

# Trade Innovation: Empowering banks to optimize working capital finance

Transform trade finance with Finastra Trade Innovation:  
Boost efficiency, ensure compliance, accelerate growth

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*Today, corporate clients expect frictionless trade processing, whether for documentary trade or for supply chain finance (SCF). For the banks that can take advantage, end-to-end trade digitization means more relevant financing and advice; faster turnarounds; fewer discrepancies and greater visibility for corporates and banks alike."*

### Digitization: a transformative force

#### Digitization is a revolutionary force reshaping the trade and working capital finance landscape:

The adoption of digital technologies is fundamentally changing how trade finance operates, making processes faster, more efficient, and less prone to errors.<sup>1</sup>

#### The global shift towards digital trade documents, led by the United Nations and supported by the International Chamber of Commerce (ICC) and other industry bodies, is transforming the sector:

Initiatives by global organizations are driving the adoption of digital trade documents, which streamline international trade by reducing paperwork and improving data accuracy.

#### This move from traditional paper-based processes to electronic alternatives is significantly enhancing efficiency, security, and transparency in trade finance:

Digital at source and electronic trade documents reduce the time and cost associated with handling physical documents, enhance security through encryption and digital signatures, and provide greater transparency by enabling real-time tracking and verification.

#### A landmark achievement in this transition is the implementation of the Electronic Trade Documents Act (ETDA) in the UK in 2023, which grants digital trade documents the same legal status as their paper counterparts:

The ETDA represents a significant legal advancement, ensuring that digital trade documents are recognized and enforceable, thus encouraging wider adoption and trust in digital trade solutions.<sup>2</sup>

#### Environmental, Social, and Governance (ESG) considerations are becoming central to this transformation:

ESG factors are increasingly influencing trade finance, with a focus on reducing environmental impact, promoting social responsibility, and ensuring robust governance practices.

Stakeholders are increasingly focused on achieving eco-efficient and socially beneficial trade.

There is a growing emphasis on sustainable finance practices that not only drive economic growth but also contribute to environmental sustainability and social wellbeing.<sup>3</sup>

#### To meet these goals, banks must lead by adopting the latest and most efficient initiatives within regulatory frameworks, supported by government policies:

Financial institutions are at the forefront of this transformation, leveraging advanced technologies and adhering to regulatory standards to promote sustainable and efficient trade finance practices.

# Challenges for banks related to trade and working capital finance

## Navigating digital transformation: overcoming disruptions, enhancing SME retention, and unifying global banking systems



### Digital transformation challenges constant disruption

The banking sector faces ongoing disruptions from global changes, sanctions, and new technologies. Integrating multibank platforms with existing systems to meet the needs of large companies is quite challenging.



### SME customer retention

To attract and retain small and medium enterprise (SME) customers, banks must offer a modern digital channel and fast cost-effective transaction processing that supports SMEs needs while aligning with banks' goals and industry standards.



### Fragmentation

Global banks struggle to provide cohesive, consolidated services across multiple systems and data sources.

## Expanding product offering and market coverage



### Legacy system limitations

Introducing new products, channels, platforms, customer types, and sectors to legacy systems is both time-consuming and costly.



### Supply chain finance (SCF)

While global banks have developed proprietary platforms to offer SCF, the high costs of development and maintenance pose challenges. Regional and local banks often cite the lack of a SCF platform as a barrier to providing these solutions to corporate clients at scale.



### Ecosystem complexity

Interoperability between different solution providers, each with unique systems, complicates the ecosystem, making it difficult to integrate and service.



### Integrated solutions

Banks require a cost-effective, agile, open, and digital-first integrated solution that can seamlessly incorporate new value-added services at speed.

## Reducing operational costs and optimizing capital allocation



### Operational efficiency

Traditionally, banks have increased full-time employees (FTEs) to manage the growing operational demands of compliance and document checking.

However, this approach has limited effectiveness, especially with a shrinking pool of specialists, leading to further strain and increased costs. Banks fiercely compete to allocate capital. Efficiently reusing capital through asset distribution is crucial for optimal utilization.

