Commodity Finance
Client proposition within HSBC focusing on commodity players across supply chains

- Diversify our products to best support corporate customers in the supply chains.
- Commodity customers include: producers, merchants and processors across the three main commodity groups (energy, metals and softs).
- Solid support is provided through trade finance instruments and structured trade finance instruments.

Performance based transactions:
  - Pre-export finance facility
  - Prepayment facility

Commodity Transactional Financing:
  - Letters of Credit
  - Short term trade loans

Borrowing based transactions:
  - Inventory finance
  - Receivables finance

Risk-management/ Receivables-management:
  - L/C confirmation
  - Discounting L/C
Commodity Coverage

- We are strategically located where the majority of the key commodity hubs are, thus allowing us to service the complete commodity value chain.
Key Challenges in Warehouse Financing

**COST**
- Warehouse management cost
- Investment cost for relevant systems
- Other costs: Legal Consulting

**HUMAN RESOURCES**
- Bank staffs
- Third party partner (Warehouse manager)

**COMMODITY RISK**
- Concern on commodity perishability
- Liquidity Risk of commodity

**AVAILABILITY**
- Limited players in CMA
- Legal framework in collateral management.

**FRAUD**
- Risk of collusion among players in the warehouse financing arrangement

**TECHNOLOGY**
- A need to enhance connection system between banks and collateral managers
- Investment efficiency of the warehouse management system
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