



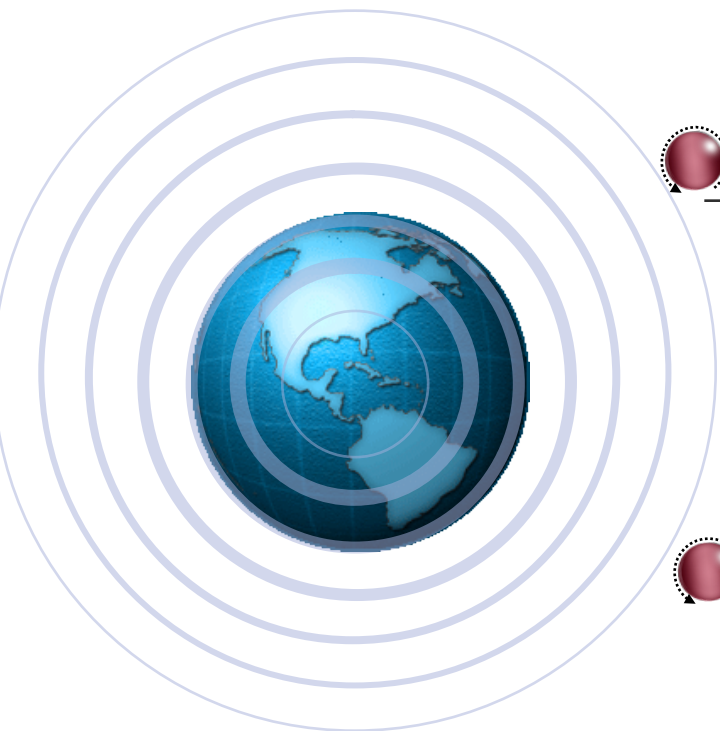
# **Digitalization in Trade Finance Involving Negotiable Transport Documents**

**XU Jun**

**Bank of China, Jiangsu Branch  
Member of ICC Banking Commission  
Executive Committee  
April 13-14, 2021**



# Main Contents



## □ Global Trade Finance Digitalization Trends

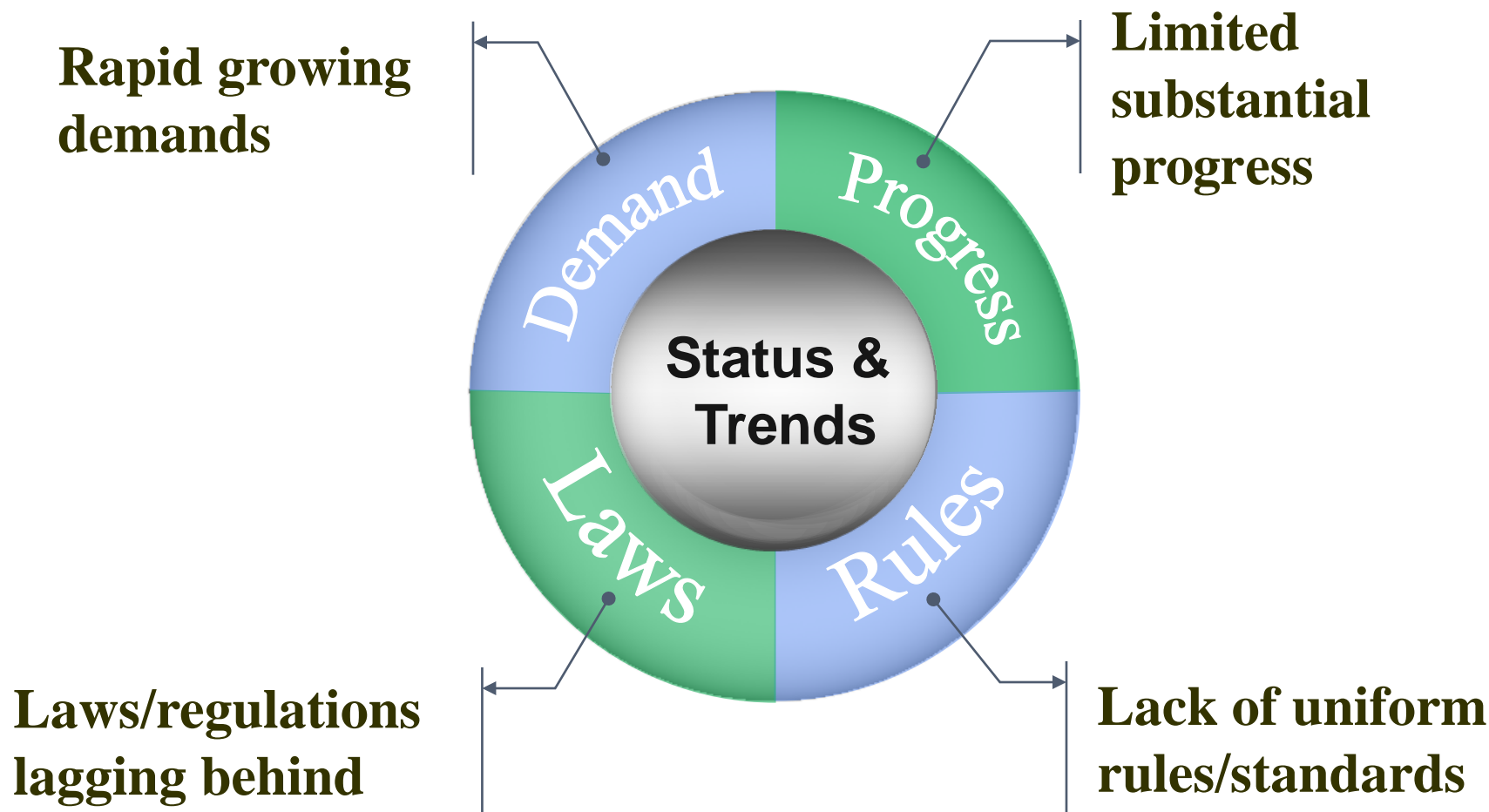
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## Digitalization trade finance practice in China

