

Book Review

TRADE FINANCE: TECHNOLOGY, INNOVATION AND DOCUMENTARY CREDITS¹

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1 Trade finance is a very niche area of banking and finance law. Christopher Hare and Dora Neo's latest book published in late October 2021, *Trade Finance: Technology, Innovation and Documentary Credits*, is a welcomed addition to the practice area. Published by Oxford University Press, the book focuses on the financing aspect of international trade and the various mechanisms that are used to effect payment pursuant to the terms of the sale contract, whilst visiting orthodox principles in contract law, including formation of contracts, incorporation and implication of terms, and vitiating factors. Documentary letters of credit, as the principal means of financing international sales, are covered extensively in the book.

2 This book is an important addition to the range of banking law practitioner texts in Singapore, including relevant books in the practice area by Poh Chu Chai.² The book has a total of 17 contributors who are leading practitioners and academics, including James Byrne, Sandra Booyesen, Toh Kian Sing, Nelson Enonchong, Alan Davidson and Jane Winn, among others.

3 Part I covers legal and practical challenges to traditional trade finance, with chapters 1 to 7 dedicated primarily to letters of credit and chapter 8 focusing on independent guarantees in international trade. Chapter 3 discusses in detail soft clauses in letters of credit as well as the various treatments of these soft clauses by different jurisdictions, illuminated by various case law examples. Chapter 4 discusses the role of the nominated bank in a letter of credit. Chapter 5 discusses in detail the situation of a complying presentation in a letter of credit transaction,

1 Oxford University Press, 2021.

2 Poh Chu Chai, *Law of Negotiable Instruments* (LexisNexis, 7th Ed, 2014); Poh Chu Chai, *Law of Pledges, Guarantees and Letters of Credit* (LexisNexis, 5th Ed, 2016); Poh Chu Chai, *Banking Law* (LexisNexis, 3rd Ed, 2018).

and includes an appraisal of the current requirements and challenges. Chapter 6 discusses the fraud rule in the law of letters of credit.

4 Part II covers trade finance technology. This is an important topic and chapter 9 is devoted to the electronic bill of exchange and its use in international trade.³ Chapter 10 is equally relevant as it discusses the digitalisation of shipping and insurance documents and the implications for trade finance. Chapter 11 covers the implementation of the UNCITRAL Model Law on Electronic Transferable Records⁴ in trade finance.⁵ Chapter 12 covers one of the most interesting and pertinent discussions in technology, *ie*, whether trade finance will be transformed by blockchain. This is an important area as Singapore recently collaborated with Abu Dhabi to successfully conclude the world's first cross-border digital trade financing pilot.⁶

5 Part III covers alternative and complementary trade finance mechanisms. Chapter 13 discusses the bank payment obligation (“BPO”), chapter 14 focuses predominantly on supply chain financing as an alternative to trade finance, chapter 15 examines innovation in Islamic trade finance and chapter 16 discusses countertrade as finance.

6 The relevant chapters for contract law students, or banking and finance practitioners who would like an applied learning experience while understanding the latest contract law cases in the trade finance practice, are chapters 2, 6 and 7; these discuss trade finance with reference to contract law principles. As this book was published in late 2021, it examines recent contract law cases from major jurisdictions such as the UK, US, China and Singapore from a trade finance perspective.

7 The book also covers letters of credit and bills of exchange and their recent developments, such as in chapter 1 which discusses the Uniform Customs and Practice for Documentary Credits (“UCP”) regime, leading up to the adoption of the UCP 600. Anyone interested in understanding the history of the letter of credit and the UCP regime

3 See for example, the Electronic Transactions (Amendment) Bill (Bill 1 of 2021) passed in Parliament on 1 February 2021 to amend the Electronic Transactions Act 2010 (2020 Rev Ed) to enable the creation and use of electronic bills of lading that are legally equivalent to paper-based bills of lading.

4 A/RES/72/14, adopted by the United Nations General Assembly, 72nd Session (7 December 2017).

5 See also Henry D Gabriel, “The UNCITRAL Model Law on Electronic Transferable Records” (2019) 24(2) *Uniform Law Review* 261.

6 “World’s First Digital Trade Financing Pilot between MLETR-Harmonised Jurisdictions” *Monetary Authority of Singapore* (11 November 2021) <<https://www.mas.gov.sg/news/media-releases/2021/worlds-first-digital-trade-financing-pilot-between-mletr-harmonised-jurisdictions>> (accessed 5 January 2021).

would find Part I of the textbook extremely illuminating, with coverage of case law from major jurisdictions, including a Singapore Court of Appeal decision examining the relationship and obligations between the beneficiary, issuing bank and the nominated bank under the UCP 600.⁷

8 Part II of the textbook provides very important perspectives on how law and technology may reshape the practice of trade finance, and how blockchain technology could impact this area of law, especially in chapters 10 and 12.

9 Part III of the textbook discusses a relatively new payment method, the BPO, and explores in depth whether it would eventually replace the traditional letter of credit. Chapter 13 analyses the BPO and explores the differences between a BPO and a letter of credit. Chapter 14 reviews supply chain financing as an alternative to trade finance.

10 Letters of credit are important instruments in trade finance and permeate trade and shipping activity in Singapore. Given Singapore's status as a major trading and financial hub, local cases on contract and business law sometimes cover these technical areas of trade finance law. Hence, apart from banking and finance law practitioners, this book may also be a good reference point for students seeking foundational knowledge in these concepts, so that they may better understand the case law when approaching trade finance cases for the first time.

11 The authors and the respective contributors are eminent figures in the profession and they should be commended for producing a book which consolidates and provides readers with a quick overview of various trending issues in trade finance. The publication of this book is also timely given the influence of alternative approaches to trade finance, including the impact of technology on the traditional letter of credit. It is a much recommended read for students, practitioners and academics intending to develop an understanding of this practice area for the first time. Even experienced banking professionals would find the book useful as it sheds some light on the pressing issues that may affect trade finance practice in the next half decade or so.

7 *Grains and Industrial Products Trading Pte Ltd v Bank of India* [2016] 3 SLR 1308.