

## PRESS EXECUTIVE SUMMARY

### Blockchain in Trade Finance: Breakthroughs on the Horizon

#### Overview

Trade finance has long been ripe for digitization, and electronic trade documents are already in use by some supply chain participants. Blockchain technology has the potential to take this digitization to the next level, by providing a shared, tamper-proof ledger of digital records.

Recent news concerning HSBC and ING underpins the promise of blockchain technology for trade finance. The banks participated in a live transaction that facilitated an electronic letter of credit covering a shipment of soybeans between Argentina and Malaysia. The trade finance application, based on R3's Corda platform, processed the transaction in 24 hours, versus 5 to 10 days that it might normally take.

The Chain Business Insights "Blockchain in Trade Finance: Breakthroughs on the Horizon" survey and research brief provides valuable insights into how companies are pursuing the blockchain promise, with many respondents actively working with or planning to investigate the technology.

Notably, several respondents are looking to expand the scale (and budgets) of blockchain projects for trade finance. Also, a number of them are working with several types of trade documents.

However, survey respondents point out that there are some serious hurdles to overcome, such as integrating blockchain-based solutions with other trade finance and accounts receivable/accounts payable (AR/AP) systems.

Encouragingly, the survey points to many initiatives to develop blockchain solutions for trade finance, with several being driven by consortia of financial institutions.



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Our takeaway from an analysis of survey responses is that while blockchain has yet to prove its worth as a trade finance solution, the level of activity among those experimenting with it suggests that it is advancing rapidly.

### About the Survey

From December 2017 to February 2018, Chain Business Insights conducted a survey to find out how blockchain might be applied to trade finance applications. We asked participants about their level of interest in blockchain as a trade finance solution, the projects they are working on, the primary advantages of the technology and the obstacles to adopting it.

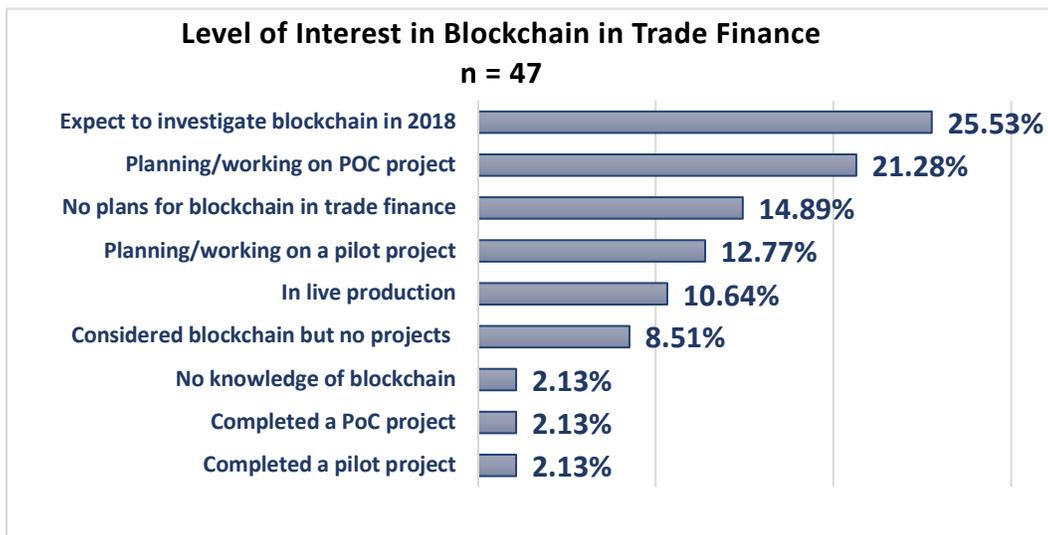
This was a survey of 48 trade finance professionals representing companies of all sizes. Nearly one-third of respondents had annual revenues of less than \$1 million, and one-third had more than \$1 billion in annual revenues, with the remaining respondents in the middle tiers.

Among our respondents were banks/finance providers, insurers, shippers, freight forwarders, ocean carriers, third-party logistics providers, vendors and consultants who collectively operate in every region of the world. Although the survey was small, Chain Business Insights believes the results are insightful.

