



General Assembly

Distr.: General
26 April 2023

Original: English

**United Nations Commission on
International Trade Law**
Fifty-sixth session
Vienna, 3–21 July 2023

Work Programme

Warehouse receipts

Note by the Secretariat

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I. Introduction

1. At its forty-ninth session, in 2016, the Commission decided to place the topic of warehouse receipt financing on its future work programme and agreed that it should be considered further after a colloquium or an expert group meeting.¹ Accordingly, the Secretariat organized the Fourth International Colloquium on Secured Transactions (the “Colloquium”, Vienna, 15–17 March 2017) to obtain the views and advice of experts with regard to possible future work on security interests and related topics, which included the topic of warehouse receipts.²

2. At its fiftieth session, in 2017, the Commission took note of the deliberations and conclusions of the Colloquium and decided that priority should be given to the preparation of a practice guide on secured transactions.³ With respect to the topic of warehouse receipts, the Commission decided to retain the topic on the future work agenda for further consideration.⁴ The Commission was further informed that a delegation would prepare and submit a study on warehouse receipts for that purpose.

3. During the thirty-third session of Working Group VI (Security Interests) (New York, 30 April–4 May 2018), it was proposed that work should be undertaken to prepare a substantive text on warehouse receipts and after discussion, the Working Group agreed to recommend to the Commission that it be mandated to undertake work on the topic.⁵

4. At its fifty-first session, in 2018, the Commission took note of the proposal by Working Group VI on possible future work on warehouse receipts, which would aim at developing a modern and predictable legal regime. In support of that proposal, the importance of warehouse receipts to agriculture and food security as well as their use in supply and value chains, was highlighted.⁶ At that session, the Commission also heard that the Organization of American States (OAS) was in the process of updating its 2016 report on principles for electronic warehouse receipts for agricultural products in light of recent developments.⁷ After consideration, the Commission concluded that more preparatory work on the topic of warehouse receipts was needed before it could decide on future steps and thus decided to request the Secretariat to conduct exploratory and preparatory work on warehouse receipts so as to refer that work to a working group.⁸

5. At its fifty-second session, the Commission took note with appreciation of a note by the Secretariat (A/CN.9/992) providing an overview of a study presented to the Secretariat by the Kozolchyk National Law Center (NatLaw)⁹ on possible future work on warehouse receipts. The study had examined the legislative and regulatory frameworks governing warehouse receipts in several States, illustrating a wide range of different approaches to warehouse receipts. While divergence of approaches to, and legal treatment of, warehouse receipts was not in and of itself a problem, the study suggested that a certain level of harmonization could facilitate the use of warehouse receipts, in particular across sectors and in the cross-border context. The study also pointed out that several States, in particular those with a common law tradition, did

¹ *Official Records of the General Assembly, Seventy-first Session, Supplement No. 17 (A/71/17)*, para. 125.

² The deliberations and conclusions of the Colloquium are summarized in documents [A/CN.9/913](#) and [A/CN.9/924](#).

³ *Official Records of the General Assembly, Seventy-second Session, Supplement No. 17 (A/72/17)*, para. 227.

⁴ *Ibid.*, paras. 225 and 229.

⁵ [A/CN.9/938](#), paras. 92 and 93. The proposal is set out in the annex to the report of the Working Group.

⁶ *Official Records of the General Assembly, Seventy-third Session, Supplement No. 17 (A/73/17)*, para. 249.

⁷ *Ibid.*, para. 182.

⁸ *Ibid.*, para. 253(a).

⁹ NatLaw is a non-profit research and educational institution affiliated with the James E. Rogers College of Law at the University of Arizona in Tucson, Arizona.

not yet have a legislative or regulatory framework on warehouse receipts, whereas in other States, the framework had only been developed partially, thus requiring a more comprehensive solution to facilitate the use of warehouse receipts. The study suggested that the Commission should consider developing a model law on warehouse receipts in consultation with international and regional organizations that have already undertaken work in that field.

