2012

Supply Chain Finance Payable and Receivable

Solutions Guide

Addressing Corporate Confusion around Third Party Vendors

Global Business Intelligence Corp.
Leaders in Financial Services Research

Trade and Supply Chain Finance – Third Edition

Global Business Intelligence

Phone: 1.604.924.0851

Email: info@globalbanking.com

www.globalbanking.com

Abbreviations

In a Guide such as this, many abbreviations are used. Below we provide the description for many of the abbreviations used throughout this report.

A/P:	Accounts Payable
A/R:	Accounts Receivable
AML:	Anti Money Laundering
B/E:	Bill of Exchange
B/L:	Bill of Lading
BU:	Business unit or operating company
CM:	Contract Manufacturer
CP:	Commercial Paper
DPO:	Days Payables Outstanding
DSO:	Days Sales Outstanding
ECA:	Export Credit Agencies
EIPP:	Electronic Invoice presentment & Payment
ERP:	Enterprise Resource Planning system
FAS:	Financial Accounting Standards Board
IT:	Information Technology
KYC:	Know Your Customer
L/C:	Letter of Credit
M:	abbreviation for millions
MNC:	Multi National Corporation
OA:	Open Account
OEM:	Original Equipment Manufacturer
PO:	Purchase Order
RM:	Relationship Manager
RWA:	Risk Weighted Asset
SBLC:	Standby Letter of Credit
SC:	Supply Chain
SCF:	Supply Chain Finance
SMEs:	Small Medium enterprises
SOX:	Sarbanes-Oxley
SSC:	Shared Service Center
STP:	Straight-through Processing
VMI:	Vendor Managed Inventory

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This Guide was made possible in part with the financial support of our underwriters. These firms share GBI's vision of educating the market with easy to read and relevant information around Supply Chain Finance. Underwriters have no editorial rights, and the facts and analysis of this report remain an exclusive production and product of GBI. The Sponsors made it possible for GBI to make this Guide available to readers at no charge. We would like to thank our Listing Sponsors on helping produce the Supply Chain Finance Corporate Guide and encourage you to contact them regarding specifics around their solution capabilities.

Purpose and Benefits of the Guide

- GBI is updating its' Guide* on the Supply Chain Finance market and Vendor offerings to help CFOs, Treasurers, CPOs, and Bank professionals better understand the Third Party "SCF" Market and the myriad of issues around supply chain finance.
- Trade Credit and Liquidity is especially relevant given both the availability and cost of capital within a Buyer-Supplier supply chain is very challenged, especially for non rated and non investment grade corporates. Corporates need to better understand the issues around SCF as the need to inject capital or increase capital into their supply chain continues to evolve, especially as the corporate business model becomes more globally distributed.
- Supply Chain Finance (SCF) technology and bank providers are developing new models for trade finance. New technologies and financing approaches are emerging. In this report, you will find profiles of the leading global supply chain finance solution providers.
  - Section A of this Guide provides an overview of the Supply Chain Finance space from both Buyer-led and Seller-led solutions.
  - Section B provides an overview of Sponsors respective solutions.
- We believe it is important for both banks and corporates to understand each others business at a higher level of detail. The Guide provides an independent source for anyone determining how their company should proceed with supply chain finance and working capital solutions. Whether you are simply assessing what is available on the market today or just trying to understand what this space is about, this guidewill help keep you informed about developments in this important sector.

** This is GBI's third SCF Guide publication (prior publications in 2007, 2009).*

Table of Contents – Section A

Table of Contents – Section B – Vendor Landscape

Vendor Landscape - Examples

I. Buyer-Led Supply Chain Finance – Pre & Post Shipment	• Banks (eg. J.P. Morgan, Royal Bank of Scotland, GE) • Non Banks (eg, Orbian, Capital Business Credit)
II. Seller-Led programs	• Non Bank Arranges large scale Receivable programs (eg. Finacity, GSCF) • Bank Programs (eg. GE) • Exchanges (eg. The Receivables Exchange, NYSE) • Factors
III. Technology Platforms Sold to Banks	• SCF / Factoring platforms sold to Financial Institutions (eg. Fundtech, PrimeRevenue) • Letter of Credit and Open Account systems (eg. CGI, Misys) • Banks to Other Banks (eg. Wells Fargo) • Standards Bodies providing data services (eg. SWIFT BPO)
IV. Technology Platforms Sold to Corporates Directly	• Electronic Invoice Presentment & Payment (eg. Ariba, OB10) • Purchase Order management & financing (eg. Kyriba, GT Nexus, TradeCard) • ERP systems with Trade Finance capabilities (eg. SAP)

Supply Chain Finance Definition

- Supply Chain Finance has become an industry buzzword. If you Google Supply Chain Finance, a common definition would be, "*Supply chain finance is a buyer-led initiative that facilitates favorable financing for the supplier in order to achieve mutual benefits for both trading partners, through the use of a technology platform and a third-party financial institution or otherwise*."
  - We believe this form of finance "productizes" SCF from a bank's perspective and typically refers to post-shipment finance programs that permit Suppliers to sell their invoices "approved" for payment by their Buyer before the Payment due date.
- We believe this view is too narrow for several reasons:
  - SCF focus is on creating liquidity in the supply chain through various Buyer or Seller-led solutions with or without a facilitating technology.
  - The role of SCF is to optimize both the availability and cost of capital within a given buyer-supplier supply chain. Technology can aid in aggregating, packaging, and utilizing various information generated during supply chain activities to manage risk. To add further value, information on the physical flow of goods can be monitored. The coupling of information enables lenders to mitigate financial risk within the supply chain. The mitigation of risk allows more capital to be raised, capital to be accessed sooner or capital to be raised at lower rates
- Supply Chain Finance should be more broadly interpreted to encompass any financing solution that supports the buyer/seller supply chain, whether it is domestic or global. Therefore, market participants should take an expanded view on supply chain finance (including areas such as pre-shipment finance, purchase order financing, inventory finance, distribution finance, etc.).

Supply Chain Finance has expanded over time to include more integrated services.

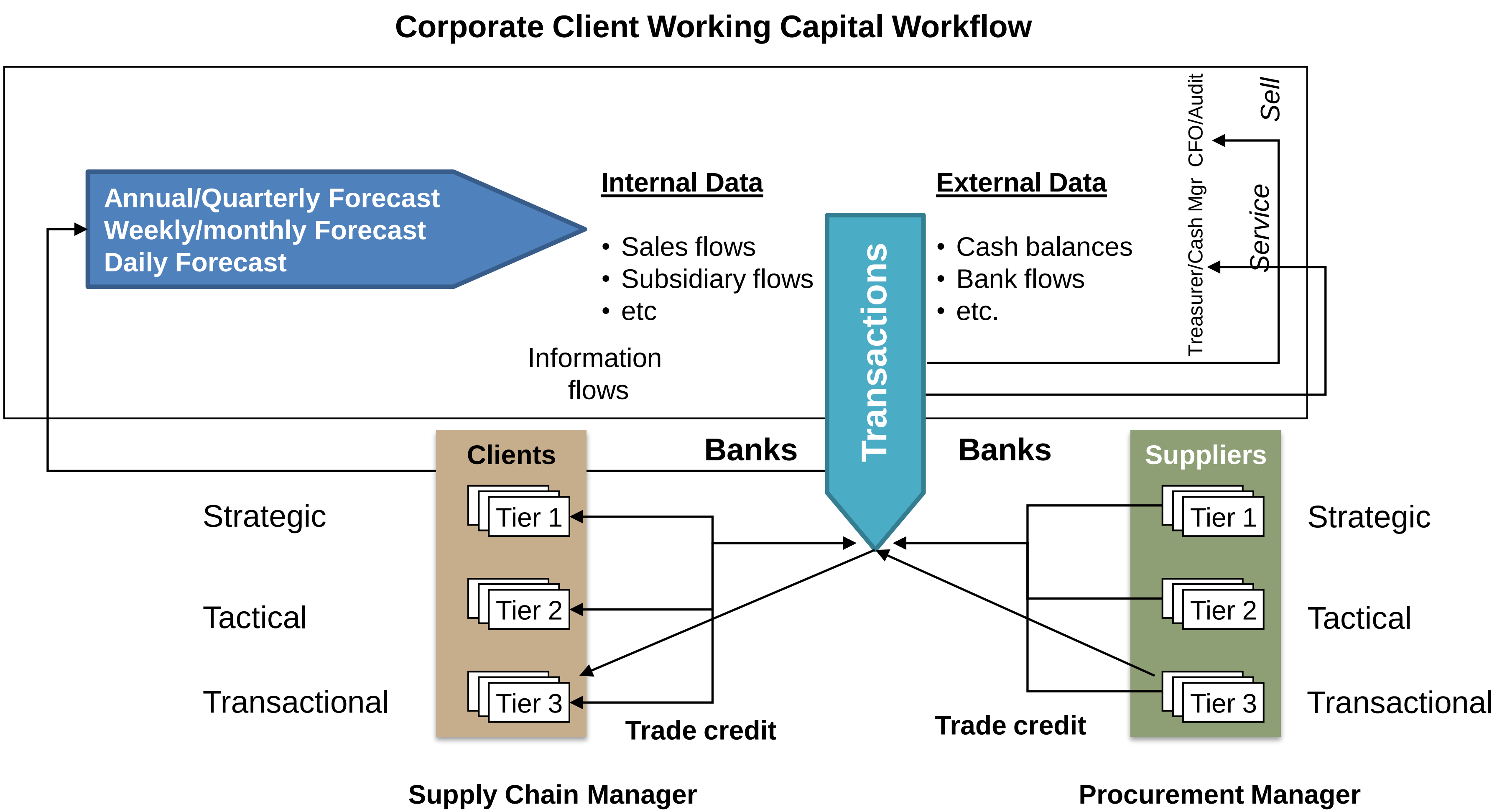
	Domestic	**International**
Financing	1. **Reverse Factoring** Buyer-led initiatives to enable favorable invoice discounting rates for suppliers. Started in late 1990s with Auto companies.	2. **International Programs** Expanded into different geographies and currencies as Large Investment Grade Corporates initiated programs in OECD and emerging markets
Integrated Service Focus	3. **Integrated Working Capital Platforms** Bank Providers and Non Bank Innovators are expanding their capabilities to provide end to end financing solutions which include various trigger points. Part of this development was in reaction to the growth in Open Account trade and the expansion of technology and the shift of invoice finance from niche providers to a mainstream set of products.	

Transition over time

Section A

II. Corporate Use of Credit

Corporations utilize credit as part of daily operations and forecasted needs.

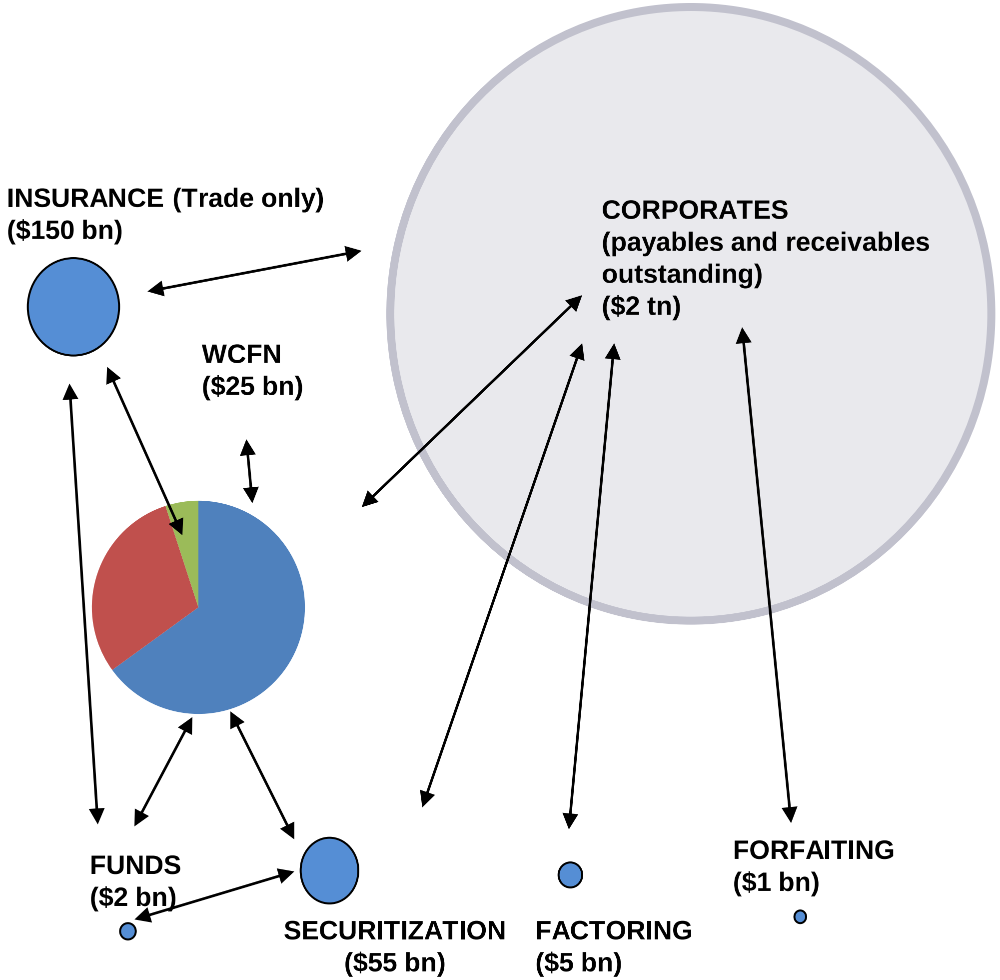


Bank intermediated Trade Finance is actually a small subset of total credit.

- Trade finance is a large, global and interconnected industry, encompassing nearly $8tn in notional credit*.
- Most of trade credit (~$7.5tn) is not intermediated directly and remains on corporate balance sheets (in the form of trade receivables).
- Banks are the main third party source of financing for corporate trade, but intermediate roughly $500bn of trade credit (12%).
- Insurers are the second largest intermediary ($150bn), and offer several risk-related services to corporates, banks, and brokers.
- Working Capital Finance Notes are a type of trade credit, mostly originated by banks, that encompass characteristics of revolving and floating interest rate bank loan participations that are backed by trade payables

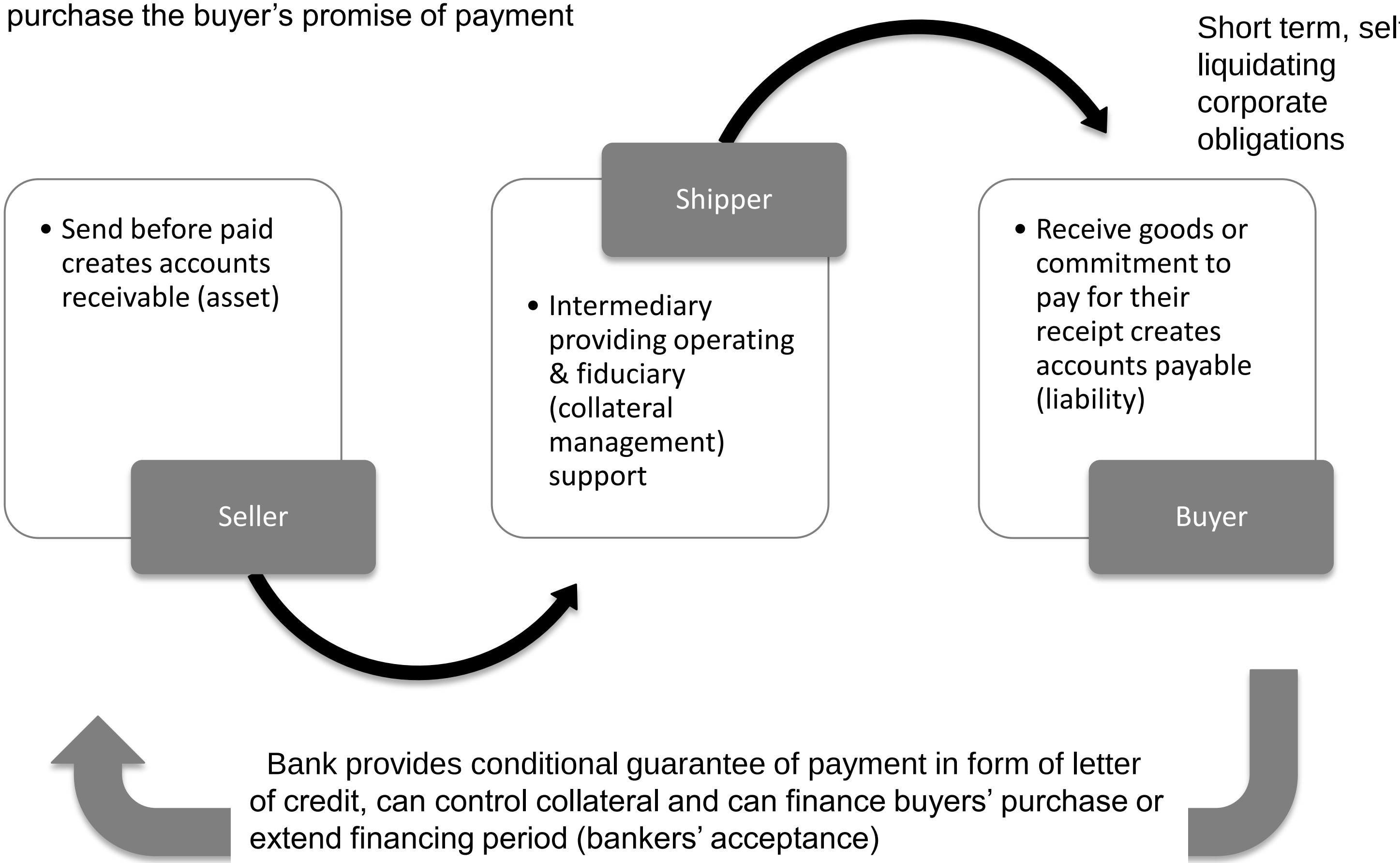
**Note: $2tn in USA, an estimated 3 trillion Euros of accounts receivables outstanding in the EU, estimated $8tn globally*

Credit Outstanding and Industry Interactions

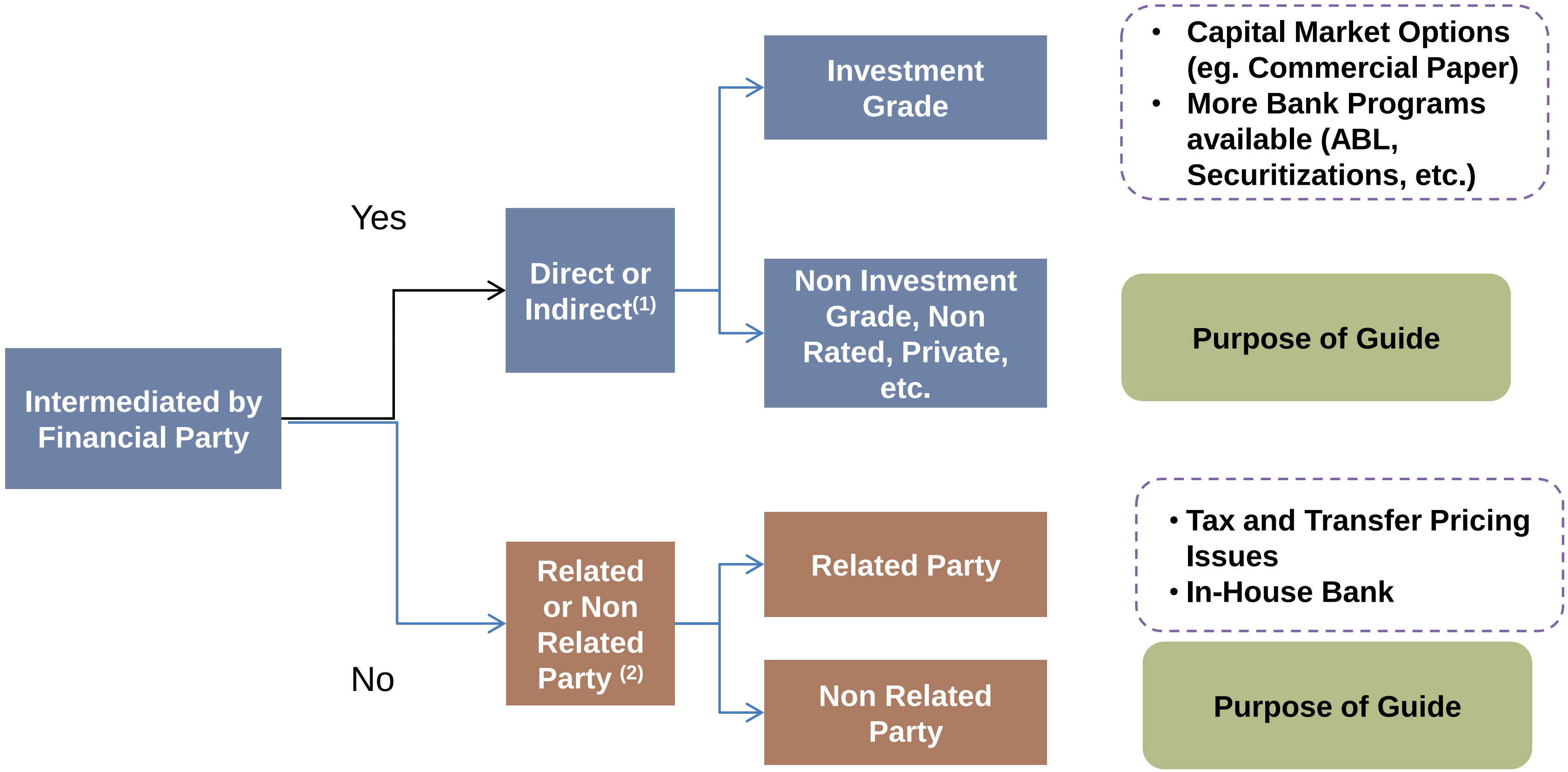


Use of Financing Instruments are varied and subject to different regulations.

- Insurer can guarantee payment from buyer in event of buyer "default"
- Factor can advance against accounts receivable (A/R)
- Forfait can purchase the buyer's promise of payment



How is Finance Intermediated? Two big variables impacting supply and cost of capital are Corporate Risk Rating and Related or Non Related Party trade.



Note 1: Direct Lending is defined as financing trade via Letters of Credit, Bankers Acceptances, Invoice discounting, Bills of Exchange, etc. Indirect Lending includes working capital and overdraft bank loans

Note 2: Related Party (or intra company trade) differs from Non Related Party where there is no minority shareholdings.

In financing transactions, it is imperative to understand that Non Related v. Related Party (or intra company) trade has significant differences and impact on Supply Chain Finance.

Function	Related Party	Non Related Party
Payments	Much of this trade is financed through intra company netting and internal funding.	• Use of payment terms • Terms can be from confirmed L/C to extended open account with just a commercial invoice
Finance	• The market is segmented by those that are able to issue Commercial paper and those that are not. There are approximately 6,000 rated corporations globally (U.S. has about 2,400) • Many larger firms set up in-house banks to finance various subsidiary trading.	• Corporates fund trade by: – Using their own balance sheet by extending payment terms – Invoice discounting and factoring (with and without insurance) – Transactional finance using instruments such as the Bill of Exchange or promissory notes to sell for cash – Banks provide indirect through working capital and overdraft lines
Accounting	Transfer pricing, tax, and intra-company reconciliations are major issues.	• Purchase Order / Invoice / Shipment reconciliation • Dispute Management reconciliation
Credit Admin	Limited to minority subsidiaries	Open account sales to dealers, distributors, resellers, etc. requires extensive credit application and analysis process to provide customer credit lines.

Tax regimes define Related Party (or intra company trade) differently, but essentially it relates to some percentage of shareholding interest in the counterparty.

Using varied transaction settlement mechanisms, corporations seek opportunity to manage risks, enhance finance, and reduce costs, with the bulk of Trade settled via Open Account means.

Examples – Risk parameters & commercial transactions

<u>Pre – sale finance</u>	**<u>Sale contract finance</u>**	**<u>Sale concluded</u>**	**<u>Post – sale finance</u>**
No contract	No fulfillment	*Fulfillment; no payment*	*Fulfillment & payment*

Examples – Settlement methods

<u>Letter of Credit</u>

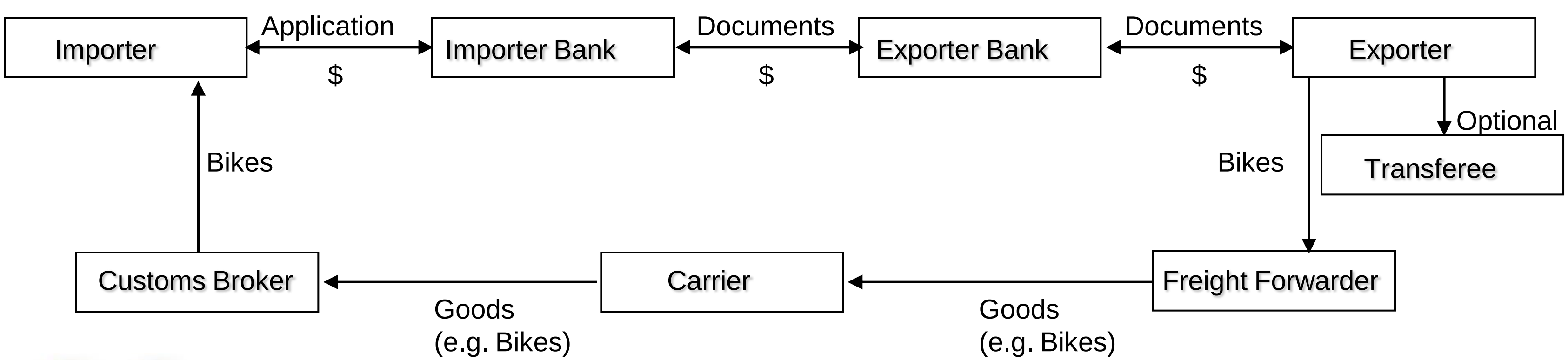
- Represents 15% of international trade
- Deal based credit/guarantee
- Paper based transaction
- Manual document examination process with high discrepancy rate

<u>Collection</u>

- Represents 7% of international trade
- Paper based transaction
- Same as LC, without credit
- Manual document examination process with high discrepancy rate

- **<u>Open Account</u>**
- Represents 78% of international trade
- Risk borne among party constituents absent factoring and insurance

Example – Letter of Credit Transaction (bank intermediated)

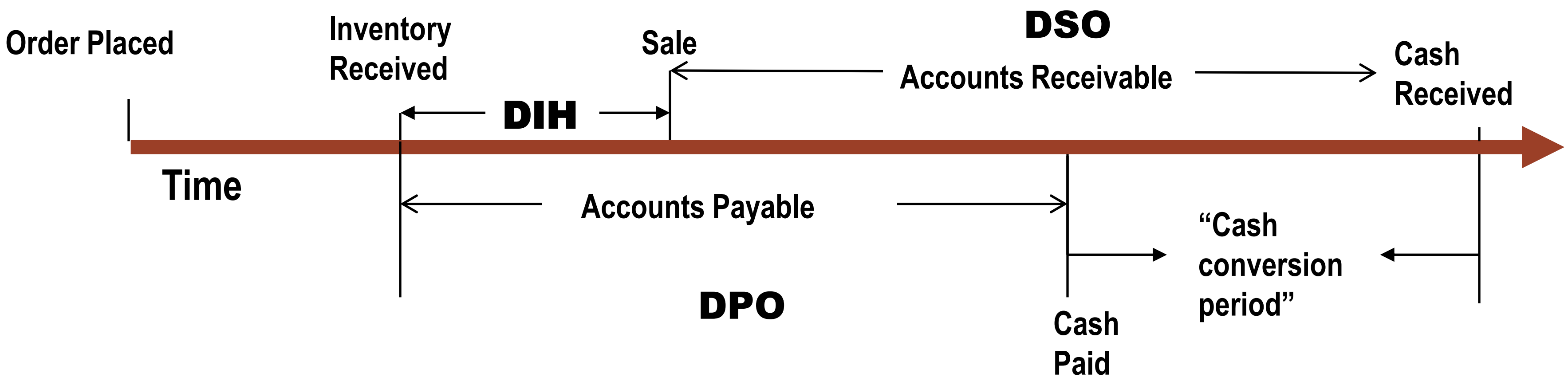


Section A

III. The Problem Defined & the Current Environment

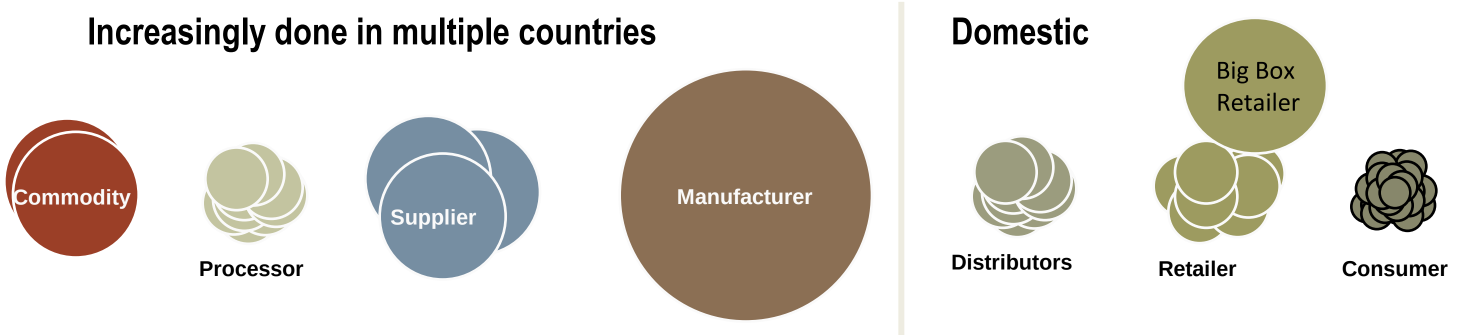
Companies that focus solely on their own balance sheet and P&L statement look to maximize DPO and minimize DSO and CCP. SCF enables corporates to use their Balance Sheet to manage both Supply and Sales.

Understanding the relationship between DSO, DPO, DIH, and CCP



- Days Inventory Held (DIH) = Inventory/(Cost of Sales/365)
- Days Sales Outstanding (DSO) = Receivables/(Sales/365)
- Days Payable Outstanding (DPO) = Payables/(Cost of Sales/365)
- Cash Conversion Period (CCP) = DSO + DIH - DPO
- CCP measures the time between inventories and cash from sales

Financing Supply Chains is compounded by smaller companies, which have higher capital costs and are dealing with large companies extending payment terms.



In the USA, the Federal Reserve data indicates there are approximately $2 Trillion in trade payables outstanding at any point in time.

If terms average 45 days, Total accounts receivable turnover or annual trade credit totals $16 trillion in the United States

- Supply chains are complex groupings of different types of companies that ultimately deliver a product to a consumer. One goal of each company within the chain is to increase sales, which can be accomplished by offering their customer payment options to make the purchase easier.
- Sales within the chain can be increased by providing the customer with better payment terms and straightforward payment options (eg. No letters of credits). However, providing these options creates challenges for the seller depending on their size relative to their customer.
  - **Cost Problem**: Larger companies selling to smaller entities have large costs associated with credit, billing, collection and bad debt associated with extending flexible payment options to their customers. When this is done on a cross border, non related party basis, it adds further costs in terms of customs, compliance, risk management, etc. Fortunately, rated companies tend to have ready access to plenty of reasonably priced capital to fund these options.
  - **Capital Problem**: Smaller companies selling to larger ones have less process cost, but generally use very expensive and limited capital to finance extended customer payment terms, creating cash and cash flow problems.

The lengthening of Supply Chains has also created financing challenges.

- Globalization and the lengthening of the supply chain are the game changers shaping the new ground rules of business. In a relatively short period of time, companies have transitioned from manufacturers to managing a complex web of third parties to make, store and distribute their products and brands. No longer is the majority of capital deployed to finance property, plant and equipment but to finance working capital (inventory, receivables, etc.).

- While the supply chain is lengthening as a result of globalization, direct sourcing, offshore production and distribution, the current deleveraging environment has created challenges for many companies around capital availability. For example:
  - Letters of credit are capital intensive instruments which in the past have served as a financing tool for overseas suppliers. With the credit crisis and repricing of these instruments, many suppliers are forced to find other sources.
  - Suppliers face pressure from large buyers in the form of extended payment terms. A 15-30 day extension to existing terms would have a very positive impact on the P&L and balance sheet of a buyer spending over €1bn with suppliers, but it could put serious pressure on contractors, sub-suppliers, etc. throughout the overall chain, and potentially disrupt production and goods flow.
  - Non rated corporate manufacturers who have established offshore manufacturing (for example, moving production of low-value brands to China from the USA or Germany) find it challenging to secure financing. A key challenge comes from programs which require local content, such as various ECA programs.
  - A growing and larger percentage of receivables are international (globalization, offshore, and in a separate legal jurisdiction) and those receivables themselves have longer terms-- a double hit. Many banks do not include these receivables are part of an 'eligible base' for lending.

A wide range of Bank and Non Bank assisted Trade Finance Products exist to help finance supply chains.

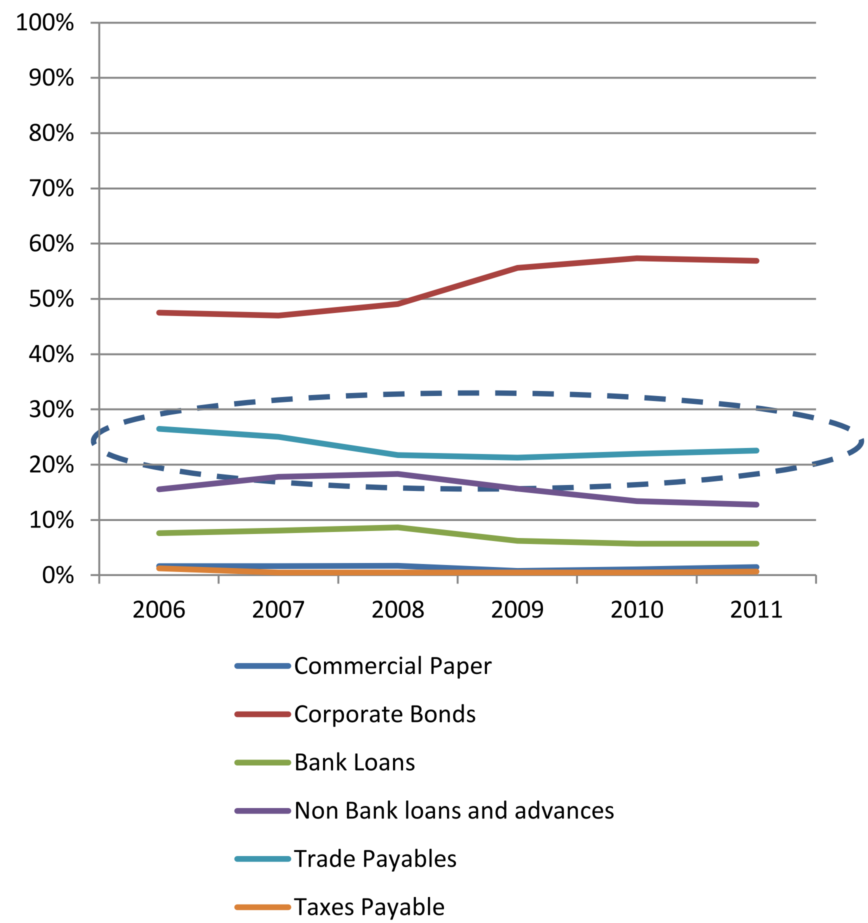
Below is a sample of bank trade finance products.

	Purchases	Sales
Traditional	Bankers Acceptance	Confirmed L/Cs
	Buyer Financing Programs	Discount Bills of Exchange
	Promissory Notes	Factoring
	Red Clause Credits	Invoice Discounting
	Secured & Unsecured Lines	Packing Loans (L/C based)
	Usance L/Cs	Asset Based Lending (credit lines)
Accessible to Investment Grade only	Asset securitization	Captive Vendor Financing
	Commercial paper	Distributor Finance Programs
	SCF programs	Pooled Insured Receivables

As we've seen, Trade Payables comprises a significant percent of total corporate liabilities, and are largely illiquid sitting on Corporate Balance Sheets.

