Conclusion of trade transaction using blockchain and distributed ledger technology

-On collaborative effort with general trading and insurance companies-

On July 6, 2017, Mizuho Financial Group, Inc. (President & CEO: Yasuhiro Sato), Mizuho Bank, Ltd. (President & CEO: Koji Fujiwara), Marubeni Corporation (President & CEO: Fumiya Kokubu), and Sompo Japan Nipponkoa Insurance Inc. (President: Keiji Nishizawa) completed a trade transaction between Australia and Japan using blockchain / distributed ledger technology (DLT)(*).

Trade transactions necessitate the communication of information such as country of origin or product details that varies from transaction to transaction between a large number of parties. The diversity of the information involved has hindered digitization until now, and still requires a significant volume of documentation, leading to high costs and administrative work throughout the world.

The recent project involved a trade transaction between Australia and Japan in which all trade-related processes, from issuing the letter of credit to delivering trade documents, were completed entirely via a digital platform using blockchain / DLT. As a result of the project, Mizuho and the other involved parties were able to make the following conclusions regarding the use of blockchain / DLT in trade transactions.

Benefits:

○ Shorter delivery time for trade documents
  - Reduced from multiple days (typical length) to 2 hours
○ Reduction of time required to create and transmit documents, as well as labor and other costs through document digitization
○ Increased transparency by sharing transaction details with all parties

Issues

○ It is not possible to transmit trade transaction information in digital blockchain / DLT format to parties who do not use the platform; transactions must be conducted as before
○ Enabling the transmission of the wide variety of information necessary for trade transactions will require standardizing the information for blockchain / DLT at an international level

Building on this trade transaction project, Mizuho aims to further explore the practical business application of blockchain / DLT and to offer technologically sophisticated, client-focused services going forward.
Diagram of Transaction

1. Purchase agreement
2. Request for L/C issuance
3. Issue of L/C
4. Advising of L/C
5. Shipment of goods
6. Registration of trade documents
7. Receipt of payment
8. Document registration
9. Settlement of payment
10. Handover of trade documents
11. Delivery of goods
12. Fund settlement

Mizuho (JPN)

Mizuho (AUS)

Marubeni (JPN)

Marubeni (AUS)

Target area

(*) Blockchain is a form of distributed ledger technology (DLT). It utilizes a system of consensus formation among participants to enable transactions to take place even in the absence of a trusted central authority. Because it is easy to audit, has built-in protection against double entries, and is virtually impossible to falsify transactions, the technology has a number of potential applications in a wide range of fields across financial services including payments/settlements and securities; as well as other forms of asset transfer, such as land registration.

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