

# Mobile phones: The next big thing in trade?

Sibos 2010 looks set to witness a major industry innovation with the first-ever demonstrations of mobile trade and supply chain finance, writes **Liz Salecka**.

While trade and treasury convergence looks set to continue grabbing much of the limelight at Sibos 2010, this year's event is also likely to be the launch pad for another major industry first – mobile trade and supply chain finance. “Historically, the banking industry has not been known as an innovator in technology adoption as compared to the fast moving consumer goods (FMCG) market. That is changing rapidly as we speak,” says Tan Kah Chye, global head of corporate cash and trade, transaction banking at Standard Chartered. “I foresee that all the information on trade and supply chain finance (SCF) that is made available on a PC will soon be available via iPhones and iPads.”

Aside from being used to conduct supply chain finance transactions on the move, iPhones are expected to play a key role in enabling senior managers to track down the status of such activities. They will, for example, be able to follow the entire lifecycle of a letter of credit application – from finding out whether it has been received at a bank's branch to whether or not the bank manager has approved it – using their iPhones. Tan adds: “A lot of corporates need access to real-time information – especially senior managers who are always travelling, out of the office most of the time, and want to be able to track transactions and working capital positions.” “If a transaction is at the approval stage, and certain information is not yet available, you can then advise the client by sending a short message service (SMS). All status updates can be sent on to the end client in this way.” This ready access to information is also expected to prove valuable to importers and exporters. An exporter, alerted via his iPhone

*“The banking industry has not been known as an innovator in technology adoption. That is changing rapidly.”*

that a letter of credit has been approved, can immediately pass this information on to the logistics or shipping company involved, advising them to commence shipment. “In Asia, for example, cash flows are tight across many countries, and suppliers often prefer receiving payment before sending goods. If they are informed immediately via an SMS from their bank that a buyer's payment has been received, they can release goods to the buyer straight away,” says Ashutosh Kumar, global head of trade product management, Standard Chartered. A number of banks and technology companies are currently looking to enhance their trade and SCF solutions by offering mobile access. “This will make it easier for CFOs and other



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trade professionals to access information, approve transactions, get information on outstandings and charges, and pass this information on to other stakeholders while on the move,” says Adnan Ghani, head of trade finance, RBS.

UniCredit is also monitoring the situation. “We have noticed increased interest in mobile solutions from smaller businesses,” says Marcus Wohlgeschaffen, head of global trade finance and services, UniCredit. “However, larger corporates tend to have established finance departments where these transactions are managed.” And Jon Richman, global product head, trade and financial supply chain, global transaction banking, Deutsche Bank, adds: “We do offer mobile payment solutions for clients, and this is certainly an application that we see developing in the supply chain space.”

Misys, which offers banks and corporates Trade Portal for Multi-Bank (MTP for Multi-Bank), a front-end solution that corporates can use to gain a consolidated online view of trade transactions with multiple banks, also has plans in this area. Here, Olivier Berthier, solutions director, transaction banking, Misys, points out that it is important for bank providers to fully harness the capabilities of mobile devices when offering mobile trade and SCF. “An iPhone App is not the end of the story, and to really benefit you have to evaluate the whole spectrum of capabilities that mobile technology allows,” he says. “It is one thing to offer mobile banking services in this way but to really benefit here banks have to evaluate the whole range of capabilities that can be offered such as mobile web and two-way SMS messaging.”

However, Bertrand De Comminges, head of the global trade advisory team in EMEA, JP Morgan, warns that mobile solutions may bring security issues.

“There are some ongoing security concerns in relation to providing mobile-based access to financial/treasury information flows, and the success of these initiatives will depend on the security that has been put in place,” he says. “For our major multinational clients, security is crucial, and providing mobile access involves uploading sensitive commercial information and moving it around the globe.” **GTR**

# Battle lines drawn

Financial institutions and IT companies are battling it out to win customers with their converged cash and trade products. **Liz Salecka** speaks to the banks about their offerings.

**T**he movement towards cash and trade convergence also looks set to accelerate at this year’s Sibos. Dominic Broom, managing director, treasury services, Bank of New York Mellon, attributes this to the culmination of corporates’ growing requirements to manage their working capital more effectively and banks’ desire to mitigate lending risks. “The working capital management theme is very topical today. Corporates need working capital management solutions and want to improve their SCF management so that they can reduce their dependence on bank debt,” he says. “Many banks, on the other hand, are facing capital constraints so are looking to review their lending positions, and to get involve in more secure activities – the result being that there is a bit of pull and push taking place here.”

RBS, which plans to launch a converged cash and trade portal at Sibos, points out that its initiative stems from market research. “We run customer panels across the globe to identify different needs from a trade perspective, and then use our customers’ feedback to fine-tune products. We get their feedback on the features they would like and then develop those features,” explains Adnan Ghani, head of trade finance, RBS. “As a result of this type of feedback, we are now working on bringing

together our cash and trade offering in one portal, which will offer access to data on both activities.”

He explains that the combined solution will work as a cash flow product, helping corporates to reconcile payments without the need for manual intervention.

“In a SCF programme, some suppliers will want to take advantage of early payment whereas others won’t. In the case that they don’t, the corporate buyer has to make payments to them, and then reconcile those payments. With our solution, this process is automated, and handled by the bank.”

Misys, meanwhile, believes that as a major technology solutions provider, it is well-placed to capitalise on convergence.

The company is merging its cash, trade and foreign exchange capabilities, which include MTP for Multi-Bank; Misys Cash Portal, an online



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*“Corporates want to improve their SCF management so that they can reduce their dependence on bank debt.”*

**Dominic Broom**, BNY Mellon

corporate cash management solution; Misys Web Trading portal, a foreign exchange solution; as well as Misys Loan Portal to offer a converged solution at this year's Sibos. Back-end capabilities for processing are also being integrated.

“We have really seen the rise of transaction banking, and trade and cash are coming together under one roof.

Banks are looking for solutions that combine these capabilities,” says Olivier Berthier, solutions director, transaction banking, Misys.

“At Misys, we can provide a fully integrated solution that combines our cash management, SCF and Forex capabilities – a one-stop-shop that represents the integration of Misys’ multiple capabilities.” “Banks will need to enhance the capabilities offered by their existing SCF platforms. They need to provide converged solutions, and technology companies can help them to build in that competence.”

Meanwhile, UniCredit is taking a different approach towards its provision of a converged solution.

“We aim to offer a web-based platform, which will be accessible by our customers via a single user ID and password for a range of services,” says Marcus Wohlgesschen, head of global trade finance and services at UniCredit.

“We are gradually implementing our core banking IT system throughout the major banks, which make up the UniCredit Group. By having unified our back-end systems in this way, we are ready to work on our front-end systems. This is an evolutionary process being undertaken to provide our customers with access to more and more products via easy-to-use, web-based applications.”

UniCredit is also currently enhancing its SCF platform so that suppliers can secure liquidity against their receivables directly, without the involvement of buyers.

“We started with a buyer-centric model, which has run quite well, but such models and programmes are time-consuming to

set up,” continues Wohlgesschen.

“We are looking at various approaches – using either our direct risk-taking capabilities and/or collaborating with alternative risk takers such as insurers on a single risk or portfolio basis to mitigate the risk involved in supplier financing.”

### Increased automation

This year's Sibos also looks set to see a range of enhancements to existing SCF platforms in terms of the level of integration and automation they offer, as well as improved access to information.

“Our strategic direction is to offer a totally integrated proposition that allows access to third parties (such as other banks), integrated reporting and the automated exchange of data as well as the reconciliation of a range of activities,” says Jon Richman, global product head, trade and financial supply chain, global



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**John Monaghan**, Citi

transaction banking, Deutsche Bank, which launched its integrated financial supply chain management (FSCM) platform at Sibos last year. “The end result will be improved visibility, enabling corporates to better manage their business and their cash flows.

“Improved information management is one of the biggest parts of our value proposition today,” he continues. “Many of our services such as order flows, invoice flows and reconciliation are already automated.

We are moving in this direction, although certain aspects of trade generally will be more challenging to automate than others and there will still be a need for paper for a bit more time.”

