

Federal Draft Law No () For The Year 2020

On Securing Interest with Movable Property

We, Khalifa Bin Zaed Bin Sultan Al Nahyan, President of the State of United Arab Emirates,

Upon consolation of the Constitution,

And the Federal Law No (1) for the year 1972 on the Competences of Ministries and Ministers, as amended,

And the Federal Law No (5) for the year 1975 on the Trade Register,

And the Federal Law No (26) for the year 1981 on Commercial Maritime Law, as amended,

And Federal Law No (5) for the year 1985 on Civil Transactions, as amended,

And Federal Law No (3) for the year 1987 on the Penal Code, as amended,

And Federal Law No (10) for the year 1992 on Evidence in Civil and Commercial Transactions, as amended,

And Federal Law No (11) for the year 1992 on Law of Civil Procedures, as amended, and its executive regulation,

And Federal Law No (35) for the year 1992 on Criminal Procedures Law, as amended,

And Federal Law No (37) for the year 1992 Trademarks, as amended,

And Federal Law No (18) for the year 1993 on commercial transactions, as amended,

And Federal Law No (17) for the year 2002 on the Regulation and Protection of Industrial Property for Patents, Industrial Models, as amended,

And Federal Law No (1) for the year 2006 on Electronic Transactions and Commerce,

And Federal Law No (6) for the year 2010 on Credit Information,

And Federal Law No (2) for the year 2015 on Commercial Companies, as amended,

And Federal Law by Decree No (9) for the year 2016 on Bankruptcy, as amended,

And Federal Law No (20) for the year 2016 on Pledging Movable Property as Security for a Debt, as amended,

And Federal Law No (8) for the year 2018 Financial Leasing,

And Federal Law by Decree No (14) for the year 2018 Central Bank and Regulation of Financial Institutions and Activities,

And Federal Law by Decree No (19) for the year 2019 on Insolvency of Natural Persons,

And Federal Law by Decree No (26) for the year 2019 on Public Finance,

And upon the paper submitted by the Minister of Finance, and approval of the Ministerial Council and endorsement by the Federation Higher Council,

we issued the following law:

Chapter I

Definitions & Scope of Application

Article (1)

Definitions

In the application of this Law, the following terms and expressions shall have the meaning set herein unless is otherwise specified:

State: United Arab Emirates

Ministry: The Ministry of Finance

Minister: The Minister of Finance

Security Interest: A property right in movable property that is created by a security contract to secure performance of an obligation, regardless of whether the parties have explicitly denominated it as a security interest, and regardless of the type of property, the status of the Security Provider or Secured Party, or the nature of the secured obligation and, it includes the right of a financial lessor under a financial lease, retention of title under sales contracts, and fiduciary transfer of title, and the right of an assignee under an assignment as security.

Collateral: Movable property tangible or intangible, current or future, on which the Security Interest is created.

Collaterals Proceeds: Any in-kind or cash yield resulting from the disposal of the Collateral or from the replacement of such Collateral with another property, or any compensation which the Security Provider receives as a result of loss in the value or damage of the Collateral or any other similar compensation.

Secured Party: The Creditor benefiting from the Security Interest.

Security Provider: A person with a right in or power to dispose of the Collateral who creates the Security Interest to secure its own obligation or those of others.

Debtor: A person who owes performance of a secured obligation if he/ she is not the Security Provider.

Security Contract: A contract between the Security Provider and the Secured Party to create the Security Interest.

Registry: The electronic registry assigned for the publicizing rights on movable property.

Publicizing: Registration of interest on movable property in the registry; this includes registration of any amendment or cancelation.

Receivables: A right to payment of a monetary amount due to the Security Provider from other, excluding a right to payment evidenced by a negotiable instruments, a right to payment of funds credited to a bank account, and a right to payment under securities.

Court: The Court of Appeal competent or the court in which the collateral is located, as the case may be.

Acquisition Security Interest: a security interest in a tangible property, or intellectual property or the right of a licensee under a license of intellectual property, which was created to secure an obligation to pay the unpaid portion of the purchase price of a property, or other credit extended to enable the Security Provider to acquire rights in the property.

