# The Trust Merchant

an interview with Roberto Mancone,
Co-founder
we.trade Innovation DAC

When asked if a childhood in Naples, Italy helped prepare him for the challenges of launching one of the world's first blockchain trade finance solutions, Roberto Mancone pauses, and then laughs. "That's an interesting question. Naples is a city where everything is unpredictable. You don't know exactly what is behind the corner. You always have to be ready for something that happens in the most unexpected moment. But it forges you. It makes you very strong because you're not afraid of anything. It's really a school of life."

As co-founder of we.trade Innovation DAC and a 30-year-veteran of the financial industry, Roberto is no stranger to the unexpected in the fast-paced worlds of banking and trade. But with the emergence of we.trade and their active blockchain solution built on the IBM Blockchain Platform, he provided the leadership and vision to unlock revolutionary cooperation and value across the trade finance ecosystem — even among parties where trust can be hard to find.
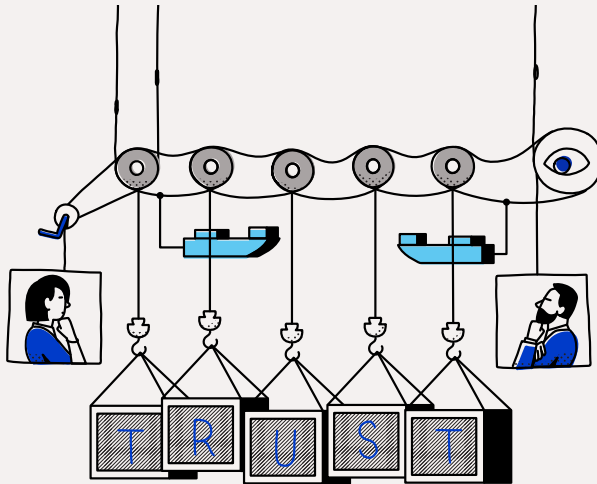
"we.trade is the innovative, blockchain-based distributed ledger platform for importers and exporters that need to solve the issue of lack of trust," Roberto says when asked to describe the primary business problem that the solution addresses. "An importer and exporter, if they don't know each other, they start from an element of mistrust. The importer doesn't want to pay unless he sees the merchandise and the exporter doesn't want to ship unless he sees the money. So one of the two parties has to take a risk."

But there was another layer of trust that Roberto and his team had to solve for. Starting in early 2017, Roberto faced the challenge of leading seven European banks — all fierce, longtime competitors — on a journey of unprecedented collaboration in building this blockchain solution. As of May 2019, fourteen banks are now serving their trade clients on the we.trade platform — and that's just the beginning. In developing the solution, he and his team told their counterparts at IBM Blockchain, "clearly, we don't need to develop something that works for seven banks. We need to develop something that works for hundred banks, and for hundreds of thousands of clients."

As you'll see in this interview with Roberto, that vision — and a large dose of tough-minded pragmatism, deeply rooted from his youth — are just two of characteristics that led him to blockchain success.

How would you characterize trade today?

The world of trade today is probably no different than 50 years ago from a financing point of view. But it has changed dramatically; if you think about the the Internet of Things that allows you to logistically know exactly where your merchandise is, what the temperature is during transportation all the way to arrival, through all the different holders like the Port Authority, customs, freight forwarder and others.

And yet the traditional trade finance instruments are stuck — the traditional letter of credit, all documentary credit. Even the name itself talks about documents. And this requires, inevitably, paper, and paper is not in line with the speed of execution. These instruments are really bureaucratic, require a lot of paperwork, are rather expensive and are not accessible to all clients. So as a result, banks tend to offer this service to large clients. Small and medium sized clients perceive this to be too complicated or too expensive for them.
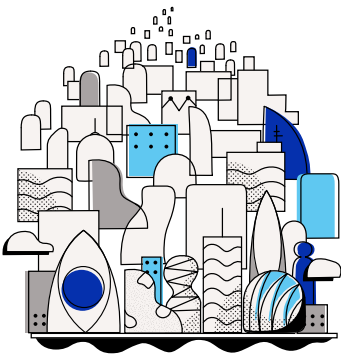
Banks have not been able to scale trade finance solutions because more small transactions requires more infrastructure. It's not only the bank's fault, but it's the entire end-to-end process. If you think about the bill of lading, packing list, certificate of origin, invoicing, contract, purchase order — all these documents normally go from hand to hand, and they change, they're amended. And when you amend manually, you have operational risk.

