

ICC Digital Standards Initiative: Closing trade finance gap by accelerating trade digitization

Hannah Nguyen – Deputy Director, DSI

What's in a standard?



ISO quality management and environmental management



Standard Cargo Container



Email systems based on standardized network protocols

DSI's Northern star and principles

Northern Star

The ICC Digital Standards Initiative (DSI) will work towards the ambitious aim of establishing a globally harmonized, digitized trade environment – directly addressing disruptions experienced during the COVID-19 crisis as a result of the reliance of trade flows on paper documentation.

Principles



Re-use rather than
recreate



**Engage standard-
setting bodies**



Consider all approaches



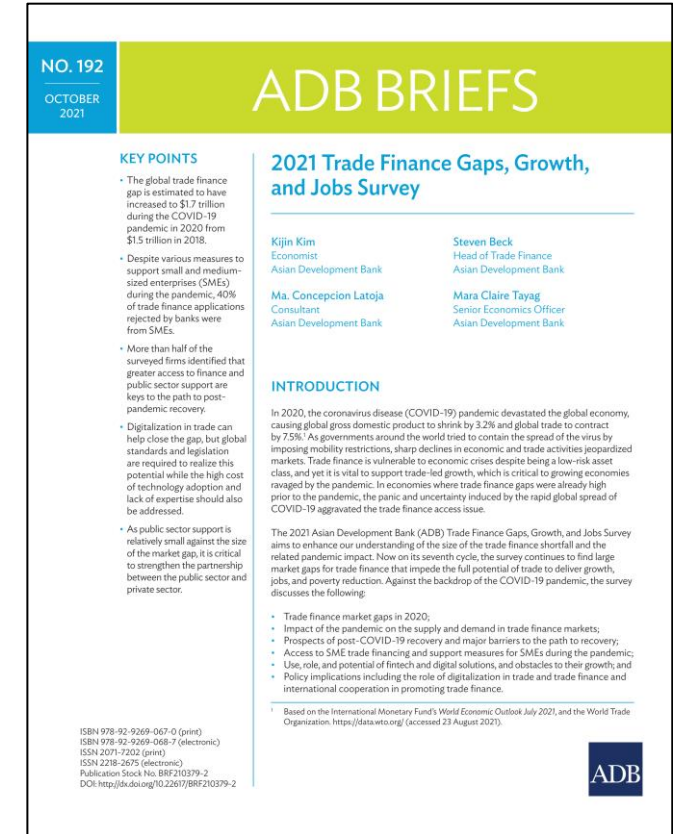
Accessible to all



Enhance capacity

MSMEs' challenges in obtaining trade finance

- The global trade finance gap is estimated to have increased to \$1.7 trillion during the COVID-19 pandemic in 2020 from \$1.5 trillion in 2018.
- Despite various measures to support SMEs during the pandemic, 40% of trade finance applications rejected by banks were from SMEs.
- Digitalization in trade can help close the gap (by proving creditworthiness and offering digital trade finance solutions through Fintech platforms), but **global standards and legislation are needed to drive interoperability**
 - (i) between various platforms and
 - (ii) between components of the trade ecosystem: from exporters to shippers, ports, customs, warehousing and logistics, and finance to importers.



The 2021 Asian Development Bank (ADB) Trade Finance Gaps, Growth, and Jobs Survey



Where are the pain points?

ACCESS TO LIQUIDITY

Many MSMEs can't meet the risk assessment criteria to prove their credit-worthiness

Limited access to historical data constrains banks' ability to extend credit.

Lack of reliable data limits access to alternative finance markets.

COMPLEXITY OF TRANSACTIONS

Workflows span multiple parties, significant manual work and typically requires the exchange of paper documents.

Proliferation of platforms underpinned by private contracts. Lack of interoperability prevents adoption at scale.

Costly training, change management, technical integration e.g. blockchain and non-blockchain.

LACK ENABLING RULES, REGULATIONS, SOP

Legal uncertainty regarding acceptance of digital trade documentation.

Different requirements across jurisdictions, between businesses and government agencies.

Various nuances among documentary business, supplier-side financing, and buyer-led financing processes.

Global standards, legislation needed for interoperability

COMPLIANCE, SIMPLIFIED

Establishment of broadly recognized digital identities for each trade participant.

Satisfy KYC, KYS, KYG, AML, sanctions screening requirements.

Faster and better-informed credit risk assessment for banks, NBFIs, credit insurers, regulators.

TRUST & TRANSPARENCY

Secure credit and trading data from golden sources.

Full visibility and real-time tracking of end-to-end flow, with data pulled from various components of the trade ecosystem.

Legally recognized and reliable exchange of digital trade documents across systems in standardized terms and format.

CHOICES

Common standards and protocols enable portability within and across networks.

Leverage digital trade finance solutions through Fintech platforms.


