

DID COVID-19 PUSH DIGITAL HANDLING OF DOCUMENTARY PRODUCTS TO THE NEXT LEVEL ?

BNP PARIBAS FORTIS PORT CO. INNOVATION HAPPY HOUR
FRANK HAAK
WEBEX, 17.05 – 17.35 – THURSDAY 26/11/2020



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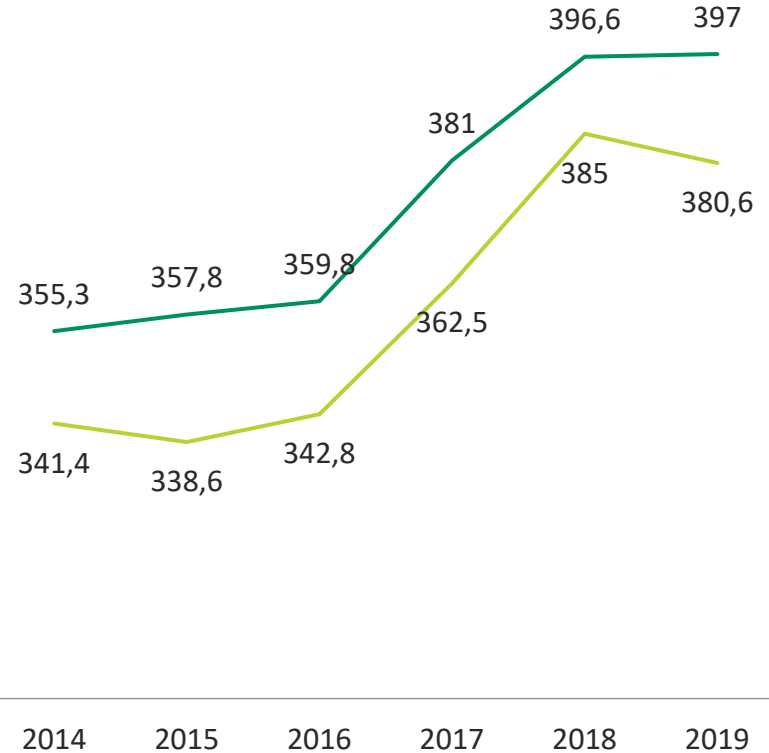
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11th largest exporter
and 14th largest
importer of goods
worldwide (2019)

World Trade Organization; World Bank Group; UNCTAD

— Belgian Exports in Goods (in billion EUR)
— Belgian Imports in Goods (in billion EUR)

Source: Eurostat – Community Concept (*)



* Community concept/national concept

The results are presented according to the community concept which, unlike the national concept, takes into account imports and exports carried out by non-residents subject to VAT in Belgium and for which no resident intervenes. Returned goods are also taken into account.



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BELGIAN IMPORTANCE IN GLOBAL TRADE - 2019

Exporters		Value	Share in World	Change vs 2018	Importers		Value	Share in World	Change vs 2018
1	China	\$2,499 Bn	13,2 %	0%	1	United States of America	\$2,568 Bn	13,4%	-2%
2	United States of America	\$1,664 Bn	8,7%	-1%	2	China	\$2,077 Bn	10,8%	-3%
3	Germany	\$1,469 Bn	7,9%	-5%	3	Germany	\$1,234 Bn	6,4%	-4%
4	Netherlands	\$709 Bn	3,8%	-2%	4	Japan	\$721 Bn	3,7%	-4%
...					...				
7	France	\$570 Bn	3,0%	-2%	6	France	\$651 Bn	3,7%	-3%
...					...				
11	Belgium	\$445 Bn	2,4%	-5%	14	Belgium	\$426 Bn	2,2%	-6%

