



Digitising Trade Finance using MT 798

Facilitating multi-banking in documentary trade finance

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Market Management team

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- **Challenges and drivers**
- **Industry standards**
- **Scope of MT 798 standards**
- **Use of FIN and FileAct**
- **Adoption by corporates, banks and vendors**
- **Issues with proprietary formats and rulebooks**
- **Benefits and next steps**



Challenges and drivers



Corporate challenges with traditional trade instruments (1/2)

Export documentary credit

- Difficult to manage advices of export L/Cs and amendments received from multiple banks in paper form and via different banks portals
- Internally, difficult to collaborate between treasury and various business units on L/C allocation and preparation of documents
- Lack of visibility of each step in the transaction process
- Too many discrepancies, slowing down document compliance checking
- Delayed receipt of payment

Import documentary credit

- Treasury lacks visibility to the allocation of credit facilities to business units for import L/C issuance
- Lack of standardised approval process for import L/C issuance
- Delays in import L/C issuance
- No electronic global data base of import L/Cs for real time reporting of outstanding L/Cs. Ideally by Business Unit, Bank, Product, Counter Party
- Difficult to link import L/Cs with export L/Cs for back to back transactions
- Challenging to set up permanent and transactional alarms on key L/C dates



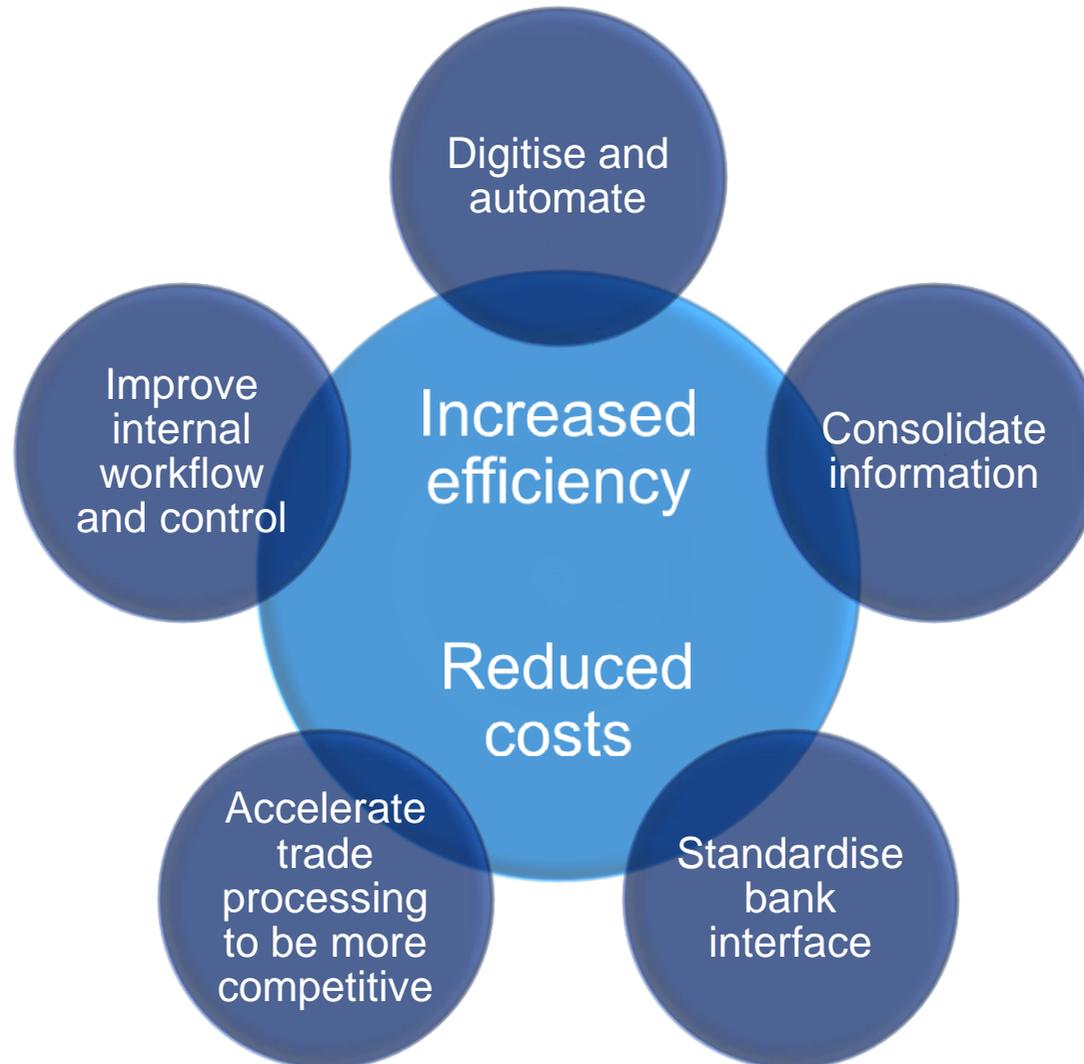
Corporate challenges with traditional trade instruments (2/2)

