BEST STRUCTURED TRADE BANK

Winner: ***Citibank*** *Highly commended:* ***SG***

Readers of the crystal ball

We introduced this category last year to try and cover some of the structured deals which did not exactly fit into export finance or other categories – this seemed a sensible thing to do when financing structures are becoming more complex in order to meet the rigorous demands of clients and when there is also more involvement from multilateral or regional financing institutions. Some poll returns do not appear to reflect this, and there is some crossover with other award categories, but in general this growing category is firmly established.

Valentino Gallo at Citibank in New York

Citibank once again comes through with flying colours in this category with its finger firmly on the pulse. States Valentino Gallo, global head of structured trade finance at Citibank in New York: "With the winds of volatility again blowing through the emerging markets, bankers have gone back to structuring trade flows to support capital expenditure financing for key clients. Countries such as Argentina, Brazil and Turkey have been particularly affected by the slide in sovereign credit quality. Dealmakers in these markets are therefore refocusing on receivables or commodities-supported trade financing. Until capacity in the sovereign risk market can accommodate the volume of business, future flow securitizations will have their day."

Examining the market preferences, Gallo explains: "Notably, Citibank sees some significant enhancements in structures in this wave of secured trade finance; namely, issuers are waking up to the leveraging available through the use of commodity and rate hedges. With oil at historical highs, and all crude-based oil and gas products equally affected, issuers can create a cash wedge through locking in long-term pricing with price hedges. Investors on the other hand like the volatility removed, and banks are happy to box a risk that is often the first concern at the rating agencies. With price risk hedged, structures can focus on performance issues. Where take-out is predicated on trade obligations, such as ship or pay offtake agreements, deals can have a significantly better risk profile than a straight debt deal, even if such were available."

He is also keen to point to the growth of other asset-backed structures in the market. States Gallo: "Funding sources for such structured trade deals are also diversifying. No longer are banks the sole source to get deals funded. In fact, bank liquidity is in short supply, and issuers have to consider what it takes to raise funds from capital markets investors or alternatives like asset backed commercial paper (ABCP) conduits. This last area is seeing the greatest expansion since ABCP deals have a greater stability of execution than capital markets deals and issuers need that added comfort. Citibank leads the market in the use of ABCP for emerging market issuers."

On another dimension, Gallo also notes methods for pushing through the sovereign ceiling: He declares: "Perhaps the biggest development is the expansion of monoline wrap providers, as well as the state of multilateral agencies like the IFC and the IDB to use their guarantee authority to credit enhance transactions. While many issues have yet to be worked out, and the agencies seem to prefer local capital markets, even when pricing or depth is comparatively disadvantageous, issuers now have the option to pick up extra tenor or pierce the sovereign ceiling with the use of a rolling guarantee or partial risk enhancement from an AAA multilateral bank. When sized to rating agency standards, which are now emerging, deals stand a chance of receiving up to a three notch improvement to bring local investment grade status into the international markets. Coupled with trade security, deals can get done."

SG has risen in this poll category from third last year to take the highly commended award his year. Describing some of the more structured elements which the bank is seeing, Frederic Genet, head of the SG export finance business line says: "With regard to complementary downpayment and local portion financing, some creative new solutions are being structured. Multilateral and bilateral agencies, including the World Bank, IFC, IDB, CAF, EIB, among others, are usual complementary sources in large projects, playing also a catalytic role in attracting private investments into the projects. Investment insurance by Miga and Opic also plays a similar role, representing an important tool in mitigating political risk."

As an example says Genet, SG recently arranged and structured three prepayment agreements in favour of Alstom in order to prefinance a hydropower plant, electric power units and transmission lines in Mexico. States Genet: "These prepayments, which benefited from a hedge cover, suited Alstom's requirements, notably the balance sheet constraints."

