

## **Federal Decree by Law No. (50) of 2022, Promulgating the Commercial Transactions Law**

**We, Mohammed bin Zayed Al Nahyan    President of the United Arab Emirates,**

Having reviewed:

- The Constitution;
- Federal Law No. (1) of 1972 concerning the Jurisdiction of Ministries and the Powers of Ministers, as amended;
- Federal Law No. (18) of 1981 Regulating Commercial Agencies, as amended;
- Federal Law No. (26) of 1981 concerning Commercial Maritime Transport, as amended;
- Civil Code promulgated by Federal Law No. (5) of 1985, as amended;
- Federal Law No. (20) of 1991 promulgating the Civil Aviation Law;
- Federal Law No. (18) of 1993 promulgating the Commercial Transactions Law, as amended;
- Federal Law No. (18) of 1995 concerning Simple Crafts;
- Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market, as amended;
- Federal Law No. (8) of 2004 concerning Financial Free Zones;
- Federal Law No. (17) of 2004 concerning Anti-Fronting in Commercial Transactions;
- Federal Law No. (6) of 2007 Regulating Insurance Business, as amended;
- Federal Law No. (2) of 2008 concerning NGOs and Foundations of Public Interest, as amended;
- Federal Law No. (6) of 2010 concerning credit transactions, as amended;
- Federal Law No. (9) of 2011 concerning Land Transport, as amended;

- Federal Law No. (4) of 2012 Regulating Competition;
- Federal Law No. (2) of 2014 concerning Small and Medium Enterprises;
- Federal Law No. (12) of 2014 Regulating the Profession of Auditors, as amended;
- Federal Law No. (11) of 2015 concerning the Control of Trading and hallmarking of Precious Stones and metals;
- Federal Decree-Law No. (9) of 2016 concerning Bankruptcy, as amended;
- Federal Law No. (17) of 2016 Establishing Centers of Mediation and Conciliation in Civil and Commercial Disputes, as amended;
- Federal Law No. (19) of 2016 concerning Combating Commercial Fraud;
- Federal Law No. (1) of 2017 concerning Anti-dumping and Countervailing and Preventive Measures;
- Federal Law No. (6) of 2018 concerning Arbitration;
- Federal Law No. (8) of 2018 concerning Financial Leasing;
- Federal Law No. (10) of 2018 concerning Product Safety, as amended;
- Federal Decree-Law No. (14) of 2018 concerning the Central Bank and the Regulation of Financial Facilities and Activities, as amended;
- Federal Decree-Law No. (20) of 2018 Concerning Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations;
- Federal Decree-Law No. (19) of 2019 concerning Insolvency;
- Federal Law No. (4) of 2020 in relation to Securing the Rights in Movables;
- Federal Law No. (15) of 2020 concerning Consumer Protection;
- Federal Law No. (6) of 2021 concerning Mediation in Civil and Commercial Disputes;
- Federal Law No. (11) of 2021 on the Regulation and Protection of Industrial Property Rights;

- Federal Decree-Law No. (31) of 2021 promulgating the Penal Code, as amended;
- Federal Decree-Law No. (32) of 2021 concerning Commercial Companies;
- Federal Decree-Law No. (33) of 2021 Regulating Employment Relationships, as amended;
- Federal Decree-Law No. (36) of 2021 concerning Trademarks;
- Federal Decree-Law No. (37) of 2021 concerning the Commercial Register;
- Federal Decree-Law No. (38) of 2021 concerning Copyright and Neighboring Rights;
- Federal Decree-Law No. (46) of 2021 concerning Electronic Transactions and Trust Services;
- Federal Decree- Law No. (20) of 2022 Regulating the Notary Public Profession;
- Federal Decree-Law No. (21) of 2022 Regulating the Profession of Experts before the judiciary;
- Federal Decree-Law No. (32) of 2022 concerning the Federal Judicial Authority;
- Federal Decree-Law No. (34) of 2022 Advocacy and Legal Consultancy Professions;
- Federal Decree-Law No. (35) of 2022 promulgating the Law of Evidence in Civil and Commercial Transactions;
- Federal Decree-Law No. (38) of 2022 promulgating the Code of Criminal Procedure; and
- Federal Decree-Law No. (42) of 2022 promulgating the Civil Procedure Law, and based on the Presentation of the Minister of Economy and the approval of the Cabinet,

**We enact the following Decree-Law:**

### **Article (1)**

The Commercial code attached herewith shall enter into force.

## **Article (2)**

Federal Law No. (18) of 1993 promulgating the Commercial code, as amended, as well as any provision that contradicts or is in conflict with the provisions of the Commercial code attached herewith are hereby repealed.

The rules, resolutions and regulations implementing Federal Law No. (18) of 1993 referred to above shall continue to be in force in so far as they do not conflict with the provisions of the Commercial code attached to this Decree-Law until the resolutions and regulations replacing them have been issued.

## **Article (3)**

The Minister of Economy shall issue the resolutions required for the implementation of the Commercial code attached herewith.

## **Article (4)**

This Decree Law shall be published in the Official Gazette and shall enter into force as of 2 January 2023.

**Mohammed bin Zayed Al Nahyan**

**President of the United Arab Emirates**

**Issued by us in the Presidential Palace - Abu Dhabi**

On: 7 Rabi Al-Awwal 1444 (AH)

Corresponding to: 3 October 2022 (AD)

## COMMERCIAL CODE

### PRELIMINARY PART

#### Article (1)

The provisions of this Law shall apply to merchants, as well as all commercial physical businesses or virtual businesses carried out on technological media or via modern means of technology, carried out by any person, even if not a merchant.

#### Article (2)

1. Merchants and commercial businesses shall be governed by the agreement entered into by the contracting parties, unless such agreement contradicts a commanding commercial provision.
2. Where there is no specific agreement, the rules of commercial customs and practices shall apply to any matter where no particular provision is provided in this Law or in other laws related to commercial matters. A special or local custom shall have precedence over general custom. The rules of previous dealings between the contracting parties are deemed to be among the special custom rules applicable to such case. In the absence of a commercial custom, the provisions pertaining to civil matters shall apply, as long as they do not contradict the general principles of the commercial activity.
3. No private agreement or commercial customs rules may be applied between the contracting parties if they contradict the public order or morals.

#### Article (3)

Commercial matters regarding which specific Federal Laws are enacted shall be subject to the

provisions of such Federal laws, and to the provisions hereof which do not contradict said Federal laws.

## **Book One**

### **Trade in General**

#### **Part One**

#### **Commercial Activities, Merchants and Commercial Books**

#### **Chapter One**

#### **Commercial Activities**

#### **Article (4)**

Commercial activities are:

1. Activities carried out by a merchant in relation to his trade affairs; however, any activity carried out by a merchant is considered to be related to his trade unless otherwise proved;
2. Speculative activities carried out by a person, even if he is not a merchant, with the intent of realizing profit;
3. Activities which are specified by the Law to be commercial activities; and
4. Activities which are related to or facilitating a commercial business.

#### **Article (5)**

The following activities shall, by virtue of their nature, be considered as commercial activities:

1. The purchase of tangible and intangible movables with the intention of selling them at a profit, whether sold at the same condition or after being transformed or manufactured.
2. The purchase or renting tangible and intangible movables with the intent of renting them out.

3. The sale or renting out of movables purchased or rented as mentioned above.
4. Transactions of banks, currency exchange service providers, stock market, investment companies, trust funds, financial institutions and all kinds of other financial brokerage operations.
5. All kinds of transactions related to commercial papers, irrespective of the capacity of the parties concerned therein or the nature of the transactions for which they were created.
6. All sea and air navigation activities, including:
  - a. The construction, sale, purchase, renting out, chartering, repair or maintenance of vessels and aircraft, as well as sea and air shipments, including maritime and air transport;
  - b. The sale or purchase of vessel and aircraft supplies, tools, materials and supplying them with provisions;
  - c. Stevedoring; and
  - d. Maritime and aircraft loans.
7. Acts related to the establishment of commercial companies.
8. Current account.
9. All kinds of insurances.
10. Sale in public auctions, except for auctions made by the judicial authority.
11. Hotels, restaurants, cinemas, theaters, playing fields/playgrounds and amusement parks activities.
12. Water, electricity and gas production, transfer and distribution activities.
13. Publication of newspapers and magazines with the intent of realizing profit through the publishing of advertisements, news and articles.
14. Post and communications activities.
15. Radio and Television broadcasting and recording and shooting studios activities.

16. Activities of public warehouses and the pledges created over the property deposited therein.

17. Activities of virtual assets.

### **Article (6)**

The following activities shall be deemed commercial activities if practiced as a profession:

1. Brokerage.
2. Commercial agency.
3. Commission agency.
4. Commercial representation.
5. Supply contracts.
6. Purchase and sale of land or real property with the intent of realizing profit by selling such land or real property as is or after being developed or partitioned.
7. Land transport.
8. Real estate activities if the contractor undertakes to supply materials or workers.
9. Extractive industries of natural resources.
10. Tourism, travel, export, import and customs clearance activities, as well as services and recruitment offices.
11. Printing, publishing, photography, recording and advertisement activities.
12. Industry.
13. Animal and fishery resources activities.
14. Labor Hire Services.
15. Leasing out or leasing houses, apartments and rooms, furnished or unfurnished, with the intent of sub-leasing them.
16. Creating, selling, leasing out and managing electronic platforms, websites, smart

applications, data and artificial intelligence and other activities of digital transformation.

### **Article (7)**

Activities which may be deemed to be analogous to the activities mentioned in the two preceding Articles, due to the similarity of their characteristics and objectives, shall be deemed commercial activities.

### **Article (8)**

The following activities are not commercial activities:

1. Selling farms and crops reaped from land owned or planted by a farmer, even if they have been processed by his usual tools, unless the same is practiced as a profession. If the farmer establishes a permanent store or factory to sell his crops, in their original condition or after being processed, the sale in such case shall be deemed a commercial business.
2. Practicing any activity related to agro-tourism, whether paid or unpaid, including allowing third parties to access, buy or rent from, visit or stay at the farm for a short period for the purpose of viewing or enjoying agricultural activities, watching or buying animals or buying their products, education, training or other activities organized at the farm.
3. Activities where individuals rely on their physical or mental efforts to realize profits or financial compensation, rather than relying on a capital.
4. The creation of an artwork by the artist himself or by engaging workers and selling it, and self-publishing of the author's work and settling it.

### **Article (9)**

Where a contract is commercial with regard to one party and civil to the other party, the provisions hereof shall apply to the obligations of both parties, unless the Law states

otherwise or there is an agreement between the parties to the contrary.

### **Article (10)**

1. Commercial activities may be practiced and commercial contracts may be created or concluded and the transactions referred to in the preceding Article may be conducted by executing, providing or issuing the same, in whole or in part, physically or virtually, via modern means of technology or on technological media, pursuant to the provisions of the statutes regulating thereof.
2. The virtual commercial activities set out in this Article shall include the provision of services and the practice of businesses and activities related to virtual assets. The Cabinet shall issue the statutes that regulate virtual assets and their service providers.
3. Commercial contracts and transactions provided on technological media or via modern means of technology shall be governed by the same provisions prescribed for similar ones physically provided.

## **Chapter Two**

### **Merchant**

### **Article (11)**

The following shall be deemed a merchant:

1. Any person who works in his own name and for his own account in commercial activities and has the due competence when taking on such activities as his occupation.
2. Any company which undertakes a commercial activity or has adopted one of the legal forms stipulated by the Commercial Companies Law, even if such an activity is of civil nature.

### **Article (12)**

Any person who advertises to the public, by any means whatsoever, a business assets established by him for commerce shall be deemed a merchant, even if he does not take on Trade as his regular occupation.

### **Article (13)**

The capacity of merchant shall be established in respect of any person who practices Trade under a pseudonym or hidden behind the name of another person. The capacity of merchant shall also be established in respect of the person whose name is apparent.

### **Article (14)**

Any person who carries out a commercial activity, although prohibited under specific laws or regulations from practicing trade, shall be deemed a merchant and shall be governed by the provisions hereof.

### **Article (15)**

1. The capacity of merchant shall not be established for the following categories:
  - a. Ministries, federal government authorities and local government authorities;
  - b. Public benefit organizations, associations and clubs; and
  - c. Self-employed persons who do not engage in commercial activities.
2. Commercial activities carried out by the categories set out in Clause (1) above shall be governed by this Law, except for activities excluded by virtue of a specific statutory provision.

## **Article (16)**

The capacity of merchant shall be established and shall be governed by the provisions of this Law, except for matters excluded by a particular provision, for:

1. Commercial companies established or owned by the Federal or Local Government or in which the Federal or Local Government are shareholders or an organization, authority, agency or company affiliated to any of them; and
2. Foreign companies' branches that practice a commercial activity in the State.

## **Article (17)**

Individuals who practice a simple vocation or small trade where they rely on their work to derive some form of profit to secure their living more than their reliance on a cash capital, shall not be governed by the duties of merchants, such as keeping commercial books or registering in the Commercial Register, nor shall they be governed by the provisions of bankruptcy and composition. The Ministry of Economy shall, in consultation with the competent authorities in the Emirates, determine the maximum number of individuals working with them and the capital of the small trade.

## **Article (18)**

1. Any person who has attained (18) eighteen calendar years of age and is free of any legal impediment shall be competent to engage in trade.
2. A minor may - whether under guardianship or custody - engage in trade when he attains (15) fifteen calendar years of age, in accordance with the controls and conditions issued by a Cabinet resolution at the proposal of the Minister of Economy.

### **Article (19)**

1. Where a minor who has not attained (18) eighteen calendar years or interdicted person has funds in a trade, the court may order the withdrawal of his funds from said trade or to remain therein, as may best serve his interests.
2. If the court orders that the minor remains in the trade, it shall grant the person acting on his behalf an unlimited or restricted authorization to undertake all the activities required therefor.
3. The court may withdraw or restrict the authorization when justified, without prejudice to any rights acquired by a bona fide third party.

### **Article (20)**

1. Any order issued by the court that the minor who has not attained (18) eighteen calendar years of age or an interdicted person remains in the trade, or to withdraw or restrict the authorization, shall be communicated to the competent authorities by the court to be recorded in the commercial register and published, pursuant to the statutes in force in the State.
2. Where the court orders that the minor who has not attained (18) eighteen calendar years of age or an interdicted person remains in the trade, he shall be liable only to the extent of the funds invested in such trade.
3. Subject to Clause (2) above, the relevant legislation shall govern the proceedings of declaration of the minor's bankruptcy, its cases and effects.

### **Article (21)**

Subject to the provisions of Article (22), the same provisions prescribed for a UAE-national woman who engages in trade as a profession shall apply to the engagement in trade as a

profession by a non-national woman and her acquisition of the merchant capacity and the effects resulting therefrom, including the provisions related to the separation of estates between spouses.

### **Article (22)**

A non-national person may engage in trade according to the conditions, controls and within the limits and cases identified by a Cabinet resolution to be issued at the proposal of the Minister of Economy.

### **Article (23)**

1. The following persons may not engage in trade:
  - a. Any merchant whose bankruptcy is declared, unless he has been rehabilitated.
  - b. Any person who may not engage in trade pursuant to the laws in force in the State.
  - c. Any person who has been convicted of a crime of bankruptcy fraud, commercial fraud, theft, deception, breach of trust, forgery, or the use of forged papers unless he has been rehabilitated.
2. Any person who violates the prohibition set out in Clause (1) above shall be fined a sum not less than (AED 10,000) ten thousand dirhams and not more than (AED 200,000) two hundred thousand dirhams, along with a court order to have the commercial premises closed in all cases.

### **Article (24)**

1. Any transactions undertaken by a merchant in connection with his trade shall not be accepted by any competent authority, unless such merchant is registered in the Commercial Register.

2. A merchant who practices his commercial activities on technological media or via modern means of technology shall fulfil the requirements of the competent authorities on the registration in the Commercial Register.

## **Chapter Three**

### **Commercial Books**

#### **Article (25)**

1. A merchant shall keep commercial books (in a hard or soft copy formats), in such manner as to show his financial position with accuracy, as well as any rights and liabilities related to his trade.
2. A merchant who engages in a physical trade shall keep the following two books:
  - a. General Journal; and
  - b. General ledger.
3. A merchant who engages in a virtual trade shall:
  - a. Record data of electronic commercial books via the computer or other devices of modern technology; and
  - b. Comply with resolutions issued by the Minister of Economy identifying controls and criteria of such electronic data and books.
4. The merchant shall be responsible for the accuracy of the accounting data recorded in the commercial books, as matched with the documents and information maintained in paper files and the financial statements of the establishment.
5. In all cases, the standards set for accounting standards and entries shall apply to commercial books.

### **Article (26)**

1. All financial transactions carried out by the merchants as well as his personal money withdrawals shall be recorded in the general journal on daily basis.
2. The merchant may use auxiliary journals to record the details of his commercial transactions, in which case it shall be sufficient to record the total of such transactions in the general journal at regular intervals. Where such procedure is not followed, any auxiliary book shall be deemed a general ledger.

### **Article (27)**

The following shall be recorded in the general ledger:

1. All accounting transactions carried forward from the general journal as per the supporting documents thereof; in particular, the accounts related to cash on hand, bank, partners, creditors, debtors, revenues, withdrawals and expenses.
2. Particulars of goods remaining with the merchant at the end of the fiscal year or an overall statement thereof if the particulars are shown in separate books or statements. In this case, such books or statements shall be deemed complementary to the general ledger.
3. A copy of the annual balance sheet and the profit and loss account.

### **Article (28)**

1. Commercial books shall not contain any blanks, crossing out, erasure, writing in the margins, scraping or insertion between their content.
2. Before using the general journal and the general ledger, the pages thereof shall be numbered and signed by the Commercial Register used by the merchant and stamped with the official seal of the same, showing the date of such procedure. Where the pages of any of the said two books are filled up, the merchant shall present the same to the

Commercial Register to have them annotated to that effect after the last entry made therein and before using the new book.

3. In case of the discontinuation of the commercial activities of the business assets, the merchant or his heirs shall submit the said two books to the Commercial Register to have them annotated to that effect.
4. No fees shall be charged for affixing the official seal and the annotation in the above cases.

### **Article (29)**

1. The merchant shall keep a true copy of all correspondence, telegrams and invoices sent or issued by him for his business transactions. Furthermore, he shall keep all incoming correspondence, invoices and other documents related to his business. All such papers shall be kept in an orderly fashion that facilitates reference thereto for a minimum period of (5) five years from the date of issue or receipt.
2. The merchant or his heirs shall keep the commercial books and the documents supporting the entries made therein for a minimum period of (5) five years, commencing from the date on which the book is annotated as complete.
3. The retention of a true copy of the instruments, books and documents referred to in the above Clauses, as long as the mechanism of retention is made via modern means of technology, shall be made according to the controls prescribed by the competent authorities in this regard, so as to ensure reliability and availability of data and information.

### **Article (30)**

1. Banks and companies or establishments in respect of which a resolution is issued by the competent authority, pursuant to the legislation in force in the State, shall, after

coordinating with the Minister of Economy, retain for the period mentioned in Article (29) above a copy of its business entries, commercial books and accounts via modern means of technology, instead of retaining the original books, documents, correspondence, telegrams and other papers related to their financial and commercial activities.

2. Copies and business entries, accounts and data set out therein and the ones saved via modern means of technology, as set out in this Article, shall have the same probative force as the same ones saved in a hard copy form, as long as they fulfill the technological controls set by the relevant authorities, which shall be applied by such banks, companies and establishments.

### **Article (31)**

Entries and incidents recorded in commercial books by the merchant's authorized employees shall be deemed as entries recorded by the merchant himself, and it shall be assumed that such entries were made with his knowledge and consent until he proves otherwise.

### **Article (32)**

The court may, *sua sponte*, or at the request of any litigant, order the merchant to submit his commercial books thereto to extract therefrom matters related to the dispute brought before such court. The court itself may review such books or through an expert appointed by it for such purpose.

### **Article (33)**

1. The court may order the merchant to submit his commercial books for the perusal of his opposing party only if the dispute is related to a decedent's estate, partnership or the division of their joint property.

2. In case of bankruptcy or composition, the commercial books shall be delivered to the competent court, the bankruptcy trustee or the composition magistrate.

### **Article (34)**

Commercial books kept by the merchant may be used as evidence in the cases instituted by or against the merchant when such cases are related to their commercial activities, in accordance with following rules:

1. Data recorded in commercial books, even if not kept on a regular basis pursuant to the provisions of this Law, shall constitute evidence against the merchant who keeps such commercial books. Nevertheless, a person wishing to derive therefrom any evidence in his favor may not rely only on certain parts of their data and exclude others.
2. Data recorded in regular commercial books, pursuant to the provisions of this Law, shall constitute evidence for the merchant who keeps such books against his opposing party merchant, unless such party refutes them using data from his own regular books, pursuant to the provisions of the Law or by any other means proving them untrue.
3. In the event where both litigants' commercial books are regularly kept pursuant to the provisions of this Law and the comparison made between them shows a contradiction in the data recorded therein, the court shall require other evidence.
4. In case of discrepancy in the data recorded in both litigants' books, while one merchant's books are regularly and duly kept pursuant to the provisions of this Law and the other merchant's books are not, the data recorded in the regular books shall prevail, unless the opposing party proves the contrary. The same provision shall apply if a litigant provides regular books and the other one fails to provide any books.

## **Article (35)**

If either litigant merchant relies for the validity of his case on his opposing party's commercial books and he admits in advance that the data recorded therein are correct, and the opposing party refrains without justification from providing such books to the court for perusal, this shall be deemed a presumption that the facts required to be proved in the books are correct. The court may further administer suppletory oath to the plaintiff on the validity of his case.

## **Part Two**

### **Business Assets, Trade Name, Unfair Competition, Trademarks and Commercial Data**

#### **Chapter One**

#### **Business Assets, Trade Name and Unfair Competition**

#### **Section One**

#### **Business Assets**

## **Article (36)**

Business assets constitute a group of tangible and intangible property allocated for the practice of physical or virtual commercial activities, whether on technological media, via modern means of technology or using traditional methods.

## **Article (37)**

1. Business assets shall cover elements necessary for the commercial activity. Such elements are divided into tangible elements, such as goods, equipment, machines, tools, and intangible elements, such as customer contacts, goodwill, trade name, right to lease and industrial and intellectual property and licenses.

2. The tangible elements are not considered essential to the business assets, contrary to the intangible elements where the business assets have no existence unless one or more elements thereof are available.

### **Article (38)**

In the event where the merchant is the owner of the real property in which he practices his trade, such property may not be considered as an element of the business assets, and any provision to the contrary shall not be valid.

### **Article (39)**

Any disposition for the transfer of ownership of the business assets or the creation of a right in rem thereon shall be attested or notarized by the Notary Public, as per the procedures set by the competent authority, and shall be recorded in the commercial register, otherwise it shall be null and void.

A disposition shall include the following data:

1. Names of the contracting parties and their nationalities and place of residence.
2. Date and type of disposition.
3. Type and address of the business assets and those elements agreed to be covered by the disposition.
4. Price of tangible and intangible elements, each of them being separate, if the disposition is a sale, the paid portion of the price, upon the conclusion of the contract, and the method of payment of the balance.
5. Special conditions as set out in the contracts and undertakings (if any) pertaining to the business assets.
6. Conditions concerning the seller's right to rescission, termination or lien (if any).

## **Article (40)**

2. The title to the business assets shall be transferred as between the contracting parties and with regards to third parties only from the date on which the disposition is recorded in the commercial register and a summary thereof is published according to the procedures and time limits set out in the legislation in force in the State.
2. In case the business assets include elements that are subject to specific regulations for announcement or registration, the announcement made for the disposal of the business assets shall not replace the special announcement or registration, unless the Law provides for otherwise.

## **Article (41)**

The disposition of the business assets shall be recorded only after completing the following formalities:

1. The employee in charge at the Commercial Registry shall, at the request and expense of the buyer, publish a summary of the sale contract according to the procedures and time limits set out in the legislation in force in the State.
2. The summary published shall include names of the contracting parties, their nationalities and places of residence, designation of the business assets, total price and an authorization to the creditors to submit their objections within (10) ten business days from the date of the last publication.
3. Objections shall be lodged with the competent civil court to which jurisdiction the business assets pertain and they shall include the sum and cause of the debt.
4. The buyer shall abstain from paying the price until the court decides on the objections. However, the seller may file a motion to the interim relief judge to authorize him to receive

the price even before the objections are considered if he provides sufficient safeguards for the settlement of the creditors' rights.

5. Any objecting creditor or mortgagee may offer to buy the business assets for himself or for a third party for a price above the price agreed upon by at least one fifth.
6. Any person objecting to the price shall deposit in the court treasury a sum equal to at least one third of the original price in addition to the sum of money offered by him above the original price.
7. The competent court shall communicate the bidding offers to the two parties to the business assets sale contract, and after the lapse of (20) twenty days from such communication, the competent court shall decide to sell the business assets to the person who offered the highest price.

#### **Article (42)**

1. Any person to whom the ownership of the business assets devolves shall, under the Law, subrogate the person who disposed thereof in all the rights and obligations arising from the business assets, unless otherwise agreed or where the contract is entered into on basis of personal considerations.
2. Nevertheless, the second party to the contracts referred to in the previous paragraph may, within (90) ninety days from the date of announcing thereof, request the cancellation of such contracts provided that he has serious reasons to justify such cancellation and he notifies the new owner of his desire to cancel in a timely manner.

#### **Article (43)**

1. The person to whom the ownership the business assets is transferred shall fix a date for the creditors holding debts prior to announcing the disposition, in order to submit a

statement of their debts for settlement. Such date shall be announced according to the procedures and time limits set out in the statutes in force in the State; however, the time limit scheduled for creditors may not be less than (90) ninety days from the publication date.

2. The person to whom the ownership of the business assets is transferred shall remain liable for the debts if the creditors of such debts submit a statement thereof within the said prescribed time limit if such debts are not settled within such time limit.
3. As for debts where the creditors fail to submit a statement thereof within the said time limit, the person to whom the ownership of the business assets is transferred shall be released on any debts.
4. Furthermore, the disposing party shall remain liable for the debts related to the business assets, which had arisen prior to announcing the disposition unless he is discharged therefrom by the creditors.

#### **Article (44)**

Notwithstanding the bankruptcy provisions, the seller of business assets who did not receive the full price may invoke vis-à-vis the body of creditors in the buyer's bankruptcy his right to rescind the sale contract of the business assets and recover the same, or his right to lien if he reserved for himself such right and is expressly mentioned in the published contract summary. Nevertheless, such rescission, termination or lien shall take effect only against the elements included in the contract.

#### **Article (45)**

1. Business assets may be mortgaged only to banks and financing institutions.
2. Where the mortgage deed does not specify the elements covered by the mortgage, it shall

then only cover the trade name, the right to lease, the customers' contacts and the goodwill.

#### **Article (46)**

1. A mortgage may not be put into effect except by an agreement notarized or attested by the Notary Public and registered in the commercial register.
2. A mortgage agreement shall contain a declaration by the debtor as to whether or not the seller has lien over the mortgaged business assets, as well as the name of the insurer of the store, if any.

#### **Article (47)**

1. The mortgage registration in the commercial register shall be sufficient to secure the lien for (5) five years from the date hereof, and the registration shall be deemed cancelled if it is not renewed within the said time limit.
2. The said registration shall be stricken off subject to the mutual consent of the parties concerned or under a final court judgment.

#### **Article (48)**

A mortgagee shall be responsible for keeping the mortgaged business assets in good condition.

#### **Article (49)**

1. Where the owner of the business assets fails to pay the price or the balance of the price to the seller, or if he fails to repay the debt on the maturity date to the mortgagee, the seller or mortgagee may, after (8) eight days from the date of service of a notice to his debtor

who has possession of the business assets, submit a petition to the interim relief judge requesting permission to sell in public auction all or some of the constituent elements of the business assets which are covered by the seller's or mortgagee's lien.

2. The sale shall be effected at the place, day and hour and in the manner designated by the judge. The sale shall be published according to the procedures and time limits set forth in the legislation in force in the State.

### **Article (50)**

Any provision in a mortgage agreement authorizing the creditor the right to own or dispose of the mortgaged property, without the procedures prescribed in Article (49) of this Law, shall be null and void.

### **Article (51)**

The seller and mortgagees shall have the same rights and privileges over the sums resulting from the insurance as those which they had over the insured items, provided that they have been established that such sums have matured.

### **Article (52)**

The lessor of the place wherein lies the mortgaged furniture and equipment being used for exploiting the business assets may not exercise his lien for more than two-year rent.

## **Section Two**

### **Trade Name**

#### **Article (53)**

Subject to the provisions and requirements set forth in the legislation governing the protection of intellectual property, a trade name of an individual merchant shall consist of his given name and surname. The trade name may also contain particulars pertaining to the persons mentioned therein related to the type of trade for which it is designated and may also be novel. In all cases, the trade name must truly reflect the type of business and shall not be misleading or prejudicial to the public order or morals.

#### **Article (54)**

Trade names of commercial companies shall be in compliance with the statutes in force in the State.

#### **Article (55)**

Subject to the provisions and requirements set forth in the statutes governing the protection of intellectual property, a trade name shall be registered in the commercial register, pursuant to the provisions stipulated to that effect. Once registered, no other merchant may use such name for his trade which is of a similar kind. Where the name and surname of a merchant are similar to a trade name previously recorded in the commercial register, he shall add to his name such particulars as would distinguish him from the trade name already registered.

#### **Article (56)**

1. A merchant shall write his trade name on the facade of his physical or virtual business

assets, and he shall carry out his commercial transactions under his trade name.

2. A merchant may not use a trade name of another merchant after expiry or removal of such name, except after the lapse of one year from the date of such expiry or removal.

### **Article (57)**

1. A trade name may not be disposed of separately from the business assets allocated for such trade name, unless otherwise is provided by any other legislation.
2. However, in case the owner of the business assets disposes thereof, such disposition shall not include the trade name, unless it is explicitly or implicitly provided as such.
3. The person to whom the ownership of the business assets is transferred, excluding its trade name, shall not be liable for the obligations of his predecessor, unless there is an agreement to the contrary recorded in the commercial register.

### **Article (58)**

1. A person to whom the title of such business assets is transferred may not use his predecessor's trade name, unless such name devolves unto him or the predecessor authorizes him to use it; provided that he adds to the name such particulars purporting to the transfer of ownership.
2. Any violation of the provisions of Clause (1) above shall be penalized by a fine of at least (AED 10,000) ten thousand dirhams.

### **Article (59)**

1. Any person to whom the ownership of a trade name is transferred, following the transfer of the ownership of the business assets, shall replace his predecessor in the rights and obligations accrued under the said trade name. Any agreement to the contrary does not

be apply to third parties except from the date of being recorded in the commercial register and the parties concerned are so notified, unless otherwise is provided by any other legislation.

2. In case of denial and lack of lawful excuse, the action for the liability for the predecessor's obligations shall be barred after the lapse of (5) five years from the date on which the ownership of the business assets is transferred.

### **Section Three**

#### **Unfair Competition**

##### **Article (60)**

The below rules shall apply to the unfair competition, unless otherwise provided by any particular legislation.

##### **Article (61)**

A merchant may not induce employees or workers of another competitor merchant to assist him in poaching the clients of that merchant or solicit them or encourage them to disclose the secrets of his competitor. The foregoing acts shall be considered unfair competition that renders him liable for compensation for damages.

##### **Article (62)**

A merchant may not disclose such matters as are inconsistent with the reality regarding the origin or description of his goods, or any other matters pertaining to their nature or importance. He may not also declare falsely that he holds a rank, degree or award, nor may he resort to any other misleading means, with the intent thereby to usurp the customers of a competitor merchant, otherwise he shall be liable for compensation.

### **Article (63)**

A merchant may neither resort to fraud and cheating methods to merchandise his goods, nor may he spread or publish false particulars prejudicial to the interests of another competitor merchant, otherwise he shall be liable for compensation.

### **Article (64)**

A merchant may not issue to an ex-employee or ex-worker a certificate that is inconsistent with reality, otherwise he shall be liable to compensate any other merchant who was misled by such certificate for damage so incurred.

### **Article (65)**

1. Where a trade name is used by a merchant other than its owner without any agreement authorizing such use, or where the owner uses it in a manner violating the Law, the parties concerned may appeal the competent court to order the prohibition of its use and to remove it if it is recorded in the commercial register, without prejudice to their right, where appropriate, to compensation.
2. Any violation of the provisions of Clause (1) above shall be penalized by a fine of at least (AED 10,000) ten thousand dirhams.

### **Article (66)**

Any person engaged in the business of supplying information to commercial houses about the conditions of trade, who knowingly or through gross negligence supplies untrue statements about the behavior or financial standing of a merchant, shall be liable for compensating such damage which may arise therefrom.

