



# Commodity Inventory Risk Explained

**A new course explaining everything you need to know about commodity inventory trade and associated structured financing risks**

- How it works: techniques in inventory structures & risk management overview
- Risk components and risk mitigation
- Insurance, warehouse receipt financing
- Monitoring/supervision
- Collateral management agreements
- Case studies

**13-14 September 2012, Geneva**

**Hosted by SGS:**

**Place des Alpes 1, 1201 Geneva, Switzerland**

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**COURSE OVERVIEW:**

Traders and financiers face a minefield of potential issues when managing commodity inventories and collateral. There not only physical (cargo) risks which include loss, damage or theft of the underlying goods, but there are also counterparty risks, political risks and, of huge importance, the risk of fraud, which is very common. Fraud occurs when a bank is led to believe the commodities in a storage facility are pledged to it but it turns out they are not.

Collateral financing structures, although simple to comprehend can be complex. This course will look in detail at collateral management and inventory finance structures, warehouse receipts financing and collateral management from a risk management context. It will be designed to address the complex issues relevant to borrowers and lenders.

**ABOUT THE SPEAKERS:**

**Dan Day-Robinson** is Managing Director of GTG Geneva. GTG is a risk management advisory firm providing consultancy and training in the finance, commodities & shipping sectors, advising on transaction structures, financing, execution and risk management within commodities. Prior to GTG, in 2009, Dan was at the United Nations in Geneva, working for UNCTAD. From 1998 -2010, Dan was Managing Director of Day Robinson International (DRI) in the UK and advised the UK Government, the Dubai Government, the Qatar Investment Authority and the World Bank. He has acted as an expert witness in a notable commodities warehousing fraud trial in the English High Court. During the 1980s, Dan started his working life with Cargill in the UK and then went on to work at leading banks, including Kleinwort Benson and Shearson Lehman Hutton (later known as Lehman Brothers). Dan is a graduate of London University and a Fellow of the Royal Geographical Society.

**Christine Grolimund** is a Vice-President of collateral management at SGS Geneva. SGS is one of the world's leading inspection, verification, testing and certification companies, recognized as a global benchmark for quality and integrity, employing more than 70,000 people and operating a network of over 1,350 offices and laboratories around the world. SGS is also a leader within Collateral Management and has operated in more than 40 countries for over 15 years. Christine has been with SGS since 2004, working in business development of collateral management services. Prior to this, Christine was a documentary credits specialist both at NAFTIRAN (NIOC) from 2003-2004 and at BNP Paribas Suisse from 1996-2003. Christine has rare and insightful experience of collateral management within agribusiness and the wider diversity of documentary credits for fossil-fuel energy products and other primary commodities.

**Michael Kenny** is a partner at Watson, Farley & Williams, an international law firm which is a leading legal adviser to banks, traders and corporates active in commodity finance. Michael has been with WFW since 1991 and specialises in advising clients on structured commodity finance transactions, frequently involving complex questions of structuring finance documentation and achieving effective security over a wide range of collateral. As well as working in London, Michael has also worked in Bahrain, Hong Kong and New York. He has had particular experience of financings in Cuba and in numerous African countries. He has recently acted as the trade finance adjudicator in the debt restructurings of Alliance Bank and BTA Bank, in Kazakhstan. He is a graduate of Oxford University.

## COURSE CONTENT OUTLINE

Introduction to risk issues in structured commodity financings, trade & inventory management

- Course introduction
- Overview of nature of risks
- Physical commodity risks
- Risk management tools
- Collateral risks

Financing warehouse inventories

- Overview of warehouse receipts
- The evolution of warehouse receipts legislation and warehouse receipts financing

Inventory fraud case studies

Legal issues in inventory financings

- Issues of title, security, pledge, constructive possession and perfecting security, negotiability versus non-negotiability
- Typical commodity finance structures
- Essential components of inventory financing: documentation (term sheet, loan documents, title documents etc)

Methods of supervising and controlling risk

- Collateral management vs. stock supervision: risk comparisons
- Warehouse risks
- After recent problems, how can supervision and/ or collateral management mitigate risk?
- Duties of the collateral manager

Insurance for inventories/commodity financings

- Cargo insurance
- Utmost good faith
- Clauses to watch out for
- Limitation of liability

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Course fees do not include travel and accommodation. Refreshments and lunch are included on full days, refreshments on half days. Full administration information, joining instructions and you invoice will be forwarded to you once we receive your registration. For events in Switzerland, you will be charged Swiss VAT (8%). Courses run from 9.00 am – 5.00pm (Day 1) and 9.00 am – 2.00 pm (Day 2).

**Cancellation:** You may cancel your registration at any time up to three weeks prior to the event without charge & we will refund your registration fee in full, less a small administration charge. If you cancel within three weeks of the event you may transfer your place free-of-charge to a colleague, or you must pay in full. By signing the 'signature' field - you agree to these terms, and register your delegates.

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