

Commodity Traders' Views on Finance & Regulation

Findings from the 2013 Survey of Commodity Traders

TXF Webinar



10 April, 2014

Study Design

- ✖ Number of interviews: 54 in-person interviews conducted with individual companies
- ✖ Fieldwork: October 7 – December 23, 2013.
- ✖ Repeat rate: 61%.

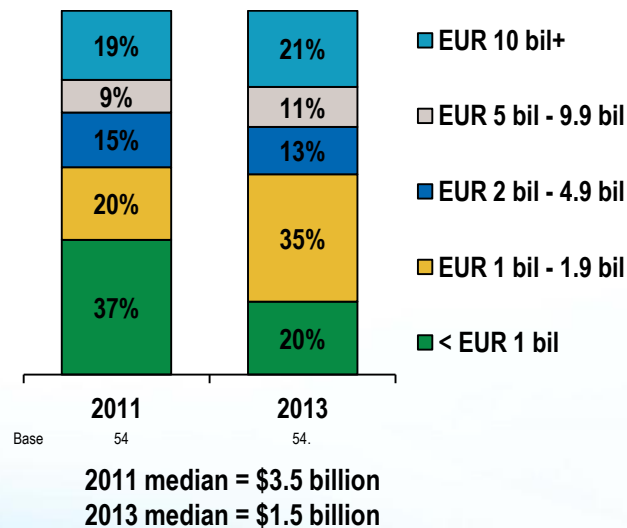
Completed Interviews by Sector

	Total Sample	
	2011	2013
Energy (oil, gas, petrochemicals, etc.)	27% (15)	36% (20)
Soft (coffee, tea, sugar, cotton, grains, etc.)	44% (24)	36% (20)
Hard (steel, metals, minerals, etc.)	29% (16)	28% (14)
Base	54	54

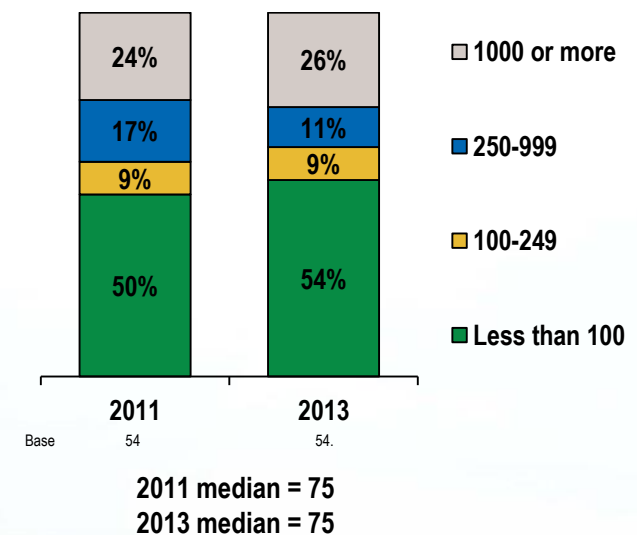
Job Titles of Respondents

	2011	2013
Finance Director	33%	30%
CFO	19%	28%
Treasurer	20%	24%
General Manager	4%	9%
CEO	11%	7%
Risk Mgt. Director	0%	2%
Managing Director	6%	0%
No answer	7%	0%
Base	54	54

Worldwide Revenue in billions of dollars



Number of Employees

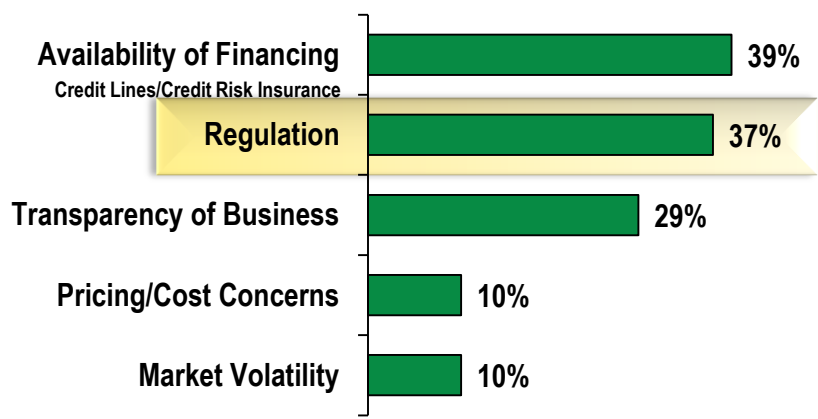


Please note that the percentages in the charts in this report may not always add to 100% because of rounding, the acceptance of multiple responses, or the exclusion of infrequently mentioned responses.

