TRADE FINANCE DEMYSTIFIED

THE INTRICACIES OF COMMODITIES TRADE FINANCE

September 2020

Public Eye

For ten years, Public Eye has relentlessly documented, through its investigative work, the "lack of transparency underpinning the global commodities trade", as the Financial Times wrote recently[1]. A key success factor is our access to exclusive information and the fact we have the ear of decision-makers. Corruption, or "abuse of power for personal gain" plays a role in the sector where it takes two to tango – whether in a rather simple form or hidden behind commercial transactions and joint ventures that appear legitimate.

Several months ago, we decided to delve into the intricacies of trade finance to understand the blind spots and risks. It is a significant challenge, because the Swiss authorities hide behind a hypothetical notion that banks exert indirect supervision over traders to reject any proposed regulation. When planning this publication, we took inspiration from the nice reports signed by Trafigura, which positions itself as a champion of transparency. In its papers "Commodities Demystified" and "Pre-payments Demystified", the Swiss trading giant uses sleek images and innocent children's pictures to explain its business activities and above all to fend off its critics.

Commodities trading is an opaque business, but its finance is a veritable black hole. We were hoping that the Federal Council report published in February would provide elements of a response. The Swiss Parliament had asked it to provide an estimate of the volume of banking finance provided to traders. All we found were two figures, which are not only extremely divergent, but also out of date: a study carried out by the consulting firm Oliver Wyman cites USD 62 billion (2016)[2] and an estimate from the Swiss Banking Association (SBA) puts the figure at CHF 1,500 billion (2011)[3]. The latter was not in a position to provide any detail on its methodology and stated that it had not "addressed this issue for some time".

The Swiss Financial Market Supervisory Authority (FINMA) is certainly not mandated to regulate the physical trade in commodities or to gather market data. Its representatives confess that they do not know more, while stressing the limits of indirect supervision by the banks, which the Federal Council cherishes so dearly: "The requirements provided for in money laundering legislation apply to the contractual relationship between the audited financial intermediary and their client. There is therefore no applicable KYC (Know your Customer) requirement, which means the financial intermediary is not obliged to supervise the clients of its client." Of the thirty or so anti-money laundering checks that FINMA carries out on financial institutions each year, "only one or two relate specifically to trade finance".

What does an investigative NGO like Public Eye do when faced with such an omertà? We investigate, find sources willing to speak and scratch beneath the surface to obtain figures. This paper is the result of several months of teamwork. It is only the beginning of a process of gaining clarity: we invite all stakeholders to shed more light on the sector's financing. What does Christophe Salmon, Trafigura's CFO, say about this? "Much remains to be done in enhancing levels of transparency within and around the commodities trading industry". On that point at least, we agree.

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Introduction

Ask them to tell you about their profession. They'll tell you that they move commodities from A to B. At best, traders will even talk about the tankers and bulk carriers that transport these commodities, or instruments such as a Letter of Credit or Bill of Lading that "existed back in the days of the Romans". In reality, however, commodities trading is slightly more complex.

The Federal Council does not seem to have reached this conclusion. On 26 February 2020, it passed up another opportunity to bring some order to a sector that, year on year, contributes its share to Switzerland's corruption and money laundering affairs. In a contradictory report[4] issued in response to Seydoux-Christe's postulate (a Swiss parliamentary procedure) submitted to the Council of States two years earlier, the Swiss executive used a convenient line of argument to justify its lack of action: there is no need to regulate the trading sector because it is indirectly supervised by banks. This overlooks the fact that the system, invented by the BNP Paribas banker Christian Weyer[5] and widely used in Geneva's financial sector, is outdated. The system is based on the renowned Letter of Credit (a credit guarantee on physical commodities) which has become increasingly difficult to obtain for smaller trading companies. At the same time, large trading companies are gaining access to increasingly sophisticated instruments that offer them greater financial flexibility and enable them to avoid any controls by banks.

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These instruments include Revolving Credit Facilities, which in some situations act like an open bar or a blank cheque signed by banks in favour of trading houses. Pre-financing granted by the trading companies to governments of producer countries is growing exponentially. This type of loan enables traders to source oil for numerous years using very opaque price formulas that escape the control of the financial institutions. In addition, "swaps" – exchanges of crude oil against refined petroleum products – and other alternative financial products, pass almost entirely under the banks' radar.

To identify the flaws and shifts in a sector that continues to resist any form of regulation, it is key to understand these very complex instruments, which at times even experts struggle to explain. In light of this, it is hard to understand the Federal Council's inertia – it acknowledges the heightened risk of corruption and money laundering in the commodities trading sector, yet fails to provide any new data or propose any measures to provide effective surveillance.

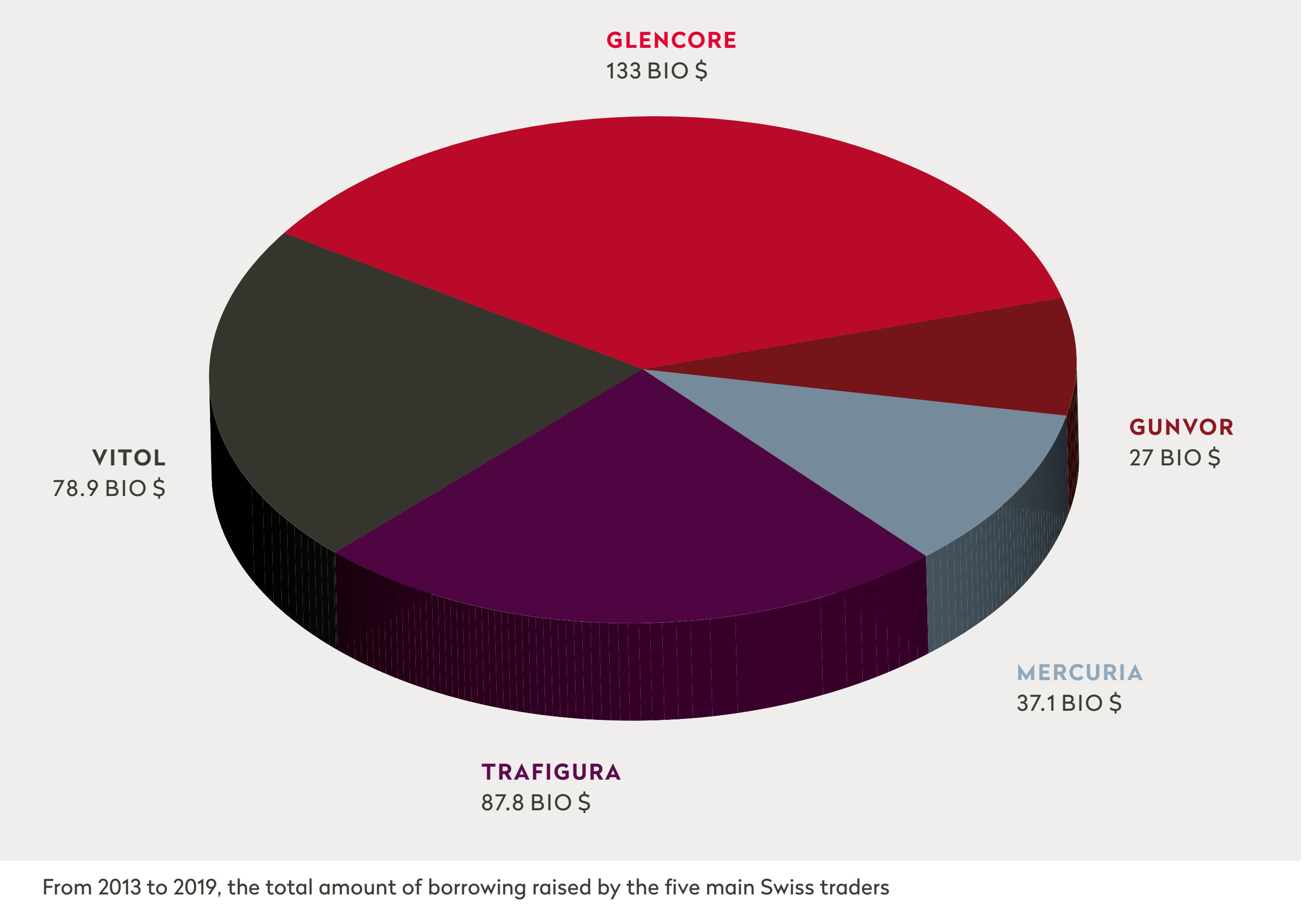
If nothing is done to regulate this high-risk sector, scandals will continue to arise to the detriment of poor people in producer countries and Switzerland's reputation.

Faced with a lack of information on the topic, there was an urgent need to produce a guide to "demystify" the sector. Public Eye therefore decided to undertake its own investigation into commodities finance. We spoke to some ten industry stakeholders who agreed to give us an account of what goes on behind the scenes. They all asked to remain anonymous. The testimonies of these bankers, compliance officers and traders and exclusive data obtained by Public Eye from the Dutch research and advisory firm Profundo paint a very different picture to that presented by the traders, their lobbyists and the Federal Council. It reveals a concerning evolution in practices, which continue to evade the control of banks.

The large trading houses now absorb most funding. Playing with billions, they themselves have become pseudo-bankers, providing lines of credit to smaller companies or huge loans to developing countries. Some trading houses have thus become "too big to fail" in an evolving world.

If nothing is done to regulate this high-risk sector, scandals will continue to arise to the detriment of poor people in producer countries and Switzerland's reputation.

FIGURE 1 – CORPORATE LOANS AND REVOLVING CREDIT FACILITIES GRANTED TO THE TOP FIVE TRADERS 2013 – 2019 (in billion USD)



From 2013 to 2019, the total amount of borrowing raised by the five main Swiss traders totalled USD 363.8 billion. | Source: Profundo, 2019.

THE TRADERS' TOOLBOX

The stream of loans is drying up, but trading houses are thirstier than ever. They are particularly inventive. Here is a list of the main financial instruments and their "advantages". We have split them into three categories: bank financing (sections 1 to 3), non-bank financing (4 and 5) and "when traders replace bankers" (sections 6 and 7).

