



6 things we learned during the ITFA Emerging Leaders webinar on Covid-19

On April 30 the ITFA Emerging Leaders (EL) Committee presented its first webinar, titled [‘The Millennials’ Perspective on Covid-19’](#). Hosted by Duarte Pedreira of Crown Agents Bank, ITFA board member and head of ELs, and moderated by Pouya Jafari of Channel Capital Advisors, deputy chair of the EL Committee, the session gathered some of the finest minds in the emerging leaders community to share their thoughts on the current climate.

“Clearly this is an extremely difficult time for all of us: we’re worried about our loved ones, our jobs and the future. But part of the remedy is just to talk things through and realise we’re all in this together,” said Jafari during his opening comments. “It’s also important we learn as much as we can from this crisis, because we’re working hard to help make our organisations get through the crisis, but also because the lessons we take away from it will be invaluable in the future.”

Here’s what we learned during the discussion:

1. The trade finance gap is likely to widen

With governments across the globe issuing stay at home orders and shutting down borders in a desperate bid to stop the spread of coronavirus, experts are predicting the first global recession in over a decade. As a result of these protection measures, the International Monetary Fund (IMF) projects that the global economy will contract sharply by –3% in 2020, much worse than during the 2008/09 financial crisis.

“The 2020 crisis has been caused by different, completely external reasons as compared to 2008,” explained Pedreira at the start of the webinar.

Commercial lenders are eager to not repeat the mistakes of the past. “We’re seeing banks concerned about protecting their capital and their reputations and ensuring that – when it counts – they are able to pass their stress tests,” he said.

Pedreira explained that the trade finance gap is “poised to widen” as financiers – with no clear timeframe in mind for how long the impact will last – retrench from a business point of view.

Nevertheless, the “silver lining”, he said, is the potential new opportunity for alternative trade financiers, and fintech providers, who can be leaner and more agile in funding companies that are struggling to navigate the negative effects of Covid-19.

In terms of industry career prospects, Pedreira conceded that these too will be “tough for everyone”. “It could be something that affects an entire generation, but I hope not.”

“The good news is that trade must carry on, and for that there must be trade finance. So the asset class will certainly become ever more attractive for newcomers.”

2. Traditional institutions and fintech need to work together to drive solutions

The current environment has led to an acceleration of the digital transformation agenda for trade. “For traditional institutions and corporates, digitisation is no longer about innovation, it’s a fundamental business continuity matter of highest priority,” said Izabela Czepirska from fintech company Crowdzy in the section of the webinar that focused on the perspective of fintechs and startups.



Czepirska explained that because of this transformation, where the whole supply chain is being digitised, multiple offerings are likely to overlap as providers try to solve the same client pain point. As such, she noted that, from an industry perspective, it is preferable for traditional institutions and fintechs to come together and collaborate, rather than compete in a fragmented way. “We only have a finite amount of time and resources. We’re all aware that the market is saturated with solutions, so what we need to do now is focus on execution,” she urged.

Meanwhile, an inevitable shakeout is underway amongst fintech players. “Those fintechs that successfully navigate this crisis will have a very credible track record, and will be able to demonstrate this to investors going forward,” she added.

3. The implications from a legal perspective are significant

Much of what trade finance legal practitioners are dealing with in the current environment is helping clients get to grips with the terms of their documentation, as well as legal rules and concepts, explained Sam Fowler-Holmes, who works at international law firm Sullivan and delivered the webinar’s legal overview.

He described how a number of client discussions, “too many to list”, are taking place around the issue of force majeure. “Some of these discussions have come as a bit of a shock to our clients because, from an English Law perspective, force majeure is not a defined concept – it is something you can agree in a contract has a certain meaning and can have a particular consequence. Contrast that with Civil Law, where force majeure is often codified, and you can see that scope for tension between what people think certain things mean and how that might be interpreted whether looking at it from an English or Civil Law perspective,” Fowler-Holmes said. There are also the challenges associated with the fact that the current situation is so unprecedented that the interpretation of various rules is proving to be a real learning process for all parties.

“When entering into relationships with counterparties, it wasn’t on the horizon that something like this could ever happen, so working it into documentation would have seemed so unfeasible at the time. A lot of the questions we’re getting from clients at the moment is trying to figure out what they have actually agreed,” he said. “When we get through this, a key role we will play for our clients will be trying to assist them with things like that: ensuring there is a balance between certainty, so ‘this is what will happen if a, b or c happens’ and the fact that we need inherent flexibility because no deal or day is ever the same, but we have to be able to do business.”

