

The commodity traders and the blockchain

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The encounter between the old Zug economy and the new one was limited. The commodity traders examined the use of distributed ledgers for trade finance and for the documentation of physical shipments. Several consortia, in which some Swiss trading houses took part, were formed in 2018 and 2019 to digitise letters of credit, bills of lading and the post-trade processing of commodity transactions.¹ Based mainly in Geneva and London, several of the consortia struggled to find a sustainable business model. The expected fusion of Zug's commodity cluster with its crypto cluster did not take place on a large scale.

The two clusters nevertheless share an infrastructure, using the same law firms, auditors and fiduciaries. They recruit from the same international labour market and send their children to the same international schools. Both rely on the same English-speaking professional environment and on the same cantonal tax regime. In this sense, Crypto Valley extended to a new industry the canton's existing model of attracting international companies with low taxes, pragmatic authorities and professional services.

1 Notes

1. Ledger Insights, "Commodities trade finance blockchain komgo goes live. VAKT relationship clarified", ledgerinsights.com, December 2018: Geneva-based komgo, backed by ten banks, four oil companies and traders and SGS, processed its first live letter of credit on 21 December 2018 (Société Générale and Mercuria); komgo has seven shareholders in common with the VAKT post-trade blockchain. ←

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