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# Vallis commodities limited

# report on commodity trade finance and blockchain: presentation of the easy trading connect initiative

## introduction

### This reports outline the content of a presentation on the “Easy Trading Connect” platform prototype within the context of Commodity Trade Finance and Blockchain attended by 2 of our UK staff members in London on 21st February 2017.

### The presentation was delivered by Société Générale Corporate and Investment Banking (SG CIB), ING Group and Mercuria Energy Group Ltd.

### The focus of the presentation was the use of blockchain technology in the trade of commodities.

#### Blockchain is the technology behind Bitcoin.

#### Bitcoin is a *cryptocurrency* (digital asset designed to work as a medium of exchange) and a payment system. It was released as open-source software in 2009. The system is peer-to-peer and transactions take place between users directly, without an intermediary.

#### Far from perfect, the Bitcoin blockchain has a couple of weaknesses including: data privacy, anonymity, lack of consumer protection, governance around core development is undefined and unregulated, speed of settlement and others. Overall, the Bitcoin blockchain has introduced interesting concepts, but has weaknesses that are likely to prevent widespread adoption for large financial transactions.

#### Essentially, a blockchain is a digital ledger database that is a permanent, tamper-proof record of transactions. The technological development of a transaction, signed by 2 or more users cryptographically, and then stored in a shared immutable record, is the key underpinning element.

#### The most noteworthy attributes that make blockchain useful are: data immutability (a complete record over time), system resiliency and speed (near real-time movement, validation, settlement), transparency and consensus (shared, agreed data), and automating business logic (common executable code).

## CONtent overview

### The partnership between the 3 groups (SG CIB, ING, Mercuria) was born out of a common desire to create an infallible and widely accepted commodity trading platformwhich uses blockchain technology.

### The “Easy Trading Connect*”* platform is the first comprehensive and realistic use of blockchain technology focusing on commodity trade and finance.

### The platform produced compelling results for its Blockchain oil-tradetest. The prototype successfully used new technology to carry out a live oil trade between parties with Mercuria, the global commodity trading group. The test proved that there were significant speed, cost and risk benefits to be achieved.

### Some of the goals that the platform aims to achieve include: paperless trading and the digitalization and standardization of commodity transactions to increase speed and efficiencies in the trade process.

### The prototype was used in a real trade involving an oil cargo shipment containing African crude which was resold 3 times on its way to China, and included traders, banks, as well as an agent and inspector, all performing their role in the transaction directly on the platform.

### SG CIB and Mercuria have stated that by applying blockchain technology, it can be expected to eliminate the inefficiencies and outdated procedures in the commodity finance industry, making the overall process faster and more cost effective.

### SG CIB and ING are hoping to have a tried and tested finalized version by the end of the year, but it is expected that wide adoption of the system will take years. The next steps are to continue testing the transactions, focus on the niche markets, aim to build a coalition of banks, traders, insurers and inspection companies.

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