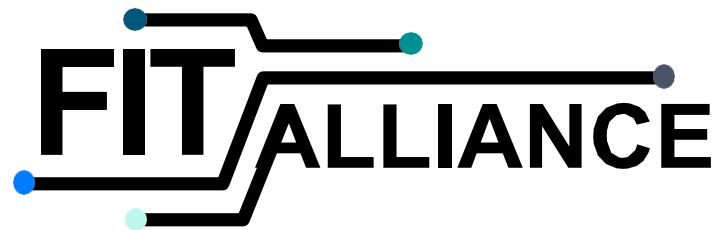




COMPLETE GUIDE TO ELECTRONIC BILLS OF LADING (eBL) FOR THE FINANCIAL SECTOR





The FIT Alliance

This publication has been produced by the The Future International Trade (FIT) Alliance. Members of the FIT Alliance are the Digital Container Shipping Association (DCSA), BIMCO, FIATA, the International Chamber of Commerce (ICC), and Swift. The Alliance works together to generate awareness about the benefits of going digital and the importance of common and interoperable data standards and common legislative conditions across international jurisdictions and platforms. The aim is to facilitate acceptance and adoption of eBLs by shippers, carriers, regulators, banks and insurers and to unify communication between these organisations and all other stakeholders involved in an international trade transaction. By establishing open-source, interoperable, technology-agnostic standards, the FIT Alliance intends to make the digitalisation of international trade a reality, enabling smooth data exchange and streamlining the end-to-end shipping process for the entire industry.

The logo for BIMCO, consisting of the word "BIMCO" in a bold, blue, sans-serif font with a horizontal line above the letters.



THE TRADITIONAL ROLE OF BANKS IN THE BILL OF LADING PROCESS

A Bill of Lading is a key legal document in maritime trade used to prove ownership of goods in transit. A bank's role in the Bill of Lading process has traditionally been tied to the handling of shipping documents required under documentary trade products such as letters of credit or documentary collections.

A bank acting as a party to the financial transaction may receive, review, and determine whether the shipping documents called for under the letter of credit (including where applicable a Bill of Lading) conform with the terms of the letter of credit; before facilitating the financial settlement of the transaction.

Bills of Lading are typically endorsed to the party that is taking ownership of the goods being shipped, which is usually the consignee or the buyer. They can also be endorsed to a third party if instructed by the consignee, such as a bank as a form of security for the financing of the underlying transaction. The involvement of banks in the traditional Bill of Lading process helps mitigate risks, facilitate payment, and ensure compliance with contractual obligations, thereby fostering trust and confidence among trading partners in facilitating smoother trade transactions.

THE CURRENT STATE OF EBL ADOPTION BY BANKS

Banks act as financial intermediaries, providing operational services, financial risk mitigation and potential financing in a transaction, and are thus not involved directly with the physical supply of goods. Nonetheless, the digitisation of trade documents, including eBLs and other title documents brings along cost savings (e.g. reduced administrative costs like document processing) and other benefits like lowered fraud risks.

The traditional Bill of Lading process is extremely lengthy and complex. According to McKinsey, up to 50 sheets of paper are exchanged with up to 30 different stakeholders as it passes physically from stakeholders like shippers, banks, customs agents; and across different jurisdictions and ports.

The scaled use of eBLs could save USD 6.5 billion in direct costs and unlock up to USD40 billion in global trade by reducing trade friction, especially for emerging markets.

Nonetheless, it is only through broader community uptake and demand that banks will be able to fully justify the transition from paper-based to electronic Bill of Lading. There have been many positive developments already happening in the industry:

- **Regulatory support:** Regulatory bodies like the United Nations Commission on International Trade Law (UNCITRAL) are enabling adoption of the eBL via legal changes such as the Model Law on Electronic Transferable Records, or MLETR. Trading hubs and countries like France, Singapore, UAE and the UK have adopted the MLETR.
- **Interoperability efforts:** Initiatives like the ones Swift and the Digital Container Shipping Association (DCSA) are working on (about standards and APIs) facilitate seamless communication between different eBL platforms and banks. In collaboration with ICC, Swift also delivered the first ISO compatible trade APIs for the full life cycle of Guarantees in the Corporate to Bank space. These future-ready APIs will help tackle friction arising from different standards, identity and security specifications. As at the time of writing, Swift has also successfully tested an eBL interoperability solution capable of enabling the widespread use of eBLs in collaboration with two banks and four eBL platforms.
- **Pilot projects:** Successful pilot projects demonstrate the feasibility and value of eBLs, encouraging wider adoption.

However, as regulated entities with strict product governance, many issues need to be addressed to help banks move forward in a meaningful way. These includes legacy systems, technology, operational process changes/risks, cost implications, legal considerations (contract, MLETR, ETDA or UK's Electronic Trade Documents Act), interoperability and importantly client satisfaction, etc. The diverse landscape of eBL providers and platforms creates additional complexity as we work towards harmonising different standards and interoperating across platforms.

Despite challenges, the future of eBL adoption looks promising. With continued collaboration between stakeholders, including banks, technology providers, regulators, and shippers, we can expect wider acceptance and smoother integration of eBLs into trade finance processes.

ENABLING SEAMLESS GLOBAL INTEROPERABILITY BETWEEN BANKS AND EBL PLATFORMS

Today, for a transaction to flow efficiently, all stakeholders need to be onboarded to the same electronic bill of lading (eBL) platform. At present, twelve eBL solution providers are authorised by IGP&I, each of these operating independently with its own customer base, and its own proprietary identity, connectivity and security framework.

As such corporates and financial institutions need to sign up and connect to multiple eBL systems to exchange eBLs, resulting in unnecessary costs, delays and inefficiencies. On the other hand, some systems have bilaterally established interoperability between themselves, offering a solution at least on the bilateral level, which could be time-consuming and contractually-unwieldy for an industry in need of a more universal approach. In other words, there is a critical need for a better solution that achieves technical interoperability between eBL systems. Given Swift's long history of enabling global interoperability, Swift, alongside the FIT Alliance can play an important part in addressing the eBL challenge.

WHAT THE BANKS HAVE TO SAY:

BNY Mellon: "There is clear potential for banks to reuse their Swift infrastructure to reduce the time, and most importantly the costs, associated with document exchange." Joon Kim, Global Head of Trade Finance, BNY Mellon.

Deutsche Bank: "This work to standardise and automate the eBL transfer process will help deliver a significantly more efficient, reliable and secure supply chain process in the future." Michael Fenyk, Senior Product Manager at Deutsche Bank.

CALL TO ACTION

With financial institutions integral to the financing and risk management of global trade, it is imperative they support their clients' ultimate needs for a digitally inclusive supply chain.

Financial institutions can contribute by:

1. Signing the FIT Alliance eBL Declaration to commit your organisation's readiness in driving trade digitalisation including eBLs.
2. Assess options and develop a path of readiness for adoption of eBL process and data standards.
3. Educate and engage internally and externally with their clients to facilitate ultimate adoption.
4. Investigate existing eBL solutions in collaboration with their clients.
5. Participate in workshops, surveys, Proof of Concepts and pilots (these includes those by members of the FIT Alliance)
6. Develop readiness and understanding to support eUCP (ICC Uniform Customs and Practice for Documentary Credits) transactions and publicise that readiness, including registration with the ICC Banking eUCP Directory [eUCP VERSION 2.1 - Uniform Customs Practice V2.1 | ICC Knowledge 2 Go - International Chamber of Commerce \(iccwbo.org\)](#)