

Desk Based Case Study: United Kingdom

THE 26TH MEETING OF THE COMCEC TRADE WORKING GROUP

April 20, 2026, Virtual Meeting

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Why the United Kingdom was selected as a case study ?



OVERVIEW OF THE PRESENTATION

- 1** Overview of Trade and Export Structure
- 2** Institutional Framework for Trade Finance
- 3** Legal and Regulatory Environment
- 4** Trade Finance Instruments
- 5** SME Access to Trade Finance
- 6** Good Practices, Strengths and Weaknesses
- 7** Lessons for OIC Member Countries

1. Overview of Trade and Export Structure

Total Trade: £1.9 Trillion (+4.4% Growth)

Export Pivot: Non-EU exports now exceed EU sales

Critical Hubs: US (Aerospace), Germany & China (Machinery), Netherlands (Logistics)

Core Strengths: High-value Engineering, Life Sciences, and PharmaFinance

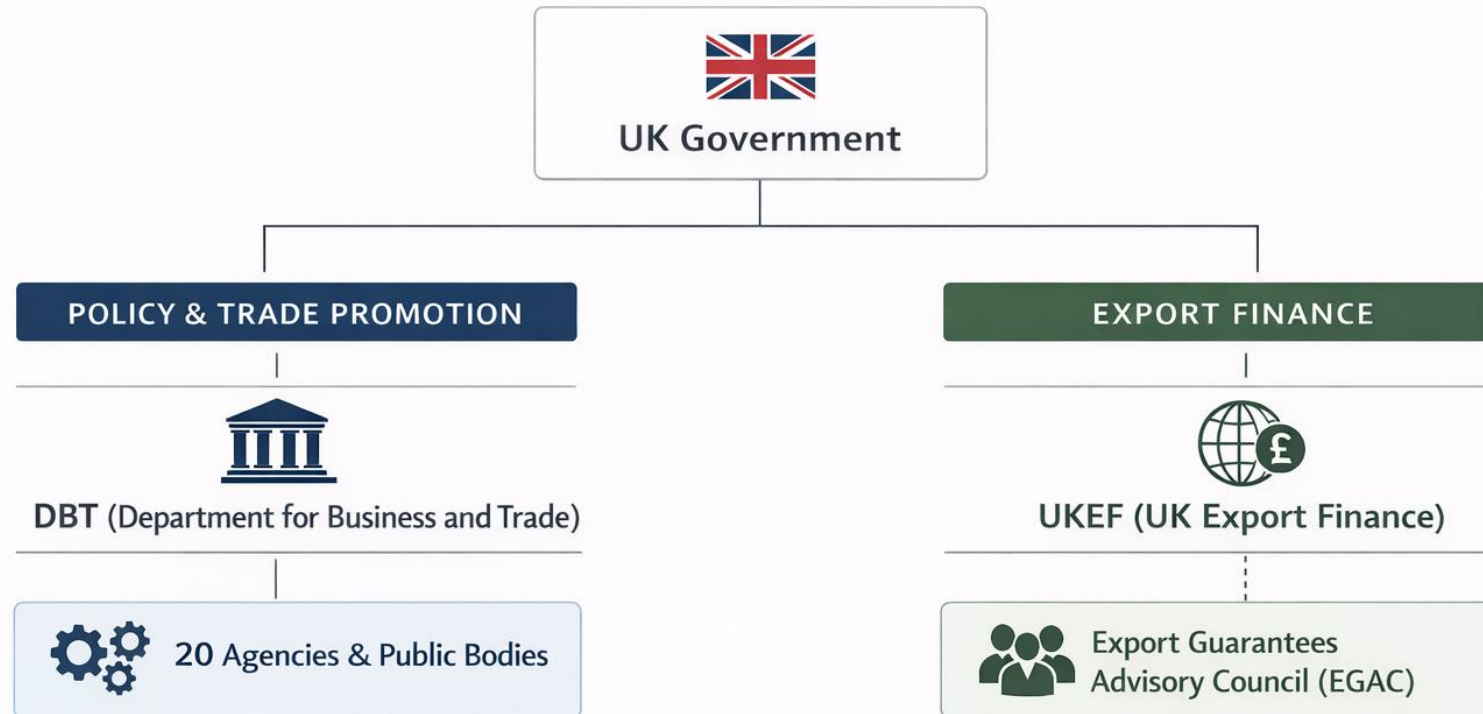
Trend: Surge in Supply Chain Finance (SCF) to manage EU dependency

