Deutsche Bank

Media Release

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Supply chain stability and sustainability fuelling payables finance evolution, says new Deutsche Bank guide

Deutsche Bank has released a comprehensive new publication, "Payables finance: A guide to working capital optimisation, 2nd edition", revising and updating the original paper released almost two years ago at the beginning of 2018. The paper continues the ongoing work of defining and codifying the payables finance industry as it evolves, shifting priorities and practices in the process.

Headline updates include an examination of how businesses are looking to payables finance as a way to offset the impact of economic volatility – not only on themselves, but also on their suppliers. As a result, more and more companies are looking to set up programmes – and extend the benefits to as many suppliers as possible in a bid to bolster supply-chain resilience.

"Traditionally, payables finance programmes have been the preserve of large investment-grade buyers," says Daniel Schmand, Global Head of Trade Finance at Deutsche Bank. "But as uncertainty bites, we are increasingly seeing non-investment-grade companies looking to set up their own programmes as well in a bid to protect their suppliers and improve their own liquidity. This has always been done, but the prevailing environment is bringing the benefits into sharper focus."

The paper also addresses the headwinds faced by the payables finance industry. In 2018, for instance, the warning signs of British construction company Carillion's financial collapse were, in part, obscured by its use of payables finance in the form of its "Early payments facility". This put the accounting practices of payables finance programmes in the spotlight, with Anil Walia, EMEA Head of Supply Chain Finance at Deutsche Bank, explaining that "further clarity of the product offering, and structure is needed to avert the danger of a negative watershed event for the supply chain finance business."

Despite such challenges, payables finance continues to find new ways to be a force for good. In the past year, much discussion has centred on the implementation of sustainable business practices across global supply chains. Conscious of the benefits from both a brand and business perspective, innovative companies have begun to offer incentivised rates of financing to suppliers that meet certain sustainability criteria.

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The updated guide also incorporates a new case study with consumer goods giant Procter & Gamble, as well as a closer analysis of the accounting treatment of payables finance programmes, the often-overlooked benefits to suppliers and the huge potential of integrating sustainability goals into the supply chain through incentivised payables programmes. These are all informed by a roster of expert contributors covering all areas of the supply chain finance landscape – rounding out a comprehensive overview of that serves as resource for the entire industry.

Contributors include Daniel Schmand, Chair of the ICC Banking Commission and Global Head of Trade Finance, Deutsche Bank; Alexander Malaket, President, OPUS Advisory Services International and Deputy Head of the Executive Committee ICC Banking Commission; Geoffrey Wynne, Partner, Head of Trade and Export Finance, Sullivan; Enrico Camerinelli, Senior Analyst, Aite Group; Sean Edwards, Chairman, International Trade & Forfaiting Association (ITFA); and Dr. Rebecca Harding, CEO, Coriolis Technologies.

Daniel Schmand concludes, “By providing insights into the ever-evolving questions of our clients, we have sought to provide an update on the state of play and an outlook on how upcoming trends might shape the industry in the years to come. We hope it is useful and can stimulate further discussion of how we can progress the industry.”

To read the second edition of “Payables Finance: A guide to working capital optimisation”, please click here.

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To receive a PDF copy of “Payables finance: A guide to working capital optimisation, 2nd edition”, or to receive further information about Deutsche Bank’s work in this area, please contact:

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About Deutsche Bank

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