Bankable Insights

Transaction Banking

Q1 2024

standard chartered

Foreword

Trade has always been a catalyst of economic growth and the exchange of culture and technology. However, equality, sustainability and inclusion are challenges that are yet to be effectively addressed across the full value chain.

Following the pandemic, and with rising geopolitical tensions, businesses and countries have intensified their efforts to diversify their supply chains beyond their traditional partners. This trend is extending the benefits of global trade to more people. Trade and payments innovations on the blockchain and advances in digital supply chain platforms are also driving greater transparency allowing banks to finance companies deeper into the supply chain. This gives us more reasons to be optimistic about the prospects of a more equitable, sustainable and inclusive future.

To enable our clients to take advantage of the emerging opportunities, we are investing in our platforms and building partnerships to complement our banking proposition and our on-the-ground network.

In this edition of Bankable Insights, we share reasons for optimism in trade, the latest in tokenisation of assets, the evolving regulatory landscape and its impact on cross-border treasury operations, the B2B marketplace opportunity and much more. I hope these insights inspire you to identify opportunities and solutions that help you better run your business in this ever-evolving environment.

Michael Spiegel
Global Head of Transaction Banking
Standard Chartered

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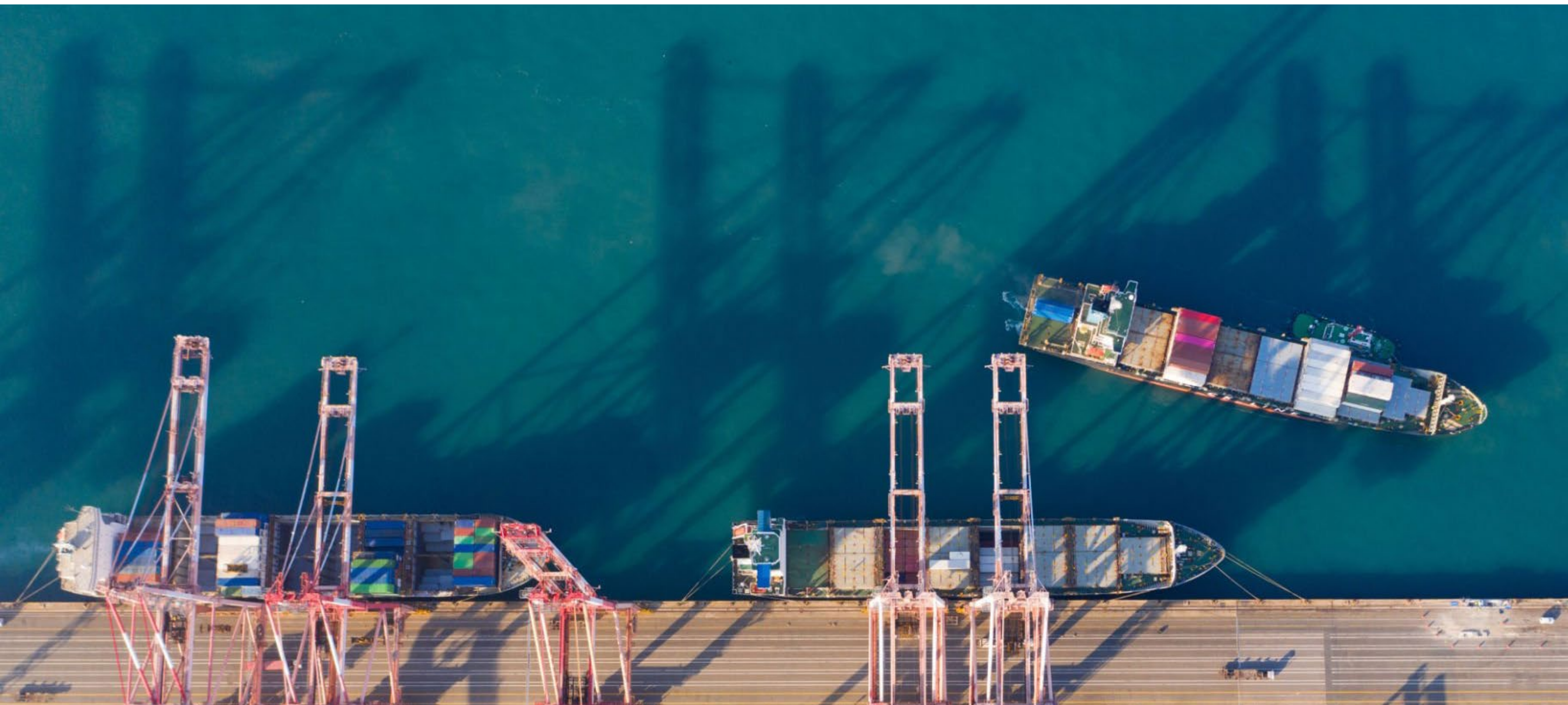


Global focus - Economic outlook 2024: A soft landing, with risks

What will 2024 hold in store? The world economy should be able to achieve a soft landing after the most aggressive monetary tightening cycle in years, although risks abound.

GDP growth 2024

2.9%

We expect global GDP growth to slow marginally to 2.9% in 2024 from 3.1% in 2023. The lagged impact of aggressive central bank tightening is likely to be felt most acutely in developed economies, where we see average growth slowing to around 1% in 2024. In contrast, we see Asia's growth slowing only slightly to 4.9%, making it the world's fastest-growing region.

Lingering inflation and geopolitical developments are risks to the global soft-landing scenario. The military conflicts in the Middle East and Ukraine, ongoing US-China tensions, and the November 2024 US election are key sources of geopolitical and political risk; they come against a backdrop of increasing global fragmentation.

On the inflation front, core inflation has remained sticky in some markets, signaling persistent underlying pressures.

Read our Global Research report for more views on the economic outlook for 2024.

Five reasons for optimism in trade in 2024

As 2024 begins, the global economy is confronting what is projected to be the slowest half-decade of GDP growth in 30 years.

This forecast, outlined in the World Bank's Global Economic Prospects report, underscores a significant slowdown in global trade growth, now expected to be half of what it was in the decade preceding the pandemic. This trend reflects macroeconomic factors but also the impact of persistent geopolitical tensions, including the conflicts in Ukraine and the Middle East and security threats to shipping in the Red Sea, which continue to disrupt global supply chains.

In addition to these challenges, 2024 will be the biggest election year in history. As half of the world's population heads to the polls, debates over globalisation are being reignited in major trading economies, raising the prospect of new tariffs and trade barriers.

Despite the uncertainty about what lies ahead, there are still reasons for optimism about the resilience of global trade and its enduring role as a catalyst for positive change, and these are encapsulated in the current trends that are shaping the landscape.

Emerging trade corridors are creating opportunities for inclusive growth

Despite the prevailing narrative of deglobalisation and fragmentation, business leaders continue to have faith in globalisation. The overwhelming majority of those we polled for our recent white paper, Resetting Globalisation: Catalysts for Change, told us they believe in the benefits of trade for all economies.

As businesses diversify their supply chains and move beyond traditional markets to mitigate risks, they are also enabling the benefits of trade to reach more people.