Citibank, which offers a full suite of

SCF and trade solutions, including risk management, cash management and liquidity management through its combined treasury and trade offering, is also moving in this direction.

“We are enhancing our SCF offering, Citi Supplier Finance, in a number of ways – one of which is increased information sharing. This is because we have witnessed increased demand from corporates who want to get a better view of their entire portfolio on a global basis.”

“In our electronic banking solution – CitiDirect – we are incorporating both cash and trade more seamlessly to provide corporates with subsidiaries and offices all over the world, running multiple programmes with a single view of transactions taking place globally. In this way, we can help them to improve their working capital and risk management,” says John Monaghan, director, global trade product management, Citi global transaction services.

He adds that Citi is also seeking to provide corporates with improved access to information on their positions with multiple banks.

“To facilitate this, Citi is working with partners on both the origination side of

SCF as well as the distribution side. This is both technology-related as well as business-driven.

“We expect this year's Sibos to see a lot of dialogue on the multi-bank needs of corporates, and look forward to supporting some of the Swift standardisation initiatives – particularly around trade.”

JP Morgan is also pursuing initiatives geared at improving information flows. “We are continuously integrating the solutions we offer to our clients in both trade and SCF in a move to improve our clients’ information flows at all levels,” says Bertrand De Comminges, head of the global trade advisory team in EMEA, adding that this is critical for large multinational clients.

“These structures also facilitate risk and

working capital management. Our aim is to help corporates accelerate their capital flows and working capital management, while benefitting from improved visibility in their supply chains.”

RBS, meanwhile, plans to announce major automation enhancements to its MaxTrad trade and SCF platform.

Ghani explains that, whereas in the past, suppliers had to fill in documentation and sign it before onboarding, this process has been automated so that they can accept terms and conditions online.

“Supplier onboarding has always been a challenge. It used to take a long time to onboard different suppliers in different countries so we have found ways of making it easier for suppliers to join a programme,” he says.

Another of its major new launches at this year's Sibos is MaxTrad DigiSuite, which will enable corporates to scan in trade documentation and send it in digitised format to RBS, instead of having to deal with paper documentation that has to be taken into a trade branch.

“Working with this system, corporates will be able to digitise information, and send it across in real-time,” says Ghani. “As long as you have a scanner, you will be able to digitise information and send it across the world in minutes.”

In another move aimed at taking the legwork out of managing trade documentation, UniCredit is launching a new service for financial institutions – the Single Point of Entry concept.

This aims to eliminate the need for banks to deal with several correspondent banks in Western Europe and CEE when issuing letters of credit and guarantees. Banks will be able to send all their documentary credits to UniCredit's offices in Vienna – to then be forwarded to the relevant branches of local subsidiaries in the region. “The service will eliminate the need for banks to maintain relationships with several correspondent banks. Instead, they will have one distribution channel through UniCredit for Western Europe and CEE,” explains Wohlgesschen.

“A Korean bank whose beneficiary is in Romania, for example, will be able to send documentary credits or guarantees to us in Vienna, and we will then forward them to the closest branch of the beneficiary.” **GTR**

## Third party providers bite back

The continued movement towards trade and treasury convergence has led to questions over the future role of standalone solution providers. BNY Mellon's Dominic Broom points out that large corporates are more likely to seek out the full range of transaction banking management services offered by banks than standalone solutions.

“It's horses for courses really – depending on a corporate's requirements, but it is difficult to divorce the provision of financing from the processing,” he says. Converged solutions are seen as a lifeline for corporate treasurers, who face increasing pressure to maximise liquidity, improve risk management and meet their companies' working capital needs because they provide improved visibility into all these areas.

“This could put third party technology providers, which offer just a single cash management or a single trade finance solution, at a disadvantage as corporates are looking for a broader product range today,” says Citi's John Monaghan.

CGI Technology is a solutions provider which introduced cash management and accounts receivable capabilities into its Trade360 (formerly Proponix360) solution last year. According to Kitt Carswell, senior offering manager, CGI, time will catch up with independent solution providers as banks continue to provide larger, more integrated solutions, and many of them may end up being bought out by larger organisations that want their capabilities.

However, Raphael Barisaac, director, customer account management, head of trade finance products, Surecomp, which provides trade solutions for banks, does not believe that trade and treasury convergence is a priority for corporates.

“If you ask a CFO, he will be most interested in his cash balance. Trade will come much further down the list – and is not seen as a necessity – or something companies should put money into.” He adds that Surecomp's solutions come with full integration capabilities into banks' own systems as part of the package.

Meanwhile, Arthur Vonchek, CEO, Bolero, which offers an open multi-bank platform for trade finance services to corporates, believes that convergence is being driven largely by the banks which are “seeking to cross-sell various transaction banking products and services to corporate customers”.

“We are seeing greater convergence – but not in the way that most people think.

This is largely at the banking end – with many banks looking to converge their global transaction banking products and services,” says Vonchek, whose company is launching full electronic document presentation at this year's Sibos.

Phillip Kerle, CEO, Demica believes that only time will tell whether corporates really want converged solutions. He explains that it would be difficult for third party technology companies to build in new and complex capabilities, such as cash management, but points out that Demica's Citadel outsourced SCF solution was originally a treasury product, meaning that the solution could be restructured to offer both cash and trade.

“Corporates like us because of the flexibility that we can offer,” he continues. “Third party providers of SCF solutions enable them to easily move and switch their bank funding providers as and when they want to,” he says.

Meanwhile, Bob Kramer, vice-president of working capital solutions, PrimeRevenue, dismisses suggestions that third party technology providers are hindered by the current focus on convergence.

“We issue quarterly software releases and are constantly upgrading the technology,” he says, remarking that his company has built new configurable business rules into its platform and has enhanced features like applying offsets and creating reserves. **GTR**

# Managing working capital



Markus Wohlgeschaffen, head of global trade finance & services at UniCredit, discusses the development of supply chain finance (SCF) and how banks can meet the needs of corporate customers when it comes to improving their working capital.

**GTR: Has demand for SCF among large European buyers grown over the past two years as a result of the financial crisis?**

**Wohlgeschaffen:** We have seen increasing demand for financial supply chain solutions for about 15 months. The economic downturn has meant that the financing solutions, previously provided such as credit insurance, asset-backed securities bilateral lending facilities, have become less available. Most of the bigger transactional banks have concentrated on providing buyer-based supply chain financing for their corporate clients. They have focused on investment grade buyers in order to provide more attractive funding to suppliers, as well as optimising buyers' working capital by increasing payment terms.

**GTR: Is the recent European debt crisis – and the possibility that traditional lending might be curbed – driving demand for SCF?**

**Wohlgeschaffen:** The main reason is probably the increased awareness among corporate customers that they need to free up working-capital that is trapped in the supply chain. According to various studies, approximately 4% of the production costs are related to financing costs. The other reason is that Basel II imposes strict rules for risk-adjusted capital costs. A number of banks are now actively marketing financial supply chain solutions because these structures help them to mitigate risks by providing improved transparency into the business of their clients. As SCF transactions are linked to the physical flow of goods, they neither represent a credit transaction nor a bilateral facility. In addition,

banks benefit from the self-liquidating character of receivables-based financing. However, there is still a long way to go in order to share this perspective on transactional risks with regulators and risk managers.

**GTR: What types of European corporates (by sector) are looking for this type of financing?**

**Wohlgeschaffen:** Financial supply chain solutions are no longer being sought by any specific sectors. In the past, automotive and retail companies were key clients for such solutions, but today we are witnessing demand in nearly all industry sectors. Big corporate buyers are focusing on two additional aspects: strengthening the relationship with strategic suppliers and improving the access to new liquidity providers using trade payables/receivables.

