3T IMPEX
TRADE CONSULTING

THEME:

NIGERIAN TRADE FINANCE SKILL GAP ASSESSMENT SURVEY

3T IMPEX TRADE ACADEMY

ANNUAL TRADE FINANCE SURVEY

NIGERIA -2024

AUTHOR:
Bamidele Ayemibo (Ph.D)

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... Promoting International Trade Education

Contact us

+234 809 200 0424

tradeacademy@3timpex.com

www.3timpexglobal.com

11B, Bola Shadipe Street, off Adelabu St, Surulere, Lagos.

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@importexportacademy

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@3timpexconsulting

IN THIS REPORT

THE OUTCOME

1. Despite 80% of participants being marketers, trade finance, and trade operations staff, about 50% of bankers have not undergone any international trade training programs since their entry-level training.

2. Only 12% of staff in the trade services unit and just 1% of bankers in marketing possess any form of trade certification.

3. Around 38% of the bankers identify knowledge gaps as the primary challenge in handling international trade operations and financing.

4. About 65% of the participants that see knowledge gap as their greatest challenge in handling trade transactions have between 6 to 20 years of experience in banking.

5. While certification constitutes 30% of participants' KPI appraisal, only 2% have completed any trade certification program.

6. Despite the dynamic nature of the international trade environment, 78% of the participants have not attended any international trade training program in the past year.

7 About 50% of the participants have only an average level of understanding of payment method like letter of credit and bill for collection.

8 About 5% of the participants have a very high level of understanding of payment methods like letter of credit and bill for collection.

9 Only 25% and 12% of the participants respectively rank themselves as highly competent in handling letter of credit transactions and the UCP600 rules.

10 About 22% and 9% of participants respectively regard themselves as highly competent in handling bill for collection transactions and the URC522 rules.

11 Only 15% of the participants have a high level of understanding of the Incoterms 2020 rules, which is crucial for determining a bank's risks and liability in trade financing.

12 Only 22% and 21% of the bankers respectively feel highly competent in examining letter of credit documents and handling discrepant documents.

13 Just 15% of the bankers demonstrate a high level of understanding of government regulations for import and export business transactions.

14 Approximately 73% of the bankers possess from average to low level of understanding of trade-based money laundering and terrorist financing.

15 About 81% of the bankers are unable to identify red flags, leaving them incapable of preventing their banks from being used for trade-based money laundering and terrorist financing.

16 Only 16% and 9% of the participants respectively feel highly competent in handling standby letter of credit transactions and the ISP98 rules.

17 Only 11% and 7% of the participants respectively believe they have a high level of competence in handling demand guarantee transactions and the URDG758 rules.

18 About 85% of the bankers possess from average to very low understanding of trade digitalization and this is the future of international trade transactions.

19 Despite the rapid growth of trade in services globally, only 16% of the bankers have a high level of understanding of service exportation.

20 Only 18% of the bankers exhibit a high understanding of RT200 FX of the CBN, an initiative designed to promote non-oil export.

21 Approximately 80% of the bankers lack a good understanding of the concepts of free trade agreements, customs unions, and common markets.

22 Although lending money is a core function of banks, only 19% of the bankers have a high level of understanding of trade finance options, pillars of trade finance, and trade finance monitoring.

23 While bankers finance import and export transactions, about 75% have only average to very low levels of understanding regarding the risks and challenges associated with the businesses they finance.

24 Approximately 80% of the bankers possess average to very low levels of skills to mitigate risks and resolve challenges in the import and export transaction they finance.

LIST OF FIGURES

ABBREVIATIONS

AfCFTA	- African Continental Free Trade Agreement
AML	- Anti-Money Laundering
CBN	- Central Bank Of Nigeria
CFT	- Counter Finance of Terrorism
COVID	- Corona Virus Disease
CPTPP	- Comprehensive and Progressive Agreement for Trans-Pacific Partnership
FTA	- Free Trade Agreement
GDP	- Gross Domestic Product
ICC	- International Chamber of Commerce
INCOTERMS	- International Commercial Terms
ISP	- International Standby Practice
KPI	- Key Performance Indicator
KYC	- Know Your Customer
LC	- Letter of Credit
RCEP	- Regional Comprehensive Economic Partnership
RT200 FX	- Race Towards $200Billion in Foreign Exchange Inflow
TBML	- Trade Based Money Laundering
UCP	- Uniform Custom Practice
URC	- Uniform Rules For Collections
URDG	- Uniform Rules For Demand Guarantee
SBLC	- Standby Letter of Credit

ACKNOWLEDGEMENT

I would like to express my gratitude to all those who contributed to the completion of the Nigeria Annual Trade Survey 2024 conducted by 3T Impex Trade Academy, a subsidiary of 3T Impex Consulting Limited.

This survey marks a milestone in our efforts to strengthen trade funding and volume on the African continent. It reflects our commitment, to addressing the challenges associated with trade financing in Nigeria and finding practical solutions that benefit both borrowers and lenders in this sector.

I want to extend my appreciation to the participants of the survey whose valuable insights and feedback formed the foundation of this report. Your willingness to share your expertise and experiences has played a role in enhancing our understanding of the complexities surrounding trade financing in Nigeria.

I also want to express my thanks to the team at 3T Impex Trade Academy for their tireless work in planning, executing and analyzing this survey. Your commitment, expertise and meticulous attention to detail have been indispensable in producing a report that offers recommendations for all stakeholders involved.

Furthermore, I would like to acknowledge the support and collaboration we received from our partners, including financial institutions, industry experts and bankers.
I want to express my appreciation, for your dedication to advancing trade financing in Nigeria as it has played a crucial role in the success of our endeavors.

I would also like to acknowledge the importance of the survey conducted in 2022 which provided the foundation for this year's report. The availability of the report highlights our commitment to transparency and sharing knowledge.

In conclusion, I am truly grateful to all those who contributed to the Nigerian Annual Trade Survey 2023. Your collective efforts have not only enhanced the understanding of trade financing in Nigeria, but also paved way for making well informed decisions that can foster inclusive economic growth, job creation and poverty reduction, within the country.

Again, thank you for your support and dedication.

Bamidele Ayemibo (Ph.D)

FOREWARD

The Nigerian Trade Finance Skill Gap Assessment Survey report is timely for Nigeria. Based on the traditional modus operandi the economy is now struggling, foreign exchange pressures abound and hardships are filtering right down to grassroots level across the economy,

Trade needs trade finance, trade finance needs trade finance skills. Without any doubt the structuring of finance for exports is a much more complicated and intricate task than for imports.

Vincent O'Brien

Director, International Chamber of Commerce, UAE.

Over the years I have seen trade finance skills within the Nigerian Bank ecosystems improve and go from strength to strength, but the focus was predominantly on the import side, other than in relation to the hydrocarbon exports which tend to follow a standard pattern and while amounts are sizeable, the transactions are basic in structure.

Nigeria and indeed the continent of Africa abounds in natural resources but to benefit from these natural resources, the people, the staff within their banks and then in turn the broader trade community need to develop home-grown trade finance skills in the context of supporting export finance as a priority.

This impressive study underlines that there is a solid skill base in Nigeria in trade finance but it is at a lower foundation level than what is required to lift exports, the economy and in doing so people's lives and living standards.

The team has done a wonderful job in gathering time sensitive and market-oriented data. The next step is to take this data, learn form it and take the steps to pioneer programs in trade finance skills development that will underpin the much-needed export development for Nigeria.

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SECTION ONE

THE PREAMBLE

Nigeria possesses substantial potential for GDP growth, job creation, and poverty reduction by harnessing the import-export trade sector, constituting approximately 25% of the nation's GDP. However, actualizing this potential and expanding trade volume and GDP faces significant challenges due to prevalent issues affecting individuals and businesses.

A critical yet overlooked challenge impacting trade growth is the competency of bankers handling import-export transactions. Skilled older bankers, proficient in trade-related aspects, are exiting the sector without effective succession planning, widening the skill gap. This scarcity hinders talent acquisition for trade operations and trade business development, leading to erroneous trade practices and low trade volume for the bank and the country.

The Nigerian Trade Finance Skill Gap Assessment Survey is crafted for professionals in trade operations, trade finance, and business development units. Its purpose is to evaluate industry competency, pinpoint deficiencies, and presents solutions to address the trade skill gap. Listed below are points that underscore the substantial risks banks encounter when staff lack the necessary skills and competencies in international trade finance operations and risks:

1. Increased credit risk: Bankers lacking the skills to thoroughly analyze and assess trade finance transactions may be more prone to extending credit to risky counterparts, potentially resulting in substantial financial losses if these counterparts fail to meet their obligations.

2. Fraud susceptibility: Insufficient trade finance documentation exposes banks to a higher risk of fraud and money laundering activities. Bankers with limited knowledge of trade finance procedures may struggle to identify and prevent such illicit activities.

3. Increased operational risk: Banks lacking robust trade finance processes face heightened susceptibility to operational disruptions and errors, leading to payment delays, disputes with counterparts, and damage to the bank's reputation.

4. Regulatory compliance risk: Non-compliance with trade finance regulations can subject banks to fines, penalties, or legal action. Bankers lacking familiarity with trade finance regulations may make errors that jeopardize the bank's regulatory standing.

5. Failure to meet customer needs: Inability to properly assess, structure, and execute trade finance transactions may result in failure to meet customer requirements, leading to loss of business and customer dissatisfaction.

6. Difficulty in expanding into new markets: Effective management of trade finance transactions is crucial for banks expanding into new markets. Bankers lacking knowledge of foreign trade finance practices may struggle to serve customers effectively in those markets.

7. Increased litigation risk: Inadequate documentation and management of trade finance transactions increase the likelihood of legal disputes with counterparts. Bankers lacking knowledge of trade finance documentation and procedures may leave the bank vulnerable to such disputes.

8. Reputational damage: Poor trade finance practices can harm a bank's reputation, making it challenging to attract new customers and secure funding. Bankers without knowledge of trade finance best practices may unintentionally damage the bank's reputation.

9. Increased regulatory scrutiny: Regulators are increasingly scrutinizing banks that finance trade transactions for their roles in international trade and money laundering. Banks with poor trade finance practices may face heightened scrutiny and enforcement actions, posing additional risk for bankers lacking knowledge of trade finance compliance requirements.

10. Reduced profitability: Banks neglecting staff training in trade finance risk are potentially at a competitive disadvantage and this leads to lost revenue and reduced profitability.

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- Trade Product Manager
- Treasurers In FMCG.
- Logistics Personnel.
- Export Trade & Credit Risk Manager.
- Relationship Manager In Bank.

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SECTION TWO

THE PARTICIPANTS

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4. About 65% of the participants that see knowledge gap as their greatest challenge in handling trade transactions have between 6 to 20 years of experience in banking.

5. While certification constitutes 30% of participants' KPI appraisal, only 2% have completed any trade certification program.

6. Despite the dynamic nature of the international trade environment, 78% of the participants have not attended any international trade training program in the past year.

SECTION TWO

THE PARTICIPANTS

A total of 716 staff from various Nigerian banks participated in this trade finance skill gap assessment survey. The respondents that voluntarily participated are from 21 banks in the country and they include staff of tier one banks which constitute 38.13% of the respondents, tier two banks which has the largest respondents and constitute 61.03%, merchant banks which are about 0.70% of the respondents and non-interest bank which constitutes 0.14% of the respondents (see Figure 1).

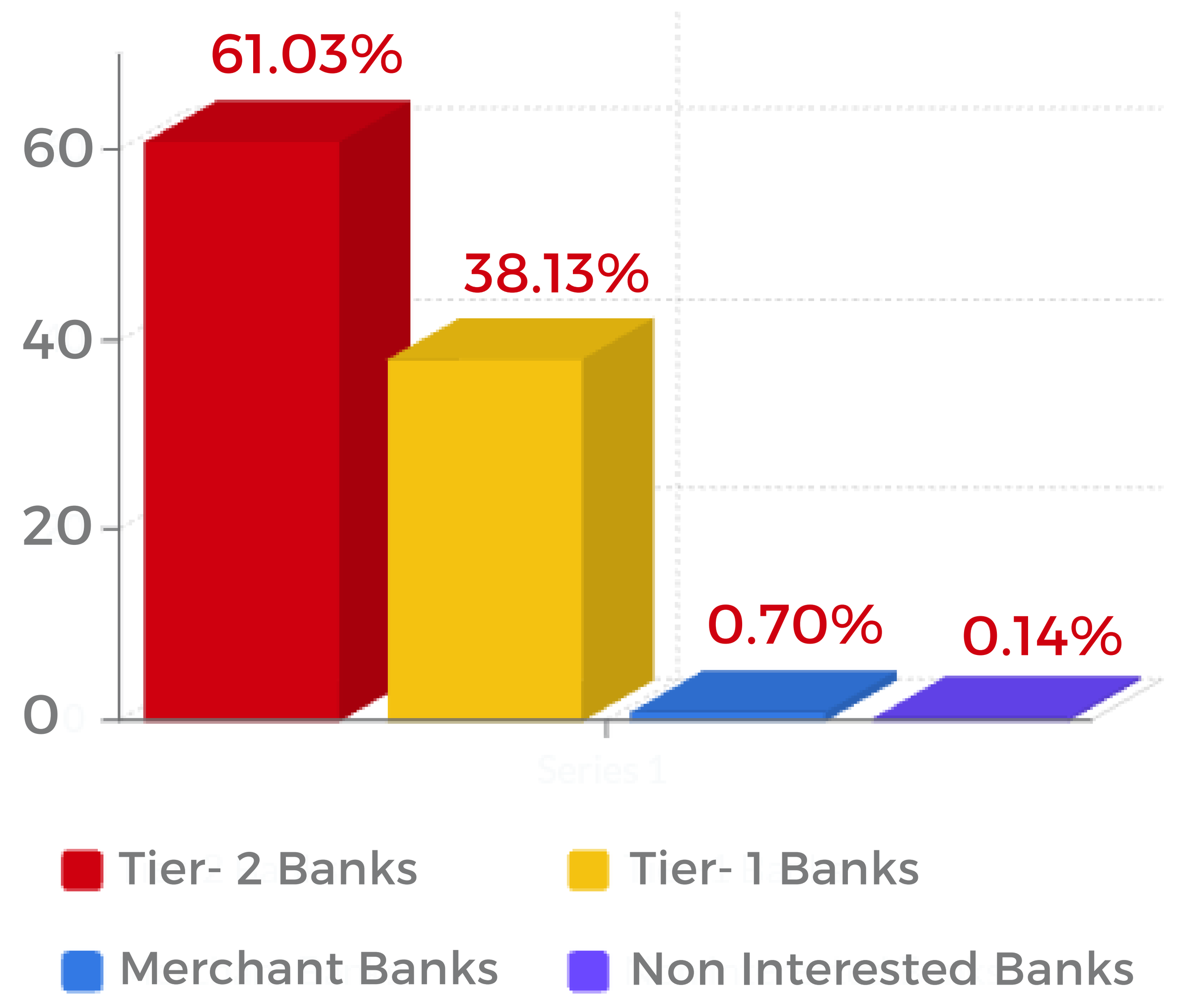

Figure-1: How Nigerian Bank's Staff Participated in The Survey

This report demonstrates a very diverse participation from different tiers and types of banks in the country, thereby ensuring broad coverage and proper representation within the banking industry and thereby validating the credibility of the outcome of this survey.

Regarding the participants' years of experience, it ranges from just under 1 year to over 20 years. Approximately 42% of participants are relatively new to banking, with experience ranging from 0 to 5 years. About 12% have 6 to 10 years of experience, 18% have 11 to 15 years, 20% have 16 to 20 years, and the remaining 8% have more than 20 years of experience in the banking sector (see Figure 2)

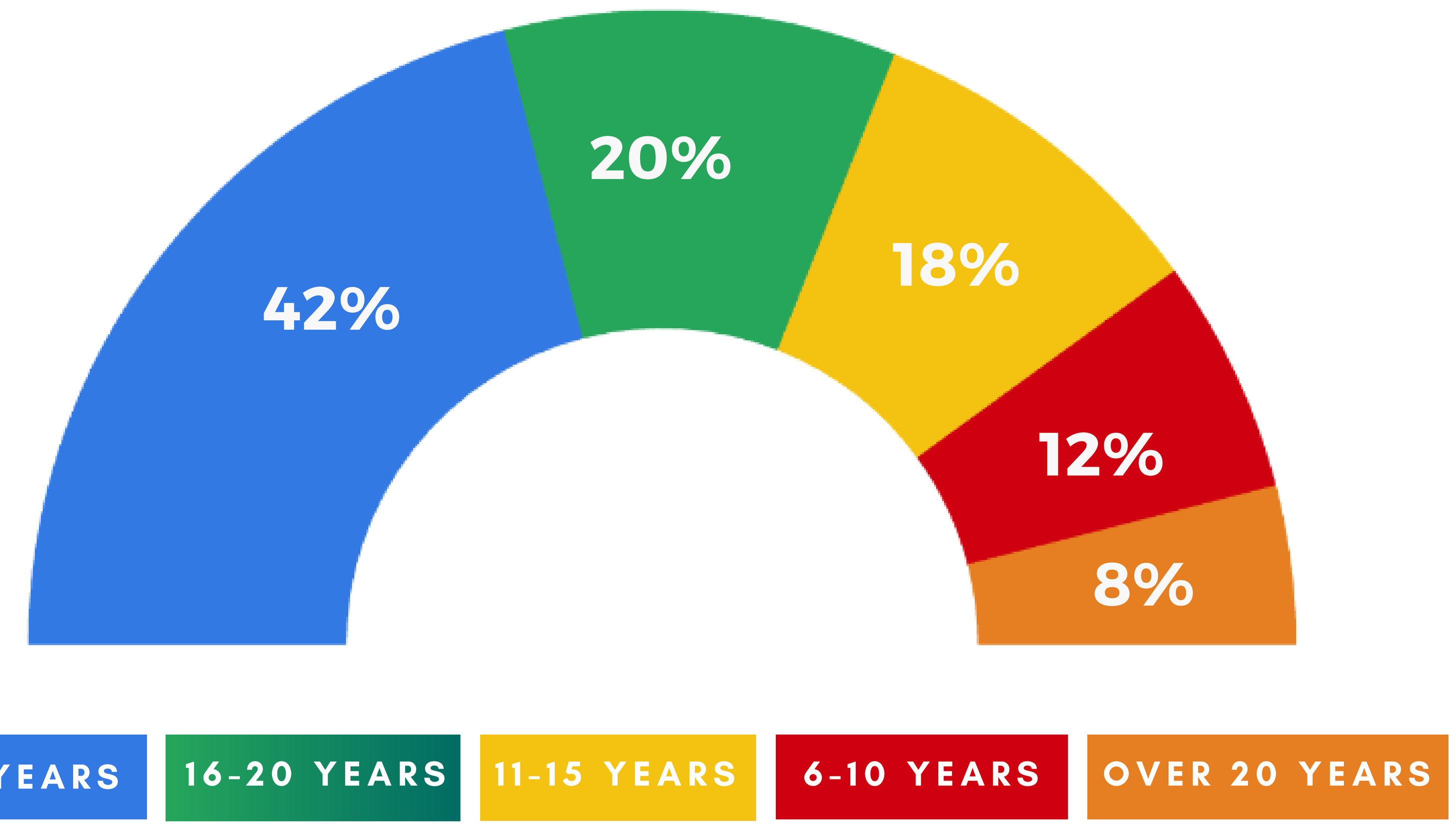

Figure-2: Years of Experience of The Participants in The Banking Sector

In the survey, the male and female participants are nearly equal in number, with females making up 48% of the total respondents, and males constituting 52%. This balanced representation underscores the comprehensive coverage of both genders in trade finance competency. Consequently, the observed deficit in trade knowledge among bankers and the recommendations are pertinent to both sexes within the banking sector (see Figure 3).

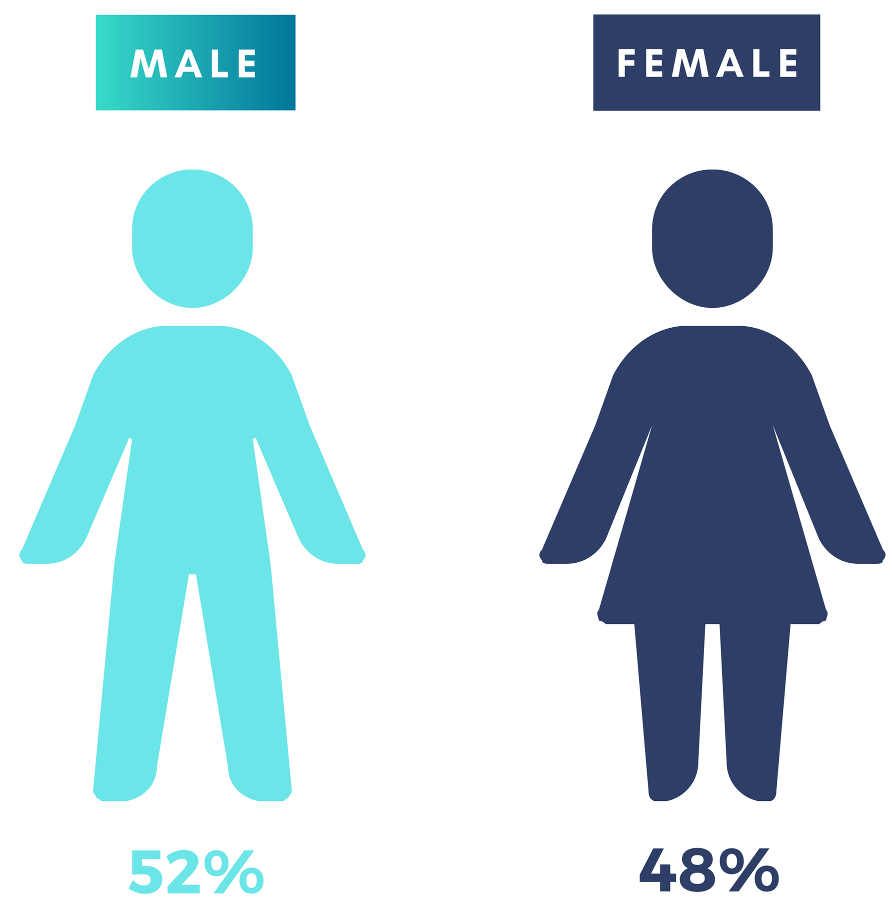

Figure-3: The Percentage of Male and Female Bankers That Participated in the Survey

Given that the processing and financing of international trade transactions are centralized within a few units in the bank, survey participants primarily belong to three distinct business units within the banking sector. These units encompass marketing and sales, responsible for selling trade products and services; the trade finance unit, tasked with developing and managing trade finance products; and the trade services unit, handling the operational aspects of international trade and documentations. Notably, the majority of respondents, constituting 65% of participating bankers, are working in marketing and sales units.

Also, 10.8% of respondents are from the trade services unit, while only 3.5% represent the trade finance unit. The remaining 21% are associated with other units, including credit risk management, legal, and credit administration, among others (see Figure 4).

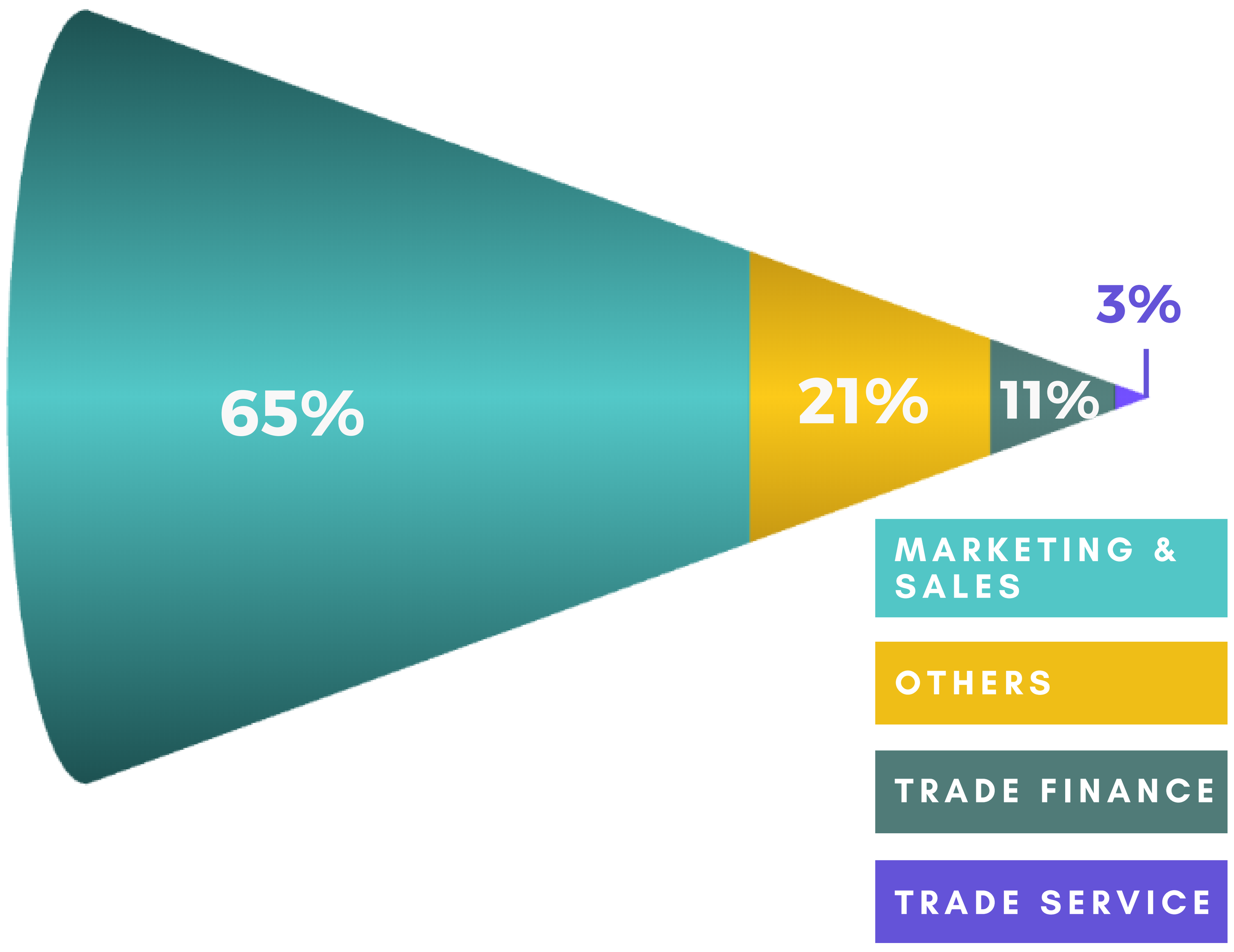

Figure-4: The Percentage of Different Units of Banks That Participated in the Survey

The objective of this trade finance survey is to evaluate the proficiency of bankers in relevant units of banks in terms of international trade finance skills and competence. Before delving into specific questions related to various aspects of international trade, participants were first asked general questions concerning capacity building through in-plant training and trade certification programs.

When asked about their participation in international trade-related training programs within the past year, participants indicated that only approximately 22% had attended such training, with the majority, accounting for 78% of respondents, not having engaged in any capacity-building activities in the realm of international trade (see Figure 5).

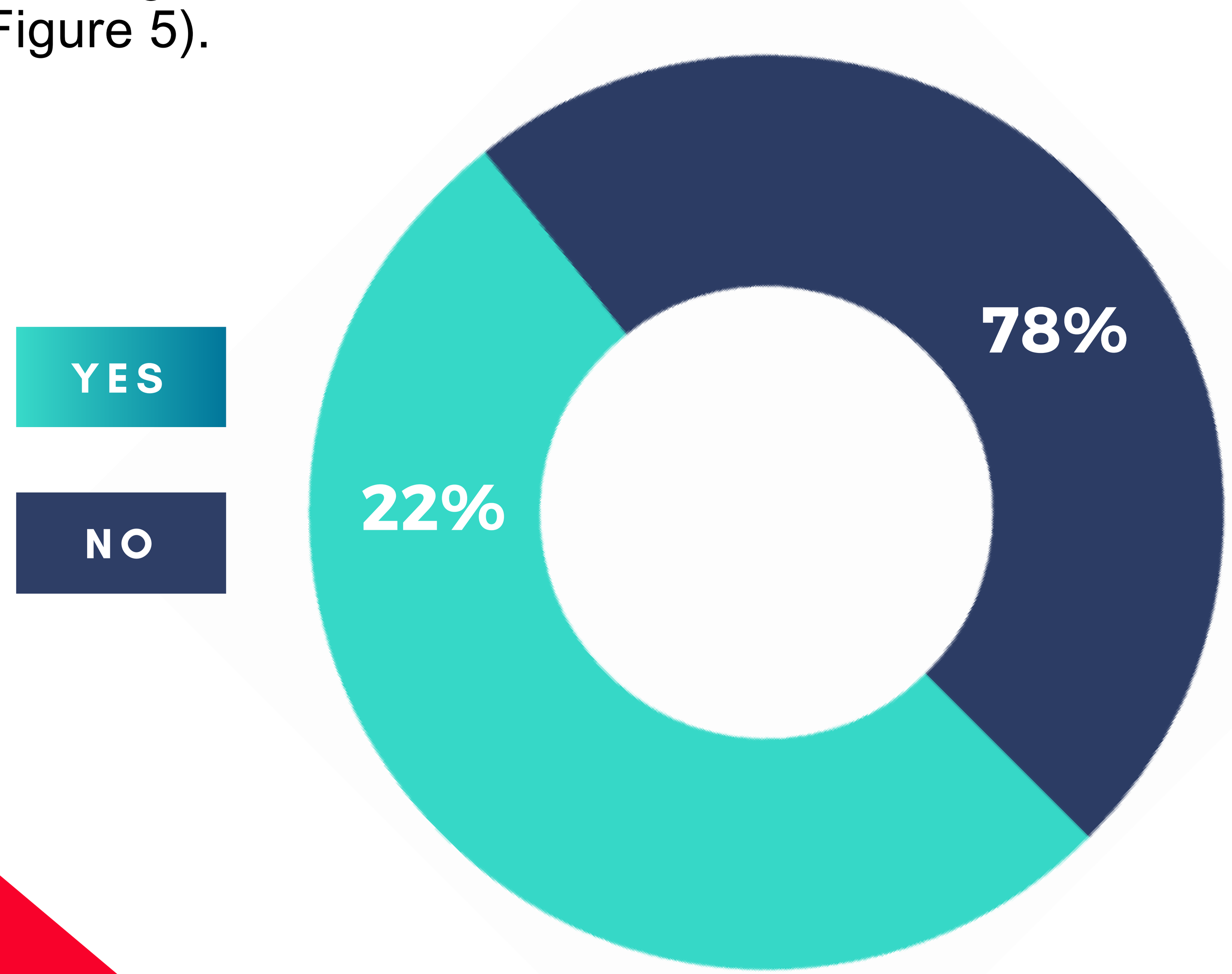

Figure-5: The Percentage of Participants That Attended Trade Training In 2022-2023

Regarding the frequency of their engagement in such training programs, respondents indicated that 50% of the participants had never undergone any international training program beyond their basic entry-level training, which typically included some import and export documentation training at the bank's training school. About 11% confirmed that their last participation in a capacity-building program in international trade occurred between 2020 and 2021, while 10% stated they last attended such a program between 2015 and 2019. Approximately 5% could not recall the last time they engaged in such training, and 2% mentioned that their last training program was on or before 2014 (see Figure 6).

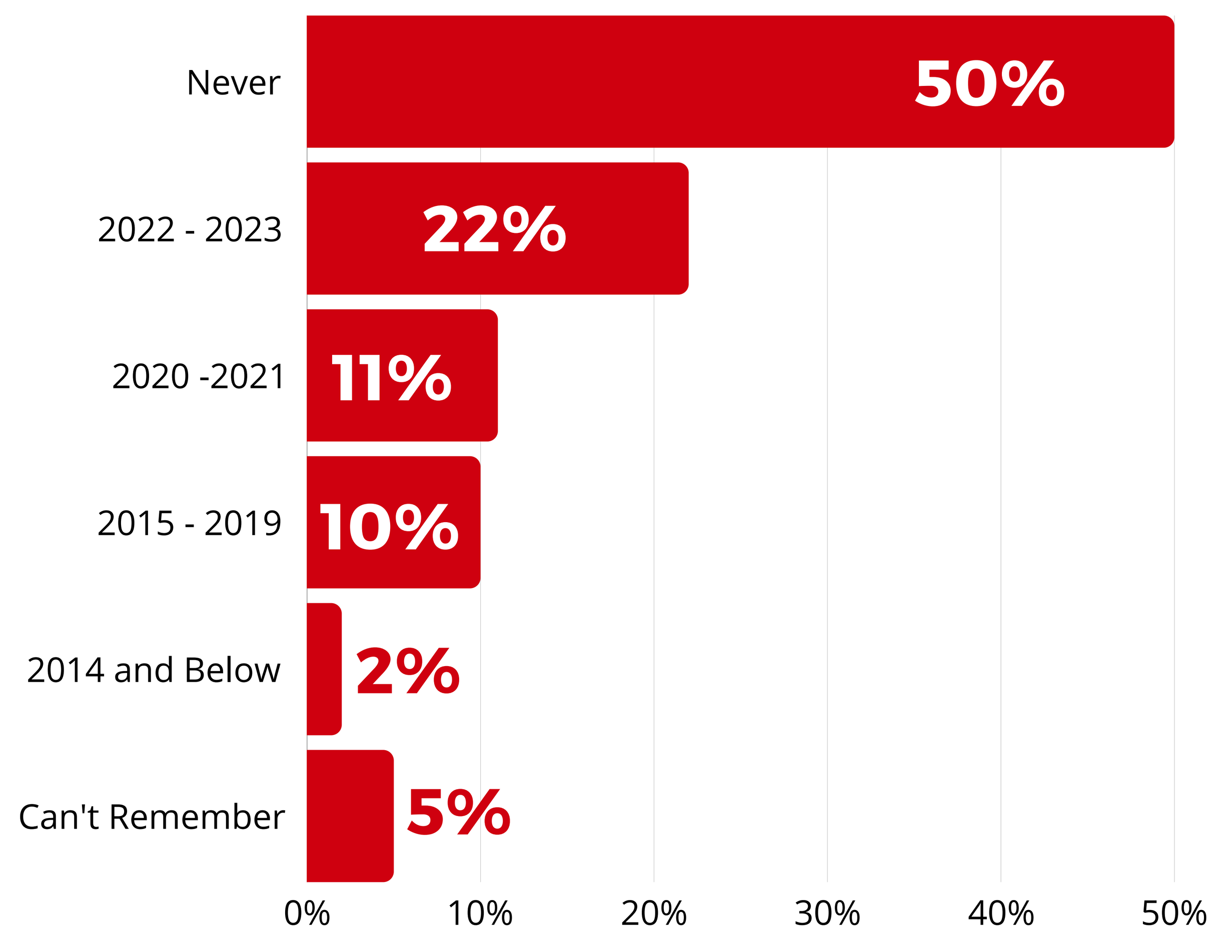

Figure-6: When Last the Participant Attended an International Trade Training Programme

International trade certification programs serve as tangible proof of the trade skills and competence held by individuals. However, participants in this survey affirmed that a minimal percentage of bankers hold any form of international trade certifications. The survey results revealed that only 2% of the participants possess such certifications, with this figure further decreasing to 1% among the marketing and sales staff. Conversely, the percentage increased to 12% among staff working in the trade services unit (see Figures 7A - 7C)

