

# Achieving operational efficiency in trade finance

Securing operational efficiency is critical to building a competitive trade finance business with sustainable growth in today's economic environment.

Competition for capital within banks and other external market forces are putting pressure on margins and increasing the pressure on trade finance businesses to generate operational cost savings and improve their profitability.

Today, operations teams face tougher efficiency goals and cost hurdles, on top of demands to improve quality and speed of service to retain existing customers, and capture new ones.

However, their ability to identify and introduce operational efficiency improvements is often thwarted by their reliance on manual processes, fragmented and outdated legacy systems that provide limited operational metrics.

"Improving operational efficiency is a major challenge for the heads of trade finance businesses in banks. This varies from bank to bank, and is not dependent on the size of the bank," explains Philip Simpson, an independent banking consultant, who specialises in the promotion of new models for operational efficiency in trade finance.

"Many trade finance units have grown up with legacy systems, not end-to-end platforms that allow seamless processing of their customers' transactions," explains Simpson. "This means there is little visibility into how

trade finance transactions are managed, from the point they enter the trade finance business to when they leave. Trade finance teams cannot pull together data on where time is spent and where waste has occurred. This becomes even more challenging when servicing a global customer base."

This means that trade finance operations management often only have a fragmented view of what is really happening within their businesses – thereby, dramatically reducing their ability to improve performance.

However, Simpson firmly believes that by globally deploying a single workflow management-oriented technology platform that encompasses the end-to-end processing of all transactions, trade finance businesses can achieve best practice in operational efficiency.

By deploying a workflow management-oriented technology, trade finance businesses can benefit from the electronic collation and delivery of the required metrics. Data on the processing of transactions is captured throughout their lifecycle, allowing the tracking and tracing of all activities to an individual level. Such information can also be consolidated across the entire trade finance business to give a single view of global operations and activities. This not only provides trade finance businesses with a competitive advantage in terms of operational efficiency, customer service, and business management, but it also provides them with the information and tools required to drive continuous improvements and to substantiate their projected savings from new investment in trade finance solutions.



Kitt Carswell, CGI



Frank Tezzi, CGI



Philip Simpson, Philip Simpson Pty Ltd

Simpson explains: "In today's financial environment, transaction banking heads will only support investments with the most compelling business case, including investments to improve efficiency." However, if a trade finance business cannot accurately measure existing and projected efficiency levels, it is in a weaker position to demonstrate the benefits such expenditure will secure.

Simpson himself has first-hand experience with the deployment of a single, end-to-end technology platform across a leading trade finance bank's centralised/decentralised environment, and its entire trade and Supply

**"Improving operational efficiency is a major challenge for the heads of trade finance."**

**Philip Simpson,**  
Philip Simpson Pty Ltd

Chain Finance product offering.

"I have seen the CGI Trade360® solution transform the operations of a major trade finance bank and the experience was very good. This is the sort of infrastructure that enables a bank to achieve operational savings and continuously identify new ones," he says, adding that the bank has been able to identify operational inefficiencies, in areas such as the need for rework, and that operations teams are now provided with improved information on their performance, represented in comprehensive scorecards.

"The bank's end customers are also benefiting from improved operational turnaround time. CGI's trade finance solution has provided its operations teams with the ability to identify and manage priorities among customers, and this is very valuable."

Investing in the right technology and proactively managing operations for efficiency leads to continuous savings, greater competitiveness and sustainable growth which are critical given the dynamics trade banks are facing today.



## Improving customer service while lowering costs

Staying competitive in trade finance requires technology platforms that provide products aligned with today's market demands to drive highly efficient operations and enable excellent customer service. Regulatory challenges, emanating from legislation such as Basel III, have made banks globally more aware of their costs and the need to drive down operational expenditure. As a result, trade finance businesses are under greater pressure to improve operational productivity and efficiency to compete effectively against other bank businesses for scarcer capital resources. However, their ability to do this is constrained by an ongoing dependence on fragmented trade systems and manual processes, which make it virtually impossible to implement efficient workflow-oriented operating models that reduce costs, improve turnaround and increase throughput.

But solutions are at hand. CGI offers CGI Trade360 – a complete end-to-end, workflow-oriented, automated trade finance platform, which has already been proven to deliver operational cost savings of 30% and above.

"A number of things are driving up the cost of trade, one of which is the cost of capital, and for these reasons trade finance businesses need to achieve greater efficiencies in both their operations and customer service to be profitable," explains Frank Tezzi, vice president of trade and supply chain solutions, CGI.

"Also adding to costs is increasing regulatory requirements, such as sanctions checking, that often adds inefficient manual processes. Automating these reduces risk by increasing accuracy, while simultaneously reducing costs."

Tezzi explains that trade finance businesses need greater visibility into individual and aggregated transaction processes, to identify and implement efficiency-generating workflow changes. Because Trade360 supports the bank's entire footprint on one system, it provides both granular and global views of the bank's operations, and the flexibility to adapt operating models and workflow processes to achieve greater efficiency.

"Even if they are operating both regionally and locally, trade finance businesses need to be able to run their operations using one piece of technology, so they can efficiently manage their workflows," he says.

However, in today's challenging trade finance environment, these same businesses are also under pressure to offer customers high quality, consistent, and seamless service. While reducing operating costs, they must also improve standards of customer care.

"Banks' end customers are looking for quality service, speed of service and lower costs, and they also want to receive consistent customer service globally," says Kitt Carswell, senior offering manager, trade and supply chain solutions, CGI. "This means they need to monitor transaction flows and control them in real-time."

"Having your finger on the pulse of what is happening right now in operations is the only way to identify and resolve bottlenecks and problems as they occur. With real-time information on SLA performance, workload levels, rework, and processing throughput, operations managers can proactively manage end-to-end processes to prevent major problems and improve customer service."

By deploying CGI's Trade360 solution, trade finance units can transform their business by securing operational efficiencies and providing their customers with a consistent, seamless service globally. The solution comprises a corporate portal and front and back-office trade processing system with sophisticated imaging, workflow and reporting. It provides a wide range of trade and supply chain finance products to customers globally – regardless of whether the bank's trade business is operating on a centralised or decentralised basis.

Its merits have already been proven at ANZ Bank, which is using Trade360 in 28 countries, and has since experienced a 50% improvement in operational efficiency; a 30% increase in transaction throughput (with the same number of staff) and a 10% improvement in customer satisfaction.

The fact Trade360 comes as a Software as a Service (SaaS) solution, also offers trade finance businesses the opportunity to reduce total costs of ownership.