Date: 13.04.2015

L'AGEFI
QUOTIDIEN DE L'AGENCE ÉCONOMIQUE ET FINANCIÈRE À GENÈVE

Special Ed. Commodities

L'Agefi
1002 Lausanne
021/ 331 41 41
www.agefi.com

Genre de média: Médias imprimés
Type de média: Magazines populaires
Tirage: 9'510
Parution: irrégulière

UNIVERSITÉ DE GENÈVE

N° de thème: 377.116
N° d'abonnement: 1094772
Page: 7
Surface: 37'727 mm²

Trading Forum 2015

How commodity traders confront market, financial and climate uncertainty.

Coline Quinty, Cotecna Inspection SA, Elisa Marques da Mota, Gerald Group, William Ashbee, Gunvor SA.*

March saw members of the Geneva commodity trading industry gathered at the Fédération des Entreprises Romandes for the annual Commodity Trading Forum. Amongst the delegates were traders themselves, industry experts, NGOs, academics and current and past students. Having been welcomed by Professor Bernard Morard, University of Geneva, David Fransen, President STSA and MD Vitol SA, Pierre Maudet, State Councilor, and Samuel Gayi, UNCTAD, three separate panels discussed trading in the context of market risk, financial uncertainty and sustainability concerns.

Dominique Le Doeuil (Cargill), David Fyfe (Gunvor), Martin Everts (Axpo Holding), Pietro Poretti (EFTA) and Erwin Bollinger (SECO), under moderator John Gault (Graduate Institute) discussed "The Impact of Government Regulations and Sanctions on Trading and Traders". Guest speakers from trading companies emphasised the importance of derivative markets. There was a clear consensus that some of the restrictions by regulators might provoke negative externalities; smaller players would be squeezed out, liquidity would decrease and price information would no longer be possible. Consistent yet tailored regulation is key for the trading industry, with alignment to our US and EU partners vital to avoid contradictory rules. With trading firms owning more physical assets, they have been more exposed to scrutiny and regulation. The effects of sanctions were also addressed: they affect the ability to move commodities, to obtain insurance and provision of finance, since they provoke risk aversion among banks. Moreover, market participants are not certain about what is subjected or not to sanctions, so they will move away from sanctioned countries.

Pietro Poretti presented the importance of transparency as a tool for fighting corruption. He argued that the Extractive Industries Transparency Initiative (EITI) can increase transparency in the trading industry, since it allows governments to report earnings that they received from trading companies. Trafigura has received praise for having taken a voluntary initiative to join EITI, going against the trend that "Switzerland is not a regulation maker, but a taker."

Complex challenges are faced nowadays in order to make sustainability work in the energy and agricultural commodity markets; that was the overriding theme espoused by Alfred Evans (Islan Investments), Claudiu Covrig (Platts/Kingsman) and Iain Henderson (UNEP FI), moderated by Margot Hill Clarvis (IOES). Consumer pressure has been driving this transition to an extent, especially for products like coffee. High profile consumer firms have committed to sourcing raw products responsibly, forcing producers to adapt.

However, places of consumption are disconnected from places of production, so the role of regional landscape scale initiatives is essential to support these private actions. Public policies are key drivers of change, provided they offer a flexible, market-efficient toolkit. If trading paradigms seem to shift towards sustainability, on the ground pledges are altered by market forces. For instance, the sugar/ethanol mix from Brazilian sugarcane feedstock is influenced by external factors, exchange rates and commodities prices that largely affect the energy mix. Communication and collaboration between different market actors will be critical to overcome these hurdles.

