



Digitalisation taking hold in trade finance

Long chided as a slow and paper-intensive industry, trade finance processes are now picking up the pace, enabled by new digital capabilities, writes **Raphael Barisaac**, Global Co-Head of Trade & Working Capital Solutions at UniCredit.



Raphael Barisaac, UniCredit

Despite a long history of heavily paper-based processes, trade finance is beginning to move into a new era of digitalisation – characterised by faster and more efficient processes. Cynics will point to the fact that this claim has been made before, but this is no false dawn.

Certainly, promising new technology has been hamstrung in the past by lingering protocols requiring paper documentation or lack of critical mass among participants. Yet, these issues are starting to recede before us, with a number of recent developments – including the growing number of banks offering or building proprietary digital trade finance platforms, the waning need for physical signatures, and the rise of networking platforms such as we.trade, and other initiatives devised by consortia. These represent important milestones on the journey toward digitalising trade finance processes from end to end.

The rise of digital platforms

Banks, of course, are at the heart of these developments – looking to create a fully digital experience both for clients and themselves. This has led several banks to engineer their own digital trade finance platforms, enabling corporates to comprehensively manage their trade finance portfolios through a single online portal – eliminating the need to physically interact with their bank, sift through reams of paper, and manage countless email chains.

This is a considerable departure from tradition. Trade finance processes are somewhat complex and time consuming, as a result of the meticulous

document checks that need to be performed, and the countless papers in circulation between the bank and the clients. Under this system, knowing exactly what stage a transaction is at, and what needs to be done, is rarely straightforward. And, to complicate matters further, the multi-cyclical nature of trade finance means that numerous deals between the same parties will typically be under way at any given time.

This combination of paper and complexity not only exposes transactions to a high risk of human error, but can mean loss of key papers, copying mistakes, or even delays while the documents are in transit – a frustrating and slow way to do business.

Today, however, new digital trade finance platforms promise to fully digitise this business flow, with modern, user-friendly and intuitive interfaces supplanting these tedious and complex forebears.

Single sign-on; digital sign-off

The benefits for businesses are huge. Treasurers can simply log on to their bank's digital platform using a single sign-on function, granting them access to a comprehensive suite of their entire corporate business portfolio, with access to an array of trade finance products – such as incoming and outgoing guarantees, as well as import and export letters of credit. Once logged on to this kind of platform, corporates can send application requests to their bank, set up letters of credit, build their own inquiries and reports, and even open guarantees using pre-defined templates set by the bank or by themselves, for quick, efficient and standardised documentation processing.



One of the most crucial aspects of digitised trade finance, meanwhile, is that it enables treasurers to sign documents online, rather than having to print, sign, scan and send them on. Using predefined economic and legal conditions within a dedicated framework contract, new bank platforms eliminate this process in a safe, controlled manner – simplifying client-bank interactions and drastically accelerating trade finance processes.

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However, digital authorisation isn’t completely devoid of risk. Responsible platform providers will need to incorporate effective measures to mitigate these. One such measure is to give corporates the option to customise authorisation levels for employees across different subsidiaries and countries, enabling tailored and nuanced permissions that distinguish between different tasks, such as signing documents, entering data, and many other configurable elements.

Platforms such as these can also streamline the

way banks and corporates interact – using embedded two-way communication features to ensure clients get quick answers and support based on their queries. What’s more, these interactions can be tracked and monitored online, ensuring a complete record of all communication is retained.

Streamlining trade interactions

Complex bank interactions, however, make up just one of the historical factors holding back the speed of trade finance processes. Interactions between businesses – particularly in the SME sector – are still diverse and fragmented, with correspondence split across emails, phone calls and other channels. This lack of standardisation – especially when it comes to the language used in contracts – makes corporate-to-corporate (C2C) business flows difficult to track and audit.

Yet, this area too is undergoing a digital revamp. A consortium of European banks, including UniCredit, have banded together to develop a multi-bank digital platform called “we.trade”. This trade solution is designed to streamline business-to-business interactions (B2B) – creating a single, easy-to-use channel for trading partners to negotiate and finalise contracts in a secure and standardised way. As part of this, businesses can also plug in value-added financing services via the platform – integrating invoice discounting or pre-shipment finance, for example, into the deal. The platform has already undergone a successful pilot phase, with a number of businesses successfully executing transactions during the second half of 2018. UniCredit, for its part, has already facilitated deals in both Germany (supporting internationally active plus-size retailer navabi GmbH and its Spanish supplier in August 2018) and Italy (facilitating a tinplate trade for packaging producer Gruppo ASA and its supplier Steelforce in March 2019).

Taking steps towards a digital future

These are encouraging steps forward. However, trade finance is a huge and complex business. The task of digitalising all its concomitant processes is not one that can be accomplished overnight, with a number of intermediate steps needed along the way.

With the trade finance cycle continuously running, there are still huge numbers of contracts and workflows operating via the old paper-based model. As we shift towards modern, platform-based transactions, there is a need for transitional solutions to streamline processes still reliant on physical documentation. Technologies such as artificial intelligence (AI) and optical character recognition (OCR) have an important role to play – scanning paper documents to extract and standardise information from paper forms and contracts to feed them into digital platforms.

These are exciting times. Where once the industry seemed resolutely paper-bound, a path is forming towards a future in which we can evolve and refine trade finance processes – with digital technology acting as the enabler.