Perfection: Completion of all required procedures to enable the Secured Party to invoke the Security Interest against third parties either by registration of a notice in the registry in accordance with this Law, deliver possession of the collateral to the Secured Party, or affording the Secured Party control over the collateral.

Article (2)
Scope of Application of the Law

1- The provisions of this Law shall apply to any Security Interest in the framework of commercial or civil transactions.

2- For the purposes of this Law, the right of the transferee under an outright sale of a receivables shall be considered a Security Interest and shall be subject to the provisions of this Law with the exception of Chapter VII.

Chapter II:
Collateral

Article (3)
Property Which Can be Collateral

Any tangible or intangible movable property or part thereof, or an undivided right in a movable property, whether existing or future may be subject to Collateral including the following:

- a) Receivables, unless they form part of a transaction to transfer of the title to a project.
- b) Credit accounts held with banks, including current accounts and deposit accounts.
- c) Written instruments transferable by delivery or endorsement proving a right to a sum of money or ownership of goods including commercial papers, bank certificates of deposit, bills of lading, and warehouse receipts.
- d) Equipment and work tools.
- e) Tangible and intangible property of a commercial business (Fonds de Commerce).
- f) Goods ready for sale or lease, raw materials, and goods under fabrication or transformation.
- g) Agricultural products, animals and its products. This category also includes fish and bees.
- h) Fixtures.
- i) Any other movable property which other laws in the State provide that it is possible to use as Collateral in accordance with this Law.

Article (4)

Property that May not be subject to the Law

The provisions of this Law shall not apply to the following property:

- a) Movable property where all transactions under effective laws must be registered in a special registry.
- b) Alimony, salaries, wages and labor compensations.
- c) Public property, waqf (endowments) property, and property owned by diplomatic missions and international governmental organizations.

Article (5)

Non- Possessory Security Interest

- 1) Notwithstanding any contrary provision in any other legislation, it shall be permissible to create a pledge over movable property without the need to deliver possession to the Secured Party or to a third party.
- 2) Publicizing of the Security Interest in the Registry shall grant the Secured Party all rights enjoyed thereby as if the Collateral is possessed thereby.

Chapter III

The Registry

Article (6)

Creation of the Registry

- 1. An electronic registry to publicize interests shall be created according to this Law, by decision of the Ministerial Council. The Ministerial Council decision shall assign the party in charge of the Registry upon recommendation of the Minister.
- 2. The Executive Regulation of this Law shall determine the organization of the Registry operations, the procedures applicable to registration therein and the fees for its use.

Article (7)

Right to Inspect the Registry

The public may inspect the information publicized in the Registry as provided for in the Executive Regulation of this Law. It shall be permissible to request a paper or soft report including the information publicized in the Registry. If the report is certified by the part managing the Registry, it shall be admissible as evidence as to the date of publicizing, its time, content, and any other information publicized in the Registry. The Executive Regulation shall define the conditions to obtain the report.

Chapter IV
Creation of a Security Interest and its effectiveness between its parties

Article (8)
Creation of Security Contract

1- To create a Security Interest and render it enforceable between its parties in accordance with the provisions of this Law, the following conditions must be fulfilled:

- a. Conclusion of a Security Contract.
- b. The Security Provider must have the right or power to dispose of the Collateral or be authorized to create the Security Interest thereon.
- c. The Security Contract must include a description of the Collateral. The Collateral may be described generally or specifically allowing its identification, this includes its description as all property of the Security Provider, a specific or general category thereof, a specific or general class thereof.
- d- The Security Contract must include a description of the obligation secured by the Security interest. The Executive Regulation of this Law shall determine the degree and type of description, including reference to the maximum amount of the Secured Obligation.
- e. The Secured Party must pay the consideration agreed upon in the Security Contract or commit to pay same.

2) A Security Interest may secure one obligation or more of any type, whether present or future, determined or determinable, conditional, or unconditional, fixed or fluctuating.

3- A Security Interest automatically extends to any proceeds, products, and replacement of the collateral, unless otherwise agreed by the parties

Article (9)
Preserving the Security Interest

The person in possession of the Collateral must exert the normal person effort to preserve it in a manner consistent with its nature unless there is an agreement stipulating for a special type of care.

