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**Item No. 6 on the agenda: International Interests in Mobile Equipment**

**(d) Appointment of a Supervisory Authority for the MAC Protocol registry**

(prepared by the Secretariat)

<i>Summary</i>	<i>Report on the work of the Ad Hoc Committee established by the Governing Council to consider legal issues regarding the establishment of a Supervisory Authority under the MAC Protocol</i>
<i>Action to be taken</i>	<i>The Governing Council is invited to:</i>  <i>(i) discuss the work of the Ad Hoc Committee;</i>  <i>(ii) decide whether UNIDROIT should undertake the role of Supervisory Authority, or whether it would be preferable to establish a new international entity to undertake the role with UNIDROIT as its Secretariat; and</i>  <i>(iii) make a recommendation to the UNIDROIT General Assembly for consideration at its 82<sup>nd</sup> session in December 2023</i>
<i>Mandate</i>	<i>Work Programmes 2020-2022 and 2023-2025</i>
<i>Priority level</i>	<i>High</i>
<i>Related documents</i>	<a href="#"><u>MACPC/2/Doc. 7</u></a> ; <a href="#"><u>MACPC/2/Doc. 8</u></a> ; <a href="#"><u>MACPC/3/Doc. 2</u></a> ; <a href="#"><u>UNIDROIT 2021 C.D. (100) B.11</u></a> ; <a href="#"><u>UNIDROIT 2021 C.D. (100) B.12</u></a> ; <a href="#"><u>UNIDROIT 2022 C.D. (101) 15</u></a> .

## CONTENTS

<b>I.</b>	<b>INTRODUCTION</b>	<b>3</b>
<b>II.</b>	<b>THE AD HOC COMMITTEE</b>	<b>4</b>
	A. Establishment, composition and meetings	4
	B. Legal issues considered and conclusions	5
<b>III.</b>	<b>COMPARATIVE ASSESSMENT OF OPTION A AND OPTION B</b>	<b>8</b>
	A. Legal considerations	8
	B. Practical considerations	9
	C. Policy considerations	10
	D. Secretariat recommendation	10
<b>IV.</b>	<b>FUTURE STEPS</b>	<b>11</b>
<b>V.</b>	<b>ACTION TO BE TAKEN</b>	<b>11</b>
<b>ANNEXE I</b>	<b>Independent legal advice on matters of public international law regarding the appointment of a Supervisory Authority under the MAC Protocol</b>	<b>13</b>
<b>ANNEXE II</b>	<b>Ad Hoc committee Summary of Conclusions (March 2023)</b>	<b>53</b>
<b>ANNEXE III</b>	<b>Ad Hoc Committee Summary of Conclusions (February 2023)</b>	<b>58</b>
<b>ANNEXE IV</b>	<b>Ad Hoc Committee Summary of Conclusions (December 2023)</b>	<b>64</b>
<b>ANNEXE V</b>	<b>Functions of the Supervisory Authority</b>	<b>68</b>
<b>ANNEXE VI</b>	<b>The ICAO model under the Aircraft Protocol</b>	<b>70</b>
<b>ANNEXE VII</b>	<b>Secretariat Assessment of UNIDROIT’s suitability for the role of Supervisory Authority and structural considerations</b>	<b>72</b>
<b>ANNEXE VIII</b>	<b>Establishing a new entity to perform the role of Supervisory Authority: the Luxembourg Rail Protocol model</b>	<b>76</b>
<b>ANNEXE IX</b>	<b>Financial implications</b>	<b>81</b>

## I. INTRODUCTION

1. At its third session (3-4 June 2021), the MAC Protocol Preparatory Commission invited UNIDROIT to initiate its internal procedures to determine whether the Institute would be willing to accept the role of Supervisory Authority of the International Registry to be established under the MAC Protocol (Supervisory Authority).

2. The Governing Council discussed a range of matters associated with the establishment of a Supervisory Authority at both its 100<sup>th</sup> and 101<sup>st</sup> sessions in 2021<sup>1</sup> and 2022.<sup>2</sup> In particular, the Governing Council discussed whether it would be preferable for UNIDROIT to undertake the role of Supervisory Authority ("**Option A**"), or for a new international entity to be established to undertake the role with UNIDROIT as its Secretariat ("**Option B**"). During these sessions, the Governing Council was unable reach a consensus on this matter. In order to work intersessionally on the matter and to allow the Governing Council to make a decision at its 102<sup>nd</sup> session, the Governing Council decided to establish an ad hoc committee ("**the Committee**"), composed of interested Governing Council Members and public international and treaty law experts, to discuss the unresolved public international law matters.

3. Part I of this document introduces the topic and provides a brief background. Part II provides a summary of the work undertaken and conclusions reached by the Committee. Part III provides the Secretariat's comparative assessment of Options A and B, taking into account legal, practical and policy considerations. Part IV outlines the future steps required to appoint the Supervisory Authority for the MAC Protocol. Part V suggests the action to be taken by the Governing Council. The Annexes contain further analysis on a number of associated topics that are directly related to the discussion. The independent legal advice prepared for and approved by the Committee is available in Annexe I, and the Summaries of Conclusions from the Committee's second, third and fourth sessions are available in Annexes II, III and IV.

4. The majority of the content of Annexes V through IX has been previously provided to the Governing Council during its 100<sup>th</sup> and 101<sup>st</sup> sessions, and should be treated as reference material only. Annexe V sets out the functions of the Supervisory Authority. Annexe VI provides analysis regarding how ICAO discharges its functions as the Supervisory Authority under the Aircraft Protocol. Annexe VII provides the Secretariat's assessment of UNIDROIT's suitability to undertake the role of Supervisory Authority and an analysis of different ways that the Supervisory Authority function could be structured within UNIDROIT's institutional and governance structure. Annexe VIII analyses how a new international entity will be established under the Luxembourg Rail Protocol with a separate Secretariat. Annexe IX provides basic estimates regarding costs.

### Background

5. Over the past five years, the UNIDROIT Secretariat has made strenuous efforts to identify an existing international body willing to undertake the role of Supervisory Authority for the MAC Protocol. While the Aircraft Protocol, Luxembourg Rail Protocol and Space Protocols each apply to one category of equipment, the MAC Protocol applies to three categories of equipment (mining, agricultural and construction equipment). The fact that the MAC Protocol applies to three diverse categories of equipment has made it difficult to identify an appropriate Supervisory Authority, as there seem to exist no international entities that have responsibility for the three sectors (mining, agriculture and construction).

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<sup>1</sup> See [UNIDROIT 2021 – C.D. \(100\) B.24 – Report](#), paras. 160–186.

<sup>2</sup> See [UNIDROIT 2022 – C.D. \(101\) 21 – Report](#), paras. 285–310.

6. Since 2017, UNIDROIT has considered many different candidates for the role of Supervisory Authority,<sup>3</sup> including the World Bank Group’s International Finance Corporation (IFC), the World Trade Organization (WTO), the Multilateral Investment Guarantee Agency (MIGA), the Organisation for Economic Cooperation and Development (OECD), the World Customs Organization (WCO), the International Fund for Agricultural Development (IFAD) and the United Nations Conference on Trade and Development (UNCTAD). It appears that there are no existing appropriate organisations or entities willing to undertake the role of Supervisory Authority.

7. Having exhausted other avenues of inquiry, there appears to be two options left for establishing the Supervisory Authority under the MAC Protocol: (i) appoint UNIDROIT as the Supervisory Authority,<sup>4</sup> or (ii) create a new international entity to perform the role, with UNIDROIT as its Secretariat.<sup>5</sup>

## II. THE AD HOC COMMITTEE

### A. Establishment, composition and meetings

8. As noted in Part I of this document, at its 101<sup>st</sup> session (June 2022), the UNIDROIT Governing Council decided to create an ad hoc committee, composed of interested Governing Council Members and public international and treaty law experts, to discuss the unresolved public international law matters in relation to the appointment of a Supervisory Authority of the International Registry to be established under the MAC Protocol (the “Committee”).

9. In August 2022, the Secretariat wrote to Governing Council Members, inviting nominations for the Committee. Governing Council Members were invited to nominate themselves and/or a public international law expert to participate in the Committee. Based on the nominations received, the Committee included 11 participants, consisting of seven Governing Council Members and four public international law experts:

#### Governing Council Members on the Committee

1. Maria Chiara MALAGUTI (UNIDROIT President, Committee Chair)<sup>6</sup>
2. Stefania BARIATTI (Italy)
3. Hans-Georg BOLLWEG (Germany)
4. Henry GABRIEL (United States)
5. Niklaus MEIER (Switzerland)
6. Kathryn SABO (Canada)
7. Jingxia SHI (People’s Republic of China)

<sup>3</sup> For further information on recent discussions regarding potential candidates, please see documents [MACPC/2/Doc. 7](#) and [MACPC/2/Doc. 8](#).

<sup>4</sup> This situation was regarded as a possibility at the Diplomatic Conference in Pretoria, where UNIDROIT was explicitly discussed as an alternative Supervisory Authority candidate, should other solutions not be feasible. See [UNIDROIT 2019 – DCME-MAC – Doc. 24 rev., paragraph 42](#) and [UNIDROIT 2019 – DCME-MAC – Doc. 41, paragraphs 42-48](#).

<sup>5</sup> Paragraph 28 of UNIDROIT 2021 – MACPC/3/Doc. 6 provides: The Preparatory Commission requested that the Secretariat prepare further analysis on whether a new international body could be established to perform the role of Supervisory Authority with UNIDROIT acting as its Secretariat, as an alternative option if neither UNIDROIT nor any other existing organisation was able to accept the role.

<sup>6</sup> Due to competing commitments, the UNIDROIT President was represented by UNIDROIT Secretary-General Professor Ignacio Tirado.

### Public international law experts on the Committee

8. Miguel ELIZALDE, Professor of *Estudios de Derecho y Ciencias Políticas* and Director of *Máster Universitario en Derechos Humanos, Democracia y Globalización* (nominated by Alfonso-Luís CALVO CARAVACA)
9. Chiara GIORGETTI, Professor of Law, University of Richmond School of Law (nominated by Henry GABRIEL)
10. Anastasios GOURGOURINIS, Assistant Professor of International Law, National and Kapodistrian School of Law, Department of International Studies (nominated by Eugenia DACORONIA)
11. Carmen MOLDOVAN, Associate Professor of Public International Law at the Law Faculty, Alexandru Ioan Cuza University (nominated by Carmen Tamara UNGUREANU)

10. In addition, the Secretariat requested that a treaty law expert prepare independent legal advice on the public international law questions, for discussion by the Committee. The Secretariat requested that Dr Orfeas Chasapis Tassinis (Research Fellow, University of Cambridge) prepare the legal advice, based on a paper and presentation he had delivered at the 11<sup>th</sup> annual Cape Town Convention Academic Conference in September 2022. Dr Chasapis Tassinis's final legal advice is available in Annexe IX to this document.

11. The Committee met for four sessions between November 2022 and April 2023.<sup>7</sup> Each session was held remotely via zoom. At the first session, the Committee decided upon organisational matters and the legal issues which required consideration. At the second and third sessions, the Committee discussed and resolved the legal issues related to UNIDROIT undertaking the role of Supervisory Authority ("Option A"). At the fourth session, the Committee discussed and resolved the legal issues related to a new international entity being established to undertake the role of Supervisory Authority with UNIDROIT as its Secretariat. After the fourth session, Governing Council Members of the Committee met one final time to discuss other issues associated with the appointment of a Supervisory Authority. Conclusion documents for the Committee's second, third and fourth sessions are available in Annexes II, III, and IV to this document.

### **B. Legal issues considered and conclusions**

12. The Committee considered eight legal questions associated with the appointment of a Supervisory Authority.<sup>8</sup> For each legal question, the Committee discussed the independent legal advice prepared by Dr Chasapis Tassinis, provided comments and ultimately decided on whether the Committee supported the legal advice's conclusions.

13. The below table summarises the questions considered by the Committee, the legal advice conclusion on each question and the Committee's decision in relation to each question. The Committee *adopted the conclusions of the independent legal advice for all eight questions*. For seven of the eight questions, the Committee unanimously adopted the legal advice. Regarding Question 5

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<sup>7</sup> The five sessions were held on 4 November 2022, 16 December 2022, 7 February 2023, 21 March 2023 and 6 April 2023.

<sup>8</sup> The Committee decided upon the legal questions at its first session; however, the exact scope and wording of the legal questions evolved throughout the Committee's discussions. The legal questions listed in this document reflect the nine finalised legal questions addressed in the independent legal advice contained in Annexe I to this document.

(whether the UNIDROIT Statute needs to be amended to allow UNIDROIT to accept the role of Supervisory Authority), the Committee adopted the legal advice by a split vote of 9 for and 2 against.<sup>9</sup>

	<b>Legal Question</b>	<b>Independent legal advice</b>	<b>Committee decision</b>
1	Would there be any conflict under public international law created by UNIDROIT undertaking both the role of Supervisory Authority and Depositary under the MAC Protocol?	No conflict under public international law would arise if UNIDROIT undertook both the role of the Supervisory Authority and the Depositary under the MAC Protocol. In performing its role as the Depositary, UNIDROIT should be mindful of the general duties of depositaries under customary international law, as these are reflected in Article 76(3) of the VCLT.	Unanimous adoption of the legal advice.
2	Would UNIDROIT'S immunities (deriving from its Statute and Headquarters Agreement) sufficiently ensure that UNIDROIT would enjoy the same level of immunity in relation to the exercise of its functions as Supervisory Authority?	UNIDROIT would continue to enjoy the same level of protection under its Headquarters Agreement in terms of privileges and immunities in relation to the exercise of its functions as Supervisory Authority. Governing Council Members and their delegates, General Assembly representatives, and Secretariat officers would continue to enjoy the same level of protection under UNIDROIT'S Headquarters Agreement when performing the Supervisory Authority functions.	Unanimous adoption of the legal advice.
3	Could any individuals undertaking Supervisory Authority functions as part of UNIDROIT'S organs (Governing Council Members, General Assembly representatives or Secretariat members) incur personal liability in relation to the exercising of the Supervisory Authority functions?	In terms of their liability under national and international law, the legal position of Governing Council Members, General Assembly representatives, and the Secretariat officers who perform the Supervisory Authority functions is the same as that for performing any other function of the organisation. In practice, the associated legal risk is very low and could be mitigated to almost non-existent through the careful drafting of the relevant legal documents.	Unanimous adoption of the legal advice.
4	Does the UNIDROIT Statute impose any internal limitations on how UNIDROIT'S organs could discharge the Supervisory Authority functions?	UNIDROIT'S Statute does not pose any specific limitations on how its organs could discharge the Supervisory Authority functions other than those general stipulations that normally apply to the undertaking and performing of any function by the organisation.	Unanimous adoption of the legal advice.
5	Would the UNIDROIT Statute need to be amended to allow UNIDROIT to accept the	An interpretation of the Statute according to well-established international law rules on treaty interpretation shows that assuming the role of the Supervisory Authority would fall within the organisation'S mandate provided certain conditions are met. Accordingly, UNIDROIT'S Statute	Adoption of the legal advice with 9 voting in

<sup>9</sup> The four public international law experts appointed by Governing Council members and five of the participating Governing Council members supported the legal advice'S conclusion. Two Governing Council members expressed reservations and did not support the legal advice'S conclusion.

	role of Supervisory Authority?	would not need to be amended so as to allow the organisation to accept the role of the Supervisory Authority.	favour, 2 against.
6	If a new international organisation with separate legal personality is created along the lines of Article XII of the Rail Protocol, would States need to consent (separately from their ratification of the MAC Protocol) to become members of that new entity?	States are free to establish a new international organisation to perform the functions of the Supervisory Authority under the MAC Protocol. At the same time, neither the MAC Protocol nor general international law requires that state parties must also become members to the Supervisory Authority for that to be able to perform its role under the treaty. Moreover, if a new organisation is indeed established following article XIV(1) of the MAC Protocol, no separate consent by the state parties would be necessary for that organisation to be able to perform the role of the Supervisory Authority; instead all that would be necessary in that case would be state consent to the MAC Protocol itself. Notwithstanding the conclusion that the MAC Protocol does not pose a requirement of membership to the new organisation, states would still need to consent separately in order to become members of that entity, should they so desire, or should the statute of that new organisation require them to do so.	Unanimous adoption of the legal advice.
7	Would UNIDROIT'S immunities (deriving from its Statute and Headquarters Agreement) ensure that a new international entity with separate legal personality created to perform the role of Supervisory Authority would enjoy the same level of immunity in relation to the exercise of its functions as Supervisory Authority?	UNIDROIT'S immunities would not ensure that a new international entity with separate legal personality created to perform the role of Supervisory Authority enjoys the same level of immunity in relation to the exercise of its functions as Supervisory Authority. If UNIDROIT decided to perform the role of the Secretariat for that new international entity, careful attention should be paid to drafting the relevant legal documents so as to ensure that UNIDROIT organs and officials involved in performing these functions continue to be covered by the existing UNIDROIT Headquarters Agreement.	Unanimous adoption of the legal advice.
8	Would the UNIDROIT Statute need to be amended to allow for UNIDROIT to perform the role of Secretariat for a new international entity with separate legal personality created to perform the role of Supervisory Authority?	An interpretation of the Statute according to well-established international law rules on treaty interpretation shows that assuming the role of the Secretariat for the new entity that will perform the role of the Supervisory Authority would fall within the organisation's mandate. Accordingly, UNIDROIT'S Statute would not need to be amended so as to allow the organisation to accept the role of the Secretariat for the new Supervisory Authority.	Unanimous adoption of the legal advice.

### III. COMPARATIVE ASSESSMENT OF OPTION A AND OPTION B

14. This section provides the Secretariat's comparative assessment of Option A and Option B, taking into account legal, practical and policy considerations.

#### A. Legal considerations

15. Both the independent legal advice and Committee found that there are no insurmountable legal barriers under public international law regarding Option A or Option B. As such, both Options A and B should be considered as legally viable. However, there are some legal differences between the two models. The below table sets out some of the key similarities and differences on legal matters:

	<b>Legal Question</b>	<b>Option A</b>	<b>Option B</b>
1	Does the MAC Protocol allow for this Option without the need for amendment?	Yes	Yes
2	Does the UNIDROIT Statute allow for this Option without the need for amendment?	Yes <sup>10</sup>	Yes
3	Would UNIDROIT be able to undertake both the Depositary role and this Option?	Yes	Yes <sup>11</sup>
4	Would UNIDROIT's privileges and immunities apply to this Option?	Yes	No <sup>12</sup>
5	Would UNIDROIT's existing protections against personal liability for individuals undertaking Supervisory Authority functions (Secretariat, Governing Council Members) apply under this Option?	Yes	Possibly <sup>13</sup>
6	Would a State ratifying the MAC Protocol automatically adhere to this Option, without the need for separate consent?	Yes	Possibly for UNIDROIT officials, probably not for other individuals <sup>14</sup>

<sup>10</sup> As noted above, while the majority of the Committee agreed with the legal advice's conclusion that the UNIDROIT Statute would not need to be amended in order for UNIDROIT to undertake the Supervisory Authority role, two members of the Committee did not support this conclusion.

<sup>11</sup> The Committee did not expressly consider this question. However, given that the Committee concluded that "no conflict under public international law would arise if UNIDROIT undertook both the role of the Supervisory Authority and the Depositary under the MAC Protocol" (Question 1), it would seem very unlikely that a conflict under public international law would arise if UNIDROIT undertook both (i) the role of Secretariat of a new entity established to perform the role of Supervisory Authority, and (ii) the Depositary under the MAC Protocol.

<sup>12</sup> See the legal advice conclusion regarding Question 7: "UNIDROIT's immunities would not ensure that a new international entity with separate legal personality created to perform the role of Supervisory Authority enjoys the same level of immunity in relation to the exercise of its functions as Supervisory Authority". As a new international entity would be created under Option B, it would likely be necessary to conclude a separate privileges and immunities agreement with the Italian Government if the entity were to be based in Rome with UNIDROIT as its Secretariat.

<sup>13</sup> See the legal advice conclusion regarding Question 7: "If UNIDROIT decided to perform the role of the Secretariat for that new international entity, careful attention should be paid to drafting the relevant legal documents so as to ensure that UNIDROIT organs and officials involved in performing these functions continue to be covered by the existing UNIDROIT Headquarters Agreement."

<sup>14</sup> See the legal advice conclusion regarding Question 6: "...if a new organisation is indeed established following article XIV(1) of the MAC Protocol, no separate consent by the state parties would be necessary for that organisation to be able to perform the role of the Supervisory Authority; instead all that would be necessary in



## B. Practical considerations

16. Assuming that a new international entity to perform the role of Supervisory Authority would be established and operate in a similar way to what is anticipated under the Luxembourg Rail Protocol, pragmatically Options A and B would function quite similarly. However, there will be differences in relation to administrative burden and cost implications between the two Options.

(i) **Domicile (no difference):** Under both Option A and Option B, the Supervisory Authority would be established and domiciled at UNIDROIT's headquarters in Rome, Italy. The Supervisory Authority would likely meet once per year in Rome and be supported by a Commission of Experts.

(ii) **Establishment process (supports Option A):** There would be a longer and more complex establishment process and consequently a higher establishment cost under Option B. The Secretariat would have to support the MAC Protocol Preparatory Commission to establish a process for the creation of a new international entity, ensuring international consensus, preparing and approving a Statute and draft Procedures for the new international entity to perform the role of Supervisory Authority and negotiate immunities and privileges with the Italian Government. The Supervisory Authority and Secretariat would also have to prepare an agreement providing further detail on the relationship between the two entities. Under Option A, the Secretariat would need to determine and formalise how the Supervisory Authority functions would be discharged within UNIDROIT's existing governance structure, including possibly the establishment of new subgroups (as created by the Governing Council or General Assembly).

(iii) **Operation and administrative burden (supports Option A, temporarily):** Under both Option and Option B, the UNIDROIT Secretariat would be responsible for all administrative and operational aspects of the Supervisory Authority and the Commission of Experts, including hosting meetings of the Supervisory Authority as well as the meetings of any subsidiary bodies that may be created, the issuance of notices of meetings, agendas, and the preparation and dissemination of documents for, and resulting from, such meetings, as well as serving as the point of contact, vis-a-vis third parties, for the Supervisory Authority and the Commission of Experts. There would be a higher ongoing administrative burden under Option B, as the Secretariat would need to establish entirely new processes to support the operation of the new international entity. Under Option A, the administrative burden on the Secretariat would be lower, as Supervisory Authority functions would be integrated into existing processes and procedures for UNIDROIT organs. The administrative burden under both Option A and Option B would likely decrease over time as the Secretariat staff would become more efficient in undertaking the new functions.

(iv) **Costs (potentially no difference):** Under Option A, UNIDROIT would be reimbursed for its costs as the Supervisory Authority. Under Option B, UNIDROIT would be reimbursed for its costs as the Secretariat to a separate international entity. Given the higher administrative burden of Option B, the costs of Option B are likely to be slightly higher. However, this advantage for Option A should not be overstated, as full reimbursement of costs is a precondition for UNIDROIT to perform a role under either model. As such, neither option creates any budgetary issues for UNIDROIT.

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*that case would be state consent to the MAC Protocol itself. Notwithstanding the conclusion that the MAC Protocol does not pose a requirement of membership to the new organisation, states would still need to consent separately in order to become members of that entity, should they so desire, or should the statute of that new organisation require them to do so." As such, assuming that the new international entity would need at least some members, separate consent would be required for ratifying States to become members.*

### C. Policy considerations

17. As both Option A and Option B do not face any insurmountable legal or practical barriers, ultimately the decision as to the preferable Option might be based on policy and political considerations. There are various different policy and political considerations that Governing Council Members and UNIDROIT Member States might take into account.

18. The following policy considerations have arisen during discussions with Governing Council representatives over the past three years:

(i) **Expansion of UNIDROIT mandate (could potentially support Option B):** While the legal basis under the UNIDROIT Statute for Option A has been clarified, some UNIDROIT Member States might have a policy preference for a new international entity to be created to perform the role (Option B), on the basis that allowing UNIDROIT to perform the role would constitute “mission creep”. From the UNIDROIT Secretariat’s perspective, Option A would be consistent with UNIDROIT’s responsibility to implement its instruments, and Option A and Option B would not be significantly different in their day-to-day operation. As such, the Secretariat would not consider Option A or Option B to be an unreasonable expansion of its mandate. However, Member States might reasonably take a different view.

(ii) **Reputational risk (supports Option B):** Under Option A, there would be higher reputational risk for UNIDROIT. If UNIDROIT was to become the Supervisory Authority under Option A and had to make a challenging or controversial decision in discharging its functions (for example, deciding not to reappoint the Registrar on the basis of poor performance, or approving a large change in the registry fees), any political fallout from such a decision could have an impact on UNIDROIT. This reputational risk would be considerably lessened if a new international entity were established to undertake the role of Supervisory Authority under Option B. In weighing this consideration, it should be noted that the role of Supervisory Authority is largely administrative and the likelihood of the Supervisory Authority having to undertake a significant controversial or politically sensitive issue is low.

(iii) **Structural flexibility (supports Option B):** Of the two options, Option B would provide more structural flexibility, as the new international entity could be designed specifically to perform the Supervisory Authority functions, whereas under Option A, the Supervisory Authority functions would need to be incorporated into the UNIDROIT institutional and governance structure. While Option B would provide more flexibility, this advantage should not be overstated, as UNIDROIT has a significant degree of flexibility in its governance structure and operation and there are several different structural models that UNIDROIT could implement to discharge the Supervisory Authority functions (involving the Governing Council, General Assembly and/or the creation of new subgroups by either organ).

(iv) **Necessity (supports Option A):** As explained in the Annexes, the rationale for establishing a new international entity to perform the role of Supervisory Authority with a separate Secretariat is somewhat unique to the circumstances of the Luxembourg Rail Protocol. These same circumstances (where an existing intergovernmental organisation is willing to undertake the role of Supervisory Authority but does not have the requisite geographical representation in its membership to perform the role) do not exist for the MAC Protocol.

### D. Secretariat recommendation

19. The UNIDROIT Secretariat considers both Option A and Option B as viable options. In the Secretariat’s view, there are no unsurmountable legal, practical or policy considerations that would prevent the Secretariat from delivering either option. Pragmatically, it is likely that both options

would have reasonably similar consequences for the Institute in terms of staffing and organisation. As such, the Secretariat has no fundamental interest in either Option A or Option B.

20. Taking into account the legal, practical and policy considerations above, the Secretariat remains of the view that Option A would be slightly preferable to Option B. In reaching this conclusion, the Secretariat considers that Option A could provide more legal certainty, might be simpler and more cost effective to establish and operate, and would avoid the need to undertake a complex process to establish a new international entity. The Secretariat recognises that there are certain policy benefits that favour Option B, and acknowledges that three members of the Committee thought it had a possibly lower likelihood of a need to amend the Statute, but considers the legal and practical benefits of Option A to possibly outweigh these potential policy benefits. However, this is ultimately an issue for the Governing Council and the General Assembly, and, obviously, the Secretariat will faithfully execute whichever option is selected.

