Upping the game

Revolutionising guarantees

pwc

DVS
DIGITAL VAULT SERVICES

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Foreword

Dear readers,

The bank guarantee is a pillar of the financial system. Businesses around the world and across all industries - particularly in construction, engineering and retail – rely on guarantees from their banks and credit insurers to be able to maintain and grow their trade.

However, the processing of paper-based guarantees has traditionally been a painfully manual endeavour. Consuming both time and patience, back-and-forth sign-off procedures can take weeks to conclude. It is clear that a more digital approach could reduce the risk of errors and significantly increase efficiency and speed of execution.

Focusing on the experience of major players (leading corporates, banks and credit insurers) in the international markets, PwC has developed an independent perspective on the current guarantee landscape in Germany and Austria. This whitepaper is based on the results of a survey of the working group members of Digital Vault Services GmbH (DVS), interviews with market leaders and PwC's in-house expertise and market knowledge.

By publishing our findings here, we wish to contribute to a broader understanding of the current state of the guarantee business and outline the possibilities ahead. Using Germany and Austria as examples, we identify common pain points and the potential benefits of digitising the guarantee industry in Europe and beyond.

We strongly believe that digitisation will be a cornerstone for the new financial market, providing important infrastructural support.

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Executive summary

Paper guarantees and bonds are deeply entrenched in the day-to-day business of corporates, but the overwhelming advantages of digitisation are growing increasingly pertinent as remote solutions become a necessity.

Based on our own market knowledge, as well as research conducted specifically for the purpose of this whitepaper, PwC has identified some significant hindrances caused by the continued use of paper-based processes for the issuance and receipt of guarantees.

Without a single standard, or a single, centralised repository, information remains disorganised, making it extremely difficult for any party to attain clear oversight. Even at the highest level, interactions between applicants, beneficiaries and financial institutions are fraught with communication difficulties. Paper-based processes are proving costly in terms of both time and money and make these interactions susceptible to human error. Commenting on the German market, one interviewee told us, 'The business is paper-based and that is a big issue. Paper gets lost – and thus generates even more paper.'

Automating the system would eliminate the costs of handling, sending and storing paper and could result in significant cost reductions.

It is time for a more efficient system. The market leaders we interviewed are determined to adopt a single digital solution that will serve to enhance transparency, align processes and centralise the operations of all three parties in a guarantee and bond interaction. In doing so, they hope to address some key inhibitors to the development of the industry: lack of standardisation and lack of harmonisation.

By implementing a solution that benefits all parties and educating the market on the feasibility of digitisation, leaders can begin to revolutionise the trade finance system.

Introduction

The global pandemic has altered the way we live our lives. The 'new normal' is accelerating many existing trends. Mass teleworking is one of the more obvious examples of how daily procedures have changed across the world as workers adapt to the confinement periods imposed by many national governments. With the demands of remote working, comes the rapid development of digital solutions for workforces and business processes.

Trade finance is a well-established and globally accepted traditional business activity that remains paper-based today. Is paper still a viable option? How are the industry's processes affected by the remote-services trend? Can they be digitised? And, if so, what would this digitisation look like?

With these questions in mind, PwC set out to analyse the perceptions of those in the guarantee and surety business. We began with a two-day working session to gather the insights of over 45 members of leading corporates, banks and credit insurers based in Germany and Austria. To develop an overview of the landscape, we used two online surveys – one for guarantors, and the other for corporates. All of those surveyed are members of a working group providing valuable input to the development of a more effective digital alternative to paper-based bonds and guarantees. The aim of this survey was to understand why a digital alternative is considered necessary and what benefits it might bring to the industry, to help us identify the perceived barriers for its deployment.

To enhance these findings with more in-depth qualitative data, we also conducted interviews with senior trade finance professionals at the credit insurance company Euler Hermes, the bank HSBC Germany and two corporates – STRABAG SE and Siemens AG.

This whitepaper has been developed based on our internal intelligence and information provided by Digital Vault Services GmbH (DVS), as well as the above research conducted specifically for this purpose.

Problem Statement

Our survey of corporates headquartered in Germany and Austria shows that the overwhelming majority (94%) of the respondents indicate that over 75% of their guarantees are paper-based[1] (see Figure 1).

What percentage of your guarantees is paper-based?

