

Webinar 19th October 2021

"Documentary Trade's Digital Rebirth"



Compatible
Application

Trade Finance

2021



Compatible
Application

Trade Finance for
Corporates

2021



Compatible
Application

Payments

2021



Compatible
Application

SWIFT gpi

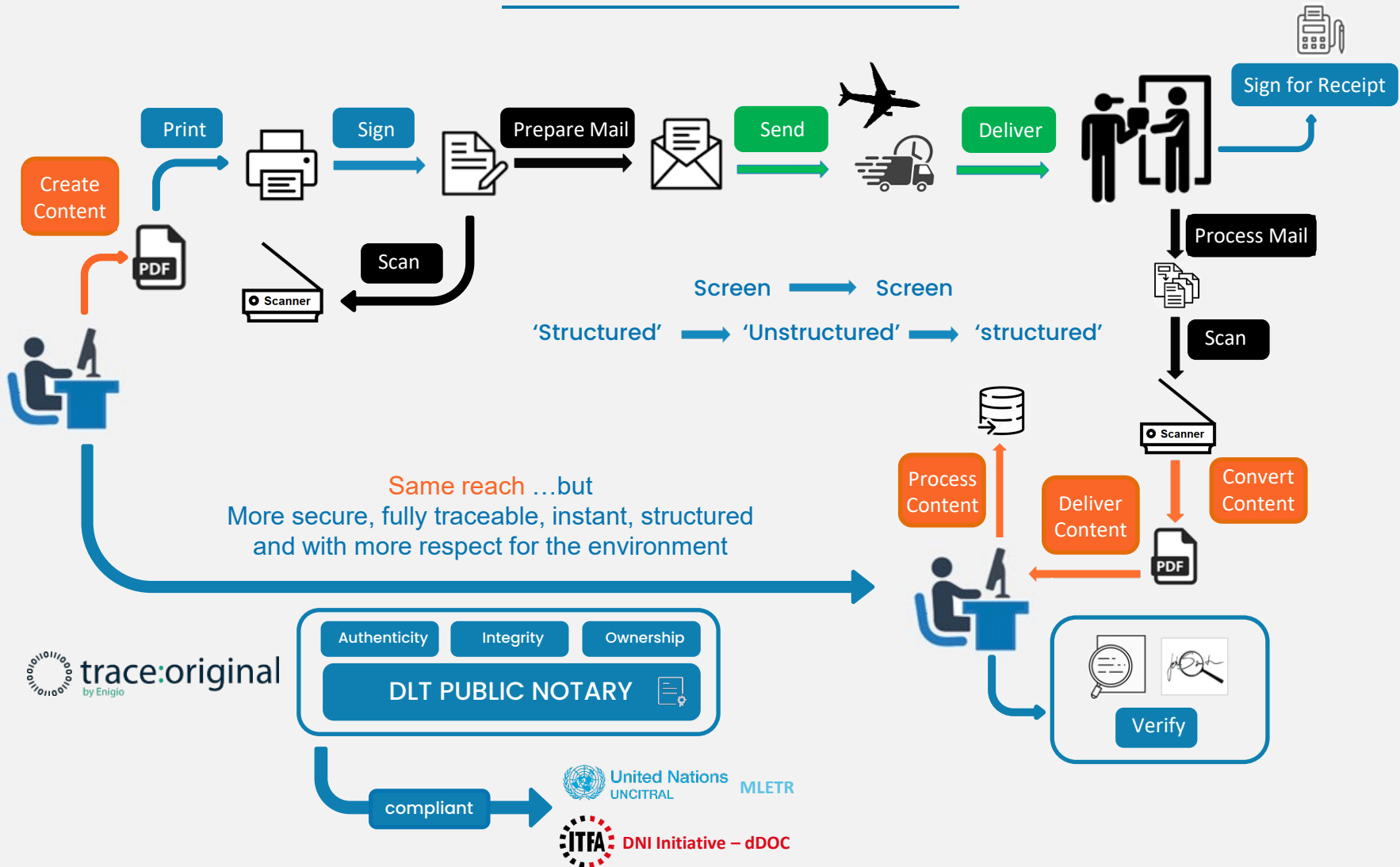
2021

What has driven us to Design a Vision beyond a statement?

How can we make it part of our value proposition?



Continued use of Paper Documents in Trade Financially and Environmentally Irresponsible!



