



HYPERLEDGER

Trade Finance Special Interest Group

Webinar 1st December 2020

eBL meets ePU

digital



made in heaven

Agenda

- ❑ Setting the scene
- ❑ Introduction to the Business Case = de-risk Trade in its most basic form

*Trade refers to the exchange of **goods/services** between two or more persons/parties as **against money or money's equivalent***

- ❑ Approach on Legal Challenges
- ❑ Criteria for Digital Doc Technology & The full solution
- ❑ High level Solution Description
- ❑ Q&A

Setting the scene

❑ China Systems

* Trade and SCF Solutions provider (Back Office & Front End)

Website: <https://www.chinasystems.com/>

❑ TDS (Trade Digitalisation Services unit)

* Optimizing Trade by establishing Collaborative Workflows
with other Solution/Service Providers

* Provide Trade business & technology strategy related services &
solutions to FI's, corporates, consulting firms, strategy advisors
and technology companies (*also when no CS solution involved!*)

Website: <https://cseu.chinasystems.com/tds/>

We integrate with

- Accounting
- SWIFT, FCI, Fin. messaging
- FX
- Risk Management
- Compliance
- MIS
- CRM
- Digital Doc Technology
- AI/ML solutions
- Customer Portals
- Blockchain networks
- Trade Contract Management
- ERP
- IoT solutions (IF, ABL)
- Logistics networks
- eBL solutions
- ...

Setting the scene

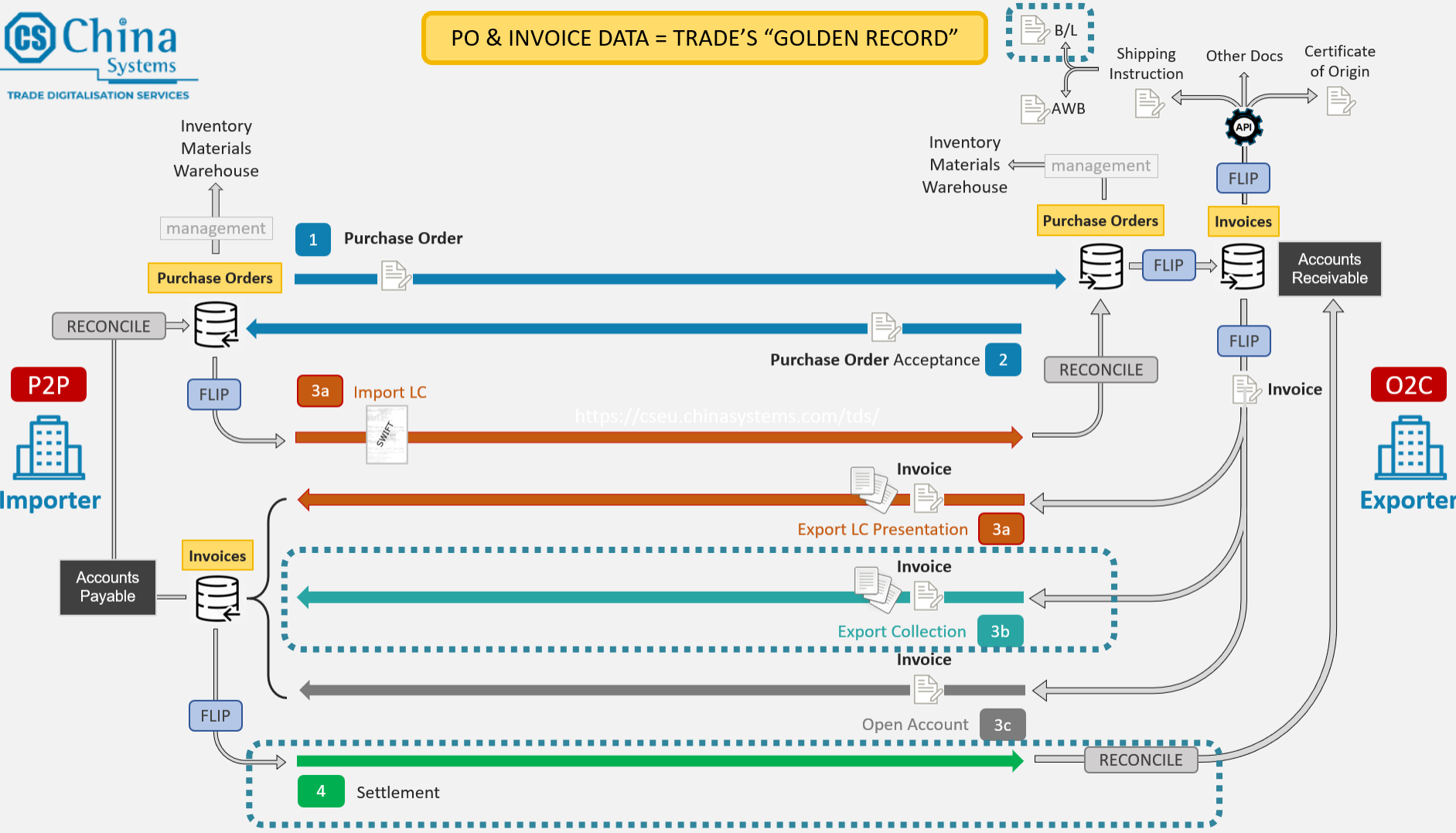
Digitalisation is understanding the existing 'dots' within the global trade ecosystem and efficiently connecting them with a customer centric mindset