Emerging markets, once on the periphery of global discussions, are now at the centre, offering new opportunities and pathways for inclusive growth. The rising prominence of trade corridors in Asia, the Middle East and Africa are a testament to the dynamic nature of global trade, and a beacon of hope for a more equitable future.

Advances in tokenisation are unlocking efficiencies

Innovation will be a cornerstone of this year's narrative as the pace of digital transformation accelerates. Building on the groundwork laid by initiatives like the Monetary Authority of Singapore-led Project Guardian, rapid advances in the adoption and use of tokenised assets promise to solve for real challenges in trade – as Standard Chartered's successful pilot to unlock liquidity for participants in the supply chain demonstrated.

The continued roll-out of central bank digital currencies (CBDCs) this year will lay the groundwork for more streamlined cross-border transactions, while the flow of data along new rails will inject greater transparency and visibility into the world's supply chains, fostering a more interconnected global trade ecosystem, bringing trade, payment, sustainability and data into one place.

Generative AI is paving the way for greater automation

The popularity of ChatGPT has demonstrated just how useful generative artificial intelligence (AI) can be in helping with a wide range of tasks. But powerful neural networks can be leveraged for more than just responding to prompts. As the technology continues to mature, use cases are emerging across trade, from the generation and verification of crucial trade documents and regulatory reports to the correction of cross-border payment messages.

We're excited about the possibilities AI can bring, and through our Responsible Artificial Intelligence Framework we're ensuring every use case deployed into production adheres to the pillars of fairness, ethics, transparency and self-accountability. Through our membership of initiatives such as the Veritas consortium in Singapore and the UK's Artificial Intelligence Public-Private Forum, we are also working proactively with regulators to shape adaptive policies that address AI's intricacies, maintaining the trust and integrity fundamental to the banking sector.

New tools are enabling real action on sustainability

As businesses and governments navigate continued volatility and uncertainty, a new model of trade that values resilience and sustainability as much as efficiency and profit is growing . More and more companies are acting to create a better future for the planet while yielding the many business benefits of sustainability. And through collaborative efforts, policymakers and financiers alike are delivering new ways to support sustainable outcomes.

Two years ago, we launched our sustainable trade finance proposition to enable our clients to better understand their ESG risks as well as the solutions that can be offered to mitigate them. Last year, to help address the funding gap for ESG improvements in supply chains, we launched a sustainability-focused trade loan for our financial institution clients, enabling them to provide additional liquidity to support ESG-related trade flows.

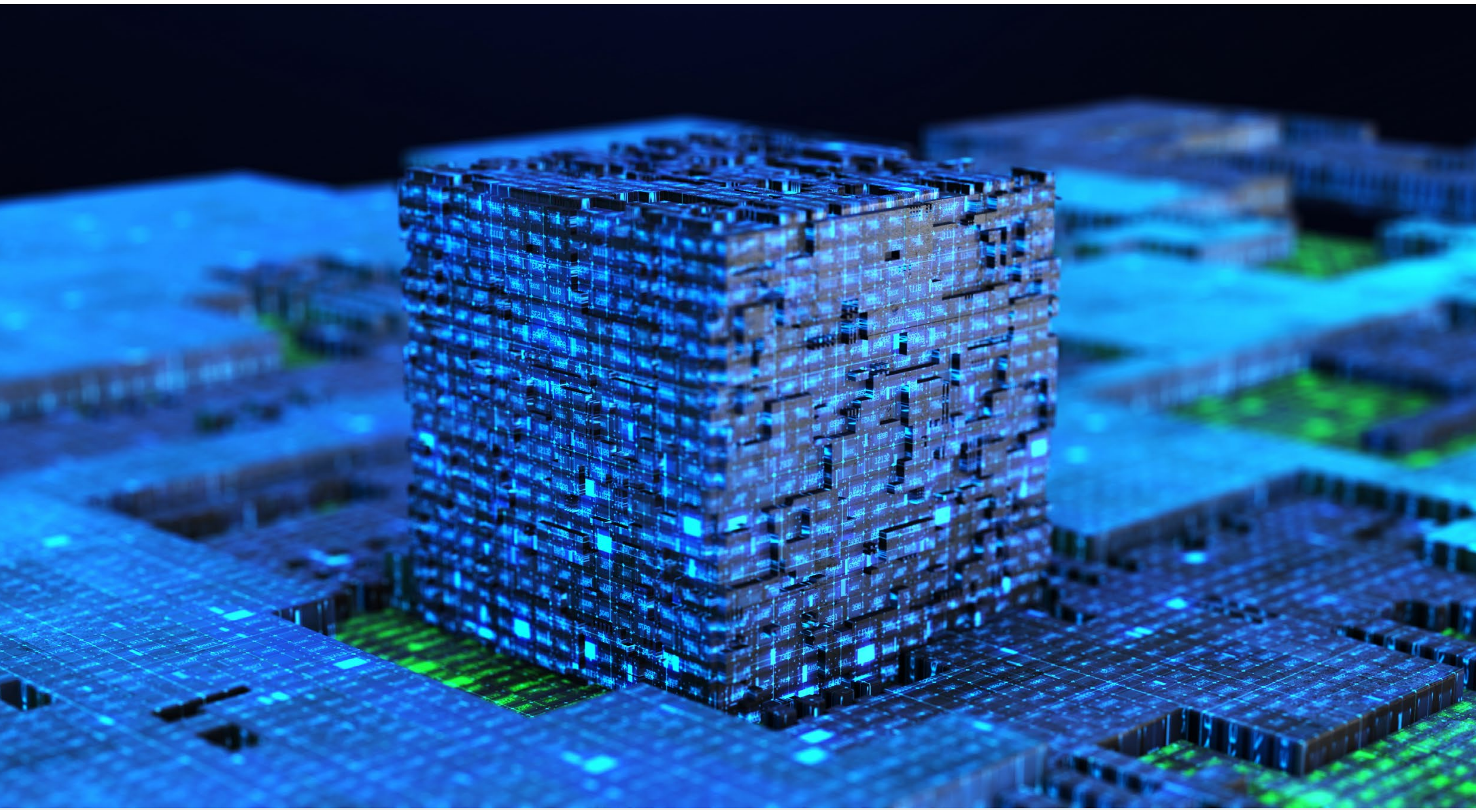
In recent developments, the World Trade Organization has released a set of trade policy tools for climate action, offering governments a range of strategies to align trade policies with climate change mitigation and adaptation goals. Meanwhile, the International Chamber of Commerce (ICC) has broadened its trade finance sustainability standards to include three high-risk sectors, a major step in its plans to develop a global benchmark for measuring the sustainability of trade transactions.

A collective approach will reaffirm trade as a force for good

In the face of mounting complexities and challenges, we're seeing an unprecedented level of collaboration among various stakeholders. This cooperation is evident across the spectrum, as banks, regulators, industry bodies, and corporates join forces to foster innovation, establish new standards, and share best practices.

As we look ahead to the coming months, the journey of globalisation continues, evolving in the face of challenges. And if the past few years have taught us anything, it's that by working together, we can overcome even the most daunting obstacles.

