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## The Luxembourg Rail Protocol – in a nutshell

It is estimated that railways currently invest annually approximately Euros 63.3 billion in rolling stock but much more is needed and governments cannot always finance existing requirements, 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, including repossession on debtor default or insolvency even when their collateral crosses borders.

- [The Luxembourg Rail Protocol](#) to [the Cape Town Convention on International Interests in Mobile Equipment](#) is a ground breaking global treaty that makes it easier and cheaper for the private sector to finance new or used railway rolling stock worldwide by reducing creditor risk and costs.
  - It creates a new worldwide legal framework protecting and regulating security rights of creditors where they are leasing, or secured by, rolling stock and provides for a common system for repossession of rolling stock on debtor default or insolvency subject to public interest safeguards.
  - The Protocol applies when the debtor/lessee/conditional buyer is in a contracting state and covers all rolling stock, from conventional passenger and freight wagons and locomotives, to “yellow” rail equipment, metro and light rail trains, trams and cable cars.
  - 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

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the International Registry. It is a condition for the registration of a security interest that the URVIS number must be fixed permanently to the rolling stock in accordance with the minimum standards under the UN [Model Rules on the Permanent Identification of Railway Rolling Stock](#).

- The Protocol has been in force in contracting states since **March 8, 2024**. Gabon, Luxembourg, Paraguay, South Africa, Spain, Sweden, and the European Union in respect of its competences, have all ratified the Protocol (as well as the Convention). Italy, France, Switzerland, Mozambique, Germany, and the UK, have all signed the Protocol and are moving towards ratification and many other states around the world are actively looking to adopt the Protocol.
- Although the Protocol will be particularly helpful in respect of equipment that crosses borders, avoiding 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 lenders and investors into the market resulting in cheaper finance for non-state-guaranteed public and private operators, creating choice for operators in relation to costs and types of financing
  - lower the cost of credit, as banks and other regulated lenders reduce their risk weighting/provisions and transaction costs
  - reduce risk premiums charged by export credit agencies
  - facilitate asset-based 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 and maintenance facilities
  - support short term operating leases of rolling stock, into and between railway operators ensuring more efficient use of rolling stock

thereby encouraging higher residual values through more equipment standardisation and lowering barriers to entry into the industry for private sector operators, making existing operators more efficient and reducing the dependency of state and private operators on state funding or guarantees, leading to a more dynamic and competitive 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](http://www.railworkinggroup.org). For all the latest developments register with the Rail Working Group's [LinkedIn group page](#).