

CCEWeb: From theory to practice

Canadian firm launches new system for facilitating trade.

By Gordon Forsyth

CCEWeb Corp., a Canadian e-commerce software developer, has launched a trade payment and management system in a bid to rival Bolero.net and TradeCard in the business of easing the flow of documentation and funds across borders.

The company plans to launch beta tests of its @GlobalTrade system in November with three major ocean lines, including P&O Nedlloyd and Neptune Orient Lines, along with several banks and Visa.

'To solve the problems of international e-commerce, companies must be able to complete entire transactions online,' said Jacob Katsman, CCEWeb's chief executive officer, in an interview. 'To help them transact online, we have combined the functionality of a credit card with the functionality of a letter of credit.'

'We are working closely with the carriers, the freight forwarders and the customs brokers to bring everybody onto the same electronic page,' he said.

Paper Cuts. CCEWeb's software is designed to plug into any legacy system or vertical exchange. The company's concept is to offer a secure system, monitored by a third party, for moving letters of credit and bills of lading via the Web.

Today, vast amounts of paper, money and time are spent verifying delivery and change of ownership in international trade. CCEWeb said it is targeting 40 percent of the \$7.2 trillion in global merchandise trade recorded in 1999 by the World Trade Organization. The United Nations has said that about \$640 billion is spent annually to process trade paperwork in the United States alone.

Under current practice, banks issue letters of credit to sellers of goods on behalf of overseas buyers. Upon proof of delivery and change of ownership, dictated by terms laid out in the letter of credit and verified by the passing of a bill of lading, the bank issues payment to the seller, which in turn triggers payment to the carriers, forwarders and brokers.

A milestone in international trade automation was passed this summer when the United States enacted the digital signatures bill. Innovation in the area of online contracting and commerce is expected to take off in the next 12 months.

In the maritime industry, many trade transactions hinge on the non-negotiable bill of lading, which not only serves as receipt of carriage but proof of ownership. Whoever holds the non-negotiable bill of lading owns the goods. A key consideration in the development of true electronic commerce is figuring out how to work around the fact that the paper the bill of lading is printed on is, in effect, worth the dollar amount of the goods in transit.

Companies such as Bolero and TradeCard have been working to solve this problem — Bolero by setting up a global registry and TradeCard by reinventing the traditional way international payments are handled all together.

CCEWeb says it has found a way to fit its system into current practice at a much lower cost to users than Bolero. The two companies — CCEWeb focused on the small- and medium-sized trader and agent and Bolero focused on the larger financial institutions and traders — will not compete as much for the same customers as they will rival each other on parallel development tracks.

CCEWeb has filed for patents in the United States and plans to do the same overseas. Industry procurement and supply chain collaboration exchanges and marketplaces will be a key market for the company.

E-Dollars and Cents. The seeds of CCEWeb were born three years ago from an online trading exchange created by Katsman and some partners. They called it the Continental Commodity Exchange, thus the acronym CCE that forms the heart of CCEWeb's brand.

Katsman has worked in the trading business for years in Canada, developing creative ways to use transferable letters of credit and other trade financing instruments to sell goods. He authored a book in 1998, titled *How to Make Money Without Money*.

His work developing an online exchange eventually led him to the realization that people are not going to use online exchanges unless they can actually complete full transactions right from the site. Just listing products on the Web was not attracting users, Katsman said.

Similar realizations are sweeping the business-to-business development industry this year, forcing companies such as i2 Technologies, Oracle Corp. and Commerce One to form partnerships with logistics companies and financial institutions.

'What we figured out is that to make this transactional service base work you have to offer value,' Katsman said. 'Not to say that the listing is not valuable. There is tremendous value if it is a good exchange and there is volume on the exchange and people go there. But you really need to create critical mass in order for this to be profitable.'

Katsman believes exchanges need to offer a full range of trade and shipping services to reach critical mass, also called liquidity around Wall Street. Essentially, liquidity means attracting enough buyers and sellers to create a market that can, for the most part, run itself, i.e. the New York Stock Exchange.

'We can integrate our system into any vertical market,' Katsman said. 'Our system will create a secure payment. When the parties do not know each other, the buyer wants to make sure the goods get shipped on time and the seller wants to insure that once the goods are shipped he gets paid.'

The key to confirming on-time shipping and delivery is moving the process on the Web, B2B officials say.

CCEWeb said its system will allow banks and other financial institutions to issue Visa branded payment cards to clients that act like letters of credit. CCEWeb will also serve as a third-party, independent trade transaction processing and clearance company for banks.

The system will allow forwarders, carriers, brokers and shippers to transmit trade documents over the Web with 'bank-level' security.

Processing will be completely automated, CCEWeb claims, from application for a letter of credit, to the advice of the credit, through to document presentation, compliance check, payment and customs clearance.

Regulatory concerns darken utopian visions of a day when trade will be completely automated. But Katsman, backed up by industry officials, believes CCEWeb can make it happen.

'The three carriers have said they can use it,' he said. 'Now we have to take the theory to practice.'