

# APFF Workgroup on Trade & Supply Chain Finance

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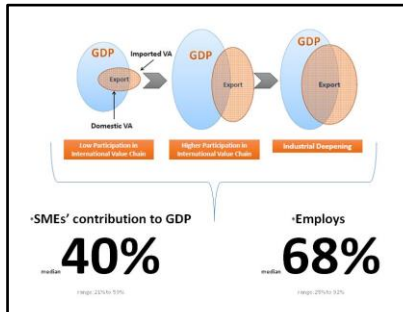
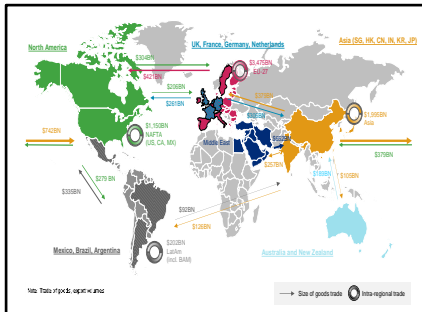
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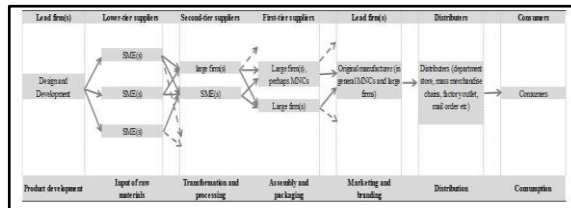
APFF Trade & Supply Chain Finance

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## 1. Increasing intra-regional trade flows      2. SME as an economy's backbone



## 3. The different roles played by SMEs and businesses of different scale in a supply chain



Source: Global Trade and Export Finance: Risk Profile and Analysis 2014, International Chamber of Commerce, 2014; Trade Finance Developments & Issues, Committee on the Global Financial System, January 2014; Policy Brief No. 8 – SMEs in the APEC Region, APEC Policy Support Unit (Dec 2013), OECD SME Policy Index (2014), World Bank Group Finance, (2010); Presentation by APEC Policy Support Unit, 2014

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## APFF Workgroup Trade & Supply Chain Finance's themes

### 1. SECURED TRANSACTIONS

Supply chain financing can be secured on "movable asset collaterals such as account receivables.

**Transparency** is needed on security interests to ensure proper collateral rights

→ **Registration of rights, notification, perfection**

### 2. BANK CAPITAL REGULATIONS

New capital and liquidity provisions in Basel III are strengthening the global banking industry. It can also **shape trade financing** in Basel III and non-Basel III jurisdictions

→ **Leverage Ratio, AVC, Liquidity Ratio**

### 3. BANK KYC/AML, COUNTERPARTY DUE DILIGENCE

Banks have increased efforts to prevent financial crimes and the financing of terrorism. How can banks best comply consistently across the different markets and with global standards. Can banks become **more conservative** in who they will transact with?

→ **Documentation, Compliance**

### 4. ELECTRONIC SUPPLY CHAIN MANAGEMENT PLATFORMS

E-supply chain platforms connect Sellers with Buyers, and are now facilitating financing, the move away from traditional Letters of Credit (L/C) to Open Account settlement and driving the **digitalisation ("Fintech")** of trade documents like digital Bill of Lading and "electronic L/C" – **BPO**. **ASEAN Single Window** for electronic customs can evolve the way trade finance is approached with **data protectionism** as an added consideration.

→ **Legal rights e-document, e-payment, data flows, privacy & security, recovery & resolution, Trade-Finance-Technology regulatory areas**

### 5. RENMINBI

China is involved in 50% of intra-regional trade. RMB is the 2<sup>nd</sup> most used currency in documentary trade messages and **ranked 7<sup>th</sup> globally** (as at Nov 2014, SWIFT) for inter-bank payments as reported by SWIFT.

→ **Uses of RMB, RMB Clearing Infrastructure**

## 2015 planned/suggested activities

Dialogues and workshops with pathfinder economies' stakeholders, policy makers, regulators and businesses/SMEs to raise awareness and market education on the following themes.

#### i. Digitalisation of Trade Finance (as part of Financial Technology evolution)

The continued growth of electronic supply chain management platforms will become increasingly important for SMEs and supply chains. This requires a digital trade enabling environment and necessitates an active role for cross-government agencies and government-linked firms to stimulate and expand the use of such platforms. Identifying and addressing the implications of data confidentiality, security and data privacy on cross-border transactions through these platforms will also be important.

#### ii. Supply Chain financing techniques and tools

With existing tools like Factoring, the introduction of new working capital management tools such as the Bank Payment Obligation (BPO) and the growing use of emerging market currencies, particularly the RMB in cross-border trade settlement can offer significant benefits for participants in supply chains; with appropriate knowledge of treasury and risks management techniques, regulatory implications/compliance as well as suitably available techniques.

Key for (i) and (ii) are discussions that are cross-ministerial / regulator (Trade/Customs-Finance-Technology/Communications) with private sectors.

#### ii. KYC/AML, banking standards and centralised electronic collateral registry

Enhance the understanding of the impacts of capital and bank liquidity standards, lending collateral risks mitigation that is related to trade-related financing and requirements of Know Your Customer (KYC)/Anti-Money Laundering (AML) and their implementation on trade and supply chains in the region, with a view to promote effective, efficient compliance and consistent implementation.

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