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Digital Trade at the Crossroads
Jerry Norton, Vice President, Global Banking Industry Lead, is responsible for CGI’s strategy across the wholesale and corporate markets. He is responsible for CGI’s strategy across that segment and is a member of both CGI’s Banking Industry Cabinet and Growth Council. He specializes in industry-wide change, whether led by business or technology and his views are sought across the global market. Jerry brings a combination of domain expertise and technology stewardship coupled with an understanding of compliance, regulation and operational risk prevention and management. Much of his current focus is on the changing nature of business and technology in the payments market. He is a regular presenter at international conferences on the major financial services themes of the day, a contributor to a number of think tanks, and is often quoted in the mainstream and trade media.

Nancy Amert, Director, Trade Innovation Lab, has 25+ years’ experience in credit and trade and is a recognized thought leader in supply chain finance (SCF) technologies used by global banks and their corporate customers. As Director of CGI’s Trade Innovation Lab, she is helping to lead and shape the strategic direction of the CGI Trade360 SaaS platform and its evolution into a fully integrated global solution for traditional trade, payables, receivables, collateral management and cash management. Nancy and her team are actively engaged with global banks, leading FinTechs and corporate clients in the exploration of Blockchain/DLT solutions, emerging technologies and intelligent processing automation (IPA) for trade finance and supply chain.

Rory Kaplan, Director, Senior Offering Manager, has more than 30 years of experience in trade and supply chain finance as both a banker and technology solution provider, covering operations, product management, and sales. As Senior Offering Manager for CGI’s Trade and Supply Chain Solutions, Rory is responsible for emerging technology strategy and solutions, marketing, media engagement, partner development, and training. He also engages closely with clients to facilitate collaborative strategic forums, working groups, and product enhancements.
Digital Trade at the Crossroads

As part of the CGI Banking.Transformed. roundtable series, this roundtable explores the challenges and opportunities of trade innovation within today’s corporate banking landscape. CGI banking experts Jerry Norton, Rory Kaplan and Nancy Amert share their insights.
What is corporate banking going to look like over the next few years? What are some of the major shifts you expect to see, and are banks developing innovation roadmaps?

Jerry: On the payments side, we see clients investing in innovation roadmaps, especially in terms of preparing for instant payments and open banking—the combination of which is shaking up the banking industry completely—and we’re only at the start of this change. There is some caution, however. We don’t see banks looking 10 years ahead, for example. Right now, it’s more like two or three years ahead.

Rory: In terms of trade, we also see banks looking ahead two to three years, as opposed to plotting out their course over the next 5-10 years. There has been a big shift in bank customer expectations. Today’s millennials, for example, have grown up in a digital world and have dramatically different expectations that in turn is driving what banks need to provide. However, bank innovation has been slow in certain respects, especially around blockchain. Initially, banks were excited, and we saw some investment in proofs-of-concept. However, when it came time for real investment, commercialization and moving ahead with cutting-edge technology, many banks have been reluctant to proceed. Some of the reasons for this are other priorities, e.g., compliance, unknown ROI, fear of failure which can occur with new cutting edge technology, and in some cases a lack of support from senior management for the trade business, and an unwillingness to invest in it.

For those banks that are investing, there has been interest in intelligent process automation, primarily focused on intelligent data capture because traditionally trade has been extremely paper intensive. Providers in this space have emerged to help banks drive trade digitalization, i.e., to capture data from paper, but many have not been successful in ensuring accuracy through this cutting-edge technology. Banks are finding out that it takes time to train systems for machine learning in order to achieve the necessary high percentages needed—upwards of 18-24 months—along with a significant investment. However, this investment will have long-term dividends given the automation, processing efficiencies, and staff reduction.

Larger banks are moving ahead in these areas and making progress, especially in terms of intelligent process automation. Blockchain is progressing more slowly. In fact, one major global trade bank just announced its first letter of credit transaction on blockchain. After two years of exploring blockchain, the bank has transitioned only one letter of credit transaction with blockchain so far. Commercialization is not anticipated until the end of this year or early next year. Some of the small to medium size banks are sitting on the sidelines waiting to see how the larger banks proceed. If they succeed, they will consider joining in to invest. There is serious movement towards innovation and investment in blockchain and IPA, though given the complexity of the trade business this will take some time.

The third key innovation investment area is APIs, which really tie everything together. This technology has been around for a long time, but is in its early stages within trade finance banking. APIs are essential for banks to be able to bring about the integration necessary to deliver new digital services and a digital customer experience.

Nancy: I agree with Jerry and Rory and would add that the blending of emerging technologies to simplify back-end processes and to leverage existing infrastructure is both the frontier and the growth edge for banks over the years ahead. Our work efforts within the CGI Trade Lab is focus on these types of experiments and we’re seeing the leading-edge banks embrace the coming changes and have built flexibility into their roadmaps and budgets.
As you contemplate these market shifts, what are you most excited about?

Rory: I’m most excited about the fact that the larger banks, some of which are our clients, are moving into these new technologies. One of them, in fact, recently stated, “We’re on the cusp of a great transformation of the entire trade business,” and these larger banks are helping to drive that. A lot of what these banks are doing is integrating into various networks such as Voltron, we.trade and the Trade Information Network, of which CGI is the technology provider, and these networks are leveraging new technologies like blockchain, intelligent process automation and APIs.

I’m excited to see that trade is on the cusp of this transformation, and because the technology has advanced to where it is, the transformation will happen. It’s just that trade has lagged behind, and one of the reasons is its paper-intensive nature and lack of standards. Trade has a broad ecosystem that includes many different types of players with no real standards between them. There’s been a lot of talk about standardization to drive interoperability across the ecosystem, but this is a big challenge. We were talking about standards last year, we’re talking about them as obstacles today, and I bet we’ll be talking about them next year as well.

