



# Advancing the digital agenda

UniCredit's Gianfranco Bisagni discusses how digitalisation of trade finance is being used to overcome cost pressures and the handicap of paper-based processes

## **Where do we stand currently in terms of the process of digitalisation in transaction banking?**

We are working hard to continue the drive towards paperless and fully digital processes, with cutting-edge initiatives such as blockchain tests, virtual accounts services and an award-winning platform for fully digital Bank Payment Obligation (BPO) execution, and cementing our credentials as market leaders in digitalisation. Indeed, as a group, UniCredit is investing €1.2bn on digital banking solutions by 2018.

However, while digitising transaction banking services is crucial for banks to meet their customers' expectations in terms of speed, efficiency and user convenience, it is also a considerable task.

Trade finance, for instance, remains largely grounded in paper-based processes, with raw materials trade still dependent on the bill of lading to certify ownership of, and grant access to, transported goods. Likewise, customs and exports documentation remains dominated by paper to the point where even in cases where electronic equivalents are available, they must nevertheless be printed and posted after a certain stage.

## **What is UniCredit doing to advance the state of digitalisation in transaction banking?**

UniCredit is undertaking a number of initiatives to digitise its services, collaborating with other banks and specialist financial technology companies to drive both small and wholesale changes in the wider trade finance industry. For instance, UniCredit

is one of over 50 banks involved in the R3 consortium, which is dedicated to the research and development of practical blockchain solutions.

Our blockchain initiatives have already seen us complete proofs of concept for two blockchain-based trade finance solutions. Similarly, we are currently carrying out a series of highly successful test payments between two Central and Eastern European (CEE) countries to help generate new payments and cash management solutions.

Meanwhile, we already offer MT798 messaging, which enables clients to exchange data with their banks electronically via SWIFT. This is highly valuable for many clients who appreciate the efficiency this brings to their documentary business, while still working within an established and reputable technical infrastructure with proven market standards.

In cash management, we have shown our digital credentials by becoming the first bank in Europe to process both incoming and outgoing payments for clients using virtual accounts through a simple, intuitive portal. This service enables corporates to retain the diverse permissions, account statements and budgets created by having multiple bank accounts, while consolidating these into a single account, sub-divided digitally.

Virtual accounts are particularly valuable for corporates looking to expand, enabling them to open and close accounts almost instantly and without having to go through a bank representative. Indeed, virtual accounts afford their users an unprecedented level of efficiency, flexibility and control.

**Last year, you were on the Sibos panel talking about the digital agenda. At the time, there was some concern that bank innovations only benefit large clients. Has this changed over the last year?**

As a bank, we look to provide all our customers – regardless of size or location – with the very highest level of service, through the most modern and efficient channels. To this effect, we are working in collaboration with a number of specialist technology companies, focusing on very specific parts of the value chain to develop new and innovative solutions that will benefit firms of all sizes.

Smaller clients will also benefit from the blockchain-based innovations I have already mentioned. These will help drive unprecedented speed and efficiency in trade finance processes, helping small companies to mitigate their settlement risks and gain access to finance at better rates, and reducing the amount of work required to achieve it.

Meanwhile, we are developing an advanced supply chain finance platform – as part of our wider trade finance portal – which will offer corporates of all sizes a simple and fast means of on-boarding suppliers as part of their financing programmes. Again, this is something that directly benefits smaller clients also, enabling them to gain access to finance at improved rates.

We have also done a great deal of work to improve the availability and convenience of the BPO – an innovative and compelling settlement tool that holds particular value for SMEs.

**In talking about providing clients with the highest level of service wherever they are, you have hinted at a growing international agenda. What are you doing to extend your support to clients outside your core markets?**

In addition to our 16 home markets in Europe, we have a strong international network of branches and representative offices around the world – spanning 22 locations in 19 countries – and providing excellent coverage for the needs of our corporate clients. Where clients wish to trade with local markets outside this network, we support them by partnering with any of over 4,000 correspondent banks around the world.

**Correspondent banks have been under strain recently due to heightening regulatory demands. How has this affected UniCredit?**

Delivering trade finance is an integral part of our mission to provide our clients with the best possible service wherever they are. Given the

increasing demands of compliance, we are taking a strategic approach to correspondent banking relationships. We have not only reallocated our resources in order to reinforce coverage in areas of high demand, but have also funnelled additional investments into education through our International Banking Seminars. These annual training sessions are well appreciated and attended by around 80 correspondent banks from around the world.

Through this approach, we have dramatically improved the quality of our correspondent banking network and extended our services to many more clients in need of support.

**What else is UniCredit doing to extend its support to clients in new regions?**

At least as important as reinforcing our correspondent network is the growing of our own capacity to support clients directly. For instance, we recently signed an agreement with the International Finance Corporation (IFC) to contribute funds to the Global Trade Liquidity Program (GTLP), which supports importers and exporters in developing countries.

The GTLP acts as a risk-sharing facility, helping us and others bear the risk of confirming export and standby letters of credit in a number of emerging markets.

Moreover, we are also working to expand our coverage through our international network of branches and representative offices. For instance, we recently began the process of opening a new branch in Abu Dhabi, which will allow us to further strengthen our support for international trade flows in the Gulf area.

In May, we also announced the launch of our Madrid branch, through which we are already providing our services to a number of important clients. Indeed, though the branch was only recently opened, our team is well on track, with a number of deals already closed.

What's more, with many Spanish corporates becoming increasingly active in our core markets – with around 30% (€77bn) of the country's exports shipping to Germany, Italy, Austria and the CEE region in 2015 – we are confident that there are many more potential clients that can benefit from our unique combination of expertise in both their home and their target markets.

These improvements to our international network, in combination with our work to revamp trade finance processes with innovative digital solutions, form the fulcrum of our efforts to closely accompany our clients throughout Europe and beyond.

*Gianfranco Bisagni is co-head of corporate and investment banking at UniCredit*

**“Our blockchain initiatives have already seen us complete proofs of concept for two blockchain-based trade finance solutions”**

