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**60-second interview****Jacob Katsman tells TFR how banks and larger corporates are embracing digital trade solutions**

**Some banks and corporates say that documentary credits are difficult to digitise because they are so diverse. What do you think?**

I disagree completely! I have done trade finance as a corporate and managed trade finance departments in Asia, Europe, and North America.

There is standard SWIFT bank-to-bank message that governs a documentary credit called MT700. There is now a corporate-to-bank message that does the same called MT798, or specifically, MT 798 <774> and MT798 <700> or <701>.

We have built the SWIFT MT798 messaging into our multi-bank trade finance portal called @GlobalTrade™ with the purpose of helping users move away from paper and digitise trade flows. This is not only from the documentary credit side but also for standby letters of credit and bank guarantees. What I am trying to say is that standards are available - but they just have to be used.

**So if the architecture is standard there is no problem?**

Not exactly. A documentary credit is an irrevocable undertaking of the buyer's bank to pay the seller on an agreed date, provided that the seller has submitted the documents specified in the documentary credit and which comply with all the terms and conditions of the documentary credit to the bank.

Within the standard message framework there can be different text and different terms and conditions but that does not change what houses the data. The problem is that not all banks have yet integrated fully MT798 into their back office systems and this does not help corporates that want all their banks to communicate with them in this standardised way.

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## 60-second interview

### **What prompted the development of MT798?**

MT798 is not really new. There was already a multi-bank standard for documentary credits between corporates and banks in Germany called DTAEA.

One of our first clients in 2004 was Daimler, for whom we have added handling of DTAEA messages into our software application. SWIFT has developed its MT798 standard on a similar structure as DTA. When SWIFT has launched the MT798 standard several years ago we were the first company in the world to be SWIFT-certified since we understood that this complimented our software offering and added value to our clients. Our work with the DTA certainly helped us move quicker than the competition.

### **What is in it for the banks - the benefits for a corporate are obvious**

A couple of benefits for banks come to mind right away.

First of all, SWIFT is not standing between the bank and its clients the way, a third party platform provider does. There are alternatives to SWIFT in the market that are not bank friendly and for which banks have to pay a lot of money. Second, banks that understand that large corporates would not use their proprietary platforms will gain market share by offering multi-bank trade finance platforms, or at least being able to send and receive MT798 messages to and from their clients.

### **How is adoption progressing?**

The demand from corporates has increased. We have a bigger pipeline of deals than we had a year ago. In May 2015 we announced a deal with Nokia where they will use our @GlobalTrade Guarantee Issuance, Guarantee Receipt, and Export Documentary Credit systems through SaaS implementation and will connect to all their banks via SWIFT MT798 messaging.

### **Does the MT798 standard create new opportunities for big data interrogation?**

All we are talking about is corporate-to-bank messages. The banks already have this information in their back office systems. But, before, the data was coming in by email and fax and being input by back office staff. Now it is coming in electronically via SWIFT. So, while it does not generate new data, it automates what they already hold.

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### **What about internal compliance checks?**

Documents can be examined online and this reduces the risk of discrepancies. With guarantees and standby LCs there is a digital system where all the approvals can be done electronically and automates the approval between business units, legal entities, treasuries, and banks.

Corporate practices can be enforced - for example ensuring that all transactions of more than US\$5m have two sets of approvals or that a transaction that does not have standard wording goes to Legal for approval first.

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