

Trade Finance Solution



Newgen is a leading provider of global trade solutions for banks and financial institutions, providing domain rich trade finance solution, configurable enough to match all bank specific & dynamic market requirements and at the same time secure and robust enough to handle volume and scale.

Overview of Trade business

With shrinking margins in trade finance business, the biggest challenges that banks are facing today include improving service levels, increasing scale of operations and ensuring regulatory compliances without adding additional costs. As paper based trade processes are likely to continue to dominate, banks are looking forward to streamline inefficiencies in trade operations by automating trade operations in an electronically driven paperless environment.

With the ever growing competition, it's imperative for banks to optimize the complete trade finance processing, from origination, issuance, amendment to collection. Most of these banks provide Trade Finance and International Banking Services to their commercial customers to help them expand their business in the global marketplace and maintain their margins and profits. Typical Trade Finance Services include issuing Letters of Credit, Short and Medium Term Trade Finance Instruments, International Payments and Collections.

Challenges

While banks leverage their Core Banking System to maintain the customer accounts, limits and loan transactions, the overall trade processes remain highly manual, fragmented and paper driven. Banks have tried to automate trade initiation partially using standalone application for data capture, application processing, workflow, document management etc. but the unified end-to-end trade finance automation is missing.

Some of the key challenges arise from the fact that core banking systems competently act as transactional system, however they do not provide Trade Finance Module. As a result banks need to adopt third party trade applications.

Solutions being used by banks to handle Trade Finance Business

- **Home grown applications:** Most of the big size and multi-national banks are using home grown applications to handle their day to day trade finance transactions. Banks do maintain a technical team also for handling system updates and maintenance issues of the solution. The solution thus developed is customized to the specific needs of the bank, but it has an additional reoccurring cost attached to it and time to market is also high.
- **Over the Shelf point solutions:** Second option available to banks is buying a ready to deploy point solution along with their core banking system. Point solutions are domain rich and ready to deploy, but the initial cost of the product is very high and getting bank specific modifications will cost a fortune.
- **Best of Both the Worlds:** Newgen's Trade finance solutions accelerator is BPM framework based domain rich solution, which is flexible enough to capture 100% bank specific requirement and is also quick to market.

Factors contributing to low efficiency of the trade finance process include:

- **Lack of end-to-end automation:** Repetitive work in multiple applications leading to operational inefficiency
- **Movement of physical documents:** Trade finance is one of the most document intensive work which necessitates movement of documents across departments and users resulting in higher turn around time
- **Missed TAT and SLAs:** Too many manual actions across different teams, sometimes leads to pushing transaction in no man's land or remain unattended, resulting in missed SLAs and customer dissatisfaction.
- **Manual handling of regulations:** Manual control for regulatory, internal compliance, domestic & international trade guidelines, country specific compliances
- **Inefficient tracking of transactions:** Spreadsheets based manual processes for transaction tracking, income/commission calculation resulting in profit margin leakages
- **Manual compliance and exception handling** – user need to refer the policies and procedures every time an exception of internal compliance issue to be raised, to check for exception handling matrix
- **Unproductive resources distribution:** Economic non-viability to post a dedicated trade finance staff at a branches where business volume is low
- **Poor inter-departmental co-ordination:** Ineffective coordination between different departments, like trade operations, branches, Credit limit, FX Treasury etc.
- **Lack of automation capability:** Banks need the capability to define & collect customer specific charges automatically, do compliance check at initiation/branch due to inter country movement of documents and review capabilities at branch & central office

Banks are looking to scale up their trade finance business and increase reach in financial supply chain by extending purchase order and invoice discounting to their trade customers. However, the standalone, manual & disjointed systems are not only acting as barriers to operational efficiency but may also expose the bank to risks associated with compliance and controls.

Advancements in technology have raised the bar of expectations of the corporate customers. They prefer to reach out to banks which can provide efficient, web driven, cohesive and integrated services to suit individual customer needs. Trade Finance customers expect banks to

- Provide solutions that allow them to **seamlessly connect** with the bank in order to complete their international trade transactions through web portals and/or handheld devices
- **Perform follow up activities** required in completing life cycle of a trade
- Be **one-stop-shop** for all trade instrument needs viz. documentary products, guarantee products, payments, SWIFT, purchase order financing, invoice discounting etc.
- Meet SLAs for processing the trade transactions without any error

Investment in automating trade operations and tight integration with core banking system will result in improved efficiencies, better decision making while ensuring compliance. Technology can drive this transformation **by enabling smart automation, seamless collaboration, straight through processing and effective integration.**

Emerging Challenges in Trade Finance Operations

Base III Regulatory Requirements

Basel III will fundamentally affect the profitability of the trade business with increase in capital reserve requirement. As such to sustain economics, Bank's productivity and efficiency in trade finance would require drastic improvement. In today's scenario, productivity difference between efficient and inefficient trade ops in Banks is as high as 700 percent

Clients are looking forward to Bank's help in streamlining the inefficiencies in supply chain wherever possible. Banks are looking forward to implement supply chain financing with integration to trade finance to meet client's expectations.

