Executive Summary

Receivable finance has emerged as a key focus area for realizing the efficiencies of blockchain technology. Blockchain technology leveraged on the Marco Polo Platform has the potential to disrupt Receivable Financing as well as Factoring solution by making it easier to reduce disputes and fraud, provide payment certainty, enable transparency of trade asset movement, and facilitate the flow of trade receivables. The result: increased collaboration, automation and oversight in receivable finance transactions.

Blockchain-enabled trade networks such as the Marco Polo Network benefits all stakeholders by reducing friction from the financial and operational inefficiencies across the trade finance value chain.

The Marco Polo Network is offering an efficient, highly automated Receivable Finance solution to its members leveraging blockchain technology and deploying an open, distributed platform among the different trade finance constituents.

The network consensus mechanism across the trade finance continuum ensures there is only one single version of the truth based on digitized trade finance data at any given time by leveraging blockchain technology.
Definition – Receivable Finance

Receivables financing also called factoring or receivables discounting is a form of receivables purchase, flexibly applied, in which a seller of goods and services sell their receivables to a financial institution at a discount.

Discounted receivables range from a single receivable through to the majority of the receivables within the sales ledger of a seller. The funds available to the seller are based on the outstanding value of the invoices related to the relevant buyers. Receivable finance is usually offered by finance providers to larger corporate clients selling to multiple buyers.

The buyer coverage will depend on the number of buyers for which the funder is willing to take credit risk. The finance provider offers finance based on a security margin applied to the open account receivables being assigned by the seller.

Other features

- Usually, financing is provided on a ‘without recourse’ basis to the seller
- The financing transaction may be disclosed or undisclosed to the buyer
- The funder may discount up to 100% of the receivables up front or apply an advance ratio to account for potential dilutions
- In general, Receivable Finance is provided on a continuous, recurring and uncommitted basis
- In the event that the transaction is disclosed to the buyer, the process of the collection of the receivables may be undertaken by either the seller or the funder
- The funder may act at its own risk to insure or share the credit risk with a third party trade credit insurer or via risk participations with other financial institutions

Parties

The parties to the financing are the seller and the finance provider. Whilst the buyer is not a party to the agreement, it is relied on for payment of the underlying receivables or invoices and may also be required to validate that specific invoices are genuine and in certain circumstances may confirm that invoices are approved for payment within a specified timeframe.

In certain circumstances the buyer may confirm that invoices are approved for payment within a specified timeframe.

Together we are making Trade Finance more transparent, smarter and better connected
**Unique Features**

- All the transactions and transaction steps are digitalized and processed on the Marco Polo Platform leveraging the Corda blockchain technology as the data layer.
- The Receivables Financing solution is based on the Marco Polo Network, the fastest-growing trade finance network comprised of leading financial institutions and global corporates.
- The Marco Polo Platform enables users to create and manage workflows, rules, business logic to automate the matching of POs and invoices and other trade finance relevant process.
- Trade data is shared via APIs on the Marco Polo Network and automatically matched.
Multiple forms of receivable finance such as factoring, forfaiting and receivables discounting are used in multiple industries and throughout the world. Today, there are several challenges with the current receivable finance solutions limiting the number of companies having access to financing their working capital.

- Corporates need to use and integrate with multiple different receivable finance solutions. This makes the whole process inefficient and difficult to manage.
- Current receivables finance solutions are relatively expensive to manage, and therefore are mainly focussing on large corporate clients, leaving mid-market and smaller companies with limited access to finance their working capital.
- Today’s receivables finance solutions are often paper-based involving multiple manual processes. This increase the risk of errors and makes it difficult to scale.

Nearly 60% of businesses are dissatisfied with their receivables and cash application processes
(Source: Aite Group)
Receivables Finance by Marco Polo

The Receivables Finance solution offered on the Marco Polo Network eliminates the challenges faced by existing receivable finance transactions and makes it faster for trading partners and financial institutions, more secure, cheaper, easier, and more efficient to transact.

The receivables finance solution leverages blockchain technology from R3 ensuring faster assured payments by preventing disputes arising from contract ambiguities, through early discovery of discrepancies and automated matching of trade data.

The consensus mechanism within the Marco Polo Network ensures there is only one single final version of the underlying trade and finance data at any given time and that all parties are able to view and work on this version based on their access rights.

The whole process is based on digitized workflow replacing paper-based trade documents substantially reducing the time and cost.

The Marco Polo Network is fully open given access to any financial institution and their corporate clients as well as B2B networks and other constituents of the wider trade ecosystem.

The Marco Polo Network can be accessed via the Marco Polo Platform, Portal or even through embedded ERP Applications available in the near future.

The receivables finance solution has been tested successfully by Sumitomo Banks and their corporate client Mitsui Corp.

“This was a significant milestone in the project and a step in the right direction for the future of open account trade finance using the Marco Polo Platform and Corda DLT.”

Eric Henry, Head of Innovation Trade Finance & Supply Chain, BNP Paribas.
The Marco Polo Network

The Marco Polo Network is one of the fastest growing trade and working capital finance networks. It is a joint undertaking with technology firm TradeIX, working with enterprise software firm R3, the world’s leading financial institutions, and their corporate clients. The Marco Polo Network also includes constituents of the wider trade ecosystem such as Enterprise Resource Planning (ERP) providers and logistics companies.

Launched in 2017, Marco Polo is a Network of platforms focusing on trade and working capital finance and built on an interoperable business network powered by open Application Programming Interfaces (APIs) and blockchain technology.

Selection of active members as of March 2020

Key Objectives

The main objectives of the Marco Polo Network for financial institutions are to reduce operational costs and risks associated to international trade and working capital management. The third objective is to increase revenue opportunities by connecting efficiently with their corporate clients and getting access to real-time trade data.

The main objectives of Marco Polo Network for corporates are to reduce administrative costs and risks in using trade and working capital finance solutions. Other objectives include having a single access channel to connect to existing and new financial institutions with a wider range of funding opportunities.

Marco Polo connects members to one of the fastest growing Global Trade Finance Networks in the world.

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