

ValiCert Trade Finance

ValiCert is transforming the import-export business by helping to replace antiquated paper-based business processes with trusted electronic transaction and document management solutions.



“Enterprises will now be able to message across our network through ValiCert's secure e-Transaction infrastructure, enabling secure, provable, legally binding trade finance transactions.”

Peter Scott, commercial director of Bolero.net.

The import-export business has historically been, and still continues to be, document intensive. It is therefore expensive and inefficient. Current estimates claim that the cost of processing trade documentation is over \$300 billion annually, or seven percent of total worldwide trade value.

Building Trust Into Trade

In order to resolve the question of when an exporter should ship goods and when the importer should pay, the exporter and importer typically rely on a financial instrument called a Letter of Credit (LoC). With a LoC, the seller transfers the risk of non-payment to a bank, which serves as a Trusted Third Party; it fulfills the obligation of payment upon delivery of goods. Also, the buyer's bank absorbs some risk by vouching for its client's credibility. This makes good business sense for both the buyer and the seller, who don't want to assume the potential liabilities of a contractual breach, especially since international trade takes place across differing legal standards, and often, in areas of political and economic instability.

Build In Efficiency—Reduce Cost

Today, however, because the LoC process is replete with paper documentation, it is grossly inefficient. In order to complete a typical LoC process, dozens of separate forms must be accurately filled out and examined by various parties before a transaction can be completed.

The TowerGroup estimates the cost of processing a LoC to lie in the range \$300 to \$500; this cost can be reduced considerably if the process is automated.

For banks, the cost is even greater. Aside from the traditionally low profit margins associated with processing LoCs, delays can result in poor customer satisfaction and therefore, the perception of inferior customer service. Worse, in certain cases, mail float delays can cost banks five to 15 days of interest income.

Eliminate Delays—Increase Profits

For exporters as well, the problems are grave. Once exporters have shipped the goods, they have no choice but to simply wait for payment. But, many of the exporter documents are generated by freight forwarders, who are paid regardless of delays, and therefore have little incentive to provide accurate documentation. It is estimated that 70 percent of LoCs are initially rejected; the exporter must typically redo them, sometimes more than once. This results in consistent payment delays, a draining of exporter resources, and competitive disadvantage.

Similarly, LoCs come with a weighty expense for importers. A delay in receiving raw materials, for example, can cripple an enterprise's mission-critical production line. Such delays are expensive, and they adversely impact the enterprise's competitive market position.

Simply put, today's paper-based LoC processes represent a lose-lose-lose situation for banks, exporters, and importers, alike.

Central Document Storage Ensures Accuracy

At the heart of the problem is a document management breakdown. Before inefficiencies can be eliminated, trade finance will need trusted and efficient electronic data repositories that store and transmit data pertinent to the transactions. Technology can help, but it must be able to interface with a bank's existing core systems, compliance reporting systems, payment and messaging systems. In addition, the technology must also offer the utmost in security and trust.

ValiCert is an industry leader in providing trust solutions for electronic transactions over public networks. Security and trust are especially critical when it comes to the electronic transmission of sensitive documents. ValiCert can deliver the following trust elements:

- **Authentication and Authorization**—verifying the identities of communicating parties.
- **Privacy**—preventing eavesdropping on confidential communications.
- **Integrity**—ensuring that while in transit, information is not tampered with.
- **Non-repudiation**—providing auditability, and legal-grade proof.

ValiCert Delivers Value In Trade

ValiCert offers products and services that resolve the trust issues associated with high-value and highly sensitive e-Transactions. The ValiCert Document Authority™ is a Web-based product that enables secure, legal-grade document sharing, storage, and exchange over public networks. With the passage of e-Signature laws, audit trails generated by Document Authority provide the necessary legal-grade proof for dispute resolution or regulatory compliance.

ValiCert Document Authority is a centralized repository that enables banks to become a trusted, focal-point for international trade. The solution is available as a product, or a ValiCert managed service; it is flexible, modular, and built on open infrastructure—offering benefits that banks can use to retain their existing customers as well as attract new ones.

The ValiCert Document Authority leverages ValiCert's other core offerings:

- The ValiCert Validation Authority™ is the market leader in high-performance, vendor-neutral digital certificate validation.
- ValiCert Digital Receipt Solutions™ provide secure proof-management, including digital notarization and vaulting of transaction confirmations.

