# Five trends in trade services technology

Corporate users of bank trade services can expect to see a fundamental shift in the technology solutions that many institutions offer — from primarily transactional services to solutions that deliver information clients can use to improve risk mitigation and liquidity management.

Much of today's trade services technology simply aims to turn paper trade transaction processes into electronic processes using the Internet. This adds speed and efficiency to these transactions and reduces costs. But to meet additional client needs, the next generation of banking technology will provide more holistic accounts payable and accounts receivable solutions, says Madhav Goparaju, global head of trade channels management at RBS.

Below are some technology trends that Goparaju says will impact companies engaged in global trade in the coming months and years:

**1. Information analytics**

Banks have access to extensive data about their corporate clients' trade transactions, but historically all they've done with this data is pass it along to their clients. Going forward, look for more banks to offer to analyze that data and supply it to clients in a form that will aid in decision making, Goparaju says.

For example, whereas today's technology may tell a company how many trade document discrepancies it has, in the future many banks will provide information analyzing those discrepancies — e.g., which documents tend to be discrepant and the main reasons for those discrepancies.

"Banks will be able to look at trade documents and spot underlying trends," Goparaju says. "They will see delays in how those documents are presented and where the risks are, analyze how clients can mitigate those risks, and deliver that analysis to clients so they can make the necessary adjustments to get paid faster or manage their inventory more effectively."

**2. Trade messaging via SWIFT**

Another technology trend is the growing interest among large corporates in implementing a direct connection to the SWIFT network for sending trade messages to their banks, Goparaju says. Previously most corporates only used a SWIFT connection for payment-related or other types of financial messages.

Having access to the huge private SWIFT network — which connects all major financial institutions across the globe — can help corporations eliminate multiple, proprietary connectivity solutions with their banks.

**3. More bank-neutral platforms**

The growing use of SWIFT is an example of another trend — adoption of bank-neutral platforms.

This trend has been particularly apparent among corporations participating in supply chain finance. "You have very large financing programs, which no one bank can fund entirely," Goparaju explains. "Corporates don't want to tie themselves to one bank proprietary platform, so they look to multibank platforms."

Capitalizing on this trend, a growing number of third-party software vendors have introduced bank-neutral platforms. "While RBS has its own proprietary supply chain finance platform, MaxTrad, we will work with third-party channels if that's what our client wants," Goparaju says.

**4. Support for supply chain finance**

Banks have recently gained traction in providing financing in the accounts payable space due to the global liquidity crisis, Goparaju says. This has resulted in the need for banks to develop supporting technology.

"Because banks don't have credit appetites to take on these large discounted invoice funding programs themselves, you end up with multiple banks participating," he explains. "As a result, technology needs to play a greater role in providing visibility and transparency in supply chain finance.

"Banks also have to invest in developing the ability to onboard suppliers into supply chain finance programs," he says. "This requires technology to support identity check-in, electronic registration and other onboarding processes."

**5. Convergence of cash and trade**

In supply chain finance, another trend is the integration of cash management and trade services into a single banking platform. "Historically, integration meant a client-facing portal where the client is able to do cash and trade with a single sign-on," Goparaju says. "But the trend now is embedding products within each of the channels. So, for a trade customer that's doing financing, it's much more than a link. They are able to effect payments directly from a bank's internal systems."

**At the forefront**

RBS is at the forefront of many of these trends. For instance, the bank is already providing the sort of information analytics discussed above. For one client, RBS developed a macro of business formulas that automatically extracted data from MaxTrad and delivered key performance metrics. RBS mapped the company's processes to the transaction data, uncovering bottlenecks and payment delays. Using this information, the client was able to examine its own processes and make decisions to improve efficiency throughout the company.