Chapter V:
Effectiveness of Security Interest towards Third Parties

Article (10)
Manner of Effectiveness of Security Interest towards Third Parties (Perfection)

1. The Security Interest shall be effective towards third parties in either of the following means:
registration of a notice in the registry in accordance with this Law;
delivery of possession of the Collateral to the Secured Party; or
c. by the Secured Party acquiring control over the Collateral.
2. Changing the method of effectiveness of the Security Interest toward this parties over the Collateral from publicizing to possession and vice versa shall not affect the continuation of the effectiveness of Security Interest toward third parties.

3. A notice may be registered before the creation of a Security Interest or the conclusion of a Security Contract to which the notice relates, provided the authorization of the Security Provider is obtained.

4. The Secured Party is obligated to pay the fees and expenses of publicizing the Security Interest in the registry, unless agreed otherwise.

Article (11)
Effectiveness of Security Interest on the Proceeds

1. A Security Interest that is effective towards third parties remains effective against any proceeds, product, mass or replacement without any further act.

2- The effectiveness of Security Interest on the proceeds against third parties shall lapse if the interest of the Secured Party is not publicized within (15) fifteen working days as of the date of its receipt by the Security Provider, so long as such proceeds are not identifiable cash proceeds or those described in the notice.

Article (12)
Registration of the Notice

Publicizing shall be effected through the Registry in accordance with the procedures set in the Executive Regulation of the Law.

Article (13)
Rules Pertaining to Receivables

A Security Interest over Receivables shall be valid and effective notwithstanding any condition in an agreement limiting the Security Provider's right to create a security interest over receivables. However, the rights of the party in whose favor such restriction was made to invoke his rights against the Security Provider shall not be prejudiced.

Article 14
Assignment of the Security Interest

The Secured Party may assign the Security Interest without the need to obtain the consent of the Security Provider. The assignment may be publicized as an amendment to the Notice; however, failure to register an amendment shall not affect the effectiveness of the Security Interest toward third parties.

Article (15)
Publicizing of Attachment on the Collateral

1. In case of the issuance of an order or judgment to place a precautionary or enforcement attachment over a Collateral, the party in whose favor the order or judgment was issued may perfect the interest granted by such order or judgment on the Collateral by registering a notice in accordance with this Law or seizing the property.

2. The decision issued by the Court in accordance with paragraph (1) of this Article shall be effective towards third parties as of the date of its publicizing in the Registry, which shall also be the time for establishing its priority pursuant to this Law.

Article (16)
Cancellation of a Notice

1. The Secured Party has the duty to cancel the registration of the notice in the following cases:
A. If the Secured Party agrees with the Security Provider or the debtor on striking of the registration from the Registry.
B. In the event the Security Interest is extinguished as a result of fulfillment all of the Secured Obligation under the Security Contract or for any other reason prior to the lapse of the duration set in the Registry.

C. If the Security Interest is not created in accordance with paragraph (3) of Article (10) of this Law.
E. If a decision is issued by the Court in accordance with this Law ordering the striking of the registration from the Registry.

2. The Secured Party must remove the registration within (5) working days as of the date of the occurrence of any of the events provided for in paragraph (1) of this Article.

3. In the event the Secured Party does not strike off the publicizing within the period set in paragraph (2) of this Article, he shall be liable for compensating the Security Provider for any actual damage incurred thereby.

4. The effect of striking off the registration shall not extend to the effective rights of other Secured Party under the same Security Contract unless they consent to this in writing.

Article (17)
Effect of Effectiveness towards Third Parties

1. Effectiveness of the Security Interest toward third parties shall result in granting the Secured Party priority over other creditors in collecting his dues from the Collateral. Priority shall be determined by the date and time when the Security Interest became effective toward third parties.

2. Effectiveness of the Security Interest toward third parties shall result in granting the Secured Party's interest priority over unsecured and preferential debts, including debts owed to the Security Provider's employees and workers , and any debts owed to the treasury, including unpaid taxes.

3. The priority of a Security Interest extends to all secured obligations, including obligations incurred after its perfection.

