SUPPLY CHAIN FINANCE

A GUIDE TO SUPPLY CHAIN FINANCE FOR CORPORATES

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FCI
Facilitating Open Account – Receivables Finance

TRADE TREASURY PAYMENTS

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SUPPLY CHAIN FINANCE & REVERSE FACTORING COURSE

COURSE OVERVIEW

Gain in-depth knowledge of supply chain finance, with a focus on reverse factoring, cash flow optimisation, and its role in strengthening business operations.

- Understanding the Supply Chain
- Global Trade and the increased role of Open Account solutions
- A briefing on Payables Finance and its Variations
- Reverse Factoring, The Role of the Buyer
- Establishing a Reverse Factoring Programme
- FCI and Reverse Factoring

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Foreword

Unlocking finance for a fairer future

When we talk about lifting nations out of poverty or accelerating development, we often look to grand infrastructure or break-through technology. Yet in the current world of open-account trade, there is an engine with the power to widen access to liquidity and strengthen real economies – supply chain finance (SCF).

Despite a lack of standardised taxonomy, SCF is not a single instrument. In its wider sense, it is a family of techniques – including receivables purchase and factoring programmes, dynamic discounting, distributor and inventory finance, and buyer-led programmes such as reverse factoring. These tools convert the lifeblood of trade into more fairly-priced liquidity that comes earlier in the process than traditional 'wait-and-see' approaches.

And by turning purchase orders, invoices and inventory into predictable cash flows, SCF helps both buyers and suppliers invest, hire and grow. This matters in London and Lagos, Mumbai and Manila alike. It's also why SCF has become one of the fastest-growing aspects of trade finance. In a cycle defined by volatility – geopolitics, inflation, fragile logistics and shifting demand – SCF steadies the system. It unlocks liquidity where it is most needed, keeps goods moving, and builds resilience up and down the chain.

Facing challenges with honesty

Despite the benefits on offer, we must also be clear-eyed about the obstacles – and this guide does not shy away from the challenges. Development is uneven across regions. Definitions and disclosures remain fragmented. Accounting scrutiny can slow adoption. Smaller suppliers face onboarding hurdles. And if programmes are designed around optics rather than outcomes, they risk losing their purpose. But these challenges are not reasons to step back, rather they are reasons to engage more deeply. With the right tools, thoughtful implementation and a shared language, SCF can become a driver of positive change.

That is why we at Trade Treasury Payments (TTP) have created this guide in collaboration with FCI – the Global Representative Body for Factoring and Financing of Open Account Domestic and International Trade Receivables – with the support of the Association of Corporate Treasurers (ACT). Our aim is to celebrate what works, name what doesn't, and give practitioners, policymakers and financiers a clearer path to help SCF reach its full potential.

Corporate voices at the centre

To help achieve this, this guide is written specifically for corporates, bringing the voices of treasurers and industry practitioners to the fore. Their perspectives – sometimes enthusiastic, sometimes challenging – remind us that SCF only scales when it solves real problems. That means shortening cash conversion cycles, improving supplier health, reducing disputes and giving stakeholders greater certainty.

We also recognise the institutions that have laid the groundwork for SCF's bright future. For example, FCI's four-corner model, support-ed by its Edifactoring platform, provides a secure and standardised framework for cross-border receivables finance. With a network of more than 400 members in over 90 countries, FCI has built a practical backbone that allows even smaller firms to trade internationally with greater confidence. Meanwhile, ACT continues to equip the corporate treasury community with education, standards and a forum for debate – ensuring that SCF is no longer seen as a niche technique, but as a mainstream enabler.

A goal worth pursuing

Our vision at TTP builds on this solid foundation. We see SCF as a development tool, not just a financing technique. It can reduce the cost of capital for SMEs, push liquidity deeper into supply chains, and hard-wire resilience into how companies buy, make and distribute goods and services. Beyond its role as a tool for corporates, SCF also serves as a bridge between the balance sheet strength of banks and the agility of fintechs. As this guide outlines, the point is not to choose between the two sides (bank versus fintech) but to combine their strengths around the needs of the client.

But achieving the full potential of SCF will take effort. Firstly, we need a common language, so that treasurers, procurement teams, banks and auditors can finally work from the same set of definitions. Next, alignment of incentives should be prioritised – treasury and procurement must be measured against shared goals if supplier onboarding is to move from aspiration to reality.

Then we must work on widening access to SCF, extending financing beyond tier one into the deeper layers of supply chains through the use of better data, simpler onboarding and risk frameworks that are proportionate rather - than prohibitive.

This guide is our contribution to that journey – practical where possible but candid where needed. On behalf of TTP, our thanks go to FCI, ACT, author Wayne Mills, and to every corporate and adviser who shared their experiences so openly.

Your honesty and insight have made this a stronger, more valuable piece of work. And helped us recognise that SCF can truly change the world.

Neal Harm
Secretary General, FCI

Eleanor Hil
Treasury Editor, TTP

1 The supply chain finance ecosystem

The supply chain finance (SCF) ecosystem contains a network of businesses, financial institutions, insurers, regulators and technology providers working together to provide timely access to liquidity, operational efficiency, and risk mitigation across global supply chains.

Despite the complexity of the ecosystem, SCF continues to successfully underpin billions of dollars of global trade, demonstrably supporting economic growth across all regions. However, to maximise its effectiveness, the SCF ecosystem must continue to evolve to:

- Keep pace with changes to physical supply chains in response to geo-political volatility;
- Better support multi-tier supply chains to ensure liquidity reaches SME suppliers who, in many cases, find it difficult to access working capital at an acceptable cost;
- Establish a standardised taxonomy for greater transparency and understanding across the ecosystem and provide a solid foundation for interoperability.

Key players in the SCF ecosystem

The SCF ecosystem comprises several stakeholders, each playing a distinct role in ensuring the SCF market functions.

1 Businesses (buyers and suppliers)

Large multinational corporations are often able to leverage their creditworthiness to act as “anchor buyers” to support their suppliers. Those suppliers are often SMEs who are less creditworthy but who can benefit from early payment, improved cash flow, and below their usual funding costs.

Suppliers do have the option of arranging their own SCF arrangements, typically by selling their receivables to a funder under a Factoring arrangement. Whilst this option may incur a higher overall cost, it can provide flexibility and better control for the supplier.

2 Financial institutions (banks and non-bank lenders)

Banks and increasingly non-bank lenders, provide working capital solutions such as factoring, invoice discounting, and reverse factoring to meet working capital needs of business. There is intense competition across institutions to secure lucrative revenues from these products alongside businesses being better-informed and more demanding on solutions meeting their specific requirements.

3 Technology providers

Financial technology (“fintech”) firms develop digital platforms and solutions which automate processes, integrate with enterprise resource planning (“ERP”) systems and seek to deliver an outstanding user experience.

Where financial institutions once saw fintechs as mainly competitors, they now see them as critical collaborators. The number of partnerships between financial institutions and fintechs is expected to continue increasing in the coming years.

4 Regulators and policy makers

Governments and financial regulators establish compliance frameworks to govern SCF transactions, ensuring transparency, security, and ethical practices. In recent years, increased scrutiny has followed certain high-profile company failures, leading to additional reporting requirements in financial statements. Continued vigilance and oversight will remain as payment infrastructures evolve, including cryptocurrency and digital wallets. There is an opportunity for the role of regulators to become more enabling alongside their important work in scrutiny and inspection.

5 Investors and capital markets

Institutional investors, hedge funds, and asset managers see opportunities in SCF as an attractive asset class to deploy capital. Low default rates through economic cycles, short-term, self-liquidating exposures, and enabling legal reform all provide diversification across portfolios. Technology is an important enabler that allows investors to purchase assets seamlessly and efficiently in tokenised form to provide liquidity into the ecosystem.