BLOG: <https://cseu.chinasystems.com/tds/>

Trade – A Customer Centric View

PO & INVOICE DATA = TRADE'S "GOLDEN RECORD"



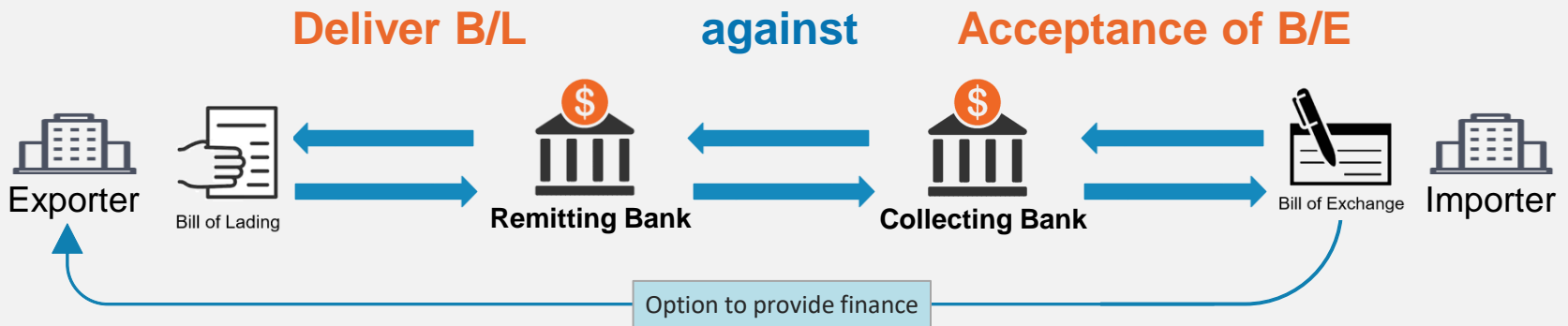
TODAY : Documentary Collection = paper based procedure that allows a seller to give their bank instructions to forward trade-related documents to the bank of a buyer (D/A-D/P)

FACT : declining volumes for the paper based instrument

USED IN FOLLOWING CONDITIONS

- The exporter and importer have a well-established relationship.
- The exporter is confident that the importing country is politically and economically stable.
- An open account sale is considered too risky.
- An LC is unacceptable to the importer.

