

WORLD TRADE SYMPOSIUM 2016 EXECUTIVE SUMMARY AND ACTION PLAN

Initiatives proposed by the World Trade Board: initiative to drive blockchain education, standards and adoption for the complex ecosystem of world trade

What the initiative proposes:

Financial institutions and fintechs are spending time and resources to find out how much business value they can derive by adopting blockchain technology. This hype on the bank and fintech side might not correspond to similar interest from corporations. Nor is it clear whether it creates similar business opportunities for each side. As long as uncertainty prevails and scarce (and not even asymmetric) information characterises the current business scenario for blockchain, it will be very difficult — and unwise — for any stakeholder to establish steps of adoption that go beyond internal research and proof of concept implementations.

However, while a cautious and prudent approach is certainly following good business practice, it becomes potentially counterproductive if it is only a consequence of lack of awareness and mis-communication. A common glossary, shared practices, and visibility of use cases all contribute to increased responsiveness, provide correct information, reduce unnecessary hype, and submit pertinent evidence and data points to decision makers.

This is what the World Trade Symposium Blockchain Working Group intends to create: education on blockchain, discussion on implementation standards, and adoption of best practices, all supported by the World Trade Symposium's unique position in bringing together all of the major stakeholders across the complex ecosystem of trade including:

- Financial institutions
- Financial software and technology providers
- Corporate buyers and sellers
- Logistics firms
- Export credit agencies
- Professional services firms
- Regulators
- Not-for-profit and non-governmental organisations

Why this work is important:

There are numerous parties and multiple steps involved in traditional trade finance, often using paper-based bills of lading, purchase orders, invoices, and payment advices.

For many, the trade finance use case represents an opportunity to replace manual, paper-based processes with digitised assets, with all parties able to see where goods are in the supply chain, resulting in prompt release of funds as appropriate. To truly leverage the power of distributed ledgers, the entire trade ecosystem (including importers, exporters, logistics providers, and government agencies) would need to adopt a standardised version of the technology. There is also some “chicken and egg” debate over whether trade documents need to be “dematerialised” before Distributed Ledger Technology (DLT) can bring substantial benefits to trade transactions. Although some corporates and SMEs have implemented technology solutions to digitise traditional trade

finance processes, a lack of government mandates and common standards hampers their ability to play a crucial role in the evolution of DLT for trade finance.

Many in the industry believe that the momentum behind DLT will be a catalyst for finally digitising trade documents and moving towards an end-to-end digital process. As a first step to proving out DLT, fintech firms are tackling targeted slices of the trade finance process.

To create the required network effect, an initiative to bring together the different nodes of the trade and supply chain ecosystem, drive education and collaboration and work together towards the common goals of improving trade for all parties, is vital.

The most impactful benefits associated with DLT arise from the network effect achieved through collaboration, with all parties to a supply chain finance transaction sharing access to a common distributed ledger. If start-ups for example, are able to integrate their DLT-based technology into larger networks, they have the potential to automate authentication, invoicing, and payment release, resulting in a more streamlined supply chain finance process.

The World Trade Symposium Working Group is uniquely placed to bring together these stakeholders and take an independent role in fostering the debate and development of standards and solutions that can drive more efficient and transparent trade finance for the benefit of everyone.

The next steps for the Working Group:

The World Trade Symposium Blockchain Working Group will develop commonly agreed definitions around the technology, identify potential areas of implementation, and involve relevant stakeholders. The first step is to draft a list of open items, questions and concerns regarding the adoption of blockchain in global trade and circulate within the working group.

The group will seek answers to all open questions among experts and first-time blockchain implementation practitioners. The resulting list will constitute a non-binding, non-exclusive offer of a reference guide for stakeholders and will represent the Working Group's official “position” regarding the role of the DLT in the trade and supply chain world.

The World Trade Symposium Blockchain Working Group will also:

- Organise workshops with supply chain and logistics managers of international companies —large and small— to introduce blockchain, illustrate potential impacts on trade and supply chain processes, and gather questions, concerns, requests for clarification, and suggestions for use cases. Workshops will not aim to “convince” people of the potential of DLT. Rather, they will capture the views and

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opinions of potential corporate users. The comments collected will clarify expectations of corporate operators that must be met as a prerequisite to ensure tangible results of any large-scale adoption of blockchain-based initiatives for trade.

- Extend the results of the workshop to international stakeholders— through collaboration with existing industry associations.
- Working with financial services software firm, Misys, the Working Group will launch a central repository of information – including a library of educational material and reference data glossary of terms and objectives that can serve as a central point for all the different stakeholders in the global trade network.