

FUTURE-PROOFING COMMODITY FINANCE

The global commodity trade finance unit of **Banque Cantonale de Genève (BCGE)**, active in soft commodities, metals and energy, makes use of the credit and political risk capacity offered by Credendo – Single Risk, demand for which may be growing within the commodities sector.

The last couple of years have been difficult for many players involved in the commodities sector, which was hit by plummeting energy prices, the shock of the Covid-19 pandemic, and a series of high-profile frauds and insolvencies, leading to a number of banks deciding to de-risk from the business altogether. Meanwhile, other lenders, such as BCGE, are charting a path forward for a more resilient future, supporting Geneva's internationally oriented economy and the major players based locally.

Commodity trade finance is an active business line for BCGE, which the bank launched in 2000. All global commodity trade finance transactions are booked through the unit's base in Geneva, which is also where the entire commodity finance team is headquartered.

Like many of its peers, the bank has not been left entirely unscathed by the events of 2019/20, and – driven primarily by adverse market conditions and an even greater scrutiny of risk – has since reshaped its commodity finance portfolio in specific geographical areas.

The bank is balancing its portfolio to strengthen its market position in agribusiness and non-ferrous metals – a strategic choice in support of the energy transition and driven toward a higher credit diversification.

Evolving support

It is around an enhanced soft-commodities and metals portfolio where the bank hopes to draw on even greater support from the insurance market, and Credendo specifically.



THE COMMODITY FINANCE BUSINESS OF BCGE IS FOCUSED PRIMARILY ON THE ENERGY, METALS AND SOFT-COMMODITIES SECTORS, AND BASED IN GENEVA, THE COMMODITY-TRADING CAPITAL OF THE WORLD.



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NICOLAS DERVAUX, HEAD OF DISTRIBUTION AT BCGE



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NICOLAS DERVAUX

"Unlike some other insurers who are sometimes quick to exit a market, especially in difficult economic situations, Credendo is clear on its policies. As such, we may expect to see some more support from Credendo in these sectors," says Nicolas Dervaux, BCGE's Head of Distribution.

This, he says, is especially true given Credendo's merger between its two specialised trade credit insurance entities, Credendo – Excess & Surety and Credendo – Single Risk, as announced in 2020. "I'm sure with this merger, and the capital increase, Credendo will be in an even better position to be able to grow its capacity in the commodities sector," he adds.



ALINE DUPERREX, SENIOR UNDERWRITER AT CREDENDO

BCGE's relationship with Credendo dates back to 2015. The bank is an active player in the insurance market but chooses to keep more than half of the risk on its own books. "We don't consider that, thanks to the insurance product, you can make a bad risk good – so there is no adverse selection in terms of what we submit to the insurance market," says Dervaux.

The fact that both BCGE's and the Credendo – Single Risk teams are based in Geneva has facilitated a strong working relationship between the two entities.

Aline Duperrex, Credendo Senior Underwriter, who works closely with the BCGE commodity trade finance team, comments on the advantages of working in such close proximity: "Being able to share a language – and a city – makes communicating on transactions that much easier, especially during the pandemic when travelling is not an option. It also helps us to better understand one another's markets, as we're able to share our points of view and learn from each other's experiences."

A positive outlook

Despite the various market challenges, Dervaux remains positive about the future of the commodities space, and the role that BCGE can play as a financier. The exodus of various international banks, which creates tremendous challenges for the market, also brings a certain degree of opportunity for players such as BCGE – although Dervaux notes that the bank will always be prudent and follow its risk strategy.

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