



## SIX THINGS I LEARNED FROM THE ITFA PODCAST

By [Tedd George](#), Secretariat of the Africa Regional Committee (ARC)

In early July ITFA published a *podcast* I produced about the association, its mission, membership and work in supporting the global trade finance and forfaiting community. For the past two years I have been working with ITFA's [Africa Regional Committee \(ARC\)](#), first as co-author of a [White Paper](#) on the negative impact that the ICC's Sustainable Trade Finance Principles could have on African trade, and since the start of 2023 as Secretariat of the ARC, helping produce its series of educational webinars, workshops and podcasts on global and African trade finance issues.

Over this time my interest in ITFA has grown, and with the association's 50th annual conference due to place this September in Cyprus, we thought now would be a great time to record a podcast about ITFA's work and the many professionals who give their time to drive forward its ambitious agenda. Eleven speakers from ITFA's leadership and committees were selected to share insights on their work and areas of interest (who took a while to track down). But if I thought I knew ITFA before I started recording the podcast, I quickly realised there is much more to ITFA's reach and ambition than I had imagined.

Here are my six key takeaways from our discussions:

1) **Forfaiting isn't that complicated!** Even in the trade finance industry many professionals aren't entirely clear what forfaiting is, so [Lorna Pillow](#) (ITFA Deputy Chair) helped set the record straight: "Forfaiting is the discounting of receivables, negotiable instruments, promissory notes and bills of exchange, usually on a without-recourse basis, which means the seller is paid up front and they do not take the risk of the obligors defaulting." Pretty simple really, but a highly effective way of unlocking short-term finance for SME traders. ITFA Chair, [Sean Edwards](#), recalled that in the 1980s the forfaiters were the pioneers who blazed a trail for trade finance in emerging markets. More recently, the growth of fintech and digital innovation have breathed new life into forfaiting (which had been weighed down by paper documentation and manual processes). So we should expect the 'F' in ITFA to remain firmly in place, even as the association's scope has expanded to take in the wider trade finance community.

2) **The key is to simplify and standardize, not reinvent the wheel.** Much of ITFA's work is about producing standardized documentation and guidance for the industry as the Chair of the MPC, [Paul Coles](#), explained: "Anything we can do to create greater consistency is top of our priority list. Trade finance isn't rocket science, but we do like to do the same thing in many different ways and call it many different things. So that's why one of our key drivers is to make everything more understandable and transparent." Recent examples of the MPC's output for its members include the Trade Finance Taxonomy (designed both for experts and beginners), the Short-term SWIFT trade loan agreement, and the Master Accounts Receivable Assignment (MARA) agreement (which was developed from a template created by HSBC).

3) **Insurers are critical partners for trade finance deals in challenging markets**, notably in Africa and Asia. This is why [Silja Calac](#) set up the ITFA Insurance Committee in 2015 to bridge the gap between banks and insurers: "The problem of communication between insurers and bankers was an important obstacle. The banks couldn't speak 'insurish' and the insurers couldn't speak 'bankish'. That was a real problem. So there has been a lot of training and education over the last ten years, and the volumes have grown and the level of cooperation speaks for itself." Today the Committee's members are fighting tough battles with regulators in the US, EU and UK, for example over European rules on Loss Given Default (LGD) which penalise trade finance insurance through a misunderstanding of repayment risk (much as occurred with the LCR following the Global Financial Crisis).



4) When it comes to the digitalisation of trade finance, **fintechs need to collaborate not only with banks, but also with each other**. Everyone needs to work together as digitalization is a task no single entity can successfully manage alone. [André Casterman](#), Chair of the Fintech Committee, has made it the focus of the committee's work to "help the industry align policy developments and technology developments, because if we lack this alignment, as we have seen over the last two decades, many innovations in trade failed because the legal system was not ready to embrace digital options." Fellow committee member, [Sunil Senapati](#), noted that a leading cause of the world's USD 2.5 trillion trade finance gap is the lack of documentation, notably for SMEs, which makes the digitalization of trade documentation (e.g. MLETR) such an interesting proposition for the industry. The committee is championing this work through pilot transactions using digital documentation, as well as looking at how digital asset technologies can be leveraged to attract new liquidity from capital markets and alternative lenders.

5) **ITFA's committees are taking on some of the most intractable problems in trade finance, notably the trade finance gap**. [Duarte Pedreira](#) (Chair of the Multilateral Advisory Panel) spoke about Project Eureka, ITFA's flagship initiative to tackle the trade finance gap once and for all. The aim is to bring together the entire trade finance value chain – from the SME exporters and their local banks at the start, through the regional and international banks in the middle, to the DFIs and multilateral partners at the end – for the convening of the first Trade Finance Conference of the Parties (TF COP1) on October 28<sup>th</sup>, hosted by the IFC in Washington DC. The objective of this gathering is to come up with real, practical solutions to definitively close the trade finance gap, and I for one look forward to playing my part in the ARC to support this initiative. Watch this space...

6) **ITFA's regional committees are the backbone of the association, providing a bridge for two-way communication between ITFA and its members**. As [Chris Hall](#), Head of the Regional Committees, explained, each committee has its own approach and priorities, with a strong focus on advocacy to address issues that directly affect those financing or underwriting trade in their particular markets. This approach is essential if regions such as Africa are going to get a seat at the negotiating table. As ARC Chair, [George Wilson](#), put it: "If you're not at the table, then you're on the menu! So probably over 50% of our work needs to be transmitting the African voice out to the policymakers so that we do have a seat at the table. And without the ARC, we probably wouldn't."

You can listen to the podcast here:

<https://www.youtube.com/watch?v=L5sVnTo9xug>

If you're interested in getting involved in the work of any of the ITFA committees or working groups covered in the podcast, just reach out. Full contact details of all the speakers and committees can be found on the ITFA website.