ANTWORKS™

Reshaping Trade Finance Operations with Automation

Global trade financing sits at the heart of the relationship between banks and corporations. Although this is a business characterised by small margins, the volume is huge; by 2026, trade finance flows are predicted to reach US$24 trillion.

Given this growth trajectory, banks identify trade finance as a critical pillar of their future business strategy. However, market growth alone is not the only ingredient for success. The much publicised $1.5 trillion global trade finance gap, as reported by the Asian Development Bank (ADB), presents challenges in the global trade. To succeed, banks must position themselves as leaders in the digitisation of trade finance.

The pressure to move to digital operations is increasing, as the industry looks for ways to become more efficient and productive amid reducing margins from competitors and compliance requirements. The trade finance industry faces special challenges; from finding a way for different players in the supply chain to coordinate efforts to the vast amounts of paperwork involved in trade finance transactions.

But there is a way forward.

International Chamber of Commerce, 2018, Global Trade – Securing Future Growth
ADB, 2019, Trade Finance Gaps, Growth, and Jobs Survey

The Trade Finance Challenge:
Getting Labour-Intensive Processes Right

According to a 2018 ICC Global Survey, revenues from trade finance are expected to grow at an annual rate of up to 6%. Trade finance revenues could be as high as US$48 billion by 2021. While the financial outlook is promising, organisations must overcome several challenges to optimise their trade finance business to maximise profitability. This is significant, since trade finance is mainly paper-based and labour-intensive and suffers from fragmented information. The lack of standardisation is costly, time-consuming and error-prone – squeezing already-tight margins.

Operational challenges that banks are facing due to of lack of automation and digital engagement include:

Lack of Process and Document Standardisation

Banks deal with multiple formats of Letter of Credits and Guarantee Applications and it's difficult to manage them due to variations and non-standard processes. Manual, labour-intensive processes are part of the trade document creation, review, authentication of paper documents, confirmations, handoffs, etc. This results in errors during data entry, inconsistencies across the trade finance lifecycle, losses and delays in shipment, approval, verification and non-compliance.

Slow Documentation and Verification Checks

The checking and approving contract documents in paper format is a tedious process, carried out by multiple stakeholders. With a high risk of the documents being misplaced that can cause severe delays in the shipment of goods. Add to that, the pain staking check and verification process for AML and credit bureaus also leads to delays in the payment process.

Manual and Expensive Reconciliation

Banks should ensure that their account report should not contain errors during the matching process. The disadvantage with manual bank reconciliation is that it's prone to human errors and an expensive process. Such reconciliation errors can increase the risks to loss of revenue and fraud.

Trade Contract Creation and Review

The current process of contract creation is tedious –a paper format of the trade contract document is drafted and sent back and forth multiple times by the parties involved, until a consensus is reached. Next there's amendments and reviews. According to the ICC global trade report, 2018, an estimated four billion pages of documents circulate in documentary trade. Trade finance processes with heavy paper copies such as bill of lading, purchase orders, invoices, etc. across multiple parties and across borders, create a huge operational challenge.

