

MarcoPolo



FSA

*NIKKEI*

# Trade Finance and Blockchain Technology

August 24th, 2020

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## Agenda

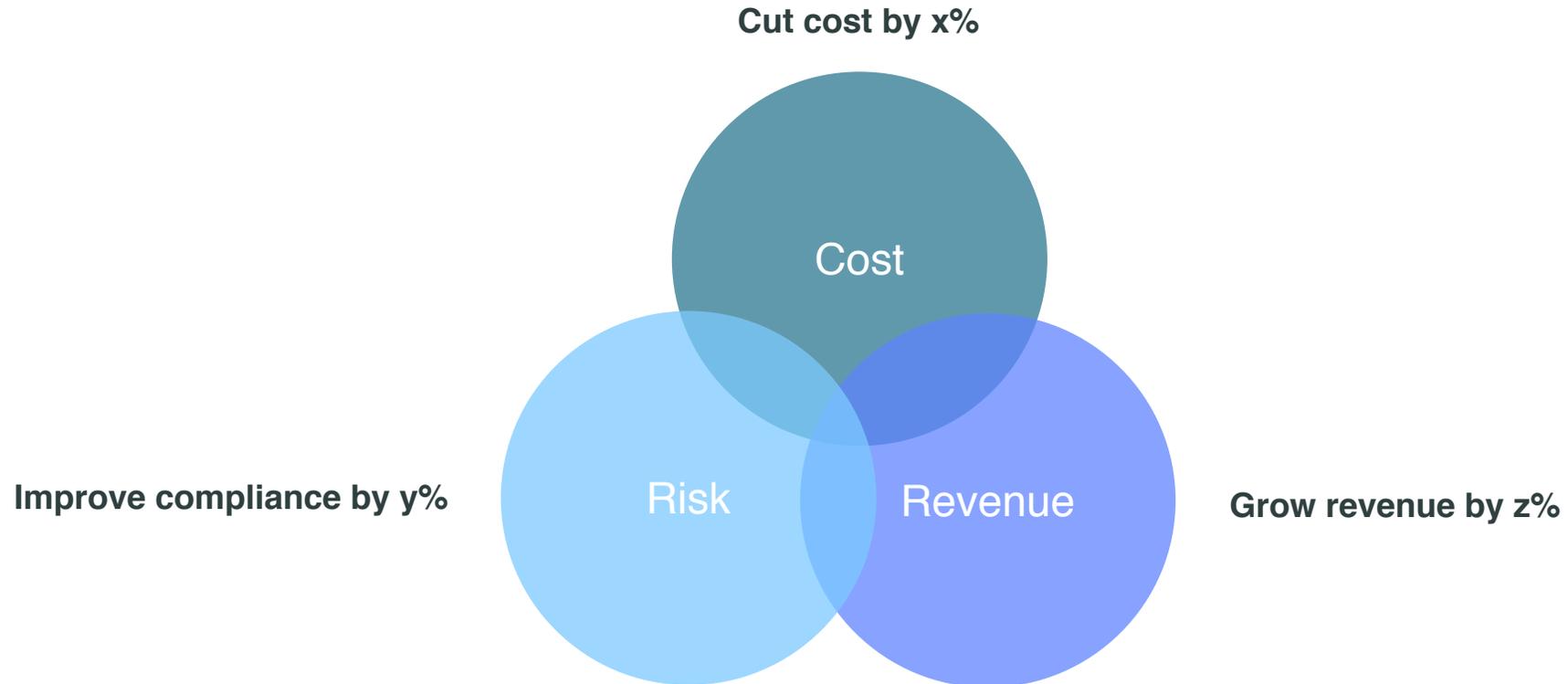
- Current Status and Future Vision
- How Marco Polo can approach to corporate's pain points
- Use Cases
- API Access - ERP (SAP/Oracle) Integration



**Robert Barnes**  
CEO TradeIX

# Current Status and Future Vision

How can a financial **institution and corporate treasury** achieve all three goals at once?



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**The answer is technology. It allows you to do more with less.**

# Industry challenges

How can a financial **institution and corporate treasury** achieve all three goals at once?



## 6 Marco Themes as per Deloitte's Industry Outlook



**Customer Centricity**



**Regulatory Recalibration**



**Technology Management**



**Mitigating Cyber Risk**



**Fintechs and Big Techs**



**Reimagining the Workforce**



**3 out of the 6 are technology focused** and all of them are directly impacted by the digitalization wave that rushes across the industry like a Tsunami.