#### **IV. FUTURE STEPS**

21. Regardless of whether Option A or Option B is chosen, there is a four-stage process for the Supervisory Authority to begin operation:

(i) Stage one – selection of Supervisory Authority (2023): The Governing Council (at its 102<sup>nd</sup> session in May 2023) and the General Assembly (at its 82<sup>nd</sup> session in December 2023) decide whether it would be preferable for UNIDROIT to become the Supervisory Authority under Option A, or for UNIDROIT to become the Secretariat for a new international entity under Option B.

(ii) Stage two – formal appointment of Supervisory Authority (2024): Once UNIDROIT has decided upon the preferable approach, the matter will revert to the Preparatory Commission. The Preparatory Commission will then decide to formally appoint a Supervisory Authority (either UNIDROIT, or a new international entity with UNIDROIT as its Secretariat).

(iii) Stage three – organisation of Supervisory Authority (2024-2025): Once a Supervisory Authority has been formally appointed by the Preparatory Commission, the Secretariat will begin preparing the relevant instruments, documentation and processes for the operation of the Supervisory Authority. If UNIDROIT is appointed under Option A, this process will be undertaken under the supervision of the Governing Council and should take approximately 12 months. If a new entity is created under Option B, this process will be undertaken under the supervision of the Preparatory Commission and should take approximately 24 months.

(iv) Stage four – Supervisory Authority becomes operational (2025 – 2027): The Supervisory Authority will become operational once the MAC Protocol enters into force. It is anticipated that the Registry will be operational by 2025, so this would be the earliest possible time that the MAC Protocol could enter into force (noting that five ratifications are still required for entry into force). In the meantime, the Preparatory Commission will continue to act as the provisional Supervisory Authority until the entry into force of the MAC Protocol.

#### **V. ACTION TO BE TAKEN**

22. As this session is the fifth and final year of the current Governing Council's mandate, it would appear prudent for the Governing Council to make a decision on whether Option A or Option B should be adopted.

23. The Secretariat suggests that the Governing Council could consider making a decision on the preferable option subject to two caveats:

(i) UNIDROIT must be fully compensated for its role (as either Supervisory Authority, or Secretariat of a new entity established to perform the role of Supervisory Authority), and UNIDROIT is not in a position to use any funding from its regular budget to undertake the role.

(ii) If Option A is chosen, the Governing Council could retain the power to further decide upon UNIDROIT organisational and administrative arrangements at its 83<sup>rd</sup> session in 2024.<sup>15</sup>

24. *The Governing Council is invited to:*

(i) *discuss the work and conclusions reached by the Ad Hoc Committee;*

(ii) *decide whether UNIDROIT should undertake the role of Supervisory Authority, or whether it would be preferable to establish a new international entity to undertake the role with UNIDROIT as its Secretariat; and*

(iii) *make a recommendation to the UNIDROIT General Assembly for consideration at its 82<sup>nd</sup> session in December 2023.*

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<sup>15</sup> This would include how the Supervisory Authority functions would be structured within UNIDROIT's institutional and governance structure and further details regarding costs. If Option B is chosen, this would be unnecessary as such matters would be the responsibility of the MAC Preparatory Commission.

**ANNEXE I**

**INDEPENDENT LEGAL ADVICE ON MATTERS OF PUBLIC INTERNATIONAL LAW  
REGARDING THE APPOINTMENT OF A SUPERVISORY AUTHORITY UNDER THE  
MAC PROTOCOL**

Orfeas Chasapis Tassinis  
West Road 3  
Cambridge, CB3 9DS  
UK

UNIDROIT  
Via Panisperna 28  
00184 Rome IT  
Italy

3 April 2023

Dear Secretary-General,

Please find below my legal advice on matters of public international law, as discussed with the ad hoc Committee regarding the appointment of a Supervisory Authority under the MAC Protocol and for the consideration of the Governing Council.

Sincerely,

Dr Orfeas Chasapis Tassinis

## **Questions related to UNIDROIT undertaking the role of Supervisory Authority**

### **1. Would there be any conflict under public international law created by UNIDROIT undertaking both the role of Supervisory Authority and Depositary under the MAC Protocol?**

1.1. The first question asks whether a conflict would arise under public international law if UNIDROIT assumed both the role of Supervisory Authority and Depositary under the MAC Protocol.

1.2. The primary instrument of public international law that should be consulted in that regard is the MAC Protocol itself. The Protocol contains numerous provisions describing the roles of Depositary and Supervisory Authority, as well as the interactions between the two. The question thus becomes whether a conflict would arise under this treaty if both of these roles were performed by the same institution, namely UNIDROIT.

1.3. For a conflict to arise between two or more provisions of the same treaty, these must, when '[t]aken together, ... amount to a contradiction which could only be resolved by a judicial decision giving preference to one or to the other set of provisions'.<sup>16</sup> Nevertheless, such a conflict does not exist if it turns out that 'upon examination, there was no inconsistency', or if 'any apparent inconsistency could ... be resolved by reference to other provisions of the treaty'.<sup>17</sup> In other words, a conflict between provisions originating in the same treaty can be deemed to exist only if all other avenues for reconciling the meaning of its provisions has been exhausted.

1.4. Nevertheless, the question posed asks whether there would be any conflict 'under public international law' and not just the MAC Protocol. Public international law includes in this case customary international law on the functions of depositaries, as reflected in Art 76(2) of the Vienna Convention on the Law of Treaties of 1969 ('VCLT'). According to this Article, '[t]he functions of the depositary of a treaty are international in character and the depositary is under an obligation to act impartially in their performance.' Although UNIDROIT is not itself a party to the 1969 convention, the rule still applies to it as customary international law.<sup>18</sup>

1.5. A conflict between assuming the role of the Supervisory Authority under the MAC Protocol and duty under customary international law to act impartially in performing the duties of the depositary would exist only if it was impossible for UNIDROIT to simultaneously comply with its obligation under both sources.<sup>19</sup> Regardless of the existence of such a conflict, the duties of the depositary under customary international law also form part of the 'relevant rules of international law applicable in the relations between the parties'. Thus, they should also be taken into account when interpreting the respective provisions of the MAC Protocol, as Article 31(3)(c) of the VCLT provides.<sup>20</sup>

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<sup>16</sup> Herch Lauterpacht, 'Restrictive Interpretation and the Principle of Effectiveness in the Interpretation of Treaties' (1949) 26 BYIL 48, 81.

<sup>17</sup> Ibid, id.

<sup>18</sup> The customary nature of the norm reflected in that provision is generally recognized in international legal scholarship. See eg: Mark E. Villinger, *Commentary on the 1969 Vienna Convention on the Law of Treaties* (Brill 2009) 921 et seq; Lucius Caflisch 'Article 76' in O Corten and P Klein (eds) *The Vienna Convention on the Law of Treaties: A Commentary*, Vol II (OUP 2011) 1705.

<sup>19</sup> For classic definitions of conflicts of norms in that sense see Wilfred Jenks, 'The Conflict of Law-Making Treaties', (1953) 30 BYIL 401, 426. See also WTO Panel Report, *Indonesia—Certain Measures Affecting the Automobile Industry*, WT/DS54/R, WT/DS59/R, WT/DS64/R, adopted on 23 July 1998, at note 649.

<sup>20</sup> VCLT 1969 Article 31 also reflects customary international law and is applicable as such when interpreting the MAC Protocol. On the customary law status of Article 31, see, indicatively, *Arbitral Award of 31 July 1989 (Guinea-Bissau v. Senegal)*, [1991] ICJ Rep 70; *Oil Platforms (Preliminary Objections) (Islamic Republic of Iran v. United States of America)* [1996] ICJ Rep 812.

1.6. As drafted, the MAC Protocol provides for the functioning of both the Depositary and the Supervisory Authority. Article XXXVII of the Protocol describes the principal functions of the Depositary, whereas Article XIV those of the Supervisory Authority. The Protocol further provides that the Depositary and the Supervisory Authority are called upon to interact with each other in certain cases and describes the nature of those interactions.

1.7. There are seven possible instances of interaction provided in the Protocol: six direct and one indirect. All six direct forms of interaction involve some form of communication between Supervisory Authority and Depositary:

a. Article XXV(1)(b) provides that the Supervisory Authority 'shall deposit with the Depositary a certificate confirming that the International Registry is fully operational.'

b. Article XXXIV(1) provides that the Depositary 'shall, in consultation with the Supervisory Authority, prepare reports for the States Parties as to the manner in which the international regime established in the Cape Town Convention as amended by the MAC Protocol operates in practice. In preparing such reports, the Depositary shall take into account the reports of the Supervisory Authority concerning the functioning of the international registration system.'

c. Article XXXIV(2) provides that 'at the request of not less than twenty-five per cent of the States Parties, Review Conferences of the States Parties shall be convened from time to time by the Depositary, in consultation with the Supervisory Authority.'

d. Article XXXV provides that 'upon the acceptance of a Harmonized System revision, the Depositary shall consult the World Customs Organization and the Supervisory Authority in relation to any Harmonized System codes listed in the Annexes that might be affected by the revision.'

e. Article XXXVII(2)(c) provides that the Depositary 'shall provide the Supervisory Authority and the Registrar with a copy of each instrument of ratification, acceptance, approval or accession, together with the date of deposit thereof, of each declaration or withdrawal or amendment of a declaration and of each notification of denunciation, together with the date of notification thereof, so that the information contained therein is easily and fully available and assist in the performance of any related duties to ensure the proper operation of the Registry.'

f. Article XXXVII(2)(d) provides that the Depositary 'shall inform the Supervisory Authority and the Registrar of any pending processes under Article XXXV or Article XXXVI and of the outcomes of any such processes.'

1.8. These direct forms of interaction are supplemented by an indirect one, namely the Supervisory Authority's responsibility to set the fees for the International Registry. According to Article XVIII(2)(b), these fees will be set so as to recover, among other things, 'the reasonable costs of the Depositary associated with the performance of the functions, exercise of the powers and discharge of the duties'. In other words, part of the proceeds from the fees charged for using the International Registry will be go towards covering the costs of the Depositary.

1.9. A faithful interpretation of the MAC Protocol should follow the customary rules for the interpretation of international treaties enshrined in Articles 31 and 32 of the VCLT. Such an interpretation reveals that there is no irreconcilable conflict exists under the protocol itself.

1.10. The direct forms of interaction between the Supervisory Authority and the Depositary fall into two broad categories: information sharing and consultation. The rationale of these provisions, seen against the light of the treaty's object and purpose as a whole, indicates that these functions are meant to be complementary rather than competitive in nature. This is not the case where a legislator



intervenes to ensure the separation of powers so as to protect a public good from a potential abuse of power. For instance, this would be the case when the legislator asks the police to produce a warrant signed by a judge before conducting a house search. Nevertheless, what is envisaged in the MAC Protocol seems different. This is the case where two roles that encompass different functions need to communicate on certain occasions so as to ensure the smooth running of both, with the object of offering the best possible service to all those concerned. In other words, the reasoning behind the interaction between the Supervisory Authority and the Depositary is an effort to mitigate the effects of a potential separation.

1.11. A case in point are the duties of supplying information. Article XXV(1)(b) provides that the Supervisory Authority will notify the Depositary when the International Registry is fully operational. Moreover, Article XXXVII(2)(c) provides that the Depositary shall provide the Supervisory Authority a copy of each instrument of ratification, acceptance, approval or accession, along with the relevant details. Finally, XXXVII(2)(d) provides that the Depositary shall inform the Supervisory Authority and the Registrar of any pending processes under Article XXXV or Article XXXVI and of the outcomes of any such processes. The purpose of these provisions is to bridge any gap that might exist between these two roles so as to ensure the smooth implementation of the Protocol, not create a chasm where none would exist.

1.12. A similar rationale seems to animate the duties of consultation that the Protocol provides for. The goal in these cases is to enlist the expertise of the Supervisory Authority wherever that may be relevant for the Protocol's application in practice. Thus the Supervisory Authority must be consulted when preparing yearly reports on how the Protocol operates in practice (Article XXXIV(1)); when convening a Review Conference (Article XXXIV(2)); or when revisions to any Harmonized System codes are accepted (Article XXXV). The Depositary must also 'take into account' the reports of the Supervisory Authority concerning the international registration system when preparing its yearly reports on the operation of the Protocol (Article XXXIV(1)).

1.13. The logic of interaction here is that the Depositary should make informed decisions on these matters, and to that end, consult the Supervisory Authority in areas of its expertise. What needs to be preserved in all those instances is the actual flow of views from the enlisted expertise of the Supervisory Authority towards the entity responsible for performing the functions of the depositary, regardless of whether these two roles happen to coincide under the same organizational roof or not. This also means that the obligation to consult the relevant experts persists, even if it has to be carried out within the confines of a single organization that has assumed both roles.

1.14. Practically, this means that, should UNIDROIT perform both functions, it would still need to formally adhere to the rules concerning the interaction between the Depositary and the Supervisory Authority. This might require the Secretariat member(s) responsible for the Depositary contacting the Secretariat member(s) responsible for the Supervisory Authority, and vice versa. For example, under Article XXXIV, the Depositary would still need to consult with the Supervisory Authority in preparing its yearly reports (Article XXXIV(1)), or in the convening of a Review Conference of the state-parties (Article XXXIV(2)). In those cases, the Secretariat member(s) responsible for the Depositary should consult with the Secretariat member(s), or other organs, responsible for carrying out the respective Supervisory Authority functions.

1.15. A possible objection to the account advanced so far is that it goes against the intentions of the parties to the Protocol, these intentions being inferred from the fact the two roles are mentioned as distinct in the Protocol. Nevertheless, there is no indication in the text of the Protocol itself that the parties intended these roles to be performed by distinct legal persons. This interpretation is further evidenced by subsequent practice in relation to the Protocol. It is also consistent with international practice when facing similar problems.

1.16. As far as subsequent practice in relation to the Protocol itself is concerned, it should be noted it was the MAC Protocol Preparatory Commission that inquired whether UNIDROIT could assume the role of the Supervisory Authority. The Preparatory Commission did so in the knowledge that the Protocol also provides for UNIDROIT to perform the role of Depositary. The necessary inference from this is that the Preparatory Commission considered it in line with the Protocol if the two roles were performed by the same legal entity.

1.17. The Preparatory Commission derives its mandate from the states participating in the Diplomatic Conference for the Adoption of the MAC Protocol.<sup>21</sup> Moreover, a number of states that participated in the Diplomatic Conference also participate in the functioning of the Preparatory Commission itself. Therefore, the Preparatory Commission's practice is relevant for the interpretation of the Protocol, either under Article 31(3)(b) of the VCLT,<sup>22</sup> or alternatively as a supplementary means of interpretation under Article 32 by confirming the meaning arrived at by applying the standard rules of treaty interpretation.<sup>23</sup>

1.18. In terms of international practice in general, it should be noted that it is not uncommon for a treaty to describe two different roles that end up being performed by the same legal person. Indeed, this is the case with many treaties with regard to the role of depositary and state-party. For example, Switzerland is both depositary and 'High Contracting Party' to the Additional Protocol I to the Geneva Conventions ('AP I').

1.19. In practice this may create overlaps in duties and redundant exigencies, but this is not by itself generally thought as problematic. For instance, AP I Article 97 provides that:

Any High Contracting Party may propose amendments to this Protocol. The text of any proposed amendment shall be communicated to the depositary, which shall decide, after consultation with all the High Contracting Parties and the International Committee of the Red Cross, whether a conference should be convened to consider the proposed amendment.

As per this provision, if Switzerland proposes an amendment to the AP I, it would need to communicate this to the depositary, which is itself. Moreover, if another state communicates a proposed amendment, then Switzerland needs to consult with all the High Contracting Parties, including itself. Yet none of this has ever been considered paradoxical or as threatening the legal coherence of the Protocol: different roles can be performed by the same actor so long as the parties have not explicitly excluded that scenario. The same reasoning would apply in the case that UNIDROIT assumed both the role of the Supervisory Authority and the Depositary under the MAC Protocol.

1.20. Furthermore, there seems to be no conflict between the function of the Supervisory Authority and the Depositary's general duty of impartiality under customary international law. Even if a real conflict arose in practice, then the customary rule, reflected in Article 76(2) of the VCLT, that depositaries should 'act impartially' in the performance of their duties should guide UNIDROIT.

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<sup>21</sup> See Diplomatic Conference for the Adoption of the Draft MAC Protocol, Resolution 1 Relating to the Establishment of the Preparatory Commission for the Establishment of the International Registry for Mining, Agricultural, and Construction Equipment, November 2019.

<sup>22</sup> Article 31(3)(c) of the VCLT: '1. A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose. [...] 3. There shall be taken into account, together with the context: [...] (b) any subsequent practice in the application of the treaty which establishes the agreement of the parties regarding its interpretation.'

<sup>23</sup> Article 32 of the VCLT: 'Recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of Article 31, or to determine the meaning when the interpretation according to Article 31: (a) leaves the meaning ambiguous or obscure; or (b) leads to a result which is manifestly absurd or unreasonable.'

1.21. Indeed, the matter has arisen in the past with states doubling as both depositaries and state-parties. In such cases, the state in question should 'reconcile its individual diplomatic stance towards certain issues with its neutral duties as the custodian of a treaty; the performance of depositary functions should not occasion an extension of national objectives.'<sup>24</sup> As another authority puts it, 'when performing depositary functions, a state or international organization must therefore avoid favouring its own political objectives'.<sup>25</sup>

1.22. In conclusion, the potential for conflict between different roles does not *ipso facto* disqualify a state or international organization from performing these roles. Rather it places on it the burden to act impartially when carrying out its duties. As already mentioned, this principle is part of customary international law and is thus binding on UNIDROIT in the performance of its duties as depositary of the MAC Protocol.

1.23. Finally, special mention should be made to the Supervisory Authority's competence to set the fees for the International Registry, from which the costs of running the Depositary are also to be covered. As Article XVIII(2) provides,

2. The fees referred to in Article 17(2)(h) of the Convention shall be determined so as to recover:

(a) the reasonable costs of establishing, operating and regulating the International Registry, and the reasonable costs of the Supervisory Authority associated with the performance of the functions, exercise of the powers and discharge of the duties contemplated by Article 17(2) of the Convention; and

(b) the reasonable costs of the Depositary associated with the performance of the functions, exercise of the powers and discharge of the duties contemplated by Article 62(2)(c) of the Convention and Article XXXVII(2)(c) to (f) of this Protocol.

1.24. This provision may create the impression of a conflict of interest created by UNIDROIT assuming both the role of Supervisory Authority, that is the entity that sets the fees, and the Depositary, that is the entity that will benefit from the fees thus set. Nevertheless, such an argument would be flawed from the perspective of international law.

1.25. There is abundant practice to suggest that setting fees and recovering costs by an international institution does not by itself breach any rules of public international law, so long that it does not contravene an organization's own constitution. For example, the World Intellectual Property Organization charges private parties for the registration of marks, industrial designs and patents. Revenues from this activity represent some 90% of the organizations' income. Similarly, the European Patent Organization finances itself by income derived from fees paid by private actors for its services.<sup>26</sup>

1.26. Closer to the subject at hand is the International Civil Aviation Organization ('ICAO') that has been designated as the Supervisory Authority under the Aircraft Protocol. ICAO both sets the fees for the Aircraft Registry and recovers its costs for acting as Supervisory Authority. As already mentioned, the same provision is made for the Supervisory Authority under the MAC Protocol. This confirms the general practice that international institutions may recover their costs by setting fees for their services.

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<sup>24</sup> Richard Caddel 'Depositary' in *Max Planck Encyclopedias of International Law* (June 2006) para 8.

<sup>25</sup> Caflisch, *supra* note 3, 1712.

<sup>26</sup> For more examples see Henry G Schermers and Niels M Blokker, *International Institutional Law* (Martinus Nijhoff 2011) 678 et seq.

1.27. Equally important, it shows that the MAC Protocol drafters did not consider an identity between the fee-setter and the beneficiary as posing any problems from a legal standpoint. Indeed, the MAC Protocol, positively mandates the Supervisory Authority to set the fees so as to recover its own costs (as well as that of the Depositary). The situation would be the same regardless of whether the Supervisory Authority assumes a district legal personality from the Depositary or not. In both cases, it will be the organ entrusted with performing the role of the Supervisory Authority that will undertake this institutional responsibility. If it is part of the same legal person as the Depositary, then it is doing what it would be still be doing anyway for itself.

1.28. Finally, it should be noted that while we can presume a general freedom of international organizations recovering their costs through charging for their services, this freedom may be limited both by relevant provisions of an organization's constituent instrument as well as special rules of public international law. In that regard, UNIDROIT's Statute does not seem to contain any limit on the organization recovering its costs for services that it provides. In fact, the organization's Headquarters Agreement clearly contemplates the possibility of a revenue stream from services rendered by the organization.<sup>27</sup> Nevertheless, Article XVIII (2) of the MAC Protocol provides that only those costs that are 'reasonable' in relation to the International Registry, the Supervisory Authority and the Depositary are to be recovered. Should UNIDROIT accept the role of the Supervisory Authority, this provision will pose a limitation that must be borne in mind when setting fees for the International Registry.

## **2. Would UNIDROIT's immunities (deriving from its Statute and Headquarters Agreement) sufficiently ensure that UNIDROIT would enjoy the same level of immunity in relation to the exercise of its functions as Supervisory Authority?**

2.1 Question (b) asks whether UNIDROIT's immunities, deriving from its Statute and Headquarters Agreement, shall continue to provide the same level of protection in relation to the exercise of its functions as Supervisory Authority, in case it assumes that role. The question is phrased in terms of immunities established by international treaty instruments, namely UNIDROIT's Statute ('the Statute') and the Headquarters Agreement.

2.2 UNIDROIT's Statute provides in Article 2 that '[t]he privileges and immunities which the Institute and its agents and officers shall enjoy shall be defined in agreements to be concluded with the participating Governments'. The UNIDROIT Secretariat has advised that there is no record of agreements concluded between UNIDROIT and any Member State, aside from an agreement concluded with Italy.

2.3 The agreement with the Italian State to that effect, entitled 'Agreement between the Italian Government and the International Institute for the Unification of Private Law in respect of the privileges and immunities of the Institute' ('Headquarters Agreement') was concluded in Rome on 20 July 1967.<sup>28</sup> This agreement was approved by the Italian Chamber of Deputies (La Camera dei deputati) and the Italian Senate (Senato della Repubblica) with Law of 12 December 1969, No. 1074. Law no. 1074 replicates the text of the Headquarters Agreement and incorporates into the Italian legal system. The Headquarters Agreement was amended in 1995, following an exchange of Notes

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<sup>27</sup> See Article 3(8) of the Headquarters Agreement.

<sup>28</sup> Before the conclusion of the Headquarters Agreement, UNIDROIT was subject to one legal proceeding before an Italian court (Marré vs the International Institute for the Unification of Private Law (1965). A former employee brought an action against the Institute claiming underpayment of wages and benefits. The Italian Court found that the Italian court lacked jurisdiction to hear a claim brought by an employee against UNIDROIT, because of the Institute's status as an international legal person and its absolute independence and extraneousness from the Italian legal system.

Verbales between the Italian Government and UNIDROIT. These amendments were also approved by the respective Italian institutions and passed into Italian law with Law of 16 June 1997, no. 193.

2.4 Both the Headquarters Agreement and its amendments are written in Italian. Even though I have consulted the original documents, my analysis will be based on an unofficial English translation provided by UNIDROIT's Secretariat.

2.5 The Headquarters Agreement, as it has been amended, contains a number of provisions on privileges afforded to the organization, as well as privileges and immunities for certain categories of persons.

2.6 As far as the organizations' privileges are concerned, Article 1 provides that the Institute's headquarters shall not be appropriated by the Italian Government without the agreement of the Institute's Governing Council. Article 2(1) further provides that the assets of the Institute that are 'intended for its functions' ('destinati al perseguimento dei propri fini istituzionali'), 'shall be exempt from investigation, expropriation, confiscation, and any administrative proceedings except where the latter refer to matters subject to Italian jurisdiction'. Finally, Article 2(2) provides that '[t]he premises and archive of the Institute, and in general all the documents which it owns, or which are in its possession, shall be inviolable'.

2.7 The privileges provided in Article 1 are absolute in terms of the protection they provide, with the only exception an agreement by the Governing Council to lift them. These privileges would continue to apply to the same extent should UNIDROIT assume the role of the Supervisory Authority.

2.8 Article 2(1) provides for a series of privileges with regards to assets owned by the Institute that are intended for fulfilling the organizations' functions. These privileges are defined in a functional manner ('[i] beni dell'Instituto direttamente destinati al perseguimento dei propri fini istituzionali'; '[t]he assets of the Institute intended for its functions'). In other words, so long as the assets are linked to the organization's exercise of its competences, then they are covered under this provision. Accordingly, if UNIDROIT deems that it can lawfully assume the functioning of the Supervisory Authority, then these privileges will also apply to any assets connected to performing that role.

2.9 The only exception to the aforementioned rule enshrined in Article 2(1) is for administrative proceedings when these 'refer to matters subject to Italian jurisdiction' ('a rapporti sottoposti alla giurisdizione italiana'). Given my lack of expertise in Italian law, I cannot opine as to what matters these would be. However, it should be noted that this exception applies across the board to all assets that are connected to the functions of the organization. In this case, this would also include the potential assumption of the role of the Supervisory Authority. The Headquarters Agreement does not distinguish between different types of institutional functions, meaning that the same level of protection applies to all of them, minus any relevant exceptions.

2.10 Article 2(2) regarding the premises, and the archives and documents of the Institute is phrased in absolute terms. Therefore, any of these items that may be related to the organization performing the role of the Supervisory Authority shall be covered under this Article.

2.11 Although the question posed could be interpreted as asking solely about UNIDROIT's immunities as an organization, the question of whether UNIDROIT personnel potentially involved in performing the work of Supervisory Authority will enjoy the same level of immunity as those who are otherwise engaged with the organization's work is also worth addressing. This is especially the case given that question (c) further asks about the liability certain categories of persons that may be involved in said work, making it appropriate to first explore the question of personal immunity.

2.12 Articles 6 and 7 of the amended Headquarters Agreement provide for a series of personal privileges and immunities for individuals connected with the work of the Institute.

2.13 Article 6(1) provides that 'the representatives of participating Governments, the representatives of international organizations, or Organizations that take part in the meetings convened by the Institute, as well as the Institute's own agents shall be accorded the following privileges and immunities: (a) jurisdictional immunity for all acts performed in their official capacity, including the spoken and written word ...'.

2.14 Article 6(2) further provides that '[f]or the purposes of this article, the following shall be considered agents of the Institute: the President of the Institute, the Secretary-General, the members of the Governing Council or their delegates, the members of the Administrative Tribunal as well as the permanent members of the Institute at the other international Organisations. The names of the agents shall be communicated by the President of the Institute to the Ministry of Foreign Affairs.'

2.15 Article 7(1) provides that '[t]he officers of the Institute shall enjoy the following privileges and immunities on the territory of the Italian Republic: (a) jurisdictional immunity for acts performed in their official capacity and within the limits of their duties, including the spoken and written word; ...'. Article 7(2) further provides that '[t]he categories of officers of the Institute to whom the privileges and immunities referred to in this Article apply shall be decided by the President of the Institute together with the Minister of Foreign Affairs.'

