

# Building a modern receivables finance ecosystem in South Africa

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## Foreword

In 2024, BASA commissioned research into SMEs titled “Banking on small and medium-sized enterprises”. This work was pivotal for the ongoing discussion around the role banks play in supporting SMEs and to understand the complexity of the various challenges faced by SMEs.

The report demonstrated that the availability of funding was not the constraint, there was adequate funding, but gaining access to funding, amongst others, was a challenge.

This research will introduce receivables finance, as a viable alternative means to access finance. Using unpaid customer invoices as a financeable asset, the challenges of meeting the criteria to access finance from several institutions is reduced.

This research also links to another research report “Unlocking the African Continental Free Trade Area growth opportunities for South Africa banks”, as receivables finance becomes a viable alternative to cross border financing.

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# Preface

Receivables finance is not a new product, but it is underutilised when measured against other comparable countries.

As SMEs remain a key focus for South African economic growth, the opportunity presents itself to examine the market for receivables finance and identify what potential issues need to be considered to make the market more efficient.

Banks are not the only participants in this market, there are many non-bank financial institutions. What this research hopes to achieve, is to begin a conversation around how to expand this market, and by building trust amongst its participants, collectively initiating this growth.

Receivables finance is underutilized in South Africa, with an SME funding gap<sup>1</sup> estimated at R350 billion, and by learning from the best international practices adopted in other jurisdictions, we should be able to support our economy by simplifying access to finance.

In the absence of a contractually enforceable payment period, at no cost to the SME, receivables finance may be the only practical approach to resolving the cash conversion cycle for SMEs.

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<sup>1</sup> Finfind, Experian, International Finance Corporation (IFC), Stellenbosch University and African Bank (2025), South African MSME Access to Finance Report 2025, Johannesburg: Finfind.

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# Definitions, abbreviations, and acronyms

AfCFTA	African Continental Free Trade Area
BA900	Bank reporting for prudential supervision and financial stability monitoring
CIPC	Companies and Intellectual Property Commission
DTIC	Department of Trade, Industry, and Competition
FCI	Factors Chain International
SME	Small and medium sized enterprise
US UCC Article 9	US Uniform Commercial Code framework governing secured transactions
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development

# Executive summary

Receivables finance, the process of using unpaid customer invoices to obtain immediate cash, has become a critical source of liquidity for small and medium-sized enterprises (SMEs) globally.

In advanced markets such as the European Union, the United Kingdom, and parts of Asia, modern assignment frameworks, centralised electronic registries, and transparent reporting systems have allowed receivables-based finance to scale as a reliable, low-cost source of working capital. These reforms have strengthened supply chains, reduced SME failure rates, improved credit-market efficiency, and expanded access to finance for previously underserved sectors.



South Africa's receivables finance industry, previously referred to as debtor finance, is well established and has strong growth potential. Estimates suggest that the broader receivables finance ecosystem, including factoring, invoice discounting, receivables purchases, accounts receivable financing, reverse factoring and fintech platforms, ranges between USD 4 and 6 billion, with the potential to exceed R10 billion.

South Africa accounts for the largest share of factoring volumes in Africa, with sectors such as transport, manufacturing, construction, wholesale trade, and agriculture particularly reliant on receivables finance due to chronic late payments, long receivable cycles, and widening SME cash-flow gaps.

Despite this potential, structural, legal, and regulatory barriers constrain the industry. Contractual anti-cession clauses, the absence of a centralised receivables registry, and fragmented supervisory oversight prevent receivables from functioning as fully financeable assets. While South African common law recognises cession, suppliers routinely enter into contracts that restrict the transfer of receivables. This reduces SMEs' ability to convert approved invoices into liquidity, increases transaction risk for financiers, and limits the depth of the industry. The lack of a national registry elevates due diligence costs, increases the risk of double financing, and suppresses confidence in non-recourse and export factoring models. Moreover, current BA900 reporting does not capture receivables finance exposures, limiting regulators' and policymakers' ability to monitor the market effectively.

**Section 1** of this paper discusses the current landscape of receivables finance in South Africa, outlining how it operates, the main models in use, and the sectors with the strongest demand. It highlights the market's size and economic importance while noting the persistent challenges in this space.

**Section 2** discusses the legal and structural barriers limiting the growth of receivables finance in South Africa, particularly the widespread use of anti-cession clauses that prevent SMEs from using invoices as collateral for working capital.

**Section 3** of this paper presents the case for a modern receivables finance framework that enhances legal certainty, improves transparency, protects buyers' legitimate commercial interests, and positions receivables as widely recognised financeable assets. While reverse factoring has grown in South Africa, it circumvents existing legal barriers rather than resolving the structural weaknesses of the system.

A comprehensive reform agenda is therefore necessary, anchored on three core pillars:

1. A dedicated receivables law that limits unjustified anti-cession restrictions, establishes priority rules, clarifies notice and dispute procedures, and balances the rights of buyers and suppliers.

2. A centralised, digital receivables registry enabling real-time verification of assignments, reducing fraud and lowering credit risk pricing.

3. A modernised reporting and oversight framework, including updated BA900 line items that distinguish between factoring, reverse factoring, invoice discounting, marketplace advances, and cross-border transactions.

These reforms are designed to promote balance and efficiency across the entire ecosystem. International experience demonstrates that when assignment rules are clear, registry infrastructure is reliable, and reporting standards are transparent, all parties benefit, since:

- buyers gain greater visibility and protection against duplicate claims
- SMEs access cash earlier and scale more sustainably
- financiers reduce operational risk and expand funding appetite
- policymakers obtain reliable data to monitor economic trends and sectoral stress

**Section 4** provides strategic recommendations for all stakeholders. For policymakers and regulators, this includes enacting a dedicated Receivables finance Act, modernising BA900 reporting, establishing guidelines for reverse-factoring programmes, and implementing payment-practice standards aligned with global best practice.

