

Actionable Fintech Innovations in SME Lending and Trade Finance

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FCIB Webinar

“Benefitting from Today’s Fintech Innovations”

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ITFA Board Member

ITFA Chair of FinTech Committee





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- ✓ Global market association for companies, financial institutions, credit insurers, capital market investors and fintechs engaged in trade finance and asset distribution
- ✓ Continuously improve governance and best practice and shape rules, laws and documentation that affect its members and the industry
- ✓ Board: 7 banks, 2 credit insurers, 1 fintech working through 10+ committees



André Casterman is a fintech consultant, advising financial institution and fintech clients on data management, trade finance and capital markets innovations. André spent more than 20 years at SWIFT, leading various innovations in the inter-bank payments, corporate treasury and trade finance markets. During that time, he established an institutional partnership between SWIFT and the International Chamber of Commerce (ICC) and created the first digital trade settlement instrument.

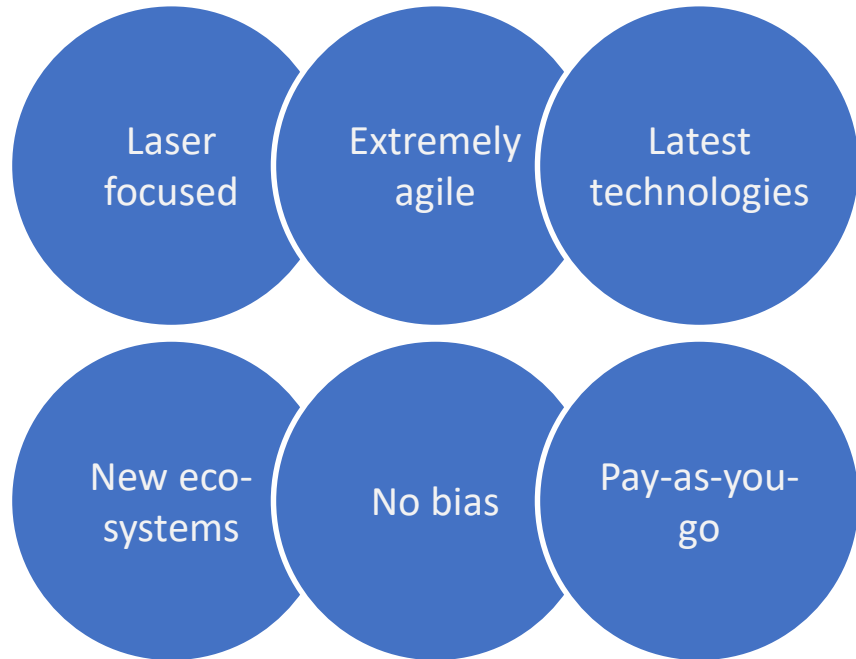
André chairs the Fintech Committee of the International Trade and Forfeiting Association (ITFA) with a focus on helping banks, corporate and institutional investors take advantage of fintech innovations to automate trade finance operations and establish the business as an investable asset class through use of data analytics and artificial intelligence.

André holds a master's degree in Applied Economics from ICHEC Brussels Management School and two master's degrees in Computer Sciences and in Management from the Vrije Universiteit Brussel (VUB).

My key messages for today

- Banks are now seriously **embracing fintech** solutions
 - Fintechs introduce major efficiency gains by removing legacy frictions
- Fintechs go **narrow and deep** and offer complementary propositions
 - Fintechs are pioneers in terms of introducing advanced technologies and upgraded business processes in support of the automated / real-time / on-demand economy
- Banks and corporates **benefit most in the short term** when embracing fintechs to address specific needs
 - Treasurers and credit managers can reap quick benefits when joining specialised cloud communication / trading platforms

#fintech



Read more on LinkedIn: ["The ITFA Fintech Committee – maximising the many bank-fintech opportunities"](#)