**Digital Financial Services are at the forefront** of all industry reports and provide equally challenges as well as opportunities.

# Limitations and Risks of Existing Models and Technologies

Across all challenges the intrinsic challenge is to have the right workforce and skills to achieve organizational agility and prepare the organization for the transformation.



## Customer Centricity

- Binary channels
- Obsessed with Product & Sales focus
- Target the right markets, customer segments and solutions
- Leverage the Customer Experience that the FinTech's are focused on



## Regulatory Recalibration

- Complex business models
- Myriad of risk points, customer touch points and interactions
- Limited transparency
- New rules e.g. PSD2
- Regulators require transparency and real time data



## Technology Management

- Legacy infrastructure with hodgepodge of systems, platforms, software and tools
- Modernizing core operating infrastructure is an obvious priority
- Integrate new solutions from multipole external vendors to maximize value and minimize internal disruption



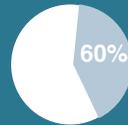
## Mitigating Cyber Risk

- Increased risk with greater interconnectedness in the banking ecosystem
- Rapid adoption of new technologies and continued reliance on legacy infrastructure
- Has become a core decision making factor in everything banks do

## What do Corporate Treasurers and CFO say?



still confirm a high level of trust in their bank due to inherent trust in compliance with regulation, their scale and long-term establishment



are interested in using digital channels

However, the role of banks as the sole trusted advisor is eroding

## What are Treasurers and CFO's evolving needs?

- Balance technological advancements and personalized human interaction
- Agility, flexibility, responsive processes, enhanced advisory capabilities
- High-end 24/7 digital and proactive service

# Impact on Banks

## Trust is key for corporate treasurers in Digital Environment

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### Impact on Banks

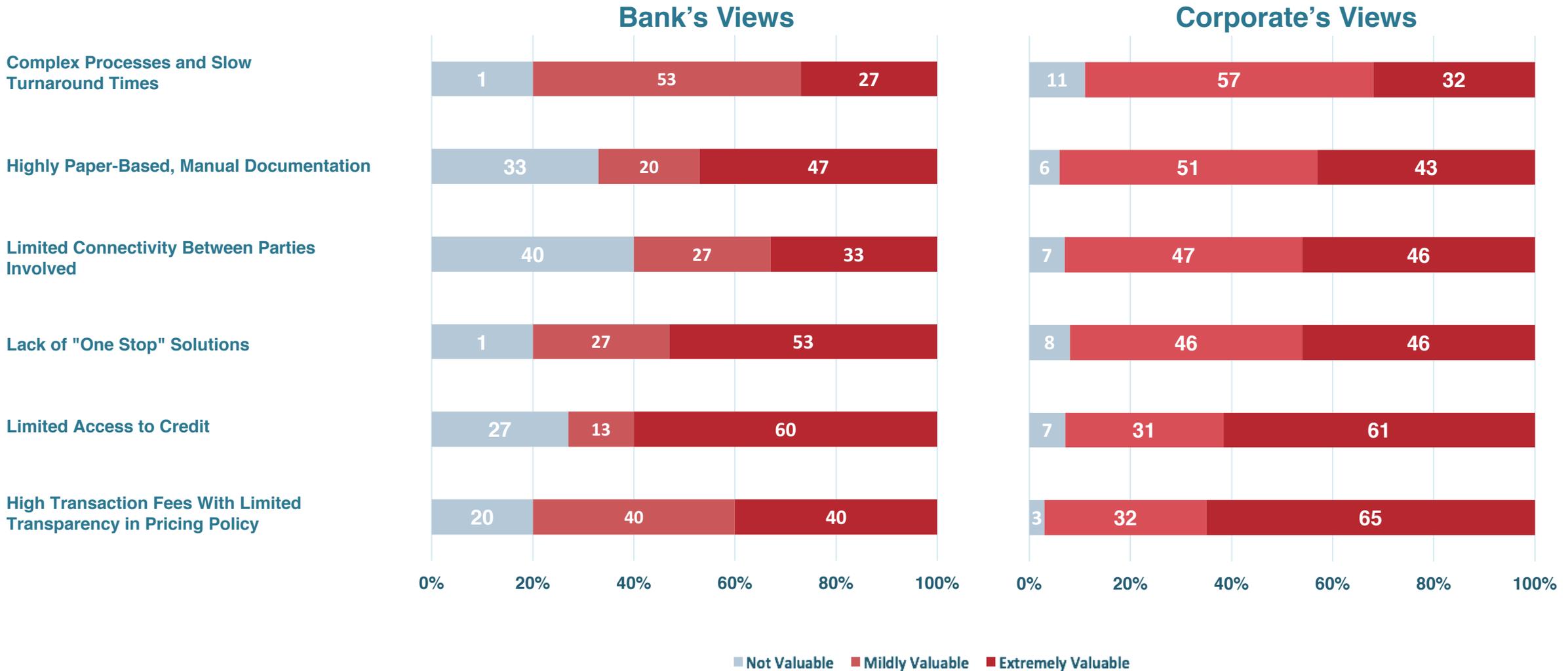
- Traditional Relationship Manager era is over
- Combination of technology with experience and knowledge
- Data enhanced senior banker working along with an agile team



