

Cutting Through the Confusion: Is Bank Syndication the Same as Multi-Funder?

Global businesses require supply chain finance programs that cover multiple geographies and currencies. To this end, many companies are turning away from programs funded by a single financial institution in favor of those that leverage multiple sources of funding.

But what happens when a single-funder program claims to incorporate other sources of funding? Does this meet the requirements of a multi-funder approach to supply chain finance? More importantly, does it mitigate the risks of a single-funder approach?



It's important to understand that syndication is very different than a true multi-funder approach to supply chain finance – specifically, in regard to price, transparency and risk.

The Dangers of Bank Syndication

The answer is no. Most bank-led supply chain finance providers that claim to offer access to multiple funding sources do so through a form of syndication. It's important to understand that syndication is very different than a true multi-funder approach to supply chain finance – specifically, in regard to price, transparency and risk.

Syndication involves a lead bank (or arranger bank) selling part of a loan (or funding) to other banks, mutual funds, insurance companies, structured vehicles, pension funds and hedge funds. For the primary financial institution leading a supply chain finance program, loan syndication is an ideal way to meet large funding requirements. It reduces the amount of capital the bank must keep on its balance sheet.

But for the company executing the supply chain finance program with its suppliers – there are three critical issues:

- 1. Pricing:** Banks have different rate requirements and the highest rate among all the funders involved in the syndication process is likely to push the overall rate up for the buyer in the program. This is opposed when multiple funders are on the same platform and are motivated to offer a competitive price.
- 2. Transparency:** There is no consent required by the buyer in a syndicated process, so other banks and funders in a syndicated deal will not be disclosed to the buyer. Additionally, the lead funder doesn't have to disclose how much of the buyer's funding requirements are being syndicated to other funders.
- 3. Risk:** Syndication does nothing to mitigate the primary risk of a bank-led supply chain finance program. If the lead bank chooses to exit a geographic market or shut down its supply chain services completely, the buyer and its suppliers are fully exposed and will need to secure alternate sources of funding. A recent example is the collapse of Greensill Capital, which experienced a lapse in insurance needed to cover billions of dollars in assets. Within weeks, the firm filed for insolvency and effectively exited the supply chain finance market.

Syndication does nothing to mitigate the primary risk of a supply chain finance program that relies on a single funder.



PrimeRevenue – The Industry's Only Provider of True Multi-Funder Supply Chain Finance

PrimeRevenue offers the industry's only true bank agnostic, multi-funder supply chain finance platform. A multi-funder approach mitigates the risks associated with reliance on a single lead funder, like if a funder halts program funding, doesn't provide adequate coverage, or exits the market completely. Instead, PrimeRevenue partners with 100+ global banks and financial institutions to provide greater access to liquidity, competitive pricing, coverage of all supplier jurisdictions and currencies, and a network of alternate funding sources to ensure sustainable funding of a supply chain finance program.

About PrimeRevenue As a pioneer in global B2B payments, the PrimeRevenue SurePay Platform connects the entire supply chain by improving working capital and automating digital payments. Thousands of companies around the world leverage one streamlined platform to increase payment visibility, enhance control, and improve cash flow. PrimeRevenue is headquartered in Atlanta, with offices in London, Prague, Hong Kong, and Melbourne. For more information, visit www.primerevenue.com.

Follow us: [in](#) [twitter](#) [youtube](#) [facebook](#) [google+](#)