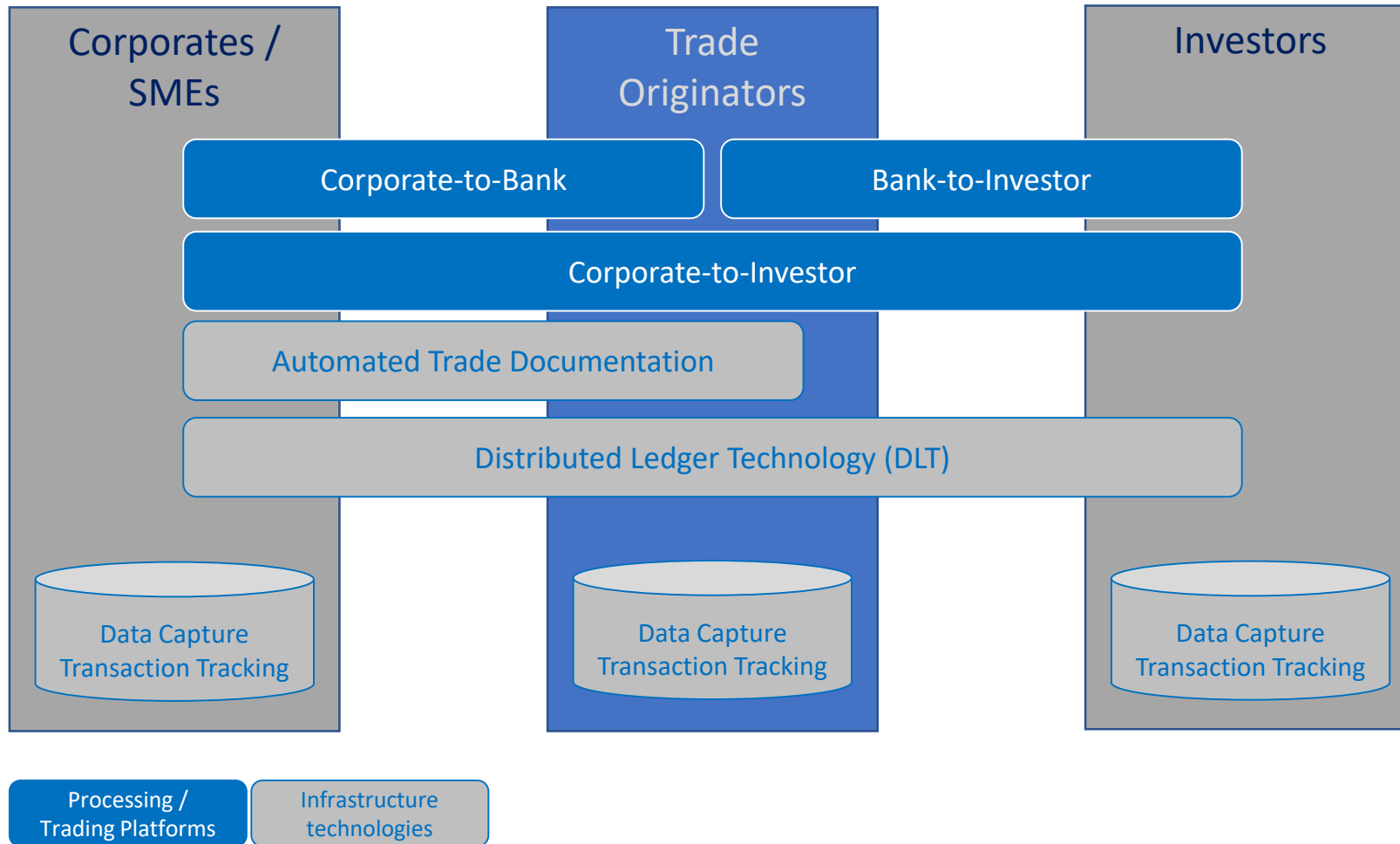
#growth

Short time to market

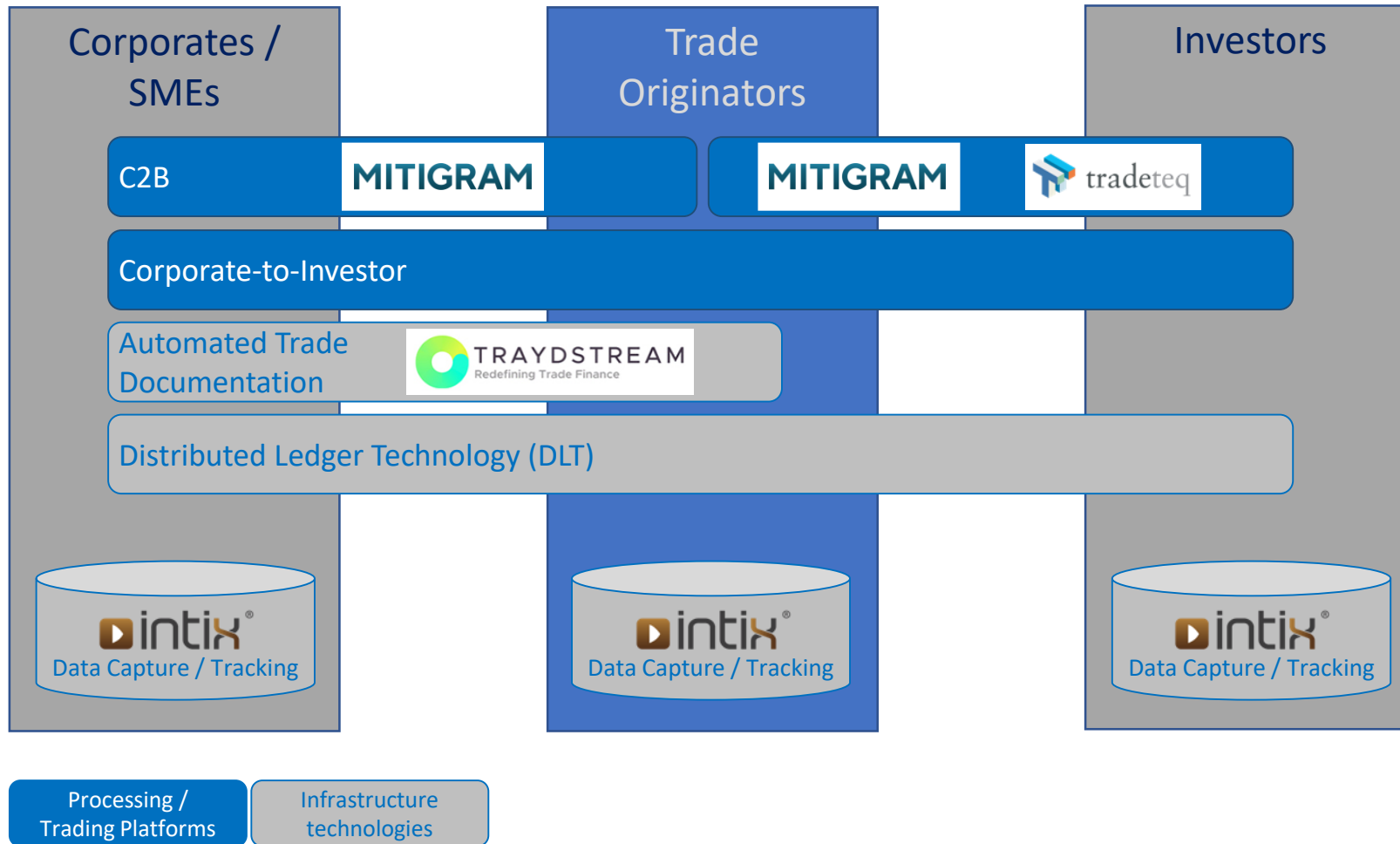
- Non-intrusive implementation
- Low set-up cost
- Optimal user experience

Strategic innovation partners

- Enabling the unthinkable
- Open to banks' equity investments
- Best at combining legal and business expertise with latest technologies.



