

regulatory reporting  
of making trade  
sustainable  
the case for a coordinated  
approach to reporting

ITFA ESG Committee and  
Dr. Rebecca Harding

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**THE SUSTAINABLE  
TRANSITION  
Business Plan**

**Our Vision**  
The vision is to establish an independent, cross-industry body dedicated to creating unified, comparable, and verifiable sustainability reporting standards. This initiative will be supported by a data repository facilitating collaboration between industries and regulators to develop appropriate audit standards and capital requirements.

**What is the Sustainable Transition Foundation (STF)?**  
The STF is an independent entity aimed at:

- Defining sustainability audit standards for trade finance.
- Utilizing trade data accessible to the industry to engage with regulators on climate-related risk modeling.
- Consolidating the collective knowledge of global trade finance banks to devise standardized approaches to these audit standards and benchmarks.

The proposed structure entails a UK-based Community Interest Company (CIC) to be established by the ITFA Founding members, expected to join by the end of 2023. Board will play a key role in setting audit standards, defining benchmarks, and establishing the initial publicity and profile.

Once the concept is proven in the first year, shares will be proportionately issued according to investments to scale the CIC.

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**Modernising traditional trade and letters of credit with an introduction to Supply Chain Finance**

Water Margin Hall, Silk Road Hotel  
18<sup>th</sup> May, 9:00 a.m. – 12:45 p.m.

**ITFA** International Trade and Forfeiting Association

**2023 Addendum to ITFA DIGITAL INSTRUMENTS**



# A Summary of ITFA's Key Publications

Version 1.0 - November 2023

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# ITFA's Main Publications

## Template Docs

**Master Participation Agreement:** Driven by input from ITFA and in collaboration with Sullivan & Worcester, BAFT published an updated set of documentation templates in 2018 and 2019 improving on the original 2008 and 2010 templates, as well as a set of amendments to deal with LIBOR transition.

Note that this is accompanied by a CRR legal opinion which assists banks in obtaining capital relief under Basel capital rules.

**ITFA Master Participation Agreement for Unfunded Transactions:** ITFA drafted this Master Participation Agreement for Unfunded Participations where documents like guarantees and surety bonds might otherwise be used by Participants. The agreement follows closely the 2018 BAFT MPA.

As above, this is also accompanied by a CRR opinion.

**Mutual Non Disclosure Agreement** The NDA was designed for use by ITFA members as an industry standard to facilitate the frequent sharing of information relating to participations in trade transactions. The NDA is mutual and therefore designed to support disclosure and deal discussion on an open two-way perspective from either Party's branch offices and affiliates.

## Rules

**The Uniform Rules for Transferable Electronic Payment Obligations - URTEPO:** A set of rules published by ITFA, providing a framework to cover the transfer of electronic payment obligations (which are already in existence in electronic form), that can be used to support the financing of international trade.

**The Uniform Rules for Forfaiting – URF800:** A set of rules designed to facilitate the sale of instruments used for financing trade. The rules cover both the primary and the secondary market. Co-published with the International Chamber of Commerce (ICC)

## Guidance Notes

**Trade Finance Taxonomy:** An easy-to-understand yet comprehensive model to fully explain the Trade Finance universe.

**Guide to Trade Finance:** As a result of the first Emerging Trade Financier Award in 2019, ITFA, together with Trade Finance Global, has made available to its members the 'Guide to Trade Finance', a document which provides a brief explanation of the set of techniques available to trade financiers aimed at mitigating and transferring trade finance risks.

**Payables Finance Guide (what can we learn from the Abengoa and Carillion experiences?):** This guide highlights the different aspects of supply chain finance programmes along with typical red flags that can help identify non-standard facilities.

**Guide to Structured Letters of Credit:** A guidance note, prepared by ITFA in collaboration with Penningtons Manches Cooper, designed to provide an understanding of Structured Letters of Credit and the issues surrounding their use in the market. This is the only guide to structured letters of credit produced by any reputable association and has been quoted in numerous forums.

**A Guide to Accounting and Legal Issues under IFRS9 for the Trade Receivables and Supply Chain Finance Industry:** ITFA prepared this paper to bridge the knowledge gap on the subject. One of the Big Four accountancy firms, together with Legal adviser, Sullivan and Worcester, contributed towards the finalisation of this paper.

**Whitepaper on Developing a Practitioners Guide to making Trade an Investable Asset Class:** A paper directed at improving and promoting investment in trade assets by non-bank investors and help narrow the Trade Finance Gap. A paper written by the Trade Finance Investment Ecosystem (ITFIE) working group at ITFA.

## ESG

**ESG: The Regulatory Paradox – why it matters to trade finance and what can we do about it - ITFA ESG Committee and Dr Rebecca Harding** – This paper sets out research suggesting that the current regulatory approach to sustainability reporting for financial institutions restricts the capacity of banks and their clients to invest in longer-term projects that prioritise a transition to more sustainable business models. More than this, there is an increased likelihood of “greenhushing”, or under-reporting, to avoid accusations of greenwashing. This is a Regulatory Paradox.

**ESG: The Regulatory Reality of Making Trade Sustainable – ITFA ESG Committee and Dr Rebecca Harding** - A wake-up call to everyone who is engaged in trade or trade finance. Trade and trade finance have the potential to enable the world to transition to more sustainable ways of operating environmentally and socially by incentivising the right source of targeted and tailored lending in line with the UN's Sustainable Development Goals (SDGs) according to members of the ITFA. Enabling trade finance to achieve these goals needs to be approached pragmatically – it is often associated with hard commodities that do not play well with a specifically “green” agenda and trade itself creates externalities such as pollution that differs between sectors and geographies.

**Whitepaper: ITFA ESG Committee in conjunction with Coriolis Technologies** - Achieving the goals set by the international community through the Paris Climate Accord and the COP26 summits is one of the biggest challenges that the financial services sector faces in the coming years. Commentators conflate financial risk and security with climate risk and suggest that regulators and regulations are key to ensuring that the financial system itself is not put at risk from its exposure to sectors and trade flows that are increasingly restricted as the world heads towards its zero carbon goals by 2050.

**Whitepaper on Sustainable Trade Finance and African Trade:** in the wake of ESG there is a risk that the standards being developed for sustainable trade finance could prove unworkable for African trade ITFA has published this paper to argue the case for Africa in particular, and emerging markets as a whole.

## Fintech

**The TFD Initiative whitepaper: “The end of Balance Sheet Lending?”:** Regulatory constraints surrounding the trade finance sector are here to stay. Now that all the conditions are met for the originate-and-distribute model to grow in size and variety of investors, it should become the go-to solution for the market. The days of balance sheets dependency may well be over.

**The DNI Initiative Handbook - Bringing negotiable instruments into the digital world:** A manual incorporating the dDOC specifications for Digital Negotiable Instruments (DNIs) and the electronic Payment Undertaking (ePU) which offers a functionally equivalent instrument that operates in the same way as the bill of exchange and promissory note, delivering the benefits of a DNI under English law. This Handbook is now in its second edition and is accompanied by an addendum dealing with the impact of the English Electronic Trade Documents Act 2023 on DNIs.

## Insurance

**Trade Credit Insurance Standard Policy Wording:** A template document designed by ITFA which reflects the present overall market approach and provides a CRR compliant form of credit protection.

**Guidelines on structure and content for CRR compliant non-payment insurance policies:** Guidelines concerning the use of non-payment insurance as an eligible unfunded credit protection technique for credit risk mitigation under EU Capital Requirements Regulations.