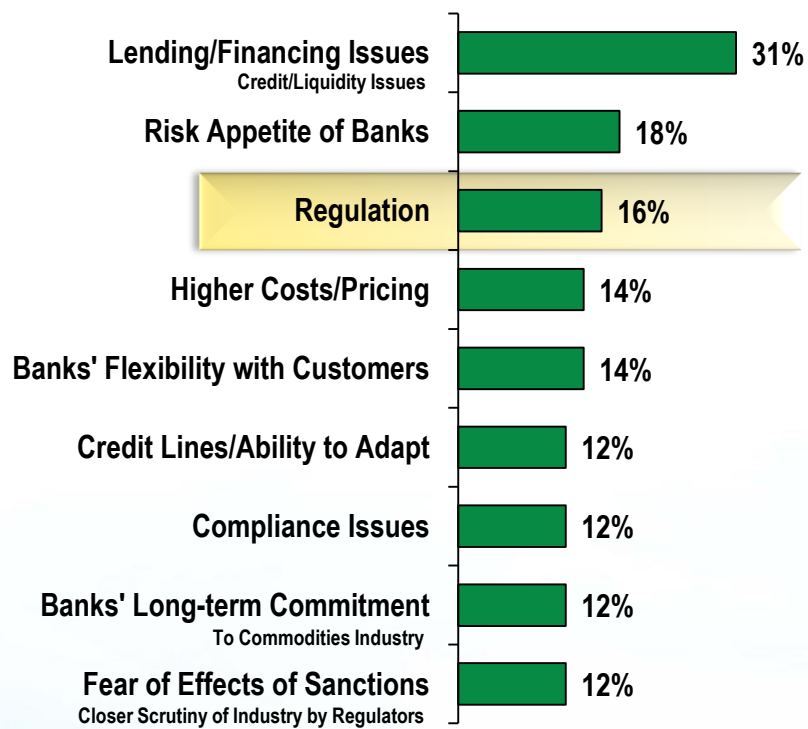
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Commodity Traders place regulation high on their list of leading issues – both for their own company and bank relationships