- ✓ The ITFA Fintech Ecosystem Map provides a helicopter view
- ✓ Each fintech is highly specialised and targets specific functions as process enhancer
- ✓ New communication / trading platforms and manage new ecosystems
- ✓ New infrastructure technologies such as data management, DLT and machine learning
- ✓ All aim at increasing efficiency and at offering new opportunities for trade originators, their clients and investors



- ✓ Data, Platforms and Machine Learning – the key ingredients to modernize trade finance
- ✓ Data and AI to automate trade operations and assist internal trade teams
- ✓ Data and AI to enhance key processes such as transaction-level credit scoring
- ✓ Data and Platforms to create new trading eco-systems in both primary and secondary spaces

Automating trade operations



A trade documentation software solution to digitise, automate and analyse your trade documentation – powered by Machine Learning

Requests for pricing quotations

MITIGRAM

A collaborative platform for corporates to submit requests for pricing quotations to their banking partners, and move to an informed and auditable bank selection process

Transaction-level credit scoring



A transaction-level credit scoring solution to help trade originators enhance credit management and increase financing to corporates/SMEs and distribution to NBFIs – powered by Machine Learning

Capturing transaction data



A data capture solution that collect and monitor transaction details across its lifecycle

Software Solutions



Community Platforms



Solution delivery	Key requirements
<p>Software solutions usually installed on premise (but also in the cloud) that bring new capabilities with regards to specific functions and processes e.g., real-time enterprise-wide analytics, end-to-end transaction tracking, ML-based document scrutiny, transaction-level credit scoring, ...</p>	<p>Non intrusiveness: avoid impacts of new software solution onto legacy systems</p> <p>Digital enhancers: focus on new digital assistants that will ease the daily life of your internal teams</p>
<p>Shared software platforms operated as new eco-systems where parties engage in transactions and invite counter-parties to engage e.g., requesting pricing quotations, selling receivables, create receivables portfolios from multiple debtors or originators, repackaging into notes for institutional investors, ...</p>	<p>Digital enhancers for front-office teams: e.g., requesting pricing quotations</p> <p>Ecosystems of buyers and sellers where trading processes are automated: e.g., selling trade assets to institutional investors require continuous back-office integration with booking systems</p>



Automating the process of manual document checking

The documentation supporting global trade flows is manual reviewed with less than **3% E2E transactions** automated due to the sequential, non-standardised and error prone process that on average takes 8 days to complete.

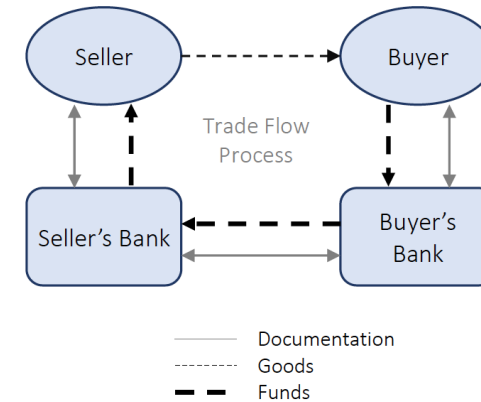
At the same time, Trade Compliance and Regulatory burden has increased to in excess of **\$10 Bn/year+** and is at high risk due to various regulations at play

\$20 Trillion Global Mercantile Trade¹

85% of Global Trade is facilitated by Trade Finance²

Archaic process unchanged for 500 years, since the Medici family

Tribal knowledge of Global Trade Rules are under threat of extinction



\$50 Bn in topline FI trade finance revenues³

\$20 Bn in Bank costs to support Trade

Total industry costs to support trade significantly higher

Circa \$100 Bn + in excess Working Capital borrowed by Corporates

¹ World Trade Organization (WTO), https://www.wto.org/english/res_e/statis_e/wts2017_e/WTO_Chapter_01_e.pdf.

² WTO, https://www.wto.org/english/thewto_e/coher_e/tr_finance_e.htm.

³ Boston Consulting Group, <https://www.bcg.com/publications/2016/digital-revolution-trade-finance.aspx>.

An out-of-the-box customisable solution

Digitize ➔ Automate ➔ Empower ➔ Insight

Optical Character Recognition (OCR)

Trade Rules Checking Engine & Compliance Checking Engine

Document Management Engine

Management Information Engine

Documents scanned, converting paper-based information to digital information

No significant investment in scanning hardware is required

Digitised information is structured to allow for automated analysis and monitoring

Consistency checks with machine learning, based on a library of global / regional regulations

Including consistency for USP and ISBP world trade rules, sanctions, dual use goods lists and country specific checks

Customisable without needing detailed technology knowledge

Auto-classifies documents
Manages the document flow among parties in the supply chain

