

Salone dei Pagamenti 2021

Social Circular Payments: How to Turn Payments into Income

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Multilateral Trade Credit Set-
off



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Liqex Funder

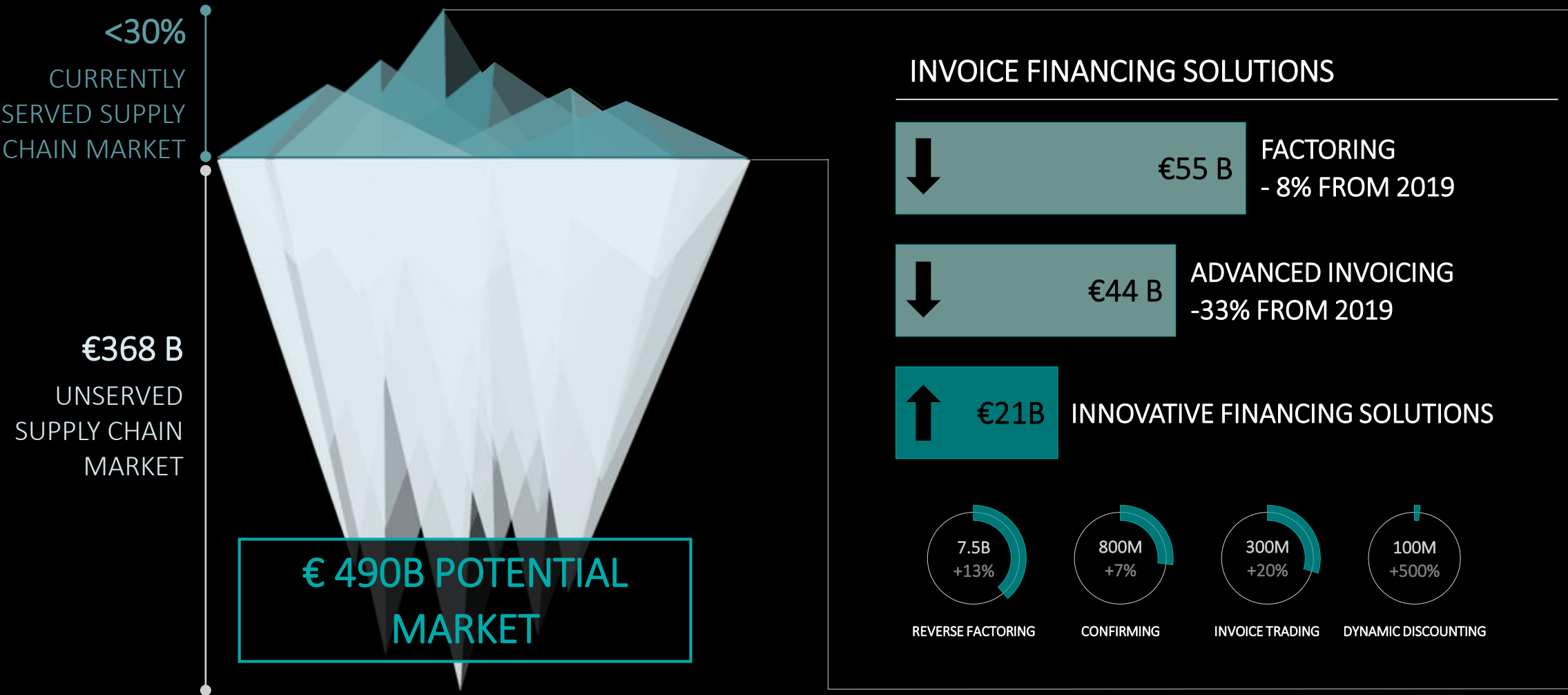
The role of data in payments





Market overview

In Italy the Supply Chain potential market has reached €490 B in 2020, yet only one fourth is currently served, leaving an unpenetrated opportunity worth €368 B



Moreover, Procure-to-Pay processes are still greatly inefficient with almost half of Italian enterprises reporting payment delays in 2020



