

The risks of the craft

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The trader assumes many risks, and it is the mastery of these that distinguishes the durable houses from the adventurers.

Price risk, hedged with derivatives, leaves basis and liquidity risk in place. Credit risk concerns payment by the buyer and delivery by the seller; banking instruments, credit insurance and the selection of counterparties allow it to be mitigated. Logistical risk concerns delays, damage, loss of cargo and the failure of carriers. Political risk concerns expropriation, export restrictions, embargoes and conflicts in producer or transit countries. Sanctions risk, which has become a major concern since 2022, concerns the sudden unlawfulness of transactions entered into with countries, companies or persons targeted by restrictive measures. Legal and compliance risk concerns corruption, money laundering, sanctions violations and breaches of due-diligence obligations, which expose the trader to criminal prosecution. Reputational risk, finally, concerns the standing of the house with its banks, its partners, the authorities and the public.

Risk	Nature	Mitigation
Price	movement in prices between purchase and sale	hedging with derivatives, position limits
Credit	default in payment or delivery	documentary credits, guarantees, credit insurance, selection
Logistical	delays, damage, losses	insurance, choice of carriers, monitoring
Political	expropriation, restrictions, conflicts	diversification, political risk insurance, investment treaties
Sanctions	sudden unlawfulness of transactions	monitoring, contractual clauses, counterparty screening

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Risk	Nature	Mitigation
Legal and compliance	corruption, money laundering, violations	compliance programmes, controls, training
Reputational	damage to standing	governance, transparency, responsible conduct

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