

The logic of transactional finance

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Transactional finance rests on a simple idea: each trading transaction finances itself. The bank advances to the trader the funds needed to purchase a cargo and takes the goods as security, by holding the documents that represent them. It then repays itself from the proceeds of the sale, which the end buyer pays directly to the bank or into an account it controls. The loan is thus self-liquidating: it arises with the purchase and is extinguished with the sale.

This logic distinguishes transactional finance from conventional corporate lending. Beyond the trader's creditworthiness, the bank assesses the quality of the transaction: the goods, their value, their liquidity, the end buyer, the transport, the documents. A trader of modest size can obtain substantial financing if its transactions are sound and if the bank controls the goods and the flows. Conversely, a major trader may be refused financing for a transaction judged too risky.

The amounts involved are considerable. A cargo of two million barrels of crude oil represents, at USD 80 a barrel, USD 160 million. A trader handling ten cargoes at once draws on more than a billion dollars of financing. The large houses have credit lines of several billion dollars, spread across dozens of banks.¹

The margins in this business are thin. According to a 2020 report, trade finance margins can fall as low as 0.25 per cent, which places a premium on volume.² The global trade finance market is estimated at USD 18 trillion.³ Profitability therefore depends on the repetition of safe transactions, on efficient processes and on keeping losses under control.

Key point. Transactional trade finance rests on self-liquidating loans, secured by specific goods and repaid from the proceeds of their sale. The bank assesses the quality of each transaction as much as the trader's

creditworthiness. Its margins, sometimes below 0.25 per cent, demand volume and rigour.

1 Notes

1. Trafigura, press release of 10 March 2026 (trafigura.com): European revolving credit facilities of USD 5.8 billion, in three tranches (USD 1.8 billion at 365 days, USD 3.5 billion at three years, USD 0.5 billion at five years), underwritten by 53 banks, and a contingent liquidity facility of USD 3 billion; Trafigura, press release of 8 December 2022: total credit lines of USD 73 billion with around 140 banks; Trafigura, 2023 Annual Report: USD 75 billion with around 150 banks; TXF, “The Rosneft prepayment: Deal of the Year 2013”: prepayment of USD 8.32 billion signed in March 2013 for Glencore (70%) and Vitol (30%) with twelve lead banks. ↩
2. “After \$9 billion credit hit, banks seek trade finance revamp”, Bloomberg via AJOT, 7 September 2020. ↩
3. Bloomberg via AJOT, 7 September 2020, cited above. ↩

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