

Purchase Order Financing Request

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Project Details

Domain	Supply Chain & Procurement Domain
Project Identifier	P1025
Bureau Decision #	#1206061
Project Proposal Status	Official
Project Page	Purchase Order Financing Request
Supporting VC	Raffaele Fantetti
Project Lead	Fabio Sorrentino
HoD Support	IT / NL / SE
Status	Completed
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Project Purpose

The purpose of the project is to develop a UN/CEFACT business standard for Purchase Order Financing.

Purchase Order (PO) financing (POF) is a financing option for trading parties that lack the funds to pay their suppliers (e.g. manufacturers), or Sellers that need cash in advance and on this basis can also offer extended payment terms to their Buyers. Once payment is collected from the buyers who signed the purchase orders, the purchase order financing company will be reimbursed for its outlays and collect its fee. Purchase order financing is a variation on factoring, which is typically based on invoices.

In a competitive market it is vital that company's businesses have access to on-going working capital as and when they need it, without the need for constant re-negotiation. Purchase Order Financing service supports optimization of company treasury and cash management, avoiding a debilitating shortage of cash which can eventually lead to the breakdown of profitable trading. From a wider point of view, this service can support the automation and improve the efficiency of the internal companies processes.

The purchase order financing service gives companies the opportunity to transform orders into working capital. In fact, it allows companies to get the money needed, for example, to pay their suppliers.

The project will include creation of required descriptions; Business Requirement Specifications (BRS) and Requirement Specification Mapping (RSM). The purchase order financing process is to be described together with the included business messages and transactions. The output will be used to obtain XML guidelines to support the business transactions for trading parties.

The project's deliverables will benefit corporate customers, banks and other financial institutions and vendors.

Project Scope

Purchase order financing gives companies a short-term solution for funding orders tied to inventory required to complete sales transactions. It can be both addressed to "receivable" (similar but different to factoring) or "payable" (financing of commercial debits) items. It can be based on purchase orders released/received or contracts already signed between customer and supplier. It can be covered by a banking credit line or by other financial agent, which caters for direct payment to the supplier.

It is normally used for cross-border trade transactions, on the basis of competitive service levels (e.g.: rate, duration).

The project purchase order goes within the Supply Chain Finance UN/CEFACT stream. It is similar to invoice financing, but with a different risk management standing. Orders can be linked to contracts or follow the contract on a periodic basis.

In order to foster support for stakeholders and avoid duplication of effort, the Project Team will encourage liaison and cooperation on related developments in the standards community, e.g., ISO Technical Committee 68 (Financial Services) and the ISO International Standard 20022.

Moreover, to ensure no standard overlapping, the POF project was presented during the latest ISO meetings in London - May 2014, through the official report given by the formal UN/CEFACT Liaison to ISO TC68.

Project Deliverables

The deliverables from the project are:

A Business Requirements Specification covering the PO financing process, for documenting user requirements and guiding the standards development process;

A document about Requirement Specification Mapping, developed on BRS basis. RSM will provide all the information necessary to develop the POF technological solution

The above documents should be the basis for further standardized message guidelines, e.g.:

PO Financing Request;
PO Financing Request Technical Status Report;
PO Financing Request Business Status Report.

Exit Criteria

The exit criteria of the deliverables are:

A catalogue of Business Requirements Specification covering the PO financing process
Internal and external review logs showing how comments have been addressed
Final draft text ready for publication
OR
Team leader opts to exit the project

A document about Requirement Specification Mapping
Internal and external review logs showing how comments have been addressed
Final draft text ready for publication
OR
Team leader opts to exit the project

Core Components needed for 3 standardized messages guidelines (to be defined)
Internal and external review logs showing how comments have been addressed
Final draft text ready for publication
OR
Team leader opts to exit the project

Project Team Membership and Required Functional Expertise

Membership is open to experts with broad knowledge in the area of Public-Private Partnerships, trade facilitation, cash management tied to Supply Chain Finance services or in the legal framework for cross-border trade. Experts are expected to contribute to the work based solely on their expertise and to comply with the UN/CEFACT Code of Conduct and Ethics.

Geographical Focus

The geographic focus of the project is global.

Initial Contributions

A working draft will be provided at the start of the project and additional input will be encouraged.

Resource Requirements

Participants in the project shall provide resources for their own participation. Additional specialized resources are required (e.g. refer to expert profile described in par. 5).

Resources required are business/technical user experts with a broad knowledge in the area of e-Business and PO process, from the Supplier, Buyer and Logistic service provider's point of view.

Modeling expertise is also required within the group.

Project Proposal Files

File	Modified
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No files shared here yet.