ICC Global Banking Commission

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Stablecoins and application under ICC rule sets

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Issue

The accelerating development of stablecoins, digital tokens designed to preserve a consistent value, has raised important questions about their compatibility with existing ICC rules such as UCP 600, eUCP 2.1, URDG 758, URC and URDTT. In particular, banks and corporates are considering whether payments under documentary credits, demand guarantees or digital trade transactions could be settled in stablecoin form, and how such arrangements align with both contractual obligations and established rule sets.

Scope

This paper provides clarification on how stablecoin-based settlement mechanisms may interact with ICC trade finance rules. In particular, it considers how parties may agree to incorporate the use of stablecoins into the settlement of transactions governed by the relevant ICC rules, and whether those rules impose any restrictions on such arrangements. The paper is intended to provide greater clarity for market participants considering the use of stablecoins in trade finance settlement, while remaining technology-neutral and consistent with the contractual nature of ICC rules.

Introduction

Stablecoins seek to combine the efficiency of distributed-ledger technology with the reliability of conventional currency. Unlike volatile cryptocurrencies, their value is generally linked to a fiat reference asset, most often the US dollar or euro. The majority are fully backed by reserves held with regulated financial institutions, although some rely on algorithmic mechanisms or diversified asset baskets. The common objective is to maintain price stability and permit instantaneous, borderless transfer of value. Payments to trade counterparties can be executed on a near-instantaneous basis, across borders and outside conventional banking hours.

In the trade finance sphere, where settlement may depend on correspondent banking processes, stablecoins could shorten the value-transfer element of the settlement cycle and potentially

reduce associated operational cost. This does not remove the need for banks to undertake applicable KYC, AML, sanctions or other compliance controls before settlement is authorised. Their programmable nature may also support atomic or delivery-versus-payment (DvP) settlement[1] in transactions where the payment obligation and release of the relevant asset are intended to occur together.

Analysis

Operational context

Stablecoins may be issued either by private institutions or directly by banks under regulatory oversight. A bank-issued token represents a digital liability on its balance sheet and benefits from the institution's prudential safeguards, distinguishing it from unregulated crypto assets. Networks of regulated issuers are now being tested internationally to create secure payment rails for trade transactions.

Application within ICC rule sets

The existing ICC rule sets do not appear inherently to preclude settlement using stablecoins where this has been appropriately agreed between the relevant parties. However, their use raises practical questions concerning how the settlement obligation is expressed, when payment is considered final, and how stablecoin settlement interacts with the particular undertaking or collection involved.

- **UCP 600 (Documentary Credits)**
  UCP 600 does not prescribe the technological mechanism through which settlement must ultimately be effected. Where stablecoin settlement has been agreed, it could therefore potentially be used between the banks involved in the credit or, where appropriate, as the means by which value is transferred to the beneficiary. This raises practical questions that should be addressed when the arrangement is established, including the stablecoin to be used, the agreed method of transfer and the point at which the settlement obligation is regarded as discharged.
- **eUCP Version 2.1 (Electronic Presentations)**
  The eUCP facilitates presentation of electronic records under a documentary credit but does not prescribe the means by which settlement is to occur. Stablecoin settlement could complement an electronic presentation by allowing the value-transfer element also to take place digitally, potentially reducing reliance on conventional correspondent banking settlement processes.
- **URDG 758 (Demand Guarantees)**
  Stablecoins could similarly be used as a means of settling an amount payable following determination of a complying demand. The settlement instructions need not necessarily be incorporated into the guarantee itself and could, depending upon the circumstances, be provided with the demand or otherwise agreed between the beneficiary and guarantor.

[1] **Delivery-versus-payment (DvP) settlement** is an arrangement that links the transfer of an asset to the corresponding payment, so that delivery takes place if, and only if, payment is made.

Stablecoin settlement would not alter the requirements for determining whether a demand complies with the guarantee or the applicable URDG provisions.

