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Why the Republic of Singapore should adopt the Luxembourg Rail Protocol

The [Luxembourg Rail Protocol](#) to [the Cape Town Convention on International Interests in Mobile Equipment](#) is a new global treaty under the auspices of UNIDROIT, the International Institute for the Unification of Private Law. The Protocol will make it easier and cheaper for the private sector to finance new or used railway rolling stock by reducing creditor risk and costs.

It covers leases and security created on a broad range of rail equipment: from high-speed to light rail trains, from freight locomotives and wagons to trams and metro/subway trains, and from people movers at airports to gantries and cranes running on rails at ports and applies if the debtor has its principal place of business in a contracting state. It also introduces a unique vehicle identification system (URVIS) for rolling stock, and sets international rules for recognition, priorities, and enforcement of creditor and lessor rights, registered in a new [International Registry](#) based in Luxembourg and accessible over the internet 24/7.

The European Union (in respect of its competences), Gabon, Luxembourg, Paraguay, South Africa, Spain and Sweden, have ratified the Protocol, and it entered into force in contracting states on **8th March 2024**. France, Germany, Italy, Mozambique, Switzerland, and the UK have signed it and are moving at various speeds towards ratification and many other states around the world are actively looking at adoption of the Protocol. The Protocol is endorsed by OTIF, the Intergovernmental Organisation for International Carriage by Rail, and UIC, the Union of International Railways, and supported by the African Union, the European Union, and UN Economic Commissions for Africa and Europe.

Although it will deliver additional benefits in relation to rolling stock actually or potentially physically crossing borders on a regular basis, the Protocol will also greatly assist manufacturers, banks, governments and operators even when the equipment cannot move on tracks across jurisdictional boundaries.

Adoption of the Protocol will have a positive impact on Singapore. It will:

1. develop Singapore's growing reputation as the principal high quality financial services centre for Asia and beyond by

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- a. offering to foreign banks, private equity funds and pension funds and other institutions a common security system which will also be operating in other jurisdictions once the Protocol is in force in those jurisdictions
- b. supporting the establishment in Singapore of lessors and secured lenders financing rolling stock operating outside of Singapore, by making it easier and cheaper to raise finance; and
- c. making it attractive for foreign operators and lessors to establish special purpose vehicles in Singapore to finance rail transactions across Asia through operating leasing or secured lending

because the Protocol applies where the debtor is located in a jurisdiction which has adopted the Protocol (not where the rolling stock is located)

2. **increase the availability, and reduce the cost**, of private finance for railway equipment in Singapore, including metro trains as well as rail infrastructure construction and maintenance equipment running on tracks (track laying and tamping and tunnel boring machines, gantries, cranes and other equipment at the port are also covered by the Protocol) as external lenders and lessors take into account lower capital costs and lower risk
3. **lower the cost of credit** as banks adjust their risk weighting and capital allocations to take into account the reduced risk and simplified documentation, at least mitigating the expected additional obligations under Basel IV, as it comes into force. It will also encourage export credit agencies to reduce their risk premiums (as they have done with the corresponding aircraft protocol to the Cape Town Convention) supporting the financing of imported rolling stock as well as rolling stock leased into other parts of Asia
4. **assist tracking** the location, utilisation and status of financed rolling stock through the use of the URVIS identifier for rolling stock and the [UN Model Rules on Permanent Identification of Rolling Stock](#), which create minimum standards for permanently marking of rolling stock with the URVIS number. This in turn creates more comfort for creditors and regulators and facilitates predictive maintenance, providing potentially major savings for operators and further work is ongoing with the UN [migrating this information onto digital platforms](#)
5. **remove the need for the state to finance** or underwrite borrowers or lessees financing rolling stock procurement
6. **create a new solution for a private secured financing** of rolling stock where it is crossing borders (from metro trains to high speed train sets moving from Singapore into Malaysia)

There is no cost to government – indeed the Protocol provides a new public security register without any cost and the usage costs for the creditors and debtors are minimal flat fees And not based on the asset values).

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](#).