Source: WTO and UNCTAD

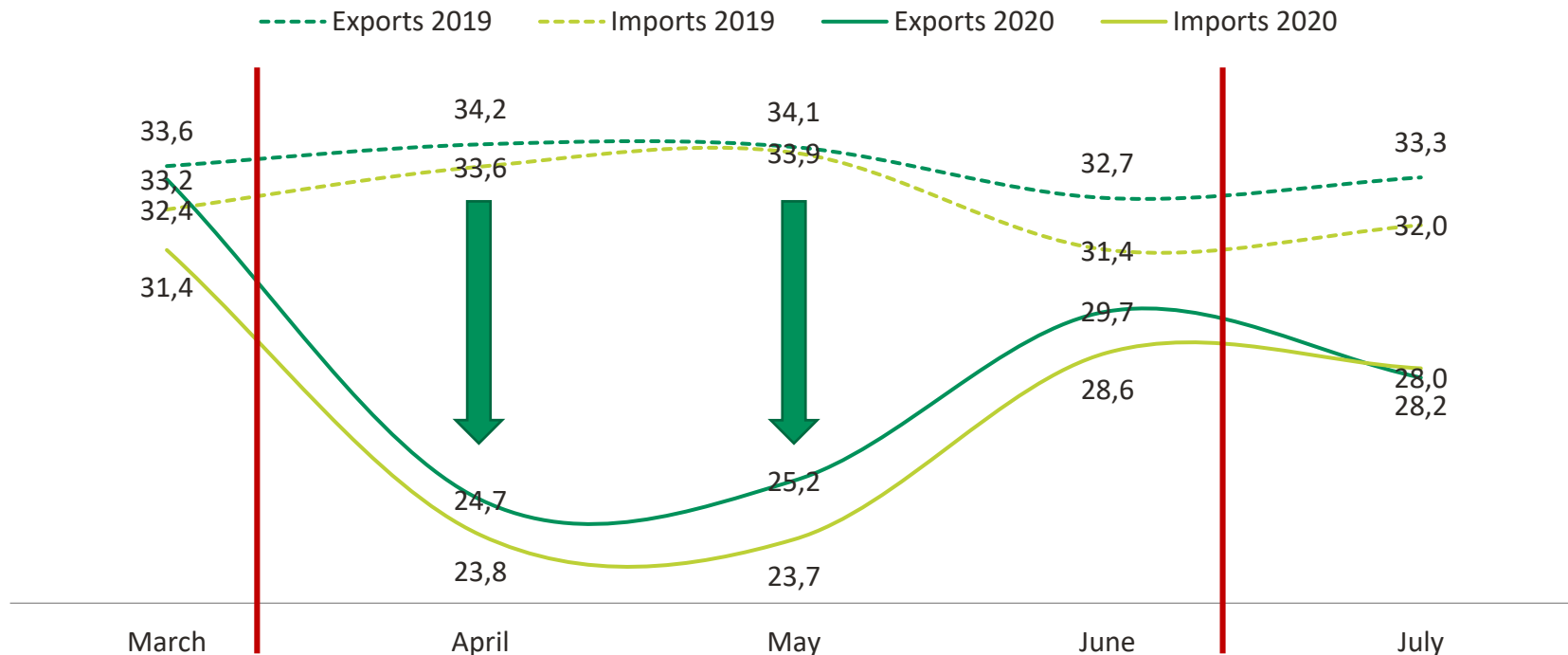


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IMPACT OF COVID-19 ON TRADE DURING LOCK DOWN OF MARCH – MAY 2020



BELGIAN FOREIGN TRADE (IN BILLIONS EUR)



Source: Eurostat – Community Concept (*)

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Classification : Internal

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WTO PREDICTS
INTERNATIONAL
TRADE TO SHRINK
WITH 9,2%

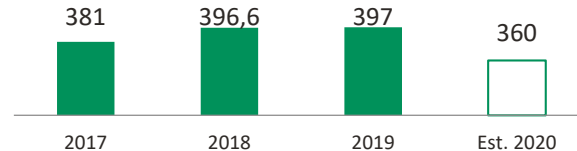
World Trade Organization – November 2020



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EXPORT – MARCH -> MAY



EUROSTAT -- In Billion EUR
Community Concept
2020 is based on estimated –
9,2% loss (WTO)