## **Article (67)**

The foregoing provisions may not prejudice the provisions of other Laws, concerning the commitment of the acts mentioned in such provisions.

## **Chapter Two**

### **Trademarks and Commercial Data**

## **Article (68)**

Trademarks and commercial data shall be regulated by specific laws to be enacted in this regard.

## **Book Two**

### **Commercial Obligations and Contracts**

#### **Part One**

#### **Commercial Obligations**

## **Article (69)**

1. Where two or more individuals are owed a commercial debt, they shall be jointly liable for the repayment of such debt, unless otherwise provided by the Law or agreement.
2. The provision of Clause (1) above shall apply in case of multiple guarantors of a commercial debt, who shall be jointly liable with each other and with the debtor for the debt.

## **Article (70)**

A guarantee shall be commercial if the guarantor has guaranteed a debt which is deemed in

regard to the debtor to be commercial, unless otherwise provided by the Law or agreement, or if the guarantor is a merchant and has an interest in guaranteeing the debt.

### **Article (71)**

Where a merchant carries out, for a third party, such business or services related to his commercial activities, he shall be deemed to have done so in return of a consideration, unless otherwise established. Such consideration shall be determined according to the custom, and in the absence of such custom, it shall be determined by the court.

### **Article (72)**

A creditor may receive an interest on a commercial loan, as per the rate of interest stipulated in the contract. If such rate is not stated in the contract, it shall be calculated according to the rate of interest prevailing in the market at the time of transaction, provided that it does not exceed (9%) up to the full repayment.

### **Article (73)**

Where the contract stipulates a rate of interest and the debtor delays the repayment, the delay interest shall be calculated on the basis of the agreed rate until full repayment.

### **Article (74)**

The interest shall be paid at the end of the year if the loan term one or more years, or on the maturity date of the debt if the loan period is less than one year, unless the commercial or banking practice requires otherwise.

### **Article (75)**

Where the loan term is definite, the creditor shall not be bound to accept the repayment of debt prematurely, unless the debtor pays the interest which accrues for the remaining period of the loan term, save where both parties agree otherwise.

### **Article (76)**

Orders and authorizations issued by a merchant for matters related to his commercial activities shall not lapse upon his death. Nevertheless, his heirs may cancel the same if they decide to discontinue the trade, and in such a case, they shall not be deserving of any compensation if they notify, in good time, the person contracted with the testator of their desire of cancellation.

### **Article (77)**

1. Where the commercial obligation is the delivery of a certain item within a specific season or a time of the year, the agreement between the two parties shall be the reference with respect to fixing the time for such delivery. In the absence of an agreement, then the time for delivery will be determined by the custom prevailing in the country where the delivery shall take place.
2. The custom prevailing in the country where the contract is concluded shall apply to the method of measuring, weighing or counting goods.

### **Article (78)**

A creditor may not be compelled to accept performance of a contract for a term that has been fixed, unless otherwise agreed.

### **Article (79)**

Where the debt is deferred and the debtor offers to repay it before its maturity, he may not, upon the payment, deduct part of it without the creditor's consent, unless it is otherwise provided by the Law or agreement.

### **Article (80)**

Where either contracting party reserves the right to rescind the contract before the performance is commenced, such party shall forfeit his right of rescission if he performs his obligations under the contract or if he consents to the other party's performance of his obligations.

### **Article (81)**

Summons and notices on commercial matters shall be served through the Notary Public, by registered letter with acknowledgement of receipt or any electronic means or similar means of modern means of technology, as identified by a resolution of the Minister of Justice, or by any other method as agreed between the parties.

### **Article (82)**

Courts shall not grant a debtor, who is under a commercial obligation, a time limit for full payment or payment in installments except upon the creditor's consent or under general exceptional circumstances.

### **Article (83)**

Where the debtor repays a commercial debt to a person holding the instrument of such debt marked with clearance or to a person holding a clearance from the creditor, he shall be

discharged from the debt.

#### **Article (84)**

Where the commercial obligation is a sum of money that was a sum certain at the time the obligation was created and the debtor delays the repayment thereof, he shall be bound to pay the creditors as compensation for the delay the interest provided for in Articles (72) and (73), unless otherwise agreed.

#### **Article (85)**

For the accrual of delay interest, it is not required that the creditor proves that he sustained damages caused by such delay.

#### **Article (86)**

Interests for delay of repayment of commercial debts shall accrue from the maturity date of such debts, unless otherwise provided by the Law or agreement.

#### **Article (87)**

1. A creditor may claim complementary compensation to be added to the delay interest if he proves that the damages in excess of said interest is caused by the debtor's deception or serious error.
2. Where the creditor, when claiming this right, causes, in bad faith, the prolongation of the dispute period, the court may reduce the interest or it may not judge any interest at all for the period of the unjustified prolongation.

### **Article (88)**

A creditor may not claim a compound interest, i.e. the interest on the frozen interests, or claim such interests as a complementary compensation.

### **Article (89)**

1. Any instrument for the payment of a sum of money or the delivery of goods may be circulated by way of endorsement if payable to the order of the creditor or by delivery if payable to bearer.
2. The endorsement or delivery shall result in the transfer of all rights arising from the instrument to the endorsee or new bearer.
3. In case of endorsement, the endorser shall guarantee the payment of the right established in the instrument on the maturity date, unless it is agreed in the endorsement wording to restrict the guarantee to the existence of the right at the time of endorsement.
4. Where the instrument is drawn as a result of a commercial transaction, the signatories thereon shall jointly assume the liability, unless the endorsement wording provides for otherwise.
5. In all cases, the debtor may not invoke vis-à-vis the bearer of the instrument the pleas based on personal relationships existing between him and the drawer or the previous bearers, unless the bearer's intent upon receiving the instrument was to cause harm to the debtor, or unless the payment was related to the debtor's lack of capacity.
6. The debtor may also refrain from paying the value of the instrument if such instrument is not delivered to him marked up with clearance.

### **Article (90)**

The possession by the debtor of the instrument of the debt shall constitute a presumption that

he has been discharged of the debt, until otherwise established.

### **Article (91)**

Commercial obligations, whatever their amount, may be established by all means of evidence, unless otherwise provided by the Law or otherwise stipulated by the agreement.

### **Article (92)**

Where there is a denial and in the absence of a lawful excuse, cases related to merchants' obligations against each other shall be barred after the lapse of (5) five years from the date on which the performance of the obligation falls due, unless the law provides for a shorter period.

## **Part Two**

### **Commercial Sale**

#### **Chapter One**

#### **General Provisions**

### **Article (93)**

1. The general provisions stipulated in this Chapter shall apply to commercial sales, unless otherwise provided.
2. A sale shall be commercial, pursuant to the provisions of this Chapter, if the sale is made between merchants and for commercial affairs.

### **Article (94)**

1. Parties to a commercial sale contract shall specify the following:
  - a. Description of the sold item accurately so as to remove any doubt;

- b. The sold item price and its payment terms;
  - c. Place and time of delivery;
  - d. Mechanism of sending notices and the elected domicile in this regard;
  - 6. Mechanism of dispute resolution; and
  - f. Any other terms and conditions agreed by the parties.
2. Where the two contracting parties fail to fix the price, the sale shall be concluded at the price agreed in their previous dealings, and if there were no previous dealing between them, then at the prevailing price in the market; all this unless it has been revealed from the circumstances the necessity for adopting a different price.

### **Article (95)**

Where both contracting parties agree that the sale price shall be at the market rate, then the market price shall be the market price as on the date and place where the contract is concluded, unless otherwise stipulated in the agreement. In case of several market prices, then the average price shall prevail.

### **Article (96)**

The two contracting parties may agree to delegate a third party to fix the price of the item being sold. However, if such party fails to fix the price within the prescribed time limit or within a convenient time if no prescribed term was stipulated, then the current market price at the time and place where the contract is concluded shall be adopted.

### **Article (97)**

Where the price is estimated on the basis of weight, the net weight shall be considered, unless there is an agreement or custom to the contrary.

### **Article (98)**

1. Where it is agreed by both contracting parties that the buyer may specify the form, volume or any other distinguishing features of the item being sold, the buyer shall do so on the agreed date or on the appropriate date if no specific date is mutually agreed upon.
2. If the date referred to in Clause (1) lapses and the buyer fails to specify the features of the item sold, the seller shall have the option to either request the rescission of the contract and damages, or to specify the said features himself and notify the buyer thereof provided that such specification shall be deemed final if the buyer does not object thereto within (10) ten days from the date of being notified.

### **Article (99)**

1. Where a date is not fixed for delivery, the delivery shall be effected immediately upon conclusion of the contract, unless the nature of the item sold requires to be delivered on another date.
2. Where it is agreed that the buyer may fix the date for delivery of the item sold, the seller shall be bound to deliver it on such date, with due regard to the period required for the preparation of the sold item being dispatched for delivery and having regard to its nature.

### **Article (100)**

1. The seller shall bear the consequences of the sold item perishment until being delivered to the buyer de facto or de jure.
2. Where the seller, at the request of the buyer, sends the item being sold to a location other than the designated location for delivery, the perishment consequences shall be borne by the buyer from the date of handing the item sold to the carrier, unless otherwise agreed

upon.

3. Where the seller fails to comply with the instructions of the buyer regarding the method of transport, without a justifiable necessity, he shall be liable for such damage sustained by the item sold as a result of such breach.
4. The buyer shall, unless otherwise agreed, bear the expenses incurred for delivering the sold item to a location other than the location designated for delivery.

### **Article (101)**

Any shortage occurs in the sold item upon its delivery shall not be taken into consideration if custom allows such shortage.

### **Article (102)**

1. Where the seller fails to deliver the specific item sold, the buyer may notify the seller of the performance within an adequate time limit. Where the seller fails to perform that obligation, the buyer shall have an option either to apply to the court for an order to compel the seller to an execution in kind by delivering to him the sold item, if possible, with payment of damages if necessitated, or to consider the contract rescinded and claim for damages if applicable, or to buy, at the seller's expense, an item similar to the item sold and claim from him the difference between the price agreed upon and the price paid by him in good faith to obtain such item. Where the sale relates to an item having a known price in the market, the buyer may claim from the seller, even if he failed to purchase an item similar to the sold item, the difference between the price agreed and the market price on the date fixed for delivery.
2. The seller shall bear the cost of transportation if the sold item is returned or changed, as long as the reason for return or change is attributed to him, unless otherwise agreed.

### **Article (103)**

Where the two contracting parties agree that the sold item is to be delivered in batches, the buyer may ask for the rescission of the contract if the seller fails to deliver any of the batches on the fixed date. However, such rescission shall not apply to the batches already delivered, except if the buyer sustains serious damage due to the division of the item sold.

### **Article (104)**

Where the buyer fails to pay the price on the date agreed upon, the seller may, after serving notice to the buyer, re-sell the goods. If the goods are sold, in good faith, at a price less than the price agreed upon, the seller may claim from the buyer the price difference. Furthermore, if the goods have a known price in the market, the seller may claim from the buyer the difference between the price agreed upon and the market price on the date fixed for payment of the price.

### **Article (105)**

1. The buyer, who has paid the full price, may ask the seller to give him a list of goods showing that the price has been paid.
2. Any person who expressly or implicitly accepts a list of the sold goods shall be deemed as having agreed to its contents. Where the person receiving the list and does not object to its contents within (8) eight days from the date of receipt, this shall be considered as an implicit acceptance, unless a longer period is agreed.

### **Article (106)**

1. Where the buyer refuses to take delivery of the item sold, the seller may apply to the court to establish the status of the same and grant him permission to sell same under the court supervision after the lapse of a time limit fixed by it and notified to the buyer. However, the court may order that highly perishable items may be sold without delay and without notice.
2. The total value of the sale shall be deposited in the treasury of the court, after deducting therefrom all the expenses incurred by the seller until the dispute between him and the buyer is settled.

### **Article (107)**

1. If, after the delivery of the sold item, it is found that the quantity or type of the goods delivered is different from that agreed or if the goods are defective, the buyer may not apply for rescission of the contract unless the difference is so great as to render the goods delivered unsuitable for the purpose for which they were to be used, or difficult to market. The court may further, upon rejecting the application for rescission of the contract, decide to reduce or increase the price, depending on the deficiency or excess in quantity or the discrepancy in type or the degree of defect, unless there is an agreement or custom requiring the rescission.
2. Clause (1) above shall not prejudice the provisions prescribed for protecting the consumer rights set forth in the legislation in force in the State.

### **Article (108)**

1. The buyer shall, in the cases mentioned in Article (107) above, notify the seller that there is a difference or a defect, within (15) fifteen days of the date on which the item sold is

effectively delivered to him, and he shall file the action for rescission or reduction of the price within (60) sixty days of such delivery date. However, if the defect is hidden and cannot be detected by a routine examination, the buyer shall then notify the seller immediately when he detects it, and institute an action for warranty of the defect within (6) six months of the date of actual delivery, unless there is an agreement to the contrary.

2. Where the buyer fails to notify the seller of the difference or defect or if he fails to institute the action for rescission price reduction or defect warranty within the time limits referred to in Clause (1) above, as the case may be, his action shall not be heard in case of denial or lack of lawful excuse, unless the buyer proves cheating on the seller's part, in which case, the action shall not be heard if instituted after the lapse of one year of the delivery date.
3. The action instituted by the seller to complement the price due to increase in quantity or in the item standard shall not be heard after the lapse of (60) sixty days of the date of actual delivery of the sold item.
4. It may be agreed to relieve the buyer from the time limits prescribed in this Article or to adjust the same.

### **Article (109)**

1. Where the item sold is a commodity protected by a registered trademark, it is permissible to agree that the buyer may not sell at a price less than a certain price.
2. The court may decide the non-compliance with this condition if it considers that the item sold is a necessary commodity.
3. The buyer's successors shall not be bound to comply with the above condition, except if they came to know or they could have known about it.

## **Article (110)**

1. It is permissible to agree in supply contracts, where the supplier grants certain privileges to the buyer, to prevent the latter from buying goods similar to the item sold from another supplier for a period not more than (5) five years from the date of agreement. Any agreement on a longer period shall be reduced to (5) five years.
2. The provisions of Item (1) above shall apply in so far as they do not contradict the provisions regulating competition, as set forth in the relevant legislation in the State.

## **Chapter Two**

### **Certain Types of Commercial Sales**

#### **Section One**

#### **Sale by Installment**

### **Article (111)**

The contract of a sale by installment shall be executed in two copies and shall state the particulars which identify and determine the item sold, as well as the price, the period and conditions of the installment. The seller shall give the buyer one copy of said contract.

### **Article (112)**

The installments shall be paid at the place of residence of the seller, as stated in the sale contract, unless otherwise agreed upon. Where the installments are collected at the buyer's place of residence, the seller may not charge any additional expenses. The clearance for any installment shall be clearance for all the previous installments, unless there is evidence to the contrary.

### **Article (113)**

1. Where the buyer fails to pay any installment of the price agreed, the seller may, after notifying the buyer, ask for rescission with damages if justified. However, if it is revealed to the court that the buyer has executed the larger part of his obligation, the court may grant him a time limit for payment and reject the rescission if he makes the repayment within the prescribed time limit.
2. Where a judgment of rescission is rendered, the buyer shall return the item sold to the seller and the seller shall return to the buyer the installments received less charges equivalent to a rent for the utilization thereof, in addition to an indemnity against the damage sustained by the item sold due to abnormal use thereof; unless there is an agreement to the contrary in the sale contract and provided that the total sum received by the seller does not exceed the original price sum with its interest.

### **Article (114)**

An agreement that the full price shall fall due, in case one of the installments is not paid on the maturity date, shall take effect only if the buyer fails to pay even though notice is served and (7) seven days have lapsed from the date of such notice.

### **Article (115)**

1. Where the ownership of the movable property sold is retained by the seller pending the payment of all installments of the price in full, the buyer shall acquire such ownership on payment of the last installment and the buyer shall bear the consequences of the perishing of the item sold from the time of its delivery to him.
2. Without prejudice to the provisions stipulated in the Bankruptcy Law, the condition related to the retention of ownership shall take effect vis-à-vis a third party unless it is

executed in writing in the form of an agreement prior to such third party's right arises out.

### **Article (116)**

Where the third party's right is subsequent to the sale by installment contract, the condition related to the retention of ownership shall take effect to such third party if the said condition is made in writing in an agreement having a fixed date and prior to the execution proceedings undertaken by the creditors on the item sold.

### **Article (117)**

A buyer may not dispose of the item sold before he has paid all installments, save where the seller agrees to the same in writing. Any disposition by the buyer in violation of this provision shall not apply to the seller, unless the third party proves his good faith, in which case, the remaining installments shall fall due.

### **Article (118)**

The provisions of the preceding Articles regarding sales by installment shall apply even if the contracting parties have termed the sale as a lease.

## **Section Two**

### **Optional Public Auction Sale of Movables**

#### **Article (119)**

1. The provisions of this Section shall apply to optional sales by public auction of movables.
2. Sale by public auction shall mean any sale which any person may attend even if the auction is restricted to a specific group of persons.

3. Movables shall mean all movables the possession thereof has transferred to any person by any ownership acquisition reason.

### **Article (120)**

1. Without prejudice to the provisions of the Civil Procedures Law and the laws regulating certain kinds of sales, the movables referred to in Article (119) above may be sold by auction only through an appraisal expert at an auction room or an electronic platform or in any or via modern means of technology designated for such purpose, or at the place where the movables are originally located, or at any other place where a license therefor may be issued by the competent authorities in the relevant Emirate, pursuant to the statutes in force in the State.
2. A bona fide buyer may request nullification of the sale effected contrary to the provisions of Clause (1) above, and the nullification action shall be barred in case of denial and lack of lawful excuse after the lapse of (30) thirty days of the date of sale.
3. The provisions of Clauses (1) and (2) above shall not apply to movables when the value of the part thereof offered for sale by public auction does not exceed (AED 200,000) two hundred thousand dirhams.

### **Article (121)**

1. The auctioneer undertaking the sale by public auction shall keep a specific book in Arabic or regular entries where he shall enter all the items intended for sale, the initial estimate of their value and names of those requesting sale. The appraisal expert shall further affix on the goods offered for sale labels whose numbers shall be entered in the said book and shall further register therein the outcome of each sale.
2. Any person who violates the provisions of Clause (1) above shall be penalized by a fine

not exceeding (AED 20,000) twenty thousand dirhams. In case of recidivism, the fine shall not exceed (AED 40,000) forty thousand dirhams, without prejudice to any severer penalty or disciplinary sanction provided in the resolutions governing the profession of auctioneers.

### **Article (122)**

Where the initial appraisal of the second-hand goods offered for sale at a public auction exceeds (AED 400,000) four hundred thousand dirhams, the appraisal expert shall publish the same according to the procedures and time limits mentioned in the resolutions issued by the Minister of Economy or in the legislation in force in the State. The announcement shall schedule a day prior to the sale for the inspection of goods offered.

### **Article (123)**

1. A buyer who is awarded the auction shall pay half the price at the auction session and the balance when he receives the object for which he was the successful bidder. The delivery must take place within one week from the date on which the auction is awarded.
2. Where the successful bidder fails to pay the price balance or fails to appear within the time limit set out in Clause (1) above to receive the item awarded, the sale shall be repeated by public auction as well within (15) fifteen days of the expiry of the delivery date. The successful bidder of the first sale may not bid again in the second sale.
3. Where the second auction is awarded at a price less than that the one awarded at the first auction, the buyer who failed to pay the price balance or failed to appear to receive the item sold to him shall pay the difference. However, where the second auction is awarded at a higher price, the increase shall be for the benefit of the original seller.
4. The price shall be paid to the appraisal expert who carried out the auction in cash or via

the approved means of modern technology, and he shall be directly liable for payment of such price to the person in favor of whom the auction is made.

5. The person requesting the sale may not, either personally or through others, bid on the goods offered by him for sale.

### **Article (124)**

The owner of the used auction room or electronic platform or the appraisal expert, as the case may be, shall for the fee or commission to which he is entitled have a right of lien over the price of items he sells at public auction.

### **Article (125)**

1. A resolution by the Minister of Economy, in consultation with the local competent authorities, shall be issued to regulate the practice of the profession of appraisal experts and the utilization of auction rooms and electronic platforms via modern means of technology.
2. Without prejudice to any severer penalty set forth in another law, any person violating the provisions of the said resolution shall pay a fine not exceeding (10,000) ten thousand dirhams. In all cases, the judge shall order that the office or room to be closed or the electronic platform be blocked, as well as removing billboards and panels which the violator had used. Such court order shall be published, at the sentenced party's expense, pursuant to the procedures and time limits set forth in the legislation in force in the State.

## **Section Three**

### **Public Auction Sale at Reduced Prices at Commercial Stores**

#### **Article (126)**

1. Physical or virtual commercial stores may not sell their goods at public auction, except in one of the following cases and after obtaining the necessary authorization from the local authorities:
2. Final liquidation of the commercial store;
3. Final discontinuation of trading in one or more of the items which the commercial store deals with in its trade;
6. Liquidation of one of the commercial store's branches, unless such branch is located at the same city where the head office of the commercial store locates;
5. Relocation of the main store and branches thereof from one Emirate to another. In such case, the liquidation must be effected within (4) four months at most, and it shall result in a prohibition to carry out the activity discontinued due to the liquidation in such Emirate before the lapse of at least one from the date on which the auction is completed; and
6. Closeout of goods which have become defective due to fire, water leakage, humidity, insects raging or the like.
7. The procedures of liquidation and sale in public auction, pursuant to the provisions of the said resolution, shall be developed and specified by a resolution by the competent authority in this regard.

#### **Article (127)**

1. A physical or virtual commercial store and its branches located in the same city may sell its goods by putting them on sale according to the number of times, controls and time limits identified by the competent authorities.

2. Any action for the purpose of announcing reduced prices shall be considered a sale.
3. Sales may be effected or announced by any media means only after obtaining a permit therefor from the competent authority in the relevant Emirate, which shall state the start and end date of the sales and the selling prices prior to and during such period. Such permit may be granted only to those persons holding a valid trading license and registered in the relevant chamber of commerce.
4. A merchant shall comply with any controls regulating sales set by the competent authority in the relevant Emirate.

### **Article (128)**

Employees of the competent authority in the relevant Emirate shall have the right to monitor the implementation of the provisions of Articles (126) and (127) above. To that end, they may enter the commercial store which holds a permit to carry out closeout or sales, and to request the papers and documents pertaining to the operation, subject of the permit, and to record any breaches against the permit provisions.

### **Article (129)**

Any person violating the provisions of Articles (126), (127) and (128) above shall be penalized by a fine not exceeding (AED 40,000) forty thousand dirhams. In case of recidivism, a fine not exceeding (AED 60,000) sixty thousand dirhams shall be levied, and the violator may be prohibited from obtaining permits for sales for a period of (3) three years from the date on which he committed the violation.

**Section Four**  
**Certain Kinds of International Sales**

**Article (130)**

Parties may agree on the application of the rules governing international commercial sales issued by the International Chamber of Commerce, instead of the provisions set out in this Section.

**Article (131)**

**Fob Sale**

1. A "FOB sale" is one by which the item sold is delivered at the port of shipping on board the vessel designated by the buyer for its transport.
2. In FOB sale, the buyer shall conclude the maritime transport contract, pay its freight and notify the seller, within reasonable time, of the name of the vessel designated for the transport, as well as the location and date of shipping and the timeline for carrying it out.
3. The buyer may entrust the seller with the conclusion of both transport and insurance contracts for the goods on behalf of the buyer. The relationship between the seller and the buyer in this respect shall be governed by the provisions of the agency contract.

**Article (132)**

1. The seller shall pack, secure and transport the item sold to the port of shipping and ship it onboard of the vessel designated by the buyer, on the specified date or within the time limit set for shipping.
2. The seller shall bear the expenses of loading and packing and the costs for inspecting, measuring, counting or weighing the item sold before shipping it.

3. The seller shall, without delay, notify the buyer that the item sold has been shipped and shall dispatch to him the papers evidencing the same, and the buyer shall bear the costs of such notice and dispatch.

### **Article (133)**

1. Where the item sold needs an export permit for it to be exported outside the State or any other governmental license, the seller shall obtain the same at his own expense.
2. The buyer shall undertake to obtain, at his own expense, the import permit and other documents required for this purpose.
3. The seller shall duly obtain a certificate of origin for the item sold and shall present it to the buyer, who shall bear the expenses related thereto, unless otherwise agreed upon.

### **Article (134)**

The seller shall provide such assistance as will be needed to enable the buyer to obtain the bill of lading and such other documents as required to be issued in the country of shipping of the item sold, in order to enable the buyer to import it or make its passage in transit through another state easier. The buyer shall bear the expenses incurred for the obtaining of such documents.

### **Article (135)**

The seller shall pay all the sums due in connection with the item sold, including the export charges and the shipping expenses up to the moment when the item sold crosses, during its shipping, the barrier of the vessel, as well as the liability for damage which may be suffered by the item sold until that stage. However, any sums due or damage sustained thereafter shall be borne by the buyer.

### **Article (136)**

Where the arrival of the vessel, designated by the buyer for transporting the goods, is delayed beyond the expiry of the time limit set for shipping, or where the vessel departs the said port before expiry of the said time limit, or if the vessel is unable to ship the goods for a reason that cannot be attributed to the seller, the buyer shall be liable for the resulting additional costs and shall bear the consequences of the damage that may be sustained by the item sold from the expiry date of the time limit set for the shipping, provided that the item sold has been, on that date, designated per se.

### **Article (137)**

Where the buyer fails to notify the name of the vessel at good time or if he reserves the right to fix the date of delivery during a set time limit and he fails to do so or to designate the port of shipping but fails to issue specific instructions during such time limit, the buyer shall be liable for the resulting additional costs and shall bear the consequences of the damage that may be sustained by the item sold from the expiry of the date of notification or the time limit agreed upon to designate the date for delivery, provided that the item sold has been, on that date, designated per se.

### **Article (138)**

Where it is agreed that the item sold shall be delivered on the dock of the port of shipping where the vessel designated by the buyer is anchored, the sale shall be termed F.A.S. and such sale shall be governed by the provisions of the FOB sales, except for shipping the goods on board the vessel.

## **Article (139)**

### **Cif Sale**

1. A "CIF sale" is a sale concluded against a lump sum covering, in addition to the sold item price, the price of the item sold, the maritime insurance charges and freightage by vessel to the port of destination.
2. Goods shall be considered as having been delivered to the buyer upon completion of shipment by the vessel, and the liability for perishing of such goods shall from that moment be borne by the buyer.
3. Where the seller fails to provide insurance coverage, the sale shall be deemed a (C&F) sale.

## **Article (140)**

The seller shall conclude a transport contract for the goods with a reputable carrier, as per the usual conditions, and shall choose a suitable vessel to carry goods of the same type of the item sold. The seller shall further pay the freightage and any other sums which the carrier might stipulate to be paid at the port of shipping.

## **Article (141)**

1. The seller shall buy an insurance policy for the item sold from a reputable insurer covering the risks of transport and he shall assume all the costs and expenses required thereof.
2. The insurance policy shall be based on a commercial paper and in accordance with the conditions of prevailing practice, provided that the insurance sum shall not be less than the price mentioned in the sale contract.
3. The seller shall be bound only to insure against the normal risks of transport and he shall not be required to insure against additional risks and the risks of war except where the same is required by the buyer.

4. The seller shall not bear any liability towards the buyer for the inability of the insurer to pay the insurance sum, if he has bought the insurance policy for the item sold from a reputable insurance company.

#### **Article (142)**

1. The seller shall be bound to pack the item sold and ship it on board the vessel within the time limit set for shipping, or within the period dictated by custom. The seller shall further bear the expenses of packing and the costs of inspection, measuring, weighing or counting the item sold as is required for its shipping.
2. The seller shall, without delay, notify the buyer of the name of the vessel and completion of shipping.

#### **Article (143)**

1. Shipping of the item sold by the seller shall be proved by means of a bill of lading where the word "shipment" is mentioned. However, if the bill of lading states "under shipment fee", the buyer may prove the shipping has not actually been taken place on the date mentioned in the bill.
2. Where the bill of lading contains a handwritten statement signed by the captain of the vessel, certifying that the goods were actually shipped on the specified date, the buyer in such a case may not prove the contrary vis-à-vis the seller.

#### **Article (144)**

1. The seller shall duly obtain a certificate of origin for the item sold and shall present it to the buyer, who shall bear the expenses related thereto, unless otherwise agreed upon.
2. The seller shall further provide such assistance as will be needed to enable the buyer to

obtain the necessary documents issued in the country of shipping of the item sold, in order to facilitate its import or passage in transit through another country.

### **Article (145)**

1. The seller shall pay the sums due in connection with the item sold, until its shipment on board the vessel, including export fees.
2. However, the buyer shall bear import fees and charges and expenses to clear the item sold at the port of discharge.

### **Article (146)**

The seller shall bear the consequences of the damage which may be sustained by the item sold, up to the moment when it crosses the barrier of the vessel. Such consequences shall thereafter pass on to the buyer.

### **Article (147)**

1. After goods are shipped, the seller shall send, without delay, to the buyer a clean negotiable bill of lading addressed to the port designated for discharge. There shall be attached to the bill of lading a list of the goods sold, their value, the insurance policy or a similar certificate, in addition to any other documents required by the buyer. Where the bill of lading refers some matters to the charter party, a copy of the latter shall also be attached to the bill of lading.
2. A bill of lading shall be deemed to be clean if it does not contain any express additional conditions confirming the existence of defects in the item sold or in the method of its packing. But such additional conditions do not include a reference in the bill of lading to the prior use of containers or wrappings or to the non-liability for any damage that may

be sustained because of the nature of the item sold or of the carrier's ignorance of the contents or weight of the packages.

3. The certificate substituting the original insurance policy shall be issued by the insurer and shall include the basic conditions provided for in the original policy, so that it confers the bearer the rights stated therein.

### **Article (148)**

1. The buyer shall not be bound to accept the documents sent to him by the seller if they do not conform to the stipulations of the sale contract. The buyer shall be deemed to have accepted such documents if he does not raise any objection via the seller's bank within (7) seven days of the date of receipt. Any objection shall be made by notice served in writing to the seller requiring him to send documents conforming to the conditions agreed upon within a reasonable time limit. The buyer may, after the expiry of said time limit, request the termination of the sale and payment of damages, where applicable.
2. Where the buyer returns the documents for certain specified reasons or accepts them with reservations, he may not thereafter make any objection other than for the causes and reservations already made.
3. Where the buyer returns the documents without any legitimate reason, he shall be liable to compensate the seller for whatever damage that may result therefrom.

### **Article (149)**

Where the vessel carrying the item sold arrives before the arrival of the documents or where the documents received are incomplete, the seller shall immediately, upon being informed of the same, carry out whatever action that may be necessary to enable the buyer to obtain a copy of the documents which have not arrived or to complete the incomplete documents. The

seller shall bear the resulting expenses and any damages, where applicable.

### **Article (150)**

Without prejudice to the provisions of Article (108) above, the buyer shall receive the item sold upon its arrival at the port agreed upon, and the buyer shall bear such sums as will be due on the item sold during its transport and the expenses of discharge upon its arrival, save where the carrier has obtained such sums and expenses at the port of shipping or where it is agreed in the sale contract that they shall be borne by the seller (the sale being CIF until the discharge).

### **Article (151)**

Where the buyer reserves the right to fix a date for the shipping or to designate the port of discharge within a set time limit but he fails to issue specific instructions during such time limit, he shall be liable for any additional expenditure resulting therefrom and such damage as may be suffered by the item sold until the expiry of the time limit for shipping; provided that the item sold has been, on that date, designated per se.

### **Article (152)**

Where something contrary to the documents is detected and such contradiction does not exceed the limit allowed by custom, the buyer shall be bound to accept the same with a reduction of the price, as per the applicable custom at the port of destination.

### **Article (153)**

#### **Arrival Sale**

A contract which contains such conditions as will render the seller liable for the perishing of

the goods after shipment, or makes the performance of the contract conditional to the safe arrival of the vessel, or which vests in the buyer an option to accept the goods according to the contract or according to the pro-forma delivered to him at the time of contracting, shall neither be a CIF nor FOB sale, but shall be deemed to be a sale conditional to the delivery at the place of arrival.

### **Article (154)**

#### **Sale at the Airport of Departure**

A sale at the airport of departure is one by which the goods sold are delivered at the airport of departure by placing them at the disposal of the air carrier designated by the buyer or chosen by the seller.

