How a central bank can foster liquidity injection to enterprises with no money supply,

post COVID19

ENTERPRISE ADDITIONAL LIQUIDITY

INVESTOR SOVEREIGN DEPOSITS

PUBLIC AUTHORITIES LIQUIDITY

By Olivier Gazon - March 2020

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Executive summary

Problem statement

The pandemic crisis resulting activity slowdown brutally affects the economy and its actors.

Low interest rates, quantitative easing have shown limited liquidity injection in the 'real economy'.

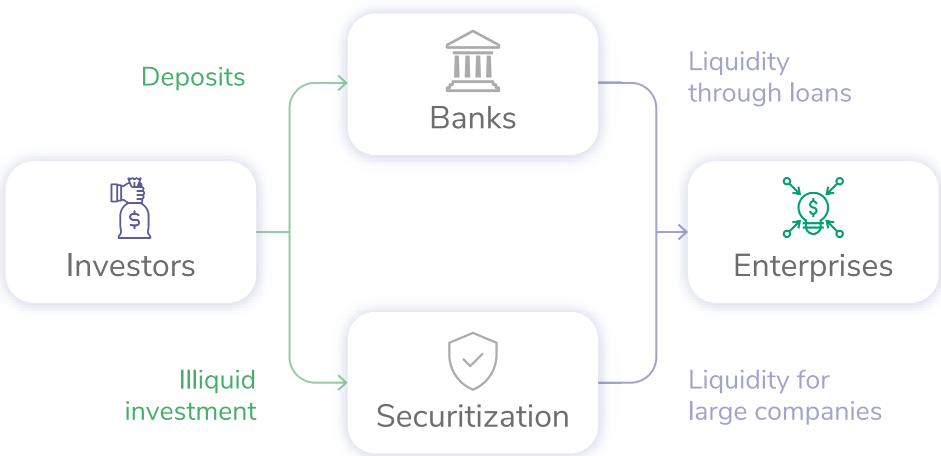
How to effectively channel liquidity to economic actors, exposure free, without money supply?

The opportunity

A Central Bank can facilitate a huge liquidity inflow in the economy, free from any exposure, commitment or risk (financial, credit, interest rate or currency), with unchanged money supply.

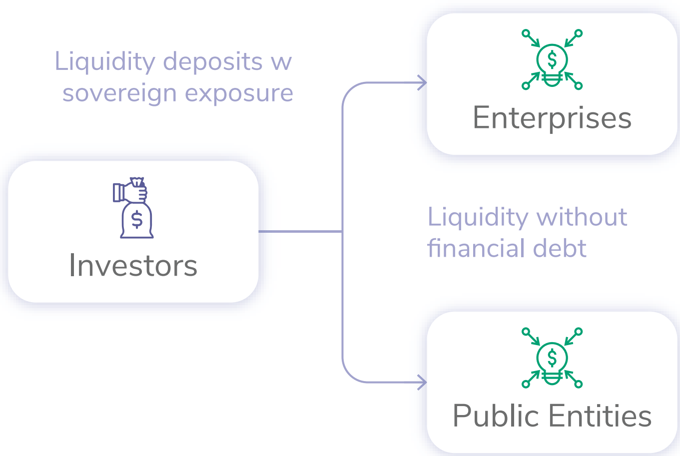
An innovative supply chain financing platform, on Public Entity payables, enables any Central Bank to channel professional investor funds into the real economy, faster, cheaper and more sustainably than through securitization.

Current Situation



New scheme

No money supply. No risk. Scalable.



How it works

Receivables are proratized in units of receivables: Genuine Enterprise Notes (GEN).

Investors place tailor made GEN orders through the SBFinance white labelled platform.

The Central Bank can thereby inject liquidity up to consolidated States Entities payables:

We hereafter outline the process in very broad terms:

Benefitting the entire economy

Public Entities extend payment terms while supporting their procurement eco-system.

Public Entity Suppliers strengthen their balance sheets through liquidity without financial debt.

Investors diversify their cash deposit in non-systemic sovereign risk liquid placement alternatives.

Indirectly, injected liquidity percolates through the entire economy.

