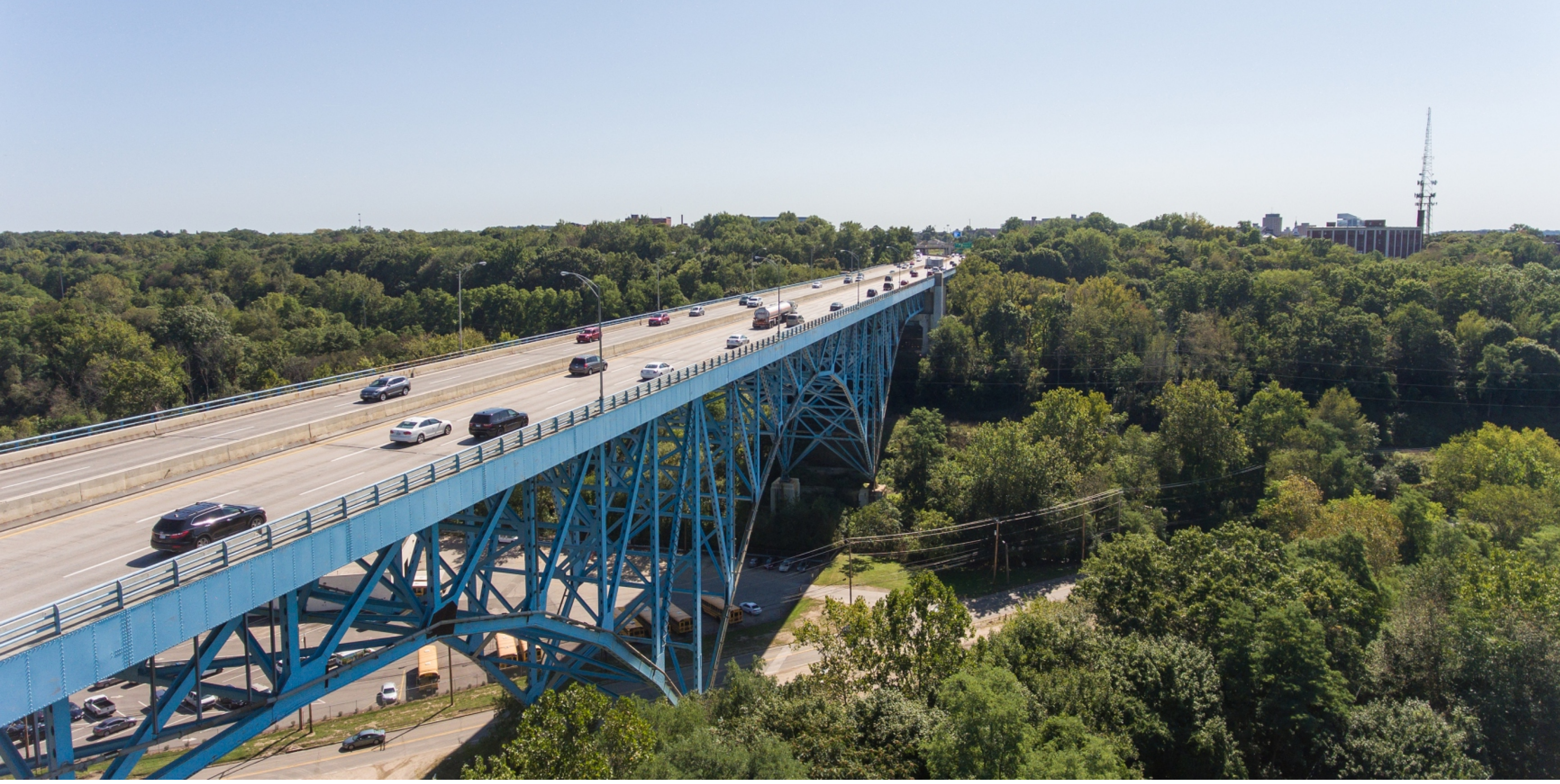

CGI: The path to trade Nirvana is undergirded by tactical APIs

APIs may not be flashy or high tech, but they could be a critical and tactical route for banks to take on the way to full end-end-digitisation in trade. Patrick DeVilbiss, Offering Manager, Trade and Supply Chain Solutions and Colin Zeglen, Product Manager for Trade and Supply Chain Solutions at CGI explain that evolution and why it's important right now

Patrick DeVilbiss

End to end digitisation is the Nirvana state for efficiently financing trade. But there are steps along that road that will ease that path to the ultimate destination, and one such is a more API (Application Programming Interface)-centric approach. "APIs are the undergirding to what the future of trade will look like," says Patrick DeVilbiss, Offering Manager, Trade and Supply Chain Solutions at CGI. "It may be low-tech, but it is critical. That is what bank and corporate strategy needs to be built around."

