TECHNOLOGY

OILING THE WHEELS

Trade finance options are growing and so is the availability of software tools to automate these processes, says Lesley Meall.

Ask a treasurer for their perspectives on trade finance and you can end up with more questions than answers. “Do you mean traditional trade finance or credit finance?” asks one, while another echoes this question with: “Are you talking about transactional trade finance instruments such as letters of credit [LCs] or supply chain finance [SCF] and invoice discounting?” Then along comes: “I see invoice and accounts payable processing as wholly separate from the more complex cross-border trade finance transactions, don’t other treasurers?” Like many questions, the answer depends on who is being asked – and where they are being asked.

Apparently, the UK and the US aren’t just separated by a common language. “In the UK, many large organisations see corporate treasury as quite distinct from the operating trading flows of the business. In the US, there is more overlap,” says Karlien Porré, a director in the treasury advisory team at Deloitte. While Chris Bozek, global head of trade and supply chain products at Bank of America Merrill Lynch, suggests: “The argument for taking an integrated approach to treasury and trade has grown stronger as a number of trends within the market have combined to make the holistic approach more attractive.”

He cites the shift away from LCs towards open account trade and the increased focus on counterparty risk and cash flow. “The lines between treasury and trade are blurring through the lens of a combined working capital conversation,” says Bozek. Porré does see some UK treasurers getting more involved in the financial control and trade flow areas, for working capital optimisation, but they tend to take a leadership role rather than a hands-on management role. And although Deloitte has been involved in projects where treasury and procurement are working together to solve specific business problems, she says this is not a “marked trend”.

The technology triangle

One definitive trend is the increasing importance of technology – whether you are focusing on traditional trade finance, exploring finance for the supply chain or considering a combined approach to treasury and trade (for a project or for something more far-reaching). “As the number of tools in the trade finance box is expanding, so are the automation options,” says Sanjay Bibekar, treasury technology lead at PwC. This can be a mixed blessing, and wading through the available options (see top box, opposite) may feel more like a visit to the Bermuda Triangle than a metaphorical walk on the beach.

Many types of software can be used to automate various aspects of trade finance. There are bank-specific services, such as HSBC’s Internet Trade Services and JPMorgan’s Trade Channel platform. Then there are multi-bank trade finance systems, such as Bolero and CGI Trade360. Treasury systems, such as Kyriba and
Any process that relies on paper is inherently risky and error-prone. Electronic trade finance is more secure.