# Ahead of the GAME


WCR sat down with Euro Exim's Graham Bright to talk about the $22 trillion cross-border payments market, the disruptive effects of technology and how regulators will respond


Graham Bright is Compliance and Operations head at Euro Exim Bank

**Traditionally, cross-border payments have been slow and expensive and the lag creates inefficiencies and extra costs for corporates that transact globally. How does Euro Exim Bank help with liquidity for cross-border trade?**

Our participation with Ripple has been game-changing. From being an early supporter, we have rapidly implemented both the RippleNet real-time xCurrent payment capability and the On-Demand Liquidity (ODL) services.

By resolving the original problems of slow, costly transactions, the new dynamic of blockchain-enabled Ripple services brings speed, certainty and access to liquidity between two non-fiat currencies, allowing local firms to pay and be paid in local currency through the medium of guaranteed digital asset flows.

**Technology has the promise to improve cross-border payments. Will DLT/blockchain solutions offer better and cheaper services, and lower the cost of compliance with AML/CFT regulation?**

Investment in financial services technology has become mandatory for all institutions wishing not only to provide more savvy customers with fast, competitive and reliable systems, but to remove legacy and create customer environments which meet ever changing expectations. Let us not forget that DLT and blockchain technologies are excellent enablers for the right use-case, and completely inefficient for others.

The key is finding the business area which is clearly defined and has agreed and used standards already in place. For example, a payment transaction has few fields of structured information, as does the structured data when assessing identity, address, passport or bank account details. So, in this setting, DLT/blockchain based dissemination of transparent immutable data between few parties already versed in transmission of such data is a relatively short implementation process and immediate benefit.

Industry experts have long said the next key area for DLT could be revolutionising trade finance, adding instructions, invoices, inspection certificates, insurance documents, bills of lading etc. to a chain, all viewable but not changeable by all parties to the transaction.

However lofty the ideal, the market is not yet ready. The ecosystem remains challenged through multiple standards, jurisdictions, document formats, regulatory processes, geographies, geopolitical forces and people costs.

**Banks are responding to disruptors in an effort to retain market share in payments, and cross-border instant payments is the new battle ground. Why have traditional banks have fallen behind?**

Burdened by regulatory, constant non-revenue generating changes to systems, procedures and training, banks are constantly playing catch up in their battle to maintain IT and service supremacy. And it is not just lack of investment holding them back but trying to meet the pressure from customers for smarter services.

As an example, imagine your institution has offices in 10 locations, with 50 branches and 2000 staff requiring a simple system upgrade. All applications will need to have been tested in non-banking time to avoid fall off of version support.

Banks may also test everything but may still risk catastrophic connectivity failure, such as rendering cash machines unusable over a bank holiday weekend. But this may be only one of a hundred planned mandated committed projects requiring enhancement across the whole of the banking arena, where some banks are still supporting multiple systems reliant on mission-critical code over 20 years old.

*[With] the untapped markets of East Africa, emerging manufacturing hubs and the BRI goods corridors spanning Europe and Africa, our role is clearly defined as the pre-eminent issuer of financial instruments driving and facilitating world trade*

It is no surprise that smaller focused challengers and disrupters are entering the market with customer on-boarding in minutes and cheaper, faster, future-ready services, which are breathing fresh air into a stifled, legacy based industry.

Clients want intelligent apps, accessible on smart phones from anywhere at any time and the new players are primed to take customers with their new delivery mechanisms. It remains to be seen how quickly major banks can catch up.



**Corporates are increasingly demanding digital, 'best-in-class' products and services. How could fintech innovations reshape the cross-border payments landscape?**

Seemingly unencumbered by regulators, new entrants have developed totally digital solutions in the Cloud. Not for them the costs of building and maintaining *"bricks and mortar banks"* with branches. Not for them employing relationship managers, but rather using artificial intelligence, with automated interaction robot applications (BOTS) to 'converse' and assess true customer needs at a fraction of the cost of call centre staff.

Clients want agility, choice, ease of use and, failure to deliver means losing customers based on a single click.

It is the fintech companies, with innovative management looking to gain significant market share through lean, well designed systems, bypassing legacy applications, that will ultimately win, unless banks embrace and quickly implement competitive architectures.

There are several networks and consortia in the trade finance space. What are your thoughts about this going forward?

Competition is always good. And, again the objective is always to find the most suitable service providing least cost, highest coverage and best institution and client benefit at the right time for the appropriate purpose.

A key benefit is matching suppliers and buyers, reducing the investigation stage, reviewing tenders and appropriate parties to participate in a trade.

We are also evaluating new network offerings to see how these may be complementary to our business, and with which consortia to participate. Our ultimate goal is always improving our efficiency, reducing our costs and providing the best possible pricing and service to clients to encourage repeat business.

There is change on the horizon. Banks are increasingly leveraging new technology or working with fintechs in order to bring the cost down and increase the speed of international transactions. Target Instant Payment Settlement (TIPS) and the Single Euro Payments Area (SEPA) in Europe, The Clearing House's Real Time Payments (RTP) initiative launched in 2017 in the US, Singapore's Fast and Secure Transfers (FAST) and SWIFT GPI Instant are just some of the initiatives in place to encourage and support instant cross-border payments. What's next in terms of borderless trade?