Storage for audit and traceability in the future

Amendments and actions on each transaction are tracked

Data extracted from the platform and presented in a user-friendly dashboard

Provides multiple drop-down viewing options

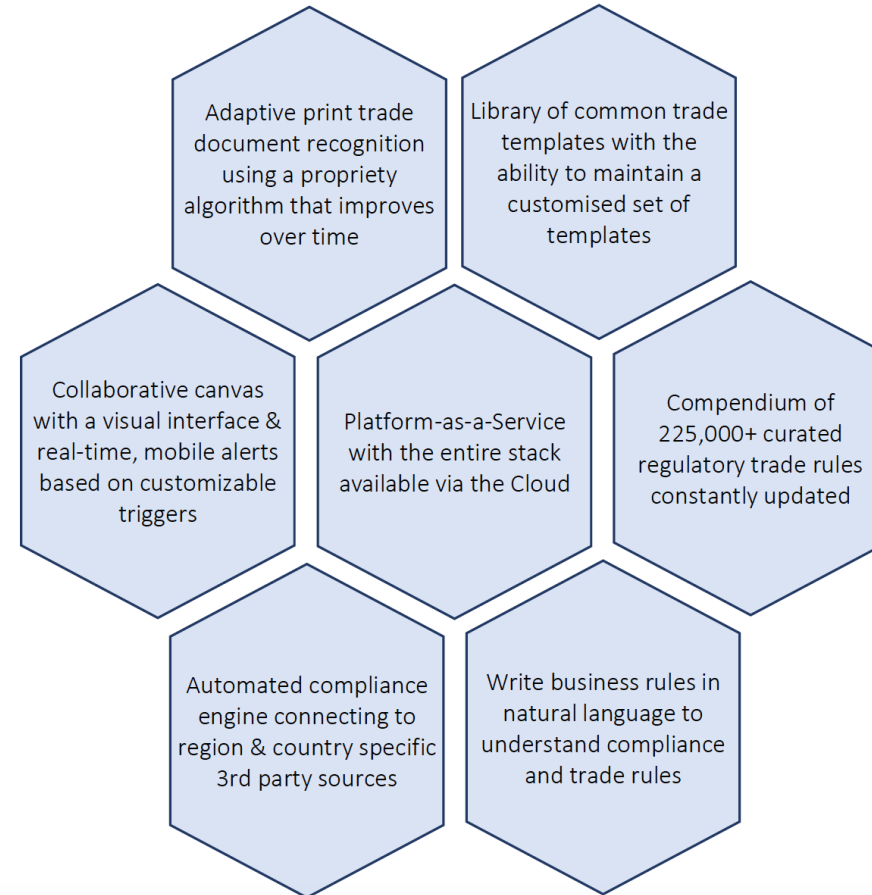
A range of trade processing based reporting and ability to download to PDF / Excel

Average processing reduces from days to minutes

Drastically reduced capital needs and overall cost from \$1000's to \$100's

Digitises trade processing, enabling more SMEs to participate

Platform features



“McKinsey estimates that only 5% of current occupations can be fully automated, suggesting that about 15% of workers will be potentially displaced and 3% of workers required to change occupational categories by 2030.”

Source: [The Workforce Needs AI -- But AI Needs Human Workers, Too](#) - Forbes

MITIGRAM

Connecting fragmented networks

A shared digital interface:
Providing a single central repository of information.

Enterprises

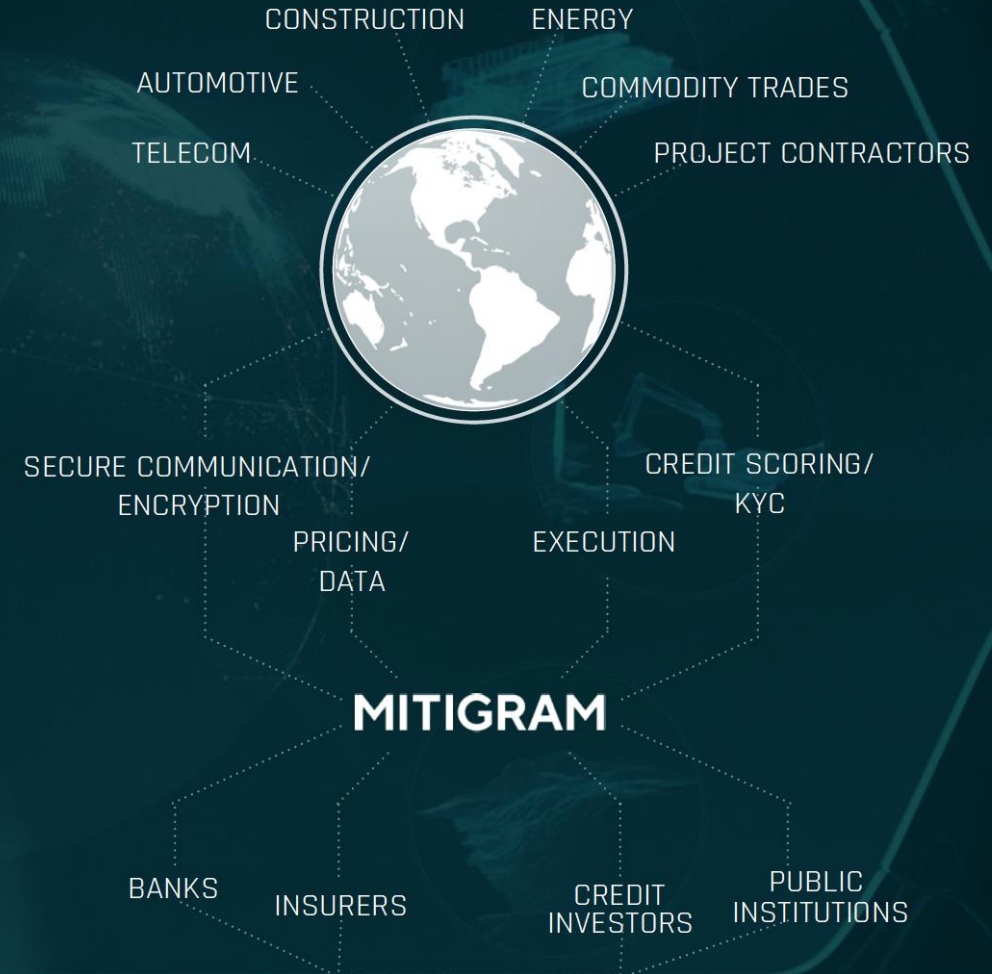
Industrial manufacturers, project contractors, providers of advanced technologies and service solutions. Commodity Traders.