### **Article (155)**

1. The seller shall, after entering into the contract, undertake to deliver the goods at the airport of departure to the air carrier or to its representative at the place and on the date agreed upon or at the place designated by the buyer, in accordance with the rules and practices applicable at the airport of departure.
2. The seller shall without delay notify the buyer that the delivery of the goods has been effected by any means of telecommunications or means of modern technology.

### **Article (156)**

1. The seller shall conclude a goods carriage contract, at the expense and responsibility of the buyer, if it is so requested by the buyer; or the seller shall perform the same where the buyer has not issued instructions on the goods carriage within a reasonable time, and such act shall be according to the applicable commercial customs. The seller may refrain from

- concluding a carriage contract, in which case, the buyer shall be promptly notified thereof.
2. Where the seller takes it upon himself to conclude a carriage contract, he shall abide by the instructions issued to him by the buyer and choose an airplane suitable to carry goods of such nature as the item sold on an ordinary flight from the airport of departure to the airport of arrival designated by the buyer, or to the closest airport to the buyer's establishment.

### **Article (157)**

1. The seller shall pay all duties and taxes due on the goods as a result of their export.
2. The seller shall provide the buyer with all the documents needed for the receipt of goods which are readily available to the seller.

### **Article (158)**

Where the air carrier or the other person designated by the buyer refrains from receiving the goods at the airport of departure, or where the buyer fails to provide the seller, within a reasonable time, with the instructions required for the transportation of goods, the seller shall, as soon as possible, notify the buyer thereof.

### **Article (159)**

1. In the event where the seller is not bound to conclude the goods carriage contract, the buyer shall, at his own expense, organize the carriage of goods from the airport of departure to the airport of arrival. The buyer shall further designate the air carrier or its representative or any other person to whom the goods are to be delivered, and he shall notify the seller within a reasonable time thereof.
2. Where the buyer fails to notify the seller, within a reasonable time, of the instructions

required for the carriage of goods, the buyer shall bear all the additional costs arising therefrom, as well as any damage that may be sustained by the goods, from the date fixed for delivery, provided that the goods were allotted or designated per se.

### **Article (160)**

Where the air carrier or any other person designated by the buyer refrains from receiving the goods, the buyer shall bear all additional costs arising therefrom, as well as any damage that may be sustained by the goods, as of the date on which the goods have become ready for delivery; provided that the goods are allotted and designated per se.

### **Article (161)**

The sale contract in the above international sales shall be separate and may not affect the relations between the seller, the buyer and the carrier to the carriage contract, or between the buyer and the bank in the documentary credit contract.

## **Part Three**

### **Commercial Mortgage**

#### **Article (162)**

1. A commercial mortgage is a mortgage executed on a movable property to secure a commercial debt.
2. Except for the restrictions stipulated herein or in any other law, a commercial mortgage may be proved by all means of evidence with regard to the contracting parties and against third parties.
3. The application of the provisions of this Part shall be effected without prejudice to any

particular legislation governing the commercial legislation.

### **Article (163)**

1. A commercial mortgage shall be effective against a debtor or third parties only where the possession of the mortgaged item passes from the mortgagor to the mortgagee or to a third party appointed by both contracting parties and remains in the possession of either such party receiving it until the lapse of the mortgage; or unless it is placed under joint possession in such manner as to prevent the mortgagor to dispose thereof without the knowledge of the creditor.
2. The mortgagee or the third party shall be deemed as having possession of the mortgaged property if it is placed at his disposal in such a manner as will lead others to believe that the mortgaged property has come into his custody; or if he receives a deed representing the mortgaged property vesting unto its holder the sole right to take delivery of the same.
3. The transfer of possession of rights shall be effected by the delivery of the instruments establishing them; and where the instrument is lodged with a third party, the delivery of the deposit receipt shall be deemed as the delivery of the instrument itself; provided that the instrument is described in the receipt accurately and in detail and provided that the depositary accepts possession thereof for the account of the mortgagee. In such case, the depositary shall be considered as having waived every right he had to retain the instrument for his own account for a reason existing prior to the mortgage, unless he had reserved such right when he accepted to hold possession of the instrument for the account of the mortgagee.

### **Article (164)**

1. Where the mortgaged item consists of registered instruments, the mortgage thereof shall be made in writing with a waiver of such instruments stating that they are made as a security. This shall be marked on the instrument itself and such waiver shall be recorded in the registers of the authority having issued the instrument. The rank of the mortgagee shall be determined as of the date of such registration.
2. As for promissory notes, the mortgage thereof shall be effected by an endorsement stating that the value is for mortgage, security or any other statement to that effect.

### **Article (165)**

1. A debtor who is indebted with a commercial debt may garnish in favor of his creditor by a written instrument a debt owed to him by a third party. In this case, the debtor shall deliver to the judgment creditor the instrument establishing the said debt.
2. The garnishment of the debt shall take effect against the debtor on whose debt the garnishment was effected only by serving such garnishment upon him or by his acceptance thereof. In addition, it shall take effect against third parties only by the possession of the judgment creditor of the debt instrument.
3. The rank of the debt shall be determined as of the date of service or acceptance.

### **Article (166)**

A mortgagee shall take all the necessary measures to safeguard the mortgaged item and undertake the maintenance thereof. Where the mortgaged item is a negotiable instrument, the mortgagee shall on the maturity date carry out the proceedings necessary to protect the right established therein and collect it. The mortgagor shall pay all expenses incurred by the mortgagee in this regard.

### **Article (167)**

A mortgagee shall use on behalf of the mortgagor all the rights and procedures relevant to the item mortgaged, as well as receiving its value, profits, interests and any other sums resulting therefrom. He shall however deduct the sums received from the value of the expenses incurred on behalf of the mortgagor, then from the interests and then from the principal sum secured by the mortgage, unless otherwise provided by the agreement.

### **Article (168)**

A mortgagee shall, when requested by the mortgagor, deliver to him a receipt showing the nature, type, amount, weight and other distinguishing features of the mortgaged item.

### **Article (169)**

1. Where a mortgage is effected on a fungible item, it shall remain in place even if the mortgaged item has been replaced by another item of the same kind.
2. Where the mortgaged item is non-fungible, the mortgagor may replace it by another item; provided that the same is agreed on in the mortgage contract and that the mortgagor accepts the substitute, without prejudice to the rights of a bona fide third party.

### **Article (170)**

1. Where the mortgagee fails to pay the secured debt on the maturity the debt, the mortgagor may, after the lapse of (7) seven days from the date of notifying the debtor of repayment, request the court to authorize him to sell the mortgaged item. The request shall be considered on an urgent basis, and the court shall decide the sale method.
2. The mortgagee shall, by exercising the lien, collect his debt, including the principal

amount, interests and expenses paid in the course of claiming his debt, from the price generated from the sale.

### **Article (171)**

Where the mortgage is decided for several properties, the mortgagee may designate the property to be sold, unless otherwise agreed upon. In all cases, the sale may cover only the sum needed to clear the mortgagee's right, except where the item sold is indivisible.

### **Article (172)**

Where the market price of the mortgaged item decreases and becomes insufficient to secure the debt, the creditor may fix a suitable time limit for the mortgagor to complement the security. If the mortgagor refuses the same or where the fixed time limit expires and the mortgagor fails to complement the security, the creditor may cause the item mortgaged to be sold, even before the maturity date, by adopting the procedures stipulated in Article (170) above.

### **Article (173)**

Where the mortgaged property is perishable or is subject to deterioration or devaluation, or where its possession necessitates the incurring exorbitant expenses and the mortgagor is unwilling to replace it by another property, both the creditor and mortgagor may request the court to authorize him to sell it forthwith and determine the method of sale. The mortgage shall be transferred to the price generated from the sale.

### **Article (174)**

1. An agreement concluded at the time or after the establishment of a mortgage shall be null and void, and shall vest in the mortgagee, in the event that the debtor fails not repay the debt on the maturity date, the right to acquire or sell the mortgaged property, with no need to comply with the provisions and procedures set forth in Article (170) above.
2. Nevertheless, after the maturity of the whole debt or an installment thereof, the debtor may assign to the creditor the whole or part of the mortgaged property, so as to repay the debt or part thereof.

### **Article (175)**

Where the mortgaged item is an instrument and the nominal value of which has not been paid in full, the mortgagor shall, when claiming the unpaid portion, present to the mortgagee the sums of money needed to pay such portion, at least two days before the maturity date; otherwise, the creditor may sell the instrument, pursuant to the procedures set forth in Article (170) above.

## **Part Four**

### **Depositing in Public Warehouses**

#### **Article (176)**

1. Public warehousing is a contract pursuant to which the warehouseman, whether an individual, a company or a public person, undertakes to receive and store goods for the account of the bailer or any other person to whom ownership or possession thereof devolves, as per the instruments representing the same.
2. No public warehouse vested with the right to issue negotiable instruments representing the goods warehoused may be constructed or invested without a license issued by the

competent authority in the relevant Emirate, as per the terms and conditions as are laid down by the Minister of Economy, in consultation with the competent local authority in the relevant Emirate.

3. Any warehouse where goods are received for storage and no storage receipt and pledge deed are issued against such goods shall not be subject to the provisions of public warehouses.
4. Any person who invests a public warehouse shall cover it with an insurance against risks of fire, damage and theft.

### **Article (177)**

1. A warehouseman may not practice in any capacity, either for himself or for others, any commercial activity having for goods of the same kind as the goods which he is licensed to keep in his warehouse and issue instruments representing such goods.
2. The above provision shall apply if the person in charge of investing the warehouse is a company where one of its partners, who owns at least (10%) ten percent of its capital, practices a commercial activity included in the prohibition provided in Clause (1) above.

### **Article (178)**

1. The bailer shall provide the public warehouse with correct data about the nature, type, value and quality of the goods warehoused.
2. The bailer may examine the goods delivered to the public warehouse for his account and to take samples thereof.

### **Article (179)**

1. The warehouseman shall be responsible for the goods handed over to him up to a sum not exceeding that estimated by the bailer.
2. The warehouseman shall not be held accountable for any loss or deficit sustained by the goods if such loss or deficit caused by a force majeure event or by the nature of the goods or packing thereof.

### **Article (180)**

The warehouseman may, after notifying the bailer, apply to the court to which jurisdiction the public warehouse pertains to grant him permission to sell the goods warehoused if they are subject to immediate damage, and the court shall designate the method of sale.

### **Article (181)**

1. The bailer shall receive from the warehouseman a storage receipt showing the bailer's name, occupation and domicile, as well as the type, nature and quantity of the goods warehoused, name and location of the warehouse, name of the insurer of the goods (if any) and such other particulars as are required to identify the goods and indicate their value.
2. A pledge deed stating all the data mentioned in the storage receipt shall be attached to each storage receipt.
3. The warehouseman shall keep one true copy of the original storage receipt and the pledge deed.

### **Article (182)**

Where the goods stored in respect of which a storage receipt and a pledge deed have been

issued are fungible, they may be replaced by goods of the same nature and quality provided that a stipulation to that effect has been included in both the storage receipt and the pledge deed. In such case, all the rights and privileges of the receipt or pledge deed holder shall transfer to the new goods.

### **Article (183)**

1. The storage receipt and the pledge deed may be issued in the name of or to the order of the bailer.
2. Where the storage receipt and the pledge deed are made to the order of the bailer, he may assign them together or separately by means endorsement.
3. The endorsee of a storage receipt and/or a pledge deed may request that the endorsement be registered along with his domicile and occupation in the copy kept by the warehouseman.

### **Article (184)**

1. The endorsement of the storage receipt and the pledge deed must be dated.
2. Where the pledge deed is endorsed separately from the storage receipt, the endorsement shall be accompanied by the authorization condition and shall include the sum of the debt secured by the pledge, the maturity date, the creditor's name, occupation, domicile and the signature of the endorser.
3. The endorsee shall request that the pledge deed endorsement as well as any relevant particulars to be registered in the books of the warehouse and that the pledge deed be marked up with such endorsement and particulars.

### **Article (185)**

1. The holder of both the storage receipt and pledge deed may receive goods warehoused. However, he may request that the goods be divided into several batches and to receive a storage receipt and pledge deed for each batch.
2. The holder of the pledge deed alone without the storage receipt shall have the right of pledge on the goods warehoused.
3. The holder of the storage receipt alone without the pledge deed may recover the goods warehoused; provided that he pays the debt secured by the pledge deed if such debt is due, and if not, he may recover the goods before the maturity date of the debt, and he deposits with the warehouseman a sufficient sum to pay off the debt with its interest and expenses until it falls due. This provision shall apply if the debt is due and the holder of the pledge deed fails to appear to cash it. The recovery of the goods warehoused may be restricted to one portion thereof after paying a sum that is proportionate to the value of such portion.

### **Article (186)**

Where the debt secured by the pledge deed is not paid on the maturity date, the holder of the pledge deed separate from the storage receipt may request for the goods pledged to be sold, pursuant to the procedures set forth in Article (170) above.

### **Article (187)**

1. The mortgagee shall have a priority right over all creditors for collecting his right from the price of the goods after deduction of the following amounts:
  - a. Taxes and duties due on the goods;
  - b. Judicial expenses incurred for the joint interest of creditors; and

- c. Expenses incurred for the safekeeping, storage and sale of goods.
- d. Any amount exceeding the sum of money due to the holder of the pledge deed shall be paid to the holder of the storage receipt if he is present at the time of the sale of goods. If he is not present, the sum shall be deposited in the treasury of the court which has ordered the sale.

### **Article (188)**

1. The holder of a pledge deed may not have recourse against the debtor or endorsers until the execution over the mortgaged goods has been effected and it has been established that it is insufficient to pay off the debt.
2. The holder of a mortgage deed shall have recourse against the endorser within (15) fifteen days from the date on which goods are sold, otherwise his action shall be rejected in case of denial.
3. In all cases, the action of holder of a mortgage deed for recourse against endorsers shall be barred if he fails to initiate the execution proceedings against the mortgaged goods within (30) thirty days from the maturity date of the debt.

### **Article (189)**

Where the goods stored suffer an accident, the holder of the storage receipt or the pledge deed shall have all the rights over the insurance sum which accrues upon the occurrence of such accident as those he had over the goods.

### **Article (190)**

1. In case of loss or perishing of the storage receipt, the holder thereof may apply to the Civil Court to which jurisdiction the public warehouse pertains for an order to be issued to

deliver a copy to him of the said receipt; provided that he establishes his ownership thereof and provides a sufficient guarantor or security.

2. In case of loss or perishing of the pledge deed, the holder may obtain an order from the court against the debtor for repayment of the secured debt upon maturity; provided that he produces a sufficient guarantor or security. If the debtor fails to execute the order, the person in whose favor the order is issued may request that the goods mortgaged to be sold, pursuant to the procedures set forth in Article (170) above; provided that the endorsement has been registered in the copy kept by the warehouseman, and that the notice requiring the repayment contains the particulars of such endorsement.

### **Article (191)**

1. A guarantor who has been presented in the case of loss of the storage receipt shall be discharged of liability upon recovery of the goods or upon the lapse of (3) three years if no claim for the recovery of the goods is submitted to the warehouse.
2. A guarantor who has been presented in the case of loss of the pledge deed shall be discharged of liability upon the lapse of (3) three years from the date of registering the endorsement in the books of the public warehouse.

### **Article (192)**

1. Where the bailer fails to recover the goods upon the expiry of the warehousing contract, the warehouseman may request the sale thereof, pursuant to the procedures set forth in Article (170) above. He shall collect the sums due to him from the proceeds of the sale and shall hand over the balance to the bailer or deposit such balance in the court treasury for the bailer's account.
2. The provision of Clause (1) above shall apply if the storage term is indefinite, and one year

lapses and the bailer does not request to recover the goods or express his desire to continue in the warehousing contract.

### **Article (193)**

1. Without prejudice to any severer penalty, any person who establishes or invests a public warehouse without obtaining the license set forth in Clause (2) of Article (176) above shall be sentenced to imprisonment and/or a fine not less than (AED 20,000) twenty thousand dirhams and not more than (AED 100,000) one hundred thousand dirhams.
2. The court may, in case of conviction, order the closure of the warehouse until the violator obtains the required license, and it may also order the liquidation of the warehouse.

## **Part Five**

### **Stock and Commodities Market**

#### **Article (194)**

A stock market or a commodities market may be opened in the State only after obtaining the necessary licenses according to the legislation governing stock markets and commodity markets in force in the State.

## **Part Six**

### **Commercial Agency**

#### **Chapter One**

#### **General Provisions**

### **Article (195)**

1. An agency shall be commercial when it relates to commercial activities.
2. The application of the provisions set out in this Part shall be effected in so far as they do not contradict the Law of Commercial Agencies, referred to in this Law.

### **Article (196)**

1. A commercial agency shall be deemed paid, save where otherwise agreed upon.
2. Where the agent's remuneration is not fixed in the agreement and is not stated in the Law, it shall be fixed according to customs, and in the absence of custom, the court shall estimate it.

### **Article (197)**

The remuneration shall accrue to the agent by the mere execution of the transaction assigned to him or if he proves that it was not executed due to reasons attributed to the principal. In all other cases, the agent shall be entitled to only a remuneration for his efforts and expenses to be paid in accordance with customs (if any) or pursuant to the court's estimation in the absence of customs.

### **Article (198)**

A commercial agency, even though it has a general power of attorney, shall apply only to commercial business, save where otherwise agreed upon.

### **Article (199)**

Where the commercial agency is granted for a specific commercial transaction, the agent may carry out all actions required to execute such transaction with no need to obtain an

authorization from the principal.

### **Article (200)**

1. The agent shall adhere to the compulsory and express instructions of the principal. If he violates such instructions without an acceptable excuse, the agent may refuse the transaction. However, as for guidelines issued by the principal, the agent shall have the exclusive authority to act within the scope of the general objectives set by the principal for the agent.
2. Where no express instructions are dictated by the principal concerning the transaction, the agent shall delay its execution and request instructions from the principal, unless the delay in implementing the transaction may cause damage to the principal or unless the agent is authorized to act without instructions from the principal.
3. The agent may delegate a third party to implement the agency if he is so authorized by the principal.

### **Article (201)**

Where the agent implements the tasks assigned to him under conditions that are more beneficial than those stipulated in the agency, he may not acquire the difference which in such a case belongs to the principal, save where otherwise agreed upon.

### **Article (202)**

Where the goods or items held by the agent for the account of the principal are highly perishable or are subject to value declination and no instructions are received from the principal in this respect within a reasonable time, the agent may raise a prompt request to the court for authorization to sell them and determine the method of sale.

### **Article (203)**

The agent may refrain from performing the work entrusted to him where performance requires exorbitant expenses which have not been paid by the principal, unless otherwise agreed upon between the two parties or unless there are previous dealing between them stating that such expenses shall be paid by the agent.

### **Article (204)**

Where the agent refuses to execute the transaction entrusted to him, he shall forthwith notify the principal thereof. In such case, the agent shall keep safe the goods and other things which he keeps for the principal until he receives instructions in this respect. If the instructions are not received within a reasonable time, the agent may request the court to authorize him to deposit the goods and other things with a trustee to be appointed by the court.

### **Article (205)**

The agent shall be liable for such damage and loss as are suffered by the goods and other items which he keeps for the principal, save where such damage or loss has been arisen by an external cause beyond the agent's control of the agent or from a defect that is inherent in the goods or items.

### **Article (206)**

The agent shall not be bound to insure the items which he keeps for the principal unless the latter so requires, or where the insurance is obligatory according to the law or custom, or if the nature of the item so dictates.

### **Article (207)**

1. The agent may not constitute himself as a second party to the transaction assigned to him for execution except in the following cases:
  - a. If the principal authorizes him to do so;
  - b. If the principal's instructions concerning the transaction are express and specific and precisely executed by the agent; and
  - c. If the transaction is related to a commodity which has a fixed price in the market and the agent has bought it for himself or has sold it to the principal from his own money at such price.
  - d. The agent shall not be entitled to any remuneration against the agency in the above cases.

### **Article (208)**

A third party dealing with the agent may request to peruse the agency contract, correspondence and other documents establishing the agent's authority. Any restrictions to the agent's authority shall not be valid vis-à-vis third parties, except if it is established that such parties were aware of such restrictions at the time of concluding the contract.

### **Article (209)**

The agent shall inform the principal of the transactions he concludes for the principal's account.

### **Article (210)**

The agent shall submit to the principal on the agreed date or on the date fixed by custom or by their previous dealings an account of the business carried out for his account. Such account

shall be in conformity with the facts. If false particulars have been premeditatively included therein, the principal may reject the relevant transactions and shall further be entitled to claim damages. The agent shall not receive any remuneration for the said transactions.

### **Article (211)**

The agent may retain possession of the goods and other items dispatched to, deposited with or delivered to him, as a security for the remunerations and expenses due to him from the principal.

### **Article (212)**

Both parties to the commercial agency contract may terminate it at any time, and no compensation is due except if the termination occurs without prior notice or at an inconvenient time. Where the contract has a fixed term, it may be terminated only for a serious and acceptable reason, otherwise compensation will be required.

### **Article (213)**

Where the principal does not have a known domicile in the State, the domicile of his agent shall be deemed to be his domicile. He may be litigated against and have official papers served to such domicile with regard to the business conducted by the agent for the principal.

### **Article (214)**

Anything related to the regulation of commercial agency business shall be governed by the relevant laws.

## **Chapter Two**

### **Certain Types of Commercial Agencies**

#### **Article (215)**

##### **I:Contract Agency**

1. A contract agency is a contract whereby an agent undertakes to carry out, continuously and in a specific area of activity, instigation and negotiation in order to conclude transactions for the benefit of the principal in return for a remuneration. The contract agent's task may include the conclusion and implementation of such transactions in the name of the principal and for his account.
2. A contract agency shall be in writing and shall indicate in particular the scope of agency, remuneration of the agent, area of activity, contract term, in case of a fixed-term contract, and the trademark (if any) of the commodity subject of the agency.

#### **Article (216)**

A contract agent shall carry out his agency and manage his commercial activity in an independent manner, and shall solely bear the expenses necessary to conduct his activity.

#### **Article (217)**

Where the contract stipulates that the contract agent shall set up showrooms, warehouses for goods or maintenance or repair facilities, the contract term may not be less than five years, unless otherwise agreed.

### **Article (218)**

1. The contract agent may not receive the principal's rights, unless the principal grants him this right, and in which case, the agent may not make any reduction or grant a time limit without obtaining a special authorization therefor.
2. The contracts agent may receive such orders as are related to the performance of the contracts entered in through him, as well as any complaints concerning the non-performance of such contracts. He shall further be deemed as the representative of his principal in the actions relevant to said contracts, whether filed by or against him, in the area of activity of the agent.

### **Article (219)**

1. The principal shall pay the agreed remuneration to the agent.
2. Such remuneration may be a percentage of the transaction value, which shall be calculated on the basis of the price of sale to the customers, unless otherwise agreed.

### **Article (220)**

The contracts agent shall be entitled to a remuneration for transactions concluded by him or for those whose non-conclusion is due to the principal's act, unless otherwise stipulated by the contract.

### **Article (221)**

The principal shall provide the agent with all information necessary for the implementation of the agency.

### **Article (222)**

1. The contracts agent shall be bound to safeguard the principal's rights and he may take all the precautionary measures to that effect. He shall as well provide the principal with the information pertaining to the market condition at the area of his activity.
2. The contracts agent may not, even after termination of the contractual relationship, divulge the principal's secrets which may come to his knowledge as a result of the execution of the agency.

### **Article (223)**

In the event where the principal replaces the contracts agent by a new agent, the latter shall be jointly responsible with the principal for the payment of the compensation decided by the court to the previous agent whenever it is established that the replacement of the previous agent was a result of collusion between the principal and the new agent.

### **Article (224)**

Notwithstanding the rules of jurisdiction provided for in the Civil Procedure Code, the court within its jurisdiction the contract performance is located shall be competent to hear all disputes arising from the contracts agency.

### **Article (225)**

A distribution contract whereby a merchant undertakes to promote and distribute products of an industrial or commercial facility in a specific area on an exclusive distributorship basis, shall be considered as a contract agency, and shall be governed by the provisions of Articles (218), (223) and (224) hereof.

### **Article (226)**

In case of denial and lack of lawful excuse, all cases arising from a contract agency shall be barred after the lapse of (3) three years from the termination of the agency.

### **Article (227)**

#### **II: COMMISSION AGENCY**

1. A commission agency is a contract whereby the agent undertakes to carry out in his own name a legal act for the account of the principal against a commission to be received from the principal.
2. Where the commission agent carries out the legal act in the name of the principal, he shall be governed by other general provisions of the commercial agency.

### **Article (228)**

1. Where the commission agent sells at a lower price or buys at a higher price than that fixed by the principal, and the latter wishes to refute the transaction, the principal shall notify the agent thereof within one week from the date on which he is informed that said transaction was concluded, otherwise, he shall be considered as having accepted the price.
2. The principal may not reject the transaction if the agent accepts to bear the price difference.

### **Article (229)**

1. Where the commission agent buys for the account of the principal goods of a type or category that is different from that requested by the principal, the latter shall not be bound to accept the same.

2. Where the commission agent buys goods which are in conformity to the goods requested but in a larger quantity, the principal shall be bound to accept only the quantity which he requested.

### **Article (230)**

Where the commission agent enters into a contract with conditions better than the ones identified by the principal, the benefit shall be reverted to the principal. However, the agent shall provide his statement of account based on the real conditions whereby the transaction has been made.

### **Article (231)**

1. Where a commission agent who is assigned to sell grants the buyer, without the permission of the principal, is given a time limit for payment of the price or makes the price payable by installments, the principal may require the commission agent to pay the whole price immediately. In such case, the commission agent may retain for himself the price difference and its interests (if any).
2. Nevertheless, the commission agent may grant a time limit for payment of the price or make the price payable by installments, without the principal's permission, if it is the custom to do so at the area where the sale is effected, save where the principal's instructions bind the agent to effect the sale on an advance payment basis.

### **Article (232)**

Where the instructions of the principal require the commission agent to effect sale against a deferred price and the latter effects the sale for an advance payment lower than the same, the principal may not require him to pay the price until maturity of the term fixed by him. In such

case, the commission agent shall pay the price on the basis of a deferred-payment sale.

### **Article (233)**

1. A commission agent may not change trademarks affixed to the goods received by him from the principal or for the principal's account.
2. Where the commission agent has possession of a whole bunch of goods of the same kind which were dispatched to him by different principals, he shall distinctively label each batch of goods.

### **Article (234)**

1. A commission agent may disclose the name of the principal for whose account he enters into contract, unless the principal requires him not to do so. The disclosure of the principal's name shall not result in a change in the nature of the agency, as long as the commission agent enters into a contract in his name.
2. The commission agent shall disclose to the principal the name of the third party with whom he contracts if the principal requires him to do so. If he refrains from doing so without an acceptable excuse, he may be considered as a guarantor of the implementation of the transaction.
3. In all cases, the commission agent shall establish the existence of the third party with whom he contracted if the principal requires him to do so.

### **Article (235)**

1. A commission agent shall be directly liable to third party with whom he entered into contract, and such third party shall also be directly liable to the commission agent.
2. A third party with whom the commission agent has entered into contract may not have

direct recourse against the principal, nor may the latter have direct recourse against such third party, unless the Law provides for otherwise.

### **Article (236)**

1. Further to his right of seizure, the agent shall have lien over goods and other items dispatched by the principal or stored with or delivered to the agent.
2. Such lien shall secure the agent's remuneration and any expenses and sums he pays on behalf of the principal or he lends to him, along with their interests and other sums that may accrue to the agent on account of the agency, irrespective of whether such amounts have been paid before delivery of the goods or items or while they were in the possession of the agent.
3. The said lien shall established without regard to whether the debt has arisen from business related to the goods or items which are still in the agent's possession or to other goods or items which had previously been stored with, delivered or dispatched to the agent.

### **Article (237)**

1. The agent shall not have any the right of lien referred to in Article (236) above unless he possesses goods or items for the principal's account. Such possession shall be realized in the following cases:
  - a. Where the agent has effectively received the goods or items;
  - b. Where the goods or items were placed at his disposal in a public warehouse or customs;
  - c. Where he possesses the same de jure before their arrival under a bill of lading or any other bill of carriage; and

- d. Where he has dispatched the goods and has retained possession thereof under a bill of lading or any other bill of carriage.
2. In case the goods or items subject to the right of lien are sold and delivered to the buyer, the agent's lien shall pass on to the price.

### **Article (238)**

The agent's lien shall have priority over all other liens, except judicial expenses and sums due to the Government.

### **Article (239)**

1. The execution proceedings adopted for a commercially mortgaged item shall apply to the execution against goods and items in possession of the agent.
2. Where the agent is assigned to sell the goods or items in his possession, he may obtain execution thereon by selling them without having to comply with the proceedings referred to Clause (1) above, unless he fails to implement the principal's express instructions issued in respect of the sale.

### **Article (240)**

1. Where the commission agent who is assigned to sell is declared bankrupt before receiving the price, the principal may claim payment of the price directly from the buyer.
2. Where the commission agent who is assigned to buy is declared bankrupt before he receives the item sold, the principal may claim delivery of the item sold directly from the seller.

### **Article (241)**

1. A commission agent shall not guarantee the fulfillment of his obligations by the third party with whom he contracted, unless he assumed expressly this guarantee, or if such guarantee is stipulated by Law, or if it is customary at the area where he carries out his activity.
2. A commission agent, who is guarantor of the fulfillment by the contractor of his obligations, shall be entitled to an additional remuneration to be determined by the court where there is no agreement or custom in this respect.

### **Article (242)**

A commission agent may not delegate to a third party the work entrusted to him, unless he obtains the permission of the principal to do so. If he delegates another agent to carry out such work, the person delegated shall have no right of seizure or lien except to the limit of the debt due to the original commission agent.

### **Article (243)**

## **III: COMMERCIAL REPRESENTATION**

A commercial representation is a contract whereby a commercial representative undertakes to conclude, on a permanent basis and within a specific area, transactions in the name and for the account of his principal.

### **Article (244)**

A commercial representative shall not warrant the implementation of transactions concluded through him, unless he had expressly agreed to such warranty or in case the custom in the area where he carries out his activity dictates such warranty.

### **Article (245)**

1. A merchant shall be liable for any transactions and contracts entered into by his representative within the limits of the delegation conferred on him by the merchant.
2. Where the representative is delegated to by several merchants, they shall jointly assume the liability.
3. If the representative is delegated by a company, the company shall be liable for his work, and the partners' liability shall depend on the type of company.

### **Article (246)**

1. Where the limits of the authority vested in the commercial representative have not been determined, the authority shall be deemed general and comprehensive for all the transactions related to the kind of trade which the representative has been delegated to carry out.
2. A merchant may not invoke the limitation of delegation against a third party unless he establishes that such third party is aware of such limitation.

### **Article (247)**

A commercial representative shall carry out, in the name of the merchant who conferred delegation on him, the commercial activities which he has been authorized to undertake on behalf of the merchant. Upon signing the same, he shall place next to his name in full the full name of the merchant and shall indicate his capacity as commercial representative, otherwise, he shall be personally liable for his own action. Nevertheless, third parties may have direct recourse against the merchant with regard to the transactions concluded by the representative in connection with the trade which he has been delegated to carry it out.

### **Article (248)**

A commercial representative may represent the merchant in actions arising from the commercial transactions carried out by him.

### **Article (249)**

A commercial representative shall be jointly liable with the merchant for complying with the law provisions related to unfair competition.

### **Article (250)**

A commercial representative may not carry out any commercial transaction of the kind for which he is represented for his own account or for the account of a third party, without the express prior consent of the merchant who appointed him.

### **Article (251)**

Where it is agreed that the commercial representative shall be the exclusive general representative of the merchant in the agreed area, the commercial representative shall be entitled to a commission for each transaction concluded for the account of the merchant in such area, even if the merchant has concluded it by himself or if it was concluded through a person other than the commercial representative, except if it is established that the failure to conclude the transaction through the commercial representative is attributed to a reason related to the representative himself.

## **Part Seven**

### **Brokerage**

#### **Article (252)**

Brokerage is a contract whereby a broker undertakes to another person to look for and mediate in negotiations with a second party, in order to enter into a specific contract, in consideration of a fee.

#### **Article (253)**

1. Where the broker's fee is not fixed in the Law or the agreement, it shall be determined according to the customs. In the absence of a custom, the judge shall estimate it according to the transaction value, the effort exerted by the broker and the time spent by him while carrying out the task assigned to him.
2. The judge may reduce the fee agreed if it is not commensurate with the nature of the transaction and the effort exerted by the broker. No reduction may be decided if the fee was agreed upon or if it was willingly paid by the customer after the conclusion of the contract brokered by the broker.