Taking advantage of tokenisation: A corporate roadmap for 2024



Tokenisation, the process of digitally representing assets or items of value through a smart contract on a blockchain, is now rapidly maturing, and robust and scalable solutions are on the horizon.

In this quick guide, Steven Hu, Standard Chartered's Head of Digital Assets, Trade and Working Capital, outlines what business leaders need to know to understand and effectively leverage the new advances.

The stage is being set by regulatory alignment and market evolution. Get ready for tokenisation to go mainstream.

Regulators across major markets are joining forces to catalyse adoption. Following two years of industry pilots under the Monetary Authority of Singapore's Project Guardian, representatives from the IMF, Japan's Financial Services Agency, the UK's Financial Conduct Authority and the Swiss Financial Market Supervisory Authority are now participating in a policymaker group to drive regulatory alignment.

Meanwhile, guidance published by bodies including Hong Kong's Securities and Futures Commission is injecting clarity around the application of tokenisation to financial assets – an important enabler of the development of a tokenised economy.

In parallel to government-led moves, a surge in tokenisation platforms and marketplaces is providing new avenues for investors to access a diverse range of asset classes, while a growing number of trading venues are paving the way for greater liquidity flows.

The pace of change is accelerating, and with it, the opportunity for corporates to be at the forefront of the tokenisation wave.

Transforming financial assets into digital tokens can be a game-changer for efficiency and liquidity. Identify your use case and evaluate its applicability.

A key component of tokenisation is the use of smart contracts, which enable automated processes. These contracts can automatically execute transactions based on predefined criteria, reducing the need for manual intervention and minimising errors. This automation is especially beneficial in complex, multi-party financial operations, where precision and timeliness are critical.

Current pilot projects in tokenisation show promising results, offering corporate treasurers and finance leaders solutions to several immediate challenges, from optimising treasury functions and diversifying funding opportunities to injecting financial strength into supply chains.

Tokenisation can streamline cross-border transactions, enabling faster settlements, multi-currency clearing and reduced costs by minimising intermediary involvement. It also provides benefits in optimising working capital management. By converting assets into digital tokens, corporates will be able to trade more fluidly, accessing funds quicker and enhancing liquidity.

Tokenising assets like payables and receivables could improve access to financing while creating more resilience and robustness in the deep tiers of the supply chain.

Tokenisation can also diversify funding opportunities for corporates. It opens up new avenues for alternative assets such as trade finance, reducing the friction associated with managing diverse portfolios and introducing innovative funding mechanisms. Leveraging custodian banks and other asset aggregators to drive tokenisation at scale presents an opportunity for corporates to have a wider range of their assets tokenised simultaneously through a single relationship.

As the landscape matures and diversifies, a growing number of viable use cases is emerging. Corporates should actively collaborate with their banking partners to explore and harness the burgeoning possibilities of the technology, while rigorously evaluating its applicability and developing a clear business case tailored to their unique operations.

Progress on standards and interoperability is crucial for global scalability. Participate to shape the future.

The digital assets landscape is still relatively nascent.

Regulatory clarity and a need for consistent frameworks present a complex terrain for corporates. A pragmatic approach is to forge partnerships with banks to leverage their regulatory expertise and connections. Banks can serve as a valuable partner, helping corporates understand and adapt to evolving regulations. Through joint pilot projects, corporates can explore tokenisation in a controlled environment, gaining first-hand insights while mitigating risks.

Corporates engaging early with banking partners in tokenisation pilot initiatives can also gain first-mover advantages. These include leading the way in adopting new financial technologies, shaping the development of regulatory frameworks, and setting industry standards. Participating in pilots and proofs of concept to test out new technologies like CBDCs and digital currencies could help corporates understand emerging trends and identify potential applications. For example, by tapping into Project Guardian's network of banks, startups and technology providers, corporates can explore innovative finance solutions and stay ahead of the curve on digital transformation in financial services.

Early involvement also allows corporates to tailor innovative solutions to their specific needs, potentially gaining a competitive edge in efficiency and market positioning. Additionally, these early adopters can play a role in collaborating with banks and regulators to shape standards and guidelines, ensuring their needs are represented and new systems are optimised for their use cases.

Standard Chartered is leading the way in tokenisation. Discover how we can guide your journey.

Digital assets are set to become an important part of the future of financial services. Standard Chartered is at the forefront of tokenisation, actively engaging in its development and offering tailored support to help clients adapt to and leverage this emerging technology.

We continue to work with governments, central banks and regulators to help shape the future universe of digital assets, and with our clients to understand what the future might look like, what opportunities it will create, and how they can best take advantage of them.

See how we are pioneering real-world asset tokenisation

What practical applications of blockchain can treasurers monetise for cross-border payments?

Blockchain brings about limitless possibilities, but what are its practical applications for corporate treasurers that can turn challenges in global financial management into scalable opportunities?

While the speed and cost for cross-border payments have improved dramatically for consumers over the past few years, corporate treasurers still grapple with manual, slow, and often costly processes. With operations spread across multiple countries, global treasury teams need to juggle different payment rails and regulations, tackle exchange rate fluctuations, and coordinate between multiple internal and external parties – but outdated systems mean there may be inefficiencies.

"Corporate treasurers face the consistent challenges of visibility, access and control of funds deployed all over the world," says Philip Panaino, Global Head of Cash at Standard Chartered. "The prevalent model of global and regional treasury centres is a direct result of information lag and lengthy settlement processes, as well as a lack of a seamless workflow to sum-up available working capital, then trigger, free up and track payments. In today's increasingly digital world, corporates now expect the same immediate, 24/7 seamless delivery of payments technology to their business as they see in their personal accounts."

Recent advances have brought this expectation closer to reality. Real-time payments (RTP) systems that allow money to move almost instantly are being implemented across a growing number of markets, with cross-border linkages such as the Singapore-Thailand PromptPay-PayNow connection. Meanwhile, the move to ISO 20022 will allow richer data to travel with payments, addressing problems with fragmented information.

However, where the real transformation will come is through blockchain-enabled solutions, explains Panaino.

“Programmability through smart contracts is a key differentiator of blockchain-enabled payments compared to traditional and even more recent fast payment services,” he says.

Using Distributed Ledger Technology (DLT), treasurers would gain unprecedented control over working capital, liquidity and payment flows based on business rules and conditions, enabling the entire end-to-end process – from supplier payments to customer collections – to be automated and executed seamlessly in real-time across borders.

For example, a manufacturer could programme supplier payments that are released automatically once a certain performance threshold is met, or a retailer could have loyalty rewards distributed instantly based on real-time purchase data streaming to their blockchain application. This automation eliminates the need for treasury staff to manually verify documents, check metrics, and manually release transactions – saving significant time and costs in processing but also and possibly more impactful, for avoidance of “parking idle working capital” in anticipation of treasury needs.

This programmability also future-proofs treasury systems. Business conditions can change quickly, but with blockchain, payment logic can be easily updated by adjusting the underlying code – no costly legacy system upgrades required. This might mean a commodity trader which takes advantage of market prices can execute a transaction with the Just-In-Time (JIT) movement of capital where and when it is needed, in real time and at scale.

