

U.S. Senate Ratifies U.N. Receivables Convention

by

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On January 2, 2019, the United States Senate gave its advice and consent to the United Nations Convention on the Assignment of Receivables in International Trade – almost 16 years (to the day) after the Convention was signed by the United States on December 3, 2003. All that remains to complete the ratification process is for the White House to authorize the deposit of the Convention with the United Nations Treaty Office, a step that hopefully will occur soon. The CFA is proud to have played a role in the adoption process as well as in the drafting of the Convention

The United States will be only the second country to adopt the Convention, the other being Liberia. Three more countries must adopt the Convention in order for it to become effective in any country. However, it is anticipated that U.S. adoption will encourage other countries to follow suit.

The Convention is designed to facilitate the financing of receivables by exporters of goods and services. Thus, it focuses on cross-border transactions, covering international receivables (where the buyer and seller of the goods and services are located in different countries) and international assignments of receivables (where the borrower and lender in a receivables financing transaction are located in different countries).

The Convention, which represents the culmination of a six-year project by the United Nations Commission on International Trade Law (known as UNCITRAL), codifies legal principles widely accepted in the U.S. and other countries where receivables financing flourishes. By adopting the Convention, countries can make their laws much more conducive to receivables financing. As a result, lenders in the U.S. would be more likely to lend against receivables owing by customers located in those countries. This will provide a tremendous benefit to U.S. small and medium-sized businesses engaged in exporting, because it will make it easier for them to obtain financing for their foreign receivables.