4. The priority of a Security Interest covers all movable property constituting the Collateral described in a notice registered in the Registry, whether they are owned by the Security Provider or come into existence before or after the time of registration.

5. Knowledge of the existence of a Security Interest on the part of a Secured Party does not affect the priority of the Security Interest under this Law.

6. The Executive Regulation may prescribe additional priority rules applicable to specific types of Collaterals.

Chapter VI
Continuation of the Security Interest & Priority
Article 18
Continuation of the Security interest

1- Effectiveness of the Security Interest toward third parties shall result in granting the Secured Party the right to follow the Collateral in the possession of any transferee thereof to enforce thereon and collect his dues.

2 Notwithstanding the provisions of paragraph (1) of this Article, the Collateral shall devolve to its buyer, lessee or any other person who acquires a right thereon, free of the Security interest if the Secured Party agrees to that.

3- A buyer of a tangible encumbered property sold in the ordinary course of the seller's business acquires its rights free of any Security interest, provided that, at the time of the conclusion of the sale agreement, the buyer does not have knowledge that the sale violates the rights of the Secured Party under the Security Contract.

Article (19)
Priority of Acquisition Security interest

1- An Acquisition Security Interest in equipment, inventory, or in intellectual property or rights in licenses under a license of intellectual property agreement has priority over a competing non-acquisition Security Interest created by the Security Provider, if a notice with respect to the Acquisition Security Interest is registered in the Registry within 7 working days after the Security Provider obtains possession of the equipment or inventory, or conclusion of the agreement for the sale or license of the intellectual property to the Security Provider.

2- An Acquisition Security Interest in proceeds of the inventory in the form of receivables shall be subordinate to a security interest created over receivables that was registered earlier, unless the Acquisition Secured Party notifies the other Secured Party.

Article (20)
Priority of Security Interest on Fixtures

1. Notwithstanding the provisions of the Civil Transactions Law, a Security Interest created over a collateral shall continue to be effective towards third parties on the said property which becomes a fixture, in which case the Security Interest shall be considered effective towards others including mortgagees with interest over the immovable property prior to the date of affixing or that is created thereafter.

2. Notwithstanding the provisions of paragraph (1) of this Article, a Security Interest created over a collateral which became a fixture shall not be effective toward third parties if the collateral was affixed to the immovable property prior to the annotation of a mortgage over the immovable property and such annotation preceded publicizing the notice in the Registry.

Article (21)
Priority of Right of Set-Off

The right of banks and financial institutions licensed to accept deposits under other law to set off obligations owed to it by the Security Provider against the Security Provider's right in the credit account with the bank has priority as against a Security Interest in the credit accounts which it keeps.

Article (22)
Priority over Agricultural Crops

If the Security Provider is in legal possession of the immovable property for the purposes of its exploitation in planting crops, the Security Interest which he creates on the crops planted in that property, made effective against third parties under this Law, shall have priority over a mortgage or other encumbrance over the immovable property.

Article (23)
Security Interest on Commingled Goods

1- A Security Interest may be created on goods prior to their commingling with similar goods and Security Interest shall continue after the commingling.

2- In the event that there are several perfected Security Interests over the same product or mass, these Security Interests shall rank equally over the product of mass and each Secured Party shall be entitled to collect its rights from the mass or product at a percentage equivalent to the percentage of its Collateral to the total mass or product as of the date of commingling.

Article (24)
Subordination of Priority

1. The Secured Party may, subordinate the priority determined to him under this Law in writing, provided that the subordination is limited to his Security Interest and that it does not affect the interest of other Secured Party.

2- Subordination may be publicized as an amendment to the registration; however, failure to register a subordination shall not affect the perfection or priority of the Security Interest.

Chapter VII
Rights of the Secured Party and Acting in Good Faith
Article (25)
Rights of the Secured Party in Possession of the Collateral

1. A Secured Party in possession of the Collateral has the right:
(a) To be reimbursed for reasonable expenses it incurs for the preservation of the Collateral; and
(b) To make reasonable use of the Collateral and apply the revenues it generates to the payment of the secured obligation.

