Hyperledger Trade Finance Special Interest Group Meeting

Join Zoom Meeting

https://zoom.us/j/6223336701?pwd=dkJKdHRlc3dNZEdKR1JYdW40R2pDUT09

20th April 2021

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Trade Finance Special Interest Group

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BLOCKCHAIN TECHNOLOGIES FOR BUSINESS

The Linux Foundation antitrust policy

Linux Foundation meetings involve participation by industry competitors, and it is the intention of the Linux Foundation to conduct all of its activities in accordance with applicable antitrust and competition laws. It is therefore extremely important that attendees adhere to meeting agendas, and be aware of, and not participate in, any activities that are prohibited under applicable US state, federal or foreign antitrust and competition laws.Examples of types of actions that are prohibited at Linux Foundation meetings and in connection with Linux Foundation activities are described in the Linux Foundation Antitrust Policy available at ttp://www.linuxfoundation.org/antitrust-policy. If you have questions about these matters, please contact your company counsel, or if you are a member of the Linux Foundation, feel free to contact Andrew Updegrove of the firm of Gesmer Updegrove LLP, which provides legal counsel to the Linux Foundation.

Hyperledger is committed to creating a safe and welcoming community for all. For more information please visit our Hyperledger Code of Conduct.

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Trade Finance Special Interest Group

Meet the
Hyperledger
Trade Finance
SIG Chair

Chair:
Andrea **Frosinini**

**Independent Trade
Finance Consultant**

Senior Trade Finance
professional with a passion for
innovation. Recently, I joined the
Hyperledger community with the
goal to offer my contribution in
order to modernize the industry
and develop new products by
exploiting blockchain and DLTs.

Expert Panel to be moderated by Andrea Frosinini and Eugenio Reggianini

13th April 2021, 8:30 pm UK Time (9:30pm CET) . 3:30pm SG/HK Time

Meet the Moderator

Eugenio Reggianini
Member of Hyperledger Capital
Markets and Project Lead at
Hyperledger Trade Finance SIG

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20th April 2021, 5:00pm UK Time (6:00pm CET) . 9:30pm IST – Noon US EST – 9am US PST

Paperless promissory notes on DLPC

The future of digital trade finance through Distributed Ledger Technology based solutions.

Where?
https://zoom.us/my/hyperledger.community.backup
(Meeting ID : 6223336701)

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Expert Panel on: "Paperless promissory notes on DLPC."

The future of digital trade finance through Distributed Ledger Technology based solutions.

Whitman Knapp
Chairman GTBInsights LLC

John Taylor
Professor of International Finance and Trade Law, Centre for Commercial Law Studies at Queen Mary University of London

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Expert Panel on: "Paperless promissory notes on DLPC."

The future of digital trade finance through Distributed Ledger Technology based solutions.

Frank Wendt
FQX AG CEO & Chairman

Dr. des. Stephan D. Meyer
Co-Founder & CPO of FQX AG
Advisor & Lecturer in Blockchain & Law

Dr. Philipp von Randow
Co-Founder & General Counsel

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BAFT DLPC WORKING GROUP AND TODAY'S PRESENTERS

- **Whitman E Knapp - Chairman, GTBInsights LLC - Outreach - wknapp@gtbinsights.com**

- **John Taylor - Professor of Law, Centre for Commercial Law Studies, Queen Mary University of London - Legal framework johnchlantaylor@gmail.com**

Where did it come from? Why BAFT developed the DLPC?
A New Financial Asset and Standard for Global Trade

Why BAFT?

BAFT is an international financial services industry association whose membership includes nearly 300 financial institutions and solution providers throughout the global community. As a worldwide forum for analysis, discussion, and advocacy in international financial services, BAFT provides support to members that are active in trade finance and payments globally.

The Problem:

Addressing the digital transformation of trade – an historically paper-based line of business.

BAFT's initiative to meet the problem:

Created a working group in 2016 to analyze and develop solution to the problems posed by the digital transformation of trade.

