INNOVATION

Doing the same things, better

DISRUPTION

Doing new things

Doing new things, that make the old things obsolete.
Changing how we solve problems
Using customer-focused design, learning and adapting along the way

Redefining Project Return On Investment (ROI)
Reinforcing the creation of more impactful & innovative solutions

ADDITIONAL VALUE DRIVERS BEYOND TRADITIONAL PROJECT ROI

...a solution that can withstand 10x scaling
...a solution migrating controls from manual & detective to automated & preventative
...a solution eliminating non value add tasks from employees (incl. bureaucracy)
...a solution creating superior CX. With a priority on making it easy for our customers
...a solution creating new insight into bank performance and customer needs
Open Banking – Why is this relevant, and particularly for global trade?

Understanding the challenges and the market trends – whether driven by law or the competitive marketplace.
Open banking is developing at a radical pace, it is affecting all of us.

**Open banking will provide access to customers’ data to third parties, lowering the barriers to entry for financial and non-financial service players.**

- In the **European Union and the UK**, PSD2 and the Open Banking initiative are largely regulatory driven phenomenon, forcing banks to share their own data and consenting customer’s data with third parties.
- In the **United States**, large banks are striking data-sharing deals with individual partners in a departure from the aggregator model; Chase partnered with Intuit and Wells Fargo partnered with Xero and Finicity.
- In **East Africa**, new underwriting models are emerging from access to alternative sources of data, like mobile phone usage. Examples include M-Shwari, Tala and Branch.
- In **South Africa and South East Asia**, FinTechs are experiencing strong growth around APIs and data sharing. Examples include mobile wallet growth in India after demonetization and formal FinTech governance at the Monetary Authority in Singapore.
- New digital finance ecosystems (e.g., WeChat, Alipay) are emerging in China, based on data-sharing capabilities. Increasingly regulators in APAC (HK, Singapore, Australia) are embracing open banking.

Source – McKinsey Payment Practice September 2017
Application Programming Interface (APIs): Why must we think differently about them?

For example: APIs enable the creation of new experienced, bringing together multiple capabilities as an ensemble, boosting the capability of each. Open banking, as well as different open-source platforms, are standardizing APIs and the ways banks can support make payments, information, etc.

What does an API do?

**API (Application Programming Interface):**

A software intermediary that allows two (or more) different software applications to talk to each other. The interface can be thought of as a very secure channel carrying small packets of data between two places.
3rd Party Channels
Third party platforms allowing customers to easily and efficiently request the issuance of documentary credits or guarantees, and exchange electronic documentation.

Bolero
A multibank channel for corporates to interact with banks for trade finance processes, such as Apply and Advise for Documentary Credits, Guarantees/Standby DCs and ePresentation.

eLCY
A multibank platform offered as either SaaS or as a web-based application. eLCY supports the exchange of document attachments in respect of Import/Export DCs, Guarantees and Import/Export Collections.

The potential benefit for your business
- Increases efficiency through electronic trade transactions and exchange of documentation.
GT Nexus
Optimise your flow of goods, from point of order to final payment

What is GT Nexus?
A commerce platform which allows you to network your supply chain to optimise your flow of goods, funds and trade information from the point of order right through to final payment.

GT Nexus is a leading provider of cloud business applications that is used by thousands of companies to manage more than USD500 billion worth of goods each year.

Key features
◆ A single unified, cloud-based collaboration platform
◆ Connects your financial and physical supply chains
◆ Network with a vast community of trading partners

The potential benefits for your business
◆ Reduced complexity and cost per transaction through automation
◆ Real-time visibility into P2P process, eliminating enquiries
◆ Access to multiple working capital solution on one integrated platform
◆ Lets you transform the way you pay suppliers and manage working capital
What is Tradeshift?

Tradeshift is the world’s business commerce network and a platform for supply chain management. Tradeshift’s cloud-based platform connects over 1.7 million buyers and suppliers across 190 countries*. It allows large corporate buyers to automate and digitise paper-heavy procure-to-pay processes for their suppliers and it is integrated with HSBC’s Supply Chain Finance offering.

Key features

◆ Easily view all your supply chain transactions real-time on a single, cloud-based platform accessible from a device of your choice
◆ Automates and digitises paper-heavy and procure-to-pay processes for large corporates
◆ An integrated solution merging the physical and financial supply chains

The potential benefits for your business

◆ Reduced complexity and cost per transaction
◆ Operational and financial efficiency gains
◆ Real-time visibility and increased transparency
◆ Improved risk management with better data
◆ Access to multiple working capital solutions

*Source of stats: Tradeshift.com

As announced in June 2016, HSBC became a minority shareholder in Tradeshift during its series D funding round.
Integrating your supply chain
Converging physical and financial supply chain with 3rd parties

Traditional Proprietary and Bank Agnostic Programs

![Diagram of Traditional Proprietary and Bank Agnostic Programs]

E2E Full Service Platforms

![Diagram of E2E Full Service Platforms]
HSBC Extends Open Banking Concept to Trade Finance

- HSBC handles 500,000 Bank Guarantees a year. The Bank Guarantee API is the first of several API we’re developing, working with our network partners to realize the full benefits of digitization and open banking to improve the experience of our customers.