### Winning the trust battle will take three levers

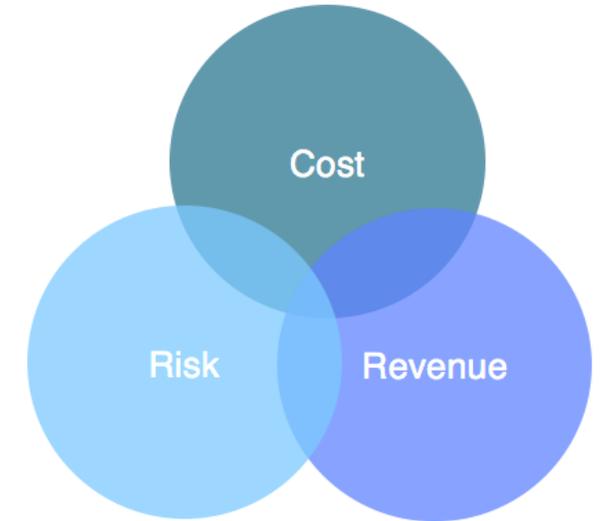
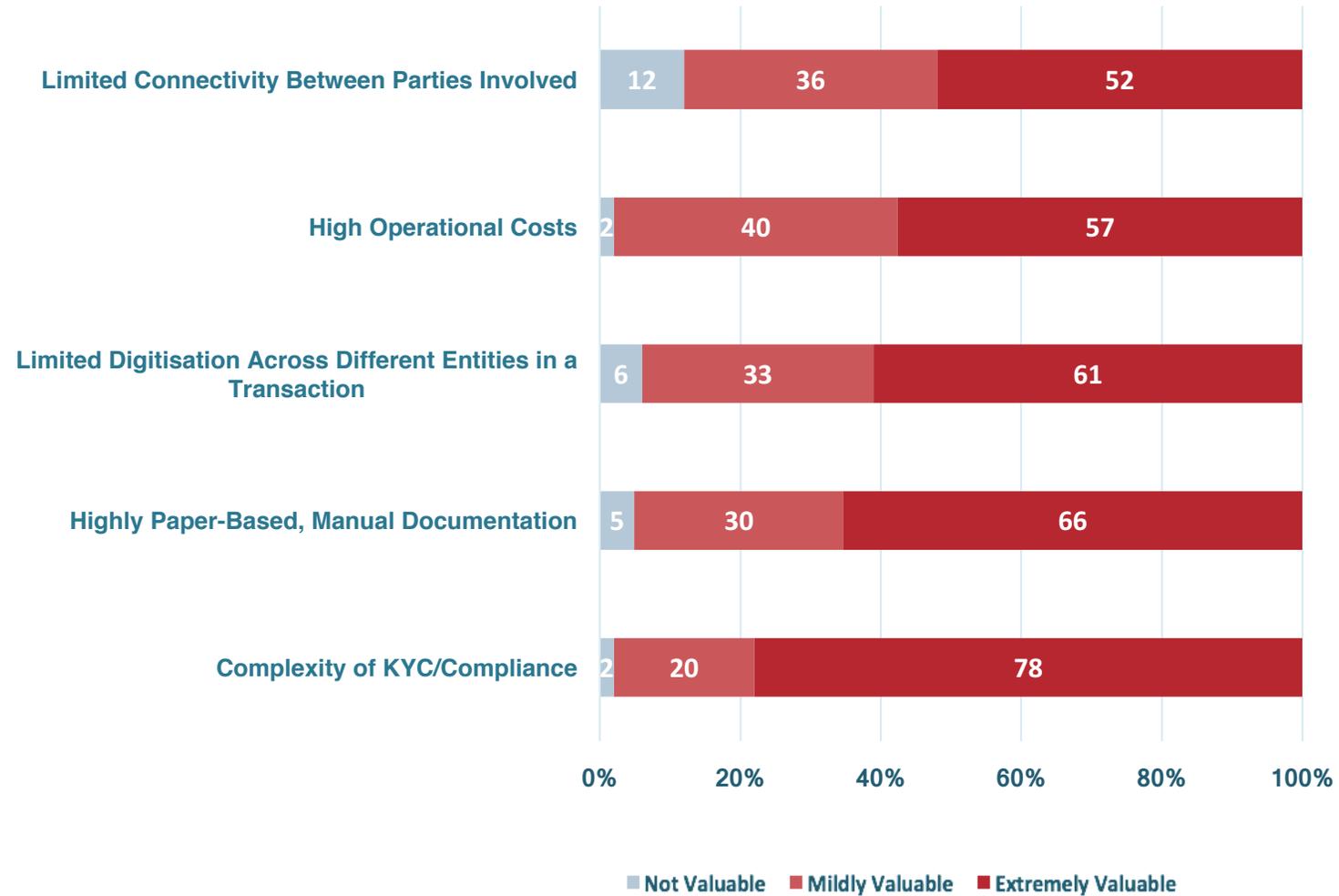
- Adoption of a zero manual-interaction model
- Eliminating low-value intermediaries and process steps
- All interactions between trading partners and banking partners based on private, secured and trusted network (DLT).

