Traditionally, the global supply chain has not been considered the domain of the treasurer. But within the increasingly complex business environment that is the hallmark of globalization, the supply chain stands front and center among the treasurer’s concerns.

From the perspective of efficient working capital management, the treasurer has a vested interest in the global supply chain. Cash and trade converge—as do the physical and financial supply chains—in the effort to improve working capital efficiency. The financial supply chain, which drives financial settlement, takes over where the physical supply chain ends. While exporters want to receive payment quickly and with certainty, importers want to know with sureness when goods are arriving in order to better manage inventory levels and cash positions. For the treasurer, cash-flow certainty helps to optimize working capital management.

The sharing of information is critical at each stage to the cross-border movement of goods, the transfer of title, risk mitigation and timely payment. But the typically large number of supply-chain participants poses a challenge to the efficiency around the gathering and sharing of information that facilitates financial settlement. Removing such inefficiency condenses a transaction’s life cycle and enhances working capital efficiency. The treasurer’s ability to facilitate the flow of information across the physical and financial supply chains has a direct impact on working capital optimization.

From a risk management perspective, the global supply chain also has become a major component of the CFO’s and treasurer’s responsibility. Treasurers are accountable for managing a growing level of operating risk within the business environment and for complying with increased risk-related regulatory oversight. At the same time, the heightened regulatory emphasis on risk is driving further inefficiencies in the cash conversion cycle. For example, under the 24-hour manifest rule, importers must submit an electronic manifest of goods to verify the validity of a ship’s cargo. The rule extends the transaction cycle for those companies unable to satisfy information-reporting requirements. Companies must factor into the cost of doing business the additional expense associated with such regulations. Further, such requirements underscore how increased concerns around issues of security related to global supply chain activities—like the risk of a tampered shipping container—have direct impact to the treasurer and CFO by putting a company’s reputation at risk.

INTEGRATING SUPPLY CHAINS TO ENHANCE FINANCIAL PERFORMANCE
To address these challenges while improving working capital efficiency, CFOs and treasurers are calling for comprehensive solutions that integrate cash management, trade settlement and finance, and logistics management. Just as the Internet has played a significant role in enabling companies to source supplies from diverse locations, Web-based solutions are proving key to managing information across physical and financial supply chains.

Currently, JPMorgan Chase Bank is the most active and visible financial institution working in partnership with a third-party logistics management company to provide a comprehensive, holistic approach across both chains. JPMorgan’s relationship with Vastera enables companies to manage information across the physical and financial supply chains for an overall improvement in the transaction cycle. The JPMorgan-Vastera alliance offers a wide range of services in addition to classical trade instruments and open account financing options. Import services include HTS classification, import and supplier data management, entry management and document creation, duty minimization, post entry reconciliation, and purchase order management. Export services include ECCN...
classification, order screening, license control and management, shipment and payment documentation preparation, Bolero and TradeCard services, and export finance. The solution drives improved inventory management, reduced Days Sales Outstanding, and risk compliance.

Information management is a critical component of an integrated approach. Solutions like JPMorgan’s TradePOS and JPMorgan Trade Information Exchange (TIE℠) allow large-scale importers and exporters to drive efficient import and export processes and monitor all aspects of their transactions in real-time. JPMorgan’s TradePOS is an automated purchase order system. JPMorgan creates purchase orders on the client’s behalf and feeds the data into the client’s enterprise resource planning (ERP) system. JPMorgan’s TIE enables clients to check the status of their trade transactions and initiate inquiries on letters of credit, documentary collections, purchase orders, and document images—all online.

ENHANCING FINANCIAL SUPPLY CHAIN EFFICIENCY
JPMorgan is also at the forefront of delivering comprehensive solutions to drive financial supply chain efficiency. For example, the firm has integrated its automated payables solutions across cash and trade transactions. JPMorgan supports clients in efficient balance-sheet management through payables financing solutions such as open account financing. In addition, through its partnership with Xign Corporation, JPMorgan E-Payables Solution provides end-to-end automation of the core functions of the financial settlement process, including the receipt, validation, and routing of the invoice, dispute management, invoice approval, payment and posting.

ALIGNING SOLUTIONS WITH EVOLVING CLIENT REQUIREMENTS
These days, responsibility for the global supply chain as related to risk management and working capital optimization is squarely on the shoulders of the treasurer. As market requirements evolve to mirror the convergence of cash and trade, clients increasingly seek solutions that move beyond historical product silos. Financial institutions must take a client-centric approach when developing innovative, technology-based solutions that support treasury’s efforts to add value across the global supply chain.

In Depth With Paul Simpson
Paul Simpson is a senior vice president and the Emerging Payment Channels & Global Trade Business Executive for JPMorgan Treasury Services. In this role, Mr. Simpson is responsible on a global basis for a number of innovative products, including Trade Services and Logistics, Electronic Financial Services (government payment services), Pre-Paid Cards/EZ-Pay, EBPP, and EIPP/Payables Discounting, among others. He is a Board Member of the National Foreign Trade Council (NFTC), a Foreign Policy Association Fellow, and a committee member of the Bankers’ Association for Foreign Trade (BAFT) Project and Trade Finance Committee. Mr. Simpson can be reached at 212-552-4609 or at paul.simpson@jpmorgan.com.

• What trends are emerging in global supply-chain management?
  On a global basis, we are seeing an increasingly more risky operating environment. Within the context of this environment, fewer major banking providers will have the scale to deliver comprehensive solutions. Related to this is the convergence of cash and trade. Because the environment is growing more complex, clients increasingly will require that banks take a client-centric view to solutions rather than a product-centric focus. They will require integrated and comprehensive solutions that encompass cash management, trade and logistics.

• What are you hearing in the marketplace from clients? What are their main challenges or concerns, and what solutions are they asking for?
  Clients have heightened concerns around risk and security in the current global political environment. They are also focusing on financial and accounting risk, given the increased regulatory oversight around financial management provided by legislation like Sarbanes-Oxley. Clients are also challenged to grow their businesses globally with additional partners without decreasing their efficiency or increasing their financial risk. Within the context of the new paradigm for supply chain management, clients must be cognizant of the changing risks and ensure adequate control.
  Clients want a solution that maximizes their working capital on a global basis with consistent global technology. They want solutions that both support them in optimizing their cash and in managing the risks of transacting business on a global basis. Companies are looking for a banking partner that incorporates risk management as a key component of its working capital solutions.

• How is JPMorgan differentiating itself in the marketplace? And what do you see as the next generation of solutions?
  We are the most active and visible financial institution aligned with a third-party logistics management company. This enables us to provide integrated cash, trade and logistics solutions across the physical and financial supply chains and to manage information across both chains. JPMorgan is unique in integrating the physical and financial supply chains in a way that maximizes benefit for our customers.
  For the next generation of solutions, clients are calling for the ability to track containers anywhere in the world and detect whether a container has been tampered with. In the future, JPMorgan envisions a technology-driven solution to help companies manage smart containers.

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