

Ripple and Euro Exim to trial new blockchain-based trade finance capability for xCurrent



Ripple and Euro Exim are to pilot a new capability that embeds trade finance transactions into Ripple's blockchain-based messaging system.

Euro Exim is also set to adopt Ripple's cryptocurrency-driven global payments solution xRapid, becoming the first bank to officially do so.

Speaking to **GTR**, Euro Exim's head of compliance and operations Graham Bright says the bank has already adopted xCurrent, Ripple's real-time messaging system, which is also used by a range of other banks around the world, including the likes of Santander and Standard Chartered.

The solution, which enables financial institutions on Ripple's network to instantly send and confirm payment details with end-to-end tracking, is today the most prominent blockchain-based alternative to the 1973-founded Swift, the dominant player in the global payments messaging space.

While Ripple has so far focused its xCurrent product on payments messaging only, Bright says the two parties are now preparing to pilot a capability that embeds trade finance instructions into an xCurrent message.

This is similar to what Swift offers today, but on a blockchain-based network that allows for real-time exchange without a middleman.

“The idea is, apart from just the payment instruction, what if we use the message to transmit a trade finance instruction directly to a counterparty? It could be a letter of credit or a performance bond. Technically you are able to transmit the whole of that message via xCurrent,” says Bright.

Euro Exim and Ripple are now working to define the message structure and content before trialling the new capability in the second quarter of the year. The pilot will also involve other parties on the Ripple network.

“We will be working with a counterparty to see how they can accept and look at the instruction in their message,” he says. “If that type of instruction is accepted, then you get the benefits of it being treated in real time.”

Euro Exim is also the first bank to officially announce it will be adopting xRapid, Ripple’s cryptocurrency-driven solution for cross-border payments, by the end of Q1.

The xRapid solution tackles a challenge that neither Swift nor xCurrent address, namely the fact that banks need to source local liquidity in a foreign country when facilitating a cross-border payment. Swift and xCurrent are both messaging solutions that send payment orders, but the actual transfer of funds is typically made from a deposit at a nostro account at a local correspondent bank.

“We operate in a number of jurisdictions around the world, and because of de-risking in some of the banking markets, clients can find it very difficult to procure currency economically to pay for their goods and services internationally,” Bright says.

Instead, xRapid provides on-demand liquidity to financial institutions for international payments without requiring them to have correspondent relations. It does so by using a XRP, a cryptocurrency created by Ripple, as a ‘bridge’ between currencies.

Using xRapid, a US bank, for example, transfers dollars into XRP via an exchange, and sends the XRP to an exchange in, say, Mexico. On the other end the XRP is then converted into pesos. It all happens within minutes and at a lower cost than traditional methods, which typically see similar transfers take days and incur high foreign exchange fees.

Ripple launched xRapid in October after having concluded pilots that saw “dramatic payoffs”: for payments in the remittance corridor between the US and Mexico, financial institutions saved 40-70% compared to what they would normally pay foreign exchange brokers. An average xRapid payment took just over two minutes, compared to today's average of two to three days when sending cross-border payments.

The blockchain firm has now confirmed a range of payment and currency providers on board, including MercuryFX, Cuallix, Catalyst Corporate Federal Credit Union, JNFX, SendFriend, Transpaygo and FTCS.

But the fact that xRapid uses XRP, which like other cryptocurrencies is extremely volatile, means that many banks have been wary of using the solution. This despite Ripple insisting that users are not exposed to this volatility because they only hold the XRP for less than a minute, if not seconds.

“Complementary to Swift”

Euro Exim's announcement comes as the 'Ripple vs Swift' debate continues to attract headlines in the global payments and trade finance community.

Swift, which is still the preferred cross-border payment channel for financial institutions around the world, is expected to face tough competition as blockchain firms like Ripple gain more traction. Meanwhile, Swift itself has appeared to have ditched the technology following a proof-of-concept last year, and has instead been focusing on its global payments innovation (gpi) initiative. The service, which went live in 2017, promises more transparency and predictability of fees, end-to-end payment tracking, as well as a guarantee of payment settlement within one day.

Although gpi has helped significantly reduce the time it takes to transfer money, Ripple has continuously dismissed Swift's attempts to modernise its decades-old technology, claiming that in order to achieve truly instant payments, the use of blockchain technology is essential.

But Bright, who previously worked for Swift for 20 years, sees the two solutions as complementary for different use cases and payment corridors.

"For the main instructions for trade, Swift will be the best method for the moment. We are looking for the fastest and most efficient way of doing things. For payments instructions, Ripple looks a very viable alternative. But it's just one of many channels that we will be operating with," he says, adding that Euro Exim will look at other payments channels as well, if necessary.

"Swift's gpi is a good initiative," he says. But he emphasises that, "as an IT project, institutions should be aware that a full implementation typically takes time and effort and also prioritisation of IT resource. Fortunately, we have that IT resource and we are still interested to apply for other Swift services later in the year."

RippleNet has now surpassed 200 customers worldwide and is currently signing up two to three new customers per week, according to Brad Garlinghouse, CEO of Ripple.

"We also saw a 350% increase last year in customers sending live payments, and we're beginning to see more customers flip the switch and leverage XRP for on-demand liquidity," he noted in a statement this week.