- Trade Payables and Corporate Bonds represent a significant portion of Corporate liabilities compared to Bonds and Commercial Paper
- Techniques normally used to achieve liquidity for trade are a small subset of the overall market:
  - Credit insurance is used to provide enhancement to underlying receivables but insurance markets provide coverage to less than 3% of trade financing market (both corporate and bank)
  - Receivable securitization is a small market in the best of times. Securitization has been used for less than 2% of trade receivable.
  - Factoring is used for less than 2% of corporate trade financing (all corporate).
  - Non Bank loans include finance company loans, credit unions, securitized loans ABS, foreign loans, etc.

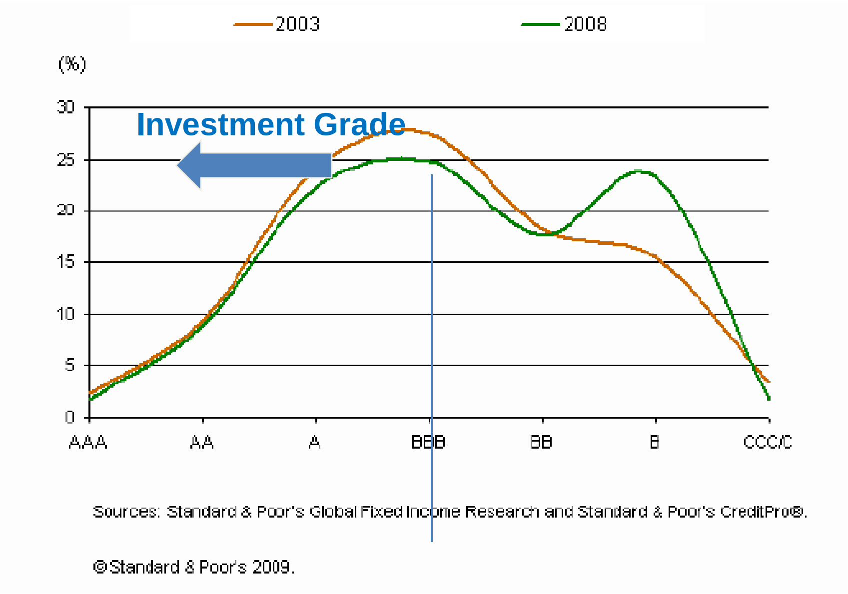
Non farm – non financial business financing as percent of total liabilities



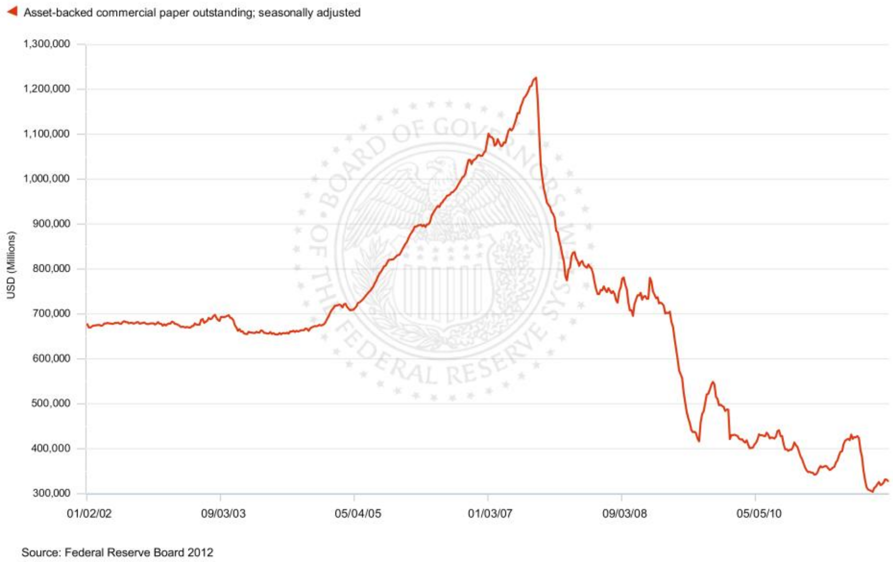
Source: Federal Reserve, GBI Analysis

Only a limited number of companies have access to the commercial paper and debt markets, and Asset Backed Commercial Paper, used by these corporates to fund the balance sheet, has dropped substantially.

S&P Rating Distributions



Asset Backed Commercial Paper Market 2001 to 2011 Outstandings



- Total of 5,966 rated corporations globally (U.S. about 2,400)
- Market for Commercial Paper likely cut off at BBB rating given overlap with probable asset pledges on receivables

While there is no one reason why ABCP fell off the rails, the following have contributed:

- Some ABCP was not financing corporate assets.
- FAS 166 and 167 rules have required greater disclosure on the issuer side and many banks have brought these assets back on their Balance sheet.
- Companies have been able to issue 10 and 30 year bonds so cheaply these last few years.

Section A

IV. Trade Trends impacting Supply Chain Finance

Business trends are driving Supply Chain Finance needs and innovations.

On the Payable Solution Side:

- Change in favor of open account away from traditional trade finance products (ie. L/Cs). Letters of credit, a long-standing method of obtaining capital for suppliers in less developed countries, are on the decline as large buyers are forcing suppliers to move to open account.
- Trend towards extension of payment terms (30, 60, 90 days or greater) to generate working capital gains by the buyer. This is especially true of large US and European Corporate Buyers that are aggressively pushing small and medium suppliers located in countries that lack well-developed capital markets. Without access to efficient and cost-effective capital, production costs increase significantly and supplier financial risks increase.
- From a large Buyer's perspective, there is a desire to ensure stability of supply as supply chains elongate and spread. Supplier Finance Risk, once the domain of the Finance folks and Procurement in setting up vendors, is now increasingly becoming something that is more actively monitored given the Great Recession of 2008 and the ongoing concern of a future liquidity crisis.
- Technology developments have made it possible to re-position Buyer led SCF from a niche product to a mainstream transaction banking product.

On the Receivable Solution Side:

- Seller centric solutions (such as distributor finance) are enhanced by an increased level of supply chain collaboration and information exchange between buyers, suppliers, banks, insurance companies, etc.
- Globalization of the United States and Western Europe's manufacturing bases has resulted in fewer domestic assets that can be leveraged to generate working capital. Middle Market companies are looking to monetize inventory located offshore to increase liquidity.

Section A

V. Basel III impact on Trade Credit

Basel III will significantly impact the amount of capital required by banks and therefore impact trade finance lending.

Basel III will increase capital ratios and calculations of risk weighted assets (RWA), will set a minimum leverage ratio and liquidity coverage ratio and extra loss absorption capacity of systemically important banks

More capital means increased pricing / scarcer availability

Basel I / II Capital Composition

Tier 1 Capital = 4%
+ Common Equity (2%)
+ Retained Earnings
+ Capital Securities
Less : Goodwill

Tier 2 Capital
+ General Provisions
+ Revaluation Reserves
+ Hybrid Capital Instruments
+ Subordinated Term Debt
+ Undisclosed Reserves
Less: Certain Investments

Total Capital = 8%

Basel III Capital Requirements

Tier 1 Capital = 8.5%
+ Common Equity (4.5%)
+ Common Equity Capital Buffer (2.5%)
Less: Certain significant investments, mortgage services, and deferred taxes
+ Retained Earnings
+ Capital Securities
Less: Trust preferred securities
Less : Goodwill

Counter Cyclical Buffer**= 0 – 2.5%**

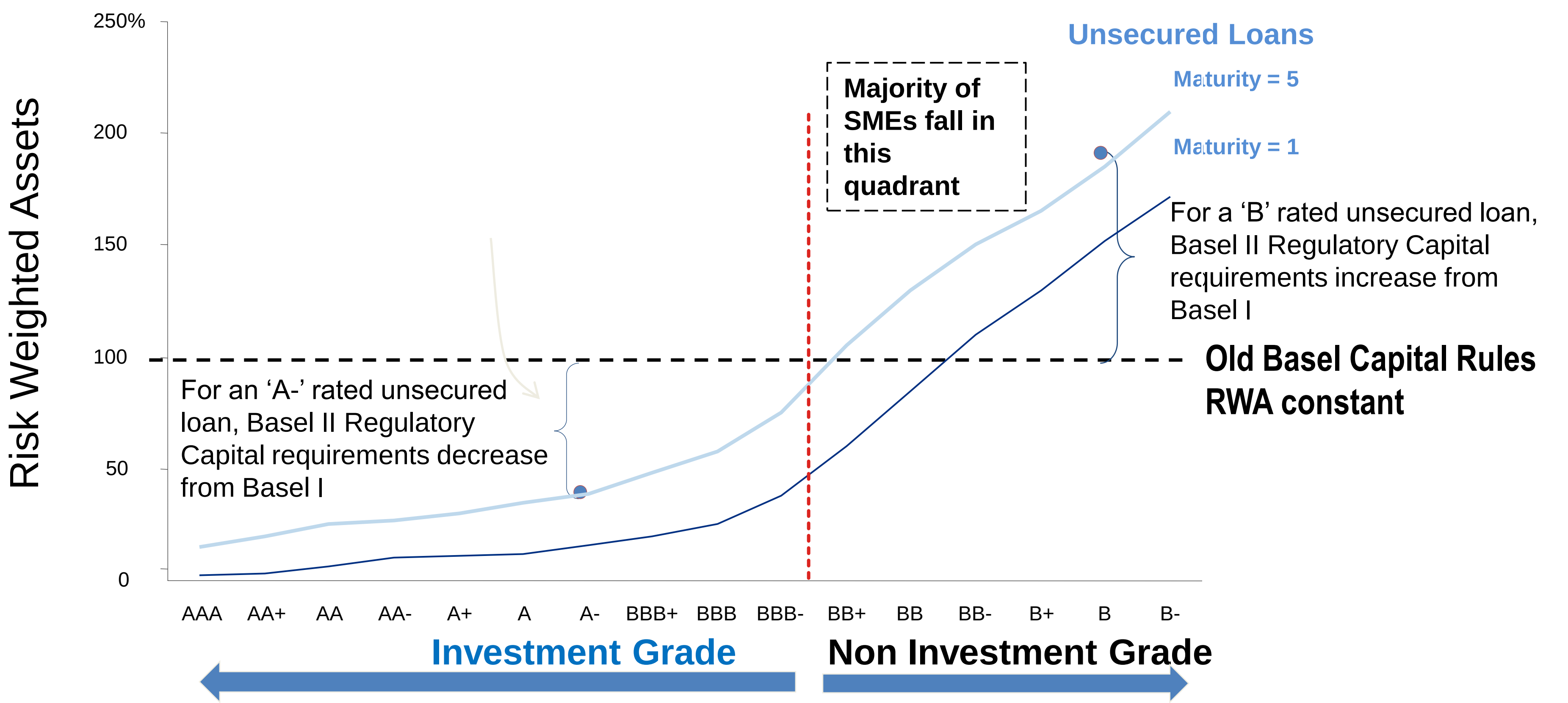
Tier 2 Capital
+ General Provisions
+ Revaluation Reserves
+ Hybrid Capital Instruments
+ Subordinated Term Debt
+ Undisclosed Reserves
Less: Certain Investments

Total Capital = 10.5%

This impact on Trade Credit will be felt in particular on Non Investment Grade, non public, and not rated companies and will increase a Bank's Risk Weighted Assets.

In a simple example, an A- Credit Rating's RWA will be reduced by 50%, but a B rated company will find a 100% increase.

Illustrative



Source: Citibank analysis

As RWA increase, the cost of trade credit increases due to increased capital charges.

Capital Reserves under Basel I

Obligor Type	Amount
Corporate A+/A1	$0.36
Corporate CCC+	$1.80
OECD Bank AA+/Aa1	$0.29
EM Bank BB-/Ba3	$0.72
Sovereign BBB+/Baa1	$0.00
Total Risk Capital	**$3.17**

Capital Reserves under Basel II

Obligor Type	Amount
Corporate A+/Aa1	$0.14
Corporate CCC+	$4.12
OECD Bank AA+/Aa1	$0.09
EM Bank BB-/Ba3	$5.12
Sovereign BBB+/Baa1	$0.34
Total Risk Capital	**$9.81**

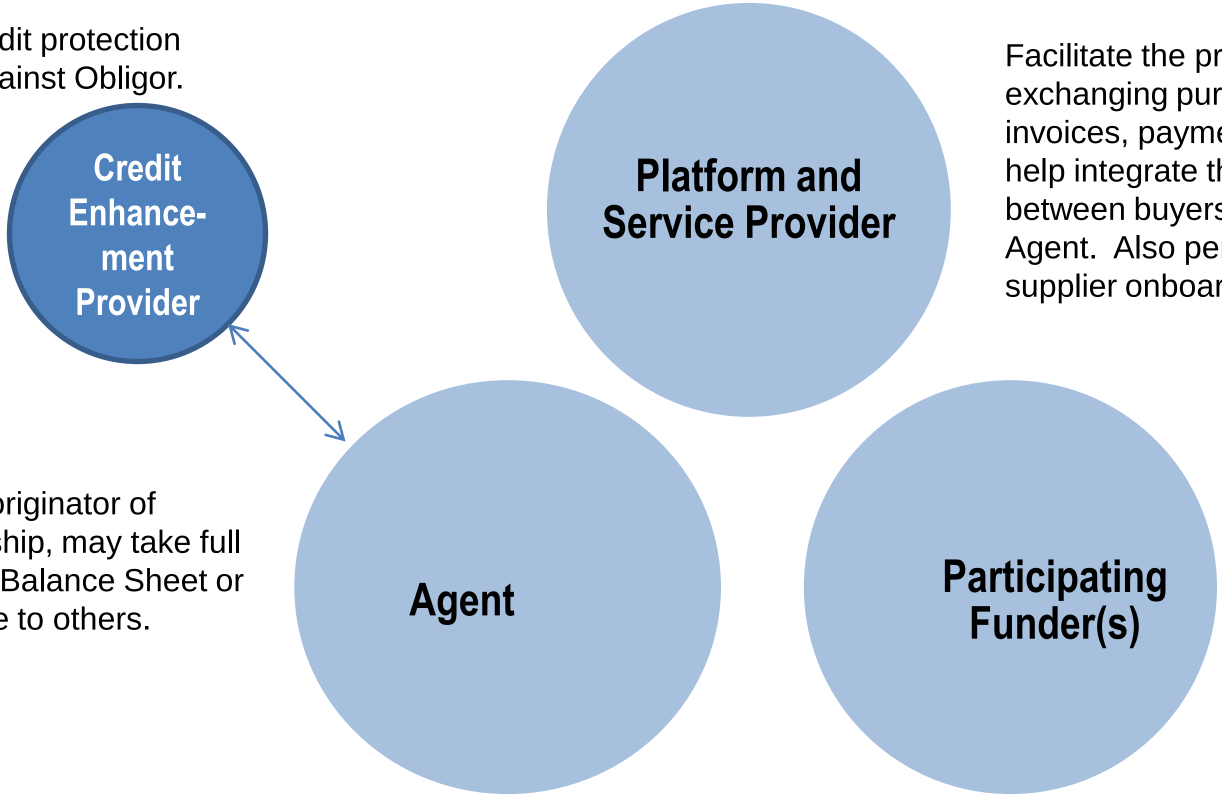
- Basel II Capital Accord substantially increases regulatory capital required for bank trade finance. Capital rules determine Risk Weighted Assets based on Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD) and Maturity (M) Capital will increase substantially for non Investment Grade (non public, etc.) companies as seen by the illustration below. Investment Grade companies will find capital decreases.
- Basel III is more punitive.
- Banks are now determining credit products, policies, tenors, and pricing based on the new Basel III capital rules. The old capital rules where product driven.

Section A

VI. Solution Provider Segmentation

There are three primary players for Buyer-Led Solutions.

Buyer-Led SCF Solution Providers



Provide credit protection services against Obligor.

Facilitate the process of exchanging purchase orders, invoices, payments, etc. and help integrate this information between buyers, sellers and Agent. Also perform the supplier onboarding function.

Primary originator of Relationship, may take full credit on Balance Sheet or Syndicate to others.

Relationship with Agent Bank to fund deal based on predefined parameters (eg. 2% of Walmart risk, or suppliers in certain geographies.

Note: Platform Providers can be Banks or Non Banks.

In addition to the previous solution providers, Seller-Led Solutions can involve additional players.

Solution Providers for Seller Led Solutions

Categories	Definition	Focus:
Information Enhancement Providers	Information Enhancers take physical move data, and merges the data to give investors a better set of data to make underwriting decisions.	Typically include verifying, aggregating, analyzing and presenting data in a way that can help Funding providers make solid underwriting decisions on trade flows between parties.
Credit Enhancement Providers	Credit Enhancers encompasses a variety of provisions that may be used to reduce credit risk and thus support trade financing.	How does insurance help increase advance rates for receivables and how are the dynamics changing in the market?
Deal Aggregator	Help originate SCF deals by putting together credit insurance protection to vendors receivables portfolio along with details around the servicing of the financing program. Are not involved in actually funding the deal.	Originating deals for Funding Providers. Tend to work on a cooperative basis with banks.

Below are example companies in various Supply Chain Finance segments.

Platform Providers

SCF technology platforms sold to banks and large corporates

- **Examples**: Kyriba, PrimeRevenue

SCF / Factoring platforms sold to Financial Institutions

- **Examples**: CGI, Fundtech, Misys, Premium Technologies, Codix, Fidis

Letter of credit and Open account platforms

- **Examples**: Banks, TradeCard

EIPP Platforms

- **Examples**: Ariba, ERP systems

Information Enhancement

Logistic Providers

- UPS

Global Trade Management Supply Chain visibility firms

- **Examples**: CDC/ TradeBeam

Buyers and their partners

- **Examples**: Wal-Mart, Home Depot

Credit Enhancement

- **Examples**: Atradius, Coface, Euler

Funding Providers

Banks

- **Examples**: Deutsche Bank, RBS, Standard Chartered, HSBC, GE Commercial Finance

Non Banks

- **Examples**: Orbian, Factors, Private Placement, Hedge Funds

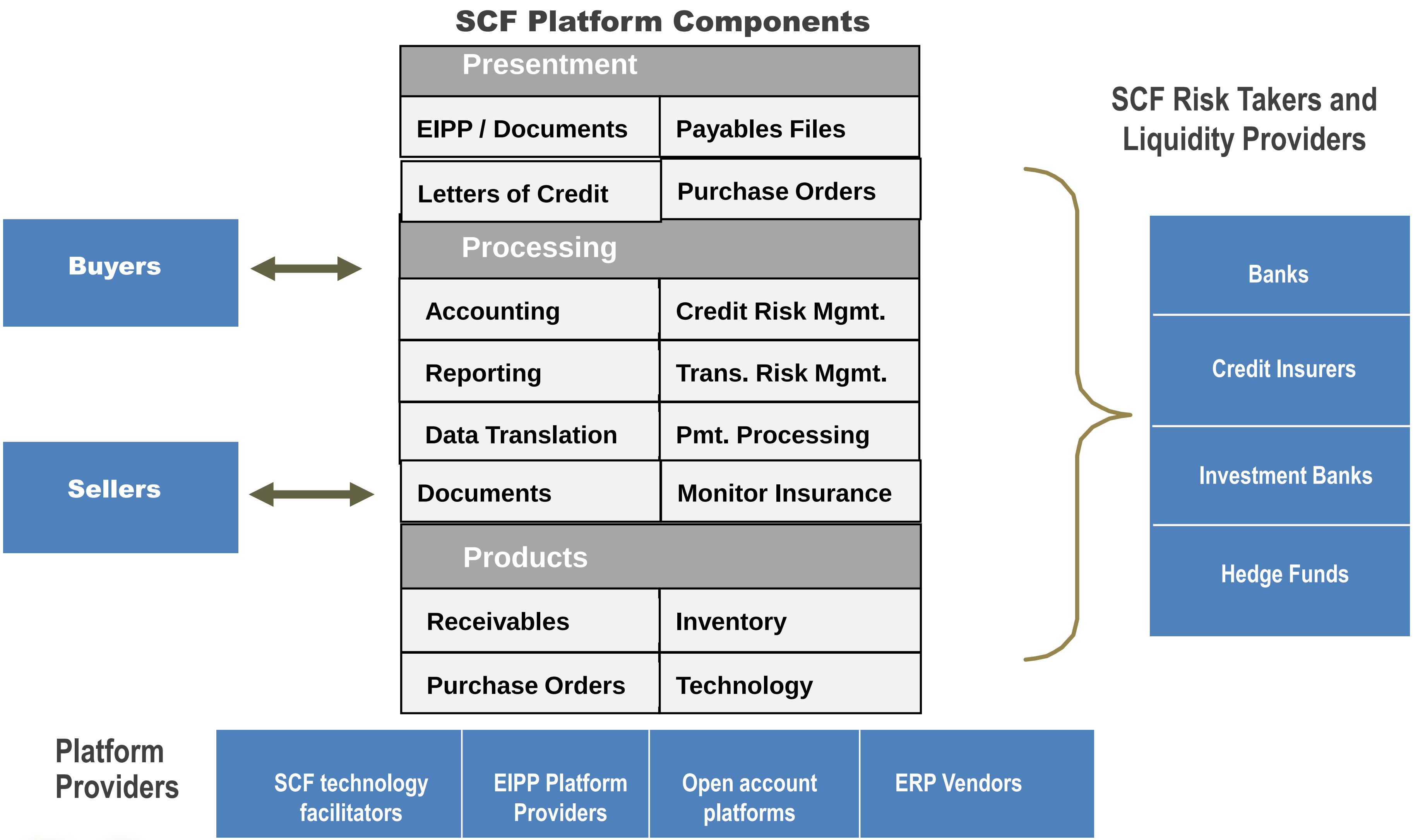
Specialized Funds

- **Examples**: Crecera, Rosemount

Exchanges

- **Examples**: Receivables Exchange (USA) MarketInvoice (U.K.)

Platform providers provide the necessary applications (payables, receivables, EIPP, etc.) to help feed key liquidity and risk providers.



Presentment and Processing are two key components out of any Supply Chain Finance platform.

SCF Platform Components

Presentment	
EIPP	Payable Files
Letter of Credit	Purchase Orders

Processing	
Accounting	Credit Risk Mgmt.
Reporting	Trans. Risk Mgmt.
Data Translation	Pmt. Processing
Documentation	Monitor Insurance

Presentment:
The various parties to the relationship need a way to interact with the solution. Best of breed leverages the presentment capabilities of an EIPP platform for Buyers and Suppliers, dispute resolution, etc .and the SCF platform required for banks and risk managers. Presentment could include functionality around EIPP (Invoice), Letter of credit data, Purchase order and or Payable files.

Processing:
Invoicing, matching, reconciliation, payment processing, cash application, Letter of Credit processing, documentation platforms and currency management are all part of processing. Three of the critical sub-components are discussed below:

- **Credit Risk Management**: The risk of Buyer insolvency and the risk thereon is well managed by banks, insurance companies and specialized investors. The challenge is having a good way of pricing and tracking transactions within SCF solutions.
- **Transaction Risk Management**: SCF solutions also need to manage transactional risk, including supplier fraud, payment errors and over-payments. This area also covers tapping into logistic information to perform transactional risk management when necessary.
- **Monitor Insurance:**
  For Open Account Finance, a communication link between the banks, import factors and insurance providers is necessary when sellers finance trade with credit insurance.

Service Providers must perform Supplier On-boarding services, which involves Analysis & Design, Education, and Execution.

Design | **Execution**

Segment-ation
- Segment suppliers into different categories to tailor on-boarding process.

Deter-mine Strategy
- Analyze trend spend data
- Develop detailed plans
- Plan site visits
- Plan buyer support materials

Supplier Diligence
- Lien Data searches
- KYC searches

Communi-cation
- Web based sponsor demos and education

Site Visits
- Meet key staff at supplier to discuss
  - Bank pledges
  - Receivable finance methods
  - Use of Insurance
  - WACC / cost of debt

Negotiation
- Finalize rate and conditions of program

Setup and Training
- Password and ID set up
- Platform training
- Procedure changes in A/P Shared Service Center

Support
- Post site support using various telephone and internet tools
- Supplier Retention

Information Enhancement providers perform collateral management and provide one or more of the following functions.

Risk Components	Description
Integrating Logistic Data	The management and tracking of the physical movement of cargo is critical to track movement of goods. Logistic providers are long on information – collateral, pending orders, pending receipts, etc. The logistic provider collects information about goods movement and provides this data to the funding provider. Logistics expertise becomes critical to manage problems whenever they inevitably arise (ie, rejected goods, buyer insolvency during shipment, etc.)
Collateral Management	What logistic providers offer is the ability to manage and seize Collateral. They have the ability to have access to data to potentially manage collateral for lenders. This is critical to enable 3rd party lending in the supply chain.
Tracking Insurance and Financial Management	There is some form of Risk management done through the use of trade credit insurance to mitigate trade risk through cargo, credit and transaction dispute insurance. For receivable solutions, Insurers have started to work with banks tracking the insured nature of the receivables they are lending against. What is required is a very clear picture of the state of the insurance, the buyers, and the limits that are in place.
Funding	One of the most exciting aspects of the merging of physical and financial supply chains is the ability to trigger liquidity off a set of milestone events. Information Enhancement managers may also take a proportional share of funding risk so the Risk Takers feel they have some skin in the game as well.

For Funding Providers, Supply Chain Finance impacts traditional credit in some significant ways; below we look at three major credit processes and the impact.

I. Loan Origination

- **Underwriting standards**: SCF by definition involves transactional finance. Outside of specific lending for Trade Finance, banks lending model is done via a relationship management model using credit facilities.
- When it comes to trade, the challenge the banking industry has is that most companies, especially manufacturers and brand companies, no longer make their products, but use a web of 3rd party relationships, many offshore. Banks have a difficult time with offshore collateral. The challenge banks have found is that for many of the supply chain partners of their customers, they may not have adequate information to bank them.

II. Back Office Administration \ Risk Management

- **Perfected Liens**: With Open account trade, many risks are inherent but the trick is how to perfect a lien on the receivable, particularly in overseas transactions.
- **Integration with Credit and other risk management players** - Insurers have started to explore with banks tracking the insured nature of the receivables they are lending against, so that it is actually asset based lending, or factoring or an invoice discounting operation. What is required is a very clear picture of the state of the insurance, the buyers, and the limits that are in place.

III. Funding

- **Portfolio Concentration** – Given the risks and capital required in financing a supply chain, a closed loop model of finance will limit financing options based on the capital restrictions at banks. Banks cannot finance one company's supply chain (eg. Nestle spends $70bn on procurement)
- **Information**- Credit intermediation and credit risk pricing are the principal roles of the banking sector and is its core competency. For Supply chain finance, advance rates can be a function of certain triggers or milestones that are met. In order to intermediate capital, information (e.g. cargo movement) is critical.
- **Basel III's impact on credit pricing**: Trade finance consume more capital given counterparties are generally non investment grade

At the moment, the market is small for Trade Risk Distribution to non banks (ie, hedge funds, insurers, pension funds) due to specific regulations and End Investor requirements.

- Many of the Hedge Funds don't originate deals, but have a fund that buys trade paper.
  - Non-bank money can provide a much-needed alternative source of liquidity for the trade finance market, including Silent Confirmations and direct lending in Commodity transactions.
  - Today, this market is very small.
- The challenge is that Trade Receivables have the following characteristics, making them hard to sell to secondary sources:
  - They are difficult to Mark to Market
  - They are Illiquid
  - Disputes can arise
  - They are difficult to source easily (most obvious source are Banks).

- An example of funds established for trade include:
  - **BlueCrest** invests in bank trade paper;
  - **Crecera** provides structured loans to Latin American export companies through funds.
  - **Rosemount Capital Management** which has established a hedge fund dedicated to trade finance globally;
  - **Eden Rock Capital Management** capitalizes on the returns available from asset-based forms of finance;
  - **International Investment Group's (IIG) main IIG Trade Opportunities Fund (TOF)**, which invests in global commodity trade finance transactions;
  - **Octave-1 Fund**, which invests in inventory finance, trade finance, and asset-backed securities

Section A

VII. Buyer Centric SCF solutions

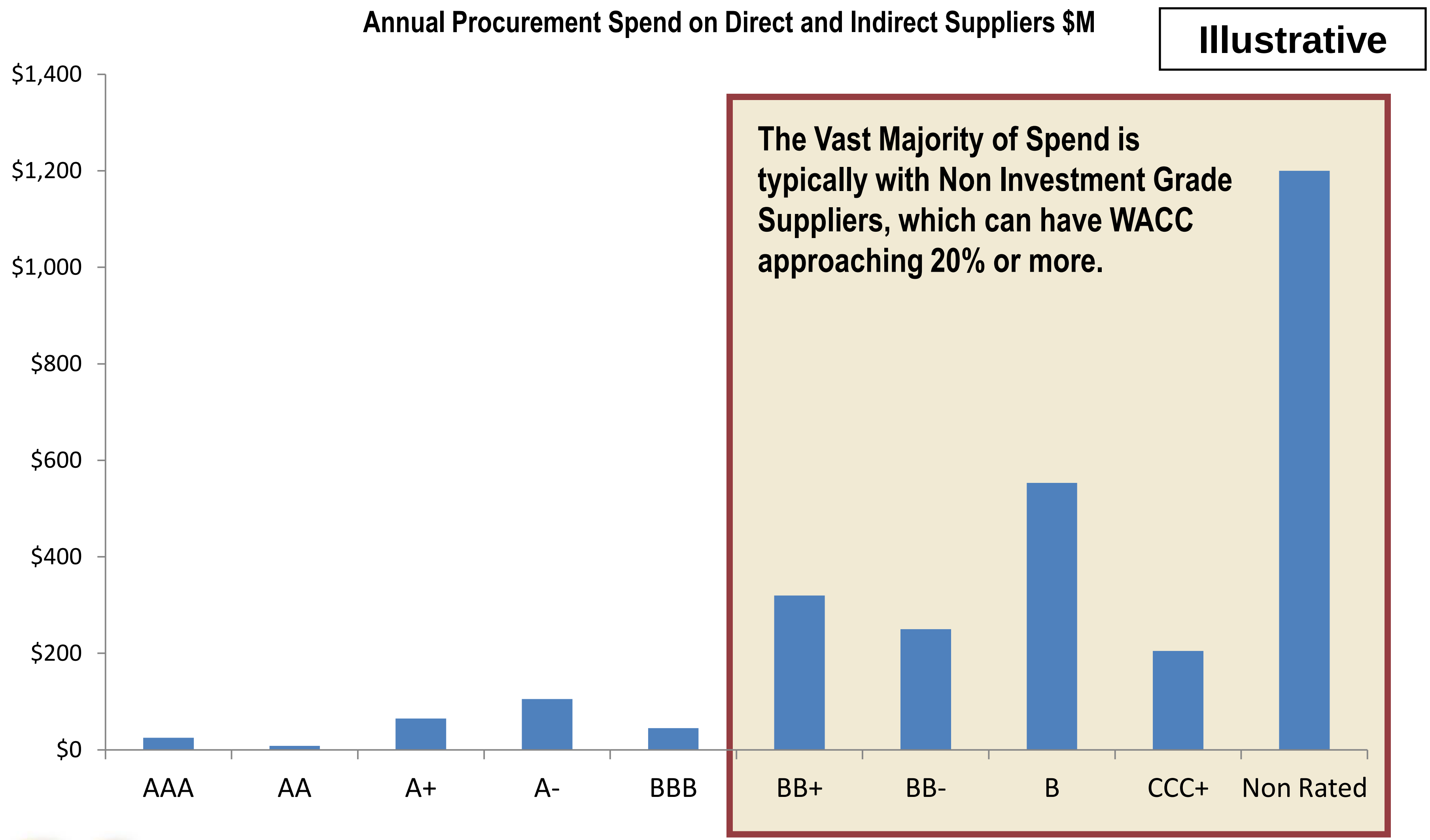
1. Corporate Payment Options

A typical Large Corporate will now segment their Supply Base (Direct and Indirect) into key segments. This impacts how banks need to address financial payments and credit.

A typical Fortune 500 with 160,000 suppliers (of which 10,000 are for production and 150K our indirect) may have the following Segmentation:

Example Supplier Segments	Comment	Financing Need
15 "Innovators"	Top Relationships – share Intellectual Property, business plans, and strategy.	Typically very strong suppliers that do not need financing.
50 Joint Business Development vendors	These suppliers grow where the large corporate grows (ie, Emerging Markets, BRIC, etc.)	As Anchor company expands into new markets, need these suppliers to grow with them.
Top 10 suppliers by category	As an example, cocoa may not be an important ingredient to the Corporate, but may be very important to one of their main brands.	May be opportunities to use Corporates Balance sheet to help suppliers (early pay, SCF, etc.)
Top 500 vendors after the above	These are typically large counterparties.	Opportunities to use Corporates Balance sheet to help suppliers (early pay, SCF, etc.)
The "Rest"	Business as Usual – eRFP, auctions, etc. These suppliers are probably referred to as SMEs- Small, Medium enterprises.	Suppliers that probably need the most help: • Distressed buyers, Non IG rated buyers • High servicing costs • Risks and fraud controls • Lack of adequate information problem

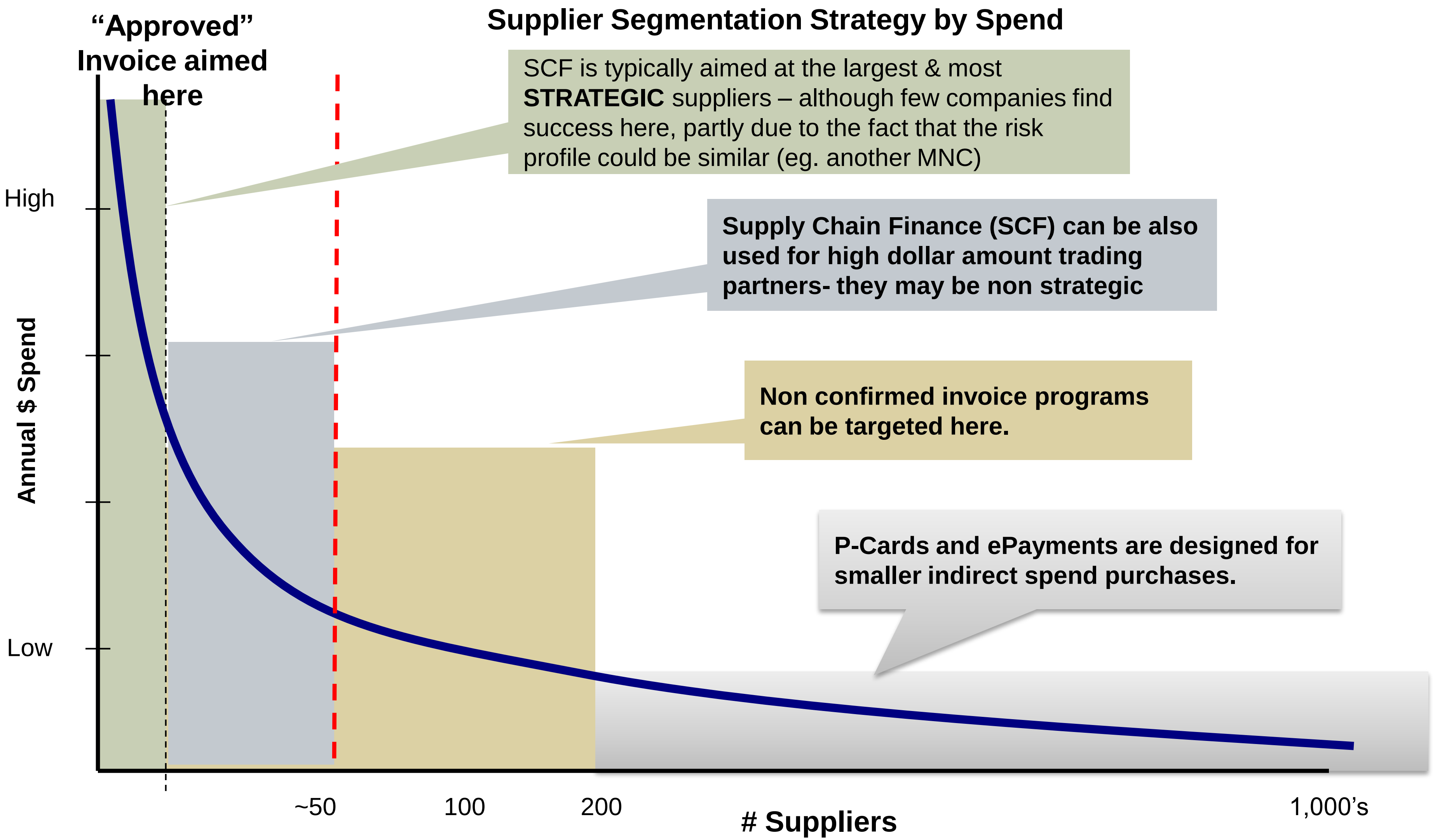
In addition, a typical large Corporate will spend a significant portion of their Procurement dollars on Non Investment grade suppliers.