# What are the biggest "Pain Points" for Corporates?



Source: BCG Digital Ecosystems in Trade Finance, September 2019

# What are the biggest "Pain Points" for Banks?



Source: BCG Digital Ecosystems in Trade Finance, September 2019

# Raise of technology gives opportunity to address current market challenges



## The Rise of Platforms

- The way we design and build software and how users interact with it is undergoing radical transformation.
- Replacing siloed destination applications (pipes) where users only consume resources have been replaced by platforms
- Example: Amazon Webservices



## Open Communication Protocols

- Open protocols and standard technology infrastructure enabled a global transformation in information technology
- Examples: Web - HTML, HTTP. Mobile - GSM & CDMA. Email - SMTP



## Modular Design & Microservices

- Reduces time to market by providing plug-and-play tools and infrastructure needed to build, test, and deploy solutions
- Modular development frameworks allow for quick and efficient customisation



## Cloud Based ERP

- Over 40% of the client using the four largest ERP software providers are using it on the cloud.
- Much lower upfront costs and gives user access to business-critical applications at any time from location



## Distributed Ledger Technology (DLT)

- Transforming the way we establish trust and transfer value.
- Providing a new technology backbone for financial services and beyond

# How Blockchain and Cloud Technology delivered by Marco Polo eliminate Corporate Pain Points?



**Founded in 2017** by a group of leading financial institutions and enterprise technology providers, TradeIX and R3.

Now the **largest and fastest growing** distributed trade and working capital finance network in the world.

**Digital platform** that allows trading parties to automate and streamline their trade and supply chain finance activities.

**Multi-Bank, Multi-Product, Multi-Jurisdiction** designed for Corporates in one single platform with same integration and user interface

30+ Financial Institutions

7 Technology Partners

20+ Corporates

Bank	Corporate	Partners	Awards



Open and distributed network for trade and working capital finance powered by open Application Programming Interfaces (APIs) and blockchain technology.



Facilitating trade and working capital finance solutions creating better customer experience and seamless data integration, while reducing costs, time and risk.



Marco Polo enables the creation of Trade and Working Capital Finance applications and modules through a collaborative co-creation model of the members.

