

Digital Trade Eco-Systems Greatest Value to Corporates

By Jacob Katsman



From left to right: **Anne-Cécile Delas** (Global Head of Trade & Treasury Solutions, Corporate & Investment Banking, NATIXIS), **Staney Pullolickel** (Commercial Treasury Executive-Asia, MENAT & SSA, GENERAL ELECTRIC), **Sriram Muthukrishnan** (Group Head of Trade Product Management, Global Transaction Services, DBS Bank), **Enno-Burghard Weitzel** (Global Head Product Management Trade Finance, COMMERZBANK)

During the 2019 SWIFT Annual Conference held this year on September 23 to 26 in London, only a few sessions were devoted to Trade Finance. One of those sessions was *The Emergence of New Trade Finance Eco-Systems*. It featured: Anne-Cécile Delas (Global Head of Trade & Treasury Solutions, Corporate & Investment Banking, NATIXIS), Sriram Muthukrishnan (Group Head of Trade Product Management, Global Transaction Services, DBS Bank), Staney Pullolickel (Commercial Treasury Executive-Asia, MENAT & SSA, GENERAL ELECTRIC), and Enno-Burghard Weitzel (Global Head Product Management Trade Finance, COMMERZBANK). Sukand Ramachandran (Managing Director and Senior Partner, BOSTON CONSULTING GROUP) moderated the group.

The session was advertised to provide answers to the following questions: How have corporate needs for trade finance evolved? Is there a change in demand compared to the past or are funding, pricing, and service still the primary drivers for corporate demand? What are the growing trade finance products and how are banks responding to slowing documentary trade volumes? How do corporates see the value proposition of existing solutions versus those that are emerging?

The audience was polled during the session to provide input into what turned out to be an interesting and educational presentation from experts that did not just repeat what we all read in the press, but actually presented original ideas from personal experience.

One of the polling questions was: *Where do you expect digital trade ecosystems will deliver greatest value to corporates?* 65% of the audience answered: “Digitize and streamline trade finance processes”. The second most popular answer with 13% of the popular vote was: “Reduce transaction costs”, followed by “Enable new innovative products/solutions”, with 9% of the vote. The remaining two answers were: “Improve coordination between banks, other providers, and facilitators” (9%) and “Provide greater choice/competition between banks and other providers” (4%).

DBS’ Sriram Muthukrishnan made a bet that in the auditorium there were more mobile phones than people to highlight the impact of digital on our lives today. “With a global mobile penetration rate of close to 70%, the drive for businesses to digitalise is real,” said Muthukrishnan. Commerzbank’s Enno-Burghard Weitzel picked up on the example of mobile phones and asked the audience if they considered how many phone producers there are, and asked if they can make calls and send messages between different versions of phones. The answer is obviously yes, which Weitzel used to make the audience realize that there is a need for standardization between different eco-systems. “While consumers never heard the word interoperability, it simply worked. We need to get there for trade finance eco-system as well,” said Weitzel. “This is a real call for action to all the initiatives that have been described”, responded Anne-Cécile Delas from Natixis. “Try cooperating rather than competing,” Delas added. Muthukrishnan agreed that interoperability and data standardisation are key, despite being a big ask. “Consortium blockchain platforms and industry-based platforms need to be seamlessly talking to each other. They also need to be able to lower barriers for new entrants, and support the development of universal standards and protocols that are currently lacking,” he said.

GE’s Staney Pullolickel brought everyone back to reality. “Candidly what we are seeing around so far are proof of concepts,” said Pullolickel. “None of the so-called eco-systems has really emerged. There have been a few transactions with large banks and large corporate customers. When we catch up with banks we are often asked, do you want to be in the press? Let’s do one transaction. I respond that we are already in the press for right or wrong reasons, do we need that additional level? No. Give me efficiency, give me a real case to drive on and we will take it from there,” he added.

Muthukrishnan stressed, “That’s why I think it is important to take a co-creation approach with corporates to focus on specific use cases and develop solutions aimed at solving real business pain-points, over creating proofs of concepts in isolation with fintechs.”

Sukand Ramachandran, highlighted an interesting point from BCG’s report, [Digital Ecosystems in Trade Finance: Seeing Beyond Technology](#), that asked banks and corporates where the greatest value of digital platforms lie. While banks focused on digitization, corporates simply asked banks to make it easier for them to do business. “Why are the banks are missing this?”, asked Ramachandran.

Delas responded from her bank’s perspective serving large corporate clients that one of the asks from such clients is for the bank to offer a multi-bank trade finance system and not their own proprietary platform. “Such eco-systems offer this multi-bank component,” said Delas.

Weitzel pointed out that one of the reasons for a mismatch of focus on what is important is the age of the people in trade finance departments of banks, most of which have been there for years and are not easy to change their ways. “They have grown up in the world where corporates were forced to come to them to get the job done. They have not been put on a hot seat to really buy into the business of the corporates. Now the world has changed. Perhaps we are not realizing how quickly the world is

changing. When you see successful companies out there, they really put the customer at the center of their focus. This is still not there with many banks. The reason for this mismatch is that banks think that they are doing something good, but really, they forget to ask the corporates, are we doing something valuable for you? Is this to the core of your pain points? It is as simple as that," said Weitzel.

What should be done differently by eco-systems having heard this? Delas said, "Eco-systems should focus on delivering a single topic and then enlarge scope." Weitzel added that banks participating in these platforms must on-board participants quicker. Pullolickel stated that onboarding Tier 2, Tier 3 banks would be a key success factor. Muthukrishnan agreed with what Pullolickel said earlier, "Focus on what is important to the client."