Corporations have a few payment options when looking to support their supplier base.

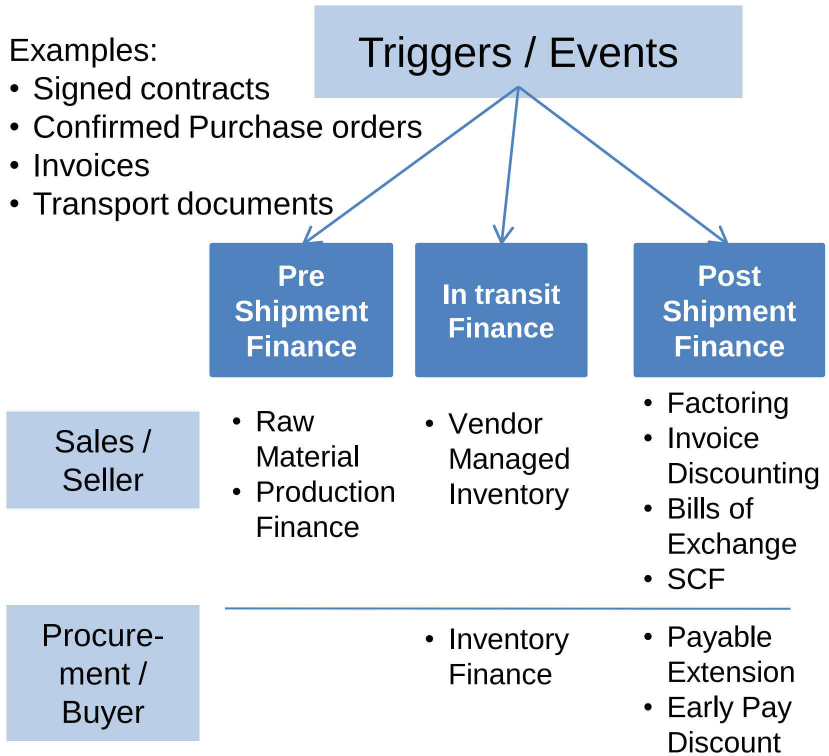
Payment Option	Primary Use	Funding Issues
Pcards	Established proposition that is associated with small suppliers and low dollar invoices due to the expensive nature of program (from suppliers perspective)	Funded by Third Party
Early Pay Programs including Dynamic Discounting	• Because EPD programs charge suppliers very high financing rates (1% to 2% of invoice value, equivalent to 18% to 36% APR), these programs aren't applicable for larger and/or direct material suppliers and large Indirect suppliers (ie, Logistics), which is where the majority of spend is for manufacturers and retailers.	• Many large corporates have a strong enough balance sheet to self fund early payment to their supply chain, and have record cash balances. Discount received from Suppliers replaces income earned by investing surplus Treasury funds. It is considered a risk-free return, and returns can be significant given APR.
Supply Chain Finance buyer programs	These programs are typically focused on large spend Suppliers, which promote scale in the business model. When buyers extend payment terms to their suppliers, the suppliers may have limited access to short-term financing and, therefore, a higher cost of money. This cost shift to suppliers could result in a financially unstable and higher-risk supply base.	Funding can be provided by: • Corporation, although few companies we know self-fund • A Single Bank • Syndicated by lead Platform bank / non bank • Multiple platforms/ multiple banks • Tiered, Pro rata or some other multi-bank funding model • Note structure (ie, Orbian)

These payment options tend to get segmented based on size of spend.



The thought behind SCF is that there are various events or triggers in the supply chain that can be used to release cash. In addition, these triggers can be used across the supply chain to reduce cost of financing for that chain.

SCF Lending Framework



- **Pre Shipment Finance** – liquidity & financing before shipment. Target the early stages of the supply chain before the invoice is issued to the buyer, require banks and other providers to have a deeper understanding of their customers' supply chains and the relationships between buyers and suppliers in those chains. Advance rates are a percent of the Purchase Order. Typically requires pre-shipment insurance in case of buyer bankruptcy.

- **In Transit or Vendor Managed Inventory** – Generally the domain of the logistic providers who work with the Buyers and their factories using web based applications to manage the order and fulfillment process. From discussions with logistic providers, inventory moves so fast that there may not be a huge need for finance, especially in the high tech sector.

- **Post Shipment – pre Acceptance; Invoice not approved by Buyer** – This type of financing involves limited recourse purchase of trade receivables from seller, by taking payment risk of the buyer, with or without credit insurance.

- **Post Shipment – Buyer Approves Invoice and submits to platform**. This is commonly known as Payables Finance, Reverse Factoring, Confirming, etc. Approved Payables Finance.

The concept behind Buyer-Led Supply Chain Finance is to arbitrage Capital across a large Buyers Supply Chain, providing funding at a lower cost than the suppliers Weighted Average Cost of Capital (WACC).

Emerging Market Corp
- Cost of Debt LIBOR +700 bps
- True cost of capital very high due to limited sources of funding (20 + %)

Note: rates are indicative

OEM Market Corp
- Customer below or at BBB
- Cost of Debt LIBOR +400
- Cost of capital 10%

Rated Corporate
- Customer higher than BBB
- Cost of Debt LIBOR +200 bps
- Cost of capital +7%

Retailer
- Cost of Debt LIBOR +500 bps
- Cost of capital +15%

- WACC is defined as a firm's cost of capital in which each category of capital is proportionately weighted. All capital sources - common stock, preferred stock, bonds and any other long-term debt - are included in a WACC calculation. www.investopedia.com/terms/w/wacc.asp#ixzz1qGhWhfue
- In theory, any Buyer-led program should be compared to the suppliers' WACC, or in some cases even the discount rate on cash discounts, rather than their cost of debt (interest rate on bank loans). This is theory. In practice, many times this is compared to the cost of debt. Even so, there is often a financing cost arbitrage even in cases where suppliers have the same or even somewhat better cost of debt. This comes from the fact that SCF typically provides off-balance financing to the suppliers.
- Investment Grade corporates, whether they are suppliers to large buyers or large buyers themselves, typically have WACC which are less than 10%.
- However, the less financial arbitrage, the higher the requirements on a clear strategy and effective communication/argumentation from the buyer's purchasing organization for a successful program.

Few Financial Institutions aggressively offer Pre-Shipment Finance given the three major risks to manage.

<table>
<tr><th>Risk Categories</th><th>The key question is there a way to leverage buyers credit rating for Pre Shipment finance and manage the production and shipping risk?</th></tr>
<tr><td>Supplier Financial Risk</td><td>• Funding providers lack information on supplier performance, so their source of information comes from:
– Third party inspections (eg. SGS inspections)
– Having the buyer provide references
• We have not found buyers willing to share Vendor Scorecard on metrics such as on-time deliveries, cycle time for orders, % loss / damage / short / not saleable, etc. This data is a strong indicator of vendor performance and risk.
• The concern is fraud, in that Suppliers may be able to double dip, using the PO financing, plus access to local bank working capital.</td></tr>
<tr><td>PO Change Management</td><td>• Purchase Orders may be amended multiple times based on industry and good type. The changeable nature, lack of guarantee features and control elements like time for shipment make this a fluid document. Goods at this point have <u>not</u> been manufactured, matched to specification or quality inspected, and therefore, buyer-led facilities rely heavily on suppliers historic performance.
• More and more buyers are going to shorter order cycles, which puts additional pressure on suppliers.
• Some banks lack a complete end to end electronic document or data feed visibility to manage this process.</td></tr>
<tr><td>Buyer Credit Default</td><td>When Banks advance 80% against the PO there is typically some form of “pre-shipment insurance” in the event the buyer files bankruptcy before the seller ships but it does not cover performance risk of the seller.</td></tr>
</table>

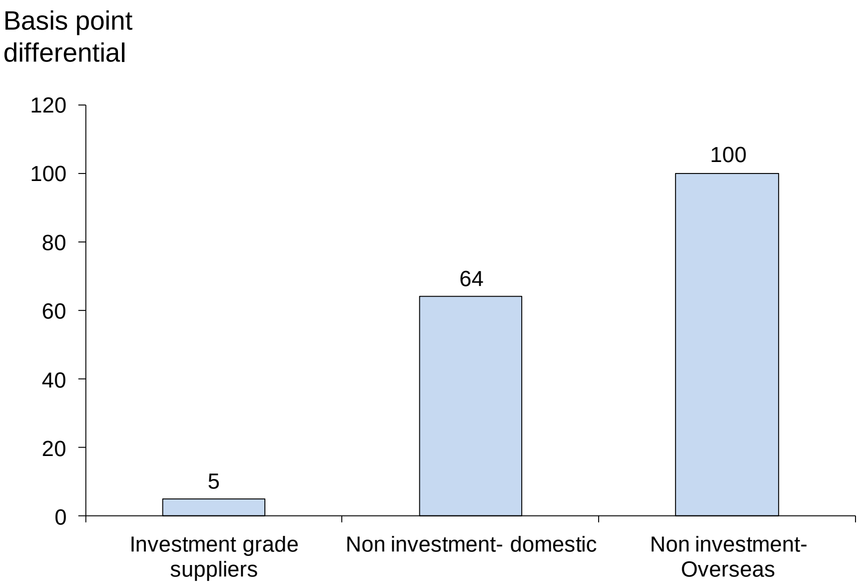
Post Shipment Approved Invoice Programs are targeted at supply chains where the contract manufacturers have a higher cost of capital than their large buying partners.

Credit Ratings of Select Consumer Electronics Brand Owners and Contract Manufacturers

Credit Quality	Contract Manufacturer	Brand Owners
Investment Grade	Very Few, mostly very large Asian names such as Hon Hai and Jabil	Dell Apple Motorola Philips Cisco
Non Investment Grade	Flextronics SCI-Sanmina Solectron Celestica	Kodak Xerox

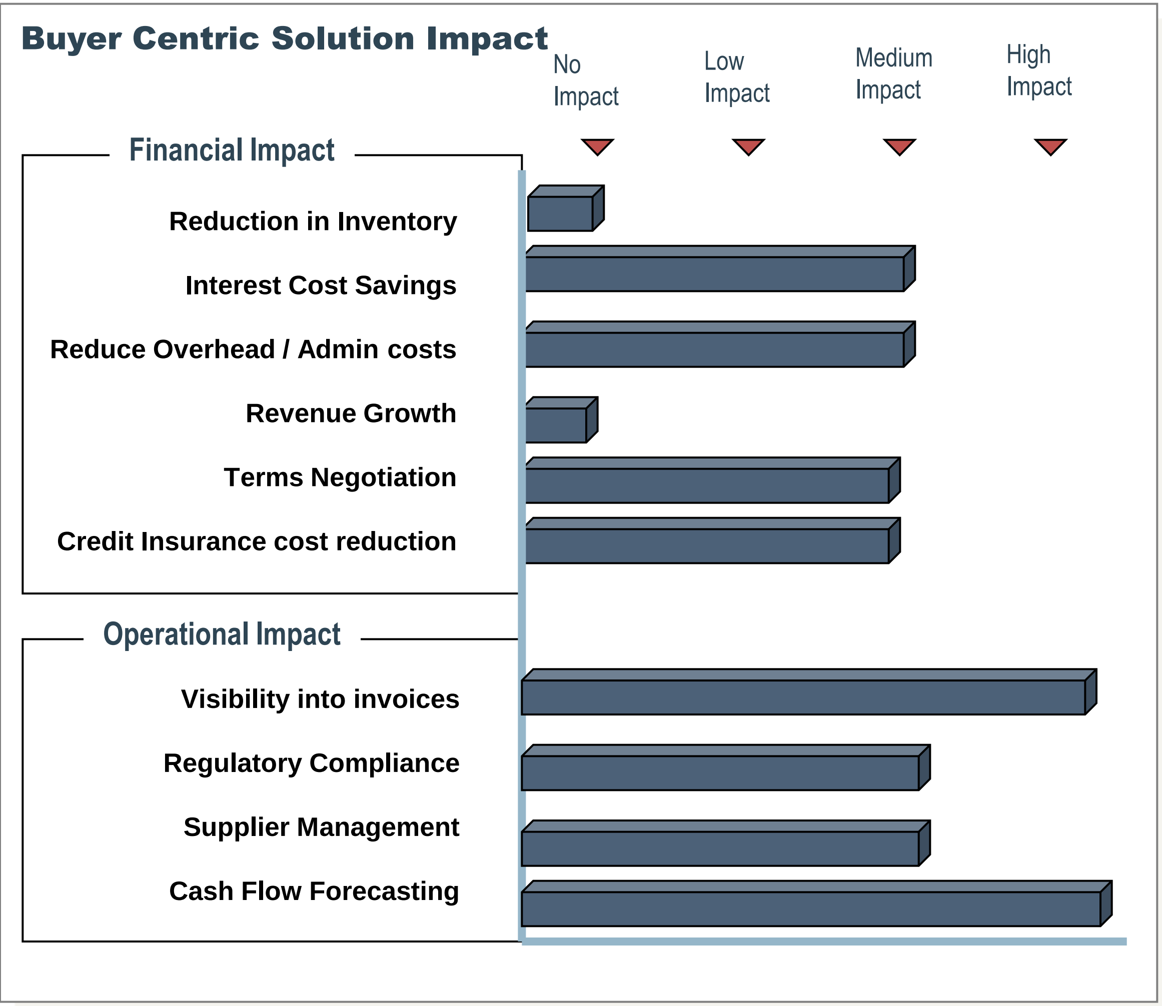
Example 90-Day corporate bond spreads between Major buyer and select major suppliers

Illustrative



For companies with investment grade ratings, the cost differentials between non investment grade suppliers, particularly overseas, can be significant.

This solution is a win-win for everyone, as the Supplier receives a number of benefits and the Buyer gains the option to work with their supply base on price and terms.



BENEFITS FOR SUPPLIERS

Financial Impact

- Faster inbound cash flow, due to early settlement of invoices.
- Off balance sheet, non-recourse finance
- Where the supplier is a SME and the buyer is a large credit-worthy corporate, the cost of finance will often be lower than the SME might normally achieve on a stand-alone basis.
- No longer necessary to take credit insurance against insolvency, further lowering the cost of sales.

Operational Impact

- Free supplier payments for the buyer.
- Cuts the cost of processing and reconciling supplier payments and gives the buyer improved visibility of outbound cash flow.
- The bank takes on the administration of distributing funds to suppliers using the most efficient and cost effective means.
- Easy set-up, done through a web-portal

The Supplier's "Non-Rate Arbitrage" Benefits can also be significant under a SCF program.

Cash Flow Certainty

- 1/6th of A/R held as hedge against uncertainty*
- Assumption: Cut 75% of uncertainty cost

Cuts 75% of uncertainty costs*

Sale of receivable structure

- Off balance sheet, unsecured, no covenants, etc.
- Expands and diversifies sources of liquidity

Worth 25bps on A/R balance*

No additional fees

- 10-75 basis points just in loan commitment fees
- Plus no application fees, audit fees, legal fees, etc.

Worth 25bps on A/R balance*

* Source: CFO Magazine

Examples of Large Buyer-led Corporate SCF Programs include the following:

Wal-Mart	November 2009 announced their "Supplier Alliance Program" in which approximately 1,000 suppliers, primarily in Apparel, can sell Wal-mart invoices in a supply chain financing program and receive payment within 10-15 days (compared to typical 60-90 days) at interest rates based partly on Wal-Marts AA rating.
Kohl's	July 2009 Kohl's Corp offered 41% of its supply base the option to sell Kohl invoices in a supply chain finance program, including merchandise and procurement suppliers.
Unilever	Implemented a SCF program with Barclay's in South Africa and Kenya to support tea purchases. Unilever managed to achieve a success rate of close to 87% in the process of supplier on-boarding.
General Mills	SCF is rolled out with large grain suppliers as the first focal point. The second wave of implementation focused on spend categories like ingredient and packaging suppliers while categories outside direct materials, including warehousing, are planned. Use Orbian and SAP Financials to run program.
Rolls Royce	Supplier Finance is being offered in partnership with Citibank. Payment on approved invoices are several weeks earlier than under Rolls Royce normal payment terms. It comes as part of our overall policy of moving to weekly electronic settlement for all suppliers globally. The Program is available to suppliers across the globe that has business with Rolls Royce valued at more than $150,000 per annum and is available to suppliers paid from our N.A. and European Finance Service Centres.

Section A

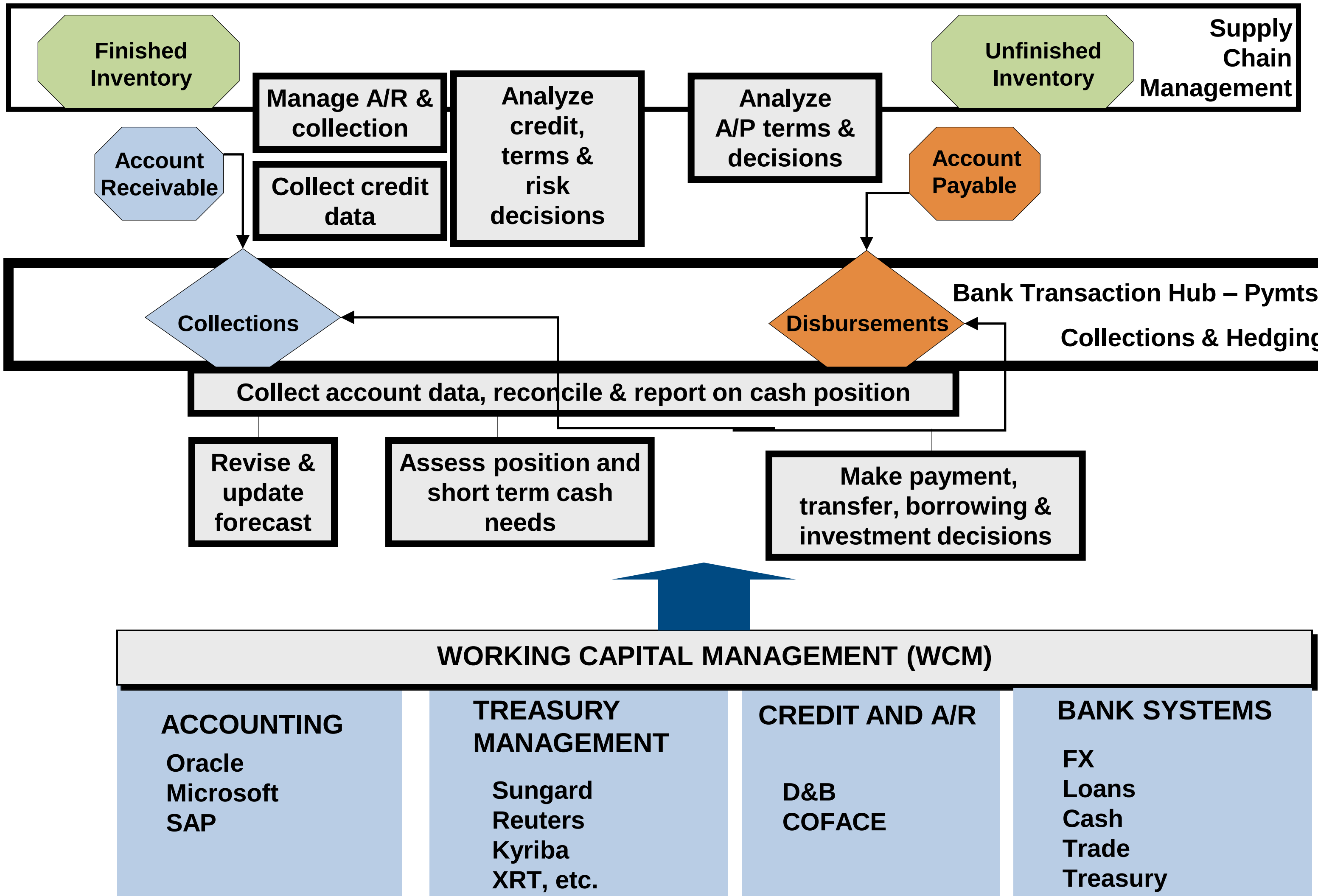
VII. Buyer Centric SCF solutions

2. Corporate System Issues

Corporates and Banks need to focus on linkages of disparate corporate information and process flows to support a Working Capital environment.

Corporate and Bank Data flows

Corporate Systems



This generally means integrating with Corporate ERP systems.

- Traditionally, the Financial Supply Chain refers to the transactions that occur between trading partners that facilitate the purchase of and payment for, goods and services (ie, sending purchase orders, advanced shipment notices, invoices, payment messages, etc.) With SCF however, the focus is on creating liquidity in the supply chain through various Buyer or Seller led solutions with or without a facilitating technology.

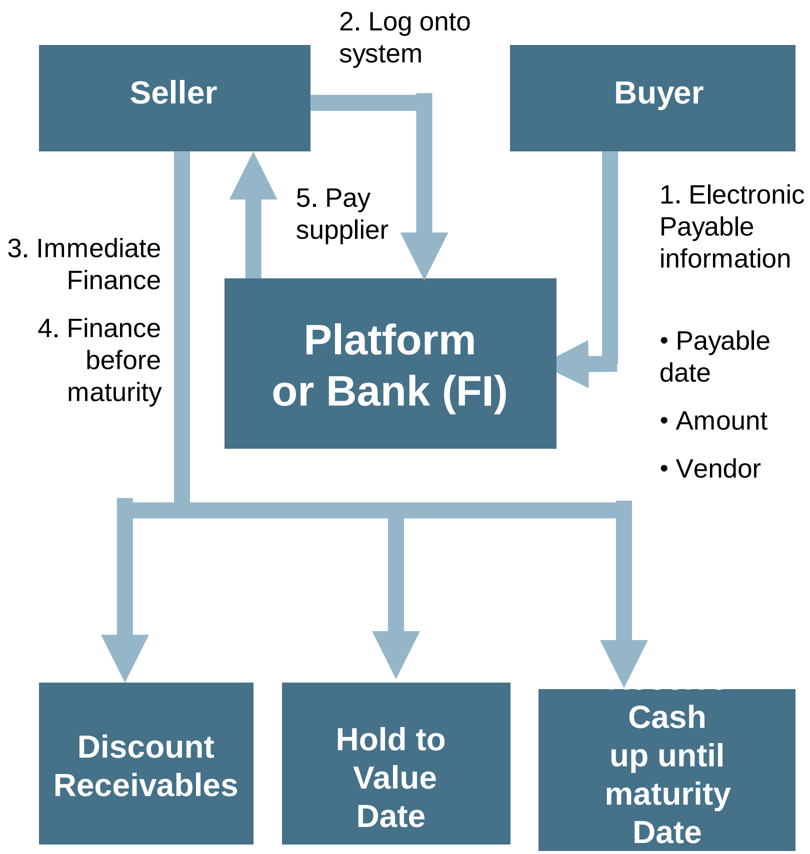
- Corporates invest millions of dollars in their ERP systems. Most large corporates have implemented standardized processes around Order to Cash (O2C) and Purchase to Pay (P2P).

- Supply Chain Finance solution providers must be able to integrate based on the P2P and O2C process in place:
  - If the customer has basic systems to handle their POs and invoices, then the supply chain finance technology platform must create a layer to manage both POs and Invoices. This will create value before providing additional SCF functionality.
  - If the customer has an ERP PO and Invoice management system, then the SCF solution must be absolutely able to work with the PO and Invoice data created in the ERP system before returning AP/AR transactions back.

- The challenge is how to integrate bank and non bank SCF offerings and create cash through the supply chain trading balance sheets.

Buyer-Led SCF is typically done by ERP uploads to a platform. The process is very automated and uses a Bank or Non Bank Platform to manage approvals, requests, notifications, etc.

High Level Payables Backed Supplier Finance Business Model



This structure works equally well for both domestic and international trade.

- **Buyer Initiated**
  - **Confirms payment obligation**
  - **Buyer provides payment data** -The buyer sends to the bank a Confirmed Payables file specifying the dates on which invoice payments are to be made.
  - **Data presented to Suppliers** -Suppliers are advised by the bank of the amounts and dates on which payments are to be settled on behalf of the buyer.
  - Supplier is notified via Internet (email & website) of payment from Buyer on a future due date and can see settlement details

- **Supplier Value**
  - Visibility Into payment details
  - Certainty of payment (Forecasting)
  - Ability to sell the receivable for cash
  - At maturity of each invoice the bank either makes settlement to the supplier on behalf of the buyer (if no finance has been taken by the supplier) or is reimbursed for its financing using the buyer’s funds in those cases where supplier finance has been drawn

Section A

VII. Buyer Centric SCF solutions

3. Implementing a Buyer-Led SCF Program

The cycle to implement SCF programs can take up to 24 months to yield benefits. The market needs to address how to reduce the cycle time to benefit all parties.

Activity and Time line	Suggestions
6 months to sign up buyer	• Must get key constituents involved sooner in discussions, including Procurement, Treasury, IT, Legal and compliance. • Given how the program is designed, accounting issues need to be flagged and addressed immediately • There is no clear Guidance from the IFRS in regards to reclassification of trade payables to debt. This is something of paramount importance, as large corporates will continue to be conservative. This issue continues to slow down acceptance of these programs and make the set up costs more expensive by enriching accounting firms.
4 to 11 months to get IT to work	• ERP and e-invoicing solutions need to get on the 'IT' agenda sooner. • The ERP system can cause headaches if workflow is not automated, if you are using a shared service center or outsourced payment provider, or you deal with vendors that give 1000s of manual invoices. But this is generally not one of complexity but low importance on the part of the corporate relative to other IT projects.
Up to 18 months to onboard suppliers	• This is not a plug and play solution. Suppliers need to be "sold" on the benefits and additional work needs to be addressed for compliance, lien release, etc.

Total Time from initial Buyer contact to Transaction flow can be 18 to 24 months

In addition to time, there are fixed and hidden costs to implement a Buyer-led SCF program.

Item	Discussion	Cost
Technology Implementation	The cost to implement the SCF technology platform can vary widely but essentially requires taking invoice feeds and uploading to a companies ERP system (or systems). Generally the technology implementation can be done with internal IT resources.	Corporates have indicated costs can be as low as $200,000 to as high as $5M.
Program Management & Onboarding	In addition, they need resources around supplier risk, procurement, and a financial team member to help with onboarding. This generally does not require hiring additional resources but may take ½ to 4 "full time equivalents" depending on the services provided by the SCF technology/services provider and the scope of the SCF program.	Not estimated, but much higher than companies originally expected
Credit Capacity	Does SCF carve into existing bank lines or can funders provide additional capacity? This is an issue for some buyers. For example, a buyer who may be considering an acquisition, share buyback, etc. at some point in the future may not want to reduce the credit capacity they have with their relationship banks.	Depends if incremental credit or carve out
Legal Agreements	This is an obvious one, as there are a number of legal agreements that need to be signed.	Medium
Changes in Payable SSC	Many steps are involved in an A/P SSC when setting up a supplier, and given the size and breadth of companies, this is by no means trivial.	Low to Medium
Auditor opinions	External and internal auditing costs associated with the bank debt or trade payable issue.	Medium
Chargeback processing	While Chargebacks are a common business practice in Retail, they also occur in Manufacturing and Consumer product goods. The accounting practices vary and SCF can have a minor or major impact on these practices.	Low to Medium

There are three key areas to address when considering a Buyer-Led Finance Program – I. Discovery; II. Design; and III. Execution.

Issues to Address	Discussions points with Procurement, Treasury and Finance executives
I. Program Discovery	• **Governance -** Governance, or the relationship between the people who run the company and how it manifests itself in the operational policies of the company. • **Program Objectives** – to extend terms, reduce cost of goods, provide important suppliers low cost funding options, manage supplier risk, etc. • **Geographies** – location, currencies, etc. • **Counterparty analysis-** segment suppliers into different categories to tailor solutions and determine ROI of various program options. • **Payment Terms and Flexibility** – Understand current initiatives around payment terms with suppliers • **Deductions / Chargebacks** – How do these programs impact their accounting?
II. Program Design	• **Self Funding v. Single Bank V. Agnostic Funding Model v. Multi-Bank** - What is the most appropriate model? • **Credit Capacity** - How does this program impact the credit capacity at a corporate? • **Accounting opinion**– What are the requirements of the program to ensure trade payable debt? • **Platform Selection –** Are there perceived significant differences amongst the choices? What is key in the integration work?
III. Program Execution	• **Supplier On-boarding** – What are infrastructure requirements to on-board suppliers to ensure maximum success? Who performs? • **Incentive structures** – What incentives, if any, are required to ensure success?

I. Discovery– SCF implementation requires the coordination between multiple internal departments.

Key Takeaway

SCF implementation requires the coordination between multiple internal departments. The implementation team would typically involve executives from varied internal departments along with an implementation champion.

Procurement

The procurement team would be involved in:

- Suppliers on-boarding
- Supplier Risk
- Payment Terms Negotiation
- SCF Platform Selection

Other

- **IT –** ERP integration
- **Legal –** Compliance, Accounting Statements

Treasury

The treasury would be involved in:

- Cash Management
- Credit Capacity
- Bank Relationship

Finance

The finance team would be involved in:

- Program Pricing
- Liquidity Management
- Chargebacks, Procedures

In addition to the above three key divisions, SCF programs would also involve the participation of IT, legal and accounting divisions. SCF programs are observed to perform better when the program mandate is driven by the CFO of procurement. The SCF program also requires an internal champion to address resistance that might arise in multiple departments.

II. Design - Multiple SCF Funding Options exist for Corporates to consider.

Supply Chain Funding options

- Single Bank Credit model
- Agent bank with Participating Funders
- Buyer Uses Multiple Bank Platforms
- Multi-Bank (eg. PrimeRevenue)
- Orbian funding option

Supply Chain Finance funding options	Explanation
Single Bank Balance sheet model	■ In this type of funding option, a single bank acts as the source of funding. ■ Single Bank balance sheet lending can restrict program capacity due to changes in limits, supplier exclusions, Basel II constraints, etc.
Agent bank with Participating Funders	■ The lead platform bank manages the pricing band of the buyer while a participant bank not involved in the credit work can also be used as an additional source of funding.
Buyer Uses Multiple Bank Platforms	■ Buyers choose multiple banks as funding sources thereby utilizing multiple platforms of these banks. Each bank is responsible for an agreed list of suppliers. ■ For example, Autozone, Walmart and others have elected to use multiple banks which requires them to use multiple platforms.
PrimeRevenue funding model	■ The buyers, suppliers and financial institutions are linked to a common network through the SCF platform provided by PrimeRevenue. In this model, the suppliers trade the approved invoices for which they require early payments. ■ Each bank affiliated with PrimeRevenue gives parameters of what they will take (price, tenor, currency, etc.) and total exposure. ■ This platform enables the direct participation of multiple banks in the buyer's SCF program.
Orbian funding model	■ Orbian offers both finance and technology platform for SCF program. Unlike other non-banks that offer only a technology platform, Orbian has a trust-enabled funding structure. Orbian provides funds by selecting from a global pool of lenders for direct program participation thereby providing access to multiple sources of capital.

II. Design - There are three key issues to address around funding.

1. **Given SCF is an uncommitted credit product, how do you manage if funding partners suddenly change their credit policies and limits?** Single Bank balance sheet lending can restrict program capacity due to changes in limits, supplier exclusions, Basel II constraints, etc. No market share data exists on funding options. Prime Revenue indicates 60% of their programs are single banked (versus 40% multiple banks). While single bank programs can be big (we know of programs that are $500M and $400M outstandings with one bank) most corporates recognize the benefits of multi-bank.

2. **How to ensure enough capacity for the future?** One senior trade banker commented that, "*the challenges are the big users often have house limits accounts for their banks, that is they are right up at lending limits. So to carve out a lot of new lending is a big challenge*."

3. **Do funders have the ability to handle key large suppliers?** Suppliers have different issues around liens, credit agreements, KYC, etc.

II. Design - Multi-Bank funding options help manage risk of Single Funding dependencies

- **Deal size -** In some cases, the size of the mandate makes it necessary to involve more than one financing party.

- **Client's wish for independence -** corporates (MNCs), may want to avoid making the program too dependent on a single financier. Since most of the SCF structures do not foresee the specific commitment of a credit line from the financing institution, in order to circumvent accounting issues at the obligor's side, the customer is de facto trusting his bank to fund the program long term on the basis of a gentleman's agreement. Given the turbulent times that the finance industry has been experiencing since 2008, there are very few big corporations that are ready to take such a leap of faith.

- **Business relationships -** Like in many other types of banking business, also the set-up of a SCF deal requires particular care to preserve the balance among established financing and transaction banking partners.

- **Geographical coverage and supplier on-boarding** - Another challenging aspect of international SCF mandates concerns supplier on-boarding. Financial institutions have to be able to approach suppliers in all the relevant countries and jurisdictions, performing the necessary know your customer (KYC) procedures, providing legal documentation compliant with the local regulations and offering an adequate support in the local language

II. Design - The Trade Payable vs. Bank Debt issue is still an issue as there is no clear guidance from the IFRS in regards to reclassification of trade payables to debt.

Question - Are SCF Buyer-led programs Bank Debt or Trade Payable Debt?

- Despite a number of years of implementation, the bank debt v. trade debt issue of Buyer approved invoice programs is still an issue.
- Programs that have been put in place generally have the following characteristics to comply with auditors to keep the transaction as a trade payable:
  - Separate agreements between the Bank and the buyer and the Bank and the supplier, i.e., no tri-party arrangement.
  - The Bank determines the discount rate - not the buyer.
  - The Bank is not involved in any of the discussion between the buyer and the supplier about increased payment terms or reduction in cost of goods sold.
  - The buyer is not guaranteeing a payment to the Bank.
  - The Bank does not share any interest revenues from the discount with the buyer.
  - The manufacturer's regular practice for chargeback is not changed (for example so that no dilution which might otherwise occur in the ordinary course would be permitted for sold/financed payables).
- Despite the above, corporates continue to be concerned. Some large corporates are concerned with issues around credit notes (ie, dealing with returns with suppliers). Another big concern is providing some comfort to suppliers that this form of finance will not be pulled in three months (or some minimum period) thus risking reclassification.
- This issue continues to slow down acceptance of these programs and make the set up costs more expensive by enriching accounting firms. It is time to get accounting guidance on these issues, as these Buyer-led programs have proven to be a viable form of finance to suppliers.

II. Design - Platform Decisions involve the following Buy Criteria and center around Bank v. Non Bank Vendor Platforms

- While you can talk about many decision drivers that impact a Bank or Non Bank analysis, only a few of these really matter.
  - Platform feature / functionality comparison (eg. Number of currencies, ease of use, etc.)
  - Accounting issue – Neutral Vendor or Bank, What does the auditor say?
  - Multi-bank funding model implicit with Platform
  - Importance of Bank Relationship over best technology
  - On-boarding capabilities of platform provider (or can that be done through a third party)?
  - Problem Resolution
  - Pricing Perception
  - Jurisdiction & Supplier Support
  - Other Product support for Suppliers
  - “To Big To Fail” Bank vs. Small Vendor

III. Execution – On-boarding Suppliers involves many barriers to address.

Cause	Effect
Poor Onboarding practices	Endanger their supplier / vendor relationships
Education and Awareness lacking	There is significant confusion around these programs, and webinars don't reach the right level of the supplier / vendor to make a decision
Supplier financing constraints	• Receivable are pledged to secure loans, securitization programs or commercial paper programs. • Suppliers are in factoring or bank agreements in which they can not exit or do not desire to exit
Perfecting security interests in Receivables	Not easy outside of U.S., Canada, etc.
Suppliers bank does not release lien (or equivalent) to another bank	This can create a negative environment between banks if this becomes commonplace to protect ones turf.
Program too expensive	The reality is that this financing method compared to others (seller based invoice, securitization, etc.) may or may not be cheaper.
Accounting Complications -FAS 140	Suppliers must know if this is truly a receivable they can move off their books.
Suppliers view Value Proposition as weak	• Risk Profiles • Leverage • Suppliers have long relationships with their respective banks and may not want to build a new creditor relationship. • Rate differential is too small to warrant action given the additional costs

III. Execution - Another major challenge to on-boarding suppliers is dealing with the myriad of legal agreements, especially the Receivables Purchase Agreement.