Standby L/C and Demand Guarantee

- Management is decentralized and handled independently by each subsidiary
 - Difficult for central treasury to monitor the terms and the availability of Standby L/C and Guarantee facilities and improve the diversification of business allocation between the banks
 - How to offer flexibility for subsidiaries but enforce standard policies moving forward?
- Reconciliation of related data and settlement of fees is time consuming and prone to errors
- Complex documentation management will result in increased charges
- Transparency is not optimal and will result in differences between the banks' and treasury's records
- With different technology solutions, more challenging to on-board subsidiaries and banks



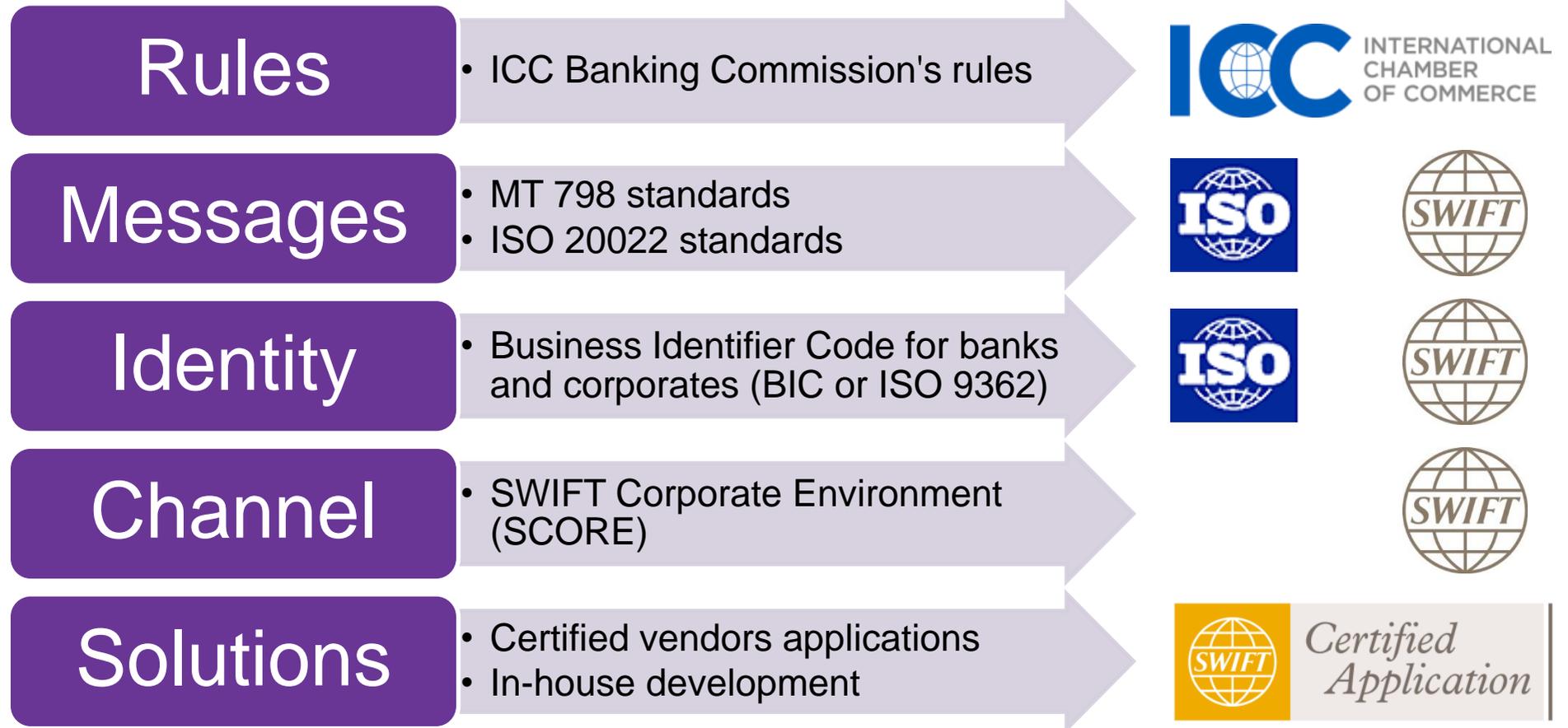
Drivers for Corporates to adopt multi-banking trade finance solutions