2. A Secured Party not in possession has the right to inspect the Collateral in the possession of the Security Provider or another person.

3. A person must exercise its rights and perform its obligations under this Law in good faith.

Article (26)
Offer Acquisition of the Collateral

1. The Secured Party and the Security Provider may agree that the Secured Party acquires the Collateral in whole or in part to collect of his rights.

2. The Secured Party shall notify holders of other interests on the Collateral which are publicized in the Registry.

3. Any person with rights in the Collateral may object to the Secured Party on the offer to acquire the Collateral in full satisfaction of the secured obligation in accordance with this Article within ten (10) working days as of the date of notification of the offer for acquisition.

4. Any person with rights in the Collateral must consent to the offer to acquire the Collateral in partial satisfaction of the secured obligation in accordance with this Article within ten (10) working days as of the date of notification of the offer for acquisition.

5. The Secured Party may ask the Court to decide upon any objection within ten (10) working days as of the date of its submission and its decision in this regard shall be considered final and not subject to appeal by any means.

6. If no objection to the acquisition is received by the Secured Party or all persons provide their consent in accordance with paragraph (4) of this Article, the Secured Party may proceed to acquire the Collateral in whole or in part in recovery of his rights.

7. Should the Secured Party not exercise its right to ask the Court in accordance with paragraph (5) of this Article or the Court rules to accept the objection, enforcement on the Security Interest may only be conducted according to the procedures provided for in this Law.

Article (27)
The Right of the Secured Party to Enforce on
The Collateral by his Sole Will

1. Should the Debtor default on their obligations under the Security Contract, the Secured Party may notify the Security Provider and the Debtor in writing of its intention to repossess the Collateral, enforce thereon, separate it from any other property annexed thereto, if applicable, and dispose of it within the period specified in the notice, provided that the following conditions are fulfilled:

- a-- Notifying any other Secured Party that registered a notice with respect to the same Collateral.
- b-Notifying the possessor of the Collateral, if the Collateral is in possession of a third party.
- c-Notifying the owner or mortgagee of the immovable property where the Collateral is located, and the owner and possessor of the movable property to which the Collateral is annexed.

2. The notification pursuant to paragraph (1) must be given at least seven (7) working days before the sale or other disposition, lease or license takes place and must contain the information as provided in the Executive Regulation.

3. The Secured Party may without applying to a court select the method, manner, time, place and other aspects of the sale or other disposition, lease or license, including whether to sell or otherwise dispose of, lease or license Collaterals individually, in groups or altogether, in public auction or private sale.

4. The buyer or other transferee acquires the Security Provider's right in the property free of the Security Interest of the enforcing Secured Party and any competing claimant, except Security Interests that have priority over the right of the enforcing Secured Party.

5. Upon disposition of the Collateral pursuant to this Article:
- (a) the enforcing Secured Party must apply the proceeds of its enforcement to the secured obligation after deducting the reasonable cost of enforcement;
 - (b) must pay any surplus remaining to any subordinate competing claimant that, prior to any distribution of the surplus, notified the enforcing Secured Party of its claim, to the extent of the amount of that claim, and remit any balance remaining to the Security Provider.

Article (28)

Enforcement If the Collateral Is Receivables, Written Instruments, Or Credit Accounts

The Secured Party may, in case of default on the obligations due thereon under the Security Contract, enforce against the Collateral by means of collecting his dues from the Collateral without resorting to judicial measures in any of the following cases:

- 1. In the event that the Collateral consists of credit accounts with banks, then by collecting same with expenses, in the event that the Secured Party is a bank maintaining such account, or claiming it if it is maintained in another bank.
- 2- In the event that the Collateral consists of written instruments transferable by delivery or endorsement, collecting the amount or the goods represented by such instruments, its sale and collection of his rights from the sale price.
- 3- A Secured Party of a receivable is entitled to collect any payment from the debtor of the receivable even before default if the Security Provider agrees. In the case of an outright sale of receivables, the Secured Party is entitled to collect the receivable at any time.
- 4- In the cases provided for in this Article, Security Interest is enforced by means of the Secured Party notifying the Security Provider, the Debtor, or the bank holding the credit account or the holder of the instruments or documents, as the case may be, to enable transfer the amounts from the account to the bank account of the Secured Party or allowing him to possess the instruments or documents, as the case may be.

