

The banks: losses, withdrawals, closures

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The consequences for the banks were immediate and lasting. ABN Amro, whose exposure to Hin Leong was exceeded only by that of HSBC, announced in August 2020 its complete withdrawal from the trade and commodity finance market. A large part of its write-downs concerned off-balance-sheet items such as guarantees and documentary credits.¹ The Dutch bank had suffered more than two hundred million euros of losses connected with these cases.²

Société Générale closed its Singapore trade finance unit, transferring its operations to Hong Kong and ending its relationships with smaller traders, a decision attributed to the collapse of Hin Leong. The bank had booked 342 million euros of provisions in the first quarter, partly connected with two frauds.³ BNP Paribas suspended all new trade financing pending a review of its activities in Europe, the Middle East and Africa, and then closed its Swiss trade finance team.⁴ Rabobank launched a review of its business, and Natixis merged its infrastructure and commodities operations.⁵

These withdrawals hit Geneva head-on. BNP Paribas, still presented in 2023 as the world leader that had moved the management of its trade finance business to Geneva, had closed a team there in 2020.⁶ Geneva's traders, in particular the mid-sized ones, saw their credit lines reduced or withdrawn, so that they had to turn to other banks, to non-bank financiers or to their own resources.

The contraction of credit had paradoxical effects. It eliminated fragile players and cleaned up the sector, but it also concentrated financing on the large houses, which are able to obtain syndicated credit on the strength of their overall creditworthiness, to the detriment of the mid-sized traders who give the centre its diversity. It created room for non-bank financiers, who are more expensive, and for the cantonal and regional banks.

1 Notes

1. Global Trade Review, 12 August 2020, cited above. ↩
2. Financial Times, August 2020, cited above. ↩
3. Global Trade Review, 12 August 2020, cited above; Bloomberg, 1 August 2020, cited above. ↩
4. Global Trade Review, 12 August 2020, cited above; Bloomberg via AJOT, 23 September 2020, cited above. ↩
5. Bloomberg via AJOT, 23 September 2020, cited above; Bloomberg, 1 August 2020, cited above. ↩
6. “Matières premières. Genève, plate-forme mondiale dans le négoce”, Le Temps, 16 February 2023; Bloomberg via AJOT, 23 September 2020, cited above. ↩

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