Developing a Receivables Financing Service Platform (RFSP): Initial Experience

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Why build RFSP?

Ultimate Goal: Guiding financial support toward the development of SMEs

Supply Chain Finance (esp. A/R Finance): a suitable and effective financing channel for SMEs
- Based on transactions on supply chains
- Focuses on credibility of core enterprises on supply chains

Since the Property Law was promulgated in 2007, A/R Finance has emerged, but was not widely used or rapidly developed as expected

Main Constraints:
- Difficult for banks to verify the authenticity of the underlying transaction and high operation costs
- Core enterprises unwilling to participate in supply chain finance
- Modern credit culture is still developing
What is CRC-RFSP?

CRC-RFSP
(https://www.crcrfsp.com)

- Based on Internet
- Non-profit public service
- A platform to conduct A/R finance online
- Enhance awareness and participation on A/R finance
- Jointly promote supply chain finance to support SMEs
- Promote credit culture from the national level

Financial Infrastructure
How does CRC-RFSP function?

- Upstream suppliers for core enterprise
- Commercial banks
- Factoring companies

CRC-RFSP

Borrower

Lender

Account

Debtor

Core enterprise
V1.0 Basic Model

User Registration
- Online application
- Agreement execution
- User ID verification

Financing Info Communication (Online)
- A/R upload and validation
- Push financing request
- Lending intention feedback

Credit Terms Negotiation (Offline)
- Due diligence
- Negotiation
- Transaction conclusion

Result Feedback (Online)
- Transaction conclusion note
- Send notice of pledge/transfer online
- A/R financing (security interest) registration
Verify the authenticity of A/R and underlying transactions in a more comprehensive manner
- Historical transactions data, including total amount of A/R in the previous year, current balance of A/R, etc.
- A/R and relevant orders, contracts, invoices, etc.
- Information of supplier’s bank account to which payments are going be made (helps to monitor each payment)

Substantial improvement of efficiency

Expand customer/financing resources with only one-time system-connection in a cost-effective way
By the end of Oct 2019, 21 small and micro suppliers have received financing

- Improve the availability of finance
  9 suppliers received loans from banks for the first time

- Improve the efficiency of finance
  Loans can be granted on the day or the second working day when suppliers initiate financing applications

- Reduce the cost of finance
  The lowest financing cost of suppliers is benchmark interest rate (4.35%), and the highest cost is 5.87%

- 16 suppliers chose to seek financing through the platform on a monthly basis
V3.0 Online Government Procurement Order Finance

Information on government procurement order and contract, ...

Government Procurement System

Payment System For Government Procurement

Ensure that the accounts information cannot be changed

• By the end of Oct 2019 (since launch of the function in July, 2018):
  ➢ Government procurement system of 13 provinces/cities are connected with the Platform
  ➢ 131 suppliers received financing with a total amount of ¥290 million
Improve legal and policy environment of A/R finance for SMEs

- Revised *Law on the Promotion of Small and Medium-sized Enterprises* in 2017
  - Debtors should confirm A/R to help SMEs get financed
  - Encourage A/R finance through the Platform

- A special action was initiated jointly by 7 Ministries aiming to promote the development of A/R Financing for SMEs
The future: opportunities for improvement

- Continuously optimize the functions according to the market demand

- Keep an open mind on the new progresses and trends in supply chain finance
  - Apply Fintechs to provide better financial information service
  - Experiences and lessons on developing supply chain infrastructure
Thank you for listening!