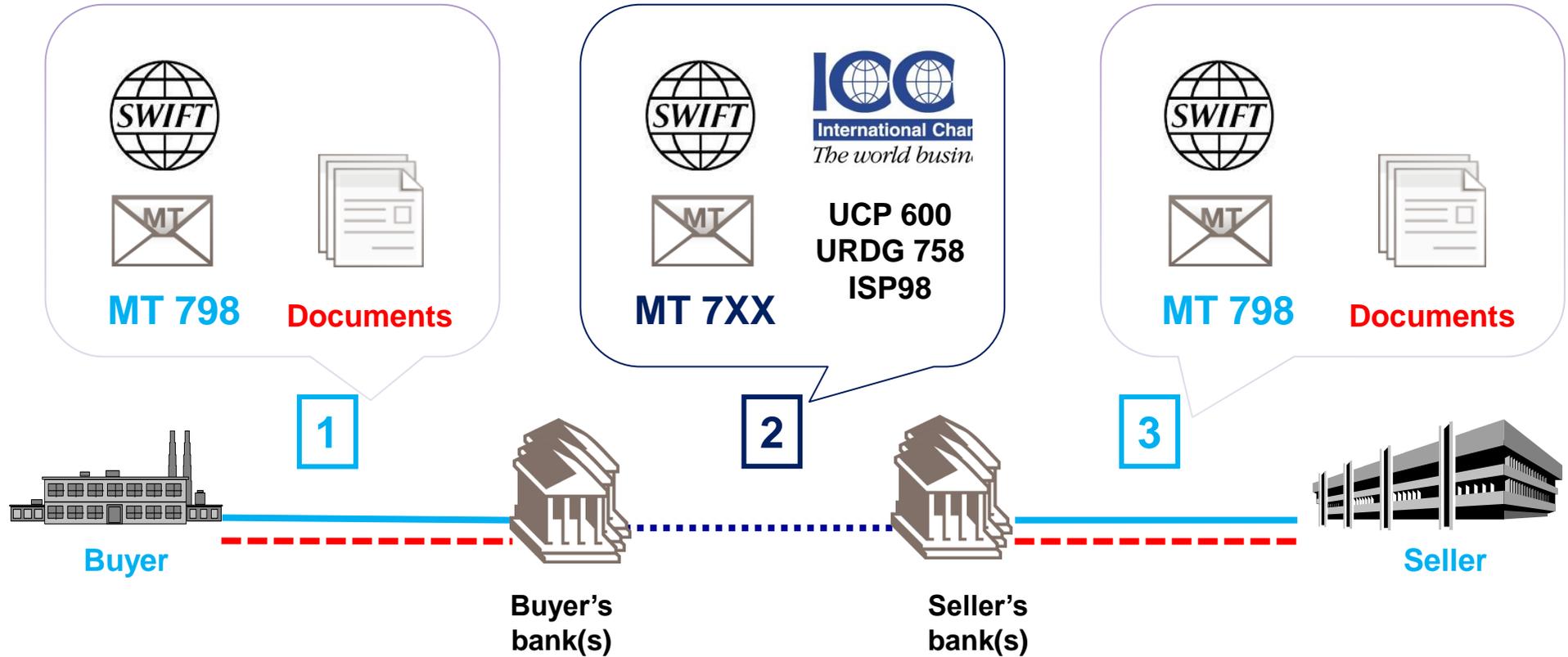
Industry standards



Multi-banking trade finance implementations on SWIFT



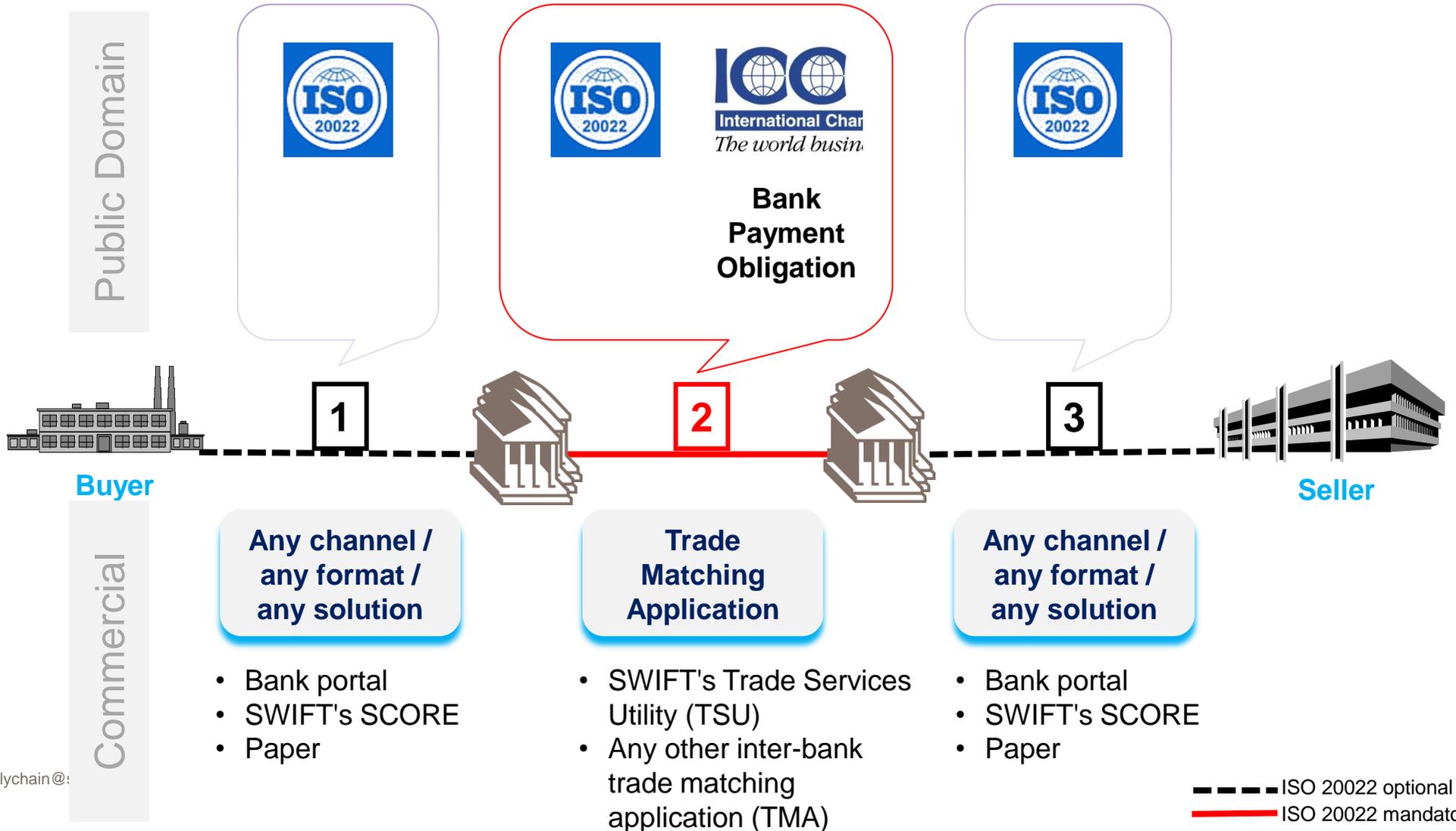
Industry standards for L/Cs and Guarantees



