

**Federal Law No. 4 of 2020**  
**on Securing the Rights in Movable**

**We Khalifah Bin Zayed Al Nahyan**

**UAE President,**

- Having reviewed the Constitution;
- Federal Law No. (1) of 1972 concerning the Competences of the Ministries and the Powers of the Ministers, as amended;
- Federal Law No. (5) of 1975 concerning the Commercial Register;
- Federal Law No. (26) of 1981 on Maritime Trade Law, as amended;
- Federal Law No. (5) of 1985 Promulgating the Civil Transactions Law, as amended;
- Federal Law No. (3) of 1987 Promulgating the Penal Code, as amended;
- Federal Law No. (10) of 1992 Promulgating the Law of Evidence in Civil and Commercial Transactions, as amended;
- Federal Law No. (11) of 1992 Promulgating the Civil Procedure Code, as amended;
- Federal Law No. (35) of 1992 Promulgating Penal Procedures Code, as amended;
- Federal Law No. (37) of 1992 On Trademarks, as amended;
- Federal Law No. (18) of 1993 on Promulgating the Commercial Transactions Law, as amended;
- Federal Law No. (17) of 2002 Regulating and Protecting Industrial Property Rights for Patents, Industrial Drawings and Designs, as amended;
- Federal Law No. (1) of 2006 concerning the Transactions and Electronic Commerce;
- Federal Law No. (6) of 2010 concerning Credit Information;
- Federal Law No. (2) of 2015 on Commercial Companies, as amended;
- Federal Law by Decree No. (9) of 2016 on Bankruptcy, as amended;
- Federal Law No. (20) of 2016 on Mortgaging of Movable as Security for Debts;
- Federal Law No (8) of 2018 concerning Finance Leasing;
- Federal Law by Decree No. (14) of 2018 concerning the Central Bank and the Regulation of Financial Institutions and Activities;
- Federal Law by Decree No. (19) of 2019 on Insolvency;
- Federal Law by Decree No. (26) of 2019 on Public Finance;

- And pursuant to the proposal presented by the Minister of Finance, and approval of the Cabinet and the Federal National Council, and ratification of the Supreme Federal Council;

**Have promulgated the following Law:**

## **Chapter One**

### **Definitions and Scope of Application**

#### **Article (1)**

##### **Definitions**

In application of the provisions of this Law, the following words and expressions shall have the meanings ascribed thereto unless the context requires otherwise:

<b>State</b>	: United Arab Emirates
<b>Ministry</b>	: Ministry of Finance
<b>Minister</b>	: Minister of Finance
<b>Security Right</b>	: An in-kind right on a movable that is established under a security contract for securing the fulfilment of a liability, even if not explicitly described as a security right, regardless the type of property or status of Pledgor or Pledgee or nature of secured liability. It shall include the right of Pledgee in a mortgage contract, right of lessor resulting from a finance leasing, right of ownership of a seller to the movable sold under contracts of sale and transfer of the movable for the security and the right of transferee in the security by transfer.
<b>Pledge</b>	: Material or moral movable, whether current or future, on which the security right is established.
<b>Pledge Returns</b>	: Any in-kind or cash allowance resulting from the disposal of the Pledge or replacing it with another one, or any compensation obtained by the Pledgor due to the reduction in the Pledge value, its damage or any other similar compensation.
<b>Pledgee</b>	: Beneficiary creditor from the security right.

<b>Pledgor</b>	: A person having a right or authority in disposing of the Pledge and establishing the security right to Pledge his liabilities or liabilities of third party.
<b>Pledged Person</b>	: A debtor of secured liability if he is not a Pledgor
<b>Security Contract</b>	: A contract between the Pledgor and the Pledgee to establish the security right.
<b>Register</b>	: An electronic register designated for registering the rights on the movables.
<b>Registration</b>	: Recording the rights provided on the movables in the Register. Such recording shall include any amendment or cancellation thereto.
<b>Accounts Receivable</b>	: The right to fulfil amounts of money for the Pledgor owed by a third party. Such right shall not include the payments established in the endorsable bonds, the right in the payments deposited in the credit accounts with banks or the right in the payments under the securities.
<b>The Court</b>	: Court of Appeal or the court which the Pledge falls within its jurisdiction, as the case may be.
<b>Security Right for Purchase Financing</b>	: A security right on a material movable, intellectual property right or the right of licensee under an intellectual property licensing that is established to secure the liability of settling the part unpaid from a price of a movable or any other credit granted for enabling the Pledgor from obtaining rights in a movable.
<b>Enforcement against Third Party</b>	: Completion of procedures required for enabling the Pledgee from insisting on the security right against a third party, whether by registering a registration in the Register according to provisions of this Law or by enabling the Pledgee to possess the Pledge or acquiring the Pledgee to control the Pledge.