Average March-May

• 2017-2019

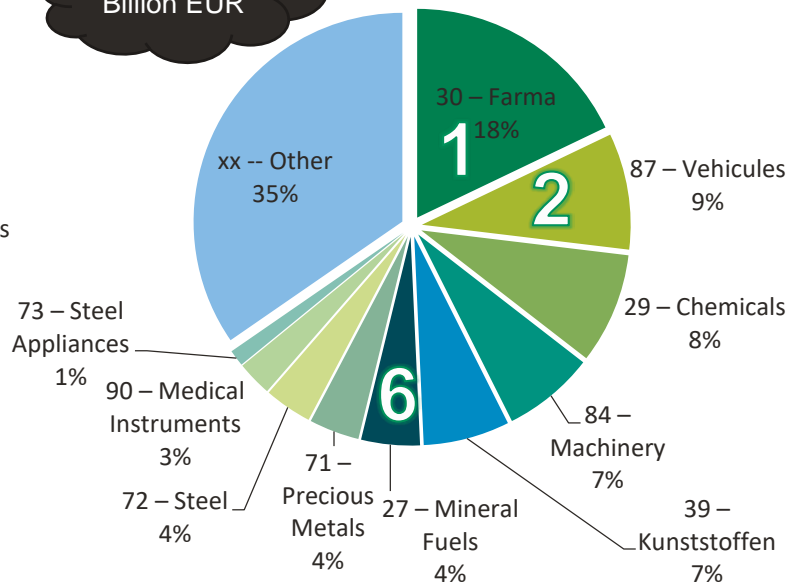
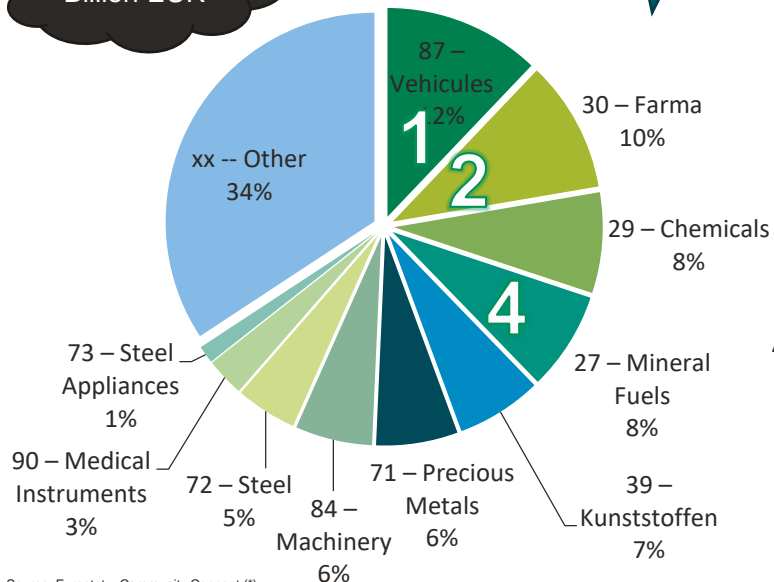
March-May

2020

- 18%

100,9
Billion EUR

82,9
Billion EUR



Source: Eurostat – Community Concept (*)

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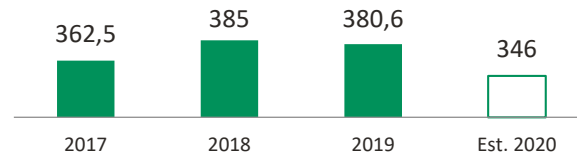
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IMPORT – MARCH -> MAY



EUROSTAT -- In Billion EUR
Community Concept
2020 is based on estimated –
9,2% loss (WTO)

