

BAFT - Distributed Ledger Payment Commitment

Brief Presentation to the ICC Legal Committee Meeting

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By

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DLPC

Distributed Ledger Payment
Commitment

What is it?



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

DLPC “Best Practices” Documents

- BAFT has published Technical and Business “Best Practices” for the DLPC at <https://www.baft.org>
- These documents describe the DLPC and illustrate its flexible application. An example of a live transaction using a DLPC is found at point 5 of the following : <https://www.skuchain.com/icf/>
- A DLPC is recorded on a DL 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

DLPC - Legal Framework

- The development of the DLPC was informed by the paper “Code is Not Law” <https://www.r3.com/reports/code-is-not-law-the-legal-background-for-trade-finance-using-blockchain/>
- Therefore the 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 courts) to govern the DLPC if they wish but are cautioned to seek legal advice when doing so.

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