

ADB

# Trade Finance Program



# About the Trade Finance Program

The Trade Finance Program (TFP) of the Asian Development Bank (ADB) fills market gaps for trade finance by providing guarantees and loans to banks to support trade.


Backed by its AAA credit rating, ADB's TFP works with over 240 partner banks to provide companies with the financial support they need to engage in import and export activities in Asia's most challenging markets. The program supports a wide range of transactions, from commodities and capital goods to medical supplies and consumer goods.

With dedicated trade finance specialists and a response time of 24 hours, the TFP has established itself as a key player in the international trade community, providing fast and reliable trade finance support to fill market gaps.

[www.adb.org/tfp](http://www.adb.org/tfp)

For inquiries, e-mail [tradefinanceunit@adb.org](mailto:tradefinanceunit@adb.org)

Contacts for specific countries can be found in the TFP website at [www.adb.org/tfp](http://www.adb.org/tfp)



# 2018 Results by Numbers

Transactions supported

**\$6.20 billion**

2009–2018  
\$36.30 billion

Cofinancing

**\$3.75 billion**

2009–2018  
\$21.60 billion

Number of transactions

**4,476**

2009–2018  
21,083

Transactions involving SMEs

**3,475**

2009–2018  
15,688

Maximum transaction maturities

**3 years**

Average duration of transactions

**Less than 180 days**

Number of partner banks

**240+**

Five most active of 21 TFP countries

**Armenia, Bangladesh, Pakistan,  
Sri Lanka, Viet Nam**



# TFP Products

## Guarantee Products

1. Credit Guarantee (CG)—covers up to 100% of bank risk, provided within 24 hours; more than 75% of the TFP's portfolio is generated through the CG product
2. Risk Participation Agreement (RPA)—automatically binds the TFP up to 85% of bank risk in support of trade transactions

## Funded Product

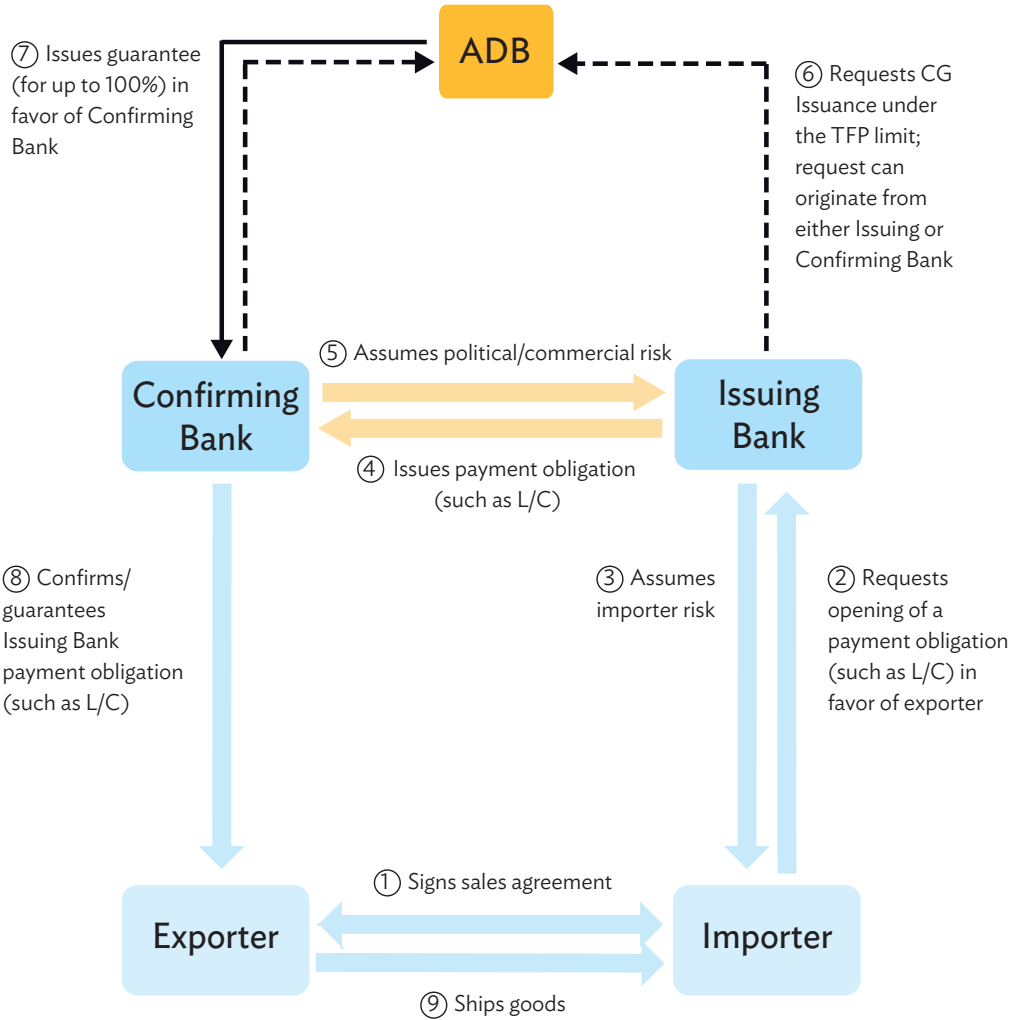
1. Revolving Credit Facility (RCF)—provides loans directly to banks in the TFP countries of operation to support pre- and post-shipment transactions
2. Funded Risk Participation Agreement (FRPA)—pilot launch in 2017; automatically binds the TFP for up to 50% of bank risk in support of funded trade transactions