- **URC 522 (Collections)**
  Stablecoins could provide an alternative means of settlement within a documentary collection without changing the underlying agency principles of URC 522. Their application would depend upon the collection terms. In a documents-against-payment collection, digital value transfer could potentially be linked to release of the documents. In a documents-against-acceptance collection, however, release occurs against acceptance rather than payment, so any subsequent stablecoin settlement would take place in accordance with the maturity obligation.
- **URDTT (Digital Trade Transactions)**
  The URDTT provides a framework specifically designed for digital trade transactions and therefore offers an obvious environment in which digital forms of value transfer could operate. Stablecoins could provide the settlement leg where this has been agreed between the relevant parties. Depending upon the structure of the transaction, programmable settlement could also link payment to satisfaction of defined conditions, although this does not mean that every transaction will involve simultaneous or atomic settlement.

Electronic trade documents and stablecoin settlement

Stablecoin settlement does not depend upon the use of electronic trade documents. It could equally be used as an agreed settlement mechanism in a transaction involving paper documents.

However, where stablecoins are combined with electronic transferable records, legislative frameworks such as the UK Electronic Trade Documents Act 2023 and the UNCITRAL Model Law on Electronic Transferable Records can support a more fully digital trade process by providing legal recognition for qualifying electronic trade documents.

In an appropriate transaction, this may allow transfer of an electronic bill of lading to be linked automatically with the corresponding payment. Such DvP functionality is most readily understood where payment and transfer are intended to occur together. It should not be assumed to apply in the same manner to deferred-payment structures or documents-against-acceptance collections, where the payment obligation falls due at a later date.

Automation does not remove the need for the relevant electronic records to satisfy the requirements governing the transaction before the programmed settlement event is triggered.

Market outlook and ICC role

Major banks and technology providers are already testing institutional stablecoins for wholesale settlement. As adoption develops, the role for ICC may extend beyond awareness and education. Existing ICC rules may not inherently prevent stablecoin settlement, but greater use is likely to expose questions requiring consistent market practice. These include how a stablecoin settlement obligation should be expressed, when such payment becomes final, and what happens if the specified token or settlement network is unavailable.

Further questions arise where the underlying undertaking is expressed in fiat currency but settlement is effected using a token referenced to that currency. The consequences of de-pegging, conversion costs, or restrictions affecting the relevant digital asset may need to be considered when the transaction is structured rather than after payment has become due.

ICC guidance could help distinguish these settlement questions from the underlying obligations created by UCP 600, eUCP Version 2.2, URDG 758, URC 522 or URDTT. This would support greater consistency without necessarily requiring amendment of the existing rule sets.

Summary

Stablecoins offer a potentially important additional settlement mechanism for trade finance. Nothing within the ICC rule sets considered in this paper appears inherently to preclude their use where the relevant parties have agreed an appropriate settlement arrangement.

Their principal potential lies in the value-transfer process. Stablecoins may permit faster settlement once the conditions for payment have been satisfied and could reduce reliance on conventional correspondent banking settlement channels in appropriate transactions. They do not, however, remove existing compliance obligations or the need to determine that the requirements governing payment have been met.

Their use alongside electronic trade documents creates further possibilities, including programmable/automatic settlement and, where the transaction structure permits, DvP. ETDA and MLETR can support the electronic document element of such transactions but are not prerequisites for stablecoin settlement itself.

The more immediate question for ICC is therefore not necessarily whether its existing rules require amendment, but whether guidance would assist the market in applying them consistently where stablecoins are used. Clarification around settlement finality, the expression of stablecoin payment obligations, and the consequences of disruption or changes in the value or availability of the chosen settlement instrument could provide useful certainty as institutional adoption develops.

Nothing in this paper should be understood as concluding that stablecoins constitute money or legal tender, or that their transfer necessarily results in the valid and final discharge of an underlying payment obligation.

This briefing is educational only.

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