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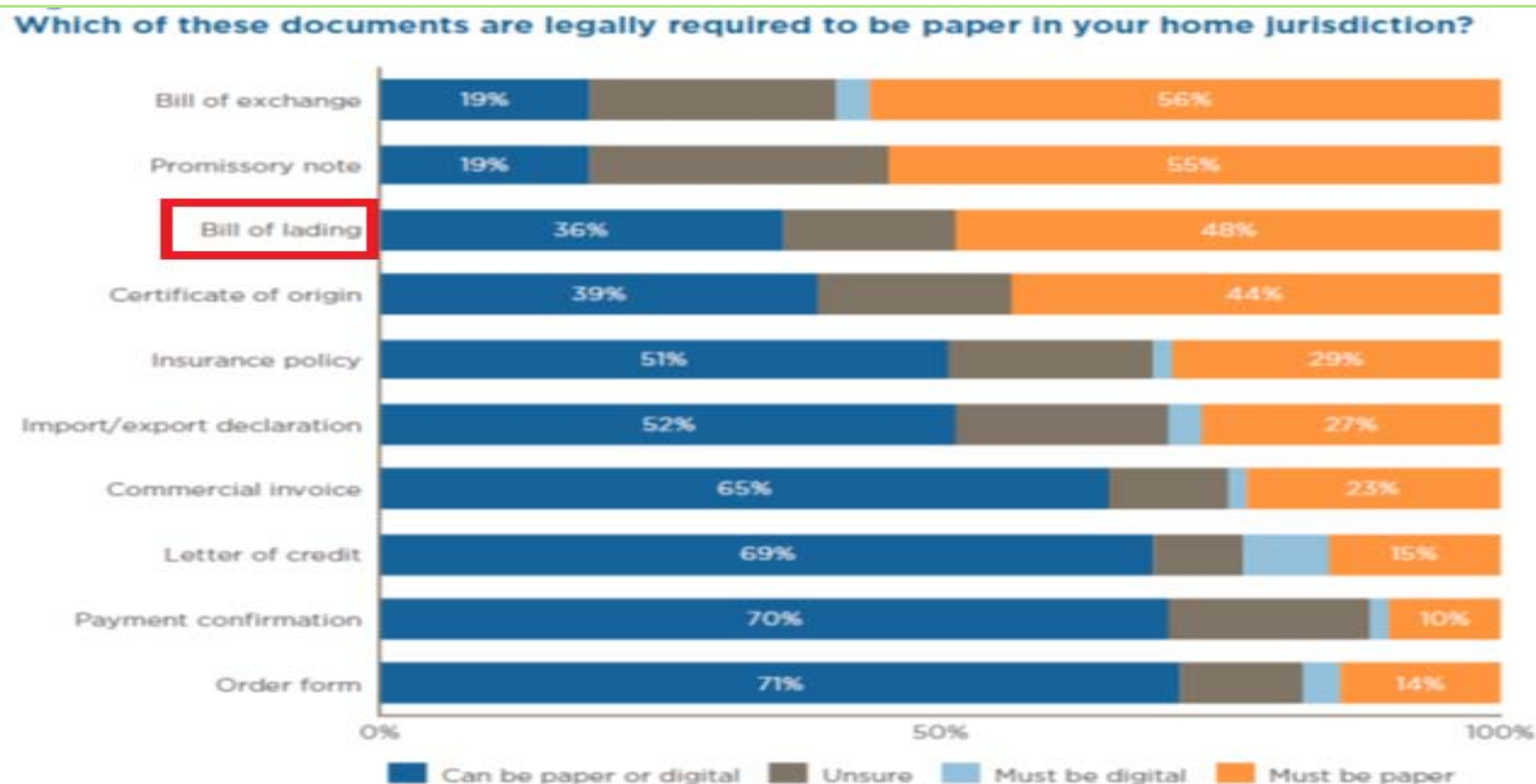
# Trade Finance Digitalization Trends



# Trade Finance Digitalization Trends

## ■ Regulations on Paper-based Documents

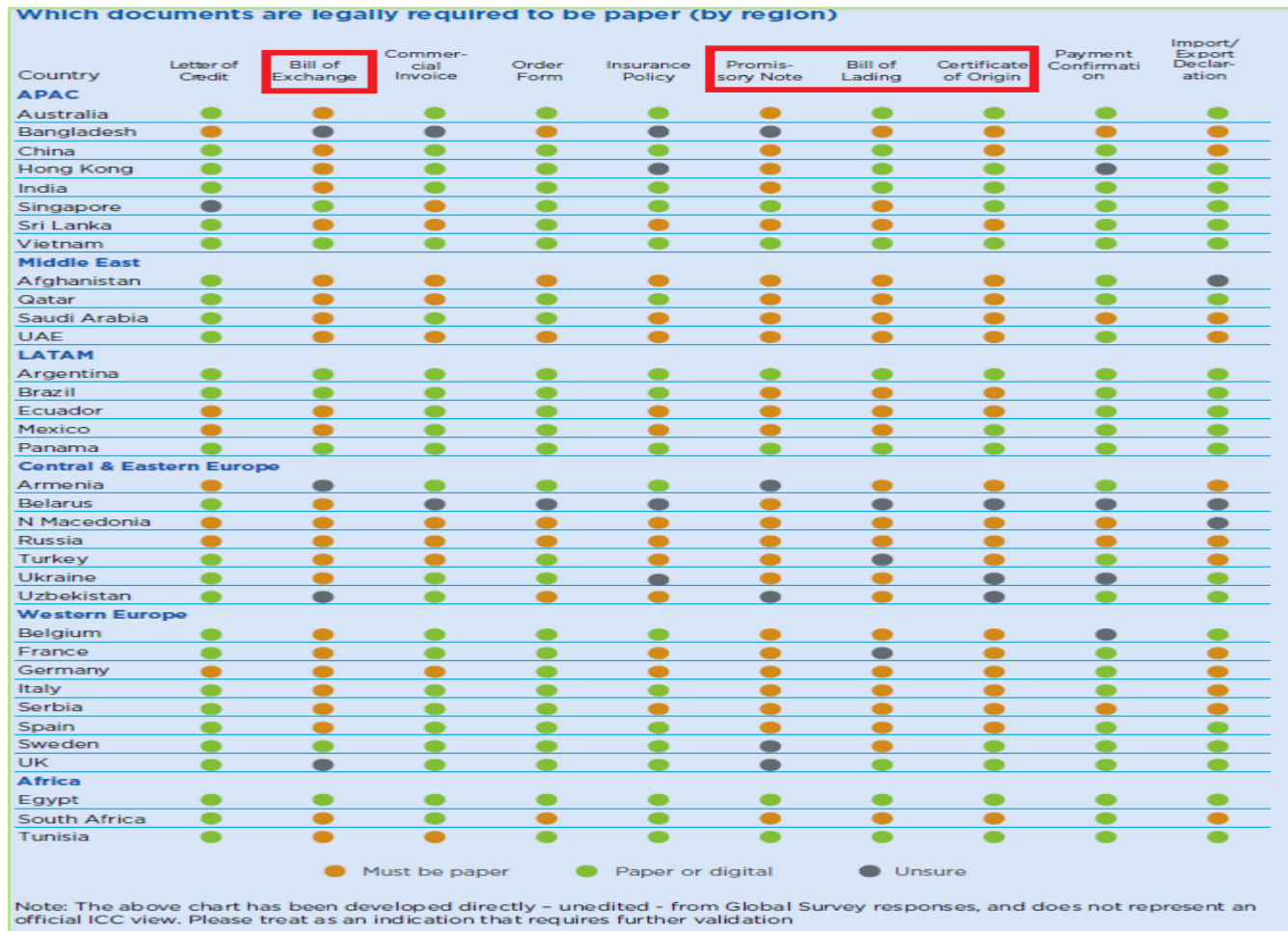
✓ Over 50% of respondents: documentation was no longer mandated to be paper-based in the context of trade financing.