2.16 The rationale for immunities in Articles 6 and 7 is a functional one. This conclusion derives from the ordinary meaning of the terms of these provisions. Indeed, these extend immunities to the protected categories of persons only insofar as they act 'in their official capacity' for Article 6, and 'in their official capacity and within the limits of their duties' for Article 7.

2.17 This functional delimitation is consistent with international doctrine, according to which 'the immunity of international organizations is generally founded on the principle of functional necessity: international organizations need immunity in order to be able to perform their functions ... [t]hey would not be able to do so if a national court could interfere in their work.'<sup>29</sup>

2.18 Applying Articles 6 and 7 to the case at hand raises a number of possibilities. Ultimately it is up to the Institute to decide how to staff and set up the Supervisory Authority, should it undertake that role. Since this is mostly theoretical at this stage, the analysis itself is to some extent hypothetical. The general idea, however, is that, since the rationale for the organization's immunities is functional, then an official or agent performing the functions for the organization would be covered by the respective international immunities from the jurisdiction of national courts.

2.19 As Article 14(1) of the MAC Protocol Provides, a commission of experts nominated by the Signatory and Contracting States shall assist the Supervisory Authority in the discharge of its functions. As Article 14(3) further provides, the Supervisory Authority as well as these experts 'shall enjoy such immunity from legal and administrative process as is provided under the rules applicable to them as an international entity or otherwise'.

2.20 Under these circumstances, the question could arise as to whether these experts would fall under one of the categories of persons described in Article 6 of the Headquarters Agreement and thus enjoy respective privileges and immunities. The answer to that will necessarily depend on the

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<sup>29</sup> Niels Blokker 'International Organizations: The Untouchables?' in N Blokker and N Schrijver (eds) *Immunity of International Organizations* (Brill/Nijhoff 2015) 2.

exact modalities of the role in which these experts are called upon to perform, a point that is still to some extent hypothetical.

2.21 To that effect it is not clear whether these individuals will be representing a specific government, and thus fall under the first category of persons mentioned in Article 6(1), or whether these individuals will just be nominated by the Signatory and Contracting States but act as independent experts.

2.22 Alternatively, again depending on the formal modalities of their involvement with the Institute, these experts could potentially qualify as 'officers' of the organization under Article 7, and thus enjoy the privileges and immunities enshrined in that Article. While members to a commission of experts created to assist the Supervisory Authority would most likely be covered by one of the relevant provisions of the Headquarters Agreement with respect to privileges and immunities, my advice is that the exact modalities should be subject to careful consideration and be clarified in advance with Italy so as to ensure legal certainty.

2.23 In sum, the individuals performing the functions of the Supervisory Authority within the organization, will still be covered by the same level of immunities as if they were performing any other function of the organization, so long as they fall within one of the categories of Article 6 and 7 (namely representatives of other organizations or states; the President of the Institute, the Secretary-General, the members of the Governing Council or their delegates; officials of the Institute, including those working for the Secretariat). This is because, again, the rationale for these immunities is functional and they are accorded automatically insofar as the person in question is acting in their official capacity.

2.24 A possibility for a different level of immunity could arise in the event that the Institute creates an entirely new category of officers to perform work related to role of the Supervisory Authority. As already mentioned, Article 7(2) provides that '[t]he categories of officers of the Institute to whom the privileges and immunities referred to in this article apply shall be decided by the President of the Institute together with the Minister of Foreign Affairs.' Although I have no knowledge of how this provision has been applied in practice, this could be understood to imply that an agreement is needed between the President of the Institute and the Italian Minister of Foreign Affairs with regard to adding any new categories of officials that are entitled to immunities. If that is indeed the case, then it would be advisable to entrust work related to the Supervisory Authorities to categories of officials that have already been agreed upon by the authorities mentioned in Article 7(2).

2.25 Before concluding, it should be noted that there is an extensive practice of Italian courts applying treaty provisions, as well as customary international law, on questions of immunity of international organizations.<sup>30</sup>

2.26 Part of that case law relates to the problem of whether international organizations enjoy immunity under customary international law, which is not part of the question at hand, and would be of limited, if any relevance, in a case such as this one where there is an international treaty providing for privileges and immunities that is binding on Italy.

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<sup>30</sup> For an introduction to that case law see Beatrice I Bonafé, 'Italian Courts and the Immunity of International Organizations' in N Blokker & N Schriver (eds) *Immunity of International Organizations* (Brill/Nijhoff 2015) 246 et seq. As already mentioned above, the case law includes one case with UNIDROIT as party (*Marré v. UNIDROIT*, 12 June 1965, Tribunale di Roma, *Rivista di diritto internazionale private e processuale* (1986) 149). Nevertheless, this case was decided before the Headquarters Agreement with the Italian State was concluded, which now governs the relations between the two parties regarding the privileges and immunities of the organization.

2.27 Another segment of the caselaw deals with inserting functional limitations to treaty provisions that enshrine absolute immunity for international organizations. While potentially interesting from a scholarly perspective, this caselaw does not speak to the analysis offered here. Rather, the present analysis seeks to answer a question phrased in a relative fashion, inquiring whether UNIDROIT would, while performing the role of the Supervisory Authority as part of its official functions, enjoy the same level of immunity as it would otherwise do. As already suggested, there is nothing in the text of the Headquarters Agreement to suggest that it would not, with the only exception potentially being the one developed in paragraph 2.25 of this legal opinion.

2.28 As a final note, it should be mentioned that question (b) addresses the question of whether UNIDROIT and its officials would enjoy the same level of immunity under the Headquarters Agreement in the event that UNIDROIT itself assumes the role of the Supervisory Authority. The question of immunities of UNIDROIT and its officials should UNIDROIT or its organs assist another organization with carrying out the functions of the Supervisory Authority under the MAC Protocol raises separate problems that are addressed below as part of question (g).

### **3. Could any individuals undertaking Supervisory Authority functions as part of UNIDROIT's organs (Governing Council members, General Assembly representatives or Secretariat members) incur personal liability in relation to the exercising of the Supervisory Authority functions?**

3.1. Question (c) asks whether individuals who perform the Supervisory Authority functions as UNIDROIT's organs, namely Governing Council members, General Assembly representatives or Secretariat members could incur personal liability in relation to the exercise of those functions.

3.2. From the outset, it should be noted that the question of liability for these individuals is distinct from the question of personal immunity from the jurisdiction of national courts. As already developed in response to question (b), the Headquarters Agreement provides that agents of the Institute, as well as governmental representatives enjoy immunity from jurisdiction for all acts performed in their official capacity including the spoken and written word (Article 6(1)). As Article 6(2) further clarifies, the President of the Institute, the Secretary-General, the members of the Governing Council or their delegates, the members of the Administrative Tribunal as well as the permanent members of the Institute at the other international Organisations shall be considered as 'agents' of the organization for the purposes of jurisdictional immunities. Furthermore, Secretariat members also enjoy immunity from jurisdiction under Article 7 of the Headquarters Agreement for 'acts performed in their official capacity and within the limits of their duties, including the spoken and the written word'. Regardless of the answer to the question of liability, the fact that Governing Council members, General Assembly representatives and Secretariat members enjoy these immunities should be borne in mind, as it would mean in practice that they would not be liable to be sued individually before national courts for work they undertake on behalf of the Institute, including for potential work as part of the functioning of the Supervisory Authority.

3.3. The question of liability for these individuals could theoretically arise under both international and national law.

3.4. From the perspective of international law, the acts of the aforementioned individuals are normally attributed to the international organization itself. This means that it is the organization that will have to bear responsibility for these acts, and pay the requisite compensation, should they be deemed internationally wrongful. As Article 6 of the 2011 Draft articles on the Responsibility of International Organizations ('DARIO') provides: '[t]he conduct of an organ or agent of an international organization in the performance of functions of that organ or agent shall be considered an act of that organization under international law, whatever position the organ or agent holds in respect of the organization.' Although the DARIO are not themselves an international treaty, Article



6 reflects a fundamental principle of customary international law, that emanates from the very idea of legal personality of corporate entities. The principle has been confirmed time and again in judicial practice.<sup>31</sup>

3.5. This basic rule of attribution is supplemented by the notion that it falls upon the organization to compensate any injured party for acts of its own or acts of its organs, so long as they were acting in an official capacity. As the International Court of Justice ('ICJ') stated in its Advisory Opinion in the *Difference Relating to Immunity from Legal Process of a Special Rapporteur of the Commission of Human Rights* case: '[t]he United Nations may be required to bear responsibility for the damage arising from ... acts performed by the United Nations or by its agents acting in their official capacity.'<sup>32</sup> Thus, according to the Court, the organization might bear responsibility not just for the conduct of its organs, but also of the individuals that the organization employs, so long as they are acting in their official capacity.

3.6. Whether an individual or organ acts in his or her official capacity in a given instance depends on the facts of each particular case.<sup>33</sup> However, there is a presumption that an act has been carried out in the respective individual's personal capacity, if (a) performing this act has become standard practice within the organization of performing one's duties; or (b) the act has been implicitly or explicitly endorsed by the organization.<sup>34</sup> A presumption to that effect could also be said to exist when the chief administrative officer of an organization determines that the said act falls within an individual's official capacities. As the ICJ has held in relation to the United Nations ('UN'), 'it is up to [the Secretary General] to assess whether its agents acted within the scope of their functions ... that finding, and its documentary expression, creates a presumption which can only be set aside for the most compelling reasons and is thus to be given the greatest weight by national courts'.<sup>35</sup>

3.7. In conclusion, international law rules on the attribution of conduct to international organizations do not distinguish between the various functions that an organization may perform through its agents, so long as the latter act in an official capacity. In this case this would mean that the acts involving Governing Council members, General Assembly representatives or Secretariat members in relation to the exercising of the Supervisory Authority function would in principle be attributable to UNIDROIT. It would thus be the organization rather than the individuals who would bear responsibility for them under international law. Finally, ICJ case law suggests that in case a dispute arose as to whether one of these persons was acting in an official capacity, a respective finding by UNIDROIT's Secretary General would create a strong presumption in that regard.<sup>36</sup>

3.8. The question of liability under national law is a separate one. Leaving to the side the question of immunity that UNIDROIT's agents and officials as well as governmental representatives may enjoy from the jurisdiction of national courts, the question could theoretically arise concerning their liability under domestic law for acts committed in their official capacity. I am not in a position to render legal advice on how Italian law deals with this matter. Presumably the legal personality of UNIDROIT is recognized as such under domestic Italian law as well, following Article 2(3) of the Statute ('The

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<sup>31</sup> See Draft articles on the Responsibility of International Organizations with commentaries, 2011 YILC vol II, Part Two, 55-56.

<sup>32</sup> *Difference Relating to Immunity from Legal Process of a Special Rapporteur of the Commission of Human Rights*, Advisory Opinion [2009] ICJ Rep 88-89.

<sup>33</sup> Ibid 85.

<sup>34</sup> Ibid 85-86.

<sup>35</sup> Ibid 87.

<sup>36</sup> The occurrence of any personal liability beyond that point would be of the same level and nature as that for performing any other function of the organization. For example, in theory, agents working for the organization would still be personally liable under international law for any acts that they perform that also violate international criminal law. This, however, seems to bear no practical relevance to the range of factual patterns discussed here.

Institute shall enjoy, in the territory of each participating Government, the necessary legal capacity to enable it to exercise its functions and to realise its purposes'). A recognition of UNIDROIT's legal personality for domestic purposes would most likely mean that any potential liability would fall on the organization rather than its officials, so long as they were acting in an official capacity when engaging in the conduct in question. In any event, there does not seem to exist a reason to differentiate between liability arising from acts linked to the function of the Supervisory Authority and acts linked to the other functions of the organization.

3.9. As a final note, I would like to suggest that, regardless of the conclusions reached above, careful attention should still be paid, as always, in the drafting of documents, including contracts, as well as procurement and end-user terms and conditions, that govern the relationship between the UNIDROIT as Supervisory Authority and (a) the contractor who is appointed as International Registrar; (b) potential bidders for that role; (c) end-users of the International Registry. That attention should be specifically focused on the matters of applicable law, understandings regarding personal or institutional liability, and potential arbitration clauses.

#### **4. Does the UNIDROIT Statute impose any internal limitations on how UNIDROIT's organs could discharge the Supervisory Authority functions?**

4.1. Question (d) asks whether the Statute imposes any internal limitations on how UNIDROIT's organs can discharge the Supervisory Authority functions, meaning whether there is anything in the Statute that would require certain Supervisory Authority functions to be vested specifically with General Assembly, the Governing Council or the Secretariat.

4.2. According to Article 17(2) of the Cape Town Convention, the core responsibilities of the Supervisory Authority are as follows:

- (a) establish or provide for the establishment of the International Registry;
- (b) except as otherwise provided by the Protocol, appoint and dismiss the Registrar;
- (c) ensure that any rights required for the continued effective operation of the International Registry in the event of a change of Registrar will vest in or be assignable to the new Registrar;
- (d) after consultation with the Contracting States, make or approve and ensure the publication of regulations pursuant to the Protocol dealing with the operation of the International Registry;
- (e) establish administrative procedures through which complaints concerning the operation of the International Registry can be made to the Supervisory Authority;
- (f) supervise the Registrar and the operation of the International Registry;
- (g) at the request of the Registrar, provide such guidance to the Registrar as the Supervisory Authority thinks fit;
- (h) set and periodically review the structure of fees to be charged for the services and facilities of the International Registry;
- (i) do all things necessary to ensure that an efficient notice-based electronic registration system exists to implement the objectives of this Convention and the Protocol; and
- (j) report periodically to Contracting States concerning the discharge of its obligations under this Convention and the Protocol.

4.3. Much can be said about which UNIDROIT organ would be the most appropriate to undertake these functions. Indeed, it might be the case that the organization elects to create altogether new bodies, committees, etc to be entrusted with this role. This would reflect the power of the

organization to best organize the administration of its work.<sup>37</sup> It would also be consistent with the organization's own constituent instrument and practice. In this respect, article 11(1) of the Statute gives the Governing Council a wide discretion in determining the means of carrying out the organization's functions. Moreover, as the UNIDROIT Secretariat has advised, UNIDROIT organs routinely create temporary bodies for the execution of specific projects or the development of Instruments (Study Groups and/or Working Groups) which operate until the project is completed. The creation of the Governing Council ad hoc Committee to which this paper has been submitted is another example of a temporary body created by a UNIDROIT organ. A longer-term body that was recently created by the Governing Council is the 'Permanent Committee for Correspondents', created by the Governing Council as an informal-subcommittee composed of one Governing Council member for each region with a mandate to supervise the functioning of the UNIDROIT Correspondents Programme.<sup>38</sup>

4.4. Nevertheless, this question asked at this point does not concern what the most optimal distribution of labour within the organization would be; rather it inquires as to whether the Statute sets any limits to the organization's powers to organize internally, meaning limits that would positively require certain of these functions to be performed by a particular organ.

4.5. The Statute does not appear to pose any specific limitations in that sense, apart from those that result from normal the assumption and performance of any function by the organization. This means that the Supervisory Authority will be embedded into the overarching legal framework of the Institute. A couple of Articles from the Statute merit further consideration in that regard.

4.6. A first example of an internal division of labor that could affect the setting up of the Supervisory Authority can be found in Article 11(2) of the Statute, which, as already mentioned, provides that '[t]he Governing Council shall determine the means of carrying out the functions set out in Article 1'. Also relevant in that regard is Article 17(1), which provides that '[R]ules governing the administration of the Institute, its internal operations and the conditions of service of the staff shall be adopted by the Governing Council and must be approved by the General Assembly and communicated to the Italian Government'. An interpretation of these provisions according to the ordinary meaning of their terms suggests that, should the organization determine that performing the role of the Supervisory Authority falls within its functions, then it would be up to Governing Council to design how that would be implemented at an internal institutional level. This would then have to be approved by the General Assembly.

## **5. Would the UNIDROIT Statute need to be amended to allow UNIDROIT to accept the role of Supervisory Authority?**

5.1. The fifth question asks whether UNIDROIT'S Statute would need to be amended before allowing the organization to accept the role of Supervisory Authority. Since the only reason why the Statute would need to be amended is if accepting the role of Supervisory authority fell outside UNIDROIT'S mandate, this question essentially concerns the scope of the mandate of the organization, as provided for in its Statute. In short, if accepting the role of Supervisory authority falls within UNIDROIT'S mandate, then there is no need for amendment. Conversely, if this activity falls outside the mandate, then the Statute itself would need to be amended so as to explicitly provide for the possibility of UNIDROIT accepting this new role. The problem thus presented is essentially one of treaty interpretation, the relevant treaty being UNIDROIT'S Statute.

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<sup>37</sup> See <https://www.unidroit.org/english/governments/councildocuments/2021session/cd-100-b/cd-100-b-20-e.pdf>, paragraph 23(c).

<sup>38</sup> See <https://www.unidroit.org/english/governments/councildocuments/2021session/cd-100-b/cd-100-b-20-e.pdf>, paragraph 23(c).

5.2. There are well established rules and doctrines in international law on how to answer questions of treaty interpretation. Some of these rules have already been alluded to in the analysis above. As a matter of principle, the same rules apply to those treaties that happen to serve as constituent instruments of international organizations. As the ICJ has explained:

In order to delineate the field of activity or the area of competence of an international organization, one must refer to the relevant rules of the organization and, in the first place, to its constitution. From a formal standpoint, the constituent instruments of international organizations are multilateral treaties, to which the well-established rules of treaty interpretation apply.<sup>39</sup>

5.3. These ‘well-established rules of treaty interpretation’ are none other than those enshrined in Articles 31 and 32 of the VCLT. According to its terms, the VCLT also applies to treaties that are constituent instruments of international organizations, ‘without prejudice to any relevant rules of the organization’ (Article 5). Furthermore, as already mentioned, the rules contained in Articles 31 and 32 are generally considered to reflect customary international law.<sup>40</sup> They are thus relevant for the interpretation of a treaty instrument regardless of whether its parties are also parties to the VCLT.

5.4. Even though the same rules of interpretation to the constituent instruments of international organizations, the problems of interpretation that the latter present are often quite distinct in practice. As the ICJ has further clarified:

constituent instruments of international organizations are also treaties of a particular type; their object is to create new subjects of law endowed with a certain autonomy, to which the parties entrust the task of realizing common goals. Such treaties can raise specific problems of interpretation owing, inter alia, to their character which is conventional and at the same time institutional; the very nature of the organization created, the objectives which have been assigned to it by its founders, the imperatives associated with the effective performance of its functions, as well as its own practice, are all elements which may deserve special attention when the time comes to interpret these constituent treaties.<sup>41</sup>

5.5. In sum, the standard rules of treaty interpretation should govern the interpretation of the constituent instruments of international organizations, including the UNIDROIT Statute. When applying these rules special care should be taken to take into account the particular circumstances that exist owing to the fact that these treaties also create international legal persons. This has led to a fairly discrete body of practice and scholarly opinion that specifically addresses problems of interpretation in relation to constituent instruments of international organizations.

5.6. Before getting into the peculiarities that interpreting the constituent instruments of international organizations may raise, some preliminary remarks are in order regarding how the standard rules of treaty interpretation in public international law are to be applied.

5.7. Famously, Article 31 of the VCLT<sup>42</sup> contains a series of elements that should be taken into account when interpreting a treaty. Naturally, text plays an important role in treaty interpretation

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<sup>39</sup> *Legality of the Threat or Use by a State of Nuclear Weapons*, (Advisory Opinion) [1996] ICJ Rep 74 (emphasis added).

<sup>40</sup> See *Kasikili/Sedudu Island Case (Botswana/Namibia)*, [1999] ICJ Rep 1059; Conclusion 1, *Draft conclusions on subsequent agreements and subsequent practice in relation to the interpretation of treaties*, YILC, 2018, vol. II, Part Two, 2.

<sup>41</sup> *Nuclear Weapons Advisory Opinion*, supra note 24, 75.

<sup>42</sup> *Article 31 General rule of interpretation*

1. A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.

(‘the ordinary meaning to be given to the terms of the treaty’). Nevertheless, the ordinary meaning to be given to the terms of a treaty is only one of many elements mentioned in Article 31. Most importantly, these factors include taking into account the treaty’s context, its object and purpose, as well as any ‘subsequent practice’.

5.8. Between these factors there exists no abstract hierarchy, such a literal interpretation of the terms of a treaty would override or preempt any other consideration. Instead, as the International Law Commission (‘ILC’) has affirmed time and again, the application of Article 31 is ‘a single combined operation’.<sup>43</sup> The paragraphs of Article 31 are interlinked, but this ‘represent[s] a logical progression, nothing more’.<sup>44</sup> In other words, literal interpretations of the text should not trump the other elements that ought to be taken into account, such as practice, even if the text usually forms the most reasonable starting point of an interpretative inquiry.

5.9. Most importantly, as the ILC has noted, practice too may contribute to ‘the clarification of the meaning of a treaty. This may result in the narrowing, widening, or otherwise determining the range of possible interpretations...’.<sup>45</sup> When applying the rules enshrined in Article 31 ‘leaves the meaning ambiguous or obscure’ or yields ‘manifestly absurd or unreasonable’ results, recourse may be had to supplementary means of interpretation, including (but not limited to) the preparatory work of the treaty in question.<sup>46</sup>

5.10. Applying these rules to international organizations’ constituent instruments raises special problems in practice. As already mentioned, international organizations are set up by states to perform certain functions. However, it has often proved hard, if not also impractical, for states to foreshadow in the text of a constituent instrument all the situations in which an organization may find itself when trying to perform its functions. As the ICJ has explained in its landmark *Reparation for Injuries* Advisory Opinion in relation to the UN:

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2. *The context for the purpose of the interpretation of a treaty shall comprise, in addition to the text, including its preamble and annexes:*

(a) *any agreement relating to the treaty which was made between all the parties in connection with the conclusion of the treaty;*

(b) *any instrument which was made by one or more parties in connection with the conclusion of the treaty and accepted by the other parties as an instrument related to the treaty.*

3. *There shall be taken into account, together with the context:*

(a) *any subsequent agreement between the parties regarding the interpretation of the treaty or the application of its provisions;*

(b) *any subsequent practice in the application of the treaty which establishes the agreement of the parties regarding its interpretation;*

(c) *any relevant rules of international law applicable in the relations between the parties.*

4. *A special meaning shall be given to a term if it is established that the parties so intended.*

<sup>43</sup> *Draft conclusions on subsequent agreements and subsequent practice in relation to the interpretation of treaties with commentaries*, YILC 2018, vol II, Part Two, 17. See also the ILC’s reluctance to adhere to a categorization of treaties based on their ‘nature’. As the commission noted: ‘[t]he Commission, however, decided that the draft conclusion should not refer to the nature of the treaty in order to avoid calling into question the unity of the interpretation process and to avoid any categorization of treaties.’ YILC 2018, vol II, Part Two, 23.

<sup>44</sup> Anthony Aust, *Modern Treaty Law and Practice* (CUP 2013) 207.

<sup>45</sup> Conclusion 7, *supra* note 28, 51.

<sup>46</sup> Article 32 Supplementary means of interpretation

Recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of article 31, or to determine the meaning when the interpretation according to article 31:

(a) leaves the meaning ambiguous or obscure; or

(b) leads to a result which is manifestly absurd or unreasonable.

Under international law, the Organization must be deemed to have those powers which, though not expressly provided in the Charter, are conferred upon it by necessary implication as being essential to the performance of its duties.<sup>47</sup>

The principle was confirmed again by the ICJ in its 1996 Advisory Opinion on the *Legality of the Use by any State of Nuclear Weapons in Armed Conflict*:

the necessities of international life may point to the need for organizations, in order to achieve their objectives, to possess subsidiary powers which are not expressly provided for in the basic instruments which govern their activities. It is generally accepted that international organizations can exercise such powers, known as 'implied' powers.<sup>48</sup>

The idea goes back to an older Advisory Opinion, rendered by the Permanent Court of International Justice, which held that:

the European Commission [of the Danube] is ... an international institution with a special purpose, it only has the functions bestowed upon it by the Definitive Statute with a view to the fulfilment of that purpose, but it has power to exercise these functions to their full extent, in so far as the Statute does not impose restrictions upon it.<sup>49</sup>

The general idea that international organizations must be deemed to enjoy those powers that are necessary for the performance of their functions has found wide acceptance in scholarship.<sup>50</sup> As the *Institut de Droit International* has authoritatively noted in that regard, 'international organizations may interpret their constituent instrument dynamically to address current challenges and fill unforeseen gaps.'<sup>51</sup>

5.11. These ideas have found extensive application in practice. In 1954, the ICJ held that a tribunal established by the UN General Assembly to hear disputes regarding contracts of employment of the organizations staff members had been lawfully created, even though the Charter was completely silent on the matter. As the ICJ reasoned:

There is no express provision for the establishment of judicial bodies or organs and no indication to the contrary [...] It would, in the opinion of the Court, hardly be consistent with the expressed aim of the Charter to promote freedom and justice for individuals and with the constant preoccupation of the United Nations Organization to promote this aim that it should afford no judicial or arbitral remedy to its own staff for the settlement of any disputes which may arise between it and them. In these circumstances, the Court finds that the power to establish a tribunal, to do justice as between the Organization and the staff members, was essential to ensure the efficient working of the Secretariat, and to give effect to the paramount consideration of securing the highest standards of efficiency, competence and integrity.<sup>52</sup>

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<sup>47</sup> *Reparation for Injuries Suffered in the Service of the United Nations* (Advisory Opinion) [1949] ICJ Rep 182.

<sup>48</sup> *Nuclear Weapons Advisory Opinion*, supra note 24, at 79.

<sup>49</sup> *Jurisdiction of the European Commission of the Danube* (Advisory Opinion) PCIJ Rep Series B no 14, 64

<sup>50</sup> See among others Jan Klabbbers, *An Introduction to International Organizations Law* (CUP 2015) 56 et seq; Chittharanjan F Amerasinghe, *Principles of the Institutional Law of International Organizations* (CUP 2005) 48 et seq; Schermers and Blokker, supra note 11, 180 et seq.

<sup>51</sup> 'Are there Limits to the Dynamic Interpretation of the Constitution and Statutes of International Organizations by the Internal Organs of such Organizations (with Particular Reference to the UN System)?', *Annuaire de l'Institut de Droit international*, Session de La Haye, vol 80, 2019, operative clause 1.

<sup>52</sup> *Effect of Awards of Compensation made by the United Nations Administrative Tribunal* (Advisory Opinion) [1954] ICJ Rep 47, at 56-57.

5.12. What appears to matter for the Court is whether an activity promotes the general aims of the organization rather than whether this activity was specifically envisaged when drafting the organization's constitution.

5.13. Another example whereby an unprecedented activity was deemed *intra vires* because it corresponded to an established aim is the creation of the International Criminal Tribunal for the Former Yugoslavia ('ICTY') by the UN Security Council.