With the entire treasury function including cash, trade and risk management consolidated onto a single integrated blockchain-based platform through, for example, a API-based Treasury Management System (TMS), funding processes that currently take months could be reduced to seconds.

> And that is only the beginning. The potential can extend to capital market activities such as fund raising, where the entire life cycle can be generated automatically - through ERPs and TMSs connected to a corporate borrower's on-chain information, and debt profile via an asset exchange clearing protocol. This provides institutional money (Asset Managers, Banks, Real Money funds) with live debt terms and conditions for immediate execution – on chain - replacing lengthy roadshows, long documents, and hosts of intermediaries such as legal firms, paying agents, and custody agents.

Philip Panaino
Global Head of Cash,
Standard Chartered

While all of this may sound too good to be true, banks like Standard Chartered are working, right now, to turn this into reality.

The Bank's investment in Partior, a blockchain interbank clearing and settlement network, is one example. As a founding shareholder, Standard Chartered is the first Euro settlement bank for the platform, and the Bank is leveraging its global payments capabilities and clearing footprint to enhance Partior's international reach.

"We're accelerating our deployment of blockchain technology with Partior across our global wholesale payments and settlements network in preparation for the evolution of payment and cash management products across a universe of faster, better and more cost-effective capabilities," says Panaino.

> We are creating products for a world where corporate customers' ERPs and TMSs are on-chain. In this world, our clients will significantly reduce their dependence on third parties and be better able to capture immediate, low latency opportunities in their respective markets by being natively agile in the acquisition, use and storage of working capital.

As the technology matures, those who get involved early will be best positioned to ensure solutions meet strategic treasury needs, and the time for pilots and experimentation is now. Corporate treasurers have a unique opportunity to proactively engage their banking partners and witness the technology in action with their own payment data and processes – be those supplier payments, FX hedging or accessing capital markets.

Panaino calls on treasurers to speak to their banking partners about the possibilities of blockchain in cross-border payments and take part in pilots and proof-of-concepts to witness how the technology can benefit their unique business environment. Continued treasurer engagement and feedback will shape the development of production-ready solutions – and the potential rewards of streamlined operations, cost savings and new capital game changing opportunities.

How evolving regulations are transforming cross-border treasury operations

The shifting regulatory environment is impacting cash management and payments functions. By taking a proactive stance towards these changes, treasury teams can open new avenues for liquidity optimisation, enabling more effective capital deployment across different markets and more agile operations.

The global payments and liquidity management space has undergone immense change in recent years, driven by technological advancement and evolving business models. As digital disruption transforms processes at an unprecedented pace, regulatory frameworks are being revised to keep up.

Against this backdrop, authorities worldwide face growing demands to update rules and clarify how innovation can be safely adopted while maintaining financial stability. With a growing number of differing rules across jurisdictions to grapple with, staying ahead of the curve is becoming increasingly challenging for the treasury function.

"Several macro-level trends are fuelling regulatory change across the landscape, and it can be tough for corporate treasury departments focused on day-to-day operations to maintain comprehensive visibility of these developments," says Ankur Kanwar, Global Head of Structured Solutions Development and Head of Cash Products, Singapore and ASEAN, at Standard Chartered. "On the surface, such policy updates may seem removed from treasury concerns. Yet closer examination often reveals implications and keeping informed of changes is crucial for strategic planning and compliance."

Emerging technologies like real-time payments, distributed ledger, and digital currencies are prompting action from policymakers. Meanwhile, geopolitical shifts and trade disruptions are adding impetus for countries to streamline cross-border capital flows and demonstrate openness and competitiveness through regulatory easing.

As these high-level forces persist, regulatory evolution will remain constant, reshaping the compliance environment across markets – as well as unlocking new opportunities to create value and generate efficiencies.

Payments regulations on the move

To encourage digital adoption and address new risks in the increasingly cashless economy, a growing number of countries are overhauling payments regulations. Singapore's Payments Services Act has emerged as a model, clearly defining licensing requirements and controls for different payment activities, and specifying guidelines that must be adhered to when facilitating overseas funds transfers related to e-commerce sales or marketplace operations.

"Within the Asia-Pacific region, Singapore and Hong Kong are the pioneers when it comes to payment service guidelines. Licensing requirements for each activity, controls to be maintained, and other guidelines are clearly defined, which eliminates ambiguity. Other markets in Asia are coming fast up the curve. Therefore, this is an area where we expect to see increased regulatory activity in the near term," says Kanwar. He adds that since it is likely regulators will base their rules on the Singapore and Hong Kong models, corporates can prepare by adopting best practices to remain compliant when operating in these spaces.

Another major development in the payments area – while not a regulation per se – is the transition to the ISO 20022 standard for financial messaging. Many markets, among them the Philippines, have accelerated their commitment to adoption, upgrading domestic formats to the new standard ahead of SWIFT's Cross-Border Payments and Reporting Plus (CBPR+) milestone of November 2025.

> Numerous countries in our footprint markets across Asia, Africa and the Middle East have already changed to the new format [ISO20022], which obviously has implications for our clients. But instead of just focusing on becoming compliant, there's a real opportunity for corporates to speak to their banking partners to understand how they can leverage the enhanced payment data to enable more automated reconciliation and real-time decisioning. This is an enormous benefit that can't be overlooked.

Ankur Kanwar
Global Head of Structured Solutions Development and
Head of Cash Products, Singapore and ASEAN,
Standard Chartered

Cash pooling rules thaw out

Regulations have long posed challenges for multinationals seeking to [optimise liquidity]() through cross-border cash pooling structures. However, rules are gradually relaxing in some markets. Thailand made waves in 2021 by permitting onshore FX conversion, allowing corporates to include onshore converted USD balances in pools located elsewhere and unlocking pooling for sizeable sums that would otherwise have been stranded locally.

Similar moves are unfolding in markets like Indonesia and the Philippines for USD balances - it is now feasible to move USD balances offshore, while China's stance on cash pooling continues to evolve through various pilot programmes. Meanwhile, Vietnam is also reviewing the feasibility of intercompany loans, which are currently not permitted.

