CASE STUDY

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Introduction Case Study

Danske Bank's Trade Finance Conpend Trade AI, introduced in 2021, marks a significant leap in the realm of financial technology. This innovative solution seamlessly integrates artificial intelligence (AI) into trade finance operations, revolutionizing efficiency, and risk management.

The Conpend Trade AI optimizes the end-to-end trade finance process by leveraging machinelearning algorithms to analyze vast data sets. This enables the platform to make real-time decisions, enhancing the speed and accuracy of trade transactions. The system's AI capabilities contribute to risk mitigation through advanced fraud detection and compliance monitoring, ensuring a secure and compliant trade environment.

One notable feature is the platform's ability to provide predictive insights. By analyzing markettrends and historical data, Conpend Trade AI assists clients in making informed decisions, thereby reducing uncertainties in an evolving trading landscape. The solution also enhances the customer experience by streamlining documentation processes and minimizing delays.

Danske Bank's commitment to innovation is evident in their deployment of Conpend Trade AI, reflecting a forward-thinking approach to trade finance. As financial institutions increasingly embrace digital transformation, this case study illustrates how Danske Bank leverages AI to empower clients, optimize processes, and navigate the complexities of global trade with confidence and agility.

Introduction and Background: Danske | Bank

The Danske Bank and Conpend Trade Finance collaboration was initiated in Q2 2020 and has successfully transitioned into an operational state. Initially driven by an overarching goal of establishing comprehensive control over compliance and financial crime prevention, the project's subsequent focus has shifted toward harvesting operational efficiencies. Looking 12 months ahead, the emphasis remains on the continued scaling of the document-checking module within the Trade AI framework. In terms of the current state of trade finance in Danske Bank, the bank identified a need for a tool to manage compliance and financial crime prevention processes more efficiently. Having achieved mastery in these areas, Danske Bank is now strongly positioned in the market. The current focus extends beyond compliance to explore how the tool can be more widely deployed for efficiency gains, improved control over operational risk, and the overall optimization of trade finance operations across Danske Bank, including Nordic teams and units in Lithuania. The ultimate objective is to advance operations into a seamlessly functioning system, providing a supreme experience for Danske Bank's trade finance customers. With significant milestones achieved in compliance and financial crime prevention, attention now turns towards elevating the customer journey further.

Challenges and Opportunities:

Danske Bank made a strategic decision to implement Trade AI in trade finance to address significant existing and anticipated challenges, as well as to capitalize on emerging opportunities. Initially, the primary focus was on ensuring compliance and financial crime prevention by utilizing the tool for data capture and process analysis, such as sanction screening, terrorist financing checks, and money laundering checks. Subsequent efforts were directed towards process enhancement through the successful integration of incoming data channels into trade, effectively eliminating manual processes and improving operational efficiency. The ongoing initiative aims to further reduce manual tasks within trade finance, tackling the persistent challenge of manual work and enhancing overall efficiency. Looking at opportunities, Danske Bank acknowledges the instrumental role of AI, particularly in machine learning, in improving data capture capabilities. The bank anticipates continued advancements to further enhance operational efficiency. In the broader context of AI technology in trade finance, Danske Bank envisions opportunities for significant progress, aiming to leverage AI to a point where it achieves high proficiency with minimal supervision. The bank is actively exploring avenues to enhance the capabilities of AI technology, aspiring to reach a stage where substantial human supervision is no longer a necessity.

Technology Implementation:

Danske Bank's integration of AI into its trade finance processeshas a strategic focus on optimizing data capture fromvarious sources, including SWIFT messages, shipping documents, and both digital and non–digital channels.Implementation heavily relieson machine learning to ensurethe efficiency of handling diverse data inputs. In addition to machine learning, the bank extensively utilizes APIs to enhance the functionality of the Trade AI system. These APIs playa crucial role in integrating digital channels, ensuring that data remains in digital format throughout the entire process. Notably, in the context of digital channel integration, the use ofAPIs facilitates the seamless incorporation of incoming data into the system, aligning with Danske Bank's vision to maintain the digital nature of data throughout the entire trade financeprocess.