**Leading Issues Confronting
Commodity Trading Companies Over the Next 2-3 Years**
Base=51 total answering

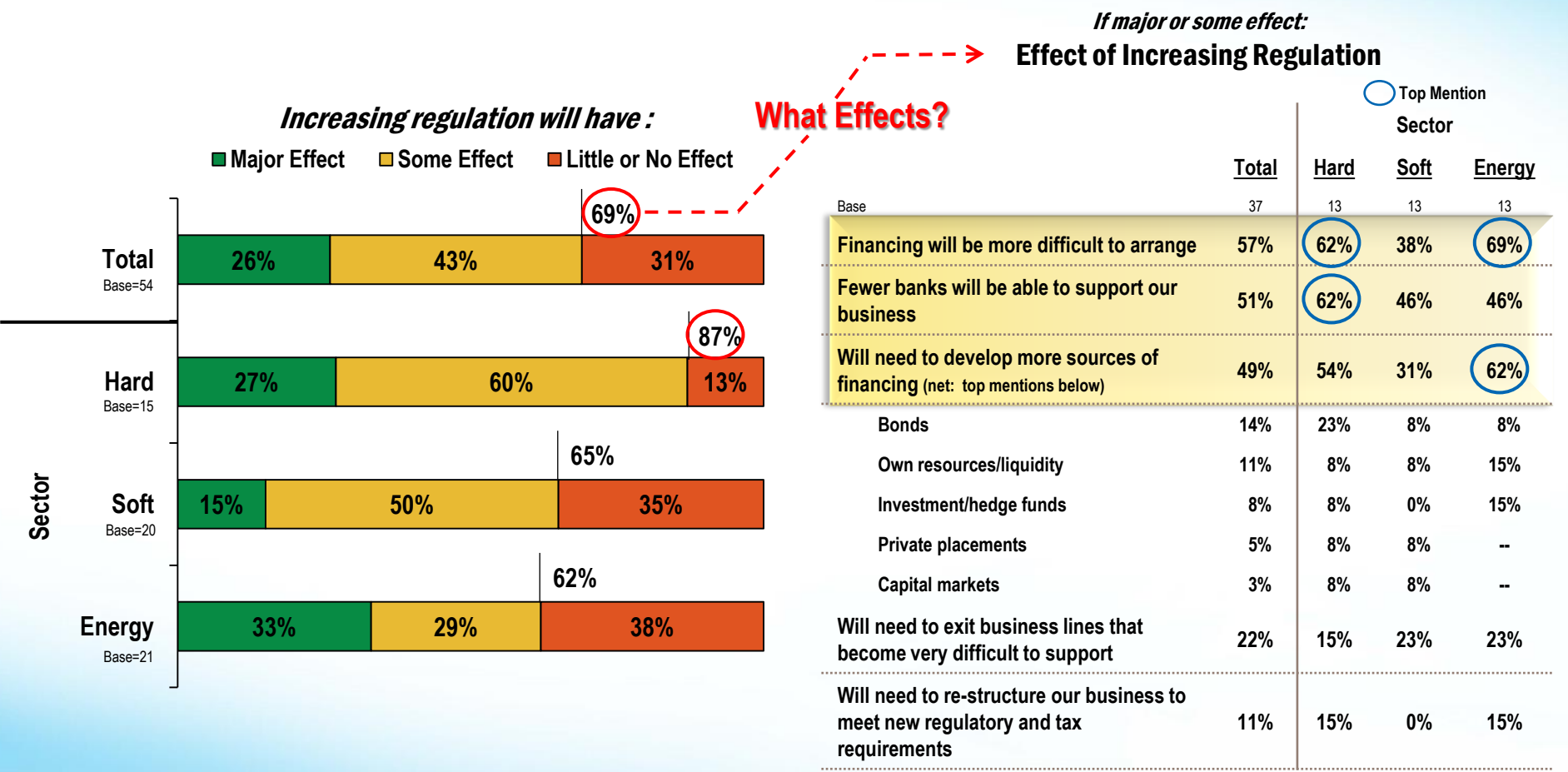


**Leading Issues Affecting Companies'
Relationships with Banks Over the Next 2-3 Years**
Base=51 total answering



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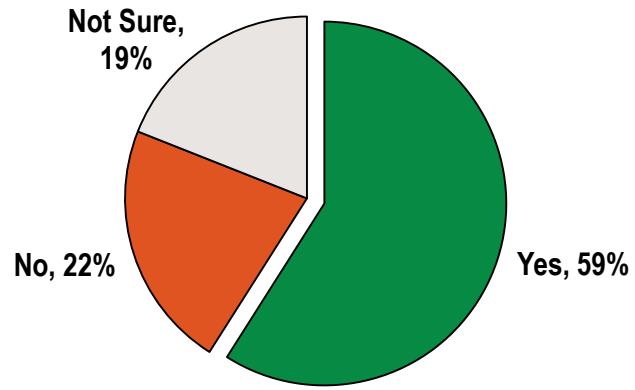
More than two-thirds of Commodity Traders foresee regulation having an impact on the way their company does business...



...and a majority of them foresee their industry being more closely regulated going forward with consequences for their business

Believe Commodity Trading Companies Will Be More Closely Regulated?

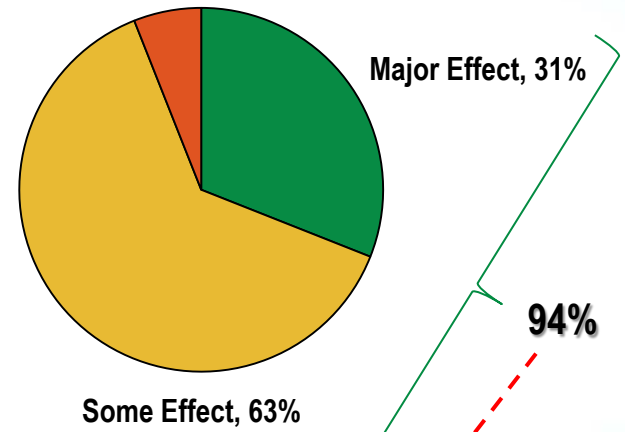
Base = 54
No notable difference between sectors.



Believe Increased Regulation Will Have an Effect on Way Company Does Business?

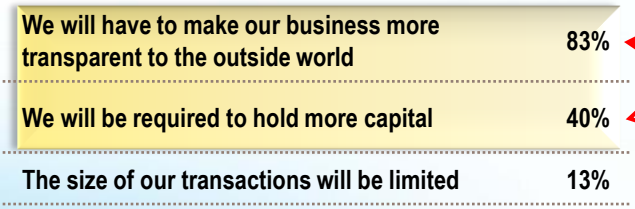
Base = 32
(those who believe commodity traders will be more closely regulated)
No notable difference between sectors.

Little/No Effect, 6%



Effect of Increased Regulation on Way Commodity Trading Company Does Business

Base = 30 who believe there will be a major/some effect
No notable difference between sectors.



