

STEPPING UP THE PACE

WITH AUTOMATION

With regional banks investing in independent electronic trade and supply chain solutions, Asia now represents a lucrative market for third party providers.

While global banks that rely on their own proprietary platforms are spearheading the movement towards greater automation of trade and supply chain finance in Asia, a number of independent technology solution providers have also made successful inroads into the region.

Increasingly, many of them are working with local and regional banks that want to deploy new, electronic solutions for traditional and open account trade transactions, and roll-out supply chain finance programmes for their corporate customers.

Misys, which has been active in Asia for more than 30 years, has doubled its resources in China in the last year alone. It now has 50 clients there, including Agricultural Bank of China, Bank of Communications and China Development Bank.

"Having a local presence is key – especially in the trade and supply chain

finance space, as when you are putting in domestic market models you have to be close to that market," says Olivier Berthier, global solutions director, transaction banking at Misys, who relocated to Singapore a year ago to head the company's transaction banking product development and strategy. "We decided that we wanted to have our strategy and solution development in the market where we are witnessing the greatest growth so that we can meet local requirements."

Berthier points out that there are significant opportunities in Asia for best-of-breed, independent trade and supply chain finance solution providers to work with both regional and local banks that are now looking to expand their businesses and compete more effectively against global players.

"There is relatively less competition (to us) from large, global banks outsourcing services in Asia because regional banks are competing fiercely against global banks in their own domestic markets," he says, pointing out that such competitive pressures have reduced opportunities for true partnerships. "Many regional banks are also very ambitious and want to do things their own way."

He adds that the pace of technological change sought by many Asian banks has also created new openings.

"We are seeing great demand for fast time to market, and this is why many regional banks are looking towards third party technology providers instead of developing their own technologies," he continues.

"They want to capture and capitalise on the fast growth of the market and region today, and for this reason working with a third party provider of best-of-breed solutions makes sense."

The drive towards the deployment of electronic trade finance solutions also stems from many Asian banks' desire to meet their own corporate customers' demands for increased automation and advanced online capabilities when managing both open account and traditional trade finance transactions.

Whereas historically, Asian banks invested primarily in third party back-end processing solutions, demand is now increasing for front-end solutions as they seek to service the needs of their increasingly internet-savvy corporate customers, explains Berthier.

"There is now as much demand for our front-end solution, Misys Trade Portal, as for our back-end solution, Misys Trade Innovation Plus, as banks are looking to improve their levels of corporate customer service and provide them with greater online capabilities. Corporate customers are looking for quicker access to, and more details about, their trade finance transactions on a 24/7 basis," he says.

Another leading provider of bank solutions in Asia is China Systems, whose total trade finance, supply chain financing and payments solution, known as Eximbills, has been installed at leading banks in the region including Bank of China and Bank of Shanghai.

Digby Bennett, regional sales director at

Banks on third party providers

The role that third party providers of supply chain finance platforms can play in Asia's diverse markets has often been debated by banks, given the requirements for a local presence, and the need to work in collaboration with multiple banks as funding partners.

"One question that arises in relation to third party technology providers in Asia relates to their ability to conduct due diligence on the spot," says Simon Constantinides, regional head of trade and supply chain, Asia Pacific at HSBC. He notes that HSBC has a significant number of trade professionals working across 20 countries in Asia. "A small boutique supply chain finance technology company will not have such diversified resources."

"Much depends on how big a supply chain finance programme is," he continues. "If it is worth billions of dollars and covers multiple countries then it will certainly need more than one bank to finance it. But such a programme could be arranged and led by one bank with a large international network."

Similarly, Jonathan Heuser, head of corporate trade advisory and solutions delivery, Asia Pacific at JP Morgan treasury services, points out that third party solution providers that want to develop their own networks across Asia and other parts of the globe are coming from a much smaller base, making it harder for them to create the global infrastructure required for large programmes.

"In a supply chain finance programme, the partner will have to do a lot of enrollment and support work with suppliers. Corporates want to see a certain level of control and standards in place that reflect their own supplier relationship management," he says, indicating that this is always typically achieved by global banking partners, which can manage comprehensive and controlled roll-outs across different countries.

However, there is recognition that third party solution providers can spearhead the availability of new technologies.

"There is a lot of value that third party platform providers bring to the equation. They come to the industry from a technology perspective, and hence bring with them new concepts and innovations," says Heuser. "As they concentrate a great deal of their attention on technology, they can ensure that their own products are developed on an ongoing basis, which helps to drive innovation in the wider industry. They can also play a role in helping the movement towards standardisation."

He adds that although Asian corporates are currently placing a strong focus on the strength of their counterparties' balance sheets, it is likely that as markets become more stable and the threat of financial crisis passes, technology and global reach will become stronger decision-making points for them.

Some global banks also recognise that

third party providers can play a valuable role in meeting corporates' requirements for multi-bank programmes.

