

# What MIT's TRAC has in store for Asian banks

The collateral management software isn't just about mitigating and dealing with risks.

In a very competitive banking and finance industry, MIT is one of the few companies that intend to remain a specialist rather than a generalist. After 30 years of dedication in developing trade finance software for bankers, MIT begins to focus more on the quality of their products. MIT has then reached a new milestone as it gained the much-coveted "Swiss Made Software" label.

MIT strives to be that provider who contributes to improve risk monitoring efficiency in the trade commodity finance market by bringing an innovative tool called the Trade Risk Active Control (TRAC).

## Need for collateral management software

MIT has been sensitive to the industry's call for a software that could manage risks and damages. According to Paul Cohen Dumani, General Manager, the main added value of a collateral management technology is that it can provide banks with a system that clearly identifies and quantifies the different nature of risks at any one point in time.

He says that timing is very important in this area as, during any one financing, the very same goods will fall into different risk categories. "For example, goods may be pre-financed by a bank, meaning that performance risk (among other risks) needs to be accounted for until the goods are stored or shipped on a vessel," Dumani adds.

He reckons that categorizing and clearly identifying the risk at each stage of a transaction will help banks to improve efficiencies when meeting Basel III requirements, for instance. The return on investment in collateral management technologies can be justified given the sums involved in this activity and the impact on cost of capital.

## Paving the way for TRAC in Asia

Dumani notes that the goal of TRAC is to centralize data on the trade commodity finance activities of a bank – and it provides a dedicated tool in order to achieve this. Until recently, most banks were still using Excel spreadsheets to monitor their credit lines which is not a dedicated and reliable tool. MIT envisioned to develop a tool that could enable banks to centralize heterogeneous data coming from different third party providers such as collateral management companies, pricing data providers, brokers, vessel information providers and other. The technology enables all data to be fed into one collateral management system to provide the bank with a clear picture of the circumstances of a transaction at any one point in time for

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risk assessment purposes. Since TRAC's inception in 2010, MIT has finalized a deal with corporate and investment bank NATIXIS two years ago. NATIXIS' branch in Singapore is due to go-live with the system before the end of the year, then followed by the branches in Hong Kong and Shanghai. Dumani reveals that they are already in advanced talks with other banks in Asia.

## Plans for the Asian market

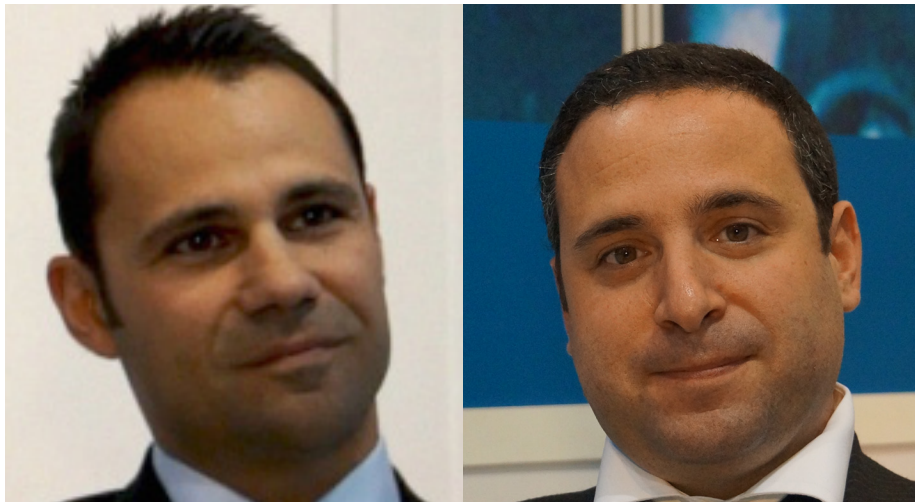
Dumani says TRAC is destined for Commodity Finance departments. The two biggest commodity trading platforms in the world are Geneva and Singapore. MIT's strategy naturally declines from trying to focus first on Singapore, and then to increase their presence and reference list to the whole APAC region. For now, MIT has a distributor in Singapore (Sterci Asia Pty Ltd), but their aim on the medium term is to provide local support as well. "There is a strong potential growth in this region, with more banks wanting to compete in the area of Structured Commodity Finance, since banks in Asia along with US banks do not face shortage of liquidity when it comes to lending in US Dollars," Dumani says.

These banks want to take market share from some European banks who historically are the key players in this activity since the latter have had to reduce their ambition in CTF mainly due to high exposure on sovereign debts.

## The big gap

As of today, Dumani reveals MIT is the only vendor in the market that can provide both Middle Office Collateral Management systems (TRAC) along with traditional back-office Trade Finance solutions (CREDOC)

They have competitors in both market segments which gives them many different options. They can sell CREDOC without TRAC, TRAC without CREDOC, or both as an integrated package. "Furthermore, should a bank require integrating TRAC with another back-end Trade Finance system, then MIT is the ideal partner because we understand exactly the automation issues related to back-end trade systems since we are also provider of those," he concludes.



Jean-luc Spinardi, Head of Sales and Marketing and Paul Cohen Dumani, MIT General Manager