



ITFA PLANS NEW DEEP-TIER SUPPLY CHAIN FINANCE WORKING GROUP, June 2024

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

ITFA is creating a working group that will examine the challenges of financing deep-tier supply chains, as well as how to harness new technology to improve access to funding for smaller suppliers further down the chain.

“The big issue is how to integrate the financing of the full supply chain,” explains Paul Coles, ITFA board member and head of the Market Practice Committee (MPC) which is in charge of setting up the new working group.

“This means looking at the suppliers of the suppliers of the suppliers, and so on. Typically, the further down the tiers you go, the smaller the companies are, and therefore the more dependent they are on working capital financing – especially at affordable rates. This is where a big piece of the trade finance gap sits,” he says.

With the rapid advancements in technology, it is time to take a fresh look at how the market can improve access to trade finance throughout the supply chain, he adds.

There will be a number of hurdles to tackle when implementing new deep-tier SCF solutions, explains Hernan Mayol, ITFA board member and co-leader of the working group.

“The main challenges include the difficulty in reaching out to multiple smaller suppliers of big companies due to their locations in geographically inaccessible areas,” he explains.

“Additionally, there is a significant shortage of personnel to onboard these suppliers, causing banks to prioritise larger clients or those in concentrated areas”.

The ITFA group aims to build on work already conducted by the wider industry, with particular focus on the latest whitepaper produced by the Bankers Association for Finance and Trade (Baft) and the Asian Development Bank (ADB) released [in May](#).

This paper aimed to provide definitions of what deep-tier supply chain finance is as well as what it isn't. It also outlined some of the challenges of financing deep-tier supply chains, including the lack of a unified legal approach and regulatory frameworks for cross-border trade; smaller companies' lack of resources to invest in new technology, as well as the cumbersome process of onboarding SMEs to financing programmes.

The Baft/ADB report also acted as a call for action for industry to start discussing and advocating for deep-tier supply chain financing.

It urged interested parties to set up working groups to explore new legal frameworks, talk with governments on regulatory issues, as well as produce educational materials and collaborate with fintechs.

Deep-tier supply chain finance has the potential to make fragile global supply chains far more resilient – particularly in the face of crises such as the Covid pandemic, the paper argued. Furthermore, it can support transparency regarding the reporting of environmental, social and governance (ESG) standards throughout the supply chain.

Coles hopes that ITFA can tap into the “hands-on expertise” of its members to produce some real-world use cases that will provide practical support for those looking at deep-tier financing opportunities. “We may also look to produce some guides – but it is very early in the process, so we'll firm up our plans once we have had a few working group meetings,” he adds.



Mayol adds that he wants to see ITFA forming more alliances with various business organisations to help educate smaller suppliers about the variety of available financing options.

“An example of such an initiative includes our collaboration with the Small Business Administration in the U.S. This organisation is also part of our working group,” he notes.

ITFA is looking for a mix of SCF experts to join the working group, including from banks, non-bank institutions and the legal and tech world.

“The working group welcomes anyone interested in providing solutions that create a win-win scenario,” says Mayol. “This means ensuring that suppliers benefit from financing while keeping costs manageable for the companies involved. Ideal participants are those genuinely interested in supporting small businesses and not solely focused on short-term revenues,” he adds.

“We’ve already received a very strong response from interested ITFA members,” Coles notes, adding that the aim is to have the first working group call in early July where it will set out some key milestones.

If you’d like to get involved in the working group, please contact ITFA on info@itfa.org