The Mitigram Platform

Supports network creation and expansion, automated quotation workflow for trade finance instruments, advanced analytics

Risk Takers and Liquidity Providers

Banks, Insurers, Governmental Institutions, Money Markets and Credit Funds



The platform

Mitigram provides instant global coverage

Mitigram supports network creation and expansion for corporates and financial institutions, comprehensive automated quotation workflows, codified audit trail, analytics on asset pricing and activity data across the following trade finance instruments:

1. Import LC
2. Export LC
3. Guarantees
4. Import SBLC
5. Export SBLC
6. Avalised Drafts
7. Receivables

Platform requires no installation or integration.

Quick RFQ process

Complete and submit your request form and notify all your listed contacts instantly.

All in the browser

Mitigram requires no installation, as it works entirely within the browser.

Fast growing network

Expand your financial and origination coverage, accessing new relationships on Mitigram.



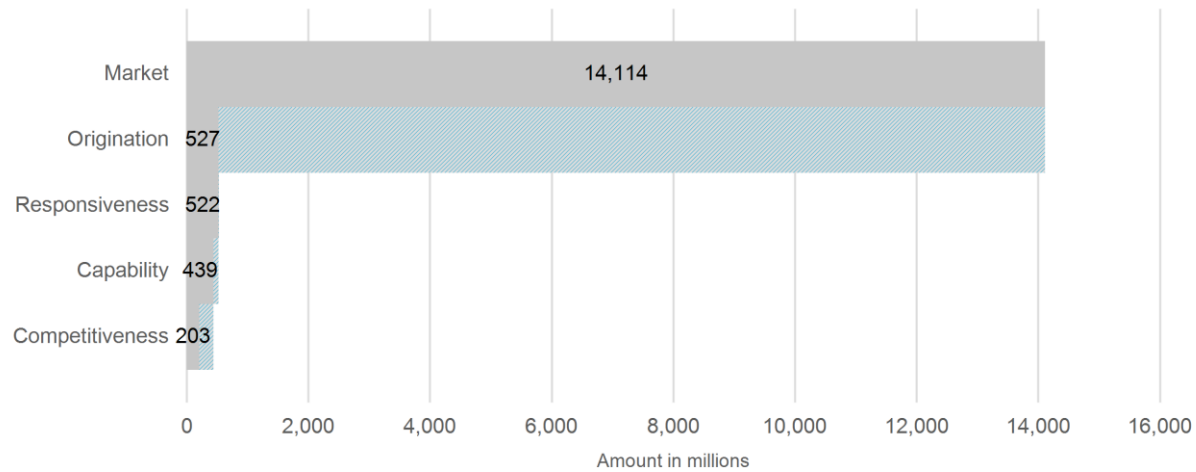
BANK A

Activity overview and market benchmark

Pricing Closed from 2017-01-01 to 2018-09-04 (UTC). Amounts in USD.

Excluding 12 invitations with non-disclosed amounts.

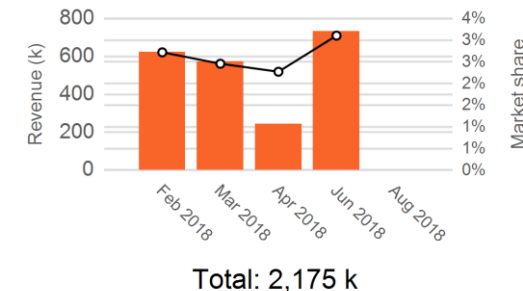
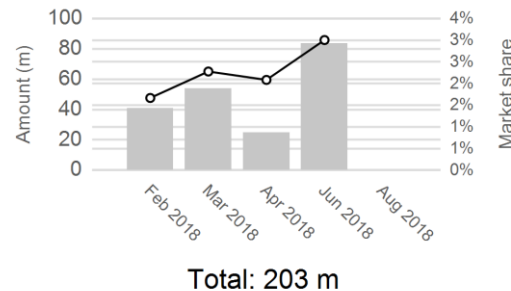
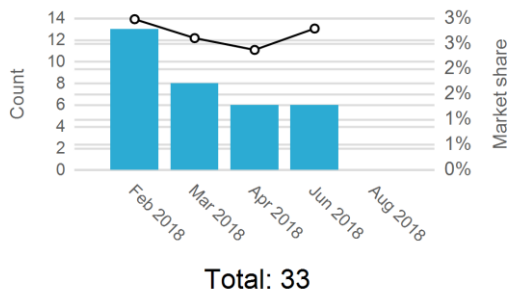
Mitigram funnel



Ranking vs competitors (by amount)

Origination	1 / 148
Responsiveness	1 / 148
Capability	1 / 148
Competitiveness	1 / 148

Accepted deals, own data



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Please note: market data in this report is based on a subset of the total Mitigram database to protect the data integrity of dominating market participants.

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André Casterman, Chair of ITFA Fintech Committee:

“Fintechs deliver more than technology. They are establishing new trading communities around specialised platforms where multiple parties engage in trade transactions. This will become the preferred and dominant business model for banks and financial institutions in the future”.



