

Shifting world trade



Neal Livingston, global head of client access, transaction banking

Neal Livingston is the global head of client access for the transaction banking division of Standard Chartered bank and as such is ideally placed to witness the major changes going on in cash products, securities servicing and trade finance, where the aim is increasingly to try and integrate the physical and financial supply chains. With his bank's principal markets being in Asia, Africa and the Middle East, he is also well placed to comment on the shift in economic power from West to East. **Neil Ainger** caught up with him at the recent Sibos 2008 show in Vienna, Austria

One of the major themes at this year's gathering of 8,000 banking executives at the Sibos conference and exhibition in Vienna, Austria, was the credit crunch and whether it presaged a permanent shift in economic power away from Western countries, in Europe and America, towards rising financial powers in the East, such as China and the oil-rich sovereign wealth funds in the middle east, which have recapitalised Barclays Bank, among others. For Neal Livingston of Standard Chartered bank the argument depends on your perspective. "For instance, if you take a long-term viewpoint, spanning hundreds of years, it might be argued that what is going on is just a reversion to the mean," he says. "China was the original superpower and other areas, such as the Middle East, have dominated the world at other times as well, so you could argue that the past few centuries have been the aberration."

Of course, that's a historical argument, adds Livingston, and not really something that need concern us in our professional lives. In regard to the immediate situation, it is clear though that a shift in economic power is happening, whether it's permanent or not is probably too early to say. If you compare Standard Chartered's markets from 1997 to today – contrasting the two financial crises from the Asian meltdown to now – then it's clear that things have changed and the present situation is a completely different proposition for Asian economies. Ironically, many of these countries haven't changed so very much but the profile of their economies has. For example, there is no over-reliance on foreign currency leverage this time around and there are huge government reserves that can be used to prop up domestic demand or buy cheap asset bargains abroad. The eastern markets are much more stable and robust this time around and should be able to withstand shocks more effectively.

Naturally, the East and the West are interlinked and the world's trade relies upon this interaction. A prolonged economic slowdown in the West is absolutely going to affect our markets too, says Neal, as can perhaps already be seen. "In our judgement, the industry is at least facing a 20-year inflexion point; indeed maybe we'll look back and consider what is going on now as an epoch-making change," says Livingston. "What is the regulatory and operational response going to be? These are very significant questions for our industry moving forward. It's too soon to give any definitive answers but there's obviously

going to be a lot more focus on total liquidity and systemic risk in future."

Early days

Neal has been in the financial services industry for nigh-on 25 years and has seen many changes during that time. "I started out as a credit analyst at Norwest Bank in Minneapolis, USA, looking at applications for lease and short-term trade finance from mid-market, small to medium-sized enterprises (SMEs)," he explains. "It was a good grounding for my future career, if a little cold up there! Credit analysis is also a very topical subject again right now." He went on to work for Bank of America and then moved away from Charlotte, North Carolina, where he gained a Masters in Finance, to work for the Arthur Andersen consultancy and other global firms, before joining Standard Chartered in 2006 as chief operating officer, transaction banking. He is now based in Singapore with his wife and three sons, as the global head of client access, which involves providing the bank's corporate and institutional clients with access to transaction banking products and services, via electronic channels, execution venues and network banking arrangements. One of the latest products he's been involved with is the Straight2Bank internet platform, which allows corporate clients to view their accounts and initiate various transactions online. Neal holds British, South African and US citizenship and is a keen traveller, who's worked around the world.

"Banking was a very fragmented business when I started out in the early 1980s; it still is of course, but not as much as it used to be," he says. "A convergence between different sectors of financial services has been a definite trend during my time in the industry – the idea of a Citigroup-type organisation would have been unthinkable back then, combining as it does elements of insurance, investment banking and commercial banking under one umbrella. Things used to be separated out a lot more. Secondly, there's been what I like to call the 'infomatics' revolution, the convergence of technology systems across banks and internal departments. These have been the two biggest changes over the decades; business and technology convergence."

"As a bank, we've naturally very keen to adopt new technologies and new ways of structuring our organisation to gain efficiencies and transparency in our business but it's easier

said, then done, and necessarily an evolutionary process. We like to include our clients in this convergence as well of course, where possible, so that they can benefit from straight-through processing and reduced costs. But to illustrate my point, this was very difficult to do with our new Straight2Bank online transaction banking product. To ensure connectivity we had to reply on a huge number of proprietary standards, covering the mid-market, global multi-nationals and other financial institutions. We'd love to get to a stage where there was a simple way of providing that 'electronic handshake' to everybody. Maybe the ISO 20022 financial messaging standard can help with this but the jury's still out about that at the moment and some people are wondering if it's too big in scope and how it'll progress."