41%

of enterprises in Italy DELAYED
PAYMENTS to their suppliers in 2020

of companies in Western Europe
DELAYED PAYMENTS in 2020

34%



74 dd
+ 10%

GLOBAL AVERAGE
DSO

The highest level in the
past decade due to the
pandemic

98 dd
+ 6%

ITALIAN AVERAGE
DSO

With 93% of companies
reporting their DSO
increased more than 10%

53%

ITALIAN
COMPANIES

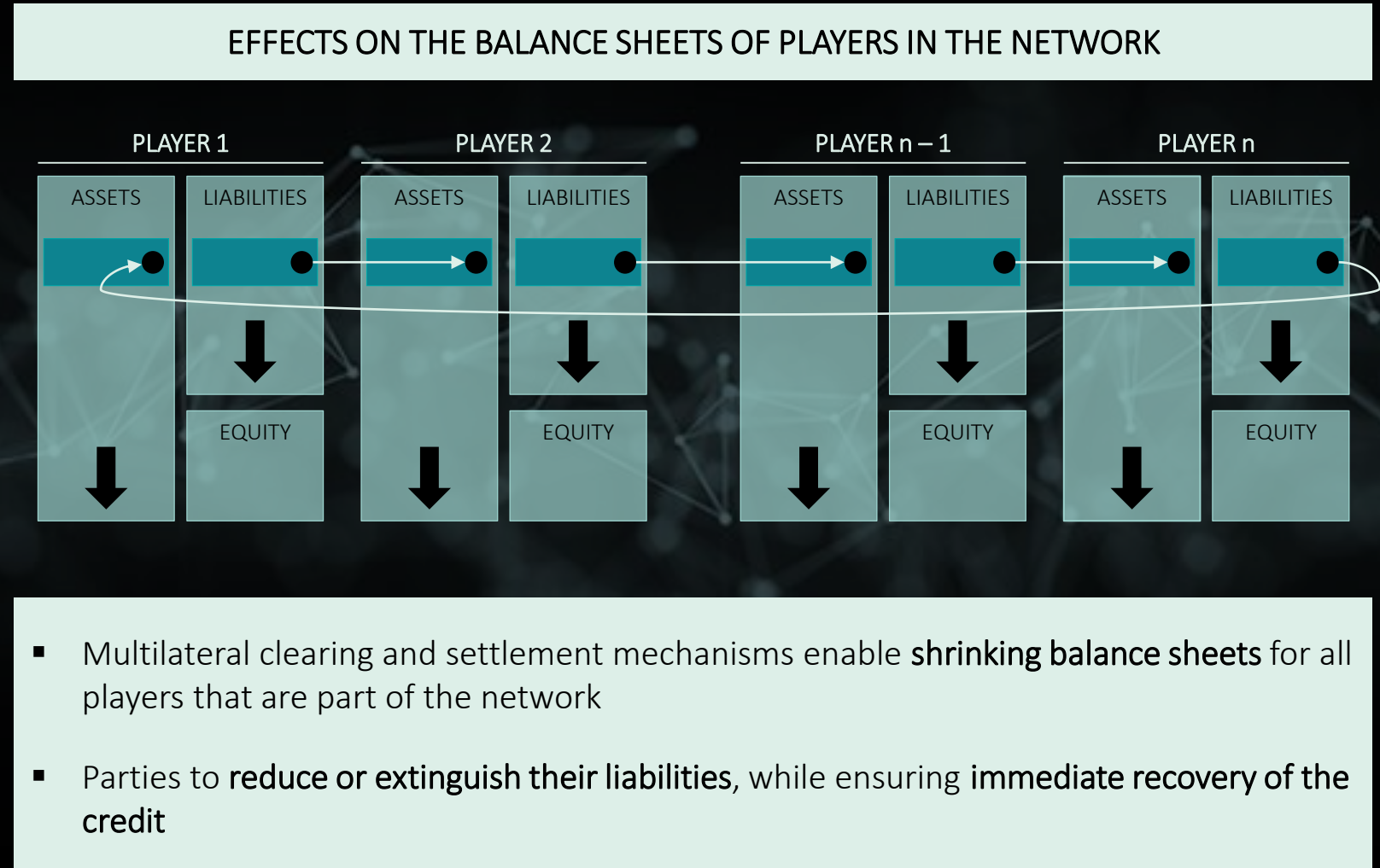
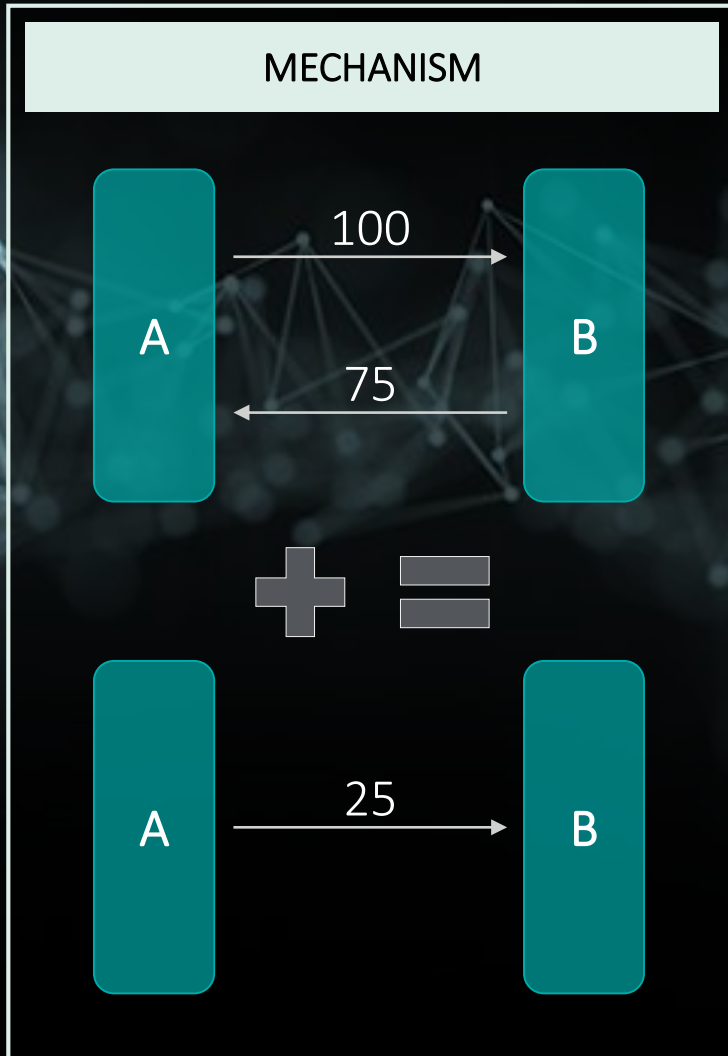
Paying up to or more
than 30 Days late

It is clear that the market is mature for innovative solutions and several new players and fintechs have already answered the call with valuable alternatives to traditional players

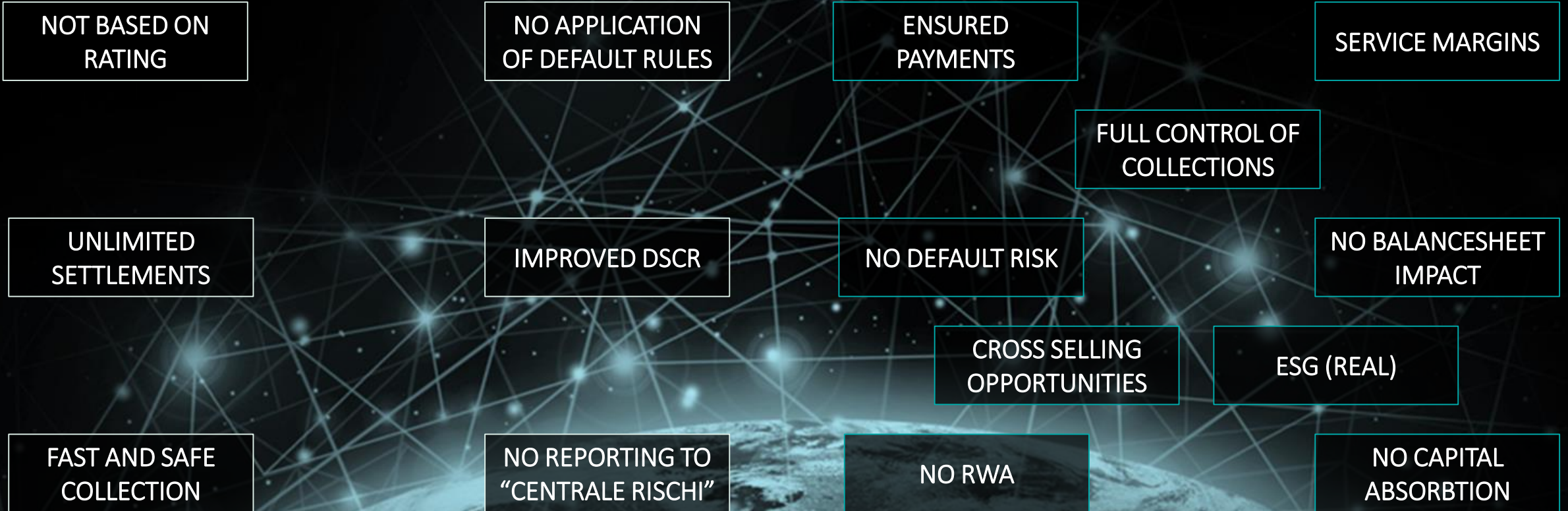
FINANCING SOLUTION									
Advance invoice	✓	✓	✓	✓	✓	✓	✓	✓	✓
Factoring	✓	✓	✓	✓	✓	✓	✓	✓	✓
Reverse factoring	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dynamic discounting	✓	✓	✓	✓	✓	✓	✓	✓	✓
Invoice auction	✓	✓	✓	✓	✓	✓	✓	✓	✓
Credit/ virtual card	✓	✓	✓	✓	✓	✓	✓	✓	✓

