For a fee, a trader can also get a completely unrelated party to open an LC on their behalf, as we see with some Chinese oil buyers, and at other times a company can leverage the balance sheet of a bigger supplier through a "credit sleeve" arrangement that is common in the bunkering, or ship refuelling, business.

Companies with access to liquidity can offer payment terms to be done on an open account — where goods and documents are handed over today and payment made 30 to 180 days later.

In the never-ending thirst for financing, a company can also sell its receivables — or money owed — for access to cash now, through factoring or other structures. It is a credit web where traders and lenders are inextricably tied together.

This brings us to our first faultline in the tectonic plates of trade finance. How do we assess leverage?

Balance sheets are used as the basic metric for assessing financial lending and they have proven to be blunt tools. The many forms of trade financing highlighted above can be cleverly dressed up as assets rather than liabilities; creative accounting can describe a loan as a trade.

Externally, banks are also faced with the challenge of independently verifying the amount of financing a company has taken from a variety of lenders.

Big banks have increasingly shunned smaller traders and committed their financing to a handful of large traders with unbelievably attractive balance sheets. This has led to an over concentration of liquidity in the hands of a small group of established trading houses who in turn can extend credit.

The second faultline comes from the monitoring and tracking of inventory. Banks rely on documents in the form of bills of lading (BLs), as title documents or pledges of warehouse receipts as the basis of and security for their financing of goods.

These documents are the cornerstone of the trust receipt function deployed by banks where traders are allowed to sell their goods while pledging proceeds to the bank. The common theme in many cases is that some banks are left holding on to these title documents, while the goods have long gone.

There are two loopholes to this system; without a central repository, lenders are blind as to whether BLs or physical cargo have already been pledged.

Second, goods can still be discharged or moved without the BLs through the widespread practice of letters of indemnity (LOI). This is when the physical cargo has arrived at the destination before the BLs and a seller indemnifies the carrier from discharging goods to a third party without the correct shipping documents.