



Model Law on Factoring
Guide to Enactment Working Group
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IMPLEMENTATION UPDATE OF THE UNIDROIT MODEL LAW ON FACTORING

I. INTRODUCTION

1. The purpose of this document is to:
 - i. update the Working Group for the preparation of a Guide to Enactment for the UNIDROIT Model Law on Factoring (“Working Group”) on activities undertaken the UNIDROIT Model Law on Factoring over the past 12 months, and
 - ii. inform the Working Group of proposed future activities under the implementation strategy, in order to coordinate implementation activities with Working Group experts and partner organisations.

II. BACKGROUND

2. The UNIDROIT Model Law on Factoring (MLF) was adopted by the UNIDROIT Governing Council at its 102nd session (Rome, 10-12 May 2023). The MLF provides a complete, self-standing legal regime that facilitates factoring transactions. The instrument comprises of a set of black-letter law rules that is primarily aimed at States that have not yet fully implemented a modern, comprehensive secured transactions legal framework. The official English and French versions of the Model Law on Factoring were published in September 2023.¹

3. On adopting the MLF at its 102nd session the Governing Council also mandated the Secretariat to design and execute a promotion and implementation campaign of the MLF,² based on the four-part implementation strategy presented to the Council.³

4. The MLF Implementation Strategy comprises of the following four parts:

- i. **Position the MLF as a core instrument that facilitates trade finance, access to credit and economic development.** UNIDROIT is working with partner stakeholders to ensure that the MLF is recognised as the tool representing international best practice for

¹ The official versions of the Model Law on Factoring are available on a dedicate webpage on the UNIDROIT website: <https://www.unidroit.org/instruments/factoring/model-law-on-factoring/>.

² See Governing Council 102nd session Summary Conclusions, UNIDROIT 2023 - C.D. (102) Misc. 2, available <https://www.unidroit.org/wp-content/uploads/2023/06/C.D.-102-Misc.-2-Summary-Conclusions.pdf>, paragraph 6.

³ See Governing Council 102nd session document C.D. (102) 5 “Adoption of Draft UNIDROIT Instruments – Model Law on Factoring”, available <https://www.unidroit.org/wp-content/uploads/2023/04/C.D.-102-5-Model-Law-on-Factoring.pdf>, paragraphs 27 – 28.

receivables financing. To achieve this, UNIDROIT is promoting the MLF as an instrument that achieves broad political, economic and social aims, rather than as a narrow technical instrument.

- ii. **Raise awareness of the MLF at relevant large, multilateral fora.** UNIDROIT is working with partner stakeholders to ensure that the MLF is presented at relevant large international events, including private stakeholder, government and NGO fora.
- iii. **Support domestic implementation of the MLF:** UNIDROIT is working with partner organisations that deliver technical assistance programmes to assist States to improve their domestic factoring, receivables finance and trade finance legal frameworks.
- iv. **Ensure that the MLF is broadly accessible:** UNIDROIT is working to ensure that the MLF is accessible to the broadest possible audience by (i) disseminating both printed and electronic copies of the instrument to stakeholders, (ii) facilitating the translation of the MLF into additional languages, and (iii) maintaining an MLF webpage on the UNIDROIT website as a central repository of information.

III. IMPLEMENTATION OF THE MODEL LAW ON FACTORING

5. Since the adoption and publication of the instrument, the Secretariat has undertaken the activities detailed below, in order to execute the four-part MLF implementation strategy. In summary, since its adoption and publication, the MLF has been (i) recognised in three prominent guidelines published by partner organisations, (ii) presented at six important international fora, (iii) considered to support possible domestic legal reforms in nine jurisdictions, (iv) translated into one additional language, and (v) disseminated broadly to relevant stakeholders.