6. The Commission noted the practical relevance of the project, given the importance of warehouse receipts to agriculture and food security, and their use in supply and value chains.¹⁰ The Commission confirmed its earlier decision to include the topic in its work programme but agreed that it still needed to consider several important elements before embarking on the development of an international legal instrument on warehouse receipts, such as: how such work should be undertaken (whether by a working group or the Secretariat with the assistance of experts); the scope of such work (for example, whether to address all substantive legal aspects of warehouse receipts, whether to focus on their use for financing purposes or on their cross-border use and whether to cover their use more generally or in a specific sector); whether the work should focus on dematerialized forms of warehouse receipts and the legal nature of such warehouse receipts in the digital economy and their use; the form of such work (a convention, a model law or a guidance text). The Secretariat was requested to examine the relationship of the topic with existing UNCITRAL texts, mainly the Model Law on Secured Transactions and the Model Law on Electronic Transferable Records.¹¹

7. There was general agreement that the work should be comprehensive, as suggested in the study, and not only limited to the use of warehouse receipts as collateral in secured transactions. While there was a preference for referring the work to the first available working group, the Commission reserved its position as to whether the project could be integrated into the longer-term work programme of any existing working groups. The Commission agreed to request the Secretariat to proceed with its preparatory work and to convene a colloquium with other organizations having relevant expertise, with a view to considering the questions of scope and nature of the work discussed at that session and possibly advancing the preparation of initial draft materials.¹²

8. At the fifty-third session, the Commission had before it a note in which the secretariat presented the progress made since the fifty-second session of the Commission (A/CN.9/1014). The Commission was informed that its secretariat had invited UNIDROIT to participate in and contribute to the preparatory phase of the Commission's work on warehouse receipts. The Commission was informed that, in line with the mandate received from the Commission at its fifty-second session (see para. 7 above), and in order to discuss the proposal to conduct legislative work on warehouse receipts, UNIDROIT and the UNCITRAL secretariat had jointly organized and held a workshop with a broad audience of experts and organizations on 26 March 2020¹³ (due to the measures put in place by States and the United Nations in response to the COVID-19 pandemic, the workshop eventually took place in the form of a webinar by videoconference). The Commission was further informed of the outcome of the webinar and the recommendations made by the participants, as well as the assessment made by the secretariat concerning scope and methodology for the work by the two organizations.

9. The Commission concurred with the assessment made by the secretariat set out above and requested the secretariat to proceed with the necessary preparatory work towards the development of a model law on the private law aspects of warehouse

¹⁰ *Official Records of the General Assembly, Seventy-fourth Session, Supplement No. 17 (A/74/17)*, para. 195.

¹¹ United Nations publication, Sales No. E.17.V.5.

¹² *Official Records of the General Assembly, Seventy-fourth Session, Supplement No. 17 (A/74/17)*, paras. 196 and 221(b).

¹³ The programme is available at www.unidroit.org/english/news/2020/200326-warehouse-receipts/programme-e.pdf.

receipts, covering both electronic and paper, negotiable and non-negotiable receipts. The Commission agreed to authorize such work to start on a broad basis aiming at the preparation of a comprehensive instrument covering all the essential aspects necessary to regulate the private law side of a system of warehouse receipts, including, inter alia, (a) a set of definitions of the main concepts, (b) form and content requirements for the receipts, (c) the rights and obligations of the parties concerned, (d) the negotiability and the means of transfer of the documents, (e) the substitution and removal of goods from the warehouse, and the termination of storage, and (f) aspects concerning the creation and third-party effectiveness of a security right in warehouse receipts (and stored goods), as well as relevant priority and enforcement-related issues. The Commission endorsed the expert's recommendation that a text on warehouse receipts should contemplate the issuance and negotiation of electronic warehouse receipts, including through electronic platforms, distributed ledger technology systems, in the form of tokenized or digital assets, or other technological mechanisms, also taking into account possible future work by UNCITRAL on legal aspects of the digital economy, including issues related to distributed ledger technology and electronic trading platforms (see [A/CN.9/1012](#), [A/CN.9/1012/Add.1](#), [A/CN.9/1012/Add.2](#) and [A/CN.9/1012/Add.3](#)).¹⁴

10. As regards the methodology, and bearing in mind the overall work programme of the Commission and the expected progress of the projects currently being dealt with by the various working groups, the Commission agreed to carry out the project jointly with UNIDROIT, and noted with appreciation the information that the Governing Council of UNIDROIT had already authorized its secretariat to participate in such a joint project. The Commission also agreed with the proposal by the secretariat that UNIDROIT could convene a study group or working group set up by UNIDROIT under the auspices of its Governing Council and to which the UNCITRAL secretariat would be invited in order to start the work. Once the UNIDROIT study group or working group had completed its work, the preliminary draft model law would be submitted for intergovernmental negotiations through an UNCITRAL working group with a view to its ultimate adoption by UNCITRAL. The Commission further agreed that the final text to be adopted by UNCITRAL would bear the names of both organizations, in recognition of their close cooperation and the contribution by UNIDROIT during the preparatory phase of the project. In conclusion, the Commission requested its secretariat to proceed with the preparatory work in cooperation with UNIDROIT towards the development of a model law on the private law aspects of warehouse receipts, as proposed in paragraphs 24–26 of the note by the Secretariat ([A/CN.9/1014](#)) and present the results of that work to the Commission for consideration at its next session.¹⁵