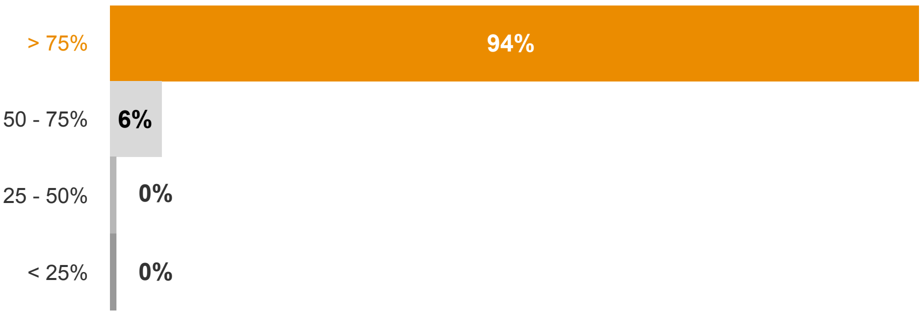


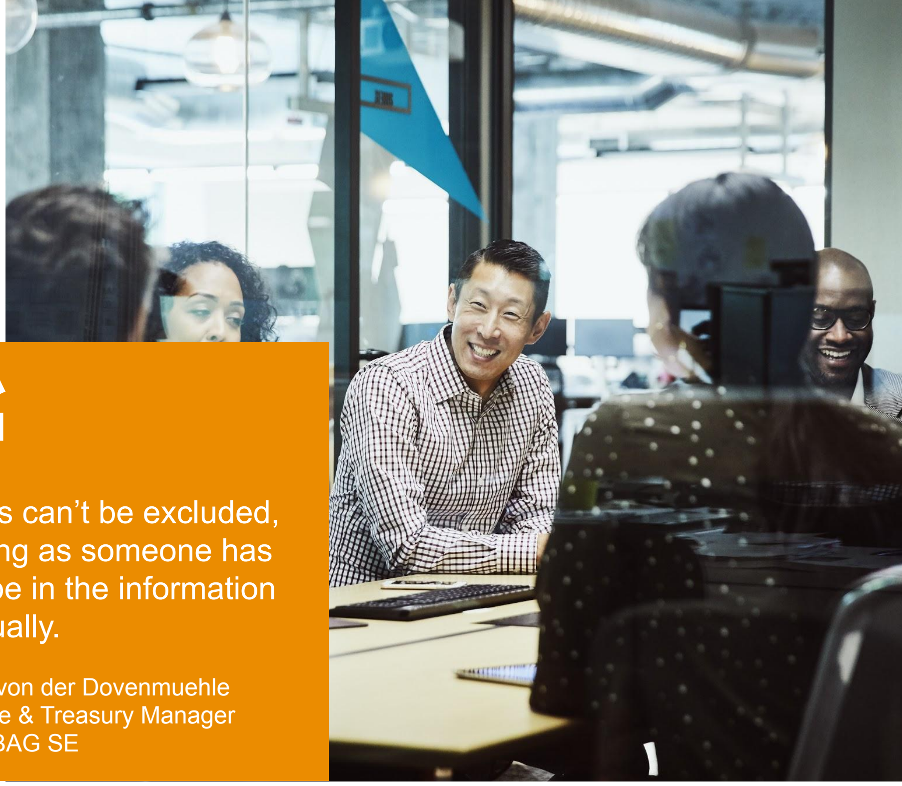
Figure 1 German and Austrian guarantees are paper-based

> People are used to paper and so they stick to it.
>
> Hermann Purr, HSBC

Our working sessions, surveys, and interviews have provided a useful overview of the current state of play. Corroborated by our own market knowledge, the findings indicate that using paper-based procedures for the issuance and receipt of guarantees comes with several drawbacks.

- **Disorganisation**
  Without a single central repository for letters of credit and guarantees, information is scattered.
- **Communication difficulties**
  There are no streamlined communication channels between applicants, beneficiaries and guarantors.
- **Scattered system landscape**
  With each participant in the ecosystem using different systems, conventions and set-ups, teams must work with a multitude of often outdated systems and tools.
- **Lack of governance and oversight**
  The paper-based system results in limited visibility and makes it difficult to control large numbers of guarantees.
- **Inefficiency**
  Continuous paperwork leads to inefficiencies in processing and an increase in the risk of error, as well as generating low-grade work in logistics, storage and handling.

1 PwC survey held with members of the DVS Working Group, October 2020



Time is precious

According to our results (see Figure 2), the number one problem around paper-based guarantees in Germany and Austria is that it is simply too time-consuming. There are a number of reasons for this. The most obvious is that paper has to be physically transferred between parties. The process involves a significant amount of manual work, as well as physical back-and-forth as issuances are clarified and agreed upon. The paper-based process has also created some systematic inefficiencies across industries. For one thing, there is no set standard.

‘Everyone has their own system, their own processes for dealing with these guarantees and bonds internally,’ explained Oliver Jacobs, Head of Bond Production at Euler Hermes, ‘which has implications for the customer … I think customers are not very happy with all these different systems for different guarantors, all these manual steps.’

