



## ITFA'S NEW BOARD MEMBERS PUSH FOR DIVERSIFICATION AND CAPACITY GROWTH IN TRADE FINANCE

*Written and Published by Trade Finance Global (TFG), 24<sup>th</sup> September 2024*

The International Trade and Forfaiting Association (ITFA) has been facilitating global trade finance by connecting various stakeholders, fostering collaboration, and driving innovation.

The need for clear objectives and decisive leadership becomes increasingly apparent as the trade finance ecosystem evolves.

To learn more about ITFA's role in this evolving environment, Trade Finance Global (TFG) spoke with the association's newest board members: Sian Aspinall, Group CEO, BPL and Chair of the ITFA Insurance Committee, and N L N Swaroop, Global Product Head for Sustainable Trade Finance, Innovation, Financial Institutions, Capital Management and Asset Distribution at HSBC and Board Member for ITFA Trade Finance Investment Ecosystem (ITFIE).

### **ITFA board member roles and objectives**

The new ITFA board members have set ambitious objectives shaped by a vision to enhance trade finance in their professional capacities and their new roles within the organisation.

These objectives focus on three primary areas: increasing trade finance as an investable asset class, expanding the reach and influence of ITFA across new regions, and promoting sustainability in trade finance practices.

Swaroop said, "The principal area I'm focusing on is developing trade as an asset class. We are trying to focus on developing the Trade Investment Finance Ecosystem, which includes all actors and brings them together to develop this asset class."

The aim of developing trade finance as an asset class, which the industry has been discussing for several years, is to expand the availability of capital by attracting institutional investors, asset managers, and pension funds to this space. This will require frameworks that enable non-traditional trade financiers to better understand the asset class and its potential.

In addition to this scope, there is a focus on expanding ITFA's global presence.

Swaroop said, "We want to make ITFA even more international, with new chapters, new strategies, and emerging topics."

By establishing a stronger presence in emerging markets and fostering regional committees, ITFA can introduce new voices and increase its international footprint, ensuring its broad and impactful influence. Such an expansion will enable the organisation to address localised challenges and promote the adoption of best practices worldwide.

The new board members also hope to bring a revitalised look at sustainability in the industry.

Swaroop said, "Sustainability in trade is still in its infancy. To advance the agenda on sustainable trade finance is absolutely critical to meet the future needs of the industry."



By focusing on sustainability and creating the needed frameworks, ITFA can help encourage the growth of sustainable trade finance practices, positioning the industry to contribute meaningfully to the broader global sustainability agenda.

Aligning with environmental, social, and governance (ESG) priorities will attract investors seeking to balance profitability with responsible investment practices, with positive externalities on the planet.

### **Challenges and opportunities in trade finance**

The trade finance industry faces various challenges, but these challenges also present opportunities for growth and innovation.

One of the most significant challenges is engaging institutional investors and other non-traditional financiers interested in trade finance but have yet to be directly involved. These stakeholders need to better understand the risks and benefits of trade finance as an asset class.

Aspinall said, “You don’t grow capacity unless you can create diversification, so people can have diversified portfolios.”

Developing the ecosystem requires demystifying trade finance for these investors, allowing them to participate more actively in funding global trade. By presenting trade finance as a stable and attractive investment opportunity, ITFA can bridge the gap between traditional trade finance providers and new market participants.

Standardisation is another key issue within the industry. The lack of consistent language, legal frameworks, and processes can make trade finance opaque and difficult for non-experts to navigate.

Swaroop said, “We need to bring a framework that allows for the same language to be spoken on both sides.”

Finally, using technology to reduce the costs associated with trade finance represents a significant opportunity. Digitalisation, though not without its challenges, has the potential to streamline processes, enhance security, and improve the overall efficiency of trade finance operations.

Aspinall said, “Artificial intelligence (AI) has been a common theme, but what does that mean for jobs, and how can we create fulfilling careers in the future? The trade finance industry needs to move forward, not only for its own efficiency, but so that we can attract the talent that will bring the new ideas and take the industry forward.”

By adopting technological solutions, the industry can address long-standing inefficiencies that have hindered growth and development.

### **Collaboration between banks and insurance**

One of the most promising areas for growth within trade finance lies in the increased collaboration between banks and insurance providers.

Historically, these two sectors have worked together in trade finance, but there still needs to be more potential for further partnership. By fostering innovation and reducing inefficiencies, banks and insurance providers could together unlock new capacity, drive diversification, and attract new sources of capital to the trade finance ecosystem.

Aspinall said, “It’s about aligning needs and understanding the pain points to build something impactful. Having everyone involved at an initial stage creates more powerful solutions, rather than being brought in too late.”



Unfortunately, insurance capacity has been underutilised within trade finance, largely due to inefficiencies and a lack of understanding between the two sectors. By developing more innovative structures and creating diversified portfolios, insurers and banks can work together to address this underutilisation and increase the capacity for trade finance transactions.

One key opportunity for growth lies in the ability to create new asset classes through innovative structures. For example, by developing excess layers with first-loss positions or insuring whole portfolios, insurers can provide the diversification necessary to attract greater investment. This not only expands the capacity of the insurance market but also creates opportunities for banks to de-risk their portfolios and take on additional trade finance transactions.

**Podcast Direct Link to TFG website**

<https://www.tradefinanceglobal.com/posts/podcast-itfas-new-board-members-push-for-diversification-and-capacity-growth-in-trade-finance/>

–

ITFA's newest board members are well-positioned to lead the industry forward by focusing on critical areas such as developing trade finance as an asset class, promoting collaboration between banks and insurers, and addressing the inefficiencies that have long plagued the ecosystem.

Through cooperation and innovation, ITFA will continue to address the industry's challenges and unlock new growth opportunities that will benefit all global trade finance participants.