Average March-May

2017-2019

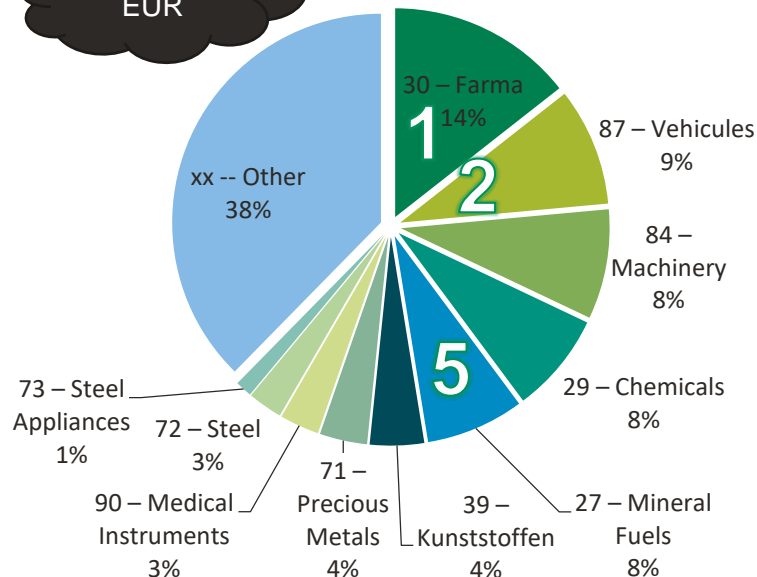
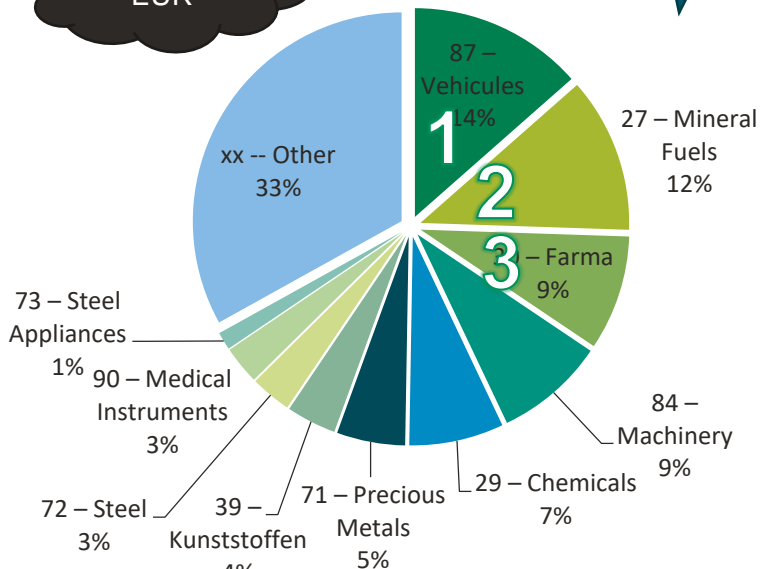
97,5 Billion
EUR

- 18%

March-May

2020

79,9 Billion
EUR



Source: Eurostat – Community Concept (*)

