



Trade Finance
Facilitation Program (TFFP)



Inter-American Development Bank
Structured and Corporate Finance Department
Financial Markets Division

A faint, light blue world map is visible in the background of the page. The map shows the outlines of continents and is composed of a grid of small squares.

**Borrowing
Member Countries:**

Argentina
Bahamas
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Suriname
Trinidad and Tobago
Uruguay
Venezuela

**Non-borrowing
Member Countries:**

Austria
Belgium
Canada
Croatia
Denmark
Finland
France
Germany
Israel
Italy
Japan
Korea, Republic of
Netherlands
Norway
Portugal
Slovenia
Spain
Sweden
Switzerland
United Kingdom
United States



Background

IDB support for trade

As the main multilateral institution of the Latin American and Caribbean (LAC) region, the Inter-American Development Bank (IDB) is dedicated to foster and accelerate the region's economic and social development. The IDB considers trade activities to be crucial for the growth of local, national and regional economies in LAC countries. Complementing the IDB's broader strategy to support trade and the financial sectors on all levels, the Regional Trade Finance Facilitation Program (TFFP) has been supporting the LAC region's external sectors since 2005, by diversifying and stabilizing the supply of trade finance to the region's banks.

TFFP's value-added

PLAY A COUNTER-CYCLICAL ROLE:

1

During times of volatile capital flows, international banks are often required to:

- Increase confirmation fees or loan margins, and/or
- Reduce, freeze or cancel bank and/or country limits...
...which can
- Result in difficulties for local banks to provide trade financing to their clients.
- Hinder a country's prospects for economic recovery and growth.



By providing risk cover on trade finance transactions, TFFP guarantees help keep trade flows open and provide liquidity during times of economic difficulty.



ASSIST BANKS IN LATIN AMERICA AND THE CARIBBEAN (LAC):

2

- To broaden and diversify their international funding/financing sources base.
- To expand trade finance activities for the benefit of their exporting and importing clients.
- To establish relationships with new correspondent banks by giving them access to the TFFP network of Confirming Banks – especially valuable for smaller banks and banks in smaller countries.



The TFFP opens doors for LAC banks.



ASSIST INTERNATIONAL BANKS:

3

- The risk cover provided by TFFP guarantees helps quickly establish a relationship with TFFP Issuing Banks, with the possibility of gradually taking more direct risk as the business experience proves positive.
- TFFP guarantees allow the Confirming Banks to overcome country and/or individual bank risk exposure restrictions, which are also in many cases affected by changing Basel II rating and capital requirement considerations.



The TFFP helps Confirming Banks increase trade finance activities with the LAC region.



SUPPORT TRADE AND GLOBAL INTEGRATION:

4

Support trade:

- Between LAC and the rest of the world.
- Within the region itself, by encouraging LAC banks to join and act not only as Issuing, but also as Confirming Banks.


The TFFP's supply-side support to LAC banks increases, stabilizes and deepens the reach of trade finance in the LAC region, which:

- Helps LAC exporters better take advantage of the region's competitive advantages.
- Facilitates imports for supply of capital goods (fostering local production) and affordable consumer goods (welfare impact);
- Strengthens the LAC region's competitiveness.



The TFFP fosters LAC trade and helps level the playing field for international trade.





Program characteristics

Nature:

Under the TFFP, the IDB extends Credit Guarantees (“CGs”) in the form of Stand-by Letters of Credit (Stand-by L/Cs) in favor of Confirming Banks, to cover the risk they take on eligible trade financing instruments issued by LAC Issuing Banks.

Participants (see also “Who can join” section):

Issuing Banks: Private or state-owned banks incorporated in IDB Borrowing Member Countries.

Confirming Banks: Any international or regional bank compliant with IDB integrity standards, and with recognized track record in international trade financing.

Tenor (individual transactions):

Up to 3 years - depending on underlying transaction, country risk factors and Issuing Bank’s credit profile.

Coverage level:

Up to 100% per individual transaction.

Eligible transactions:

Trade finance instruments related to:

- Exports from IDB Borrowing Member Countries to any other country.
- Imports to IDB Borrowing Member Countries from any IDB (Borrowing or Non-Borrowing) Member Country.

Typical eligible instruments include:

- (i) Documentary Letters of Credit;
- (ii) Export and import financing funded by Confirming Banks;
- (iii) International Guarantees (Bid, Performance, Advance Payment Bonds) and Stand-by L/Cs.

Costs:

- No joining costs.
- TFFP Guarantee fees based on market pricing, derived from Confirming Bank’s transaction spread/fee.





