Business Information Systems

Managing payments the SEPA way

Trade Finance & Liquidity Management

- 5 May 2010 -

Agenda

Business Information Systems

1	Trade Finance Concepts & Trends
2	SWIFT Trade Finance Offering
3	BIS Solutions in the Trade Space
4	Managing Liquidity
5	BIS Solutions on Liquidity Mgt.

Business Information Systems

Growth in international trade

US$ billions

CAGR	
E.Europe	25%
Asia	15%
US	5%
EU	3%

Chart values (US$ billions) by year: 1970, 1980, 1990, 2000, 2005, 2006, 2007, 2008
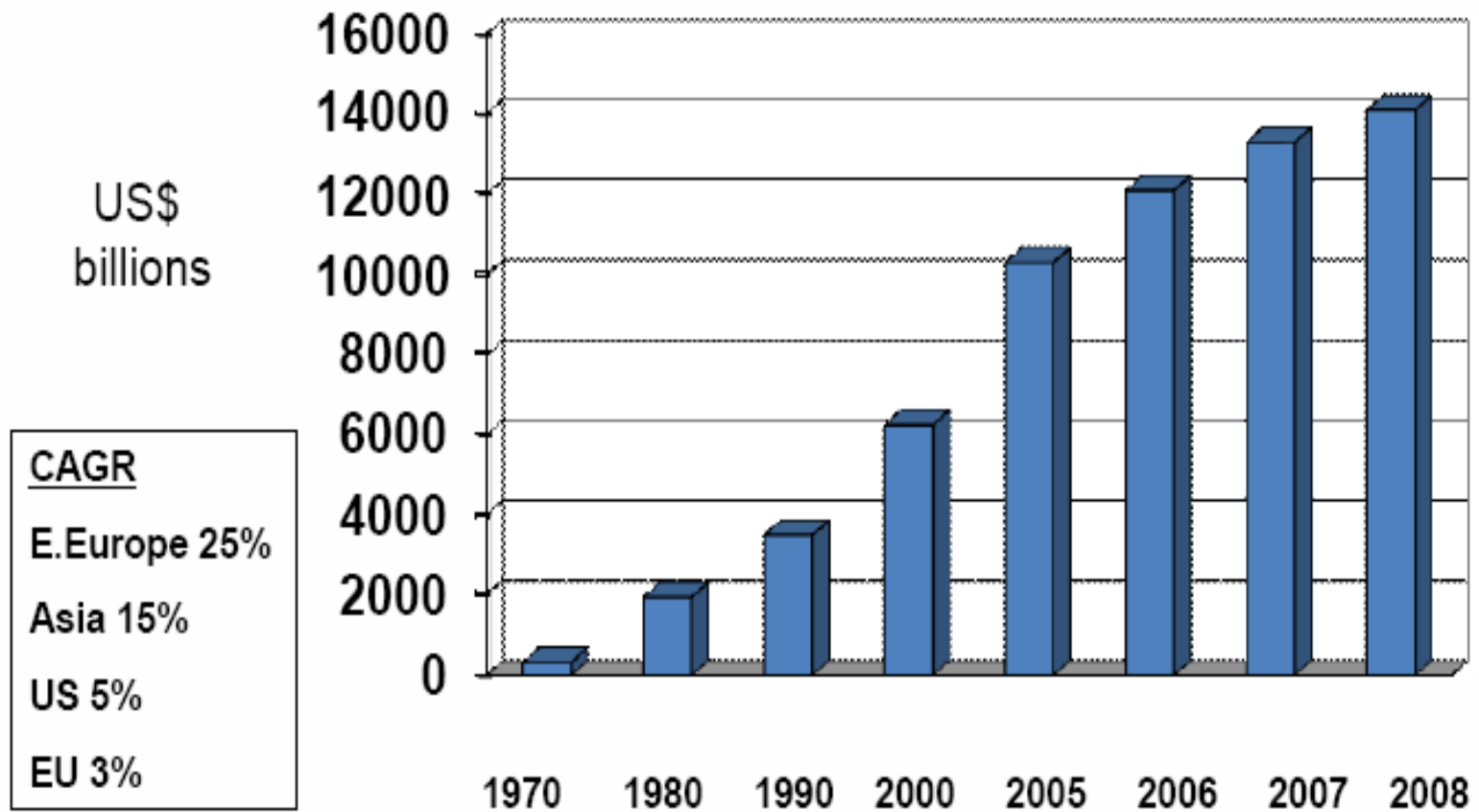
Sources: World Trade Organisation

Trade Finance - Trigger Points

PROCESSING EFFICIENCY

Risk	**Services**	**In-Sourcing**
- Compliance	- Cash forecasting	- Document preparation
- FX hedging	- Discrepancy handling	- Managed a/c payables
- PO authentication	- Dispute management	- A/c Reconciliation