For industry participants, the recommendations focus on standardised documentation, improved data-sharing protocols, and coordinated collaboration across banks, fintechs, and factoring associations. Corporate buyers are encouraged to implement well-structured supply-chain finance programmes, improve dispute-management processes, and integrate with registry systems. SMEs are advised to strengthen awareness, governance, and digital adoption to participate safely in receivables finance markets.

South Africa has a clear opportunity to create a fit-for-purpose receivables finance ecosystem that provides efficient and trusted funding for SMEs. The market is significant, demand is rising, and the economic benefits of modernising the sector are substantial. Until targeted reforms are implemented, legal uncertainty, data fragmentation, and operational inefficiencies will continue to suppress growth and limit financial inclusion.



## SECTION 1

# The current landscape of receivables finance in South Africa

Receivables finance is increasingly recognised as a vital liquidity tool for SMEs worldwide.

In advanced markets such as the European Union (EU), the United Kingdom (UK), and several Asian jurisdictions, modern legal frameworks, backed by open assignment regimes, centralised digital registries, and transparent reporting mechanisms, have helped receivables finance scale into a mainstream credit channel. These systems are marked by legal certainty, standardised data, and efficient enforcement processes, creating high-trust, low-friction markets that support SME growth, boost export competitiveness, and enhance overall economic resilience.

South Africa's receivables finance environment, while functional, faces structural and legal constraints that limit market growth, increase risk premiums, and restrict broader financial inclusion. The absence of a comprehensive receivables framework, continued use of anti-cession clauses, lack of a centralised registry, and limited visibility in supervisory reporting, all contribute to suppressing the industry's potential. These gaps also limit banks and non-bank funders from offering scalable working-capital solutions to SMEs.

A healthy receivables finance ecosystem relies on clear rules for transferring, enforcing, and verifying receivables. South Africa's legal system, grounded in strong common-law foundations, provides a solid

base, but certain aspects of the current environment create uncertainty and inefficiency, particularly for SMEs trying to unlock liquidity from their receivables. Addressing these constraints is essential to building competitive credit markets, strengthening the SME sector, and supporting national development priorities.

### **This section, therefore:**

- Establishes key terminology and financing models
- Presents a comprehensive view of South Africa's current receivables finance market
- Analyses the scale, structure, sectoral demand, and data visibility challenges
- Identifies foundational gaps that highlight the need for legal and regulatory reform

## **1.1 Clarifying terminology: cession vs assignment**

South African law uses the concept of cession, which refers to the transfer of a creditor's personal right to claim payment from a debtor to another party (usually a financier). This is well-established under common law and remains the operative mechanism for receivables transfer.

Internationally, the term assignment is more commonly used in statutory frameworks, including

those of the United Nations Commission on International Trade Law (UNCITRAL), the EU, and most global factoring networks such as Factors Chain International (FCI). While the terminology differs, the commercial effect is the same: the right to receive payment is transferred.

In this paper, we use ‘cession’ to refer to South Africa and ‘assignment’ to discuss international models.

## 1.2 Understanding the different models of receivables finance

Debtor finance is the regional term commonly used in markets such as South Africa and the UK for what is internationally referred to as receivables finance, a category within the broader supply chain finance framework. Supply chain finance generally comprises three main financing structures: receivables finance (supplier-led financing such as factoring and invoice discounting), payables finance (also known as reverse factoring), and loan-based financing such as inventory or pre-shipment finance.

To understand the regulatory challenges facing South Africa, it helps to first distinguish the primary models of receivables finance: traditional factoring and reverse factoring.

### 1.2.1 Traditional factoring

Traditional factoring involves the sale or cession of receivables from a supplier to a financier, who advances 70–85% of the invoice value and collects payment directly from the buyer. There are two main variants:

#### (a) Recourse factoring – the supplier bears default risk

Key features:

- The financier provides funding but does not assume credit risk
- Unpaid invoices are “recoursed” back to the supplier
- Pricing is lower
- Enforceability of cession is critical

Recourse factoring dominates in South Africa due to legal uncertainty around anti-cession clauses and the challenges of structuring true risk-transfer arrangements.

#### (b) Non-recourse factoring – the financier assumes buyer default risk.

This model is common internationally, especially for exports, but is limited locally due to legal uncertainty regarding cession and enforceability.

### 1.2.2 Reverse factoring

Reverse factoring is buyer-led. Once a buyer approves an invoice, a financier pays the supplier early and collects payment from the buyer at maturity.

**Key features:**

- The SME does not cede receivables
- Pricing is based on the buyer’s credit strength
- Anti-cession clauses are not a concern
- Supports supply-chain stability

However, reverse factoring depends entirely on buyer participation and is less applicable for SMEs selling into fragmented or informal markets.

### 1.2.3 Cross-border factoring and open-account trade finance

Globally, trade finance is shifting away from traditional instruments like letters of credit (L/Cs) toward open-account trade, supported by receivables-based financing. Today, open-account trade, accounts for more than 80% of global merchandise trade, by volume, driven by cost efficiency, speed, and digitalisation (ICC, 2020).

In this context, cross-border factoring especially non-recourse export factoring has emerged as a key tool for managing payment risk while maintaining exporters’ liquidity.

Cross-border factoring allows exporters to sell foreign receivables to a financier, often through an international factoring network, with the financier assuming buyer default risk. This protects exporters against non-payment while providing early cash access, without the complexity and cost of traditional trade instruments. Globally, factoring has been especially effective in helping SMEs participate in value chains where access to L/Cs is limited or expensive (FCI, 2024).

For Africa, particularly under the African Continental Free Trade Area (AfCFTA), cross-border factoring could be transformative. SMEs dominate intra-African trade, often operating on open-account terms but constrained by payment risk, weak enforcement, and limited trade-finance access.

A modern receivables finance framework, backed by enforceable assignment rules, transparent registries, and reliable reporting, could offer a lower-cost and scalable alternative to traditional trade finance, boosting trade flows while protecting counterparties.

The effectiveness of cross-border factoring, however, hinges on legal certainty regarding assignment, clarity of priority, and the ability to verify ownership of receivables. Without these foundations, non-recourse and export-oriented receivables finance remains limited, particularly for SMEs seeking to expand into African markets.