How do those instruments impact importers and exporters?

The friction points between importer and exporters are the uncertainty of delivery, time of delivery, cost, quality of the merchandise and so on. If two counterparts have known each other for quite a while, this is not an issue — they can continue to operate without even returning to traditional trade finance instruments.

But if you want to expand your markets, inevitably you have to deal with counterparts that are not well known, and then you have several road blocks or obstacles. The first is to agree on a trade and that means, of course, having a contract which has to be agreed and signed and executed. And this is due to the fact that there are no really clear standards. If I deal with a contract with counterparts in one country and then I start to repeat exactly the same activity with another counterpart in another country, there is no standard contract, documents or jurisdiction. And this is a friction element because in my desire as an exporter to expand in different markets, I have an additional cost to cover in order to scale my business.

If you create a platform like we.trade, an infrastructure, that allows to counterparts to have smart contracts — a standard, unique jurisdiction where all counterparts can cooperate and interact — you create standardization and operational efficiency.

So let's talk about collaboration with the banks and we.trade. What was life like between these banks before this started?

These seven banks did not sit at the table in a planned manner. If we wanted to develop a minimum viable product, we needed to have a certain number of banks willing to share the idea and make it ready to market. Every bank was supposed to pitch in resources in order to develop something that we thought could make a difference.

I think the fundamental way to get there was inspiring these banks to collaborate. Before this, the cause for collaboration didn't exist. Banks are naturally, like in any other beasts, competing with each other.

But this technology could only make sense if we created a platform that could be used by several banks. Not with the idea of stealing clients from each other, but with the idea

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IBM **Blockchain**

of realizing and achieving a platform that could then be used by a huge amount of clients, the clients of the banks and the clients of future banks.

So when we joined forces at the beginning of 2017, we established clear collaboration in terms of governance. Collaboration among competitors would be difficult unless we established the rules of engagement. We said we have to act as if we are a company with clear rules. Majorities, minorities and one element, I think, was pretty clear from the beginning: there was no way we could have achieved this with unanimity.

Unanimity doesn't exist within collaboration. You always have leaders. You have followers. You have visionaries. And at one point you need to establish rules and based on certain agreed majorities, certain decisions have to be taken. Sometimes some people were not happy and there were two choices — leave them behind or drag them along. Fortunately, we were able to continue and here we are, a year and a half later, we have a legal entity created with a platform launched.

"…the human factor is one of the main components of this endeavor."

With the initial seven banks, how did you navigate through different languages, cultural differences, different business objectives?
I have to say, it's not that easy. It requires a lot of flexibility because the human factor is one of the main components of this endeavor. Each country brings its own expertise, people, policies and requirements, right? Even its own way of speaking English. When we have meetings and calls, I don't think really that English is the common language; it becomes sort of like Esperanto because it is a melting pot of English with different nuances. And sometimes you can see it's the same language but the cultural element changes even the concept of the sentence.

Which is more powerful in your mind in relation to this: the power of this technology or the power of cultivating relationships?
It is definitely a combination of both. I mean I don't think we would be successful if we didn't leverage the power of people. It is powerful, but it can be also detrimental sometimes.

There is always a human factor. There's always egotism; there's always a preponderance of our own way of thinking compared to the others. But that is valuable if we combine the power of technology and we believe that this can deliver solutions that were not even conceivable one or two years ago. Then we all can jointly respect the ideas that each single component can bring.

When so many other leaders have failed to get their solutions or networks off the ground, why did you succeed?