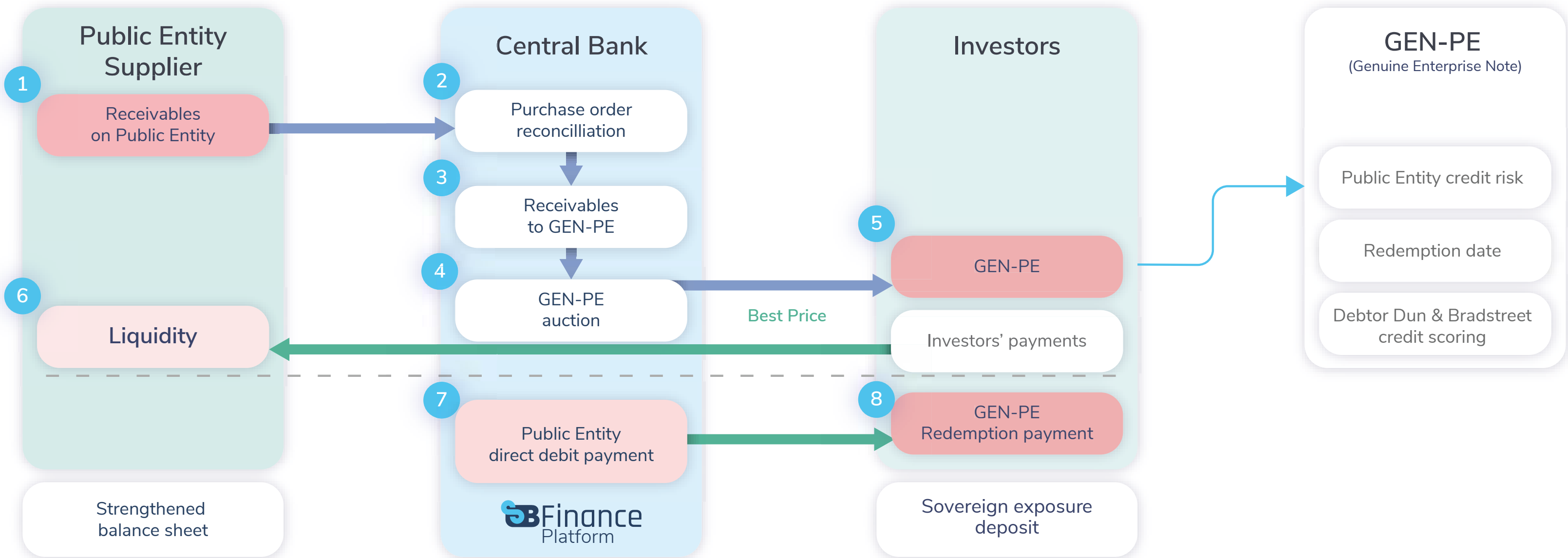
And banks enjoy reduced cash deposits and exposure on stronger debtors improving solvency.

The Central Bank's added value

The 'real economy' liquidity injection potential equals outstanding the State's trade payables.

By taking the center stage in driving adoption, the Central Bank accelerate liquidity injection.

Beyond Supply Chain Financing



1. The issue

1.1. Pandemic crisis leading to economic crisis

Governments all over the world have/had to take unprecedented measures to States to mitigate the COVID19 pandemic, up to temporary local lockdown and confinement.

Shops and entertainment closures, home confinement lead to suspended activities and/or activity shut down in numerous sectors such as travel related industries,[I] industries organized with international supply chain[II].

1.2. Upcoming enterprise liquidity shortage

Everyone was hoping for an economic cycle soft lending. The sudden and brutal economic slowdown shall eventually affect the banking sector. Several banks already experience fragile balance sheets.

While certain States (e.g. France, Sweden) have committed spectacularly massive State interventions, enterprises' profitability and liquidity will deeply suffer.

This will ultimately worsen banks solvency and liquidity in coming months.

While certain credit reimbursements may be deferred, access to new liquidity will be almost impossible for SMEs.

I) The Global Economic Impacts of Covid19 by S.Segal and D.Gerstel of Central for Strategic and International Studies (March 10, 2020)

II) "La crise qui est devant nous sera plus grave que celle de 2008" Interview of Jacques Attali and Brunot Colmant (March 7, 2020)

1.3. Historical measures not adapted to the unprecedented situation

1.3.1. Quantitative easing: limited positive impact on the non-financial sector

Bonds purchase in the quantitative easing programs have injected USD trillions in the economy with very limited effect on non-financial sector[III].

Increase in money supply certainly weakens currency rates however growth in export have been marginal in relative size to the economic activity. Resulting bank lending have been mild[IV].

The resulting reduction in interest rates has mainly benefited to States (curtail interest costs) and traders, creating value through lower rates and selling bonds[V].

Certain studies conclude that beside increasing inequality, *the net effect of QE is that households hold a larger fraction of their wealth in highly liquid deposits*[VI].

1.3.2. Interest rates: not boosting investment and consumption

Despite negative interest rates, credit demand was already limited before the COVID19 pandemic.

This moreover results in negative interest rates on deposits for professional investors and negative margins for banks.

Further negative interest rates will not motivate banks to provide credit in the current uncertainty.

1.3.3. Prudential ratios easing: not protecting effective solvency

Recent easing of banks prudential ratios will facilitate liquidity on existing credits.

It is however unlikely that Banks will increase credits to meet short-term enterprise liquidity needs.

III) Net exports from the eurozone rose less than €3 billion ($3.2 billion) between September 2014 and September 2015 – a negligible amount in an €11 trillion economy
What's wrong with EU quantitative easing strategy? By Martin Felstein (2016)

IV) Id.

V) How about Quantitative Easing for the people by Anatole Kaletsky (2012)
Who is benefiting from Quantitative Easing by Tevjan Pettinger (2012)

VI) The power and pitfall of quantitative easing by Wei Cui, Vincent Sterk (2018)

1.4. Conclusion: growing risk of systemic financial crisis

The COVID19 pandemic adding to an already slowing economic activity will lead to the following:

- Economic actors will face negative cash flows leading to countless bankruptcies
- Banks' solvency will be hard hit
- Likely banks insolvency may create a snowball effect with further systemic implications.

Ambitious Government initiatives partially mitigate the economic meltdown.

Key questions arise:

- How will the bank insolvency be managed?
- What are the consequences of already highly indebted States?
- What are the additional consequences of a paralyzed banking sector on the flow of money?

In the absence of innovative solutions, the whole economic system may fall in disarray creating population discontent...

2. Goal and key parameters to the equation

2.1. The goal

The Central Bank should channel high volumes of liquidity from professional investors into enterprises:

- ☑ Rapidly and effectively,
- ☑ Free from any additional financial commitment or credit risk for the Central Bank,
- ☑ Free from any impact on money supply.

