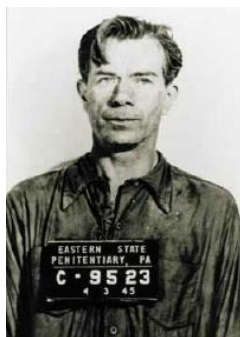


NEWSLETTER

JUNE 2017

BANKS AND THEIR MONEY



The picture at the top is of famous bank robber Willie Sutton, after his activities were restricted by the authorities. A reporter is said to have asked why he robbed banks. He was quoted as saying, "Because that's where the money is." [Willie later denied ever saying that](#), and went on to write a couple of books about his life after he was paroled.

You, dear reader, likely also think of banks as where the money is when you're looking to finance purchase orders or issue an LC to a supplier against an incoming letter of credit.

It's true. Banks *are* where the money is. *Just not for you*, most likely. Please note that we recommend strongly against the Willie Sutton wealth accumulation strategy.

Bank perception of risk can be highly specific, focussing on *you and your balance sheet*. Banks will generally perceive you as their financial risk. Which is odd, because if your customer is a credit-worthy company, the primary re-payment risk is on your customer. The risk to the bank where *you* are concerned is your ability to execute the deal properly. That's a different kind of risk, and doesn't involve your balance sheet.

This small difference is overlooked all too often for SME's. The result is a correct perception that capital can be hard to come by. Unless you look somewhere else.

And Then There are the Non-Bank Trade Finance Companies

The Non-bank players assess risk quite differently. They recognize that primary risks are associated with the payment from the end buyer, and will generally finance against valid letters or orders from credit-insurable companies. In such cases, funders will still review the client's financials, but it is more for know-your-customer purposes, with the brunt of the due diligence focussed on the end customer and supplier.

This tilts the odds of getting finance substantially in your favor if your end customer is a solid citizen.

Deals We've Been Working On Lately

We continue to field inquiries of different shapes and sizes. Amongst those we're working on where we believe there's a high probability of success:

- a recurring fuel trading transaction of a refined product going from a US client to a foreign buyer who is backing their order with an SBLC
 - pipeline of new auto sales to China from the US and elsewhere backed by a documentary LC from a Chinese bank
 - installation work and sales to a US solar project by a US company; the deal is do-able when structured properly to allow our partner to finance against invoices
 - recurring purchase and sales of iPhones for a UK client who has found inefficiently priced markets into which to sell to local retailers
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Not Just Hurricanes. Wildfires, Monsoons, Too.

On another note, there have been extraordinary weather events recently, some of which have caused serious damage in our home hemisphere. That includes the Caribbean, and in the United States, the greater Houston area and Florida, along with the heat leading to spontaneous wildfires impacting many western states in the US this summer. And that's before one considers the much stronger monsoons that affected even larger populations in India, Bangladesh and Nepal. Our hearts go out to the many whose lives have been changed adversely or destroyed by these weather events.

Climate issues are global. No nation can avoid climate effects, which observe no borders and therefore need no passports to enter a country.

Climate science combines simple physics, chemistry and math to explain the natural forces at work here and the link between human activity and climate. Since before 2006, the US Department of Defense has been vocal about the national security risks of anthropogenic climate change. It was highlighted in the 2006 [DoD quadrennial defense review](#). And DoD has regularly followed up on the topic, such as this [DoD report to Congress several years ago](#), not to mention updated comments in the 2010 and 2014 quadrennial reviews.

We welcome your trade finance inquiries. Often our role includes assisting clients in structuring their deals so as to fit the structure the capital requires. One can save a lot of time that way.

By: Doug Friedenber