Legal Agreements

Agreement Name	Between	Purpose
Customer Managed Services Agreement	Platform provider and Buyer	Details the terms of service and the transactional roles, responsibilities, and obligations of each party
Vendor Agreement	Platform provider and Bank	Details the terms of service and the transactional roles, responsibilities, and obligations of each party
Receivables Purchase Agreement	Bank and Supplier	Perfects the banks interest in the receivable, including UCC filing processes
Global Receivables Purchase Agreement	Bank and Supplier	Perfects the banks interest in the receivable. If the suppliers are not in the U.S., there is no reference to UCC filings
Supplier Agreement	Platform provider and Supplier	An on-line click thru agreement that details the terms of service and the transactional roles, responsibilities, and obligations of each party.
Lien Release	Supplier and Lien holder	The agreement confirms that the supplier's A/R is free and clear of all encumbrances

The major complexity in on-boarding is the fact that suppliers need to sign the Receivable Purchase Agreement, pay the costs and deal with a variety of legal and accounting issues (such as compliance with accounting requirements under IAS 39, FAS 140), and, most importantly, deal with various restrictions and covenants in lending agreements.

Jurisdiction and Eligibility around Receivables in the U.S. is governed by the UCC

1. In the U.S. the Uniform Commercial Code (U.C.C.) governs private transactions including receivables. In Canada, it is the PPSA - in different countries, different regulations apply.
2. Article 9 of the Uniform Commercial Code (U.C.C.) harmonizes the law of sales and other commercial transactions in all 50 states and deals primarily with transactions involving personal property (movable property), not real property (immovable property). This article governs secured transactions where security interests are taken.
3. By allowing lenders to take a security interest on a collateral owned by a debtor's asset, the law provides lenders with a legal relief in case of default by the borrower. With such legal remedy available, lenders would therefore be able to lend capital at lower interest rates.
4. Security interests are particularly valuable in bankruptcy, because creditors who have security interests in a bankrupt debtor's estate take precedence over creditors who lack such interests (unsecured creditors).

Section A

VIII. Seller Centric SCF solutions

1. Traditional and Non Traditional

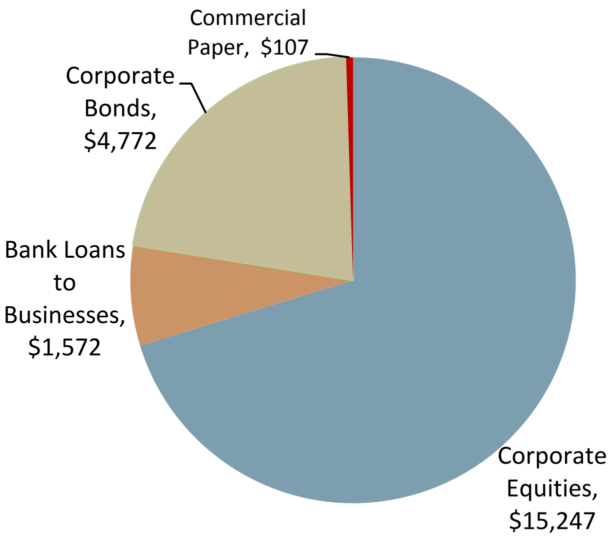
Corporations have two major assets on their balance sheet to finance, Receivables & Inventory, which tends to be mostly financed by them as opposed to being Bank or market financed.

Non Financial Corporate Outstanding Balances to Finance 2011 Q2

Asset	Outstanding, Billions
Trade receivables	$2,378
Inventories, at Cost	$1,937

Source: Federal Reserve Statistical Release

Market Value of Select Financing Available to Non Financial Corporates, 2011 Q2



Source: Federal Reserve Statistical Release

1. Corporations have permanent sources of capital in the form of equity as well as impermanent sources of capital that can be long, medium or short term in nature
2. The principal forms of impermanent capital are: debt (bonds and loans), commercial paper (CP) and trade credit (accounts payable (AP) and receivable (AR))
3. CP, AP and AR are short term in nature and "revolve" every 30 – 90 days or less
4. With the credit collapse, Commercial Paper ceased to be available even to large well rated public companies needing short term cash. All other companies have to use bank loans, factoring and credit insurance to cover cash flow from sales. These alternatives are more expensive than commercial paper.
5. Trade receivables financing is a long time corporate financing strategy that is gaining new life.

Traditional Financing of Trade Receivables has been done by Banks directly and indirectly through Credit Facilities, and the Capital Markets.

- **Bank Markets** offer factoring, invoice discounting and commercial finance or Asset-based loans (ABL). ABL are usually written on receivables and inventory, and lenders screen the books extensively to decide which receivables are eligible for the "borrowing base.“

- **Capital Markets** offer trade receivables securitisation (usually ABCP funding). Securitization is a debt technique where a company pledges its assets including A/R and can issue commercial paper or receive a loan - these programs typically fund $0.85 for every $1 of eligible receivables due to over collaterization requirements. Securitization has limits on obligors included (e.g. only 10% Walmart receivables) and impacts debt ratios.

- Often receivables are simply “lumped into” support **Revolving Credit Facilities** (RCF). Debt instruments may be “secured” with pledges of assets by the corporate borrower; asset pledges may include accounts receivable

Any Receivable Finance solution must address the key structural blocks.

Account Receivables Purchase - Key Structuring Blocks

Advance Rate
- Multiple of Historic Dilutions
- Based on due diligence and Supplier risk
- Calculated based on a formula

Recourse Level
- Limited / non-recourse
- Purchaser takes insolvency risk of the Buyers
- Purchaser takes contingent risk on Supplier
- Supplier retains dispute

Cash Dominion
- Assigned / Controlled
- Bank Owned
- All sold receivables remittances are collected in
- Purchaser owned / controlled account

Disclosure
- Purchase disclosed to Buyers or Silent
- Notification to Buyers

Accounts Receivable
- Current and Short-term (=<180 days)
- Post-shipment
- Related to Supplier's/ Buyer's core business
- No Inter-company receivables

Other Considerations
- Committed or Uncommitted Facility
- Credit worthiness of Buyers
- Credit Enhancements (e.g. insurance)

Traditional Receivable financing methods have used invoices or Bills of Exchange as the financing trigger or have used some Pooled Receivable approach (with or without credit insurance).

Examples of Traditional Seller Trade Finance Programs

- Confirmed Letters of Credit can be discounted
- Discount Bills of Exchange
- Factoring (egs. Spot, Non Recourse, Discount Factoring, Maturity factoring, etc.)
- Invoice discounting (differs from factoring in that a factor, in addition to purchasing receivables, will usually provide various related services such as administering sales ledgers). Invoice discounting can be done with recourse to the customer if the debt is not paid, or with varying degrees of limited recourse.
- Packing Loans advances off of Letters of Credit to provide pre shipment finance
- Asset Based Lending
- Captive Vendor Financing*
- Distributor Finance Programs*
- Pooled Insured Receivables*

* Programs available to Investment Grade companies only

An increased level of supply chain collaboration and information exchange presents a significant opportunity for Seller-led Solutions.

- Because Invoices are neither date certain nor amount certain for payments the uncertainty creates a significant valuation discount (15 to 50%) in traditional financing methods.

- If collaboration and technology can transform a trade receivable to a credit risk only asset, it has very attractive risk characteristics:
  - <u>the receivable has a short duration (typically less than 180 days),</u>
  - <u>the receivable has favorable structural issues</u> - receivables normally occur at the company operating level, making them senior debt compared to obligations at the holding company level.
  - <u>Receviables receive favorable treatment in bankruptcy</u>. - In trying to keep the company or its operating subsidiary as a going concern, an administrator may be forced to exclude some trade creditors from restructuring negotiations in order to maximize future enterprise value.

- The historic challenge around receivables is how to make data transparent to relevant parties (insurers, banks, administrators, etc.) Technology is providing more granular detail around:
  - Concentrations/customer aggregation
  - Credit notes, dilution and disputes
  - Systems configuration and compatibility issues, especially across subsidiaries

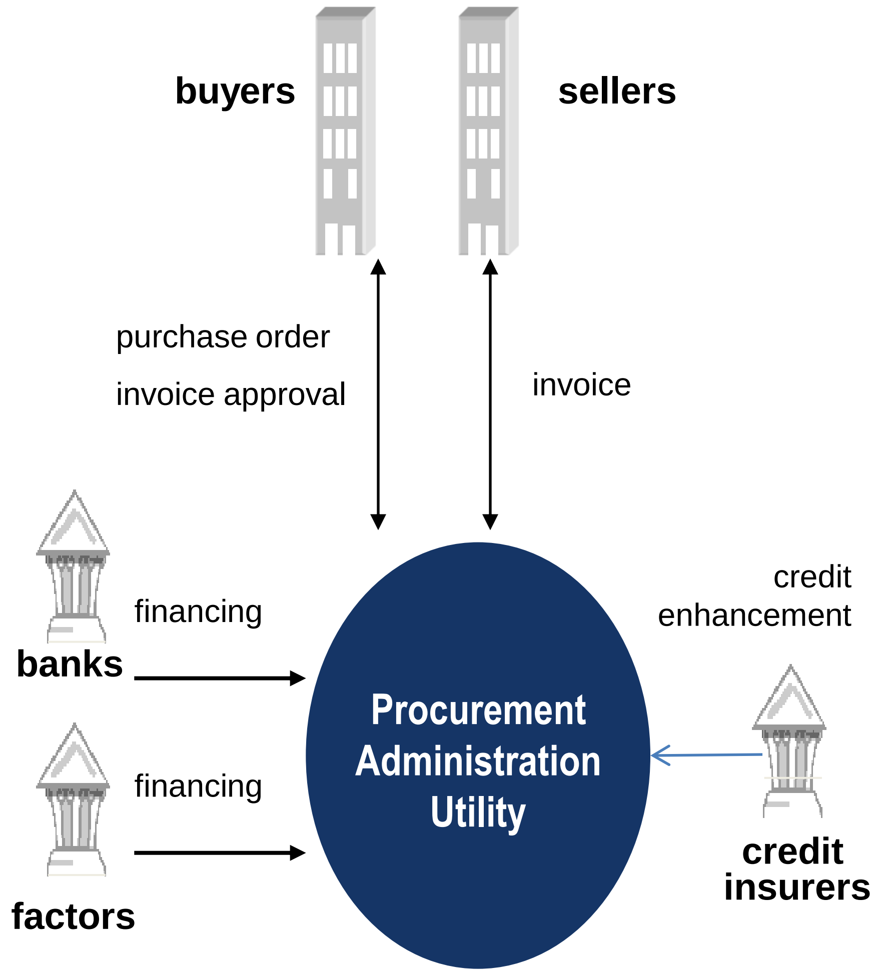
Seller-led Supply Chain Finance solutions differs from traditional trade receivables financing in two major ways.

Two key differences with traditional finance structures are:

1. The party that receives the financing is the buyer, rather than the supplier. An example would be Distribution Financing, a type of financing to key distributors recommended by the principal seller. Sellers are paid before or immediately after shipment and dealers pay lender directly when goods are sold. This is where a financial partner can come in and offer a dealer finance structure.
2. The supplier's motivation for building a receivables refinancing program is to enhance sales rather than to bolster its own liquidity.

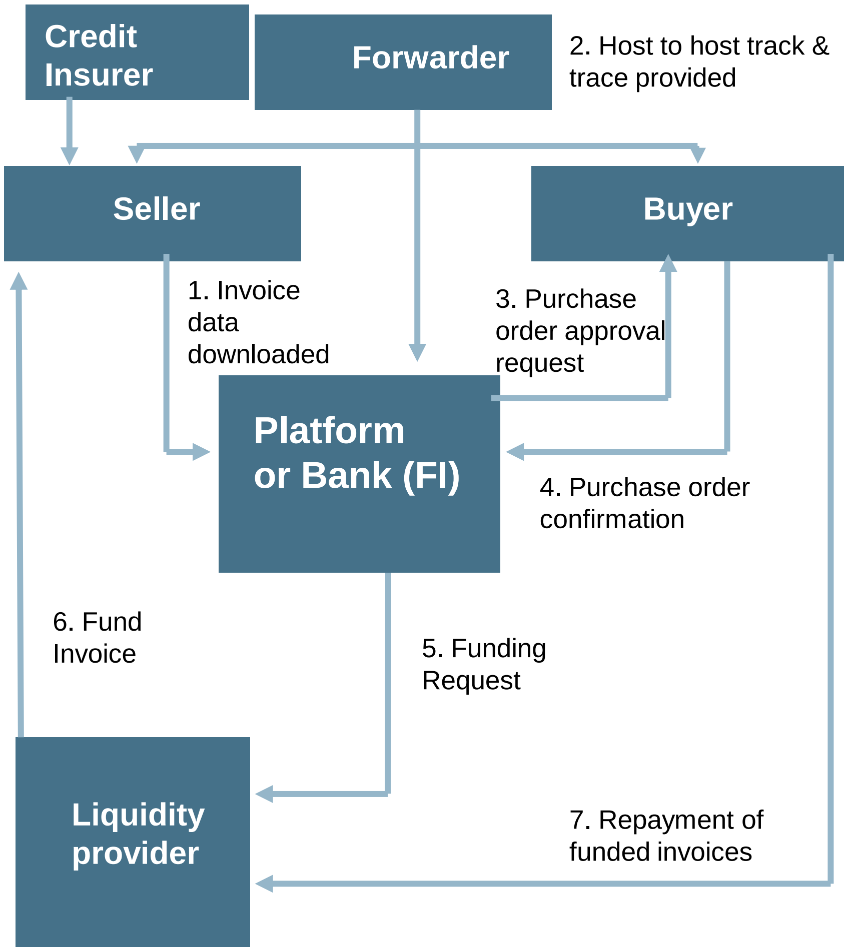
An example of how receivables refinancing works:

A supplier offers extended terms to selected strategically important buyers to increase sales and strengthen relationships with those buyers. Financing is provided through a classic receivables purchase financing structure, or the seller's bank can pay down the receivable at the original maturity date (e.g., 30 days after shipment), thus extinguishing the receivable. The seller's bank simultaneously extends the buyer a direct credit payable on a future date — often 30 or 60 days later.



Seller centric models (both customer and distributor finance) involve more third party data feeds to ensure proper control.

High Level Payables Backed Supplier Finance Business Model – Vendor Centric



Seller Centric Receivables Financing

- This shift (from dedicated systems just to facilitate supply chain financing to supply chain collaboration systems with a link to financing) is likely to change the whole dynamics of the industry and accelerate a move to industries/verticals where such collaboration is well developed (that would include a lot of distribution networks as well as supplier networks).
- Platform providers and or liquidity providers must interface with the systems used by large sellers to have visibility into the shipment details to the various logistics service providers.
- Typically a credit insurance policy is wrapped around, and what that does is offer credit insurance protection to the vendors receivables portfolio and also helps service the financing program.
- A system must be in place to use invoice information matched to this logistics data.

One big challenge in supply chain finance receivable funding methods for many non rated corporations is that they have pledged receivables, preventing them from transactional or SCF type programs without getting a bank release.

Tradeoffs of various Receivable funding options

- **Early payment incentives are expensive** – while A/R is collected faster & DSO is reduced, 2%/10 net 30 can be costly for early payments; in addition, many buyers take discount while still paying late.
- **Asset Based Loans** – can have restrictive advance rates on A/R and Inventory. Also, ABL / ABF is a loan facility, booked as debt, that must be repaid.
- **Securitization** – long-term to amortize set up and management costs, and restricted to rated corporates.

Pledged receivables present challenges to SCF programs

- Many corporations have pledged assets including accounts receivable to secure loans, securitization programs or commercial paper programs
- Our estimate is that only 15% to 20% of non rated companies receivables are addressable given limitations on asset pledge restrictions covering securitizations, loan and debt agreements, and factoring.

Seller centric (such as in distributor finance) solutions have unique differences with Buyer-led solutions and tend to offer a few advantages for "go to market".

Seller-Led programs key differences with Buyer-Led programs:

- **In Seller-Led solutions, the seller drives the buyer's adaptation** (i.e. buyers providing confirmation through a seller supported system) in exchange for longer payment terms - at a price).

- **In a supplier centric solution, the company signing the contract pays the cost** (in buyer centric solutions they normally do not, other than the internal "IT" cost).

- **In a supplier centric solution, the only financial agreement is with the supplier** - so the entity that negotiates the program can actually sign it.
  - Bank negotiations (such as compliance with covenants, accounting treatment, etc.) are with ONE seller as opposed to many suppliers during the Buyer-led on-boarding process.
  - It is easier to focus on addressing these with one party the bank is in direct contact with (seller) than multiple parties where the bank is interacting only indirectly (suppliers in buyer centric solutions).

- The only input required from the buyer is information on invoice approvals (that is normally centralized in a single department), although may still require some IT involvement (not that different from the buyer centric model).

Section A

VIII. Seller Centric SCF solutions

2. Credit Enhancing Receivables for Finance

Credit Enhancement starts with understanding Default.

- All proposed solutions to commercial risk in trade finance have to answer two basic questions:
  1. How does the financier/guarantor know that the buyer has paid and the seller received:
     a) what amount;
     b) when, for certain and
     c) without recourse?
  2. How does the financier/guarantor know when the buyer has defaulted and not paid?

- The critical step of the process is defining DEFAULT, by which we mean the **event of default**. Although rare, events of default are the ones that go to court. Thus, the process has to be designed for the rare event that requires the documentary backup to go to court.

- **There are big differences between Default and Protracted Default**
  - Bankruptcy, Receivership, Administration, etc. are easily defined events of default. See Djankov: Debt Enforcement Around the World, 2006, re: bankruptcy.
  - More difficult is the concept of “protracted default”. A buyer owes money, time passes, and payment is not made. When does this protracted delay become a defacto default is a critical question.

Choosing to enhance Receivables with Credit Insurance goes beyond financing. Risk mitigation is the primary reason for using trade credit insurance. Financing has not been a primary consideration.

Q: If you do use trade insurance, what are the PRIMARY and SECONDARY reasons for using export trade insurance?

	Reason for Export Trade Credit Insurance	Primary	Secondary
Risk Mitigation	Protect against buyer payment default	65%	14%
Cost Reduction	Lower bad debt reserve	0%	64%
	Outsource credit/ collection staff	4%	0%
Financing	Have financial institutions discount or purchase the receivables	15%	0%
	Have the Banks lend against insured receivables by increasing our "eligible base" to increase credit limits.	4%	7%
	Used as part of a Receivable Securitization program	4%	7%
	Lower interest rates on lending pool	0%	0%
Marketing	Incremental Sales	8%	7%

Source: GBI analysis

Our View

- Large companies generally do not require the liquidity for financing that trade insurance can bring unless part of a broader securitization program.
- The monitoring of customer creditworthiness has become increasingly time consuming and expensive for sellers.
- This issue is exacerbated in today's market as buyers undergo financial distress, as seen recently in the automotive and retail industries
- Again, as we stated, there is not always one clear reason for using trade insurance, and given the varied reasons and applications of trade credit insurance, we suspect that it will become a service with good growth prospects.

Trade receivables represent an under-utilised asset class, especially relevant in current market conditions .

Trade Receivables	% Insured	% Financed
Europe	35	5
US	5	4

Source: SCF Capital

Note: credit insurance premiums have risen and insurers have become more selective about the business they accept.

- Data at left reflects low “insured” usage in USA, and low overall for finance purposes.
- Credit insurance represents an opportunity to enhance overall quality of receivables portfolio (eg. From ‘A’ to A+ rated)
- There are two ways for A/R financing to occur with insurance
  - **A/R Funding with Credit Insurance**: in this case the corporate buys the policy and assigns it to the bank
  - **A/R Funding with a Bank Master Policy**: in this case a bank buys a policy and insures all the accounts receivables it buys from multiple clients/suppliers
- Buyer confirmation segregates performance risk from credit risk
- Technology enables tracking of compliance against policy conditions. This enhancement broadens financing options for corporates’ use of trade receivables financing.

The only alternative to trade credit insurance to protect Receivables are Put options as Credit Default Swaps only covers corporate bonds, not corporate receivables.

	Trade Insurance	Receivable Put Options	Credit Default Swaps
Tenor Flexibility	Typically minimum of 1 year	Can be structured on a month to month basis	Typically 1, 3, or 5 years
Obligor Coverage	Often unavailable for distressed names, Can be cancelable	Can offer protection on liquid names with public debt	Limited to liquid names
Pricing	Relatively inexpensive		Higher than insurance
Accounting	Accrual	Accrual	Mark-to-Market
Coverage Level	Requires a deductible (10- 20%)	Up to 100% payment at settlement	Only covers bonds and bank debt, not corporate receivables
Ease of Execution	• Can require substantial underwriting process; • Claims processing can be cumbersome	Easy execution for liquid names May be tailored to cover fluctuating balances	

Trade Insurance	Receivable Put Options	Credit Default Swaps
Usually some umbrella policy	Can be used on Single Obligor risk (eg. Sears credit risk)	Not applicable for Trade

Below are three situations where trade credit insurance or receivable puts can enhance the transaction.

I. Trade receivable securitizations	II. Secured lending	III. Supply chain financing
• The cash flows related to the receivables are combined with credit enhancement and administrative controls within the funding facility to create investment-grade debt securities that are sold in the capital markets • High credit rating of these securities allows organizations that fund through securitization to achieve very low funding costs • These structures have met considerable market resistance since the credit crisis • Incorporating Receivable Puts into trade receivable securitizations can allow for inclusion of a greater proportion of the portfolio while retaining or improving the overall credit rating of the securitization	• Lending can be offered at a lower rate when secured by a borrower's receivables • Incorporating Receivable Puts can allow for inclusion of a greater proportion of the portfolio which can increase the amount of available liquidity and possibly reduce the cost to borrowers	• Supply chain financing programs offer suppliers an option to improve liquidity generally at a lower cost of borrowing • Banks, which offer supply chain financing programs, purchase the receivables from the suppliers and are thereby exposed to the credit risk of the buyer • Banks can help to manage this credit exposure by purchasing Receivable Puts on the buyers participating in supply chain financing programs

Section A

VIII. Seller Centric SCF solutions

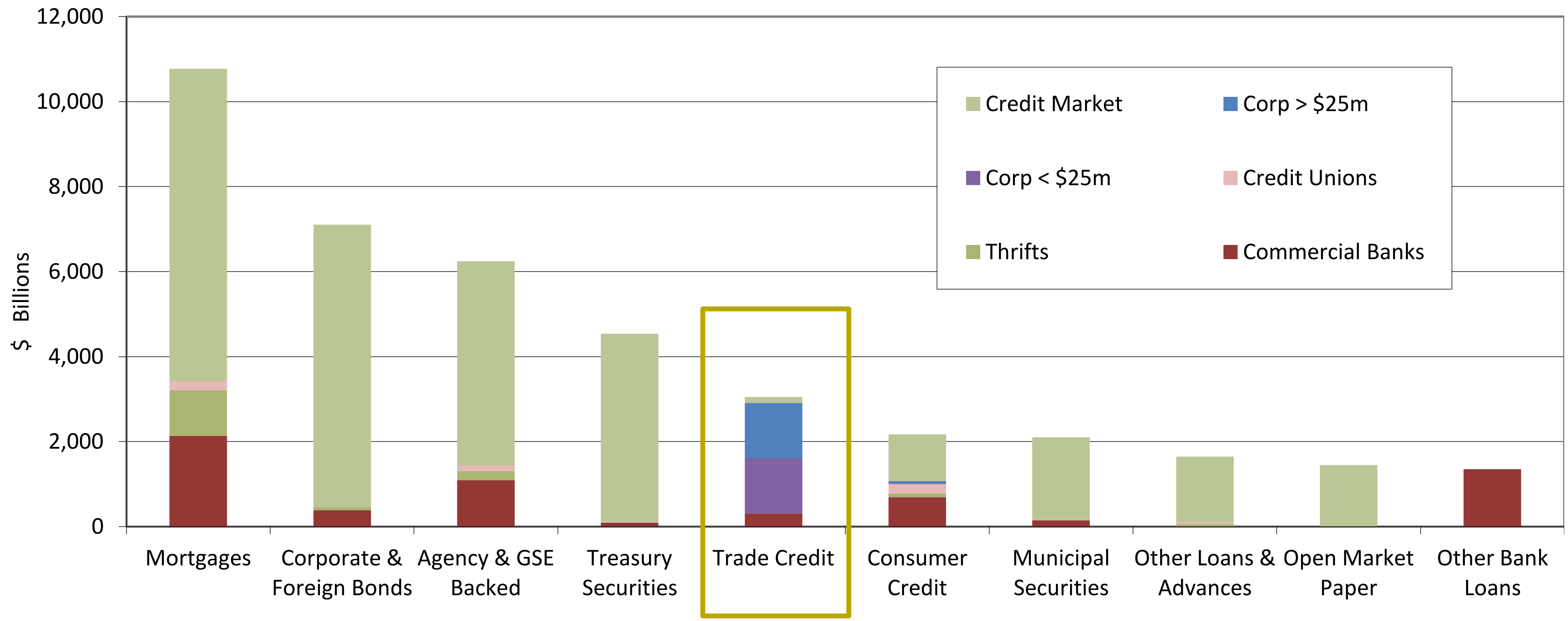
3. Exchanges for Receivables

“Not Credit” Enhanced

III.

Trade Credit is the only significant debt not professionally managed.

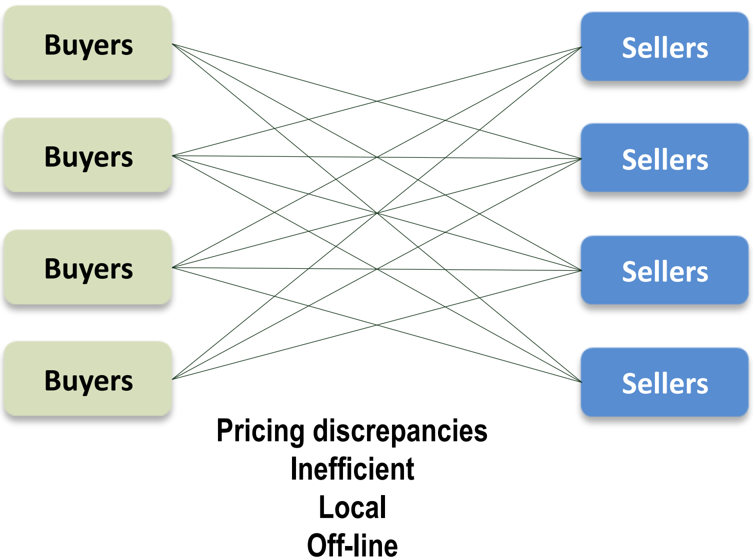
Market Size of Outstanding Debt



Source: Receivables Exchange

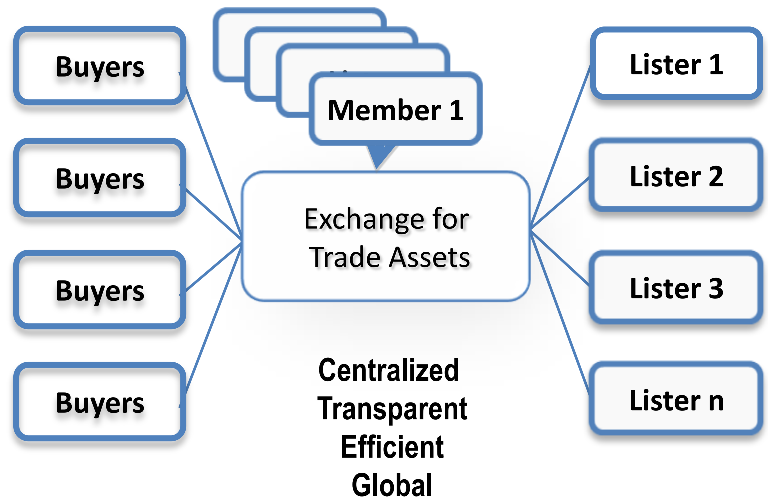
An Exchange for Receivables provides another liquidity option for Corporates.

Existing Fragmented Marketplace



Electronic Marketplace

"Multi Lister/Multi Member "



Underlying Asset Class

- Priced like zero coupon bond
- Comprehensive due diligence package to make informed credit decisions
- Information agent providing transparency and visibility into each A/R

Repurchase Agreement

- Treated as a discount note – Contract purchased at discount and matures at face value
- What is the True sale accounting treatment?

Two Exchanges (MarketInvoice and The Receivables Exchange) exist for Sellers to sell single invoices that are not credit enhanced and two more are on the horizon.

- The Receivables Exchange (TRE) is a single invoice, non credit enhanced exchange where Sellers of invoices set the parameters and Investors, known as Buyers, bid. The original concept was to be an alternative to factoring for SMEs. The challenge is that the TRE Buyers must do their own due diligence on a market that has very little counterparty information.
- The TRE Auction system is "seller" friendly, allowing sellers to set minimums, advance rates, etc.
- TRE uses Louisiana law to effect true sale of receivable(s) secured by repurchase obligation in event of default. This is despite the fact TRE Sellers must make up the difference when short pays occur that exceed the TRE Sellers amount due and also when buyers fail to pay.
- TRE uses outside software vendors Ariba and InfoAccess to enhance the credit profile of the TRE Seller and their counterparty relationship by showing the spend history and sourcing TRE seller members and their customers (e.g.. length of trading relationship, dilution, when paid v. due date)
- TRE maintains dominion over funds in order to satisfy TRE Buyer members concerns; they term the process "anonymous notification" where the TRE Seller sends a letter to their customer instructing them that all payments on these invoices going forward will be to a TRE controlled lockbox; TRE immediately remits payment to TRE buyer member and the balance is remitted to operating account of seller member.
- in February, TRE marked its 10,000th auction sold.
- Buyers and Investors pay fees. The Investor pays a transaction fee based on size as well as a meaningful percentage of the earnings. Sellers are charged 30bp to 70bp based on Auction Basket size and Credit rating of obligor (use Z score to determine)
- Another similar exchange is MarkInvoice out of the U.K. To date, they have sold a limited number of invoices.
- Two other Exchanges are on the horizon - The Receivables Market platform in the U.S. has been in development for some time but does not yet appear to be operational. The EuroTRX platform in the UK is targeting a late-2Q launch and appears to be the most TRE-like of the new market entrants.

Section A

IX. Key CF0 Evaluation Criteria

We believe there are several questions that must be addressed when corporate finance organizations are looking to execute strategies with their trading and sourcing partners.

Questions to address	Discussion
1. Are programs Bank Debt or Trade Debt for treatment on the Balance Sheet?	The crux of the issue is whether a buyers payables under some SCF program is bank or trade debt for balance sheet purposes. If the Buyer is confirming to the financial institution that it will pay at maturity of the invoice regardless of trade disputes or other rights of offset it may have against the supplier, then it is giving a higher commitment to pay to the financial institution than it owes to the supplier and this may be construed as a bank financing and not a trade payable on its books. How do buyers handle chargebacks (subsequent shipments) and how do buyers treat payment confirmations as part of their accounting are key issues to address. Very important to keep these programs with independent agreements – ie, no tri-party agreements between buyer, seller and funder.
2. Is there an Agnostic Funding pool or a closed loop funding provider?	Closed loop SCF programs are limited by the credit capacity of the institution and or its ability to distribute your trade debt. Agnostic funding enlarges the credit capacity, but you may not have relationships with some of the funding institutions.
3. What impact does this program have on your bank relationships?	These programs may disrupt your existing Bank relationships. Many programs involve using funding partners that are not part of the corporates traditional lending group. Remember, Payable programs are uncommitted facilities, and can be pulled by the bank on short notice.
4. Are foreign receivables excluded and "over concentrations" from the eligible base of bank credit limits?	A larger percentage of receivables are now based on exports. In addition to being harder to finance, foreign receivables carry longer terms than domestic receivables and therefore have been causing companies' balance sheets to balloon and placing a drag on working capital, DSO, etc.
5. Would you use an exchange to sell your Receivables?	While there are various options for setting up an Exchange, the question is would a company list their receivables so a market-like exchange would bid on them?

In any SCF solution, there are key issues for the CFO to address.

Questions to address	Discussion
6. How does Credit Enhancement play a role in SCF?	Another option exists for companies to enhance credit beyond traditional trade credit insurance, called Receivable Puts, that specifically tie pay-outs to a defined event, ie, a declared Bankruptcy.
7. Do you have Receivables pledged that limit what you can do?	Many non rated or below investment grade companies find it necessary to pledge their receivables as part of their overall revolving credit facility requirement.
8. What Recourse can you handle in the transaction?	How much skin in the game is the corporate willing to take? Non-recourse funding is off balance sheet for the supplier and therefore does not eat into their existing credit limits. However, it comes with a price.
9. What pricing is involved in the program?	For the likes of an Investment Grade company, the buyer led SCF programs run by many vendors and banks are based upon the buyers Cost of Funds. The banks typically factor in the premium based on non payment risk from the buyer.
10. What IT integration requirements are involved?	In order for these programs to be effective, financial institutions require some degree of automation. The integration work may be as simple as sending an approved payable file to a third party, or may involve more integration with your ERP system.
11. Is SCF thought of as specific to one or two vendors or put in as a systematic program available to all relationships?	Most Payable programs only work with the Buyers top supplier names. There have been attempts at non confirmed invoice programs to deal with the other suppliers, but these have generally not gotten off the ground or have been scarred by the auto sector troubles.
12. What are the underlying Payment Instruments used?	It really comes down to open account versus other instruments, ie, Letters of Credit, promissory notes, etc.. The interplay of all parties varies depending on whether it is open account or instrument driven. The presentment, processing, fraud, risk management, etc. are very different under the two flows.

Section A

X. Supply Chain Finance Lending Platforms

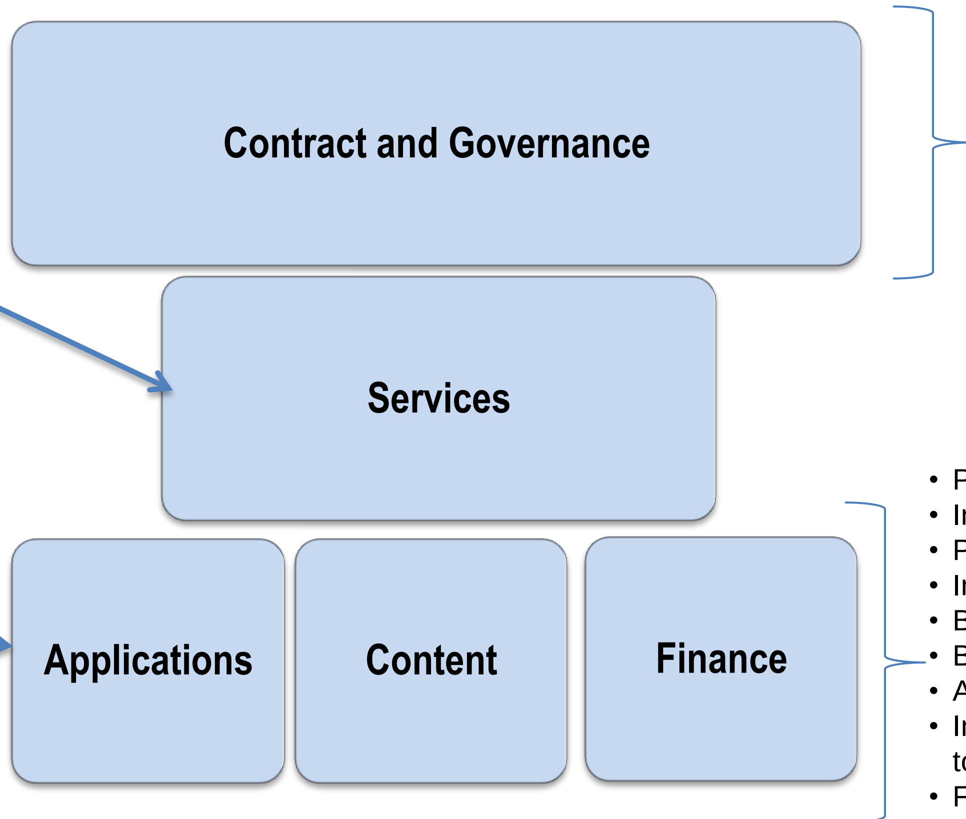
1. Platforms Sold to Banks

Trade lending platforms are evolving to provide Applications, Services and Supply Chain Finance.

