



Financial Services Commission Mauritius · Bank of Mauritius · OECD

Geopolitics & Global Trade Disruption

*Impact on Trade Finance & Cross-Border
Payments*

P R E S E N T E R

Dr. Emomotimi Agama

PhD FCMA CGMA FCIS MCSI

Director-General
Securities and Exchange Commission, Nigeria



Virtual Training | 35-Minute Session

- 01 The New Geopolitical Order
- 02 Trade Finance Under Strain
- 03 Cross-Border Payments Disrupted
- 04 Africa & Emerging Markets
- 05 Regulatory Responses & Resilience
- 06 Strategic Imperatives

ESG Risks from the US/Iran Conflict

How geopolitical shocks are reshaping energy, inflation, supply chains, capital flows and governance



Environmental (E)



1. Energy Security vs Energy Transition

Countries are turning to coal and other fossils to offset energy shortages, slowing climate transition efforts in the short term.



2. Higher Transport Emissions

Longer shipping and aviation routes are increasing fuel consumption and global supply chain emissions.



3. Toxic Pollution & Environmental Damage

Strikes on oil depots and energy infrastructure are increasing air pollution, oil spills, contaminated water and soil, and long-term environmental health risks.



Social (S)



1. Higher Food & Fuel Prices

Disruptions to oil, gas and fertilizer supplies are increasing inflation and living cost globally.



2. Energy Poverty & Social Unrest

Volatile energy prices are worsening energy access and increasing risk of protests and labour instability.



3. Reduced Investment and Remittances

Global uncertainty weakening capital inflows, remittances and investor confidence in vulnerable economies.



Governance (G)



1. Fragmented Global Trade

Countries and companies are reassessing trade routes, suppliers and partnerships as sanctions, energy security and geopolitical alignment reshape global commerce.



2. Rising Sanctions & Compliance Risks

Businesses face growing legal, trade, and Anti Money Laundering risks as supply chains navigate geopolitical restrictions.



3. Higher Sovereign Risk

Emergency economic and security measures may weaken transparency, governance, and investor confidence.



Geopolitical shocks are now sustainability shocks. Boards and investors must assess not only direct exposure to conflict zones, but also second-order risks across energy security, inflation, supply chains, sanctions, social stability and sovereign resilience.

THE WORLD HAS CHANGED



From a rules-based order to a fractured, multipolar reality

COVID-19 Shock 2020–2021

Global supply chains exposed as fragile. \$13.8 trillion in fiscal support. Trade collapsed 5.3% in 2020 — fastest single-year decline since WWII.

Russia–Ukraine War 2022–Present

Energy markets rewired. Food security weaponised. Swift sanctions excluded a G20 economy for the first time. Commodity prices hit multi-decade highs.

US–China Strategic Decoupling 2018–Present

Technology cold war. Chip export controls. \$560bn in tariffs. Supply chain 'friendshoring' accelerating. WTO dispute backlog soaring.

"Geopolitics is no longer a background risk — it is the primary driver of global finance."



The New Geopolitical Order

01

Fragmentation, Power Shifts & the Death of Multilateralism

GLOBAL FRACTURE LINES

Key geopolitical fault lines reshaping international trade architecture



01 The End of Unipolar Globalisation

The post-Cold War assumption of a US-anchored, WTO-governed global economy is over. We now live in a G-Zero world — where no single power sets the rules. Regional blocs (ASEAN, AU, GCC) are asserting economic sovereignty.

02 Weaponisation of Finance

Financial sanctions are now front-line geopolitical tools. SWIFT exclusions, asset freezes, secondary sanctions targeting third-party banks — the financial system has become an instrument of state power.

03 Critical Supply Chain Nationalisation

Semiconductors, critical minerals, rare earths, pharmaceuticals — governments are mandating domestic production or allied-country sourcing. Trade efficiency is sacrificed for strategic autonomy.