To really provide the market with a truly innovative solution, it is necessary to rethink how payables and receivables are managed and financed by **TURNING PAYMENTS INTO INCOMES**

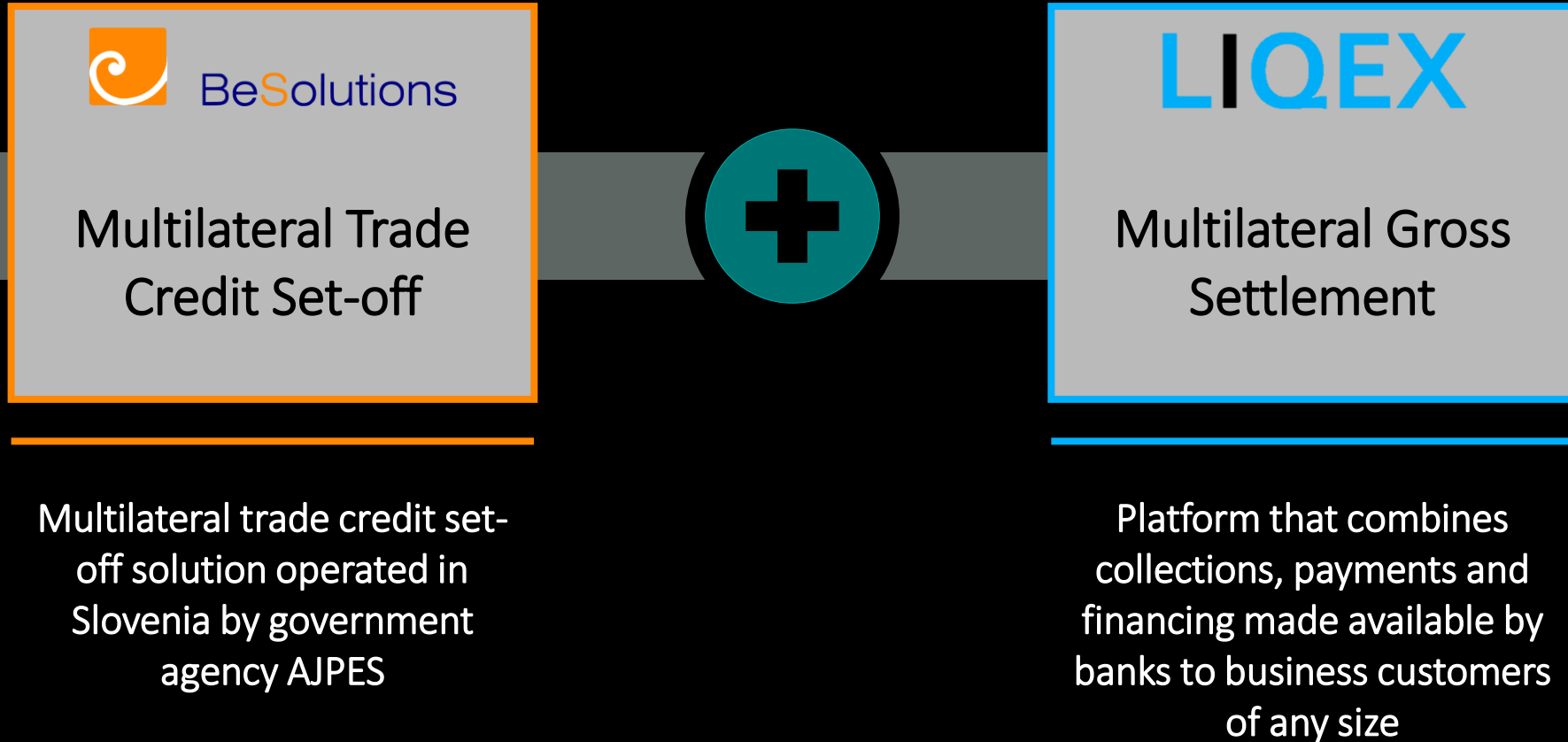
Multilateral clearing and settlement mechanisms in invoice management would enable all parties to reduce or extinguish their liabilities, while ensuring immediate recovery of the credit...



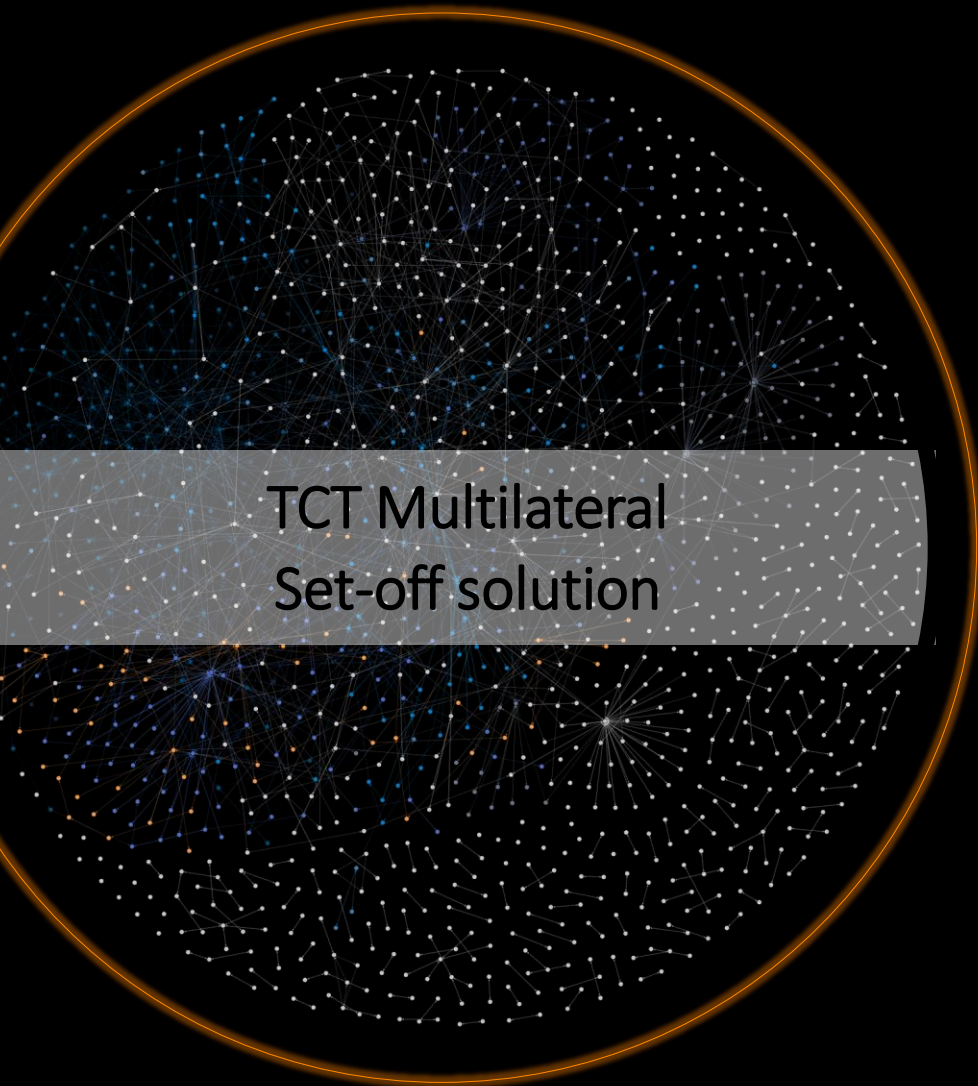
... a win-win solutions bringing benefits to both enterprises and banks



