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ADB Trade Finance Workshop

Nadi Fiji

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Agenda

Benefits of Trade Finance

How to make Trade a low risk/high return business (Six “S”)

What are the 3 Critical components of Successful Trade Business

Developing a Strategic Plan, Defining Target Market/Customers and identifying requirements/resources to achieve success

What gets measured gets done putting right KPIs in place

Importance of Coaching

Minimum level of Product Knowledge

Various Types of LCs & their uses (Basic Commodities Case Study)

The Sales Opportunity created by risks

Positioning LCs as the preferred Payment Method & their unique

Benefits to customers

The Importance of Trade for Emerging Market Economies

**UN TRADE FINANCE
ESSENTIAL!**

**WHAT ARE THE BENEFITS OF
TRADE FINANCE TO BANKS?**

TRADE FINANCE BENEFITS

- **Low Risk/High Returns**
- **Fee Income**
- **Capital Efficient**
- **New Customers**
- **X sell Opportunities (existing clients)**
- **Build Stronger Customer Relationships**
- **Reduce Risk of **Fraud****
- **Early Warning Signals**

WHAT ARE THE CHARACTERISTICS OF TRADE THAT MAKE IT LOW RISK?

THE SIX 'S'

SIX "S" = Low Risk

- Security
- Short Term
- Self Liquidating
- Selective
- Size/Spread
- Specific

Use Them - Take full advantage of them

OVERDRAFT

- Higher Risk
- More Expensive
- Difficult to Monitor/Can become Hardcore
- No visibility over underlying transaction
- Used in Pacific to Finance Imports
 - Typically Payment in Advance
 - Negative Cash Flow
 - TTs Highly Susceptible to Fraud

SUGAR FRAUD

WHAT IS HOLDING BACK THE PACIFIC FROM USING MORE TRADE PRODUCTS?

CHALLENGES IN THE PACIFIC

ADB WORKSHOP FEBUARY 2017:

- Lack of Correspondent Banks/De-Risking
- Lack of Demand/Knowledge of benefits by Customers
- Lack of local Expertise in Banks/unable to sell/position product with customers

WHAT ARE THE 3 KEY COMPONENTS OF A SUCCESSFUL TRADE BUSINESS?

KEY COMPONENTS

- **Products & Infrastructure**
- **Strong Trade Operations**
- **Effective Sales Model**

**If you don't have all 3 in place
Your Trade Business will Fail.**

The 3 legged stool!

Developing a Trade Strategic Plan

- Identify Target Market/Customers
- Double Trade Revenues in 3 years?
- What needs to be in place?
 - Products
 - Resources
 - Credit Support
- Effective Sales Model in place
- Specialist Credit Programs eg Supplier Finance, Industry niche focus

Set appropriate KPIs

Key Performance Indicators

Activity	How to measure?	How Often?
Revenue		
Sales Pipeline		
Client Calling		
Asset Levels		
Transaction Volumes		
Deals Won		
Expenses/Net Income		
Speed of Deal Closure		
Average Deal Size		
Account Plans		
Deal of the Month!		