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8

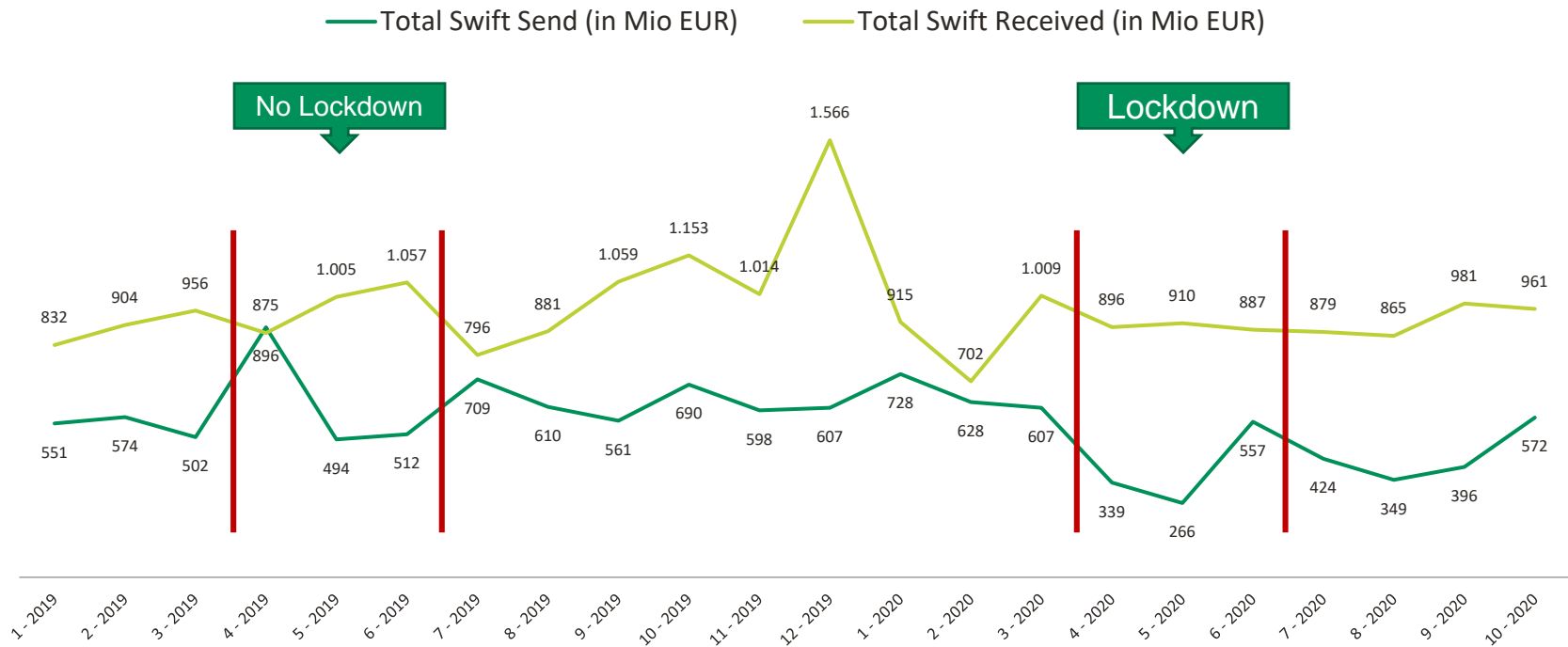
Classification : Internal

2

DID COVID-19 PUSH DIGITAL HANDLING
OF DOCUMENTARY PRODUCTS TO THE
NEXT LEVEL ?



EVOLUTION MT700 SWIFT SEND/RECEIVED BANKS LOCATED IN BELGIUM (IN MIO EUR)



Source: Swift

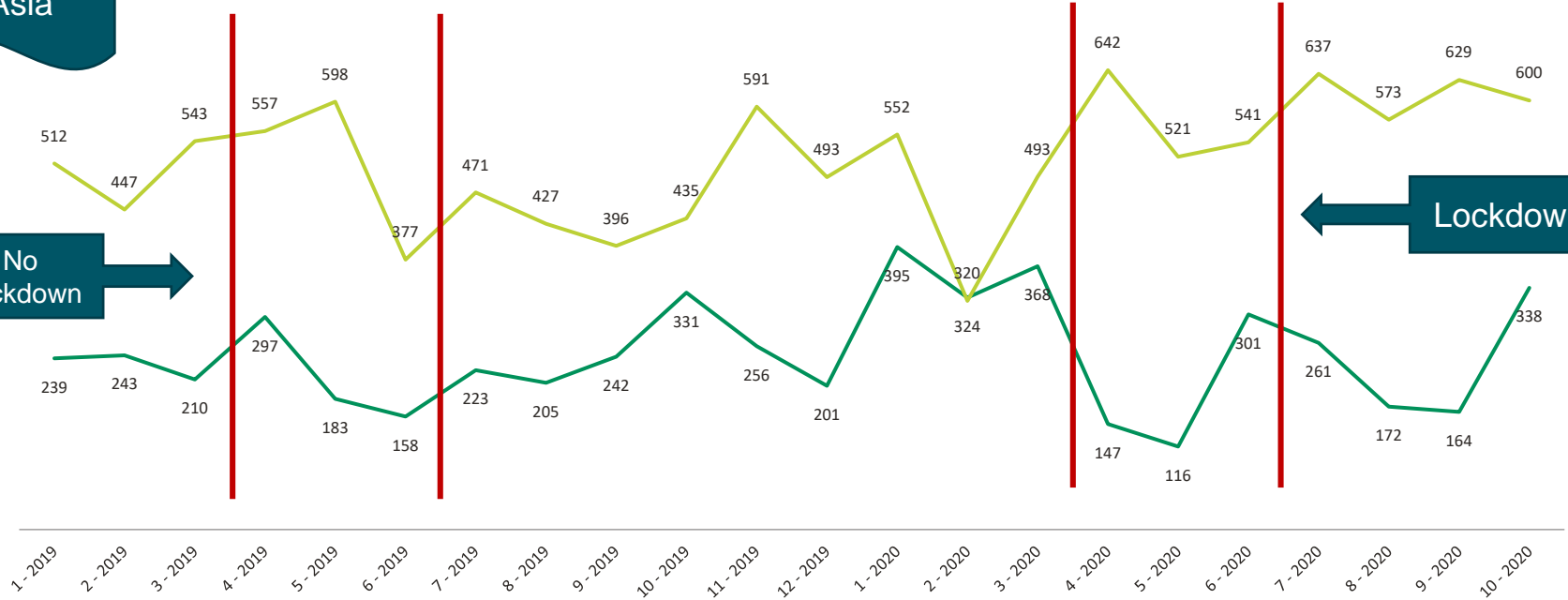
EVOLUTION MT700 SWIFT SEND/RECEIVED BANKS LOCATED IN BELGIUM (IN MIO EUR) – COUNTERPARTY ASIA



