

SUPPLY CHAIN FINANCE

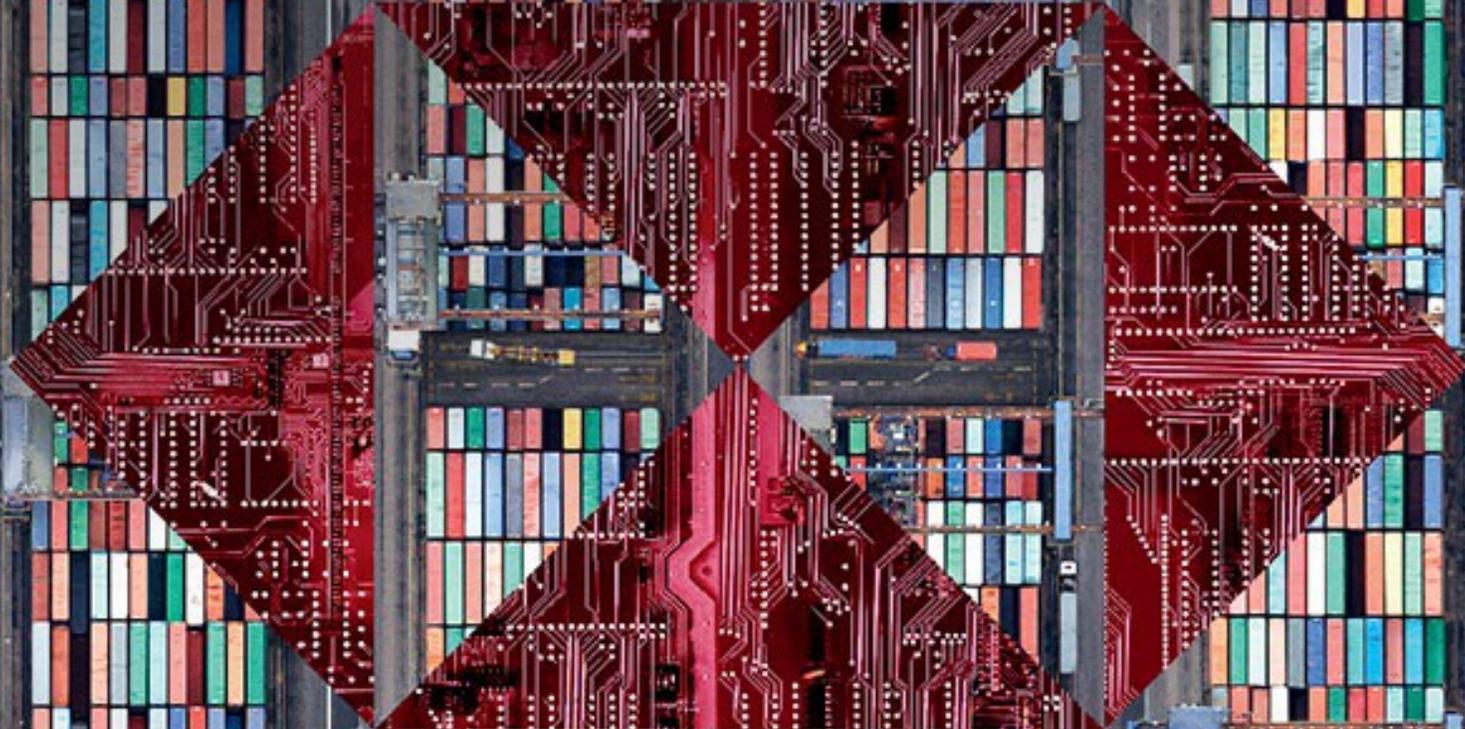


Table of Contents

Role of bank in supply chain finance

3

Key trends driving supply chain finance

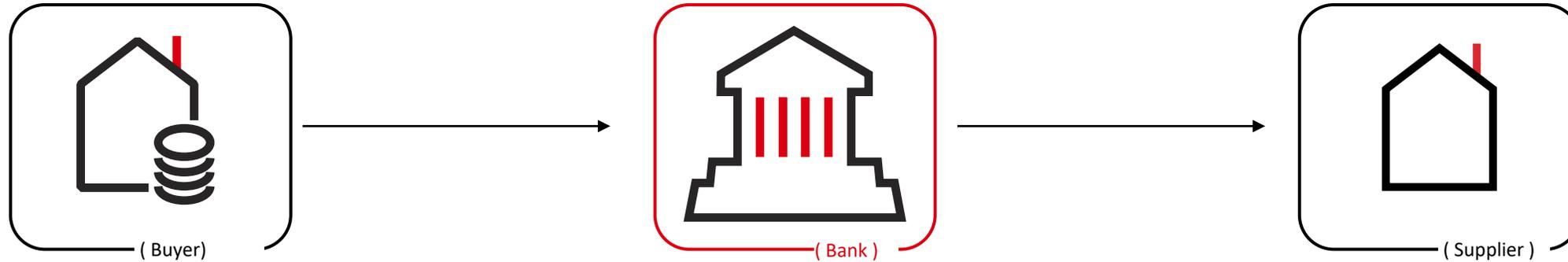
4

Global bank in developing SCF in emerging economies

5

Role of bank in supply chain finance

Supply Chain Finance meets the objectives of both buyers and suppliers. Through our solution, bank will offer early payment to the suppliers after receiving approved invoices from the buyer.