Source: 2020 ICC Global Survey on Trade Finance

# Trade Finance Digitalization Trends

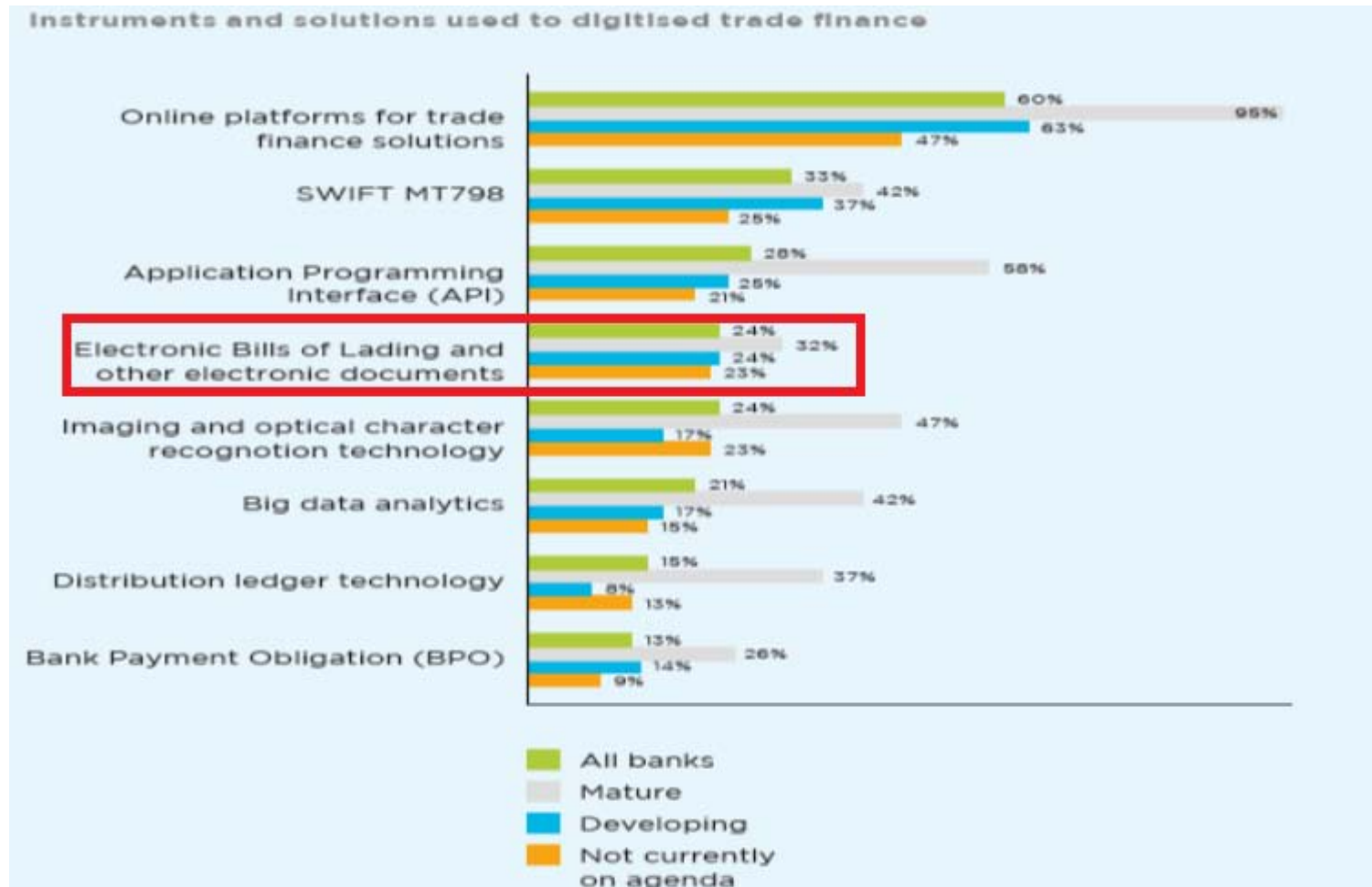
## ■ Regulations on Paper-based Documents: Inconsistency across different legal jurisdictions