2.2. Recent financial crisis: lessons learned

2.2.1. State bailouts

To save banks in 2008, governments have recapitalized banks in lack of liquidity.

While these fast interventions have maintained overall stability of banking systems, sovereign debt has dramatically increased in most EU countries.

Several States do not have the ability for a similar bailout anymore.

2.2.2. Eurogroup bailouts

In a commitment to save the Eurozone, the Eurogroup and ECB have funded Greece.

This was possible and effective for 2 reasons:

- the relative smaller size of Greece financing needs versus other Eurogroup States capacity
- the asymmetric economic situation of Greece versus other Eurogroup States

The upcoming financial crisis from the COVID19 pandemic affects the whole region at once.

2.2.3. Deposit Guarantee Scheme

In the 2012-13 Cypriot financial crisis, the 10 Bn€ bailout was conditional to a one time deposit levy on uninsured deposits. This translated in a 48% haircut for depositors, mostly non EU parties.

This inspired the EU Deposit Guarantee Scheme Directive 2014/49 imposing EU countries to provide protection of deposits up to 100k€/depositor/bank applicable to all banks.

Deposit Guarantee Schemes or equivalent possibly could mitigate State intervention in bailouts.

In practice, should the State and Central Bank decide to intervene, most professional investors anticipate that their deposits above above the Deposit Guarantee Scheme level (e.g. 100k€ in EU per bank) are no longer protected by States.

In period of crisis, a key challenge for professional investors is to diversify their deposits with limited risk.

2.3.Key stakeholders to the equation

2.3.1. Enterprises

In period of lower cash flows, enterprises need to maintain a reasonable balance sheet.

To facilitate business continuity, injected liquidity should avoid any financial debt.

2.3.2. Investors

With a more unstable banking sector as a result of the COVID19 crisis , professional investors look for deposit diversification. And preferably safe with a yield.[I]

2.3.3. Banks

Financial sector conservative lending approach in period of crisis end up with deposits at Central Banks.

2.3.4. States

Under pressure to facilitate the economy through various budget measures, governments want as much as possible to limit the impact of any new measure their budget and their sovereign debt.

2.3.5. Central banks

Money supply increase through quantitative easing injects liquidity mainly to investors.

Central banks needs to ensure this liquidity integrates the real economy.

I) Corona Virus and Financial Stability by Arnoud Boot, Elena Carletti, Rainer Haselmann, Hans-Helmut Kotz, Jan Pieter Krahnen, Loriana Pelizzon, Stephen Schaefer, Marti Subrahmanyam (24 March 2020)

2.4. Needs of the key stakeholders

2.4.1. Enterprises' needs

Obtaining funding is a costly process. It takes time and effort without certainty of success.

To ensure effectiveness of a liquidity injection scheme in enterprises, it must be:

☑	Certain	Upon initiated process, liquidity should be almost certain
☑	Fast	The process should generate liquidity within 1-2 days (i.e. settlement time)
☑	Attractive	Funding conditions must at least equal if not surpass existing alternatives

2.4.2. Investors' needs

To ensure channeling of investors' deposits to a new solution, the opportunity must be:

☑	Simple	Understanding within minutes without heavy prospectus readings is key
☑	Flexible	Liquidity on investment equivalent to bank deposits is needed
☑	Attractive	Sovereign risk deposits provides an attractive alternative to bank deposit

2.4.3. Banks' needs

In period of brutal downturns, the solution should enable banks

☑	Liquidity	Liquidity injection should facilitate credit repayments
☑	Profitability	Liquidity injection should reduce the risk of credit failure
☑	Solvency	Ideally, liquidity injection should help maintain solvency ratios

2.4.4. States' needs

Beside already taken ambitious immediate actions and with the potential brutality of the crisis, States look for highly effective additional solutions:

☑	Fast	Implementation must be fast to mitigate recession risk
☑	Budget deficit free	A budget cost free solution that boost the economy is strategic.
☑	Financially scalable	State balance sheet improvement under ESA 2010[I] rules is a plus

2.4.5. Central Banks' needs

Any new solutions need to minimize impacts on a Central Bank's other responsibility:

☑	Limited risks	Absence of additional risk exposures is key
☑	Limited money supply	The solution should limit new money supply
☑	Simple	Implementation must be simple, fast and effective

I) European System of National and Regional Accounts whose double accounting compares assets with sovereign debt

3. The solution

3.1. The rationale

Receivables on Public Entities as placement of choice for investors

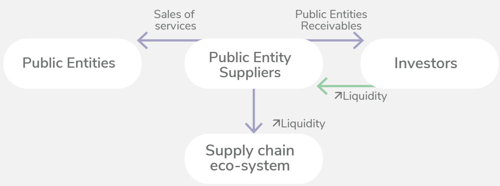
Receivables on Public Entities are de facto sovereign risks, attractive to investors.

Should investors have an easy, flexible, liquid placement solutions on Public Entities receivables,

☑ Investors deposits directly flow to Public Entities Suppliers

☑ Public Entities Suppliers strengthen their balances sheets (i.e. cash without financial debt)

☑ Injected money then percolates upstream in the supply chain



3.2. The breakthrough innovation

Faster, cheaper and more liquid than SCF securitization

Supply Chain Financing is commonly adopted by large corporates, mainly to extend their payment terms while ensuring earlier payment to suppliers.

