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**Item No. 9 on the agenda: Implementation status and promotion strategy for
UNIDROIT Instruments**

(b) UNIDROIT Model Law on Factoring

(prepared by the Secretariat)

<i>Summary</i>	<i>Report on implementation of the UNIDROIT Model Law on Factoring</i>
<i>Action to be taken</i>	<i>The Governing Council is invited to (i) note the progress made in 2024 in executing the Implementation Strategy for the UNIDROIT Model Law on Factoring, and (ii) note the future implementation activities proposed for 2025.</i>
<i>Mandate</i>	<i>Work Programme 2023-2025</i>
<i>Priority Level</i>	<i>High</i>
<i>Related Documents</i>	<u>Unidroit 2023 – C.D. (102) Misc. 2;</u> <u>Unidroit 2023 – C.D. (102) 5</u>

I. INTRODUCTION

1. The purpose of this document is to (i) update the Governing Council on the execution of the implementation strategy for the UNIDROIT Model Law on Factoring over the past 12 months, and (ii) inform the Governing Council of the Secretariat's proposed future implementation activities.

II. BACKGROUND

2. The UNIDROIT Model Law on Factoring (MLF) comprises a set of black-letter rules that provide a complete legal framework designed to facilitate factoring and receivables finance. The MLF was adopted by the UNIDROIT Governing Council at its 102nd session (Rome, 10-12 May 2023) and initially published in English and French in September 2023. Following the Governing Council's decision at its 103rd session (Rome, 8 – 10 May 2024) to amend the MLF to correct technical errors in its transition rules, the official English and French versions of the MLF were republished in August 2024.¹

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

3. On adopting the MLF at its 102nd session the Governing Council also mandated that the Secretariat design and execute a promotion and implementation campaign of the MLF,² based on the four-part implementation strategy presented to the Council: (i) position the MLF as a core instrument that facilitates trade finance, access to credit and economic development, (ii) raise awareness of the MLF at relevant fora, (iii) support domestic implementation of the MLF, and (iv) ensure that the MLF is broadly accessible.³

III. IMPLEMENTATION OF THE MODEL LAW ON FACTORING

4. Since the Governing Council's 103rd session, the Secretariat has undertaken the activities detailed below, in execution of the four-part MLF implementation strategy. In summary, over the past 12 months, the MLF has been (i) revised and republished to correct the technical errors in its transition rules, (ii) presented at five events in four States, (iii) used to support domestic legal reforms in seven States, (iv) republished in one language and translated into two additional languages, and (v) the revised version has been disseminated broadly to relevant stakeholders.⁴

A. Awareness of the MLF at relevant fora

5. Since the Governing Council's 103rd session, the MLF has been presented at the following five events:

- MLF Working Group Chair Professor Henry Gabriel presented the MLF to African experts as part of UNIDROIT's International Programme for Law and Development at the UNIDROIT Headquarters (Rome, July 2024).
- UNIDROIT presented on how the MLF could support regional access to credit reforms in the Middle East at the seventh Conference on International Coordination of Secured Transactions Reforms in Istanbul, Türkiye. (Istanbul, November 2024).⁵
- UNIDROIT partnered with the Turkish Association of Financial Institutions (FKB) and the International Law Institute (ILI) to deliver an MLF stakeholder consultation event in Istanbul, Türkiye. The event was attended by 50 participants, including financing companies, legal professionals, government officials, and academics, and provided an opportunity to educate stakeholders on the MLF and discuss its translation into Turkish (Istanbul, November 2024).⁶
- UNIDROIT presented on the relationship between the MLF and the UNCITRAL Model Law on Secured Transactions at an UNCITRAL Colloquium on "Navigating the New Era of Digital Finance" at the United Nations Headquarters (New York, February 2025).⁷

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.

⁴ The Annexe contains a brief summary of all MLF implementation activities since the instrument's adoption in May 2023.

⁵ <https://www.unidroit.org/unidroit-co-organises-7th-international-coordination-of-secured-transactions-reform-conference/>.