## **Article (2)**

### **Scope of Application of the Law**

1. Provisions of this Law shall apply to any security right established under its provisions within the framework of commercial or civil transactions.
2. For purposes of this Law, the right of transferee in selling the accounts receivable shall be deemed a security right and shall be subject to provisions of this Law, save the provisions of Chapter Seven therefrom.

## **Chapter Two**

### **Pledge**

## **Article (3)**

### **Funds that may be Pledges**

Any material or moral or a part thereof may be under Pledge or an indivisible right therein, whether current or future, including the following:

- A. Accounts receivable unless they are a part of a transaction of transfer of a project.
2. Credit accounts with banks, including the current and deposit accounts.
- C. Bonds and documents transferable through delivery or endorsement, which prove the entitlement of an amount or ownership of goods, including the commercial papers, bank deposit certificates, bills of lading and goods deposit certificates.
- D. Equipment and work tools.
- E. Material and moral elements of the business.
- F. Goods intended for sale or renting, raw material and under manufacturing or transformation.
- G. Crop yields, animals and their products; this includes fish and bee.
- H. Property by Allocation.
- I. Any other movables that the laws applied in State stipulate their validity to be under Pledge according to provisions of this Law.

## **Article (4)**

### **Funds Excluded from Provisions of the Law**

Provisions of this Law shall not apply to the following funds:

- A. Movables which the applicable legalisation requires the registration of the security rights provided thereon in special registries.
- B. Expenses, wages, salaries and workers compensation.
- C. Public funds, endowment funds and funds of diplomatic and consular missions and government international organisations.

## **Article (5)**

### **Possession Free Mortgage**

1. Notwithstanding the provision of any other legalisation, the movables may be mortgaged without need to deliver their possession to the Pledgee or third party.
2. Registration of the security right established under a mortgage right in the Register shall result in all rights enjoyed by the Pledgee as he possess the mortgaged fund.

## **Chapter Three**

### **Register**

## **Article (6)**

### **Register Establishment**

1. A Register shall be established for registering the rights in accordance with provisions of this Law by a resolution issued from the Cabinet. The resolution shall determine the authority which will manage the Register upon a proposal from the Minister.
2. The Executive Regulation of this Law shall organise the work of the Register and the procedures followed on the recording therein, as well as the fees prescribed for its use.

## **Article (7)**

### **Right of Accessing the Register**

The public may access the information provided in the Register as determined by the

Executive Regulation of this Law. It is permissible to request a paper-based or electronic report including the information provided in the Register. Such report shall, if authenticated by the authority managing the Register, have an authority overall in proving the date and time of registration and any information registered in the Register. The Executive Regulation of this Law shall organise the requirements of obtaining the report.

## **Chapter Four**

### **Establishment and Enforcement of the Security Right among Parties**

#### **Article (8)**

##### **Security Right Establishment**

1. For the establishment of the security right and its enforcement among its parties under the provisions hereof, the following conditions shall be fulfilled:
  - A. Entering the security contract.
  - B. The Pledgor shall have the capacity to act in respect of the Pledge or authorised to establish the security right in respect thereof.
  - C. The security contract shall include a description for the Pledge which may be described generally or specifically, allowing its identification. This shall include its description as the full funds of Pledgor, certain or general category or certain or general classification of funds of Pledgor.
  - D. The security contract shall include a description for the liability secured in the security right. The Executive Regulation of this Law shall determine the degree and kind of description, mentioning the maximum secured liability.
  - E. The Pledgee shall pay the amount agreed upon in the security contract or shall be committed to pay such amount.
2. The security right shall secure one or more liability of any kind, whether current or future, recognised or recognisable, completed or conditional, fixed or variable.
3. The security right shall be automatically extended to the returns and proceeds of Pledge and its replacement, unless the parties otherwise agree.