For Euler Hermes, ‘the text alignment between guarantor, applicant and beneficiary is quite cumbersome. It is often very complex for all involved parties to agree on a common text.’ Reaching an agreed solution requires time-consuming communications between the three parties. Jacobs describes the process as being long, fraught with opportunities for misunderstanding and often time-intensive, requiring multiple revisions.

> I think customers are not very happy with all these different systems for different guarantors, all these manual steps.
>
> Oliver Jacobs, Euler Hermes

Of course, with no single seamless system in place, data must be retyped manually into each organisation’s existing customised solution. As well as consuming employee time in unengaging processes, this gives rise to a significant risk of human error.

> Errors can’t be excluded, as long as someone has to type in the information manually.
>
> Elmar von der Dovenmuehle
> Finance & Treasury Manager
> STRABAG SE

Efficiency

The paper-based system also generates several logistical issues. Storing, centralising and managing outstanding guarantees is extremely complex and even more so if the guarantees are each distinct in detail and layout. When organisations are dealing with a variety of customised agreements, it is difficult to obtain a clear overview.

Furthermore, the distributed nature of the current, manual system does not easily allow for business oversight or the reconciliation of outstanding guarantees. This was identified as the second-most (56%) challenging part of issuance (see Figure 2).

Pain points

The release of guarantees and bonds is a major pain point for financial institutions. ‘It can be really difficult to get the deed back from the beneficiary,’ says Jacobs, ‘or to get a declaration of release. Another critical issue is that it is often difficult to collate all information needed for issuing the bond or guarantee. We are relying on custom-made application forms, and it can be very hard to get all of this information because often, at the other end, they either don’t have all the information yet and have sometimes to ask their contract partner, or the form might also be misunderstood.’

What is the most challenging part(s) of issuing guarantees for you?

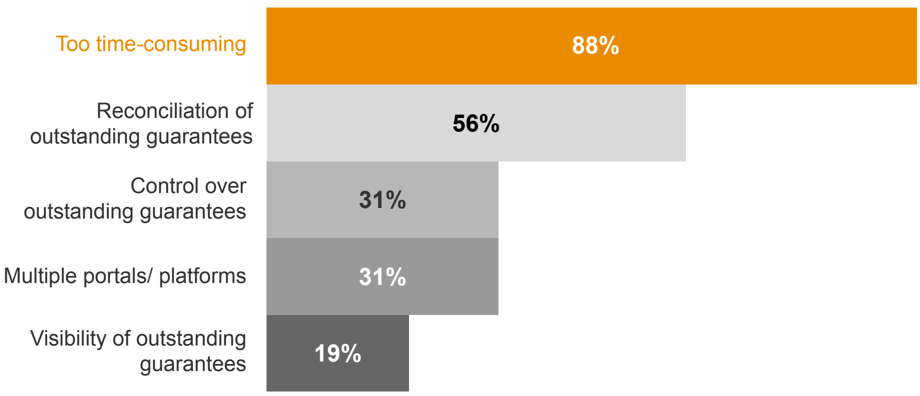


Figure 2 Guarantees are too time-consuming

Preference for paper

There is a widespread perception, not only in Germany and Austria but across the industry, that sureties must be issued on paper and bear a signature in wet ink. In reality, this is not a legal necessity for business-to-business transactions. In our experience, even senior bankers in large international banks are not aware that digital issuances are just as legally binding as paper-based ones for business-to-business processes.

> The force keeping the system from digitisation is cultural.

This is partially due to some ambiguity regarding 'Bürgschaften' – according to Germany's Civil Code Section 766, written signatures are required. However, this rule is superseded by Commercial Code Section 350 where it is explicitly stated that rule 766 does not apply if both participants are businesses. So wet signatures are only required for consumer-to-business or vice-versa transactions (see box on page 9 for the legislative detail), and the preference for paper is more a matter of custom than necessity. The force keeping the system from full digitisation is cultural.

'In Germany, broadly there is no legal restriction,' says HSBC's Head of Global Trade & Receivables Finance in Germany, Hermann Purr, 'no legal requirement for a wet signature regarding business-to-business transactions for guarantees or sureties. People are used to paper and so they stick to it.'

Clients – in other words, beneficiaries of guarantees – are clearly key for market acceptance and uptake, but it seems Germany in general is less open to digital solutions due to the culture and mindset.

Euler Hermes recently saw this play out during the COVID-19 restrictions. 'In the Netherlands we started to fully digitise our process, and there was no issue with acceptance, except with the German judiciary. They needed us to confirm that a digital bond was alright!' PwC's discussions with financing companies also showed that, even at a high level, there remains some uncertainty about the validity of digital issuances. These kinds of experiences imply that educating the market might be an important part of the digitisation process.

'Digital guarantees are possible and can be accepted,' says Jacobs, 'they are strongly accepted by many of our customers. We even have large companies asking for e-bonds'.

