

# *Trade & cash* **converging** *in Turkey*

**BNY Mellon's** treasury services continues its thought leadership dialogue around the future of transaction banking in January in Istanbul.

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Participants were invited to discuss the future of transaction banking in Turkey, and how Turkish corporates can better manage their working capital.

**Malaket: What are your views and understandings of transaction banking? How do you define the term in your respective institutions?**

**Tugal:** When we say transaction banking, domestically, as a corporate bank manager, I automatically think supplier finance – besides international terms – import finance mostly, as well as export finance. We can add to that.

**Cermikli:** It is basically everything, except for long-term financing and acquisition financing. Any banking activity which comes into the picture, starting from order/inventory management and production through to selling and marketing activity falls under transaction banking.

**Oran:** I think that also includes the flow of funds across borders, as well as making sure whenever we use cash across the world, effectively and efficiently, despite trade restrictions, tax restrictions, a couple of rogue states around the world... I'm looking for transaction banking that will help me resolve those issues.

**Burkie:** Anything that is improving the efficiency and effectiveness of the working capital cycle would be transaction banking.

**Ekmekci:** Up until five or seven years ago, transactional banking was not present in Turkey. But after the mergers with multinational banks, it has arrived. The banking sector follows the multinational way of doing business, and now, most of the banks do have this availability.

**Takunyaci:** Now in Turkey we have more and more global companies, so their needs have changed; companies have become global, they really need transaction banking products and international banking. But corporate evolution

## Participants

### Moderator:

Alexander Malaket, president, OPUS Advisory Services International

### Hosts:

Cihat Takunyaci, relationship and sales officer, Treasury Services EMEA, BNY Mellon

Michael Burkie,

vice-president, market development, EMEA, BNY Mellon

### Panellists:

Bora Cermikli, assistant general manager, finance, BRISA Bridgestone Sabanci Tyre manufacturing & Trading

H Korhan Colakli, corporate banking products, assistant manager, IsBank

Eylem Ekmekci, head of trade finance, YapiKredi

Baris Oran, chief financial officer, KORDSA Global

Koray Oztopcu, corporate banking branch manager, GarantiBank

Mehmet Tugal, corporate branch manager, Akbank

also supports the transaction banking market in Turkey.

**Malaket: Specific to the Turkish market, what are the main drivers in the development and the evolution of the transaction banking business?**

**Colakli:** The basic evolutionary trend of this is the ending of the distinction between trade finance and cash management issues in Turkey.

Traditionally, Turkey had a very sophisticated cash management market, but cash management and trade finance functions were quite separate. Now the two departments work together, so I think the basic trend in Turkish banking is the merging of trade finance and cash management operations.

**Cermikli:** In Turkey, we are very accustomed to dealing with business in crisis periods; we learnt the importance of working capital management in the crisis in 2001, which included the famous saying “cash is king”.

New tools for the financing of export and import transactions are very welcome. Some products are basic financing transactions which do not improve your working capital structure at all, but others are or can be ‘smart financing’, which reduces the receivables level and at the same time extends the payables term.

“We learnt the importance of working capital management in the crisis in 2001.”

**Malaket: Who should lead the way in shaping the future of an integrated solution? Should the corporates shape their requirements and articulate them to the banks, or should the banks lead the way?**

**Oran:** It should be a joint approach. I don’t think one or the other can actually achieve that, quite frankly. I believe a third player on that is the government. Being a multinational in an emerging market is not easy. It requires certain things to be eased by the governments.

**Oztopcu:** Yes, I agree that it is a joint effort, because the Turkish banking system – with its technology – is ready to launch new products, such as supply finance, with its



customers. It may also be important to consider web-based solutions related to supply finance and trade finance.

**Takunyaci:** Convergence begins as and when institutions adopt a solutions approach. From a trade finance viewpoint and a cash viewpoint, the convergence is happening. At the end of the day, both trade and cash are working capital solutions.

**Burkie:** In terms of whether the evolution is something the bank should lead or the corporate should lead, a lot of it is influenced by whether the treasury within the corporate

(now conglomerates) in Turkey and they have worked closely – there is a historical tie between the banks and institutions/corporations themselves – therefore the innovative culture has been there for some time.

**Tugal:** We see that more and more of our customers are doing business in markets like Syria, Northern Africa and the Middle East. Although we want to help out our customers in those areas, our knowledge and appetite for risk in those countries are limited, so we can collaborate with international banks.