In the market there are two solutions implementing multilateral clearing and settlement mechanisms that, if combined, could maximize benefits for the entire ecosystem

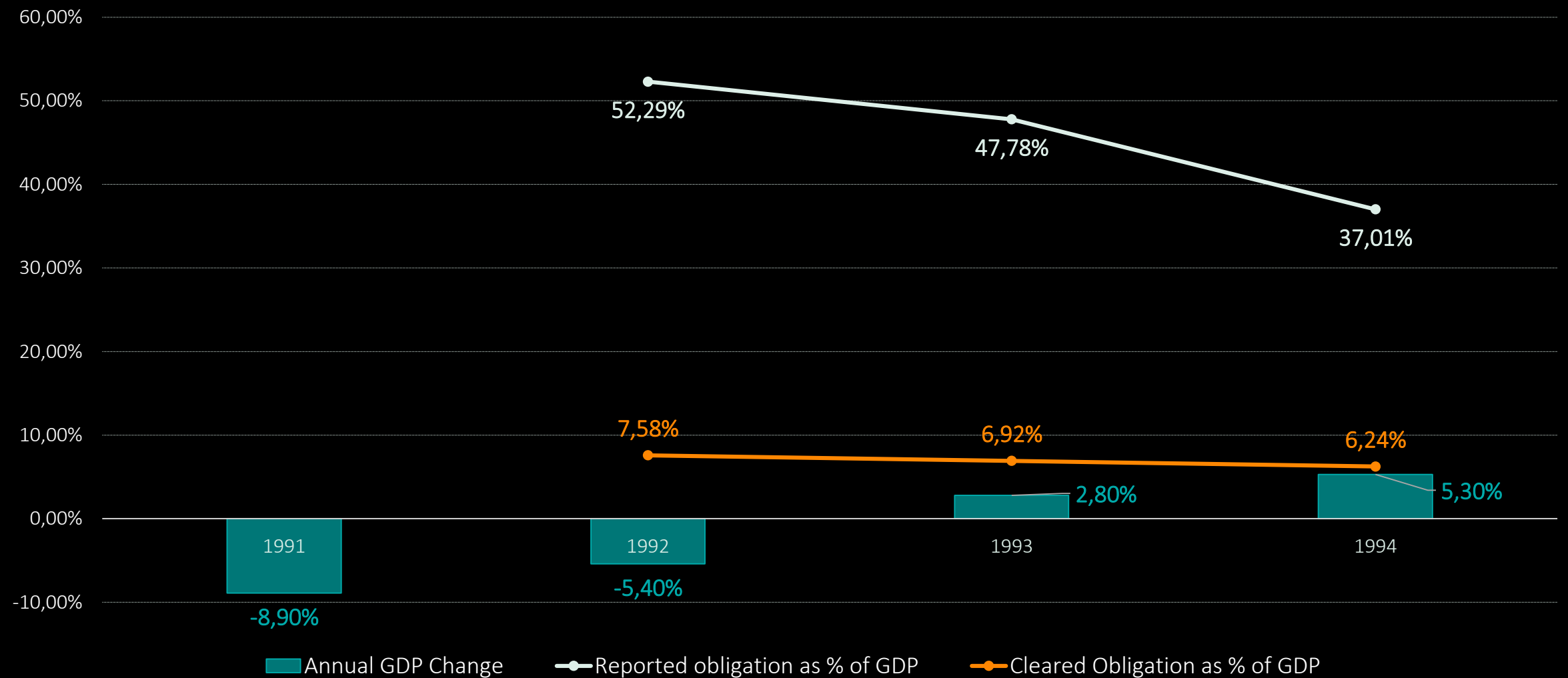


BeSolutions | Overview of TCT Multilateral Set-off solution operated in Slovenia by government agency AJPES

