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**Model Law on Factoring
Guide to Enactment Working Group
Second session (hybrid)
Rome, 9 – 11 April 2025**

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Study LVIII B – W.G.3 – Doc. 4
English only
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**SUMMARY REPORT
OF THE THIRD SESSION
(Hybrid, 9 – 11 April 2025)**

1. The third session of the Working Group tasked with preparing a Guide to Enactment (“the Guide”) for the UNIDROIT Model Law on Factoring (MLF) was held in a hybrid format from 9 to 11 April 2025 in Beijing, China. The third session was hosted by the Beijing Arbitration Commission (BAC). The session brought together 38 participants, including: ten Working Group Members; nine observers from international, regional and intergovernmental organisations; eleven observers from industry associations, government and academia; and eight members of the UNIDROIT Secretariat. A full list of participants is provided in Annexe II of this document.

Item 1: Opening of the Session

2. Mr Henry Gabriel, Chair of the Working Group and Member Ad Honorem of the UNIDROIT Governing Council (“the Chair”), opened the third session and welcomed all participants.

Item 2: Adoption of the Agenda and Organisation of the Session

3. The Working Group adopted the Agenda ([Study LVIII B – W.G.3 – Doc. 1](#), as reproduced in Annexe I to this report).

Item 4: Consideration of the draft Guide to Enactment (Study LVIII B – W.G.3 – Doc. 2)

4. The Working Group began its third session with a consideration of the revised draft Guide to Enactment. The Secretariat explained that the draft Guide was developed in accordance with the working methodology and drafting approach adopted by the Working Group at its first session.¹ It was noted that the Guide had been developed based on section summaries first prepared in March 2024,² which were subsequently amended at the first and second sessions and further revised intersessionally.^{3 4}

5. To assist members identify intersessional changes, a tracked-changes version of the draft Guide was provided ([Study LVIII B – W.G.3 – Doc. 3](#)), showing all revisions made between the second and third sessions. The Secretariat explained that the revised draft was a substantively complete version of the Guide. Key improvements included a refined structure for the introductory section, more consistent terminology, and additional references to the MLF’s Key Feature and Policy Objectives. Footnotes were updated to reflect member comments, and the Digital Economy Supplement remained appended. The Secretariat noted that further revisions would be required to finalise internal cross-references and ensure consistency in style and formatting. The Secretariat thanked Louise Gullifer, Marek Dubovec, Giuliano Castellano, Neil Cohen, and Bruce Whittaker for their contributions to the revised draft. Finally, the Secretariat noted that a final update of the Guide would be necessary prior to its finalisation to update all cross-references (both internal and external). This would include hyperlinks and references to the UNIDROIT Best Practices on Effective Enforcement, which was expected to be finalised in late 2025.

6. The Working Group conducted a paragraph-by-paragraph review of the draft Guide, revising its content, structure and drafting. The following paragraphs summarise the principal changes made to the draft Guide.

¹ See [UNIDROIT 2024 – Study LVIII B – W.G.1 – Doc. 2](#).

² See [UNIDROIT 2024 – Study LVIII B – W.G.1 – Doc. 3](#).

³ See [UNIDROIT 2024 – Study LVIII B – W.G.2 – Doc. 6](#).

⁴ See [UNIDROIT 2024 – Study LVIII B – W.G.2 – Doc. 3](#).

PART I – PURPOSE AND OVERVIEW

7. **Section 1:** The Working Group decided to:
- (i) Reorganise the introductory section to begin with a substantive explanation of factoring, before outlining the structure of the Guide.
 - (ii) Replace the term “companies” with “businesses” to encompass both providers and users of factoring services.
 - (iii) Emphasise that the Guide is intended for a broad audience, including government officials, regulatory authorities, and relevant market participants.
8. **Section 2:** Having reviewed the revised draft prepared by Louise Gullifer, the Working Group decided to:
- (i) Endorse the revised structure, with included a simplified, non-technical explanation of factoring and its economic rationale before introducing Model Law terminology.
 - (ii) Agree that factoring should be described broadly to include both financing and non-financing arrangements, and that the scope of the instrument encompassed not only traditional factoring but also assignments by way of security and other types of receivables finance, such as collection-only transfers.
 - (iii) Emphasise the commercial rationale behind factoring, including its benefits for transferors (early access to finance), transferees (potential for profit), and debtors (improved credit terms and administrative efficiency), noting that debtor benefits might be addressed directly or via cross-reference.
 - (iv) Adopt the following structural revisions: redesignate the former Section 1 as the Preface (retaining paragraphs 1–2, removing 3–6, and potentially integrating paragraph 23); renumber the current Section 2 as the new Section 1; and renumber Section 3 accordingly.
 - (v) Clarify that the MLF did not define or regulate recourse arrangements, leaving such matters to party autonomy. Specify that the Guide might provide general explanations of how recourse operates without prescribing legal outcomes.
9. **Section 3:** The Working Group decided to:
- (i) Relocate and streamline paragraphs 21–24 (which introduce the rationale for the MLF).
 - (ii) Maintain a positive tone throughout the section by avoiding negative phrasing such as “weak legal framework” (paragraph 22).
 - (iii) Revise the explanation of the policy objectives set out in paragraph 26 by refining several sentences for greater accuracy (e.g., removing “or secure” from “transactional efficiency”).
 - (iv) Retain paragraph 27, subject to revisions for improved clarity and consistency. The term “core concepts” was replaced with “key features” while preserving the distinction between broadly accepted policy objectives and the essential legal elements required to achieve them. The list of key features was reorganised for improved coherence. It was also agreed to retain a general reference to conflict-of-laws rules in subparagraph (g), based on the debtor's location, while avoiding unnecessary technical detail.
10. **Section 4:** The Working Group decided to:

- (i) Maintain Section 4 as a concise, accessible overview intended for non-specialist readers, while avoiding excessive technical detail.
- (ii) Clarify the explanation of anti-assignment clauses in paragraph 35.
- (iii) Simplify the explanation of the notice filing system in paragraphs 37–38 by specifying that only a short-form notice (not the transactional documents themselves) is required for registration.

11. **Section 5:** The Working Group decided to:

- (i) Streamline paragraph 48 by removing redundant phrases.
- (ii) Remove the phrase “utilising a functional approach in conceptualising secured transactions” from paragraph 50, which may be unclear to non-specialist readers.
- (iii) Revise paragraph 51(b) to acknowledge that the MLF not only aligns with the Model Law on Secured Transactions (MLST) but also complements and expands upon it, particularly regarding registry-related provisions.
- (iv) Soften the normative language in paragraph 51(c) by reframing the recommendation as a positive obligation rather than a negative obligation (States that have already established a registry for notices of security rights should use that same registry for notices of the transfers of receivables under the MLF).

PART II – IMPLEMENTATION OF THE MODEL LAW ON FACTORING

12. **Introduction** - The Working Group decided to:

- (i) Revise paragraph 54 to emphasise that even where full implementation of the MLF is not feasible, all of the key features of the Model Law should still be respected.
- (ii) Approve revisions to paragraph 55 to clarify that the conflict-of-law rules govern the effectiveness and priority of receivables transfers (rather than issues of discharge and collection, which remain subject to other law.
- (iii) Adopt “factoring” as the unified term for all transactions covered by the MLF, including non-traditional and non-financing arrangements, in place of “receivables finance” to ensure consistency.
- (iv) Revise paragraph 57 to: (a) clarify that implementing regulations may be needed to support the enacted law and should be presented as a complementary element where appropriate; (b) acknowledge that academic writings and commentaries can assist with implementation, but are not mandatory; and (c) soften language regarding judicial education, for instance, by substituting phrases like “judges need to be taught” with more neutral terms such as “familiarised” or “trained.”
- (v) Redraft paragraph 58 to prevent the impression that regulatory or judicial interpretation can serve as an alternative to legislative implementation. The Guide should clarify that while such practices exist in some jurisdictions, they do not replace the need for formal legislative adoption.

13. **Section 1** - The Working Group decided to:

- (i) Delete paragraph 59, as its typology of legal systems was considered overly rigid, and move its second sentence to the beginning of paragraph 60 to better reflect a flexible implementation approach.
- (ii) Restructure paragraph 60 by repositioning its last sentence to the beginning, followed by the relocated second sentence from paragraph 59, then continuing with the rest of paragraph 60.

- (iii) Delete the second sentence of paragraph 61, on the grounds it were unnecessarily complex, and emphasise the importance of using consistent defined terms without imposing new terminology on jurisdictions.
- (iv) Reorder the discussion of legal topics for greater logical coherence as follows: (a) law of obligations (paragraph 68) to precede contract law (paragraph 67); (b) set-off and defences (paragraph 71) to follow; (c) law of guarantees (paragraph 70) and agency law (paragraph 72) to come next; and (d) rights to payment governed by other specific laws (paragraph 69) to be placed last.
- (v) Revise paragraph 80 to emphasise the essential nature of a registry and clarify that non-registry-based systems for receivables, even if functionally comprehensive, are inconsistent with the MLF.
- (vi) Revise paragraph 81 to better reflect the required scope of coordination by deleting the reference to “priority against competing transfers,” limiting the focus to proceeds, clarifying the relevance of conflicts of law, and adding examples, such as proceeds from physical collateral.