II. Preparatory work carried out by UNIDROIT and the Secretariat

11. The Working Group on a Model Law on Warehouse Receipts convened by UNIDROIT in consultation with the UNCITRAL secretariat (hereafter the “Working Group”) has held four sessions since its establishment. The progress made in the first two sessions of the Working Group was summarized in a note ([A/CN.9/1066](#)) considered by the Commission at its fifty-fourth session (Vienna, 28 June–16 July 2021). The Commission took note of that with the appreciation of the progress made and agreed that the drafting of uniform provisions on the topic required a neutral and functional approach that respected differences in legal doctrines and practice among various legal systems. The Commission was mindful of the importance of giving the Working Group sufficient time to consider those matters and develop an acceptable solution and agreed that the Working Group might need more than two sessions before it could submit a preliminary draft model

¹⁴ *Official Records of the General Assembly, Seventy-fifth Session, Supplement No. 17 (A/75/17)*, para. 60.

¹⁵ *Ibid.*, para. 61.

law on the private law aspects of warehouse receipts for consideration by the UNIDROIT Governing Council, possibly at its 102nd session, in 2023, and subsequent transmittal to the first available UNCITRAL Working Group.¹⁶

12. The progress made in the third and fourth sessions of the Working Group was summarized in a note (A/CN.9/1102) considered by the Commission at its fifty-fifth session (New York, 27 June–15 July 2022). The Commission took note with appreciation of the progress made by the Working Group and the estimated time for completion of the first phase of the project. The Commission noted the technical difficulty of formulating rules acceptable to different legal systems and the complex issues raised by negotiable instruments and stressed the importance for the working group of adopting technological neutrality and functional equivalence as basic principles for its drafting effort.¹⁷

13. The fifth session of the Working Group took place in a hybrid manner from 5 to 7 December 2022 and was attended by 28 participants, comprised of 10 Working Group members; 10 observers including representatives of international and regional organizations as well as the private and public sector; and 8 members of the UNIDROIT Secretariat.¹⁸ The Working Group considered a revised version of the draft model law on warehouse receipts that reflected the deliberations and conclusions reached at its fourth session.¹⁹ The Working Group confirmed the desirability of ensuring that the model law representing the outcome of the work would be equally compatible with single and dual receipt systems, and several adjustments to the draft were suggested to better reflect the operation of dual receipt systems. The Working Group also confirmed the desirability of ensuring consistency between the model law and existing uniform commercial law texts, for instance with regard to the notion of “control” in the model law and in the UNCITRAL Model Law on Electronic Transferable Records. The Working Group also considered issues relating to rights and obligations of the warehouse operator, security rights in warehouse receipts and conflict of laws. In particular, the Working Group discussed the legal treatment of non-negotiable warehouse receipts and confirmed its decision not to include provisions on conflict of laws in the model law, but to set out the relevant issues in the explanatory note to the model law.

14. The sixth and final session of the Working Group took place in a hybrid manner from 1 to 3 March 2023 and was attended by 29 participants, comprised of 11 Working Group members; 11 observers including representatives of international and regional organizations as well as the private and public sector; and 7 members of the UNIDROIT Secretariat.²⁰ The Working Group considered a revised version of the preliminary drafting suggestions that reflected the deliberations and conclusions reached at its fifth session.²¹ The Working Group generally confirmed its decisions with regard to the provisions of the draft model law and further refined them as appropriate. The Working Group paid special attention to identifying mandatory and optional information to be included in a warehouse receipt, and to its amendment. Another matter discussed were the rights of the protected holder in a warehouse receipt and the desirability of using neutral terminology to accommodate different legal systems. With regard to the rights and obligations of the warehouse operator, the issues of the lien in favour of the operator and of the termination of storage at the operator’s option were discussed in detail. Finally, the Working Group reviewed and

¹⁶ Ibid., *Seventy-sixth Session, Supplement No. 17 (A/76/17)*, para. 220.

