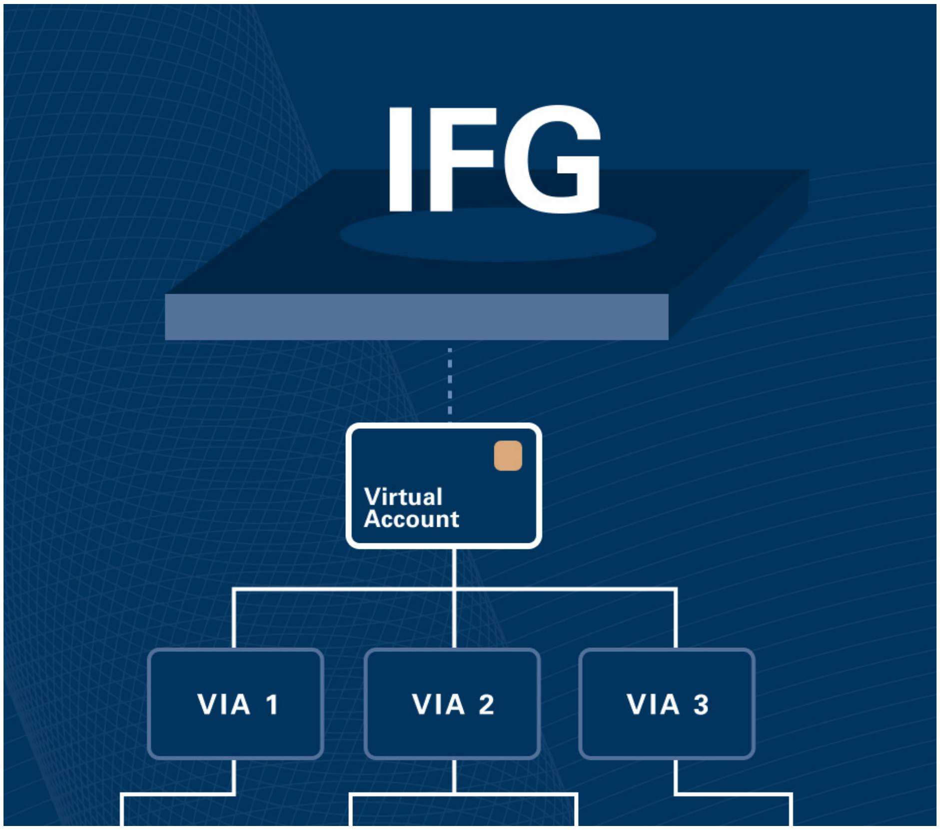
Goldman Sachs | TRANSACTION BANKING

How IFG Leverages Goldman Sachs Virtual Integrated Accounts (VIA)™ for Supply Chain Finance Innovation

Introduction



Goldman Sachs Transaction Banking (TxB) was purpose-built to enable innovation, with an API-based platform developed in the cloud. The Interface Financial Group (IFG), on the other hand, is focused on bringing innovation to supply chain finance, with a unique technology platform that's changing how companies access invoice early payment services.

And now, IFG is using Goldman Sachs Virtual Integrated Accounts (VIA)™ to simplify and speed up a number of supply chain finance processes, such as account openings for suppliers. With TxB, IFG has streamlined operations and reduced the time required for some steps from days to seconds. The collaboration between the firms is natural, as both organizations are committed to the premise that API integrations are central to the ongoing transformation of the finance industry. ■

Background

Supply chain finance is a well-established buyer-initiated business that, through short-term credit based on outstanding invoices, provides liquidity to suppliers and buyers, thus helping them optimize working capital. Complicated processes make supply chain finance ripe for innovation.

With its unique data-driven, cloud-based decision engine and instant digital compliance, IFG makes supply chain finance accessible and convenient for more companies in more situations. IFG achieves greater automation by integrating seamlessly with buyers' enterprise resource planning (ERP) systems, procure-to-pay, accounts payable automation or e-invoicing platforms. IFG also makes it easier for participants, who fund the short-term credit, to put their money to work efficiently.

