

Operation and Benefits of the MAC Protocol to The Cape Town Convention



CEC **CEMA**   **UNIDROIT**

Advancing the MAC Protocol
Shaping the future of EU equipment financing

26 February 2025 | 14.00-16.00 CET | Embuild - Av. des Arts 20, Brussels

Ignacio Tirado, Secretary-General
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UNIDROIT access to credit instruments

**ASSET
BASED
FINANCE**

**Cape Town
Convention
(2001)**

**Aircraft
Protocol
(2001)**

**Rail Protocol
(2007)**

**Space
Protocol
(2009)**

**Mining, Agriculture
and Construction
(MAC) Protocol
(2019)**

LEASING

**International
Financial Leasing
Convention (1989)**

**Model Law on
Leasing
(2008)**

FACTORING

**International
Factoring
Convention
(1989)**

**Model Law on
Factoring
(2023)**

**Factoring Guide
to Enactment
(2025)**

**AGRICULTURAL
FINANCE**

**UNIDROIT/UNCITRAL
Model Law on
Warehouse Receipts
(2024)**

**Legal Guide on
Agricultural Supply
Chain Finance
(2026)**



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Why CTC?

Political acceptance

- **CTC: 87 contracting States + EU**
- **AP: 84 contracting States + EU**

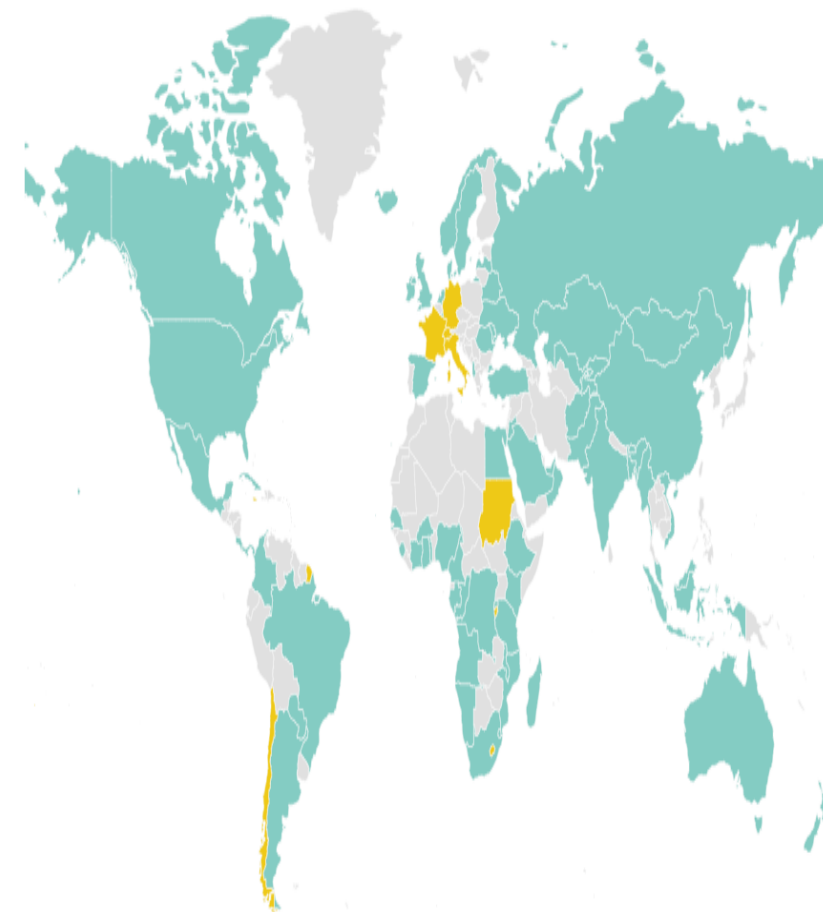
Volume of transactions

- **More than 1.5 m registrations, over 1 trillion USD in value of collateral**

Proven economic benefits

- **“Cape Town Discount” for Export Credit Agencies under OECD sector understanding (10%)**
- **Improved rating in recourse to capital market debt financing (leasing agreements)**

STATUS MAP OF THE PROTOCOL TO THE UNIDROIT CONVENTION ON INTERNATIONAL INTERESTS IN MOBILE EQUIPMENT ON MATTERS SPECIFIC TO AIRCRAFT EQUIPMENT - SIGNATURES, ENTRY INTO FORCE



- **Starting point:** growing global need for financing in use high value mobile equipment
- Initially, in the **aviation sector**:
 - Exponential growth of aviation industry
 - Reduction of public financial support, need to attract private capital
 - Positive externalities of acquisition and use of new equipment (e.g., greater safety of air travel)
- **Legal obstacles**, esp cross-border:
 - Traditional conflict-of-laws approach not suited to moving assets
 - Legal systems vary in approach to recognition of security interests, enforcement, and remedies



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Why a MAC Protocol?