Effects? →

What Effects?

94%

Most companies that view their business being effected are also taking steps to cope with the changing landscape

Company Preparations to Handle Increasing Regulation and Tax Issues

Base = 30

Those who believe that increased regulation will have an effect on the way they do business

Creating a stronger compliance team; increasing compliance staff	33%
Developing compliance procedures/more formal policies; harmonizing internal procedures	13%
Better communications with regulators	13%
Obtaining new software/systems/databases	10%
Improving reporting systems	10%
Moving business or part of business	7%
Handling additional costs	7%
Nothing at this time; no answer	24%

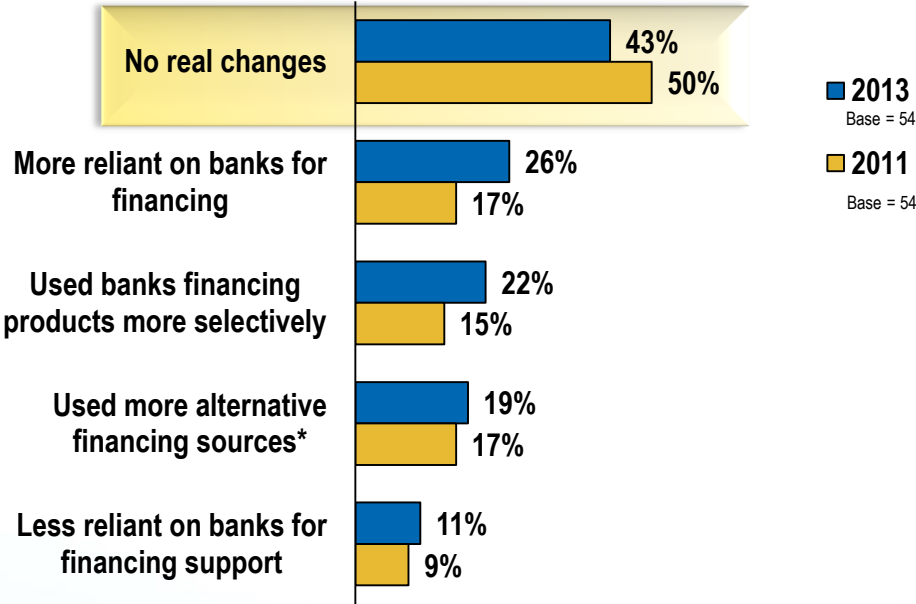
Company Preparations to Handle Increasingly Complicated International Sanction Rules

Increasing/reinforcing compliance procedures; following the rules	20%
Building stronger compliance team; staff training; new functions created	13%
Engage with outside consultants (banks, lawyers, regulators); try to be more informed	13%
Other	10%
Nothing at this time; no answer	47%

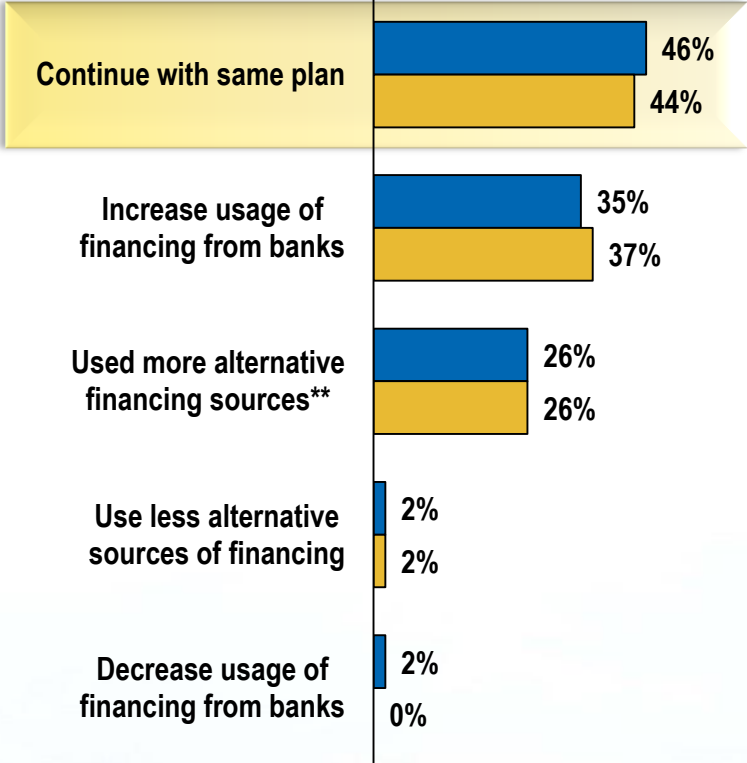
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Widespread changes in commodity trading companies' financing strategy is not anticipated over the next few years...

