

International Chamber of Commerce (ICC) and the International Organization for Standardization (ISO), but developing standards may take time (see Section 4.2(c)).

However, the question of liability – i.e. who is liable at each point of the process – does not apply in the same terms in the case of supply chain solutions such as the one developed by We.trade. Indeed, an interesting feature of this new approach is that liability issues are set in an offline contract between the buyer and the seller. Smart contracts are only used to automatize processes and guarantee payment when the agreed conditions are met. They only cover the operational elements of the offline contract.

Beyond the need for legal frameworks, globally agreed standards that ensure, among other things, interoperability will need to be developed in order to allow the technology to start to be used on a wide scale. A key limitation of current bank-centred applications is the fact that they can only process transactions between banks participating in the project. A truly global system would have to connect all banks – a huge endeavour and a technically challenging task – or bridges will have to be built between existing platforms.

Efforts are underway to address legal and interoperability issues and develop common standards, but this is likely to take time (see Section 4.2(c)).

Third, even this may not be enough, as the BPO experience shows. Although the ICC has developed Uniform Rules for BPO (URBPO), companies have not shown a high level of enthusiasm in using BPOs. The success of Blockchain in trade finance will ultimately depend on whether companies see value in this solution. This will depend on the extent to which the benefits that the technology can yield outweigh the costs of adapting current systems. Beyond legal and interoperability issues, this may only be the case if the underlying trade has been digitalized to enable synergies to be built and Blockchain to be used to its full potential – i.e., if the various aspects of an international trade transaction, including customs procedures and logistics, are digitalized. Unlike previous attempts to digitalize trade finance, blockchain-based solutions are driven by a much larger set of stakeholders, including banks, customs authorities, logistics providers, governments and regulatory bodies. This could give Blockchain the impetus needed to succeed in digitalizing trade where other technological innovations have failed; time will tell. In the near future, however, applications are likely to remain limited in scope.

Investments in the technology remain something of a gamble at this stage, but the flurry of activity that surrounds Blockchain and the opportunities that the technology could potentially open make it a gamble that many financial institutions feel it is important to take – not least in order not to be left behind if the legal and operational