Market Forecast: \$4.25 Billion by 2033

2. Institutional Framework for Trade Finance

2.1. Public Institutions Supporting Trade Finance

Functional Structure of UK Trade Governance System



DBT focuses on trade policy and promotion, whereas UKEF provides financial instruments to support exports.

2.2. Role of Banks and Financial Intermediaries in Trade Finance

A Global Hub for Trade Finance

- ✓ **Financial Powerhouse:** Financial services exports reached **£92 billion** in 2024.
- ✓ **Diverse Market:** 276 FCA-regulated banks, including agile "Challenger Banks" supporting SMEs.
- ✓ **Comprehensive Tools:** Specialized in L/Cs, Supply Chain Finance, and Receivables Financing.
- ✓ **Islamic Finance Leader:** A premier global hub for Sharia-compliant trade instruments.
- ✓ **Risk Mitigation:** Robust collaboration between private insurers and UKEF for high-risk markets.



2.3. Business Support Organizations (BSOs) in Trade Finance

Bridging the Expertise Gap

- ✓ **Advisory Role:** Assisting exporters in understanding complex instruments like Letters of Credit (L/C).
- ✓ **Documentation Support:** Verifying invoices and certificates of origin to meet international banking standards.
- ✓ **Risk Reduction:** Diagnostic tools to detect errors before bank submission, preventing document rejection.
- ✓ **Capacity Building:** Specialized training on Sharia-compliant instruments and digital trade platforms.
- ✓ **Economic Impact:** Accelerating payment cycles and professionalizing the export process.

3. Legal and Regulatory Environment

Traditional Foundations

Legal Basis: English Contract Law & Sale of Goods Act.

Value: Provides Predictability and doctrinal clarity for international traders.

Impact: Ensures enforceable contracts across global jurisdictions.

Digital Trade Transition

Legislation: ETDA 2023 (Electronic Trade Documents Act).

Core Reform: Legal equivalence between digital and paper documents

Benefit: Reduces administrative friction and environmental impact.

