



First European Multi-Bank BPO Case Study



BNP PARIBAS



TFR Awards Deals of the Year 2014
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April 2014

BPO: A New Financial Instrument



Case Study: Context & Stakeholders

This transaction structured with European commercial parties and European banks is the **first BPO transaction realized in Europe**. This structure is called a “four-corner BPO model” as opposed to a “three-corner BPO model” where the recipient and the obligor banks are the same.

Parties involved:

- BNP Paribas Fortis - Belgium: Recipient Bank
- BP Aromatics Limited - Belgium: Exporter
- Türkiye İş Bankası - Turkey: Obligor Bank
- Köksan - Turkey: Importer

The objective of this BPO was to replace an existing SBLC set up to guarantee payments related to goods exported by BP Aromatics to Köksan.

Since April 2014, several transactions have been done.

BP Aromatics Limited Needs

Speed

- Payment made in time and judicial proceedings avoided
- Cash flow forecasting improved
- Streamlined processes and improved speed of handling

Reliability

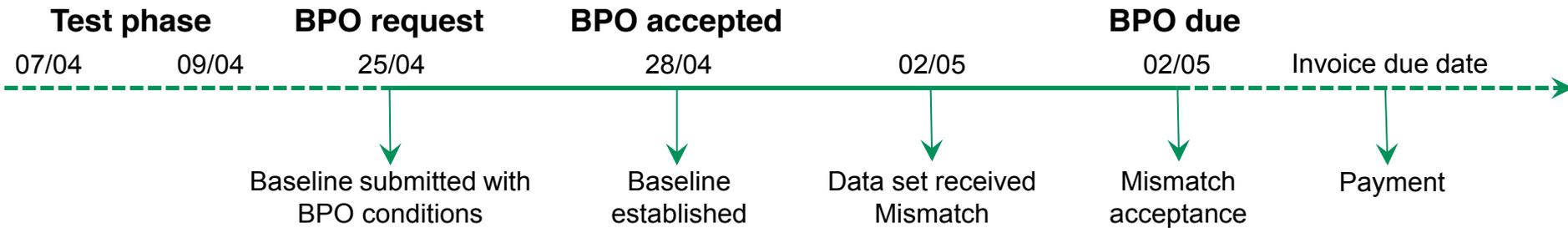
Transparency

Flexibility

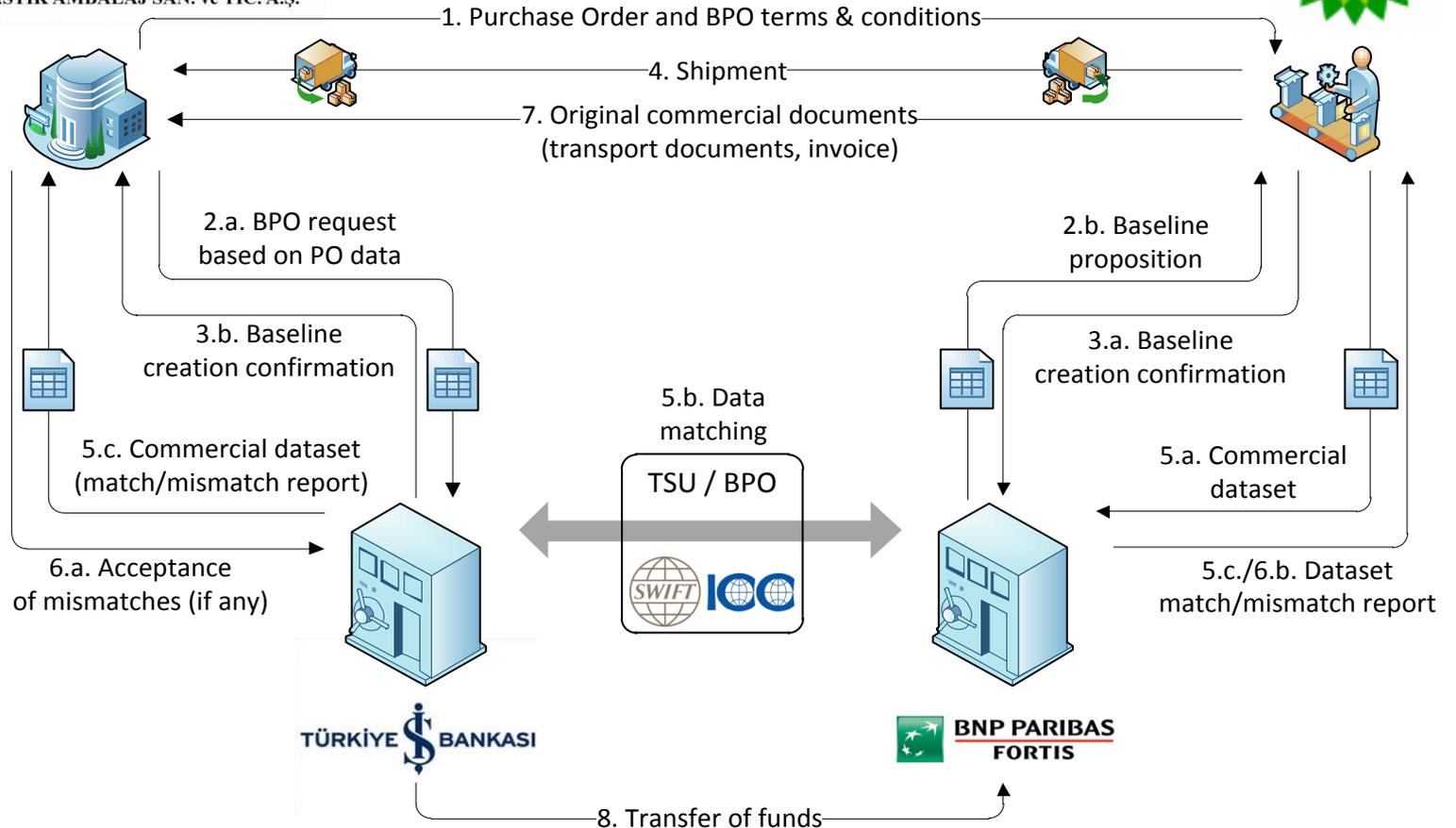
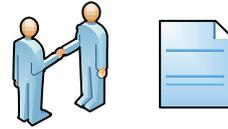
- Reduced risk of discrepancies
- Dematerialized processes
- Improved transaction traceability and visibility
- Possibility to spread the risk with multiple obligor

Time Line

The transaction has been executed in a timely manner. Actually, Only 2 weeks were needed between the first BPO tests and the realization of a real-life BPO thanks to the smooth and effective collaboration between all the commercial and banking parties involved.



Deal Flow



BPO: Benefits for the Corporates

Buyer



- Improved procurement process
- Ensured supply continuity
- Reduced costs
- Required documentation simplified
- Optimized use of bank lines

Seller



- Streamlined process and improved the speed of data matching
- Reduced risk of discrepancies
- Received timely payment and avoid costly recovery procedures
- Improved cash flow forecasting

Milestones & Tips to Go-Live with BPO

The time needed to set up a first live BPO transaction can take up to several months between the first conversations and the effective end-to-end test transaction.

Performing a first BPO transaction requires to follow some steps:

- **Education of the Corporate on the BPO concept.**
- **Approval of a complete set of legal documentation**
- **Establishment of the TSU platform** (data matching engine) within the bank.
- **Design of a new workflow** between the involved parties as they will handle data instead of physical documents.

Testimonies

"We were able to share shipping documents with BNP Paribas electronically and in a matter of hours we received confirmation that they were fine."

"In terms of ease of working, it's very positive, and we plan to conduct BPOs with full cargoes in the future."

