

By Chris Holloway

ACCORDING to industry experts, the future of cross-border settlement lies in the hands of the Internet. The requirement for speed and versatility from both buyers and sellers, as well as the abstract nature of 'e-dollars' — which are often signified in electronic form in bank accounts but rarely appear in the physical form — makes settlement the perfect product to be digitised and sent out via the Web.

Experts are in agreement about the massive potential of e-settlement systems. Accenture's (formerly Andersen Consulting) managing partner of supply-chain practice, John Gattorna, says that over the next 15 years, money transfers will hold the biggest opportunity of any function along the value chain. Likewise, the US investment bank Stephens Inc, in its November report *e-Global Logistics — The Engine Powering Globalisation*, said that "because the settlement system is highly information driven, the Internet is an excellent medium to communicate the information and transform the traditional paper-intensive processes to paperless."

The primary obstacle to cash-by-wire is the business community's attitude towards its cash being transferred on the Internet. Although banks offer expensive, cumbersome service which is usually weighed down by a morass of paperwork and protocol, they are — in people's minds at least — familiar and secure. According to Robin Roberts, author of the Stephens report, it is only when an Internet solution offers cost benefits, speed, security, practicality and simplicity, that it will be on the road to challenging conventional settlement methods. At that stage, the benefits of using an Internet solution will outweigh customer misgivings.

TradeCard, a financial supply-chain company headquartered in New York, US, with Asian offices in Hong Kong, Taipei, and Seoul, works hard to meet these exacting standards and requirements. TradeCard has been processing paperless, payment-guaranteed international trade transactions since 1999 with its Auto-Approved Payment solution. Fulfilment, risk mitigation, electronic data compliance, payment assurance, and access to logistics providers, inspections, insurance and trade finance are all features offered by the platform.

Cash flow

The Internet offers the perfect vehicle for fast, secure and efficient payment. The only obstacles to its universal acceptance lie in people's minds rather than in anything more tangible

Under the auto-approved system, the process starts at the purchase order (PO) stage. The TradeCard system generates an electronic PO. The seller is notified of this by e-mail, and conditions can be negotiated between buyer and seller online, including the extent of electronic compliance as well as standard term, such as price and quantity. Once both parties are happy with the terms, they will indicate their joint approval on the system, and the deal becomes a legally-binding agreement.

At this stage, the logistics provider is brought in (online) to organise shipment, while the seller raises an electronic invoice.

"TradeCard takes the PO and turns it around and makes it a draft invoice, and the seller fills the missing detail, such as

"The banks don't believe that we can do this for US\$150, and that the product we offer is so close to letters of credit," — Elke Chan, TradeCard

how many pieces are actually shipped, the ship data, a packing list etc," said Elke Chan, TradeCard's director of alliance management. Once the logistics company produces proof of delivery, the compliance mechanism is triggered. TradeCard's patented data compliance engine establishes a match between shipping data and original purchase-order data. If something goes wrong — for example, the goods have been broken in transit or are late — the system identifies the problem and creates a discrepancy notice. Both sides are notified, and they can re-negotiate online or adjust the invoice amount.

"Online compliance is where we can really generate savings and save time. What would take even the best bank 24 to 48 hours — and typically much longer than that — can be done instantly," said Chan.

Once compliance is reached, the system then generates payment instructions. A message is sent to TradeCard's payment centre, which is outsourced to exchange specialist Thomas Cook, who fetches the money from the buyer's bank and moves it to the seller's bank automatically.

Assisting the settlement process are peripheral services offered by TradeCard. "If a company doesn't have a logistics company then they can use one signed up to the TradeCard system," said Chan. In addition, four global inspection companies operate through the system, running checks on shipped goods. Insurance companies and (perhaps surprisingly) banks constitute other TradeCard partners.

"We have implemented a system to allow sellers to find the money to build the goods, once they get a PO. A lot of them need trade-finance facilities, especially in Asia. So, we have lined up banking partners to provide trade finance online.

The seller, when he receives the PO, then gets a chance to submit a request for trade finance to one of our member banks of that country. Banks can accept or decline the request online," said Chan.

Chan denies any suggestion that TradeCard is intending to supplant the banks.

"We are not trying to replace the bank; they are our friends. What banks do are two things: they move the money and provide financing. We rely on the banks to do exactly the same thing, but through our plat-



Source: TradeCard

form," she said.

"There are a lot of options around and we hope to be a new alternative. There will need to be different types of payment for different types of trade."

The TradeCard system goes the distance in terms of the cost, speed, security, practicality and simplicity. One of the biggest attractions of the service is cost. Letters of credit — the most expensive cross-border settlement method — cost in the region of US\$2,500-3,000 for a \$50,000 transaction — including the transportation of documents, bank fees and other incidentals. TradeCard, by contrast, levies a flat fee of \$150 for a settlement of up to \$100,000.

"The opportunity for saving money is very wide," said Chan. "The banks don't believe that we can do this for US\$150 and that the product we offer is so close to letters of credit."

For security purposes, TradeCard has installed a registration process. A user must be registered before he or she can get near the system.

"Behind the scenes, we go

through a number of checks to make sure it is a genuine business. For the buyer, a creditworthiness check is an important part of that process. Every buyer will be given a credit rating in this system. It is a firewall to unscrupulous dealers," said Chan.

Every TradeCard transaction comes with a guarantee that payment will be made even if the buyer goes bankrupt before the shipment is complete.

TradeCard creates a digital signature for each person using the system. Every

document relies on a digital signature to support the audit trail. On top of that, access to the system is ensured at the individual level. Everyone gets a user ID password and a smartcard.

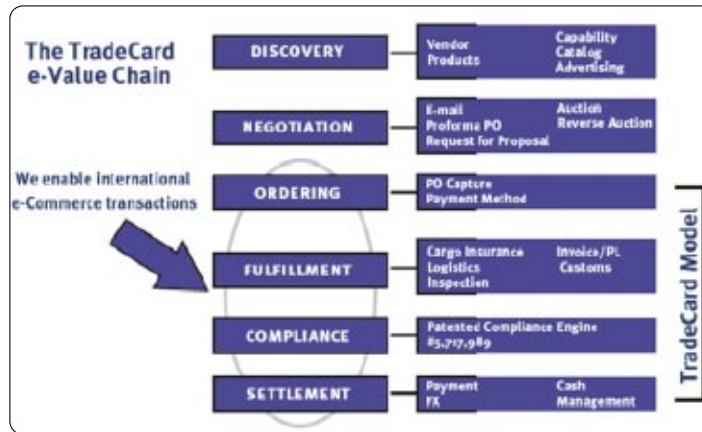
"Every time someone wants to log on, the smartcard generates a new pin number which goes on top of your password so the system knows who you are. The number changes every time you log on. We have the patent on this."

The process helps in backing up the internal authorisation, and reporting, structure within a company.

TradeCard reports that attitudes are changing about Internet settlement.

"The company is doing well, both in terms of gaining customer market acceptance and in terms of partnerships," said Chan.

"We have gone from one customer signing up a month, to one a week, to one a day, to customers signing up all the time. We are not in the hundreds of thousands, but we are getting there."



Source: TradeCard