

Factoring in Ukraine

Introduction

1. Factoring agreement in Ukraine

1.1. Subject matter of the factoring agreement
1.2. Form, content, and types of agreements
1.3. Factoring under competitive procedures
1.4. Invalidity of prohibition on assignment of monetary claims
1.5. Further assignment of monetary claims

2. The Register of assignments of monetary claims

2.1. The Register as an information and communication system
2.2. Making entries in the Register
2.3. Fees for the Register's services
2.4. Validity of the assignment of monetary claims. Priority

3. Basic rights and obligations of factoring participants

3.1. Participants in the legal relationship of factoring
3.2. Client's obligations
3.3. Notifying the debtor about the assignment of monetary claims
3.4. Fulfilment of monetary claims by the debtor
3.5. Collection of debt under a recourse factoring agreement

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On 30 July 2025, the Law of Ukraine 'On Factoring' (hereinafter referred to as the Law) came into force, which for the most part will come into effect on 30 July 2026, but not earlier than the effective date of the law amending the Civil Code of Ukraine regarding the regulation of relations in the field of factoring.

The Law defines the general legal framework for factoring in Ukraine, regulating relations between factors, clients, and debtors in the provision of factoring services. It aims to modernise the market for financing against assignment of claims, increase its transparency in order to protect market participants and attract foreign investors. The document harmonises national legislation with international standards and opens up new opportunities for Ukrainian companies to finance their business through modern factoring instruments.

1. Factoring agreement in Ukraine

1.1. Subject matter of the factoring agreement

The subject matter of a factoring agreement is a monetary claim. It defines the relations between the parties arising in the process of assignment of monetary claims under one or more underlying agreements based on one or more legal acts on the assignment of monetary claims.

A base agreement is understood to be an agreement concluded between the client and the debtor for the sale and purchase, supply/lease (rental) of asset, transfer of intellectual property rights, an agreement for the performance of work or provision of services (except for an agreement for the provision of financial

services other than a factoring agreement), a subcontractor agreement based on which the right to monetary claims arises.

Under a factoring agreement:

- the factor transfers/undertakes to transfer funds to the client by paying the price of the monetary claim for a fee (remuneration) – in any manner envisaged in the agreement, and
- the client assigns/undertakes to assign to the factor its right to a monetary claim against the debtor.

Depending on the nature of the monetary claim (a specific part of the monetary claim/set of monetary claims), a distinction is made between the right to:

- 1) an existing monetary claim that has arisen under the underlying agreement and exists at the time of concluding the transaction for the assignment of the right to a monetary claim;
- 2) a future monetary claim that will arise under the base agreement after the conclusion of the transaction for the assignment of the right to a monetary claim.

1.2. Form, content, and types of factoring agreements

Factoring is a service or several services provided by a factor based on a factoring agreement.

A factoring agreement consists of one or more documents (including electronic documents) exchanged between the factor and the client or sent by them to the information and communication system used by them, including, among other things, a framework agreement and documented legal transactions for the assignment of monetary claims under the base agreement (base agreements).

A factoring agreement shall be concluded exclusively in writing and shall contain the information and conditions specified by the legislation of Ukraine, in particular for agreements on the provision of financial services, as well as information on the type of factoring.

Depending on the distribution of risks of non-performance/improper performance of obligations by the debtor, the following types of factoring are distinguished:

- 1) non-recourse factoring – with the right of the factor to apply to the client with a claim for payment of part/full value of the monetary claim under the assigned monetary claim. In this case, the risk of non-performance/improper performance by the debtor of the monetary claim assigned by the client to the factor is borne by the factor.
- 2) recourse factoring – with the client's obligation to pay the factor the amount specified in the factoring agreement in the event of non-performance/improper performance by the debtor of the monetary claim, the right to which is assigned.

1.3. Factoring under competitive procedures in Ukraine

A factoring agreement may be concluded based on the results of a competitive procedure (including, inter alia, in the form of an electronic auction on electronic platforms using electronic trading system services) on a national digital platform for attracting asset-based financing (factoring).

If the underlying agreement is concluded in accordance with the Law of Ukraine 'On Public Procurement', a competitive procedure is mandatory.

1.4. Invalidity of prohibition on assignment of monetary claims

The terms of any agreements that prohibit/restrict the client's right under the base agreement to assign monetary claims under a factoring agreement, including terms establishing penalties for such assignment, are null and void.

A factoring agreement is valid regardless of whether the base agreement contains terms prohibiting or restricting the assignment of monetary claims.

1.5. Further assignment of monetary claims

Further assignment of monetary claims by the factor to a third party is permitted only:

- 1) if envisaged in the factoring agreement, or
- 2) based on a confidential factoring agreement.

Confidential factoring is factoring with recourse, which provides for the fulfilment of a monetary claim against the factor under the base agreement by the client and does not provide for notification of the debtor of the assignment of the monetary claim.

2. The Register of assignments of monetary claims under factoring agreements

2.1. The Register as an information and communication system

In accordance with Ukrainian legislation, the Register of Assignments of Monetary Claims under Factoring Agreements (hereinafter referred to as the Register) is an information and communication system that includes:

- 1) a public electronic register (for registering the assignment of monetary claims under factoring agreements and publishing information about the registered claims in real time);
- 2) an electronic factoring system (provides for the registration of persons, automatic placement, receipt and transfer of information and documents in electronic form during relations arising based on a factoring agreement, use of services with automatic exchange of information, accessible via the Internet).