"Third party technology providers do have a definite role to play, and one of the key ways in which they can be advantageous from a buyer's perspective is that they offer multi-bank solutions, which reduce dependency on any one bank," says Joseph Sum, head of corporate trade product for APAC at Bank of America Merrill Lynch.

"However, it has to be remembered that it is the banks that play the key role in the programme by providing the finance," he adds.

He notes out that his bank does work with third party solution providers by providing financing for multi-bank programmes where their bank's own clients express a need for this type of solution.

However, at DBS, Ken Stratton, managing director and global head of sales, global transaction services, points out that many Asian banks today are not looking to provide pure lending in isolation, but rather a broader range of services to their corporate customers – and that they also want to tighten these relationships.

"A bank's key objective is to provide a broader offering of bank services to their corporate clients. This entails a strong cross-sell of bank products, which may be fee-based rather than pure lending," he says.

China Systems, also recognises the potential to service local and regional banks, but notes that there is a need for tailored trade finance solutions.

"Some banks do develop their own proprietary solutions, and this is one of our biggest areas of competition," he says, adding: "One of the key advantages of Eximills is that it comes with a rules-based engine and a development toolkit, allowing banks to adapt our business solution to meet their exact requirements, and change it in line with their needs over time."

Like Berthier, Bennett also identifies a

strong movement to deploying the latest technologies at the back-end and front-end, as well as an increased focus on seamless and secure multi-channel environments.

"Asian banks are recognising that their trade customers have become very dynamic and ambitious – and they want to be attuned to the latest technologies," he says, pointing out that, aside from online trade services, Asian corporates are increasingly looking to deploy user interfaces such as iPads and iPhones – particularly for checking trade transactions.

China Systems also offers Customer

Enterprise, the front-end of its Eximills solution, directly to corporates, who use it to support a full range of trade finance, open account and payment transactions, as well as financial supply chain activities.

"There is growing demand for all types of supply chain finance, and corporates are recognising that they need a portal to manage all their trade transactions. Our solution enables them to view their cashflows, see where their receivables are and also discount them," he says.

"Paper will eventually be replaced by electronic formats for a large range of

transactions in Asia as companies seek to improve their visibility and reduce risks.”

Converged solutions

Many Asian banks looking to make a major investment in new trade finance solutions today are in a strong position to leapfrog existing technologies and move directly to the latest converged cash and trade solutions.

By deploying fully-integrated solutions now, they can facilitate their own expansion plans and lose no time in servicing their corporate customers in a more unified way.

“Many of them are moving straight from basic functionality to online, electronic cash and trade solutions that run on the same platform,” says Berthier, who acknowledges strong interest in the deployment of both Misys Trade Portal and Misys Cash Portal, which use the same underlying technology as a converged solution.

“Banks are witnessing increased demand from corporates for one-stop shop access to both their cash management and trade finance – and there is now a major evolution taking place in unified cash and trade solutions.”

He adds: “A number of relatively large banks are quite ambitious to grow and recognise that to achieve this they need to improve customer service and their own reach. They want the ability to service customers across the region in a multi-product way.”

Here, he identifies Maybank, the largest bank in Malaysia, as one local bank that has deployed Misys’ front-end solution for trade finance to support ambitions to grow its business across the region.

The bank now offers online trade finance services via Maybank2e.net, supported by Misys Trade Portal, which its corporate customers can use to interact with the bank from any location to gain a real-time view of their financial supply chains. At some stage in the future Maybank is likely to invest in Misys’ cash management capabilities too.

CGI is another independent provider of converged solutions that has secured a presence in the region with its CGI Trade360 solution, which offers traditional trade, open account, supply chain, receivables, payables and other cash services.

The company counts Australia New Zealand Bank (ANZ), a regional bank that has major ambitions to grow its business across Asia, among its customers; a relationship

that dates back for over 10 years, and started with the deployment of Trade360 for trade finance activities alone.

CGI introduced cash management capabilities into Trade360 in order to meet the bank’s requirements for a total, converged solution more than three years ago.

“The introduction of cash management was driven by ANZ Bank as part of their strategy to become a pan-Asian regional

bank,” explains Kitt Carswell, senior offering manager, trade and supply chain at CGI.

“They determined that for some customer segments the combined cash and trade solution would drive greater value if seamlessly available to their customers as a fully integrated solution.”

Third party solutions

There is also a growing awareness of the valuable role that supply chain finance can

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Olivier Berthier, Misys



Kitt Carswell, CGI



Claire Buchanan, Bolero

play in Asia – not only by western buyers sourcing from lower-cost economies, but by Asian corporates themselves. This is creating new opportunities for third party providers of supply chain finance solutions

PrimeRevenue, which has had a physical presence in Australia since 2004 and has been rolling out its multi-bank solution on behalf of western buyers in Asia for nearly four years, now anticipates growing demand from Asian buyers – and is looking to capitalise on opportunities presented here by collaborating with local Asian banks.