⁶ <https://www.unidroit.org/unidroit-participates-in-model-law-on-factoring-consultation-event-for-turkish-stakeholders/>.

⁷ <https://www.unidroit.org/unidroit-participates-in-uncitral-secured-transactions-colloquium-in-new-york/>.

- UNIDROIT will present the MLF as an instrument that enables global trade by helping businesses acquire safe, secure and cheap finance at an International Chamber of Commerce Conference on “Optimising Supply Chain Finance” (London, May 2025).

B. Support domestic implementation of the MLF

6. In recent years, the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), Asian Development Bank (ADB), United Nations Commission on International Trade Law (UNCITRAL) and the International Law Institute (ILI) have all been involved in secured transactions and receivables finance reforms in developing countries and emerging markets. As UNIDROIT has limited capacity to directly undertake technical assistance programmes, the Institute has been working directly with these partner organisations to ensure that the MLF forms the basis of future receivables finance and factoring law reform projects across the globe.

7. UNIDROIT partner organisations have reported that the MLF has been used to support domestic law reform projects in seven countries (Georgia, Jordan, Malaysia, Türkiye, Ukraine, United Arab Emirates and Uzbekistan). Further details on the current status of these reforms are outlined below.

- **Georgia** (World Bank, EBRD and ILI): The MLF is the benchmark for the reform and the legislation is based closely on the MLF. It is currently before the Georgian Parliament and is expected to be adopted by June 2025. The draft Georgian law provides for the establishment of a registry (for invoices rather than for notices related to transfers of receivables), although it only applies to the outright transfer of receivables (whereas the MLF applies to both outright transfers and security transfers of receivables).
- **Jordan** (EBRD and ILI): The reform process is still at an early stage. The MLF is the benchmark for the reform and the draft legislation is fully consistent with the MLF. Currently the regulator (Central Bank) is adjusting the draft legislation.
- **Malaysia** (IFC): In 2024 Malaysia informed UNIDROIT that it was working to finalise a comprehensive secured transactions reform which included amendments to their receivables finance laws. Malaysian Government officials previously informed Unidroit that they were reviewing the draft legislation to determine whether it could be further refined before adoption to further align the legislation with the MLF.
- **Türkiye**: Based on the joint event between UNIDROIT and the Turkish Association of Financial Institutions (FKB) in November 2024, FKB is now in consultations with the Turkish Government regarding reforms to the Turkish law to further align it with the MLF. Consultations will continue in 2025, including concerning the development of draft legislation.
- **Ukraine** (EBRD and ILI): The MLF is the benchmark for the reform and the legislation is based closely on the MLF. One deviation is that it will apply only to outright transfers. There will be a registry, although it is still being determined which entity will operate it. The law passed its first reading in the parliament (February 2025), with several revisions that were not consistent with the MLF. The EBRD and ILI responded to these revisions, and the legislation is being further developed for its second reading.
- **United Arab Emirates** (ILI): The UAE adopted a new factoring law in 2021, which then entered into force in 2022. The law is based on the MLF (which was still in draft form when the UAE law was adopted). ILI have reported that in 2024 they received feedback that the new law has already resulted in a significant increase in factoring volumes.

- **Uzbekistan** (EBRD, World Bank and ILI): The MLF is the benchmark for the reform and the draft legislation is based closely on the MLF (including application to both outright transfers and security transfers). A presidential decree issued in late December 2024 mandated the government to submit the law for approval before the Parliament by June 2025 and have all the implementing acts/infrastructure (e.g. registries) in place by end of 2025.