## **Article (9)**

### **Keeping the Pledge**

The Pledge holder shall take the care of usual person in keeping it, in line with its nature, unless there is an agreement on taking special care.

## **Chapter Five**

### **Enforcement of the Security Right Against Third Party**

#### **Article (10)**

##### **Enforcement Methods of the Security Right Against Third Party**

1. The security right shall be enforced against third parties using any of the following methods:
  - A. Registering a registration in the Register according to provisions of this Law.
  - B. Delivering the possession of the Pledge to the Pledgee.
  - C. Controlling the Pledge by the Pledgee.
2. The replacement of the method of enforcing the security right from registration to possession or vice versa shall not affect the continued enforcement of security right thereon against third party.
3. The Registration may be registered before establishing the security right or concluding the security contract in connection with registration, provided the written consent of Pledgor shall be obtained.
4. Unless otherwise agreed, the Pledgee shall pay the charges and costs of registration of the security right in the Register.

#### **Article (11)**

##### **Enforcement of Security Right on Returns**

1. The security right shall remain enforced against third party on the Pledge returns, proceeds, amount and its replacement without need to take any procedure.
2. The enforcement of security right shall expire against third-party on the returns if the right of Pledgee thereon is not registered within (15) fifteen working days from the date

they are received by the Pledgor, unless the Pledge returns are cash and recognisable or described in the registration.

## **Article (12)**

### **Registering the Registration**

The registration shall be made through the Register in accordance with the procedures determined by the Executive Regulation of this Law.

## **Article (13)**

### **Provisions for Accounts Receivable**

No condition in an agreement restricting the right of Pledgor in establishing a security right on accounts receivable shall affect the validity of establishing the security right on the accounts receivable or its enforcement. However, the party requires the recording therefor shall have the right to recourse to the Pledgor claiming his rights.

## **Article (14)**

### **Security Right Transfer**

The Pledgee may transfer the security right without obtaining the approval of Pledgor. The transfer may be registered as an amendment to the registration. The failure of registration of the amendment shall not affect the enforcement of security right against third party.

## **Article (15)**

### **Registration of Attachment on Pledge**

1. If an order or judgement is issued to impose the precautionary or executive attachment on Pledge, the one for whom the order or judgement is issued shall enforce the rights decided by the order or judgement on the Pledge by registering the registration according to provisions of this Law or possessing the movable.
2. The order or judgement issued according to Clause (1) of this Article shall be enforced against third party from the date and time of its registration in the Register, as



determined under the priority according to provisions of this Law.

## **Article (16)**

### **Registration Cancellation**

1. The Pledgee shall be committed to cancel the registration in the following cases:
  - A. If the Pledgee agrees with the Pledgor to strike off the registration from the Register.
  - B. If the security right is forfeited as a result of the fulfilment of the full secured liability under the security contract or for any reason before the expiration of the period set in the Register.
  - C. If the establishment of the security right is not completed under Clause (3) of Article (10) hereof.
  - D. If the court issues an order to strike off the registration from the Register under the provisions hereof.
2. The Pledgee shall cancel the registration within (5) five working days from the date of realisation of any of the cases stipulated in Clause (1) of this Article.
3. If the Pledgee does not cancel the registration within the period determined in Clause (2) of this Article, he shall be responsible for compensating the Pledgor for any actual damage caused thereto.
4. The effect of cancellation of registration shall not be extended to the right of other Pledgees who have rights applicable under the same security contract, unless they agree in written.

## **Article (17)**

### **Effects of Enforcement against Third Party**

1. The enforcement of security right against third party shall result in priority of the Pledgee to be ahead of other creditors in fulfilling his rights in the Pledge. Such priority shall be determined based upon the date and time of enforcement of security right against third party.
2. The enforcement of security right against third party shall result in priority of right of the Pledgee and his right in being ahead of the unsecured debts and privileged debts,

including the debts entitled to the Pledgor employees and works and any other debts entitled to the public treasury, such as unpaid taxes.

