



LAW OF SECURITY

DIFC LAW NO. 8 OF 2005

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PART 1: GENERAL

1. Title

The Law may be cited as the “Law of Security 2005”.

2. Legislative authority

This Law is made by the Ruler of Dubai.

3. Application of the Law

The Law applies in the jurisdiction of the DIFC.

4. Dates of enactment and commencement

This Law is:

(a) enacted on; and

(b) comes into force on;

the date of enactment specified in the Enactment Notice in respect of this Law.

5. Interpretation

Schedule 1 contains:

(a) interpretative provisions which apply to the Law; and

(b) a list of defined terms used in the Law.

6. Administration of the Law

This Law and any legislation made for the purpose of this Law is administered by the Registrar.

PART 2: THE APPOINTMENT OF AND ROLE OF REGISTRAR/SCOPE**7. Appointment of the Registrar**

- (1) The office of the Security Registrar is created as a corporation sole.
- (2) The Board of Directors of the DIFCA shall appoint a person to and may dismiss a person from the office of Registrar.
- (3) The Board of Directors of the DIFCA shall consult with the President prior to the appointment of or dismissing the Registrar.
- (4) In exercising his powers and performing his functions the Registrar shall act in an independent manner, notwithstanding that he is an agency of the government of the Emirate of Dubai.

8. The functions of the Registrar

- (1) The Registrar has such functions and powers as may be conferred, or expressed to be conferred, on him:
 - (a) by or under the Law; and
 - (b) by or under any other law made by the Ruler;and shall exercise such powers and perform such functions only in pursuit of his objectives under those laws and any regulations or rules made under those laws.
- (2) Without limited the generality of Article 8(1), such powers and functions of the Registrar include, so far as is reasonably practicable:
 - (a) to prepare or cause to be prepared in a timely and efficient manner:
 - (i) draft Regulations;
 - (ii) draft standards or codes of practice; and
 - (iii) Guidance;reasonably required to enable him to perform his statutory functions;
 - (b) to submit such draft Regulations, draft standards, and draft codes of practice to the Board of Directors of the DIFCA and advise it of such Guidance;
 - (c) to prescribe forms to be used for any of the purposes of this Law or any legislation administered by the Registrar;
 - (d) to acquire, hold and dispose of property of any description;
 - (e) to make contracts and other agreements;
 - (f) with the prior consent of the President and Board of Directors of the DIFCA, to borrow monies and provide security for such borrowing;
 - (g) to employ and appoint persons on such terms as he considers appropriate to assist him in the exercise of his powers and performance of his functions;
 - (h) where he considers it appropriate to do so, to delegate such of his functions and powers as may more efficiently and effectively be performed by his officers or employees and, with the approval of the Board of Directors of the DIFCA either generally or in relation to any particular matter, by any other person; and
 - (i) to exercise and perform such other powers and functions as may be delegated to the Registrar by the Board of Directors of the DIFCA pursuant to the provisions of the

Law.

- (3) The Registrar has power to do whatever he deems necessary for or in connection with, or reasonably incidental to, the performance of his functions.

9. Scope

- (1) Except as otherwise provided in Article 9(3), this Law applies to:
- (a) a transaction, regardless of its form, that creates a security interest in personal property or real property by contract; and
 - (b) a sale of receivables or promissory notes.
- (2) The application of this Law to a security interest in a secured obligation is not affected by the fact that the obligation is itself secured by a transaction or interest to which this Law does not apply.
- (3) This Law does not apply to:
- (a) a security right arising by operation of law; except as expressly provided herein;
 - (b) a sale of receivables or promissory notes as part of a sale of the business out of which they arose;
 - (c) an assignment of receivables or promissory notes which is for the purpose of collection only;
 - (d) an assignment of a right to payment under a contract to an assignee who is also obliged to perform under the contract;
 - (e) an assignment of receivables or promissory notes to an assignee in full or partial satisfaction of pre-existing indebtedness; or
 - (f) a transfer of an interest in or an assignment of a claim under a policy of insurance and any subsequent assignment of the right to payment.
- (4) This Law applies to security interests created by natural persons, save that financing statements may not be filed in respect of a security created by a natural person unless that person has consented to the filing by submitting the appropriate information to the Security Registry.

**PART 3: ATTACHMENT AND EFFECTIVENESS OF SECURITY INTERESTS,
COLLATERAL****10 Effectiveness of security agreement**

- (1) Except as otherwise provided in this Law, a security agreement is effective against purchasers of the collateral and against creditors of the debtor.
- (2) Where there are two or more security interests in existence in relation to the same collateral, the order of priority of such security interest shall be determined in accordance with this Law by:
 - (a) the existence and timing of perfection of the security interests; and
 - (b) if none of the security interests is perfected, on the existence and timing of attachment of the security interests.