What becomes redundant

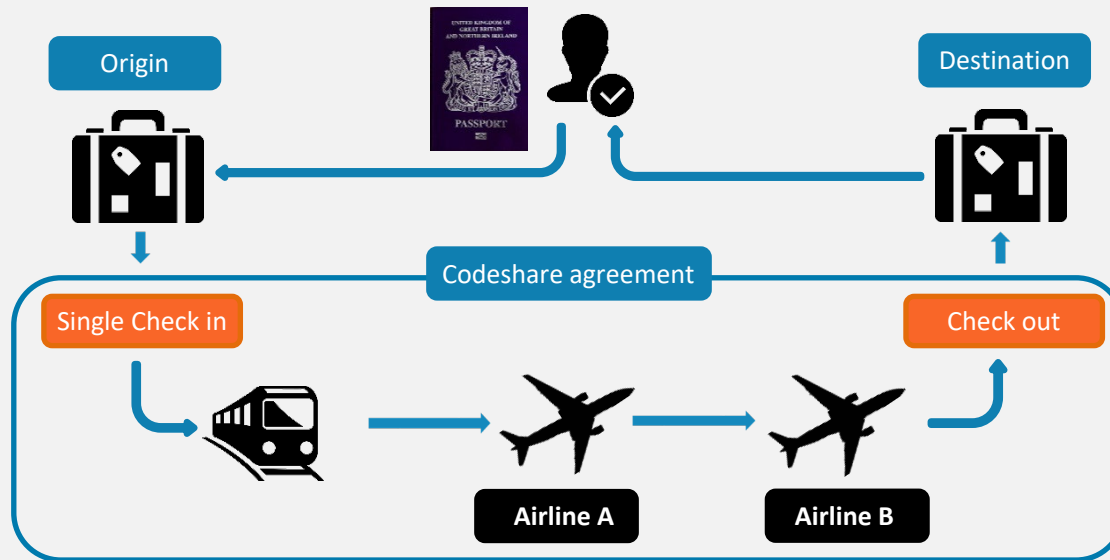
What we expect from Digital Doc Technology

Part of what we do

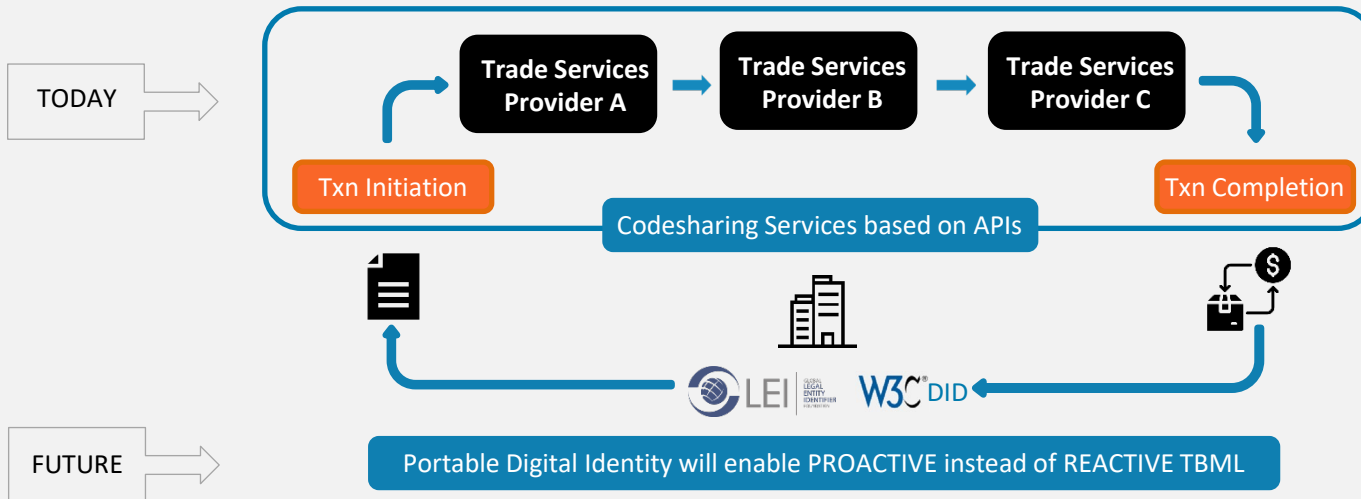
Infrastructure as is or to be



Trade can learn from Travel



OBJECTIVE: Ability to travel or transact cross-border using single digital identity (customer journey)



The business case 'as is'