- Global MAC equipment market hugely important (app. \$200 billion annually)
- Financing of MAC equipment remains challenging in many parts of world
 - ❖ Financial institutions unwilling to provide credit in the MAC sectors to purchase/ lease equipment, due to uncertainty of domestic laws,
 - ❖ Possible movement of assets across borders
 - ❖ Challenges in enforcing their rights upon default or insolvency.
- Credit availability in the MAC sectors remains constrained in many regions
 - ❖ Credit may cover as little as 20% (in some cases, 0) of product value in developing country markets.
 - ❖ At times borrowers have no choice but to self-finance or pledge liquid assets or land
 - ❖ Companies also face challenges in securing credit using MAC equipment they already own as collateral.
 - ❖ Consequently, many entities involved in the MAC sectors cannot access credit on reasonable terms and thus lack the ability to acquire the equipment needed to improve productivity and performance.
- The MAC Protocol has been developed to address these global challenges.





MAC Protocol and the CTC System

- 4° Protocol to the CTC system
- Follows closely the design of the Aircraft Protocol to mirror its success
 - **I system of security rights**, with an autonomous concept, a functional approach and a uniform regulation concerning the Convention's core provisions: all leads to **simplification and reduction of transaction costs**
 - **Single, on-line, 24/7 international registry** that (i) provides relevant information, (ii) easy to access and allows for inexpensive registration, will increase transparency, certainty and lower transaction costs
 - **Clear rules for third party effectiveness and priority** linked with registration. Priority over national registry (pre and post registration). No space for subjective elements
 - **Strong system of remedies**, both interim and final reduces the risk of credit
 - **Adequate protection in insolvency** (some options better than others, with economic consequences)

MAC Protocol has unique provisions to adapt it for application to MAC sectors:

- Scope: It covers high-value and uniquely identifiable types of MAC equipment as identified through 6 digit **Harmonized System (HS System)** codes developed by the World Customs Organization.
- Inventory financing: Contracting States can choose not to apply the Protocol to **inventory financing**
- Immovable Property: Contracting States have different options in relation to the treatment of **immovable-associated MAC equipment**
- Simplified insolvency priority rules: Contracting States may adopt a rule granting creditors expeditious access to MAC equipment after an insolvency-related event, or may continue to apply their existing insolvency law

The Mining, Agriculture and Construction (MAC) Protocol

EQUIPMENT COVERED BY THE MAC PROTOCOL

➤ The MAC Protocol Annexes list 56 HS codes that cover the equipment within the scope of the Protocol:

- Mining (Annex 1 – 25 HS codes)
- Agriculture (Annex 2 – 36 HS codes)
- Construction (Annex 3 – 35 HS codes)

The MAC Protocol covers **\$148 billion worth** of MAC equipment traded annually



HS Codes picked on following basis:

1. Equipment used in MAC sectors
2. High value equipment
3. Individual serial numbers
4. Complete equipment (not parts)
5. Equipment used on-site

Example of Construction Equipment

842919: Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers
– Bulldozers and angledozers — Other



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MAC Trade Data 2018 for the 27 EU Member States

EU		Imports	Exports
Total	56 HS Codes	\$38,851,959,998	\$57,665,682,833
Mining	25 HS Codes	\$25,462,619,587	\$30,855,419,807
Agriculture	36 HS Codes	\$31,657,662,900	\$39,107,903,028
Construction	35 HS Codes	\$30,596,357,577	\$43,909,197,948

- Large volume of business shows **importance of MAC sectors for European economy**
- EU States **export** more machinery than they import

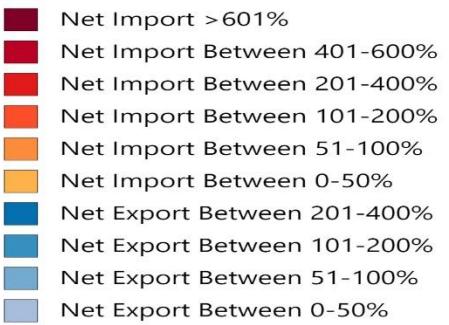
TRADE DATA ANALYSIS FOR EUROPEAN UNION (2023)