#### **Article (254)**

1. A broker shall be paid for his brokerage if such brokerage results in the conclusion of the contract between the two parties. The contract shall be deemed to have been concluded when both parties have agreed on all substantial matters therein.
2. The broker shall be entitled to receive his fee by the mere conclusion of the contract, even it was not implemented, unless otherwise required by the Law or custom.
3. Where the contract is pending to a condition precedent, the broker shall receive the fee only when such condition is realized.

4. Where it is impossible to enter into a contract for a reason attributable to the customer, the broker shall be entitled to compensation commensurate with the effort exerted.

### **Article (255)**

Where the contract which has resulted from the broker's brokerage is terminated, the broker may claim his fee or keep it where he has already received it, unless fraud or serious error is established on his part.

### **Article (256)**

Where the broker brokers the conclusion of a legally-prohibited transaction, he shall not receive any fee in consideration of such transaction.

### **Article (257)**

1. The broker shall be entitled to receive a fee only from the party to the transaction who has delegated him.
2. Where the broker has been delegated to by both parties, each of them shall be severally liable to the broker for payment of the fee due to him, even if they had agreed that either party will bear the broker's fee in full.

### **Article (258)**

A broker, even if he is delegated only by one of the transaction parties, shall submit a faithful offer to them and inform them of all circumstances known to him, and he shall be liable to them for any fraud or fault committed by him.

### **Article (259)**

A broker may not recover the expenses incurred by him in the execution of the task assigned to him, unless otherwise agreed. In such case, the said expenses shall be payable even if the contract has not been concluded.

### **Article (260)**

A broker may not claim his fee or recover his expenses if he has caused damage to either contracting party in favor of the other contracting party who did not assign him to broker in the conclusion of the contract, or where he has obtained a promise from such other party contrary to the good faith in order to obtain a benefit for himself.

### **Article (261)**

A broker may not act as second party to the contract for which he acts as a broker, unless the contracting party authorizes him to do so. In such case, the broker shall not be entitled to a fee.

### **Article (262)**

1. A broker shall record in regular entries all the transactions concluded through his endeavors, and shall keep the relevant documents, and shall further give a true copy of all the foregoing to any contracting party requesting the same. The said entries shall be governed by the same provisions of commercial books.
2. In case of sale according to samples, the broker shall keep the sample until the goods are accepted by the buyer, without any reservation, or until all conflicts are settled between the two parties in this respect.

### **Article (263)**

A broker shall be liable to compensate any damage arising from the perishing or loss of documents, papers or items delivered to him pertaining to the transaction for which he is brokering, unless he proves that such perishing or loss was due to a force majeure event.

### **Article (264)**

A broker may not render brokerage for persons who are reputed for their insolvency, or if he knew them to be unqualified.

### **Article (265)**

1. A broker shall not be required to guarantee the solvency of the two parties to the transaction in which he acts as a broker and shall bear no liability for its implementation or for the value and quality of the goods related thereto, unless an act of fraud or fault is established on his part, or where he acts as a guarantor under the agreement or Law.
2. The broker shall be jointly liable for the implementation of the transaction with the contracting party if he has an interest therein in addition to his fee.

### **Article (266)**

1. Where a broker designates another person to perform the task assigned to him without being authorized to do so, he shall be liable for the designee's action as if such action has been made by him; however, both the broker and his designee shall jointly assume the liability.
2. Where the broker is authorized to designate a designee without naming the person of such designation, the broker shall be liable only for his fault in selecting his designee or his fault in the instructions issued by him to the designee.

3. In all cases, the person who has assigned the broker may have direct recourse against the designee.

### **Article (267)**

Where several brokers have been assigned for one contract, they shall be jointly liable for the task entrusted to them, unless they have been authorized to act severally.

### **Article (268)**

Where several persons assign one broker for a joint task, they shall be jointly liable to the same for the performance of such task, unless otherwise agreed upon.

### **Article (269)**

Brokerage in stock markets and goods shall be governed by the provisions of the relevant laws and regulations.

## **Part Eight**

### **Carriage**

#### **Chapter One**

#### **General Provisions**

### **Article (270)**

A carriage contract is a contract whereby a carrier undertakes to carry by his own means a person or an item from one place to another in return for a fee.

### **Article (271)**

Apart from maritime transport, the provisions stipulated in this Part shall apply to all kinds of carriage, regardless of the carrier's capacity, subject to those provisions stipulated in the laws concerning certain kinds of carriage and the provisions of the international carriage conventions applicable in the State.

### **Article (272)**

The provisions set forth in this Part shall apply to carriage even if it is associated with operations of another nature, as long as such operations do not constitute the main objective of the contract.

### **Article (273)**

1. A carriage contract and a commission agency contract for carriage shall be concluded by the mere association of an offer and an acceptance, unless both parties agree to defer such conclusion to the time of delivery. The contract may be proved by all means of evidence.
2. The receipt by the carrier of the item subject to carriage shall be deemed as an acceptance by him of the offer made by the consignor.
3. A passenger's boarding on the means of transport shall be considered as an acceptance of the offer made by the carrier, unless it is established that the passenger's intention was not to conclude a carriage contract.

### **Article (274)**

1. Where the carrier uses multiple forms of contracts and the two parties have not agreed to adopt a specific form, the carriage shall be effected according to the form which includes the general conditions.

2. Where the two parties agree to adopt a specific form, the conditions stated therein shall be indivisible.

### **Article (275)**

1. Where the carrier holds a concession of a certain type of carriage or of the utilization of specific lines of transport, it shall be bound to accept all requests raised to the same, save where a request is contrary to the prescribed carriage conditions or where it is impossible for the carrier to execute it for reasons beyond its control.
2. Where the carriage requests exceed the capacity of the means of carriage which the carrier is licensed to use, he shall accept such requests according to their dates of submission, so that the request first raised shall have precedence over subsequent requests, unless some of such requests have priority pursuant to the carriage conditions.

### **Article (276)**

The carrier's liability shall cover his acts and those of his subordinates when such acts are committed by them in the course of rendering their services. All persons employed by the carrier for the performance of its obligations under the carriage contract shall be considered as a subordinate.

### **Article (277)**

1. Explosion, burning, derauling or collision of the carriage means or any other accidents attributed to the tools and machines used by the carrier in the performance of the carriage and may constitute a force majeure event in the performance of the carriage contract, even if the carrier establishes that he has adopted precautionary measures to guarantee the suitability of said carriage means for work and to prevent the occurrence of damage.

2. Accidents attributed to sudden death or physical or mental weakness of the carriage subordinates at work may not constitute a force majeure event, even if the carrier proves that he had taken precautionary measures to guarantee their physical and mental fitness.

### **Article (278)**

A carrier may not be held accountable for compensating any damage arising from the disruption of carriage or deviation from the route set due to necessity to provide assistance to any sick, injured or endangered person.

### **Article (279)**

1. Fraud in the performance of a carriage contract shall mean any act or omission committed by the carrier or his subordinates with the intent to cause damage.
2. A serious error shall mean every act or omission committed by the carrier or his subordinates with imprudence associated with awareness of the damage which may be caused.

## **Chapter Two**

### **Contract of Carriage of Things**

#### **Article (280)**

1. The consignor shall provide the carrier with the particulars concerning the consignee's name and address, destination of the carriage, kind of items intended for carriage, as well as their value, weight, volume, quantity, packaging and wrapping method, number of parcels included and any other particulars as are sufficient to identify the item required to be transported, in addition to the delivery time limit and the route to be followed.
2. The consignor shall be held accountable for any damage arising from false or insufficient particulars provided by him.

## Article (281)

1. The bill of lading shall contain, in particular, the following data:
  - a. Date of the bill and the location where it was executed;
  - b. Names and places of residence of the consignor, consignee, carrier and the commission agent (if any);
  - c. Place of departure and destination;
  - d. Particulars related to the identification of the items carried and their value;
2. The date fixed for the performance of the carriage;
  - a. Freightage and other expenses with an indication of whether they are payable by the consignor or the consignee; and
  - b. Conditions pertaining to the loading and unloading, type of transport means required to be used for carriage, the route to be followed, determination of the liability and any other special conditions which may be included in a carriage contract.
3. The bill of lading may be executed in the name of or to the order of a specified person or to bearer.
4. The bill of lading shall be circulated according to the rules of the assignment of rights where it is nominative, by endorsement if made out "to order" and by delivery where it is made out "to bearer", without being concerned with the carriage or possession of goods.

## Article (282)

1. The consignor may require the carrier to hand him a copy of the bill of lading.
2. Where no bill of lading is executed, the consignor may require the carrier to deliver to him a receipt signed by the carrier purporting to the receipt of the item carried. Such receipt shall be dated and must include the sufficient particulars to identify the item carried and the

freightage.

### **Article (283)**

The bill of lading and the receipt issued and signed by the carrier purporting to the receipt of the item carried shall constitute evidence for the particulars stated therein. Any person claiming the contrary to such particulars shall have to establish same.

### **Article (284)**

1. The rights and obligations arising from the carriage contract shall neither be established for nor be binding on the consignee, unless he accepts such rights and obligations either expressly or implicitly.
2. The receipt by the consignee of the bill of lading or of the item intended for carriage, as well as his requiring to deliver the same to him or to issue instructions in this respect, shall be deemed as an implicit acceptance of rights and obligations arising from the carriage contract.

### **Article (285)**

1. The consignor shall deliver to the carrier the item to be carried and the documents necessary for the performance of the carriage. The consignor shall be held liable where such documents are insufficient or untrue. Meanwhile, the carrier shall be liable for the loss or misuse of such documents.
2. Where the carriage requires special preparations, the consignor shall so notify the carrier within sufficient time prior to the delivery of the item to be carried.
3. Delivery shall take place at the place of business of the carrier, unless otherwise agreed upon.

## **Article (286)**

1. Where the nature of the item intended to be carried requires special preparations for carriage, including packaging or wrapping, the consignor shall take such precautions as would protect it from perishing or damage, and as would not expose the other persons or items carried with it to injury or damage respectively. Where the carriage conditions require a specific method of packaging or wrapping, the consignor shall be required to adhere thereto.
2. The consignor shall be further liable for the damage arising from any defect in packaging or wrapping and the carrier shall be jointly liable with the consignor for such damage if he has accepted to perform the carriage with his knowledge of the defect. The carrier shall be deemed to be aware of the defect if it is apparent or of the type which cannot be concealed to an ordinary carrier.
3. A carrier may not deny its liability for perishing or loss of one of the carried items by proving that the damage has arisen from a defect in the packaging or wrapping of another item, and any agreement to the contrary shall be null and void.

## **Article (287)**

1. A carrier may examine the items to be carried, in order to verify their condition and the authenticity of the particulars provided by the consignor in this respect.
2. Where such an examination requires the opening of the wrappings or containers, the consignor shall be notified to attend the examination. Where the consignor fails to show up on the scheduled date, the carrier may undertake the examination in his absence; however, the carrier may claim the examination fees from the consignor, unless otherwise agreed.

3. Where the examination shows that the condition of the item does not allow its carriage without damage, the carrier may refuse to carry it or may carry it after taking from the consignor a declaration that he is aware of the condition of the item to be carried and that he agrees the carriage thereof. In such case, it is required to establish in the bill of lading the condition of the item and the consignor's declaration.

### **Article (288)**

The receipt by the carrier of the items to be carried without any reservations shall constitute evidence that he received them in good condition and in conformity with the particulars stated in the bill of lading. Where the carrier claims otherwise, it shall be required to prove it.

### **Article (289)**

1. The carrier shall ship and stack the item to be carried on board of the ordinary means of carriage, unless otherwise agreed.
2. Where the consignor requires the shipping to be made on board a specific type of means of carriage, the carrier shall not be liable for damage caused by the use of such type of means of carriage, unless it has been caused by its own fault or the fault of its subordinates.

### **Article (290)**

1. The carrier shall follow the route agreed upon. In the absence of an agreement for a specified route, the carrier shall take the shortest route.
2. A carrier may change the route agreed upon or take a longer one where a necessity arises compelling it to do so. In such case, the carrier shall bear no liability for the delay and other damage which may result from the change of route, unless fraud or gross fault is

established on its part or on the part of its subordinates.

### **Article (291)**

1. The carrier shall ensure the safety of the item during the performance of the carriage contract.
2. Where the safekeeping of the item during carriage route necessitates re-packaging or repair, increase or decrease of wrapping or any other necessary measures, the carrier shall undertake this and pay any costs required therefor, unless otherwise agreed upon. Notwithstanding the foregoing, the carrier shall not be committed to take any extraordinary measures in the transport such as the supply of food and water to animals, provide medical services or other services or irrigate plants, unless otherwise agreed upon.

### **Article (292)**

1. The carrier shall unload the item upon arrival, unless unloading is carried out by the consignee or another person under an agreement, law, regulation or instructions. In such case, the carrier shall not be liable for any damages resulting from the unloading.
2. In all cases, the carrier shall bear the unloading costs, unless otherwise agreed upon.

### **Article (293)**

1. Where the delivery is not required at the place of the consignee, the carrier shall notify him of the arrival of the item carried and of the time on which he may take delivery thereof.
2. The consignee shall receive the item on the date fixed by the carrier, otherwise, he shall bear the storage fees. Upon the expiry of the time limit set for delivery, the carrier may carry the item to the consignee's place in consideration of additional freightage.

3. The consignee may require to examine the item before receiving it, and if the carrier fails to enable him to do so, the consignee may refuse to receive the item.

### **Article (294)**

1. Where the item to be carried is in possession of the carrier, the consignor may order him to refrain from executing the carriage, to stop it or to return the item to him, or to direct it to a person other than the original consignee or to any other place or issue any other instructions; provided that the consignor shall pay the freightage and costs of that part performance of the carriage and compensate the carrier for any damage he may have sustained as a result of the new instructions. Where the consignor receives a copy of the bill of lading, he shall return it to the carrier, so that he enters therein the new instructions which shall be signed by the consignor, otherwise, the carrier may refrain from implementing such instructions.
2. The right to issue instructions concerning the item carried shall pass on to the consignee by the mere fact that he receives the bill of lading or when he accepts expressly or implicitly the carriage contract. In which case, the bill of lading shall be returned to the carrier to record therein the new instructions which shall be signed by the consignee, otherwise, the carrier may refrain from implementing same.

No new instructions related to the item to be carried may be issued, after the arrival of the transported item and the request of the consignee to receive it or notifying the consignee to attend to receive it.

### **Article (295)**

The carrier shall execute the instructions issued to him by whomever is entitled to do so, pursuant to the provisions of Article (194) above, unless the carriage conditions prohibit the

same, or unless it is impossible for the carrier to execute such instructions, or if execution thereof would cause a disturbance in the traffic, or if the value of the item carried is not sufficient to cover the expenses incurred by the carrier due to execution of the instructions. In all such cases, the carrier shall notify the person who issued the new instructions of his abstention from execution and the reason for such abstention. The carrier shall not be liable for said abstention, unless it is unreasonably withheld.

### **Article (296)**

1. Where an obstacle prevents the commencement of carriage, or if the carriage is disrupted during its execution, or if the consignee fails to appear to receive the item carried, or if he appears but abstains from paying the freightage or expenses due, the carrier shall notify the consignor accordingly and seek further instructions. Notwithstanding the provisions of Article (294) above, the carrier shall implement the instructions received by him from the consignor, even if he fails to return a copy of the bill of lading given to him by the carrier.
2. Where the consignor fails to issue instructions in a timely manner, the carrier may appeal the court to state the condition of the item and to authorize him to store it with a trustee for the account of the consignor and at the consignor's liability.
3. Where the item is perishable or subject to the declination of value, or where its maintenance costs are exorbitant, the court may order to be sold in the manner specified by it and the price shall be deposited in the court treasury for the account of the persons concerned.

### **Article (297)**

The consignor shall pay to the carrier the freightage and other costs which may accrue, save

where it is agreed that they shall be borne by the consignee, in which case, both the consignor and consignee shall be jointly liable to pay them to the carrier.

### **Article (298)**

The carrier shall not be entitled to freightage in respect of such items perished in consequences of a force majeure event.

### **Article (299)**

1. Where a force majeure event prevents the execution of carriage, no freightage shall accrue to the carrier. However, if said force majeure event hinders the carriage from being completed, the carrier shall be entitled to receive the freightage for the part performance of the carriage.
2. In all cases, the carrier may claim payment of the loading and unloading costs and other necessary costs.

### **Article (300)**

The right to claim for the recovery of the sum paid in surplus to the freightage agreed or prescribed in the carriage conditions shall be vested in the person who paid the freightage.

### **Article (301)**

1. The carrier may withhold the item carried in satisfaction of the freight, expenses and other sums payable thereto.
2. The carrier shall have a lien over the price collected from the enforcement against the items carried, in satisfaction of the freight and other sums payable to the carrier because of the carriage. The provisions regulating the procedures of enforcement against

commercially-pledged items shall apply in this regard.

### **Article (302)**

1. From the moment the carrier receives the item to be carried, the same shall be held accountable for its destruction, in whole or in part, damage and delayed delivery thereof.
2. An item shall be deemed totally perished if the carrier fails to deliver it or to notify the consignee to attend to receive it within (30) thirty days following the expiry of the time limit set for delivery, or upon the expiry of the time limit usually required by an ordinary carrier for the carriage had it been in the same circumstances or if no date for delivery has been fixed.

### **Article (303)**

The carrier shall not be liable for destruction or impairment of the item carried after being delivered to the consignee, the agreed-upon customs point or the trustee appointed by the court for safekeeping of the item, except where fraud or gross fault is established on the part of the carrier or its subordinates.

### **Article (304)**

1. The carrier shall not be held accountable for any loss in weight or volume that usually occurs to the item during the carriage process due to its nature, unless it is proved that such a loss has resulted from any other cause.
2. Where the bill of lading covers several items divided into groups or parcels, the tolerable loss of weight shall be determined on basis of the weight of each group or parcel in case such a weight is, or could have been, specified separately in the bill of lading.

### **Article (305)**

Where the item is carried in the custody of the consignor or consignee, the carrier shall not be liable for its destruction or damage, unless fraud or gross fault is proved on the part of the carrier or its subordinates.

### **Article (306)**

The carrier may not deny its liability for the destruction, damage, or delayed delivery, of the item carried, save where the same proves a force majeure event, a defect inherent to the item carried, a fault committed by the consignor or consignee or an act of the Government.

### **Article (307)**

1. Any condition relieving the carrier from liability for total or partial destruction or damage of the item carried shall be null and void. Moreover, any condition relieving the carrier of such liability if arising from the acts of its subordinates shall also be null and void. Any condition that would bind the consignor or consignee, in any capacity whatsoever, to pay all or part of the insurance expenses against the carrier's liability shall be deemed as an act of relief from liability.
2. The carrier may require its total or partial relief from liability for delayed delivery.

### **Article (308)**

1. The carrier may require that its liability for the total or partial destruction or damage of the item be limited; provided that the liquidated damages are not fictitious, and the same shall be subject to the court's discretion in case of conflict.
2. The liquidated damages shall not be payable if the carrier proves that the consignee did not sustain any damage.

3. Where the damage value is less than the amount of the liquidated damages, the judge may reduce such amount to make it equivalent to the damage value. Nevertheless, where the damage exceeds the liquidated damages amount, it is not permissible to claim more than such amount, unless it is established that the carrier or its subordinates have committed fraud or a gross fault, as in the latter case, the carrier shall indemnify the damage in full.

### **Article (309)**

The condition for limitation of, or relief from liability for delayed handover shall be established in writing, otherwise, it shall be deemed null and void. Where the carriage contract is executed on printed forms, the said condition shall be clear and explicitly stipulated; otherwise, the court may consider it null and void.

### **Article (310)**

The carrier may not invoke the condition of liability limitation or relief for delayed delivery where fraud or gross fault is proved on its part or on the part of its subordinates.

### **Article (311)**

1. Where the item carried is perished or damaged and its value is not indicated in the bill of lading, the indemnity shall be determined on the basis of its real value at the venue and time of arrival, unless otherwise stipulated by law or agreement. Save in case of total destruction, the indemnity shall be determined taking into account the tolerable loss permitted according to the customary practices.
2. Where the value of the item carried is indicated in the bill of lading, the carrier may object to the same and prove, by all means of evidence, the real value of the item.
3. Apart from fraud and gross fault committed by the carrier or its subordinates, the carrier

shall not be held accountable for the loss of the item entrusted to it for carriage, including money, commercial papers, jewelries or any other precious items, except to the extent of the express written particulars provided by the consignor at the time of delivering the item for carriage.

### **Article (312)**

1. No indemnity shall be concurrently claimed for both total loss and delayed delivery of the item carried.
2. The indemnity for total destruction loss shall include the value of the item perished and any loss sustained by the claiming party in consequences of such destruction.
3. The indemnity for delayed delivery shall, in case of partial destruction, awarded only for the undestroyed part.
4. In all cases, the court-ordered indemnity shall not exceed the indemnity amount falling due in the event of the total destruction of the item.

### **Article (313)**

Where the item is partially damaged or perished or its delivery is delayed, so that it no longer becomes valid for the purpose of its use, and the carrier's liability for such damage, destruction or delayed delivery is established, the party claiming indemnity may waive the item in favor of the carrier against indemnity to be determined on basis of the total destruction of the underlying item.

### **Article (314)**

1. Where indemnity is paid due to the item destruction, but then the underlying item is found within one year following such payment, the carrier shall forthwith notify the indemnity-

receiving person of the same and ask such a person to attend to inspect it at the place where it has been found, the place of departure or the place of arrival, at his option.

2. Where the indemnity-receiving person fails to send his instructions within (15) fifteen days of the date of receiving the notification, if he sends the instructions but fails to attend on the date fixed by the carrier for inspection, or if he attends but refuses to get the item back, the carrier may then dispose of the item.
3. Where the indemnity-receiving person requests that the item be returned to him, he shall refund the indemnity received after deducting the expenses of the claim plus a sum equivalent to the damage sustained due to the delayed delivery of the item.

### **Article (315)**

1. Receipt of the items carried and payment by the consignee of the freight shall invalidate any legal proceedings against the carrier if the defect that had occurred therein is apparent. However, where such defect is not apparent, it may be proved, but the legal proceeding instituted on the ground of such defect shall only be admitted if a notice is served regarding the defect within (72) seventy-two hours of the time of receipt, and the claim is submitted to the court within (30) thirty days.
2. The condition of the goods shall be established either by the competent authorities or by an expert appointed by the court on an urgent basis.
3. The provisions of this Article shall not apply where it is established that the defect was a result of fraud or gross fault committed by the carrier or its subordinates or where it is established that the carrier and its subordinates have intentionally concealed the defect.
4. The receipt of movables for which a contractual relationship is established on or via modern means of technology shall be governed by the rules and provisions set forth in the relevant statutes.

### **Article (316)**

1. Where several carriers successively perform a single carriage contract, the first carrier shall be liable towards the consignor and consignee for the whole carriage operation, and any provision to the contrary shall be null and void.
2. Each of the carriers subsequent to the first one shall only be liable towards the latter or towards the consignor or consignee for the damage occurring in the part of carriage performed by it. Where it is not possible to identify the part in which the damage occurred, the indemnity shall be divided between all the carriers in proportion to each carrier's share in the freight. In case any of such carriers is insolvent, its share shall be divided among the others in accordance with the same proportion.
3. The carrier proving that the damage did not occur in the part of carriage executed by it shall be relieved from the liability.

### **Article (317)**

Each of the consecutive carriers may require that the item carried be examined and its condition be established upon delivery thereof to it by the preceding carrier. Where the carrier receives such an item without making reservations, it shall be assumed that it has received it in a good condition and in conformity with the particulars stated in the bill of lading, unless evidence to the contrary is furnished.

### **Article (318)**

The last carrier shall be liable towards the preceding ones for claiming payment from the consignee of the sums due because of the carriage, and it may collect such sums on their behalf and take all legal measures for collection thereof, including, among others, the use of

the right of withholding, and the right of lien over, the item subject of carriage.

### **Article (319)**

In case of denial and lack of lawful excuse, the following legal proceedings shall be barred:

1. Legal proceedings instituted against the carrier on the grounds of delayed delivery, destruction or damage arising from a contract of carriage of items after (6) six months in respect of carriage within the State and after (1) one year in respect of overseas carriage, as of the date of delivery of the item to the consignee, the customs point or the trustee appointed by the court for safekeeping the item. In case of total destruction of the item carried, the limitation period shall commence as of the expiry date of the time limit stipulated in Article (302.2) above.
2. The legal proceeding instituted by one carrier as a recourse against the consecutive carriers, pursuant to Article (316.2) above upon the passage of (60) sixty days of the date of payment of the indemnity or of the date of the formal claim for indemnity.

### **Article (320)**

Any person or subordinate of a person having committed an act of fraud or gross fault may not invoke the limitation period of legal proceedings set forth in Article (319) above.

## **Chapter Three**

### **Passenger Carriage Contract**

#### **Article (321)**

1. A passenger shall pay the carriage fare on the date agreed upon or the date stated in the carriage schedules or as dictated by the customary practices, and shall abide by the carrier's instructions with regard to the carriage.

2. The carrier shall carry the luggage carried by the passenger during the travel, and the passenger shall not pay any fare for the transport of his luggage, except where such luggage exceed the maximum threshold stated in the carriage tariff or the threshold recognized by customary practices.

### **Article (322)**

1. Where a force majeure event prevents the commencement of carriage or where, before execution of carriage, circumstances occur rendering such carriage a threat to lives, the carrier shall not pay any indemnity on the grounds of failure of execution, nor shall the latter be entitled to receive the fare.
2. Where the force majeure event or threat to lives arises after commencement of execution of carriage, the carrier shall receive the fare only for that part of carriage executed by it.

### **Article (323)**

Where carriage is not possible because of death or illness of the passenger or due to any other compelling impediments, the carriage contract shall be terminated and the fare shall not be payable.

### **Article (324)**

1. Where the passenger decides against travelling before its commencement, he shall notify the carrier of his decision before the date set for execution of the carriage. In case of extreme necessity, such notification may be served on the same day.
2. Where the notice is served according to Clause (1) of this Article, the carrier's fare shall not be payable. However, the carrier may claim compensation for the damage sustained by it due to the fact that the passenger has refrained from the carriage.

### **Article (325)**

Where the passenger refrains from continuing the trip after commencement thereof, the full fare shall be payable, unless his refrainment is attributed to extreme necessity, in which case, he shall pay only the fare corresponding to the executed part of carriage.

### **Article (326)**

Without prejudice to the provisions of Articles (324) and (325) hereof, where the passenger fails to attend on the time scheduled for carriage, he shall pay the full fare and he may, whether he paid the full fare before or after the date scheduled, request that the carriage be executed on a later date, unless otherwise agreed.

### **Article (327)**

1. Where carriage is cancelled prior to the commencement or completion thereof for a reason attributable to the carrier or its subordinates or the means of carriage used by it, the passenger shall not be required to pay the fare, without prejudice to the passenger's right to claim compensation, if applicable.
2. Where carriage is disrupted after the commencement thereof for a reason attributed to the carrier or its subordinates or the means of carriage used by it, the passenger may refrain from continuing the trip and the carrier shall, in this case, bear the costs of carrying the passenger to the agreed-upon place. However, the passenger may choose to wait until the traffic resumes and shall not be required in such case to pay any additional fare.

### **Article (328)**

The passenger may, before commencement of execution, relinquish the carriage ticket, unless

it is issued in the passenger's name or delivered to him based on special considerations.

### **Article (329)**

1. The carrier shall prepare for the passenger a seat in the agreed-upon class, and the latter may recover from the carrier the difference in case he is compelled to travel in a lower class than the one indicated on his ticket.
2. Where the passenger pays an additional fare against special benefits, he may claim that such additional fare be reimbursed to him if the carrier fails to provide the corresponding benefits.

### **Article (330)**

1. The carrier may withhold the passenger's luggage in satisfaction of the fare and the price of food or other items served to him during the performance of the carriage contract.
2. The carrier shall have lien over the price of the passenger's luggage in satisfaction of the carriage fare and other amounts payable to it due to carriage. The proceedings of enforcement against commercially pledged items shall apply in this respect.

### **Article (331)**

1. The carrier shall carry the passenger and his luggage to the destination place on the date agreed upon, and if no date is specified, then within the time limit required by an ordinary carrier under the same circumstances.
2. The carrier may, prior to carriage commencement or during the trip, examine the passenger's luggage in his presence to ensure their conformity with the carriage conditions.

### **Article (332)**

1. The carrier shall be liable for the safety of the passenger during the performance of the carriage contract, and any agreement relieving the carrier from such liability shall be null and void.
2. The performance of a carriage contract shall cover the period between the moment the passenger starts to board the means of transport at the place of departure until he disembarks at the place of arrival. Where there are quays/platforms for the means of transport to lay by, the performance of the contract shall cover the period lying between the moment the passenger embarks the quay/platform at the place of departure and his exit therefrom at the place of arrival.
3. Where necessity arises during the trip to replace the means of transport, the liability shall not cover the period of transfer of the passenger from one means of transport to the other without the custody of the carrier or its subordinates or agents.

### **Article (333)**

1. The carrier shall be liable for the delayed arrival and for such bodily or non-bodily injuries sustained by the passenger during the performance of the carriage contract.
2. The liability set out in Clause (1) shall only lapse if the carrier proves that the delay or injury is due to force majeure, the passenger's fault or a third party's act.

### **Article (334)**

1. Any condition that relieves the carrier, in full or in part, from liability with regard to bodily injuries sustained by the passenger shall be null and void.
2. Any condition which aims to make the passenger, in any way, compelled to pay all or any of the insurance expenses against the carrier's liability shall be deemed as an act of relief

from liability.

### **Article (335)**

1. The carrier may stipulate a condition relieving itself from the liability, in full or in part, arising from the delay of the passenger and non-bodily injuries that may be sustained by the latter in the course of carriage.
2. The condition of relief from liability shall be executed in writing, otherwise, it shall be considered null and void. Where the carriage contract is executed on printed forms, the condition shall be clear and explicitly stipulated; otherwise, the court may consider it null and void.
3. The carrier may not invoke the condition of relief from liability, in full or in part, where an act of fraud or gross fault is proved on the part of the carrier or its subordinates or agents.

### **Article (336)**

1. Passengers shall watch over their own luggage and animals permitted to be carried with them. The carrier shall not be liable for any loss or damage which may be sustained by the same, save where the passenger proves that such loss or damage is due to a fault by the carrier or its subordinates.
2. The passenger shall be liable for the damage sustained by the carrier or third parties due to the luggage or animals carried with him.
3. As for the luggage delivered to the carrier, the carriage thereof shall be governed by the provisions related to the carriage of items.

### **Article (337)**

1. Where a passenger dies or falls ill in the course of performance of the carriage contract, the carrier shall take such measures as deemed necessary to safekeep its luggage until they are delivered to the persons concerned.
2. Where any of the persons concerned is present at the place where death or illness occurs, he may intervene to monitor the measures adopted by the carrier to safekeep the luggage, and request the carrier to deliver to him a declaration that the passenger's luggage is in his custody.

### **Article (338)**

Heirs and dependents of a passenger may, in execution of a maintenance obligation, institute an action for liability arising from the carriage contract in case of the passenger's death, regardless of whether the death occurred directly after the incident or after the lapse of a period of time.

### **Article (339)**

The carrier's liability for a passenger's death or bodily injury shall be limited to the blood money amount for manslaughter, pursuant to the statutes in force in the State. However, such amount may be agreed to be specified in an amount not less than such blood money amount.

### **Article (340)**

1. The liability claim arising from the passenger's death or bodily injury shall not be heard after (3) three years following the day of death, injury or the date when the reason for the same becomes known.
2. Any other action arising from a passenger carriage contract shall not be heard following

the lapse of one year from the date scheduled for arrival, and where no date is scheduled, the same shall not be heard from the date usually required by an ordinary carrier for the carriage under the same circumstances.

3. A person who, by himself or through his subordinates, commits fraud or serious error, shall not invoke the inadmissibility of the case set forth in this Article.

## **Chapter Four**

### **Commission Agency for Carriage**

#### **Article (341)**

1. A commission agency for carriage is a contract whereby the agent undertakes to enter into a carriage contract in his own name and for the benefit of his principal and to carry out, where necessary, such operations as related to the carriage, in consideration of a commission to be received from the principal. A commission agent for carriage shall, with regard to the consignor, have the same liability of the carrier.
2. Where the commission agent undertakes carriage by his own means, he shall be governed by the provisions of the carriage contract, unless otherwise agreed upon.

#### **Article (342)**

Notwithstanding the provisions set forth in this Chapter, the provisions of commission agency shall apply to the commission agency for carriage.

#### **Article (343)**

The principal may, at any time, cancel the order for carriage before the commission agent enters into the carriage contract. In such case, the principal shall refund to the commission agent the expenses incurred by him and shall compensate him for any work performed.

