- Low-margin business for banks who therefore request high transactional volumes in order to accept suppliers under supplier payment programs
- Limited risk appetite by banks to put in place supplier payment programs when the buyer is not an investment grade risk
- Limited risk appetite of many banks for upstream (e.g. in-transit inventory financing) and downstream (e.g. distribution financing) SCF exposures
- Inability of banks to provide, on their own, sufficient SCF capacity to some GVC anchors due to credit constraints
- Costly for banks to develop, on their own, the technology to support their SCF activities[27]
- Cumbersome and costly for banks to perform due diligence and perfect their security interests when their footprint is minimal in suppliers' or distributors' home country
- Bank contact points within GVC anchors and suppliers tend to be with finance and treasury people whereas in many cases the procurement office would be a more appropriate point of contact

Technological/regulatory impediments:

- Lack of a standard technology with respect to corporations', banks' and technology service providers' supply chain financing platforms - which increases complexity and costs for users
- Lack of automation within the financial supply chain and of connectivity with the physical supply chain
- Challenges associated with the development of technology solutions that allow for the provision of multiple forms of SCF solutions as well as other trade-related bank services (e.g. cash management and treasury)
- Lack of confidence in electronic security and the legality of electronic signatures or complex e-security processes[28]
- Accounts payables have at times been treated as bank debt (notably in the United Kingdom and in the United States) when processed through supplier payment programs – which acts as a deterrent to their adoption for some GVC anchors[29]
- Basel III could increase the cost or reduce the supply of SCF due to a proposed increase on capital requirements for trade finance transactions[30]

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[27] Banks don't have to develop their own SCF platforms. They can use, instead, applications developed by technology service providers or by other banks. Nevertheless, for strategic reasons some banks wish to differentiate themselves from their competitors through their SCF platform and do not wish to become dependent on an external party's technology. For more on this issue, see Liz Salecka, "Accelerating Supply Chain Finance" *Global Trade Review*, September/October 2009.

[28] For example, Canada's current regulations on electronic signatures, adopted in 2005, include stringent requirements for an electronic signature to be treated as "secure" and thus equivalent to a manual signature affixed on a paper document. For the text of the regulation see *Secure Electronic Signature Regulations [SOR/2005-30]* at http://laws.justice.gc.ca.

[29] The reclassification of trade payables as bank debt can be problematic if it leads to loan covenants relating to bank indebtedness to be breached or if the reclassification stands to significantly distorts a GVC anchor's financial ratios (e.g. days payable outstanding).

[30] BAFT-IFSA (2010), "Joint Industry Letter Warns Basel III Could Slow Economic Recovery", News Release, November 2, 2010. The Canadian Bankers Association is a member of BAFT-IFSA.