# Our solution

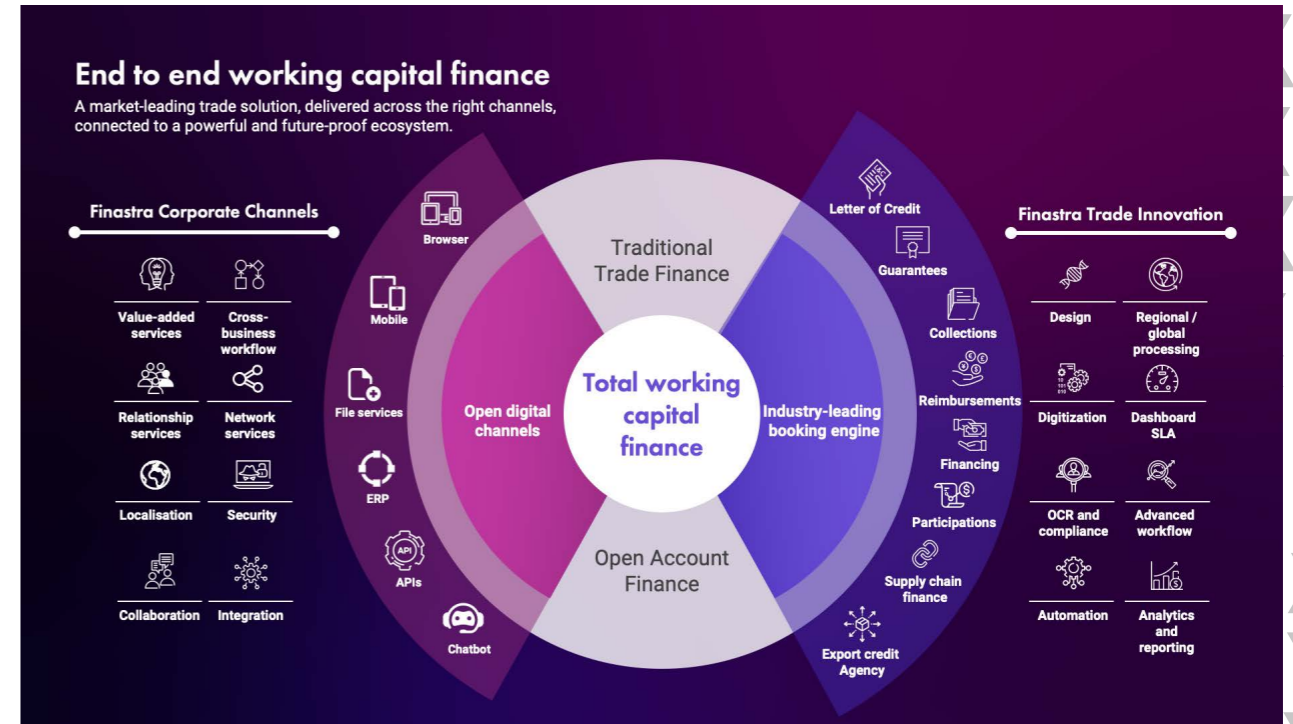
## Solution functionality

**Finastra Trade Innovation** is the best-in-class booking engine, seamlessly integrating workflow management for working capital finance. It offers a comprehensive suite of services, including buyer and seller loans, letters of credit, collections, guarantees, receivables, payables, and supply chain finance.

- **Seamless integration:** Trade Innovation is fully integrated with our digital channel solution, Finastra Corporate Channels. Banks have the flexibility to adopt Corporate Channels as an integrated front-end or to integrate directly with their existing channels or ERP systems. This ensures a unified data view and meets customer experience expectations.
- **Customization and flexibility:** Through our Software Development Toolkit (SDK), banks can customize screens and workflows without affecting the core system code. Our global processing capabilities enable both global and regional banks to implement a single operating model across all geographies.
- **Enhanced capital optimization:** Additional business modules, such as Participations and

Export Credit Agencies (ECA), assist customers in optimizing capital utilization through asset distribution and streamline trade messaging with corporates.

- **Regulatory compliance:** Finastra complies with regulatory changes, including annual SWIFT Label certifications and other legal changes like the Legal Entity Identifier (LEI). We also address the evolving landscape of ESG responsibilities and regulations impacting banks and other stakeholders.
- **Open and API-enabled:** Our solution is open and API-enabled, allowing for flexible integration with ecosystem partners. We are committed to expanding this integration as part of our digital trade strategy, including supply chain finance (SCF), digital documentation, limit management, compliance, and document checking.
- **Generative AI for operational efficiency:** We leverage generative AI to enhance operational efficiency and address various challenges, ensuring our solutions remain at the forefront of innovation.



# Typical delivery considerations

Finastra Global Services can support customers to adopt Finastra solutions, optimize their use and further advance their business, while maximizing efficiency, value and encouraging growth and innovation through our partner ecosystem.

For cloud-based offerings, Finastra or our partners can support clients to maintain the application and access the value of new service packs and major releases. Application and development operations capabilities and additional testing services can further reduce the effort and disruption of future upgrades.

We also offer expert verification and trainings with our premium engagement and optimize services.

