



provided these debtors are creditworthy.

On the other hand, selling to a factorer is usually a more suitable solution if a firm's receivables portfolio features a range of small debtors. Factorers work together with insurance companies to specialise in diverse portfolios, which allow them to take a scoring approach, using statistical analyses and mathematical models to determine risk across a spread of different debtors – without needing to assess each of their individual balance sheets.

The difficulty is that in many cases a firm's receivables portfolio does not fit neatly into either of these moulds. Many portfolios have too great an exposure to specific geographies, industries, or even individual companies, for factorers to take on. These same portfolios often feature a range of different debtors – making them equally unsuitable for banks, which would have to assess each debtor individually.

Consequently, corporates often have nowhere to go to factor their entire portfolios. Finding a solution, however, could simply be a matter of putting the right people together – which is exactly what is happening at UniCredit.

### Collaboration the solution

UniCredit is currently working with several insurance companies to produce a single solution – one involving collaboration, with the aim of taking on all kinds of receivables portfolios together. This kind of collaboration has the potential to be highly effective, since the weaknesses of each are offset by the strengths of the other: the bank can account for the large debtors and concentrated risks in a portfolio, while the insurance company takes on the smaller debtors.

Of course, at first glance this seems an administrative challenge. Yet recent advances in digitalisation will allow banks to share data on a secure basis with their corporate and insurance partners – enabling banks to act as the fronting entity for the partnership while uploading entire receivables portfolios onto its system.

With UniCredit, the solution leverages on the state-of-the-art receivables finance technology that UniCredit has recently established. This facilitates the data transfer from and to the corporate treasurer and provides the latter with all kinds of reports and alerts to give him maximum transparency

about what is going on with his receivables, and how he can make best use of this asset type.

### Clearing the path

Presenting clients with a united front for these operations is not without its complications, however. For a start, banks and insurance companies are subject to very different sets of regulations – ones not developed with harmonisation in mind.

The challenge for both sides is to provide a seamless collaborative service while each remains consistent with its respective regulatory framework.

### Factoring in the benefits

With the technical and legal details ironed out, the benefits of such an arrangement are

clear. Primarily, corporates are able to finance their entire receivables portfolio without worrying about how the risks are spread across their debtors. What is more, with the collaboration fronted by the bank, corporates have a single, familiar, point of contact for this service.

Meanwhile, banks, factors and insurance companies all benefit – expanding the size of their target market to include the significant proportion of corporates looking to factor entire portfolios with a variety of small and large debtors on their books.

As UniCredit and its partners move forward with this collaboration, it won't be long before these benefits are realised on a larger scale than today and more and more corporates have a single port of call for a simple, hassle-free supply chain finance solution for their entire portfolios of trade receivables. ■



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Sebastian is responsible for Structuring and Implementation of Supply Chain Finance Products in Global Transaction Banking at UniCredit.

This includes the management, innovation and further development of innovative trade products offered by UniCredit worldwide. Additionally, he is responsible for structuring deals for trade and supply chain finance products in Germany and selected European countries. The portfolio puts special emphasis on the newest generation of both supplier-driven and buyer-driven supply chain finance programmes, which represent a major area of growth in global trade finance.

Before taking over this function, he led various national and international supply chain finance implementation projects within the GTB organisation of UniCredit, where he contributed to the structuring, implementation and marketing of integrated supply chain finance solutions.

Before entering the banking sector, he worked as a solicitor in an English law firm and as an in-house lawyer with a fund-initiator.

Sebastian has a diversified profile that he uses to apply both cash and trade banking solutions to the evolving needs of corporate clients and uncover with them the next frontier of product innovation.