Figure-7A

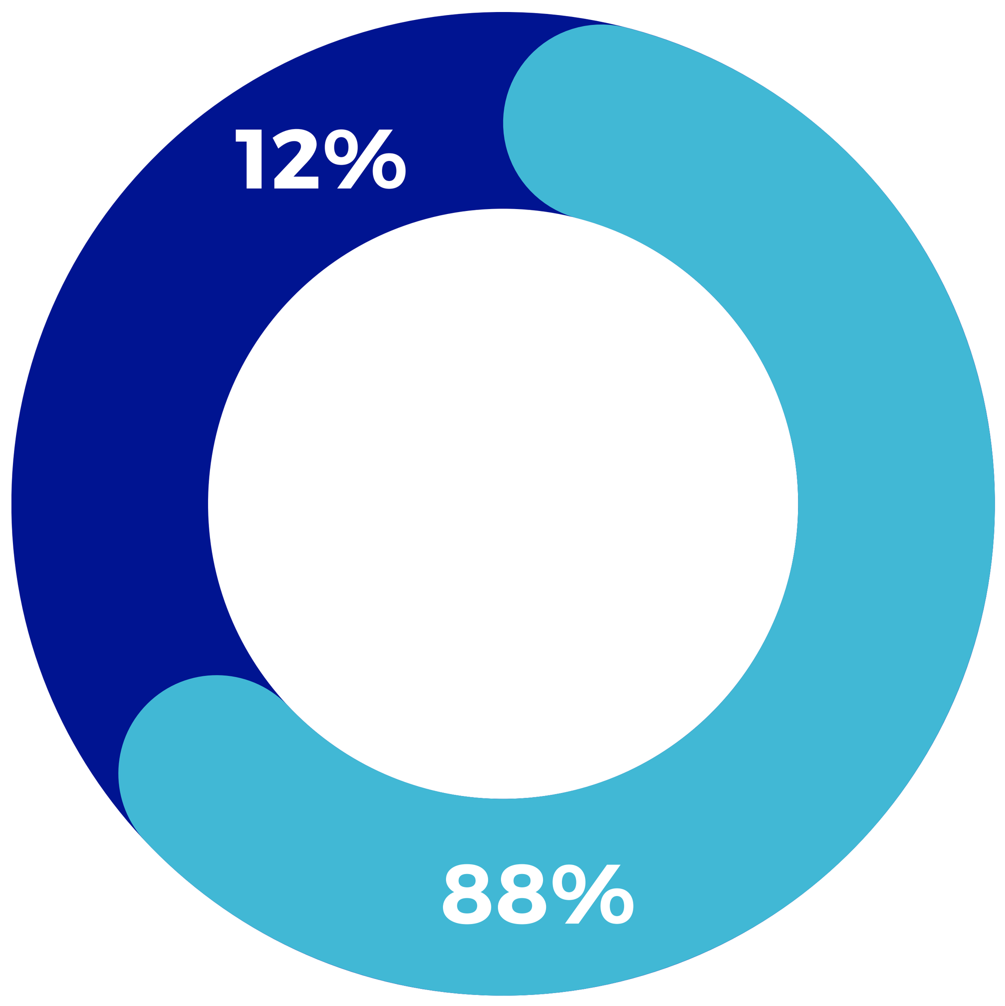

Figure-7B

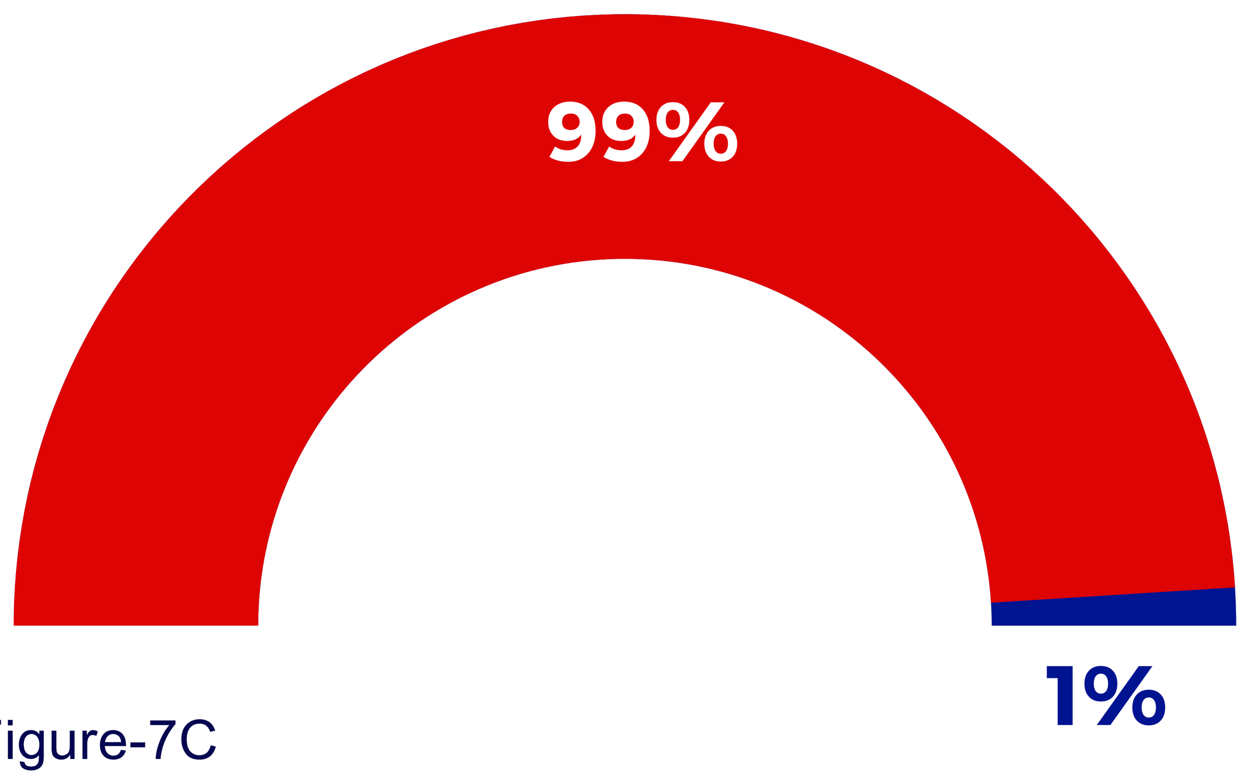

Figure-7C

Figure-7A-C: Percentage of the Participant that have any Trade Certification Programme

In response to inquiries about their primary challenges in managing trade transactions, approximately 36% of surveyed bankers identified their most significant issue as a substantial knowledge gap resulting in errors and delays during trade transaction processing. This knowledge gap, in turn, leads to demurrage costs, causing both clients and the bank to incur losses in the trade. Participants highlighted various knowledge gap-related issues, such as understanding trade terms, structuring trade finance, managing trade risks, grappling with the complexities of trade transactions, and navigating letter of credit transactions, among others (see Figure 8)

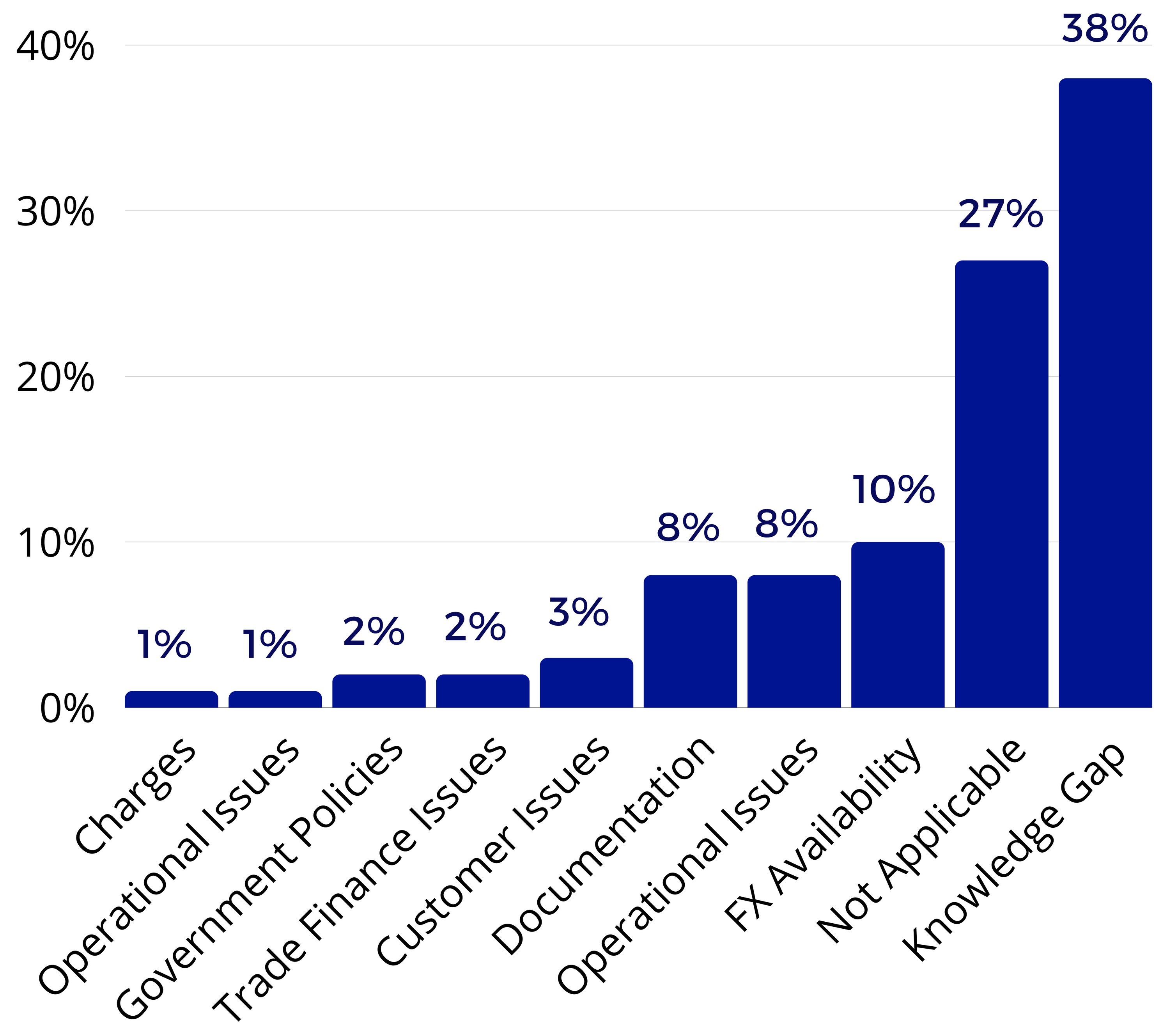

Figure-8: Challenges faced by Bankers in Processing International Trade Transactions

Following the knowledge gap challenge, the next significant hurdles identified include a scarcity of foreign exchange, constituting 10%, various operational issues (such as manual processing, delays in approval, dispatch of documents, etc.) at 8%, and documentation issues (document discrepancies, errors, incomplete documentation), also at 8%. Additional challenges listed by respondents encompass trade finance delays, charges, customer service issues, government policies, and export proceeds repatriations. Surprisingly, 27% of participants asserted that they encounter no challenges, primarily because they are not directly involved in processing international trade transactions.

Remarkably, the survey reveals a staggering 65% of bankers citing knowledge gaps as their primary challenge in handling international trade transactions, and interestingly, these individuals have over 5 years of experience in various roles such as inputters, authorizers, supervisors, managers, and even directors. Notably, 32% of these bankers boast more than 20 years of experience as marketing and sales staff in banks, indicating a substantial knowledge gap in handling trade transactions. This observation underscores a potential explanation for the stagnation of trade volume in the country, as those responsible for financing and mitigating bank's risks lack sufficient knowledge in managing trade transactions. Consequently, this may lead to avoidance of certain transactions, refusal of viable trade finance opportunities, and discouragement of importers and exporters from expanding their international trade volume (see Figure 9).

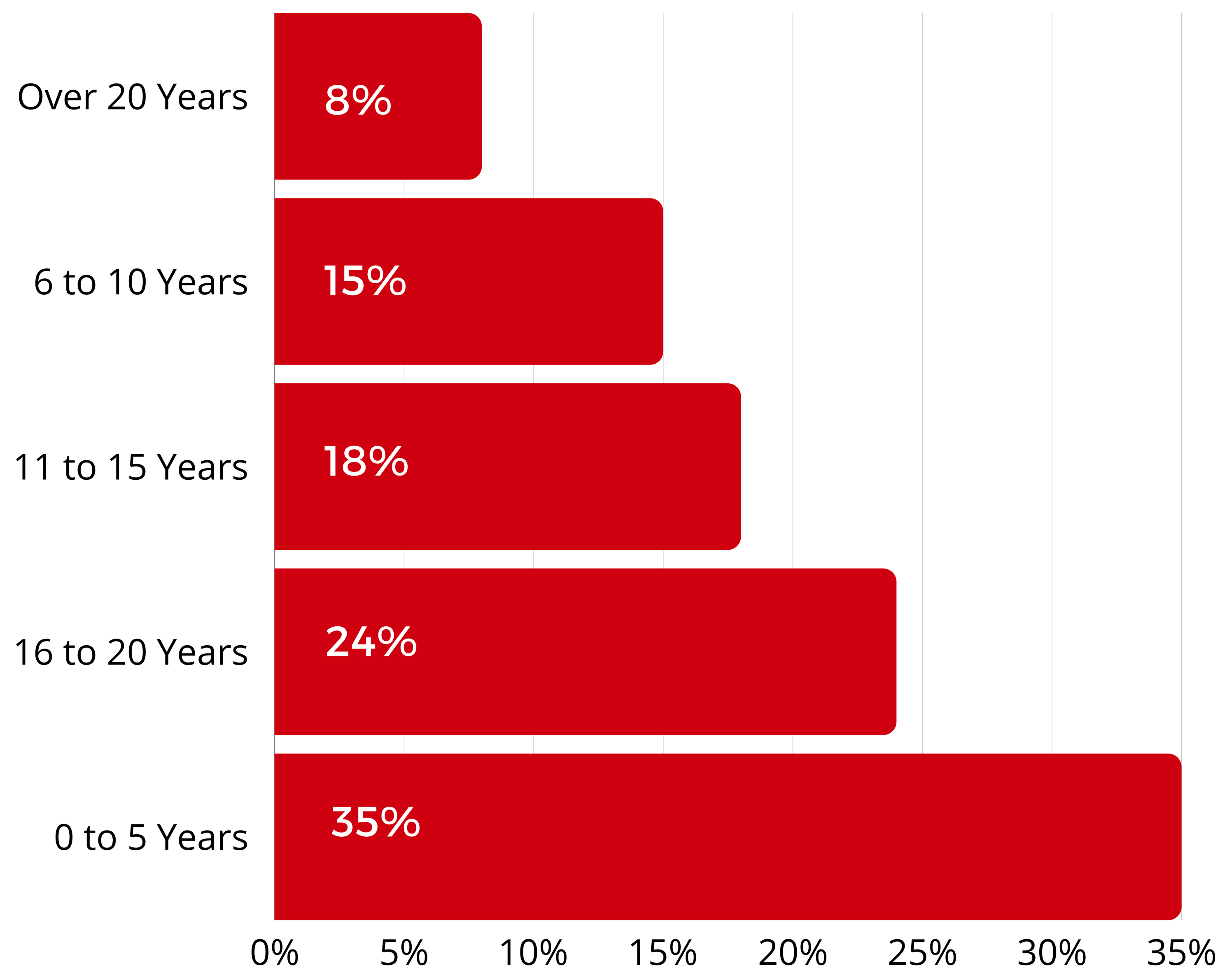

Figure-9: Years of Experience of Bankers with Knowledge Gap as a Challenge in Handling International Trade Transactions

The significant deficit in knowledge regarding the handling and management of international trade transactions among bankers underscores the urgent need for a more serious commitment to capacity building in international trade. This deficiency likely explains why some banks have incorporated trade-related certification as a component of key performance indicators for staff appraisals and promotions, as indicated by 30% of the total respondents in Figure-10. Despite this acknowledgment, it is surprising to note that only 2% of the participants in this survey have pursued any trade-related certification programs (see Figure-10).

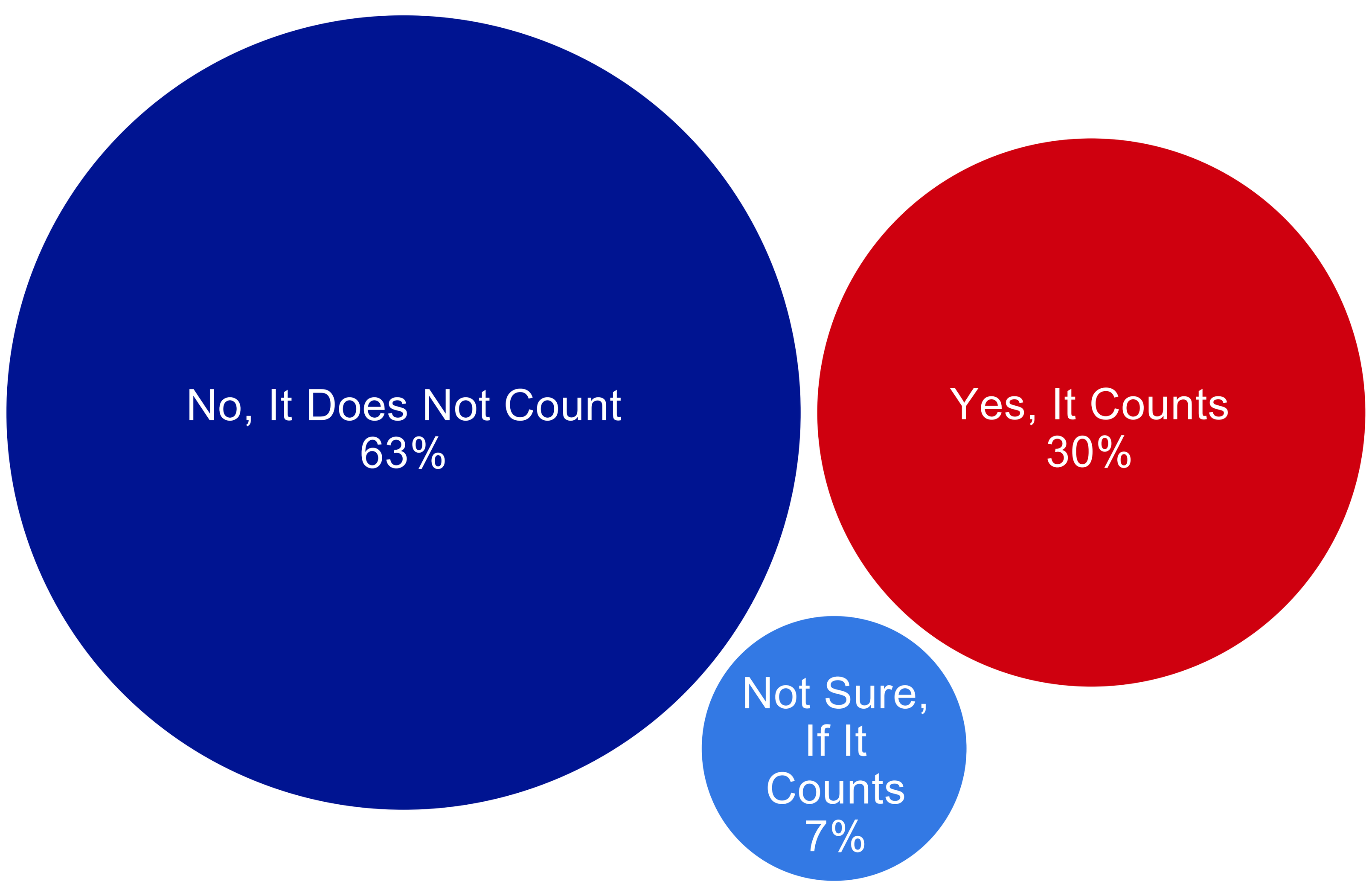

Figure-10: Trade Certification as a KPI in Bank's Staff Appraisal for Promotion

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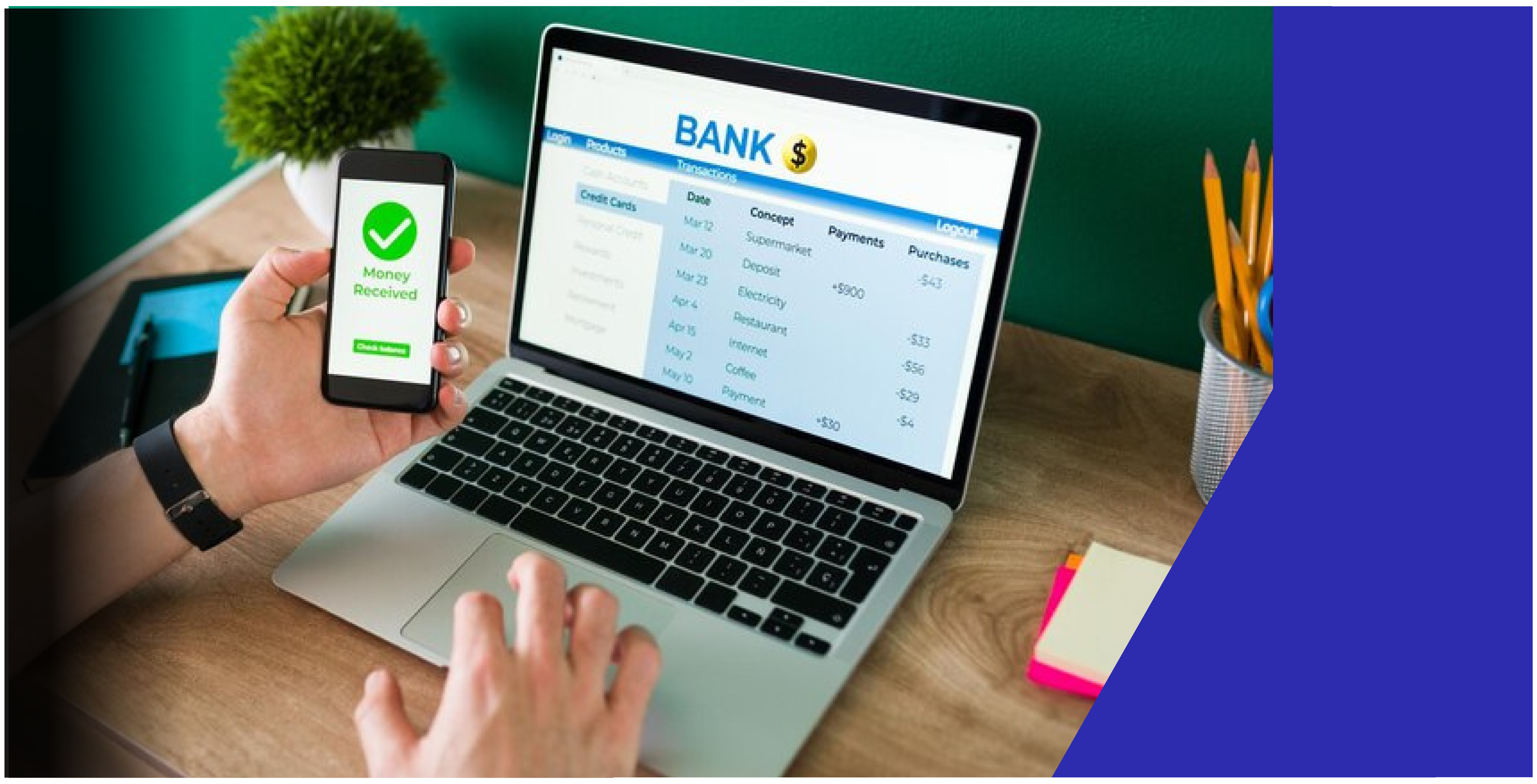

SECTION THREE

THE TRADE PAYMENT METHODS

7 About 50% of the participants have only an average level of understanding of payment method like letter of credit and bill for collection.

8 About 5% of the participants have a very high level of understanding of payment methods like letter of credit and bill for collection.

Different payment methods are employed in international trade to settle payments between buyers and sellers across borders. These methods encompass cash in advance, letters of credit, documentary collections, open accounts and bank payment obligations.

For bankers, having a understanding of the payment methods used in international trade is crucial when financing such transactions. They must be well versed in the risks, mechanisms and documentation associated with each method. This understanding enables them to assess the creditworthiness of parties, mitigate risks effectively and ensure free flow of funds in international trade. By having a good understanding of these payment methods, bankers can structure financing solutions efficiently, offer advice to clients and facilitate secure and streamlined international trade transactions.

The aforementioned highlights the significance of comprehending payment methods to effectively finance trade transactions. However according to this survey, the respondents rated low, their understanding of these payment methods in international trade with 73% of participants rating their understanding from average to very low level. (refer to figure 11).

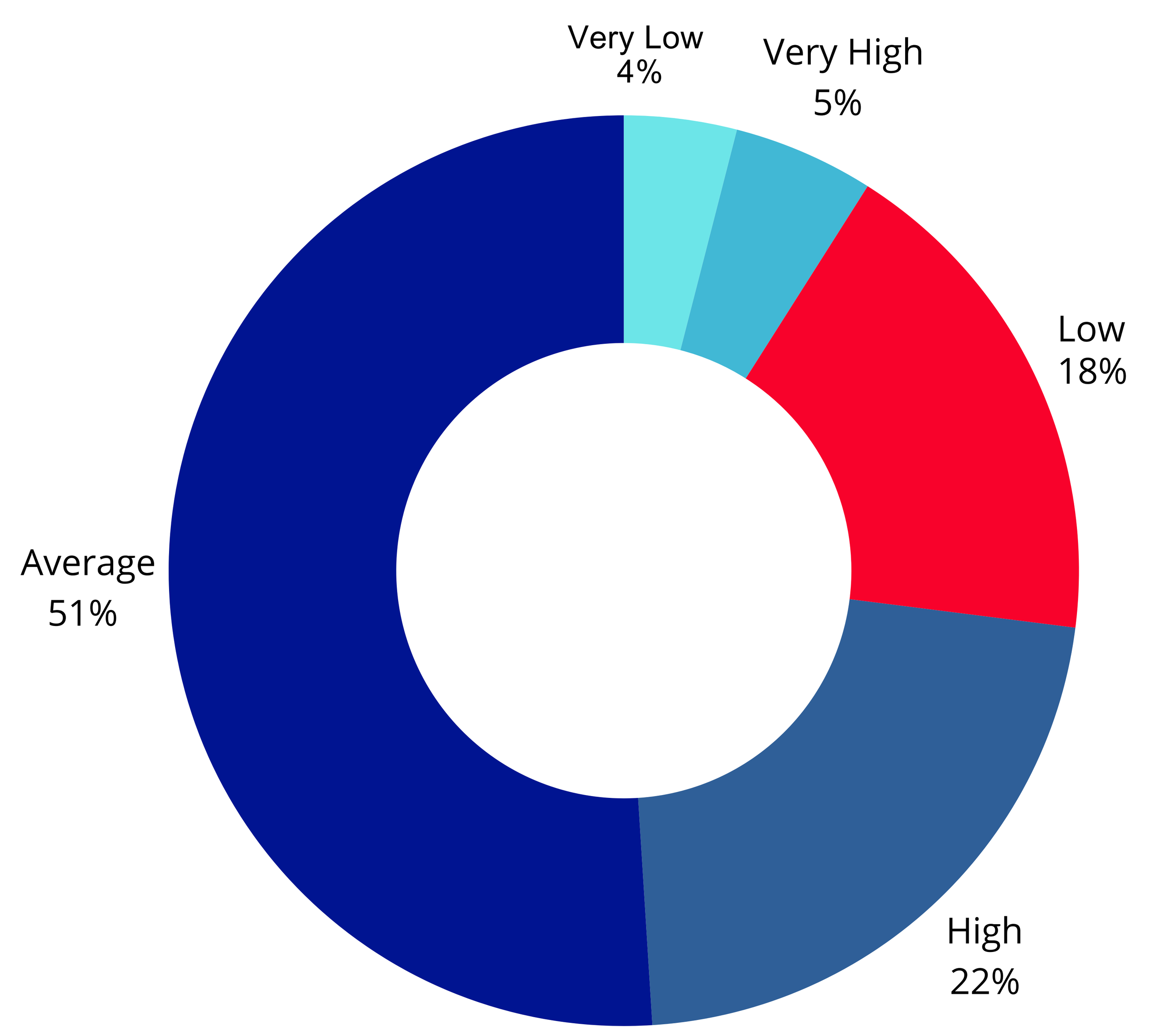

Figure-11: Banker's Level of Understanding of Payment Methods in International Trade

The feedback concerning the respondents' lack of comprehension of payment methods is evident in their responses to questions regarding their understanding of the principles guiding both letter of credit and bill for collection transactions. Approximately 75% of the respondents affirmed that they possess either an average or below-average understanding of the principles governing the processing of letter of credit and bill for collection transactions, as well as their application in financing international trade transactions (see Figures 12A - 12B).

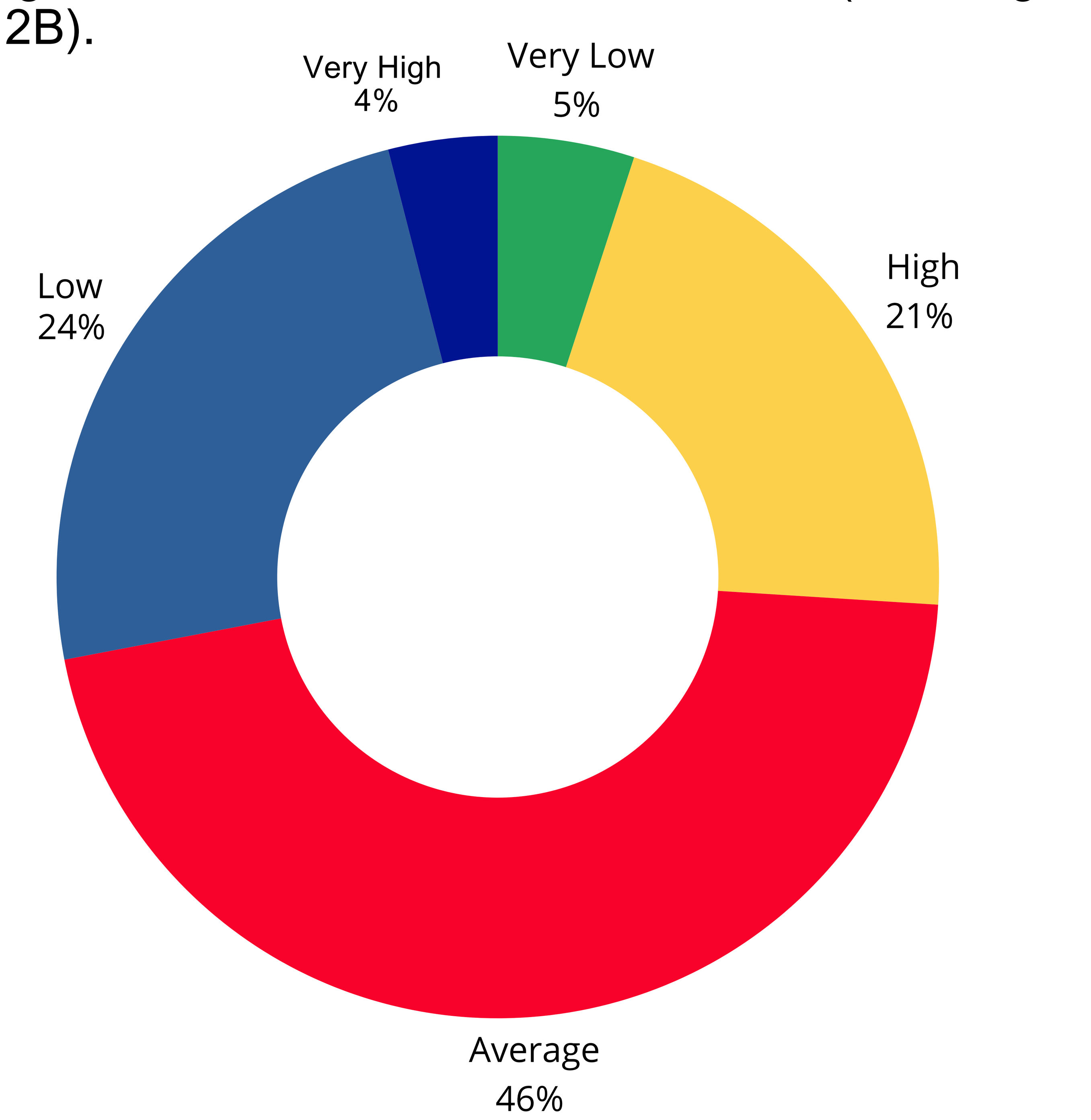

Figure-12A: Banker's Level of Understanding of Letter of Credit Principles

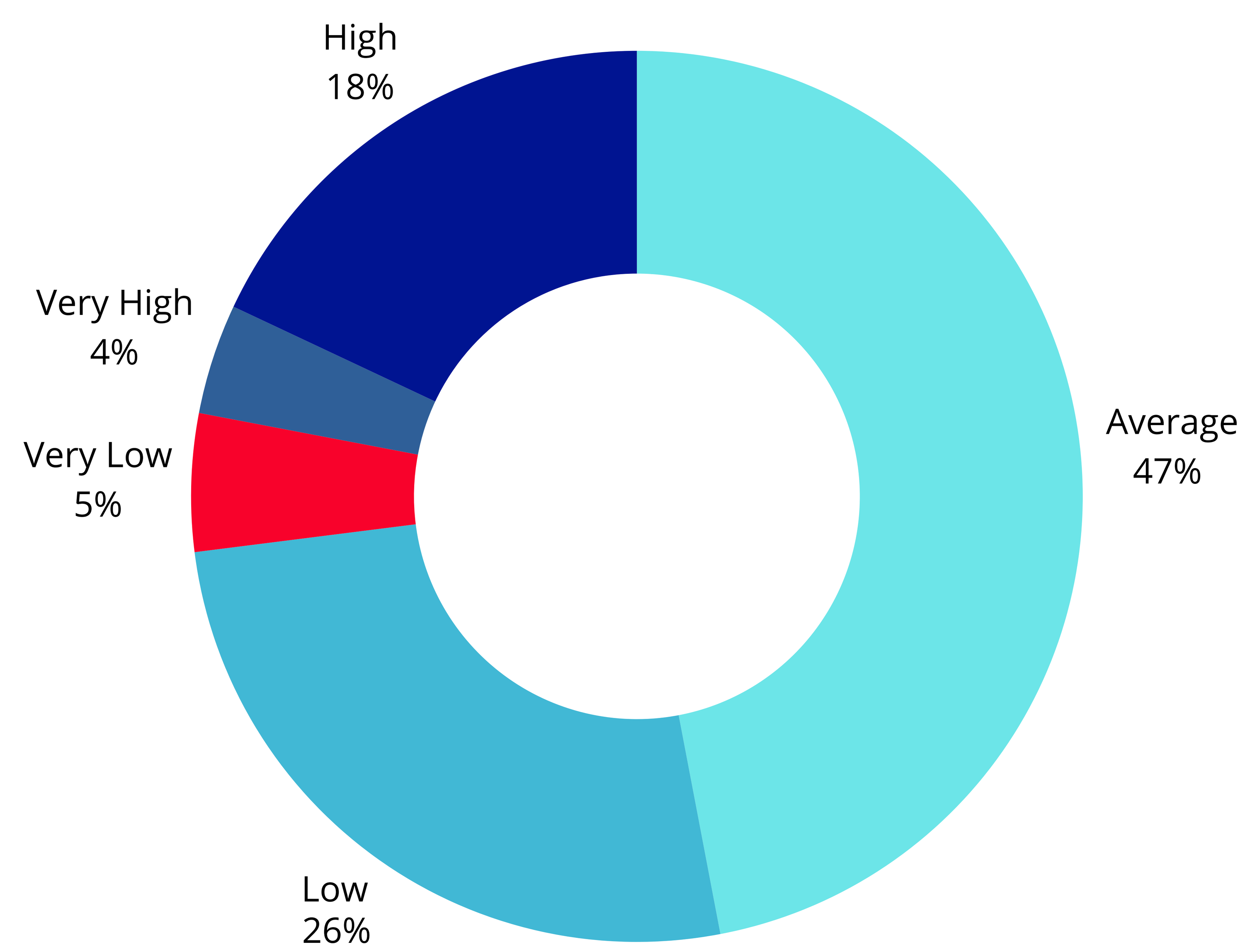

Figure-12B: Banker's Level of Understanding of Bill for Collection Principles

The deficiency in understanding payment methods and the underlying principles was further emphasized in the responses to questions about the bankers' proficiency in managing both letter of credit and bill for collection transactions. When asked to assess their competence in handling letter of credit transactions, only 24% of the participants asserted that they possess a high level of competence in this area. In contrast, the remaining 76% of the respondents indicated competence levels ranging from average to very low in their ability to handle letter of credit transactions (see Figure 13).

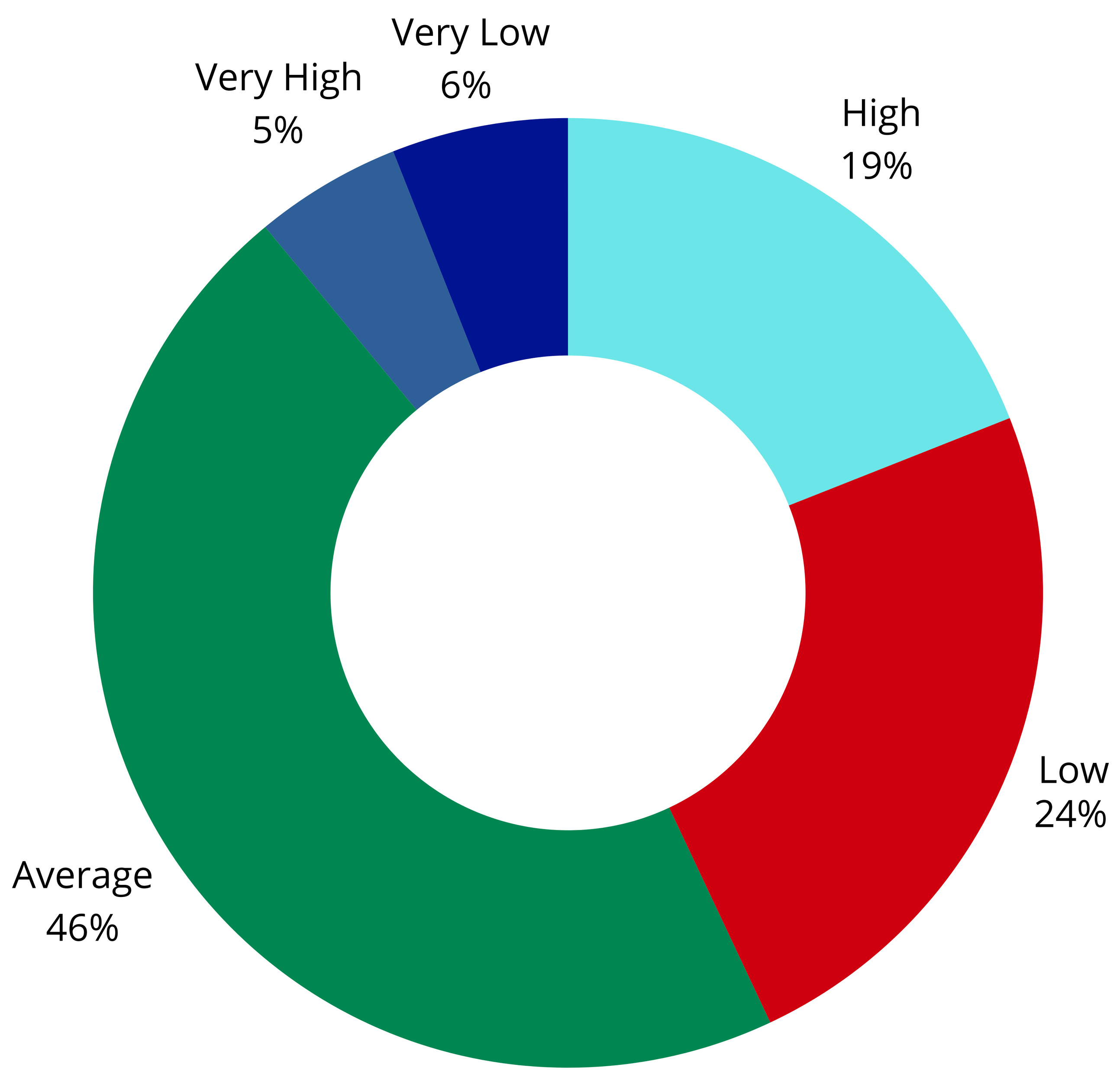

Figure-13: Banker's Level of Competence in Letter of Credit Transactions

The lack of understanding of payment methods in international trade and the inadequate competence in handling letters of credit by banks involved in trade transactions can lead to significant consequences. The implications of these include, but are not limited to:

1. Increased Financial Risk: Letters of credit serve as a widely used mechanism in international trade to ensure payment security for both buyers and sellers. If banks lack the necessary competence in handling letters of credit, errors or failure to adhere to proper procedures may occur. This can result in heightened financial risk, including non-payment or delayed payment, disrupting trade relationships and impacting the financial stability of businesses involved.