Data Management:

Danske Bank places a strong emphasis on data privacy and security in its Trade AI implementation, ensuring compliance with GDPR and adhering to standard data retention rules. The bank's focus on securing personal data, particularly in trade finance, involves the implementation of standard policies to establish a robust framework for controlling this information, aligning with industry standards and best practices. In addressing data quality and accuracy within trade finance operations, Danske Bank has adopted a comprehensive approach. Responsibility for data quality and accuracy is anchored in a specialized team in the bank, distinct from trade finance advisors, focusing specifically on meticulous data capture. Additionally, a dedicated quality assurance team conducts retrospective evaluations, ensuring rigorous control and verification of captured data. This dual-layered approach, featuring specialized data capture teams and quality assurance oversight, underscores Danske Bank's commitment to maintaining high standards of accuracy in their trade finance operations.

Customer Experience:

The implementation of Trade AI in Danske Bank impacts the customer experience within trade finance transactions. While it does not directly alter the direct customer experience e.g., in a corporate user interface, its significant enhancement is evident in achieving a

smoother compliance process, positioning the bank as a leader within the sector. Proficiency in compliance serves as a selling point, emphasizing the commitment to streamlined and reliable processes. Beyond compliance, the integration of the tool into various business processes is expected to yield positive results, contributing to increased efficiency and enhanced processes. Danske Bank's corporate clients directly benefit from the Trade AI implementation, particularly regarding compliance processes, where the bank employs modern tools and maintains a mature process, instilling trust in these clients for thorough due diligence. Ongoing enhancements in various business processes further contribute to an overall improved experience for clients, showcasing the bank's dedication to providing a seamless and reliable service.

Regulatory Compliance:

Ensuring regulatory compliance has been a pivotal focus since the initiation of the Trade AI implementation at Danske Bank. The bank took a proactive step by establishing an extremelyclose collaboration with its risk and compliance functions right from the start, involving them in the implementation strategy and aligning their objectives. The endorsement and ongoing collaboration with risk and compliance functions have been crucial throughout the entire process. The key to success lies in maintaining a continuous and close partnership with thesefunctions, emphasizing a collaborative effort across various functions within the bank rather than relying on a limited number of individuals managing the Trade AI tool. This approach ensures that the tool remains consistently up-to-date and aligned with evolving trade finance regulations. The cooperative strategy involving multiple functions is integral to Danske Bank'sapproach to staying ahead of regulatory changes and maintaining a robust compliance framework.

Risk Management:

Trade AI plays a multi-faceted role in risk mitigation within Danske Bank's trade finance activities. Initially envisioned for automating various checks, the tool currently serves as a supportive tool for advisors, providing recommendations and data for assessments. The bank's evolving focus is on further automating processes to reduce operational risk, balancing automation, and effective risk management in trade finance activities. The Trade AI system's primary focus has been on managing compliance risk and financial crime prevention, specifically in areas such as Know-Your-Customer (KYC), money laundering prevention, terrorist financing prevention, and sanctions. Notably, the system has significantly enhanced control in these crucial risk categories. As Danske Bank evolves, it is exploring other ways to leverage the system for managing operational and reputational risks by introducing automation in relevant processes. This comprehensive approach ensures a robust and well-rounded risk management strategy within the bank's trade finance operations.

Performance Metrics:

Danske Bank takes an explorative approach to measuring the success of Trade AI implementation by not strictly adhering to predefined key performance indicators (KPIs). While the bank had envisioned targets and aspirations, the focus was on practical considerations, including the time and resources required for data capture and the refinement process. Instead of setting rigid KPIs, the strategy involved theory crafting around factors such as processing time and accuracy. This flexible approach of starting small, testing, and gradually scaling the implementation allows Danske Bank to achieve success dynamically. These metrics, or the absence of strict KPIs, indirectly align with the overall goals of the trade finance department. Initially centered around compliance and financial crime prevention, the metrics used also contribute to efficiency objectives. The Trade AI implementation provides substantial control through thorough audit trails and reporting, contributing to the mitigation of operational risks in manual processing within trade finance. Efficient management of the Trade AI system enables the bank to eliminate manual processes, reduce operational risks, and achieve efficiency gains, thereby creating a mutually beneficial situation for both the bank and its customers.

