2021 Annual ITFA Conference: 5 things we learned

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ITFA's Annual Conference, hosted this year in Bristol, UK from 6 – 8 October, brought together nearly 200 members of the ITFA international community. In three days, market trends in a post-pandemic world, legal and regulatory updates, fintech initiatives and ESG efforts were just some of the topics discussed.

Conference delegates also had a chance to learn about the ways in which ITFA continues to evolve as a trade association as it works with, and for, its members.

In this post-event wrap-up, we outline some of the top takeaways.

Collaboration in the fintech space has surged and is driving new opportunities

During ITFA's pre-conference fintech sessions, delegates were presented with a series of panel discussions focused on some of the most relevant and recent technology-driven industry developments.

One of the key themes throughout the fintech sessions was that of collaboration – not only amongst technology companies and financial institutions – but also between members of the fintech community.

"Technology firms have started to identify opportunities to work together to combine their offerings and to deliver more to the trade originators, the credit insurers and the asset managers," said André Casterman, ITFA board member and chair of the Fintech Committee, during his introductory remarks.

At the same time, close partnerships between banks and fintechs – including many of the 44 companies on ITFA's Fintech Committee – are redefining the future of trade finance.

"When I first started the Committee back in 2017, the initial feedback was that many large banks would never want to work with small, niche technology players. But the reason for the success and the number of deals we have seen as fintechs continue to penetrate this space is the specialisation that these companies provide; what they deliver is not being tackled by the larger vendors," said Casterman, speaking on the sidelines of the event.

"It often takes time for some of the smaller players to demonstrate their specialisation, value-add and relevance in the short to medium-term, but this is really driving a lot of the collaboration opportunities that we're seeing today."

The Fintech Committee welcomed as many as 15 new members during 2021; it is now the largest community of technology firms active in trade finance.

Policymakers are increasingly supportive of trade digitisation and innovation

A conversation that began during the fintech sessions on the first day of the conference and continued throughout the entire event was that of digitisation and the amendments being made to legal infrastructure to accelerate the use of digital trade documents.

Delegates were updated on the growing adoption of the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Electronic Transferable Records (MLETR), which provides a workable framework to facilitate the use of digital original documents as negotiable instruments.

To date, countries including the UK, Bahrain, Egypt and Paraguay have moved forward on reforms that will make electronic signatures, contracts and documents legally enforceable.

"It's a really important point that policymakers are increasingly aware of their role to embrace trade digitisation and innovation," said Casterman.

During the conference, delegates heard from Sarah Green, Law Commissioner for England and Wales, who outlined the details of a new "work in progress" draft bill to remove the legal block to the digitisation of trade documentation.

The draft bill sets out criteria to make certain types of electronic documents such as electronic bills of lading possessable, and therefore capable of having the same legal function as their paper counterparts. It follows a consultation launched earlier this year by the Law Commission, which is now in the process of analysing the responses it has received from the market. Once it has completed this analysis, which takes an average of three months, the Commission will put together a draft report, which it will submit to the government together with the draft bill.

During the fintech sessions, conference delegates were also guided through the implications of the ICC's newly published Uniform Rules for Digital Trade Transactions (URDTT) and how important initiatives such as this – together with the use of rulebooks – bring legal certainty to trade ecosystems.

More work needs to be done to mainstream ESG

Trade finance has a crucial role to play in supporting companies' efforts to position sustainability at the core of their strategies and across their supply chains. Encouragingly, banks have been expanding the range of their green and sustainable trade finance solutions for clients, often drawing on existing frameworks from the wider finance industry. But, as was discussed in a panel session on the second day of the conference, there is more work to be done in terms of securing full buy-in from all parties in the trade ecosystem that sustainability is good business.

"Although there has been some positive progress, it hasn't yet been particularly meaningful. We have got used to the messages, and we're bringing them into meetings, and I'm really happy to hear that. But there is a lot more to do," said panellist Annabel Ross, senior programme manager for the University of Cambridge Institute for Sustainability Leadership's Banking Environment Initiative.

"ESG needs to sit really core to the way that we engage with our clients and the way that we interact internally, and we need to champion and hold that message consistent. Dedicate your careers to being someone who understands ESG and understands the role that you have to play," she urged delegates.

Ross called on players within the trade finance industry to support traceability within supply chains. "You all have roles to take that data and make it useful, and drive insights through the system. Use your analytical capabilities for this purpose and mobilise funds to where they are needed in line with the UN Sustainable Development Goals (SDGs)."

