

Tricks of the Trade



Some handshakes are costlier than others.

Are banks stalling on launching Internet services because they don't want to see easy money fly out the window? A typical US\$50,000 import transaction, for example, costs the buyer and seller combined between US\$1,000 and US\$1,500 in banking fees. What do those customers get for that money? The security of a big bank, to be sure. But little else other than some paper pushing and the benefit of correspondent banking relationships.

A low-cost Internet alternative has recently emerged that claims to show how much air inflates those fees. TradeCard, a US company that has made inroads in Singapore and Hong Kong, offers

a letter of credit type of service for US\$150 per transaction.

JOINING THE CLUB

In order to take advantage of this low price, both buyers and sellers must become members of the service. Buyers then send purchase orders through TradeCard to sellers. These become locked up as contracts, which are fulfilled when the goods are shipped. TradeCard checks the documents electronically to ensure that the goods were shipped as ordered. If everything is in order, TradeCard debits the buyer and credits the seller. Transactions are guaranteed by Coface, a guarantor of import-export credits that evolved from the privatized Exim bank of France.

To move the money electronically, TradeCard cut a deal with Thomas Cook, the travelers check company, avoiding the banks that it is underselling. Kurt Cavano, CEO of TradeCard, says that the US\$150 price still allows his company to make a tidy profit.

TradeCard emerged five years ago from a project started by the World Trade Center Group, a non-profit organization that promotes international trade. The goal was to see how the Internet could take some of the cost out of importing and exporting for smaller businesses. The result was TradeCard, launched by two of the project's researchers. Two years ago, it received a cash infusion from EM Warburg Pincus, the US private equity investor, and Japan's Softbank Finance Group.

Cavano says the group shopped its service around to the big banks in Hong Kong, but was snubbed. But second-tier Dah Sing Bank saw the beauty of the service and now offers TradeCard in lieu of garden variety letters of credit to its clients. In Singapore, the OCBC Bank has signed on. Big corporate clients in Asia have yet to follow suit, perhaps because they are waiting for their banks to offer something similar.

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