2. Inefficient Processing and Delays: Letters of credit involve intricate documentation and compliance requirements. Insufficient understanding of these complexities may lead banks to process documents incorrectly or take an extended period for review and approval. Such inefficiencies can cause delays in payment, shipment, and the overall trade process, causing frustration among traders and negatively affecting the competitiveness of businesses.

3. Disputes and Legal Issues: A lack of understanding of letters of credit can give rise to disputes between issuing bank, importers and exporters, with each party interpreting terms and conditions differently. Banks play a crucial role in resolving such disputes, but if they lack competence in handling letters of credit, effective mediation may be challenging. Prolonged legal battles, financial losses, and damage to business relationships can result from this inadequacy.

4. Missed Business Opportunities: In certain industries or countries where trust and payment security are paramount, letters of credit are often required for trade transactions. Incompetence in handling letters of credit can prevent banks from providing essential financial services, leading to missed business opportunities for both importers and exporters, constraining their growth potential.

To mitigate these implications, banks should invest in specialized training for staff involved in trade finance, enhancing their expertise in handling letters of credit and other payment methods. Establishing robust internal processes and controls is crucial. Collaborating with trade finance experts and industry associations, such as the International Chamber of Commerce, can also help banks stay updated on best practices and effectively manage the risks associated with international trade transactions.

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- Global Recognition As Trade Professional.
- Kickstart An Exciting Trade Career.
- Skill To Solve Trade Customer Problem.
- Commencing The Journey To Become American Chartered Trade Specialist.
- Skill To Handle Letter Of Credit Transaction.

TARGET:

- Executive & Management Trainees.
- Young Graduates.
- Bankers New To International Trade.
- Import-Export Trading Company.
- Bankers In Trade & Compliance Unit.

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SECTION FOUR

THE TRADE RULES

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10 About 22% and 9% of participants respectively regard themselves as highly competent in handling bill for collection transactions and the URC522 rules.

11 Only 15% of the participants have a high level of understanding of the Incoterms 2020 rules, which is crucial for determining a bank's risks and liability in trade financing.

The International Chamber of Commerce (ICC) has created a range of rules and guidelines that are widely used in international trade. These ICC rules play a role, in managing trade transactions. Banks find them particularly important for handling and financing transactions due to the following reasons among others:

1. Managing Risk: The ICC rules offer guidelines and standards that help banks reduce risks associated with trade finance ensuring dependable payment mechanism. Banks can rely on these rules to assess compliance, minimize discrepancies and lower the risk of fraud or non-payment.

2. Clarity and Consistency: ICC rules establish practices, terminology and procedures, promoting clarity and consistency in trade transactions. Banks can rely on these rules for navigation of trade finance operations and thereby reducing misunderstanding and disputes.

3. Legal Assurance: The ICC rules have gained recognition as a reference point in trade contracts. Banks can trust these rules as an acknowledged framework that's enforceable by law and thereby providing assurance in trade finance transactions while supporting dispute resolution.

4. Trade Facilitation: ICC rules like Incoterms provide a language and framework for trade transactions. Banks that have a good understanding of these principles can help facilitate trade by offering financing options that match the expectations of both buyers and sellers.

5. Embracing the practices in the industry: The ICC rules are constantly updated to stay in line, with the changing trade practices and regulations. Banks that adhere to these rules showcase their competency, knowledge and dedication to providing compliant trade finance services.

Based on the benefits stated above, it's evident that the International Chamber of Commerce (ICC) rules offer banks standardized practices, risk mitigation guidelines, legal certainty, and industry best practices. Adhering to these rules enable banks to handle and finance trade transactions more effectively, thereby reducing risks, enhancing operational efficiency, and building trust among their customers. However, when surveyed about their general understanding of these international trade rules, approximately 80% of the bankers indicated that they have from average to very low level of understanding of these rules (see Figure-14).

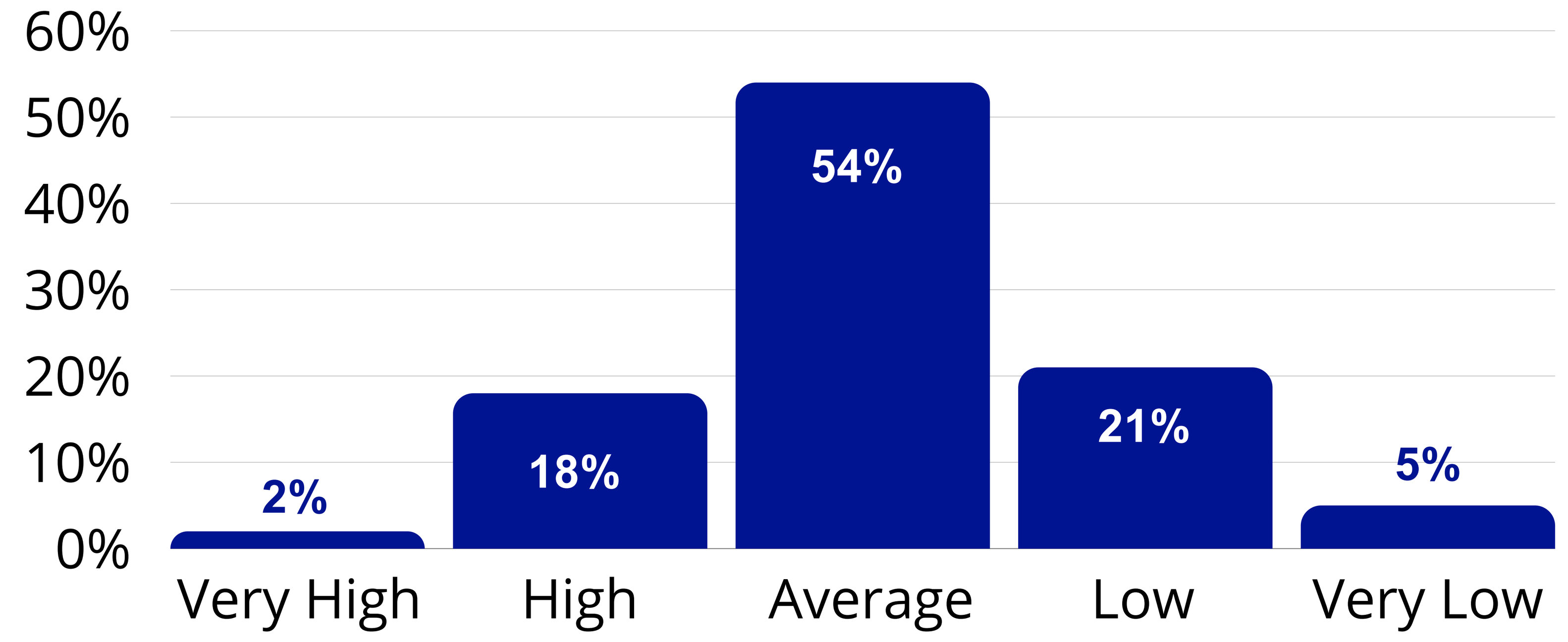

Figure-14: Banker's Level of Understanding of ICC Trade Rules and Articles

Uniform Customs and Practice (UCP)

UCP is a set of rules that govern the operation of letters of credit, also known as documentary credit, with the latest version being UCP600. Widely employed in trade finance to facilitate secure payments, UCP offers guidelines for banks to consistently interpret and apply the terms and conditions of documentary credit. Banks rely on the 39 articles contained in the UCP600 rules to ensure the proper examination of documents and compliance with regulatory requirements, thereby reducing discrepancies and risks. However, when participants in this survey were questioned about their understanding of the rules and articles of UCP, approximately 88% of the respondents indicated that they have from average to very low level of comprehension of the UCP600 (see Figure 15)

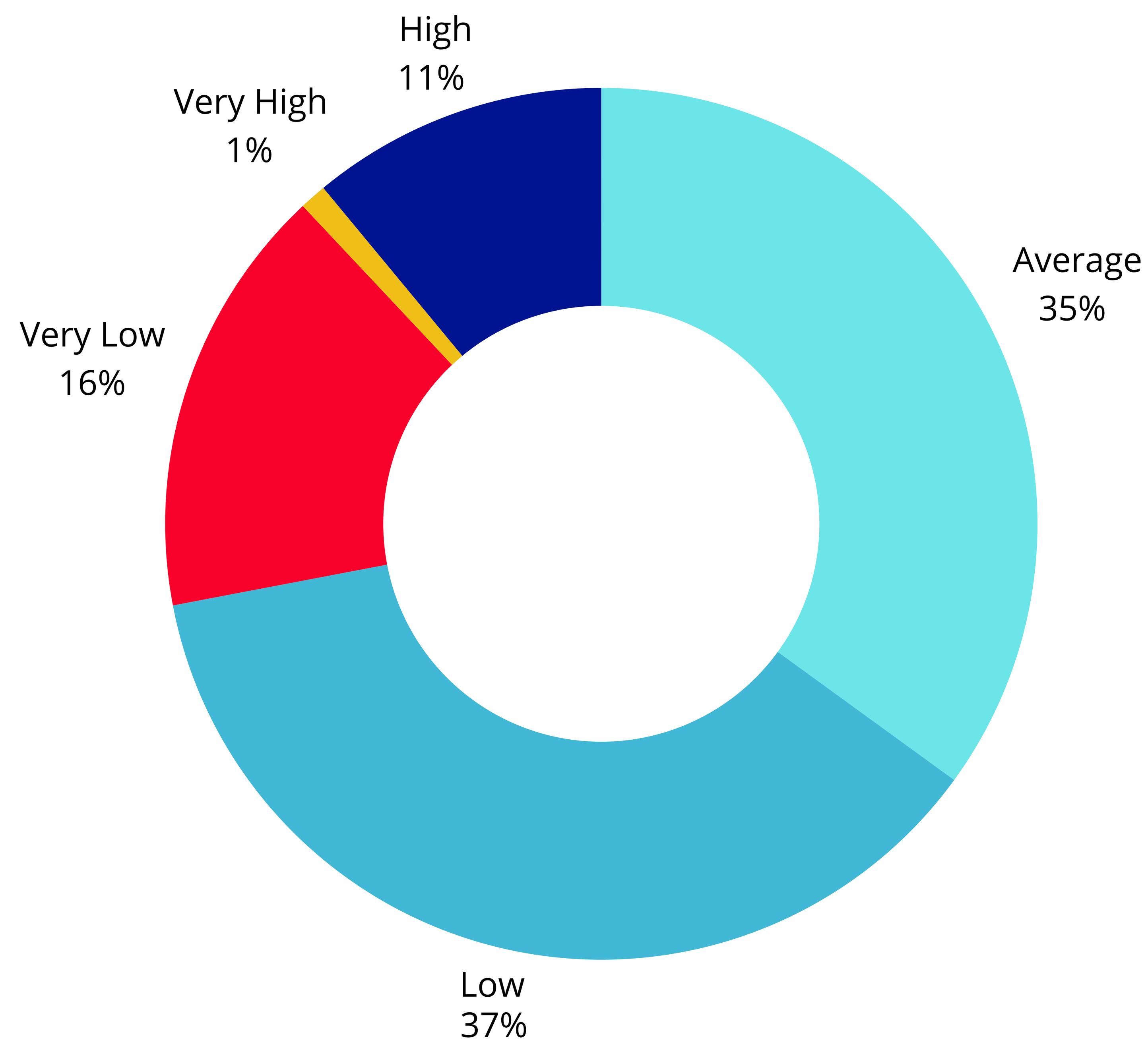

Figure-15: Banker's Level of Understanding of ICC Trade Rules UCP600

Uniform Rules for Collections (URC)

URC provides rules for banks and businesses engaged in documentary collections, also known as bill for collection, representing another form of payment in international trade. These rules define the roles and responsibilities of banks, elucidating the process of handling documents and financing collections. A comprehensive understanding of URC empowers banks to adeptly manage documentary collections, ensuring seamless and secure collection of payments. The latest iteration of these rules is referred to as URC522. When queried about their level of understanding of URC522, participant responses indicated that approximately 91% of them have from average to very low of comprehension of URC522 (see Figure 16).

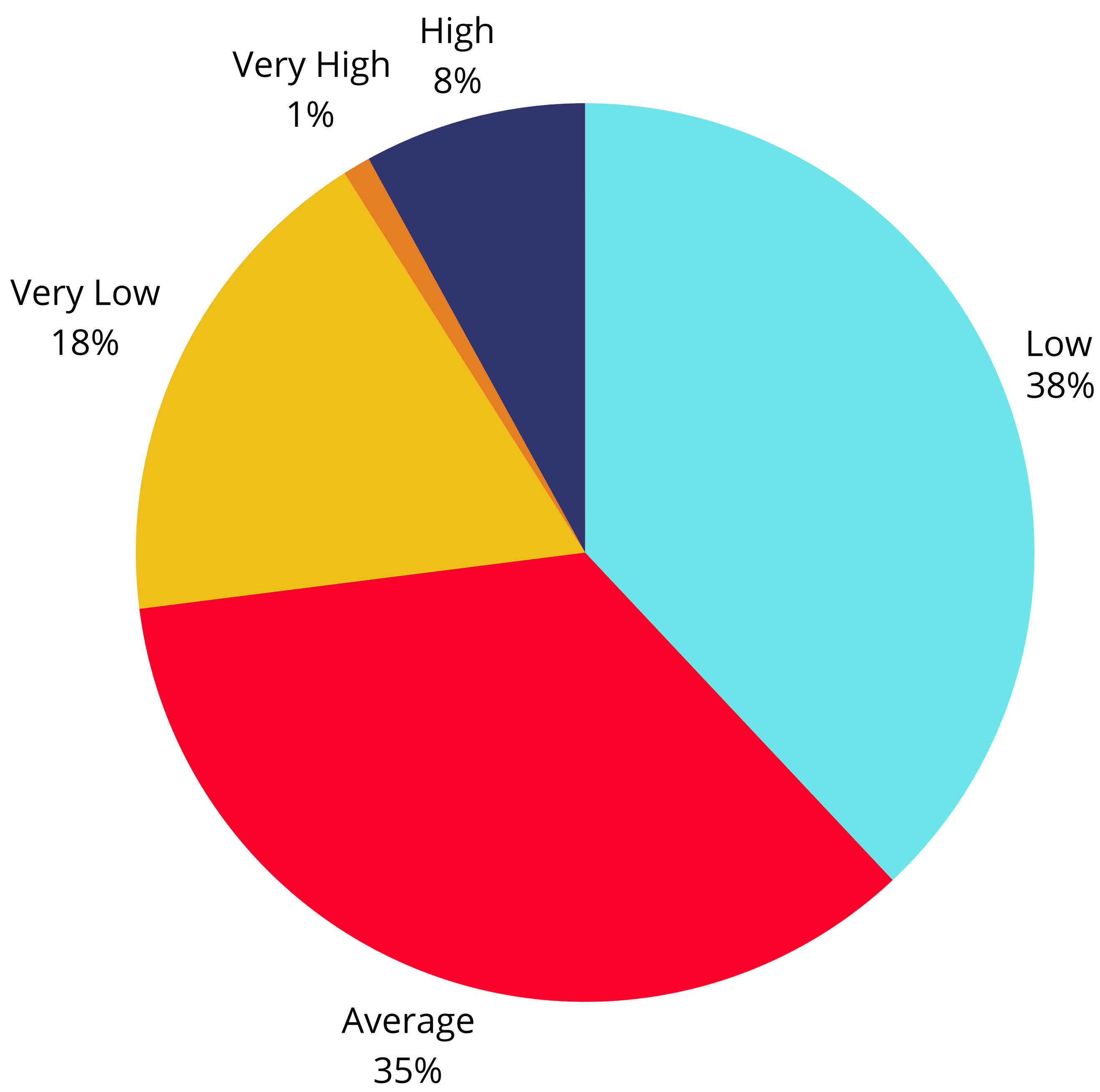

Figure-16: Banker's Level of Understanding of ICC Trade Rules URC522

International Commercial Terms

Incoterms, also known as International Commercial Terms are globally acknowledged regulations that outline the duties and responsibilities of buyers and sellers engaged in international trade. These rules facilitate the separation of costs and risks, between parties involved in trade transaction while the goods are being transported from the country of origin to the destination. They provide guidelines regarding delivery of goods, transportation, insurance, risk transfer and the recent version is referred to as Incoterms 2020. Banks play a role in financing trade transactions and they must have a clear understanding of Incoterms to determine suitable terms for such transactions. This understanding ensures clarity regarding each party's obligations and risk allocation. When surveying participants about their knowledge of Incoterms it was found that 85% had from average to very low level of understanding the Incoterms rules. (refer to figure 17).

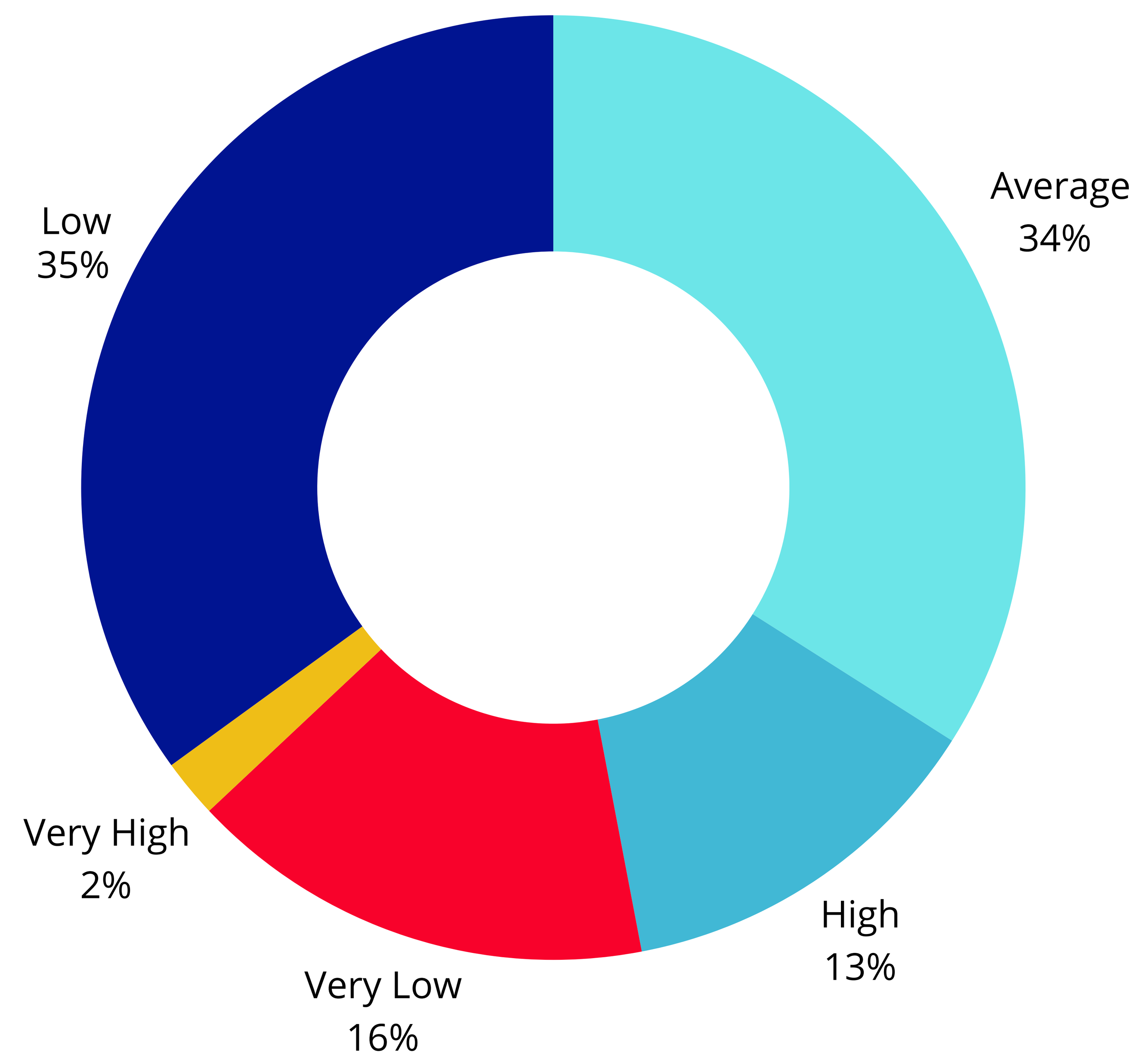

Figure-17: Banker's Level of Understanding of ICC Trade Rules Incoterms 2020

The lack of understanding of ICC international trade rules, including UCP600, URC522, and Incoterms, among banks handling trade finance transactions can have several implications with dare consequences which include:

1. Increased Financial Risk: Trade finance transactions carry substantial financial risks, such as non-payment, delayed payment, and discrepancies in documentation. Banks lacking comprehension of ICC rules may struggle to interpret and apply the terms of letters of credit or documentary collections correctly, leading to errors, disputes, and financial losses for both banks and their customers.

2. Operational Inefficiencies: ICC rules establish standard-ized practices for trade transactions. Unfamiliarity with these rules may hinder banks from following correct processes, resulting in operational inefficiencies. This can cause delays in payment processing, shipment, and overall trade operations, negatively impacting customer satisfaction and business relationships.

3. Disputes and Legal Issues: ICC rules provide a frame work for resolving disputes and interpreting contractual obligations. Banks lacking understanding of these rules may fail to effectively mediate or resolve disputes in trade finance transactions. This can lead to prolonged legal battles, strained relationships, and reputational damage for the banks.

4. Inaccurate Risk Assessment: ICC rules, such as incote-rms, play a crucial role in determining risk allocation in international trade. Banks with inadequate understanding may inaccurately assess the risk associated with trade finance transactions, resulting in insufficient risk mitigation measures, potential financial losses, and increased exposure to risks.

5. Missed Business Opportunities: ICC rules are widely recognized and used in international trade. Banks lacking understanding may be unable to provide necessary financial services and solutions aligned with industry practices and customer expectations.

This can lead to missed business opportunities, as customers may prefer banks with a better understanding of ICC rules and reliable trade finance services.

To mitigate these implications, it is crucial for banks to invest in staff training and development programs focused on ICC international trade rules. Enhanced understanding of UCP, URC, Incoterms, and other relevant rules can improve operational efficiency, mitigate financial risks, ensure compliance, and provide reliable trade finance services. Collaboration with ICC and trade finance experts can also keep banks updated on best practices and industry developments.

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• Skill To Solve Import Customers Problem.
• Capacity To Solve Export Customers Problem.
• Competence To Render Advisory Service To Import-Export Customer.
• Perpetual Relevance In Career As A Banker.
TARGET:
• Bankers In Trade Department.
• Bankers In Marketing And Sales.
• Bankers In Risk Management.
• Bankers In Compliance Unit.
• Import-Export Trading Companies.
• Graduate Of (CBTP).
COURSE FEE
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APPLICATION FEE
₦ 10,000
TUTORIAL FEE
₦ 100,000
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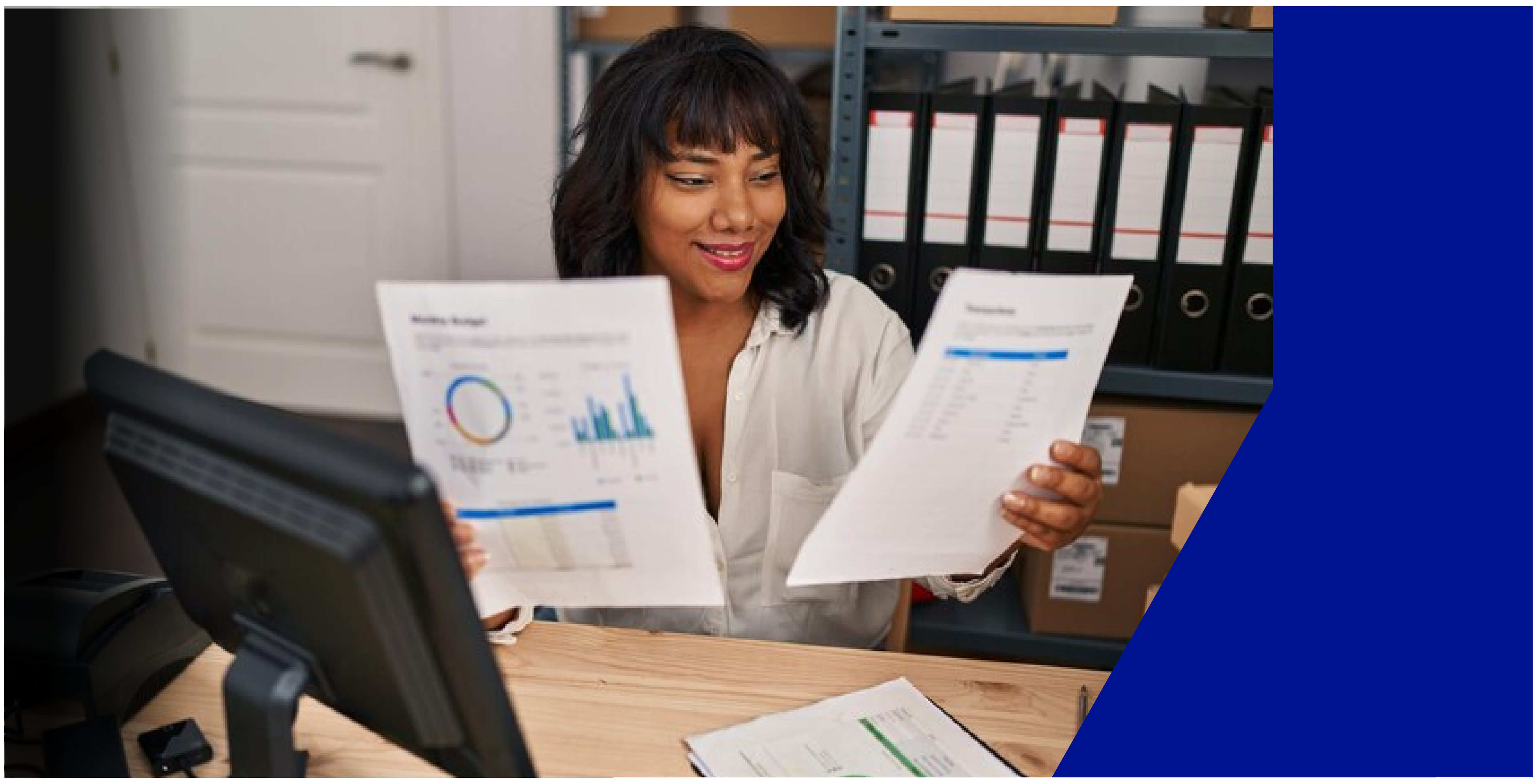

SECTION FIVE

THE TRADE DOCUMENTATION

12 Only 22% and 21% of the bankers respectively feel highly competent in examining letter of credit documents and handling discrepant documents.

13 Just 15% of the bankers demonstrate a high level of understanding of government regulations for import and export business transactions.

Shipping documents play a role in trade finance by facilitating transactions, managing risks and ensuring the smooth movement of goods across borders. These documents serve as proof of ownership. They provide valuable information to various stakeholders involved in global trade including importers, exporters, banks and customs authorities. The primary functions of shipping documents in trade finance are as follows:

1. Proof of Ownership and Transfer of Title: Shipping documents like bills of lading act as evidence of ownership. Enable the transfer of title from the seller to the buyer. They provide a record of the shipped goods, their origin and destination well as the parties involved.

2. Contractual Obligations and Sales Terms: Shipping documents embody the obligations between buyers and sellers, outlining terms such as delivery conditions (Incoterms) payment terms and other agreed upon conditions.

3. Customs Clearance and Compliance: Shipping documents are crucial for customs clearance processes by providing government agencies with information to assess duties, taxes and ensure compliance with import export regulations.

4. Trade Finance Instruments: Shipping documents also serve as collateral for trade finance transactions, like letters of credit or bills of exchange. Banks rely on these papers to evaluate the value and condition of the goods, managing risks and safeguarding their interests.

5. Settling Disputes and Providing Proof: Shipping documents can serve as evidence in case of disagreements concerning the state, quantity or delivery of goods. They offer a record of the agreed upon terms can therefore assist in resolving conflicts.

The survey participants were asked about their level of understanding regarding the roles and usage of shipping documents in trade finance. The responses revealed that 74% of respondents have from average to very low level of understanding of the roles of shipping documents in trade transactions. Furthermore, 26% indicated having a very high level of understanding regarding the roles and usage of shipping documents in international trade.

The international trade sector is subject to government regulations with compliance being demonstrated through pre and post import/export documentation. Consequently, participants were asked about their understanding of import-export regulation and documentation requirements. The responses indicated that 82% of bankers have from average to very low level of understanding of import-export regulations, in this sector (refer to figures 18 &19).

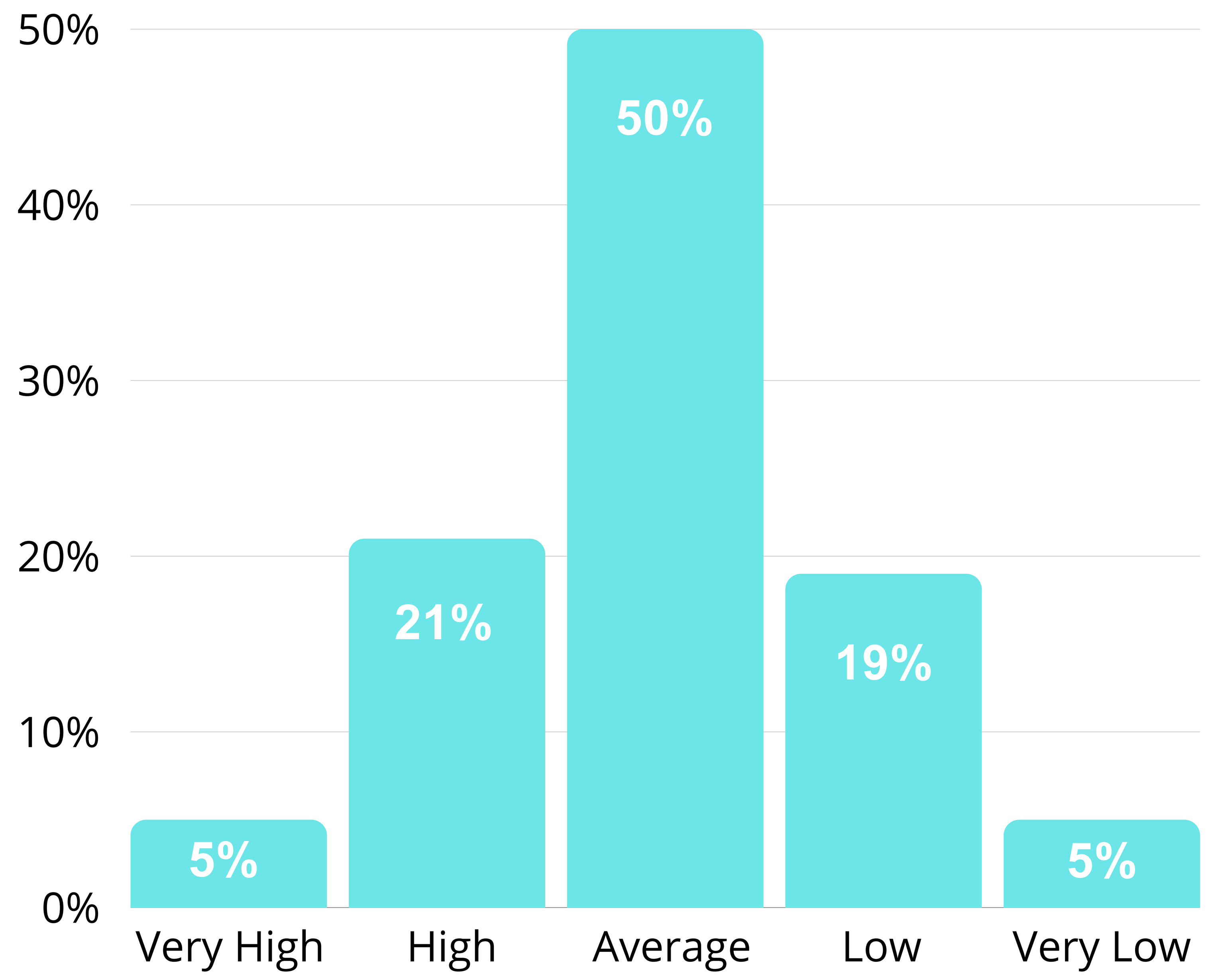

Figure-18: Banker's Level of Understanding of the Role of Shipping Documents in Trade Finance

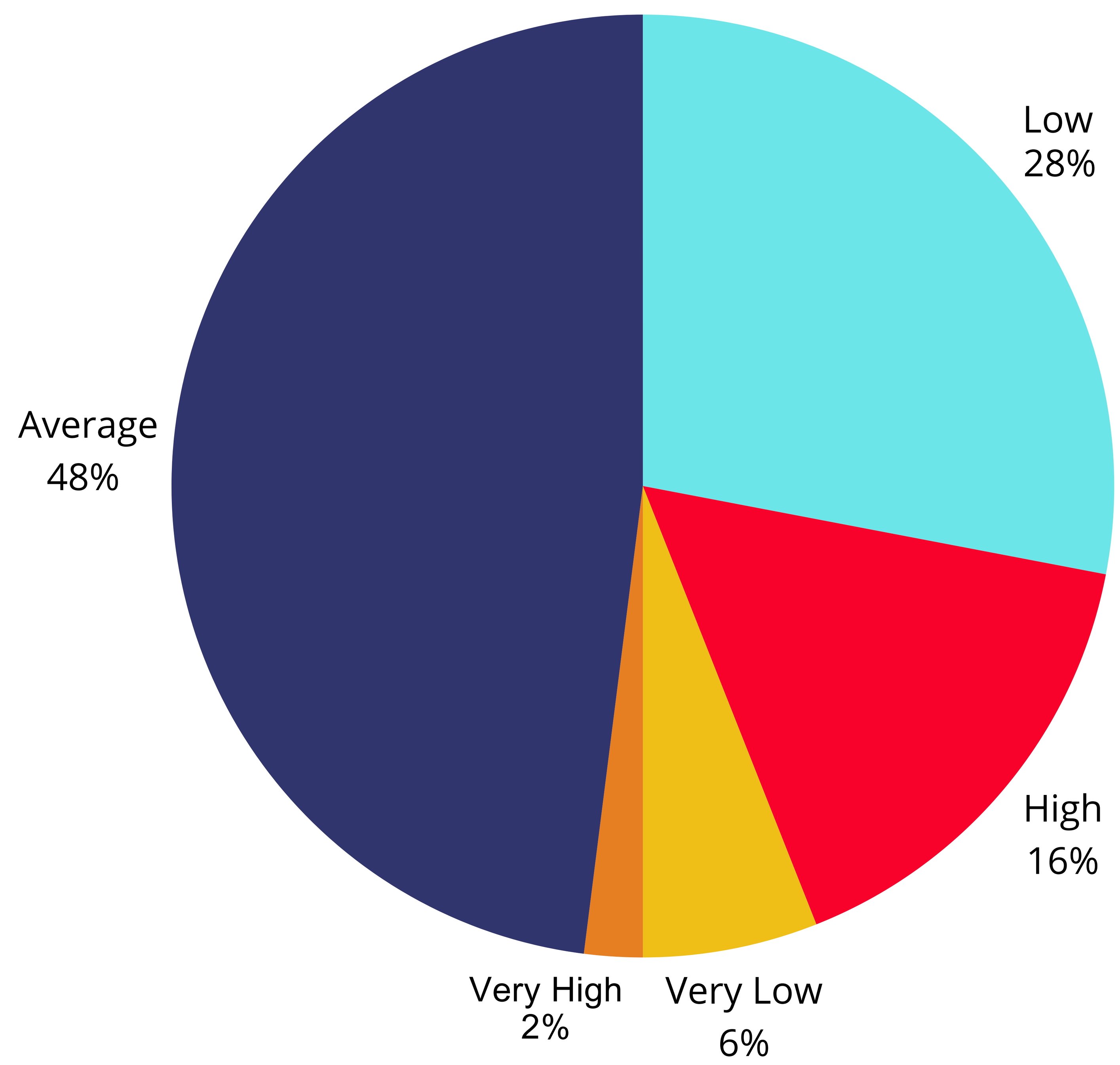

Figure-19: Banker's Level of Understanding of Import-Export Regulations

As far as of trade transactions involving letters of credit are concerned, proper examination and handling of discrepant documents is very important for the banks. Thoroughly examining these documents, and ensuring that they are properly handled serve crucial purposes in trade financing and these include:

1. Verification of Compliance: Banks bear the responsibility of carefully scrutinizing the documents provided by the seller (beneficiary) to confirm that they align with the terms and conditions outlined in the letter of credit. This verification process encompasses aspects such as document type, content, format, and language. By conducting this verification banks ensure that sellers have fulfilled their obligations which enables the bank to proceed with payment processing.