14. **Section 2** - The Working Group decided to:

- (i) Revise paragraph 82 to clarify the ambiguous distinction between “a new piece of legislation” and “new legislation,” and clarify that the final sentence is an example rather than a substantive recommendation.
- (ii) Revise paragraph 85 for greater clarity by: (a) deleting the sentence beginning with “in some circumstances” and (b) further removing abstract references to civil and common law traditions.
- (iii) Recognise that both amendment and integration of existing legislation pose significant difficulties, and revise paragraphs 84–86 to better reflect this complexity without overlooking necessary consequential changes.

15. **Section 3** - The Working Group decided to amend Part II Section 3 to soften its language, while still emphasising the importance of implementing States not deviating from the MLF’s approach in relation to the identified common implementation challenges.

PART III – COORDINATION OF THE MODEL LAW ON FACTORING WITH SPECIFIC MATTERS

16. **Section 2** - The Working Group agreed to generally streamline the section and decided to:

- (i) Delete the word “matters” from the title.
- (ii) Amend paragraph 99 by ending the first sentence after “scope of the MLF” and deleting the remainder.
- (iii) Emphasise the importance of including future receivables in paragraph 106 within the scope of permissible factoring transactions.
- (iv) Clarify in paragraph 107 that “factoring activity” refers exclusively to the financier’s role, ensuring that licensing requirements do not apply to the buyer.
- (v) Revise paragraph 110 to suggest that micro-finance institutions should not be required to obtain new licenses to undertake factoring activities.
- (vi) Delete the final sentence of paragraph 120, on the grounds that it went beyond clarification and offered normative guidance.

PART IV – ARTICLE-BY-ARTICLE GUIDE

17. **Introduction:** The Working Group agreed to revise paragraph 121 to provide a more accurate introduction.

18. **General instruction on reading the MLF:** The Working Group approved paragraphs 122–126, subject to minor refinements to paragraph 126 in relation to terminology and the insertion of a cross-reference to Part II Section 1.

19. **Chapter I:** The Working Group approved the commentary on Chapter I and adopted targeted refinements to enhance clarity and coherence:

- (i) The Working Group agreed that the introduction should be streamlined to address only the content of Chapter I and to provide very basic introductions to the definitions of receivable and transfer, with appropriate cross-references. The explanation of the abbreviations used in the practical examples was moved to the chapeau of Part IV and the detailed explanations of the definitions of “receivable” and “transfer” were moved to the relevant parts of the Article 2 commentary.
- (ii) The Article 1 commentary (paragraphs 133 – 137) was revised to cross-reference the definitions of “transfer” and “receivable” and provide brief examples of the type of restrictions on the transfers of receivables that could occur under Article 1(3).
- (iii) The Article 2 commentary on definitions was revised to address the following matters:
 - a. “Competing Claimant” – minor amendments to the examples in paragraph 139.
 - b. “Debtor” – paragraph 142 was moved above paragraph 140, with an additional sentence on the ability of parties to a guarantee agreement to derogate from the provisions of the MLF by agreement under Article 3(1).
 - c. “Future Receivable” – the example in paragraph 146 was removed on the basis that the matter is better illustrated under the Article 5(5) commentary, and the square brackets around the final sentence of the paragraph were removed.
 - d. “Judgment creditor” – replace “enforceable [court] order” with “legally enforceable order”, on the basis that the order might not be made by a court.
 - e. “Proceeds” – minor revisions to paragraphs 153 and 156.
 - f. “Receivable” – minor revisions to paragraph 158 to clarify that the definition of “receivable” is likely to be a limiting definition, minor revisions to paragraphs 159, 160 and 164. Insertion of a general description of “data” in paragraph 167, based on the definition in the ALI – ELI Principles for a Data Economy.
 - g. “Registry” – addition of “or use an existing registry system” to the first sentence of paragraph 170.
 - h. “Security transfer” – minor revisions to paragraph 171 to better describe the functional approach at the outset of the paragraph.
 - i. “Transfer” – relocation of the rationale for including security transfers within the scope of the MLF from the introduction to Chapter 1, deletion of paragraph 173, other minor revisions to better coordinate the restructured section.

- j. “Transfer agreement” – minor revisions to paragraph 176 to clarify that there might be one or more transferors and one or more transferees in a transfer agreement.
- k. “Transferee” – minor revisions to remove square brackets.
- l. The Article 4 commentary was revised to note that the meaning of “good faith” would be determined by domestic law in paragraph 187.