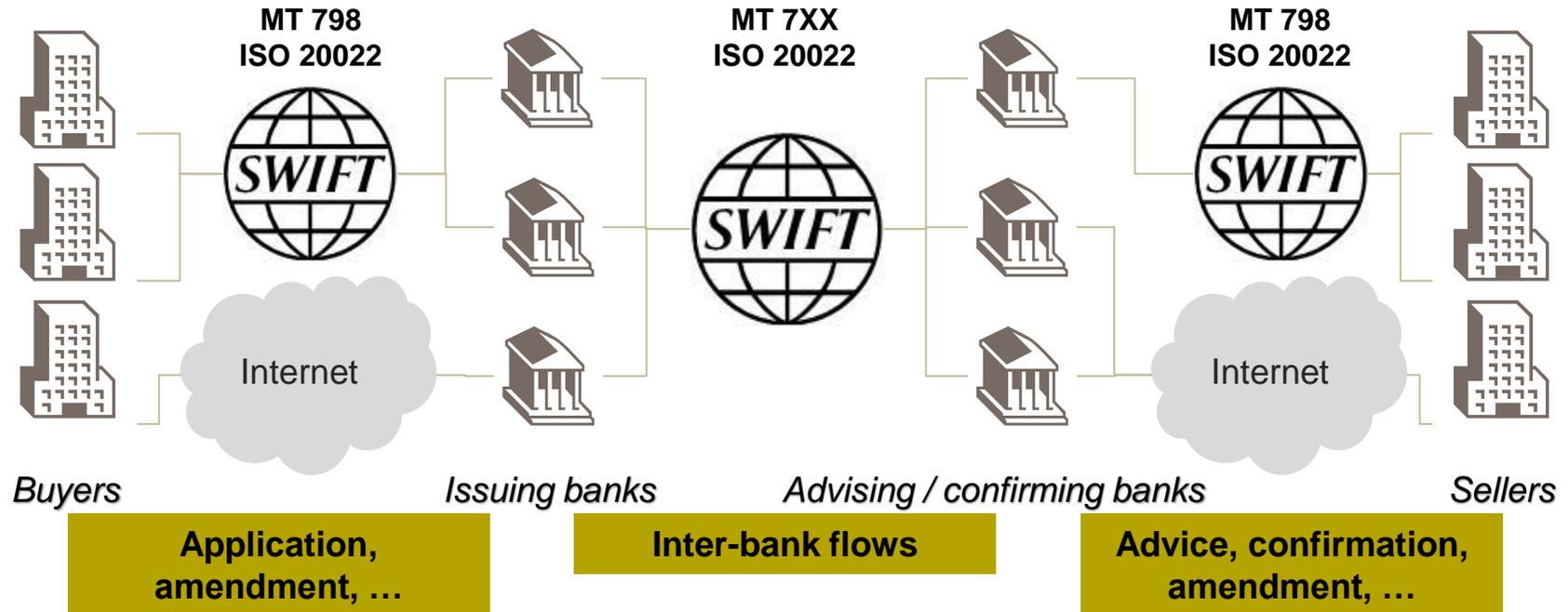
SWIFT's MT 7xx are industry owned and technology neutral standards in support of ICC's rules for L/Cs, Standby L/Cs and Demand Guarantees



