**Interview by Michael Bickers of James Binns, Barclays**

**Michael:**

Welcome, everyone to BCR webcasting. This is one of a series of interviews that we're doing with senior industry executives. And the one today is in the run up to our Receivables Finance International event, which will take place on the 9th and 10th of March [the event was rescheduled for 26-27 May 2022]. And one of our senior executive speakers for that event is James Binns. James is Managing Director and Global Head of Trade and Working Capital, Barclays. Welcome, James.

**James:**

Michael, thank you very much. Good to be here.

**Michael:**

So thank you for your time. Thank you for joining us. So I've got some questions for you, James, based on the discussion that's going to take place in March [May]. And we're going to be focusing on the future of receivables finance, and how things are going to, or how you think things are going to evolve in receivables finance in the coming 12 months and beyond really. And one of the things I know that's been a concern for traditional receivables financiers in last few years really is what big ecommerce disruptors like Amazon and Alibaba. What sort of impact they might have on the receivables finance space? The traditional space, shall we say. Particularly in B2B but also looking at B2C, the consumer market as well. Many players in industry see these large disruptors, e commerce disruptors as a threat to the traditional space. But what do you see? How do you see it? I mean, are there opportunities here as well as potential threats?

**James:**

Well, I think first of all, again, we're talking about not necessarily fintechs, but it's technology companies coming in and disrupting markets, which across all of our trade and working capital and receivables businesses, that's been a feature for a number of years now. And I think in general, banks have learned how to view fintechs not as a threat, but actually as potential partners and therefore representing opportunity. I hope that will also be the case as we go forwards, you know, with your question, and specifically around a move from B2B to B2C, the rise of some of the E commerce platforms and so on. But it's an interesting question. And I think for me, one of the things I struggle with, to start with, is where the receivable is. Yeah, I can certainly see where B2C receivables exist in the, for example, the cell phone world or the mobile phone world with handset receivables and so on, whereas, you know, a contract behind those receivables or other subscription type receivables, which are locked in by contract, because there there's genuinely a receivable with an obligation on behalf of the consumer to pay at a future date. But in terms of general ecommerce sells, most consumers are paying for stuff up front at the moment, and therefore there's no receivable. But what we are seeing at the moment is, as you well know, is a rise of the Buy Now Pay Later payment service providers, the planners of this world and so on, who are essentially lending money to consumers, paying the Amazon or whoever it is in advance, and then collecting over a period of time from those end consumers, which for me, is very different from receivables finance. That's more consumer finance, obviously. So it's an interesting question. I'm not quite sure what the answer is, but I don't really see it as a threat at the moment. I see it more as an opportunity that we need to understand better and, you know, continue to analyse it for the future.

**Michael:**

Yeah, I mean, over the last few years, we have seen some players creeping into this space, the consumer credit space. Perhaps not in this country. But there are sort of regulatory issues as well attached to this, particularly for this country, I think, which has stopped traditional receivables finance players coming into this market. I mean, do you see that as a big hindrance?

**James:**

Absolutely. I do. I mean, there's a whole load of quite rightly rules and regulations around vulnerable client, vulnerable customers, for example, and all of that element of regulation and compliance to consider. Obviously, there's all of the anti-money-laundering and KYC and so on regulation attached to different markets and to different providers and that continues to change on an ongoing basis also. So you know, to my point earlier on about needing to properly understand what's going on to analyse where future opportunities might lie, I think all of that needs to get thrown into the mix.

**Michael:**

Let's move on. And let's look at what's happening in in global supply chains at the moment. I mean, even before the pandemic, there was a lot impacting global supply chains with trade wars and other things going on. So the whole area of global supply chains was very dynamic and changing and evolving, nearshoring and this sort of move away from globalisation. And now we've got the impact of the pandemic on top of that. And more recently, we've seen significant problems in supply chains. The chip shortage, for example, is one. Recently there was a survey by The Economist who surveyed global treasurers, and 27% of respondents said that supply chain disruptions are a major impact to the treasury function. How do you see receivables finance sector getting to grips with this and, you know, working with these major disruptions that are going on and trying to support clients in this atmosphere?

**James:**

So first of all, I haven't yet seen any real degradation in debtors paying on time, etc, etc, most of the companies, and if you look at most banks balance sheets, and there's a lot of liquidity still out there. Most businesses have reduced their borrowing rather than increase their borrowing. And it's quite interesting. If you look at some of the UK finance data for the invoice discounting sector across the UK, data periods have actually reduced on average rather than increased, which means people are paying earlier on average, certainly across certain sectors anyway. That's not to say, though, that some sectors are struggling more than other sectors. Of course, they are. And absolutely, you know, as part of that, I think receivables finances, invoice discounters had to react to that. If I think back to the start of the pandemic, when we didn't really understand to the same extent we do now what the impact of the pandemic would be on debtors ability to pay and so on. Some of the things that we looked at doing were extending eligibility periods on invoices where we were invoice discounting, for example, to help, you know, plants who we were funding against their invoices, and to give them a little bit more flexibility and grace. Equally, when you're talking about receivables. discounting, then, one of the things that we always look out with any new receivables discounting or ongoing receivables discounting relationship is the repayment history and the average grace periods over, you know, periods of time and trends of those going forwards so that we can build the right grace periods into those receivables discounting arrangements to make sure that, you know, neither party ends up in a difficult situation. So I think all of that is going on quite broadly across the receivables financing sector, ourselves included. The only other comment I've made there is around insurance policies and use of insurance around receivables financing. And just, you know, obviously the need to make sure that underlying insurance policies are also amended or flexible enough to deal with some of the things that we've just been talking about.

