

The role of banks in the accountability of commodity trading

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The trade finance banks described in Chapter I of this Part constitute a lever of accountability that law and practice have progressively activated. A bank financing a cargo may require its client to provide information on the origin of the goods, on the conditions of their extraction and on the payments made to governments. It may refuse to finance operations in countries or with counterparties whose practices are contested. It may integrate sustainability criteria into its credit terms.

These practices have developed under the influence of several factors: the requirements of supervisory authorities in the field of risk management, the expectations of the banks' shareholders and clients, the commitments made within international sustainable finance initiatives and the fear of reputational damage. Trade finance banks have accordingly drawn up sector policies that exclude or restrict the financing of certain commodities — thermal coal, oil sands, uncertified palm oil — and of certain practices.¹

The banking lever has its limits. Traders can obtain financing from less demanding banks, notably in the Gulf and in Asia, or from non-bank financiers. The major houses have considerable resources of their own. The requirements of Western banks may therefore shift contested activities towards other financiers without making them disappear, just as sanctions have shifted the trading of Russian oil to Dubai. The banking lever thus acts above all on those players who wish to retain access to Western financing and markets.

1 Notes

1. BNP Paribas, sector policy “Huile de palme” (Palm oil) (group.bnpparibas): the bank requires its producer clients to ensure the absence of child labour and forced labour, the free, prior and informed consent of communities, a ban on new plantations on World Heritage sites, Ramsar sites, Alliance for Zero Extinction sites and IUCN categories I to IV, prior assessment of high conservation values, a “zero burning” policy, the exclusion of peatlands and the renunciation of WHO class Ia and Ib pesticides and of paraquat; mills must trace the origin of the fruit; refiners and traders are invited to join the RSPO, to favour certified oil and to ensure traceability; the policy applies to all business lines, including financing and market activities. ↩

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