I’m also excited to see customer expectations evolving. Customers want a digital experience in trade, just as they are experiencing in other areas of their lives. Other areas of banking, e.g., retail banking, have progressed well in providing a digital experience, and we’re now going to see that happen in trade. Within trade, there is a lot of interest, discussion and creativity around delivering the digital experience other sectors provide.

Jerry: Data for this year’s CGI Client Global Insights echoes Rory’s points perfectly. Corporate customers have been ill served. The digital revolution has not affected corporate banking as it has retail banking. Corporate treasurers, however, are increasingly expecting the same digital experience in the corporate space that they enjoy as individual customers in the retail banking space. Our annual joint survey with The Global Treasurer backs this up, showing a high-level of corporate customer dissatisfaction, steadily increasing year over year.

This corporate dissatisfaction, in turn, is driving a new era of corporate banking and a new set of services propelled by some of the technologies Rory describes. All of these new opportunities are very exciting.

Nancy: From a Lab view, I really like the efforts to apply hybrid technologies such as blockchain/DLT, AI, robotics and advanced data capture to push for improved transactional speed, along with enhanced security, traceability and efficiency. But the most exciting thing is the future “network effect”, which is a phenomenon whereby a product or service gains additional value as more people use it. We can’t predict what will happen as these new emerging technologies become more mainstream.

Right now, they seem rather hidden and limited because it is still early days, but it is an exciting time and end-customers will begin realizing and appreciating several new banking product and service offerings over the next 12-18 months.
One of the concerns it that the transformation you describe is taking a long time. What’s hampering the digital progress of corporate banks?

Rory: Within the trade space, I think one of the obstacles is the scalability of some of the newer blockchain trade platforms. The scalability of these platforms hasn’t been proven yet, and there’s some hesitancy to use them as a result. Banks are wondering if they would work in a large-scale, commercial way. Initially, I think banks thought that blockchain would be the “end all, be all” solution for trade, but now they’re looking at more targeted solutions. A lack of standards is another obstacle. In the past, there were many highly touted and promising initiatives in trade, but many of them failed to deliver. I think a big part is also working with these new companies (FinTechs) and the legal levels that needs to be established to support commercialization; this takes time.

Overall, there are many followers out there, while a few of the larger banks are leading, many banks are still in a “wait and see” mode due to the risks involved in exploring new advanced technologies.

Jerry: I think competition from outside the banking industry is another major factor. Of course, there is intense competition within banking itself, but we see new players, such as FinTechs, emerging from outside the industry that are beginning to change the game, for example in retail banking. Through their innovation and new services, these competitors are putting pressure on retail banks to become more innovative, but we’re not seeing these new competitors as much yet in the corporate banking space. As a result, corporate banks have less of a catalyst or incentive to drive innovation; however, I believe that competitive pressure is on the way in corporate banking.
What are your recommendations for banks as they attempt to navigate these changes and challenges?

**Rory:** A key starting point is to have senior level buy-in of a clear digital strategy. Once you have that, you should evaluate your technology infrastructure, and how to build out an API infrastructure, in particular, along with how it is going to interoperate. In addition, it is important to have a clear emerging technologies strategy. There also needs to be a willingness to take chances and you can’t be afraid to experiment with new technologies. Some things may work, and some things may not, but ultimately this is the only way you can progress.

**Jerry:** Agility also is very important. It’s very difficult to predict where things are going to be in a few years. To deal with the uncertainty, you need to be agile, from both a business and technology perspective. Agile organizations are more likely to be able to cope effectively with change because they can adapt to it quickly compared to their competitors.

**Rory:** To add one more thing, as Jerry mentioned earlier, the threat of FinTechs is real and growing, so it is important to have, as part of your overall strategy, an approach for working with FinTechs. Some banks without strong innovation capabilities are acquiring or partnering with FinTechs, while others are looking to compete with them.

Trade is now at a major crossroads, there will be some banks and some FinTechs that will survive and thrive in the new digital world of trade while others will not. To sit on the sidelines and do nothing runs the risk of being left behind or left out. There are some risks and costs to progress digital transformation; however, the reward may be well worth the effort.

**Nancy:** I would recommend that banks increase their flexibility and business agility because things are moving rapidly towards some innovative and greatly enhanced product and service offerings. For example, think of how voice recognition and chat bots have changed the customer service model and how much cost has been driven out of that engagement process, while at the same greatly improving – and even delighting – the end customer. These types of tech shifts can become profound competitive advantages, but they often start with tinkering in the Lab and learning just how it can be applied to a particular business model or situation. Keep exploring, keep investing in innovation to not only stay current, but to make gains and future-proof your business.
A partner for transformation

Since our founding in 1976, CGI has been at the heart of transformation in the banking industry. Today, we support more than 500 financial institutions worldwide, helping to deliver a broad range of digital IT and business strategies, services and solutions. Our deep understanding of the complex global challenges banks face coupled with our strong local relationships enable us to build long-term partnerships that drive success.

CGI’s Digital Transformation Practice is anchored around helping clients create a more agile business, one that can continuously respond to changing market and customer needs. CGI has built its practice around providing the end-to-end capability that clients need to enable their transformation and agility. We have more than four decades of experience in helping leading organizations across the world, move forward with their innovation and transformation agendas while helping them elevate their legacy infrastructures.

If you’re interested in learning how we can support you on your transformation journey, contact us today. One of our consultants would be happy to help you.

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