

SWIFTNet Trade Services Utility

Helping banks meet the supply chain challenge



SWIFTNet Trade Services Utility

Setting the scene

What is the TSU?

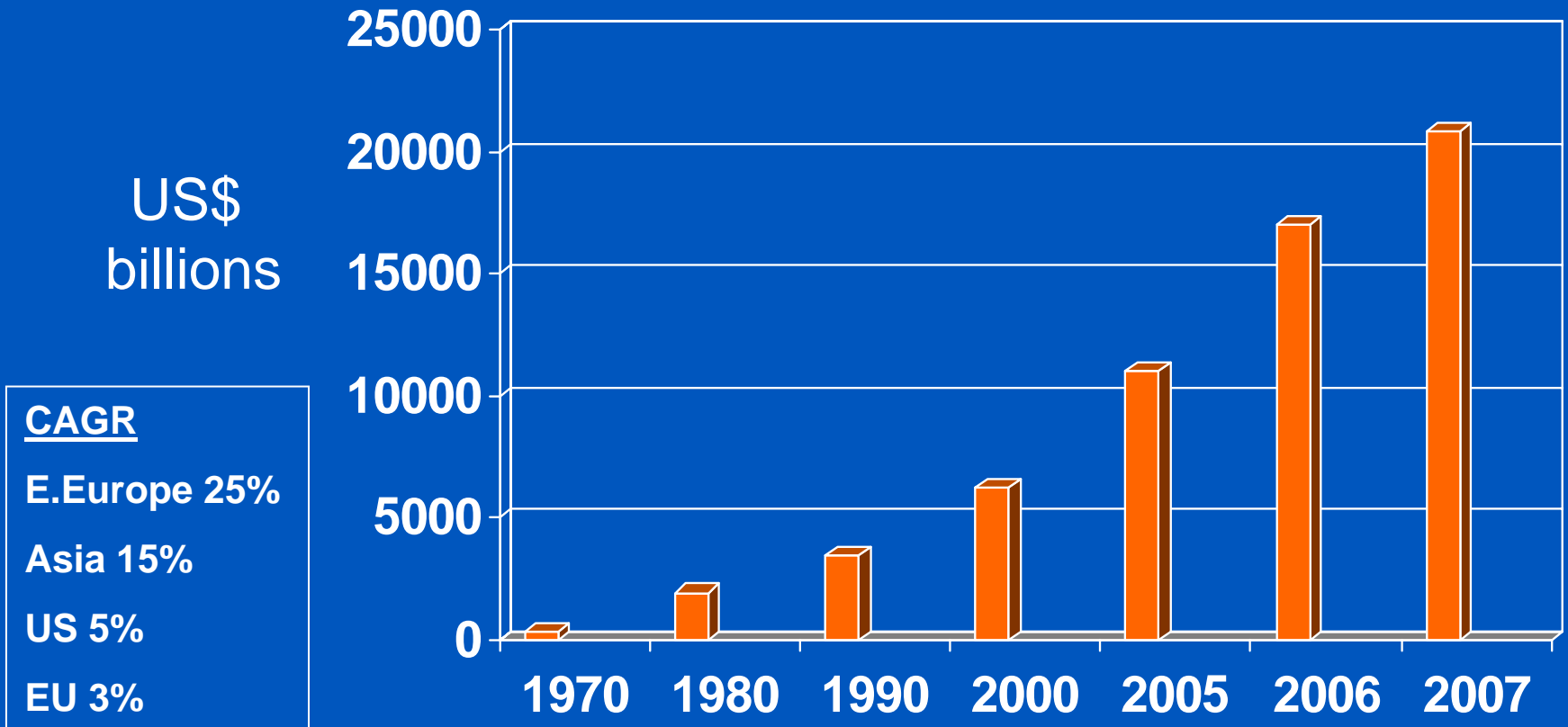
TSU Enabled Services

Current Status



Setting the scene

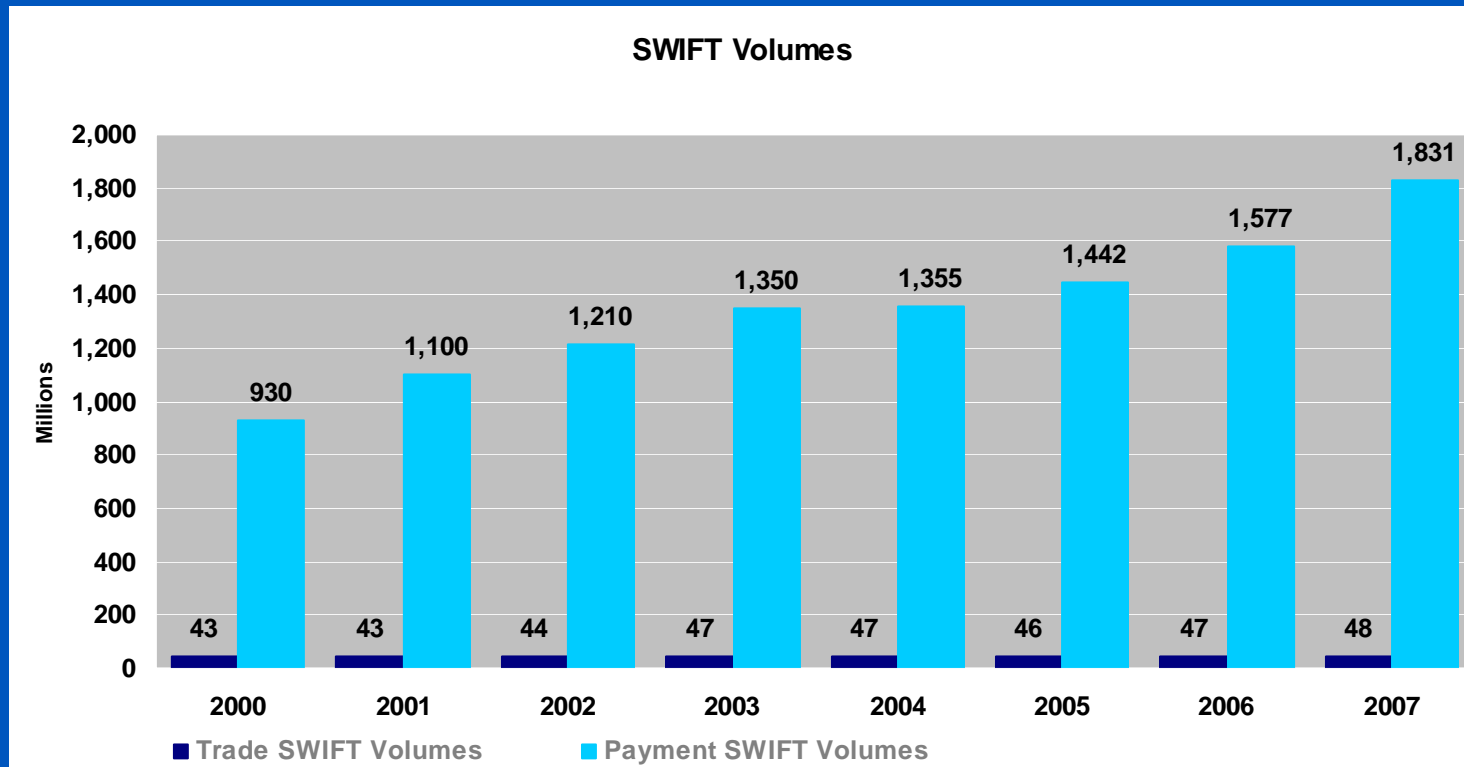
Growth in international trade



Setting the scene

Migration to open account

- International trade continues to grow as economies around the globe strengthen



Source: SWIFT Traffic Watch

- SWIFT messaging shows an increase in Cat 1 / 2 payment volumes whilst Cat 4 / 7 trade volumes are stagnating. This is a visible confirmation of the global shift to open account