04 Multilateral Institution Paralysis

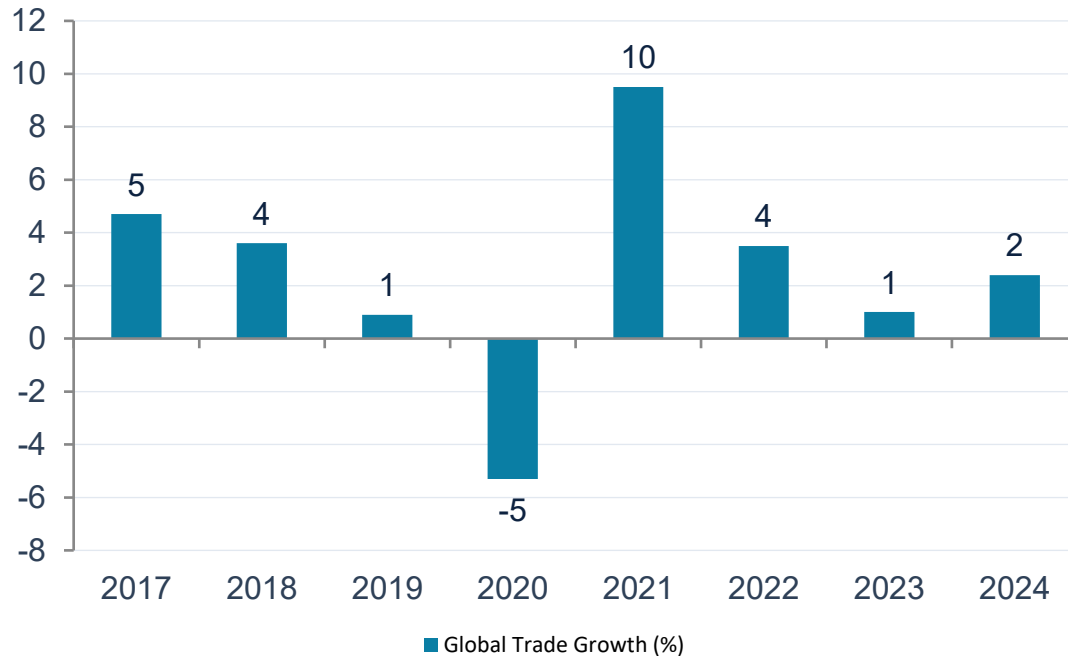
The WTO Appellate Body has been non-functional since 2019. IMF/World Bank governance remains skewed. BRICS expansion signals a push for alternative Bretton Woods institutions.

TRADE UNDER PRESSURE: THE DATA

Global goods trade growth has structurally slowed as geopolitical fragmentation accelerates



World Trade Volume Growth (% YoY)



\$32T

Global goods trade value 2024

-5.3%

Trade collapse in 2020 — worst in 80 yrs

1.0%

2023 growth — near-stagnation



Trade Finance Under Strain

02

Sanctions, De-risking & the Correspondent Banking Crisis

TRADE FINANCE: WHERE GEOPOLITICS BITES HARDEST



The \$10 trillion trade finance market is at the epicentre of geopolitical disruption



Sanctions Compliance Paralysis

Over 2,000 new sanctions designations were issued in 2022–23 alone. Correspondent banks are terminating relationships rather than risk fines — leaving legitimate trade stranded.



Correspondent Banking Withdrawal

The number of active correspondent banking relationships fell 22% between 2011–2022 (BIS data). Small economies — especially in Africa and the Caribbean — are hardest hit.



Letters of Credit Under Pressure

Geopolitical uncertainty raises the risk premium on documentary credits. Russian, Iranian, and Myanmar trade finance is effectively frozen for Western banks.



\$2.5 Trillion Trade Finance Gap

ADB estimates a \$2.5tn global trade finance gap — 60% concentrated in Africa, Asia, and the Middle East. SMEs bear the brunt: rejection rates exceed 40%.

THE COMPLIANCE TRAP: DE-RISKING'S COLLATERAL DAMAGE

When risk aversion becomes a barrier to financial inclusion



DRIVERS OF DE-RISKING

- ▶ Extraterritorial US/EU sanctions enforcement
- ▶ FATF grey-listing pressures on banks
- ▶ AML/CFT compliance cost spiralling
- ▶ Correspondent bank profit margin compression
- ▶ Reputational risk from geopolitical association
- ▶ Inadequate KYC infrastructure in smaller markets

IMPACTS ON TRADE & DEVELOPMENT

MSMEs: locked out of letter-of-credit issuance

Diaspora remittances: cost remains >6% (SDG target: 3%)

African banks: lost USD clearing relationships with Tier-1 banks

Pacific/Caribbean: near total correspondent banking withdrawal

Trade costs: rise 5–10% for jurisdictions on FATF lists

Capital flows: redirected away from geopolitically-flagged states



Cross-Border Payments Disrupted

03

SWIFT Weaponisation, CBDCs & the Architecture of Alternatives

THE FRAGMENTATION OF THE GLOBAL PAYMENTS GRID

SWIFT was built for a cooperative world — geopolitics is forcing the construction of alternatives