11. Attachment and enforceability of security interests in collateral, proceeds and supporting obligations

- (1) A security interest attaches to collateral when it becomes enforceable against the debtor, unless an agreement expressly postpones the time of attachment.
- (2) Except as otherwise provided in this Article, a security interest is enforceable against the debtor and third parties if:
 - (a) value has been given;
 - (b) the debtor has rights in the collateral or the power to transfer rights in the collateral to a secured party; and
 - (c) one or both of the following conditions is met:
 - (i) the debtor is bound by a security agreement that provides a description of the collateral; or
 - (ii) the collateral is a negotiable document of title, a negotiable instrument, money, deposit account or financial property and the secured party has control pursuant to the debtor's security agreement.
- (3) A person becomes bound as debtor by a security agreement entered into by another person if:
 - (a) the security agreement becomes effective to create a security interest in the person's property; or
 - (b) the person becomes generally liable for the obligations of the other person, including the obligation secured under the security agreement.
- (4) If a new debtor becomes bound as debtor by a security agreement entered into by another person:

- (a) another agreement is not necessary to make a security interest in the property enforceable under Article 11(2)(c)(i); and
 - (b) the security agreement satisfies Article 11(2)(c)(i) with respect to existing or after-acquired property of the new debtor to the extent the property is described in the agreement.
- (5) The attachment of a security interest in collateral gives the secured party the rights to proceeds provided by Article 23 and is also attachment of a security interest in a supporting obligation for the collateral.
- (6) The attachment of a security interest in a right to payment or performance secured by a security interest or other interest in personal or real property is also attachment of a security interest in the security interest or other interest.

12. Title to collateral immaterial

Except as otherwise provided with respect to sales of receivables or promissory notes, the provisions of this Law relating to collateral apply whether the debtor, the secured party or a third party has title to the collateral.

13. After-acquired collateral and future advances

- (1) A security agreement may create or provide for a security interest in after-acquired collateral.
- (2) A security agreement may provide that collateral secures, or that receivables or promissory notes are sold in connection with, future advances or other value.

14. Use or disposal of collateral

- (1) A security interest is not invalid or ineffective because:
 - (a) the debtor has the right or ability to:
 - (i) use, commingle, or dispose of all or part of the collateral, including returned or repossessed goods;
 - (ii) collect, compromise, enforce, or otherwise deal with collateral;
 - (iii) accept the return of collateral or make repossessions; or
 - (iv) use, commingle, or dispose of proceeds;
 - (b) the secured party fails to require the debtor to account for proceeds or replace collateral;
or
 - (c) the secured party grants a security interest in the collateral.
- (2) This Article is without prejudice to the requirements of control if attachment, perfection, or enforcement of a security interest depends upon control of the collateral by the secured party.

15. Duties of secured party having control of collateral to terminate control

- (1) This Article applies if a security interest lapses by fulfilment or expiry of any secured obligation.
- (2) Within ten (10) days after receiving a written demand by the debtor, a secured party having control of collateral shall:
 - (a) take such steps as are necessary to relinquish such control; and
 - (b) provide written records of such release to any relevant bank, intermediary, broker, custodian or issuer

unless otherwise agreed by the debtor.

16. Duties of secured party to release account debtor notified of assignment

- (1) Where a security interest in a receivable or general intangible lapses by fulfilment or expiry of any secured obligation while the receivable or general intangible continues in being, the debtor may send a written demand to the secured party requiring the secured party to release each account debtor whose obligation to make payment under collateral has been assigned to the secured party from any further obligation to the secured party.
- (2) A secured party shall send to each account debtor a written record that releases the account debtor from any further obligation to the secured party within ten (10) days after receiving a written demand by the debtor under Article 16(1).
- (3) This Article does not apply to an assignment constituting the sale of a receivable.

PART 4: PERFECTION AND PRIORITY**CHAPTER 1 - PERFECTION****17. Perfection of security interests and scope of perfection**

- (1) Except as otherwise provided in this Article and Article 20, a security interest is perfected if:
 - (a) it has attached; and
 - (b) the applicable requirements for perfection in this Chapter have been satisfied.
- (2) Perfection of a security interest in collateral also perfects a security interest in a supporting obligation for the collateral.
- (3) Perfection of a security interest in a right to payment or performance also perfects a security interest in any other interest securing the right.

18. When filing required to perfect security interest

- (1) Subject to Articles 18(2) and (3), a security interest is not perfected unless a financing statement relating to it is filed.
- (2) The filing of a financing statement is not necessary to perfect a security interest:

- (a) that is perfected upon attachment under Article 19 when it attaches;
 - (b) that is perfected under Article 20;
 - (c) that is perfected without filing or control under Article 21(1) or (2);
 - (d) in proceeds that is perfected under section Article 23; or
 - (e) of a kind specified in the Regulations.
- (3) The Registrar may make Regulations providing for security interests that may be perfected by possession or control of collateral (whether by the security holder or by a third party) without filing a financing statement. Such Regulations may without limitation provide for:
- (a) the means and timing of attachment and perfection of such security interests;
 - (b) rules for determining the priority of such security interests and priority of other interests that take priority over or free of such security interests; and
 - (c) rights and remedies (including enforcement) on default by a debtor relating to such security interests.

19. Security interest perfected upon attachment

The following security interests are perfected when they attach:

- (a) an assignment of receivables which does not by itself or in conjunction with other assignments to the same assignee transfer a significant part of the assignor's outstanding accounts or payment intangibles; and
- (b) a sale of a receivable or a promissory note.

20. Continuing of perfection

- (1) A security interest is perfected continuously if it is originally perfected by one method under this Law and is later perfected by another method under this Law without an intermediate period when it was unperfected.
- (2) If a secured party assigns a perfected security interest, a filing under this Law is not required to continue the perfected status of the assigned security interest.

21. Temporary perfection without filing or control

- (1) A perfected security interest in a document of title or goods remains perfected for twenty (20) days without filing if the secured party makes available to the debtor the goods or document of title representing the goods for the purpose of:
 - (a) ultimate sale or exchange; or
 - (b) loading, unloading, storing, shipping, transshipping, manufacturing, processing, or otherwise dealing with them in a manner preliminary to their sale or exchange.

