

The banks that serve Lugano

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The banks represented on the executive committee of the Lugano Commodity Trading Association give a fair picture of who finances the cluster. They are UBS Switzerland, represented by the head of commodity trade finance for metals and petrochemicals, the Banque Cantonale Vaudoise, the Zürcher Kantonalbank and the cantonal bank of Ticino, Banca dello Stato del Cantone Ticino (BancaStato).¹ UBS states that it serves commodity traders through commodity trade finance units in Geneva and Lugano. Its offering consists of uncommitted transactional credit, the arrangement of or participation in syndicated facilities and foreign exchange and interest rate derivatives for traders in metals, energy, soft commodities and fertilizers.² Since the absorption of Credit Suisse in 2023, UBS is the only Swiss big bank and has inherited the trade finance book of its former competitor, which had been the largest Swiss lender to commodity traders in the period from 2013 to 2019.³ For the Lugano cluster this concentration means that one institution carries a large share of the Swiss-domiciled supply of commodity trade finance. A trader who loses its line at UBS may find few domestic alternatives.

The Ticinese banks play a smaller and different role. BancaStato offers documentary credits, collections and guarantees to its corporate clients.⁴ As early as 2013 the finance committee of the cantonal parliament suggested that advice in the trading of commodities and precious metals might become an important market for the cantonal bank.⁵ Banca Zarattini & Co., a private bank founded in Lugano in 1985, describes trade finance as the most recent of its four business divisions.⁶ Other Lugano banks provide accounts, foreign exchange, guarantees and occasional documentary credits to trading clients without maintaining a structured commodity finance desk. Two further groups of lenders complete the picture. The first consists of the Geneva offices of French, Dutch and other European banks, some of which reduced or closed their commodity desks after 2020, as described below. The second consists of smaller specialized banks in Geneva, among

them institutions with Middle Eastern, Russian or other foreign shareholders. An example is Tradexbank, the former Swiss subsidiary of Sberbank, which was sold to a Geneva investor group in September 2022 after Russia's invasion of Ukraine. In 2024 it appointed as head of commodity trade finance a banker who had previously worked for a trading company in Lugano.⁷

1 The cost of being small

For the small trader the market has three structural features. The first is that trade finance banks prefer clients with a track record, audited accounts and an equity base proportionate to the size of the cargoes they trade. A start-up trader with a capital of CHF 100,000 cannot finance cargoes of USD 20 million on its own credit. It must either find a bank willing to take a pure transactional risk, secured by the goods and by a creditworthy buyer, or work with a larger trader as a partner. The second feature is that the fixed costs of compliance have risen sharply since 2014. A bank that onboards a commodity trader must examine its owners, its counterparties, its countries of supply and its shipping arrangements, and must screen every transaction for sanctions and trade-based money laundering. These costs do not fall in proportion to the size of the client, which makes small relationships unprofitable for many banks.⁸

The third feature is that the relationship is personal and fragile. A Lugano trader's credit line often depends on the judgment of one or two bankers in Geneva or Lugano who know its business. When those bankers move, or when their bank changes its risk appetite, the line can disappear within weeks. Chapter F.I quoted the general secretary of the association in February 2022 as saying that banks no longer wished to finance transactions with Russia and Ukraine. He added that the sector had already been strained by margin calls caused by rising prices.⁹ Access to trade finance thus constrains the growth of the cluster more than any other factor. The following sections describe the instruments through which this access is provided.

2 Notes

1. LCTA, "Comitato esecutivo" (above). ↩
2. UBS Switzerland AG, "Commodity trading companies", <https://www.ubs.com/ch/en/services/corporates/commodity-trading-companies.html> ("Through our commodity trade finance units in Geneva and Lugano"). ↩

3. Public Eye, Trade Finance Demystified (above), 33, Table 3 (loans to traders 2013–2019: Credit Suisse USD 6,592.6 million, UBS USD 6,049.5 million, Zürcher Kantonalbank USD 1,258.4 million, Banque Cantonale de Genève USD 939.4 million). The acquisition of Credit Suisse by UBS was completed on 12 June 2023: Wikipedia, "Acquisition of Credit Suisse by UBS", https://en.wikipedia.org/wiki/Acquisition_of_Credit_Suisse_by_UBS (used as a last resort). The trade finance book passed to UBS with the acquisition. ↩
4. Banca dello Stato del Cantone Ticino, "Trade finance", <https://www.bancastato.ch/aziende/finanziamenti/trade-finance.html> ("Crediti documentari, incassi e garanzie"). ↩
5. Gran Consiglio della Repubblica e Cantone Ticino, Commissione della gestione e delle finanze, Rapporto 6799 R of 3 December 2013 on the accounts of Banca dello Stato for 2012, https://www4.ti.ch/fileadmin/POTERI/GC/allegati/rapporti/9316_6799R.pdf ("un ambito nel quale sicuramente Banca dello Stato potrebbe ricavarsi un mercato importante potrebbe ad esempio essere quello della consulenza nel campo del trading delle materie prime e preziosi"). ↩
6. Swiss Sustainable Finance, member profile "Banca Zarattini & Co. SA", <https://www.sustainablefinance.ch/en/members-partners/member-profiles/banca-zarattini-co-sa.html>. ↩
7. Finews.ch, "Tradexbank ernennt neuen Leiter für Commodity Trade Finance", 6 June 2024, <https://www.finews.ch/news/banken/62912-tradexbank-ernennt-neuen-leiter-fuer-commodity-trade-finance> (sale to a Geneva investor consortium in September 2022; removal from the OFAC sanctions list in May 2024). ↩
8. Geneva Solutions reported in 2020 that nearly 85 per cent of the members of the Swiss Trading and Shipping Association employed between two and twenty persons and quoted a trader's warning that small Swiss companies would suffer if banks withdrew: Kyra Dupont, "Swiss banks are turning their backs on commodity trading", Geneva Solutions, 27 August 2020, <https://genevasolutions.news/sustainable-business-finance/swiss-banks-are-turning-their-backs-on-commodity-trading>. ↩

9. See Chapter F.I, citing Tio.ch, 25 February 2022. ↩

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