

Supply Chain Finance

Deploying flexible, integrated and secure services at scale

The supply chain finance opportunity

In the face of escalating uncertainty surrounding trade policies and geopolitical events, we are witnessing the emergence of increasingly intricate supply chains and distribution channels. This complexity, coupled with regulatory shifts and pressures on capital costs, has amplified the significance of proficient supply chain and working capital management.

The global supply chain finance market was valued at \$6 billion in 2021 and is projected to reach \$13.4 billion by 2031, growing at a compound annual growth rate (CAGR) of 8.8% from 2022 to 2031*.

For banks to unlock potential revenue opportunities in supply chain financing (SCF), it is imperative to move beyond antiquated infrastructures, uncoordinated procedures, and isolated transactional viewpoints. Implement proactive strategies, use technology and data insights, establish clear communication, and invest in resilience-building initiatives.

Advancements in digitalization and automation have significantly enhanced the accessibility and efficiency of SCF. This progress has resulted in a surge of platforms and solutions that simplify invoice and payment processing, enabling companies of all sizes to adopt SCF programs more easily.

As supply chains become more complex, managing working capital efficiently becomes increasingly challenging. SCF helps bridge the gap between payment terms and the actual flow of goods, improving cash flow for both buyers and suppliers by accelerating receivables for suppliers and extending payables for buyers.

// **Trade Innovation supports supply chain finance functionality via API integration with third-party applications. The integrated offering provides a comprehensive and versatile financial toolkit and a seamless user experience. The APIs are also available for institutions to seamlessly collaborate with broader capabilities in the supply chain finance space.**//

* Supply Chain Finance Market to Hit \$13.4 Billion By 2031 ([alliedmarketresearch.com](https://www.alliedmarketresearch.com))

This transformation will empower corporate clients to:



Optimize working capital and cash flow position



Reduce supply chain risk



Create opportunities for business growth and better commercial terms



Streamline payables and receivables processes



Strengthen relationships with supply chain counterparties

Supply chain finance API contents



- Accounts Receivable Finance
- Account Payable Finance



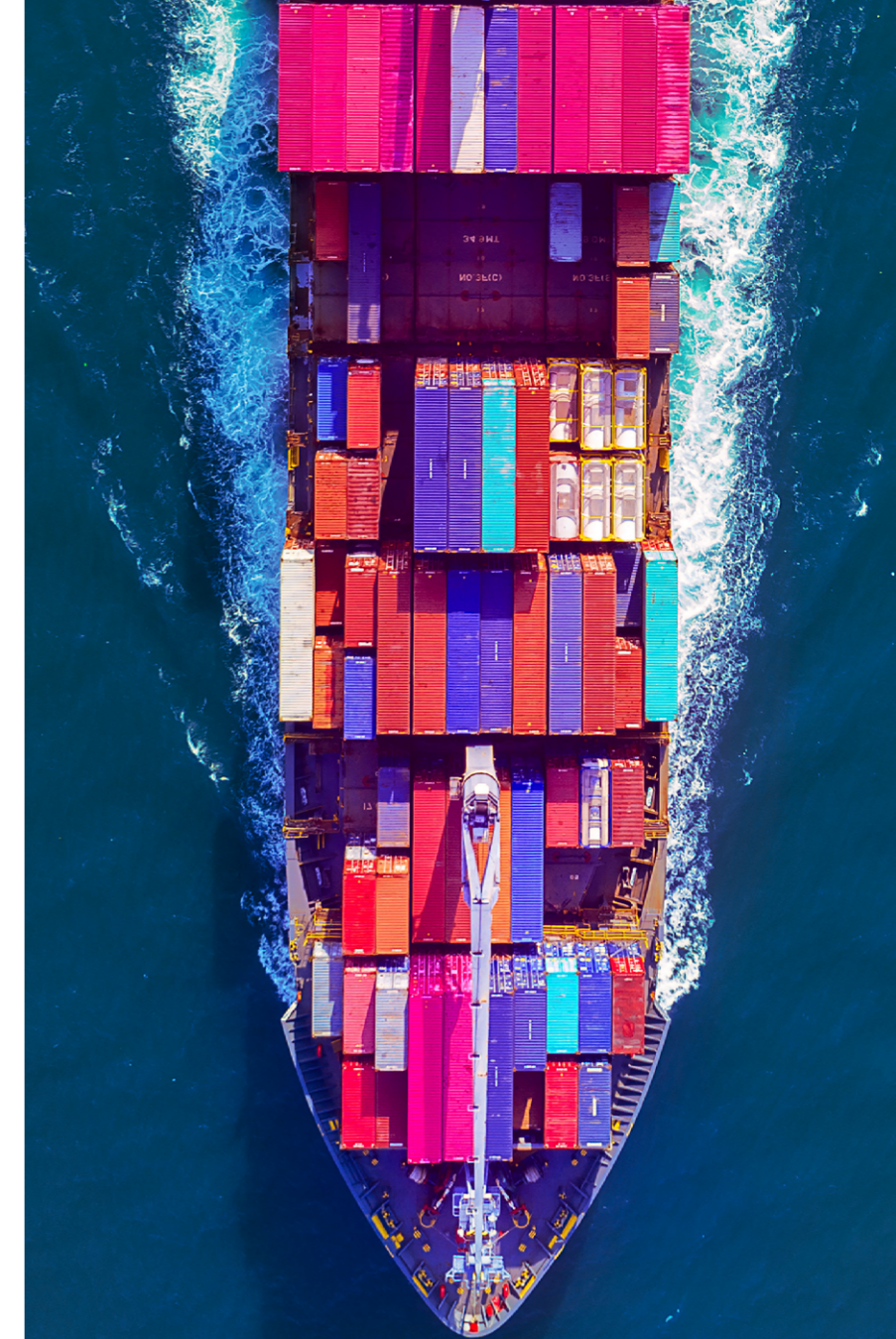
- Dealer/Distributor Finance
- Factoring Inventory Finance
- Warehouse Finance



