# Rebooting a Digital Solution to Trade Finance



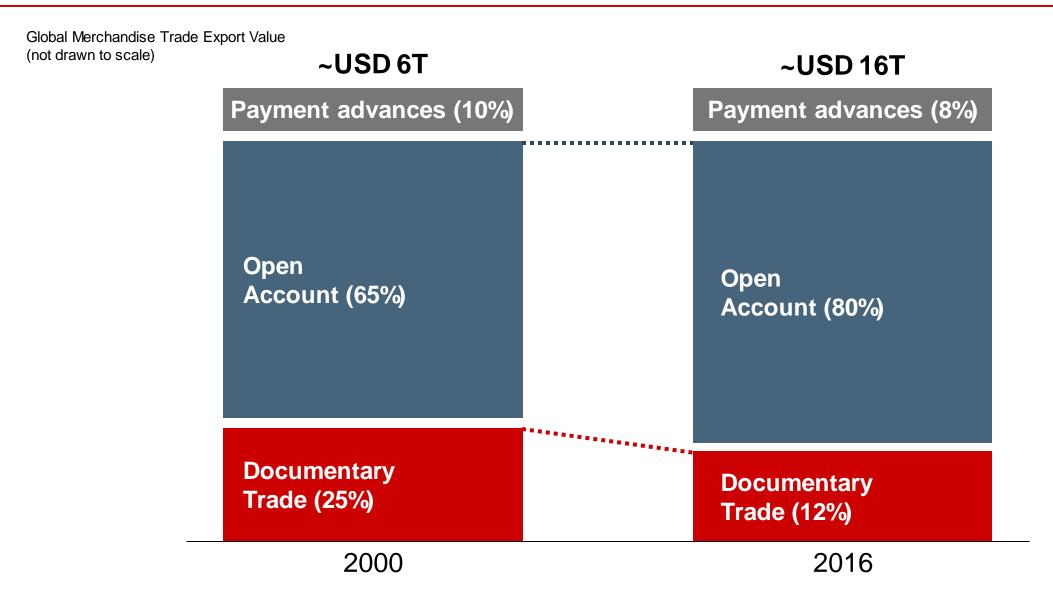




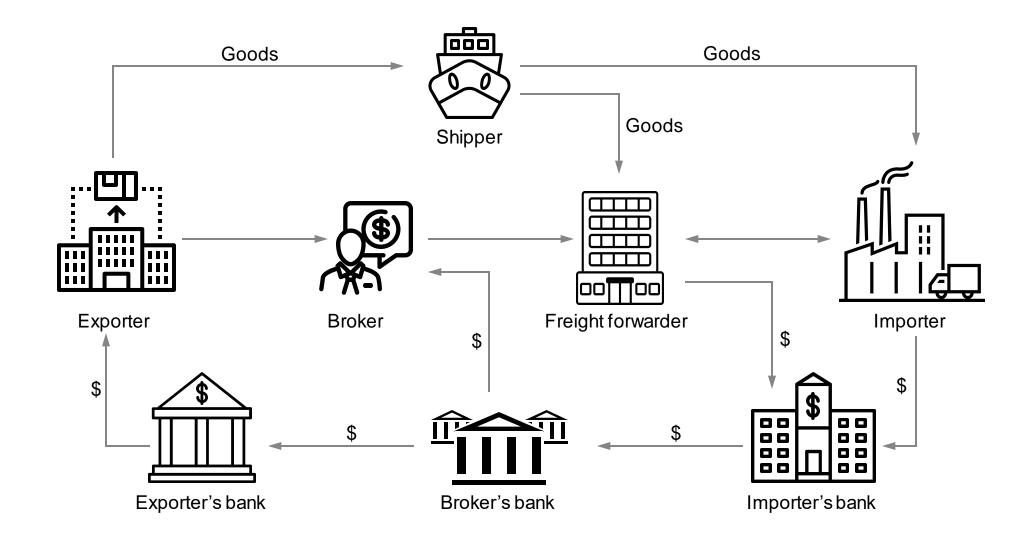




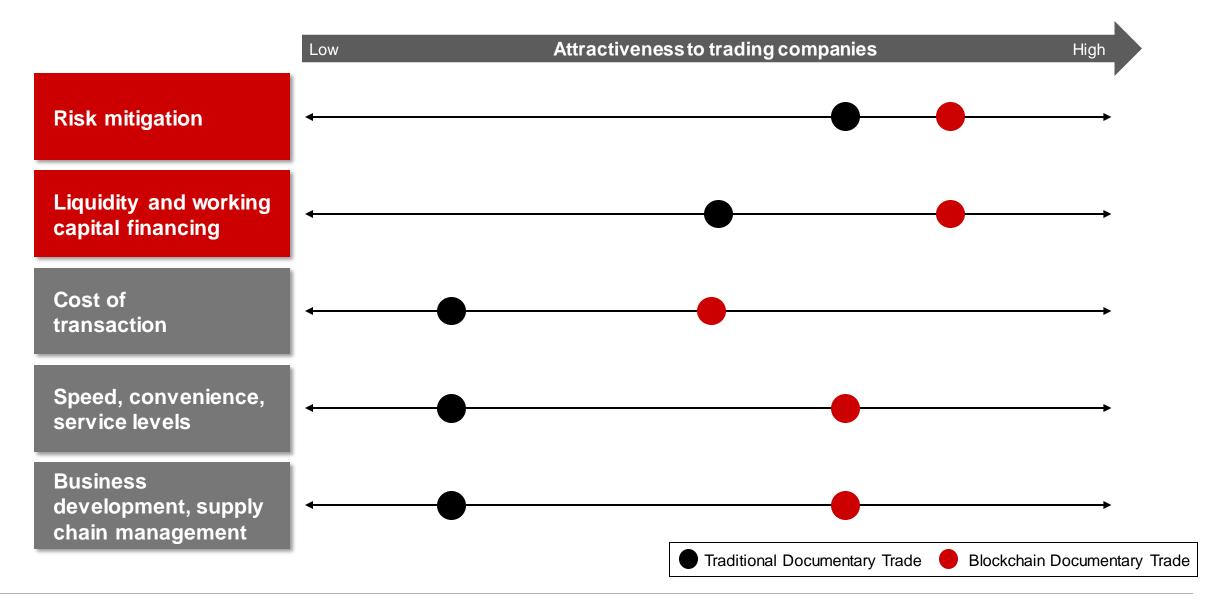
#### Today most trade is facilitated through Open Account



#### Complex ecosystem of players