5.14. According to Article 24 of the UN Charter, the Security Council has primary responsibility for the maintenance of international peace and security. In the 1990's the SC took a first-time step and deemed that in order to maintain international peace and security in the former Yugoslavia, an ad hoc international criminal tribunal had to be established. The ICTY Appeals Chambers found that the tribunal had been legally established:

When, in resolution 827, the Security Council stated that it was 'convinced' that, in the 'particular circumstances of the former Yugoslavia', the establishment of the International Tribunal would contribute to the restoration and maintenance of peace, the course it took was novel only in the means adopted but not in the object sought to be attained.<sup>53</sup>

5.15. The Appeals Chamber's reasoning is clear, and in line with the previous jurisprudence of the ICJ: if an activity falls within the functions that an organization has been called upon by its member states to perform (or an organ of an organization) then it does not matter whether the measures it undertakes to carry out that function are themselves novel or unprecedented. It is also immaterial whether the organization has the capacity or expertise to carry it out in the first place (neither the UN General Assembly nor the Security Council had previous experience or expertise in the administration of justice). Rather, the fact that an activity can be classified as a means of performing an institutional function means that the organ or the organization has the power to develop the requisite capacity and expertise, by creating and staffing the relevant organs as required.

5.16. Constituent instruments of international organizations also raise special considerations not only because they are called to fulfill unforeseen gaps in order to effectively perform their functions but also due to the elevated role that practice tends to assume in their interpretation. As already mentioned, practice plays an important role in the interpretation of treaties in general, either as subsequent practice in accordance to Article 31 or as a supplementary means of interpretation, in accordance with Article 32.<sup>54</sup> As the ILC has noted:

1. Subsequent agreements and subsequent practice under Article 31, paragraph 3, contribute, in their interaction with other means of interpretation, to the clarification of the meaning of a treaty. This may result in narrowing, widening, or otherwise determining the range of possible interpretations, including any scope for the exercise of discretion which the treaty accords to the parties.

2. Subsequent practice under Article 32 may also contribute to the clarification of the meaning of a treaty.<sup>55</sup>

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<sup>53</sup> Prosecutor vs Dusko Tadic, Decision on the Defence Motion for Interlocutory Appeal on Jurisdiction, 10.8.95, para 22.

<sup>54</sup> The idea that subsequent practice may also form a supplementary means of interpretation. See Conclusion 4, supra note 28. See also Villinger, supra note 3, 446.

<sup>55</sup> Conclusion 7, supra note 28.

5.17. Most importantly for the purposes of the question at hand, the ILC has further clarified that subsequent practice may be means of interpretation for the constituent instruments of international organizations, and that such practice 'may arise from, or be expressed in, the practice of an international organization in the application of its constituent instrument'.<sup>56</sup>

5.18. The importance of consulting the practice of an organization in interpreting its constituent has been consistently affirmed by the ICJ in practice.<sup>57</sup> For example, when interpreting the meaning of the words 'ship owning nations' in Article 60 of the constitution of the Inter-Governmental Maritime Consultative Organization, the ICJ reached its conclusion only after consulting the practice of the organization itself in interpreting this term.<sup>58</sup>

5.14 The landmark ICJ's *Namibia* Advisory Opinion is also case in point. Among other matters, the Court had to decide on the validity of a Security Council resolution that had passed without the affirmative votes of the five permanent members (P-5). The relevant provision of the Charter reads as follows:

Decisions of the Security Council on all other matters [ie non-procedural] shall be made by an affirmative vote of nine members including the concurring votes of the permanent members;

5.19. While the text of the Charter seemed to clearly indicate that all the P-5 needed to vote in favor of a resolution in order for it to pass, a different practice had developed within the organization. According to this practice, the P5 do not need to cast an affirmative vote for a resolution to pass. Instead they can also abstain (while of course if they vote negatively and exercise their 'veto' the resolution will fail). The Court resolved the question by assigning due weight to the practice that had developed within the organization:

the proceedings of the Security Council extending over a long period supply abundant evidence that presidential rulings and the positions taken by members of the Council, in particular its permanent members, have consistently and uniformly interpreted the practice of voluntary abstention by a permanent member as not constituting a bar to the adoption of resolutions. By abstaining, a member does not signify its objection to the approval of what is being proposed; in order to prevent the adoption of a resolution requiring unanimity of the permanent members, a permanent member has only to cast a negative vote. This procedure followed by the Security Council, which has continued unchanged after the amendment in 1965 of article 27 of the Charter, has been generally accepted by Members of the United Nations and evidences a general practice of that Organization.<sup>59</sup>

5.20. Equally important to the Court's conclusion is the fact that the relevant practice is evidenced by a combination of positive practice by the competent organ and lack of opposition or

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<sup>56</sup> Conclusion12, supra note 28.

<sup>57</sup> Indicatively see *Nuclear Weapons Advisory Opinion*, supra note 24, 74; *Competence of Assembly regarding admission to the United Nations* (Advisory Opinion) [1950] ICJ Rep 9; *Applicability of Article VI, Section 22, of the Convention on the Privileges and Immunities of the United Nations* (Advisory Opinion) [1989] ICJ Rep 194; *Constitution of the Maritime Safety Committee of the Inter-Governmental Maritime Consultative Organization* (Advisory Opinion) ICJ Rep 1960, 169; *Legal Consequences for States of the Continued Presence of South Africa in Namibia (South-West Africa) Notwithstanding Security Council Resolution 276 (1970)* (Advisory Opinion) ICJ Rep 22. See also *Certain Expenses of the United Nations (Article 17, paragraph 2, of the Charter)* (Advisory Opinion) [1962] ICJ Rep 168.

<sup>58</sup> 'The practice followed by the Assembly in relation to other articles reveals the reliance placed upon registered tonnage [for determining the largest ship owning nations]'. *Constitution of the Maritime Safety Committee of the Inter-Governmental Maritime Consultative Organization*, supra note 42, 168.

<sup>59</sup> *Legal Consequences for States of the Continued Presence of South Africa in Namibia (South-West Africa)* supra note 42, 22.



acquiescence by the general membership; rather than a formal decision by the organization's plenary organ (let alone a formal amendment). On the flipside, however, where a certain practice within the organization encounters opposition (as in negative votes when passing a resolution), its importance may be severely diminished, if not altogether negated.<sup>60</sup>

5.21. Furthermore, institutional practice may be relevant not only for interpreting particular provisions, but also elucidating the object and purpose of a treaty as a whole. As the ILC has explained:

Subsequent agreements and subsequent practice may also contribute to a clarification of the object and purpose of a treaty or reconcile invocations of the 'object and purpose' of a treaty with other means of interpretation.<sup>61</sup>

5.22. The ICJ has also affirmed the idea that an organization's mandate may itself evolve over time through subsequent practice. When discussing the field of competence of the Lake Chad Basin Commission, the Court held that:

Member States have also entrusted to the Commission certain tasks that had not originally been provided for in the treaty texts. [...] From the treaty texts and the practice analysed [...] it emerges that the Lake Chad Basin Commission is an international organization exercising its powers within a specific geographical area; that it does not however have as its purpose the settlement at a regional level of matters relating to the maintenance of international peace and security.<sup>62</sup>

5.23. As it emerges from this passage, an international organization can be lawfully called upon to carry out further tasks than those originally provided in its constituent instruments through subsequent practice.

5.24. Closely related to the idea that the mandate of an international organization may evolve through time through practice is the notion that the terms enshrined in its constituent instrument may have to be interpreted in an evolutionary way. This is a more general principle of treaty interpretation<sup>63</sup> that enjoys particular importance for international organizations in practice.

5.25. For example, when the ICJ was called upon to interpret terms such as 'the strenuous conditions of the modern world', the 'well-being and development of such peoples', and 'sacred trust' in Article 22 of the Covenant of the League of Nations, it held that:

Mindful as it is of the primary necessity of interpreting an instrument in accordance with the intentions of the parties at the time of its conclusion, the Court is bound to take into account the fact that the concepts embodied in article 22 of the Covenant [...] were not static, but by definition evolutionary [...]. The parties to the Covenant must consequently be deemed to have accepted them as such. That is why, viewing the institutions of 1919, the Court must take into consideration the changes which have occurred in the supervening

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<sup>60</sup> See most famously *Nuclear Weapons*, supra note 24, 81. See also *Whaling in the Antarctic (Australia v. Japan: New Zealand intervening)* (2014) ICJ Rep 257.

<sup>61</sup> YILC 2018, vol II, Part Two at 53.

<sup>62</sup> *Land and Maritime Boundary between Cameroon and Nigeria (Cameroon v Nigeria)* (Preliminary Objections) [1998] ICJ Rep 306-307 (emphasis added).

<sup>63</sup> Conclusion 4, supra note 28. See also, indicatively, Eirik Bjorge, *The Evolutionary Interpretation of Treaties* (OUP 2014) and the collected volume by Georges Abi-Saab, Kenneth Keith, Gabrielle Marceau and Clément Marquet (eds) *Evolutionary Interpretation and International Law* (Bloomsbury 2019).

half-century, and its interpretation cannot remain unaffected by the subsequent development of law.<sup>64</sup>

5.26. In sum, contemporary doctrine and case law supports the following three propositions regarding the interpretation of the constituent instruments of international organizations: (1) where a constituent instrument is silent or ambiguous, an international organization should be presumed to have any power that is deemed necessary for the performance of its mandate; (2) the meaning of the terms of a constituent instrument can be subject to refinement, clarification, and even evolution through subsequent practice; (3) the mandate of an organization itself can be subject to refinement, clarification, and even evolution through subsequent practice .

5.27. These considerations are of cardinal importance in interpreting UNIDROIT's Statute and determining whether the organization can lawfully assume the role of Supervisory Authority under the MAC Protocol.

5.28. Article 1 of the Statute establishes the purposes of UNIDROIT as well as the ways in which the organization shall pursue them. This article is important for determining the Statute's object and purpose, as provided for in article 31 of the VCLT, in light of which the terms of the Statute need to be interpreted. According to article 1 of the Statute, the Institute shall 'examine ways of harmonizing and coordinating the private law of States'. Furthermore, it shall 'prepare drafts of agreements with a view to facilitating international relations in the field of private law' (Article 1(a)) and 'take an interest in projects already undertaken in any of these fields by other institutions with which it may maintain relations as necessary' (Article 1(d)). These articles should also be read in conjunction with Article 11(1) of the Statute which gives wide discretion to the Governing Council to 'determine the means of carrying out the functions set out in Article 1'.

5.29. When interpreting these provisions, it should be born in mind that UNIDROIT was first set up in 1926 as an auxiliary organ of the League of Nations and re-established in 1940. Still, the Statute itself was drafted in abstract enough terms (eg 'harmonising' and 'coordinating' the private law of states; 'facilitating' international relations in the field of private law; take an interest in projects already undertaken ... with which it may maintain relations 'as necessary') so as to potentially track further developments in the field. As the ILC has explained, citing the case law of the ICJ, 'the "generic" nature of a particular term in a treaty and the fact that the treaty is designed to be "of continuing duration" may ... give rise to an evolving meaning [to its terms]'.<sup>65</sup>

5.30. Under these circumstances, the question is not whether the drafters of the Statute contemplated the existence of an electronic registry and the need for it to be supervised by an international organization, rather it is whether these activities could be reasonably interpreted as capable of fulfilling the functions of the organization as described in Article 1 of its Statute. As the *Institut de Droit International* notes in that regard, 'the dynamic interpretation by international organizations of their constituent instruments shall be consistent with those instruments and in particular their object, purpose, and functions.'<sup>66</sup>

5.31. Faithfully applying articles 31 and 32 of the VCLT on treaty interpretation, it is hard up to come up with reasons as to why the setting up and running the Supervisory Authority of the International Registry would go against the declared goals of UNIDROIT and lie outside the Governing Council's wide discretion in determining the means of pursuing these goals. According to the Oxford English Dictionary, to harmonize is to 'bring into agreement (two or more things or one thing *with*

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<sup>64</sup> *Legal Consequences for States of the Continued Presence of South Africa in Namibia (South West Africa)*, supra note 42, 31.

<sup>65</sup> *Draft conclusions with commentaries*, supra note 28 at 65.

<sup>66</sup> Institut de Droit International, supra note 36, operative clause 3.

another); to reconcile'.<sup>67</sup> In international law, the exact meaning of the term 'harmonization' varies across treaty regimes<sup>68</sup> but generally refers to adjustments in domestic legal orders in areas of common concern aimed at convergence in terms of regulation and facilitating compliance and enforcement across borders. Furthermore, to coordinate is to 'place or arrange (things) in proper position relatively to each other and to the system of which they form parts; to bring into proper combined order as parts of a whole; to act in combined order for the production of a particular result'.<sup>69</sup> As with 'harmonization', 'coordination' does not have a singular accepted definition in international legal parlance, and its meaning may differ depending on the context. Nevertheless, the concept is generally associated with the effective recognition and enforcement of legal interests across borders.<sup>70</sup>

5.32. There can be little doubt that the Cape Town Convention Project is aimed at 'harmonization' and 'cooperation' in the general senses identified above. According to the Preamble of the Cape Town Convention, the state-parties seek to 'facilitate ... transactions[s] by establishing clear rules to govern them', are 'mindful of the need to ensure that interests in such equipment are recognised and protected universally', and are 'conscious of the need to establish a legal framework for international interests in such equipment and for that purpose create an international registration system for their protection'.

5.33. It follows from the above that the international registration system is seen as a fundamental means of ensuring the project's harmonization and coordination goals.<sup>71</sup> In turn, the 'international registration system' established by the Convention is, according to Chapter IV (entitled 'The international registration system'), made up of two components: the International Registry (CTC Article 16) and the Supervisory Authority (CTC Article 17). Thus, these two roles are equally, and indispensably, connected to and complement, the Convention's goals of harmonization and coordination regarding the legal regulation of large interests in mobile equipment across borders. These should also be construed to be the goals of the MAC Protocol that is ancillary to the CTC. As the Preamble of the MAC Protocol provides, the state-parties are 'extending the Convention to mining, agricultural, and construction equipment'.

5.34. To sum up: (1) UNIDROIT is, according to its statute, concerned *inter alia* with the 'harmonising' and 'coordinating' the private law of states; (2) the International Interests in Mobile Equipment Project is also concerned with international harmonization and coordination in matters relating to its field of application; (3) a key part of this harmonization and coordination under the CTC, and therefore the MAC Protocol, is the international registration system, of which, in turn, the Supervisory Authority forms one of the two constitutive components. Therefore, on the basis of a textual analysis of UNIDROIT's Statute and the relevant instruments, it follows that assuming the role of the Supervisory Authority would contribute to the harmonization and coordination of legal regulation across borders, and therefore fall within the organization's mandate as it currently stands.

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<sup>67</sup> Oxford English Dictionary at [www.oed.com](http://www.oed.com), accessed 30 January 2023.

<sup>68</sup> For a discussion of 'harmonization' in the WTO and EU contexts, see Marcus Klamert, 'What We Talk About When We Talk About Harmonisation' 17 (2015) *Cambridge Yearbook of European Legal Studies* 360. See also Mads H Andenas and Camilla B Andersen (eds) *Theory and Practice of Harmonisation* (Edward Elgar 2011).

<sup>69</sup> Oxford English Dictionary at [www.oed.com](http://www.oed.com), accessed 30 January 2023. The terms 'harmonization' and 'coordination' are not defined in the *Black's law dictionary* (9<sup>th</sup> ed) that I consulted.

<sup>70</sup> For a general reference, see, for example, Talia Einhorn, Kurt Siehr et al (eds), *Intercontinental cooperation through private international law* (Springer 2004).

<sup>71</sup> This is hardly a surprise; as the UNCITRAL Secured Transaction's Guide commentary and recommendations put it: '[t]he promotion of certainty and transparency of security rights in movable assets is a key objective of a modern secured transactions regime. Nothing is more central to the realization of this goal than the establishment of a general, notice-based, registry system...' UNCITRAL, Legislative Guide on Secured Transactions, UN Sales No E.09V.12 (2007).

5.35. As already mentioned, however, while a purely textual analysis of an organization's founding instrument is important, it is not necessarily conclusive. It is also crucial to examine how the meaning of the terms of the statute has been potentially informed by practice occurring within the organization. As already explained, subsequent practice plays an important role in treaty interpretation, especially when interpreting the constituent instruments of international organizations. The practice of the organization itself can assist in interpreting and applying terms that may initially seem generic or abstract. Indeed, over the past twenty years, a rather extensive practice has developed in that regard within UNIDROIT.

5.36. To begin with, UNIDROIT has assumed a range of facilitator or coordinating roles in relation to the instruments it has helped draft. To my knowledge this practice includes the following instances, where UNIDROIT has assumed:

- the Depositary role for CTC
- the Depositary role for the Aircraft Protocol
- the Depositary role for the Rail Protocol
- the Depositary role for the Space Protocol
- the Depositary for the UNIDROIT Convention on Substantive Rules for Intermediated Securities (Geneva Securities Convention)
- the role of the Secretariat for the Rail Protocol Preparatory Commission (shared jointly with OTIF)
- the role of the Secretariat for the Space Protocol Preparatory Commission
- the role of the Secretariat for the MAC Protocol Preparatory Commission

5.37. The assumption of these roles clarifies how the meaning of the terms enshrined in Article 1 of the Statute has been understood in practice. These roles are quintessentially coordinator and facilitatory in their nature. Their purpose is to ensure the effective application and implementation of the respective treaty instruments.

5.38. This goes without saying for UNIDROIT assisting the various Preparatory Commissions by performing the role of the Secretariat for them. Each of these commissions is entitled to act 'with full authority as Provisional Supervisory Authority' while preparing for the eventual establishment of the respective protocol-specific permanent Supervisory Authority.<sup>72</sup> This includes preparing and approving all the necessary regulations for the effective operation of the International Registry, as well as selecting a Registrar.

5.39. Naturally, the role of the Depositary also serves the effective application and implementation of the respective treaty instruments. However, in addition to its traditional role, the Depositary in this case has a responsibility under the respective protocols to concern itself with the practical operation and the effectiveness of the Cape Town Convention and its Protocols.<sup>73</sup>

5.40. To the best of my knowledge neither undertaking the role of the Depositary nor that of the Secretariat for the respective Provisional Supervisory Authorities, have encountered opposition within the organization. What is more, with the exception of assuming the role of the Depositary for the

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<sup>72</sup> See eg Diplomatic Conference for the Adoption of the Draft MAC Protocol, Resolution 1 Relating to the Establishment of the Preparatory Commission for the Establishment of the International Registry for Mining, Agricultural, and Construction Equipment, November 2019; Diplomatic Conference for the Adoption of the Draft Space Protocol, Resolution 1 Relating to the Setting up of the Preparatory Commission for the Establishment of the International Registry for Space Assets, March 2019; Diplomatic Conference for the Adoption of the Draft Rail Protocol, Resolution 1 Relating to the Establishment of the Supervisory Authority and International Registry for Railway Stock, February 2007.

<sup>73</sup> See Article 61 of the CTC; See article XXXVI for the Aircraft Protocol; Article XLVII of the Space Protocol; Article XXXIII for the Rail Protocol; Article XXXIV for the MAC Protocol.

Cape Town Convention, it seems uncertain whether accepting these roles was ever authorized through a formal decision, or whether these acceptances just followed an already established understanding of the organization's mandate. In that regard, it should be born in mind that, as the ICJ and the Institut de Droit International have authoritatively noted on different occasions, a continued practice that meets no opposition within the organization creates a presumption that it is *intra vires*.<sup>74</sup>

5.41. The sole direct internal authorization for any of the activities mentioned above can be traced back to Decision No.8 taken by the Governing Council at its 80<sup>th</sup> session in 2001.<sup>75</sup> That decision authorized the UNIDROIT Secretariat to propose the organization as depositary for the Cape Town Convention.

5.42. The same decision also authorized the Secretariat to 'take [...] any other action required to ensure the successful conclusion of the mobile equipment project.' Theoretically, it could be argued that this broad authorization can cover, according to its own terms, the remaining coordinator/facilitatory roles subsequently undertaken by UNIDROIT in relation to the mobile equipment project. Indeed, one could argue that undertaking the role of the Supervisory Authority for the MAC Protocol could also count as 'any other action required to ensure the successful conclusion of the mobile equipment project'. Alternatively, that authorization could be interpreted as being limited to the specific context of the diplomatic Conference to adopt a Mobile Equipment Convention.

5.43. Either way, Decision No. 8 of 2001 forms an important element of institutional practice. If, on the one hand, these roles are considered to have all been authorized by Decision No. 8 of 2001, then the role of the Supervisory Authority could also fall within the ambit of that authorization, since it qualifies as 'any other action required to ensure the successful conclusion of the mobile equipment project.' Alternatively, if it is considered that these roles were not explicitly authorized by Decision No. 8, then their number as well as the fact that they have been completely unopposed equally shows how the organization interprets its own mandate in practice as encompassing the assumption of these ancillary, but quite substantial, roles.

5.44. What is more, even if the authorization deriving from Decision No. 8 of 2001 is construed as limited to a specific time and project, it does show the Governing Council's understanding of the institutional mandate as including the undertaking of any actions that would help bring the mobile equipment project to fruition. This past practice of the Governing Council is especially important, as, according to Article 11 of the Statute, it is the primary organ entrusted with determining the means of carrying out the functions of the organization.

5.45. Equally important to these instances of practice, is the role that UNIDROIT has performed in relation to the Space, Rail, and MAC Preparatory Commissions, apart from serving as their Secretariat.

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<sup>74</sup> See eg *Difference Relating to Immunity from Legal Process of a Special Rapporteur of the Commission of Human Rights*, supra note 17, 86, where the Court found that taking note of a UN Special Rapporteur's reports and his methods of work, as well as a renewal his mandate, created a presumption that the official in question acted within the organizational mandate; *Legal Consequences for States of the Continued Presence of South Africa in Namibia*, supra note 42, 22 analyzed above. The Institut de Droit International has summed up this practice as follows: 'unless otherwise provided in the constituent instrument of the international organization, when there is a general agreement among the membership of the international organization as to an interpretation, the interpretation should be presumed to be lawful and *intra vires*'. See Institut de Droit International, supra note 36, operative clause 7.

<sup>75</sup> See Item No. 8, Decisions taken by the Governing Council at its 80th session (Rome, 17 - 19 September 2001).

5.46. According to the 2007 resolution establishing the Rail Protocol Preparatory Commission, the latter is supposed to act in consultation with UNIDROIT in discharging its 'full authority as Provisional Supervisory Authority'.<sup>76</sup>

5.47. UNIDROIT was entrusted with an even more expanded role in relation to the Space Protocol Preparatory Commission.<sup>77</sup> Following the respective resolution from 2019, UNIDROIT's General Assembly was asked to guide the Preparatory Commission in performing its functions.<sup>78</sup>

5.48. Finally, the 2019 resolution on the establishment of a Preparatory Commission for the MAC Protocol provides that the latter shall act and perform its functions 'under the guidance and the supervision of the Governing Council and the General Assembly'.<sup>79</sup>

5.49. To the best of my knowledge, UNIDROIT has never opposed undertaking these roles and its organs have generally acted in conformity to them. Especially regarding the establishment of the MAC Preparatory Commission, it should be mentioned that it was the UNIDROIT Secretariat itself that prepared the draft text of the resolution, on the request of the Diplomatic Conference.

5.50. This practice is important because it further shows how UNIDROIT understands that its mandate goes even beyond providing assistance to the respective Provisional Supervisory Authority. It clearly encompasses the responsibility to 'consult' and 'guide' it, as well as, in the case of the MAC Protocol, 'guide and supervise' it.

5.51. This practice too informs the meaning of key terms of UNIDROIT's Statute, including the organization's purposes of 'coordinating' the private law of states; 'facilitating' international relations in the field of private law; 'take an interest in projects already undertaken ... with which it may maintain relations 'as necessary'. Moreover, it is hard to imagine that UNIDROIT would have the authority according to the Statute to 'guide and supervise' a Provisional Supervisory Authority but lack the authority to perform the role itself.

5.52. In sum, the internally unopposed assumption and uninterrupted performance of these roles that are quintessentially coordinator and facilitatory in their nature, coupled with the practice of the Governing Council and apparent practice/lack of opposition by General Assembly, illuminates how the organization itself has interpreted its mandate in practice over a long period of time. The outward aspect of these roles exhibits how the organization and its members interpret the part of the mandate that refers to 'taking an interest in projects already undertaken in these field' and 'maintaining relations as necessary' by actually assuming additional institutional roles for the benefit of these projects when necessary. The performative aspect of these roles shows how the organization understands its statutory purposes of 'coordinating' the private law of states and 'facilitating' international relations in the field of private law. Construed in this manner through a long and

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<sup>76</sup> See Diplomatic Conference for the Adoption of the Draft Rail Protocol, Resolution 1. Under the same resolution, the Preparatory Commission is to be composed by at least one representative of UNIDROIT.

<sup>77</sup> Diplomatic Conference for the Adoption of the Draft Space Protocol, Resolution 1. 'TO SET UP, pending the entry into force of the Protocol, a Preparatory Commission (the Commission) to act with full authority as Provisional Supervisory Authority for the establishment of the International Registry, in consultation with the International Institute for the Unification of Private Law (UNIDROIT)...'

<sup>78</sup> Diplomatic Conference for the Adoption of the Draft Space Protocol, Resolution 1, 'TO INSTRUCT the Preparatory Commission to carry out, under the guidance of the General Assembly of UNIDROIT, the following three specific functions'

<sup>79</sup> Diplomatic Conference for the Adoption of the Draft MAC Protocol, Resolution 1 'TO ESTABLISH, pending the entry into force of the Protocol, a Preparatory Commission to act with full authority as Provisional Supervisory Authority for the establishment of the International Registry for mining, agricultural and construction equipment, *under the guidance and supervision of the Governing Council and the General Assembly of UNIDROIT*'; 'TO INSTRUCT the Preparatory Commission to carry out, *under the guidance and supervision of the Governing Council and the General Assembly of UNIDROIT*, the following functions' (emphasis added).

uninterrupted practice, the meaning of these terms could well accommodate the cognate role of the Supervisory Authority, since the latter is, almost by definition, a role designed to 'facilitate international relations in the field of private law'.

5.53. At least three possible objections could be raised to the analysis advanced so far. First, it could be argued that UNIDROIT does not have the requisite expertise to perform the role of the Supervisory Authority. Second, it could be claimed that the roles of the Depositary and the Secretary for the Provisional Supervisory Authority, for which there is well-documented practice, are substantially different from the role of the Supervisory Authority itself. Third, it could be said that all the practice relating to the establishment and running of the Preparatory Commissions should not be taken into account because the latter's authority is only provisional in nature.

5.54. From a legal standpoint, it is not necessary for an international institution to already possess the expertise before engaging with a certain kind of activity, so long as the activity in question falls within its mandate. Thus, political organs such as the UN General Assembly or the Security Council have been able to set up whole parallel institutions in the form of the UNAT on the one hand, and the ICTY on the other, despite having no previous expertise on these matters. In both cases, as already developed, the creation of these tribunals was considered lawful and *intra vires*. Rather, if the activity is considered part of their mandate, these organs have the right to develop the requisite capacities so as to effectively carry it out. As mentioned above, other Supervisory Authorities are assisted by commissions of national experts in performing their tasks. One cannot see why it would be any different should UNIDROIT itself assume the role of the Supervisory Authority for the MAC Protocol. Finally, it should be noted again that UNIDROIT already 'consults; 'guides'; or 'guides and supervises' the respective Preparatory Commissions of the Rail, Space and MAC Protocols.