DOCUMENTARY COLLECTION

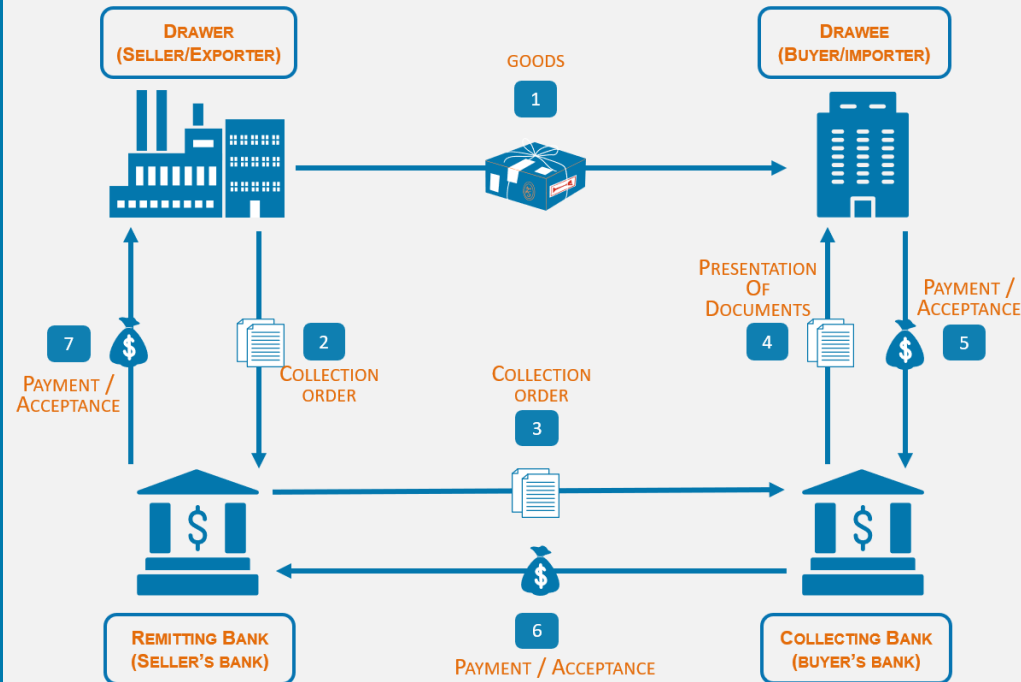
Today

A PAPER BASED procedure that allows a seller to give their bank instructions to physically forward trade-related documents to the bank of a buyer (D/A-D/P)

Fact

Declining volumes

PROCESSING FLOW



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 and costs related to banks issuing a S/G to release goods



Often includes paper B/E and B/L, which are negotiable instruments => too slow and too risky (loss, theft, abuse)

The business case 'digitally re-engineered'

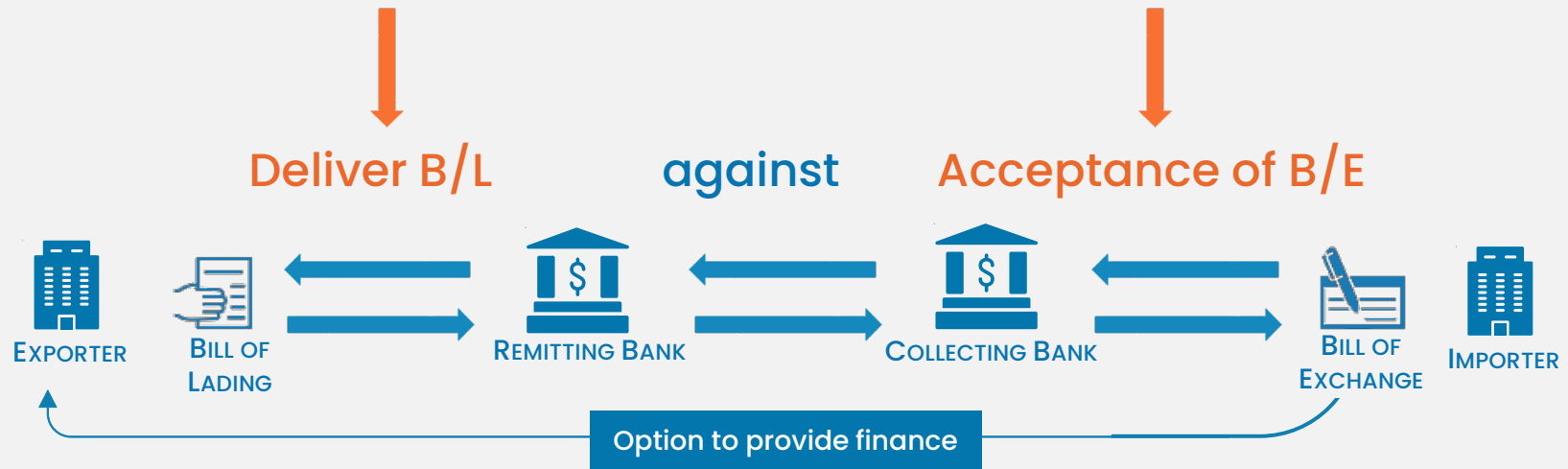


DOCUMENTARY COLLECTION WITH RECEIVABLES FINANCING

Digitally re-engineered based on Omnichannel design principles

GOAL: optimise a specific 'paper world' trade business case, aiming to digitally mitigate the risk for the parties involved, without documents being sent around the world and people physically being involved in processing them