Source: 2020 ICC Global Survey on Trade Finance

# Trade Finance Digitalization Trends

- Using **eB/Ls** or other electronic documentation: Only 24% of banks

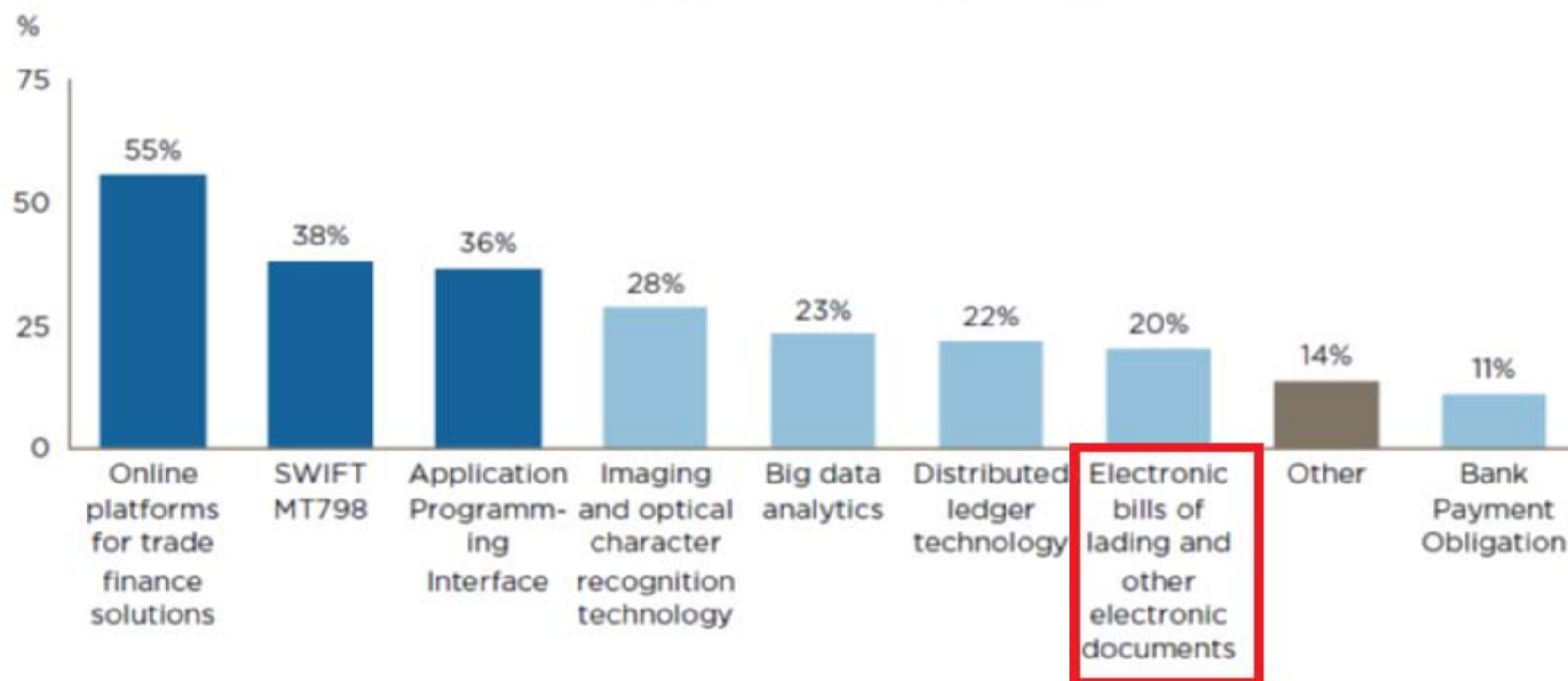


Source: 2018 ICC Global Survey on Trade Finance

# Trade Finance Digitalization Trends

- The most common digital trade technology implemented : Online platform for trade finance (55%)

What instruments and solutions are your bank using for digitised trade finance?



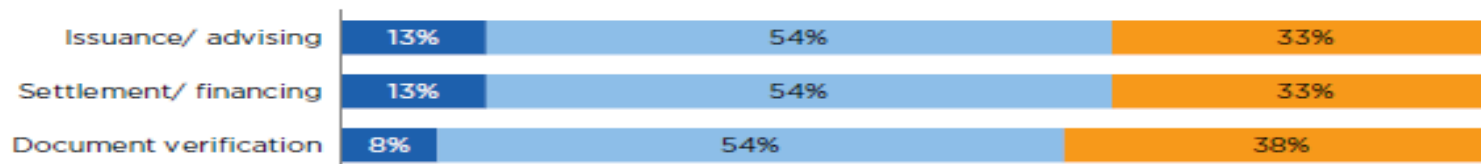
Source: 2020 ICC Global Survey on Trade Finance

# Trade Finance Digitalization Trends

- Most banks have removed the use of physical paper for documentary transactions to some extent, but differences exist.

To what extent has your bank removed the use of physical paper for documentary transactions?