20. **Chapter II:** The Working Group approved the commentary on Chapter II, subject to the following revisions:

- (i) The Article 5 commentary (paragraphs 190, 194, 195, 196 and 199) was slightly revised.
- (ii) The Article 6 commentary (paragraph 204) was slightly revised to provide an example of how a transferee could keep proceeds of a receivable being identifiable by having the proceeds deposited into a segregated bank account.
- (iii) The Article 7 commentary (paragraph 206) was slightly revised.
- (iv) The Article 8 commentary were revised to (i) reference anti-assignment clauses as a Key Feature of the MLF (paragraph 209), (ii) clarify the relationship between Article 8 and negative pledge clauses (paragraph 211) and (iii) clarify how the debtor is protected by significant cost changes that could arise from the assignment of a receivable by virtue of Article 24.

21. **Chapter III:** The Working Group approved the commentary on Chapter III, subject to the following revisions:

- (i) The Article 9 commentary was slightly revised, including the deletion of the final sentence of paragraph 226.
- (ii) The Article 10 commentary was slightly revised to include a cross-reference in paragraph 227 to the definition of proceeds in Article 2(f).
- (iii) The Article 11 commentary was revised to (i) clarify that Article 11 will apply where the transferor relocates by virtue of Article 37 (paragraph 228), and (ii) recommend that a suitable period of time for an enacting State to specify under Article 11(1)(b) would be between 45 and 60 days (paragraph 232).

22. **Chapter IV:** The Working Group approved the commentary on Chapter IV.

23. **Chapter V:** The Working Group approved the commentary on Chapter V, subject to the following revisions:

- (i) The Article 13 commentary was revised to (i) clarify in the opening paragraph that Article 13 does not apply to transfers that are not in competition (paragraph 238), (ii) clarify that the priority of a transfer does not govern whether payment to the transferee discharges the debtor (paragraph 240), (iii) include additional illustrative examples of the operation of Article 13 (paragraph 239), (iv) further clarify that Article 13 does not apply to a priority conflict between a transfer and a person who could have rights in a receivable through a means other than transfer (paragraph 246), and (v) add a new final paragraph explaining that Article 13 does not apply to a situation where there have been no registration of either notice of transfer.

- (ii) The Article 14 commentary was revised to provide an illustrative example of how proceeds follows the order of registration (paragraph 245).
- (iii) The Article 15 commentary was revised to (i) clarify that Article 15 applies when before the commencement of insolvency proceedings in relation to a transferor, a notice in relation to a transfer has been registered and the transfer has taken place (paragraph 249), (ii) clarify that Article 15 does not apply to future receivables that have not arisen (paragraph 249), and (iii) confirm that the term “insolvency proceedings” should be understood to have a broad meaning that could also encompass insolvency-related proceedings in hybrid systems (paragraph 250).
- (iv) The Article 16 commentary was revised to (i) further clarify that Article 16 would normally only apply to security transfers rather than outright transfers (paragraph 254), (ii) explain the purpose of including Article 16 (paragraph 255) and (iii) clarify that if no such claims exist under the applicable law, then Article 16 can be omitted (paragraph 255).
- (v) The Article 17 commentary was revised to (i) clarify that in some jurisdictions the registration of a notice in respect of a judgment creditor’s right would be a necessary step for the right of a judgment creditor to have priority over a transfer (paragraph 255), (ii) clarify that priority will depend on the order in which the notices in relation to the transfer and the judgment creditor’s rights are registered (paragraph 256), (iii) add a cross-reference to the future receivables explanation (paragraph 258), and (iv) add a new final paragraph with examples of what an “irrevocable commitment” could be un Article 17(2)(b).
- (vi) The Article 18 commentary was slightly revised to clarify the operation of unilateral subordinations or modifications (paragraph 260).

24. **Chapter VI:** The Working Group approved the commentary on Chapter VI, subject to the following revisions:

- (i) The Chapter VI chapeau was revised to (i) indicate that notification factoring is the more common business practice, although non-notification factoring still occurs (paragraph 264), and (ii) remove the reference to security transfers in paragraph 267.
- (ii) The Article 20 commentary was slightly revised to reference the principle of party autonomy in Article 3(1) (paragraph 268).
- (iii) The Article 21 commentary was revised to provide further guidance on what parties might include in their transfer agreement in relation to the consequences of representations not being true or accurate (paragraph 269).
- (iv) The Article 22 commentary was slightly revised in relation to paragraph 277.
- (v) The Article 23 commentary was slightly revised in relation to paragraph 283.
- (vi) The Article 24 commentary was slightly revised in relation to paragraph 284.
- (vii) The Article 25 commentary was slightly revised in relation to paragraphs 287 and 291.
- (viii) The Article 26 commentary was revised to note that the complicated theoretical situations that could arise in relation to debtor discharge in reality would rarely occur on the basis that the transferee would be careful to ensure that the debtor has sufficient information to properly pay the transferee and obtain a good discharge (paragraph 292). Minor revisions were also made to paragraphs 294, 296, 298, 302, 304 and 305.

