

## Trade Finance Solution Jack Henry Certified VIP Member



With shrinking margins in trade finance business, the biggest challenges are to improve service levels, increase scale of operations, ensure regulatory compliance without adding additional costs. As paper based trade processes are likely to continue to dominate, Banks are looking forward to streamline inefficiencies in trade operations by automating trade operations in an electronically driven paperless environment.

## Overview

With the ever growing competition, it's imperative for banks to optimize the complete trade finance processing, from origination to issuance and amendment to collection. Most of these banks provide Trade Finance and International Banking Services to their commercial customers to help them expand their business in the global marketplace and maintain their margins and profits. Typical Trade Finance Services include issuing Letters of Credit, Short and Medium Term Trade Finance Instruments, International Payments and Collections.

## Challenges

While banks leverage Jack Henry Core Banking System to maintain the customer accounts, limits and loan transactions, the overall trade processes remain highly manual, fragmented and paper driven. Some banks have automated trade initiation partially using standalone application for data capture, application processing, workflow, document management etc. but the unified end to end trade finance automation is missing.

Some of the key challenges arise from the fact that core systems such as Jack Henry competently act as transactional system, however do not provide Trade Finance Module. Due to the absence of a trade finance specific module, banks resort to using Loan module in core banking systems to post trade finance transactions. Factors contributing to low efficiency of the trade finance process include:

- Lack of end-to-end automation: repetitive work in multiple applications leading to operational inefficiency
- Movement of physical documents: trade finance is the most document intensive work requiring to move documents across departments and users resulting in higher turn time
- Manual control for regulatory, internal compliance, domestic & international trade guidelines, country specific compliances
- Spreadsheets based manual processes for transaction tracking, income/commission calculation resulting in profit margin leakages
- Capability to define & collect customer specific charges automatically
- Economic non-viability to post a dedicated trade finance staff at a branches where business volume is low
- Compliance check necessary at initiation/branch due to inter country movement of documents
- Ineffective coordination between different departments, like trade operations, branches, Credit limit, FX Treasury etc.
- Review capabilities needed at branch & central office
- Preparing regulatory reports and management dashboards manually

Banks are looking to scale up their trade finance business and increase reach in financial supply chain by extending purchase order and invoice discounting to their trade customers. However, the standalone, manual & disjointed systems are not only acting as barriers to operational efficiency but may also expose the bank to risks associated with compliance and controls.

Advancement in technology have raised the bar of expectations of the corporate customers. They prefer to reach out to banks which can provide efficient, web driven, cohesive and integrated services to suit individual customer needs. Trade Finance customers expect banks to

- Provide solutions that allow them to seamlessly connect with the bank in order to complete their international trade transactions through web portals and/or handheld devices
- Perform follow up activities required in completing life cycle of a trade
- Be one stop shop for all trade instrument needs viz. documentary products, guarantee products, payments, SWIFT, purchase order financing, invoice discounting etc.

Investment in automating trade operations and tight integration with core banking system like Jack Henry will result in improved efficiencies, better decision making while ensuring compliance. Technology can drive this transformation by enabling smart automation, seamless collaboration, straight through processing and effective integration.

## Emerging Challenges - Trade Finance Operations

### Base III

#### regulatory requirements

Basel III will fundamentally affect the profitability of the trade business with increase in capital reserve requirement. As such to sustain economics, Bank's productivity and efficiency in trade finance would require drastic improvement. In today's scenario, productivity difference between efficient and inefficient trade ops in Banks is as high as 700 percent

Clients are looking forward to Bank's help in streamlining the inefficiencies in supply chain wherever possible. Banks are looking forward to implement supply chain financing with integration to trade finance to meet client's expectations.

### Hightened Customer Expectations

### Open Account Trade

Open account transactions now account for more than 80 percent of global trade reducing banks' role to simply moving money between trading partners.

The Bank Payment Obligation is a new instrument of trade finance, positioned precisely between a traditional documentary letter of credit and an open account transaction. The Bank Payment Obligation (or BPO) has the advantage of being endorsed by the ICC. Bank's worldwide are implementing such new instruments like BPO which represents a serious and viable attempt to innovate in the trade finance space

### IT Changes/ integrated model



## Solution

Designed by bankers & experts in trade finance and technology, Newgen Trade Finance Solution accelerator is a revolutionary concept that thinks, acts and operates in the same way as a bank's trade finance operation. The solution is a unique solution enabling banks to process trade finance business both efficiently and cost-effectively, thereby providing the edge banks need to stay ahead of the competition.