When asked whether the legal framework is helping or hindering the ongoing digitalisation of trade, Fowler-Holmes noted that digital solutions such as electronic signatures have been recognised under English and EU Law for a number of years, but that there are limits to the law, which are currently “being tested”. For example, some instruments, like promissory notes and bills of exchange, are not recognised in digital form. “The legislation for promissory notes dates back to 1882. Obviously at the time they didn’t have in mind the current situation and therefore there are challenges using these without having physical documentation.”

“That being said, [there are initiatives to try and move things on](#). We’re trying to make digitalisation work with the rules and regulations we’ve got – the takeaway is that we can do business, we can make it work, but it requires communication,” he added.

4. The impact on business is being felt across the industry

The webinar profiled the effects of the virus on a range of different sectors integral to trade and trade finance. Charles Mangin of Crown Agent Bank provided an overview of the impact of the pandemic on global foreign exchange markets – predominantly emerging markets – outlining the implications of three key issues, namely an increase in volatility, the problem with liquidity, and the settlement process, which, he said, had been “the most challenging” with countries around the world shutting down on a daily basis. He went on to highlight how



his team dealt with those challenges, and the importance of effective internal and external communication in times of crisis.

Tackling the corporate perspective, Vikrant Yadav, who works for a large commercial bank, outlined the various measures that have been taken by governments and regulators, as well as the impact that banks are seeing in terms of their customers' operations and cashflows. He explained that for most corporates, all the plans that they started the year with have since been shelved, and that they are focused only on the "essentials". "There's also a lot of focus on operations and technology. Companies are putting strategies in place where they can survive, respond, recover and reform to go further in the future," Yadav said.

Outlining the viewpoint of the credit insurance market, Ayca Ertugrul shared the results of a recent survey conducted by her employer, the Berne Union, which she said has provided a good "first impression" of how the association's members are coping in the current environment.

She noted that some of the responses from the private credit insurers to date have included relaxing some administrative obligations; granting extra time for the notifications of payment delays of the importers; and providing flexibility on general fees and premium payments.

Export credit agencies have also been supporting policyholders with a range of measures, she said, and these have included shortening the approval process time and extending the validity period of offers; extending the time for notifications on the claims filing; applying special claims handling processes; and helping policyholders to extend their credit terms to buyers without the need for additional consent. ECAs are also providing "brand new products" such as import guarantees for medical supplies to increase the overall capacity of their support. Ertugrul urged viewers to take a look at ITFA's weekly Covid-19 reports, available to members only, to see how ECAs in the EU are filling the gaps in the markets where private cover is not sufficient.

5. A crisis presents a unique opportunity for learning and personal growth

As the trade finance community adapts to a working from home environment, the webinar profiled the experiences of two emerging leaders: Aarti Patel, chair of the EL Committee and who recently joined Channel Capital Advisors, and Johanna Wissing, former chair of the EL Committee and Lloyds Bank employee, who shared their personal tips for successful home working, what their organisations are doing to support them through the process, and the long-term impact they believe the current situation will have on professional development.

Both Wissing and Patel graduated in 2008, and recounted the individual challenges they each faced in entering the job market during that crisis.

"Nothing can teach you more than a crisis," said Wissing. "It's important for everyone to remember, no matter what stage you are in your career, that this is a time that is exceptional and unprecedented for everyone. We're all in the same boat, and we need to stay calm and to learn from it."

Patel's suggestions for productive activities for the ITFA community to engage in while they're working from home, as outlined in the webinar, include:

- Speak to your mentors. Stay connected to keep up your professional development and for encouragement.
- Reconnect with industry contacts, colleagues and peers. "It's always good to talk," is Patel's own mantra.



- Upskill as much as you can. The Open University, Harvard and Yale are just some of the institutions offering free online courses at present. There are also a number of trade finance certifications – now might be a good time to enrol.
- Learn a new language. “We live in a global society. It helps in a job to be able to speak multiple languages,” said Patel.

6. ITFA’s Emerging Leaders Committee is working on a number of initiatives

Despite all the current market challenges, the EL Committee remains dedicated to their commitments for the year. “I’m very proud of the work that the EL Committee and wider community is doing,” said Pedreira, and went on to highlight three key focus areas for 2020:

- The [‘ITFA Emerging Leader of 2020’ competition](#), now renamed and in its second year, has been launched, and submissions are due before the June 30 deadline. This is an initiative that aims to recognise the efforts of ELs in trade finance, who are invited to submit personal projects that have made a significant contribution to the industry, which will then be judged, and a winner crowned in Q3.
- The [Martin Ashurst Trade Finance Mentoring Scheme](#), which matches mentees with mentors to enable aspiring trade financiers to better understand the industry, has now been fully assembled for 2020, and emails have gone out to all participants.
- The EL Committee’s partnership with Cass Business School has grown from strength to strength, and this year ITFA will once again be delivering a specialist trade finance course as part of the Cass MSc curriculum. The 2020 course will be delivered online by the EL Committee.