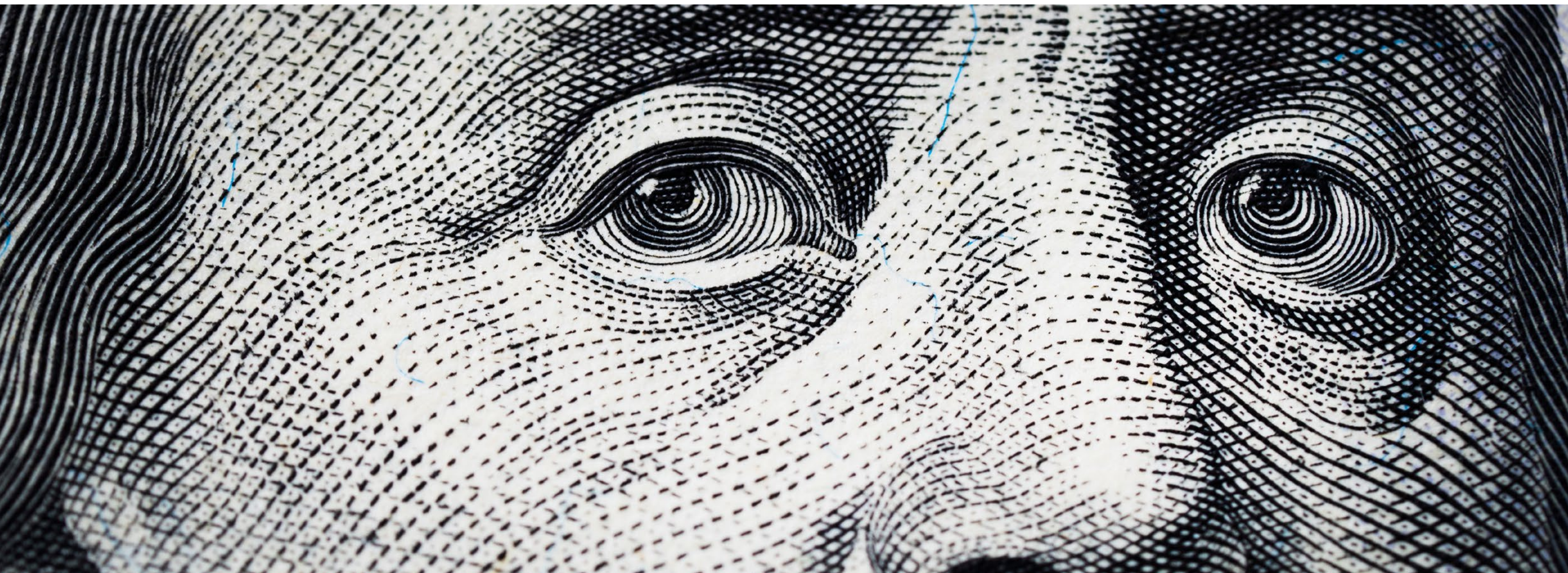
By shaping strategies around both emerging capabilities and enduring compliance needs, forward-thinking treasury teams can ensure regulatory developments enhance rather than impede liquidity optimisation.

"These moves come as regulators seek to demonstrate that they're open for business and that they want to give corporates the flexibility to come and set up these structures. We're already seeing large multinationals with existing cash pools in Singapore or Hong Kong revalidating the new regulatory changes," says Kanwar, who adds that financial institutions are also moving to facilitate cash pooling across markets.

"One of the biggest issues in cash pooling is how cumbersome it can be for multi-banked corporates. Signing bilateral agreements with every bank and setting up daily sweep creates friction," he explains. "We are now seeing innovation in how banks work together to do cash pooling. In some countries, such as Singapore and Malaysia, instead of the traditional MT 101 and 103 we have now started to use the direct debit network, which is real-time and mandatory, so no bank can refuse it."

Technological advances such as Partior, an open industry platform that harnesses the power of blockchain to enable real-time programmable value transfer, promise to streamline cash pooling even further.

"Standard Chartered's [investment in the Partior]() initiative enables frictionless fund movements between partner banks, across currencies and across countries, effectively pooling liquidity as if under one roof," says Kanwar.



Taking action in 2024 and beyond

With new developments in the payments space gaining pace, keeping up to speed presents an ongoing challenge. However, treasury professionals have options to incorporate emerging opportunities even as rules change. Maintaining close partnerships with banks that dedicate significant resources to deep regulatory surveillance will be paramount.

"With regulatory complexity likely the new normal, we are supporting clients to navigate what's ahead and empowering them to confidently grow their global operations," says Kanwar.

He points to the bank's biannual regulatory updates, which distil complex shifts into clear, actionable insights on an individual country basis, as well as a recent collaboration with global law firm Allen & Overy to produce the Guide to Payment Regulations: Asia, to help businesses operating in the new economy to establish their cross-border operations compliantly.

"In some countries, it's difficult for corporates to get clear guidance from the regulators because the guidelines are still evolving, so we have taken the proactive step of publishing this document together with a law firm, which is a fabulous testimony to how we are supporting our clients," says Kanwar.

But beyond simply gaining information on upcoming developments, corporates can leverage their banking partners' expertise both to capture new opportunities as well as remain compliant across markets.

As an example, recently introduced rules in export-oriented economies like Indonesia require companies to retain part of their export earnings onshore for at least three months before releasing them, which can be difficult to manage and monitor across large volumes of incoming payments. In response, Standard Chartered is launching a PaaS (Payment-as-a-Service) solution for clients to automate this process, as well as provide export retention quota accounts that enable them to hold a portion of their export proceeds in foreign currency.

Ensuring rules enable business

While regulatory changes can introduce complexities, forward-thinking corporates are partnering with banks to advocate positions supporting innovation and growth, ensuring compliance does not impede competitiveness or the ability to optimise operations across borders.

"As one of the prominent banks in the markets where we operate, often we have the opportunity to provide commentary to regulators as part of their consultation process for new guidelines," says Kanwar. "Guidance crafted with business enablement in mind ultimately benefits all players in shaping a more efficient global landscape."

With regulatory shifts inevitable, sustained effort will be needed to stay up to date. But with the right banking partner, treasury teams can continue thriving regardless of how quickly the operating environment evolves.

How new disclosure requirements can strengthen the supply chain finance market

New disclosure requirements for supply chain finance (SCF) are the latest advance in the industry's journey towards greater transparency and resilience. By providing stakeholders with clearer insights on programmes, banks and corporates alike can foster increased trust and confidence, laying the foundation for a more robust and sustainable trade ecosystem.

In recent years, supply chain finance has grown and matured, evolving from a niche strategy to a key component in building resilience across the trade ecosystem. Amid the disruption caused by the pandemic and geopolitical volatility, its role in shoring up suppliers worldwide to promote healthier and more sustainable supply chains has proven invaluable.

Although a growing number of corporates are leveraging SCF to future-proof their supply chains against emerging risks, confidence in this critical financing tool has been impacted of late as troubled companies misused it to distort cashflow cycles and disguise financial performance.

In response, the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have recently issued disclosure requirements to enhance the transparency of SCF arrangements.

While this will mean an additional reporting obligation for corporates, the initial burden of complying with the freshly introduced rules is outweighed by the potential benefits, says Irfan Butt, global head of supplier finance at Standard Chartered.

"The disclosure requirements demand time and resources for corporates, but they also present an opportunity. Greater transparency can lead to more informed decision-making and a stronger, more sustainable SCF market," he says.

"We believe it will enable the industry to filter out bad actors and promote a better understanding of this vital form of financing."

Restoring confidence

Issued in September 2022 and May 2023 respectively, the IASB and FASB rules are aimed at preventing a repeat of events such as the 2018 collapse of Carillion, the UK's second-largest construction company, which involved the exploitation of SCF to hide a worsening financial situation and push payment terms beyond industry standards.

Carillion's oversized SCF programme was far from typical. Opacity around its financing arrangements obscured the true extent of its liabilities, making it impossible for investors and credit rating agencies to gauge its full financial health – until it was too late.