SECTION A

Bank financing

1

The traders' bread and butter – The Letter of Credit

How it works

This is the "bread and butter" of commodities trading. Used as a guarantee of payments and as a short-term financing instrument, a Letter of Credit (LC) is the oldest and most widely used instrument in the sector. Reinstated in Geneva (see section 1), LCs have played a crucial role in Switzerland's growth into an important trading location.

For a long time, they were crucial for small companies that did not benefit from massive lines of credit.

An LC is a commitment to making a payment. It is a short-term loan issued by a bank on behalf of a trader. The remainder of the process goes as follows (see image below): the bank provides an LC to the seller, or the seller's bank. Specifically, the document states: "I will pay you X amount, provided that you deliver the commodities agreed to me." If in exchange the seller presents the correct documents, such as a renowned Bill of Lading, confirming that the goods are of good quality and have been loaded for transport, the bank can expect payment. At this point, the bank that issued the LC will advance the payment. The bank will only be reimbursed by the trader that initiated the transaction once the transaction is complete.

In contrast to normal loans, the number of credits and the amount of credit provided does not depend on the situation and the trader's financial strength. The shipment of commodities serves as the guarantee in cases where the trader has difficulties reimbursing its bank. In the jargon this is known as "collateral".

There are also Standby Letters of Credit, which are a pure financial guarantee instrument. The bank only commits to paying the seller in a scenario in which the trader is unable to do so itself.

Over the years, the toolbox of short-term credits linked to and guaranteed by physical transactions has grown. In contrast to LCs, which are perfect guarantees (because the shipment guarantees the value of the exchange), large companies are also able to obtain credits that are "imperfectly guaranteed" through Asset-Based Lending (ABL). In this case, the bank scrutinises all its client's assets, adding up the total of invoices due in the coming 60 days and the value of their stocks of commodities. The bank will decide to lend a certain percentage of the total sum of this, for example USD 100 million. This percentage can easily go as high as 80 % for clients deemed to be the most reliable.

The advantages

Letters of credit enable traders who do not have large amounts of equity to issue transactions that can easily surpass several millions of dollars for a crude oil tanker. For a long time, they were crucial for small companies that did not benefit from massive lines of credit or Revolving Credit Facilities (RCFs – see section 3). Or, as Trafigura puts it, "[The system based on LCs] allow commodity trading firms to hold far more bank debt on their balance sheet than a normal company could"[6].

For their part, banks are only exposed to a limited level of risk because the loan is guaranteed by the commodity in question. Compared to other forms of financing discussed below, an LC provides the issuing bank with the most information about the transaction. The bank has to ensure that the cargo corresponds to the description stated on the documents obtained; the bank has the option to scrutinise individual transactions. A former banker specialised in trade finance confirmed this to us:

"In the world of banks active in trade finance, I do think that this instrument issued prior to the commercial transaction leads us to act more swiftly in the case of any suspicion. Let's take an embargoed Iranian-owned vessel: when the client instructs its bank to modify the LC with the name of the boat, the compliance instruments will identify that the boat is under US or other sanctions. The deal will then be blocked."

This banking supervision is, however, very limited in terms of corruption risks and this is acknowledged by the industry itself. Last year, the Wolfsberg Group, which brings together 13 of the largest international banks and whose main aim is to prevent money laundering, warned that "it is extremely rare for any one Bank to have the opportunity to review an overall trade financing process in complete detail given the premise of the trade business that banks deal only in documents"[7]. The Wolfsberg Group adds that "In determining whether transactions are unusual due to over or under invoicing (or any other circumstances where there is misrepresentation of value) it needs to be understood that Banks are not generally equipped to make this assessment."

No one really knows how much money is at stake

There is no transparency over the volumes of financial transactions involved in trading, or on LCs. In a 2014 publication by the Bank for International Settlements (BIS)[8] – the only publication that it has ever dedicated to trade finance – the BIS estimates that "some USD 6.5–8 trillion of bank-intermediated trade finance was provided during 2011, of which around USD 2.8 trillion was LCs". However, the BIS study does not provide any figures specifically on the financing of commodities trading. In a 2013 publication[9], the Swiss Bankers' Association (SBA) estimated the overall amount of financing in relation to commodities trading in Switzerland at CHF 1,500 billion for the same year (2011). It is unclear what type of financing the SBA includes in its definition of "financing of commodities trading […] guaranteed by banks", and so we sought clarifications. The SBA responded rather flatly that it could not provide any.

"It is extremely rare for any one Bank to have the opportunity to review an overall trade financing process in complete detail."

Nevertheless, one of our sources was bold enough to provide us with percentages. According to this former banker specialised in trade finance, "for banks active in financing commodity traders, the proportion of Letters of Credit is over 85 %". He also confirmed that the fact, recognised by many in trading circles, that over the past ten years there has been a significant reduction in LCs globally – to the tune of "20–30 %". Banks no longer provide these kinds of facilities to small companies.

Established in response to the 2008 financial crisis, new international liquidity regulations have rendered transactional finance (as opposed to larger loans not linked to specific transactions) less attractive for banks. Another ex-banker who we questioned confirmed: "Large companies capture all the funding and it is very difficult for small companies to raise money directly with banks, who consider it too risky and not sufficiently lucrative. The model invented earlier by Christian Weyer, the Paribas banker, is completely dead and the current concentration is not a guarantee for best practices." Today, banks demand that a company hold at least CHF 10 million of equity before they will issue an LC.

BOX 1

HOW TO MAKE A KING

From his base in Geneva, a banking expert completely unknown outside the industry perfected the financing system based on LCs. Since the beginning of the 1970s, Christian Weyer, of French origin, discovered the potential of trade finance when working at the Geneva branch of the Bank de Paris et des Pays-Bas (Paribas, now known as BNP Paribas). If it were not for his LCs, there would be no Marc Rich, the godfather of the Swiss commodities trade, nor would there be a flourishing financial hub in Geneva, Zug or (to a lesser extent) Lugano today. When it was set up in 1974, Marc Rich & Co. Investment AG had a share capital of a little over a CHF 1 million. The company only had a handful of traders and telephones in a four-room appartment in Zug, with a single teletypewriter kept in the bathroom for lack of space to store it elsewhere.

In contrast to a listed company, a privately owned company like the one owned by Rich (and like all Swiss commodities traders today, apart from Glencore) cannot issue shares to the public to raise funds for investments or acquisitions. Moreover, banks are reluctant to lend to companies that do not have enough equity. In the 1970s, financial institutions lent sums ranging from two to five times the estimated value of the borrowing companies. Despite the unusual confidence that the banks had in Marc Rich, he could never have become the "King of Oil" simply through the credit lines of $50 million he was receiving from banks – or in other words, without the Letter of Credit.

In an interview[10] given to Swiss newspaper *Le Temps* in 2008, Christian Weyer himself recalls another important commercial partner: "One of our first clients was a neighbour of the bank. He traded coal and we started to fund his team. Today, the entity has become Vitol, one of the global giants of oil trading.

FIGURE 2 – HOW A STANDARD "LETTER OF CREDIT" WORKS

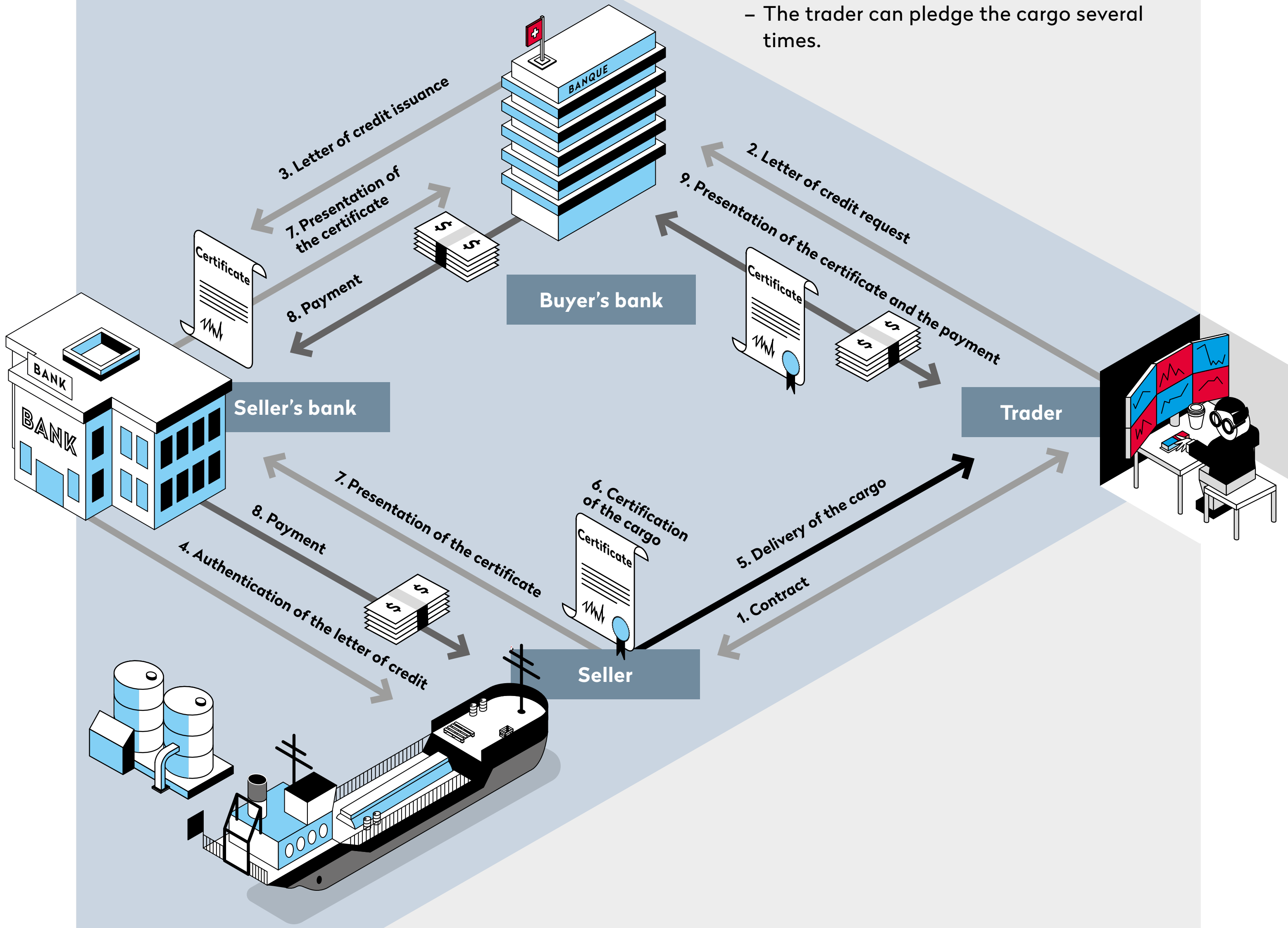
An LC is a commitment to making a payment. It is considered as the safest instrument in trade finance because the loan is guaranteed by the physical commodity.

