

# Citigroup Trade Banking: Achieving excellence through innovation and creativity

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 US and Europe. It was during this period that Samuel Osgood, an associate of George Washington, founded the City Bank of New York which evolved over the next 190 years into the global institution known as Citigroup.<sup>1</sup>

At the same time, a parallel evolution took place with the progression from hand carried letters of credit (LC) to the instant documentation of the 21st century. In the last decade, the explosive growth of the trading community owed its existence in no small part, to improvements in web-based communication, making it possible for anyone to do business anywhere in the world. Participants ranging in size and sophistication from global corporations to the medium-sized manufacturer or the 'mom-and-pop' shop, now interact in hundreds of countries each with individual languages, laws and business practices. The potential for error and confusion is daunting. The Citigroup solution is to focus on international trade as an end-to-end business – with an emphasis on innovative thinking and creative solutions.

We see these new realities not as making things more complicated but as opportunities to serve clients in new ways. As a first step, for instance, we re-examined our definition of trade, which has traditionally meant cross-border traffic. But a large percentage of trade takes place *within* national borders, which led us to examine the difference between mitigating risk on an international basis versus domestically. In fact, in spite of added-on elements with cross-border transactions, the needs of both kinds of clients are fundamentally the same.

## Looking at trade finance in new ways

The Citigroup approach to trade finance is focused on helping financial institutions and corporate clients manage their working capital. We do this by providing a full end-to-end solution including receivable and

supplier programs and warehouse financing – with the intent to facilitate trade and mitigate risk.

In addition, we are creating new structured solutions that allow significant opportunities for trade-related risk mitigation including export credit agency-backed programmes, commodity trade financing and private insurance-backed programmes – solutions that guarantee payment and/or defease risk.

Solutions in the development pipeline for the future may include receivables management programmes that not only will mitigate collection risk but also allow corporations to outsource their entire shipping/receivables processing cycles, enabling them to focus on their core businesses.

Down the road, we expect to see even greater industry specialization by sector and product offering, leading to partnerships and alliances among local providers and platform providers.

In the area of specialized trade needs, Citigroup is already a leading provider of structured trade, primarily in terms of medium- to long-term business. In addition, we continue to meet the demand for short-term financing, created by the ongoing upheavals in many of the emerging markets.

## Combining the best with the new

By combining our knowledge of local markets with the largest network and a superior global platform, we are able to deliver effective trade solutions to clients – wherever in the world they do business.

- With over 1.8 million trade transactions per annum Citibank is one of the world's largest trade banks by transaction volume. These scale economies not only reduce transaction costs for clients, they foster a drive to innovate and develop new technologies and solutions.
- By serving multinational corporations and financial institutions as well as small to medium sized corporations in local markets, we deliver solutions with local variations, providing consistent, quality service to a diverse client base.
- By serving thousands of companies from branches around the world Citigroup is often able to act at both ends of a transaction when both counterparties are clients, ultimately reducing costs.
- Citigroup has an on the ground presence for trade services in close to 80 countries and services almost every other country indirectly. This presence is

<sup>1</sup>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 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 1998, Citigroup was formed.

built on a consistent operational architecture and uniform business processes.

### A unique regional philosophy

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

Each RPC is a centre of excellence in a different specialty in addition to processing local transactions. The RPC in Penang, for example, handles all import LCs globally, in addition to transactions originating from the Asia region.

### Delivering truly integrated solutions

Unlike competitors who initially developed solutions for narrow regional needs that were later adopted as global standards, Citigroup 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 Citigroup. Exporters in Asia, for instance, increasingly outsource trade document preparation and information management processes to Citigroup, enabling them to reduce document preparation time and discrepancy rates. Clients in Malaysia recently reported a reduction in document preparation time from seventeen days to five and a drop in discrepancy rates from 90% to less than 5%.

### 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? 2,500 talented people are the key, working in a matrix structure to deliver trade services globally. Their activities are measured against client objectives within an organizational structure that supports best-in-class delivery.

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.

Our recent realignment of transaction banking activities allows us to focus on both financial institutions and corporate clients rather than on delivering products. It allows us to help our clients to integrate trade services with their own supply chains, to manage and monitor their working capital more effectively and to realize greater operating efficiencies.

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. Citigroup combines the technology and the commitment to investment with an unprecedented willingness to innovate.

### A trusted advisor

Choosing your global trade bank is a major business decision – one that plays out on a daily basis, both in the mechanics of every transaction and in the resolution of the differences that characterize international trade. At Citigroup, 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.

Our on-the-ground presence in close to 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 enhances 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. ■

For more information on Citibank Trade Services, please visit [www.citigroup.com/transactionservices](http://www.citigroup.com/transactionservices)

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