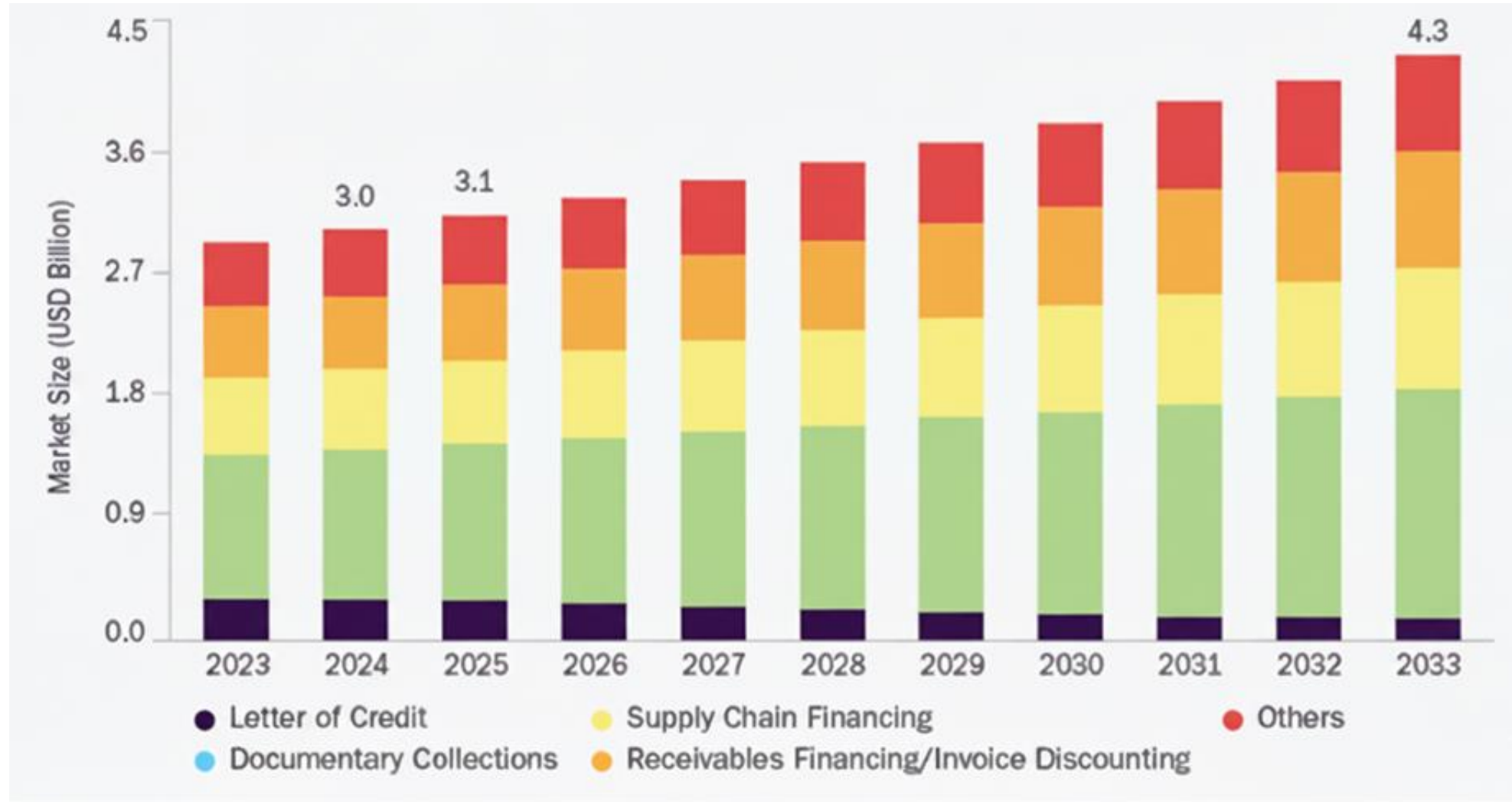
Regulatory Balance & Support

Compliance Strict FCA & PRA standards to combat financial crime.

Liquidity: Favorable capital treatment for trade exposures under Basel 3.1.

Rationale: Recognition of trade finance as an inherently lower-risk asset class

4. Trade Finance Instruments



UK Trade Finance Market by Instrument Type, 2023-2033 (USD Billion). Source: (Grand View Research, 2026)

5. SME Access to Trade Finance

The Challenges (Barriers)

- **99.9% of UK Businesses:** Representing £2.1 trillion in turnover.
- **\$1.3 Trillion Gap:** SMEs face a disproportionate global trade finance shortfall.
- **Legacy & Paper Friction:** Trapped by manual processes and high administrative burdens.
- **Slow & Manual:** High costs that prevent rapid global scaling.

The Solutions (UK Response)

- **Fintech & Challenger Banks:** Real-time digital onboarding replacing slow legacy systems.
- **Open Banking Data:** Credit assessment based on **real-time cash flow**.
- **British Business Bank:** Government-backed programs providing a vital safety net.

6. Good Practices, Strengths and Weaknesses

Digitalization and Innovation in Trade Finance

- ✓ **The "Three D" Strategy:** A holistic focus on Digitization (data exchange), Democratization (SME access), and Decarbonisation (ESG transparency).
- ✓ **Legal Landmark – ETDA 2023:** The Electronic Trade Documents Act gives digital documents (like Bills of Lading) the same legal standing as paper.
- ✓ **Institutional Innovation:** The C4DTI drives the adoption of Legal Entity Identifiers (LEIs) to reduce fraud and create "Digital Trade Corridors.«
- ✓ **Efficiency Tools:** Development of the Single Trade Window (STW) to unify all government reporting into one digital interface.
- ✓ **Fintech Integration:** Use of AI and APIs to automate compliance and documentation, specifically helping SMEs scale.