In both our corporate and guarantor surveys, participants indicated that they expect the public sector to be the most resistant to the digitisation of guarantees (see Figure 3).

'The public sector is not helping to move towards digital guarantees,'explains Purr. 'On the contrary, they prescribe the wording and need for paper and wet-ink signatures!'

However, the perception of those engaged operationally is that the public authorities are aware of the burden of the paper-based system and would be keen to embrace a digitised solution – especially if it were to be led by the regulator (as is the case in other jurisdictions: Italy, Poland, Turkey, Qatar, for example).

Elmar von der Dovenmuehle is Finance & Treasury Manager at STRABAG, and is responsible for the German activities of the group. He agrees that with the help of regulations, the public sector could be brought on board. 'We all have the same problem,' he says. 'We want to get rid of paper. If it's clear and safe then there shouldn't be any restrictions for acceptance.'

From which group of beneficiaries do you expect a low level (i.e. < 20%) of acceptance of digital guarantees?

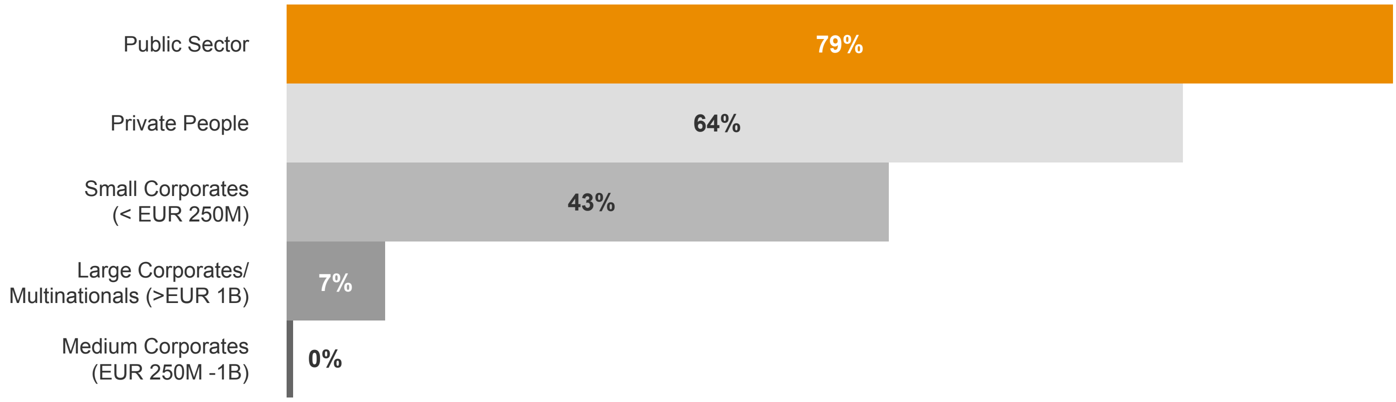


Figure 3 Beneficiary acceptance of digitised guarantees

Digital guarantees are allowed by German law

It is a popular misconception that sureties in Germany must be issued on paper and bear a signature in wet ink. Indeed there is a law calling for written form (§ 126 para. 1 Bürgerliches Gesetzbuch [BGB]). If a legally prescribed form is not observed, the (legal) transaction is void from the beginning according to § 125 BGB.

The popular misconception stems from the fact that **§ 766 p. 1 and 2 BGB** state, seemingly without exception, that for the guarantee to be effective, it must be signed on paper. The electronic form is explicitly excluded. The German Commercial Code (Handelsgesetzbuch [HGB]), however, states that the requirement of a written signature does not apply for commercial business transactions (**§ 350 HGB**). Merchants may therefore also issue form-free declarations of surety among themselves.

(First demand) guarantees are not subject to any special regulations at all in Germany. When designing the BGB and HGB, the legislator decided to regulate only the surety separately. Guarantees can therefore also be issued and processed electronically from the outset.

In international practice, it is quite common to subject (first demand) guarantees to the Uniform Rules for Demand Guarantees (URDG) 758 issued by the International Chamber of Commerce. This does not stand in the way of digitisation either. Such guarantees can also be represented electronically via online tools wherever the terms and conditions refer to a document or signature.

The Benefits of Digitisation

Digitisation has the capacity to address industry-wide pain points regarding guarantees and bonds, and to upgrade the trade finance industry. This is partly because an automated system requires a standardisation of the process and clarity in the legislative framework. An automated, homogenised system would minimise the chances of human error, speed up the process and streamline the system to allow for better visibility and easier management. All of these factors would significantly boost efficiency and cut unnecessary waste and costs.

If trade finance operations were fully digitised, four billion sheets of paper would be saved per year.

