

Joint Press release

ICC, BAFT, EBA, FCI and ITFA

Cross-industry initiative establishes Standard Definitions for Techniques of Supply Chain Finance

A step ahead in the common understanding of terminology and techniques in supply chain finance

A new set of definitions launched today will help address the global need for a common understanding of terminology, nomenclature and techniques related to supply chain finance.

Unveiled during a dedicated panel discussion at an ICC Academy hosted Supply Chain Finance Summit in Singapore, the *Standard Definitions for Techniques of Supply Chain Finance* are the result of a collaborative, inclusive and consensus-based joint initiative of the International Chamber of Commerce (ICC) Banking Commission as project facilitator, BAFT, the Euro Banking Association (EBA), Factors Chain International (FCI) and the International Trade and Forfeiting Association (ITFA). The International Factors Group (IFG), one of the original sponsoring associations is now integrated with FCI.

Elaborated by members of the Drafting Group, under the guidance of the Global Supply Chain Finance Forum Steering Committee, the Definitions were compiled based upon views and feedback provided by a large representation of industry specialists and other interested parties. Including definitions and descriptions of eight identified core techniques and the Bank Payment Obligation as an enabling framework for Supply Chain Finance, they provide clarity for users, including finance providers, corporates, commercial and SME clients, investors, regulators, legal practitioners, information technology and infrastructure providers, as well as other trade finance related communities.

Supply Chain Finance is defined as the ‘use of financing and risk mitigation practices and techniques to optimise the management of the working capital and liquidity invested in supply chain processes and transactions. SCF is typically applied to open account trade and is triggered by supply chain events. Visibility of underlying trade flows by the finance provider(s) is a necessary component of such financing arrangements which can be enabled by a technology platform’.

“Standardized Supply Chain Finance terminology will ensure a much clearer communication in this rather complex ecosystem of providers, clients, accounting and legal professionals, regulatory authorities and others involved in international supply chains,” said Kah Chye Tan, immediate past Chair of the ICC Banking Commission and Chair of the Global Supply Chain Finance Forum Steering Group.

Tod Burwell, BAFT President and Chief Executive Officer and Vice-chair of the Global Supply Chain Finance Forum Steering Group said: “Supply Chain Finance has grown and evolved in recent years in response to shifts in corporate supply chains and the ever-growing demand for trade finance. This publication should aid the market, regulators and other stakeholders in gaining clarity and consistency on the various terms and techniques used.” Issued as a “living” document, the definitions will be regularly updated to remain aligned with market developments and be widely disseminated to promote the global adoption of the suggested terminology.