

# Building a Network of Networks



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**W**ith solutions such as we.trade revolutionising supply-chain interactions, while others, such as Project Wilson, connect correspondent banks to facilitate working capital financing, Simone Del Guerra of UniCredit discusses the shifting landscape of correspondent banking and the possibility of combining corporate-to-corporate and bank-to-bank platforms to create a network of networks.

Correspondent banking is evolving. Once predominantly a payments network, it is now developing into a 'relationships network' - with banks looking to facilitate seamless interactions between clients by connecting them on purpose-built digital platforms. Corporate-to-corporate trading platform we.trade is already live and improving the way businesses trade with one another, and there is potential to take this further by combining we.trade with a

bank-to-bank initiative, such as Project Wilson - enriching interactions between buyers and suppliers through proactive support from a broad network of banks. This could offer the best of both worlds. Corporates would achieve greater transparency when it comes to securing contracts, while banks would have the opportunity to introduce value-added services throughout the transaction process.



Simone Del Guerra

### Streamlining interactions through we.trade

Already providing an upgrade in trade finance, we.trade is an innovative digital platform, enabling two corporate entities to transact and close the clauses of a contract via secure blockchain-based technology. Indeed, we.trade is initially dedicated to small and medium-sized enterprises (SMEs), since large multinational corporates already have a full structured purchasing organisation, based on their contacts. However, in the SME-to-SME world, a lot of inefficiency can be generated via the exchange of numerous emails or messages over other channels. On we.trade, clients can communicate with each other and have all correspondence formalised and validated under one fully-digital platform.

Through the we.trade portal, banks can advise and provide various financial solutions to support their clients. This is an opportunity for them not only to deliver a quality service, but also to upsell, with services such as pre-export finance, invoice discounting or working capital finance. Indeed, as more and more corporates join we.trade, the correspondent banking space shifts, from a network of payments to a global network of commercial interactions.

### A network of networks

While both we.trade and Project Wilson are innovative initiatives in their own right, the future may bring them together (or see them interconnect with other developing projects), to form a 'network of networks'. Just as in the past there existed numerous consortiums - which ultimately conglomerated to form a single entity - we.trade (on the corporate side) and Project Wilson (on the bank-to-bank side) may follow a similar path. Where we.trade serves to create a network of customers and banks that are part of the consortium, Project Wilson relates to the real financing of concrete deals concerning working capital management, shared among a group of banks.

Should two such initiatives combine in this way, the scope of correspondent banking will evolve from facilitating transactions to a facilitating network of relationships, with clients connected via a

single platform that improves the way they interact, underpinned by a broad network of banks that can provide support where needed. This could be, for example, advising on how payments are funded, how the funding of a payment can be bridged, or how banks can support with the logistical side of commercial transactions.

### The shift towards working capital solutions

As corporates move away from the traditional instruments of trade finance - such as letters of credit and bills of lading - working capital solutions are offering a more holistic approach. Against a backdrop of growing corporate demand for increased speed, transparency and efficiency when it comes to transactions, SWIFT gpi already offers a solution which processes 60% of cross-border payments within 30 minutes. Ultimately, if networks such as we.trade and Project Wilson combine, SWIFT gpi would be the payment vehicle that transfers capital between transacting corporates.

And, with faster cross-border settlements, data on remittances and transparency surrounding FX rates and fees applied throughout the payment cycle, customer usability and overall experience is greatly enhanced. What's more, all associated transaction data can be accessed via SWIFT's cloud-based tracker.

As rates, charges and conformity to Service Level Agreements (SLAs) become comparable, such unparalleled transparency places greater power in the hands of corporates. In addition, by leveraging the power of this transaction data, banks can create value-added and high-quality solutions, identify valuable market segments that are being neglected or positioned for growth, and identify any channels that are not cost-effective.

Certainly, this broader shift towards holistic working capital management is in harmony with the ongoing evolution of correspondent banking towards a network of networks. We have doubtless all read more than a few opinion pieces about the need for collaboration in the transaction banking space. The combination of corporate-to-corporate and bank-to-bank platforms would be an ideal condition, putting banks and their clients on the same page - or, at least, on the same platform. ■

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