



A Guide to Digital Trade Finance

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Deutsche Bank contributors

Atul Jain, Global Co-Head for Trade Finance and Lending, Deutsche Bank
Oliver Resovac, Global Co-Head for Trade Finance and Lending, Deutsche Bank
Clarissa Dann, Editorial Director, Marketing, Deutsche Bank
Stewart Pace, Vice President Trade Finance Sales, Deutsche Bank

Other contributors

Jonathan Lonsdale, Global Head of Trade & Working Capital Solutions, Private Debt Mobilisation, Santander Corporate and Investment Banking,
Cláudia dos Santos, Director, Trade and Working Capital Sales, Lloyds Banking Group
Sean Edwards, Chairman, ITFA
David Meynell, Founder of TradeLC Advisory and Digital Rules Adviser, ICC United Kingdom
André Casterman, Chair of the IFTA Fintech Committee
Alexander Malaket, President, OPUS Advisory Services
Daniel Cotti, Founding Partner, T3i Partner Network
John Bugeja, Managing Director, Trade Advisory Network
Michael Vrontamitis, Founding Partner, T3i Partner Network
Avanee Gokhale, Global Lead for Trade Strategy, Swift
Pamela Mar, Managing Director of the ICC Digital Standards Initiative
Chris Southworth, Secretary General, ICC United Kingdom
Geoffrey Wynne, Partner and Head of Sullivan's Trade & Export Finance Group, London
Chris Sunderman, Program Lead Banks at DCSA
Dominic Broom, SVP Working Capital Technology, Arqit

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Efforts to digitise trade finance have continued to build momentum in 2023, with the removal of longstanding legal obstacles in the form of the Electronic Trade Documents Act 2023 serving as a key enabler. Unlike previous efforts, all the necessary jigsaw pieces – from legal frameworks and industry standards to technologies and cross-actor collaboration – are beginning to fall into place.

This *Guide to Digital Trade Finance*, published by Deutsche Bank in association with the International Trade & Forfaiting Association (ITFA), provides a snapshot of what today's digital trade ecosystem looks like, and the overall direction of travel.

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4.2 Initiatives and working groups

Trade bodies often form working groups or task forces, or collaborate on initiatives, to focus on specific industry issues and develop practical solutions to solve them.

“I think trade bodies are an excellent way to get people to work together. They provide a neutral environment in which institutions feel happy to meet, discuss, and work together to discover multiple concepts from a range of different industry perspectives – from banks and fintechs, to law firms, and consultants”

André Casterman, Chair of the IFTA Fintech Committee

4.2.1 The ICC

The ICC is the institutional representative of 45 million companies in more than 170 countries, making it easier for businesses to trade internationally. The ICC actively advocates both industry and governments to implement interoperable legal, rules and standards frameworks across all trade platforms, systems and processes. Alongside the standards they create, the ICC also has various initiatives, working groups and committees that are working to maintain the standards and drive the conversation forward.

