



Bank of Tokyo-Mitsubishi UFJ (BTMU) is Japan's largest bank and one of the world's largest, with branches in 555 locations in more than 40 countries and regions around the world.

BTMU transaction banking operations support clients with capital management, focusing on cash management and trade finance. BTMU offers a full line-up of cutting-edge products and services that are designed to meet the needs of multinational corporations.

The transaction banking business at BTMU is managed from six bases worldwide, including Tokyo, Shanghai, Hong Kong, Singapore, London and New York, providing their customers the highest global standards and services quality that result in constantly improving ease of use and convenience.



**Daisuke Kamai,**  
Head of e-Trade Product, Transaction Banking Division at BTMU



## Bank Payment Obligation accelerates faster trade finance processes and delivers new opportunities at Bank of Tokyo-Mitsubishi UFJ

*The new financial settlement instrument that provides banks increased interoperability and the ability to focus their efforts on higher value tasks in Supply Chain Finance.*

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“BPO addresses the challenges that we were facing in our trade finance business in the past, it allows us to evolve with the market and provide a new range of solutions to meet the ever-changing needs of our trade customers both on L/C and open account. We are happy to be first on the Asian market with the BPO.”

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Daisuke Kamai, Head of e-Trade Product, Transaction Banking Division at BTMU  
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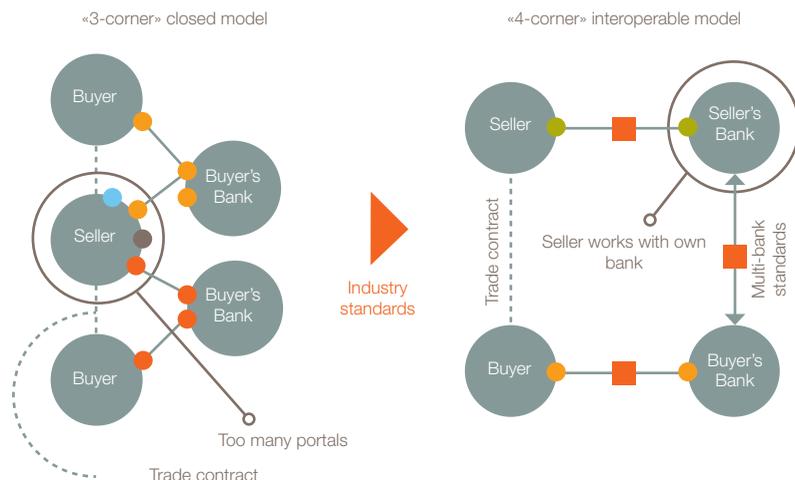
### Background

In today's increasingly competitive economy, banks need to demonstrate agility and functional integration in the settlements solutions they offer to their Corporate clients. While Letters of Credit and open account terms make up a high proportion of current trades, banks continue to seek new approaches that allow clients to better manage risk and improve working capital as the sophistication of trade transactions grows.

In 2013, more trade banks started to provide corporate clients with end-to-end Supply Chain Finance services. This

expanded support has enabled suppliers to benefit from access to risk mitigation and to pre- and post-shipment finance services. Corporations can also benefit from reduced costs, as a result of new digital processes, and shortened transaction times thanks to accelerated data matching.

At the heart of these improvements is a new set of legal and technology standards that provide common agreement for the interoperability required between buyers' and suppliers' banks in trade transactions. So what are these standards, and how are they helping banks to provide both corporate clients and correspondent banks with a new settlement service?



*This figure illustrates the problems faced by suppliers who need to join various banks' platforms in the typical single-bank closed model before the BPO industry standards is in place, as well as the more positive situation where their own (local) banks are involved.*

## Switching to the Bank Payment Obligation

Known as the Bank Payment Obligation (BPO), this new financial instrument provides a universal system under which banks benefit from increased interoperability, improved processes and the ability to focus their efforts on higher value tasks.

Agreed between SWIFT and the International Chamber of Commerce (ICC), BPO provides an irrevocable conditional undertaking to pay from one bank to another, giving corporate clients and their banking partners an alternative means of trade settlement. The BPO is a financial instrument governed by legally binding rules: the ICC Uniform Rules for BPO (URBPO) and supported by global open messaging standards.

The BPO is handled by SWIFT's Trade Services Utility (TSU) – a centralised matching and workflow tool that provides timely and accurate data comparison. The TSU uses information from underlying corporate purchase agreements, such as sales orders, commercial invoices, transport and insurance, to communicate between the buyer's and seller's banks, as well as any other banks involved in the transaction. It compares this structured

data and highlights any discrepancies to the primary banks involved, providing accurate confirmation of the irrevocable obligation to pay.