to facilitate global trade



#### Blockchain represents a step change in efficiency vs. what is available today



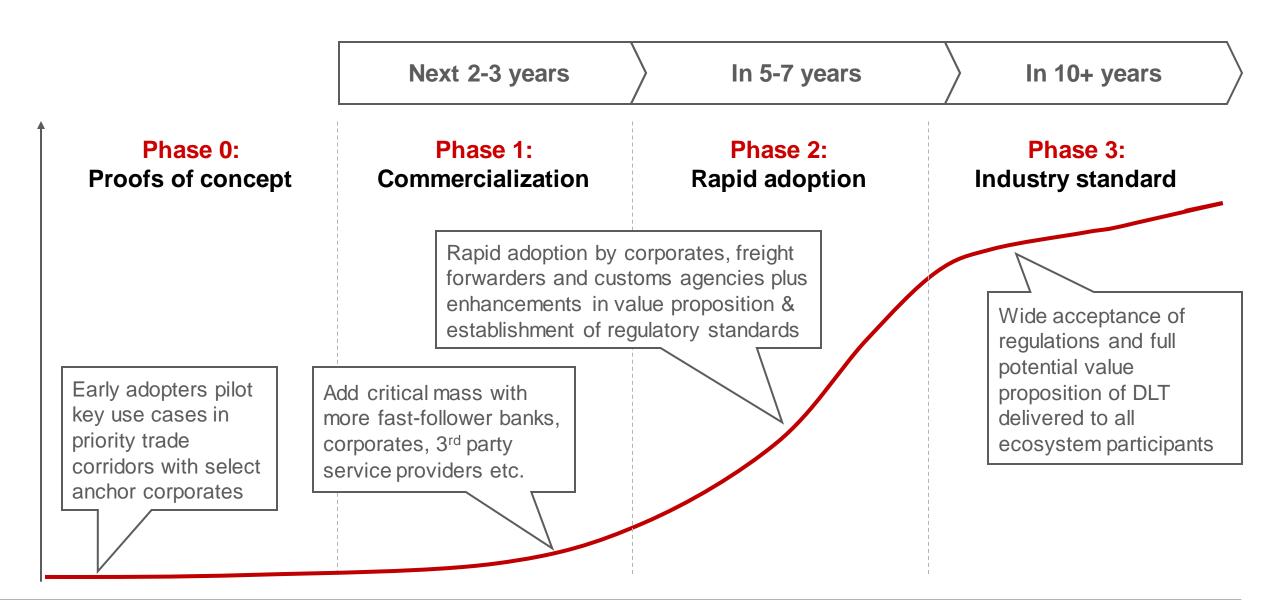
## This should shift trade volumes from traditional documentary trade and open account and encourage new trade volumes

