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HSBC COMPLETES FIRST CROSS-BORDER LETTER OF CREDIT BLOCKCHAIN TRANSACTION IN CHINA

HSBC successfully completed the first cross-border Letter of Credit (“LC”) blockchain transaction in China, in a move that takes the digitisation of China’s trade another step closer to becoming a commercial reality.

The live transaction involved China SDIC International Trade Nanjing Company Limited (“SDIC Trade Nanjing”), operator of the largest B2B wool trading market in China, buying a bulk shipment of wool from Fox & Lillie, a wool exporter in Australia and a client of HSBC Australia.

Using Voltron, a blockchain-based documentary trade finance network, HSBC China issued a digitised Letter of Credit (LC) on behalf of SDIC Trade Nanjing. Fox & Lillie then reviewed, verified and uploaded their own trade documents to the platform to complete the transaction.

David Liao, President and CEO for HSBC in China, said: “China is the world’s largest trading nation – our total trade was worth USD4.62 trillion last year. According to SWIFT, 1.2 million LCs worth almost USD750 billion, were issued into and out of the country in 2018 alone. Given the sheer volume of China’s LC transactions, digitising these transactions will create huge value for Chinese importers and exporters, offering them enhanced efficiency and security as well as working capital optimization. This will revolutionise China’s cross-border trade.”

Yang Xiaoxiong, Chairman of China SDIC International Trade Nanjing Co Ltd, said: “The future of trade will definitely be digital and paperless. As a trading company, we’ve long dealt with issues in paper-based transactions including the lengthy time needed in the exchange of documents, delays caused by amendments and lack of security and transparency. Working with HSBC, we’ve experienced how blockchain technology resolves these challenges. As a company with huge cross-border trading needs, we are ready to further explore the new technology more broadly together with our banking and trading partners.”

HSBC’s blockchain-enabled trade transactions have offered an insight into how the technology has the potential to revolutionise conventional trade finance and reduce the time frames and risk involved in cross-border trade.

According to the United Nations, digitising Asia-Pacific paper-based trade could reduce export times by 44%, cut costs by 31% and boost exports by USD257 billion a year.

HSBC has taken the lead in digitising, shaping and evolving the trade ecosystem globally through industry leading initiatives. The Bank, together with ING, executed a groundbreaking first-ever live blockchain documentary trade transaction for international food and agriculture conglomerate Cargill using R3’s Corda scalable blockchain platform in May 2018.

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Note to editors:**HSBC Bank (China) Company Limited**

HSBC was one of the first foreign banks to locally incorporate its operations in mainland China, establishing HSBC Bank (China) Company Limited in April 2007. HSBC China's network currently comprises over 170 outlets across more than 50 major cities. HSBC China's head office is based in Pudong, Shanghai.

China SDIC International Trade Nanjing Company Limited

Established in 1988, China SDIC International Trade Nanjing Company Limited is primarily engaged in the trading of wool, cotton, chemical and steel products with well-established distribution network and clients all over the world. It was ranked among the top 10 importers in Nanjing of Jiangsu Province in 2018, with sales volume exceeding 12.2 billion yuan. The company operates Nanjing Wool Market, the largest B2B wool trading market in China.

Voltron

Voltron is a blockchain-based open industry platform to create, exchange, approve, and issue Letters of Credit on Corda, R3's blockchain platform. The eight founding member banks are Bangkok Bank, BNP Paribas, CTBC, HSBC, ING, Natwest, SEB and Standard Chartered. Voltron will improve the trade finance process by simplifying Letters of Credit, delivering shorter settlement times, instant discrepancy resolution and simplified sanctions screening. Voltron is inviting banks, technology partners, and corporates to join the network.

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