

Citigroup: achieving excellence in trade banking through local intelligence and global reach

While the roots of international trade can be traced to antiquity, the seeds of its current prominence were sown in the first decades of the 19th century with the expansion of commerce between the United States and Europe. It was during this period that Samuel Osgood, an associate of George Washington, founded the City Bank of New York which prospered from the expansion in trade and evolved over 190 years into the global institution known as Citigroup.¹

A similar evolution in international trade occurred in the progression from the hand carried letters of 19th century commerce to the instant documentation of the 21st. But the underlying issue remains essentially unchanged: – how to mitigate the risks of doing business with remote counterparties in order to reap the potential rewards.

What has changed is the size and scope of the industry and the additional burden this puts on buyers, sellers and intermediaries. 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 potential for confusion and inefficiency can be daunting. The Citibank answer to these countless permutations is to focus on international trade as an end-to-end business, instead of applying band-aid solutions to individual situations.

Creating a global roadmap

Citibank combines 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 offers integrated services along the entire supply chain, linking risk mitigation (letters of credit, LC confirmations and standby letters of credit) to information (payments tracking, automated status

reporting, real-time data retrieval for local and global subsidiaries, customized reporting and client service) to 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). In effect, clients can draw their own roadmap for trade because of Citibank's global footprint and economies of scale:

- With over 1.8 million trade transactions per annum Citibank is one of the world's largest trade banks by transaction volume. This scale of operations reduces per unit transaction costs ultimately improving a client's bottom line. Scale economies also foster a drive to innovate and develop new technologies and solutions.
- By servicing multinational corporations and financial institutions as well as small to medium sized corporations in local markets, Citibank can deliver solutions with local variations, providing consistent, quality service to a diverse client base.
- Citibank's physical presence in 80 countries and indirect service in another twenty is built on a consistent operational architecture and uniform business processes. 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 buyer and seller.

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

A unique regional philosophy

Regionalization plays a key role at Citibank and is not limited to developing solutions for local markets. Instead, our approach is based on efficiency and developing centres of excellence. Trade processing is done through regional processing centres (RPC's) located in Penang, Malaysia; Tampa, USA; Lewisham, UK and Mumbai, India and these centres provide client service for their regions in addition to processing global transactions.

In addition, each RPC is a centre of excellence in a different specialty. The RPC in Penang, for example, handles all import letters of credit, in addition to transactions originating from the Asia region; the RPC in Lewisham handles transactions originating from Europe and Africa and as a centre of excellence for guarantees, issues most of the guarantees in Citibank, originating from any part of the world.

¹ The City Bank of New York was founded in 1812 by Samuel Osgood and was granted a national charter in 1864, when the name changed to The National City Bank of New York. In 1955, the First National Bank of the City of New York was merged into the National City Bank of New York and the name was changed to The First National City Bank of New York. In 1976, the name Citibank was adopted and in 2000, Citigroup was formed.

Regional Processing Centers





Ravi Saxena, head of trade services business in Europe for Citigroup Global Transaction Services

Truly integrated solutions

Unlike competitors who initially developed solutions for narrow regional needs that were 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 and a common Web banking platform provides easy access and control.

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. Both importers and exporters can customize authorization, integrate systems to upload data to their treasury applications or Enterprise Resource Planning (ERP) system, build libraries and maintain multilevel security mechanisms.

Exporters can track and transfer LC and amendments online; create export LC presentation letters; initiate and track direct collections; monitor transactions — or outsource these processes to Citibank. Exporters in Asia, for instance, increasingly outsource trade document preparation and information management processes to Citibank, enabling them to reduce document preparation time and discrepancy rates. Clients in Malaysia recently were able to reduce document preparation time from seventeen days to five while others saw a drop in discrepancy rates from 90% to less than 5%.

Clearly technology has moved certain aspects of international trade into the 21st century, but 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 practitioners of letters of credit.

People make the difference

How does a bank with a trade business that extends across 100 countries and 3,000 correspondent banks meet the individual needs of clients? Our 2500 talented people are the key, working in a matrix structure to deliver trade services globally. To ensure that our people are making a difference, their activities are measured against client objectives within an organizational structure that supports best-in-class delivery with the right technology.

Performance measurement: Effective measurement is a cornerstone to superior client service. Divisions within the group receive a monthly report card measuring year to date and monthly performance against predefined targets — a highly effective tool for meeting client needs, identifying performance gaps and developing corrective solutions.

Organizational structure: Our recent internal realignment of transaction banking activities allows us to focus on financial institutions and corporate clients who rely on us for cash management, trade and securities services solutions. We help clients to integrate trade services with their own supply chains, manage and monitor their working capital more effectively and realize greater operating efficiencies.

Technology: A technology-enabled business requires an ongoing investment in infrastructure and reengineering to implement strategies that increase operating efficiencies, reduce risk and deliver uniform client service around the world. Citibank has that technology and approach.

The right trusted advisor

Choosing a global trade bank is a major business decision — a long-term investment that plays out minute by minute, both in the mechanics of every transaction and in the resolution of the differences that characterize international trade. At Citibank, the issues of language, local law and business customs are the basic ingredients of our global infrastructure. It means that all over the world, our people are trained to conduct business consistently, in the native languages of our clients and that experienced country experts are available for advice and information.

Our on-the-ground presence in more than 80 countries and deep knowledge of local markets enable our clients to make fact-based decisions. The extensive capabilities of our global platform support the seamless integration of cash management with traditional trade services, creating an end-to-end business solution that enhance the internal practices of our clients. In the context of the world's largest network, it means an uncommon ability to truly support you, wherever in the world you do business.

Ravi Saxena is head of the trade services business in Europe for Citigroup Global Transaction Services. In fifteen years with the bank, he has held various positions in operations, technology, cash management and trade services in Europe, India and Israel.

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