However, existing Supply Chain Financing has the following impracticalities[I]:

- **Debtors:** Substantial costly and lengthy process not effective for smaller entities
- **Vendors:** Unattractive on-boarding for SMEs
- **Investors:** Lack of liquidity on receivables securitization

The SBFinance solved the above challenges through the optimisation of 3 elements:

1. Timing of payment to Vendor
2. Funding structuring
3. Funding costs

This chapter details SCF best practices, limits and the SBFinance innovation.

I) See in Appendix 1 for an overview of Supply Chain Financing through securitization drawbacks

3.2.1. Timing of payment to Vendor

SCF is implemented by Debtors to accelerate payment to Vendors while keeping Debtors' payment terms unchanged or possibly extended.

SCF process best practice

In SCF, receivables acceptance by the Debtor triggers payment by the SCF provider to the Vendor.

The SCF process hereby addresses 3 objectives:

- Mitigating fraud on Vendors'invoice
- Simplifying any product liability recovery
- Comforting the newly exposed party of future payment

Drawbacks of the SCF process best practice

The process takes time:

- proper invoice routing within the organization,
- obtaining authorization (often double if not triple) lead to 15 to 40 days for ap-proval before payment.

Moreover, to cut the time, Debtor implement process improvements that are costly and take time.

SBFinance innovative process

With no change in process, The SBFinance scheme enables to achieve the same risk mitigation while pay the Vendor upon reconciled invoice.

Objective	SBFinance process
Vendor fraud mitigation	Purchase order number/ref on the Vendor Invoice is reconciled with the Public Entity effective purchase order (or equivalent).
Vendor product liability mitigation	Upon proceeds from sale of receivable, 10% is retained until Public Entity payment. In addition, satisfactory product liability insurance is contractually requested, with subrogation rights for the Public Entity.
Debtor payment assurance	A direct debit mandate is provided by the Public Entity whereby payments can take place subject to reconciled purchase order.

The SBFinance platform enables immediate payment.

3.2.2. Funding structuring

Large SCF structured funding are designed to access a broader financing base that banks.

SCF funding best practice

Large debtor finance SCF through securitization to access a broader financing base.

Securitization funding needs to match as much as possible the upcoming receivables volumes… to ensure acceptable discount rate on receivables through securitization.

Drawbacks of SCF funding best practice

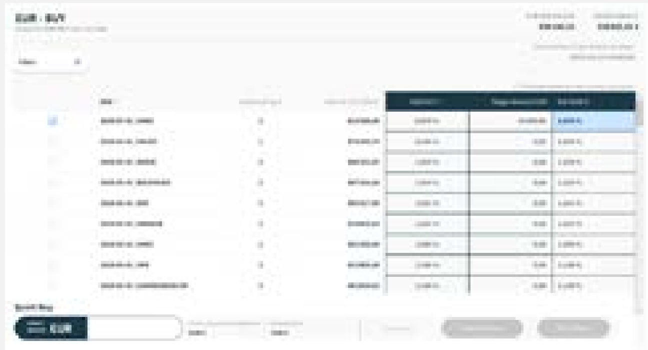
SCF securitization generates the following issues:

Issue	Description
Debtor implementation time and cost	Syndication, prospectus, audits, listing, servicing contracts… make the process costly and slow.
Vendors' utilization commitment	Debtors request Vendors to commit sale of their receivables through the scheme to match the funding. This makes the scheme impractical for many Vendors.
Funding rate	Implementation costs and possible mismatch of funding and utilization create a financial cost burden.

SBFinance funding scheme innovation: Genuine Enterprise Notes (GEN)

The most innovative feature of the SBFinance scheme consists in hereafter described Genuine Enterprise Notes ('GEN'):

Innovative features	Description
Receivable proratization	Accepted receivables for sale are proratized in units of receivables i.e. Genuine Enterprise Notes – GEN 1.00 EUR GEN ⇔ 1.00 EUR nominal on a receivable
Units of receivables characterization	Units of receivables are provided descriptive features to facilitate their understanding: • **Debtor Group:** The ultimate debtor of the receivable • **Risk score:** The indicative risk score of the Debtor Group at the date of sale provided by a credit score entity (e.g. Dun & Bradstreet) • **Redemption date:** The indicative date of payment with a 95% of probability taking into account the direct debit on the debtor
Direct selection by investors	Investors can discretionally select the GEN matching their desired needs in terms of amount, debtor, redemption date, score category.



GEN legal simplicity facilitate implementation:

No risk transformation	A unit of receivable that de facto: • is related to a single asset • is a prorate right of such asset • exists in a receivable before being sold individually
Outside MIFID	Receivables (and therefore units of receivables are outside) the MIFID scope of financial instruments, money market instrument or transferable securities.
Full transparency	Investors make their direct selection on units of receivables

GENs bypass long and expensive securitization preparation

3.2.3. Funding cost

To make SCF attractive to Vendors, the Vendor funding cost must be lower than the Vendor rate and ideally it should enable derecognition in the balance sheet (non-recourse sale).

SCF funding cost best practice

Securitization effectively achieves two goals:

Deposit rate:	By going directly to investors, funded party access directly deposit rates
Risk/reward:	In segregating the underlying asset portfolio in several 'credit risk tranches', securitization better targets investors according to their profile thereby providing the lowest yield in each risk category

Drawbacks of SCF funding cost best practice

Securitization has however 3 drawbacks in SCF:

Added costs	Implementation and running costs need to be added to the deposit rate
Lack of funding sustainability	Securitization committed ratings create a funding sustainability risk at the worst time i.e. when the economy deteriorates: • Rating of debtors may be downgraded • The securitization vehicle stops buying the receivables • Vendors remain unfunded when banks tighten their credit facilities
No liquidity for investors	Securitization securities are mostly illiquid with longer duration resulting in higher yield.

