Alternative Trade Finance

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Open Account Trade

1st delivers

2nd sends

Documents
Inv+Tpt
Docs

3rd pays

At an agreed future date

Exporter

Importer
Reverse ARP

Industry Terminology

Buyer based supplier's financing

Supply Chain Financing
Differences between ARP & Reversed ARP

Seller

Sellers

Buyers

Buyer
Revenues earned

<table>
<thead>
<tr>
<th>Trade Fee Income</th>
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<tbody>
<tr>
<td>Trade Interest Income</td>
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<tr>
<td>Cash Fee Income</td>
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Awareness of non-payment by buyer

New potential client(s) = seller(s)

Own or your overseas branches

Valued Proposition to Financing Bank
No longer deal with requests for early repayment

Asks for longer or extended credit terms

Trade more on open account

Pre-approved only trusted supplier(s)
- Rejection of goods - low
- Undisputed purchases

Improved Days Payable Outstanding (DPO)

Using e-banking channel
- documentation
100% invoice value factored - extremely possible versus normal
Factoring not more than 100%

Based on credit standing of the buyer not the rating of the seller

Lower interest rate

Trade more on open account

Using e-banking channel

Documentation

Non-recourse financing

Improves cash flow

Buyer assumes payment liability
Concern(s) or Issue(s)

- Regulatory
  - Treatment may be subject to any Financial Act
  - X-Border Capital Control

- Taxation
  - Tax deductability of interest
  - VAT or GST

- Bankruptcy law complication

- Investment in IT Infrastructure

- Standardisation of procedure, compliance

- Differentiation using the words [Purchases] vs [Financing]
A strong buyer (whom leverages its own strong banking relationships, credit rating) and many smaller or dependent suppliers in need of a financing platform that will match the liquidity gap created during a specific credit period.

Financing against trade receivables based on the creditworthiness of the buyer and its commitment to provide accurate and irrevocable information with regards to its payables to each and every supplier participating.