



SCF PRIMED FOR GROWTH AS ITFA’S 50TH CONFERENCE DISSECTS TRADE’S TOP TRENDS

Contributed by Hesham Zakai, Managing Director, Exile Group, 25th September 2024

More than 300 trade finance practitioners gathered in Cyprus for ITFA’s 50th Annual Conference in early September. Past events have been hailed as being legendary. The island birthplace of the goddess Aphrodite promised to be a fitting location for the milestone gathering. It did not disappoint. That Aphrodite was worshiped as a goddess of the sea and of seafaring provided a powerful reminder of global trade’s storied maritime history, and presaged hope for the future.

Indeed, it was modern oracles and futurologists that took the stage in order to dissect the top trends in trade. Topics from the role of new technologies and trajectories in trade flows to emerging market credit risk and the looming Basel 3.1 regulations were covered by financiers, fintechs, insurers, lawyers and more.



SCF’s star continues to rise - but regional patterns emerge

Supply chain finance continues to be a driving force in effectively financing cross border trade. In the expert panel I was delighted to moderate¹, the epic scope of the growth of the tool was analysed. We reflected on

¹ TXF was delighted to be the Conference Community Partner for the event, where Managing Director Hesham Zakai moderated a panel on the future of Supply Chain Finance (SCF). The session featured the following expert panelists: **Heather Crowley**, Global Head of Supply Chain Finance (SCF) and Core Trade within Payments, J.P. Morgan Chase; **Paul Coles**, Director Treasury, Orbian and ITFA Board Member, Head of Market Practice; **Anastasia**



the growth of SCF in recent years, with [BCR's World Supply Chain Finance Report](#) estimating that global SCF volumes grew by as much as 318% between 2017 and 2023. The top takeaways on the solution, which is an integral part of a treasurer's toolkit and comprises global volumes of \$2,347 billion today, are:

- 1) SCF continues to be a rising star with robust global growth, but particularly in Asia, Africa and the Middle East. The reasons for this range from the vibrancy of market hubs in those countries and the ongoing embrace of digitisation, to the number of key trading ports.
- 2) While working capital optimisation is the best-versed reason for corporates turning to SCF, there is an increasing focus on how SCF can be a risk-mitigation tool too, for example through FX risk management or off-balance sheet solutions.
- 3) There is a major focus on the client experience, with customers prioritising integrated, interoperable, seamless solutions that remove the need for heavy technology investment and infrastructure on their part. There are cautionary tales to be found in the (mis)fortunes of companies who did not pursue this path.
- 4) A series of macro factors – from a high interest rate and commodity price environment to developments in accounting and disclosure requirements – are inevitably impacting the market. All stakeholders need to be watchful of these changes and adapt their approach accordingly.
- 5) Conversely, there is no shortage of positive boosts to the market, from the Electronic Trade Documents Act in the UK or the vast potential of AI to the amount of progress in standardisation which will fuel collaboration and partnerships.

Emerging Leaders show the future of the industry is in safe hands

While the event welcomed speakers with decades of experience in their field, a highlight of recent years has been the ITFA Emerging Leaders Award. The Emerging Leaders Award focuses on up-and-coming trade financiers with project ideas for moving the industry forward. Three impressive leaders were selected to present at the conference, with the shortlisted projects as follows:

1. **The role of ECAs in mitigating trade finance risk:** Thomas de Cremoux of BNP Paribas set out how Export Credit Agencies (ECAs) can provide risk coverage to boost the trade finance market. ECAs are government-owned or -backed entities whose purpose is to promote national exports and make deals possible where they may otherwise stall or fall away. The presentation cited Export Development Canada (EDC) as a case study, articulating its financing approach and highlighting examples of projects the ECA has financed in recent years.
2. **The African trade finance gap:** BACB's Patrick Baatz tackled the critical trade finance gap, which has risen to more than \$2.5 trillion globally in recent years according to the Asian Development Bank (ADB). The presentation focused specifically on Africa, a region disproportionately affected by the gap, and suggested innovative structures and approaches that could be deployed to address it.
3. **Demystifying AI:** Featuring a live AI demo, Commerzbank's Gregor Mihelac looked at the hottest topic in trade today: Artificial Intelligence. The presentation attempted to make AI accessible,

McAlpine, Head of Product, Trade & Supply Chain Finance, Finastra; Alex Fenechiu, Co-Founder & Chief Revenue Officer, Finverity; Dominic Broom, SVP Working Capital Technology, Arqit.



beginning with a delineation of the differences between AI and machine learning. The crux of the presentation focused on the seemingly infinite use cases of AI in international trade, from real-time supply chain visibility and compliance monitoring to predictive analytics and dynamic pricing models.

While Gregor was eventually selected as the winner after a poll of the audience, all three presentations carried ideas of genuinely material benefit to the market. The Award showcases the importance of encouraging new and emerging talent to share their thoughts and add a fresh perspective to the market.

Combining the technology with the timeless

Technology, and its power to improve trade finance, was a strand that ran through the conference. Speakers discussed how regulators are giving trade digitalisation closer attention, which is expected to translate into new legal frameworks, as well as how digital instruments from wholesale systems to digital signatures are garnering wider adoption.

It was also the focus of the closing remarks for Sean Edwards, Chairman of ITFA. Edwards stressed the association's commitment to work on new tools and in particular on Digital Negotiable Instruments (DNIs), likening them to 'forfaiting reborn'. Given the association has covered forfaiting since its inception, transforming the tool using technology was a fitting way to conclude the 50th anniversary event.

Yet while technology will no doubt be a factor for the next chapter in the ITFA Annual Conference, we enjoyed a host of physical networking opportunities from a Welcome Drinks and Gala Dinner, to dedicated Networking Tables.

It was a reminder that for all the tools that technology offers, there is nothing quite as legendary as a face-to-face gathering.