Industry standards for Bank Payment Obligation



Industry standards support end-to-end flows



Streamline the L/C, Guarantees and open account trade transactions

Automate workflow of the trade life cycle to reduce cost

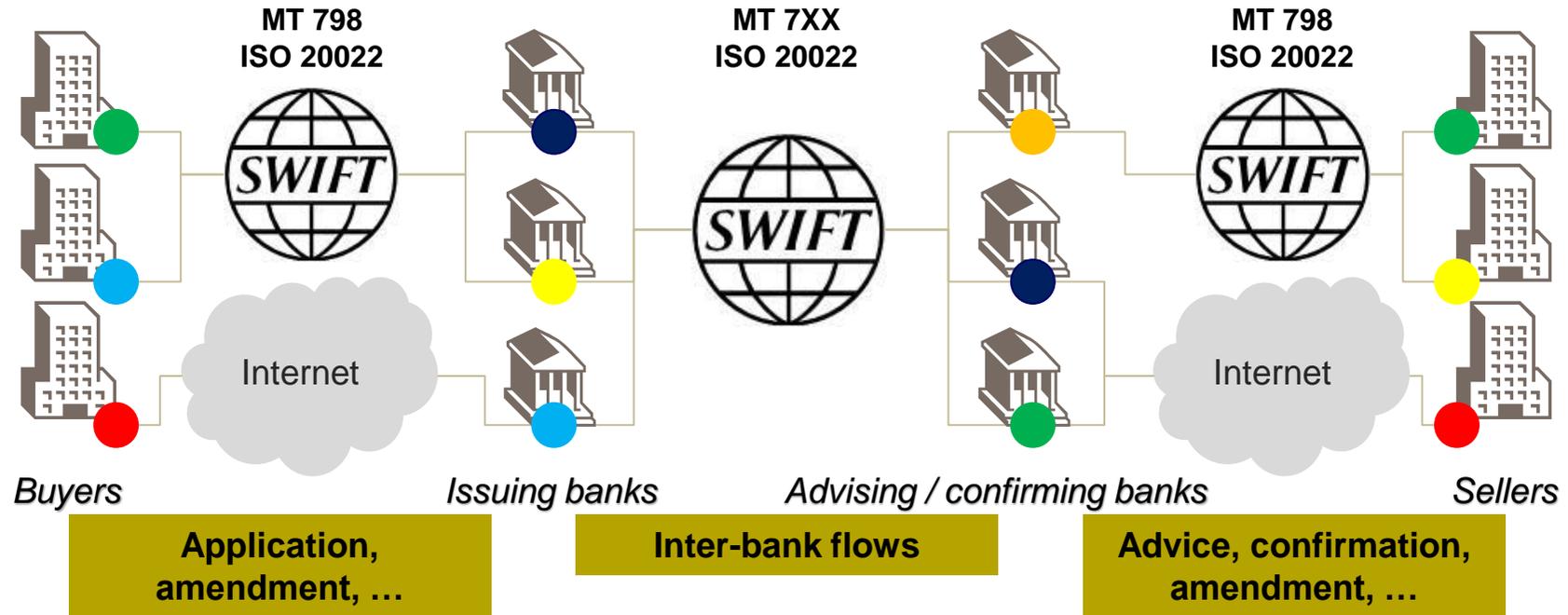
Accelerate handling of discrepancies and settlement

