Digital End-to-End Trade Finance

Trade as a Service

RISQ | financial institutions and Finastra Trade Innovation
LC Confirmation – pre trade WITHOUT RISQ

Importer

“I will provide an LC from my bank A”

Exporter

“Can you confirm the LC from bank A?”

Exporter’s Bank

RM: “Can you confirm the LC from bank A?”

Trade Operations: “Can you confirm the LC from bank A?”

FI Department: “Yes, we have limits, let me book in Excel”

Long approval times as FI team needs to be contacted via e-mail or call for approval.

Internal communication is not recorded or stored or trackable, emails can be lost, calls can be forgotten.

Limit reservation in FI department is on Excel only, even if there is a limit system in Trade system, FI has only manual record.
**LC Confirmation – pre trade WITH RISQ**

- **Importer**
  - “I will provide an LC from my bank A”

- **Exporter**
  - “Can you confirm the LC from bank A?”

- **Exporter’s Bank**
  - RM: Initiates Limit Reservation request online in RISQ.
  - Trade Operations: Reviews Limit Reservation Request and Recommends it further to FI using RISQ.

- **FI Department**
  - Approves Reservation Requests and Limits are Reserved for 10 Days in RISQ.
  - FI department can monitor limits requests on any device (mobile, tablet, desktop) – **FASTER DECISION**
  - Communication between departments via online chat linked to credit line – **RECORDED COMMUNICATION**
  - Limits blocked immediately, no risk of limit breach – **BETTER RISK CONTROL**
LC Confirmation – trade flow WITHOUT RISQ

**Importer**

**Exporter**

**Exporter’s Bank**

**Trade Operations:** Captures LC in Finastra TI

**FI Department:** Updates limits manually in Excel to track usage of limits.

- Information flow to FI is delayed and limits might be full already.
- No check if limit was reserved already.
- No automated limit expiry at the maturity date if no LC is confirmed (for which Trade Ops made a manual limit reservation before).
LC Confirmation – trade flow WITH RISQ

Importer

Exporter

Exporter’s Bank

Information flow to FI is real-time and no risk of unexpected limit breaches → BETTER CONTROL

Limit check of actual transaction versus reserved limit → LESS MANAGEMENT ESCALATIONS

Limits automatically released at maturity (in case of matching LC confirmation does not happen).

Trade Operations: Captures LC in Finastra TI

FI Department: LC Transaction impacts limit reservation in RISQ in real-time via online API to Finastra TI
Why is the limit module in TI not enough?

- It is **against the regulatory best practices** (maker/checker principle) that the consumer of a limit (Trade Ops) can also approve the limits by themselves (from FI) → This would require FI to login to TI and set limits. If so FI team needs to login to multiple systems (trade finance, core banking, factoring etc.) and capture limits separately in each system. This is a huge operational burden and risk.

- As **FI limits are shared among multiple business units** (treasury, trade finance, subsidiaries, etc.), it will be impossible to know how much limits are really available as another unit might have blocked it in the meantime already.

- **TI is not designed as a global limits system** and misses other tools/features (RAROC calculation, workflow based approvals, collateral management, ongoing servicing of lines, etc.)
Clients’ Challenges – Summary

**Trade Finance challenges**
- Manual check of counterparty and country limits availability (through FI department)
- No online limits reservation capability (blocking lines between the enquiry and the actual transaction to happen)
- Operational errors (policy breaches, covenants mismatches, etc.)
- Limit breaches (as lines are not blocked during enquiry)
- Long response times due to manual processes

**Other challenges (for FI department)**
- No real-time country limits view
- Email/phone communication with FI department during approval process → not recorded
- No consolidated reporting
Value Proposition of RISQ

1. A complete and comprehensive limit management system designed for FI business
2. Digitize the missing part of the trade finance process → no overlap with TI
Key Benefits for clients

**Trade Finance benefits**
- Online limit reservation → no limit breaches
- Fully streamlined trade-finance operation (even TI digitize majority of the process still pre-trade and FI approval is manual)
- If no limits available, FI department can re-allocate limits instead of rejecting
- Online RAROC check during approval → approval based on profitability
- Faster response times to client enquires

**Other benefits**
- Real-time country limit impact, communication is fully digital
- FI department can easily broadcast limits to all departments
Reference Client in MEA

Emirates NBD

- Leading Bank in the Middle East
- Entire FI business is digital now (no manual processes, no paper) since 2016
- RISQ FI is used across the entire banking group (Emirates Islamic, Denizbank) as well as wholesale branches globally
- Online integration between RISQ and Trade Finance System
- Real-time limit monitoring and reporting
- Can handle 25% more volume with same staff
- Reduced overall approval time by over 50%
- Operational errors reduced by 99%
Thank you