

DETAILED MINUTES OF THE
U.S. DEPARTMENT OF COMMERCE
TRADE FINANCE ADVISORY COUNCIL
MEETING ON August 4, 2022

I certify that I was present at the above reported meeting and that the summary of the meeting is accurate.

Kevin Klownen

Chairman, Kevin Klownen

October 3, 2022

Date

If applicable: (Please note that each paragraph must be marked.)

CLASSIFIED BY: N/A

REASON: N/A

DECLASSIFY ON: N/A

Attachments below include Meeting Minutes and List of Attendees



TRADE FINANCE ADVISORY COUNCIL Public Meeting - Minutes

Tuesday, August 4, 2022 | 1:00 – 2:45 pm (EST)
Microsoft Teams Virtual Event

MEETING RULES OF ENGAGEMENT AND PROTOCOL

The TFAC Designated Federal Officer (DFO), Patrick Zimet, started the meeting by going over the rules of engagement and protocol for participation.

OPENING REMARKS

Paul Thanos, Director of ITA's Office of Finance and Insurance Industries, opened his remarks by welcoming the TFAC members, interagency representatives, and members of the public. He reflected that the TFAC's third term has been productive in terms of the work it accomplished and the recommendations it produced. He thanked the TFAC members for their contributions and noted that the TFAC has given the Department of Commerce a lot to think about.

TFAC TERM UPDATE AND MEETING PLAN

TFAC Chair Kevin Klowden thanked Director Thanos for his remarks and reiterated that this charter term has been incredibly productive. He noted that while everyone would prefer the TFAC continue, work on its issues will carry on in other forms moving forward. He hopes the TFAC members remain engaged as a group because many of these issues will continue to be extremely important. Chair Klowden stated that he is happy with the recommendations being put forward during this meeting and the TFAC's involvement and work on them. He pointed out that he will not stop being involved in these issues, nor will the Department of Commerce team, and he suggested the TFAC members continue to stay engaged.

Chair Klowden provided an overview of the meeting's agenda, schedule, and plan. Given this is the final TFAC meeting, he encouraged the TFAC members to provide comments and feedback on the proposed recommendations and explained that he will provide time at the end of the meeting for broader discussion and to address any further thoughts or questions.

SUBCOMMITTEES' RECOMMENDATION BRIEFINGS

Fintech Subcommittee

1. *Trade Finance Digital Standards Pilot Program – Combiz Abdolrahimi*

In response to the growing need for SME exporters, importers, financial institutions, and fintechs to keep up with the increase in trade digitalization, we recommend that the US Department of Commerce launch a Trade Finance Digital Standards Pilot Program (TFDS) to improve its understanding of the constraints of digitalizing trade finance – such as a reliance on analog and paper-based processes, a lack of recognition of the legal status of electronic

documentation, uncertainty over digital standards, and a general lack of clear legal or regulatory frameworks – and to help US SME exporters gain access to global business identifiers necessary for export finance. The TFDS would also help enable the US Government to use a “common language” employed by the global trade community and to better position US SME exporters to benefit from digital solutions in trade finance that include cloud computing, Internet of Things, big data analytics, artificial intelligence, quantum, distributed ledger technology, and application programming interfaces.

The TFDS pilot program could provide a forum for the exchange of information to enhance both government understanding of industry and industry understanding of government in both the acceleration of trade digitalization and the use of global business identifiers. The US Department of Commerce’s International Trade Administration (ITA) could create a trusted trade-facing portal, or leverage an existing portal, that could allow SME exporters to register their businesses, upload their business credentials, utilize identifiers that they already possess, obtain both the DUNS and the LEI global business identifiers, and empower them to manage, validate, and share their own data.

US SME exporters could be invited to participate in this pilot program and only those members who are based in the United States and who export abroad within certain parameters could be eligible to participate. The US Department of Commerce could work with the global business identifier companies to potentially offer the identifiers at a reduced price to TFDS participants and provide other potential benefits accordingly.