BREAK

Risks in International Trade

THE IMPORTANCE OF COACHING

Role of Manager/Coach

Coaching

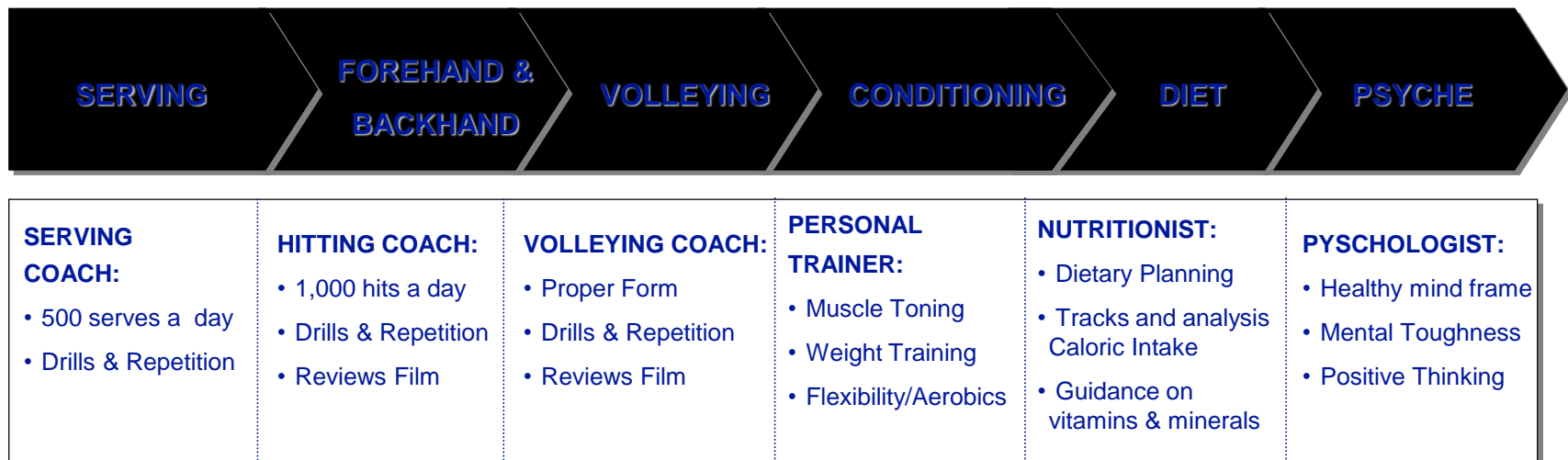
Learning from Successful Sporting Teams



An Example

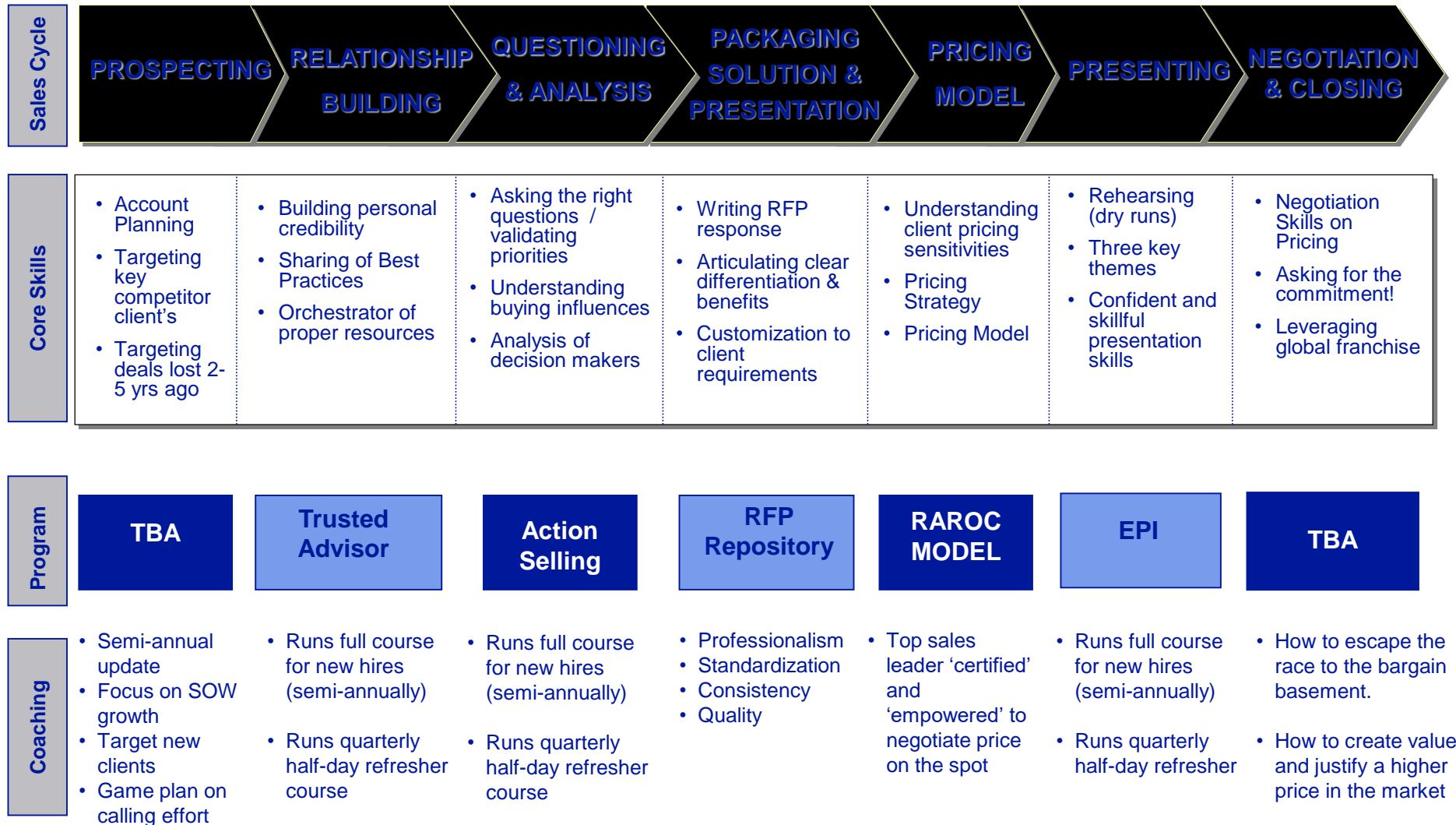


Coaching in Tennis



Specialized coaching in each discipline to be the best!

How does Coaching fit in the Sales Process?



The Value of Coaching!

- **Coaching is a key component of any world class organization**
- **A commitment to coaching will provide a competitive edge in developing people to be the best in every discipline and help attract/retain the best people**
- **A dynamic coaching culture will provide long term financial success**

