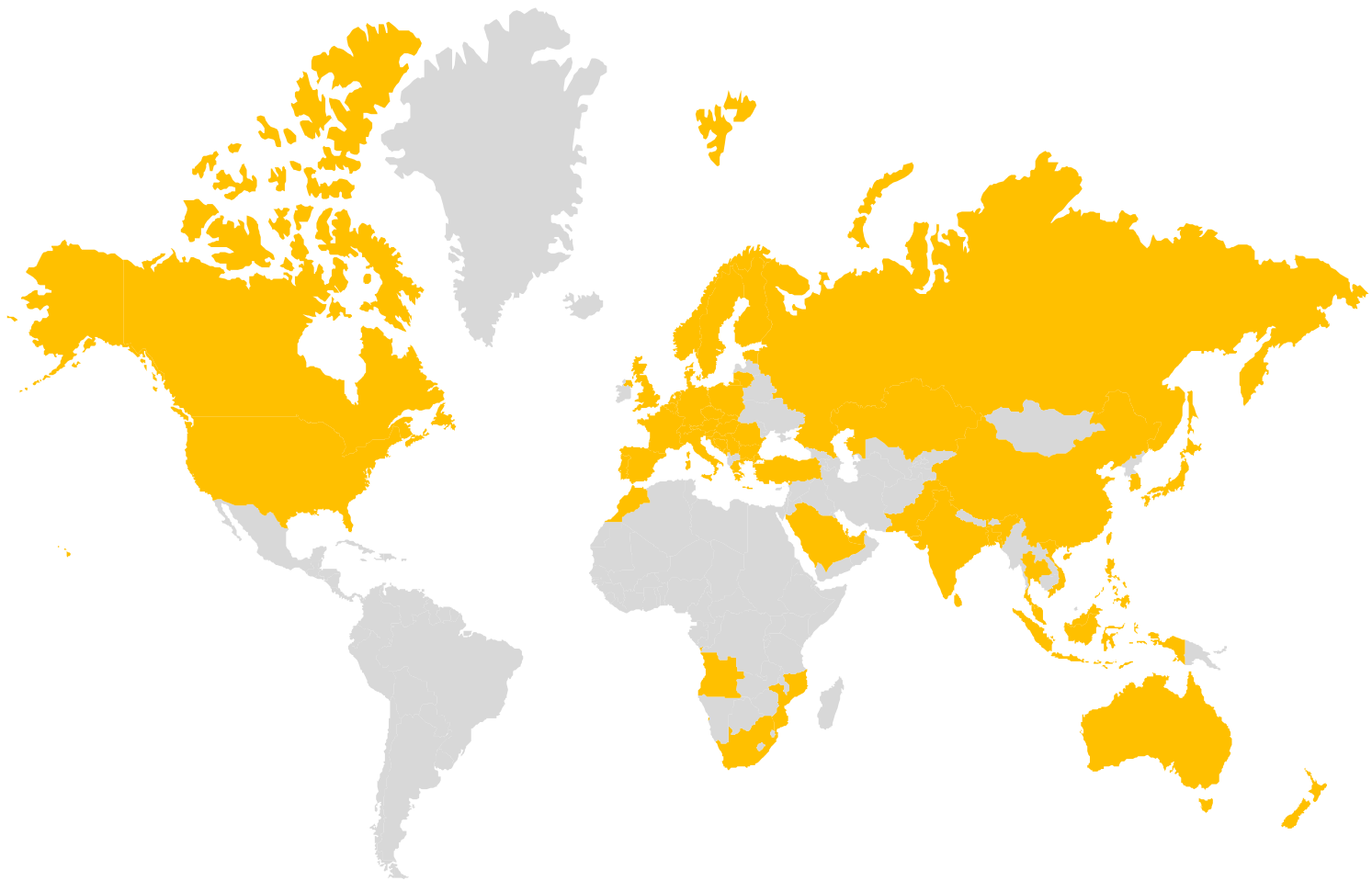
▶ To International Banks:

- Direct payment from ADB if the local bank does not pay
- AAA rating and rigorous due diligence gives confidence
- Builds correspondent banking relationships and credit lines that might not otherwise exist

