ITFA Fintech Committee

"Fostering MSME development through access to finance"

AID FOR TRADE WORKSHOP
MSMES AND ACCESS TO FINANCE

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November 5th 2019
Whilst regulatory requirements (KYC, AML, CCF & CRR) and de-risking had unintended consequences on trade financing and on SMEs in particular, the global trade financing need represents a huge business opportunity for trade originators (established and new entrants) and institutional investors.

Also, technology is now the key enabler for differentiation as client expectations around usability, on-demand transaction-level services and real-time processing keep on increasing.
The Fintech Ecosystem Map provides a helicopter view of the fintech landscape.

Each fintech is highly specialised and enhances specific technical functions and/or assets, business processes and practices.

Fintechs aim at increasing efficiency and/or modernising existing practices to the benefit of trade originators, their clients and investors.

Most fintechs are collaborating with incumbent trade banks and act as software solutions or as hubs of new eco-systems.
1. Importers/Exporters, especially for SMEs in Emerging markets, face lack of access to cost-effective trade finance.
2. Lack of structuring ability makes their risk less distributable.
3. Efficiency gap in bank intermediated trade finance caused by too many intermediaries and lack of transparency results in high cost of trade finance for SMEs / Corporates.

Interlinkages connects Importers/Exporters directly to foreign financing institutions resulting in reduced financing cost and more options; actual transaction done through Banking channels.

- Faster, easier and cheaper trade finance quotes
- Global access to FIs for SMEs / corporates
- Our platform offers complete transparency on financing quotes
- Access to matched foreign currency financing
- Special focus on SMEs from Asia / Emerging Asia to help them access cheaper financing.
Industry Trend
Trade Finance Gap
Alternative Funding

Challenges
1. EU Mid-cap Exporters facing challenges to finance their receivables
2. Tightened bank financing limiting growth potential
3. Lack of availability of trade credit insurance creating lost sales

Mission
We help exporters find optimized funding from new funders and credit insurers

Solution
An AI-based marketplace platform acting as an ecosystem in the primary space to match-make exporters with the new funders and credit insurers

Market
Primary

ITFA Member
Q1 2019

Benefits
• Global reach: Funders access a rich spectrum of international receivables
• Flexibility: Funders set their own receivable portfolio criteria
• Security: Stringent due diligence on companies and portfolios of receivables + credit insurance enhancement
1. Lack of awareness around ‘pre-invoice’ finance, for SME’s -> mid-sized Corporates
2. Traditional banks are funding less trade, and AltFi’s are not addressing the widening finance gap
3. Complex trade finance structures are poorly understood and underused in the mid market
4. Not enough publicly available information on pre-export, trade and receivables finance options
5. Debt funding platforms do not understand the challenges of physical trading businesses
6. The required customer journey (onboarding, KYC) and customer expectations (time to access finance) are shifting

Free education platform for nurturing customers, decision making engine to match companies with appropriate products and funders, a seamless onboarding experience and data enrichment to construct standardised profiles of trading businesses for funder analysis

• Largest online information platform for trade and receivables finance
• Structured finance experts, with experience of creating complex finance structures for the mid-market
• Complimentary add-on services (FX, insurance, etc) offered, depending on funder and business requirements
• Data enrichment and risk metrics for funders (KYC, KYG, CTF)

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www.tradefinancedistribution.com - helping trade originators distribute trade assets to banks and institutional investors
We make trade finance investable

Challenges
1. Impacts of Basel III phase-in rules on Risk Weighted Assets (RWAs)
2. Limited capacity to finance mid-caps and SMEs when originating to hold
3. Lack of risk transparency on trade finance assets for non-bank funders
4. Operational hurdles when distributing short-term assets and replenishing portfolio’s

Solution
- Portfolio Management
- Risk Transparency
- Investment Packaging

Benefits
- Allowing the pool of seller banks and institutional investors to connect, interact and transact
- Reducing capital constraints
- Allowing investors access to assets from different parts of the world and originators
- Helping investors to balance lower-risk against higher-risk asset classes to build a more blended yield return
To enable trading counterparties to move away from paper by relying on digital negotiable promissory notes and bills of exchange

- Digital original bearer document
- Negotiable / transferrable / enforceable instruments
- Human readable / machine processable
- Working with other tech companies

Document management technology enables to move away from paper without losing key attributes of paper-based documentation.

Enigio provides the document management technology to deliver digital negotiable documents.

ITFA to define market-level usage guidelines, document tags (YML), rules, legal opinions, ... for promissory notes, bills of exchange, ... around Enigio’s technology.

ITFA to facilitate a technology pilot working group around Enigio’s technology and involving value-added fintechs as needed.
When digitising paper-based title documents, key challenges arise to prove provenance and aspects of time as well as separating the original from the copy.

**Provenance & Timing**
- Original vs. Copy
- Human & machine readable

**Solution**
- One digital original = one document
- Stored locally by the owner
- Can not be changed, but amendments are possible
- The document is an irrefutable ledger in itself
- Ricardian contract in YAML format

**Benefits**
- **Negotiable instrument** - digital bearer document can be transferred and negotiated
- **Open technology** - no need for users to be connected on common platform
- **Authoritative** – applicable for promissory notes, bills of exchange, contracts, …
Banks collaborate with an increasing number of origination platforms as technology drives business development in particular for short-term financing.

More institutional investors enter the market to fund originators and obligors whether on bilateral or platform basis – technology drives distribution practices and volumes.

Machine learning technology proves itself for document scrutiny, transaction-level credit scoring and compliance processes (KYT) – human intensive processes get a technology upgrade.

Digital asset (DA) technology enters the trade finance space to further digitise established trade instruments – combining DLT-based document technology with traditional legal frameworks proves to be a successful recipe.

Fintech evolutions expected in 2020

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