Product Knowledge

Different Types of LCs & their most common uses

- Stand-by LC
- Red Clause LC
- Revolving LC
- Transferable LC
- Back to Back LC

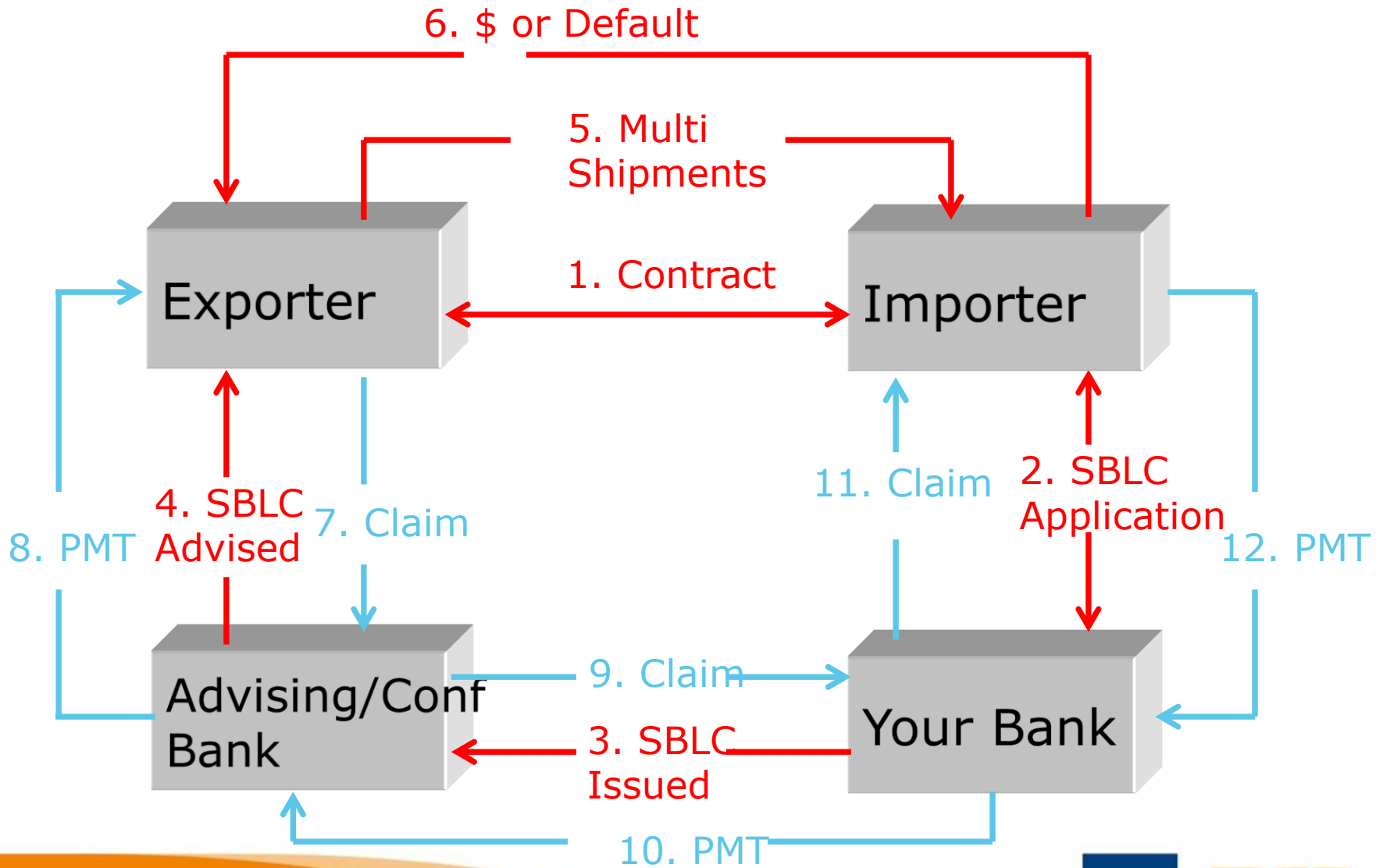
Minimum knowledge level

STANDBY LETTER OF CREDIT

Common uses of SBLCs:

- guarantee facilities
- bid/performance bonds
- support open account trading.

SBLC supporting open account trade



Trade Finance Product Knowledge. Adding value!

- Transport Documents (Security over Goods)
- Incoterms. Who is insuring the goods?
- With or Without Recourse Finance
- Generating positive cash flow
- Reducing Risks
- Reducing Costs

**Need to demonstrate
benefits to clients!**

Risks in International Trade

Basic Types of Risks

1. Country Risk
2. Industry Risk
3. Bank Risk
4. Risk of Fraud
5. Transportation Risk (Control of Goods)

**Helping Customers manage Risks creates
Sales Opportunities!**

Fraud

- **Email Hacking**
- Insurance Fraud, over-insured
- Scuttling
 - sinking of vessel by owner for insurance claims
- Charter Party Fraud. Large high value cargoes
- Documentary Fraud

Prevention of Trade Fraud

Some Mitigating Practices

- KYCustomer and his customer
- Use only reliable vendors
 - Shipping Companies, Freight Forwarders
 - Insurance Companies
- Use Pre-Shipment Inspections
 - reputable: SGS, Bureau Veritas
- Be aware of high risk businesses
 - Commodities with high price volatilities
- Maintain control of goods/avoid payment in advance
- Use secure communication channels

Why LCs are Best for the Customer

Incredibly flexible, can be used in so many different situations

Improves Cash Flow Management especially if Usance LC terms are used

Lower Borrowing Costs especially if borrowing in FCY

Reduces Risks especially Fraud

Opens Up New Markets when using LCs

A WIN/WIN SOLUTION!

Advantages of this Approach

High Visibility

Requires less Capital

Priced below Overdraft

Opportunity to borrow in FCY

As Sales Increase Facility Increases

More Disciplined Approach

Bank should have more Credit Appetite

For Customer more Working Capital/More Trade/

Grow Sales/More Profits

Reduces Risk of Fraud