It is permissible for the Secured Party and the Security Provider to agree in writing for the Security Provider to waive his right to be notified of the enforcement procedures in the Collateral conducted in accordance with the provisions of this Article.

Chapter VIII

Enforcement Through Courts

Article (29)

Request for Possession for Enforcement on the Collateral

1. Without Prejudice to the right of the Secured Party to resort to the normal judicial proceedings, the Secured Party may file a petition before the Judge of Urgent Matters to issue an order enabling him to possess the Collateral and enforce his rights thereon as per the provisions of this Law.
2. The petition may include a request to place the Collateral under the custody of a third party at the cost of the Debtor in preparation for the enforcement on the Collateral and its sale immediately in accordance with the provisions of this Law.
3. The following shall be attached to the petition:
 - a. A copy of the Security Contract and an extract of the notice as publicized in the Registry.
 - b. The name of the applicant and his address.
 - c. The name of the Security Provider and the Debtor and the address of each of them.
 - d. The name of the possessor of the Collateral, if it is in the possession of a third party.
 - e. The name of the owner of the movable property to which the Collateral is annexed and the possessor of such movable property, if different and the name of the owner of the immovable property where the Collateral is located and the possessor of that immovable property, if different, along with the address of each of them, as the case may be.
4. Any of the affected persons may challenge the petition to gain possession for enforcement purposes before the Judge of Urgent Matters within (5) working days as of the date of being notified of the petition.

Article (30)
Settlement of Obligation

The Security Provider or the Debtor may repay the obligations under enforcement in addition to all fees and cost to the treasury of the court where the petition was filed within (5) five working days as of the date of notification of the enforcement petition.

Article (31)
The Order to Allow Possession

1. The Judge of Urgent Matters shall decide on the petition and any objection thereto within five (5) working days as of the lapse of the period stated in Article (30) of this Law. He may issue an order ex parte.
2. The decision of the Judge of Urgent Matters issued in accordance with paragraph (1) of this Article shall be subject to appeal before the Court of Appeal within (5) five working days as of the date of its issuance. The Court of Appeal shall decide on the appeal within (10) ten working days as of the date of its filing and its decision in this respect shall be deemed final and not subject to appeal by any means of appeal.
3. Unless the Court of Appeal decides otherwise, submission of the appeal shall not result in the suspension of enforcement of the decision of the Judge of Urgent Matters; the Court of Appeal may oblige the appellant to provide a bank guarantee in a specific amount.
4. Without prejudice to the provision of Article (35) of this Law, issuance of the decision to allow possession and enforcement on the Collateral shall result in the maturity of all debts secured by the Collateral unless the court decides otherwise.
5. The Judge of Urgent Matters may, upon the request of the Secured Party, allow the use of compulsory force for the purposes of implementing the decision to grant possession provided that the same is affected in the presence of the court clerk and the police officers.
6. In the event an order to grant possession for enforcement on the Collateral is issued, the court clerk shall prepare a set of minutes with includes a detailed description of the state of the Collateral and of the immovable property in which it is located or the movable property to which it is annexed, as the case may be, and keep a copy thereof on file.

Article (32)

Repairing the Collateral and preparing it for Sale or Exploitation

1. The Secured Party may, upon gaining possession of the Collateral, submit an application to the Judge of Urgent Matters to get his permission to perform the necessary reparations to the Collateral and prepare it for resale at his own expense, provided that the expenses resulting from that shall be added to the secured debt.
2. The application referred to in paragraph (1) of this Article may include a petition to issue a decision to enable the Secured Party to exploit the Collateral and cash its profits or interests and any other benefits resulting from the exploitation thereof, and provided that he deducts any sums or other expenses already repaid by the Secured Party from the amounts cashed.

