

Russian Commodities Trade Feels Chill as Banks Limit Finance

Top lender ING curbing loans on Russia, Ukraine business Historically high prices mean traders in greater need of cash

[Archie Hunter](#) 24 February 2022, 23:24 CET

Russia's invasion of Ukraine showed the first signs of stifling trade in vital raw materials, as the money that lubricates the flow of everything from crude oil to wheat began to dry up.

Some European banks have begun to impose restrictions on commodity-trade finance linked to Russia and Ukraine, heaping pressure on traders who were already looking for additional credit and bracing for harsh western sanctions on Moscow.

Dutch banking giants ING Groep NV and Rabobank are restricting lending to deals involving movement of commodities from Russia and Ukraine, said people familiar with the matter. Other European banks are also scaling back their exposure, with some restricting the issuance of letters of credit against cargoes that originated in Russia, people said, asking not to be named because the information isn't public.

For decades, the commodities-trading industry has relied on hundreds of billions of dollars of short-term financing from international banks. Any disruption to that flow of money would soon be felt in the movement of cargoes of energy, metals and agricultural products around the world.

With commodity prices soaring across the board, the companies that buy and sell the world's natural resources had already been forced in recent years to seek new forms of finance -- including from Russian banks --

after some traditional funders [backed away](#).

“In the long term, I think things could become much more challenging,” Jean-Francois Lambert, a former commodity banker and now an industry consultant with Lambert Commodities, said by phone. “The cogs are gradually turning, banks will not want exposure and I expect eventually it will be extremely difficult to buy anything from Russia or sell anything there.”

When Russia launched a barrage of missile attacks on Ukraine early on Thursday, it triggered the worst security crisis Europe has witnessed in decades. U.S. and European leaders haven't said yet whether they will punish Moscow with sanctions on its major exports, which in addition to oil and gas also include aluminum and wheat, but the crisis is already having a chilling effect.

Russia's flagship crude oil was offered for sale at a record discount as some buyers and shipping companies pulled back. Some shipments of food and metals were left [stranded](#) by the closing of ports and railways in Ukraine.

[See also: Russian Oil Offered at Record Discount as Buyers Hit Pause](#)

A financing squeeze would come at the worst possible time for an industry that's already dealing with historically high and volatile commodity prices. Last year, major energy traders were forced to reduce the size of their positions and increase borrowing [to cover margin calls](#) that stemmed from a massive surge in the cost of natural gas.

Russian Banks

Sanctions could have a particularly acute impact now because Russian banks have expanded their presence in commodity-trade finance in the last few years. They stepped up to provide additional credit to European

trading houses after industry mainstays like ABN AMRO and BNP Paribas announced they'd be [leaving commodities](#).

There were already growing fears that these new Russian players could be hit with sanctions, forcing traders reliant on them for credit lines to look elsewhere, several sources with direct knowledge of the matter said.

Now, after weeks of warnings that an attack would bring about a "massive" economic response, U.S. President Joe Biden announced Thursday that the U.S. would sanction Sberbank and four other financial institutions.

ING, one of the largest financiers to the commodities industry, is also curbing lending to some Russian and Ukrainian clients, the people said. Both ING and Rabobank are still considering financing for some clients on specific commodity flows on a case by case basis, but aren't taking in new clients, the people said.

"Rabobank is closely monitoring the situation with regard to the Russia-Ukraine conflict," the bank said in a statement. "The exposure of the bank in Ukraine and Russia is very limited."

ING didn't immediately respond to requests seeking comment.

— *With assistance by Devika Krishna Kumar, Alexandre Rajbhandari, Jack Farchy, and Steven Arons*

(Updates with Rabobank comment in penultimate paragraph)