Integration with Existing Systems:

The Trade AI system seamlessly integrates with Danske Bank's existing trade finance infrastructure, starting with compliance-driven integration with the bank's central sanction screening engine. This integration was subsequently expanded to encompass all digital channels, ensuring a fully seamless and direct integration that eliminated manual processes, such as copying data from SWIFT messages, while preserving the digital nature of the data throughout the process. Ongoing efforts involve the creation of data consumption integrations, enabling various functions within the bank, including risk and compliance, to utilize the captured data for analysis, transaction monitoring, and other purposes. Fortunately, the integration process did not encounter significant challenges, and the APIs provided by the Trade AI tool were instrumental in facilitating a smooth integration. While a minor challenge emerged in dealing with data consumption at scale, requiring the looping of APIs for mass consumption across multiple transactions daily, the overall integration process proceeded smoothly.

Training and Adoption:

When implementing the new AI system from 2020 to 2022, Danske Bank ensured employee readiness through a "train the trainer" approach, with collaboration with Conpend proving instrumental in providing a comprehensive understanding of the tool. Skilled individuals within Danske Bank accumulated substantial knowledge during this period, and leveraging this internal expertise, the bank adopted an in-house training approach. The internal team now conducts training sessions for advisors and other users, ensuring proficiency in utilizing the Trade AI system to its full potential. To encourage widespread adoption, the bank initiated the process on a small scale, gathering feedback and engaging colleagues in a feedback-driven loop. This gradual approach allowed for skillful expansion, incorporating insights from user feedback. Cultivating ambassadors within the bank, enthusiastic about the tool and its positive impact, played a crucial role in facilitating widespread adoption. These ambassadors shared their positive experiences, making the tool more accessible and appealing to others. The bank acknowledges the concept of the Conpend Training Academy, expressing appreciation for the initiative and offering, noting that while they have gained substantial knowledge through their implementation, they would consider reaching out in the future, should the need for further training arise

Cost-Benefit Analysis:

Danske Bank has not conducted a formal cost-benefit analysis for the Trade AI implementation. Instead, the bank has pursued an organic approach, driven by a non-financial business case focused on enhancing compliance capabilities. The implementation strategy follows a high-level target, which is pursued by a feedback-driven development model, experimenting with different functionalities, observing their impact, and scaling based on practical feedback. This approach has allowed Danske Bank to forgo a formal analysis and concentrate on implementing features that prove beneficial through practical application. While a traditional cost-benefit analysis was not a priority, the bank envisions and targets potential cost savings and revenue enhancements with the Trade AI system. Whilst such financial benefits are currently theoretical, Danske Bank is actively working towards strategic targets such as efficiency gains for its customers. The bank's approach involves ongoing experimentation and feedback-driven development to determine the actual impact and success of these goals.

Future Roadmap:

Danske Bank has achieved significant progress with the Trade AI system, and the current focus is on enhancing the document-checking module to improve precision and efficiency for advisors. This approach involves ongoing feedback-driven development, starting small and scaling with the support of ambassadors, with anticipation for this development to continue in 2024 and 2025. Looking ahead, the bank is exploring possibilities such as exposing Trade AI directly to customers, potentially allowing them to conduct pre-checks for greater efficiency, although this concept depends on near-perfect data capture accuracy. Danske Bank maintains a flexible approach, enabling users to utilize different percentages of the document-checking module, based on their specific needs, and the bank expresses commitment to assessing and adapting to the evolving trading landscape as it moves forward.

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