



# Trade Risk Mitigation

Client Training Summer Seminar 2016

July 4 – 8, 2016 in Frankfurt/Main

# Agenda

**1. Challenges faced/solved by Trade Risk Mitigation**

**2. Risk Mitigation Instruments**

**3. Discussion**

## Challenges for banks active in Trade Finance



## How to cope with these challenges?



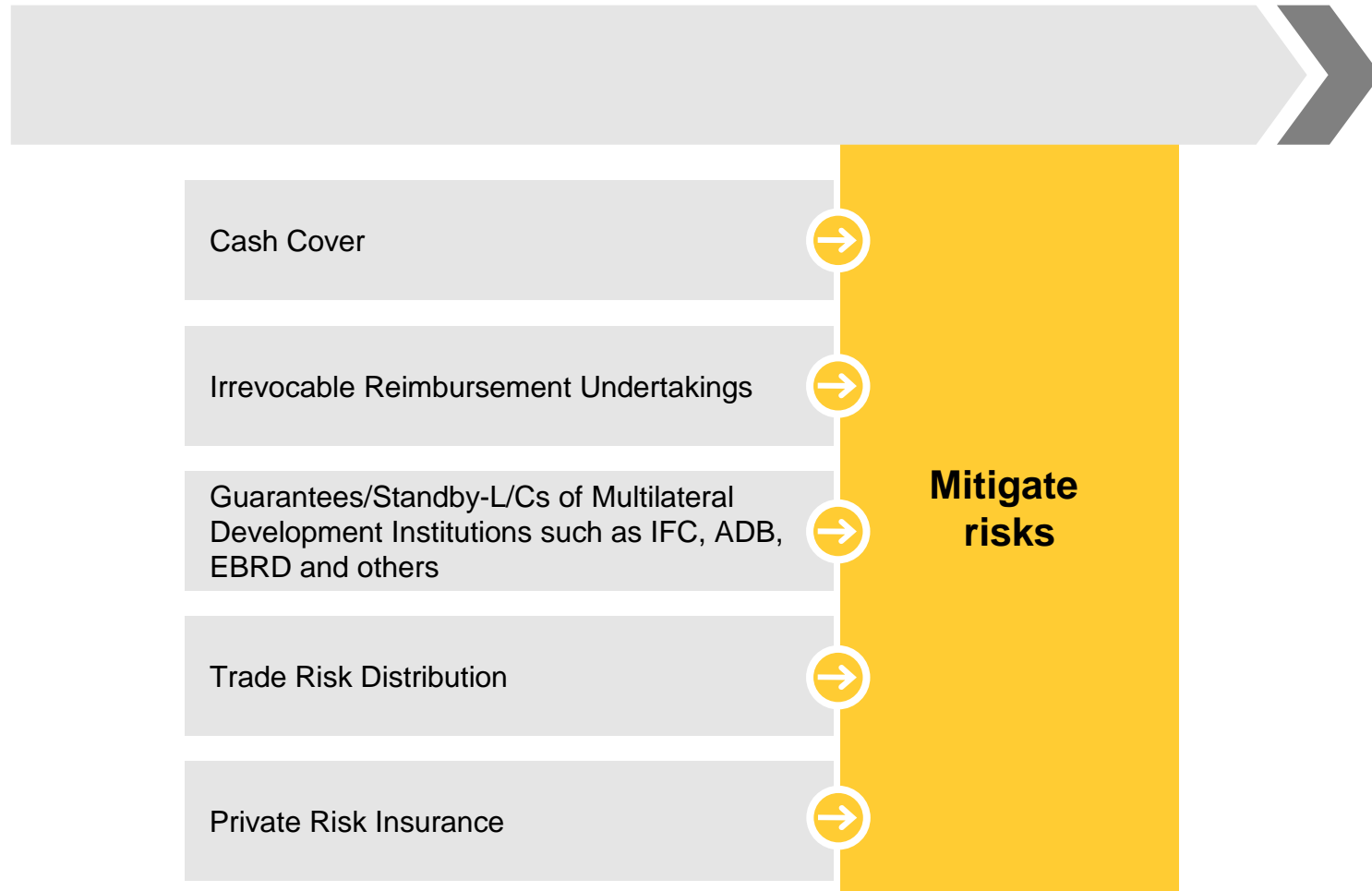
# Agenda

**1. Challenges faced/solved by Trade Risk Mitigation**

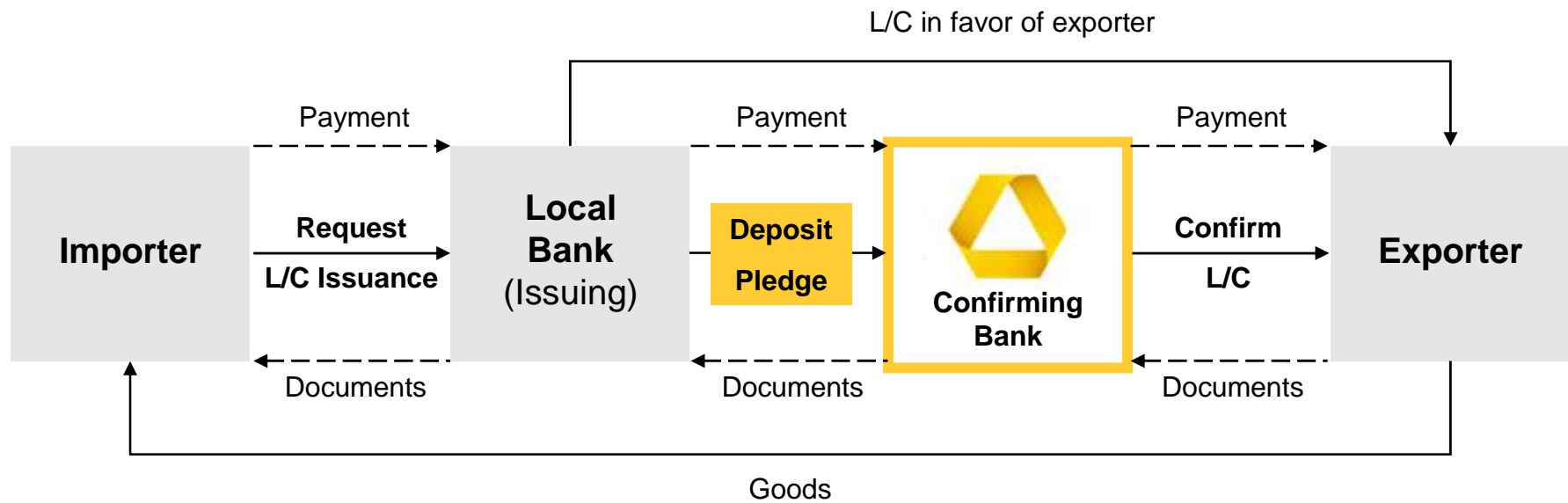
**2. Risk Mitigation Instruments**

**3. Discussion**

## How to cope with these challenges?



# Cash Cover



## Cash Cover

→ Reputation