Hightened Customer Expectations

Open Account Trade

Open account transactions now account for more than 80 percent of global trade reducing banks' role to simply moving money between trading partners.

The Bank Payment Obligation is a new instrument of trade finance, positioned precisely between a traditional documentary letter of credit and an open account transaction. The Bank Payment Obligation (or BPO) has the advantage of being endorsed by the ICC. Bank's worldwide are implementing such new instruments like BPO which represents a serious and viable attempt to innovate in the trade finance space

IT Changes/ integrated model



Solution

Designed by bankers & experts in trade finance and technology, Newgen Trade Finance Solution accelerator is a revolutionary concept that thinks, acts and operates in the same way as a bank's trade finance operation. The unique solution enables banks to process trade finance business both efficiently and cost-effectively, thereby providing banks the edge they need to stay ahead of the competition.

Newgen, through its out-of-the-box adaptors and integration technology, seamlessly integrates its Trade Finance Solution Accelerator with core banking systems. It provides domain rich out of the box Trade Finance Solutions accelerator and addresses all of the above challenges faced by banks today. Newgen Trade Finance Accelerator automates end-to-end trade finance processing, ensures compliance and reporting of documentary credits, collections, guarantees, payments, reimbursements and financing.

Newgen Trade Finance Accelerator is built atop of Newgen iBPS product framework in a paperless and electronically driven workflow environment. The Trade Finance Accelerator mimics the advantages of a packaged solution with its deep domain capabilities and the underlying BPM framework lends flexibility to allow bank specific configurations to be made easily which is not possible in packaged solutions which are hard coded to a large extent.

Solution Snapshot Bank's side



Digitizing Documents

- Electronic doc scrutiny • OCR, Annotations, Zoning
- Email • Scanned Images • Portal Integration • Fax
- Mobile



Automating Trade Processes

- Capturing basic data or fetching data for existing customers • Holding customer limits • Holding correspondent lines if required • Capturing detail information



Automating Document Checking

- For UCP compliance
- For Bank's internal compliance



Integration

- Core Trade Solution • Core Banking Solution
- Swift Software • AML application and databases
- Other required integrations

Flexibility in Deployment: —
Branch, Regional or Centralized Operations —

Newgen Trade Finance solution has rich domain expertise to handle complete life cycle of