Move to paperless transaction processing

Enhance visibility on credit lines



Industry standards enable competitive vendor solutions to interoperate



Business process-level interoperability between various software solutions

Increased choice of vendor solutions in competitive space ● ● ● ● ● ●

No need for banks to join multiple corporate portals

Reduced technical, operational and legal costs

No vendor lock-in



Scope of MT 798 standards





Applicant

Corporate-to-Bank

Bank-to-Corporate



Bank

MT 798<770>
MT 798<700>
MT 798<701>

APPLICATION

ISSUANCE NOTIFICATION

MT 798<771>
MT 798<700>
MT 798<701>

MT 798<772>
MT 798<707>

AMENDMENT REQUEST

AMENDMENT NOTIFICATION

MT 798<773>
MT 798<707>

AMENDMENT ACCEPTANCE NOTIFICATION

MT 798<736>

DISCREPANCY ADVICE

MT 798<748>
MT 798<750>

MT 798<749>

DISCREPANCY ADVICE RESPONSE

COMPLIANCE ADVICE NOTIFICATION

MT 798<753>
MT 798<754>

DISCHARGE ADVICE NOTIFICATION

MT 798<731>
MT 798<732>

REFUSAL ADVICE NOTIFICATION

MT 798<733>
MT 798<734>

PAYMENT ADVICE NOTIFICATION

MT 798<755>
MT 798<756>

IMPORT PAYMENT SETTLEMENT ADVICE

MT 798<757>

Import Documentary Credits





Bank

Corporate-to-Bank

Bank-to-Corporate



Beneficiary

MT 798<774>
MT 798<700>
MT 798<701>

CREDIT ADVICE

MT 798<776>
MT 798<707>

AMENDMENT ADVICE

AMENDMENT ACCEPT/REFUSAL ADVICE

MT 798<735>

MT 798<780>
MT 798<710>
MT 798<711>

THIRD BANK ADVICE

MT 798<737>

PRESENTATION RESPONSE

MT 798<751>
MT 798<752>

AUTHORISATION ADVICE NOTIFICATION

MT 798<753>
MT 798<754>

COMPLIANCE ADVICE NOTIFICATION

MT 798<731>
MT 798<732>

DISCHARGE ADVICE NOTIFICATION

MT 798<733>
MT 798<734>

REFUSAL ADVICE NOTIFICATION

MT 798<755>
MT 798<756>

PAYMENT ADVICE NOTIFICATION

TRANSFER REQUEST

MT 798<722>

MT 798<782>
MT 798<720>
MT 798<721>

TRANSFER ADVICE

MT 798<758>

EXPORT PAYMENT SETTLEMENT ADVICE

Export Documentary Credits





Applicant

Corporate-to-Bank

Bank-to-Corporate



Bank

MT 798<761 or 784 >
MT 798<760>

APPLICATION



NOTIFICATION

MT 798<762 or 785 >
MT 798<760>



MT 798<763 or 786 >
MT 798<767>

AMENDMENT REQUEST



AMENDMENT NOTIFICATION

MT 798<764 or 787 >
MT 798<767>



EXTEND / PAY QUERY

MT 798<777>



MT 798<778>

EXTEND / PAY RESPONSE



CLAIM NOTIFICATION

MT 798<779>



CLAIM / CHARGES SETTLEMENT

MT 798<781>



MT 798<783>

REDUCTION / RELEASE REQUEST



REDUCTION / RELEASE ADVICE

MT 798<766 >
MT 798<769>



Guarantees / Standby Letters of Credit





Bank

Corporate-to-Bank

Bank-to-Corporate



Beneficiary

MT 798<745 or 746 >
MT 798<760>

ADVICE

MT 798<743 or 744 >
MT 798<767>

AMENDMENT ADVICE

PAYMENT CLAIM

MT 798<712>

MT 798<714>

CLAIM ACKNOWLEDGEMENT

Guarantees / Standby Letters of Credit





Applicant

Corporate-to-Bank

Bank-to-Corporate



Bank

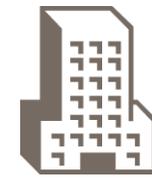
Common Group



Bank

Corporate-to-Bank

Bank-to-Corporate



Beneficiary



Use of FIN and FileAct



Use of FIN and FileAct for C2B trade flows (in Score)

Use of FIN

- Facilitates the exchange of structured MT 798 messages between banks and corporates
- Enables higher level of automation and back-office integration
- Specifications are instrument-specific (LCs, Standby LCs, Demand Guarantees) and define the vendor labeling criteria.