2. Risk Mitigation: The meticulous examination of documents plays a role in mitigating risks associated with trade finance by banks. Through scrutiny banks can identify any inconsistencies or discrepancies that may indicate issues or fraudulent activities. Detecting discrepancies allows banks to safeguard themselves and their customers from losses, non-compliance and other risks connected to international trade transactions.

3. Authorization of Payment: Banks heavily rely on document examination to authorize payments to sellers. If the presented documents adhere to the requirements specified in the letter of credit, banks can initiate payment processes for beneficiaries. By adhering to the rules guiding document examination and handling discrepancies diligently, banks can effectively navigate trade transactions involving letters of credit. This ensures that the seller receives payment for their goods in a manner which helps build trust and secure international trade transactions.

4. Ensuring Legal Compliance and Resolving Disputes: Banks have the responsibility to ensure that the documents align with laws, regulations, and international trade practices. By examining and managing these documents, banks can verify the compliance of the trade transaction reducing the risk of potential legal issues or disputes. In case any disagreements arise due to discrepancies in the documents, banks may also assist in resolving them by working with the buyer, seller and other relevant parties involved in the transaction.

In this survey, when asked about their proficiency in document examination and managing discrepancies in letter of credit transactions, around 78% of participating bankers exhibited skills ranging from average to very low in documents examination. Additionally, about 79% of respondents confirmed that they have from average to very low competence in handling discrepant documents. The high global rejection rate of documents due to discrepancies intensifies concerns over this perceived incompetence.

These findings underscore a troubling deficiency in the skill set of Nigerian banks when it comes to managing letter of credit issues and potentially placing them in a precarious situation. Given the substantial reliance of banks on letters of credit for financing both import and export transactions, addressing this skill gap becomes highly imperative (Refer to figures 20 & 21 for further details).

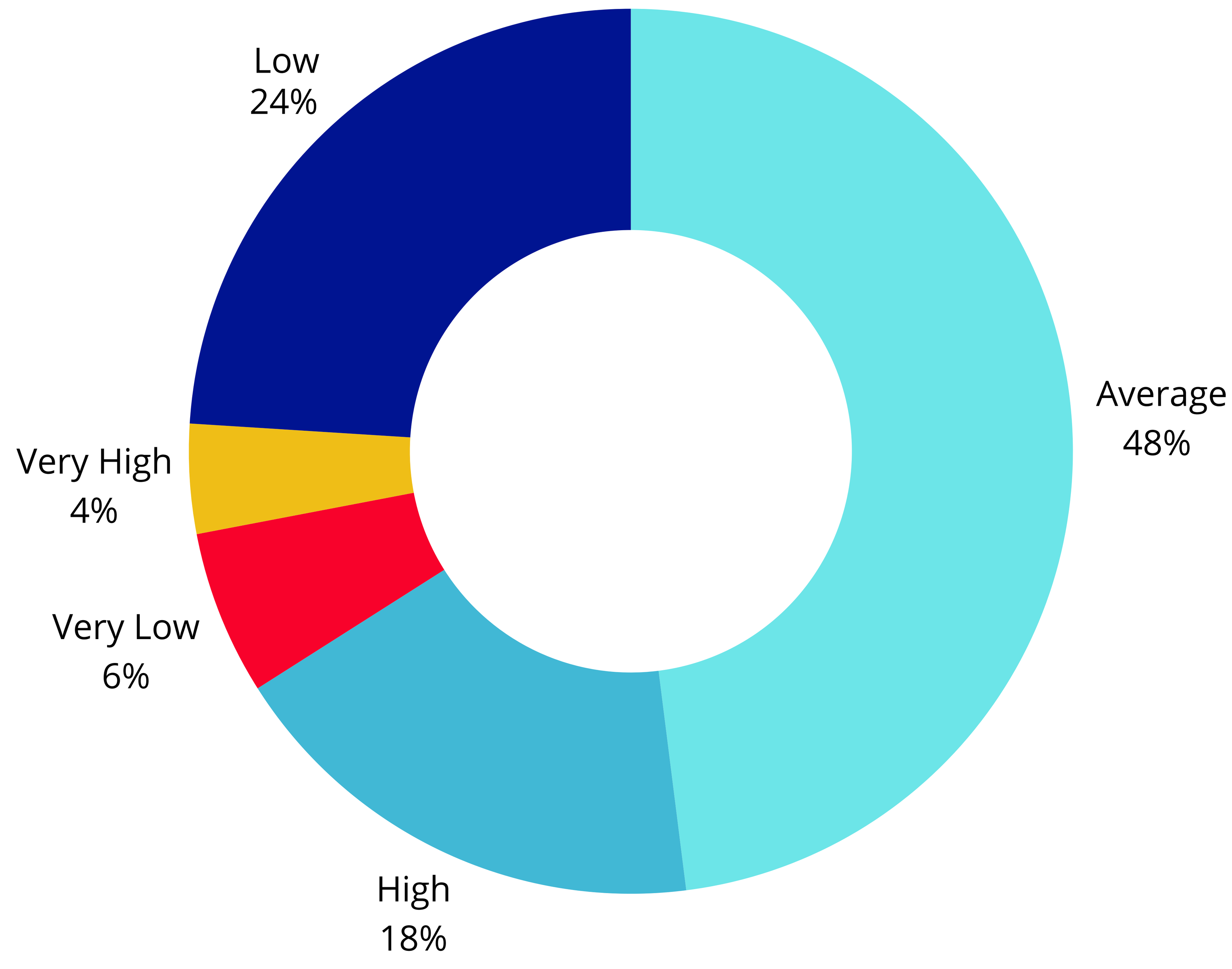

Figure-20: Banker's Level of Competence in LC Documents Examination

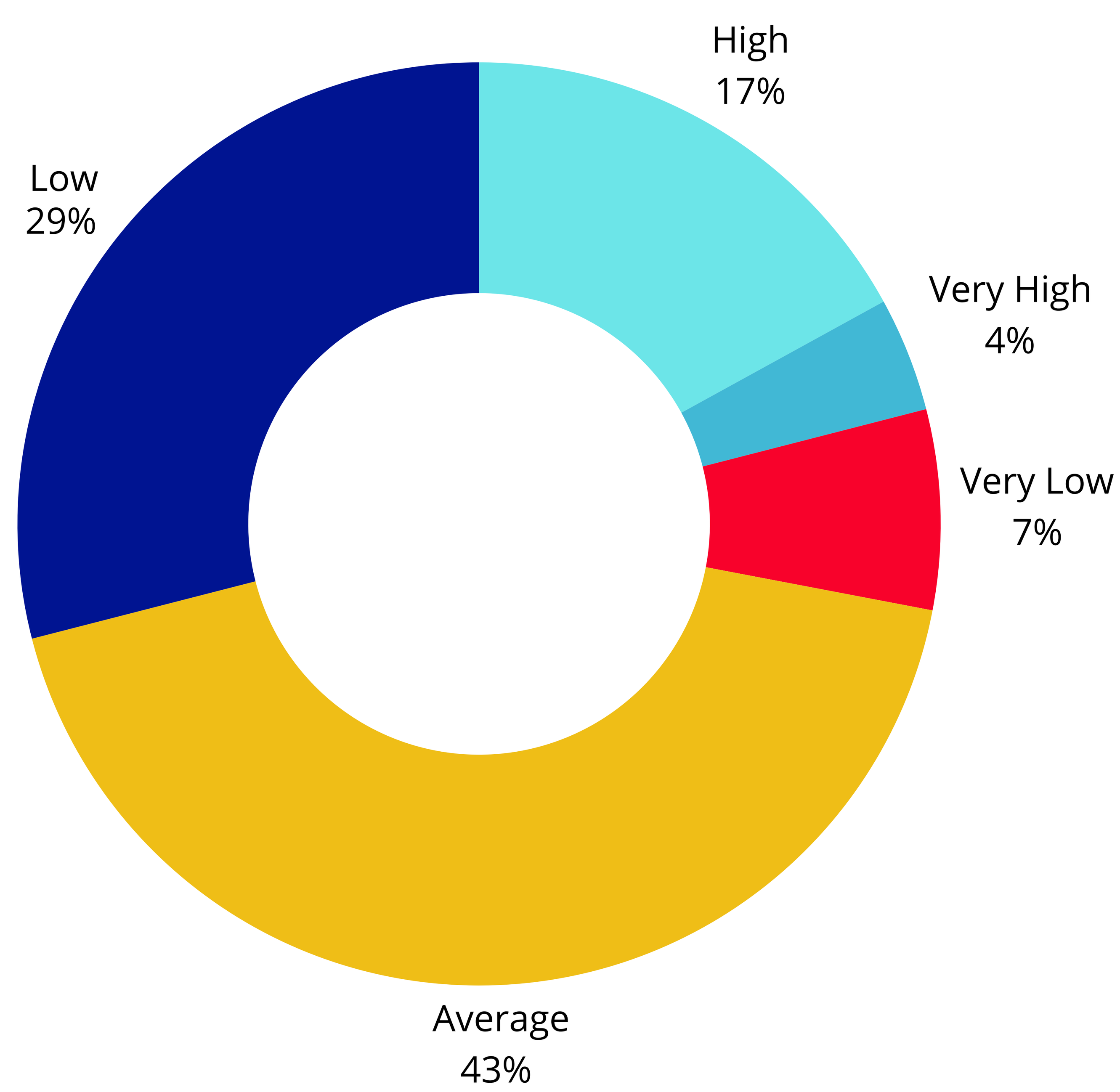

Figure-21: Banker's Level of Skill in Handling LC Documents Discrepancies

Inadequate expertise, in examining documents and managing discrepant documents coupled with a lack of understanding of import and export regulations can have adverse effects on banks when financing trade deals. Some of the outcomes include:

1. Increased Financial Risks: Insufficient document examination skills may lead to overlooking discrepancies or inaccuracies in the shipping documents. This can result in authorization for payments leading to losses for the bank or its customers. Mishandling discrepant documents can also cause payment processing delays potentially resulting in penalties or additional expenses.

2. Compliance Challenges: International trade transactions are subject to import-export regulations, encompassing customs procedures, trade sanctions and money laundering (AML) guidelines. A lack of understanding regarding these regulations can result in non-compliance which may have consequences like fines, damage to reputation and disruptions in trade operations. Banks must have an understanding of these regulations to ensure compliance and safeguard both their customers and themselves.

3. Disputes and Delays: Document examination and failure to address discrepancies appropriately can give rise to disputes between buyers and sellers. This can cause delays in payments, shipments or deliveries that affect all parties involved and lead to frustration. Disagreements can also escalate into disputes resulting in expenses and straining business relationships.

4. Ineffective Operations and Unhappy Customers: Banks that lack expertise in examining documents and understanding import-export regulations may encounter inefficiencies. Inaccurate or delayed document examination can lead to longer processing times and a higher likelihood of errors. Consequently, customers may become dissatisfied. Turn to banking services that offer more efficient and dependable trade finance solutions.

5. Reputational damage: Incompetence in document examination and non-compliance with import-export regulations can tarnish a banks reputation. Customers and business partners may perceive the bank as unreliable, unprofessional, or risky to work with. This negative perception could adversely affect the banks brand image and its ability to attract and retain customers in the trade finance market.

To mitigate these consequences, it is essential for banks to invest in training programs aimed at improving the skills and knowledge of their staff regarding document examination and import-export regulations. Keeping abreast of changes and industry best practices through updates is also crucial. Collaborating with trade finance experts, customs authorities and industry associations can further enhance banks understanding while ensuring compliance with trade transactions. These measures will help reduce risks, improve customer satisfaction levels as well as strengthen overall competence in handling global trade operations.


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40
Executive Diploma in Export Business Management or Executive Diploma in Export Trade Finance
+
15
Certified Specialist in Trade Finance
+
15
Certified Advanced Trade Professional or Certified Global Trade Management Professional
+
15
Certified Intermediate Trade Professional or Certified Trade Logistics & Supply Chain Manager
+
15
Certified Basic Trade Professionals
01
02
03
04
05

SECTION SIX

THE TRADE COMPLIANCE

14 Approximately 73% of the bankers possess from average to low level of understanding of trade-based money laundering and terrorist financing.

15 About 81% of the bankers are unable to identify red flags, leaving them incapable of preventing their banks from being used for trade-based money laundering and terrorist financing.

International trade compliance in the banking sector involves adhering to laws, regulations and standards. It ensures that banks operate within the boundaries set by frameworks like money laundering (AML) counter terrorism financing (CTF) sanctions and other regulatory requirements.

Within the realm of trade compliance, banks must address risks such as trade-based money laundering (TBML) and terrorist financing:

1. Trade Based Money Laundering (TBML): TBML entails exploiting trade transactions to move funds across borders while concealing their origin or purpose. This often involves manipulating trade documents, inflating or deflating goods prices or misrepresenting the nature of the trade itself. Banks play a role in combating TBML by implementing due diligence procedures, monitoring trade transactions closely and identifying suspicious patterns or inconsistencies in trade documentation.

2. Terrorist Financing: Terrorist financing is the provision or collection of funds with the intention that they should be used, in full or in part, in order to carry out acts that are associated with the support of terrorists or terrorist organisations, whether to further their causes or to commit acts of terrorism. Banks have a responsibility to prevent their services from being used for financing such activities. This includes conducting customer diligence measures, closely monitoring transactions for any of such activity and promptly reporting such activities to the relevant authorities. Banks have a responsibility to ensure that their systems and employees are trained to identify signs of terrorist financing and take appropriate steps.

Therefore, banks need to make sure that their employees are well prepared to address these concerns, because of the following reasons:

1. Regulatory Compliance: Banks have an obligation to adhere to regulations concerning anti money laundering (AML), countering the financing of terrorism (CTF) and sanctions. Failure to comply with these regulations can result in penalties, fines, legal consequences and harm to the bank's reputation. By equipping their staff with the knowledge and skills, banks can ensure compliance with these regulations while safeguarding their reputation and business operations.

2. Risk Management: Trade based money laundering (TBML) and terrorist financing pose risks for banks. They can be utilized as means of conducting activities undermining the integrity of the system and exposing banks to legal and reputational risks. With trained staff, bank can identify the potential warning signs early on in the transaction through irregularities in the trade documentation. This can help the bank in the mitigation of these risks.

3. Customer Protection: Effective compliance measures do not just shield banks but also provide protection for customers against being used as conduit in terrorist activities. By ensuring that employees are familiar with compliance requirements, banks create an environment where customers financial transactions can take place without compliance issues.

4. Following Industry Standards: Adhering to regulations is considered a good practice in the industry as it promotes the stability and trustworthiness of the global financial system. Banks that demonstrate a commitment towards compliance are more likely to attract and retain customers, establish partnerships and gain a competitive advantage in the market.

5. Upholding Obligations: Banks have a duty to prevent their services from being misused for unlawful activities. Ensuring that staff members are equipped to handle compliance matters showcases the banks dedication to ethical business practices and contributes to maintaining integrity within the banking sector.

Participants were asked about their comprehension of trade-based money laundering and terrorist financing. The responses highlighted a worrisome level of lack of understanding among the respondents, posing a significant risk for banks. Approximately 73% of the participants demonstrated an understanding level ranging from average to very low regarding this threat, which has led many banks to face substantial fines (Refer to figure 22). This lack of awareness emphasizes the importance of addressing and enhancing knowledge in these critical areas to mitigate potential financial risks for the banking sector.

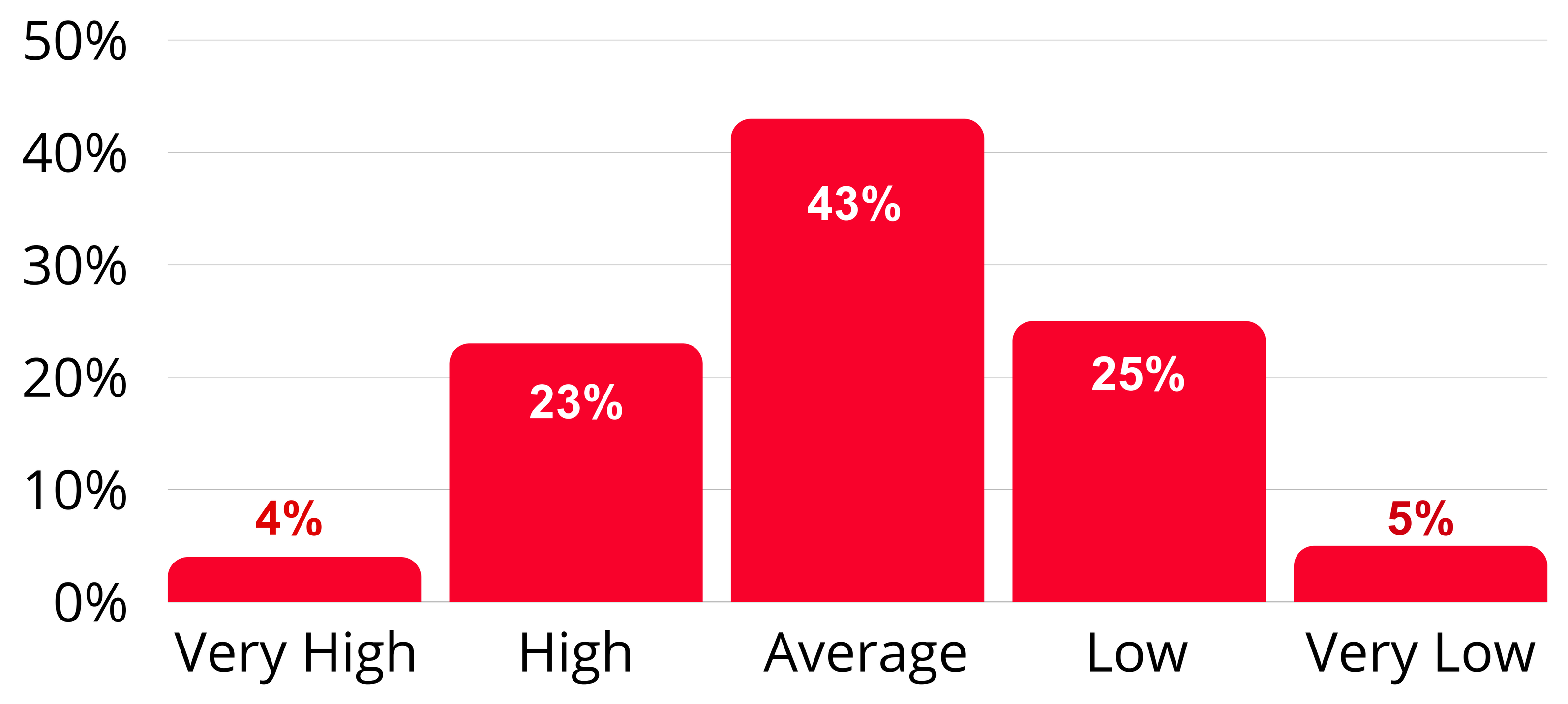

Figure-22: Banker's Level of Understanding of TBML & CFT

Trade based money laundering typologies refer to methods and techniques used by individuals or criminal organizations to hide funds, within legitimate trade transactions. TBML involves manipulating trade transactions in order to conceal the origins or destinations of funds, manipulate the value of goods or services or facilitate the movement of funds, across borders. Highlighted below are some of the typologies used in trade-based money laundering:

1. Over/Under Invoicing: This typology involves misrepresenting the value of goods or services on invoices. Over invoicing inflates the value allowing for the transfer of funds while under invoicing reduces the value enabling fund transfers abroad.

2. Multiple Invoicing: Criminals may generate invoices for a shipment enabling them to move illicit funds multiple times. These invoices might be sent to different parties across various jurisdictions making it more challenging to track.

3. Fictitious Invoicing: This typology entails creating invoices for goods or services that were never actually delivered. The purpose is to generate documentation as a means to justify fund movements.

4. Phantom Shipments: Criminals may create an illusion of trade transactions, by fabricating shipments or providing documentation. These typologies are utilized by those involved in trade-based money laundering as a way to obscure their activities and make it difficult for authorities to detect and investigate their crimes. These phantom shipments could involve goods or companies that do not actually exist enabling the movement of funds.

5. Intermediary Trade: Criminals may utilize intermediaries, such as shell companies or front businesses to facilitate trade transactions. These intermediaries can be used to hide the ownership or control of funds making it challenging to trace activities.

6. Round Tripping: This method involves moving funds through a series of transactions across different jurisdictions with the intention of concealing the origin and destination of the funds. The purpose is to make it difficult for authorities to track down where the illicit funds originated from.

7. Trade Misrepresentation: Criminals may distort information about the nature or quantity of goods being traded. For instance, they might declare a shipment as one type of product while secretly smuggling goods. This method allows for smuggling illegal items, under the disguise of trade.

Based on the information presented above, a bank aiming to avoid being a channel for money laundering and terrorist financing requires proficient staff capable of recognizing and preventing such activities within trade transactions. Unfortunately, the current level of understanding among bankers appears insufficient. Survey responses indicate that merely 15% of participants possess from high to very high level of understanding of money laundering typologies, leaving the majority, 85%, with an understanding ranging from average to very low (Refer to figure 23). This suggests a pressing need for comprehensive training and awareness programs within the banking sector to enhance the capability of staff in identifying and thwarting illicit financial activities.

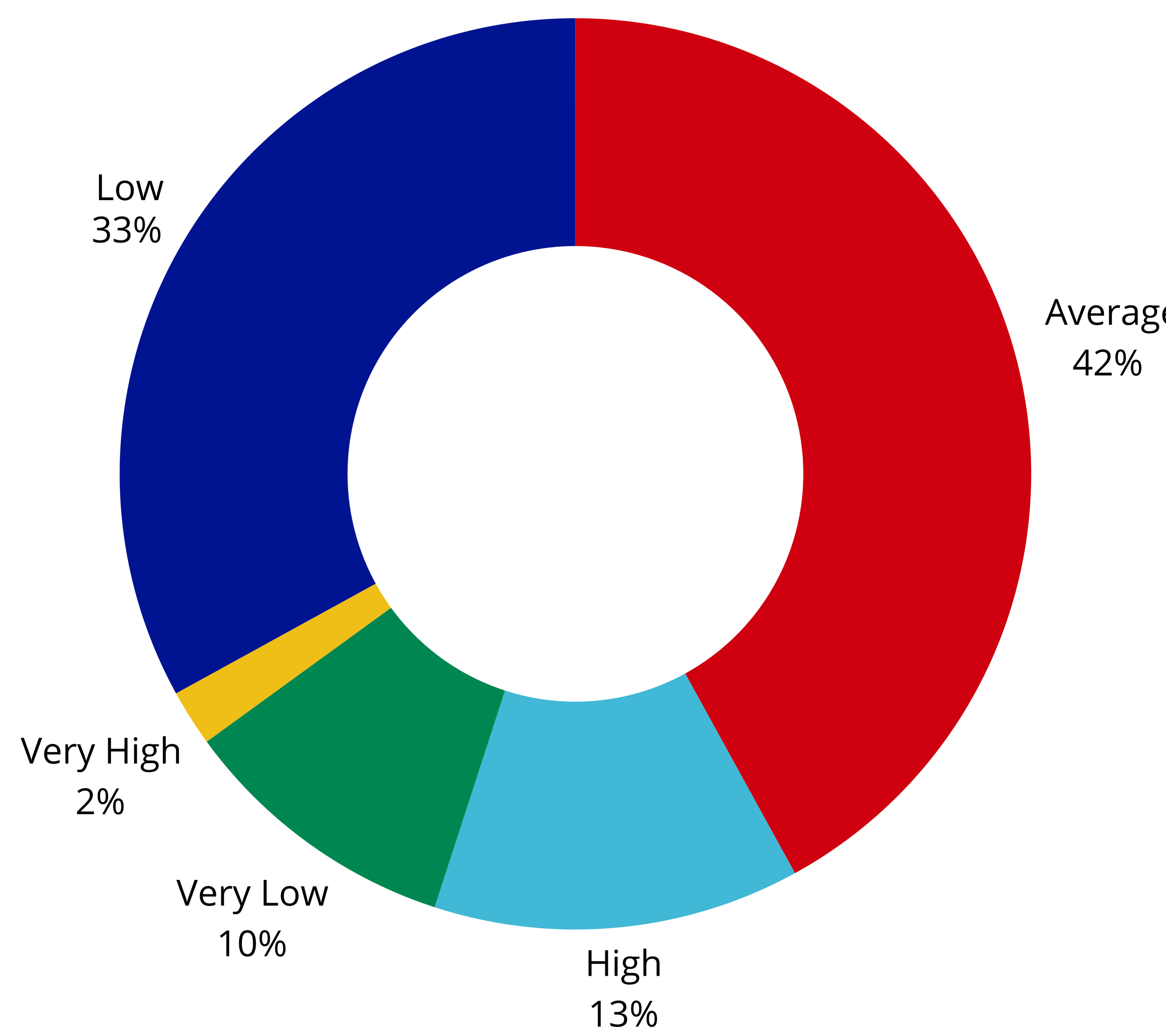

Figure-23: Banker's Level of Understanding of the Typologies of TBML

Red flags, in trade-based money laundering and terrorist financing are indicators that suggest a trade transaction might be used as a cover to launder money or finance terrorism. Being able to identify these red flags is crucial for the following reasons:

1. Early detection: Recognizing red flags enables authorithies and institutions to detect illicit trade activities at an early stage. This early detection increases the likelihood of preventing funds from being laundered or used for terrorist financing.

2. Risk Mitigation: Red flags act as warning signs for risks. By identifying these indicators businesses and financial institutions can implement enhanced due diligence measures to reduce the risk of getting involved in these activities.

3. Compliance with Regulations: Numerous countries have regulations in place to combat money laundering and terrorist financing. Identifying red flags helps organizations stay compliant with these regulations, which include requirements related to customer diligence, reporting suspicious transactions and implementing effective internal controls.

4. Protection against Damage: Involvement, in money laundering or terrorist financing can significantly harm the reputation of businesses and financial institutions. Actively identifying red flags and taking measures against them allows organizations to safeguard their reputation and maintain the trust of their customers and stakeholders.

5. Contribution to Global Security: Trade based money laundering and terrorist financing pose threats to security. It is crucial for institutions and authorities to detect warning signs. By doing so they can play a role, in combating illicit activities, dismantling criminal networks and safeguarding the integrity of the worldwide financial system.

The advantages outlined above underscore the importance of possessing the skill to identify red flags in effectively preventing money laundering and terrorist financing. However, the survey participants affirmed that a significant majority of bankers lack these crucial skills. This is evident as approximately 81% of respondents admitted to being unable to identify red flags due to a low level of understanding. This lack of proficiency was further confirmed by the fact that the same 81% of participants exhibited skills ranging from average to very low level in identifying and preventing trade-based money laundering and terrorist financing (Refer to figures 24 & 25). This emphasizes the urgent need for training and educational initiatives to equip banking professionals with the necessary skills to combat illicit financial activities effectively.

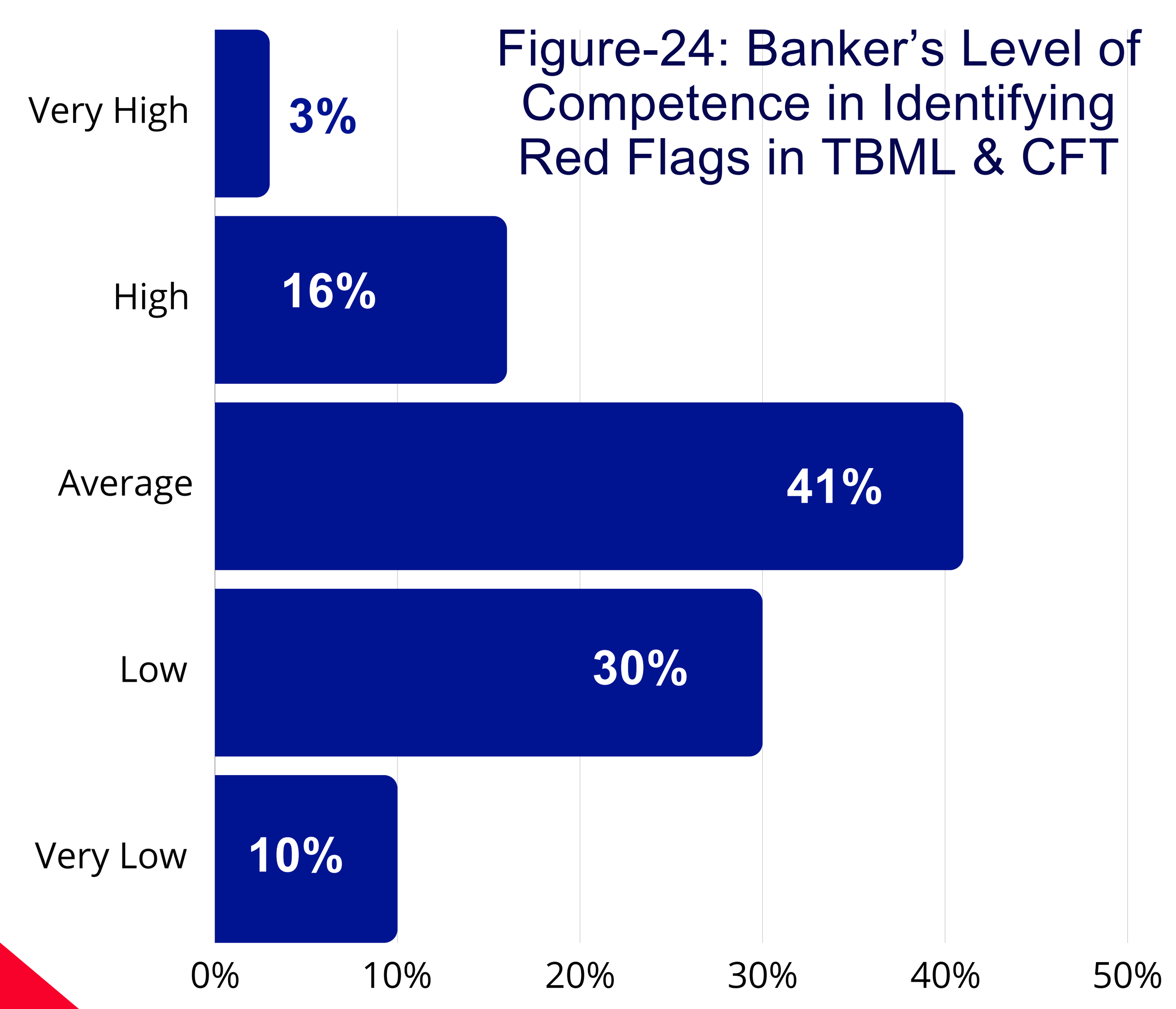

Figure-24: Banker's Level of Competence in Identifying Red Flags in TBML & CFT

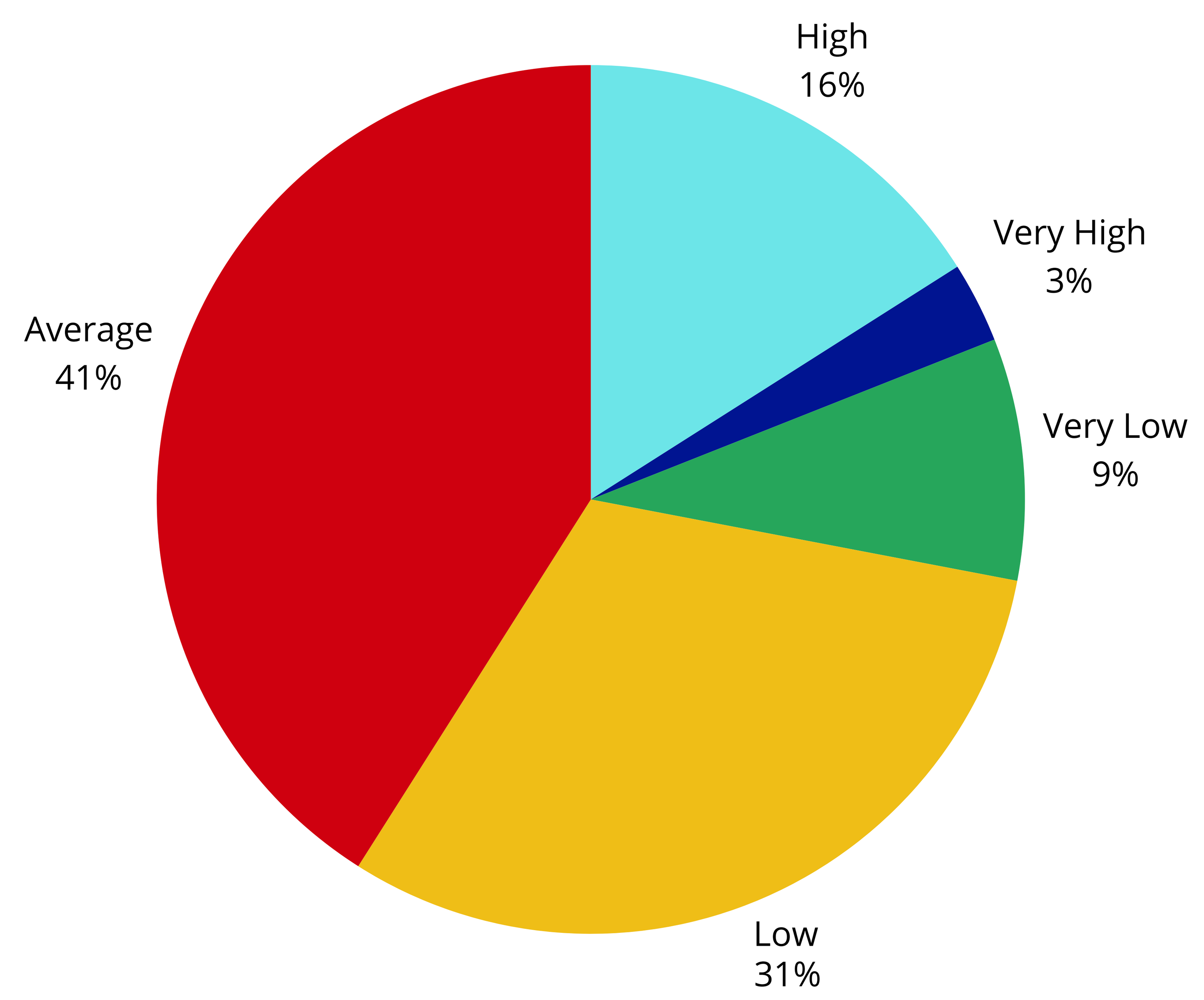

Figure-25: Banker's Level of Competence in Preventing TBML & Terrorist Financing

The repercussions for banks that lack safeguards to prevent money laundering and terrorist financing can be significant. Here are some of the consequences they may face:

1. Regulatory Violation: Banks operate under anti money laundering (AML) and counter terrorist financing (CTF) regulations. If they fail to have gatekeepers, they can find themselves in violation of these regulations leading to fines, penalties and legal actions initiated by regulatory authorities.

2. Damage to Reputation: Banks implicated in money laundering or terrorist financing activities suffer harm to their reputation. News of such activities undermines trust resulting in the loss of customers, investors and business partners. Rebuilding a reputation is a time consuming process.

3. Setbacks: Banks can experience losses due to fines, legal expenses and potential seizure of assets linked to money laundering and terrorist financing activities. Additionally, they may face increased monitoring and scrutiny from regulators leading to compliance costs.

4. Heightened Risk Exposure: Inadequate gatekeeping measures leave banks vulnerable to exploitation, by networks of criminals. This increases the risk of facilitating transactions that can lead to damage regulatory actions and financial losses. It also increases the risk of being utilized as a channel, for money laundering and financing activities related to terrorism.

5 Loss of Correspondent Banking Partnerships: Banks that are perceived as high risk due to inadequate measures against money laundering and terrorist financing may encounter difficulties in maintaining their relationships with correspondent banks. These partnerships are crucial for transactions. Losing them can restrict a bank's ability to engage in cross border business.