# Fastest growing trade and Working Capital Finance Network



## Offering for Banks

Process automation, digitization improves cost-income ratios, creating cost savings & facilitates the future ability to offer new products



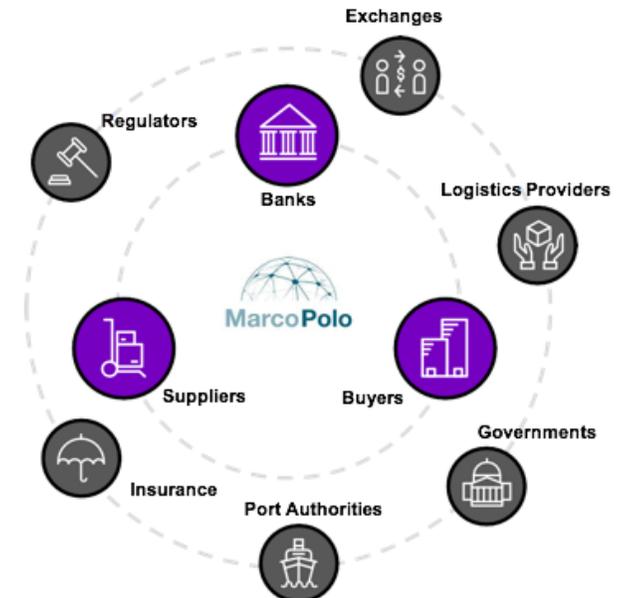
## Offering for Corporates

Integrated directly into ERP & accounting systems offering which streamlines supply chain data exchange & requires only a single integration and interface. **“Connect once, Connect to Many”**



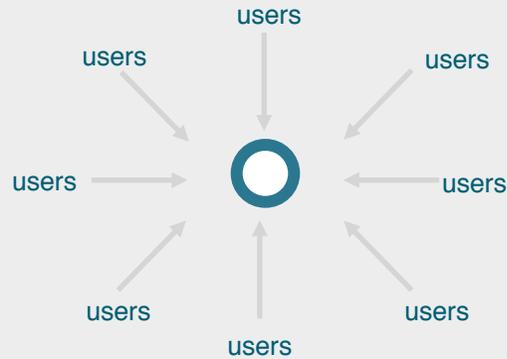
## For the Ecosystem

Real time digital transactions using digital data, assets and smart contracts provides better visibility & connectivity



# Differentiation: “Destination” vs. ”Distributed” Platforms

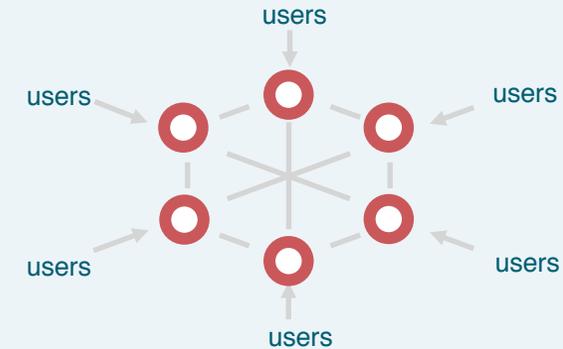
## Destination Platform



The legacy “**destination**” model has technical and business model limitations that place hard limits on its ability to achieve mass adoption and global scale.

- ✗ Users must come to a **single, central, branded destination** to transact
- ✗ Each new connection requires bespoke, costly integration
- ✗ Creates **vendor risk** and a **single point of failure**
- ✗ Platform owns and controls data; **data custody** and **data privacy** issues

## Distributed Platform (Marco Polo)



The “**distributed**” model eliminates technical and business model limitations, enabling mass adoption and global scale that has not been possible before.

- ✓ Platform is **distributed and run by each user**
- ✓ **Only one integration required to connect to all participants**
- ✓ **Eliminates vendor risk and single point of failure**
- ✓ Allows each user **controls and manages its own data**

# Changing how businesses transact supply chain digitally



## Greater Security and Privacy

All interactions between you, your trading partners and banking partners are private and secured. You and your suppliers on share data with permissioned parties leveraging Corda blockchain technology.

## Privacy

## Scale both supply Chain digital transaction interchange and your supply chain financing

The modular and distributed Marco Polo Platform massively scales to your entire supply chain fast and securely. Ensuring your suppliers have a simple and secure channel to conduct business with you efficiently.

## Scalability

## Reduce costs of managing working capital

Flexible integration solutions via the cloud, on premise or directly through your ERP system allow to lower your costs.