Past Financing Plans/Strategies



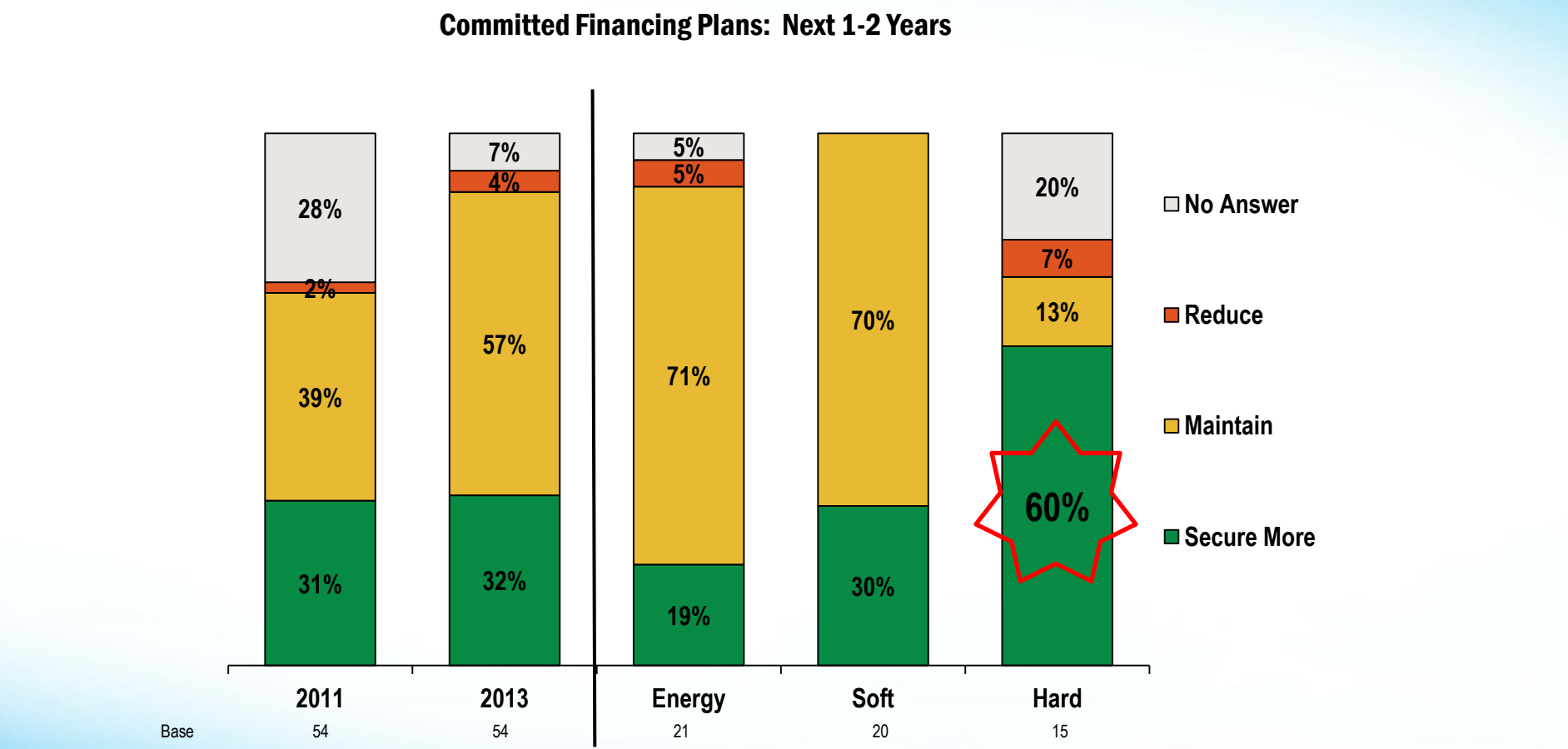
Financing Plans/Strategies: Next 2-3 Years



*In order of past usage: private placements, repurchase agreements, own liquidity, off-balance sheet financing, capital markets, bonds

**In order of anticipated usage: bonds, private placements, repurchase agreements, own liquidity, off-balance sheet financing, capital markets

...and the same applies to the companies' committed financing plans - with the exception of hard sector companies



Over 20% of commodity traders anticipate using bank products more - except for cash, documentary and hedging products

○ Notably higher use in this sector when compared to other sectors.