Order › Make › Ship › Invoice › Receive › Pay › Sell › Collect

Inventory finance

Pre-shipment finance **Post-shipment finance** **Receivables finance**
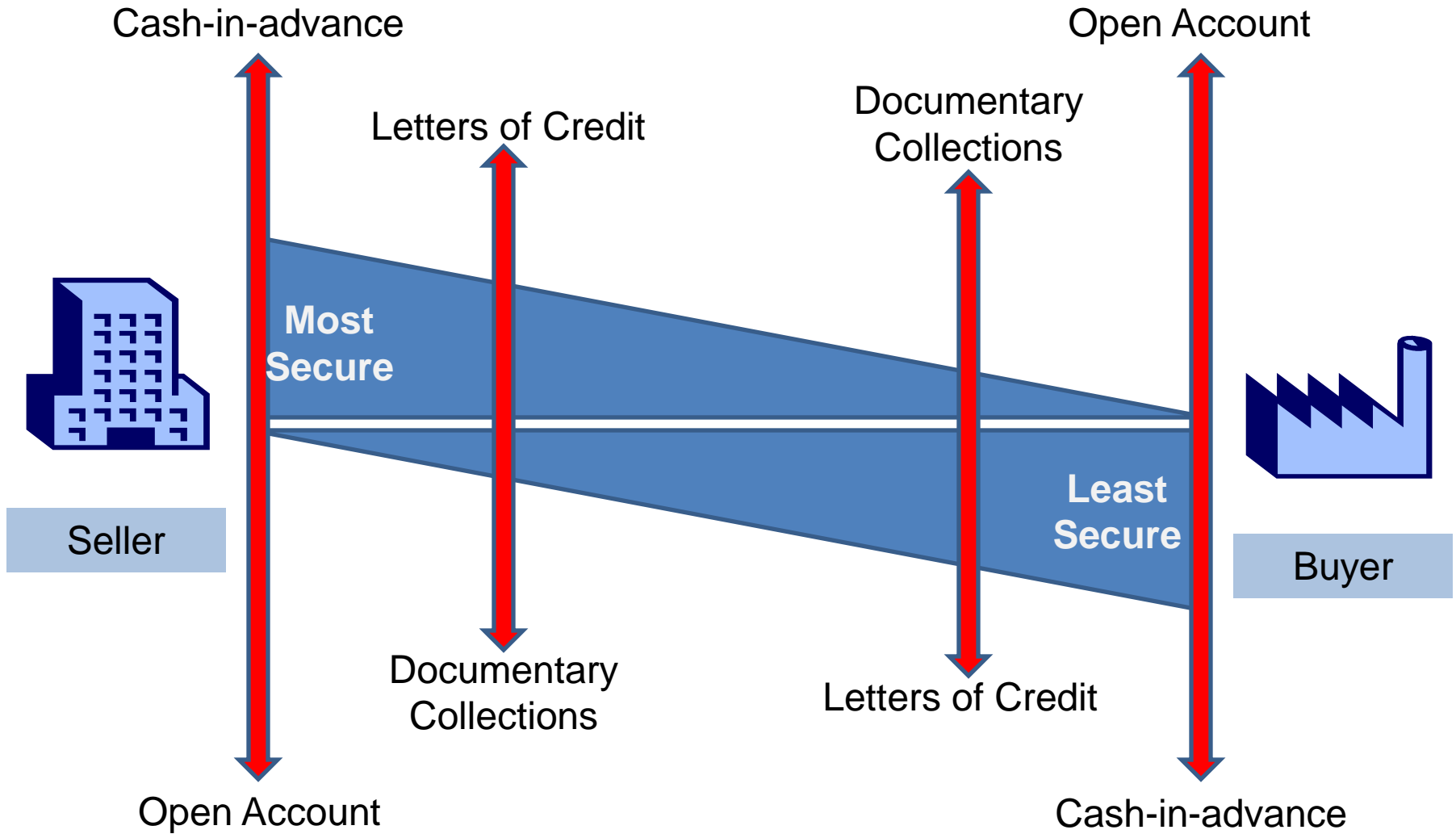
LIQUIDITY MANAGEMENT
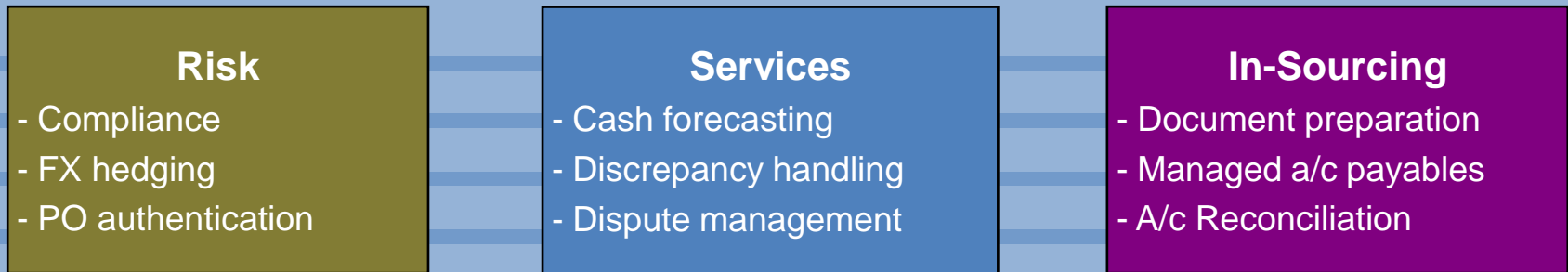
Trade Finance & Liquidity Management

