

# Media Coverage

## Singapore notching up credentials for global innovation

*The future of trade and payments is digital and Singapore has proven itself to be at the forefront of business innovation*

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Trade is the fundamental building block of the global economy as we know it: connecting countries, allowing economies to grow and underpinning international diplomacy.

Its importance remains undiminished today.

In 2015, global merchandise trade was worth USD16.5 trillion. While a lot of that relates to 'finished' products, it is estimated that 55% of global trade is made up of component parts developed and sold across many borders and passing between small and large companies.

So even if a business looks domestic, it is most likely still part of an international supply chain; sourcing or selling, manufacturing or distributing.

Despite its global importance, there is no doubt that international trade has experienced some headwinds in recent years.

For example, the value and volume of container shipping flows remains depressed, along with commodity prices, and we expect real global export growth of about 1% in 2016.

With the global economic and trade slow-down, much effort is being placed – rightly – on efforts to bring down the regulatory and legislative burdens to trade through the establishment of free trade agreements such as the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP).

Unfortunately, many of these agreements have stalled at the negotiating table as protectionist policies within several major economies begin to take hold.

An alternate and complementary path to enable a more frictionless flow of trade is to innovate the trade and international payment processes.

To date, digital advances in the trade and treasury management landscape have been slow.

Trade finance largely remains a very labour-intensive and paper-based process often slowing down and complicating payments between buyer and seller and, therefore, the transfer of goods.

Similarly, internationally expanding companies are being hindered by dated corporate treasury systems that prevent the smooth collection, handling and deployment of cash across multiple geographies.

As the world's largest trade bank, with a footprint covering some 90% of global GDP, trade and capital flows, HSBC sees monumental scope for technology to make it quicker and easier for businesses to connect with new suppliers and customers at home and abroad.

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Against this backdrop, Singapore has proven to be fertile ground for innovation in financial services, particularly in trade finance and payments, thanks to its inquisitive mind-set and commitment of significant resources, expertise and time.

Singapore's efforts were recognised by a Deloitte report which cited Singapore – along with London – as the leading fintech hub in the world, lauding the city-state for its business-friendly environment, excellent government support and regulation.

The MAS has been a key driver here. It has entered into formal arrangements with its counterparts in the UK and Sweden, respectively, to foster cooperation between companies and investors in these countries, and it has hosted a 'global fintech hackcelerator' competition – the winner of which will be announced at the fintech festival here in November.

And closer to home for HSBC, the MAS introduced Outsourcing Guidelines which include the support of responsible cloud solution adoption by financial institutions in July. The move comes as companies increasingly turn to cloud-based treasury tools to improve their visibility of cash and liquidity across international borders.

Given the focus and support that the industry has received, it will come as no surprise that a lot of HSBC's global activity in the fintech space has been centred in Singapore.

Singapore is the location of HSBC's Innovation Lab for the entire Asia Pacific region and was precisely set up with the aim of enabling the bank to work collaboratively with corporates to develop next-generation digital and mobile banking applications.

Spurred on by the MAS' revised cloud guidelines, HSBC's Singapore Innovation Lab is partnering with software company, Kyriba, in Singapore to develop and offer cloud-based treasury management solutions to help corporates automate and better control their daily treasury, risk and working capital management activities.

Under this arrangement, we will refer clients to Kyriba to match needs with solutions.

In other developments, HSBC and its partners, Bank of America Merrill Lynch and the Info-communications Media Development Authority, announced in August a prototype solution built on Blockchain technology that could change the way businesses around the world trade with each other.

Developed in Singapore, the prototype mirrors a Letter of Credit transaction by sharing information between exporters, importers – and their banks – on a private blockchain.

Firms can then process their trade transaction automatically, through a series of digital 'smart contracts'. This system increases visibility by sending prompting notifications to all parties as the transaction moves from application, through to completion.

The proof of concept shows the potential to streamline manual processing of import/export documentation, improve security by reducing errors, increase convenience for all parties through mobile interaction and make companies' working capital more predictable.

The consortium now plans to conduct further testing on the concept's commercial application with selected partners such as corporates and shippers.

HSBC's focus in developing, incubating and developing ideas in Singapore is set to continue.

The country's expertise in global trade and innovation, its intellectual property protection laws and the government's desire to work with corporates to incubate ideas makes it an obvious choice.

The development of exciting but nascent technologies like blockchain require a collaborative approach amongst banks, fintechs, companies and those who regulate them.

The ground-breaking work done in the fintech space demonstrates that Singapore's credentials as a global centre for innovation and technology are beginning to match its already world-class reputation as a trade and treasury entrepôt.