



**Newgen's
Trade
Finance
Solution**

Overview

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.

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 capturing data, processing applications, managing documents, etc., but unified end-to-end trade finance automation is missing.

Some of the key challenges arise from the fact that core banking systems act as transactional system, however they do not provide trade finance module. As a result, banks are required to leverage third-party trade applications.

Alternate 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



Factors contributing to the low efficiency of the trade finance process

Lack of end-to-end automation	Repetitive work in multiple applications leading to operational inefficiency
Movement of physical documents	Document-intensive nature of work, which necessitates movement of documents across departments and users, thereby leading to delayed processing cycle times
Missed turnaround times (TAT) and service-level agreements (SLAs)	Too many manual actions across different teams, sometimes leads to push transaction in no man's land or remain unattended, resulting in missed SLAs and customer
Manual handling of regulations	Manual control for regulatory, internal compliance, domestic and international trade guidelines, country-specific compliances
Inefficient tracking of transactions	Spreadsheets based manual processes for transaction tracking
Manual compliance and exception handling	Users need to refer the policies and procedures every time an exception of internal compliance issue to be raised, to check for exception handling matrix
Poor inter-departmental coordination	Ineffective coordination between different departments, including trade operations, branches, Credit limit, FX treasury, etc.
Lack of automation capabilities	Lack of capability to define and collect customer-specific charges, do compliance check at initiation due to inter-country movement of documents and review capabilities at branch

The Need of the Hour

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.

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 lifecycle of a trade
- Be a **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

Emerging Challenges in Trade Finance Operations

Basel 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.

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.

Clients want banks to help them eliminate inefficiencies across supply chain, wherever possible. Banks are looking forward to implement supply chain financing with integration to trade finance to meet client's expectations

Heightened Customer Expectations

The bank payment obligation (BPO) is a new instrument of trade finance, positioned precisely between a traditional documentary letter of credit and an open account transaction. The 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



Newgen's Trade Finance Solution

The solution, built on NewgenONE —a cloud, low code-based digital transformation platform, streamlines the end-to-end trade finance processing. It enables business users to ensure compliance and reporting of documentary credits, collections, guarantees, payments, reimbursements, and financing. It mimics the advantages of a packaged solution, with its deep domain capabilities. Furthermore, the underlying low code process automation (BPM) framework lends the flexibility to allow seamless bank-specific configurations and can manage the complete life cycle of:

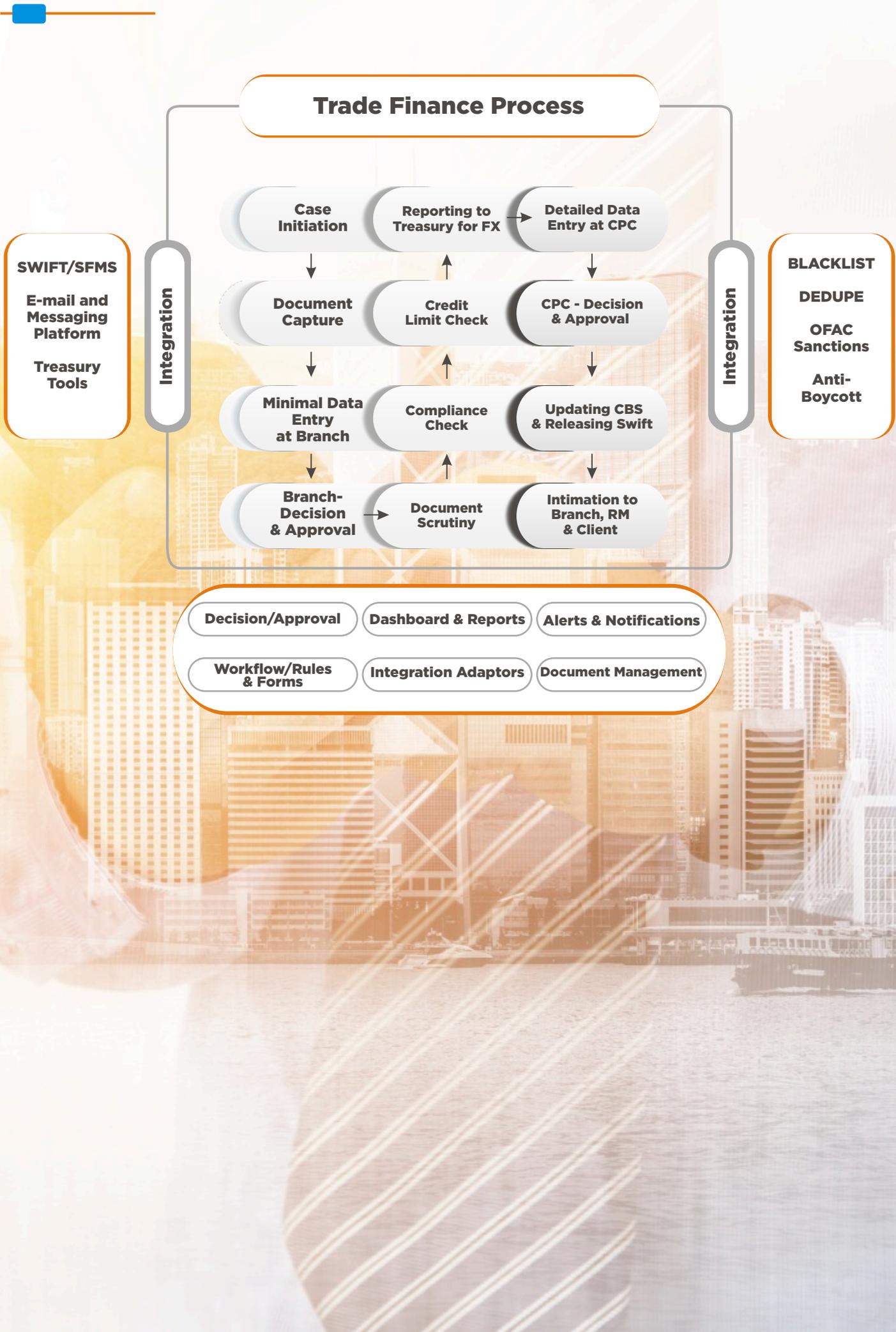
- Letter of credit (issuance/advising, amendment, LC bill drawings, cancellations, closure)
- Open account trade - advance and direct bill payments
- Bank guarantees/SBLCs, trade loans (Pre/post shipment export advances, buyer's credit)
- Invoice discounting, purchase order financing, etc.

Solution Highlights

- Trade-based money laundering checks
- Real-time EDIS (IDPMS/EDPMS) updation through TRRACS
- Exclusive handling-merchanting trade, deemed, project exports, and their reporting
- SWIFT, ISO 20022, and GPI compliant
- Trade intelligence regulatory checks
- Auto-forced HS code-based restricted/prohibited goods compliance
- Vessel tracking, integration, and report analysis
- Readily-available regulatory reports
- Trade transaction pattern checks
- Code-based, dynamic, document checklist
- Exception handling, auto-approval, and memo generation within a transaction
- Automated checks for CapEx/trade credit payment scenarios
- Name screening (OFAC/FATF/SDN)
- Pre-configured regulatory FEMA/ICC rules and BRMS for bank-specific policies
- Automated tax/ tax collected at source calculation and accounting
- Efficient handling of remittances
- Auto-filling of forms through data extraction from scanned documents
- Deviation tracker for automatic follow-up of deferred submissions
- Auto-charge calculation based on charges maintained in the system
- Bank and country limit maintenance
- Auto-checking of import/export documents
- Auto-alerts and notifications for stakeholders
- Auto-tagging of inward SWIFT messages
- Customized MIS generation through BAM
- Bulk uploading – multiple SWIFT document generation in a single lodgment
- Customer trade master to capture critical data
- Express processing – prioritization of transactions for urgent processing
- Ability to handle remittances in FCY for equivalent to home currency amount
- Delegation matrix for auto-routing
- Credit sanction terms parameterization
- Instant retrieval of documents from the document management system through SSI
- FD creation, lien marking, and limit creation



Trade Finance Transaction in Workflow Environment



Future-ready Trade Finance Automation





About Newgen

Newgen is the leading provider of a unified digital transformation platform with native process automation, content services, and communication management capabilities. Globally, successful enterprises rely on Newgen's industry-recognized low code application platform to develop and deploy complex, content-driven, and customer-engaging business applications on the cloud. From onboarding to service requests, lending to underwriting, and for many more use cases across industries. Newgen unlocks simple with speed and agility.

For more details, visit www.newgensoft.com

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