→ Liquidity

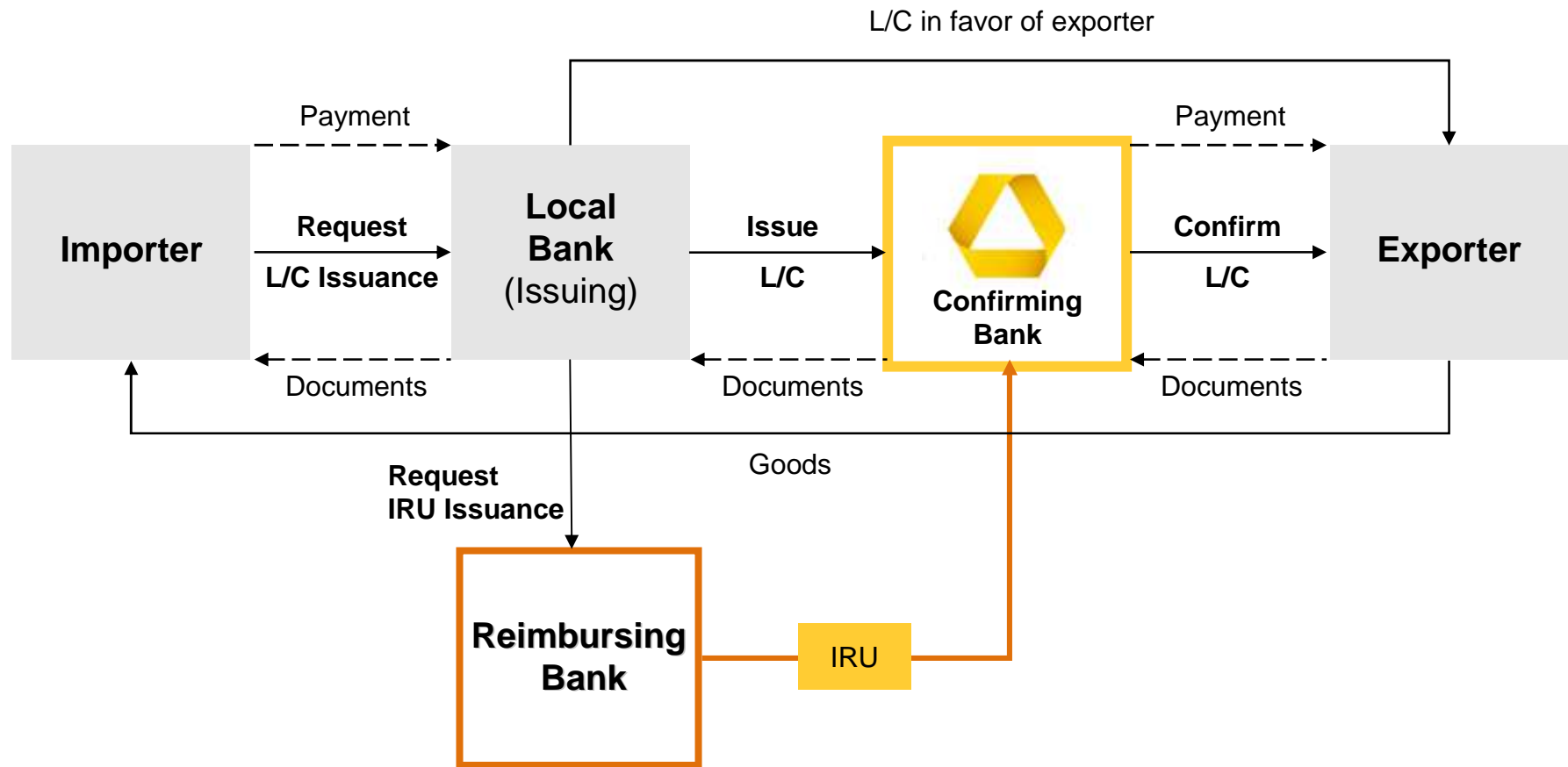
→ Commission

→ Pledge





# Irrevocable Reimbursement Undertaking - IRU



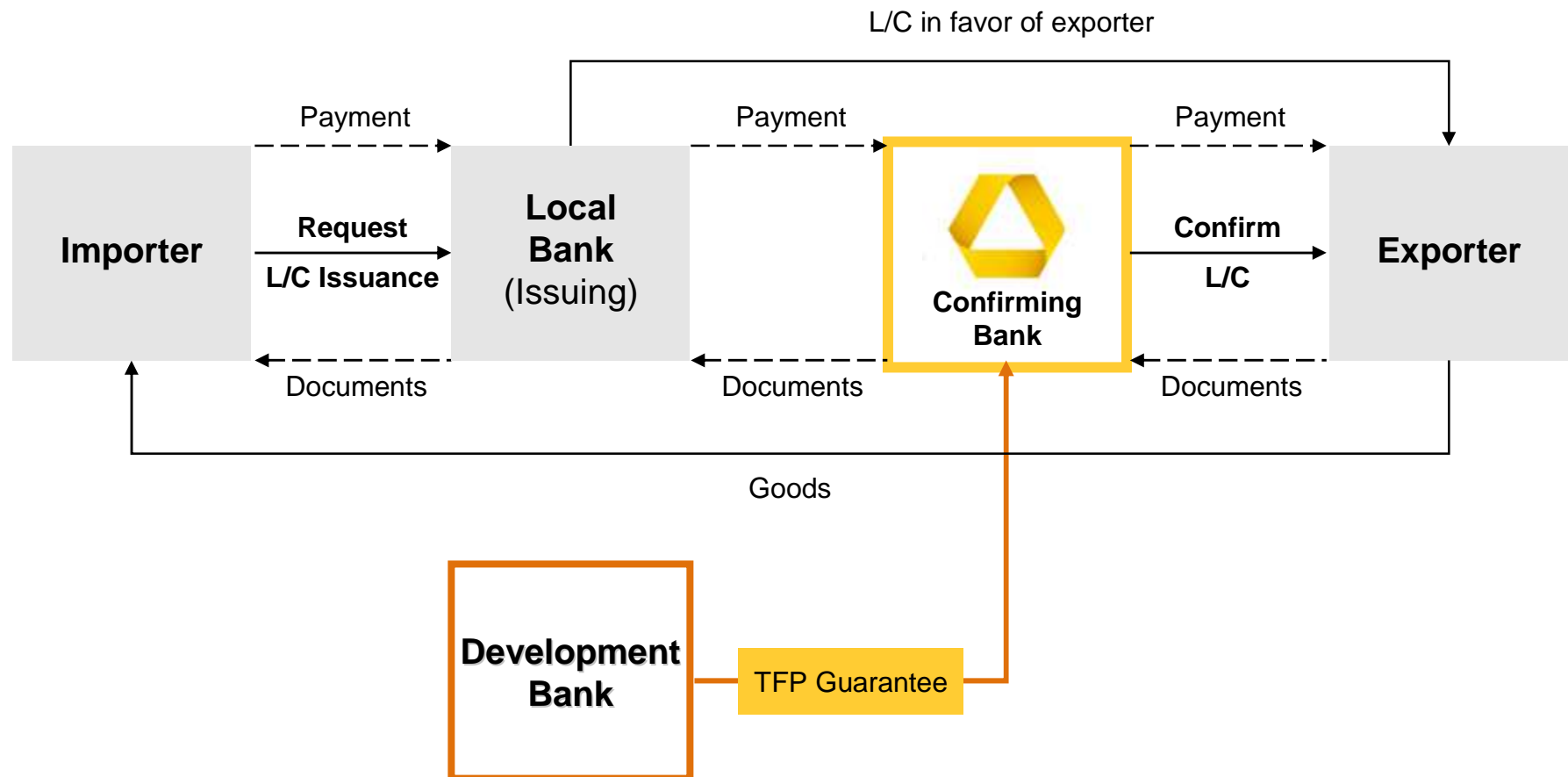
# Irrevocable Reimbursement Undertaking

- Availability
- Procedure
- Commission
- Disclosure





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MT SWIFT Message Type
799
MP SWIFT Message Priority
Normal
IO SWIFT Output Identifier / Receiver TID
ABCDEFGHIJKLMN
identifiant BANK.
IM SWIFT Identifier / Own TID
COBADEFFGHIJKL
20 Transaction Reference Number
FGHREXXXXXXXXXX
21 Related Reference
UNKNOWN
79 Narrative
Attr. Doc Credits Export Dept.
Your ref.: unknown .
Our reimbursement undertaking ref. FGHREXXXXX
under credit no. 2013 ABCD0011 issued by
Commercial Bank
We have been informed by the issuing bank, that
you are authorized to reimburse yourselves latest
until 10 JAN 2014 on their account with us up to
the credit amount of USD 500 000,00 for the
equivalent of documents presented under the above
mentioned credit. We are requested by the issuing
bank to give our reimbursement undertaking to this
reimbursement authorization and we hereby
irrevocably undertake to pay to you the amount of
up to USD 500 000,00 up on receipt of your claim(s)
if presented within the validity of the
reimbursement authorization mentioned above.
This reimbursement undertaking is subject to the
Uniform Rules for Bank-to-Bank Reimbursements
under Documentary Credits, URR 725, ICC Publ. 725.
We provide our undertaking under the condition
only that the beneficiary of the credit bears our
commission and charges:
USD XXXX CONFIRMATION COMM.
USD XXXX ADVISING COMM.
Please remit the above mentioned commission and
charges of total usd:XXXX through yr.
usd-correspondent to our USD account held with ....
    
