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The Luxembourg Rail Protocol – in a nutshell

- It is estimated that railways currently invest approximately Euros 63.3 billion per year in rolling stock but much more is needed and governments cannot always finance existing requirements at the current level let alone increased investment.
- Unless there is investment rated state credit support, private sector funders of railway equipment require security that credit provided through loans or leases will be repaid and that their property rights will be respected even when their collateral moves across borders so the assets can be repossessed by the creditor on non-payment or insolvency of the debtor.
- [The Luxembourg Rail Protocol](#) to [the Cape Town Convention on International Interests in Mobile Equipment](#) creates a new worldwide legal framework to recognise and regulate security interests of lenders, lessors and vendors selling under conditional sale agreements, where each are secured by rolling stock. The Protocol has been in force in contracting states since **8th March 2024**. Spain, Sweden, Luxembourg and Gabon, and the European union in respect of its competences, have all ratified the Protocol (as well as the Convention) and Paraguay and South Africa are about to do so. Several other countries including Italy, France, Switzerland, Germany and the UK have all signed the Protocol and are moving at various speeds towards ratification
- The Protocol provides for a new [International Registry](#) based in Luxembourg in which security interests will be registered and publicly searchable accessible 24/7 through the internet and facilitating prospective creditors or purchasers checking any rival claims to the rail equipment being financed or purchased.
- It also introduces for the first time a global unique identification system for all rolling stock (URVIS), with the URVIS numbers being issued by the

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International Registry. The URVIS number has to be fixed permanently to the rolling stock as a condition for the registration of a security interest at the Registry. The United Nations has now adopted global [Model Rules](#) setting out minimum standards for the permanent marking of railway rolling stock with these URVIS numbers.

- The Protocol applies to all types of rolling stock and also creates a common system for repossession of rolling stock on default or insolvency of the debtor subject to public interest safeguards.
- Although the Protocol will be particularly helpful in respect of equipment which crosses borders, avoiding the present difficulties of security created under one law being challenged in the courts of another jurisdiction where the asset is located, it will also assist in domestic financing and it will reduce the cost of transaction structures and documentation as the Protocol introduces a common set of rules applicable to secured financing of rolling stock in different legal jurisdictions
- By reducing risk for rail equipment financiers, it will
 - attract more private sector lenders into the market resulting in cheaper finance for non-state-guaranteed operators, creating choice for operators in relation to costs and types of financing
 - lower the cost of credit, as banks and other lenders reduce their risk weighting/provisions and should also result in reduced risk premiums from export credit agencies
 - facilitate lending to customers where, up to now, their poor credit and/or the lack of a legal infrastructure prevented banks lending
 - encourage capital investment in rolling stock, which will in turn promote the expansion of rolling stock manufacturing facilities
 - facilitate short term operating leases of rolling stock, not just into railway operators from financiers but also between operators, ensuring more efficient use of rolling stock

thereby lowering barriers to entry into the industry for private sector operators, making existing operators more efficient and competitive and reduce the dependency of state and private operators on state funding, in turn leading to a more dynamic industry. Governments may then focus limited resources on financing of infrastructure rather than rolling stock.

For more on the Luxembourg Rail Protocol, visit www.railworkinggroup.org, as well as the UNIDROIT website www.unidroit.org. Keep up to date with all the latest developments via the Rail Working Group's [LinkedIn group page](#).