



## 2023 IN REVIEW: ITFA'S TOP FIVE HIGHLIGHTS

Written by **Rebecca Spong**, Editorial Consultant, December 2023

As 2023 draws to a close, it is a good time to reflect on the achievements of the past year. It has been a busy 12 months – with ITFA's diary packed with conferences, seminars, and networking events.

ITFA has also played a role in shaping and leading many important conversations taking place in the wider market – whether that be on environmental or social issues, the transition to green energy, digitisation in trade or regulatory issues.

ITFA's members section of the website continues to publish an array of whitepapers and market guidance all aimed at supporting its members and keeping them aware of the latest regulations and debates.

And 2024 looks to be just as busy as ITFA continues to strengthen its position as a major lobbying power for the industry, a reliable source of information for its members and host to one of the industry's most popular events, with the ITFA annual conference taking place in Cyprus in September

To provide a flavour of some of ITFA's activities in 2023, here are the top five highlights of the year.

### 1. ITFA pushes forward with ESG agenda

Discussions around ESG continued to gather pace during 2023 with ITFA taking some major steps forward to help a market that is grappling with how to report on their environmental and social impact.

During the year ITFA commissioned extensive research on the subject to both identify the market's key concerns as well as set in motion a plan to create auditable common standards for ESG reporting.

ITFA brought on board the independent economist Rebecca Harding to conduct over 60 interviews with leading figures within the trade finance world to find out how regulation was affecting their ability to both complete ESG-related transactions and appropriately record it on their books.

This research culminated in a report published in May entitled "[The Regulatory Reality of Making Trade Sustainable](#)," which revealed a general confusion among the market about which market standard to apply to their activities – due to a so-called "alphabet soup" of different standards and rules.

The report argued that current regulatory structures around sustainability reporting could have unintended consequences that might prevent institutions from reaching global sustainability targets, and might in fact put further red tape on trade finance.

"This [research] was a major achievement for 2023 as it gave us a *real* view of the market from the market," said Johanna Wissing, chair of the ESG Committee, noting how there is an acute demand for more information and guidance around the ESG subject.

"Even when we previously asked the market what would you like us to do on ESG and we gave a few drop-down options – they picked all of them," she said, noting there is not one specific ESG pain-point.



This initial research paved the way for a further report called [The Regulatory Paradox – why it matters for trade finance and what we can do about it](#) – published in September – which looked at the next steps for the market. It outlined two key initiatives – one being the creation of common audit and data standards and the other being the creation of a shared data repository.

The organisation has now taken its first steps towards the goal of creating a set of common standards, explains Wissing, and is currently in the process of setting up a working group chaired by Harding which will work on defining these auditable common standards and what data would need to be collected.

The working group is an independent, pre-competitive group with the shared target of coming up with an industry-wide framework for reporting. It is not aiming to create yet another standard, but to establish what the common denominators are, and how institutions can report against them,” Wissing says.

Currently, ITFA is speaking with other industry bodies, as well as its membership from banks, insurance companies, brokers, fintechs to obtain sponsorship to ensure a sustainable future for the working group.

## **2. ITFA leads calls for adjustments to the European Commission’s revision of the Late Payment Directive**

This year ITFA further strengthened its position as a lobbying force protecting the interests of business and the trade finance market – with the decision in late 2023 to call for adjustments to the proposed changes to the EU Late Payment Directive by the European Commission.

In November it submitted its response to a consultation on the proposed changes and is in the process of setting up a working group – with the assistance of an advocacy consultant AFORE to figure out the next steps.

The European Commission set out proposals in early 2023 to repeal the original 2011 Late Payment Directive and replace it with a more stringent set of regulations that require all payment terms in the EU to be 30 days maximum.

While ITFA agrees with the commission’s desire to protect SMEs from poor payment behaviour by larger corporates, ITFA has argued that the proposed changes could have unintended consequences on European businesses and supply chains and even negatively impact on those they intend to protect, namely the SMEs.

ITFA would like the new rules to better distinguish between negotiated commercial terms – which could include longer payment terms – and abusive late payment behaviour. The full ITFA response and a summary of the Commission’s proposal can be read [here](#).

“If you have contractually negotiated longer payment terms, then that is different from being paid late abusively. Extended payment terms can theoretically improve working capital of all parties involved – and if you can get certainty around payment on a specific date – you are better off than expecting the money earlier and then it coming in late,” explains Paul Coles, chair of the market practice committee.

“What we realised is the two concepts are mixed in together. We understand it is beneficial to penalise payments coming in after the due date – but not allowing extended payment terms is something which ITFA felt that is potentially going to cause unintended consequences,” he adds.



Board member and head of insurance Silja Calac adds: “ITFA fears that a “one-size-fits-all” approach of capping payment terms to 30 days will impact the competitiveness of the European market and lead to a near-shoring of supply chains.”

“Therefore ITFA suggests to focus rather on addressing abusive late payment behaviour, adapt payment terms to the value chains and foster the use of digital tools to help European corporates to administer their payment cycles smoothly,” she says.

### 3. ITFA’s Support for a New Digital Trade Landscape

The landmark UK Electronic Trade Documents Act (ETDA) came into force in September – marking a major move forward for the use of digital negotiable instruments (DNIs) around the world.

It is a development that ITFA has long supported - and over the course of 2023 the organisation has provided a wealth of guidance to increase awareness of the potential of DNIs.

The new law gives electronic trade documents such as promissory notes or bills of exchange the same legal recognition as their paper-based versions. Similar legislation has already been passed in Singapore, Bahrain, and Abu Dhabi.