The requirements from the IASB – which sets the standards used in most European, South American, Middle Eastern and Sub-Saharan African countries, in addition to Australia, Canada and some Asia Pacific nations – and the FASB, its equivalent body in the US, call on corporates to provide qualitative and quantitative information on numerous aspects of their SCF arrangements.

These include the amount of payables already paid to suppliers by a finance provider, and the range of payment terms arranged with suppliers.

"These reforms aim at improving the visibility and thereby the credibility of SCF arrangements. Addressing concerns about hidden risks will fortify the foundation of the industry," says Butt.

"Corporates will need to ensure they have the data they need to comply with reporting requirements, and it isn't a one-size-fits-all. However, the new obligations present a chance for corporates to review their existing arrangements and ensure they adhere to industry standards – in particular the Global Supply Chain Finance Forum Payables Finance Technique and the BAFT Global Trade Industry Council Payables Finance Principles."

A key area of focus for regulators and ratings firms alike is on supplier payment terms, and whether they fall within what is considered typical.

Using data provided by banks such as Standard Chartered, corporates can benchmark the financial resilience and sustainability of their supply chains, based on comparisons with peers across regions and sectors.

"Payment terms for suppliers can vary significantly depending on the industry, and can often be driven by factors like long physical transit times rather than purely financial motives," says Butt.

> For corporates that ensure their supply chain management processes adhere to best practices, the new disclosures can actually enhance and strengthen their relationships with investors.

Beyond payment terms

Although the disclosure rules were catalysed by inappropriate usage of SCF, any perception of the product as simply a tool for pushing out payment terms is far from the truth, says Butt.

"SCF should not be miscast as a means of propping up struggling companies. When leveraged strategically, it can drive ESG improvements, resilience, and supply chain stability," he says. "By embracing transparency and aligning operations with industry standards, corporates and banks alike can tackle the misconceptions head-on, ensuring the product can continue to support global trade in the years to come."

Today, as corporates seek to de-risk their supply chains to shield themselves from external shocks, SCF can be used to ensure a diverse network of well financed suppliers – giving them a better chance of weathering future storms.

"SCF is no longer just about working capital management. We're seeing demand grow for more holistic solutions that provide companies with greater visibility and incorporate features that can mitigate against disruption," says Butt.

These include digital SCF solutions that enable corporates to achieve an end-to-end overview of their supply chains. According to Future of Trade 2023, a report by Standard Chartered, almost one-fifth of corporates have adopted digital SCF solutions – such as those offered by the bank in partnership with third-party technology providers – with a further 44% planning to do so in the next two years.

The evolution of SCF is also being powered by a broader recognition of its ability to cement the financial foundation for sustainability efforts, as uncovered by the bank's Sustainability Commitment Paradox report.

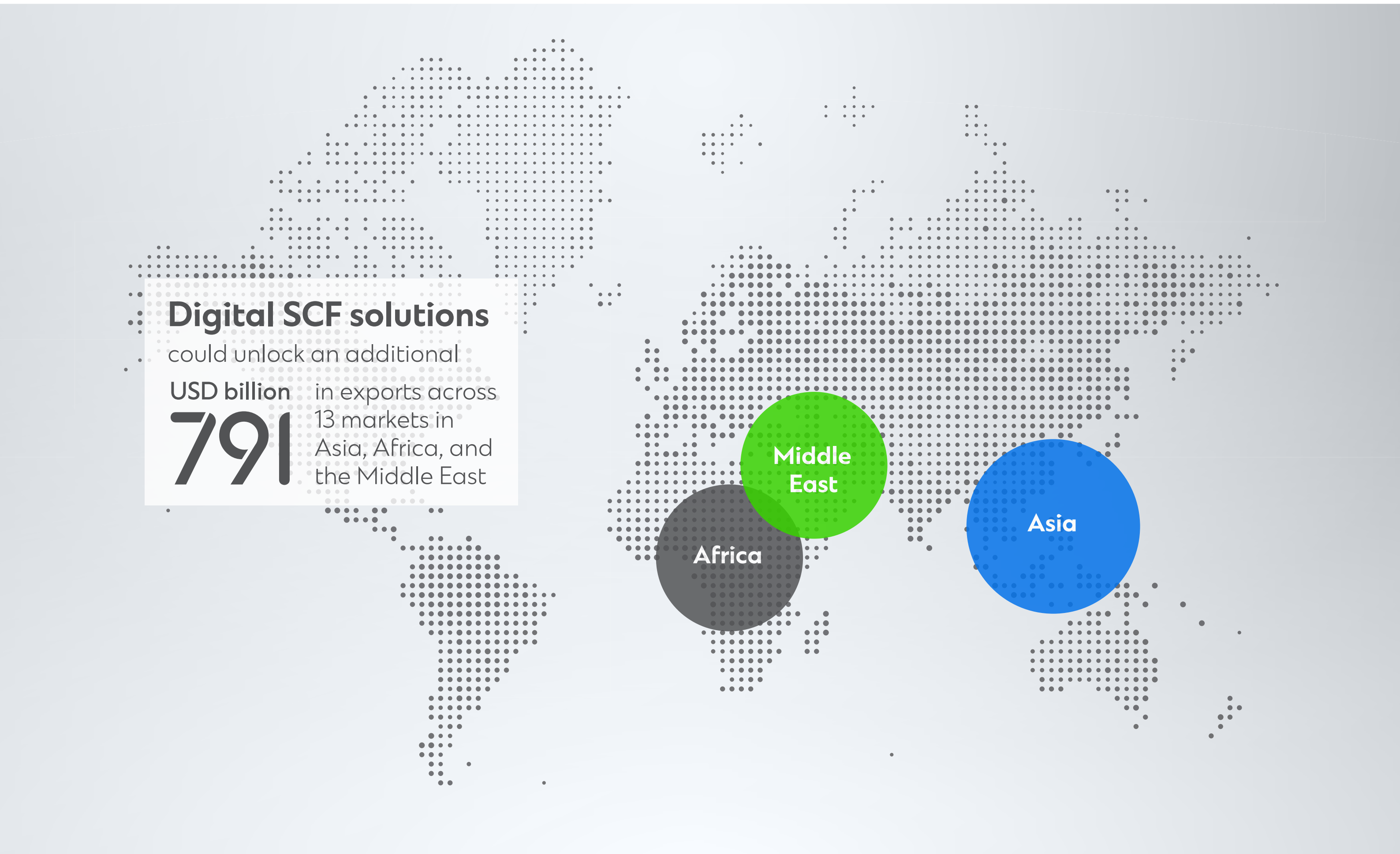
The report found that as corporates come under increased regulatory pressure to account for the environmental impact of their supply chains, a majority either plan to or are already encouraging and mandating their suppliers to operate more sustainably. However, some suppliers, particularly at the smaller end of the scale, lack the resources to comply.

As such, sustainability-linked SCF, which ties financing to performance against ESG metrics, has become an important solution for corporates seeking to help their suppliers shift to more sustainable practices – while digital tools from SCF providers enable them to better collect the data they need to conduct their reporting.

