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Open finance in trade facilitation: The impact of UN/CEFACT's digital initiatives

Over the past years, international trade has been challenged by various factors. According to the 2023 Digital and Sustainable Trade Facilitation Global Report, while global merchandise trade volumes in 2021 displayed a strong recovery from the contraction suffered in 2020 due to COVID-19, trade growth slowed down in 2022.

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Over the past years, [international trade](#) has been challenged by various factors. According to the [2023 Digital and Sustainable Trade Facilitation Global Report](#), while global merchandise trade volumes in 2021 displayed a strong recovery from the contraction suffered in 2020 due to COVID-19, trade growth slowed down in 2022.

The sluggish growth is expected to continue into 2023 because of disruptions in global supply chains due to geopolitical conflicts, and high inflation, leading to increased trade costs and uncertainties.

The Report highlights that despite such challenges, the average global trade facilitation implementation rate has increased by almost 6 percentage points between 2021 and 2023, while noting that such rates still vary significantly between world regions.

UN/CEFACT's role in trade facilitation and security

Trade facilitation plays a critical role in supporting sustainable development in several ways.



- Enabling more efficient and transparent trade procedures
- Enhancing the resilience of global supply chains
- Decreasing overall trade costs, especially when underpinned by digital solutions.

Trade facilitation involves a wide and diverse range of public and private stakeholders seeking to establish a transparent, consistent, and predictable environment for [cross-border transactions](#) based on simple and standardised business processes and practices.

Within international trade facilitation and standard-setting bodies, the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), a subsidiary, intergovernmental body of the United Nations Economic Commission for Europe (UNECE), is mandated by the United Nations Economic and Social Council to develop trade facilitation recommendations, electronic business standards and technical specifications.

UN/CEFACT takes an end-to-end approach to trade transaction facilitation, by covering all processes – from the initial placement of orders to its final payment (Buy-Ship-Pay model of the international supply chain).

Innovations in open banking and finance: Shaping the future of trade facilitation

With regard to the payments industry, UN/CEFACT activities are carried out mainly by the Finance & Payments Domain. This Domain identifies and launches [supply chain finance](#) projects to ensure that the UN/CEFACT portfolio of projects responds to the market requirements, both in the public and private sectors, in addition to responding to stakeholder requirements in terms of international interoperability.

More precisely, over the last two years, the Finance & [Payments](#) Domain has been investigating the economic paradigms of open banking and open finance in order to understand how these can facilitate trade worldwide.

In June 2022 the Domain released the “[White Paper on Open Finance to support Trade Facilitation](#)”, a document that provides an overview of open banking and open finance in the European Union and several countries in other regions of the world.

In recent years, open banking has thoroughly changed the banking industry by introducing a paradigm that allows individuals and businesses to achieve greater control of their financial situation, even if this is limited to payments data.

Today, Financial Services are witnessing the evolution of this model towards an open finance ecosystem. This paradigm significantly extends the open banking scope by allowing authorised Third-Party Providers to access a wider range of consumers’ financial data.

The data includes information on products, prices and contracts for savings accounts, mortgages, pensions, insurances, loans, investments, stocks, and more. This data is also useful to create more personalised and intuitive financial-related products, tailor-made to customers’ needs and expectations.

Securing trade transactions: Cybersecurity measures and international standardisation efforts

This new paradigm implies greater openness between banks and increased services for companies and consumers, ranging from innovative payment systems offered by utilities, to travel insurance offered by travel operators and payment cards offered by suppliers of [fuel](#).

In most cases, players are supported by national regulators in defining the perimeters and potential outlets.

In Europe, the European Commission has launched several specific initiatives aimed at facilitating the medium to long-term adoption of this approach. This strategy mirrors movements in Australia and Brazil, which are also adopting similar initiatives. Elsewhere, the ecosystem is primarily driven by market forces. However, in both scenarios, cooperative competition, or ‘coopetition’, is considered a crucial factor for growth.