\$42.29B
Imports

\$60.48B
Exports

\$100.11B
Trade Value

MAC Protocol: European regional trade flows

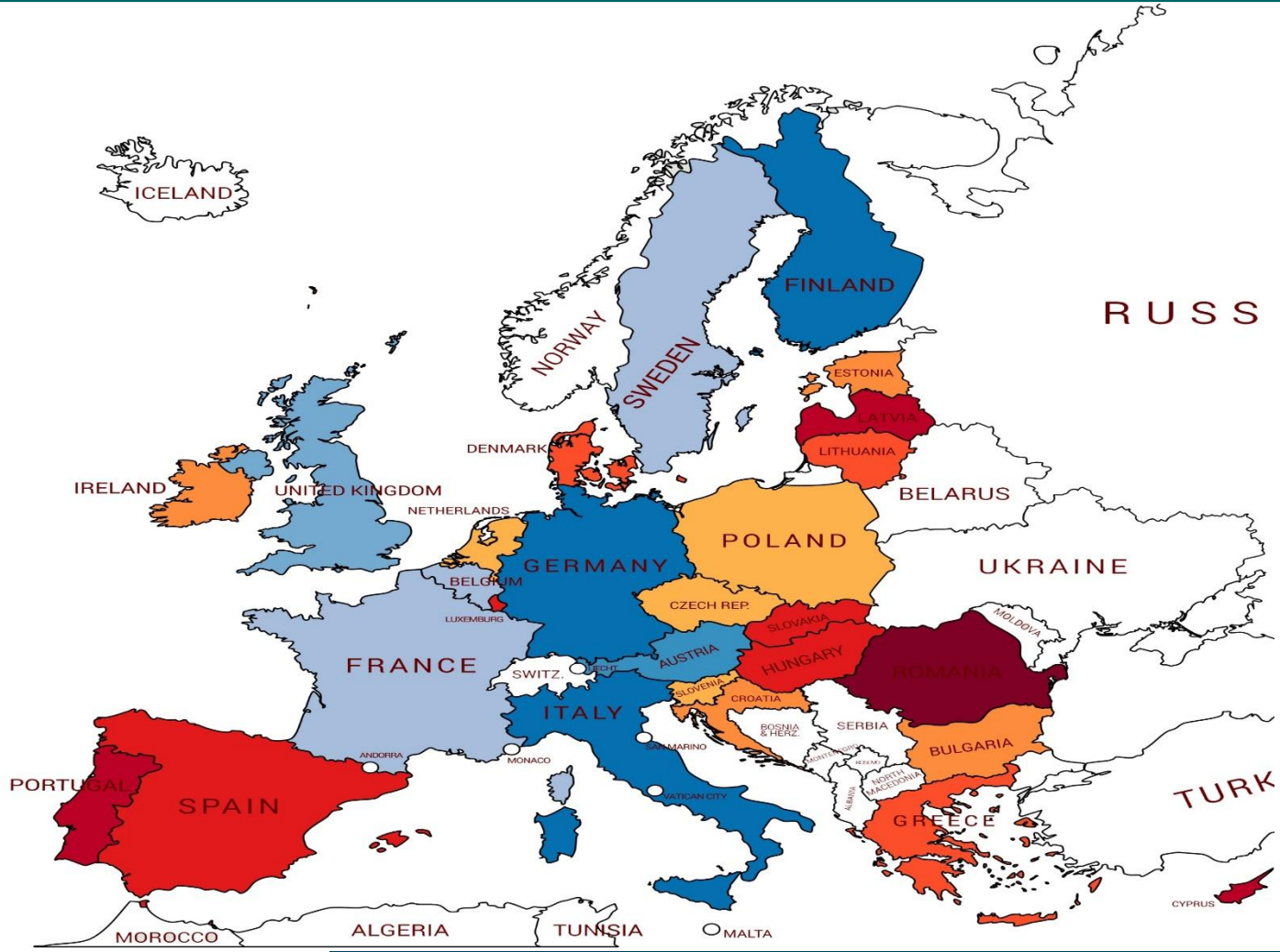


Net Importing EU MS

Czechia	3%
The Netherlands	6%
Slovenia	35%
Poland	41%
Bulgaria	67%
Estonia	86%
Ireland	87%
Croatia	100%
Greece	108%
Denmark	119%
Lithuania	185%
Spain	216%
Luxembourg	324%
Hungary	338%
Slovakia	365%
Portugal	428%
Cyprus	438%
Latvia	485%
Romania	686%

Net Exporting EU MS

Sweden	2%
France	5%
Belgium	6%
United Kingdom	52%
Austria	130%
Italy	285%
Germany	358%
Finland	360%



BENEFITS FOR BOTH IMPORTING AND EXPORTING COUNTRIES

- The MAC sectors in importing countries that ratify the MAC Protocol will benefit through better and cheaper access to finance
- The manufacturing sectors in exporting countries will benefit through the expansion of markets and increased demand.

