



Is it Time to Raise the Bar?

Ten Ways to Evaluate if Your Trade Services Provider Really Delivers

The buyers, sellers and intermediaries that comprise the modern international trade community are the economic heirs of an ancient practice — one whose geographic and temporal links precede written history — and travel as far forward as the imagination reaches. From the Phoenician traders of 15th century BC to the space travelers of 21st century popular media, the role of the trader is ubiquitous, an essential element in the social and economic structure of every society.

Today the international trading community comprises millions of participants ranging in size and sophistication from the multinational corporation, to the medium-sized manufacturer, to the “mom and pop” shop, all of them interacting in hundreds of countries with their own individual laws and business practices. As a practitioner in that community, the complexities of your dealings and the need for accurate detail demand sophisticated support in four primary areas:

- Risk mitigation including letters of credit, LC confirmations, political/commercial risk insurance and standby LCs.
- Information including payments tracking, automated status reporting, real-time data retrieval for local and global subsidiaries, customized reporting and client service.
- Financing including advances under LCs, discounting bills and notes, receivables and payables financing, pre-export finance and supplier/distributor finance.

- Settlement including documentary collections, LC and open account processing.

Many trade banks will tell you that they provide these services, but it is the resources they draw on to fill those needs that define the quality, and ultimately, the value of the relationship. If you are considering a change or simply want to know how your current provider measures up, the following issues may help you form a meaningful evaluation.

1. Size of balance sheet and bank operations — why bigger is better

Transaction volume is not just a number — it is an indicator of trust, experience and a strong capital base. A strong capital base makes it possible to handle high-value transactions and large-scale operations provide an opportunity to reduce per unit transaction costs. The size and complexity of these operations drive the best banks to innovate for efficiency and seek low cost processing centers — improvements that can benefit your bottom line.

2. Breadth of client base — how it makes a difference

Contrary to popular wisdom that specializing drives excellence, the broader the range of clients a bank serves, the better their choice of available solutions. A bank that serves both multinational and local corporations and financial institutions offers an additional advantage — the ability to support a span

of solutions with many local variations. The centralization and automation required to serve such a varied client base provides a consistent level of quality across worldwide markets.

3. Global footprint — why geographic span matters

In how many countries does the provider have a physical trade presence? Citigroup, for example, one of the largest trade banks, has an on-the-ground presence in close to 80 countries and services almost every other country indirectly. The issues related to operating efficiency and reducing operational risk on this scale are relevant whether you trade in one or 100 countries; they demand a uniform and robust business architecture, capable of adapting quickly to changes in different markets.

Regionalization calls for more than customizing solutions for local markets. It can mean placing bank operations in the most appropriate locations or creating centers of excellence — a matter of vision and deep resources. But when a process is regionalized, the front office should be local so that there is country-specific delivery of that service.

4. Global network and local knowledge — why you need both

The branch network is a major factor in a bank's ability to provide trade solutions, especially in newer emerging markets — where opportunities for business are often greatest. Another benefit of serving a large number of companies from branches around the world is the bank's ability, in many cases, to act at both ends of a transaction, when both counterparties are clients, ultimately reducing costs. When it comes to arranging financing, the biggest banks are able to draw on the expertise of international teams that specialize in specific industries.

An on the ground presence, a commitment to direct origination and a knowledge of local markets enable the most effective trade. Local expertise enables the bank to arrange financing based on an in-depth knowledge of the markets where its clients do business.

5. Global network focus — is it directed at your real-world needs?

The focus of the bank's network should address your concerns in some or all of the following areas:

- Expanding into new markets
- Negotiating with new partners in volatile or risky environments
- Minimizing risk while maintaining competitiveness

- Managing merchandise flows as well as multiple currency cash flows
- Dealing with ongoing change in the regulatory and tax environments, and
- Facilitating management decisions.

6. Paper-based versus electronic trade — to be or not to be

Electronic trade is an appealing concept that promises numerous benefits. But there are still many hurdles to clear such as regulatory issues and acceptance of electronic documents by all participants in the trade process, including customs, insurance firms, and shipping companies. The largest trade banks have taken the lead in these complex negotiations, but the current focus should be on improving existing trade processes to deliver greater time/cost savings to clients.

7. Solution architecture — will it meet all your future transaction needs?

Was it designed as a global standard, or developed for regional needs and then adapted and expanded? Can you capture information in trade reports in a variety of file formats and upload this data to your treasury applications or Enterprise Resource Planning (ERP) system, or do you need to straddle both systems? You need a trade bank that can meet your transaction needs in a way that improves your operational efficiencies — wherever you do business, around the world.

8. Client systems — do they streamline your day-to-day operations?

A good trade bank not only delivers cash and foreign exchange management but also provides:

- Access to the status of LCs
- Customized authorization procedures that let local offices initiate and approve transactions up to pre-specified amounts
- Comprehensive multilevel security mechanisms including standard data encryption, dynamic passwords and control over system access
- Libraries of pre-defined text and commonly used information that you can cut and paste into transactions
- Customized service to help you define your needs and develop specific activation plans.

9. Enhancements — not just how many, but how useful?

Could you utilize a proprietary EDI solution to facilitate LC issuance or monitor the status of trade transactions, shipment, document

presentation cycle and payments? Can the bank provide resources for outsourcing trade document preparation and traditional information management processes?

10. End-to-end service — does it match your end-to-end needs?

Importing and exporting are end-to-end processes — and should be serviced in the same manner. For instance, for exporters in OECD countries facing risk in emerging markets, does the bank have the ability to be on the ground, understand both counterparties and take a risk on them? The best of all possible worlds is a trade bank with an end-to-end presence across the globe, knowledge of local markets and relationships with counterparties providing access to both clients and bank personnel, seamlessly.

Evaluation: Did Your Trade Services Provider Pass the Test?

The questions discussed above can serve as a checklist for evaluating a trade services provider or serve as a guideline for discussion.

Of course, choosing or changing your global trade bank is a major commitment, a decision that will play out in every transaction. The ability to thrive in the complex world of international trade requires a banking partner with a strong global platform, designed to meet the endless permutations of a consistently shifting playing field. Pay close attention to the essentials of the institution you choose, its infrastructure, commitment to technical and service improvements, as well as its people and the way they deal with clients. In the complex world of trade, a successful trade banking relationship is nothing less than essential.

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