



The ICC Digital Standards Initiative: Digitalizing Trade

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For “Impact of the international health crisis on legal infrastructure for trade”
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The Digital Standards Initiative **aims to digitalize global trade by promoting policy reform and harmonizing and driving adoption of digital trade standards** and technologies for the benefit of business, governments and people everywhere.



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The Realities of Trade Today

In over 90% of the trading world, trade and supply chain data is embedded in paper forms (physical or pdf), multiplied each time that goods and services cross borders before reaching the end consumer.

This data must be manually extracted, validated and entered into IT systems, most of which are not connected to each other.

The process is:

- prone to errors, discrepancies and even fraud
- time consuming and costly
- environmentally inefficient

Key obstacles to digitizing trade in businesses and supply chains*



Countries are at different stages of regulatory reforms that would legalize Electronic Transferable Records (ETRs), providing legal certainty and recognition.



Taxonomies, standards, and technologies vary widely across the trading system even where there is alignment on digitalization. Interconnection must be individually negotiated and accomplished.



Digital networks have been created to drive common approaches and standards, and while these enable economic efficiencies, there are no established means to connect “digital islands” to one another.

**result of DSI's industry consultation in 2021*

Challenges



- ❌ The current legal treatment of electronic transferable records inhibits market demand and innovation.
- ❌ Most jurisdictions continue to require paper-based trade documentation.
- ❌ To go paperless, parties to a transaction must use private law contracts within closed-loop trading platforms.
- ❌ As a result, organizations must adopt multiple products for customers in different jurisdictions to enable the transferal of electronic records.
- ❌ This is inefficient for large organizations and cost-prohibitive for SMEs.
- ❌ End result: 0.1% of BLs issued electronically in 2020.

Enabling Regulatory Environment: MLETR

UNCITRAL

UNITED NATIONS COMMISSION ON INTERNATIONAL TRADE LAW

- The UNCITRAL Model Law on Electronic Transferable Records (MLETR) creates an enabling legal environment for paperless trade. It:
 - ✓ provides an international framework to align national laws and enable the legal use of electronic documents of title (electronic transferable records or “ETRs”) both domestically and across borders;
 - ✓ builds on the principles of **non-discrimination** against the use of electronic means, **functional equivalence**, and **technology neutrality** underpinning all UNCITRAL texts on electronic commerce;
 - ✓ enables the use of all technologies including registries, tokens and distributed ledgers;
 - ✓ was drafted in a multi-year, inclusive and transparent process by the United Nations Commission on International Trade Law, a subsidiary body of the UN General Assembly with a mandate to further the progressive harmonization and modernization of international trade law.

UNCITRAL Model Law on Electronic Transferable Records



Enhanced Legal Certainty

- Preemptive: clarity on the legal validity of electronic records, reducing the likelihood of disputes. More confidence → More trade
- Harmonized rules → a more certain legal environment
 - easier to determine who is responsible for the records in case of a dispute
 - allows for the use of third-party service providers to assist with the transfer of electronic records, providing an additional layer of security and reducing the likelihood of disputes.
- Reducing disputes arising out of documentation fraud

Advantages for SMEs



- ✓ Enables SMEs to leverage a wide range of tools, from email to more expensive trade documentary flow solutions to enable trade.
- ✓ Prevents SMEs from having to sign up to multiple different documentary flow solutions with different rules and legal jurisdiction requirements.
- ✓ Simplifies operating models and risk profiles of all shippers, customs departments, banks, buyers and sellers.
- ✓ Incentivizes new business models and greater global inclusion.
 - ✓ Bahrain- e-cheques
 - ✓ UK- ePromissory Notes


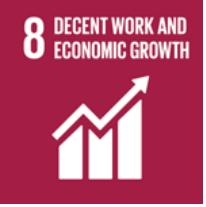


Advantages for States



- ✓ Enhanced local and global value chain resilience to financial crises, commodity price movements, and pandemic events.
- ✓ Promotion of rules-based trade documentation governed by state legislation, not private contracts.
- ✓ Encourages modernization of business models, increasing market efficiency and enabling technological advancements.
- ✓ Contributes towards the attainment of the UN

**SUSTAINABLE
DEVELOPMENT GOALS**

Sustainable Development Goals

SDG	Benefits
 SDG 1: NO POVERTY. Icon showing a family of four.	Digitization can alleviate poverty and reduce inequalities by facilitating global trade, reducing trade barriers, and promoting shared prosperity. Paperless trade will lead to trade-related efficiencies and tackle the trade finance gaps that dampen economic growth and job creation, lifting people from poverty and improving living standards.
 SDG 8: DECENT WORK AND ECONOMIC GROWTH. Icon showing a bar chart with an upward arrow.	Paperless trade will reduce the cost of trade finance, enhance inclusion for MSMEs by eliminating costly paper-based processes, reduce due diligence costs, simplify risk mitigation actions, and vastly reduce process turnaround times. These factors will enhance the sustainability of trade as an engine of economic growth.
 SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION. Icon showing a circular arrow.	An estimated 4 billion trade documents are in circulation. If stacked on each other, the documents would be 520,000 meters high and constitute approximately half a million trees.
 SDG 16: PEACE, JUSTICE AND STRONG INSTITUTIONS. Icon showing a dove and a gavel.	Current technologies that could be enabled by legislative reform, including distributed ledger technology, will substantially reduce fraud risk via smart contracts, bringing greater trust to the international trade finance system.

We engage the public sector to progress legislative reform and build capacity to implement digital trade

- The DSI Legal Reform Advisory Board (LRAB) helps DSI to spread the message about regulatory reform across government, industry associations, multilateral organizations and regional economic communities.
- DSI works with governments to build capacity to implement and benefit from digital trade.
- Our Monitoring Framework tracks the progress of jurisdictions in adopting the UNCITRAL Model Law on Electronic Transferable Records (MLETR).



DSI LRAB Participating Organizations (as of Oct 2022)

Seeding digitalization, driving adoption and building capacity for digital trade in the public and private sectors



Thank you for your support!

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<https://www.dsi.iccwbo.org/dsi-newsletter-signup>

A graphic for a newsletter sign-up. It has a dark background with a network of red and white lines and dots, resembling a molecular or digital structure. The text "Get the Latest News to Your Inbox" is written in a white, sans-serif font, with "Get the Latest News to" on the first line and "Your Inbox" on the second line.

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