



# 35<sup>th</sup> UN/CEFACT Forum

15 October 2020

## Finance & Payment Domain

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UN / CEFACT



# Agenda

## **1 UN/CEFACT Structure**

## **2 Closed Projects**

### **2.1 Purchase Order Financing Request**

## **3 Contributions to projects and future plans**

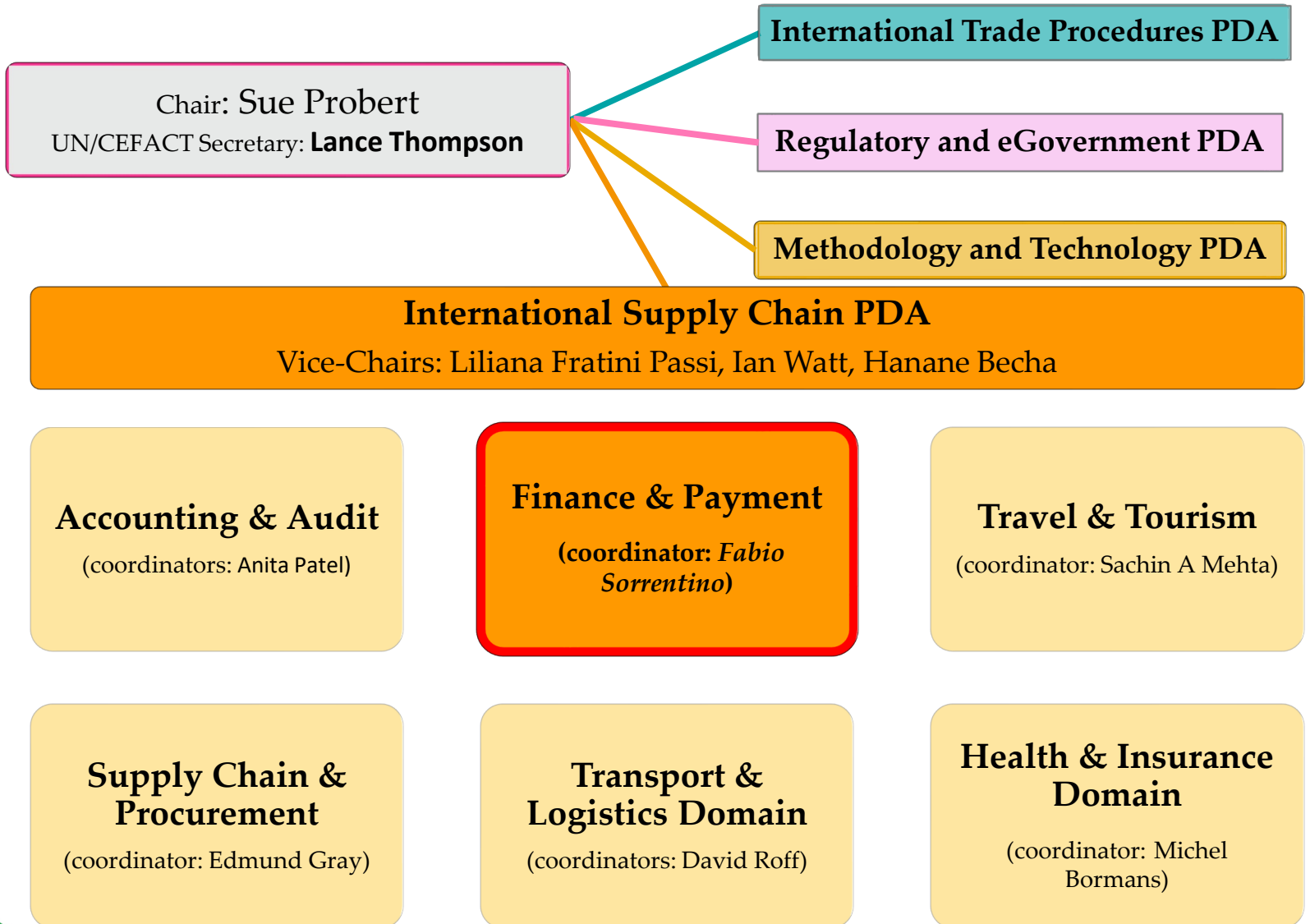
### **3.1 Contributions to the Internet of Things Whitepaper**

### **3.2 Proposed new project for an Open Finance Whitepaper**

## **4 AoB**



# UN/CEFACT structure



# CEFACT Structure – Finance & Payment Domain

The Finance & Payment (F+P) Domain concentrates on business processes and development of trade facilitation and electronic business solutions, focussing on finance and payment services standardization. Using the UN/CEFACT Buy-Ship-Pay Model, the Domain looks into the payment and supply chain finance phase (Pay phase).

## SCOPE

The Domain identifies and launches supply chain finance projects in order to ensure that the UN/CEFACT portfolio of projects responds to the market requirements, in both the public and private sectors, and to respond to stakeholder requirements in terms of international interoperability. Supply chain finance, at its most basic, allows both the buying companies and the suppliers to improve their working capital (a crucial attribute given the recent financial crisis). For future project proposals no CCs or RSM will be defined in the payments space.