2020 International Chamber of Commerce Global Survey on Trade Finance

The journey to best-in-class trade finance

The ladder of trade finance sophistication can be considered along two axes: on the horizontal, the degree of centralisation; and on the vertical, the degree of automation of the system (see Figure 4).

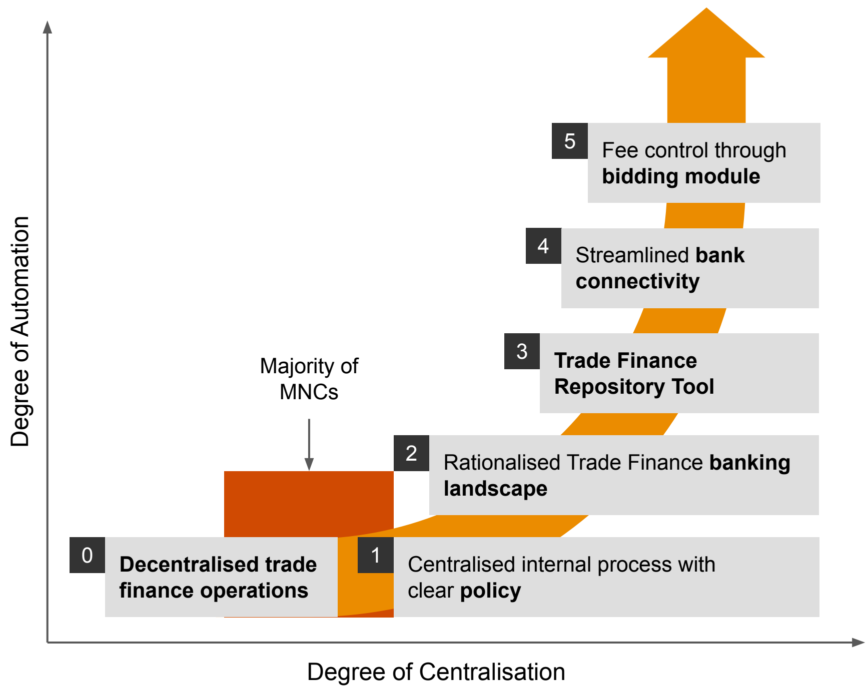


Figure 4 Upgrading trade finance

The journey drivers behind these developments are:

- **Transparency**
  Visibility over trade finance operations and credit line utilisation can be achieved by having all guarantees and bonds in a single repository tool.
- **Rationalising the banking landscape with a competitive pricing model**
  Reducing the group of banks and streamlining bank accounts, will provide better visibility, control and access to the group's cash. Moving the majority of the banking business to the relationship banks will also provide better pricing and service in return.
- **Change management**
  Change management to be supported by the right processes and a clear policy.
- **Centralisation**
  Centralising the trade finance operations within one integrated platform for a leaner, more efficient process in terms of time, money and accuracy.

Digitisation can mobilise each of these journey drivers by providing a streamlined, centralised and standardised platform for all three parties, and by allowing guarantees from multiple financial institutions to be managed in one place. A system like this could make the end-to-end guarantee process instantly visible and provide an up-to-date audit trail for all transaction parties. It would also make it much easier to create a transparent user registration process, thus minimising guarantor fraud.

'From the bank's perspective you can do much better analytics,' says Purr, 'gain better transparency on the business and in the end achieve higher quality and client satisfaction. You take away the low quality, repetitive jobs. This leads to higher staff satisfaction.'

Cost and speed

Many of the current difficulties experienced on all sides when issuing and releasing/claiming a guarantee are a result of the high level of communication and agreement required for a three-way relationship between the applicant who is obliged to provide the guarantee, the bank or credit insurer who issues the guarantee and the beneficiary.

According to Jacobs, it is not unusual for Euler Hermes to engage in a lengthy process of issuance, re-issuance and rejection of guarantees before all parties are happy. The most potential for efficiency gains through digitisation, is perceived to be at either end of the process. 'The main benefits will be at the end and at the beginning,' adds Purr, 'the wording alignment, the instructions to the bank, and then the release.'

'With digitisation the release process could be much, much easier,' Jacobs adds. 'Right now, there is so much difficulty with that – the deed has to be sent by courier and it might not arrive and so on. If we have an agreed text, issued automatically, it is sure that we will have fewer errors and misunderstandings … With our current paper-based system this really happens a lot. A customer requests something and we send it out, and the beneficiary doesn't accept it and then we have to reissue it or send something else instead.'

The digitisation of this process would essentially transform the three-way relationship by providing a single platform for all parties. A solution like this would be far easier to use both at the outset and the end of a project!

Digitisation could be used to provide one interface for the issuance, management and storage of guarantees, replacing today's fragmented and decentralised systems with a single platform for all three parties.

Such a system would allow guarantees from multiple financial institutions to be managed in one system, offering an instant view of the end-to-end guarantee process, as well as an up-to-date audit trail. The ideal guarantee environment will be harmonised to provide seamless communication and process handling.