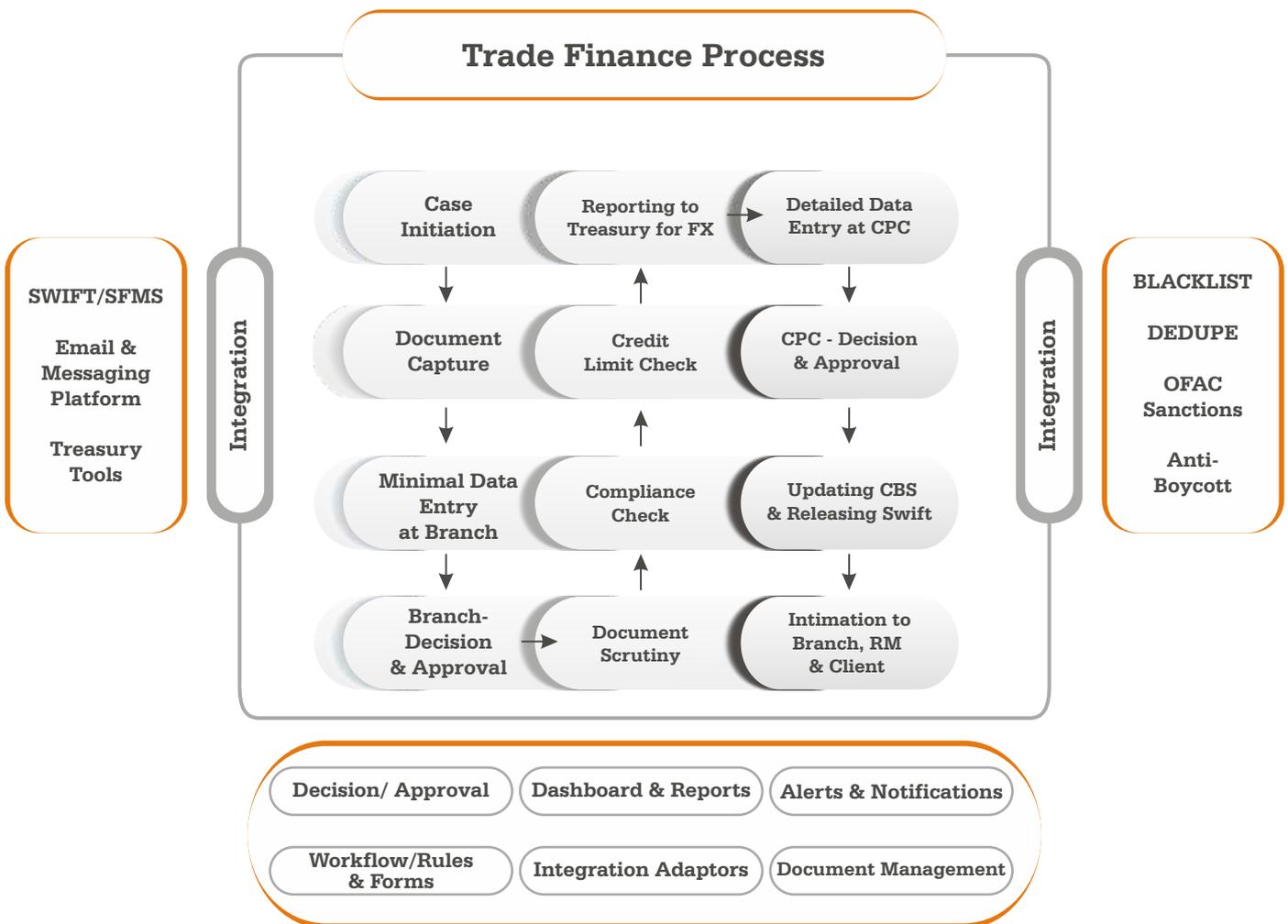
- Letter of credit (Issuance/Advising, Amendment, LC Bill Drawings, Cancellations)
- Open Account Trade
- Bank Guarantees/SBLCs, Trade Loans (Pre/Post shipment Export Advances, Buyer's Credit)
- Invoice Discounting, Purchase order financing etc.

Solution Highlights

- **Multiple initiation channels:** Transaction initiation through Branch walkin, Customer web portal, handheld devices
- **Customer Information Exchange:** Automatic retrieval and population of customer details like address, contact details, DDA and limit account details from core banking system
- Intelligent Data Extraction to reduce the Data entry effort substantially
- **Limit Availability Check:** Fetch and earmark limits, and push limit utilization data for each transaction
- **Posting Transactions:** Post transactions directly into core banking system in respective GLs and customer DDA accounts, for a new letter of credit including charges, fees, etc.

- **Trade Loans:** Pushing export advance / banker's acceptance details , fetching the loan account number and repayment schedule
- **Updating payments / realizations:** Updating realization of export proceeds or outward import bill payments, and recording unique transaction in return
- **Connecting Disparate Applications:** The solution also integrates seamlessly with other applications such as CRM, Spreading tools, Pricing Applications, Documentation Provider to provide a single and unified interface for the lenders
- **Compliance:** Business rules engine ensures automation of UCP compliances, regulatory compliances & credit checks
- **Automated communication:** Inbuilt communication system to create emails, letters, follow ups, ticklers and tracers. System generated Export Cover Schedules, Export LC Advising Letters, DAN/Intimation Letters, Debit Advices etc. as per bank specific templates and branding guidelines. Generation & posting of event based charges, accounting entries and generation of SWIFT messages, covering all Mts
- **Monitoring** - Business activity monitoring module to monitor processes, generate reports and create user specific dashboards. Historical data for each transaction is recorded and maintained. Master data management to manage various masters