Above all, the Domain deals with four streams of activities:

- Supply chain finance: financial services which might be offered by any financial agent in connection with trade documents, like finance-related aspects of e-invoice, orders, contracts, etc;
- Supply chain documents: the finance-related aspects of any B2B document, going from price list to orders to invoices, which is exchanged between the two trade counterparts;
- Payments and reporting: the area of the former TBG5 projects;
- ISO cooperation: cooperation with other standards organizations on finance and supply chain related topics, such as ISO TC68, for which a liaison has been established.

### CLOSED PROJECTS:

- Purchase Order Financing Request;
- F+P Contributions to the Blockchain Whitepaper.

### Contributions to projects and future plans:

- Contributions to the Internet of Things Whitepaper project;
- Proposed new project for an Open Finance Whitepaper.

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# Closed Projects – Purchase Order Financing Request

## What is Purchase Order Financing (POF)?

- POF is a financing option for trading parties that lack the funds to pay their suppliers or for sellers that need cash in advance to offer extended payment terms to their buyers

## Purpose of the project

- To develop a UN/CEFACT business standard guideline for POF Electronic Request

## Why it is important?

- In a competitive market it is vital for businesses to have access to on-going working capital
- POF Request supports optimisation of company treasury and cash management, allowing faster financing request through a standardized and electronic way

## Status of the project



- The BRS document for the POF Request project was approved by the Bureau and has been published on the website
- The project team started the analysis to define the RSM (Requirements Specification Mapping) or an equivalent CCBDA (Core Components Business Document Assembly Technical Specification) document
- The Bureau approved the POF Request deliverable on 9 September 2019

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# Contribution to Ongoing Projects – Internet of Things Whitepaper

- The term **IoT** is used to define the **physical devices** all around the world that are now **connected to the internet**, collecting and sharing **data**;
- IoT devices encompass **every size** imaginable, from a pill to an airplane, and their number is expected to reach **30 billion by 2020**;
- The **immense amount of data** gathered through these devices will be crucial to **help companies define strategies** in the coming years.



**Contribution to the IoT White Paper**  
Chapters “**Supply Chain**”, “**Agriculture**”, “**Government**”  
on **Finance linkages**, according to updated ToC  
*(in collaboration with the E-Government Domain)*



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# Open Finance (1/2)

Open Finance is a new economic paradigm and banking model relying on networks instead of centralization and creating services and products, using open technological platforms, sharing knowledge, work environments, data and customer bases.

## Key elements

**Competition & innovation**

**Customer centricity**

**New technologies**

**A multi-channel Finance**

## Open Banking characteristics

**New Players: FinTech & BigTech**

Services based on **clients' needs**

**API, Blockchain, Artificial Intelligence**

**Internet Banking and new payment methods, like TPPs and API gateways**



# Open Finance (2/2)

There are lots of inputs that led to the establishment of the Open Banking paradigm in the world...



## Regulations

- **PSD2** in the European Union (EU)
- **Fintech** law in Mexico
- **NPP API Framework** in Australia



## Competition

- **Fintech**
- **BigTech**
- **Digital e challenger banks**
- **Traditional banks**



## Technology & business

- Safeguard of online transactions
- Safe data sharing
- Standards to elaborate new business frameworks
- Data monetization perspective



## Demand

- Real-time delivery
- Consumers' expectations
- Tailored services
- Improved customer experience

# Open Finance in the world (1/2)

- North America**
- Canada: Advisory Committee on Open Banking
  - USA: Office of the Comptroller of the Currency' explores a Fintech Charter

- Europe**
- UK: Open Banking Framework
  - EU: Revised Payment Service Directive (PSD2)

- Asia**
- Hong Kong: HK Monetary Authority's Open API Framework
  - Singapore: Monetary Authority of Singapore's API Playbook

- Australia**
- Australia Securities and Investment Commission (ASIC) endorsed open banking guidelines

- Mexico**
- Fintech Law

- South America**
- Brazil and Chile: Central banks issue new banking rules
  - Peru and Argentina: Fintech Bill

- Africa**
- Nigeria: Open technology foundation
  - South Africa: SA's Reserve Bank Started researching the establishment of a regulatory sandbox to foster collaboration with emerging tech startups

# Open Finance in the world (2/2)

.. responses to the establishment of the Open Banking scenario that have been developing around the world



## Three main opportunities arising from Open Finance

- Development of better digital services (46%)
- Tailored services to consumers needs (44%)
- Costs reductions for the acquisition of new clients (38%)
- In Europe, 55% of respondents to the survey issued by Tink has a positive opinion on Open Finance



## Open Finance figures in UK:

- Over 400 millions of API calls were registered on April 2020, with a clear trend for AIS calls (98% vis-à-vis 2% of PIS calls)
- On January 2020, 1 million of clients have used Open Finance services and 50 thousand payments have been initiated through Third parties, also Real Time initiations



**The Open Technology Foundation** – Open Banking Nigeria – is working to produce an API set with the aim to involve banks and fintech firms for the creation of an innovative ecosystem.

