



Mapping technology innovations to trade originators' priorities

By **André Casterman**, Founder, Casterman Advisory and Member of ICC UK Legal Reforms Steering Group

A high degree of specialisation is now proven to be the key ingredient of success for fintechs. Those who claim to have a grand vision and who expand too thinly engage on a slippery track. Focus is key in order to become the best at something really differentiating for incumbent banks, preferably at the right time so as to ensure a *perfect-match* with banks' evolving priorities. Successful fintechs are coming to the fore. It's just a start and their success is derived from a strong commitment to a particular industry need, an attractive value proposition or a specific geography.

How can incumbent trade banks benefit from such specialised technology solutions, also called "fintechs"? How can existing and new technologies co-exist? Are core application vendors powering banks' internal transactional operations welcoming 3rd party innovations, or resisting?

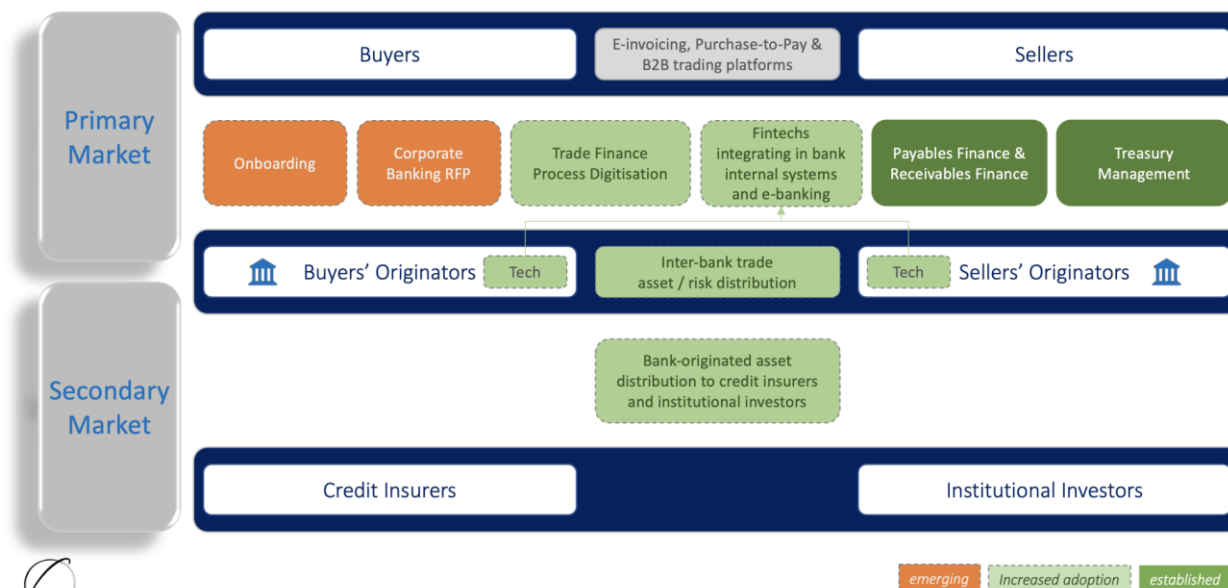
As highlighted in [a 2018 blog](#), the majority of fintechs active in trade finance take a purely collaborative position which contrasts with those active in payments. The former aim to grow in the global multi-trillion trade ecosystem by adding 21st century value whilst relying on 20th century foundations (e.g., internal systems and e-channels). Incumbent banks are clearly in a luxury position here given the maturity and richness of most *fintech* propositions.

"The [fintech] exploration phase is over for those FI's that have decided to become early adopters of hand-picked fintechs. Time-to-market is their current priority.", **André Casterman**

Over the last few years, the global trade ecosystem has been invaded by new technology solutions which I suggest to categorize as per below chart. Most of the recent innovations go far beyond the mature "approved payables finance" and "multi-bank treasury management system" value propositions which were invented well before the 2008 financial crisis.