### 1.3 Why this distinction matters

Understanding these models is crucial because:

- Traditional factoring relies on legal clarity, cession, notice, dispute rights, priority, and prevention of multiple financing
- Reverse factoring bypasses legal barriers but does not eliminate them
- A modern framework should support both models to serve all SME segments

With these foundations in place, we can now turn to the state of South Africa’s receivables finance market to discuss its size, structure, demand patterns, and data gaps.

### 1.4 Market size and growth trends in South Africa

Despite its strategic importance, South Africa’s receivables finance industry is poorly captured in public datasets.

Independent studies, industry reports, and global factoring statistics provide insights, but inconsistencies in definitions make it difficult to determine the actual market size.

#### Global context

- Global factoring volumes reached **EUR 3.66 trillion in 2024**, outpacing global trade growth (UNCTAD)
- FCI reports global turnover of **EUR 3.894 trillion in 2024**, a 2.7% increase from 2023
- Africa’s market grew **5.9% in 2023**, reaching EUR 50 billion, led by South Africa, Nigeria, Egypt, Mauritius, and Morocco

#### South Africa’s reported activity (FCI Global Factoring Report 2024)

**EUR 42,628 million** total factoring volume (2024):

- EUR 42,490 million **domestic**
- EUR 138 million **international**

These figures reflect traditional factoring only, typically structured around large corporate-to-corporate facilities, with little direct SME benefit.

#### Market-size scenarios:

Scenario	Estimated market size (USD)	Scope of estimate	Notes
Conservative	0.3 – 0.45 billion	Traditional factoring only	Excludes reverse factoring and digital platforms
Central (Working Estimate)	4 – 6 billion	Factoring + invoice discounting + digital receivables finance	Widely accepted as realistic
Optimistic	9 – 10+ billion	Includes supply-chain and structured receivables finance	Broadest definition; may include overlaps

Even the conservative estimate points to a meaningful market, while the central estimate shows that receivables finance is now a mainstream working-capital tool.






SME payment delays as a driver of demand:

- **90%** of SMEs report late payments (*Xero, 2019*)
- **80%** of SMEs still face overdue invoices (*BusinessTech, 2024*)

Persistent payment delays create structural liquidity gaps, explaining the strong growth of debtor finance.

## 1.5 Sectoral activity – where demand is concentrated

Receivables finance is used across the economy, but is most critical in sectors with long payment cycles and high working-capital needs:

Sector	Why receivables finance matters
 Transport & logistics	High invoice volumes, long payment terms, exposure to fuel/operating costs
 Manufacturing	Financing inputs and production cycles; delays from distributors
 Wholesale/retail/distribution	Seasonal cycles, large customer bases, widespread payment delays
 Agriculture/agro processing/exports	Seasonal liquidity gaps, export receivable risks

These sectors are major contributors to GDP and employment, highlighting the macroeconomic relevance of receivables finance.

## 1.6 Data gaps, visibility challenges, and BA900 limitations

A recurring theme in South Africa's receivables finance landscape is poor visibility. No standard reporting framework exists to capture factoring, invoice discounting, reverse factoring, or fintech receivables platforms.

### Current BA900 reporting:

Receivables finance activity	Where reported today	Why this is a problem
Traditional factoring	Bills discounted / other loans	Product invisibility; sectoral breakdown lost
Invoice discounting / fintech platforms	Other loans	Fintech activity invisible in SARB data
Reverse factoring	Off-balance or trade liabilities for some parties	Buyer-sponsored programmes not captured
Single-invoice financing	Short-term loans	Cannot distinguish from general lending
Cross-border factoring	Foreign assets	FX exposure and sectoral effects not visible

Source: SARB, 2023

### Why this matters for policy and market development:

- Market size is undercounted
- Lack of product-level data prevents tracking national liquidity trends
- Off-balance-sheet structures hide reverse-factoring exposures
- Sector- and SME-level data are missing, limiting targeted interventions

### For policymakers, this means no definitive view of:

- How many SMEs rely on receivables finance
- Which sectors benefit most
- Pricing and lending patterns
- Systemic risks from fast-growing fintech providers

## 1.7 What the numbers tell us?

The evidence points to a clear picture:

- 01 South Africa has the continent's most advanced receivables finance market but its true size is under-reported.
- 02 Demand is structurally high, driven by chronic late payments and working-capital constraints.
- 03 The industry is broadening, with fintech platforms and marketplace lenders growing rapidly.
- 04 Critical data gaps weaken policymaking and suppress investment.
- 05 Market significance is not matched by legal or reporting infrastructure.

In short, South Africa has a large, economically important, yet poorly understood receivables finance market.

## 1.8 Implications for advocacy and reform

The key challenge is that the economic significance of receivables finance is not matched by an enabling legal and regulatory environment.

### Key advocacy implications:

- Anti-cession clauses continue to restrict SME liquidity
- The absence of a receivables registry perpetuates fraud risk and raises credit costs
- BA900 reporting masks product-level visibility and market development trends
- Buyers lack legal certainty to engage confidently in cession-based transactions
- Policymakers lack the data needed for evidence-based SME finance interventions

This gap between market reality and regulatory architecture makes reform urgent.

## 1.9 Conclusion

South Africa stands at an inflection point. The receivables finance market is large, growing, and increasingly vital for SMEs, yet it operates within a fragmented legal and reporting environment that constrains its potential. While demand continues to grow, supply-side barriers, legal uncertainty, registry gaps, data fragmentation, and inconsistent reporting limit the scalability, affordability, and competitiveness of debtor-finance products.

This section has provided a comprehensive overview of the current landscape. The next section examines, in greater depth, the specific legal and regulatory barriers, including anti-cession clauses, lack of notice and priority rules, absence of a central registry, and BA900 reporting limitations. Together, these barriers form the foundation of the reform agenda discussed in subsequent sections.

## SECTION 2

# Legal barriers affecting receivables finance

While Section 1 introduced the foundational concepts and operational models of receivables finance, this section examines the legal and structural barriers that hold back the growth of South Africa's receivables finance market.

