

# Financial supply chain – convergence of trade finance and payments for corporates?

Thursday, 16<sup>th</sup> June 2011, 14-15 CET  
Plenary Room



EURO BANKING ASSOCIATION

## Financial supply chain – convergence of trade finance and payments for corporates?

### Moderator:

- Charles Bryant, EBA

### Speakers:

- Enrico Camerinelli, Aite Group
- Martin Thomas, J.P. Morgan
- Sharyn Trainor, Deutsche Bank



# Supply Chain Finance

Setting the scene

Enrico Camerinelli, Senior Analyst  
EMEA, Aite Group



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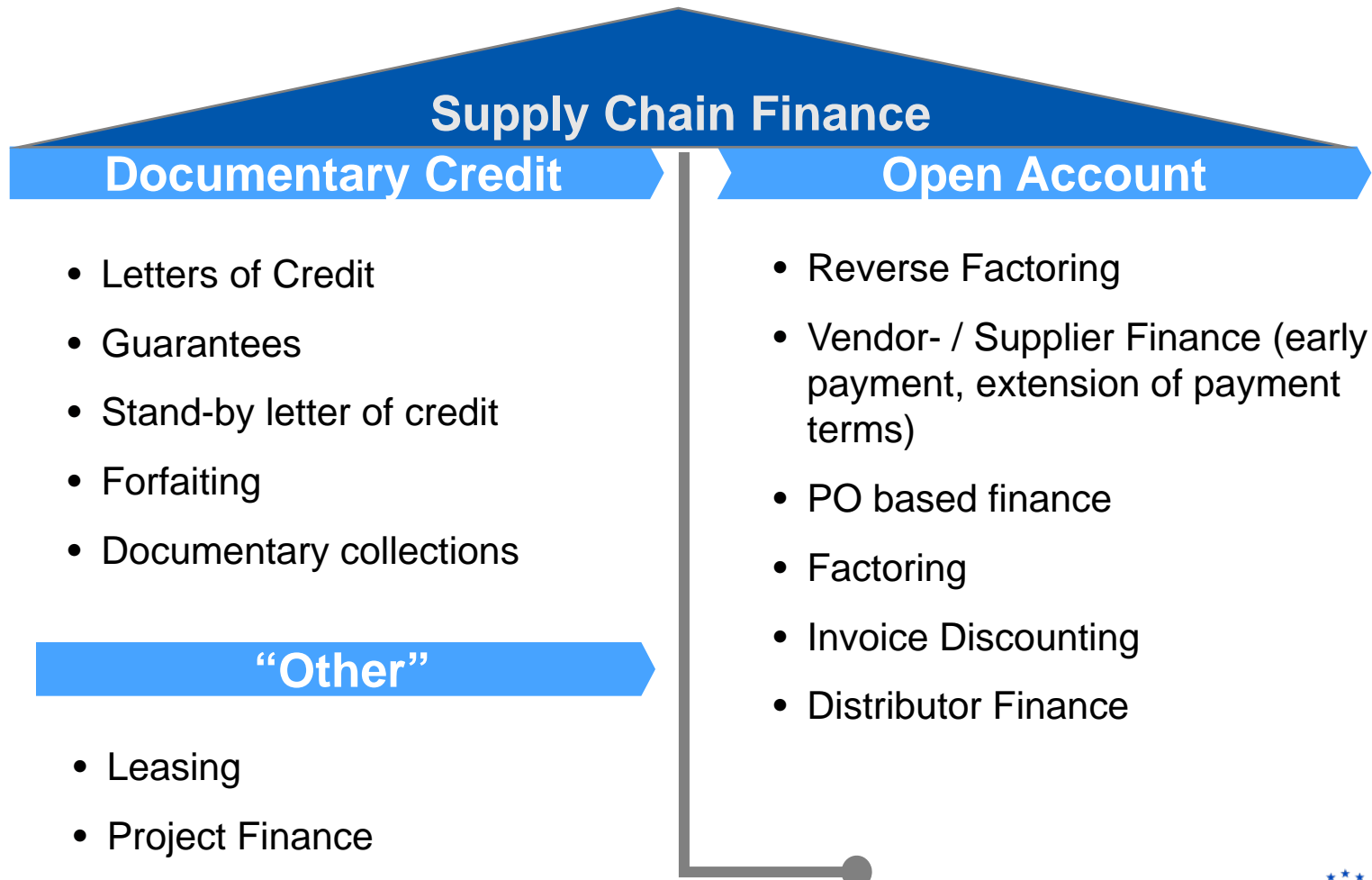
**Supply Chain Finance =**

