

Meeting Minutes

Open Public Conference Call Meeting

Trade Finance Advisory Council

U.S. Department of Commerce | International Trade Administration

Thursday, July 16, 2020

12:45 – 3:15 pm ET

Meeting Date, Time, and Place

On Thursday, July 16, 2020 between 12:45 pm and 3:15 pm ET, the U.S. Department of Commerce Trade Finance Advisory Council (TFAC) held the sixth and final open public meeting of its second (2018-2020) charter term via teleconference.

Committee Members Present

1. Alan Beard, Managing Director, Interlink Capital Strategies
2. Alisa DiCaprio, Head, Trade and Supply Chain, R3
3. Chapin Flynn, Vice President, Enterprise Partnerships, Mastercard
4. Combiz R. Abdolrahimi, Emerging Technology & Innovation Leader, Deloitte Consulting
5. Craig Weeks, Independent Consultant
6. Daniel Pische, Senior Vice President, Trade Finance, First American Bank
7. David Herer, Chief Executive Officer, ABC-Amega Inc.
8. David Shogren, President, U.S. International Foods LLC.
9. Dominic Capolongo, Executive Vice President, Global Head of Funding, PrimeRevenue, Inc.
10. Gary Mendell, President, Meridian Finance Group
11. Filipe Mossmann, Head of Trade Sales Americas, Standard Chartered Bank
12. Ken Rosenberg, Senior Vice President and Manager for International Banking, Bridge Bank
13. Kenneth Wengrod, Co-Founder/President, FTC Commercial Corporation
14. Kevin Klowden, Executive Director, Center for Regional Economics, Milken Institute
15. Madison Spach, Jr., Partner, Spach, Capaldi and Waggaman, LLP.
16. Qingyuan Zhang, Director, Global Trade Finance, John Deere Financial Services
17. Steven Bash, Senior VP, International Banking Group Manager, City National Bank
18. Steve Simchak, VP/Chief Int'l Counsel, American Property Casualty Insurance Association
19. William Glassford, Senior Vice President, Zions Bancorporation

U.S. Commerce Department Employees Present

1. James Sullivan, Deputy Assistant Secretary for Services Industries, International Trade Administration (ITA), U.S. Department of Commerce (DOC)
2. Paul Thanos, Director, Office of Finance and Insurance Industries (OFII), ITA/DOC
3. Michael Fuchs, Trade and Project Finance Team Lead, OFII, ITA/DOC
4. Erik Lenz, EXIM Liaison & Senior International Trade Specialist, OFII, ITA/DOC
5. Yuki Fujiyama, Trade Finance Specialist, TFAC DFO, OFII, ITA/DOC
6. Michael Corbin, Senior International Trade Specialist, OFII, ITA/DOC
7. Colin Leach, International Trade Specialist, OFII, ITA/DOC

8. Jeffrey Odum, International Trade Specialist, Office of the DAS/Services, ITA/DOC
9. Pat Kirwan, Director, Trade Promotion Coordinating Committee Secretariat, ITA/DOC
10. Helen Eliassian, FACA Committee Liaison Officer, ITA/DOC
11. Katya Delak, International Affairs Officer, Computer Security Division, National Institute of Standards & Technology/DOC

Other U.S. Government Employees Present

1. David Fogel, Chief of Staff, U.S. Export-Import Bank
2. Michele Wilkins, Senior Financial Economist, U.S. Export-Import Bank
3. Eric Larger, Policy Analyst, U.S. Export-Import Bank
4. Aerek Stephens, Regional Export Promotion Program Manager, U.S. Export-Import Bank
5. Loretta Solon Greene, Associate Administrator for International Trade, U.S. Small Business Administration (SBA)
6. David Vidal, Head of International Trade Finance, Office of International Trade, SBA
7. Amy Slusher, Senior Director, Credit Programs Division, Foreign Agricultural Service, U.S. Department of Agriculture