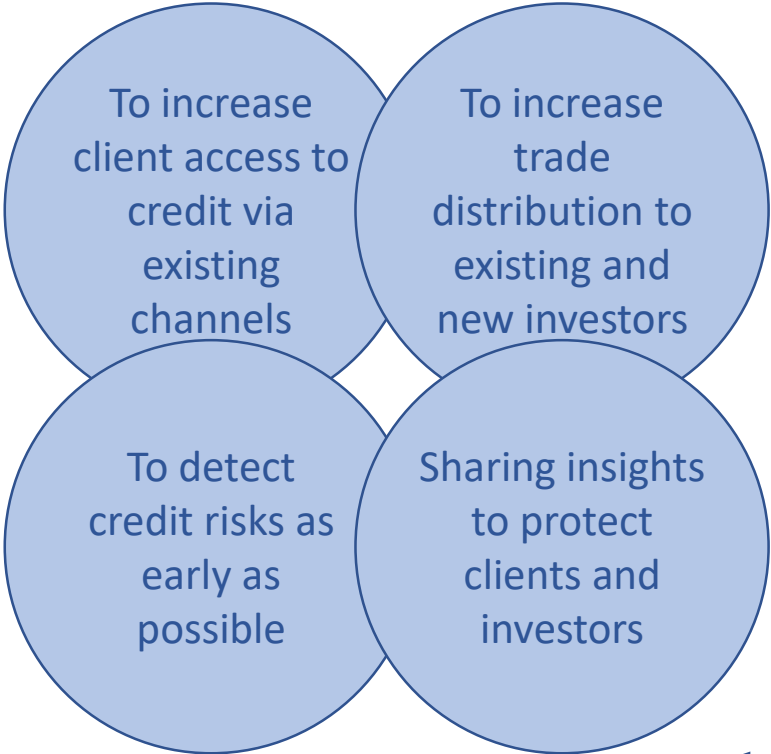
Strategic priorities

Traditional credit management practices

enhanced with

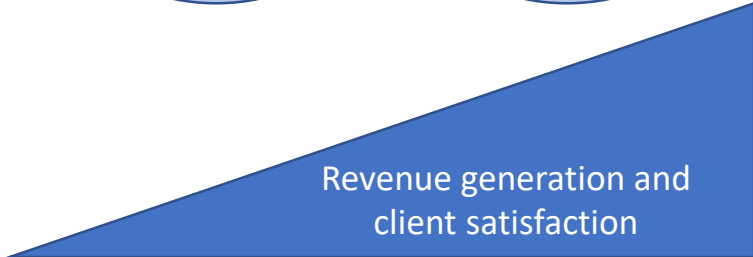
Transaction-level credit scoring

Enhanced credit management leads to revenue generation and client satisfaction



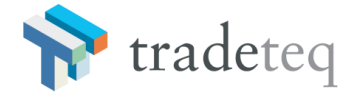
✓ Addressing the Trade Finance gap

✓ Operational excellence



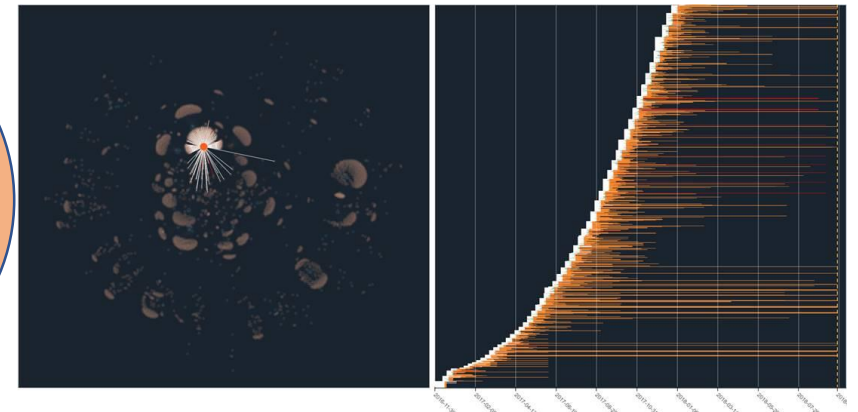
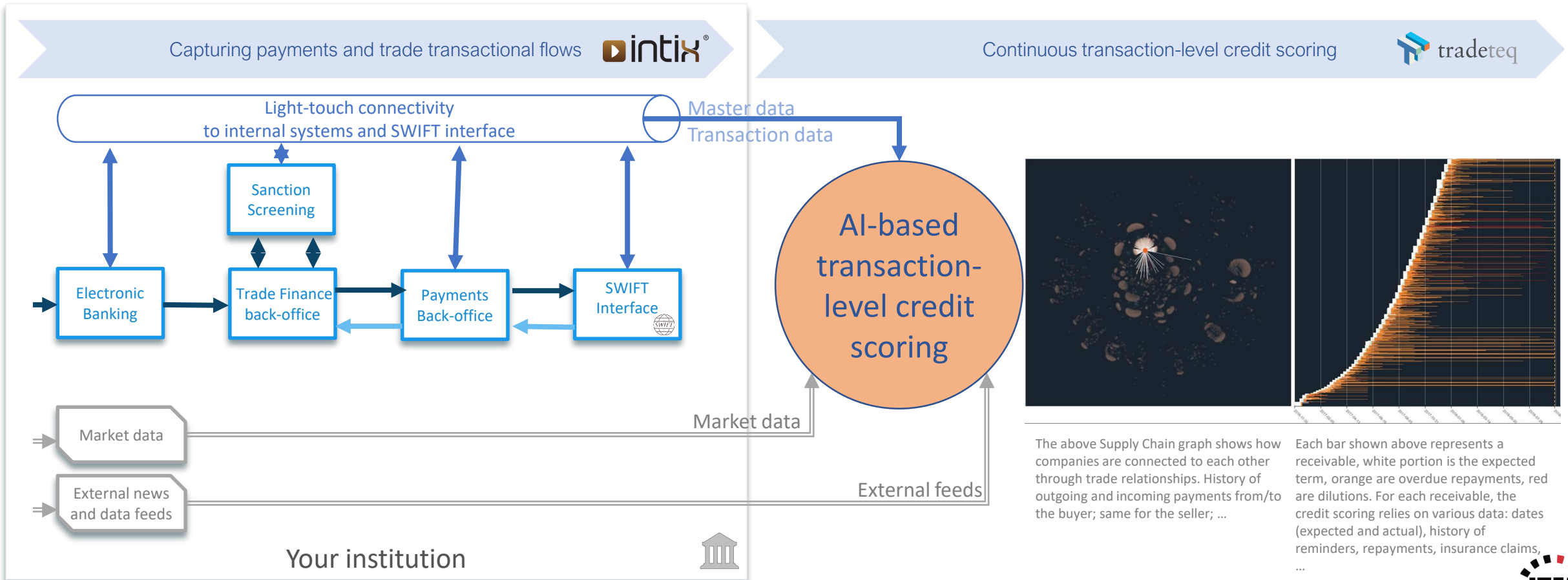