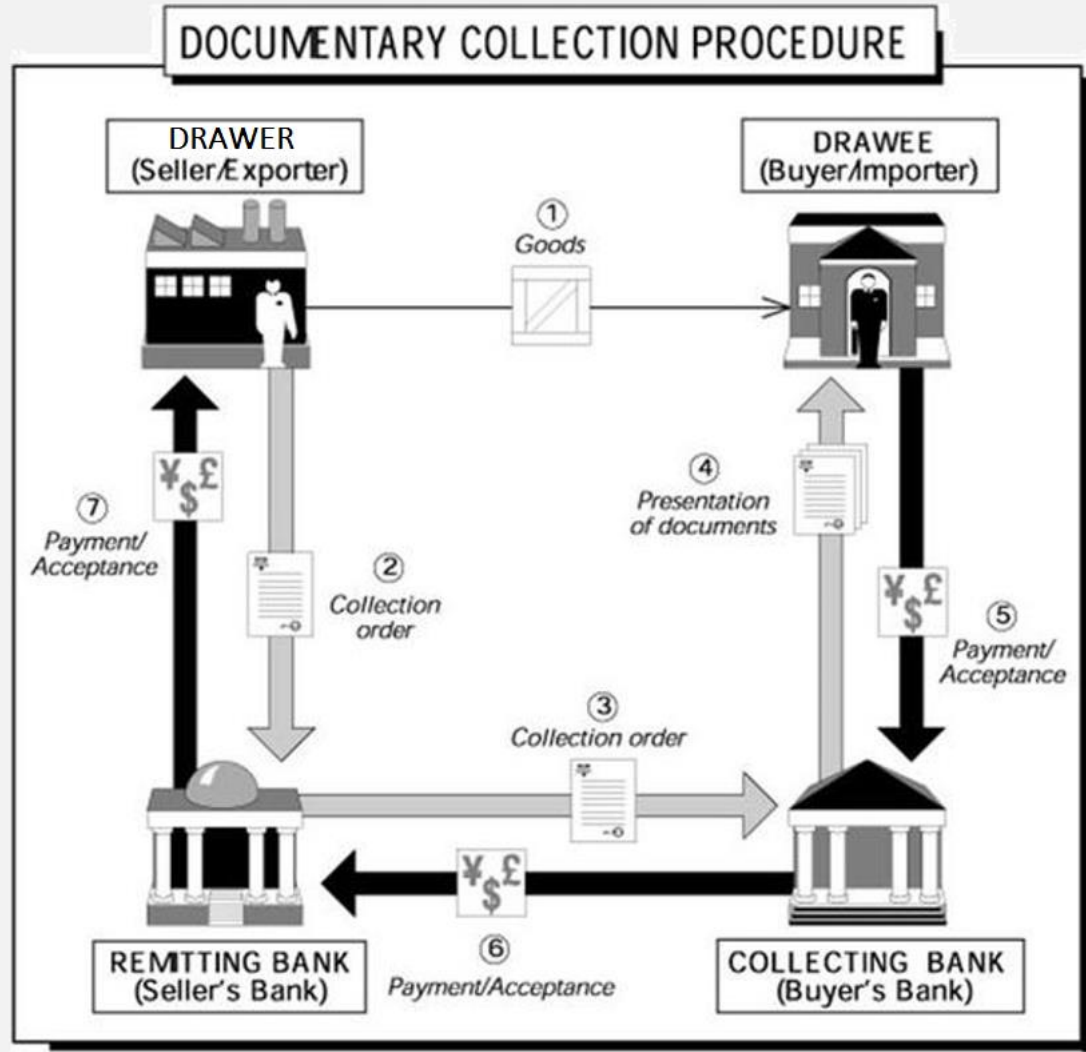
The business case in the paper world that we have used as the basis for a digital solution:



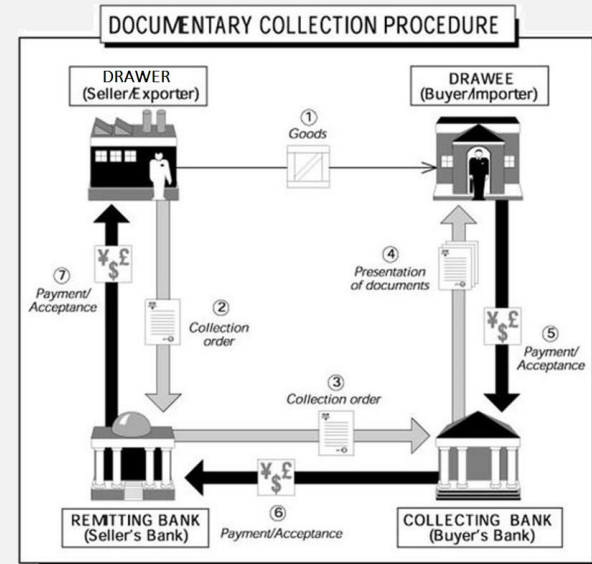
Paper based Collection process today

Weaknesses

- ❑ Not many options for the seller in case buyers are unable to meet payment obligations
- ❑ Delays on transmission of the paper, goods arriving before documents of title, may lead to additional charges, e.g. demurrage or cost related to banks issuing a S/G to release goods
- ❑ Often includes paper B/E and B/L, which are negotiable and transferable instruments => too slow and too risky



How can this be optimized and weaknesses be resolved?



Implementing the Technology is the easiest part

How can we move from paper to digital documents on a workable legal basis

- “and”
- Wait for Common/Civil Law changes** (which can differ from country to country)
 - Provide contractual solutions** (e.g. Rulebooks or embedded wording in digital instrument, eg ePU)
 - Adopt regulations from supranational orgs – UNCITRAL (1) MLETR (2)**
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- China Systems is an ITFA FinTech member, and is active at the 3 fronts above. Ongoing discussions with UNCITRAL (compliance of dDOC specifications with MLETR) and ICC DSI.**

(1) **United Nations Commission on International TRAdE Law**

(2) **Model Law on Electronic Transferable Records** - legally enables the use of electronic transferable records that are functionally equivalent to transferable documents and instruments including bills of lading, bills of exchange, promissory notes and warehouse receipts



Key criteria for Digital Document Technology

Key criteria for Digital Doc Technology



The technology requirements - referred to as the dDOC specifications - describe how to leverage advanced document technology to produce, manage and share digital original documents, i.e. digitally native originals that are portable amongst financial institutions, their correspondent banks, their clients and any third-party platform they wish to use for value-added processing (e.g., bill of lading platform). Those specifications were developed with an "open banking" mindset leveraging hybrid blockchain technologies.

*André Casterman, Chair ITFA Fintech Committee says “The dDOC specifications are vendor-agnostic which means that ITFA expects various technology solution providers to apply and **demonstrate compliance**.”*

At this early stage, both Enigio and China Systems have done so whilst other members of the DNI Initiative are busy working on it.”

Published on September 7, 2020

UNCITRAL MLETR ALIGNMENT

Interoperability By Design

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<https://itfa.org/dlt-in-action-itfas-ddoc-specifications-help-digitise-guarantees-and-negotiable-instruments-in-the-most-pragmatic-way-october-2020/>

Key Solution Criteria

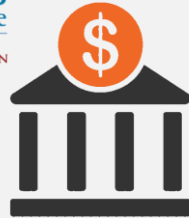
- Using existing operating model (back office and front-end)
- Same business practices as today
- Same documents as today, but e-versions where available
- ICC rules: eURC instead of URC