- As an added option, ValiCert SecureTransport™ offers secure, enterprise-class file transfer capability that facilitates the exchange of sensitive information in a confidential, reliable, and guaranteed manner.

ValiCert's line of products and services contain unparalleled security features that provide a compelling solution for secure document messaging, collaboration, and archival. The ValiCert Trade Finance solution can help banks avoid disintermediation in the Internet era, and make them leaders in the trade facilitation business. In other words, it is an ideal solution for Trade Finance.

For banks or corporations that are concerned about time-to-market, rapid return of investment, frequent technology changes, or staff turnover, outsourcing to ValiCert Trust ServicesSM bring a host of benefits:

- Quick and easy deployment.
- Security and reliability of a bank-grade data center.
- Mission-critical availability and support guaranteed by Service Level Agreements.
- Comprehensive, business-ready services which include customization, user management, 24x7 support and monitoring, and integration with third-party applications.

Organizations can choose the managed service as a quick start mechanism, and then implement an integrated ValiCert solution in their enterprise infrastructure at a later date.

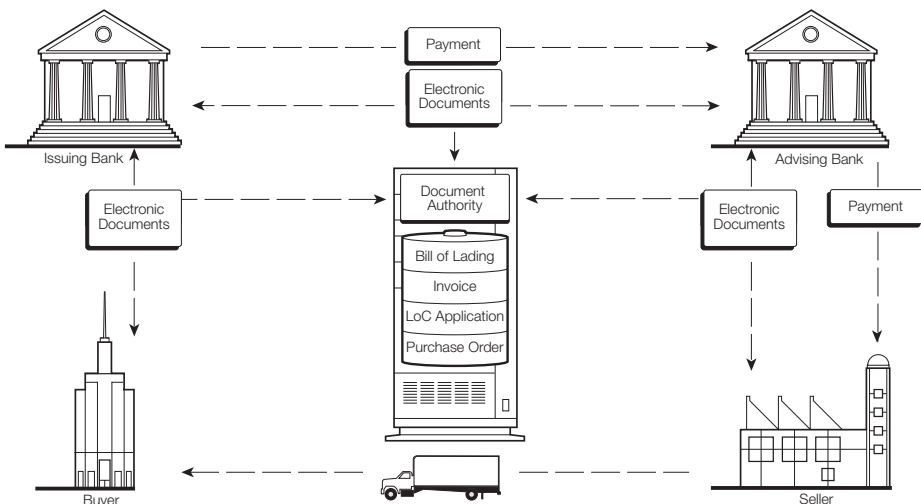
Business Benefits

For Banks:

- Moves paper-processes online in a secure, trusted manner
- Substantially reduces the need for manual checking
- Offers bank-managed services that only need a browser at client site
- Improves security for increased customer satisfaction
- Empowers banks to become the focal point of the trade facilitation business
- Quick, easy deployment by outsourcing to ValiCert
- Provides faster LoC turnaround so banks can maintain a competitive advantage
- Reduces errors, which results in lower processing costs
- Increases profit margin for the Trade Finance business

For Bank's Customers:

- Exporters have quicker access to funds for goods shipped
- Exporters commit fewer resources for payment follow-up; they can focus on their core business
- Importers enjoy timely delivery of mission-critical goods
- Banks can offer their clients—both importers and exporters—a lower cost alternative



ValiCert-Enabled Secure Electronic LoC Process

LoC Messages and Documents Flow Securely through a Bank-Managed ValiCert Solution

1. Buyer requests its bank to issue a LoC. The seller and its bank are notified.
2. Seller ships goods.
3. Seller presents necessary documents to its bank for payment. The bank requests the seller to correct all discrepancies.
4. The seller is paid by its bank.
5. The seller's bank presents necessary documentation to the buyer's bank.
6. The buyer's bank pays its counterpart and debits the buyer's account.

ValiCert offers a complete trust infrastructure for conducting electronic transactions that are legal-grade, valid, secure, and provable. Our customers include many of the world's leading financial institutions, healthcare organizations, government agencies, and enterprises. These customers enjoy significant cost savings and increased efficiencies by migrating paper processes onto the Internet and by moving away from private networks towards open solutions.

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