Setting the scene

Drivers of open account

LESS BARRIERS TO TRADE

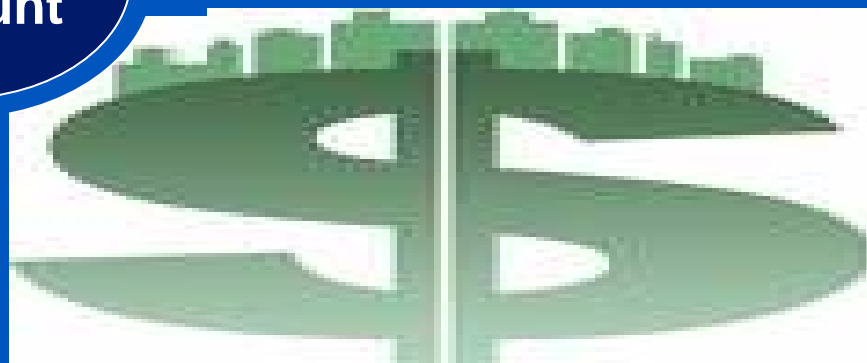
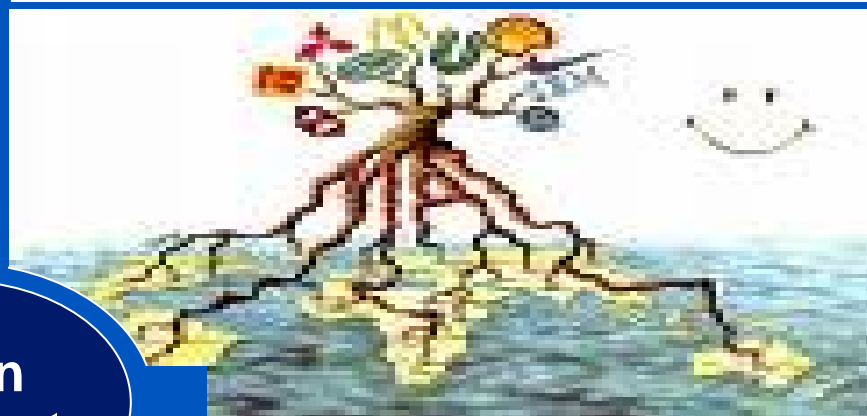
Harmonisation