6. Legal and Ethical Obligations: Banks bear ethical responsibilities to prevent money laundering and terrorist financing. Failure to fulfill these obligations can result in allegations of negligence or complicity which can have moral consequences for the institution and its employees.

To address these consequences, banks must prioritize the implementation of measures against money laundering and terrorist financing. This includes establishing systems for gatekeeping, conducting due diligence on customers, implementing monitoring systems for transactions and regularly providing training to employees on identifying and reporting suspicious activities.

In conclusion banks should prioritize equipping their staff with the skills to address compliance issues, including those related to trade-based money laundering (TBML) and terrorist financing. This ensures compliance, minimized risks, safeguards customers interests, adherence to industry practices and fulfills ethical responsibilities. Proactive training and continuous education play a vital role in cultivating a culture of compliance within the bank while positioning it strongly in the global financial landscape.


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BENEFIT:
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• Increased Profitability.
• Reduction Of Inventory Carrying Cost.
• Effective Management Of Supply Chain.
• Reduced Cost Of International Trade.
• Increased Profitability Of International Trade.
• Effective Logistics Management.
• Efficient Supply Chain Management.
• Continuous Trade Professional Education.
• Global Recognition As International Trade Professional.
TARGET:
• Import-Export Manager.
• Trade Finance Specialist.
• Procurement Manager.
• Logistics Manager.
• Supply Chain Manager.
• Credit Risk Officer.
COURSE FEE
$ 500
APPLICATION FEE
₦10,000
TUTORIAL FEE
₦100,000
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SECTION SEVEN

THE TRADE FINANCE INSTRUMENTS

16 Only 16% and 9% of the participants respectively feel highly competent in handling standby letter of credit transactions and the ISP98 rules.

17 Only 11% and 7% of the participants respectively believe they have a high level of competence in handling demand guarantee transactions and the URDG758 rules.

THE TRADE FINANCE INSTRUMENTS

Trade finance instruments refer to products or tools that are utilized to facilitate and support trade transactions. These instruments play a role, in addressing the needs and challenges of global trade ensuring the smooth flow of goods and payments. They offer financing and risk mitigation solutions to parties involved in trade including importers, exporters, banks, and other intermediaries. Some of the commonly used trade finance instruments in international trade include letter of credit, documentary collection, export credit insurance, demand guarantees and standby letters of credit. The primary purpose of these instruments when it comes to financing trade transactions is as follows:

- Providing payment security and risk mitigation for both buyers and sellers.
- Enabling access to financing for working capital requirements throughout the trade cycle.
- Streamlining documentation and payment processes for ease of use.
- Building trust and confidence among all parties involved in trade transactions.
- Supporting businesses in expanding their trade operations into markets.
- Enhancing liquidity and cashflow for importers and exporters.
- Ensuring compliance, with requirements and international trade practices.

This section of the survey aims to evaluate participant's level of understanding of two trade finance instruments namely: demand guarantees and standby letters of credit.

A standby letter of credit (SBLC) is an instrument issued by a bank to guarantee payment to the recipient if the applicant fails to meet their obligations. It functions as a safety net waiting for any default. In trade transactions it is commonly used to reassure sellers that they will still receive payment even if the buyer defaults. The SBLC plays a role in financing trade deals by reducing the risk of non-payment. It provides peace of mind to the recipient ensuring they will be paid in case the applicant fails to fulfill their responsibilities. This becomes especially useful when dealing with high-risk parties as it helps establish trust, between all and facilitates smooth trade by minimizing financial risks. The International Chamber of Commerce (ICC) has established guidelines known as the International Standby Practice (ISP98) that governs the use of standby letters of credit.

According to the ICC's trade finance survey, global Standby Letters of Credit (SBLCs) usage is increasing. This is attributed to their role in mitigating payment risks associated with the widespread use of the open account payment method. While this method is simplified and efficient, it exposes buyers to credit risk. SBLCs are also employed to safeguard sellers against similar risks in bill-for-collection transactions. Unfortunately, bankers exhibit very low level of understanding of the ISP98 rules governing SBLC usage, leading to inadequate skills in handling these trade finance instruments. This contributes to the low adoption of SBLCs in Nigeria, despite the global upward trend. The feedback of this survey reveals that only 9% of respondents have a very high level of understanding of ISP98 rules for SBLCs. Consequently, only 16% demonstrate a high to very high level of skills in navigating SBLC transaction dynamics. Over 80% of respondents exhibit average to very low understanding of both SBLCs and ISP98 rules (See figure 26 & 27).

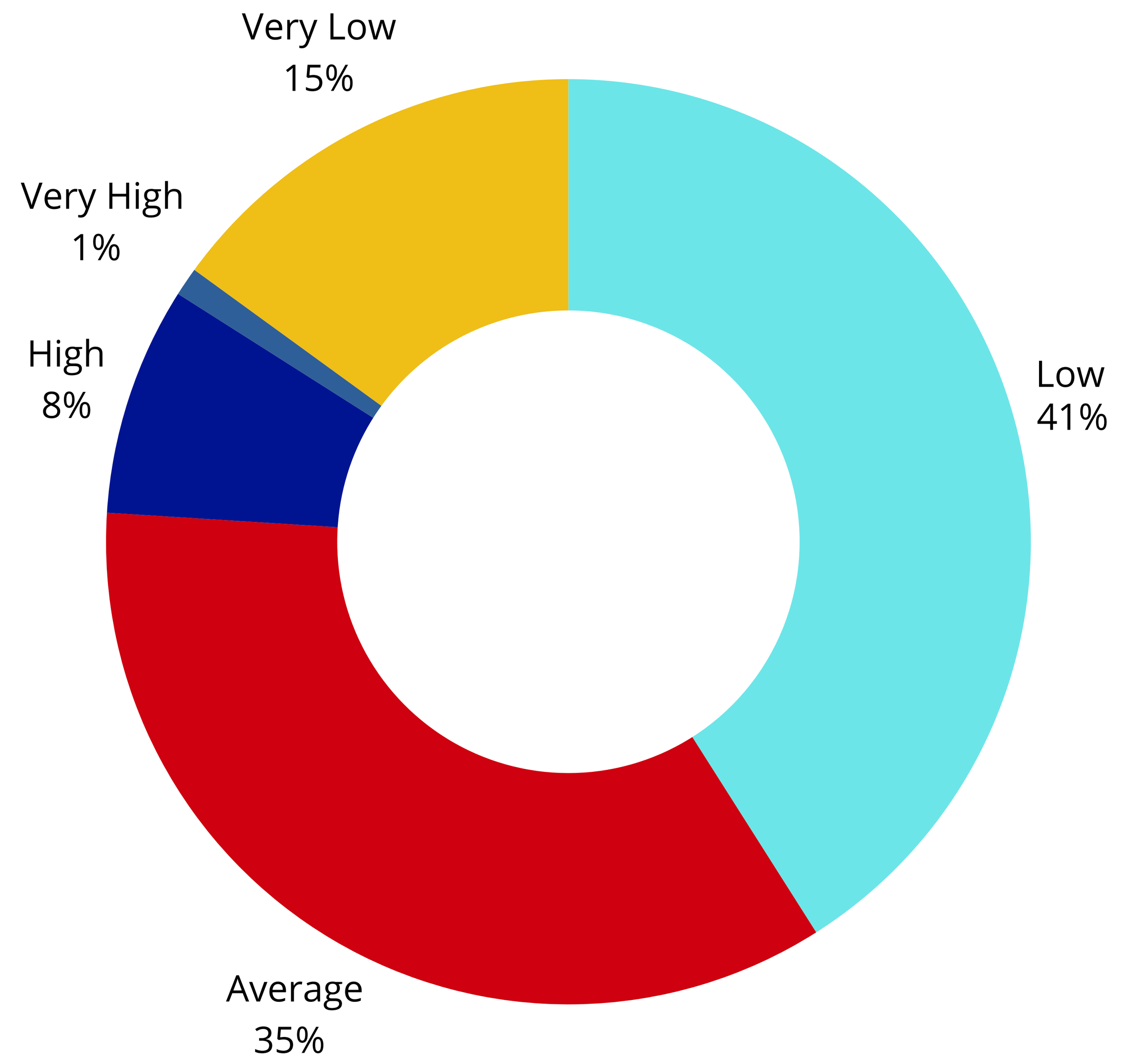

Figure-26: Banker's Level of Understanding of ICC Rule ISP98

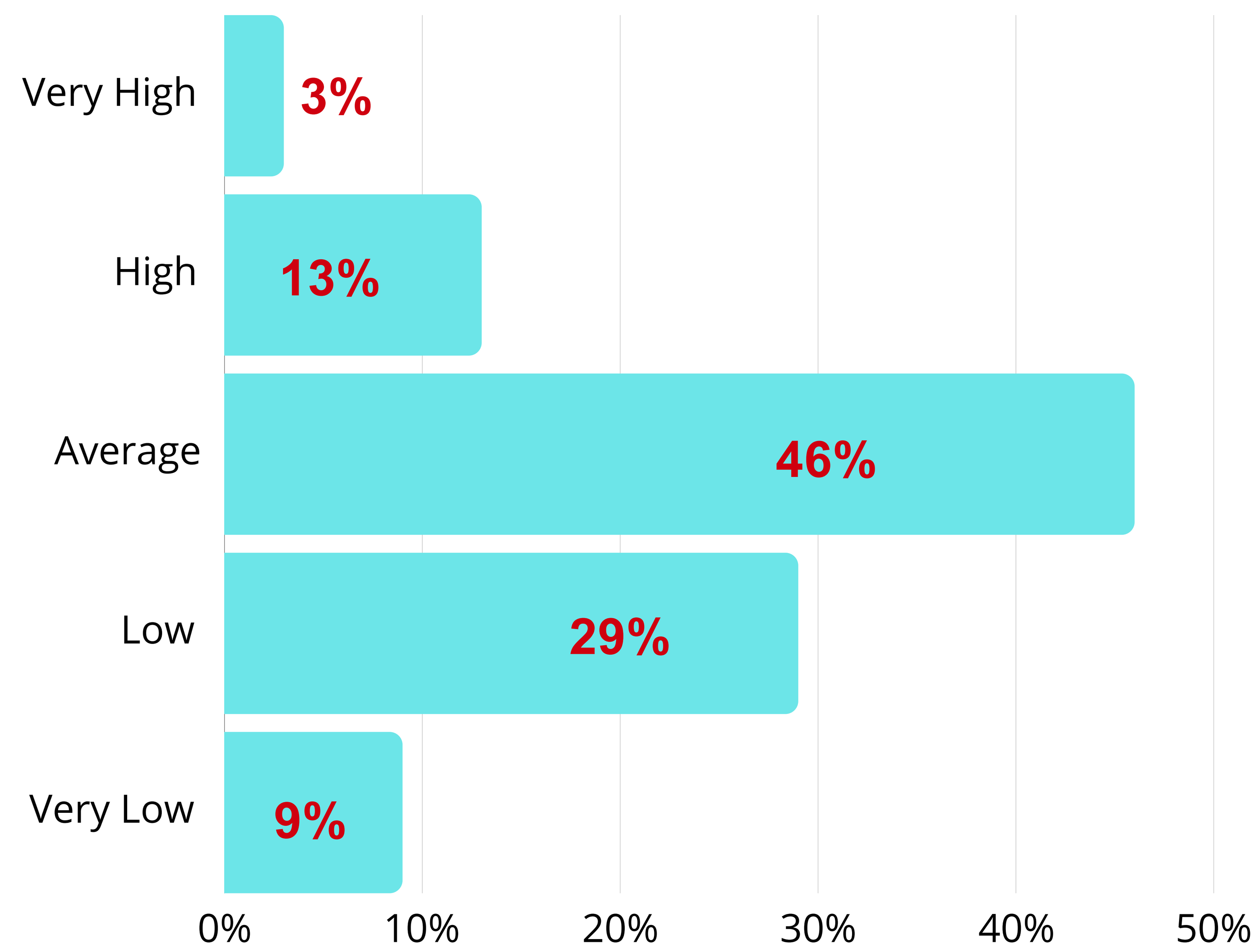

Figure-27: Banker's Level of Competence in Handling SBLC Transactions

A demand guarantee, also referred to as an independent guarantee is an instrument issued by a bank. Its purpose is to ensure that the beneficiary receives compensation if the applicant fails to fulfill their obligations. This guarantee is provided by the bank based on instructions, from the applicant or instructing party. It commits the guarantor to pay any amount demanded by the beneficiary up to a maximum amount predetermined by the guarantee when presented with documents that comply with its terms and conditions. Demand guarantees play a role in trade finance as they offer security and act as insurance for the beneficiary. They help maintain trust and facilitate trade financing by providing assurance of payment or compensation in case of non-performance by the applicant. The International Chamber of Commerce (ICC) has established rules known as URDG 758 to govern the use of demand guarantees. These rules provide guidelines, for interpretation, issuance and operation of guarantees.

Due, to their similarities in functions and structural differences, both SBLCs and demand guarantees are witnessing an increase in usage worldwide. They serve as protection against credit risks for exporters engaged in open account trading and bill for collections transactions. Unfortunately, there appears to be a lack of understanding among bankers regarding the rules governing demand guarantees.This survey revealed that 7% of respondents possess a high level of understanding of URDG758, which explains why only 11% have strong skills in handling the intricacies of demand guarantee transactions. This indicates that over 85% of respondents have minimal levels of understanding ranging from average to low level concerning both demand guarantees and the URDG758 rules that govern their usage (refer to figures 28 & 29).

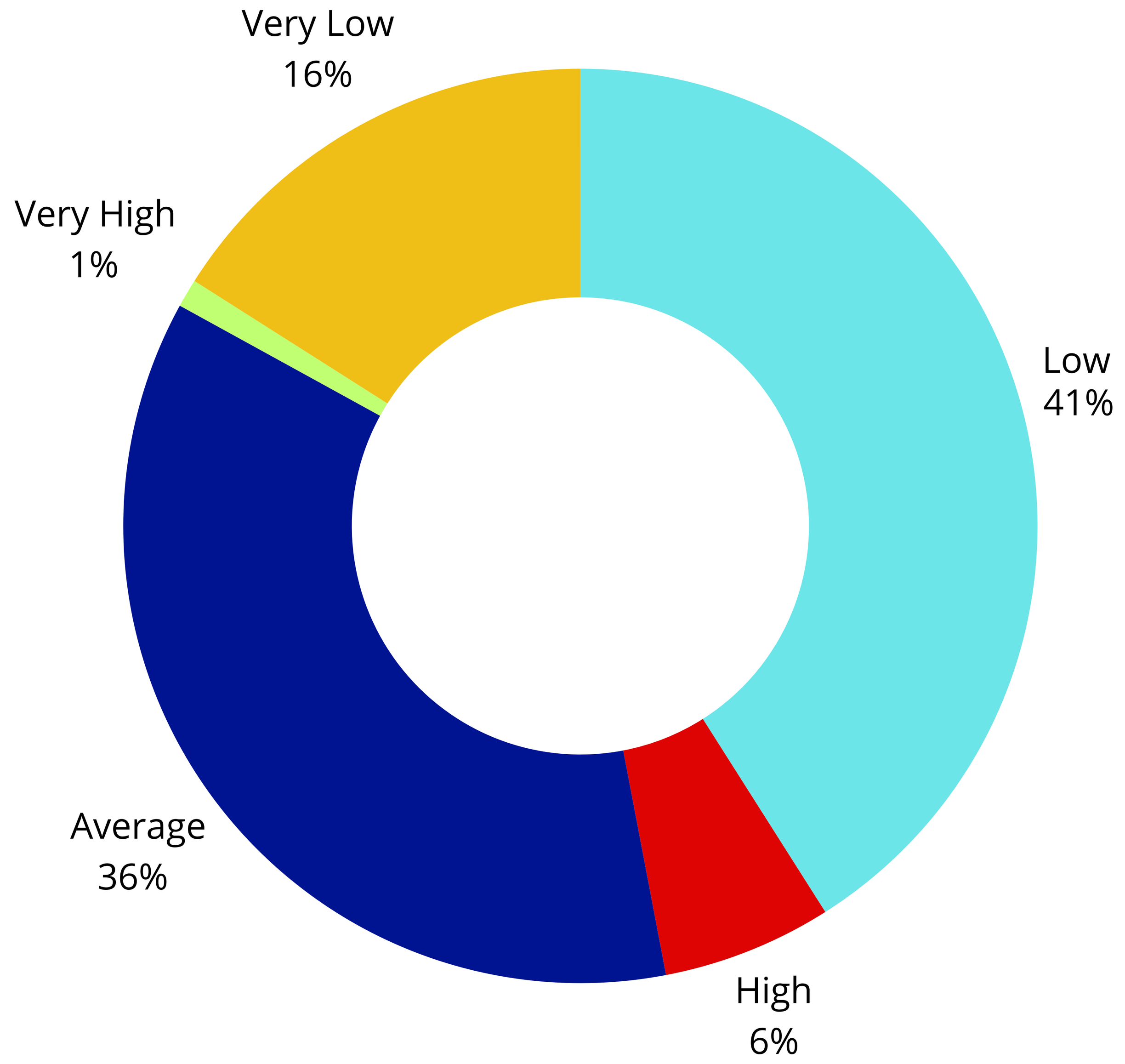

Figure-28: Banker's Level of Understanding of ICC Rule URDG758

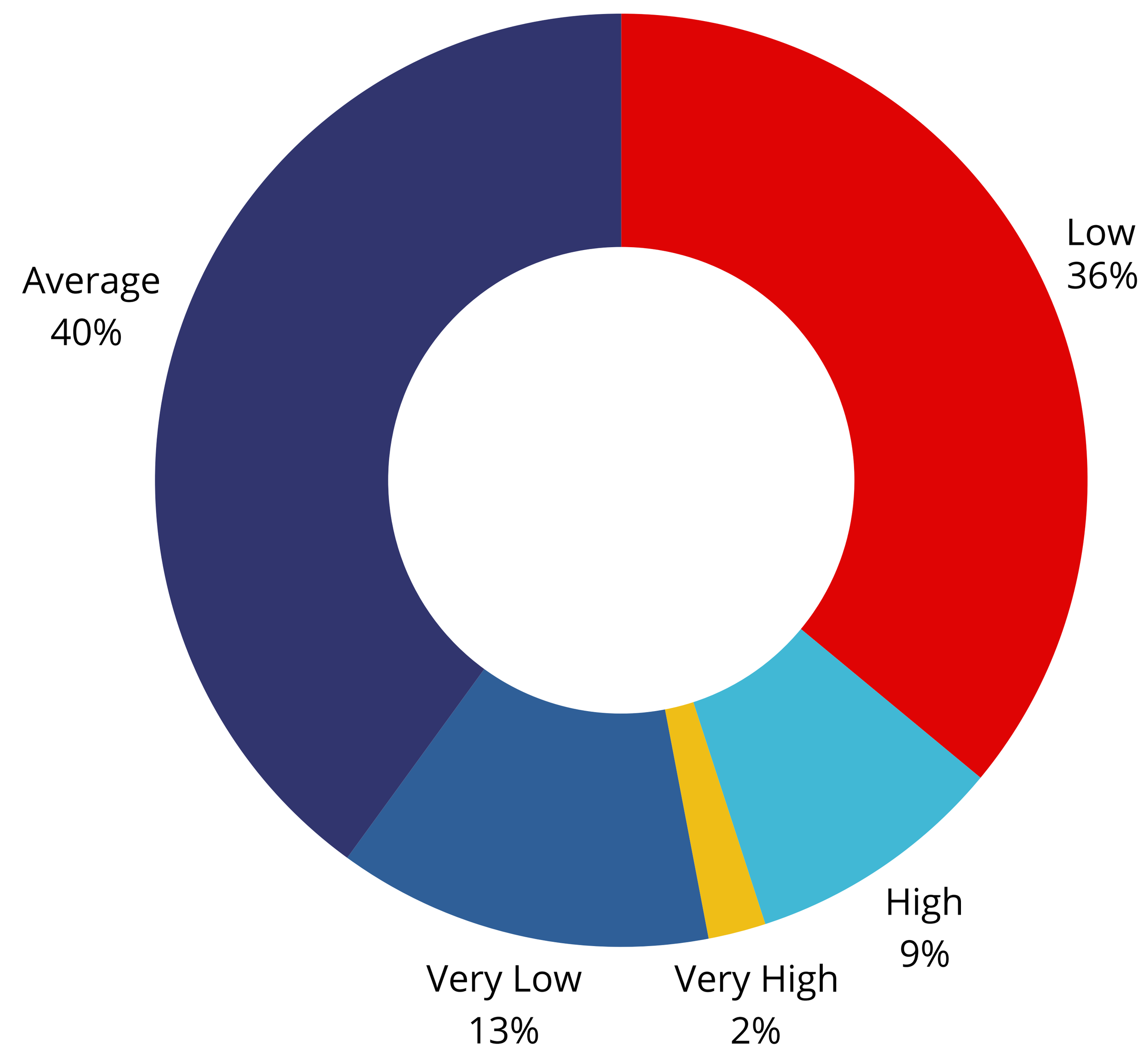

Figure-29: Banker's Level of Competence in Handling Demand Guarantee Transactions

The inadequate expertise of banks, in managing the complexities associated with trade finance instruments such as demand guarantees and standby letters of credit during trade transactions can result in negative consequences, which could include:

1. Increased Risk: Mishandling these instruments can pose heightened risks for both banks and their customers. Banks may suffer losses if they fail to understand the terms and conditions of demand guarantees or standby letters of credit. Additionally, customers may encounter difficulties in obtaining financing or experience delays in their trade transactions.

2. Regulatory Compliance Challenges: It is crucial for banks to comply with legal and regulatory requirements when dealing with demand guarantees and standby letters of credit. Insufficient skills and expertise can lead to non-compliance potentially resulting in penalties, legal disputes or damage to the banks reputation.

3. Operational Inefficiencies: Ineffective management of demand guarantees, and standby letters of credit can cause delays and errors in transaction processing. This can disrupt the flow of trade transactions affecting payments and causing frustration for exporters and importers.

4. Erosion of Customer Trust: The roles that banks play in facilitating trade transactions help in boosting customer's trust. However, if banks struggle to handle these instruments it may lead to a loss of trust from their customers. These challenges emphasize the significance for banks to enhance their skills in handling trade finance instruments like demand guarantees and standby letters of credit, within trade transactions. If bankers do not possess the skills to effectively handle demand guarantees and standby letters of credit it could lead to a loss of trust in their ability to provide financial services. Consequently, this may result in a decline in business when the customer begin to seek for other banking partners.

5. Missed Business Opportunities: Insufficient expertise in managing these instruments could prevent banks from capitalizing on potential business opportunities that arise from international trade. Customers might be inclined to approach banks with proficiency in this area leading the bank to miss out on revenue and market share.

To address these consequences, it is crucial for banks to invest in training and developing the skills and expertise required for handling demand guarantees and standby letters of credit. This entails staying up to date with regulations, employing competent staff and implementing robust processes and systems that ensure efficient and accurate management of these financial instruments.

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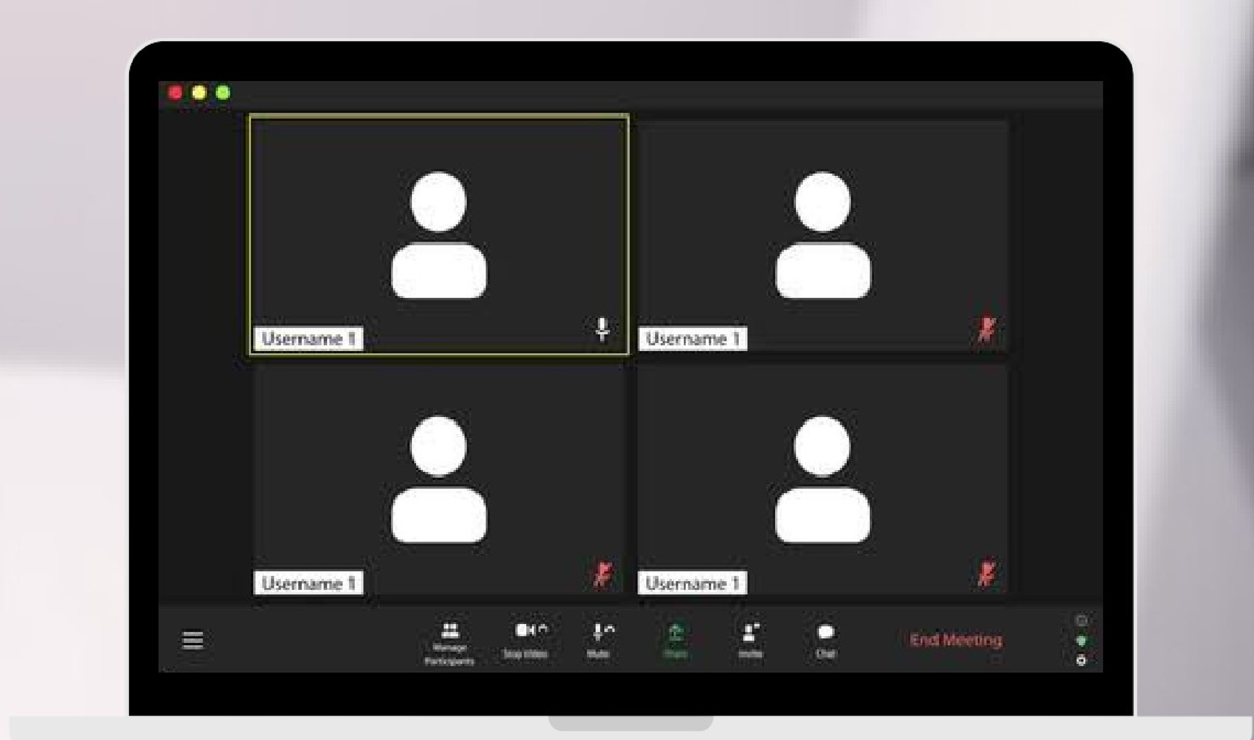

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SECTION EIGHT

THE TRADE TRENDS

18 About 85% of the bankers possess from average to very low understanding of trade digitalization and this is the future of international trade transactions.

19 Despite the rapid growth of trade in services globally, only 16% of the bankers have a high level of understanding of service exportation.

20 Only 18% of the bankers exhibit a high understanding of RT200 FX of the CBN, an initiative designed to promote non-oil export.

Global trade patterns and changes over time are referred to as trade trends. These trends offer insights into the nature of international trade including shifts in trading partners, trade volumes, industry sectors and the financing requirements involved. It is crucial for banks to understand and keep up with these trends for a variety of reasons:

1. Identifying Market Opportunities: Trade trends help banks identify emerging markets, industries and trade routes that hold growth potential. By staying informed about these opportunities, banks can align their trade finance strategies and offerings accordingly. This allows them to attract customers, expand their trade finance portfolios and drive business growth.

2. Assessing Risks: Trade trends also provide information on the risk profiles associated with countries, industries or trade routes. Banks need to be aware of risks such as instability, changes in trade policies or economic downturns that may impact the creditworthiness and repayment capacity of their customers. Understanding these trends enables banks to effectively assess and manage risks when financing trade transactions.

3. Tailoring Solutions: By analyzing trade trends banks gain insights, into the evolving needs and preferences of businesses engaged in trade. Banks have the ability to utilize this information in order to customize their trade finance products and services to cater to the needs of industries, sectors or regions. By providing tailored solutions banks can effectively serve their customers and differentiate themselves in the market and foster relationships.

4. Adhering to Regulations: Trade trends often indicate changes, in trade regulations, compliance requirements and industry standards. It is crucial for banks to stay updated on these developments so that their trade finance practices align with the evolving landscape. Through an understanding of the environment banks can establish robust compliance frameworks, implement effective due diligence processes and mitigate risks associated with compliance.

5. Embracing Technological Advancements: Trade trends frequently showcase the adoption of technologies and digital platforms within trade transactions. Banks must be aware of these advancements in order to enhance their trade finance offerings, streamline processes and provide secure services to their customers. By embracing technology driven solutions banks can remain competitive in the industry while improving efficiency and meeting evolving expectations from businesses engaged in trade

6. Collaborating within the Industry: Trade trends offer insights into the changing dynamics of the trade finance landscape. Banks can identify opportunities for collaboration by partnering, with fintech companies or participating in industry initiatives. This collaborative approach allows banks to enhance their trade finance capabilities and stay at the forefront of industry developments. Collaboration enables banks to exchange ideas and work together to tackle the challenges that arise in the changing trade finance industry.

Understanding trade trends is crucial, for banks when they finance trade transactions. It helps them identify market opportunities, assess risks, customize solutions comply with regulations and collaborate within the industry. By staying informed and adaptable to trade trends banks can effectively meet the changing needs of their customers.

Here are some recent developments and trends in trade from around the world:

1. Impact of COVID-19 on Trade: The COVID-19 pandemic has significantly affected trade. Lockdowns, travel restrictions and disruptions in supply chains have led to a decrease in trade volumes in sectors like tourism, aviation, and manufacturing. There is also a growing focus on sourcing, nearshoring (bringing production to home) and building resilient supply chains.

2. Embracing Digital Transformation: The rapid adoption of technologies in trade is a prominent trend. E-commerce has seen growth as businesses and consumers increasingly rely on platforms for cross border trade. To streamline trade flows measures such, as documentation and online customs processes are being implemented to facilitate trade.

3 Regional Trade Agreements: Regional trade agreements gained attention as countries aim to strengthen trade connections and reduce dependence, on supply chains. Some notable examples include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the African Continental Free Trade Area (AfCFTA) and the Regional Comprehensive Economic Partnership (RCEP).

4. Trade Wars and Protectionism: Trade tensions and protectionist measures have emerged between economies, like the United States and China. These disputes have resulted in increased tariffs, trade barriers

and uncertainty impacting global trade flows and investment patterns.

5. Sustainable and Ethical Trade: There is a growing emphasis on ethical trade practices with consumers and businesses demanding transparency, traceability, and adherence to environmental and social standards in supply chains. This trend has led to the rise of certifications like Fairtrade, Organic labels, and Increased scrutiny of labor practices.

6. Digital Trade and Data Governance: The management of trade and cross border data flows has become a concern. Countries are grappling with developing regulations and frameworks to address data privacy, cybersecurity and intellectual property rights in relation to trade.

7 Climate Change and Green Trade: The global efforts to address climate change have resulted in an increased focus on trade. Measures such as carbon pricing incentives for energy and sustainable procurement practices are influencing trade patterns and shaping global supply chains.

8. Geopolitical Shifts: Changes in the landscape are having an impact on trade. The United Kingdom's exit from the European Union (Brexit) tensions between the US and China and evolving relationships among economies are affecting trade dynamics and how supply chains are structured.

9. Trade in Services: Notable trends in services trade include the rise of work expansion of professional services, globalization of education and healthcare as well as increased involvement of developing countries in services trade.

These examples highlight some developments and tendencies, in trade. It is crucial for banks and businesses to closely monitor these shifts adapt their trade finance strategies accordingly manage risks effectively and seize emerging opportunities.

When asked about their understanding of trends in trade digitalization, trade in services, and the impact of the Covid-19 pandemic on global trade, bankers' responses indicate a lack of awareness about rapid changes in the international environment. For instance, in understanding the trend in trade digitalization, only 15% of respondents exhibited from high to very high level of comprehension regarding how trade digitalization operates and its implications for international trade finance (See figure 30).

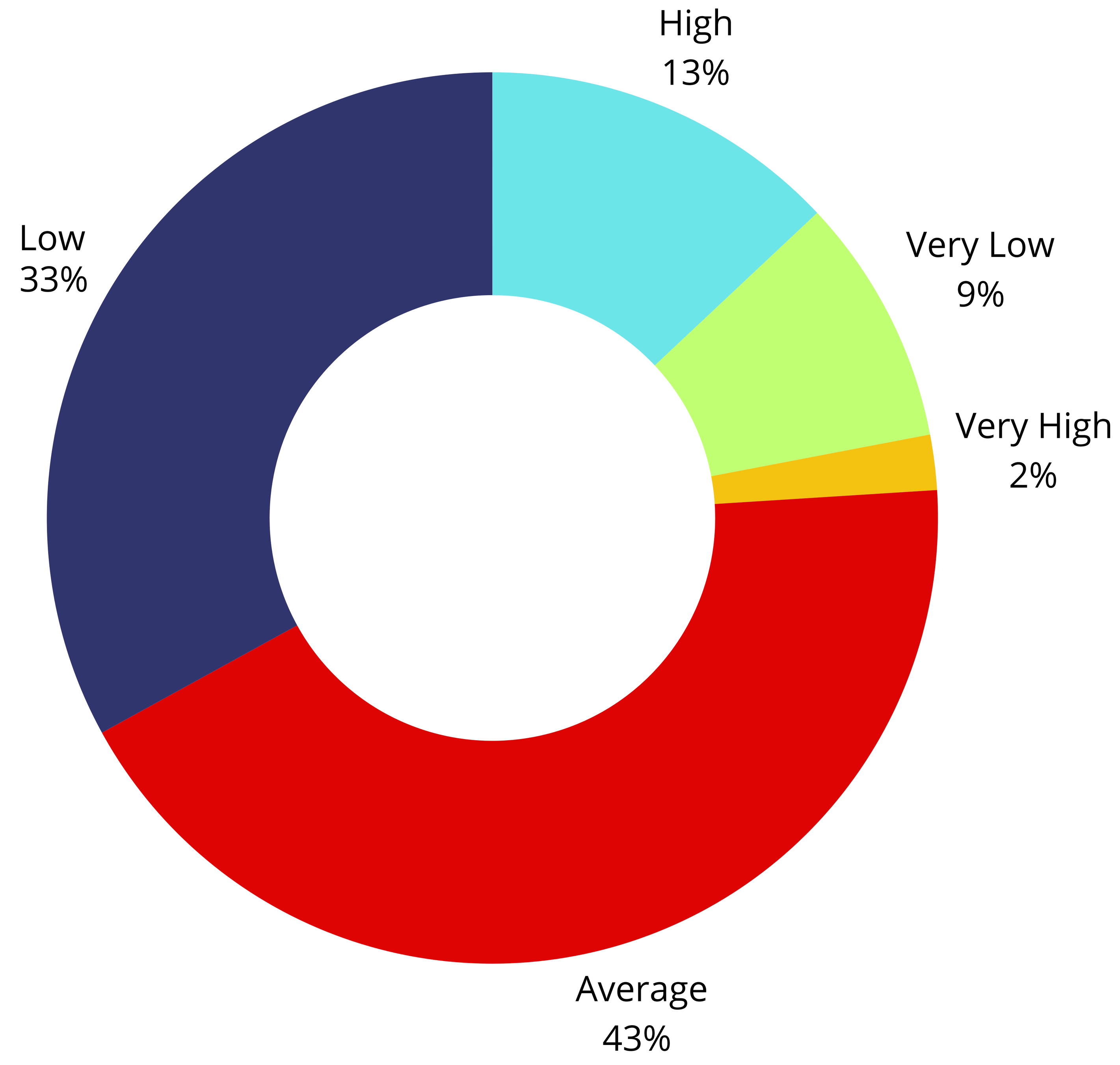

Figure-30: Banker's Level of Understanding of Trade Digitalisation

The feedback regarding their understanding of trade in services, also referred to as service exportation, mirrors the pattern observed in trade digitalization. The responses indicate that only approximately 16% of participants possess from high to very high level of comprehension of trade in services (See figure 31).

