

APFF Workgroup on Trade & Supply Chain Finance

Asia Pacific Financial Forum
Round Table
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“Win-Lose” situation



Buyer:
Pay as late as possible



Seller:
Collect as early as possible

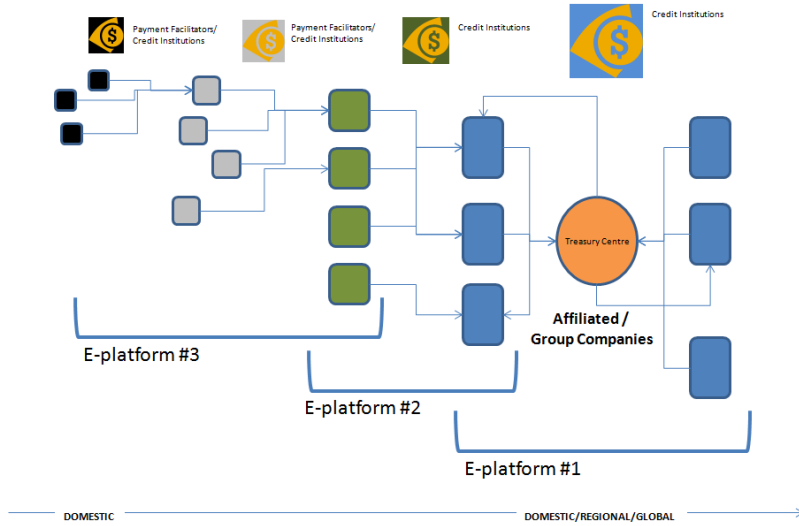
Supply Chain characteristics



Credit Institution (bank)
As an intermediary

Dominant Buyer /
Dominant Seller
Credit profile

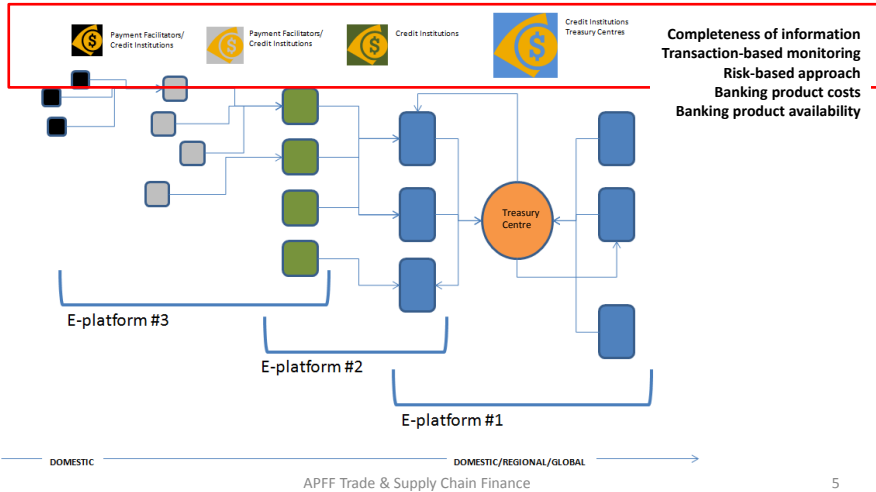
Illustrated Supply Chain Ecosystem



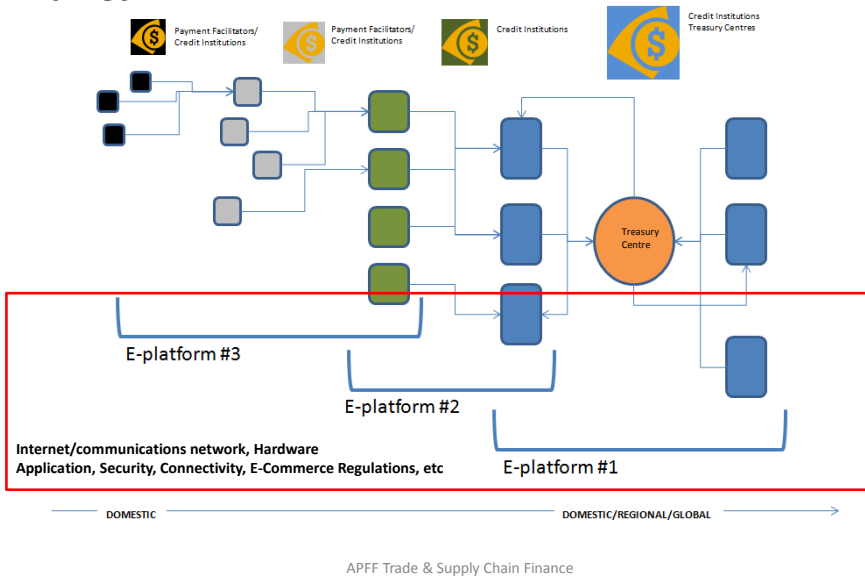
Supply Chain characteristic

Involves both SME and Large Corporates

Consistent KYC/AML and bank capital related regulations (eg Basel III) to facilitate payments and activities through the Supply Chains