'If we can develop a good, well-designed process with all the different aspects and obstacles in mind, we could really address these problems in one digital solution,' says Jacobs. 'It would bring us forward in terms of speed, in terms of correctness and in terms of ease of access for the applicant and the beneficiary.'

More than 85% of survey respondents indicated that processing times could be reduced by up to 50% with a digitised solution (see Figure 5).

With automating/digitising your guarantee issuance, do you think it will bring down your processing time?

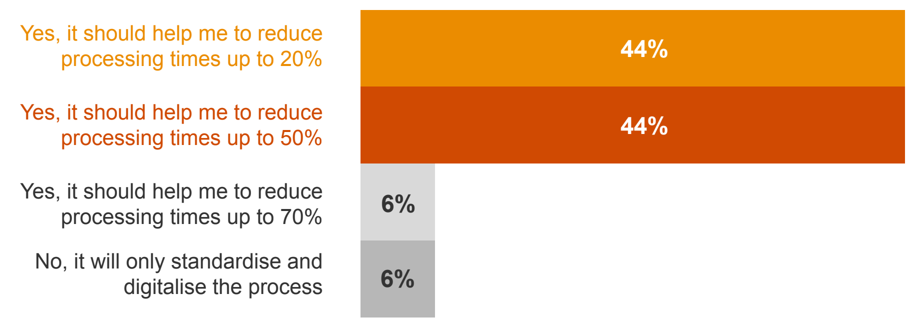


Figure 5 Process benefits of digitisation

Associated cost-savings are anticipated as a benefit of digitisation, with a majority of survey respondents expecting up to 15% savings (see Figure 6).

What is your estimate of cost saving over the entire guarantee period with having a digital solution in place?

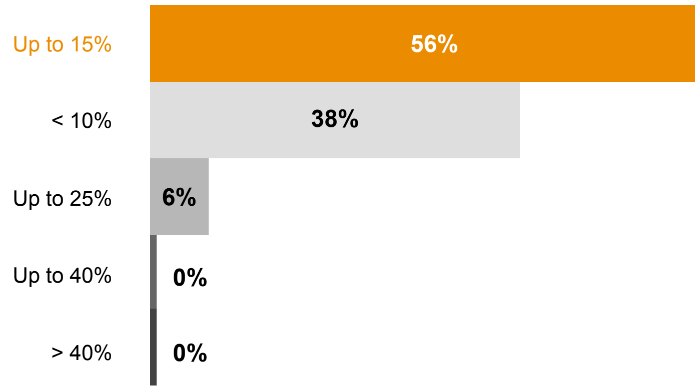


Figure 6 Cost savings of digitisation

CASE STUDY: Large-scale guarantee business at STRABAG

About STRABAG

The STRABAG Group's international activities, include transportation infrastructures, building construction and civil engineering. STRABAG is a European-based leader in technological innovation and financial strength with services spanning all areas of the construction industry. With more than 75,000 employees, STRABAG generates an annual output volume of around €16 billion. A network of subsidiaries throughout Europe and elsewhere is expanding STRABAG's area of operation far beyond the borders of Austria and Germany.

STRABAG SE has a large trade finance team of 35 people in total. Elmar von der Dovenmuehle is Finance & Treasury Manager and heads up the finance operations in Germany, where half of the team (5 out of 10 staff) are working on guarantees. The German market accounts for the largest share of the guarantees business, although there is also significant activity in Austria where three FTEs are focused on guarantees, and in the international guarantee business.

STRABAG engages in thousands of projects a year, with a large number of associated suppliers. In Germany, the group is responsible for approximately 19,000 outgoing guarantees, in Austria about 12,000, and about 8,000 in the rest of Europe. In addition, there are many thousands of incoming guarantees associated with their local operations.

Paper tigers

Standardisation is key to the successful digitisation of guarantees. 'Standardisation must come first,' says von der Dovenmuehle. This will pave the way for effective, homogenous and trusted digital solutions for the process.

STRABAG's guarantees are fully digital internally until it goes to the guarantor. As there was no bank agnostic guarantees platform available, the organisation decided to simply operate without any banking tools for guarantees and instead developed their own internal system. With the current state of play, they would require roughly 40 online tools and channels to handle the various guarantees in various countries.

STRABAG is also a significant beneficiary of guarantees. 'I would love to focus more on the incoming guarantees,' says von der Dovenmuehle, 'because that's where there is even more risk for us. And a more centralised system would help us a lot to track outstanding guarantees in a more efficient way – this would be very welcome.'

For the outgoing guarantees, the most time-consuming aspect is the cancellation of the guarantees at the end of their lifetime.