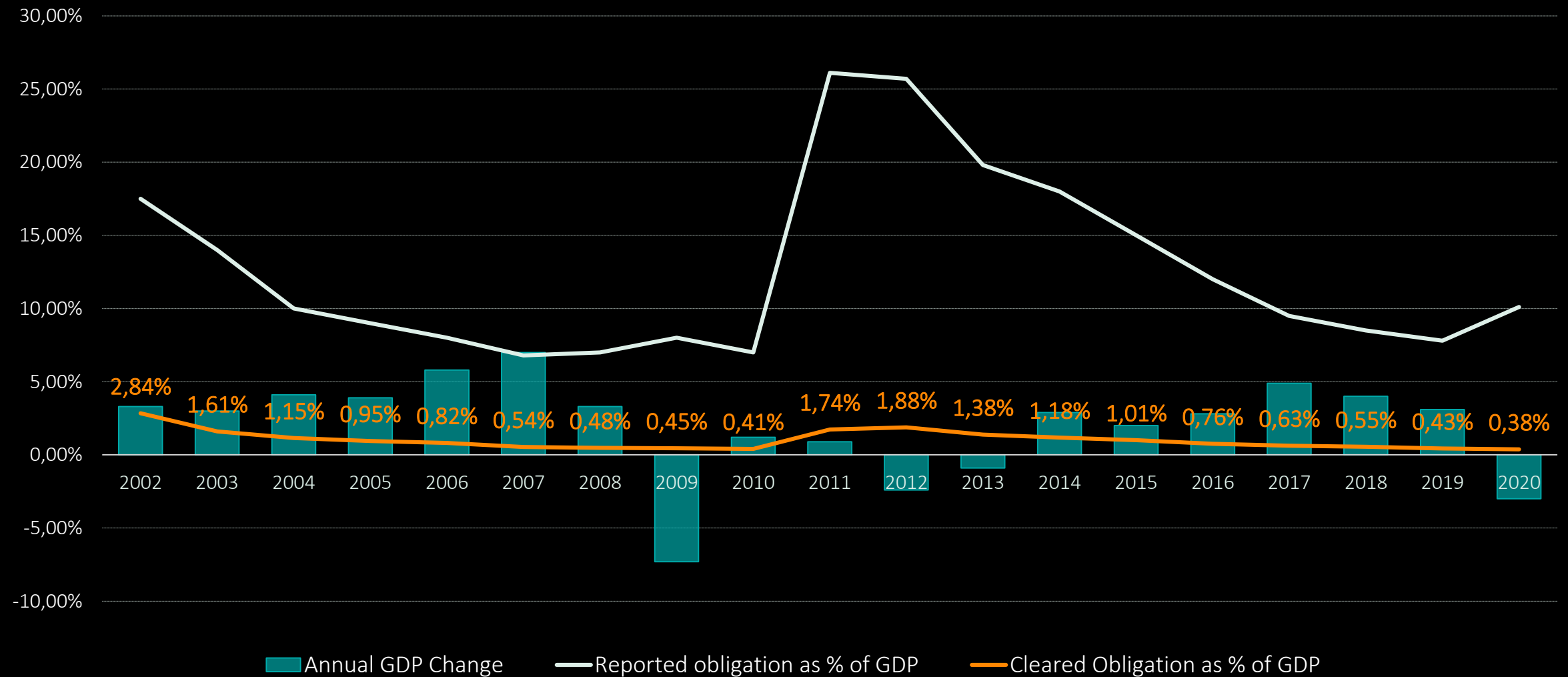


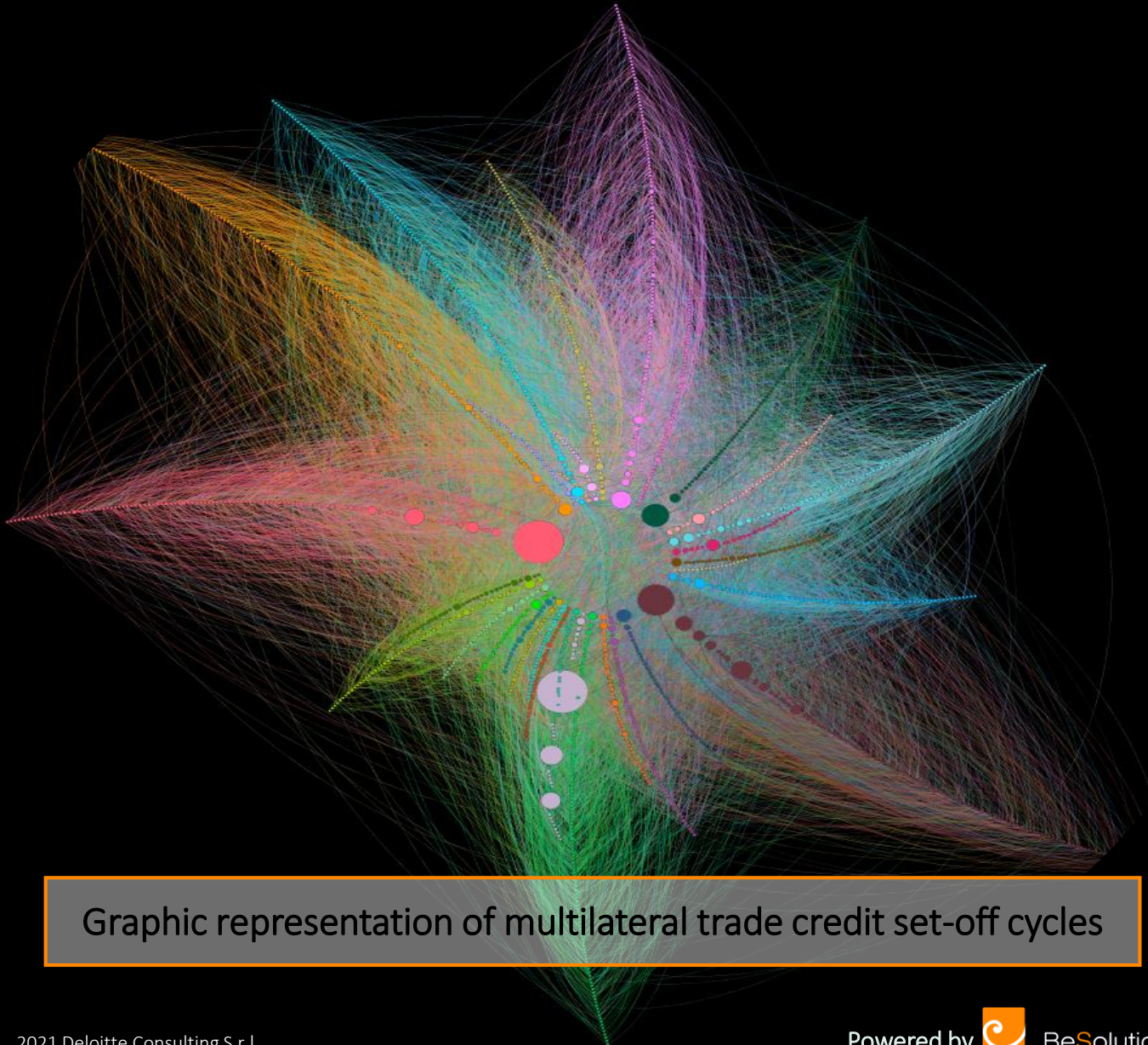
- Companies report their account payables and the agency accepts **debts information from companies** in standardized electronic format and
- The TCT **Multilateral Set-off** is performed **once per month** on a preset date
- Companies receive the **set-off notice** containing all the accounting information as a standardized electronic message
- Agency charges a **percentage fee** for the amount that was successfully set-off

BeSolutions | Obligations cleared by TETRIS Core Technologies (TCT) multilateral set-off in the 1991–1994 liquidity crisis



BeSolutions | Obligations cleared by TCT multilateral set-off in the 2009–2012 financial crisis





Graphic representation of multilateral trade credit set-off cycles

Complexity of interconnections can only be managed using advanced algorithms

1.807 Firms

38.550 k EUR

Equivalent results in Italy would be considering that Italian economy is 40 times bigger than Slovenia

1.5 B € / month

18 B € / year

BeSolutions | Shaping the future of payments - Agustín Carstens, general manager of the Bank of International Settlements

Agustín Carstens
general manager of the
Bank of International
Settlements
BIS Quarterly Review,
March 2020

“Safe and efficient transfers underpin the purchase and sale of goods, services and financial instruments. Indeed, a pre-condition for engaging in transactions is **trust that payments will be executed.**”

*With late payment this **trust is breached.**
Payment systems today do not offer any
remedy for this broken trust situation.
Integrating trade credit clearing solutions
like TCT builds **more trust** into the
system.*

“The most transformative option for improving payments is **a peer-to-peer arrangement** that links payers and payees directly and minimizes the number of intermediaries.”