**Michael:**

Yeah, how do you think insurance policies now compared to, let's say, the 2008/2009 banking crisis where there was a real serious issue with policies not being available, particularly in emerging markets? I think that's not quite the same, wasn't that?

**James:**

No, I haven't seen. Obviously around that period 2008/2009, there was a lot more uncertainty in the market and a lot more volatility around credit quality, etc. And you're right. I think insurance policies and insurance cover was less predictable at that time. I think the insurance industry has learned a lot since then. And I've actually been pretty impressed by how they have managed in relation to the pandemic and the cover that they have managed to sustain throughout it. It's certainly not something that I think has impacted our business negatively in any way.

**Michael:**

You think technology has a lot to do with that? For insurers being able to assess risk more accurately and easier?

**James:**

Absolutely. I think technology has definitely helped that. I mean, there's more data out there; there are better models and modelling capability out there for insurance companies to make risk-based decisions on automated risk based decisions more accurately, which is critical if you're covering a very large portfolio, for example of small and medium size businesses, and you want to be able to continue cover with them. But you know, you don't have the time or capacity to go and do individual credit analysis on each of those counterparties.

**Michael:**

And staying with the theme of technology, and combining that with fintech - you mentioned fintechs earlier on, and you mentioned that cooperation with fintechs - how do you see that developing? I mean, there seems to be a big push towards digitalisation and all the efficiencies and cost reductions that I can bring, and perhaps the benefits also to clients. But is it true to say that banks have been a bit slower than fintechs to take up the technical advantages within receivables finance? And if so, is the way forward - Collaboration? I know this has taken place already. I know that Barclays have certainly dipped into the collaboration area with fintechs. How do you see this moving forward? Do you see this is the way forward for the sector in terms of, you know, close cooperation with fintechs, right, rather than see them as competitors?

**James:**

I absolutely do, whether it's receivables finance, whether it's supply chain finance, whether it's invoice discounting, and on many different levels the opportunity to partner and collaborate with fintechs as technology providers. It gives us the opportunity to add significant process efficiency and automation into what we do in the receivables sector, which obviously means that we can start financing smaller receivables. It becomes more cost effective to process them; we have better risk management tools to be able to finance them, etc, etc, which means you can start to go down the chain in terms of average invoice size, which means you can process, you know, if you've got multiple receivables to the same data, but all have small value, then it gives you much more flexibility and opportunity in terms of bundles of receivables. But equally across pools of receivables with different debtors, technology offers the opportunity to create pools more efficiently, process those pools more efficiently. And with the underlying data that's available and processing power of that data. The ability to put, you know, risk-based models in place where you can analyse and effectively apply credit ratings to those pools to be able to finance them, I think is becoming more of reality. And you're already seeing solutions like that in the market. I think that will continue. You hear a lot of banks talking now about micro receivables, as one of those, sort of, reasonably trendy words these days, and I think that's where the industry is heading. It's, you know, the ability to be able to bundle up micro receivables into larger pots and provide more flexible solutions to supply chains as a whole.

**Michael:**

In that respect, do you think we'll also be seeing an increasing trend and use of securitisation into secondary markets?

**James:**

In certain instances, absolutely. Yeah. Obviously, securitisation means something slightly different to receivables discounting, but already there's a bit of a blend between the two. As we have seen with, you know, some of the other structures in the market over the last couple of years, I think that trend will continue. And you know, and I think more and more will start to use EBS type structures alongside receivables discounting.

**Michael:**

What else do you see happening in the coming 12 months to, say, three to five years, James? Any other sort of serious developments taking place?

**James:**

I think the one that is interesting me at the moment is the regulatory angle around accounting standards - how receivables discounting gets treated. I think there's a lot of regulatory scrutiny - quite rightly so - in terms of the types of structures that are out there, how they are being defined. I think one of the problems we have across the sector is there are so many different varieties of supply chain finance receivables, discounting, invoice discounting. But there are no real sort of clear and easily defined industry definitions of those. So I think there's a danger that people don't really understand what they're getting themselves into - be investors, be providers, etc.

**Michael:**

You are alluding to Greensill, I will take it.

**James:**

Yeah, I mean, I don't want to mention any specific names. I think that's a step forward that we need to make is greater standardisation, definition, and clarity around the different types of structures that are out there. So they can be properly regulated and properly understood by all counterparties to them. For me that is something that we really need to start that journey on. It's already started. But it's obviously going to take some time to get there.

**Michael:**

Sure, sure. And what about the on the international scene mentioned a moment ago, about nearshoring. I've heard it said that that's likely to increase international factoring, receivables finance, because longer distance receivables finance is more difficult, more challenging to do. If they're brought nearer to home that might well increase the use of job cross border, factoring when those borders aren't too far apart. Do you think that might happen?

**James:**

It might do. It will certainly change patterns in terms of location of suppliers, and to buyers. So in terms of providers to those suppliers, those will need to change. I suppose the moment you come back into Europe is where you've got the more traditional factoring type businesses in the first place. And so yes, absolutely. Maybe there'll be opportunity for factoring companies cross border or local to do some more business. I would also say, though, that while a lot of people talk about nearshoring, and supply chain diversification, it's easier said than done. Supply chains have been built up over many, many years, decades in some instances. And, you know, depending on the sector that's involved, they're not easy things to move. So while I think that will happen, I do think it's going to take time, and certainly a lot of people I speak to would share that opinion.

**Michael:**

I think it's one claim that we can be fairly sure by looking at the past in this sector that things don't move as quickly as people think they are going to.

**James:**

Absolutely.

**Michael:**

James Binns, thank you very much for your time and for your thoughts today. And we look forward to seeing you again in March. Thank you very much!

**James:**

Michael, thank you very much. And I'm looking forward to seeing you and everyone else in March as well. So thank you!

**Michael:**

Thank you, James.