**Interview by Michael Bickers of John Omoti, Bank of China**

**Michael:**

Hello, everybody. So I'm here today with John Omoti, who's Head of Supply Chain Finance at the Bank of China in London. Welcome, John. And we're talking to John in advance of our **Supply Chain Finance Summit**, which will take place on the 26th of April, in London. And, John, I've got a few questions for you, in relation to the session that you'll be joining at the summit. And the first thing I want to ask you is, how do you feel the pandemic has affected the supply chain finance market, if at all? Have you seen any significant changes? And before you answer that, let me just give you my thoughts on it. It seems to me that the volumes and the funds in use figures for supply chain finance in the last 18 months or so have significantly increased. I'm getting this information from our work we've done on our supply chain finance report. What have you seen?

**John:**

Yes, that is true. I think most organisations are like us. I think we're bouncing back from the effect of the pandemic, where banks were very, very cautious in terms of the risk appetite in loaning to various corporates, despite the increase in transactions or request for loans, and actually very, very cautious. Well, I think now banks are beginning to open up, even like us. So yes, I think you you're right in saying that those initial parameters, which we used to loaning to corporate, will begin to reduce some of those restrictions and opening up to more corporates coming and providing that funding, mostly supply chain finance. So I think that is very, very crucial, because the restriction has been reduced significantly. So banks are opening up now including us. And we are now able to lend to more corporates and exporters and open our doors to more corporates and within the UK market.

**Michael:**

Do you expect this trend to continue? Or do you think this is more related to a kind of bounce back from the pandemic period?

**John:**

It will continue, I think it's a bit of both - bounce back from the pandemic, that is true. Market is getting back to what you used to be - is slowly recovering. I think that's where we are heading to. So I think it's going to continue; trajectory is going to continue to grow. And we're going to have more business. And we're going to see more of our corporate clients. And we are now willing to loan a little bit more to some of them, because they can use those stringent positions, we've taken concerning some industries within the LC space and also other sectors, which has been challenging. I think we'll begin to be more open to support in those industries.

**Michael:**

And there's also been talk about a shift in dynamics in terms of the relationships between large buyers and small suppliers. Have you seen that? And can you just describe that and tell me what it means in your view?

**John:**

Yeah, I think it's very interesting because in engaging with some of our large clients, or large buyers, when offering them payables finance solution, one of the things we observe is they've taken a view, rather than sign up to bank's proprietary platform and they think if you're having a multi-bank system, whereby they dictate to the banks where we need to sign up to, now we will pitch into their signup to our own platform. But now they are saying that if you want our business, sign up to a multiband platform, where you can access our trade finance assets. So I think they are beginning to dictate the tune. And here we need to move in the right direction. During the pandemic, we were looking at a blockchain as one of our digital initiatives and one of the blockchain courses in which we chose - I think they basically dictated to us because most of our corporates were using one particular solution, we have to sign onto the solution. So that is one of the huge changes we have seen today. Or like back in the days when it was several years ago, we had our own platform and we dictated we ?? need to sign up to. That is changing. Concerning small suppliers, I think supply chain is becoming more financial inclusive, where most of the supply chain programmes intended to exclude most of the small suppliers, but you begin to find today more inclusiveness in terms of our supply chain finance offering, and you begin to have more our NBFIs coming into the space, fintech coming to the space and providing strategic funding to some of those suppliers or smaller suppliers, which seem to have been excluded maybe by some of the banks.

**Michael:**

And what about ESG? Now that is something which everybody seems to be so focused on at the moment. Can you just give us some information about the policies around disclosure of sustainable practice? And what kind of issues are banks coming up against, particularly in their supply chain finance structures and offerings, in terms of implementing ESG requirements?

**John:**

Yeah, disclosure is quite important, because you're looking at providing data relating to environmental, social, and governance performance. Those are key indicators for your investors to make appropriate right decisions. In terms of policies for the bank, it is something we are actively promoting, we have had several meetings on which we want to start promoting going forward, because it's in line with what current policy what accounting evidence has provided and we begin to see, essentially, that most of our business proposals today always have an ESG element built into those business proposals. Without it, it might be very difficult to get approval. So it's becoming very, very crucial. They want to know exactly what the corporate is doing concerning environments and their sources is a change of mindset today, such that we look hard at the goods being sold - are they sourced sustainably, you know, within the supply chain? and the social elements - when we talk about suppliers, is everyone included? Do you have that social inclusion within your supply chain, and everyone is catered for within a supply chain, so that those ?? buyers now begin to think not just about the product that comes to them but all all the way down to small suppliers. How are they being treated? You know, are they walking into a friendly environment? Are there child labours in those working environments? All that is being factored in today into most of the large banks' supply chain programmes. Thinking about either put some pressure on small business suppliers to basically attach to it, which is very, very important. Social merit is quite a key. It's a lot of focus on the environment, which I don't want to elaborate which most people know about. Social damage is very, very, very important. Also, the governance aspect of it, with mixing to how your programme is structured, to support ESG initiatives. So that is the future. I know that there have been some developments. And in terms of some papers being ??, or some governments are beginning to put in place certain policies, which become mandatory for large buyers in how the supply chain is being protected.

