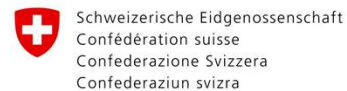


SECURING DIGITAL ASSET TRANSACTIONS

UNCITRAL Colloquium on Navigating the New Era of
Digital Finance



Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

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February 21, 2025

IFC Perspectives

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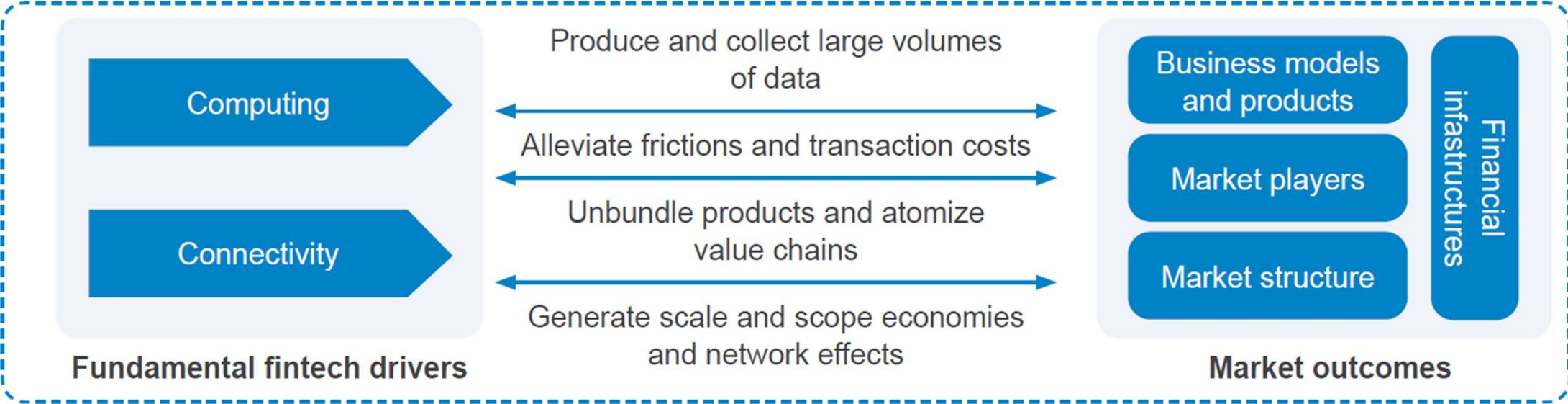
Research and Knowledge Sharing, including

- Distributed Ledger Technology & Secured Transactions Guidance Notes
- Future of Finance flagship report

Observations


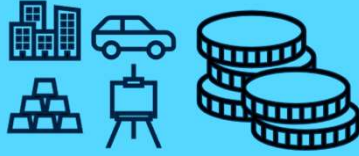
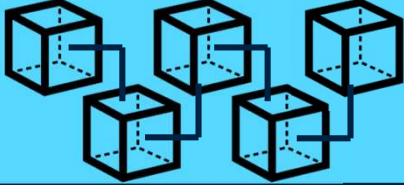
Since the model law was conceived and drafted there has been an acceleration in digitization of economic activity across sectors and particularly in finance, resulting in:

- 1. Proliferation of digital/digitalized assets
- 2. Reduced cost / new technologies to create interoperable digital registries and repositories