**Oran:** After the crisis a lot of what we call the global banks disappeared. Their presence has been diminished, their services have decreased significantly, and sometimes, when you think you are working with a global bank, you are not, and are instead dealing with a global brand, or a local bank named as a global, and that doesn’t really serve your needs. Therefore I would say that knowledge of the local markets, as well as international knowledge – the ability to move things around internationally – would be the key to success for all our banks going forward.

**Takunyaci:** This is why the local and international alliance works well, because the local has a very good presence and understanding domestically, and the international has a very good understanding globally.

is a profit centre or a cost centre. Any treasury that is profit-focused is well integrated and we find that it’s actually leading the way.

**Colakli:** The major problem of compatibility between the cash management and trade finance functions is that the cash management function usually requires local knowledge and expertise, whereas in trade finance you have to be a global player, led by global rules. It’s challenging to maintain both of them at the same time.

**Malaket: What’s the dynamic in Turkey relative to partnerships addressing the global/local requirement?**

**Oran:** There are large, family-owned, public

**BNY AD**  
**Thurs?**

**Malaket:** Which of the following elements of transaction banking are most key for each of you: transaction processing capabilities; credit (both the availability of credit and, from an FI-to-FI perspective; credit enhancement solutions), technology - including reporting, or global reach?

**Ekmekci:** The future of transaction banking will be related to technology, because the electronic platforms and the technology automation will permit the banks and the corporates to exercise greater control of the supply chain, to control their receivables and expenditures, and to mitigate their risk.

**Burkie:** Technology could disintermediate banks. How would you therefore want to protect that, if at all?

What if hedge funds decided to become the financiers? Hedge funds are financing, corporates are managing their own payments, and their receipts are coming to them – where do the banks fit in? If I may just go back to an old hobby-horse of mine. PayPal can provide a payment service today.

**Takunyaci:** I would like to combine Eylem's and Michael's view in one basket. Yes, technology is very important because it mitigates risk, and because we see the whole picture quickly. But you're right, the corporates may access funds easier. Then, the priority should be for the financial institutions to create such tools, or immediately make use of existing products to capture the markets. Both sides, especially banks, should be aware of what's going in the market, see the trends and make decisions now. At the end of the day, it should be an easy and efficient solution they need to offer corporates.

**Malaket:** Mr Burkie's rather apocalyptic scenario for the banks, where PayPal comes in and takes over, is fairly discouraging, but how does that reality get dealt with from a corporate perspective? What is it that drives your purchasing decision when you're looking at a transaction banking solution?

**Cermikli:** From my stance, credit line availability is crucial, as is product and service solutions. The driving point is the cost element plus the service quality.

New solutions, with an acceptable cost, are always welcome.

**Oran:** From our perspective it's the processing capabilities and the global reach that has the most impact. When we think of the bank as a conglomerate of solutions, if you un-bundle those, maybe it will create more, much better providers out there, therefore this might, create a lot of opportunities for everybody.

**Burkie:** We have a view that the future for all banks, ourselves included, is that we're going to end up either wanting to be a manufacturer of banking services, or a distributor.

“The basic trend in Turkish banking is the merging of trade finance and cash management operations.”

**Malaket:** Moving on to another theme, is it possible to still maintain a relationship-driven banking dynamic?

**Oran:** I think the value of the relationship is not as high as it used to be. Access to funds is much easier, and there is more information available. In Turkey, we still work with large conglomerates, and although the relationships still matter significantly, they are not as esteemed as they used to be.

**Cermikli:** Whenever I ask a deeper question about the operational side of a transaction, the people in charge get stuck. This is because they are very enthusiastic about their presentation, and yet on the operational side, their know-how is sometimes very poor.

**Oran:** What are the current implications of this crisis in the trade financing business or the cash management side? What is the permanent impact – is there is going to be some impact and where is that going to go?

**Burkie:** There will be a consolidation of providers. As a user of banking services,

you will have a smaller pool to select from; that also has a knock-on effect of possibly fewer credit channels to access. On the positive side, you'll have a much more dynamic environment from a solutions point of view, and you will probably be able to move into international markets

much more smoothly than you can at the moment.

**Oran:** I think there will be some creative innovation that's going to come out of this, and when we look back five years from now, we will say, 'Ah, I hadn't thought about this!' And from a solutions perspective, I think this might create a lot of alternatives and opportunities for a lot of non-banking players.

**Ekmekci:** Well, as a final thought from my side, when I look at the future from a trade finance angle and from a local bank perspective, I believe that not only will there be increased collaboration between the treasury departments of financial institutions and corporate, but there will be collaboration with the treasury departments of local banks as well.

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