The dream of true borderless trade is some way off. Whilst networks and collaborations exist which very much focus on established payments centres and their technology, let us not forget the rest of the world moving small volume or low value goods cross-border. For many, payments are complicated by lack of liquidity, costly access to fiat currency, complex document and legal processes, corruption, poor infrastructure, lack of trust and regulatory barriers.

Free trade agreements, which currently number more than 400 worldwide are of strategic importance. As an example, the 16-country Regional Comprehensive Economic Partnership – RCEP, would be the world's largest when operational, spanning India to New Zealand, including 30% of global GDP and half of the world's people.

However, India have decided not to be part of the group, which would benefit all, making it easier for products and services of each of these countries to be available across this region focussing on trade in goods and services, investment, intellectual property, dispute settlement, e-commerce, small and medium enterprises, and economic cooperation.

Similarly, Nigeria have decided not to ratify the AfCFTA agreement. There continues to be gap between what various African countries need and what is produced on the continent. Collectively, African nations could reduce foreign imports and increase trade flows within the continent. For AfCFTA to succeed fully, more countries need to diversify their production of goods to better match the import needs of their neighbours.

So, whilst the speed and unhindered reach of payments traverse borders in seconds, the complex, difficult mechanics of physically moving the goods to ultimate often difficult and remote destinations where protectionism, isolationism, nationalism, self-interest and xenophobia still exist.

Particularly disadvantaged are landlocked countries as their goods navigate and negotiate across multiple countries towards ports, ultimately keeping costs high and remote economies uncompetitive.

## To what extent might new technologies reduce service shortcomings, and alter market structure by favouring market platforms over intermediaries, reshaping business plans and firm boundaries, or encouraging entry?

New technologies which can assist the financial markets and payments in particular, will change the financial landscape.

What does the future offer? The time-honoured system of developing relations with and building networks of correspondent banks will be redundant, surpassed by electronic networks offering account to account direct cross border access, seamlessly supporting payments in seconds, in real-time with dashboards and monitors providing full visibility of transactions and immediate notice of credit or debit.

Rather than just sending payment instructions, resulting in waits of up to 3 days for funds to be cleared, the latest technology allows true seamless, frictionless transaction reception and processing at a price and speed that customers now expect from 21st century providers. Platforms will be the way forward.

## And how should regulators respond?

Regulators have a key role to play in ensuring that appropriate regulations and guidelines are in place as the dynamics of the payment and trade markets change.

Rather than taking a remote stance, and issuing new rules in isolation, regulators should take a pro-active position where they convene the new market entrants and traditional players. The objective? Protect the clients, but also make it possible for new entrants to have clear guidance on what is mandatory and how services can unambiguously be delivered, in light touch regulation rather than heavy, complex to implement detail.

Regulators are a clear and experienced source of vital information for all service providers in the payments space and should be viewed not as a problem but consulted as partners.



Financial inclusion and sustainability are key goals. How do see this developing with technology such as yours?

According to the World Bank, globally, about 1.7 billion adults remain unbanked - without an account at a financial institution or through a mobile money provider, mainly reliant on cash, especially in rural economies, where the age demographic remains important - often resisting latest technology trends.

Surprisingly, even for a developed economy such as the USA, the Federal Reserve estimated there are 55 million unbanked or underbanked adult Americans in 2018, which account for 22 percent of US households.

Our institution facilitates trade with countries across the African Continent, the Middle East and Asia. Many of these countries are classified as third-world with low liquidity local banks, populations with many unbanked and excluded populations, however, mobile phones have for years made a significant in-roads into bank account ownership and e-wallet connectivity.

Our business relies on working with corporates with bank accounts and financial records, hence we are potentially locked out from major opportunities.

Whilst we may not have solutions to the continuing issues of restricted financial inclusion, our business model is attuned to ensure that companies in emerging and undeveloped countries can import effectively, fairly and economically and to realise their true potential.

From a sustainability perspective assessing profit, planet and people, before embarking on any agreements, we are careful to assess the environmental impact of trades, type of goods (responsibly sourced), working with buyers where fair-trade prevails and sellers/manufacturers pay fairly and treat their workforce with consideration and respect.

Our CSR policy is key, from charity fund-raising events raising thousands of pounds supporting hospitals and the underprivileged to local sponsorship of cultural events both at home, the Caribbean and in Africa, our organisation is pleased to provide regular support and awareness to those less fortunate than ourselves.

In addition to the company's stance on working with clients dealing in goods of ethical origin, Euro Exim Bank aims to reduce carbon emissions. As an international bank with a growing global footprint, its management actively demonstrate its commitment to good causes and making a difference for underprivileged, disabled and disadvantaged communities across the globe and the environment.



### In conclusion, how do you see Euro Exim developing going forward?

Our technology platforms are future-ready and blockchain-enabled incorporating advanced payment mechanisms with digital assets, enabling trade through issuance and relay of financial instruments such as Letters of Credit and Standby Letters of Credit that keep the circle of global goods moving.

Our business expansion is leading to creation of a significant sales team in India, and more country specific offices in Africa, Middle East and Asia. These will serve emerging markets and challenge existing areas where major banks are tactically withdrawing through de-risking.

The potential from the untapped markets of East Africa, emerging manufacturing hubs and the BRI goods corridors spanning Europe and Africa, our role is clearly defined as the pre-eminent issuer of financial instruments driving and facilitating world trade.

With Asia and Africa being the fastest emerging and growing markets for trade, Euro Exim Bank has uniquely positioned itself to serve buyers across the continents. ■

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