Beyond environmental improvements, SCF can also be leveraged to achieve greater inclusivity in trade. By improving access to liquidity for SMEs, SCF can "improve the prospects for millions of entrepreneurs who are held back by a lack of fixed collateral and limited offerings of appropriate credit products by financial institutions", according to a 2021 World Bank report.

Corroborating this potential, the [Future of Trade 2023] report finds that by the end of this decade, digital SCF solutions could unlock an additional USD791 billion in exports across 13 markets in Asia, Africa, and the Middle East.

As consumers, investors, and regulatory bodies alike increasingly prioritise ethical and sustainable practices, companies with transparent and responsible SCF programmes will be better positioned to meet these expectations and gain a competitive edge.



A more transparent future

The new disclosure rules represent a transformative step towards a more transparent future, and will impact all stakeholders within the SCF landscape. What's more, given the interconnected nature of global trade, it is highly likely that other accounting standard-setting bodies will follow suit with similar, if not more comprehensive, disclosure requirements – bringing much-needed clarity and comparability for businesses operating in diverse markets.

"There is a global need for consistency around how SCF programmes are disclosed, and across our footprint we are working with clients through the process," says Butt, who adds that the implications of the requirements extend far beyond mere regulatory compliance.

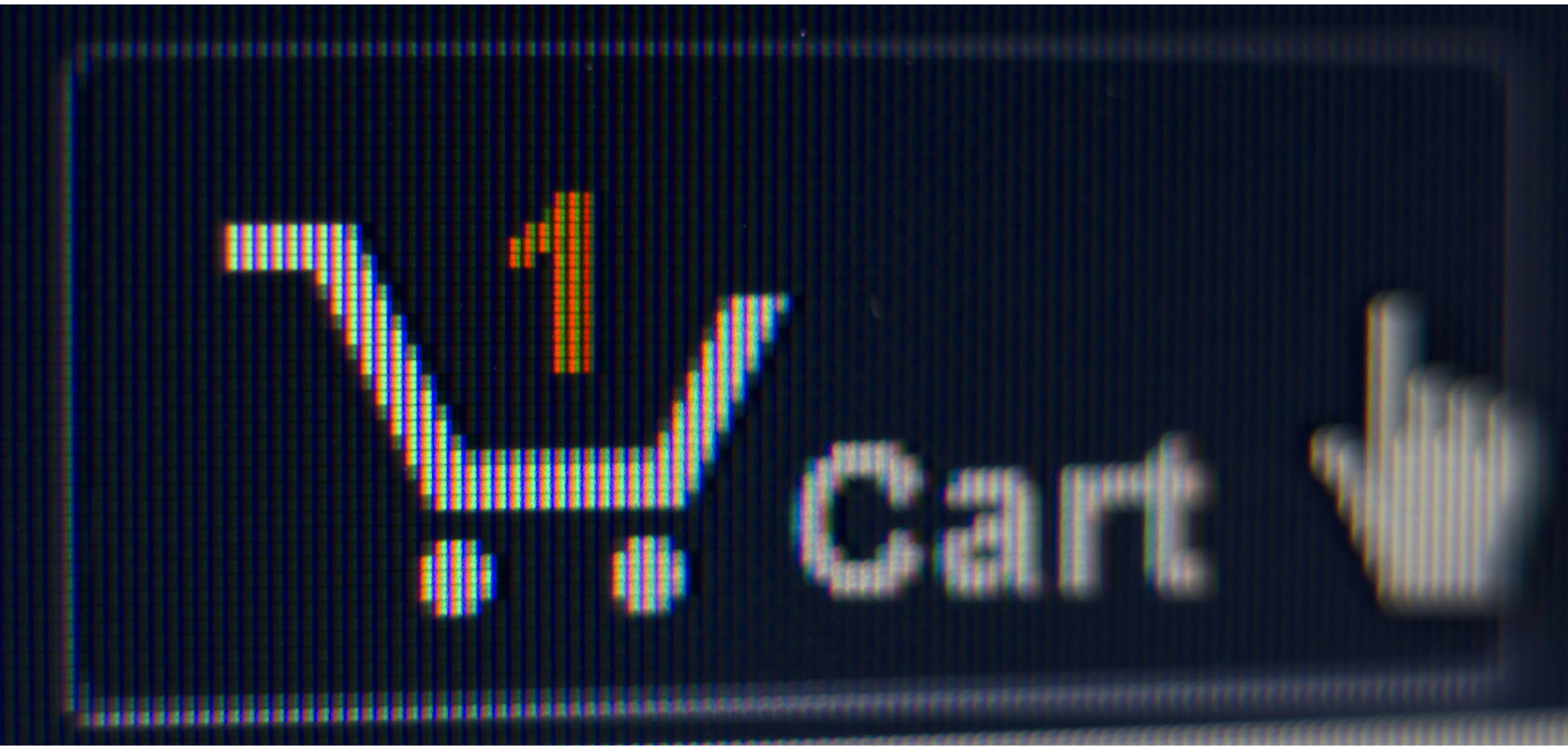
"They hold the potential to create a paradigm shift in how SCF programmes are perceived, understood and integrated into business strategies," he says.

"With access to more comprehensive and standardised data, corporates can now make informed choices, optimising their supply chain practices for enhanced resilience and sustainability."

In addition, given greater visibility into SCF programmes, investors and financiers are more likely to view the product favourably. This heightened confidence could attract more capital inflow into the asset class, ensuring yet more finance can get to where it's needed the most – helping to create a sustainable, resilient global trade ecosystem that works for everyone.

> With access to more comprehensive and standardised data, corporates can now make informed choices, optimising their supply chain practices for enhanced resilience and sustainability.

B2B marketplace opportunity is ripe for corporates



Business-to-business (B2B) marketplaces are gaining momentum, accelerated by the pandemic and evolving technology. This trend is especially pronounced in Asia, where platforms such as Alibaba and Indiamart facilitate seamless online transactions between business sellers and their small and medium enterprise (SME) buyers.

In this interview, Michael Spiegel, Global Head of Transaction Banking at Standard Chartered, shares the emerging trends in B2B marketplaces and the potential opportunities on offer for corporates. He also delves into how transaction banking is evolving to support the growing end-to-end digital B2B flows that corporates are tapping on to transform their business models.

Why are B2B marketplaces an opportunity for corporates?

Following a slow start at the turn of the century, B2B e-commerce and marketplaces have been flourishing, driven by matured technology, a receptive attitude towards doing business online, and a robust payment infrastructure. It started with smaller firms transacting on third-party platforms.

We are now seeing larger corporations investing in the digital transformation of their supply chain by establishing their own proprietary e-commerce platforms and potentially bringing in third-party sellers to complement or enrich the platform offerings.

> Marketplaces are growing exponentially, with many of the large companies creating proprietary platforms or marketplaces for their ecosystems.

Today, Standard Chartered collaborates with large established marketplaces – the connector platforms – to offer them modular, API-ready, end-to-end solutions. We are also working with corporate clients to embed banking solutions for their own proprietary platforms and have done so with many clients across our footprint. We are also partnering with platform technology leaders such as KI Group and B2B payment fintechs such as Tazapay to support our clients' B2B transformation journey.