We expect to see an increase in the number and range of investors in the ecosystem.

6 Insurers

For decades, insurers have been a core activity in mitigating risk in global supply chains against payment default, political risk, and disruption. Increasingly, insurers are developing solutions that deliver a direct link with their risk solutions to the generation of liquidity.

Technology again supports this product evolution with deeper risk insights. This allows faster decision-making and greater confidence in risk management.

Collaboration with external organisations

Extensive collaboration and alignment are needed between various organisations to achieve efficiency and scalability:

1 Trade associations and industry bodies

Organisations such as BAFT, FCI, International Chamber of Commerce (ICC), ITFA, and the World Trade Organisation (WTO) help in setting guidelines and promoting best practices in SCF and are a critical voice into regulators and policymakers.

2 Partnerships with logistics and procurement providers

When thinking about integrating financial supply chains with physical (goods) supply chains, solutions with logistics and procurement firms delivers real-time tracking of goods to strengthen financial decision-making as well as moving towards full interoperability.

3 Governments and multilateral institutions

Public-private partnerships help to develop capacity and extend financing solutions to underserved regions, fostering economic development and growth. Important work and support continue to be delivered by multilaterals such as Afreximbank, Asian Development Bank (ADB), and the European Bank for Reconstruction and Development (EBRD) across their regions of operation.

4 Alignment with sustainability and ESG initiatives

Collaboration with sustainability bodies ensures that SCF supports green finance and responsible sourcing. For example, aligning supply chain practices with the United Nations Sustainable Development Goals (SDGs) is an important factor in driving positive social, environmental and economic outcomes globally.

The need for a unified taxonomy in SCF

Industry practitioners continue to wrestle with one of the major challenges in SCF - the lack of a standardised taxonomy. Inconsistencies and inefficiencies occur from stakeholders in the SCF ecosystem using different terminologies and classification models. Excellent work has been done in this area by multiple bodies, which in itself, perhaps identifies the enduring problem. Definitions and taxonomy frameworks have, at different times, been published by GSCFF, ICC, IMF, Swift, World Bank and WTO.

Consensus is needed on one set of agreed definitions which are adopted by all SCF stakeholders. This is considered a critical area to resolve to ensure effective understanding, transparency, confidence, risk appetite and meaningful scale-up through interoperability.

Multi-tier supply chains and deep-tier financing

Buyer-led SCF solutions traditionally focused on Tier 1 suppliers, leaving lower-tier suppliers with limited access to financing. Advancements in technology, changing perspectives on risk, along with the ever-present need to embed supply chain resilience, is opening up the real prospect of liquidity being delivered to all levels in a supply chain.

Active collaboration between stakeholders will support enhanced understanding of supply chain risks beyond traditional models, leading to the development of inclusive financing structures.

Summary

The effectiveness of SCF depends on collaboration among all ecosystem stakeholders, a unified taxonomy, and an inclusive approach to financing multi-tier supply chains. Only then will SCF realise its true potential in driving positive socio-economic outcomes.

Core techniques and terminology

Whilst open account trade and SCF are relatively modern concepts, a lack of consistent taxonomy has led to differing interpretations across industries and geographies. But this is not for lack of trying: multiple attempts have been made to provide a common framework in order to facilitate increased understanding and adoption of relevant products.

In 2013 the Euro Banking Association (EBA) published their definitions of SCF.

In 2014 the Global Supply Chain Finance Forum (GSCFF) was established as an initiative of leading industry associations to address the need to develop, publish and champion a set of commonly agreed standard market definitions for Supply Chain Finance and for SCF-related techniques.

GSCFF is a combined representative body of:

- Bankers Association for Finance and Trade (BAFT)
- Euro Banking Association (EBA)
- FCI
- International Chambers of Commerce (ICC)
- International Trade and Forfaiting Association (ITFA)

In 2016, GSCFF published its "Standard Definitions for Techniques of Supply Chain Finance". Whilst this publication was widely welcomed by practitioners and market participants (as was the 2021 update including new techniques and clarifications), we still see a wide range of terminology used outside of the GSCFF definitions.

GSCFF defines key techniques best reflecting current market practice as noted in the headings below, along with synonyms and variations for each.

For those who are not subject matter experts, the complexities of SCF (and trade finance more broadly) may be seen as opaque and impenetrable, no matter how they are defined. Small and medium-sized enterprises (SMEs) in particular need help to better understand the opportunities SCF can deliver for them to directly solve their problems.

As such, adoption and understanding will surely increase with a sub-set of more accessible (non-technical) definitions aligned to solving the problems faced by this segment.

Receivables Purchase	Advanced Payables	Loans
Receivables Discounting	**Corporate Payment Undertaking**	**Loan or advance against receivables**
Forfaiting	**Dynamic Discounting**	**Distributor Finance**
Factoring	**Bank Payment Undertaking**	**Loan or advance against inventory**
Payables Finance		**Pre-shipment Finance**

Further details can be found at **supplychainfinanceforum.org**

Corporate voice

To bring the "voice of the client" to this whitepaper, TTP convened a corporate client round table where views were captured on a wide range of SCF-related topics.

A taxonomy problem

One of the recurring frustrations voiced in the roundtable is that 'supply chain finance' doesn't mean the same thing to everyone. **Wayne Mills**, Atom Advisory, sums it up:

> **Banks often use the term as shorthand for payables finance. Others apply it more broadly to include receivables purchase, dynamic discounting, inventory finance or factoring, and reverse factoring – also called supplier finance. This can result in confusion, with corporates, banks and fintechs talking at cross purposes.**

- Wayne Mills
Founder and Managing Director, Atom Advisory

Without a common language, corporates find it harder to compare solutions, assess risks or explain accounting implications to auditors and boards. It can also make collaboration between banks and fintechs more complicated, with each party framing SCF according to its own product set.

For treasurers, this means they need to spend more time cutting through the jargon to get to the bottom of the question: 'how does this tool actually help my business?' Especially compared to other solutions or approaches – including getting the basics right first.

As **Patrick Kunz**, Founder of the interim treasury network, Pecunia Treasury and Finance, notes: "I am always surprised by the level of overdue collections in companies I work with. In my view, the easiest way to improve working capital is to chase what is already due, yet corporates often get caught up in the complexity of SCF before optimising that."

He also echoes that the inconsistency of rules across markets, even within the EU, which makes cross-border SCF programmes more complex than they appear on paper. This makes regional fragmentation a consistent headache.

Benefits of Supply Chain Finance

Whichever SCF technique is used and however it reaches the corporate users, there are significant benefits which can drive economic growth and democratise access to finance across markets.

1. **Improved cash flow management** – from extending payment terms and/or receiving early payment, thus optimising working capital.
2. **Supply chain resilience** – buyers and sellers working together to embed payment practices to secure long-term, mutually beneficial partnerships.
3. **Profit margin improvement** - SCF encourages suppliers to offer better pricing to drive higher volumes due to improved liquidity and lower financing costs.
4. **Balance sheet metrics** – optimises balance sheet performance by improving days payable outstanding (DPO).
5. **Risk mitigation** – reduces supply chain disruptions by ensuring better visibility and stable financial health.
6. **Investment** – supply chain visibility and financial stability encourage investment in future growth.

Lenders (bank and non-bank), insurers, and technology providers continue to innovate to better meet clients' needs. To drive market growth, the ultimate goal should be the provision of easy-to-access, easy-to-understand, affordable finance at the point of need.

Shifting focus from documents to data provides a huge opportunity, but again, with a need to ensure businesses can understand and easily access solutions. The rate of innovation and increase in the number of providers coming tomarket may lead to businesses deciding to 'wait and see'. What was once considered first mover advantage, may be overtaken by the need to avoid buyer regret, which is seen as a risk to market growth.

