

Overview of the Law on Factoring: new opportunities for business financing in Ukraine

The Law of Ukraine "On Factoring" No. 4466-IX dated 3 June 2025 (the "Law") introduces a comprehensive update to existing laws governing factoring. The goal of the Law is to align Ukrainian regulations with best international standards and to establish a modern, digital, and transparent model for interaction in the receivables financing market through the assignment of monetary claims.

What changes will the country's financial markets experience due to the Law's adoption? What new tools will Ukrainian businesses gain?

The Law will take effect less than one year from now, on 30 July 2026. We offer here an overview of its key provisions, including the innovations it introduces.

- 1 What is factoring?
- 2 Who are the parties to a factoring agreement?
- 3 What is the subject of factoring?
- 4 What types of factoring are defined by the law?
- 5 Registration of assignment of monetary claims: establishing a Factoring Register
- 6 Priority of assignment
- 7 Electronic auctions
- 8 Strengthened debtor protections
- 9 What changes for the market?

01

What is factoring?

Factoring is a financial service that involves the compensated (for a fee) assignment of a client's monetary claims to a financial institution or another legal entity authorized to provide factoring services.

In simpler terms, factoring allows a company to receive immediate funding by assigning its accounts receivable without waiting for payment from the respective counterparty.

02

Who are the parties to a factoring agreement?

 Client	 Factor	 Debtor
A legal entity or individual entrepreneur that assigns a monetary claim.	Banks and financial companies licensed to provide factoring services, including non-resident companies.	An individual, individual entrepreneur, or legal entity that is obligated to make a payment to a client under the contract.

03

What is the subject of factoring?

The subject of factoring agreements is the **right to a monetary claim** arising from the given agreement ("**Basic Agreement**") for the sale, delivery or lease (rental) of property, transfer of intellectual property rights, contract for the performance of work, or contract for services (except for financial services agreements, excluding factoring).

! The subject of a factoring agreement may only be a valid right to a monetary claim, existing or future, but in any case not overdue (whose maturity date has expired).

! Moreover, the subject of a factoring agreement cannot be a right to demand penalty payments (penalties, fines) separately from the principal monetary claim.

! The terms of the Basic Agreement on the prohibition of assignment on the basis of factoring are null and void.

Future monetary claims – a right that arises after the conclusion of an assignment agreement. It is considered assigned to the factor once it arises, without requiring amendments to the respective agreement or other actions.

 Non-recourse factoring	 Recourse factoring	 Confidential factoring
The risk of a debtor's non-payment is fully borne by the factor. The client holds no further responsibility after the assignment of the claim.	The factor has the right to demand compensation from the client if the debtor fails to pay. The risk remains with the client.	A form of recourse factoring where the debtor is not notified of the assignment of the claim.
 <i>The factoring agreement must specify the type of factoring.</i>		

The Law introduces a **Factoring Register** to register, verify, and publicly disclose information on the assignment of claims.

The Register consists of two main components:

 Public register	 Electronic factoring system
An open-access portion displaying basic information about the given assignment.	A digital platform for document exchange, communication between parties, and the full digitalization of the service.

What information is entered into the register?

The following data on claim assignments under a factoring agreement are recorded:

- 1) Date and number of the given agreement;
- 2) Information on the factor, client, and debtor;
- 3) Identification of the assigned claim (without indicating the amount or the debtor);
- 4) Type of factoring (recourse or non-recourse);
- 5) Indication of electronic auction usage;
- 6) Primary documents (optional).

 *Registration is mandatory, except for confidential factoring agreements.*

The Law defines priority based on the time of registration in the Register (regardless of contract signing date or claim emergence):

- Earlier registration = higher priority;
- Registered assignments prevail over unregistered ones;
- The factor's knowledge of unregistered assignments does not affect priority;
- Priority transfers with reassignment;
- If a claim is already pledged, the pledgee has priority over the factor.



The factor must notify the debtor of an assignment within 3 business days of registration.

For the first time, the Law allows (and in some cases mandates) factoring agreements to be concluded via electronic auctions on a designated national digital platform.



Auctions are mandatory for factoring rights arising from contracts under the Law on Public Procurement.



The Law is designed to ensure a balanced approach for all parties involved, with particular attention to debtors, who are not party to factoring agreements but must fulfil the given obligations to the factor.

Key protections include:

- The debtor pays only if the assignment is registered and properly notified;
- If the factor fails to provide verified documents, the debtor may pay the client instead;
- If the same claim was assigned multiple times, the first notification is valid;
- Changes to a base contract before notification are binding on the factor;
- The debtor may apply set-offs against the factor if so entitled under the given base contract.



The factor may also enforce payment via a notarial writ or demand remittance of funds received from the debtor by the client or third party.

This Law is not merely a "rules update" - it is a fundamental reboot of the Ukrainian factoring market. It establishes a clear, transparent, and digital model that:

- i. Structures relationships between clients, factors, and debtors;
- ii. Guarantees protection of all parties' rights;
- iii. Removes factoring from the "grey zone" of legal ambiguity;
- iv. Stimulates new forms of business financing.

How will the law affect market participants?



For factor

- I. Legal clarity in deal structures;
- II. Priority rights through official registration;
- III. Access to electronic auction platforms.



For clients

- I. Fast access to liquidity;
- II. Competition between factors → more favourable terms;
- III. Clear mechanisms for protecting rights in case of errors or abuse.



The Law is scheduled to enter into force on 30 July 2026 – but in any event not before corresponding amendments are made to the Civil Code of Ukraine regarding factoring.



For more detailed information on the conditions and requirements for factoring in Ukraine, please contact:



Illya Muchnyk

Partner, Head of Banking and Finance Practice at Kinstellar Kyiv office and Firmwide Head of FinTech at Kinstellar

+380 44 490 9575

illya.muchnyk@kinstellar.com



Oleksandra Poliakova

Managing Associate

+380 44 490 9575

oleksandra.poliakova@kinstellar.com



Zakhar Oprysko

Junior Associate

+380 44 490 9563

zakhar.oprysko@kinstellar.com



The above does not constitute legal advice and does not create an attorney-client relationship between Kinstellar and any recipient. It is meant for marketing purposes only. The material cannot be circulated to any other person or published in any way without our consent. We retain no liability for the contents of this paper however it may be used by any recipient.