Questions/Comments

- Chair Klowden commented that he is a strong believer in the need for continued focus on recommendations and execution on digital standardization. He thinks that this is a very good recommendation and feels this is something that the government can, will, and should continue to focus on going forward. Chair Klowden thanked Combiz Abdolrahimi for the recommendation, his engagement, and for the feedback he received from the groups with which the Fintech Subcommittee met.
- Ken Wengrod asked where the data would be domiciled? Would it be domiciled with private industry? How do you ensure the protection of that data, so it does not get mined by outside sources for profit?
- Combiz Abdolrahimi responded that those issues would be under the purview of the digital standards working group that would come up with a recommendation on who would manage the data. The data should be owned and permissioned by consent – opt in, rather than opt out – so that those who participate in the pilot would have full say over how their data is being used and managed. There would be strong protections in place to ensure that this data is not being used and sold in a manner that would violate those terms and conditions.
- Jeff Saviano offered his full support for the recommendation. He highlighted that the output of this pilot would be within a new class of technology that is neither exclusively for the public or private sectors, but rather an integrated solution across both sectors, which is an important domain. He noted that to keep pace with other countries that are advanced in this space, especially Australia, Singapore, and the UK, this work would allow the United States to meet and hopefully exceed the leading

work that is happening around the world.

- Andrea Ratay thinks the pilot is a great idea. She asked as participants are recruited for the pilot program, would it make sense to target the current population of export working capital guaranteed borrowers within SBA or EXIM? This is not a suggestion to make it a requirement for those borrowers, but just that they may be a ready population for the pilot.
- Combiz Abdolrahimi responded that he thinks that is a great suggestion and is one avenue for them to publicize or promote this pilot. He added it could potentially be incorporated into the recommendation.

Vote

- Chair Klowden called for a motion to vote on the recommendation as written.
- Dave Shogren and Andrea Ratay moved to vote on the recommendation as written.
- The TFAC members voted and unanimously approved the recommendation as written.

Inclusive Growth Subcommittee

2. Increase US Exports Through Better Collaboration with African Diaspora SMEs – Martin Ezemma

The Department of Commerce should make efforts to improve US-based African Diaspora SMEs' access to export capital that would increase overall US exports and trade.

To help mitigate these challenges, the Prosper Africa initiative empowers US businesses to export to African markets by offering financing, loan guarantees, market intelligence, and more. The initiative brings together the full suite of US Government services to guide businesses as they identify partners, advance opportunities, and close deals.

Lastly, we recommend that the Department of Commerce research and approve a set of baseline measures against which the progress of this initiative will be measured. We recommend the inclusion of the following as key measures of success: number of jobs created, number of jobs retained, number of businesses expanded, number of transactions, number of export related events (trade mission, conferences, etc.), and number of MBEs engaged annually in African Diaspora communities. Possible sources of this information include the World Bank, MBDA (Minority Business Development Agency), SBA, the International Chamber of Commerce, etc.

Questions/Comments

- Chair Klowden noted that this issue has been and continues to be very important because it points to a fundamental gap in U.S. engagement along with a vibrant community in the United States that is not being effectively utilized.
- Ken Wengrod commented that one thing that always seems to be overlooked is cultural understanding when people export. This recommendation focuses on spending time understanding the cultural differences of sectors around the world. Expatriates have the knowledge to create demand in foreign countries, which is extremely important. Many times, there is a lack of focus on the importance of understanding cultural differences in trade finance, and this is a great method to

provide us that understanding that we can use globally, even beyond Africa. He highly recommends this proposal.

- Angelique Bartholomew seconds Ken Wengrod's comment.
- Martin Ezemma responded that the Inclusive Growth Subcommittee looked towards African SMEs because the key is making the United States more competitive. It is no secret that MBEs have been underserved and they are great sources from which the U.S. can compete more aggressively in places like Africa.