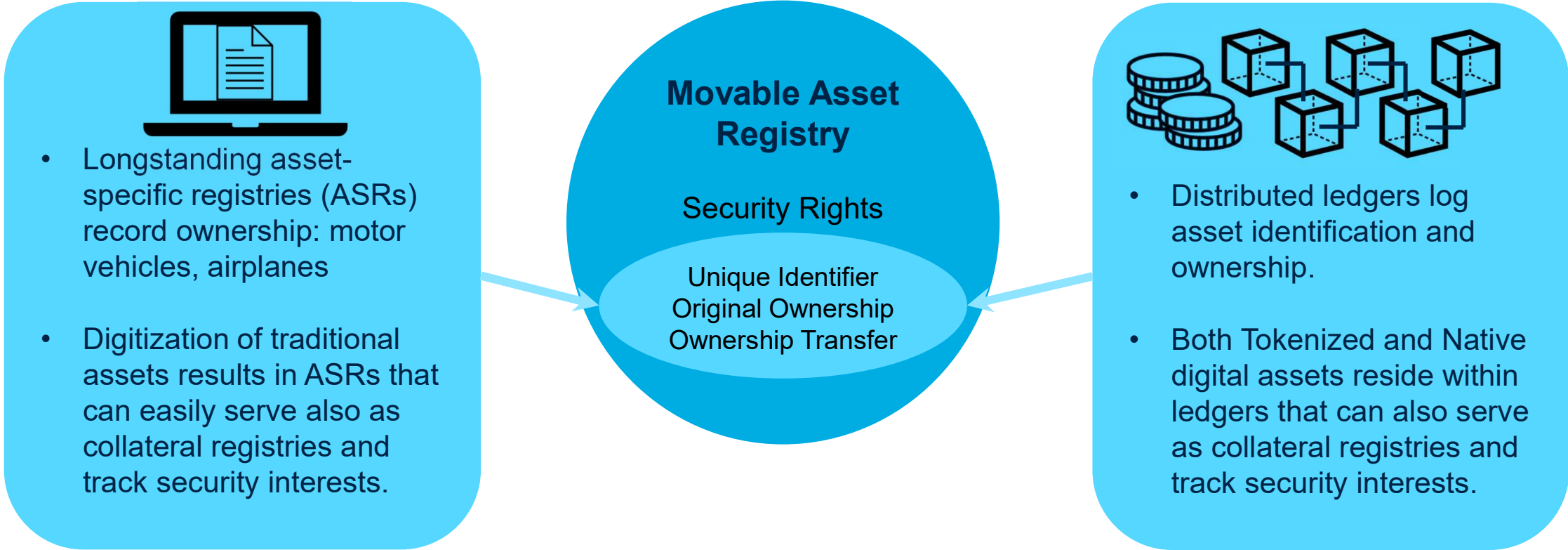
Typology of Digital Assets

Different types of digital assets may be treated differently under local law, which may further vary depending on what the underlying asset is (in the case of tokenization).

Digitalized 	Tokenized 	Native 
Digital version of a pre-existing asset type	Digital representation of a real-world asset in a distributed ledger	Digital asset that only exists in the digital ledger
<ul style="list-style-type: none"> • Dematerialized Securities • E-Invoices • E-Bill of Exchange • E-Warehouse/E-Crop Receipts 	<ul style="list-style-type: none"> • Stablecoins • NFTs representing art, IP • Tokenizations of real estate, art, collectibles, precious metals, securities etc. 	<ul style="list-style-type: none"> • Bitcoin • Ether • XRP • Dogecoin • >20,000 other cryptocurrencies
Contractually accepted industry practice. Specific dematerialization laws. Asset-specific laws (e.g. e-invoicing). 2023 UNIDROIT Principles on Digital Assets, UCC 2022 amendment recognizing controllable e-records.	UNIDROIT 2023, UCC 2022 amendment Different national laws would determine MLST treatment as <ul style="list-style-type: none"> • Security • Money • Other intangible asset 	UNIDROIT 2023, UCC 2022 amendment Different national laws would determine MLST treatment as <ul style="list-style-type: none"> • Security • Money • Other intangible asset