Other benefits

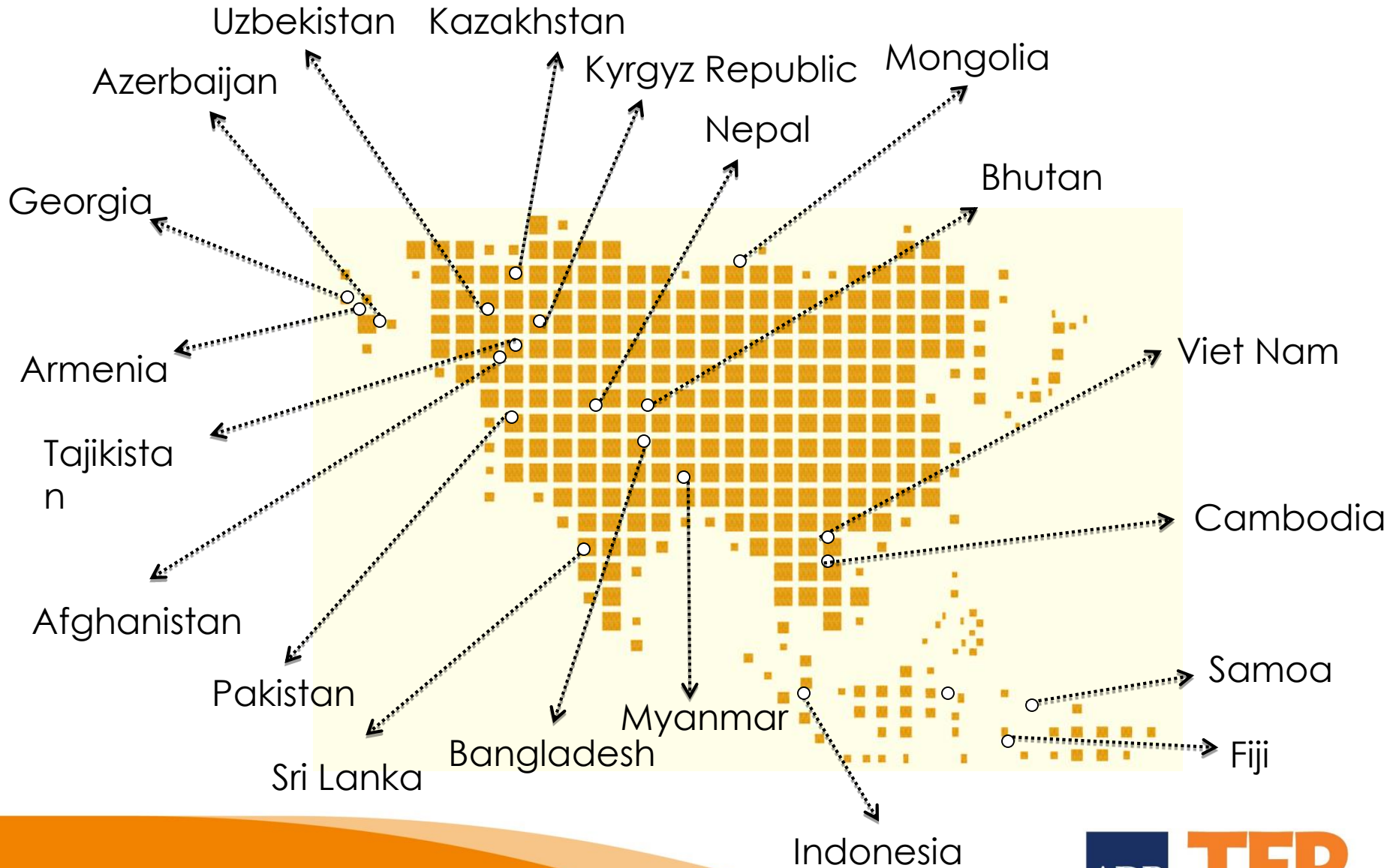
- Risk sharing creates more trade capacity and allows more trade to flow pulling in the private sector
 - Insurance firms and development partners
- TFP provides training for bank staff and government officials increases expertise and future business potential.
 - Trade finance training
 - Seminars on banking sector

150+ Confirming Banks in 98 countries



*Full list of partner banks at www.adb.org/ffp

80+ Developing Country Banks in 21 Countries



Online Courses and Certifications on Trade Finance



- The initial phase benefitted over 85 bank staff from 40 TFP partner banks.

