



Bunge

Bunge takes trade finance to the capital markets with the help of Rabobank and Finacity

This deal was just that bit different in that it tapped the capital markets but remains very much trade finance – although rather an exotic version of it. One judge commented: “An innovative transaction that is fully embedded in trade.” Another was less impressed: “Too high risk”, he observed. But our deciding judge confirmed that this was trade, and truly innovative, tackling the complexities of accounting regulation head on and providing liquidity and resource to an essential supplier of agriculture and food products.

Bunge Limited is a leading global agribusiness and food company listed on the New York Stock Exchange with approximately 32,000 employees in more than 30 countries. Founded in 1818, the company is headquartered in White Plains, New York.

Bunge’s US\$700m unified, global trade receivables securitisation closed on 1 June 2011, effectively replacing three local securitisations and five factoring facilities in North America and Europe. The programme was structured to ‘AA’ Standard and Poor’s criteria and funded by a syndicate of international bank-sponsored commercial paper conduits. The primary funding was supported by domestic and cross-border agricultural and food receivables as collateral.

“Taking trade finance to the capital markets is one of those ‘holy grail’ quests which usually falls at the very first hurdle of pricing, never mind the fact that ‘securitisation’ as a product heading post the global financial crisis is about as acceptable as substance abuse. Add to that the minor detail that what you can do with trade receivables varies wildly from jurisdiction to jurisdiction, on top of which you have 11 selling entities in seven countries, and, at the other end, thousands of buyers, and you begin to feel the pain for those involved in pulling this monster off. They’ve never been able to do it this way before, so this was a real achievement”

Although Bunge is financially sound and rated BBB-/Baa2, included in its capital structure were various local securitisations and factoring facilities that were regarded as expensive and inefficient (using only a fraction of Bunge’s over US\$2bn receivables globally). Earlier attempts to pull off a single global securitisation facility had met with difficulties because of process impasses. The other complication was that the company preferred off-balance sheet treatment of receivables, but changing accounting rules in the US rendered the existing facilities ineligible for this treatment.

A new deal was needed that complied with the prevailing off-

KEY FACTS

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| BORROWER | Bunge Limited |
| Nominated by | Rabobank and Finacity |
| Purpose | Global trade receivables securitisation replacing three local securitisations and five factoring facilities in North America and Europe |
| Signed | June 2011 |
| Classification | Receivables securitisation |
| Amount | US\$700m |
| Tenor | Five years |
| All-in-margin | LIBOR + 115bps (deal margin 85bps) |
| Lead agent and security agent | Rabobank International |
| Programme administrator | Finacity Corporation |
| Other participants | Crédit Agricole CIB, HSBC, BNP Paribas |
| Legal advisers (lender) | Mayer Brown |
| Legal advisers (sponsor) | Reed Smith |

balance sheet regulation (FAS 166/167). It had to be structured in as many originating countries as possible (and tens of thousands of obligors in dozens of countries) to maximise liquidity and minimise reductions. In addition to making the most of the receivables available to achieve the desired funding, the structure was set up to be easily scalable; giving Bunge the ability to add receivables in virtually any currency from almost any jurisdiction as its business grows. It was this sustainability aspect of the deal that was a particularly big hit with our judges.

This was a deal that required sustained coordination between the various parties involved, not only Rabobank and the borrower, along with their legal advisers, but the other syndicate banks, collateral auditors and the rating agencies. With negotiations being conducted from different continents and time zones, success depended on persistence and teamwork from all sides. The regulatory advisers had the additional challenge of using the FAS 166/167 off balance sheet solution for the non US-subsiary using a foreign domiciled special purpose vehicle (SPV).

Finacity played a vital role interacting with various subsidiaries of Bunge, Bunge’s corporate treasury team and Rabobank in order to meet the necessary data requirements and analysis needed by Rabobank, three other syndicate banks, and the rating agencies.