Through selected partners we provide Trade-on-Cloud options delivering best-in-class trade capabilities as a managed service, on either a hosted or private cloud, that eases the implementation and reduces the associated total cost of ownership. This helps bank to improve efficiency through automation and prospecting new business.

## Application Test Toolkit

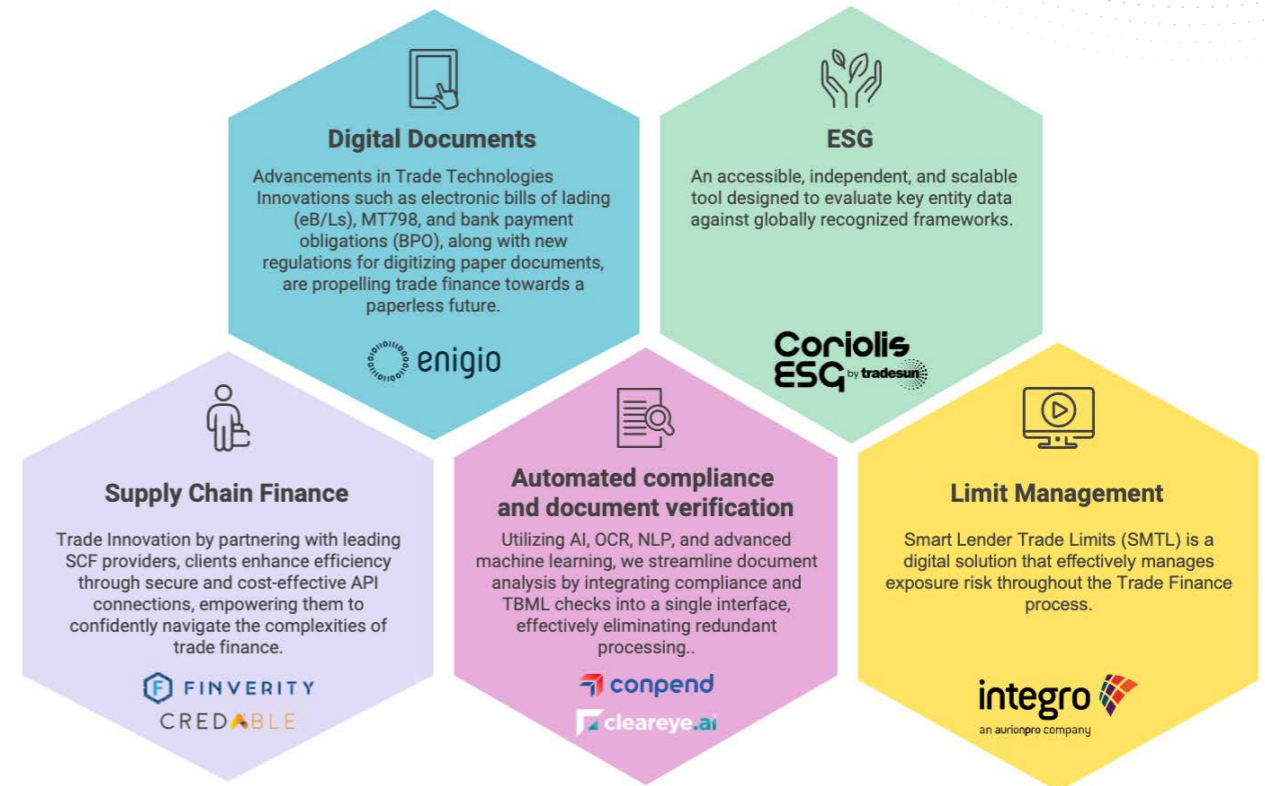
Application Test Toolkits is a modern installed toolset tailored for regression testing our applications. It harnesses Finastra's extensive IP base, fully mitigating outsourcing risks and can be deployed to any environment and operated by a client's test team. Pre-filled with test cases that reflect a standard implementation of Finastra products, we provide updates to the test library in-line with product releases. It can be adapted quickly to represent the specifics of a client's implementation model, including customizations and extensions as required.

## Assist.AI for Trade Innovation

Assist.AI, our state-of-the-art AI assistant, enhances trade finance operations within Trade Innovation. By utilizing the powerful infrastructure of Microsoft Azure and the advanced features of Microsoft Copilot, Assist.AI closes the knowledge gap in the trade finance sector, offering users instant, accurate, and context-aware support.

With prompt-based assistance, users can ask specific questions about trade processes and receive precise answers from relevant resources, eliminating the need to sift through extensive documentation. This allows users in Trade Innovation to focus on what truly matters.