Internet

BETTER UNDERSTANDING OF MARKETS

Globalisation



Cost Pressure

Open Account

BUYER / SELLER COLLABORATION

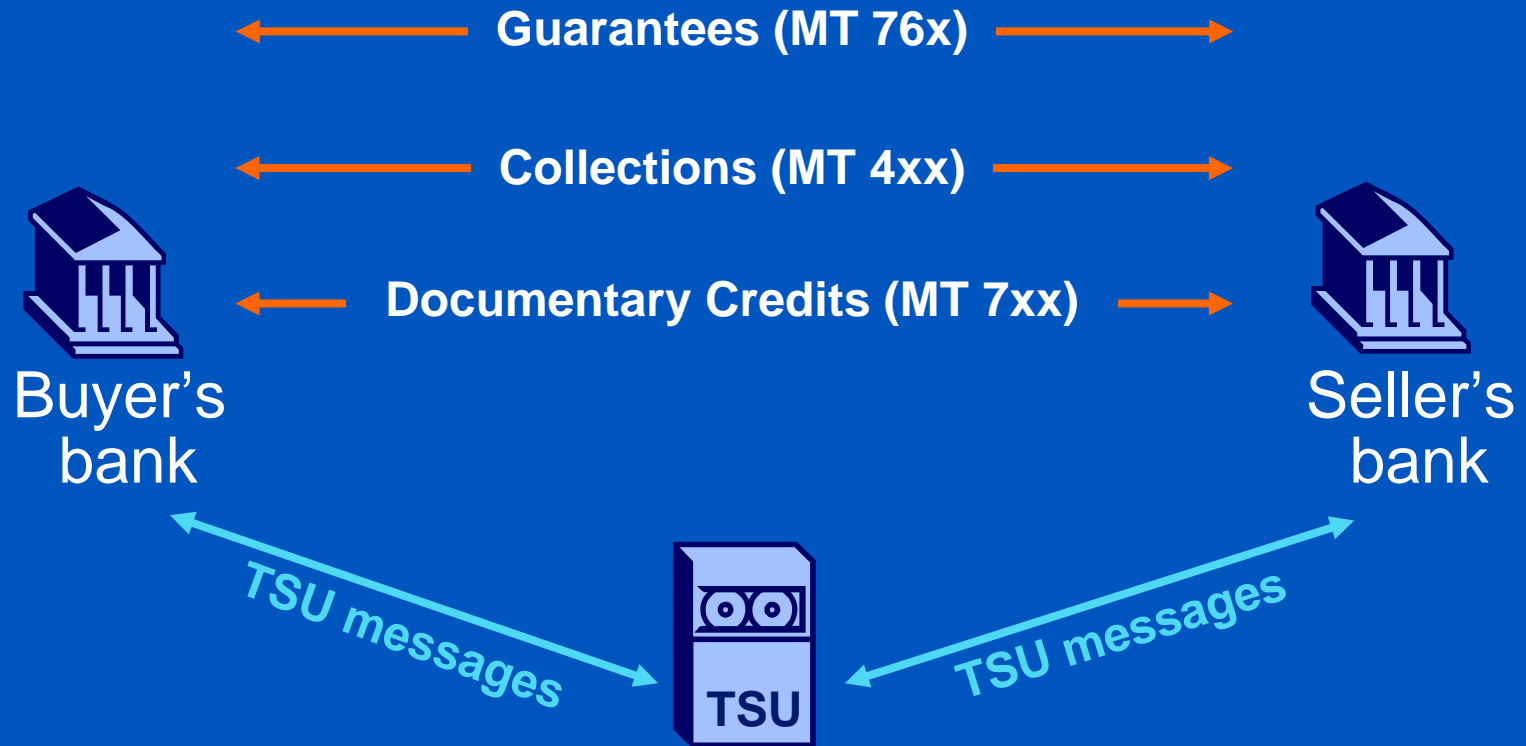
SHAREHOLDER VALUE REQUIREMENTS

DEMAND FOR SUPPLY CHAIN EFFICIENCY



Setting the scene

SWIFT trade services market offerings



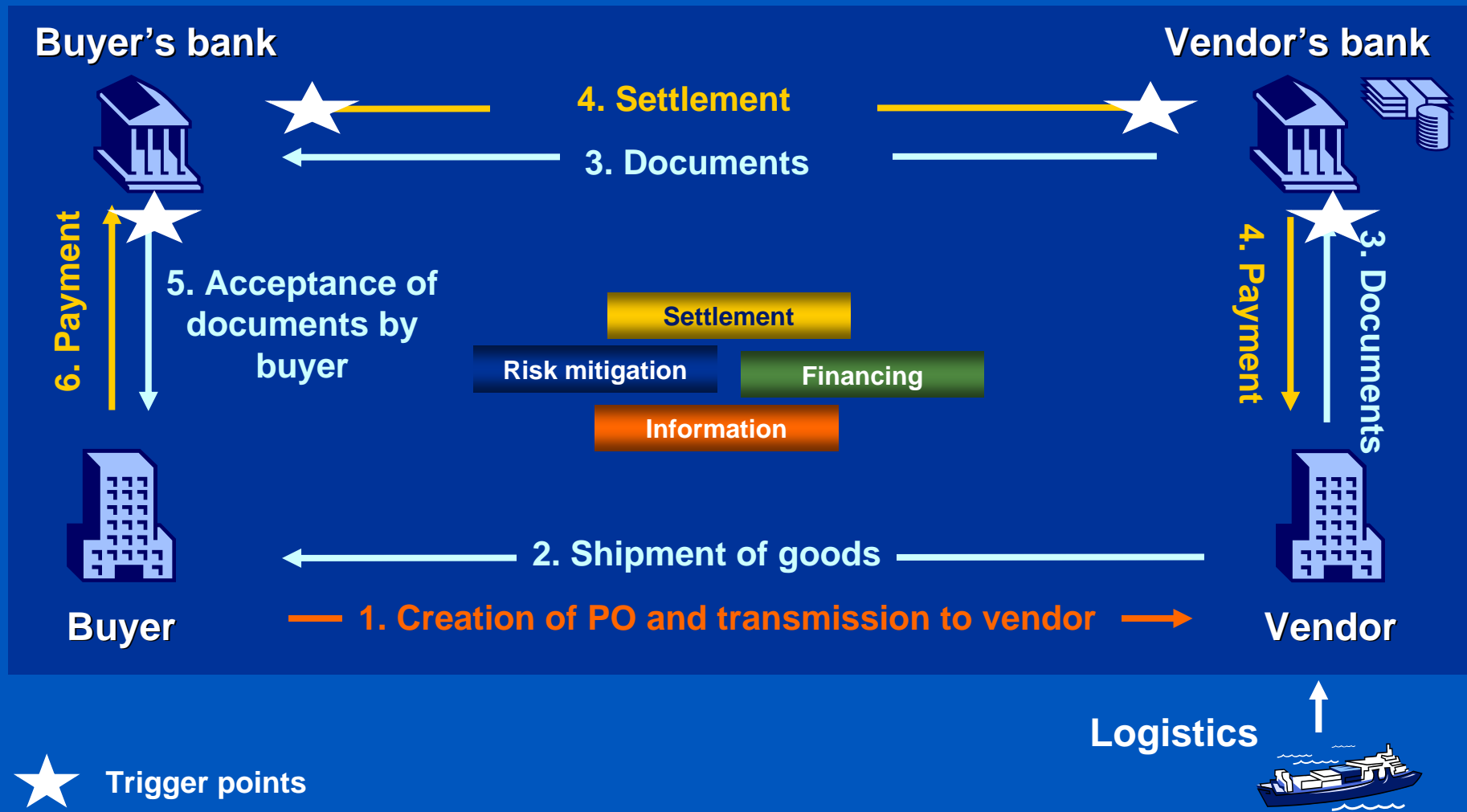
Lodge / Push Through

MT-based
MX-based



Setting the scene

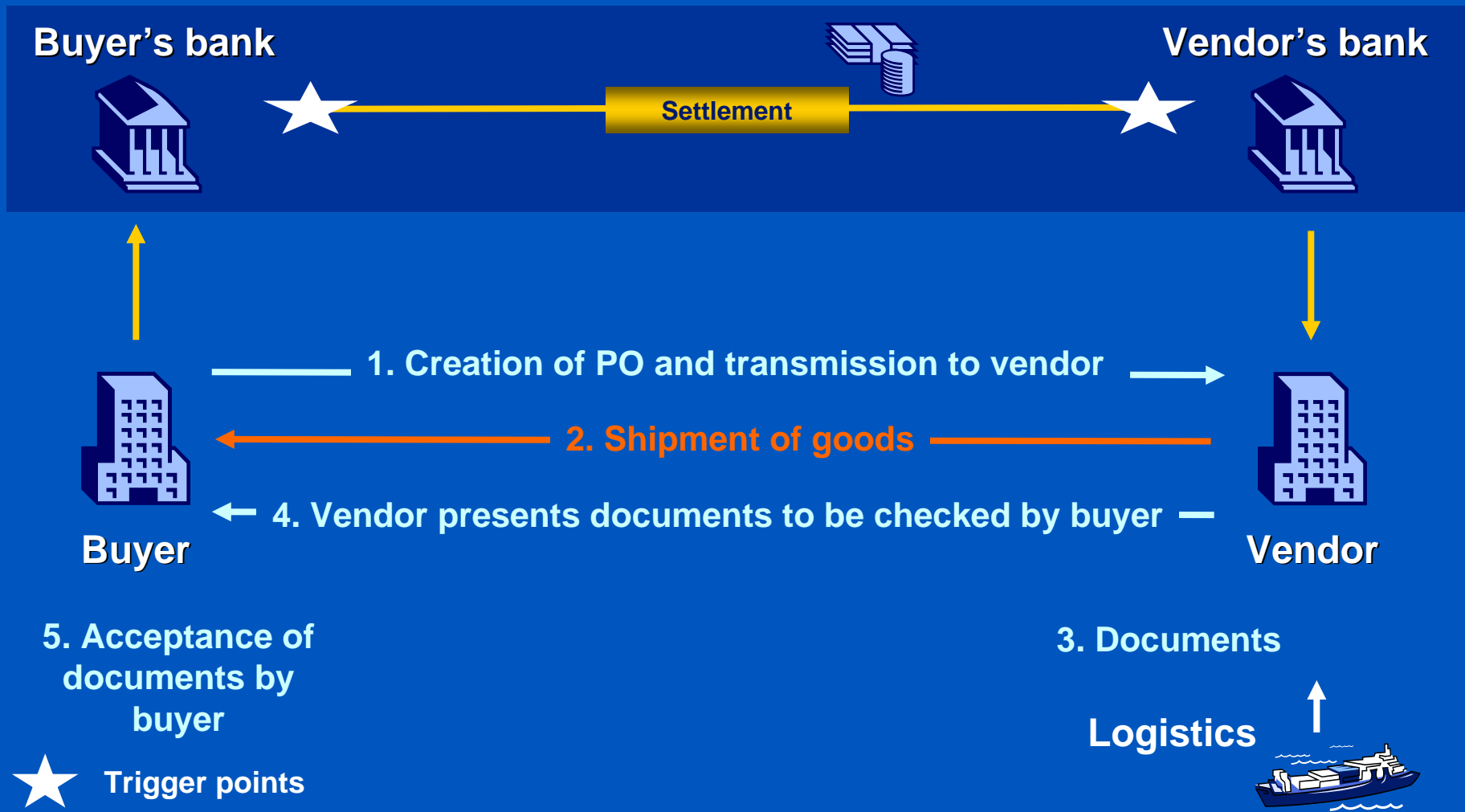
Traditional documentary credits workflow



