

The ultimate NFT?

Fraudulent paper bills of lading have long plagued the trading, financial and logistic industries. The system of bills of lading dates back at least a few hundred years and has largely been unchanged. However incidences of fraud have continued unabated and a trio of cases in Singapore involving counterfeit and duplicated bills of lading racked up billions of dollars of losses for banks and counterparties in 2020. One possible solution to this problem is by digitization. Following work done by the United Nations Commission on International Trade Law (UNCITRAL) and promoted by the International Chamber of Commerce (ICC), a solution in the form of the UNCITRAL Model Law on Electronic Transferable Records (MLETR) has arisen.

MLETR aims to enable the use of electronic transferable records (ETRs) both domestically and across borders, by recognizing the legal validity of ETRs that are functionally equivalent to their paper-based counterparts. MLETR recognizes the additional requirements which documents transferring ownership and title in goods require and relies on the additional safeguards afforded by distributed ledger technology, thus introducing electronic bills of lading (eBLs). MLETR has been ratified by countries such as Bahrain and Singapore. The G7 and the European Union have also begun steps to implement MLETR in their member countries. Commercial parties such as Maersk, COSCO, HSBC, DBS, Fonterra, Syngenta and Transfigura are all piloting or implementing eBLs.

One favoured protocol to implement eBLs is the ERC-721 protocol, which is also used for a number of NFTs. The eBL is the digitization an already existing commonly used commercial document representing billions of dollars or more of trade annually and solves a longstanding and ever-increasing fraud problem. This is possibly the ultimate NFT.

In the same vein, countries are digitizing their trading systems by setting up single windows that they interface and interoperate with other single windows of other countries in their region to form regional single windows such as the EU Single Window and the ASEAN Single Window where verified parties such as approved traders may submit trade documents digitally to government and other parties. The principles of this structure of walled gardens interconnected and interoperable with other walled garden bears an uncanny resemblance to a metaverse.

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