



## ITFA LAUNCHES OPEN ACCOUNT DISTRIBUTION FRAMEWORK

Written by **Rebecca Spong**, Editorial Consultant, April 2024

ITFA is anticipating “good take-up” of its newly launched Master Account Receivables Assignment Agreement (Mara) template – a new tool available to members to standardise the distribution of open account assets.

The template has been in development for several years, with its first iteration created by HSBC and law firm Dentons in 2018. It was then made available as an ITFA document [in early April](#)– co-branded with Dentons – and available for the wider market to use.

“In my day-to-day conversations, many banks – particularly major European banks – had expressed interest in this template and how it works and when it was coming out,” says Paul Coles, board member and head of the Market Practice Committee. “I expect take-up to be quite good,” he adds.

Mara is governed by English law and based on the Bankers’ Association for Finance and Trade (BAFT) master participation agreement (MPA) of 2018. It will provide a framework for the funded distribution of supply chain finance and receivables finance transactions under an assignment structure.

Coles explains that the document should be familiar to many market participants. “In theory, anyone using the English law based BAFT MPA should be reasonably comfortable with the basics. This template has then been augmented to cater specifically for open account distribution,” he says.

Many banks and financial institutions were already modifying the BAFT MPA or creating their own documents to cater for the revolving nature of open account distribution that often involves financing rolling programmes involving large volumes of invoices, rather than just one-off trade loan or letter of credit transactions, Coles explains.

The aim of the Mara template is to reduce the inconsistencies in the distribution of these open account assets and encourage standardisation in practices. It is hoped this will result in greater efficiencies within financial institutions, as well as cost savings given that the template should reduce the need for extensive internal and external legal advice.

Specifically, Mara provides a framework in which to sell open account payables and receivables on an ‘equitable assignment’ basis – meaning the beneficial rather than legal interest in a receivable – to a participant. “This assignment can become a legal one in specific circumstances,” says Ian Clements, partner at Dentons.

“These provisions ensure a seamless transfer of interests from seller to participant, addressing concerns over counterparty credit risk,” he adds.

Indeed, one difference in the Mara document to the BAFT framework is the greater level of detail around how both supply chain finance (usually buyer-led) and receivables finance (usually supplier-led) programmes can be handled with minimal recurring documentation, bearing in mind the frequent need for discounting high volumes of invoices.



While banks will likely still need some legal advice to ensure the structure fits their needs, the use of Mara means they don't have to draft something from scratch, Coles explains.

“Over time, as banks get more familiar with this document, they will be able to execute transactions a lot faster as they won't have the same back and forth with legal teams over documentation,” he adds.

Bhiguraj Singh, chief product officer, at HSBC Global Trade & Receivables Finance, notes how Mara has had a positive impact on HSBC's business to date.

“As a two-way agreement with balanced provisions, the Mara has allowed HSBC to participate and distribute a range of trade finance assets, striking a balance between protecting the interests of investors and originators,” he says.

The new document is also expected to pave the way for more institutional investors to consider investing in trade finance assets. “Anything that is off-the-shelf is going to make the market more accessible,” Coles says.

“Of course, those investor parties could do their own analysis and create a bespoke document, but it gives a lot more comfort if there is an industry template honed over the years that you can refer to,” he adds.

To gauge market reaction to the new template, ITFA hopes to run an informal survey in the next year to see who is using it and how, Coles says. A webinar on the template is also in the pipeline, he adds.

The fact that Mara is co-branded with Dentons should aid market acceptance. “It gives that extra comfort and credibility that the document is well-drafted and thoughtfully considered,” Coles says.

The next step would be to consider a New York law version of the document for the Americas market, pending the success of the English Law document and sufficient demand, he says.

**All ITFA members can download the template and accompanying guidance notes [here](#).**