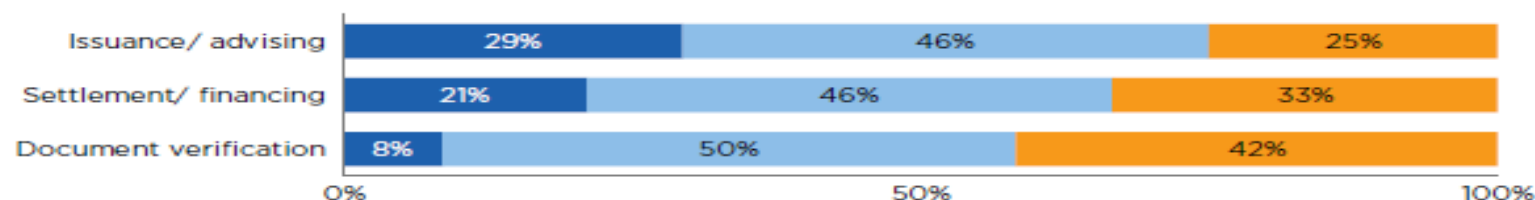
## Local Banks



## Regional Banks



## Global Banks



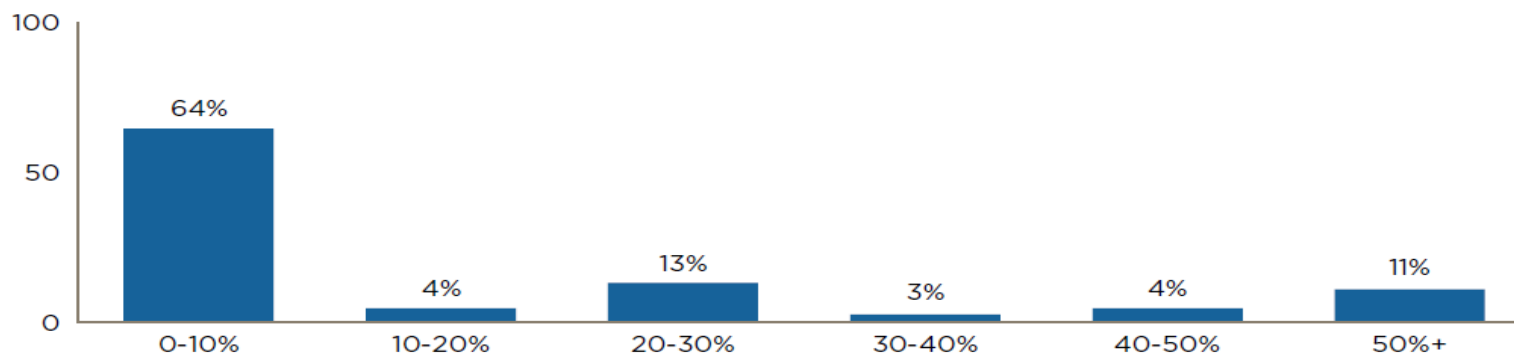
■ To a great extent: digital fully implemented for all transactions  
■ To some extent: digital implemented for some transactions;  
■ To no extent: digital not implemented at this time



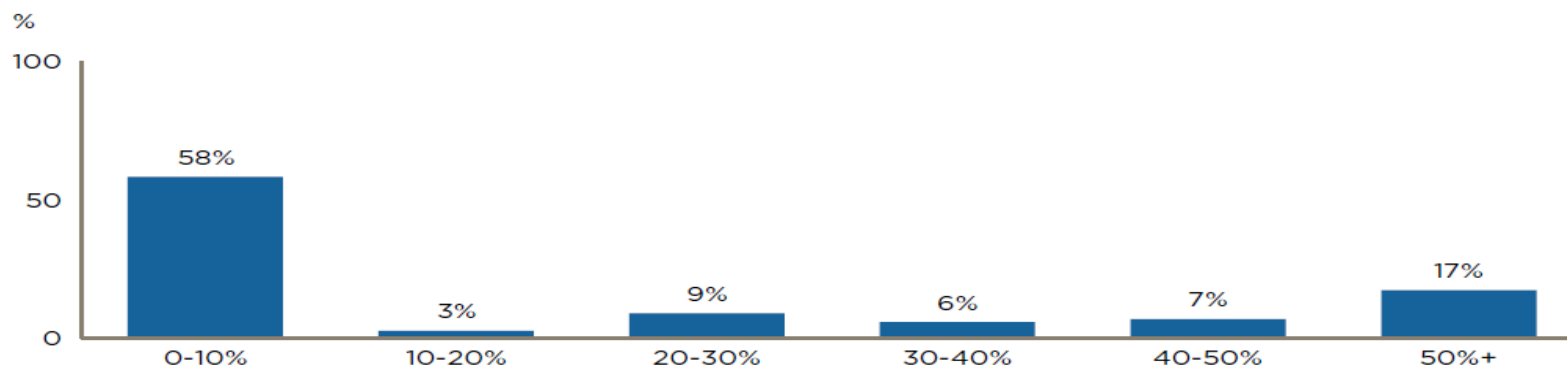
# Trade Finance Digitalization Trends

- Digital documentary trade and open account trade transactions are minimal

What percentage of documentary trade transactions do you receive digitally?



What percentage of open account trade transactions do you receive digitally?

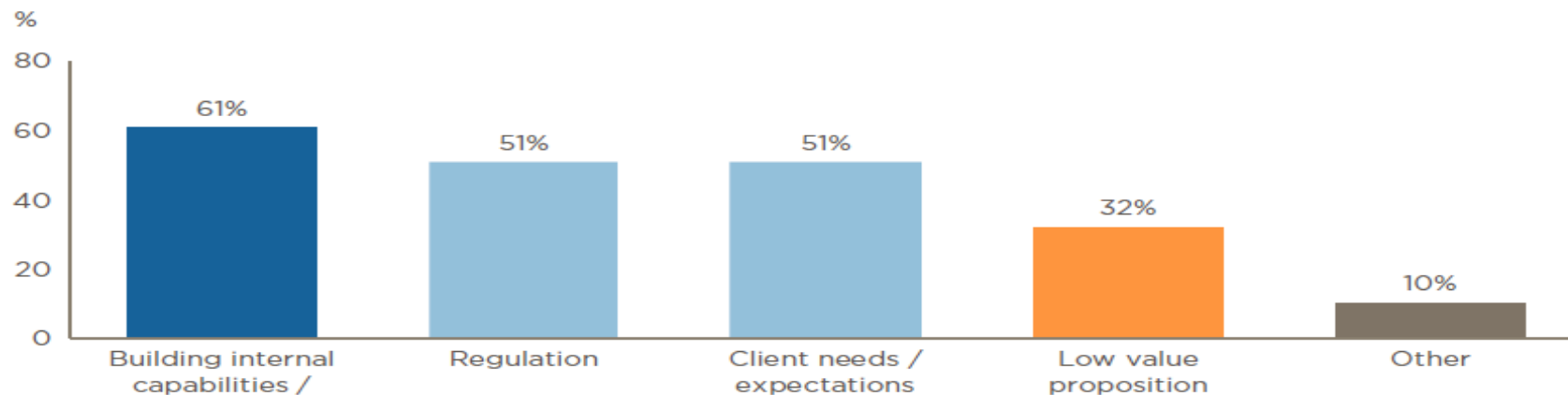


Source: 2020 ICC Global Survey on Trade Finance

# Trade Finance Digitalization Trends

- Main barriers for implementation of digital solutions:
  - ✓ Building internal capabilities
  - ✓ Regulation and client needs

What are the main barriers that are preventing a wider adoption of digital solutions?



