Paperless Trade: The Case for Automation

Although it drives the global economy, trade finance processing hadn't really evolved for decades, and this lack of progress gave stakeholders an increasingly challenging landscape. More recently however, accelerating innovation and digital adoption within the space has offered optimism and confidence to all involved.

Machine learning and artificial intelligence (AI) are changing the way that players in trade do business, making it more efficient, affordable and competitive. New technology-based business models are driving global trade into a digital future faster than ever before. Banks are stepping up, and given the growing importance of trade finance, it makes sense to invest in automation for this vital business line.

According to the *World Economic Forum*, inadequate trade finance is one of the top three export obstacles for half of the world's countries. AI is increasingly deployed by financial services providers across sectors to help maximize profitability and improve the customer experience.

AI could also amplify risks already present in financial markets or create new threats and challenges. However, it has the potential to transform business models and markets for trading, credit and blockchain-based finance, generate efficiencies, reduce resistance and enhance product offerings.

Why Change is Needed
There are huge inefficiencies in every point of the trade process; with enormous waste of time and resources – and can take many weeks to complete. Add to that security and compliance risks – with heavy fines and an abundance of regulatory obligations becoming increasingly commonplace - and something needed to change.

The banking industry is still heavily reliant on paper, billions of paper trade documents are exchanged and reviewed each year, a practice that – while in decline – shows no signs of abating. Indeed, respondents to the *International Chamber of Commerce (ICC) 2020 Global Survey* revealed that 45% of trade banks reported "no progress" in reducing their paper use for document verification. The net result is that these activities remain extremely costly, time intensive and inefficient. Banks view digitalisation as a potential impetus to optimise trade finance processes – including document checking.

Technologies are set to revolutionise the traditionally paper-based industries, reducing boundaries, improving transparency, and supporting automation. Early digitization of trade-related documents, minimizing errors and reducing the time cycle through automation put *Euro Exim Bank (EEB)* at the forefront of the financial services sector. Furthermore, AI is changing the trading landscape, helping make trade assets more efficient, affordable and competitive.

The Potential of AI in Trade Finance
Digitalisation and cutting-edge technology are now the essential areas of strategic focus – driven by the promise of cost reductions, efficiency and compliance benefits. Digital advancements are pushing the development of improved business models, to meet the need for increased operational efficiency and alignment with more complex sustainability goals.

In trade finance, AI is helpful in analysing quantitative data, and the repetitive nature of trade finance means that there is a lot of non-traditional data available. AI will revolutionize the automation, and is good at exactly the processes where humans are poor: handling complicated, well-defined tasks that demand constant attention to detail.

AI can automate completing all those trading documents and make sure that the right electronic forms are received by the right entities at the right time in the trading process. Adding AI to your capabilities will also reduce the occurrence of payment frauds committed by professional cyber-criminals. This is a key benefit at a time where cyber-crime is on the up.

Overcoming the Barriers
A business wishing to trade internationally currently must deal with a complex infrastructure that is hard to navigate and expensive to maintain. By embracing automation to help establish a new technological infrastructure for trade finance, governments can support banks both big and small, as well as SMEs trading across borders.

The answer lies in the adoption of AI – a technology that has made significant advances over the past decade. For investors and sellers of risk, including banks and factoring companies, it holds the potential to help identify and monitor risks in the supply chain before they become problematic.

Beyond cost reduction and time-saving optimisation, the automation of document checking makes the review process more resilient. AI is complimented by machine learning (ML) that automatically keeps the software updated by recording and applying the resolutions enacted by the operatives. It can also keep pace with evolving compliance and legal standards.

Digital ecosystems that connect key stakeholders, improve their operational efficiency, and drive greater transparency and convenience, are a win-win for all and should be championed within the industry and used to support growth – irrespective of sector, geography and business size.

Pioneering AI in Trade Finance
In December 2020, the *World Economic Forum's* global survey revealed five emerging technologies: IoT in supply chains, digital payments, e-commerce platforms, cloud computing and 5G, which promise to change the traditional international trade landscape. These trade tech solutions, will continue to find a place within international trade. They are a digital component of the path forward for the trade ecosystem that strives for efficiency, inclusivity and equity.

Additionally, *EEBs Future Ready* strategy brings clarity and vision to complex scenarios, delivering peace of mind, lower lifecycle costs and resilience, making applications and infrastructure ready for future challenges. As part of *EEB's* 'future-ready' system capabilities, its internal Simplex trade platform incorporates DLT/Blockchain technology with payment APIs. This provides the bank with more automated, digitized, and integrated processes covering identity assurance, real-time company data access, PEP and sanction lists with the benefits of full compliance and due diligence.

When this is combined with *EEB's* account facilities and merchant account payment products, it gives importers a means to pay in other currencies rapidly with a variety of funding options 24/7.

Achieving Future Readiness
Although change won't happen overnight, and transformation is still at an early stage, there's clearly great potential for technology to create major opportunities in the trade finance sector. Ultimately, as finance sector organisations continue to show increased interest in collaboration, and as technology continues to innovate – the multiple benefits for all parties operating in trade finance will be transformational.

Collaboration across global trade is a vital component to realising this future, and existing solutions have come about through banks, fintechs, investors and other stakeholders working together and adopting innovative technology. Ultimately, this is the formula required to truly revolutionise this centuries-old industry.

EEB continues its journey to transform trade finance from a paper-based system to a digital one and bring efficiency, transparency, and cost-effectiveness to all users, and most importantly, meet and exceed the expectations of their overgrowing tech-savvy client base.