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## Guarantees of Supranational Development Institutions

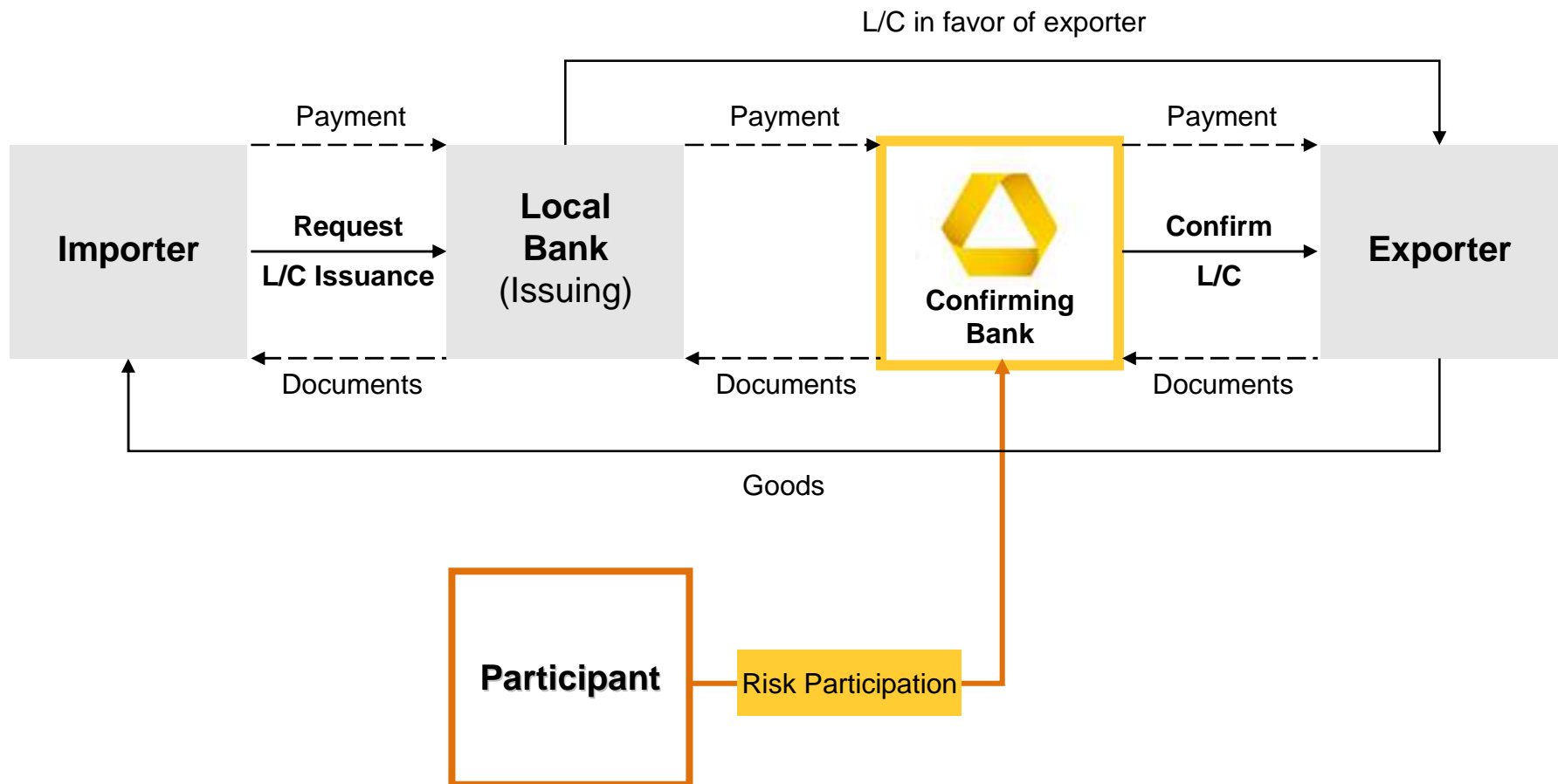


## Guarantees/Standby-L/Cs of Supranational Development Institutions

-  Availability
-  Application
-  Commission
-  Disclosure



# Trade Risk Distribution



## Trade Risk Distribution

- Availability
- MRPA
- Flexibility
- Commission
- Portfoliomanagement



## Trade Risk Distribution – Contract

### Master Participation Agreement (MPA):

- Balance between Participant and Grantor
- Standard document
- Banking leaders from across Europe
- Reduction of legal cost
- Simplified process