- (2) A perfected security interest in a certificated security or negotiable instrument remains perfected for twenty (20) days without filing or control if the secured party delivers the certificate or negotiable instrument to the debtor for the purpose of:
 - (a) ultimate sale or exchange; or
 - (b) presentation, collection, enforcement, renewal, or registration of transfer.
- (3) After the 20-day period specified in Article 21(1) or (2) expires, perfection depends upon compliance with this Law.

22. Perfection by filing and control

- (1) Subject to Article 22(2), a security interest in a negotiable document of title, a negotiable instrument, money, financial property or a deposit account shall be perfected by:
 - (a) filing a financing statement; and
 - (b) control of the collateral.
- (2) A security interest remains perfected under Article 22(1) only while the secured party retains control of the collateral. For the purposes of this Article a secured party continues to retain control of financial property notwithstanding the grant of a further security interest or any other interest therein, provided that the debtor does not have possession or control thereof.

23. Secured party's rights on disposal of collateral and in proceeds

- (1) Except as otherwise provided in this Law and unless otherwise agreed by the secured party;
 - (a) a security interest continues in collateral notwithstanding sale, lease, license, exchange, or other disposal thereof; and
 - (b) a security interest attaches to any identifiable proceeds of collateral.
- (2) A security interest in identifiable proceeds is a perfected security interest if the security interest in the original collateral was perfected and, subject to Article 23(3), remains perfected for 20 days from the date of attachment under Article 23(1).
- (3) A security interest in identifiable proceeds remains perfected after the period referred to in Article 23(2) if:
 - (a) the following conditions are satisfied:
 - (i) a filed financing statement covers the original collateral;
 - (ii) the proceeds are collateral in which a security interest may be perfected by filing;
 - (b) the proceeds are identifiable cash proceeds; or
 - (c) the security interest in the proceeds is perfected other than under Article 23(2) when the security interest attaches to the proceeds or within twenty (20) days thereafter.

CHAPTER 2 - PRIORITY**24. Interests that take priority over or take free of security interest**

- (1) A security interest is subordinate to the rights of a person entitled to priority under Article 25.
- (2) A buyer (other than a secured party), licensee, lessee or other transferee of property takes free of a security interest if the buyer, licensee, lessee or transferee (as the case may be) gives value without knowledge of the security interest and before it is perfected.
- (3) A buyer in the ordinary course of business takes free of a security interest created by the buyer's seller, lessor, licensor or other transferor, even if the security interest is perfected and the buyer knows of its existence.

25. Priorities among conflicting security interests in same collateral

- (1) Except as otherwise provided in this Chapter:
 - (a) conflicting perfected security interests rank according to priority in time of perfection;
 - (b) a perfected security interest has priority over a conflicting unperfected security interest; and
 - (c) the first security interest to attach has priority if conflicting security interests are unperfected.
- (2) For the purposes of this Chapter the priority of a security interest in collateral also determines the priority of a perfected security interest in proceeds of, and any supporting obligation supporting, the collateral.

26. Priority of security interests in transferred collateral

A security interest created by a debtor is subordinate to a security interest in the same collateral created by another person if:

- (a) the debtor acquired the collateral subject to the security interest created by the other person;
- (b) the security interest created by the other person was perfected when the debtor acquired the collateral; and
- (c) there is no period thereafter when the security interest is unperfected.

27. Priority of security interests created by new debtor

A security interest created or acquired by a new debtor which is perfected by a filed financing statement effective under Article 38 in collateral in which a new debtor has or acquires rights is subordinate to a security interest in the same collateral which is perfected other than by a filed financing statement that is effective solely under Article 38.

28. Priority of security interests in deposit account

The following rules determine priority between conflicting security interests in the same deposit account:

- (a) Except as otherwise provided in paragraphs (b) and (c), security interests perfected under Article 22 rank according to priority in time of perfection.
- (b) Except as otherwise provided in paragraph (c), a security interest held by the bank with which the deposit account is maintained has priority over a conflicting security interest held by another secured party regardless of the date of creation.
- (c) A perfected security interest pursuant to which the secured party has obtained control under paragraph 5(1)(c) of Schedule 1 with the consent of the bank has priority over a security interest held by the bank with which the deposit account is maintained.

29. Priority of security interests in financial property

The following rules determine priority between conflicting security interests in the same financial property:

- (a) Except as otherwise provided in paragraphs (b) and (c), conflicting security interests held by secured parties each of which has control under paragraph 6 of Schedule 1 rank according to priority in time of perfection.
- (b) A security interest held by an investment intermediary in an investment entitlement or an investment account maintained with the investment intermediary has priority over a conflicting security interest held by another secured party.
- (c) A security interest held by a commodity broker in a commodity contract or a commodity account maintained with the commodity broker has priority over a conflicting security interest held by another secured party.

30. Priority of purchaser of a negotiable document or negotiable instrument

A purchaser of a negotiable document or negotiable instrument has priority over a perfected security interest in the negotiable document or negotiable instrument if the purchaser gives value and takes possession of the negotiable instrument in good faith and without knowledge that the purchase breaches the rights of the secured party, provided that this Law shall be without prejudice to the rights of:

- (a) a holder in due course of a negotiable instrument;
- (b) a holder of a negotiable document of title duly negotiated;
- (c) a purchaser of a security from an investment intermediary who gives value, obtains control of the security, and does not act in collusion with the investment intermediary in relation to a breach of the investment intermediary's obligations; or
- (d) a person claiming through a person falling within paragraph (a), (b) or (c).

