ITFA'S TOP FIVE HIGHLIGHTS FOR 2024 – December 2024

*By **Rebecca Spong**, Editorial Consultant, December 2024*

In what seems like a blink of an eye, 2024 is already coming to an end. Before we all pack up to enjoy the festivities of the season, we are once again taking a moment to look back on ITFA's achievements over the past year.

ITFA's calendar of networking events, conference and seminars has been impressively busy over the last 12 months. The 50th annual conference took place this year in Cyprus with great success and around 400 delegates and 45 sponsors.

There were many new events organised this year, ranging from new networking events for ITFA's emerging talent to the launch of the inaugural invite-only Trade Finance Conference of Parties held in Washington D.C this year in collaboration with the IFC.

ITFA continues to develop its advocacy efforts in 2024, maintaining close dialogue with regulators in Europe and beyond. The organisation continues to be at the forefront of technology through its Digital Negotiable Instruments (DNI) Initiative.

In total, there have been 62 events and 11 webinars held across the year. All this hard work has ensured that 57 new members signed up to the organisation bringing the total number of member institutions to 353.

To further support its members, ITFA is launching a new group membership structure which is open to a company's headquarters as well as all of its subsidiaries. It is hoped this new membership will open up greater access to regional networking opportunities.

ITFA will continue to work hard for its members in the coming year, whether it is leading and shaping many of the important debates in the market; creating frameworks and whitepapers to guide marker practice or making it easier to meet and network with your fellow trade finance contemporaries.

With that in mind, it is already time to consider booking your place at next year's annual conference in Singapore.

After much consideration, we have whittled down ITFA's achievements this year to the following Top Five Highlights for 2024.

1) **ITFA and IFC partner for Inaugural Trade Finance Conference in Washington D.C**

This year saw ITFA strengthen its role as a global unifying force for the trade finance sector, with the launch of a new event that specifically tackles the challenge of the trade finance gap.

Partnering with the IFC, the inaugural Trade Finance Conference of Parties (TF COP) meeting took place at the IFC headquarters in Washington DC on October 28th 2024.

The trade finance gap is estimated to be $2.5 trillion, according to the Asian Development Bank. This gap refers to the amount of the money requested to finance trade and what ends up being approved. The widening gap means that many small and medium businesses in emerging markets have no access to international funding. The gap has only worsened in recent years given how many banks have derisked and pulled out of emerging markets.

The lack of access to international trade finance can hinder companies' ability to trade and in turn negatively impact a country's economic growth and ability to create jobs.

With that in mind, the TF COP event brought together some of the leading voices and brains in the trade finance world to really strive to find a way forward to help close the gap. The event was invite-only with 80 attendees representing a wide cross-section of the trade finance sector.

The event featured presentations from multilaterals and development banks as well as talks from those in the private sector. The general consensus from the private sector was a need to encourage greater collaboration between Tier 1 banks which have the liquidity and necessary balance sheet, and Tier 2 and Tier 3 banks in emerging markets that have those direct links with SME traders.

The conference also features break-out sessions where participants were able to delve into more detail on how to create and scale new solutions to help close the gap.

The event culminated with ITFA board member Duarte Pedreira reading out the 'Washington Declaration' – which is a call to action urging the United Nations (UN) to formally recognise the trade finance gap as a critical barrier to achieving the UN Sustainable Development Goals. It proposes that the UN sets a target of halving the trade finance gap by 2030 and eliminating it completely by 2040. To read the full announcement and declaration – click here.

2) ITFA pushes forward with market-shaping advocacy work

ITFA has once again led the market in key negotiations with regulators around the world this year, bringing together various groups to present one cohesive and unified argument.

In Europe, An ITFA-led group of industry bodies met with the European Banking Association (EBA) in February to highlight the potentially negative impact of Basel III on the use of credit insurance in trade finance. The presentations made by ITFA will be used by the EBA in its report to the European Commission where the arguments and evidence will be assessed. Commenting in an earlier ITFA article, board member Sian Aspinall – who was present at the February meetings in Paris – was pleased that the "regulators' doors remained open to us".

Towards the end of the year, board member Silja Calac was selected to head up a new advocacy committee – a move that only further highlights the importance ITFA places on its advocacy work. Under Calac's leadership, the committee will aim to be more "proactive" in spotting regulatory challenges on the horizon.