BAFT's solution – The Distributed Ledger Payment Commitment – DLPC

Documentation published in August 2020:

- Initial Release Version 1.1 BAFT DLPC Best Business Practices
    - Initial Release Version 1.1 BAFT DLPC Best Technical Practices

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BAFT

What is it? The DLPC Technical Framework

1. The Technical Best Practices illustrate the DLPC's flexible application.

2. A DLPC is recorded on a distributed ledger in 13 simple data fields, or codes, that:

- Identify the payment commitment and the parties

  - Link the commitment to an identified transaction

  - Show the status of the transaction

  - Provide rules governing the DLPC

What is it? The DLPC Legal Framework

A Payment Commitment

In Digital Form

For Use in any Trade Finance Transaction

Open Source and Interoperable on any DLT platform

Within a Legal Framework Ensuring that the Commitment, although in Digital Form, is Legally Binding, Enforceable, and is Negotiable

BAFT

What is it? The DLPC Legal Framework

- The whitepaper "Code is Not Law" authored jointly by BAFT, R3, and Shearman & Sterling informed the development of the DLPC.
- DLPC operates within a legal framework that provides a legally binding and enforceable payment obligation and a negotiable instrument.
- In particular, the DLPC is a digital "Note" (an unconditional promise to pay) and it is recommended that the parties choose Delaware law that expressly confers on obligors (and holders i.e. those having control of the Note) the same rights and defenses as if the Note were in writing. If needed, dispute settlement is before Delaware courts.
- Parties to a DLPC are permitted to choose other laws (or fora) to govern the DLPC if they wish but are cautioned to seek legal advice when doing so.

BAFT

BAFT REFERENCE MATERIALS

- **Code Is Not Law: The Legal Background for Trade Finance Using Blockchain**

   https://www.r3.com/wp-content/uploads/2018/09/Code_Is_Not_Law_R3.pdf

- BAFT DLPC Distributed Ledger Payment Commitment **Business Best Practices** Initial Release Version 1.1
   https://www.baft.org/docs/default-source/2020/08/baft-dlpc-business-bps-v1-1.pdf?sfvrsn=5e2b23e1_14

- BAFT DLPC Distributed Ledger Payment Commitment **Technical Best Practices** Initial Release Version 1.1
   https://www.baft.org/docs/default-source/2020/08/baft-dlpc-technical-bps-v1-1.pdf?sfvrsn=5b2b23e1_16

BAFT

Solution? Promissory Note. Established for over two Millennia

Promissory Notes are unconditional promises to pay, highly standardised and the most powerful financial instrument to promote real economic growth:

✓ **Global standardised Legal Framework**

✓ **Payment-, Credit- & Collateral-Instrument**

✓ **High & efficient enforceability**

✓ **Simple, generic and negotiable**
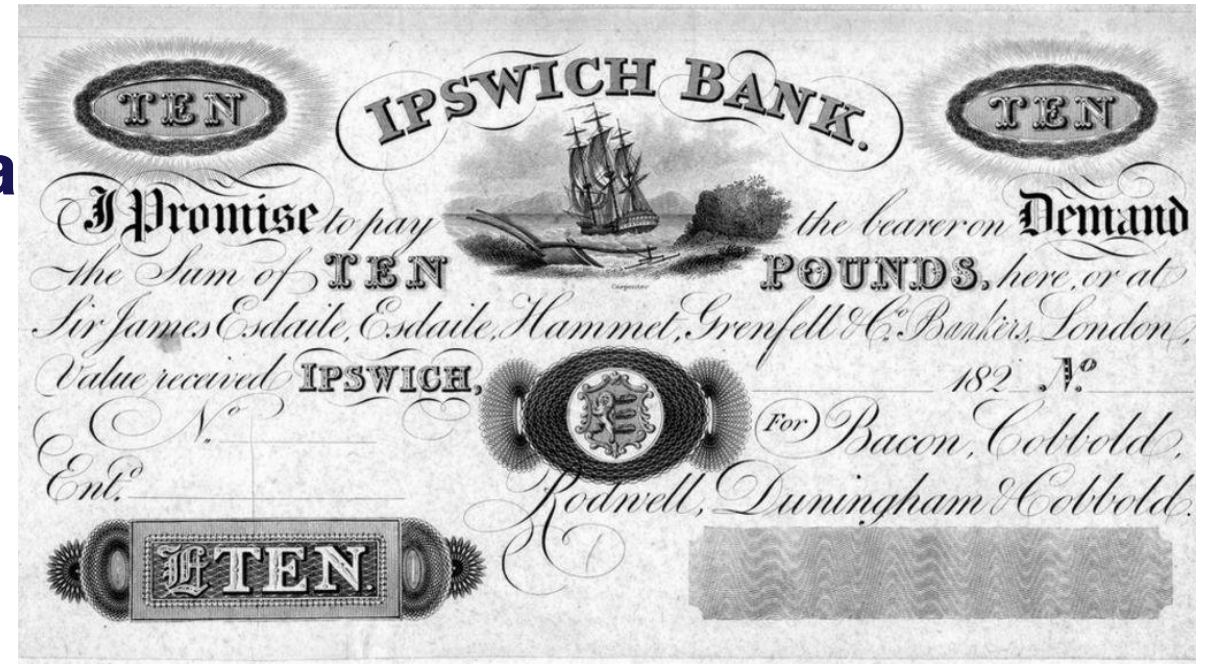
Promissory Note.
Paper-based