31. Transfer of money

A transferee of money or funds from a deposit account takes the money or funds free of a security interest.

32. Priority of security interest perfected by filed financing statement providing certain incorrect information

If a security interest is perfected by a filed financing statement providing information which is seriously misleading at the time the financing statement is filed:

- (a) the security interest is subordinate to a conflicting perfected security interest in the collateral to the extent that the holder of the conflicting security interest gives value in reasonable reliance upon the incorrect information; and
- (b) a purchaser, other than a secured party, of the collateral takes free of the security interest to the extent that, in reasonable reliance upon the incorrect information, the purchaser gives value and receives delivery of the collateral.

33. Priority subject to subordination

This Law does not preclude subordination by agreement by a person entitled to priority.

PART 5: RIGHTS OF THIRD PARTIES**34. Alienability of debtor's rights**

- (1) Except as otherwise provided in Part 7, nothing in this Law shall prohibit the transfer of a debtor's rights in collateral voluntarily or involuntarily.
- (2) A debtor may assign its rights against an account debtor to an assignee. Such assignment may provide that the account debtor shall not assert any claim or defence that the account debtor has or may have against the debtor, subject to any claim or defence that may not be waived under applicable law.

35. Secured party not liable for debtor

The existence of a security interest or authority given to a debtor to dispose of or use collateral does not of itself subject a secured party to liability for the debtor's acts or omissions.

PART 6: THE SECURITY REGISTRY AND FILING**36. Security Registry**

- (1) The President will establish a Security Registry.
- (2) The Security Registry will be administered and maintained by the Registrar in accordance with this Law and the Regulations.
- (3) To perfect a security interest in the DIFC, it has to be filed in the Security Registry.
- (4) No filing shall be accepted by Registrar in respect of a security created by a natural person unless that person has submitted to the Registrar such information regarding his identity, residence and domicile, and such other information as may be required in Regulations made under Article 44.

37. Effect of certain events on effectiveness of financing statement

- (1) A filed financing statement remains effective with respect to collateral that is sold, exchanged, leased, licensed, or otherwise disposed of and in which a security interest continues, even if the secured party knows of or consents to the disposal.
- (2) Except as otherwise provided in Article 37(3) and Article 38, a financing statement is not rendered ineffective if, after the financing statement is filed, the information provided in the financing statement becomes seriously misleading.
- (3) If a debtor changes its name and (if applicable) registration number or other identifier with the result that a filed financing statement becomes seriously misleading:
 - (a) the financing statement continues thereafter to be effective to perfect a security interest in collateral acquired by the debtor before, or within four months after, the change; and
 - (b) the financing statement ceases to be effective to perfect a security interest in collateral acquired by the debtor more than four months after the change, unless an amendment to the financing statement which renders the financing statement not seriously misleading is filed within four months after the change.

38. Effectiveness of financing statement if new debtor becomes bound by security agreement

- (1) Except as otherwise provided in this Article, a filed financing statement naming an original debtor is effective to perfect a security interest in collateral in which a new debtor has or acquires rights to the extent that the financing statement would have been effective against the original debtor.
- (2) If the difference between the name of the original debtor and that of the new debtor causes a filed financing statement that is effective under Article 38(1) to be seriously misleading:

- (a) the financing statement is effective to perfect a security interest in collateral acquired by the new debtor before, and within four months after, the new debtor becomes bound under Article 11(3); and
- (b) the financing statement is not effective to perfect a security interest in collateral acquired by the new debtor more than four months after the new debtor becomes bound under Article 11(3) unless an initial financing statement providing the name of the new debtor is filed before the expiration of that time.

39. Persons entitled to file a record

- (1) A person may file an initial financing statement, amendment that adds collateral covered by a financing statement, or amendment that adds a debtor to a financing statement only if the debtor authorises the filing in a written record or pursuant to Article 39(2) or (3).
- (2) By becoming bound as debtor by a security agreement, a debtor or new debtor authorises the filing of an initial financing statement, and an amendment, covering the collateral and any proceeds thereof provided for in the security agreement.
- (3) By acquiring collateral in which a security interest subsists a debtor authorises the filing of an initial financing statement, and an amendment, covering the collateral and proceeds thereof.
- (4) A person may file an amendment other than an amendment falling within Article 39 only if:
 - (a) each secured party of record authorises the filing; or
 - (b) the amendment is a termination statement for a financing statement as to which the secured party of record has failed to file or send a termination statement as required by Article 41.

40. Amendment of financing statement

- (1) A person may amend a financing statement by filing an amendment.
- (2) A financing statement that is amended by an amendment that adds collateral or a debtor is effective as to the added collateral or debtor only from the date of the filing of the amendment.

41. Termination statement

- (1) Within twenty (20) days after a secured party receives a written demand from a debtor, the secured party shall cause the secured party of record for a financing statement to send to the debtor a termination statement for the financing statement or file the termination statement in the Security Registry if:
 - (a) except in the case of a financing statement covering a receivable that has been sold, there is no obligation secured by the collateral covered by the financing statement;
 - (b) the financing statement covers a receivable that has been sold but as to which the account debtor or other person obligated has discharged its obligation; or
 - (c) the debtor did not authorise the filing of the initial financing statement.