Traditional Documentary Credit Workflow

Buyer's bank

Sellers's bank

4. Settlement

3. Documents

5. Acceptance of documents by buyer

6. Payment

4. Payment

3. Documents

Settlement

Risk mitigation

Financing

Information

2. Shipment of goods

1. Creation of PO and transmission to vendor

Buyer

Seller

⭐ Trigger points

Logistics
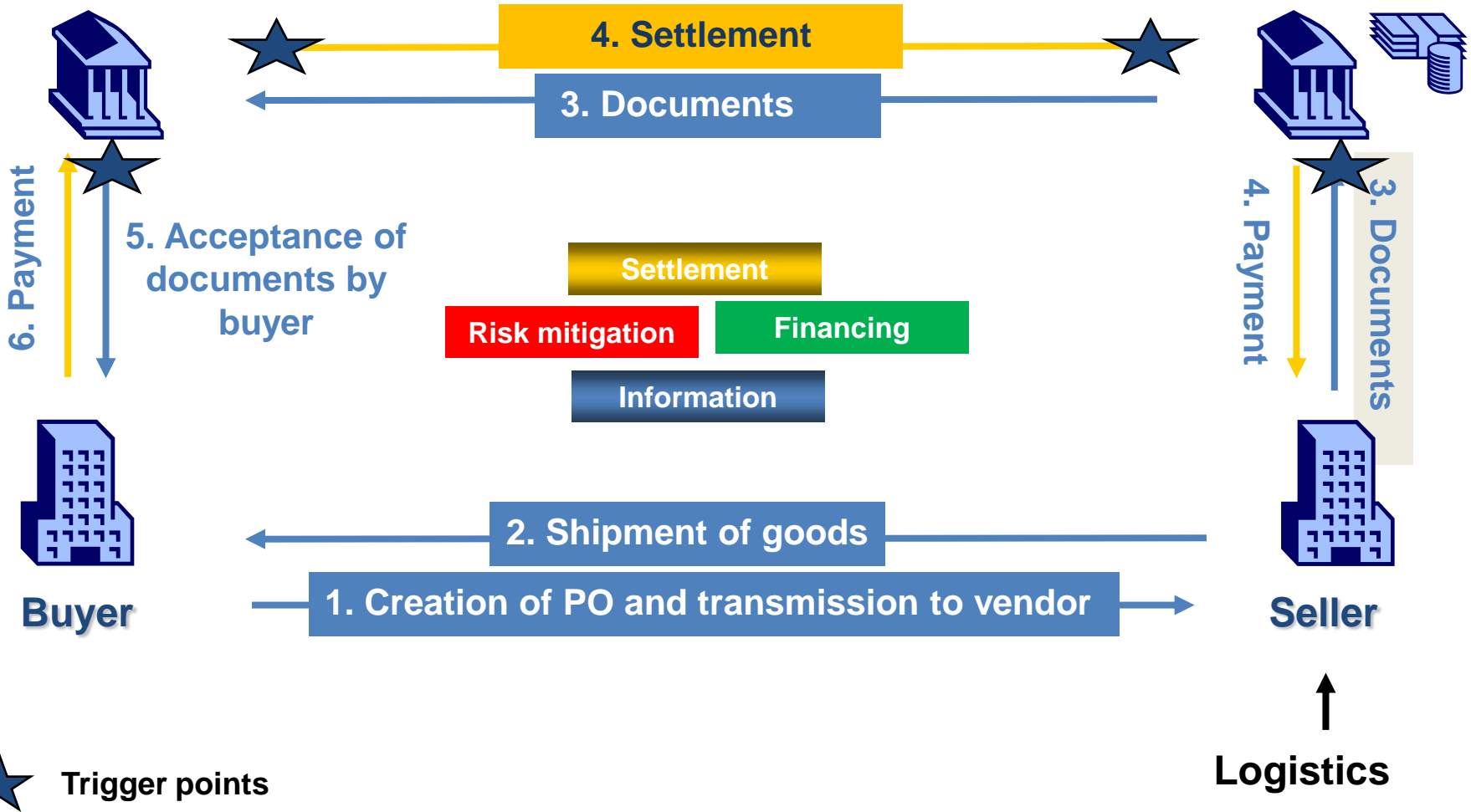
High transaction visibility reduces risk and cost of finance