- Centricity of the User consent
- **Second Factor Authentication according to** decoupled or redirect modalities

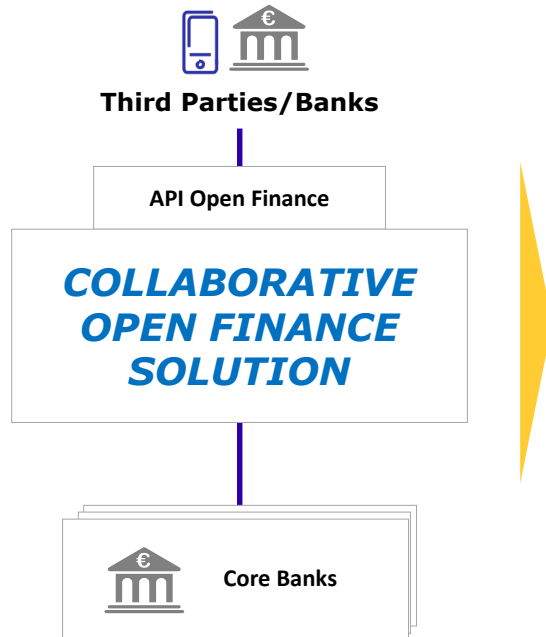


## Financial industry trends

- Interest in providing the Chinese population with digital services to meet the increasing demand
- Need to face the increasing competition of e-commerce platforms (e.g. Alipay and Alibaba)
- **Interest of largest banks to invest in advanced technologies** (e.g. **blockchain**)

# Open Finance Collaborative Solution

A cooperative solution can facilitate the **interconnection between ASPSPs and TPPs** in order to reduce investment costs and technical complexity for participants thanks to the centralization of shared services



## Why a collaborative solution

**Reduction of investment costs** for PSPs for the adjustments of their IT systems to the PSD2

**Sharing of some common services: «shared services»** that would be instead at the expense of the single institute

**Technological updates of the solution** and related documentation managed at a centralized level

**A more efficient fraud monitoring system** with data collected from the participants

**Easier way to implement other collaborative and competitive APIs**

**Central team to monitor/control legislative evolutions**

**Single point of access** between TPPs and ASPSPs, with system interoperability guaranteed by connection homogeneity

**Participation to an "ecosystem"**  
(new ideas to make business from Open Banking)

**Connection with other Supply Chain Players**

# PSD2 mandatory EU services via APIs

In the EU, the Payment Service Directive 2 (PSD2) allowed new market players – Third-Party Providers (TPPs) to offer financial services to a large plethora of payment service users (PSUs).

## Open Finance services offered by TPPs under the PSD2 legal framework

### Account information Service (AIS)

TPP can access customers' banks account data to see their account payment information from different banks' accounts, gather this information and showing it through ad hoc applications

### Payment Initiation Service (AIS)

TPP can initiate a payment on behalf of the customer without using a credit or debit card.

## A couple of key points to highlight:

- ✓ Use of advanced technologies



**Application Programme Interfaces (API) to enable the telematic dialogue between Banks and TPPs**

- ✓ Compliance to the GDPR



**TPPs can perform AIS and PIS only with the consent of the PSU**

# Open Finance & Trade Facilitation

Open Finance can enable, via **API access to bank accounts and external databases**, the development of a whole **new wave of financial services** to enhance processes connected to the **supply chain** in an international trade context.

## *(Possible Applications)*

### **KYC**

Centralized Know Your Customer tool powered by public and private databases

### **Invoice Trading**

APIs to sell invoices in order to improve cash flow

### **Financing Services**

APIs to access and compare financial services offered by an Open Banking Solution member banks in a centralized way

### **Certificates**

Exchange of information between banks and public administration for the issuance of certificates necessary for international trade

### **Insurance Services**

APIs to access and choose different insurance options

### **Risk Assessment**

Delivery and enrichment of information useful to companies for assessing the risk of commercial partners (e.g. counterparty risk, country risk)



# Proposed new work item – Open Finance Whitepaper

TBA by Bureau in  
PoW 2020-21,  
19/10/2020

## Draft Whitepaper Index

- 1. Introduction:** Goals, methodologies and type of bibliography used for the realization of the Whitepaper;
- 2. Definition of Open Finance:** key characteristics and main elements of innovation;
- 3. The development of Open Banking and Open Finance in the World:**
  - a. The European experience beyond the PSD2: the EU and UK;
  - b. Open Finance in the world: examples from other continents (e.g. Mexico, South Korea, US, China, Nigeria);
- 4. The new players: Fintech companies and value-added services:**
  - a. Definition of Fintech;
  - b. The domain of the application of technology to finance: payments, insurance, lending, PFM and asset management, others;
- 5. Use cases of innovative financial services applied to trade facilitation:**
  - a. Check-IBAN;
  - b. Request to pay;
  - c. Trade finance;
  - d. Buy now pay later (open account);
  - e. Netting;
  - f. Others...
- 6. Conclusions:** sum up of the report and next topics to be studied.

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# Considerations From The Table

- 1) Call for experts on ebXML/BAH ISO20022 mapping
- 2) .....
- .....





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**Thank you**

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