4.2.1.1 The Digital Standards Initiative (DSI)

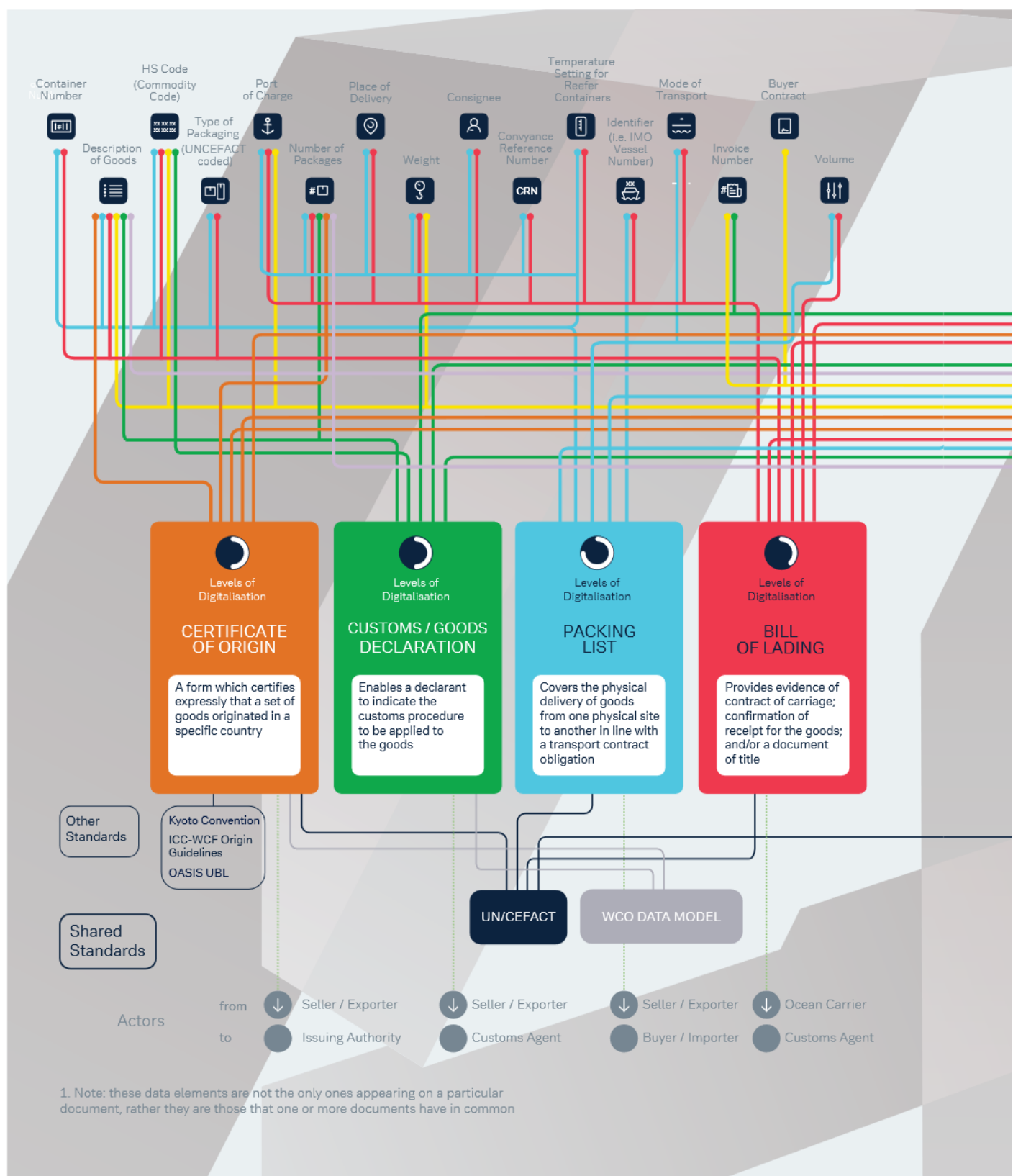
Obstacles to digital trade include the lack of an enabling policy environment, the proliferation of multiple digital trade practices and standards, as well as shortage of capacity to undertake the necessary changes at all levels. The ICC Digital Standards Initiative (DSI) was established to address these obstacles and accelerate the development of a globally harmonised, digitalised trade environment. The DSI has mobilised the private sector on standards harmonisation and adoption through its Industry Advisory Board and Key Trade Documents and Data Elements groups.

The Digital Standards Initiative (DSI) and the World Trade Organization have jointly produced a “Standards Toolkit for Cross-Border Paperless Trade”,⁵⁰ which provides an overview of existing standards to help drive adoption, identify potential gaps and promote interoperability. It is essential for the trade finance world to be equipped with a shared understanding of digital language and standards, rather than disparate interpretations.