*TCT establishes **trade credit links** between
payers and payees that they were unaware
of. It links all participants of TETRIS
multilateral set-off directly **without any**
intermediary.*

BeSolutions | Role of data in payment systems - Mr Masayoshi Amamiya, Deputy Governor of the Bank of Japan

Remarks by
Mr Masayoshi Amamiya,
Deputy Governor of the
Bank of Japan,
at the Future of
Payments Forum,
Tokyo, 27 February
2020

Money and data will become more closely linked. This strategy is called “Data-Network-Activity (DNA)”. In the past, making payments for purchases, in other words, using money, meant an exchange of certain amount of economic value. Nowadays, it also means an exchange of relevant data on who has purchased what, when and where.

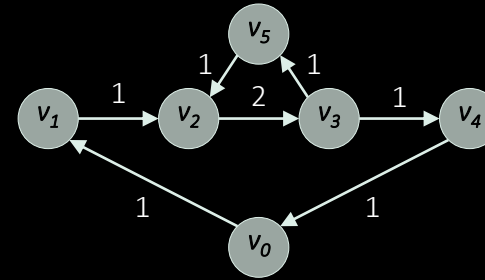
The data collected in retail payment systems is already utilized. Wholesale payment systems are lagging behind. EU possesses a strategic advantage in potential to utilize wholesale payment data. This is due to high level of standardization in B2B transactions.

Our key assets are:

single EU VAT area and VIES VAT number validation system

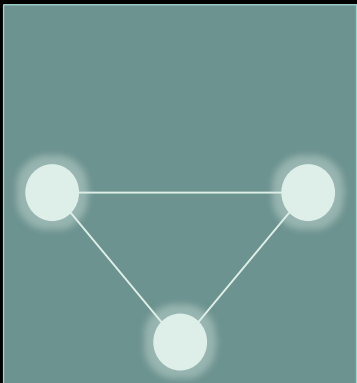
“My collection is Your collection”

from Supply Chain
Finance to Social
Circular Payments

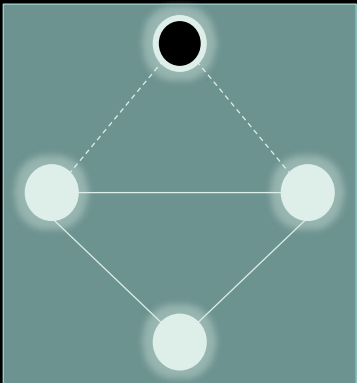


LIQEX

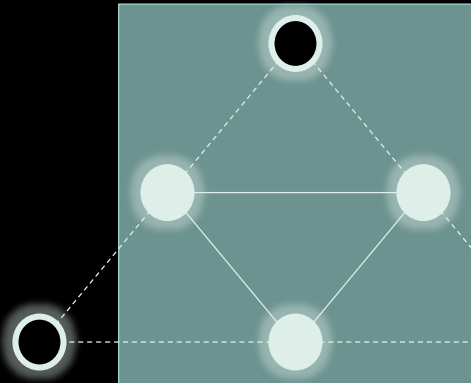
LIQEX | Collections, Payments, Loans, New Customers