**GTR: Is growth in SCF being driven by European corporates with international supply chains, or corporates with suppliers based in Asia or in Central Eastern Europe, from which they have started to source key components in recent years?**

**Wohlgeschaffen:** In general, banks have responded quickly by developing both domestic and international solutions. Global solutions are complex because they involve multiple legal jurisdictions, multiple currencies, and require different languages to be spoken. This means that companies need to deal with a banking partner, which not only has in-depth local knowledge of different markets, but can also cope with the challenge of managing

complex requirements such as the performance of proper KYC (know your customer) and AML (anti money laundering) procedures. For example, in an international solution, different suppliers in different markets will have different buying behaviour, will speak different languages, and will have varying requirements in terms of the solutions they require. Moreover, we at UniCredit Group are convinced that we have to offer ancillary products that go beyond a single product in order to foster the financial sustainability of the suppliers. In other words we want to use our network in order to support the buyer and the supplier with a 360° financial services offering.

**GTR: Is there a strong demand for receivables financing from suppliers at present – and why is this the case?**

**Wohlgeschaffen:** The demand for receivables financing solutions has steadily grown, and corporates are seeking regular and ongoing solutions instead of one-off solutions from their banking partners, as a result of the reduced availability of credit insurance. When it comes to meeting requirements for receivables financing, we often ask the supplier if they would like to take advantage of a sponsored structure, in which the buyer is aware of the finance provided and can take on some of the risk. This can achieve a significant cost reduction for the supplier. Our experience with several industries such as automotive, retail, telecoms and electronic sectors, in particular, is that they are looking for more regular programmes. They want to sell their receivables early – and on a more regular basis – and this is a reflection of the need to improve working capital. When it comes to receivables financing, we focus on servicing suppliers which are based in one of our 22 countries of operation. They tend to be small and medium-cap companies and therefore find in UniCredit and its unbeaten network in Central and Eastern Europe the perfect partner.

**GTR: Who is meeting European corporates' requirements for SCF? Are they turning to global banks or European banks?**

**Wohlgeschaffen:** Global programmes may be more efficient if they take a 'multi-bank-approach' as, in this way, access to all the countries covered, and all the suppliers involved, can be ensured with greater efficiency. In Europe, certain countries will be better for some banks to work in than others. It all depends on where the corporate client is, and where the

*If a corporate wants to reach a large number of suppliers in a specific country, it should cooperate with a bank that is based in that specific market/country and has broad access to the supplier base.*

suppliers, which will be onboarded onto the programme, are located. If a corporate wants to reach a large number of suppliers in a specific country, it should cooperate with a bank that is based in that specific market/country and has broad access to the supplier base. It is very important to speak the local language of the suppliers, and have an understanding of local jurisdictions, their tax laws, and culture. A good SCF programme only achieves its full potential if suppliers sign on and use it. UniCredit with its vast branch network in CEE and being one of the top three banks in most of the CEE countries should be the first choice to set up SCF-programmes in CEE.





# Looking East: The Changing Face of World Business

**Stuart Nivison**, HSBC Head of Trade and Supply Chain, Europe, discusses the growing business opportunities in Asia that European businesses can't afford to ignore.



**W**hen we look at the global economy today, a fundamental shift is taking place with a very clear move from West to East. Asia and the Middle East are asserting themselves on the global landscape, and the implications for the business community in Europe are considerable. Europe faces new challenges and opportunities. This changing global economic landscape is fascinating, and we can see this in the increasing purchasing power of Eastern consumers. Last year, for example, China overtook the US to become the world's number one purchaser of Bordeaux wines outside Europe [China purchased

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13.7 million litres in 2009, a 97% increase year on year, while the US bought 11.6 million litres, a 27% decline]. Added to this, luxury car manufacturer Rolls-Royce is this year expecting to sell more cars in China than in the UK. It is little wonder then that the IMF believes that, in 20 years time, Asia's economy as a whole will be larger than that of the G-7 and half the size of the G-20. We talk to lots of businesses in Europe that are already exploring opportunities in and with the East. UK-based Romax Technology, a technical solutions provider for the transport and wind energy industries, is already working with universities and car manufacturers in China to develop new software and the next generation of vehicles.

But for many more European businesses, the impressive statistics which highlight the region's growth remain just that; statistics. It can seem unattainable to access the East, let alone keep up with its fast-paced development. It is for this reason that we commissioned The Futures Company to develop a report – which examines Eastern economies' political, social, financial and consumer climate – to identify the key considerations which should influence the strategic decision-making of any European business leader looking East. The report, 'Looking East: The Changing Face of World Business' uses these considerations to map practical steps for European businesses that want to make trade with the East a reality. The report touches on a host of critical factors from fluctuating oil prices and consumption to changing consumer behaviour, but here we've chosen to focus on what we believe to be practical considerations for business. We anticipate that the successful European business of the future will:

- Maximise human capital – this involves looking beyond domestic borders to recruit and capitalise on Asia's investment in training and up-skilling as it moves away from its image as a source of low cost labour. According to the European Commission report, 'The World in 2025', China and India could account for approximately 20% of the world's research and development (R&D), more than twice their current share, by 2025.
- Create an 'innovation supply chain' – innovative businesses will turn the traditional model of Western innovation and Eastern delivery on its head to take advantage of Asia's increasing share of R&D spend, and the skills base outlined above to deliver it.

For instance, Toulouse-based aircraft maker Airbus is hoping to get ahead of rival Boeing in a joint venture with Aviation Industry Corp (AVIC), leader of China's drive to become an aeronautics superpower. From a plant in Tianjin, northern China, it hopes to produce 286 A320 passenger jets by 2016 by sharing technology with Chinese engineers to produce planes at relatively low cost. The deal carries risks. AVIC holds a stake in the Commercial Aircraft Corp of China (COMAC), which has already launched its own Chinese-designed regional jet, the 90-seat ARJ-21, and has ambitious plans to steal a march on both Boeing and Airbus. But China's huge demand for aircraft (around 3,238 planes, valued at US\$391.2bn between 2007 and 2026, according to Airbus) is an opportunity the French company couldn't miss.

Airbus chief Tom Enders has said he's not worried about sharing secrets with the Chinese: "There is no co-operation without technology transfer. We are protecting what matters most. And whatever happens, I have no doubt that a great and ambitious nation like China ... is one day going to build its own aircraft anyway."

- Invest in consumer insight – the booming Eastern population and its growing consumer wealth will create unprecedented market opportunities for European businesses. GDP per capita is rising much faster in Asia than in Europe. An enormous number of people are becoming consumers for the first time as they start to have disposable income. We project Asian demand for retail products will go up by US\$150bn this year. Demand in the West will drop US\$100bn.

However, companies must understand that the Eastern consumer is not just a replica of the Western counterpart. Insight must be tailored to take into consideration regional differences. The success of Nokia's 1100 mobile phone in India, which provides a flashlight and is dust resistant, is an example of a company tailoring its market approach.

- Employ a global mindset – successful businesses will dedicate time to understanding how Asia has redrawn the world business 'map', overturning preconceptions about 'the East' and fostering a culture in their organisation which accommodates different business models and 'rule books'. The free-market, liberal principles on which the West was built are often in direct contrast with methods of rule in the East.

- Mitigate risk effectively – thriving businesses will accurately research, understand and weigh up risks versus the significant rewards of engaging with the East. For example, political instability in parts of Asia could mean economic instability for everyone; higher commodity prices, lower investment inflows and outflows. But for European businesses this shouldn't be a reason not to interact with the East. Being aware of the tensions is sensible, but with the right partners on the ground, 'thinking businesses' can overcome this potential issue and the other perceived challenges which pervade in the old Western mindset.
- Rethink consumption and distribution – As Asia suffers from energy shortages in years

*“European businesses that continue to focus on Europe and North America as their main markets will miss out on the benefits offered by emerging markets.”*

to come, distribution and export models may need to change. An individual business' role in tackling global sustainability issues, particularly the East's energy consumption, should be acknowledged.

Being aware of this within future scenario planning and considering risks versus opportunities to capitalise on Asian investment in new energy sources is therefore key.