5.55. As far as the second potential objection is concerned, it should be clarified that the question being asked is neither whether the role of the Supervisory Authority is similar to those Depositary and the Secretary for the Provisional Supervisory Authority—in some respects it is, in others it is not—, nor whether there is precedent for UNIDROIT specifically assuming this role. The eight instances of practice of UNIDROIT assuming coordinator/facilitator roles are important because they all reveal the current understanding of the institutional mandate. The point is that the current understanding can also accommodate UNIDROIT undertaking the role of the Supervisory Authority that can be equally seen as 'taking an interest ... and maintain relations as necessary' with a view to 'facilitating international relations in the field of private law'. In other words, UNIDROIT assuming the role of the Supervisory Authority is just a new means of achieving what is by now a well-established aim of the organization, and should thus be considered to fall within its mandate.

5.56. Third, it could be argued that all the practice relating to the three Preparatory Commissions should not be taken into account because these authorities were established only as provisional ones. Such an argument would be flawed. A given activity by an international organization can fall either inside or outside of its mandate; an otherwise *ultra vires* act is not rendered lawful just because it was assumed with a limited timeframe in mind. In this respect, it should be reminded that each one of these Preparatory Commissions had the capacity to 'act with full authority as Provisional Supervisory Authority'. UNIDROIT's involvement with these could only have been lawful if participating in this kind of activity was within the organization's mandate to begin with. It thus serves as further evidence as to how the general terms found in Article 1 of the Statute have been interpreted in practice, and how they should be interpreted in the future as well.

5.57. In conclusion, an examination of UNIDROIT's Statute following the standard rules of international law on treaty interpretation, suggests that it would be lawful for the organization to assume the role of the Supervisory Authority in relation to the MAC Protocol. Accordingly, the Statute of the organization does not need to be amended to that effect.

**6. If a new international organisation with separate legal personality is created along the lines of Article 12 of the Rail Protocol, would States need to consent (separately from their ratification of the MAC Protocol) to become members of that new entity?**

6.1. Question (f) asks whether states would need to consent separately in order to become members of a new entity that would be established to act as Supervisory Authority under article XIV of the MAC Protocol. However, during the ad hoc Committee's fourth session, it became apparent that there was interest in also addressing certain interrelated questions, namely

- (i) whether the MAC Protocol would have needed to explicitly mention the creation of a new international entity to perform the role of Supervisory Authority for that to be legally permissible
- (ii) whether the MAC Protocol requires states to become members to the new entity in order for it to function as the Supervisory Authority;
- (iii) whether, in the event that such membership is not deemed necessary, a MAC Protocol Contracting State would need to separately consent to a new entity performing the role of Supervisory Authority.

I will address these three questions in turn, before turning to the original formulation of question (f).

6.2. The question of whether the MAC Protocol would have needed to explicitly provide for the creation of a new international entity to perform the role of the Supervisory Authority should be answered in the negative. While the MAC Protocol does not itself provide for the establishment of a new international entity, this does not mean that state parties to the Protocol are not free to create a new organization, should they so choose, or entrust another entity (such as the Preparatory Commission) with the establishment of one. Indeed, the capacity of states to cooperate and organize on a collective level, including by creating new international organizations with legal personality, is an inherent attribute of their sovereignty. Restrictions on this capacity cannot be presumed unless explicitly provided for.

6.3. In this instance, it would be misleading to put too much emphasis on the difference in wording between the Rail and the MAC Protocols. While the former indeed explicitly provides for the creation of a new entity, the latter does not explicitly foreclose it. In fact, Resolution 1 of the MAC Protocol Diplomatic Conference Final Act appears to have been drafted broadly enough so as to allow for the creation of a new entity to be appointed as Supervisory Authority. According to the operative part of that resolution, the Diplomatic Conference resolves 'TO DIRECT the Preparatory Commission to prepare the establishment of the Supervisory Authority'.<sup>80</sup> Under these circumstances, it is fair to assume that the state parties did not preclude the possibility for establishing a new entity to serve as Supervisory Authority for the MAC Protocol.

6.4. The question of whether states would need to first become members of that new entity in order for it to function as the Supervisory Authority under the MAC Protocol should also be answered in the negative. While states would need to consent to another entity performing the role of the Supervisory Authority, that consent would not need to take the form of membership to the new organization (or for that matter to an already existing one that agrees to take up that role). Indeed, nothing in international law prevents a state from consenting to be bound by the decisions of an

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<sup>80</sup> Diplomatic Conference for the Adoption of the Draft MAC Protocol, Resolution 1 Relating to the Establishment of the Preparatory Commission for the Establishment of the International Registry for Mining, Agricultural, and Construction Equipment, November 2019, UNIDROIT DCME-MAC-Doc. 24. At the preamble of the same resolution, the Diplomatic conference recognizes, among other things, the 'advantages of formulating the policies and procedures' employed 'in establishing the International Registry for railway rolling stock in order to facilitate the expeditious establishment of the International Registry for mining, agricultural and construction equipment.'



international organization while not being a member of it. This would essentially resemble the scenario that is envisaged in articles 35-36 of the 1969 Vienna Convention on the Law of Treaties (treaties providing for rights and obligations for third parties).<sup>81</sup>

6.5. The related question of whether a state would still need to separately consent to a new entity performing the role of Supervisory Authority should also be answered in the negative. As already mentioned, states would need to consent to the new entity performing its role, but that consent would not need to be expressed in a separate form from the consent expressed via ratifying the MAC Protocol. This is because Article XIV(1) explicitly provides that '[t]he Supervisory Authority shall be the international entity designated pursuant to a resolution of the Diplomatic Conference for the adoption of this Protocol provided that such Supervisory Authority is able and willing to act in such capacity.' Thus, when a state expresses its intention to be bound by the MAC Protocol, this *ipso facto* includes an expression of consent to the Supervisory Authority being designated pursuant to a resolution of the Diplomatic Conference.

6.6. It follows that, if a Supervisory Authority is indeed established following the mandate of that resolution, no separate consent of state parties would be necessary before that entity could lawfully assume its functions under the Protocol. Thus, when becoming a MAC Protocol Contracting State, a state accepts that the appointed international entity will perform the role of the Supervisory Authority in way that is not dissimilar to its acceptance that an international entity such as UNIDROIT, will perform the role of the Depository, without there being an automatic need to become a member of that international organization in either case.

6.7. Having tackled the three preliminary questions, I will now turn to the question of whether states would need to consent separately in order to become members of a new entity that would be established to act as Supervisory Authority under article XIV of the MAC Protocol. This question should be answered in the affirmative.

6.8. As a general rule, states need to consent in order to become members of international organizations. For states participating in the creation of an international organization, this consent is normally expressed through acceptance of the legal document that first constitutes the organization. Most commonly this legal document is a treaty, often referred to as 'charter', 'constitution' etc.

6.9. States can also become members of an international organization through subsequent application and admission. Analytically, this process of admission encapsulates the consent of the candidate state to becoming a member of the organization in question. Despite the difference in process, the requirement of consent is equally necessary in both cases.

6.10. This requirement of consent is confirmed, rather than circumvented, in the more unusual case where states provide for the establishment of an international organization in a treaty that also addresses other matters. In such cases, the consent of states to the treaty as a whole includes their consent to become members to the organization in question. In these situations, no separate consent through application for admission is necessary.

6.11. A case in point is the International Civil Aviation Organization ('ICAO'). ICAO's constitution forms part of the Chicago Convention on International Civil Aviation that includes several rights and obligations for contracting states apart from establishing ICAO. Other examples include the Covenant

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<sup>81</sup> It should be noted that what is contemplated here does not seem to involve the imposition of any obligations or authority by the Supervisory Authority to the contracting states of the MAC Protocol, such as that would call for the application of article 35 of the VCLT 1969. As detailed in article 17 of the CTC, that describes the functions of the Supervisory Authority, the latter's mandate consists in supervising the International Registry, not in directly putting new obligations in place for parties to the relevant Protocols.

of the League of Nations and the constitution of the ILO that were originally included in the 1919 peace treaties, as well as the constitution of the International Energy Agency that forms part of the Agreement on an International Energy Programme of 18 November 1974.

6.12. These cases are atypical only in that the constitution of the new organization is not contained in a separate legal document, and that, hence, the consent of states to be a part of the new organization is expressed in a single formal act, as part of their acceptance of a broader set of rights and obligations contained in the relevant treaty.

6.13. Similar to the examples just provided, the Rail Protocol also provides for the establishment of a new international entity (article XII). This new entity, which is designated to act as the Supervisory Authority under that Protocol, enjoys legal personality (CTC article 27(1)), and should be considered for all intents and purposes an intergovernmental organization.

6.14. Article XII(1) of the Rail Protocol lays out how this new international organization is to be established, as well as what its membership will be. The new organization's membership includes, according to article XXII(1)(a), one representative appointed by each state party to the Rail Protocol. It follows that by becoming a state party to the Rail Protocol, a state simultaneously consents to its membership of the new international entity to be established under article XXII, much like it would be with a state becoming a state party to the Chicago Convention on International Civil Aviation and joining ICAO.<sup>82</sup> Thus, under the Rail Protocol, no separate expression of consent appears to be necessary in order to become a member of the new organization that is supposed to function as the Supervisory Authority.<sup>83</sup>

6.15. Contrary to the Rail Protocol and the other examples just mentioned, the MAC Protocol does not itself provide for the establishment of a new international entity. However, as already explained above, this does not mean that state parties to the Protocol cannot establish a new organization, should they so choose, or entrust another entity (such as the Preparatory Commission) with the establishment of one in order to perform the functions of the Supervisory Authority.

6.16. However, one should be careful to distinguish between the idea that the state parties potentially retained the freedom to create such an entity and the fact that they did not exercise that freedom in the MAC Protocol itself. While, as already mentioned, it is conceivable that a legal document enshrines both classic treaty obligations and the creation of a new organization —thus necessitating consent to be formally expressed only once to the instrument as a whole by interested states—, this is not what happened in this case. Instead we have a treaty that potentially leaves it up to the state parties to create a new international organization to serve as Supervisory Authority.

6.17. Accordingly, if it is decided that a new organization is established, this establishment would now have to assume separate legal form. In turn, this separate legal form would have to be covered

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<sup>82</sup> Some doubts were expressed during the ad hoc Committee's fourth session as to whether the new entity established pursuant to the Rail Protocol is supposed to have an actual membership of states as opposed to simply operating as a committee of 'representatives'. In that regard, it should be noted that resolution no 1 of the Final Act of the Diplomatic Conference of the Rail Protocol provides that the new entity will have a membership composed of states following article XII of the Rail Protocol ('TO DIRECT the Commission to prepare the establishment of the Supervisory Authority, whose members shall be composed of States as provided under Article XII of the Protocol'). The draft Statute of the new entity also provides in Article 2 that the organization's 'membership is determined in accordance with Article XII(1) (b) and (c) of the Protocol'.

<sup>83</sup> This is the case for regular members that ratify the Rail Protocol. Article XII(1) of that protocol also provides for representatives to the new organization to be appointed 'by each of a maximum of three States to be designated by the International Institute for the Unification of Private Law (UNIDROIT)', and the same with OTIF. It should be noted that, in this case, UNIDROIT and OTIF only 'designate' those respective states that would then have to accept or otherwise express their consent to that designation. For states, becoming a member of an international organization is a prerogative of their sovereignty; it is inconceivable that a state would become a member of an international organization without its consent.

separately by the consent of the state parties if they wish to become members to it.<sup>84</sup> Moreover, after the new organization is established, non-founding members that become parties to the MAC Protocol at a later date would in principle have to consent to their admission and membership to this new organization, as these would not follow automatically from the MAC Protocol itself.

6.18. It follows that the ratification of the MAC Protocol by a state cannot ipso facto make it a member to a new organization whose establishment is not mentioned at all in the protocol itself. Instead, a separate expression of consent that is directed specifically at the legal instrument that actually establishes the said organization would be necessary in order to attain such membership. The exact formalities for attaining membership after the constitution of the new organization, that is for states joining the MAC Protocol after the latter has entered into force and after an operational Supervisory Authority with its own legal personality has been set up, would be subject to the rules of that new organization's founding instruments. In any event, some process whereby the consent of the state to become such a member is confirmed would be necessary.

6.19. Although answering the question of consent to membership might seem somewhat superfluous given the conclusion that the MAC Protocol does not itself pose a requirement of membership for the Supervisory Authority to function, it is still important to consider for two reasons.

6.20. First, if states do indeed wish to create a new international organization to perform the functions of the Supervisory Authority it will still need to have *some* members, as it is hardly conceivable to have an international organization without members. These founding members would need to consent separately in order to become members of that new international organization. Once that nucleus of membership is formed and an international organization comes into existence then the considerations developed in paragraphs 6.5-6.6 could come into play (regarding whether a MAC Protocol Contracting State would need to separately consent to a new entity performing the role of Supervisory Authority).

6.21. Second, if states do indeed elect to create a new international organization, the problem of membership will inevitably arise. In this case, the avenue open to the drafters of the Statute of the Supervisory Authority for the Rail Protocol, namely that the membership is to be determined by reference to a specific treaty provision, will not be available, as the MAC Protocol does not feature a provision similar to article XII(1) of the Rail Protocol. In such a scenario, a reasonable alternative would be to provide that membership is open to all state parties of the MAC Protocol and then leave it up to them to decide if they would join that new organization. In that case, however, a separate expression of consent would indeed be necessary, as explained above.

6.22. In conclusion:

- (i) States are free to establish a new international organization to perform the functions of the Supervisory Authority under the MAC Protocol.
- (ii) Neither the MAC Protocol nor general international law require that state parties must also become members to the Supervisory Authority for the latter to be able to perform its role under the treaty.
- (iii) If a new organization is established following article XIV(1) of the MAC Protocol, no separate consent by the state parties would be necessary for that organization to be able to perform the role of the Supervisory Authority.

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<sup>84</sup> Contrary to the case of accepting that the new entity will perform the role of the Supervisory Authority, it cannot be argued that states will become members to the new organization just by consenting to the MAC Protocol itself. The reason for this is that Article XIV refers only to the 'designation' of an entity as the Supervisory authority rather than any kind of membership. As suggested above, states arguably do consent to that designation by consenting to the MAC Protocol, but they will not ipso facto become members of the new organization.

(iv) Notwithstanding conclusion (ii), states would still need to consent separately in order to become members of a new international organization established to perform the role of the Supervisory Authority under the MAC Protocol, should they so desire, or should the statute of the new organization require them to do so.

**7. Would UNIDROIT’s immunities (deriving from its Statute and Headquarters Agreement) ensure that a new international entity with separate legal personality created to perform the role of Supervisory Authority would the same level of immunity in relation to the exercise of its functions as Supervisory Authority?**

7.1. Question (g) asks whether a separate legal entity created to perform the role of Supervisory Authority (‘new international organization’) would enjoy the same privileges and immunities that UNIDROIT currently enjoys under its statute and its Headquarters Agreement.<sup>85</sup>

7.2. In answering this question, it should be born in mind that according to CTC article 27, the ‘Supervisory Authority shall have international legal personality where not already possessing such personality’. The new Supervisory Authority will thus enjoy a legal personality of its own, separate from that of its member states as well as UNIDROIT. This would also be the case if UNIDROIT agrees to assist this new organization by acting as its Secretariat. The two legal persons would retain their own legal personality, even as they would operate together as part of a special relationship with potentially important legal consequences for both.

7.3. One issue that merits particular attention in that regard is the question of privileges and immunities. As far as UNIDROIT is concerned, these largely emanate from the Headquarters Agreement with the Italian State. The latter is a bilateral treaty that is, according to its own terms, concerned only with the privileges and immunities accorded to the Institute, rather than any other organization. It follows that if the new entity indeed enjoys its own legal personality, it will not be covered by the scope *ratione personae* and *materiae* of the Headquarters Agreement that refer exclusively to UNIDROIT. Therefore, the new organization would not enjoy UNIDROIT’s privileges and immunities as these emanate from the Headquarters Agreement.

7.4. This situation does not change in view of the possibility that UNIDROIT acts as a Secretariat for the new organization. The fact that an international organization may enlist the assistance of another entity with its own legal personality, whether a state or an international organization, does not automatically make it enjoy the rights, privileges and immunities of the latter. The international organization enlisting this assistance would still retain its own legal personality, meaning that it would not be covered in this case by the bilateral agreement between UNIDROIT and the Italian State.

7.5. Despite the Headquarters Agreement not applying directly to the new organization, it is still worth considering whether certain provisions of it could provide at least some protection to the representatives of that new entity.

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<sup>85</sup> Article 2 of UNIDROIT’s Statute provides that ‘[t]he privileges and immunities which the Institute and its agents and officers shall enjoy shall be defined in agreements to be concluded with the participating Governments’. In this respect, an agreement with Italy, entitled ‘Agreement between the Italian Government and the International Institute for the Unification of Private Law in respect of the privileges and immunities of the Institute’ (‘Headquarters Agreement’) was concluded in Rome on 20 July 1967. This agreement was approved by the Italian Chamber of Deputies (La Camera dei deputati) and the Italian Senate (Senato della Repubblica) with Law of 12 December 1969, No. 1074. Law no. 1074 replicates the text of the Headquarters Agreement and incorporates into the Italian legal system. The Headquarters Agreement was amended in 1995, following an exchange of Notes Verbales between the Italian Government and UNIDROIT. These amendments were also approved by the respective Italian institutions and passed into Italian law with Law of 16 June 1997, no. 193.

7.6. Article 6 of the Headquarters Agreement provides that '[t]he representatives of international institutes or Organizations that take part in the meetings convened by the Institute' shall be accorded certain privileges and immunities'. One could argue that if, for example, the meetings of the new organization are held by UNIDROIT in Rome, then the representatives of that new organization would be covered by the provisions of article 6.

7.7. There are two things worth noting here. First, there can be serious doubt as to whether this is the correct interpretation of article 6 of the Headquarters Agreement. If UNIDROIT is indeed acting as the new organization's Secretariat then those meetings would, arguably, be 'convened' by the new entity itself as far as the law is concerned, even if in practice it would be UNIDROIT that administered all the relevant details (essentially UNIDROIT would be helping the new organization to set up those meetings, that would be carried out in the latter's name). That would mean that the officials attending those meetings would be attending meetings technically convened by the new organization. Those meetings would thus constitute activities that fall outside the scope of article 6.

7.8. Second, even if that were the correct interpretation of article 6, it would not mean that the new organization as a whole enjoys the 'same' level of privileges and immunities as UNIDROIT, as the question posed to the ad hoc Committee asks. It would instead enjoy only a subset of those, namely those privileges and immunities provided in article 6 for its representatives, but not those provided for articles 1, 2, 3, 4, 5, and 7.

7.9. Under these circumstances, question (i) should be answered in the negative.<sup>86</sup> While there might be a way to argue that representatives of the new organization should enjoy some privileges and immunities of those accorded in article 6 of the Headquarters Agreement, this is open to interpretation, and would not, in any event, secure that the new organization as a whole enjoys the 'same' level of immunity with UNIDROIT. The new organization would arguably have to negotiate a new treaty with its host state in order to ensure that it and its officials enjoy a similar level of protection to that of UNIDROIT.<sup>87</sup>

7.10. Although the question posed could be interpreted as asking solely about the immunities of the new organization, it might also be worth addressing in advance the question of whether UNIDROIT itself, as well as its organs and/or officials enlisted to assist this new organization would continue to normally enjoy their privileges and immunities under the Headquarters Agreement when performing acts for that new entity.

7.11. The danger here is that, because these organs and officials will be performing official functions for another international organization, they will no longer be covered by UNIDROIT's Headquarters Agreement insofar as the performance of these functions is concerned. A full

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<sup>86</sup> Although this goes beyond what is being asked here, it should be noted that neither the CTC nor the MAC Protocol provide for any privileges and immunities in that regard for the Supervisory Authority. CTC article 27(2) provides that 'The Supervisory Authority and its officers and employees shall enjoy such immunity from legal or administrative process as is specified in the Protocol', yet the MAC Protocol itself does not specify any treaty-based immunities in that regard. Instead, article XIV provides that 'The Supervisory Authority and its officers and employees shall enjoy such immunity from legal and administrative process as is provided under the rules applicable to them as an international entity or otherwise.' Unless the new entity enters into treaties with states providing for such immunities, this would leave customary international law as the only potential source for immunities for the new organization. However, the status of such immunities under customary international law is uncertain. See Jan Klabbbers, *An Introduction to International Organizations Law* (3rd edn, CUP 2015) 148-9; Michael Wood, 'Do International Organizations Enjoy Immunity Under Customary International Law?' (2013) 10 *International Organizations Law Review* 287. Fully exploring this question would go beyond what is being asked here, namely whether the privileges and immunities provided under UNIDROIT's Headquarters Agreement would also be applicable to a new international organization with its own distinct legal personality.

<sup>87</sup> See footnote above for the contested question of whether the new organization could claim some immunities under customary international law.

exploration of this line of inquiry can only be hypothetical at this stage, as the details of the exact relationship between the new entity and UNIDROIT are themselves tentative.

7.12. At a fundamental level two models for the potential relationship between UNIDROIT and the new international organization seem more relevant. According to the first, UNIDROIT and the new entity work together and thus may both incur responsibility for possible internationally wrongful acts. According to the second, UNIDROIT places some of its organs and/or personnel at the disposal of the new organization, and any committed internationally wrongful conduct is, in principle, attributable to the new organization. Both models raise questions relating to UNIDROIT'S immunities that need attention.<sup>88</sup>

7.13. The first model approximates the relationships encountered in article 14 or 15 of the 2011 Draft articles on the Responsibility of International Organizations ('DARIO').<sup>89</sup>

7.14. Article 14 provides that: [a]n international organization which aids or assists a State or another international organization in the commission of an internationally wrongful act by the State or the latter organization is internationally responsible for doing so if: (a) the former organization does so with knowledge of the circumstances of the internationally wrongful act; and (b) the act would be internationally wrongful if committed by that organization.

7.15. Article 15 provides: '[a]n international organization which directs and controls a State or another international organization in the commission of an internationally wrongful act by the State or the latter organization is internationally responsible for that act if: (a) the former organization does so with knowledge of the circumstances of the internationally wrongful act; and (b) the act would be internationally wrongful if committed by that organization.'

7.16. In terms of more practical examples, a situation that approximates the relationship described in article 14 and 15 of the DARIO is the one envisaged in article XII of the Rail Protocol. This article describes the setting up of a new international organization to act as Supervisory Authority for the Rail Protocol. It also provides for the Intergovernmental Organisation for International Carriage by Rail ('OTIF') acting as Secretariat for the new organization. Article XII(6) of the Rail Protocol describes the relationship as follows: '[a] secretariat (the Secretariat) shall assist the Supervisory Authority in the discharge of its functions, as directed by the Supervisory Authority. The Secretariat shall be OTIF'. Although the language does not fit perfectly the categories established by the DARIO (notably it refers to 'assistance ... as directed', thus incorporating elements from both articles 14 and 15), this approximates a scenario of collaboration rather than of lending organs by one organization to another.

7.17. In this scenario, UNIDROIT would still be acting in its own name, even if the new entity might bear some responsibility for internationally wrongful acts committed in that capacity. Conversely, UNIDROIT could theoretically bear responsibility for any assistance it provides to wrongful acts committed by that new organization.

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<sup>88</sup> As already mentioned in paragraph 7.9, the new international entity would not appear to be automatically entitled to any conventional immunities. Thus, what follows explores solely the question of whether UNIDROIT can still benefit from the Headquarters Agreement while serving as the Secretariat of that new organization.

<sup>89</sup> See Draft articles on the Responsibility of International Organizations with commentaries, 2011 YILC vol II, Part Two, 66-67. See also article 14 on 'aid or assistance'. The 'articles' and not an international treaty but enjoy authority insofar as they reflect existing norms of customary international law and/or general principles of law. It is submitted here that article 7 is in fact an elaboration of a more general principle regarding attribution of conduct and responsibility in international law, an expression of which is also found in article 6 of the 2001 Articles of State Responsibility.

7.18. Most importantly, for UNIDROIT organs and officials to still be covered by the privileges and immunities contained in the Headquarters Agreement, it would have to be concluded that any related acts were performed while pursuing UNIDROIT's functions. In this case, it would have to be shown that performing acts under the direction and control, or in the assistance of, another international organization falls within UNIDROIT's functions. As my answer to question 8 demonstrates, that is the right position to take with respect to the Supervisory Authority functions of the MAC Protocol, but it should also be noted that this scenario is not free of potential complications when it comes to immunities.

7.19. The second possible model for the relationship between UNIDROIT and the new international entity is that of putting organs or personnel of an organization at the disposal of another organization. Article 7 of the DARIO describes such a scenario: '[t]he conduct of an organ of a State or an organ or agent of an international organization that is placed at the disposal of another international organization shall be considered under international law an act of the latter organization if the organization exercises effective control over that conduct.'<sup>90</sup>

7.20. A practical arrangement that seems analytically closer to this model is the current role that the UNIDROIT Secretariat performs in relation to the Preparatory Commission for the MAC Protocol. According to the resolution establishing this Preparatory Commission, 'the UNIDROIT Secretariat' (and, notably, not UNIDROIT as an organization) will serve as 'the Secretariat of the Preparatory Commission'.<sup>91</sup> This seems to be a case where a single organ is placed at the disposal of another organization, rather than two organizations working together. (I do understand that in practice the difference between this and the first scenario may be imperceptible to all those involved in the daily running of things, but there is a distinction to be drawn from an analytical point of view).

7.21. If the factual circumstances of the relationship between the new organization and UNIDROIT support the application of article 7 of the DARIO, that would mean that any potentially wrongful conduct of UNIDROIT organs and/or officials placed at the disposal of the new organization would be, as a matter of international law, attributable to the new organization, and incur the latter's responsibility. In this scenario, it could even be argued that the question of invoking UNIDROIT's immunities would theoretically not arise for internationally wrongful acts performed by its organs while being at the disposal of the new organization, because there would be, legally speaking, no acts of UNIDROIT to begin with.<sup>92</sup> In other words, either UNIDROIT's actions will be attributable to the new organization, in which case there the questions of immunities would not arise, or even if somehow, the acts are still attributable to UNIDROIT, that would only mean that the relevant privileges and immunities under its Headquarters Agreement would continue to apply.

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<sup>90</sup> See Draft articles on the Responsibility of International Organizations with commentaries, 2011 YILC vol II, Part Two, 56.

<sup>91</sup> Diplomatic Conference for the Adoption of the Draft MAC Protocol, Resolution 1.

<sup>92</sup> This conclusion is phrased with some caution as (a) the details of the legal relationship between UNIDROIT and the new organization can only be subject of speculation at this point; (b) the application of the relevant rules of attribution is very fact-sensitive, making it impossible to reach any definitive conclusions in advance; (c) the law itself is not entirely clear on some of the finer details of attribution, to some extent because the legal and factual possibilities cannot be predetermined in an exhaustive manner; as the commentary to article 7 of the DARIO suggests, 'Although it may not frequently occur in practice, dual or even multiple attribution of conduct cannot be excluded.' Draft articles on the Responsibility of International Organizations with commentaries, 2011 YILC vol II, Part Two, 54.