Promissory Notes are unconditional promises to pay, highly standardised and the most powerful financial instrument to promote real economic growth.

However, they have required paper-form and a physical signature, which has disqualified them as scalable solution to meet the challenge in Emerging Markets:

✔ **Global standardised Legal Framework**

✔ **Payment-, Credit- & Collateral-Instrument**

✔ **High & efficient enforceability**

✔ **Simple, generic and negotiable**
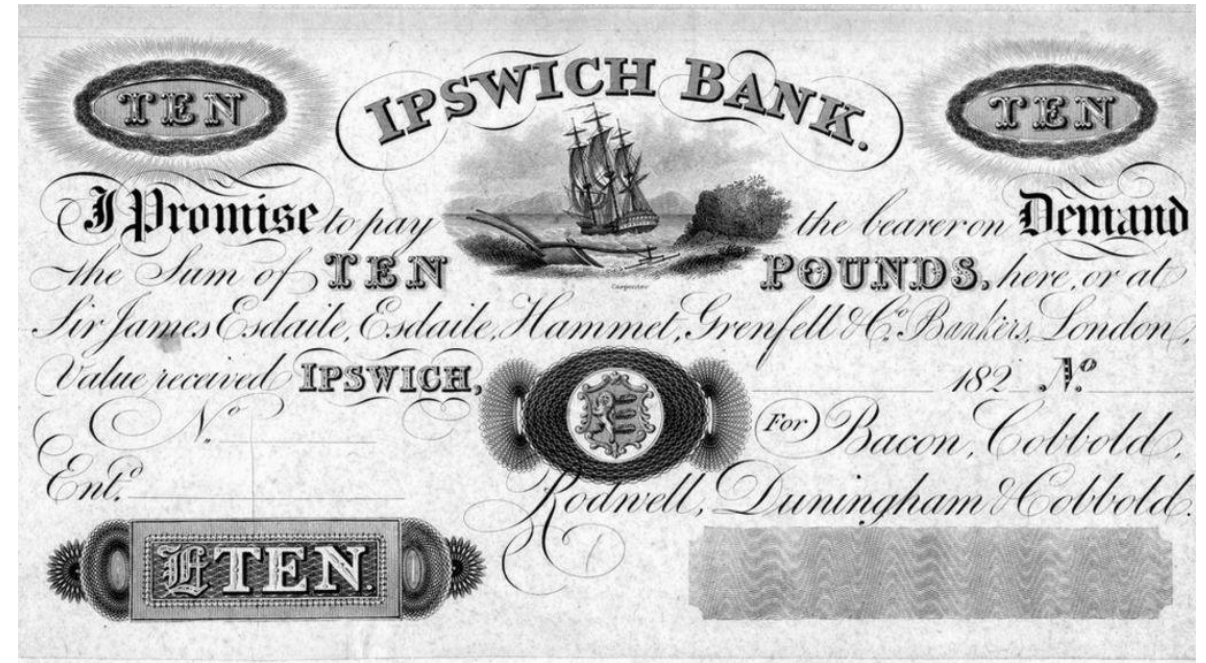
⚡ **Physical requirements: Paper**

