

Trade finance and wealth management

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

Trade finance and wealth management, the two pillars of the financial centre, maintain relationships that market participants do not always emphasise. Traders and their executives, who are often very wealthy, are clients of Geneva wealth management. The banks that finance commodity trading also serve the private clientele of the traders. Trade finance funds are offered to private and institutional investors as alternative investments.

This proximity creates synergies and risks. A bank that finances a trader and manages the wealth of its executives has an overall view, but it exposes itself to conflicts of interest and to a concentration of risk. Trade finance funds sold to private investors have at times suffered losses linked to frauds in the sector, which has raised questions about the information given to investors.¹

In parallel with the transformation of wealth management towards tax compliance, described in Part E, trade finance has undergone a transformation towards compliance with sanctions and anti-corruption rules. The two pillars are converging on a single requirement: knowledge of the client, of its business and of the origin of its funds.

Worked example. A medium-sized trader has a borrowing-base facility of USD 200 million with three Geneva banks. The available amount is calculated every month: inventory valued at market price with a haircut of 20 per cent, receivables from approved buyers with a haircut of 10 per cent, hedged positions in full. If its inventory is worth USD 150 million and its receivables USD 80 million, the available amount comes to USD 120 million plus USD 72 million, or USD 192 million. A 15 per cent fall in prices reduces the value of the inventory to USD 127.5 million and the available amount to USD 174 million, which obliges the trader to reduce its positions or to provide additional security. The figures are fictitious.

1 Notes

1. SEC, press release of 26 November 2019: International Investment Group LLC (New York) accused of having concealed losses by overvaluing defaulted loans and of having sold to other clients “at least \$60 million in fake trade finance loans”, with forged promissory notes and a falsified credit agreement; adviser registration withdrawn; Wikipedia (en), article “Greensill Capital”: freezing by Credit Suisse, on 1 March 2021, of USD 10 billion of supply-chain finance funds invested in Greensill products, insolvency of Greensill on 8 March 2021, losses estimated at up to USD 3 billion for investors (25 March 2021), withdrawal of credit-insurance cover (Tokio Marine, USD 4.6 billion) announced in July 2020. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/geneva-trade-finance-and-wealth-management