Mapping user journeys and associated transaction flows on the new platforms are some of the areas that we are collaborating on with our partners. Our aim is to make the experience of our clients and our clients' clients as seamless as possible. Therefore, we are looking into payments rails, holding, and moving liquidity, and financing solutions in the new ecosystems.

What are the emerging trends in B2B marketplaces?

The expansion of 'many to many' connector marketplaces, such as Alibaba, is on the horizon. Industry-specific marketplaces are also making a comeback. Additionally, there's a rising interest in corporates digitalising existing supply chains and moving towards 'one to many' proprietary e-commerce platforms to better serve their ecosystems.

Modern technology accelerates platform and mobile app development, simplifying user experience and increasing digital adoption for clients, suppliers, and distributors. The emergence of APIs is a key driver behind the automation of business workflows and touch points, making business operations more efficient and more effective.

> Furthermore, modern technology is simplifying 'Know Your Business' (KYB) checks and verifications, and normalising digital onboarding. Clients can unlock higher payment efficiency by enabling buyers and suppliers to self-administer their bank account data online and in real time.

What is your experience working with B2B marketplaces and what types of marketplaces have you worked with?

Standard Chartered actively banks several leading 'many-to-many' platforms, providing them with payment, collection, foreign exchange, and escrow services. We consistently seek partners who can complement our offerings, enabling us to deliver more advanced solutions to our clients.

A case in point is our recent partnership with B2B fintech Tazapay to co-create with our client WTX.com. Our client is a cross-border B2B marketplace for used trucks backed by Daimler Truck.

The aim was to digitise existing sales distribution that is reliant on the use of letters of credit.

This collaboration offers payment, collection, foreign exchange, and digital escrow solutions that release payments to sellers upon the digital validation of shipping documentation, enriching the experience of online buyers and sellers on the WTX platform.

Do B2B marketplaces impact transaction banking models? If so, how?

B2B marketplaces are somewhat disrupting transaction banking models. The conventional role of banks as intermediaries is diminishing within the realm of B2B marketplaces.
This evolving ecosystem demands enhanced collaboration across the industry.

Financing is another area B2B marketplaces are disrupting. Banks are accustomed to analysing clients' financial statements and then providing financing. In B2B marketplaces, the focus is on funding flow-based commerce within the marketplaces, characterised by short-term and portfolio-driven dynamics. The extent of KYB scrutiny becomes a pivotal factor.

> Issues such as fraud, dispute resolution and regulatory compliance are rapidly evolving in B2B marketplaces. The priority is to create a safe, secure, and sustainable business environment.

How do B2B marketplaces handle issues such as fraud, dispute resolution and regulatory compliance, and why is the role of a bank important?

Issues such as fraud, dispute resolution and regulatory compliance are rapidly evolving in B2B marketplaces. Ultimately, marketplaces have to offer a safe and secure business environment. Those issues are much more prominent in 'many-to-many' platforms and less so in 'one-to-many' platforms, where parties transact directly with one known counterparty.

International banking institutions like Standard Chartered have a crucial role to play. Our extensive on-the-ground network enables us to help corporates and fintechs to navigate the regulatory landscape across diverse markets in Asia, Africa, and the Middle East.

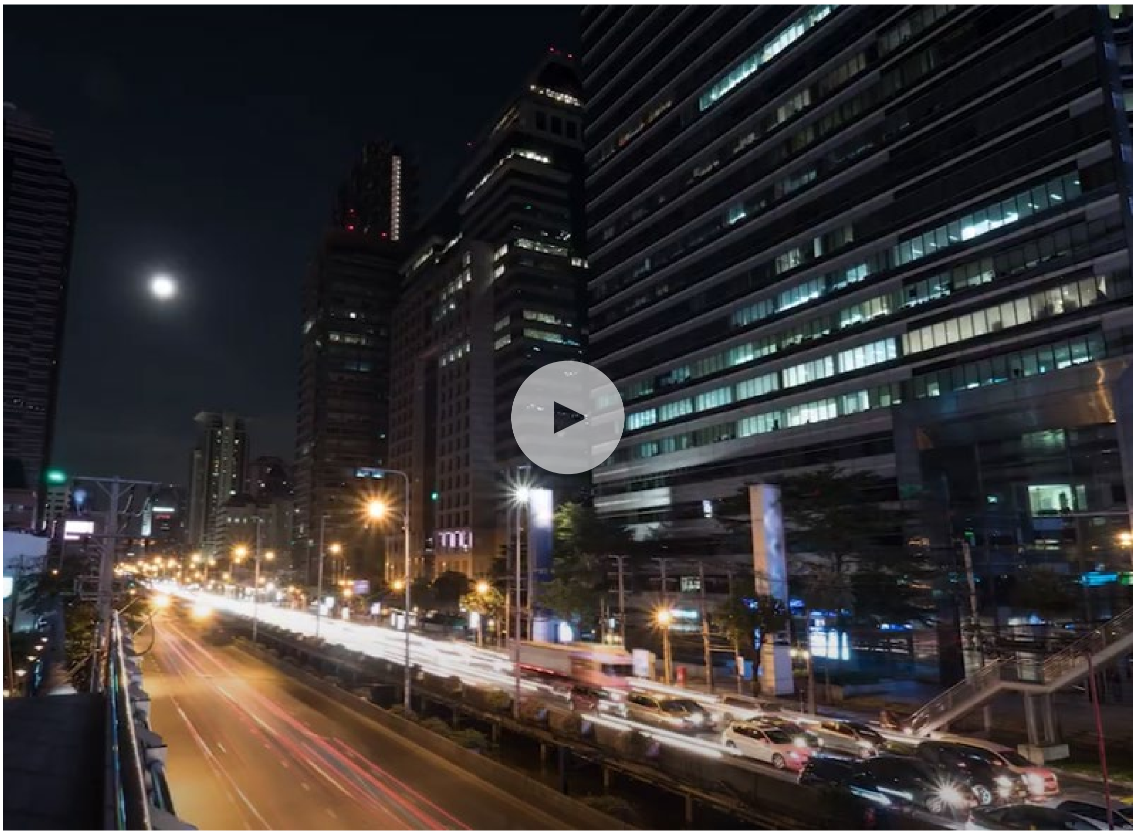
How can banks collaborate with B2B marketplaces to create new products and services that meet the evolving requirements of their customers?

One area that Standard Chartered is very focused on is to embed an environmental, social and governance (ESG) framework in our solutions. B2B marketplaces can help elevate ESG awareness as the exchange of ESG-related data will become increasingly important in marketplaces, especially in the context of the 'many-to-many' business models.

We can also help think through how to digitise and automate some of the transaction flows. For example, we recently launched Payouts-as-a Service, a solution that allows us to co-create complex payment journeys with our clients by embedding the Bank into underlying commercial workflows.

When combined with other commerce enabling tools and technology such as QR codes, RFID, and NFC, B2B platforms can monitor the movement of goods across supply chains in real time, automate money movement (financing, collection, payments), and accelerate transition towards sustainable supply chains.

Watch to learn how you can unlock your e-marketplace potential for your business



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