1. Position the MLF as a core instrument that facilitates trade finance, access to credit and economic development

6. Through cooperation and coordination with stakeholders and partnering organisations, the importance of the MLF has been recognised in three prominent publications in the last 12 months:

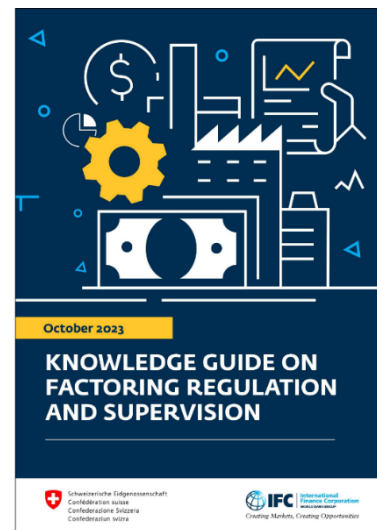
(i) The Financial Inclusion in Trade Roadmap: The MLF has been recognised as one of three key pillars of the “Financial Inclusion in Trade Roadmap” by the World Trade Board. Launched in April 2023, “the Financial Inclusion in Trade Roadmap” (FIT) is a framework designed to increase the participation of micro, small and medium-sized enterprises (MSMEs) in international trade. The World Trade Board was established in 2016 with the purpose of improving living standards by connecting trade, finance and technology. The FIT was developed as a collaborative project between the World Trade Board, the International Chamber of Commerce, the International Finance Corporation (IFC), the Bankers Association for Finance and Trade (BAFT), International Trade and Forfeiting Association (ITFA) and the and FCI. The FIT is available at: <https://www.baft.org/wp-content/uploads/2023/04/Financial-Inclusion-in-Trade-Roadmap-202326.pdf>.



(ii) The EBRD New Finance Support Report: The MLF has been acknowledged in the EBRD’s New Finance Support report (published in May 2023), which proposes a strategy to address liquidity and working capital issues currently affecting MSMEs around the world. As part of this strategy, the report recognises the MLF as a new international legal standard for receivables finance which can support access to credit for MSMEs in countries that implement the Model Law. The New Finance Support Report is available at: <https://www.ebrd.com/what-we-do/sectors/legal-reform/access-to-finance.html>.



(iii) The IFC Factoring Regulation Knowledge Guide: The MLF plays a central role in the International Finance Corporation’s (IFC) Knowledge Guide on Factoring Regulation and Supervision. The Knowledge Guide emphasises the importance of countries implementing a factoring law including both regulatory elements, and private law rules based on the UNIDROIT Model Law on Factoring. The MLF is introduced as the international best practice private law framework for factoring in Part I of the Knowledge Guide, and Annex I provides a template structure of a factoring law, which incorporates regulatory rules alongside the private law rules contained in the MLF. The IFC Knowledge Guide is available at: <https://www.ifc.org/content/dam/ifc/doc/2024/knowledge-guide-on-factoring-regulation-and-supervision-ifc-2024.pdf>



2. Raise awareness of the MLF at relevant large, multilateral fora

7. Since its adoption, the MLF has been promoted at several relevant international fora:
 - i. The EBRD presented the MLF at the 23rd Receivables Finance International Convention (London, May 2023).
 - ii. UNIDROIT launched the English and French official texts of the MLF at the FCI Annual Conference (Marrakesh, October 2023).
 - iii. UNIDROIT presented at an EBRD workshop on how the MLF could support facilitating credit for SMEs and trade finance in North Africa (Marrakesh, October 2023)
 - iv. UNIDROIT presented at an APEC Secured Transactions Workshop on how the UNIDROIT Model Law on Factoring could support States in the Asia-Pacific region to implement legal reforms in order to improve access to credit (Tokyo, October 2023).
 - v. UNIDROIT presented at the 6th Secured Transactions Coordination Conference on how the MLF could be implemented alongside other international instruments (Washington DC, January 2024).
 - vi. UNIDROIT presented remotely on the MLF at the 9th European Factoring Summit (Vienna, March 2023).