Vote

- Chair Klowden called for a motion to vote on the recommendation as written.
- Angelique Bartholomew and Dave Shogren moved to vote on the recommendation as written.
- The TFAC members voted and unanimously adopted the recommendation as written.

International Trade Policy Subcommittee

3. Business Best Practices to Prevent Fraud – John Bridge

We recommend that the Department of Commerce provide educational material to small businesses engaged with trade finance to protect those businesses as well as Department of Commerce partners providing them with trade finance. This can be done by leveraging existing sources for fraud information. This information can then be shared with participating businesses through Department of Commerce publications, as well as embedded training, videos, or links on existing Department of Commerce resource webpages.

Rather than creating new resources, the Department of Commerce can quickly deploy this information to small businesses by partnering with existing NGOs who regularly share and update fraud information. Among the potential partners for this type of engagement are the National Cyber Forensics and Training Alliance (NCFTA), the International Association of Financial Crimes Investigators (IAFCI), the National White Collar Crime Center (NW3C), and the Federal Trade Commission (FTC). These organizations all provide a variety of resources that are regularly updated as new trends emerge.

Additionally, cyber threats are often targeted toward small to micro sized businesses (i.e., mom and pop shops) looking to expand in global markets via online opportunities. Many of these small businesses have developed over the past two to three years due to the pandemic. Stay-at-home moms make up a large percentage of these small business owners looking to grow by offering online products and services. For the purposes of bringing awareness and reaching vulnerable populations or underserved communities with this information, these trainings to small businesses should be included in local business chambers and small business centers as a part of the curriculums and certifications on offer. This will help to increase security for women-owned and HUBZone businesses that are unable to afford costly fraud protection software.

For a more robust solution, formal training on essential cyber risks could be constructed and recommended or required as part of the requirement for obtaining trade finance. This could be done in partnership between the lending institutions and the Department of Commerce to create a

standardized and updated set of essential training modules (based on current trends, and greatest vulnerabilities in this space).

Questions/Comments

- Steve Simchak commented that he thinks this is a critical area for trade finance providers and the financial sector broadly. This recommendation is innovative work, and he plans to take it to the Cyber Risk Working Group of the Global Federation of Insurance Associations as an example of the types of things we should be working on in that context.

Vote

- Chair Klowden called for a motion to vote on the recommendation as written.
- Dave Shogren and Andrea Ratay moved to vote on the recommendation as written.
- The TFAC members voted and unanimously adopted the recommendation as written.

4. *“America’s Partnership for Economic Prosperity” and Trade Finance in the Western Hemisphere – Steve Simchak*

Noting the focus of the APEP on resilient supply chains, which is a special focus of trade finance providers, and ensuring sustainable and inclusive trade, the Department of Commerce should provide input to those agencies that participate in the Trade Policy Staff Committee (TPSC) to achieve the goals of:

- Ensuring that multilateral development banks such as the Inter-American Development Bank (IDB) engage private sector trade finance firms in all efforts to deepen commercial ties throughout the region.
- Encouraging multilateral development banks such as the Inter-American Development Bank (IDB) to work with private sector trade finance firms to develop “best practices” for financial and economic regulation in the Western Hemisphere that spur economic trade and growth.
- Developing market access and investment rules in the region that encourage US exports, which will in turn encourage the uptake of trade finance.
- Offering equitable trade finance terms and conditions for US companies relative to other players in the Western Hemisphere, including state-owned enterprises.
- Increasing access to trade finance for Small and Medium Size Enterprises (SMEs) (especially women- and minority-owned businesses) active in the Western Hemisphere or trying to enter the market.
- Prohibiting data localization rules and restrictions on cross-border data flows, noting that such data restrictions make it more difficult for US trade finance firms to operate in foreign markets.
- Building local capacity within these vital areas.
- Gaining commitments from our trading partners to allow the cross-border provision of insurance services for marine, aviation, transportation, and difference-in-conditions and difference-in-limits (DIC/DIL) insurance.

