FIVE STANDOUT START-UPS FOCUSED UPON BLOCKCHAIN TRADE FINANCE

In Trade Finance there's a lot of activity. As mentioned yesterday, you have HSBC and Bank of America working with HyperLedger; R3 trialling with 15 banks based upon Corda; Ripple working with Standard Chartered and DBS; and JPMorgan have been developing a trade finance trial with Digital Asset.

These are platofrms and industry developmetns, but there are a number of standout companies developing specific solutions as start-ups focused upon blockchain distributed ledgers for trade finance. In this case, I'm going to pick out five that have grabbed my attention, although there are seven other contenders for the crown.

The five standouts are Fluent, Provenance, Skuchain, Tallysticks and Wave.

Fluent

Founded in 2014, Fluent is a blockchain-based financial network and payment platform startup aimed at providing an easy operating network for large enterprises' global supply chains. The Fluent Network, launched in March 2016 , provides a real-time, low-cost, simple and secure invoicing and payments system for global supply chains based upon blockchain technology and is targeted for use by banks, financial institutions and their global enterprise customers.

On the Fluent Network, payments are linked to tokenized invoices. Once the buyer approves the invoice, the goods are considered satisfactory. The invoice is tokenized on the Network, preventing it from being refinanced again. The buyer then pays the invoice directly to the financier. The supplier never holds the funds, therefore eliminating the risk of non-payment.

The system uses a custom-built, federated blockchain, where the nodes are hosted both with big buyers and the financial institutions on the network. Everything is denominated in USD and backed 1:1 so there is no volatility and the Fluent Network is not connected in any way to the bitcoin blockchain.

In addition to the platform, Fluent has developed a suite of applications and solutions on top of the network to increase efficiency and transparency, and enhance collaboration across global supply chains.

There are five main applications on the Fluent Network:

- The Global Payment Platform allows companies to send and receive payments in real-time, both intercompany and with their suppliers worldwide.
- The Supply Chain Financing Platform allows suppliers to participate in one-touch receivables financing.
- The Receivables Marketplace allows receivables to be sent to “a multi-lender marketplace where they can receive superior rates to traditional supply chain financing programs,” according to the company.
- The Supply Chain Management suite contains many tools, such as E-invoicing, a cloud-based supplier portal, and buyer/supplier collaboration tools.
- The Developer Platform allows developers to use their SDK and API for custom solutions on the Fluent Network.

In November 2015, Fluent closed its pre-seed financing round, raising a total of US$875,000 with participation from institutional investors including Draper Associates, Thomson Reuters, 500 Startups, UMB Bank, and SixThirty.

Provenance

Provenance is more of a traditional product supply-line solution, but is intended for tracking everything sold in stores. The company focuses on end-user reporting more than other solutions, to a point where customers in a supermarket will be able to scan a Provenance QR-code and know that very item’s full history from source to shelf. You can find out an in-depth discussion of how they do this in their white paper, but the core concept is that Provenance can give every physical product a seamless digital ‘passport’ creating far greater transparency and trust. This will then prevent the selling of stolen or fake goods by having an auditable account of the journey behind all physical products.

The aim is to reduce the current $250 billion loss by businesses and consumer to counterfeiting, enable businesses to comply with key legislation in product traceability and support products created with a positive social and environmental impact.

The company has just completed a six-month trial tracking tuna fish in Indonesia. Here, fishermen text message details of their catches to the Provenance blockchain and a digital token is attached to the fish as it passes through the supply chain. Provenance is now working with The Co-operative Group to ensure that products in its supermarkets are derived from ethical sources.

Provenance is based upon the underlying public blockchains of both Bitcoin and Ethereum.

Skuchain

Mountain View-based Skuchain has development projects under way with multiple international banks and has just announced funding from Digital Currency Group, Amino Capital and Fenbushi Capital, the first China-based VC that exclusively invests in blockchain companies. Their aim is to eradicate the use of Letters of Credit (LC) and help firms that do not qualify for Open Account systems.

Their aim is to create a new era of collaborative commerce based on a new type of trust. A blockchain model connecting together new realms of commerce where financiers in developed economies can provide loans down the supply chain to clients in emerging and developing economies, even though they have no history of trade or data with these firms.

The International Business Times (*IBTimes* for short and yes, it's them again) spoke with Skuchain, whose Head of International Business Travis Giggy said: "In today's world the banks make money of the letter of credit, but even the banks that we talked to – and we are talking to many banks – they don't like the letter of credit that much because it puts risk on the bank.

"And even though it costs from 1% to 3% to the consumer to buy a letter of credit, the banks don't make that much money from it because there is so much couriering of documents and physical verification of docs and lots of manual work involved. But they like it because it gives them visibility into the trades that are happening and the ability to finance those trades which is where they make the money."

