

Headline: **Providing the global wrap**

Source: Trade Finance

Date: March 2004

In the highly competitive world of trade services provision, BNP Paribas' (BNPP) mandate from Carrefour, the second largest retailer worldwide, to handle the company's world-wide processing of Carrefour's international trade payments and securing of trade receivables, speaks volumes.

Within the Deal of the Year nominations we usually get a number of trade services related deals – although very few encapsulate the wealth of services and solutions being provided on a truly global level as much as this arrangement for Carrefour. BNPP is managing the complexity of the structure, while the significant size of the transaction requires the involvement of a number of commercial and technical teams. As part of the package BNPP set up a fully dedicated team for each stage of the project, in Paris and Hong Kong, and provided a worldwide training programme for the client's users in numerous countries.

The result is the first full integration of a client's internal system for import management to the BNP Paribas Connexis Trade system and back office systems. This was coupled with the opening of a trade credit line in favour of Carrefour to reach several hundred million US dollars.

The deal goes back to April 2003, when a mandate was awarded by Carrefour to BNPP for the processing of the group's international payments and securitization for the whole world including 5,000 LCs per year and some recurrent fund transfers. Naturally, BNPP had to fight hard for the mandate – seeing-off strong competition from 12 international banks.

For BNPP, the task entailed catering to the client's specific needs. Carrefour works with 30 countries of origin and 20 countries of destination, and needs to issue around 5,000 letters of credit (LCs) a year with several thousand suppliers.

And with such a volume of business Carrefour required compliance with the group's policy of reorganizing its import channels – with its buyers of merchandize products mainly being located in Asia. It also needed total autonomy of the handling process of the LCs by the import department of Carrefour from the writing of the LC to the final payment to the suppliers.

This was achieved through:

- a technical assistance package from BNPP for the standardization of the LCs and the drawing up of the 'cahier des charges', which constituted the basis for the development by Carrefour of the precise system of the LC's writing;
- the adoption of BNP Paribas Connexis Trade platform, a totally secured internet based tool for the optimization and acceleration of trade transactions;
- the full integration of Connexis Trade on one side and Carrefour's new software **Pro Shipper Supply** (DDS Logistics) on the other;
- an LC treatment platform centralized in Hong Kong – in the frame of an offshore LC issuance programme which is fully integrated into Connexis' platform;
- Connexis' workflow and reporting functions adapted to an important volume and diversity of

transactions in terms of products, countries of origin and destination.

Through these processes BNPP achieved the centralization in Carrefour's new software system, **Pro Shipper Supply**, for the group's purchase orders, LC templates and cash payments. The bank also took into account the possibility of integrating Connexis Trade in the client's supply chain and its impact on the simplification of the chain.

So, what advantages did this deal bring to Carrefour? Comments François Bouche, head of finance and administration for Carrefour's merchandize group: "I would say a reorganization, a simplification and a harmonization of the processes within the entities of our group. Banking transactions have been optimized with the securing of transactions through standardized LCs based on legally accepted standard models. This resulted in a reduction of the administrative steps for the issuance of orders and in an increase in the administrative and accounts productivity."

It also brought advantages such as reduction in operational cost, as well as the strengthening of the commercial relationship between Carrefour and its suppliers. As an illustration of the improved efficiencies, not only are the Asian suppliers advised by BNPP Hong Kong on the same day as the issuance but the payment is also made on the same day.

At BNPP, Alain Biscaye, head of global trade services states: "Key to the success of this deal was the close technical and commercial coverage of Carrefour with the best practice in trade transactions together with an innovative and performing internet tool. In addition, the strong international network of BNP Paribas in 85 countries and the synergy between its Trade Centers in France and Asia, its Carrefour project team in Paris and its Hong Kong branch played major parts. This deal can be considered as a new relationship in terms of services between a bank and a major client, developing a common strategy mutually beneficial."