These barriers shape the behaviour of buyers, suppliers, and financiers, and ultimately determine whether receivables can function as a reliable, scalable source of working capital for SMEs.

The subsections that follow identify the most significant legal constraints, assess their economic impact, and benchmark South Africa's position against international best practice.

### 2.1 Preclusion of cession in commercial contracts

One of the biggest obstacles is the widespread use of anti-cession clauses (or preclusion of cession clauses). These are typically inserted by the buyer as part of standard procurement terms to prevent the supplier from transferring, selling, or pledging their receivables.

Buyers often justify these clauses on administrative grounds that they want to control who they engage with, maintain confidentiality, and avoid dealing

with unfamiliar third parties. But while enforceable under South African common law, these clauses can have a disproportionate impact on SMEs, restricting their ability to convert approved invoices into working capital.

In practice, SMEs rarely have the bargaining power to challenge these clauses. Large corporations, retailers, manufacturers, and state-owned enterprises routinely include them as standard. Many SMEs unknowingly sign away their access to receivables finance before even realizing it.

For SMEs that rely on invoice finance to bridge long payment cycles, this effectively shuts off a vital source of liquidity. Any invoice with a preclusion of cession clause becomes "non-factorable," even if the SME is otherwise creditworthy. This erodes financial inclusion, weakens cash flow stability, and slows down supply chains dependent on timely working capital.

### 2.2 Impact on SMEs and economic growth

For small businesses, cash flow is everything. For many South African SMEs, the most valuable asset, the lifeblood that keeps the business running, is the money owed by customers. These trade receivables should serve as a bridge to working capital, yet for thousands of businesses, that bridge is blocked.

Consider a small manufacturing firm, Siyanda Engineering. They supply parts to a large national companies. Their work is solid, invoices are reliable, and customers eventually pay, but often 60, 90, or even 120 days later. In the meantime, salaries must be paid, materials purchased, and orders kept flowing.

Siyanda's receivables could be ceded to a bank or factored for immediate cash, but one sentence buried in their supply contract stops everything:

***“Cession of rights is prohibited.”***

Because cession is the legal mechanism for transferring receivables to a financier, this single clause traps Siyanda and thousands like it in long payment cycles. Without working capital, they cannot take new orders, hire staff, or scale. The ripple effects extend across entire supply chains: construction, manufacturing, logistics, mining services, all built on layers of SMEs, begin to slow.

Why do buyers insist on these clauses? From their perspective, the motivations are practical:

- They want tight control over who they pay and how payment information flows
- They worry about confusion or disputes if invoices are ceded multiple times
- Confidentiality is a concern, as pricing, volumes, and performance metrics are sensitive
- Sometimes, there is an unspoken preference to maintain leverage; if suppliers cannot access alternative financing, they remain dependent

These concerns are understandable. But total prohibition of cession is a blunt tool. It protects buyers from potential administrative inconvenience while causing disproportionate harm to SMEs. What starts as one contractual sentence quietly erodes financial resilience, competition, and opportunity across the economy.

## 2.3 Legislative intervention

Despite the profound impact of anti-cession clauses, there is no South African statute that governs, authorises, or restricts their use. Their enforceability is a matter of common law,

which strongly upholds freedom of contract and the sanctity of agreed terms.

South African courts consistently uphold anti-cession clauses that are clearly drafted and voluntarily agreed to. As a result, financiers cannot accept receivables subject to such clauses, even when the invoice is undisputed and economically sound.

This creates a structural limitation within the receivables finance market. Because the restriction comes from common law rather than statute, no regulatory lever exists to balance the competing interests of buyers, suppliers, and financiers. The law prioritises contractual certainty and administrative convenience over SME financing, supply-chain resilience, and financial inclusion.

Crucially, market guidance or voluntary codes are not sufficient. As long as the common-law position remains unchanged, buyers will continue to insert anti-cession clauses, and SMEs, lacking bargaining power, will continue to accept them.

Addressing this barrier requires legislative intervention that overrides the common law's effect on anti-cession clauses in defined commercial contexts. Such intervention would not abolish freedom of contract but recalibrate it where its exercise causes systemic economic harm.

Comparable jurisdictions have adopted targeted statutory reforms that render anti-assignment clauses ineffective for trade receivables, while still preserving legitimate debtor protections such as:

- Notification requirements
- Confidentiality safeguards
- Rights of set-off

In South Africa, a similar approach would provide legal certainty for all parties:

- Buyers retain clarity over payment obligations and disputes
- Financiers gain confidence that receivables can serve as enforceable financeable assets
- SMEs regain access to a critical source of working capital, reflecting the real value of their economic activity.

Without legislative reform, receivables finance will remain constrained, not by demand or market failure, but by an outdated legal framework.

## 2.4 Structural regulatory gaps

### 2.4.1 Absence of a central receivables register

South Africa currently lacks a dedicated receivables registry. Although the country has national registries for other purposes, for example, a registry of company records maintained by the Companies and Intellectual Property Commission and the registration of certain security instruments in the Deeds Office, these systems illustrate the benefits of centralised registries: South Africa currently lacks a dedicated receivables registry. Although the country has national registries for other purposes, for example, a registry of company records maintained by the Companies and Intellectual Property Commission and the registration of certain security instruments in the Deeds Office, these systems illustrate the benefits of centralised registries but do not provide the specialised infrastructure required for receivables finance.

In advanced jurisdictions, centralised registries improve transparency and reduce fraud. They allow financiers to confirm ownership of receivables quickly, making credit extension safer and cheaper. Without such a structure, South Africa's market remains smaller, costlier, and less efficient.

### 2.4.2 Risks of multiple financing

Without a registry, there is also a risk that SMEs, intentionally or unintentionally, may assign the same invoice to more than one financier. Poor record-keeping or governance capacity often drives this. Even isolated cases increase risk premiums across the sector, discouraging lenders from serving smaller or higher-risk clients.