¹⁷ Ibid., *Seventy-seventh Session, Supplement No. 17 (A/77/17)*, para. 197.

¹⁸ The report of the fifth session, including the list of participants (annex I), is available on the page of the working group at the Unidroit website (www.unidroit.org/work-in-progress/model-law-on-warehouse-receipts).

¹⁹ The documents for the fifth session are available on the page of the working group at the Unidroit website (www.unidroit.org/work-in-progress/model-law-on-warehouse-receipts).

²⁰ The report of the sixth session, including the list of participants (annex I), is available on the page of the working group at the Unidroit website (www.unidroit.org/work-in-progress/model-law-on-warehouse-receipts).

²¹ The documents for the sixth session are available on the page of the working group at the Unidroit website (www.unidroit.org/work-in-progress/model-law-on-warehouse-receipts).

amended the provisions of the new chapter on pledge bonds, which had been inserted in the model law to accommodate dual receipt systems.

III. Future meetings and drafting process

15. The joint preparatory work has been substantially completed by the UNIDROIT Working Group at its sixth session and the draft Model Law on Warehouse Receipts has been submitted for approval to the UNIDROIT Governing Council at its 102nd session, to be held in Rome on 10–12 May 2023. The text submitted to the UNIDROIT Governing Council is reproduced in the annex to this note. The secretariat will inform the Commission of the final decision of the UNIDROIT Governing Council and any amendments made to the text of the draft model law at that stage. The Commission may then wish to decide to assign the draft model law on warehouse receipts to a working group, taking into account the time frame of expected completion of projects currently handled by the six UNCITRAL working groups (see [A/CN.9/1140](#)).

Annex

Draft model law on warehouse receipts

Chapter I. Scope and general provisions

Article 1. Scope of application

1. This Law applies to warehouse receipts.
2. For the purposes of this Law, a warehouse receipt is an electronic record or paper document issued and signed by a warehouse operator that identifies itself as a warehouse receipt and by which the warehouse operator:
 - (a) Acknowledges holding goods described in it on behalf of the holder; and
 - (b) Promises to deliver the goods to the holder.

Article 2. Definitions

For the purposes of this Law:

1. “Depositor” means a person who deposits goods for storage with a warehouse operator.
2. “Electronic record” means information generated, communicated, received or stored by electronic means, including, where appropriate, all information logically associated with or otherwise linked together so as to become part of the record, whether generated contemporaneously or not.
3. “Holder” of a warehouse receipt means:
 - (a) In the case of an electronic negotiable warehouse receipt – the person who has control of the receipt;
 - (b) In the case of a paper negotiable warehouse receipt that is issued to the order of a named person – that person, or the most recent endorsee, if in possession of the receipt;
 - (c) In the case of a paper negotiable warehouse receipt that is issued to bearer or endorsed in blank – the person in possession of the receipt; and
 - (d) In the case of a non-negotiable warehouse receipt – the person to whom delivery of the goods is to be made in accordance with the terms of the receipt.
4. “Negotiable warehouse receipt” means a warehouse receipt that is issued:
 - (a) To the order of a named person; or
 - (b) To bearer.
5. “Non-negotiable warehouse receipt” means a warehouse receipt that is issued in favour of a named person.
6. “Protected holder” means a person that satisfies the requirements of article 17, paragraph 1.
7. “Storage agreement” means an agreement between a warehouse operator and a depositor that sets out the terms on which the warehouse operator agrees to store goods.
8. “Warehouse operator” means a person who is in the business of storing goods for other persons for reward.

Article 3. Control of an electronic warehouse receipt

A person controls an electronic warehouse receipt if a reliable method is used:

- (a) To establish exclusive control of that electronic warehouse receipt by the person; and
- (b) To identify that person as the person in control.

*Article 4. Party autonomy**Option A for article 4*

Parties may not derogate from or vary by agreement any provision of this Law.

Option B for article 4

1. Parties may derogate from or vary by agreement the following provisions of this Law: [...].
2. Such an agreement does not affect the rights of any person who is not a party to that agreement.

Article 5. Interpretation

In the interpretation of this Law, regard is to be had to its international origin and the need to promote uniformity in its application.

Chapter II. Issue and contents of a warehouse receipt; alteration and replacement

Section A. Issue and contents of a warehouse receipt

Article 6. Obligation to issue a warehouse receipt

1. A warehouse operator must issue a warehouse receipt in relation to goods, after taking possession of the goods, if requested by the depositor.
2. The lack of issuance of a warehouse receipt by the warehouse operator does not affect the validity of the storage agreement.