Public Members Present

1. Lena Booth, Associate Dean & Finance Professor, Thunderbird School of Global Management
2. Aaron Melaas, Associate Director, Center for Regional Economics, Milken Institute
3. Daisy Ramos-Winfield, Executive Vice President, Florida Export Finance Corporation
4. John Hayes, Executive Director, North Carolina Foreign Trade Promotion Council
5. Jackie Rasmussen, International Trade Specialist, Missouri SBTDC & NASBITE President
6. Mike Seibert, Director, International Business Development, North Carolina SBTDC & NASBITE Secretary/Treasure
7. Aaron Miller, International Trade Manager, Virginia SBDC & NASBITE Board Member
8. Drew Felling, Vice President, International Trade, Commerce Bank & NASBITE Board Member
9. Kathy DeMarco, Executive Director, NASBITE
10. Eddy Sumar, President, ERS Consulting Services

Meeting Purpose

The purpose of the meeting was for the TFAC to discuss and vote on the third set of recommendations, a summary of which is attached as Exhibit "A." These recommendations were designed to increase awareness of, and expand access to, trade finance and related resources for U.S. exporters and their foreign buyers.

Summary of Meeting Proceedings

- TFAC Designated Federal Officer (DFO) Yuki Fujiyama announced the opening of the meeting and reminded everyone that it was a public meeting and that the call would be recorded. He subsequently asked Commerce, other U.S. government attendees, and public participants to introduce themselves. He then turned the meeting over to TFAC Chair Klowden and asked him to call the meeting to order.
- Chair Klowden confirmed attendance of TFAC members present and opened the meeting by greeting U.S. Commerce Deputy Assistant Secretary (DAS) Jim Sullivan, TFAC members,

other government participants and the public. Chair Klowden then provided opening remarks and introduce DAS Jim Sullivan for his welcome remarks.

- DAS Jim Sullivan provided welcome remarks, introduced U.S. Export-Import Bank (EXIM) Chief of Staff David Fogel to the audience, and then asked him to brief the TFAC on the status of the Bank’s operations and programs since its reauthorization in late December 2019.
- EXIM Chief of Staff David Fogel provided the following updates to TFAC members.
 - On December 20, 2019, EXIM was reauthorized for a historic length of seven years – the longest in the agency's 86-year history.
 - As part of the 2019 reauthorization, Congress gave EXIM a new direction to focus on the challenges the U.S. faces with respect to China by establishing the “Program on China and Transformational Exports.”
 - EXIM approved 1,585 authorizations totaling more than \$1.42 billion in support of small businesses that export “Made in the USA” products around the world between May 2019, when a quorum of the Board of Directors was restored, through January 31, 2020.
 - In April 2020, EXIM approved 186 authorizations totaling \$173.3 million in support of 900 American jobs at small businesses that export “Made in the USA” products around the world.
 - Due to the anticipated effects of the COVID-19 pandemic, EXIM is currently offering relief measures for U.S. exporters and financial institutions, including waivers, deadline extensions, streamlined processing, and flexibility for the following programs: (1) Working Capital Guarantee Program, (2) Multi-Buyer and Single-Buyer Short-Term Insurance Program, and (3) Medium-Term Single-Buyer Insurance Policies Issued to Exporters.
 - Because of the COVID-19 pandemic, EXIM plans to hold its 2020 Annual Conference on September 9-11, 2020, via a virtual platform to provide wider access for more businesses to participate in conference programs.
 - In late May, the EXIM Board voted reform two important EXIM procedures – economic impact and additionality – at an open public Board meeting. More specifically, the EXIM Board voted to amend the agency’s economic impact procedures to better assess the potential impacts of its pending transactions on relevant domestic industries. The Board also approved guidelines to strengthen the agency’s determination of “additionality” – the reason why a transaction could not go forward without EXIM financing and therefore requires EXIM support – and a resolution which underscores “the importance of ensuring that EXIM provides competitive financing to U.S. exporters while supplementing, not competing with, private capital.”
- Chair Klowden asked the four Subcommittees to present their proposed recommendations for consideration.
 - **The Education Strategies Subcommittee** chaired by David Shogren presented a recommendation on expanding available trade finance training and education materials for Commerce Department staff, particularly at U.S. Export Assistance Centers, including updating the Department’s Trade Finance Guide and producing short videos utilizing the content of the Guide. Public guest Eddy Sumar provided comments in support of updating the Guide, noting that the Guide is an excellent resource for SMEs to learn about the basics of trade finance. The TFAC voted unanimously to approve this recommendation, a summary of which is included in Exhibit “A.”