- (ix) The Article 28 commentary was revised to clarify that agreements not to raise defences or rights to set-off are very important because they increase the value of the transferred receivable (paragraph 311).
- (i) The Article 29 commentary was revised to improve overall clarity and to note that construction contracts would be an example of the type of contract to which Article 29(2)(b) could apply (paragraph 316).
- (ii) The Article 30 commentary was restructured and revised to clarify the debtor's situation in relation to the recovery of payments from the transferor and the transferee (paragraphs 323 – 325).

25. **Chapter VII:** The Working Group approved the commentary on Chapter VI, subject to the following revisions:

- (i) The Chapter VII chapeau was shortened by removing paragraphs 321 and 322 and making a slight revision to paragraph 320.
- (ii) The Article 31 commentary was revised to include credit insurance as an example of personal property that supports payment of a receivable under Article 31(2) (paragraph 324).
- (iii) The Article 32 commentary was revised to include a cross-reference to the meaning of default in paragraph 328 and to ensure the use of "default" in the commentary was consistent with its definition in the MLF.
- (iv) The Article 33 commentary was slightly revised to ensure that the use of "default" was consistent with its definition in the MLF (paragraphs 332 and 333).
- (v) The Article 34 commentary was revised to provide guidance to enacting States as to what might constitute a reasonable short period of time under Article 34(3) and (4) (based on the analogous examples in the MLST Guide to Enactment (paragraph 340)).
- (vi) The Article 35 commentary was slightly revised to provide cross-reference to Article 16 in relation to the explanation of Article 35(1)(a) (paragraph 343(a)).

26. **Chapter VIII:** The Working Group approved the commentary on Chapter VII, subject to the following revisions:

- (i) The Chapter VIII chapeau was revised to (i) provide further explanation of the legal and economic importance of having a harmonised global system of conflict of law rules (paragraph 348), and (ii) emphasise that the inclusion of conflict of law rules based on the location of the transferor for third party effectiveness and priority is one of the MLF's Key Features (paragraph 348).
- (ii) The Article 36 commentary was revised to (i) include basic examples illustrating the operation of Article 36, and (ii) remove references to the Hague Principles on Choice of Law in International Commercial Contracts (paragraphs 351 and 352). The Working Group also decided not to include additional commentary on whether Article 3(1) should have listed Article 36(2) instead of Article 36(1) as a provision in the MLF that cannot be derogated from or varied, on the basis that Article 36(2) governs the mutual rights of parties who do not have any contractual relationships with one another and hence could not be varied in any case.
- (iii) The Article 37 commentary was revised to explain that utilising the location of the transferor to determine the law applicable to the effectiveness and priority of transfers is also beneficial in providing legal certainty in relation to the treatment of

future receivables that cannot be identified at the time the transfer agreement is entered into (paragraph 355).

- (iv) The Article 38 commentary was revised to include an example involving three competing claimants in relation to a transfer secured by a right in immovable property (a consensual lienholder, a judgment creditor and a bankruptcy trustee), whereby the bankruptcy trustee (whose right would not be registerable) claim would be governed by Article 37, whereas the competition between the consensual lienholder and the judgment creditor (whose rights would be registerable) would be governed by Article 38.
- (v) In relation to the Article 39 commentary, the Working Group discussed whether the law applicable to the enforcement of transfers arising from enforcement rights in the agreement between the parties (beyond those in Articles 31, 33 and 34) would be governed by Article 36 or Article 39. No decision was made on the matter.
- (vi) The Article 40 commentary was slightly revised in relation to paragraph 361.
- (vii) The Article 41 commentary was slightly revised in relation to paragraph 363.
- (viii) The Article 44 commentary was revised to (i) remove references to the Hague Principles on Choice of Law on International Commercial Contracts, and (ii) add an example to paragraph 369 to illustrate the operation of the provision.
- (ix) The Article 45 commentary was slightly revised in relation to paragraph 372.
- (x) The Article 46 commentary was revised to provide an example involving New York and Delaware illustrating the operation of Article 46(b).

