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HSBC LEADS WORLD'S FIRST CROSS-BORDER RMB-DENOMINATED BLOCKCHAIN LC

HSBC's latest blockchain trade finance transaction, announced today, marks two firsts:

- The world's **first** cross-border Renminbi (RMB) denominated blockchain-based Letter-of-Credit (LC) transaction
- The **first** blockchain LC in which both clients are based in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA)
- The transaction was the **latest** completed using the Voltron platform, a blockchain-based documentary trade finance network

The live transaction involved Hong Kong-based MTC Electronic Co Limited (MTC) exporting a shipment of raw materials to its Shenzhen-based parent company (Shenzhen MTC).

"HSBC continues to focus on innovation to make trade easier and faster for our customers," said Jeanny Ip, Head of Global Trade and Receivables Finance, Hong Kong and Macau, HSBC. "The quicker turnaround that blockchain technologies will deliver will unlock liquidity for businesses."

Using Voltron, HSBC China issued a digitised LC on behalf of Shenzhen MTC to HSBC Hong Kong. MTC then reviewed, verified and uploaded their own trade documents to the platform to complete the transaction.

Conventional documentation exchange for paper-based LCs usually take five to ten days. This exchange of fully electronic documents was completed in 24 hours. Removing paper from the exchange increases the velocity of trade: more trade can be conducted in the same amount of time.

Yan Zhirong, Vice President of Shenzhen MTC, said, "As a tech company producing audio-visual devices and related products we have significant cross-border trading needs, from the import of raw materials to the export of our manufactures. Digitising trade is critical for MTC, shortening the time it takes for our products to hit the market and enhancing the way we serve our partners in the GBA and around the world."

By enhancing cooperation, the GBA's US\$1.5 trillion economy is forecast to become a global top ten economy by 2025¹. Collectively, the GBA already has a population of over 70 million, and accounts for 37% of China's total exports and 12% of its GDP². Within this economic powerhouse, there are plenty of trade digitisation opportunities, including for LCs.

Overall 1.2 million LCs worth USD750 billion were issued into and out of China in 2018, according to SWIFT. Digitising these offers Chinese importers and exporters enhanced efficiency and security, creating value for their businesses.

Jeanny Ip added, “The GBA is a growth engine of China’s international trade, making it the natural pioneer to digitise trade finance and give Chinese companies a competitive edge. This ground-breaking transaction further propels blockchain as a business growth driver in the GBA, and reinforces RMB as a trade currency.”

HSBC has been at the forefront of trade digitisation, reshaping the global trade ecosystem through industry-leading initiatives such as blockchain. This is HSBC’s ninth blockchain trade-finance transaction using Voltron and follows China’s first cross-border LC blockchain transaction in April, reflecting the growing digitisation of Chinese trade. HSBC will continue to identify new markets and partners to expand the use of blockchain with the ultimate goal of commercialisation.

HSBC is also recognised as the leading international bank for RMB business. The Bank has RMB capabilities in over 50 markets, was the first financial institution to settle RMB transactions in six continents and has ranked #1 overall for eight consecutive years in Asiamoney’s Global RMB Poll.

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¹ IMF Country Report No. 19/20, January 2019

² HSBC Global Research, “China’s Greater Bay Area: Many cities, one goal”, August 2018

Note to editors:

About Voltron

Voltron is a blockchain-based open industry platform to create, exchange, approve, and issue Letters of Credit on Corda, R3’s blockchain platform. It is initiated by eight founding member banks, including Bangkok Bank, BNP Paribas, CTBC, HSBC, ING, Natwest, SEB and Standard Chartered, in partnership with Bain, CryptoBLK and R3. Voltron will improve the trade finance process by simplifying letters of credit, delivering shorter settlement times, instant discrepancy resolution and simplified sanctions screening. Voltron is inviting banks, technology partners, and corporates to join the network.

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group, which serves our customers through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. HSBC serves customers worldwide from offices in 65 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,751bn at 30 June 2019, HSBC is one of the world’s largest banking and financial services organisations.

About Shenzhen MTC / MTC Electronic Co Limited

Established in 2005, Shenzhen MTC is focused on the design, development, manufacture and sale of home audio visual devices and other related products and services. The company invests heavily in research and development and is a leader in the high-tech space. It continues to be the partner of choice for many leading customer electronics brands around the world with its products and services distributed to countries and territories across Asia, Europe, North America and Latin America.

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