Use of FileAct

- Facilitates the exchange of electronic copies of documents between banks and corporates
- Any document type in any format:
 - Stand-by L/Cs & Guarantees:
 - Draft guarantee text
 - Scanned copy of the issued or received guarantee/amendment
 - Export L/Cs:
 - Commercial documents
- Also supports ISO 20022 for BPO.



Use of FileAct request types

tsrv.xxx.lettersofcredit to group L/C messages with documents

tsrv.xxx.gteesstandbys to group Guarantee/Standby messages with documents

tsmt.xxx.tradedocuments for bills of lading, certificates of origin etc

tsrv.fin.mt7xx.lettersofcredit to group L/C FIN messages (+ documents)

tsrv.fin.mt7xx.gteesstandbys to group Guarantee/Standby FIN messages (+ documents)



Adoption by corporates, banks and vendors



- **Insert here slides from latest MT 798 Market Adoption deck**



Issues with proprietary formats and rulebooks



Issues with proprietary formats and rulebooks

Some Trade Finance vendors have been trying to impose their technology-specific formats and proprietary rulebooks in the C2B trade finance space

- Their goal is to intermediate the corporate-to-bank contractual relationship, which is actually not necessary as their role is at technology level
- They also wish to force banks into their systems using corporate pressure
- Corporates and banks adopting such platforms are locked into the vendor-specific rules, formats and technologies
- Software solutions should be independent of each other and interoperate using Industry Standards (as it is the case for payments)

Global Trade banks have resisted adopting those proprietary solutions as each implementation generates huge implementation and running costs (software, legal, operational, technical); usually most fees are charged to the banks whereas those solutions target the corporates

Using Industry Standards, any change of software solution performed by one party is not impacting the other party (technology independence)



Issues for banks with non standardised multi-bank options

Scenarios: Major issues for <u>banks</u>:	Corporate using a vendor platform forcing banks to adopt proprietary formats, security and rules	Corporate re-using its FI BIC and the MT7xx messages on the bank-to-bank FIN service	Corporate using a vendor BIC and the MT798 standards on the bank-to-bank FIN service	Corporate using MT 798 standards with its own BIC in SCORE
Increased vendor and technical costs	Additional fees for banks to pay to the vendor; additional IT integration			No fee for banks to re-use SWIFT and SCORE for trade finance
Increased operational costs	Additional vendor-specific operational processes for limited number of clients	Additional customer-specific operational practices for banks to develop		Single trade-specific process for all multi-bank corporates
Increased legal complexity and costs	Parties need to develop vendor-specific contractual arrangements	Parties need to develop corporate-specific contractual arrangements	Parties need to develop vendor-specific contractual arrangements	Standardised SCORE agreement for cash and trade
Increased KYC risks	Depends on vendor-owned legal frameworks	Lack of visibility on corporate identity, resulting with likely KYC issues	Lack of full visibility to end-corporate identity, resulting with likely KYC issues	Standardised SWIFT registration for corporates and re-use of BIC by corporate

Issues for corporates with non standardised multi-bank options

Scenarios: Major issues for <u>corporates</u>:	Corporate using a vendor platform forcing banks to adopt proprietary formats, security and rules	Corporate re-using its FI BIC and the MT7xx messages on the bank-to-bank FIN service	Corporate using a vendor BIC and the MT798 standards on the bank-to-bank FIN service	Corporate using MT 798 standards with its own BIC in SCORE
Increased vendor and technical costs	Need for multiple solutions when any of the banks required do not support the vendor platform	Proprietary development: so packaged solutions and costs cannot be shared		Re-use SWIFT connectivity in use for treasury and cash management
Not following industry standards and best practices	Dependency on single vendor solution: less competition and technical lock-in	Not able to benefit from full MT798 functionality	Corporate does not benefit from SWIFT's FIN Responsibility and Liability (R&L)	Single process with all banking partners
Increased legal complexity and costs	Parties need to develop vendor- specific contractual arrangements	Parties need to develop corporate-specific contractual arrangements	Corporate cannot benefit from standardised legal documentation	Standardised SCORE agreement for cash and trade
Increased KYC risks	Depends on vendor-owned legal frameworks	Lack of visibility on corporate identity, resulting with likely KYC issues	Lack of full visibility to corporate identity, resulting with likely KYC issues	Standardised SWIFT registration for corporates and re-use of BIC by corporate