2.2. Making entries in the Register

Registration of the assignment of a monetary claim under a factoring agreement is mandatory.

The exception is a confidential factoring agreement.

Registration of the assignment of a monetary claim in the Register is carried out automatically based on the factor's application for registration of the assignment of a monetary claim. The factor independently forms the application within 3 working days after the conclusion of an agreement.

Based on the results of registration of the assignment of a monetary claim under a factoring agreement, a record is generated and given a registration number.

The record is stored in the Register for 5 years from the date of expiry of the monetary claim or from the date of cancellation of the record. The validity period of the record in the Register may be extended at the request of the factor.

2.3. Fees for the Registers services

In the amount and manner established by the procedure for maintaining the Register, a fee is charged for the provision of the following services of the Register:

- registration of the assignment of a monetary claim;
- making changes to the record;
- entering information about the record cancellation;
- making changes to the information about the record cancellation;
- provision of an extract from the Register;
- registration in the electronic factoring system.

No fee shall be charged for providing an extract from the Register at the request of the debtor or a state authority.

Obtaining public information from the Register as a result of a search by viewing it shall be free of charge.

2.4. Validity of the assignment of monetary claims. Priority

The rights and obligations under a factoring agreement between the factor and the client arise from the moment the agreement comes into force, unless otherwise specified in the agreement.

Unless otherwise determined by a court, a factor who has acquired and registered the assignment of a monetary claim is considered a bona fide acquirer of such monetary claim in relation to another factor who has not registered the assignment of the same right. Priority is the factor's preferential right over another person's right to the same monetary claim.

Priority shall be given to:

- an earlier registration of the assignment of a monetary claim;
- a registered assignment of a monetary claim over an unregistered one;
- an encumbrance on a monetary claim over its subsequent assignment.

The priority of the assignment of the right to monetary claims is not affected by whether the factor is aware of the existence of another unregistered assignment of

the same right to monetary claims.

3. Basic rights and obligations of factoring participants in Ukraine

3.1. Participants in the legal relationship of factoring

A factor is a financial services provider that has the right to provide factoring services in accordance with the law.

Note: A factor may also be a non-resident who has the right to provide factoring services in accordance with the law of the state of its registration.

Client is a legal entity or individual entrepreneur who assigns to the factor the right to a monetary claim arising from the base agreement.

Debtor is an individual, private entrepreneur or legal entity that is obliged to pay a monetary amount to satisfy a monetary claim arising from the base agreement.

3.2. Client's obligations

In accordance with Ukrainian law, the client is liable to the factor for the validity of the monetary claim, the right to which is assigned, unless otherwise specified in the factoring agreement.

Under a non-recourse factoring agreement, the client is not liable for the debtor's non-performance/improper performance of the monetary claim.

Under a recourse factoring agreement, the client is obliged to pay the factor the amount specified in the recourse factoring agreement (but not more than the amount of the monetary claim under the underlying agreement) in the event of non-performance/improper performance by the debtor of the monetary claim being assigned.

The client is obliged to:

- 1) prior to the conclusion of an agreement, inform the factor of all restrictions on the assignment of the monetary claim, as well as the rights of third parties;
- 2) compensate the factor for all losses incurred as a result of:
 - the client assigning the same monetary claim to another factor, or
 - the client's failure to notify the factor of all restrictions and third-party rights.

3.3. Notifying the debtor about the assignment of monetary claims

The factor shall send a notice to the debtor about the assignment of the monetary claim by the client to the factor within 3 business days after its registration in the Register.

The notice shall be sent in writing (in paper/electronic form), and if the debtor is listed in the Register, in the electronic factoring system (unless the debtor has indicated in the electronic factoring system that they do not wish to receive notices in this system).

3.4. Fulfilment of monetary claims by the debtor

The debtor is obliged to pay the factor the monetary amount to fulfil the monetary claim, provided that:

- the assignment of the monetary claim is registered in the Register and
- the debtor has received a notice of the assignment.

The debtor's payment of the monetary claim to the client is deemed to be proper performance of their obligation under the base agreement if:

- the assignment of the monetary claim is not registered in the Register and/or
- the debtor has not been notified in writing of the assignment (subsequent assignment), or
- the notification does not comply with the requirements of law, or
- the notification was sent less than 7 working days before the date of fulfilment of the assigned monetary claim under the base agreement.

The debtor's performance of the monetary claim to the factor (the factor under the last assignment) releases the debtor from its obligation to perform the monetary claim to the client (factors under previous assignments).

3.5. Collection of debt under a recourse factoring agreement

The factor has the right to apply to the client with a demand for payment of part/full value of the monetary claim under the assigned monetary claim in the case of a recourse factoring agreement.

Upon receipt of the claim, the client is obliged to pay the factor the amount specified in the factoring agreement with recourse (but not more than the value of the monetary claim under the base agreement), and the factor is obliged to assign the monetary claim to the client.

If the debtor has not been notified in writing of the factor's assignment of the monetary claim right to the client, the debtor's payment of the monetary claim to the factor constitutes proper performance of its obligation under the base agreement.