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HSBC set to 'go live'

AFTER A LIMITED trial run since last year with some of its largest multinational clients based in Europe, the HSBC Group is ready to "go live" with Bolero in Australia.

Alan Wilson, HSBC's national manager trade services, says initially the "top end of the market" will be online to Bolero, but he expects it to filter down the supply chain as small and medium-sized enterprises adopt the same practices and standards. The big companies will set the pace, he says, as they have already in embracing electronic commerce. Smaller companies are adopting technology to keep up with large buyers.

In the same manner, developed countries and the world's largest banks will lead in the implementation of Bolero. Ian Rogers, HSBC national trade operations manager, says the bank will unveil a suite of products for Bolero, together with other services that will complement the new system. He says Bolero will eventually change the "whole landscape of trade", and a lot of work needs to be done to ensure that partners overseas are on the same network.

"We are working with our large clients to get them Bolero-enabled," says Rogers. There is a tiered system of membership to Bolero, each category attracting a different level of fees.

As Wilson sees it, Bolero will go down the route of SWIFT [Society for Worldwide Interbank Financial Telecommunication]. When it was introduced 30 years ago, SWIFT was limited to a handful of banks. Today it is the standard system through which funds are transmitted around the world. Wilson says Bolero could have the "same knock-on effects" and its usage will become more widespread in three to five years.

For HSBC, Wilson expects the way trade financing business is conducted today to look very different five years from now. Already, some 75 per cent of the bank's trade transactions come electronically through the HSBC's proprietary EDI, Hexagon. Wilson does not expect, however, that Bolero will replace traditional letters of credit. Indeed, some letters of credits are so complex, reflecting the complicated nature of the transaction, that they may not be suitable for Bolero, he says.

Bolero can accommodate open accounts as well as collection methods, says Rogers. He adds that people should remember that while Bolero may change the "delivery system" [or products], the underlying business remains the same.

Wilson stresses that the conventional assessment of risk has not changed with Bolero. If a company is exporting to China or Russia, it will need to know the creditworthiness of its buyers. Banks will still require a letter of credit or a confirmation of the L/C. "Bolero will not change all that," he says.

Since its arrival in Australia, HSBC has made significant inroads into Australia's trade finance market and now has an estimated 10 per cent share

Bolero

Wilson says that as people become more comfortable with the Internet, they will be more inclined to do business electronically. However, for Bolero to work seamlessly, all parties involved in a transaction obviously will need to be online to Bolero.

As a founding bank, the HSBC Group has invested heavily in development of Bolero. It has played a major role in writing of Bolero's legal rule book and its operating manual. Last December, Westpac announced that it had signed up to bolero.net [below].