Open Account Workflow

Buyer's bank

Settlement

Seller's bank

Buyer

Seller

1. Purchase Order

2. Shipment of goods

4. Vendor presents documents to be checked by buyer

5. Acceptance of documents by buyer

3. Documents

★ Trigger points

Logistics
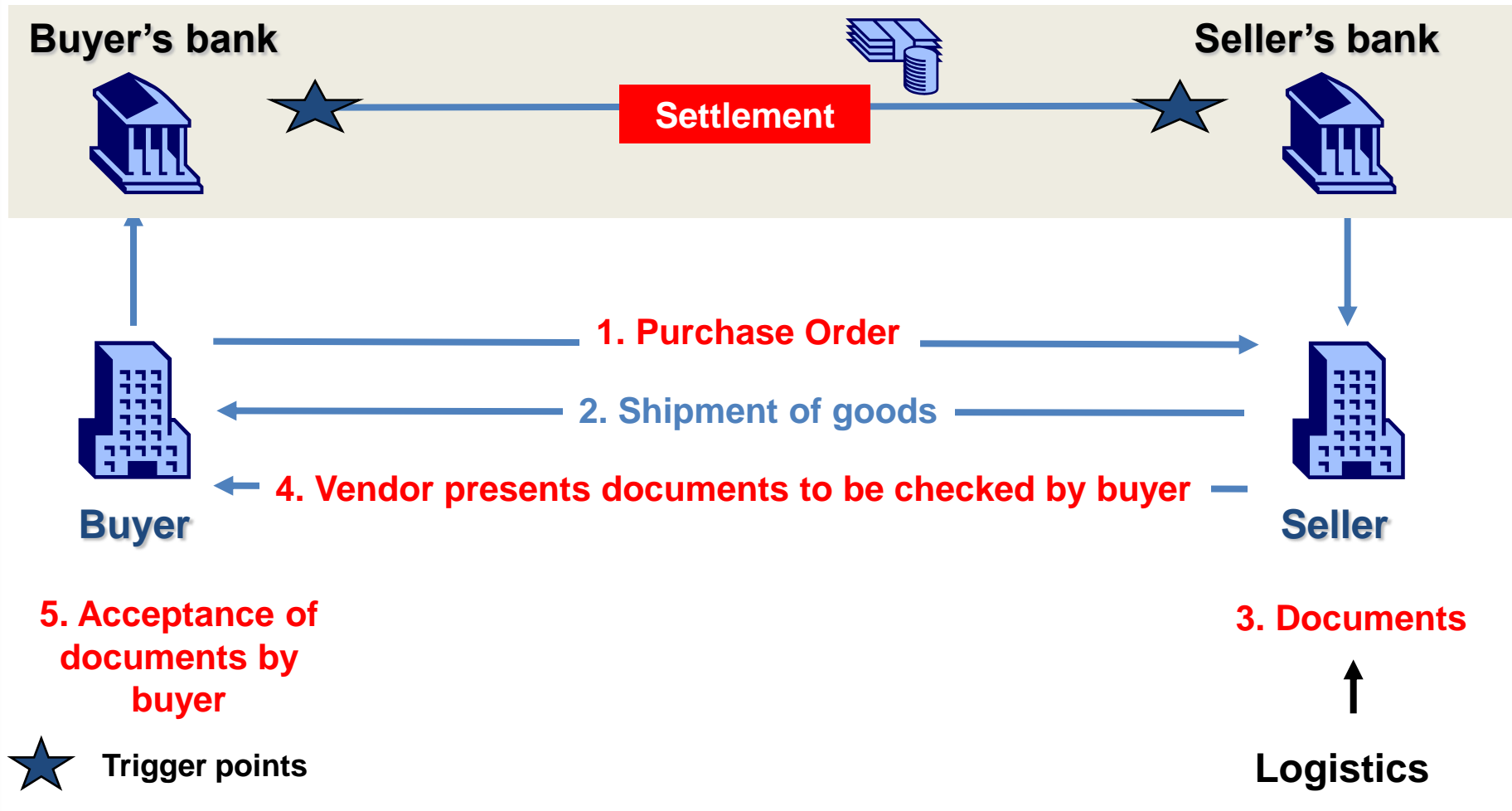
Low transaction visibility increases risk and cost of finance