“[The UK Act] has importance at a global level as it will influence other countries,” says Andre Casterman, board member and chair of the fintech committee, predicting more governments to pass similar acts. France is already expected to implement its own rules.

Casterman and his fintech committee are working on how to provide “pragmatic” guidance to the ITFA membership on how to take advantage of these legal developments. “My focus is to align the fintech world with the policy world,” he explains.

A lot of the work around electronic documents has been conducted via the DNI Initiative – first set up in 2019 – within the Fintech Committee. The purpose of this working group was to encourage the full digitisation of trade documents through both lobbying for legal changes and creating digital equivalents of bills of exchange and promissory notes.

In February 2023, ITFA supported the completion of the [UK’s first digital bill of exchange](#) undertaken by fintech group Mercore in support of one of its SME clients Abercore – a UK-based sugar trader. The transaction used an electronic payment undertaking structure and used ITFA’s DNI Initiative Digital Bill of Exchange text and dDoc specification – and was closed using contract law (as opposed to common law which governs the ETDA).

This transaction was followed by Lloyds Bank completing what is thought to be the first transaction under the ETDA in September this year – in a deal involving a digital promissory note issued by its client the retailer Matalan.

That same month, ITFA held an educational webinar for members on DNI opportunities being used in supply chain finance and published [a whitepaper](#) on the subject.

“Thanks to digitisation, the bill of exchange or promissory note could have a second life. They have a strong recognition and acceptability in the market from a legal perspective – and now with digitalisation their use is



more appealing. The bill of exchange offers an opportunity to legally harmonize supply chain finance and scale it up on the basis of the ETDA,” Casterman explains.

By November this year, ITFA updated its [Digital Negotiable Instruments Handbook](#) to provide help on how to amend traditional forms of bills of exchange and promissory notes to meet the requirements of the act.

Additionally, ITFA’s Market Practice Committee has also played a role in readying the market for the wider use of DNIs. At the end of 2022, ITFA released its [Uniform Rules for Transferable Electronic Payment Obligations](#) (URTEPO) which were built upon the existing Uniform Rules for Forfaiting (URF) to guide members on the transfer of new digital instruments.

“The aim was to not change the original URF rules – but create a parallel version for digital instruments and specifically how you transfer those instruments from one party to another from origination to secondary market,” says Paul Coles, board member and chair of the Market Practice Committee.

“We wanted to provide the market with a framework – so if someone wants to use DNIs and document that transfer – this is what you need to look for and these are the clear roles and responsibilities between the parties,” he adds.

#### **4. Abu Dhabi conference success boosts ITFA’s Middle East profile**

ITFA’s 49th annual conference was held in Abu Dhabi this year, and was widely considered a great success with more than 400 delegates across 12 different sectors gathering at the event.

The conference is a mainstay of the trade finance market’s diary – and is ever-evolving to provide improved content, a diverse range of speakers and useful networking opportunities.

This year saw delegates gather at the Ritz Carlton Abu Dhabi Grand Canal Hotel to listen to speakers discuss ESG issues, collaboration with multilaterals, the future of supply chain and the gender gap in trade finance. You can find the full conference highlights [here](#).

There was strong representation from local Abu Dhabi institutions including Etihad Credit Insurance, Abu Dhabi Exports Office and Abu Dhabi Investment Office which helped increase awareness of ITFA in the UAE and wider region.

The programme included [a panel discussion](#) with the world’s major multilateral agencies about the importance of closer collaboration with ITFA to tackle ESG issues as well as the ever-widening trade finance gap.

ITFA also used the conference as a means of promoting the next generation of trade financier. Three short-listed candidates for the ‘Emerging Trade Financier Award’ were invited to present their projects to delegates – before a closed vote decided for the first time to-date that all three candidates deserved [the award](#).

Reflecting on the conference, ITFA chair Sean Edwards says: “ITFA found its mojo again in our hugely successful annual conference in Abu Dhabi with over 400 delegates attending. Of course, that was a proud moment for me but I’m just as proud of everything that the conference showcases but which we work hard on all year.



“The advocacy work in Brussels for example which resulted in an [amendment to CRR](#); the fantastic network of emerging leaders we have built up as well as the nearly 50 other events we have held this year. Still there is no denying that we all deserve a glamorous and enjoyable event to cap off our efforts and next year we will roll out our winning formula in Cyprus with equally impressive venue. I can’t wait!”

## 5. ITFA Improves Benefits as Membership Hits All-Time High

The last 12 months has also seen ITFA invest in its membership benefits to offer even better value for money to its ever-growing community.

ITFA has enhanced its website with the introduction of a completely revamped [membership directory](#). “This updated directory not only boasts a more organized and structured layout but also offers our members a seamless and intuitive experience,” explains Lorna Pillow, ITFA board member and deputy chairperson responsible for communications and membership.

“This improvement underscores ITFA's commitment to improving accessibility and engagement within our esteemed community,” she adds.

ITFA members have had the opportunity to secure more complimentary tickets and exclusive discounts to industry events than compared to previous years - thanks to a growing partnership network. In the last year alone ITFA collaborated on more than 20 events.

The organisation’s social media presence grew strongly in 2023, with its [LinkedIn](#) followers nearing 10 thousand.

“This growth reflects our expanding influence within the international trade finance community and underscores our commitment to remaining at the forefront of industry trends while providing valuable insights and resources to our network,” says Pillow.

ITFA is also working with professional consultants and setting up specialised working groups to help increase ITFA’s professionalism and enhance its global presence as the voice of the trade finance world.

Its efforts are paying off – with membership in 2023 reaching an all-time high of 320 members.

Looking to the future, there are plans afoot to further improve the way ITFA disseminates information to members, with more video content and podcasts potentially on the horizon for 2024.