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A truly global player

Combining local intelligence with global reach to become the world's best trade bank is a work-in-progress for Citigroup. *Ravi Saxena*, Head of the Trade Services Business in Europe for Citigroup Global Transaction Services, explains further. In 15 years with the bank, he has held various positions in operations, technology, cash management and trade services in Europe, India and Israel.

The practice of international trade is one of the oldest economic activities. But from the Phoenician traders of the 15th century to the present, the central issue has remained unchanged: how to balance the risks of doing business with remote counterparties with the potential rewards.

What has changed is the size of the industry and the additional burden this puts on buyers, sellers and financial institutions. With the advent of web-based communication, anyone in the international trading community can choose to do business anywhere.

Participants ranging in size and sophistication from mega-corporations to small to mid-sized manufacturers now interact in hundreds of countries, each with individual languages, laws and business practices. The resulting effect on the entire supply chain could be confusion and inefficiency.

To stave off this confusion, Citibank offers numerous integrated services along the entire supply chain, from traditional trade services, including risk mitigation (letters of credit, LC confirmations and standby letters of credit); information (payments tracking, automated status reporting, real-time data retrieval for local and global subsidiaries, customised reporting and client service);

financing (advances under LCs, discount bills and notes, receivables and payables financing, pre-export finance, supplier/distributor finance); and settlement (documentary collections, letters of credit and open account trade processing).

Many banks offer similar services. But Citibank differentiates itself by combining a deep local presence with a vast global network to provide consistent, end-to-end solutions. With a long history in countries across the globe, including over 100 years in Asia and Latin America, Citibank is genuinely a local bank – with an important distinction.

A global roadmap

Clients set a roadmap that Citibank supports with a global footprint, delivering solutions today and anticipating what solutions they'll need tomorrow.

Scale economies:

With over 1.8 million trade transactions each year Citibank is one of the world's largest trade banks by transaction volume. The scale of operations reduces per unit transaction costs, ultimately improving a client's bottom line. Furthermore, scale economies foster a drive to innovate and develop new technologies and solutions.

Client base:

As a bank that services multinational corporations and financial institutions as well as small to medium-sized corporations in local markets, Citibank delivers a large span of solutions with many local variations. Citibank's unique experience and expertise enables it to provide consistent, quality service to its diverse client base.

Geographic span:

Having a physical presence in 80 countries and providing indirect service in another 20 requires a consistent operational architecture and uniform business processes – ones that are also robust and capable of responding quickly to changes in markets and client demand.

This large branch network allows Citibank to provide trade solutions in newer emerging markets – where opportunities for business are often highest. And serving a large number of companies from branches around the world often allows Citibank to service both ends of a transaction, reducing transaction risk for both buyers and sellers.

An on the ground presence, commitment to direct origination and knowledge of local markets enables Citibank to deliver the most effective trade solutions to clients.

Citibank can originate and arrange financing based on in-depth knowledge of the markets where clients are doing business, allowing them to draw on the expertise of industry-specialised international teams.

A unique regional philosophy

Regionalisation plays a key role at Citibank – but it is not just about developing solutions for local markets. Instead, Citibank takes a pragmatic approach to doing business based on the belief that efficiency is key in any trade transaction by leveraging economies of scale.

So rather than process transactions in one location for clients in over 80 countries, trade processing is done through hubs or regional processing centres (RPCs). These hubs, located in Penang, Malaysia; Tampa, US; Lewisham, UK and Mumbai, India, not only provide client service for their regions, they also process global transactions.

RPCs expedite turnaround times for clients while remaining close to the regions where business takes place. In addition, each hub is a centre of excellence in a different speciality. The RPC in Penang, for example, handles all import letters of credit, in addition to transactions originating from

Regional Processing Centres



the Asia region; the RPC in Lewisham handles transactions originating from Europe and Africa and is also the centre of excellence for guarantees. In fact, the hub in Lewisham issues most of the guarantees in Citibank originating from any part of the world. In all cases, processing is seamless across all four RPCs. But regionalisation doesn't imply that clients should use uniform services. The front office remains local to the client for delivery of service with the regional offices providing processing.

Truly integrated solutions

Unlike some competitors who initially developed solutions for narrow regional needs later adopted as global standards, Citibank developed its trade architecture as a global solution during the design stage. Today, a single point of contact delivers streamlined access to cash management and trade services. A common web banking platform provides easy access and control over trade transactions. With CitiDirect® Online Banking, importers can issue and amend LCs online; settle and track import collections; monitor transaction status, track history and prepare import LC applications. Exporters can track and transfer LC and amendments online; create

export LC presentation letters; initiate and track direct collections; and monitor transaction history. Both importers and exporters can customise authorisation, integrate systems to upload data to their treasury resource planning (ERP) system, build libraries and maintain multilevel security mechanisms. Exporters in Asia, in particular, are increasingly outsourcing trade document preparation and information management processes to Citibank, enabling clients to reduce document preparation time and documentary discrepancy rates. A Malaysian client was able to reduce document preparation cycle time from 17 to five days and others found a drop in document discrepancy rates from 90% to less than 5%. Although technology has moved certain aspects of international trade into the 21st century, many more improvements are needed. Citibank takes a leadership and working role with many global task forces and was directly involved in creating and fostering adoption of the ICC document, International Standard Banking Practice for the Examination of Documents Under Documentary Credits (ISBP), which delivered much needed clarity to the use of letters of credit.

People make the difference

So how does a bank with a trade business that extends across 100 countries and 3,000 correspondent banks meet the needs of tens of thousands of clients? A technology-enabled business requires an ongoing investment in infrastructure and re-engineering to implement strategies that increase operating efficiencies, reduce risk and deliver uniform client service around the world. Of course, it helps to have the right people, structure and performance metrics in place to develop highly tailored solutions for demanding clients.

People:

Talented people are key and today, about 2,500 people, working in a matrix structure, deliver Citibank trade services globally. Decentralised decision-making empowers people closest to an issue to make decisions that best benefit each client.

Organisation structure:

Within the past year, transaction banking activities were realigned internally to focus on providing financial institutions and corporate clients around the world with cash management, trade and securities services solutions, supported by the full range and capabilities of Citigroup. Serving as a trusted advisor, Citibank helps clients integrate trade services with their supply chain, manage and monitor working capital more effectively and realise greater operating efficiencies.

Performance measurement:

Effective measurement is a cornerstone to superior client service, so each month divisions within the group receive a monthly report card measuring year to date and

monthly performance against pre-defined targets. The report cards serve as an effective tool to identify performance gaps and develop corrective solutions for clients.

The trusted advisor

Choosing a global trade bank is a major decision – one that plays out in every transaction. Thriving in the complex world of international trade requires a banking partner who helps you keep an eye on the big picture, while meeting the endless permutations of a constantly shifting playing field. A trusted advisor with both a large global footprint and strong global platform are essential ingredients for the practitioner of international trade, whether buyer, seller or financial institution. But whatever bank you choose, pay close attention to the essentials: infrastructure, commitment to technical and service improvements, as well as its people and the way they assist clients. And take your time – this is a long-term commitment that will impact your long-term trade success.

For more information on Citibank® Trade Services, please contact ravi.saxena@citigroup.com or visit www.citigroup.com/transactionservices



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