

# The Bank of Tokyo-Mitsubishi transforms foreign exchange transactions with IBM Web services solution.

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## Overview

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### ■ Challenge

*The Bank of Tokyo-Mitsubishi, Ltd.'s conventional processes for managing international Letters of Credit were affecting its competitiveness and impacting its exporters' warehouse costs and customer relationships*

### ■ Why Become an

#### **On Demand Business?**

*The bank needed to respond more quickly to exporters who wanted a faster, more efficient way to receive Letters of Credit in order to reduce operating costs and speed delivery dates*

### ■ Solution

*The Bank of Tokyo-Mitsubishi chose a hosted solution that integrates seamlessly with its existing infrastructure and allows the bank to buy technology services on demand and to deliver Letters of Credit as automated Web services available in realtime*

### ■ Key Benefits

- *Enhanced ability to attract new customers*
- *Lower IT and administration costs*
- *Better ability to focus on core competencies*



*The Bank of Tokyo-Mitsubishi leveraged IBM technology to create a foreign exchange system that automates the process for delivering Letters of Credit.*

The Bank of Tokyo-Mitsubishi, Ltd. prides itself on its use of high technology. A member of the Mitsubishi Tokyo Financial Group—with total assets in excess of 99 trillion Yen (US\$866 billion)—The Bank of Tokyo-Mitsubishi has distinguished itself within the Asian financial industry by introducing state-of-the-art customer services. Innovations implemented by the bank include an e-payment system and online access to aggregated views of account information. In fact, it was The Bank of Tokyo-Mitsubishi's commitment to innovation that recently helped the bank identify a major need to deliver Letters of Credit (L/C) online.

*“We had to act fast and find a way to deliver these documents in a more timely and standardized manner in order to win a place in a highly competitive market.”*

*– Tadashi Betto, Senior IT Architect  
eBusiness & IT Initiative Division,  
The Bank of Tokyo-Mitsubishi, Ltd.*

## ***Creating a flexible e-business enterprise by leveraging hosted resources on demand***

### **On Demand Benefits**

- Up to 3-day delivery savings for every Letter of Credit by using Web services technology, which also reduces exporters' warehouse costs and improves customer satisfaction
- Improved ability to compete for customers in the trade and foreign exchange industry, opening the door to new business opportunities
- Ability to buy technology services on demand, better aligning The Bank of Tokyo- Mitsubishi, Ltd.'s costs to its revenues
- Lowered IT costs and strengthened ability to focus on core business through outsourcing of IT infrastructure
- Automated business processes for delivering Letters of Credit, reducing both the bank's and the customer's administrative costs, even for small business customers
- Open and scalable IT solution is both resilient and flexible, paving the way for seamless future growth

The L/C is the cornerstone instrument of foreign trade and is a large source of revenue for most banks. It is a bank's credit and promise to an exporter that an overseas importer will pay for a consignment of goods. In fact, exporters won't release their products for shipment until they receive the L/C. When delivered quickly, the L/C can help exporters reduce their operating costs and speed delivery dates. On the other hand, if an exporter has to wait long periods to receive the L/C, costs can skyrocket due to excessive warehouse storage charges and high costs for unscheduled transportation. Untimely delivery of the L/C also limits an exporter's ability to meet delivery deadlines.

At The Bank of Tokyo-Mitsubishi, it was taking up to a maximum of three days to deliver the complete L/C due to manual business processes—or, in the case of its conventional electronic banking system, slow, outdated dial-up lines sending partial L/Cs with non-flexible format. Because the bank relied largely on fax and mail, goods would often languish in warehouses while exporters awaited the papers or complete L/C data. "We had to act fast and find a way to deliver these documents in a more timely and standardized manner in order to win a place in a highly competitive market," says Tadashi Betto, Senior IT Architect eBusiness & IT Initiative Division, The Bank of Tokyo-Mitsubishi, Ltd.

### **Refining trade and foreign exchange transactions**

The bank needed to be more responsive to its customers by streamlining its processes for managing trade and foreign exchange transactions. Specifically, The Bank of Tokyo-Mitsubishi wanted to provide customers with L/C information through the Internet and in a standard XML format. At the same time, it needed to lower its IT costs and keep operating expenses to a minimum. To achieve these objectives, The Bank of Tokyo-Mitsubishi needed to implement an open, integrated and secure operating environment for exchanging L/C information. "We required more than just business integration," says Tadashi. "We wanted the ability to separate our business software into discrete modules, and make those modules accessible through the Internet, as needed, to the applications running on our partners' systems. By doing so, we not only could respond more quickly to the growing needs of our export customers for faster and lower cost service, but also capture new revenue opportunities and stay ahead of the competition."