3. The priority of security right shall be extended to all secured liabilities including, the liabilities resulted after the security right becomes enforced against third party.
4. The priority of security right shall include all movables constituting the Pledge and described in the registration registered in the Register, whether owned by the Pledgor or established before or after the date of registration.
5. The awareness of the Pledgee that there is a security right competing his right shall not affect the security right prescribed under provisions of this Law.
6. It is permissible to stipulate in the Executive Regulation on additional priority rules related to a kind or more of the Pledge types.

## **Chapter Six**

### **Right of Tracking and Priority**

#### **Article (18)**

##### **Right of Tracking**

1. The enforcement of security right against third party shall result that the Pledgee will have the right in tracking the Pledge with any person to whom it is transferred to execute thereon and fulfil his rights.
2. Save the provision of Clause (1) of this Article, the Pledge shall be transferred free from any security right to its purchaser or tenant or to any other person acquiring a right thereon if agreed by the Pledgee.
3. If it is a material property, the Pledge shall be referred to its purchaser free from any security right if it is disposed of within the course of ordinary business of seller, provided the purchaser shall not be aware at the time of concluding the sale agreement that the sale breaches the rights of the Pledgee under the security contract.

## **Article (19)**

### **Priority of Security Right for Purchase Financing**

1. The security right for financing the purchase of equipment, inventory, intellectual property rights and the rights under a licensing agreement related to the intellectual property rights shall be ahead of any other competing security right not related to a purchase financing established by the Pledgor if a registration is registered in the Register on the security right for purchase financing within (7) seven working days from the possession of Pledgor to the equipment or inventory or concluding an agreement of sale or licensing the intellectual property rights of Pledgor.
2. The security right for purchase financing on the returns or inventory of accounts receivable shall have lower priority than the security rights established on the accounts receivable registered in the Register at earlier date, unless the Pledgee, the holder of security right for purchase financing, notifies the other Pledgee.

## **Article (20)**

### **Priority of Security Right over Property by Allocation**

1. Save the provision of Civil Transactions Law, the security right established on the Pledge shall remain after it becomes a property by allocation. In this case, the security right shall be enforced against third party, including the Pledgees holding current rights on the property before the date of allocation or established thereafter.
2. Notwithstanding the provision of Clause (1) of this Article, the security right established on the Pledge that becomes a property by allocation shall not be enforced against the Pledgee of the property if the Pledge is allocated for the property before authenticating the transaction of mortgaging the property and the date of authentication of such transaction is preceding the date of registration of the security right in the Register.

## **Article (21)**

### **Priority of Right in Set-off**

The right of banks and financial institutions licensed to keep the deposits according to other

laws in conducting set-off among the liabilities owed to them by the Pledgor and the right of Pledgor to receive the cash amounts deposited in his account with the bank shall have priority over any other security right established on the accounts they keep.

## **Article (22)**

### **Priority over Crop Yields**

If the Pledgor possesses a property lawfully in order to use it in farming the crop yields, the security right he establishes on the crop farmed in such property, which has been enforced against third party in accordance with provisions of this Law, shall be ahead of any mortgage or any other right on such property.

## **Article (23)**

### **Security Right on Interchangeable Items**

1. A security right may be established on the interchangeable items before merging into their counterparts so as the security right remains enforced thereon after merging.
2. If the security rights enforced against third party multiplied on the same product or mass, such rights shall be equal in priority on the product or mass. Each Pledgee shall fulfil his right from the product or mass per the Pledge belonging to him to the mass or product at the time of merging.

## **Article (24)**

### **Waiver of Priority**

1. The Pledgee may waive the priority prescribed thereto according to provisions of this Law in written, provided the waiver shall be made within his secured rights and shall not affect the rights of other Pledgees.
2. The waiver of priority may be registered as an amendment to registration. The failure to registration of amendment shall not affect the enforcement of security right against third party or the priority thereof.

**Chapter Seven**  
**Rights of Pledgee and Acting in Good Faith**  
**Article (25)**

**Rights of Pledgee Acquiring the Pledge**

1. The Pledgee acquiring the Pledge shall have the following rights:
  - A. Recovering the reasonable expenses incurred in keeping the Pledge.
  - B. Using the Pledge reasonably, in addition to the resulting returns for fulfilling the secured liability.
2. The Pledgee not acquiring the Pledge shall inspect it when it is acquired by the Pledgor or any other person on behalf of him.
3. Each person shall be committed to practice his rights and execute his liabilities under this Law, in line with good faith.