We have to respond to the client's increasing expectations by building a complete and integrated financial solution between the exporter and the buyer/borrower. Most deals are tailor-made to suit the borrower's needs. Portions financed with the support of ECAs often involve supplies of multiple origin and complementary downpayment financing is usually asked. In addition, companies also demand tax-wise instruments, including cross-border leases and rentals. As private buyers, in particular, tend to expect sophisticated, integrated and innovative solutions, this trend is likely to continue, given the wide privatization programmes in various borrowing countries." **JB**

Best Structured Trade Bank

Winner: **Citibank**
Highly commended: **SG**
3. ABN AMRO 4. Barclays 5. HSBC

Also mentioned: Credit Lyonnais, WestLB, ING Bank, Natexis, Raiffeisen/RZB, Chase/JP Morgan, Bank of America, ING, Deutsche, Dresdner, BNP Paribas, BSCH, Bank Austria Creditanstalt, Rabobank, Bank of New York, NordLB, BankBoston, Bayerische Hypo-und Vereinsbank, Bayerische Landesbank, Banco Atlantida.

2000 winner: Citibank

BEST SHORT-TERM FINANCE BANK

Winner: **Citibank** *Highly commended:* **BNP Paribas**

Providing a global wrap

Citibank has clinched this award for the third year running, and with clear blue water between themselves and the opposition. However, what is surprising in the results of this poll is that HSBC has dropped to fifth while BNP Paribas has jumped into the highly commended slot, and that Chase – a former title winner – is now no longer on the radar screen. How business, fortune and related market perspective can change. While a number of the banks with specialization in fulfilling commodity and structured commodity-type transactions are obviously involved in short-term business, this category is very much one for the larger institutions with real global coverage.

From Citibank's perspective though, Hiren Singharay, trade finance business manager, e-business, at Citibank in London: "This Award recognizes, once again, the fact that Citibank has been successful in delivering the needs of short-term trade financing in a widely differing range of geographies. The fact is that all of eastern Europe or all of Africa do not form one type of market. Hungary is widely different from Romania as is Egypt from Morocco. Our presence, local knowledge and global reach made it possible for us to deliver tailor made solutions for local needs backed by a much wider expertise. This is how we have been able to bridge the world."

Adds Singharay: "It is no longer the old story of covering OECD supplier's risk in selling to emerging markets. It is now with all countries and an evolving story of one emerging market country selling to another (risk arbitrage), one emerging market local corporate selling to a global corporate within the frontiers of his own country(supplier finance), emerging market corporates selling to the OECD world (pre-export finance) or global corporates selling to local corporates, distributors (distributor finance). All this has been enormously helped by newer forms of delivery: – the electronic medium and the famous plastic card is now used to facilitate the financing mechanism in many countries where such cards were unknown only a year ago."

All important in the fulfilment of short-term business is the analysis of the risks involved, and often the refinement of those risks into a bankable format As Singharay describes: "Perception of risk and handling of risk have changed significantly to accommodate the realities of the trading cycle. Years of experience of dealing with the customer on the ground have definitely added to the level of comfort. No less significant is the fact that we are financing self-liquidating transactions."

And for an institution with the coverage of Citibank, being well-placed on the ground in so many territories has allowed the much better assessment of local corporates and conditions. Singharay notes: "Contrary to usual beliefs, financing of local short-term trade, which is a fairly new activity for us, has become just as much important to us as to finance imports of strategic goods by the emerging market countries. The needs of our global corporate clients have led us to understand and evaluate a wide range of risks. This is why we are most likely to get that first telephone call when it comes to emerging markets."

Three of Citi's short-term deals won Deals of the Year awards this year and amply demonstrate this commitment in emerging markets Singharay speaks about. One transaction was the Slovenska Elektarne DM12 million ($5.7 million) pre-export financing between Slovakia and Hungary over 180 days (*Trade Finance*, February 2001, p25). The others were a one-year $50 million PetroEcuador pre-payment facility, and a six month $40 million Islamic Murabaha finance transaction for Slovnaft in Slovakia.