2012	Iran excluded from SWIFT — first state-level exclusion	2022	7 Russian banks cut from SWIFT — G20 member precedent set
2014	Russia's MIR payment system launched as contingency	2023	BRICS nations discuss alternative reserve currency basket
2015	China's CIPS (Cross-Border Interbank Payment System) goes live	2024	130+ countries in CBDC development or pilot phase
2018	US–China tariff war triggers yuan internationalisation push	2025	mBridge (multi-CBDC) platform passes proof-of-concept with 26 banks

THE EMERGING PAYMENTS ARCHITECTURE

Three competing visions for the future of cross-border payments



Western-Anchored SWIFT/ISO 2022

- ◆ G7 governance, USD settlement
- ◆ ISO 2022 modernisation by 2025
- ◆ G20 Roadmap: cut FX cost to <1%
- ◆ Tighter AML/CFT enforcement
- ◆ Advantage: liquidity depth

BRICS/Alternative Blockchain Rails

- ◆ mBridge CBDC platform
- ◆ Russia: SPFS + MIR
- ◆ China: CIPS + e-CNY
- ◆ India: UPI cross-border expansion
- ◆ Advantage: sanctions-resistant

African/Pan-EM Regional Platforms

- ◆ PAPSS (Pan-African Payment)
- ◆ GCC Buna system
- ◆ ASEAN multilateral netting
- ◆ AfCFTA payment protocol push
- ◆ Advantage: reduces USD dependency

The fragmentation of payments rails is not merely technical — it is a direct expression of geopolitical contestation for monetary sovereignty.



Africa & Emerging Markets

04

Disproportionate Exposure, Structural Vulnerabilities & Strategic Opportunities

AFRICA: DISPROPORTIONATELY EXPOSED

The continent bears geopolitical risks it did not create but cannot afford to ignore



54%

of African nations on FATF monitoring lists or grey-listed at peak (2022)

>\$80bn

illicit financial outflows from Africa annually (UNCTAD)

8%+

average remittance cost to Sub-Saharan Africa — highest globally

\$65bn

AfCFTA intra-African trade finance potential unlocked if barriers removed

Commodity Dependence & Terms of Trade Shock

Africa's export basket remains heavily commodity-concentrated — oil, minerals, agricultural products. Geopolitical shocks (Ukraine war → wheat/energy prices; US-China tech war → critical minerals race) simultaneously raise Africa's import costs and destabilise export revenues.

In 2022, 25 African countries faced food insecurity partly attributable to the Black Sea grain disruption. For net energy importers, the oil price spike added an average 2.8% of GDP to import bills.

Capital Flight & Currency Fragility

Global risk-off episodes triggered by geopolitical shocks consistently hurt EM currencies. The USD strengthening cycle of 2022–23 caused currency depreciations of 20–40% across multiple African economies (Ghanaian Cedi: –55%; Nigerian Naira: –70%).

This amplifies debt servicing costs on USD-denominated obligations, crowds out domestic investment, and raises the cost of trade finance — creating a vicious cycle that compounds geopolitical exposure.

CASE STUDY: NIGERIA & WEST AFRICA

Africa's largest economy navigating geopolitical headwinds — lessons and strategic responses



CHALLENGES

- ✗ Naira depreciation (70%+ since 2022) amplifying USD trade finance costs
- ✗ CBN FX restrictions creating Letters of Credit backlogs for importers
- ✗ ECOWAS payment integration stalled — WAMZ/eco currency delayed repeatedly
- ✗ Sahel instability disrupting cross-border trade corridors
- ✗ Correspondent banking withdrawal impacting SME export financing
- ✗ Energy transition geopolitics threatening oil revenue long-term

STRATEGIC RESPONSES

- ✓ PAPSS adoption for intra-African trade settlement in local currencies
- ✓ SEC Nigeria: capital market deepening to reduce external financing dependency
- ✓ NGX promoting diaspora bonds and FX-hedged instruments
- ✓ Active engagement in AFDB African trade finance facility
- ✓ Regulatory sandbox enabling fintech-driven payment solutions
- ✓ ECOWAS financial intelligence unit coordination on sanctions compliance



Regulatory Responses & Resilience

How Regulators, Institutions & Markets Are Adapting

THE REGULATORY TOOLKIT: NAVIGATING DISRUPTION

Regulators must balance openness, stability, and resilience in a fragmented world



Proportionate Sanctions Compliance

Tiered compliance frameworks that protect Tier-1 correspondent relationships without over-compliance that triggers de-risking. FATF's 2023 guidance on de-risking must be embedded in national regulatory frameworks.



