

Trading information with multiple banks

With the help of GTC, Trade for Corporates allows Finnish paper products giant Metsä to streamline its data flows with multiple bank partners



Despite a general trend towards trading on open account terms, traditional instruments remain a key component of a bank's

trade finance offering, particularly for high value goods, for items sourced from a new supplier, and in jurisdictions requiring transactions on a Letter of Credit (LC) basis.

Metsäliitto Group (Metsä) is the eighth largest forest industry group in the world. Its five business areas include wood supply, wood products, pulp, board and paper, and tissue and cooking paper. The company has long been looking for a way to automate the processes around LC documentation. "The main driver was that handling of export documentation within our group is very decentralised," says Kimmo Helle, vice president, treasury development, Metsä. "We have 20+ locations where export documentation is managed." A few years ago, the group started to look for a way to centralise and standardise export documentation handling. "We decided then that the best way forward was to find software that we could distribute to all the internal users handling export documentation so that we could at least have a uniform approach."

Two years ago, the group began centralising its global letter-of-credit handling using the @GlobalTrade Export LC System from Global Trade Corporation, hosted by Unicredit HypoVereinsbank (HVB) in Munich

and accessible by all of Metsä's banks. Phase one of the project enabled the Group's banks and business units to collaborate on a global electronic letter-of-credit database.

SWIFT messaging

"Since there are LC messages moving between banks, notably the issuing bank and the advising bank, we asked whether our advising banks could send an LC to us electronically using the same message," says Helle. "We began discussions with our banking partners to see whether they could send us SWIFT standard MT700 series messages."

Metsä began exchanging SWIFT-formatted messages with three banks. "We then realised that since these messages were designed for communication between banks, they did not 100% meet the needs of corporates," says Helle. "In discussions with SWIFT at conferences, for example, we'd asked if it might be possible to receive messages that were more tailored for corporates. But then during one conference in Sweden in late 2008 I was approached by Global Trade Corporation and asked if we would be a pilot for the MT 798 message. I said yes."

Metsä joined SWIFT in 2009. "For the time being, we're using SWIFT essentially for 'trade for corporates' messages, but in the future we plan to use SWIFT for cash management," says Helle. "Scandinavian markets have generally been more advanced

in automating processes than other regions and the advantage for us is that our banks are also very eager to automate."

Nick Pachnev, CTO, Global Trade Corporation sees a widespread applicability of 'Trade for Corporates' for companies of all sizes. "I think 'Trade for Corporates' applies to pretty much every corporate segment that we deal with," he comments. "Companies which have large volumes of transactions are interested in SWIFT messages for obvious reasons, such as STP, efficiency and more accurate data transmission." One of the driving forces for them, Pachnev suggests, is that many large corporates already have the SWIFT infrastructure in place for cash management and payment services so trade finance messages are a bonus. "But smaller firms can also benefit," he insists, "particularly now that the Alliance Lite interface provides them with affordable access to SWIFT."

Support for the new messages is fully integrated into Global Trade's existing offer for both large and small companies, whether internally installed on a licence at the customer site or accessed on a Software as a Service (SaaS) basis. "We provide customers with a very simple connector that can take the messages from the SWIFT interface, whether located at a service bureau or on their internal corporate network, and carry them two and from our system. We've also simplified this process for smaller companies by integrating our connector with SWIFT's Alliance Lite interface"

According to Pachnev, customer feedback on the messages has been very positive. One of the main concerns of customers over the past few years, he suggests, was how to exchange trade information efficiently with multiple banks. "This new standard is a practical answer to that wish. It's a win-win solution for both the banking world and the corporate world."