Recent innovations in trade finance go far beyond the classic buyer-centric supply chain finance



CASTERMAN ADVISORY

(c) Casterman Advisory 2021

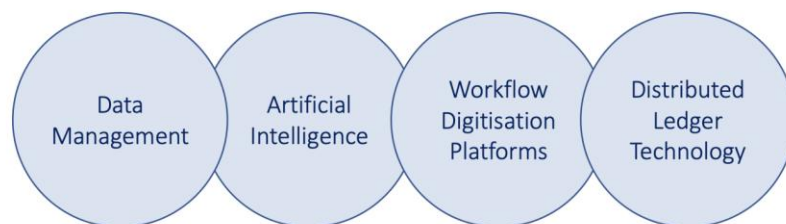
In order to deliver highly specialised value propositions, fintechs concentrate on major market transformations driven by (1) new client expectations (e.g. transparency, instant accessibility), (2) integration of climate change and ESG priorities, (3) new bank partnerships with institutional investors and (4) the emergence of digital assets and tokenisation. Those changes in the market are facilitated by post-crisis technological progress including (1) data management technologies, (2) artificial intelligence, (3) trade workflow digitisation platforms, and (4) distributed ledger technology.



Major market
transformations are
underway



... enabled by new
technologies and
practices



... supported by
evolving regulatory
frameworks



CASTERMAN ADVISORY

(c) Casterman Advisory 2021

Some innovations are dependent on regulatory clarity, and the recent progress achieved in India, Singapore, Abu Dhabi, the UK and in the EU with regards to electronic transactions is very promising. As an example of regulatory impacts, the **Trade Receivables Discounting System (TReDS)** initiated by the [Reserve Bank of India](#) several years ago has achieved harmonisation of practices around the discounting of trade receivables of Micro, Small and Medium Enterprises (MSMEs) through multiple financiers, and has triggered the set-up of multiple TReDS compliant platforms. This has led to the emergence of various platforms such as [RXIL](#).

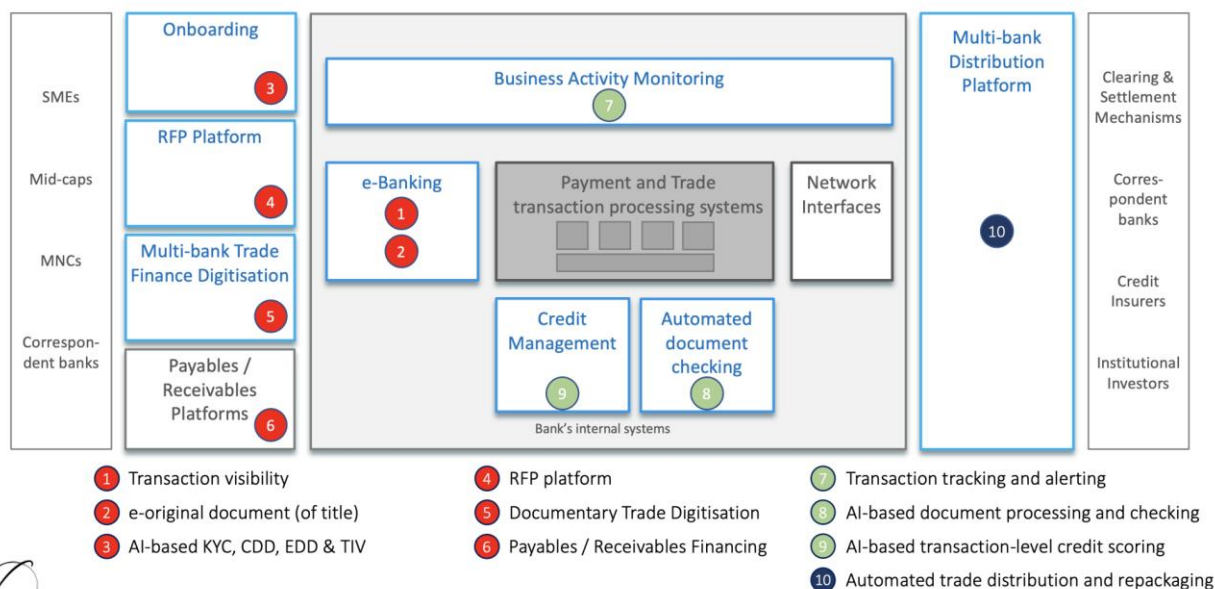
More regulatory developments are underway and the industry is expecting transformational decisions on negotiable instruments, digital assets and tokenization from key jurisdictions. ICC UK and the UK Law Commission are leading promising work in this area.