	Trend		Industry Sector 2013			Net Anticipated Usage
	2011	2013	Energy	Soft	Hard	Over next 12 months
Base	54	54	21	20	15	Bases vary by product use
Documentary Business	100%	100%	100%	100%	100%	+12%
Borrowing Facilities	93%	100% ↑	100%	100%	100%	+25%
Cash Products	93%	98%	95%	100%	100%	+10%
Price Risk Management & FX/Interest Rate Risk Management	89%	93%	90%	95%	93%	+16%
Risk Placement	87%	83%	81%	75%	100%	+22%
Structured Commodity Finance	69%	61%	48%	60%	87%	+27%

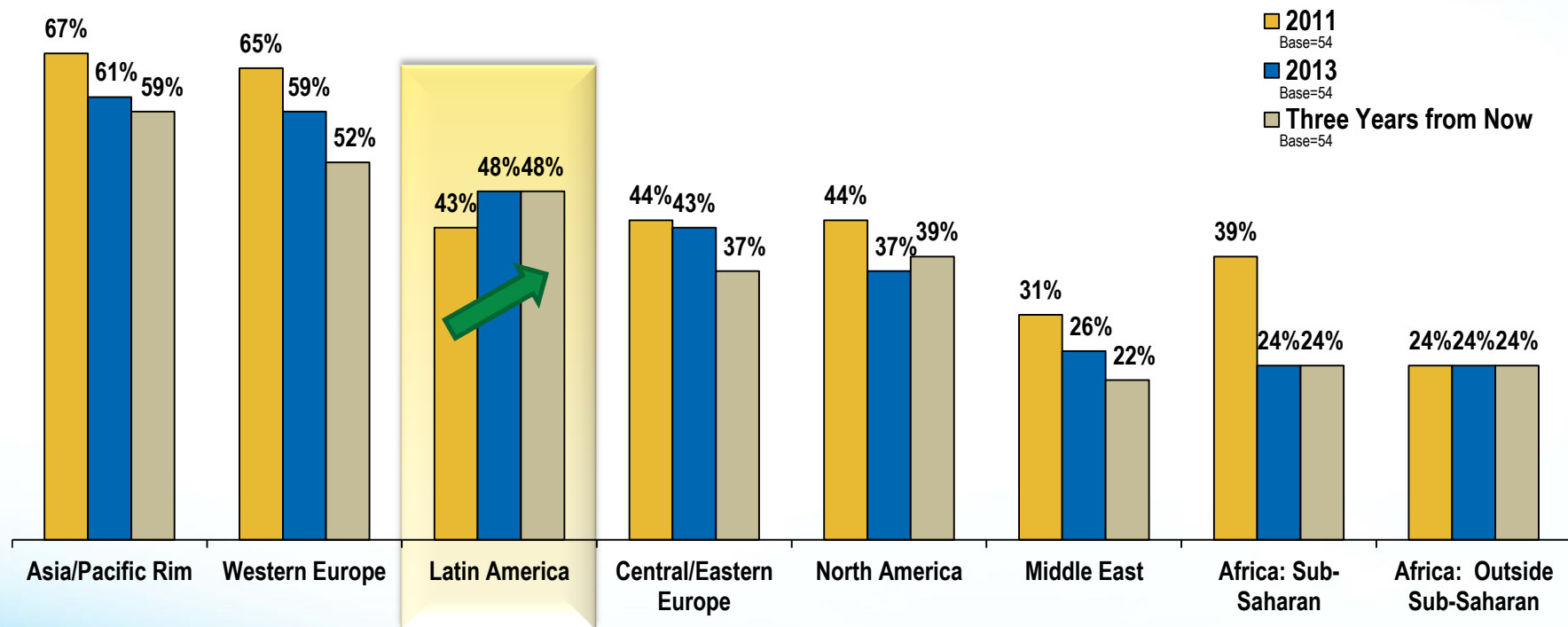
↑↓ Significant change from 2011 at 95% confidence level or higher

*percent of respondents indicating higher usage less those indicated lower usage

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Latin America is the only geography where expansion is foreseen compared to 2011 levels for commodity traders

Which geographic regions of the world in which your company currently operates are the most important for your company? In three years time...?

