Commerzbank and partners execute live transactions on the ‘Marco Polo’ trade finance network

- Commerzbank successfully executed two live transactions to secure payments for commercial transactions based on blockchain technology
- Key milestone for the market launch of Marco Polo Payment Commitment

In May 2021, Commerzbank joined with İşbank and LBBW to become one of the first banks to execute commercial transactions with German and Turkish corporate clients via the Marco Polo trade finance network in a live environment. The purpose of these transactions was to establish an irrevocable payment commitment to the supplier, issued by the buyer’s bank.

With these live transactions, Commerzbank has reached a key milestone in the run-up to the market launch of Marco Polo Payment Commitment. The data required to establish the payment commitments for both transactions was exchanged in a digital format via the Marco Polo trade finance network, using Corda blockchain technology.

The first cross-border transaction took place on 10 May 2021, in cooperation with İşbank, between corporates Kuraray Europe GmbH and Şişecam. The underlying commercial transaction involved the export of laminated special glass interlayers from Germany to Turkey. The payment by open account has been replaced by an irrevocable payment undertaking with digital exchange and matching of trade data.

The second transaction – the ‘go-live’ in Commerzbank’s home market of Germany, followed on 20 May 2021, in cooperation with LBBW and between KSB and Voith. The underlying transaction was the purchase of special couplings. As with Commerzbank’s first live transaction, the data transfers required to secure payments between the pump and valve manufacturer KSB and the technology group Voith, as well as the credit institutions involved, were performed in a secure and closed area with access only permitted to the parties involved in the transaction.

A Marco Polo Payment Commitment is an irrevocable, abstract undertaking by the buyer’s bank to the supplier to make payment on the due date. The payment commitment is based on the exchange and successful automatic matching of digital trade data in the DLT/blockchain network, thus providing financing options.

Nikolaus Giesbert, Divisional Board member Transaction Banking at Commerzbank AG, said: “Our clients are looking for innovative supply chain management solutions. Commerzbank is
focusing on speed and transparency in this area, where blockchain applications have tremendous potential. This transaction is a major step towards market launch.”

“KSB is an international digitalisation pioneer in our sector, and has set standards with many innovative solutions,” said Dr Stephan Timmermann, KSB Management Spokesman. Dr Matthias Schmitz, Managing Director responsible for Finance and Procurement, added: “After digitalising our production and products wherever possible, we are now systematically approaching digitalisation of our processes. The Marco Polo platform, and technologies such as blockchain and distributed ledger, are allowing us to raise our trading processes to a new, paper-free, and – most importantly – secure level.”

“Following our pilot transaction in 2020, we were thrilled to carry out a first live transaction using the Marco Polo platform. Having automated and digitalised most of our internal processes over recent years, the Marco Polo network is the perfect match for our digitalisation strategy. With Commerzbank, İşbank and Şişecam, we have joined forces with valuable business partners to pave the way for digitalisation of one of the last remaining paper-based processes – documentary payments”, emphasised Juliane Löbig, Director Finance & Accounting at Kuraray Europe GmbH.

"Live payment commitment transactions involving KSB, Kuraray, Şişecam and Voith, and Marco Polo member banks Commerzbank, İşbank and LBBW are proof that digital end-to-end settlement processes with a high degree of automation and an electronic data exchange are possible, and will become a reality in trade finance", noted Daniel Cotti, Managing Director, Centre of Excellence Banking & Trade at TradeIX.

As a founding member of the Marco Polo initiative, Commerzbank – together with LBBW and Turkey’s İşbank – was one of the first banks to settle Marco Polo Payment Commitments for live commercial transactions digitally via Marco Polo’s distributed-ledger technology (DLT) network. The network, operated by the FinTech TradeIX, is built on R3’s Corda blockchain technology.

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About Commerzbank
Commerzbank is the leading bank for the German Mittelstand and a strong partner for around 30,000 corporate client groups and around 11 million private and small-business customers in Germany. The Bank’s two Business Segments – Private and Small-Business Customers and Corporate Clients – offer a comprehensive portfolio of financial services. Commerzbank transacts approximately 30 per cent of Germany’s foreign trade and is present internationally in almost 40 countries in the corporate clients’ business. The Bank focuses on the German Mittelstand, large corporates, and institutional clients. As part of its international business, Commerzbank supports clients with German connectivity and companies operating in selected future-oriented industries.
Following the integration of Comdirect, private and small-business customers benefit from the services offered by one of Germany’s most advanced online banks combined with personal advisory support on site. Its Polish subsidiary mBank S.A. is an innovative digital bank that serves approximately 5.5 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia. In 2020, Commerzbank generated gross revenues of some €8.2 billion with almost 48,000 employees.

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About KSB
KSB is a leading international manufacturer of pumps and valves. The Frankenthal-based Group has a world-wide presence with its own sales and marketing organisations, manufacturing facilities and service operations. The workforce of around 15,100 generated in 2020 sales revenue of €2.2 billion.

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About Kuraray Europe GmbH
Established in 1991, Kuraray Europe GmbH is based in Hattersheim, near Frankfurt am Main, Germany. In 2020 the company generated annual sales of EUR 593 million. It has more than 800 employees in Germany at its sites in Hattersheim, Frankfurt and Troisdorf. Kuraray is a global speciality chemicals company and one of the largest suppliers of industrial polymers and synthetic microfibres for many sectors of industry. Examples are KURARAY POVAL™, Mowital®, Trosifol® and CLEARFIL™. Kuraray Europe also has around 215 employees at six other European sites. They are also working on the development and application of innovative high-performance materials for a wide range of sectors, including the automotive, paper, glass and packaging industries, as well as for architects and dentists. Kuraray Europe is a wholly owned subsidiary of the publicly listed Kuraray Co., Ltd., which is based in Tokyo, Japan, and has more than 11,200 employees worldwide and sales of EUR 4.4 billion.

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About the Marco Polo network
Marco Polo, a joint venture of technology companies TradeIX and R3, globally active financial institutions and their corporate clients, is the biggest and fastest growing global trade finance network. Established in 2017, Marco Polo offers banks and other companies an open software platform for trade finance applications based on a decentralised blockchain solution, facilitating the seamless and secure exchange of data and assets between participants.

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This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts. In this release, these statements concern inter alia the expected future business of Commerzbank, efficiency gains and expected synergies, expected growth prospects and other opportunities for an increase in value of Commerzbank as well as expected future financial results, restructuring costs and other financial developments and information. These forward-looking statements are based on the management's current plans, expectations, estimates and projections. They are subject to a number of assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from any future results and developments expressed or implied by such forward-looking statements. Such factors include the conditions in the financial markets in Germany, in Europe, in the USA and other regions from which Commerzbank derives a substantial portion of its revenues and in which Commerzbank holds a substantial portion of its assets, the development of asset prices and market volatility, especially due to the ongoing European debt crisis, potential defaults of borrowers or trading counterparties, the implementation of its strategic initiatives to improve its business model, the reliability of its risk management policies, procedures and methods, risks arising as a result of regulatory change and other risks. Forward-looking statements therefore speak only as of the date they are made. Commerzbank has no obligation to update or release any revisions to the forward-looking statements contained in this release to reflect events or circumstances after the date of this release.