Source: 2020 ICC Global Survey on Trade Finance



## ICC e-Compatible Rules

1. URDG758

2. ISP98

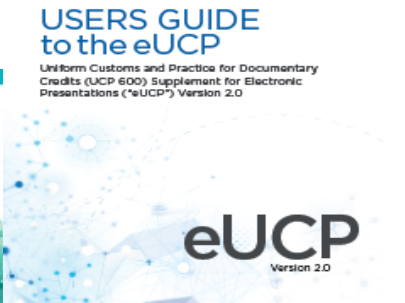
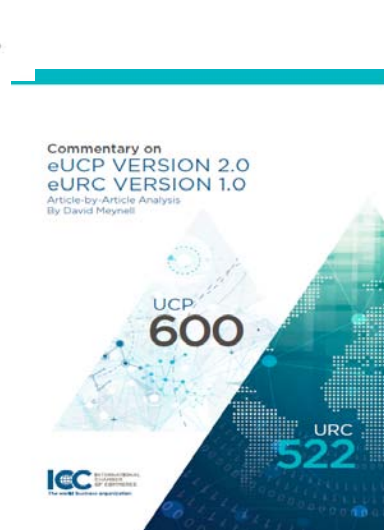
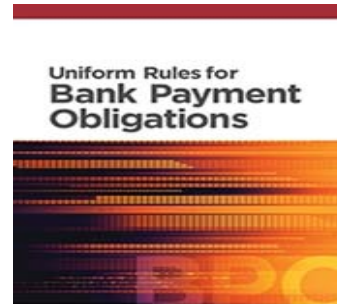
## ICC e-Rules

1. eUCP V. 2.0

2. eURC V. 1.0

3. URBPO

4. URDTT (In progress) :covering  
the use of Electronic Records to process  
Digital Trade Transactions

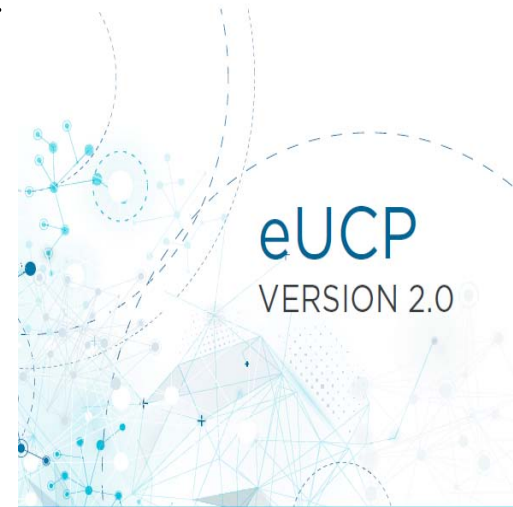


By David Mayne



# ICC Rules/Work on Digitalization

- **Electronic record** means data created, generated, sent, communicated, received or stored by electronic means, including, where appropriate, all information logically associated with or otherwise linked together so as to become part of the record, whether generated contemporaneously or not, that is:
  - **capable of being authenticated** as to the apparent identity of a sender and the apparent source of the data contained in it, and as to whether it has remained complete and unaltered, and
  - **capable of being examined** for compliance with the terms and conditions of the eUCP credit.
- **Electronic signature** means a data process attached to or logically associated with an electronic record and executed or adopted by a person in order to identify that person and to indicate that person's authentication of the electronic record.



# ICC Rules/Work on Digitalization

## DIGITAL TRADE ROADMAP

A Communication Tool for Policymakers  
VERSION 2.0



## DIGITAL RAPID RESPONSE MEASURES TAKEN BY BANKS UNDER COVID-19

Author: ICC Digitalisation Working Group<sup>1</sup>

## TRADE FINANCING AND COVID-19

Priming the market to drive  
a rapid economic recovery



URGENT  
3 April 2020

## ICC MEMO TO GOVERNMENTS AND CENTRAL BANKS ON ESSENTIAL STEPS TO SAFEGUARD TRADE FINANCE OPERATIONS

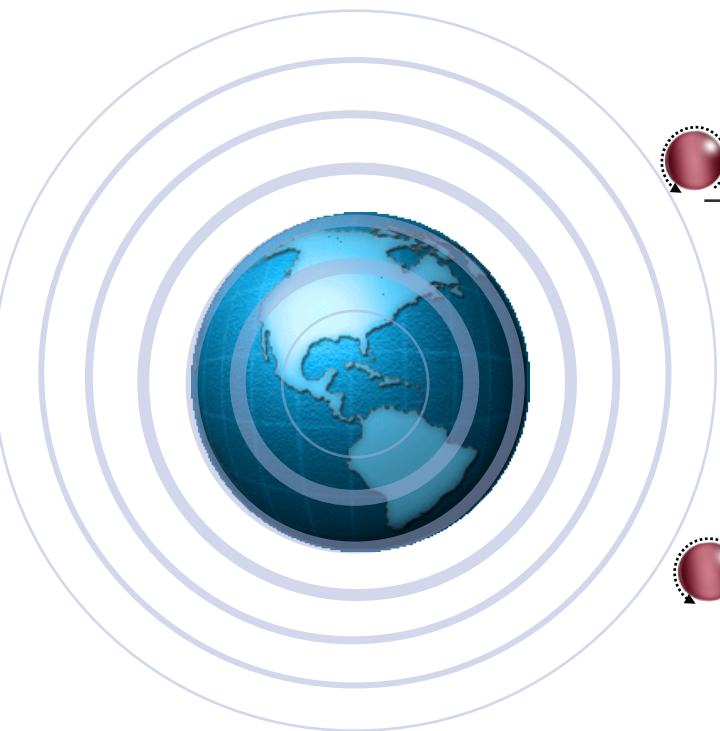
### – Adoption of the UNCITRAL Model Law on Electronic Transferable Records.

As a subsequent step, we encourage all governments to rapidly adopt legal frameworks to clarify the functional and legal equivalence of electronic and paper-based documents.

To this end, we encourage governments to consider implementing the 2017 United Nations Commission on International Trade Law Model Law on Electronic Transferable Records (MLETR)—which provides the clarity necessary for widespread adoption of digitalised trade and trade finance instruments.

Guidance paper on the impact  
of COVID-19 on trade finance  
transactions issued subject to ICC rules





## Trade Finance Digitalization Trends

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## Digitalization trade finance practice in China

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# Digitalization Applications in Trade Finance

- Cross-border Remittance
- LC
- Collection
- BPO
- Bill of exchange

- Bid guarantee
- Customs guarantee
- Payment guarantee
- ...