Article 7. Representations by the depositor

The depositor represents to the warehouse operator, at the time of deposit, that:

- (a) It has the authority to deposit the goods; and
- (b) The goods are free of any rights or claims of third parties except as agreed by the warehouse operator.

Article 8. Incorporation of storage agreement in the warehouse receipt

A warehouse receipt is taken by operation of this Law to include all terms of the storage agreement that are not inconsistent with the express terms of the warehouse receipt.

Article 9. Information to be included in a warehouse receipt

1. A warehouse operator must include the following information in a warehouse receipt:
 - (a) Whether it is negotiable or non-negotiable;
 - (b) If it is negotiable, the name of the person to whose order the receipt is issued or a statement that it is issued to bearer;
 - (c) If it is negotiable, any limitations on the manner in which it may be transferred;

- (d) If it is non-negotiable, the name of the person in whose favour it is issued;
 - (e) The name of the depositor;
 - (f) The name of the warehouse operator;
 - (g) The type and quantity of the goods;
 - (h) The fixed period of the storage, if any;
 - (i) The place where the goods are stored;
 - (j) A unique identification number for the receipt;
 - (k) The date of issue; and
 - (l) The date of the storage agreement and a statement that a copy of the storage agreement will be made available to potential transferees on demand.
2. An incomplete or incorrect statement of information required by paragraph 1 does not affect the validity of the warehouse receipt. The warehouse operator is liable for any losses suffered by any person as a result of any such incomplete or incorrect statement.
 3. If a negotiable warehouse receipt does not name a person to whose order it is issued, it is issued to bearer.

Article 10. Additional information that may be included in a warehouse receipt

1. A warehouse operator may also include any other information in a warehouse receipt, such as:
 - (a) The name of the insurer, if any, who has insured the goods;
 - (b) The amount of the storage fees if they are a fixed amount or, if they are not a fixed amount, how the fees are calculated;
 - (c) The quality of the goods; or
 - (d) If the goods are fungible, whether the goods may be commingled.
2. An incorrect statement of information referred to in paragraph 1 does not affect the validity of the warehouse receipt. The warehouse operator is liable for any losses suffered by any person as a result of any such incorrect statement.
3. If a warehouse receipt covers fungible goods but does not state the quality of the goods, the goods are presumed to be of average quality.

Article 11. Goods in sealed packages and similar situations

1. If the warehouse operator has no practicable or commercially reasonable means of assessing the goods, the warehouse operator may describe the goods, including their type, quantity and quality:
 - (a) In accordance with information provided to it by the depositor; and
 - (b) In the case of goods in a sealed package, by a statement to the effect that the package is said to contain the described goods, and that the warehouse operator otherwise has no knowledge of the contents or condition of the contents of the package.
2. A warehouse operator who describes goods in accordance with paragraph 1 will not be liable for any losses suffered by any person, unless the warehouse operator knew or had reasonable grounds to believe that the description was false or misleading.

Section B. Alteration and replacement

Article 12. Alteration of a warehouse receipt

If a field in a negotiable warehouse receipt is left blank by the warehouse operator and is later filled in without the warehouse operator's authorization, the insertion will be effective as against the warehouse operator if a subsequent holder has no knowledge of the lack of authorization at the time that person becomes the holder.

Article 13. Loss or destruction of a warehouse receipt

1. In the event of the loss or destruction of a warehouse receipt, the holder at the time of loss or destruction may require the warehouse operator to issue a replacement warehouse receipt, by providing:

(a) Such proof of its entitlement to the warehouse receipt; and

(b) Such indemnity in relation to the issue of the replacement warehouse receipt and security in support of that indemnity, as the warehouse operator may reasonably require.

2. In the case of an electronic warehouse receipt:

(a) "Loss" in paragraph 1 means loss of control; and

(b) "Issue a replacement warehouse receipt" in paragraph 1 may include reinstatement of control of the warehouse receipt over which control has been lost.

3. If a warehouse operator fails to issue a replacement warehouse receipt pursuant to paragraph 1, the holder at the time of loss or destruction may apply to the court for an order that the warehouse operator issue a replacement warehouse receipt, including by way of proceedings in the form of [the expeditious proceedings to be specified by the enacting State]. In the case of a lost negotiable warehouse receipt, the applicant must deposit with the court adequate security to indemnify the warehouse operator against claims by a holder of the lost warehouse receipt.

