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The Luxembourg Rail Protocol to the Cape Town Convention

New opportunities for Rolling Stock Manufacturers

The Luxembourg Rail Protocol to the Cape Town Convention on International Interests in Mobile Equipment is a new international treaty that introduces a global legal system to make it cheaper and easier for the private sector to finance railway rolling stock without the need for state guarantees or support, in turn creating new business opportunities for rolling stock manufacturers.

The Protocol provides for the recognition and prioritisation of security interests held by creditors lending on, or leasing, all types of railway rolling stock (including passenger and freight locomotives and wagons, “yellow” rail equipment, metro and light rail trains, trams and cable cars). This security may be registered in a new [international registry](#), in Luxembourg, which is searchable through the internet by the public 24/7.

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 at various speeds towards ratification and many other states around the world are actively looking at adoption of the Protocol.

In some parts of the world, the Protocol will open up credit for operators where the private sector currently will simply not lend on, or lease, rolling stock even on a state credit, thereby unlocking new demand for rolling stock and new markets for manufacturers. In every case it will reduce the cost of private debt for customers: on a conservative estimate the lower cost of debt will translate into an average effective discount of 2% on the cost of the rolling stock. In each case, it will lower the barriers to

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entry for new operators (particularly relevant where “open access” policies are being implemented) and leading to a more competitive and successful rail industry worldwide – bringing new business opportunities for manufacturers as well as important social, environmental, developmental and economic benefits for society.

[Regulations](#) issued under the Protocol (see section 5.1) introduce a new unique rail vehicle identification system, URVIS, for all rolling stock covered by the Protocol. This is unavoidable because there is no consistent global system currently for *uniquely* identifying rolling stock and the creditor’s security depends on such identification both for enforcement of its rights as well as effecting their registration in the international registry. A unique 16 digit number (including one check digit) is issued by the international registry to applicants on demand against a one-time charge of EUR 15 per number. Once issued, it will never be repeated or recycled. It is not intended to replace running numbers that denote the admissibility of rolling stock to a rail network although regulators may also use the URVIS number for this purpose also in the future. The URVIS number also gives to lenders, lessors, manufacturers, regulators, operators, insurers, and maintainers a new tool to track the location and status of the equipment.

If a security interest is registered by a creditor at the international registry against an URVIS number, it must be visible on the item of rolling stock in respect of which the interest is registered. The [UN Model Rules on the Permanent Identification of Railway Rolling Stock](#) set a **minimum** standard of permanent marking by way of two plates on the side of the rolling stock - as such the costs per unit will be minimal. The number may be incorporated into more sophisticated equipment tagging systems using RFID chips or bar codes. The UN has also issued helpful [guidance notes](#) covering practical aspects.

It should be emphasised that operators are not *automatically* obligated to mark rolling stock with an URVIS number but *will* be required to do so by creditors financing the rolling stock if the creditor wishes to register its security interest (as a pledgee or lessor). But sensible creditors simply purchasing rolling stock using equity or government support would also register a notice of sale so that the purchase, with the URVIS number, is on record at the international registry, providing a valuable defence against fraud.

Implications of the Luxembourg Rail Protocol for manufacturers aside from expanding the pool, and reducing the cost, of customer credit.

1. The Protocol underwrites operating leasing. Because the residual value at the end of the lease has a direct impact on the lease rentals (the higher the value, the lower the rentals), this will create a dynamic for more standardised rolling stock, in turn, enabling manufacturer production efficiency and economies of scale.
2. It will free customers, especially state operators, to order rolling stock when it’s needed irrespective of government debt and budgetary constraints.



3. It can facilitate manufacturers financing work in progress (security can be created and the URVIS number affixed to rolling stock before it rolls off the production line).
4. It should open the way for Export Credit Agencies to reducing their risk premiums when guaranteeing customer obligations by offering the “Cape Town Discount” (ECAs are permitted to offer a 10% discount on these premiums when the aircraft protocol to the Cape Town Convention applies)
5. Manufacturers may wish to pre-equip new rolling stock with the URVIS number as a service to customers – we would strongly recommend this. They would also file an undertaking at the international registry agreeing to be bound by the Model Rules. They could also use the URVIS number as their equipment serial number and build the URVIS number into their recording systems. This would have the added benefit of not requiring any systems’ adaptation in the event of a merger with another manufacturer.
6. The URVIS number will expand potential markets by supporting the regulation of cross border interoperability of locomotives and wagons and will make it easy for manufacturers to track their production throughout its operational lifetime, wherever the rolling stock is being used in the world, and to offer maintenance and overhauls based on actual usage, leading to significant cost savings for operators.

The costs for manufacturers will be nominal but the advantages the Protocol brings them will be significant.

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](#).