Currently, each financier must run extensive manual checks to validate invoices. Verification depends on contractual warranties from SMEs, intensive due diligence, buyer confirmations, and periodic audits. This complexity slows transactions and increases costs, which ultimately fall on SMEs.

### 2.4.3 Impact on trade credit insurance and risk distribution

Trade credit insurance is crucial in receivables finance, as it absorbs buyer default risk and spreads exposure across insurers, reinsurers, and capital markets. In advanced markets, legal certainty and registries allow insurers to underwrite both domestic and cross-border receivables, enabling:

- Non-recourse factoring
- Reduced capital consumption
- Greater lending capacity to SMEs

In South Africa, however, legal uncertainty around cession, priority, and receivable verification, constrains insurer participation. Where assignment is prohibited, ownership is unclear, or double-financing risk is high, insurers face higher claims risk. This limits coverage, raises premiums, and increases reliance on recourse-based structures.

International experience shows that legal clarity and registry infrastructure expand insurance participation, which in turn multiplies SME access to finance. Reform here has a catalytic effect: better enforceability unlocks risk-sharing and increases overall lending capacity.

## 2.5 International benchmarking

### 2.5.1 Modernising the framework for assignment

Many countries now operate open assignment regimes, where contractual restrictions cannot fully prevent suppliers from transferring receivables for financing. These frameworks balance debtor protection with the economic need for liquidity, reducing uncertainty, encouraging lenders, and broadening SME access to working capital.

### 2.5.2 Establishing a national receivables registry

A central registry would be transformative. Lenders could verify whether a receivable has already been assigned, reducing fraud, lowering costs, and increasing confidence in the market. A digital registry could integrate with existing platforms and be accessible to SMEs, banks, and fintechs, creating a transparent and efficient ecosystem.

### 2.5.3 Supporting innovation through clear regulatory signals

Policymakers can encourage modern financing models, support digital documentation standards, and align South African law with global best practice. This provides clarity for international financiers, fosters competition, and positions South Africa as a responsible leader in receivables finance on the continent.

### 2.5.4 International comparisons

Countries with modern receivables registries, such as Mexico, Peru, Australia, New Zealand, and several EU states, report:

- Greater transparency in supply chains
- Lower financing costs for SMEs
- A broader base of eligible receivables
- Stronger lender confidence

In Africa, economies such as Kenya, Ghana, and Nigeria are adopting secure transaction registries aligned with UNCITRAL standards. South Africa, however, remains behind this global trend.

## 2.6 South Africa vs international benchmarks

Globally, the growth of factoring is underpinned by legal certainty, streamlined assignment regimes, transparent secured transactions, and robust debtor protections. In jurisdictions like the UK, EU, and Asia:

- Receivables assignment cannot be contractually prohibited

- Comprehensive registries reduce fraud and multiple financing
- Standardised reporting frameworks provide supervisory visibility

South Africa lags behind in developing a cohesive receivables finance framework. Although cession is legally recognised, the system remains fragmented, opaque, and lacks a unified registry. Contractual prohibitions constrain SME finance, and gaps in BA900 reporting limit regulatory oversight. Consequently, the South African factoring market remains smaller than its ‘peers’, despite strong SME demand for early-payment solutions.

## 2.7 Structural gaps in the current framework

The key gaps undermining South Africa’s debtor-finance market are:

### Contractual restrictions on cession

Anti-cession clauses remain widespread, preventing SMEs from leveraging receivables as collateral.



### Limited supervisory reporting

BA900 does not adequately capture debtor-finance exposures, leaving regulators with blind spots.

### Absence of a central registry

Risks of double cession, fraud, and multiple financing persist.



### Fragmented standards across financiers

Unlike harmonised international markets, South Africa lacks common definitions, documentation standards, and dispute-resolution mechanisms, increasing friction and cost.

These gaps restrict SME liquidity, compromise market integrity, and impede long-term growth.

## 2.8 Why reform is needed

South Africa’s legal and regulatory architecture, while sophisticated, is pre-digital and pre-modern supply chain. As supply chains modernise and demand for working capital grows, these gaps create real obstacles that affect SME competitiveness, survival, and the broader economy.

A functional, modern receivables -finance ecosystem can

- Unlock liquidity trapped in supply chains
- Support job creation and formalisation

- Reduce SME failures linked to late payments
- Improve productivity and economic resilience

Incremental tweaks will not suffice. A modernised, coherent, and transparent regulatory environment is required to unlock the full economic potential of receivables finance.

Section 3 now turns to the reform agenda, outlining the legislative, regulatory, and institutional changes needed to build a future-fit receivables finance framework that supports SME growth, strengthens financial stability, and aligns South Africa with global best practice.

## SECTION 3

# The reform agenda for a modern receivables finance framework

Sections 1 and 2 highlighted the operational realities of receivables finance and the legal constraints that limit its scale in South Africa.

This section shifts from diagnosis to solution, outlining the reforms required to modernise the country's receivables finance ecosystem.

### 3.1 Why reverse factoring circumvents legal barriers

#### 3.1.1 A buyer-led structure

Reverse factoring, a sub-category of supply chain finance, demonstrates how innovative structuring can overcome long-standing legal obstacles. Unlike traditional factoring, reverse factoring is initiated by the buyer. Once the buyer approves an invoice, a financier pays the SME early and collects repayment directly from the buyer on the due date.

Key features:

- The financier relies on the buyer's creditworthiness, not the SME's
- The SME does not need to cede its receivables, bypassing anti-cession clauses
- Risk is priced on the strength of the buyer's balance sheet

This structure allows SMEs to access liquidity while avoiding the structural and legal bottlenecks that restrict traditional receivables finance.

#### 3.1.2 Market impact and lessons for South Africa

Globally, reverse factoring shows the power of legal clarity and collaboration. When buyers, SMEs, and financiers operate in a predictable framework, the outcomes include:

- Lower-cost finance for SMEs
- Reduced credit risk for lenders
- Improved supply-chain resilience
- Scalable liquidity solutions even in markets with legal imperfections

Reverse factoring's success demonstrates that certainty drives innovation.