- (2) Upon the filing of a termination statement with the Security Registry, the financing statement to which the termination statement relates ceases to be effective.

42. Duration and effectiveness of financing statement; effect of lapsed financing statement

- (1) Except as otherwise provided in Articles 42(4) and (5), a duly filed financing statement is effective for a period of five years after the date of filing.
- (2) The effectiveness of a filed financing statement lapses on the expiration of the period of its effectiveness unless before the lapse a continuation statement is filed pursuant to Article 42(3). Upon lapse, a financing statement ceases to be effective. If the security interest becomes unperfected upon lapse, it is deemed never to have been perfected as against a purchaser of the collateral for value whose purchase takes place after the loss of perfection.
- (3) A continuation statement may be filed only within six months before the expiration of the five (5) year period specified in Article 42(1) or (4).
- (4) Upon filing of a continuation statement in accordance with Article 42(3), the effectiveness of the initial financing statement continues for a period of five (5) years commencing on the day on which the financing statement would have become ineffective in the absence of the filing.
- (5) A financing statement relating to real property or fixtures remains effective as a financing statement until the security interest is released or satisfied of record or its effectiveness otherwise terminates.

43. Refusal to accept record

The Registrar may refuse to accept a record for filing that does not comply with any requirement set out in this Part or comply with any requirement (including as to format or medium) set out in the Regulations.

44. Regulations

- (1) The Board of Directors of the DIFC Authority may make Regulations in respect of any matter that facilitates the administration of the Law or furthers the purposes of the Law, including but not limited to Regulations which may:
 - (a) provide criteria for the effective filing of financing statements, amendments and other records and notifications required or permitted under this Law, including without limitation requirements as to their form, content and medium and the identification of the debtor, the secured party and the collateral;
 - (b) provide for standard forms for use in filing financing statements, amendments and other records and notifications under paragraph (a);
 - (c) provide that a financing statement, amendment or other record is only effective if it complies with the Regulations and is accepted by the Registrar;
 - (d) provide guidance as to what constitutes a seriously misleading financing statement under this Law;
 - (e) provide for indexing, publication and licensing of financing statements, amendments and other records either individually or collectively;

- (f) allow for the filing of correction statements by persons affected by a financing statement or amendment; and
 - (g) exclude or limit the liability of the Security Registry.
- (2) Regulations made under this Article may prescribe fees payable for processing applications for filing and production of records under this Part.
- (3) The Board of Directors of the DIFC Authority shall, so far as reasonably practicable prepare or cause to be prepared in a timely manner:
- (a) draft Regulations; and
 - (b) Guidance;
- reasonably required to facilitate the administration of the Law or to further the purpose of the Law.
- (4) The Board of Directors of the DIFC Authority shall publish draft Regulations by means of a notice which shall include the following:
- (a) the draft text of the Regulations;
 - (b) a statement of the substance and purpose of the material provisions of the draft Regulations; and
 - (c) a summary of the draft Regulations.
- (5) Upon publication of a notice under Article 44(4), the DIFC Authority shall invite interested persons to make representations with respect to the draft Regulations within a period of at least 30 days after the publication.
- (6) Articles 44(4) and (5) may not apply, or the period of thirty (30) days under Article 44(5) may be reduced, if the DIFC Authority concludes that any delay likely to arise under such Articles is prejudicial to the interests of the DIFC.
- (7) Any period of time during which the DIFC Authority invites interested persons to make representations with respect to draft Regulations prior to this Article coming into effect shall be deemed to count as part or all of the period referred to in Article 44(5).

45. Requests for accounts, lists of collateral or statement of account

- (1) The Board of Directors of the DIFC Authority may make Regulations prescribing the right of a debtor to require from a secured party:
- (a) an account of unpaid obligations secured by collateral; and
 - (b) details of the collateral subject to a security interest.
- (2) The Board of Directors of the DIFC Authority may make Regulations which may:

- (a) prescribe time limits for the frequency of such requirements by debtors and for the time within which a secured party may respond;
- (b) permit or prohibit the charging of fees by secured parties in connection therewith; and
- (c) prescribe fines for failure by a secured party to comply with such a requirement.

PART 7: DEFAULT AND ENFORCEMENT**CHAPTER 1 - RIGHTS ON DEFAULT****46. Rights after default**

- (1) After default, a secured party has the rights and remedies provided in this Part and, except as otherwise provided in Article 47, those provided by agreement of the parties.
- (2) After default, a debtor and an obligor have the rights provided in this Part and by agreement of the parties.

47. Waiver and variance of rights and duties

To the extent that they give rights to a debtor or obligor and impose duties on a secured party, the debtor or obligor may not waive or vary:

- (a) Regulations made under Article 45 which deal with requests for an accounting and requests concerning a list of collateral and statement of account; and
- (b) the requirements of this Part.