# Finastra and fintech ecosystem partners





# Keystone - the best of Finastra's product expertise designed over hundreds of projects

Finastra have adopted a methodology that is designed to minimize project risk and ensure rapid delivery of the most valuable system functionality. The Most Valuable Scope (MVS) approach focuses on delivering essential capabilities within a short, fixed timeline. Finastra have created a best practice system model that represents an understanding of how our software is used by most of our customer banks.

This scope gives the bank a foundational context for making better decisions about additional functionality beyond a pre-determined good practice operating model.



## Fixed scope

Ensure all decisions are made to get the system operational within six months, avoiding scope creep and focusing on essential deliverables.



## Agreed pre-requisites

Establish a list of mission-critical activities that must be completed before the project starts to ensure all necessary conditions are met.



## Pre-configured model bank

Utilize a pre-configured model bank based on best practices to provide a solid foundation for the project.



## Pre-canned test cases and scripts

Maintain quality through pre-defined test cases and scripts, ensuring thorough testing and validation.



## Early value drops

Regularly delivers early value to keep stakeholders engaged and informed about the project's progress.



## Shared backlog

Logs out-of-scope requirements in a shared backlog for tracking and prioritization in future phases.



## Agile practices

Employs daily standups, weekly status reviews, and monthly steering committee meetings for continuous user engagement and project oversight.



## Collaborative success

Emphasizes a partnership approach with joint decision-making and shared responsibilities between Finastra and the client.

## 6-month onboarding

Delivers the Most Valuable Scope (MVS) within six months, providing foundational capabilities and setting the stage for future phases.

## Best practice scope

Adheres to a best practice scope and operating model, minimizing the risk of over-extension and ensuring efficient resource use.

## Prioritization and budgeting

Facilitates better decision-making and budgeting by jointly prioritizing requirements and solutions using the MoSCoW method.

## Focused sprints

Maintains high quality and rapid progress through focused sprints, preventing scope creep and project overruns.



# Benefits of Finastra Trade Innovation

## Best-in-class, open working capital finance booking engine



**Unified global solution:** Trade Innovation offers a single booking engine for all key working capital finance products across multiple countries, serving both global and regional banks.



**Customizable workflows:** Embedded workflow engine allows for tailored services by country, business sector, and customer type.



**Seamless integration:** Unlike other vendors, Trade Innovation addresses all working capital finance needs without the need for separate systems. It offers flexibility and a wide range of functionalities through its own capabilities and those of its fintech ecosystem partners.



**Modern UI experience:** Finastra Corporate Channels provides a cutting-edge UI, enabling personalized interactive dashboards and workflows.



**Industry recognition:** Consistently acknowledged for best-in-class functionality by leading analysts and trade finance publications.

## Grow new business without significant impact on transaction operations



**Agile expansion:** Trade Innovation is integrated with Corporate Channels and fintech marketplaces, enabling banks to add new business and expand digital coverage seamlessly.



**Future-proof automation:** Pre-integrated digitalization capabilities reduce time and cost to serve, ensuring future-proof operations.



**Rapid innovation:** API integration with fintech partners allows for quick access to a growing ecosystem of value-added services.



**Efficient solutions:** Unlike other providers, Finastra's approach minimizes bespoke integration and maintenance, fostering rapid innovation.

## Cost and efficiency optimization



**Cost reduction:** Open connectivity, digital document management, and AI-driven compliance significantly cut costs and risks.