- Project Contract Finance
- Forfaiting
- Purchase Order Finance
- Invoice Discounting



- Pre-Shipment Finance
- Islamic Banking
- SCF Dynamic Discounting



Key capabilities and functionalities

Finastra's supply chain finance offering is built on the core capabilities of Trade Innovation, delivering highly flexible programme structuring, invoice management and risk controls with API connectivity to our partners, to make the SCF offering more robust and comprehensive.

Counterparty onboarding and management

- Automated counterparty onboarding via a secure, single sign-on portal*.
- Integration with bank's KYC and compliance processes.
- Push messages to conduct a marketing campaign or generate invitations for counterparty onboarding*.

Transaction processing

- Purchase orders, invoices, credit notes, bulk processing.
- Seamless integration with the corporate ERP system, alongside options for online file uploads and manual ad-hoc creation.
- Implementation of automated validation checks to ensure straight-through processing.

* Via Finastra Corporate Channels

- Dashboards to effectively manage the Operations teams' workload, identify bottlenecks, reassign tasks, and ensure customer service level agreements (SLAs) are met.
- Global processing across multiple geographies / branches / sites / time zones.

Transaction financing

- A wide range of options for single transaction financing or bulk financing.
- Financing (discount) rates – in advance, in arrears, etc.
- Interest rate schedules – branch, customer, customer groups, counterparties etc.
- Settlement – early, at maturity, overdue; single transaction or bulk settlement.
- Multi-currency supported.

Risk management.

- Real-time APIs interface with the bank's existing credit limits system.
- Enhanced options for a bank to define their limit structures with a flexible modular approach.
- The Risk Distribution module supports funded and unfunded, disclosed, and undisclosed distribution of both documentary trade and SCF assets.



Corporate interface

- The customizable web-based portal for your corporate clients (Finastra Corporate Channels) is accessible anywhere via standard web browser.
- Corporate parent / child structure capabilities provide a consolidated view or an additional level of authorization.

Dashboards, reporting, and notifications

- Configurable dashboards, reports, and analytics.
- Audited communication on transactions between corporates and the bank.
- Client self-service* allows to create alerts, reports, and event 'trigger points' to automate transactions.

Other accounting, documentation and posting

- Accounting and postings.
- The software development toolkit ("SDK") defines interfaces and workflows without impacting the core software.
- Document preparation – automate document preparation based on your templates and rules.