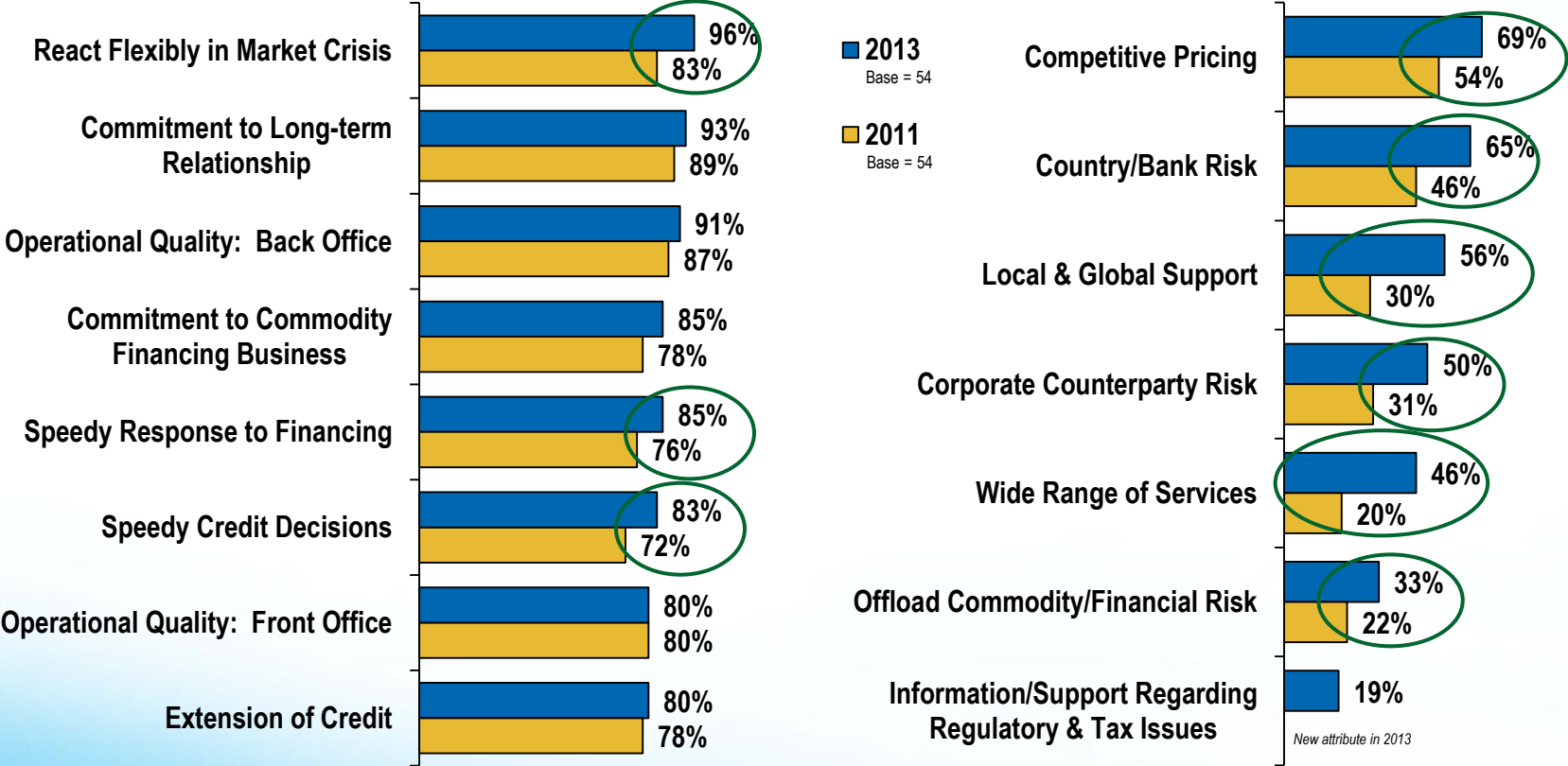


Note: In 2013, seven respondents (13%) described the most important geographic region as worldwide, and this same percent said that this would also be most important three years from now.

Flexibility, speed, pricing , assuming risk, providing support and offering a wide range of services have increased in importance

Percent Commodity Trader Respondents Rating “Important”

Top Two Box Score (6,7) based on 1 – 7 scale, where 1 = “not important at all” and 7 = “very important”