"Trade refers to the exchange between parties of goods/services against money or money's equivalent"



Digitally Re-engineered to create instant liquidity

Using APIs to orchestrate collaborative workflows across physical and financial supply chain participants

Using Digital Signatures or Seals to be able to conduct business anywhere, anytime on any device

Use document metadata to generate the transaction and perform TBML & compliance checks

Using a Digital Notary to ensure/verify document integrity, originality and ownership (no access to business data)

Sourcing data from reliable sources such as Single Windows for Trade Facilitation (integrating B2B services into B2G design)

Real-time updates increasing productivity and improving interaction and client user experience

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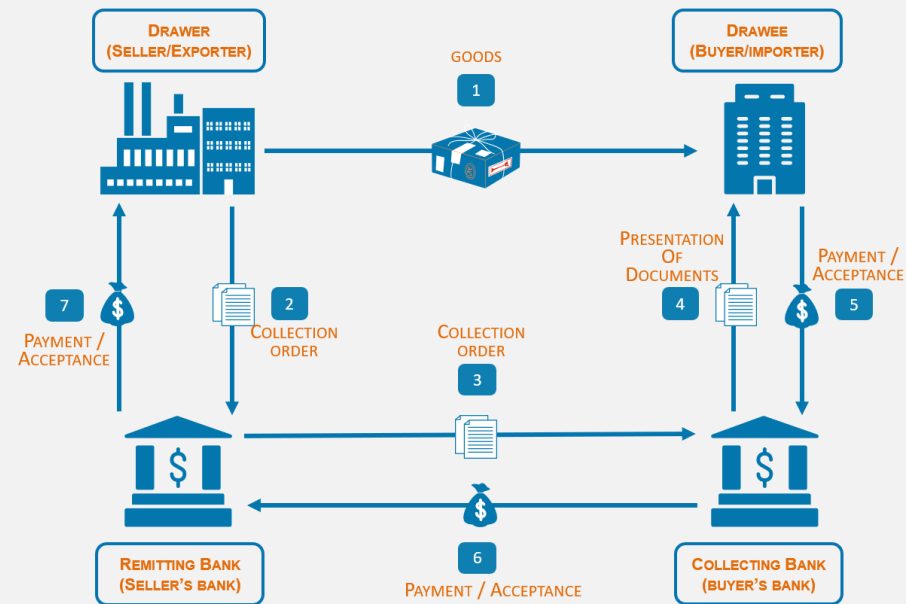
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How can this be optimized and weaknesses be resolved?



Digital Trade Asset Potential: NFT transformation
=> repackaging & distribution

Not just a
technology challenge

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

practically

Target trade chains
between jurisdictions
with an active 'digital
trade' agenda

China Systems is an ITFA FinTech and ICC UK
member and is actively participating in the
'Digital Trade' business case.

Through ITFA, ongoing dialogue with UNCITRAL
(compliance of dDOC specs 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

Actions pending further
Common/Civil Law changes

+

Provide contractual solutions (e.g.
Rulebooks or embedded wording in digital
instrument, e.g. ePU)

+

Adopt or align with regulations from
supranational orgs (UNCITRAL⁽¹⁾ MLETR⁽²⁾)

+

Provided input to the UK Law Commission
consultation process (14/07) and input
on the response analysis process

How can we kickstart adoption of digital documents, e.g. Bills of Exchange and Promissory Notes?

