

TF-SIG Meeting - 2019.02.19

[1 [Agenda](#)] [2 [Notes](#)] [3 [Recording](#)]

Agenda

1. Welcome and opening remarks.
 - a. Reminder that the meeting is being recorded
 - b. Reading of the Linux Foundation anti-trust policy
 - c. Agenda overview/Introductions
2. New members who have not been on the call, raise your hand
 - a. Your name & company
 - b. Your geographical location
 - c. One thing you hope to gain from the group
3. Main presentation Chase Hughes "The current landscape for security tokens, protocols, and the trading of securities as it applies to Trade Finance"
4. Update on Wiki Progress
5. Forward Agendas
Call for future agenda items
6. Next Meeting
5th March 2019 at 14:00 UTC

Notes

1. Reminder that the meeting is being recorded
2. Reading of the Linux anti-trust statement
3. New members;
 - a. Mehul Shah - Infinity services - Hyperledger fabric dev shop - aiming to get involved in the SIG initiatives
 - b. Nick Guillermo - SAP - leading the finance group and trying to find where blockchain fits
 - c. Chris Khong - Hyperledger Meetup in Hong Kong
4. Presentation from Chase Hughes
 - a. [Click here for the slides](#)
 - b. Chase's background is study in Finance and information systems, worked out of Beijing doing cross-border investments
 - c. Working through cross-border buy-side he noticed a lot of problems that were similar to trade finance particularly in relation to counterparty finance
 - d. History of trade finance (8'20")
 - i. There are three primary problems being addressed in this space
 1. Arbitration of asset recovery - where someone doesn't pay, or agreements not fulfilled,
 - a. large amount of documentation involved. Its difficult to find and access documents and information. APIs are point to point - more effective than email, but still not ideal
 - e. What's going on right now (10'10")
 - i. We are likely to see less dependence on intermediaries as companies start interact directly with each other and create efficiencies that way. This is driven by automation.
 - ii. Traditional paper contracts are being replaced by smart contracts and Ricardian contracts
 1. Smart contracts execute automatically - which means that if they go to arbitration you would need a computer scientist to know what is going on
 2. Ricardian contracts are less integrated - terms are integrated in a database that can be triggered by are not
 - iii. Companies are integrating their protocols. They are looking to integrate rather than rebuild their own systems. This reduces the amount of change that is needed for individual firms and systems. This will take time, but sophistication is going
 - iv. Decentralised applications. In this context he is referring to an API that can be accessed from many places
 - f. Example Application (15'39")
 - i. Bundled securities - taking a multiple assets and bundling them under one token. These could be 50 different trade agreements with different companies, bundled and sold on the secondary market
 - ii. Arbitration Oracles - by using a combined information source that contains shared information that is held on chain. This could be vendor, buyer, seller, financier. In the case of dispute the arbitrator has access to the information on chain which make it less vulnerable to manipulation.
 - iii. Decentralised payments. Where there are banking restrictions or high charges people are starting to use cryptocurrencies or stablecoins, although there are practical problems to these especially when values are high.
 - iv. Reduced transfer costs. Processes of automating contracts reduces fees and errors.
 - v. Digital collateralisation. The digital representation of physical assets. Becoming prevalent in digital commodities such as intellectual property.
 - vi. Term enforcement. Smart contracts that enforce penalties such as freezing assets with the need for government powers.

- g. The current landscape (23'00"). There are three types of systems;
 - i. Shared transfer systems for private secondary markets that are not integrated with the blockchain
 - ii. Alternative trading systems that are based on distributed ledgers. Many are hoping that these technologies will be acquired when they are fully mature.
 - iii. Decentralised applications. Building blockchain based APIs. Creating an ecosystem where there is not a single protocol, rather there are different protocols for different aspects.
 - h. Future developments (34'40")
 - i. Development of stablecoins is still needed
 - ii. Security tokens will become shared transfer agreements for many asset classes
 - iii. Collateralised multi asset tokens. These could be various digital securities that are grouped together to make flexible assets.
 - iv. Increasing transparency on token exchanges to improve documentation and disclosures
 - i. Questions
 - i. Ebook available [here](#)
5. Wiki
- a. Edmund proposed adding a news update session to the next agenda which was accepted.

Recording

- [Audio](#)