Advantages for traders

- Enables companies without large amounts of equity to raise millions.
- The loan is guaranteed by the cargo (collateral).

Risks

- The letter of credit does not protect against fraud.
- The trader can pledge the cargo several times.



Deliveries
Payments
Agreements

This type of transactional financing – done for each cargo – supposes a detailed review of documentation by banks and enables, in theory, for the whole transaction to be monitored.

Relatively strong control by banks

The Letter of Credit enables a company that only has limited equity to obtain credit by "pledging" its cargo. | © Bloomberg / Getty Images

As long as there is still collateral

LCs are considered safe for banks because there is always an option to seize the collateral, i.e. the cargo containing the commodities. Still, in the midst of the chaos linked to the collapse of demand caused by the Covid-19 pandemic and the fall in the oil price, the Singapore-based trading house Hin Leong made a "a jaw-dropping admission"[11]: the trader had not made profit for years, but in contrast had accumulated USD 800 million in commercial losses that were never divulged in its public accounts. When the company filed for insolvency, it became clear that it had sold the collateral that secured its LCs. Along with other banks, HSBC, ABN Amro and Société Générale lost hundreds of millions of dollars through the supposedly "zero risk" instrument.

"Large companies capture all the funding."

Separately but still amid the fray of the crisis, in early May HSBC denounced the company ZenRock for "highly dishonest transactions"[12]. The bank accused this other trader from Singapore of having obtained funding linked to the same cargo of crude oil from numerous banks (see our investigation entitled Millions of dollars swallowed up from Singapore to Switzerland)[13]. These two recent examples say a great deal about banks' alleged capacity to carry out sufficient due diligence on traders' activities.

2

Open account, a direct – but risky – payment

How it works

In commodities trading, most transactions are secured by payment guarantees like documentary credits or Standby Letters of Credit issued by the buyer's bank (see section 1). Nevertheless, sometimes transactions are carried out by "open account".

In this case, the goods – whether they are a cargo of oil or cotton – are dispatched and delivered before the payment is due, simply on the basis of a contract signed between the buyer and the seller. The seller effectively issues a temporary loan to the buyer. Trust plays a key role in this type of operations, given that the respective parties' banks are barely involved, if not when processing the payment.

An open account transaction is the ideal instrument to pass suspicious transactions below the bank's radar.

The buyer has the option to pay by drawing on its equity (without asking for bank financing) or to use part of the unsecured credit line that it has received from its bank using, for example, a Revolving Credit Facility (see section 3).

The advantages

Open account transactions are inherently riskier for the seller. However, doing without an LC enables them to avoid a process that can take two to three days, and means the seller does not have to pay commissions charged by the bank. For the buyer, who only pays for the goods once the delivery has been received, it represents both cash and cost savings.

In contrast to LCs, these direct payments also make it possible to carry out transactions with no need to compile complete documentation for all the parties involved. An open account transaction is the ideal instrument to pass suspicious transactions below the bank's radar. The former banker explains: "I come with a boat. You load the goods. I pay you. It's very much 'don't ask, don't tell.' The money can be sent via a bank in a country that tolerates non documented payments, for example."

Our source nonetheless assures us that in Switzerland, the leading banks active in trading require as a minimum a copy of the contract or invoices to make direct payments. "If I were a regulator, I would advocate that all transactions over CHF 1 million be paid through documentary credits rather than by open account. This would make it possible to document every element and to make all parties involved accountable before activating the payment using an LC", he adds.

It is very difficult to assess the extent to which open account transactions take place.

An open account transaction is riskier for the seller who only gets paid once the cargo has been delivered. | © David Goddard / Getty Images

3

Revolving Credit Facility, an open bar for the big traders

How it works

Revolving Credit Facility (RCF)? This is the powerful players' footprint in the world of trading. It divides the sector in two. On the one hand, small and medium traders struggle to get funding if they do not have at least CHF 10 million of equity. On the other, industry giants Vitol, Glencore, Trafigura, Mercuria and Gunvor are able to raise huge sums easily, in particular through RCFs. Once they have obtained their line of credit (which is loudly trumpeted through press releases), the traders can draw on these reserves at any time. In other words, an RCF is an open bar for the happy few.

Another characteristic of this kind of loan is that it is awarded not by a single bank, but by a large banking syndicate that comes together to share the risk through a syndicated loan. One or several "bookrunner" or "arranger" entities – generally major banks – are tasked with setting up a syndicate, with the trader's approval. To set up an RCF, the trading companies organise meetings in which all the members of the syndicate participate, including smaller banks that make more modest contributions. What are the eligibility criteria for the trader? To have a solid balance sheet, supported by all the necessary documentation. The more the business is booming, the larger the syndicated loan becomes, generally reaching billions of dollars.

The banking syndicate bases its calculations on the credit risk, assessed by the levels of equity and debt. These are strict criteria, according to the banking compliance officer we interviewed, who extends the analogy: "If you are not 1.80 metres tall and don't weigh 50 kgs, you're not a model. That's the way it is and that principle doesn't only go for trading – pharmaceutical and industrial companies also draw on RCFs." On the other side of the financing chain, a trader we interviewed points directly to the characteristics of the sector to explain why RCFs have come about: "Large traders generally have fixed assets like refineries and oil terminals. RCFs enable them to turn their balance sheet into cash."

The advantages

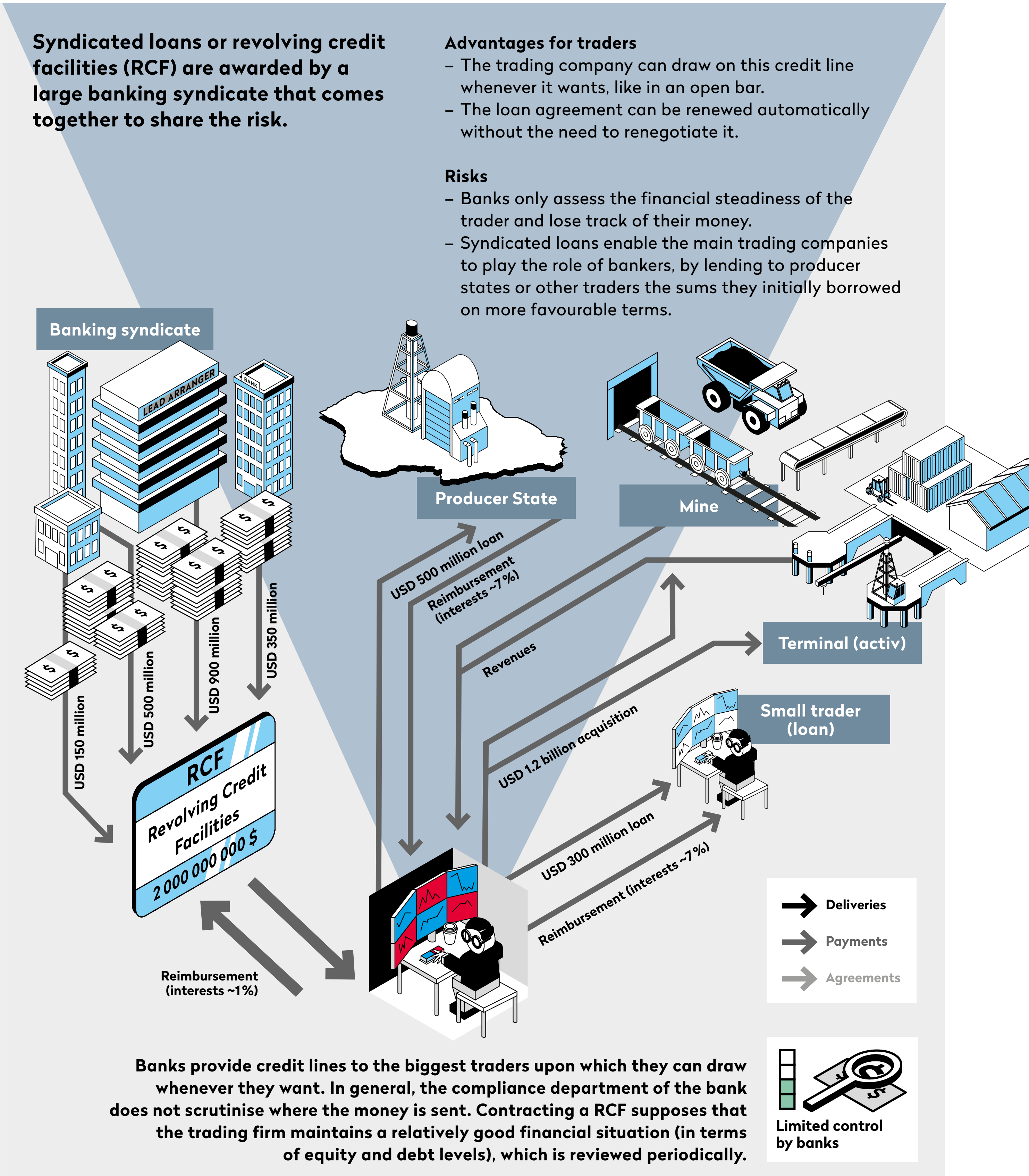
RCFs belong to a defined category, i.e. *unsecured* financing (or unpledged), which contrasts with *secured* transactional finance, granted in the context of a specific trading transaction (generally secured by goods). Gaining access to these huge sums of liquidity makes the large traders fast, flexible and gives them room for manoeuvre. They can draw on their reserves whenever they want in order to finance transactions of a very different nature.