- In Feb 2017, TFP partnered with International Chamber of Commerce (ICC) Academy and launched its online training courses and accreditation programs:
 - ✓ Global Trade Certificate (GTC)
 - ✓ Certified Trade Finance Professional (CTFP)



Regulatory Scorecard

TFP launched the Scorecard during the GTR Asia Trade & Treasury Week 2018

Key Points:

- ✓ Preventing criminals and terrorists from using the global financial system critically important;
- ✓ Implementing global regulation across jurisdictions with multiple stakeholders is a challenge, which can have unintended negative consequences;

TRADE FINANCE SCORECARD REGULATION AND MARKET FEEDBACK

KEY POINTS

- Preventing criminals and terrorists from using the global financial system is critically important.
- Implementing global regulation across jurisdictions with multiple stakeholders is a challenge, which can have unintended negative consequences.
- The 2017 Trade Finance Gaps, Growth, and Jobs Study of the Asian Development Bank identified unintended consequences from anti-money laundering and combating the financing of terrorism (AML/CFT) regulation as an important contributor to global market gaps for small and medium-sized enterprises financing, including in developing countries.
- The Trade Finance Scorecard: Regulation and Market Regulation is the start of a work in progress. It offers three unique features complementary to other efforts to address unintended consequences:
 - Rather than rating entities associated with creating and implementing AML/CFT regulation implemented from

Steven Beck
Head, Trade and Supply Chain Finance
Asian Development Bank

Alexander R. Malaket
President
OPUS Advisory Services International Inc.

OBJECTIVES

The need for robust regulation on international banking and financial flows is clear. Access to correspondent banking and trade financing is particularly important for developing markets that depend on trade to create economic value and to drive inclusion.

Certain parts of the current regulation, and its interpretation and implementation, are reported to result in adverse unintended consequences on the financing of international trade. Some of these consequences negatively impact cross-border remittance flows, which are equally critical to developing markets.

Some regulatory and perceived compliance requirements

Promoting Women in Banking



MAY 2018

ASIAN DEVELOPMENT BANK



- TFP assessed HR policies at 19 partner banks to identify practical & implementable HR enhancements that will attract, retain & promote women in banking
- 12 banks had implemented 25 of the TFP Gender Initiative's recommendations before the project's conclusion
- The publication was released for a broader range of FIs to enhance women's participation in banking

Building SCFP

ADB Board approved additional \$100 million headroom for SCFP and expanded scope. A strategic focus to build SCFP by leveraging TFP relationships



Market Recognition



**BEST DEVELOPMENT
BANK IN TRADE**



**BEST DEVELOPMENT
BANK IN TRADE**



2010-2013



**BEST DEVELOPMENT
BANK IN TRADE**



What's in Store in 2019 for TFP?

TFP/SCFP 2019 Priorities

1. Build Supply Chain Finance business by leveraging TFP relationships
2. Expand Funded Product Offering
3. Stronger support for transactions exceeding 360 days
4. Ambitious technology plans to improve client response & operational efficiency
5. More client support & training for anti-money laundering/counter terrorism financing, environmental & social safeguards



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Trade Finance Program

In the Spotlight



Supporting Trade in Asia and the Pacific

The world needs an estimated \$1 trillion to support the trade that grows economies and lowers poverty. ADB's Head of Trade Finance, Steven Beck, discusses strategies to fill that need.



ADB's Trade Finance Program (TFP) fills market gaps for trade finance by providing guarantees and loans to banks to support trade.

Backed by its AAA credit rating, ADB's TFP works with over 200 partner banks to provide companies with the financial support they need to engage in import and export activities in Asia's most challenging markets. With dedicated trade finance specialists and a response time of 24 hours, the TFP has established itself as a key player in the international trade community, providing fast, reliable, and responsive trade finance support to fill market gaps.

A substantial portion of TFP's portfolio supports small and medium-sized enterprises (SMEs), and many transactions occur either intra-regionally or between ADB's

TFP Participating
Issuing Banks
Updated 10 Oct 2018

TFP Participating
Confirming Banks
Updated 21 Oct 2018



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Thank You