Giggy pointed out people were moving away from LC to open account but this was problematic for banks because it's a system with zero visibility into what's going on. He said: "It [open account] is just two people that are doing business with each other and all they know is that a wire transfer happened out of their account into some other account. We are now working with banks to create new forms of electronic versions of letters of credit that can rest on top of our blockchain and give that visibility back."

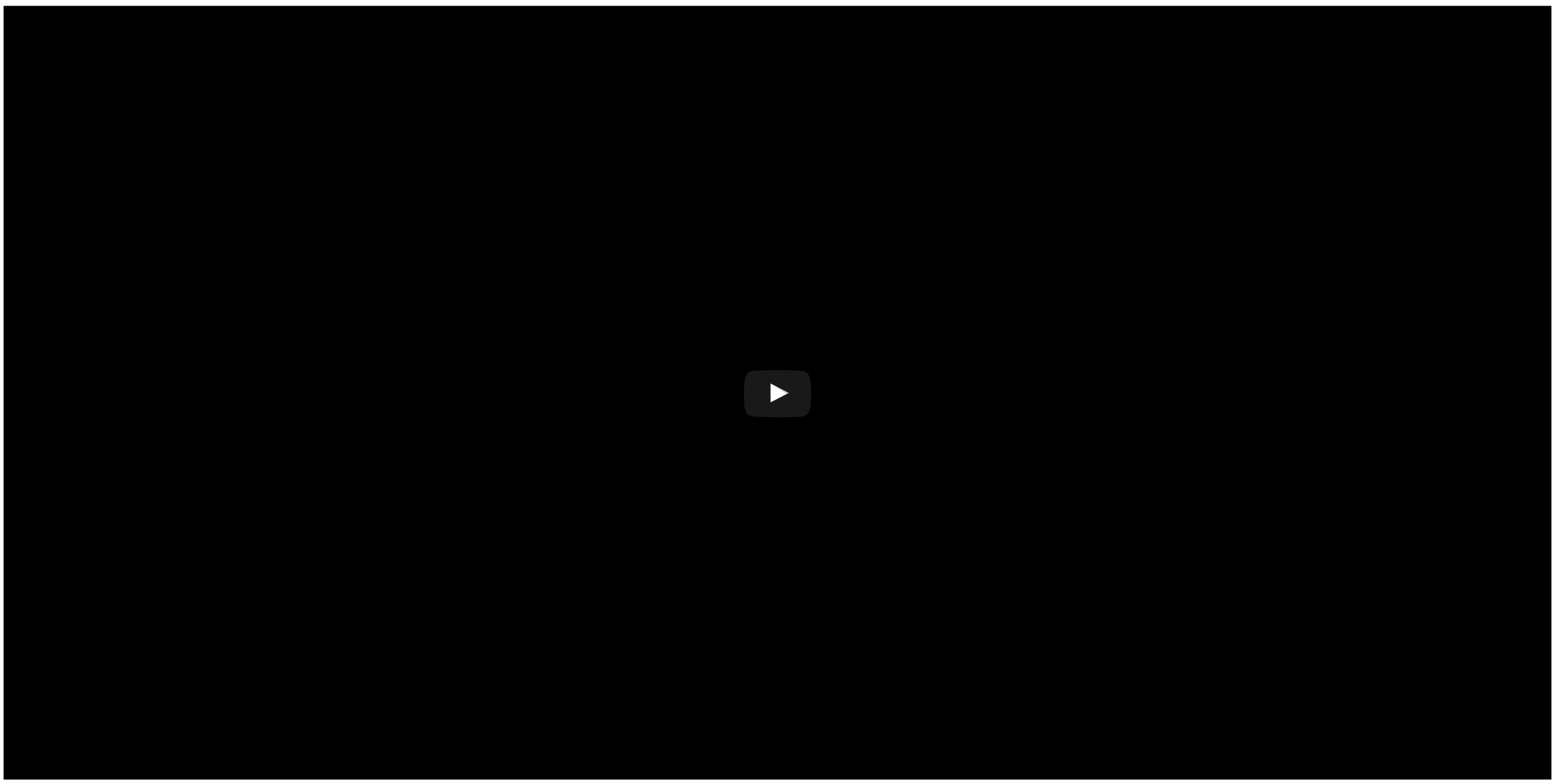
Giggy said Skuchain's blockchain technology is designed to be ledger agnostic. He said the system currently comprises a combination of multi-sig addresses and OP_RETURN hashes on the Bitcoin blockchain, and Skuchain's own asset chain technology. It operates a federated system where every member on the chain is trusted and KYC'd.

Skuchain will also soon release Blockice which will give banks, corporates, logistics providers, governments, and any player in the supply chain, the ability to collaborate on the future of blockchains for conducting

commerce. This will be through Skuchain's enablement of notarisation, title transfer, and chain of possession on the blockchain.