**Article (26)**

**Offer to Possess Pledge**

1. The Pledgee and Pledgor may agree on having the Pledge possessed by the Pledgee wholly or partially to fulfil his rights.
2. The Pledgee shall notify other holders of rights on the Pledge registered in the Register.
3. Any person having rights of the Pledge shall have the right to object to the Pledgee to the offer of possessing the Pledge to fulfil the secured liability according to provisions of this Article, within (10) ten working days from the date of being notified of the possession offer.
4. It is required to obtain the approval of any person having rights secured by the Pledge to object the offer of possessing the Pledge to fulfil the secured liability according to provisions of this Article, within (10) ten working days from the date of being notified of the possession offer.
  1. The Pledgee may request the Court to adjudicate any objection within (10) ten working days from the date of submitting the objection. The decision in this regard shall be final and unchallengeable through any of the challenge means.

6. If no objection is submitted to the Pledgee against the possession request or if the Pledgee gets the approval stipulated in Clause (4) of this Article, he may possess the Pledge in full or in part to fulfil the secured liability.
7. If the Pledgee does not practice his right in recourse to the Court according to provisions of Clause (5) of this Article or if the Court decides accepting the objection, the execution shall be made on the Pledge according to procedures stipulated in this Law.

## **Article (27)**

### **Right of Pledgee to Execute on Pledge Unilaterally**

1. If the Pledgor or Pledged person breaches the liabilities provided in the security contract, the Pledgee shall notify the Pledgor and Pledged person in written of his intent to acquire the Pledge, execute thereon, separate it from any other property attached thereto, if required, and dispose of it within the period specified in the notice. This shall be made according to the following requirements:
  - A. Notifying other holders of rights on the Pledge registered in the Register.
  - B. Notifying the Pledge acquirer if it is acquired by a third party.
  - C. Notifying the property owner where the Pledge exists, the Pledgee of such property, owner of the movable to which the Pledge is attached and acquirer of such movable.
2. The notice should be submitted under Clause (1) at least (7) seven working days prior the sale, disposal by other method, leasing or licensing, and it shall include the information stipulated in the Executive Regulation.
3. Without submitting a request to the Court, the Pledgee may specify the method, means, time, place and other aspects of sale or disposal by other method or leasing or licensing by use including, whether he will sell, dispose by other method, lease or license the Pledge unilaterally, over groups or fully and whether through public or exclusive auction.
4. The Pledge shall be referred to its purchaser or to any other transferee acquiring a right thereon free from the security right belonging to the executing Pledgee and any other rights on the Pledge, save the rights having priority over the right of executing Pledgee.
5. Upon disposal of the Pledge according to provisions of this Article, the executing Pledgee

shall:

- A. Use the proceeds of execution to fulfil the secured liability after deducting the reasonable expenses for execution.
- B. Pay back any surplus from the returns and proceeds of execution to any person having a right on the Pledge with lower priority who has notified the Pledgee conducting the execution of his claim prior the distribution of the proceeds, in addition to the limits of such claim, then, to return the balance to the Pledgor.

## **Article (28)**

### **Execution on Pledge if it is an Account Receivable, Written Bond or Account Payable**

If the Pledgor or Pledged person breaches the liabilities provided in the security contract, the Pledgee may execute on the Pledge by fulfilling his right thereon directly without recourse to any judicial proceeding in any of the following cases:

1. If the Pledge is an account payable with banks, it shall be fulfilled with expenses through set-off if the Pledgee if the bank keeping such account. The Pledge shall be claimed if the account is with another bank.
2. If the Pledge is written bonds or documents transferable through delivery or endorsement, the execution shall be made by disposal thereof through its delivery or endorsement if its value is equal to the security right or by fulfilling the amounts or owning the goods represented by such bonds and selling them and fulfilling his rights from the sale price.
3. If the Pledge is accounts receivable, the Pledgee shall have the right to fulfil any of the payments from the debtor by accounts receivable even before the breach if agreed by the Pledgor. In case of selling the accounts receivable, the Pledgee shall have the right to fulfil the accounts receivable at any time.
4. The security right shall be executed in the cases stipulated in this Article when the Pledgee notifies the Pledgor and the Pledged person or the bank keeping the account payable or holder of bonds or documents, as the case may be, in order to transfer the

amounts from the account to the bank account of the Pledgee or to enable him to acquire the bonds or documents, as the case may be.

