

Banks Toughen Payment Options for Russian Steel and Grain

By [The Moscow Times](#)

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Western banks involved in global commodity trade flows are tightening payment procedures for steel and grain deals with Russia, having already taken similar steps for Ukraine due to its political upheaval.

"Until the geopolitical situation is clear, most banks are reducing risk in Russia as well as Ukraine. They are concerned either that the situation deteriorates into unrest, or about being forced out through sanctions [against Russia]," a senior steel industry source said.

He said banks now require, for example, that payment for steel be made only once there is proof that cargoes have been loaded onto a vessel, as opposed to allowing the transfer of some funds for material still in Russia and Ukraine.

Swithun Still, director of Russia- and Ukraine-focused grains trader Solaris Commodities, said payment conditions for grain deals had also been tightened, with banks cutting down

on "pre-financing" and paying only once there is proof material is aboard a vessel.

"A lot of the Swiss and Western banks have been withdrawing their finance until the bill of lading. The shadow banking sector is having a bit of a field day, because they are able to charge 8 to 10 percent [interest], if not more. Before the crisis the rate was about 3 to 3.5 percent," Still said.

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