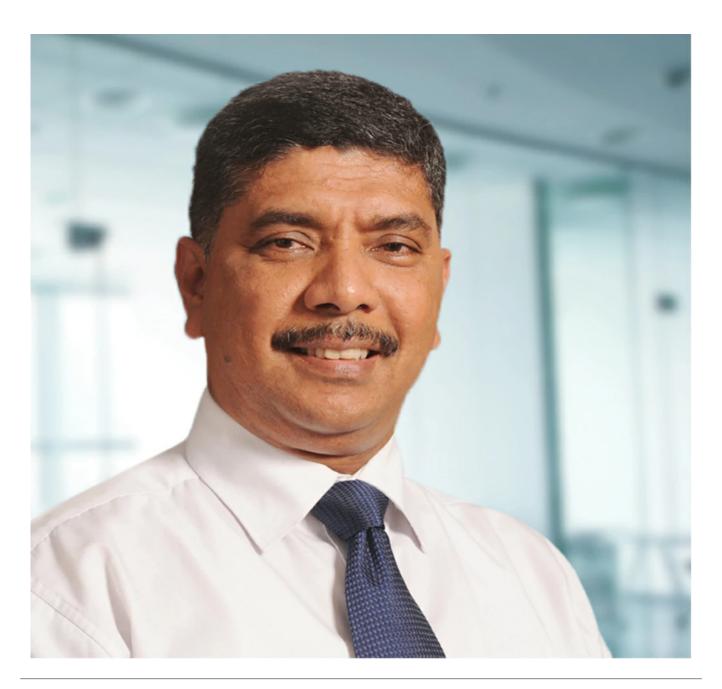# Nearly Five Decades On Trade Finance Remains A Staple Of Commercial Bank



**A historic legacy of Trade Finance that even pre-dates its incorporation continues to underpin and inspire the Commercial Bank of Ceylon in its approach to this important element of banking as client needs evolve and technological advances portend paradigm changes. B A H S Preena, Assistant General Manager, Corporate and Trade Services speaks on the**

**Bank's approach.**

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**How important is Trade Finance for Commercial Bank?**

Trade Finance is embedded in our DNA. When the Commercial Bank of Ceylon was incorporated in 1969 with the Eastern Bank holding 40 per cent of its stake, we inherited not only a historical proclivity for trade finance, but also a portfolio of existing business. Four years later, in 1973, we acquired the Galle, Jaffna and Kandy branches of the Mercantile Bank. This gave the Bank the necessary strength to excel in trade finance from its early days with a strong corporate clientele largely engaged in import and export activities. The Commercial Bank's impeccable reputation for trade finance therefore dates back to its inception, when it was known primarily as a trade bank.

Today, Commercial Bank continues to serve a very large corporate client base that contributes to its trade finance business. Our branch network serves the trade finance needs of most of our Retail and SME clients. We have set up special units within our Import and Export Departments to expeditiously cater to the Trade Finance needs of our Branch customers.

**What makes the Bank a strong partner for customers requiring support in Trade Finance?**

The Bank's stability, the recognition it has gained and its reputation contribute immensely in the international arena. Another important strength is our worldwide network of correspondent banks and their acceptability. We have 51 banks at which we maintain Nostro accounts and over 1,000 more banks with which we have correspondent arrangements. Another key strength of the Commercial Bank is its Trade Finance team – one of the best in the local Banking sector. The Trade finance team has the experience and exposure to provide tailor-made solutions to any type of customer. The team comprises of CDCS – or Certified Documentary Checker Specialists – staff. This is a highly recognised qualification in Trade Finance the world over. We have also won numerous international accolades for Trade Finance, including the award for the Best Local Trade Finance Bank. These awards affirm our Trade Finance capabilities.

**"SMS Alerts And Email Notifications Are Sent Advising Receipt Of**

**Documents. The 'Message To Bank' Option Available On Our Internet Banking Platform Is A Useful Tool To Provide Necessary Payment And Releasing Instructions To The Bank."**

**How has your regional presence been growing and evolving?**

We acquired the Credit Agricole Indosuez operation in Bangladesh in 2003 with two branches and expanded into 19 customer touch points that now contribute almost ten per cent of the Bank's bottom line. Commercial Bank Bangladesh is a fully-owned overseas operation, which mainly focuses on wholesale banking with linkages to the corporate business community. In September last year we set up a subsidiary in the Maldives named Commercial Bank of Maldives as a fully-fledged Tier 1 bank under the Maldives Monetary Authority. We own a controlling stake of 55 per cent in that entity, which has now started its own trade finance business. The performance thus far has been encouraging. Meanwhile, Commex, our fully -owned Italian subsidiary located in Rome, commenced money transfer operations in 2016 under the supervision of Bank of Italy, expanding our horizons as well as strengthening our remittance operations in Sri Lanka and Bangladesh. This brings essential foreign exchange. Additionally, we are in the early stages of establishing our footprint in Myanmar, an emerging economy in East Asia through our Representative office in Yangon.

**How much of the Bank's Trade Finance services can now be accessed and provided online?**

We have developed an advanced online letter of credit application, which could be mapped into our internal IT application direct from our internet banking platform. This provides convenience, flexibility, accessibility as well as speedy delivery to the customer and higher operational efficiency and effectiveness without much human intervention. The customer is benefited by receiving the exact SWIFT transmitted copy of letters of credit and remittances via email soon after transmission along with various advices. SMS alerts and email notifications are sent advising receipt of documents. The 'Message to Bank' option available on our Internet Banking platform is a useful tool to provide necessary payment and releasing instructions to the Bank.

We are also the pioneer in providing an online payment gateway for trade related payments to government institutions such as Customs payments. We are making further improvements in effecting such payments.

**What is the next big thing in Trade Finance?**

With digitisation, Bills of Lading and Letters of Credit will soon be things of the past. These will be replaced by e-bills of lading and e-docs resulting in faster processing, transparency, increased accuracy and reduction of cost, to name a few benefits. Most of the advanced economies have moved into electronic presentation of documents. In such countries their systems are linked to perform and process transactions in a single integrated electronic platform delivering many value added advantages to every stakeholder in the industry.

Big data will also lead the future of Trade Finance. However, despite all of the innovation and the anticipated "new face of trade finance," these things take time. The integration of block chain into aspects of trade finance took several years since it is a complicated process, despite huge advances from major high street banks implementing blockchain-based trade finance solutions. In addition, concerns regarding KYC/AML compliance, fraud as well as security remain, particularly in international trade finance.