Growth has also been consistent notes Singharay. He declares: "In our region – central and eastern Europe, the Middle East, Africa and the Indian sub-continent – we have seen short term trade volumes double in last 18 months. We see steady growth, but of course there are some individual country exceptions."

Highly commended BNP Paribas, have great desires to be a leading force in world trade. States Jacques Desponts, head of the international trade business line at BNP Paribas in Paris: "Following the merger one year ago, I said that we are now a global player in international trade finance. This award is the demonstration by the market, that our customers perceive BNP Paribas as a genuine global player. In the readers' poll last year, we were mentioned only in fifth position. We are now ahead of valued competitors, but we are not fully satisfied – our aim is to catch Citibank as the best trade finance bank in the perception of the public."

The bank has made great advancements in its trade services operations. Jean Audibert, who created the global trade services business line five years ago, and was recently appointed head of BNP Paribas cash management comments: "This award is the result of five years of steady efforts to improve the service to our customers by building a global team serving their needs worldwide. This award also evidences very clearly the benefits of the merger of BNP and Paribas."

BNP Paribas' plans to establish trade centres throughout the world is a bold move and one of the principal ways the bank intends to achieve a global wrap of trade services. Says André Nadjar, head of marketing and development at global trade services: "This award shows the efficiency of the trade centre network, which we have launched last year. This is a new approach in the banking world. We already have 29 such trade centres in the world, including 20 outside France, and we will reach 80 units by the end of 2002. Our customers also value our proactive approach, with product managers in charge of developing new trade products based on the feedback we receive from our customers on their needs through our network in 85 countries." **JB**

Best Short-Term Finance Bank

Winner: **Citibank**
Highly commended: **BNP Paribas**
3. SG 4. Deutsche Bank 5. HSBC

Also mentioned: ABN AMRO, Barclays, Credit Lyonnais, First Union, WestLB, RZB, ING, Standard Chartered, Bank Austria Creditanstalt, Dresdner, Standard Bank, BBVA, Bayerische Landesbank, Crédit Agricole Indosuez, KBC, Dresdner, BGB, ANZ, Fortis, First Chicago, Uniocredito Italiano, RBC, BSCH, BNL, Natexis Banque, American Express Bank, Barclays, TDB, Scotiabank, Commerzbank, DG Bank, Merita Nordbanken, Bank Leumi, Norwest, NordLB, Banco Atlantida.

2000 winner: Citibank 1999 winner: Citibank

BEST EXPORT FINANCE ARRANGER

Winner: **Citibank** *Highly commended:* **SG**

Being tough at the top

This is the award category where we receive the most votes. This year, again Citibank and SG are slugging it out – and both polled impressively with their global spread of transactions behind them. But below them there are some big changes in the ranking perceived by readers. Chase, now JP Morgan, has dropped out of the top five. ABN AMRO has climbed to take the third spot from fourth last year, while Barclays comes racing into the fourth position this year.

At Citibank, Valentino Gallo, global manager of structured trade finance (STF) at Citigroup, and based in New York states: "The power of Citigroup has been evident no more than in structured trade and export finance, where clients use one-stop shopping, combining Citibank's large balance sheet, emerging markets network, official agencies relationships, political and commercial risk defeasance expertise and SSB's distribution capability, to finance emerging markets capital expenditures and vendor financing programmes."

Gallo also notes: "Globality is the first aspect is of our traditional strength. STF is unique not only because of the exceptional level of activity which we have seen this year but also because we arranged single or multisourced financings using support from over 18 diverse export credit and multilateral agencies including: US Ex-Im, Opic, Miti, JBIC, EIB, NCM, ECGD, CAF, IDB, Coface, Sace, Simest, Finnvera, EKN, Efic, Fide and Hermes."

He is also keen to point out: "Citibank remains the leading arranger of transactions guaranteed by US Ex-Im Bank for the last five years, and earned for the first year a number one position with Sweden's EKN. These accomplishments are on top of sustaining our number one position in Opic and top foreign bank position in the Japanese programmes."