7.22. The situation is less straightforward with regard to personal privileges and immunities of UNIDROIT organs and officers<sup>93</sup> placed at the disposal and/or acting under the direction of the new organization.<sup>94</sup>

7.23. As already mentioned in my previous legal opinion, the personal privileges and immunities provided for in articles 6 and 7 of the Headquarters Agreement are functional in scope and purpose, meaning that they are there to ensure that the Institute is able to perform its mission unobstructed by domestic legal processes.

7.24. However, it could be argued that the moment that an officer of UNIDROIT is placed at the disposal of another organization, then they are no longer performing any related actions in a UNIDROIT official capacity, but rather in an official capacity of that new organization. This would mean the organ/person in question would no longer be covered by the immunities provided in the Headquarters Agreement.

7.25. A counterargument to this could be that performing an official capacity for another organization can still be viewed as falling within the official role and duties of the relevant UNIDROIT organs/officials because it was mandated by their parent organization (in other words, the duty/official capacity in this instance is to perform tasks for another organization). According to this line of argument, even if the acts of the relevant UNIDROIT organs/officials are attributable to the new organization as far as international responsibility is concerned, they would still count as acts carried out in a UNIDROIT official capacity for the purposes of establishing immunities. This would mean that they would be covered by articles 6 and 7 of the Headquarters Agreement.

7.26. On the balance of things, the second view appears to be the correct one. This means that UNIDROIT organs and personnel would continue to be covered by the Headquarters agreement, even when they are carrying out functions as the Secretariat of the new organization.

7.27. This boils down to the idea that even when on loan or at the disposal of another entity, organs of a state of an international organization do not technically cease to be organs of their parent institution. While article 7 of the DARIO institutes a legal fiction regarding the attribution of certain acts, it does not provide a definition of what an organ of an international organization is for all intents and purposes. Instead, the organs that are being transferred remain at all times organs of the parent institution, unless otherwise provided. This conclusion is also supported by article 2 of the DARIO, which provides that an “organ of an international organization” means any person or entity which has that status in accordance with the rules of the organization’.

7.28. Further insights on the meaning of the words ‘acts performed in their official capacity and within the limits of their duties’ that are found in article 7(1)(a) of the Headquarters Agreement can be provided by looking at how ‘official capacity’ is understood in the context of other articles of the

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<sup>93</sup> It is beyond the scope of this work to assess the various factual patterns that would lead a scenario potentially involving the responsibility of such organs and officers to materialize. Theoretically, this could involve something as simple as a traffic violation on the way to a meeting of the Supervisory Authority.

<sup>94</sup> The relevant documented international practice on such questions appears to be rather limited. Similar arrangements are found in international environmental law, where, for example, the UN Environmental Programme serves as the Secretariat for the Convention on Biological Diversity, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, as well as others. Furthermore, apparently, the Secretariat of EFTA tends to borrow all its professional higher-level staff on secondment for terms of four to six years by its member states. On the EFTA see Henry G Schermers and Niels M Blokker, *International Institutional Law* (Martinus Nijhoff 2011) 374. Generally speaking, recorded instances of legal practice in relation to international organizations lending their personnel are very rare. The 2001 Articles on State Responsibility mention this only as a theoretical responsibility, whereas the DARIO mention only one example (that of the Pan American Health Organization in relation to the WHO).



DARIO. As the commentary to article 8 suggests, '[in order to determine whether certain conduct is "off-duty" or "on-duty"] ... [o]ne would then have to examine whether the ... conduct in question is related to the functions entrusted to the person concerned.' In this case, the organs and officers of the Institute would be performing these functions for the Supervisory Authority only because UNIDROIT organization 'entrusted' these functions to them.<sup>95</sup> They should thus be considered actions 'performed in their official capacity' and 'within the limits of their duties' for the purposes of the Headquarters agreement.

7.29. Regardless of this conclusion, the fact remains that this presents a legally complicated and, if not entirely unprecedented, certainly not well-documented scenario. In such a situation, great care must be devoted into minimizing the associated legal risk through the careful drafting of the relevant documents.

7.30. Ways to minimize this legal risk for UNIDROIT could include (a) the new organization signing a new Headquarters Agreement that explicitly includes persons working for the Secretariat (making thus certain that either way UNIDROIT personnel are covered) and/or (b) issuing an interpretative statement of the existing Headquarters Agreement that clarifies that UNIDROIT personnel continue to act in an official capacity when performing functions for other international organizations as part of their duties. The latter option could also take the form of a confirmatory joint decision by the President of the Institute together with the Minister of Foreign Affairs, pursuant to article 7(2) of the Headquarters Agreement.<sup>96</sup> In addition, attention should be paid to the terms of a potential agreement between the new organization and UNIDROIT that will detail the conditions for performing the tasks of the Secretariat. This agreement could specify that Secretariat officers remain under the administrative supervision of UNIDROIT at all times and that they are in fact acting in an official UNIDROIT capacity and within the limits of their duties, even when they are providing services for the new organization.

## **8. Would the UNIDROIT Statute need to be amended to allow for UNIDROIT to perform the role of Secretariat for a new international entity with separate legal personality created to perform the role of Supervisory Authority?**

8.1. According article 1 of UNIDROIT's Statute, the purposes of the organization include, among other things, 'to examine ways of harmonising and coordinating the private law of States' and 'to this end ... (a) prepare drafts of laws and conventions with the object of establishing uniform internal law; (b) prepare drafts of agreements with a view to facilitating international relations in the field of private law; ... (d) take an interest in projects already undertaken in any of these fields by other institutions with which it may maintain relations as necessary'. Furthermore, article 11(1) of the Statute provides that '[t]he Governing Council shall determine the means of carrying out the functions set out in Article 1'.

8.2. Statutes of international organizations are international treaties, and thus subject to the relevant rules of interpretation, as analysed in my first legal opinion to the ad hoc Committee (see paras 5.1-5.27 of that opinion).

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<sup>95</sup> As already mentioned, the documented international practice in that regard is rather scarce. A similar situation arose with the composition of the Arbitration Commission of the Peace Conference on Yugoslavia (also known as the Badinter Commission). According to the Commission's 1993 Terms of Reference, the reconstituted five-member "Arbitration Commission" was to comprise, among others, of one judge of the European Court of Human Rights designated by that Court's president. Because the appointment was *ex officio*, the appointed judge was arguably continuing to act in his/her official capacity, but still this most likely did not mean that the opinions rendered by the Commission were in attributable in any manner to the European Court of Human Rights.

<sup>96</sup> As article 7(2) provides: '[t]he categories of officers of the Institute to whom the privileges and immunities referred to in this article apply shall be decided by the President of the Institute together with the Minister of Foreign Affairs'.

8.3. In that regard, it is important to take note of the organization's own interpretation of its constituent instrument as this has emerged from its past practice. Indeed, UNIDROIT has already been performing the role of the Secretariat for the Rail Protocol Preparatory Commission (shared jointly with OTIF), the role of the Secretariat for the Space Protocol Preparatory Commission, and the role of the Secretariat for the MAC Protocol Preparatory Commission itself. It should be noted that these 'Preparatory Commissions' are entitled to act with full authority as Supervisory Authorities until the latter are formally established. Hence, it seems that UNIDROIT has already been performing very similar, if not identical, roles in all but name.

8.4. Moreover, UNIDROIT has performed additional supervisory roles in relation to the Space, Rail, and MAC Preparatory Commissions. According to the 2007 resolution establishing the Rail Protocol Preparatory Commission, the latter is supposed to act 'in consultation' with UNIDROIT in discharging its 'full authority as Provisional Supervisory Authority'.<sup>97</sup> UNIDROIT was entrusted with an even more expanded role in relation to the Space Protocol Preparatory Commission.<sup>98</sup> Following the respective resolution from 2019, UNIDROIT'S General Assembly was asked to 'guide' the Preparatory Commission in performing its functions.<sup>99</sup> Finally, the 2019 resolution on the establishment of a Preparatory Commission for the MAC Protocol provides that the latter shall act and perform its functions 'under the guidance and the supervision of the Governing Council and the General Assembly'.<sup>100</sup>

8.5. It follows from the above that UNIDROIT has consistently interpreted its mandate as including important functions to be performed after the conclusion of the instruments whose drafting it has assisted. In this regard, as the International Court of Justice as well as the Institut de Droit International have authoritatively noted on different occasions, a continued practice that meets no opposition within the organization creates a presumption that it is *intra vires*.<sup>101</sup> To the best of my knowledge, no such opposition has been recorded within UNIDROIT in relation to this past practice. Past practice thus supports the notion that assuming the role of the Secretariat for the new organization would be *intra vires*, and thus not necessitate an amendment of UNIDROIT'S Statute.

8.6. This conclusion is not contradicted by the text of UNIDROIT'S Statute which gives a wide discretion to the Governing Council in devising the means for carrying out the functions of the organization (see article 11(1) in conjunction with article 1). At the same time, performing this role

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<sup>97</sup> See Diplomatic Conference for the Adoption of the Draft Rail Protocol, Resolution 1. Under the same resolution, the Preparatory Commission is to be composed by at least one representative of UNIDROIT.

<sup>98</sup> Diplomatic Conference for the Adoption of the Draft Space Protocol, Resolution 1. 'TO SET UP, pending the entry into force of the Protocol, a Preparatory Commission (the Commission) to act with full authority as Provisional Supervisory Authority for the establishment of the International Registry, in consultation with the International Institute for the Unification of Private Law (UNIDROIT)...'.

<sup>99</sup> Diplomatic Conference for the Adoption of the Draft Space Protocol, Resolution 1, 'TO INSTRUCT the Preparatory Commission to carry out, under the guidance of the General Assembly of UNIDROIT, the following three specific functions'

<sup>100</sup> Diplomatic Conference for the Adoption of the Draft MAC Protocol, Resolution 1 'TO ESTABLISH, pending the entry into force of the Protocol, a Preparatory Commission to act with full authority as Provisional Supervisory Authority for the establishment of the International Registry for mining, agricultural and construction equipment, under the guidance and supervision of the Governing Council and the General Assembly of UNIDROIT'; 'TO INSTRUCT the Preparatory Commission to carry out, under the guidance and supervision of the Governing Council and the General Assembly of UNIDROIT, the following functions' (emphasis added).

<sup>101</sup> See eg *Difference Relating to Immunity from Legal Process of a Special Rapporteur of the Commission of Human Rights*, supra note 17, 86, where the Court found that taking note of a UN Special Rapporteur's reports and his methods of work, as well as a renewal his mandate, created a presumption that the official in question acted within the organizational mandate; *Legal Consequences for States of the Continued Presence of South Africa in Namibia (South-West Africa) Notwithstanding Security Council Resolution 276 (1970)*, supra note 43, 22. The Institut de Droit International has summed up this practice as follows: 'unless otherwise provided in the constituent instrument of the international organization, when there is a general agreement among the membership of the international organization as to an interpretation, the interpretation should be presumed to be lawful and *intra vires*'. See Institut de Droit International, supra note 37, operative clause 7.

appears to be consistent with advancing the purposes of the organization, as the Supervisory Authority is, according to its own terms, an institution designed to help with coordination and harmonization in the field of application of the Cape Town Convention in general, and the MAC Protocol in this instance.<sup>102</sup>

8.7. In conclusion, performing the role of the Secretariat for a new international entity that would assume the role of the Supervisory Authority under MAC Protocol would be in conformity with the constitution of the organization. Accordingly, UNIDROIT'S Statute would not need to be amended so as to allow the organization to accept the role of the Secretariat for the new Supervisory Authority.

## 9. Summary of Conclusions

9.1. No conflict under public international law would arise if UNIDROIT undertook both the role of the Supervisory Authority and the Depositary under the MAC Protocol. In performing its role as the Depositary, UNIDROIT should be mindful of the general duties of depositaries under customary international law, as these are reflected in Article 76(3) of the VLCT.

9.2. UNIDROIT would continue to enjoy the same level of protection under its Headquarters Agreement in terms of privileges and immunities in relation to the exercise of its functions as Supervisory Authority. Governing Council members and their delegates, General Assembly representatives, and Secretariat officers would continue to enjoy the same level of protection under UNIDROIT'S Headquarters Agreement when performing the Supervisory Authority functions.

9.3. In terms of their liability under national and international law, the legal position of Governing Council members, General Assembly representatives, and the Secretariat officers who perform the Supervisory Authority functions is the same as that for performing any other function of the organization. My understanding is that, in practice, the associated legal risk is very low and could be mitigated to almost non-existent through the careful drafting of the relevant legal documents.

9.4. UNIDROIT'S Statute does not pose any specific limitations on how its organs could discharge the Supervisory Authority functions other than those general stipulations that normally apply to the undertaking and performing of any function by the organization.

9.5. An interpretation of the Statute according to well-established international law rules on treaty interpretation shows that assuming the role of the Supervisory Authority would fall within the organization's mandate. Accordingly, UNIDROIT'S Statute would not need to be amended so as to allow the organization to accept the role of the Supervisory Authority.

9.6. States are free to establish a new international organization to perform the functions of the Supervisory Authority under the MAC Protocol. At the same time, neither the MAC Protocol nor general international law require that state parties must also become members to the Supervisory

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<sup>102</sup> As explained in my first legal opinion, the Cape Town Convention Project is aimed at 'harmonization' and 'cooperation' of legal interests and regulations at a transnational level. According to the Preamble of the Cape Town Convention, the state-parties seek to 'facilitate ... transactions[s] by establishing clear rules to govern them', are 'mindful of the need to ensure that interests in such equipment are recognised and protected universally', and are 'conscious of the need to establish a legal framework for international interests in such equipment and for that purpose create an international registration system for their protection'. It follows from the above that the international registration system is seen as a fundamental means of ensuring the project's harmonization and coordination goals. In turn, the 'international registration system' established by the Convention is, according to Chapter IV (entitled 'The international registration system'), made up of two components: the International Registry (CTC Article 16) and the Supervisory Authority (CTC Article 17). Thus, these two roles are equally, and indispensably, connected to and complement, the Convention's goals of harmonization and coordination regarding the legal regulation of large interests in mobile equipment across borders.

Authority for that to be able to perform its role under the treaty. Moreover, if a new organization is indeed established following article XIV(1) of the MAC Protocol, no separate consent by the state parties would be necessary for that organization to be able to perform the role of the Supervisory Authority; instead all that would be necessary in that case would be state consent to the MAC Protocol itself. Notwithstanding the conclusion that the MAC Protocol does not pose a requirement of membership to the new organization, states would still need to consent separately in order to become members of that entity, should they so desire, or should the statute of that new organization require them to do so.

9.7. UNIDROIT's immunities would not ensure that a new international entity with separate legal personality created to perform the role of Supervisory Authority enjoys the same level of immunity in relation to the exercise of its functions as Supervisory Authority. If UNIDROIT decided to perform the role of the Secretariat for that new international entity, careful attention should be paid to drafting the relevant legal documents so as to ensure that UNIDROIT organs and officials involved in performing these functions continue to be covered by the existing UNIDROIT Headquarters Agreement.

9.8. An interpretation of the Statute according to well-established international law rules on treaty interpretation shows that assuming the role of the Secretariat for the new entity that will perform the role of the Supervisory Authority would fall within the organization's mandate. Accordingly, UNIDROIT's Statute would not need to be amended so as to allow the organization to accept the role of the Secretariat for the new Supervisory Authority.

Orfeas Chasapis Tassinis

**ANNEXE II**

**AD HOC COMMITTEE  
SUMMARY OF CONCLUSIONS (MARCH 2023)**

**EN**

**GOVERNING COUNCIL**  
**Ad hoc Committee**  
**MAC Protocol Supervisory Authority**  
**4<sup>th</sup> session**  
**Virtual, 21 March 2023**

UNIDROIT 2023  
GCC4 Doc. 2  
English only  
March 2023

## **Summary of conclusions**

(prepared by the Secretariat)

### **I. INTRODUCTION**

1. On Tuesday 21 March 2023, the Ad Hoc Committee on matters associated with the appointment of a Supervisory Authority of the International Registry to be established under the MAC Protocol (the “Committee”) met virtually for its fourth session.

2. The meeting was attended by 10 members of the Ad Hoc Committee, three members of the UNIDROIT Secretariat and one expert consultant:

#### Committee members

- i. Ignacio TIRADO (UNIDROIT Secretary-General, representing UNIDROIT President Maria-Chiara MALAGUTI)
- ii. Stefania BARIATTI (Governing Council Member, Italy)
- iii. Hans-Georg BOLLWEG (Governing Council Member, Germany)
- iv. Henry GABRIEL (Governing Council Member, United States)
- v. Niklaus MEIER (Governing Council Member, Switzerland)
- vi. Kathryn SABO (Governing Council Member, Canada)
- vii. Jingxia SHI (Governing Council Member, China)
- viii. Miguel ELIZALDE (Universitat Oberta de Catalunya)
- ix. Chiara GIORGETTI (University of Richmond School of Law)
- x. Carmen MOLDOVAN (Alexandru Ioan Cuza University)

#### Secretariat and consultants

- xi. Anna VENEZIANO (UNIDROIT Deputy Secretary-General)
- xii. William BRYDIE-WATSON (UNIDROIT Senior Legal Officer)
- xiii. Hamza HAMEED (UNIDROIT Legal Consultant)
- xiv. Orfeas CHASAPIS TASSINIS (Expert consultant, University of Cambridge)

### **II. CONCLUSIONS**

3. At its fourth session, the Committee considered the Summary of Conclusions from its third session (7 February 2023) and discussed three questions related to the possibility of establishing a new international entity to undertake the role of Supervisory Authority, as identified by the

Committee at its first session (4 November 2022). In advance of the fourth session, Dr Orfeas Chasapis Tassinis prepared a legal advice on the three relevant questions (UNIDROIT 2023 – GCC4 – Doc. 1).

4. *The Committee unanimously approved the Summary of Conclusions from its third session (UNIDROIT 2023 – GCC3 – Doc. 2), subject to further input on paragraph 23 from Kathryn Sabo.*

5. The Committee's conclusions on the three questions considered at its fourth session were as follows:

1. If a new international organisation with separate legal personality is created along the lines of Article 12 of the Rail Protocol, would States need to consent (separately from their ratification of the MAC Protocol) to become members of that new entity?

6. Orfeas Chasapis Tassinis introduced the legal advice, which concluded that "the ratification of the MAC Protocol by a state would not automatically make it a member to a new organization whose establishment is not mentioned in the protocol itself. A separate expression of consent that in connection with the legal instrument that actually establishes the said new organization would be necessary in order to become a member."

7. Hans-Georg Bollweg agreed that a State ratifying the MAC Protocol would need to separately consent to become a member of a new entity established to perform the role of Supervisory Authority. However, he suggested that it might not be necessary for MAC Protocol Contracting States to become members of the new entity to perform the role of Supervisory Authority. Hans-Georg Bollweg explained that, based on his understanding from negotiating the Luxembourg Rail Protocol, State representatives establishing the Supervisory Authority under Article XII(1) were not necessarily members of the Supervisory Authority. He noted that the approach under the Luxembourg Rail Protocol had been proposed by the Intergovernmental Organisation for International Carriage by Rail (OTIF) because OTIF was not in a position to accept the role of Supervisory Authority itself but was willing to perform the role of Secretariat to the Supervisory Authority. He further suggested that the legal advice should clarify that MAC Protocol Contracting States would not need to separately consent to a new entity performing the role of Supervisory Authority (assuming that entity was properly appointed by the Preparatory Commission, acting in accordance with the Diplomatic Conference Resolutions), but would need to separately consent to become a member of the new entity. Finally, he also noted paragraph 1.8 of the legal advice incorrectly referred to Article XXII of the Luxembourg Rail Protocol, when it should have referred to Article XII.

8. Orfeas Chasapis Tassinis agreed that whether a Contracting State needed to separately consent a new international entity performing the role of Supervisory Authority was a separate question to whether the Contracting State would need to separately consent to become a member of the new entity. He noted that he would restructure the legal advice to more clearly address three issues (i) whether the MAC Protocol allowed for the creation of a new international entity to perform the role of Supervisory Authority, (ii) whether a MAC Protocol Contracting State would need to separately consent to a new entity performing the role of Supervisory Authority, and (iii) whether a MAC Protocol Contracting State would need to separately consent to become a Member State of the new international entity performing the role of Supervisory Authority.

9. Chiara Giorgetti suggested that the legal advice should also consider whether a MAC Protocol Contracting State could be found to have given implied consent to become a member of a new entity to perform the role of Supervisory Authority. Orfeas Tassinis Chasapis responded that he had considered the matter and was of the view that it would not be possible in this situation for a Contracting State to be found to have given implied consent. He suggested that he could add an additional paragraph to the legal analysis to address the issue. Miguel Elizalde agreed that implied consent was probably not applicable to the situation being discussed by the Committee.

10. Based on Hans-Georg Bollweg's interpretation of Article XII(1) of the Luxembourg Rail Protocol that State Party representatives might not be members of the Supervisory Authority, the Secretariat queried whether it was possible for a new international entity to exist without any members. Orfeas Chasapis Tassinis replied that while it might be theoretically possible for States to bestow legal personality on a new entity without it having members, the matter was somewhat novel, complex and uncertain.

11. *The Committee unanimously approved the legal advice's analysis and conclusion regarding Question 1 in UNIDROIT 2023 – GCC4 – Doc. 1, subject to the restructuring of the legal advice and an additional paragraph on implied consent.*

2. Would UNIDROIT's immunities (deriving from its Statute and Headquarters Agreement) ensure that a new international entity with separate legal personality created to perform the role of Supervisory Authority would the same level of immunity in relation to the exercise of its functions as Supervisory Authority?

12. Orfeas Chasapis Tassinis introduced the legal advice, which concluded that "UNIDROIT's immunities would not ensure that a new international entity with separate legal personality created to perform the role of Supervisory Authority enjoys the same level of immunity in relation to the exercise of its functions as Supervisory Authority. If UNIDROIT decided to perform the role of the Secretariat for that new international entity, careful attention should be paid to drafting the relevant legal documents so as to ensure that UNIDROIT organs and officials involved in performing these functions continue to be covered by the existing UNIDROIT Headquarters Agreement." He explained that this issue was probably the most complex and uncertain issue under public international law to be considered by the Committee.

13. Miguel Elizalde agreed with the general conclusion of the legal advice. He noted that on a basic level, where an individual acted for an organisation in a way that was consistent with the purpose and objectives of that organisation or benefitted the organisation, the individual would be covered by the entity's immunities.

14. *The Committee unanimously approved the legal advice's analysis and conclusion regarding Question 2 in UNIDROIT 2023 – GCC4 – Doc. 1.*

3. Would the UNIDROIT Statute need to be amended to allow for UNIDROIT to perform the role of Secretariat for a new international entity with separate legal personality created to perform the role of Supervisory Authority?

4. Orfeas Chasapis Tassinis introduced the legal advice, which concluded that "an interpretation of the Statute according to well-established international law rules on treaty interpretation shows that assuming the role of the Secretariat for the new entity that will perform the role of the Supervisory Authority would fall within the organization's mandate. Accordingly, UNIDROIT's Statute would not need to be amended so as to allow the organization to accept the role of the Secretariat for the new Supervisory Authority."

5. *The Committee unanimously approved the legal advice's analysis and conclusion regarding Question 3 in UNIDROIT 2023 – GCC4 – Doc. 1.*

### **III. FINALISATION OF THE COMMITTEE'S WORK**

6. The Secretary-General asked whether Committee members had any further comments on any of the questions considered by the Committee. Hans-Georg Bollweg and Kathryn Sabo noted that they remained opposed to the legal advice's conclusion that the UNIDROIT Statute would not need



to be amended to allow UNIDROIT to accept the role of Supervisory Authority, but were undertaking further consultations on the matter.

7. Orfeas Chasapis Tassinis noted that he would amend and consolidate the legal advice into one document and circulate it to the Committee for one final review.

8. *Having reached agreement on the eight public international law questions identified at the Committee's first session, the Committee decided that there was no need for the Committee to schedule another full Committee session.*

9. *The Committee further agreed that a smaller meeting involving only members of the Governing Council should be scheduled to further discuss other matters related to the appointment of a Supervisory Authority, including the relative advantages and disadvantages of the two models, and issues regarding costs.*

10. The Chair thanked Committee members for their work over the preceding months and declared the fourth and final full Committee session closed.

**ANNEXE III**

**AD HOC COMMITTEE  
SUMMARY OF CONCLUSIONS (FEBRUARY 2023)**

**EN**

**GOVERNING COUNCIL**  
**Ad hoc Committee**  
**MAC Protocol Supervisory Authority**  
**3<sup>rd</sup> session**  
**Virtual, 7 February 2023**

UNIDROIT 2023  
GCC2 Doc. 2  
English only  
February 2023

## **Summary of conclusions**

(prepared by the Secretariat)

### **I. INTRODUCTION**

1. On Tuesday 7 February 2023, the Ad Hoc Committee on matters associated with the appointment of a Supervisory Authority of the International Registry to be established under the MAC Protocol (the “Committee”) met virtually for its third session.

2. The meeting was attended by 11 members of the Ad Hoc Committee, four members of the UNIDROIT Secretariat and one expert consultant:

#### Committee members

- i. Ignacio TIRADO (UNIDROIT Secretary-General, representing UNIDROIT President Maria-Chiara MALAGUTI)
- ii. Stefania BARIATTI (Governing Council Member, Italy)
- iii. Hans-Georg BOLLWEG (Governing Council Member, Germany)
- iv. Henry GABRIEL (Governing Council Member, United States)
- v. Niklaus MEIER (Governing Council Member, Switzerland)
- vi. Kathryn SABO (Governing Council Member, Canada)
- vii. Jingxia SHI (Governing Council Member, China)
- viii. Miguel ELIZALDE (Universitat Oberta de Catalunya)
- ix. Chiara GIORGETTI (University of Richmond School of Law)
- x. Anastasios GOURGOURINIS (National and Kapodistrian School of Law)
- xi. Carmen MOLDOVAN (Alexandru Ioan Cuza University)

#### Secretariat and consultants

- xii. Anna VENEZIANO (UNIDROIT Deputy Secretary-General)
- xiii. Marina Schneider (UNIDROIT Principal Legal Officer and Treaty Depository)
- xiv. William BRYDIE-WATSON (UNIDROIT Senior Legal Officer)
- xv. Hamza HAMEED (UNIDROIT Legal Consultant)
- xvi. Orfeas CHASAPIS TASSINIS (Expert consultant, University of Cambridge)

### **II. CONCLUSIONS**

3. At its third session, the Committee considered the Summary of Conclusions from its second session (16 December 2022) and continued its discussion of the five questions related to the

possibility of UNIDROIT undertaking the role of Supervisory Authority, as identified by the Committee at its first session (4 November 2022). In advance of the third session, Dr Orfeas Chasapis Tassinis prepared an amended version of his legal advice on the five questions, which addressed matters raised by the Committee at its second session.

4. *The Committee unanimously approved the Summary of Conclusions from its second session (UNIDROIT 2023 – GCC2 – Doc. 2).*

5. The Committee's conclusions on the five questions were as follows:

1. Would there be any conflict under public international law created by UNIDROIT undertaking both the role of Supervisory Authority and Depositary under the MAC Protocol?

