



Helping companies trade seamlessly

IBM Blockchain facilitates international commerce

IBM Blockchain
5-minute read

Trading internationally can open new revenue streams and increase profits, enabling a company to increase internal investment and accelerate its development. However, trading with customers in other countries can also involve long, difficult and costly negotiations, and carry risks—for instance, what if your buyer doesn't pay?

Banks have traditionally been the facilitators of trade deals, serving as intermediaries and providing financing for transactions. However, banks have not digitally transformed trade finance for decades, and trade finance is either not scalable for banks or too complicated and costly for the majority of the companies, therefore leaving almost 70% of companies without access to trade finance services. Additionally, the legal processes involved in international trade deals are often lengthy and cumbersome, preventing companies from doing business in an agile way.

we.trade Innovation is a joint-venture company owned by 12 banks, technology provider IBM and global credit bureau and business information provider CRIF. The company was started with nine banks in January 2017 under the project name Digital Trade Chain and was officially renamed as we.trade in October 2017. we.trade has developed a digital trade platform based on the Linux Foundation's Hyperledger Fabric that runs on the [IBM® Blockchain Platform](#). The we.trade digital platform delivers reliability, simplicity and security to global trade transactions across trade finance and logistics. Clients can register for we.trade through their banks.

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Mark Cudden, Chief Technology Officer at we.trade, comments: “Historically the traditional trade finance model run by banks had not evolved for decades. Both banks and companies were constrained. Banks were not able to scale their platform to make it available to all clients, while companies did not want to be exposed to counterparty risk.

At we.trade, we are innovating the traditional trade finance model and we believe that the industry can be made much simpler, efficient and secure, enabling companies of all sizes to trade across borders, helping to drive global economic growth.”



we.trade platform now has

15

member banks

Geographical reach now
extended across

16

countries

Automating on blockchain



we.trade developed a blockchain trading solution based on the IBM Blockchain Platform running on [IBM Cloud®](#), using the Hyperledger Fabric framework from the Linux Foundation, to reduce the friction involved in cross-border trade and provide businesses with a simple way of conducting international transactions.

Companies are brought onto the blockchain platform by their banks, which eliminates potential concerns about the ability to trust counterparties. Previously, the numerous legal, financial and cultural risks associated with trading with a foreign partner may have discouraged companies from trading internationally. However, all users of the we.trade platform have already gone through international Know Your Customer processes to ensure

they comply with applicable anti-money laundering regulations, mitigating these risks considerably.

Often, companies have found that a barrier to trading with businesses in other countries is the difficulty of guaranteeing that a contract will be enforced. Any delay to a payment or a delivery can be very damaging, as cashflow may rely on the timely fulfillment of the trade contract.

we.trade's built-in smart contracts eliminate this form of counterparty risk. The smart contracts guarantee that if one party in a transaction fulfills the necessary requirements, as previously agreed and recorded in the blockchain, the payment process is executed automatically. The smart contracts ensure that all parties receive instant triggers demonstrating how one side is following the agreement and notifying the other when it is time to implement their side of the deal—





such as by sending payment. The fact that the contracts are written into the platform's code removes the need for any underpinning legal system or enforcement mechanism.

we.trade selected IBM as its technology partner in part due to the company's deep expertise and experience working with the financial services sector. The company was also impressed by IBM's global reach, which enables it to implement complex projects all over the world – this is vital to accommodate we.trade's global ambitions. IBM's ability to develop and support all aspects of the platform, unlike competitors, was another key differentiating factor.

we.trade works closely with [IBM Blockchain Services](#) to implement and operate the platform. At the start the IBM team carried out a functional analysis

of the company's requirements and held a series of discussions in order to gain a clear picture of we.trade's aims for the platform. The team established a minimum viable network, before progressing to a commercial platform in production.

Cudden notes that IBM is a natural partner for this project for several reasons. "Firstly, they have an excellent relationship with the major players in the banking sector," he says. "This is key, because to attract more corporates and bring greater liquidity to the platform in the long term, we need banks to have faith in the underlying system. We believe there is no more trusted partner in the financial services industry than IBM."



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Mark Cudden, Chief Technology Officer, we.trade

Simplifying international trade



The we.trade platform went fully into production in January 2019. In addition to removing the risk associated with trading with unknown partners, creating a “one-stop-shop” of real-time information on any trade visible to all parties and triggering automatic payments through smart contracts, the platform brings a range of further benefits to encourage companies to begin trading internationally.

Key among these is Bank Payment Undertaking (BPU). For selling parties, BPU transfers counterparty risk, already minimized by the nature of the platform, to the banks. This means that if a company fails to pay the money it owes to its trading partner, the banks facilitating the deal will provide interim payment. For buyers, BPU represents



an undertaking to provide trade finance, making transactions significantly easier to complete.

we.trade is looking ahead to further development and gaining a broader client base. Currently, most of the users of the platform are financial services companies, the sector that has traditionally shown the most interest in blockchain technology. However, we.trade is also gaining significant interest from logistics and insurance businesses, and will soon seek to onboard companies in these industries.

As the platform grows, IBM Blockchain Services will help with the onboarding of new members. Gaining more

participants will grow and diversify we.trade's revenue streams. An increase in the number and type of businesses using the platform will also create a virtuous circle for the trading companies themselves: the larger the pool of potential partners, the more users can achieve on the same platform. we.trade is effectively building a convenient directory service for trade, where companies can simply search on the platform for an appropriate trading partner, enter discussions and decide to do business.

we.trade could be set to transform the entire trade finance industry. By eliminating or streamlining steps in the trading process—including identifying

a reputable partner, sourcing trade finance, ensuring regulatory compliance and chasing up receivables—the company is making cross-border transactions faster, simpler and more transparent. As the platform grows and attracts more banks and corporates to carry out cross-border transactions, more companies, including SMEs, will be empowered to grow their business and diversify their revenue by trading internationally with we.trade.

Cudden concludes: “We continue to make significant achievements with we.trade. We are confident that, working with IBM, we are expanding our offering and simplifying trade not only in Europe, but globally.”

“By the nature of our business, we needed a cloud environment that was flexible and scalable, with high availability and a truly global reach. The IBM Cloud was the obvious choice.”

Mark Cudden, Chief Technology Officer, we.trade



About we.trade Innovation DAC

[we.trade](#) is an innovative blockchain platform developed by twelve major European banks that aims to create a transparent, secure and simplified trading environment for businesses and banks.

Solution components

- IBM® Blockchain Platform
- IBM Blockchain Services
- IBM Cloud®

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