⚡ **Physical Hand Signature**

⚡ **Not forgery-proof**

⚡ **Extremely cumbersome**

Solution: eNotes™

Uniquely Combining Law & Tech to Form the Most Powerful Financial Instrument

- ✓ **In line with 13 DLPC data objects**
- ✓ **eNotes stored on a banking-grade (or public permissionless) DLT**
- ✓ **Global enforcement mechanism**
- ✓ **Authentication via Qualified Electronic Signatures**

Arbitration Framework
Enforceability in 165 Countries

Integrated Video Identification
Ensuring compliance & trust

QR-based validity check
Fully qualified

FQX eNI™

The maker of this promissory note
FQX AG

makes commitment to pay to the order of
Axelra AG

on due date
07.09.2020

Current Holder
Sygnum Bank AG

the sum of
CHF 5'000.00
(five thousand swiss francs)

ISIN
CH0538128775

This note and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles.

Date of signature
04.09.2020
04.09.2020

Signature
Stephan Dominik Meyer
Benedikt Schuppli

Verify the FQX eNote by scanning the QR code or visiting
https://fqx.ch/CH0538128775

Verified integrity with blockchain

Electronic Transferable Records Legislation
Delaware State Law, New York State Law, ETA Singapore etc.

Qualified Electronic Signatures (QES)
By Swisscom

Banking-grade DLT
Registered on Swiss Trust Chain of Swisscom & Swiss Post

ISIN number
registered by SIX (CH)

A Modular-Infrastructure: eNote Ecosystem

eNote User Access

Browser Access
Whitelabel Solution available

API

Partner Platforms
Integrating eNotes

Signatures & Identity Verification

swisscom

Qualified Electronic Signature
eIDAS Standard

IDnow.

Video-Identification
AML / eIDAS compliant

ERP Integration

SAP

SAP Integration (Q2)
Compatible with SAP BoE to allow direct access for MNCs

FQX APIs

FQX

0.00.00

FQX eNote™ Application
Banking Grade eNote™ Platform

ISIN Numbers

ANNA

ISIN Numbers
Available in multiple jurisdictions

Reporting / Rating

Corporate Data, Rating & Sanctions Check Information

Fulfilling Regulatory Requirements

Settlement

Integrated Global PSP (Q2)
Real time DvP

SWIFT

Swift Access (Q2/3)
MT-Messages & File-Act

DLT Core

swisscom

DIE POST

Swiss Trust Chain
Banking Grade IBM Hyperledger Fabric DLT

Public Permissionless Blockchains
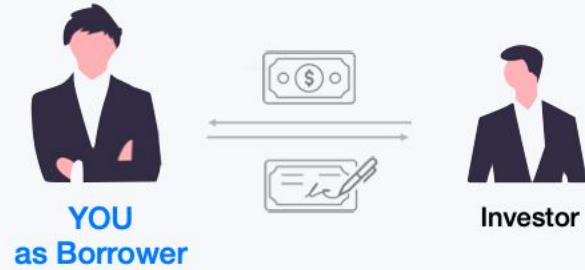Ethereum / others

eNote Enforcement

ICC

ICC Docdex & Arbitration
Digital & trusted procedure

eNote™: Strategic Levers to close the Trade Finance Gap
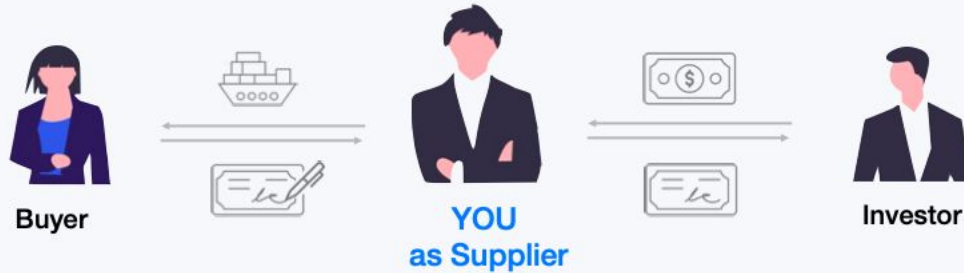
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Money Markets

YOU
as Borrower

Investor

4

Collateralised Loans

2

Sales Finance

Buyer

YOU
as Supplier

Investor

5

Trade Loan

3

Purchase Finance

YOU
as Buyer

Supplier

Investor

6

Collateral

Open for Discussion
The Future of Digital Trade Finance