4. A replacement warehouse receipt issued under this article must state that it is a replacement warehouse receipt.

Article 14. Change of medium of a warehouse receipt

1. If the holder of a warehouse receipt so requests, a warehouse operator may change the medium of the warehouse receipt from paper to electronic or from electronic to paper.

2. At the time of the change of medium, the warehouse operator must ensure that the warehouse receipt can no longer be used in its previous medium.

3. The change of medium does not affect the rights and obligations of the parties.

Chapter III. Transfers and other dealings in negotiable warehouse receipts

Section A. How a negotiable warehouse receipt may be transferred

Article 15. Transfer of a negotiable warehouse receipt

1. A paper negotiable warehouse receipt may be transferred:

(a) By endorsement and delivery, if it is issued or endorsed to the order of the person transferring it; or

(b) By delivery, if:

(i) It is issued to bearer; or

(ii) It is endorsed in blank or to bearer.

2. An electronic negotiable warehouse receipt may be transferred by change of control.

Section B. Effect of a transfer of a negotiable warehouse receipt

Article 16. Rights of a transferee generally

1. A person to whom a negotiable warehouse receipt has been transferred acquires:
 - (a) Such rights to the receipt and the goods; and
 - (b) Such benefit of the obligation of the warehouse operator to hold and deliver the goods in accordance with the terms of the receipt,as the transferor was able to convey.
2. Paragraph 1 does not limit the rights of a protected holder of a negotiable warehouse receipt pursuant to article 18.

Article 17. Protected holder of a negotiable warehouse receipt

1. A person is a protected holder of a negotiable warehouse receipt if:
 - (a) The receipt has been transferred to the person pursuant to article 15;
 - (b) The person acted in good faith and without knowledge of any claim to the receipt or the goods covered by it, or of any defence on the part of any person other than the warehouse operator; and
 - (c) The transfer was in the ordinary course of business or financing.
2. [A person does not have knowledge of a claim to a warehouse receipt or the goods covered by it for the purposes of paragraph 1(b) merely because information relating to that claim has been registered in [a registry established pursuant to a secured transactions law as specified by the enacting State].]
3. If a negotiable warehouse receipt is issued by a warehouse operator to the order of a named person other than the depositor, the issue of the receipt to that person by the warehouse operator has the same effect, for the purposes of determining whether that person is a protected holder, as if the receipt had been transferred to that person pursuant to article 15.

Article 18. Rights of a protected holder of a negotiable warehouse receipt

1. A protected holder of a negotiable warehouse receipt acquires ownership of the receipt and the goods covered by the receipt, and the benefit of the obligation of the warehouse operator to hold and deliver the goods in accordance with the terms of the receipt, free of any claim or defence of the warehouse operator or any other person, other than any claim or defence that arises under the terms of the receipt or under this Law.
2. Paragraph 1 applies even if:
 - (a) The transfer to the protected holder or any prior transfer constituted a breach of duty by the transferor;
 - (b) A previous holder of the receipt lost control or possession of the receipt as a result of fraud, duress, theft, conversion, misrepresentation, mistake, accident or similar circumstances; or
 - (c) The goods or the receipt had been previously sold, transferred or encumbered to a third person.
3. The ownership and benefit of a protected holder of a negotiable warehouse receipt under paragraph 1 are not subject to [any retention-of-title, security or equivalent right as specified by the enacting State] that any person may have in or in relation to the goods covered by the receipt.

4. The ownership and benefit of a protected holder of a negotiable warehouse receipt under paragraph 1 are not subject to any right pursuant to a judgment against any person other than the protected holder. The warehouse operator is not obliged to deliver the goods to a person claiming pursuant to such a judgment, unless the warehouse receipt is surrendered to it.

Section C. Security rights

Article 19. Third-party effectiveness of a security right

A security right in a negotiable warehouse receipt may be made effective against third parties by:

- (a) [Registration in a registry established pursuant to a secured transactions law as specified by the enacting State;]
- (b) In the case of an electronic negotiable warehouse receipt, the secured creditor taking control of the receipt; or
- (c) In the case of a paper negotiable warehouse receipt, the secured creditor taking possession of the receipt.

