Course Synopsis

The global economic slowdown has dampened demand for commodities, triggering a downtrend in commodity prices. In the wake of the recent plunge in oil prices and the saga unfolding in the Qingdao Port scandal, many players face potentially huge losses. Given the diversity, complexity and substantial size of commodity trades, professionals involved in the commodity trading and financing value chain need to possess specialised knowledge to control their risk exposures and ensure sustained profitability.

The **SMU Executive Certificate in Structured Trade & Commodity Finance** course aims to equip participants with the practical skills to analyse, structure and present commodity financing proposals. This course adopts an industry-specific, case approach to real-life applications of various structures for financing agricultural commodities, oil and metals.

Participants will learn to construct financing structures, identify risk and formulate mitigation, be cognizant of the legal environment and documentary requirements. Curriculum has been refreshed and updated to focus on structures and cases to enhance market relevance.

**Program Highlights**

- Focus on metals, agri-commodities, and oil market segments
- Study Asian cases of transactional and borrowing base financing
- Learn to construct structures using shipment sales concepts, warehouse/forwarder’s cargo receipts, repo (commodity ownership), tolling, pre-export and prepayment financing techniques
- Work on case assignments to internalise learning

Program Duration

The program is held over 6 Saturdays from 9am – 4pm.

Program Fee

S$7,500 (excluding GST)

Funding

FTS funding of up to 50%, capped at S$2,000 available to eligible financial institutions. Terms and conditions apply.

For Enquiries

Jaclyn Mah | 6828 0254
Chiew Yee | 6828 0971

fti@smu.edu.sg
fti.smu.edu.sg/stcf-main
An Overview of Structured Trade & Commodity Financing

- What is structured trade & commodity financing
- Building blocks of structured trade & commodity financing
- Role of trading companies in transforming commodities in space, time and form through logistics, storage and processing
- Competing and complementary roles of trading companies and financial institutions
- Risk assessment, management and distribution (insurance, forfaiting, hedging, structures, etc)

Case Study: Transactional Financing – Iron Ore & Coke

- Back-to-back, front-to-back, freight financing and stock financing
- Salient features of sales & purchase contracts
- What can go wrong? (price, documentary, counterparty, country risk)
- Examine term sheet and documentation

Case Study: Transaction Financing – Crude Oil & Petroleum Products

- Structuring transactional financing facilities for crude oil/petroleum products
- Back to back, front to back, letters of credit and standby letters of credit
- Role of Payment letters of indemnity (LOIs) – bank countersigning, how bankers treat them.
- Confirmations of LCs and Payment Undertakings/open account sales.

Case Study: Secured Financing – Warehouse Receipt Financing of Cocoa

- Case analysis and insights
- Financing stock owned by client, bank as pledgee
- Role of inspection certificates and warehouse receipts
- What can go wrong? (inspector & warehouse keeper risk, commingling & seizure of goods)
- Writing term sheet and facility letter

Case Study: Secured Financing of Palm Oil

- Overview of structure and borrowing base facilities
- Key credit considerations (collaterals, insurance)
- Form of borrowing base certificates
- Collateral control & monitoring
- Advance ratios and mark-to-market techniques
- Typical term sheet and documentation

Repo Financing Structure

- What is a Repo? Basic elements required
- Benefits of a repo structure vs security over commodity structure
- Risks and points to consider on ownership of commodity
- Collateral Management Arrangement considerations for storage of commodity
- Insurance considerations
- Balance sheet considerations for finance and commodity seller (true sale implications)
- Legal documentation considerations
Curriculum

Case Study: Structured Iron Ore Prepayment Financing with Insurance Wraps for Australian Supplier

- Outline of different structures
- Trader’s vs financier (or bank’s) perspective on structuring elements
- Structuring elements for considerations/discussions

Case Study: Structured Prepayment Facility to Foreign JV in China under Tolling Contract for Alumina

