

e-mmerce

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*@GlobalTrade:
Seamless online exports
Have Bolero and others anything to fear?*

Plus:

Danzas AEI talks e-fulfilment

MasterCard teams up with TradeCard

Banks outsource online doc processing

Experts debate standardisation of regulations

E-mail + e-commerce + wireless = the next wave

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watch out bolero – here's @globaltrade

CCEWeb has unveiled @GlobalTrade, its secure payment and trade management system. @GlobalTrade allows for a letter of credit to be issued online; for the buyer to verify electronically that merchandise has been shipped on time and in the quantities and condition expected; to eliminate the need to pay cash in advance for purchases; to virtually eliminate delays caused by discrepancies in paper-based processing; and to track the entire transaction process online in real time. It also brings a Visa-branded payment aspect to online transactions. Rupert Sayer talks to CCEWeb.

At the end of September, CCEWeb Corp unveiled @GlobalTrade, its secure payment and trade management system, at the Financial Services Association Annual Conference in Orlando, Florida. Designed to support internet-based trade between buyers and sellers who are unknown to one another @GlobalTrade brings together all parties involved in an international trade transaction including financial institutions, carriers, freight forwarders, surveyors, and others on the same electronic page.

The World Trade Organisation estimates that US\$7.2 trillion in merchandise was traded globally in 1999. @GlobalTrade's target market is about 40% of this annual volume as well as the approximately US\$640 billion in paperwork that the UN estimates is spent annually to process inter-

national trade deals. Does this sound similar to Bolero and TradeCard? It does, but at a closer look CCEWeb's system is something else.

@GlobalTrade's prototypal operation is scheduled to begin in November 2000 and to continue until mid 2001. Buyers, sellers, Visa international financial institutions, ocean carriers, freight forwarders, and other parties to a trade transaction will participate in the pilot. P&O Nedlloyd, the third largest ocean carrier in the world, is one of the participants.

"The benefits that we foresee accruing to P&O Nedlloyd from participating in the CCEWeb system are: productivity improvements for data entry to our internal systems; encouragement for our participating customers in the use of waybills instead of bills of lading; and automated and timely collection of revenues," believes PJF Burrows, General Manager, Marketing Systems, for P&O Nedlloyd. "We are working very closely with CCEWeb and other interested trade service providers in the value chain to bring this vision to fruition."

"Our breakthrough is that we have developed a method for completing a trade shipment that enables everyone involved in the process to use both the internet and their in-house systems seamlessly," adds Jacob Katsman, CEO of CCEWeb Corp. "Not only does our system streamline the process, it will make it much easier for small and medium-sized companies to deal with each other internationally. This should help boost international trade in general and provide an essential ingredient in the growth of the e-business vertical and horizontal marketplace."

@GlobalTrade makes it possible for a letter of credit to be issued over the internet anywhere in the world; for the buyer to verify electronically that merchandise has been shipped on time and in the quantities and condition

expected; to eliminate the need to pay cash in advance for purchases; to virtually eliminate delays caused by discrepancies in paper-based processing; and to track the entire transaction process online in real time. The company has applied for patents in North America and plans to file internationally by November 2000.

Virtual evolution

CCEWeb Corp was founded in 1996 in Toronto, Canada, to create a virtual internet commodity exchange – Continental Commodity Exchange – for internationally traded goods. Over the ensuing three years, it evolved into a B2B network connecting producers, financial institutions, bankers, exporters, importers, shipping companies, freight forwarders, customs brokers, insurance providers, surveyors, chambers of commerce, and trade associations into an online trading network.

CCEWeb has helped evolve trade processing into an interactive secure payment and trade management system called @GlobalTrade capable of serving multiple financial institutions around the world and bringing all parties in a trade transaction onto the same electronic page. @GlobalTrade incorporates straight-through processing by merging the credit card and bank payment systems with a document management system that allows the users to leverage their existing technology infrastructure.

"@GlobalTrade makes the payment process faster, guarantees irrevocable funds availability, authenticates customers and trade service providers, and integrates invoices, transport documents and payments. It enables all participants in an international trade transaction a secure means of initiating, processing and completing the transaction over the internet," says Katsman.