The need for digitised guarantee systems is heightened by the current pandemic. 'Although we are talking here about Germany and Austria, it's the same situation everywhere,' says von der Dovenmuehle. 'The Corona crisis is an accelerator. Certainly, in the major European countries the needs will be similar.'

For the STRABAG team, the lead advantage of digitisation will be the optimised workflow, allowing more time for controlling and advising on topics rather than just handling a guarantee application. Cost savings are also anticipated, through greater efficiency and reducing the logistics of handling paper. 'This would give our team more time to look at value-add services,' says von der Dovenmuehle.

Making it work

'Data security is one of the key issues,' says the von der Dovenmuehle. The protection of data is paramount for ensuring trust in the platform and safeguarding business-critical data. 'To inspire confidence, cloud-based solutions are ok, but the servers should not be located outside Europe. Encryption will be under scrutiny.'

'Reliability and security are really, really important,' adds Jacobs. 'Security has to be fully there, so that all parties can have full confidence in the system. It is also essential that everyone understands what is happening. With a paper-based solution, it is very clear what's happening. We need the same for a digitised solution – everyone should know exactly what the process is like, and what happens.'

The legal framework must enable confidence in the digitised system: the validity and enforceability of the guarantee has to be granted and accepted by all partners and perceived as a worthy and worthwhile instrument.

If these critical factors are sufficiently addressed and there is early adoption at a market-leader level, it is very feasible that a critical mass of users could switch to the platform quite quickly. 'This could happen very quickly,' says Siemens AG Head of Global Coordination and Development, Trade Finance Advisory, Controlling and Finance, Financing (CF F TFA), Alexander Brenner, 'and in three to five years the guarantee business could be fully digitised: 100% would of course be ideal, but even 80% would be a success.'

Standardisation – a prerequisite for digitisation

The lack of standardisation compounds the inefficiency of processing paper-based guarantees.

Digitisation alone is not sufficient: at present, there is much work in progress on partial digitisation, but this may not contribute optimally to overall efficiency as the digitised systems are essentially single-bank solutions. Fewer single bank platforms would reduce the breaks in the process and an increase in efficiency.

In Germany the Bürgschaft mandates standard wording, however this is not sufficient and lacks clarity. There are too few standards, for example with respect to wording, which could help to simplify and streamline the process.

The lack of standardisation generates heterogeneous processes, which are manual, costly and time intensive. The market perception is that digitisation will help to standardise these processes and systems. However, for digital guarantees to become a success they need to be standardised, otherwise the inefficiencies of a heterogeneous process are merely transferred to a suboptimal digital system. The basis for digitisation is harmonisation and homogeneous processes.

The optimum is one standard, according to Siemens AG's Head of Global Coordination and Development, CF F TFA, Alexander Brenner, 'even two standards in Germany would be suboptimal. Two to three standards may be viable but to be avoided if possible. SWIFT is used for international trade, thus if there is a local solution, plus SWIFT, then two standards would follow.'

The role of the public sector – lead and beneficiary

As previously noted, the public sector may have a key enabling role here. Firstly, public authorities make up a significant portion of the sector of beneficiaries of guarantees, but they currently adhere to a set of varying standards and prescriptions for wording that must be used in the guarantee.

These public authorities are traditionally obliged to use certain wordings and presentation styles. 'They are sometimes very strict about saying this is the wording you have to use, and this is the paper on which you have to use it!' says von der Dovenmuehle, 'but this is becoming less.' The need for more efficient solutions is rising in importance for this group, and, says von der Dovenmuehle, if offered a solution that meets their needs, they will most likely get on board.

This points towards a key enabler in the public sector: the regulator. If the standardisation (a necessary basis for digitisation) is led by the regulator, the public authorities will de facto follow suit. Indeed, the market perception on the ground is that such a change would be welcomed by this beneficiary group.

'Sureties (Bürgschaften) could play a bigger role,' says Purr, 'especially with the public sector. The legislation could drive digitisation. For example in Qatar, there is standard wording defined in the local legislation. In Poland and Turkey, the public authorities are driving this process by demanding digital guarantees.'

CASE STUDY: HSBC – Keys for success

About HSBC

HSBC is one of the largest banking and financial services organisations in the world, with operations in 64 countries and territories. HSBC's global businesses serve more than 40 million customers. They range from individual savers and investors to some of the world's biggest companies and governments.

HSBC Germany is part of the HSBC Group. It serves companies, institutional clients, the public sector and high net worth private clients. The bank, which operates as HSBC Germany, was founded in 1785 and has more than 3,000 employees in Düsseldorf and at a further 11 locations.

HSBC is one of the leading market players in trade finance globally with the fourth-largest share of trade finance business among global multinationals and large 'Mittelstand' companies in Germany.