High transaction visibility reduces risk and cost of finance

Setting the scene

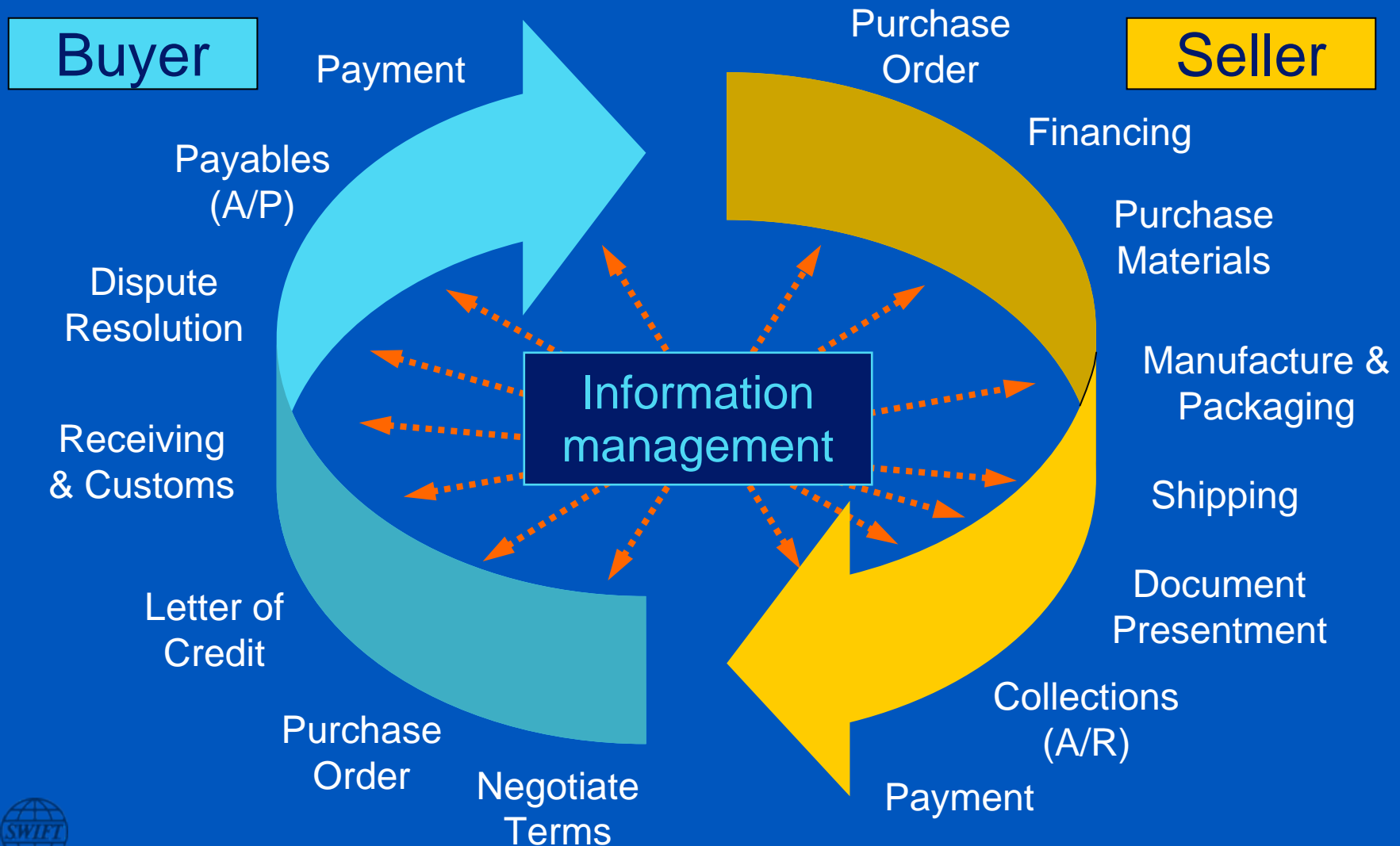
Open account workflow



Low transaction visibility increases risk and cost of finance

Setting the scene

Information flows are key to managing risk



SWIFTNet Trade Services Utility

Setting the scene

What is the TSU?

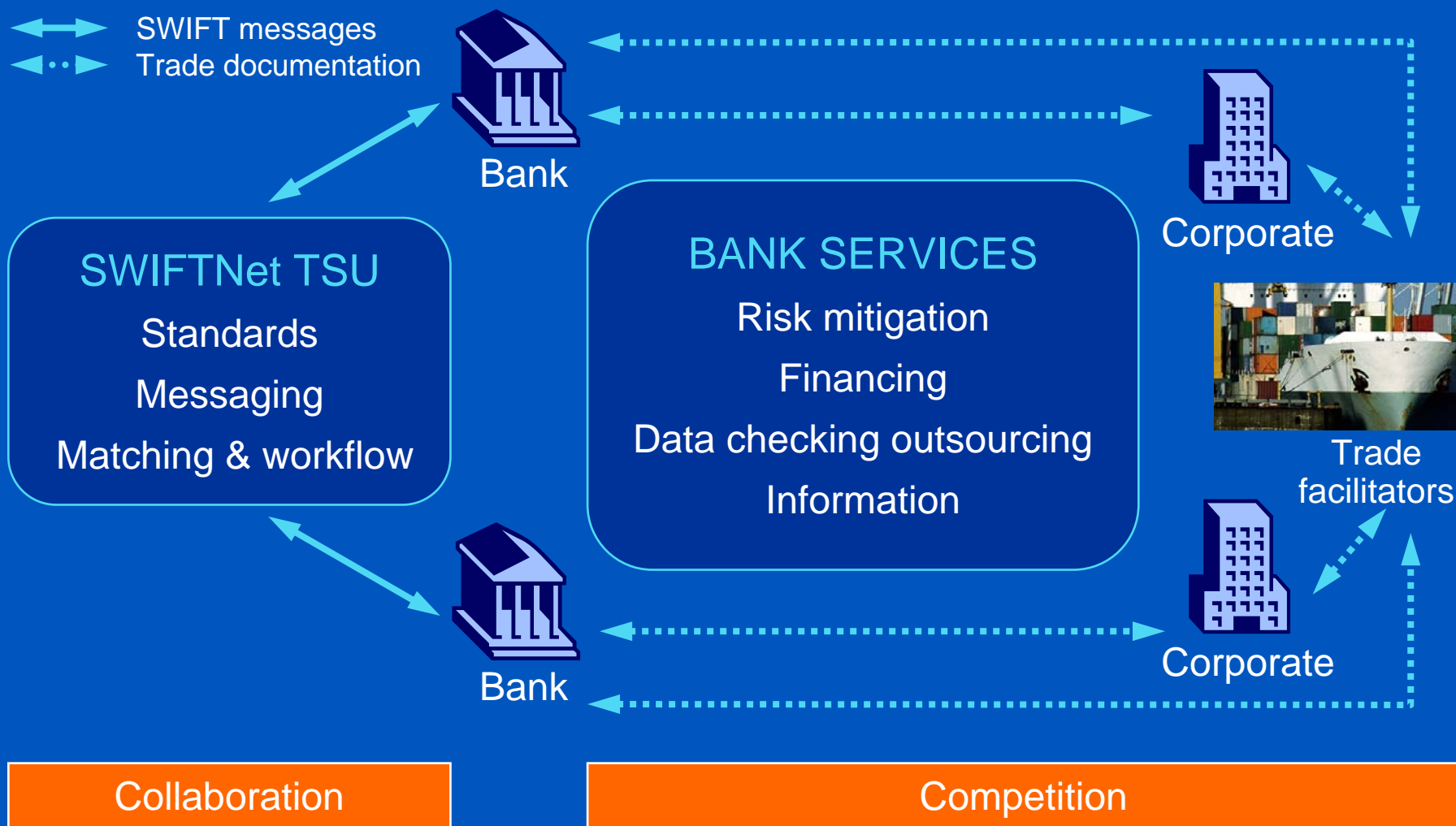
TSU Enabled Services

Current Status



What is the TSU?

Operating in the collaborative space



What is the TSU?

Key features

- Supports the exchange of information between banks – bank to bank only
- Matches data elements extracted from trade documents (initially PO, Commercial Invoice & Shipping)
- Enables banks to generate new revenues:
 - enhance existing services to importers & exporters
 - develop new services in open account & supply chain



What is the TSU?

High level functionality

At the highest level, the TSU will

Establish an initial **baseline** by comparing purchase data submitted by the buyer's and seller's bank

Compare purchase data with **commercial and/or transport datasets** and notify the proper bank (s)

Deliver reports

Buyer's Bank

TSU

Seller's Bank

1

Initial Baseline Submission

Push Through Baseline

Twin-baseline Submission

Established baseline

Established Baseline

2

Match report

Commercial data set

Transport data set

Match report

3

Request report

Deliver report

Request report

Deliver report



What is the TSU?

High-level functionality

1 **Baseline**

- Buyer's and Seller's Banks send PO to TSU
- TSU Sends Back Match or Mismatch

2 **Dataset**

- Seller's Bank submits TSU Invoice and Shipment Information
- TSU Compares to PO and Sends Back Match or Mismatch

3 **Reports**

- Transaction history
- Data mining across entire BIC or specific customer



SWIFTNet Trade Services Utility

Setting the scene

What is the TSU?