## Lower Costs

## Founding Mandate from Members

*"We want to better serve trade customers' needs by converging the physical, information and financial supply chains with an optimized use of digital trade data to enable easier access to credit, enhanced risk mitigation, increased transparency and automation on a global digital platform." Member Banks*



# Marco Polo leverages technology to deliver greater privacy and lower costs



## Leveraging Blockchain

Blockchain technology enhances the process with increased security and privacy by removing the needs for a third party platform to replicate supply chain data.

By leveraging DLT, additional control, automated reconciliation, stability, trust and transparency are added to end-to-end supply chain process.



## Tailored Working Capital

Tailor your working capital strategy to fit your needs. Switch between self-funded and bank-funded solutions to optimize your working capital and company margins.



## Unified Experience

Marco Polo Platform allows to manage invoices, pay them, and reconcile payments with one place to access all your financing options from all your banks, it's that easy.



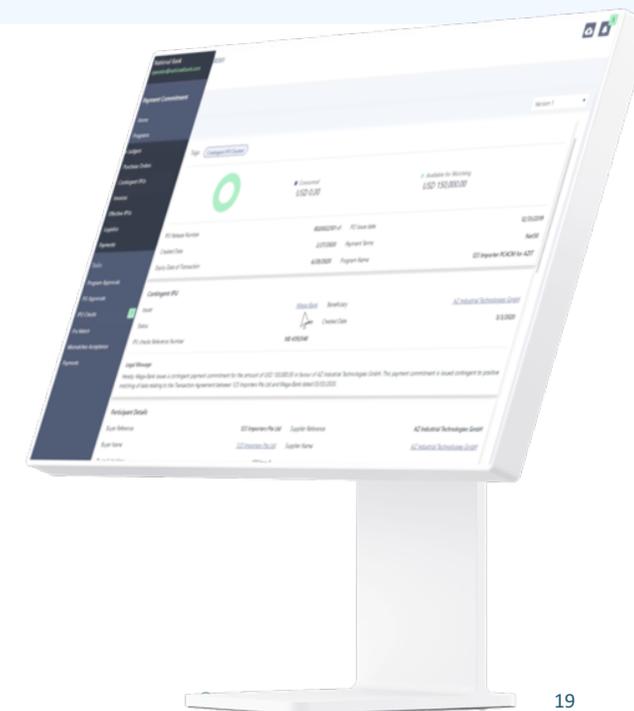
## Connect to all Companies

Real-time maintenance of vendor master information including bank account details of thousands of companies, keeping all of their information up-to-date by offering an easy-to-use tool, the Digital Passport.



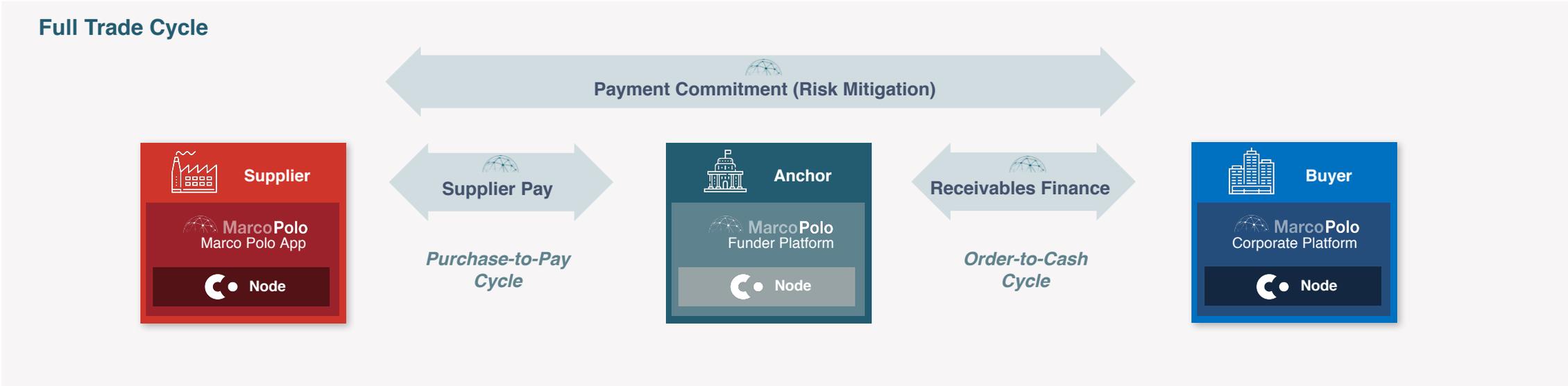
## Multiple Funding Options

Marco Polo works already with 30+ funders to facilitate global financing and early payment programs. You can bring your own bank to the platform or work with one of our bank partners.