Source: Global Trade Review



Michael Van Steenwinkel
Global Credit Manager
BP Petrochemicals

"We were delighted to find a bank willing to perform BPO transactions in euros with us. Both BNP Paribas and Isbank support key trade flows and the BPO responds to our clients' needs".

Source: BNP Paribas



Eric Henry
Global Head of e-Trade Sales
BNP Paribas

BNP Paribas was the first European bank to go live on the MT 798 back in 2010 and now confirms its leadership position in SWIFT's initiatives by being the first European bank to go live on BPO.

Testimonials

André Casterman, Global Head of Corporate and Supply Chain Markets at SWIFT, believes the multi-bank BPO is especially helpful for traders like BP operating in competitive markets with regular shipments.

“With commodities, as soon as you have recurring trade flows, the transactions can be standardized”.

“The BP transaction is a good example of how the BPO can help. With an LC, the buyer has to issue it very early on after the purchase order, before shipment. With the BPO, clients can start using their credit lines only when the ship arrives and not while it’s being prepared. The risk is very low if the customer cancels the order as the ship is on the way, as the ship can always be re-routed to another client. That’s the benefit for BP.”

Source: Global Trade Review

Press Release

GTR - Global Trade Review

Article: [‘BP agrees first European multi-bank BPO’](#) – May 2014



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BP agrees first European multi-bank BPO

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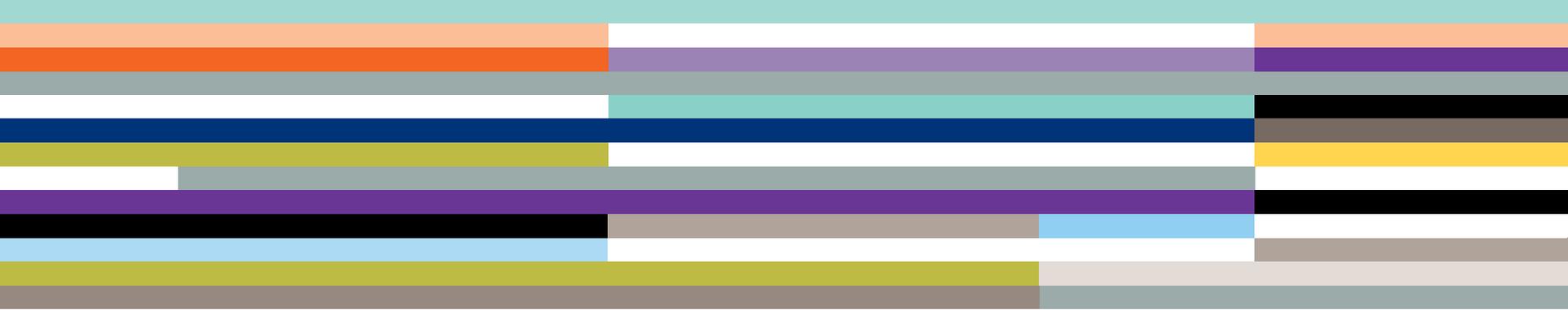
BP Petrochemicals (BP) has completed the first European-centred multi-bank bank payment obligation (BPO) under the URBPO rules, but wider appetite to use the new payment instrument remains limited among European traders.

The BPO's structure is unique in that multiple banks are involved. The four-corner model involves an importer, an exporter, an obligor bank and a recipient bank. Previous three-corner BPOs have involved the same bank acting for both recipient and obligor.

BP worked with BNP Paribas (BNPP) and Turkey's Isbank to build a four-corner framework that allowed greater flexibility. "Unlike with a normal LC that needs to be opened a few days in advance of the shipment, the flexibility of the four-cornered BPO means you can work more quickly," says global credit manager for BP Petrochemicals Michael Van Steenwinkel.



BP agrees first European multi-bank BPO



Thank you

Website: www.swift.com/corporates

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