To achieve its goals, The Bank of Tokyo-Mitsubishi worked with IBM Global Services - e-business Hosting Services to create a hosted foreign exchange system that totally automates the L/C process, while allowing the bank to control costs by buying technology services on demand. The Web services solution integrates seamlessly with The Bank of Tokyo-Mitsubishi's existing infrastructure and enables the bank to deliver a L/C as an automated Web service available in realtime. "What we have done is link our trade and foreign exchange processes into a particular Web service—that of delivering a Letter of Credit," says Tadashi.

Now, rather than passing documents through the mail or dial-up lines, The Bank of Tokyo-Mitsubishi transfers Letter of Credit data electronically, in the appropriate format, to be received directly by the customer's target systems, reducing the cost, time and errors associated with the L/C process. "It used to take up to three days to deliver the complete Letter of Credit, but now it only takes a few minutes," says Tadashi. "As a result, The Bank of Tokyo-Mitsubishi is better positioned to grow its foreign trade business and generate additional sales revenue."

#### **Web services solution based on Linux**

The Bank of Tokyo-Mitsubishi's hosted Web services solution is based on IBM DB2® Universal Database™ and IBM WebSphere® Application Server. As its operating system, the bank adopted Linux, opting for the open-source operating system over alternative solutions because of its lower cost of ownership and superior security features. The solution uses the flexible XML data format to integrate with the business systems at the exporters' banks, with DB2 serving as the back-end information management system. WebSphere Application Server serves as the runtime engine for the applications that are based on Java™ technology. In addition, by running its Web services solution on an IBM @server xSeries®, The Bank of Tokyo-Mitsubishi gains near-zero downtime and autonomic computing capabilities in a hosted environment, helping assure that its key business applications are available 24x7.

Exporters use an XML-based Web Service Requestor (WSR) to connect to The Bank of Tokyo-Mitsubishi's system. The WSR is the proprietary receiving software that The Bank of Tokyo-Mitsubishi provides at no cost to its banks' customers, along with a custom L/C application created in Java technology. Customers can start using this software on the day they receive it, allowing them to receive completed L/Cs immediately instead of having to wait three days.

### **Key Components**

#### *Software*

- IBM WebSphere Application Server
- IBM DB2 Universal Database

#### *Servers*

- IBM @server xSeries

#### *Services*

- IBM Global Services—e-business Hosting Services

*“Our new Web services solution allows us to focus on building closer ties with export customers, enhancing our customer services and creating unique offerings to further strengthen our competitiveness.”*

*– Tadashi Betto*

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### **Pioneering online letters of credit**

The Bank of Tokyo-Mitsubishi is the first Japanese bank to implement an L/C service using Web services and standard Internet protocols. To enable future expansion, its new, hosted IT solution was designed from the ground up for high scalability. In addition to including embedded privacy protection and security features, the system is capable of self-optimization, self-diagnosis and self-healing.

Because it can buy technology services as needed, the Web services solution has reduced The Bank of Tokyo-Mitsubishi's IT costs. The new solution also has enabled The Bank of Tokyo-Mitsubishi to be the first to market with an online trade and foreign exchange service capable of delivering L/Cs using Web services. That has helped it attract new export customers. What's more, because its format can be flexibly changed by XML technology, the system can offer services that are easily adaptable to changing market conditions, which improves The Bank of Tokyo-Mitsubishi's business agility. Opting for a hosted solution also has allowed the bank to focus on its core business issues.

At the same time, exporters benefit by reduced warehouse costs and better customer relationships due to prompt delivery of goods. The solution also enables exporters to pre-book less expensive shipping methods, because they now know precisely when the goods will be ready to leave the warehouse.

"This is only the beginning," says Tadashi. "We plan to expand our Web services to include basic menus such as bank transfer, settlements among corporations, and domestic and foreign transactions. We believe that the use of Web services and XML will improve the efficiency and speed of delivery of various banking functions, including corporate financing, the bank's main business. Moving forward, with IBM at our side, we intend to actively pursue Web services and establish ourselves as pioneers in the banking industry."

### **For more information**

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06-04  
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