We make transaction data accessible and actionable



We make trade finance investable

Credit Scoring for Originators



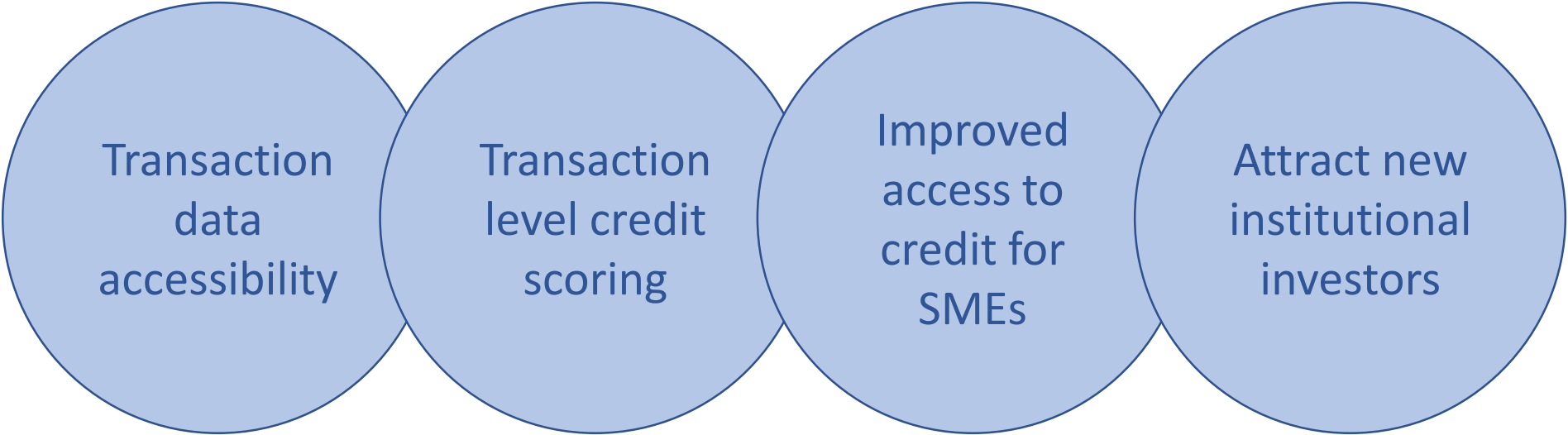
The above Supply Chain graph shows how companies are connected to each other through trade relationships. History of outgoing and incoming payments from/to the buyer; same for the seller; ...

Each bar shown above represents a receivable, white portion is the expected term, orange are overdue repayments, red are dilutions. For each receivable, the credit scoring relies on various data: dates (expected and actual), history of reminders, repayments, insurance claims, ...



Payment and trade transaction data represent a critical data source for credit management

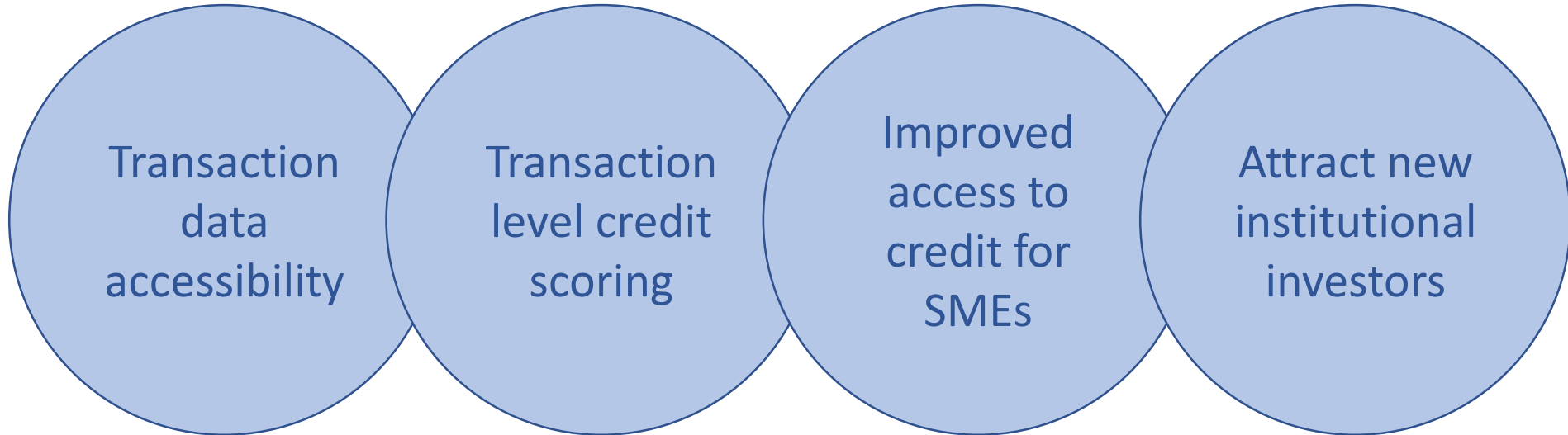
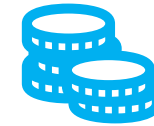
Enhanced credit management helps Originators **provide more funding to their clients**



