ANNOUNCING

THE NEGOTIABLE **EBL CONSORTIUM**

WHAT IS A BILL OF LADING?

A Bill of Lading (BL), simply put, is "a document of title, a receipt for shipped goods, and a contract between a carrier and shipper".[1] It is issued by a carrier (or its agent) and passed to the shipper when the goods are loaded. As such it functions as a receipt of the goods described in the BL by the carrier. This role even predates the Middle Ages; as early as Roman times this was common practice. Between ports it serves as a contract of carriage for the goods being transported, before being presented at its destination port in order for delivery to occur. Furthermore - and most importantly for this project - the BL serves as proof of ownership of the cargo at each stage of the transit process if made to order. When this is the case the original consignee, by endorsing (signing) the back of the BL, transfers title of the goods to another party who then becomes the new consignee. This proof of ownership is the focal point of the TradeTrust project.

The Business Case

Digitization of the BL, the so-called Negotiable Eletronic Bill of Lading (EBL), can bring significant efficiency gains.

*The Digital Container Shipping Association estimates that **the industry could potentially save more than $4 billion per year** if just 50 percent EBL adoption is achieved.*[2]

The business case for the EBL, the focal point of TradeTrust, is very much linked to its role as collateral for banks when issuing a so-called Letter-of-Credit (LoC). A LoC is basically an IoU issued by a bank to the seller's bank guaranteeing payment in case of buyer insolvency. Issuing a LoC results in the creation of an off-balance sheet item for which the banks need to provide backing in the form of a certain percentage of the nominal value. This percentage is dependent on the risk associated with the LoC. In case there's collateral in the form of a (paper only!) BL the transaction is considered to be of medium/low risk, a bank only needs to put up 20% of the nominal value. When there's no such collateral this percentage goes up to 50%.[3]

As in most countries, including The Netherlands and Singapore, the EBL is currently not considered to be a valid collateral, trade finance transactions based on LoCs have to rely on paper BL, significantly increasing the cost of doing international trade. Finally, it is expected that for as long as proof of ownership remains paper-based, the industry and consequently international trade, will remain paper-based.

TradeTrust

April 2019	The project kick-off was in April 2019 in Singapore, when delegates from the Maritime Port Authorities (MPA) and the Infocomm Media Development Authority (IMDA) together with the Port of Rotterdam (PoR) and Blocklab hosted a two-day workshop with members from Singapore's maritime, trade and banking community.
October 2019	In October 2019 a technical deep dive was organized around token enabled digital transfer of ownership.
December 2019	Since December 2019, the project is actively supported by the Dutch central government, ICTU and the 2Tokens project.
March 2020	On 31st of March 2020, the first TradeTrust enabled transfer of ownership of an EBL was performed.[4]
June 2020	Interoperability with ĐΞLIVΞR®, an open and neutral blockchain platform for international trade and supply chains jointly being developed by ABN AMRO, Samsung SDS and Port of Rotterdam, was achieved in June 2020.

[1] investopedia.com/terms/b/billoflading.asp | [2] Savings are the result of fraud reduction, reducing the number of times a document has to be entered into digital systems and thus also reducing the number of errors. Plus delays due to the late receipt of the document, as occurred during the Covid-19 outbreak in China at the beginning of this year. See maritime-executive.com/article/research-highlights-4-bil-savings-from-ebl-calling-for-collaboration-1 | [3] EU's Capital Requirement Regulation 2013 (CRR) – Article 111 (1) | [4] portofrotterdam.com/en/news-and-press-releases/succesfull-proof-of-concept-electronic-bill | [5] uncitral.un.org/en/texts/ecommerce/modellaw/electronic_transferable_records

Next steps

PoR is involved in this project from day one as it sees digitisation of the BL as an important step towards making ports around the world, safer, faster, more efficient and sustainable. It is therefore actively reaching out to carriers, shippers, banks and logistics service providers in The Netherlands and beyond, to work with them on setting an open standard for transfer of title.

With the development of the token and integration with ÐΞLIVΞR® done, the project is now entering the next phase, one that is centred around practical assessment and further development of the TradeTrust framework, including standardization efforts. The project is organized along four different streams with overall project management done by the Dutch Blockchain Coalition. Below is a summary of the four individual streams. PoR, through its subsidiary Blocklab, will contribute development capacity and support.

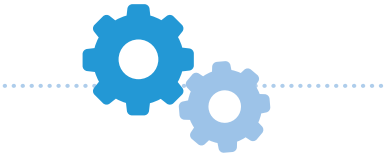
To fulfil our ambitions, the current consortium members are looking for other parties to join one or more of the streams.

LEGAL STREAM

This stream consists of legal representatives of the Dutch Ministry of Justice and Security, The Dutch Banking Association (Nederlandse Vereniging van Banken), EvoFenedex and the Dutch Blockchain Coalition. Their work is centered on preparing the necessary changes to the Dutch Civil Code to allow for the EBL to be recognized as collateral. Output from the legal stream will act as input for the three other streams.

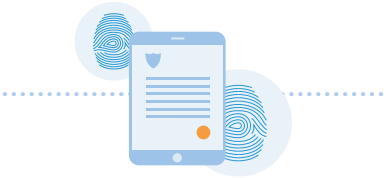
PILOT STREAM

This stream will focus on running pilots between Rotterdam and Singapore (vice versa). These pilots will start as shadow transactions with a limited number of participants but will be gradually extended to allow for more complex cases. Once legal parity between paper and digital has been established, the first legally binding, interoperable, paperless transfer of ownership of an EBL will be conducted on a live shipment in this stream. Technical support for the pilots, such as onboarding partners to TradeTrust, will be provided by the Development stream.



DEVELOPMENT STREAM

Output from both the legal and the pilot stream will provide further input for the development stream.



IDENTITY STREAM

In order to be able to provide proper digital proof of ownership, interoperability between various digital identity solutions, both blockchain and non-blockchain, needs to be realized.

At the Singapore side similar contributions will be made by IMDA and MPA. Exact scoping and phasing of these streams will be a joined effort of the involved parties.