SBFinance funding cost innovation: GEN auction

GENs are sold on the SBFinance white labeled platform through auction to investors.

Innovative features	Description
Vendor lowest funding rate	Each GEN is sold to Investors who proposed the lowest yield. Suppliers receive the proceeds less handling fees
Vendor funding sustainability	Funding rates fluctuate daily based on market offer and demand. A change in debtor credit score affects the Vendor funding rate naturally with the underlying credit risk. However financing remains. In period of crisis, the goal is achieved: liquidity is more important than cost of funding.
Liquidity for investors	Because of their unmatched liquidity, GENs qualify as cash equivalent under IFRS: • **Highly liquidity:** Investors can sell any part of their GEN holding at each auction along GENs from Vendors. • **Short-term** GEN's redemption date enable to easily meet a weighted average maturity within 60 days. • **Insignificant risk of change in value:** Given the limited duration, even a high change in market rate does not change materially change the value of the GEN.

Transparency and high liquidity and cash equivalent treatment make GENs the deposit alternative of choice for professional investors

3.3. The process

Implementing the white labelled platform at for Public Entities.

With the SBFinance white labeled platform, applied on Public Entity payables, the Central Bank channels professional investors' funds into 'the real economy', faster, cheaper and more sustainably than through SCF securitization.

3.3.1. Involved parties

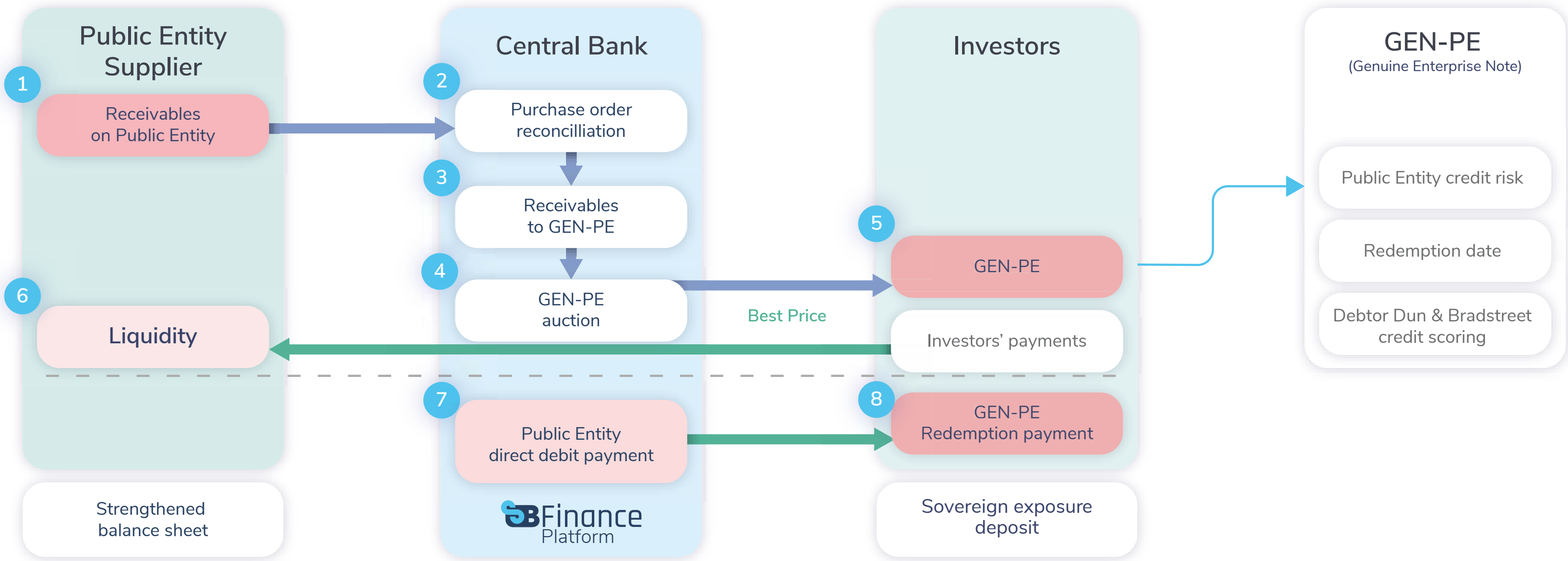
The Central Bank entity fronting the SBFinance white labeled platform contracts with each involved party:

Parties	General contractual goal
Public Entities	Authorize conditional direct debits
Public Entities Suppliers	Conditional right to sell their receivables on participating Public Entities
Investors	Access to platform for purchase and sale of GEN on Public Entities (GEN-PE)
SBFinance	Sale as a Service level agreement for operational execution of the white platform for the Central Bank fronting entity