— Total Swift Send (in Mio EUR) — Total Swift Received (in Mio EUR)

No Lockdown →

← Lockdown



Source: Swift

DIGITALIZATION OF TRADE FINANCE PRODUCTS

- Letters of Credit are old - historical products – **paper-based** (for banks and all other intervening parties like buyers, sellers, shipping-transport & insurance cies, chambers of commerce, inspection cies, port authorities, tax & VAT authorities,...) in combination of **swift exchanges** (for banks)
 - **Costly product** for all parties and
 - clearly “not” classified as “**green**” product
- During last decade **different initiatives** took place **to digitize trade** - close collaboration of intervening parties led to **creation of different “blockchain” platforms** aiming at **stopping physical sending of documents** and **start sending digital data** between parties.
- **Why digitisation:**
 - win time
 - reduce costs
 - mitigate fraud for all parties concerned



SOME “WELL-KNOWN” PLATFORMS ACTIVE IN TRADE FLOWS



DIFFERENT TRADE “GEOGRAPHICAL” FOCUS PER PLATFORM

- We Trade => mainly continental **European** trade flows
- MarcoPolo => **world-wide** ambition
- Komgo => mainly **EU/ASIA/US** trade flows
- E-trade Connect => initiative taken by major **Chinese** bank
- Finacle Trade Connect => mainly focus on **Indian market**
- ...



DIFFERENT “CLIENT SIZE” FOCUS PER PLATFORM

- We Trade => mainly **Small Medium Enterprises**
- MarcoPolo => Bigger **Corporates**
- Komgo => focus on **commodity flows** – Mercuria & Shell are partners = shareholders –
 - => Komgo also aim to **offer**
 - KYC services,
 - documents certification,
 - Working Cap solutions,
 - L/C and stand-by L/C



INTERNATIONAL BANK GROUP'S INTERESTS

- Trade Deals need to be managed and **operational costs need to be reduced**
- Assure that clients (and by default their bankers) are **safeguarded from frauds**
- Secure the trade flows of its clients by offering **trade finance backed financing** (pre and/or post shipment) like L/C confirmation, L/C discounting, Bank2Bank financing, Discount of bank avalised drafts, Factoring - Reverse Factoring, Working Capital & SCM solutions, etc...
- In all these platforms “one or several” **international banks are partners / shareholders**
 - Standard Chartered Bank: 5 initiatives
 - HSBC: 4 initiatives
 - **BNP Paribas: 4 initiatives (Contour-ex Voltron, Etrade connect, Komgo, MarcoPolo)**



OPERATIONAL EXPERIENCES IN HANDLING DOCUMENTARY PRODUCTS => FIRST LOCK DOWN

- Good & fast solutions found with impacted countries (even in emerging countries e.g. sub-continent India) – adapting regulations is high on the agenda but will take time to turnaround the globe – also ICC regulation wise adaptations are welcomed
- Physical docs routing replaced by exchange of scanned documents (after sometimes “intensive” discussions with all intervening parties)
- But once situation normalized, we still needed to send/handle the physical documents as well (cost intensive)



DID COVID-19 PUSH THE DIGITAL SOLUTION IN TRADE ?

- COVID-19 clearly showed the **weakness** of our present **physical & operational handling of Doc Products**.
- Banks/clients **found alternative and workable solutions through digital handling**, even with far distanced emerging markets.
- But as soon as the lock-downs eased (e.g. international flights by courier express services resumed) we **returned to the old normal**.
- So my **personal answer is “yes, it did”** but **more time will be needed before the digital solutions will be standard** and I’m personally happy that BNP Paribas group continues to invest to make this happen asap!



—
THANK YOU

Frank Haak, Head of GTS Sales Belgium



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BNP Paribas Fortis SA/NV, Montagne du Parc 3, B – 1000 Brussels