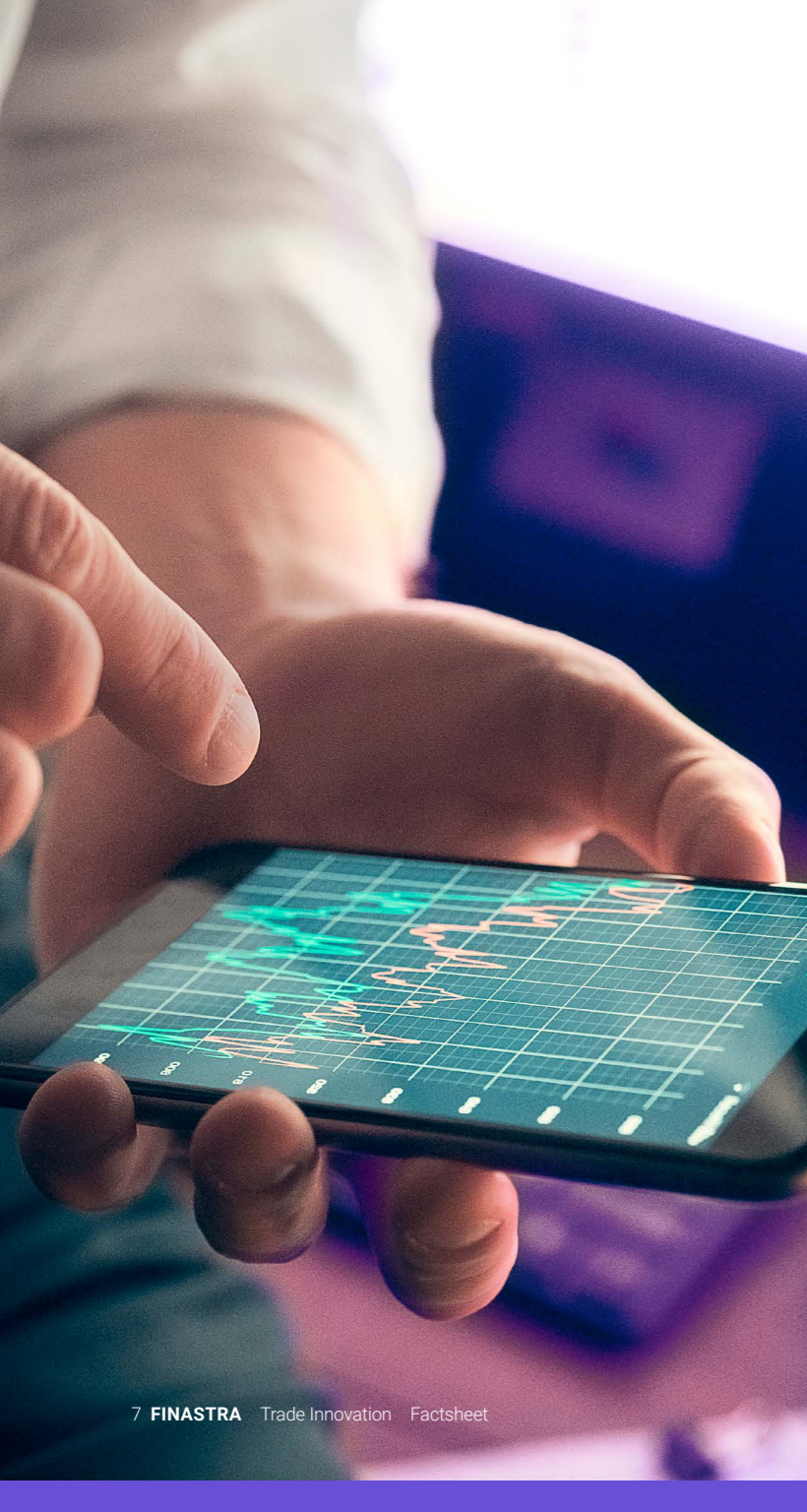


**Enhanced operations and efficiency:** Utilize a comprehensive partner ecosystem for various functionalities, including digital document management, compliance automation, limit management, and SCF capabilities. Leverage advanced capabilities like AI through our fintech ecosystem to significantly improve the efficiency and effectiveness of trade operations.



**Industry leadership:** Finastra leads industry changes through thought leadership and collaboration with the World Trade Board, the International Chamber of Commerce (ICC), the International Trade and Forfeiting Association (ITFA) and Bankers Association for Finance and Trade (BAFT).





## Trade Innovation

### Proof points

Tripled trade finance transactions while cutting average processing time by



**95%**



**40%**

growth in transaction volumes  
(over 18 months)

STP rates increased from less than



**10% to 76%**



**20%**

increase in automation of trade transactions

**75%**



reduction of global labor costs



**80+%**

reduction in labor costs

**70%**

increase in STP  
(by going paperless for guarantees)



Uplift of **3 percentage points**

in annual growth of trade finance business



**Note:** These metrics outline examples of the quantifiable benefits realised by Finastra clients; results are not guaranteed and will differ for each client depending on current state and desired future state.

# Sources

1. [The digital transformation of trade finance: An urgent present and a bright future \(worldbank.org\)](#)
2. [Electronic Trade Documents Act 2023 \(legislation.gov.uk\)](#)
3. [The Incorporation of ESG in the Trade Finance Asset Class, Oct 2020 \(itfa.org\)](#)

## Contact us

### About Finastra

Finastra is a global provider of financial services software applications across Lending, Payments, Treasury and Capital Markets, and Universal (retail and digital) Banking. Committed to unlocking the potential of people, businesses and communities everywhere, its vision is to accelerate the future of Open Finance through technology and collaboration, and its pioneering approach is why it is trusted by ~8,100 financial institutions, including 45 of the world's top 50 banks. For more information visit [finastra.com](#)

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