

How technology can accelerate trade digitisation

Featuring

Geoff Brady, Head of Global Trade & Supply Chain Finance, Bank of America

Madhav Goparaju, Head of Digital Transformation - Trade and Supply Chain Finance, Bank of America

Chris Doroszczyk, Head of Strategy & Business Development - Cloud, IBM

Moderator

Deepesh Patel, Editorial Director, Trade Finance Global

Deepesh Patel

So now we're going to talk about technology, and I encourage our listeners to keep asking questions using the hashtag '#SibosTradecast', and we will endeavour to get them answered by our brilliant panel. So, Chris, everyone talks about the acceleration of digitalisation and the trade finance space - what's been happening and how has the pandemic accelerated processes, and can you perhaps give any examples of this?

Chris Doroszczyk

I don't think we have the time to give examples. I think, again, supply chain has been at the forefront of defining what digital is, and for everyone in the supply chain - literally. How do we interact? What tools do we need? What does it mean to be digital for everyone? And what do we need to do to enable, right? How does that interconnectivity work for everyone?

So, at IBM, what we focus on, number one, is bringing on a collection of technologies - ours, our partners', and everyone's - to enable this process to take place. But the most important things that are coming out are number one: security; number two: compliance, so we get the confidence, right, in the digital supply chain. But then some of the newer technologies like low-code, no-code, right? An ability to onboard digitally, what does that require? Also model-driven designs to enable to visualise the entire trade lifecycle, and see what this looks like, where you are in a given point, to give a visualisation to every participant, what needs to be done?

Finally, I think, the last piece is artificial intelligence, allowing us to anticipate not only the issues, but anticipate what the client wants to do, and give the client options at even at every single point of that cycle. So for us, and then taking a look back, how do we step back, and what technology is applied to

each one of those? Again, IBM and non-IBM: we're in hybrid space, enabling our big clients and small clients as well.

Deepesh Patel

Absolutely. And and Geoff, a question to you: How do you go about choosing platforms? And there are many banks on on this webinar right now, so it would be good for you to give a bit of advice. And can you talk about any of the current projects that BofA are working on within the digital trade and supply chain finance space?

Geoff Brady

Yeah, so there are a couple of sort of philosophical boxes that we want to check right up front when we think about a platform. What we'd love to do, I think, in the banking community is we love to stick with what we're good at. And what we know that we bring to the table is we bring the balance sheet, the ability to finance. We bring an investor pool, to a large extent. And then also we bring connectivity to corporate clients all over the world. And I think a natural corporate connectivity that we bring. So I think that's something that the banks will always do really well, and I think everywhere in the world which is a home market for a group of banks, they have a core group of clients, where they have the influence the connectivity and the need to be able to create this value for them.

So we think about that as the first thing, and then we think about a platform or how we can facilitate that. And I think, you use the word 'ecosystem', and you're opening six different themes. And I think, overused as it may be, it is an ideal word to describe what it is that we are trying to achieve, right? We're trying to achieve connectivity to an ecosystem. So, the way we always approach a platform or a solution is: a) we want it to be ubiquitous, right? We want it to be something that will work because everybody does it, if everybody does it, and force our clients to bet on one horse, if you will. We'd rather not say, 'here's a platform that we own and operate, please log into it, and transact everything here and then go back into your own platform and do what you do'.

That doesn't seem very ubiquitous for us and naturally creates that mechanical friction that we that we keep talking about. So, we really are looking at an adaptable, malleable ecosystem where we can facilitate transactions for our clients doing the things that we do. They need to be finance transactions, loan transactions, they need to be able to connect to our loan records, which are regularly scrutinised by our regulators and overseers. So, all of that needs to happen, but it also needs to be user-friendly for the client - so that low-friction environment, that efficient, digital, paperless sort of environment, and one that can connect to the ecosystem. So that's what we're really looking for. And then, as part of that, clearly, scalability.