Global Merchandise Trade Export Value In Ten Years = ~ USD 25T (not drawn to scale) Payment advances ~ USD 16T **Open Account** (non-DLT) Payment advances (8%) **DLT Open Account** 5 (from Open Account and Traditional Documentary Trade) Open Account (80%) 4 DLT Open Account & **Documentary Trade** (from new trade) **DLT Documentary trade** (from Open Account) **DLT Documentary Trade Documentary** (from Traditional Doc Trade) **Trade (12%) Documentary Trade** 

- Open Account growth remaining in markets slow to digitize
- 5 Adoption of DLT Open Account due to digitalization and increasing trust
- \$1.1T of new trade volume due to DLT removing barriers
- Small portion of open account moving to DLT for enhanced risk mitigation and cheaper financing
- ~40% or \$0.9T of Traditional Doc Trade moving to DLT better service levels and lower fees
- ~40% or \$0.9T of Traditional Doc Trade will remain in markets slow to digitize

Source: WTO; Bain & Company analysis

#### Likely gradual adoption of blockchain in Trade Finance



#### Early signs of consolidation of trade business networks

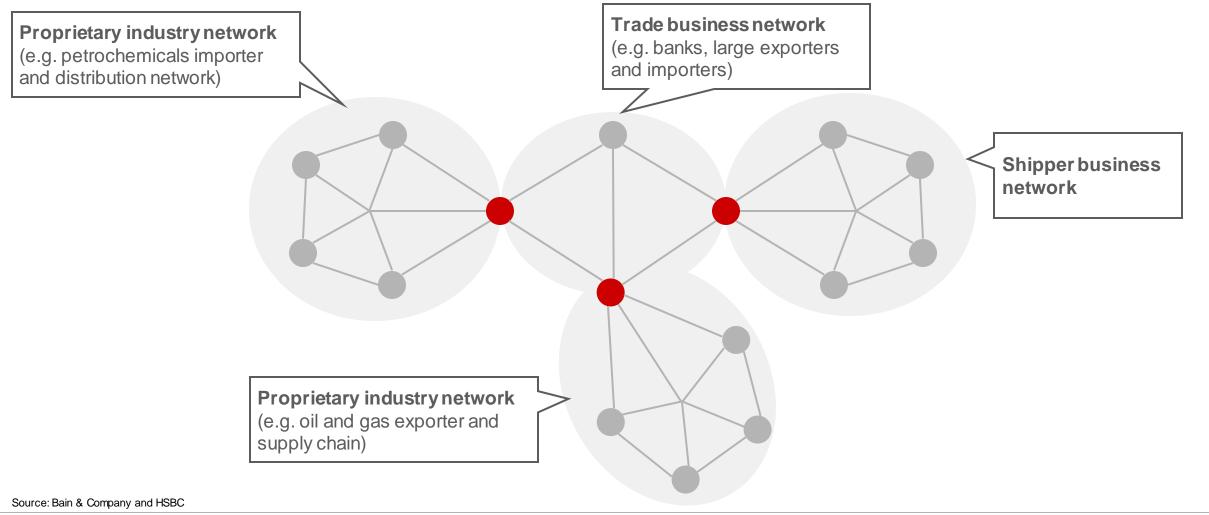
2016 Feb '17 **Apr '17 Sep '17** Oct '17 Oct '18 Jan '18 **Sep '18** Nov '18 Launch VOLTRON IBM. **A**KT we.trade more trust, more trade. komgo **)**K BATAVIA Marco Polo Easy Trading Easy Trading launch launch launch launch launch launch launch (rebranded from Digital CGI skuchain Trade Chain) launch Consolidation / p'ships **Sep '18** Oct '18 **Dec '18** we trade erade. ETC. komgo **)** komgo ) K NKT Easy Trading Connect 1 VAKT We.Trade announces and 2 consolidates into collaboration with announces Komgo collaboration eTrade Connect with Komgo we.trade Batavia consolidates into We.Trade

#### The conceptual blockchain stack

Business applications that provide apps apps apps capabilities for the network (e.g., letters of credit processing, e-document presentation). **3usiness 3usiness 3usiness** Certain applications may provide capabilities across multiple networks. Business networks that govern Business network and manage the business rules, legal and technical standards Blockchain platform providing Corda, hyperledger fabric, services (e.g., oracles, notaries) ethereum, others and network protocols Infrastructure

### Future for trade is likely to be a network of networks

#### Superconnectors (●), from large banks or other trusted parties, will serve as a bridge between networks



#### Key takeaways

- 1 DLT in Trade Finance is gaining increasing adoption with banks and corporates and moving into commercialization
- Rapid proliferation of trade networks early stages of consolidation, and co-operation between trade networks
- 3 Future is likely to be a network-of-networks with super-connectors
- 4 Business and operating models are evolving ownership and commercial models, rule book, regulation, governance, products & services

### BAIN & COMPANY