To Hermann Purr, Head of Global Trade & Receivables Finance Germany at HSBC Germany, lack of digitisation is the leading issue in relation to guarantees in Germany. Other countries (including Italy, Turkey and Poland) are progressing more rapidly towards digitisation due to regulator-driven strategies.

HSBC Germany's expectations are that digitisation will bring more efficiency, a lower risk profile, cost savings and scalability. 'If it's cheaper and easier you would use it more often and thus broaden the scope,' says Purr. The main benefits are anticipated to come from efficiency gains at the beginning and the end of the process, by standardising the wording and the instructions to the banks at the start, and then the cancellation of the guarantee at the end. Other benefits may come from the data insights that digitisation can yield.

Purr also notes that there are real differences between digitising trade finance business in general and digitising guarantees. 'Receivables and supply chain finance have always been much more digitised. Traditional trade business (letters of credit and guarantees) is more complex because there are many more parties (shippers, customs, chambers of commerce for example) so digitising is more of a challenge.'

One of the main issues encountered from HSBC's perspective is lack of expertise on the client side. Mid-caps and SMEs generally do not have enough in-house expertise to run this process. Clients are also struggling to cope with the rising requirements of beneficiaries – demanding lengthy negotiation. Global businesses need transparency: 'Where are my outstanding guarantees and with which bank?' says Purr.

'Often we are confronted with wording that has been agreed between buyer and supplier and we have to deal with contradictory clauses – or the beneficiary imposes the wording on the applicant. In some ways it would be easier if the client reached out to us first for some advice regarding the commercial feasibility in the terms with its counterpart,' says Purr.

Key success factors for a digitised solution include data integrity of the highest possible standard: 'No compromise whatsoever on data security, it would kill applications immediately. This is normal business for us as a bank.' Compatibility and seamlessness are also important, as it would be necessary for guarantors to integrate the solution into their ERP(s) and sanction tools. 'The integration into the sanction and AML tool is a must for a bank,' says Purr. 'If automation is not enabled here, we would have to do it manually, which slows down the processing and is more error prone.'

Conclusion

The successful sophistication of the guarantee and surety business through digitisation will mean achieving consensus between all three actors, establishing regulatory support and securing a high level of data integrity. Our research indicates that when these factors are in place, the uptake of market leaders and public authorities could follow at great speed.

The solution must be something that works for banks and credit insurers – especially market leaders – as well as leaders from the corporate side and other customers. This is why data security is a central concern. The public sector also has a key role to play in the acceptance of a digital system and a regulatory framework could be essential to this.

Once the solution is refined, the guarantee business could become fully digitised in the span of only three years. If Germany and Austria lead successfully, their digital system could become a rolemodel for other countries.

The software service provider DVS has developed an agnostic digital guarantee platform by working closely with Germany's market leaders. The platform has been live in Germany and Austria since 18 January, and the first fully digital transactions have already taken place. More countries, like France and Switzerland, are planned to go live later this year.

Disclaimer

About DVS

Digital Vault Services GmbH (DVS) is a SaaS provider, founded in 2019 by the worldwide active Trade Finance IT-provider, GlobalTrade Corporation (GTC), Toronto/Canada and the owner-operated Lindner Group KG, Arnstorf/Germany.

DVS provides the Guarantee Vault Platform (GVP) or Guarantee Vault, a place for the issuance and safekeeping of digital guarantees.

Guarantee Vault is a true market initiative and the result of a two-year collaboration with 17 working group members made up of major corporations, banks and sureties including Bayerische Landesbank, BNP Paribas, HSBC, Atradius Kreditversicherung, Coface, Euler Hermes, GlobalTrade Corporation, Nokia, PORR AG, Lindner Group KG, Eurovia, STRABAG SE and Siemens AG.

It gives banks and sureties the possibility to centrally issue and store instruments such as bank guarantees, surety bonds and standby letters of credit in an electronic (paperless) form.

This combination of central issuance with digital guarantees is an innovation that delivers significant value to all market participants including applicants, guarantors and beneficiaries.

Guarantee Vault is the only ‘Open Guarantor Platform’ on the market. It allows a connection to any third-party platform via REST API, regardless of whether it is from an IT-provider, bank or surety. In addition to processing bank guarantees, Guarantee Vault has the capability to process corporate guarantees.

Guarantee Vault offers long-term, secure and cost-effective services to applicants, guarantors, beneficiaries and intermediaries right across the life of a guarantee, including application, issuance and post-issuance.

Through this innovation of digital guarantees, Guarantee Vault brings issuance through a common digital channel allowing market participants real-time updates, certainty, transparency, convenience and predictability in contrast to the challenges inherent in the process today.

Please see www.digitalvaultservices.com for further information.

About PwC

PwC is a global network of firms delivering world-class assurance, tax, and consulting services for your business.

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