Supply Chain Finance Architecture

- Credit/Transaction/Country risk management
- Insurance management
- Credit collection
- Onboarding

- EIPP, matching & reconciliation
- L/C and OA management
- PO management
- Payments processing and tracking
- Working capital management
- Dispute resolution
- Workflow
- Event management



- Accounting treatment
- Credit Risk insurance
- Accountability

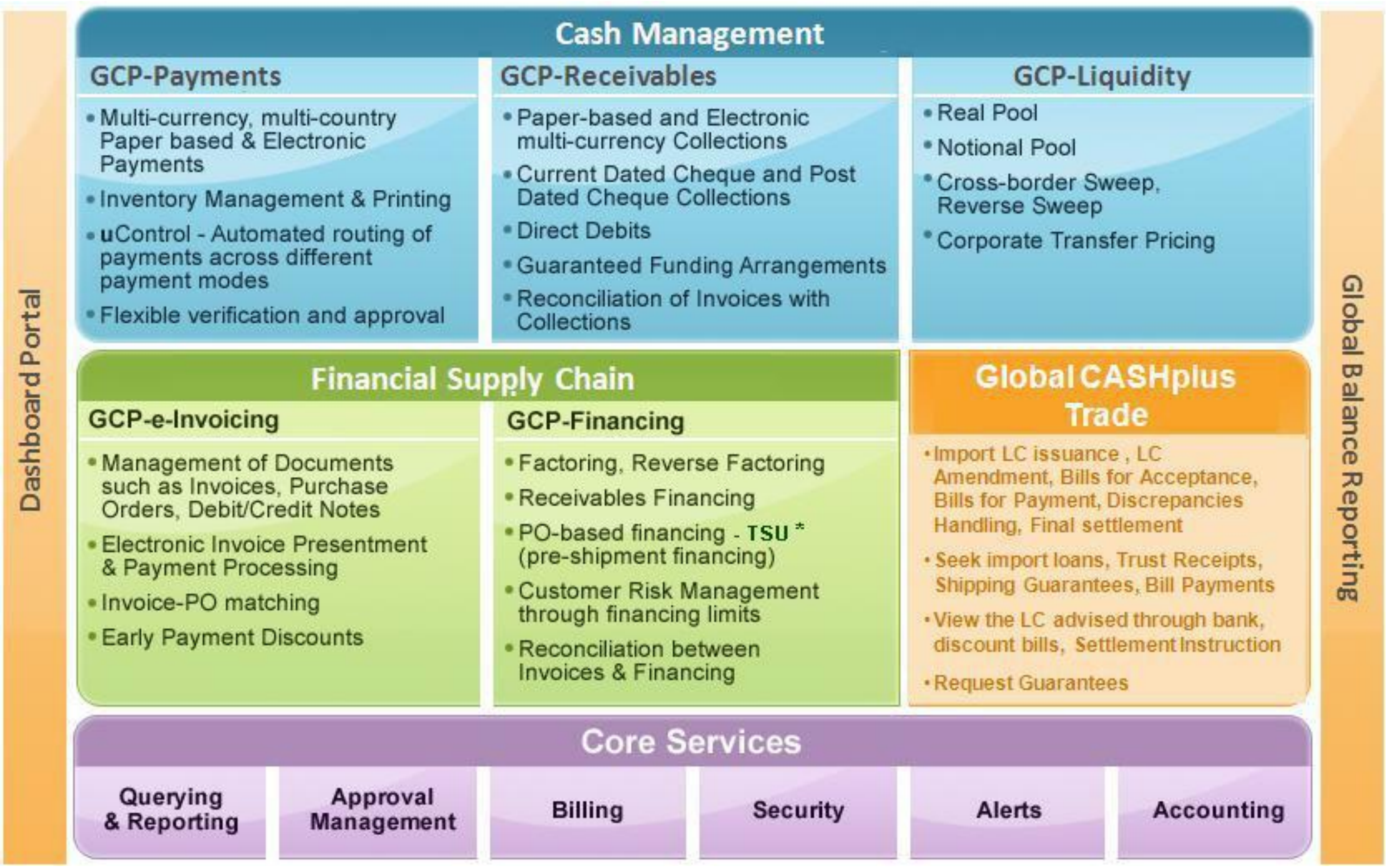
- Pre-shipment financing
- Inventory financing
- Post shipment financing
- Invoice discounting
- Buyer Payables Finance
- Bill of Exchange purchase facility
- Avalised drafts
- Invoice discounting facilities tied to Open Account trade
- Factoring – Non recourse
- Open account purchase order lending

Most trade lending systems are sold to support specific areas of a bank and are not under one management. Specific departments include Commercial Finance, Asset Based Lending, Factoring, Trade, etc.

Lending area	Example Vendors
Factoring	Surecomp's allFAC, Codix
Invoice Discounting, EIPP programs	Ariba, Bottomline, Fundtech, OB10
Trade Finance- Letter of Credit based	CGI, Misys Banks own Proprietary
Supply Chain Finance – Buyer approved payables programs	Fundtech Kyriba Orbian PrimeRevenue Banks' own Proprietary systems
Receivables management	I-flex, part of Oracle, with Flexcube Temenos, with Globus SAP's lending system, CML, Fundtech
Purchase Order to Pay Financing	Fundtech, TradeCard, SAPs ERP Financials
Asset Based Lending	AFS is particularly strong in the high volume middle market

Supply Chain Finance Platforms are now integrating elements of Cash Management and Trade lending.

Below is an example of Fundtech's platform that offers banks an electronic end-to-end view of a customer's business transactions, enabling banks to offer a wide range of financing arrangements, at less risk than extending credit through Loans.



Section A

X. Supply Chain Finance Lending Platforms

2. Platforms Sold to Corporates

Although many companies have made significant improvements in working capital management, there remains tremendous upside to leverage the latest tools and resources to take it to the next level.

Procure to Payment Process

Purchase Order → Invoice → Payment → Clear Payment

Order to Cash Process

Invoice → Payment Issuance → Payment Receipt → Clear Payment

Levers

Streamline the Supply Chain: Accounts Payable

Working Capital Improvement Strategy

- Manage DPO
- Reduce COGS
- Reduce processing costs & errors
- Capture early pay discounts
- Increase rebate from card usage
- Improve relationships with supply chain partners

Streamline the Supply Chain: Accounts Receivable

- Reduce DSO
- Sustain or accelerate revenue growth
- Minimize collection float
- Accelerate cash application of receivables
- Improve predictability of cash flows
- Operating more efficiently
- Manage customer credit risk
- Improve relationships with supply chain partners

Enhance Working Capital

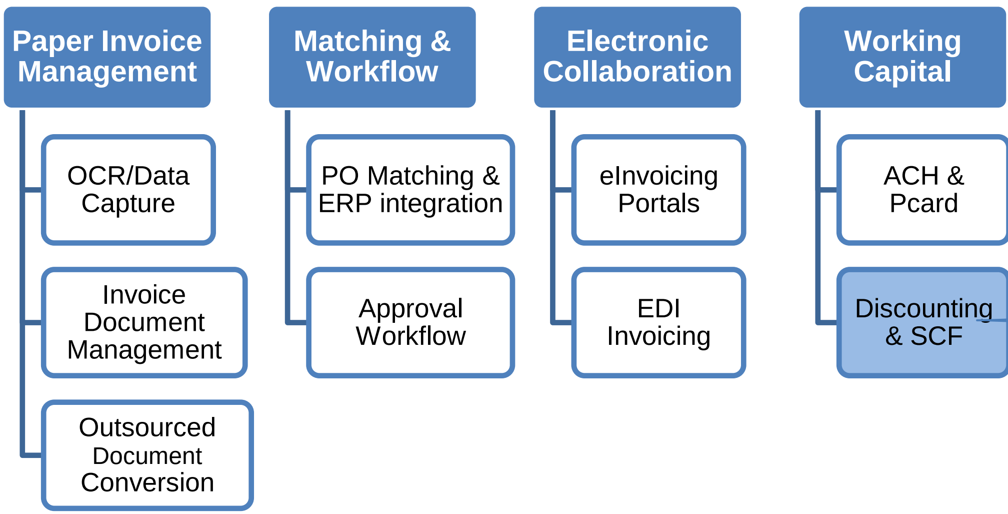
Release Liquidity

Improve Performance

Source: Citibank presentation

Vendors are getting better at providing Cloud platforms that can support early payment of invoices, although most cover only some elements of the Supply Chain Finance space.

Components of an ePayable system sold to Corporates



- It is very hard to crack the financing side in ecommerce (the invoice presentment, workflow, payment, reconciliation, etc. side is much easier). Many technology business models are out there, each with specific niches – Ariba, Kyriba, Syncada, GXS, PrimeRevenue, Lighthouse BCS, etc.
- Vendors are getting better at providing Cloud platforms that can support early payment of invoices.
- Most organizations do not have a complete set of operations, capabilities, or tools to support the type of environment that a SCF environment requires. Examples of tools include:
  - E-invoicing in place
  - Electronic approval process, ie, a way to provide electronic feeds of approved invoices
  - Management of Dilution
  - Creation and Disbursement of payment

Buyer-led SCF Platforms are either developed by Banks or sold by Vendors through Banks or Direct to Corporates.

- SCF Platform providers facilitate the process of exchanging purchase orders, invoices, payments and related documents and help integrate this information between buyers, sellers and Financial Institutions.
- There are generally two types: 1) those that sell solutions direct to banks who provide closed end financing solutions to their clients and 2) those that sell solutions direct to corporates, whose choices of financing may be limited to the network providers finance partners.

Solutions	Examples
EIPP Platforms Sold to Banks	• Ariba • Bottomline Technologies
Buyer approved Invoice Platforms Sold to Banks	• Banks own self-developed • CGI • Demica • Fundtech • Orbian • PrimeRevenue • S1 through ACI
Platforms Sold Direct to Corporates with Funding Options	• Kyriba • Orbian • PrimeRevenue • Syncada • TradeCard

Section B – Solution Providers

I. Bank Offerings – Supply Chain Finance	Bank of America, Deutsche Bank, J.P. Morgan, RBS Group, Standard Chartered, Wells Fargo
II. Non Bank Buyer-Led Supply Chain Finance	Orbian
III. Non Bank Seller-Led programs	CBC Trade Finance
IV. Technology Platforms Sold to Banks to facilitate SCF	CGI, Demica, GXS, Swift, Fundtech, Premium Technology
V. Technology Platforms Sold to Corporates Directly to facilitate SCF	Ariba, Kyriba, Syncada

Section B

I. Bank Offerings
– Supply Chain Finance

J.P. Morgan is a global player with world-class risk distribution capabilities.

J.P.Morgan

For more than 200 years, J.P. Morgan has provided innovative financing solutions to corporates and financial institutions to facilitate their international trade goals. We offer an extensive suite of supply chain finance and flexible open account solutions that help buyers and suppliers meet their working capital, risk mitigation and cash flow objectives.

Solution Overview	For almost 20 years, J.P. Morgan has been offering buyer and supplier-led supply chain financing solutions to support the domestic, regional and global program needs of our clients while complementing the rapid increase in Open Account use. From pre-export to post-approval, these solutions leverage our world-class risk distribution capabilities to access much-needed liquidity so that clients can meet their ever-changing objectives around the world.
Global Solution Coverage	J.P. Morgan is able to structure multiregional, multicurrency supplier finance programs to provide tailored solutions for our clients in more than 30 countries across six continents. Programs are supported by a proprietary, web-based, global technology platform, and a team of 72 dedicated supplier onboarding professionals and 120 trade specialists located around the world.
Products / Services	• Automated, rules-based Purchase Order management system (PO-Invoice reconcilement, tracking, etc.) • Buyer-led programs: Supplier Finance, Import Finance • Supplier-led programs: Receivables Finance, Receivables Purchase, Silent Payment Guarantee, Pre-export Finance
Targeted Markets	Consumer, Manufacturing, Natural Resources, Pharmaceutical, Retail, Telecommunications, Technology
Implementation Time	Depending on the solution and structure, J.P. Morgan Supply Chain Finance solutions can be set up in two business days.
Contact Details	Andrew Betts, Global Head of Supply Chain, +44-207-325-8331, Andrew.J.Betts@jpmchase.com Mike Quinn, Global Head of Traditional Trade, +1-212-552-7730, Michael.F.Quinn@jpmchase.com

J.P. Morgan places a large focus on delivering SCF solutions to clients globally. The next several slides present Buy-side and Sell-side overviews.

J.P.Morgan

- J.P. Morgan has focused efforts on building out their Global Corporate Bank and Treasury Services presence in order to deliver solutions to their multinational clients such as Caterpillar (2011 *Treasury & Risk* Alexander Hamilton award for Working Capital Management) and Reliance Industries (2011 *Finance Asia* award for Best Trade Finance Solution.)

- Their extensive investment in technology and geographical footprint combined with a world-class risk distribution capability allow J.P. Morgan to source additional providers of liquidity to offer true multicurrency and multigeography solutions to clients.

- J.P. Morgan enables SCF by assigning each client a dedicated Trade Solutions Delivery team to design business rules and onboard targeted suppliers into the program. Welcoming suppliers to the program, this team promotes program benefits, provides instructions for how to interact with J.P. Morgan, and reviews payment instructions. Suppliers also have access to a website to facilitate onboarding processes.

- J.P. Morgan sees further opportunities to support clients in the following areas
  - Support of mission-critical suppliers in emerging markets.
  - Syndication and distribution to bring additional liquidity to programs.
  - Streamlined management of multiple supplier finance programs into one platform.

J.P. Morgan's Buyer-led Supply Chain Finance Overview

J.P.Morgan

Supply Chain Finance (SCF) is a buyer-led proposition by which J.P. Morgan provides financing to a clients' suppliers by purchasing their Open Account receivables at a discount.

High-Level Transactional Flow

Key Benefits To Client (Buyer)

- Improve supplier relationships by offering financing option with potentially improved borrowing costs
- Stabilize the supply chain and improve supplier relations
- Mitigate impact of working capital improvements involving Days Payable Outstanding (DPO) extension
- Access an integrated, multicountry, multicurrency solution
- Utilize a proprietary global Supply Chain Finance electronic web-based platform
- Reduce supplier inquiries and payment processing costs (outsource payments to enrolled suppliers)
- Select a "no cost" solution by incorporating the entire cost of program into the spread

Key Benefits To Suppliers

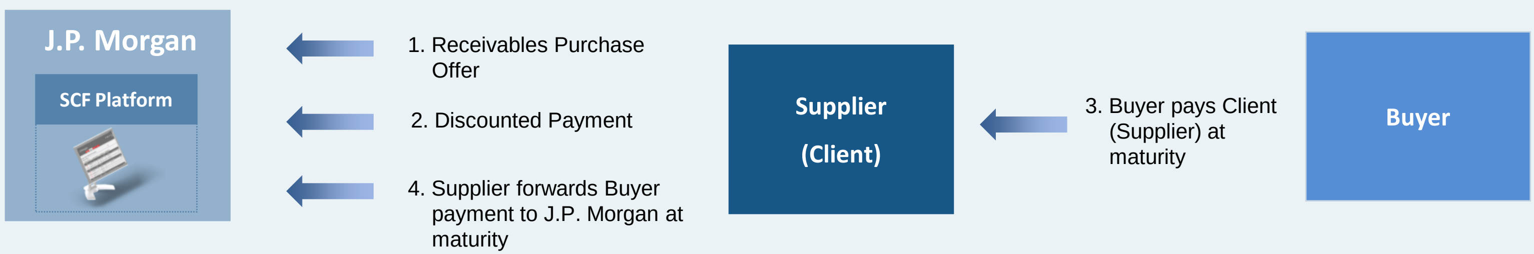
- Utilize an attractive, off-balance sheet financing option
- Access an accelerated payment option
- Reduce Days Sales Outstanding (DSO)
- Reduce payment and foreign exchange risk
- Realize more predictable cash flows and allow payments to be received on either discount date or maturity date
- Access a potentially lower financing cost as rate is based on buyer's credit
- Gain visibility to and facilitate reconciliation of payments with invoices
- Pay no fees to participate as the entire cost of the program can be embedded into the spread

J.P. Morgan's Supplier-led Supply Chain Finance Overview

J.P.Morgan

Receivables Purchase is a supplier-led proposition by which J.P. Morgan provides financing to the client (supplier/exporter) by purchasing their Open Account receivables at a discount.

High-Level Transactional Flow



Key Benefits To Client (Supplier)

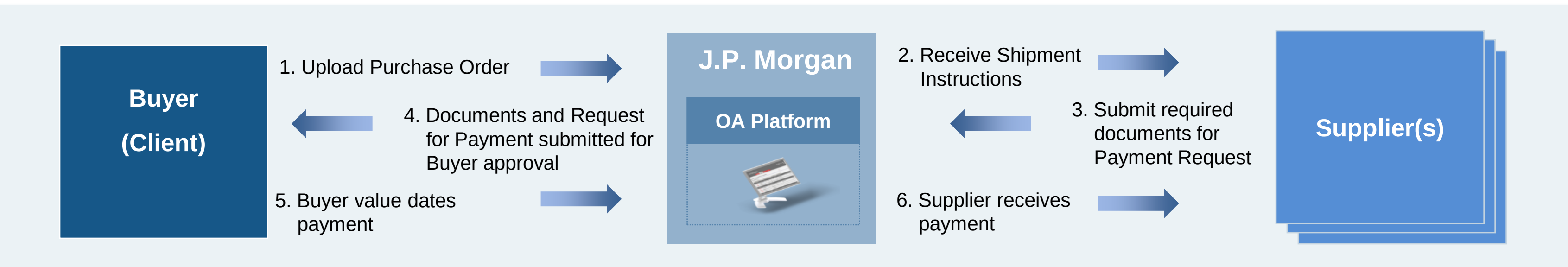
- Access an attractive, off-balance sheet financing option
- Realize accelerated payment option
- Reduce Days Sales Outstanding (DSO)
- Reduce counterparty, payment and foreign exchange risk
- Realize more predictable cash flows and allow payments to be received on either discount date or maturity date
- Access a potentially lower financing cost as rate is based on buyer's credit
- Access a fully-integrated, multicountry, multicurrency solution
- Leverage J.P. Morgan's proprietary global web-based platform
- Gain visibility to, and facilitate reconciliation of, payments with invoices
- Pay no fees to participate as the entire cost of the program can be incorporated into the spread

J.P. Morgan's Open Account Solution Overview

J.P.Morgan

J. P. Morgan's Open Account (OA) solution complements the ever-increasing need of buyers and suppliers to mitigate documentary and commercial risks by accurately reconciling purchase orders and invoice information, grouping buyer payables and efficiently handling supplier receivables.

High-Level Transactional Flow



Key Benefits to Client (Buyer)

- Access to an automated purchase order management system (PO-Invoice reconcilement, tracking)
- Apply document examination expertise to mitigate documentary risks
- Reduce commercial risks associated with inaccurate commercial and transport documents
- Leverage digital document archiving and warehousing of physical documents
- Coordinate with vendors to facilitate dispute resolution
- Maintain control over trade payables
- Use a built-in payables forecasting tool to assist with cash flow management
- Access opportunity to extend payment terms with suppliers
- Leverage the Open Account infrastructure to deploy a formal Supply Chain Finance Program
- Arrange special transaction fee-based pricing with Supply Chain Finance enrollment
- Mitigate risk by leveraging SWIFT Bank Payment Obligation and interoperability with Trade Services Utility (TSU)

While most banks focus exclusively on Supplier Finance/Payables solutions, Wells Fargo Capital Finance has incorporated solutions that deliver measureable results across the cash conversation cycle (Payables, Receivables and Inventory) and may increase sales by injecting liquidity into downstream channels.

WELLS FARGO

Solution Overview	The Channel Finance team, founded in 2011, offers extended terms and working capital financing programs starting at $250,000 for the purchase of technology products and services by value-added resellers, distributors, and systems integrators from technology OEMs and distributors. The Supply Chain Finance team at Wells Fargo Capital Finance, founded in 2008, helps both corporations and their trading partners obtain necessary financing and working capital.
Global Locations / # Employees	• U.S.A (Denver, Charlotte, Atlanta, New York, Los Angeles, Miami, Boston) • London • Singapore
Example Trade Credit Products	Supplier Finance; Key Accounts Purchase; Inventory Finance; Channel Finance
Annual Transactions	Over $4.5 billion in assets outstanding through Wells Fargo credit and syndications.
Targeted Markets	U.S.A and Global
Implementation Time	Wells Fargo Capital Finance can typically complete an implementation in 6-8 weeks with minimal changes to our client's existing processes. This is due to our dedicated team that works with our client's internal IT, A/P, A/R, Procurement, Sales, and Treasury teams to ensure a smooth and quick implementation .
Contact Details	John Schmidt, Senior Managing Director, 303-209-1939

This is for general information purposes only. Nothing contained herein should be construed to constitute legal or accounting advice.

Wells Fargo Capital Finance is an industry leader in global channel financing and supply chain finance.

WELLS FARGO

- Wells Fargo Capital Finance's solution set (Channel Finance, Supplier Finance, Inventory Finance, and Key Accounts Purchase) can help clients achieve significant sales growth, cost reduction, and working capital milestones.

- Wells Fargo Capital Finance's dedicated team has extensive experience implementing Supply Chain Finance programs with large corporations globally. Programs are successfully implemented by a team including implementation managers, product managers, technology personnel, and a supplier adoption team.

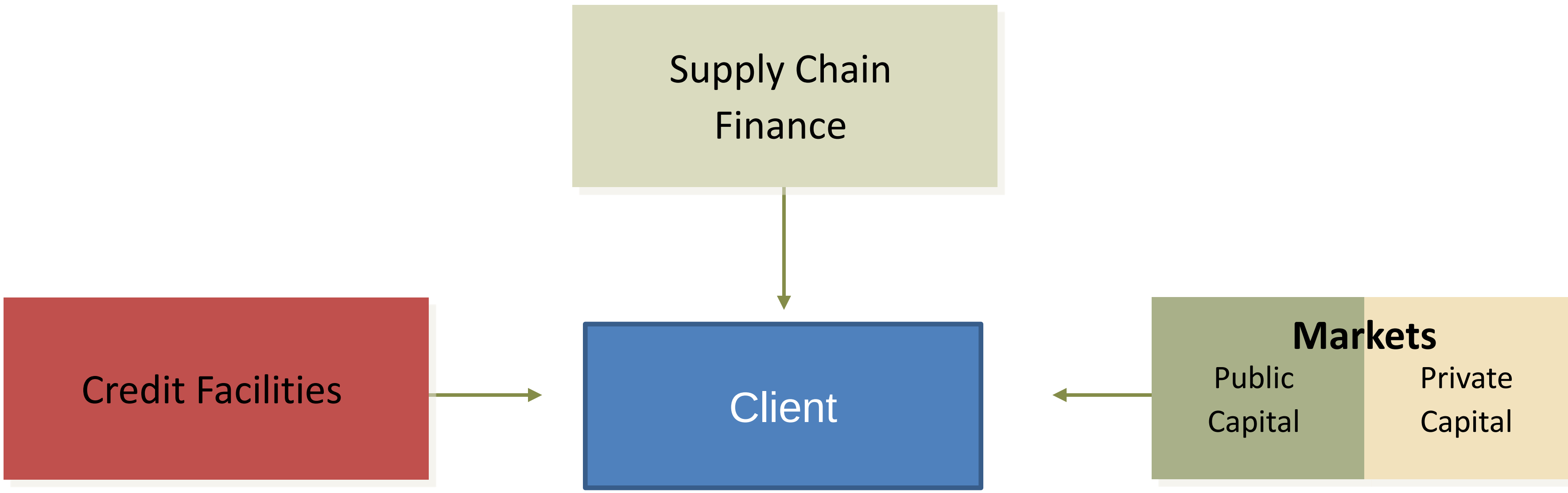
- Since Wells Fargo operates their own technology platform, they are able to build the solution set without existing technical and processing barriers. They have the opportunity to add a number of value-added differentiators (i.e. risk mitigation tools, end-to-end transaction visibility) which give clients true, leading-edge products that do much more than process transactions. The platform can accept any type of approved invoice file from clients and it can be easily integrated with other bank processing /payment systems so that the end result is a streamlined, cost effective process . Through the platform, detailed program tracking and reporting capabilities are provided for our clients and their trading partners.

- It is our expectation that the market will begin to shift towards broader solutions that tie channel finance and supply chain finance to full payables, inventory, receivables, and revenue generation. Our team is focused on rounding out our offering, enhancing our technology and expanding the geography for our solutions. Further, we actively consult with clients to show how the channel finance and supply chain finance solution set can be strategically woven into larger corporate finance objectives such as stock repurchase, acquisition funding, debt reduction, increased dividends, etc.

This is for general information purposes only. Nothing contained herein should be construed to constitute legal or accounting advice.

Wells Fargo Capital Finance's solutions can create an additional source of capital by allowing clients to leverage their trading partners' financial position.

Supply Chain Finance can create an additional source of capital by allowing clients to leverage their trading partners' financial position.



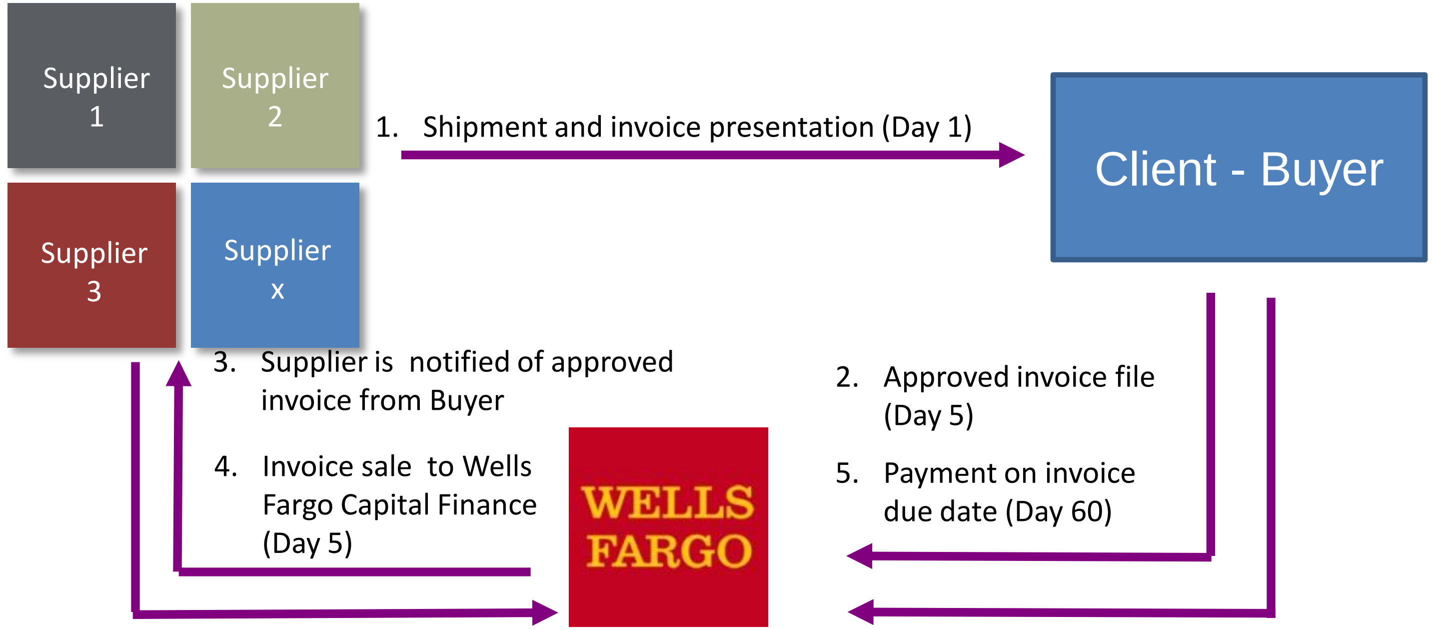
Potential Advantages of Supply Chain Finance

Financial Benefits	Intangible Benefits
▪ Optimization of funding costs ▪ Additional source of capital ▪ May increase sales and market share ▪ Working capital enhancement ▪ Time value of money	▪ Risk mitigation ▪ Increased stability of supply chain ▪ Streamlined procure-to-pay cycle ▪ Automated management of payables and receivables

Supplier Finance – How It Works

General Use:

- For companies wanting to lower the cost of capital for domestic and international suppliers, while also potentially meeting their target payables terms and/or cost reduction objectives
- Buyer Clients are generally investment grade with a least $1 billion in annual sales.



Potential Benefits for Suppliers

Financial

- Attractive liquidity management tool through the early payment option
- Positive working capital benefits

Intangible

- Full payment transparency
- Ability to receive information and payment in a format that best suits their needs

Potential Benefits for Clients (Buyers)

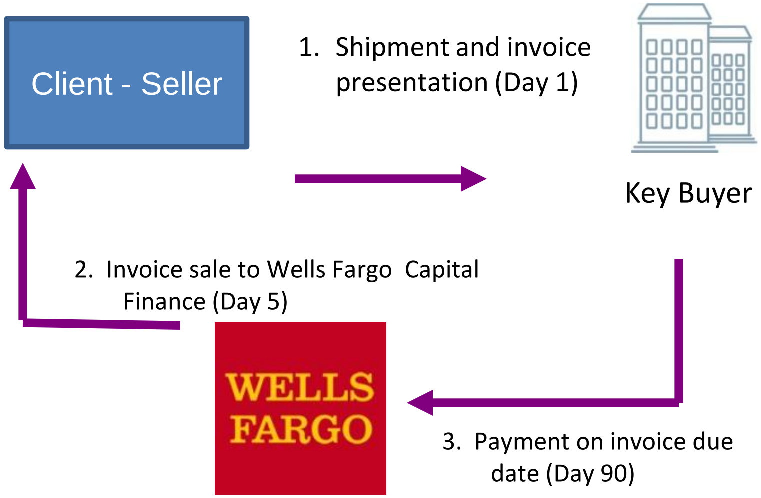
Financial

- Reduce Cost of Goods Sold
- Increase Days Payable Outstanding
- Reduced bank transaction fees

Intangible

- Cash flow certainty
- Strengthen financial supply chain
- Improve relationships with suppliers
- Reduction in supply chain financing costs

Key Accounts Purchase – The Basics



General Use:

- For companies wanting to accelerate the turn of receivables to cash.
- Companies contract with Wells Fargo Capital Finance to sell one or a group of its receivables related to business it does with an Investment Grade or near Investment Grade buyer.
- Generally one to 10 buyers are involved in this type of structure.

Potential Benefits for Clients (Sellers)

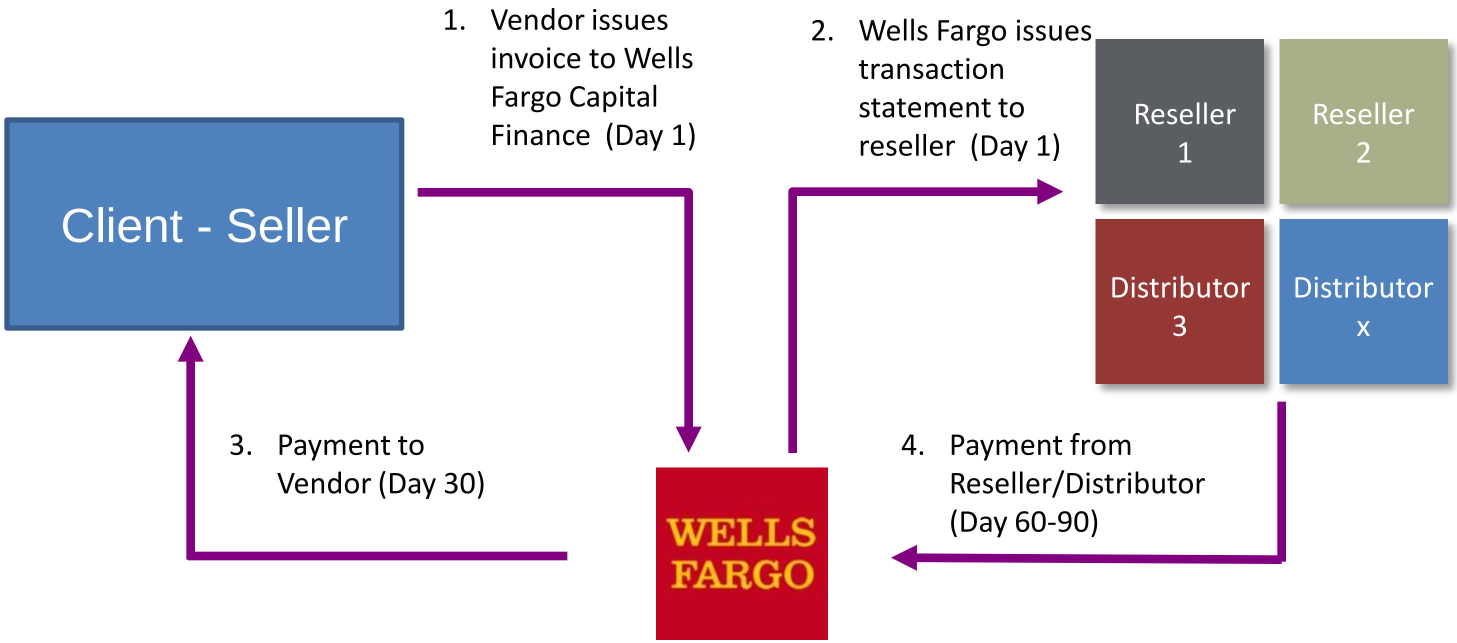
- **Risk mitigation**
  - To mitigate Buyer credit risk and concentration issues
  - To mitigate exposures to foreign countries and Buyers
- **Working capital enhancement**
  - To monetize receivables to fund additional sales and growth
  - To complement securitization in financing overseas and government receivables
- **Flexible to set up; no traditional securitization structure required**
  - No SPV/conduit needed
- **Balance sheet optimization**
  - Efficient financing structure – could afford a True Sale of Receivables
- **Supply chain liquidity**
  - To ensure uninterrupted flow in the supply chain
  - To optimize funding cost of the supply chain

Nothing contained herein should be construed to constitute legal or accounting advice.

Channel Finance – The Basics

General Use:

- For companies wanting to increase revenue and market share by adding liquidity to Buyers and Distributors in key markets
- The Seller Client would offer extended terms to its Buyers and Distributors in order to provide them with additional liquidity.
- Typically used with an investment grade Seller Clients.



Potential Benefits to Clients (Sellers)
▪ **May increase sales** – Additional liquidity in the sales channel – The seller maintains control on agreed credit terms ▪ **Risk Mitigation:** concentration/country/currency ▪ **Strengthen buyer loyalty** ▪ **Improve cash flow** ▪ **Information and administration** – Platform provides information & control

Potential Benefits to Resellers/Distributors
▪ **Additional source of capital** – Increased purchasing power ▪ **Automate payment process** ▪ **Larger credit lines creating a credit history with a reputable financial institution** ▪ **Flexible terms of repayment** ▪ **Comprehensive information** – Detailed account management via web portal

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RBS is a leading player in the trade and supply chain finance sector, providing balance sheet optimized solutions that lead to increased return on capital to their clients.