C. Ensure the MLF is broadly accessible

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

- **Chinese translation:** Following the publication of the revised MLF in August 2024, an updated version of the Chinese translation was published in April 2025 and presented at an international conference in China (Beijing, April 2025).
- **Spanish translation:** MLF Working Group Member Professor Alejandro Garro (Colombia Law School) has prepared a Spanish translation of the MLF. The draft translation was prepared in 2024, in consultation with a number of experts.⁸ The draft translation was then circulated to UNIDROIT's eight Spanish speaking Member States, four Spanish speaking Governing Council Members, as well as 30 UNIDROIT Correspondents and eight universities in 14 Spanish speaking countries. The translation is under final review and will be published in the first half of 2025.
- **Turkish translation:** The Turkish Association of Financial Institutions (FKB) asked Ms Deniz Güngör (Managing Partner of Güngör Law Firm) to prepare a Turkish translation of the MLF. Following the stakeholder consultation event in Istanbul in November 2024, 10 experts provided comments on the draft translation.⁹ The translation is under final review and will be published in the first half of 2025.
- **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 the Arabic translation in 2024. The Arabic version remains under review, particularly in relation to consistency with the terminology used in the Arabic translation of the UNCITRAL Model Law on Secured Transactions.
- **Japanese translation:** MLF Working Group Member Professor Megumi Hara (Chuo University, Tokyo) has agreed to prepare a Japanese translation of the MLF. A stakeholder consultation on the draft Japanese translation will be held in Tokyo in the second half of 2025. It is expected that the Japanese translation will be published in 2026.

9. **Dissemination:** Following its revision in August 2024, electronic copies of the MLF were again disseminated to all stakeholders. UNIDROIT has printed 300 copies of the revised English and French versions and will continue to distribute the printed versions to interested governments, stakeholders involved in implementation projects and during events.

⁸ Ms Elsa R. Ayala (Secretariat of Economy, Mexico), Prof. María del Pilar Bonilla (University Francisco Marroquí, Guatemala), Profs. Jorge Feliú Rey and Teresa Rodríguez de las Heras Ballell (University Carlos III of Madrid, Spain), Prof. David Morán Bovio and Prof. Rocío Pérez Vargas (University of Cadiz, Spain), Prof. Roberto Muguillo (National University of Buenos Aires, Argentina), Prof. Diana Talero (Instituto Iberoamericano de Derecho Concursal, Colombia), and Mr John Wilson (International Finance Corporation) reviewed the initial draft Spanish translation and provided comments.

⁹ Prof. Dr. Ergun Özsunay, Prof. Dr. Orkun Akseli, Prof. Dr. Faruk Kerem Giray, Prof. Dr. Yusuf Çalışkan, Av. Şahin Kara, Filiz Ünal, A. Betül Kurtulus, Av. Ümit Hergüner, Dr. Zeynep Ülkü Kahveci, Can Özyurt reviewed the draft Turkish translation and provided comments.

IV. FUTURE ACTIVITIES

10. Alongside the development of the MLF Guide to Enactment, UNIDROIT will continue to execute the four-part implementation strategy for the MLF in 2025 and 2026. Specific proposed activities for 2025 and 2026 include:

- Finalisation and publication of the Spanish, Turkish and Arabic translations.
- Translation of the MLF into Japanese and Russian.
- Continued engagement with regional stakeholders to promote the implementation of the MLF in Africa.
- Cooperation with *Factors Chain International* (FCI) to utilise the MLF to further develop the FCI legal study of factoring legal frameworks in 91 countries.
- 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).
- Continued Cooperation with partner organisations to support the implementation of the MLF in various States.

V. ACTION TO BE TAKEN

11. *The Governing Council is invited to (i) note the progress made in 2024 in executing the Implementation Strategy for the UNIDROIT Model Law on Factoring, and (ii) note the future implementation activities proposed for 2025.*



ANNEXE

UNIDROIT MODEL LAW ON FACTORING - PAST IMPLEMENTATION ACTIVITIES

1. On adopting the MLF at its 102nd session the Governing Council also mandated that the Secretariat design and execute a promotion and implementation campaign of the MLF,¹ based on the four-part implementation strategy presented to the Council:²

- **Position the MLF as a core instrument that facilitates trade finance, access to credit and economic development.** UNIDROIT is working with partner organisations to promote the MLF as an instrument that achieves broad political, economic and social aims, rather than as a narrow technical instrument.
- **Raise awareness of the MLF at relevant fora.** UNIDROIT is working with partner organisations to ensure that the MLF is presented at relevant events, including private stakeholder, government and NGO fora.
- **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.
- **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.