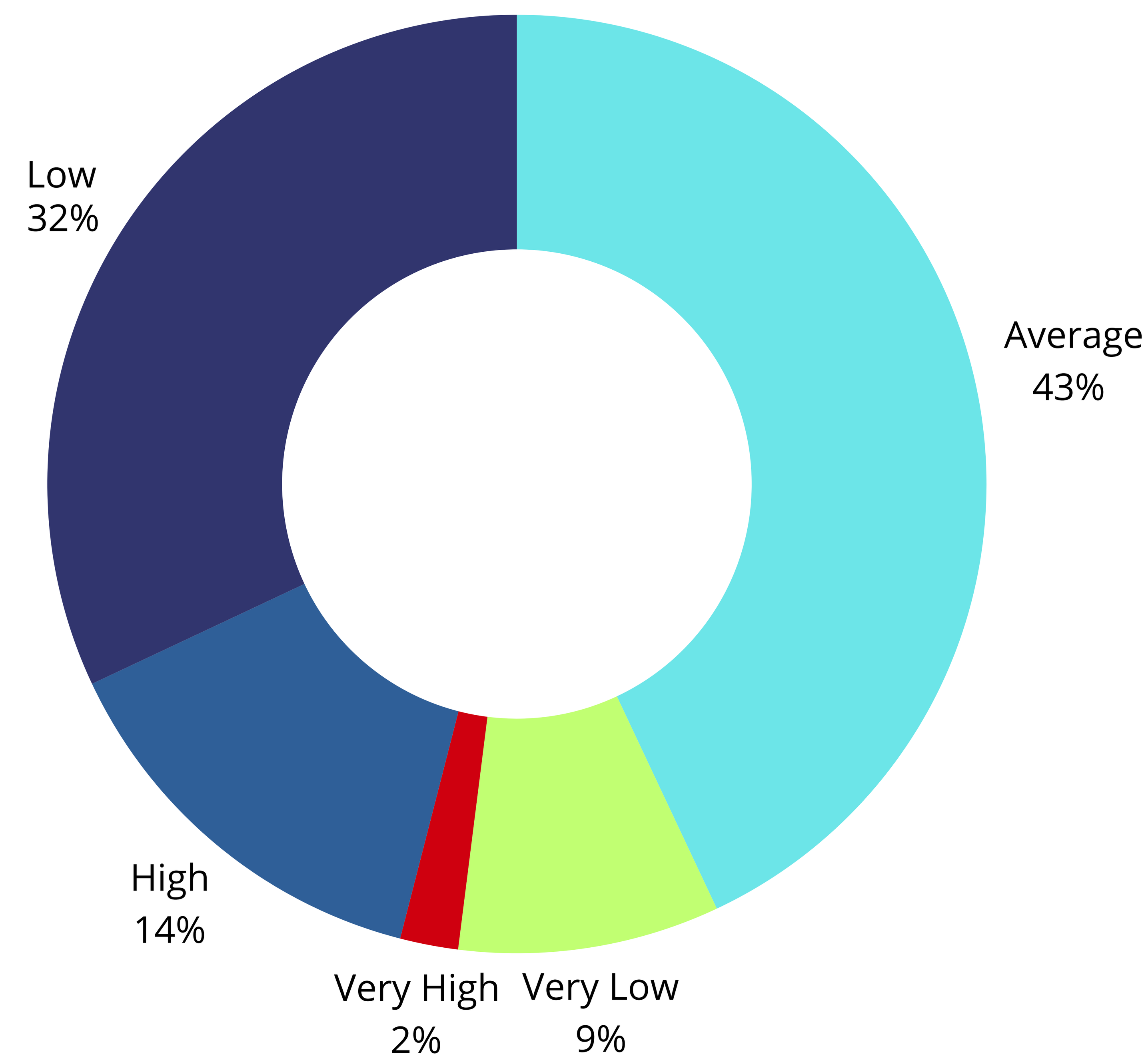

Figure-31: Banker's Level of Understanding of Service Exportation

While the participants exhibit a notably low understanding of trade trends such as service export and trade digitalization, the situation differs concerning their comprehension of the impact of the Covid-19 pandemic on international trade. Feedback reveals that 37% of respondents have from high to very high level of understanding regarding how the pandemic has altered the dynamics in the practice of international trade and the financing of trade-related transactions (See figure 32).

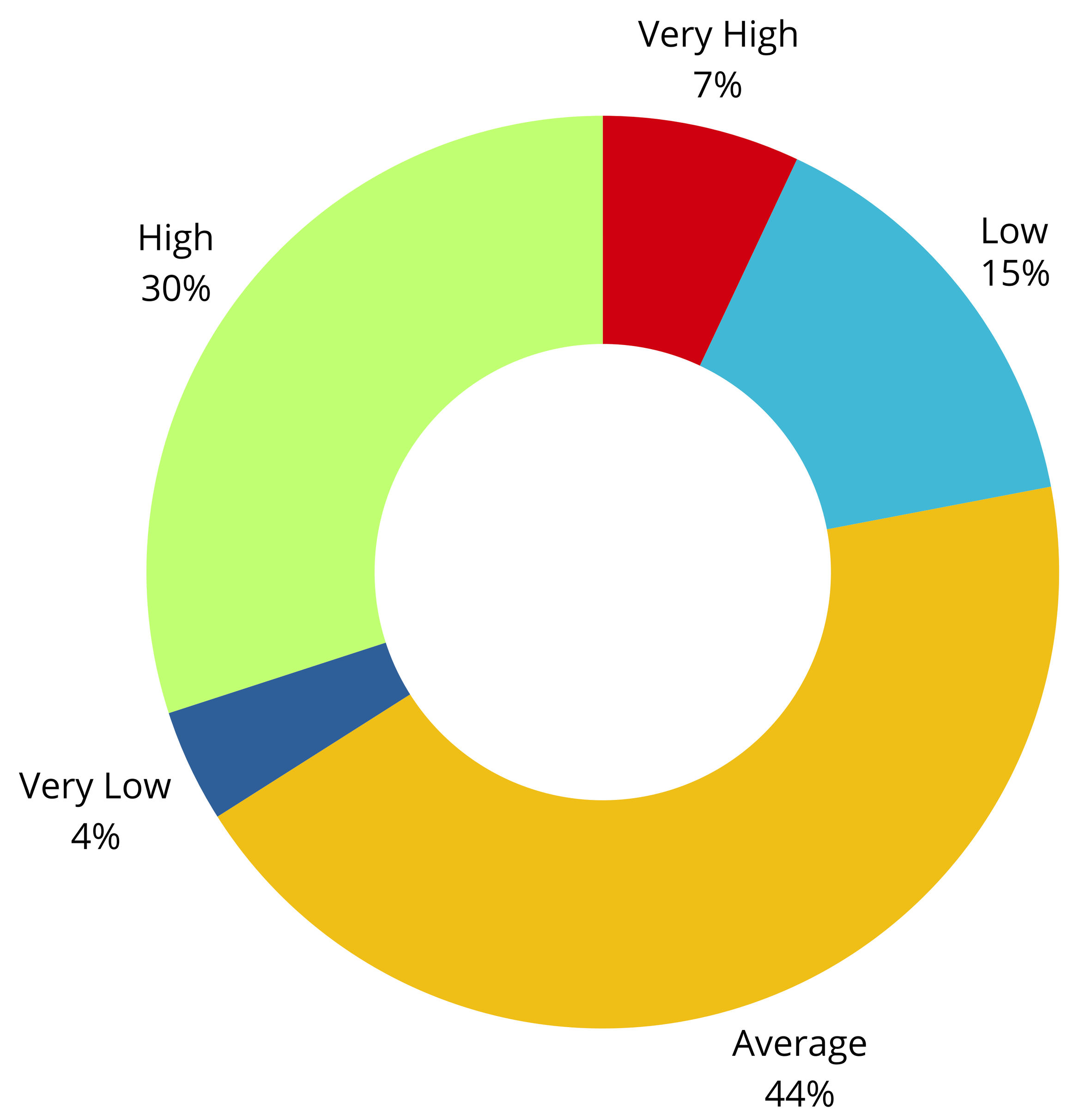

Figure-32: Banker's Level of Understanding of Impact of Covid-19 on Global Trade

The Central Bank of Nigeria (CBN) initiated RT200 FX, aiming to generate $200 billion in non-oil export proceeds within 3-5 years to boost foreign exchange inflows into the country's reserves. The initiative encompasses five pillars: Value-Adding Exports Facility, Non-Oil Commodities Expansion Facility, Non-Oil FX Rebate Scheme, Dedicated Non-Oil Export Terminal, and Biannual Non-Oil Export Summit. Nigeria's banks were tasked with driving this initiative using strategies they deemed appropriate. However, when the bankers responsible for implementing the initiative were questioned about their understanding of RT200 FX and its pillars, feedback revealed that only 18% of respondents have from high to very high level of understanding of this programme. This potentially explains why the impact of the initiative on the growth of non-oil export proceeds in the country was limited, despite the CBN's efforts to have banks spearhead the initiative (See figure 33).

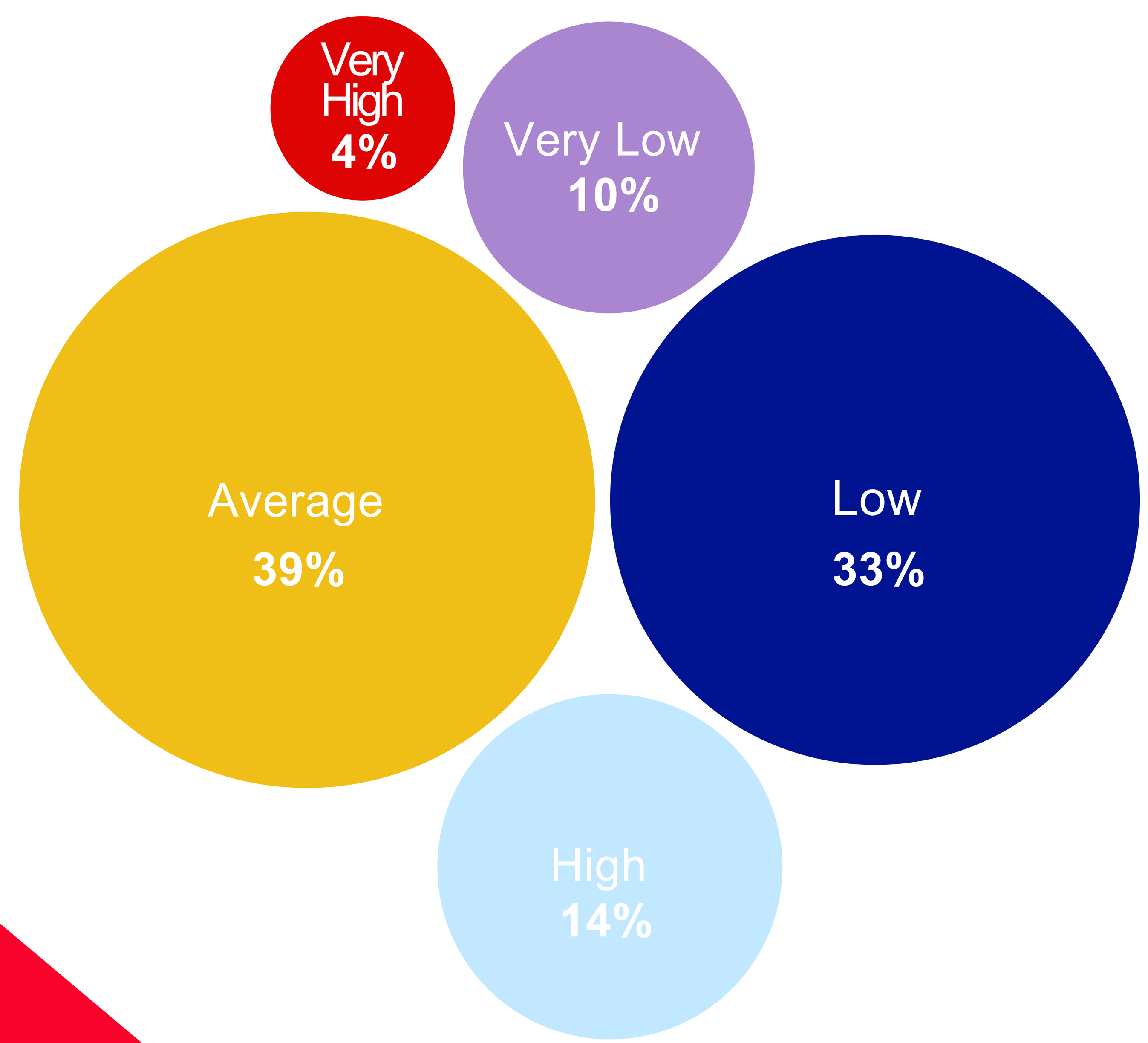

Figure-33: Banker's Level of Understanding of RT200 FX of the CBN

The limited understanding of the trends in trade digitalization, trade in services and the effects of Covid-19 on financing trade transactions can have consequences for banks. Some of the implications include:

1. Missed Opportunities for Embracing Digital Transformation: If banks fail to understand the trends in digitalizing trade, they may miss out on opportunities to leverage technology and streamline their trade finance processes. This can result in inefficiencies, higher operational costs and difficulties in meeting the changing demands of customers who seek solutions for their trade transactions.

2. Insufficient Support for Trading in Services: The trading of services has been experiencing growth. It is crucial for banks to understand this trend to effectively finance such transactions. Lacking knowledge about the intricacies of trading in services, including payment mechanisms, regulatory requirements and risk factors can limit a bank's ability to provide financing solutions to service providers.

3. Inaccurate Risk Assessment and Pricing: Covid-19 has had an impact on trade with disruptions to supply chains, shifts in consumer behavior and changes, in trade regulations. Failing to comprehend the implications of Covid-19 on trade can lead to inaccurate risk assessments and pricing of trade finance products. Such banks might not fully understand the risks associated with industries or regions heavily affected by the pandemic.

4. Reduced Ability to Adapt to Changing Trade Dynamics: It is crucial for banks to understand trade digitalization, trade in services and the impact of Covid-19 in order to adapt their financing offerings to meet changing customer needs. Without this understanding, banks may struggle to develop products, provide advice to customers and respond effectively to market changes.

5. Decreased Competitiveness: Banks that lack an understanding of any of these trends may lose their advantage in the trade finance market to competitors who have embraced trade digitalization and finance service exporters. Banks that successfully navigated the impact of Covid-19 are likely to attract those customers that are seeking for comprehensive and tailored trade finance solutions.

To address these implications banks should prioritize staying up to date with trends in international trade from around the world. This can be achieved through education and training initiatives as well as building partnerships with relevant stakeholders. Additionally engaging with industry experts and actively monitoring market developments will allow banks to adapt their strategies, products and services effectively to support trade transactions in a changing landscape.

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SECTION NINE

THE TRADE AGREEMENT

21 Approximately 80% of the bankers lack a good understanding of the concepts of free trade agreements, customs unions, and common markets.

THE TRADE AGREEMENT

A trade agreement between nations is an arrangement that establishes the terms and conditions for trade and economic cooperation among two or more countries. These agreements aim to promote and facilitate trade by reducing barriers, such as tariffs, quotas and regulatory restrictions. They also provide a framework for predictable trade relations. A prime example of this is the African Continental Free Trade Agreement (AfCFTA) which has been signed by 54 countries and ratified by over 40 countries on the continent.

Trade agreements play a role in financing international trade transactions. Some of the key roles include:

1. Market Access: Trade agreements often include provisions that give member countries market access. This means reduced or eliminated tariffs and quotas on goods and services traded among the member nations. Enhanced market access reduces costs, increase competitiveness and positively impact the financing of trade transactions.
2. Regulatory Harmonization: Trade agreements frequently have provisions for aligning regulations and standards among member countries. This can simplify compliance requirements, reduce barriers for exporters and importers, enhance transparency, predictability and make it easier for banks to assess risks while providing financing solutions for trade transactions.
3. Investor Protection: Many trade agreements include provisions to safeguard investment (FDI). These provisions establish frameworks that protect the rights and interests of investors, from member countries. Enhanced investor protection measures can instill confidence in investors attract FDI and ultimately contribute to increased trade flows and financing opportunities.
4. Resolving Trade Disputes: Some agreements now incorporate mechanisms for resolving trade disputes between member countries. These mechanisms provide an unbiased process for settling disagreements, reducing uncertainties and risks associated with border trade. The availability of dispute resolution mechanisms can boost the confidence of banks in financing trade transactions by mitigating disputes that may affect payment obligations.
5. Promoting Economic Stability: Trade agreements contribute to stability by fostering more predictable trade relations among member countries. Stable trading environments reduce risks associated with trade transactions making it easier for banks to provide financing. Economic stability also fosters business confidence encourages investment and stimulates growth.

In summary trade agreements play a role, in facilitating the financing of trade transactions through enhanced market access, regulatory harmonization, investor protection measures, effective dispute resolution mechanisms and promotion of stability. These factors together contribute to creating a trade environment, which lowers risks and makes trade financing activities easier.

In the economic integration theory, progressing beyond the elimination of internal tariffs in a free trade agreement involves forming a customs union within the regional economic bloc. Subsequently, the trading bloc may advance to a higher level of integration, known as a common market. Member states can then aspire to achieve a higher level of economic integration termed an economic union, as exemplified by the European Union. When survey participants were questioned about their comprehension of free trade agreements, only 23% of bankers demonstrated from high to very high level of understanding of the concept (See figure 34).

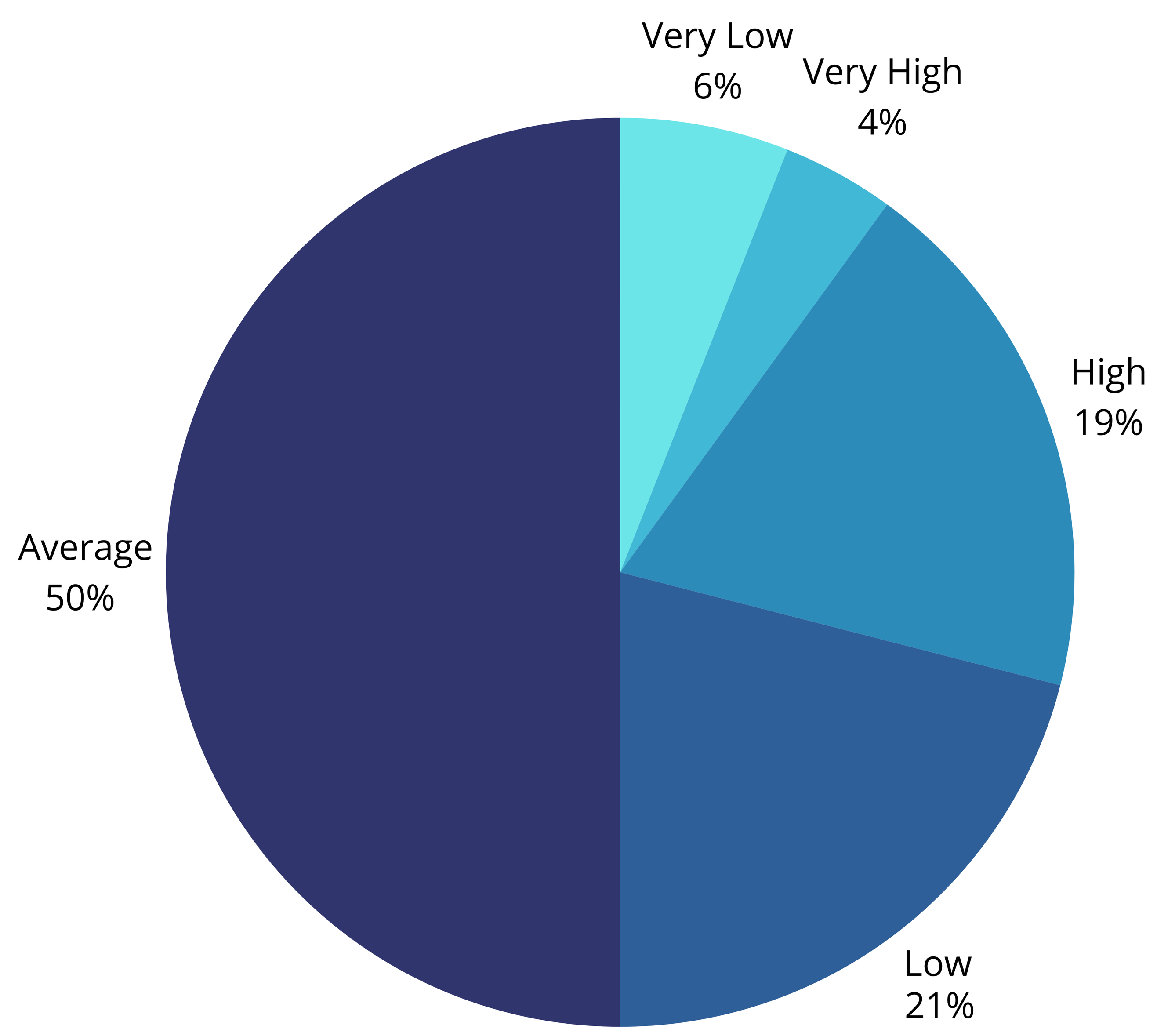

Figure-34: Banker's Level of Understanding of Free Trade Agreements

The customs union concept involves establishing a common external tariff, implying that any country exporting to any member of the trading bloc with common external tariffs will face identical tariffs, regardless of the entry point into the trading bloc. When bankers were asked about their understanding of the customs union and the associated common external tariffs, feedback indicated that only 14% have from high to very high level of understanding of the customs union. Additionally, only 12% of respondents demonstrated from high to very high level of understanding of the concept of common external tariffs that characterize the customs union within a free trade agreement (See figures 35 & 36).

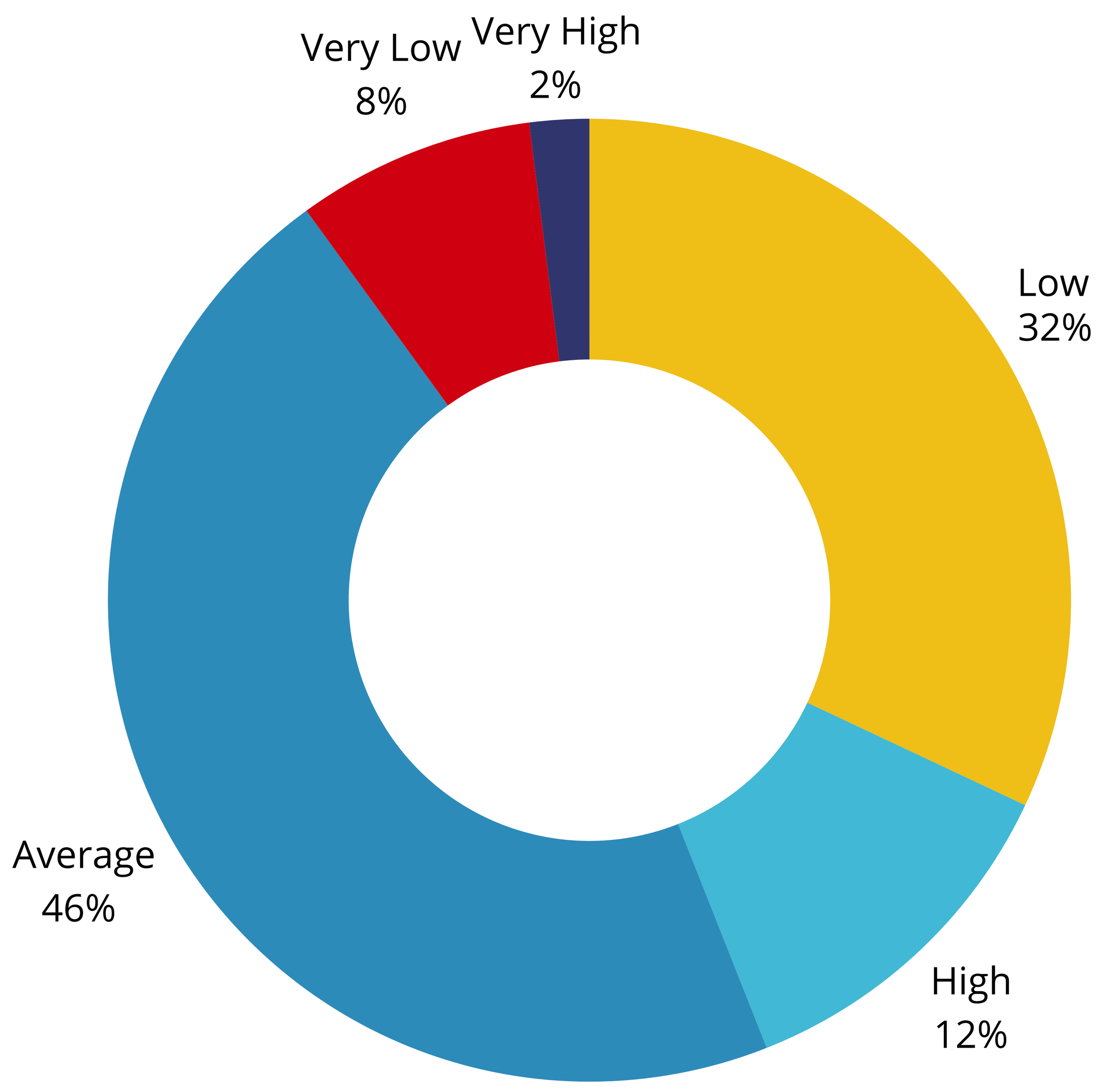

Figure-35: Banker's Level of Understanding of Customs Union in Free Trade Agreements

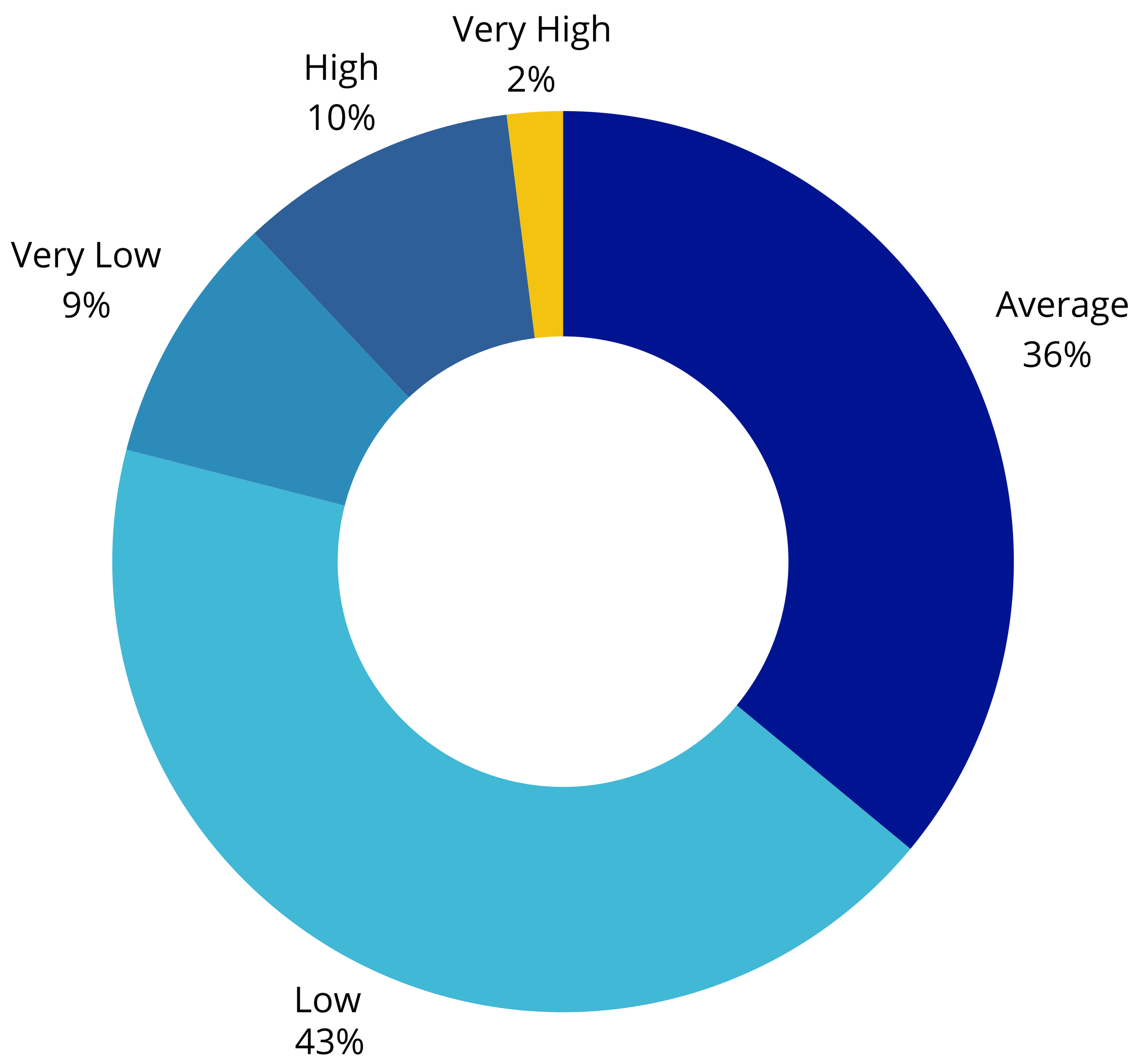

Figure-36: Banker's Level of Understanding of Common External Tariff in Free Trade Agreement

Within a common market, member states not only eliminate internal tariffs and common external tariffs, as seen in customs unions, but also permit the free movement of labor and capital among themselves. The feedback from bankers that participated in this survey showed that only 15% of respondents possess from high to very high level of understanding of the concept of a common market within a free trade agreement (See figure 37).

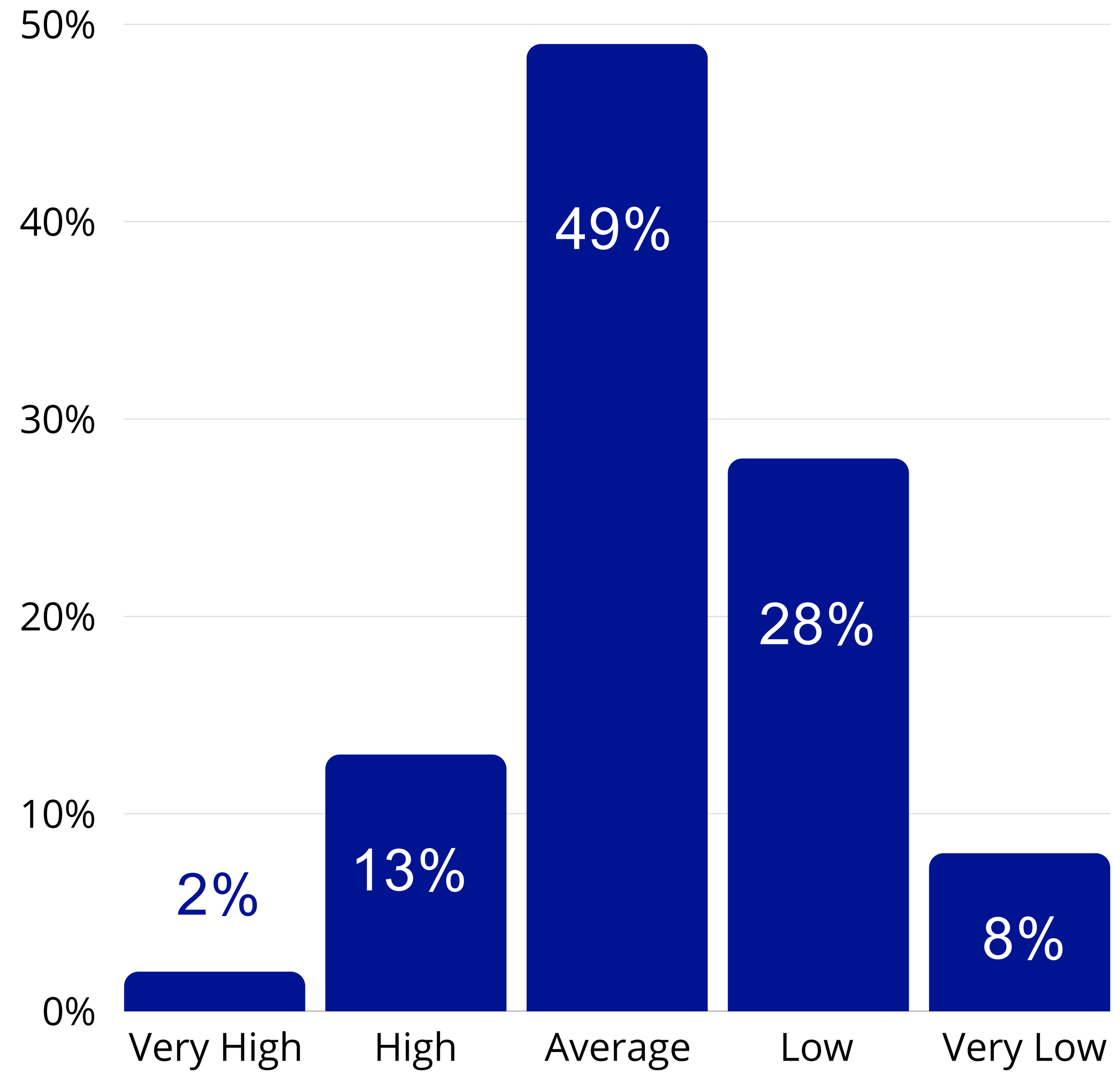

Figure-37: Banker's Level of Understanding of Common Market in Free Trade Agreements

The limited understanding of free trade agreements and the elimination of internal tariffs, customs union and common market by banks in financing of trade transactions can have various negative implications and some of them include the following:

1. Inaccurate Risk Assessment: Free trade agreements and the removal of tariffs establish an open and competitive trading environment. It is crucial for banks to grasp the consequences of these agreements in order to accurately evaluate the risks associated with financing trade transactions. Insufficient understanding can lead to misjudgment of risks and potential financial losses.

2. Inefficient Financing Solutions: Customs union and common market arrangements aim to standardize trade regulations and facilitate movement of goods, services, and capital. Banks that lack comprehension regarding these arrangements may encounter challenges in providing financing solutions that cater to the requirements of integrated markets. This can impede their ability to offer the most appropriate trade finance products and services.

3. Missed Opportunities: Free trade agreements and the elimination of tariffs create market opportunities for exporters and importers alike. Banks that do not fully comprehend these agreements may overlook business prospects thereby failing to provide essential financial support required to leverage the benefits offered by such trade arrangements.

4. Compliance Concerns: Failure to fully comprehend the intricacies and requirements of free trade agreements, customs unions and common market arrangements can lead to non-compliance with trade regulations. Banks may unintentionally violate rules related to origin, documentation or preferential treatment which could result in penalties, legal disputes or damage to their reputation.

5. Decreased Competitiveness: Banks that lack an understanding of these trade arrangements may face challenges in competing with financial institutions that have a better grasp of the opportunities and risks associated with them. Competitors who can provide financing solutions that aligned with the advantages offered by free trade agreements or customs unions may attract customers looking for comprehensive trade finance services.

To address these consequences effectively, banks should prioritize investing in educating their staff about the specifics and implications of free trade agreements, the elimination of tariffs, customs unions and common markets. This includes staying up to date on the developments in trade policies, regulations and trade agreements. Collaborating with trade associations, industry experts and trade advisors can also assist banks in improving their understanding and expertise in financing trade transactions within the context of these agreements.


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SECTION TEN

THE TRADE FINANCING

22 Although lending money is a core function of banks, only 19% of the bankers have a high level of understanding of trade finance options, pillars of trade finance, and trade finance monitoring.

International trade finance refers to the range of trade products, services and tools that facilitate and support trade transactions. Its primary goal is to provide exporters and importers, with funding, risk management and other financial services that ensure smooth running of trade operations. International trade finance transactions offer several benefits for banks and some of them include but not limited to the following:

1. Revenue Generation: Trade finance transactions present an opportunity for banks to generate revenue through interest income, fees and commissions. Banks earn interest on loans and credit facilities provided to exporters and importers. Additionally, they charge fees for services like issuing letters of credit, processing trade documentation and providing trade finance solutions. These diverse revenue streams contribute significantly to the profitability of banks.

2. Diversification of Income Streams: Engaging in trade finance allows banks to diversify their sources of income. By participating in trade finance activities alongside lending or investment operations banks can offset any fluctuations or risks in their banking activities. This diversification helps banks maintain a balanced income portfolio.

3. Customer Loyalty: Offering tailored trade finance solutions strengthens the relationship, between banks and their customers. By providing financing options that cater to their trading needs, the customer's loyalty is boosted while ensuring long term retention. This can result in building lasting relationships, opening up business prospects and offering additional banking products and services.

4. Managing Risks and Providing Collateral: Trade finance transactions often involve securing financing, with collateral, where banks use the underlying trade assets like goods or receivables as a form of security. This helps reduce the credit risk for banks as the collateral acts as a guarantee. Moreover, trade finance tools such as letters of credit offer risk management by ensuring that payment and delivery obligations are met. These measures assist banks in handling their exposure and safeguarding their interests.

5. Access to Global Markets: International trade finance enables banks to enter markets and extend their influence beyond boundaries. By providing financing and trade services banks can support their customers international trade activities and facilitate cross border transactions. This enables banks to expand their customer base, establish new connections, and tap into emerging markets for growth opportunities.

6. Establishing Reputation and Expertise: Banks with a strong presence and expertise in trade finance earn a reputation as reliable and knowledgeable partners in international trade. Such reputation attracts customers who seek solutions for trade finance needs while positioning the bank as a trusted advisor within the realm of trade finance. It also enhances the banks brand image and competitiveness in the market.

In summary, there are numerous benefits that accrue to banks that engage in trade finance transactions. These include generating revenue, diversifying their sources of income, retaining customers mitigating risks, accessing global markets, and building a reputation and expertise. All these contribute to the profitability, stability and growth of banks that operate within the trade finance sector.