# Use Cases

# Managing the full financial supply chain



# Successfully Tested

## Receivable Discounting

Corporates:  MITSUI & CO.

Banks:  SMBC

"As part of the test, SMBC provided receivables finance and a payment commitment to fellow group company Mitsui & Co."

## Payment Commitment

Corporates:  SCHOTT

Banks:  COMMERZBANK  Bangkok Bank

"We are very pleased to have partnered with our client Schott in this pilot, handling an international trade transaction between Germany and Thailand via DLT-based technology."

Enno-Burghard Weitzel, head of product management trade services at Commerzbank AG.

## Payment Commitment

Corporates:  DAIMLER

Banks:  LBEBW

"At Daimler Treasury, we continuously work on the digitization of our business processes. The optimization potential inherent in trade finance transactions is high."

Jürgen Vogt, Director Treasury Controlling, Analytics & Standards of Daimler AG

## Successfully Tested



## Payment Commitment

Corporates:  INDORAMA  MITSUI & CO.

Banks:  SMBC  Bangkok Bank

"The PoC was conducted based on actual cross-border trade flow involving Mitsui & Co., Indorama Ventures group, Bangkok Bank, and SMBC."

## Payment Commitment

Corporates:  MAN  VOITH

Banks:  BNP PARIBAS  LBEBW

The successful use of the Marco Polo Platform Payment Commitment module by two large corporates and their two banks evidenced the benefits DLT can bring to trade transactions in terms of transparency, speed, reliability and digitalisation."

Bruno Lechevalier, Head of SCM Global Business Development at BNP Paribas.

# Case Study: Payment Commitment

SMBC and Bangkok Bank used the platform for a commercial transaction between Mitsui & Co and Indorama



## Transaction

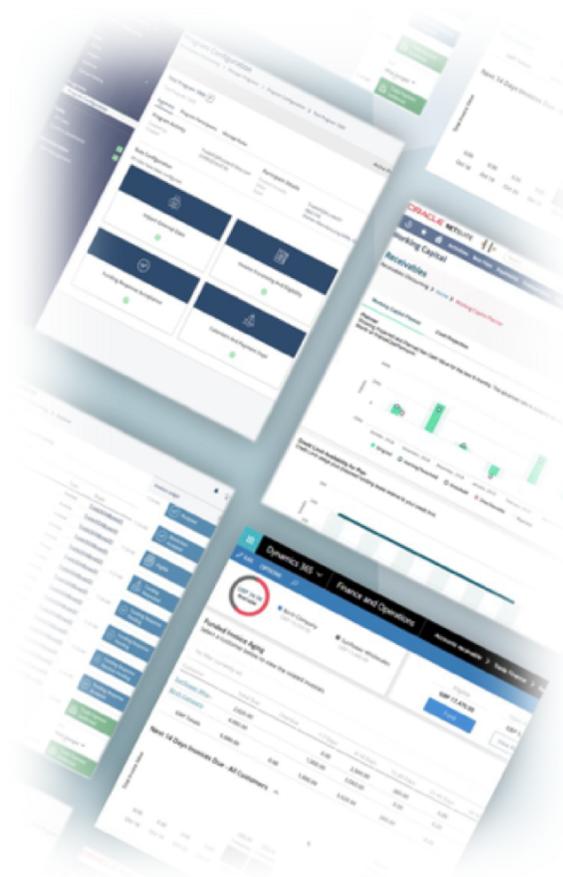
- Export of materials from Japan to Thailand

## Before Marco Polo (Letter of Credit)

- Process typically involves several intermediaries and large amounts of paper documents
- Title documents arrive after shipment has arrived into port (demurrage)
- Process was highly complex and labor-intensive
- Lack of automation and visibility