Personally, I think I have succeeded because I like challenges. I like something that is complicated — more complicated is more exciting. And I don't get frustrated, I get more motivated.
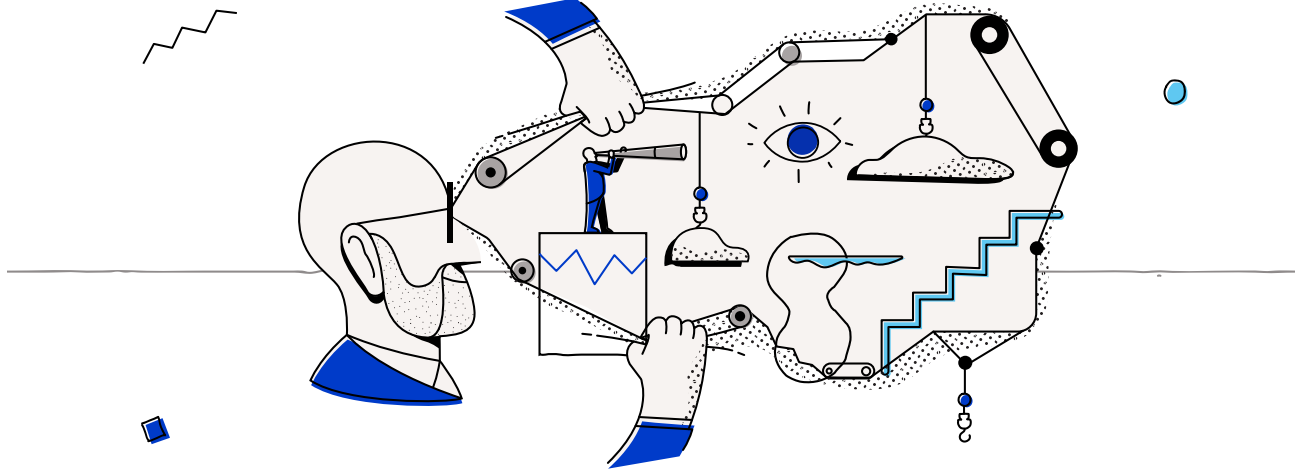
From a legal entity point of view, even though I speak of the importance of rules, we didn't spend too much time on fixing the governance first and then developing the platform after. Many other solutions are failing because they try to create the perfect framework, the perfect storm in governance — who's driving, who decides what happens if something changes. Of course, you need to have that, but others want to create the perfect legal contractual environment first and then they develop the technology. And then they get stuck on the governance forever and delay the delivery.

We have been smart enough to go ahead and take some risks. Because the risk was that maybe the technological platform was available and the contractual aspect was not. So it was an interpretative risk. What we have done from the beginning is convincing banks to invest in something with an interpretative approach. That's the fundamental difference.

For people and organizations that use we.trade, how is their life going to change?
Blockchain is a difficult animal to digest. If you start talking about smart contracts and distributed ledger technology, then you lose them after two seconds.

A friend of mine, she wants to start a new business of creating cosmetic products. Tomorrow she can go to the bank, look up on the we.trade platform and see, first of all, do I have a producer of cosmetics somewhere in England, for example? And because she finds that company on the platform, it means it is already a trustworthy counterpart; at the bank, it went through Know Your Client, Anti-Money Laundering and so on.

And then she can start negotiating like you normally do in a normal contract. But you don't use faxes, emails or even rely on a paper trail. You just tie from one end to another

and immediately you negotiate on the final end contract. And that's a how a smart contract is created in a very user-friendly experience.

And then when they do that, if they trust each other completely, they can decide to transact. You know exactly what you get, how much you pay, and what the conditions are in case someone doesn't fulfill. But it is recorded, encoded and encrypted — and it cannot be changed unless both parties agree to change. This is the big difference. You cannot have a unilateral change that places me in the weakest position against you or vice versa, because both parties have to agree. If we agree to change it, if we agree to disagree then there will be a change as well. But there can never be a unilateral change and that is a way to protect both of us.
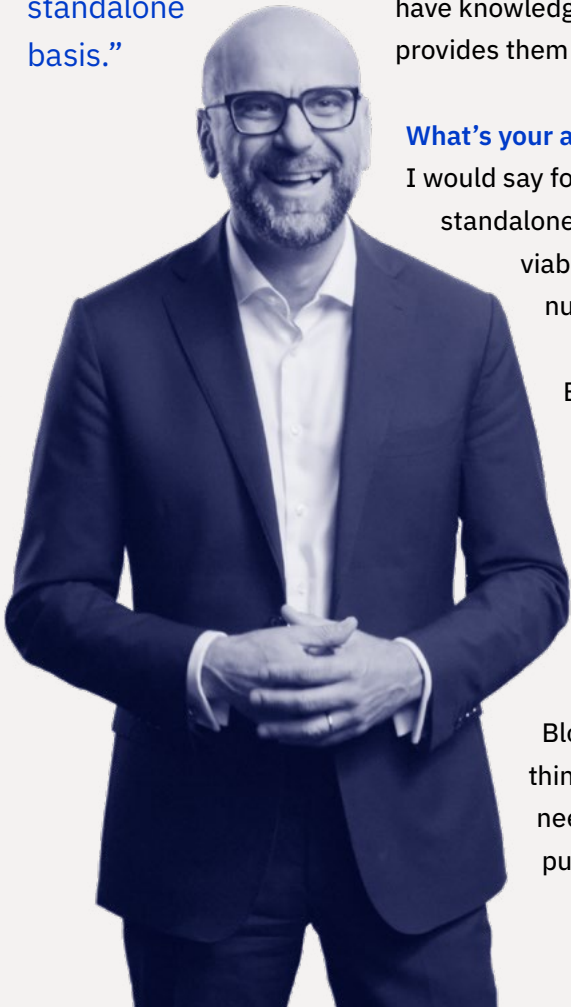
Because we have created a very user-friendly front end that allows the selection of categories of merchandise, the categories of contracts, the categories of terms and conditions, it's like a simple menu that you would normally have in any kind of front-end platform. Then the moment that you choose that particular item from the menu, we have coded scripts in blockchain that frame and create the smart contract. But as a client you don't even need to know. They are not asked to code. They are not asked to have knowledge and expertise in blockchain. They just need to know that this solution provides them alternatives that today they don't have.