TSU Enabled Services

Current Status



TSU enabled services

International trade settlement process

Whether the international trade transaction is settled via open account or traditional trade, the same business process must take place:

- Each step might be called something different
- Or processed by someone else in the supply chain

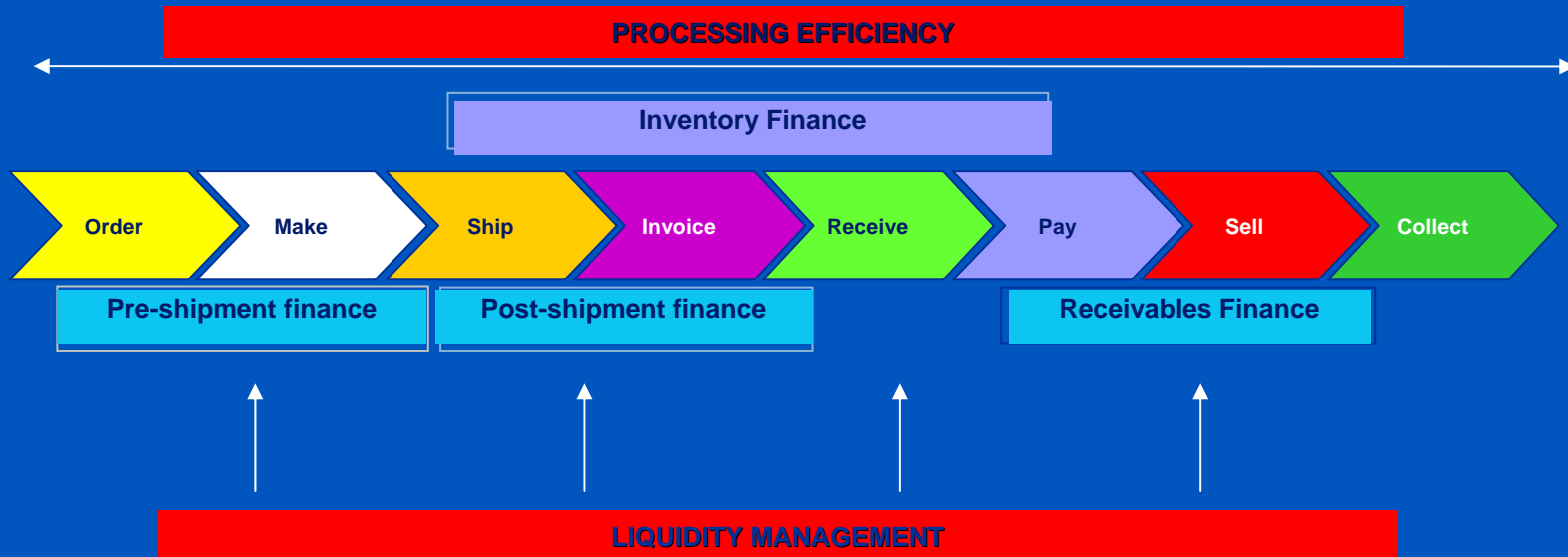


TSU-enabled services

Processing and liquidity mgmt services

The supply chain can be viewed in two dimensions:

- Horizontal: the desire for end to end processing efficiency
- Vertical: the desire for cost containment and liquidity management



TSU-enabled services

Potential bank services

■ Information Services

- Documents creation
- Document imaging
- Event tracking
- Data mining
- Market intelligence
- Netting

■ Risk Management / Mitigation

- Reconciliation
- Collections
- Automated LC process
- Conditional payment
- Improved operational risk
- Credit insurance
- Performance insurance

■ Insourcing

- Accounts payable/receivable
- Confirmed payment collection
- Correspondent bank services

■ Working Capital Management

- Cash flow management
- Payment

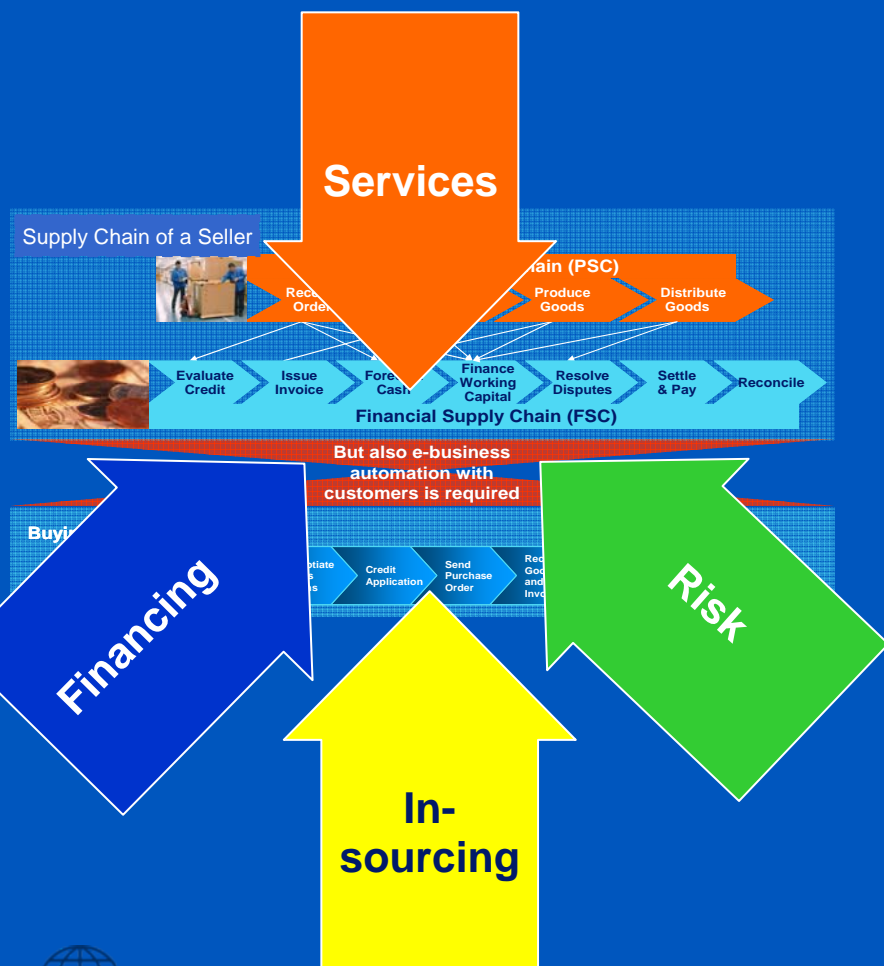
■ Financing

- PO/PO confirmation-based
- Without recourse finance
- Pre/post-shipment finance
- Receivables/payables financing
- Contingent payment obligations
- Rebate schemes
- Forfaiting
- Structured trade finance
- Asset securitisation



TSU-enabled services

Services, risk, in-sourcing, financing



Cash Forecasting

Discrepancy management

Landed costs management

Others

FX hedging

Compliance

Authenticated purchase order

Others

Document preparation

Data Bureau services

Data matching

Others

Pre-shipment finance

Factoring/Invoice discounting

Post-shipment finance

Others



TSU-enabled services

Services

Example: Cash Forecasting

Data matching throughout the transaction lifecycle improves the quality of information and enables corporate treasurers to predict with greater accuracy their cash flow movements and liquidity requirements, reducing the cost of funding.

Example: Landed Costs Management

The ability to capture actual shipping, handling, and import fees and roll these into cost of goods sold enables the Buyer to extend stock control to goods in transit and build true cost into the pricing model.

Example: Discrepancy Management

Delays cost money. The automatic notification of significant events e.g. amendments, approvals, delays, shipment dates etc, potentially linked to the assignment of an action, creates an early warning system for discrepancy reporting and an audit trail when resolved.

Others

E.g. Contract Management (matching data to contract to support payment); Shipper Visibility (data aggregation services built around visibility).



TSU-enabled services

Risk

Example: FX Hedging

Monitoring of transaction data enables a central treasury function to anticipate receipts and payables in different currencies and act as a clearing house to hedge net exposure through multilateral netting. Alternatively, forward contracts can be used to hedge individual transaction exposures.