### 3.2 Why reverse factoring is not enough

#### 3.2.1 It circumvents the barrier – it does not remove it

While reverse factoring sidesteps anti-cession clauses, it does not solve the underlying legal problem. It works because it avoids cession, not because it modernises the receivables environment.



Potential pitfalls include:

- Abuse by buyers through the unilateral extension of trade terms
- Impact on SME margins despite early payment
- Reliance on large, well-rated buyers leaves many SMEs excluded

Only a small segment of SMEs benefits, and reverse factoring cannot serve as the foundation for a national SME-liquidity strategy.

### 3.2.2 Structural problems remain

Even with reverse factoring:

- Legal rules governing cession remain fragmented and outdated
- No central registry exists to prevent fraud, multiple financing, and priority disputes
- Anti-cession clauses continue to restrict liquidity
- Risk pricing remains high due to legal uncertainty
- Traditional factoring and invoice-discounting markets remain underdeveloped

Reverse factoring is valuable, but it cannot fix a misaligned, infrastructure-deficient system.

## 3.3 Why South Africa needs a modern receivables finance framework

A modern framework treats receivables as financeable assets, supporting a scalable, transparent, and competitive market. It would unlock liquidity across the entire SME sector, not just those linked to large corporates.

### 3.3.1 A dedicated receivables law

A purpose-built statute, aligned with international frameworks (e.g., EU Assignment of Claims Directive, UK reforms, US UCC Article 9, Singapore, and emerging African frameworks) would:

- Define receivables' legal status clearly and uniformly
- Limit unjustified contractual restrictions on cession
- Establish priority and notice rules
- Protect legitimate buyer rights and reduce disputes
- Give financiers the confidence to scale lending

### 3.3.2 A centralised, digital registry

A central receivables registry is essential to:

- Reduce fraud and multiple financing
- Enable trade credit insurance and broader risk distribution

- Provide transparency on receivable ownership, priority, and payment history
- Support non-recourse financing to expand lending capacity

Improved transparency lowers uncertainty, reduces risk premiums, and strengthens the entire SME financing ecosystem.

### 3.3.3 Supporting a diversified, competitive multi-product market

With legal clarity and operational certainty, South Africa could unlock a full receivables ecosystem, including:

- Traditional factoring
- Invoice discounting
- Asset-backed SME lending
- Securitisation of trade receivables
- Reverse factoring at scale

This integrated approach mirrors advanced international markets.

## 3.4 Balancing the needs of suppliers and buyers

While reform aims to expand SME liquidity, it must also protect buyers. Legitimate concerns include:

- Paying the wrong party
- Double-financing of invoices
- Confidentiality obligations
- Administrative complexity

A modern regime reduces risk and increases certainty for buyers.

### 3.4.1 Clear visibility and protection

- Centralised digital registry verifies cessions
- Priority and notice rules prevent duplicate payments
- Buyers gain confidence in payment accuracy

### 3.4.2 Preserve buyers' dispute rights

- Buyers retain the right to reject defective goods
- Raise contractual disputes
- Apply legitimate set-offs

Liquidity improves without compromising commercial safeguards.

### 3.4.3 Maintain confidentiality and operational integrity

Updated statutes include:

- Confidentiality safeguards for pricing, rebates, volumes, and performance data
- Standardised digital processes to streamline administration

### 3.4.4 Strengthen supply-chain stability

- Improved SME liquidity enhances supplier stability, delivery reliability, and production resilience
- Benefits flow directly to buyers, creating a pro-efficiency, pro-growth environment

## 3.5 Core advocacy points

This paper argues that South Africa needs a modern receivables finance framework to unlock SME liquidity at scale while protecting buyer integrity.

Such a framework will:



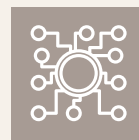
Enable SMEs to leverage receivables as collateral, with transparent rules and registry-based verification



Address legal barriers, particularly anti-cession clauses



Introduce a dedicated receivables finance law



Establish a centralised, digital receivables registry



Promote a diverse, competitive market including factoring, invoice discounting, reverse factoring, and advanced receivables-based lending

Reverse factoring demonstrates what is possible when legal and operational certainty exists; however, only a modernised ecosystem can serve the entire SME base.

### 3.6 Priority reform areas

Headline priorities for a responsible, scalable, and competitive debtor-finance market:

#### 3.6.1 Dedicated receivables finance law

- Permits assignment of receivables, including public-sector claims
- Embeds buyer protections, transparency rules, and safeguards against invalid or fraudulent invoices

#### 3.6.2 Centralised digital registry

- Real-time verification of ownership, prior assignments, and invoice lifecycles
- Reduces fraud, multiple financing, and risk premiums

#### 3.6.3 Proportionate prudential and reporting standards

- Uniform reporting (e.g., BA900) for banks and financiers
- Strengthens risk management and supervisory visibility
- Ensures reverse factoring does not create hidden leverage or accounting inconsistencies

#### 3.6.4 Market-conduct and fair-practice guidelines

- Prevent abusive practices in buyer-led financing
- Protect SMEs from unfair terms
- Reduce operational burdens and compliance risks for buyers

### 3.7 Expanded reform priorities

#### 3.7.1 Modernise the cession and assignment regime

- SMEs can leverage receivables as collateral despite anti-cession clauses
- Buyers are protected through clear dispute, notice, and priority rules
- Financiers gain legal certainty

#### 3.7.2 Central digital registry

- Eliminates uncertainty about prior assignments
- Provides visibility to buyers
- Reduces funding costs and strengthens market integrity

#### 3.7.3 Regulatory guidance for reverse factoring

- Standardises programme arrangements
- Ensures suppliers are not exposed to hidden charges or unfair terms
- Prevents accounting mischaracterisation
- Supports growth without replacing traditional finance

#### 3.7.4 Enhanced data, reporting, and payment standards

- Capture debtor-finance exposures, SME segmentation, and payment behaviour
- Strengthen payment discipline and invoice integrity
- Improve risk profile and performance of receivables-based lending

### 3.8 In summary

South Africa's receivables finance market has the potential to drive SME liquidity, supply chain resilience, and inclusive growth. Current barriers, including fragmented cession rules, a lack of a central registry, limited visibility into reporting, and widespread anti-cession clauses, suppress market expansion.

