Views

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The Next Generation of Trade Finance Operators

Operating trade finance programs involves a great deal more than processing and monitoring transactions. A single program may bring together several buyers, vendors, funders, insurers and participant banks, and an operator may be responsible for a number of programs at once, overseeing several key processes and events, including, but not limited to, funding, settlement, repayment, reporting, reconciliation and credit risk assessment.

TPS, our Trade Programs Servicing platform, was designed to automate and control this complexity. Yet even where all program information is available on the platform, counterparties continue to contact the operator directly. A buyer may ask why a credit note has not yet been netted; a vendor may request an update to a buyer's credit limit; a funder may need clarification on an onboarding; an insurer may enquire about a dunning notification; and a participant bank may query a report or an allocation.

Meanwhile, the operations team is also receiving emails, internal instant messages, telephone calls, system notifications and operational alerts. This part of the work is easily overlooked. Transaction processing, reconciliation, dunning, credit limit monitoring, and insurer and participant management may well be automated, but experienced operators are still needed to interpret exceptions and to identify issues before they turn into operational problems.

We have addressed these challenges by embedding a communication orchestration tool within TPS, so that emails, messages and calls are managed in their operational context. Each interaction is linked to the relevant program, counterparty and transaction: a billing query to its document, a funder enquiry to the funding and repayment data, and insurer correspondence to the insured exposure.

Through integration with our Financial Management Tool (FMT), TPS also calculates a hybrid rating that combines each company's credit rating from FMT with its historical payment behaviour from TPS, providing a live indicator of that company's risk profile. Notifications and the dunning process can also be configured according to the hybrid rating matrix. The result is an operating model in which transaction processing, credit intelligence, risk monitoring, communications and program controls are increasingly automated and connected. Rather than spending time moving between systems, reconciling information and managing the routine complexity of operations, operators can focus on the areas where their judgement adds the most value: exceptions, credit and operational decisions, structuring considerations and emerging risks.

We believe the next generation of trade finance will be defined by deeper automation: not simply of transactions, but of the entire operating, credit risk and communications environment. This will enable financial institutions to manage larger and more complex portfolios with greater control, whilst making growth less dependent on corresponding increases in operating resources.

Kendall Stevens, President and CEO of KS-TF AG

After having built reputable and sustainable trade financing operations which became market-leading, KS-TF AG, Switzerland-based, was created as a consulting company. Today it consists of a team of experienced process consultants, business analysts and credit specialists with direct operational experience managing trade finance programs and credit. KS-TF's software is licensed to specific clients in the relevant sector and can be customised.

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