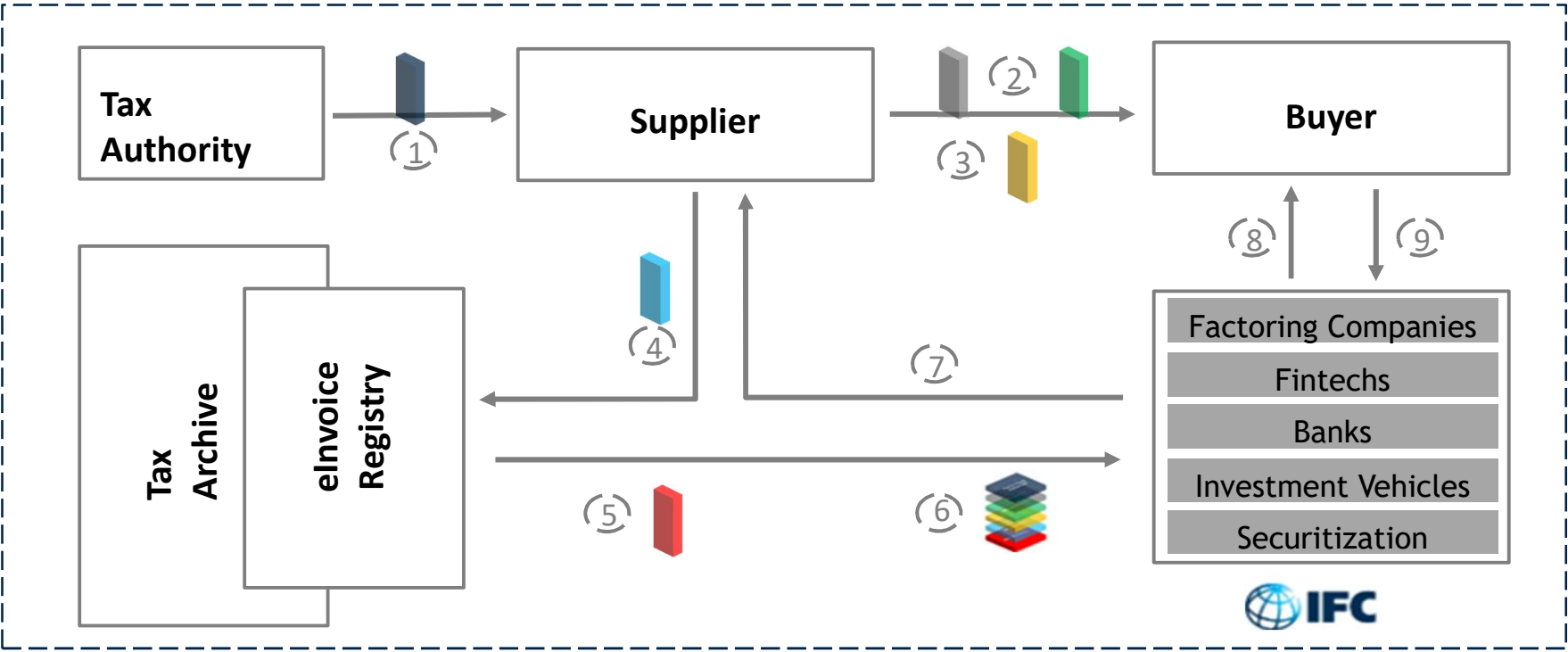
Role of Asset-Specific Registries

Some assets with longstanding separate registries, such as motor vehicles or airplanes, may have security rights recorded in those registries. Where the source of truth on identity and ownership reside in a well-functioning asset-specific registry (ASR), the MAR is only adding information on security rights. There is a logic to combining all these functions at the ASR, at least for certain use cases.



E-invoices as an example

Digital automation allows granular treatment of assets. In some markets, changes in beneficial ownership are governed by the e-invoicing framework, and can be recorded in the fiscal or other authority's database which obviates the need for MAR. In others, the frictional costs are not worthwhile for short-dated receivables. Platforms doing invoice finance do not routinely register factored invoices with the MAR individually or under an all-asset security right



- Process:**
- (1) Issuance original tax e-invoice
 - (2) Remittance and Receipt
 - (3) Acceptance/ Confirmation
 - (4) Registration in e-Invoice System
 - (5) Electronic Endorsement to Financier
 - (6) Transfer of Digital Financial Instrument
 - (7) Advance Financing to Supplier
 - (8) Notification of Assignment to Buyer
 - (9) Payment by Buyer to Financier

Implications for Model Law on Secured Transactions

1. Examine applicability of MLST to specific asset categories, and characteristics of the categories, e.g.:
 - Meaning of intermediated vs non-intermediated in the context of distributed ledger technologies.
 - Establishing “possession” with respect to assets held in digital wallets, short of holding the hard drive.
 - Treatment of CBDCs and stablecoins given the narrow MLST definition of money.
 - Whether digital assets used to settle payments qualify as cash proceeds.
 - Does a secured creditor acquire rights to assets linked to the tokenized digital asset (e.g. underlying reserves of a stablecoin).

2. Centralized vs asset-specific registries
 - For assets that are created and exist within an ASR that registers ownership, recording security interests in a separate registry may be less efficient.
 - Tokenized assets may require prioritization rules with respect to registration within an ASR, the tokenization ledger, and the collateral registry. Similar issue if proceeds from a security right come in the form of a digital asset that resides in its own registry.
 - Can the MLST encompass a network of registries rather than a single registry, and what interoperability requirements might be necessary for that to work.