### **Article (344)**

1. The commission agent for carriage shall implement his principal's instructions, particularly those instructions related to the date of carriage, the selection of the carrier and the carriage means and the route to be followed.
2. The commission agent may not charge his principal any fare/freight exceeding the one agreed upon with the carrier, and any benefits obtained from the carrier by the commission agent shall extend to the principal, unless otherwise agreed upon in the commission contract or as dictated by the customary practices.

### **Article (345)**

The commission agent for carriage shall be liable for the safety of passengers or the items carried, and any agreement to the contrary shall be null and void.

### **Article (346)**

1. The commission agent shall be held accountable for the destruction of the item carried, in full or in part, any damage suffered thereby or the delayed delivery of such goods. The commission agent may not deny such liability unless he proves a force majeure event, an inherent defect of the goods or a fault of the principal or the consignee.
2. In case of passenger carriage, the commission agent shall be liable for the delayed arrival and for such bodily or non-bodily injuries as are suffered by the passenger in the course of the carriage contract. The commission agent may not deny his liability, except by proving a force majeure event or a fault committed by the passenger. The commission agent's liability for passenger's death or bodily injury shall be limited to the blood money amount for manslaughter, pursuant to the statutes in force in the State. However, such

amount may be agreed to be specified in an amount in an amount less than such blood money amount.

3. In all cases, the commission agent may have recourse against the carrier where such recourse is well-grounded.

### **Article (347)**

1. Any condition relieving the commission agent for carriage, in whole or in part, from liability for bodily injuries suffered by the passenger shall be null and void.
2. Any condition which imposes on the passenger, in any manner whatsoever, the payment of all or any of the insurance costs against the liability of the commission agent shall be deemed as an act of relief from the liability.

### **Article (348)**

1. The commission agent for carriage may stipulate that it be relieved, wholly or partially, from the liability arising from the destruction of, damage to, or delayed delivery of the goods carried, as well as from the liability arising from the delayed arrival of the passenger or bodily injuries sustained by him during carriage.
2. The condition of relief from liability shall be executed in writing, otherwise, it shall be null and void. Where the commission agency contract is executed on printed forms, such condition shall be clear and explicitly stipulated, otherwise, the court may consider it null and void.
3. The commission agent for carriage may not invoke the condition of total or partial relief from liability where fraud or gross fault committed by him or by his subordinates or by the carrier or its subordinates is established.

### **Article (349)**

1. The principal and passenger shall each have direct recourse against the carrier to claim the rights arising from the carriage contract. The carrier shall also have direct recourse against each of the principal and passenger to claim such rights. In all cases, the commission agent shall be involved in the relevant case.
2. The passenger, in respect of the carriage contracts of persons, and the consignee, in respect of the carriage contract of items, shall each be entitled to direct recourse against the principal, the carrier and commission agent for carriage for the rights arising from the carriage contract.

### **Article (350)**

Where the commission agent pays the fare/freight to the carrier, he shall subrogate the latter in respect of its rights.

### **Article (351)**

The original commission agent shall be liable for the commission agent in respect of the carriage assigned by the former, unless the consignor has appointed the commission agent under the agreement concluded with the original principal.

### **Article (352)**

The provisions of Articles (319), (320) and (340) above shall apply to the inadmissibility of the cases arising from commission agency contract for carriage.

## **Chapter Five**

### **Provisions Pertaining to Air Carriage**

#### **Article (353)**

1. Air carriage mentioned herein shall mean the carriage of persons, luggage and goods by airplanes in consideration of a fee.
2. Luggage referred to in Clause (1) above shall mean items which the passenger is allowed to carry with him aboard the airplane or which are delivered to the carrier for safekeeping during the flight.

#### **Article (354)**

Without prejudice to the international conventions to which the State is a party, the provisions of this Part shall apply to air carriage, subject to the specific provisions stipulated in the following Articles.

#### **Article (355)**

An air carrier shall be held liable for such damage sustained as a result of a passenger's death, wounding or bodily injury occurring during air carriage or during any of the operations of the passenger's boarding or disembarkation of the airplane.

#### **Article (356)**

1. An air carrier shall be held liable for such damage sustained due to the destruction, loss or damaging of the registered luggage and goods if the incident which caused the damage occurred during the air carriage.
2. Air carriage shall include the period during which the luggage and goods are in the custody

of the carrier during the flight or during the presence of the airplane at an airport or in any place where the airplane has landed.

3. Air carriage shall not cover the period when the luggage or goods are being carried by land, sea or river outside the airport. However, where such carriage is necessary to ship the luggage or goods or deliver them or to transfer them from one airplane to another, in pursuance of an air carriage contract, it shall be presumed that the damage resulted from an incident which occurred during the air carriage period until the contrary is proved.

### **Article (357)**

An air carrier shall be held liable for damage caused by the delayed arrival of passengers or the registered luggage or goods.

### **Article (358)**

An air carrier shall not be liable for small personal items which are retained in the custody of passengers during the flights. The air carrier may not be held accountable for the same unless the passenger proves that the carrier or its subordinates have failed to take the necessary measures to prevent the occurrence of the damage.

### **Article (359)**

1. In case of passenger carriage, the compensation ordered by the court against the carrier where the passenger dies or is injured shall not be less than the amount of the prescribed blood money pursuant to the statutes in force in the State, and a greater amount may be agreed upon.
2. In case of carriage of luggage and goods, the compensation amount shall not exceed (AED 500) five hundred dirhams per kilogram, unless it agreed to exceed this sum.

Nevertheless, where the consignor, upon delivering the luggage or goods, submits a specific statement indicating that he attaches particular importance to the delivery of the same in safe condition at the place of arrival, due to its value, and if he pays such additional freight as required by the carrier for the same, the carrier shall pay the compensation according to the value indicated by the consignor, save where the carrier proves that such value exceeds the real value of the luggage and goods.

3. Where a parcel is lost or damaged or its delivery is delayed and the same has an effect on the value of the other parcels covered by the same carriage application form, the total weight of such parcels shall be taken into consideration upon establishing the liability limit.
4. As for personal or small items, which remain in the custody of passengers during the flight, the compensation awarded in favor of each passenger for the destruction of or damage to such items may not exceed the sum of (AED 5,000) five thousand dirhams.
5. The air carrier may not invoke the limitation of liability stipulated in this Article where it is proved that the damage is caused by an act or omission of the carrier or its subordinates, whether with intent to cause damage or due to imprudence coupled with awareness that damage might arise therefrom. Where the act or omission is committed by the subordinates, it shall also be established that it was committed in the course of performance of their duties.

### **Article (360)**

An air carrier shall be held liable within the limits set forth in Article (359) above, regardless the capacity of the litigants in the civil liability action.

### **Article (361)**

1. Where an action for compensation is brought against any of the carrier's subordinates, he may invoke the limitation of liability set forth in Article (359) where it is proved that the act which has caused the damage was committed by him during the performance of his duties.
2. However, no subordinate of the carrier may invoke the limitation of liability where it is proved that the damage is caused by an act or omission by him, whether with intent to cause damage or with imprudence coupled with awareness that damage is likely to arise out.

### **Article (362)**

1. The airway bill shall contain a statement that the carriage is taking place in accordance with the liability limitation provisions set out in Article (359) above, otherwise, the carrier or its subordinates may not invoke such provisions.
2. Any condition relieving the air carrier from liability or limiting such liability in amount less than that specified in Article (359) above shall be null and void, except where the item carried has perished or has sustained damage due to its nature or due to an inherent defect.

### **Article (363)**

The consignee's receipt of the luggage or goods at the place of arrival without having any reservation shall constitute a presumption that he has received them in a good condition and in conformity with the conditions of the airway bill, unless otherwise proved.

### **Article (364)**

1. Where the luggage or goods arrive damaged, the consignee shall serve a notice to the carrier immediately upon detection of the damage, not later than (7) seven business days with regard to luggage, and (14) fourteen business days with regard to goods from the date of their receipt. In case of delayed arrival of luggage or goods, the notice shall be served within (21) twenty-one business days at the most from the day on which the luggage or goods are placed at the disposal of the consignee.
2. The notice may be served in the form of an objection to be recorded in the airway bill at the time of receiving the luggage or goods.
3. The action for liability against the carrier shall be inadmissible where the notice is not served within the time limits specified in this Article, unless the plaintiff proves that the carrier or its subordinates have committed an act of fraud or deception in order to miss such time limits or to conceal the damage sustained by the luggage or goods.

### **Article (365)**

1. Where the carriage is made free of charge, the air carrier shall assume no liability, unless it is proved that the carrier or its subordinates have committed a fault, in which case, the carrier shall be held accountable within the limits stipulated in Article (359) above.
2. Carriage shall be deemed free of charge where it is performed without a fare and the carrier is not a professional carrier. However, where the carrier is a professional carrier, the carriage shall not be considered free of charge.

### **Article (366)**

An aircraft pilot may impose compulsory measures on all persons on board, and may decide to remove any person or items whose presence on board the aircraft might constitute a threat

to its safety or prejudice to the order in the aircraft.

### **Article (367)**

An air carrier shall be relieved from liability if it proves that the entire damage is caused by the fault of the injured person. The carrier's liability may be reduced by the court where it is proved that the fault of the injured person has contributed to causing the damage.

### **Article (368)**

The plaintiff shall have an option to institute his case before one of the following courts:

1. The court within its jurisdiction the carrier's domicile is located;
2. The court within its jurisdiction the head office of the carrier's business is located;
3. The court within its jurisdiction the carrier has an establishment or legal entity which has entered into the carriage contract on its behalf; or
4. The court of the place of destination.

Any stipulation bringing an amendment to the rules of jurisdiction, referred to hereinabove, shall be null and void, unless it is stipulated before occurrence of the damage in question.

### **Article (369)**

In case of consecutive carriage performed by several successive carriers, each carrier shall be deemed a party to the carriage contract with regard to the period performed by it. However, the carrier having entered into the consecutive carriage contract shall assume the liability for all the period agreed in the contract, even if it is not personally performed by such carrier in whole or in part.

## **Article (370)**

The right to bring an action for liability against the air carrier or any of its subordinates shall not be heard after the lapse of two years following the day on which the airplane arrives or was supposed to have arrived, or following the day on which the carriage was stopped.

## **Book Three**

### **Banking Transactions**

#### **Part One**

#### **Bank Deposits, Transfers and Accounts**

#### **Chapter One**

#### **Bank Deposits**

#### **Article (371)**

1. A bank cash deposit is a contract whereby one person delivers a sum, by any means of payment, to the bank which undertakes to return it upon request or according to the agreed conditions.
2. A bank shall acquire the ownership of the money deposited, and shall be entitled to dispose of the money for the needs of its own business, with an obligation to refund the like to the depositor. Such refund shall take place in the same currency of deposit.

#### **Article (372)**

1. Save where otherwise agreed upon, the money deposit shall be refunded immediately upon request. The depositor may at any time dispose of the balance or any part thereof.
2. The said right may be conditional upon a prior notice or the expiry of a specific time limit.

### **Article (373)**

Save where the deposit is intended for investment, a cash deposit shall be considered a debt and an offset may be conducted between it and a debt owed by the depositor to the bank, and any agreement to the contrary shall be null and void.

### **Article (374)**

Where the bank issues a saving deposit book, it shall be issued in the name of the person in whose favor the book is issued, and deposits and withdrawals shall be entered therein. The particulars entered in such book, which are signed by the bank's employee, shall constitute evidence for proving the said particulars between the bank and the person in whose favor the book is issued, and any agreement to the contrary shall be null and void.

### **Article (375)**

Unless otherwise agreed upon, deposits and withdrawals shall be conducted in any branch of the bank, or according to the methods and means approved by the bank with respect to opening accounts via modern means of technology.

### **Article (376)**

Where the depositor has several accounts in one bank or in the same branch of a bank, each account shall be deemed separate from the other(s), unless otherwise agreed.

### **Article (377)**

Subject to the provisions of Article (391) hereof, a deposit contract shall not entitle the depositor to withdraw amounts from the bank exceeding the sums deposited therein. Where the bank carries out transactions which cause the depositor's balance to be in debit, the bank

shall forthwith inform the depositor of the same in order to adjust his balance.

### **Article (378)**

The bank shall send to the customer a statement of account once every month, unless otherwise agreed upon.

### **Article (379)**

The bank may open a joint account, including a deposit account or any other account, between two or more persons with equal shares among them, unless otherwise agreed and recorded with the bank, subject to the following provisions:

1. A joint account shall be opened by all its owners or by one person holding a power of attorney from the owners of the joint account duly authenticated by an official competent authority. Withdrawals from such account shall be conducted according to the agreement of the account owners
2. Where the balance of a joint account's co-owner is seized, the said seizure shall apply to the Distrainee's share of the account balance as of the day on which the bank is served with the seizure notice. In such a case, the bank shall suspend withdrawals from the joint account as equivalent to the share seized. The co-owners of the joint account or their representatives shall be informed of the seizure within a period not exceeding (5) five business days from the day of imposing the seizure.
3. When the bank carries out an offset between various accounts of a co-owner of a joint account, it may include such joint account in the offset only with the written consent of the other co-owners.
4. Upon the death or lack of capacity of a joint account's co-owner, the other co-owners shall notify the bank of the same not later than (10) ten days from the date of death or lack of

capacity. The bank shall, from the date of being so notified, suspend the withdrawal from the joint account within the limits of such person's share of the account balance on the date of his death or lack of capacity. No withdrawal may be made from the shares of the deceased or the person lacking the capacity until a successor is appointed.

## **Chapter Two**

### **Bank Transfer**

#### **Article (380)**

1. A bank transfer is a transaction whereby a bank records a specified sum in the debit side from the account of the person who has ordered the transfer, based on a written order from the ordering customer, and such amount is recorded in the credit side of another account.
2. The following may be achieved through the foregoing transaction:
3. The transfer of a specified sum from the account of one person to the account of another person, each of whom having an account with the same bank or in two different banks; or
4. The transfer of a specified sum from one account to another both of which are opened in the name of the person who has ordered the transfer in the same bank or in two different banks.
5. An agreement between the bank and the customer ordering the transfer shall provide for the conditions of the order issue; however, the order of transfer may not be made to the bearer.

#### **Article (381)**

Where the bank transfer is conducted between two branches of the same bank or between two different banks, every objection by third parties to this transfer shall be addressed to the

branch or the bank where the beneficiary's account is opened.

### **Article (382)**

The transfer order may be conducted in respect of sums which are actually entered in the account of the person ordering the transfer, or in respect of sums which may be entered in such account within a specified period as is agreed with the bank.

### **Article (383)**

It may be agreed that the beneficiary may present the transfer order in person to the bank where the account of the person ordering the transfer is opened, rather than informing the bank of the same by the ordering person.

### **Article (384)**

1. The beneficiary shall own the bank transfer value as of the time of being entered in the debit side of the account of the person ordering the transfer; and the latter may countermand the transfer order until the foregoing entry is made.
2. Where it is agreed that the beneficiary shall present the transfer order to the bank in person, the person ordering the transfer may not countermand the transfer, subject to the provisions of Article (389) hereof.

### **Article (385)**

The debt in settlement of which the transfer is made shall remain outstanding with its securities and supplements until the value has been actually entered in the credit side of the beneficiary's account.

### **Article (386)**

It may be agreed to postpone the execution of specified transfer orders, whether they are sent directly by the person ordering the transfer or presented by the beneficiary, until the end of the day in order to have them executed with other orders of the same kind and presented to the bank on the same day.

### **Article (387)**

1. Where the transfer order is addressed directly by the person making the order to the bank, the latter may, where the balance of such person is less than the value indicated in the transfer order, refuse to execute the order; provided that it notifies, without delay, such refusal to the person ordering the transfer.
2. Where the transfer order is presented by the beneficiary and its value is higher than the ordering person's balance, the bank shall credit the beneficiary's account with the partial balance, unless the beneficiary refuses the same. The bank shall further annotate on the transfer order the crediting of the partial balance or the beneficiary's refusal of the transfer.
3. Where several beneficiaries present themselves to the bank at the same time and the value of the transfer orders held by them exceed the balance of the person ordering the transfer, they shall be entitled to require the distribution of the insufficient balance between them, each according to his share.
4. Where the bank refuses to execute the transfer order or where the beneficiary refuses to accept the transfer of the partial balance, pursuant to Clauses (1) and (2) above, the person ordering the transfer shall have the right to dispose of such balance.
5. Where the bank fails to execute the transfer order on the first business day following the day on which it is presented, the order shall, within the limits of the non-executed part, be considered null and void and must be returned to the person who presented it against a

receipt. Where an agreement is reached for a longer period, the transfer order which has not been executed shall be added to the orders submitted on the following days.

### **Article (388)**

In case of death of the person ordering the transfer, the bank shall, as of the date on which the death comes to the knowledge of the bank, cease execution of the transfer orders issued by him. Where the beneficiary dies, the bank shall carry on the execution of the transfer orders.

### **Article (389)**

1. Where the beneficiary is declared bankrupt, the person making the order may suspend the execution of the transfer order, even if the beneficiary has received it in person.
2. The declaration of bankruptcy by the person making the order of transfer shall not prevent the execution of the transfer orders which had been presented to the bank prior to the issue of the bankruptcy declaration judgment, save where the court decrees otherwise.
3. The provisions of the preceding two Paragraphs shall apply in so far as they do not contradict the Bankruptcy Law.

## **Part Two**

### **Current Account**

#### **Article (390)**

A current account is a contract between two persons under which the rights and debts arising from their mutual relationship are converted into entries to be made in the account for which clearance shall be conducted, so that the final balance, upon the closure of the account, shall alone constitute a payable debt.

### **Article (391)**

1. A bank may open a current account for its customer where the transactions carried out by said bank are coupled with opening a credit or a credit facility in his favor.
2. It may be agreed that the account shall not be overdrawn from the customer's side with a continuously credit balance. It may also be agreed that said account shall be overdrawn on both sides, i.e. it could have a debit or credit balance with regard to both parties.

### **Article (392)**

In order for the payments to be entered in a current account, they must:

1. Be in cash or fungible items of one kind, so that clearance may be conducted between them;
2. Have arisen from debts that are actually existing and are of a specific amount; and
3. Have delivered to the payee on basis of ownership.

### **Article (393)**

The two parties may keep several current accounts, as long as each account is restricted to one specific kind of transactions or currencies.

### **Article (394)**

A contract of current account shall result in the following:

1. The ownership of cash and funds delivered and entered in the current account shall be transferred to the party who received them.
2. The entry of a commercial paper in the current account is deemed to be valid and its value shall not be taken into consideration where it is not paid on the date of maturity, in which case, it may be returned to its owner and a counter entry is made in such manner as

specified in Article (407) hereof.

3. The totality of the items of the current account shall be indivisible before the closure of the account and extraction of the final balance.
4. Clearance may not be affected between one item in a current account and another item in the same account.
5. Items entered into the current account shall not terminate the rights of either party regarding such contracts and transactions arising from such items.
6. Save where otherwise agreed, each party to a current account may at any time dispose of his credit balance.

#### **Article (395)**

1. All debts arising from business relations, as are conducted between both parties to the current account, shall by the operation of the law be entered in said account, save where such debts are secured by legal or contractual securities.
2. Debts secured by contractual securities, whether they have been established by the debtor or a third party, may be entered in the current account, where all the parties concerned have expressly agreed on such entry.

#### **Article (396)**

1. Where it has been agreed to enter a debt secured by a contractual security in the current account, such security shall pass to guarantee the balance of the account on closure by the amount of the debt, without regard to any changes which may occur to the account during its course of operation, save where otherwise agreed upon.
2. Where the Law provides for certain measures for concluding the security or invoking it against third parties, such security shall not pass to guarantee the current account balance,

and it may be invoked only from the date on which such measures are made.

### **Article (397)**

Where the debts due to either party are entered in the current account, they shall lose their special characteristics and independent existence and shall neither, thereafter, be susceptible to settlement separately, nor to clearance, suing or lapse by prescription.

### **Article (398)**

1. Where the entries of a current account contain cash debts evaluated in various currencies or non-fungible items, both parties may agree to have them entered in the current account; provided that they are entered under separate sections with due regard to the similarity of the payments represented thereby and that both parties allow the account to maintain its unity in spite of its several sections.
2. The balances of said sections shall be transferable, so that it would be possible, within the time limit specified by both parties or at most when closing the account, to conduct an offset between the various sections to extract a single balance.

### **Article (399)**

1. Payments made by the customer into the current account shall bear no interests, unless otherwise agreed upon. The interest shall be calculated at the rate agreed upon. Where the rate of interest has not been fixed in the agreement, it shall be calculated on basis of such rate of interest prevailing in the market at the time of transaction up to (9%).
2. Interest shall apply to the debit balance as of the date of closure of the account, save where otherwise agreed upon.

### **Article (400)**

1. Where a time limit has been fixed for the closure of the account, it shall be closed on the expiry of said limit; however, it may be closed before the expiry of such time limit by mutual agreement of both parties.
2. Where a time limit is not set for the current account, it may be closed at any time at the wish of either party, in compliance with the time limits prescribed for notices as agreed upon or as customary.
3. In all cases, the account shall be closed upon the death of either party or lack of capacity or where either party is declared bankrupt, the legal person expires, the bank is removed from the list of operating banks or the bank ceases to carry out its business.

### **Article (401)**

A current account shall between a bank and its customer shall be deemed closed at the end of the bank's financial year. Such closure shall not be considered as a closure of the account; however, it shall remain open with its balance being carried forward to the same current account. The said account shall resume its operation on the next business day.

### **Article (402)**

Where the current account is closed, the balance shall be deemed a payable debt, unless both parties agree on otherwise, or where some of the transactions required to be entered into the account are still current and the entry would adjust the balance amount. In in which case, the balance debt shall be payable on the day following the date of the last entry required for such transactions.

### **Article (403)**

The general rules prescribed for the limitation of actions shall apply to the debit balance and its interests.

### **Article (404)**

Where the sum of a debt entered into the account is released or reduced due to a reason after being entered in the account, such entry shall be removed or reduced, as the case may be, and the account shall be adjusted accordingly.

### **Article (405)**

A creditor of either party to the current account may garnish the credit balance of the judgment debtor at the time of the garnishment.

### **Article (406)**

1. Where either party to the current account is declared bankrupt, no garnishment made over its properties after the date fixed by the court for the suspension of payment may be invoked against the Body of Creditors, in order to secure the potential balance debt to the extent of the debit balance amount at the time when the garnishment is established.
2. Nevertheless, the garnishment may be invoked against the Body of Creditors as to the difference, if any, between the debit balance amount at the time when the garnishment is decided and the balance amount at the time of closing the account, save where it is established that the judgment creditor was aware, when the garnishment was decided, that the debtor had stopped payment.

### **Article (407)**

1. Where the proceeds of deducting a commercial paper is entered in the current account but the value thereof is not paid on the date of maturity, the person who deducted the instrument may remove the entry of its value into the current account by a counter entry, even if the person who presented it for deduction has been declared bankrupt.
2. A counter entry means an entry of a sum equal to the value of the commercial paper, plus the expenses, in the debit side of the current account.
3. A counter entry may be made only with regard to such commercial papers as have not been paid on their maturity dates. Any agreement to the contrary shall be null and void.

### **Article (408)**

In case of denial and lack of lawful excuse, a legal action for the rectification of the current account shall be barred with regard to entries made one year after the date of receipt of the statement of account, even if such legal action is based on an error, omission or repetition of such entries, save where during such period one party has notified the other that he insists on the rectification of the account, or where the customer proves, regarding a current account opened with a bank, that throughout the said period he did not receive from the bank any statement of account. In both cases, the action shall not be heard after the lapse of (5) five years following the account closure date.

## **Part Three**

### **Bank Credits**

#### **Chapter One**

##### **Bank Loan**

###### **Article (409)**

1. A bank loan is a contract whereby a bank delivers to the borrower a sum as a loan or enters such sum in the credit side in his account with the bank, as per the agreed conditions and time limits.
2. Banks shall obtain adequate securities or collaterals against loans granted by them.
3. A borrower shall repay the loan and its interest to the bank within such time limits and according to such conditions as agreed.

###### **Article (410)**

A bank loan shall be considered a commercial activity irrespective of the capacity of the borrower or the purpose for which the loan is allocated.

#### **Chapter Two**

##### **Bank Guarantee**

###### **Article (411)**

1. A bank guarantee is an undertaking issued by a bank to repay the customer's debt to a third party, in accordance with the conditions agreed and included in the guarantee. The guarantee may be for a definite or indefinite term.
2. A bank guarantee shall constitute a joint liability.

### **Article (412)**

A bank guarantee may be issued under different forms, including:

1. A bank signs a commercial paper as a reserve guarantor, or gives such reserve guarantee by a separate instrument to allow that several commercial papers are guaranteed together at one time;
2. An independent contract of guarantee is entered into; or
3. A letter of guarantee is addressed by the bank to the customer's creditor whereby the bank guarantees its customer's fulfillment of his obligations.

### **Article (413)**

A bank guarantee shall be considered a commercial activity, regardless of the capacity of the guaranteed person or the purpose for which it has been allocated.

### **Article (414)**

A letter of guarantee is an undertaking issued by the guarantor bank, at the request of one of its customers (the person making the order), to pay, unconditionally and without restrictions, a certain or determinable sum to another person (the beneficiary), unless the letter of guarantee is conditional where payment is requested within the time limit set out in the letter.

The letter of guarantee shall state the object for which it has been issued.

### **Article (415)**

1. The bank may require that security or guarantee be furnished against the issuance of the letter of guarantee.
2. The security or guarantee may be in cash or in the form of commercial papers, securities, goods or assignment of the right towards the beneficiary by the ordering person to the

bank.

### **Article (416)**

A beneficiary may only assign his right that had arisen from the letter of guarantee to a third party with the approval of the bank.

### **Article (417)**

1. A bank may not refuse payment to the beneficiary for a reason attributed to the bank's relationship with the person making the order or the relationship of the latter with the beneficiary.
2. Notwithstanding the provisions of Clause (1) above, the bank may refrain from payment to the beneficiary where an enforceable order or court judgment is rendered to impose seizure on the guarantee amount with the bank. In such case, in order for such order or judgment to be rendered, the person making the order shall rely for his claim on serious and confirmed grounds.

### **Article (418)**

1. The bank shall be discharged vis-a-vis the beneficiary if within the validity period of the letter of guarantee no request for payment is received from the beneficiary, unless it had been expressly agreed to renew said term prior to its expiry.
2. The bank shall return to the person making the order the securities or guarantees provided by the same against the letter of guarantee where its effective term expires without the payment of the guarantee sum, unless otherwise agreed.

### **Article (419)**

Where the bank pays to the beneficiary the sum agreed in the letter of guarantee, it shall subrogate him for recourse against the person making the order for the sum it had paid.

## **Chapter Three**

### **Opening a Letter of Credit**

#### **Article (420)**

1. Opening a letter of credit is a contract whereby the bank places at the disposal of the customer a certain sum, which the customer may withdraw as a single payment or multiple payments.
2. A letter of credit may be opened either for a definite or indefinite term.

#### **Article (421)**

A contract for opening a credit is not considered a loan, and the customer shall not be bound to use the letter of credit opened in his favor.

#### **Article (422)**

1. Where a letter of credit is opened for an indefinite term, the bank may at any time terminate it, based upon a notice to be served to the beneficiary at least thirty days before the date set for the termination. Any agreement which entitles the bank to terminate an indefinite term letter of credit without a prior notice or with a shorter-period notice shall be null and void.
2. In all cases, the letter of credit opened for an indefinite term shall be deemed terminated if the beneficiary does not use it after the lapse of six months from the date on which the

beneficiary is notified of such opening, save where otherwise agreed.

### **Article (423)**

1. The bank may not terminate the letter of credit before the expiry of the term specified therefor, except where the beneficiary dies, becomes legally incompetent or suspends payment, even though a judgment declaring his bankruptcy is not issued or he commits a gross fault in using the letter of credit opened in his favor.
2. Where the customer in whose favor the letter of credit is opened is a company, such credit shall expire also upon its nullification or expiration.

### **Article (424)**

Where a substantial decrease occurs to the real or personal guarantees presented by the customer, the bank may request an additional guarantee or reduce the letter of credit sum in proportion to such decrease.

### **Article (425)**

A credit may be transferred only with the approval of the bank which opened it.

### **Article (426)**

A contract for opening a credit shall be considered a commercial activity, regardless of the capacity of the customer or the purpose for which the letter of credit is allocated.

### **Article (427)**

The contract for opening a credit shall specify the maximum limit of the letter of credit sum and the method of using the letter of credit.

## **Article (428)**

Where a credit is terminated pursuant to the provisions of this Chapter, the bank shall not be required to pay payment orders or cheques drawn on the letter of credit, as long as they are presented to the bank after the letter of credit is terminated.

## **Chapter Four**

### **Documentary Credit**

## **Article (429)**

1. A documentary credit is a contract whereby a bank opens a credit, at the request of its customer (the person ordering the opening of the letter of credit), within the limits of a specified sum and for a definite term in favor of another person (the beneficiary), secured by documents representing goods shipped or intended to be shipped.
2. A documentary credit contract shall be deemed separate from the contract which caused the opening of the letter of credit, and the bank shall remain separate from such contract.

## **Article (430)**

Every documentary credit shall contain a time limit date for its validity and for presenting the documents for payment, acceptance or deduction. Where the date set for the expiry of the validity of the letter of credit is on a bank holiday, its validity shall be extended to the next following business day. The validity of the letter of credit shall not extend beyond any other period, other than bank holidays, even when the expiry of the validity coincides with the date of disruption of the bank's business due to force majeure events, unless there is an express authorization to that effect from the person ordering the opening of the letter of credit.

### **Article (431)**

1. The documents regarding the opening of the documentary credit or its confirmation or notice thereof shall describe precisely the documents against which the operations of payment, acceptance or discount are executed.
2. A bank which opens a letter of credit shall execute the conditions of payment, acceptance and discount as agreed in the documentary credit contract if the documents representing the goods conform to the particulars and conditions provided for in the documentary credit contract.

### **Article (432)**

1. A documentary credit may be revocable or irrevocable.
2. A documentary credit shall be irrevocable, unless it is expressly agreed to the contrary.
3. A documentary credit may either be divisible, transferable, indivisible or non-transferable.

### **Article (433)**

1. A revocable documentary credit shall not create any obligation on the bank towards the beneficiary. The bank may at any time amend or terminate it of its own accord or at the request of the person who ordered the letter of credit to be opened.
2. Where the bills of lading presented are in conformity with the particulars and conditions contained in the documentary credit contract and within its validity term and prior to its termination, the bank and the person ordering the opening of the letter of credit shall assume the joint liability vis-à-vis the beneficiary.

### **Article (434)**

1. Where the documentary credit is irrevocable, the obligation of the bank shall be strict and direct to the beneficiary and to any bona fide holder of the instrument drawn, in pursuance of the contract which caused the documentary credit to be opened.
2. An irrevocable documentary credit may neither be terminated nor amended save with the agreement of all parties concerned.

### **Article (435)**

1. An irrevocable documentary credit may be confirmed by a bank other than the one that opened it. Such confirming bank shall in turn assume an absolute and direct obligation towards the beneficiary and any bona fide holder of the instrument drawn in execution of the documentary credit contract.
2. A mere notice of the opening of an irrevocable documentary credit sent to the beneficiary through another bank, other than the one that opened the documentary credit, shall not be deemed to be a confirmation of the letter of credit by such other bank.

### **Article (436)**

1. The documents shall be presented to the bank before the expiry of the letter of credit term. If the documents are presented beyond such a term, the bank shall reject them, unless the person ordering the opening of credit requests that the same be approved, and the bank approves the same.
2. The bank shall ascertain that the documents required are available and that their contents are in full conformity with the conditions of the letter of credit and that they fully conform with each other.

### **Article (437)**

The bank is only obligated to examine the documents to ensure that, at first sight, are in conformity with the documents required in the letter of credit, but it is not obligated to check if the goods conform with the documents which represent them.

### **Article (438)**

Where the bank accepts the documents, it shall immediately send them to the person ordering the opening of the letter of credit, and where the bank rejects the same, it shall forthwith serve a notice of rejection to the beneficiary, indicating the reasons for such rejection.

### **Article (439)**

1. The beneficiary may not assign the letter of credit in whole or in part to another person or persons, save with an express authorization to that effect from the bank and provided it is expressly stipulated in the letter of credit.
2. The bank may not divide the performance of the letter of credit, except with the authorization of the person ordering the opening of the letter of credit.
3. The assignment may be made only once, unless the contract for opening of the letter of credit stipulates otherwise.
4. The assignment shall be made by endorsing the letter of credit if it is promissory or by receiving it if it is to bearer, but in case it is nominative, the procedures of the assignment shall apply.