SCF creates a win-win situation for all parties involved by optimising liquidity, reducing risk, and enhancing financial efficiency across the supply chain.

Corporate voice

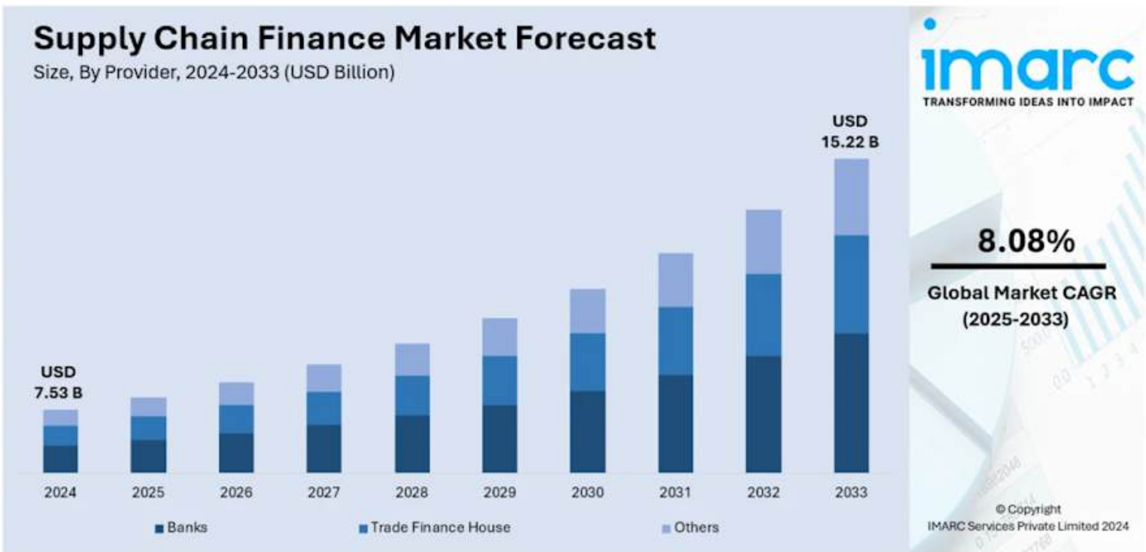
How corporates are using SCF today

Naturally, treasurers' approaches to SCF vary dramatically depending on size, sector and geography, but it is a rapidly growing market. At GXO Logistics, a combined strategy provides the agility needed for the current dynamic environment.

Kemi Bolarin, the company's Head of Treasury – Europe, notes: "We use a hybrid of buyer-led and supplier-led financing programmes to manage liquidity across our business."

> **"For example, our reverse factoring arrangements [led by buyers] allow us to receive early payment at a discount based on our customer's credit profile, while factoring gives us the ability to sell eligible receivables and outsource the collection process. This mix gives us real flexibility – we can decide when and how often to transact, aligning financing with our cash flow needs instead of being locked into a rigid schedule. In fact, we recently exited our securitisation programme and replaced it with factoring, simply because the administrative burden and lack of agility outweighed the benefits."**

- Kemi Bolarin
Head of Treasury – Europe, GXO Logistics



At Haleon, which separated from GSK in 2022 (and is now home to well-known brands such as Sensodyne toothpaste and Beechams cold and flu remedies), SCF was the first financial instrument introduced post-spin.

"We had to migrate from a pharma model to FMCG at speed," recalls **Carol Thurnheer**, Manager International Treasury at the company. "SCF gave us a working capital tool that could scale quickly and bridge operational gaps while our systems and teams were still finding their feet."

The challenge, however, wasn't just technical – it was organisational. "We were standing up new processes across dozens of countries, so speed and consistency were vital. SCF increased our supply chain resilience and gave us a way to align cash flow with our new supply chain setup – but it also forced us to engage more deeply with procurement and supplier onboarding than we'd done before."

Meanwhile, in India, where regulatory innovation and digital platforms have enabled deep-tier SCF, Patanjali Foods has rolled out one of the most expansive and successful programmes in the local market. "We started with receivables finance on the TReDS [Trade Receivables Discounting System] platform and gradually extended to cover tier-one, tier-two and even tertiary retailers," says **Megha Kaushik**, Head of Supply Chain Finance.

"What really helped was that we cleaned up our ERP and master data early on – that made onboarding and integration much smoother across multiple systems and funders." Kaushik also credits a focus on education and commercial logic. "We had to show vendors the real benefit – not just faster payment, but better rotation and reduced cost of capital. Once they understood that, adoption took off." The result is that the SCF programme now spans more than 1,000 suppliers and helps keep inventory moving across a vast and distributed retail network.

FCI 4-Corner Factoring Model

A well-established and highly successful model for facilitating access to liquidity and effective risk transfer, is FCI's 4-corner model. FCI's Edifactoring platform supports the secure and standardised exchange of information between export factors and import factors in international factoring transactions.

The FCI Edifactoring system creates a trusted, efficient, and secure digital backbone for cross-border factoring, allowing banks and factoring companies worldwide to cooperate seamlessly and reduce risks in international trade finance.

From a client perspective, multiple benefits can be seen from using this approach:

1. **Faster access to cash** - exporters can assign receivables and get financing quickly. Since the system speeds up communication between export and import factors, businesses receive funding earlier.

2. **Lower risk of non-payment** – import factors (in the buyer's country) check the buyer's creditworthiness. Exporters are therefore better protected against bad debts if the buyer defaults, which gives businesses more confidence to sell internationally.

3. **Smooth international trade** - the system reduces language, time zone, and legal barriers by using standardised, electronic processes so businesses don't get stuck in back-and-forth paperwork with foreign buyers.

4. **Better cash flow planning** – with quick updates on receivable status, businesses know exactly when payments are collected which helps with working capital management and avoiding cash flow gaps.

5. **Less administrative burden** - no need for sellers to chase foreign buyers for payment as Factors handle the collection, and the edifactoring system keeps all communication transparent.

6. **Global reach** – through FCI's network of 400+ members in 90+ countries, businesses of all sizes can trade securely with buyers almost anywhere in the world. Businesses also get access to international credit coverage without having to build costly compliance and risk teams themselves.

7. **Dispute management** – disputes (quality issues, delivery problems, etc.) are flagged and tracked in the system, protecting both seller and buyer from confusion and lost documents.

Deep-tier supply chain finance ("DTSCF")

Whilst not a separate GSCFF-defined financing technique, DTSCF extends payables financing beyond first-tier suppliers to second, third, and beyond Traditional payables financing primarily focuses on tier-1 suppliers, but DTSCF aims to ensure that (often smaller) lower-tier suppliers also gain access to liquidity.

Delivering DTSCF at scale presents legal practicalities, including technique definitions, legal structures to support effective risk allocation, KYC/AML interpretation and the potential overlap with other financing techniques such as pre-shipment trade finance.

DTSCF does however represent a significant opportunity to enhance supply chain resilience and sustainability. By extending financial support to lower-tier suppliers, companies can foster stronger, more reliable, and more environmentally responsible supply chains.

An effective and scalable DTSCF solution will also support the need for financial inclusion across markets, which, as noted by the World Bank, "is a key enabler to reducing poverty and boosting prosperity."

3 Risks and challenges of SCF

While SCF techniques offer multiple benefits to users, there are also several risks and challenges. Demonstrable and effective risk management is critical to ensuring SCF programmes deliver intended outcomes for all users, as well as building confidence and comfort with regulators, commentators and potential users.

We explore methods for identifying and assessing risks in SCF along with strategies for mitigation, including fraud prevention.

1 Credit risk

The risk that a supplier, buyer, or financial institution defaults on its obligations as a result of an insolvency event.

