

Securing trade with the UK: what are the ingredients for a successful banking partnership



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With trade flows being impacted by US and Chinese tariffs, and Brexit promising more potential disruption, how can inter-bank partnerships drive trade activity and support clients in times of change? Clive Higglesden and Gwynne Master explain.

Banks, working together in a network or partnership, can better assist their home market clients with international trade. However, the right ingredients for banks to partner effectively need to be present. With access to over 100 countries, Lloyds Bank is well placed to examine these ingredients for new and innovative partnership.

Background of uncertainty

As the world's sixth-largest economy, the UK is an attractive target market for those looking to import, export, or invest. There is a role for banks to help them and their counterparties conduct business more easily. Furthermore, with Brexit on the horizon, global trade is likely to increase in importance for the UK: one in four British exporters who have reviewed their strategies are now looking beyond Europe for opportunities.

“Whether you're importing or exporting, if you've relied on Europe to buy or sell, then things are likely to change. And change brings uncertainty,” says Clive Higglesden.

Going into new markets raises a number of issues for businesses. How can an overseas company connect with a company in the UK, and vice versa? How can they best complete their transaction or agree their contract to best effect whilst mitigating risks and arranging finance?

“If you're going into new markets you may lack the required market knowledge and, as a newcomer, you have yet to establish a track record or establish effective buyer-seller relationships. In short, you're not known, your brand's not known and you don't have strong relationships,” says Clive Higglesden.

This affects the two main components of international trade – risk management and financing. Clients may find that they have to extend payment terms as an inducement to win new customers, which will impact upon their cashflow and working capital. Plus they will face the challenge of breaking into new markets and dealing with scepticism about their ability to deliver and the reliability of their goods.

In these scenarios, businesses will look to their banks for help. When banks partner together, they can identify where in the trade cycle the client and their counterparty need assistance, then deploy their product set to provide it.

“A very strong partnership will enable banks to offer support to the client and their trading counterparty over a much larger part of the trade cycle,” says Clive Higglesden.

“The ideal is to help the client and its trading counterparty with a full range of solutions throughout the whole transaction.”





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Is bigger better?

The question is, what sort of bank is best-placed to form these comprehensive partnerships? Surely global banks, with their worldwide presence, are the go-to partners for businesses looking for a gateway into the UK and UK exporters reaching out? Not so, Clive Higglesden says.

“Global banks have a finite capacity to help their largest clients at both ends of the transaction – essentially those doing business around the world with sufficient scale to make the cost of coverage acceptable. However, they may also not be able to offer a full product range in those markets.”

On the other hand, national champion banks are able to reach out to all client segments – mid-market, SME and large corporates – as well as financial institutions – and deploy a full range of international trade solutions to support them.

“A partnership with a bank like Lloyds Bank, which has a 20% market share¹ through Lloyds Banking Group, offers greater credit reach and credit appetite, so between us and the partner bank, most potentialities can be covered,” says Clive Higglesden.

Gwynne Master agrees: “Lloyds Bank has a dominant market share offering extensive reach into and across the UK market. If you're an institution outside the UK looking for the ideal partner, you would naturally look to Lloyds Bank.”

Compatibility is key

In order to partner successfully, banks need to be like-minded in a number of ways. Essentially, the purpose of a partnership is to make the client's journey easier than it would be if they were dealing with two independent banks, so client focus is a key ingredient.

Our client focus is clear when we look at Lloyds Bank's Trade Service Centre of Excellence. We see that although located

locally in Birmingham, the centre operates a follow-the-sun model so that clients who are outside the UK also have access to a person who can follow their enquiry at the time it is raised.

As well as having a strong interest in international trade, a similar approach to client engagement, client management, risk management and compliance is essential.

Clients are also looking for banks that understand trends in terms of innovation and digitisation that take the friction out of trade transactions and enable clients to seize efficiencies and investment opportunities.

“Now, more than ever, customers appreciate innovative solutions. We look to stay ahead of the curve, and we must continue to invest,” says Gwynne Master. At the same time, we invest more in new technology than all the UK's fintechs² put together. The scale of Lloyds Banking Group's investment in digital is considerable.”

Taking advantage of their strong financial position, Lloyds Bank have already carried out innovation and upgrading work on their trade infrastructure, including:

- The **International Trade Portal** – an online portal that allows clients to explore opportunities in new markets
- Their market-leading **Trade Platform** – a streamlining of backend systems that allows for facilitating straight through processing
- **Lloyds Online Trade Services** – a new digital channel.

The challenge for many banks is that it's not possible to deliver on these requirements using their existing technology, bearing in mind that solutions should be both future-proofed and implemented with minimal impact to clients.



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The role of government

Inter-bank partnerships are not the only ingredient in driving trade and providing a gateway both into the UK and paths outward for exporters.

Governments and their agencies play a complementary role alongside the private sector. They are able to provide importers and exporters with additional information they need about demand for their products, as well as the technical, legal and customs requirements of the country they want to export to.

As a partner of the Department for International Trade (DIT), Lloyds Banking Group enjoys strong relationships with UK government, complemented by our own expertise.

“We’re connected to government in a very complementary and accretive way,” says Clive Higglesden. “And with our high-quality relationship bankers and trade practitioners, we are developing very strong partnerships around the world to help connect trading partnerships.”

Your gateway to the UK

When it comes to accessing the UK market, there is a clear choice for regional banks and their clients.

With over 30 million consumer and business clients³ served by iconic brands including Lloyds Bank, Bank of Scotland and Halifax, Lloyds Banking Group is the largest domestic bank in the UK. This is reflected digitally, with 13 million active clients making 209 million digital visits per month, making Lloyds Banking Group the UK’s largest digital bank as well.⁴

“When an entity – be it an individual, a corporation or a financial institution – is looking to come into the UK, chances are that Lloyds Bank has reach into the end beneficiary,” says Gwynne Master.

Boasting the largest branch network in the UK⁵ and with a third of all sterling payments passing through their systems, Lloyds Bank is a national champion that has the reach, in-depth market knowledge, and financial strength needed to be a gateway bank for other regional and national champion banks looking to facilitate their clients’ trading needs in the UK.

Notes

¹ 2018 LBG Strategic update presentation – issued post 2017 financial results

² <https://resources.lloydsbank.com/insight/financial-institutions-sentiment-survey-2018.pdf>

³ [lloydsbankinggroup.com/media/media-kit/faqs/Lloyds-banking-group-fast-facts](https://www.lloydsbankinggroup.com/media/media-kit/faqs/Lloyds-banking-group-fast-facts)

⁴ https://www.lloydsbankinggroup.com/globalassets/documents/investors/2017/2017_lbg_annual_report_v3.pdf

⁵ 2018 LBG Strategic update presentation – issued post 2017 financial results



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