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London-based **Standard Chartered** (<https://www.cryptocoinsnews.com/tag/standard-chartered/>) and Singapore-based bank **DBS** (<https://www.cryptocoinsnews.com/tag/dbs/>) have partnered together to develop a distributed ledger for trade finance in Singapore after successfully testing the technology among each other.

As reported by *Bloomberg* (<http://www.bloomberg.com/news/articles/2015-12-17/stanchart-dbs-partner-on-distributed-ledger-for-trade-finance>), the two banks are coming together to work and develop a distributed ledger in order to make transactions simpler and more transparent in trade finance.

The publication adds that the two banks have tested the distributed ledger between themselves, successfully, and will invite other companies to collaborate with the now proof-of-concept system in 2016.

The collaboration represents the latest effort in banks investing into their own distributed ledgers, borrowing from the technology that underpins bitcoin, the blockchain. Banks are also known to join blockchain consortiums such as R3 or invest in their own research, or both.

The platform developed by Standard Chartered and DBS will allow the banks to transform invoices into digital assets with identities on a distributed, decentralized ledger. The new proof-of-concept shows that the innovation is likely to boost the trade finance industry – one traditionally swamped with paperwork due to the participation of

distributors, suppliers, exporters and importers, insurers and more – with cost-cutting, increased transparency and lowering the margin of error.

In a press release, Lum Yin Fong, global head of client management and implementation at DBS said:

*This could revolutionize and transform trade operations, enhancing risk mitigation and creating more efficient processes for both corporates and banks.*

The trade finance industry in the southeast part of Asia needs a boost as labored economic growth in China and dip in commodity prices has affected the region. As revealed by *Bloomberg*, the value of trade loans offered by banks in Hong Kong and Singapore has dipped 38 percent from a high of \$145 billion last year.

## Discarding Doubt

A distributed ledger shared among banks could also save millions, as evidenced by a recent case of fraud where banks lost millions.

London-based Standard Chartered had to write-off \$193 million last year after a metals warehouse company committed fraud against the UK bank and other banks including Citigroup and Standard Bank Group. The Chinese company reportedly pledged the same metal stockpiles to different banks multiple times for loans.

The flaw in the current system is easy to see. Currently, trade finance transactions only exist between a borrower and a bank. Shirish Wadivkar, head of payables and receivables at Standard Chartered points to their proof-of-concept distributed ledger that would reveal every recorded transaction between the ledger's participants. He also added that the transaction, once recorded, cannot be erased from the system.

Invoice financing is advantageous to customers seeking short-term loans for working capital. The risk, however shows that the invoice could be used to facilitate loans from multiple banks, resulting in several loans issued against it.

## Ripple Tech

As revealed by *GTR* (<http://www.gtreview.com/news/asia/banks-develop-blockchain-based-platform-for-trade-finance/>), the project between the two banks makes use of Ripple's (<https://www.cryptocoinsnews.com/tag/ripple/>) distributed ledger technology. The San Francisco-based blockchain technology company recently made headlines (<https://www.cryptocoinsnews.com/microsoft-looks-to-expand-blockchain-based-toolkit-with-ripple-integration/>) after joining Microsoft's Azure Blockchain platform, as a means to offer tools and services for the software giant's cloud customers.

Gautam Jain, global head of digitization at Standard Chartered adds:

*It was essential to choose an open-source, consensus-based protocol for our proof-of-concept.*

Costs for the yet-unnamed project between planning and production that lasted six months haven't been disclosed. Jain revealed a majority of costs went into building the distributed ledger as a common platform and its interface, along with maintenance and efficiency controls.

Furthermore, Singapore's central bank - the Monetary Authority of Singapore and the nation's telecom and IT authority, Infocomm Development Authority of Singapore were both involved in the project.

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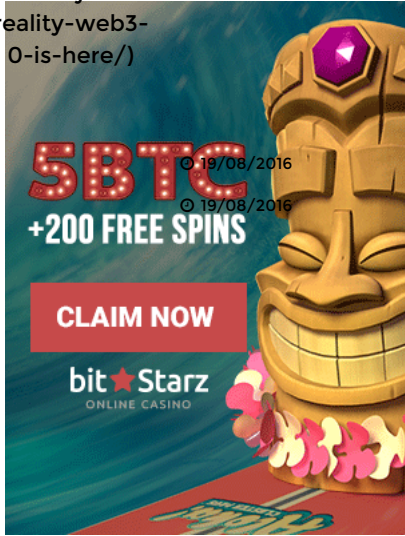
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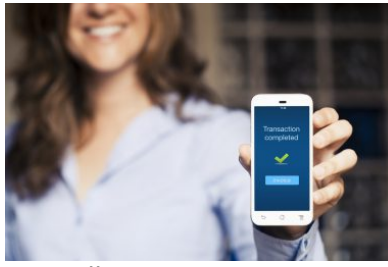
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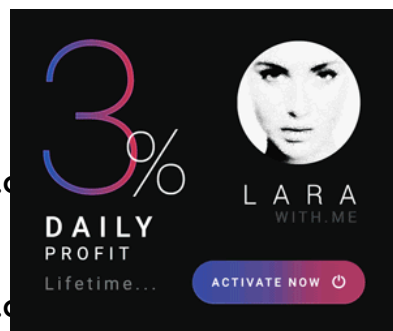
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