Hedge against price risk or speculate with ease. Purchasing goods in order to store them then sell them several months later while, if possible, making a profit, is a common practice of the largest traders. They do this either because they want to build up strategic reserves or to speculate. It is therefore crucial for them to use financial instruments to hedge against the risk of price volatility – through financial instruments like swaps, futures or others. Part of the RCF's liquidity enables traders to pay what are known as margin calls, i.e. the depreciation of an open position on the market. In times of falling commodity prices, as seen in March 2020, prices fluctuate rapidly and violently and as a result, banks asked traders to put down funds of up to hundreds of millions of dollars.

It is also possible to use RCFs to acquire certain assets (port terminals, grain silos, etc.) or to provide pre-financing to third parties (see section 6).

Financing operations swiftly with "no requirement to justify them". RCFs also make it possible to process transactions with no need for prior approval from a bank, which is a requirement for traditional bilateral financing arrangements (i.e.

FIGURE 3 – SYNDICATED LOANS OR REVOLVING CREDIT FACILITIES



transactions directly between the bank and the trader). Each establishment has its preferences in terms of counterparty, products and geographic risks. By using RCFs, traders make savings because they do not have to undergo the procedures applicable to opening an LC. An ex trade finance manager at a large bank operating in Geneva explains that "[RCFs] are very quick. If a large trader wants, for example, to draw on this reserve to lend millions to the Kazakh national oil company KazMunayGaz (KMG), it does not have to justify itself." In this scenario, the "agent" bank that manages the RCF would admittedly be informed of the operation, but it will not know the other side of the story. "Will the trader get a nice discount on the barrel price on the basis of this cost-effective RCF? We have no idea" admits the banker, who assesses that "banks do not have the same reputational and risk related control process in place" in cases where RCFs are used.

RCFs also enable traders to work in certain high-risk countries where, on a bilateral basis, a financial institution would be reluctant to offer financing. "A trading house requesting bank financing for a transaction in Zimbabwe will pay an expensive premium on the loan, or will simply be denied the financing by the compliance department. "Drawing on an RCF makes the transaction possible, and you barely have to pay anything", the same source tells us. The compliance officer recognises that "from the perspective of the bank, we don't see what the traders do with the cash they get. Did they remunerate an individual who went via a bank in the Middle East and who, in turn, did not check anything? It's impossible to know." We also interviewed an executive at a large Geneva-based trading company who commented, amused: "It's a form of liquidity that is not transactional and that is difficult to oversee. There is nothing to stop a trader betting everything at a casino [over the border] in Divonne..." He does however note that trading companies are regularly subjected to external audits commissioned by the lending banks.

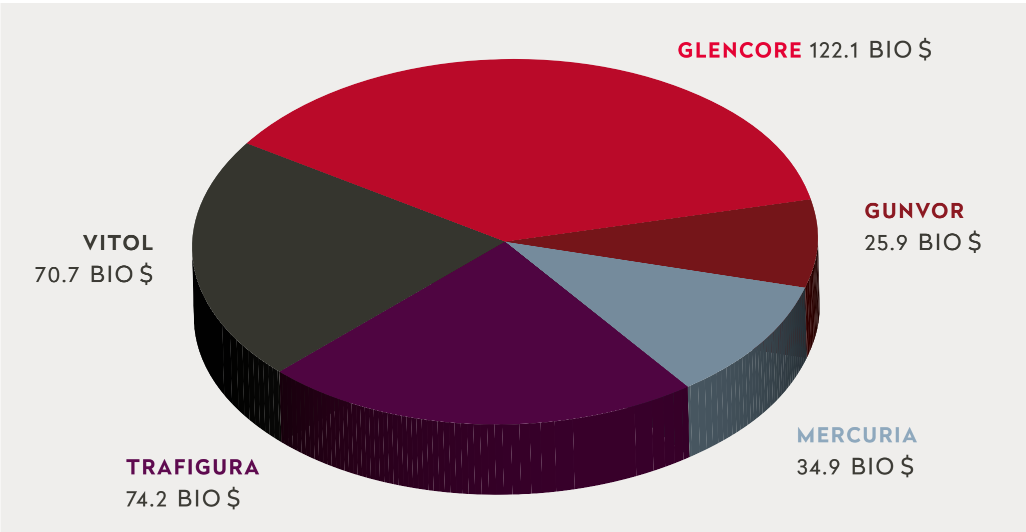
The bankers that we interviewed refused however to call RCFs a "blank check" given to traders. The documentation signed when this financial instrument is set up indicates specifically that the funds can be used for different purposes: cash-flow, margin calls, pre-payments, purchase of goods, asset acquisition, etc. For several years now, *compliance* clauses ban traders from financing an operation linked to a country or a counterparty that is under sanctions or on the banking syndicate's blacklist.

Whopping sums at stake

Generally discreet about their business activities, the large traders are happy to announce that they have obtained RCFs reaching whopping sums. Still, they tend to keep their cards close to their chest when it comes to the details of how they use RCF funding.

At the end of March 2020, in the midst of the coronavirus crisis, Trafigura expressed its delight[14] for having obtained an RCF of USD 1.9 billion, enabling the trading house to reach a "position of strength to navigate through the uncertainties lying ahead and to seize upcoming opportunities." Regularly heckled

FIGURE 4 – RCF – AMOUNTS AWARDED TO THE FIVE LARGEST TRADERS IN SWITZERLAND FROM 2013 TO 2019 (in billion USD)



Syndicated lending is only available to the most powerful traders.
Source: Profundo, 2019.

BOX 2

BANKS ARE BECOMING INCREASINGLY FOND OF RCFS

For the banks, the main advantage of an RCF is to share risk, thereby minimising exposure in the event that the borrowing company goes bankrupt. A banking source nevertheless told us that RCFs are not very lucrative for the lender: "It's a cost that we swallow to continue doing other business"[15], which in particular means secured financing like LCs.

In recent years, some small banks that are little-known in the trade finance sector have entered the game alongside the traditional establishments that secure most of the sums. Solicited by the traders themselves, they provide "tickets" that are sometimes limited to more modest sums of USD 10–15 million.

This makes some raise their eyebrows, in particular this former banker: "The banking syndicates now include establishments that in normal times are not seen as reliable. When, for example, you have a small Iraqi bank, you could ask yourself where the funding comes from." A few years ago, the trading giant Trafigura organised a syndicate meeting in London. The representatives of around a hundred banks attended, including some from these smaller banks with exotic profiles. The exhaustive list of these establishments has never been made public.

by investors, Glencore announced in its latest annual report[16] that, as at 31 December 2019, "Glencore had available committed undrawn credit facilities and cash amounting to $10.1 billion." In October 2017, Vitol obtained a syndicated loan of USD 8 billion[17]. Over 50 banks were involved. In 2018, the sum was increased to USD 9.4 billion dollars.

Our own research based largely on data provided by the Dutch research agency Profundo, also attests to the extent of the sums awarded by banks to the five largest traders domiciled in Switzerland.

Gunvor under investigation: the RCF billions are not drying up

In October 2019, the Office of the Attorney General of Switzerland (OAG) sentenced trading giant Gunvor for "organisational failure" in relation to acts of corruption on oil markets in Congo-Brazzaville and Côte d'Ivoire. The company, already charged in the summer 2017, had to pay a fine of CHF 4 million and a CHF 90 million of compensation to the state.

The legal case was launched in December 2011 and was initially opened against unknown, creating a shock in the industry and a somewhat defiant attitude from banking circles. At the end of 2012, Gunvor's long-time partner BNP Paribas decided to end its client relationship with the firm. In Geneva, Credit Agricole Indosuez was also concerned when it realised that some of the suspicious payments had passed through its branch; but carried on its relationship with Gunvor nonetheless.

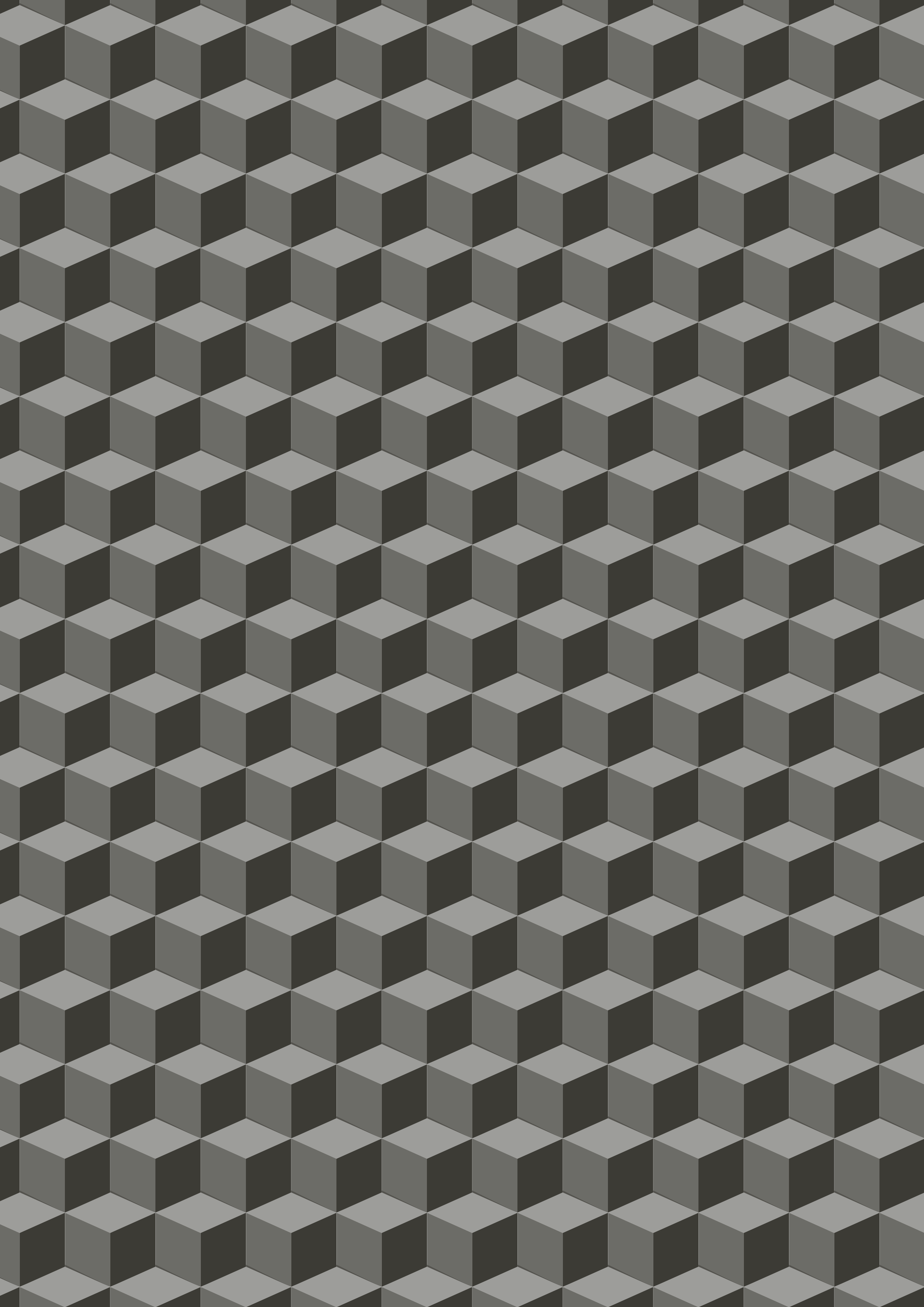
The trader had to swallow a bitter pill from the banks that provided it with bilateral funding, yet had no difficulties in raising billions of dollars through RCFs. In December 2012, the trader was awarded an RCF of USD 1.16 billion from a banking syndicate that paid little heed to the ongoing legal case, even if it admittedly was not directly targeting Gunvor at the time.

