Blockchain for Trade Finance

A Better Trade Financing Experience?

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How Does a Blockchain Work: A Step-by-Step View

1. A user requests for a transaction
2. A block representing the transaction is created
3. The block is broadcasted to all the nodes of the network
4. All the nodes validate the block and the transaction
5. The block is added to the chain
6. The transaction gets verified and executed
Public vs Private Blockchain Network

**Public Blockchain:** Permissionless
An open network system where all the devices can freely access without any kind of permission. The ledger is shared and transparent.

**Private Blockchain:** Permissioned
A user has to be permitted by the blockchain authority before he/she could access the network. The user might join only if he/she gets an invitation.
Enterprise Blockchains

BaaS Vendors:
- IBM
- ORACLE
- AWS
- MICROSOFT
- ALIBABA

Enterprise Platforms:
- Fabric
- Corda
- EEA
- Quorum
- Ripple
Federated Blockchains

- Financial Services.
- Insurance Claims.
- Multiparty Aggression.
- Supply Chain Management.
Trade Finance Ecosystem

Players in Trade Finance Ecosystem

- Importers
- Exporters
- Banks
- Insurers
- Trade finance organizations
- Export credit companies
7 Issues of Trade Finance Operations

WHAT ARE THE ISSUES OF TRADE FINANCE?

LOW CUSTOMER EXPERIENCE
The exporters and importers and the complex nature of the system makes it hard to keep track of all the parties involved in the trade. Fake documents also reduce the customer satisfaction level.

INCREASING COST PRESSURE
Creating the letter of credit is a high-cost pressure point for both the clients and the banks.

SUBSTANTIAL REGULATORY BURDEN
Managing geopolitical risks – trade barriers, sanctions, fraud prevention, and the KYC/AML protocols are becoming more complex.

PRODUCT RISKS
Maintaining product conditions in any situation is tough for the seller.

MANUFACTURING RISKS
Manufacturing risk is common for products that need to have unique features or are fashioned in a different way.

TRANSPORT RISKS
Shipping it to the buyer or buying it from a seller would require to get a cargo insurance which is costly.

CURRENCY RISKS
Due to fluctuations in foreign exchange currency conversion might go up or down. This reduces the profit.
Trade Finance and Blockchain

HOW TRADE FINANCING CAN WORK USING BLOCKCHAIN

USE TRADE FINANCE BLOCKCHAIN PLATFORM TO MEET TRADING PARTNERS
The buyer and seller would use the blockchain platform to find potential trading partners who are trustworthy.

BANK PAYMENT UNDERTAKING OF THE BUYER
Buyer’s bank will undertake bank payments to directly settle them when smart contract conditions are met.

SHIPMENT AND TRACKING OF GOODS
The seller would ship the goods, and both parties will track the process of the shipment.

THE SELLER GETS THE PAYMENT
The smart contract will automatically pay up the seller once the buyer gets the shipment.

CREATE A SMART CONTRACT AND INITIATE AN ORDER
Upon agreeing both parties will create a smart contract with the defined rules. The buyer will then initiate the order.

RECEIVABLE FINANCING FOR THE SELLER
For speeding up the process, the seller can ask for receivable financing from its bank.

BUYER CONFIRMS THE TRADE
Buyer will confirm the trade in the smart contract.
7 Benefits of Blockchain Technology in Trade Finance

Blockchain Advantages for the Trade Finance

1. Real-time Previewing and Reviewing
   - Any document related to trade finance on the platform can be reviewed to see its authenticity in real-time.

2. Transparent Factoring
   - Blockchain can offer transparent viewing of the invoices which helps to factor them for short-terms.

3. No Intermediates
   - No need for going for a middleman and increase the risk of fraudulence. Instead, banks can safely facilitate trade finance without issues.

4. No Double Spending
   - All the bills of lading can be tracked from the blockchain, which eliminates the chance of double spending.

5. Smart Contract Execution
   - The status of the smart contract agreement will get updated in real-time, which will reduce the paperwork and time.

6. Proof of Ownership
   - Blockchain can offer proof of ownership and be fully transparent of the location of the shipment.

7. Regulations
   - All the regional regulations can get maintained just from one place.
Blockchain in Trade Finance Use Case: International Trade - Letter of Credit (LC)

What Is a Letter of Credit?

- A letter which is issued by a bank to another bank (typically in a different country).
  Serves as a guarantee for payment.
- Nature of international trade: distance, different laws in each country, personal trust.