- Create an advisory-led business – acknowledging the role of external experts to provide local market insight into doing business globally will prove to be a great advantage for European businesses. To many businesses in the distant markets of the West, Asia is an unknown and sometimes intimidating territory. However, the risks of engagement must always be seen in the context of the potential rewards. While developed markets continue to be important for the world's overall economic health, European businesses that continue to focus on Europe and North America as their main markets will miss out on the benefits offered by emerging markets and intra-Asian trade flows. These will carry on whether European companies take part or not. The ones that do, and get it right, will look back in 20 years and see they've got a very different, but a very successful business.

## Swift set to acquire new platform

Communication solutions provider Swift is planning to acquire the assets of US-based SunGuard's high-volume financial messaging platform. The platform, called Ambit Messaging Hub (AMH), acts as a messaging portal between back-office systems and outbound channels. Swift's acquisition of AMH is still subject to a number of closing conditions, though these are expected to be fulfilled by the end of Q3 this year. While the management and staff of AMH will retain their jobs and be transferred to newly set-up Swift subsidiaries based either in Belgium, Germany or Switzerland, the platform itself will be marketed by Swift under a slightly different name; Advanced Messaging Hub.

Lázaro Campos, chief executive officer of Swift, says: "We are delighted to welcome the AMH team into the Swift family; they have done a great job at building a business with real growth potential." The acquisition is part of Swift's wider plans, as Campos adds: "AMH is an excellent addition to our existing interface portfolio. It is also a demonstration of how Swift is evolving its strategy and business model, building on its core competencies and underpinned by the right technology solutions." Han Cobben, executive



vice-president of the global messaging division at SunGuard, explains to **GTR** how the platform differs from similar products on the market: "[Other systems] have very specific interfaces, making them more complex to manage and handle. AMH has a generic platform that is adaptable for specific use for businesses without touching the basic business platform." The AMH platform comes as a successor to SunGuard's MINT system, which already enjoys some popularity amongst financial institutions, as Cobben explains: "AMH is a young platform, and a successor to the MINT platform that has been used by our customers for several years. Swift's ambition for AMH is to target its top level banks and financial institutions."

## Surecomp grows in emerging markets

Trade solutions provider Surecomp is expanding its emerging markets presence with bigger regional support and development centres in Chile and China. The enlarged Santiago office will offer a range of regional services with pre and post-implementation support and product development services while the Beijing office will work with local and off-shore markets and supporting Surecomp's clients throughout Asia Pacific. Surecomp chairman Joel Koschitzky remarks: "We are delighted to open our upgraded support and development centre in Santiago, which will enable us to build upon our leadership position in the region." "This move to our enlarged facility also reflects our continuing commitment to the Latin American market, which remains a significant long-term

## Bolero creates new app

Tech-firm Bolero is preparing to launch its newest offering in standardising global trade practices with its Presentation Dashboard.

The new application, which Bolero claims is unique, is designed to significantly speed up processing times and communications between corporates and banks. The dashboard contains some crucial features which are designed to improve the trade finance process, such as real-time visibility of the process between institutions, instantaneous sending and receiving of documents and an emphasis on the legally-binding qualities of the e-documents.

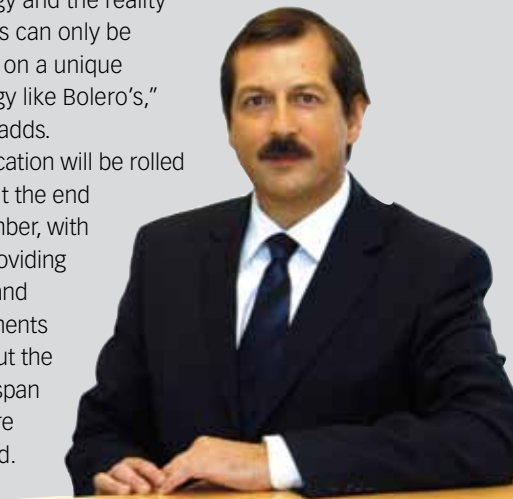
Arthur Vonchek, chief executive officer at Bolero, explains to **GTR** what the presentation dashboard offers to both banks and corporates: "It is a significant additional module that provides fully electronic presentational capability. "With the presentation dashboard, corporates can bring all of the documents they need for a letter of credit and wrap them up electronically in a Bolero envelope and send them over to the banks. Banks can then check for discrepancies quickly and immediately contact the corporate if necessary."

"Importantly, Bolero makes sure that all documents are legally binding, meaning that banks will eventually accept electronic documents in place of waiting to receive the physical documentation."

The legality of the electronic documents will come as a relief to some exporters, particularly if it does become a widely accepted practice. "We had a report when we were first looking into developing the presentation dashboard in Asia where an exporter told us that just the physical processing of documents took a minimum of nine days," Arthur Vonchek says. "With electronic processes, it's immediate." More banks and corporates are taking up Bolero platforms, which is essential in ensuring standardisation of technology platforms between institutions.

"In the last five to 10 years there's been an increasing awareness of the attractiveness of using standardised technology and the reality is that this can only be delivered on a unique technology like Bolero's," Vonchek adds.

The application will be rolled out fully at the end of September, with Bolero providing updates and improvements throughout the app's lifespan as they are developed.



growth opportunity," he adds, mentioning similar sentiments about the China expansion.

**GTR** talks to Murray Freeman, a marketing spokesperson for Surecomp, about the expansions: "We have been in China and Chile for a number of years and have taken on more staff in the two locations to both meet demand and to look cautiously forward. It's not just bricks and mortar; it's an investment for what expansion may come in the next three to five years."

Freeman also gives an insight into what it takes for a technology provider to succeed in the relatively fragmented emerging markets: "Banks are looking for tech-savvy applications that are going to give them a very quick return on their investment."

## CGI wins renewed contract

Information technology solutions provider CGI has renewed its multi-million US dollar contract with Canadian-based financial services group Manulife Financial. Under the renewed contract, CGI will provide IT services such as systems development, maintenance and integration services to Manulife through its centre in Nova Scotia. Doug McCuaig, president, Canada, CGI, says: "This contract renewal with Manulife Financial speaks to the importance CGI places on developing long-term client

relationships. Manulife is a formidable global player and we're thrilled to continue to leverage our global delivery capabilities." Manulife cites CGI's flexibility as a key factor in renewing the contract, as Wayne Martin, senior vice-president and chief information officer at the firm's Canadian division, comments: "Our needs have evolved and CGI has the flexibility and industry insight to work with us. We've been working together since 2004 and we're confident that CGI will continue to provide us with the reliable and agile IT services we need to deliver our client commitments." Manulife provides asset management and reinsurance services to customers in over 20 countries.

## Maybank introduces online platform

Malaysia's Maybank has launched a new web-based trade finance solution called TradeConnex. TradeConnex reduces the need for physical documentation, which allows customers to submit trade finance applications for processing of import and export letters of credit, collections and financing. This reduces the margins of human error and speeds up documentation processes. The new technology, which is accessible through the bank's Maybank2e.net business platform, is intended to provide Maybank customers with trade finance solutions for international and local trade that are comparable to larger global banks. Maybank's president and CEO, Dato' Sri Abdul Wahid Omar, says: "In addition to the traditional, paper-based processing mode of trade finance services, this new service will provide Maybank

customers with the alternative of an online banking environment leveraging on cutting-edge technology." "It also offers customers a new level of convenience as it allows for easy and secured connectivity from anywhere across the globe. In addition to that, it promises greater efficiency and productivity which are increasingly being sought after in today's competitive marketplace." Maybank will not charge a subscription fee, and the bank is aiming to migrate a minimum of 500 customers from its existing trade finance base to the new system by June 2011. Maybank is also planning to extend this service to its regional customers.



## Two developers receive Swift backing

Swift has approved trade finance applications from Surecomp and GlobalTrade Corporation. Global trade solutions provider Surecomp's flagship IMEX banking system received approval for the 12th consecutive year. IMEX had to fulfil mandatory criteria that included security, messaging and connectivity standards, amongst others. Joel Koschitzky, chairman of Surecomp, says: "This recognition by Swift reconfirms the dedication and talent of all our employees around the world, and the cutting-edge nature of our IMEX solution." The IMEX system is designed to handle documentary issues including issued and received letters of credit, standbys, clean and documentary collections, clean payments, guarantees and reimbursements, and syndications and participants. GlobalTrade has received Swift's first "SwiftReady for corporates"

## Misys wins PNB contract

Philippine National Bank (PNB) has chosen software solutions provider Misys to upgrade the bank's technology systems. PNB has agreed to implement Misys Opics Plus 3.0, Opics Risk Plus and Eagleeye to help manage, and therefore grow, treasury operations more efficiently.