Where are we now in the process of end-to-end digitization of trade and creation of new networks? "At CGI we have retooled our back office systems to be very much API centric. It's certainly something we're talking with our customers about in terms of their strategy. We know that it's really critical to the market going forward," DeVilbiss, says. Why so and why now?

"Our rationale is twofold. One element of the criticality is that the ecosystem is changing and there are many consortia and network platforms developing to connect the spiderweb of trade together. That multitude of networks may reduce down at a certain point, but no matter what, it's critical to be able to connect to them in some way, both flexibly and quickly. APIs are a way to enable that connectivity in a relatively short timeframe using modern design patterns."

And when DeVilbiss talks about APIs, he is typically referring to RESTful APIs [where REST stands for REpresentational State Transfer, an architectural style for distributed hypermedia systems] as the backdrop for enabling connectivity.

Trade spiderweb: Interconnectivity with different ecosystems and Fintechs

What should banks be thinking about in terms of how to provide value to their customers through multiple channel partners? "If you look back 15 years, banks got to be the centre of business," says DeVilbiss. "Now they are realizing that their corporate customers are using some of these new platforms, perhaps tying in through an existing treasury management system, or through a B2B platform where they interact with a supplier, or a channel where a Fintech has some funding for supply chain finance (SCF), or one of the bank consortia. Banks need to be able to deliver their own value through that ecosystem on any of those networks."

And the way that they can achieve that is through API capabilities, particularly using real time transactions that provide both visibility into what is happening at any time and also allow users to transact on those networks. "We view that as core and critical to what banks will be doing in the future, because some of these new networks haven't yet reached high volume," DeVilbiss says. "There are banks sitting on the outside waiting to see the [networks deliver the] value promised in press releases, etc. But in reality, once that value hits, they need to be able to move quickly. And in order to do that, they can't be reliant on legacy architecture."

Colin Zeglen

That means those banks may not yet be able to meet modern standards or to achieve the API connectivity they need. "Strategically, banks may be in a 'wait and see' mode, but even then, they should still be planning for future architecting and to be able to meet the needs of the marketplace for tomorrow, and that's just on the trade ecosystem side," DeVilbiss says.

The multichannel future

More widely, banks need to decide how they will engage with corporate customers and this comes down to their perspective and strategy with respect not only to trade, but also more broadly connecting clients and delivering value to them. In many cases, strategy has shifted to more of an omnichannel approach.

Corporate portals are taking in data from other systems, and companies want a seamless user experience through APIs or other integration. The future is certainly one of multiple layers that also need to connect to any trade portal. Those layers include centralized corporate portals, treasury, cash management, trade and data, mobile channels and transaction banking core actions. "In order to really drive that further or to deliver a more holistic view, banks can utilize things like web services, which are, in effect, APIs that allow abstraction of some of trade data up a layer and present it back to customers and potentially transact through it as well," DeVilbiss says.

They will need a broader strategy in place for how they interact with customers and what kind of information and customer user experience they want. "Things like ERP connectivity are going become more important. That's going to all be API driven. Some of that exists today in terms of basic flows, but you could see that broadening out. You can provide services and API functionality such as generalized financial services or directly through an ERP for your corporate customer. We're only touching the surface of what this could look like in the future. There is a mountain of opportunity."

The key is delivering what trade and transaction banking customers want and need on their own terms. An omnichannel approach does not mean that trade portals will disappear, but rather than banks saying, 'this corporate customer needs to come on to my trade platform', that corporate customer may already be on a platform that then connects back to multiple different banks. "We're seeing this this kind of shift in the marketplace and also new opportunities. This is where I get fired up because we do not fully know how your corporate customers will want to interact with you," DeVilbiss enthuses.