The reform agenda presented here:

- Addresses structural barriers
- Raises confidence for buyers and lenders
- Aligns South Africa with modern secured-transactions frameworks

While reverse factoring shows what is possible under certainty, a modernised receivables finance regime is essential to unlock liquidity across the full SME spectrum, not just for suppliers to large corporates.

## SECTION 4

# Conclusion and strategic recommendations

### 4.1 Conclusion

South Africa stands at a pivotal moment in the evolution of its receivables finance ecosystem.

While the country boasts a sophisticated financial sector and mature legal foundations, structural barriers mentioned in this research paper continue to suppress SME liquidity and increase systemic risk for lenders and buyers alike

Modernising the framework is a strategic economic imperative. Jurisdictions that have implemented transparent, assignment-friendly legislation and centralised registry structures have unlocked significant SME growth, improved supply-chain resilience, and strengthened financial stability. South Africa can achieve similar outcomes, but only through coordinated action across government, regulators, corporates, financiers, and industry bodies.

### 4.2 Strategic priorities for the national receivables finance framework

In order to improve its receivables finance footing, South Africa must:

- 01 Reform the legal environment to enable assignment while protecting buyer rights.
- 02 Establish a centralised, digital receivables and security-interest registry.
- 03 Enhance regulatory oversight through improved reporting and data visibility.
- 04 Support responsible growth and market conduct across all receivables finance models.
- 05 Promote a competitive, multi-product market that encourages innovation and lowers funding costs.
- 06 Strengthen supply chain resilience by improving SME liquidity.

These principles guide the stakeholder-specific recommendations below.

### 4.3 Strategic recommendations



**Policymakers (National Treasury, Department of Trade, Industry and Competition, Justice Department)**

Policymakers play a critical role in creating the legal and institutional foundation for a modern receivables finance ecosystem. Legislative reform should introduce a dedicated Receivables finance Act aligned with international norms, including the EU Assignment of Claims Directive, the US UCC Article 9, and UNCITRAL standards. This law would explicitly enable the assignment of receivables, including public-sector invoices, while embedding proportionate protections for buyers, providing clarity on notice, priority, dispute resolution, and dilution of claims.

Beyond legislation, establishing a centralised, digital national receivables registry is essential. Such a registry, ideally operated by the Companies and Intellectual Property Commission (CIPC) or a dedicated statutory body, should be interoperable with banks' and fintech systems, accessible in real time, and low-cost for SMEs.

Policymakers should also issue guidelines promoting fair market conduct and SME protection. These might include reasonable payment terms, transparent dispute-management processes, and support for the digitisation of trade documentation.

Finally, a coordinated approach is necessary. Creating an inter-agency working group on receivables finance would align National Treasury, Department of Trade, Industry and Competition (DTIC), Department of Social Development, and regulators on legal reform, registry design, and market-conduct principles, ensuring a unified, strategic approach to implementation.



**Prudential and market regulators (prudential authority, financial sector conduct authority)**

Regulators are essential to strengthening oversight, clarifying standards, and supporting responsible innovation. Expanding BA900 and related reporting frameworks will improve visibility of SME exposures, segmentation of receivables

portfolios, payment-behaviour trends, and asset-quality metrics, including disputes and invoice dilutions.

In addition, regulators should provide clear and consistent guidance on supply-chain finance, including reverse factoring, to ensure legal certainty, protect participants, and support broader SME access to financing. This guidance should specify accounting treatment, reporting expectations for industry participants, transparency obligations for programme participants, and dispute-notification requirements. Clear standards will help prevent programme designs that disguise leverage or distort payment terms.

To foster innovation while protecting market integrity, regulators can set minimum operational and disclosure standards, encourage compliant digital platforms, and ensure suppliers are not exposed to unfair practices or disproportionate operational burdens.



**Banks and financiers**

Financial institutions are at the forefront of receivables financing, and their practices directly affect SMEs' access to liquidity. Banks and financiers should adopt transparent, consistent practices, standardising cession processes, notice procedures, and dispute-management protocols in line with international norms. Digitisation and automation should be leveraged to reduce onboarding friction for SMEs and improve operational efficiency.

Active participation in a national receivables registry will further enhance verification, reduce fraud and duplicate financing, streamline risk assessment, and lower funding costs. Integration with the registry also builds confidence for both buyers and suppliers, supporting a more reliable and scalable market.

In addition, financial institutions should develop a broader product suite tailored to different segments of the SME market. This could include supply chain finance including invoice discounting, non-recourse factoring, receivables-backed term loans, and securitisation where appropriate. Improved data visibility will enable better risk management, more accurate pricing, and the extension of credit to smaller or underserved SMEs.



### Corporate buyers (large corporations, state owned enterprises, lead firms in supply chains)

Corporate buyers can support systemic reform by shifting from blanket anti-cession clauses to managed, conditional assignment provisions. These should be underpinned by registry verification, standard dispute notification processes, and confidentiality safeguards, ensuring that both buyer and supplier interests are protected.

By participating responsibly in receivables finance and reverse-factoring programmes, buyers can enhance supplier liquidity without unfairly extending payment terms, imposing discriminatory pricing, or increasing administrative complexity.

Buyers should also facilitate early-payment programmes and improve internal approval times and invoice-quality standards. These measures help reduce cash-flow strain on SMEs and support more stable, resilient supply chains.

Finally, sharing structured payment-behaviour and dispute-notification data with financiers improves transparency, reduces fraud risk, and fosters confidence across the supply chain, benefiting all stakeholders involved.



### SMEs and supplier associations

SMEs and their representative associations must take proactive steps to strengthen internal governance and mitigate operational risk. Conducting contract reviews to identify anti-cession clauses and implementing basic governance processes can reduce errors, prevent unintentional multiple financing, and enhance overall financial discipline.