The new systems will do this by pooling risk exposure centrally in order to better manage the process, amongst other features. Lee Boon Huat, managing director Asia Pacific for Misys, remarks: "We are thrilled to be working with PNB as it enters the latest phase of development." This is the first implementation of the latest version of the Misys Opics Plus system in the Philippines.





label, which was introduced in 2010 to cover business applications that process and exchange flows between banks and corporates.

The approval, granted by the SwiftReady application certification programme, means that Surecomp can verify its compliance to Swift's financial applications.

Nick Pachnev, chief technology officer of GlobalTrade, says:

"SwiftReady certification is an important milestone in the development of our solutions for corporates."

David Hennah, senior product manager, supply chain, banking markets, at Swift explains to **GTR** what the Swift label means to a third party application: "It is a stamp of approval from Swift. We have three different labels, which are awarded to the application rather than the vendor."

The three different categories that applications can be awarded for trade finance services are back office, bank to corporate communication and trade service utility.

"The labelling process is available to all of our registered software partners, who can come to Swift and apply for a label which is an indication from Swift that the application is 'SwiftReady'," Hennah adds.



### StanChart offers UAE online platform

Standard Chartered has launched a new web-based

cash management service for corporate and institutional clients in the United Arab Emirates.

The Client Account Services (CAS) was created in response to a rising demand from regulators and customers for greater transparency and control over cash flow.

The new service is designed to manage customer funds, allowing Standard Chartered clients to open downstream customer bank accounts online.

Specifically, users will be able to arrange for collection and payment from individual customers through newly created sub-accounts and obtain real-time information on all accounts. The system will be offered through the bank's Straight2Bank banking platform.

### Aite Group expands analytical team

Independent research and advisory firm Aite Group has recruited Enrico Camerinelli to act as a senior analyst to cover cash and trade finance. Milan-based Camerinelli's role will also cover wholesale banking and payments. Camerinelli worked most recently as a senior analyst at Celent, focusing on the financial supply chain and single euro payments area.

Before that he acted as the European director and chief analyst at the non-profit organisation, the Supply Chain Council.

Camerinelli tells **GTR**: "I am very excited to be part of the Aite Group team. The dynamics of the financial and corporate markets in Europe require a dedicated research focus which will be part of my coverage to expand Aite Group's international footprint."

Aite Group is an independent research and advisory firm focused on business, technology and regulatory issues.

### Export Enterprises assists global trade



While access to supply chain information is important for corporates, many companies are also looking for additional trade information and services. One offering in this space comes from Export Enterprises whose trade facilitation tools provide access to international trade data as well as the ability to calculate customs duties and check shipment compliance – online or via smartphones.

Banks can integrate the solution into their trade platform front-ends (or their e-banking solutions) to provide their clients with an added value service via a single sign-on. The trade facilitation tools cover five areas ranging from practical information on trading overseas, sourced from leading market research and intelligence companies, to information on the regulatory and documentary requirements for products in different countries; as well as the ability to work out customs duties and taxes in different countries. Etienne Vauchez, founder of Export Enterprises, points out to **GTR** that such data can be made available to export and import managers within a company. "Corporates can use it to learn about overseas countries, and find out about export and import flows from a country, which can be product-specific." Meanwhile, banks which invest in the solution can benefit

from new opportunities to capture information on their clients' needs and interests in international trade.

"Corporate clients using the solution can contact the bank directly via a dial-up box if they have a trade or trade finance related inquiry," Vauchez continues.

"Once they have deployed this platform, banks can also observe who is using it and for what purposes. It provides market intelligence about your clients – if, for example, that client is interested in trading opportunities in China."

### TradeCard takes on industry veteran

Supply chain management business TradeCard has hired industry veteran Bob Copeland to the role of senior vice-president of product strategy and business development.

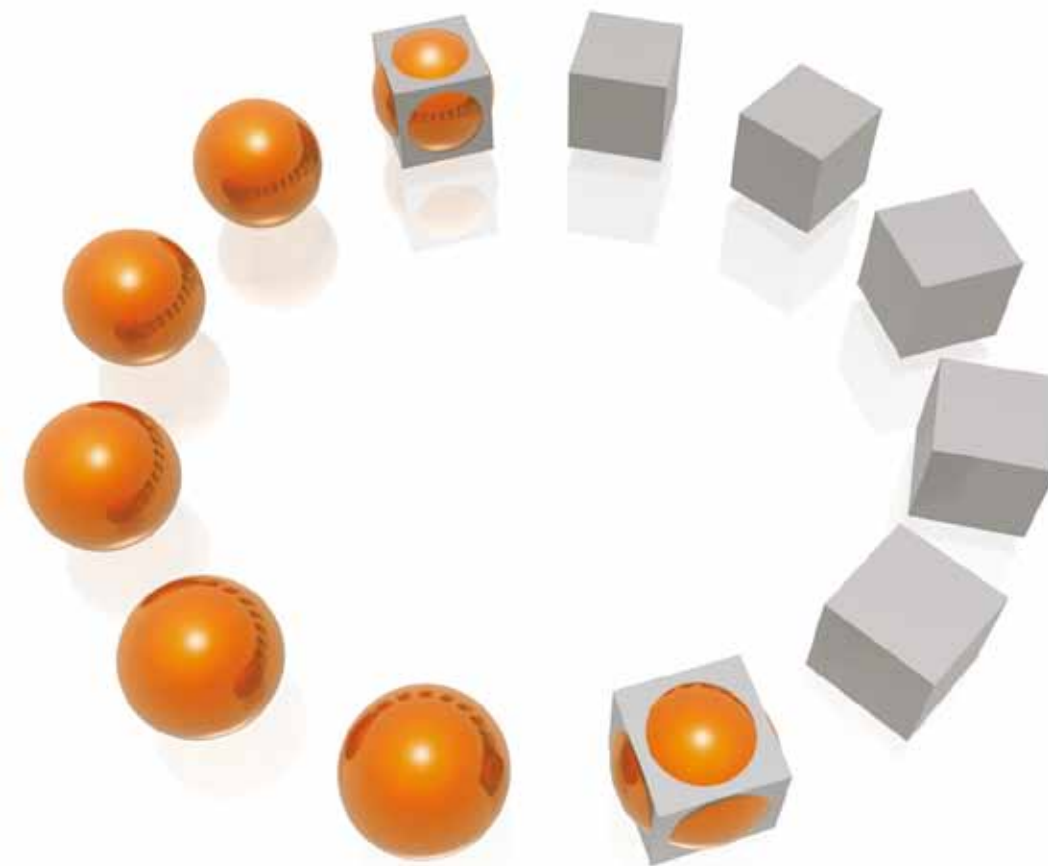
Copeland is tasked with heading US-based TradeCard's emerging product strategy to allow retail, apparel and footwear companies to capitalise on new technology in the supply chain.

Copeland has over 20 years of supply chain consulting experience with major market players including Macy's, Avon and Adidas.

Kurt Cavano, chief executive officer at TradeCard, comments: "[Copeland] knows the market's pains, needs and complexities better than anyone. As the head of our product strategy he will shape our platform to fit the demands of customers and help TradeCard deliver the most impactful multi-enterprise collaboration platform in the world."

TradeCard provides a hosted online platform that connects buyers, suppliers and service providers from 4,000 companies with local support in 50 countries.

## Streamlined Trade Finance delivers end-to-end connectivity from the back office to customer payments – forging stronger client relationships.