- Trade Finance APIs are a key component of HSBC’s wider API strategy. In the coming months the Bank Guarantee API and further APIs will be added to the HSBC Developer Portal, which provides access to HSBC’s Live and Sandbox APIs.

- ING Bank and Standard Bank are already working with HSBC to integrate the Bank Guarantee API into their banking platforms.
Driving trade forward into the future. If Blockchain is the future, what might that look like for your business?
Blockchain
Faster, simpler, safer trade

What is blockchain?
Blockchain is a distributed database maintained over a network of computers, connected on a peer-to-peer basis. All participants share and retain identical, secure records in a decentralised way, with each new financial transaction designated as a ‘block’.

Key features
- **A shared process** – a single, common system for all participants.
- **A shared truth** – everyone has access to the same information, updated in real-time.
- **Immutability** – records can be audited and tracked with confidence
- **Decentralised for trust** – owned and run by a global network of banks, corporates and trade facilitators.

The potential benefits for your business
- **Shorter LC transaction times** through electronic transfer of title documents.
- **Simplicity** – Connectivity to your trade ecosystem partners through a single, trusted bank portal.
- **Efficiency** – processes like funding availability, insurance, payments and change of title can be automated.
- **Trust** – data is shared by all participants, allowing smaller traders to transact with confidence.
- **Cost savings** – reduced paperwork and processing.
How decentralised networks will help the digitalization of trade

Current state of business networks

Disconnected specialist systems
Fragmented processing
Costly and slow

Blockchain will help networks connect and collaborate

Decentralised for scale
Collaborative to mutualise costs
Private and Permissioned for security and identity

PUBLIC
Voltron
Digitizing letters of credit

What is Voltron?
Voltron is a Blockchain network that digitizes the end-to-end letter of credit process on a single network.

Three successful pilots have been initiated and successfully completed by HSBC:
- **Cargill**: May 2018 pilot to issue a fully digitised LC
- **Reliance & Tricon**: October 2018 pilot to issue a fully digitised LC including a Bolero electronic bill of lading
- **Rio Tinto & Cargill**: November 2018 pilot to issue a fully digitised LC including a bolero electronic bill of lading

**Key features**
- A single simplified platform – accessible by all parties
- Digitisation of trade finance documentation – real-time amendments
- Voltron is an R3 consortium supported by – HSBC, Bangkok Bank, BNP Paribas, CTBC, ING, NatWest, SEB and Standard Chartered
- Integration with leading electronic bill of lading providers and their network of shipping lines

**The potential benefits for your business**
- Reduces the time from an LC presentation to acceptance from 5-10 days to ~24 hours
- Shared truth – everyone is kept in sync
- A shared process – no data leakage, fewer errors
- Records can be audited and tracked with confidence
- Decentralised for trust – a network of banks, corporates and trade facilitators

In 2019 the consortium will work towards expansion and a path to launching a live solution
we.trade
More trust, more trade - a new product and a new platform for trade

What is we.trade?
we.trade is a Blockchain based platform for Small and Medium sized enterprises in Europe. It makes open account trade faster, simpler and more trustful.

Key features
◆ Smart contract based automatic settlement triggers
◆ Risk mitigation for the trading parties
◆ Financing at a transaction level
◆ Follow up of the trade transaction from order to settlement
◆ Updated shipping information across multiple countries
◆ New, completely digital trade finance product: Bank Payment Undertaking (BPU) – for buyers and BPU Financing - for sellers

The potential benefits for your business
◆ Find counterparties to expand business with
◆ Eliminates payment risk from open account trade
◆ Access to financing that is simple to avail
◆ Tracks the end to end trade, thereby eliminating follow ups
◆ Introduces predictability in cash flows

The platform went live in July 2018 and will be fully commercialised in 2019
Helping the transition from paper to digital
We’re leading the way in adopting new digital solutions to remove paper documentation and make trade faster, simpler and more cost effective.

- **AI cognitive solutions**
  Artificial Intelligence (AI) technologies can ‘read’ documents to digitise physical documentation for faster, more efficient processing.

- **Electronic Presentation (ePresentation)**
  Transactions facilitated by the issuing of DCs subject to eUCP (Electronic Uniform Customs and Practice) removes costs and time of courier delivery of documentation.

- **Document Express (DocExpress)**
  A web-based solution to simplify and speed up export document preparation anywhere, any time.

- **Bank Payment Obligation BPO**
  A standardised, irrevocable payment instruction which allows buyers and sellers to execute trade transactions by data exchange only.
Digital Transformation (applied, not theoretical):
We made mistakes along the way. What did we learn? How do you put it all together?

As we’ve progressed on our journey, we began to see a repeatable framework to solve complex problems uncover new opportunities to think differently for our customers, while achieving meaningful transformation
Digitisation of Trade
Are you ready for trade's new digital landscape?