

Finance for Development

Banking Commission

Banking Commission Virtual meeting 2020 summaries of Working groups and Task forces

Market Intelligence Working group:

The Market Intelligence Working Group and the ICC Survey Editorial Committee virtually met on Wednesday 22 April.

The survey for 2020 benefits from a record number of respondents, representing a significant market share of global trade finance. BCG and SWIFT will once again provide important contributions to the content and the development of the survey and report, and this year, a number of new contributors will enrich the quality of the report. We are pleased to see a variety of views and opinions on a range of issues, from sustainability to compliance to digitisation and beyond, and have been able in short order to add some perspective on the COVID-19 crisis. The Working Group plans to develop a webinar, potentially in conjunction with the ICC Trade Register Project, to supplement the publications of the two flagship reports.

While the Market Intelligence Group wishes to consider additional complementary outputs over the course of the coming year, current priorities suggest this aspect be shelved until Q2 at the earliest, and if it is picked up, that any actions be clearly linked to member and market demand. We take this opportunity to express our appreciation to each member of the Editorial Committee and the Working Group.

Trade Register Project:

The group still successfully focuses on implementing and executing the release of the Trade Register report in conjunction with ICC secretariat, GCD and BCG. The 2019 has been released on 6 May 2020 and it highlights the finance's decade-long low risk profile. It is available for download on our [website](#).

The group is also providing input for Methodology to be used for collecting data including product scope, definitions and clarifications when necessary. It gives technical guidance to banks on data collection and clarifying technical and data related queries. The data included in the Trade Register allows to make the case with regulators for appropriate capital treatment for Trade Finance and enables the drafting of analytical articles to go with the Trade Register report and addresses communication issues with the market.

Financial Crime Risk and Policy Task Force

The task force ongoing work on monitoring of regulatory developments in relation to financial crime aspects and its consequences led it to focus on several issues. Among others, the use of synthetic letter of credit, the presentation by Successors in Trade members on sanctions and their uses in trade finance was conducted as well as a discussion on National notification and licensing requirements for banks for dual-use goods in connection with trade finance transactions. The ongoing COVID-19 crisis was also a topic for comments and it was noted that the business continuity plans put in place by various trade finance companies helps the sectors to mitigate negative impact on the industry.

Regulatory Advocacy Group

The group meeting held on 27 April 2020 was the opportunity to highlight the key issues in term of trade finance regulation. The exchanges with-the Basel Committee and the good level involvement of the group members was noted. Ideas to identify new correspondents with the member countries of the BCBS were mentioned. Various work paper are circulating (CCF on performance guarantees, UCCs, provisions on the secured part of NPLs) and being drafted. The assessment on COVID19 responses and data collection to mitigate the impact of the pandemic were also in discussion. Furthermore, a list of categories of guarantees (in addition to Performance Guarantees) and definitions of Trade Finance will be prepared. Finally, cooperations with the Sustainable Trade Finance and Export Credit groups are suggested.

Institutional Investors in Trade Finance

The purpose of the IITF working group is to further advance and accelerate the development of trade as an investable asset class for institutional investors. The inaugural meeting was held in February in which the SteerCo agreed the end-state vision for the group and committed to bringing in representative participants across the breadth of the industry, including banks, institutional investors, development financial institutions, industry bodies, legal firms, and technology providers. In this latest meeting in April, the SteerCo presented the end-state vision, agreed objectives of the individual work streams, and appointed work stream leaders to carry forward. A total of 4 work streams were formally put in place, including Defining Business Priorities, Defining the Uniform Rules for Distribution, Automation & Digitisation, and Market Awareness & Education. The discussion also highlighted the need for governmental support programs related to trade finance and the pandemic, and what solutions can be brought to help mitigate this situation.

Digitalisation

As the group met on 23 April 2020, it continues to focus on its four key streams. The implementation of eRules, which after the updated eUCP and new eURC in 2019 focuses on drafting URDTT which version three is in preparation. Legal discussions around [digitalisation and eCommerce](#) with other partners such as the World Trade Organisation are still underway. Commercialisation efforts, which means building around the [Roadmap for Digital trade](#) other materials to help Governments and regulators moving forward with trade digitalisation. Note that, shortly after the meeting, the group published a paper in collaboration with BAFT and ITFA on [short term measures being taken by banks during the Pandemic](#). The Fintech adoption stream aims at providing guidelines to Fintech regarding risk management, liability,

information security and technology standards. We are looking for volunteers for this relaunched stream, feel free to contact the [ICC Secretariat](#) if interested. Alongside these main pillars, the group took the initiative to create an Artificial Intelligence/Machine based sub group which will influence the way to check documents under UCP/eUCP rules. It is also leading the reflexion around AI topics. Finally the Digital Standards Initiative (DSI) is in preparation and additional information will be shared shortly.