*figures based on 2017 data



Wide-ranging stakeholder benefits

GOVERNMENTAL BENEFITS

Reduced risk to governments providing export credit
Enhanced privatization potential
Improved export and employment interests
Contribution to growth, increased revenues
Enhanced sustainability



Reduces Risk

USER BENEFITS

Enhanced access to funds and funding sources
Reduced financing costs
Increased operating efficiency
Improved profitability



Increases Access to Capital

FINANCIER, LESSOR, AND INVESTOR BENEFITS

Less risk
Enhanced security
Increased returns
Higher valuations



Improves Risk Returns

MANUFACTURER AND SUPPLIER BENEFITS

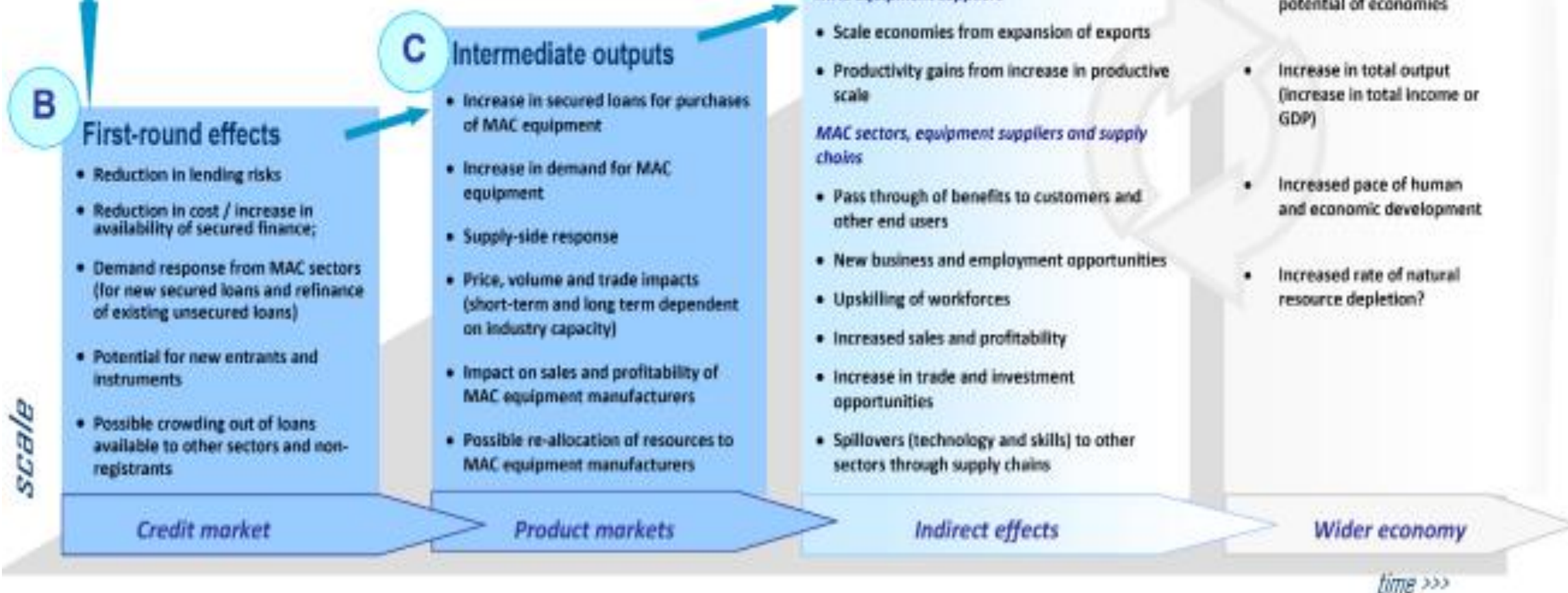
More credit available
Expanded markets
Improved sales
Higher employment levels



Expands Asset's Market

The Mining, Agriculture and Construction (MAC) Protocol

ECONOMIC EFFECTS OF MAC PROTOCOL RATIFICATION



The Mining, Agriculture and Construction (MAC) Protocol



GLOBAL MACRO - ECONOMIC BENEFITS

- MAC Protocol predicted to increase the stock of MAC equipment by \$90 billion over 10 years
- Annually increase GDP \$23 billion (developing)
- Annually increase GDP \$7 billion (developed)
- **Total impact on global GDP equivalent to \$30 billion a year**



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Thank you for your attention

Any Questions?

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