

to sell their accounts receivable immediately if they choose to at discounted rates based on the buyer's credit rating, giving them access to cash much sooner than before.

As the purchasers of the accounts receivable are financial institutions that are participants on the platform<sup>15</sup>, they can establish a documented track record of performance with other financial institutions. This has led to extensions of credit (outside the platform) for other activities (capital equipment purchases, mergers/acquisitions) to the suppliers that would not have been available without this platform.

The financial institutions for their part are now purchasing assets that were not available before and are using the underutilized credit capacity of the buyers as the credit enhancer. This has allowed them to extend further credit to buyers, and has helped them enhance their relationships with these buyers as the buyers continue to grow, both domestically and internationally. The platform has particularly benefited factoring companies in Mexico, as factoring volumes have risen significantly.

The actual mechanics of a transaction are as follows:

1. A Cadenas Productivas program is set up with a large buyer.
2. Nafinsa hosts the platform for data exchange.
3. Suppliers are invited by the buyer to register to transact on the platform. Standard terms are negotiated (generally net 90 days) (off line).
4. The buyer issues a purchase order to the supplier (off line).
5. The supplier performs the work and submits an invoice to the buyer (off line).
6. Goods are received. When the invoice is accepted by the buyer, the supplier is notified by a posting of the buyer's Account Payable (supplier's Account Receivable) on the platform.
7. At this point the supplier has three options: (i) immediately discount the Account Receivable at rates, posted on the platform, based on the buyer's credit risk; (ii) discount any time

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<sup>15</sup> It should also be noted that the participating financial institutions include traditional banks (deposit taking institutions), as well as other financial institutions such as factoring companies.