There is a gradual shift in better supporting the mid-market with Buyer-led SCF but a core focus on investment-grade credit risk persists. It is difficult to argue with the logic of deploying liquidity into short-dated, investment-grade risk through the lens of shareholder returns and, in many instances, liquidity does effectively flow into lower-rated entities in supply chains. Challenges remain in how credit risk can be appropriately identified and allocated when moving deeper into supplier tiers within so-called Deep Tier SCF.

Whilst regulated and non-regulated liquidity providers face different challenges, a shared challenge is ensuring credit risk is correlated with returns.

2 Operational risk

Inefficiencies, process failures, or disruptions in the supply chain can adversely impact SCF programmes and their users. With a shared desire amongst all users to capture efficiency benefits, the rapid development of technological solutions is offering the opportunity to rethink traditional models.

The pace of innovation and range of technology options is itself providing a challenge for SCF users – partner selection, costs of implementation, business disruption and the need to avoid "buyer remorse" are cited as reasons for slower adoption.

Similarly, errors in transaction processing, regulatory compliance, or technology failures can lead to financial losses. In mitigation, a requirement for human intervention/oversight is often seen alongside the introduction of new technology.

3 Liquidity risk

Notwithstanding significant geo-political and macro-economic volatility, the risk of financiers in developed markets facing liquidity shortages, is naturally seen as lower risk than in developing markets. There are however notable instances where an inability to provide funding has been seen. With different underlying causes, one could point to the failure of Greensill, Stenn and Artis as examples in developed markets where liquidity was not able to be provided when needed.

The benefits of building SCF capacity in developing markets are well-understood. Users will seek comfort in how liquidity risk can be mitigated, including financier credit rating and the use of Fiat currency to provide stability and accessibility.

4 Legal and regulatory risk

Compliance with evolving financial regulations, tax laws, and trade policies when introduce complexities in documenting, operating and (where necessary) enforcing SCF programmes.

5 Fraud risk

As with many aspects of modern life, SCF is not immune to the risk of fraudulent activities. Invoice manipulation, duplicate financing, actor collusion and falsified transactions can originate from suppliers, buyers, or internal employees colluding to exploit financing mechanisms.

6 Technological risks

Cybersecurity threats, hacking, and data breaches can compromise sensitive SCF data and transactions. Dependence on automated systems and digital platforms introduces risks of system failures or unauthorised access.

Corporate voice

Overcoming barriers to adoption

Not all corporates have had as much success in getting SCF to work smoothly, though. Barriers to accessing it and implementing it successfully are plentiful – and come in both internal and external form.

From the outside, cost is often one of the most visible obstacles. **Ricardo Schuh**, Senior Credit and Treasury Manager, Continental Tobaccos Alliance (CTA), highlights that for many suppliers, the maths still fails to add up:

> **Liquidity access is valuable, but discount rates often outweigh the benefit.**
>
> **- Ricardo Schuh**
> Senior Credit and Treasury Manager, Continental Tobaccos Alliance (CTA)

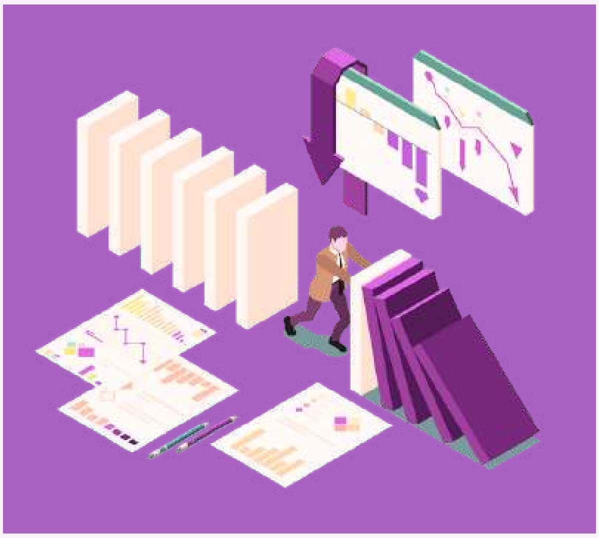
But GXO's Bolarin adds that sometimes suppliers disengage less because of cost than because of the paperwork and time involved. Onboarding fatigue is real, she notes, particularly for smaller suppliers, and inconsistent appetite from banks only adds to the uncertainty.

Misunderstandings or gaps in education can also present issues. "Vendors asked why they should bear the loan or the interest," recalls Kaushik.

"So, we had to show them the arbitrage benefit – that faster product rotation can sharply reduce effective financing costs. Once they saw the commercial upside, adoption improved dramatically."

Audit scrutiny has become another pressure point, and Kaushik admits that it can be hard to convince auditors that structures remain off balance sheet as accounting standards evolve. Every change to IFRS brings a new round of explanations and justification, even for programmes that have been running successfully for years, she notes.

Kunz agrees, adding that he worked with one client where reverse factoring was initially viewed as a simple extension of payables. But their external auditor argued it should be classified as debt. "That shift would have blown a hole in their covenants – so it had to be rethought."



Sadly, in some markets, the barriers around SCF are even more difficult to overcome. Meticulous Tendai Dube, a treasury professional originally from Africa but now based in Dubai, explains that "in Zimbabwe, banks simply had no appetite for SCF," citing credit risk, FX shortages and unstable regulation. "Letters of credit remained the default – and supply chain finance never stood a real chance."

Internal alignment is no less challenging, especially since procurement's priorities often sit at odds with treasury's – with one team rewarded for securing longer terms and the other judged on cash flow efficiency. Without shared KPIs, supplier onboarding can languish once negotiations are concluded.

Co-ordination across internal teams is also vital, as Thurnheer discovered when the operational complexity in rolling out SCF at speed proved more challenging than anticipated. "Like many treasury functions, we were tackling internal silos within the organisation that means we were not necessarily as close to the procure-ment function as we would have wanted to be," she explains.

One of the major challenges here is misaligned incentives: "Onboarding suppliers onto the SCF programme was not initially included in any team's KPIs, which made it difficult to agree an implementation strategy between treasury and procurement."

Michael Ben Moshe, Vice President and Head of Global Working Capital & Cash Leadership Office at Teva Pharmaceuticals, describes a similar experience around breaking down entrenched silos:

> **We initially developed and decided on working capital solutions in treasury and then handed them to procurement. But because of the disconnect, they didn't understand what we were trying to achieve and nothing was progressed for years.**

- Michael Ben Moshe
Vice President and Head of Global Working Capital & Cash Leadership Office at Teva Pharmaceuticals

The turning point came through organisational change rather than financial innovation: "We established what we call working capital teams around each one of the biggest organisations and we migrated some of our former treasury colleagues to work for procurement. Interestingly, we also then got some procurement colleagues them to work treasury, and that 'talent swap' has really helped us to create that mutual language."

Ben Moshe also emphasises the need for senior support: "You have to have a really strong CFO behind you that can really impose KPIs for procurement, because if procurement is busy with something else, they will not prioritise improving your payment terms."