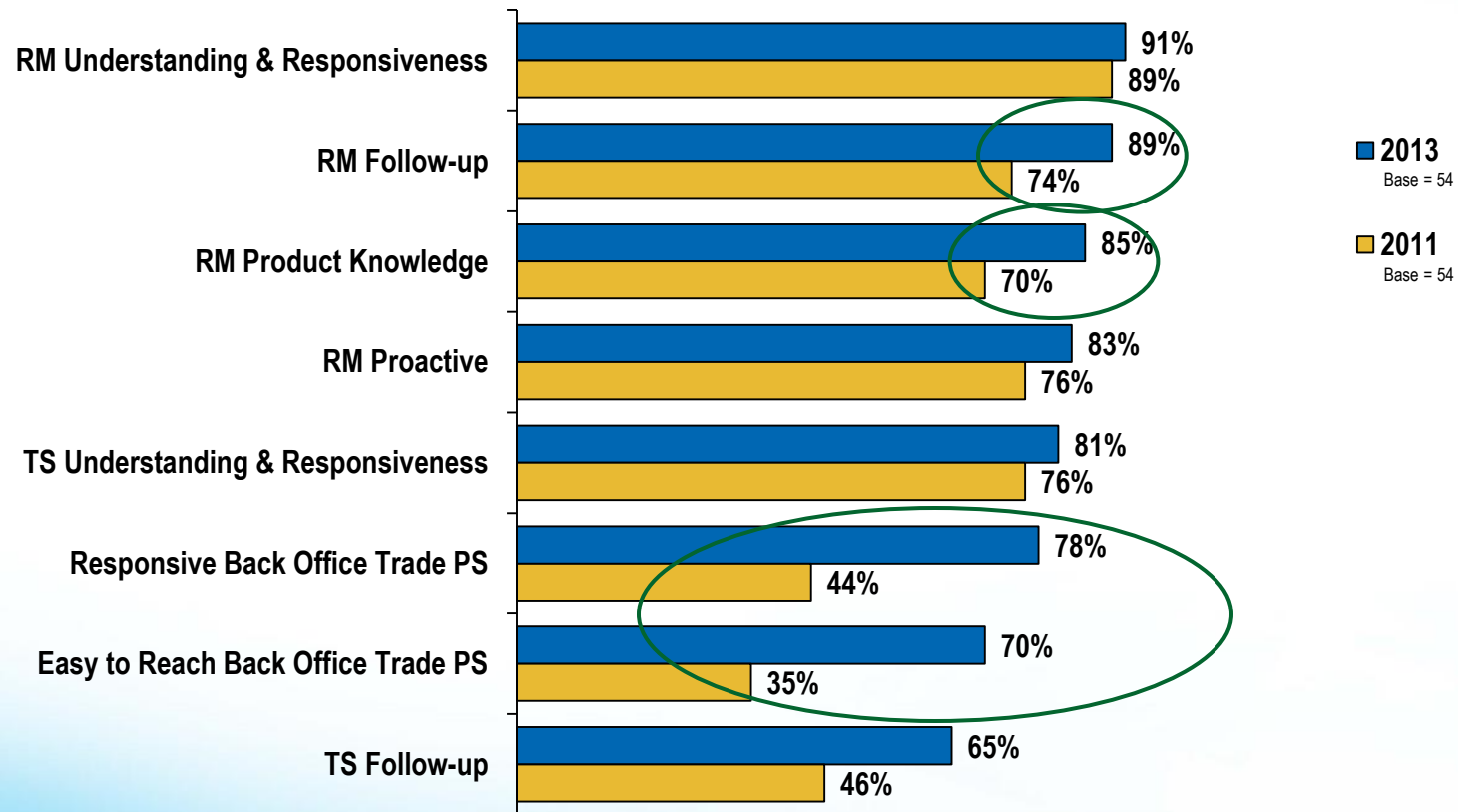


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While with people factors there is an increasing emphasis on back office responsiveness and ease of contact

Percent Commodity Trader Respondents Rating “Important”

Top Two Box Score (6,7) based on 1 – 7 scale, where 1 = “not important at all” and 7 = “very important”



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Major Take Aways

- Regulation is increasingly on the minds of most commodity trading companies: both the regulation of the banking industry and the possible regulation of the commodities industry.
- Most commodity traders view regulation as having a negative effect on the way they do business – both in their relationships with banks and how they conduct their own business:
 - *There is concern that fewer banks will be able to provide financing , and that alternative sources of financing must be sought*
 - *For the industry itself, most traders see their companies being forced to become more transparent over time*
- Although the financing strategy of most commodity traders foresees little change over the next few years, the hard sector is an exception, where companies are seeking more financing, especially committed facilities.
- A good percentage of commodity trading companies expect to use more bank products over the next 12 months, despite the concern of bank financing being made more difficult as a result of increased regulation.
- Commodity traders consider several bank performance areas more important than 2011 – mainly involving speed, taking on risk, pricing, wide range of services, RMs that follow-up and have good product knowledge and responsiveness/quality/ease of reaching the back office.

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