Alexander Keck (WTO) introduced his moderation by stating that a large proportion of commodities are sourced from some of the poorest countries in the world. The challenge and opportunity looking forward is infrastructure; whether financed by the private sector, the public sector,

Date: 13.04.2015

L'AGEFI
QUOTIDIEN DE L'AGENCE ÉCONOMIQUE ET FINANCIÈRE À GENÈVE

Special Ed. Commodities

L'Agefi
1002 Lausanne
021/ 331 41 41
www.agefi.com

Genre de média: Médias imprimés
Type de média: Magazines populaires
Tirage: 9'510
Parution: irregulière

UNIVERSITÉ DE GENÈVE

N° de thème: 377.116
N° d'abonnement: 1094772
Page: 7
Surface: 37'727 mm²

or both, under Public Private Partnerships. Guy Hogge (Louis Dreyfus) cited the lack of access to capital of the 500 million small farms globally, leading to farmers being "price takers". The importance of coal for emerging economies was the reccurring theme of Simon Goslar's (Mercuria Energy Group) talk, combined with the obligation of investors to build infrastructure around their projects. David Uzsoki (IISD) and Simon O'Connell (Mercy Corps) highlighted the need for well thought out partnerships between the public and private spheres, offering solutions such as Resource Financed Infrastructure. Alexander Keck returned to conclude that often the aims of all the stakeholders align, with a combined approach often creating dividends for all.

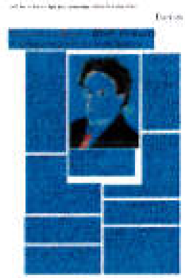
Stéphane Graber (Secretary General, STSA) concluded that above all else, the industry in Switzerland needs to be optimistic in confronting its challenges, with all parties strongly focusing on solutions. ■

THE COMMODITY TRADING INDUSTRY FACES NEW CHALLENGES. BEYOND REGULATIONS AND SANCTIONS, IT WANTS TO ADDRESS THE ISSUES OF SUSTAINABLE DEVELOPMENT.

**Master of Arts in International Trading, Commodity Finance and Shipping, 7th Intake Students.*

ƐFI
FINANCIÈRE À GENÈVE

Genre de média: Médias imprimés
Type de média: Magazines populaires
Tirage: 9'510
Parution: irregulière



UNIVERSITÉ DE GENÈVE

N° de thème: 377.116
N° d'abonnement: 1094772
Page: 27
Surface: 71'835 mm²

ƐEL ROGY | BNP PARIBAS

authority in trade finance

ɜnonnage
ɜ perfect
word to
e the bud-
tem tradi-
ʸ used wi-
ɩow-how".
of Energy
Europe at
who reco-
ɔert in the
The tailor
e force of
IP Paribas
ɛrnational
ɛnce of the
ɪg trading
ion. In this
the role of
ɪppears to
ʸ explains
. leader of
finding its
new com-
Paribas is
player but
stem. "We
ɔon to take
s surroun-
rency. The
wide trade
stioned by

Why are education and innovation so important to trade finance?

Trade finance is at the crossroads due to two main reasons which are not linked to the banking system itself but to our clients. The end of the Chinese super-cycle has created a suction effect on the whole raw materials market. Starting with Deng Xiaoping, this increase lasted more than 15 years until the end of the 2000s. The first big change on our working environment came with the end of this era of high growth. This has no precedent in the recent history of the trading business. Since 2008, we have been facing a normal situation for a market with ups and downs in limited range. The second change came from the production of shale oil and gas in the United States which has reversed worldwide energy and petrochemical flows. These two macroeconomic and industrial trends are putting some pressure on the profitability of our clients. At the same time, we can observe an increasing trend within public opinion in favour of regulation. But regulation costs money. And this is why innovation and education are of utmost importance. Industrialisation is the only way to try to reduce the cost of this ever increasing regulatory control.

How is BNP Paribas fostering innovation in the field?

Since the economic crisis, we have had no other choice than to implement the best compliance processes at every level of our work. This is the reason why we abandon financing business if some steps remain unclear to us. Our strategy is to support business which we fully understand. We were among the first banks to bring our clients to explain every step of their process. If no convergence points are met, then we decline financing. We want to position our bank long-term. We want to play a leading role for the future, as a bank respected for its expertise and its capacity to have a vision to help the Geneva trade finance centre become more transparent.

