

The Bank for Banks.

Trade & Export Finance Integrated Services.

Industry and Business Environment

Trade finance has developed differently from many other areas of banking. In funds transfer and securities trading, for instance, rapid technological progress has boosted productivity and slashed costs. Not so in trade finance, which has remained labor-intensive and therefore expensive. The obstacle to implementing a broadly based technology to make this business cheaper is that the transactions being financed – based on the exchange of merchandise – are governed by a raft of differing rules and regulations. One of the trends for this traditional business is therefore the development of procedures that improve productivity and will be accepted by all concerned, up and down the entire physical and financial supply chain.

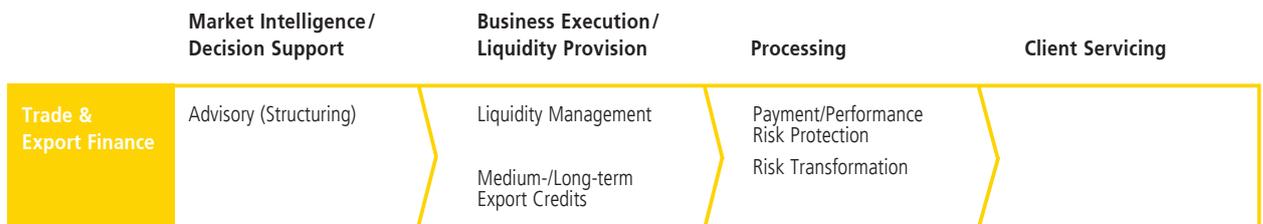
For small and medium-sized banks in particular, this represents a huge challenge. Any organization involved in trade finance needs both a local market presence and a global network. Driven by global liberalization, world trade is doubling every ten years. Nevertheless, as the legal framework becomes increasingly stable in many countries and with the exchange of information made easier thanks to modern means of communication, more and more goods-based transactions are now being done on an open account basis and without traditional documentary credits. In future, generating the kind of volumes and contribution margins necessary to achieve the economies of scale required to pay for this costly infrastructure is likely to become more and more difficult. One solution is to concentrate on local client proximity.

Adopting such a strategy means outsourcing part of the value chain in the form of selected processing operations and thereby utilizing the global network of a partner bank. This frees up resources, something no bank can afford to ignore. In future, just keeping a toehold in the business will be the name of the game. Any organization wanting to develop its trade finance business therefore needs to offer added value. But that does not mean it has to do everything itself: Outsourcing certain processing operations may well be the way to go.

As a partner, we want to ensure that improvements do not just cause a shift in outlays.

It is a well-established practice of UBS across all business streams to make our own infrastructure available for other financial institutions. It is our understanding that conducting business in such a partnership environment means much more than just offering a standard product. Since processes, organizational structure and infrastructure cannot be regarded in isolation, we strive for solutions which also account for all other aspects affected by the process step in question.

Based on the principal value chain, our integrated Trade & Export Finance Services may therefore vary from single parts to solutions beyond the ones listed below. Besides the aspect of cost-saving, the following paragraphs outline the facts which should be considered in connection with outsourcing as well.



Market Intelligence/Decision Support

Education

The decision to outsource parts of the value chain may result in a certain loss of know-how. UBS AG is one of the leading providers for trade and export finance education in Switzerland, a partner of Swiss Export and has the competence to ensure the required product know-how. Your client advisors can further benefit from ad hoc advice for the structuring of transactions, provided by our well-respected specialists.

Business Execution/Liquidity Provision

Internet Front-end

With today's globalization of telecommunication as well as available Internet security and standards, corporate clients will increasingly look for web-based e-solutions to integrate and optimize their own processes. As all banks which aim to offer a comprehensive service, UBS is not only permanently adapting its e-banking offering to meet these requirements but is also providing its partner banks with the possibility to use the same environment on a white-labeling basis.

Processing

Transaction Handling

Over the last few years, UBS has invested heavily in its trade finance processing systems. This will allow us to handle the entire product range on one groundbreaking platform, sufficiently scaleable to keep pace with future demands. The self-evident, high level of automation further allows for individual processes and lower costs, compared with proprietary or older solutions.

Regulatory Requirements

The impact of increasing regulatory and due diligence requirements forces banks not only to identify well-known fraud but also make arrangements concerning regulatory, political and reputational risks. As a member of the Wolfberg Group, UBS is a leading player in the development of standards in this area. As a result, you directly benefit from our system enhancements (i.e. filter functionalities).

Contingency Planning

A total of 240 specialists in four locations across Switzerland (Zurich, Basel, Lugano and Geneva) ensure the coverage of the major languages besides English as well as a high standard of quality and readiness in terms of business continuity.

Operational Risk

In addition to the usual payment/performance risk protection and/or transformation, by having UBS process your business, you can also remove the inherent operational risk.

Client Servicing

We see the client relationship as the ultimate core competence of any bank. Nevertheless, some tasks may form part of an outsourcing agreement, be it with UBS as the providing partner or on a white-labeling basis.

Advisory

In addition to our education and advisory capacities mentioned before, your clients can also profit from our know-how by direct education sessions.

Reporting

Client information and reporting is a key factor for a client relationship. Our IT infrastructure allows us to provide your clients with reporting, that is up to our own high standards and which is provided on a white-labeling basis.

Value-added Services

Clients profit not only from a high-quality and competitive service but they also receive client-specific, business-related value-added services such as research, as well as economic and market information. UBS combines the ability to source as well as deliver such services.

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