



Voith leverages digital trade channel MT 798 for growth of export business

Voith is a global technology group. With its broad portfolio of plants, products, services and digital applications, Voith sets standards in the energy, oil & gas, paper, raw materials and transport & automotive markets. Founded in 1867, Voith today is one of Europe's largest family-owned companies with more than 19,000 employees, 4.2 billion euros in sales and locations in more than 60 countries around the world.

Features and benefits

Centralised controlling of all trade finance processes worldwide for the entire group

No complex administration of different banking systems

Cost reduction

Use of a worldwide standard

The enterprise

Voith operates in a wide range of markets and is divided into four divisions: Voith Digital Solutions, Voith Hydro, Voith Paper and Voith Turbo. Each division offers individual solutions with high-quality products.

The banking partner

Landesbank Baden-Württemberg (LBBW) is a universal and commercial bank. The business activities of the LBBW Group focus on corporate customers, private customers and savings banks. These central business areas are flanked by real estate finance and capital market products, also for institutional clients.

LBBW assists international companies as a strong, reliable and versatile partner. It offers them a wide range of financial solutions and supports them in developing prosperous foreign markets.

Offices in New York, London, Singapore and Seoul, a finance company in Mexico City and 13 representative offices worldwide provide comprehensive services and financial solutions to all companies active in international markets.

The challenge

Voith had decided to centralise the global trade finance processes (mainly guarantee and export letters of credit) at Voith Financial Services GmbH in Heidenheim (Germany) and in several regional hubs, the so-called Regional Treasury and Finance Centers. However, the regional needs were not uniform and processes were different in various locations.

A communication channel was required using standards which Voith could communicate with all regional and international banking partners and handle guarantee transactions rather than using bank specific platforms or paper based applications.

In 2012, Voith decided to use the MT 798 in SWIFT for Corporates as the solution, as SWIFT has established itself as the only global standard for corporate-to-bank communication, and has been able to build on an existing SWIFT infrastructure at Voith. In particular, the centralisation of the local processes of the worldwide subsidiaries was difficult. In the course of this, a solution was needed for streamlining trade finance processes of companies such as Voith Paper in Southeast Asia using their local banking partner.

The key challenges were:

- Unique requirements of different business units in Voith Asia meant different trade finance practices
- Higher operational and legal risk due to usage of non-standardised LC and guarantee formats
- Long processing times for LCs and Guarantees due to manual processing of requests in Voith back office and at banks

With centralisation of trade operations and digitising the guarantee flows

Voith could:

- Standardise trade finance processes of all Voith business units with different requirement profiles
- Relieve pressure off the worldwide subsidiaries by using a uniform standard for guarantees and letters of credit
- Reduce process times for letters of credit and guarantees (reduction of mailing time, concentration on checking contents rather than inputting data into databases)

The solution

Voith Financial Services GmbH and LBBW had already been communicating via SWIFT since 2009 as part of a MACUG (Member Administered Closed User Group), and since 2014 additionally through MT 798 in the area of Trade Finance but not in Asia. By using MT 798, SWIFT's digital trade channel, Voith was able to standardise their communications with all their participating banks leading to efficient work flow and processing. Voith decided to do the same for the entities in Asia.

Voith has partnered with LBBW, which has a local operational unit in Singapore.

The following steps were required:

- Contractual integration of some Voith entities in Asia into SWIFT arrangement with LBBW
- Onboarding of LBBW Singapore Branch to LBBW's MACUG
- Alignment of bank's internal systems and tests of SWIFT communication between LBBW in Germany and its Singapore office
- Mapping and testing of all relevant trade finance communication between Voith and LBBW

After a one-year preparatory phase, SWIFT communication went live in the second quarter of 2017 with the involvement of LBBW's Singapore office and local Voith subsidiaries.

Since then, LBBW Singapore has acted as the core bank for various Voith subsidiaries in Southeast Asia, processing the document and guarantee business processes via MT 798.

The result

Voith and LBBW today communicate with the SWIFT platform in Germany and Singapore and have "digitised" the guarantee and export letter of credit processes, with the exception of the creation and forwarding documentary credit documents. The flexibility of the SWIFT platform makes it possible to meet the requirements of the growing export business in the context of globalisation. New business units or banking partners can be integrated quickly and easily.

The central control of the formerly paper-based local processes in Singapore via the SWIFT platform significantly relieves the local units.

Advantages and competitive advantages of the SWIFT for Corporates Solution:

- Secure communication between customer and bank worldwide
- Optimisation of available resources and thereby cost reduction
- Reduction of approval flows or relocation of the authorisation administration to the customer
- Flexibility to communicate with banks of choice
- Use of accepted industry standards for all message formats and procedures
- Standardisation on a single multi-bank connectivity platform

SWIFT is a member-owned cooperative, providing secure financial messaging services to more than 11,000 organisations, across the financial ecosystem, in almost every country in the world. For nearly five decades we have delivered certainty, continuity and excellence by constantly evolving in an everchanging landscape. In today's fast moving, increasingly connected and challenging world, this approach has never been more relevant.

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