RBS Group

Solution Overview	RBS offers two global, cross-regional, comprehensive programs structured around Seller-led receivables purchase programs and Buyer-led supplier finance programs. 1. A Buyer-centric program, called Supplier Finance, that provide suppliers of our client (the buyer) with the means to sell to the bank their credit term invoices 2. A Seller-centric program, called Receivables Purchase, that permits our client (the supplier) to sell to the bank credit term invoices issued against their customers.
Global Locations / # Employees	RBS is a leading trade bank with over 180 years of experience in intermediating and financing global trade. Offering SCF solutions since 2001, **the scale of their global and regional supply chain financing operations includes:** • Operations in 36 countries with partner bank relationships in 24 more, in both developed and emerging markets, with over 2,000 trade staff globally. • A dedicated infrastructure for the Supply Chain Finance Business: – A Supply Chain Finance Advisory team specialized in each region to support our clients' needs – A specialized SCF Operations team located at strategic locations – Dedicated SCF staff for implementation management, technical integration and supplier on-boarding and client service
Annual Transactions	• More than 200 supply chain financing programs internationally; Among all clients, RBS has well over 30 host-to-host buyer interfaces deployed for SCF programmes • Over £4 billion in approved facilities worldwide
Targeted Markets	Seven dedicated sector-specific solutions for the following industries: Consumer, Petrochemicals, Telecommunications, Manufacturing, Automotive, Metals and Mining
Partners / Resellers	PrimeRevenue is a key strategic partner in helping to deliver supply chain finance solutions.
Implementation Time	RBS employs a project management approach to the implementation of our SCF programs. All Project managers are PRINCE2® certified. This allows for a transparent implementation experience for the client.
Contact Details of staff	Eric Lemmens, Managing Director Global Head of Trade Finance & Supply Chain Finance Tel: +44 20 76781002 Email: eric.lemmens@rbs.com

RBS can provide competitively-priced financing at critical points in the global supply chain, thus improving buyer and seller's working capital management; and around using various events or triggers in the supply chain to release cash.

RBS Group

Key factors that distinguish RBS' award-winning supply chain solutions:

- **Focused team of experts -** With established credit / risk teams, syndication teams, product expertise and implementation capability in all regions, transactions are approached holistically to make it a three-way-win for their clients, their clients' clients, and RBS.
  - RBS is present in countries accounting for over 90% of world trade.
  - They have the capability to support suppliers of clients in emerging markets and have on-boarded suppliers in various countries and in emerging markets and in countries like Sri Lanka.
- **Technology & Channel Innovation -** Comprehensive solution combining Web-enabled processing technology with financing, that automates administrative tasks on both the buyer and seller sides of a domestic or cross-border transaction. Their MaxTrad™ supply chain portal enables transparency across the supply chain, allowing buyers and suppliers to track orders, invoices and payments, reduce paper trails and help improve the effectiveness and efficiency of operations and compliance with Sarbanes Oxley.
  - **Interface –** RBS can interface with client systems using third-party providers as well as their own proprietary online and direct (host-to-host) trade channels (MaxTrad™)
  - **Ease of Use** – Their recent simplification of the supplier application process has reduced the documentation each supplier has to sign from a 16-page form to just three pages. This has had a dramatic increase in rates from suppliers, with one client increasing the suppliers on-boarded from 20 to 60 almost immediately.
  - Other recent technological advances in our SCF technologies include electronic supplier onboarding, and **support for Multi-bank funding programs** for multi-national buyers occasionally require a multi-bank solution that offers the flexibility to increase the size of the supply chain finance credit facility as the program grows.
- **Leadership in the Industry** - Leadership roles in ICC, SWIFT, IFSA and FCIB, together with active participation in new industry initiatives such as the Trade Services Utility, ensure that RBS remain at the forefront of trade and supply chain innovation.

RBS is a top 5 Trade and Supply Chain Finance provider globally

Global Trade Finance provides a full suite of working capital solutions for clients sourcing from or selling to markets overseas, including risk mitigation, information reporting and financing solutions.

A comprehensive product set encompassing traditional trade services, trade finance and supply chain finance for corporates and financial institutions:

RBS Global Trade Finance Client Solutions

Traditional Trade Products

- Import Letters of Credit
- Export Letters of Credit
- Documentary Collections
- Guarantees & Standby Letters of Credit
- Additional value products:
  - Document Preparation
  - Document Examination and Direct Presentation
  - Business Process Outsourcing Solutions for FIs

Trade Finance & Supply Chain Solutions

- Pre & Post Export Finance
- Pre & Post Import Finance
- Supply Chain Finance
  - Receivables Purchase Programs
  - Supply Side Receivables Purchase Programs
- Transactional Trade Finance

Buyer-led Supplier Finance
Supplier Finance programs support and strengthen key Supplier relationships by giving them the option to sell their Buyer approved receivables to RBS and free up liquidity trapped in their cash cycle through a discounted early payment. While the Buyer enjoys extended payment terms, the Suppliers enjoy access to lower financing rates. Simple operational and legal framework around Supplier onboarding, automated delivery through advanced proprietary and third party electronic platforms and dedicated project teams are the key measures around our award winning programs.

Seller-led Receivables Finance
Receivables Purchase programs support the liquidity need of the Seller by giving them the option to sell their receivables due from their multiple Buyers. The Seller enjoys control over their collections and sales terms, while leveraging the credit quality of their Buyers.

A range of solutions that can be tailored to meet clients' specific business requirements.

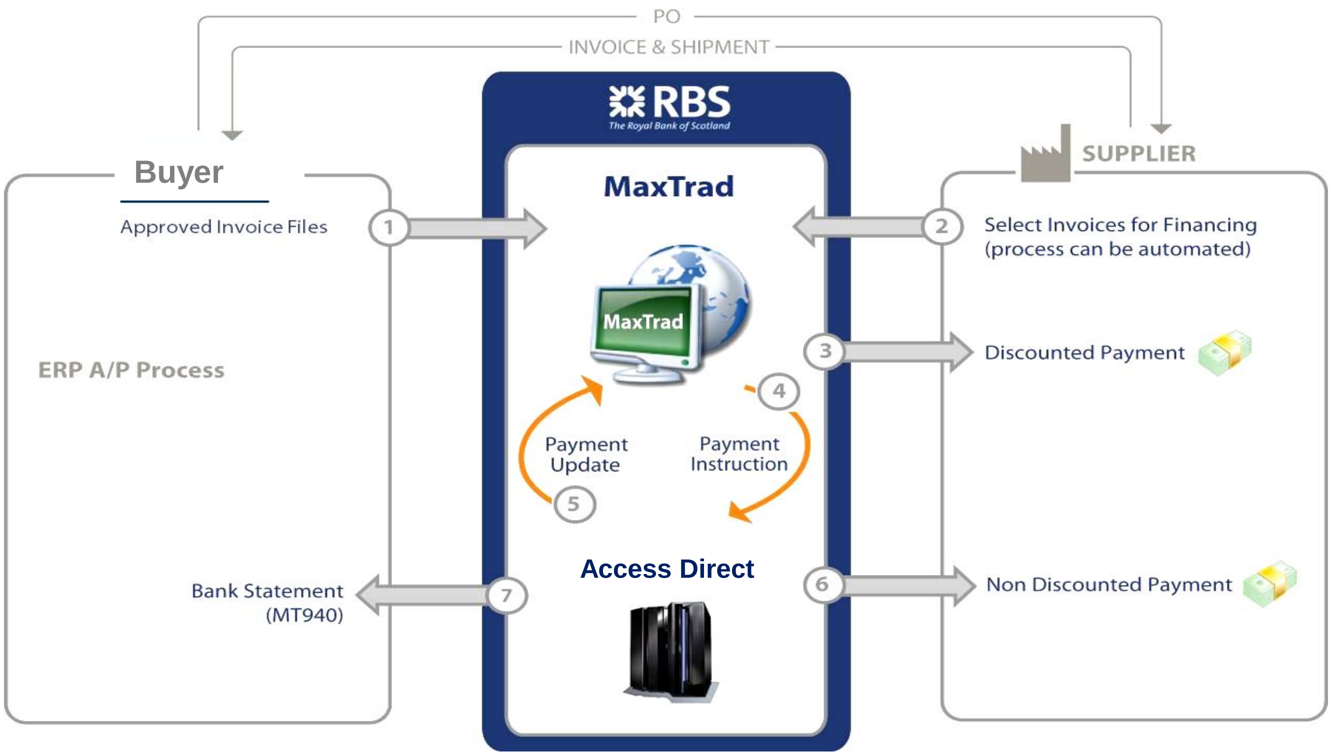
RBS delivers solutions with award winning technology that unifies cash management and trade. RBS MaxTrad™: Supply Chain Finance technology

RBS Group

The combined solution for handling payments and providing financing adds value to the supply chain and provides access to a wide range of products:

- Centralised discounted, non-discounted, payments in a single file
- 24 hours x 7 days access
- Information available in real-time
- Auto collections with international and SEPA direct debits
- Streamline account structure with automated FX solutions
- Custom sweeping solutions with customised trigger and target balances – 'pay as you use'
- E-invoicing which dematerialises the financial supply chain and enables straight through processing
- SWIFT Bureau solutions for tailored reporting and reconciliation

RBS' solution integrates our supply chain portal (MaxTrad™) with our global payments system (Access Direct) – high-level process flow:



- Delivery of PO, Invoice
- 1 Upload approved invoice files
- 2 Trade receivables to the bank
- 3 Payment less discount interest
- 4 Payment message to payments system
- 5 Updates from payments system
- 6 Payment of the undiscounted invoices on the value date
- 7 MT940 to buyer

RBS Key 2010 - 2012 Financing Awards

RBS Group

Market Outlook:

"The financial crisis has honed companies' focus on working capital, beyond cash and liquidity management to also encompass their trade workflows. Opportunities for corporates to re-engineer their processes and streamline their account structures to drive greater use of their cash have never been so promising.

Companies are looking for a model that better reflects the realities of a marketplace – one that provides both paper and electronic transactions while providing an automated outsourcing solution."

- Anila Walia, Executive Director, Trade & Supply Chain Finance Advisory

RBS™

RBS is a top 5 trade services provider globally:

- Best Trade Finance Bank, UK – Global Finance, 2012
- #1 Trade Finance Provider, The Netherlands – Euromoney, 2012
- Best Web-based Supply Chain Financing Solution - *Global Finance,* 2011
- Best Web-Based Supply Chain Finance Solution Provider - *Financial-I, 2011*
- GTR Deal of the Year (Supply Chain Finance) Marks & Spencer – *Global Trade Review*, 2010
- Best Customer Implementation of Supply Chain Financing Solution (SAAB AB) – *Global Finance,* 2010
- Best Supply Chain Finance Provider Western Europe – *Global Finance*, 2008 - 2010

Best Trade Award Finance Bank • 2012
Global Finance
Best Trade Finance Bank
United Kingdom
2011-2012 RBS

EUROMONEY
Trade Finance Survey 2012
#1 Trade Finance Provider
The Netherlands
2012 RBS

Leaders in Innovation
Most Innovative Web-Based Supply Chain Finance Solution Provider
www.financial-i.com
Award Winner 2011
Web-based Supply Chain Finance Solution Provider
MaxTrad
2011 RBS

Global Finance
Best Web-based Supply Chain Financing Solution
MaxTrad
2011 RBS

Global Finance
Best Supply Chain Finance Provider
Western Europe
2008 - 2011 RBS

GTR
Best Deals of 2010
Deal of the Year
Marks & Spencer
2010 RBS

Global Finance
Best Customer Implementation of a Supply Chain Financing Solution
SAAB AB
2010 RBS

Global Finance
Best Supply Chain Finance Provider
Western Europe
2008 - 2010 RBS

Bank of America's Supply Chain Finance (SCF) Solutions encompass the full range of Payables and Receivables Finance.

Bank of America Merrill Lynch

Solution Overview	With over 90 years of recognized global trade experience, Bank of America is in a position to provide skilled client advisory services. Bank of America provides clients value driven, consultative Supply Chain services that: 1. emphasize global deployment and proven turnkey vendor outreach programs that maximize adoption 2. allows easy electronic file integration resulting in a fully automated P.O. to Pay solution 3. utilize Trade Pro®, a full-service Trade Processing solution integrated into our award-wining global trade and treasury portal; Cash Pro 4. provide the capital capacity required to fund large, expanding SCF programs 5. allow both buyer and bank funding
Global Locations / # Employees	Over 1,100 associates worldwide in 68 locations in 30 countries supporting trade operations and business development . Major Trade Finance Operation Centres in US, Asia, LATAM and EMEA.
Products / Services	Supply Chain Finance solutions based on a proven, full service global vendor adoption program that includes P.O. to Pay, Pre & Post Shipment Finance, Approved Payables Finance and Receivables Purchase.
Targeted Markets	Large Corporate and Middle Market clients/FI's located in or engaged in trade activities in North America, Asia, Latin America or EMEA.
Customers	Serving more than 5,000 large multinational importers and exporters, 10,000 middle market commercial bank clients as well as financial institutions involved in global trade.
Partners / Resellers	Trade Pro (proprietary), PrimeRevenue (OpenSCI)
Contact Details	Paul Baity Product Management (Global) / 336-242-1086 Amit Jain Product Management (Global) / 213-621-3694 Irfan Butt Product Management (EMEA) / 44-2079961385 Joseph Sum Product Management (Asia) / 52-28476886

Bank of America sees strategic opportunities to innovate Supply Chain Programs to help clients optimize working capital and drive costs out of the supply chain.

Bank of America Merrill Lynch

- As supply chain finance programs continue to mature around the world, Bank of America believes further integration of both Physical and Financial Supply Chain activities will bring about new financing models and process improvements that will continue to help companies improve their working capital and drive costs out of the supply chain.

- Bank of America is working on innovative supply chain functionality that utilizes electronic integration of supply chain activities to increase visibility and allow for performance and event based financing models as well as automated trade and payment activities based on dynamic business criteria.

- Bank of America engages clients in a well defined SCF program methodology that allows them to provide guidance on key goals, performance metrics and working capital improvements. They have well established program criteria to showcase clearly the key value of SCF and the tools in place to measure and deliver the program benefits.

- Bank of America understands that providing a proven, turnkey supplier outreach and community enablement program is a critical component in gaining vendor adoption and maximizing program value to clients. Helping our clients engage their strategic supply chain partners, showcase the value of a SCF program and deliver on the program goals is one of our core competencies.

Bank of America can work with Large Buyers using their Trade Pro ® SCF platform or through a Multi-Bank platform.

Bank of America Merrill Lynch

Process flow

ABC Co

Bank of America Merrill Lynch Trade Pro ® or Multi-Bank Platform

Supplier

Supplier

Supplier

1. ABC Company sends approved invoices to Bank from ERP system
2. Bank makes discount proposal available to supplier
3. Supplier accepts discount proposal via web portal
4. Bank credits supplier on early payment date, net of discount, and provides MIS reporting information online
5. Bank debits ABC Company for full invoice amount on maturity date

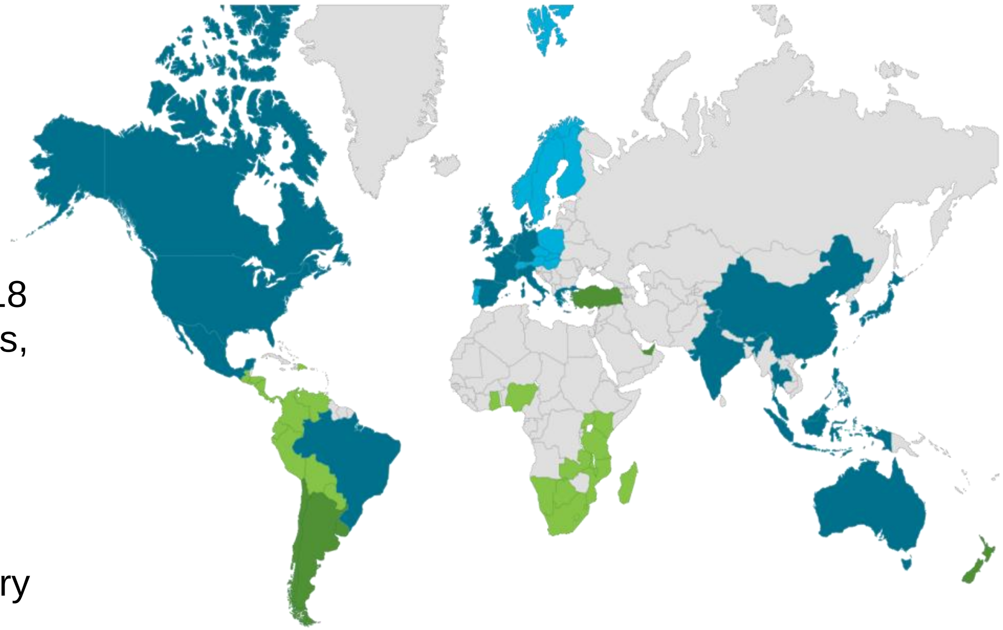
Proven, turnkey supplier outreach and onboarding program to maximize vendor adoption and program value

BAML's global coverage for SCF solutions is extensive.

Bank of America Merrill Lynch

Market Leader in Trade – Helping our clients compete in the global economy for 90+ years

- Leading market share in trade and supply chain services
- Among top 3 issuers of trade and supply chain transactions representing more than 70% market share
- 3000 correspondent banks to facilitate trade transaction processing
- 1,000 associates worldwide in 45 locations in 18 countries, including 8 U.S. Cities, for operations, business development and product support; including major Trade Finance Centers in US, Asia, LATAM and EMEA
- Trade Pro ® web portal on CashPro Online provides clients an integrated trade and treasury tool to complete SCF and trade transactions, provides visibility into the status of each transaction along with sophisticated management reporting capabilities.
- Trade Sales Officers provide advisory services, structuring solutions and share best practices, enabling clients to leverage our global network



Bank of America is committed to Supply Chain Finance.

As a experienced leader in Supply Chain Finance, Bank of America:

- understands the challenges and opportunities of supply chain finance programs.
- can clearly articulate the key strategic pieces of a program that companies should focus on based on their working capital and process automation goals.
- Most importantly, has the experienced people to make sure that the goals that are established for a SCF program are achieved.

Treasury Management International

Best Financial Supply Chain North America

Trade & Forfaiting Review

Best Trade Bank North America

The Asset
Best Regional Solution

Orica

Trade Finance

Best Trade Finance Provider USA

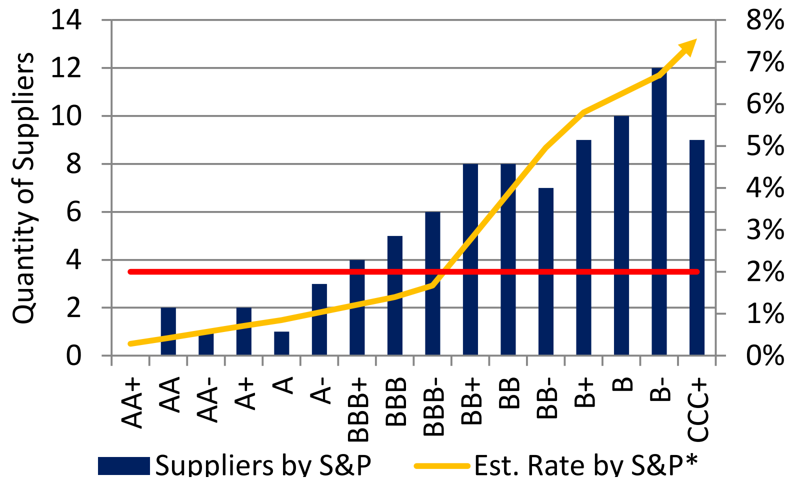
Global Trade Review

Best Trade Finance Bank North America

Bank of America delivers on Supply Chain Finance.

Bank of America Merrill Lynch

- **Our most creditworthy MM Clients (Buyers) enjoy:**
  - Low cost of financing
  - Investment rated
  - Strong balance sheet
  - Access to low cost capital
  - Many banking options



- **Supplier capital costs can be high**
  - Often more expensive financing
  - Non-investment graded
  - High cost of debt
  - Tied up on bank credit lines

Client Testimonials

"Through our supply chain finance facility we have unlocked over $500 million cash"	***"We supported a $300 million strategic sourcing initiative into Latin America facilitated by our SCF program"***	***"Our SCF program reduced working capital to $20million on $1billion cost of sales"***	***"The SCF program resulted in a reduction of our SG&A costs by standardizing over 400 different types of payment terms"***
Auto Parts Retailer	***Global Apparel Company***	***Global Manufacturer***	***Home Improvement Retailer***

In 2010 and 2011, Standard Chartered Bank was acknowledged by Global Finance as the Best Supply Chain Finance Provider in Africa and Asia.

Standard Chartered

Solution Overview	As one of the first banks to recognize the importance of successfully integrating its cash and trade businesses, Standard Chartered is very well positioned as the leading provider of working capital services. The bank has leveraged their original strong network in Asia and Africa to expand their SCF programs to include the Middle East, and OECD countries (USA, Europe, Japan etc) across 75 countries with a highly client-centric focus.
Global Solution Coverage	Standard Chartered Bank manages Supply Chain Finance Programs in 39 countries globally. The Bank has leveraged its network presence in emerging markets to offer solutions to Corporate across the World in sustaining their physical supply chain. Standard Chartered's Supply Chain Finance Programs cover Asia, Africa and Middle East where the supply chain lies for Clients from the Americas. Increasingly importantly, Standard Chartered's solutions also address growing 'South-South' SCF trade corridors.
Products / Services	Standard Chartered Bank's Differentiation involves three key areas: 1. **Inter-relationship Perspective**: Supplier Finance and Buyer Finance programs use proprietary credit models to analyze specific supply chain inter-relationships between their clients (Anchor) and their suppliers and buyers (Spokes). And parameters have been designed to measure the strength of the Anchor's supply chain linkage in their program. 2. **End to End Programs**: Their program develop an end-to-end supply chain financing to their Anchor clients, from their suppliers to buyers. 3. **Technology**: Supply Chain Finance solutions are supported by the Straight2Bank web-based front end platform that integrates multiple product offerings across payments, trade and financial markets.
Contact Details	**Web site:** **www.standardchartered.com** **Americas – Sales** Joon Kim, Managing Director and Sales Manager Joon.Kim@sc.com +1-646-845-1170 **Americas – Trade Products** Farhad Subjally, Director, Trade Product Mgnt Farhad.Subjally@sc.com +1 646-845-1227

Standard Chartered Bank's scope and functionality of Global Supply Chain Finance Solutions supports both Buy and Sell side.

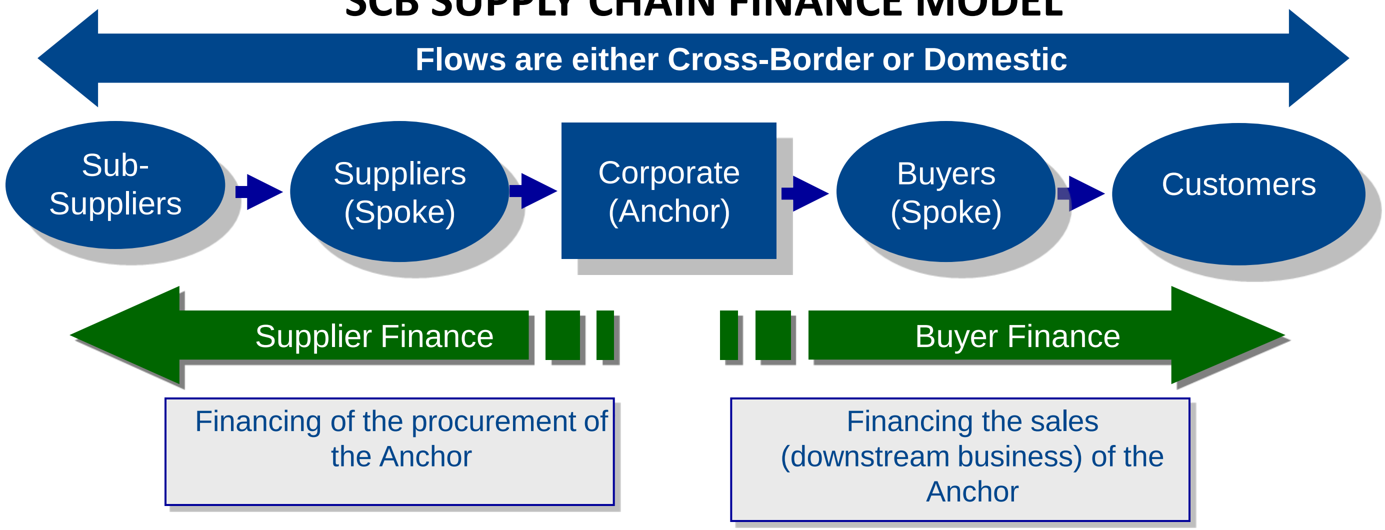
Standard Chartered

Standard Chartered's supply chain finance solutions are differentiated with competitors' from the perspective that they go beyond the typical payable financing solutions and factoring. This program is an end-to-end supply chain financing model to their clients, from their suppliers to buyers, as shown below.

Standard Chartered's SCF model is very different from the traditional practice of standalone risk evaluation which was focused only on suppliers/buyers financial strength and historic financial performance.

These programs can be used to develop and deliver solutions that fulfill their clients' supply chain requirements for all participants in the value chain.

SCB SUPPLY CHAIN FINANCE MODEL



The Holistic Supply Chain

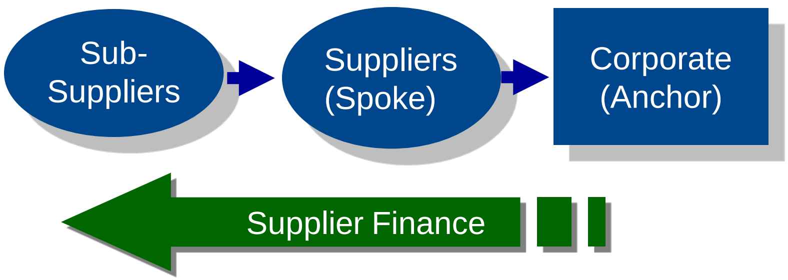
"Over the past years, the bank has come to view the supply chain quite differently. The bank views it from a very holistic perspective, and does not focus solely on the balance sheet of the parties involved, including the physical and financial as well as the information supply chain. Suppliers and buyers, too, are placing greater emphasis on making the supply chain work better. The net result is a more efficient trading system, to the benefit of all the parties involved".

- Ashutosh Kumar
Global Product of Corporate Products, Transaction Banking
Standard Chartered Bank

Standard Chartered Bank - Supplier Finance Solution

Standard Chartered

Supplier Finance Program



Standard Chartered offers pre- and post-shipment finance facilities to their clients' suppliers. This finance is provided for those parts of the Suppliers' transactions which have a direct linkage to the Anchor, and is based in large part on the strength of the underlying Anchor-Supplier relationship.

Benefits to Buyer(Anchor) and Supplier Spokes

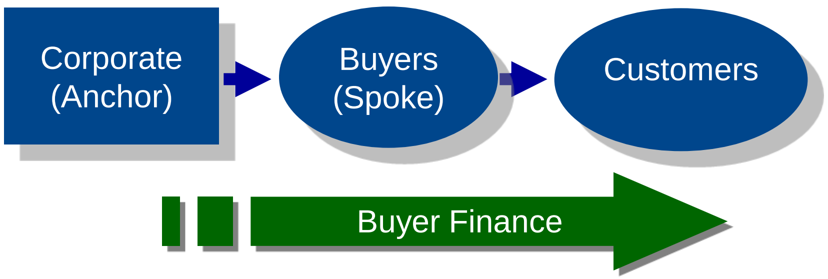
Buyer(Anchor)	Supplier(Spoke)
▪ Reduced transaction fees for L/Cs	▪ Reduced cost of working capital
▪ Commercial terms restructured, credit periods extended	▪ Improved liquidity
▪ Improved liquidity – borrowings transferred to suppliers	▪ Reduced operational costs (collections/ documentation)
▪ Reduced procurement costs (cash discounts)	▪ De-risking of the balance sheet (the program can be structured as a non-recourse structure to the Supplier)
	▪ Reduced L/C charges

"Standard Chartered Bank devised an innovative cross-border solution that supports our company to take full advantage of working capital and accommodate our rapid growth without the hassle for regulatory reporting, tax issues, and cross-border complexities. In addition, we are extremely impressed with the user friendliness and features of Straight2Bank. The Implementation Manager has demonstrated excellence in customer service by fully understanding our issues and meeting our needs. The Standard Chartered team delivers not only professional and efficient services, but also friendly and enthusiastic attitudes."

Jonathan Chen
Director of Finance Division
TPK Touch Solutions Inc

Standard Chartered Bank - Buyer Finance Solution

Buyer Finance Program



Standard Chartered's Buyer Finance Program provides dedicated financing to dealers and/or distributors to procure goods/products from the Anchor. Key to bank's success in this space is a differentiated approach to credit evaluation which leverages the Anchor-Buyer relationship strength.

Benefits to Seller(Anchor) and Buyer Spokes

Seller(Anchor)	Buyer(Spoke)
▪ Accelerate conversion of receivables to cash: reduce cost of carry	▪ Stretch working capital by extending the credit period
▪ Reduce operational costs (collections/ documentary trades)	▪ Competitive interest rate over existing borrowing facilities
▪ Build Channel loyalty	▪ Reduced LC costs
▪ Reduction of costs related to documentary trade	▪ Access to financing to support sales growth
▪ Ability to ensure that the dealers/distributors have access to banking facilities to support sales growth	

"Standard Chartered Bank is offering its world class Supply Chain Finance widely in Asia and Middle East Africa. They are among the few global banks covering also SMEs in many emerging markets. SCB dealer finance program is highly appreciated by Nokia. "

Taru Rintamaki
Nokia
Director of Customer Finance

Standard Chartered Bank key trade executives believe in the business and continue to invest.

Standard Chartered

Market Outlook

"In this challenging economic environment, more and more clients are relying on our global supply chain solutions and our capabilities as the world's top trade bank to help them unlock and more effectively manage their liquidity."

- Karen Fawcett
Group Head, Transaction Banking
Standard Chartered Bank

"Standard Chartered's Supply Chain Finance programs are customized to our clients' differing needs and requirements. Our programs deliver distinct value to all participants in the financial supply chain.

An increasing numbers of clients across many industry sectors – manufacturing, commodities, and the technology, media, telecommunications sectors, for example - now see Supply Chain Finance as efficient solutions to manage risk, improve cash flows and enhance shareholder returns..."

- Dan Scanlan
Managing Director, Transaction Banking, Americas
Standard Chartered Bank

Key SCF Data Points

- Standard Chartered's Supply Chain business has demonstrated CAGR growth of more than 50%, representing fast growing transaction volumes.
- Currently, Standard Chartered Bank manages programs for more than 300 Anchor clients, involving 4,000 suppliers and buyers in 39 countries. These programs cover a wide spectrum of industries including retail, telecommunications, technology, automotive, manufacturing and chemical industries.
- Their commitment is further evidenced by a USD40 million investment in a new transaction processing engine for different open account financing structures, and interfaced with a global limit management system. This proprietary system, has been-rolled out in 40 countries.
- Standard Chartered Bank and International Finance Corporation (IFC) launched Global Trade Liquidity Program (GTLP, USD 1.25 Bn) to facilitate international trade finance and support the recovery of the global economy in June 2009. Standard Chartered Bank was the first bank to sign a GTLP with IFC. We continue with this program in our pursuit to support emerging market economies.
- Key 2010/2011 Awards include:
  - ***Global Finance***
    World's Best Supply Chain Finance Providers
    Best Supply Chain Finance Provider in Asia, 2010 and 2011
    Best Supply Chain Finance Provider (Foreign) in China 2011
  - ***TMI***
    Awards for Innovation and Excellence in Treasury Management
    Best Bank Financial Supply Chain – China 2011

Deutsche Bank is focused on providing Financial Supply Chain (FSC) solutions that support the entire physical supply chain end to end (from PO issuance through shipment to final payment).

Web site:
www.db.com/gtb

Key FSC Contacts:
Drew Arnold
Trade and Cash Solutions Advisory
E-Mail: drew.arnold@db.com

Joao Galvao
Head of Financial Supply Chain, Americas
E-Mail: joao.galvao@db.com

Jon Richman
Head of Trade Finance & Financial Supply Chain, Americas
E-Mail: jonathan.richman@db.com

Rick Striano
Global Head of Trade & Financial Supply Chain Product Management
E-Mail: rick.striano@db.com

Solution overview	— Whether a client operates on a local, regional or global basis, Deutsche Bank delivers superior and innovative solutions to support their Financial Supply Chain (FSC) needs. The platform includes end-to-end supply chain finance modules that are complementary and can be integrated or offered independently. Clients have the flexibility to easily access the platform through a simple user interface or can choose to automate their processes through direct integration with their ERP system
Background	— Deutsche Bank's Financial Supply Chain platform is proven, mature, robust and scalable. It has been an in-house, Deutsche Bank built and owned solution since its launch 12 years ago. It is a global solution for complex multinational corporates – utilized by 400+ global buyers.
Key Strengths	— Deutsche Bank's Financial Supply Chain Platform is offered in over 40 countries, and is multilingual and multicurrency. We maintain full control over our Financial Supply Chain strategy and platform development. Leveraging an extensive global network, Deutsche Bank provides the in-depth knowledge and resources to work together with clients in the implementation and support of FSC solutions.

FSC modules

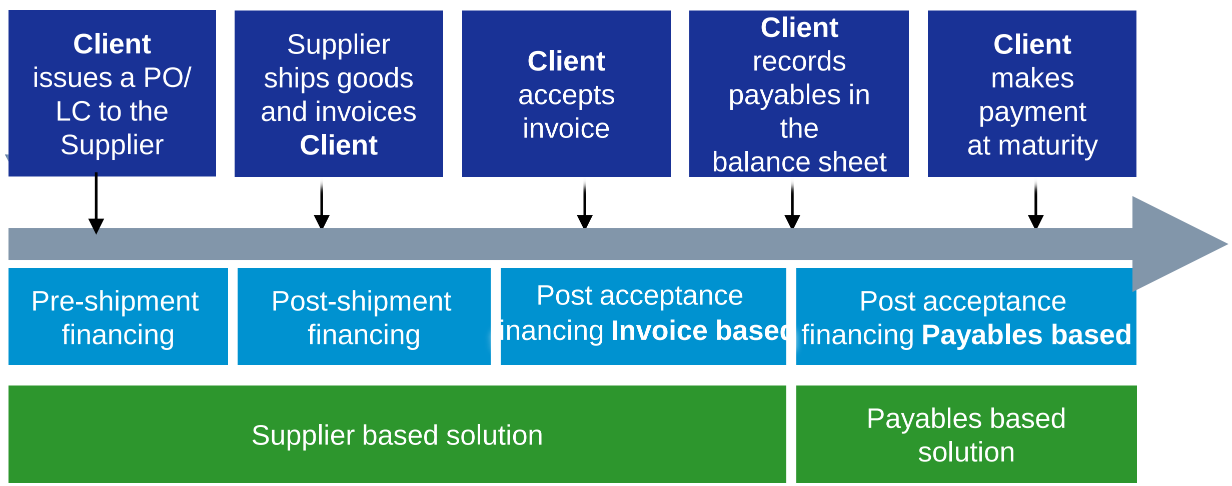
Pre-shipment financing	**Receivables finance**
Post-shipment financing	**Buyer/distributor finance**
Confirmed payables finance	

Deutsche Bank provides a wide array of Trade Finance and Working Capital solutions across the physical supply chain through its many industry leading products globally.

Vision

Deutsche Bank aims to provide transaction banking clients with a suite of services allowing them and their trading partners to fully realize the potential benefits of a robust FSC solution- from improving working capital and liquidity to building better relationships among trading partners. The Bank will continue to leverage our global footprint to create innovative solutions that are relevant from a local, regional and global perspective

Deutsche Bank Trigger Points for SCF



Deutsche Bank has the global reach, the market presence and the financial strength to invest in the continued development of its Trade and Financial Supply Chain Management solutions globally

Key differentiators

- Global Trade and Financial Supply Chain are core to Deutsche Bank's transaction banking business
- Global reach, with local expertise allows Deutsche Bank to be responsive to the individual needs of its clients
- An integrated solution allows the Bank's clients to use a single platform to access a wide range of products
- FSC solutions and Trade Finance products are overseen by the same team to ensure that these areas are aligned

Credibility

- Deutsche Bank is a highly committed and knowledgeable provider of Financial Supply Chain solutions
  - Financial Supply Chain is one of the most important initiatives for Deutsche Bank Global Transaction Banking
  - Our Financial Supply Chain experts have over a decade of experience in the design and roll-out of FSC solutions
  - We have active programs in all regions with both buyers and suppliers and have implemented many multi-regional solutions
  - Awarded Best Domestic Trade Finance Provider in the United States (Euromoney Trade Finance Survey 2012)

Analysis and selection of business partners

- Deutsche Bank offers specialist advice regarding the segmentation of the respective customer or supplier base, thereby helping clients to identify specific areas of need and customized financing solutions.

