

FINANCIAL TIMES

THURSDAY DECEMBER 14 2000

TRADE FINANCE by Andrea Felsted

Internet services spring into action

Online documents for the trade finance community are being simplified and standardised

Online services for the simplification and transmission of trade finance documentation are continuing to evolve.

Bolero.net, the secure electronic trading system for transmitting trade documents, is developing its range of products, while a number of other internet-based systems have begun offering services to the trade finance community.

Bolero.net provides a common, open system, through which businesses can exchange trade documents and data via the internet. It acts as a neutral third party to ensure the secure delivery and receipt of information, and provides a legal framework.

In its drive to reduce, if not eliminate, the paper and hard copy documentation that is part of world trade, and generate considerable cost savings, Bolero.net is developing standards for the trade documents that are sent via the internet.

Bolero.net's standards initiative involves the creation of document data definitions, or DTDs. These are templates, created in the XML computer language – a way of describing data so that computers can understand it – and of standardised content and structure, for all important trade documents.

So far, Bolero.net has released 52 DTDs, which account for 90 per cent of the documents most frequently used in world trade. These range from Advanced Shipment Notices, to Import Declarations and Trade Confirmations. Further DTDs will be published in January and April.

The DTDs were developed with assistance from the BoleroXML Forum, a discussion forum involving more than 600 companies designed to ensure that the standards meet the requirements of Bolero.net's users, or members.

They are also validated, so

that the quality of messages provided by Bolero.net members is guaranteed.

Bolero believes all the parties in the trade chain will benefit from standardised electronic versions of trade documents. They will be able to automate and streamline their business processes because the common set of standards will allow computers to "talk" to each other. The parties will no longer have to accept the format in which a file is sent, and there will be no more typing and retyping of information.

Peter Guldentops, the newly appointed head of Bolero.net's standards initiative, says this automation will facilitate operational efficiencies for Bolero.net's users, leading to fewer manual processes, and a reduction in errors.

The United Nations has estimated that administration costs for companies engaged in international trade can be as high as £420bn, or 7 per cent of world trade.

Standards could also be used to generate new revenue streams for Bolero.net users. For example, Mr Guldentops says a shipper could use the data available electronically to inform its customers of the exact point of a transaction in its life cycle.

"It is very difficult to establish that in a paper world. But, if everything is exchanged electronically, that picture can be put together quite easily," he says.

As part of the standards initiative, Bolero.net has also worked with eight of the world's largest banks to deliver standard settlement instructions. These are a set of protocols which allow trade to be executed via Bolero.net, covering, for example, open account trade, collections and documentary letters of credit.

Peter Scott, commercial director of Bolero.net, says the protocols form a "choreography" of a transaction,

governing the sequence and content of information necessary for execution.

Meanwhile, TradeCard (www.tradecard.com), the settlement system for cross-border trade and business-to-business electronic-commerce transactions, is expanding its operations to Europe.

TradeCard provides an internet-based infrastructure which enables parties to conduct and settle international trade transactions online, either directly, or as part of a business-to-business exchange.

The system allows the entire trade process, from purchase order to final settlement, to be carried out via the internet. TradeCard also approves potential traders, allows online negotiation, and uses its patented compliance engine to verify that all the terms of the transactions have been met. Discrepancies are resolved online before the transaction is settled.

TradeCard charges customers \$150 for each settled transaction under \$100,000, which Kurt Cavano, chairman and chief executive, says is a fraction of the cost of a letter of credit.

Mr Cavano says TradeCard is in advanced talks with three European banks – the system is distributed through banks – to facilitate a European launch in the first quarter of next year.

It has also entered into an alliance with Mastercard, and is creating a co-branded card that will allow a company to settle any size transaction, domestically or internationally, via the TradeCard system.

Two other systems, DC-Pro (www.dcprofessional.com) and CCEWeb (www.cceweb.com), are focusing on particular elements of trade finance.

DC-Pro is attempting to take some of the uncertainty out of organising and securing documentary letters of credit. Currently, an esti-

mated 10 per cent of world trade is governed annually by letters of credit but around 60-70 per cent of documentation is rejected on first presentation because of inaccuracies, leading to delays and adding to costs. DC-Pro's twin system provides both information and training in drawing up documentary credits.

Its website offers online guidance, through an arrangement with the Paris-based International Chamber of Commerce, to the rules surrounding documentary credits, and to opinions, legal case summaries, arbitrations and other publications and documents.

ICC will promote the service through its 65 country members, who will be urged to encourage use of the system by local banking communities. In return, ICC will be paid royalty fees. Information will be regularly updated and fully searchable.

The other service, DC-Pro Mentor, will provide cost-effective training for DC professionals, with much of the interest expected to come from the developing world, and, in particular, Asia. Individuals using the service will, for example, learn how to fill out letters of credit and to interpret them.

Banks will be able to subscribe to the service and to use it to train their own staff, thereby dispensing with the need for in-house training schemes. It will also, in some cases, obviate the need to send staff overseas for training. It offers both an online information service and an electronic training and professional development service.

CCEWeb of Canada has developed @GlobalTrade, a fully open and secure internet-based system for completing and financing trade deals. P&O Nedlloyd, and APL, the US shipping group, are among the companies participating in a pilot of @GlobalTrade.