Voltron, the Letter of Credit blockchain platform

Exporters

Insurers

Importers

Banks

Powered By:

ING<br>NatWest<br>HSBC<br>SEB<br>CTBC BANK<br>MIZUHO<br>BBVA<br>INTESA<br>SCANDIC<br>Scotiabank<br>BPIF PARIBAS<br>BBVA
Blockchain in Trade Finance Use Case: Maritime Trade - Bill of Lading (BoL)

- All members of the supply chain.
- Decentralized network.
- Direct exchange of documents.
- Eliminating disputes and risks.
## Blockchain Consortia for Trade Finance

### HKTFP
- **Powered By:**
  - DBS
  - DE Bank
  - HSBC
  - Standard Chartered

### We.Trade
- **Powered By:**
  - HSBC
  - Natixis
  - KBC

### Komgo
- **Powered By:**
  - Santander
  - UniCredit
  - Deutsche Bank

### Voltron
- **Powered By:**
  - NatWest
  - HSBC
  - BNP Paribas

### Marco Polo
- **Powered By:**
  - NatWest
  - BNP Paribas
  - DNB

### Batavia
- **Powered By:**
  - Natixis
  - Commerzbank
  - Standard Chartered

### HKTP
- **Powered By:**
  - IBM
  - CaixaBank
  - Erste

### Popular Enterprise Blockchains Suitable for Trade Finance

- **Corda**
- **Ripple**
- **Quorum**
- **Hyperledger**
R3 Corda

- Built for Trade Finance
- Enterprise Grade
- Optimized for IT environment
- Supports SQL & Oracle DB
- Application Firewall
- Compatible
Quorum Blockchain

- Open-source
- Enterprise Ready
- Customized
- Matured
- Performance & Throughput
Real World Companies Using Blockchain for Trade Finance

- SWIFT
- Barclays
- People’s Bank of China
- Mizuho
- Scotiabank
- KBank
- Dubai Trade and Dubai Custom
Getting Started

1. Identify a Use-Case
2. Develop a POC
3. Build & Test
4. Onboard Partners
5. Operate & Manage
101 BLOCKCHAINS COMMUNITY

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101 Blockchains is a cross-industry community of the world’s leading Blockchain practitioners. The community is empowering the profession of Enterprise Blockchains Management.

**Trusted**
Understand the core concepts of blockchain technology and its ecosystem, with verified research and forward-thinking insights.

**Strategic**
Learn how to approach the blockchain implementation with strategic advice focused on your industry.

**Practical**
Focus on your transformation with up-to-date actionable tools and start your blockchain transformation.
HOW WE DO THAT

Our licenses are designed to work for enterprise executives and their respective teams. These give you access to:

- Research and analyst calls
- Library of case studies
- Peer connections & Live events
Want to learn more?

Trade Finance Blockchain: Redesigning The World of Trades and Businesses
https://101blockchains.com/trade-finance-blockchain/

Corda Blockchain: Ruler of The Financial Enterprises
https://101blockchains.com/corda-blockchain/

Blockchain vs Database: Understanding The Difference Between The Two
https://101blockchains.com/blockchain-vs-database-the-difference/

Corda Blockchain: Ruler of The Financial Enterprises
https://101blockchains.com/corda-blockchain/

Quorum Blockchain Ultimate Guide
https://101blockchains.com/quorum-blockchain-tutorial/

Blockchain For Enterprise: Training Guide
https://101blockchains.com/blockchain-for-enterprise/

How to Implement Blockchain? Empower Your Business
https://101blockchains.com/implement-blockchain/

2019 The Year of the Federated Blockchain – Blockchain Consortium Simply Explained
https://101blockchains.com/federated-blockchain/

Introduction to Permissioned Blockchains
https://101blockchains.com/permissioned-blockchain/

Enterprise Ethereum: Private Blockchain For Enterprises
https://101blockchains.com/enterprise-ethereum/

Blockchain Proof of Concept: Enterprise POC Guide
https://101blockchains.com/blockchain-proof-of-concept/

Blockchain As A Service: Enterprise-Grade BaaS Solutions
https://101blockchains.com/blockchain-as-a-service/

Distributed Ledger Technology: Where Technological Revolution Starts
https://101blockchains.com/distributed-ledger-technology-dlt/

The Ultimate Blockchain Technology Guide: A Revolution to Change the World

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GET IN TOUCH

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Key Features

- Trustless
- Decentralized
- Distributed
- Consensus Based
- Faster
- Secured
Blockchain VS Database

Key Characteristic:
- Authority
- Integrity
- Transparency
- Performance
- Cost

Network Type:
- Public
- Private
- Federated
Free Resources

Enterprise Blockchains Fundamentals - Free Course

Blockchain Webinars

Blockchain Conferences