* **SWIFT messaging shows an increase in Cat 1 / 2 payment volumes whilst Cat 4 / 7 trade volumes are stagnating. This is a visible confirmation of the global shift to open account**
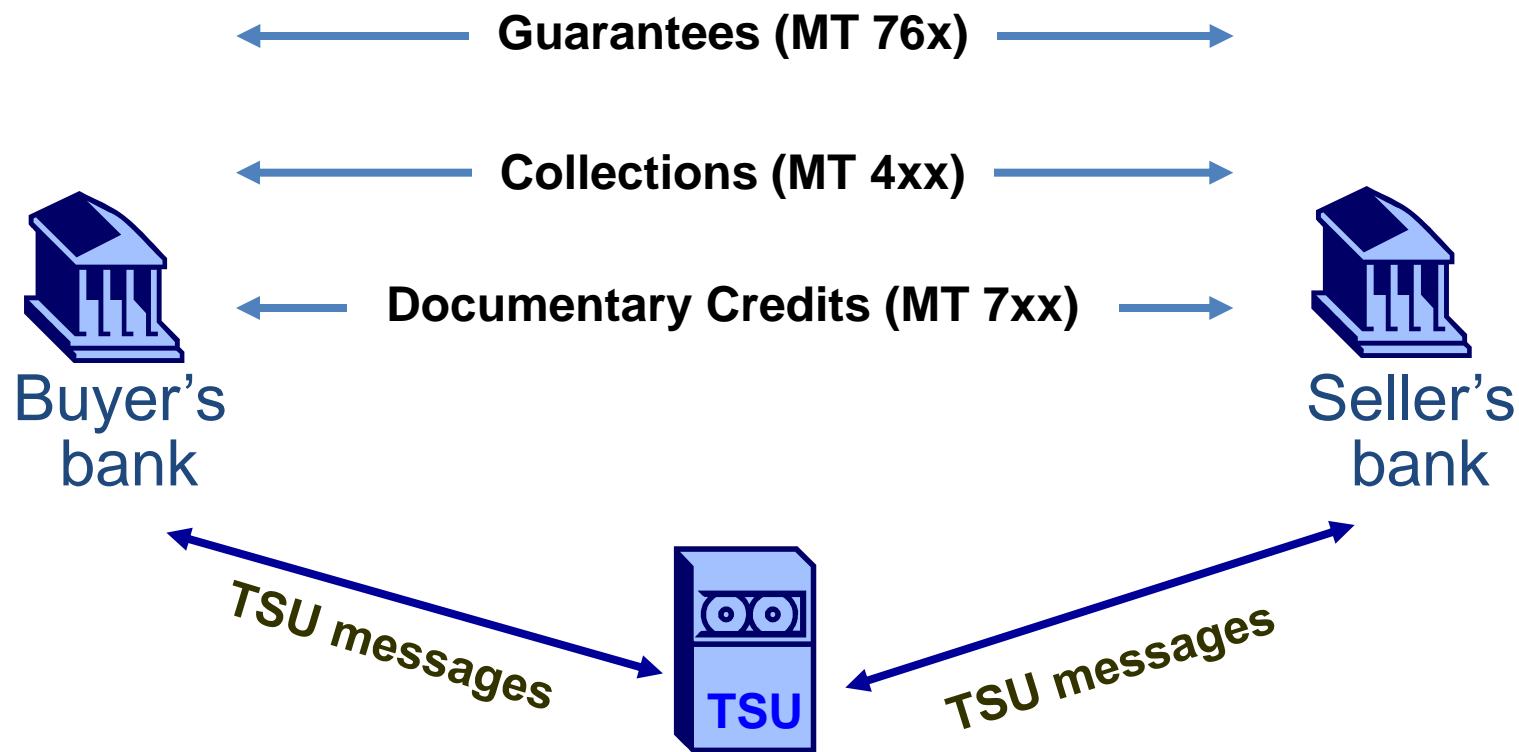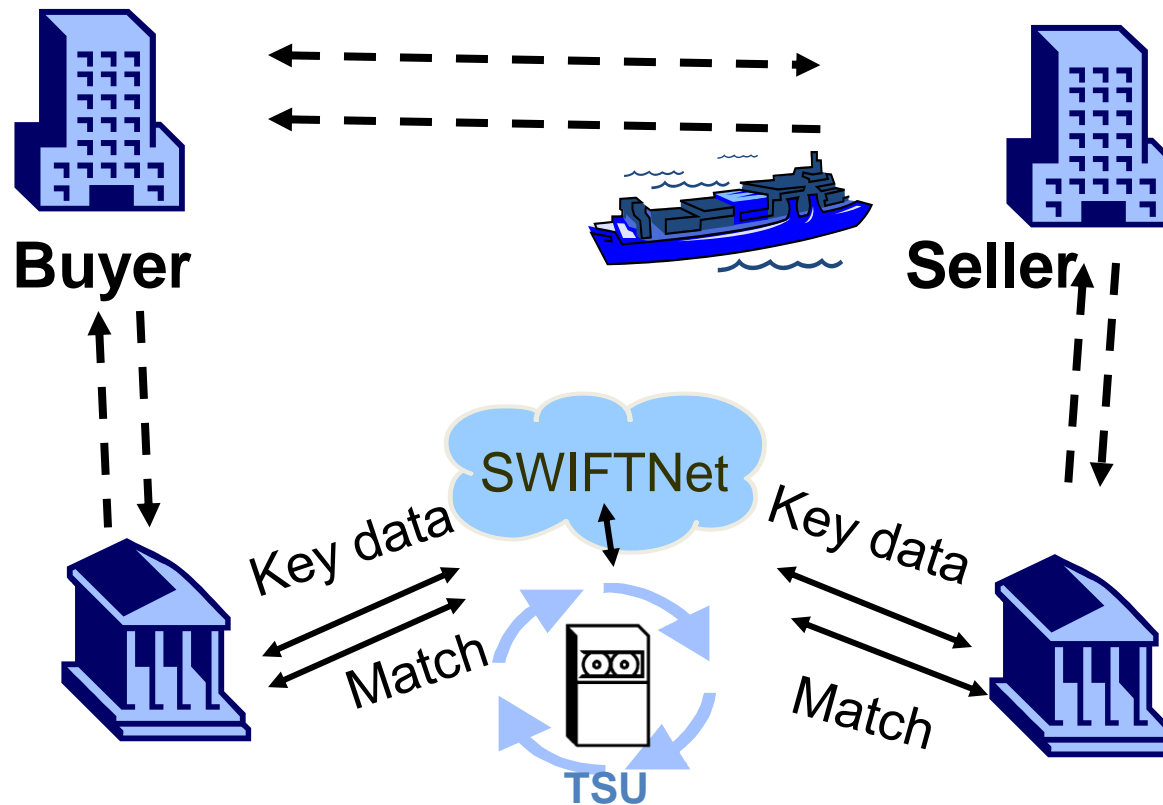
Trade Finance Environment

Pre- crisis

- World trade USD 14 000 billion
  - 20% involves secured documentation
  - 80% open account
- Trends - importers and exporters are moving to open account
- Migration to open account limits the bank involvement in trade to settlement

Current

- First time since 1982 we seen a contraction in world trade – expected 6% for 2009*
- Exporters finding pre and post-shipment financing hard to obtain
- Importers profile as trading partners is riskier
- Less confidence in importers, importer's country and its import regulations
- Unstable market are a threat
- Contraction in trade - risk or liquidity issue