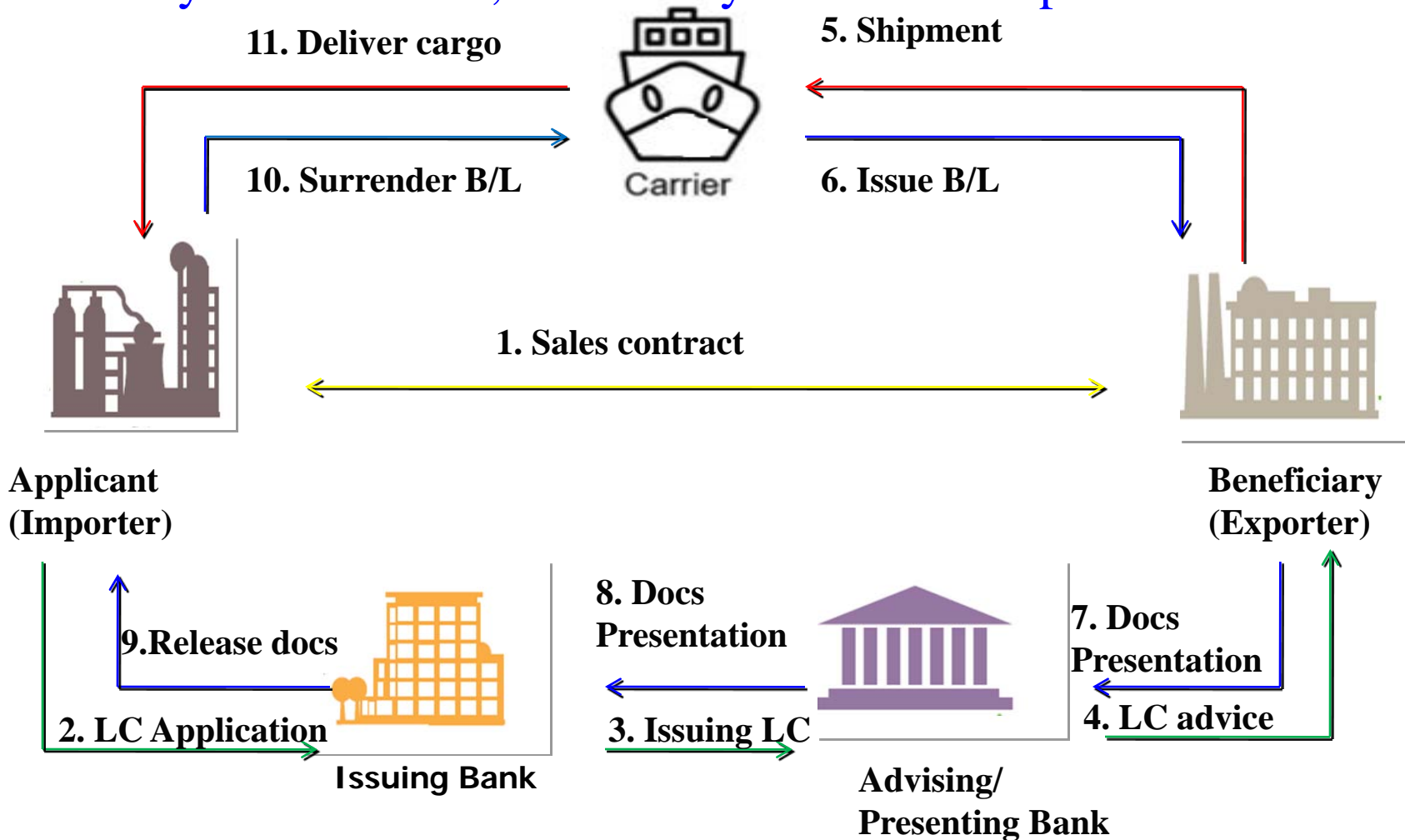


- Traditional trade finance
- SCF
- Factoring
- Forfeiting
- ...

- Credit risks control
- AML/KYC
- Sanctions screening
- ...

# Traditional Paper Trade Documents Flows in LC Transaction

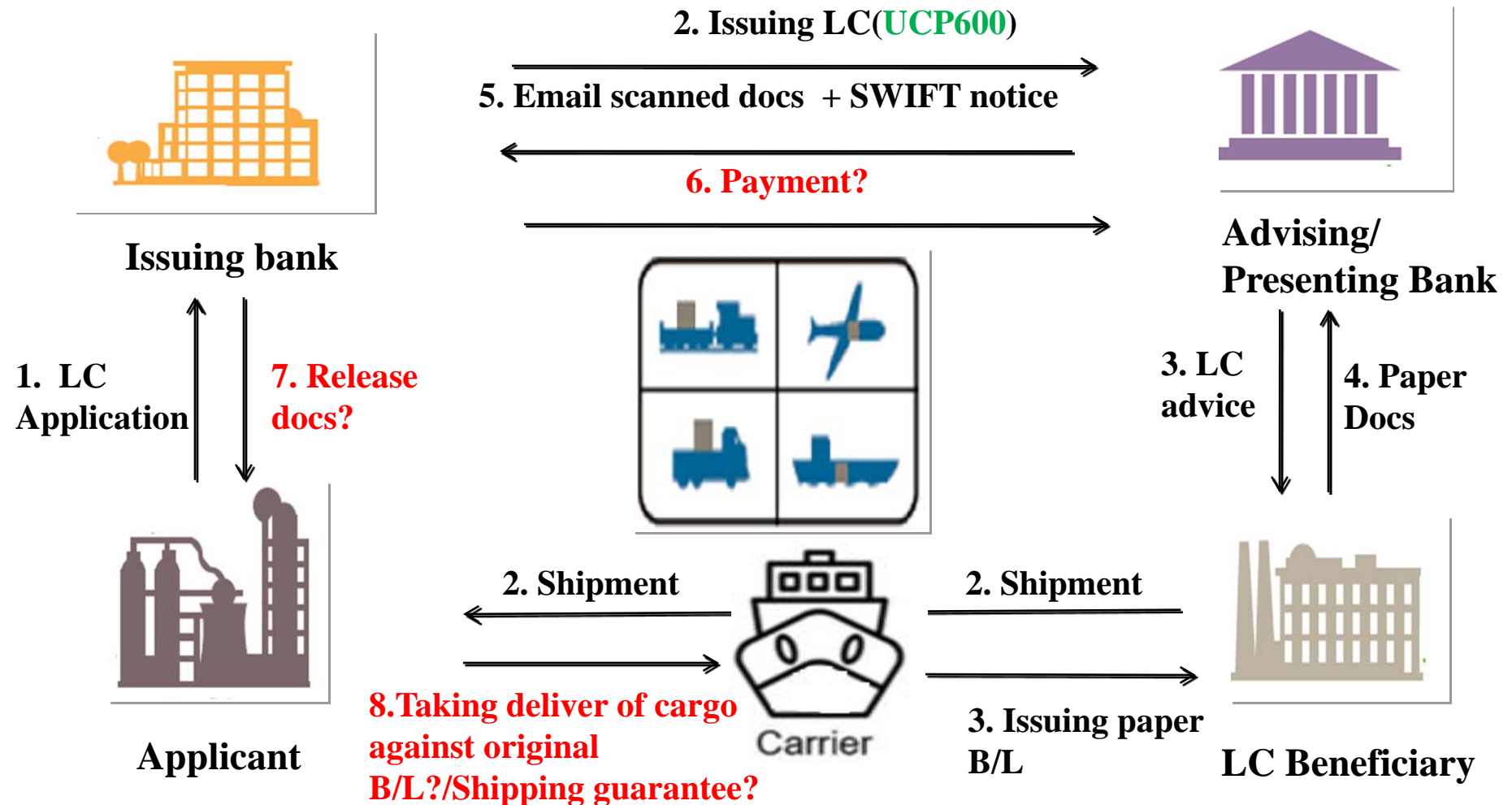
- ❑ Disadvantages: Inefficient, high error rate, difficulty in timely modification, invisibility of the whole processes