What we'd like is, as I said, an adaptable and malleable sort of environment where we don't have to say, 'we've got a platform, but in five years we're going to create a new platform', or we're constantly going to have to build out a platform. What we'd really like is something that's more of some

architecture that we can be fluid with, and we can build and even tear down as we go, where needed. And Madhav talked about a few things in-flight. We're working with our great partners at IBM, around a couple of different parts of our supply chain: one around being able to do things that have traditionally been very, very paper-intensive in a more digital way. So, for those of us in trade finance, some of these things need no introduction - open account processing, etc. some of the transactional-type business that we do - and how can we create something that's more digital, and then allows for a more frictionless transaction where we don't need to be so mechanical with how we achieve it. Madhav talked a little bit about our embedded solutions where we can allow for an environment in which our clients could perhaps transact in their own operating system, and then connect back through, whether it's API or whether it's blockchain, to be able to allow the bank to be able to record those transactions. And then there's certainly the operational component of that as well, where we've got things like compliance checks, etc, that we're doing with AI. And I think that's also a real part of our solution and how we think about the platform, the environment and how we transact.

So all those things follow a common theme: here at Bank of America we call it 'operational excellence', and 'always on' is sort of the buzzword that we have. And the way we think about that is all of this stuff needs to be scalable, it needs to be malleable, it needs to facilitate a wide body of transactions, it needs to be able to check all the right boxes, with the bank regulators etc, the things that we need to do. And then we are very open to achieving this with partners, right? So this is where we look to the fintech community; we look to our great software vendors like IBM, and the consulting services, etc, to be able to help us achieve this stuff. So, we're not looking for one thing, Deepesh, we're thinking about it very holistically, I think, as we think about our platforms.

Madhav Goparaju

Yeah, so look, Deepesh, one thing I wanted to add as you think about the technology and the challenges for our business, right. I think what you see is really the two businesses which is supply chain, which we've talked about quite a bit, and the traditional trade. They're both at a very different evolution of cycles of digital acceleration or transformation.

For the traditional trade, the issue always has been that there is a part of the business that's just paper-intensive. And, so when you talk about digital, are you able to digitise the entire cycle, or are you digitising only a component of it? But then what the COVID has shown is if we just digitise a component, and the rest of it is all paper-intensive, your problems never really go away. So the question for that part of the core business really is: how are you able to partner with technologies that can bridge the gap between taking the paper, digitising the paper, making it much more data-driven, digital data-driven, and then completely digitising the pieces that you can? And then, on the supply chain finance side, which is already a very digital business to begin with, it's really about tapping into these various corporate origination pools, which is basically connecting to the core. So very different ways of thinking about them digitally and technology and where you want to partner to kind of move the needle forward from that perspective.

Deepesh Patel

Thank you. Thanks very much, and good to distinguish between those two pieces there, Madhav, and actually that was the kind of question I had in mind for you. Chris, a quick question from the audience: Given the accelerated drive to digitally transform, how do you see cloud computing enabling this evolution for corporate banking within GTB teams?

Chris Doroszczyk

So, as I look at it, my BofA partners have been very articulate and describe well the entire operating model, right? And the components of the operating model. What does the client service model look like, and the multi-channel access? What is the digital omni-channel interface, if you will, right? What is the data-based processing, again, digital database processing, intelligent automation? And what are the set of global platforms that we need to take on? So, to answer that question, right, Geoff and Madhav have have really gone down the entire set of platforms and said: Well, how can that be enabled?

What we do at IBM, we've captured all of that in our set of not only compliance and security environments, but how do we standardise all five pieces of that platform? And how do we deliver that to the community such as BofA and its clients and beyond, to enable BofA and its clients to grow? So, our underlying platform, FS cloud, has been designed to accomplish all five components of the debate that we've been having here - everything from operating platform from a client level, all the way through multiple, flexible, but standardised platforms, that could be securely threaded together.

Deepesh Patel

Thank you. Thank you, Chris. I think that makes a lot of sense, and also, hello to all the fintechs joining us here, at the Sibos Tradecast. I think it's very important to get that perspective, both from yourself, Chris, and also, Geoff, in terms of who you're looking at for from a fintech and tradetech partnership perspective. Something else that's been mentioned in the comments on this Tradecast is all around cyber threats, and I guess, Chris, I'll asked this question to you. We've seen an increased focus on cyber threats, and a focus on public versus private clouds for financial data. What are the key differentiators in this place?