The use of **Financial** instruments

that optimise the Working Capital of

**Supply Chain** processes

## SCF Instruments (Aite Group's view)



## SCF open issues

- **Glossary of SCF terms and instruments**
  - BAFT-IFSA
  - Bank of England-ACT
  - ICC-SWIFT
- **Market sizing**
- **Accounting treatment**

# Supply Chain Finance Council

# Financial supply chain

## Strategic considerations for banks

- What segment to focus on
- What trends to consider

Martin Thomas, Managing Director,  
Treasury Services, J.P. Morgan

## What should be the future focus of a bank?

### FINANCIAL SUPPLY CHAIN OBJECTIVES

- Free-up working capital
- Increase visibility over all processes / cash forecasting
- Reduce cost (total cost of ownership!) and increase efficiency (complexity / automation)
- Improve integration and collaboration between involved parties (internal / external) and technology
- Maintain service levels
- Secure internal and external compliance
- Add value and leverage comparative advantages



### KEY FUNCTIONS OF FINANCIAL SERVICE PROVIDERS

- Financing
- Processing
- Risk transfer

## What key trends to consider?

- Globalisation is becoming more and more relevant for corporates
- Shift in importance of currencies (e.g. Renminbi) is high on the political agenda
- Regulation will have a major impact on business models and profitability
- Convergence can already be observed
- Technology will continue to be a driver of change
- Risk management is becoming more and more important
- Collaboration will emerge from new partnership models



# Financial supply chain

The opportunity

Sharyn Trainor, Director, Global  
Financial Supply Chain Product  
Management, Deutsche Bank



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...[due to lack of visibility] 70% of German companies do not manage their Working Capital effectively.

[FTD, 31.10.2008]

...40% of companies realized a deviation of 20% between planned and actual cash flow.

[Der Treasurer, KPMG survey, March 2009]

...65% of European companies find their payment terms don't reflect their real supply chain needs.

[DEMICA report, May 2008]

## Growth in Financial Supply Chain is Real and Accelerating

- Working capital and risk management is a corporate strategic priority
- Demand is growing for more flexible finance
  - **Pre-shipment and distribution finance not just confirmed payables**
- Credit crunch drove need for liquidity, improved risk management processes, visibility and reporting
- Increasing globalisation, lowest cost country sourcing
- Growing interdependence within the supply chain
- Long term trend to riskier open account settlement as importers look to reduce cost

## Financial Institution Implications

- Banks will need to keep up with the market by:
  - Working more effectively cross-border both within own network and with partner banks to extend supply chain reach
  - Extending credit capacity via club deals, risk participations, and the development of a secondary market
    - Supply chain deals are growing in size!
    - Growth in FSC will require huge amounts of capital
  - Increased collaboration in open account risk management and financing to address client needs and strengthen the trade bank industry

## Thank you to speakers

- Enrico Camerinelli, Senior Analyst EMEA, Aite Group
- Martin Thomas, Managing Director, Treasury Services, J.P. Morgan
- Sharyn Trainor, Director, Global Financial Supply Chain Product Management, Deutsche Bank

## Thank you to moderator

- Charles Bryant, Consultant and Senior Advisor to the EBA