Article (33)

Sale procedures

1. The Court may allow the Secured Party, subsequent to the issuance of a decision granting him possession of the Collateral and foreclosure thereon, to commence the sale of the Collateral, provided that he exerts sufficient effort to ensure that it is sold at a price not less than market price without following the sale procedures provided for in the Law of Civil Procedures.
2. The court may, if it deems it necessary and in order to preserve the value of the Collateral, specify in its decision the terms and method of sale or decide to set a minimum price for.
3. The court may decide to allow the Security Provider to sell the Collateral if it is proven that it may not be sold for a higher price during the period to be determined by the Court and under the supervision of the Secured Party or the court.
- 4- Notwithstanding the provisions of paragraph (1) of this Article, if the Collateral is perishable, damageable or fast declining in value, or possession thereof requires heavy expenses and that the Security Provider or Debtor did not wish to provide an alternative Collateral, the Secured Party may appeal to the court for immediate sale. The security shall be transferred to the price resulting from the sale.

Article (34)

Transfer of Rights Upon Sale

Sale of Collateral in accordance with the procedures specified in this Law shall result in making it clear from any rights encumbering same and the transfer of the such rights will be transferred to the enforcement proceeds.

Article (35)

Clearing Collateral of all obligations

- 1- Any person may, during the process of enforcement on the Collateral, offer the Secured Party to settle all of the obligations secured by the Collateral, including any enforcement expenses for the purposes of redeeming same from such obligations.
- 2- The Secured Party who receives the notice referred to in paragraph (1) of this Article may accept the offer within five (5) working days as of the date of being served and confirm such acceptance.
- 3- The person who offered redemption shall settle all liabilities on the Collateral to the Secured Party who accepted redemption according to their mutual agreement within a period not exceeding five working days as of the lapse of the period stated in paragraph (2) of this Article, and he shall subrogate the Secured Party to whom he settled the rights in the priority.
- 4- The person who redeemed the Collateral in accordance with this Article may keep it in the possession of the Security Provider or resume enforcement thereon in accordance with the provisions of the Law.

Article (36)

Deposit Of Enforcement Proceeds

The Secured Party enforcing rights on the Collateral in accordance with Article (33) shall deposit the enforcement proceeds with the treasury of the Court within whose jurisdiction the sale occurred within two working days as per the sale procedures report template specified in the Executive Regulation of this Law.

Article (37)

Distribution Of Enforcement Proceeds

1. The Court where the sale occurred shall prepare a provisional list for the distribution of enforcement proceeds in accordance with the priorities determined in this Law and notify same to the enforcing party and other parties with rights secured by the Collateral. It may issue an order to any of them to prove his right on the Collateral, provided that distribution of the enforcement proceeds shall occur within (5) five working days as of the date of issuance of a Court order to distribute.
3. The enforcement proceeds of the Collateral shall be distributed in the following order:
 - a) Expenses for maintaining, retaining, improving and preparing the Collateral for sale and any fees paid for licensing, safeguarding, and use of same as per the provisions of this Law.
 - b) Fees and expenses pertaining to the enforcement on the Collateral including judicial fees.
 - c) Rights of the Secured Parties according to their priority determined in this Law.
 - d) The balance of the proceeds and enforcement proceeds shall be distributed in accordance with the priorities set out in the applicable laws in the State.
4. If the Proceeds of the Collateral and enforcement proceeds do not suffice to repay the obligations thereon, the Debtor shall remain liable toward the Secured Party for any remaining shortage of the Debt; in which case the shortage shall be considered as a regular debt.
5. The Surplus of the enforcement Proceeds shall be returned to the Security Provider.

Article (38)

Stay of Enforcement

1. The Security Provider may, during the enforcement procedures, and based on justifiable grounds, request that the Judge of Urgent Matters, stay of enforcement procedures on the Collateral for a period of (5) working days.
2. The Judge of Urgent Matters may grant the Security Provider and the Secured Party a chance to negotiate in order to reach a settlement within a period he determines or during the period agreed upon between them.
3. The Judge of Urgent Matters may approve the request to stay enforcement procedures if he deems that the results of enforcement may be irreversible. Should he rule to stay enforcement, he may order the applicant to provide a cash deposit or bank guarantee for a value determined by the Judge to guarantee the damages that might befall the Secured Party.
4. The Judge of Urgent Matters decision on staying the enforcement procedures shall be final and not subject to appeal by any means.