In order for banks and financial institutions to effectively finance trade transactions it is crucial that they possess an understanding of the trade finance options available. This entails being knowledgeable, about instruments like letters of credit, documentary collections, trade credit insurance, factoring, supply chain finance and export financing. By having a good understanding of these options, banks can offer financing solutions that are customized to the requirements of exporters and importers. When participants were surveyed regarding their familiarity with trade finance options, the feedback received indicated that 19% of bankers had from high, to very high level of understanding. (Refer to figure 38)

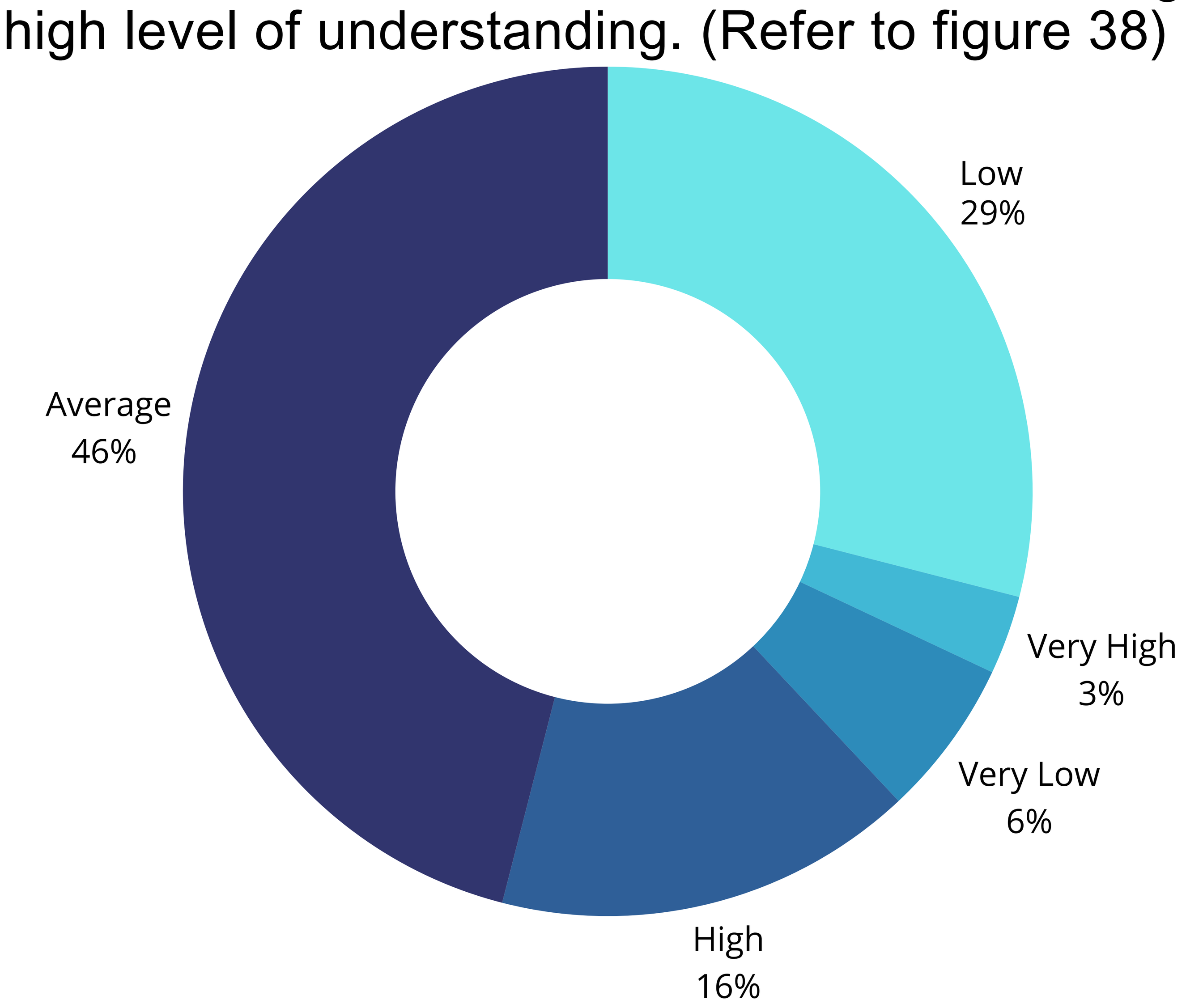

Figure-38: Banker's Level of Understanding of Trade Finance Options

The foundation of trade finance consists of four pillars: trade finance products, trade risk management, trade payment facilitation and trade information flow. Trade finance products encompass options for financing import and export transactions. Managing and mitigating risks associated with trade such as credit risk, political risk, exchange risk and compliance risk falls under the umbrella of trade risk management. Trade payment facilitation involves trade finance instruments to ensure smooth payment processes in trade finance transactions. Lastly the flow of trade information entails collecting and analyzing data related to these transactions for monitoring purposes. Surprisingly when surveyed about their understanding of these pillars in trades, only 19% of bankers reported having from high, to very high level of understanding. (Refer to figure 39)

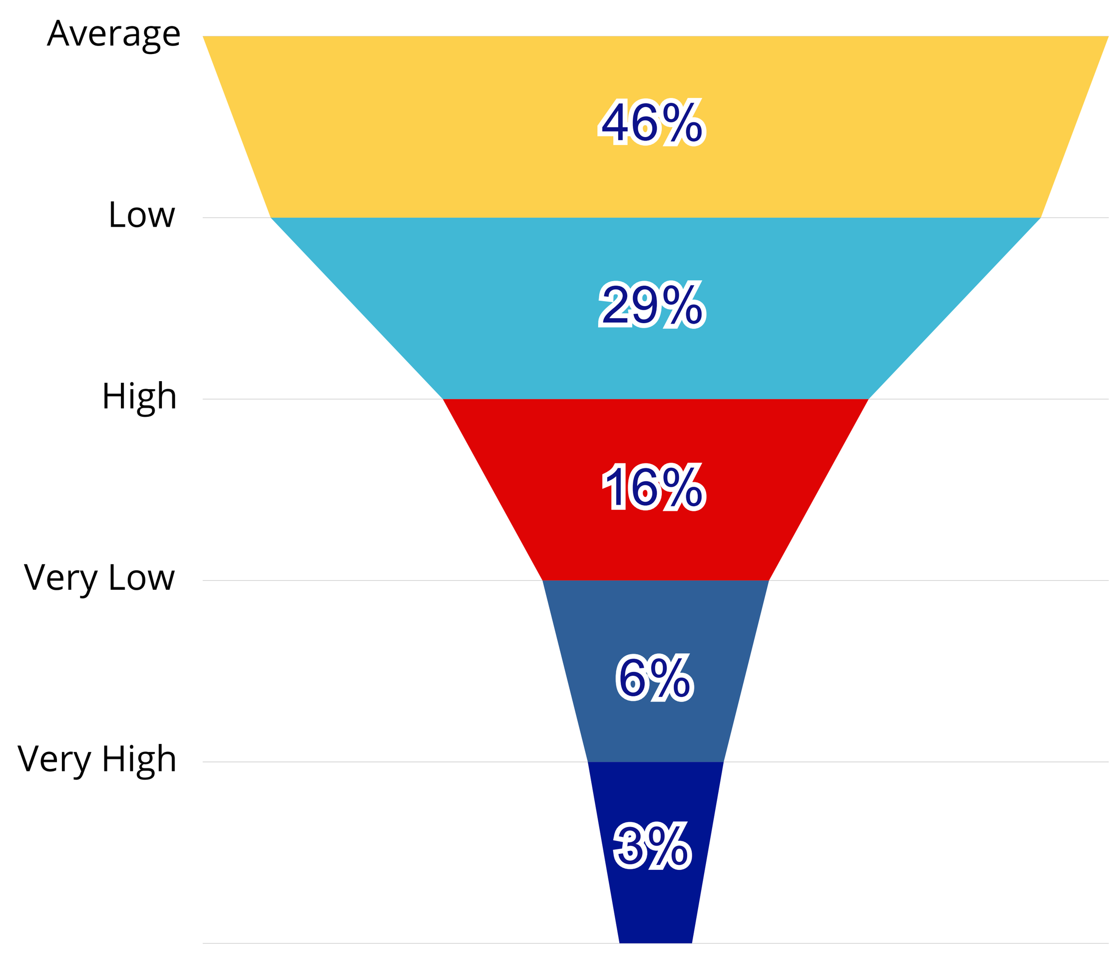

Figure-39: Banker's Level of Understanding of the Four Pillars In Trade Finance

Monitoring trade finance activities plays a role in the banking sector as it helps manage risks and ensure compliance with regulations. Banks must closely track the movement of funds, goods, documentations and adherence to the terms and conditions of trade finance instruments. This monitoring helps identify the critical control points and monitor critical elements like product, pricing, paperwork and payment. This can be effectively done through the use of the principles of trade finance monitoring like information, independence, interrogation, integration, Incoterms and inspection. When asked about their understanding of trade finance monitoring procedures 81% of participants reported having an average to very low level of understanding on how to effectively monitor international trade finance (refer to figure 40).

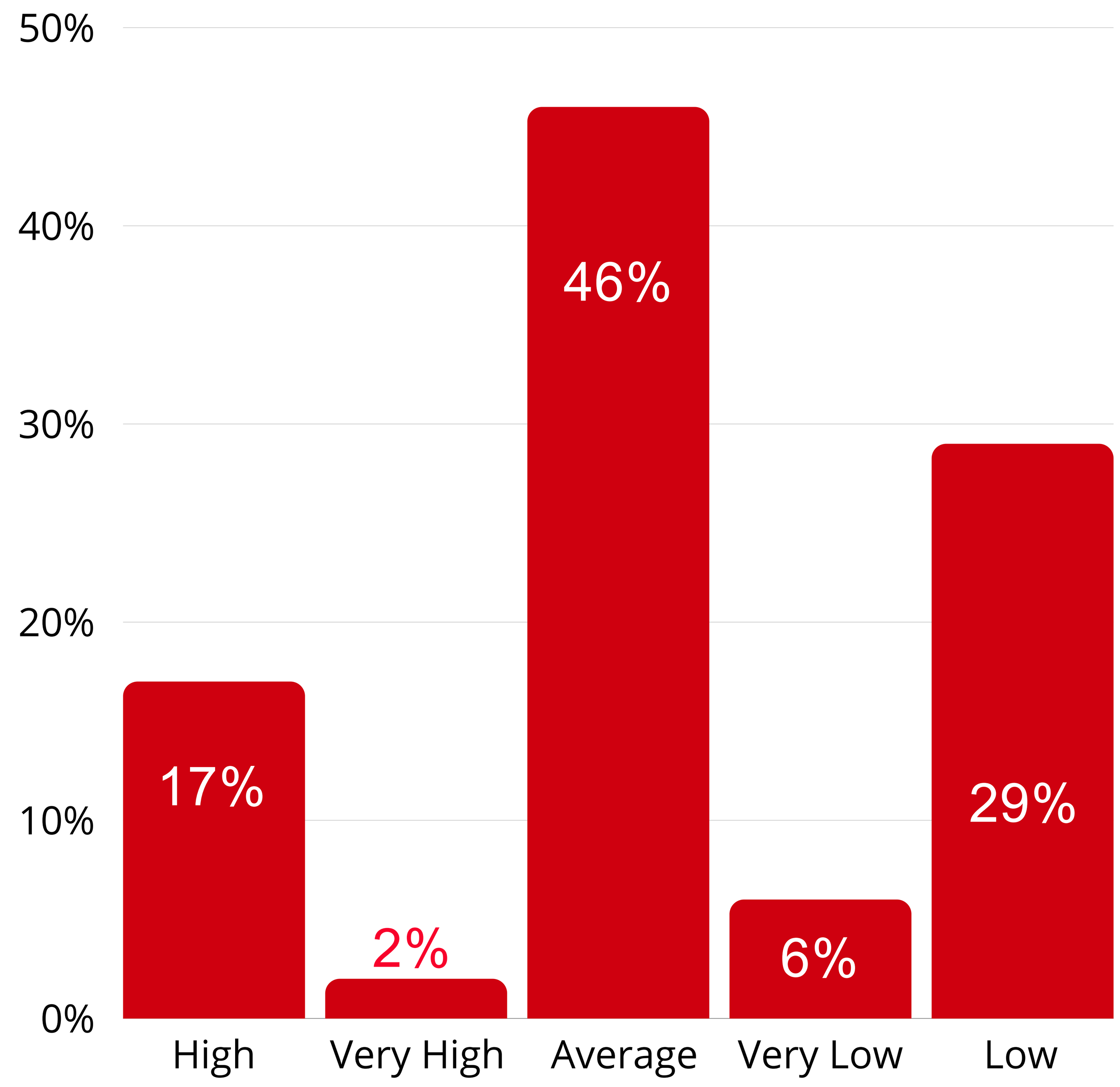

Figure-40: Banker's Level of Understanding of Trade Finance Monitoring

Structured trade finance is a specialized type of financing that is used to facilitate international trade transactions, particularly for complex or high-value deals. It involves the use of various trade finance instruments and options to mitigate risks and provide financing to importers and exporters. This type of finance typically involves using the goods as collateral and it is tailored to the specific needs of the parties involved in the trade transaction. Typical transactions encompass commodity financing, project finance, syndications for trade finance and structured trade products. Having an understanding of trade finance allows banks to meet the needs of traders engaged in complex trade operations and offer tailored financing solutions. When participants were asked about their understanding of trade finance, the feedback revealed that 81% had from average to a very low level of understanding of how to deploy structured trade finance solutions (refer to figure 41).

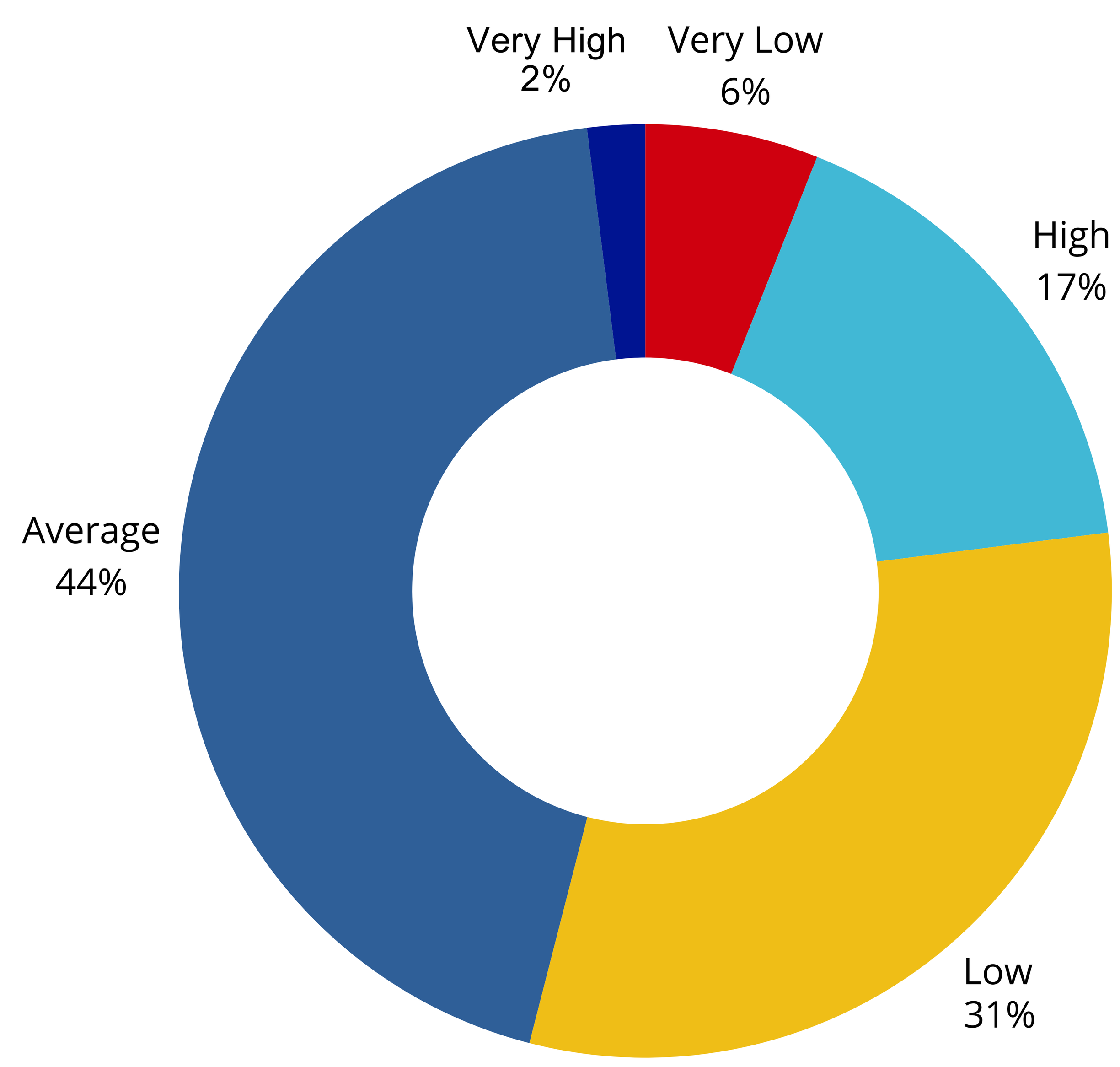

Figure-41: Banker's Level of Understanding of Structured Trade Finance

The lack of good understanding of trade finance options, trade finance monitoring, the pillars of trade finance and structured trade finance can have adverse effect when it comes to financing trade transactions. Some of these implications include:

1. Inadequate Financing Solutions: If banks lack an understanding of trade finance options, they may struggle to provide financing solutions that meet the specific needs of exporters and importers. This can lead to offering generic or suboptimal financing options that don't align well with the requirements of trade transactions. Consequently, it may result in inefficiencies, higher costs and missed opportunities to attract and retain customers.

2. Increased Exposure to Risks: Trade finance inherently involves risks such as credit risk, political risk, exchange risk and compliance risk. Lack of understanding of how to effectively monitor trade finance activities by banks may lead to overlooking these risks which can increase their exposure to losses in the transaction. Ultimately this could lead to losses, non-compliance with regulations and harm their reputations.

3. Compliance Challenges: Trade finance transactions are subject to compliance requirements both domestically and internationally. Banks lacking an understanding of trade finance monitoring and compliance obligations may fail to adhere to these requirements. Non-compliance could result in penalties, legal disputes, regulatory scrutiny, and all these damage the bank's reputation.

4. Missed Opportunities for Value Added Services: The pillars of trade finance encompass financing, risk mitigation, and related services. Without a good understanding of these pillars, banks may miss opportunities to provide value-added services such as trade advisory, trade information, and risk management solutions. These services can enhance customer relationships, differentiate the bank from competitors, and generate additional revenue streams.

5. Inefficient Structured Trade Finance: Structured trade finance involves transactions that demand knowledge and expertise. Banks that lack an understanding of trade finance may struggle to provide customized financing solutions for such transactions. This could lead to missed opportunities in financing trade deals and meeting the requirements of traders involved in complex trade transactions.

6. Reduced Competitiveness: Banks that lack a good understanding of trade finance options, trade finance monitoring, pillars of trade finance, and structured trade finance may face challenges in competing with other financial institutions that have a better understanding of these fundamental principles of trade finance. Competitors who can offer a range of trade solutions, effectively monitor trade finance activities and provide specialized services will enjoy a competitive advantage. As a result, there is potential for loss of market share as customers seek capable partners for their trade finance needs.

To address these negative implications, banks should prioritize training and education for their employees. It is essential for them to collaborate with trade finance professionals and industry associations and keep themselves informed about the advancements and recommended approaches in trade finance. Developing proficiency in trade finance options, trade finance monitoring principles, pillars of trade finance and structured trade finance is vital for banks to efficiently and effectively support trade transactions.

in conjunction with
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(TRADE PROFESSIONAL DEVELOPMENT MANAGEMENT PROGRAMME)
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• Prepared for Future of Trade Finance.
• Positioned for Relevance in Trade Finance.
• Outstanding Trade Finance Expert.
TARGET:
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• Credit Risk Officers.
• Trade Specialist.
• Trade Desk Officer.
• Trade Sales and Transaction Banking.
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$ 600
APPLICATION FEE
₦ 10,000
TUTORIAL FEE
₦ 100,000
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SECTION ELEVEN

THE TRADE CUSTOMER SERVICE

23 While bankers finance import and export transactions, about 75% have only average to very low levels of understanding regarding the risks and challenges associated with the businesses they finance.

THE TRADE CUSTOMER SERVICE

Importers and exporters encounter challenges during their transactions, which can impede the smooth progress of international trade finance. These hurdles are often referred to as the 5Ds of challenges faced by import export customers. Specifically, these challenges include delays, discrepancies, demurrage, detention and damages – all of which can result in debts incurred by stakeholders involved in trade transactions. Below are some challenges and their impacts, on trade transactions:

1. Compliance: Importers and exporters must navigate through documentation requirements while ensuring compliance with trade regulations, customs procedures and legal obligations. The challenge lies in understanding these requirements and preparing the documentation accurately and efficiently. Insufficient documentation or failure to comply may lead to customs clearance delays, penalties or even legal disputes. These delays and disputes can hinder the success of trade finance transactions by affecting cash flow increasing costs and damaging business relationships.

2. Supply Chain Management: Effective management of the supply chain is crucial for importers and exporters to ensure delivery of goods. Challenges such as shipping delays, inventory management issues and coordination problems in logistics can considerably impact the success of trade transactions. Ineffective management of the supply chain can lead to delays or failures in delivering goods, which can result in customer's financial setbacks and disruptions in the cash flow process. These issues directly impact the success of trade finance transactions since financing often relies on the completion of these transactions.

3. Disputes Related to Payments: Importers face risks such as non-payment or delayed payment from local buyers of imported goods while exporters face risks like non-payment or failure by buyers abroad to fulfill their obligations. These payment related risks can arise due to factors such as buyer insolvency, political instability or disagreements regarding product quality or delivery. Payment disputes and delays can cause strain for importers and exporters alike affecting their ability to meet commitments and increasing the risk of default. This hampers the success of trade finance transactions as banks may hesitate to provide financing due to heightened credit risk.

4. Currency Exchange and Risk Mitigation: Importers and exporters often engage in trade deals using foreign currencies. Fluctuations in currency exchange rates can significantly impact pricing, profitability and cash flow. The challenge lies in managing currency risk and mitigating exposure to volatility in exchange rates. Without strategies for hedging against these risks or access to hedging instruments, importers and exporters may face financial losses, increased expenses, or reduced profitability. These factors can hinder the execution of trade finance transactions causing uncertainties and risks for both parties involved. One major challenge is the occurrence of trade discrepancies and disputes.

5. Trade Discrepancies and Disputes: These discreancies could be related to product quality, quantity or delivery terms leading to disagreements and delays. Miscommunication, errors in documentation or differences in interpretation can contribute to these issues. Trade disputes may result in payment delays, legal battles, damaged relationships, and disruptions in trade finance transactions. Moreover, ongoing disputes could make banks hesitant to provide financing impacting the progress of trade finance transactions.

These operational challenges have an impact on trade finance by causing delays, increasing costs, affecting cash flow, raising credit risks and damaging business relationships. To overcome these obstacles and ensure the success of trade finance transactions, it is important to streamline documentation processes, improve supply chain management techniques, manage payment risks effectively through hedging strategies, and ensure prompt resolution of trade disputes when they arise.

The bankers were asked about their understanding of the challenges faced by customers involved in import and export activities. This knowledge is vital for bankers as they need to assist trade customers in resolving these issues especially when the bank is financing the trade transactions. The responses of the participants to this question showed that only 21% of the bankers have from high to very high level of understanding of export business challenges while only 25% of the bankers have from high to very high level of understanding of the challenges of import business. (refer to figures 42 and 43).

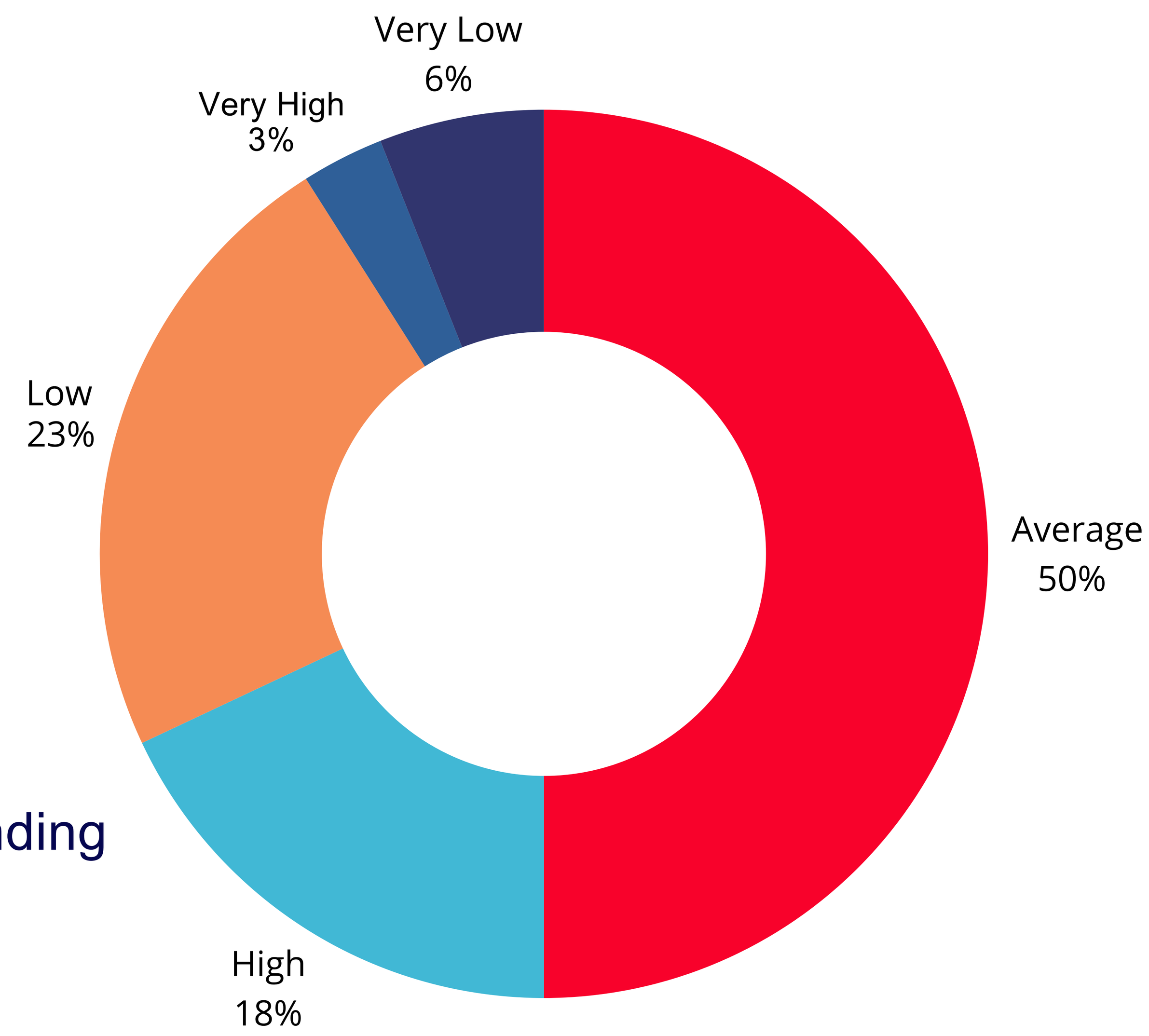

Figure-42: Banker's Level of Understanding of Export Business Challenges

THE TRADE CUSTOMER SERVICE

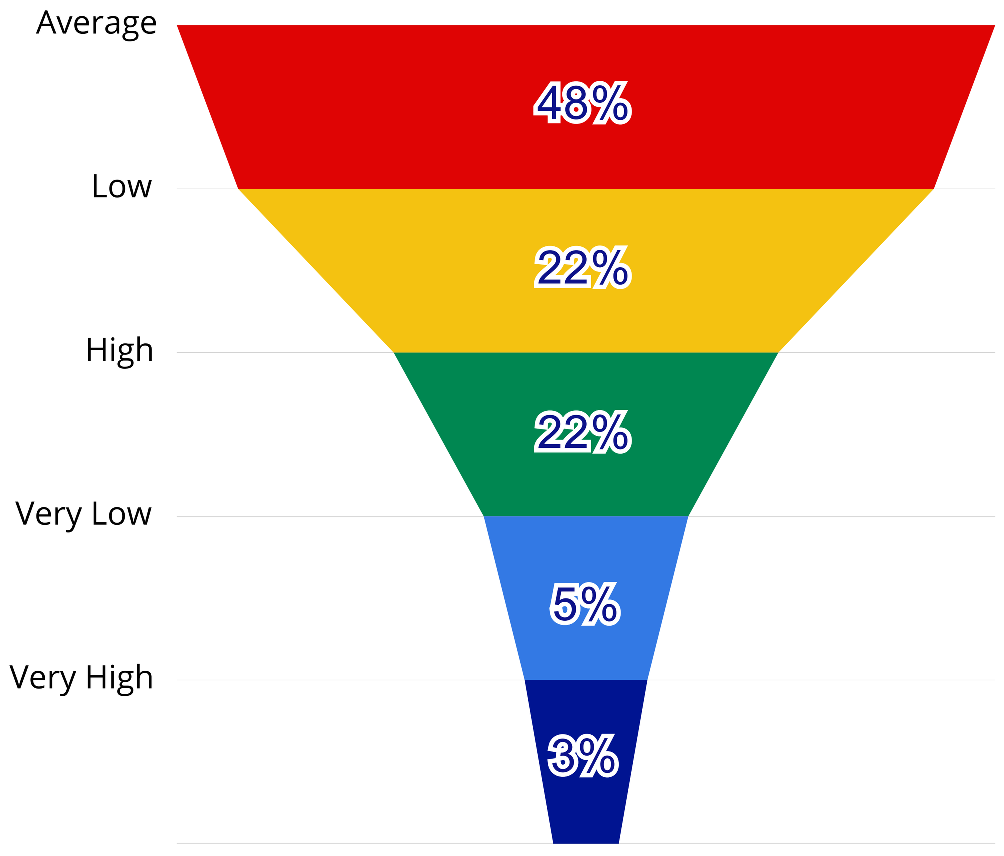

Figure-43: Banker's Level of Understanding of Import Business Challenges

The fact that bankers have very low level of understanding of the challenges of import and export businesses that they are financing explains the reason why they also have very low level of skills to help the importers and exporters solve the business problem. The feedback from the participants showed that only 20% of the respondents have from high to very high level of skills to help import trade customer resolve these challenges while only 17% of the respondents have from high to very high level of skills to help export trade customer resolve the challenges. (See figure-44 &45).

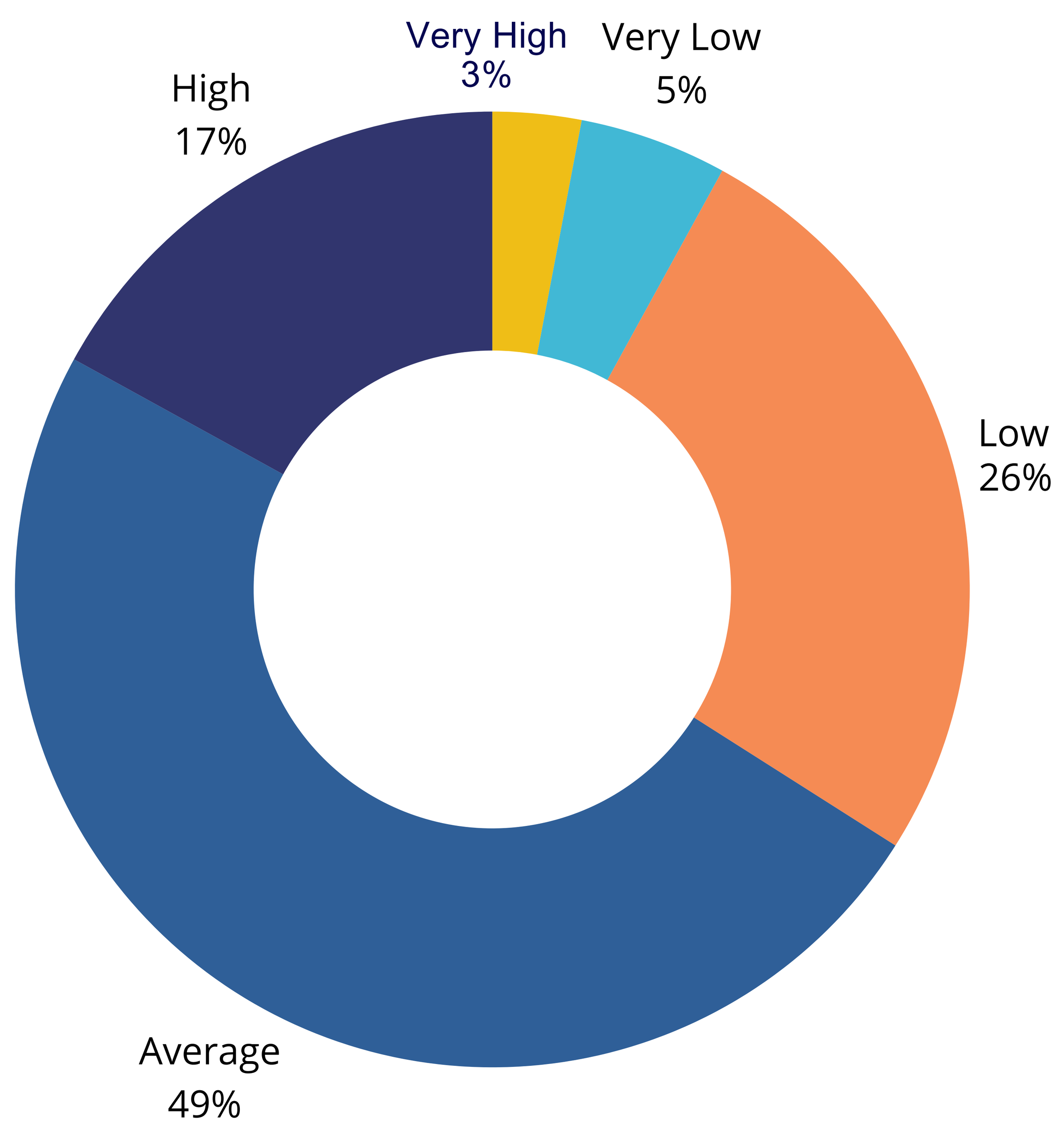

Figure-44: Banker's Level of Skills to Resolve Import Customers Challenges

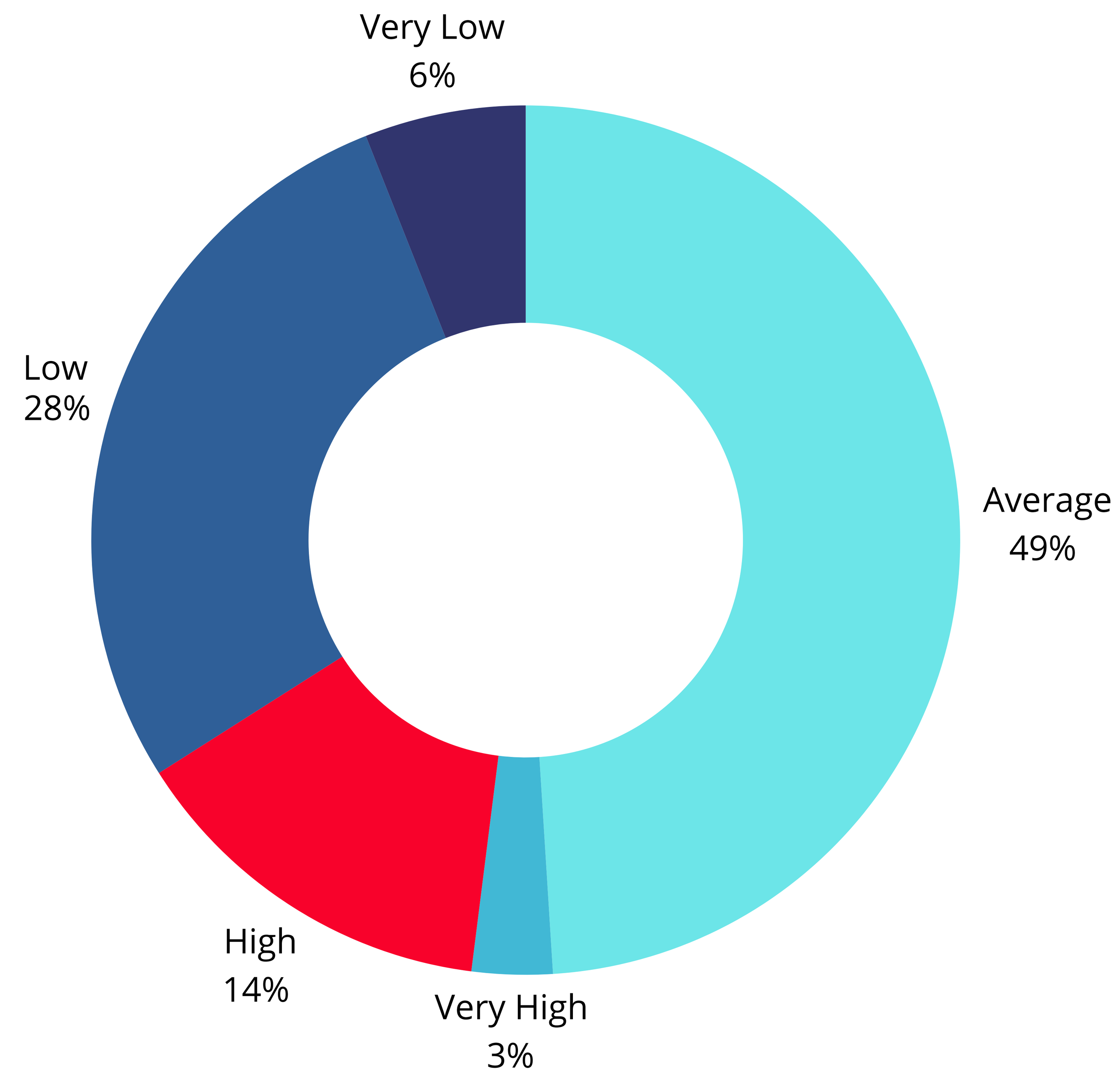

Figure-45: Banker's Level of Skills to Resolve Export Customers Challenges

The consequences of bankers lacking the expertise to tackle the difficulties faced by importers and exporters in financing trade transactions can be quite significant. Some of them include:

1. Inadequate Solutions: When bankers don't possess the skills, they might struggle to provide customized and effective solutions that address the specific operational challenges of importers and exporters. As a result, they may end up offering generic or suboptimal financing options that fail to tackle the complexities involved in trade transactions. This can lead to inefficiencies, losses and missed opportunities to support and retain customers.