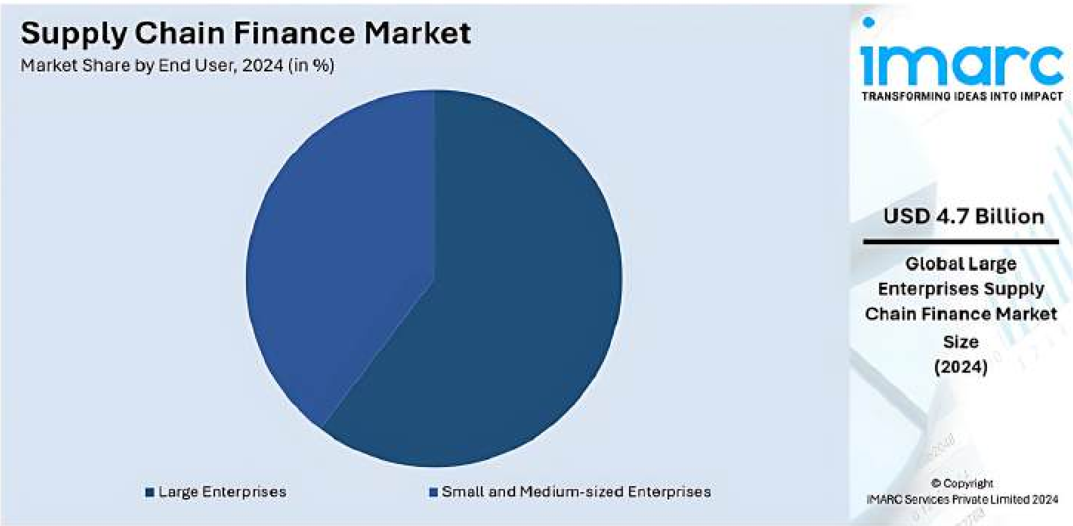
He also highlights the importance of supplier segmentation in ensuring SCF success:

> **The biggest suppliers probably have solutions that are much cheaper and they don't need it. And the smaller suppliers are often deemed too 'burdensome' by fintechs or banks. So SCF tends to work best that is in that layer in between.**

- Michael Ben Moshe
Vice President and Head of Global Working Capital & Cash Leadership Office at Teva Pharmaceuticals

Kunz adds: "I do have clients extending SCF to SMEs and deeper-tier suppliers, but the complexity increases massively."

The picture that emerges here is one of programmes caught between promise and practice. For many, the difficulty isn't the idea of SCF, it's getting the machinery to work properly.



Working capital under the microscope

That said, when SCF does function as it should – the benefits can be significant, especially or treasurers looking to sharpen their cash conversion cycle (CCC). At Haleon, the ambition here is sizeable. The company has committed to tightening its working capital cycle by 30 per cent over the medium term. "We are tackling it in three layers," says Thurnheer.

> **The first is about strengthening the basics – our in-house bank, our cash flow forecasting, our policies and procedures. The second is where we use advanced instruments like SCF and non-recourse factoring, where treasury leads in partnership with order-to-cash. And the third and final piece is about operational efficiency, so that will mean benchmarking ourselves against peers, simplifying our portfolio, eliminating SKUs, and driving digitalisation and sustainability.**

- Carol Thurnheer
Manager International Treasury at Haleon

She believes that Treasury should be the control tower for CCC improvement, but this only works if KPIs are aligned across functions.

For others, like GXO, working capital optimisation is less about a bold transfor-mation and more about what can be achieved within the daily cycle. "Each day cut from order-to-cash has a measurable impact," says Bolarin "Automating billing, invoice matching and approvals can trim receivables by three to five days, freeing up millions in working capital." It is an approach rooted in incremental wins, showing how practical efficiencies can matter as much as financing structures".

Along similar lines, an everyday cultural focus on cash, and improving the CCC can help significantly, believes Ben Moshe.

> **Because of our financial situation at the time, everyone understood how critical cash was. That urgency helped embed a cash culture across the organisation. We are pushing down inventory levels aggressively and experiment-ing with new tools like embedded finance and even virtual cards, which auditors agreed to treat off balance sheet. And our role is to give the CFO resilience – like a menu of options so they can decide what to deploy, when and how much.**

- Michael Ben Moshe
Vice President and Head of Global Working Capital & Cash Leadership Office at Teva Pharmaceuticals

Effective identification and assessment of risks

1 Due diligence and background checks

Thorough vetting of suppliers, buyers, and financial partners should be carried out including verification of financial health, credit ratings, and compliance standards.

2 Transaction monitoring and data analytics

Detection of anomalies, inconsistencies, or suspicious patterns in invoices and transactions should be built into standard operating practices. Real-time monitoring tools to flag unusual activities, including appropriate use of AI-powered tools can add significant value. Care is needed that responsibility is not delegated solely to a technology solution especially where a degree of complexity is observed and where real-world experience may support a competing view.

3 Regulatory compliance audits

Regularly review SCF agreements to ensure adherence to financial regulations. Engage external expertise to review contractual obligations and changing jurisdictional risks.

Effective risk mitigation techniques

1 Embedding robust governance and controls

Establish clear policies, procedures, and oversight mechanisms, with defined roles and responsibilities for risk management across stakeholders. The use and integration of smart contracts can automate and enforce compliance with agreed risk management processes.

2 Enhancing fraud detection mechanisms

Deploy advanced fraud detection tools using the latest available (and appropriate) technology including artificial intelligence and blockchain, alongside multi-layer authentication and approval processes for financial transactions. Blockchain can create immutable transaction records to significantly reduce the incidence of invoice fraud and duplication.

3 Diversifying supply chain finance partners

Reducing dependency on a single financier to mitigate liquidity and credit risks can spread exposure to risk. Assessment of the risks mitigated is needed balanced against the time needed to research, source and manage multiple financier relationships.

4 Training and awareness programmes

Regular, accessible education programmes for employees and supply chain participants on all aspects of SCF including fraud risks and red flags, is a valuable tool in deepening understanding and best practice.

The use of real-life case studies to highlight where something has gone wrong, are a powerful tool to build understanding and enhance vigilance.

5 Robust legal environment

A comprehensive set of SCF agreements is needed with clear terms on liability, dispute resolution, and compliance. They should also include fraud prevention clauses and penalties for non-compliance.

All documentation should be subject to periodic oversight by internal or external practitioners who are active in the SCF market.

For the full benefits of SCF to be realised, a proactive approach to identifying, assessing and mitigating risks is needed. Failure to do so can disrupt SCF operations, lead to financial loss and erdoe confidence across stakeholders.

By implementing strong risk mitigation strategies, companies can safeguard their SCF programmes, enhance financial stability, and maintain a resilient supply chain.

4 Disclosures and accounting standards

When considering how to finance their operations and mitigate risk, larger companies in particular will consider the requirements for disclosure and reporting in their financial statements. The various techniques of supply chain finance (SCF) discussed in chapter 2 have differing requirements on measurement, recognition and disclosure in financial statements arising from recognised accounting frameworks:

- **GAAP** – Generally Accepted Accounting Principles, and
- **IFRS** – International Financial Reporting Standards

Alongside the generation of operational cashflow and the mitigation (or better management) of risk, companies will often require a positive impact on Balance Sheet financial metrics to result from using SCF techniques, particularly those financial metrics relating to the cash conversion cycle, namely:

- **DSO** – days sales outstanding
- **DIO** – days inventory outstanding
- **DPO** – days payables outstanding

Whilst disclosure and reporting requirements for many SCF techniques don't generate much debate or disagreement, there has been significant attention in recent years on those techniques which impact trade payables and, to a lesser extent, trade receivables, due to the impact on corporate financial reporting, liquidity management, and credit risk assessment.

High-profile corporate and financial failures including Greensill, Carillion and Abengoa were the catalyst for increased scrutiny. All generated significant media commentary, often questioning the true purpose and social value of certain SCF techniques.

Disclosure and reporting considerations for corporate users of SCF are typically limited to larger entities and (often but not always) those which:

- Are listed on a recognised stock exchange
- Have a public rating from a rating agency
- Are owned by private equity funds
- Have significant scale such that suppliers (including lenders), credit insurers and regulators wish to objectively assess their "true" financial position.

In some cases, anxiety persists that certain SCF techniques are used (or misused) as a means of "financial engineering" to mask the true level of debt within a business. The vast majority of SCF market practitioners continue to support clients with well-structured, transparent solutions which contribute positively to global economic prosperity. Whilst ongoing oversight and vigilance should be seen as a positive, requirements on disclosure and reporting must remain proportionate and not disincentivise businesses from using legitimate financing techniques.