Benefits and next steps

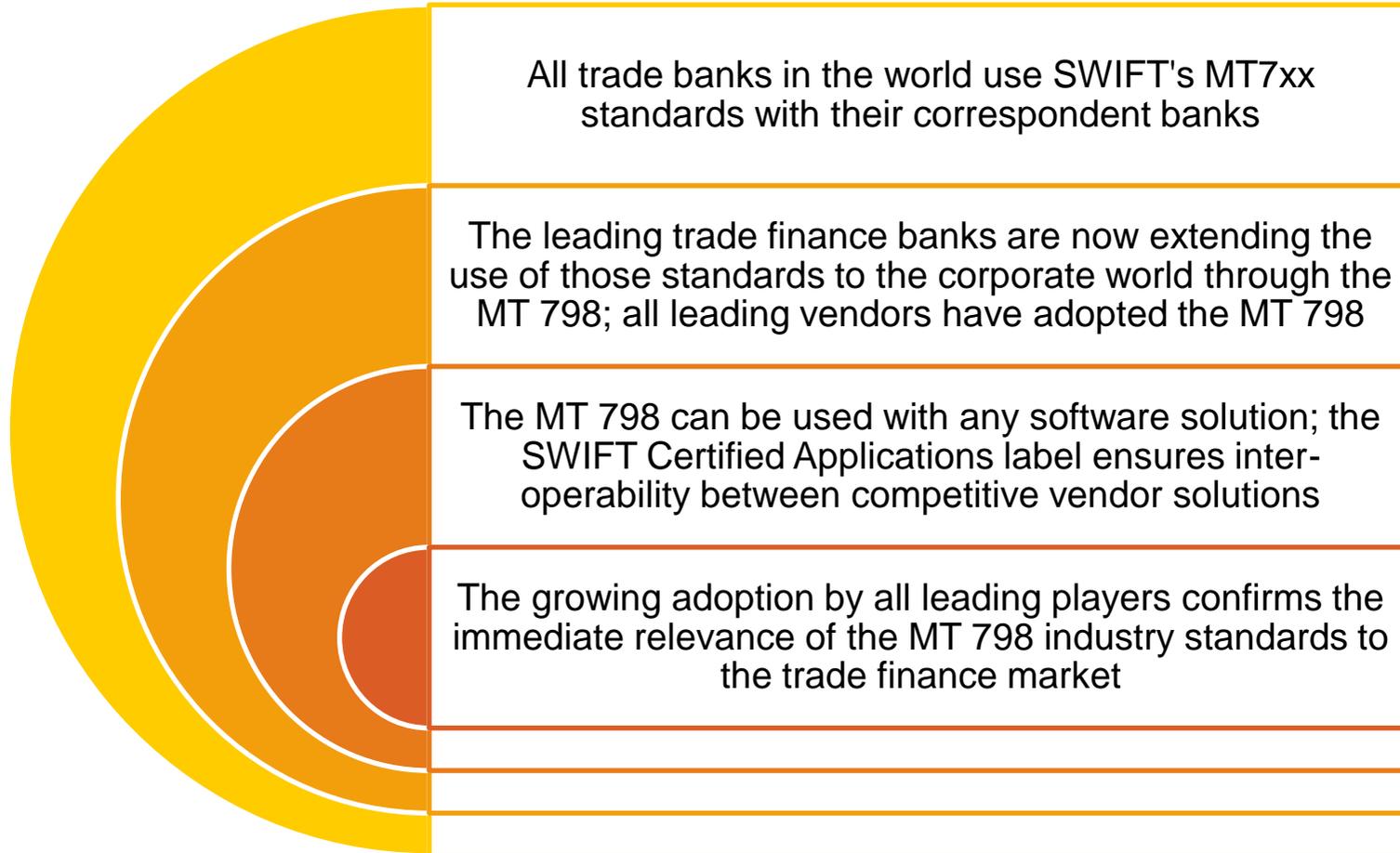


Win-win benefits for corporates and banks

Benefits	Corporates	Banks
Consolidated Trade finance positions and increased visibility		
Single multi-bank & multi-business channel		
Dematerialization & standardization		
Re-use bank-to-bank FIN MT7xx data fields with Corporates		
Re-use of FileAct for any needed documents to be included in the information flows		
Overall cost reduction		
Improved straight-through processing end-to-end Improved overall transaction time		
Only one interface development to integrate to Bank back office (no need for vendor-specific interfaces, procedures, contracts, formats)		
Corporates and banks can make independent decisions on technical platforms and implementations		



Conclusion - Multi-banking in trade finance is now a reality



Training and Consulting Services

On-site courses on MT 798 standards

SWIFT Consulting Services puts at your disposal a dedicated team of experts who provide extensive knowledge of financial markets, message standards and back office integration

Our consultants can lead and support every phase of your project:

- From assessment and analysis of your processes and needs
- Design and implementation of the right solution
- Support you through “go live” and maintenance following launch

Great asset if you decide to up-grade and integrate your in-house systems





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