Professor Sarah Green, Law Commissioner of England and Wales: "Smart contracts, digital assets and electronic documents promise to revolutionise the way we do business, digitising existing processes and in some cases introducing entirely new concepts. There are, however, lingering uncertainties about whether and how English law can accommodate these. We believe there is a [compelling case for reviewing the law](#) in these areas to ensure that the jurisdiction of England and Wales remains a competitive choice for those who want to use and to develop emerging technology."

By adopting fintech solutions, and sometimes integrating those in a while-label mode, trade originators are actually upgrading their existing front- to back-office capabilities with new value and with limited impact and cost. The below chart identifies those new capabilities:



Fintechs help banks upgrade existing front- to back-office capabilities



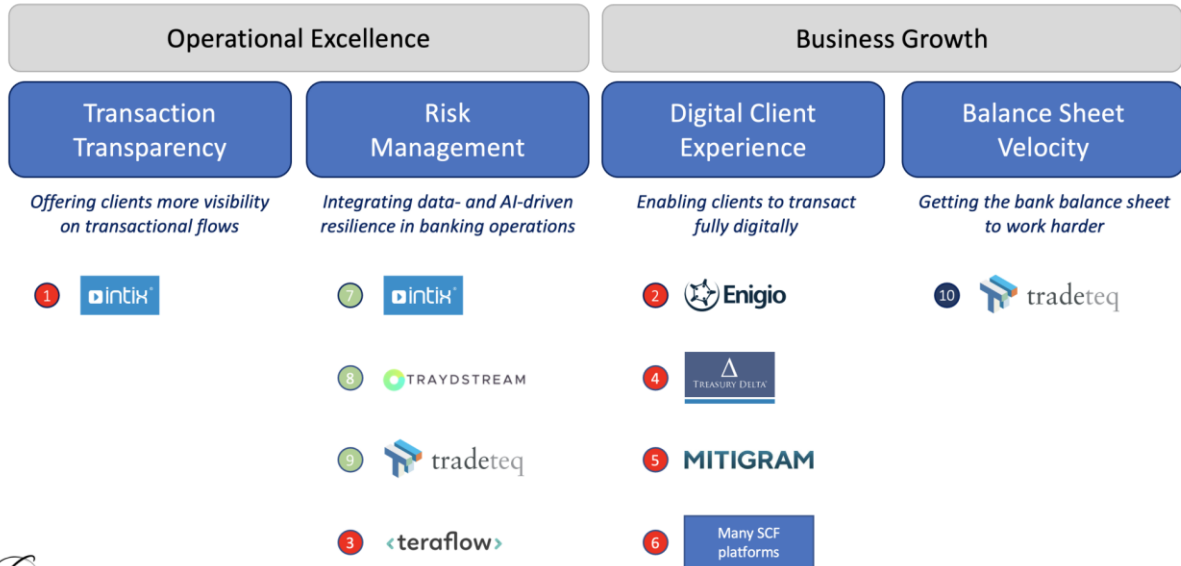
CASTERMAN ADVISORY

(c) Casterman Advisory 2021

A key task for trade banks is to identify those advanced innovations that help them deliver on their strategic priorities such as operational excellence and business growth. The following fintechs retained my attention as they clearly help banks on 4 objectives: (1) transaction transparency, (2) risk management, (3) digital client experience and (4) balance sheet velocity.