Payment System Interoperability

Regulators must actively enable domestic/regional payment rail development. PAPSS, mBridge, and ISO 20022 migration represent a new regulatory frontier requiring proactive engagement.



Digital Asset & CBDC Frameworks

Over 130 countries are exploring CBDCs. Capital market and payments regulators must develop clear, interoperable digital currency policies — or risk being bypassed by informal adoption.



International Regulatory Cooperation

IOSCO, BIS, FSB — multilateral regulatory dialogue is more urgent than ever. Harmonised AML/CFT standards, cross-border CBDC protocols, and coordinated sanctions carve-outs require active engagement.

MULTILATERAL RESPONSE: THE INSTITUTIONAL ARCHITECTURE

How global financial institutions are adapting to geopolitical fragmentation



G20 / FSB

Roadmap for cross-border payments — 2027 targets for speed, cost, access, transparency. Fragmentation risk now a standing agenda item.

IMF / World Bank

EM currency stabilisation facilities. Recharged Special Drawing Rights (\$650bn 2021). Debt treatment frameworks for geopolitically-exposed economies.

BIS / CPMI

Nexus and mBridge multi-CBDC interoperability frameworks. Correspondent banking data monitoring. FX Global Code refresh.

FATF

De-risking guidance (2023). Targeted clarifications to prevent over-compliance. Virtual asset standards implementation monitoring.

IOSCO

Crypto-asset international standards (2023). Cross-border regulatory cooperation frameworks. Geopolitical risk disclosure guidance under development.

AfDB / ADB

Trade finance gap programmes. Guarantees for letters of credit in under-served markets. \$10bn Africa trade finance facility (AfDB 2023).



Strategic Imperatives

06

What Emerging Markets & African Regulators Must Do Now

STRATEGIC IMPERATIVES FOR EMERGING MARKET REGULATORS

A framework for resilience, relevance, and leadership in a fractured global order



1 Build Domestic Capital Market Depth

Reduce dependence on international capital flows by deepening domestic bond and equity markets. Nigeria's capital market Master Plan (₦750tn target by 2036) is a model. Strong local markets insulate against external shocks.

2 Accelerate Regional Payment Integration

Champion PAPSS, AfCFTA payment protocols, and ECOWAS monetary convergence. Every dollar settled in local currencies is a dollar less exposed to geopolitical FX weaponisation.

3 Lead on Digital Asset Regulation

Develop proportionate, forward-looking VASP frameworks. Proactively engage FATF and IOSCO. Countries that lead on regulatory clarity attract fintech investment and avoid exclusion from global digital finance infrastructure.

4 Operationalise FATF Compliance Strategically

Achieve and maintain FATF compliant status — not as a compliance exercise but as a market access strategy. De-greylisting is the single most impactful action to restore correspondent banking relationships.

5 Develop Geopolitical Risk Frameworks

Capital market and financial stability regulators must incorporate geopolitical risk into stress testing, disclosure requirements, and systemic risk assessments. This is the new frontier of macroprudential regulation.

6 Assert Voice in Global Governance

African and EM nations must step into IOSCO, BIS, FSB, and G20 spaces as agenda-setters, not rule-takers. The rules being written today on CBDCs, AI in finance, and green taxonomy will shape our markets for decades.

KEY TAKEAWAYS



01 Geopolitics has fundamentally restructured global trade and payments — this is permanent, not cyclical.

02 The weaponisation of finance (SWIFT, sanctions, FX) is a first-order policy tool — not an emergency measure.

03 Africa and emerging markets bear disproportionate costs of geopolitical risks they did not create.

04 CBDC development and payments fragmentation are creating both risks and opportunities for financial sovereignty.

05 The \$2.5 trillion trade finance gap is a solvable problem — requiring regulatory innovation, not just capital.

06 Regulators who lead — rather than react — will define the financial architecture of the next decade.



Thank You

Questions & Discussion

Dr. Emomotimi Agama
PhD FCMA CGMA FCIS MCSI
Director-General, SEC Nigeria

Hosted by

FSC Mauritius · Bank of Mauritius · OECD

“The nations that will thrive in the fractured global order are not those that wait for the rules to settle — but those that help write them.”

— *Dr. Emomotimi Agama*

KEY REFERENCES

- ▶ WTO Global Trade Outlook 2024
- ▶ BIS Quarterly Review: Correspondent Banking 2023
- ▶ ADB Trade Finance Gap Report 2023
- ▶ FSB Cross-Border Payments Roadmap 2024
- ▶ IMF World Economic Outlook April 2024
- ▶ IOSCO Crypto-Asset Standards Report 2023