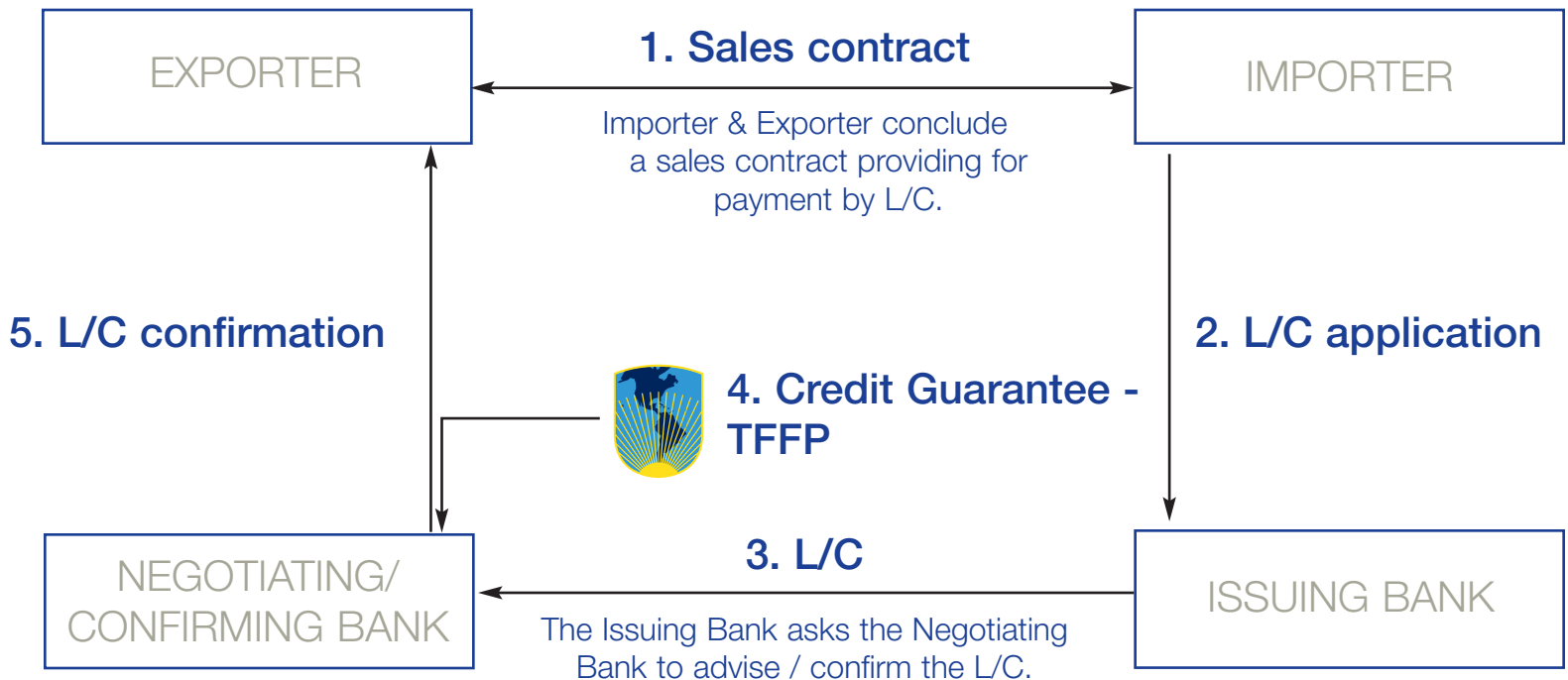
Typical transaction process

1. Confirming or Issuing Bank contacts IDB TFFP team.
2. Transaction, tenor & pricing agreed between all three parties; reference: prevailing market pricing.
3. SWIFT application sent to IDB.
4. Normally processed by IDB in 24 to 48 hours.
5. IDB sends SWIFT CG (on-demand guarantee) in the form of Stand-by L/C to Confirming Bank.

Transaction schemes

(example)