## With Marco Polo (Payment Commitment)

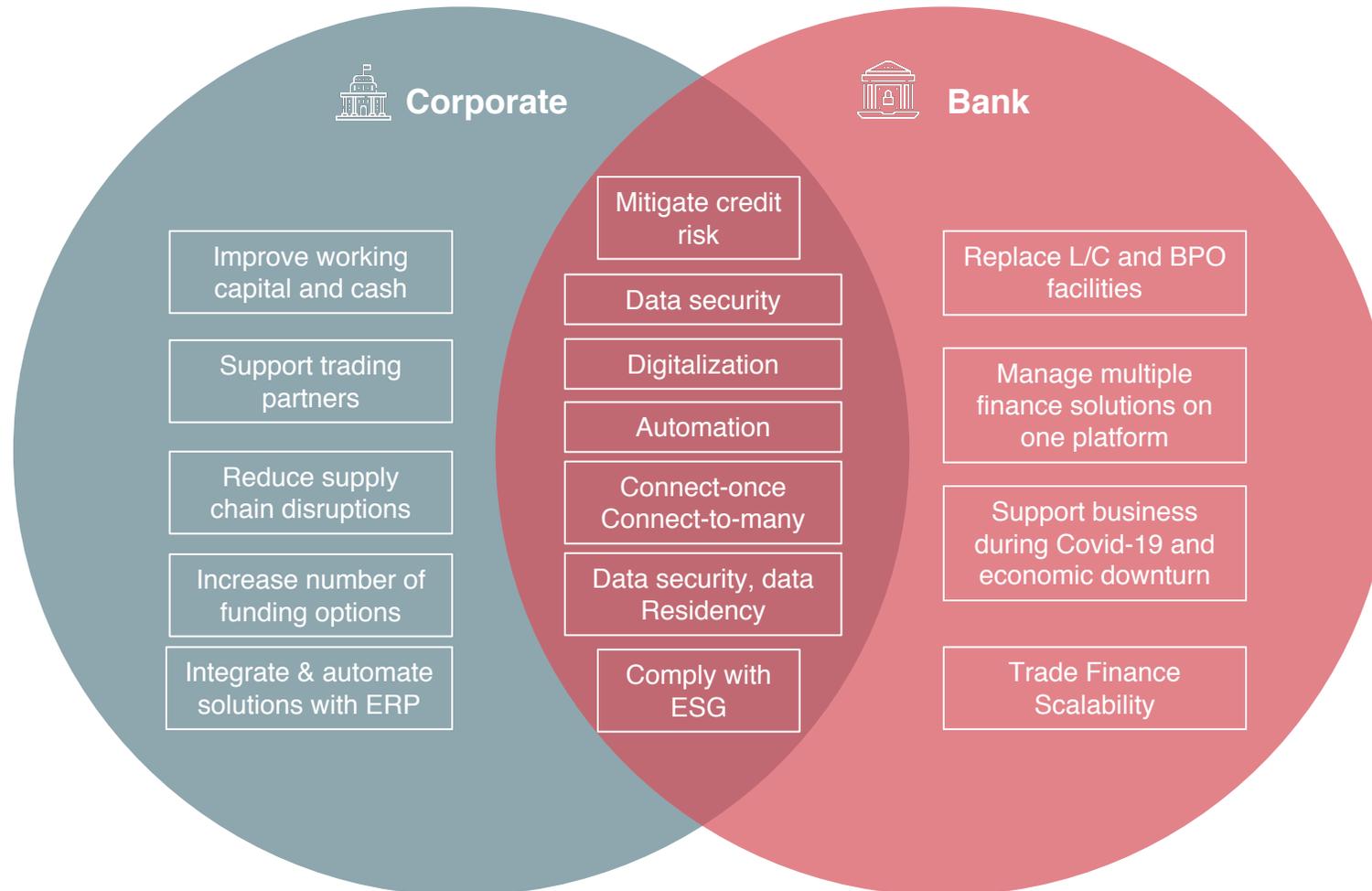
- All data and assets exchanged digitally, securely, and in real-time over the Marco Polo Network
- Platform provides complete visibility and end-to-end automation



## Payment Commitment Workflow

- Banks and corporates pre-configure rules and workflow
- Buyer and supplier agreed to order and delivery details
- The buyer's bank provided a conditional payment commitment.
- Goods are shipped and invoice is raised
- After receipt of goods, there was a successful 3-way match between Purchase Order, Invoice, and Logistics Data
- The 3-way match triggered the issuance of an irrevocable payment undertaking (IPU) issued by the buyer's bank on behalf of the buyer
- The platform also enabled the supplier to receive financing for the transactions from its bank.

# Summary – Marco Polo Addressing Corporate & Bank's Key Topics





**Robert Barnes**  
CEO TradeIX