27. **Chapter IX:** The Working Group approved the commentary on Chapter IX subject to the following revisions:

- (i) The Chapter IX chapeau was slightly revised in relation to paragraphs 375 and 376.
- (ii) The Article 47 commentary was revised to further clarify the relationship between the entry into force date and the mechanism by which the registry goes live (new paragraph after paragraph 379).
- (iii) The Article 48 commentary was revised to (i) remove blanket references to common law and civil law jurisdictions, and (ii) clarify that enacting State will need to ensure that the new law supplants not only conflicting legislation, but also other relevant legal doctrines (arising from court decisions or other sources) (paragraphs 382 and 383).
- (iv) The Article 49 commentary was slightly revised in relation to paragraph 386.
- (v) The Article 52 commentary was revised to (i) suggest a suitable grace period under Article 52(1)(b) would be 45 – 60 days (in consistency with the grace period in Article 11(1)(b)) (new paragraph after paragraph 393), and (ii) provide further guidance to enacting States in relation to the operation of the square brackets in Articles 52(5) and 52(6) (new paragraph after paragraph 395).
- (vi) The Article 53 commentary was slightly revised in relation to paragraph 396. The Working Group discussed whether the Article 53 commentary should also provide further examples related to earlier illustrative examples provided through the Guide, and whether the examples should be formatted in a different way to differentiate them from the general commentary.

28. **Part IV (Annexe A) chapeau:** The Working Group agreed to revise the Annexe A chapeau to (i) clarify that searchers would be able to find information about both outright transfers and security transfers (paragraph 402(c)), (ii) emphasise that the Guide recommends a fully electronic system and link this with the Guide's Key Features (paragraph 406), (iii) improve the further

resources section by removing the references to the less relevant publications and remove the explanation regarding the age of the UNCITRAL Guide on the Implementation of a Security Right's Registry, and (iv) include a new paragraph explaining how the definitions in Clause 1 operate, with reference to the definitions in Article 2 of the MLF.

29. **Annexe A, Part A (General rules, clauses 1–3):** The Working Group agreed to the following revisions:

- (i) **Clause 1 (paragraphs 412–425):** clause 1(a) clarify the rationale for including the addresses of both the transferor and transferee; clause 1(c) minor revisions to paragraph 414; clause 1(e) replace "in the event of a priority dispute" with "to determine priority between competing claimants" (paragraph 416); clause 1(g) minor revisions to improve accuracy (paragraph 419); and clause 1(i) replace "transferor's" with "transferee's" (paragraph 420); and clause 1(l) distinguish between "registry record" and "public registry record" (paragraph 425).
- (ii) **Clause 2 (paragraphs 426–429):** (i) replace "consent" with "authorisation" in paragraph 426 for consistency; (ii) explain further that clauses 2(2) and 2(3) address different scenarios; and (iii) revise paragraph 429 to explain the non-transactional nature of the Registry.
- (iii) **Clause 3 (paragraph 430):** delete "to the transferee" in the fourth line.
- (iv) **Clause 4 (paragraphs 431–432):** (i) replace "interests" with "rights", (ii) clarify the meaning of the first sentence of paragraph 431, and (iii) add a new sentence to paragraph 432 on the additional protections that advance registration can provide to transferees.

30. **Annexe A Part B:** The Working Group agreed on the following revisions:

- (i) **Clause 5 (paragraphs 433–438):** (i) delete paragraph 434, and (ii) include a cross-reference to the clause 25 commentary in paragraph 436(b) in relation to the importance of setting reasonable fees to facilitate access to finance.
- (ii) **Clause 6 (paragraphs 439–441):** replace "functionality" with "usefulness" in paragraph 439.

31. **Annexe A Part C:** The Working Group agreed on the following revisions:

- (i) **Clause 7 (paragraphs 442–445):** provide further explanation of the interaction between clause 7 and the definition of "address" in clause 1(a), particularly in relation to (i) distinguishing between the meaning of address under clause 7, versus the transferor's location under Article 41 for the purposes of applying the MLF's conflict of laws rules, and (ii) note that there could be multiple addresses for parties (paragraph 444).
- (ii) **Clause 8 paragraphs (448–450):** Add a cross reference to clause 19 in relation to clause 8(5) (paragraph 450).
- (iii) **Clause 9 (paragraphs 451–452):** Clarify that the Registry should not be searchable in relation to the name of the transferee, only the transferor (paragraph 452(b)).
- (iv) **Clause 10 (paragraphs 453–457):** provide a cross-reference to the relevant commentary on Article 5 (paragraph 455).
- (v) **Clause 12 (paragraphs 462–468):** the Working Group discussed whether to provide a justification for using five years as an example of an appropriate time period in paragraph 463, but did not reach a decision.