In addition, IFG is investing in technology to increase speed, automation and ease of use. For example, IFG introduced a 100 percent digital supply chain finance system with its unique and sophisticated proprietary dynamic credit limit method. This enables IFG to purchase supplier invoices up to a certain amount based on the supplier's dynamic credit profile, providing suppliers faster access to invoice early payment services. Additionally, with TxB's VIA solution, IFG has fully automated the "last mile" of physical payments execution by provisioning virtual accounts with ACH-recognized account numbers for suppliers. TxB's platform also provides clients with full visibility into the flow of transactions. ■

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How It Works

The supplier relationship

Among the pain points that IFG faced was the assignment of supplier payments. While IFG could onboard a new supplier quickly—with a onetime click-through sign-up—a lengthy parallel process was required before the first funds could flow. Buyers needed to establish IFG as a vendor in their accounts payable systems each time a new supplier was onboarded, thus slowing down the funding transaction. With the TxB solution, IFG creates a supplier virtual account during supplier onboarding, and the buyer can pay into the corresponding supplier virtual account, all without incremental IFG onboarding work on the buyer side.

IFG evaluated the TxB technology stack, and found in TxB a partner with fintech-grade APIs that could help advance its digital supply chain financing model and bring greater value to clients. TxB's VIA offering has significantly sped up the reconciliation of supplier payments by assigning each supplier a virtual account during onboarding, thus ensuring that payments are segregated by supplier rather than being intermingled.

It took just months to develop, test and deliver the solution, and the initial implementation went live in March 2022. This speed reflects not just TxB's commitment to best-in-class technology and agile software development, but also its client-centric culture that prioritizes speed of delivery.

Assessing the benefits

The virtual accounts IFG can now provide to participating suppliers function as subledgers on IFG's demand deposit account (DDA) at TxB, and each VIA is configured with a clearing-recognized unique account number and separate banking transfer instructions.

VIAs make reconciliation simpler and less error prone, as supplier details are associated with one corresponding virtual account. The VIA solution fa-

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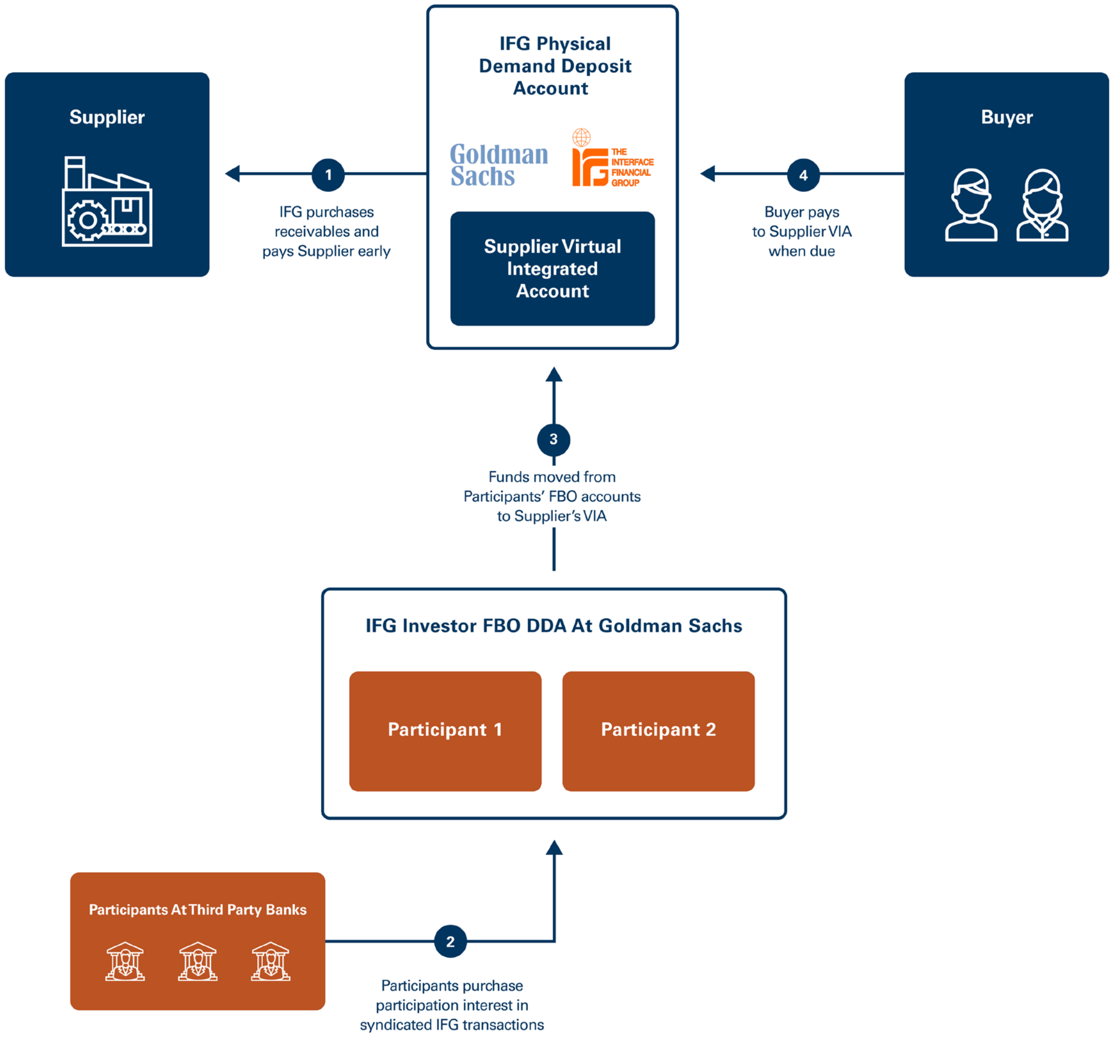
How It Works