All the more ironic, then, that Credit Suisse belonged to this syndicate, yet the Bank itself triggered the formal investigation at the end of 2011 by flagging suspicious transactions undertaken by two intermediaries working for Gunvor to the Money Laundering Reporting Office Switzerland (MROS). At the time, both intermediaries held accounts at Clariden Leu, a company that Credit Suisse had just bought.

Gunvor has always claimed to be the victim of a rogue employee , in particular vis-à-vis its lenders. In May 2013, in a "preliminary Offering Circular" aimed at raising funds, the trader mentioned that "a former Gunvor employee [whose employment contract has been terminated] is currently under investigation by Swiss authorities for allegedly taking kickbacks." [18] Another paragraph states that "There are no litigation or legal, administrative or arbitration proceedings against or affecting Gunvor SA, current or pending, […]"

As a result, in late 2013, the company was able to renew the RCF it obtained in 2012 with the same banking syndicate, for a sum of USD 1.515 billion. In November 2017, several months after it had been charged by the MPC for "organisational failure", Gunvor obtained USD 1.39 billion with an expanding circle of lending banks. In a press release[19], Jacques Erni, the then CFO, boasted about the fact that "Gunvor continues to receive considerable support from both its existing banking partners as well as from new ones", omitting the fact that the company was then being directly targeted by the Swiss investigation.

In November 2019, a month after being sentenced by the MPC, the trader announced this time around that it had raised USD 1.69 billion. Its new CFO, Muriel Schwab, stated[20] that "Gunvor has undergone a significant overhaul during the last year, revising governance, our approach to risk, and investing considerably into our trading teams."



SECTION B

Non-bank financing

4

Bonds and equity, left on the shelf by traders

How it works

Beware: we're changing categories. The instruments presented thus far were linked to financing by banks or private investors. However, the large trading houses can also finance their operations via the capital markets by issuing bonds and equity. Glencore, which listed on 24 May 2011 and thereby opened up its capital to the general public, is the only trader to have opted for this path.

The other traders can issue bonds, which are essentially loans that they sell to private and institutional investors. In these cases, banks arrange the sale (managing the underwriting process). But they can also act as investors by buying and selling bonds.

Bonds have different "lifetimes" (maturities) and different interest rates. The higher the "coupon", the higher the risk of default – this is because bonds are generally the first to be scrapped if the debt is restructured.

Short-term outlook and the "Glencore exception'

Bonds are a very important source of funding for Glencore. Non-current bonds amounted to USD 21.5 billion at the end of 2019, and current bonds to USD 2,5 billion[21]. In addition to this, on 11 August 2020, Glencore had a market capitalisation of GBP 22.9 billion (CHF 27.39 billion), a 26.31 % drop compared to the beginning of the year.

Apart from Glencore, traders prefer to avoid public capital markets.

Competitors are more discreet and prefer not to resort to public capital markets to, as Trafigura puts it, avoid "making more short-term focused decisions in order to maintain a particular rating level" [22]. The value of Trafigura's short-term and long-term bonds stood at USD 1.44 billion as of 30 September 2019, on a total debt of USD 30.95 billion[23]. Vitol does not publish any information on the value of the bonds it has issued in its annual reports, but data from Profundo[24] shows that the trader issued USD 720 million of bonds from 2013 to November 2019.

We were not in a position to identify the value of Gunvor or Mercuria bonds currently in circulation.

5

Private Equity, an alternative and largely unregulated business model

How it works

Private equity is one of the alternative types of financing in commodities trading. It developed outside of the traditional financial system (comprised of regulated banks and financial markets), as it was becoming harder for small or medium-sized traders to get access to credit. Private investors[25] and hedge funds[26] now finance transactions on a case-by-case basis or provide longer-term lines of credit.

Several companies specialised in these services have appeared in Switzerland, often managed by former well-established bankers who have turned into this niche sector. They generally draw on funds from very wealthy individuals and view these investments as an opportunity to diversify their portfolio.

In Switzerland, private equity companies must become members of a Self-Regulatory Organisation (SRO)[27] which are ultimately supervised by FINMA. They must comply with Know Your Client (KYC) rules and adhere to anti-money laundering legislation. The rigour of such controls varies greatly from one company to another.

The advantages

These private equity funds serve as a back-up for trading companies whose credit requests are rejected by banks, either because they do not have sufficient equity, because they want to pursue transactions viewed as sensitive, or because they operate in countries considered as high risk.

In the case of private equity financing, transactions fully slip under banks' radar. Due diligence and internal control requirements are far less onerous and largely the responsibility of the company that manages the funding provision.

A former Geneva banker describes nevertheless his due diligence work as impeccable, as he requires his clients to work in a completely transparent manner. "I tell my clients: 'no offshore companies'. They say 'but then we'll have to pay more taxes'. I tell them that this is indeed the case, and generally they accept", he summarises.

A higher risk and more aggressive business

The same source also explains that his "clients are family offices or billionaires who have realised that banks charge very high management fees. They want to invest in the real economy and are prepared to fund small transactions in Ukraine or Russia that rarely exceed USD 1–3 million. They invest in cereals, petroleum products, but not crude oil because it's too expensive. The money is not difficult to find." Investors are offered margins ranging from 4–15 % depending on their risk appetite.

Some players in the sector pay little attention to the controls and only operate in a context of extreme urgency.

Some players in the sector pay little attention to the controls and only operate in a context of extreme urgency: "It's a much higher-risk and aggressive business. Decisions on credit can be made in extremely urgent situations, for example when a bank refuses a financing request and there is an immediate need to raise USD 10 million for a transaction to go ahead. The interest rates can then reach 3 % per day or 100 % per month", according to a trader.

SECTION C

When the traders replace the bankers

6

Pre-financing, an oil-backed loan that exacerbates the debt burden

How it works

Need cash urgently? A trading company can sort you out. States that produce commodities and struggle to access financial markets are increasingly being offered "pre-financing" loans by traders. In exchange, traders secure access to these commodities which serve as a repayment guarantee. For producer states, this amounts to pledging their natural resources for years.

In practical terms, these operations – known as prepayment or pre-financing depending on their maturity (below or above one year) – are based on the future purchase of a certain quantity of commodities in exchange for loans granted to a state-owned company (SOE). The offer of the trading house initiates the financing proposal and structures the transaction, before opening it up to third-party financial institutions depending on its financing needs.

A distinction should be made here between the notions of pre-financing/pre-paying and loans linked to natural resources. Pre-financing is a "cash" advance that will have to be reimbursed in the future, according to rules established by a contract.

Oil-backed loans are sometimes used as synonyms for pre-financing/pre-payments yet their scope can cover a wider range of payment guarantees, without necessarily involving a shipment of crude. This is the case when a specific quantity of commodities is used as collateral to mitigate the risk of the borrower going bankrupt. The guarantee can, for example, be comprised of a percentage of oil revenue fixed in advance and deposited in an escrow account, or assign rights of the state-owned company to future production[28].

Pre-financing is one of the most common forms of transaction in the world of trading, and so this is the instrument we will focus on for our analysis.

The advantages

By enabling a state-owned company to access liquidity, the trader is able to gain more or less long-term access to the producer country's resources, at a pre-established price range. The oil-backed loans are a bet on the future oil price because it is ultimately impossible to know how many barrels of oil will be necessary to repay the loan. The loan risks becoming a financial liability for future governments and generations.[29]

The lender faces limited risk. If the price of the commodity in question falls, it does not change the sum of the capital initially lent and the borrower remains obligated to repay the full amount of the debt. This can mean significant losses for producer states and can lead to debt increase (see below). In some cases, the trader and SOE can hedge against any rise or fall in the price of the commodity. However, a banking source tells us that the "hedging strategy" is proposed by the trader, alluding to a contractual imbalance. To our knowledge there are no standards in place in this area. "We sometimes receive pre-payment contracts in which the pricing clauses have been redacted", stresses another legal officer employed at a Geneva-based banking subsidiary.