Trade Finance Transaction in Workflow Environment

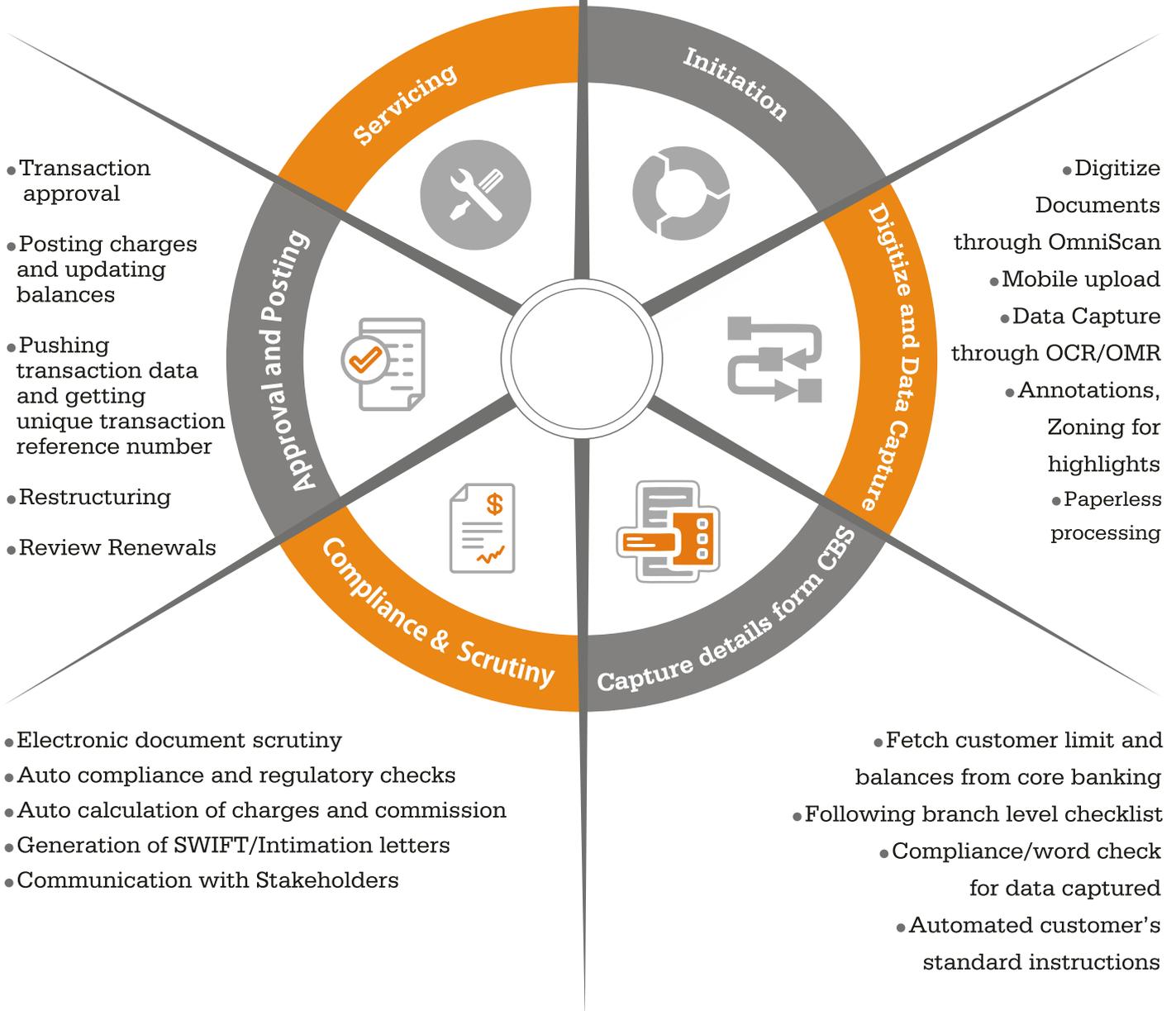


NEXT Generation TRADE AUTOMATION

Each Trade Finance request is managed with end-to-end servicing from prospecting, document capture, digitization, origination, approval, closing & funding to servicing to ensure paperless processing of credit application in a workflow environment supported by a robust built-in document management system. The solution also adapts to unique Trade Finance requirements of the banks with embedded rules engine.

- System generated SMS/ Email for transaction status
- Maintaining transactional history
- Issuing on demand confirmation letters and NGO
- Accepting product specific customer instruction
- Change in pricing/commission

- Document Checklist
- Product Setup
- Pricing Setup
- Application Processing
- Collateral Capture
- Integration with External Credit Bureaus





About Newgen

Newgen Software is a leading global provider of Business Process Management (BPM), Enterprise Content Management (ECM), Customer Communication Management (CCM) and Case Management solutions with a global footprint of 1300+ installations in 61+ countries with large, mission critical solutions deployed at the world's leading Banks, Insurance firms, BPO's, Healthcare Organizations, Government, Telecom Companies & Shared Service Centers.

Newgen's Quality Systems are certified against ISO 9001:2008 and Information Security Standard, ISO 27001:2013. Newgen has been assessed at CMMi Level3.

WRITE TO US

USA & CANADA: usa@newgensoft.com
INDIA: corpmtg@newgensoft.com
APAC: asiapac@newgensoft.com
EMEA: emea@newgensoft.com
UK: uk@newgensoft.com

FOR SALES QUERY DIAL

USA & CANADA: +1 (202) 800 7783
INDIA: +91 11 40773769
APAC: +65 3157 6189
EMEA: +973-1-619-8002
UK: +44 (0) 2036 514805