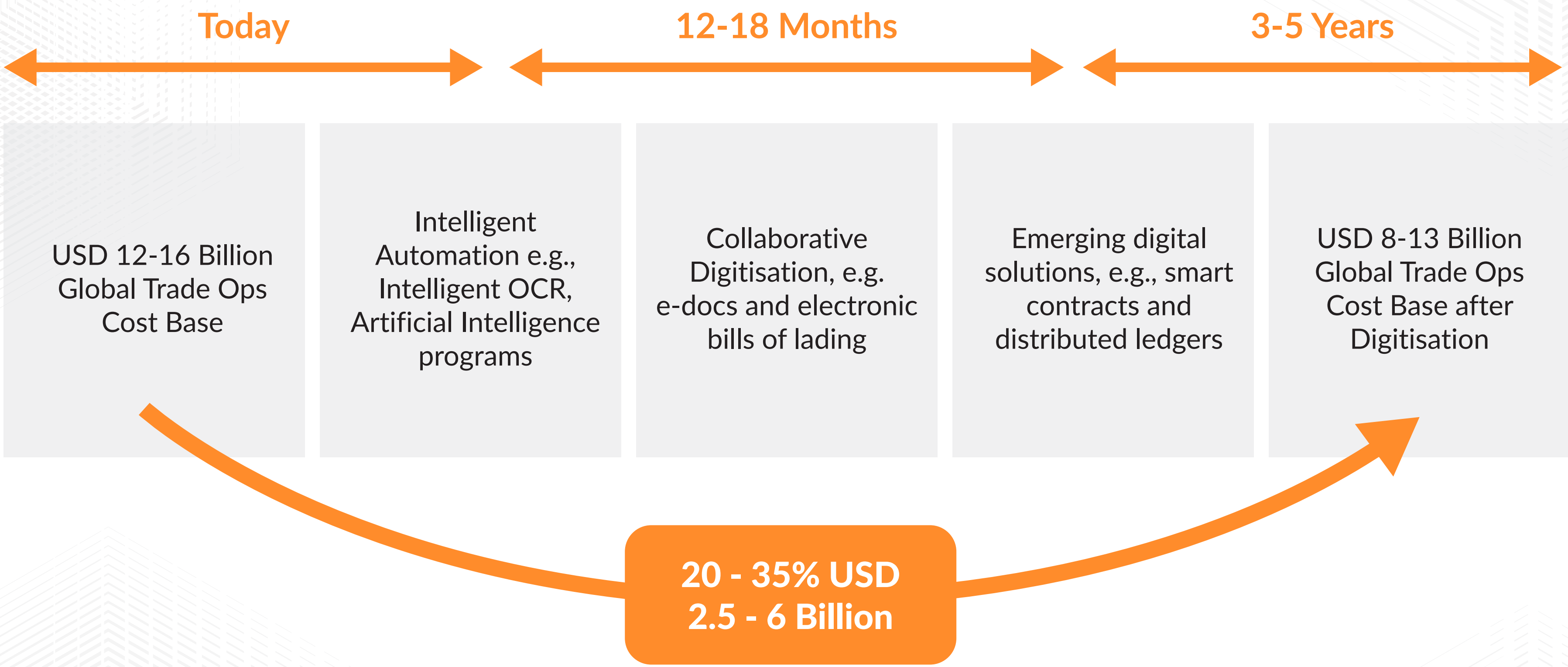
Non-Compliance

Conforming to external regulatory bodies and internal compliance checks can be a daunting task for banks if the trade lifecycle processes lack transparency. Being non-compliant can result in heavy losses for the bank and damage their relationship with their corporate clients. Time-consuming compliance checks can cause delays for letters of credit and guarantee issuance thereby leading to friction in the entire trade finance lifecycle.

International Chamber of Commerce, 2018, Global Trade – Securing Future Growth

The Case for Cognitive Machine Reading for Trade Finance

According to BCG, “an integrated digital solution which includes functions like intelligent automation, digitisation and other technology solutions will help global trade banks save between ‘US$2.5 billion and US$6.0 billion based on US$12 billion-$16 billion cost base, with the potential to increase revenue between 20% to 35% over 3 to 5 years.”



In the ICC global trade report, 78% percent of banks have implemented or are in the process of implementing technology solutions to digitise their trade finance operations with automated solutions, such as Cognitive Machine Reading (CMR). This report also states that banks are moving towards greater digitalisation with a strong interest of investing in evolutionary technology, such as digital trade and online trade platforms, digital ledgers and supply chain finance.

Oracle, 2018, Fostering Smarter Trade Finance Operations

International Chamber of Commerce, 2018, Global Trade – Securing Future Growth

How to Use More of Your Data for Automation

Cognitive Machine Reading (CMR) moves beyond traditional OCR (Optical Character Recognition) which only captures structured data and requires manual quality checking. CMR does more than reduce costs for the financial services industry. It provides a powerful and flexible way to service the needs of internal and external customers. It's independent of zones, templates, formats, modes and languages. CMR ingests, curates and classifies all data, including unstructured, such as handwritten text, signatures, checkboxes and images and makes it available across the enterprise.