**Michael:**

And what about cost of implementing all this? How is this impacting the cost of putting together supply chain finance structures? And are those costs being passed onto clients, to corporates and suppliers? Or is it not a big cost to implement these initiatives?

**John:**

I don't think it is a huge cost. Yes, I know that there is some cost in terms of having to monitor those ESG initiatives, because sometimes you have to look into your supply chain and how the goods are being sourced. It doesn't involve some cost in itself. It will involve having to visit some of those sites itself in many different regions. So those are the main costs, which will we'll have to recall. But I do think it is not a huge issue for most of those large buyers or large suppliers to factor that into their own costs. I think. Yeah, I don't think it is a big issue, from my perspective.

**Michael:**

Sure. So the cost aspect will be probably minimal for banks and providers of finance, more on the corporate and supply side, in terms of what they have to do?

**John:**

That is correct. On the bank side, I think we are actively encouraging banks to showcase what they're doing in terms of their ESG initiatives, because we are looking at possibly offering incentives, additional incentives, or some of these clients of ours, who are actually involved in actively promoting ESG initiatives. So in terms of cost, we are happy to bear most of those additional costs. There's not very much; it's just a small margin, but at least it's just to ensure that the banks are actually out there to encourage banks to think about more about the sustainability agenda.

**Michael:**

Okay, and just want to ask you a bit about digital transformation. As we know, there's still a huge amount of paper out there. In terms of invoicing, and other aspects of related to that, purchase orders, etc. Do you see that holding up the development of supply chain finance markets? And would you like to see the speed of digital transformation increasing? Because it's a major part, isn't it? Of supply chain finance structures, it's important that these processes are digitised. And the transfer of data between suppliers, corporates and banks, that's an essential part of keeping costs down, isn't it? And the way that platforms are structured for that? So what's your view on that in terms of how can we get digital transformation more fully complete in global trade?

**John:**

Yes, this transformation is an interesting one, because it's the buzzword now. Everyone's really thinking about it. All directors of companies are thinking about how to digitise their offering. And what comes to mind when you think my digital transformation shows - let's invent new technology; let's store the new technology; let's go into digital marketing, or let's go into some form of automated solution process. Yes, it's not all that. It's a commercial of everything, basically. So it's not just about one technology. You're looking at creating something that is new, or, I mean, a new process itself, which affects the business processes, the culture, and also looking at the customers experiences. So it's not just one particular technology, or looking at what is technology aimed at achieving. People around the organisation, the mindset will have to change as well about digital technology. That is very, very important. That marks the culture of the organisation. So we've got some very, very myopic, or they're very ancient now, very mundane. But the mindset has to change, you have to demand changing the business model. All that has to be factored into it. But I think that is definitely the way forward. You know, it's because times are moving. And everyone has to get in line with the digital initiative. Because if nothing we've learnt, the pandemic has been something that has been a kick for us because we have to think back. And so how do we make this process more efficient? We all work from home; we can't be in the office, and we need to have access to physical documents, kind of physical document system. Those were the challenges; I think that motivation should not end. You should continue that drive; you should continue within that trade finance space with us. We've been in this industry for a long time. So it's really time for us to move into the digital space and ensure our processes, which would give the clients a unique experience, should be factored into. I know there are complications. There are a lot of macro-economic issues which we have to deal with. So the legal aspects, the stylization issues, or taxing system was just to keep on pushing and resolve digital issues from top down approach. I think until we get to where we can transact. There was an article that talks about just require 0.1% of EB of Lading issue 2020 which is really, really, really low. That has to change. We'll begin to see 30-40% EB of Lading be issued electronically.

**Michael:**

Sure, sure. These things always take longer than expected. But John, we very much look forward to exploring these themes further and in more depth when we have some more time and with your fellow panellists at **Supply Chain Finance Summit** as I mentioned before on the 26th of April in London. So until then, John Omoti, thank you very much indeed. Thank you!

**John:**

Thank you for having me.