Date: 13.04.2015
L'AGEFI
QUOTIDIEN DE L'AGENCE ÉCONOMIQUE ET FINANCIÈRE À GENÈVE
Special Ed. Commodities
L'Agefi
1002 Lausanne
021/ 331 41 41
www.agefi.com
Genre de média: Médias imprimés
Type de média: Magazines populaires
Tirage: 9'510
Parution: irregulière
UNIVERSITÉ DE GENÈVE
N° de thème: 377.116
N° d'abonnement: 1094772
Page: 27
Surface: 71'835 mm²

EMMANUEL ROGY. BNP PARIBAS

1991 Graduates from Ecole des Hautes Etudes Commerciales (HEC), France.
1993 Joins Paribas in Milan, Italy.
2004 Head of Project Finance Energy EMEA.
2007 Global Head of Project Finance Infrastructure.
2008 Global Head of Project Finance.
2009 Under his leadership, Project Finance is named Best Global Infrastructure & Project Finance House in 2009.
2013 Appointed Head of Energy & Commodities Finance Europe. General Manager of BNP Paribas (Suisse) SA.

der to emerge. The key factors of the success of trading have always been creativity and flexibility. Innovation is the condition that will allow finding a solution before the day when everybody is using the same norms and rules. The challenge is to create this norm today for the future in order to reduce fixed costs.

Is the TRAFEC platform created by STSA and a pool of banks including BNP Paribas a key and concrete example of this innovation solution?

This is indeed a good example of a common communication tool used by both banks and trading companies to standardise some steps (invoice payment, letters of credit, commercial transactions...) in trading. Our intention is to enhance this system and extend it to improve and automate the compliance process, like the vetting of a vessel and the confirmation of the country of origin of a commodity. Again, the challenge for the industry is to create a solution that leads to a drastic reduction of costs.

Historically the relationships between trading and banking sectors were bilateral. Are they ready today to work in common, as a syndicate, and to share information in a common IT system? Furthermore, how do you communicate with other trade finance banks?

Trade finance must evolve from a bilateral profession to a market profession. Historically the bilateral nature of the sector was the result of the need to issue large letters of credit. There is a need now to involve a syndicate of banks, which will create more professional relations between the client and the bank with less emotion. Now we are confronted by a change of culture. We must set up an institutional relationship with our

Date: 13.04.2015

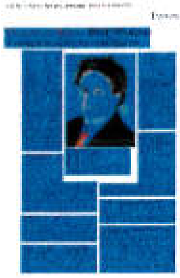
L'AGEFI

QUOTIDIEN DE L'AGENCE ÉCONOMIQUE ET FINANCIÈRE À GENÈVE

Special Ed. Commodities

L'Agefi
1002 Lausanne
021/ 331 41 41
www.agefi.com

Genre de média: Médias imprimés
Type de média: Magazines populaires
Tirage: 9'510
Parution: irregulière



UNIVERSITÉ DE GENÈVE

N° de thème: 377.116
N° d'abonnement: 1094772
Page: 27
Surface: 71'835 mm²

clients. BNP Paribas has clearly identified this evolution in our industry with the best quality of services at lower prices and on a long term basis. Common work – among trading houses and among banks – is the remaining challenge. I would qualify the relationships between banks as shyness. However, we are all concerned by this necessary change of culture.

With this increasing need to work together, how would you qualify the importance of having an organisation like STSA for the industry?

STSA is a good forum for our industry which is helping us working together in the same direction. However, the resistance to change is still high. As always in a fast moving world, there are many ingrained habits. The human factor is very often the most difficult to manage. This is also the reason why supporting education is of utmost importance. The involvement of STSA in the Master program at the University of Geneva is essential. BNP Paribas among others is also proud to be part of this program.

How do you see the future of Geneva as a worldwide trade finance platform? What are its competitive advantages compared to other trade finance hubs, namely London and Singapore?

On paper, the city of Geneva has the highest number of trading houses. This means that this community could more easily share its views on various matters. Indeed, this proximity brings some advantages in terms of work efficiencies. This is the real value of a centre like Geneva. The trading industry could understand the norms and rules for tomorrow and develop them now. We must admit that historically the trading industry was not united into a coherent body, contrary to the watchmaking industry for example. The trading market was a market of information not of sharing. This is evolving. Nevertheless Geneva has some negative points such as the high level of fixed cost. The recent decision of the SNB is an additional factor which puts a pressure on an already fragile cost structure. In order to compete with Singapore or London, Geneva must be successful in involving all local players to enhance the automation of the industry at a more manageable cost. ■

Interview Elsa Floret