

A MODERN MERCHANT BANKER

First a looming trade war, then a global pandemic: recent months haven't been kind to trade finance. But the industry is recovering, and Dimitri Rusca, the founder of SCCF, wants to use the momentum to his advantage. With a new banking license and a state-of-the-art digital platform, Rusca wants to build what he calls a 'modern merchant bank' in Switzerland. It seems as if he's on to something.

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When Dimitri Rusca says that he's not scared of big banks entering his market, he's got a point. Big institutions tend to finance big transactions. Rusca's Geneva-based company SCCF (Structured Commodity & Corporate Finance), however, focuses on smaller transactions in its specialty – commodity trade finance. But even if Rusca was going head-to-head with big institutions, there would probably still be enough room for everyone. With over 170 million bags of coffee (each weighing 60 kgs) – 10.2 billion tons – produced per year as well as 2.7 bn tons of grain and about 300 million tons of fertilizers, one cannot complain of opportunities to finance shipments of commodities from A to B.

Trade finance is, as the name suggests, the financing of trade between companies or countries. The World Trade Organisation (WTO) estimates that 80 to 90% of all global trade relies on financing of some sort. But the last few months have not been easy for global trade. Just as the trade war between the US and China was starting to calm down, Covid-19 hit the world econo-

my. The pandemic forced companies and countries to focus inward, and drew into question not only trade itself, but rather the very idea of a globalized economy. Companies that heavily relied on it for their business models continue to face difficult times. But Rusca is quick to make a distinction when he talks about his business: "We finance transactions, not companies."

And, says SCCF's founder, the focus on smaller transactions has proven wise: "Corona is definitely a challenge, as there are new obstacles in logistics and difficulties in the overall financial environment. But the positive part for us is that many banks are withdrawing from our business. At the same time, others are coming in, but they tend to focus on large corporates anyway." SCCF usually stays within seven digit territory. "Our transactions are on average between \$2 and 3 million, with some exception for bigger bulk cargos in the range of \$10 million. Banks mostly forget to offer financing to smaller companies and are not interested in small

transactions." And even if banks were focusing on SMEs, the capital requirements large banks have to fulfil for trade finance activities within the upcoming Basel IV makes it much more difficult for them to enter this field.

So even though the industry is under pressure, there are plenty of opportunities. SCCF has grown quite substantially since Rusca founded it in 2003. In the twelve months to September 2020, the company financed \$2 billion worth of transactions and issued 2,000 loans. Now, almost two decades after starting his company, Rusca wants to take the next step to become truly independent. Just as Italy's Medici and Germany's Fugger family created their wealth by financing merchants, Rusca wants to become a 'modern Swiss merchant bank'. But there's two pieces he's missing: a banking license to control the financial aspect of the financed transactions as well as a digital platform to control the IT process. The platform already launched, the banking license should follow next year. Rusca: "I think that getting a





banking license and having our own digital platform will create a significant advantage for SCCF,” says Rusca.

With the new-found strength, Rusca hopes to do his part in furthering innovation and challenging the status quo: “I want to help small companies disrupt the big players in their industry. We want to support them in disrupting monopolies.” What he needs for that to happen? Smart investors that realize how much value is in participating in the real economy.

In the end, it’s all about trust.

But because trust is so hard to build when you’re selling valuable goods, the industry has come up with all kinds of intermediaries and steps to facilitate trade finance transactions. Banks issue letters of credit, financiers offer guarantees, financial institutions create documentary collections. But while this ensures a smooth way of operating on the surface, it also creates enormous complexity for all actors involved

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beyond it. Rusca: “To make sure you can go through with selling something valuable to a buyer, you absolutely need a bank. There’s no way around it.” But this means paying a lot of money to intermediaries. But even despite these costs, there are drawbacks. “Today, we work closely with banks in Switzerland and Asia. But we don’t monitor the payments. This we need to change.” With its own banking license, SCCF will be able to receive and hand out letters of credits, do documentary collections or offer CAD’s (cash against documents). “Our idea is not to start giving out bank loans or provide traditional banking services. Rather, we want to help merchants make business. We want to be a modern Swiss merchant bank. And we hope to assist Swiss and European SME’s

in securing their deliveries worldwide.”