Global Supply chain finance forum

The forum's meeting which took place on 28 April 2020 gave members the opportunity to address key topics regarding supply chain finance. Among other matters, a position paper on ICC rules is in its final editing stage and will be submitted to the GSCFF steering board for review shortly. The final draft of the guidance on Payables finance was discussed during the meeting. 40 institutions contributed to the document, which demonstrates the interest in the matter and the quality of the paper. The GSCFF expects to publish the final version of this paper in due course. It is highlighted that the GSCFF together with its sponsoring organizations (ICC, BAFT, FCI, ITFA and EBA) is undertaking initiatives to oppose negative press on payables finance throughout ways of publications. The GSCFF plans to hold a webinar on the subject, explaining the rationale as well as the progress made by the industry. The GSCFF's publications and results of all these initiatives will be shared in due time.

Sustainable Trade Finance

The leaders of the Sustainable Trade Finance Group's four workstreams provided updates on the current scope of their initiatives and progress to date:

- **Workstream A - Process and Principles:** Nigel Beck of Standard Bank encouraged members to pilot and provide feedback on the content and utility of the integrated GMAP¹/ITC² tool, as well as the ICC's Customer Due Diligence Questionnaire³. SWIFT is currently working on integration of the Guidelines into the Corporate KYC Registry as a voluntary component (target 3Q 2020).
- **Workstream B – Training:** Roberto Leva advised that ADB and its consultants, Environmental Resources Management, are preparing a short podcast on defining sustainability in trade finance, to be available through the ICC Academy (target 3Q 2020).
- **Workstream C- Capital Requirements:** Merisa Lee-Gimpel of Lloyds Bank presented the results of a survey designed to assist in scoping this workstream's review of whether there is justification for changes to capital requirements or other policy incentives for sustainable trade finance.
- **Workstream D- Definitions for Sustainable Trade Finance:** Simon Connell of Standard Chartered Bank outlined this workstream's approach to defining "Sustainable Trade Finance" through identifying a set of common characteristics, focusing on four subtopics:

¹ The IFC's Global Map of Environmental and Social Risks in Agro-Commodity Production ("GMAP"), prepared with the assistance of World Wildlife Fund, provides a sustainability risk assessment of soft commodities produced in specified countries, covering over 250 country/commodity combinations.

² Data integrated into GMAP from the International Trade Centre's Standards Map specifies which voluntary certification authorities are available for those scenarios and whether their requirements address the high risks identified by GMAP

³ <https://iccwbo.org/publication/sustainable-trade-criteria-customer-due-diligence-guidelines>

- trade instruments to be considered (initial focus on ICC Trade Registry instruments);
- mechanisms to be used to determine whether such products are “sustainable (reference point to be considered is the European Union’s Taxonomy⁴):
- data needed to establish the sustainable nature of the trade product: and
- environmental and social safeguard mechanisms are available in the industry

The meeting also covered the Working Group’s alignment with other sustainability initiatives within the ICC and externally. Finally, the Working Group is considering a response to consultation requests on the EU’s Sustainable Finance Strategy and ESG disclosure standards, to be prepared in coordination with the Banking Commission’s Export Finance and Regulatory Advocacy working groups.

Global Export finance Forum

The European Banking Federation export finance committee, ‘Business at OECD’ (BIAC) and ICC export finance committee are drafting a follow-on letter to the OECD to the letter of November 2019 listing recommended modernisations to the 41 year old guidelines for export credits (the “OECD Arrangement”). The OECD is still considering if and how to modernize the Arrangement to make it more relevant and we feel that the COVID-19 crisis amplifies the need for the OECD to show increased flexibility and relevance to current trends in ECA finance (eg increased cover for local costs, flexible repayment terms etc).

Regulation continues to be an important topic and the current leading area is provisioning on Non-Performing Loans (NPLs). Under the CRR currently banks will need to raise provisions on loans where the underlying borrower is not performing even when the third party risk mitigation provider (ECA, multilateral, credit insurer etc) steps into the borrower’s shoes and continues to make payments on time. For ECA loans a 100% provision is required after 7 years while for multilaterals and credit insured deals a sliding scale of provisions starts after 3 years. Due to the continued performance by the risk mitigation provider this feels like it may be an unintended consequence especially as it is not a requirement under the original Basel III text. The provisioning from end of year 3 is also likely to apply to COVID-19 related state support facilities that end up going into default. It is likely that such schemes will be granted the same partial exemption as ECAs but the ICC position remains that full exemption for all such cases where the underlying risk mitigation provider continues to perform according the original borrower schedule should still be pursued and papers advocating for this will continue to be presented to stakeholders.

Committee membership continues to grow and additional members are encouraged. Greater gender diversity is particularly being encouraged.

⁴ See e.g. https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report-taxonomy_en