

Annex B: Successful Trade Financing Trials between Singapore and Shenzhen

Benefits of Electronic Bills of Lading

A bill of lading (**BL**) is a key legal document in maritime trade and can be used to prove ownership of goods in transit. Electronic Bills of Lading (**eBL**) can enable faster transactions, lower cost and greater trust amongst businesses. Citizens in Singapore can potentially benefit from lower prices of the imported goods as a result of the lowered transaction costs in legal documentation, and the transportation and trade financing processes. Fraud risks and forgeries will also be mitigated through the use of technologies such as digital signatures, centralised ledgers or blockchain.

IMDA, in collaboration with various domestic and international agencies and industry partners, is spearheading the implementation of TradeTrust, a digital utility that comprises a set of globally-accepted standards and frameworks, which also provides proof of authenticity of documents and offers title transfer through open-source software. TradeTrust enables the trusted interoperability of digital trade documents, including that for different eBL solutions, which will accelerate the digitalisation of global trade and enable wider adoption of eBLs.

About the Trials

UOB, together with its Shenzhen Branch in China, have successfully completed two sets of technical trials together with their clients, Manufacturing Network Pte. Ltd, Guangdong Guangyun New Materials Co. Ltd., Tri-Star Electronics Pte. Ltd., and Uni-Right Industrial Trading Co. Ltd. The trials were able to successfully simulate two shipments using historical eBL transactions and Letter of Credit (L/C) data. Participants from both Singapore and Shenzhen experienced fully digital and seamless transactions from the trials.

DBS Singapore, DBS China and Makino Asia Pte Ltd have also successfully conducted a technical trial on the exchange of eBLs and other digital trade documents under L/C terms, demonstrating a digital end-to-end L/C settlement across platforms and jurisdictions.

The technical trials were conducted with Pacific International Lines as the carrier using the GUUD Finance and Linklogis' digital platforms that have both integrated the TradeTrust digital utility.

The outcome from the trials demonstrated the possibility of a fully paperless L/C transaction between the various transacting parties in the future. Currently, the L/C process typically involve manual handling and transportation of trade documents between Banks Sellers, Buyers and Shipping Lines across different geographies.

Moving ahead

More banks together with their clients and platform service providers will be coming onboard. MUFG Bank Singapore will partner Advantest Corporation to conduct a pilot for cross-border trade financing in the next quarter. Bank of China Singapore Branch and Shenzhen Branch and Industrial and Commercial Bank of China Shenzhen Branch and Singapore Branch have also committed to organising technical trials on trade financing in the coming months.

Both cities may now see an increase of cross-border trade financing transactions, demonstrating the possibility of a fully electronic presentation and negotiation of required documents for the L/C processing, as well as the ability to verify trade authenticity using data from the trade, export credit insurance policies, and financing of the companies.

Quotes from the participating Banks

“The fully paperless Letter of Credit (L/C) pilot transaction between Bank of China (BoC) and our clients is a significant step towards the full digitalisation of cross border trade that will help build a trusted and resilient trade ecosystem. BoC has a rich history in international trade finance and is China's most globalised and integrated bank. We are pleased to participate in the pilot and look forward to partnering IMDA, Shenzhen Commerce Bureau and other participants to develop a fully digital trade finance experience for our clients.”

Liu Chao, Deputy General Manager, Bank of China Singapore Branch

“Singapore’s adoption of the UNCITRAL Model Law on Electronic Transferable Records is a significant and progressive step towards scaling the adoption of digital trade. It enables electronic trade documents such as electronic bills of lading to be recognised in the same legal light as traditional paper-based ones. The successful outcome of the pilot trial done with our client Makino Asia Pte Ltd leveraging IMDA’s TradeTrust sets the precedence and provides greater confidence to nudge more corporates to digitalise their trade processes. As the broader aim is to collectively scale digital cross-border trade in Asia through G2G collaboration to align legal frameworks, we believe that the close collaboration between Singapore and Shenzhen will help lay the necessary groundwork to accelerate efforts towards a fully digital cross-border trade ecosystem.”

Sriram Muthukrishnan, Group Head of Product Management, Global Transaction Services, DBS Bank

“ICBC has always believed in “Leading with Technology, Empowerment through Innovation”, spearheading digital transformations and revolutions amongst banks through technological breakthroughs. Rising up in the face of the new era of technological revolution, we focus on the group's cross-border, cross-industry, and cross-boundary transformation and development while actively researching and implementing blockchain technology to further facilitate digital trade innovation. ICBC Shenzhen is very willing to be a part of the collaboration between the Singapore Government and Shenzhen Municipal Government on this TradeTrust project planning. At the same time, we will be partnering with ICBC Singapore to facilitate its implementation testing and propel the project forward, further deepening the economic partnership and promoting the development of bilateral trade between Shenzhen and Singapore.”

Cai Lin, Vice President, ICBC Shenzhen Branch

“MUFG Bank is pleased to contribute to IMDA’s digitalisation vision through the partnership undertaken with the Shenzhen Commerce Bureau. The TradeTrust framework represents a game-changing evolution of the conventional trade finance flow, and allows for the interoperability of cross-border platforms with document verification and title-transfer capabilities. This advancement promises to provide unprecedented benefits in terms of low maintenance cost and ease of implementation. As an organisation that has embraced digital transformation as a strategic priority, MUFG looks forward to contributing to the success of this pilot with the aim of offering clients a truly paperless, end-to-end trade flow experience with greater efficiency and cost reduction.”

Vivek Batra, Managing Director, Head of Transaction Banking for Asia & Oceania, MUFG Bank

“Being at the forefront of connecting ASEAN with Greater China, UOB is pleased to be part of IMDA’s TradeTrust digital utility that transforms conventional cross-border trade flows for greater efficiencies. The successful pilots with our Singapore and Shenzhen clients have reduced the processing turnaround time from a few days to within an hour and demonstrated the interoperability of TradeTrust for paperless workflows within the trade ecosystem.

With this, electronic bills of lading and other electronic trade documents can be transferred across the ecosystem and the whole trade finance cycle in a fast and seamless manner. We look forward to working with our clients from across the region to enhance their cross-border trade efficiency and to optimise their working capital with greater digital connectivity.”

Ms So Lay Hua, Head of Group Transaction Banking, UOB