32. **Annexe A Part D:** The Working Group agreed to the following:
- (i) **Clauses 14:** (i) slight revisions to paragraph 471, and (ii) clarify the policy rationale for why enacting States need to provide an expeditious mechanism by which transferors can have unauthorised registrations removed from the Registry record (paragraph 473).
 - (ii) **Clause 15 (paragraphs 474–475):** Explain that the effect of Clause 15 is that if a person (other than the transferee) somehow accessed the transferee’s account and registered an amendment or cancellation notice (without the transferee’s authorisation), the registration of the amendment or cancellation notice would be effective (paragraph 475).
33. **Annexe A Part E (Searches, clauses 16–17):** The Part E commentary was adopted without revision.
34. **Annexe A Part F (Errors and post-registration changes) clause 19:** The Working Group agreed to slight revisions in relation to the dual usage of the word “against”.
35. **Annexe A Part G (Organisation of the Registry and the Registry record, clauses 20–23):** The Working Group agreed on the following revisions:
- (i) **Clause 20 (paragraphs 496–497):** delete the bracketed text from paragraphs 496 and 497.
 - (ii) **Clause 21 (paragraphs 498–500):** (i) replace “data” with “information” in paragraphs 498 and 499 and perform a global search for this term; and (ii) review paragraph 465 for consistency with clauses 21 and 22.
 - (iii) **Clause 22 (paragraphs 501–502):** Change “grant a new transfer” to “make a new transfer” in paragraph 501.
 - (iv) **Clause 23 (paragraphs 503–506):** Revise paragraph 505 to clarify that mere reliance on a search is not sufficient to obtain priority (e.g., perfection against third parties is required).
36. **Annexe I (Working Group responsible for the preparation of the Guide to Enactment):** The Working Group approved Annexe I.
37. **Digital Economy Supplement to the MLF, Section A (Digital receivables):** The Working Group decided to:
- (i) Delete paragraph 3 as redundant.
 - (ii) Revise paragraph 4 to better explain that the domestic law of enacting States governs the application of the soft law instruments mentioned.
 - (iii) Revise paragraph 7 to clarify that the systems developed by States in the Americas is only one example of invoice digitalisation.
 - (iv) Revise paragraph 8 to better explain that an effective transfer of digital invoices requires either digital registration or a legal link between a digital invoice and the related receivable.
 - (v) Rephrase “purely intangible asset” in paragraph 10.
38. **Digital Economy Supplement to the MLF, Section B (Monetary sum, money and currencies):** The Working Group decided to:

- (i) Add a cross-reference to the discussion of “money” in paragraph 11.
- (ii) Rephrase “tax preparers” in paragraph 12.
- (iii) Revise paragraph 15 to clarify that whether virtual currency credited to an account with an authorised deposit-taking institution would fall under the definition of “proceeds” in the MLF will depend on (i) the characterisation of money, (ii) the treatment of digital assets, and (iii) the definition of “funds”, in the broader domestic law of the enacting State.

39. Digital Economy Supplement to the MLF, Section C (Receivables platforms and exchanges): The Working Group decided to:

- (i) Revise paragraph 19 to reflect that a transfer of receivables without registration might achieve third-party effectiveness, a mechanism not recognised by the MLF.
- (ii) Note in paragraph 21 that platforms and exchanges might also provide automatic notification of a transfer to the debtor.
- (iii) Revise the end of paragraph 30 to explain what would be the result of a platform provider registering a notice of a transfer on behalf of a financial institution.
- (iv) Revise paragraph 31 for consistency with paragraph 19 in relation to the potential interactions between a receivables exchange and a notice registry established under the MLF.
- (v) Note in paragraph 33 that crowdfactoring exchanges are likely to raise regulatory issues that should be considered.

40. Digital Economy Supplement to the MLF, Section D (Other technological applications): The Working Group approved paragraphs 35 to 37.

Item 5: Organisation of Future Work

41. The Secretariat explained that it would implement the decisions made by the Working Group at this third session and then submit the revised Guide to Enactment to the UNIDROIT Governing Council for endorsement at its upcoming session in May 2025. Following the Governing Council’s substantive approval of the text, the Secretariat would make further linguistic and editorial revisions and arrange for the preparation of the French version of the Guide to Enactment. The Secretariat noted that the revised version of the Guide would be circulated Working Group members before publication.

Item 6: Any Other Business

42. No other business was raised.

Item 7: Closing of the Session

43. The Chair thanked all participants for their contributions to what had been a productive third and final session. The Chair declared the session closed.