2. Since the adoption and publication of the instrument, the Secretariat has undertaken the various activities in executing 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 12 events in eight different States, (iii) used to support possible domestic legal reforms in seven States, (iv) translated into four additional languages, and (v) disseminated broadly to relevant stakeholders.

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

3. Through cooperation and coordination with stakeholders and partnering organisations, the importance of the MLF has been recognised in three prominent publications. The MLF was recognised as (i) one of the three key pillars of the “**Financial Inclusion in Trade Roadmap**” (April 2023) by the World Trade Board,³ (ii) the new international standard for receivables finance supporting MSME

¹ 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.

² 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.

³ 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

finance in the **New Finance Support Report** (May 2023) by the European Bank for Reconstruction and Development (EBRD),⁴ and the international best practice private law framework for factoring in the **Factoring Regulation Knowledge Guide** (October 2023) by the International Finance Corporation (IFC).⁵

B. Raise awareness of the MLF at relevant for a

2022

4. 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, May 2022).

2023

5. UNIDROIT presented remotely on the MLF at the 9th European Factoring Summit (Vienna, March 2023).

6. The EBRD presented the MLF at the 23rd Receivables Finance International Convention (London, May 2023).⁶

7. UNIDROIT launched the English and French official texts of the MLF at the FCI Annual Conference (Marrakesh, October 2023).⁷

8. 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).⁸

2024

9. UNIDROIT presented at an APEC UNIDROIT presented on how the MLF could be implemented alongside other international instruments during a panel at the sixth Conference on the International Coordination of Secured Transactions Reforms at the IFC Headquarters in the United States (Washington DC, January 2024).⁹

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 Forfaiting Association (ITFA), and the and FCI. The FIT is available [here](#).

⁴ Published in May 2023, the MLF has been acknowledged in the EBRD's New Finance Support report, which proposes a strategy to address liquidity and working capital issues currently affecting MSMEs in the EBRD's area of operation. 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 [here](#).

⁵ Published in October 2023, 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 MLF. 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 [here](#).

⁶ <https://www.unidroit.org/fr/unidroit-participates-in-apec-workshop-on-secured-transactions-and-dispute-resolution-in-japan/>.

⁷ <https://www.unidroit.org/launch-of-the-unidroit-model-law-on-factoring/>.

⁸ <https://www.unidroit.org/unidroit-promotes-the-model-law-on-factoring-at-ebrd-supply-chain-finance-conference-in-north-africa/>.

⁹ <https://www.unidroit.org/unidroit-participates-in-the-sixth-secured-transactions-coordination-conference-in-washington-dc/>.

10. UNIDROIT participated remotely in a Central Bank of Jordan workshop on “Legal Perspectives in Factoring and Supply Chain Finance”, organised by the European Bank for Reconstruction and Development (EBRD)’s Legal Transition Team and Trade Facilitation Programme, in collaboration with FCI and supported by the German Development Agency. UNIDROIT presented an overview of the MLF and the core provisions that Jordan could consider implementing as part of its ongoing law reform process (Amman, January 2024).¹⁰

C. Ensure the MLF is broadly accessible

11. **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.¹¹ The Chinese translation was launched at an international conference on “Unification of Factoring Law: Global and Chinese Perspectives” in Wuhan in November 2023.¹²

12. **Website:** Following its adoption, UNIDROIT launched a dedicated webpage for the MLF on the UNIDROIT website which can be found [here](#). It contains 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 is routinely updated.

¹⁰ <https://www.unidroit.org/unidroit-provides-assistance-to-jordan-on-implementation-of-the-model-law-on-factoring/>.

¹¹ 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.

¹² 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/>.