



How fintechs can help trade finance wheels spin more smoothly

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In Latin America and elsewhere, fintech <https://www.bnamericas.com/en/interviews/despite-headwinds-argentinias-fintech-ecosystem-expands-apace>s are typically associated with consumer services offered directly <https://www.bnamericas.com/en/news/worldline-riding-chiles-prepaid-card-wave> or through an incumbent <https://www.bnamericas.com/en/interviews/why-banks-and-fintechs-should-hop-into-bed-together-> player such as a bank – but they are also quietly supporting institutions in back-office areas.

Objectives include reducing costs and risks and smoothing processes, a webcast hosted by the Americas chapter https://itfa.org/regional_committee/americas-regional-committee-amrc/ of the International Trade and Forfaiting Association (ITFA <https://www.bnamericas.com/en/features/railroad-rumblings-in-central-america>) was told.

A goal of ITFA is helping its members, including those in the Americas, advance along the digital highway.

ITFA is the worldwide trade association for companies, financial institutions and intermediaries engaged in global trade, forfaiting, supply chain <https://www.bnamericas.com/en/news/made-in-latin-america> and receivables financing.

“The collaboration may not always be public, because it takes time ... but on a bilateral basis – between one fintech and one bank – it’s definitely progressing extremely well, in terms of production use,” said André Casterman, founder of Belgian consultancy Casterman Advisory and chair of ITFA’s fintech committee.

The embrace supports a wider push to digitize the trade sector, to bolt together digitally and securely the different stakeholders, such as banks, insurers and exporters, to boost transaction speed and transparency and create new business opportunities in spheres such as receivables financing <https://www.bnamericas.com/en/news/colombia-cuts-ribbon-on-electronic-factoring-system>.

Four main areas where fintechs are working with financial institutions and their technology providers are data management, AI, workflow digitization platforms and distributed ledger technology, the latter the least advanced.

“The risks of adoption are really decreasing,” said Casterman. “However, the benefits for the early adopters are increasing, because the new way of working is what the corporates are expecting and they’ll look for banking partners that are more and more offering a digital experience.”

The trend of fintech penetration in the financial institution non-consumer space started in payables finance and receivables finance and treasury management. Adoption is increasing in areas such as trade finance and process digitization, with onboarding/KYC <https://www.bnamericas.com/en/news/colombian-companies-spending-us180mn-a-year-to-combat-financial-crime> and request for proposal seen as emerging fintech focus segments, Casterman said in a presentation.

“Fintechs really help financial institutions address the global trade financing need,” Casterman told the event. “We have heard about the trade finance gap and that’s where, definitely, there are new ways to basically originate more by digitizing more and by providing, indeed, a better service to your end customers, your



financial institutions, whether they are credit insurers or non-bank funders.

“When the fintech is focused on a segment or a function, the benefit is that they are highly specialized and try to become the best at what they do, but they’re not trying to do everything or change what’s working but trying to add on top of the existing back-office systems, front office systems, portals, and messaging.”

ITFA’s 37 fintech members include Intix, engaged in business activity monitoring, Enigio, focused on digitizing original documents, Traydstream, concerned with automated document checking, and Mitigram, involved in digitizing trade finance flows.

“There’s extreme collaboration between fintechs and financial institutions but also between fintechs and the major back-office providers,” said Casterman. “This is mainly an opportunity when the business actually doesn’t change but can be done in a much more efficient way – reducing costs, reducing risks, and making sure people have more interesting jobs so you can retain them.”

MACHINE LEARNING AND BLOCKCHAIN

Based on the software-as-a-solution model, fintech Traydstream, with offices in UK, India and Pakistan, converts paper-based information to digital information using optical character recognition technology before checking and classifying it, leveraging machine learning.

“We’ve proven today that the automated checking engine can do the job of a human being in a more consistent fashion than a human can today,” Traydstream founder Uzair Bawany told the webcast.

Bawany, whose firm works with Standard Bank<<https://www.bnamericas.com/en/company-profile/standard-chartered-bank-plc-standard-chartered-bank>> and another large US trade bank, among others, highlighted the potential of blockchain, saying that interoperability and coordination between the different providers was a current hurdle.

“There’s still a way to go with blockchain,” he said.

ITFA ROLE

Hernan Mayol, advisory board member of ITFA Americas Regional Chapter and managing director of credit and political risk insurer EIA Global, told BNamericas: “Our extended role is to ensure that financial institutions in our region are aware of best practices in the market and innovations in trade finance to be able to quickly adapt to the changing demands of clients which require global connectivity and efficiency in transacting and expectations of stakeholders seeking transparency and faster implementations through collaborations.

“ITFA is bringing these resources together from around the world and helping accelerate adoption in the areas of digitization, process improvement and financing sources with counterparties savvy of the risk inherent to supply chain and working capital management.”