Newgen with its VIP member status with JHA, seamlessly integrates its Trade Finance Solution Accelerator with Jack Henry core banking system. It provides domain rich out of the box Trade Finance Solutions accelerator and addresses all of the above challenges faced by banks today. Newgen Trade Finance Accelerator automates end-to-end trade finance processing, ensures compliance and reporting of documentary credits, collections, guarantees, payments, reimbursements and financing.

Newgen Trade Finance Accelerator is built atop of Newgen iBPS product framework in a paperless and electronically driven workflow environment. The Trade Finance Accelerator mimics the advantages of a packaged solution with its deep domain capabilities and the underlying BPM framework lends flexibility to allow bank specific configurations to be made easily which is not possible in packaged solutions which are hard coded to a large extent.

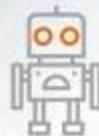
### Flexibility in Deployment: Branch, Regional or Centralized Operations

#### Solution Snapshot Bank's side



##### Digitizing Documents

- Electronic doc scrutiny
- OCR, Annotations, Zoning
- Email
- Scanned Images
- Portal Integration
- Fax
- Mobile



##### Automating Trade Processes

- Capturing basic data or fetching data for existing customers
- Holding customer limits
- Holding correspondent lines if required
- Capturing detail information



##### Automating Document Checking

- For UCP compliance
- For Bank's internal compliance

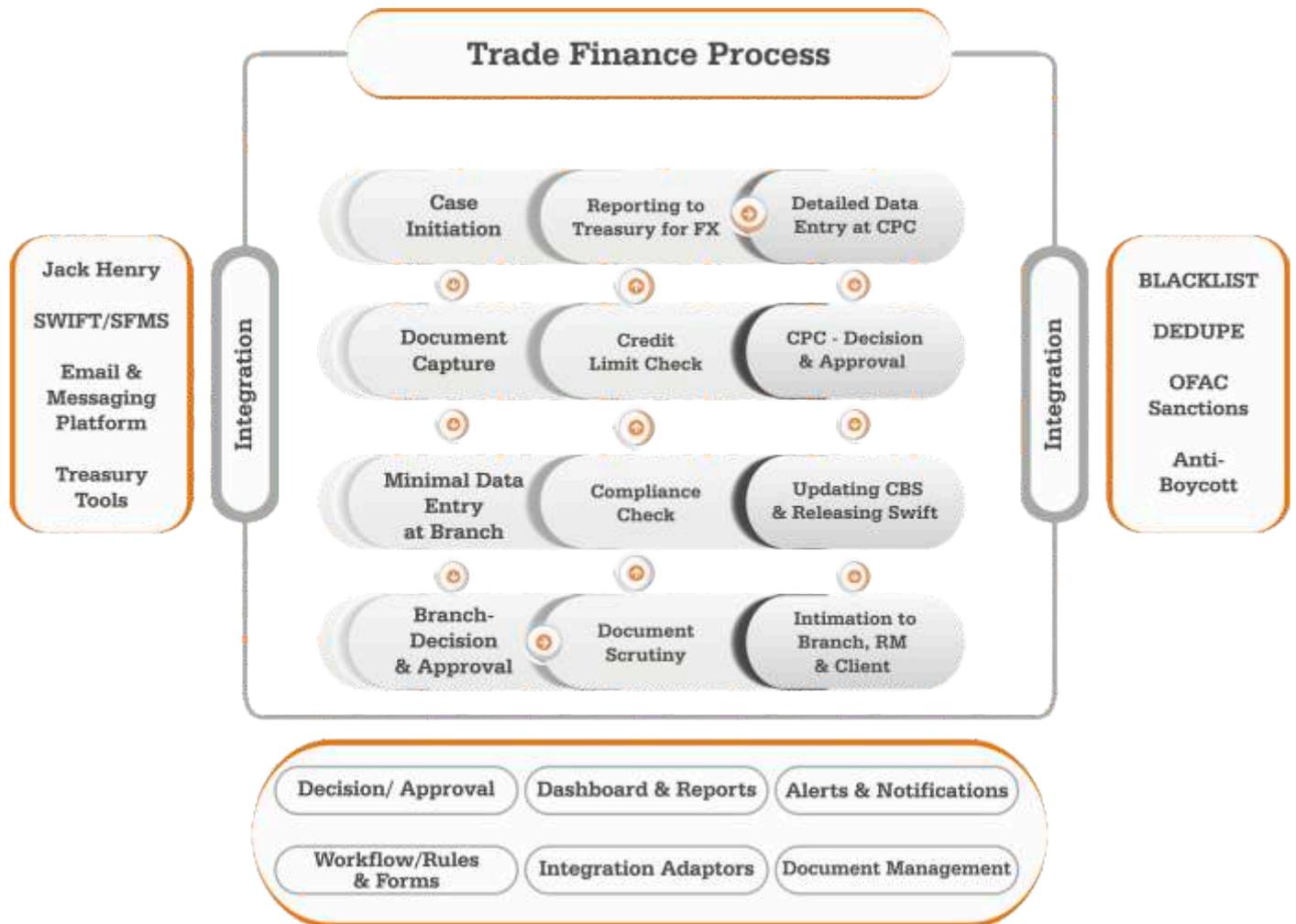


##### Integration

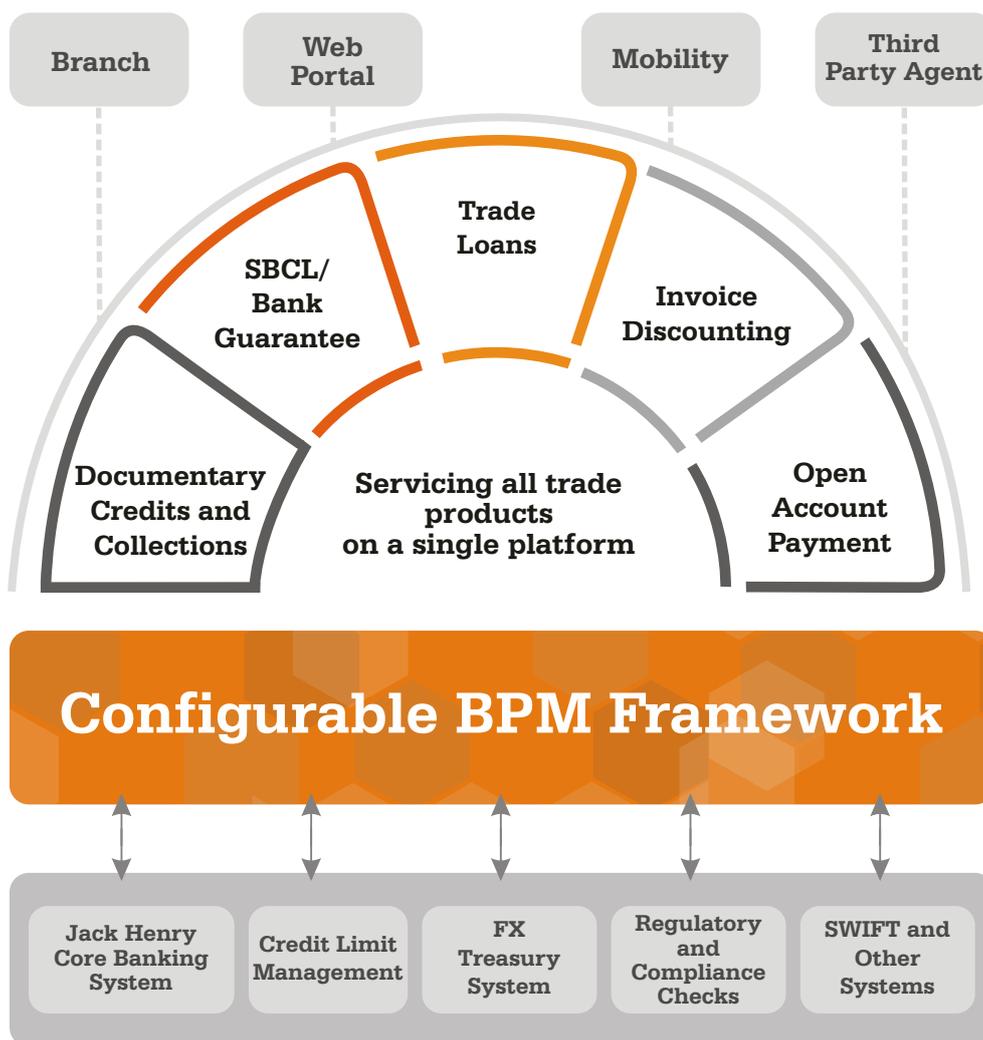
- Core Trade Solution
- Core Banking Solution
- Swift Software
- AML application and databases
- Other required integrations

