

TRADE FINANCE GLOBAL · COMMENTARY

Capital is waiting for a structure it can buy

Capital is available for commodity trade finance, but funding increasingly depends on well-structured, bankable transactions rather than borrower size.

Following major commodity trading frauds, banks have shifted their focus from borrower reputation to stronger controls, transparency, and transaction architecture.

Closing the \$2.5 trillion trade finance gap will require borrowers to design financeable deals from the outset, not rely on greater lending capacity.

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In March 2026, banks offered Trafigura \$8 billion of underwriting for a \$3 billion club deal. Two months earlier, the Asian Development Bank (ADB) confirmed the global trade finance gap at \$2.5 trillion again: in 2022, the same figure represented roughly 10% of global trade. One market, two numbers that overturn the usual explanation.

Capital has not left commodity trade finance. At the top, it is in surplus. The shortage is of bankable structures, not of money. The gap doesn't represent a lenders' verdict on the mid-market, but rather the distance between how it assembles deals and how banks now underwrite them.

When the terms changed

In 2020, Hin Leong Trading collapsed owing 23 banks \$3.85 billion. PwC's interim judicial managers found just \$257 million of assets, calling document fabrication routine and pervasive. The largest exposure, some \$600 million, sat with HSBC: a bank founded in 1865 to finance Asian trade under documentary control found itself, a century and a half later, lending against fabricated documents.

AgriTrade International, ZenRock, and Phoenix Commodities added to the bill: duplicated bills of lading (BoLs), the same oil cargo pledged to several lenders, bank debts in the hundreds of millions. Hin Leong's founder is now serving 13.5 years in prison.

At first, it seemed as though banks would leave the asset class. In August 2020, ABN AMRO closed trade and commodity finance worldwide. BNP Paribas wound down its Swiss commodity trade finance desk that pioneered oil letters of credit (LCs) in the 1970s. Société Générale shut down its Singapore arm and stopped working with smaller traders.

Yet, the same Geneva lenders spent over a year writing a common code of practice, published by the Swiss Trading and Shipping Association (STSA) in October 2021. The banks didn't exit the asset class; they simply changed its terms - and wrote them down.

The terms themselves

Anyone who has opened the code knows the new terms. In place of uncommitted transactional lines came borrowing-base facilities and collateral management agreements, controlled payment waterfalls, assigned receivables and insurance, independent inspection, and electronic documents of title.

Since September 2023, the UK Electronic Trade Documents Act (ETDA) has given electronic bills of lading (eBLs) the force of paper. The credit committee's question itself has changed. It has moved from 'who is the borrower' to 'what exactly does the bank control, at which stage, and evidenced by which document'. Deal structure has ceased to be an annex to the commercial terms - it now constitutes them.

Three exhibits

Three pieces of evidence stand out, yet the market reads them as scenery rather than proof.

First, there is oversubscription at the top. \$8 billion offered against \$3 billion sought is not the majors doing well. It is the same banks that turn the mid-market away, queuing for a structure they can control.

The queue has a statistical basis: the International Chamber of Commerce (ICC) Trade Register has recorded, year after year since 2008, default rates on core documentary products of 0.04-0.21% by exposure - a fraction of comparable corporate lending. This isn't because global traders have better credits, but because their structure is better: short tenor, self-liquidation, control of goods and documents.

The queue has even been stress-tested by fraud. When Trafigura uncovered a \$577 million nickel scam in February 2023 - Prateek Gupta's containers of rubble instead of nickel - it absorbed the blow with its own equity: no transactional bank financing was used on those cargoes. A month later, banks oversubscribed \$5.4 billion of revolving facilities for it. In January 2026, London's High Court confirmed the fraud in full. Capital is hungry,

and it is fastidious about architecture.

Second, the rules are open. The credit committee's checklist has been public for nearly five years. The mid-market has not read it as an instruction.

Third, the number does not move. The gap reached \$2.5 trillion in 2022 and has stayed the same in the 2025 survey published in January 2026, with rejection rates running at 41% for small and medium-sized enterprises (SMEs) and 40% for mid-cap and corporates. Three years of record liquidity at the top has not shifted the gap by a dollar. This reflects a structural problem.

Research by Alternative Credit Council, Simmons & Simmons, and TXF shows nearly half of surveyed companies turning to alternative lenders did so because a bank said no. Private credit does not close the gap. It prices it.

In fairness, the ADB reads its own number cautiously: it flags cyclical effects, and much of what it describes is a compliance gap rather than a financing gap. But the cost of underwriting and the architecture of the deal are not rival explanations: it is the unstructured deal that makes assessment expensive. In the commodity mid-market, the binding constraint remains structure, not capital.

Engineered bankability

The gap is measured in trillions, but it closes one transaction at a time. What follows is a discipline I call engineered bankability. It cannot be added to a finished deal. Title transfer points, the documentary chain, storage, insurance assignment, and settlement mechanics are designed before any term sheet exists, because these days that is what a term sheet is made of.

A deal assembled on commercial logic alone and taken to a bank afterwards comes back rebuilt or rejected, and either outcome takes months. The financeable mid-market player is not the one with goods on its balance sheet but the one that arrives transparent: proprietary interests defined, every control point documented, cash flows ring-fenced. A bank's lawyers can verify these in one evening.

For a producer, this discipline requires neither surrendering title nor giving up the customer and the price spread. Swiss law has kept a ready form on its statute book for over a century: under articles 425-438 of the Code of Obligations, the commission agent acts in its own name for the principal's account, earning a fee rather than a trader's price spread. The chain of principal, commission agent, and bank hands the lender a fully documented, ring-fenced structure, leaving no open questions of control or enforcement.

The losses of 2020-2021 marked trust in this market down to zero and put control in its place. Waiting for lenders to soften is pointless: the rules are published, and capital is queuing on the other side. Funding goes to transactions conceived as financeable from the first draft.

That is why the \$2.5 trillion gap will be closed neither by banks nor private credit. It will be closed by borrowers: company by company, deal by deal, by redesign. The mid-market that takes the credit committee's checklist inside, itself or through its commission agent, will find that capital never went anywhere. It has been waiting for a structure it can buy.

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