The White Paper on “Open Finance to support trade facilitation” outlines practical applications of open finance and proposes forward-looking strategies for policymakers and decision-makers.

Among the most notable applications highlighted are the “Check-IBAN service” and the “Confirmation of Payee” service. These payment-related services are instrumental in enhancing cybersecurity and fraud detection in the payments industry, as well as in electronic business and international trade.

They achieve this by verifying the accurate match between a given IBAN code and a specific Tax Code/VAT number or the name of the payment recipient.

In the wake of COVID-19, which has spurred the integration of information technology in critical [infrastructure](#), production processes, and everyday life, these services have become increasingly vital in meeting the growing need for heightened security measures in the payments domain.

In this regard, the high profitability of cyber-attacks conducted for economic purposes fosters the steady growth of cybercrime, which evolves by adopting increasingly sophisticated attack tools and techniques.

For this reason, since the financial system is particularly exposed to cyber threats, new technical developments are required for greater stability.

Regulators are focusing on legislative initiatives aimed at strengthening security in this field. The European Commission (EC), for instance, is adopting a legislative proposal on Instant Payments (IPs) which states that all PSPs (Payment Service Providers) offering the service of sending euro IPs (including those not under an obligation to do so) are required to provide their PSUs (Payments Service Users) with a service checking that the payee’s IBAN matches the payee’s name and notifying the PSU of any detected discrepancy.

The notification must be given before the payer finalises the IP payment order and before the PSPs execute the IP. The user remains free to decide whether to submit the payment order for an IP in all cases.

With regard to the Confirmation of Payee (CoP) service, the market is already moving with proprietary solutions.

In Italy, CBI, a benefit corporation and public limited consortium with 400 banks and PSPs as its shareholders, has been influential for over 20 years. Focusing on a Business-to-Business-to-Customer (B2B2C) model, CBI has developed various infrastructures, innovative services, and ecosystems for the financial and banking industry.

This includes support for digital payments, open banking, and open finance. CBI has introduced two key services: "Name Check" and "Check-IBAN". These services enable online and real-time verification, ensuring that the IBAN Code matches either the full name of the account holder or the Tax Code/VAT number of the beneficiary.

Based on these assumptions, there is a major need for use cases and standards at the international level, for the exchange of messages and harmonised rules under a scheme-like approach, in order to ensure full interoperability on a global and open scale.

UN/CEFACT, dedicated to enhancing global commerce, works to streamline and standardise processes, procedures, and information flows for both national and international transactions. Currently, it is engaged in developing a business requirement specification for the Check-IBAN service.

Moreover, this service provides significant cost savings, greater efficiency, reduced environmental impact of financial services and innovation throughout a collaborative ecosystem that includes traditional and new financial players in the market.

Therefore, it contributes to UN/CEFACT's and UNECE's commitment to advance the digital and green transformations and in support of accelerating progress towards the UN Agenda 2030 and relevant Sustainable Development Goals.

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CBI Managing Director, Vice President of the United Nations Centre for Trade Facilitation and Electronic Business and the Italian Representative at ISO Technical Committee 68 Financial Services and ISO20022 RMG. She also holds positions of an Independent Board Member of companies. For over twenty years she has been the author of numerous articles and papers also in the international press, key note speaker, recognized opinion leader in the field of digitization of financial services, Electronic Payments and Open Banking. In 2021, she was included by Forbes Italy among the "100 influential Italian women of 2021", nominated among the "Inspiring Fifty Italy" as a "role model" in STEM subjects, awarded Women in Finance - 2020/2021 Italy Awards in the category "Woman in FinTech of the Year" by the British Embassy in Italy, Freshfields Bruckhaus Deringer, Lener & Partners and Borsa Italiana, through the vote of an exceptional jury from the Italian institutional, financial and business world, as well as awarded by Le Fonti TV as "Managing Director of the Year - Banking".

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