

◀ bank to be involved in the various points of that supply chain,” says Tan. Another interesting case study mentioned by Tan is that of a major South Asian petroleum supplier and its



Tan Kah Chye, Standard Chartered

franchisees. “We did look at providing stand alone finance to individual petrol station owners, but it didn’t really make business sense for us to do that,” says Tan. This was partly due to the relatively small size of the individual transactions and also the level of due diligence that would have been needed on each owner. This is where Standard Chartered turned the problem on its head by using a supply chain finance solution. “We decided it would make more sense to finance most or all of them,” says Tan. In essence, the petrol station franchises buy their product from the supplier and, like any buyer, would like to pay for the deliveries as late as possible while the supplier would like to receive the funds as soon as possible. The franchises can log onto Standard Chartered’s trade portal and agree to pay for the petrol, say in seven days time. Standard Chartered then pays the supplier as soon as it wants the funds at a discounted rate to reflect interest rates. “Doing it this way means we don’t have to do any due diligence beyond what is required by regulations,” says Tan. And also it generates a volume of transactions, which are viable to process. But what about the credit quality of

the individual franchises? “This is where we studied the supplier’s supply chain very carefully,” says Tan. And the financeability also comes down to the franchiser’s relationship and terms of business with the franchisees. For starters they can only buy petroleum products from the supplier and no one else and have to pay the group for the use of its name. “And if they don’t pay us, then the supplier stops supplying them and will get involved in sorting out the problem,” says Tan. “At this point we’re no longer just another bank providing finance, but an important part of the supply chain.” And it is the business relationship between the supplier and its retailers, which provides the foundation of the business model, rather than their individual credit quality.

“The Walmarts and Ciscos of this world are not coming to us for finance,” says Tan. “But they’re talking to us with regard to financing their supply chains.” When it comes to Asia, where much of the world’s manufacturing has been relocated, Standard Chartered has a special edge given its long role and expertise of the region.

“These companies could go to each local bank in each different Asian country or they can just have one conversation with us,” says Tan.

Nonetheless, as far as big corporates are concerned he says Standard Chartered is a global bank. “We have offices in all the major cities around the world,” says Tan. Where Standard Chartered looks like a regional bank is when it comes to dealing with mid-market players. “Typically they have a relationship with their local bank, which in turn may have a relationship with us,” says Tan. “When they want to do something in Asia they do it through us.”

In fact many other banks, which like to label themselves as being global, also face similar limitations when it comes to servicing the mid-tier segment. Nobody has an extensive banking network in every country of the world.

In the meantime, Standard Chartered is using SCF to firmly embed itself within corporate supply chains and is likely to prosper as a result of being in the world’s leading manufacturing region.

The trade bank of the future

Steven Starace and Kitt Carswell of CGI talk to *Justin Pugsley* about their vision for the trade bank of the future, through their award winning Proponix trade services solution.

For banks to remain competitive in trade finance it is no longer just a question of global reach, a particular expertise or liquidity, increasingly technology is key as well. It’s not about technology for the sake of it. Without proper planning and implementation it is of little use, and there are plenty of horror stories of poorly



Kitt Carswell, CGI

implemented solutions failing to live up to expectations.

“There are a lot of challenges facing banks, which is what drove us to develop Proponix,” says Steven Starace, partner, director with CGI. And those challenges ▶

are many. Not least there's the overriding and never-ending need to reduce the cost base. "You're also looking at driving new income streams, and maybe looking at new geographies," says Starace. With Proponix 360, CGI has developed a product that addresses many of these challenges. Starace talks about it being a customisable solution. "Trade finance banks need to be flexible to meet their clients' needs," says Starace. With the spectacular growth of open account, banks need to be more technologically aware in their offerings if they want to

a particular suit of products, despite customers requesting them, sometimes for quite a while," says Kitt Carswell, executive consultant with CGI. "Eventually, they just move on if they're not provided. In the case of large clients banks really need to adapt to their needs if they want to keep them on board."

Flexible & Adaptable

Proponix 360 very much takes a holistic approach to trade services. "It's a collaborative platform, complete with plug in capabilities," says Starace. "For example

service centres and two processing centres. At a more micro level, the way a bank administers its products and services also varies enormously.

Not only that, but banks increasingly want to customise their services to a particular customer's needs. When there are thousands of them, this can be quite daunting, and the support of a robust and flexible technology platform is a must.

"Look, you can put in default mechanisms on how to deal with different customers, configure systems for dealing with particular ones and set processing rules,"



Steve Starace, CGI

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make money out of it. Corporates want to not only organise their transactions via internet-based trade portals, but in some cases would like the data resulting from those transactions to integrate into their own technology platforms. If knowledge is power, then it is of little use if it is trapped in a silo due to inadequate technology. The approach for banks to exploit open account has been to deploy supply chain finance products. They are, however, heavily driven by technology. Even for letters of credit, which failed to keep pace with global trade growth, there's a growing need to support their issuance and administration via technology platforms. Also, technology is allowing banks to create "hybrid" or "light" LC products, which can work alongside open account and SCF. Besides, it's not just a case of being able to make money from clients, but of also of keeping them. "You get cases where banks don't provide

it has built in triggers for various points in the supply chain and straight through processing as well." In terms of the practicalities, it handles a whole range of activities such as different types of letters of credit, collections, purchase orders and invoices, just to mention a few. "Proponix is a completely integrated end-to-end global trade platform," says Starace. Though banks may provide similar products and services, their culture and internal organisation can vary enormously. This is an issue when it comes to upgrading or implementing new IT systems. "The product has built in flexibility as its operating model can be adapted to a centralised model or a decentralised model to work across many different processing centres," says Carswell. "You have the ability to choose the model you want, configure it how you want. You can mix and match." ANZ Bank, a Proponix user, for example, has 120 customer

says Carswell. "You can set it to handle specific SLAs (Service Level Agreements)." Starace explains that it is a different delivery model, one which is about seeing technology as a service. "It gives you a pallet, a brush and a set of colours to paint the picture you want," says Starace. Another important aspect of the platform is that it enables banks to pursue a new strategy, such as moving into supply chain finance for example. "It's a quick time to market. The software can be upgraded quickly to deliver the right things at the right time," says Carswell. And the way to do this, is to go for a hosted solution. It short-cuts the need for expensive and time-consuming installations. Also, it's the vendor who handles all the maintenance routines and upgrades thereby making life much easier and simpler for the user. Looking further ahead, Proponix will see open account capabilities deepened as well as its functionalities relating to reverse factoring and receivables processing. The next release due May 2009, will include receivables management, account receivables financing, process improvements and accounts receivables tools.