

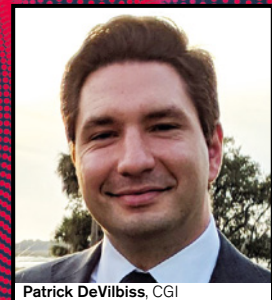
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# Digitisation in a post-Covid-19 world

The economic consequences of the Covid-19 health crisis are not only widespread, but also difficult to anticipate. International trade is a case in point; the ripple effects of badly disrupted supply chains will likely be felt for years to come, write *Rory Kaplan*, Senior Offering Manager for Trade and Supply Chain Solutions, *Patrick DeVilbiss*, Director of Consulting and *Colin Zeglen*, Product Manager for Trade and Supply Chain Solutions at CGI.



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**G**lobalisation has been one of the most significant economic growth trends of the last 50 years, but the Covid-19 outbreak has altered its upward trajectory. In fact, the World Trade Organization (WTO) predicts that, as a result of the pandemic, world trade will fall between 13 and 32% in 2020 alone. The WTO expects nearly all regions of the world to experience double-digit trade volume declines, with trade most dampened in sectors with complex value chains.<sup>1</sup>

Even before Covid-19, the business processes and workflows of the trade banking world were complex, confusing and error-prone. Just as new answers will be needed to end the pandemic, new thinking and action, such as the digitisation of trade banking processes and paper-based transactions, will be needed to fortify flagging supply chains and restore vitality to global commerce.

## Post-pandemic trade finance challenges

To understand why this change is necessary, one needs to consider the major obstacles that hampered the efficient operation of trade finance prior to the pandemic. Three of the biggest challenges were establishing trust among trading partners, containing the complexity of trade transactions, and managing the large volume of documents generated in almost every deal.

Establishing trust among buyers and sellers is key to trading activity. In an economy increasingly reliant on the global sourcing of products and services, these players may not only need access to working capital but also to a variety of financial instruments that enable them to feel secure in their transactions and to mitigate risk in a complex and fluid business environment.

Process complexity is another obstacle to efficiency. For international companies

operating or participating in large-scale supply chains, complexity means not only grappling with the multiple business processes and workflows of multi-national buyers and sellers, but also navigating the legal and regulatory regimes, jurisdictional claims and cultural differences that govern cross-border trade.

From bills of lading to letters of credit, yesteryear paper documents with pen and ink signatures largely remain the state of trade practice. Indeed, paper documents often hold the trade transaction process together. However, they also hold it in check when paperwork is delayed, unsigned, misplaced, undelivered or contains missing and erroneous data.

Given these constraints, trade banks and their clients have struggled to gain operational efficiency in finance and supply chain transactions. Fast forward to the here and now; a pandemic-

plagued global marketplace is marked by complete business shutdowns. Orders have been put on hold. Employees with critical skills and know-how have been sheltering in place rather than going to work. Inventories, especially just-in-time inventories, have been depleted or emptied. Transportation networks have been slowed or stopped, leaving freight to pile up at warehouses, ports and depots. Key component suppliers have shuttered, and potential substitutes have been difficult to find, assess and trust.

The bottom line is that the priorities of companies large and small have shifted from seeking business efficiency to achieving business continuity.

The good news is that digitisation technologies exist today that can enable badly rattled supply chains to get back on track. These technologies do so by helping trade banks and their clients to establish trust in the midst of today's confusion and uncertainty, to manage the complexity of trade-related transactions, and to eliminate backlogs associated with the generation, presentation, signing, authorisation and delivery of paper documents.

### The promise of digitisation

Digitisation as a necessary business response strategy to Covid-19 is a view shared by many. The International Chamber of Commerce Digitalisation Working Group noted that lessons learned from putting rapid response, quasi-digital solutions in place, even if many of these solutions are later re-examined and withdrawn, "will positively change how banking and trade finance is originated, transacted and settled."<sup>2</sup>

As trade banks and their clients assess digital solutions, strategic thinking can be split between the short, mid and long-term. What process efficiencies can be gained by immediate digitisation? Greater use of digital communications channels and electronic documents and signatures are obvious near-term possibilities. More advanced methods of digitising documents also can be implemented using natural language processing and machine learning to capture data and to perform routine tasks.

Down the road, digitisation of manual and legacy systems must be considered in terms of their fit for purpose. Among the most promising technologies for adoption over the mid to long-term are networked digital ledger technology (DLT) platforms, application program interfaces (APIs), and intelligent process automation.

Blockchain and DLT enable banks and their trading partners to operate with agility in large and constantly changing commercial ecosystems by eliminating the need for a centralised authority to validate and control their transactions. By using encrypted data in distributed ledgers, blockchains introduce new levels of speed, transparency, resilience and security to the trading process.

APIs establish the protocols for information sharing and interoperability across networks and platforms. Proprietary API specifications can be tailored to fit the business needs of particular banks and their clients. While such APIs may present efficiency benefits in the short run, without the adoption of common standards, they may become a barrier to supply chain participation for future trading partners.

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Intelligent process automation (IPA) combines innovation technologies such as intelligent data capture, robotics and machine learning to streamline, systematise and optimise business processes and workflows. Some trade bank operations can use these capabilities to become completely automated in areas such as document examination, early compliance checking and anti-money laundering reviews. Others, while still requiring human intervention for decision-making, will still be dramatically improved through greater operational efficiency and more error-free performance. IPA technology also sets the stage for additional innovations like straight-through processing and data analytics.

Fortunately, leveraging these types of technology solutions does not require building from scratch. Commercial platforms with the right IPA capabilities can provide an easy on-ramp for banks and their clients seeking to digitise their trade processes and workflows. Best-of-breed platforms like CGI Trade360 leverage APIs and XML messaging to simplify incoming and outgoing data integration. CGI Trade360 interoperates with bank-branded portals, service centres, SWIFT or other electronic

channels to streamline transaction processing, workflows, document generation, reporting, denied party screening and insourcing.

Other important trials and cooperative demonstrations have pushed the development of blockchain:

- Bank of Montreal, Skuchain Brackets, CGI and other players demonstrated the ability of the CGI Trade360 trade banking platform to integrate with a blockchain platform for streamlined digital trading.
- Eight banks, including HSBC and Standard Chartered, participate in the Contour blockchain trade finance platform. A pilot program in 2019 performed more than US\$30mn in letter of credit transactions, with commercial launch of the platform expected in 2020.
- Sumitomo Mitsui Banking Corporation and other entities likewise participated in a proof of concept in 2019 to share real-time purchase order, invoice and shipping information using the Marco Polo blockchain-based trade finance platform.

### Moving forward

Just as the pandemic has changed the focus in the trade banking community from business efficiency to business continuity, attention must now shift from considering digitisation concepts and prototypes to actionable programs and immediate plans of action.

From an enterprise perspective, digitisation is simply a matter of good business sense. As companies struggle to overcome supply chain confusion and disruption, trade banks with a clear and coherent digital strategy will gain competitive advantage by helping their clients remove process impediments, eliminate compliance and performance risks, implement alternate sourcing relationships and gain timely access to capital financing.

From a world economy perspective, digitisation is also a matter of good business sense. With the pandemic challenging conventional thinking and practice, the business community now has the incentive to put in place the robust digital infrastructure needed to inoculate global trade going forward.

1. [https://www.wto.org/english/news\\_e/pres20\\_e/pr855\\_e.htm](https://www.wto.org/english/news_e/pres20_e/pr855_e.htm)

2. <https://icwbo.org/content/ubeploads/sites/3/2020/04/2020-icc-covid-response-banks-3-best-digital-practice.pdf>