## Trade Risk Distribution – Pros and Cons



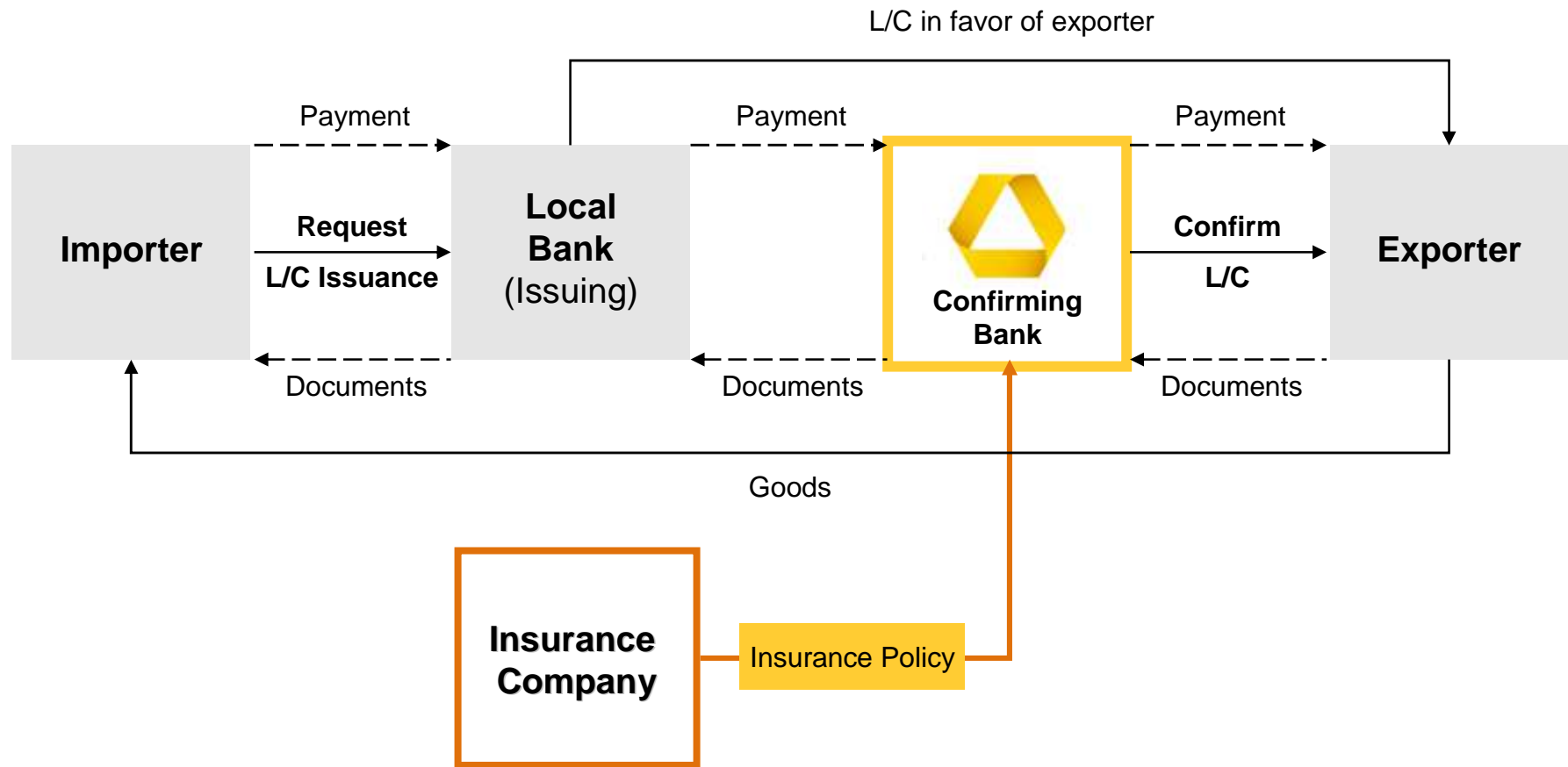
- › Mitigate Risk
- › Increase Volumes
- › Support Your Clients
- › Use Unutilized Limits
- › Explore New Business Opportunities
- › Off- Balance-sheet



- › Reduced Earnings?



# Private Risk Insurance



## Private Risk Insurance

- Availability
- Unfunded
- Extensive Policy Wording
- Information Obligations
- Commission
- Undisclosed



## Private Risk Insurance – Pros and Cons



- › Undisclosed
- › Substantial Risk-Taking Capacities
- › Number of different players
- › No competitors
- › Quotations via brokers' platforms scheduled



- › Insurance premium payable in advance
- › Extensive documentation
- › Strict information obligations
- › Not suitable for small-scale transaction
- › Retention share obligatory

# Agenda

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## Discussion

**Your questions**

**Remarks**

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