- **The International Trade Policy Subcommittee** chaired by Steve Simchak presented two recommendations on:
 - 1) Promoting access to and awareness of the benefits of export credit insurance and ocean marine insurance to exporters in need of financing, and
 - 2) Improving trade finance knowledge for U.S. Embassy Africa Deal Teams to help support the Prosper Africa Initiative.
- The TFAC voted unanimously to approve both recommendations, summaries of which are included in Exhibit “A.”
- **The Public-Private Partnerships Subcommittee** chaired by Ken Wengrod presented a recommendation on coordinating and promoting supply chain finance options that include an inventory finance component to assist banks and exporters distressed by COVID-19. The TFAC voted unanimously to approve this recommendation, a summary of which is included in Exhibit “A.”
- **The Financial Technology Subcommittee** chaired by Alisa DiCaprio, in lieu of presenting formal recommendations, provided some suggestions for future TFACs as follows:
 - 1) In-person open public meetings should be held primarily in DC to allow TFAC members to interact with DOC and other government officials;
 - 2) DOC should provide more visibility into previously adopted recommendations;
 - 3) Each subcommittee should determine what skill sets would be needed and match the members with the appropriate skills to the subcommittees rather than just let the members decide which subcommittee to join; and
 - 4) Each subcommittee should come up with a single large recommendation that governs all of their actions for each new charter term in order to focus on attainment of the objective rather than continuing to generate new recommendations.
- Chair Klowden welcomed SBA Associate Administrator Loretta Solon Greene and SBA Head of International Trade Finance David Vidal.
- Prior to providing the updates on SBA’s export finance programs and other initiatives, Mr. Vidal introduced Associate Administrator Greene to the audience and noted the following:
 - Loretta Solon Greene was recently appointed as SBA’s Associate Administrator for International Trade.
 - In this role, Associate Administrator Greene will work to increase the number of small business exporters as well as the volume of exports by American small businesses.
 - Associate Administrator Greene brings extensive knowledge in federal government and global affairs to the position, with 30 years of experience in international trade, economic development, fundraising, and protocol.
 - Before her appointment to SBA, she served as the President of Greene Strategy, a government affairs consulting organization that advises on trade and energy issues.

