UNCITRAL MODEL LAW ON ELECTRONIC TRANSFERABLE RECORDS
The Case for Adoption
November 2021
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 are forced to 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.
THE SOLUTION: MLETR

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.
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.
ADVANTAGES FOR STATES

- Enhanced local and global value chain resilience to financial crises, commodity price movements, terrorist activities 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 attainment of the UN Sustainable Development Goals.
## SUSTAINABLE DEVELOPMENT GOALS

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<th>SDG</th>
<th>Benefits</th>
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<td>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.</td>
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<td>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.</td>
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<td>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.</td>
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<td>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.</td>
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According to a study conducted by Coriolis Technologies and commissioned by ICC United Kingdom, modernizing laws in the UK will unleash SME growth and:

- Generate £25 billion in new economic growth – 25% extra SME trade by 2024
- Reduce the number of days needed for processing documents by up to 75%
- Free up £224 billion in efficiency savings which can be recycled into the real economy
  - £171 billion from bills of lading
  - £26 billion from bills of exchange
  - £27 billion from promissory notes
- Generate £1 billion to tackle the trade finance gap
FURTHER UK INSIGHTS HERE:

CREATING A MODERN DIGITAL TRADE ECOSYSTEM
The economic case to reform UK law and align to the UNCITRAL Model Law on Electronic Transferrable Records (MLETR)
ACTION AS OF OCTOBER 2021

JURISDICTIONS THAT HAVE ADOPTED MLETR

- Bahrain, 2019
- Singapore, Feb 2021
- ADGM, Feb 2021
- Kiribati, Sep 2021
- Belize, Sep 2021

JURISDICTIONS CONSIDERING ALIGNMENT OR ADOPTION

- United Kingdom
- Paraguay
- Papua New Guinea
- Trinidad & Tobago

E-COMMERCE JOINT STATEMENT INITIATIVE

- Singapore introduced a provision on MLETR; removed due to lack of interest. UK and Singapore reintroduced.

The Parties recognise the importance of facilitating the use of electronic transferable records. To this end, each Party shall endeavour to establish a legal framework governing electronic transferable records consistent with the UNCITRAL Model Law on Electronic Transferable Records 2017.
“Paper-based transactions, which still dominate international trade are a source of cost, delay, inefficiency, fraud, error and environmental impact. It is our shared view that by enabling businesses to use electronic transferable records we will generate efficiencies and economic savings. This will strengthen the resilience of our global economic system and play a crucial role in trade recovery across the G7.”
WHAT YOU CAN DO:

1. Convene a joint industry working group comprised of trade financiers, insurers, shippers, fintech providers, trade lawyers, corporates with large supply chains

2. Establish a clear scope for the working group – the digitization of documents of ‘title’

3. Identify government departments with key interests – Finance, Justice, Trade, Customs, Transport, Digital

4. Work with stakeholders to identify the legislative barriers to the digitization of documents of title

5. Identify which body is responsible for law reform (Department of Justice? Law Commission?) and engage early once legislative barriers are understood

6. Identify the right legislative vehicle for reform (primary legislation or implementing regulation? Federal law or model state law?)
THANK YOU

The ICC Digital Standards Initiative

We are establishing a globally harmonised digital trade environment.

For developers For executives For policymakers Submit a standard

Please visit dsi.iccwbo.org for further information or email Raoul.Renard@iccwbo.org.

Oswald Kuyler, Managing Director, ICC Digital Standards Initiative

Raoul Renard, Government Affairs Manager, ICC