A call to action for banks in trade

The big message for banks is they cannot simply develop or plan for trade as a standalone. "There's a much bigger mindset that you would have at a bank. And in order to deliver seamlessly to your corporate customers, from a UX perspective, you need to understand where your bank is headed directionally both in terms of its technology and in terms of its experience for corporate customers. That is where trade can sometimes get left behind. But understanding that will help you in terms of not getting kind of sideswiped by a project that gets started at a central level that bleeds down to [trade] much later than it should." At the moment the impact is mainly focused on commercial banking, and it and it is still early days, but that change is afoot.

Standards needed to underpin the opportunity

As the landscape evolves and it becomes more clear what APIs may need to be constructed, standards need to be considered. Lessons can be learned on the consumer banking side and through the Open API movement. Corporate customers today might see multiple different banks constructing an API for the same service. "That's where we're going to see frustration," says DeVilbiss. "Hopefully initiatives like the ICC's Digital Standards Initiative (DSI) and others will be able to create a common API framework to use. Ultimately it will be a question of what can you expose through those API channels from either your back office or trade portal to be able to continue to meet the customer where they are now and create that seamless user experience."

The responsibility for API standards should be an industry one, not simply the banks. "Everyone's got a little skin in the game," DeVilbiss notes. "The more collaboration you see creating a standard, the better. We're in an ecosystem and many of those partners are important to that ecosystem. Corporate input and insight can also be helpful."

Evolution in this area is fast, the development of a plethora of APIs is happening rapidly and as standards are developed, banks and Fintechs are going to have to adjust to reach them at pace. "On standards, the market isn't going to wait".

Tactical solutions for end-to-end digitization

How can a bank ensure that they are digitizing end-to-end wherever possible?

- Artificial Intelligence projects – data capture, OCR, etc
- Digital signatures
- Email and electronic presentations

CGI continues to encourage tactical solutions along the route to end-to-end digitization. "Taking anything where there is a manual process, an offline spreadsheet for instance, and shifting to more of an end-to-end digital process offline where you own it is important," DeVilbiss says. "There are certain components in the trade world, physical documentation, that has not that has not gone away and we don't expect that to go away anytime soon, even if we're seeking that Nirvana state.

Nonetheless, incorporation of digital signatures into your platform and intelligent data capture, intelligent automation, artificial intelligence projects are really important to so that you can start to decrease the low value work that you may have to do and increase the high value work that your trade employees can deliver back."

SWIFT changes should be embraced

- New Guarantee/Standby Letters of Credit (SBLC) changes are happening and are impacting operational changes
- New messages and impacts – automatic extension, claims, local undertakings
- ISO 20022 standards coming – benefits for data and compliance
- GPI (global payments innovation) service that allows for near real time payment tracking

Tactically, banks need to be on top of the modifications to SWIFT messaging types on trade in November – particularly as the digital trade envelope messages in Standby LCs and guarantees are moving from unstructured to a much more structured set of methods and messages. "Operationally this has been a nightmare in the short term for some banks, but it will be good thing in the long term and people need to embrace that change," says DeVilbiss. "It's difficult because it feels like we haven't had much breathing room between the changes on the commercial LC side and then the pandemic and now this. Fundamentally, it's going to create opportunities to standardize some of your approach internally. It leads to more automation and more seamless transactions."

Risk reduction benefits

Colin Zeglen, Product Manager for Trade and Supply Chain Solutions, adds that these changes will also help to reduce risk. "You can reduce risk through more standardization. You're not going to have free forms that are essentially an email. Also, there will be better tracking of these items. For instance, you will be able to extract structured data in a SWIFT message more easily than from a free form. Overall, better tracking and better ability to pull out data is a recurring theme."

That, combined with changes with ISO 20022, which is also about creating better structured data, will have important implications for compliance screening in the future, Zeglen says, and will create a worldwide standard for payments. "In some countries the standard is not there yet exactly, but the potential is there for much greater standardization. All of this blends together as the better you're able to track things, the better standards there will be and it creates a much more seamless experience." That will impact operations in a positive way and then in turn, reduce costs and make resolutions faster. "It's just better for everyone in the long term. But there will be more near term pain with all of this operational changes, system changes, etc."

Nobody said the road to trade digitization Nirvana was going to be easy.

CGI