* Source: International Chamber of Commerce
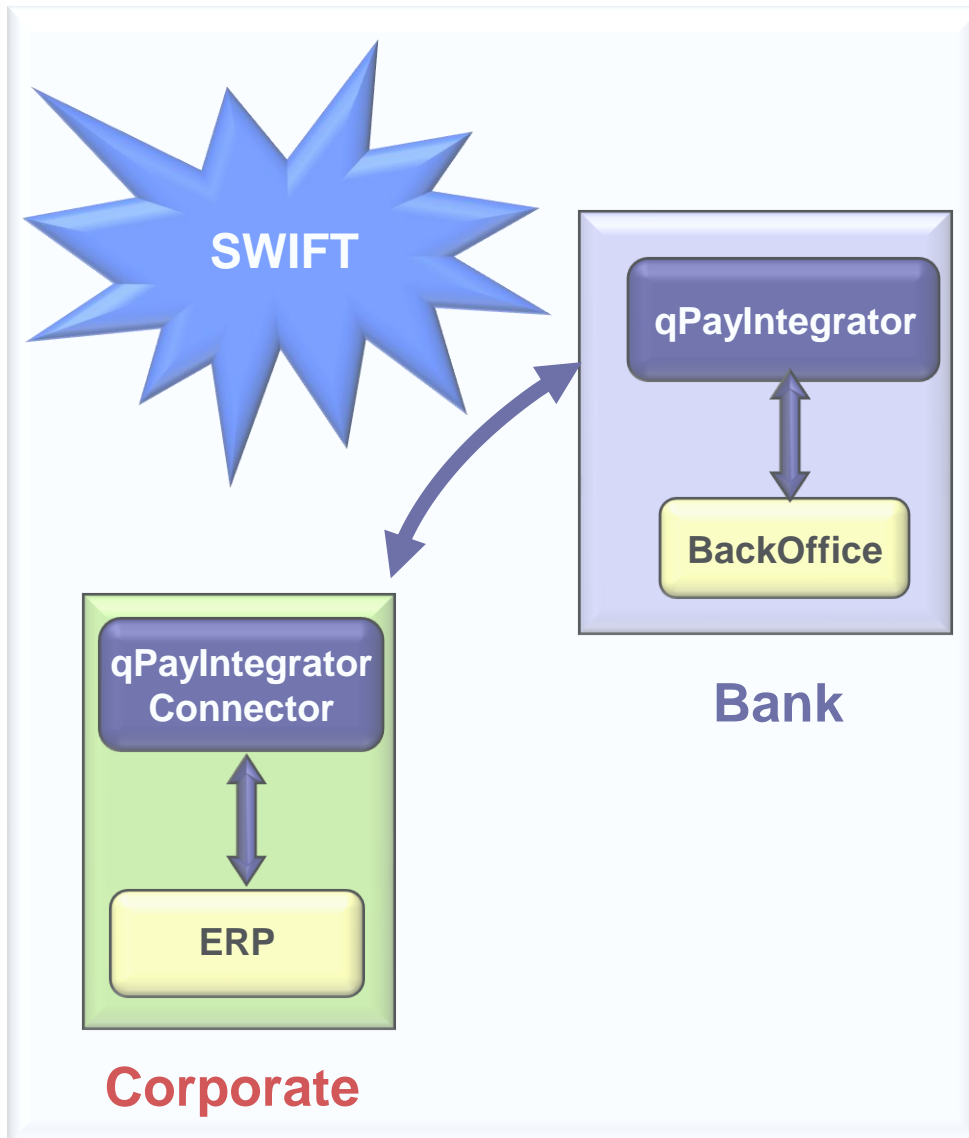
SWIFT Trade Services Market Offering

Guarantees (MT 76x)

Collections (MT 4xx)

Documentary Credits (MT 7xx)

Buyer's bank

Seller's bank

TSU

TSU messages

TSU messages

MT-based

MX-based

Trade Finance & Liquidity Management

SWIFT Answer to Open Account

Buyer

Seller

SWIFTNet

Key data

Match

Key data

Match

TSU

SWIFTNet Trade Services Utility:
- ➢ industry standards
- ➢ shared application
- ➢ community engagement

Trade Finance & Liquidity Management

Business Information Systems

SWIFT

Bank

qPayIntegrator

BackOffice

Corporate

qPayIntegrator Connector

ERP

Value-added functionalities

"electronic services distribution" for treasury and trade finance

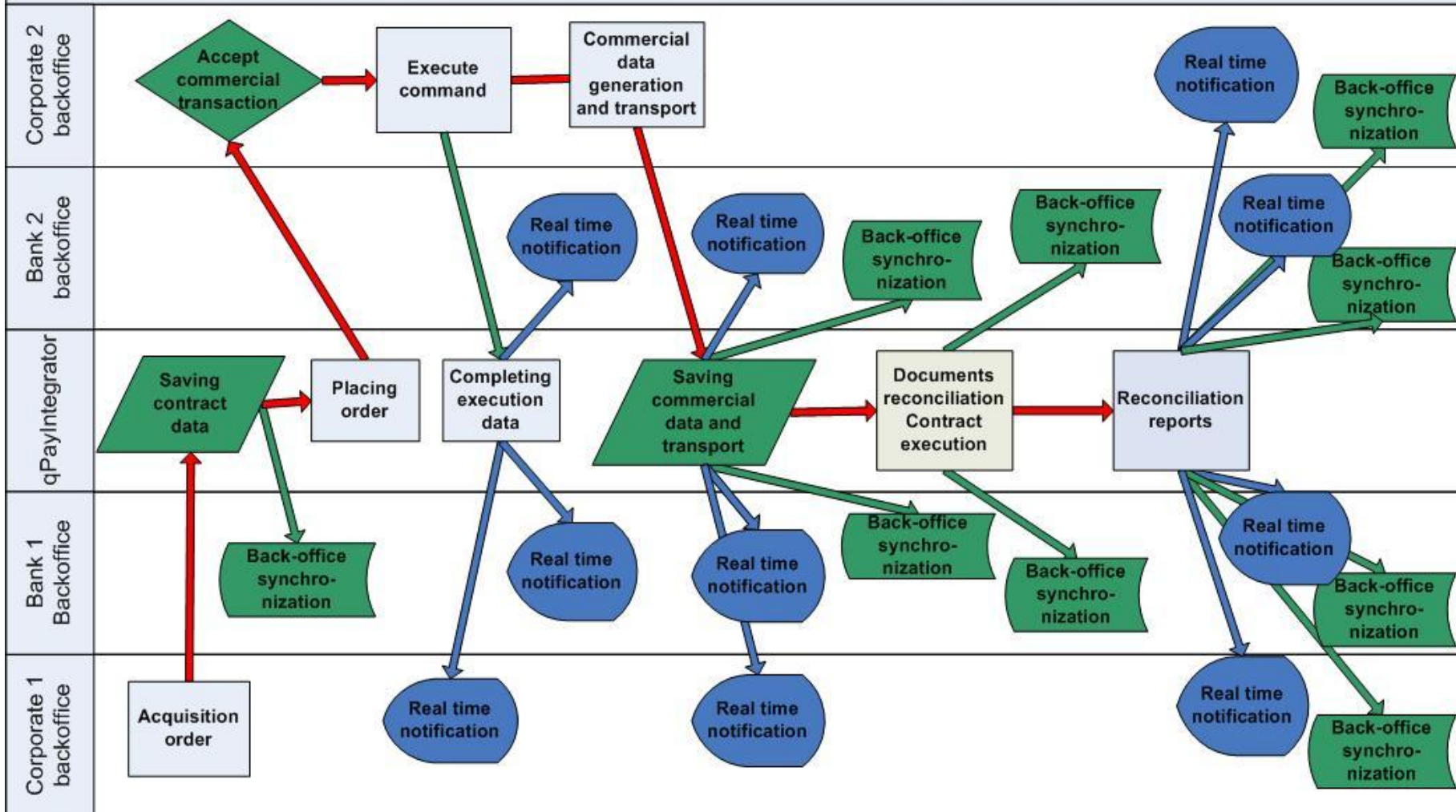Trade documents issuance, amendments, advice, presentation and inquiries