### **Article (440)**

1. The person ordering the opening of documentary credit shall be bound to repay to the bank the sum it has paid to the beneficiary, within the limits of the letter of credit opened,

as well as paying the bank the expenses paid in this respect.

2. As a guarantee of its entitlements, the bank shall have the right to withhold the documents it receives from the seller and the right of pledge on the goods represented in their documents.
3. Where the person who ordered the opening of the letter of credit fails to pay to the bank the value of the bills of lading conforming with the conditions of the opening of the letter of credit, within one month from the date of being notified of the arrival of said bills, the bank may sell the goods by adopting the methods of execution on items commercially pledged.
4. Where the goods are perished or damaged, the pledge right shall pass to the insurance sum.
5. The bank and its customer may, after arrival of the documents of the letter of credit financed by said bank, agree that the customer debtor assigns the goods, subject of the documentary credit, or part thereof to the bank to repay the bank's debt in whole or in part. The bank shall thereafter entrust the customer with the receipt goods, keep them in trust and sell them on behalf of the bank for its account, based on the terms and conditions to be agreed by both parties. In such case, the customer's responsibility shall be that of a commission agent, and the bank shall have all the rights of an agent over such goods or their price.

## **Part Four**

### **Transactions on Commercial Papers**

#### **Chapter One**

#### **Discount**

#### **Article (441)**

1. A discount is a contract whereby a bank undertakes to pay in advance the value of a commercial paper to the beneficiary, in return for transferring the ownership of such commercial paper to the bank.
2. The bank shall deduct from the sum paid to the beneficiary of the discount an interest on the commercial paper amount, plus a commission. It may be agreed to effect the discount against a lump sum.

#### **Article (442)**

1. The interest shall be calculated on the basis of the time elapses from the date on which the commercial paper is presented for discount until its maturity date, unless otherwise agreed upon.
2. A commission shall be estimated on basis of the value of the commercial paper.

#### **Article (443)**

1. The bank shall acquire the ownership of the discounted commercial paper and it may use all rights of the bearer and it may have recourse against the signatories of the commercial paper.
2. The bank shall further have, vis-a-vis the beneficiary of the discount, an independent right to recover the sums it has placed at his disposal, without deducting such interest and

commission which were received by the bank.

3. Without prejudice to the provisions related to the current account, the bank shall exercise such right within the limits of the unpaid commercial papers, regardless of the cause of non-payment of the discounted commercial papers.

### **Article (444)**

1. Where the value of the commercial paper is not paid or the customer becomes bankrupt, the bank may reserve for itself the right to make a counter-entry to the value of the commercial paper and the expenses in the debit side of its customer's account, who in his turn shall endorse the commercial papers to the bank.
2. Where the customer has no current account with the bank, he shall refund the commercial paper's value plus the expenses to the bank.

## **Chapter Two**

### **Acceptance Credit**

#### **Article (445)**

Acceptance credit is a contract whereby a bank plays the role of the drawee. It accepts in this capacity a commercial paper drawn on it by its customer or another party who deals with such customer, and the bank undertakes to pay the value of such commercial paper on the maturity date.

#### **Article (446)**

Where the bank pays the value of the commercial paper accepted thereby, it shall enter its value and the expenses in the debit side of the customer's account, and shall have recourse against the customer for the sums paid by virtue of the letter of credit opened in favor of the

customer and used as a consideration for the payment of the commercial paper which it had undertaken to accept.

### **Chapter Three**

#### **Collection of Commercial Papers**

##### **Article (447)**

The bearer of a commercial paper may endorse it to the bank under a procuration endorsement. By virtue of such endorsement, the bank shall become an attorney-in-fact with regard to the collection of the commercial paper's value for the benefit of the endorser.

##### **Article (448)**

Upon maturity of the commercial paper, the bank shall claim payment from the drawee or the executor. Where the payment is made, the bank shall enter the value of the commercial paper in the credit side of the customer's account, and if payment is not made, the bank shall make a protest or establish the non-payment, and in both cases the expenses shall be charged to the customer's account.

##### **Article (449)**

1. The bank shall be liable for fault or omission in the execution of its power of attorney.
2. The bank may require its relief from liability for delay in drawing up the protest. Such requirement shall be effective between the customer and the bank, unless an act of fraud or gross fault is attributed to the bank; however, such requirement shall not apply to other endorsers.

## **Article (450)**

The power of attorney arising from the procuration endorsement shall not lapse upon the endorser's death or legal incapacitation.

## **Part Five**

### **Transactions on Securities**

#### **Chapter One**

#### **Lending Against Securities**

### **Article (451)**

1. Lending against securities is a loan secured by collateral.
2. Where securities are nominative instruments, the pledge thereof shall be made in writing by virtue of an assignment stating that they are given as a guarantee, which shall be annotated on the instrument itself and entered into the records of the issuer. However, where the securities are bearer instruments, they shall be treated as tangible movables and the pledge thereof may be proved by all means of evidence.

### **Article (452)**

1. The ownership of pledged securities shall be transferred from the pledger to the pledgee bank.
2. The bank shall may withhold such instruments.

### **Article (453)**

The bank shall maintain the pledged securities by collecting their profits and receiving their value upon amortization and deducting such sums from the principal debt.

### **Article (454)**

Where the bank fails to receive its dues on the maturity date thereof, it may apply to the competent court to authorize it to sell the pledged instruments by public auction or at their price in the capital market, in order to collect its right from the sale price towards creditors, and any agreement to the contrary shall be null and void.

### **Article (455)**

Where the instruments are presented by a person other than the debtor, the owner thereof shall not be bound to pay the debt guaranteed by the pledge, except in his capacity as a guarantor in rem.

### **Article (456)**

A third party appointed by the two contracting parties to acquire the pledged instruments shall be deemed as having waived his right to foreclose the pledge for any reason prior to such pledge, unless he had reserved such right when he accepted to possess the instrument pledged for the account of the pledgee.

### **Article (457)**

Where the full value of an instrument is not paid at the time of being presented as a pledge, the debtor shall, upon maturity of the unpaid part, pay it at least two days prior to its maturity date, otherwise, the pledgee may appeal the court to sell the instrument, pursuant to the provisions of Article (454) above. The unpaid part shall be paid from the proceeds of the sale and the balance shall be retained as a collateral in lieu of the pledge.

### **Article (458)**

The lien of the pledgee shall remain in the same ranking as between the contracting parties and vis-a-vis third parties over the profits of the pledged instrument, its interest, the commercial papers replacing it and its value if paid before its maturity date.

## **Chapter Two**

### **Deposit of Securities**

#### **Article (459)**

The deposit of securities with a bank is a contract whereby the customer delivers to the bank the securities which have been agreed to be deposited and the bank gives the customer a receipt upon receiving such securities. Such receipt shall contain the contract conditions and the numbers of such securities; however, the said receipt shall neither represent the securities deposited nor replace them, but it serves as a mere instrument to prove the contract.

#### **Article (460)**

1. In safekeeping the securities deposited with it, the bank shall exercise such care as is exercised by a depository who receives remuneration and shall take to that effect all the precautionary measures as is required in the banking customs. Any agreement relieving the bank from such obligations shall be null and void.
2. The bank shall be held liable for the destruction or theft of such securities, save where such destruction or theft has resulted from a force majeure event.

#### **Article (461)**

A bank may not use the securities deposited with it, whether by disposing thereof, pledging

the same or exercising the rights derived therefrom, except with a special authorization by the customer to do so.

### **Article (462)**

1. The bank shall undertake the management of the securities deposited with it, by collecting the profits and value of such due or redeemed securities, and it shall notify the customer depositor of the transactions made to the said securities, such as replacement or renewal thereof, and place the collected sums at the disposal of the depositor and credit them to his account.
2. The bank shall inform the depositor of every matter or right relevant to the security and requiring his approval or that is dependent on his preference. Where the depositor's instructions are not received in good time, the bank shall dispose of the matter in such manner as is beneficial to the depositor who shall bear the costs.
3. The bank shall be held liable where it fails to fulfill its obligations and damage is caused to the customer as a result of such failure.

### **Article (463)**

1. The bank shall be entitled to a remuneration against the obligations it assumes. Such remuneration shall, in the absence of an agreement, be determined according to the custom, subject to the number and value of the securities deposited.
2. As a guarantee for the bank's receipt of its due remuneration, it shall have the right to withhold the securities deposited and refrain from returning the same until recovery of its right, in addition to the lien prescribed by law over the expenses of safekeeping a movable property.

### **Article (464)**

1. The bank shall return the securities deposited with it on the demand of the depositor with due consideration to the time needed for preparation of the securities for such return.
2. The return shall be effected at the same place where the deposit was effected. The bank shall return the same securities deposited and not securities of the same kind with different numbers, unless it is agreed to return securities of the same kind or other securities or unless the law requires otherwise.

### **Article (465)**

The return of securities shall be to the depositor in person, his legal representative, his heirs or his special attorney, as the case may be, even if the security contains something indicating that it is owned by a third party.

### **Article (466)**

1. Where the bank loses possession of securities for a reason beyond its control, it may file a claim for recovery of the same against the person who acquired them.
2. Where financial securities made to the bearer are lost or stolen, the bank shall inform the issuer of such securities of the fact and instruct it to refrain from paying the profits or value of said security to any person who shall claim therefor in case of redemption or maturity.

### **Article (467)**

Where an action is brought for the maturity of the securities deposited with the bank, the bank shall send notice directly to the depositor accordingly and shall abstain from returning the securities to him until the action is adjudicated by the court.

## **Part Six**

### **Commercial Transactions of Islamic Financial Institutions**

#### **Chapter One**

#### **General Provisions**

##### **Article (468)**

1. The provisions set forth in this Part shall apply to commercial transactions and contracts to which Islamic financial institutions are a party.
2. For the purpose of this Part, Islamic financial institutions shall mean any institution whose Articles or Memorandum of Association provides that it is conducting its business activities in compliance with the Rules of Islamic Sharia, including any financial institution that conducts part of its business in compliance with the Rules of Islamic Sharia, under a license from the competent authorities, in relation to such business.

##### **Article (469)**

Save as specifically stipulated in this Part, the provisions of this Law and of the relevant laws shall apply to commercial transactions and contracts concluded in compliance with the Rules of Islamic Sharia.

##### **Article (470)**

The provisions contained in this Part shall be interpreted and construed according to Sharia standards and controls issued or approved by the Sharia Supervisory Board set forth in Federal Decree-Law No. (14) of 2018, without prejudice to the provisions of this Law.

### **Article (471)**

The Board of Directors of the Central Bank shall issue the regulations and statutes that lay down the controls and rules of commercial transactions of Islamic financial institutions and Takaful companies, licensed by such institutions, and which conduct all or part of their business activities in compliance with the Rules of Islamic Sharia, after being approved by the Sharia Supervisory Board set out in Article (470) above.

### **Article (472)**

The following transactions, whenever carried out by an Islamic financial institution, shall constitute commercial transactions governed by the Rules of Islamic Sharia:

1. Deposit;
2. Investment account;
3. Takaful insurance;
4. Islamic financing instruments;
5. Investments; and
6. Any transaction where any statute in force provides that it is governed by the Rules of Islamic Sharia.

### **Article (473)**

1. Islamic financial institutions shall neither borrow nor lend funds with an interest or benefit, in any way whatsoever, nor arrange or charge an interest or benefit for any overdue debt sum, including a late payment interest even if by way of compensation, and any agreement to the contrary shall be null and void.
2. The borrowing referred to in this Article shall mean to grant the ownership of funds or fungible items to any other person so that the latter would refund or deliver back the same

item or funds in the same sum, type and properties to the lender at the end of the loan term, without requiring, expressly or based on customary practice, a benefit in favor of the lender or an increase above the borrowed sum.

### **Article (474)**

Financial obligations arising from commercial transactions and contracts governed by the provisions of this Part shall be of specific and definite sum, and shall be deemed debts whose sums may not be increased where their maturity dates are deferred, and any agreement to the contrary shall be null and void.

## **Chapter Two**

### **Special Provisions for Certain Types of Contracts and Obligations to which Islamic Financial institutions are a Party**

#### **Section One**

#### **Promise to Contract**

### **Article (475)**

1. A promise to contract is an undertaking by a contracting party to enter into a certain contract in the future, and such undertaking shall be binding only on the promising party.
2. Where the promising party fails to fulfill the promise without an acceptable excuse, he shall compensate the promised party. The compensation in such case shall be limited to the amount of direct actual damage sustained by the promised party.

**Section Two**  
**Installment Sale**

**Article (476)**

For the purpose of this Section, an installment sale shall mean every sale conducted for the purpose of finance or representing part of a financial transaction, whereby a non-monetary asset is exchanged for a deferred monetary value to be paid over an extended period of time. Once the contract is executed, the sold item's ownership shall be transferred to the buyer, and the seller may not retain the sold item's ownership until the price installments are paid, in whole or in part, and any agreement to the contrary shall be null and void.

**Article (477)**

The installment sale provisions set forth in this Section shall be applicable if it is agreed under the contract that the property ownership burdens, or the risks of its loss or deficiency for a matter beyond control would be transferred to the contracting party once the property is delivered to the same, even if the contracting parties call the sale a lease.

**Article (478)**

1. The sold item's price, properties, form, volume and other distinguishing features thereof shall be specified upon signing the contract, and no agreement to contrary may be made.
2. The sold item's price shall be fixed as provided for in the contract, and no increase in price may be stipulated where the payment of installments is delayed for any reason whatsoever, and any agreement to the contrary shall be null and void.

### **Article (479)**

Where the contracting parties agree that the sale would be made at the market price, the price shall be fixed at the time and place where the contract is made. In case of multiple market prices, the average price shall prevail. No agreement may be made to fix the price or enter into a contract based on the market price in the future or to be fixed on the basis on a variable indicator.

### **Article (480)**

The contracting parties may agree to authorize a third party to fix the sold item's price to the best interests of both parties; provided that such price be fixed at the time of signing the contract.

## **Section Three**

### **Murabaha**

### **Article (481)**

Murabaha is a contract whereby a seller sells an asset to a buyer after being owned and possessed by the seller, either ipso facto or ipso jure, based on a finance application by the buyer. Such sale shall be conducted at cost plus a fixed profit sum, as set out in the contract, and the total value thereof shall constitute the Murabaha sale price.

### **Article (482)**

1. The Murabaha sale price shall, after the contract is concluded, be fixed, and may not be variable or associated with an indicator or otherwise.
2. An agreement may be made to pay Murabaha sale price in installments, based on

installments of a specific sum and specific payment term, or at a single payment on a specific date.

## **Section Four**

### **Istisna'a (Manufacture Contract)**

#### **Article (483)**

Istisna'a is a contract whereby a seller sells to a buyer, based on description, an item required to be manufactured, against a fixed lump-sum set out in the contract. The sold item's sort, type, quantity and properties shall be indicated in the contract, along with the future delivery date thereof.

#### **Article (484)**

A seller involved in an Istisna'a contract shall provide both the work and the manufacturing materials, and may manufacture the sold item by itself or may assign the same to third parties under a contract independent of Istisna'a contract.

#### **Article (485)**

1. The sale price, after the contract is concluded, may not be variable or associated with an indicator or otherwise.
2. An agreement may be made to pay Istisna'a sale price in installments of specific sum and specific payment term or at a single payment on a specified date.

#### **Article (486)**

1. The sold item shall be handed over on the maturity date as agreed in the contract. A free-

defect delivery may not be stipulated and any agreement to the contrary shall be null and void.

2. Where the sold item is delivered and some of its properties are materially different, as per the customary practices, the buyer shall have the option either to receive and accept the sold item or terminate the contract and pay the price or the paid portion thereof back to the seller, or both parties may agree on a new price to be fixed in a timely manner.

### **Article (487)**

The Istisna'a contract may include a stipulation that the buyer shall be entitled to compensation if the seller fails to timely deliver the manufactured item, based on an sum to be agreed in the contract; save where the delayed delivery is not attributed to the seller or is caused by an unavoidable accident.

## **Section Five**

### **Salam**

### **Article (488)**

Salam is a contract whereby a seller sells to a buyer property based on future delivery, without requiring the manufacture thereof at an advance price.

### **Article (489)**

1. The price in the Salam contract shall be of a specific quantity and type and shall be recorded in the contract, and the period of its future delivery may not exceed (3) three days.
2. Debts may not serve as a price in the Salam contract.

## **Article (490)**

1. The sold item's sort, type, quantity and required specifications shall all be indicated in the Salam contract, along with the date of delivery, whether the seller provides the sold item by his own or buys it from a third party under a contract independent of the Salam contract.
2. The Salam contract shall create an obligation on the seller to deliver the sold item and not its price. The sold item delivery upon maturity shall be conducted as agreed in the contract. Neither a free-defect delivery nor a penalty on the sold item's late delivery may be stipulated in the contract, and any agreement to the contrary shall be null and void.

## **Section Six**

### **Ijarah [LEASE]**

## **Article (491)**

Ijarah is a contract whereby a lessor leases out specific or described property owned by the lessor or leased from the same against either a fixed rent set out in the contract or a variable rent to be paid at one payment or in installments of specific sum and dates.

## **Article (492)**

Specific property may be leased out only after being owned, leased or received by the lessor.

## **Article (493)**

A promise may be given to the Lessee to transfer thereto the title to the leased property upon expiration of the ijarah term or as mutually agreed. The title transfer shall not be stipulated in the ijarah contract, but shall be conducted under a separate contract to be concluded in due

course.

### **Article (494)**

The rent shall be variable for each lease term set out in the contract; however, the first lease term rent shall be specified in the contract in a specific sum. The rent of every subsequent term shall be calculated before the commencement thereof according to a certain indicator or criterion that the parties to the contract have no influence over the determination of its price. Such indicator or criterion shall be based on a maximum and minimum limit to be stipulated in the contract. Where a lease term begins, the rent thereof shall not be variable.

### **Article (495)**

1. The object of an ijarah contract shall be the benefits of property, and its handover shall be fulfilled where such benefits are handed over, and must be capable of being satisfied and specified so as to resolve any dispute.
2. A lessor may not stipulate that he will be discharged from the liability for defects in the leased property, which will prejudice the realization of benefits intended from the ijarah contract, or be discharged from any liability for defects occurring to the property that are prejudicial to the realization of its benefits, whether by the lessor's act or for a reason beyond his control.
3. The lessor shall pay the basic costs of maintenance of the leased property and insurance against damage. The lessor may not stipulate that such costs are to be paid by the lessee or initially agree to add the same automatically to the rent, and any agreement to the contrary shall be null and void.

### **Article (496)**

The provisions set forth in the Law of Finance Lease shall apply to any ijarah where no particular provision is stipulated in this Chapter.

## **Chapter Three**

### **Islamic Banking Transactions**

#### **Article (497)**

The board of directors of the Central Bank shall issue the resolutions of Islamic banking transactions carried out in compliance with the Rules of Islamic Sharia, along with the administrative sanctions and fines to be imposed by the Central Bank where the regulations and statutes set forth in Article (471) above are violated.

### **Part Seven**

#### **Rental of Safe Deposit Boxes**

##### **Article (498)**

1. Rental of safe deposit boxes is a contract whereby a bank undertakes to place a certain safe deposit box at the disposal of its renter customer, and allows the latter to take advantage of it against a fixed rent.
2. The bank shall guard the rented safe deposit box and ensure its safety and usability by taking all such measures as are imposed by the banking customary practice.

##### **Article (499)**

1. Rented safe deposit boxes shall be openable by two keys, one of which shall be handed by the bank to the renter customer and the other one shall be kept by the bank. The bank

may neither give a copy of the key to any other person, and shall only allow its customer or authorized agent to have access to, and to use, the safe deposit box.

2. The key handed to the renter shall remain the property of the bank and shall be returned to it upon the expiry of the rental term.
3. The bank may use other means of access, such as the automated control system or plastic cards.

### **Article (500)**

1. The bank shall be liable for the safety, custody and usability of the safe deposit box, and may only deny such liability by proving a force majeure event or a third party's action that amounts to a force majeure event.
2. The bank may not invoke the exoneration clause where an act of fraud or gross negligence is proved to have been committed by it or by its subordinates.

### **Article (501)**

1. The renter shall use the safe deposit box for the usual purposes, and shall pay the agreed-upon rent on the maturity dates.
2. The renter may not place in a safe deposit box any items detrimental to its safety or to the safety of the place wherein it is located.
3. Unless otherwise agreed with the bank, a renter may neither sublet the safe deposit box or part thereof, nor may assign the rental to third parties.

### **Article (502)**

1. Unless otherwise agreed, when a safe deposit box is rented out to several renters, any one of them may use it separately.

2. Where a renter dies, the bank may only, after becoming aware of the death, give permission for the safe deposit box to be opened with the approval of all parties concerned or based on a court decision.

### **Article (503)**

The bank shall keep a record of dates and times when the renter opens the safe deposit box.

### **Article (504)**

Where the bank finds out that the safe deposit box is endangered or that it contains dangerous items, it shall forthwith notify the renter to report to the bank to either empty the box contents or remove the dangerous items therefrom. Where the renter fails to report on the given date, the bank may, under a Writ Petition, request the competent judge of the court in whose jurisdiction the bank is located to give permission to open the box in order to empty it or to remove such dangerous items therefrom, in the presence of any person assigned by the judge for such mission. A report on such procedure shall be drawn wherein the box contents shall be recorded. Where the danger threatening the safe deposit box is imminent, the bank may, at the risk of the bank, open the box and empty it or remove any dangerous items therefrom, without any notice or permission from the competent judge. Such procedure shall be performed by a committee consisting of at least (3) three of the bank officers, and a report to that effect shall be drawn up and a copy thereof shall be communicated to the customer.

### **Article (505)**

1. Where the renter fails to pay the box rent on the due dates, the bank may, after the lapse of (15) fifteen days, unless further periods are agreed upon, from the date of a notice served to the renter requiring payment, consider the contract as automatically terminated

and recover the box, after serving notice to the renter to report to the bank to open the box, empty its contents and deliver its key. The notice shall be valid if served to the last address specified by the renter to the bank.

2. Where the renter fails to report on the date set or if the contract term expires, the bank may, under a Writ Petition, request the competent judge of the court in whose jurisdiction the bank is located to give it permission to open the safe deposit box and empty it in the presence of a person delegated by the judge for such purpose. A report on the incident shall be drawn up listing the contents and shall be signed by the judge delegate and the bank. The judge may order that the contents be deposited with the bank, or with a trustee appointed by the court, until they are handed to their owner or until the judge orders that the same be disposed of.

### **Article (506)**

The bank may withhold the contents of the safe deposit box and shall have lien over the price generated from the sale of its contents to collect the rent and the accrued expenses.

### **Article (507)**

1. A precautionary and executory attachment may be levied at the contents of the safe deposit box.
2. The attachment shall be levied by notifying the bank of the contents of the writ by virtue of which such attachment is levied, as well as requiring the bank to state whether it has rented out a safe deposit box to the attached person. Upon receiving such notice, the bank shall forthwith prevent the attached renter from using the box and promptly notify him that the attachment is levied at the safe deposit box.
3. Where the attachment is precautionary, the renter may request the court to lift the

attachment from all or part of its contents.

4. Where the attachment is executory, the bank shall open the safe deposit box, empty its contents, in the presence of the attaching person and the execution officer, and notify the renter of the date scheduled for opening the safe deposit box. On the scheduled date, an inventory of the box contents shall be made, and such contents shall be delivered to the bank or the trustee appointed by the court until they are sold in accordance with the procedures set by the court.
5. Where the safe deposit box contains papers or documents not included in the compulsory sale, they shall be handed over to the renter. However, if the renter is not present at the time of opening the box, such papers or documents shall be delivered to the bank for safekeeping after placing them in an envelope sealed with the stamps of both the execution officer and the bank delegate, until they are requested by the renter.
6. The attaching person shall pay the bank a sum sufficient to secure the rent of the safe deposit box for the attachment period.

### **Article (508)**

Except for the cases provided by the Law, the bank may open a rented safe deposit box or empty its contents only with the permission of the renter and in his presence, or in execution of a judgment, order or decision issued by the court.

**Book Four**  
**Commercial Papers**  
**General Provisions**  
**Definition and Types of Commercial Papers**

**Article (509)**

Commercial papers are instruments written according to forms prescribed by the Law. Commercial papers represent a right to a specific sum payable at sight or after a determined or determinable time limit. Commercial papers are negotiable through negotiable instruments and the custom generally recognizes the same as a payment instrument instead of money.

**Article (510)**

Commercial papers shall include bills of exchange, promissory notes, bearer instruments, cheques and other papers drawn up for commercial activities, which the customary practice generally accepts as a payment instrument in transactions.

**Article (511)**

A bill of exchange (the drawing instrument) is a commercial paper whereby a drawer draws an order for the payment of a specific sum from the drawee, at sight or on determined or determinable date, for the order of the payee.

**Article (512)**

A promissory note is a commercial paper whereby its issuer undertakes to pay, at sight or on a determined or determinable date, a specific sum to the order of another person (the payee).

## **Article (513)**

A bearer instrument is a commercial paper whereby its issuer undertakes to pay a sum to the order of bearer, at sight or on a determined or determinable date.

## **Article (514)**

A cheque is a commercial paper containing an order issued by the drawer to the drawee bank to pay on the day indicated therein, as the date of issue, a specific sum to the order of a third person, namely the payee or bearer.

### **Part One**

### **Bill of Exchange**

#### **Chapter One**

#### **Drawing Up a BOF Exchange**

### **Article (515)**

A bill of exchange shall contain the following particulars:

1. The word "Bill of Exchange" written in the title thereof and in the language in which the bill is written;
  2. An unconditional order to pay a fixed sum of money;
  3. Date and place of drawing up the bill;
  4. Signature of the drawer;
  5. Given name and surname of the drawee;
  6. Name of the person to whom or to whose order the payment shall be made (the payee);
- and

7. Date of maturity and place of payment.

### **Article (516)**

An instrument which does not contain any of the particulars mentioned in Article (515) hereof shall be deemed a bill of exchange only in the following cases:

1. Where the date of maturity is not mentioned in the bill, it shall be deemed payable at sight.
2. Where the place of payment of the bill is not stated therein, the place indicated next to the drawee's name shall be deemed the place of payment and the drawee's place of residence at the same time. In this case, the bill shall be payable at the drawee's place of residence if there is no condition for payment in another place.
3. Where the place of drawing up the bill is not stated therein, the bill shall be deemed as having been drawn up in the place mentioned next to the drawer's name, and where such place is not expressly stated, the place of drawing up the bill shall be deemed the place where the drawer has signed the same.

### **Article (517)**

1. The signature on a bill of exchange shall be made in writing or by thumb-print.
2. Two witnesses shall testify that the thumb printer has affixed his thumb before them while being aware of the contents of the instrument.

### **Article (518)**

1. Where the bill sum is written in letters and in numbers at the same time, the sum indicated in letters shall prevail in case of discrepancy.
2. Where the sum is written several times in letters or in numbers, the lesser sum shall prevail in case of discrepancy.

### **Article (519)**

1. A bill of exchange may not contain more than one sum.
2. Where a bill of exchange is drawn in a currency having a nomenclature common between the countries of drawing and payment, without indicating the intended currency, the currency of the country of payment shall prevail.

### **Article (520)**

1. A bill of exchange may be signed by more than one drawer.
2. A drawer may authorize a third party to sign the bill of exchange on his behalf, in which case, the third party shall indicate his capacity upon signing the bill.

### **Article (521)**

1. No interest may be stipulated on the sum mentioned in the bill of exchange, unless it is made payable at sight or after a specific period from the time of sight.
2. The interest rate shall be stipulated in the bill itself, otherwise, the stipulation shall be null and void.
3. The interest shall be applicable from the date of drawing up the bill of exchange, unless any other date is set.

### **Article (522)**

1. A person who signs, without authorization, a bill of exchange on behalf of another person shall be personally liable thereunder. If he discharges said liability, the rights which would have devolved to the person on whose behalf he purported to have acted shall devolve to him.

2. The above provision shall apply to the representative if he acts beyond the limits of his powers.

### **Article (523)**

Where a bill of exchange bears forged signatures, or signatures of fictitious persons, or signatures of persons who have no capacity to incur liability, or where the signatures do not bind the signatories thereof for other reasons, or do not bind those persons on whose behalf the bill is signed, the obligations of the other signatories shall nevertheless remain valid.

### **Article (524)**

Obligations of a person with diminished capacity, who is not authorized to engage in commerce, and an incapacitated person, arising from affixing their signatures to a bill of exchange, in any capacity whatsoever, shall be null and void with regard to themselves only; however, they may invoke such nullity against each bearer of such bill.

### **Article (525)**

1. A bill of exchange may be drawn to the order of the drawer himself.
2. It may be drawn on its drawer.
3. It may be drawn to the account of another person.

### **Article (526)**

1. The form of a bill of exchange shall be governed by the Law of the state where it is drawn up.
2. The capacity of the obligor of a bill of exchange shall be determined according to the law of his country, and where such law refers to that of another State, the latter shall be

applicable.

3. Where the applicable Law considers the obligor as a person lacking legal capacity, his obligation under the bill shall nevertheless remain valid if he affixed his signature thereto in a state whose law considers the obligor a person with full capacity.

### **Article (527)**

A bill of exchange may be made payable in the place of residence of another person, whether in the place where the drawee's place of residence is located or in any other place.

### **Article (528)**

1. A drawer of a bill of exchange shall guarantee its acceptance and payment.
2. A drawer of a bill of exchange may further stipulate that he shall be exempted from the guarantee of acceptance; however, any stipulation for exemption from the guarantee of payment shall be deemed null and void.

## **Chapter Two**

### **Negotiability of a Bill of Exchange**

#### **Article (529)**

1. Any bill of exchange shall be negotiable by indorsement, even if it does not contain an express stipulation that it is drawn to order.
2. A bill of exchange shall be unnegotiable when the drawer stipulates therein that it is not "to order", save in pursuance of the provisions of the transfer of right.
3. Endorsement may be made to the drawee, regardless of whether the drawee accepts the bill of exchange or not. In addition, Endorsement may also be made to the drawer or to any other obligor, and all the foregoing persons may re-endorse the bill of exchange.

### **Article (530)**

1. Without prejudice to the provisions of Article (534) hereof, the Endorsement shall be unconditional, and any condition attached to the Endorsement shall be null and void.
2. A partial Endorsement shall be null and void.
3. An Endorsement to bearer shall be a blank indorsement.

### **Article (531)**

1. An Endorsement shall be written on the bill of exchange itself or on a paper attached thereto, and shall be signed by the endorser.
2. An Endorsement may be signed only by the endorser (blank endorsement). In order for an Endorsement to be valid in this case, it shall be written on the back of the bill or on the paper attached thereto.

### **Article (532)**

The Endorsement shall transfer to the endorsee all rights arising from the bill.

### **Article (533)**

In case of a blank indorsement, the bearer shall:

1. Fill out the blank by writing his name or the name of another person;
2. Re-endorse the bill in blank or to another person; or
3. Deliver the bill to another person without filling out the blank and without endorsing it.

### **Article (534)**

1. The endorser shall guarantee the acceptance and payment of the bill, unless otherwise stipulated.
2. The endorser may prohibit the re-Endorsement of bill, and in such case, he shall not be liable for the guarantee vis-à-vis the person to whom the bill is transferred by means of a subsequent endorsement.

### **Article (535)**

The possessor of a bill of exchange shall be its legal bearer when he proves that he is the holder of right thereto by means of uninterrupted endorsements, even if the last one is in blank. Erased endorsements in this regard shall be null and void. If the endorsement in blank is followed by a subsequent endorsement, the signatory on the last endorsement shall be the one to whom the right to the bill is devolved.

### **Article (536)**

Where a person loses possession of a bill of exchange, the bearer shall not be bound to surrender it if he proves his right thereto in accordance with the preceding Article, save where he has acquired it in bad faith or if he had committed a gross fault in order to acquire it.

### **Article (537)**

Without prejudice to the provision of Article (524) above, a debtor who is sued for a bill of exchange may not invoke against its bearer the pleas based on his personal relationships with the drawer or with one of its previous bearers, except where the bearer's intent at the time of acquiring it was to cause harm to the debtor.

### **Article (538)**

1. Where the endorsement includes the phrase "value for collection" or "value for receipt" or any other term indicating the procuration, the bearer may exercise all the rights arising from the bill of exchange, including the right to institute an action in his personal name and may endorse it only to the effect of procuration.
2. In this case, obligors may only invoke against the bearer the plea that may be invoked by them against the endorser.

