Blockchain platforms in trade

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1. Key features and key benefits

2. DLT platforms in trade

3. Key issues to address
1. Key features and key benefits

- **Automation**
- **Time-stamping**
- **Peer-to-peer Transfer of assets**
- **Greater security**
- **Smart contracts**

**TRANSPARENCY**

**TRUST**

**TRACEABILITY**

**PEER-TO-PEER / REAL TIME**

**Smart contracts**
Key Benefits of DLT

- Transparency / reduced risk of fraud
- Gain in speed and efficiency
- Real-time overview of transactions
- Cost reduction
- Reduced counterparty risk
- Automation
- Proof of ownership
- Immutability
- Disintermediation between lenders and borrowers
- Easier scalability
- Enhanced cyber security resilience
- Pay to pay

Source: Blockchain and DLT in Trade: A Reality Check (2019)
2. DLT platforms in trade

Source: Blockchain and DLT in Trade: A Reality Check (2019)
Trade finance

Multiple challenges

1. Inefficiencies due to paper-based documentary transactions
Risks in Letter of Credit transactions

1. Sign sales agreement
2. Requests to issue LC
3. Issues LC
4. Confirms LC & advises its receipt
5. Ships goods
6. Presents shipping document
7. Checks & releases shipping document
8. Reimbursement
9. Payment
10. Releases goods after receipt of payment

Export

Importer

Confirming Bank

Issuing Bank

- Human error/fraud risk; hard copies increasing lead time
- Manual procedures; risk of delays due to human error and additional re-processing
- Costs incurred by manual labor; human error/fraud risk; processing delays
- Delays incurred in sending documents; manual procedures
- Delays and fees incurred by correspondent banking
Source: Ganne (2018)
2. Regulatory compliance requirements increase trade finance costs

**Obstacles and Concerns to Trade Finance Growth**
(% of respondents agreeing on barriers to trade finance)

- AML/KYC requirements: 76%
- High transaction costs or low fee income: 59%
- Low credit ratings of company/obligor’s country: 52%
- Issuing bank’s low credit ratings: 51%
- Global economic uncertainty such as trade tension: 48%
- Clients’ lack of familiarity with products: 43%
- Basel capital regulatory requirements: 41%
- Low company/obligor credit rating: 32%
- Lack of dollar liquidity: 29%
- Bank staff’s lack of familiarity with products: 26%
3. The USD 1.5 trillion trade finance gap affects primarily SMEs.
Trade finance platforms

**Open account:** We.trade, Komgo, Marco Polo, Finacle Trade Connect

**Letters of credit:** Contour (ex Voltron), Komgo, Finacle Trade Connect

**SME focus:** We.trade
Supply Chain Finance

→ transparency, traceability, de-risking, ethical/sustainable sourcing
Market places

→ Buyer-seller match-making platform
→ Helps SMEs build a credit history (traceability)
Transportation and logistics
SHIPPING MILESTONES AND SHIPMENT DATA

STRUCTURED AND UNSTRUCTURED DOCUMENTS

TRADELENS BLOCKCHAIN BUSINESS NETWORK

TRADELENS PLATFORM

Source: Tradelens
Increase access to single source information needed to efficiently deliver and managed finance and trade insurance

Real-time visibility of inbound and outbound operations

Improve customer service and reduce network integration costs and revenue leakage

Reduce paperwork and improve risk assessment

Receive real-time and accurate updates on vessel arrivals, improve utilization of assets

Identify and proactively manage unexpected events, reduce surcharges and stockouts

Obtain access to greater death of real-time information with less work, improve customer satisfaction

Increase access to single source information needed to efficiently deliver and managed finance and trade insurance
Trade documentation

→ Some digitalization projects of interest

GTR Global Trade Review

essDocs joins Contour following paperless iron ore transaction
AEO Programmes

**CADENA, a blockchain enabled solution for the implementation of Mutual Recognition Arrangements/Agreements**

Challenges with AEO MRAs:
- manual process of sharing sensitive and/or confidential data with low standards of security and integrity
- difficulty to establish the provenance and traceability of the data and to guarantee secure access
- inability to grant AEO benefits in real time
- inability to react in real time when a suspension occurs
Covid-19: when tracking and agile supply chains become vital

→ Connecting platforms and market places to ease supply chain disruptions

IBM
IBM Rapid Supplier Connect

TYMLEZ
3. Key issues to address

- Interoperability
  - Technical, semantics, data models, processes

- Regulatory issues
  - Regulation as an enabler (e-signatures, e-documents, MLETR); regulatory challenges

- Governance of the platforms
Source: Blockchain and DLT in Trade: A Reality Check (2019)
Thank you for your attention!