

Platforms: the rise and fall of the consortia

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The legal reforms came after a wave of technological optimism had already broken. Between 2017 and 2019 banks and traders founded several consortia to digitize trade finance on distributed ledgers. Contour digitized letters of credit, Marco Polo addressed open account trade finance, we.trade served small and medium-sized companies, and Komgo, founded in Geneva by banks and traders, focused on commodity trade finance. By the end of 2023 most of them had failed. we.trade entered insolvency in June 2022 and Marco Polo in February 2023. Contour announced in November 2023 that it would close because its nine bank shareholders were unwilling to provide more funding, at a time when it processed only 60 to 70 transactions a month. Komgo remained as the only major surviving network.¹

The failure of the platforms has a simple explanation. A digital trade document is useful only if every party in the chain accepts it: the seller, the carrier, the trader, the buyer, their banks and the inspection companies. As long as one party insists on paper, the whole chain stays on paper. Interoperability between platforms was limited, and the legal recognition of electronic documents of title came later than the platforms. The reforms of 2023 to 2026, in England, in the ICC rules and in Switzerland, have created the legal basis that was missing. Whether the market will now adopt electronic bills of lading on a scale that matters remains to be seen. For a Lugano trader, the practical step is to ask its banks and its main counterparties which platforms they accept. It should also check that any electronic bill it uses is governed by a law that recognizes it, as English law does under the Act of 2023 and Swiss law does under Article 1153a CO and Article 15a of the Maritime Navigation Ordinance.

Essentials. Paper bills of lading are the main vector of document fraud in commodity finance. UNCITRAL's Model Law of 2017 has been enacted in thirteen jurisdictions, including the United Kingdom (Electronic Trade

Documents Act 2023, in force 20 September 2023). Switzerland did not adopt it. Since 1 February 2021 the Code of Obligations has allowed documents of title to goods to be issued as ledger-based securities (Arts. 973d and 1153a CO), and since 1 July 2026 Article 15a of the Maritime Navigation Ordinance has expressly permitted electronic bills of lading in that form. ICC's eUCP 2.1 and eURC (2023) accommodate electronic transferable records, but most blockchain trade finance platforms closed between 2022 and 2023, with Komgo as the main survivor.

1 Notes

1. Ledger Insights, "Contour blockchain trade finance network to shutter", 1 November 2023, <https://www.ledgerinsights.com/contour-blockchain-trade-finance-network-shutter/>. (we.trade insolvent in June 2022, Marco Polo in February 2023; nine bank shareholders; 60–70 transactions a month; "Komgo is the only one left standing"). Foundation of Komgo in Geneva by banks and traders. ↩

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