TXF GLOBAL COMMODITY FINANCE 2021

VIRTUAL

26-27 MAY

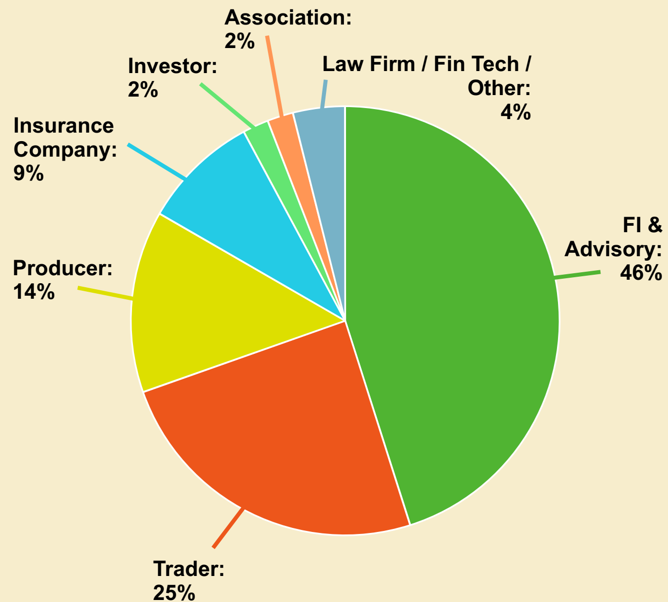
600+ DIGITAL ATTENDEES

1000+ ONE-TO-ONE CONVERSATIONS

OVER 8 HOURS OF LIVE AND ON-DEMAND CONTENT

50 SPEAKERS

2021 DELEGATE BREAKDOWN



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TOP TAKEAWAYS

1. The fallout of some traders in 2020 has highlighted the increased perception of risk in the market but there is probably a flaw in how those events have been viewed by some. Not everything was down to fraud, many parties spent too much time not paying proper attention to the security of commodity collateral, rather than employing CMA/SMAs. Too many parties saw it as simply a tick-box exercise - which it is not. Full and proper counterparty analysis is required.

2. The industry can benefit from setting certain standards, such as a consensus on documentation wording to mitigate discrepancies regarding contracts and documents in different jurisdictions. Organisations such as the ICC, WTO, and STSA could help., while insurance market should work much closer with the CMA/SMA and inspection community.

3. Banks and traders entering into these agreements need to ensure they select reputable, well-founded, fully independent and international firms and consultants. Engagement needs to be at an early stage when a bank or trader client is doing relevant due diligence. The CMA/SMA needs to be a comprehensive arrangement so that the managers and clients have a regular dialogue and full disclosures. This will inevitably cost more but will make a big difference.

4. Smaller and mid-size market players are struggling to access financing not as a result of the Covid-19 pandemic, but because two reasons. Banks are preferring to do more corporate lending to larger, established clients and the difficulties surrounding compliance and regulatory issues. However, insurers have remained consistent and supportive with their clients filling the gaps they need.

5. Collaborative finance approaches could increase risk appetite for banks as there is a first loss position on the deal. In some cases, this can provide blended rates for the trader which gives a lower rate. In recent years, more funds have been set up to blend funds and banks together to transform the risks they are undertaking. This offers the opportunity to provide lower blended rates to corporates while acting as a first loss to improve bank appetite which is especially appealing within mid-size/SME traders.

6. Reputational risk is becoming increasingly important as it can be considered to be either a perception or breaking regulatory standards. As a result, funds are under pressure as risky investments that go south prompt a call from investors causing potential issues related to redemptions and asset liability mismatching.

7. Adhering to CSR values was highlighted as failing to do so can have huge ramifications including financial institutions shying away from certain raw materials. At the same time, others will remain committed to financing their clients through the transition. However, it is vital to maintain clear standards with clients to ensure they are able to fulfil them.

8. The conversations around ESGs are here to stay with trends not just focusing on the environmental component, but also the social ramifications of decisions being made. Ticking a KPI box will no longer suffice as the necessity to implement standardized guidelines is agreed upon by all market participants although differences between jurisdictions will be the main deterrent. High hopes for progress to push forward as the burden does not lie with just banks, but also clients, and everyone else involved.