In addition to the risk mitigation and pre- and post-shipment financing benefits offered by this correspondent bank interoperability, the BPO also introduces the 4-corner model, allowing sellers to continue to work with their own banks, while the seller's bank and buyer's bank deal directly with each other through the agreed multi-bank standards offered by the BPO.

## Progress to date

Since its launch in 2010, the number of bank customers using the BPO is increasing. As of August 2014, more than 35 corporations have benefited from the BPO-based services offered by 13 banking groups live on BPO. Some of these banking groups have deployed these services in their overseas branches across several countries. Close to 60 new banks from all over the world are in preparation of testing and adopting BPO, the network is expanding steadily. Moreover, 84 banking groups and 169 BIC8 are reachable on TSU in close to 50 countries, banks in the Asia Pacific region has the most amount of banks.

## BTMU: The pioneer of BPO/TSU

One of the banks that adopted the BPO at an early stage, in order to benefit from easier and faster operations, is The Bank of Tokyo-Mitsubishi UFJ (BTMU), which boasts the largest global network of any Japanese financial group. Starting in 2010, BTMU has become a pioneer for the TSU/BPO business in Japan and across Asia, as it focuses on delivering innovation in the services it offers to corporate clients.

Based in Tokyo, Daisuke Kamai is the Head of e-Trade Product in the Transaction Banking Division at BTMU, covering marketing and products in Trade Finance and Supply Chain Finance. "Before the BPO, we faced the challenge of maintaining our trade business and providing a new range of solutions to meet the ever-changing needs of our trade customers both on L/C and open account. At the same time, we also wished to improve the efficiency of our processes, while maintaining the availability of core business information. That was when we started to look to BPO, we believe that this innovative standardised instrument could effectively address our clients' requirements and help us to become a better financial and supply chain partner", he explains.

After signing up to the BPO, BTMU has taken advantage of its increased functionality to develop brand new products that support trade clients, such as its 'BPO Finance' and 'BPO Confirm' services. These new products allow their clients to cut costs, streamline their operations and reduce days sales outstanding.

"BTMU was one of the first five banks to complete the BPO implementations back in 2010, we have been actively promoting this solution to our banking partners and corporate clients ever since. The more correspondent banks adopting BPO, the better and bigger the network will be for the whole financial community and all of our clients," says Kamai.

Seven BTMU branches are already live on the TSU and BPO in six different countries, with another six scheduled to go live. Nine further branches are preparing for BPO adoption in the coming year, resulting in a total of 22 branches that will soon be ready to handle TSU/BPO transactions.

At the same time, 20 corporates are already taking advantage of the service offered by BTMU to extend their Supply Chain Finance options either on the export side or the import side, and a total of 60 has now signed up across the Asia Pacific region.

### A win-win solution

Because the BPO allows sellers to continue to deal with their own bank through a single platform, the solution has proved popular with exporters. Corporates also benefit from payment assurances as Supply Chain Finance offerings are extended to cover pre- and post-shipment, providing greater certainty throughout the supply chain.

“By offering corporate clients and correspondent banks access to the new and innovative trade finance solutions, we have also been able to demonstrate our continued leadership in this area, distinguishing ourselves from competitors in the process with our TSU-based and non-traditional trade settlement services,” says Kamai.

The growing success of the BPO is a direct result of the benefits it offers to all those involved in a trade transaction – the banks, the sellers and their buyers. At a time when corporate treasurers need to unlock trapped cash, banks can now offer a solution that increases the automation of payment, reconciliation and forecasting processes, resulting in win-win relationships between buyers and their suppliers.

### A clear difference

The introduction of the BPO has provided BTMU with a significant differentiator in the market, allowing it to offer innovative settlement solutions to buyers and sellers, while working more efficiently with correspondent banks.

As the number of banks adopting the BPO increases throughout the region, the benefits enjoyed by BTMU and its customers are spreading. As global trade increases, demand for new settlement services will continue to grow. The banks that can distinguish themselves by offering innovative ways to settle trade transactions will enjoy the rewards for many years to come.

### About SWIFT

SWIFT is a member-owned cooperative through which the financial world conducts its business operations with speed, certainty and confidence. More than 10,500 financial institutions and corporations in 215 countries trust us every day to exchange millions of standardised financial messages. This activity involves the secure exchange of proprietary data while ensuring its confidentiality and integrity.

SWIFT enables its customers to automate and standardise financial transactions, thereby lowering costs, reducing operational risk and eliminating inefficiencies from their operations. By using SWIFT customers can also create new business opportunities and revenue streams.

*For more information, please contact your SWIFT account manager or visit [www.swift.com](http://www.swift.com)*