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INTERNATIONAL INSTITUTE FOR THE UNIFICATION OF PRIVATE LAW  
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COMMITTEE OF GOVERNMENTAL EXPERTS FOR THE PREPARATION OF A  
MODEL FRANCHISE DISCLOSURE LAW

First session  
(Rome, 25 - 29 June 2001)

Comments on the Draft Model Law and Draft Explanatory Report thereto  
submitted by the World Franchise Council (WFC)

Rome, May 2001

**WORLD FRANCHISE COUNCIL'S POSITION on the DRAFT MODEL FRANCHISE  
DISCLOSURE LAW PROPOSED BY UNIDROIT**  
(Study LXVIII-Doc.30 of January 30, 2001)

The **WORLD FRANCHISE COUNCIL (WFC)** which represents **34 national Franchise Associations** (membership list attached), requests that the Committee of Governmental Experts of UNIDROIT take into consideration the following views from the professionals of the franchising industry:

- 1- **The WFC would like a PREFACE to be added to the text of the model law itself as to become an integral part of it.**
- 2- This preface should clearly state at the onset that this model law on pre-contractual disclosure is not a invitation, nor a recommendation to legislate in this domain, but is formulated as one of the options that national legislators may consider if faced with significant problems in the country, problems which need to be fully analysed in the light of the already existing legal means at the disposal of the legislators. The preface must be very clear on the fact **that the model law is an instrument which is designed as a guide, a check list of items, which legislators, in any country, may or may not refer to.**
- 3- This objective should be repeated and explained in the Explanatory Report accompanying the Model Law.
- 4- On the detail of certain articles of the Model Law:

- **Article 6 (1)M:** financial matters including

**(i)(c) In most countries non audited financial statements cannot legally be made public - even if done so confidentially to a prospective franchisee - and in particular if they are to serve as a basis on which the prospective franchisee is to make an "informed choice".** This requirement would need to be deleted.

Otherwise, such a provision would have as a consequence that a young company (less than three years old) could not choose franchising as a developmental strategy to expand.

**The WFC suggests that the article state: that if a company is not in a position to produce three consecutive balance sheets, this should be clearly said to the candidate so that he may base his decision to sign or not the agreement in full knowledge of the experience of the company.**

- **Article 10, paragraphs (1) and (2):**

These paragraphs state that the franchisee is entitled to terminate the franchise agreement or the pre-contractual agreement. **The WFC is of the opinion that the termination process must fall under a controlled judicial procedure.**

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