3.3.2. Liquidity injection through GEN-PE scheme

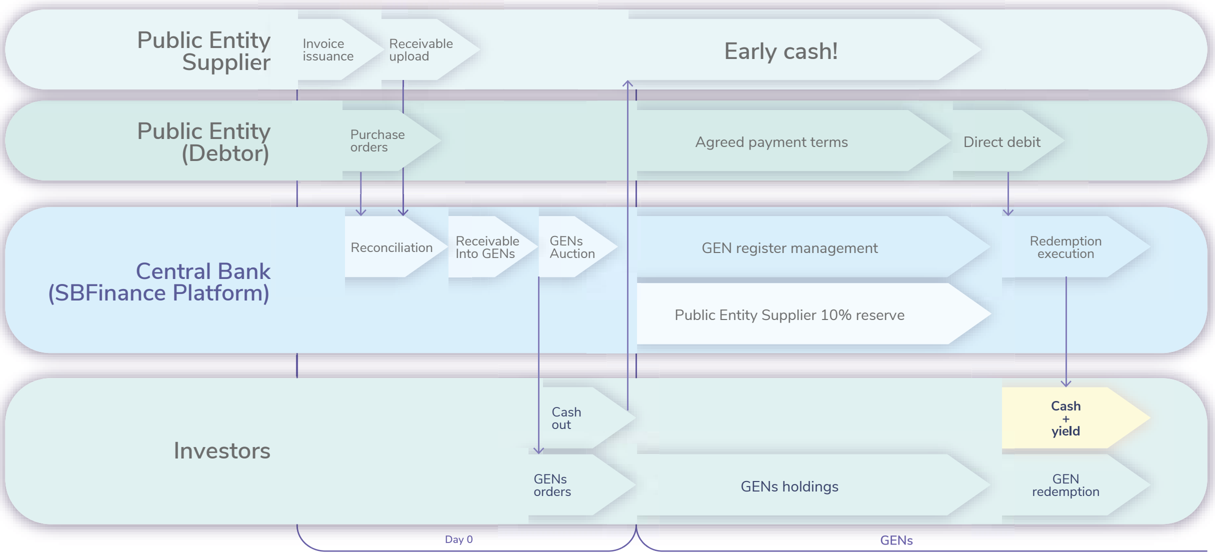
The illustration below outlines the main steps:

1. The Public Entity Supplier submits its invoice on the Public Entity
2. The platform reconciles the incoming receivables with the Public entity purchase orders;
3. Receivables are then digitally proratized in units of receivables ('GEN-PE'); They are characterized with their i)Debtor Group, ii)redemption date and iii)credit score.
4. At GEN-PE daily auctions, Investors:
   - tailor their placement orders (amount, date, credit score) using filters and,
   - propose a yield on the available GEN-PE.
5. At auctions match, GEN-PE are assigned to the Investors' orders with the lowest yield against payment.
6. Public Entity Suppliers receive the GEN-PE sales proceeds for their receivables less *i)handling fee and ii) 10% retained reserve paid at Public Entity direct debit.*
7. At agreed payment terms, the Public Entities are debited (direct debit). The Public Entity Supplier collects the retained 10% of nominal from auction proceeds.
8. Investors are repaid the nominal value of their investment at GEN-PE redemption date.



Invoice to pay timeline

The timeline from invoice to GENs to cash can be outlined as follows:



3.4. The role of the Central Bank

A new 'market place' of units of receivables on Public Entity Suppliers

The Central Bank takes towards the following roles

1. Public Entities supply chain facilitator
2. GEN-PE market facilitator
3. Optionally GEN-PE 'market maker'

SBFinance acts as subcontractor for the Central Bank to run the platform and supports its team.

3.4.1. Supply chain facilitator

ECB provides supply chain payment services to Public Entities and their Suppliers.

Public Entities	Through a mandate contract, participating Public Entities outsource payment to participating Public Entity Suppliers.
Public Entity Suppliers	The Central Bank acts as best effort broker on validated Public Entity receivables.

Upon contract signature, Public Entities and Public Entity Suppliers access the Central Bank - SBFinance white labelled - platform to respectively upload purchase orders and invoices.

3.4.2. Market facilitator

The Central Bank proposes to professional investors a 'market place' of available GEN-PE with

- the ability to buy and resell them
- clearing and settlement service
- register management

Professional investors access the Central Bank -SBFinance white labelled- platform to:

- access their GEN-PE portfolio position,
- place purchase orders
- place sales orders

3.4.3. Optional GEN-PE 'market maker'

By purchasing and reselling GEN-PE, the Central Bank can:

- boost liquidity of GEN-PE, thereby increasing attractiveness within professional nvestors
- boost liquidity to enterprises at certain times and/or in certain geographic areas
- influence interest rates at certain times and/or in certain geographic areas

3.5. Injected liquidity benefits all stakeholders

3.5.1. Public Entity Suppliers

More liquidity → Less financial debt → Stronger balance sheets

Non-recourse sale of receivables naturally increase cash without financial debt **reinforcing the Public Entities supply chain.**

Agile on-boarding	Framework contract does not require authorization beside the AML/KYC procedure. Public Entity Suppliers are invited yet not forced to sell their receivables.
Immediate liquidity	Cash is available within a 1-2 days of the uploaded invoice.
Low funding cost	Auction ensures the best funding cost for the debtor's risk score. Pricing is transparent.

3.5.2. Public Entities

Flexible payment terms → More liquidity → Less financial debt

GEN-PE **gives time to Public Entities**. They extend payment terms without hurting the economy.

Stronger eco-system	Ensuring faster payment without treasury pressure on Public Entities comfort business continuity in current troubled economic times
No sovereign debt	Payment term extension do not generate additional sovereign debt
Simple implementation	Implementation keeps the administration mostly unchanged with exception of new coordination of payments

3.5.3. Investors

Attractive deposit → More liquidity → More funding.