Adopting affordable digital tools for invoice management, payment tracking, and document storage further improves operational resilience and reduces administrative burden for SMEs.

SMEs should also engage in policy dialogue, working with business associations and industry bodies to articulate their needs. By advocating for fair payment practices, transparent dispute processes, and effective receivables finance

frameworks, SMEs can help shape reforms that directly improve their liquidity and market stability.



### Technology providers and fintechs

Fintechs and technology providers underpin the digital infrastructure required for modern receivables finance. They should develop systems that are fully compatible with a national receivables registry, provide seamless digital onboarding for SMEs, and enable automated verification for financiers.

Adopting open APIs, shared data formats, and standardised documentation protocols will increase transparency across the ecosystem. Additionally, providing dashboards for buyers, suppliers, and financiers can improve visibility and streamline operational processes.

Providers must also maintain strong governance, robust audit trails, and high data security standards. These measures are essential to support regulatory confidence, safeguard market integrity, and ensure trust in the digital infrastructure that underpins receivables finance.



### Industry associations (banking association, SME bodies, corporate procurement councils)

Industry associations play an important role in convening stakeholders and harmonising practices across the receivables finance ecosystem. They should develop industry-wide guidelines covering assignment notices, dispute processes, documentation standards, and supplier onboarding.

Associations can also support regulatory reform by coordinating unified industry positions on the design of a national receivables registry, legislative changes, and reporting standards. This collective voice helps ensure reforms are practical, balanced, and widely adopted.

In addition, associations should focus on building capacity and raising awareness. Providing training and knowledge-sharing platforms for SMEs and corporates ensures that all stakeholders understand their rights, obligations, and best practices in receivables finance, fostering a more transparent and efficient market.

#### 4.4 Final reflection

South Africa has the potential to establish one of the most advanced receivables finance ecosystems on the African continent. The country already possesses many of the building blocks required for success: strong financial institutions, a robust legal system, and sophisticated supply chains. What is currently missing are the modern foundations, including legal clarity, centralised transparency, and aligned incentives that enable receivables finance to scale safely, efficiently, and inclusively.

The reforms and strategic actions outlined in this document offer a clear, coherent roadmap for building these foundations. By implementing coordinated policy measures, South Africa can unlock billions of rands in liquidity currently trapped in the SME sector. These reforms will not only strengthen SMEs but also stabilise supply chains, improve payment discipline, and enhance the overall resilience and competitiveness of the national economy.

Importantly, modernising the receivables finance framework goes beyond a technical financial reform and becomes a broader national development opportunity. When SMEs can reliably convert receivables into working capital, when buyers and financiers operate within predictable, transparent rules, and when digital infrastructure supports verification and risk management, the benefits ripple across the economy. Enhanced SME liquidity drives growth, supports job creation, and strengthens supply-chain reliability, laying the groundwork for a more dynamic, inclusive, and future-ready economy.

In essence, a modern receivables finance regime can be a strategic lever for economic development, offering South Africa the opportunity to unlock value, improve efficiency, and solidify its position as a leading market for innovative SME financing.

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# Appendix

## Tutorial – Receivables finance

### Meet Zakes, the business owner

Zakes owns a small wholesale business that supplies grocery products to retailers. His business is growing, but like many SMEs, cash flow is under pressure because customers often pay late, well after delivery of goods.

### Meet XYZ Supermarket, the customer

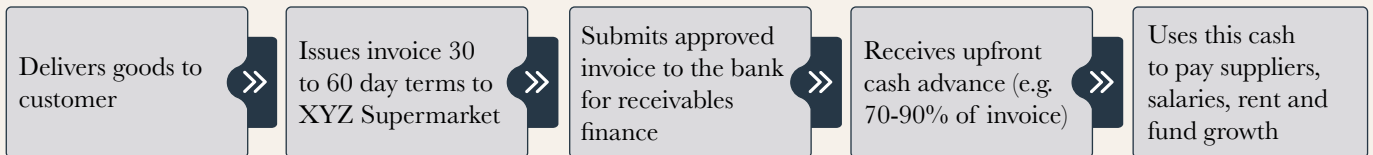
One of Zakes' customers is XYZ Supermarket, a large retail chain that buys stock on 30 or 60 day payment terms.

### This is how receivables finance works

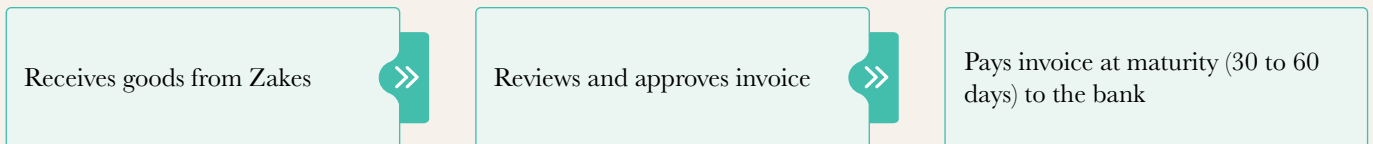
1. Zakes uses cash or borrows money from the bank to buy stock.
2. Zakes sells the stock on credit to XYZ Supermarket.
3. Zakes issues an invoice for the goods supplied.
4. XYZ Supermarket accepts the invoice.
5. Zakes sells the invoice to the bank at a discount.
6. The bank advances cash against the invoice, allowing Zakes to buy more stock.
7. XYZ Supermarket pays the invoice on the agreed date.
8. The bank releases the remaining portion of the invoice value to Zakes.

## Visual representation of how receivables finance works

### Zakes (SME)



### XYZ supermarket



### Bank





### About the Centre of Excellence in Financial Services

The Centre of Excellence in Financial Services (COEFS) was registered on 23 December 2016 as a non-profit organisation. COEFS' vision is to bring together thought leaders, both local and international, to interrogate the role financial services can play in achieving national and international objectives, in collaboration with industry experts and academics. The organisation's mission is to identify friction points in the financial services sector and initiate appropriate research to engage policy makers, regulators and industry participants by initiating broader public dialogue through credible thought leadership.

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