

Building supply chain partnerships with financial institutions

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The idea that a local or regional bank would turn to larger, global banks to boost business beyond correspondent banking would have traditionally received little attention a few years back. However, with the dollar value of global trade doubling in the past decade and the level of global trade services demanded by companies participating in cross-border commerce changing, partnering with an international bank nowadays is a very viable option. We believe that the noticeable transition from letters of credit to open account and the global supply chain needs of corporate clients will propel greater interaction between local banks and global partners where supply chain is concerned.

This is especially true for global commerce and its evolving influence on a corporation's supply chain. As corporations become more global, their supply chains get more complex with a growing number of participants. These corporations need a comprehensive suite of end-to-end financing and trade processing solutions to support their cross-border trade needs.

MARKET DEMAND

How are financial institutions facing up to this challenge? The truth is that there is no off-the-shelf solution that can be deployed to meet the changing supply chain needs of corporate clients. Providing a comprehensive supply chain solution requires access to supplier markets, client relationships and investment in technology platforms to deliver a true end-to-end solution.

As a major global bank with strong presence in Asia Pacific, we are increasingly receiving interrelated requests from local and regional banks that want to be able to provide the best possible supply chain services to their customers without the huge time and cost investment. This has led to a relatively new development in trade banking, where we see more interest from local and regional banks in establishing strategic partnerships with global players. In particular, partnerships are developing around:

- Establishing leadership in delivering new products and capabilities in their respective markets
- Access to technology platforms that can provide integrated financial solutions and visibility across the supply chain

Citi is expanding its financial institutions outsourcing to include

THE CASE FOR SUPPLY CHAIN PARTNERSHIP

- Reduce capital outlay
- Leverage market-leading technology
- Extend geographic reach
- Expand product suite and capabilities

supply chain expertise in Asia. Although tailored to specific needs, the Citi partnership provides a robust solution that enables a financial institution to get off the ground quickly, providing that first mover advantage with their target clients.

THE CASE FOR SUPPLY CHAIN PARTNERSHIP

As a regional or domestic bank, you may have a market-leading brand in your home markets. By partnering with Citi, your bank gains access to a strong global footprint and innovative products.

For the benefits of corporate clients, the partnership allows local and regional banks to greatly expand their trade offerings to support and satisfy both current and future requirements. Few financial institutions can afford to devote resources to develop their own supply chain platforms, whereas partnering can make it much easier to jump into the unknown with a high level of confidence, knowing very well that you can rely on a trusted partner.

Technology and investments

Technology and operational capacity is foremost amongst these issues driving this change in attitude. With the shift to open account payment terms and increased focus on supply chain, investments in technology can either make or break a financial institution to clients with advanced trade ambitions. By leveraging a global partner like Citi, their own financial institutions can now offer their clients a highly secure and integrated white-labeled platform for their domestic and cross-border supply chain needs.

Geographic reach

The second major issue urging banks to consider the supply chain collaboration is the geographic breadth of coverage and access to large global client relationships. Global trade banks, with their



presence in developed and emerging markets, provide a huge advantage in offering solutions on both ends of the supply chain. Through a partnership with a global trade bank like Citi, you will leverage the global reach and solutions available in different markets to support your customer's and their trading partner's needs offshore. This requires a thorough understanding of the market and client's business, an aspect not adequately covered under a typical correspondent banking arrangement.

Product expansion

The third catalyst we see for the future growth of supply chain outsourcing is the desire by many banks to expand product suites and capabilities. As customer sophistication grows with their entrance into supply chain financing, banks like Citi are perfectly positioned to offer tested and secure products to their local counterparts. Citi's partnership provides access to relevant "best practices" in product and sales management, service delivery and implementation as well as risk management processes. In many cases, having the right products through an integrated in-sourced package of technology and operations processes can be a significant value-add to financial institution clients.

In Asia Pacific, several banks are now seeing the benefits of partnering with a bank such as Citi to offer supply chain solutions. The concept of partnering is not new in Asia or elsewhere around the globe, as many global banks have been involved in outsourced L/C re-issuance for years. Given the growth of international trade

we are currently seeing and anticipate in the future, we believe that more banks are likely to choose this option as a means of maintaining clients and achieving scale. The future of partnerships in the supply chain space looks bright.

A GROWING BUSINESS

Although no bank is at the stage where supply chain is a huge component of its business, we at Citi have many reasons to believe that the importance of establishing supply chain partnerships between financial institutions will only grow in the future. Aside from the aforementioned drivers of a supply chain partnership, we also see several financial institutions looking to Citi to train their staff, advise them on developments in the trade market place and growing needs of regulatory compliance, including provision for white-labeled processing capabilities.

We believe development of supply chain solutions will continue to be a focus for both us and other financial institutions, particularly given that the transition from L/C to open account will continue. Although it does represent one future direction of this business, offering supply chain expertise to other banks does represent the changing role of trade banks like Citi in this sector. By offering various forms of partnerships for financial institutions, the role as a trade bank is evolving from competitor to partner for many regional banks. As trade volumes in this part of the world continue to soar, smaller banks will increasingly recognize that leveraging network, the geographic breadth and operational and technological capabilities of a bank like Citi is in fact a catalyst for growth. ■