Focus on payables-related SCF techniques

Arrangements that allow companies to e xtend their payment terms with suppliers while leveraging third-party financing have raised concerns among regulators and standard-setting bodies, leading to the issuance of specific accounting and disclosure requirements by both the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB).

References to "Supplier Finance" of "Supply Chain Finance" used by IASB or FASB do not perfectly align with the GSCF definitions discussed earlier in this paper - for ease, IASB and FASB references shown are as issued by the respective body.

International Accounting Standards Board ("IASB")

IASB is an independent group of experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing, or using financial reports, and in accounting education. IASB members are responsible for the development and publication of IFRS Accounting Standards and for approving interpretations of those standards.

IAS 7 Amendments – Disclosure of supplier finance arrangements

The IASB issued amendments to IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments: Disclosures) in May 2023, with the aim of enhancing transparency in financial reporting related to SCF programs. These amendments require entities to provide detailed disclosures about supplier finance arrangements to ensure stakeholders have a clear understanding of their effects on financial position and cash flows.

Key disclosure requirements:

Terms and conditions:

- Entities must disclose the terms and conditions of SCF arrangements, including payment extensions and funding mechanisms.

Outstanding balances:

- Entities must present the amount of obligations covered by SCF separately from trade payables.

Liquidity and risk exposure:

- The impact of SCF on an entity's liquidity risk and financial flexibility must be described.

Presentation in cash flow statement:

- Entities should indicate whether payables under SCF are classified as operating or financing cash flows.

Effective date:

- These amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

IFRS 9 – Financial liabilities classification

SCF transactions often involve financial institutions assuming the payment obligations of a buyer. Under IFRS 9 (Financial Instruments), such liabilities must be analysed to determine whether they should be classified as trade payables or financial liabilities ("trade debt"). If the SCF alters the nature of payables significantly (e.g., extending beyond normal trade terms), they may need to be reclassified as debt.

Key disclosure requirements:

Nature and terms:

- Entities must describe their SCF arrangements, including payment timing and involvement of financial institutions.

Outstanding confirmed amounts:

- The amount of obligations confirmed by financial institutions must be disclosed
- at the reporting date.

Presentation:

- Liabilities subject to SCF must be clearly presented in the balance sheet, distinguishing them from trade payables.

Cash flow classification:

- Disclosure of whether payments made under SCF are presented as operating or financing cash flows.

Financial Accounting Standards Board ("FASB")

FASB is a private standard-setting body whose primary purpose is to establish and improve Generally Accepted Accounting Principles (GAAP) within the USA.

Accounting Standards Update ("ASU") 2022-04 – SCF programme disclosures

To address the lack of transparency in SCF arrangements, FASB issued ASU 2022-04 in September 2022. This update to Topic 405 (Liabilities) enhanced disclosure requirements for supplier finance programs.

Effective date:

- Effective for fiscal years beginning after December 15, 2022, with interim reporting requirements applicable from 2023 onward.
- Public companies required to comply with all provisions starting from fiscal year 2023.

Implications for financial statement users

The introduction of new disclosure requirements from IASB and FASB significantly impacts investors, analysts, and other stakeholders in several ways:

1 Enhanced transparency:

More detailed disclosures help users understand the financial health of an entity, but has led to concerns from companies on the disclosure of potentially commercially sensitive information.

2 Comparability across companies:

Standardised disclosure frameworks allow for better comparison across firms using SCF programs.

3 Improved risk assessment:

Investors can better assess liquidity risks and financial stability by distinguishing between trade payables and financing obligations.

4 Potential reclassification of debt:

If SCF obligations are reclassified from trade payables to debt, financial ratios such as leverage and liquidity metrics may be adversely affected.

5 Cash flow presentation adjustments:

Changes in cash flow classification may alter investors' perceptions of an entity's operating cash flow strength.

Debate continues on how to optimise robust governance, oversight, consistency and transparency with incentivising users of SCF techniques and those with capital to deploy into this asset class.

Regulatory and governance developments

The evolution of SCF disclosure requirements has also led to broader regulatory and governance changes aimed at improving financial transparency:

Regulatory scrutiny by financial authorities

- The U.S. Securities and Exchange Commission (SEC) and European Securities and Markets Authority (ESMA) increased their oversight of SCF, particularly after high-profile corporate collapses mentioned previously in this paper.

Governance and audit enhancements

- Audit firms and corporate boards are focusing on SCF disclosures as part of their risk management processes.
- Internal governance teams are required to ensure compliance with new disclosure standards and avoid misclassification of SCF-related liabilities.

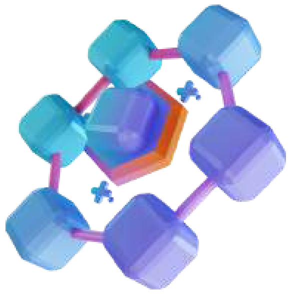
Integration with ESG and sustainability reporting

- Supply chain finance has been increasingly linked to Environmental, Social, and Governance (ESG) initiatives.
- Some companies are incorporating SCF transparency into sustainability reporting frameworks, particularly when SCF is used to provide financial support to small and medium-sized suppliers.

Disclosure requirements from both IASB and FASB mark a critical step toward enhancing financial reporting clarity concerning supply chain finance, with impacted companies having to adapt their reporting processes. Whilst some will point to improved transparency and better risk assessment, others cite an increasing burden to set up and manage SCF programmes.

Whatever your view, companies leveraging SCF must ensure compliance with all standards to maintain investor confidence and regulatory trust.

5 SCF Digitalisation



Advancements in technology are rapidly reshaping the world and revolutionising how we live, work, and think. Whether or not we feel ready to consciously embrace these changes, it is an inevitable truth that technological innovation, including artificial intelligence, is enhancing efficiency, decision-making, and convenience across every aspect of our lives.

As machines learn and adapt, they are reshaping our expectations of intelligence, creativity, and problem-solving. Whilst this technological revolution is creating new possibilities, it is also challenging us to rethink ethics, privacy, and the human role in a digital future.

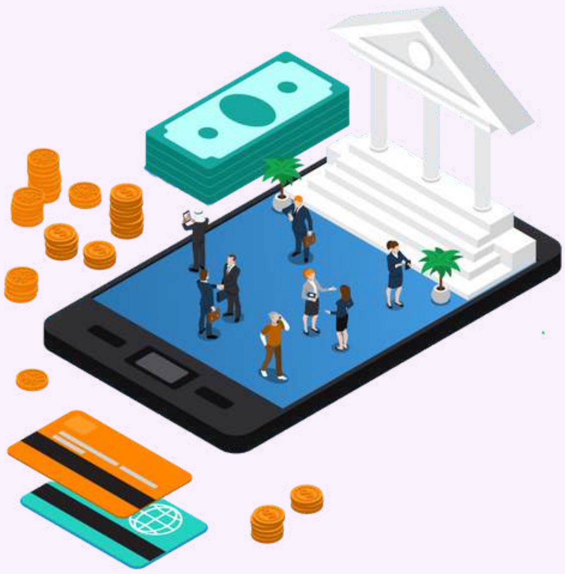
Developments in digitalisation in SCF

As in many aspects of modern life, digitalisation has profoundly transformed the SCF landscape, enabling faster, more secure, and, at least in theory, more inclusive financing solutions. As global supply chains become increasingly complex, technology is bridging gaps between buyers, suppliers, and financiers, improving transparency, reducing risk, and facilitating better access to working capital across multiple tiers of suppliers.

However, as noted elsewhere in this paper, a significant and growing trade finance gap exists. More needs to be done to ensure the full potential of technology and SCF digitalisation is realised.

Corporate voice

Banks versus fintechs: right or wrong?