Newgen Trade Finance solution has rich domain expertise to handle complete life cycle of Letter of credit (Issuance/Advising, Amendment, LC Bill Drawings, Cancellations), Open Account Trade, Bank Guarantees/SBLCs, Trade Loans (Pre/Post shipment Export Advances, Buyer's Credit), Invoice Discounting etc.

## Trade Finance Transaction in Workflow Environment



## Unified Platform for Trade Finance Products



## Solution Features

- **Seamless integration with Jack Henry core banking system to optimize the process using following features-**

**Customer Information Exchange:** Automatic retrieval and population of customer details like address, contact details, DDA and limit account details from Jack Henry system

**Limit Availability Check:** Fetch and earmark limits, and push limit utilization data for each transaction

**Posting Transactions:** Post transactions directly into Jack Henry system in respective GLs and customer DDA accounts, for a new letter of credit including charges, fees, etc.

**Trade Loans:** Pushing export advance / banker's acceptance details in Jack Henry system, fetching the loan account number and repayment schedule

**Updating payments / realizations:** Updating realization of export proceeds or outward import bill payments in Jack Henry, and recording unique transaction in return

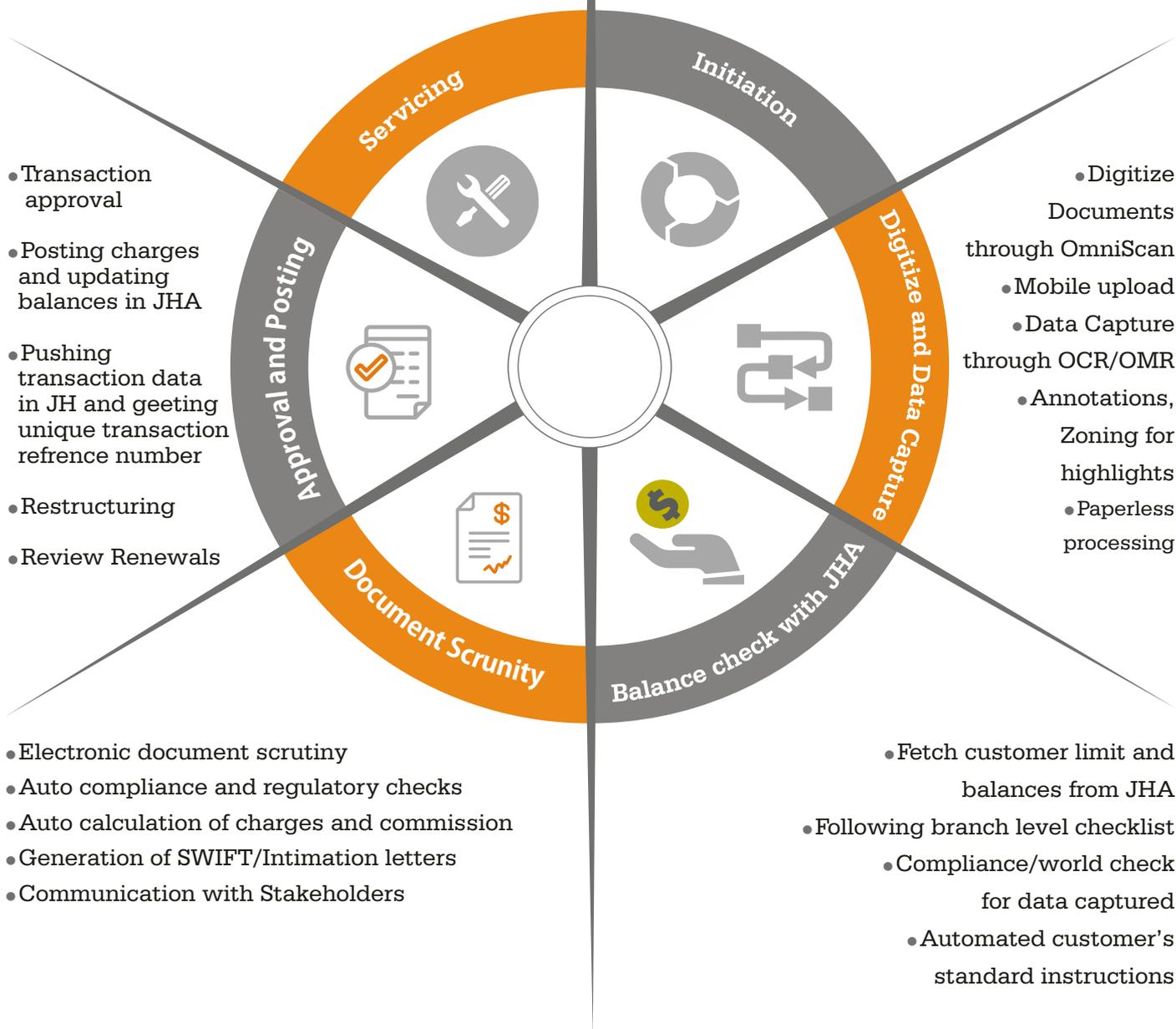
- Automation of UCP compliances, regulatory compliances & credit checks
- Inbuilt communication system to create emails, letters, follow ups, ticklers and tracers
- Automatic generation of SWIFT messages, covering all Mts
- Generation & posting of event based charges, accounting entries
- System generated Export Cover Schedules, Export LC Advising Letters, DAN/Intimation Letters, Debit Advices etc. as per bank specific templates and branding guidelines
- Facility to establish buyer and seller relationship, capture insurance details and endorsements
- Automated purchase order financing and invoice discounting
- Business rules engine to ensure compliance
- Robust document management system
- Business activity monitoring module to monitor processes, generate reports and create user specific dashboards Master data management to manage various masters
- Recording historical data for each transaction