Another advantage is that most of these transactions are not regulated. The price set for a barrel that will serve to reimburse the loan is rarely stated in the loan contract reviewed by the banks, according to the sources we spoke to. "The price formula is often negotiated on the side", stresses a former banker. "Traders can add a notion of risk valuation, which is subjective. In pre-financing, it is not the bankers who benefit, but the traders." In the case of the loans granted to Congo-Brazzaville, the IMF was not even in a position to assess the amounts owed to Glencore and Trafigura or the conditions in which the loans were provided. In August 2017, the country's debt-to-GDP ratio increased sharply by 52 %[30]. The reason? The debt contracted by

FIGURE 5 – PRE-FINANCING

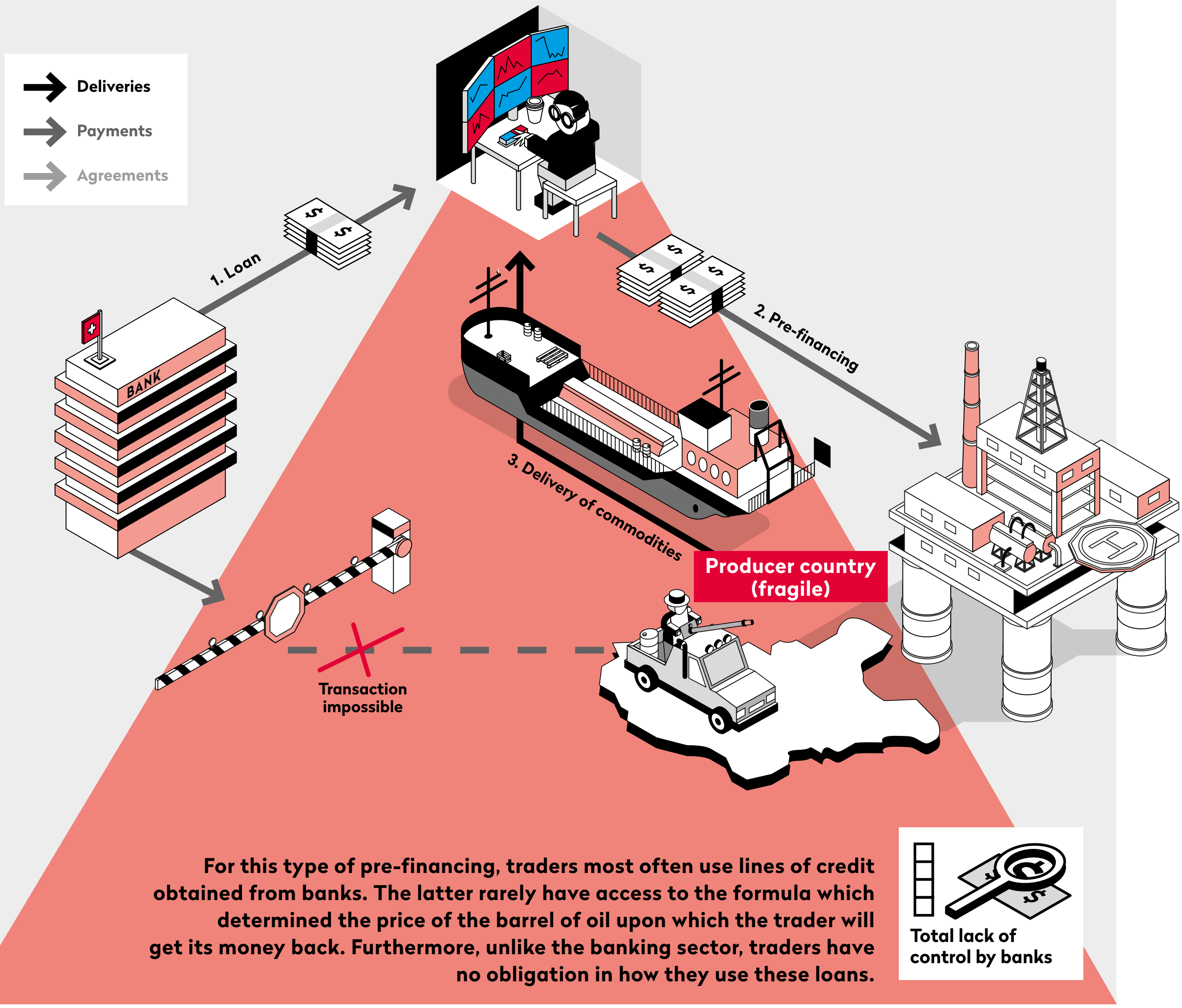
These operations are based on the future purchase of a certain quantity of commodities in exchange for loans awarded to a State-owned company.

Advantages for traders

– The trader is able to gain more or less long-term access to the producer country's resources, at a pre-established price.
– As a result, the trader holds a position of monopoly or quasi-monopoly on the purchase of oil in the producing country.

Risks

– Opacity rules on these pre-financing contracts for which there are no recognised standards.
– High risk of dependency and accumulation of the producer country's debt.
– If the price of oil falls, the producer has to reimburse the same amount with more barrels of oil, feeding a vicious cycle.



For this type of pre-financing, traders most often use lines of credit obtained from banks. The latter rarely have access to the formula which determined the price of the barrel of oil upon which the trader will get its money back. Furthermore, unlike the banking sector, traders have no obligation in how they use these loans.

the state-owned company via pre-financing contracts had not been included in government debt.

In contrast to the banking sector, traders have no obligation in terms of monitoring the (actual) use of these loans. Furthermore, only a few countries that take out these loans are members of the Extractive Industries Transparency Initiative (EITI). And even so, the 4.2 rules that govern the disclosure of payments linked to the sale of the state's share of production of oil, gas and/or mineral resources are not binding for traders. In practice, the rules are rarely applied and information disclosed is sporadic or vague.

"Putting oneself in a position of a quasi-monopoly"

The oil market is an ultra-competitive sector. Margins are low and you need to sell large quantities of barrels to stay in the race. Pre-financing ensures regular access to large volumes of crude and, if a bet pays off, higher margins. "The strength of pre-financing is that it puts the trader in the position of holding a quasi-monopoly", explains a former banker. The stronghold that Vitol has built up in Kazakhstan, where the trader benefits from a privileged relationship with the oligarch Timur Kulibayev, the former president Noursoultan Nazarbaïev's son-in-law, testifies to this (read our investigation)[31]. "No bank will lend directly to the Kazakh government or to KazMounaïGaz (KMG), which still does not have enough cash to build refineries", he stated. For our source "there is no such thing as pre-financing in a country that holds up".

In addition to the fees and interest payments levied as part of pre-financing, these arrangements can include disadvantageous conditions for the producer countries. When it awarded a loan to Chad, Glencore gave itself the right to sell all of the Chadian national oil company's production, in accordance with a separate marketing agreement that was an integral part of the pre-financing agreement. According to the Chadian Ministry of Finance, in 2017 the sum that Chad was due to reimburse to Glencore had nearly doubled due to the interest and fees levied on restructuring the debt[32]. A request to reschedule payments or efforts to find other sources of funding, a priori more costly than the initial loan conditions, can plunge the country into a vicious circle of indebtedness[33].

Eight-digit operations with zero visibility

Pre-financing has always existed. Trafigura recalled this fact in the preamble to its "Prepayments Demystified" paper[34]. In the late 1980s, future founder of Glencore Marc Rich had already awarded an advance of USD 45 million to Jamaica against future shipments of aluminium oxide[35]. In the meantime, the value of the sums at stake skyrocketed. In a 2018 study on debt in

TABLE 1 – ACTING LIKE A BANK (amounts in millions USD)

GLENCORE Prepayments	SNEL (DRC) (loans are repayed through electricity discounts)	CHAD OIL COMPANY	SOCIÉTÉ NATIONALE DES PÉTROLES DU CONGO	Secured marketing related financing arrangements	Iron ore prepayment (several suppliers)	Others	Rosneft loan	Rosneft Trade Advance	Total ($ mio)
2019	303	360	18			491			**1172**
2018	340	393	65			589			**1387**
2017	307	339	123	992	38	676			**2475**
2016	295	389	292	1043	89	656			**2764**
2015	266	544	165	1004	0	438			**2417**
2014	232	426	218	1347		624	984	109	**3722**

Every year, Glencore lends on average USD 2.3 billion to state-owned entities.
Source: Glencore annual reports (2014–2019)

Trafigura has granted tens of millions of dollars in "oil advances" to the government of South Sudan, a country plagued by inter-ethnic conflict. | © Hannah Mcneish / AFP / Getty Images

low-income countries, the IMF already voiced concerns around the traders' growing role as lenders to Chad and Congo-Brazzaville[36].

In reality, only Glencore is required to regularly disclose information on these loans, due to the fact it is listed on the London Stock Exchange. As an illustration, we have assembled this information below for the fiscal years 2014 to 2019:

As for Trafigura, pre-payments rose from USD 700 million to USD 5 billion from 2013 to 2019, namely an increase of more than 600 %. Despite its promises on transparency, the multinational headquartered on Rue de Jargonnant in Geneva has only disclosed information on pre-payments to Rosneft from 2013 to 2015, when it was under threat of US sanctions against Russia. Otherwise, it has not provided any figures on its transactions "from time to time" with Trinidad and Tobago's state-owned company for 2016 and 2017. In its 2020 report on its operations in Africa[37], Trafigura admitted to signing agreements with crude producers and refiners stipulating that "a typical arrangement with a crude producer involves an advance amounting to 50 to 90 percent of the estimated value of exports, depending on the tenor of the financial arrangement".

Trafigura in South Sudan

As Trafigura won't tell you itself, we're going to recount one of its pre-financing transactions that went wrong. The deal was concluded with South Sudan (read our investigation)[38], a country that gained independence in 2011 following a long war with Sudan and that continues to be ravaged by inter-ethnic conflict. This is the sensitive context in which the Geneva-based trader chose to operate. Between 2017 and 2019, Trafigura awarded "oil advances" of several tens of millions of dollars to Salva Kiir's government. According to documents in our possession, at least USD45 million of these "oil loans" were transferred by Trafigura in January 2016, to the bank account of a former Israeli soldier once considered as an arms trafficker by the US Treasury. This money was supposed to be used for an ambitious agricultural project that was not really developed. Strangled by the cost of repaying its debt, South Sudan announced that it wanted to put an end to these practices. Its government was attacked by Trafigura in a British court for outstanding debts. In June, it was ordered to pay nearly USD 10 million to the trader and committed to providing it with more oil.

7

Swaps, bartering goods worth billions

How it works

A portmanteau, the term "swap" is used for a range of derivatives such as interest rate swaps, currency swaps or commodity swaps. Here we are going to concentrate on crude-for-product swaps, which are generally a trade of crude oil against refined petroleum products like petrol or kerosene. One of the stated aims of these exchanges of goods is to be able to bypass banks, their commissions and sometimes also their compliance systems. In fact, it is impossible to perfectly synchronise deliveries. In such cases, a banking institution is therefore asked to guarantee the goods through a Standby Letter of Credit (see section 1).