2. Increased Risk Exposure: Operational challenges in trade transactions bring forth risks like delays, non-compliance issues or disputes. If bankers lack the required skills to handle these challenges they may overlook these risks. Consequently, both the bank and its customers could face increased exposure to risk. This heightened risk exposure could potentially result in losses, non-compliance with regulations, reputational damage, and strained customer relationships.

3. Loss of Competitiveness: The inability to resolve challenges puts a bank at risk of losing its edge. Competitors who possess the skills are better positioned to offer efficient and effective solutions that attract importers and exporters seeking knowledgeable partners for their trade finance needs. In summary it is crucial for bankers to have the expertise required for addressing challenges in trade finance as failing to do can lead to inadequate solutions, increased risk exposure for both banks and customers alike as well as a loss of competitiveness within the industry. This situation can lead to a decrease in the banks market share and missed opportunities to expand its trade finance business.

4. Dissatisfaction among Customers: Importers and exporters rely on banks for assistance in overcoming difficulties. If bankers lack the skills to address these challenges it may result in customer dissatisfaction with the banks services. This dissatisfaction can erode trust, reduce customer loyalty and prompt customers to switch to banking partners who can better resolve trade customer's challenges.

5. Lost Chances for Value Added Services: Dealing with obstacles goes beyond providing financing; it involves offering value added services like trade advice, supply chain solutions and risk management. If bankers lack the required expertise, they could miss opportunities to provide these services, which will not help to strengthen customer relationships and also unable to set the bank apart from its competitors.

6. Stunted Growth in Trade Finance Portfolio: Ineffectively addressing challenges can hinder the banks' ability to grow its trade finance portfolio. This is because importers and exporters may hesitate to engage in trade transactions with a bank that cannot adequately support their requirements.

To avoid all these negative implications, it is crucial for banks to invest in training and development programs. These programs will equip bankers with the skills and knowledge to resolve challenges in trade transactions. By becoming experts in areas, like trade finance operations, documentation, supply chain management, risk mitigation and dispute resolution, bankers can effectively assist importers and exporters in navigating the complexities of trade finance transactions. This does not just enhance customer satisfaction, it also mitigates risks and drives the success and growth of the banks trade finance business.

TRADE PROFESSIONAL DEVELOPMENT PROGRAMME

SECTION TWELVE

THE TRADE FINANCE RISK MANAGEMENT

24 Approximately 80% of the bankers possess average to very low levels of skills to mitigate risks and resolve challenges in the import and export transaction they finance.

THE TRADE FINANCE RISK MANAGEMENT

Import and export finance risk refers to the losses or uncertainties associated with trade transactions involving the importation and exportation of goods and services. These risks can affect the profitability and success of importers, exporters and other parties involved in international trade. Banks face several import finance risks when financing import transactions and some of these import finance risks include:

1. Credit Risk: Banks face the risk of importers defaulting on their loans or delaying payments. When extending credit to importers there is always a possibility that they may fail to repay the loan or delay payment. To mitigate credit risk, banks need to assess the creditworthiness of importers and implement risk management measures.

2. Country Risk: Banks face country related risks when financing imports from countries with instability, economic uncertainties or legal challenges. Changes in regulations import/export restrictions or currency controls can significantly impact import transactions and the ability of exporter's to ship the goods financed by the importer's bank. It is crucial for banks to evaluate and manage country risk effectively in order to safeguard their interests.

3. Currency Risk: Banks also face currency related risks when financing import transactions involving foreign currencies. Fluctuations in the exchange rates between the currency used locally and for payment of imported goods and have an impact on the profitability of a transaction and this can lead to exchange rate losses for the bank. To manage currency risk, banks often employ hedging instruments or other strategies to mitigate risks.

4. Documentation and Compliance Risk: Documentation and compliance risk is another concern that banks face in import transactions. Inadequate or non-compliant documentation can cause delays, penalties or even legal disputes. Banks must ensure that all import documentation is accurate, comprehensive and compliant with trade regulations and customs procedures. Failure to comply with these requirements can result in losses and damage to the banks reputation.

5. Operational Risk: Operational risks are also present when financing import transactions. These risks include disruptions in the supply chain, shipping delays and issues related to product quality. Such risks can impact the delivery of goods and affect the importers' ability to fulfill payment obligations. Banks must carefully manage risks associated with import transactions in order to safeguard their financial interests.

6. Interest Rate Risk: Interest rate risk is another challenge faced by banks when providing import finance to importer. Changes in interest rates can have an effect on funding costs, which may ultimately impact profitability. To mitigate this risk, banks must employ other risks management techniques.

7. Legal and Regulatory Risk: Legal and regulatory risks are a concern, for banks when they provide financing for import transactions in terms of adhering to anti-money laundering (AML) and know your customer (KYC) regulations. Failure to comply with these regulations can lead to penalties, damage to reputation or legal repercussions. Banks must establish systems and processes to ensure compliance with the laws and regulations.

When the survey participants were questioned about their understanding of the risks that banks face when financing import transactions, the results indicated that 26% of bankers possess from high to very high level of understanding of the import finance risk. It is not sufficient for bankers to simply understand these risks; they must also possess the skills to mitigate them effectively. To evaluate their skill levels in managing import financing risk, participants were asked a question, and the feedback revealed that only 21% of the participants have from high to very high level of skills to mitigate import finance risk. (See figure-46 & 47).

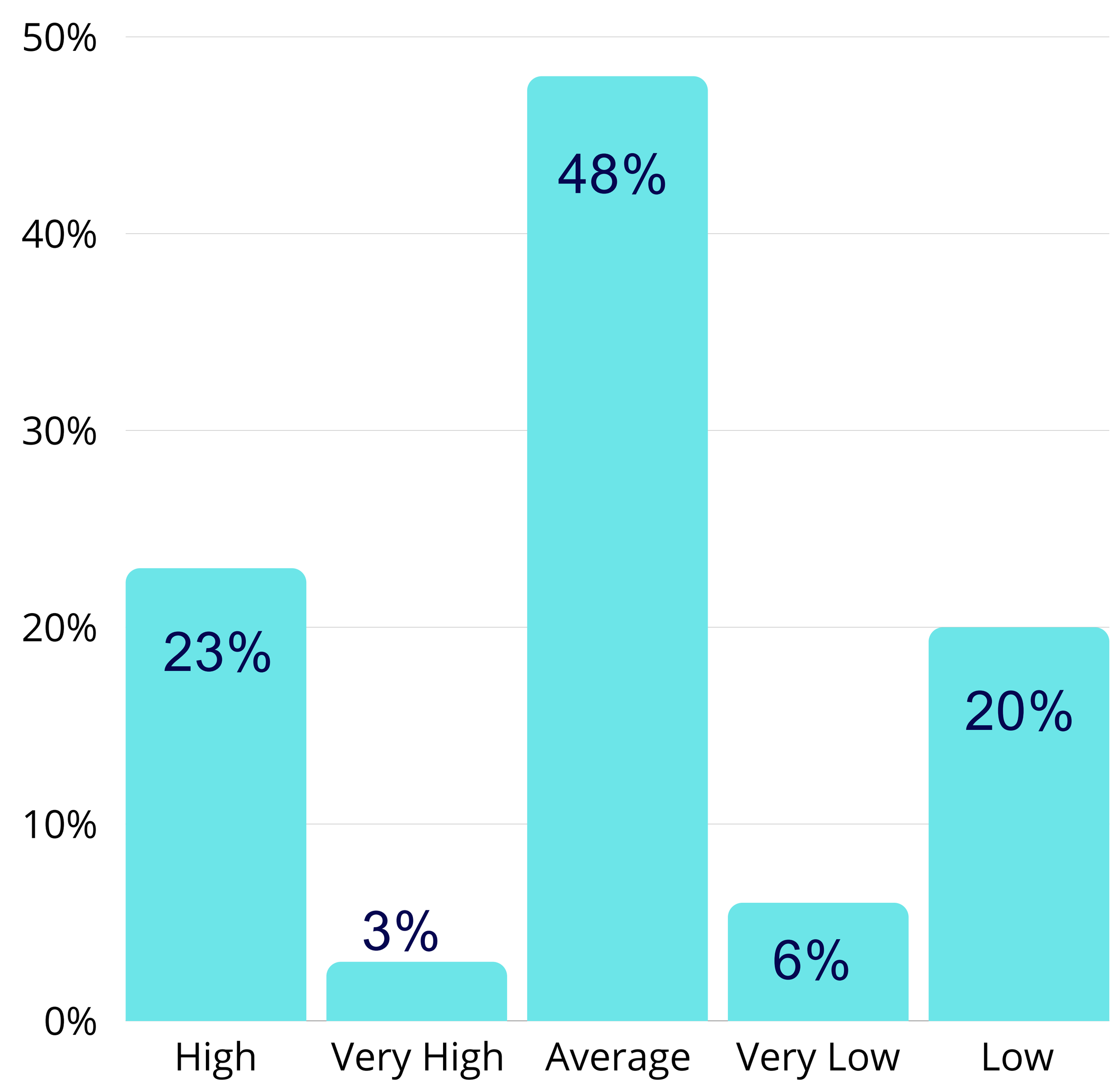

Figure-46: Banker's Level of Understanding of Import Finance Risk

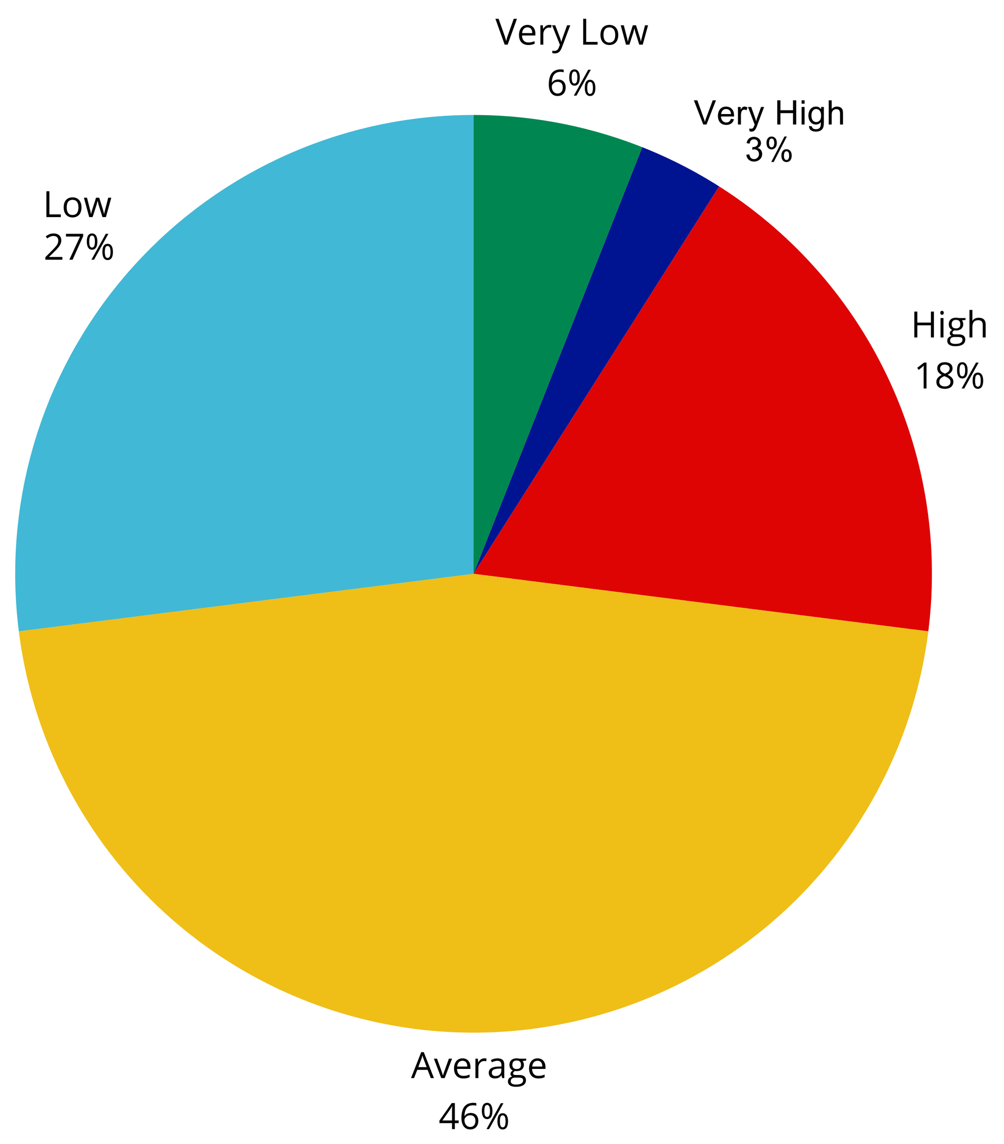

Figure-47: Banker's Level of Skills to Mitigate Import Finance Risk

Just like the import transactions which involves the inflow of goods and services into a country has inherent risks, export transactions also have inherent risks which a bank needs to mindful of when financing export transactions. These risks include but not limited the following:

1. Credit Risk: Banks face the possibility of foreign buyers not making payments or delaying payments. When offering export financing, banks can use letters of credit to secure the working capital loans to exporters. There is a chance that the foreign buyer might fail to make payment or delay it and this exposes the bank to credit risk. It is important for banks to evaluate the creditworthiness of buyers and implement measures to mitigate this risk.

2. Country Risk: Banks encounter country risk when financing export transactions with countries that have instability, economic uncertainties or legal challenges. Changes in regulations, foreign exchange controls or payment restrictions can impact the export transaction and hinders the ability of the foreign buyer to fulfill their payment obligations. Banks need to assess and manage country risk in order to safeguard their interests.

3. Currency Risk: Banks face currency risk when financing export transactions involving foreign currencies. Fluctuations in exchange rates between the currency in use in the local market and the settlement currency can affect the profitability of the transaction and this can lead to exchange rate losses for the bank. Banks may use hedging instruments or other risk mitigation strategies to manage currency risk.

4. Documentation and Compliance Risk: Another important export finance risk that a bank must watch out for, is the possibility of inadequate or non-compliant export documentation. This can result in delays, penalties or even legal disputes. To avoid these problems banks must ensure that their export documentation is accurate, complete and compliant with trade regulations, customs procedures and international trade rules. Failing to comply with these requirements can lead to losses and harm the bank's reputation.

5. Political and Trade Dispute Risk: Banks also face the risk of trade disputes between countries. These disputes can have an impact on export transactions. Changes in trade policies the imposition of tariffs or the establishment of trade barriers can affect not only the export transaction itself but the foreign buyer's ability to make payment. Therefore, banks need to monitor foreign trade news and evaluate how they may influence export finance.

6. Transport and Logistics Risk: Transportation and logistics risks are another concern for banks involved in exporting goods. Delays, damages or loss of goods, during shipment can jeopardize the completion of an export and hinders the foreign buyer's ability to fulfill payment obligations. As a result of this, it is crucial for banks to assess and manage these transport and logistics risks effectively in order to protect their interests.

7. Legal and Regulatory Risk: Legal and regulatory risks pose a challenge for banks involved in financing export transactions. These risks arise from the need to comply with export control regulations, sanctions regimes and anti-money laundering (AML) and know your customer (KYC) requirements. Failing to comply with these regulations can lead to penalties damage to the bank's reputation or even legal consequences. Therefore, banks must establish compliance frameworks to ensure adherence to all relevant laws and regulations.

Based on the feedback received from the participants it was observed that around 18% of bankers possess from high to very high level of understanding when it comes to the risks associated with financing export business transactions. To gauge their skill level in mitigating these risks, the bankers were asked to rank their abilities. The results indicated that 22% of the participants have from high to very high level of skills necessary to effectively mitigate such risks. This information is depicted in figures 47 and 48.

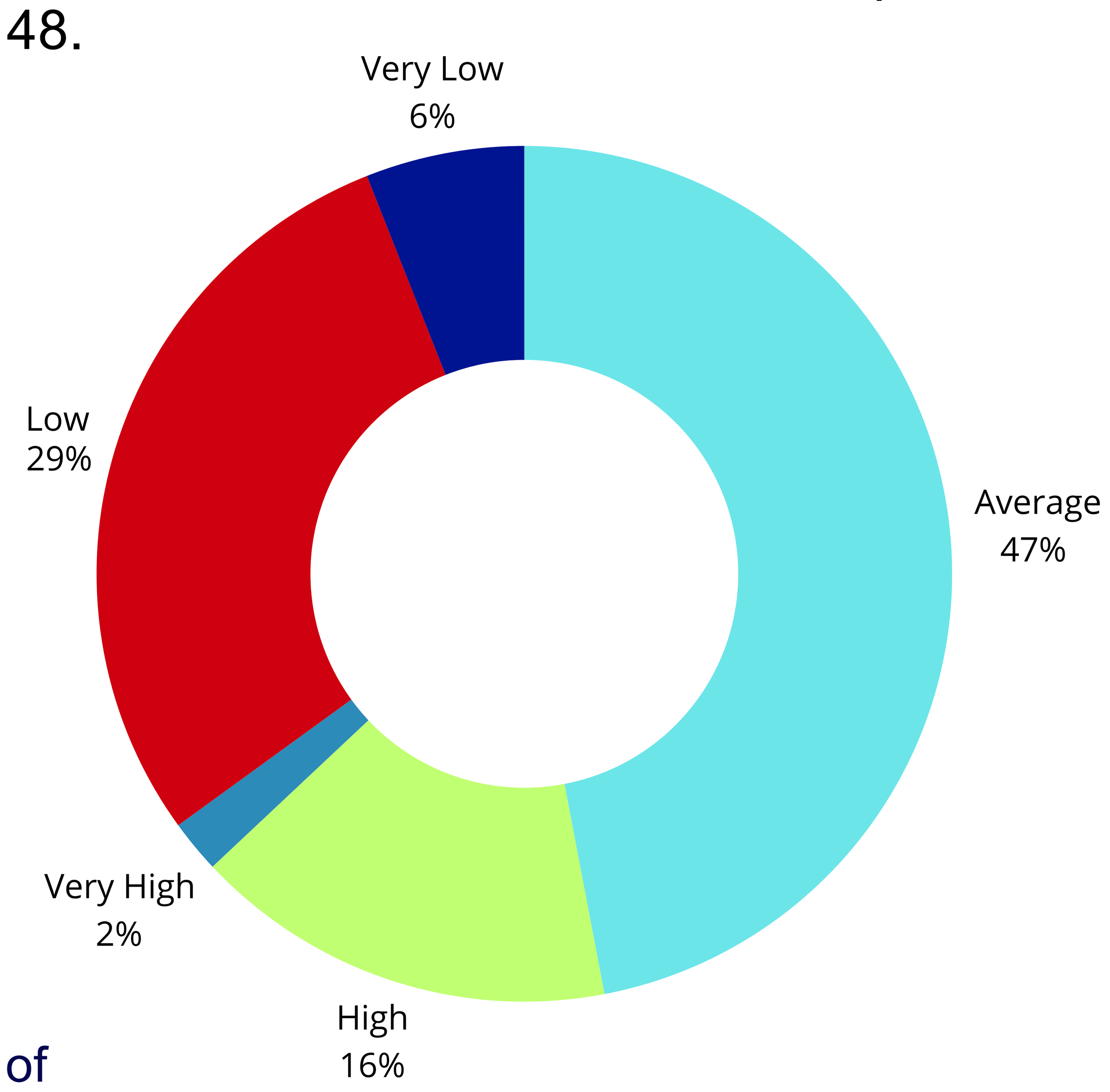

Figure-48: Banker's Level of Understanding of Export Finance Risk

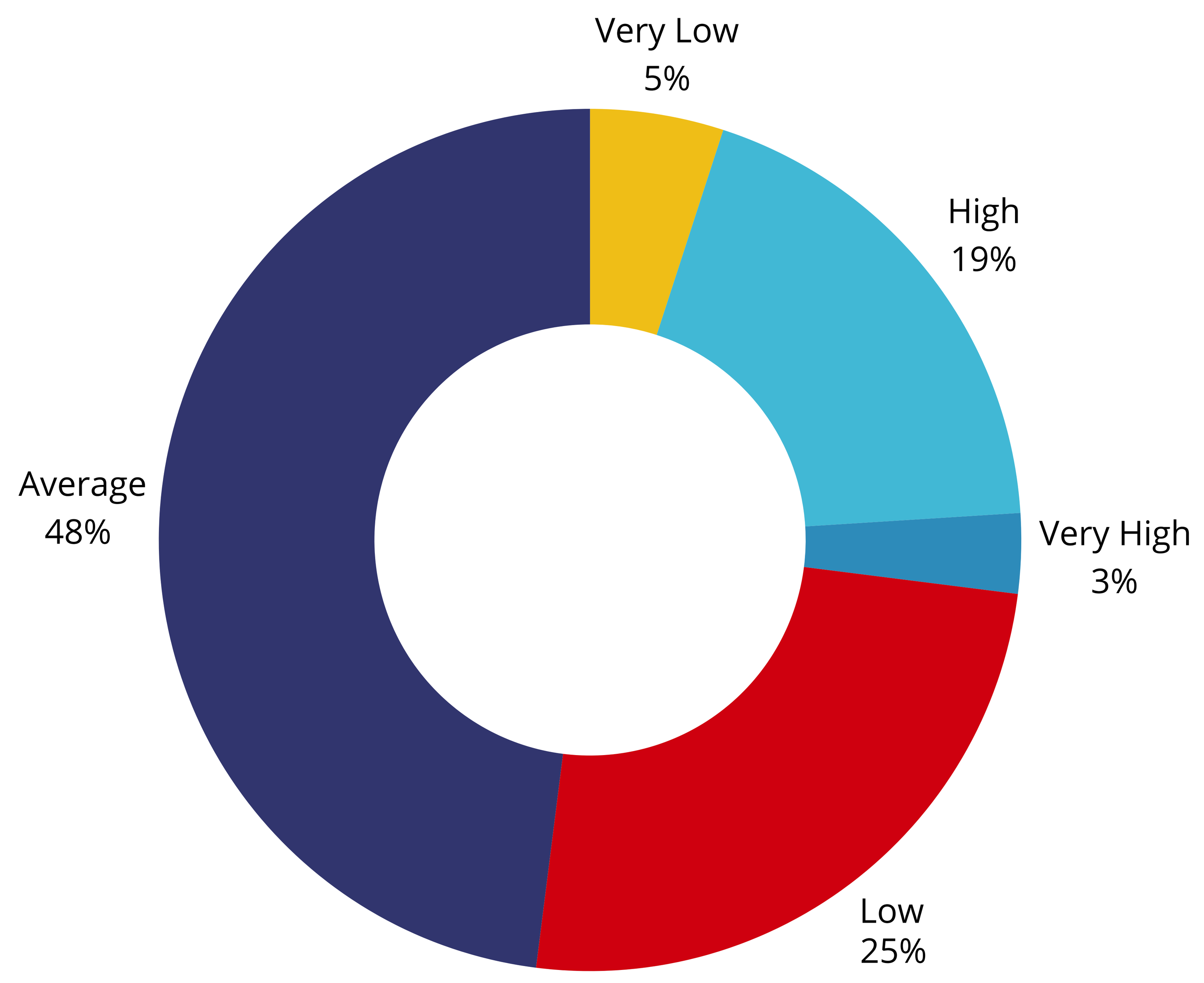

Figure-49: Banker's Level of Skills to Mitigate Export Finance Risk

The consequences of bankers lacking the skills to handle risks associated with import and export financing can have negative outcomes for both banks and the parties involved in trade transactions. Some of the negative effects of these on trade transactions include:

1. Increased Credit Losses: When banks lack the expertise to thoroughly assess and manage credit risks, they may experience instances of non-payment or delayed payment by importers or foreign buyers. This can lead to credit losses impacting the banks profitability and overall financial well-being.

2. Reduced Profitability: Insufficient risk management skills can lead banks to accepting high level of risk without implementing measures to mitigate them. As a result, profitability may decrease due to increased credit losses, higher default rates or unfavorable currency fluctuations that were not properly hedged.

3. Reputation Damage: Banks that consistently struggle with managing import and export financing risks are susceptible to reputation damage. Instances of delays or legal disputes arising from inadequate risk management practices can harm customer trust and loyalty, potentially resulting in a loss of business opportunities.

4. Legal and Compliance Issues: The lack of expertise in handling documentation and compliance risks exposes banks to regulatory problems. Consequetly, it is crucial for bankers to possess the skills needed to mitigate import and export financing risks effectively. Non-adherence to trade regulations, customs procedures or requirements related to money anti-laundering (AML) and know your customer (KYC) can have consequences such as penalties, legal disputes or damage to reputation.

5. Restricted Access to Funding: If banks consistently experience credit losses and demonstrate incompetence in risk management practices, they may face difficulties in accessing capital from investors or regulatory authorities. This can curtail their ability to offer financing for import and export transactions and impede business growth.

6. Decreased Customer Satisfaction: Importers and exporters rely on banks to provide dependable financing solutions for their trade transactions. If banks lack the expertise to effectively mitigate risks it can result in delays, disruptions or complications during the financing process. Consequently, this may lead to decreased customer satisfaction and a loss of trust in the banks capability to cater to their trade finance requirements.

7. Missed Business Opportunities: Inability to sufficiently address risks associated with import and export financing can lead banks to miss out on business opportunities. Importers and exporters might choose institutions that exhibit stronger risk management capabilities and causing the bank to lose potential clients and revenue.

In summary, if banks don't have the expertise to handle import and export financing risks, it can lead to credit losses, lower profitability, harm to their reputation, compliance problems, limited access to funds, decreased customer satisfaction and missed business prospects. It is crucial for banks to invest in developing the required skills and knowledge to manage these risks and secure their trade finance activities.


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SECTION THIRTEEN

THE **RECOMMENDATIONS** AND **CONCLUSION**

THE RECOMMENDATIONS FOR BANK MANAGEMENT

Management of banks should prioritize the skills and competencies of their staff when it comes to trade. This plays a role in enabling the staff to effectively and efficiently handle international trade operations and financing. To ensure bankers are well equipped with the skills, banks can consider implementing the following recommendations:

1. Comprehensive Training Programs: Develop training programs that cover aspects of trade finance including payment methods, risk management, trade documentation, compliance, trade rules and trade agreements. These programs should be tailored to different levels of expertise and provide a solid foundation of trade knowledge for bankers.

2. Specialized Courses and Certifications: Offer specialized courses and certifications that focus on areas such as letters of credit, bills of exchange, trade compliance and international trade regulations. These programs will help bankers acquire in depth knowledge and expertise in aspects of trade finance.

3. External Training and Workshops: Sponsor bankers to attend training programs, workshops and seminars organized by trade finance organizations, industry associations or regulatory bodies. These external opportunities provide exposure to the trends, best practices and regulatory updates, in trade financing. By implementing these measures banks can enhance their staff's abilities in handling trade transactions while keeping up with industry standards.

4. Cross-Functional Exposure: Encourage bankers to broaden their knowledge by allowing them to work in departments related to trade finance, such, as compliance, risk management and documentation. This exposure will give them an understanding of the trade finance ecosystem and improve their abilities in handling various aspects of international trade financing.

5. Mentorship and Coaching: Implement mentorship programs where experienced trade finance professionals can provide guidance and support to bankers. This mentorship will offer insights, practical knowledge and assistance in managing trade finance transactions and relevant regulations.

6. Collaboration with Trade Finance Experts: Foster partnerships with trade finance experts, consultants or advisory firms. These collaborations may include sharing knowledge through conducting research on projects or organizing expert led training programs to enhance bankers understanding of trade finance and its various components.

7. Continuous Learning and Development: Promote learning and development among bankers by providing access to industry publications, research papers, webinars and conferences related to trade finance. This ensures that they stay updated with the trends in trade, regulatory changes and trade agreements.

8. Technology Adoption and Training: Invest in technology platforms and systems that streamline the processes involved in trade finance while automating documentation reviews, compliance checks and risk management procedures. To ensure bankers can effectively utilize technology to improve the efficiency and accuracy of trade finance operations it is crucial to provide them with training on these systems.

9. Regular Internal Knowledge Sharing Sessions: Encourage internal knowledge sharing sessions on a regular basis where bankers have the opportunity to present case studies, share insights and discuss challenges related to trade finance. This fosters a collaboration, promotes peer learning, allowing bankers to enhance their skills through shared experiences.

10. Performance Evaluation and Recognition: Incorporate trade finance knowledge into the performance evaluation criteria for bankers. Reward those who demonstrate skills and contribute to the bank's success in international trade financing. This serves as motivation for bankers to continuously improve their expertise and stay updated with the changing landscape of trade finance.

By implementing these recommendations, bank's management can equip bankers with the skills, knowledge and expertise in aspects of international trade operations and financing. This will position our bank to provide efficient trade finance services while effectively managing risks and capitalizing on emerging opportunities in international trade.

THE RECOMMENDATIONS FOR BANK REGULATORS

To ensure that banks management adequately trains their staff in handling all aspects of trade finance such as payment methods, pillars of trade finance, risk management, trade documentation, trade compliance, and regulations, trade rules and market trends, government entities and banking regulators like the Central Bank of Nigeria can consider the following recommendations:

1. Establish Clear Regulatory Frameworks and Guidelines: Governments and banking regulators should create frameworks and guidelines that outline the required skills and knowledge for bank personnel engaged in international trade financing. These guidelines should cover areas like payment methods, trade finance instruments, risk management practices, documentation procedures, compliance measures and trade regulations. By implementing defined regulations, a standard will be set for banks to adhere to when building the capacity of their staff to handle trade transactions.

2. Promote Continuous Professional Development: Governments and banking regulators should encourage banks to prioritize development for their employees. This can be achieved by incentivizing or mandating training programs specifically tailored to trade financing. By doing this, bank staff will stay updated with the industry trends, regulations, and best practices.

3. Foster Collaboration with Industry Associations and Trade Bodies: Governments and banking regulators should foster partnerships with industry associations and trade bodies involved in international trade and financing. These organizations can play a role in offering training and certification programs for bank's employees. Governments and regulators can show their support by acknowledging and promoting the programs provided by these associations.

4. Audits and Evaluations: It is important for governments and bank regulators to regularly conduct audits and evaluations to assess whether banks are adequately equipping their staff with the skills in international trade financing. These assessments can evaluate the effectiveness of training programs, certifications and opportunities for growth offered by banks. The findings from these evaluations can help identify areas for improvement and provide guidance to banks on how they can enhance their staff's skills.

5. Collaboration between Regulators and Banks: Governments and bank regulators should foster collaboration with banks to establish industry standards, guidelines and training programs. This collaboration ensures that banks have a say in shaping requirements while ensuring that the training programs are practical and align with industry needs. By working with regulators, banks create an environment for developing skilled staff in international trade financing.

By implementing these suggestions, governments and bank regulators can encourage bank management to prioritize the development of their staffs skill's in handling trade operations and financing. This will help strengthen the banking industry by providing it with the tools to effectively assist and facilitate trade transactions while ensuring adherence to regulations and industry standards.

THE RECOMMENDATIONS FOR BANKERS

It is crucial for bankers to take control of their career development than relying solely on their management and regulators. Rather than investing in liabilities, bankers need to begin to prioritize the development of their skills and competencies in order to increase their productivity in the area of international trade and financing. To equip themselves with the necessary skills in handling the various areas of international trade and finance, the bankers can consider the following recommendations:

1. Embrace Continuous Learning and Professional Development: Recognize the significance of learning and professional growth in the realm of trade financing. Actively seek out training programs, workshops, webinars and conferences that delve into payment methods, trade finance instruments, risk management, documentation requirements, compliance rules, changes in trade agreements and emerging best practices.

2, Pursue Specialized Certifications and Courses: Seek out certifications and courses that specifically focus on topics related to trade financing. These certifications can provide knowledge and expertise in areas such, as letters of credit, bills of exchange, trade compliance regulations as well as international trade laws. Look for institutions or organizations offering these certifications and enroll for programs.

3. Networking and Collaboration: Engage in networking and collaborating with professionals, trade finance experts and fellow bankers. Attend industry events, become a member of trade finance associations and actively participate in trade forums or communities. Interacting with peers and experts can offer insights, opportunities for knowledge sharing and practical experiences when dealing with trade finance transactions.

4. On the Job Learning and Mentoring: Look for chances to learn on the job and seek guidance from trade finance professionals within your organization or industry. Collaborate closely with them as they can provide mentorship in different aspects of trade financing. Learn from their wealth of experience, ask questions and seek advice on real world scenarios and challenges.

Besides these recommendations, it's crucial for bankers to maintain curiosity, proactiveness and adaptability in their approach to learning.

The field of trade financing is constantly evolving, making self-education essential to stay updated on changing regulations, market trends and global trade dynamics.

By equipping themselves with the skills, bankers can enhance their expertise while providing service to clients and contributing to the success of their banks in international trade.

CONCLUSION

The outcome of this research has demonstrated beyond every reasonable doubt that most bankers that participated in the survey and by extension most bankers in the banking industry do not have a good understanding of the various aspects of international trade. The survey also showed that most of the bankers do not have enough skills and competences required to effectively and efficiently finance international trade. This probably explains the reasons why the volume of international trade finance transactions in Nigeria is very low when compared to other developing countries of equal or even lower populations like South Africa.

The survey outcome highlighting the low level of understanding and skills among bankers in payment methods, trade finance, risk management, trade documentation, trade compliance, trade rules, trade trends, and trade agreements paints a worrisome picture for the banking sector and the Nigerian economy as a whole. This lack of knowledge and expertise has a negative impact on both the banks and the overall trade volume in Nigeria.

The inadequate understanding of payment methods, trade finance, and risk management exposes banks to higher financial risks. Banks play a crucial role in facilitating international trade transactions by providing financing and managing associated risks. Without a strong grasp of these concepts, banks may struggle to accurately assess the creditworthiness of borrowers, leading to potential default and financial losses. This thus undermines the stability and profitability of the banks but also erodes confidence in the financial system as a whole.

Furthermore, the lack of proficiency in trade documentation, compliance, and trade rules can result in delays, errors, and non-compliance with regulatory requirements. This can lead to disruptions in trade transactions, damage the reputation of banks, and deter foreign businesses from engaging in trade with Nigerian counterparts. As a result, the volume of international trade finance transactions in Nigeria remains significantly low compared to other developing countries.

The limited understanding of trade agreements and trade trends also hampers the ability of Nigerian banks to capitalize on emerging opportunities in the global trade market.

Trade agreements provide favorable conditions for international trade, such as reduced tariffs and streamlined customs procedures. Without a comprehensive understanding of these agreements, banks may miss out on potential benefits and fail to offer competitive financing options to businesses engaged in international trade using such agreement.

The impact of the low level of understanding and trade skills among bankers on the Nigerian economy is substantial. A robust and competent banking sector is essential for economic growth and development. Without skilled bankers who can effectively handle payment methods, trade finance, risk management, trade documentation, trade compliance, trade rules, trade trends, and trade agreements the trade sector of Nigerian economy will be unable to grow because:

The inefficiency and ineffectiveness in processing trade transactions can deter investors and businesses from engaging in International trade. This is the current situation among many businesses who are importers in Nigeria. The lack of confidence in the level of advisory and support they can get from their banks is making them to be reluctant to heed to the advice of their banker to do export business as a source of solving their foreign exchange shortage. This leads to missed opportunities for growth, reduced direct investment and limited expansion of trade networks.

The low level of understanding and skills among bankers contributes to a lack of trust and confidence in the Nigerian banking system, both domestically and internationally. Foreign businesses and investors prefer to work with banks that have a strong reputation for expertise and professionalism in international trade finance. The perception of inadequate knowledge and skills can lead to a reluctance to engage in trade with Nigerian banks, further limiting the volume of international trade finance transactions.

In conclusion, the survey outcome revealing the low level of understanding and skills among bankers in payment methods, trade finance, risk management, trade documentation, trade compliance, trade rules, trade trends, and trade agreements has a negative impact on both the banks and the Nigerian economy. The lack of proficiency in these areas exposes banks to financial risks, disrupts trade transactions, and hampers the growth of the banking sector and the overall trade volume of the country. Addressing this issue requires significant investment in training, education, and professional development to equip bankers with the necessary expertise to navigate the complexities of international trade finance. Only then can the banking sector effectively support businesses engaged in international trade and significantly contribute to the growth and development of the Nigerian economy.


AIES
ACTS
AIES ROUTE TO QUALIFYING FOR ACTS
(American Chartered Trade Specialist)
100
CTE POINTS
40
Executive Diploma in Export Business Management or Executive Diploma in Export Trade Finance
+
15
Certified Specialist in Trade Finance
+
15
Certified Advanced Trade Professional or Certified Global Trade Management Professional
+
15
Certified Intermediate Trade Professional or Certified Trade Logistics & Supply Chain Manager
+
15
Certified Basic Trade Professionals
01
02
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TEL: +234 809 200 0424
EMAIL: tradeacademy@3timpex.com
BLOG: www.3timpexglobal.com/blog
WEBSITE: www.3timpexglobal.com

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3T Impex Trade Center
11B, Bola Shadipe Street, off
Adelabu St, Surulere, Lagos.

AUTHOR:

Bamidele Ayemibo (Ph.D)