# NEXT Generation TRADE AUTOMATION

Each loan type (**C&I, CRE, Construction, SBA, Agriculture, Leasing** etc.) is managed with end-to-end lending cycle from prospecting, document capture, digitization, origination, approval, closing & funding to servicing to ensure paperless processing of credit application in a workflow environment supported by a robust built-in document management system. The solution also adapts to unique loan products requirements of the banks with embedded rules engine.

- System generated SMS/ Email for transaction status
- Maintaining transactional history
- Issuing on demand confirmation letters and NGO
- Accepting product specific customer instruction
- Change in pricing/commission

- Document Checklist
- Product Setup
- Pricing Setup
- Application Processing
- Collateral Capture
- Integration with External Credit Bureaus



## Solution Highlights

**Integration with Jack Henry Core System** - Capture details for new customers, automate customer & loan account creation in core systems, with easy search and auto population of client details from the core

**Connecting Disparate Applications** - The solution also integrates seamlessly with other applications such as CRM, Spreading tools, Pricing Applications, Documentation Provider to provide a single and unified interface for the lenders

**Prospecting and Lead Generation** - Efficient lead management and handling of cross and up-sell opportunities

**Credit Application Management** - Seamless on-boarding with several configurable templates for customer and product specific data capture

**Credit Analysis and Underwriting** - Comprehensive credit assessment tools that take into account financial information, ratio analysis, account conduct and pricing

**360° Risk Management** - Complete due diligence through Peer Group Analysis, Trade Checks, real-time pipeline view, automated rules & standardized processes

**SWOT Analysis** - Comprehensive evaluation of a deal through a detailed analysis of various internal/external ratings

**Document Management** - Generate Loan Package with commercial loan documents and security instruments in pre-defined bank specific templates

**Collateral Management** - Unified workflow around releasing, updating, valuing and moving collaterals and other linked processes

**Collections and Provisioning** - Efficient management of delinquent accounts and linked accounts through incessant follow-ups and history logs

**Portfolio Management** - Profitable risk portfolio management through covenant monitoring, account conduct, review/renewals and diversification