Example: Authenticated Purchase Order

The TSU can become a vehicle for a bank to authenticate to its correspondent the identity of its corporate customer and the content/accuracy of the purchase agreement. The bank may also authenticate that there is no apparent reason why payment should be refused provided performance occurs.

Example: Compliance

Matched data can be fed into the bank's compliance engine in order to satisfy regulatory requirements e.g. OFAC, Basel II. Each bank has the responsibility to complete its own compliance checks before submission to the TSU.

Others

E.g. **LC Support** (a preliminary data set match highlighting exceptions enables a bank to accelerate internal decision making processes; **Collection Support** (this may be a new service as documents under collection are not checked by the banks); **Shipping Guarantee** (enabling the Buyer to take control of goods without a bill of lading).



TSU-enabled services

Insourcing

Example: Document Preparation

Generation of shipping documents based on data received from corporate purchase order systems.

Example: Data Matching

Reconciliation of accounts payable/receivable.

Example: Data Bureau Services

If banks have visibility of purchase order and other supply chain data, they can begin to track and provide reports and analyses on supplier performance as a value-added service. This information may be relevant to buyer/seller relationships, price negotiations, dispute resolution, consolidation policy etc.

Others

E.g. Hosting (to support the processing requirements of other banks either on a white label or fully disclosed basis)



TSU-enabled services

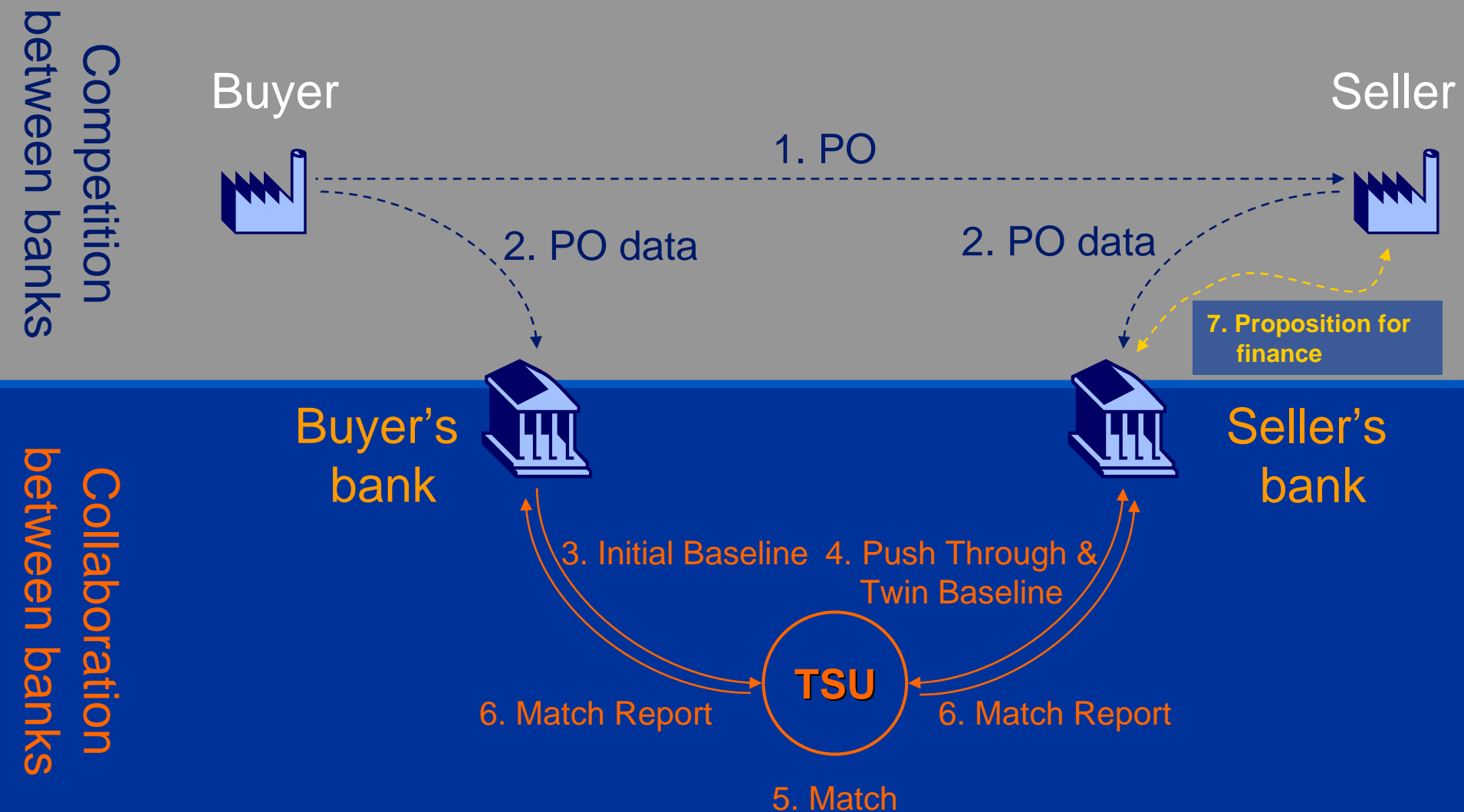
Financing

Example: Pre-Shipment Finance	The matching of purchase order data creates opportunities for a Seller's Bank to make informed decisions regarding the provision of working capital facilities to selected suppliers. This may be linked to work in progress under a buyer support program or a vendor managed inventory.
Example: Post-Shipment Finance	The matching of commercial and/or transport data sets to the purchase order again creates opportunities for a Buyer's Bank to provide non-recourse finance or early payment to a supplier. These facilities may be linked to inventory in transit, proof of delivery (e.g. a forwarder's cargo receipt) or buyer approved invoices.
Example: Factoring / Invoice discounting	Provision of non-recourse finance to the supplier based on a percentage of the invoice value. These facilities may be extended once the commercial data has been matched by the TSU.
Others	E.g. <u>Forfaiting</u> (Supplier's Bank discounts without recourse bills of exchange drawn on the Buyer based on the guarantee of the Buyer's Bank); <u>asset securitization</u> (dependant upon the individual bank's credit policy, enhanced cash flow forecasting could enable the purchase of receivables at a low and quantifiable risk).