BENEFITS TO BUYERS AND SUPPLIERS

Suppliers:

- ✓ Sellers can receive early payments based on buyers' credit ratings, resulting in competitive capital cost benefit.
- ✓ Days Sales Outstanding (DSO) are reduced, leading to additional increase working capital
- ✓ Mitigate payment risk against buyer once approved invoices have been paid early.

Buyers:

- ✓ Optimising payment terms (agreed with sellers)
- ✓ Increase liquidity and boosting payment efficiency
- ✓ Enhance strategic supplier relationship



Key trends driving change within supply chain finance



Shift toward DSNs - digital supply chain networks

Supply chain networks are shifting from linear, sequential operations to an interconnected, open system of supply operations enabled by technology that allow organizations to send and receive data to or from any point in their ecosystem to better meet shifting market conditions and unlock new forms of value.

This has been driven through the adoption of technology and embracing cloud-enabled platforms where users are able to leverage common tools and processes.

Other benefits may include total visibility of the supply chain, uniformity of data, less bureaucracy, automated processes, and opportunity to integrate with AI and ML technologies.

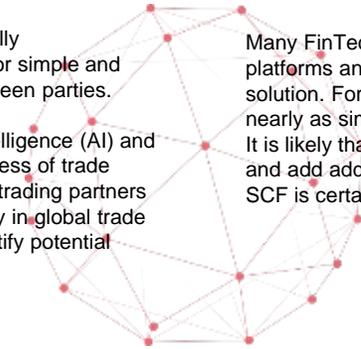


Integration of Blockchain, Artificial Intelligence, Machine Learning

Blockchain offers simplification of process and expedites the entire SCF. This would, in turn, mean lesser costs and more benefits to manufacturers, suppliers, and financiers in terms of better control and transparency of operations.

The new verification levels automatically check assets for authenticity. Allows for simple and secured share trade-related data between parties.

With added application of Artificial Intelligence (AI) and Machine Learning the antiquated process of trade finance is being transformed - arming trading partners with full transparency and predictability in global trade and provide a greater capacity to identify potential Noncompliance and fraud risks.



Fintech providers are active in the bank-led SCF industry

FinTech's primarily being able to offer flexible financing techniques and streamlined payables services that target companies of all sizes – which also includes companies that some banks won't touch.

Many FinTech's function as cloud-based software platforms and provide an integrated end-to-end solution. For suppliers, joining the platforms can be nearly as simple as adding an app to a smartphone. It is likely that FinTech firms will continue to evolve and add additional services and their importance in SCF is certain to grow.

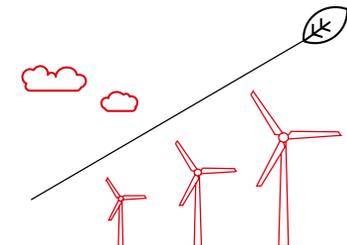


The impact of climate change and resource scarcity

Leveraging supply chain finance mechanisms to incentivise sustainable behaviors in global supply chains is an opportunity for businesses and for sustainability.

While supplier sustainability performance data is still not perfect, it is getting more and more quantifiable and readily available.

Companies have recognised that the sustainability challenges within their supply chains are a risk and an opportunity to be managed. As such, it has become normal practice for companies to have programs in place to manage the environmental, social, and governance (ESG) risks in their supply chains.



Global bank in developing SCF in emerging economies



Extensive global network and strong local capabilities

- ◆ Cross-border and domestic SCF programmes out of 25 countries across 6 continents,
- ◆ Diversified portfolio of Global Banking and Commercial Banking Client

HSCF – HSBC Supply Chain Platform

- ◆ Electronic platform enables customers to upload approved invoices catering file upload or H2H
- ◆ Single entry point with 20 languages for corporate clients to access transactional banking solutions.
- ◆ Securely accessible as a dedicated module for both buyer and supplier.

Product Inventory

- ◆ Supply Chain Finance
- ◆ Sustainable Supply Chain Finance
- ◆ Portfolio Management and Distribution



People

- ◆ Leadership: HSBC is the leading global trade finance provider with strong capabilities in developed and emerging markets
- ◆ Experience: More than 150 years of International Trade & Structure Trade Finance
- ◆ Specialist capabilities; dedicated working capital expert team, industry experience, solutions & client centric
- ◆ Recognition: HSBC is an award-winning international trade bank





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