Questions/Comments

- Angelique Bartholomew asked Steve Simchak to repeat the final component to the recommendation relating to the cross-border provision of insurance services.
- Steve Simchak responded by repeating the final component to the recommendation relating to the cross-border provision of insurance services.

Vote

- Chair Klowden called for a motion to vote on the recommendation as written.
- Roxanne Baumann and Martin Ezemma moved to vote on the recommendation as written.
- The TFAC members voted and unanimously adopted the recommendation as written.

GENERAL DISCUSSION

Questions/Comments

- Andrea Ratay asked what the Department of Commerce staff has learned over the last three TFAC terms?
- Director Thanos responded that one of the most important things he has learned is how valuable it is to get insight from the private sector and stakeholders on a routine basis. He noted that the Department of Commerce and ITA does a lot of that through different workstreams, as ITA's mission is competitiveness. He added that a platform such as an advisory council where there is a routine process of getting feedback, information, and recommendations on the fast-moving space of international trade and trade finance has been very valuable for the Department of Commerce. He pointed out that the Department of Commerce respects the dedication and time it takes engage on an advisory council and that he understands the TFAC members are doing this on a volunteer basis and on their own time. He mentioned that in terms of his own staff, Patrick Zimet has done an amazing job as DFO, and that the office has learned how to balance the demands required of a staff person that takes on the DFO role.
- Chair Klowden commented that having TFAC members be both knowledgeable and invested is incredibly important and makes a huge difference. He noted that in past TFAC terms, some members were not as engaged, which caused some voids and issues. There were also past issues in terms of capacity, and one thing that has been great this term is having engaged and involved co-chairs.
- Steve Simchak commented that one thing he enjoys about the TFAC is that it has been charged with making proactive recommendations. This is not how all advisory committees are structured, and the TFAC's structure empowers the members to come up with their own suggestions for the Commerce Department and the U.S. Government. The ideas that have come out of the TFAC's structure have been terrific and thought provoking and they get everyone thinking across the trade finance community. Many of the recommendations have given both TFAC members and government officials much to think about and he loves the structure of the TFAC.
- Dave Shogren commented that he serves on a different federal advisory committee that covers exports and international trade, and the structure of that committee is much different than the TFAC. The TFAC's structure is interactive and engaging for

- the TFAC members as participants. He complimented Director Thanos, his team, and the Department of Commerce for the way the TFAC is put together and managed.
- Ken Wengrod commented that he agrees with Steve Simchak and Dave Shogren. He thanked Director Thanos for Department of Commerce's help so that the TFAC can affect change.
 - Angelique Bartholomew commented that she agrees with Dave Shogren and noted that it has been a pleasure to learn from the members' expertise and that, being running a small and minority woman-owned business, she didn't expect to be able to participate at this level with a federal government department. She added that it's been an honor to integrate into the subcommittees and expressed disappointment with the TFAC coming to an end.
 - Andrea Ratay commented that she agrees with Angelique Bartholomew and that she works with SMEs regularly and chairs the New York District Export council and that the TFAC has been an extension of that work. She added that the TFAC has also been a new way to dialogue with the Department of Commerce and expressed thanks for the opportunity.
 - Chair Klowden commented that he will express his desire to see this work continue even if it is through a different forum. He thanked Director Thanos for making the TFAC and its great work possible and for guiding it through three administrations. He thanked all of the TFAC members for their work. He hopes to meet all of the TFAC members in person at some point and asked that they all keep communication lines open. He thanked Patrick Zimet for his work as DFO and the Department of Commerce support staff, including Mike Corbin, John Harkness, and Israly Echegary.