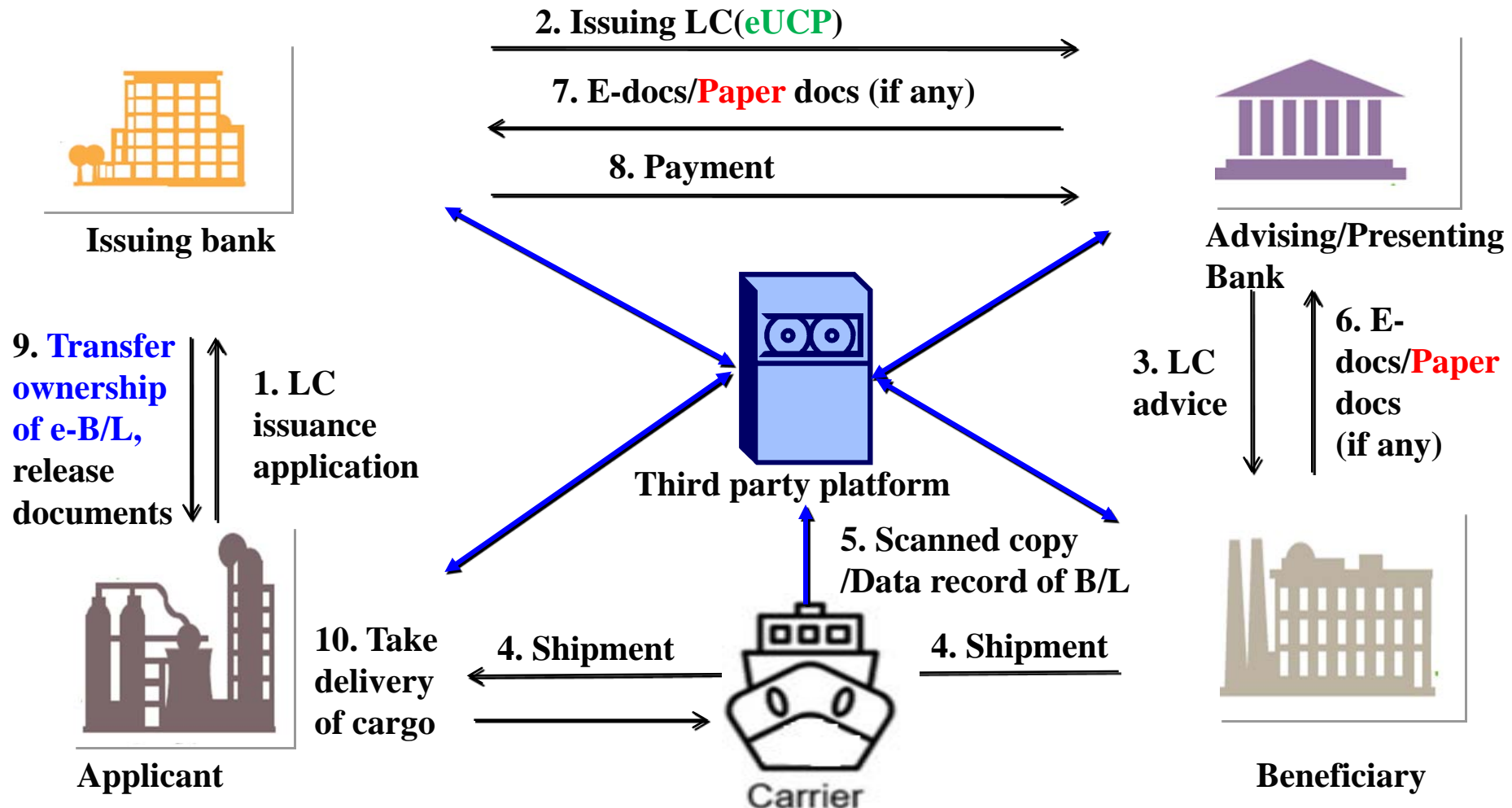
# Digital solutions in Trade Finance

## ■ Scenario 1: Scanned, faxed or emailed copy of original B/L



# Digital solutions in Trade Finance

## ■ Scenario2: eB/L supported by third party platform(internet-based)



Note: E-documents in scanned pdf format copies or data record depending on third party platforms

# Digital solutions in Trade Finance

## ■ Scenario 3: Blockchain eB/L issued by carrier

4. Issuing eB/L & Notice email

5. Review original eB/L on line & request correction or reissuance / Download copy eB/L



Beneficiary

10. Take delivery of cargo

**BLOCKCHAIN BILL OF LADING**

3. LC Advice

6. e-docs/paper docs (incl eB/L)

2. Issuing LC(eUCP)

7. e-docs/paper docs (incl eB/L)

8. Payment

Advising/Presenting Bank

9. Transfer ownership of e-B/L, release e-docs/paper docs(incl eB/L)/

1. LC Application (eUCP)



Issuing Bank



Applicant

# Thank you for your attention.



This presentation represents the views of the author and not necessarily those of the ICC or the author's employer.