Section D. Representations and guarantees by a transferor of a negotiable warehouse receipt

Article 20. Representations by a transferor of a negotiable warehouse receipt

A transferor of a negotiable warehouse receipt represents to the transferee that:

- (a) The receipt is authentic; and
- (b) It does not know of any fact that would impair the validity of the receipt, the value of the goods covered by the receipt, or the effectiveness of the transfer of ownership of the receipt and the goods it covers, except as agreed by the transferee.

Article 21. Limited representation by intermediaries

Notwithstanding article 20, an intermediary that is entrusted with warehouse receipts on behalf of another or with collection of a negotiable instrument or other claim, represents by the transfer of a negotiable warehouse receipt only that it is authorized to do so.

Article 22. Transferor not a guarantor

A person who transfers a negotiable warehouse receipt does not guarantee, by virtue of the transfer, the performance by the warehouse operator of any obligations in relation to the receipt.

Chapter IV. Rights and obligations of the warehouse operator

Article 23. Application of this chapter

The obligations imposed by this chapter on a warehouse operator apply if a warehouse receipt has been issued, even if:

- (a) The receipt does not comply with the requirements of this Law; or
- (b) The warehouse operator is in violation of an applicable regulatory requirement.

Article 24. Duty of care

1. The warehouse operator must store and preserve the goods in accordance with the level of care expected of a diligent and competent operator in that particular trade.

2. The warehouse operator may vary its obligation under paragraph 1 by the terms of the warehouse receipt. However, the warehouse operator may not exclude or limit liability for fraud, wilful misconduct, gross negligence, or conversion of the goods.

Article 25. Duty to keep goods separate

1. Subject to paragraph 2, the warehouse operator must keep the goods separate so as to permit identification of the goods at any time.
2. The warehouse operator may commingle fungible goods into a mass of goods of the same type and quality, if so stated in the warehouse receipt.

Article 26. Lien of the warehouse operator

1. The warehouse operator has a lien on the goods and in any proceeds for:
 - (a) Charges for storage of the goods;
 - (b) Unexpected expenses necessary for the preservation of the goods;
 - (c) Expenses reasonably incurred in the sale of the goods in accordance with paragraph 4; and
 - (d) Similar charges or expenses owed by the holder in relation to other goods held by the warehouse operator, if so stated in the warehouse receipt.
2. Subject to paragraph 3, the warehouse operator's lien is effective against third parties.
3. As against a protected holder, the lien is limited to:
 - (a) Charges and expenses specified on the face of the receipt; or
 - (b) If no charges or expenses are so specified, a reasonable charge for storage after the date of issue of the receipt.
4. The warehouse operator may enforce its lien as permitted by [relevant other law as specified by the enacting State].

Article 27. Obligation of warehouse operator to deliver

1. Except as provided in article 30, the warehouse operator must deliver the goods to the holder of the warehouse receipt if the holder:
 - (a) Provides the warehouse operator with an instruction to deliver the goods to it;
 - (b) Surrenders possession or control of the warehouse receipt to the warehouse operator; and
 - (c) Satisfies the amount secured by the warehouse operator's lien under article 26.
2. Upon delivery of the goods, the warehouse operator must cancel the warehouse receipt.

Article 28. Partial delivery

1. Except as provided in article 30, the warehouse operator must deliver part of the goods to the holder of the warehouse receipt if the holder:
 - (a) Provides the warehouse operator with an instruction to deliver that part of the goods to it;
 - (b) Surrenders possession or control of the warehouse receipt; and
 - (c) Satisfies a corresponding proportion of the amount secured by the warehouse operator's lien under article 26.

2. Upon partial delivery of the goods, the warehouse operator must note the partial delivery on the warehouse receipt and return possession or control of the receipt to the holder.

Article 29. Split warehouse receipt

If requested by the holder of a warehouse receipt, a warehouse operator may split the warehouse receipt into two or more warehouse receipts that cover in total the goods that were covered by the original warehouse receipt, upon surrender of possession or control of the original warehouse receipt.

Article 30. Excuses from delivery obligation

The warehouse operator is excused from delivering the goods if and to the extent it establishes any of the following:

- (a) Destruction or loss of the goods for which the warehouse operator is not liable;
- (b) That it has sold or otherwise disposed of the goods in enforcement of its lien pursuant to article 26, paragraph 4;
- (c) That it has sold or otherwise disposed of the goods pursuant to article 31;
- (d) That it has received competing claims to the goods and the matter has yet to be resolved; or
- (e) That it is prevented from doing so by court order or otherwise by circumstances beyond its control.