Mapping technology innovations to bank priorities

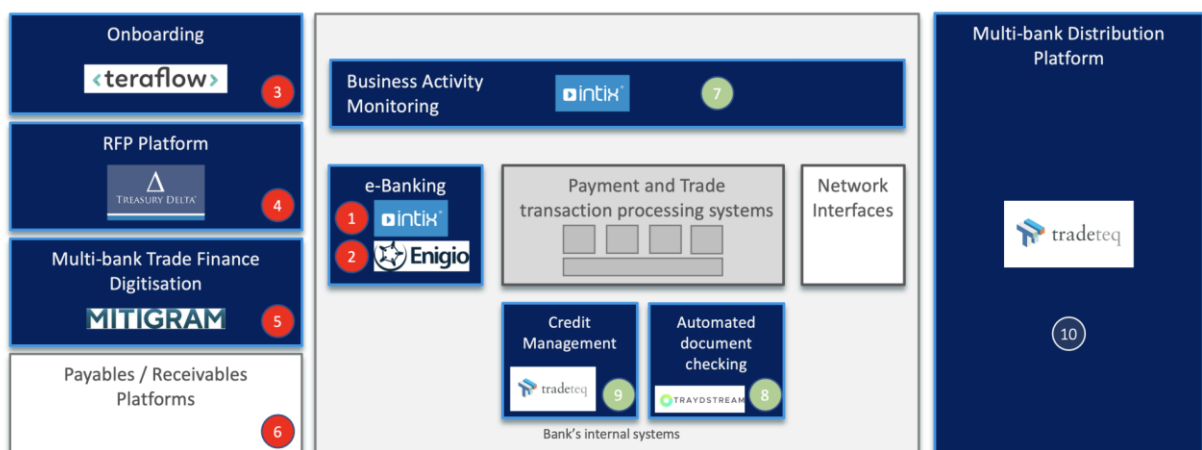


CASTERMAN ADVISORY

(c) Casterman Advisory 2021

Here is how those fintechs enrich banks' own front- to back-office capabilities:

Examples of fintechs adding strategic value to the front- to back-office capabilities



CASTERMAN ADVISORY






(c) Casterman Advisory 2021



"So far, most of the new technologies concentrated on transactional flows, but we now see non-transactional functions such as KYC/CDD/TIV and RFP processes going digital too." **André Casterman**

Those fintechs help banks benefit from the following value propositions:

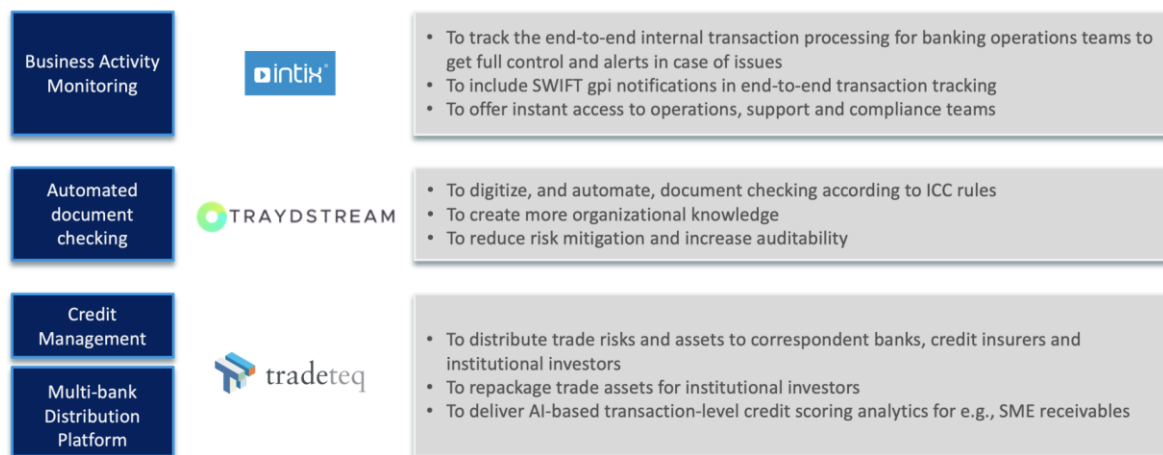
Specialised value propositions (1/2)

Onboarding		To gain from new risk and multi-jurisdictional regulatory compliance insights covering the KYC/KYB customer due diligence and enhanced due diligence requirements
RFP Platform		To digitize the RFP processes around cash management, trade finance and TMS providers
e-Banking	 	To digitize original documents such as bank guarantees and negotiable instruments of title To offer full visibility on transactions via e-banking across payments and trade flows
Multi-bank Trade Finance Digitisation		To enable multi-banked corporates to digitise the end-to-end transaction flows from pricing quotation to application, amendments, notifications, ... using a.o. the MT 798