Tallysticks

I found Tallysticks via Barclays' Accelerator and you can see their solution here.



Tallysticks is a software that leverages distributed ledger technology to make invoicing, invoice financing and invoice securitisation more seamless and efficient. The software does this by integrating with ERP/accounting systems to create a shared (yet permissioned) ledger of immutable invoice records and related payment confirmations. Using the smart contracts functionality of distributed ledger technology also enables auto-reconciliation of payments to corresponding invoices.

With an immutable ledger of invoice records, trusted invoice records (signed by both parties) can be more readily submitted for financing to an integrated lender. And with an integrated solution like Tallysticks, the lender is assured of receiving a digitally signed and agreed invoice record, thereby increasing transaction transparency which reduces the risk of operational fraud and error.

When the buyer/debtor eventually pays a financed invoice, Tallysticks routes the payment directly to the lender's bank account instead of the borrower's bank account. So, there is no longer the need to set up a trust/escrow account, and the supplier no longer needs to inconvenience it's buyers about changing payment instructions, which can be a very difficult task. Ultimately, this removes the need for a number of

lender imposed mandates that inhibits borrowers from accepting invoice financing.

Beyond financing, a lender can securitise financed invoices using the Tallysticks securitisation module. Of course, by selling tranched invoices into a secondary market, lenders can reduce balance sheet risk while increasing balance sheet liquidity. And because smart contracts are used for origination, the custodial and settlement process associated with securitisation underwriting and agency management are largely automated.

Content here sourced from their entry on F6S.

Wave

Wave completed the Barclay's accelerator late last year, and has been working with Barclays to eradicate Bills of Lading. The company is Skuchain's most direct competitor, but the startup's focus seems more concentrated.

PYMNTS.com talked to the startup about its plans for the blockchain. For Wave, it's all about facilitating trade finance through the ledger technology.

"Blockchain is a very good solution to eliminate the pain in international trade," said Wave Founder Gadi Ruschin, "because you have an industry that combines all industries, because all industries are either

importers or exporters at some level. You have the carrier, the bank and the customer, and it's hard to find one centralized entity everyone can work with."

Wave uses electronic documents stored in blockchain metadata, reports said. That information travels between the two parties through the blockchain. The company sees its service as a way to replace traditional bill of lading documents used by trading partners that provide information on shipments. That document then comes with invoices and certificates.

"All these processes are based on antiquated tools on the supply chain," Ruschin said, highlighting the potential for processing problems and fraud with paper-based supply chain operations.

Ruschin noted that Wave's service does not transmit anything via blockchain but instead uses the technology to "manage the ownership of each document or good in transport." The technology can reportedly integrate with any blockchain. This means that it does not have to be dealing with bitcoin to function. Wave is developing a "layer" of technology that can interact with any blockchain, and that today it is being shaped on the bitcoin and litecoin testnets, versions of the protocols that include current rules but do not use real digital currencies.

More information on Wave at Coindesk.

Finally, the other seven start-ups of note include:

Blockfreight

Blockfreight is a start-up being incubated at the Bitcoin Technology Center in Melbourne, Australia. The company is the brainchild of freight & logistics industry veterans John McKernan (Chairman), Andrew Ede (Director), and Julian Smith (CEO). The objective of Blockfreight is to build a blockchain for global freight allowing applications to be built for the supply chain and bring innovation and efficiency to container freight, logistics, and trade. The Blockfreight White Paper offers a more detailed look at how the model works.

BlockVerify

BlockVerify aims to minimise fraud and has expanded their services to prescription drugs, luxury items, and electronics, too.

Consentio

Consentio works to streamline trade processes. Consentio does not focus on bills of lading and shipping containers but rather providing solutions for crossing borders, currently intra-European. By working with regulated payment platforms, Consentio is working to digitise the supply chain, locking immutable proof of documents and payments in the blockchain, providing a far more simple and secure system than the current ones in place.

Chain of Things

Chain of Things combine blockchain and IoT for supply chain management. Whilst data on the blockchain was immutable, the data that is put on the blockchain still needs to be validated and showing the provenance of the data is also key. To that end, Chain of Things is developing a sensor chip that is able to monitor and upload various data and conditions for insurance and trade finance issues.

Everledger

Everledger started out attempting to track diamonds from the mine to end user, exposing conflict diamonds, which could be a resource for insurance companies to use, greatly reducing insurance fraud.

Open Trade Docs

Open Trade Docs looks like the latest entry, offering an open source approach to the supply chain finance process. Their goal is to provide supply chain participants with better access to financial services, using private blockchains.

Zerado

Zerado, an advisory firm focusing on new technologies, has made an app available called ‘The Coffee House’. Harking back to a time where businessmen would meet in coffee houses to discuss and agree trade deals, The Coffee House aims to provide a trade finance solution by being the 21st century letter of credit.