@GlobalTrade enables:

- Financial institutions to offer their trade clients a Visa branded payment card that

combines the reliability of the world's leading payment brand with the financial credibility of a letter of credit.

- Financial institutions to outsource the processing of trade transactions to an independent documentary clearance centre (DCC).
- Financial institutions to broaden their offerings of web-based trade products and services without set-up costs and investment in new costly systems.
- Companies worldwide to transfer all their trade documents electronically with bank-level security at a fraction of the cost associated with paper documents.
- Users electronic straight-through processing from the application for a letter of credit, to the advice of the credit, through to document presentation, compliance check, transfer and assignment of proceeds, payment and customs clearance in an electronic form via the internet.
- Seamless integration of its open, end-to-end internet-based payment and document management system with the existing computer systems of buyers, sellers, financial institutions, cargo carriers and other trade services providers.
- Trade service providers such as carriers, freight forwarders, surveyors, insurance providers, chambers of commerce and others to improve the quality of their services by exchanging information and documents instantly in an online environment that leverages their existing systems.

Electronic letter of credit card

The electronic letter of credit card (eLC Card) is one of the innovations of @GlobalTrade. It will allow companies and individuals to combine the convenience and trust of credit card purchasing with the financial security of an

irrevocable letter of credit. It conforms to all the rules and regulations contained in the UCP 500 and its supplement for electronic credits that is being drafted by the International Chamber of Commerce. This card can be issued in a virtual or plastic form depending on financial institutions offering this service.

Many companies view the current process for obtaining financing and issuing documentary credits as complicated, cumbersome and expensive. Through an alliance with financial institutions, CCEWeb will provide a simplified user-friendly model for issuing and processing letters of credit that are backed by the buyer's credit card. It aims to significantly reduce the time and costs involved in a typical transaction.

The eLC Card will typically be used for purchases of US\$5,000 and up, depending on the credit limit granted by the buyer's financial institution. It will enable B2B transactions over the internet by satisfying the need for a secure payment instrument between unknown parties that guarantees payment for the seller and assures the buyer that goods ordered will be supplied in the quality and quantity and at the time stipulated in the letter of credit contract.

Despite the tremendous growth of internet marketplaces (vertical nets, horizontal nets, auctions, and so on) sellers/merchants are afraid to accept credit cards as a method of payment for fear of fraud or charge back should the buyer decide to reject the goods ordered. The fees charged to the merchant for processing a credit card (usually 2-4%) make the business case for a credit card as the means of payment in an international trade deal even more difficult for large value B2B transactions. The eLC Card is designed to address these problems by merging credit card functionality with the functionality of a letter of credit.

FastTrack eDC

FastTrack eDC is the service that

importers, exporters and internet marketplaces have been waiting for, claims CCEWeb's Katsman. It is a simple irrevocable conditional payment instrument that is subject to UCP 500 with the following special e-features:

- It can be issued directly to the seller via secure e-mail. The buyer's financial institution guarantees irrevocable payment to the seller providing compliant electronic documents are presented.
- The buyer has the convenience of a pre-defined FastTrack eDC application form.
- It allows the buyer to request only the following e-documents: draft, commercial invoice, packing list, transport document, certificate of origin, certificate of quality/quantity and insurance certificate. If the buyer requires other documents to be presented, the standard electronic documentary credit would be used.
- Carriers, freight forwarders, insurance companies, surveyors, chambers of commerce, customs brokers and other trade service providers including beneficiaries or parties acting on their behalf are able to upload documents via a web browser in Adobe PDF and to deliver them in a secure form to the independent document clearance centre acting for multiple financial institutions.

Electronic Documentary Credit (eDC)

The best way to explain an eDC is to think of the traditional documentary credit subject to UCP 500 but without the advising bank, without paper documents, without tricky clauses, without many discrepancies, without courier charges, without reimbursement delays and at a price lower than most banks charge today for conventional documentary credits. A walk through demo is available through CCEWeb.com.