3. Support domestic implementation of the MLF

8. In recent years, the EBRD, IFC, ADB, UNCITRAL and ILI have all been deeply involved in secured transactions reforms in developing countries and emerging markets. As UNIDROIT has extremely limited capacity to directly undertake technical assistance programmes, the Institute has been working directly with these partners to ensure that the MLF forms the basis of future receivables finance and factoring law reform projects across the globe.

9. UNIDROIT partner organisations have reported that the MLF has been used to support domestic law reform projects in Jordan, Malaysia, Palestine and the United Arab Emirates. Working Group experts and partner organisations have also advised that the MLF might be used for possible future reforms in Georgia, Tajikistan, Ukraine and Uzbekistan.

4. Ensure the MLF is broadly accessible

10. **Translation:** UNIDROIT is working with experts and partner organisations for the translation of the MLF into additional languages:

- i. **Chinese translation:** In November 2023, the Chinese translation of the MLF was published. The translation was prepared under the guidance of Professor Meiling Huang of the Zhongnan University of Economics and Law.⁴ The Chinese translation was launched at an international conference on “Unification of Factoring Law: Global and Chinese Perspectives” in Wuhan in November 2023.⁵ The Chinese translation of the MLF is available on the UNIDROIT website at: <https://www.unidroit.org/instruments/factoring/model-law-on-factoring/translations/>
- ii. **Arabic translation:** UNIDROIT is working with the IFC and several international experts to prepare an Arabic translation of the MLF. The IFC procured an expert consultant to prepare a first draft of Arabic translation, which is currently under review.

11. **Dissemination:** Following its publication, electronic copies of the MLF were disseminated to all stakeholders. UNIDROIT has printed 500 copies of the English version and 500 copies of the French version, many of which have already been distributed to interested States and at the large international fora listed above.

12. **Website:** Following its adoption, UNIDROIT launched a dedicated webpage for the MLF on the UNIDROIT website (<https://www.unidroit.org/instruments/factoring/model-law-on-factoring/>), which contains both the official texts, other translations, information on the preparatory work undertaken on the MLF, information on the implementation of the instrument, and a brief bibliography. The webpage is a central repository of information on the MLF and will be routinely updated.

⁴ Ms Jun Xu (Vice Chair of Steering Committee at ICC Banking Commission), Dr Jing Zhang (Associate Professor of Zhongnan University of Economics and Law), Professor Yu Li (Shanghai University of Finance and Economics) and Mr Saibo Jin (Technical Adviser of the Banking Commission of ICC and Member of FCI Legal Committee) reviewed the draft Chinese translation and provided comments.

⁵ Further information on the MLF Chinese translation launch event is available here: <https://www.unidroit.org/unidroit-and-zuel-launch-the-chinese-translation-of-the-unidroit-model-law-on-factoring-in-wuhan/>.

IV. FUTURE ACTIVITIES

13. The promotion and implementation of the MLF is a cooperative undertaking. The success of the MLF will depend entirely on coordination and cooperation between UNIDROIT, Working Group members and partner organisations in relation to implementation. The initial successes in promoting the adoption and launch of the MLF provides a strong template for future cooperation.

14. Alongside the development of the MLF Guide to Enactment, UNIDROIT will continue to execute the four-part implementation strategy for the MLF in 2024 and 2025, building upon its initial successes in 2023. Specific proposed activities for 2024 include:

- i. Finalisation and publication of the Arabic translation of the MLF.
- ii. Translation of the MLF into Japanese and Spanish.
- iii. Cooperation with partner organisations to promote the implementation of the MLF in Africa.
- iv. Cooperation with the FCI to utilise the MLF to further develop the FCI legal study of factoring legal frameworks in 91 countries.
- v. Cooperation with private sector stakeholders to consider the development of a possible practitioner's guide to the MLF (which would be developed, adopted and published by the private sector, with input and support from UNIDROIT).

15. UNIDROIT invites the Working Group and partner organisations to participate in the organisation of the activities proposed above, and to propose additional initiatives to support the promotion and implementation of the MLF globally.