At the same time, Citi says that its ability to come up with innovative structuring solutions has been a driving force in carrying new business forward. Declares Steve Fisher, head of STF for Europe, Middle East and Africa with Citibank in London: "For example, we have just signed a $75 million multitranche financing with Safaricom in Kenya, a GSM operator owned 60:40 by Telkom Kenya and Vodafone. The financing, which will be utilized by Safaricom to buy equiment from Siemens Atea, the Belgian subsidiary of the Siemens group, comprises a €25 million ($21.2 million) international bank loan facility and a Kenyan shilling four billion credit enhanced medium-term note issued in Kenya."

Adds Fisher: "This is a remarkable deal for several reasons. It is the first time OND, the Belgian ECA, has covered Kenyan shilling. It is also the first time OND has covered a local currency bond. It is the largest bond issued to date in Kenya for the longest tenor, thanks to the OND cover. In addition there was a special allocation of Kenyan country risk obtained from the Belgian ministry of finance to top up OND's normal budget."

Also acknowledging the need for innovation, at SG in Paris, Frederic Genet, head of the SG export finance business line says: "The export finance market is no longer a simple financing of the export of capital goods and services. It is now increasingly inhabited with sophisticated and highly structured deals. Plain vanilla deals are diminishing. Nowadays, the structuring of transactions often involves multilateral funds, private insurance companies, local banks, money market and capital market products. Private insurance, something which we first began using in 1997, is no longer an innovative solution."

In an example of such innovation, Genet refers to an unusual structure for a major client. States Genet: "SG recently arranged and structured three prepayment agreements in favour of Alstom in order to pre-finance a hydropower plant, electric power units and transmission lines in Mexico. These prepayments, which benefited from a hedge cover, suited Alstom's requirements, notably the balance sheet constraints."

He adds: "For 2001, we can expect transactions with less sovereign risk and a growth in corporate risk. We will probably see large deals where main infrastructure projects are forecasted such as in Turkey and Latin America. However, a question is raised when viewing the telecom market. ECAs are not truly involved in this market towards developed countries. Yet huge contracts will be concluded in this sector, and we can't imagine the ECAs keeping away from one of the main sectors for export contracts."

SG also appears to have benefited well from its partnership with BSCH. Explains Genet: "SG chose a partnership strategy, as was recently illustrated at the start of 2000 with the BSCH alliance in Spain. Thanks to a strong co-operation between SG export finance and BSCH export finance, several deals have been concluded together (for example: in Turkey, an electric plant for Botas, and in Argentina, a power station for Pluspetrol)."

On the spread and internationalization of business, SG says only 34% of its business carries Coface guarantees. Adds Genet: "In 2000 SG export finance concluded significant deals involving many different export credit programmes, and we arranged transactions through 12 different export credit programmes in favour of 48 different borrowing countries."

Of the other banks mentioned, both ABN AMRO and Barclays Capital have managed to bring to fruition a range of innovative transactions in a variety of markets. Special mention should also go to ING Bank which last year introduced an integrated approach of bringing structured export finance solutions to the market by using structured commodity financing schemes. This successful development allowed ING to capture business in Romania and Iran and provided solutions ahead of the competition. **JB**

Best Export Finance Arranger

Winner: **Citibank**
Highly commended: **SG**
3. ABN AMRO 4. Barclays 5. Credit Lyonnais

Also mentioned: ING Bank, Commerzbank, HSBC, Deutsche, BNP Paribas, Credit Agricole Indosuez, Chase, Bank of America, Dresdner, Standard Chartered, HSBC, BSCH, Bayerische Hypo-und Vereinsbank, Bayerische Landesbank, BHF-Bank, Den Danske Bank, WestLB, Bank Austria, Fortis, Rabobank, Mellon.

2000 winner: Citibank 1999 winner: SG