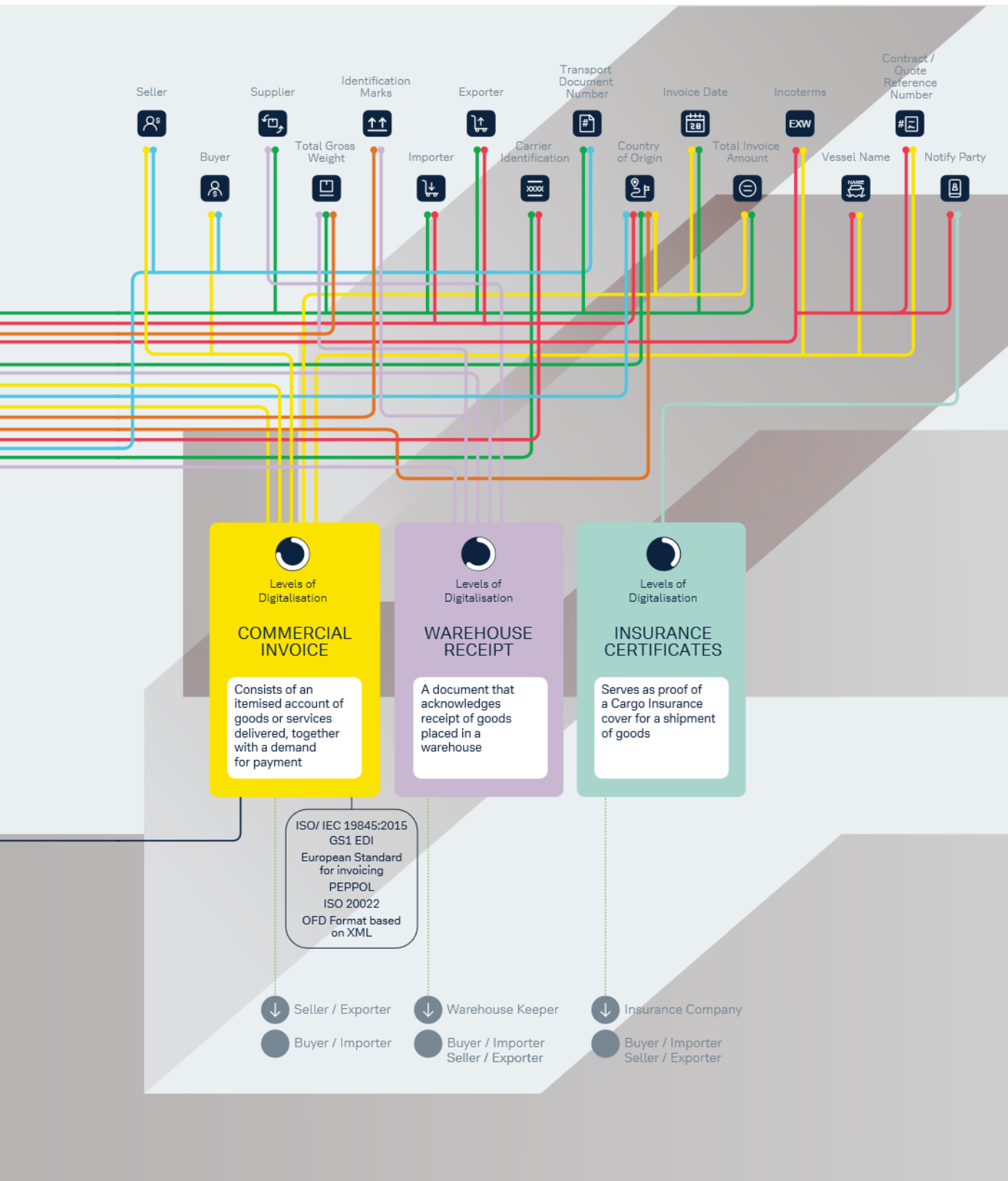
At the March 2023 ICC Future Trade Forum in Singapore another major step forward was taken to align the industry behind a common vision, with the release of new guidance to enable digital trade at scale.

Released at the Forum, the DSI’s Key Trade Document and Data Elements (KTDDE) Working Group report, ‘Key Trade Documents and Data Elements’,⁵¹ analysed seven key trade documents and their respective digital versions, seeking to define, map and align their data elements. Analysing the repeated data elements in the seven key trade documents – certificates of origin, commercial Invoices, warehouse receipts, packing lists, bills of lading and customs declarations forms and insurance certificates – revealed and confirmed several patterns, enabling a mapping of gaps in standards (see Figure 6).

Figure 6: Entity Relationship Map of the shared data elements in the seven key trade documents



Source: The ICC DSI Key Trade Documents and Data Elements Report



This process concludes that digital trade is feasible without the creation of entirely new standards and taxonomies, but rather, by adapting and building on practices already in place. To this end, the DSI provided four “cross-cutting” recommendations on how common data approaches and digital standards could facilitate data sharing and interoperability:

1. Ensure that platforms and systems are designed to be compatible with at least one of the major recognised standards, and preferably able to work with multiple standards.
2. Issuing and acceptance organisations, and relevant regulators, should align to best practice definitions of Key Data Elements where they exist.
3. Issuing and acceptance organisations should pursue a “digital by default” strategy. Default to a 100% digital issuing process, eliminating manually issued documents where possible and reducing the use of wet stamps and printed documents.
4. Governments should leverage existing trade relationships to collaborate on new regulations for the issues that are likely to define the future of digital trade.

While the original report only contained an initial batch of seven commonly used trade documents, the DSI unveiled its expanded digital standards recommendations under DSI’s Key Trade Documents and Data Elements (KTDDE) practice in November 2023. The launch of the baseline analysis for these additional 14 key trade documents – covering transport and logistics, finance and payment processes and documents of title – adds to the existing set of seven documents. The enhancement includes a new key trade data glossary and data sharing map across the 21 documents developed by the KTDDE working group.⁵²

At the same Forum, the DSI Trusted Technology Environment (TTE) working group outlined the “Trust supply chain” in its Trust in Trade paper to complement existing physical, financial and information supply chains. The trust supply chain will simultaneously improve speed, efficiency, and data interoperability.

“Our vision is a world where goods and services flow across borders without undue administrative burden, where a common dataset shared by supply chain partners offers the vaunted “single source of truth” that is adhered to, protected and verified by agreed technologies and used to enable finance to flow to those players who today lie on the other side of a well-known trade finance gap”

Pamela Mar,
Managing Director of the ICC Digital Standards Initiative



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