“We have been in multiple markets in Asia for a few years now for our large corporate buyer clients in the US, Europe and Australia, and have long and deep supply chain programmes in place. However, there is now a lot of interest from local Asian corporates too who are investigating the potential of supply chain finance – and we see this as being the next major step in the evolution,” says Eugene Buckley, vice-president of sales and general manager for Asia Pacific at PrimeRevenue, pointing out that his company is opening a new office in Hong Kong in March to capitalise on this growth.

“We expect the Asian market to continue gathering momentum for the next 15 to 20 years, and also believe that it will take the lead when it comes to innovation.”

PrimeRevenue, which works with 31 financial institutions as funding providers worldwide, is now talking to Asian banks about their participation in supply chain finance programmes, based on its third party supply

chain finance solution, which is delivered as a Software as a Service (SaaS).

"We are not actually working with Asian banks as funding partners yet but we have engaged in discussions with local banks, many of whose customers are working on an open account basis," says Buckley. He explains that by working with third party technology providers, Asian banks are in a good position to take advantage of the latest supply chain finance technologies to meet their corporate clients' needs.

"Local and regional banks are in a good position to leapfrog the older legacy systems deployed in Europe and the US for supply chain finance, and take advantage of the latest cloud-based technology."

He adds that PrimeRevenue's solution comes with self-enrollment tools for suppliers, enabling suppliers to do much of the onboarding work required themselves. The company also has the capabilities to offer mobile access to supply chain finance.

"In certain Asian countries, mobile phone infrastructure is being rolled out faster than traditional infrastructure, and a lot of applications are being developed for mobile phones," says Buckley. "By using mobile phones, suppliers will benefit from improved visibility into their receivables – wherever they are."

While a number of global banks active in Asia are offering supply chain finance solutions based on their own proprietary platforms, PrimeRevenue believes that there will be a strong movement towards multi-bank solutions, offered by third party providers. Buckley attributes this to issues surrounding the cost and availability of liquidity, the size and scale of programmes being rolled out, and the fact that supply chain finance programmes typically span multiple regional jurisdictions with different legal and regulatory environments.

"A corporate might be looking for a lot of liquidity for a programme that spans several countries, and may therefore not want to use just one single bank as this will limit the credit made available," he says, pointing out that multi-bank solutions can allow readier access to more liquidity in the future.

He adds: "There is not one bank that can be the most efficient at providing funding in every jurisdiction. Certain banks have strengths in certain countries, and corporates recognise that by using a third party solution they can work with their core banks in different markets." **GTR**

E-documentation takes off across Asia

Another third party technology that is capturing the attention of both trade finance banks and corporates across Asia is the automated transmission of trade documents that have traditionally been paper-based, manually managed and dispatched by courier.

While Swift has taken steps forward in this arena with its Bank Payment Obligation (BPO), an electronic instrument that performs a similar function to a paper-based letter of credit, companies such as Bolero International have focused on electronic document presentation services, which enable the submission of all the trade documents required under a letter of credit agreement in one e-presentation.

Last year, Bolero enhanced its offering with Presentation Dashboard, a workstation that provides new user options and automation features, and also supports the incorporation of electronic bills of lading in one e-presentation of documents, which are all "deemed as originals".

"Electronic document presentation has taken off dramatically in the Asia region because of its vast geography. Right now, many companies are also looking to improve time to cash and have realised that the full electronic transmission of documents can help them to achieve this," explains Claire Buchanan, senior vice-president, global operations at Bolero International.

"China is a rapidly growing market for us but e-presentation is also beginning to take-off in India too."

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Claire Buchanan, Bolero

Buchanan points out that companies that deploy Bolero's e-presentation services can benefit from enhanced risk management because electronic transmission reduces the risk of manual errors and the late identification of any discrepancies, and improves process management. It also provides companies with faster time to cash, thereby aiding working capital and liquidity management.

Although large multinational export-oriented corporations in Asia are the main deployers of Bolero's e-documentation presentation services at present, they are expected to pioneer the way for smaller companies.

"The take-up of e-presentation will depend on where the power sits. In Asia today, it is the large exporters looking to bring their buyers on board that are driving this movement," Buchanan says. Buyers across the globe, including Europe, are being encouraged to adopt the solution by their Asian counterparties.

The first ever electronic transfer of trade documents over the Bolero platform took place in 2010 when Australian mining company BHP Billiton sent its e-presentation to its advising bank for pre-checking, before it was forwarded to Korea Exchange Bank (KEB) for approval and subsequent payment to the applicant – Tae Kyung Ind. in South Korea.

Since then, these same counterparties have participated in further transactions, including the first ever e-presentation that included an electronic bill of lading in July 2011.