OPTION 1

Apply a Platform Rulebook

Challenge

Onboarding of all parties required

OPTION 2

Contractual Wording inside instrument

Challenge

Temporary, scope, repetitive checks

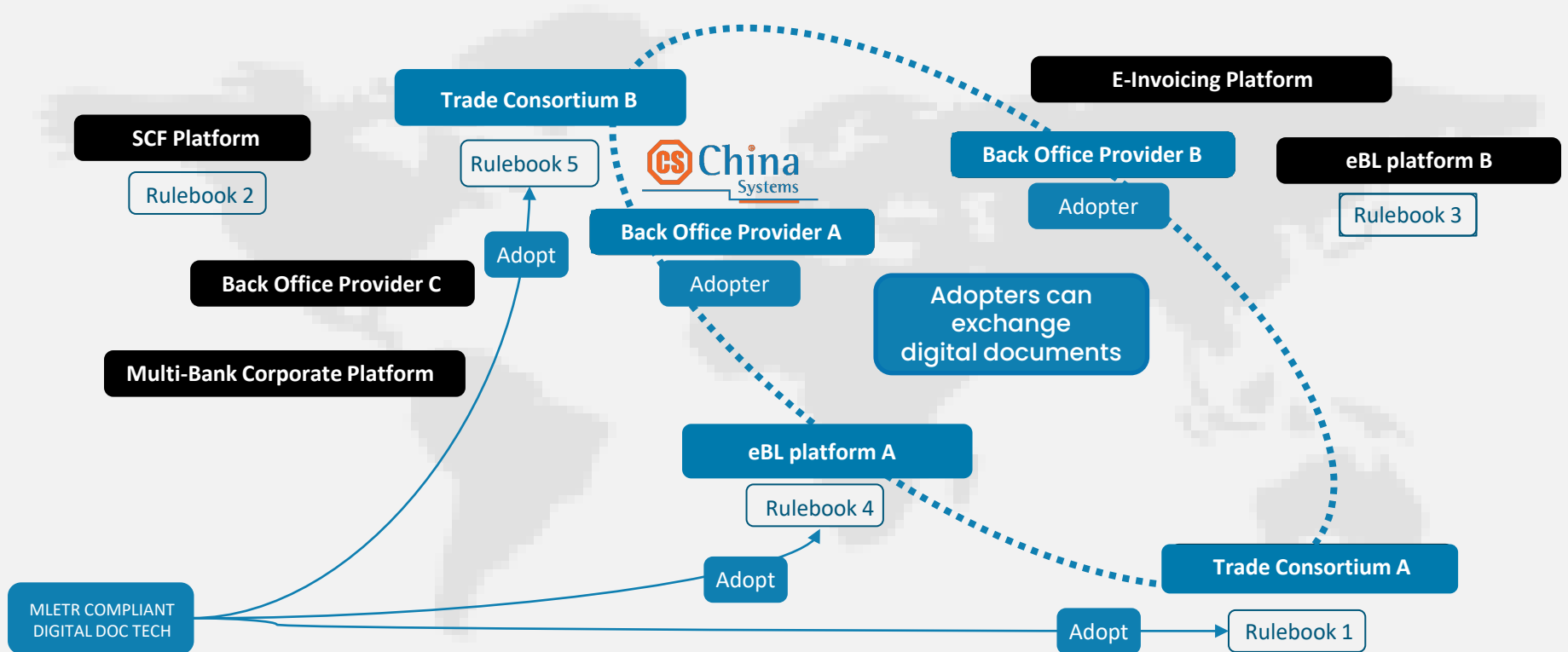
OPTION 3

Wait for legal adoption, country by country

Challenge

Unpredictable, many dependencies

Is there another option? With some goodwill and desire to collaborate...



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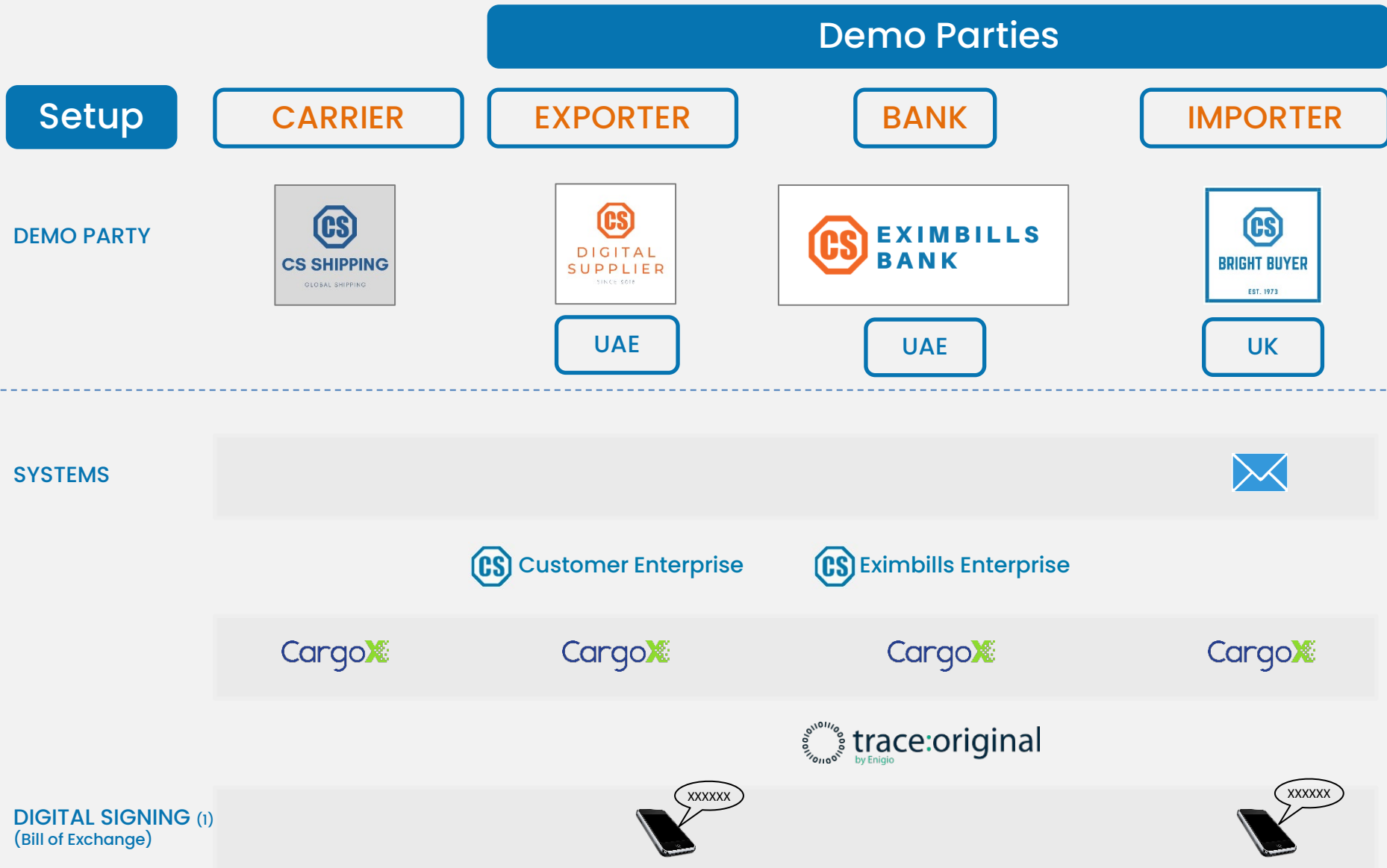
Digitally re-engineered based on Omnichannel design principles

