Reducing Trade-Financing Risks Through the Use of the *Powers Secured*® Chain of Custody,

An Executive Summary

The inherent risks associated with international trade financing are many involving a multiple stakeholders, and multiple risk scenarios from the origin of the product and its movement to destination. In addition there are disparate international and domestic laws and procedures impacting the movement and control of international cargo. Adding to the bank's natural concern in reducing risks, they now have to follow Basel III rules which require the banks to have increased capital liquidity, and increased capital quality all bearing on a banks capacity to continue trade financing.

Because of these areas of concern and new rules, banks more than ever before, need the ability to electronically audit all portions of an international sale and the cargo's global movement which now demands visibility, verification, and the use of audit mechanisms that are consistent with ever increasing electronic communications and government requirements.

Therefore, the international supply chain can be treated as if it were an evidentiary event by employing the equivalent chain-of-custody used in a crime scene. With the emergence of new, global electronic processes, banks can now utilize this chain-of-custody process to seek out international business firms in a proactive way while at the same time reduce their trade financing risks by requiring their international trade customers to implement an automatic and verifiable system provided by the utilization of a global chain-of-custody process. Essentially, the bank conditions its lending on the use of the chain-of-custody process which would be available from firms offering container security devices (CSDs) that provide global visibility incorporating the *Powers Secured®* chain-of-custody authorization process.

This *Powers Secured®* chain-of-custody process collects logistics data describing the cargo, its quantity, the identity of the authorized agent who personally verified the contents of the shipment and represents the legal commitment of the shipper as to authenticity of the cargo in compliance with contractual agreement between the buyer and seller. This information is immediately transmitted to an international control center where monitoring the movement of the shipment along with monitoring any intrusion into the container all the way to destination where another trusted agent opens and confirms the shipment data. The process can also determine and communicate certain better business practice issues such as route deviation, real-time location, breach detection and other environmental cargo issues the shipping container moves off its intended course.

Although there are specific benefits to shippers, consignees, carriers, and Customs administrations, benefits are also significant to financial institutions involved in international financing of global trade. The following are just a few of the benefits to stakeholders:

1. Cargo identification and quantity verification and electronic certification at stuffing;
2. Knowledge of departure time;
3. Location of container throughout the supply chain;
4. Knowledge of opening or surreptitious access into container;
5. Third-party verification of all supply chain data elements and reports;
6. Knowledge of arrival;
7. Lower insurance costs;
8. Verifications of Compliance with CISG importer provisions;
9. Increased or enhanced knowledge needed for *10+2 Program* Importer Security Filings; and
10. Enhanced knowledge of shipper and carrier performance.

Given the projections that international business will continue to increase to more than 50% of the U.S. economy by 2020, it makes sense that the banking sector will have the opportunity to capitalize on this growth, and do so with significantly increase solid fee revenue and at the same time reduced risk by requiring its importers and exporters to employ the new chain-of-custody process as a condition of financing. By doing so, it broadens the base of the auditable asset financing to include additional higher financing receivables from the global import and export client, and develops protection by providing an electronic audit mechanism. By integrating the *Powers Secured®* Process into the Banking Sector, it creates a unique financial product offering.