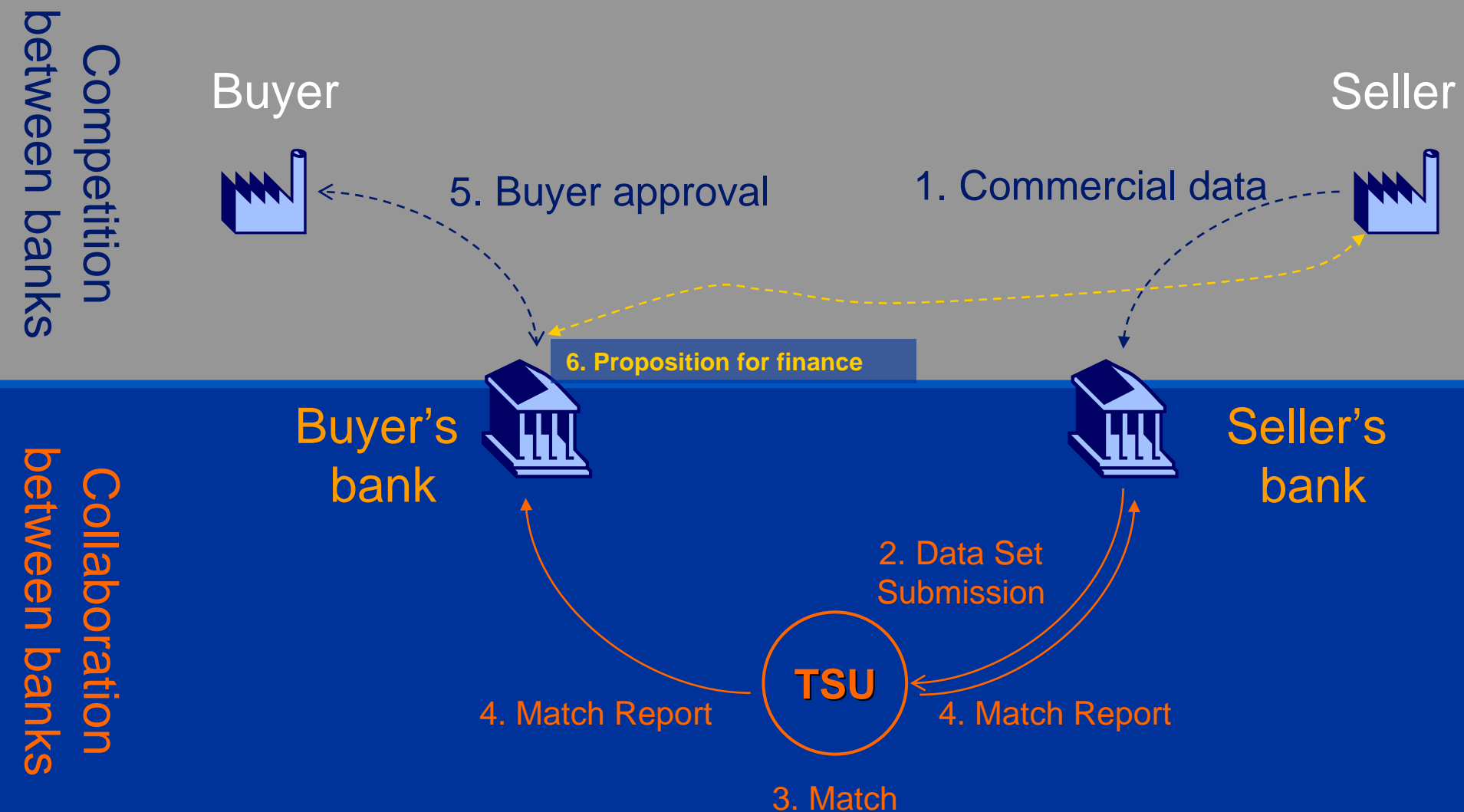
TSU-enabled services

Pre-shipment finance (PO issuance)



TSU-enabled services

Post-shipment finance (buyer approved invoice)



TSU-enabled services

Leveraging trigger points for supply chain finance

Benefits for corporate

Better price and/or higher credit limit

Increases timeliness of access to funds

Funding at confirmed stages

Benefits for bank

Increases comfort, reduces risk and increases appetite

Reduces number of discrepancies in commercial docs

Provides service trigger points

TSU functions

Two data sources increases authenticity

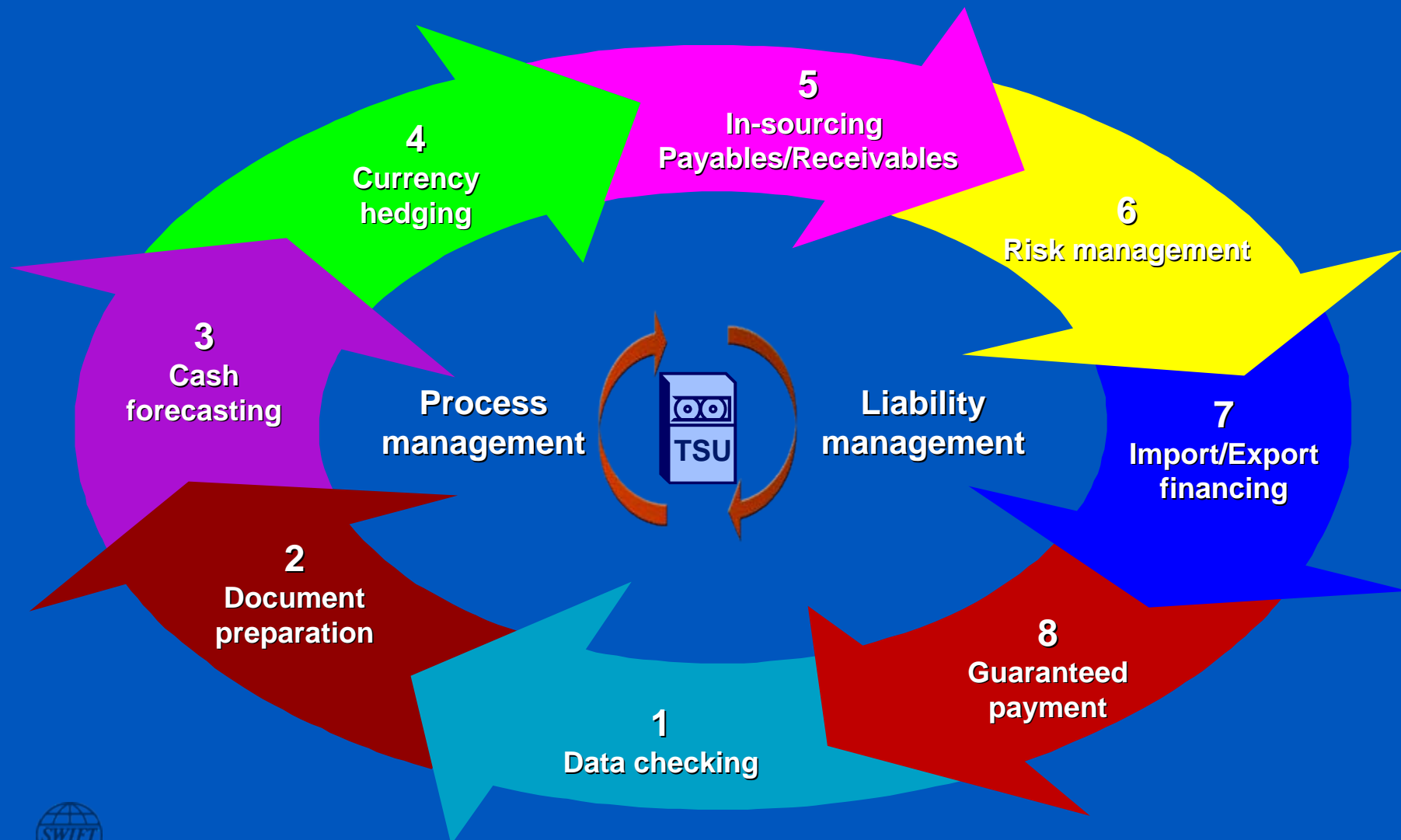
Baseline line item matching

Notification to Bank of complete events and required actions



TSU-enabled services

Phased approach to service delivery



TSU-enabled services

SWIFT to Bank / SWIFT to Industry

Bank

- New sources of revenue via enhanced or new products
- Allows banks to build product portfolio in stages, including in-sourcing
- Enables trigger points by monitoring of transactions
- Lowers cost of investment in a shared infrastructure
- Increases automation of data checking
- Reduces risks with dual party transaction authentication
- Matching baselines results in fewer discrepancies
- Facilitates end to end transparency of previously isolated functions

Industry

- Helps move the industry towards standard approach to business
- Common (XML) standards facilitate STP and handling efficiencies
- Provides interoperability between banks
- Separates collaborative space and competitive space
- Bank neutral service provider; trusted delivery and resilience
- Respects existing corporate business practices



SWIFTNet Trade Services Utility

Setting the scene

What is the TSU?