The advantages

This type of swap is mostly concluded with countries with only limited refining capacity. This is the case for Nigeria, which with over 200 million inhabitants is the most populous African country. Nigeria produces 2.5 million barrels of crude per day, but is only able to refine a fifth of that amount daily[39]. As a result, it has to import petroleum products to supply its domestic needs. During periods when crude prices are declining, concluding a swap agreement puts the producer country in a position of weakness because it becomes unable to pay for the refined petroleum products needed for domestic consumption.

These agreements also make it possible to minimise the involvement of banks in such transactions, which is interesting from an accounting standpoint. While on a standard contract for a shipment of crude or refined petroleum products, an LC must be obtained and funds blocked for each cargo, swaps make it possible to block such an amount only once. This offers advantages in terms of cashflow and savings on banking costs.

Another advantage for traders is that these arrangements with state-owned oil companies are very difficult to compare to one another because deals are concluded in an opaque manner. In addition, there are no international standards on crude-for-product swaps.

Swaps and pre-financing are set for further expansion in the commodities sector as state-owned companies continue to suffer from the lack of credit and falling prices. Trading houses are able to provide services tailored to the needs of states lacking sufficient refinery infrastructure to supply their populations, which makes these States dependent on the traders.

"You don't earn anything buying from Shell in the North Sea"

It's a complicated equation. On the one hand, you have a barrel of crude oil, on the other, refined petroleum products with very different prices depending on the quality and specification. This gets even more complicated if the crude price plummets rapidly from USD 60 to USD 20 and product prices only react with a considerable time lag. In these conditions, it is difficult to ensure a crude for product swap of an equivalent value. The imbalances between crude received and products delivered are inherent to these kinds of operations. They can stem from a time lag before deliveries are made, from a deferred evolution of the price of petroleum products compared to the price of crude, to variations in terms of volumes promised, but also because cash remuneration can be planned in parallel to the actual swap itself. "These transactions worth billions offer numerous possibilities to hide millions worth of commissions," confirms a compliance officer.

This is where LCs and banks come back into the game to guarantee the payment balance for this exchange. State-owned

FIGURE 6 – SWAPS

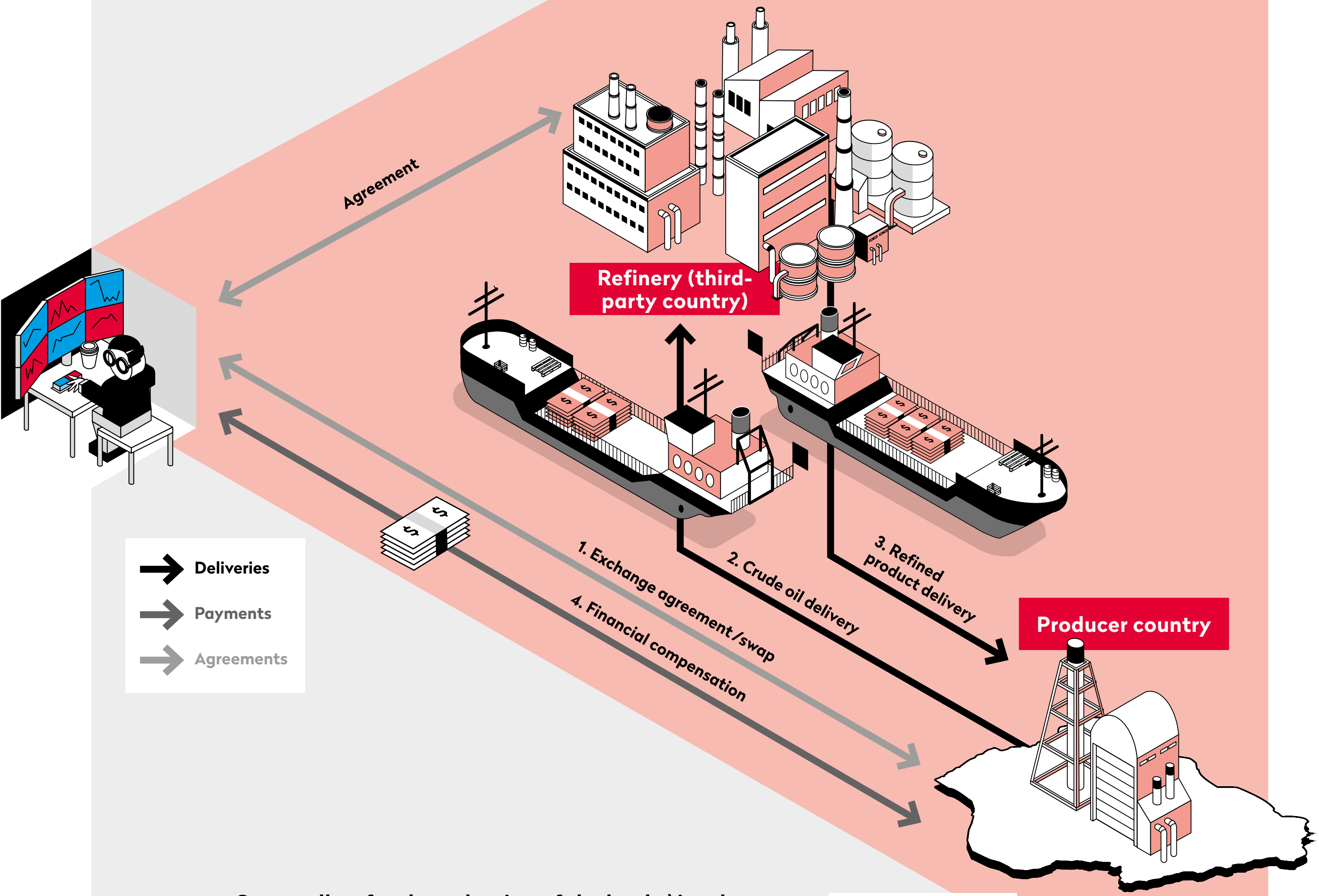
The term "swap" is used for a range of derivatives. Here we are going to concentrate on crude-for-product swaps, which are generally a trade of crude oil against refined petroleum products.

Advantages for traders

- Crude-for-product swaps enable traders to quasi bypass banks and their commissions.
- They also enable traders to establish a privileged relationship with a producer State whilst ensuring guaranteed access to their crude oil.

Risks

- These exchanges pass almost entirely under the bank's radar.
- The complicated equation resulting from this exchange offers many possibilities to hide commissions and kickbacks.
- Producer States highly dependent on the traders.



Swaps allow for the reduction of the banks' involvement, in terms of both commission and controls. A strong opacity exists around these bartering agreements between trading giants and developing countries, and there is no international standard for this type of crude-for-products exchange.

Massive lack of control by banks

TABLE 2 – THE KING OF BARTERING (amounts in USD)

TRAFIGURA Swaps (only EITI countries)	NNPC crude oil (received)	NNPC refined (exchanged)
2018	871 335 647	602 163 976
2017	104 123 009	123 092 246
2016	0	0
2015	0	77 678 108
2014	2 032 474 004	2 187 107 898
2013	2 702 258 246	2 495 650 427
Total (dollars)	**5 710 190 907**	**5 485 692 656**

Price fluctuations and political and judicial upheaval can make the value of the goods exchanged plummet from one year to the next. | Source: Trafigura Responsibility Reports, 2019–2015.

companies might not always be fully up to date in compensatory cash payments that accompany these exchanges. "We've seen all kinds of abuses", denounces a compliance officer we spoke to. "Payments delayed by 3–6 months or that are simply never made", he continued. "Given the level of risk, bank guarantees can be sold for up to 8 %."

Despite the delays and non-payments, the swaps market remains attractive, our source confides to us, because "you don't earn anything buying from Shell in the North See to resell to BP".

Hundreds of millions of opaque dollars

The total value of swaps can exceed hundreds of millions of dollars. These amounts most often slip through the provision of financing compliance procedures put in place by banks.

In reality, only Trafigura publishes information on the swaps it concludes with countries that are members of EITI – which is only Nigeria. Reading the trader's Responsibility Reports gives a sense of the sums at stake and also of the imbalances that can reach hundreds of dollars from one year to the next. When asked, the multinational admits an outstanding balance of USD 207 million for 2013, which has been "reconciled in full" the following year through the products delivery to the state-owned company PPMC, a subsidiary of the NNPC[40].

Vitol, Gunvor and Mercuria do not provide any indication of the value of their swaps of goods. There are no figures in Glencore's annual reports either. Even though it is listed in London, the trading and extraction giant does not provide any information on its "bartering" activities. When contacted, one of its representatives justified this, stating: "Our absence of disclosure on topic physical oil swaps is due to the fact that we generally do not undertake this activity and have not done so in recent years"[41]. Nevertheless, in early 2018 the news agency Reuters linked Glencore to an agreement with Venezuela's National Oil Company PDVSA[42].

Trafigura and Nigeria, a long-term relationship hits stormy waters

In January 2015, Swiss newspaper *Le Temps*[43] announced that swaps between Trafigura and Nigeria were coming to an end, noting reputational risks (opacity and favouritism) that the company did not want to take on[44]. Several months earlier, the ex-governor of the Central Bank of Nigeria had reported that approximately USD 20 million in state oil revenues had not been accounted for. He had been fired by president Goodluck Jonathan. The Nigerian tax office had then noted that Trafigura had not paid taxes for its swaps from 2011 to 2014[45].

In reality, after the scandal the "bartering" only stopped in 2016 according to Trafigura's Responsibility Reports (see above). It appears that the trading house and Nigeria managed to reach an agreement and forget past disputes. We could not gather any further details from the trader, which simply cited a failed tender in a particularly competitive context.

Up to 2012, Trafigura had a similar deal with Angola. Until 2017, Angola was governed by the Dos Santos family who were recently revealed to have embezzled hundreds of millions of dollars of state funds in the Luanda Leaks. Angola is not a member of EITI and therefore related data are not included by the multinational's transparency policy.