### **Article (539)**

1. Where the endorsement includes the phrase of "value for security" or any other expression purporting to the pledge of the right established by the bill of exchange to the endorsee, the bearer may use all the rights arising from the bill of exchange. Nevertheless, where the bearer endorses the bill of exchange, such endorsement shall be deemed as having been made as power of attorney.
2. In this case, obligors of the bill of exchange may not invoke against the bearer the pleas based on their personal relationships with the endorser, save where the bearer's intent, at the time of acquiring the bill of exchange, was to cause harm to the debtor.

### **Article (540)**

1. An endorsement after the date of maturity shall produce the same effects as an endorsement prior to such date; however, an endorsement subsequent to a non-payment protest or after the expiry of the time limit set by the Law for making the protest shall only produce the same effects as for the transfer of right.
2. An endorsement which does not bear a date shall be deemed to have been made before the expiry of the time limit fixed for the protest, unless the contrary is proved.

### **Article (541)**

An endorsement may not be predated. A predated endorsement shall be considered forgery.

## **Chapter Three**

### **Consideration for Payment of the Bill of Exchange**

#### **Article (542)**

The drawer of a bill of exchange or the person for whose account it was drawn shall be bound to make available to the drawee sufficient funds to pay the value thereof; however, the person who has drawn for the account of another shall be held personally liable exclusively towards the endorsers and the bearer of the bill of exchange for providing the funds for payment.

#### **Article (543)**

The consideration for payment shall be deemed available when, on the maturity date of the bill of exchange, the drawee is indebted to the drawer or to the person who ordered the drawing for a sum which is due and at least equal to the sum of the bill of exchange.

#### **Article (544)**

1. The acceptance of a bill of exchange shall be considered a presumption that the consideration required for payment is available with the acceptor. This presumption shall not be challenged as to the relationship between drawee and bearer.
2. In case of denial, only the drawer shall be bound to prove, irrespective of whether the bill of exchange was accepted or not, that the drawee had the consideration for payment on the maturity date. If he fails to do so, he shall guarantee the payment, even if he had

protested after the time limit prescribed by the law. In case the drawer proves that the consideration is available and continues to be available until the date on which the protest was supposed to have been made, he shall be relieved from liability to the extent of such consideration, save where it had been used in his interest.

### **Article (545)**

1. The title to the consideration for payment shall pass ipso jure to the consecutive bearers of the bill of exchange.
2. Where the consideration for payment is less than the sum of the bill of exchange, the bearer shall be vested with regard to such shortage in consideration with all the rights vested upon him for the entire consideration.
3. The provision stipulated in Clause (2) of this Article shall apply in the event that the consideration for payment is disputable, uncertain or undue on the maturity date of the bill of exchange.

### **Article (546)**

The drawer shall, even if he filed a protest after the statutory time limit, deliver to the bearer of the bill of exchange the documents required to obtain the consideration for payment. Where the drawer is declared bankrupt, the bankruptcy trustee shall do so; however, the bearer of the bill of exchange shall in all cases assume all the expenses incurred in this respect.

### **Article (547)**

Where the drawer is declared bankrupt, the time limit shall lapse and the date set for payment of the value of the bill of exchange shall fall due. The bearer – not the other creditors of the drawer - shall be exclusively entitled to receive his right from the consideration for payment

available with the drawee.

#### **Article (548)**

1. Where the drawee is declared bankrupt and the consideration for payment is a debt owed by the same, such debt shall be included in the assets of the bankruptcy.
2. Where the drawee who is declared bankrupt has possession on behalf of the drawer of goods, commercial papers, securities or any other properties that may be recovered according to the provisions of the Bankruptcy Law, and such property is expressly or implicitly allocated for payment of the value of the bill of exchange, the bearer shall have a priority to collect his right from the value thereof.

#### **Article (549)**

1. Where several bills of exchange have been drawn on one consideration insufficient to accommodate them all, the priority in recovering their value shall be given to the order of the dates of their drawing.
2. Where the said bills of exchange were drawn on the same date, the bill bearing the drawee's acceptance shall have priority. Where none of the bills of exchange bears the drawee's acceptance, the bill for which a consideration for payment has been allocated shall have priority. Bills of exchange containing a stipulation for non-acceptance shall rank last in the order of priority.

## **Chapter Four**

### **Acceptance of Bill of Exchange**

#### **Article (550)**

The bearer or possessor of a bill of exchange may, during the period from its drawing up to the date of its maturity, present it to the drawee at his place of residence for acceptance.

#### **Article (551)**

1. The drawer of a bill of exchange may stipulate that the same be presented for acceptance on a specific date or without specifying any date.
2. The drawer may stipulate that the bill be not presented for acceptance, unless it falls payable with a person other than the drawee or in a place other than his domicile or payable after specific period from sight.
3. He may also stipulate not to be presented for acceptance before a specified time limit.
4. Every endorser may stipulate that the bill of exchange must be presented for acceptance on a specified date or any date without specification, unless the drawer had stipulated that it must not be presented for acceptance.

#### **Article (552)**

A bill of exchange that falls payable after the lapse of a certain period from sight must be presented for acceptance within one year from its date. The drawer may shorten or extend such time limit, and every endorser may only shorten such time limit.

#### **Article (553)**

1. The drawee may request that the bill of exchange be re-presented for acceptance on the

next day following the first presentation; however, persons concerned may not allege that such request was rejected, unless it has been mentioned in protest.

2. The bearer of a bill of exchange presented for acceptance shall not be bound to surrender it to the drawee.

### **Article (554)**

1. The acceptance shall be written on the face of the bill of exchange with the word "accepted" or any other phrase having the same meaning, and shall be signed by the drawee.
2. The mere signature of the drawee on the face of the bill of exchange shall be deemed as acceptance.
3. The date of acceptance shall be stated as being on the same day on which acceptance occurred if the bill of exchange is due for payment after a certain period from being seen, or where it is stipulated that it must be presented for acceptance within a specific time limit, pursuant to a condition pertaining thereto, unless the bearer requires that the date of acceptance is to be stated on the same day of acceptance.
4. Where the date of acceptance is not stated, the bearer may, in order to preserve his rights, have recourse against the endorsers, and the drawer shall establish the lack of date by means of a protest made in due course.

### **Article (555)**

1. The acceptance must be unconditional; however, the drawee may restrict it to part of the sum of the bill of exchange.
2. Any modification to the particulars of the bill of exchange introduced to the wording of the acceptance shall be deemed as refusal of acceptance. Nevertheless, the acceptor shall

remain bound by the contents of the acceptance wording.

### **Article (556)**

1. Where the drawer stipulates on the bill of exchange for a place for payment, other than the drawee's place of residence, without naming the person to whom payment is to be made, the drawee may designate the name when signifying his acceptance. If he fails to do so upon acceptance, the accepting drawee shall be bound to make the payment at the place designated therefor.
2. Where the bill of exchange is due for payment at the drawee's place of residence, he may specify in the acceptance wording an address at the place where the payment shall be made.

### **Article (557)**

1. Where the drawee accepts the bill of exchange, he shall be bound to pay its value on the maturity date.
2. In the event of non-payment, the bearer may, even if he is the drawer himself, have recourse against the drawee acceptor by instituting a direct action arising from the bill of exchange and claiming all the rights which may be legally claimed.

### **Article (558)**

1. Where the drawee crosses out its acceptance stated on the bill of exchange before returning it, the acceptance shall be deemed rejected, and the crossing out shall be deemed to have been occurred before the bill of exchange is returned, unless otherwise proved.
2. Where the drawee notifies the bearer or any other signatory in writing of its acceptance, it

shall be bound vis-à-vis them by such acceptance.

## **Chapter Five**

### **Aval**

#### **Article (559)**

1. The payment of the bill of exchange, in whole or in part, may be guaranteed by an aval.
2. Such an aval may be given by a third party or even by a person who has signed as a party to the bill.

#### **Article (560)**

1. The aval shall be written on the bill of exchange itself or on a paper attached thereto in such wording as to indicate being an "aval" and shall be signed by the giver of the aval.
2. Such aval shall be established by the mere signature of the giver of the aval placed on the face of the bill of exchange, unless such signature is affixed by the drawee or drawer.
3. The wording of the aval shall include the name of the guarantor, otherwise, it shall be deemed as issued for the drawer.

#### **Article (561)**

1. The giver of an aval is bound as the person for whom he has become guarantor.
2. The liability of the giver of an aval shall be valid even if the obligation guaranteed is void for any reason whatsoever, other than a defect in the form.
3. Where the giver of an aval pays the bill of exchange, all rights arising therefrom shall devolve on itself vis-a-vis the guaranteed party and every party liable towards the latter under the bill of exchange.

### **Article (562)**

1. Aval may be issued on a separate paper indicating the place where it is made.
2. The giver of an aval who has given the collateral on a separate paper shall be liable only vis-a-vis the person in whose favor the aval is given.

## **Chapter Six**

### **Maturity of the Bill of Exchange**

#### **Article (563)**

1. A bill of exchange shall contain a single date of maturity.
2. The drawer may set the date of maturity of the bill of exchange by any of the following methods:
  3. At sight;
  4. At a fixed period after sight;
  5. At a fixed date; or
  6. After a fixed period after being created.
7. A bill of exchange which contains maturities other than those mentioned in Clauses (1) and (2) above, shall lose its feature as a commercial paper.

#### **Article (564)**

1. A bill of exchange that falls payable at sight shall be payable once presented, and shall be presented for payment within one year of the date of being drawn up. The drawee may shorten or extend such time limit but the endorsers may only shorten the same.
2. The drawer may stipulate that the bill of exchange payable at sight be not presented before the lapse of a fixed period of time, and in such case, the time for presentation shall be calculated from the maturity of such period of time.

### **Article (565)**

1. The maturity date of a bill of exchange payable after a fixed period after sight shall be calculated as from the date of acceptance or from the date of protest.
2. Where no protest is made, the undated acceptance shall be deemed as having occurred vis-a-vis the acceptor on the last day of the time limit set for presenting the bill of exchange for acceptance, pursuant to Article (552) above.

### **Article (566)**

1. Where a bill of exchange is made payable after one month or more after its date of sight, it shall fall due on the corresponding date of the month during which payment is to be made. In the absence of a corresponding date in the month during which the bill of exchange shall be paid, it shall fall due on the last day of such month.
2. Where the bill of exchange is drawn for one month and a half or for several months and a half after its date or after the date of sight, the calculation shall begin to run on the basis of full months. The phrase of "half month" shall mean (15) fifteen days.

### **Article (567)**

1. Where the bill of exchange is payable on a specific date in a country where the calendar is different from that of the country of issue, the date of maturity shall be deemed as having been determined according to the calendar of the country of payment.
2. Where the bill of exchange is drawn between two countries having different calendars and it is payable after a certain period from its date, the date of drawing shall be adjusted to the corresponding day of the calendar of the country of payment and the date of maturity shall be determined accordingly. The date of presentation of the bill shall be

determined according to the foregoing rules.

3. The above rules shall not apply when it appears from a stipulation in the bill of exchange or in its particulars that different rules are applicable.

## **Chapter Seven**

### **Payment of the Bill of Exchange**

#### **Article (568)**

1. The bearer of a bill of exchange shall present it for payment on the date of maturity.
2. Presenting a bill of exchange to any of a legally-recognized clearing house shall constitute an act of presentation for payment.

#### **Article (569)**

1. Where a drawee pays off the bill of exchange, he may recover it from the bearer duly signed to the effect of payment.
2. The bearer may not refuse partial payment.
3. In the event of partial payment, the drawee may request such payment to be stated in the bill of exchange and a receipt for the sum to be issued. The drawer, endorsers and any obligor under the bill of exchange shall be discharged up to the sum paid and the bearer shall protest the unpaid sum.

#### **Article (570)**

1. The bearer of a bill of exchange may not be compelled to receive its value before the maturity date.
2. Where the drawee pays off the value of the bill of exchange before the maturity date, he shall bear any consequences resulting therefrom.

### **Article (571)**

Any person who pays off the value of a bill of exchange on the maturity date without valid objection shall be discharged, unless he had committed fraud or gross fault. Such person shall satisfy himself with the regularity of the endorsement sequence, but he is not bound to verify the authenticity of the signatures of the endorsers.

### **Article (572)**

1. Where payment of the value of the bill of exchange in the United Arab Emirates is to be made in a currency that is not officially traded therein, the payment shall be made in the national currency according to the rate of exchange prevailing on the maturity day. Where the payment is not effected on the day of maturity, the bearer shall have an option to claim payment of the value of the bill of exchange valued in the national currency, as per the rate of exchange prevailing either on the day of maturity or on the date of payment. The current custom in the place of payment shall apply for the exchange rate of foreign currency, unless the drawer had fixed in the bill itself the rate on the basis of which the payable sum shall be calculated.
2. The provisions of Clause (1) above shall not apply in the event where the drawer had expressly stipulated that payment of the bill of exchange must be made in the foreign currency specified in the bill itself, subject to the laws pertaining to currency and the control over foreign remittance.
3. Where the value of a bill of exchange is specified in a currency having a common denomination in several countries but a different value in the country of drawing and the country of payment, it shall be assumed to mean the country of payment.

### **Article (573)**

1. Where a bill of exchange is not presented for payment on the date of maturity, any debtor thereof may deposit its value with the treasury of the court within whose jurisdiction the place of payment is located. Such deposit shall be at the bearer's expense and under his responsibility and against a receipt to be delivered to the depositor stating the sum deposited, the date of drawing up the bill of exchange, the maturity date thereof and the name of the person in whose favor it was originally drawn up.
2. Where the bearer claims payment from the debtor, the latter shall deliver to the bearer the receipt for the deposit against the surrender of the bill of exchange on which it is marked that payment was made by virtue of the said instrument. The bearer shall in this case receive the sum deposited with the court against such instrument. If the debtor fails to deliver the deposit receipt to the bearer, he shall be bound to pay the value of the bill of exchange.

### **Article (574)**

Objection to the payment of a bill of exchange or refusing to pay it shall be acceptable only in case of loss or bankruptcy of its bearer.

### **Article (575)**

1. Where a non-accepted bill of exchange, which is part of a set, is lost, the person entitled to its value may claim payment by virtue of one of its other copies.
2. Where a bill of exchange is drawn up in several copies and the part which bears the acceptance is lost, the payment thereof may not be claimed under one of the other copies, except with an order by the chief justice of the competent court, provided that a guarantor is provided.

### **Article (576)**

A person who has lost a bill of exchange, whether accepted or not, and is unable to present one of the other copies, may request the chief judge of the competent court for an order to have its value paid, provided that he proves his title thereto and provides a guarantor.

### **Article (577)**

1. In the event of refusing to pay the value of a lost bill of exchange after claiming its payment, pursuant to the provisions of the preceding two Articles, its owner shall document such refusal in a protest to be made on the day following the date of maturity, and shall notify the drawer and endorsers of the same in such manner and within such time-limits as provided for in Article (591) hereunder.
2. The protest shall be made within the time limit mentioned in Clause (1) above, even if it is impossible to obtain a decision from the competent court in due course.

### **Article (578)**

Payment of the value of a bill of exchange on the date of maturity, based on a court order in the cases referred to in Articles (575) and (576) above, shall discharge the debtor from liability.

### **Article (579)**

The obligation to provide a giver of an aval, as set forth in Articles (575), (576) and (580) of this law, shall lapse after (3) three years if no claim or action is filed within such time limit.

### **Article (580)**

1. The owner of a lost bill of exchange may obtain a copy thereof by referring to his preceding endorser, who shall assist and authorize him to use his name in order to claim from the previous endorser, and so on from one endorser to another up the drawer.
2. Every endorser shall annotate his endorsement on the copy of the bill of exchange delivered by the drawer after being annotated that it is in lieu of the missing original.
3. Payment may not be claimed under the said copy except with an order from the chief judge of the competent court and subject to the provision of a guarantee.
4. All expenses incurred in this respect shall be borne by the owner of the bill of exchange.

## **Chapter Eight**

### **Claim and Recourse Against Obligors of the Bill of Exchange**

#### **Article (581)**

A holder of a bill of exchange, in case of non-payment thereof on the date of maturity, may have recourse against endorsers, drawer and other obligors thereof.

#### **Article (582)**

1. A holder may have recourse against obligors of a bill of exchange prior to the date of maturity in the following cases:
  - a. Total or partial refrainment from acceptance;
  - b. Bankruptcy of the drawee, whether he accepted the bill of exchange or not, or when he suspends payment, even if no adjudication is rendered declaring his bankruptcy, or when an attachment of no avail is levied at his property; or
  - c. Bankruptcy of the drawer of the bill of exchange required not to be presented for acceptance.

2. The giver of an aval may request a time limit for payment when recourse is exercised against him in the two cases provided for in Paragraphs (b) and (c) of Clause (1) above, by applying to the Court of First Instance within whose jurisdiction his place of residence is located, within (3) three days from the date of recourse against him. Where the Court of First Instance considers that the grant of the time limit is justifiable, it shall determine in its decision the date on which the payment shall be conducted; provided that it does not exceed the date set for maturity. The Court's decision in this respect shall be non-appealable.

### **Article (583)**

1. Where the maturity date of a bill of exchange is a public or bank holiday, the payment thereof may be claimed only on the following business day.
2. Similarly, no action may be taken in relation to the bill of exchange and commercial papers, such as presentation for acceptance or making a protest, except on a business day.
3. If an action related to the bill of exchange and commercial papers is scheduled to be taken within a specified time limit and the last day of such time limit is a public or bank holiday, the time limit shall be extended to the next business day.
4. The intervening holidays shall be calculated within the time limit.
5. The first day of the time limit shall not be considered when calculating statutory or contractual time limits related to the bill of exchange and commercial papers.

### **Article (584)**

Refrainment from acceptance or payment of the bill of exchange shall be proved by a protest for non-acceptance or a protest for non-payment, which shall be executed through the competent Notary Public; provided that one copy thereof shall be served to the addressee of

the protest.

### **Article (585)**

1. The protest shall contain a true copy of bill of exchange with all the particulars stated therein, as to its acceptance, endorsement, giver of an aval, payment of its value, if applicable, and any other particulars. The protest shall also contain the notice to pay the value of the bill of exchange, whether the person liable to accept or pay such value is present or absent, the reasons of non-acceptance or non-payment, the inability to affix the signature or refusal to sign and the sum paid from the value of the bill of exchange in case of partial payment.
2. The protest for non-acceptance or non-payment shall be communicated in the domicile of the obligor of the bill of exchange or in the last domicile known for him.

### **Article (586)**

The competent notary public shall record day-by-day all the papers related to the protest in chronological order in a special register with numbered and duly annotated pages.

### **Article (587)**

The competent Notary Public shall also during the first (10) ten days of every month send to the competent Commercial Registry office a list of protests for non-payment executed during the previous month. The competent Commercial Registry office shall keep a book to record such protests. Every person may have access to such protests and obtain a copy thereof against payment of the prescribed fees. The said office shall publish a bulletin containing such protests.

### **Article (588)**

1. A protest for non-acceptance shall be made within the time-limits set for presentation of the bill of exchange for acceptance. Where the first presentation for acceptance, pursuant to Article (552), falls on the last day of such time limit set for presentation, the non-payment protest may be made on the following day.
2. Where the bill of exchange is due for payment at sight, the protest for non-payment shall be made according to the conditions stipulated in Clause (1) above pertaining to the non-acceptance protest.
3. Where the bill of exchange is due for payment on a specified date or after a certain period from the date of drawing up or sight, the protest for non-payment shall be made on either of the two business days following the date of maturity.
4. The protest for non-acceptance shall substitute the need for presenting the bill of exchange for payment and for making a protest for non-payment.

### **Article (589)**

No instrument may substitute the protest except in the cases stipulated by the Law.

### **Article (590)**

1. Where the drawee suspends payment, whether he has accepted the bill of exchange or not, or in case an attachment of no avail is levied on his property, the bearer of the bill of exchange may have recourse against the giver of an aval only after presenting the bill of exchange to the drawee for payment and making a protest for non-payment.
2. Where the drawee is declared bankrupt, whether he has accepted the bill of exchange or not, or in case of bankruptcy of the drawer of the bill of exchange who has stipulated for non-presentation for acceptance, the presentation of the bankruptcy judgement shall be

sufficient to enable the bearer to exercise his rights of recourse against the giver of an aval.

### **Article (591)**

1. The bearer of a bill of exchange shall notify its drawer and his endorser of the non-acceptance or non-payment thereof within the (4) four business days following the date of protest, or the date on which it is presented for acceptance or payment if it contains the stipulation for recourse without costs. Every endorser shall, within the two business days following his receipt of the notice, be bound to notify in his turn his endorser of his receipt of such notice, giving him the names and addresses of the previous notifying persons, and so on from one endorser to another up to the drawer. The time limit shall, vis-a-vis each endorser, commence from the date on which he received the notice from his previous endorser.
2. Where one of the signatories has been notified on the bill of exchange itself, pursuant to Clause (1) above, it shall also be compulsory to notify the giver of aval on the same date.
3. Where one of the endorsers has failed to state his address or has stated it in an illegible manner, it shall be sufficient to notify his previous endorser.
4. Any person who is bound to serve the notice may perform it in any manner whatsoever, even by returning the bill of exchange itself.
5. The person who is bound to send the notice shall prove that he did so within the time limit prescribed therefor; and such time limit shall be deemed to be observed if he delivered the registered letter containing the notice to the Post Authority within the said time limit.
6. The person who is bound to serve the notice shall not forfeit his rights if he fails to do so within the prescribed time limit, but he shall be required, if applicable, to compensate the damage arising from his negligence; provided that the compensation shall not exceed the sum of the bill of exchange.

## **Article (592)**

1. The drawer, every endorser or giver of an aval may exempt the bearer from the obligation of making the protest for non-acceptance or non-payment upon recourse if it is stipulated in the bill of exchange for (recourse without costs) or (without protest) or any other stipulation having the same meaning and signed by him.
2. Such stipulation shall neither exempt the bearer from presenting the bill of exchange within the prescribed time limits, nor serving the required notices. Any person who invokes vis-a-vis the bearer the non-adherence to such time limits shall prove the same.
3. Where the drawer stipulates for recourse without costs, the effects of such stipulation shall apply to all signatories; however, if the same is stipulated by an endorser or giver of an aval, its effects shall apply to him only.
4. Where the drawer makes such stipulation and the bearer however protests the same, the bearer shall solely bear the costs. If the stipulation is made by an endorser or a giver of an aval, recourse may be exercised against all the signatories for the costs of protest, if applicable.

## **Article (593)**

1. Persons who have committed themselves under the bill of exchange shall be jointly liable towards its bearer.
2. The bearer may have recourse against such obligors, separately or jointly, without having to observe the order of their obligations.
3. The right of recourse of each signatory on the bill of exchange shall, if he pays its value, be established against the obligors towards him. However, an action instituted against any of such obligors shall not prevent the right of recourse against others, even if they are

subsequent to the obligor against whom the action was initially instituted.

### **Article (594)**

1. A bearer of a bill of exchange may claim from the person having a right of recourse against him the following:
  - a. The original sum of a non-accepted or non-paid bill of exchange, along with the agreed interest, if applicable;
  - b. The interest calculated according to the prevailing banking rate, as of the date of maturity; and
  - c. Costs of the protest, notices and any other expenses.
2. In the cases of recourse exercised before the maturity date of the bill of exchange, a sum equal to the official discount rate on the date of recourse and in the place where the bearer's place of residence is located shall be deducted from the value of the bill of exchange.

### **Article (595)**

Any person having paid the value of the bill of exchange may claim from the obligors committed towards him to reimburse him the sum paid and the expenses incurred.

### **Article (596)**

Courts may not grant a time limit for paying the value of the bill of exchange or to undertake any action related thereto, except in the cases stipulated by the Law.

### **Article (597)**

1. Any obligor who, by way of recourse, is claimed or is likely to be claimed to pay a bill of exchange, may, if he effects the payment, request that the bill, together with the protest and a receipt for the sum paid, be surrendered to him.
2. Any endorser who paid the bill of exchange may cross out his endorsement and all subsequent endorsements.

### **Article (598)**

In case the recourse is exercised after partial acceptance, the person who has paid the non-accepted part of the value of the bill of exchange may require its bearer to prove such payment of the bill itself and deliver him a clearance. Furthermore, the bearer shall be bound to hand him a copy of the bill of exchange certified by him as a true copy, together with the protest, in order to enable him to exercise his right of recourse against others for the sum paid by him.

### **Article (599)**

1. The bearer of a bill of exchange shall forfeit his right, pursuant to the rules of the Exchange Law, to have recourse against the drawer, endorsers and other obligors, except the acceptor, upon the expiry of the time limits set for the undertaking the following:
  - a. Present the bills of exchange payable at sight or a certain period after sight.
  - b. Make a protest for non-acceptance or non-payment.
  - c. Present the bill of exchange for payment if it contains a stipulation of recourse without costs.
2. Nevertheless, the drawer shall take advantage of such forfeiture only if he proved that he made available the consideration for payment on the maturity date, in which case, the bearer may have recourse only against the drawee.

3. Where a bill of exchange is not presented for acceptance within the time limit set by the drawer, the bearer shall forfeit his right of recourse, due to the non-acceptance and non-payment, unless it is revealed from the wording of the stipulation that the intention of the drawer thereby was to relieve himself from guaranteeing the acceptance.
4. Where the endorser stipulates on his endorsement for a date for presentation of the bill of exchange for acceptance, he may solely take advantage of such stipulation.

### **Article (600)**

1. Where due to a force majeure event a bill of exchange is not presented or protested within the prescribed time limits, such time limit shall be extended.
2. The bearer shall, without delay, notify his endorser of the force majeure event. Such notice shall be dated and signed by the bearer on the bill itself or the attached paper. Such notices shall be sequentially served from one endorser to another up to the drawer, pursuant to Article (591) above.
3. When the force majeure even ends, the bearer shall, without delay, present the bill of exchange for acceptance or payment, then make the protest when necessary.
4. Where the force majeure event continues for more than (30) thirty days, as of the maturity date, recourse may be exercised against the obligors with no need to present the bill of exchange or make a protest.
5. Where the bill of exchange is payable at sight or a certain period after sight, the time limit of (30) thirty days shall run from the date on which the bearer notifies his endorser of the force majeure event, even if such date is prior to the expiry of the time limits set for presentation of the bill of exchange. The sight period shall be extended to more than the (30) thirty days if the bill of exchange is payable after a certain period from the sight.
6. Matters related to the person of the bearer or any person delegated by him to present or

protest the bill of exchange shall not be deemed a force majeure event.

### **Article (601)**

The bearer of a bill of exchange protested for non-payment may levy a precautionary attachment, without the need to submit a guarantee, at the property of the drawer, acceptor, endorser, giver of an aval or any other obligors under the bill of exchange, subject to the provisions stipulated for such attachment in the Civil Procedures Code, except for providing a guarantee.

### **Article (602)**

1. Any person having a right of recourse against other obligors under the bill of exchange may recover his right by drawing a new bill of exchange on one of his givers or an aval to be payable at sight and at the place of residence of such giver of aval, unless otherwise provided.
2. A recourse bill of exchange shall include the sums set forth in Articles (594) and (595) above, plus any commissions and other fees prescribed by Law.
3. Where the drawer of a recourse bill of exchange is himself the bearer, its sum shall be determined on the same basis as that adopted to fix the value of a bill of exchange due for payment at sight, drawn from the place where the original bill of exchange was payable on the place of residence of the giver of an aval lies.
4. Where the drawer of a recourse bill of exchange is an endorser, its sum shall be determined on the same basis as that adopted to fix the value of a bill of exchange payable at sight, drawn from the place wherein the place of residence of the drawer of the bill of exchange is located, on the place where the giver of an aval's place of residence is located.
5. In case of multiple recourse bills of exchange, the drawer of the original bill or any

endorser of such bill may not be required to pay more than the value of one recourse bill of exchange.

## **Chapter Nine**

### **Intervention for Honor**

#### **Section One**

#### **General Provisions**

#### **Article (603)**

1. A drawer, endorser or giver of an aval of a bill of exchange may designate a person who shall accept or pay the bill, where necessary.
2. A bill of exchange may be accepted or paid by a person intervening for the interest of any obligor thereof, who may be subject of recourse, subject to the conditions set forth in the following Articles of this Chapter.
3. The intervening person may be a third party, the non-accepting drawee or any obligor under the bill of exchange; however, he may not be the accepting drawee.
4. The intervening party shall, within the two business days following the intervention, notify the party in whose favor the intervention took place; otherwise, he shall be liable, where applicable, to compensate for any damage caused by his negligence; provided that such compensation does not exceed the sum of the bill of exchange.

#### **Section Two**

#### **Acceptance for Honor**

#### **Article (604)**

1. The acceptance for honor shall occur in all cases where the bearer of an acceptable bill of

exchange has the right of recourse prior to the date of maturity.

2. Where the bill of exchange designates an acceptor or a payer of its value when falls payable at the place of its payment, the bearer may not, prior to the date of maturity, have recourse neither against the person who made such designation nor against subsequent signatories; save where he presents the bill of exchange to its designated acceptor or payer, where necessary, and such designee refrains from accepting it and the bearer proved such refrainment under a protest.
3. The bearer may in other cases refuse the acceptance for honor, and if he accepts it, he shall lose his right of recourse, prior to the maturity date, against the party in whose interest the intervention was made and against his subsequent signatories.

### **Article (605)**

The acceptance for honor shall be conducted by writing it on the bill of exchange itself and shall be signed by the intervener. The name of the person in whose interest the intervention was made shall also be mentioned therein, otherwise, it shall be deemed to be conducted in favor of the drawer.

### **Article (606)**

1. The acceptor for honor shall have the same liability towards a bearer of a bill of exchange and subsequent endorsers of the person in whose interest the intervention was made, in the same manner of the latter.
2. The party in whose interest the intervention was made and his guarantor may, in spite of the acceptance for honor, require the bearer to surrender to them the bill, the protest and the clearance, if any, against payment of the sum set forth in Article (594).

## **Section Three**

### **Payment for Honor**

#### **Article (607)**

1. A bill of exchange may be paid by intervention in all cases when, upon or prior to maturity date, the bearer thereof has the right of recourse against the obligors thereof.
2. Such payment shall take place by paying the entire sum which was supposed to have been paid by the person in whose interest the intervention was made.
3. The payment shall take place at most on the next day following the last day on which the protest for non-payment may be made.

#### **Article (608)**

1. Where the acceptors of a bill of exchange by intervention or those who are designated for payment thereof, where necessary, have a place of residence at the place of payment, the bearer shall present the bill of exchange to all such persons for payment thereof, and where necessary, he shall protest for non-payment at most on the day following the last day on which such protest may be made.
2. Where the protest is not made on that date, the person designated for payment of the bill of exchange, where necessary, or the person in whose interest the intervention was made shall be discharged; and also the subsequent endorsers shall be discharged from liability.

#### **Article (609)**

Where the bearer of a bill of exchange refuses the payment by intervention, he shall lose his right of recourse against the person who would have been discharged by such payment.

### **Article (610)**

1. Payment by intervention shall be established by writing a clearance on the bill of exchange, stating the name of the party in whose interest the payment was effected, otherwise, the payment by intervention shall be deemed to be made in favor of the drawer.
2. The bill of exchange and the protest, if made, shall be surrendered to the person who paid by intervention.

### **Article (611)**

1. The party who paid a bill of exchange by intervention shall acquire all the rights arising therefrom against the person in whose interest the payment was made and against those persons liable under the bill of exchange towards such party. However, the person who paid by intervention may not re-endorse the bill of exchange.
2. The endorsers subsequent to the person in whose interest the payment was made shall be discharged from liability.
3. Where several persons offer to pay a bill of exchange by intervention, the person whose payment shall discharge the biggest number of obligors shall have preference. Where this rule is knowingly violated, the intervener for payment shall lose his right of recourse against any person who has been discharged had this rule been observed.

## **Chapter Ten**

### **Parts of a Set**

### **Article (612)**

1. A bill of exchange may be drawn in a set of identical copies. If a bill of exchange is drawn of multiple copies, each copy shall be numbered and shall state the total number of copies

issued, otherwise, each copy shall be deemed a separate bill of exchange.

2. Every holder of a bill of exchange that does not stipulate that it is drawn only in one copy may request copies thereof at his own expense. He shall to that effect refer to his endorser who shall be bound to assist him to refer to the previous endorser, and so on up to the drawer.
3. Every endorser shall write his endorsement on the new copies.

### **Article (613)**

1. The payment of a bill of exchange under one of its copies shall discharge liability, even if no stipulation therein that the payment shall nullify the effect of the other copies. Nevertheless, the drawee shall remain liable for payment under each copy signed by him for acceptance and failed to recover.
2. An endorser who has endorsed copies of a bill of exchange to different persons, as well as his subsequent endorsers, shall assume the liability under all copies bearing their signatures and which have not been recovered by them.