CHAPTER 2 - COLLECTION AND ENFORCEMENT**48. Collection and enforcement by secured party**

- (1) Subject to Article 48(4), after default a secured party:
 - (a) may notify a person obligated on collateral to make payment or otherwise render performance to or for the benefit of the secured party;
 - (b) may take any proceeds to which the secured party is entitled under this Law;
 - (c) may enforce the obligations of a person obligated on collateral (including an account debtor) and exercise the rights of the debtor with respect to the obligation of the person obligated on collateral to make payment or otherwise render performance to the debtor, and with respect to any property that secures the obligations of the account debtor or other person obligated on the collateral; and
 - (d) if it holds a security interest in a deposit account perfected by control under paragraph 5(1)(a) of Schedule 1, may apply or cause the bank to apply the balance of the deposit account to the obligation secured by the deposit account.
- (2) If necessary to enable a secured party to exercise the right to enforce a security interest in real property, the secured party may record in the Security Registry:
 - (a) a copy of the security agreement that creates or provides for the relevant security interest; and
 - (b) the secured party's written statement that:
 - (i) a default has occurred; and

- (ii) the secured party is entitled to enforce the security interest.
- (3) A secured party may deduct from the collections made pursuant to this Article reasonable expenses of collection and enforcement, including reasonable legal expenses incurred by the secured party.
 - (4) If when a secured party proposes to take action under Article 48(1), there is a filed financing statement relating to the debtor which may disclose priority of another security interest in the collateral, the secured party shall:
 - (a) notify the secured party named on such financing statement (the "other secured party") of its proposal in writing; and
 - (b) not take action under Article 48(1) until the earlier of receipt of a written consent from the other secured party or fourteen (14) days after service of the written notification under paragraph (a).
 - (5) If, within 14 days after the service of notification under Article 48(4)(a), the other secured party notifies the secured party that it has priority in collateral and that it objects to the secured party's proposal, then the secured party may not take action under Article 48(1) in relation to such collateral.
 - (6) For the purpose of Article 48(4), a financing statement may disclose priority of another security interest if:
 - (a) the initial financing statement to which it relates predates that filed by the secured parties; or
 - (b) the financing statement is made by a bank, an investment intermediary or a commodity broker.

49. Application of proceeds of collection or enforcement

- (1) A secured party shall apply or pay over for application the cash proceeds of collection or enforcement under Article 48 in the following order :
 - (a) to the reasonable expenses of collection and enforcement and, to the extent provided for by agreement and not prohibited by law, reasonable legal expenses incurred by the secured party;
 - (b) to the satisfaction of obligations secured by a security interest having priority over the security interest under which the collection or enforcement is made if the secured party receives a written demand for proceeds before the distribution of the proceeds is completed;
 - (c) to the satisfaction of obligations secured by the security interest under which the collection or enforcement is made; and
 - (d) to the satisfaction of obligations secured by any subordinate security interest in or other interest in the collateral subject to the security interest under which the collection or enforcement is made if the secured party receives a written demand for proceeds before distribution of the proceeds is completed.

- (2) If requested by a secured party, a holder of a prior or subordinate security interest or other interest shall furnish reasonable proof of the interest within a reasonable time. Unless the holder complies, the secured party need not comply with the holder's demand under Article 49(1).
- (3) A secured party shall account to and pay a debtor for any surplus, and the obligor is liable for any deficiency.
- (4) Article 49(3) shall not apply if the underlying transaction is a sale of receivables or promissory notes.

CHAPTER 3 - DISPOSAL OF COLLATERAL

50. Secured party's right to take possession after default

- (1) Subject to Article 50(2), after default a secured party may take possession of the collateral and dispose of it under Article 51.
- (2) If when a secured party proposes to take action under Article 50(1), there is a filed financing statement relating to the debtor which may disclose priority of another security interest in the collateral, the secured party shall:
 - (a) notify the secured party named on such financing statement (the "other secured party") of its proposal in writing; and
 - (b) not take action under Article 50(1) until the earlier of receipt of a written consent from the other secured party or fourteen (14) days after service of the written notification under paragraph (a).
- (3) If:
 - (a) the other secured party has a prior security interest in the collateral; and
 - (b) within 14 days after the service of notification under Article 50(2)(a), the other secured party notifies the secured party that it has priority in collateral and that it objects to the secured party's proposal

then the secured party may not take action under Article 50(1) in relation to such collateral.
- (4) For the purpose of Article 50(2), a financing statement may disclose priority of another security interest if:
 - (a) the initial financing statement to which it relates predates that filed by the secured parties; or
 - (b) the financing statement is made by a bank, an investment intermediary or a commodity broker.

51. Disposal of collateral after default

- (1) After default, a secured party may sell, lease, license, or otherwise dispose of any or all of the collateral in its present condition or following any commercially reasonable preparation or processing.

- (2) Every aspect of a disposal of collateral, including the method, manner, time, place, and other terms, must be commercially reasonable. If commercially reasonable, a secured party may dispose of collateral by public or private proceedings, by one or more contracts, as a unit or in parcels, and at any time and place and on any terms.
- (3) A secured party may purchase collateral:
 - (a) at a public sale; or
 - (b) at a private sale, provided the purchase is made on arm's length terms.

52. Notification before disposal of collateral

- (1) In this Article, "notification date" means the earlier of the date on which:
 - (a) a secured party sends to the debtor a written notification of disposal; or
 - (b) the debtor waives the right to notification.
- (2) Except as otherwise provided in Article 52(4) and Article 52(5), a secured party that disposes of collateral under Article 51 shall send to the persons specified in Article 52(3) a written notification of disposal after default and no less than ten (10) days before the earliest time for disposal set out in the notification.
- (3) To comply with Article 52(2), the secured party shall send a written notification of disposal to:
 - (a) the debtor;
 - (b) any other person from which the secured party has received, before the notification date, a written notification of a claim of an interest in the collateral;
 - (c) any other secured party that held a perfected security interest in the collateral before the notification date; and
 - (d) any other secured party of which it is aware.
- (4) Article 52(2) does not apply to the extent that the collateral is perishable.
- (5) In relation to disposal of collateral which is negotiable documents of title, negotiable instruments, money, financial property or a deposit account controlled by the secured party, the time period between written notification of disposal and the earliest time for disposal set out in such written notification under Article 52(2) is the lesser of ten (10) days and such period as the secured party and the debtor may agree (whether in the security agreement or otherwise).