GEN-PE is an ideal cash deposit alternative to bank deposit becoming the **cash deposit of choice.**

Diversification	GEN-PE sovereign risk enables to diversify cash deposits with low risk
Liquidity	Ability to resell any part of position any day boosts adoption
Simplicity	Easiness and speed to tailors one's own placements foster investments

3.5.4. Enterprise eco-system

Client liquidity → Improved working capital → Increased sustainability

The recurrence of the process creates a sustainable liquidity injection throughout the econom **benefitting all economic actors.**

Earlier client payments	Injected liquidity at Public Entity Suppliers' level percolates through the supply chain to eventually reach out all economic actors
Reduced bank funding needs	Resulting cash appropriately reduce working capital financial debt needs in a period when banks take a more conservative approach
Stronger balance sheets	Overall solvency and liquidity ratios create better confidence from suppliers and banks

3.5.5. Banks

Stronger debtors → Greater liquidity → Greater solvency

The percolation of the liquidity injection through the supply chain **improves debt service to Banks:**

Reduced overdues	Injected liquidity to enterprises reduces the overdues ratio and therefore the need for provision
Reduced losses	Injected liquidity saves several enterprises bankruptcies
Stronger debtors	Strengthened debtor balances sheets positively impact capital utilization per credit

3.5.6. States

Stronger enterprises → Economic vigor → Budget deficit mitigation

GEN-PE injected cash nurtures economic continuity seamlessly with **no impact on the States account:**

Unchanged budget	GEN-PE imply no additional charges for the State or Public Entities
Reduced sovereign debt	Flexibility in payment terms potentially enables to improve sovereign debt
Easy implementation	Implementation is virtually seamless, accelerating its implementation

3.5.7. Central Banks

More liquidity → Less bankruptcies → Economic sustainability

GEN-PE enables Central Banks **unmatched liquidity injection to money supply ratio:**

Limited exposure	GEN-PE requires no funding or commitment from ECB
High liquidity effectiveness	The innovative scheme process enables to reach the long tail Public Entity Suppliers maximizing effective liquidity injection
Effective money policy instrument	Through 'market making' strategy, the Central Bank can influence liquidity and interest rates in certain Eurozone areas with limited money supply change

4. Why GEN-PE is Central Banks' most effective liquidity tool

GEN-PE is the most seamless effective tool to channel liquidity from investors to enterprises.

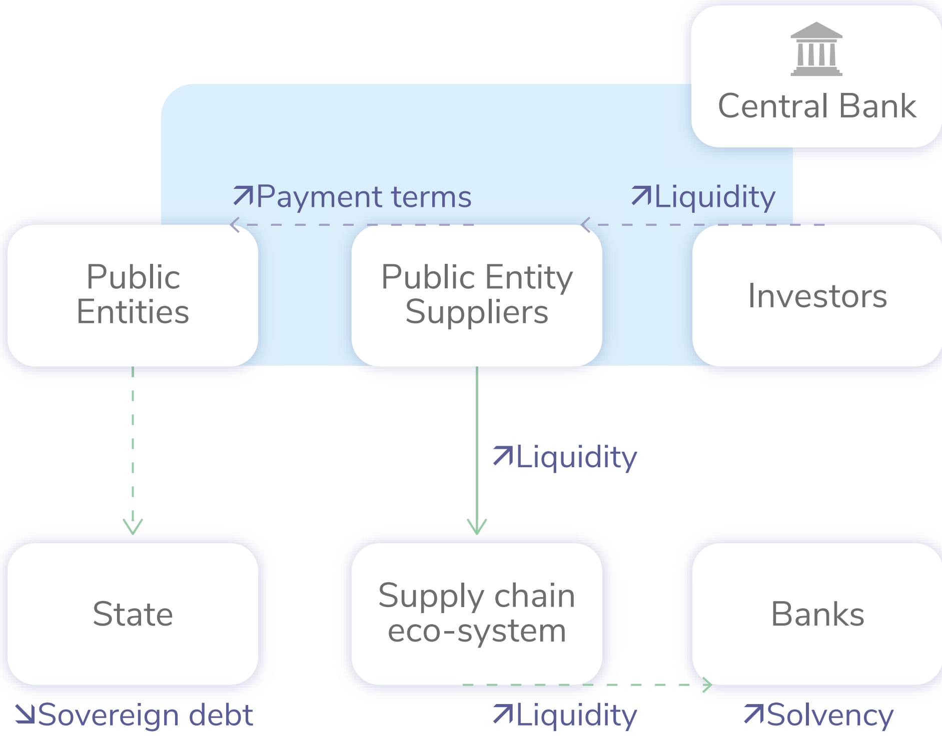
The high simplicity of units of a GEN-PE i.e. receivables ensures understanding by all actors.

- The unrivalled on-boarding easiness for Public Entities (debtors) facilitates adoption.
- Ensured best funding rate (auction based), financial debt reduction and easiness highly motivate Public Entity Suppliers.
- Tailor made placement, high liquidity and simplicity lead to GEN-PE becoming the deposit solution of choice for professional investors.
- Percolating liquidity throughout the Public Entities supply chain ultimately to all economic actors eventually strengthen the bank's their balance sheets.
- The ability to adjust Public Entity payment terms become a powerful tool for States in mitigating sovereign debt.

Through GEN-PE, the Central Bank injects unprecedented liquidity with unchanged money supply.

By acting as 'market maker', the Central Bank can, with limited money supply impact, further boost liquidity and strategically impact interest rates.