With Goldman Sachs Virtual Integrated Accounts™ IFG Has Streamlined Supply Chain Finance Payments

Illustrative Payment Flow



cilitates automated payments into the supplier's external bank account whenever needed, such as when an invoice is bought by IFG and exchanged for cash. The payment process is based on templates TxB created via its APIs that incorporate internal controls and security protocols, with buyers making payments to each supplier's VIA based on approved payment instructions.

A key aspect of the VIA offering that attracted IFG is the ability to create supplier accounts in real time when IFG onboards suppliers.

The participant relationship

Supply chain finance involves not just the buyers and suppliers from whom the invoices originate, but also institutional investors who participate in syndicated funding of short-term extensions of credit. Streamlining and automating transactions with these participants who participate in funding the invoices is another differentiator for IFG.

IFG has set up a TxB "for benefit of" account, known as an FBO account, that holds the funds

How It Works

used to purchase participation interest in the IFG syndicated transactions, and IFG uses the VIA solution to automatically keep the flows segregated.

IFG's participants are provisioned with virtual accounts at the time of onboarding, helping them to put their money to work quicker and making the process more seamless. Participants do not need to open a new bank account, but can rather use IFG's affiliate accounts. Virtual accounts facilitate the transfer of funds, including fees and principal payments, which allows reconciliations to become simpler and more transparent.

The virtual account solution for IFG's participants also improves IFG's auto-investing process. Participants can take advantage of new investment opportunities based on pre-defined invoice criteria and can automatically roll funds into new investments, thus maximizing yield. If the participant elects to withdraw funds at maturity, payments into the participant's designated bank will be automated.

IFG's proprietary technology allows participants to identify specific transaction attributes they are looking to fund. The VIA offering complements this feature. Participants are given optionality within a closed supply chain finance ecosystem, thus maximizing engagement.

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Conclusion

TxB's aim from the start has been to develop the technology and services needed by tech-savvy companies like IFG to better implement their vision of the future.

While implementing its next generation digital supply chain finance platform, IFG recognized how the VIA solution streamlines its services and strengthens ties with clients. VIAs are also a foundational building block for other banking-as-a-service (BaaS) offerings. We see many more places where VIA can change the game—by making online marketplaces function better, for example.

TxB is creating an advanced banking platform for innovative financial services, and the collaboration between TxB and IFG is just one example of the potential that lies in that direction. ■

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About the Authors

Chad Papson *is head of supply chain finance sales and the consumer retail industry vertical at Goldman Sachs Transaction Banking. He has extensive buy side experience in short term fixed income products, securities lending, equities and fixed income securities trading, and market operations and settlement. He has an MBA from Northeastern University and a BS in Economics from Quinnipiac University.*

Vishnu Kumar *is IFG's lead software architect charged with creating cutting edge system architecture, expanding IFG's platform, and guiding technology partnerships. Before joining IFG, Vishnu was a Vice President at Clear Iris and a Vice President of Information Technology at Instructional Technologies. He holds MBA and Computer Science degrees from the University of Michigan.*