

A secure payment environment

AN ELECTRONIC ALTERNATIVE TO TRADITIONAL BANKING PRODUCTS

It is nearly two years since companies in Europe first heard about TradeCard, a system which offers buyers and sellers a secure payment alternative to traditional banking products. But still the action centres around the US and Asia. We tracked down Kurt Cavano, Chief Executive Officer, in his New York office and asked him, when would TradeCard be coming to Europe?

His reply was very upbeat. Yes, he agreed that it had taken longer than expected to get everything in place but he confirmed that TradeCard is currently in negotiation with banks in the UK, France and Germany and expects to be ready to roll in Europe from the beginning of next year. It has been a case, he says, of making sure that the infrastructure was all in place. 'It takes time to get countries up and running with the right level of support partners to ensure that we can give the quality of service that is needed. But we are doing the ground work in Europe and we expect to be concluding relationships with key banks over the next couple of months.'

So what is TradeCard? The concept was first mooted in 1996, the brainchild of Guy Tozzoli, President of the World Trade Centres Association whose aim was to cut the cost of processing international trade transactions by taking out the paper. The solution was to build an electronic compliance engine which could replace the back room manual checking of documents carried out by the banks.

Things have moved pretty quickly since then. Last year TradeCard was floated off as an independent financial institution with Kurt Cavano as its Chief Executive Officer. The early system, built on proprietary software has been closed down and earlier this year TradeCard went live with a full web-based commercial service. That doesn't mean, though, that the focus is exclusively on existing business to business relationships. Kurt Cavano is clear that the Internet provides a very efficient and cost effective delivery channel but he says that TradeCard will work directly with importers and exporters, as well as via B2B marketplaces. 'Our customers can come online with a browser or, if they have their own ERP system, they can produce an EDIFACT file and send it to us electronically. The fact that TradeCard is web-based is a delivery issue, it does not imply a focus on any particular type of company.'

From the beginning, TradeCard set out to be a low cost settlement vehicle. It is a policy that initially brought TradeCard into direct conflict with the banks. Kurt Cavano agrees that some banks have been very hostile but says that the

How TradeCard works

Both buyer and seller need to be members of TradeCard. The buyer creates an electronic purchase order which both parties can negotiate on line. TradeCard stores the draft order and notifies parties via email as changes are made. The terms are agreed by electronic signature.

Using the purchase order data already in the system, the seller creates a commercial invoice and packing list. The seller receives an electronic notification of payment assurance and an approved logistics provider creates proof of delivery documentation which both parties can view through the system.

TradeCard's patented compliance engine automatically verifies that all required terms of the transaction are met by comparing the purchase order with the commercial invoice, packing list and proof of delivery documents. Once compliance is assured, payment takes place.

It costs \$250 to become a member. After that each transaction – and the system is geared to handle transactions of between \$10,000 and \$100,000 – is charged at a flat rate of \$150. Currently that cost is collected from sellers but in future parties to the transaction can agree to split the fee.



Kurt Cavano the CEO of TradeCard. He says they will be ready to roll in Europe from the beginning of next year.

turning point in the US was the agreement to work with Comerica, announced in July. 'Suddenly banks that had previously said no, were keen to talk again. We've now signed several other US banks including Fleet, which is a major breakthrough. And there has been a cascade of banks in Asia keen to do business. There TradeCard has already signed agreements with a number of leading banks including Dah Sing Bank in Hong Kong, SinoPac in Taiwan, Chinatrust and First Commercial Bank in Taiwan and Chohung Bank in Korea.

What was initially seen as a threat is now viewed by many as an opportunity, he says. 'The reality for many banks is that they are not making that much money from their documentary credits services. By working with us, they may have smaller fees but their costs are down and they are able to offer service to their customers. TradeCard is a way for the banks to help their customers get involved in electronic commerce.'

He believes that importers and exporters are crying out for this kind of service and says that while initially TradeCard was sold as an alternative to the LC, he sees no reason why it shouldn't also replace open account transactions. 'It will provide greater security and process improvement. And that will make it easier to access pre- and post-export finance. TradeCard is not just about reducing Letter of Credit costs, it is about supply chain optimisation.'

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