



Role of Digitisation in Trade Finance

Digitising Trade

Departure time:
18:00



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Absa our purpose

“With purpose comes responsibility. Possibilities exist in every moment. Moments become meaningful experiences for ourselves and others when we align our values to our actions. This is how we bring possibilities to life”.

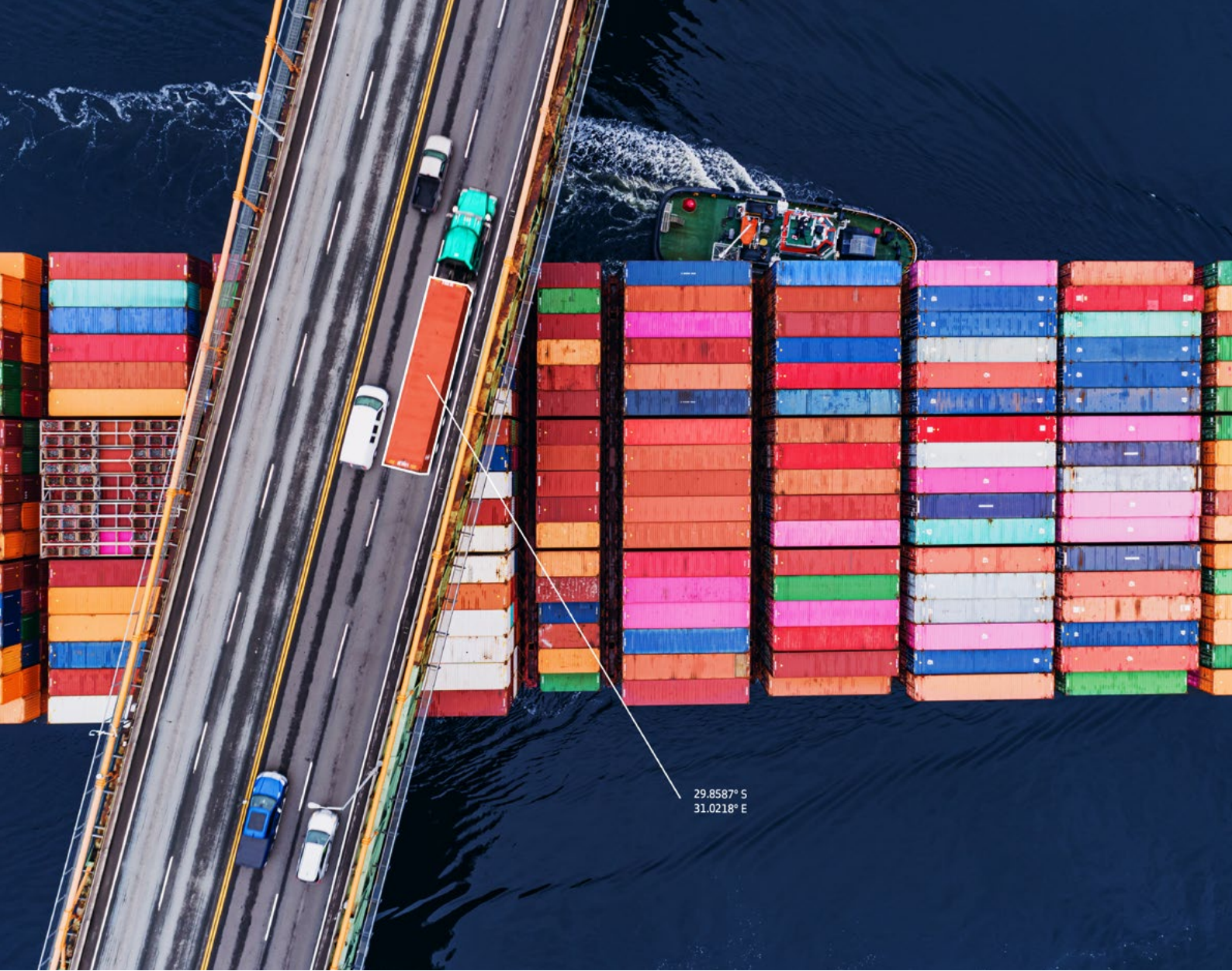
Here Jessica Gounden, Head Trade and Working Capital Operations and Randy Mavunda, Head Trade and Working Capital Digital Operations Pan Africa at Absa Corporate and Investment Banking, highlights the importance of digitisation in Trade Finance.

With recent awards namely “African winner of Global Finance’s 2020 World’s Best Corporate”, “Regional Award for Best Trade Finance Services” and “Institutional Digital Banks Awards”, our Trade Finance business is bringing possibilities to life as Africa’s preferred Trade Bank.

Absa International Trade Finance forms a key contribution to Absa’s growth strategy. In order to continue this plan, we must prioritise digitalisation for the Trade Finance business to grow sustainability. Market growth is not the only factor that determines success. Banks must position themselves as leaders in the digitisation journey of Trade Finance in order to succeed. By focusing on digitisation, we are improving the accessibility of Trade products and assuring improved Trade prospects for Africa’s economic progress.

