

# Access to trade finance

## Featuring

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## Moderator

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### Deepesh Patel

So in our first section, we'll talk about access to finance. And I think talking about the capacity piece earlier and also ecosystem, I think that brings that all together. And Geoff, how does BofA respond to unprecedented fiscal support from government, possibly competing with bank debt offerings, and increased risk of lending to MSMEs, due to the pandemic, and also a decline in global trade volumes? I mean, look, did the bank lend less?

### Geoff Brady

It's a really good question, and we'll start with the support from governments. I think, first and foremost, that's been a really important boost to the global economy. I think, probably intuitively, we don't think about it as competing with banks, we think of it as complimentary. And we actually think of it in a couple of different ways. I think, from a financing perspective, I think it's complementary. The other part is the operational perspective, where the governments and in some cases multilateral organisations etc. aren't necessarily set up operationally to be able to fund multiple parties like this. So banks actually have to end up using their rails to run the liquidity through its systems, to be able to provide this financing.

So, I think that's where it becomes important for us on a number of different levels: the complimentary financing, but also, the operational know-how to be able to sort of distribute the funding to where it needs to go. And, I mean, it's going sound like a one-track event here, but this is where I also come back to - you asked about the lessons learned - this is yet another reason why being digital, lower friction is increasingly important for the bank community. Because the banks have, to a large extent, been called upon, in many cases to operationalise that funding and support that's coming from the governments and the multilateral organisations. So I think that, and along that, more of that will get to the MSMEs, if there is lower friction on the mechanical side of that funding distribution. Banks in particular, inevitably, are required to do levels of diligence on its counterparties, and that often will

require some friction and some mechanical portion of our throughput. And that's where, the more efficient we can be on that side of it, the more then we can start to distribute more of those funds to a broader environment, including more of the MSMEs. I think, to a large extent, we always think about the trade finance gap, right? And we think about how the funding is not necessarily always getting down to the MSMEs who need it.

Yet on the other side, there are 10s of billions of dollars of capital in the market that is trying to get to 'trade finance' in whatever capacity that might be - portfolios of receivable, etc. So the question isn't really a supply and demand, it's more of a facilitation question: how can we get that capital to the MSMEs, and just the places that need it in general? And that's where I think the facilitation, the operational side, the mechanical side of what banks do becomes even more important, perhaps even more important than the funding side.

### **Deepesh Patel**

Yeah, I think that operational piece is quite important. And, Madhav, how can this help customers reduce - because ultimately it's all around the cash conversion cycle, right? How can you help your customers to reduce days payable outstanding, and what can Bank of America do to help clients there.

### **Madhav Goparaju**

The interesting thing, what Geoff also mentioned, is what you also see with this evolution of the strengthening of the working capital and the cash conversion cycle, as you're talking about. But also, the market has evolved. So now you not only have just banks, being party to these transactions directly with the corporates, but you also have fintechs that are more aggressively in this space, capturing and originating some of the data. You have non-traditional banks, or maybe it's private equity players and others, who are also tapping into the same data. So the pool might be bigger, but it's a lot more fragmented. So what that means for banks like ourselves is how do we frictionlessly connect to many of these pools to be able to provide these financing mechanisms, right? Because what has evolved is, before it used to be maybe one single pool with a programme with a single corporate connectivity, but depending on the sector, that has become multi-bank, maybe some fintech, some bank.

So, for us, other than being able to provide the financing, it's how are we able to provide frictionless connectivity to corporates in many different ways, because the asset origination pools are not in one place. So, the faster we can connect - and as you know, banks, historically, we are not agile, it takes us longer to connect to multiple connectivity points. So that's where it becomes a lot more important: how do we partner with players like IBM or other fintechs to be able to tap into these pools, to be able to provide the various sort of financing tools like you're mentioning, right? So it's kind of like this confluence of both the digital and the actual financing needs have converged, and it's more and more important to be able to address both. Otherwise, you're going to get left out of the pool, basically.

**Deepesh Patel**

Chris, I know, what we can see right now is a bit of a digital Island, as Madhav of quite rightly pointed out. You've got multi-banks, you've got corporate clients who want to kind of connect to everything.

I'm going to ask you a more challenging question, which is, what about the smaller banks that can't necessarily afford IBM services to allow for that connectivity? How do you operate in a way that is open for everyone, enabling us to solve that problem as a whole rather than as individual bilateral relationships?

**Chris Doroszczyk**

That is a very tough question. However, IBM platforms are there to provide services to enable, to lower the operational challenges, and to lower the friction. So our cloud - FSCLoud - has been designed to bring that confidence, and to bring the consumption base-like topics to the forefront, and to enable everyone to participate in this in the benefit of our cloud and our technology estate. So what we will do, going forward, right is not only help the banks - big banks like BofA - but by enrolling the fintechs on our platform, our platform becomes open to any participating bank, so they could participate in any transaction on consumption basis, so there is no huge capital spend to enter the digital world.

**Deepesh Patel**

Yeah, I think that's a really good answer, and I hope we can see that come to fruition. And, Madhav, I assume, also, some of your corporates have responded in various ways to the pandemic. What have you seen? Have they been more demanding; have they requested specific product updates; and how has Bank of America responded from an SCF perspective?

**Madhav Goparaju**

I'd say it's multi-dimensional. So one is, as we talked about, they themselves are evaluating the overall sort of disruption - and so nearshoring, offshoring what components to move. That then drives a dear need for digitally transforming their own supply chain, and that then has an impact on their banking partners and other partners to provide digital data to them so that they can consume and make better working capital decisions, and the like, right. So, by them advancing their digital agenda, it really forces the banks also to be on the front foot, and in this case, us, much as Geoff was mentioning earlier on. So this forces the agenda to be much more digitally nimble and accelerates that process.

I think the other piece that's come to the forefront is, with so much focus on digital and data, clearly, there is a focus on APIs, so how can we connect with our corporate banking partners more through this API-consumption-based business services, if you will. And that then drives other challenges that both sides need to address, which is cybersecurity, how do you kind of protect the data in-flight between the corporates and us? So these are kind of the questions that our corporates are asking of us and they're

looking for us to provide the necessary comfort that we are at the forefront of it and that we are addressing. And I'd say the other third, evolving space beyond APIs - what we've termed it as really 'embedded financing'. So we want to remove the friction even further. So APIs are better than historical legacy platforms, but they still require like a mini technology project on the corporate side on the banking side. But the embedded finance is really how do you really even further simplify the friction, and removing that and embedding really within their core procure a process in their ERP at the origination, so that they can connect with a partner like Bank of America to simplify, right? So there's many ways in how we're evolving and looking at some solutions in better connecting with our corporate partners, if you will.

**Chris Doroszczyk**

How do we protect the data in motion? We look at ourselves as the mechanics, right? How do we how do we bring the entire technology complexity to a usability format, to - what you asked, Deepesh, before, right? - to anyone in the supply chain, whatever the supply chain is? And I think the concept that we at IBM rolled out is the concept of hybrid technologies: hybrid cloud; hybrid mainframe; hybrid ability to access the ISV network; and most importantly, to protect that data in motion with a set of different technologies, from mainframes to cloud to satellite that reaches the entire global network of banks, suppliers, and anyone who wants to participate in this network. Because supply chain, really in trade finance, exemplifies what the world will look like tomorrow.

So Geoff and Madhav really are at the forefront of defining what the digital supply chain will look like, for almost every institution, every Fortune 100, 1,000, 2,000-client out there.

**Deepesh Patel**

Thank you very much, Chris. So, I think now to kind of close that introductory part, we'll go into a little bit more detail on technology in this next section.