

The case for digital standards in trade

Is a lack of digital standards hindering a quicker move towards a digitised trade finance industry? **Shannon Manders** took to the stands at Sibos to find out.

“A lack of digital standards and rules mean that we are living in an era where we have more technology solutions for trade than we are able to use.” Those were the words of Daniel Schmand, chair of the ICC’s banking commission, speaking at Sibos in Toronto in October last year.

Schmand went on to say that technically, the trade finance industry is

“all ready”, but that a constraining factor is the absence of globally accepted rules and standards.

It’s a view that some trade finance experts avidly agree with, while others point to other restraining aspects – such as the lack of operability between the multitudes of digital islands – that technology has yet to solve. And then there are those that believe that trade finance digitisation is now in a phase of

intense innovation – and that standards will, and should, only come later.

During a digitisation panel discussion on the last day at Sibos, an audience poll on the link between standards and digital trade progress found that 64% believe that a lack of standards is the key limiting factor to digitisation.

GTR canvassed the crowd at Sibos for their views.

“ Steven Beck, head of trade finance, Asian Development Bank

“Without rules accepted by courts, there will always be a certain level of reluctance to embrace digitisation. Formed in 1919 in the absence of a global system of rules to govern trade, the ICC created in 1936 an industry standard that would become known as the Incoterms rules, which has become accepted by courts all over the world.

We are in the same situation today as we were pre-1936 with respect to trade digitisation. The ICC Banking Commission has a strong role to play in filling a void of acceptable rules.

The hype is fun and dreaming is important, but to catch up with reality we need to develop some basic infrastructure.

Creating digital standards for trade, and rules for digitisation, and achieving global adoption of one harmonised legal identity for companies will create the infrastructure required to move blockchain fintech further.

It’s only that way that we will be able to use this technology to solve real problems in transparency and inclusion.”



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Anne-Claire Gorge, global head of product management, trade services, Société Générale

“Société Générale is an active member of the ICC’s working group on digitalisation. We need the ICC to work on defining new rules and improving current rules to enable everybody to work with digital tools. We want to work with data, and no longer with documents. We need an international standard.

Having said that, it will take time to be fully efficient – it won’t be a revolution at the first step. But it doesn’t mean that we have to wait for the ICC to have implemented new rules to start doing something.”



**Kitt Carswell, vice-president,
senior offering manager, CGI**

“CGI is involved in the distributed ledger payment commitment (DLPC) working group, which sits within the innovation committee at Baft. The working group is proposing business definitions and technical specifications for representing trade payment commitments on the blockchain. The goal is the adoption of these definitions and specifications as the banking industry’s endorsed standard.

These things take time. We were on the original committee for the definition of supply chain finance: that went from Baft to another five global committees, until, finally, 10 years later the ICC issued the final definitions.

Digital standards will follow a similar path as a nexus for collaboration between industry bodies that will need to work together to obtain consensus and co-ordinate efforts across geographies, business lines, and technical experts.

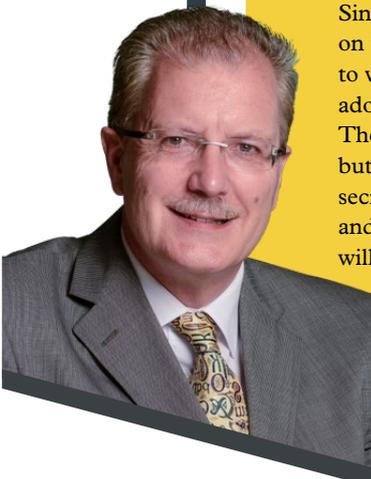
Blockchain is moving fast enough that it needs this help. As the different blockchain networks are set up and used, if we can get some bank-endorsed standards out there that the developers of those applications can utilise, it will make these different blockchain networks more interoperable. If they have the same data and operate in the same way according to the same standards, it will be much easier to make them then talk to each other.”



**David Hennah, head of trade and
supply chain finance, Finastra**

“I think people tend to forget that blockchain doesn't work without digitisation. And in order to digitise, we need standards.

People also get confused about rules and standards. There is a gap in terms of promoting standards for digital trade. This is where the World Trade Board (WTB) can come in. The Singapore government, for one, is very keen on this initiative and has invited the WTB to work with them and others on promoting adoption of digital standards for trade (DST). The DST project is still at a very early stage but we’ll be looking to establish a permanent secretariat that can facilitate the development and adoption of those standards. And that will accelerate the digitisation of trade.”



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**Keith Bear, vice-president
of financial markets, IBM**

“Standards are important. There are three major technology groupings if you measure them by size of community that support them: Hyperledger (with 160 firms), R3 and the Enterprise Ethereum Alliance. And then there are vertically integrated technology providers, too.

With all these options, it obviously raises interoperability questions. There may be bridges and other technologies that facilitate interoperability, but it’s going to be a lot easier if there are standards as well.

So, for example, if there are standards for smart contracts and how the ledgers interoperate then that will help the environment going forward. If banks are members of we.trade, which we are working on with eight European banks, and R3’s Marco Polo, then having that ability to interoperate between those two networks will be facilitated – if there’s more of a standard approach that can be adopted by both the technology providers and the network operators that are providing the services of these business networks that are evolving. The Linux Foundation’s Hyperledger, of which both IBM and R3 are premier members, is probably the most effective vehicle to achieve this goal.”

