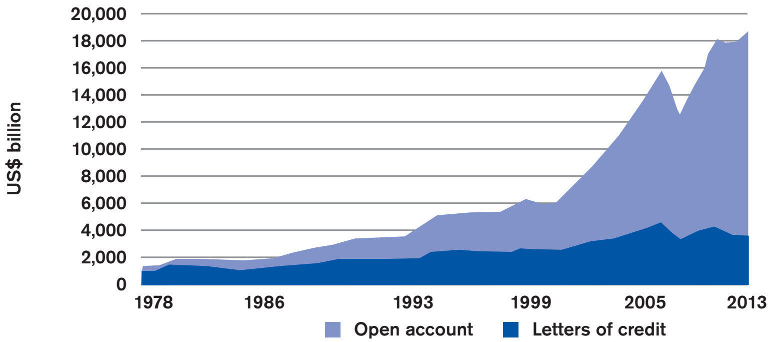
form of trade finance, there is a growing trend to trade on open account terms using supply chain financing (see Figure 5).

Existing traditional trade finance is often associated with high costs and burdensome procedures, due to a paper-heavy process and the challenges of coordinating the multiple players involved in a trade transaction; trading on open account terms[1] using supply chain finance tools can be a risky game for exporters; and there are also the challenges related to trust, detection and prevention of fraud, and the authentication of parties. These shortcomings have led banks, fintech startups and IT companies to explore the potential of Blockchain to facilitate trade finance. The technology is seen by many as an interesting tool to improve the security of traditional trade finance transactions and to streamline and digitalize processes, especially letters of credit, as well as an opportunity to facilitate "know-your-customer" (KYC) processes and ease supply chain finance.

Traditional trade finance – in particular letter of credit transactions[2] – is labour- and paper-intensive and involves multiple players. One of the largest banks providing trade finance employs several thousands of people to verify millions of trade documents each year related to letters of credit requests, and recent research by the Boston Consulting Group finds that more than 20 players are usually party to a single trade finance transaction throughout the process, with data captured in 10 to

Figure 5 **Use of letters of credit versus open account (world trade volumes from 1978-2013)**



Note: World trade volumes have seen a startling increase in open account transaction over the recent years. Already today more than 80 per cent of the total world trade volume (export) is settled by clean payment. This impressive ratio is expected to grow even further in the future. As a consequence, banks are compelled to offer their corporate clients products that support fully automated processing as well as cost savings combined with payment assurance and financing options.

Source: Unicredit Group, cited in UN/CEFACT (forthcoming).