6. Orfeas Chasapis Tassinis introduced the legal advice, noting that amendments had been made to paragraphs 1.12 and 1.14 to clarify that should UNIDROIT perform both the Supervisory Authority and Depositary roles, UNIDROIT would still need to formally adhere to the rules concerning the interaction between the Depositary and the Supervisory Authority. It was noted that the legal advice's conclusion on Question 1 remained that "no conflict under public international law would arise if UNIDROIT undertook both the role of the Supervisory Authority and the Depositary under the MAC Protocol. In performing its role as the Depositary, UNIDROIT should be mindful of the general duties of depositaries under customary international law, as these are reflected in Article 76(3) of the VLCT."

7. *The Committee unanimously approved the legal advice's analysis and conclusion regarding Question 1.*

2. Would UNIDROIT's immunities (deriving from its Statute and Headquarters Agreement) sufficiently ensure that UNIDROIT would enjoy the same level of immunity in relation to the exercise of its functions as Supervisory Authority?

8. Orfeas Chasapis Tassinis introduced the legal advice, noting that footnotes had been added to paragraph 2.2 which provided additional information regarding (i) the absence of bilateral agreements between UNIDROIT and Member States regarding privileges and immunities, and (ii) the single instance identified where UNIDROIT had been subject to proceedings before the courts of a Member State. Orfeas Chasapis Tassinis also explained that paragraphs 2.19 and 2.20 had been deleted from the legal advice as they had described how UNIDROIT organs could perform the particular Supervisory Authority functions, which could have been considered to have gone beyond the scope of the legal advice. Chiara Giorgetti suggested that some of the content of footnote 13 should be moved to the body of paragraph 2.2. Orfeas Chasapis Tassinis agreed to the suggested amendment.

9. It was noted that the legal advice's conclusion on Question 2 remained that "UNIDROIT would continue to enjoy the same level of protection under its Headquarters Agreement in terms of privileges and immunities in relation to the exercise of its functions as Supervisory Authority. Governing Council members and their delegates, General Assembly representatives, and Secretariat officers would continue to enjoy the same level of protection under UNIDROIT's Headquarters Agreement when performing the Supervisory Authority functions."

10. *The Committee unanimously approved the legal advice's analysis and conclusion regarding Question 2.*

3. Could any individuals undertaking Supervisory Authority functions as part of UNIDROIT's organs (Governing Council Members, General Assembly representatives or Secretariat members) incur personal liability in relation to the exercising of the Supervisory Authority functions?

11. Orfeas Chasapis Tassinis introduced the legal advice, noting that no changes had been made to the analysis or conclusion that "in terms of their liability under national and international law, the legal position of Governing Council Members, General Assembly representatives, and the Secretariat officers who perform the Supervisory Authority functions is the same as that for performing any other function of the organisation. My understanding is that, in practice, the associated legal risk is very low and could be mitigated to almost non-existent through the careful drafting of the relevant legal documents."

12. Chiara Giorgetti queried whether the contractor to be appointed as International Registrar would be covered by the Supervisory Authority's immunities. Orfeas Chasapis Tassinis and the Secretariat responded that the Registrar would not be covered by the Supervisory Authority's immunities, and the liability of the Registrar was addressed by Article 28 of the Cape Town Convention.

13. *The Committee unanimously approved the legal advice's analysis and conclusion regarding Question 3.*

4. Does the UNIDROIT Statute impose any internal limitations on how UNIDROIT's organs could discharge the Supervisory Authority functions?

14. Orfeas Chasapis Tassinis introduced the legal advice, noting that paragraph 4.3 had been updated to address how UNIDROIT could create new bodies to perform specific Supervisory Authority functions. It was noted that the legal advice's conclusion on Question 4 remained that "UNIDROIT's Statute does not pose any specific limitations on how its organs could discharge the Supervisory Authority functions other than those general stipulations that normally apply to the undertaking and performing of any function by the organisation."

15. Anastasios Gourgourinis suggested that the legal advice could clarify that UNIDROIT's power to establish new bodies to undertake specific Supervisory Authority functions derived from Articles 11(2) and 17(1) of the UNIDROIT Statute. Orfeas Chasapis Tassinis agreed to the suggested amendment.

16. *The Committee unanimously approved the legal advice's analysis and conclusion regarding Question 4.*

5. Would the UNIDROIT Statute need to be amended to allow UNIDROIT to accept the role of Supervisory Authority?

17. Orfeas Chasapis Tassinis introduced the legal advice, noting that amendments had been made to paragraphs 5.31 – 5.34 to provide additional analysis on the interpretation of the purpose of UNIDROIT set out in Article 1 of the UNIDROIT Statute "to examine the ways of harmonising and coordinating the private laws of States and groups of States". He also provided a verbal briefing to the Committee regarding how the Hague Conference on Private International Law (HCCH) and the United Nations Commission on International Trade Law (UNCITRAL) had interpreted their own statutory purposes, with particular reference to the post-convention work undertaken by the two organisations. He stressed that while the information on the HCCH and UNCITRAL was interesting, he cautioned against direct comparisons regarding how UNIDROIT, HCCH and UNCITRAL each interpreted their own purposes.

18. It was noted that the legal advice's conclusion on Question 5 remained that "an interpretation of the Statute according to well-established international law rules on treaty interpretation shows that assuming the role of the Supervisory Authority would fall within the organization's mandate. Accordingly, UNIDROIT's Statute would not need to be amended so as to allow the organisation to accept the role of the Supervisory Authority."

19. The Committee thanked Orfeas Chasapis Tassinis for the additional research. The Committee agreed that while providing interesting information, the Committee should refrain from drawing conclusions regarding how the practices of HCCH and UNCITRAL in interpreting their own purposes related to how UNIDROIT should interpret its own Statute. The Committee further agreed with the decision not to include such contextual information in the legal advice itself.

20. Several Committee members made suggestions on how the legal advice could be further strengthened. Hans-Georg Bollweg noted that while he welcomed the additional textual analysis of the Statutory purpose of UNIDROIT, further information could be included regarding the specific tasks and functions of the Supervisory Authority. He expressed doubt that the Supervisory Authority functions could be interpreted as "harmonising or coordinating" the laws of States. Jingxia Shi suggested that (i) the legal advice could further consider the text of the MAC Protocol, read together with UNIDROIT's Statutory purpose, (ii) the legal advice could further consider WTO dispute settlement decisions in relation to interpretation of Article 31 of the Vienna Convention on the Law of Treaties, and (iii) the legal advice could provide a stronger link between Articles 1 and 11 of the Statute in providing the basis for UNIDROIT having the power to undertake the role of Supervisory Authority.

21. Orfeas Chasapis Tassinis thanked the Committee members for their observations. He noted that the methodology he had adopted in preparing the legal advice was based on how the International Court of Justice approached questions of treaty interpretation in general, and more specifically in relation to the constituent instruments of international organisations. He noted that while the textual questions raised by Committee members were relevant, the legal advice focused on ICJ case law and existing practice. He concluded that when taking into account existing practice in terms of how UNIDROIT has interpreted its Statute to undertake post-Convention work, it was clear that the undertaking the role of Supervisory Authority was within UNIDROIT's mandate without the need to amend the Statute.

22. After further discussion, the four public international law experts nominated by Governing Council members participating in the Committee<sup>103</sup> reaffirmed their support for the legal advice's conclusion that UNIDROIT's Statute would not need to be amended to allow the organisation to accept the role of Supervisory Authority. Governing Council Members Stefania Bariatti, Henry Gabriel and Jingxia Shi also expressed support for the legal advice's conclusion. Niklaus Meier expressed the view that the Statute did not need to be amended for UNIDROIT to undertake the role of Supervisory Authority, although it might be advisable for UNIDROIT to consider doing so. On behalf of the UNIDROIT President, Ignacio Tirado also indicated his support for the legal advice's conclusion.

23. Hans-Georg Bollweg expressed the view that while it was possible that the Statute might not require amendment for UNIDROIT to undertake the role of Supervisory Authority, he was not yet convinced that the Supervisory Authority function was provided for under the current text of the Statute. He concluded that further analysis was required and that he remained unable to support the legal advice's conclusion. Kathryn Sabo agreed that the matter fell into grey area in the interpretation of the UNIDROIT Statute and noted that she also was unable to support the legal advice's conclusion without further consideration.

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<sup>103</sup> Miguel Elizalde, Chiara Giorgetti, Anastasios Gourgourinis and Carmen Moldovan.

24. *The Committee was unable to reach a unanimous decision regarding Question 5. The Committee approved the legal advice's analysis and conclusion regarding Question 5 by majority vote, with nine members in support and two against.*

25. The Secretariat invited those Committee members that were unable to support the legal advice's conclusion regarding Question 5 to identify the matters on which further analysis could be prepared that would strengthen the legal analysis and might subsequently allow them to support its conclusions.

26. *The Committee agreed that matters related to the possibility of UNIDROIT undertaking the role of Secretariat to a new entity created to perform the role of Supervisory Authority would be discussed at its fourth session.*

**ANNEXE IV**

**AD HOC COMMITTEE  
SUMMARY OF CONCLUSIONS (DECEMBER 2023)**



**EN**

**GOVERNING COUNCIL  
Ad hoc Committee  
MAC Protocol Supervisory Authority  
2<sup>nd</sup> session  
Virtual, 16 December 2022**

UNIDROIT 2023  
GCC1 Doc. 1  
Original: English  
January 2023

**Summary of conclusions**

(prepared by the Secretariat)

**I. INTRODUCTION**

1. On Friday 16 December 2022, the Ad Hoc Committee on matters associated with the appointment of a Supervisory Authority of the International Registry to be established under the MAC Protocol (the “Committee”) met virtually for its second session.

2. The meeting was attended by nine members of the Ad Hoc Committee, three members of the UNIDROIT Secretariat and one expert consultant:

- i. Ignacio TIRADO (UNIDROIT Secretary-General, representing UNIDROIT President Maria Chiara MALAGUTI)
- ii. Stefania BARIATTI (Governing Council Member, Italy)
- iii. Hans-Georg BOLLWEG (Governing Council Member, Germany)
- iv. Henry GABRIEL (Governing Council Member, United States)
- v. Niklaus MEIER (Governing Council Member, Switzerland)
- vi. Miguel ELIZALDE (Universitat Oberta de Catalunya)
- vii. Chiara GIORGETTI (University of Richmond School of Law)
- viii. Anastasios GOURGOURINIS (National and Kapodistrian School of Law)
- ix. Carmen MOLDOVAN (Alexandru Ioan Cuza University)
- x. Orfeas CHASAPIS TASSINIS (Expert consultant, University of Cambridge)
- xi. Anna VENEZIANO (UNIDROIT Deputy Secretary-General)
- xii. William BRYDIE-WATSON (UNIDROIT Senior Legal Officer)
- xiii. Hamza HAMEED (UNIDROIT Legal Consultant)

**II. CONCLUSIONS**

3. At its second session, the Committee discussed five questions related to the possibility of UNIDROIT undertaking the role of Supervisory Authority, as identified by the Committee at its first session (4 November 2022). To assist the Committee with its work, the Secretariat asked Dr Orfeas Chasapis Tassinis to provide legal advice on the five questions to be discussed by the Committee.

4. The Committee’s conclusions on the five questions were as follows:

1. Would there be any conflict under public international law created by UNIDROIT undertaking both the role of Supervisory Authority and Depositary under the MAC Protocol?

5. Orfeas Chasapis Tassinis introduced his legal advice to the Committee, which concluded that “no conflict under public international law would arise if UNIDROIT undertook both the role of the Supervisory Authority and the Depositary under the MAC Protocol. In performing its role as the Depositary, UNIDROIT should be mindful of the general duties of depositaries under customary international law, as these are reflected in Article 76(3) of the VLCT.”

6. Stefania Bariatti suggested that the legal advice could better reflect that should UNIDROIT perform both the roles of Supervisory Authority and Depositary under the MAC Protocol, UNIDROIT would still need to formally adhere to the rules concerning the interaction between the Depositary and the Supervisory Authority. Orfeas Chasapis Tassinis agreed to update the legal advice to that effect.

7. *The Committee approved the legal advice’s analysis and conclusion regarding Question 1, subject to a minor amendment addressing the issue raised by Stefania Bariatti.*

2. Would UNIDROIT’s immunities (deriving from its Statute and Headquarters Agreement) sufficiently ensure that UNIDROIT would enjoy the same level of immunity in relation to the exercise of its functions as Supervisory Authority?

8. Orfeas Chasapis Tassinis introduced his legal advice to the Committee, which concluded that “UNIDROIT would continue to enjoy the same level of protection under its Headquarters Agreement in terms of privileges and immunities in relation to the exercise of its functions as Supervisory Authority. Governing Council members and their delegates, General Assembly representatives, and Secretariat officers would continue to enjoy the same level of protection under UNIDROIT’s Headquarters Agreement when performing the Supervisory Authority functions.”

9. Stefania Bariatti queried whether UNIDROIT had concluded any bilateral agreements regarding privileges and immunities under Article 2(4) of the Institute’s Statute. Anastasios Gourgourinis queried whether UNIDROIT had been subject to legal proceedings before domestic courts in any Member States. The UNIDROIT Secretariat agreed to undertake research on the two queries raised and report back to the Committee at its third session.

10. *The Committee approved the legal advice’s analysis and conclusion regarding Question 2, subject to any updates that might be necessary as a result of the Secretariat’s research regarding domestic case law involving UNIDROIT and bilateral agreements between UNIDROIT and Member States regarding privileges and immunities.*

3. Could any individuals undertaking Supervisory Authority functions as part of UNIDROIT’s organs (Governing Council members, General Assembly representatives or Secretariat members) incur personal liability in relation to the exercising of the Supervisory Authority functions?

11. Orfeas Chasapis Tassinis introduced his legal advice to the Committee, which concluded that “in terms of their liability under national and international law, the legal position of Governing Council members, General Assembly representatives, and the Secretariat officers who perform the Supervisory Authority functions is the same as that for performing any other function of the organization. My understanding is that, in practice, the associated legal risk is very low and could be mitigated to almost non-existent through the careful drafting of the relevant legal documents.”

12. *The Committee approved the legal advice’s analysis and conclusion regarding Question 3.*

4. Does the UNIDROIT Statute impose any internal limitations on how UNIDROIT’s organs could discharge the Supervisory Authority functions?

13. Orfeas Chasapis Tassinis introduced his legal advice to the Committee, which concluded that “UNIDROIT’s Statute does not pose any specific limitations on how its organs could discharge the Supervisory Authority functions other than those general stipulations that normally apply to the undertaking and performing of any function by the organization.”

14. Hans-Georg Bollweg suggested that the legal advice should also address whether UNIDROIT could create new bodies to undertake the Supervisory Authority functions. Stefania Bariatti noted that there was existing practice of UNIDROIT creating new internal bodies to undertake specific functions. Orfeas Chasapis Tassinis agreed to update the legal advice to better address this issue.

15. *The Committee approved the legal advice’s analysis and conclusion regarding Question 4, subject to amendments to address the issue raised by Hans-Georg Bollweg.*

5. Would the UNIDROIT Statute need to be amended to allow UNIDROIT to accept the role of Supervisory Authority?

16. Orfeas Chasapis Tassinis introduced his legal advice to the Committee, which concluded that “an interpretation of the Statute according to well-established international law rules on treaty interpretation shows that assuming the role of the Supervisory Authority would fall within the organization’s mandate. Accordingly, UNIDROIT’s Statute would not need to be amended so as to allow the organization to accept the role of the Supervisory Authority.”

17. Hans-Georg Bollweg indicated that he did not agree with the conclusion of the legal advice in relation to Question 5, and raised a number of concerns.

18. Niklaus Meier queried whether it would be useful for the Committee to consider how similar intergovernmental organisations interpreted their Statute, with specific reference to the Hague Conference on Private International Law (HCCH). Stefania Bariatti agreed. Orfeas Tassinis Chasapis agreed to report back to the Committee at its third session regarding the interpretation of the HCCH’s Statute.

19. After further discussion, the four public international law experts nominated by Governing Council Members participating in the Committee indicated their support for the legal advice’s conclusion regarding Question 5. Hans-Georg Bollweg indicated that he still had concerns and did not support the legal advice’s conclusion.

20. *The Committee could not reach a consensus regarding Question 5 and decided to return to the issue at its third session.*

**ANNEXE V****FUNCTIONS OF THE SUPERVISORY AUTHORITY**

1. This annexe provides further details on the functions of the Supervisory Authority.
2. Article 17 (2) of the Convention sets out the core responsibilities of the Supervisory Authority:
  - (a) *establish or provide for the establishment of the international registry;*
  - (b) *except as otherwise provided by the Protocol, appoint and dismiss the Registrar;*
  - (c) *ensure that any rights required for the continued effective operation of the international registry in the event of a change of Registrar will vest in or be assignable to the new Registrar;*
  - (d) *after consultation with the Contracting States, make or approve and ensure the publication of regulations pursuant to the Protocol dealing with the operation of the international registry;*
  - (e) *establish administrative procedures through which complaints concerning the operation of the international registry can be made to the Supervisory Authority;*
  - (f) *supervise the Registrar and the operation of the international registry;*
  - (g) *at the request of the Registrar, provide such guidance to the Registrar as the Supervisory Authority thinks fit;*
  - (h) *set and periodically review the structure of fees to be charged for the services and facilities of the international registry;*
  - (i) *do all things necessary to ensure that an efficient notice-based electronic registration system exists to implement the objectives of this Convention and the Protocol; and*
  - (j) *report periodically to Contracting States concerning the discharge of its obligations under this Convention and the Protocol.*
3. The Supervisory Authority's functions under Article 17(2) of the Convention can be divided up into three categories:
  - (i) **Formal functions**, such as the appointment or dismissal of the Registrar, the establishment or approval of Regulations and the setting of fees.
  - (ii) **General functions**, such as the supervision of the Registrar and the operation of the international Registry, the approval of periodical reports and the establishment of complaint procedures.
  - (iii) **Administrative functions**, such as the publication of regulations and the communication of periodical reports to Contracting States.
4. The Supervisory Authority has no responsibility for interpretation of the Convention or its Protocols, their implementation in matters not pertaining to the International Registry nor any other functions or activities not related to the Registry. Similarly, the Supervisory Authority is not responsible for adjudicating on a particular registration, nor does it give instructions to the Registrar to change any data relating to a particular registration.

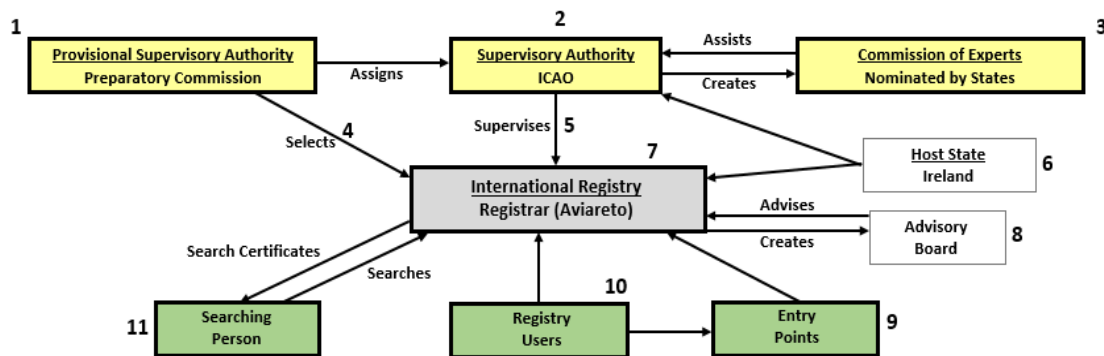
**Assistance to the Supervisory Authority**

5. In performing its core functions, the Supervisory Authority is assisted by a committee of national experts. In the case of the Aircraft Protocol, the Commission of Experts of the Supervisory

Authority of the International Registry (CESAIR) continues to provide guidance and assistance to the Supervisory Authority on matters related to its role.

6. An additional body assisting the Aircraft Protocol Supervisory Authority is the International Registry Advisory Board (IRAB), which gives advice primarily to the International Registry. The IRAB is composed of leading registry experts and international commercial law practitioners and academics. In addition to advising the International Registry, the IRAB provides advice to CESAIR to assist CESAIR in making recommendations to the ICAO as Supervisory Authority.

7. The following chart<sup>104</sup> illustrates the procedural steps taken to establish the International Registry under the Aircraft Protocol and is a good reference point for understanding the relationship between the Supervisory Authority, the International Registry, the Commission of Experts and the Advisory Board.



Notes:

1. The Preparatory Commission (PCIR) was established by Resolution 2 of the Diplomatic Conference to act (pending entry into force of the Convention/Protocol), under the guidance and supervision of the ICAO Council, as the 'Provisional Supervisory Authority'. Its main task was to set up the International Registry.
2. ICAO was invited by Resolution 2 (see also Protocol Art XVII(1)) to act as Supervisory Authority (SA). ICAO accepted this function.
3. This body is established by virtue of Art XVII(4) of the Aircraft Protocol. The group meets every 1-2 years and its recommendations are submitted to the SA.
4. The selection occurred in May 2004. The initial Regulations and Procedures were also approved by the PCIR.
5. See Convention Art 17(2) for list of SA responsibilities.
6. Standard host state arrangements were put in place.
7. See Convention Art 17(5) for Registrar responsibilities.
8. The Aviation Working Group (AWG) accepted an invitation to chair the Advisory Board.
9. Entry points may or shall be used where a declaration has been made by the State in which an aircraft (airframe) is registered for nationality purposes.
10. Further information for users of the International Registry is available at <https://www.internationalregistry.aero/ir-web/home>
11. Any person may search the International Registry upon payment of the applicable fee.

8. To replicate the success of CESAIR in advising the Supervisory Authority of the Aircraft Protocol Registry, Resolution 2 of the MAC Protocol Diplomatic Conference Final Act invites the Supervisory Authority to establish a Commission of Experts consisting of not more than 15 members appointed by the Supervisory Authority from among persons nominated by the Signatory and Contracting States to the Protocol, having the necessary qualifications and experience, with the task of assisting the Supervisory Authority in the discharge of its functions.

<sup>104</sup> *Review of Cape Town Core Principles*, Jeffrey Wool, Secretary General, AWG. Seminar on the Cape Town Convention and its Aircraft Protocol – Practicalities and Opportunities relating to Canadian Ratification Toronto, 29/30 April 2013.

## ANNEXE VI

## THE ICAO MODEL UNDER THE AIRCRAFT PROTOCOL

1. This annexe examines the structural and operational elements of how ICAO exercises its functions as Supervisory Authority under the Aircraft Protocol.

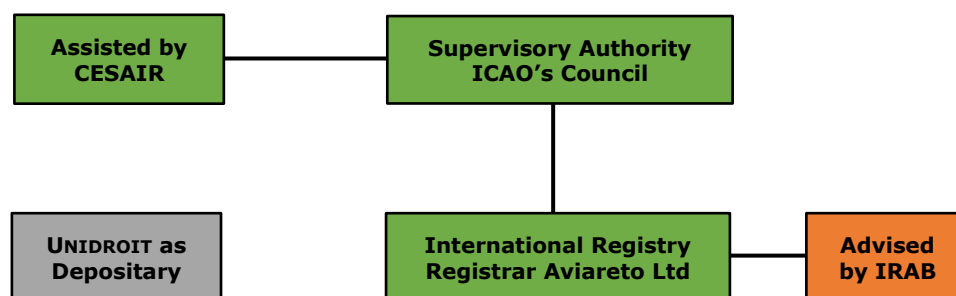
2. For the Aircraft Protocol, Resolution 2 of the Cape Town Convention Diplomatic Conference<sup>105</sup> invited ICAO to accept the functions of Supervisory Authority upon the entry into force of the Convention and the Protocol. This was in line with the ICAO Council deciding at its 161st Session to accept the role of Supervisory Authority prior to the Diplomatic Conference. The ICAO decision to accept the role of Supervisory Authority was subject to two important caveats:

(i) Full cost recovery for ICAO in undertaking the role of Supervisory Authority. It was important that ICAO undertaking the role of Supervisory Authority did not incur any additional costs for the organisation. The cost recovery mechanism, under which fees collected by the Registrar cover the costs of the Supervisory Authority performing its roles are enshrined in the Cape Town Convention and its Protocols. For ICAO, the Registrar was able to generate sufficient revenue in its second year of operation to ensure that all of ICAO's costs as Supervisory Authority were adequately recovered.

(ii) No additional liability for ICAO in undertaking its role as Supervisory Authority. Immunity from liability is addressed by the Cape Town Convention and its Protocols.

3. Structurally, the role of Supervisory Authority is performed by the ICAO Council, with assistance from CESAIR. The ICAO Council is a permanent body of the organisation responsible to the ICAO Assembly. It is composed of 36 Member States elected by the Assembly for a three-year term. In the election, adequate representation is given to (i) States of chief importance in air transport, (ii) States not otherwise included but which make the largest contribution to the provision of facilities for international civil air navigation and (iii) States not otherwise included whose designation will ensure that all major geographic areas of the world are represented on the Council.<sup>106</sup> The members of the ICAO Council appoint State Representatives, who act on behalf of the member country. These Representatives are not experts in the area of registry design, operation, or supervision, but are rather aviation experts.<sup>107</sup>

The internal structure of ICAO as Supervisory Authority is as follows<sup>108</sup>:



<sup>105</sup> See Resolution 2 of the Diplomatic Conference to adopt the Cape Town Convention and its Aircraft Protocol at <https://ctcap.org/wp-content/uploads/2020/04/Dcme-76-Final-Act.pdf>

<sup>106</sup> See more at <https://www.icao.int/about-icao/Council/Pages/council.aspx>

<sup>107</sup> See <https://www.icao.int/about-icao/Council/CouncilStates/Pages/Council-State-Representatives.aspx>

<sup>108</sup> Additional details found in Presentation titled 'ICAO'S ROLE ON THE PATH TO CAPE TOWN AND BEYOND' – Cape Town After Ten Years: <https://www.unidroit.org/english/conventions/mobile-equipment/anniversaryseminar/wibaux.pdf>

4. The ICAO Council is responsible for taking all the substantive decisions regarding ICAO's role as Supervisory Authority. In particular, the ICAO Council undertakes all formal functions (appointment/reappointment of the Registrar and approval of the Regulations) and some general functions (establishing complaints management procedures and reviewing liability and insurance matters). However, the ICAO Council has delegated some general functions and all administrative functions (supervision of the Registrar, periodical reporting, publication of regulations etc) to the ICAO Secretariat.

5. The ICAO Council is only called upon to act on a matter when a decision needs to be taken, which normally occurs less often than once per year. The ICAO Council is extensively assisted by the ICAO Secretariat<sup>109</sup> and CESAIR in undertaking its role as Supervisory Authority. Ahead of every decision which needs to be taken, extensive preparatory material prepared by CESAIR and the ICAO Secretariat is provided to the ICAO Council.

6. When the ICAO Council undertakes most of its formal functions, often decisions are adopted based on the documents prepared by the ICAO Secretariat and the recommendations made by CESAIR. Reportedly, the decisions which tend to generally generate discussion at the ICAO Council would include (i) issues relating to determining the amount of insurance the International Registry should maintain; and (ii) reappointment of the Registrar.