E-outsourcing of trade processing

Outsourcing of trade processing from bank to bank is not new. Major banks have been in sourcing trade transactions from other banks for many years. It is a very specialised business requiring heavy investment in technology infrastructure and support services. Qualified staff is needed to check documents against terms and conditions of various import/export credits.

@GlobalTrade has been designed with the latest web-based systems and a new methodology to process trade transactions. Through a centralised documentary clearance centre financial institutions are able to offer their clients significant efficiencies, reducing processing time and cost while providing the highest quality customer service. White label solutions are offered with detailed reporting customised for each financial institution.

@GlobalTrade eOutsourcing currently offers the following services:

- FastTrack eDC
- Standard electronic documentary credit

@GlobalTrade eOutsourcing enables all parties to the trade transaction to submit documents over the internet to the documentary clearance centre for compliance check. This function is part of the document management system, the backbone of @GlobalTrade. The system complies with UCP 500 and Incoterms 2000 and does not change the responsibilities of parties involved in the trade transaction.

Document Management System

Document management is part of CCEWeb's secure payment and trade management system. The cost of issuance of one paper invoice for some companies exceeds US\$200. The cost for one set of original paper bills of lading is estimated at over

US\$68. "The cost associated with correcting discrepancies in paper trade documentation and the related cost of funds and courier charges is scary to calculate," says Katsman. "We call this 'The Cost of Doing it Wrong'."

Document Management Systems is designed to enable corporations and trade service providers to exchange documents electronically in an environment that leverages their existing systems while providing bank level security, authentication and non-repudiation between parties. Users of the system would be able to upload documents via a web browser in Adobe PDF using their existing system. Document management services are billed on a transactional basis and there are no annual fees or membership fees.

Documentary clearance centre and no advising bank

The paper advice of a letter of credit to the beneficiary can be substituted by secure electronic delivery. With internet access, an authorised party could retrieve the credit instrument from any place in the world at anytime.

Technology available today is able to replace traditional authenticator, test keys and signature directories in a more efficient and cost effective way. It can also ensure that the right beneficiary is receiving the letter of credit and the beneficiary is the only entity that can view the advice if so selected.

To achieve the desired result the issuance and advising functions have to be combined into one. The traditional documentary credit system allows for this to happen but the industry standard banking practice is entrenched in an issuing, advising, and confirming 2/3-bank system.

Can the internet improve the standard banking practice? The quick answer is 'no'. The internet alone cannot improve the standard banking practice without a system surrounding the information delivery process that fulfils the

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same needs as the traditional system and more.

What are these needs? The advising bank today has the following functions:

- Authentication of a letter of credit. Before passing the credit into the hands of a beneficiary, the advising bank's responsibility is to determine that the credit is genuine and has originated from a bank that purportedly issued the credit and not from a post office.
- Scrutiny of a letter of credit. Review the wording of the credit for inconsistencies and point them out to the beneficiary and/or clarify errors with the issuing bank. This is, however, an option, not a requirement.
- Advising of a letter of credit. Delivery of the credit physically to the beneficiary, usually by fax, courier or airmail.

In many cases the advising bank does not engage itself in the credit transaction, and advises the credit 'without any responsibility on our part' except in cases where it has been asked to act also as the confirming bank, the transferring bank, or the payment bank. In such majority of cases where the role of the advising bank is strictly advising it is not obligated to make payment to the beneficiary. Payment liabilities remain with the issuing bank.

CCEWeb's model envisions an independent Documentary Clearance Centre acting on behalf of various financial institutions around the world solely focused on trade processing allowing various parties connected to a particular trade transaction to upload respective documents using the internet. It will perform not only the issuing/advising function but also a consultative role authenticating the origin of the credit and allowing the seller to get paid quicker through submission of electronic documents without the need to

integrate new software or learn new computer systems.

The waybill difference

Why, in an era when data is bounced off satellites to the other side of the world, are pieces of paper being flown around to be surrendered like a cloakroom ticket to secure delivery of cargo? The answer to this lies in the fact that the documentary credit process, as a means of secure payment in international trade, has grown up around a paper document of title that a computer cannot replicate. The 'check for goods' function of the carrier's contract of carriage, the bill of lading, which once promoted world trade as the cornerstone of the documentary credit process, is now the very thing that is preventing this process from advancing into the world of electronic commerce.