Key Solution Objectives

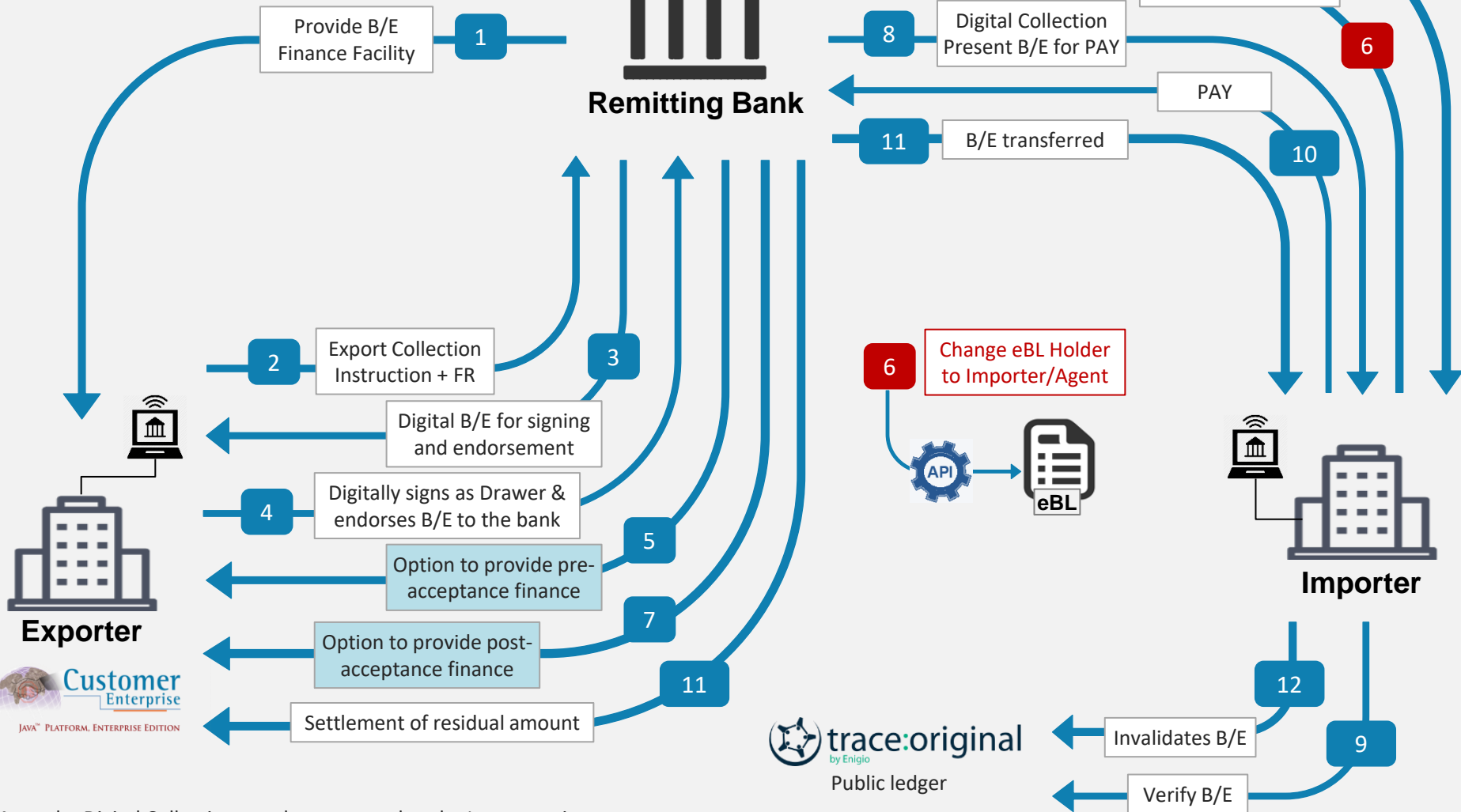
- Same instrument but fully digital
- Faster
- Providing real-time control on commitment
- More cost effective
- More secure

SCENARIO 1 - SME/MidCap Exporter (Finance under Export Collection)