CLOSING REMARKS

Director Paul Thanos opened his remarks by thanking the TFAC members for their work. He noted that the TFAC not being reauthorized has nothing to do with the amazing work the TFAC has done during this third term. He pointed out that the TFAC was first chartered in 2016 and that the world of international trade has changed a lot in the last six years. Director Thanos assured the TFAC members that the issues and recommendations on which they worked will continue to be focused on throughout 2022 and 2023. In addition, he emphasized that his office and other parts of ITA will continue to communicate and work together with TFAC members to solve problems wherever possible. Director Thanos pointed out the strength of the ITA network and its global footprint and that his office can help connect TFAC members to the network or provide advice on the positions of the Department of Commerce if needed.

Director Thanos thanked his office's TFAC team, including Patrick Zimet who served as DFO and the staff support for the TFAC subcommittees, including Mike Corbin, Israly Echegaray, and John Harkness. He also thanked the TFAC's previous DFOs, Erika Ukrow and Yuki Fujiyama. Director Thanos thanked Chair Klowden for being a leader since he first took over the TFAC's chairmanship and noted that his help allowed the TFAC to contribute many recommendations that will have an impact on the Department of Commerce for years to come. He also thanked the TFAC's ex officio members for their engagement, including EXIM Bank, the Department of Treasury, and SBA.

Director Thanos concluded that he hopes to soon have news on new vehicles for public-private collaboration on some of the TFAC's issues, as well as others pertaining to innovative finance, and he will ensure the TFAC members are aware of any new opportunities that come up in the future. He thanked everyone again and emphasized that it has been a pleasure to work with the TFAC members.

ATTENDEES TFAC PUBLIC MEETING AUGUST 4, 2022

TFAC Members (Alphabetical order by company name)

- Steve Simchak, Head of International Department, Vice President, and Counsel, American Property Casualty Insurance Association
- Combiz Abdolrahimi, Emerging Technology & Innovation Leader, Government & Public Services, Deloitte Consulting
- Jeffrey Saviano, Global Tax Innovation Leader & MIT Connection Science Fellow, Ernst & Young LLP
- Zara Castillo, Director, Export Finance Assistance Center of Washington
- Kevin Klowden, Executive Director, Center for Regional Economics & California Center, Milken Institute
- Angelique Bartholomew, Vice President, Business Development, MPACT Strategic Consulting
- Martin Ezemma, Director, International Business Development, Prince George's County Economic Development Corporation
- Filipe Mossmann, Managing Director, Head of Trade Sales Americas, Standard Chartered Bank
- Ken Wengrod, Managing Member, Stealth Management Group, LLC
- Andrea Ratay, Vice President, Global Trade Finance, TD Bank
- John Bridge, Executive Vice President, Government & Law Enforcement, Trust Stamp
- Dave Shogren, President, U.S. International Foods, LLC
- Doug Kemper, Director, International Banking, Washington Trust Bank
- Roxanne Baumann, Director, Global Engagement, WMEP Manufacturing Solutions
- Brett N. Silvers, President & CEO, WorldBusiness Capital, Inc.

U.S. Government Agencies Officials

Speakers

- U.S. Department of Commerce
 - Paul Thanos, Director, Office of Finance and Insurance Industries, Industry & Analysis

Office of Finance and Insurance Industries, Industry & Analysis

- Patrick Zimet, International Trade Specialist
- Mike Corbin, Senior International Trade Specialist
- Israly Echegaray, Senior International Trade Specialist
- John Harkness, International Trade Specialist
- Erik Lenz, Senior International Trade Specialist

Other U.S. Government Agencies Officials

- Michele Wilkins, Senior Financial Economist, EXIM Bank
- Dan Pische, National Director of Trade Finance, Small Business Administration
- Helen Eliassian, Management and Program Analyst, U.S. Department of Commerce
- Caroline Kaufman, International Trade Specialist, U.S. Department of Commerce
- Francys Veras, International Trade Specialist, U.S. Department of Commerce

Press/Public

- Frank Ruffing, Managing Editor, Gilston-Kalin Communications