53. Application of proceeds of disposal of collateral

- (1) A secured party shall apply or pay over for application the cash proceeds of disposal under Article 51 in the following order:

- (a) to the reasonable expenses of retaking, holding, preparing for disposal, processing, and disposing, and, to the extent provided for by agreement and not prohibited by law, reasonable legal expenses incurred by the secured party;
 - (b) to the satisfaction of obligations secured by a security interest having priority over the security interest under which the disposal is made if the secured party receives a written demand for proceeds before the distribution of the proceeds is completed;
 - (c) to the satisfaction of obligations secured by the security interest under which the disposal is made; and
 - (d) to the satisfaction of obligations secured by any subordinate security interest in the collateral if the secured party receives from the holder of the subordinate security interest a written demand for proceeds before distribution of the proceeds is completed.
- (2) If requested by a secured party, a holder of a prior or subordinate security interest shall furnish reasonable proof of the interest within a reasonable time. Unless the holder does so, the secured party need not comply with the holder's demand under Article 53(1).
- (3) Subject to Article 53(4), after applying or paying over for application the proceeds of disposal under the foregoing Articles:
- (a) the secured party shall account to and pay a debtor for any surplus; and
 - (b) the obligor is liable for any deficiency in the satisfaction of obligations under Article 53(1).
- (4) Article 53(3) shall not apply if the underlying transaction is a sale of receivables or promissory notes.

54. Rights of transferee of collateral

A secured party's disposal of collateral after default in accordance with this Part:

- (a) transfers to a transferee for value all of the debtor's rights in the collateral;
- (b) discharges the security interest under which the disposal is made; and
- (c) discharges any subordinate security interest,

unless the transferee is not acting in good faith.

55. Assignments, transfers or subrogation not to constitute disposal

An assignment or transfer of collateral to an assignee or transferee of the rights of a second party, or subrogation of another obligor to the rights of a secured party with respect to collateral, is not a disposal of collateral for the purposes of Article 50.

CHAPTER 4 - ACCEPTANCE OF COLLATERAL**56. Acceptance of collateral in full or partial satisfaction of obligation; compulsory disposal of collateral**

- (1) A secured party may accept part of or all collateral in full or partial satisfaction of the obligation it secures only if:
 - (a) each of the debtor and the secured party consents to the acceptance;
 - (b) the secured party makes a notification in accordance with Article 57; and
 - (c) the secured party does not receive, before the later of the date on which the debtor consents to the acceptance and 10 days after the making of the notification, a written notification of objection to the proposal from:
 - (i) a person to whom the secured party is required to send a proposal under Article 57; or
 - (ii) any other person, other than the debtor, holding an interest in the collateral.
- (2) An acceptance of collateral under this Article is effective only if it complies with the conditions set out in Article 52.

57. Notification of proposal to accept collateral

A secured party that desires to accept collateral in full or partial satisfaction of the obligation it secures shall send its proposal to:

- (a) any person from which the secured party has received, before the debtor consented to the acceptance, a written notification of a claim of an interest in the collateral;
- (b) any other secured party that held a perfected security interest in the collateral perfected by the filing of a financing statement before the debtor consented to the acceptance; and
- (c) any other secured party of whom the secured party is aware.

58. Effect of acceptance of collateral

A secured party's acceptance of collateral in full or partial satisfaction of the obligation it secures:

- (a) discharges the obligation to the extent consented to by the debtor;
- (b) transfers to the secured party all of a debtor's rights in the accepted collateral; and
- (c) discharges the security interest that is the subject of the debtor's consent and any subordinate security in the accepted collateral.

59. Right to redeem collateral

- (1) A debtor, or any secured party, may redeem collateral.

- (2) To redeem collateral, a person shall tender:
 - (a) fulfilment of all obligations secured by the collateral; and
 - (b) the reasonable expenses described in Article 53(1).
- (3) A redemption may occur at any time before a secured party:
 - (a) has collected collateral under Article 48;
 - (b) has disposed of collateral or entered into a contract for its disposal under Article 49; or
 - (c) has accepted collateral in full or partial satisfaction of the obligation it secures under Article 58.

60. Remedies for secured party's failure to comply with Law

- (1) If it is established that a secured party is not proceeding in accordance with a requirement in this Law, the Court may order or restrain collection, enforcement, or disposal of collateral on appropriate terms and conditions.
- (2) A debtor, holder of a subordinate security interest or obligor may bring an action for damages for any loss suffered as a result of the failure of a secured party to comply with its obligations under this Part.
- (3) In any action brought against a secured party alleging loss suffered as a result of the failure of a secured party to comply with its obligations under this Part, it shall be for the secured party to show that any purchase of collateral (other than by public sale) or acceptance of collateral was made on arm's length terms.