### Isn't it time you utilised your trade services expertise?

As customer service becomes increasingly important, trade services are under pressure to improve service levels and to handle a growing range of products. SmartStream's TLM® Trade Finance is a platform agnostic solution that enables firms to react efficiently to evolving customer needs through:

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- Consistent and timely electronic documentation that enables staff to focus on building client relationships
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## Demica report holds warning for banks



A new report by Demica has revealed that European banks are in danger of losing clients to competitors if they do not start offering a greater range of alternative financing methods. Over half of corporates from the UK, Germany and France have been approached in the last two years by their current bank's competitors in an attempt to lure them away with a wider variety of financing options. Demica found that the rise of credit insurance, credit scarcity

and supplier failure plagues European supply chains, and corporates are looking to banks to help them.

Supply chain finance (SCF) is a key area that the report suggests would create a more stable business environment for European corporates, with over half of UK firms admitting to making efforts to extend payment terms with key suppliers. A much larger proportion, 60% in the UK and 71% in France, believe that some key suppliers cannot sustain further lengthening of payment terms.

Furthermore, the increased cost of credit insurance, which as much as doubled in the most extreme cases, was seen by two-thirds of respondents as introducing significant instability into the supply chain.

"Collaborative financing tools such as SCF have recently generated a high level of interest amongst financial directors and bankers as a way of raising finance to free up working capital," the report states.

However, only 10% of the 1,500

firms surveyed claimed that they had joined an SCF programme in the last year, and fewer than 30% have been offered SCF solutions by their banks.

European firms that have not taken up SCF programmes could be missing out, as earlier payment in the supply chain and a structure which effectively gives the supplier the lender's credit rating means that more working capital can be generated.

While most European firms admitted to owing money, over half stated that working capital would be used towards sales growth rather than paying down debt.

## Intellectual property falls under spotlight

China and UK trade relations have inched forwards as the two nations agree to cooperate on copyright legislation. The memorandum of understanding will aim to combat counterfeiting and piracy with the aim to promote



a stronger trade link between the countries.

Under the memorandum, China and the UK will share ideas on best practices as well as highlighting the importance of intellectual property, such as artistic works and patents.

Judith Wilcox, intellectual property minister, notes: "I am delighted to sign this agreement, which promises to bring the two countries closer together in this significant field. The agreement will see our two nations work together to improve the prospects for business in both countries."

The new and improved **GTR** website with advanced features will be launched by **the end of the year**.

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# Software as a Service comes of age

Banks are finding that Software as a Service (SaaS) can deliver a powerful, global, efficient, and flexible platform to serve their bank-wide needs for trade and cash management.

As the global market emerges from one of the most devastating financial crises in modern history, financial institutions are examining past practices as they create a transformed future. Many of these companies still operate with costly proprietary or licensed systems, and outdated processes and infrastructures that inhibit growth and innovation. Forward-thinking financial institutions recognise the critical need to stay ahead of intensified competition by enhancing their global offerings beyond traditional trade and running their trade business on one platform across all locations

*Increasing in importance is the bank's ability to run its trade business on one platform across all locations to serve their customer's global footprint.*

to serve their customer's global footprint. Banks are finding that Software as a Service (SaaS) can deliver an efficient, and flexible platform to serve their bank-wide needs for trade and cash management.

## A critical business solution

Once considered a "one size must fit all" solution, SaaS has evolved into highly-

### Trade360 Helps Smaller Banks Win Big Business

A mid-size bank using Trade360 won the business of a large US retailer for their bank-assisted open account and Letters of Credit (LC) services. The retailer directed its most complex business to the bank exclusively, because according to the retailer, the top-tier trade banks' technology couldn't handle them.

As a result of the enabling capabilities in Trade360, the bank was able to compete head-to-head with other banks that clearly outsized them and were recognised as supply chain leaders.

customisable, essential global platforms providing strategic advantages that would be difficult for enterprises to provide in-house. A 2010 *InformationWeek Analytics* survey ["Why You Need a SaaS Strategy," InformationWeek, January 2010] of business technologists found that three-quarters of companies using SaaS considered application services extremely or critically important to their organisations. About one-third described their SaaS applications as mission critical. Another report from Forrester Research ["The ROI of Software-As-A-Service," Forrester Research, Inc., July, 2009] examined a range of companies that chose SaaS solutions.

Key benefits of SaaS cited by the report included:

- Rapid deployment
- Increased user adoption
- A high level of security and mobility
- Reduced support needs
- Lower implementation and upgrade costs

In trade banking, regional and global banks can gain access to flexible software applications by utilising SaaS platforms that can quickly and efficiently provide traditional and emerging trade offerings to their clients.

## The ideal trade partner

CGI's Trade360™ (formerly Proponix360™) is a prime example of a SaaS solution providing essential trade and supply chain finance capabilities – including traditional trade, open account, supply chain finance, receivables management and cash management – on a single integrated platform that supports a bank's global trade business.

With Trade360's rapid deployment and no maintenance fees, benefits are realised almost immediately. Its highly customisable, rule-driven architecture, gives the bank tremendous flexibility in defining local and global business rules and

operating models. As a SaaS platform it is deployable across the bank, around the globe, with virtually no technology footprint within the bank. New market leading solutions are developed and delivered to production in a fraction of the usual time, providing a dramatically improved "time to market." With its functional, synchronous customer portal, CGI's Trade360 is the only complete front-to-back, end-to-end integrated trade, supply chain, and cash management platform available. This model is a powerful solution for client banks who want to keep pace with the increased level of technology investment required to remain competitive with the largest banks in the industry.

## Customer satisfaction

Trade360, now in its tenth year of operation, gives banks a significant advantage in the market. The SaaS model delivers a proven technology and a partner that offers substantial infrastructure, application, and development support to make a bank's trade and supply chain business work, thus freeing the organisation to focus on market leadership and innovation. Over the past 25-plus years, CGI's trade and supply chain group has made it a top priority to partner closely with clients to support their business strategies. This is why the Trade360 banks are among the most efficient and highly regarded trade banks in the world.

As a case in point, two of CGI's clients, The Australia and New Zealand Banking Group Limited (ANZ) and Bank of Montreal (BMO), both won the "Best in Country Trade Bank Award" from an industry magazine in July 2010, for their respective home countries. Using Trade360, both organisations have been able to provide a

robust, efficient and flexible solution for every aspect of their global trade operations. Upon receiving the award, Sara Joyce, executive managing director and head of trade finance, BMO, noted, "BMO has leading capabilities to assist customers engaged in world trade. BMO's trade finance group advises companies at every stage of development across a wide variety of industry sectors. We help our customers anticipate and respond to changing market conditions, manage relationships with their trading partners and navigate through a rapidly changing risk and regulatory landscape."