Plays Nicely with Others

- Easily integrates with internal systems of record
- Verifies data from external sources for new account openings and KYC, AML and CDD

Increases Accuracy

- Includes Machine Learning technology that adapts and learns your workflows and progressively boosts accuracy to 95%
- Requires smaller data sets to learn and optimise all your onboarding and funds transfer processing including handwritten forms

Handles Multiple Data Formats with a Single Platform

- Structured data that adheres to a preset model such as FIATA forwarding instructions
- Semi-structured data that does not remain fixed to a strong preset model for documents such as invoices, bill of lading, and airway bill.
- Unstructured data that is complex to analyse and summarise, cannot be processed with business rules i.e. letter of credit

Transparency Throughout the Process

- Operational data is available across all stages of the banking customer lifecycle
- Advanced operational business analytics provide process insights
- Operational diagnostics troubleshoots errors or exception handling

Faster Time to Insights

- Synthesise vast amounts of customer data using Natural Language Modelling (NLM) to generate powerful insights
- Natural Language Processing (NLP) capabilities such as sentiment analysis, equips bankers with the necessary insights at the right time

What Benefits Can I Achieve and How Can I Measure Them?

According to the report, Role of Trade Finance for Inclusive Growth, Deloitte 2018, “trade activities require an average of 36 original documents, 240 copies, and the involvement of 27 entities and the Fortune 500 companies spend over USD 81 billion annually on unnecessary working capital, and supply chain costs.” This documentation-intensive manual work contributes to the majority of the trade finance related costs.

Banks who have CMR are able to drive automation throughout the entire trade finance lifecycle that’s burdened with labour-intensive paperwork and documentation processes. For banks to conquer the trade finance space in these challenging conditions and change the financial landscape, their trade finance offerings and operations need to be digital, flexible and agile.

Deloitte, 2018, Role of Trade Finance for Inclusive Growth

Trade Finance Use Cases

Paperless Processing

- Enhances operational efficiency and reduces manual errors
- Enables faster processing
- Provides greater convenience
- Reduces cost and improves the speed of communication

Centralised Trade Finance Operations

- Captures the required data 'one time'
- Ensures faster turnaround time
- Complete reuse of customer information such as customer, trade and import licenses and preferences such as currency and branches
- Reuse Application Services for fulfillment of different trade finance processes
- 360 degree view of customer relationship

Automated Workflows

- Automated process workflows improves task management and increases productivity
- Ensures straight-through processing to reduce operational costs
- Eliminates redundant manual processes
- Maximises automation and enables faster fulfillment
- Enables visibility into real-time status of application

Trade Finance Use Case

Key Business Outcomes

75%

aimprovement in business efficiency resulting in fewer delays in payments and shipments

>80%

accuracy in capturing unstructured data, and enhanced straight-through processing for operational efficiency

Client Profile

From commercial banking, to stock broking, mutual funds, life insurance and investment banking, this bank caters to the diverse financial needs of individuals and the corporate sector.

Challenges

This global bank receives large volumes of unstructured documents which created a high volume of manual work for the operations team. Because of regulatory requirements, the trade finance process contained numerous compliance checks, such as identifying over 300 data points which exist in multiple documents. With steadily rising volumes of documents, accuracy was eroding, the operations team was under pressure to reduce costs.

The AntWorks Solution

The client deployed Cognitive Machine Reading (CMR) and QueenBOT RPA to transform information-intensive business processes, reduce or eliminate manual work and errors and minimise costs. Individual touch points are digitised and now provide dramatic results reducing compliance risk and increased competitiveness, growth and profitability.

Results

With CMR and QueenBOT RPA, the data is ingested and digitised in an editable format delivering 75% improvement in business efficiency resulting in fewer delays in payments and shipments. With an **80% increase in accuracy rate**, CMR completely eliminates tedious repetitive tasks enabling employee productivity to thrive, ultimately delivering strong ongoing ROI. This bank successfully increased its operational efficiency and overall processing capacity.

Conclusion

With the rapid growth of global trade flows, trade finance is proving to be a highly profitable business entity for banks. And banks need to play a critical role in facilitating and automating trade finance operations such as financing, payment processing and risk management through different trade finance instruments. Plus they must provide a seamless trade finance experience by leveraging technologies such as CMR.

Digitisation is the driver for trade finance and the responsibility lies with banks to provide innovative trade finance solutions to their clients. Banks must understand that the trade finance landscape is changing drastically and most of the trade interaction between banks, corporates and other counterparties is happening through digital channels. Banks must deliver digital trade finance services to eliminate heavy paper flow operations, provide rapid processing and enable realtime transaction visibility.