Trade finance


As one of the biggest trade finance banks in the world, Standard Chartered is heavily involved in SWIFT's Trade Services Utility (TSU), which has been designed by the banks to provide an efficient exchange of trade-related information via common XML messaging, industry standards and a single utility platform that acts a 'go between' in the supply chain. "We're very optimistic that we can change the traditional documentary trade business, which is cumbersome, manually intensive and not very efficient, into something that is much smoother and easier, and TSU is an important part of this change," comments Livingston. "Has the business case for TSU fully evolved yet – well, no I'd have to admit it hasn't. Have all the banks participating in it yet figured out how they're going to use TSU as part of their value proposition – again, no. But I believe this will eventually happen. There is still work to be done but I'm confident we'll get there. Having put real money into this, we've involved and are working hard to popularise it. I see it being an integral part of a revolution in trade finance going forward.

When asked about the possibility of involving logistics companies in an integrated financial supply chain, which should help clients, Livingston says that Standard Chartered has good relationships with many of the major logistics firms and is always trying to understand how to make the trade finance process more seamless. "We've spent quite a bit of time

looking at how the financial supply chain links with the physical supply chain but there are so many challenges in each respective industry at the moment, I don't think the two will be integrated anytime soon. I don't think we're miles away from achieving it though. If you just think about GPS, for instance, and the ability to tag a piece of inventory around the globe, including through the financial process, then you can see the power of this idea of an integrated physical and financial supply chain, and how it perhaps might be feasible soon. It would certainly bring a smoother workflow for clients."

Neal is also keen to see the increasing use of mobile banking and payments technology in trade finance but more for reporting at this stage, rather than initiating things – and, again, he doesn't think that a revolution is imminent. "Technology isn't the barrier" he says "as it's very feasible, and the proofs of concept that we've done show that we can use mobile payments in the financial supply chain, but there isn't a business case for it yet and clients aren't demanding it at present. We're investing in it with a view to the future, but we're not rolling it out yet."

Standard Chartered bank has something like a 20 per cent share in the Asian custody market, covering all the derivatives servicing, securities, bonds and so forth, across that footprint. As Neal explains it's a fragmented business in terms of regulation, with each country having its own discrete rules, especially compared to the payments space, for instance, where you've now got emerging supra-national standards like the Single Euro Payments Area in Europe. "My guess is though that over the next 10 years, the securities industry will start to look more like cash management – the next big thing might be cross-border securities pooling. Of course, in order for this to happen, a lot of regulatory and structural change will have to happen first to ensure a more centralised market."

Putting the crystal ball away though, Neal insists that Standard Chartered's focus during this present time of global turmoil will simply continue to be on doing the basics right, and ensuring there is a clear, client-focused, strategy in place. "I look after all our implementation teams around the world, so I value execution highly as well," he adds. "Having an idea and a plan is great but delivering on it is even better." 

About Standard Chartered bank

Standard Chartered plc is listed on both the London and Hong Kong stock exchanges and ranks among the top 25 companies in the FTSE-100 by market capitalisation. The London-headquartered Group is the third largest trade finance bank in the world and as such is taking a leading role in encouraging uptake for SWIFT's Trade Services Utility (TSU), which has been designed by the banks to provide an efficient exchange of trade-related information via common messaging, industry standards and a single utility platform. The initiative is in reaction to the increasing migration towards open account business in the trade finance industry, away from traditional Letters of Credit (LCs), which has meant that many banks only now know about a transaction when a payment is required – too late to offer any value-add services, or cross-sell financing or foreign exchange products.

Standard Chartered has operated for over 150 years in some of the world's most volatile and dynamic markets, leading the way in its principle markets of Asia, Africa and the Middle East, where it derives more than 90 per cent of its operating income and profits, mainly generated from its wholesale and consumer banking businesses. The Group has around 1,750 branches, and outlets located in over 70 countries. It employs 75,000 people worldwide, nearly half of whom are women. The Group's employees are from 115 nationalities, of which 60 are represented among senior management. For more information, please visit: www.standardchartered.com

The wholesale part of the business that Neal Livingston works in is split into the following constituent businesses: transaction banking; financial markets; corporate finance and capital markets; plus principal finance. The transaction banking division where Neal works as global head of client access, is one of the bigger elements in the mix and covers three main areas – cash products, such as payments, liquidity management and so on; trade finance; and the securities services' business.