Article 31. Termination of storage by the warehouse operator

1. The warehouse operator, by reasonable notice to all persons known to the warehouse operator to claim an interest in the goods or if the warehouse operator does not know of any person claiming an interest in the goods by public advertisement, may demand payment of the amounts secured by its lien and removal of the goods:

- (a) At the end of the storage period specified in the warehouse receipt; or
- (b) If the storage period has expired or no storage period is specified in the warehouse receipt, on the date specified in the notice.

2. If the amounts are not paid and the goods not removed before the date contemplated by paragraph 1, the warehouse operator may sell the goods by public or private sale, in a commercially reasonable manner, by reasonable notice to all persons known to the warehouse operator to claim an interest in the goods or if the warehouse operator does not know of any person claiming an interest in the goods by public advertisement pursuant to [relevant other law as specified by the enacting State].

3. If, as a result of a quality or condition of the goods of which the warehouse operator did not have knowledge at the time of deposit, the goods are a hazard, the warehouse operator may sell the goods at public or private sale, in a commercially reasonable manner, on reasonable notice to all persons known to the warehouse operator to claim an interest in the goods. If the warehouse operator, after reasonable efforts, is unable to sell the goods, it may dispose of them in any lawful manner.

[Chapter V. Pledge bonds]

Article 32. Scope and general provisions

1. This Law also applies to pledge bonds.
2. For the purposes of this Law, a pledge bond is an electronic record or paper document issued and signed by the warehouse operator that identifies itself as a pledge bond and satisfies the requirements of article 33.

3. For the purposes of this Law, “holder” of a pledge bond means:
 - (a) In the case of an electronic pledge bond, the person who has control of the pledge bond;
 - (b) In the case of a paper pledge bond that is issued to the order of a named person, that person, or the most recent endorsee, if in possession of the pledge bond; and
 - (c) In the case of a paper pledge bond that is issued to bearer or endorsed in blank, the person in possession of the pledge bond.
4. Article 3 applies in relation to pledge bonds in the same way as it applies to warehouse receipts.

Article 33. Issue and form of a pledge bond

1. The warehouse operator, at the time it issues a negotiable warehouse receipt, must attach to the receipt (if it is in paper form), or associate with the receipt (if it is in electronic form) a pledge bond that contains the same information as the warehouse receipt.
2. Articles 9 to 14 apply to pledge bonds in the same way as they apply to warehouse receipts.

Article 34. Effect of a pledge bond

1. A pledge bond grants the holder a possessory security right in the goods covered by the warehouse receipt.
2. The rights of the holder of the warehouse receipt to goods are subject to the rights of the holder of the pledge bond.
3. The holder of the warehouse receipt may pay the amount secured by the pledge bond whether or not the amount is yet due.
4. If there has been default in payment of the amount secured by a pledge bond, the holder of the pledge bond can enforce its security right over the goods pursuant to [relevant other law as specified by the enacting State].

Article 35. Transfers and other dealings

1. A pledge bond may be transferred together with the warehouse receipt, or separately.
2. The first holder of a pledge bond to transfer it separately from the warehouse receipt must note the following information in the pledge bond:
 - (a) The amount secured by the pledge bond; and
 - (b) The due date for payment of the amount secured by the pledge bond.
3. Articles 15 to 22 apply to pledge bonds in the same way as they apply to warehouse receipts.

Article 36. Rights and obligations of the warehouse operator

1. Prior to the due date for payment of the amount secured by the pledge bond, the warehouse operator may only deliver the goods upon presentation of both the warehouse receipt and the pledge bond.
2. After the due date for payment of the amount secured by the pledge bond, the warehouse operator must deliver the goods [upon presentation of the pledge bond whether or not the warehouse receipt is also surrendered or as required by the holder of the pledge bond pursuant to its procedure for enforcing the pledge bond].
3. Subject to paragraphs 1 and 2, articles 23 to 31 apply to pledge bonds in the same way as they apply to warehouse receipts.

Chapter VI. Application of this Law

Article 37. Entry into force

1. This Law enters into force on [date as specified by the enacting State].
2. This Law applies to warehouse receipts [and pledge bonds] that are issued after this Law enters into force.

Article 38. Repeal and amendment of other laws

1. [The laws as specified by the enacting State] are repealed.
 2. [The laws as specified by the enacting State] are amended as follows [the text of the relevant amendments to be specified by the enacting State].
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