Manage activity dates, payment dates, fees deducted

Automatic payments based on received invoices

Trade Finance & Liquidity Management

Trade Financing Flow

Trade Finance & Liquidity Management

Intra-day Liquidity Visibility

Better communication flow with external world
Build a central intra-day view on liquidity

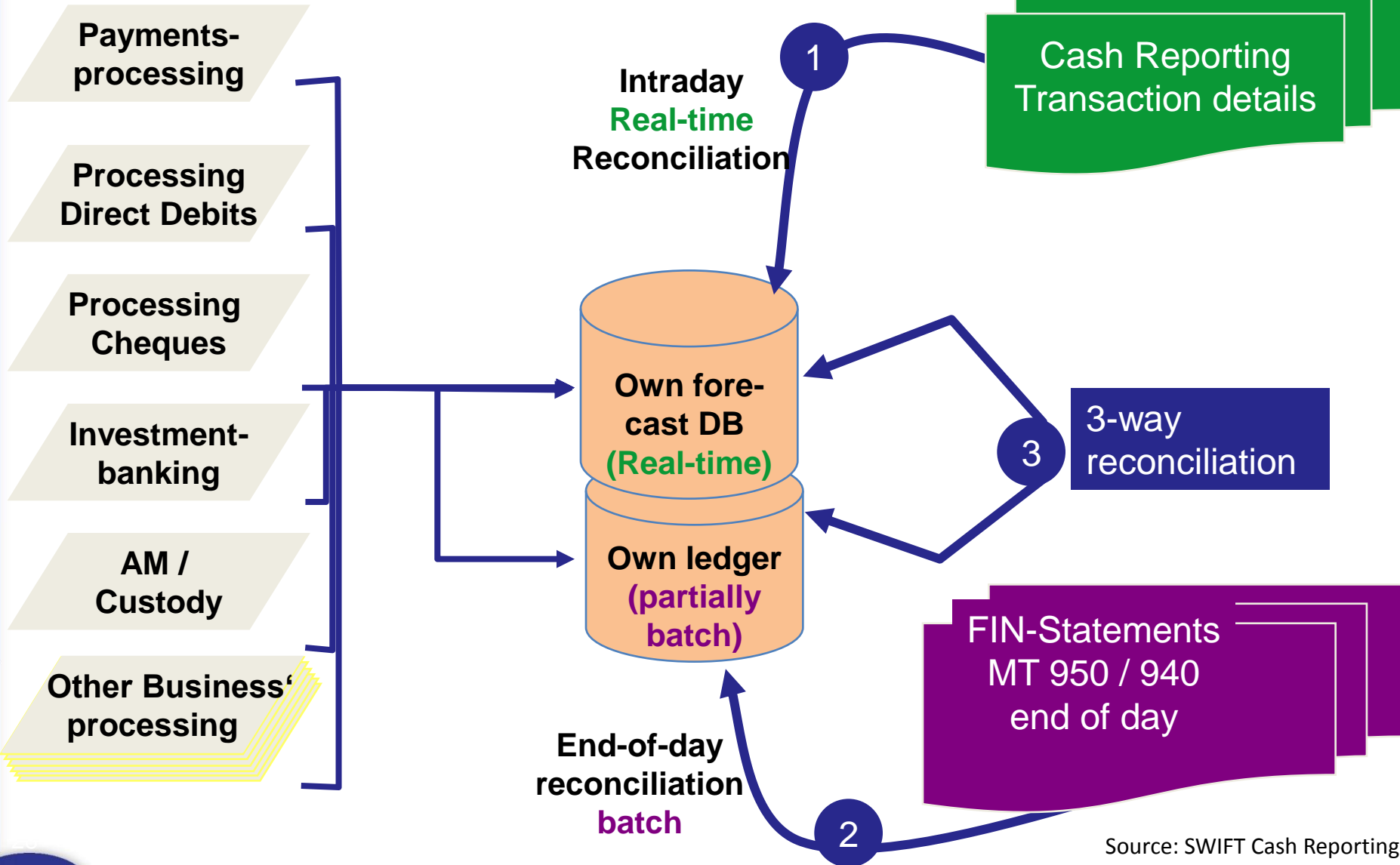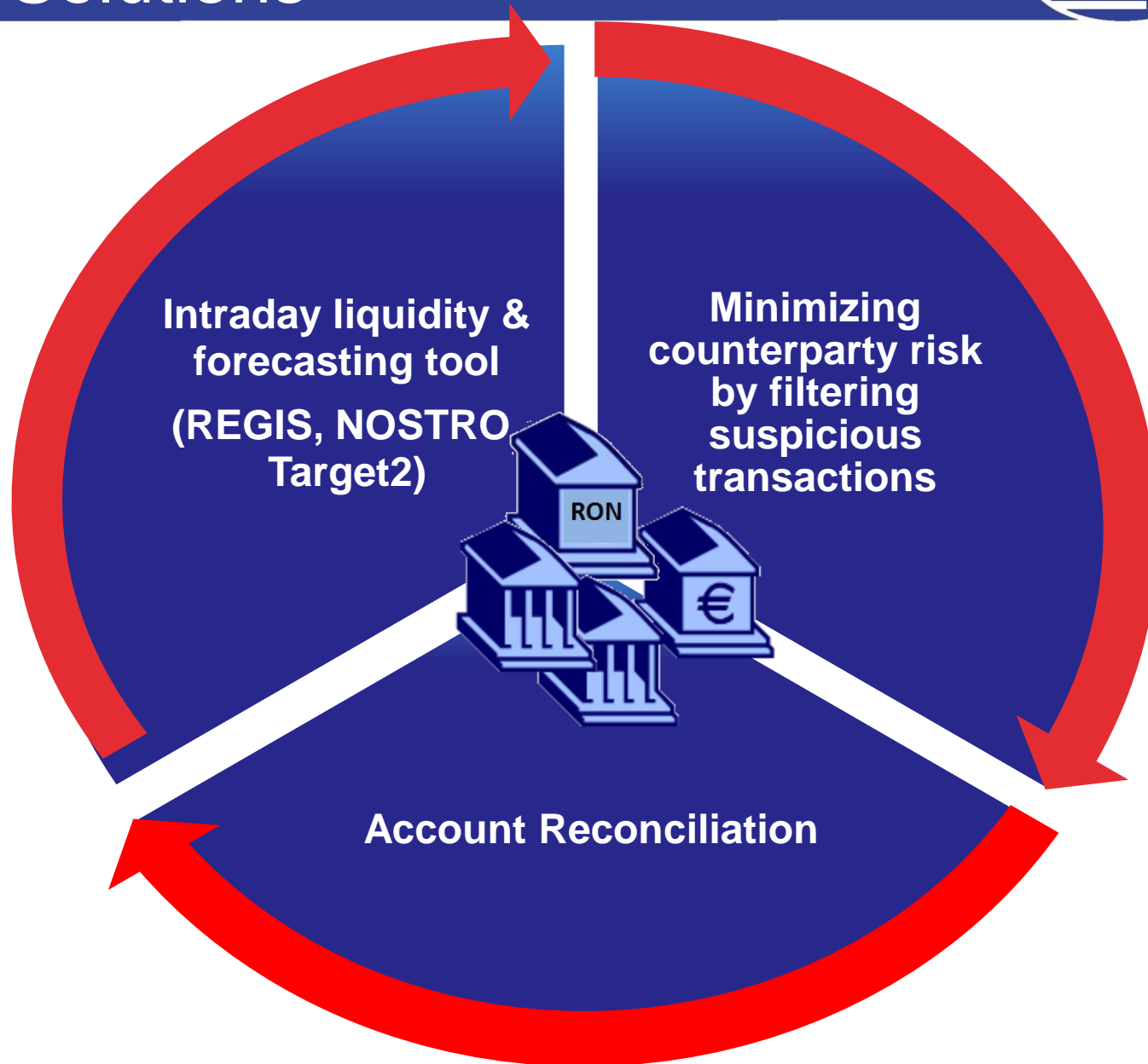| Accounting holding institution	Counterparts & customers	System & market infrastructures
In addition to end-of day statement intra-day info must be supplied	Provide central view on their liquidity	High resilience - connection & reporting facilities

Improve communication, connection and collection of transaction data from various systems to build a central transaction repository

➤ Central view of transactions
➤ Predict short term liquidity requirement
➤ Calculate exposure
➤ Generate reports

Business Information Systems

Payments-processing

Processing Direct Debits

Processing Cheques

Investment-banking

AM / Custody

Other Business' processing

Intraday Real-time Reconciliation

1

Cash Reporting Transaction details

Own fore-cast DB (Real-time)

Own ledger (partially batch)

3 **3-way reconciliation**

End-of-day reconciliation batch

2

FIN-Statements MT 950 / 940 end of day

Source: SWIFT Cash Reporting

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BIS Solutions

Intraday liquidity & forecasting tool

(REGIS, NOSTRO Target2)

Minimizing counterparty risk by filtering suspicious transactions

RON

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Account Reconciliation

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Let's discuss more …

Thank you !