Introduction to the demo

Blog article: <https://cseu.chinasystems.com/tds/documentary-collections-the-digital-rebirth/>

DOCUMENTARY COLLECTION WITH RECEIVABLES FINANCING

Digitally re-engineered based on Omnichannel design principles



(1) Signing methods can be adjusted based on circumstances, parties involved and business context. Mobile SMS OTP has been chosen as it is convenient for demo purposes

DOCUMENTARY COLLECTION WITH RECEIVABLES FINANCING

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Demo processing flow (1)

(1) PLEASE NOTE THAT THE DEMONSTRATION COVERS 1 SPECIFIC SCENARIO, WHICH COULD BE ADJUSTED IN TERMS OF LEVEL OF AUTOMATION, CORPORATE COMMUNICATION CHANNEL, WORKFLOW LOGIC, DOCUMENTS INVOLVED ETC. WE CAN E.G. ALSO USE PROMISSORY NOTES TO RECORD THE BUYER'S UNDERTAKING AND INCLUDE OTHER TRADE DOCUMENTS SUBMITTED BY THE EXPORTER TO THE CARGOX PLATFORM AS PART OF THE ADVANCE CARGO INFORMATION (REQUIRED FOR CUSTOMS CLEARANCE). WE CAN ALSO INVOLVE A COLLECTING/PRESENTING BANK IN CASE THE BILL OF EXCHANGE WOULD NEED TO BE AVALISED. MDBs CAN ALSO BE INVOLVED IN THE DIGITAL FLOW, IN CASE THE FINANCING BANK DOES NOT WANT TO TAKE THE RISK ON THE BUYER OR AVALISING BANK.

SINCE THIS IS A FULLY DIGITAL TRANSACTION, THE CAPABILITIES SHOWN IN THE DEMO CAN ALSO BE APPLIED IN THE CONTEXT OF A TRADE TRANSACTION SUBJECT TO URDTT, WHEREBY THE BUYER OR HIS BANK COULD BE ISSUING A CONDITIONAL PAYMENT OBLIGATION E.G. SUBJECT TO OBTAINING OWNERSHIP OF THE EBL

DOCUMENTARY COLLECTION WITH RECEIVABLES FINANCING

Demo

Digitally re-engineered based on Omnichannel design principles

EXPORTER

Export Collection Instruction & Finance Request

eBL data and document retrieved (API)

Digital B/E (ePU) digitally signed as Drawer (API)

Notification Collection Order

Notification Acceptance & finance details

Notification Payment & Close File

BANK

EXCO Txn verification & Bill Discount Limit Check

eBL data and document verification (API)

Digital B/E (ePU) generated for Drawer Signature (API)

Auto-generate and transmit Collection Order

Register Acceptance & Finance Supplier

Transfer eBL to Buyer with email notification (API)