Bolero has taken on the challenge to resolve the bill of lading problem by replicating the document of title function through a central data registry. bolero.net would hold and register all data of title to goods and all changes thereto, and then, when called upon by the carrier to advise, would direct to whom the goods could be delivered. This requires an international organisation operating 24 hours a day, 365 days a year, with insurance against error in directing delivery to the wrong party.

CCEWeb argues that Bolero is asking the wrong question: 'How can I reproduce a bill of lading using EDI?' If you ask the wrong question, you are guaranteed the wrong answer, argues Katsman. So what is the right question? Katsman says: "CCEWeb asks: 'What do I need a bill of lading for in the first place and is there not some other way to achieve the same objectives?' The answer here is that, of the three functions of a bill of lading (contract, receipt, and document of title) the two former easily lend themselves to the EDI process, and it is only the document of title function that causes

problems. Instead of trying to replicate the document of title function more thought should be given to why this function is necessary and whether the same effect can be achieved using an EDI-friendly system without the need to resort to a document of title style function."

The waybill concept was endorsed by that doyen of documentary credit experts, Bernard Wheble. It is the waybill and the availability of this system that is the reason why Wheble fought so hard to secure the incorporation of waybills in the list of permitted transport documents in UCP 500. To explain how this system works, one must first understand exactly what a waybill is and how it differs from a bill of lading. A waybill is a receipt and a contract of carriage, but not a document of title. Unlike the bill of lading, where issue usually subjects the carrier to minimum Hague/Hague-Visby Rules recourse during sea transit, the waybill allows complete freedom of contract. Being a document of title (except where it is a straight bill and within the jurisdiction of the US Pomerene Act), the bill of lading is a 'check for goods'. He who holds the bill controls the goods and a duly endorsed original must be surrendered in exchange for the goods. Once a seller lets go of his bill, he loses all rights to control the goods.

On the other hand, with a waybill, possession of paper counts for nothing. 'Order' waybills are not possible and delivery is made to (or to the order of) the nominated consignee. However, while a bill of lading shipper loses all right of control over the goods as soon as he releases it, the waybill shipper retains the right of stoppage in transit throughout — up to delivery. On the face of it, the waybill is not a very secure document for many of the parties involved, but the problems are easily surmounted as follows:

For total security, seller and buyer require concurrent exchange of control of goods and payment. In a documentary credit, this is achieved by the seller passing over

the bill of lading as part of the letter of credit requirement in exchange for payment to the bank acting on behalf of the buyer.

Having examined the challenge, John Richardson, Director, Transportation & Logistics for CCEWeb, formerly with P&O Nedlloyd, has developed a control clause for that fatal flaw and lines up the point at which the shipper gets paid with the point at which he gives up control of the goods, thereby satisfying both shipper (seller) and consignee (buyer).

This clause reads as follows: "Upon acceptance of this waybill by a bank against a letter of credit transaction (which acceptance the bank confirms to the carrier) the shipper irrevocably renounces any right to vary the identity of the consignee of these goods during transit."

The CMI Uniform Rules for Sea Waybills agreed by the CMI at its 1990 Paris meeting provides, among other things, that if any waybill is issued subject to those rules, the carrier guarantees that the contract is identical to what it would have been had the carrier issued a bill of lading. Thus, a waybill so marked should be just as acceptable for recourse purposes to shipper, consignee, and insurer as a bill of lading.

"So far, we have satisfied shipper, consignee, and issuer. If we can satisfy the bank, we have a viable system," enthuses Katsman. "This can be achieved by giving the bank a lien on the goods, by means of a suitably worded clause on the waybill, so that nobody can take delivery of the goods until the bank has removed its lien, thereby giving it the control it needs. In this way the bank should be satisfied that its position is protected and prepared to operate a documentary credit with a waybill. Waybills are a cheap and simple solution. Waybills are flexible and can be paper or electronic. Waybills need no control data registry to operate; Bolero does." Is Bolero the future or will waybills prevail? The next few years should prove most interesting. ●

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