Improved transparency and risk assessment will draw in institutional investors, improving funding availability.

INCREASED SCALE, EFFICIENCY AND INCLUSION FOR ALL




DSI's Pillar 1 – Open Access to Standards

Creation of a comprehensive knowledge center in July 2021. Update slated for Jan 2022.



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DIGITAL
STANDARDS
INITIATIVE

Home

The ICC Digital Standards Initiative

We are establishing a globally harmonised digital trade environment.

For developers

For executives

For policymakers

Submit a standard

Model Law on Electronic Transferable Records

 <p><u>Foundational Standards</u></p>	 <p><u>Identity</u></p>	 <p><u>Unique document creation and validation</u></p>	 <p><u>Electronic Title Documentation</u></p>	 <p><u>Uniform rules for digital trade transactions</u></p>
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DSI's Pillar 2 – Inclusive co-development

Industry Advisory Board

The ICC Digital Standards Initiative Industry Advisory Board has a cross-regional and cross-industry representation, bringing together leaders with diverse backgrounds and experiences who share a passion for solving key challenges facing trade digitization efforts. The Industry Advisory Board enables the DSI to engage senior stakeholders within a neutral governed venue to contribute towards standards development, educational development and advocacy for standards adoption.



DSI's Pillar 3 – Enabling public & private law

SPEED UP LEGISLATIVE REFORM IN PUBLIC LAW

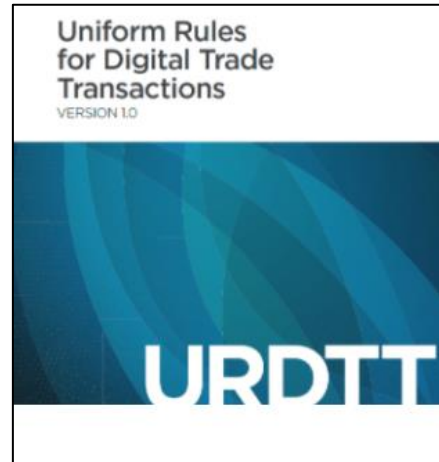


United Nations
UNCITRAL

Model Law on
Electronic Transferable Records
(UNCITRAL MLETR)

Model Law on
Electronic Signatures
(UNCITRAL MLES)

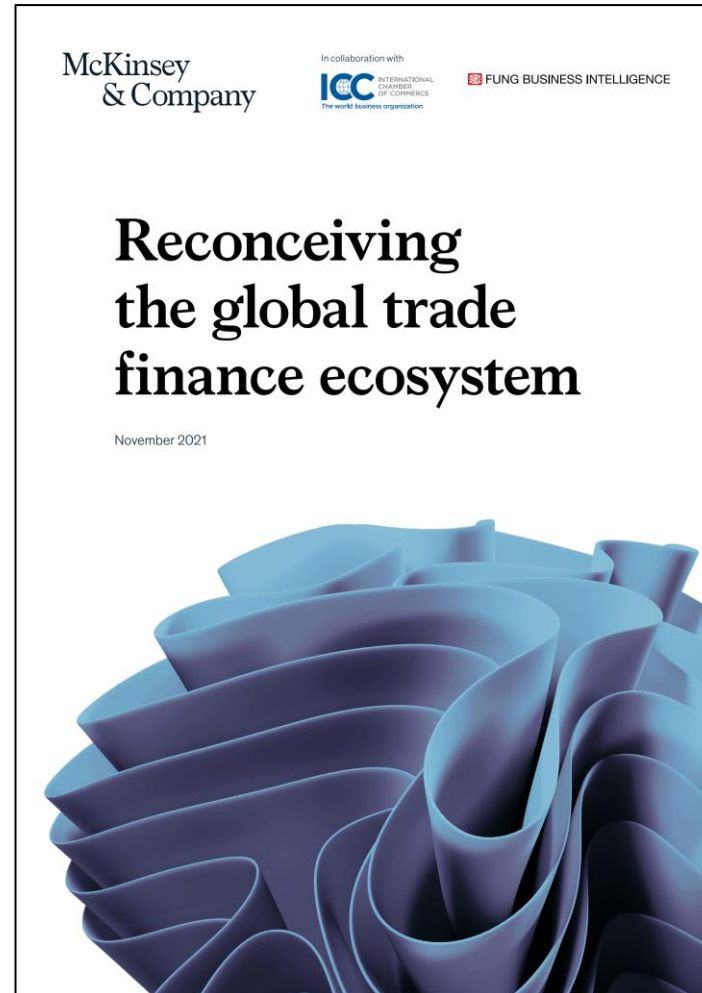
HARMONISE PRIVATE LAWS, RULES AND PRACTICES



Common rulebooks so that
everyone can operate on
similar T&C, obligation and liability.

Simplified and commercialized
best practices for digital workflows

Resources



www.dsi.iccwbo.org