Payment Reminder x days before Maturity

Auto-reconcile Payment, Reverse Liability, Close File

Invalidate Digital B/E (API)

IMPORTER

Review Collection Order

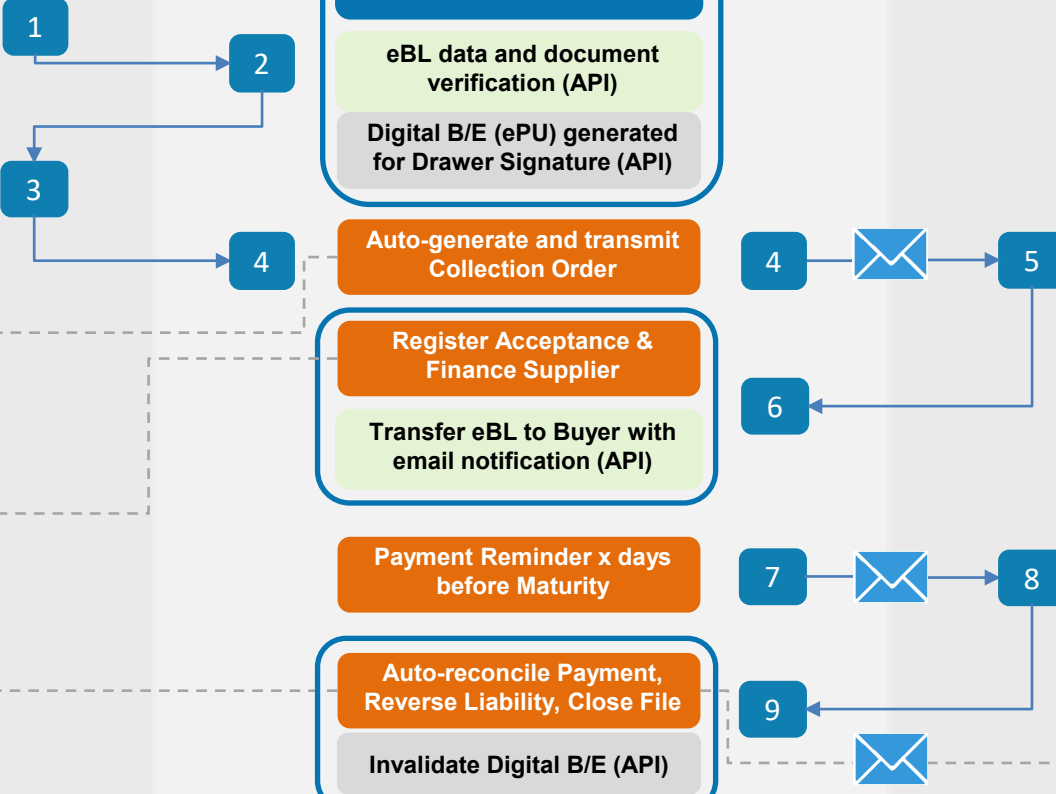
eBL data and document verification (API)

Digital B/E (ePU) digitally accepted as Drawee (API)

Confirm Payment

Payment

Verify Invalidated Digital B/E (API)