But even if you’re able to control the full financial side of things, there’s another challenge of the trade finance game that again comes down to trust: the paperwork. Every transaction produces complex documentation to make sure goods don’t get lost and money doesn’t get transferred to the wrong account. But Rusca has an answer for this as well: he built his own digital platform enabling parties to process transactions safer and more intuitively. His company’s IT team has been building the platform from scratch for two years.

It can help monitor every step of any given transaction. The involved parties are registered by Swiss ID, so the system is able to

authenticate users and signatures and track issuing and acceptance of documents. “There is a QR code, there is a history, and we speed up the process as documents do not have to be sent physically by DHL anymore,” says Rusca.

The solution relies on Blockchain technology – not a surprise to fans of the novelty. Blockchain, a technology using cryptography, provides a list of records for transactions. It could help correct the inefficiencies of many industries, most importantly those that need to ensure trust.

It could help to smooth many of the pain points of trade finance as well: the expensive creation of contracts, invoice factoring, the delay of payments or shipments etc. “All of the above,” says Rusca when asked about applications he sees for his new platform. Consulting giant Bain estimates that Blockchain could reduce costs in the trade finance business by as much as 50%. And it will help bring down SCCF’s costs substantially.

Dimitri Rusca learned his trade from the ground up. He started his career as a currency trader in a Swiss Bank in foreign currency transactions, but soon got bored. “I was just moving around numbers on the screen,” says Rusca, who’s family stems from the Italian part of Switzerland, but who grew up in Romande, where he still lives. When he saw an advertisement for a coffee trader, he was intrigued. “I thought you could only trade shares or currencies. But entering the real economy seemed much more exciting. When I saw the ad, I immediately applied.” He got the job and worked at renowned trading house André & Cie in Lausanne.

He stayed for seven years, spent time working in Vienna and Milan, before he left and started to work for Russian Rosbank in Geneva (which later became Société Générale), where he headed the trade finance division. After only a year, he joined what is now BNP Paribas. There, he became a member

of the bank’s management team for Switzerland. In 2003, he decided to branch out on his own. “I started consulting clients I already had and finally founded SCCF,” says Rusca.

To this day, Rusca owns 100% of the company, which now has 25 employees across offices in Geneva, Lausanne, Zug, Singapore and Miami. “Owning the company by myself is important for decision-making and independence,” he says. At the same time Rusca and his team advise a fund called Horizon Capital AG, in which he shares ownership with Frenchman Sébastien Max. The fund is regulated in Luxembourg and employs ten people. It focuses on lending money to small companies that are exporting goods from Europe, Asia or North America to the rest of the world.

Apart from the continuing

trend of digitalization, Rusca sees a new-found focus on green financing as the defining trend of the future. It’s something that’s also close to his heart, as he says: “We are following strict criteria when it comes to ESG (environmental, sustainability, governance).” When asked if this trend is actually as fundamental as often described or simply used as a convenient marketing gang, Rusca says that the former is true: “We don’t greenwash. I’m personally convinced that this change is happening across our industry. We constantly analyze our portfolio to see which merchants are worth financing and which aren’t.”

For the industry as a whole, he does not worry too much about the impact of the Covid-19 pandemic. “We’re witnessing a downward trend in the demand for commodities in general,” says Rusca, but he expects a pretty stable volume for his own business in 2020 and beyond.

With his new tools – a full-fledged banking license that he hopes to get in 2021 and the in-house digital platform – he feels well-positioned to succeed. “We want to become a fully-integrated company with a banking license and our unique digital platform. We will

continue to develop the IT part and will make sure to improve the impact of our financing in terms of sustainability.”

But wealth isn’t created from resting on your laurels, so the new-found merchant banker already has bigger ambitions that keep him up at night: “I want to try and start financing entirely new commodities: green energy, bio products etc. There are many challenges with these commodities, especially their transport, but adding these to our portfolio is definitely a dream of mine.”

Additionally, Rusca wants to follow the mission that’s close to his heart: Offering financing alternatives to small and mid-size merchants that challenge and disrupt the monopoly of large companies. “In the end, we offer investors a chance to be part of the real economy.”

Dimitri Rusca started his career in currency trading, before he moved to André & Cie and commodities. After working for BNP Paribas, he decided to found Structured Corporate & Commodity Finance (SCCF). Additionally, he advises Horizon Capital AG, a fund regulated in Luxembourg.