- Pre-payment of alumina under term contract
- Pre-payment of tolling fees for processing of alumina under tolling contract
- Pricing of aluminium ingots at time of purchase by off-taker
- Risk assessment (quality acceptance by off-taker, shortfall in sales proceeds)
- Repayment mechanics (sales proceeds, escrow account, debt service cover ratio)
- Security and legal documentation

Case Study: Refinancing of Insurance-backed Limited Recourse Facility for Trader’s Advance Payment of Coke Supply to China

- Case analysis and insights
- Re-design security and finance documents to overcome financing constraints
- Acceptability of insurance company, performance, payment and insurable risks
- Limits on recourse (trigger events, full versus limited recourse)
- Repayment mechanics (delivery & shipment, debt service reserve account)
- Term sheet, offer letter, mandate letter in club deal

Hedging and Management of Energy Price Risk

- Energy market risks and exposures
- Energy Contract Exposures
- Energy risk management tools and policies
- Applied risk management under different trading scenarios
- Applied risk management in trading organizations

Case Study: Trading and Hedging Economics and Strategies

- Calculation of costs, revenues, exposures and P&L oil transactions
- Evaluating exposures and managing flat price and basis risk
- Market structure (contango and backwardation), arbitrage and hedging
- How traders seek to benefit from contango markets
- Class Exercise: comparison of different hedging strategies
- Class Exercise: trading the e-Window

Case Study: Pre-export Financing – Steam Coal

- Salient features of sales & purchase contracts
- Key risks and mitigants
- Salient terms and conditions for facility
Who Should Attend

This is an advanced level course targeted at professionals specializing in marketing, trading, financing and risk management of commodities trading.

Participants are expected to have some working knowledge of traditional trade finance products such as Incoterms, shipping documentations, collections, different types of letters of credit, guarantees etc.

This course is highly recommended for the following professionals:

- **Senior management in commercial lending**, looking to expand into structured trade finance business
- **Relationship managers, corporate bankers** who advise trading and commodity companies
- **Trade finance specialists, account and marketing managers who** engage in structured trade financing
- **Commodity traders** who are keen to learn the financing aspects of trades done
- **Corporate treasurers, finance directors** in trading and commodity companies
- **Professionals in middle and back office of banks and corporate**, in functions such as credit, risk, audit and operations, who are responsible for ensuring proper execution and risk management of trades

Trainer’s Biography

**Bernadette Cenzon** has over 20 years of experience in the banking industry. She held various senior positions in European banks such as Natexis Banque, Rabobank, Fortis and Credit Agricole Indosuez. She has extensive experience in setting up structured trade desks in Singapore and Hong Kong, as well as structuring cross border and syndicated deals in Asia.

**John Driscoll** has deep expertise with over 40 years’ experience in the energy sector, specialising in trading and risk management strategies of oil and petroleum products. He held senior roles with companies such as Mobil Asia, Argus Media and GS Caltex before moving to providing training and consultancy services for industry clients and academic institutions.

**Poon Churn-Yuen** has over 18 years of experience in credit, structured trade finance and risk management. He started his career in the banking industry, before moving to the corporate sector in late 1999, where he held various management positions in BHP Billiton, Titan Petrochemicals and Chevron Texaco.

**Angela Wei** has over 18 years experience in banks and commodity trading companies. She held senior management roles with Commerzbank and ANZ Bank before moving to Cargill Singapore as the Director of Asia Structuring for its Trade and Structured Finance business. She recently joined Bank of China as Head of the Commodity Business Unit. Angela has an MBA from Imperial College and a degree in Economics & Law.

**Yong Meng** is a veteran corporate banker, with a distinguished career spanning over 30 years. He headed up trade and commodity finance desks for European banks such as AMRO Bank, Rabobank and Fortis. He rejoined UOB in 2002, and was instrumental in building up the bank’s lead among the local banks in structured trade and commodity finance business.

About FTI

The Financial Training Institute (FTI) is set up by the Singapore Management University (SMU) to champion competency-based programmes, focusing on practical applications for professionals in the financial services industries. FTI has established a solid reputation for quality training programmes and setting high certification standards. Since 2007, FTI has trained over 3,000 participants and certified about 850 professionals from more than 100 financial institutions.