(e.g. collaboration between finance and procurement) and technology perspective (e.g. use of e-invoicing) to take advantage of the benefits that SCF solutions can bring.

On the supply side, the offer for SCF solutions is limited at present in Canada. Although most Canadian financial institutions provide customized receivables purchase programs for their large corporate clients, only a small number have developed supplier payment programs or distributor financing solutions.[36] The absence of legislation in Canada on *electronic* bills of exchange is a source of concern for some Canadian banks.[37] More fundamentally, the limited number of investment-grade GVC anchors in Canada tends to make it a relatively unattractive market to pursue for Canadian and global banks and for technology service providers.[38] Also, SCF solutions compete with traditional bank lending and trade finance products while offering lower risk-adjusted returns. Lastly, Canadian financial institutions have been reluctant to partner with each other to offer SCF solutions, preferring instead to compete for the business of both buyers and suppliers.

On the technological front, as indicated previously Canada (just like the United States) lags the rest of the world with respect to the use of electronic payments and it will probably take at least a decade before the gap between payment practices in Canada and those observed in leading-edge jurisdictions (such as Finland) is narrowed. Canada also lags Europe, Asia and parts of Latin America considerably in regards to replacing paper-based business and trade documentation with electronic versions. These delays hurt the competitiveness of Canadian segments of GVCs by slowing the adoption of today's technology-driven SCF solutions.

Canadian suppliers potentially at risk

An important present-day trend in supply chain management involves GVC anchors reducing the number of their suppliers and simultaneously developing closer ties with remaining suppliers. SCF solutions can help develop strong ties between trading partners and are expected to be used in part for this purpose by GVC anchors in the future. Because of the low rate of automation of financial flows and the limited offer for SCF in Canada, some Canadian exporters may be at risk of being excluded from the supplier base of American and foreign GVC anchors. The reluctance of many global SCF banks (with which these GVC anchors work) to perfect their security interests in Canada and to fulfill know-your-client rules with Canadian-based suppliers compounds this risk.[39]

---

36 At time of writing, the Bank of Montreal, National Bank and the Bank of Nova Scotia were the main Canadian financial institutions that offered, in varying degrees, supplier payment programs.

37 A bill of exchange (often called a draft) is a commonly used financial instrument in international trade transactions. It is an unconditional order in writing from the exporter to the importer requiring the importer, if it accepts the order, to make payment on demand to the exporter on the payment due date.

38 At time of writing, Citi and HSBC were the only global banks actively promoting their SCF services in Canada.

39 Know-your-client (KYC) rules correspond to the due diligence that banks are required to perform to identify their clients and confirm relevant information prior to doing business with them. KYC rules aim to combat, in particular, money laundering, terrorism financing and identity fraud. When a bank does not have a significant footprint in Canada, performing this due diligence can be costly and time consuming. The same issue arises with respect to the perfection of banks' security interests (i.e. it is more complex for foreign banks with a minimal presence or no presence at all in Canada to secure their rights and title to Canadian suppliers' foreign receivables).