Transaction-level credit scoring helps financial institutions **upgrade established credit management practices**

Increased credit risk transparency helps attract **new institutional investors** to the trade asset class





----- A unique fintech collaboration to benefit trade originators, their clients and investors ----->

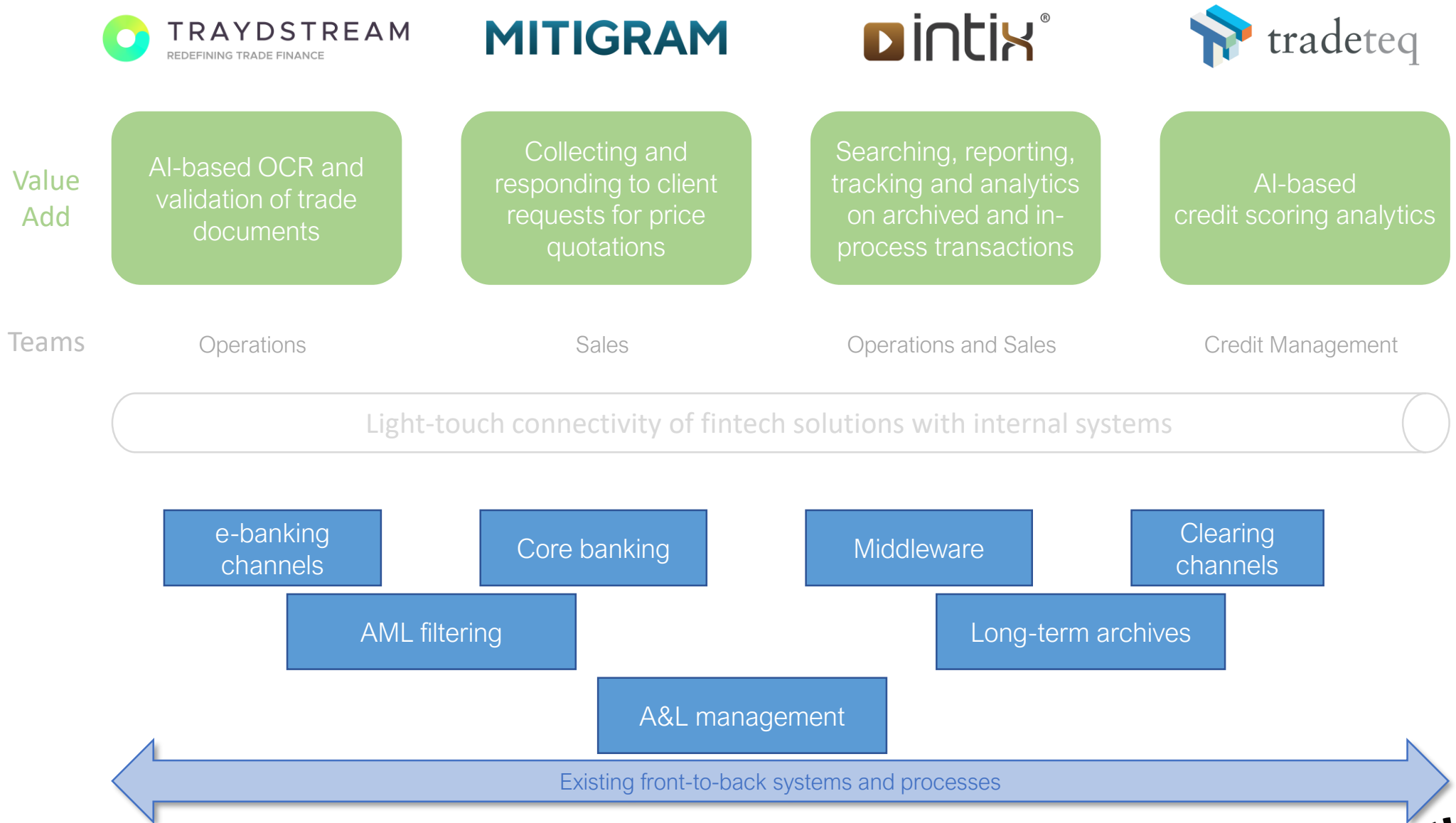


André Casterman, Chair of ITFA Fintech Committee:

“Trade Finance is becoming a collaborative economy as many banks want to move to an originate-to-distribute model and involve additional liquidity providers to increase their funding capacity. New fintech players make this happen in a very efficient way as they operate innovative market places involving all required transaction-level participants. Those community-based platforms already demonstrated that they offer promising avenues to help address the huge SME financing gap”

Manual processes digitised and enhanced by fintechs

Connectivity to internal systems in non intrusive way



Sean Edwards, Chair of the International Trade & Forfaiting Association (ITFA):

“Fear is rapidly dissipating from the bank-fintech model and a potentially beautiful relationship is in the offing as banks are increasingly seeking new investors as partners in the trade space, particularly on the funded side. This is a critical area of interest for the ITFA membership and our new ITFA FinTech committee is helping our membership navigate through those new technology propositions.”



(c) Citi HoloLens Holographic workstation

“While more and more tasks will inevitably be automated in the coming years, humans won’t likely be rendered obsolete in an era of machine-dominated singularity ... the future will be ruled by multiplicity: humans and machines working alongside each other in an ongoing “feedback cycle” in which both sides mutually benefit from their respective strengths and insights”

The “augmented reality” opportunities in trade finance

[The “augmented reality” opportunities in trade finance – ITFA November 2018](#)

[The Workforce Needs AI -- But AI Needs Human Workers, Too - Forbes](#)