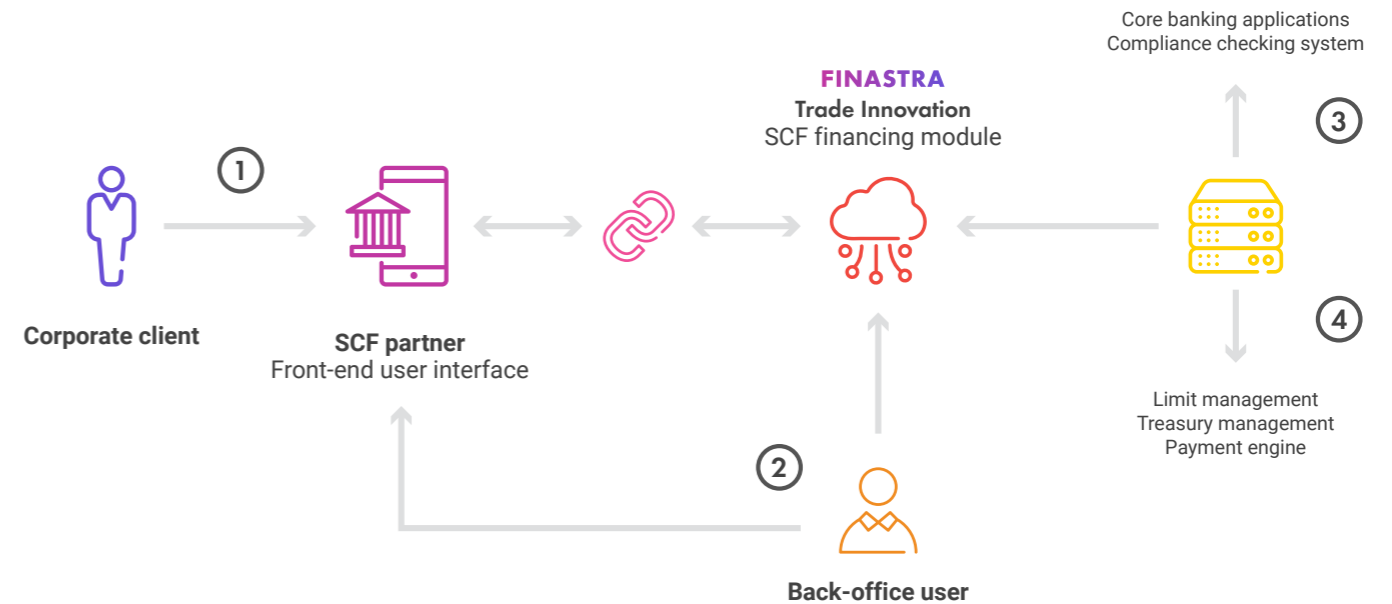
Deployment

- On-premise, private cloud
- Standalone or as part of Finastra's suite of solutions

SCF techniques

- Anchor and Vendor lend supply chain finance.
- Deep tier supply chain financing platform
- Distributor Finance
- Inventory / PO Finance
- Invoice Discounting
- Approved Payables
- Selective and Portfolio Receivables
- Factoring

Trade Innovation and SCF partner integration: High-level flow



1. Corporate client submits PO/invoices/application & other request to bank via the front-end interface for SCF transactions
2. Bank user will handle the onboarding and SCF program setup via SCF partner system, and review the request from corporate client

3. Trade Innovation is the booking engine for SCF finance transactions - transactions are processed in Trade Innovation (TI) (including fee and interest calculations, limit checks & booking and general ledger postings in other systems). Trade Innovation is the golden source of finance data with processing via standalone financing module in Trade Innovation (TI). This module handles subsequent activities such as limit booking, payments, repayments, account balance checks, and more.
4. Limit management Treasury management Payment engine

Trade Innovation and SCF partner integration: High-level flow

Key process	Major data includes	SCF partner	Finastra Trade Innovation
Client onboarding	Static data for Anchor and Counterparties, e.g. Name, address	<ul style="list-style-type: none"> • Provide front-end users interface for Corporate (input / release) • Provide bank middle-office users (input / approve) on client onboarding record via the SCF Partner system • Maintains the counterparties records in SCF Partner system (for non-bank client records) 	<ul style="list-style-type: none"> • No action to be taken in Trade Innovation until financing transaction has been requested
SCF program setup and maintenance	Key program data includes: <ul style="list-style-type: none"> • Anchor limit & tenor • Counterparty limit & tenor • Charge scheme • Interest rate & margin on program/counterparty • Currency • Discount ratio • Buyer/supplier relationship • Settlement account information 	<ul style="list-style-type: none"> • Provide front-end user interface for Corporate (input / release) • Provide bank middle-office users (input / approve) the SCF Program details on SCF Partner's system • SCF Partner maintains the program data in their system 	<ul style="list-style-type: none"> • No action to be taken in Trade Innovation until financing transaction has been requested
Transaction processing: Invoice & disbursement	Key transaction data includes: <ul style="list-style-type: none"> • PO/invoice records (e.g. reference, amount, etc.) • Finance currency • Value date/maturity date • Disbursement instruction & settlement account 	<ul style="list-style-type: none"> • Upload/input invoice / PO (invoice management) and kept in SCF Partner system • Pass the finance request parameters to Trade Innovation for calculation 	<ul style="list-style-type: none"> • Calculate the required limit, check on program limit availability and reserve limit for transaction • Calculate the fee and interest, and/or post finance entries into respective systems • Provide confirmation on the posting after completion to SCF partner system
Transaction processing: Invoice reconciliation & repayment	Key transaction data includes: <ul style="list-style-type: none"> • PO/invoice records (e.g. reference, amount, etc.) • Finance currency • Value date/maturity date • Repayment instruction & settlement account 	<ul style="list-style-type: none"> • Reconcile and update the repayment status with financed invoice / PO record • Pass the repayment request parameter to Trade Innovation for calculation 	<ul style="list-style-type: none"> • Conduct account balance checking at transaction level • Calculate the fee and interest, and/or post repayment entries into respective systems • Provide confirmation on the posting after completion • Release limit after repayment

Contact us

About Finastra

Finastra is a global provider of financial services software applications across Lending, Payments, Treasury and Capital Markets, and Universal (retail and digital) Banking. Committed to unlocking the potential of people, businesses and communities everywhere, its vision is to accelerate the future of Open Finance through technology and collaboration, and its pioneering approach is why it is trusted by ~8,100 financial institutions, including 45 of the world's top 50 banks. For more information visit finastra.com

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