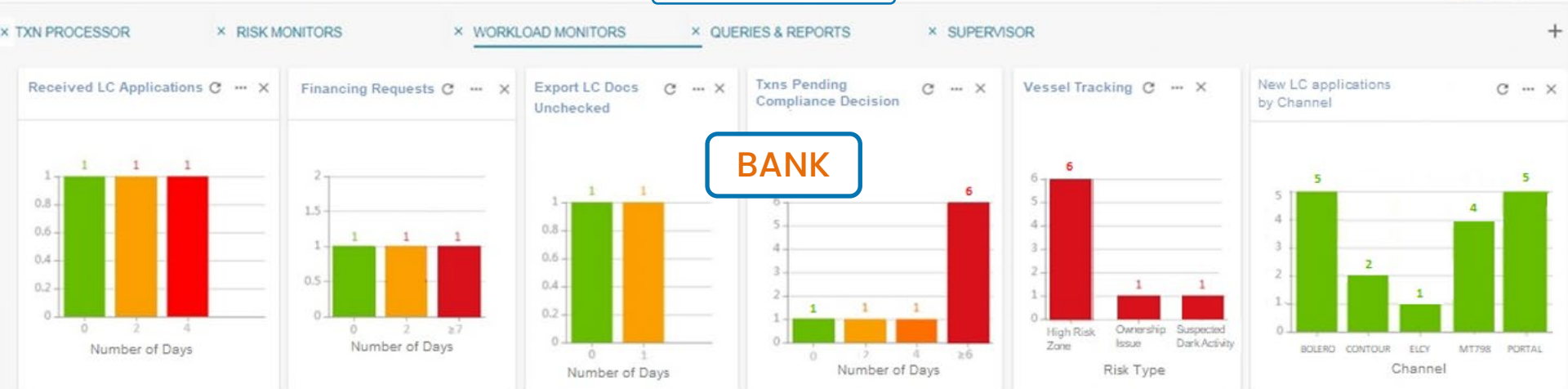
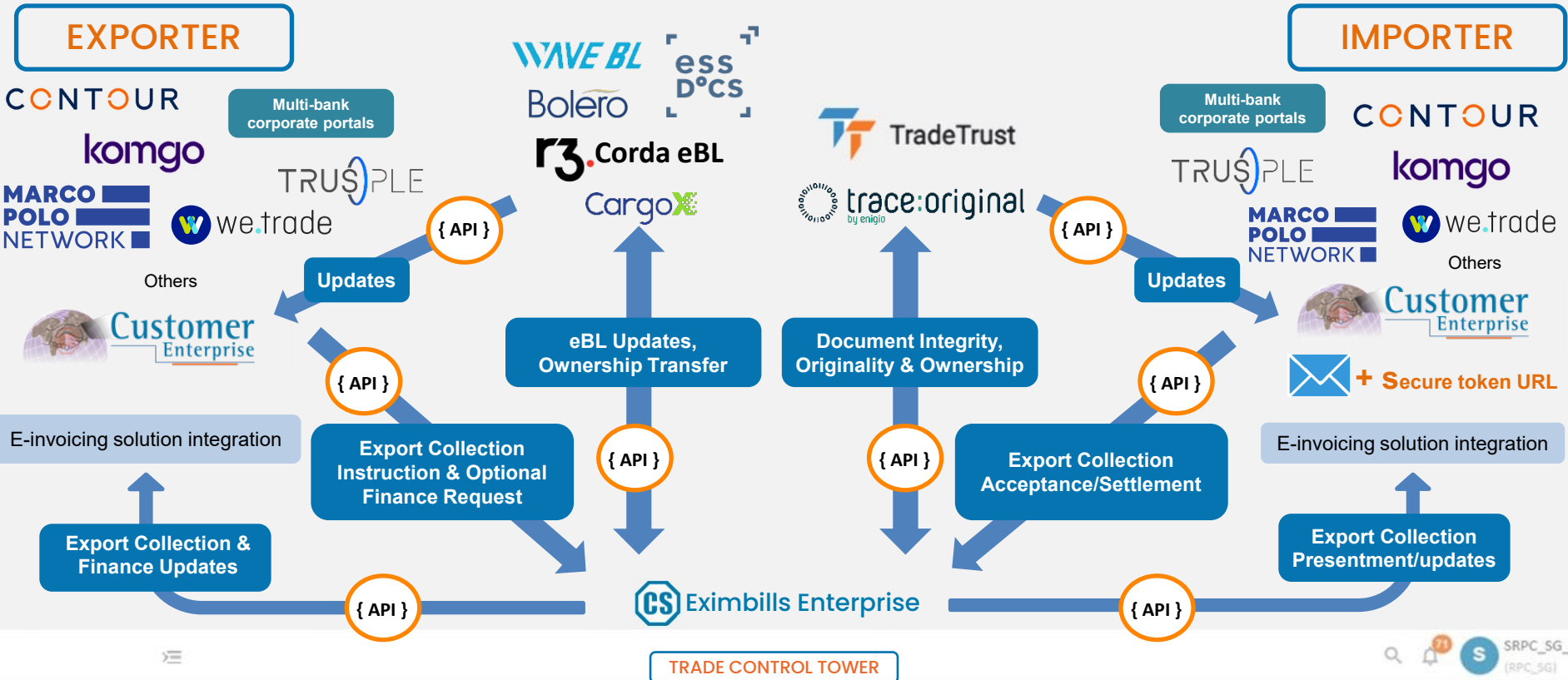


What are the options in terms of connectivity of the solution to other trade ecosystem participants (1)

(1) PLEASE NOTE THAT THE DIAGRAM ON THE NEXT SLIDE ONLY REFLECTS PARTIES INVOLVED IN THE CONTEXT OF A DIGITAL COLLECTION. FOR OTHER INSTRUMENTS AND A WIDER SET OF DOCUMENTS AND SERVICES, ADDITIONAL API BASED CONNECTIVITY MAY BE REQUIRED, E.G. VESSEL TRACKING INFO, OCR/AI DOC CHECKING ETC.

DOCUMENTARY COLLECTION WITH RECEIVABLES FINANCING

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Keeping you connected



Where can you find us?

WEBSITE

www.chinasystems.com

BLOG

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

Committed to drive and support all
“Trade Source to Settle” digitalisation initiatives



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