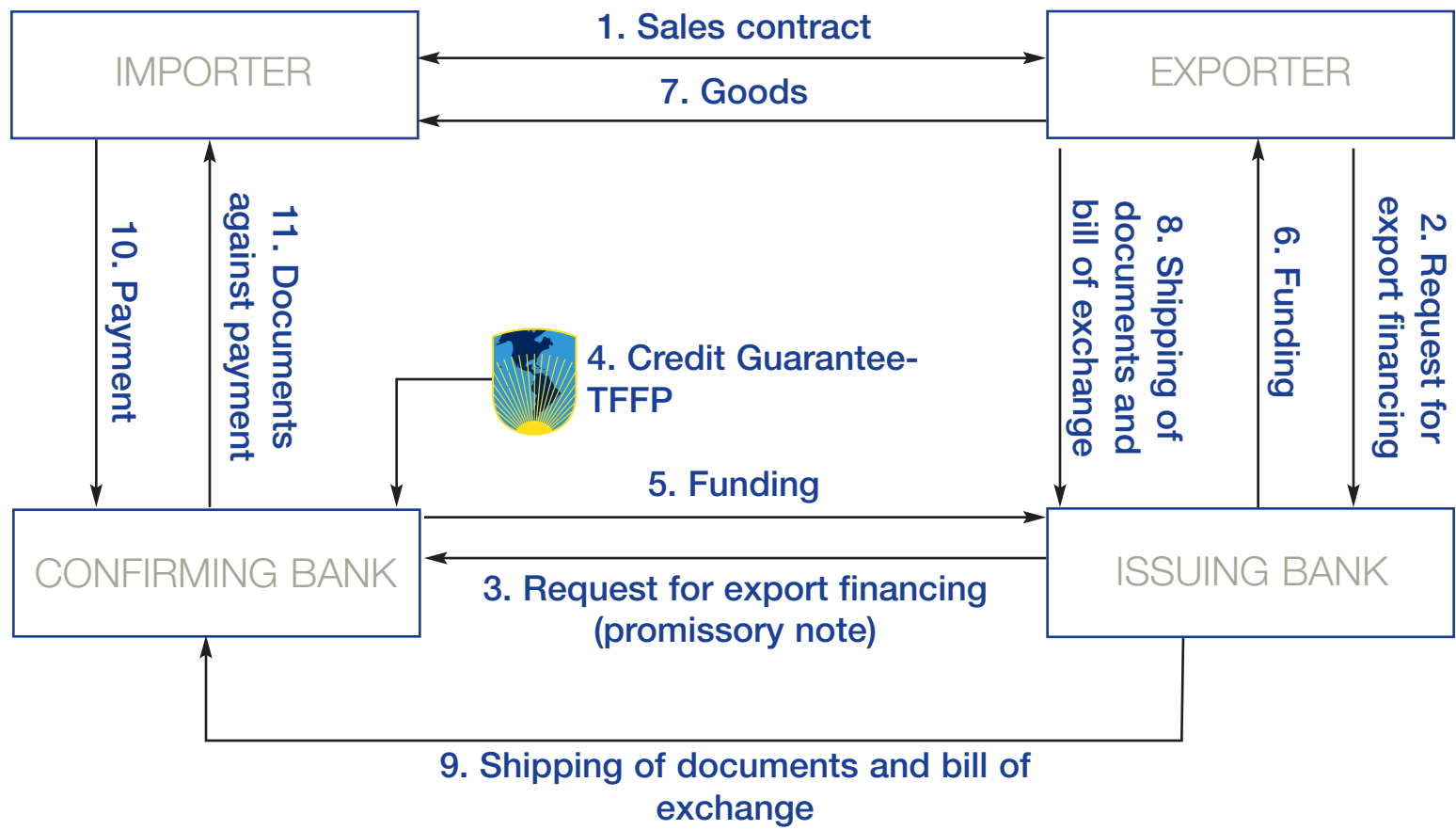
Documentary credits:
L/C Confirmation – Imports





Transaction schemes

(example)
Export financing:
Promissory notes





1) Who can join

Issuing Banks

- Private or state-owned banks incorporated in IDB's 26 Borrowing Member Countries.
- Demonstrated track record in trade financing activities.
- Established relationships with international correspondent banks.
- Satisfactory creditworthiness based on the application of a standardized risk assessment methodology.
- Compliance with customary environmental, social, labor and health & safety and IDB integrity requirements.

Confirming Banks

- Any international or regional bank compliant with IDB integrity standards, and with recognized track record in international trade financing.



2) How to join

Contact the TFFP Team:

Trade Finance Facilitation Program (TFFP)
Financial Markets Division
Structured and Corporate Finance Department
Inter-American Development Bank
Fax: +1 202 623 3319
E-mail: TFFP@iadb.org
www.iadb.org/scf

Joao Viane da Silva
+1 202 623 1352 – joaov@iadb.org

Ulrike Aulestia Vargas
+1 202 623 3298 – ulrieka@iadb.org

Daniel Fonseca
+1 202 623 3451 – danielfo@iadb.org





Inter-American Development Bank
Structured and Corporate Finance Department
1300 New York Ave., N.W
Washington, D.C. 20577
USA

scf@iadb.org
www.iadb.org/scf

Structured and Corporate Finance Department
Hans Schulz
Manager
Tel. +1 202 623 3702

Corporate Finance Division
Warren Weissman
Division Chief
Tel. +1 202 623 3784

Financial Markets Division
Daniela Carrera Marquis
Division Chief
Tel. +1 202 623 1088

Infrastructure Division
Jean-Marc Aboussouan
Division Chief
Tel. +1 202 623 3665

Syndications Unit
Jozef Henriquez
Unit Chief
Tel: +1 202 623 1424