Digitisation in Trade Finance will unlock significant opportunities with The African Continental Free Trade Area (AfCFTA) agreement, as this will create the largest free trade area in the world measured by the number of countries participating. The agreement brings together 1.3 billion people from 55 countries, with a total GDP of US\$3.4 trillion. It has the potential to raise 30 million people out of poverty but realising its full potential will necessitate major legislative reforms and trade facilitation measures. Digitisation will play a critical role to enabling The African Continental Free Trade Area (AfCFTA), in facilitating the workings of the free trade area. For example, the registration of businesses and the movement of goods across borders and general business administration requirements will be completed quickly and seamlessly.

For Absa to continue transforming Trade Finance, staying relevant and achieving sustainable growth in our various markets, it is imperative that we continue accelerating digitisation to enable a consistent and reliable customer experience that is convenient and safe.



What problems are we solving for?

We as a business were concerned about digitising the client journey and the operations process internally. In 2019, Trade Management Online, a new front-end Pan African client channel was implemented which provides our clients with an online trade finance platform. Trade Management Online provides a comprehensive set of features that enables our clients to initiate and manage the entire lifecycle of our Trade Finance products and services, such as letters of credit, bank guarantees, import and export trade loans, and documentary collections. In support of our digital strategy, we have focused on the migration of clients onto the online platform. Clients have embraced the channel

with raving reviews. They find the platform to be a user-friendly application, efficient and fast with a secure authentication process. There was an increased demand seen for digital solutions during lockdown as clients were not able to access branches in order to conduct their trade business and this is one of the contributors for the level of adoption seen.

To solve the digitisation challenge for operational teams, the Trade Management Workflow application was implemented to enable the coordination of the front-end client's requests through a real-time workflow. This enables the operations workforce

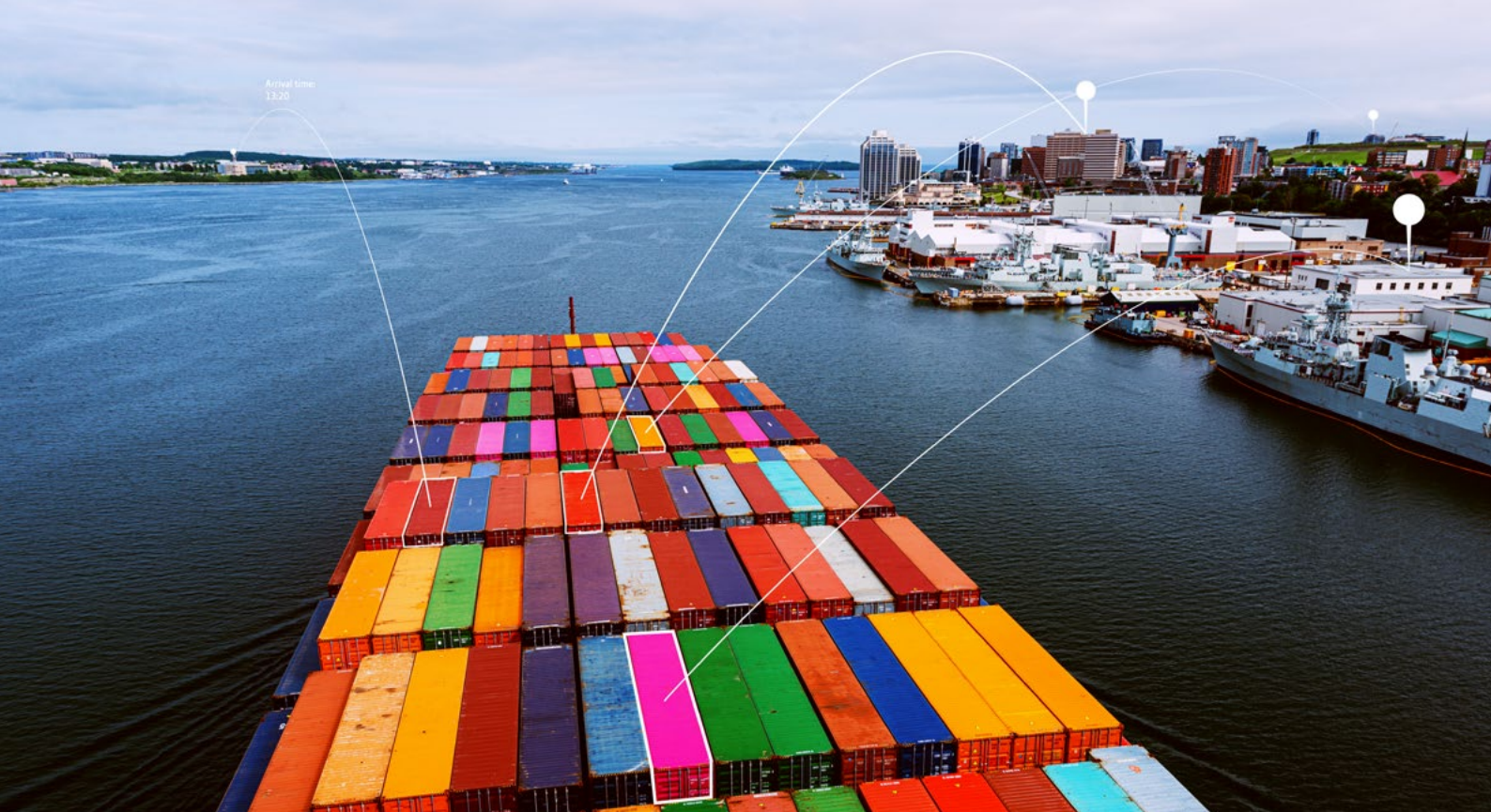
to facilitate the orchestration of processing of client transactions and the new digitised workflow enables the client to see the status of their transactions, in a real-time, structured, and seamless manner. Our workflow has greater capabilities for records management, document storage, audit trails, monitoring regional queues, integration, and management information for enhanced data capabilities.