ANNEXE I**AGENDA**

1. Opening of the Session
2. Adoption of the Agenda and Organisation of Work
3. Update on the Implementation of the UNIDROIT Model Law on Factoring
4. Consideration of the draft Guide to Enactment (Study LVIII B – W.G.3 – Doc. 2)
5. Organisation of Future Work
6. Any Other Business
7. Closure of the Session

ANNEXE II**LIST OF PARTICIPANTS****CHAIR**

Mr Henry GABRIEL <i>in-person</i>	Professor of Law Elon University United States of America UNIDROIT Governing Council Member Ad Honorem
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MEMBERS

Mr Giuliano CASTELLANO <i>in-person</i>	Associate Professor Asian Institute of International Finance Law (AIIFL) Hong Kong
Mr Neil COHEN <i>in-person</i>	1901 Distinguished Research Professor of Law Brooklyn Law School United States of America
Mr Michel DESCHAMPS <i>remotely</i>	Université de Montréal McCarthy Tétrault Canada
Mr Marek DUBOVEC <i>in-person</i>	Director of Law Reform Programs International Law Institute United States of America
Mr Alejandro GARRO <i>remotely</i>	Adjunct Professor of Law Columbia Law School United States of America
Ms Louise GULLIFER <i>in-person</i>	Rouse Ball Professor of English Law Chair of the Faculty of Law University of Cambridge United Kingdom
Ms Megumi HARA <i>in-person</i>	Professor of Law Chuo University Japan
Ms Catherine WALSH <i>in-person</i>	Professor of Law McGill University Canada
Mr Bruce WHITTAKER <i>in-person</i>	Senior Fellow University of Melbourne Australia

INSTITUTIONAL OBSERVERS**GOVERNMENTAL ORGANISATION**

NATIONAL BANK OF GEORGIA
in-person

Ms Irma BOKUCHAVA
Head
Non-Banking Institutions Supervision
Department
Georgia

Mr Beka GHAMBASHIDZE
Chief Specialist
Non-Banking Institutions Supervision
Department
Georgia

INTERGOVERNMENTAL ORGANISATIONS

EUROPEAN BANK FOR RECONSTRUCTION AND
DEVELOPMENT (EBRD)
in-person

Mr Milot AHMA
Acting Counsel
Legal Transition Team
Financial Law Unit
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INTERNATIONAL NON-GOVERNMENTAL ORGANISATIONS

BEIJING ARBITRATION COMMISSION (BAC)
in-person

Ms LV Qi
Arbitrator, BAC/BIAC
People's Republic of China

Ms ZHANG Yaojia
Researcher, BAC/BIAC
People's Republic of China

Mr PENG Ke
Case manager, BAC/BIAC
People's Republic of China

SHANGHAI INTERNATIONAL ECONOMIC AND
TRADE ARBITRATION COMMISSION (SHIAC)
in-person

Ms YANG Guang
Deputy Secretary-General
People's Republic of China

Mr ZOU Rui
Deputy Director
Cooperation and Development Department
People's Republic of China

PRIVATE SECTOR REPRESENTATIVES

APEC FINANCIAL INFRASTRUCTURE DEVELOPMENT NETWORK <i>in-person</i>	Mr Christopher J. WOLHERT Business Leader Commercial Distribution Finance Asia Wells Fargo Bank Hong Kong
FACTOR CHAIN INTERNATIONAL (FCI) <i>remotely</i>	Mr Neal HARM Secretary General The Netherlands
<i>remotely</i>	Mr Ulrich BRINK FCI Legal Committee Germany
<i>in-person</i>	Mr Saibo JIN FCI Legal Committee People's Republic of China
INTERNATIONAL CHAMBER OF COMMERCE (ICC) <i>in-person</i>	Ms XU Jun Deputy General Manager Global Transaction Banking Department Bank of China People's Republic of China
TURKISH ASSOCIATION OF FINANCIAL INSTITUTIONS <i>remotely</i>	Ms Filiz ÜNAL Deputy Secretary General/Factoring Türkiye
<i>in-person</i>	Ms Deniz GÜNGÖR Legal Counsel Türkiye
<i>remotely</i>	Mr Güvenç KÜLLÜ Associate Attorney Türkiye

INDIVIDUAL OBSERVERS

Ms Daijun GU <i>remotely</i>	Former UNIDROIT Intern People's Republic of China
Ms Serena MIRABELLO <i>remotely</i>	PhD candidate in Private Law Sapienza University Department of Law and economics of production activities Former UNIDROIT Scholar Italy

UNIDROIT SECRETARIAT

Mr Ignacio TIRADO <i>in-person</i>	Secretary-General
Ms Anna VENEZIANO <i>in-person</i>	Deputy Secretary-General
Mr William BRYDIE-WATSON <i>in-person</i>	Senior Legal Officer
Ms Meiling HUANG <i>in-person</i>	Principal Legal Officer (on secondment)
Ms Cindy CHEUK <i>remotely</i>	Legal Officer
Ms LIU Qianqian <i>remotely</i>	Junior Professional Officer
Ms Leyi SHI <i>remotely</i>	UNIDROIT Intern
Ms Hairi BAO <i>remotely</i>	UNIDROIT Intern