B/E = Bill of Exchange
 FR = Finance Request
 ACC = acceptance
 PAY = payment

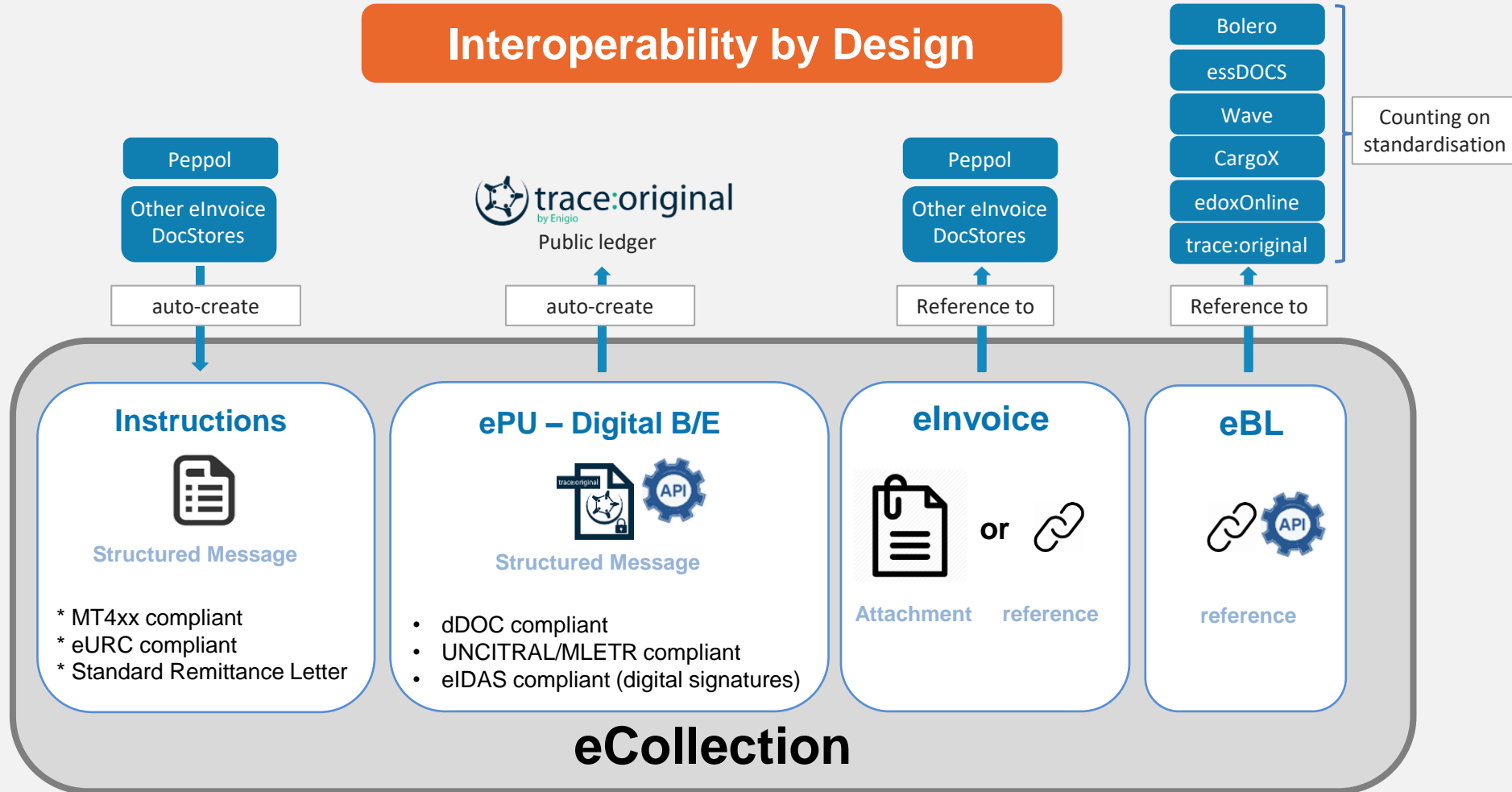


Remitting Bank



Note: the Digital Collection may be presented to the Importer via a Collecting Bank, e.g. if this bank is requested to add its Aval, providing additional payment certainty to the holder of the bill

Interoperability by Design



The eCollection can optionally be sent over FileAct if the destination is a bank or a corporate with a SWIFT ID. In all cases, e-mail can be used in combination with secure tokens, or any other channels that the parties involved have agreed to in advance.

Q & A