## Distribution Product (Cofinance)

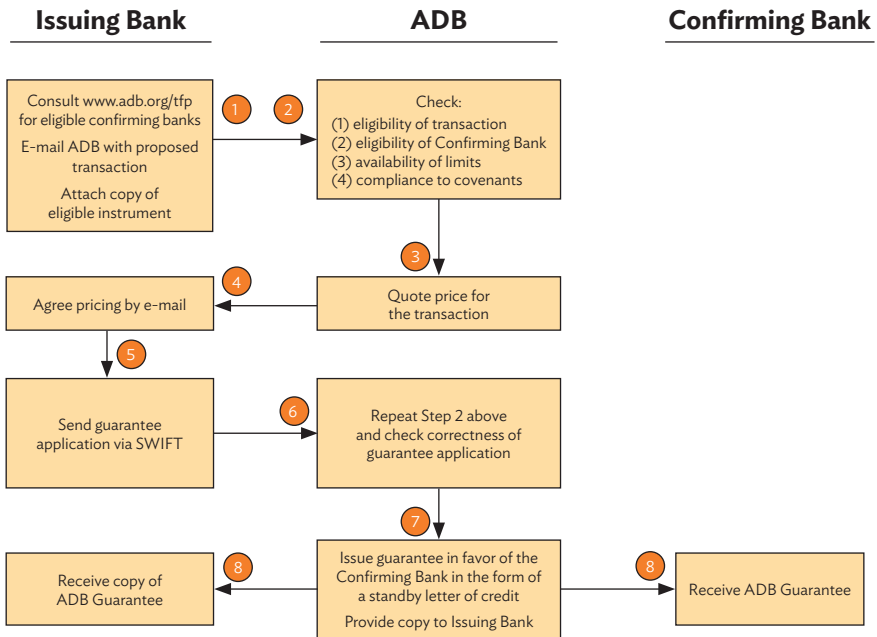
Risk Distribution Agreement (RDA)—the TFP leverages capital resources and credit limits by sharing risk

# Credit Guarantee: How It Works

ADB provides guarantees to confirming banks covering up to 100% of nonpayment risk



# Credit Guarantee: Transaction Process for Issuing Banks



## Criteria to join as Issuing Bank

The TFP is open to qualified banks located in ADB's developing member countries.

The criteria for eligibility include, but are not limited to:

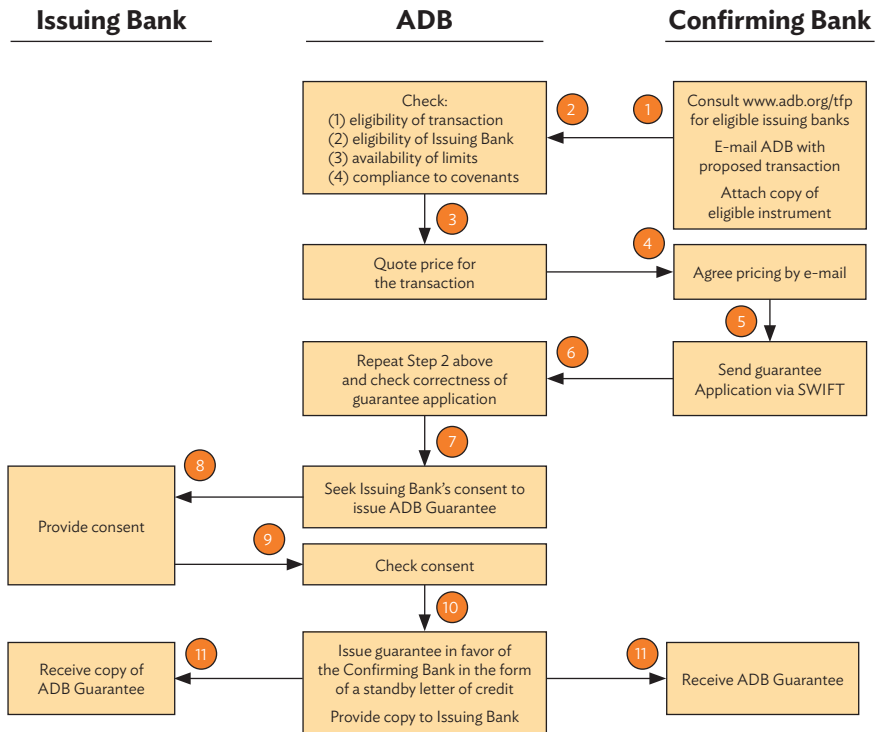
- positive financial statements,
- strong corporate governance,
- clear and balanced shareholder structure,
- existing trade finance operations, and
- adequate financial crimes policies and procedures.

## Quick reference contact information

For inquiries, e-mail [tradefinanceunit@adb.org](mailto:tradefinanceunit@adb.org)

Contacts for specific countries can be found in the TFP website at [www.adb.org/TFP](http://www.adb.org/TFP)

# Credit Guarantee: Transaction Process for Confirming Banks



## How to join as a Confirming Bank

Confirming banks are in a key position to support more business for exporting clients, especially in countries where credit lines are limited.

International, regional, and local banks are eligible to join ADB's TFP as a Confirming Bank, provided they are reputable institutions that have trade finance operations and adequate anti-money-laundering (AML) and know-your-client (KYC) policies.

To participate as a Confirming Bank in the TFP, interested parties are required to provide information on their AML and KYC policies. Eligible confirming banks should sign a Confirming Bank Agreement.

The party requesting the guarantee (Issuing or Confirming Bank) is responsible for paying applicable guarantee fees.

## Quick reference contact information

For inquiries, e-mail [tradefinanceunit@adb.org](mailto:tradefinanceunit@adb.org)

Contacts for specific countries can be found in the TFP website at [www.adb.org/TFP](http://www.adb.org/TFP)

# Advantages of the TFP

## To Issuing Banks

### The TFP:

- increases a bank's credit lines,
- expands relationships with correspondent banks,
- reduces cash collateral requirements,
- enhances ability to maintain or attract new clients, and
- provides critical support during times of crisis.

## To Confirming Banks

### The TFP:

- provides low-risk access to new and challenging markets,
- expands geographic coverage to service export clients,
- leverages existing country lines and Issuing Bank limits,
- provides capital relief under Basel, and
- provides valuable market intelligence to help banks move into frontier markets.



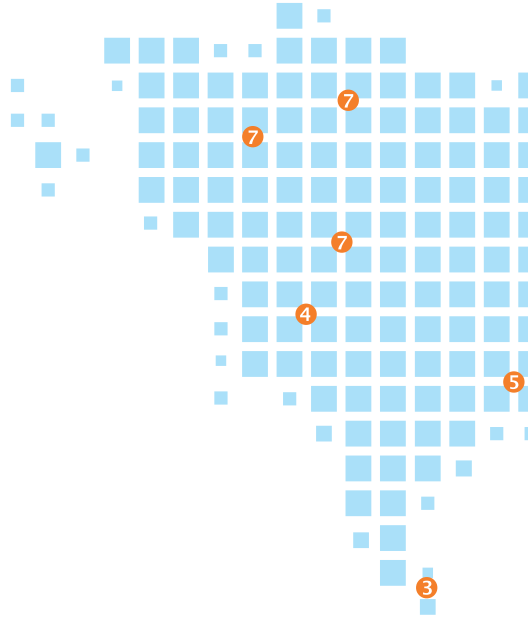
# Sample Transactions Supported by the TFP