### **Article (614)**

A person who sends a copy of the bill of exchange for acceptance shall state on the other copies the name of the person who shall hold such copies in his possession, and this latter shall surrender it to the lawful bearer of any other copy. Where he refuses to surrender it, the bearer shall have no right of recourse, unless he makes a protest stating:

1. That the copy sent for acceptance has not been surrendered to him despite the fact that he requested it.
2. That the acceptance or payment was not effected under another copy.

**Chapter Eleven**  
**Copies and Alterations**

**Section One**

**Copies**

**Article (615)**

1. The holder of a bill of exchange may make copies thereof.
2. The copies shall be fully identical to the original bill of exchange and to any endorsements or any other particulars contained therein. The copy shall indicate the limit where the duplication from the original ends.
3. The copy may be endorsed and guaranteed by an aval in the same manner and with the same effects of the endorsement or aval of the original.

**Article (616)**

1. The name of the holder of the original bill shall be written in the copy of the bill of exchange, and such holder shall hand over the original to the lawful holder of the copy.
2. If the holder of the original refuses to hand it over, the holder of the copy may not exercise his right of recourse against the endorsers or those who guaranteed it by aval, until he has had a protest drawn up specifying that the original had not been handed over to him on his demand.
3. Where after the last endorsement and before making the copy a phrase is written on the original instrument purporting that any subsequent endorsement of the bill of exchange shall be made only on the copy, any subsequent endorsement on the original shall be deemed null and void.

## **Section Two**

### **Alterations**

#### **Article (617)**

Where a misrepresentation is made in the text of the bill of exchange, the subsequent signatories shall be liable according to the misrepresented text; however, the previous signatories shall be liable only according to the original text.

In case of alteration of the text of a bill of exchange or promissory note, signatories subsequent to the alteration are bound by the altered text, while the signatories prior to the alteration are bound only by the original text.

#### **Article (618)**

##### **Limitation of Actions**

In the event of denial or lack of a lawful excuse, the following actions shall be barred:

1. An action arising from the bill of exchange instituted against the acceptor after (3) three years from the date of maturity.
2. Actions instituted by the holder against the endorsers or the drawer after the lapse of one year from the date of the protest made within the prescribed time limit or from the date of maturity if the bill contains a stipulation for recourse without costs.
3. Actions instituted by endorsers against each other or against the drawer after the lapse of (6) six months from the day on which the endorser has paid the bill of exchange or from the day on which the action was instituted against him.

#### **Article (619)**

Where an action is instituted, the limitation period provided for in Article (618) above shall be

applicable only from the date of the last procedure conducted in respect thereof.

### **Article (620)**

The limitation period stipulated in Article (618) shall not be applicable if a judgment establishing debt is rendered or if the debtor acknowledges the debt under a separate deed, which entails renewal of the debt.

### **Article (621)**

The interruption of the limitation period shall only be effective vis-à-vis the person against the person in respect of whom the procedure interrupting the period was taken.

## **Part Two**

### **Promissory Note**

#### **Article (622)**

A promissory note shall contain the following particulars:

1. A stipulation of promise or the expression of (promissory or order note) written in the body of the instrument in the same language thereof.
2. An unconditional undertaking to pay a specific sum of money written in numbers and letters.
3. Date of maturity.
4. Place of payment.
5. Name of the payee or the beneficiary.
6. Date and place of making the promissory note.
7. Signature of the person making the promissory note (maker).

### **Article (623)**

A note which does not contain any of the particulars stated in Article (622) above shall not be considered a promissory note, except in the following cases:

1. Where the date of maturity is not stated, the promissory note shall be deemed payable at sight.
2. Where the place of payment or the maker's domicile is not stated, the place of issuing the note shall be considered the place of payment and the domicile of the maker.
3. Where the place of making the note is not stated, it shall be deemed to have been made at the place indicated next to the maker's name or at the place where he effectively signed the note.

### **Article (624)**

1. A promissory note maker shall be liable in the same manner as the acceptor of a bill of exchange.
2. A promissory note which falls due at a fixed period after sight shall be presented to the maker, within the time limit stipulated in Article (564) above, in order to be annotated as it has been sighted, and such annotation shall be dated and signed by the maker.
3. The term of sight shall begin only from the date of such annotation.
4. Where the maker refrains from affixing such annotation, his refusal shall be established by virtue of a protest of non-acceptance and the date of such protest shall be the effective term of the sight.

### **Article (625)**

1. The provisions on the bill of exchange, pertaining to capacity, multiple counterparts and copies, endorsement, maturity, payment, recourse for non-payment, cases where a time

limit for payment may not be granted, precautionary attachment, protest, calculation of time-limits and business days, recourse by drawing up a recourse bill of exchange, payment for honor and the limitation period, shall apply to promissory notes, in such a manner as they do not contradict the nature thereof.

2. Furthermore, the rules related to the bill of exchange payable at the domicile of a third party or at a place other than that where the drawee's domicile lies, stipulation of interest, discrepancies in the particulars pertaining to the payable sum, the effects of signatures by persons having no capacity to assume the liability, forged signatures, signatures of fictitious persons, signatures which are not binding or those affixed by persons having no authority or acting ultra vires, shall also apply to promissory notes.

The provisions pertaining to the aval shall apply to promissory notes, provided that if the name of the giver of aval is not mentioned in the wording of the aval, the aval shall be deemed to have been made in favor of the maker of the promissory note.

## **Part Three**

### **Cheques**

#### **Article (626)**

Subject to the provisions of this Part, the provisions of Bills of Exchange shall apply to Cheques to the extent that provisions do not conflict with the nature of Cheques.

**Chapter One**  
**Issuance of Cheques**  
**Article (627)**

A Cheque includes the following information:

1. The word 'Cheque' written on the body of the instrument in the language in which the text is written
2. An unconditional order to fulfill a certain sum of money
3. The name of the person who is under obligation to pay (the Drawee)
4. The name of the person to whom or to whose order payment should be made
5. The place of payment
6. The date and place of the issuance of the Cheque
7. The signature of the person who issued the Cheque (the Drawer).

**Article (628)**

An instrument that does not contain any of the particulars mentioned in Article (627) of this Law is not deemed a Cheque except in the following cases:

1. If the Cheque does not contain the place of payment, the place indicated next to the name of the Drawee shall be deemed as the place of payment. If several places are mentioned next to the name of the Drawee, the Cheque shall be deemed payable in the first place indicated therein. If the Cheque does not contain such data, it shall be deemed payable at the place of the Drawee's head office.
2. If the Cheque does not contain an indication of the place of issuance, it shall be deemed issued in the place indicated next to the Drawer's signature. If there is none, it shall be deemed issued in the place where it was actually signed.

### **Article (629)**

1. Cheques issued in the State and payable therein must be drawn on a bank.
2. Every bank that delivers to its customer a book that includes blank Cheques payable from its treasury, must write on each Cheque the name of the account holder who received it and their account number.
3. Withdrawals may be made through special written requests in the manner set forth by the bank and acceptable to it in terms of form.
4. The signature on the Cheques and on the special written requests shall be identical to the model signatures and approved signatures registered with the bank, and the account holder shall be responsible to the bank whether this account is credit or debit.

### **Article (630)**

1. A Cheque may not be issued unless the Drawer has money with the Drawee at the time of issuance of the Cheque that they can dispose of by virtue of a Cheque in accordance with an express or implied agreement.
2. The person who draws the Cheque or orders someone else to draw it for their account must pay funds for payment. However, the Drawer for the account of others shall be personally responsible only before the Endorsers and the Bearer for securing funds for payment.
3. The Drawer alone must prove upon denial that the person on whom the Cheque was drawn had the funds for payment at the time of its issuance. If this is not proven, the Drawer shall be a guarantor of the payment of the Cheque, even if the protest against non-payment was made after the legally prescribed deadlines.

### **Article (631)**

1. Cheques are not susceptible to acceptance. If the wording of acceptance is written on the

Cheque, it shall be deemed null and void.

2. The Drawee may make an indication on the Cheque denoting their approval, and the approval indicates the presence of the funds for payment with the Drawee on the date of making such indication. The signature of the Drawee on the face of the Cheque is deemed approval.

3. The Drawee may not refuse to endorse a Cheque if the Drawer or Bearer of the Cheque asks them to do so and they have sufficient funds for payment to pay the value of the Cheque in whole or in part.

4. The funds for payment of the approved Cheque in its entirety or the remainder thereof after partial payment shall remain frozen with the Drawee and under their responsibility for the benefit of the Bearer until the end of the Cheque submission deadlines for payment.

### **Article (632)**

It is permissible to stipulate the fulfillment of the Cheque:

1. To a named person with or without expressly stating the condition of the order.
2. To a named person with mentioning the phrase (Not To Order) or any other phrase that conveys this meaning.
3. To the Bearer of the Cheque.

### **Article (633)**

A Cheque drawn in favor of a named person bearing the expression ('Or to Bearer') or any other expression denoting this meaning is deemed a Bearer Cheque, and if the name of the beneficiary is not indicated, the Cheque is deemed to be 'To Bearer'.

### **Article (634)**

A Cheque payable in the State that includes a condition (Non-Negotiable) is payable only to the person who receives it accompanied by this condition.

### **Article (635)**

1. A Cheque may be drawn to the order of its own Drawer.
2. It may be drawn to the account of another person.
3. It may not be drawn against its Drawer themselves except in the case of drawings between the branches of the same bank to each other or between them and the head office of the bank, provided that the drawn Cheque is not payable to its Bearer.

### **Article (636)**

Stipulating interest in the Cheque is deemed null and void.

### **Article (637)**

The Drawer guarantees the fulfillment of the Cheque, and every condition according to which the Drawer exempts themselves from this guarantee is deemed null and void.

### **Article (638)**

A debt is not renewed upon the creditor's acceptance of receiving a Cheque in payment of their debt. The original debt remains valid with all its guarantees until the value of the Cheque is paid.

## **Chapter Two**

### **Cheque Negotiation**

#### **Article (639)**

1. A Cheque that is conditional on being paid to a named person, whether or not the condition of the order is expressly stated in it, is negotiable by means of endorsement, and it may be endorsed even to the Drawer or any other obligor. They may endorse the Cheque again.
2. A Cheque that is conditional on being paid to a named person on which the phrase "Not To Order" or any other phrase with this meaning is written may not be negotiated except by following the provisions of the transfer of right.
3. A Cheque made payable to Bearer shall be negotiated by hand.

#### **Article (640)**

1. The Endorser does not guarantee the payment of the Cheque unless otherwise stipulated.
2. The Endorser may prohibit its re-endorsement, and in this case the Endorser shall not be required to guarantee towards those to whom the Cheque devolves by a subsequent endorsement.

#### **Article (641)**

An endorsement to the Drawee shall be deemed as a discharge, unless the Drawee bank has several branches and the endorsement has occurred to a branch other than the one on which the Cheque was drawn.

#### **Article (642)**

An endorsement written on a Bearer Cheque makes the Endorser responsible in accordance

with the provisions of recourse. However, this endorsement does not result in the instrument becoming a Cheque to Order.

### **Article (643)**

1. The holder of a negotiable Cheque by endorsement is deemed to be its legal Bearer when they prove that they are the owner of the right to it by uninterrupted endorsements, even if the last one is a blank endorsement.
2. Crossed-out endorsements are deemed null and void, and if the blank endorsement is followed by another endorsement, the signatory of such endorsement is deemed to be the one to whom the right to the Cheque has devolved by the blank endorsement.

### **Article (644)**

If a person loses possession of a Cheque, whether the Cheque is 'To Bearer' or endorsable, the person to whom the Cheque has devolved is not required to abandon it once they prove their right in the manner set forth in Article (643) of this Law, unless they have obtained it in bad faith or committed a serious mistake in order to obtain it.

### **Article (645)**

1. An endorsement subsequent to the protest or made after the expiry of the time limit for presenting the Cheque has no effect other than the effects of the transfer of the right.
2. The dateless endorsement shall be deemed to have taken place prior to making the protest, or to have taken place before the expiry of the time limit for presenting the Cheque, unless otherwise proven.
3. Endorsements may not be predated. Predating endorsements is deemed an act of forgery.

### **Article (646)**

1. Payment of the Cheque value or part thereof may be guaranteed by a backup guarantor.
2. This guarantee shall be from a third party, except for the Drawee, and it may also be from one of the signatories of the Cheque.

### **Article (647)**

1. Endorsements issued by the Drawee and partial endorsements are null and void.
2. An endorsement to Bearer is deemed a blank endorsement.

## **Chapter Three**

### **Payment of Cheques**

#### **Article (648)**

1. The Cheque shall be due for payment on the day indicated as the date of its issuance, and the Cheque may not be presented for payment before such date.
2. If the funds for payment is less than the value of the Cheque, the Drawee shall pay it partially up to the sum available to them, unless the Bearer refuses the same. In the event of partial payment, the Drawee shall make an annotation, every time a partial payment is made, on the back of the Cheque indicating the same, and shall hand over to the Bearer the original Cheque and a certificate of such payment. The Bearer's right to claim the remainder is established by the original cheque marked in accordance with Article (667) of this Law, or by filing a protest after the expiration of the deadlines stipulated in Article (663) of this Law.
3. The Drawee shall notify the Central Bank of the account holder's data, in accordance with the rules and regulations issued by the Central Bank in this regard, in any of the following cases:

- a. If the Cheque does not have an adequate amount of funds for payment that is current and subject to withdrawal on its maturity date.
- b. If the Drawer, after issuing the Cheque, recovers all funds for payment so that the Cheque cannot be cashed.
- c. If the Drawee partially pays the Cheque in accordance with Clause (2) of this Article.

### **Article (649)**

1. A Cheque drawn inside or outside the State and payable in the State must be presented for payment within (6) six months.
2. The deadline mentioned in Clause (1) of this Article starts from the date indicated on the Cheque as the date of its issuance.
3. Presentation of a Cheque to a bank or withholding its sum by telephone or by any means prescribed by law, including modern technology, by this bank to the Drawee bank, as well as presenting a Cheque to one of the legally recognized clearing houses, is deemed as presenting such Cheque for payment.

### **Article (650)**

If the Cheque is drawn between two countries of different calendars, the date of its issuance shall be the corresponding day in the calendar of the country of payment.

### **Article (651)**

1. The Drawee may pay the value of the Cheque even after the expiry of the deadline for its presentation.
2. Objection regarding paying a Cheque is not accepted except in the event of its loss or the

bankruptcy of its Bearer.

3. The bank shall be required to cash the Cheque despite the Drawer's objection in cases other than those stipulated in Clause (2) of this Article, and the court may not order the suspension of the payment of the Cheque even in the event of a claim for the origin of the right.

### **Article (652)**

If the Drawer dies, becomes incapacitated, or becomes bankrupt after giving the Cheque, this shall not affect the provisions arising therefrom.

### **Article (653)**

1. If several Cheques are presented at the same time and the funds for payment are not sufficient to pay them all, the order of their drawing dates shall be observed.

2. If the presented Cheques are separated from one Cheque Book and bear the same date, the Cheque with the earliest number is deemed drawn before other Cheques, unless otherwise proven.

### **Article (654)**

1. If it is stipulated that the Cheque be paid in a country with a currency that is not circulated in it, then its sum shall be paid on the date of its presentation in the currency in circulation in the United Arab Emirates according to its price on the day of payment. If payment is not made on the day of Cheque's presentation, the Bearer has the option between claiming the sum of the Cheque denominated in the currency circulating in the State according to its price on the day of presentation or the day of payment.

2. If the Cheque is presented for the first time after the expiry of the deadline for its presentation, the price of the day on which the deadline for presentation has expired shall

prevail.

3. The rate prevailing in the market shall be followed in the evaluation of foreign exchange. However, the Drawer may specify in the Cheque the price on the basis of which the sum to be paid is calculated.

4. If the sum of the Cheque is specified in a currency bearing a common denomination, and its value in the country of issuance differs from its value in the country of payment, it shall be assumed that what is meant is the currency of the country of payment.

### **Article (655)**

The obligation of the guarantor to be presented in the event of the loss of the Cheque shall expire with the lapse of (6) six months if no claim or action is made during such period.

### **Article (656)**

1. If the Bearer Cheque is lost or destroyed, its owner may object to the Drawee to pay its value. The objection must include the number of the Cheque, its sum, the name of its Drawer, and every other particular that helps in identifying it, and the circumstances surrounding its loss or destruction. If it is not possible to provide some of such data, the reasons for the same must be mentioned. If the objector does not have a place of residence in the State, they must designate an elected domicile there.

2. As soon as the Drawee receives the objection, they must refrain from paying the value of the Cheque to its holder and shall set aside the funds for payment of the Cheque until the matter is decided.

3. The Drawee, at the expense of the objector, shall publish the number of the lost or destroyed Cheque, its sum, the name of the Drawer, the name of the objector, and their address in one of the daily newspapers issued in the State in Arabic. Any disposition of the

Cheque after the date of publication shall be null and void.

### **Article (657)**

1. The holder of the Cheque referred to in Article (656) of this Law may not dispute with the Drawee regarding the objection. The Drawee must receive the Cheque from them against a receipt, then notify the objector of the name and address of the holder of the Cheque.
2. The objector shall file an action claiming for the Cheque within (30) thirty days from the date of receiving the notice.
3. If the objector does not file such action within the period mentioned in Clause (2) of this Article, the holder of the Cheque must obtain a judgment from the summary matters judge to the effect of not considering the objection, and in this case the holder of the Cheque, with respect to the Drawee, is deemed its owner.
4. If the objector files an action claiming for the Cheque, the Drawee may not pay its value except to one of the two litigants who presents to them a final judgment proving such litigant's ownership of the Cheque, or through an amicable settlement approved by both parties acknowledging such litigant's ownership of the Cheque.

### **Article (658)**

1. If (6) six months have elapsed from the date of the objection stipulated in Article (656) of this Law without the holder of the Cheque submitting a claim for payment, the objector may, within the following month, file an action before the competent court against the Drawee, requesting handing down a judgment that proves their ownership of the Cheque and authorizes them to receive its value.
2. If the objector does not file the action referred to in Clause (1) of this Article, or if a judgment is issued rejecting it, the Drawee must re-enter the funds for payment in the assets section of

the Drawer's account.

## **Chapter Four**

### **Crossed Cheques and Cheques Credited to an Account**

#### **Article (659)**

1. The Drawer or Bearer of the Cheque may cross it, and this crossing shall have the effects set forth in Article (660) of this Law.
2. Crossing is done by placing two parallel lines in the beginning of the Cheque.
3. Crossing can be general or specific.
4. If there is no writing between the two lines, or if the word (Bank) or any other expression in this sense is written between them, the crossing is deemed general. On the other hand, if a specific bank's name is written between the two lines, the crossing is deemed specific.
5. The general crossing may be converted into a specific crossing, but the specific crossing may not be converted to a general crossing.
6. If the crossing or the name of the bank inserted between the two lines is stricken out, the crossing shall be deemed null and void.

#### **Article (660)**

1. The Drawee may not pay a Cheque which bears a general crossing except to one of their clients or to a bank.
2. The Drawee may not pay a Cheque which bears a specific crossing except to the bank whose name is written between the two lines or to the client of this bank if the latter is the Drawee. However, the said bank may entrust another bank to collect the value of the Cheque.
3. A bank may not obtain a crossed Cheque except from one of its clients or from another bank, nor may it receive its value for the account of other than these persons.

4. If the Drawee does not observe the previous provisions, they shall be responsible for compensating the damage in a sum not exceeding the sum of the Cheque.

5. The term "client" in the provision of this Article means every person who has an account with the Drawee and has obtained from them a Cheque Book or was entitled to obtain such book.

### **Article (661)**

1. The Drawer or Bearer of the Cheque may stipulate that it is not to be paid in cash by writing the phrase (To be Credited to the Account) or any other phrase denoting this meaning. In this case, the Drawee may only settle the value of the Cheque by making entries in their books, in lieu of payment.

2. Striking off the statement "To be Credited to the Account" shall not be legally valid.

3. If the Drawee does not comply with the aforementioned provisions, they shall be liable to compensate the damage in a sum not exceeding the value of the Cheque.

### **Article (662)**

Subject to the provisions of Articles (659), (660) and (661) of this Law, the Cheque shall remain negotiable and have all the other characteristics of a Cheque.

## **Chapter Five**

### **Refusal of Payment**

#### **Article (663)**

1. The Bearer of the Cheque may have recourse against the Drawer, the Endorsers and others obligated by it if the Bearer presented it within the legal time limit and its value was not paid and the proves the refusal to pay by making a protest. Alternatively, refusal to pay may be

proven by a statement issued by the Drawee mentioning the day the Cheque was presented, and the statement must be dated and written on the same Cheque.

2. It is not permissible to refuse to place the statement mentioned in Clause (1) of this Article on the Cheque if the same is requested by the Bearer, even if the Cheque includes a condition of recourse without expenses. The person who is required to place it may request a grace period not exceeding (3) three working days following the presentation of the Cheque, even if it was presented on the last day of the prescribed time limit.

### **Article (664)**

Refusal to pay must be established in the manner stipulated in Clause (1) of Article (663) of this Law before the deadline for submission expires. If the submission takes place on the last day of such deadline, refusal to pay may be proven on the next working day.

### **Article (665)**

The Bearer of the Cheque reserves the right to have recourse against the Drawer even if they did not present the Cheque to the Drawee or did not make a protest or did not take an action to the same effect within the legal time limit, unless the Drawer provided funds for payment and such funds for payment remained with the Drawee until the expiry of the time limit for presenting the Cheque, then such funds for payment disappeared due to an act not attributed to the Drawer.

### **Article (666)**

1. If a force majeure prevented the presentation of the Cheque or the making of the protest or taking an action to the same effect within the prescribed deadlines, such deadlines shall be extended.

2. The Bearer of the Cheque shall, without delay, notify the person to whom the Cheque has been endorsed of the force majeure and record this notification, dated and signed by them in the Cheque or the paper attached thereto. The notices shall be sequenced until they reach the Drawer in accordance with Article (591) of this Law.
3. After the force majeure ceases, the Bearer of the Cheque shall present the Cheque for payment without delay, and file a protest or take an action to the same effect when necessary.
4. If the force majeure lasts for more than (15) fifteen days counted from the day on which the Bearer notified the person to whom the Cheque was endorsed of the force majeure, even if such day is before the date on which the Cheque was presented, recourse may be made to the obligors without the need to present the Cheque or make a protest or take an action to the same effect
5. Matters related to the Cheque Bearer, or the person entrusted by them to present the Cheque, or to make a protest or to take an action to the same effect, shall not be deemed as force majeure.

### **Article (667)**

1. A Cheque bearing a statement by the Drawee denoting that it was not paid due to insufficient or lack of balance is deemed an executive document, and its Bearer has the right to request its execution, in whole or in part, by compulsory means.
2. The provisions, procedures and rules contained in the Civil Procedures Law shall apply in matters related to the application for execution and the disputes related thereto.

## **Chapter Six**

### **Alternations and Copies**

#### **Article (668)**

1. The Drawee alone bears the damage resulting from honoring a Cheque in which the owner's signature was forged or the data contained in its body were altered, unless it is proven that a gross error occurred on the part of the Drawer whose name is indicated in the Cheque, which led to the occurrence of forgery or alteration of the data. Any condition to the contrary of the same is deemed null and void.
2. The Drawer is deemed at fault in particular if they fail to exercise due diligence in preserving the Cheque Book delivered to them.

#### **Article (669)**

1. With the exception of Bearer Cheques, a Cheque may be drawn from multiple identical copies if it is drawn in the United Arab Emirates and payable in a foreign country, or vice versa.
2. If several copies of a Cheque are issued, each copy must be numbered, otherwise each copy shall be deemed a separate Cheque.

#### **Article (670)**

In the case of denial and lack of a lawful excuse, the following actions shall be barred:

1. Actions of recourse by the Cheque Bearer against the Drawer, the Endorsers and others who are required to pay its value after the lapse of two years from the expiry of the deadline for its presentation.
2. Actions of recourse by the obligors against one another after the lapse of one year from the day on which the obligor paid the value of the Cheque or from the day on which a judicial claim for payment was made.

3. Actions filed by the Bearer against the Drawee after the lapse of (3) three years from the expiry of the period for presenting the Cheque.
4. The deadlines referred to in this Article do not apply to the actions against the Drawer who did not provide funds for payment or submitted them and then withdrew them in whole or in part, and the actions against all obligors who obtained an illegal gain.

### **Article (671)**

1. Even if the limitation of action period expires, the defendants shall confirm by taking oath that they are debt-free if they are asked to take it.
2. Their heirs or other successors must take an oath that they had no knowledge that their legator was indebted at the time of his demise.

### **Article (672)**

1. If an action is filed, the limitation period stipulated in Article (670) of this Law shall only apply from the day on which the last procedure thereof was taken.
2. The limitation period shall not apply if a judgment is issued establishing the debt or the debtor acknowledges it in an independent instrument in a manner that results in the renewal of the debt.
3. The interruption of the limitation of action period shall only be effective vis-à-vis the person in respect of whom the procedure that interrupted the period was taken.

## **Chapter Seven**

### **Penalties**

### **Article (673)**

1. Any person who commits one of the following acts shall be punished with a fine of not

less than (10%) of the value of the Cheque in question and a minimum sum of (5000) five thousand dirhams, but not exceeding double the value of the said Cheque:

1. Knowingly declaring, contrary to the truth, that there are no funds for payment for honoring a Cheque, or that there are funds for payment for honoring a Cheque but they are less than its value.
2. Refusing, in bad faith, to pay a Cheque drawn on the bank, while it has funds for payment for paying the Bearer for which no valid objection was submitted.
3. Refraining from inscribing the statement referred to in Article (663) of this Law.
4. Refusing to partially pay the Cheque, or refusing to issue a certificate to that effect, or refusing to deliver the original Cheque in accordance with the provisions stipulated in Clause (2) of Article (648) of this Law.

#### **Article (674)**

1. Shall be punished with a fine of no less than (10%) of the value of the Cheque in question and a minimum sum of (1000) one thousand dirhams, but not exceeding double the value of the said Cheque, any person who endorses or delivers a Bearer Cheque to another person, knowing that the existing funds for payment are not adequate to honor its value, or knowing that the Cheque is non-cashable.
2. Penalties are doubled in case of recidivism.

#### **Article (675)**

1. Shall be punished by imprisonment for a period of no less than (6) six months, but not exceeding (2) two years, and/or a fine of no less than (10%) of the value of the Cheque in question with a minimum sum of (5000) five thousand dirhams, but not exceeding double the value of the said Cheque, any person who commits one of the following acts:

- a. Orders or requests from the Drawee, prior to the date of withdrawal, not to cash a Cheque issued by them in cases other than those stipulated in Articles (651) and (656) of this Law.
  - b. Closes the account, withdraws all the balance in it, or knows that it was closed before issuing the Cheque or before presenting it to the Drawee to draw it, or deliberately causes the account to be frozen.
  - c. Intentionally writes or signs a Cheque in a way that prevents it from being cashed.
2. Penalties are doubled in case of recidivism.

### **Article (676)**

Shall be punished by imprisonment for a period of no less than one year and a fine of no less than (20,000) twenty thousand dirhams, but not exceeding (100,000) one hundred thousand dirhams any person who commits one of the following acts:

1. Forges or fabricates a Cheque, or attributes it to a third party by making a change in its data by way of addition or deletion, or by other methods stipulated in Article (251) of the aforementioned Law of Crimes and Penalties, or any other Article that replaces it, with the intention of causing harm to others and for the purpose of using it for the purposes for which it was forged.
2. Knowingly uses a forged or fabricated Cheque.
3. Accepts sums paid through a Cheque that they know that it is forged or fabricated.
4. Uses a valid Cheque in the name of another person, or uses it unlawfully, or uses it in connection with a fraud.
5. Knowingly imports, manufactures, possesses, acquires, sells, offers or presents equipment, tools, technological programs, information or data used in committing the

crime of forgery stipulated in this Article.

### **Article (677)**

Without prejudice to any harsher penalty stipulated in any other law, life imprisonment and a fine of no less than (500,000) five hundred thousand dirhams, but not exceeding (1,000,000) one million dirhams shall be imposed on the offender if they commit any of the crimes stipulated in Article (676) of this Law in implementation of a terrorist purpose.

### **Article (678)**

1. If the court hands down a convicting judgment in one of the crimes stipulated in Articles (674) through (676) of this Law, it may order the publication of a summary of such judgment at the expense of the convict in two widely circulated daily newspapers published in the State, one in Arabic and the other in English, or in two electronic means of publication to be specified by a decision of the Minister of Justice, one of which shall be in Arabic and the other in English, provided that the publication shall in all cases include the name of the convict, their place of residence, their profession and the sentence imposed on them.
2. Such publication shall be obligatory in the event of recidivism, and in the event of a conviction for the crimes stipulated in Article (676) of this Law.

### **Article (679)**

1. If the court passes a judgment of conviction in one of the crimes stipulated in Articles (674) and (675) of this Law, it may order the withdrawal of the Cheque Book from the convict and prevent them from receiving new Cheque Books for a period not exceeding (5) five years.

2. The convict shall be punished with a fine of not less than (50,000) fifty thousand dirhams, but not exceeding (100,000) one hundred thousand dirhams if they fail to deliver their Cheque Books that are in their possession to the concerned banks within (15) fifteen days from the date of their notification.
3. In the event that any bank violates the provisions stipulated in Clauses (1) and (2) of this Article, it shall be punished with a fine of no less than (100,000) one hundred thousand dirhams, but not exceeding (200,000) two hundred thousand dirhams.

### **Article (680)**

1. If the court hands down a convicting judgment in one of the crimes stipulated in Article (676) of this Law, it must order the confiscation of the seized items that were obtained from the crime or that were used in committing it, all without prejudice to the rights of bona fide third parties.
2. In all cases, a judgment must be passed for confiscation if the seized items are of the kind whose manufacturing, possession, acquisition, sale or offering for sale is deemed a crime in itself, even if they are not owned by the accused person.
3. If it is not possible to seize any of the items stipulated in this Article, or it is not possible to order their confiscation due to their connection to the rights of bona fide third parties, the court shall rule a fine equivalent to the value thereof at the time the crime was committed.

### **Article (681)**

1. If the court hands down a convicting judgment in one of the crimes stipulated in Articles (673) to (677) of this Law, it may order that the convict be prohibited from practicing a commercial or professional activity for a period not exceeding (3) three years, if the crime was committed because of or on the occasion of the exercise of such activity.

2. Any person who commits the same crime again after the issuance of the prohibition order stipulated in the Clause (1) of this Article, shall be punished by imprisonment for a period of no less than one year and/or a fine of no less than (50,000) fifty thousand dirhams, but not exceeding (100,000) one hundred thousand dirhams.

### **Article (682)**

If a criminal action is instituted against the Drawer for one of the Cheque crimes provided for in this Law, this shall not prejudice the fact the Cheque can be compulsorily executed or taking judicial measures in accordance with the provisions, procedures and rules referred to in Article (667) of this Law, or the right of the beneficiary or the Cheque holder to request compensation in accordance with the procedures stipulated by law.

### **Article (683)**

1. In the cases in which one of the crimes stipulated in this Chapter is committed, in the name and account of a legal person, the person responsible for the actual management thereof shall not be punished unless it is established that such person had knowledge of the crime, or committed it to achieve an interest for themselves or others.
2. In the event that a natural person's responsibility is not established as specified in Clause (1) of this Article, the legal person shall be punished with a fine that is not less than double the fine prescribed by law for the crime, but not exceeding (5) five times such fine. It is permissible to order the suspension of the legal person's license to practice its activity for a period not exceeding (6) six months, and in the event of recidivism, the license shall be revoked or the legal person shall be dissolved, as the case may be. The judgment shall be published at the expense of the legal person in two widely circulated daily newspapers published in the State, one in Arabic and the other in English, or in two electronic means

of publishing to be specified by a decision issued by the Minister of Justice, one in Arabic and the other in English.

3. The penalties stipulated in Clause (2) of this Article do not preclude the imposing any subsidiary penalties stipulated by law.
4. The provisions stipulated in Clause (2) of this Article do not apply to licensed financial institutions subject to the aforementioned Federal Decree-Law No. (14) of 2018 or any other law that replaces it.

### **Article (684)**

The criminal case for the crimes stipulated in Articles (674) and (675) of this Law shall be extinguished if the full or the remainder of the value of the Cheque is paid before commencing the compulsory execution procedures stipulated in Article (567) of this Law, or if they are reconciled or paid in full or the remainder of its value is paid before it is decided on by a final judgment. If reconciliation takes place after the judgment becomes final, the execution of the penalty shall be suspended.