In all cases, the Pledgee and Pledgor may agree in written on the prior waiver of the Pledgor to the right of being notified of the procedures of execution on the Pledge that is made according to provisions of this Article.

## **Chapter Eight**

### **Execution through Judiciary**

#### **Article (29)**

##### **Request of Acquiring the Pledge**

1. Without prejudice to the rights of the Pledgee in undertaking the usual judicial proceedings, the Pledgee may request the Judge of Urgent Matters to issue a decision to acquire the Pledge and execute thereon according to provisions of this Law.
2. The request of Pledgee may include the necessity of placing the Pledge under control of a third person at the cost of Pledgor in order to execute thereon and sell it immediately according to provisions of this Law.
3. The request should be accompanied by the following:
  - A. A copy of security contract and an extract for registering the security right in the Register.
  - B. Name and address of execution applicant.
  - C. Names and addresses of the Pledgor and Pledged person.
  - D. Name of Pledge acquirer if it is acquired by a third party.
  - E. Name of owner of the movable to which the Pledge is attached and acquirer of such movable, if he is another person, owner of property where the Pledge exists and acquirer of such property, if he is another person, and the address of each of them, as the case may be.
4. Each interested party may object the request of acquiring for the execution with the Judge of Urgent Matters within (5) five working days from the date of being informed of the request.



## **Article (30)**

### **Fulfilment of Secured Liability**

The Pledgor or the Pledged person may fulfil the secured liability of the execution, in addition to the fees and expenses to the treasury of the Court where he submits the request within (5) five working days from the date of being informed of the execution request.

## **Article (31)**

### **Order of Permission of Acquiring**

1. The Judge of Urgent Matters shall adjudicate the request and any objection thereto within (5) five working days from the termination of the period stipulated in Article (30) of this Law. He may adjudicate and the parties do not attend.
2. The decision of the Judge of Urgent Matters issued according to Clause (1) of this Article shall be challenged before the Court of Appeal within (5) five working days from the date of issuance of decision. The Court of Appeal shall adjudicate the challenge within (10) ten working days from the date it is submitted. Its decision in this regard shall be final and unchallengeable through any challenge means.
3. Unless the Court of Appeal deems otherwise, the submission of appeal shall not result in suspending the execution of decision of Judge of Urgent Matters. The Court of Appeal may oblige the appellant to provide a bank security with certain amount.
4. Subject to provision of Article (35) of this Law, the issuance of decision of acquiring and execution on Pledge shall not result in maturity of any other debts secured by the Pledge unless the Court otherwise decides.
5. Upon a request from the Pledgee, the Judge of Urgent Matters may agree on using the task force for executing the decision of acquiring, and the registrar and policemen shall attend.
6. In case of a decision on acquiring for executing on the Pledge, the registrar shall prepare a minute including a detailed description for the status of Pledge, the property where it exists and the movable to which it is attached, as the case may be. A copy of this minute shall be deposited in the file.

## **Article (32)**

### **Reform of Pledge to Prepare it for Sale or Use**

1. The Pledgee, once he is enabled from acquiring the Pledge, shall submit a petition to the Judge of Urgent Matters requesting to permit him to make necessary reforms on the Pledge and prepare it for sale at his cost; the resulting expenses shall be added to the secured debt.
2. The petition mentioned in Clause (1) of this Article may include a request for issuing a decision to permit the Pledgee to use the Pledge and receive its profits, benefits and other amounts resulting from its use, and any expenses paid by the Pledgee shall be deducted from what is received.