TSU Enabled Services

Current Status



Current status

Community of banks



56 Trade Banks
67 BICs
24 countries/ territories



Current status

TSU banks in the Americas (9)

	<ul style="list-style-type: none">• Bank of Montreal• Laurentian Bank
	<ul style="list-style-type: none">• Citibank• First National Bank of Omaha• PNC• JP Morgan Chase• The Bank of New York
	<ul style="list-style-type: none">• Banco do Brasil• Bradesco

Current status

TSU banks in Europe, Africa & Middle East (29)

	<ul style="list-style-type: none"> • Handelsbanken 		<ul style="list-style-type: none"> • UBS • Swiss Re
	<ul style="list-style-type: none"> • RBS • HSBC 		<ul style="list-style-type: none"> • Banco Popolar • Caja Madrid • Banco Santander • BBVA • La Caixa • Banco Sabadell
	<ul style="list-style-type: none"> • ABN AMRO • Rabobank 		<ul style="list-style-type: none"> • Garanti
	<ul style="list-style-type: none"> • Fortis • KBC 		<ul style="list-style-type: none"> • BMCE
	<ul style="list-style-type: none"> • Deutsche Bank • Dresdner Bank • Commerzbank • Sparkasse Bremen 		<ul style="list-style-type: none"> • FirstRand • Standard Bank
	<ul style="list-style-type: none"> • Calyon • BNP PARIBAS • Société Générale • Crédit Agricole • Crédit Mutuel 		<ul style="list-style-type: none"> • Banca Popolare di Sondrio



Current status

TSU banks in Asia Pacific (18)



- Bank of China
- China Citic Bank
- China Merchants Bank
- China Construction Bank
- China Minsheng Bank
- Hua Xia Bank



- Hang Seng Bank



- Bank of Tokyo Mitsubishi, UFJ
- Sumitomo Mitsui Banking Co.
- Mizuho Banking Co.



- Korea Exchange Bank
- Shinhan Bank



- Bangkok Bank
- Kasikornbank



- Standard Chartered Bank



- Bank Danamon



- Australia and New Zealand Banking



- ICICI Bank



Current status

Regional User Groups established

- Asia Pacific – 15 banks
Chairperson – Elizabeth Galletly SCBL
- EMEA – 16 banks
Chairpersons – Frank Bothe DEUT
– Herwig Huysmans KBC
- Americas – 9 banks
Chairperson – Peter Tijou JPMC



Current status

Support & Release Plans

Support

- Standards Handbook
- Service Description
- Education Course
- Integration Guide
- Interface User Guide
- Test Scenarios
- FAQs

Release Dates

- April 2, 2007 – Release 1
- Nov 2007 – Maintenance release
- Nov 2008 – Release 2



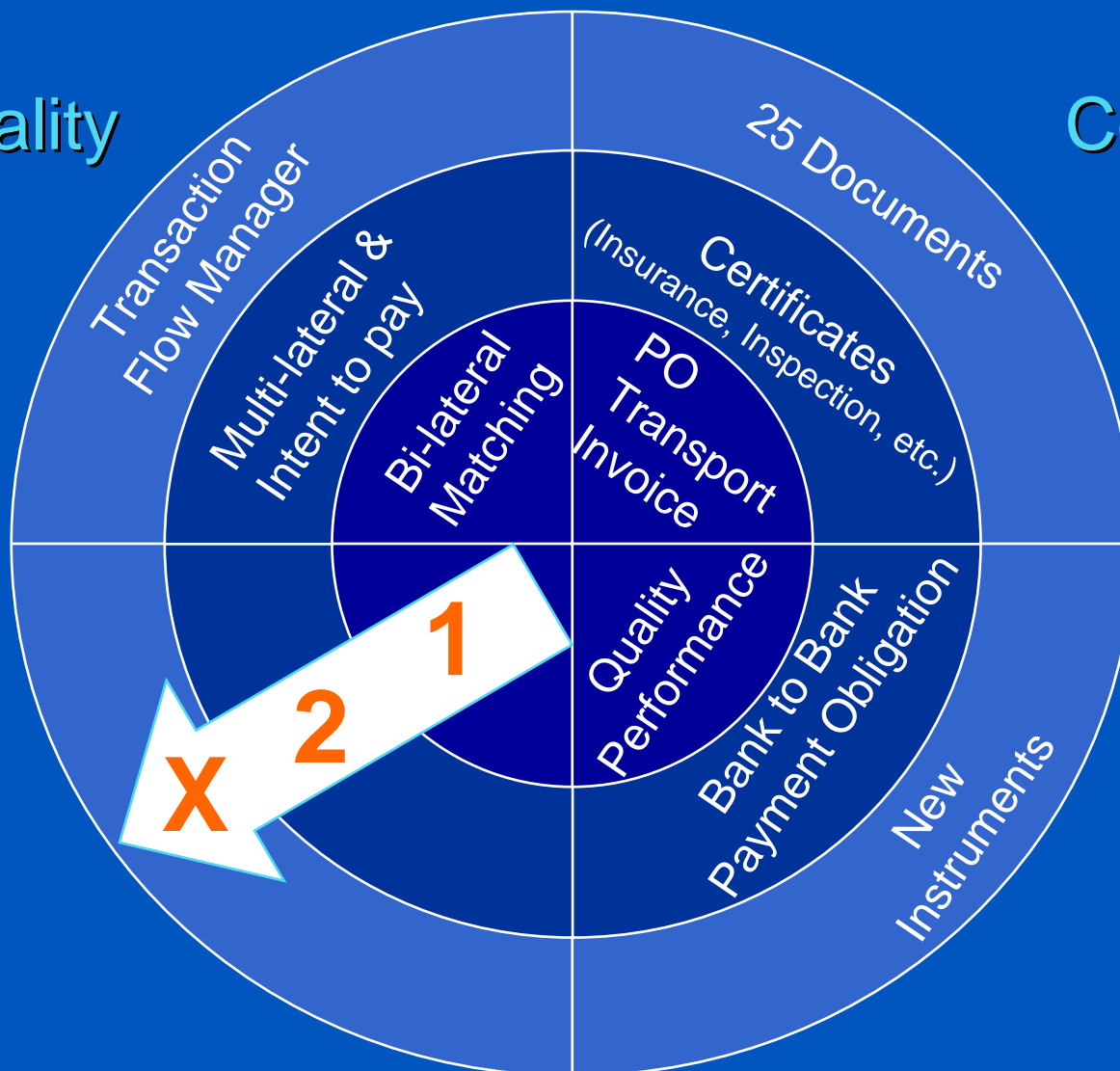
Future releases

Functionality

Commercial
data

Time

Obligation



Current status

TSU Regional Contacts

Americas



Chris Conn



Jesus De Lara

Europe, Middle East & Africa

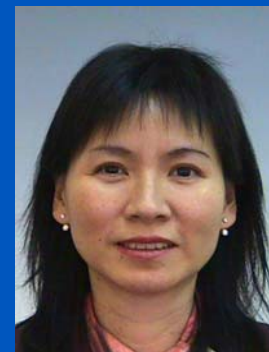


Nicolas Willard



Urs Kern

Asia Pacific



Connie Leung




Vivian Zeng



Current status

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SWIFTNet Trade Services Utility

Helping banks meet the supply chain challenge

Key concepts:

- >> central matching and workflow engine
- >> accessed only by financial institutions
- >> supporting new/enhanced supply chain services to corporates

Migration to open account has often left banks involved only at the settlement end of the transaction.

In order to re-intermediate themselves, banks need to add value by extending their existing trade services to support broader supply chain integration.

The SWIFTNet Trade Services Utility is a collaborative centralised matching utility that is designed to help banks meet the supply chain challenge.

Banks will build individually on the core functionality of the TSU to offer competitive services that will be complementary to their existing offerings to their corporate customers.

The TSU became commercially available on 2 April 2007.

List of TSU Banks

In SWIFT Solutions

- >> SWIFTNet Accord
- >> SWIFTNet Affirmations
- >> SWIFTNet Bulk Payments
- >> SWIFTNet Cash Reporting
- >> SWIFTNet CLS Third Party Service
- >> SWIFTNet Corporate Actions
- >> SWIFTNet Data Distribution
- >> SWIFTNet Exceptions and Investigations
- >> SWIFTNet FIX
- >> SWIFTNet Funds
- >> [SWIFTNet Trade Services Utility](#)
- >> SWIFTSolutions for Payments Clearing

Recent updates

- >> SWIFTNet Kits
- >> SWIFTWatch FAQs

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