As the SCF ecosystem has evolved, so too has the provider landscape – with fintechs often promising faster, more flexible tools, and banks offering depth, trust, and regulatory heft. Despite the growing range of options, when treasury teams weigh them up, the reality often feels less like a choice and more like a compromise.

The decision at Haleon to work with a fintech was driven by specific promises:

> **The procurement function decided that they wanted to go with a fintech because they offered better analytics than the alternatives, which could support the procurement organisation with their negotiations**
>
> **- Carol Thurnheer**
> Manager International Treasury at Haleon

But the operational reality proved more complex: "What we didn't realise is that, as such a big organisation that is only a few years old, it took time to build the internal relationships needed to run the programme. That level of complexity with the fintech in the middle is challenging for us; it might work beautifully for a mature company, but our situation is quite unique."

The challenge wasn't purely technical but also organisational. As Thurnheer reflects: "We did KYC for 84 entities and it actually went really well, which is saying something! But that was fully under treasury's control.

Others also advise having treasury involved in the approach to provider selection where possible. Kunz emphasises the importance of independent assessment: "Always do your own research around providers and make sure treasury has a seat at the table. Banks have their preferred partners, but they don't know the full market. By all means use their feedback – but don't rely on it. The most important thing when assessing a fintech is the tech stack. Does it actually do what you need it to do – both internally and when it comes to reporting back to the bank? Always check the detail, because the last thing you want is to find out mid-implementation that it can't deliver on something critical."

The most successful approaches often combine multiple providers strategically, believes Bolarin. She explains: "We partner with FIS (formerly Demica) for the structuring of our factoring programme and administration. Their platform integrates into our ERP and connects us to multiple banks and funders, who provide the liquidity behind the transactions."

Her selection criteria focus on practical capabilities: "Our key selection criteria were speed, usability, and seamless ERP integration, simplified onboarding and robust technical support. Banks bring trust, balance sheet strength, and regulatory rigour. The most effective programmes combine fintech innovation with bank funding capacity."

Kaushik has also found success in orchestrating multiple provider relationships: "I have around 10-12 channel partners with me, comprising of banks, your NBFIs and fintechs. Depending on one particular segment to finance your entire supply chain will not work, in my view. Banks bring the balance sheet, fintechs bring agility, and NBFIs can reach the mid-tier. You need to orches-trate across all three to truly finance your ecosystem." And thankfully, this is becoming more achievable as banks and fintechs are increasingly collaborating at a deeper level. Mills observes: "Two years ago, you could have seen big banks really resisting working with fintechs and trying to keep their business. But I think corporates stood up and said, 'we want to have that flexibility'."

Trends in corporate adoption: Size and maturity matter

Digital adoption varies across corporates depending on size, geographical footprint, and digital maturity.

Large multinationals

are at the forefront of adopting digital SCF solutions. With extensive global supply chains and significant procurement budgets, these businesses often have dedicated treasury and procurement teams capable of evaluating, implementing, and integrating SCF platforms. There are multiple examples of businesses who have successfully rolled out SCF platforms that integrate digital tools to manage supplier onboarding, invoice approval, and payment automation. Investment in third party enterprise-grade platforms is often seen to support end-to-end digital workflows.

Mid-sized companies

while seeing benefits in using SCF techniques, often face resource and system integration challenges. Fintechs and digital lending marketplaces are improving accessibility for this segment by offering affordable, scalable solutions that require minimal IT resources. These cloud-based SCF solutions that offer plug-and-play integrations with ERP systems align well with the needs of this segment.to support end-to-end digital workflows.

Small and micro-enterprises

often at the tail-end of the supply chain, historically have been excluded from SCF due to lack of visibility and creditworthiness. However, digitalisation offers the opportunity to change this dynamic by enabling "deep-tier" financing – where liquidity finds it way into multiple layers of a supply chain. This is made possible through improved data sharing, digital onboarding, e-invoicing, digital KYC and innovative credit assessment models. A word of caution - whilst new options may be technically possible, commercial, legal and behavioural factors need to align to ensure it makes sense for larger businesses to support this segment.

Digital tools driving growth

Several key digital tools continue to evolve whilst being drivers of growth in SCF markets.

1 Electronic invoicing

E-invoicing assists with ensuring invoice authenticity, reducing disputes, and enabling real-time visibility into payables. Often driven by Government desire for enhanced tax compliance and operational efficiency, over 100 countries are in various stages of implementing e-invoicing requirements.

2 Cloud platforms and and artificial programming interfaces (APIs)

Cloud-based SCF platforms allow seamless integration with corporate ERPs and funder systems via APIs. This has eliminated traditional barriers such as manual processing, file uploads, and batch operations. APIs also support real-time data exchange, allowing more dynamic risk decisions and cash flow forecasting.

3 Artificial intelligence (AI) and data analytics

AI and machine learning tools are being used to assess supplier risk, predict payment behaviour, and optimise discounting strategies. Predictive analytics enables buyers and financiers to identify early warning signals in the supply chain, theoretically reducing risk exposure and embedding appropriate financing terms for suppliers. Capital-weighting recognition from regulators of enhanced risk outcomes is critical to encourage lenders to deploy capital at scale into SCF.

4 Digital identity and e-KYC

Digital onboarding processes have greatly accelerated supplier inclusion in SCF programmes. Through e-KYC and document verification, suppliers—even in remote regions —can now be enrolled quickly, reducing friction and costs.

Technology supporting market growth

A significant challenge in traditional SCF is the limited reach beyond Tier-1 suppliers. Technology, including blockchain, is playing a pivotal role in extending financing to deep-tier suppliers, those who were typically invisible to anchor buyers or financiers.

1 Blockchain for transparency and trust

Blockchain provides a shared ledger where all participants in the supply chain can view immutable records of transactions, shipment details, and payment histories. This enhances trust and reduces the need for manual reconciliation.

2 Smart contracts for conditional payments

Smart contracts on blockchain can automate payment triggers based on fulfillment of pre-agreed conditions—such as delivery confirmation or quality checks. This mechanism reduces processing time and allows financing to flow deeper into the supply chain with reduced risk.

3 Digital Negotiable Instruments (DNIs)

Enabling legal reform through adoption of the United Nations MLETR1, embeds legal recognition of negotiable instruments in digital form “DNIs”. This opens up exciting possibilities for businesses to use these DNIs to access liquidity more easily, improve supplier relationships and capture significant operational efficiencies.

Corporate voice

Using DNIs to improve the CCC

For treasury teams under pressure to shorten their cash cycles, digital negotiable instruments (DNIs) are beginning to attract attention. By digitising familiar tools, such as promissory notes and bills of exchange, DNIs offer a structured way of creating liquidity that can sit neatly alongside existing SCF programmes.

What are DNIs?

Digital negotiable instruments are electronic versions of promissory notes and bills of exchange. Momentum around DNIs is growing thanks to legislative frameworks such as the UNCITRAL Model Law on Electronic Transferable Records (MLETR), which aims to create consistency and legal certainty across jurisdictions. Countries including the UK, France, Singapore, and Bahrain have already adopted or aligned with this framework, and others are following suit.

Unlike their paper predecessors, DNIs can be created, transferred and settled in minutes, opening the door to faster, more flexible financing.

For corporates, DNIs support:

- Improved DPO and/or DSO metrics by unlocking value trapped in the cycle
- Supply chain optimisation by enabling earlier payment and smoother cash flow
- Reduced operational costs by cutting paperwork, manual processing and reconciliation
- Access to deeper and more affordable liquidity pools – including non-bank capital
- Seamless integration with existing treasury and ERP systems

Meanwhile, for funders, DNIs offer a new class of digital assets that are:

- Legally enforceable and transferable under common law
- Transparent and trackable with a full digital audit trail
- Easier to execute than traditional SCF structures, with lower onboarding friction
- Tied to real-economy trade flows, offering clearer credit risk and risk-weighting

As such, DNIs are increasingly being seen as a bridge between corporate liquidity needs and the evolving world of digital capital markets.