Trafigura is the indisputed master of "oil bartering deals" with Nigeria. The trader gets cheap crude and delivers refined products in return. | © Frédéric Soltan / Corbis / Getty Images

Conclusion: an authority and sunlight

Seven years ago, Public Eye was already outlining a regulatory framework that would make it possible to effectively combat the resource curse in producer countries here in Switzerland. The underlying idea behind the (then fictitious) ROHMA, a commodities supervisory authority[46], is that there is nothing inevitable about the fact that resource-rich countries remain trapped in poverty. The plan to create a "cousin" for FINMA was legitimate; it was so convincing that a real-estate agency offered us premises for 300 employees; numerous industry professionals applied for jobs and about ten countries requested a licence.

The years came and went, as did the corruption and money laundering scandals involving Swiss multinational oil and mineral companies. FINMA's cousin has still not been set up and no law has been introduced to regulate the sector. Report after report, the Federal Council remains in a state of inertia[47], sticking adamantly to a strategy that it alone takes seriously: asserting that the sector is indirectly supervised by the banking sector. In a similar spirit of illusion, the Swiss authorities rely on the good will of companies to show "integrity and responsibility" in the way they do business. Our own research and the escalating number of legal proceedings against trading houses that are well-established in Switzerland have shown the shortcomings of this approach time and again. It is time to act.

In a similar spirit of illusion, the Swiss authorities rely on the good will of companies to show "integrity and responsibility" in the way they do business.

In addition to setting up a surveillance body, Public Eye calls for due diligence requirements to be introduced for business relationships (in particular for Politically Exposed Persons, PEPs) and supply chains. It is also essential to impose binding transparency rules on traders in relation to payments made to the governments of producer countries, on contracts and on beneficial ownership of companies. Public Eye has described in detail the provisions needed to regulate trading activities in order to enable the authorities to carry out their work.

As the former US Supreme Court Louis Brandeis wrote in his book "Other People's Money and How the Bankers Use It"[48]: "Sunlight is said to be the best of disinfectants".

Annexes: Data tables

A) Shares of Swiss banks and their rankings

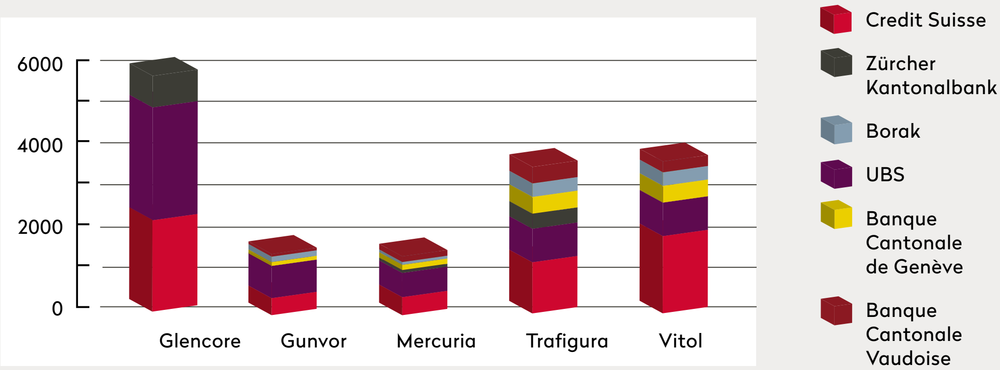
TABLE 3 – THE SWISS BANKS THAT ARE FINANCING TRADERS

Behind Credit Suisse and UBS, Swiss cantonal banks show a strong appetite for commodities.

Loans provided by Swiss banks to traders	Glencore	Gunvor	Mercuria	Trafigura	Vitol	Total
Credit Suisse	2 345.41	466.48	478.86	1 346.97	1954.89	**6 592.62**
UBS	2 875.27	847.88	569.52	845.98	910.79	**6 049.45**
Zürcher Kantonalbank	779.47		139.61	339.36		**1 258.44**
Banque Cantonale de Genève		77.03	116.11	399.44	346.78	**939.37**
Borak		88.53	64.65	399.29	346.78	**899.25**
Banque Cantonale Vaudoise		15.75	107.59	414.92	355.97	**894.22**
Habib Bank		13.55	25.35	206.49		**245.39**
AKFED		61.28		163.20		**224.48**
Aga Khan Development Network	108.95					**108.95**
Total Switzerland	**6 109.10**	**1 570.51**	**1 501.69**	**4 115.66**	**3 915.21**	**17 212.17**

Swiss Banks' involvement in the amounts raised by the five trading houses (in millions USD) | Source: Profundo data, 2019

FIGURE 7 – SWISS BANKS' EXPOSURE TO THE MAIN TRADING HOUSES



Amounts lent by the main Swiss banking institutions to the largest Swiss commodities traders (in millions USD). | Source: Profundo data, 2019

B) Concentration at the top

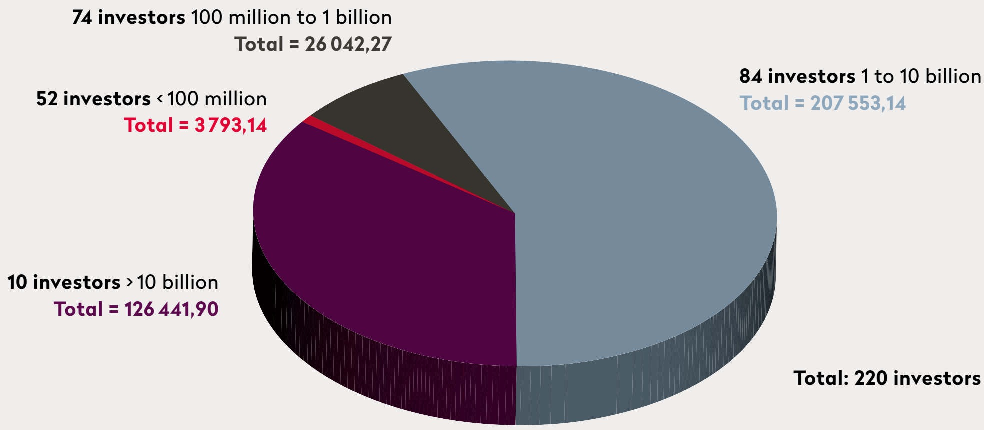
26 banks provided 68 % of the total amount borrowed by the five main Swiss traders.

TABLE 4 – BREAKDOWN OF LOANS GRANTED BY THE LARGE BANKING INSTITUTIONS

Bank	Glencore	Gunvor	Mercuria	Trafigura	Vitol	Total
ABN Amro	2 609.10	1 832.28	1 411.32	1 858.47	2 570.73	10 281.89
ANZ	3 356.71		394.07	1 591.86	1 481.71	6 824.35
Bank of America	3 030.19		563.82	1 771.89	2 047.54	7 413.44
Bank of China	768.62	181.79	536.77	2 893.17	1 329.14	5 709.49
BNP Paribas	4 192.85		1 060.30	1 027.61	2 487.77	8 768.53
BPCE Group	1 802.30	2 006.39	1 775.76	3 330.32	1 644.49	10 559.26
Citigroup	3 836.20	153.60	77.34	2 412.97	1 875.57	8 355.67
Commerzbank	2 546.70	154.66	296.31	1 228.20	2 026.32	6 252.18
Crédit Agricole	2 513.33	1 348.44	1 669.75	1 803.57	2 570.73	9 905.83
Credit Suisse	2 345.41	466.48	478.86	1 346.97	1 954.89	6 592.62
DBS	2 988.64	1 507.67	538.65	2 448.00	3 611.50	11 094.46
Deutsche Bank	3 776.11	952.04	441.51	956.58	2 535.42	8 661.66
HSBC	3 747.40		509.20		3 080.48	7 337.08
Industrial and Commercial Bank of China	963.59	118.78	1 321.56	2 298.68	730.07	5 432.69
ING Group	3 363.49	1 938.31	2 899.29	4 052.59	3 046.31	15 300.00
JPMorgan Chase	3 466.74		89.35	1 068.77	2 315.02	6 939.88
Mitsubishi UFJ Financial	3 061.79	146.03	3 006.16	3 480.78	2 631.96	12 326.72
Mizuho Financial	2 832.95	508.71	1 207.58	2 853.06	3 191.58	10 593.89
Rabobank	2 630.85	2 391.90	2 034.13	2 954.70	2 285.02	12 296.60
Royal Bank of Scotland	2 484.07	147.13	1 289.30	2 575.09	1 657.37	8 152.97
SMBC Group	2 903.18	339.38	2 247.75	2 912.26	3 024.00	11 426.56
Société Générale	4 162.39	2 081.78	3 831.55	8 091.79	3 027.87	21 195.38
Standard Chartered	2 663.54		321.87	3 807.47	2 723.10	9 515.98
UBS	2 875.27	847.88	569.52	845.98	910.79	6 049.45
UniCredit	2 659.44	1 331.68	739.34	2 468.21	2 642.16	9 840.83
VTB Group	11 367.13					11 367.13
Total	**82 948.02**	**18 454.94**	**29 311.07**	**60 078.98**	**57 401.54**	**248 194.54**

The biggest investors in alphabetical order (in millions USD). | Source: Profundo data, 2019

FIGURE 8 – BANKS' BREAKDOWN BY AMOUNT GRANTED



The commodity trading financing sector includes numerous financial institutions, but actually large investors provide over two thirds of the amounts borrowed by traders (in millions USD). | Source: Profundo data and Public Eye, 2019.

Endnotes

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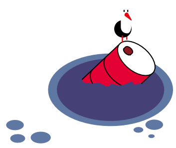
TRADERS' MONEY

When asked to introduce themselves, traders like to describe themselves as logistics managers who organise the delivery of goods from A to B. If you flatter their ego, they won't hesitate to pitch themselves as among the great merchants who have contributed to globalisation. The comparison far from captures the full picture. The large trading houses have become masters of financial instruments; at times they even replace banks by granting loans to smaller companies or commodity-producing countries.

This report, entitled Trade Finance Demystified, has drawn freely from publications such as "Commodities Demystified" issued by the trader Trafigura. However, where the trader tells a positive story of globalisation, ordered like the world of Legos, we recount the harmful financial excesses that ever more evade scrutiny by banks, as evidenced by scandals and cases piling up on the prosecutors' desk in Switzerland. Starting now: a guided tour of the "ins and outs" of Switzerland's most opaque sector.



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