### Key Insights Gathered

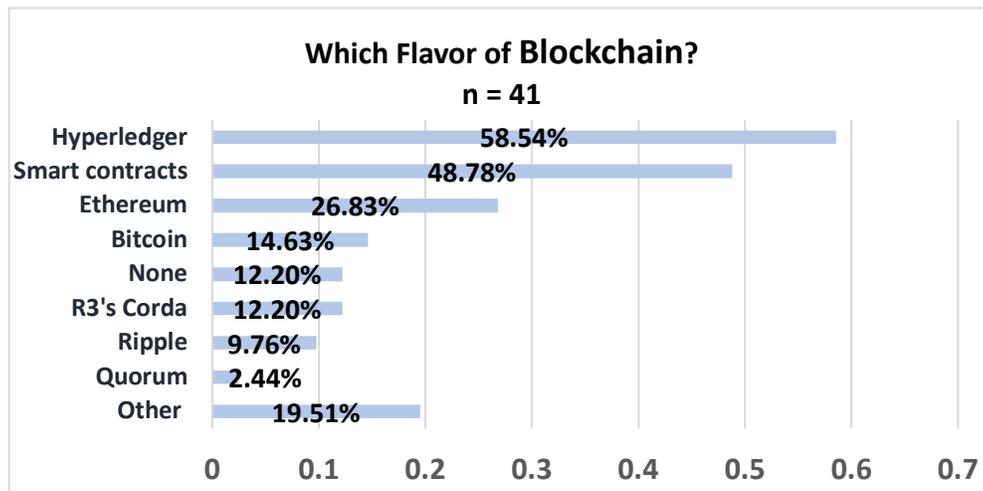
#### Level of Interest/Participation

Nearly 45% of respondents are either planning or working on a proof-of-concept or pilot project, or are already in live production. Moreover, more than one-quarter of respondents expect to investigate blockchain for this use case in 2018.



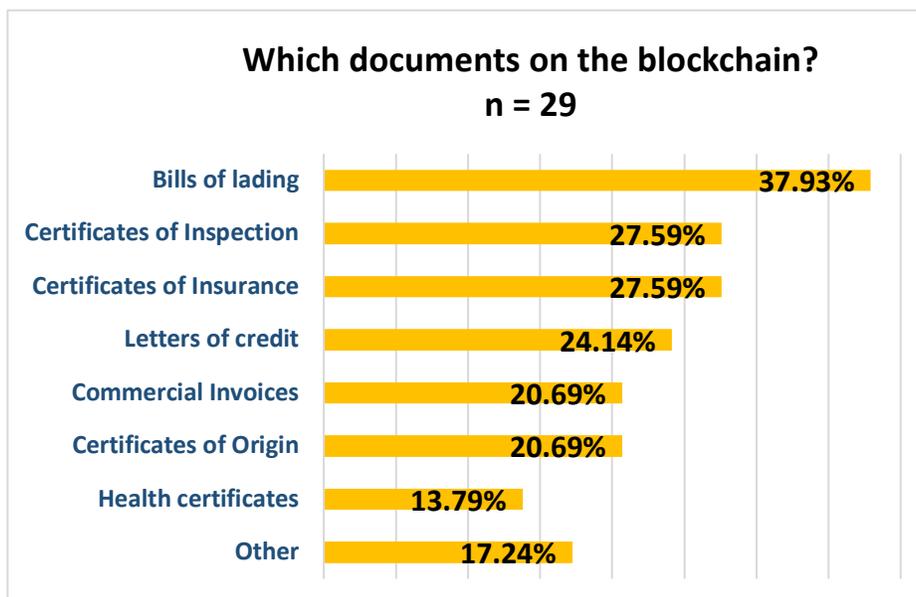
### Blockchain Technologies Being Explored

Hyperledger and Ethereum are the most common blockchain platforms being experimented with. Smart contract technologies are also being widely explored. This was no surprise, given Hyperledger’s association with IBM, and Ethereum’s widespread support among enterprise players. Both platforms support smart contracts.



### Trade Documents in Play

Most popular were the bill of lading and certificates of inspection and insurance. Letters of credit were often cited, followed by commercial invoices, certificates of origin and health certificates.





## **About Chain Business Insights**

Chain Business Insights is an independent, boutique research/advisory company providing business intelligence on blockchain and related technologies specifically geared towards supply chain management and trade finance professionals. Chain Business Insights offers three core services:

- \* Original research, delivered as research briefs, focus notes and eBooks, as well as podcasts, webinars and public speaking engagements
- \* Client programs, incorporating our published research as well as exclusive personalized services and analyst access
- \* Custom research projects, drawing on our industry knowledge and research methodologies

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Our client programs (and custom research) are focused on the business intelligence needs of supply chain practitioners in a wide range of industries, intermediaries such as third-party logistics providers and import/export agents, financial services providers, technology vendors, legal firms, government agencies, management consulting and academia. Clients can keep abreast of the latest developments and learn how blockchain can help promote efficiency, save costs and improve regulatory compliance.

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