Export Credit Agency Model: UKEF

The Three Pillars of Support

- ✓ **Working Capital & Liquidity:** Guarantees to help firms fulfill large contracts and manage supply chains.
- ✓ **Risk Mitigation (Insurance):** Protection against non-payment and political risks in high-growth, emerging markets.
- ✓ **Buyer Finance Solutions:** Direct lending or guarantees to overseas buyers to encourage "Buying British."



Best Practices of Business Support Organizations in International Trade

- ✓ **Managed Trade Finance Services:** Regional Chambers provide end-to-end document management.
- ✓ **Customs Health Checks:** Systematic diagnostics of tariff classification, Incoterms, and origin rules to prevent customs delays.
- ✓ **Modular Support:** Tiered services ranging from basic advice to "fully managed" outsourcing—perfect for first-time exporters.
- ✓ **The Indirect Financing Impact:** Accurate documentation reduces "Operational Risk." Reliable firms are viewed as lower-risk borrowers by banks, leading to better credit access.

Islamic Trade Finance for Supporting International Trade

Regulatory Adaptability: The UK uses a functional equivalence approach, adjusting existing laws to accommodate Shariah-compliant structures without a separate legal code.

Key Instruments: Availability of Islamic L/Cs, Murabaha-based import financing, and deferred payment structures through both specialized and conventional banks.

UKEF's Strategic Role: UKEF actively supports Sukuk and Murabaha facilities to align with the financing preferences of overseas buyers in the Gulf, Asia, and Africa.

Global Benchmarks: 2015 Sukuk: First-ever ECA-guaranteed Sukuk (\$913M) for Emirates Airbus. 2026 Murabaha: \$700M facility for Saudi Arabia's Qiddiya project, directly linked to UK exports.

Institutional Partnerships: Formal cooperation between UKEF and ICIEC for co-insurance and joint project support in high-risk markets.

7. Lessons for OIC Member Countries

- ✓ Developing Trade Digitalization as a Legal and Institutional System
- ✓ Leveraging Supporting Institutions as Technical Facilitators
- ✓ **Mainstreaming Islamic Trade Finance through Export Credit Agencies**
- ✓ **Diversifying the Financial Ecosystem**
- ✓ **Fostering a Dual-Layered Trade Credit Insurance Ecosystem**
- ✓ **Scaling SCF and Receivables Finance**
- ✓ **Enhancing Legal Predictability and Adopting ICC Standards**
- ✓ **Mandating Open Banking for Advanced SME Credit Assessment**

Developing Trade Digitalization as a Legal and Institutional System

- ✓ Beyond Software
- ✓ ETDA as a Pillar
- ✓ Interoperability
- ✓ Reliability



Leveraging Supporting Institutions as Technical Facilitators

- ✓ Redefining Chambers
- ✓ Reducing Friction
- ✓ Key Services
- ✓ Capacity Building



