

TFD initiative

TFD Initiative expands membership to its trade distribution community

February 2nd 2021

TFD Initiative has established the largest business community of trade originators, credit insurers, institutional funders and their service providers committed to increase the level of automation and transparency in trade asset and risk distribution on the basis of technology-based market practices.

Initiated in 2018 by Tradeteq through the ITFA Fintech Committee of the International Trade and Forfaiting Association (ITFA), TFD Initiative attracted an initial set of major institutions in Q1 2019. “From the start of the initiative, we have concentrated on applying technology to make bank-originated trade assets and risks far more accessible and transparent to institutional investors, credit insurers and banks. Automation is a key differentiator in high-volume and low-yield environments.”, says **André Casterman, Board Member and Chair Fintech Committee at the International Trade and Forfaiting Association (ITFA)**.

“The sustainable access to a new category of investors is pivotal to a successful global commodity trade finance franchise, enabling ING to continue servicing its growing global client base in a capital efficient way”, says **Maarten Koning, Global Head of Trade and Commodity Finance, ING**.

“Establishing trade finance as an investable asset class is a priority for the industry”, says **Rene Hoogland, Managing Director, ING**. “ING embraced TFD Initiative from the start as we want to attract more institutional investors to the asset class in order to better manage our balance sheet. Accessibility to assets and increased risk transparency are key priorities for institutional investors, and automation makes it happen.”

Christoph Gugelmann, CEO of Tradeteq confirms the ambition: “With bank-intermediated trade finance measured in trillions of dollars, even with a few hundred billion in outstanding investment flowing into trade finance from institutional investors, money market funds, wealth funds, family offices and so on (even retail, one day), it will not just be a game changer for global trade but also for many economies.”

During 2020, TFD Initiative attracted 15 institutions including banks, institutional investors, asset managers, law firms and technology integrators. The new members include AKA Bank, Channel Capital Advisors, National Bank of Bahrain, NN Investment Partners, Publicis Sapient, Qatar National Bank, Reed Smith, Santander Asset Management, Stenn Capital, Tesselate, Texel and Trafaltin. In 2020, the 42 members have been able to interact through a dozen of distribution-specific events (3 in-person and 9 webinars) to share insights and expertise on strategic market trends and on new technology-based market practices.

Mario Messerschmidt, Head of Structured Finance & Syndication, AKA Bank said: "Cooperation and empowering our partners as a complementary solution provider are top priorities for us at AKA. We have worked this way for over 65 years within a network of strong banks and companies. During the current Pandemic crisis it crystallises even clearer that Digitalisation, as being the change of an organisation to more lean and efficient structures through new ways of interaction is not only unavoidable. It's the way into the future of banking. In the course of that journey, AKA is developing a digital ecosystem which comprises own developments like the SmaTiX online portal for Export Finance transactions as well as partnerships like the TFD Initiative. Thus, we are glad to become a member of this new initiative in the Trade Finance market."

"The Texel Group is very excited to join the TFD Initiative. We believe that creating a scaleable digital solution to connect the insurance market within the trade finance distribution ecosystem that is being established between the members of the TFD Initiative will only serve to help ensure that insurers remain at the forefront of risk sharing of trade finance assets.", says **Simon Bessant, Director, Texel Group**.

Suresh Hegde, Head of Structured Private Debt, NN Investment Partners explains: "Trade finance gives institutional investors access to a USD 15 trillion marketplace. A stable asset class with low defaults, high recoveries and a yield pick-up over other credit alternatives, trade finance carries a low correlation with traditional markets, offering credit investors attractive opportunities for diversification."

Walter Gontarek, Chairman and CEO, Channel Capital Advisors adds: "Historical default rates remain low given the short-term and self-liquidating nature of trade finance transactions, making it an investible asset class. We joined TFD Initiative as we recognize the importance of automating distribution processes in order to remove legal and operational frictions and related costs, thereby increasing yield."

Bertrand de Comminges, Global Head Trade Finance Investments, Santander Asset Management adds: "As a fund manager, we want to source assets from multiple trade originators. This greatly contributes to our diversification strategy. We look forward to benefit from the harmonised market practices that TFD Initiative is introducing in the market. This helps all stakeholders align on legal set-ups and operational processes, and will support the industry ambition to scale the distribution space."

Stef Merckx, Chief Commercial Officer, Trafaltn says: "As an asset class that has developed over centuries and has shown resilience during times of crisis, Trade Finance should be on every credit investor's 'to-invest' list. The missing link, to bridge the investment gap, is the 'technology' to create access to the asset class. Banks have succeeded in creating such distribution 'technology' to investors for most, if not all their other businesses. Trade Finance will be next through the TFD Initiative which delivers the needed 'technology' to scale up trade distribution in a standardised way."

Casimir Veisblat, CEO and Head of the Trade Practice, Tesselate adds:

“Technology integration is a major challenge in trade finance, and this is what Tesselate concentrates on. We are delighted to collaborate with experts in trade distribution in order to enable a larger number of banks to benefit from the new standardised market practices introduced by TFD Initiative.”

Dave Murphy, International Financial Services Lead, Publicis Sapient adds:

“Publicis Sapient helps financial institutions adapt and transform to the rapid change brought about by digital. Trade distribution is being transformed as well, and we are delighted to play an active role through the TFD Initiative.”

In order to establish trade as an investment class, TFD Initiative focuses on defining new technology-based market practices and transaction data specifications. The objective is to increase both accessibility and transparency of trade flows, so as to enable banks to engage with new types of funders such as institutional investors and family offices. By further expanding the community, banks are able to discover and engage with a larger number of risk and liquidity investors, thereby improving balance sheet management and increasing their own financing capacity.

About the Trade Finance Distribution Initiative

Trade Finance Distribution Initiative (TFD Initiative) is an industry-backed drive to create the blueprint for global trade finance distribution. It addresses the business and regulatory issues impacting banks and non-bank financial institutions when distributing or investing in trade finance.

TFD Initiative seeks to develop standardised best practices for the wider distribution of trade finance assets. This includes common data standards and definitions to address operational inefficiencies, transparency issues, and risks.

TFD Initiative relies on the insights of its members, which includes banks, institutional investors and trade associations. It is powered by Tradeteq, the global trade finance distribution platform.

For more information, please visit www.tradefinancedistribution.com.