Supplier on-boarding and support

- Deutsche Bank provides outstanding supplier on-boarding and supports critical components to a program's success
  - Our on-boarding and supplier support activities are continuous
  - We have commercial on-boarding personnel on the ground globally
  - We provide in-depth on-boarding activity reports that offer full transparency to our clients
  - We utilize multiple points of analysis in our supplier segmentation

Section B

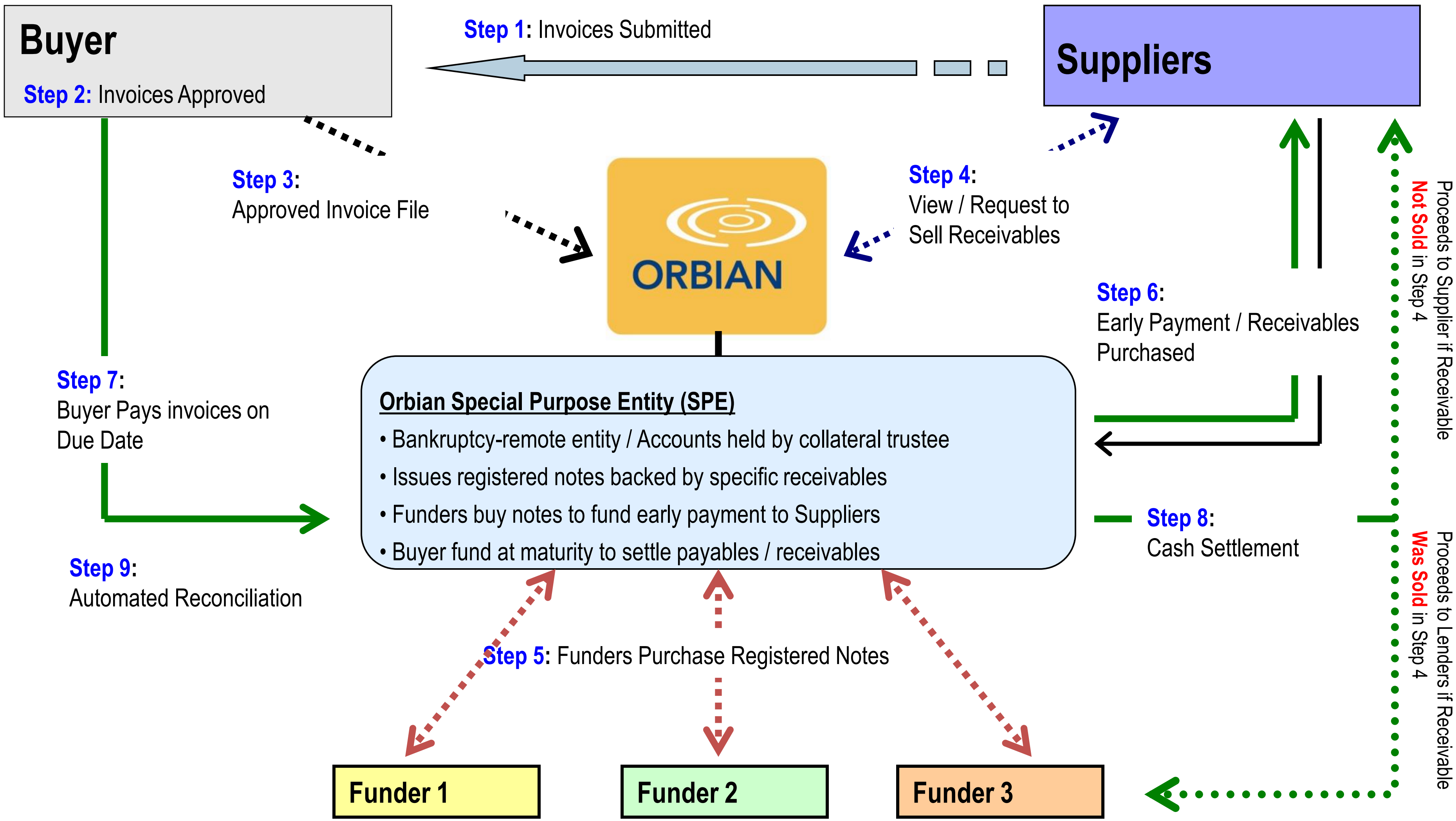
II. Non Bank Buyer-Led Supply Chain Finance

Orbian is dedicated to Supply Chain Finance.

Orbian Supply Chain Finance solution is a collaborative approach to trade payments and receivables financing. The solution is made possible by the use of a technology platform uniting the buyer and its suppliers. Orbian provides instant visibility into invoices approved for payment and grants suppliers a non-recourse early payment option with a discount rate that is based on the buyer's cost of debt; reducing costs across the supply chain.

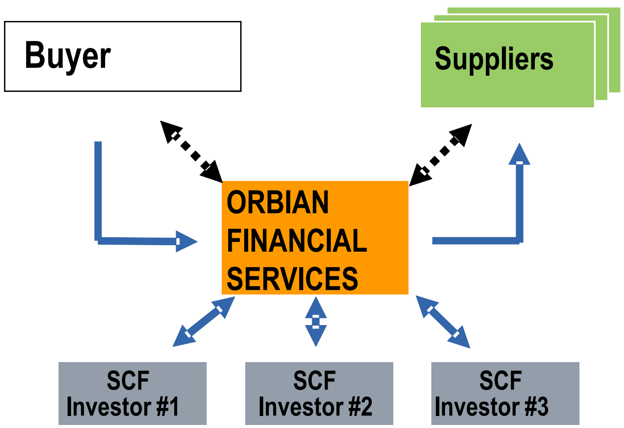
Solution Overview	Orbian is focused on Supply Chain Finance. They provide both a proprietary platform with 6-sigma operating performance and a Universal funding model that provides Suppliers with continuous access to the lowest cost funding for all their confirmed receivables.
Global Locations / # Employees	The company was founded in 1999. With offices in Norwalk (CT), London and Hamburg, Orbian services more than 4000 customers in 53 countries. They have “Buyer-led” programs from “Fortune 1000” clients such as Autozone, General Mills and Siemens and also offer confirmed receivables purchases from suppliers for over 1000 major global companies.
Products / Services	Supply Chain Finance, Inventory Finance
Annual Transactions	More than $6,000,000,000
Targeted Markets	Global
Implementation Time	6-8 weeks (for fully integrated Buyer-led program) 3-5 days for Supplier initiatives
Contact Details	Thomas Dunn, Chairman and Sabrina Piquemal, Sales and Marketing Manager - P:+44 (0) 20 7065 7010

Orbian's SCF Model focuses on providing liquidity to suppliers by using a Universal funding model.

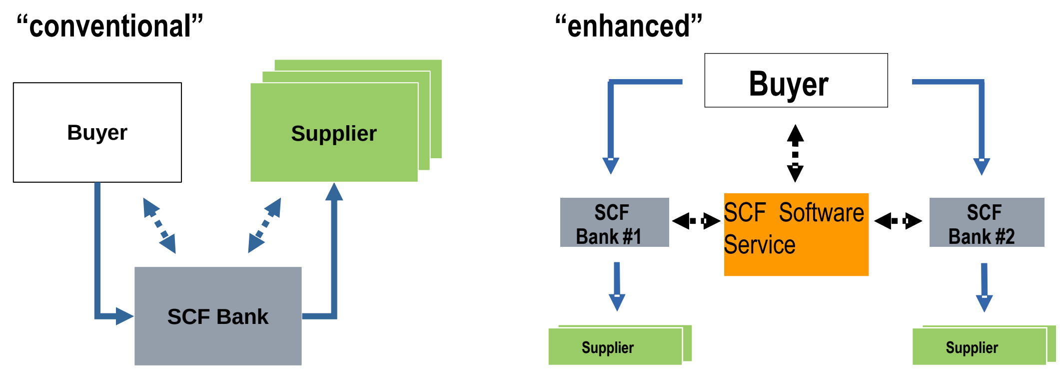


Orbian is funded by networks of banks and investors. Suppliers are never exposed to individual funders. This creates the lowest cost, greatest capacity and greatest security of liquidity upon which the buyer's working capital goals can be achieved.

Orbian SCF Program



Single-Bank SCF Model



- Orbian Program allows the exchange of banks without impacting the supplier
- Almost every bank or any other investor can join increasing the available funding and increasing the competition between liquidity providers
- Never any dependency by Suppliers on individual funders

- Every supplier has access to only one funding bank. A bank withdrawing the line impacts the supplier directly
- In conventional Single-Bank-Programs not only Suppliers, but Buyer depend on the Bank as the Bank runs the platform.
- Enhanced single bank structure reduces dependencies, but still leaves the supplier depending on one funding bank

Section B

II. Non Bank Seller-Led Supply Chain Finance

CBC Trade Finance, the international arm of Capital Business Credit, a non-bank trade finance company, offers post shipment supply chain finance solutions for cross-border trade with the U.S./Canada.

Solution Overview	Through its Supplier Early Payment (SEP) Program, suppliers (exporters) are paid 100% as soon as goods are shipped and importers accept a trade draft or sign a no offset letter - providing the importer with up to 120-day open account terms
Global Locations / # Employees	100 employees. Offices in New York, NY; Los Angeles, CA; Charlotte, NC; Ft. Lauderdale, Fl; Atlanta, GA; Columbus; OH; Mexico; Shanghai & Hong Kong
Products / Services	Trade Finance, Factoring, Asset-Based lending Buyer-led and Seller-led programs available.
Targeted Markets / Customers	Foreign small- and mid-sized enterprise (SME) suppliers (e.g. manufacturers and exporters) and SME / non-investment grade importers, customers and distributors based in the US and Canada. CBC Trade Finance is industry agnostic.
Implementation Time	Given CBC's flat organizational structure, CBC can very quickly underwrite SME/non-investment grade buyer credit risk and extend DPO to the buyer
Contact Details of staff you would like listed	Andrew Tananbaum 212-887-7901 atananbaum@capitalbusinesscredit.com www.capitalbusinesscredit.com

How the CBC Trade Finance SEP Program Works

DAY 1: PRODUCTS SHIPPED

1. Commercial invoice and shipping docs are submitted by exporter to CBC TF
2. CBC presents transaction documents and trade draft or no off set letter, via the Internet, to importer for approval and acceptance
3. Importer approves docs and accepts draft or signs no offset letter and returns to CBC

UP TO 120 DAY CREDIT TERMS

Day 2 - Shipment	Day 30 - Ship arrives at US port	Day 120 - End of credit period
SHIPPING	PRODUCTS IN HAND	
Payment to Exporter by CBC	Receipt of Goods by Importer	Payment to CBC by Importer

4. Upon receipt of signed trade acceptance or no off set letter, CBC pays exporter 100% less interest and fees
5. At maturity of the draft or invoice importer makes full payment to CBC

Through the SEP Program suppliers (exporters) are paid 100% as soon as goods are shipped and importers are provided with 120-day open account terms

CBC's SEP Program is ideal for SME suppliers and their U.S. buying counterparties.

The SEP Program was designed to help facilitate and increase trade between U.S. & Canadian importers and their overseas exporters. Through the program:

- –**Non-recourse sale of receivables** – CBC provides non-recourse financing of up to $20 million per buyer
- –**Speed** – CBC can underwrite very quickly
- –**An alternative funding source** without collateral or guarantees required from the importer
- –**Easy to implement and manage** through a web-based settlement process with minimal paperwork required
- –**Reduce Exposure for Banks –** Banks can use the SEP Program to reduce exposure to SME/non-investment grade importers and exporters
- –**Asset-based lending and factoring facilities** available through CBC to importers in the case that the buyer doesn't qualify for unsecured trade credit

CBC Trade Finance's Supplier Early Payment Program: Benefits by Segment		
For Importers:	For Exporters:	For Banks:
Optimize working capital & payment flexibility • Incremental unsecured financing •Increased liquidity and improved cash flow • Extend DPO (e.g. from 30 to 90 days) • No additional bank debt, remains trade payable • Scalable process that supports growth and seasonality • Global access	**Eliminate customer credit risk & reduce working capital** • Accelerate cash flow and liquidity • Purchase of receivable without recourse • Decrease DSO • Frees capacity without existing credit facilities • 100% advance rate • No collateral guarantees required • Eliminate disputes and deductions • Increase sales potential • Outsource U.S. receivable collections	**Manage exposure** • Credit guarantee and collection of US receivables • Rediscount receivables without recourse • Ability to offer a unique financing solution to SMEs • Increase business with importers and exporters

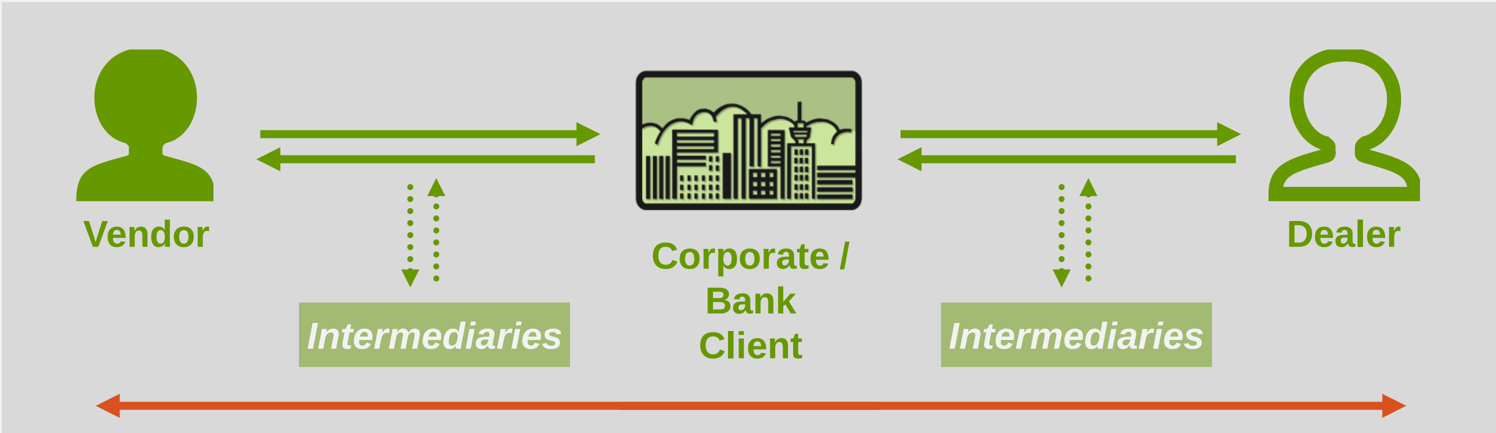
Section B

IV. Supply Chain Finance
– Technology Platforms sold to Banks

Fundtech is a provider of integrated Financial Supply Chain and Cash Management solutions to financial institutions and corporates.

Solution Overview	Fundtech's Global CASHplus (GCP) solution provides corporates and banks a common infrastructure for Supply Chain Finance, Cash Management and Trade Finance. The solution is also independently available as a platform to support only SCF functionalities and integrate with other existing solutions.
Global Locations / # Employees	Headquartered in the USA, the company has 16 offices across the globe, including Australia, Germany, India, Singapore, Switzerland and the UK. Fundtech has 1,300+ employees worldwide.
Products / Services	The Global CASHplus solution supports all payable and receivable products under the SCF umbrella with three-corner support (Buyer - Supplier & the bank), and with a four-corner model through SWIFTs TSU.
Targeted Markets	US, Europe, Asia, Africa and Latin America.
Partners / Resellers	Direct sales, as well as country-specific partners.
Implementation Time	Typical implementation period ranges from 6 months to one year.
Contact Details	Sanjay Dalmia, CEO, Fundtech India Sanjay.Dalmia@fundtech.com

Fundtech's Global CASHplus solution provides SCF processing services as well as various forms of financing to Corporates, Vendors and Dealers.



SCF Processing Services

- Purchase Order Management
- EIPP
- Payment Guarantee
- e-Procurement

SCF Financing

- Factoring
- Dealer Financing
- Reverse Factoring
- Invoice Financing
- Pre-shipment Financing

Global CASHplus is a complete Financial Supply Chain platform serving both ends of the Supply Chain – the Procurement as well as Distribution chains.

- Global CASHplus is an integrated solution:
  - Spanning the entire financial value chain from PO, Invoices, Financing, BPO, Payments and Reconciliation
  - With strong market presence and customers across various geographies in Asia, Africa, US and Europe
  - With proven expertise in executing low-value, high-volume transactions with connectors to ERP systems.

- Global CASHplus provides underlying enablers for corporates to electronically integrate their financial chains with their suppliers as well as with dealers/ customers.
  - Corporates/ suppliers/ dealers can raise requests for financing at various stages of the business cycle.
  - Banks decide on financing to be provided based on risk limits that is defined and monitored online.
  - The FSC life cycle is completed by providing payment services, follow-up and and reconciliation.

- Global CASHplus is highly parameterized, providing a high degree of customization capability.

- Global CASHplus is an easy and flexible solution for customer on-boarding and integration.

- Fundtech has strong expertise and presence in several markets globally.

Demica's proprietary web-based platform Citadel enables and supports various forms of receivables/payables finance, including supply chain finance and trade receivables securitization.

Solution overview	Citadel streamlines the execution of a supply chain finance solution through the complete automation of the process, bringing cash flow benefits to both buyers and suppliers and a simple, automated transaction management solution for financiers. Citadel collects, organises and consolidates data from single or multiple sources and applies configured processes for settlement. Citadel is configurable to suit the features, structure and participants of an individual program.
Global locations / # Employees	Founded in 1992, Demica works with banks and clients worldwide. Demica is 100% owned by the JM Huber Corporation, a diversified family owned company headquartered in the US with operations and staff located globally.
Products /services	Demica's Citadel platform supports supply chain finance, invoice discounting and trade receivables securitization. Citadel is a fully hosted, web-based trade finance solution accessed and operated by a secure web interface. Alternatively, the software can be licensed and installed within financial organisations.
Targeted markets	Global. Banks, financial institutions, and corporations
Contact details	**Website: www.demica.com** **Phillip Kerle, CEO** **phillip.kerle@demica.com** **+44 (0) 20 7450 2500** **Avarina Miller, Senior Vice President** **avarina.miller@demica.com** **+44 (0) 20 7450 2500**

Demica's Citadel platform serves various stages of the supply chain, but most common by far are financing structures built on buyer validated invoices.

DEMICA
Intelligently Working Capital

- Citadel SCF is entirely configurable to suit specific financing terms and conditions and participants. It is designed to operate seamlessly across multiple jurisdictions, currencies, time zones, accounting and calendar conventions and operating systems. It serves single and multiple funders, including buyer self-funding. The data collection process is non intrusive and secure. In addition, the user screens can be customised with corporate brands including logos, colours and layout.

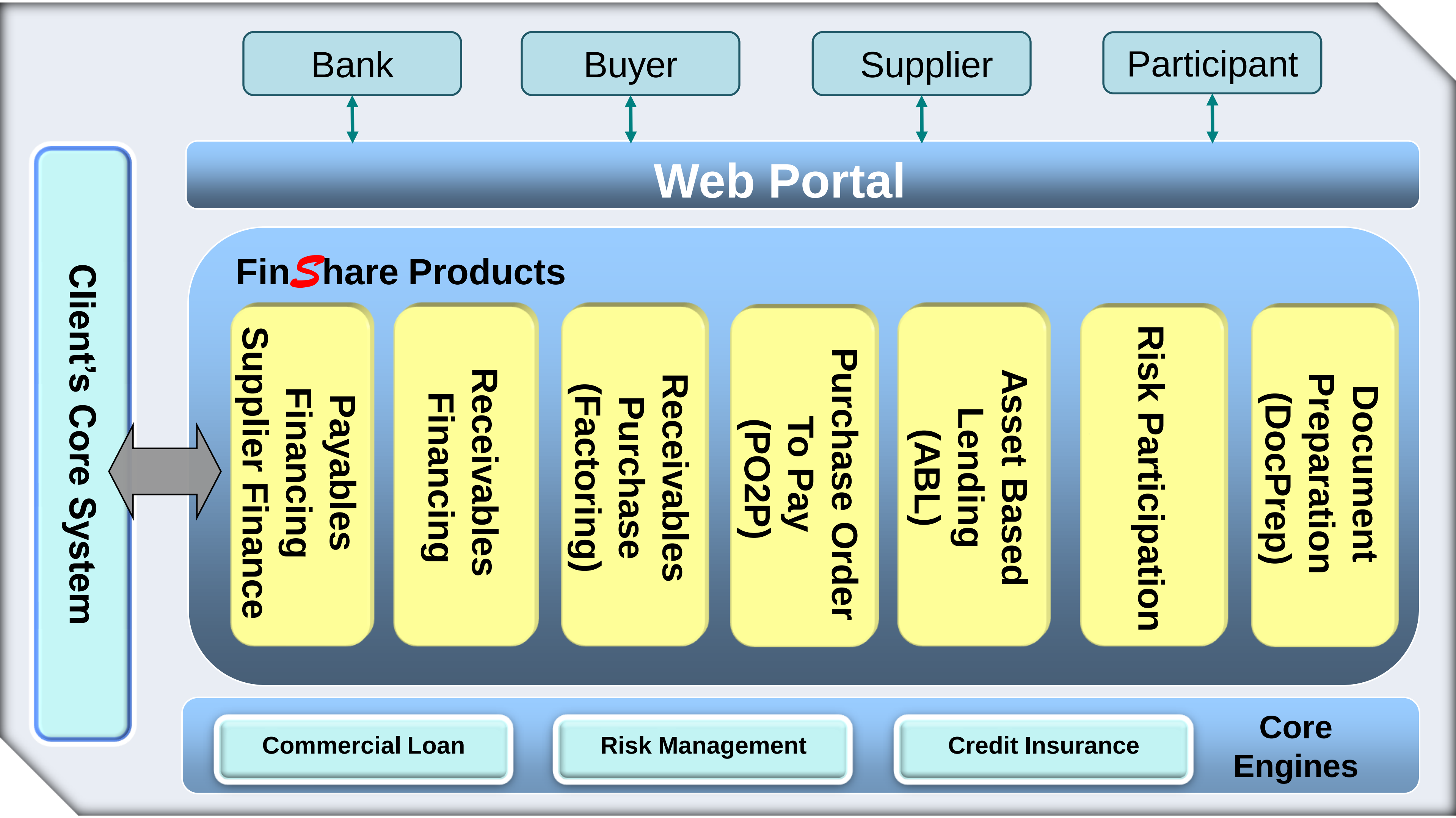
- The aim of the Citadel platform is to create an environment in which operational risk is mitigated with optimum and automated efficiency. Citadel is flexible, supporting both standardised flows and individual or proprietary business models.

- The success of a SCF solution hinges on the real-time visibility and integrity of data, to enable all participants in the structure to track assets, advance payments and settlements.

Premium Technology offers a web based, multi-currency software platform for managing Supply Chain Finance transactions

Solution overview	Founded in 2001, Premium Technology is focused exclusively on Supply Chain Finance (SFC) solutions. Their processing modules span the full spectrum of Supply Chain Finance and includes: **Supplier Finance (Reverse Factoring):** Buyer Centric – Provides funding for suppliers based on approved invoices for payment by buyer **Receivables Finance:** Supplier Centric – Batching or pooling of receivables for financing **Factoring (Receivables Purchase):** Provides post-export financing of receivables and Purchase Order (PO) pre-export financing **Purchase Order to Pay (PO2Pay):** Web-based collaboration and process control for pre-export and post-export financing for full PO process cycle **Asset Based Lending (ABL):** Full ABL functionality and reporting with revolving (loan) credit lines. **Risk Participation:** Module for participating portfolio risks to participants (funded and unfunded) **Document Preparation (DocPrep):** Document preparation and generation for the trade transaction process
Global locations	Premium Technology has locations in New York, Hong Kong, and China with 150 employees globally.
Products /services	FinShare is the SCF product suite offered. FinShare is a highly flexible, scalable, and configurable solution set which enables banks to create products and offerings for clients based on evolving credit and client working capital needs. FinShare SCF solutions may be licensed outright or utilized via a hosted, ASP model.
Targeted markets	Banks, Financial Institutions, Factors, Service Companies
Contact details	Mr. Peter Chin – (212)-855-5511 Ext. 227 pchin@premiumit.com

FinShare Product Suite solutions can be licensed outright or utilized via a hosted, ASP model



FinShare is a highly configurable solution that is unique in its ability to satisfy diverse and complex business requirements.

®Premium Technology

- Using FinShare, banks will have the flexibility to model their Supply Chain Finance product offerings by region, industry, customer, etc.

- This will not only address internal and regulatory requirements but potentially provide a distinct advantage when competing for new business.

- As the customers' needs and expectations inevitably evolve, banks will also have the capacity to adjust accordingly. FinShare functional highlights include automatic data uploads, image & document attachments, automated invoice eligibility filters, comprehensive limits tracking, credit insurance monitoring and extensive reporting capabilities with continuous enrichment of content by participants through authorized access for input and usability.

- The system provides automated eligibility filters, invoice validation controls and a great deal of flexibility for assessing fees, accruing interest and managing risk (buyer limits, seller limits, concentration by industry, country, etc.)

GXS offers a technology platform that makes it faster, easier and cheaper to get corporates (and their supply chain partners) on-boarded to Supply Chain Finance applications.

Solution Overview	GXS performs B2B connectivity, integration and on-boarding services. Additionally, they offer procure-to-pay applications that enable electronic exchange of POs and invoices; 3-way matching; supplier on-boarding and exception management.
Global Locations / # Employees	GXS was created in 2002 from a division of GE that was spun off into an independent company. GXS has over 2000 employees and offices in 20 countries including the US, Canada, UK, France, Germany, Netherlands, Italy, Brazil, China, Hong Kong, South Korea, Japan, Singapore, Australia, India.
Products / Services	• Managed B2B Integration Services to connect, integrate and on-board corporates and their supply chain partners. • SaaS applications for electronic invoicing, procure-to-pay and order-to-cash automation.
Annual Transactions	12 Billion transactions such as purchase orders, bills of lading, commercial invoices and payment instructions exchanged annually representing trillions of dollars in global trade.
Targeted Markets	• Financial Institutions – Supply Chain Finance, Trade Finance, Commercial Finance, Cash Management, Merchants and Card Services divisions of Commercial Banks. • Corporates – General Merchandise and Specialty Retailers; Apparel and Footwear Manufacturers; Semiconductor, Electronics and High Tech Manufacturers; Auto Parts and Vehicle OEMs; Industrial Manufacturing.
Customers	40,000 customers including 75% of the Fortune 500
Implementation Time	1-6 Months depending upon complexity of project and number of suppliers to be on-boarded
Contact Details	Marc Sprecher, Managing Director of Financial Services, 1.301.340.4455, marc.sprecher@gxs.com

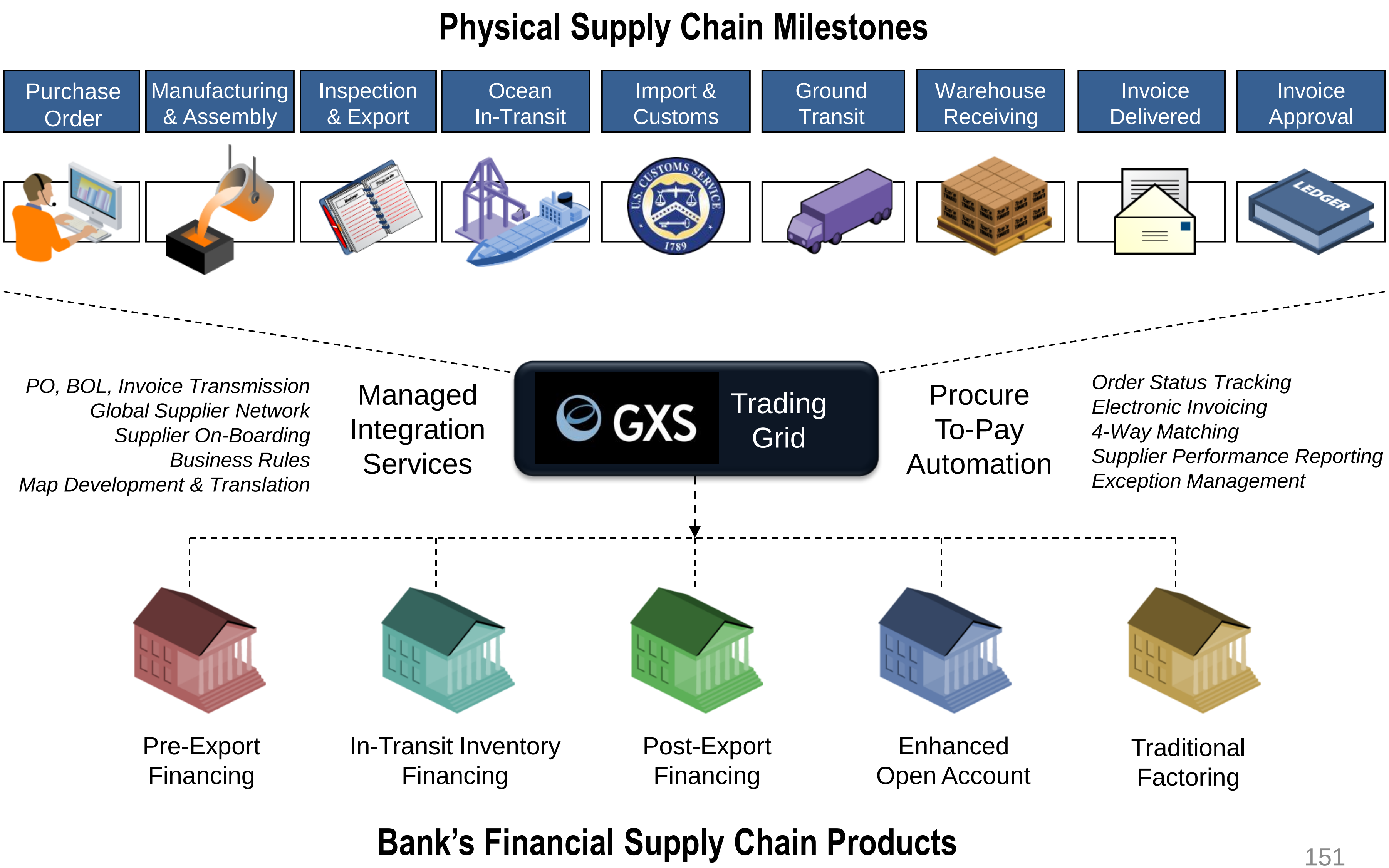
GXS specializes in connecting the direct materials supply chain, managing the supply chain processes for high dollar value purchases of apparel/footwear, auto parts, consumer electronics, semiconductors and computing equipment.

- Unlike most of the e-invoicing and procure-to-pay vendors in the space which focus on the automation of purchase orders and invoices for MRO and office supplies, GXS focuses on the direct materials supply chain with a platform that extends into the upstream purchasing and logistics functions. As a result, banks can offer not only post-shipment financing, but a wide variety of multi-stage pre-shipment and inventory financing based upon sophisticated credit and risk models.

- GXS enables SCF by working with your existing Supply Chain Finance application by doing the "dirty work" of integration, connecting and on-boarding large corporates and their community of suppliers to the SCF application. Their extensive global footprint enables them to on-board even the smallest of suppliers in the Far East. As a result you gain faster participation by a larger percentage of a corporate supply chain thereby offering a bigger opportunity for working capital improvements and financing.

- GXS supports both Financial Institutions and Corporates:
  - Financial Institutions – GXS does not compete with the supply chain finance offerings of banks as GXS does not sell these types of solutions to corporates. Instead, GXS works to make your existing SCF applications more effective by accelerating the on-boarding and connectivity of corporates and their community of suppliers. Financial institutions have an opportunity to offer corporates not only with financing, but transaction banking services throughout the lifecycle of the supply chain. With visibility to purchase orders throughout their lifecycle banks can offer foreign exchange, international payment, enhanced open account and multi-stage financing offerings.
  - Corporates – GXS can help to integrate and connect a greater percentage of your supply chain. With higher numbers of suppliers exchanging electronic invoices there are more opportunities to work with banks (or independently) to improve working capital.

GXS can work with various documents in the Financial Supply Chain to support event based financing.



GXS Solutions for Trade Finance include Managed Integration Services and Procure-to-Pay automation.

GXS

Managed Integration Services

For Financial Institutions – GXS will do all the integration work to connect your client's ERP system and their ecosystem of suppliers to your in-house trade and supply chain finance applications.

PO, BOL, Invoice Transmission	Electronic transmission of purchase order, bill of lading, commercial invoice to/from client's ERP system
Global Supplier Network	Pre-configured network of over 400,000 suppliers, retailers, 3PLs, freight forwarders and banks
Supplier & Client On-Boarding	Local on-boarding of suppliers in 50 countries; Support in 15 languages
Configurable Business Rules	500 business rules identify & prevent potential invoice deductions that prevent financing opportunities
Mapping & Document Translation	Mapping of data to and from various EDI, XML , SWIFT and ERP formats (Oracle, SAP, Infor)

Procure-to-Pay Automation

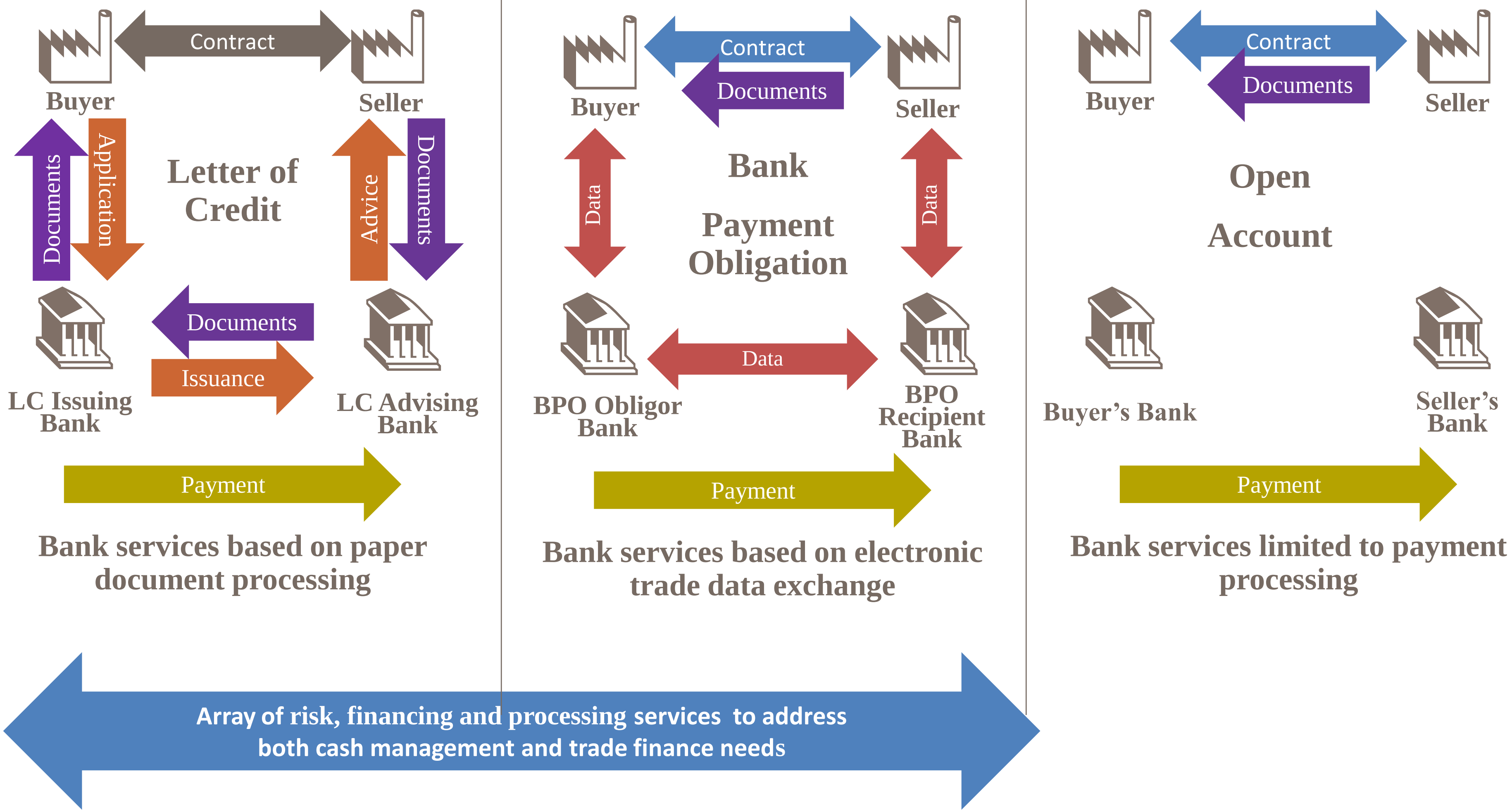
Web-based application that automates the procure-to-pay lifecycle between a buyer and all its suppliers. Financial institutions can white label our services. Corporates can offer these to business units.