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What's your advice for anybody building a blockchain network?
I would say for sure, for sure, do not go solo. You cannot develop something on a standalone basis. Blockchain requires people who are willing to create a minimum viable product with a minimum platform, which is accepted by a decent number of counterparts.

But also gather a group of people that will create challenges, because while agreeing on something is not that easy, it will pay back when you deliver something that creates a wider level of acceptance. And it's not just about sharing costs or sharing resources or sharing the risks. It's mostly about the fact that you need to compare different ideas and thoughts to deliver something you believe is beneficial for many counterparts at the same time.

Blockchain now really requires a short time frame. You can't build something thinking you will deliver five years from now. You will not be credible. You need to develop something in one year at the latest. You need to be able to put it on the table.

Watch below as Roberto describes his journey in becoming a Value Visionary with the help of IBM Blockchain. Then let's talk about your vision for success.

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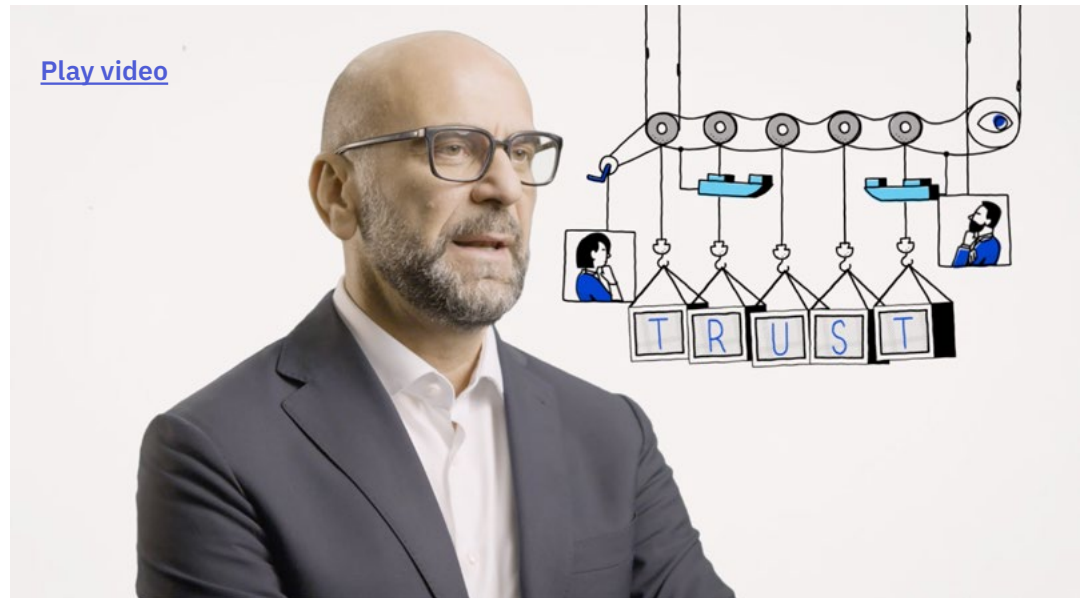
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