Specialised value propositions (2/2)



CASTERMAN ADVISORY

(c) Casterman Advisory 2021

What technologists say

*"Whatever one's business, the realities of today's marketplace mean that those with the best data systems and capabilities will win — and by an increasingly outsize margin", **McKinsey & Company***

*"For most companies, using data for competitive advantage requires a significant data management overhaul. That includes identifying and assessing the value of existing data, designing a scalable data platform, and developing a long-term data strategy to help the organization achieve impact at scale. It also takes sustained commitment on the part of management, a willingness to make the up-front investment needed, as well as skilled advisers with the experience and technical resources to help organisations design and implement their programs", **McKinsey & Company***

*"Banks use transaction data to strengthen daily operations and to improve transparency for clients. This has become a top priority for banks that we first witnessed in cross-border payments and that we now see expand to trade finance. Intix now covers a rich set of [use cases](#) implemented by [top10 and top50](#) banks", **André Casterman, CMO, Intix***

"With bank-intermediated trade finance measured in trillions of dollars, even with a few hundred billion in outstanding investment flowing into trade finance from institutional investors, money market funds, wealth



*funds, family offices and so on (even retail, one day), it will not just be a [game changer for global trade](#) but also for many economies”, **Christoph Gugelmann, CEO, Tradeteq***

*“Our DLT-based trace:original solution provides the trade industry with the most secure, interoperable and cost-effective upgrade path from physical documents to digital originals”, **Göran Almgren, CEO, Enigio***

*"Digitising trade document checking brings major benefits for all trade stakeholders including SMEs. We are on the cusp of a huge transformative change in the back-office powered by AI", **Sameer Sehgal, CEO, Traydstream***

*"Treasury Delta's platform uses digital technology to simplify and streamline the RFP process for corporates, their advisors, banks and TMS vendors. It enables collaboration and brings operational efficiency so that all parties save time and money", **Padraig Brosnan, CEO, Treasury Delta***

*"The key ingredient to Mitigram's widespread and growing adoption during the past years has been to listen carefully to the corporate and bank end users, and focus on the immediate value that could be created for them by introducing digitalisation and innovation and bringing efficiency and insight to their ways of working. As a result, while delivering this value and with the corporates and banks embracing the Mitigram platform, the growth of the marketplace comes as a natural evolution", **Marjon Wohlén, Founder & Chief Product Officer, Mitigram***

*"Technology integration is a priority for banks active in trade finance, and this is exactly what Tesselate concentrates on. We serve financial institutions and help them implement cutting-edge technology to streamline banking and lending operations. We combine business and technical expertise and partner with highly specialised technology providers in origination, distribution, data management and AI technologies", **Casimir Veisblat, CEO and Head of the Trade Practice, Tesselate***

*"The future of every business is built on data and powered by AI. Teraflow are focussed on delivering AI-powered onboarding capabilities to deliver new levels of transparency and real-time risk and multi-jurisdictional regulatory compliance insights covering the KYC/KYB customer due diligence and enhanced due diligence requirements", **Ian Lilleby, Chief Growth Officer, Teraflow.ai***

"Major banks around the world are relying on China Systems' Eximbills Trade solution. With the current legal and regulatory drive towards digital original documents, we have proactively redesigned our trade processing flows to ensure our customers are ready for on-going digital transformation. Value will be created by



establishing synergies between existing Trade activities and connecting the high added value 'dots' that are available, but not by building new digital islands! Cross-platform portability of digital assets and subsequently digital identity will lift solutions from a tactical to a strategic level. That is the journey that is needed to establish true digital evolution", **Joel Schrevens, Solutions Director and Head of European Operations, China Systems**

"Trade and Supply Chain Finance is changing at an unprecedented rate, and we see an acceleration in regards digitalisation. At Finastra, we are delivering innovative solutions to address these and other challenges by partnering with fintechs through our FusionFabric.Cloud platform, helping our clients drive their business and global trade forward", **Anastasia McAlpine, Principal Product Manager, Trade and Supply Chain Finance, Finastra**