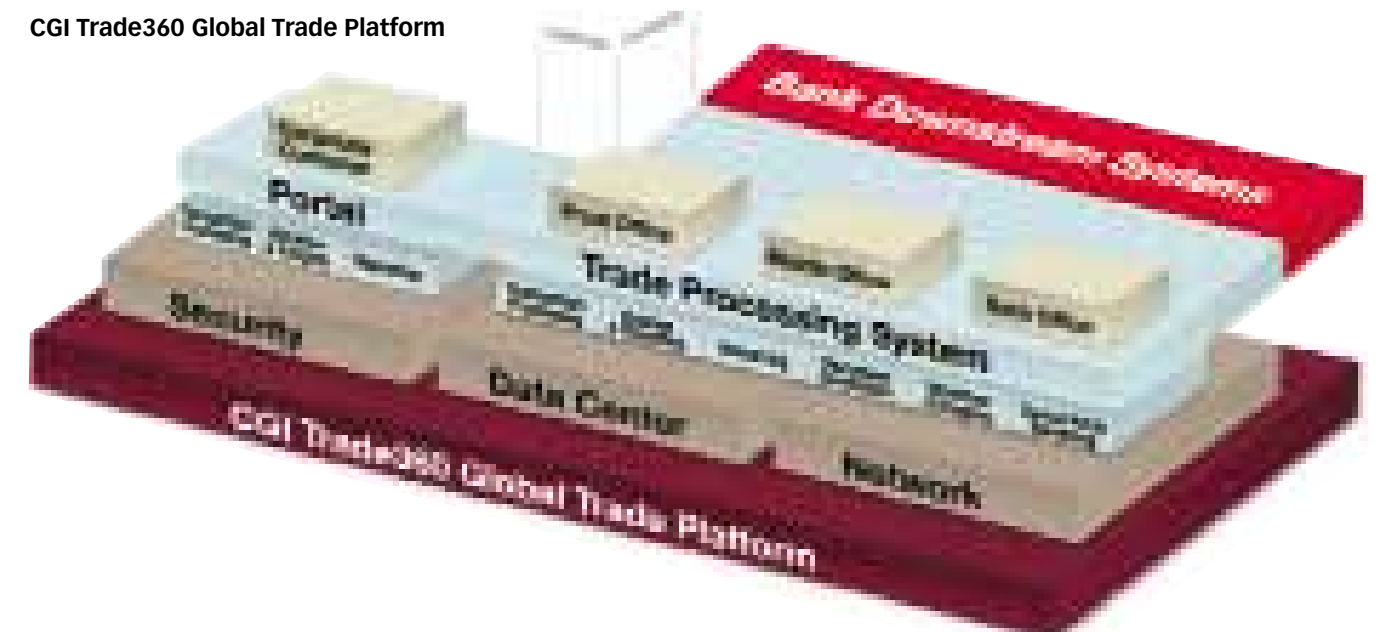
## Looking to the future

CGI continues to enhance the Trade360 platform, so banks can keep up with the increasing global demands from customers. In 2009, CGI launched new global trade services in receivables management and deployed fully integrated cash management capabilities to support a client's expansion into Asia. Banks can leverage Trade360's cash management functionality to initially win new business, with integrated trade solutions becoming the logical cross-sell opportunity, resulting in additional revenue streams for the bank.

However, banks can opt to implement the appropriate mix of Trade360's extensive capabilities in any order. The bank has full control over the services it wants to offer, as well as the pace of rolling out new capabilities. And, as an integrated platform, the new features can be launched in all of a bank's markets simultaneously.



## CGI Trade360 Global Trade Platform



# MIT launches new collateral management software



MIT, the Swiss trade finance software vendor has just launched TRAC, a new collateral management software system for banks. Jean-Luc Spinardi, banking consultant at MIT explains why he believes TRAC fills a huge gap in the trade and commodity finance and structured trade finance arena.

One can observe three major schools of thought in terms of trade finance and commodities financing:

- Balance sheet-based financing. This type of “corporate financing” focuses mainly on companies with a stable and solid financial background, but requiring strong working capital to finance their core business. Such type of financing usually requires little control once the bank has decided to finance the company, and is based on the corporate’s capacity to reimburse. In other words, balance sheet analysis is the cornerstone of such a financing method.
- Transactional-based financing methods that do not base themselves on a corporate’s balance sheet, but rather on the goods financed. Indeed, one of the major characteristics of international trading companies, except for the large corporates around, is their relatively low capitalisation. With such method, the banks need to monitor the physical flow of goods since they represent their main collateral. Effectively, transactional-based financing requires a thorough evaluation of risks and an accurate follow-up of transactions financed.
- Structured trade finance is in fact a mix of the two financing methods explained above. This third method including balance sheet analysis and transactional-based financing is becoming more and more common, and represents the future in terms of trade and commodity finance. The purpose of such practice is that the banks can back their risks both on collaterals and on a financed company’s balance sheet. This very interesting way of financing can be defined as a tailor-made solution for a corporate needing financing depending on the particularities of their activities and their cash-flows. The main difference with

transactional-based financing is a stronger balance sheet allowing more complex and structured financing.

These second and third methods require a vast knowledge of commodities’ markets and most of all of the customers seeking financing. In these cases, the risks will be limited in certain types of transactions due to the possession of the bill of lading (B/L). Nevertheless, the growing complexity of the financing structures and the increasing demands of the supply chain forces the banking community to design more complex financing schemes more adapted to customers’ specific requests; the risks are higher but so are the perspectives of revenues for the bank. However, a bank specialising in transactional and structured-based financing needs to consider several indicators in order to efficiently monitor this activity, more precisely the scrupulous respect of financing limits set for each customer, the level and type of commitments, the evaluation of its collaterals, and first and foremost a good comprehension of the different types of risks involved. A bank needs generally to look at the following risks:

- Customer Risk or KYC - Know your Customer: A bank’s relationship manager must know his customer well, and identify whether the skills and professionalism of the latter represent a sufficient guarantee to finance a transaction.
- Country risk: Obviously, a risk is evaluated differently depending in which country the goods are located at a given time. The fact that goods may transit from one country to another, will have a strong impact on the risk calculation and evaluation.
- Market risk or price risk: Monitoring such risk is fundamental in the perspective. The goods being the only collateral for the bank, it becomes necessary to follow the price change

of commodities. The more volatile the price of a commodity is, the higher the risk becomes.

- Counterpart risk: The banks need to evaluate the risk on counterparts of transactions they are financing. Indeed, the second step of a transaction involves a counterpart to which the goods will be sold to, and whose payment will serve to reimburse the amount initially financed.
- Operational risk: The bank ought to put in place very strict internal procedures for this activity and make sure their employees follow them rigorously. Obviously, the set-up of such procedures are accompanied by the implementation of IT solutions designed to apply these procedures in a secure manner, but also to help the bankers make quick and rational decisions based on valid data updated in real time.

As a matter of fact, banks are currently evaluating whether their existing trade finance systems are still in phase with today’s market standards and with the evolving prerequisites of auditors. In today’s current crisis climate, one major topic remains on the lips of bankers and software vendors: “How can we improve risk management?” Trade finance and commodities financing do not escape from such debate. Furthermore, Basel II regulations oblige the banks to look more in depth on how they evaluate their risks linked to trade finance, since it will have repercussions on capital requirements for this activity.

If it is true that banks nowadays are more or less well-equipped with systems capable of supporting their back-office operations linked to financial instruments such as letters of credits, guarantees and collections, it is not obviously the case for more complex financing and the monitoring of its allocated credit limits, and the management of collaterals. In this case, the most frequently used tool is an Excel spreadsheet. The spreadsheet offers great flexibility for relationship managers to follow the evolution of their transactions, and establish the global economic position of a customer at a given time. The position is calculated on the spreadsheet by consolidating data manually coming from heterogeneous sources. The global economic

position supports the decision-making process of a relationship manager or a credit committee, when deciding whether or not to finance. Despite its proven flexibility, a spreadsheet is not sufficiently secure as far as the reliability of the data presented is concerned. On the other hand, this information supports the decision-making process for financing amounts up to seven or eight digits.

*As a matter of fact, banks are currently evaluating whether their existing trade finance systems are still in phase with today’s market standards and with the evolving prerequisites of auditors.*

Therefore, there is an increasing market demand for innovative dashboard tools that can be easily integrated into a bank’s IT infrastructure, and capable of automating the extraction of data coming from various systems in order synthesise it in a tool capable of presenting a reliable view of a customer’s global economic position in real time.

## About the company

MIT is an independent Swiss company that specialises in the development of trade finance software solutions for bankers.

MIT’s CREDOC is installed in prestigious banks in Switzerland, the European market, and the Middle East. CREDOC is available on several platforms, and can be integrated in every type of organisation.

MIT recently launched a new product called TRAC (Trade Risk Active Control), a trade and commodity finance and structured trade finance customer portfolio management software for banks. The purpose of the software is to replace the Excel worksheet widely used in the trade commodity finance sector.

TRAC is a multi-entity browser-based system. Its flexible architecture allows an easy integration with any core banking solutions, or any other traditional trade finance systems including CREDOC.

For more information, visit [www.mitsa.ch](http://www.mitsa.ch).







# Setting standards

Common communication platforms and standardised messaging are required to ensure effective information flows between banks and corporates when arranging supply chain finance. **Liz Salecka** reports.

To date, accessing timely financial supply chain information has proved difficult for both banks and corporates – not least because such transactions involve a number of disparate and geographically-divided parties.