## **Article (33)**

### **Procedures of Sale**

1. The Court may authorise the Pledgee, following the issuance of the decision allowing him to acquire the Pledge and execute thereon, to sell it, provided that he acts with sufficient care for the sale thereof at a higher price that is not lower than the market price without following any of the sale procedures set forth in the Civil Procedure Law mentioned.
2. The Court, if finds necessary for keeping the Pledge, may determine in the authorisation the requirements or method of sale. It may set a minimum for the sale price.
3. The Court may decide to allow the Pledgor to sell the Pledge if it was proved that he is able to sell it at a higher price, within the period specified by the Court and under the supervision of the Pledgee or the Court.
4. Notwithstanding the provisions of Clause (1) of this Article, if the Pledge was exposed to destruction, damage or depreciation or if the acquisition thereof entails great expenses and the Pledgor or Pledged person do not wish to provide a substitute thereof, the Pledgee may ask the Court for permission to sell it immediately and the security shall be transferred to the proceeds of sale.

## **Article (34)**

### **Transfer of Rights at Sale**

The sale of Pledge according to procedures stipulated in this Law shall result in clearing it from the rights thereon and such rights shall transfer to the proceeds of sale.

## **Article (35)**

### **Clearance of Pledge from Liabilities**

1. Any person, while the procedures of execution are proceeded, may offer the Pledgee -under a notice- to fulfil his rights on the Pledge in full, including the expenses of execution thereon, in order to clear them from their liabilities.
2. The Pledgee informed of the notice stipulated in Clause (1) of this Article may accept the offer in written within (5) five working days from the date of being notified of the notice and confirmation of acceptance.
3. The offering person shall fulfil all liabilities resulting from the Pledge to the Pledgee prior the offer in accordance with the agreement, within no more than five working days from the termination of period mentioned in Clause (2) of this Article. The one fulfilling the rights shall substitute the Pledgee with the same priority.
4. The person clearing the Pledge according to provisions of this Article may keep it acquired by the Pledgor or proceed the execution on Pledge according to provisions of this Law.

## **Article (36)**

### **Deposit of Proceeds of Execution**

The Pledgee who has executed on the Pledge according to provisions of Article (33) of this Law shall deposit the proceeds of execution in the treasury of Court which the sale is made in its jurisdiction within two working days, according to the form of report of procedures of sale determined in the Executive Regulation of this Law.

## **Article (37)**

### **Distribution of Proceeds of Execution**

1. The Court which the sale is made in its jurisdiction shall prepare a list for distributing the proceeds of execution as per the priorities determined in this Law and inform the execution applicant and other holders of rights on the Pledge. It may issue an order for any of them to prove his right on the Pledge. The proceeds of sale shall be distributed within (5) five working days from the date of distribution decision of the Court.
2. The proceeds of execution on the Pledge shall be distributed according to the following order:
  - A. Expenses of keeping and reforming the Pledge and preparing it for sale, and any fees paid for licensing, keeping and using it according to provisions of the Law.
  - B. Fees and expenses of execution on Pledge, including the judicial fees.
  - C. Rights of Pledgees as per their priorities determined in this Law.
  - D. The remaining of returns of Pledge and proceeds of execution shall be distributed as per the priorities determined in the laws applicable in State.
3. If the returns of Pledge and proceeds of execution are not sufficient to fulfil the liabilities resulting thereon, the Pledged person shall remain responsible towards the Pledgee for any depreciation in value of the debt. In this case, the depreciation shall be deemed ordinary debt.
4. The surplus of returns and proceeds of execution shall be paid back to the Pledgor.

## **Article (38)**

### **Suspension of Execution**

1. The Pledgor may request the Judge of Urgent Matters, during the procedures of execution, to order the suspension of execution on the Pledge within no more than (5) five working days for justified reasons.
2. The Judge of Urgent Matters may grant the Pledgor and the Pledgee an opportunity to negotiate for reaching a settlement within the period he determines or within the period agreed upon by the Pledgor and Pledgee.
3. The Judge of Urgent Matters may agree on the request of suspension of execution if he

deems that the outcome of execution is not possible to be corrected. In case of deciding the suspension of execution, the suspension applicant shall be assigned to provide a monetary insurance or bank security to be determined by the Judge to secure the failure and damage that may be caused to the Pledgee.

4. The decision of Judge of Urgent Matters issued in the request of suspension of execution shall be final and unchallengeable through any challenge means.

### **Article (39)**

#### **Pledgor Bankruptcy**

The security right enforced against third parties according to provisions of this Law at the time of proceeding the procedures of bankruptcy of Pledgor shall remain enforced against third parties, and shall keep the priority prescribed thereto prior the procedures of bankruptcy.