Mainstreaming Islamic Trade Finance through Export Credit Agencies

- ✓ Beyond the Niche
- ✓ Scalable Instruments
- ✓ Intra-OIC Impact



ISLAMIC
FINANCE

Diversifying the Financial Ecosystem

- ✓ Breaking Concentration
- ✓ Digital Entrants
- ✓ Data-Driven Credit



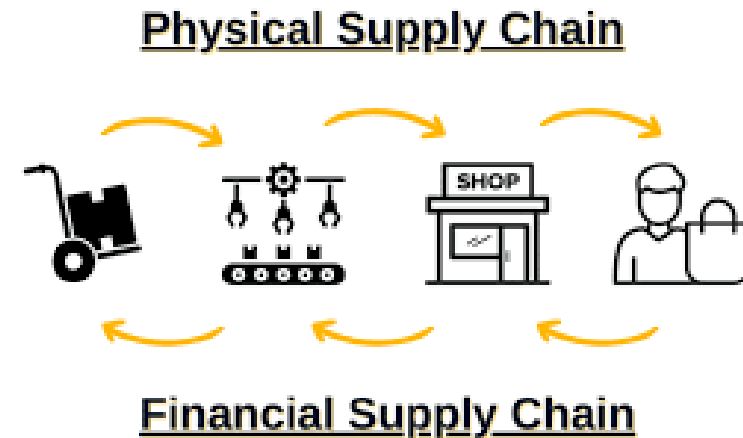
Fostering a Dual-Layered Trade Credit Insurance Ecosystem

- ✓ Public-Private Synergies
- ✓ Safety Net
- ✓ Market Resilience



Scaling SCF and Receivables Finance

- ✓ Collateral-Light Lending
- ✓ Legal Foundations
- ✓ Leading by Example

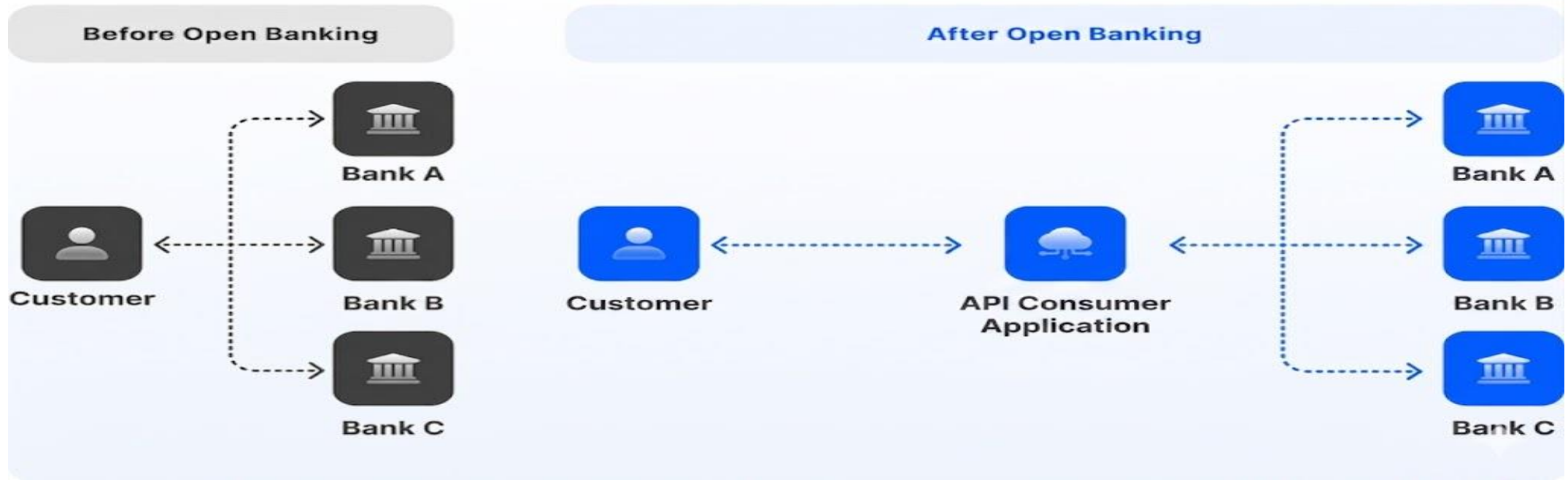


7. Enhancing Legal Predictability and Adopting ICC Standards

- ✓ Enforceable Frameworks
- ✓ Global Standardization
- ✓ Reducing Uncertainty

8. Mandating Open Banking for Advanced SME Credit Assessment

- ✓ Visibility Over Collateral
- ✓ Secure Data Sharing
- ✓ Data-Driven Lending





Thank you

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