The integrated exclusive patent pending architecture ensures full scalability.



5. About Sustainable Base Finance

Sustainable Base Finance (SBFinance) is a Belgian Fintech that combines breakthrough financial engineering with state-of-the-art information technology to deliver optimized customer centric financial solutions.

The SBFinance platform proposes efficient, effective customer centric alternatives to asset securitization.

The SBFinance platform integrates exclusive patent pending architecture enables unlimited scalability.

The platform's agility gives the ability to promotors to deploy new solutions meeting their needs.

Beyond limiting beliefs of the generally accepted paradigms, SBFinance innovates by transforming Finance into a mean of Harmonious Economic Growth.

SBFinance pursues societal goals: contributing to building a better Planet.

Profits are allocated accordingly.

Contact

Olivier Gazon
olivier.gazon@sbfinance.eu
+32 495 28 07 78
www.sbfinance.eu

Sustainable Base Finance SA
Rue Joseph II, 170
1000 Brussels
Belgium

Appendix 1: Drawbacks of supply chain financing through securitization

Debtors	
Product liability management	50% of unpaid receivable nominal
Implementation cost & time	Unpaid receivable nominal purchased at a 50% discount
Funding complexity	Lengthy syndication processes and securitization make funding long and expensive
Vendors	
Time to cash	Time to cash is dependent on uncertain time of invoice authorization by the debtor. Typically 15-40 days
Funding rate	Rate includes bank spread and possible securitization costs
Funding rigidity	Because of syndication/securitization, Vendors are often obliged to commit to the SCF financing while they may themselves find better find better conditions from time to time
Recovery management	
Limited transparency	Investment products from SCF securitization request investors' effort to understand the product (i.e. read the prospectus th
Liquidity	While there is often a listing, securitization products have limited liquidity.
Purchase process	Buying securitization products is not straight forward.

Appendix 2: GEN-PE differences with Supply Chain Financing

Seamless fast implementation and agile utilization are at the core of GEN-PE:

	GEN-PE	Supply chain financing
Suppliers: Unrivalled funding		
Time to cash	1 day : Upon purchase order number reconciliation.	Uncertain -15-40 days: Invoice authorization by Public Entity.
Funding rate	Auction based leading to best investor market rate	Rate includes expensive securization costs.
Funded amount	Discounted nominal less handling fees and 10% liability risk reserve	Discounted nominal less handling fees and a reserve (often 10%)
Flexibility	Full flexibility to participate or not any time.	Mostly requested commitment to shift all receivable in the scheme
Public Entity: Simplicity		
Implementation	Unchanged processes.	Procure to pay process adjustments before implementation.
Product liability	Contractual product liability insurance subrogation.	Managed through authorization
Fund raising	No ne. Immediate sale on the platform	Lengthy syndication process.
Investors: Short-term placement of choice		
Flexibility	Order for exact deposit amount	Invoice per invoice purchase. Security (securitization)
Liquidity	Possible resale on the market.	Invoices: no liquidity. Securitization: limited liquidity
Balance sheet classification	Cash equivalents	Financial investment

Appendix 3: SBFinance Platform overview

The SBFinance software is a Software as a Service platform, accessible through a web browser.

1.Modules

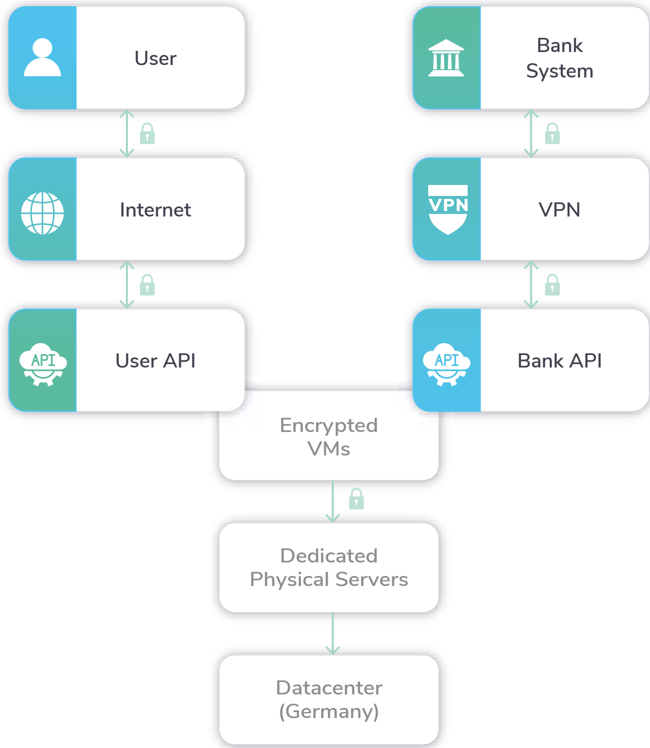
The SBFinance Platform is organized in different modules

Market Place	Risk	Documents
Portfolio	Supply Chain	Contracts
Underlying	Registry	Payment

2. Infrastructure

Several physical servers run all the virtual machines required by the Platform and are interconnected with low latency/high bandwidth links.

User access	☑ Dedicated APIs ☑ Encryption by https
Bank access	☑ Via VPN ☑ End-to-end encryption
Data processing and storage	☑ Virtual machines ☑ Encrypted storage
Physical servers	☑ Owned by SBFinance ☑ Dedicated exclusively to the bank ☑ Located in certified (ISO/IEC 27001) European data centers



SBFinance

by Olivier Gazon