ITFA, having acknowledged that it too has a role to play, has recently established an ESG Committee headed up by board member Johanna Wissing.

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The ITFA ESG Committee aims to “advance concrete, thoughtful advocacy, awareness-raising and adoption of ESG and sustainability principles, practices and standards in international trade and trade-related financing under the umbrella of the UN SDGs”. It plans to do so by addressing each of the three pillars of ESG in “a balanced manner, with specific attention to a viable, just transition from today’s reality to a more sustainable and inclusive future”.

ITFA has created the first ever Basel III-compliant trade credit insurance policy

As announced on the final day of the conference, ITFA and Willis Towers Watson have launched a harmonised Basel III-compliant trade credit insurance policy form to help banks and insurers negotiate deals.

The initiative, a collaborative industry effort involving more than 40 insurers, brokers, banks and law firms, is the “first step of many in a direction to further standardise a Basel III trade credit policy”, says ITFA chair Sean Edwards.

The form is designed primarily to cover receivables policies and is based on an original policy form developed by Willis Towers Watson. It should also be viewed as a strong platform for devising compliant policies for other situations and products.

The project has been underway since October 2018 and has been spearheaded by Scott Ettien, executive vice-president at Willis Towers Watson.

“Banks and insurers have held tight to their own negotiated form,” says Ettien. “All negotiated forms are confidential, so comparison is difficult. Countless hours are spent negotiating forms, with most of these, if not all, landing on similar wording. These protracted negotiations are expensive and time consuming and frustrate all parties, especially the bank customer seeking advantageous balance sheet treatment.”

Harmonised wording will allow banks to focus on capacity and pricing and the insurance carriers to differentiate themselves with service and ratings rather than on a policy wording nuance.

Policy standardisation will also bolster the trade credit industry’s approach to capital relief.

“Consistency, predictability and a reliable form is paramount to regulatory bodies further recognising trade credit insurance as a viable risk transfer mechanism for capital substitution,” says Edwards. “We need all banks, insurance companies, law firms and brokers moving in the same direction if we are to grow the overall industry.”

The wording, together with a guidance document co-authored by law firms Sullivan and Clifford Chance to help streamline final policy negotiations, has been released on the ITFA website.

An update on other work currently being undertaken by ITFA’s Insurance Committee, including its regulatory action, can also be found on the ITFA site.

ITFA’s Emerging Leaders continue to ensure the sustainability of the industry

A record number of ITFA’s Emerging Leaders attended the conference in Bristol. “This is a good sign of how the new generations are finally engaging with trade finance,” says Duarte Pedreira, ITFA board member and head of the Emerging Leaders.

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The conference saw the creators of the top three shortlisted projects in the ITFA Emerging Trade Financier Award 2021 present their ideas to the audience before delegates were encouraged to vote for their favourite.

The winner was named as Georgina Stevens from JP Morgan. Stevens' project proposes the development of an industry-wide ESG education tool coined 'ESG Educate', run under the auspices of ITFA. Stevens explained that the aim of the platform is to combine pre-existing educational materials that are tailored to an ESG score by providing resources, such as educational materials; facilitating the use of pre-existing industry tools, including ESG rating technology; and creating an incentive to engage with the topic in the longer term through an industry recognised reward scheme.

As Stevens outlined during her presentation, "ultimately, collaboration fosters innovation, and this tool would hope to put the industry at the forefront of driving the ESG agenda".

"ESG is a key challenge of our time and I think industry-wide collaboration is going to play an important role in ensuring all parties are equipped with the tools to drive progress. My experience as a very new entrant to the industry has taught me that there is an overwhelming amount of ESG content available, which can make it hard to be consistent in approach," she said, speaking in the days after the event.

"After many extensive discussions with industry members at the conference it was evident that the demand for this kind of platform is certainly there. I'd like to thank ITFA for providing me with this opportunity, and in particular all of my colleagues at JP Morgan for their support."

Runner ups in the competition were Charlie O'Mulloy from the EBRD, who presented his project titled 'Trade Finance Distribution 101: A case study of bank risk distribution and analysis of key market players' and Daryna Strogal from the EBRD, for her project which debated the question 'Can SMEs benefit from digital solutions in trade finance?'

The ITFA Emerging Trade Financier Award, now in its third year, allows young professionals to showcase their ideas and work for the benefit of the industry through the submission of projects related to trade finance.

The initiative falls under the auspices of ITFA's Emerging Leaders Committee, headed up by Pouya Jafari from SMBC.