Chris Doroszczyk

Well, to us at IBM, this has been at heart for multiple years, from the time we rolled out our z machines, which enabled specific cryptography. So what Geoff and Madhav had mentioned is an ability to secure data in motion, at any given time, and the concept of 'bring your own key and keep your own key'. So, as the data moves around, we have been able to design the cryptography to really protect this, not only when it emanates from our machines, on-premise - our machines which run perhaps even the private clouds - then to public clouds, which we are actually focused on industry cloud. So we're focused on having a very specific financial services cloud, which has over 286 different regulations, which give that

confidence of really stemming the cyber attacks. And I know many of us get attacked, and we don't want to talk about, or we don't want to put down any of our competitors, right? But from our perspective, at heart for us, is to make sure that any transaction is compliant, and safe. And that concept of cryptography is something that we bring in every step of that journey, not only from what we do, but also the great ISV community that joined us here on the webcast.

We help them to bring that same confidence to all their clients. So, it's this cryptography that enables us not only to transact on our machinery, but also to extend it via a product that we have called Satellite, to our great partners out there, to anyone that participates in this entire supply chain of data.

Deepesh Patel

Thanks, Chris.

Madhav Goparaju

Hey, Deepesh, one of the things, and this becomes much more critical and important as we move forward, because in traditional trade as an example, there's so many pieces of paper today, that then become digital and stored digitally, and ecosystem players accessing this digital environment.

So, whether that is sitting in some private cloud, hybrid cloud, partnering with a partner that has the right set of cyber controls and stuff becomes even more important, because you're moving to this much more sort of digitally-native environment if you will, right? So that becomes the heart of what banks like us have to evaluate as you begin on this journey, which is very different than just purely APIs, which is sort of data in motion, but this is much more comprehensive because the ecosystem nature of the digital data in itself.

Yeah, just to follow up really quick, Deepesh on this. About three years ago, we at IBM set out on a journey: how would we construct this hybrid cloud environment? And one of our foundational clients is BofA in the US and globally. We have other foundational clients, our anchor tenants, such as BNP Paribas, Bank of Tokyo, Mitsubishi. We got together and said: what are the global set of rules, really, that govern this, right? And we put together among our foundational, anchor clients, this set of global rules that will help us to secure and bring together an environment that we could all enjoy, and ensure that everyone from the banks to fintechs, to the suppliers to manufacturers, everyone grows, and is able to transact in a way that benefits them.

Deepesh Patel

Yeah, Chris, actually, your colleague, Parm Sangha, talks about these ideas of these open rules, standards, etc, interoperability, I think that the standards piece, particularly, and some of the work around the ICC DSI, is really important to take into consideration there. Geoff, where are we at at the

moment in terms of, what is your opinion on international standards and standardisation of data in and around trade and supply chain finance?

Geoff Brady

It's a great question, because I think it's the boring part, but it's the necessary part. And I think where we've really seen some good collaboration in the last 18 to 24 months has been around the standards. And I think the ICC, BAFT has done some really good work around this. We've seen the WTO weigh in. I think we're always sort of juxtaposing two things: one is how we can sort of facilitate some standardisation that will allow for greater adoption and allow for greater ease of transaction, while at the same time, and very fairly, we're also working with the global regulatory community to make sure that there are the proper controls around all of these things. And we're always doing those two things concurrently, and hopefully in a more perfect world, they all fit together very uniquely. But I think that comes back to where we are able to create some global standards around things like digitisation, some legal issues, jurisdictional issues.

Right alongside of that will be the data that comes with being able to track the things that we're doing, and then put those back to the overseers, the bodies that oversee the banks, the regulators, etc, so that we can create standards that will facilitate the transaction, and then the transactions themselves will be uniquely able to be vetted and controlled in a way that will allow for that global transparency in some way that will be the great facilitator.

So I do think, Deepesh, I think the last time we spoke at Sibos, this was something that we talked about, it continues to be something that we talked about, I think we've gone down the road a bit. On the journey, we like the engagement that we've seen from the ICC and the WTO and BAFT and others, because I think it really helps to coagulate all of the parties and voices together, and I think that's been uniquely beneficial to us. So, I think we expect to see that continue as well, but it's still very important.

Deepesh Patel

Right, thank you very much. So now, on to our last section of the of the Tradecast.