CONTOUR

Key Highlights

Background - How and why Contour was formed

Contour started as a project 2.5 years ago among eight banks that were members of R3. The group of banks include both global trade banks and regional banks keen to digitise trade and trade finance, including HSBC, Standard Chartered, BNP Paribas, ING, RBS, Bangkok Bank, SEB and CTBC. They wanted to explore making letters of credit (LCs) more efficient using Corda's decentralised network technology. From the initial project and a first live pilot, these eight banks further invested and built the foundations for Contour together with development partner CryptoBLK. Over the past two years they have continuously developed and tested the solution with live transactions completed in several industries across 14 countries. The positive feedback from bank and corporate users paved the way to incorporation.

Background - Growing the consortium

The banks wanted to take this project to the next level. They faced a 'consortium challenge' as they weren't just building it for their own use, but for the entire industry and they needed a way for other banks to join easily without the high cost of joining a consortium. They brought in Bain Consulting and R3 to assess if they wanted to be a not-for-profit co-operative or a traditional for-profit company. To ensure fundraising and a solid foundation, they decided to proceed with a for-profit company.

This group of banks thought about how to make the network and how to build the ecosystem, and decided on an approach to appeal to banks, corporates and also partners. Partners are a big part of this journey as they can be at the front of a transaction – an order management platform, a contracting/deal platform, a data aggregation partner, a digital documentation source, logistics partner, etc. Contour aims to bring all these services together related to LCs in one place. That's how we started and that's what we're building now.

Why is there a need to digitise the trade industry?

Trade remains one of the most paper-driven processes that we have within financial institutions or banking. And it's not a banking problem, it's much bigger than that. It's an industry problem. Global trade is still run on paper. It really comes down to two major issues – there's a huge amount of paper and information created from international trade activities; and that information cannot transfer easily between trade participants because of the nature of paper and digital silos.

There's a lot of friction, and removing friction is important in any process to driving efficiencies and unlocking value in any industry. In trade, the only way you can solve that problem is by having a holistic view.

Is this the right time to make it happen?

It's not a new idea, but the emergence of new technology – building on the blockchain or distributed ledger – is giving the industry a new tool to solve the problem of digital silos. Corporates are looking at multi-bank platforms. They work with multiple banks to offer different services, and they want a platform that allows them to communicate with all their banks, while also communicating to their buyers, sellers and counterparties. They want a system that puts it all together, which is the power of a network. If all of these parties are on one platform, it allows for new efficiencies and cost savings, as well as better visibility and decision making. Corporates and banks also want more data on the platform, moving away from documents and towards a data set to manage on the platform. There have been digital documents available, but not linked with the business process of a LC transaction. Right now, with Covid-19, it's shown even more so that going paperless is even more important.

How do we get everyone to work on a common system?

This is really where blockchain comes in. This is where decentralized networks provide a unique opportunity to solve a very old problem, which is, we can all now be on one network without any one bank, corporate or government owning the entire network and controlling the data. Contour is building on that foundation. What we've done is build the Contour Network together with the people who make trade happen, which are buyers and sellers. It's powered by R3's Corda blockchain which enables an enhanced degree of collaboration across the entire trade ecosystem, where you tell everyone this is what you need to do next to progress this transaction. There's no more worrying about who needs to act next, so they can get paid and receive the goods. You can now log on to Contour and see that immediately.

How is data stored?

We're using a permissioned, decentralized technology, bringing everyone together. Everyone managing their own data in the country that they want, whether it's on premise, or any cloud you want to have. It's up to each individual participant. That allows everyone to be comfortable and for Contour to be THE trusted network for trade finance. Contour then becomes, not for itself, but for the industry – a *new global standard*, providing common digital infrastructure for all banks, corporates and even the wider trade industry globally, and unlocking that rapid progress towards digitalisation.

What kind of value can be derived through Contour Network?

People generally don't like using letters of credit due to the cumbersome process and reliance on paper. So if we can unlock more value in the letter of credit by reducing some of that friction, we can solve that problem from the very first transaction and the benefits will increase as the network scales. We all know that there's great value in having a global network of thousands of corporates and hundreds of banks offering a wide variety of products. But you have to start somewhere. With Contour we're offering you value today from your very first transaction. This letter of credit transaction you do on Contour will be better than your last transaction without Contour, and the network and product offering will only increase over time. Come and join us!

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