

UNIDROIT Model Law on Warehouse Receipts

Background and objectives

Warehouse receipts play an important role in facilitating agricultural finance and commodities transactions. However, despite the need for effective regulation of warehouse receipts both at the national and international levels, the necessary legal frameworks are either wholly absent, highly disparate or outdated. What is more, insufficiently agile regimes have so far failed to protect market participants – particularly financiers – against fraud involving warehouse receipts. As a result, banks' confidence to use warehouse receipts as security for financing has been curbed, the cost of transactions and credit has increased, and the risks within the ecosystem have been exacerbated.

To help harmonise the disparate legal regimes currently governing warehouse receipts and to assist states that wish to modernise their current frameworks, [UNIDROIT](#) - the International Institute for the Unification of Private Law - in partnership with [UNCITRAL](#) - United Nations Commission on International Trade Law - have developed the [Model Law on Warehouse Receipts](#). Both organisations are forerunners in developing model legislative frameworks, with many of their models receiving wide adoption. The key objectives of the Model Law are to tackle the problems identified above — in particular, to facilitate commercial transactions that involve stored goods, promote short-term financing in the agricultural sector and improve confidence in warehouse receipt systems.

Key features

The Model Law on Warehouse Receipts is organised into six chapters, which are as follows:

Chapter I outlines the scope of application of the Model Law, emphasising its applicability to both electronic and paper-based warehouse receipts, and provides definitions for key terms used throughout the Model Law.

Chapter II deals with the issuance and contents of warehouse receipts as well as certain duties of the warehouse operator. It also addresses the replacement of warehouse receipts and the change of medium from electronic to paper or vice versa.

Chapter III outlines the requirements for the transfer of negotiable warehouse receipts. It then explains the rights and benefits of transferees, including those with “protected holder” status, as well as the third-party effectiveness of security rights in negotiable warehouse receipts. Finally, it contains provisions regarding representations and guarantees in the context of transfers.

Chapter IV sets out rights and further obligations of the warehouse operator, which include the duty of care, the duty to keep goods separate and the obligation to deliver goods.

Chapter V is an optional chapter to be adopted by enacting states that seek to reform or implement a dual warehouse receipt system. In a dual receipt system, the warehouse operator issues a warehouse receipt and a pledge bond. The pledge bond grants its holder a security right in the goods covered by the warehouse receipt, and the rights of the warehouse receipt holder are subject to the rights of the pledge bond holder.

Chapter VI offers general provisions on the entry into force of the Law and the repeal and amendment of other laws.

Use

The Model Law, adopted by UNIDROIT on 8 May 2024 and by UNCITRAL on 26 June 2024, is intended to provide a modern and balanced blueprint for the commercial law aspects of the use of warehouse receipts. Crucially, the Model Law offers a real opportunity to transform the warehouse receipt business through new digital trade finance business models, unlocking safe, secure and affordable financing solutions — particularly for small and medium-sized enterprises (SMEs).