- She has worked as a Senior Advisor at the U.S. Department of Commerce, advising on global markets, commercial services, foreign direct investment programs, manufacturing, and industry.
 - She has also served as the Deputy Assistant Secretary for Intergovernmental Relations at the U.S. Department of Housing and Urban Development.
 - Associate Administrator Greene is a native from Dallas, Texas and has earned a Bachelor of Arts in Political Science from Hollins College.
- Mr. Vidal then reported the following:
 - On July 1, 2020, the North American Free Trade Agreement was officially replaced by the U.S.-Mexico-Canada Agreement (USMCA), the first trade agreement ever to include a full chapter dedicated to small business interests.
 - Supporting and expanding U.S. small business trade with Mexico and Canada is a top priority for SBA's Office of International Trade (SBA/OIT).
 - SBA/OIT offers trade finance products to help small businesses involved in international trade to access capital, purchase inventory as a manufacturer or supplier, and expand through trade.
 - The modernization of trade with Mexico and Canada under USMCA is designed to benefit U.S. small businesses and to ensure more balanced trade.
 - U.S. small businesses comprise 65 to 70 percent of all identified U.S. companies trading goods with our closest neighbors, according to the most recent statistics.
 - Companies selling goods to Mexico and Canada can now achieve expanded export opportunities under the USMCA.
 - In 2019, U.S. companies sold \$292.6 billion in U.S. goods to Canada and \$256.5 billion in U.S. goods to Mexico.
 - As part of USMCA, SBA/OIT launched a new international sales information resource site, www.sba.gov/tradetools, part of www.trade.gov/usmca to assist small businesses to use USMCA, both of which are connected to pages created by Mexico and Canada.
 - Chair Klowden invited Paul Thanos, Director of the U.S. Commerce Department's Office of Finance & Insurance Industries (OFII), and TFAC DFO Yuki Fujiyama to say a few words on the conclusion of the TFAC 2nd charter term.
 - OFII Director Thanos thanked all TFAC members for their time and experience devoted to the TFAC in its second charter term ending with a total of 17 recommendations.
 - He also thanked Chair Kevin Klowden for his leadership as well as Subcommittee Chairs Alisa DiCaprio, Ken Wengrod, Dave Shogren, and Steve Simchak for their constant support and engagement with TFAC members.
 - OFII Director Thanos then reported the new TFAC charter would include revisions to emphasize the importance of: (1) developing actionable recommendations, (2) addressing access to private sector trade finance, (3) recommending effective ways for the Department to expand use of U.S. government export finance programs, and (4) exploring how new financial technologies can help expand access to trade finance for U.S. exporters.
 - TFAC DFO Yuki Fujiyama subsequently provided the following updates.
 - The Department's Office of Privacy and Open Government, which is responsible for

reviewing and approving all of Commerce advisory committee related documents, is currently working with the Department's legal team and the U.S. General Services Administration or GSA to complete the final steps in reviewing and approving the TFAC charter renewal paperwork package.

- GSA is responsible for ensuring that all U.S. government advisory committees are in compliance with the requirements of the Federal Advisory Committee Act.
 - According to those involved with the process at the Department and GSA, advisory committee charter renewals are usually approved very near or on the actual date of renewal, meaning that the TFAC charter renewal will likely be approved around August 9.
 - A notice will likely be published in late August or early September on the Federal Register website to announce the TFAC charter renewal and call for new member nominations during the two-month submission period.
 - All current TFAC members will be notified when the notice is published on the Federal Register website.
- TFAC Secretariat member Jeff Odum provided a quick update on the implementation efforts of the Charter 1 TFAC recommendation for encouraging the Federal Reserve (Fed) to include trade finance related questions in its annual Business Credit Survey, noting that Fed officials are reviewing suggested questions developed and submitted by Commerce.
 - Chair Klowden provided closing remarks and adjourned the meeting, thanking TFAC members, Commerce and other government agency officials, and public members for their participation and engagement in today's meeting.

Public Comment

No Issues were raised for public comment.

Adjournment

The meeting adjourned approximately at 3:00 P.M.

Certification

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

Yuki J. Fujiyama

Yuki J. Fujiyama
Designated Federal Officer
Trade Finance Advisory Council

Kevin Klowden

Kevin Klowden
Chair
Trade Finance Advisory Council

Exhibit A: A Summary of TFAC Recommendations Adopted on July 16, 2020

1. Expanding available trade finance training and education materials for Commerce staff, particularly at U.S. Export Assistance Centers, including updating the Department's Trade Finance Guide and producing short videos by utilizing the content of the Guide.

The TFAC recommends adding certain new chapters to the next edition of the U.S. Commerce Department's Trade Finance Guide bring it up to date and make more relevant to Small and Medium Size Enterprises moving forward. These new chapters include the following.

- International Debt Collection
- Asset-based Lending / Receivables-based Financing for Trade Finance
- Bank Guarantee Financing

The TFAC further recommends that additional funding be allocated by DOC/ITA to develop additional training videos that will parallel the proposed new chapters of the Trade Finance Guide. The TFAC also recommends that funding be allocated to create one or more webinars covering Trade Finance Basics and/or Trade Finance Advanced Topics.

