

Corporate online payments outsourced

Settlement provider believes development of Internet transaction business follows credit-card model

■ Louis Beckerling

Banks are abandoning do-it-yourself online payment solutions for their corporate customers and turning to open-ended third-party settlement service providers, according to TradeCard chairman Kurt Cavano.

"It is like the early days of credit cards - the proprietary bank cards and private networks simply could not be as successful as MasterCard or Visa," he said.

Credit-card issuing banks also decided long ago that sticking to what they knew best - lending money - meant giving up the expensive and challenging business of writing in-house data-mining programmes to generate sensible information about their card portfolios.

ANZ Banking Group executive head of cards in Hong Kong Iwan Notowidigdo said: "It is virtually standard today for big banks who run behaviour-scoring technology on their card portfolios to use off-the-shelf applications such as Triad".

ANZ, the biggest card issuer in Australia, this week follows up on the launch of a platinum product in Hong Kong with a gold card.

In the trade settlement arena, 14 banks offer corporate customers links to the TradeCard service, which provides an online document management and payment settlement service.

The chain of events captured online by the TradeCard platform typically begins with a buyer opening an offer-to-purchase document, which is then exchanged with a seller until it becomes a contract.

Once the seller has shipped the goods an invoice is sent electronically; a ship forwarder sends proof of delivery and a packing list. The system then electronically matches the documents against the original purchase order and verifies the volumes and addresses and a payment file is created.

The payment file is then electronically despatched to the settlement institution (the bank

which debits the buyer's account and credits the seller's account.

Mr Cavano said: "We give a ready-made network to a bank, so one bank can service their customers on one side of the transaction and another bank can service the other side of the deal."

This "retail model" offered by TradeCard to banks was sold at an up-front licence fee, Mr Cavano said, which ran into "hundreds of thousands of dollars". Each transaction conducted on the platform then incurred a fee.

"On a typical US\$40,000 shipment - which is about average - the all-in fee to both buyer and seller is about US\$150," he said.

This fee was generally charged to the seller but could be shared.

Mr Cavano said the same transaction completed through a traditional letter of credit would cost US\$500 to US\$1,500 in fees alone. On the retail model the US\$150 transaction fee is shared

between TradeCard and the banks.

But in a departure from this model, TradeCard this month allowed JPMorgan Chase to "white label" its service, which meant it was fully integrated within the JPMorgan customer offering and presented itself as a JPMorgan service.

That represented a first for TradeCard.

"For a big bank, their brand being out in front is much more important to them, and the other difference is that this will be rolled out on a global basis to about 5,000 corresponding banks - so it presents a double distribution channel for us," Mr Cavano said.

What JPMorgan had realised, he said, was that even if it could build an electronic-document management and payment settlement platform successfully itself, it would not achieve transactions of sufficient scale because it would be servicing only one side of a deal.