Calac herself has been closely involved in talks with European regulators around the Late Payment Directive. Most recently, she was part of a delegation which met with the European Commission in November to discussion the Commission's proposal to enforce 30-day payment terms on all business transactions within the EU and why ITFA argues this would be counterproductive for European businesses. *You can read more about this meeting in this month's newsletter.*

ITFA has also been supporting efforts in Europe for governments to pass their versions of the UN's Model Law on Electronic Transferable Records (MLETR) which provides a legal framework for the use of digital trade documents such as bills of exchange. France successfully passed their law in June and work continues in Germany to pass similar legislation. These efforts build upon the success of last year, with ITFA supporting the passing of the Electronic Trade Documents Act in the UK.

Over in the US, ITFA Americas has also been pushing forward with advocacy efforts, including the drafting of a letter to New York legislators in the middle of this year to advocate for the legal recognition of electronic trade bills.

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ITFA Americas' insurance committee has also been working with the International Association of Credit Portfolio Managers (IACPM) to make presentations to federal regulators about securing suitable capital relief for US banks under Reg Q and Basel III.

3) ITFA shapes market practice with new open account distribution framework

ITFA continued to guide its members on market best practice this year, with the creation of the Master Account Receivables Assignment Agreement (Mara) template - a tool to help standardise the distribution of open account assets.

The template has been widely welcomed by market participants and could also help pave the way for institutional investors to consider investing in trade finance assets. It is arguable that investors will more likely consider investing in trade assets when there are standardised and industry-developed frameworks in place – rather than having to conduct their own research and create their own documents.

The first iteration of this Mara document was created by HSBC and law firm Dentons in 2018. However, as of April this year it has been made available as an ITFA document – co-branded by Dentons and accessible to a wider audience.

The document essentially provides a framework for funded distribution of supply chain finance and receivables finance transactions under an assignment structure. It is governed by English law and based on the Bankers' Association for Finance and Trade (BAFT) master participation agreement (MPA) of 2018.

Previously, many banks or financial institutions would have had to modify the BAFT MPA themselves or created their own documents in order to fit the needs of open account distribution that involves financing rolling programmes with large volumes of invoices.

The use of this template aims to reduce inconsistencies in the distribution of trade assets, making the process more efficient and encouraging greater standardisation.

To read previous stories on this development – click here. All ITFA members can download the template and accompanying guidance notes here.

4) ITFA supports the advancement of digital trade

The last year saw significant leaps forward in the use of digital trade documents. Following on from last year's UK Electronic Trade Documents Act – which provided a legal framework for digital trade documents such as bills of lading and promissory notes under UK law, other countries have followed suit designing and enacting their own legislation.

"We witnessed progress in G7 countries such as France and the US which are upgrading their legal system to digitise negotiable trade instruments," said ITFA board member and chair of the fintech committee Andre Casterman.

"Also, a set of early adopters have demonstrated how easy it is to apply the ETD Act in correspondent banking relationships through the 4-corner model," he added. His comments refer to the news in October that Lloyds and Mercore completed a series of landmark transactions transferring a Digital Negotiable Instrument (DNI) under ITFA's DNI Initiative between two financial institutions.

It was the first DNI transaction between two financial institutions each facing off to their own importer or exporter. The transactions involved the shipment of sugar from Mercore's client in the Americas to Lloyds' client in the UK.

The use of digital documents should significantly speed up business interactions compared to paper-based processes, helping exporters access funds quicker and improving their ability to manage their working capital.

The implementation of this "4-corner model" has been a central goal for ITFA's DNI Initiative. Up until this point, previous DNI transactions involved only one financial institution working with both the importing and exporting client. To read more on this transaction, click here.
"The digital trend will accelerate in 2025 as world leaders are embracing digital asset technologies as part of their geopolitical agenda," Casterman concluded.

5) ITFA ramps up support for the next generation of talent

ITFA's Emerging Leaders team has been ramping up its efforts to support rising new talent throughout 2024. It hosted 13 networking events and seminars across the world – from Sydney, Mumbai, Dubai, Frankfurt, London, Chicago and New York.

The numerous events are supporting the committee's goal to become increasingly global in its reach. Having initially started running events in London, there has been a significant drive by the committee to ensure young people and emerging new talent – regardless of where they are in the world - can have the opportunity to meet their peers and form valuable connections.

"2024 was another very successful year for our Emerging Leaders," said Duarte Pedreira, chair of the Emerging Leaders function.

"To this, we added another extremely successful run of the Emerging Trade Financier Award, which this year went to Gregor Mihelac and his AI in Trade Finance project, as well as the 9th edition of the ITFA Martin Ashurst Mentoring Scheme and the 6th edition of the ITFA at Bayes Business School Trade Finance Course," he added.

Mihelac and his fellow short-listed contenders were able to present their projects and ideas to delegates at the 50th annual ITFA conference held in Cyprus in September.

Looking to 2025, the committee is keen to grow its global presence and attract a wider audience beyond its traditional focus of banks and insurance companies.