2. Promoting access to and awareness of the benefits of export credit insurance and ocean marine insurance to exporters in need of financing.

The TFAC recommends that DOC/ITA and relevant Trade Promotion Coordinating Committee (TPCC) agencies should take steps to promote access to and awareness of the benefits of export credit insurance (ECI) and ocean marine insurance to exporters in need of financing.

Under ECI, exporters can protect their foreign receivables against a variety of risks that could result in non-payment by foreign buyers. Ocean marine insurance protects vessels and cargoes that cross international borders as well as foreign or domestic overland transport connected to the marine shipment. Ocean marine coverage is a necessity for shipments of most exporter manufacturing and distribution operations.

There is a gap in the potential uptake of ECI and ocean marine insurance and their utilization by U.S. exporters, particularly small-and-medium-sized enterprises (SMEs). In addition, many countries restrict the ability of U.S. insurers to underwrite ocean marine risks on a cross-border basis, to the detriment of U.S. exporters and U.S. insurance companies that finance these exports through ocean marine insurance. This recommendation would seek to address that gap as well as encourage removing those barriers in order to help enhance U.S. exporters' ability to obtain financing.

3. Improving trade finance knowledge for U.S. Embassy Africa Deal Teams to help support the Prosper Africa Initiative.

The TFAC recommends that DOC/ITA, with cooperation from private sector banks and insurance companies, helps U.S. Embassy Africa Deal Teams improve their knowledge of trade financing opportunities. The private sector groups, including those suggested by the TFAC, could work with DBIA and Global Markets to establish an informal exchange of information on trade finance. Such an exchange could leverage Commerce resources to disseminate trade finance information through Microsoft Teams (and other tools) to train local deal teams, provide advice on market and deal selection, and provide introductions on finance companies with experience in the African market. The knowledge obtained would enable U.S. Embassy Deal Teams to more effectively combine their considerable market intelligence and contacts with greater knowledge about potential sources and types of financing available to exporters. Such cooperation would strengthen the ability of U.S. Embassy Deal Teams to support U.S. exporters and find partners on the continent.

4. Coordinating and promoting supply chain finance that includes an inventory finance component in order to facilitate potential solutions for banks and exporters distressed by COVID-19.

The TFAC recommends that DOC/ITA takes the lead to initiate an interagency discussion with the U.S. government export finance agencies (EFAs) and the Federal Reserve System (FED) to explore ways to promote financing of inventory that is owned by a supplier to be delivered to a creditworthy buyer within a contractually defined period. For the EFAs this would mean looking into the possibility of allowing financing, under their export finance programs, of inventory held in a foreign location under the control of the seller/exporter. The FED should be encouraged to support and promote the use of Title II of the Export Trading Company Act by banks to enable financing of inventory in transit and foreign and domestic warehouses by taking ownership and, therefore, control of the inventory. DOC/ITA would promote the use of these potential SCF solutions to banks, fin-techs, exporters and small businesses.

A major sub-set of trade finance is supply chain finance (SCF) whereby banks and non-bank fin-techs finance the receivables due to suppliers from foreign and domestic manufacturers. These programs, which are characterized as “reverse factoring”, “dynamic discounting” or “payables finance”, provide liquidity to suppliers while allowing buyers to extend payment terms to preserve cash. The suppliers are often required to carry sufficient inventory to deliver raw materials or components on a Just-in-Time (JIT) basis. However, the inventory cannot be financed under the existing SCF programs. The COVID-19 pandemic has exposed a weakness in this model as many suppliers were incentivized to keep inventory as low as possible to preserve cash. The result has been shutdown of production lines or failure to deliver medical and consumer goods on time. The TFAC believes a true SCF program should include financing of inventory to avoid supply chain interruptions.