### **Article (40)**

#### **Compensation of Pledgor and Pledged Person**

The Pledgee shall be responsible for compensating the Pledgor and Pledged person and holder of a right on the Pledge for any failure, damage or lost profit resulting from his violation to procedures of execution stipulated in this Law.

## **Chapter Nine**

### **General Provisions**

#### **Article (41)**

##### **Notice and Informing according to Provisions of this Law**

Persons to be informed according to provisions of this Law shall be notified and informed at the address provided in the Register. The notice and informing via the email address shall be valid if the one to whom the informing is sent agrees in written on deeming such email address approved for informing purposes.

## **Article (42)**

### **Law Applicable to Security Rights on Intangible Funds**

Law of Domicile of Pledgor, as determined in the Executive Regulation of the Law, shall apply to the establishment of security right and its enforcement against third parties, the priority and execution of security right on the Pledge if it is an intangible movable.

## **Article (43)**

### **Priority of Application of Provisions of this Law**

Provisions of other laws including, Civil Transactions Law, Commercial Transactions Law, Finance Leasing Law and Civil Procedure Law shall apply where there is no special provision is made in this Law and without contradiction with its provisions.

## **Chapter Ten**

### **Punishments**

## **Article (44)**

### **Punishments on Committing Acts**

The Pledgor, Pledgee, Pledged person or Pledge acquirer shall be punished of imprisonment and a fine of no more than (60,000) sixty thousand dirhams or by both punishments in case of committing any of the following acts:

1. Deliberate registration of a security right other than reality or in violation to provisions of this Law.
2. Deliberate damage of Pledge, disposal thereof in violation to the security contract, depreciation of its value or the rights of Pledgees, or committing any act resulting in preventing them from fulfilling their rights from its returns or the proceeds of execution thereon.
3. Deliberate hampering of procedures of execution on Pledge including, the procedures of acquiring, selling it or distributing its returns or proceeds of execution thereon according to provisions of this Law.

## **Article (45)**

### **Responsibility for Legal Persons**

Any of members of board of directors, board of administrators, joint partners and employees appointed at the legal person committing any of the acts stipulated in Article (44) of this Law, shall be punished by imprisonment and a fine of no more than (60,000) sixty thousand dirhams or by both punishments, unless it is proven that he does not know or participate in taking the decision including a violation to provisions of this Law and he proved his objection thereto.

## **Article (46)**

### **Severe Punishment**

The application of the punishments stipulated herein shall not prejudice any more severe punishment stipulated by any other law.

## **Chapter Eleven**

### **Final Provisions**

## **Article (47)**

### **Issuing the Executive Regulation**

1. The Executive Regulation of this Law shall be issued by a resolution from the Cabinet upon a proposal from the Minister, within six months as of the date of its publication.
2. The Cabinet shall issue the resolutions required for applying the provisions of this Law including, the amendment of any periods stipulated therein, upon a proposal from the Minister.

## **Article (48)**

### **Past Transactions and Regularisation**

1. Any Pledgee may register the security rights resulting from any transaction made prior the issuance and effectiveness of the Executive Regulation of this Law without need to the approval of Pledgor.

2. The rights mentioned in Clause (1) of this Article shall be registered within six months from the date of effectiveness of the Executive Regulation of this Law.
3. The priority of rights registered within the period determined in Clause (2) of this Article shall be determined from the date they become enforced against third parties according to the laws established thereunder, otherwise, they shall become enforced against third parties from the date they are registered.

## **Article (49)**

### **Repeal of Legalisation**

1. The Federal Law No. (20) of 2016 on Mortgaging of Movables as Security for Debt shall be repealed, as well as any provision violates or contradicts with the provisions hereof.
2. The regulations, decisions and circulars related to the above-mentioned Federal Law (20) of 2016 shall remain applicable, without prejudice to the provisions hereof, until the alternative regulations, decisions and circulars that are going to replace them are issued.

## **Article (50)**

### **Law Publication and Entering into Force**

This Law shall be published in the Official Gazette and enter into force on the day following the date of its publication.

**Khalifah Bin Zayed Al Nahyn**

**UAE President**

Issued by us at the Presidential Palace in Abu Dhabi:

Date: 5 Shawaal 1441 AH

Corresponding to: 28 May 2020 AD