

14 October 2019

HSBC LEADS MALAYSIA'S FIRST PILOT BLOCKCHAIN LETTER-OF-CREDIT TRANSACTION

The first-ever live pilot blockchain Letter-of-Credit transaction in Malaysia

Shows that blockchain solutions can be used by large corporates as well as smaller firms

Encourages the growth of close proximity trade

HSBC hits another blockchain milestone in the successful execution of the first-ever live pilot blockchain Letter-of-Credit (LC) transaction in Malaysia.

The transaction involved the import of resin by Malaysia's Simply Packaging Sdn Bhd (Simply Packaging) from a Singaporean company, both active players in the packaging and chemicals industry respectively. HSBC Malaysia was the issuing bank and HSBC Singapore was the advising/nominated bank.

This marks a significant step for Malaysian companies in the digitisation of trade. It makes doing business simpler and faster by reducing transaction times and brings in working capital efficiency. The use of trade finance solutions like blockchain also helps to increase the velocity of trade, especially in situations like these where shipping routes are short, like the cross-border trade between Malaysia and Singapore.

Stuart Milne, Chief Executive Officer, HSBC Malaysia said, "I am very pleased that HSBC has pioneered Malaysia's first pilot blockchain LC transaction. This showcases our strong commitment and ability to support cross-border trade by Malaysian businesses using cutting-edge technology platforms."

Removing the hurdles of close-proximity trade

Cross-border trade between Malaysia and Singapore was worth over US\$85 billion in 2018¹. Whilst the physical transfer of goods between neighbouring countries takes a relatively short time – usually under 48 hours – the administrative paperwork often delays their delivery. The process of exchange and checking of documents typically takes 5-10 days. The Simply Packaging blockchain exchange was completed in 24 hours.

By integrating blockchain technology, the transaction has entirely digitised the administrative process through the e-presentation of key trade documents by enabling:

- Integrating Bolero's electronic bill of lading (eBL) platform to issue and manage an eBL
- Transfer of title completion while goods in transit
- Paper reconciliation eliminated and updates instantaneous
- End-to-end visibility for all parties
- Resulting in just-in-time inventory management, removal of demurrage charges and shortened turnaround times

¹ <https://www.singstat.gov.sg/modules/infographics/singapore-international-trade>

“The quicker turnaround times does not just save companies money. It will help boost the efficiency of intra-ASEAN trade, characterised by many close-proximity shipping routes, which in turn helps trade to grow and flourish throughout the region. Intra-ASEAN trade was worth US\$590 billion in 2017²,” Milne added.

Shahid Chachia, Joint Managing Director of Simply Packaging said, “As a leading manufacturer of plastic films and packaging in Malaysia, we are always on the lookout for the latest innovative initiatives to keep up with changes in the digital and economic spheres. We are therefore proud to be part of the first trade transaction in Malaysia using the revolutionary blockchain technology – especially when we are the first in Malaysia to do so with HSBC.”

Blockchain solutions apply to companies of all sizes

This transaction demonstrates how blockchain solutions can be easily applied to all companies, regardless of size. Simply Packaging is an example of a local firm that’s grown from an SME to a mid-tier company, that uses digital expertise and technical experience to streamline and increase its business efficiency.

“It’s been a great experience being part of the pilot project to introduce blockchain technology for LC transactions. I believe this will be the mode of issuing LC moving forward as businesses and the governments recognise the safety and swiftness in performing tasks using the blockchain technology,” added Shahid.

Globally, this is the eleventh blockchain transaction led by HSBC, and the first pilot blockchain transaction for HSBC Malaysia. HSBC has been pioneering the use of blockchain in trade finance since its groundbreaking Cargill LC transaction last year. This latest transaction is a reflection on how the technology is gaining traction in markets across the region.

“HSBC is leading the vanguard in commercialising blockchain solutions for trade finance. We hope to better support our Malaysian customers, particularly the SMEs who make up 98.5% of business establishments in Malaysia³ and contribute 38.3 per cent to the nation’s GDP in 2018⁴, through this innovative digital solution in trade finance,” HSBC’s Milne said.

Trade has been the cornerstone of HSBC’s strategy for more than 150 years. Being a leading provider of international trade and supply chain finance for businesses of all sizes, HSBC provides access to 90% of global trade flows⁵.

This year, HSBC Malaysia was awarded industry awards namely the Best International Bank at the 2019 Asiamoney Best Bank Awards for Malaysia; the Best Service Provider-Trade Finance, Malaysia and Best Service Provider-Structured Trade Finance, Malaysia by The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2019; Best Trade and Supply Chain House by Corporate Treasurer Awards 2018, Top Global Trade Finance Bank by Euromoney Trade Finance Survey 2018 and the Best Bank in Trade Finance by The Banker Transaction Banking Awards 2018.

² ASEAN Statistical Highlights 2018, Pg 6

<https://www.aseanstats.org/publication/asean-statistical-highlights-2018/>

³ Department of Statistics Malaysia, 29 September 2017

<https://dosm.gov.my/v1/index.php?r=column/pdfPrev&id=T20rcEJyQmFENUpRYThOSGRmdFIIZz09>

⁴ Department of Statistics, Malaysia, 31 July 2019

<https://www.dosm.gov.my/v1/index.php?r=column/pdfPrev&id=R0Vka2RpeVJ0cUlP3BqdjhdDZhdz09>

⁵ HSBC Global Trade and Receivables Finance April 2017, Pg 4

<https://www.hsbc.com/-/media/hsbc-com/investorrelationsassets/presentationsandwebcasts/2017/20170405-hsbc-global-trade-receivables-finance-web-cast-presentation>

ends/more

Media enquiries to:

Marlene Kaur	+603 2075 3351	marlenekaur@hsbc.com.my
Lili Lajman	+603 2182 5161	liliyati.lajman@hsbc.com.my
Kunal Pradhan	+603 2075 3317	kunal.pradhan@hsbc.co.in

Note to Editors:

About Simply Packaging

Simply Packaging Sdn Bhd is a British polyethylene manufacturer based in Malaysia. Founded in 2005, Simply Packaging has over 30 years of collective management experience in polyethylene manufacturing and is constantly embracing the use of pioneering technologies that allows the company to advance in its processes and develop its people to a higher level of customer service. For more information, visit <https://www.simplypackaging.com.my>.

About HSBC Malaysia

HSBC's presence in Malaysia dates back to 1884 when the Hongkong and Shanghai Banking Corporation Limited (a company under the HSBC Group) established its first office in the country, on the island of Penang, with permission to issue currency notes. HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited. In 2007, HSBC Bank Malaysia Berhad was the first locally incorporated foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, HSBC Amanah Malaysia Berhad. Today, HSBC in Malaysia has a network of 68 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Malaysia offers a comprehensive range of banking and financial services including Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Islamic financial solutions. HSBC Bank Malaysia Berhad has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker, and Facial Recognition.

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.

ends/all