Our focus for 2021 is to integrate the client channel to the core systems in the bank to improve efficiency and reduce risk across our operations in markets that we operate in. Digitisation will reduce our cost to serve as we will be reducing human intervention in manual processes. This will enable us to reduce our cost to income ratio by creating efficiencies and scalability across the business. The use of self-service channels improves the client experience and reduced turnaround times. This experience forms part of our strategic Absa access omni-channel environment which presents a unified experience across our digital banking ecosystem

According to a recent poll performed by West Monroe and American Banker of 150 mid-market banking professionals, 61 percent of mid-market banks are investing in automated technology; 66 percent have efficiency ratios that are higher than the industry average of 50 percent. By design, Trade Finance process flows are heavily reliant on client documentation and verification. Hard copy shipping documents are widely used throughout the value chain and among parties involved in the transactions. Additionally, there has been an increase in regulatory policies and compliance checks for Sanctions and Trade Based Money Laundering which increases the manual operational checks for financial crime. As a result, banks are faced with the following challenges; extended

transaction turnaround times, minimal transaction visibility and tracking capability, high handling and storage costs for documents, high error rates associated with manual document verification, lack of process standardization and operational risk due to manual processes. Therefore, by investing in Digitised solutions we aim to further reduce manual and error-prone processes, which will result in realizing a considerable advantage in known constraints.

The unprecedented impact of the COVID-19 pandemic presented challenges across Trade Finance globally. There was a significant impact to supply chain due to industrial shutdowns, delays in shipping and transport due to closures of ports and airfreight. A significant impact in the delivery and delays of shipping documents as there is reliance on hard copy paper documents. It is paramount that trade documentation is not only correct and complete, but also delivered to the right party at the correct time. These challenges have further exacerbated the desire for digitization in Trade Finance. The problem of pandemic-related delays in the delivery and processing of Trade documents, due to reduced staffing and limited postal or courier services, prompted the International Chamber of Commerce (ICC) to release a memo in April 2020 imploring banks and central governments to lift all legal prohibitions on the use of electronic trade documentation and support a swift transition to paperless trading. More recently, in July 2020, the World Trade Organization, the ICC, and B20 Saudi Arabia jointly issued an industry-wide call for increased cooperation between public and private sectors in order to address the trade finance shortage, including easing regulatory constraints on and implementing digital solutions for Trade Finance documentation.



How we are doing it?

In our approach for solving for these challenges it is imperative that we consider the end-to-end value chain of the Trade Finance business. This includes technology and infrastructure teams, as a key enabler to fundamentally improve the business.

The use of intelligent automation namely, Optical Character Recognition, Machine Learning, and Natural Language Programming for Trade-related documents will greatly reduce the likelihood of errors and manual processing. Furthermore, by digitising trade information, it will be possible to condense a bundle of documents that were previously physically shipped around the world, into a single electronic file. As a result, turnaround times will be shortened, and efficiency will be improved.

Leveraging data analytics and business intelligence as a critical tool will help provide deep insights on Fraud risk management, early warning indicators, monitoring for change in client behaviors and trends to enable quicker decision

making. Dashboard automation will supplement in measuring key performance and risks across the business allowing for real time views to be accessible at the click of a button.

The impact of digitisation will help cultivate innovation and drive client-centric value propositions. It creates an opportunity for staff to provide personalised and proactive client service. The road for transforming Trade Finance with the use of technology may be long and winding, however we at Absa embrace the digital arena and the journey ahead.

As we continue shaping our Trade digitisation journey, we would have successfully transformed our client experience, improved employee value proposition and organisational culture, by becoming the employer of choice across our markets, building pioneering propositions and being the leading Trade bank in the African continent.



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