Mills, who has worked closely with corporates on DNI pilots, says that while most treasurers are still getting to grips with the concept, the potential benefits are clear. "DNIs take instruments they already understand and trust, and just remove the friction caused by paper," explains Wayne Mills.

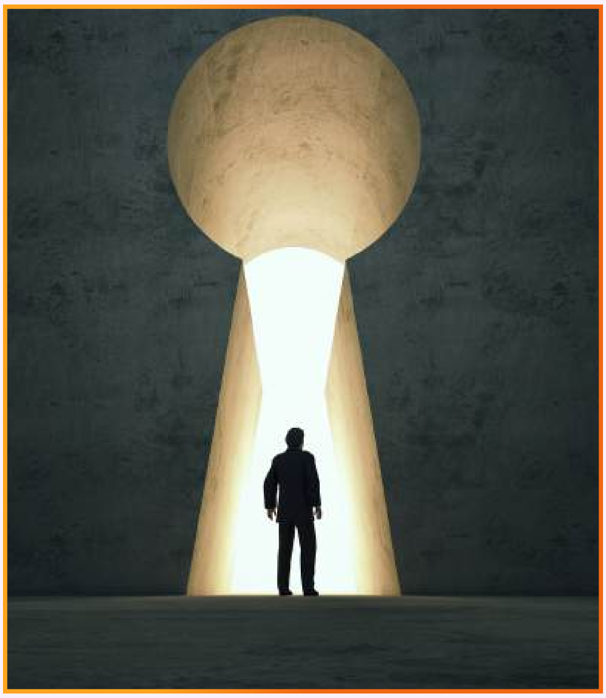
> **You identify where liquidity is trapped, issue a digital instrument, and unlock it in a way that is faster, cleaner, easier, and legally enforceable, meaning that payment comes with a much stronger guarantee.**
>
> **- Wayne Mills**
> Founder and Managing Director, Atom Advisory

Nevertheless, real-world experience among treasury professionals is currently few and far between. CTA's Schuh is among the early adopters. In Brazil, DNIs are already part of the landscape because invoices are issued digitally, and the benefits are tangible. "They bring significant agility and are already an effective tool for optimising the cash conversion cycle," he enthuses.

In other markets, however, the momentum is currently slower, perhaps hindered by a lack of widespread adoption and education. Haleon explored the concept of DNIs in the US but then hesitated, says Thurnheer. "There was appetite to look at them but without clarity on accounting treatment, it felt too early for us."

Kunz adds that adoption may take time. "It's a chicken-and-egg situation – corporates won't commit without bank participation, and banks won't build scale until corporates start using them." For now, most treasurers are watching from the sidelines, interested in the potential but cautious until frameworks and counterparties are firmly in place.

Mills believes that will change as confidence grows, however. "Treasurers expect something complicated when they hear the term DNIs, but in practice it's straightforward. This isn't innovation for its own sake, rather it's a way of modernising instruments we already know and trust to ease pressure in the cash conversion cycle and connect with capital that is already out there, waiting to be deployed."



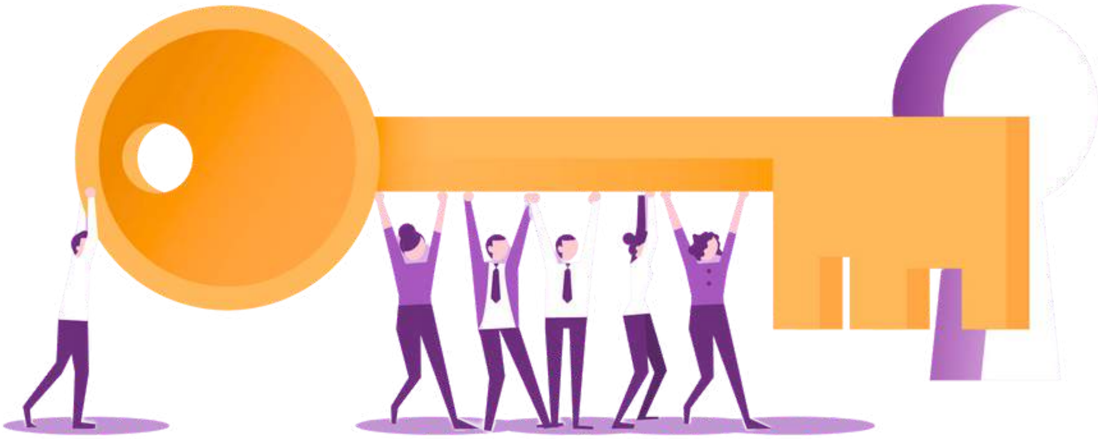
Looking Ahead

What's clear from corporate discussions is that the most successful SCF implementations share common characteristics: strong senior leadership support, aligned KPIs across functions, clear ownership of processes, and realistic expectations about implementation timelines. They also tend to combine multiple provider relationships rather than seeking a single solution.

As accounting standards evolve and regulatory scrutiny increases, treasurers will need to remain adaptable. The rise of digital instruments like DNIs may offer new opportunities, but only if the supporting infrastructure – legal frameworks, bank participation, and auditor comfort – develops in parallel.

Perhaps most importantly, the experiences shared here suggest that successful SCF isn't primarily about choosing the right bank or fintech. Instead, it's about building the internal capabilities and culture needed to make these tools work effectively – a lesson that applies whether the instrument in question is a traditional reverse factoring programme or the latest digital innovation.

For treasurers considering their next steps in supply chain finance, the message is clear: start with the basics, align your organisational priorities internally, and remember that technology is only as good as the processes and people that support it.



Key takeaways

- **Start with the basics.**

  Clean up processes, master data and internal alignment before implementing SCF solutions. Many problems stem from poor foundations rather than technology choices.

- **Align incentives.**

  Ensure procurement and treasury share KPIs for SCF success. Without aligned incentives, supplier onboarding will stall after contract negotiations.

- **Segment your approach.**

  Different supplier tiers need different solutions. Large suppliers may not need SCF, small ones may be too costly to onboard, but the middle tier offers the sweet spot.

- **Combine providers strategically.**

  The most successful programmes use multiple funders – banks for balance sheet strength, fintechs for technology and agility, NBFIs for specialist segments.

- **Expect accounting scrutiny.**

  Off-balance sheet treatment is becoming harder to achieve as standards evolve. Engage auditors early and prepare for increased disclosure requirements.

- **Consider hybrid models.**

  Combining buyer-led and supplier-led programmes provides more flexibility than committing to a single approach.

- **Education is crucial.**

  Both internal teams and suppliers need to understand the benefits. Talk to CFOs and treasurers, not just procurement or sales teams.

- **Build organisational support.**

  Strong CFO backing and cross-functional working capital teams are essential for overcoming silos and driving adoption.

Atom Advisory Limited

ABOUT ATOM IDVISORY

Supporting the receivables finance industry with trusted advisory services

Wayne Mills is the former Head of Transaction Banking Solutions for Lloyds Bank and has over 30 years banking experience across multiple regions in both corporate and transaction banking.

After leaving banking in 2022, he founded Atom Advisory to advise clients (corporates, banks and technology firms) on a wide range of topics including strategy, commercialisation, operational frameworks and digitalisation across EMEA, US and APAC.

Wayne is also co-founder and investor in ETR Digital, helping businesses with working capital optimisation using digital negotiable instruments.

Combining wide strategic, technical and commercial acumen, Wayne brings particular expertise on open account trade from buyer, seller, funder, insurer and technology perspectives.

Wayne is a frequent speaker and moderator at leading events, fora and conferences around the globe. He is based in the United Kingdom.

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