**Credit Risk Reporting** - Configurable functional, operational and investigative reports & dashboards

**Servicing and Restructuring** - Facilitates asset management, branch/trade referrals, partial settlements, credit extensions and foreclosures

## The Newgen Advantage

- Faster time to market with ready-made solution accelerator
- Leverage existing investments through seamless integrations with core banking systems like Jack Henry
- Serve customers better by supporting all initiation channels
- Manage change through configurable rules based framework



## BPM based Trade Processing – A Paradigm shift

In today's rapidly changing business landscape with continuously evolving market needs and regulatory compliances, it is almost impossible to define an ideal solution architecture. What might seem ideal today may not remain so in the next 3-6 months. Thus, financial institutions are seeking solutions with the most adaptable architecture, one which can be configured for today and has the ability to adapt in future. In such a scenario, solution accelerators built on a Business Process Management (BPM) platform can serve the purpose.

Newgen Commercial Lending solution combines industry best practices with rich domain expertise required in a robust commercial lending application. The solution accelerator allows financial institutions to avail the benefits of both the worlds (Buy + Build), i.e. they get a readymade solution which is domain rich and can be deployed on day one along with the benefits of seamlessly enhancing its capabilities through a configurable BPM framework.

This allows banks to buy the solution 'out of the box' and then configure it to meet 100% of their requirements. It helps in drastically reducing the time to roll out a commercial lending product in the market as banks can avail the existing functionalities of the accelerator and identify the gaps which are fulfilled through the configuration layer supported by various components such as Rules Engine, Process Modeler, GUI designer, MDM & Integration adaptors.



### Advantages of Solution Accelerator

- Solution Accelerators are ready to use, tried-and-tested domain-specific business solutions
- Standard functionality like a packaged application but not a coded Black Box
- Built on a configurable BPM framework
- Tools to configure bank specific requirements - Forms, Processes, Rules, Masters, Reports and Integration
- Best of both worlds (buy + build) - ready to use & quickly build for bank specific business challenges

## Business Benefits

**End-to-End Risk Management** - With methodical portfolio monitoring, automated tracking of collaterals and covenants, comprehensive reporting and standardized lending processes, leading global organizations are realizing the benefits of end-to-end risk management delivered by Newgen Commercial Lending solution

**Greater Selling Opportunities** - Gain better insights into high profile accounts to enhance profitability, create cross-sell opportunities and underwrite loans competitively. The system ensures all touch points with the customers are streamlined to power strong customer relationships

**Unprecedented Operational Efficiencies** - Eliminate duplicate data entry, reduce error rates and policy exceptions, enable dynamic staffing, business rules driven underwriting and documentation, and streamline approval cycles for faster transactions. The resultant speed creates a distinct competitive advantage in a fiercely fought marketplace

**Compliance and Process Standardization** - Close monitoring of process Service Levels across the lending lifecycle—from initiation to disbursement ensures compliance and risk optimization. The system ensures that all loan documents and covenants are tracked and reviewed automatically in accordance with credit policy and compliance. It allows generation of custom reports for increased oversight





## About Newgen

Newgen Software is a leading global provider of Business Process Management (BPM), Enterprise Content Management (ECM), Customer Communication Management (CCM) and Case Management solutions with a global footprint of 1300+ installations in 61+ countries with large, mission critical solutions deployed at the world's leading Banks, Insurance firms, BPO's, Healthcare Organizations, Government, Telecom Companies & Shared Service Centers.

Newgen's Quality Systems are certified against ISO 9001:2008 and Information Security Standard, ISO 27001:2013. Newgen has been assessed at CMMi Level3.

### WRITE TO US

**USA & CANADA:** [usa@newgensoft.com](mailto:usa@newgensoft.com)  
**INDIA:** [corpmktg@newgensoft.com](mailto:corpmktg@newgensoft.com)  
**APAC:** [asiapac@newgensoft.com](mailto:asiapac@newgensoft.com)  
**EMEA:** [emea@newgensoft.com](mailto:emea@newgensoft.com)

### FOR SALES QUERY DIAL

**USA & CANADA:** +1 (202) 800 7783  
**INDIA:** +91 11 40773769  
**APAC:** +65 3157 6189  
**EMEA:** +44 (0) 2036 514805, +973-1-619-8002