Article (39)

Bankruptcy of the Security Provider

A Security Interest that is perfected under this Law at the time of the commencement of bankruptcy proceedings in respect of the Security Provider remains perfected and retains the priority it had before the commencement of the bankruptcy proceedings.

Article (40)

Compensation of the Security Provider and the Debtor

The Secured Party shall be liable for compensating the Security Provider and the Debtor and any person enjoying a right over the Collateral for any damage and loss of profit resulting from his non-compliance with the enforcement procedures provided in this Law.

Chapter IX

General Provisions

Article (41)

Notification and Summoning in accordance with this Law

Notification of persons to be notified pursuant to this Law shall be made to the address provided in the Registry. A notification or summons on the email address shall be deemed legal and giving effect if the addressee has accepted to consider the electronic address effective in writing.

Article (42)

Applicable Law to Security Interest over Intangible Property

The law applicable to the creation, effectiveness toward third parties, priority and enforcement of the Security Interest in an intangible movable property is the law of the Security Provider domicile as prescribed in the Executive Regulation.

Article (43)

Priority of Application of Laws

The provisions of any other Laws including the Civil Transactions Law, Commercial Transactions Law, Financial Leasing Law, and Law of Civil Procedures shall apply in the absence of a text in this law that does not contradict its provisions.

Chapter IX

Penalties

Article (44)

Penalties for Committing Acts

The Security Provider, Secured Party, Debtor, or possessor of the Collateral shall be penalized with imprisonment or by a fine of not less than (60,000) sixty thousand AED or with one of the two penalties in the event he commits any of the following acts:

1. Intentionally publicizes a Security Interest in a manner contrary to the provisions of this Law
2. Intentionally destroys, disposes of any Collateral in a manner contrary to the provisions of the Security Contract or lowers its value or of the rights of the Secured Party or commits any act for the purpose of depriving them from collecting their rights from its proceeds or the enforcement proceeds.
3. Intentionally hinders the enforcement procedures on the Collateral including the procedures for its possession or sale thereof, or distribution of its proceeds or enforcement proceeds pursuant to the provisions of this Law.

Article (45)

Liability for Corporate Persons

The members of the Boards of Directors, partners and employees of a corporate person who commits any of the acts specified in Article 44 of this Law shall be penalized with imprisonment or a fine of not less than (60,000) sixty thousand AED, or with one of the penalties, unless he proves that he had no knowledge of the decision including the crime, did not participate therein, or that he objected thereto.

Article (46)

Stricter Penalty

Application of the penalties set in this Law shall not prevent the application of a stricter penalty provided for under any other law.

Chapter Eleven

Final Provisions

Article (47)

Issuance of Executive Regulation for this Law

1-The Executive Regulation of this Law shall be issued by a decision of the Ministerial Council according to a proposal from the Minister within a period of six months as of its publication.

2-The Cabinet may issue necessary decisions to execute the provisions of this Law including amending any stipulated time limits, according to a proposal from the Minister.

Article (48)

Previous Transactions and Updating the Status

1-Any Secured Party may, without the need to obtain an authorization of the Security Provider, publicize Security Interests which arose out of any transaction concluded prior to the coming into force of the Executive Regulation.

2-Security Interests referred to in paragraph (1) of this Article may be publicized within a period of six months as of the date of the coming into force of the Executive Regulation.

3-The priority of Security Interests publicized within the period prescribed in paragraph (2) of this Article shall be determined as of the date on which those interest were perfected according to the law under which they were created; otherwise, such interest shall be perfected as of the date of publicizing.

Article (49)

Repealing Legislations

1- The Federal Law No. 20 of 2016 on Mortgaging Movable Property as Security for a Debt shall be repealed, also repealed any provision that violates or contradicts the provisions of this Law.

2- The regulations, decisions and circulars implementing the Federal Law No. 20 of 2016 referred to above shall continue to apply in a manner that does not conflict with the provisions of this law, until the issuance of executive regulations, decisions and circulars that replace them.

Article (50)

Publication of the Law and its Coming into Effect

This Law shall be published in the Official Gazette and shall come into effect as of the day following its publication.