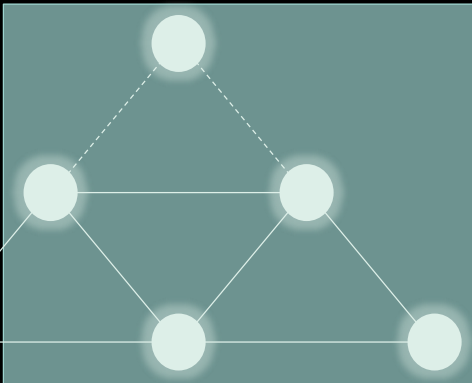
3 Bank Clients + Active LIQEX



3 Bank Clients + Active LIQEX
1 Bank Client



3 Bank Clients + Active LIQEX
1 Bank Client
2 non-clients



5 Bank Clients + Active LIQEX
1 Active LIQEX



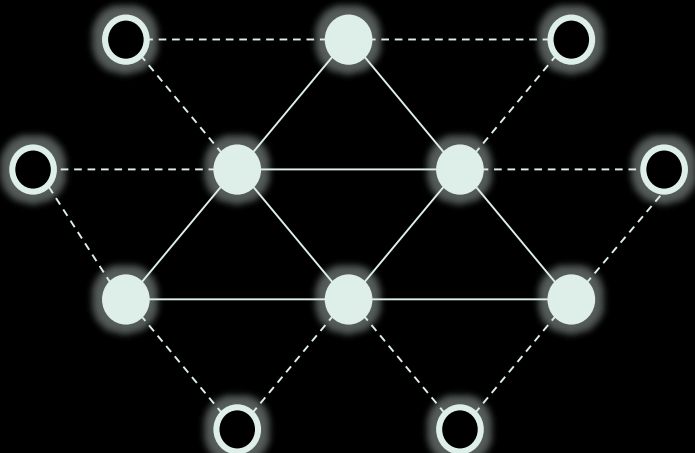
Bank



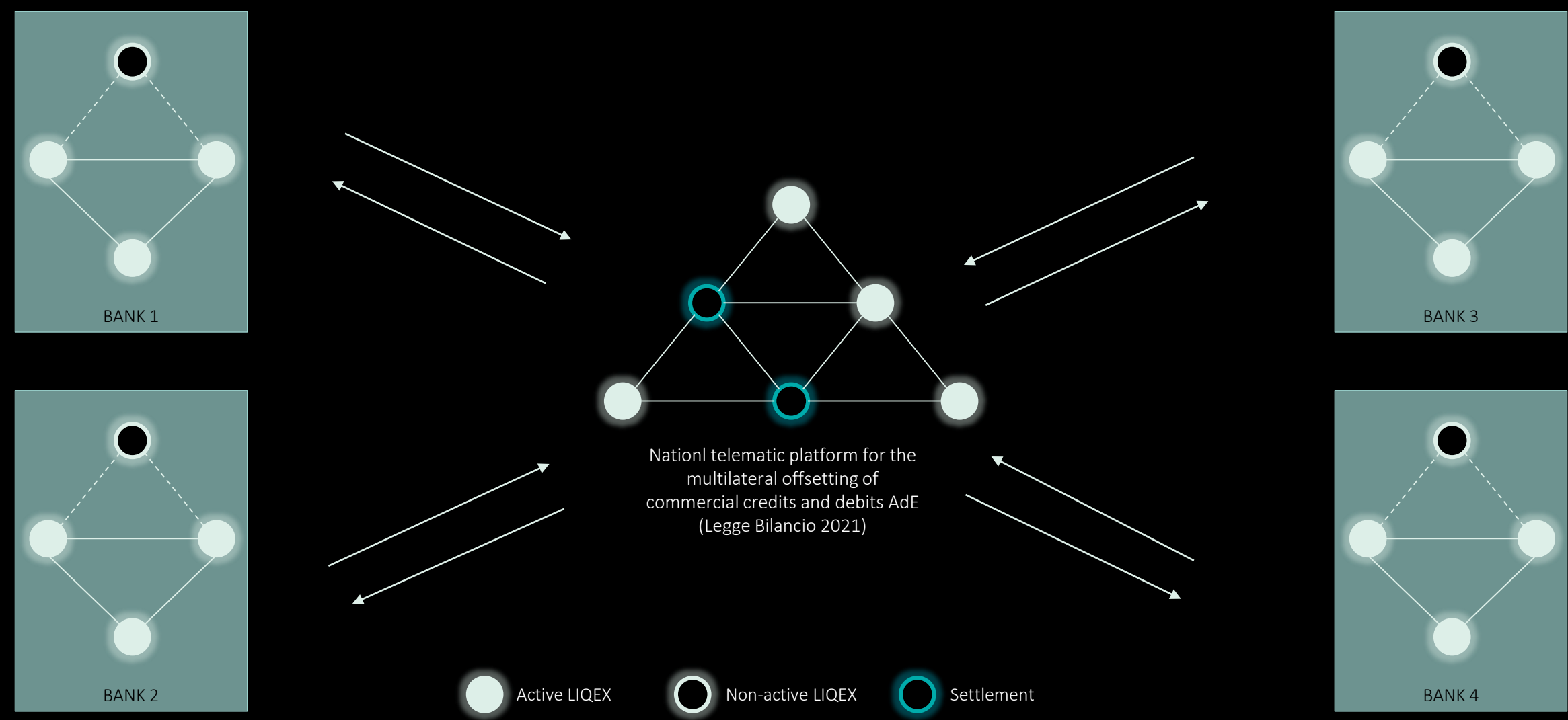
Active LIQEX



Non-active LIQEX

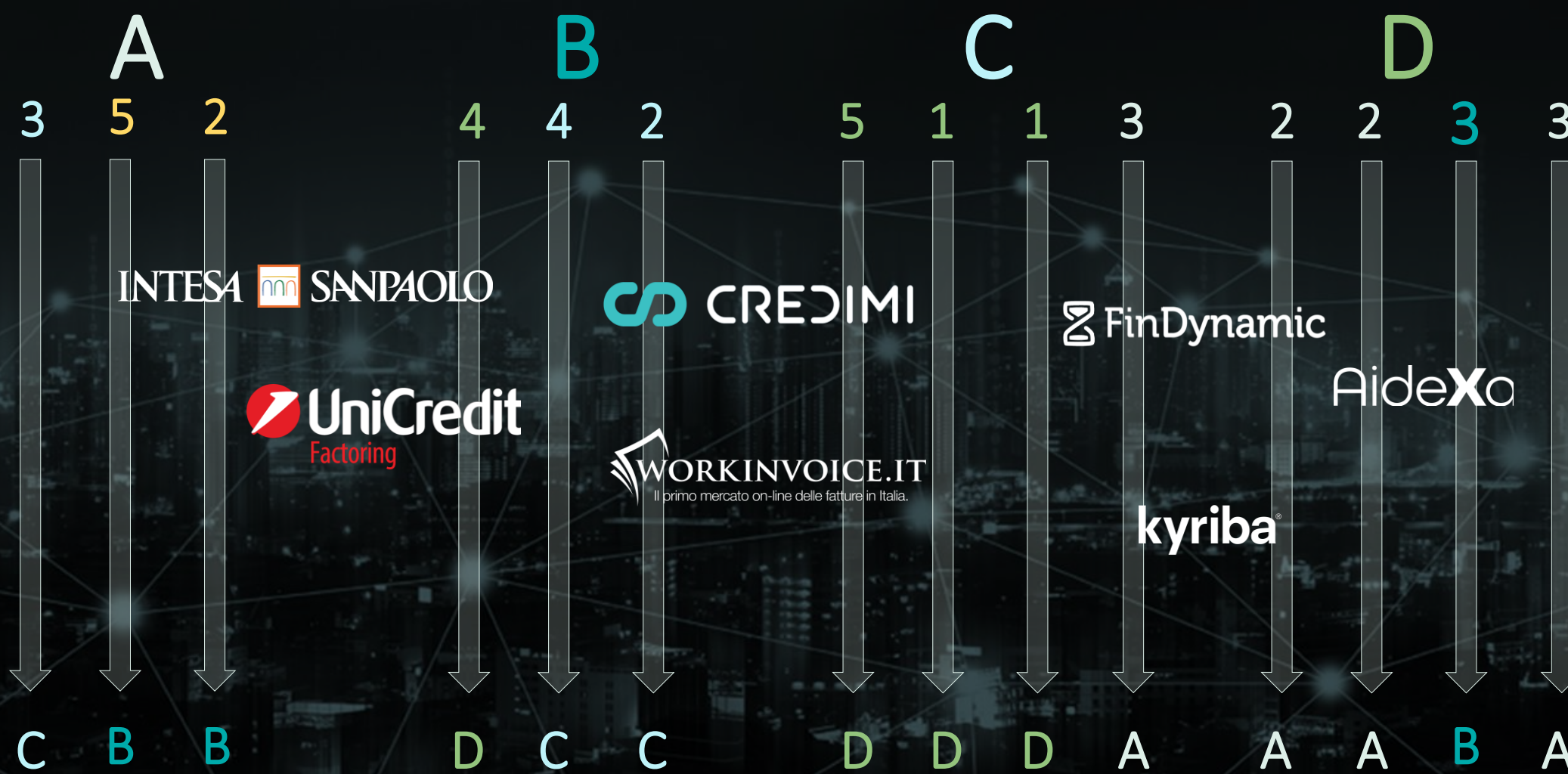


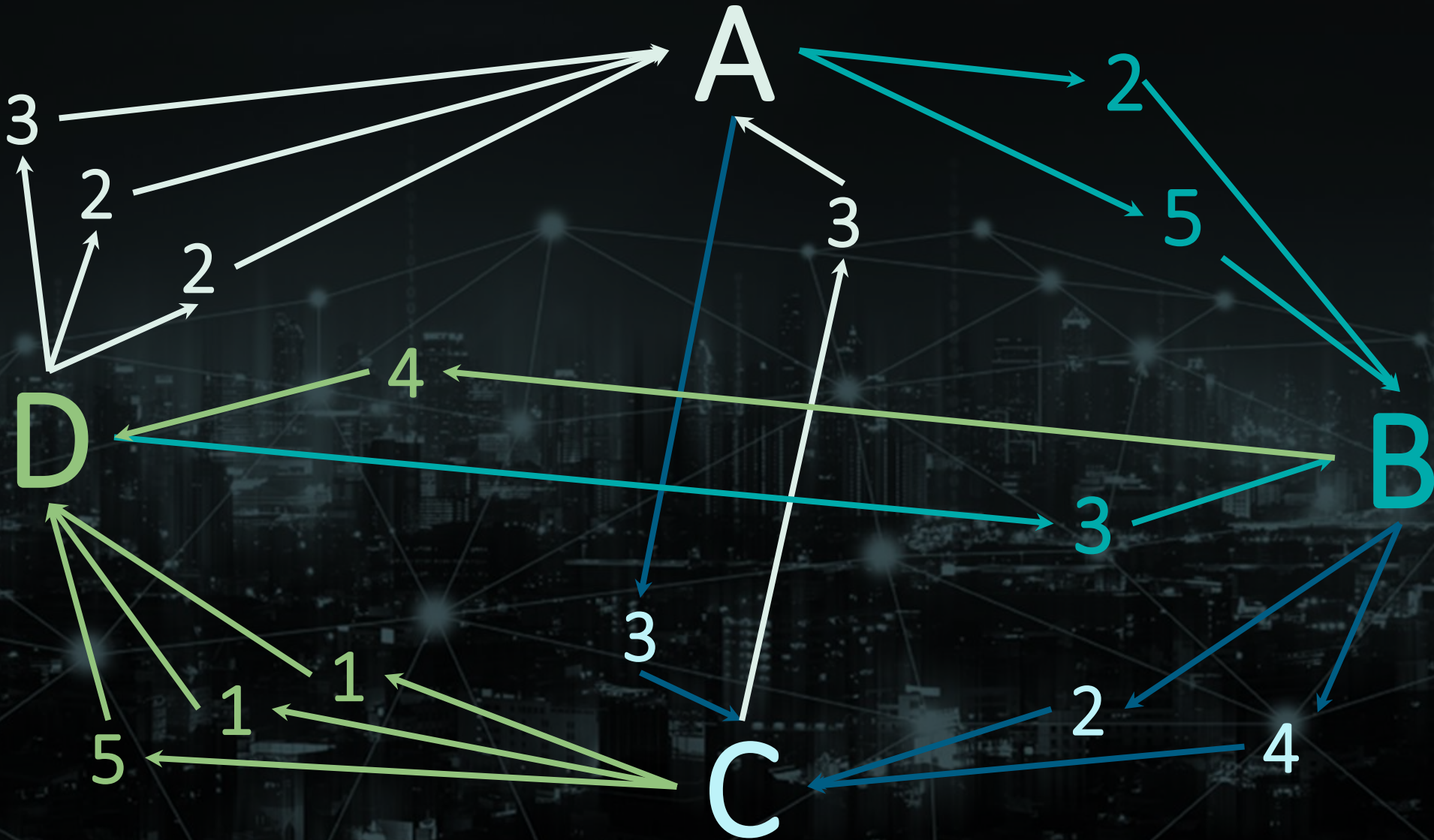
LIQEX | LSM - Gross Multilateral Distributed Offsetting





A PRACTICAL SIMULATION OF HOW LIQEX WORKS









A



A

D +1

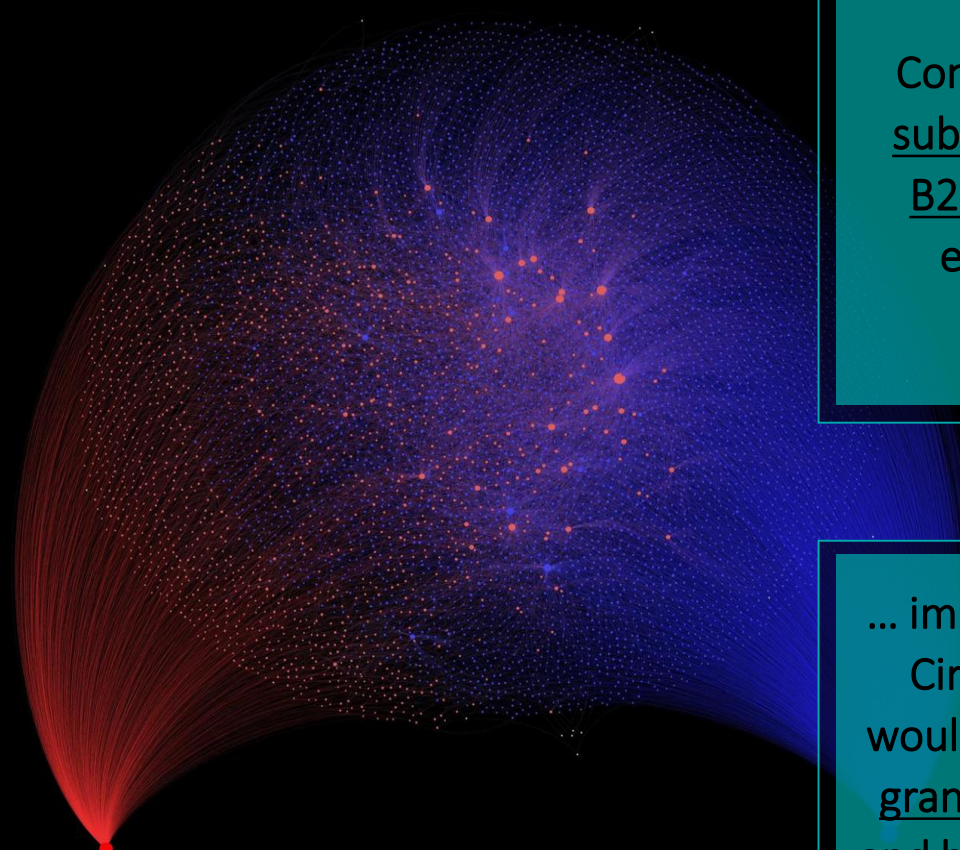
Clearing effect with **no central
counterparty**

B

C -1

What's happen if we
apply this mechanism
to a subset of Italian
real date

The implementation of Social Circular Payments, combining both BeSolutions and Liqex mechanisms, would enable Banks to maximize benefits from invoice settlement.



Considering a small subset of the Italian B2B invoices in an elapsed of one month* ...

€103.708 k	Total obligations
38.995	Payment obligations
6.478	Companies <i>(with liquidity issue)</i>

... implementing Social Circular Payments would enable banks to grant €7M new loans and boost over € 100M debs are paid

€7.021 k	New loan granted
€7.021 k	Loan real-time Repayments
€3.020	Avg. new loan granted

Q&A



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