Moreover, information flows in letter of credit-based trade and financing have been hindered by a huge reliance on paper-based documentation and processes. “A lot of companies moved away from letters of credit to open account trading because it involved less manual administrative work,” says Jon Richman, global product head, trade and financial supply chain, global transaction banking, Deutsche Bank. “A supply chain can involve several third parties from customs to shipping,

insurance, transport and governments. There is clearly a movement towards digitising information flows – although for certain countries, and certain entities, this may prove more difficult in the near term.”

## Open account issues

The movement towards open account trading has, however, created a number of new issues when arranging finance. Although many large corporate buyers are increasingly seeking to offer supply chain finance (SCF), banks are no longer as privy to the sort of information they relied on in the past.

“There has been a major shift from the use of letters of credit to open account transactions and, in this new model, buyers and sellers are exchanging trade details on a bilateral basis – not through the banks,” explains Andre Casterman,

head of trade and supply chain, Swift, who points out that about 85% of trade is now open account-based.

“The question that arises here is how can banks provide SCF for transactions where purchase orders and invoices are exchanged directly between buyers and sellers and do not go through the banking system?”

Swift believes that the answer lies in providing banks with the same level of supply chain information and guarantees that they have been used to in the past – but in a more efficient and automated way. It is promoting the Bank Payment Obligation (BPO), a rules-based instrument, which funding banks can use to secure an unconditional undertaking to pay from correspondent banks, and the Trade Services Utility (TSU), a common communications platform which these

banks can use to share information. Swift claims that the BPO, which was launched in April 2009, can perform much the same role as letters of credit – providing banks with the security they need to offer finance for open account-based transactions. “The BPO provides all the banks involved in supply chain finance with a common set of rules, which are recognised by trade organisations, and that will have legal force in 2011,” says Casterman. “Banks which use the BPO to offer supply chain funding can benefit from lower costs, reduced risks and greater efficiency.” The TSU, meanwhile, serves as a common platform via which funding banks and correspondent banks can exchange information on purchase orders, shipping documents, invoices and other documents when arranging SCF.

“The TSU also matches information, enabling the finance provider to, for example, authenticate information held in a purchase order with correspondent banks. All this is done automatically via the TSU,” says Casterman, pointing out that more than 100 banks are now registered to the new platform. “The TSU can be used in simple transactions, as well as more complex transactions, which involve the provision of syndicated finance.” A number of banks have already signalled their full support for the TSU.

“One area that we are working on in particular now is automating information flows with third parties, such as other banks, and this is where Swift’s TSU comes into the picture as it provides a single infrastructure for multi-bank trade activity,” says Richman, pointing out that Deutsche Bank is about to go live with one client in this space, and that others are discussing it.

“We fully support Swift’s TSU concept and are trying to convince our customers to use the service,” adds Markus Wohlgeschaffen, head of global trade finance and services, UniCredit Group,

which is currently working on pilot projects. “However, there is some reluctance from smaller banks, particularly in certain emerging markets, for which it is difficult to make the technological investment required. To overcome this, we might have to develop bank-proprietary solutions.”

## Corporate-to-bank links

Similar efforts are being made to improve bank-to-corporate and corporate-to-bank communications. Many corporates are struggling to manage information flows with multiple banks via multiple channels – particularly when it comes to traditional letters of credit. But

*“The supply chain lifecycle involves letters of credit, shipment documents, bank guarantees and other documents, which are still paper-based.”*

**Arthur Vonchek, Bolero**

solutions are becoming available. A key player in this space is Bolero, which offers corporates an open multi-bank platform that uses Bolero’s own multi-bank messaging infrastructure for a range of automated trade finance services.

“The supply chain lifecycle involves letters of credit, shipment documents, bank guarantees and other documents, which are still paper-based,” explains Arthur Vonchek, CEO, Bolero. “We can automate their management completely by providing a single standard platform, which eliminates the need for paper, removes the need for data re-entry and also provides corporates with visibility into global trade positions via an open multi-bank platform.”

## Swift moves in

Swift itself is also taking its “common communications” philosophy into the corporate world with a potential industry-

wide messaging standard – Trade for Corporates (MT 798) for all bank/corporate trade communications.

Corporates that have deployed internal trade applications can use the standard to send and receive documentary credit information to and from all the banks they deal with.

“The MT 798 messaging standard enables corporates to use a common language when interacting with their banks, regardless of whether they are connected to Swift or not,” Casterman says. “Effectively, it gives them a common communications format, which they can use for all their banking partners.

“Banks have been very active in providing their corporate clients with web portals for such communications, and are likely to continue doing so, but corporates which have their own internal applications are likely to prefer using a single messaging standard and channel.

“Much will depend on a corporate’s requirements,” he continues, adding that smaller corporates working with fewer banks may prefer to use banks’ individual web portals.

“Corporates, which are looking to centralise data such as treasury, can now centralise their trade information too, and this will further help them to improve their working capital, which is a key business benefit. By rationalising the channels they use they can reduce costs and increase efficiency.”

There is already an accreditation label for technology companies that want to implement Trade for Corporates into their



solutions. Misys is one major player which is committed to its use.

"At Sibos 2010, we will announce that we have full service bureau status with Swift," says Olivier Berthier, solutions director, transaction banking, Misys, pointing out that his company's Trade Portal for Multi-Bank (MTP for Multi-Bank) solution will have at least four Swift labels this year, including Swift Trade for Corporates.

"What Swift is bringing to the corporate community is a standardised way of exchanging data with banks. It is already doing this for banks, with bank-to-bank communications based on Swift standardised messaging formats, and now it has devised a defacto standard for corporate-to-bank communications."

### The standard of the future

Swift believes that Trade for Corporates will eventually become the main standard for all bank/corporate trade communications.

"We want this to become the main standard for bank-to-corporate and corporate-to-bank trade communications, and plan to continue to invest in it," says Casterman, who points out that Swift is enhancing MT 798 on an ongoing basis. "At present, most trade messages contain much free text data but we continue to upgrade them to improve the granularity of data, starting with guaranteed messages," he says. "We are also making efforts to extend the character sets used by, for example, Chinese and Japanese characters which many Asian domestic banks still use for domestic transactions."

However, there are still some qualms

about using a common Swift standard in this space.

"About 18 months ago, Swift looked at trade messaging and ended up with MT 798. However this is not a standard – it's like an envelope that you put data into and only provides a series of guidelines," says Bolero's Vonchek. "There are still many issues with it."

"There are different service providers, which offer different messaging types and they are building on different standards," adds Ashutosh Kumar, global head of trade product management, Standard Chartered.

"However, it is very important for banks and corporates to have a choice of service providers so that there is competition. Competition is very healthy in this industry as it leads to improvements in the level of services offered."

If, for instance, Swift is the best route forward, Kumar argues that corporates

finance and working capital management solutions where there may be multiple interested parties involved, such as insurance companies, investors and local, regional and central governments, linked to the transaction."

Likewise, Sanjay Dalmia, managing director of Fundtech India, points out that the real challenge lies in establishing a common framework for data exchange between



Andre Casterman

*"A lot of companies moved away from letters of credit to open account trading because it involved less manual administrative work."*

**Jon Richman, Deutsche Bank**

need to be involved and participate in the movement towards deciding on a standardised messaging format. Dominic Broom, managing director, treasury services, Bank of New York Mellon, believes that Swift could be the best route forward.

"Swift as a provider of messaging services is a co-operative owned by its users. The way it is run and operated would suggest that there is little likelihood that it will get involved in an activity that is not beneficial to its users," he says.

"Swift's payment messaging standard has been very successful, and illustrates the benefits of having a global standard. But I am more sceptical of the adoption of these standards and norms in supply chain

the many trading partners involved in a corporate's supply chain.

"Standardised messaging, if possible, can definitely resolve many information and reconciliation issues. The challenge is to define the standard. The information requirements of each industry and each corporate within an industry can vary." Many banks, however, are very supportive of the new standard.

"It certainly could be the standard for trade messaging in the future, but like all other things, it takes time to build critical mass. Once enough people start using it, we are likely to see a snowball effect," says Deutsche Bank's Richman. "There are a few competing alternatives in the industry that provide multi-bank capabilities." **GTR**

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