Order Status Tracking	Track up to 100 milestones in lifecycle of an order from PO to payment issuance
Electronic Invoicing (VAT Compliance)	Supplier self-service portal for payment status. Compliance with EU, LatAm VAT regulations.
4-Way Document Matching	Automated matching of PO, Shipment Notice, Goods Receipt, Invoice
Supplier Performance Scorecards	Track critical supply chain key performance indicators Compare historical performance of suppliers.
Exception Management	Automatic identification of shipping and invoice discrepancies. Workspace for suppliers to correct.

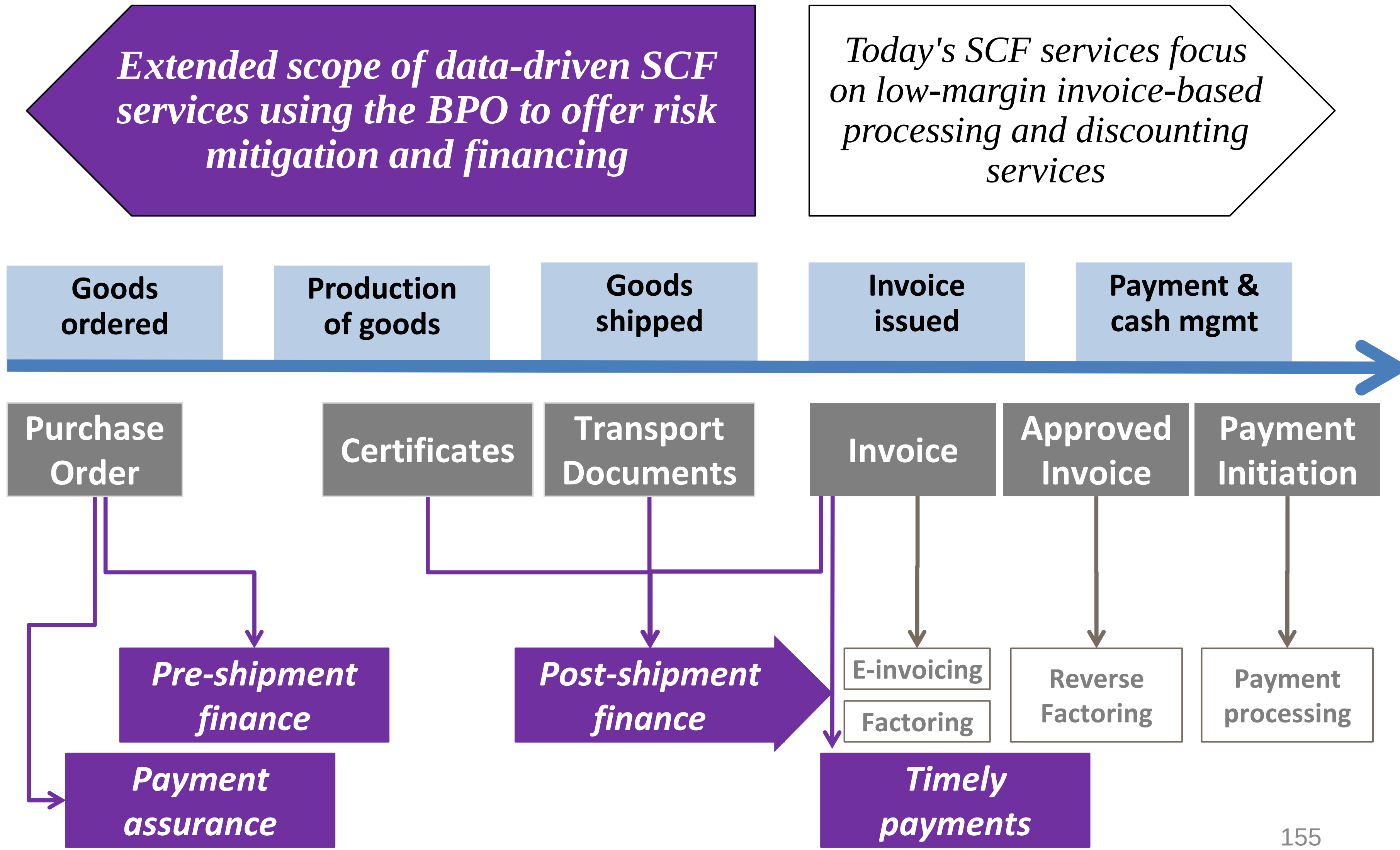
SWIFT's Bank Payment Obligation (BPO) enables Open Account finance in a risk mitigated Bank to Bank model.

Solution Overview	The BPO provides the benefits of a Letter of Credit in an automated environment without the drawbacks of manual processing commonly associated with traditional trade finance. It enables banks to offer flexible risk mitigation and financing services across the supply chain. The BPO is an irrevocable undertaking given by a bank to another bank that payment will be made on a specified date after a specified event has taken place. This specified event is evidenced by the pre-defined matching of key data elements in a shared software application (SWIFT's Trade Services Utility).
Global Locations / # Employees	20 countries / 1800 employees
Products / Services	**For importers**: BPO reduces cost and increases efficiency whilst securing the vital links in the supply chain **For exporters**: BPO gives you the assurance of being paid on time whilst optionally having access to a comprehensive range of financing options **For banks**: BPO enables you to retain and build a competitive position, protecting your existing franchise and offering new solutions to capture new business
Targeted Markets	Bank-assisted open account for risk and financing
Customers	90+ banks on TSU ; 31 banks supporting adoption of BPO as a market practice
Accredited Software Partners	ACI, China Systems, CSI Banktrade, Misys
Contact Details	andre.casterman@swift.com david.hennah@swift.com

The TSU/BPO solution is designed to work in a 4-corner model (ie, Buyer, Buyer’s Bank, Seller, Seller’s Bank).



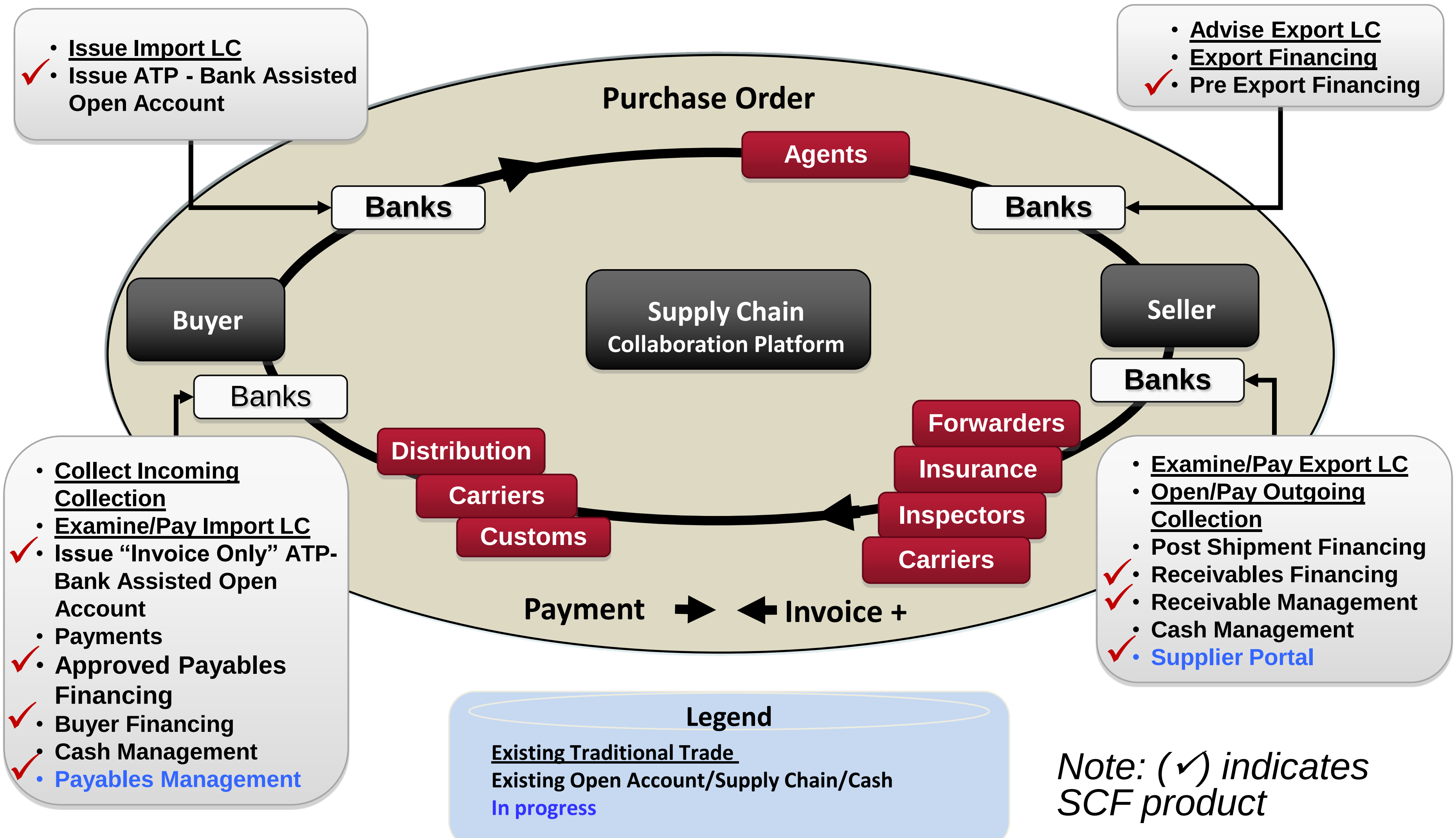
The central matching of data creates trigger points all the way along the supply chain from the placing of the order to the final transaction settlement. These trigger points create a comprehensive range of supply chain financing opportunities



CGI's Trade360® Global Technology Service delivers traditional and non-traditional trade processing capabilities in a Secured Community Cloud SaaS

Solution Overview	CGI's Trade360 customer portal, supplier portal, front, middle and back-office capabilities are delivered on a truly global, integrated SaaS platform, enabling highly efficient bank operations. Products include traditional trade, open account, supply chain finance, receivables finance, receivables management, payable finance, payable management (2012) and cash management.
Global Locations	Founded in 1976, CGI has 125 offices in 16 countries with 31,000 professionals
Products / Services	<u>Receivables Offerings</u>: • Receivables Finance – provides seller liquidity by financing receivables • Pre-shipment Finance – provides seller liquidity prior to shipment based on POs • Receivables Management – reconciles payments to invoices and optionally finances the invoices until paid <u>Payables Offerings</u>: • Payables Finance – standalone approved payable finance providing seller liquidity • Approval to Pay –transactional open account processing assistance ,including PO/Invoice matching, approved payables finance, and invoice settlement at due date. • Invoice Only Approval to Pay – transactional approved payables finance and invoice due date settlement. • Payables Management (2012) – manages payables programs for the buyer e.g., invoice terms discounting, approved payables financing, etc., on a portfolio basis. It utilizes rules to implement specific program behaviour, including processing, finance eligibility, supplier finance mode, supplier payment instructions, and extended buyer finance.
Annual Transactions	Trade360 transaction run rate is almost 2,000,000 transactions a year.
Targeted Markets	Global and regional banks – globally
Contact Details	Frank Tezzi email: Frank.Tezzi@cgi.com Tel: +1 704 821 1715

Trade360® is designed to optimize the financial supply chain by providing tools to handle traditional trade, open account and supply chain finance.



Trade360 supplies the banking functions that customers need to financially optimize their supply chains.

- Trade360 enables Banks to offer their customers a full range of receivables and payables products to optimize liquidity and working capital in their supply chain.
- Receivable Proposition
  - Corporates: In addition to the on-demand liquidity and working capital optimization that the receivables products provide to Corporate customers, the Receivables Management solution generates a significant labour savings due to the effectiveness of the "teachable" payment to invoice matching engine and auto-assisted exception processing on the Portal.
  - Banks: By combining receivables reconciliation and receivables financing, banks can offer a "sticky" processing solution that benefits the customer and creates an easy to adopt financing opportunity.
- Payables Proposition:
  - Corporates: The payables products are designed to help Corporate buyer to achieve different business objectives; assisting in open account processing and payments with the ability provide approved payables finance. The Payable Management solution lets the corporate define portfolio based payables programs, designed to capture the invoice terms discount, to strengthen its supply chain through approved payables financing or to simple pay approved invoices efficiently.
  - Banks: The payables solutions offer the bank the ability to become an integral part of its customer's payables process and deepen the relationship with a "sticky" product. All of the payables products present the ability to provide financing, whether approved payable finance or buyer financing that generate revenues. The high degree of straight though processing provides these services with little back-office operational requirements.

Section B

V. Supply Chain Finance

– Technology Platforms Sold to Corporates

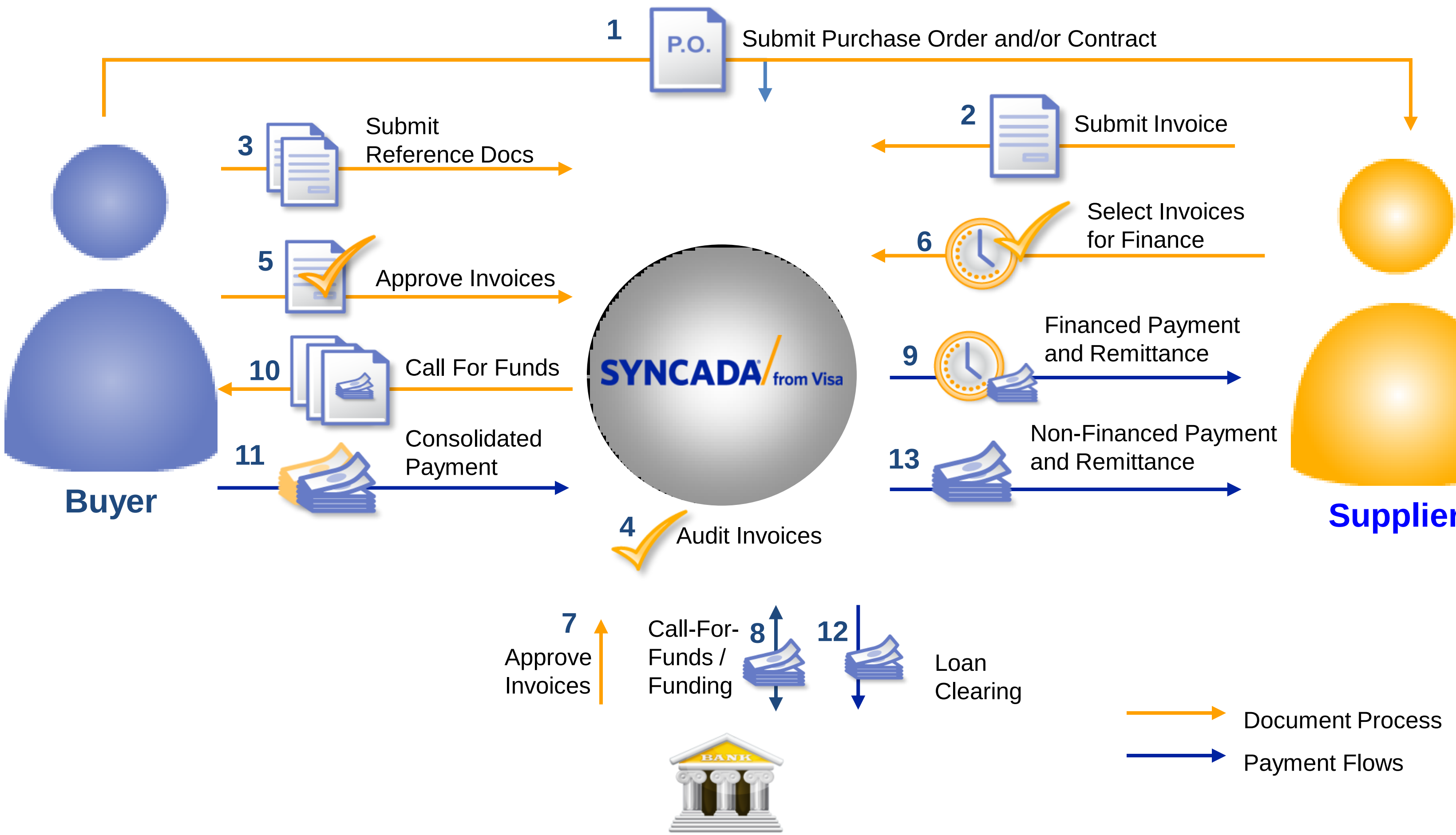
Syncada combines Visa's knowledge of commercial payments with a proven B2B e-invoice, payment, and finance platform.

SYNCADA from Visa

Background	A joint venture between Visa and U.S. Bank, Syncada merged the PowerTrack product platform founded in 1997 with Visa's knowledge of commercial payment and network management. Banks offer commercial clients access to Syncada's platform, services and network. The platform's roots are in the freight and transportation sector. The network includes robust functionality for invoice auditing and approval workflows, pricing and spend management. Syncada is not just a supply chain finance network that provides early payments to vendors on buyer approved invoices. Instead, Syncada is a true financial supply chain network that includes the electronic invoice and payment processing as enablers to allow for more financing options.
Solution Overview	Syncada is a cloud-based, collaborative solution buyers can use to accelerate payment to suppliers and gain efficiencies by automating the accounts payable process Suppliers receive access to liquidity and improved visibility to incoming cash flow through this online system
Global Locations / # Employees	Headquartered in Minneapolis with facilities in Chicago, Memphis, Toronto, Brussels, Mumbai, Pune, and Singapore / Syncada employs 630 people worldwide
Products / Services	Automated B2B e-invoicing, payment processing and trade finance.
Annual Transactions	23.7 million network transactions valued at USD 21.4 billion in 2011
Targeted Markets	As a multi-bank network, Syncada is sold only through banks or other partnerships. Each bank determines the target market focus including industry and geography. Syncada has customers from the following industry segments: Retail; Consumer Packaged Goods; Government; Manufacturing; Pharmaceutical / Specialty Chemical; Automotive; and Logistics.
Partners / Resellers	U.S. Bank, Citi, Elavon, Commerce Bank
Implementation Time	30 days – 120 days depending upon client
Contact Details	Kara Pritchett, Global Director of Marketing 612-436-6311, kara.pritchett@syncada.com

Syncada enables buyer centric and supplier centric financing programs.

Syncada offers multiple supply chain financing options which allow clients to extend payment terms, optimize working capital and obtain better visibility into cash flow.



Case Study – Global Company Leverages Automated Financing

SYNCADA from Visa

Challenge:

A large worldwide transportation company with an annual revenue of more than $4 billion (USD) struggled with its manual accounts receivable (A/R) process. Ten A/R staffers manually entered and mailed invoices for four to eight hours each day. The company had problems managing the paper process, which caused delayed payments, increased processing costs and inaccurate invoices. Plus, the company's inability to submit bills electronically began to seriously affect its client relationships. The company's sought a solution that would improve data accuracy and payment times.

By The Numbers

- 25 day reduction in payment time
- $16 saved per invoice by automating invoice processing and financing

Solution:

The company worked with Syncada to create an automated payment process. The company generated electronic bills that were sent immediately to the Syncada network. With the new process, real-time information from both the company and customers became available online, visible to all parties. Most invoices were automatically matched, audited and approved using the business rules. When invoices and orders did not match, the company used Syncada's collaborative tools to quickly identify and resolve exceptions. The result: the company significantly shorten its time between providing a service and receiving payment, reduce errors and the new connectedness enhanced customer relationships.

The Bottom Line:

- Improved cash flow from faster payment
- Savings from reallocation resources due to replacing manual, resource-intensive process with automated, process
- Reduced the cost of processing an invoice from $18.54 to $2.49

Corporations use the network to make payments and offer finance.

SYNCADA from Visa

- The Syncada network is a proven solution: for more than 14 years, the solution has automated the payables and receivables processes for hundreds of buyers and thousands of suppliers around the world. Users (buyers and suppliers) of the Syncada's network benefit from:
  - Financing through a global network of financial institutions
  - Improved management of working capital and global cash needs
  - Reduced back office costs through eliminating expensive paper processes
  - Reduced billing and payment errors
  - More accurate accounting for spending by category
  - Seamless integration with a proven network using patented technology

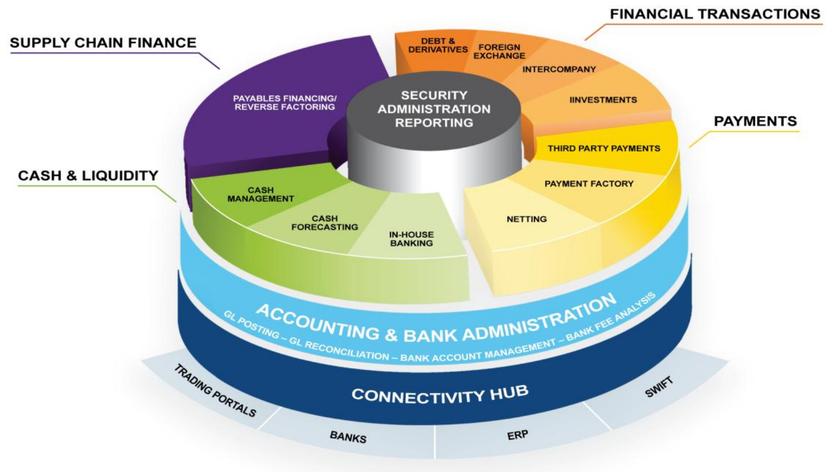
- Because Syncada automates the approval and financing process, all sizes of invoices, large or small, can be easily financed and paid quickly.

Kyriba is a recent entrant into SCF, leveraging their Cloud Treasury Platform to offer Payables Finance.

kyriba™

Solution Overview	Kyriba delivers a fully-integrated cloud-based (SaaS) treasury management solution that helps CFOs and Treasurers optimized decision-making, improved risk management, enhanced control and compliance, and increased operational productivity. Supply Chain Finance is a fully integrated module that facilitates collaboration between Buyers, Suppliers, and Banks.
Global Locations	San Diego, New York, Paris, London, Brazil Hong Kong. 250 employees globally
Products / Services	Cash Management Payments Treasury Management Supply Chain Finance
Targeted Markets	Multinational Corporations
Customers	600
Contact Details	Abhinav Saigal Director, Supply Chain Finance Email – asaigal@kyriba.com Direct Line - +1 646 616 1411

Kyriba delivers a fully-integrated cloud-based (SaaS) treasury management solution that helps CFOs and Treasurers optimized decision-making, improved risk management, enhanced control and compliance, and increased operational productivity.



Kyriba's Supply Chain Finance platform is fully web-based, supporting multi-bank SCF programs on a global basis.

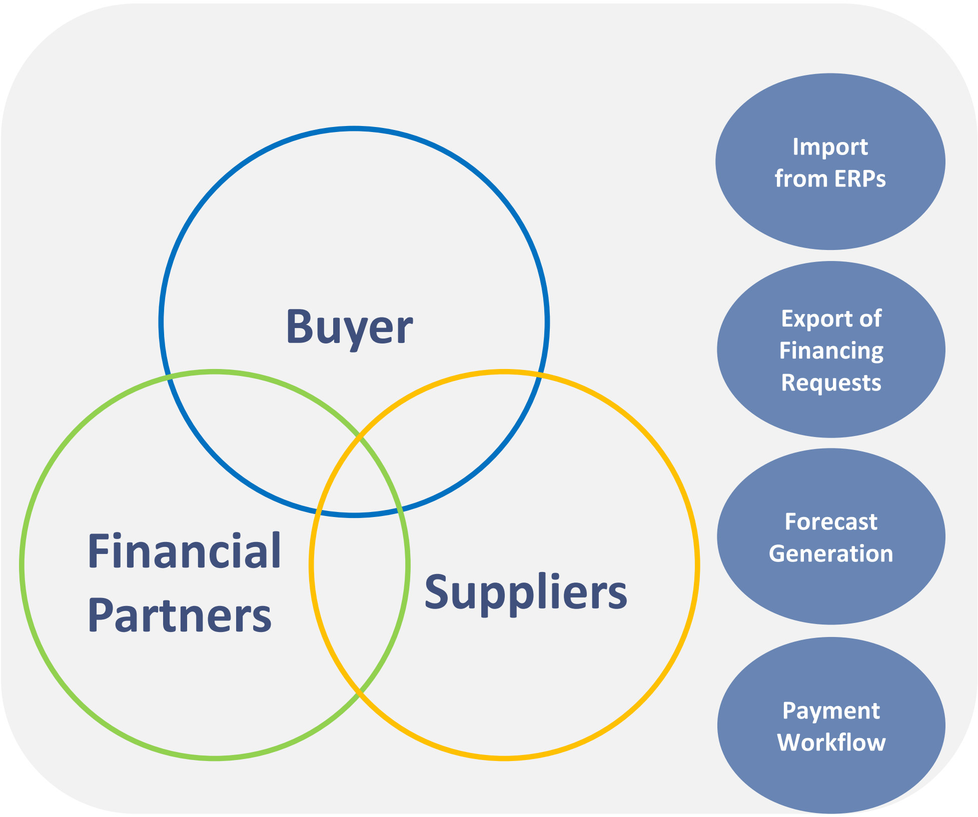
- Kyriba integrates Supply Chain Finance with treasury management workflow, including Cash Forecasting and Straight Through Processing of Payments to the bank.

- Kyriba offers a web-based portal that facilitates collaboration between Buyers, Suppliers, and Banks to support the deployment of the Buyer's SCF program. Kyriba offers:
  - ERP integration
  - Invoice visibility and management
  - Supplier-requested financing
  - Full communication
  - Payment workflow for financed and non financed invoices

- Kyriba sees the opportunity to support organizations who wish to deploy Global Multi-bank Supply Chain Finance Programs on one platform fully integrated with Cash & Treasury Management including a full payment workflow.

Kyriba's Supply Chain Finance platform is an integrated web portal that facilitates the online and real time collaboration of buyers, suppliers, and financial partners to manage the financing and early payment of invoices.

kyriba™



- Multi-bank
  - Enables participation from multiple funding sources
  - Alleviates credit exposure issues and reduces counterparty risk
  - Flexibility for buyer to diversify to multiple banks to support global SCF programs
- Visibility
  - Centralized workflow for the Buyer, Suppliers, and Bank(s)
  - Provides real-time visibility of invoices in each stage, from approval through payment
- Ease of Use
  - As easy to work with multiple banks as with one bank
  - Encourages on-boarding of suppliers
  - Improved productivity to support demands of a global SCF program
- Integration
  - ERP – invoice import and notification of payment
  - Cash Forecast - optimize working capital decision making
  - Financing requests – straight through process to the funding banks
  - Payments – straight through process to the bank
- Web-based
  - Complete Software-as-a-Service 'cloud' delivery
  - No IT resources required

Ariba has entered the SCF space by extending its ability to manage invoices into multiple financing options.

ARIBA®
Better Commerce.

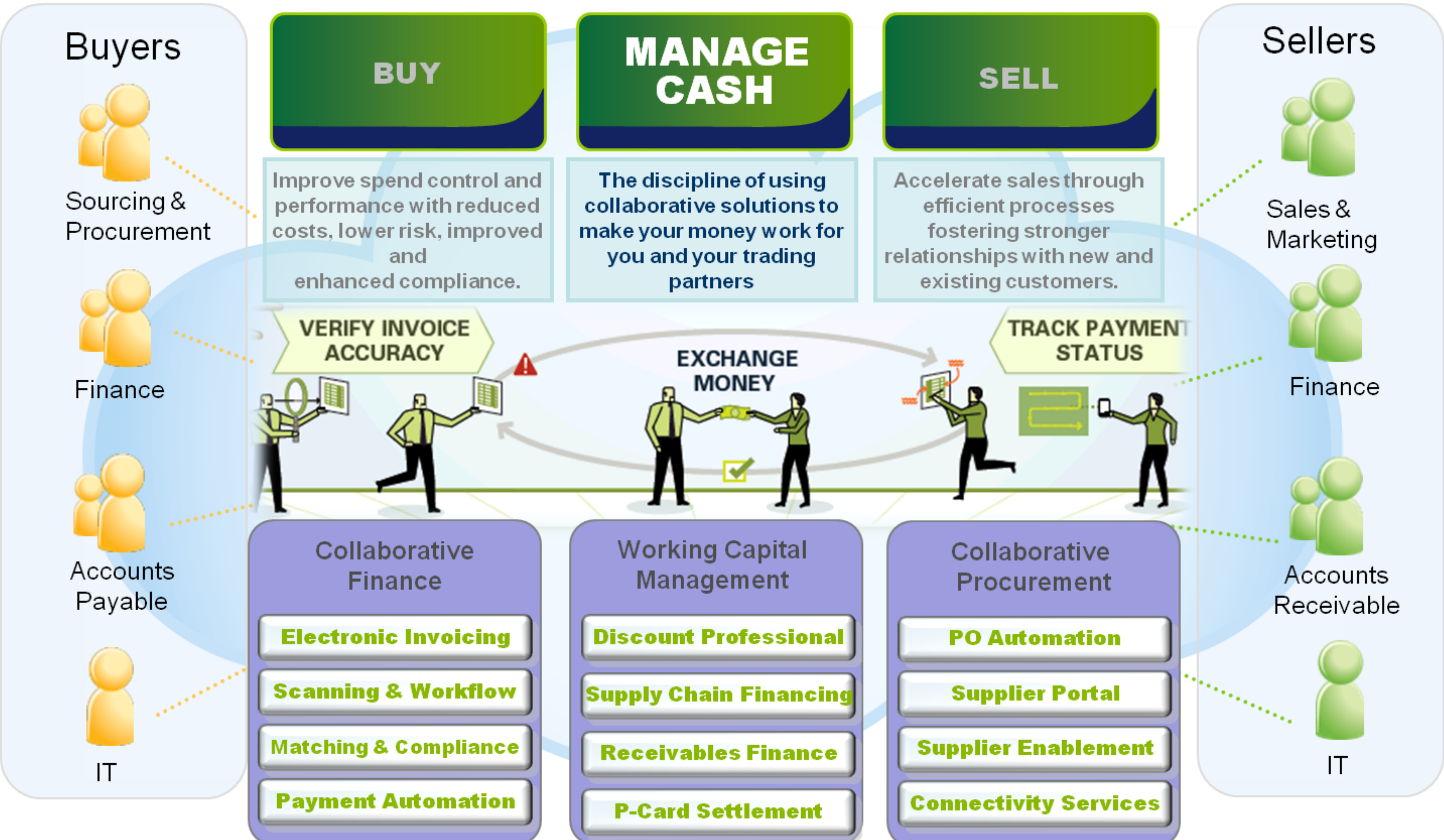
Solution Overview	Founded in 1996, Ariba is now the worlds largest B2B commerce network with over 750K companies using Ariba solutions to manage their business commerce needs. The Ariba Network is the central collaborative commerce hub that connects all of the interested parties and manages all of the collaborative decision making and resulting transactions.
Global Locations / # Employees	40 offices in 21 countries / ~2500 employees. Ariba is a global solution provider, targeting markets in North America, EMEA, AsiaPac, and Latam
How Ariba enables SCF	In order for SCF to be effective, the invoice must be approved quickly enough for the supplier to take advantage of early payment opportunities. Ariba Invoice Automation™ and Invoice Pro™ creates the opportunity for SCF by receiving invoices via the Ariba Network™ and utilizing our proprietary Smart Invoicing™ technology to achieve rapid, touch less invoice approval on 98+% of invoices. Ariba has both designed solutions (Dynamic Discounting, SCF) and developed an ecosystem of connected partner solutions (SCF, Receivables financing, Pcard) that can deliver SCF solutions via a single, integrated platform to every part of a supply chain in a flexible manner defined by the specific customer strategies and mix of suppliers.
Implementation Time	Varies. ~8 weeks on average
Contact Details	Drew Hofler, dhofler@ariba.com James Tucker, jtucker@ariba.com Visit http://www.ariba.com/roles/finance.cfm to learn more.

Ariba offers Corporates a single, bank neutral platform for a variety of SCF solutions to fit their entire supply chain.

- Ariba's Discount Pro™ dynamic discounting solution enables you to put your idle, short-term cash to work reducing risk in your supply chain while earning significant short-term returns and providing suppliers with much needed access to liquidity.

- Ariba SCF™ and Ariba Receivables Financing™ connects you and your suppliers to 3rd party finance providers seamlessly via the Ariba Network™ giving buyers the ability to maximize their DPO at the same time suppliers have access to accelerated payment and the resulting reduced DSO.

Ariba's Working Capital Management suite of solutions provide corporates with cash flow flexibility and SCF options that fit their supply base, while enabling buyers and suppliers to discover, connect and collaborate with each other in the networked economy over the entire source to settle business cycle.



Supply Chain Finance

Lending Terms

BAFT- IFSA Product Definitions for Open Account Trade Finance

Supply Chain Finance

- As applies to Open Account transactions, Supply Chain Finance (SCF) solutions encompass a combination of technology and services that link buyers, sellers, and finance providers to facilitate financing during the life cycle of the Open Account trade transaction and repayment. The below financing opportunities fall within the overall definition of Supply Chain Finance.

1. Purchase Order Commitment to Pay

- The buyer's bank issues its commitment to pay the seller (at sight or at maturity) once the seller ships and makes available the required documents that match the purchase order and other stipulated conditions. This service allows the seller to take the risk of the bank issuing its commitment to pay instead of that of the buyer.

2. Pre-Shipment Finance

- Pre-Shipment Finance, also known as Purchase order financing, is made available to a seller based on a purchase order received from a buyer. This financing can cover all the related working capital needs of the seller including raw materials, wages, packing costs and other pre-shipment expenses. Once the goods are ready, refinancing or repayment can occur.

3. Warehouse Finance

- Warehouse financing is a form of trade finance in which goods are held in a warehouse for the buyer, usually by the seller, until needed. At a minimum, warehouse receipts are commonly required as evidence for the financing. Some banks may only do this under structured trade transactions.

4. Post-Shipment Finance

- Post-shipment financing is provided to a seller using the receivable as collateral. The seller presents shipping documents as evidence of a receivable and the bank may also require a bill drawn on the buyer for the goods exported. The bank may prefer to purchase and discount a bill drawn on the buyer for the goods exported.

5. Approved Payables Finance

- Approved Payables Financing allows sellers to sell their receivables and/or drafts relating to a particular buyer to a bank at a discount as soon as they are approved by the buyer. This allows the buyer to pay at normal invoice/draft due date and the seller to receive early payment. The bank relies on the creditworthiness of the buyer.

6. Receivables Purchase

- Receivables Purchase allows sellers to sell their receivables/drafts relating to one or many buyers to their bank to receive early payment. The bank may require insurance and/or limited or full recourse to the seller to mitigate the risk of the pool of receivables.

7. Flexible Due Date

- As an alternative to payment on the scheduled repayment date, customers may request payment prior to or following the scheduled due date. Repayment prior to the scheduled date would result in expected prepayment discount, while extensions of due date would equate to additional financing.

Invoice vs. Bill of Exchange distinction

- **Bills of Exchange** are by treaty, law and practice not subject to disputes on the underlying transaction, but a financial transaction separate and apart from the commercial transaction.

- The bill of exchange /draft is a contractual payment order both amount and date certain when accepted by the buyer, and issued by the seller, that is, signed by both parties. In other words it is a basic contract between two parties about a future date certain amount and event.

- **Invoices** are a request for payment, <u>an invoice is a date uncertain and amount uncertain request for payment.</u> (<u>From the seller's perspective, an invoice is both date and amount certain, but from the buyers perspective, they control both.)</u>. Invoices are subject to disputes of the underlying transaction before the buyer will pay.

- **Letters of Credit** use **Bills of Lading** as the operative document as title to the goods underlying the transaction, and a **Bill of Exchange,** drawn on the buyer's bank, as the mechanism for moving money. The **Invoice** is used as documentary evidence of the description of the goods.

- For a glossary of Trade Finance terms, visit http://www.tradefinancemagazine.com/AboutUs/Stub/Glossary.html