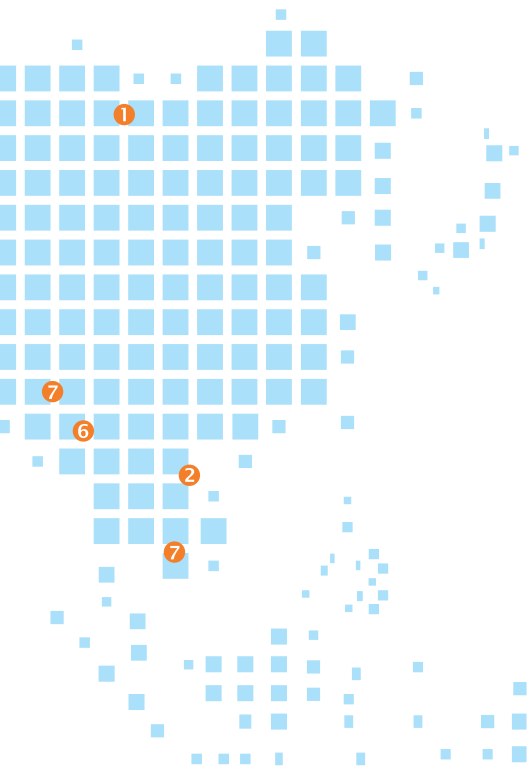
## Credit Guarantee (CG) Product

- ① Guarantee to a bank in Germany covering 100% of a \$2.8 million payment risk on a Mongolian bank supporting import of agricultural equipment
- ② Loan guarantee to a US bank covering 25% of an \$8 million repayment risk on a loan to a bank in Viet Nam supporting the supply and installation of equipment from Sweden for 3G cellular networks in southern Viet Nam

## Funded Product— Revolving Credit Facility (RCF)

- ③ \$250,000 trade loan to a Sri Lanka bank to on-lend pre-export finance for the manufacture of garments for export to Europe and India





## Risk Participation Agreement (RPA) Product

- ④ Partial risk protection on a \$182 million export of diesel electric locomotives from the United States to Pakistan

## Knowledge Products

- ⑤ Information provided to international banks helped establish trade credit limits in Bangladesh
- ⑥ Due diligence feedback to banks in Myanmar created benchmarks to measure improvement against future annual reviews, helping strengthen Myanmar's nascent banking system
- ⑦ Trade finance seminars for banks in Cambodia, Kazakhstan, Myanmar, Tajikistan, and Uzbekistan

## Distribution Product (Cofinance)

- Cofinance and share risk with distribution partners in all TFP countries

## Knowledge Products

1. Studies:
  - The TFP created the Trade Finance Register in conjunction with the International Chamber of Commerce (ICC). The register provides annual default and loss rates on global trade finance transactions, helping bank regulators and financial institutions understand and calibrate risk parameters for trade finance.
  - The TFP has published the annual “ADB Trade Finance Gap, Growth, and Jobs Survey” since 2013 to identify and quantify market gaps for trade finance and the impact on economic growth and jobs.
  - TFP published in 2018 the “Trade Finance Scorecard: Regulation and Market Feedback”, which is a new tool to help implement effective measures to fight money-laundering and terrorism financing.
2. “Knowledge Dissemination” to inform bankers and insurers of risks and opportunities in the TFP countries of operation
3. Training and seminars in trade finance and banking to build expertise
4. Feedback on annual due diligence sets benchmarks for improvement to strengthen banks

# Program Summary

<b>Products</b>	Guarantee (CG and RPA), Funded (RCF and FRPA), Distribution (Cofinance), and Knowledge
<b>Participants</b>	More than 240 banks
<b>Exposure Limits</b>	Participating bank limits: varies on credit assessment
<b>Tenor</b>	Maximum 3 years, but average tenor of portfolio is less than 180 days
<b>Coverage</b>	Up to 100% per individual transaction under CG and RCF; up to 85% under RPA; up to 50% under FRPA
<b>Types of Transactions</b>	Letters of credit, guarantees, discounting, trade loans, and other instruments
<b>State-Owned Eligible?</b>	Yes, trade support covers state-owned banks and companies
<b>Currencies</b>	US dollar, euro, yen, RMB, New Zealand dollar, and Australian dollar

## About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

*On the cover:* Tea and coffee growers at work along Kindeng-Kondipina Road, Papua New Guinea (left); container vans waiting to be shipped at Danang Port, Viet Nam (center); a female worker at a textile factory in Dhaka, Bangladesh (right). (Photos sourced from ADB Photo Library.)



Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

© 2019 ADB. The CC license does not apply to non-ADB copyright materials in this publication.

<https://www.adb.org/terms-use#openaccess>

<http://www.adb.org/publications/corrigenda>

Publication Stock No. ARM190347-2

[pubsmarketing@adb.org](mailto:pubsmarketing@adb.org)