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Groundbreaking HSBC blockchain transaction set to revolutionise trade

First end-to-end trade finance transaction on a scalable blockchain platform

Demonstrates blockchain is a commercially and operationally viable solution for trade digitisation

Significantly reducing paper-based documentation exchange times to 24 hours

Increasing efficiency, security and transparency for businesses doing trade finance transactions

HSBC and ING Bank have successfully executed the first scalable live trade finance transaction using blockchain for Cargill, an international food and agriculture conglomerate.

Last week, a shipment of soybeans was transported from Argentina to Malaysia, via Cargill's Geneva and Singapore subsidiaries. The deal was financed using a Letter of Credit, which was completed digitally on R3's scalable Corda blockchain platform, marking a tipping point in the way goods are bought and sold.

The transaction demonstrates that blockchain is a commercially and operationally viable solution for trade digitisation. Up until this point, banks, buyers and suppliers had been experimenting with blockchain, testing proofs of concepts and conducting internal pilots. However, this Letter of Credit transaction was an end-to-end trade between a buyer and a seller and their respective banking partners, completed on a single and shared digital application rather than multiple systems. What's more, the blockchain platform used is already being supported by 12 banks, who are working with R3 and their partners to continue the development to bring the platform to market more broadly.

*According to **Vivek Ramachandran, Global Head of Innovation and Growth, Commercial Banking at HSBC**: "This is an inflection point for how trade is conducted. At the moment, buyers and suppliers use a Letter of Credit, typically concluded by physically transferring paper documents, to underpin transactions. With blockchain, the need for paper reconciliation is removed because all parties are linked on the platform and updates are instantaneous. What this means for businesses is that trade finance transactions have been made simpler, faster, more transparent and more secure."*

This technology is ideally suited for trade because it helps to streamline a previously paper-intensive process which usually takes between 5-10 days to exchange documentations. This exchange was done in 24 hours.

*"The success of this live transaction builds a firm foundation for the future of trade finance. The improved operational efficiencies, greater security with real-time tracking of goods and documents, and automatic reconciliation of payments will help boost both intra-regional and international trade flows," said **Ajay Sharma, Regional Head of Global Trade and Receivables Finance for Asia-Pacific at HSBC**.*

*"Sitting at the epicentre of trade activity, HSBC is spearheading new technologies like blockchain to make trade more accessible, simpler and faster for our clients," concluded **Sharma**.*

***Ivar Wiersma, Managing Director, Innovation Wholesale Banking, ING**, said: "It's exciting to see this transaction has been completed successfully with clear client benefits in speed and ease in execution. On top of that, it shows the power of collaboration. Collaboration with other ecosystems' stakeholders like regulators, ports, customs and logistics providers such as large shipping carriers. And in particular, collaboration with other banks, even our peers."*

According to the United Nations, digitising all of the Asia-Pacific region's trade-related paperwork could slash the time it takes to export goods by up to 44% and in doing so, cut costs by up to 31%, and boost exports by as much as \$257 billion a year^[1].

Further reading and background on Blockchain

Enterprise blockchain records data digitally in much the same way as bookkeepers used to write in old-fashioned ledgers. However, the information is recorded on a shared ledger, with each party holding a copy of said ledger that updates the appropriate information required by the participant instantaneously. Each party can only see the information that is relevant to them.

This kind of technology is perfect for trade because it maintains an unchangeable record of the transaction (including a description of the goods themselves, the cost, and any legal requirement) on one digital ledger. At the appropriate time in each transaction, the information required by participants can be shared with them for approval.

At present buyers and sellers use paper-based Letters of Credit to underpin transactions. Physical documents are sent to each party in the transaction by post, courier or fax. These documents set out what goods are being provided and how much will be paid for them. A Letter of Credit is effectively a promise that the buyer's bank will pay for the goods, once they are received, if the buyer is unable to.

While these paper documents provide certainty, the time and cost involved in processing them are deterrents for many would be exporters [and importers]. Typically, processing a Letter of Credit accompanying the movement of goods from one company to another takes between five and ten days. The exchange of documentations of this transaction took 24 hours to complete. This demonstrates that using a digitised Letter of Credit and blockchain technology to complete trade transactions is commercially and operationally viable.

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Note to editors:

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HSBC Holdings plc

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ING is a global financial institution with a strong European base, offering banking services through its operating company ING Bank. The purpose of ING Bank is empowering people to stay a step ahead in life and in business. ING Bank's more than 51,000 employees offer retail and wholesale banking services to customers in over 40 countries.

ING Group shares are listed on the exchanges of Amsterdam (INGA AS, INGA.AS), Brussels and on the New York Stock Exchange (ADRs: ING US, ING.N).

Sustainability forms an integral part of ING's strategy, evidenced by ING's ranking as a leader in the banks industry group by Sustainalytics. ING Group shares are included in the FTSE4Good index and in the Dow Jones Sustainability Index (Europe and World), where ING is also among the leaders in the banks industry group.

R3

R3 is an enterprise software firm working with a network of over 200 banks, financial institutions, regulators, trade associations, professional services firms and technology companies to develop on Corda, its blockchain platform designed specifically for businesses.

R3's global team of over 140 professionals in nine countries is supported by over 2,000 technology, financial, and legal experts drawn from its global member base. R3 is backed by investment of USD 107 million from over 40 firms.

Corda is the outcome of over two years of intense research and development by R3 and its members and meets the highest standards of the banking industry, yet is applicable to any commercial scenario. It records, manages and executes institutions' financial agreements in perfect synchrony with their peers, creating a world of frictionless commerce. Learn more at www.r3.com.

Cargill Corporation

Cargill provides food, agriculture, financial and industrial products and services to the world. Together with farmers, customers, governments and communities, we help people thrive by applying our insights and over 150 years of experience. We have 155,000 employees in 70 countries who are committed to feeding the world in a responsible way, reducing environmental impact and improving the communities where we live and work.

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^[1] <http://www.unescap.org/news/first-regional-agreement-enable-cross-border-electronic-trade-asia-pacific-opens-signature-un>