7. The ICAO Council is not presented with a regular summary document on Supervisory Authority related matters. The ICAO General Assembly plays no role in ICAO's role as Supervisory Authority. The periodical reporting provided to the ICAO Council and ICAO General Assembly regarding the Supervisory Authority function is contained in the ICAO Annual Report.

8. Established by means of Resolution 2 of the Diplomatic Conference of the Cape Town Convention and its Aircraft Protocol, CESAIR functionally operates under the ICAO Council. The ICAO Secretariat extensively assists CESAIR, which has had 10 meetings since the entry into force of the Aircraft Protocol in 2006.<sup>110</sup> As per the Rules of Procedure of CESAIR, Members are nominated by Signatory and Contracting States of the Aircraft Protocol, and are approved by the ICAO Council. All CESAIR members and observers finance their own participation. All experts participating in CESAIR are independent and participate in their personal capacities. The ICAO Secretariat recovers all costs associated with servicing CESAIR from the International Registry, as part of ICAO's role as Supervisory Authority.

9. The ICAO Secretariat has indicated that the ICAO General Assembly's lack of involvement in the Supervisory Authority role has never been raised as an issue for the organisation. The ICAO Secretariat has suggested that the ICAO Council undertaking the formal Supervisory Authority functions, with extensive support from the ICAO Secretariat and CESAIR has been a very successful operational model that works well for the organisation.<sup>111</sup>

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<sup>109</sup> In particular, the ICAO Legal Bureau.

<sup>110</sup> These meetings generally last 2-3 days. CESAIR often conducts its business over videoconference and has provisions within its Rules and Procedures to take decisions via written procedure.

<sup>111</sup> Further analysis on whether the ICAO Supervisory Authority structure could serve as a potential model for UNIDROIT to undertake the role is available in Part IV below.

**ANNEXE VII****SECRETARIAT ASSESSMENT OF UNIDROIT'S SUITABILITY FOR THE ROLE OF SUPERVISORY AUTHORITY AND STRUCTURAL CONSIDERATIONS**

1. It is the Secretariat's view that, were it asked to perform the role, UNIDROIT would be in a position to lawfully and adequately undertake the role of Supervisory Authority, for the following reasons:

- (i) It is consistent with the Institute's responsibility for implementing its instruments, bearing in mind that the appointment of a Supervisory Authority is necessary to ensure that the MAC Protocol enters into force.
- (ii) UNIDROIT has the requisite experience and expertise to undertake the role.
- (iii) UNIDROIT's institutional structure would allow it to replicate the successful ICAO Supervisory Authority operational structure.
- (iv) The role would not have any negative financial implications for the Institute and UNIDROIT has the requisite immunities to undertake the role.
- (v) The role is not in conflict with UNIDROIT's role as treaty depositary under the MAC Protocol.

**A. UNIDROIT'S obligation to implement its instruments**

2. As an international organisation with a primarily legislative function, a key performance indicator for UNIDROIT is the success of its instruments. While the success of an international instrument can be assessed in various ways, for treaties the most evident markers for success are (i) entry into force and (ii) the number of ratifications. As such, UNIDROIT has a responsibility ensure the implementation of the MAC Protocol and its entry into force.

3. The MAC Protocol cannot enter into force without the appointment of a Supervisory Authority. As noted above (Part II), despite the UNIDROIT Secretariat's strenuous efforts to identify another appropriate existing organisation, there does not appear to be any other appropriate organisation willing to undertake the role, at least in the short to mid-term. If a Supervisory Authority is not appointed, there is a risk that this failure could delay entry into force of the treaty. Under these circumstances, it would be reasonable for UNIDROIT to consider undertaking the role of Supervisory Authority to allow its most recent treaty to enter into force.

**B. UNIDROIT'S experience and expertise**

4. There is no other existing organisation with more expertise on the Cape Town Convention and the MAC Protocol, or experience in understanding how the MAC Registry will operate than UNIDROIT. UNIDROIT was responsible for the development and negotiation of the Cape Town Convention and its four Protocols. UNIDROIT also serves as the Depositary for the Convention and its four Protocols. Consequently, UNIDROIT has the highest possible level of knowledge and expertise concerning the functioning and operation of the MAC Protocol and its Registry.

**C. UNIDROIT'S institutional structure would allow it to replicate ICAO's model**

5. An in-depth assessment of the operation of ICAO as Supervisory Authority under the Aircraft Protocol shows clear similarities with UNIDROIT's Governing Council undertaking the formal and general Supervisory Authority functions (Option 1A, set out in Section D of this Annexe below). The UNIDROIT Governing Council bears several similarities to the ICAO Council. The ICAO Council is



attended by aviation experts, therefore not by experts in the area of registry design, operation, or supervision. Similarly, the Members of the UNIDROIT Governing Council are experts in private international law, international commercial law and other areas in which UNIDROIT operates. One difference between the UNIDROIT Governing Council and the ICAO Council is that ICAO Council Members represent their States, whereas UNIDROIT Governing Council Members are elected in their individual capacities.

6. For members of the ICAO Council, the decision-making process to be able to fulfil their role as Supervisory Authority under the Aircraft Protocol is fully guided by the documents and advice provided by CESAIR and the ICAO Secretariat. This would be the same for the Members of the UNIDROIT Governing Council. UNIDROIT Governing Council Members would arguably have several advantages over members of the ICAO Council in undertaking Supervisory Authority functions:

- (i) The UNIDROIT Governing Council has been closely involved with the negotiation, finalisation, and implementation of the MAC Protocol, and therefore its Members have a closer knowledge of the Cape Town System than ICAO Council members.
- (ii) As described above, the functions of the Supervisory Authority concern the functioning of a Registry of movable assets, and are less directly related with the sector of activity which originated the registration of the international interest. Hence, the knowledge of secured transactions and functioning of registries, which is expected of Governing Council Members, is arguably more relevant for the task than expertise in the sectors of activity.
- (iii) Governing Council Members are appointed for 5-year terms, as compared to 3-year terms at ICAO.
- (iv) Similarly, for the UNIDROIT Governing Council, it is not anticipated that the matter of Supervisory Authority will require decisions to be taken every year, but rather that it will require some deliberation in the initial years of entry into force of the MAC Protocol, after which it will be required to deliberate upon this matter from time to time.

#### **D. Incorporating the Supervisory Authority functions into UNIDROIT's structure**

7. Article 4 of the Statute provides that UNIDROIT's organs are (1) the General Assembly, (2) the President, (3) the Governing Council, (4) the Permanent Committee, (5) the Administrative Tribunal and (6) the Secretariat. The central organs are the Governing Council and General Assembly. The Statute provides how the Governing Council and General Assembly are composed and the core matters for which they have responsibility. In particular, the General Assembly approves the Institute's annual accounts and budget and approves the Institute's Work Programme every three years. The Statute provides very limited rules that set out the operating structure and core responsibilities of the General Assembly and Governing Council. As such, UNIDROIT has a relatively flexible governance structure.

8. The Supervisory Authority's functions under Article 17(2) of the Convention can be divided up into three categories:

- (i) **Formal functions**, such as the appointment or dismissal of the Registrar, the establishment or approval of Regulations and the setting of fees.
- (ii) **General functions**, such as the supervision of the Registrar and the operation of the international Registry, the approval of periodical reports and the establishment of complaint procedures.
- (iii) **Administrative functions**, such as the publication of regulations and the communication of periodical reports to Contracting States.

9. Utilising its flexible governance structure, UNIDROIT would be able to adopt an internal decision-making process which best suits the Supervisory Authority's functions. There are several different options for how the Supervisory Authority functions could be incorporated into UNIDROIT's Governance Structure, set out below. Under all of the proposed options, the Supervisory Authority's administrative functions would be performed by the UNIDROIT Secretariat. As consistent with Resolution 2 of the MAC Protocol Diplomatic Conference Final Act, it is anticipated that UNIDROIT would establish a Commission of Experts to advise the relevant body (whether it be the Governing Council, the General Assembly or a Committee created by the General Assembly) in the discharge of its functions as Supervisory Authority. In devising the following options, regard has been given to the fact that, should more than one ordinary annual meeting be necessary, the Governing Council, due to its less cumbersome structure and its ability to work through a written procedure, would incur lower costs than the General Assembly.

*Options involving the Governing Council*

**Option 1A** would be for the Governing Council to undertake the Supervisory Authority's formal functions and general functions. This would be in line with ICAO's model. The strengths of Option 1A are that (i) the Governing Council is a very effective decision-making body and (ii) the Governing Council would be able to develop the necessary technical expertise to undertake the general and formal Supervisory Authority functions, as advised by the Commission of Experts. The weaknesses of Option 1A are that (i) there is no formal role for States in the process and (ii) requiring the Governing Council to undertake both the general and formal functions might place a relatively large additional workload on the body.

**Option 1B** would be for the Governing Council to undertake the general functions but refer the formal functions to the General Assembly, with recommendations. The strengths of Option 1B are that (i) it is consistent with the process for approving the Institute's Work Programme, (ii) it would allow States to participate in the formal functions and (iii) it would not unduly burden the General Assembly with the Supervisory Authority's general functions. The weakness of Option 1B is that the General Assembly might not be the appropriate forum for the discharge of the Supervisory Authority's formal functions.

**Option 1C** would be for the Governing Council to undertake the general functions but refer the formal functions to a Committee established by the General Assembly, with recommendations. The General Assembly would create a Committee of interested UNIDROIT Member States to undertake the task of deciding on the formal functions. This solution features the advantages of Option 1B, and reduces its weaknesses by ensuring the participation in the decision making process of the Member states that have a direct interest in the MAC Protocol.

*Options with exclusive participation of the GA and Member States*

**Option 2A** would be for the General Assembly to undertake both the Supervisory Authority's general functions and formal functions. The strength of Option 2A would be that it would allow States to participate in the Supervisory Authority's functions. The weaknesses of Option 2A are several: (i) the General Assembly might not be the appropriate forum for the discussion of technical matters related to the MAC International Registry, (ii) it may not be the appropriate body to assume competences which concern the general supervision of the registry, given its complex meeting process, and (iii) it would unduly burden the General Assembly which generally only meets for half a day each year.

**Option 2B** would be for General Assembly to create a Committee of interested UNIDROIT Member States to undertake the general functions and refer the formal functions to the General Assembly with recommendations. The strength of Option 2B are that (i) it would

allow States to participate in the Supervisory Authority's functions and (ii) it would still vest the formal functions in the General Assembly. The weakness of Option 2B is that the General Assembly might not be the appropriate forum for the discharge of the Supervisory Authority's formal functions.

**Option 2C** would be for the General Assembly to create a Committee of interested UNIDROIT Member States to undertake the general functions and the formal functions. The strengths of Option 2C are that (i) it allows States to participate in the Supervisory Authority's functions and (ii) would not unduly burden the General Assembly.

10. It is the Secretariat's view that Option 1A, Option 1C, Option 1B, or Option 2B, in that order, might be the preferable approaches.

**ANNEXE VIII****ESTABLISHING A NEW ENTITY TO PERFORM THE ROLE OF SUPERVISORY AUTHORITY: THE LUXEMBOURG RAIL PROTOCOL MODEL**

1. This section provides an overview of the process undertaken to create a new entity to perform the role of Supervisory Authority under the Luxembourg Rail Protocol and how it is anticipated that the Rail Registry Supervisory Authority and its Secretariat will function.

**A. The Establishment of a Supervisory Authority under the Luxembourg Rail Protocol**

2. The Supervisory Authority under the Luxembourg Rail Protocol is not yet in existence as the Luxembourg Rail Protocol has not yet entered into force. As such, this analysis is based on its foundational documents.<sup>112</sup>

3. Article XII of the Luxembourg Rail Protocol itself sets out how the Supervisory Authority will be established for the Rail Registry. Article XII provides that a new body will be established to undertake the role of Supervisory Authority (paragraph 1), with the Intergovernmental Organisation for the International Carriage by Rail (OTIF) performing the role of Secretariat (paragraph 6). The operation of the Supervisory Authority will be governed by its draft [Statute](#) and its draft [Rules of Procedure](#).<sup>113</sup>

**B. Rationale for establishing a new international entity to be the Supervisory Authority**

4. The rationale for establishing a new international entity to perform the role of Supervisory Authority with OTIF as its Secretariat is somewhat unique to the circumstances of the Luxembourg Rail Protocol. From as early as 2001, it was anticipated that OTIF itself would perform the role of Supervisory Authority.<sup>114</sup> OTIF was a natural candidate for the role, as it is the peak international body whose mission it is to promote, improve and facilitate traffic by rail. Throughout the development of the Protocol, OTIF remained highly supportive of the instrument and was actively seeking to be appointed Supervisory Authority. However, as negotiations progressed, questions were raised regarding whether OTIF had sufficient geographical representation in its membership to ensure that the Supervisory Authority would fully represent all expected Contracting States.<sup>115</sup> On this basis, it was decided that it would be preferable to establish a new international entity with broader geographical representation to be the Supervisory Authority, with OTIF performing the role of Secretariat. As such, the rationale for establishing a new international entity to be the Supervisory Authority with OTIF as its Secretariat was to facilitate OTIF undertaking a central role in administering the operation of the treaty as Secretariat, while avoiding any issues that could arise from the limited geographical nature of OTIF's membership. It was for this reason that UNIDROIT was never considered as a candidate for the role of Supervisory Authority under the Luxembourg Rail Protocol.

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<sup>112</sup> The [Luxembourg Rail Protocol](#), the [Statute of the Supervisory Authority](#) and its [draft Rules of Procedure](#).

<sup>113</sup> While the draft Statute and the draft Rules of Procedure have been approved by the Rail Preparatory Commission, they remain in draft form. While it is not expected that either document will substantively change further, it should be noted that these are not yet final documents.

<sup>114</sup> In early drafts of the Luxembourg Rail Protocol, OTIF was nominated as the Supervisory Authority.

<sup>115</sup> All of OTIF's 50 Member States are located in Europe, the Middle East and North Africa.

## C. Composition

5. The Supervisory Authority is a group of States, comprising (a) each State Party to the Luxembourg Rail Protocol; (b) up to three States designated by UNIDROIT; and (c) up to three States designated by OTIF.<sup>116</sup> In designating States, UNIDROIT and OTIF must take into account the need to ensure broad geographical representation on the Supervisory Authority.<sup>117</sup> Once at least 10 States have ratified the Protocol, the mandate of those States designated by UNIDROIT and OTIF shall begin to expire.<sup>118</sup> As such, it is intended that the Supervisory Authority will eventually be composed only of State Parties to the Luxembourg Rail Protocol.

## D. Functions

6. In addition to the functions of the Supervisory Authority set out in Article 17 (2) of the Convention, Article 5 of the Supervisory Authority's Statute provides a more detailed task list for the Supervisory Authority:

1. *Establish Rules of Procedure.*
2. *Elect its Officers according to the Rules of Procedure.*
3. *Appoint the Registrar and negotiate and amend from time-to-time agreements with the Registrar.*
4. *Establish, review and may, from time to time amend, the Regulations and determine the manner of their publication.*
5. *Supervise the Registrar and the operation of the International Registry, including the evaluation, authorization, where appropriate, and supervision of the provision by the Registrar of services additional to those required under the Protocol.*
6. *At the request of the Registrar, provide guidance to the Registrar.*
7. *Do all things necessary to ensure that an efficient notice-based electronic registration system exists to implement the objectives of the Convention and the Protocol.*
8. *Enter into agreements with an external auditor and any other party as may be requisite for the performance of its functions.*
9. *Sign with the Secretariat any agreement setting out the detailed conditions for performing the tasks of the Secretariat and negotiate and amend from time to time such agreement with the Secretariat.*
10. *Dismiss the Registrar and ensure that any rights required for the continued effective operation of the International Registry in the event of a change of Registrar will vest in or be assignable to the new Registrar.*
11. *Report periodically to the Contracting States concerning the discharge of its obligations under the Convention and the Protocol.*
12. *Report periodically to UNIDROIT in order to assist it as the Depositary in preparing reports for the States Parties.*
13. *Cooperate with UNIDROIT as the Depositary with regard to the status and reviewing of the Convention and the Protocol.*

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<sup>116</sup> Luxembourg Rail Protocol, Article XII(1), Supervisory Authority Statute Article 2.

<sup>117</sup> Luxembourg Rail Protocol, Article XII(2).

<sup>118</sup> Luxembourg Rail Protocol, Article XII(3).

## **E. Operation and assistance from the Commission of Experts**

7. The Supervisory Authority will be domiciled in Berne, Switzerland, where OTIF is headquartered.<sup>119</sup> The Supervisory Authority will hold a general meeting once per calendar year at its domicile, although the location of the meeting can be changed by a majority vote of Members.<sup>120</sup> Additional interim meetings can be requested by a one-third vote of Members, which can be held via videoconference if necessary.<sup>121</sup> The official and working language of the Supervisory Authority is English.<sup>122</sup> Unless otherwise decided by the Supervisory Authority, meetings are not open to the public.<sup>123</sup>

8. To assist the Supervisory Authority with the discharge of its functions, the Supervisory Authority may establish a Commission of Experts of individuals with the necessary qualifications, expertise and experience selected from persons nominated by States Parties, Signatory States or the Chair.<sup>124</sup>

## **F. Legal status and immunities**

9. Article 27 of the Cape Town Convention provides that the Supervisory Authority shall have international legal personality where not already possessing such personality.

10. Article 27 further provides that the Supervisory Authority and its officers and employees shall enjoy such immunity from legal or administrative process as specified in the Protocol. Article XII(9) of the Luxembourg Rail Protocol provides that the Secretariat shall have legal personality where not already possessing such personality and shall enjoy the same exemptions and immunities as are provided to the Supervisory Authority as provided by agreement with the host State.

## **G. The Secretariat**

11. Article 8 of the Statute provides that the Supervisory Authority shall be assisted in the discharge of its functions by the Secretariat. While the Luxembourg Rail Protocol provides that the Secretariat shall be OTIF, it also provides that the Supervisory Authority can designate another Secretariat if OTIF becomes unwilling or unable to perform the function.<sup>125</sup> The Secretariat shall have legal personality where not already possessing such personality, and shall enjoy, in relation to its functions under the Convention and this Protocol, the same exemptions and immunities as are provided to the Supervisory Authority under Article 27(3) of the Convention and to the International Registry under Article 27(4) of the Convention.<sup>126</sup>

12. Article 8 of the Statute provides that the Secretariat's tasks will be set out in Article 12 of the Initial Contract signed between the Supervisory Authority and the Secretariat. Article 8 further provides that the agreement signed between the Secretariat and the Supervisory Authority shall further detail the conditions for performing the tasks of the Secretariat.

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<sup>119</sup> Supervisory Authority Statute, Article 4(1).

<sup>120</sup> Draft Rules of Procedure, Article 3(3).

<sup>121</sup> Draft Rules of Procedure, Article 3(2).

<sup>122</sup> Supervisory Authority Statute, Article 7.

<sup>123</sup> Draft Rules of Procedure, Article 7.

<sup>124</sup> Luxembourg Rail Protocol Article XII(4), Supervisory Authority Statute, Article 6(2).

<sup>125</sup> Luxembourg Rail Protocol Article XII(6) and (7).

<sup>126</sup> Luxembourg Rail Protocol Article XII(9).

13. Clause 12 of the draft Initial Contract, provides that the Secretariat has three functions: (i) hosting meetings of the Supervisory Authority and any subsidiary bodies it may create, and the customary work associated with such meetings, including the issuance of notices of meetings, agendas, and the preparation and dissemination of documents for, and resulting from, such meetings; (ii) serving as the point of contact, vis-a-vis third parties, for the Supervisory Authority; and (iii) participating in the Ratification Task Force. Clause 12 further provides that the Registry is responsible for the reimbursement of the reasonable expenses of the Secretariat associated with the performance of its functions.

## **LUXEMBOURG RAIL PROTOCOL<sup>127</sup>**

### **Article XII – The Supervisory Authority and the Registrar**

1. *The Supervisory Authority shall be a body established by representatives, one representative to be appointed:*

*(a) by each State Party;*

*(b) by each of a maximum of three other States to be designated by the International Institute for the Unification of Private Law (UNIDROIT); and*

*(c) by each of a maximum of three other States to be designated by the Intergovernmental Organisation for International Carriage by Rail (OTIF).*

2. *In the designation of the States referred to in sub-paragraphs (b) and (c) of the preceding paragraph regard shall be had to the need to ensure broad geographical representation.*

3. *The term of appointment of the representatives appointed pursuant to sub-paragraphs (b) and (c) of paragraph 1 shall be that specified by the designating Organisations. The terms of those representatives serving on the date when this Protocol enters into force for the tenth State Party shall expire no later than two years after that date.*

4. *The representatives referred to in paragraph 1 shall adopt the initial rules of procedure for the Supervisory Authority. Adoption shall require agreement of:*

*(a) a majority of all the representatives; and*

*(b) a majority of the representatives appointed pursuant to sub-paragraph (a) of paragraph 1.*

5. *The Supervisory Authority may establish a commission of experts consisting of:*

*(a) persons nominated by Signatory and Contracting States and having the necessary qualifications and experience; and*

*(b) other experts as necessary*

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<sup>127</sup> The complete version of the Luxembourg Rail Protocol is available here: <https://www.unidroit.org/instruments/security-interests/rail-protocol/>.

*and entrust the commission with the task of assisting the Supervisory Authority in the discharge of its functions.*

*6. A secretariat (the Secretariat) shall assist the Supervisory Authority in the discharge of its functions, as directed by the Supervisory Authority. The Secretariat shall be OTIF.*

*7. In the event that the Secretariat becomes unable or unwilling to discharge its functions, the Supervisory Authority shall designate another Secretariat.*

*8. The Secretariat shall, on being satisfied that the International Registry is fully operational, forthwith deposit a certificate to that effect with the Depositary.*

*9. The Secretariat shall have legal personality where not already possessing such personality, and shall enjoy, in relation to its functions under the Convention and this Protocol, the same exemptions and immunities as are provided to the Supervisory Authority under Article 27(3) of the Convention and to the International Registry under Article 27(4) of the Convention.*

*10. A measure taken by the Supervisory Authority that affects only the interests of a State Party or a group of States Parties shall be taken if such State Party or the majority of the group of States Parties also approve of the measure. A measure that could adversely affect the interests of a State Party or a group of States Parties shall have effect in such State Party or group of States Parties if such State Party or the majority of the group of States Parties also approve of the measure.*

*11. The first Registrar shall be appointed for a period of not less than five or more than ten years. Thereafter, the Registrar shall be appointed or re-appointed for successive periods each not exceeding ten years.*



**ANNEXE IX****FINANCIAL IMPLICATIONS****Financial implications**

1. There are various costs associated with the role of Supervisory Authority, including staff salaries, meeting costs, translation costs, overhead and administrative expenses. However, none of the costs associated with undertaking the role of Supervisory Authority under Option A would be borne by UNIDROIT. This is consistent with the practice under the Aircraft Protocol, whereby ICAO has not incurred any costs in performing its role as Supervisory Authority which have not been fully recovered. Similarly, none of the costs associated with undertaking the role of Secretariat to a new international entity created to perform the role of Supervisory Authority under Option B would be borne by UNIDROIT.

2. As consistent with the practice under the Aircraft Protocol and Resolution 1 of the MAC Protocol Diplomatic Conference Final Act<sup>128</sup>, any costs for the Supervisory Authority before entry into force of the Protocol must be provided for by voluntary contributions by States and the private sector. Once the MAC Protocol is operational, the costs incurred by the Supervisory Authority will be recovered through the fees paid to the International Registry by its users.

*Initial costs*

3. UNIDROIT is currently supporting the work of the Preparatory Commission in its role as Provisional Supervisory Authority, as consistent with the role the Institute has undertaken for the Luxembourg Rail Protocol Preparatory Commission and the Space Protocol Preparatory Commission. The costs associated with UNIDROIT undertaking the role of the Secretariat of the Preparatory Commission are provided for by the Institute's ordinary budget. However, if UNIDROIT undertakes the role of Supervisory Authority, the costs of it undertaking this role will be provided for outside the ordinary budget. If UNIDROIT undertakes the role of Supervisory Authority, it would not formally begin operation as the Supervisory Authority until the MAC Protocol enters into force.

4. Below is an initial estimate of the annual costs that UNIDROIT would incur in performing its duties as Supervisory Authority before entry into force of the Protocol (in Euros). It should be noted that this estimate by UNIDROIT constitutes less than 50% of the amount requested by ICAO in 2001 (\$360,000 USD).

Table: Estimated annual UNIDROIT expenses as Supervisory Authority before entry into force (€)

Staff costs <sup>129</sup>	
1 Professional Officer (P4) at 50% capacity	62.000
1 General Service Staff (Level 4) at 50% capacity	26.000
Meeting expenses	10.000
Translation services	10.000
Overhead and administrative expenses	5.000

<sup>128</sup> The final paragraph of Resolution 1 provides: "TO URGE the States participating in the Conference and interested private parties to make available, at the earliest possible date, the necessary start-up funding on a voluntary basis for the tasks of the Preparatory Commission and of UNIDROIT, required under this Resolution and to entrust UNIDROIT, with the task of administering such funds" (<https://www.unidroit.org/english/conventions/mobile-equipment/conference2019-mac/conferencedocuments/191122-ctc-mac-final-act-e.pdf>).

<sup>129</sup> These staffing costs include all possible allowances under the UNIDROIT Regulations and in practice are likely to be lower.

Council and miscellaneous/unforeseen expenses	5.000
<b>Total</b>	<b>118.000</b>

*After entry into force*

5. In determining the fees paid by users, the Supervisory Authority can ensure that the reasonable costs of establishing, operating and regulating the International Registry and of supervising the Registrar, alongside the costs associated with performing its functions under Article 17(2) of the Convention are fully recovered.

6. As Supervisory Authority of the Aircraft International Registry, ICAO has reported the following costs associated with the performance of its functions, exercise of its powers and discharge of its duties under Article 17 (2) of the Convention:

1 January 2014 to 31 December 2014: US\$ 230,340

1 January 2015 to 31 December 2015: US\$ 212,204

1 January 2016 to 31 December 2016: US\$ 235,252

7. These costs cover professional and secretarial support. ICAO has advised that they currently have one full-time professional staff member (at a P4 level on the UN officer scale) and one full-time secretary that work as the Secretariat of the Supervisory Authority. It is anticipated that UNIDROIT would require the same level of staffing to undertake the role of Supervisory Authority of the MAC Registry, and thus would incur similar costs to those incurred by ICAO.

8. The fees generated by the Aircraft International Registry have been significantly higher than the costs associated with running and supervising the registry. At the end of 2018, the International Registry had \$968,830 surplus of income over expenditure, enabling it to achieve an accumulated shareholders' fund of \$8,673,637.<sup>130</sup> On this basis, it is reasonable to assume that the future MAC International Registry will generate sufficient fees to compensate the Supervisory Authority for performing its functions under the MAC Protocol.

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<sup>130</sup> Aviareto's annual statistical and financial reports are available at: <https://www.internationalregistry.aero/ir-web/>.