



## Supporting Trade in Troubled Times

Turbulence in the global economy has pressured participants to seek new ways of managing trade risk and supply chain complexity. Roger Packham, Asia-Pacific head of Trade Finance at Deutsche Bank, discusses the current environment and how the bank is responding:

### **What have been the key changes in trade finance in the past year as global economic conditions have deteriorated?**

**Packham:** With many forms of capital-raising on hold, companies are turning to traditional trade and transaction finance instruments that offer a more secure route for trade, while enabling them to pass their risks on to banks. In markets such as Indonesia, export and import settlements are shifting from open account to a letter of credit (L/C) base and we are getting more inquiries from companies about the possibilities of financing them.

Caution and reluctance to incur an incremental risk can typically be seen across the entire supply chain with buyers, suppliers and banks. Banks are cautious about taking on somebody else's problems.

### **How is the trade finance business holding up?**

**Packham:** At Deutsche Bank, even as credit spreads have increased, we've seen strong demand for our trade finance products. We are optimistic and are expecting growth of 30% to 40% in our trade finance business in 2009.

Typically, to succeed in trade finance, it's important to know your customer and stay closely connected. Having your risk managers as close to the markets as possible is also an advantage. In our case, we have credit officers on the ground in all the large markets, while for smaller markets they are centralised.

While Deutsche Bank can't always be on both sides of a transaction, we leverage our relationships with other financial institutions to improve and minimise the risk of the overall supply chain. A case in point: There are banks in the Middle East that frequently offer L/Cs to Asian exporters. We market our trade services and capabilities to these financial institutions in an effort to capture the export leg of the transaction.

## **Are these collaborative efforts gaining support in trade finance?**

**Packham:** Yes, and this is an important value proposition. For example, we use our platform's accurate and timely Management Information System to give buyers real-time access to transaction status information. It's very important to provide accurate information that is both standardised and customised to client requirements to improve the metrics that could enhance the supply chain.

We also see opportunities in alliances with local banks. We have a 13.7% equity stake in Huaxia Bank in China and our relationship with Huaxia opens up trade financing opportunities. Huaxia's knowledge of the local market and broader customer base are complemented by Deutsche Bank's extensive international network and sophisticated product set.

## **How much of a role does technology play in improving trade finance flows in this environment?**

**Packham:** There are three important areas for a bank to succeed in trade finance in the current environment: a comprehensive product suite, a global network allowing you to access transactions from multiple points across the world, and a robust technology platform to deliver the solutions effectively.

Technology helps clients achieve improvements to working capital via automation. During these trying times, clients looking to improve liquidity are often required to rationalise IT spending. However, there is a clear return on investment in the long term as technology offers efficiencies and helps companies save time and money by speeding up the physical and financial supply chain.

## **What's the key challenge facing the proliferation of trade finance in Asia this year?**

**Packham:** The tightening of the credit market is by far the biggest challenge. To help mitigate risks and gain credit approvals, we obtain up-to-date financial information from clients. We are always asking for their most recent audited accounts. But in the end, the level of risk we are prepared to take depends on our assessment of the individual client and how their industry is faring. We remain cautious of selected industries. The same is true for emerging markets that are facing either economic or political challenges.

Risk is constantly on our radar, be it operational risk, credit risk or risk of fraud. Despite the opportunities in trade finance now, one needs to remain extremely vigilant in the current volatile market.

## **How extensive is Deutsche Bank's trade finance presence in Asia?**

**Packham:** With an on-the-ground presence in 14 markets in Asia-Pacific, we have onshore sales specialists to address clients' trade finance needs. India is our largest market, while others including China, Hong Kong, Singapore and Korea are some of the fastest-growing markets in the region. We also utilize back-office processing managed out of India for selected high-volume/cost countries.

Our clients are mainly multinational companies and top-tier local corporates. We offer a full range of solutions that incorporate our global expertise in trade finance and cash management, sophisticated technology platform and tested delivery systems.