E-platforms; Buyer centric, Supplier centric and e-Market

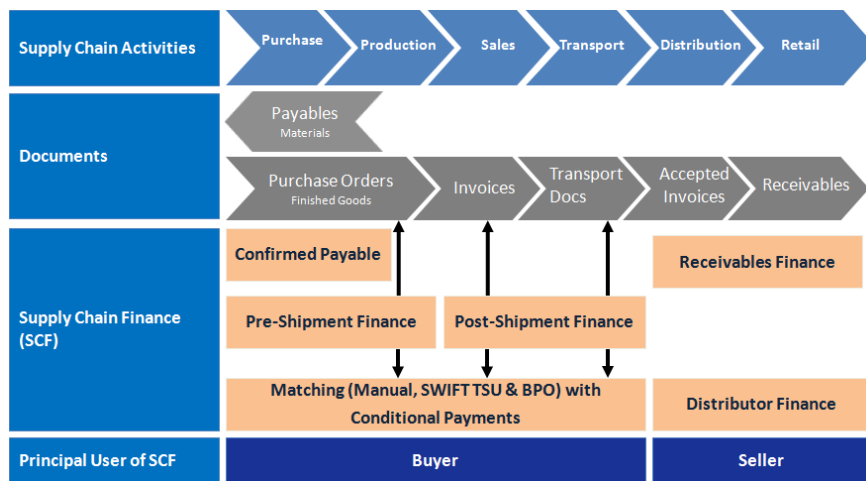


Supply Chain Finance facilitators

Key related regulations' consistent interpretation and compliance

Digital ecosystem's importance

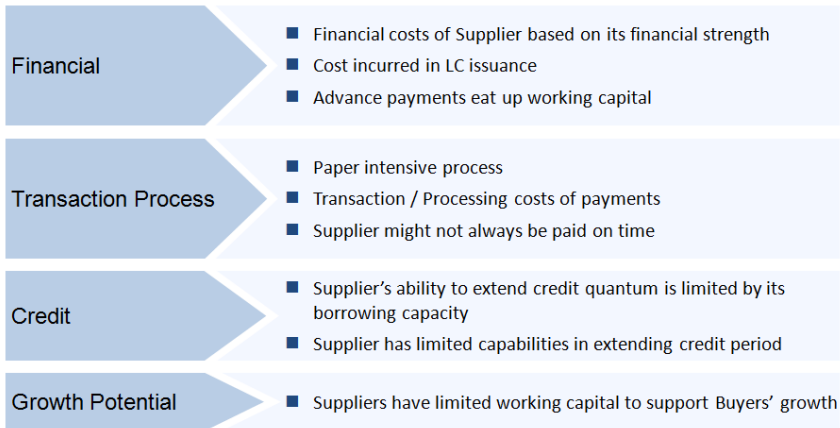
Cashflow (working capital) management for sustainable participation



Source: Deutsche Bank

Participants can face working capital management challenges needed to sustain “Production-to-Sale” and “Buy-to-Pay” cycles

illustration



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Supply Chain Finance focus

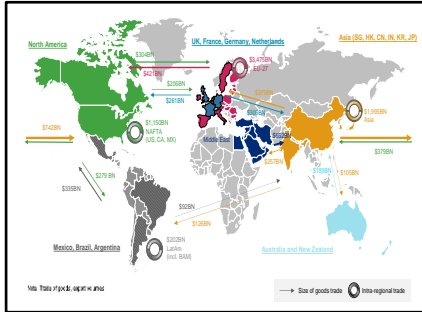
Efficient and effective
Working Capital and risk
mitigation

Accounts Receivables
Accounts Payables
E-trade and supply chain finance

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1. Increasing intra-regional trade flows 2. Trade Corridors (select)



In Asia Pacific

- China – Hong Kong
- China – ASEAN economies
- Intra-ASEAN economies
- China – Australia

Working capital needs to consider cross-border as well as domestic

RMB as a settlement currency needs to be part of a Working Capital “Toolkit”

Source: Global Trade and Export Finance: Risk Profile and Analysis 2014, International Chamber of Commerce, 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

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

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

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.

5. RENMINBI

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

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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 can necessitate 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 toolkit – 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.

iii. 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.

Other key challenges (non-APFF workgroup scope) but included for a more holistic view

For SMEs Non-Affiliated New Participants

How to participate?

How to acquire and fund technology capabilities

How to be compliant with product standards

How to raise market awareness of its brand

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