SCHEDULE 1

1. Rules of interpretation

- (1) In this Law, a reference to:
- (a) a statutory provision includes a reference to the statutory provision as amended or re-enacted from time to time;
 - (b) a person includes any natural person, body corporate or body unincorporate, including a company, partnership, unincorporated association, government or state;
 - (c) an obligation to publish or cause to be published a particular document shall, unless expressly provided otherwise in this Law, include publishing or causing to be published in printed or electronic form;
 - (d) a day shall refer to a business day, being a calendar day, excluding Saturdays, Sundays and official public holidays;
 - (e) a calendar year shall mean a year of the Gregorian calendar;
 - (f) the masculine gender includes the feminine; and
 - (g) 'dollars' or '\$' is a reference to United States Dollars unless the contrary intention appears.
- (2) The headings in the Law shall not affect its interpretation.

2. References to Legislation

References to legislation and guidance in the Law shall be construed in accordance with the following provisions:

- (a) Federal Law is law made by the federal government of the United Arab Emirates;
- (b) Dubai Law is law made by the Ruler, as applicable in the Emirate of Dubai;
- (c) DIFC Law is law made by the Ruler (including, by way of example, the Law), as applicable in the DIFC;
- (d) the Law is the Law of Security 2005 made by the Ruler;
- (e) the Regulations are legislation made by the DIFC Authority under the Law and are binding in nature;
- (f) Guidance is indicative and non-binding and may comprise practice guidance made and issued by the Registrar under the Law; and
- (g) references to "legislation administered by the DIFC Authority" are references to DIFC Law and rules or regulations made under such law conferring functions and powers on the Board of Directors of the DIFC Authority.

3. Defined terms

In this Law, unless the context indicates otherwise, the defined terms listed below shall have the corresponding meanings:

Term	Definition
account debtor	A person obliged to make payment under a receivable or general intangible
after-acquired collateral	Collateral acquired or created by a debtor after the attachment of the security interest to which it is subject
bank	Means a financial establishment for the deposit, loan, exchange, issue of money and for the transmission of funds and licensed by the DFSA
buyer in the ordinary course of business	A person who in good faith buys, leases or licenses (as the case may be) in the ordinary course from a person in the business of selling, leasing or licensing (as the case may be) property of the relevant kind
cash proceeds	Includes proceeds that are cheques and value credited to a deposit account
certificate of title	A certificate of title with respect to which a law of a jurisdiction provides for a security interest to be indicated on the certificate as a condition of the perfection of a security interest in the property evidenced thereby
certificated security	A security whose existence is embodied in a physical certificate
collateral	Property subject to a security interest
commodity account	An account maintained by a commodity broker in which a commodity contract is carried for a commodity customer
commodity broker	A person who in the course of his business transacts commodity contracts or provides clearance or settlement services relating to commodity contracts
commodity contract	A commodity futures contract, an option on a commodity futures contract, a commodity option, or an interest in any of the foregoing, in each case other than a future
commodity customer	A person for which a commodity broker carries a commodity contract on its books
continuation statement	An amendment to a financing statement which identifies, by its file number, the initial financing statement to which it relates and indicates that it is a continuation statement for, or that it is filed to continue the effectiveness of, the financing statement

Court	The DIFC Court as established under Dubai Law
debtor	(a) a person whose property is subject to a security interest; or (b) a seller of receivables or promissory notes
deposit account	A money account held with a bank other than an account evidenced by a negotiable instrument
DFSA Rulebook	The Rulebook of the Dubai Financial Services Authority as amended from time to time
DIFC	The Dubai International Financial Centre, established under Dubai Law
DIFC Authority	The Dubai International Financial Centre Authority, as established under Dubai Law, also referred to in other DIFC Laws as “DIFCA”
document of title	A document of title relating to goods evidencing the entitlement of the holder to receive, possess and dispose of the document and goods to which it relates
entitlement holder	A person identified in the records of an investment intermediary as the person having an investment entitlement against the investment intermediary
financial property	An investment, investment entitlement or commodity contract
financing statement	A record or records composed of an initial financing statement and any filed record relating to the initial financing statement
future	Has the meaning set out in the glossary to the DFSA Rulebook
general intangible	Any personal property other than a receivable, a deposit account or rights thereunder, a document of title, goods, a negotiable instrument, financial property and money, including things in action and intellectual property rights
goods	All things that are movable when a security interest attaches other than: (a) a receivable; (b) a deposit account; (c) financial property; (d) a document of title; (e) a general intangible; (f) a negotiable instrument; (g) any document evidencing the foregoing; or

	(h) money
investment	Has the meaning set out in the glossary to the DFSA Rulebook
investment account	An account to which an investment is or may be credited
investment entitlement	The rights of an entitlement holder with respect to an investment
investment intermediary	A person who in the ordinary course of business transacts in investments
negotiable instrument	Any instrument (whether or not in tangible form) or any other writing that evidences a right to the payment of a monetary obligation, and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, other than money or an investment
new debtor	A person who becomes bound as debtor under Article 9(3) by a security agreement previously entered into by another person
obligor	A person (who may be a debtor) who, with respect to an obligation secured by a security interest owes, secures or is otherwise accountable for, payment or other performance of the obligation
original debtor	A person who, as debtor, entered into a security agreement to which a new debtor has become bound under Article 9(3)
President	The president of the DIFC, appointed by a decree of the Ruler pursuant to Dubai Law
proceeds	The following property: (a) whatever is acquired upon the sale, lease, licence, exchange, or other disposal of collateral. (b) whatever is collected on, or distributed on account of, collateral; or (c) rights arising out of collateral to the extent of its value
promissory note	A negotiable instrument that evidences an unconditional promise to pay a monetary obligation other than under a deposit account or other deposit
purchaser	A person who has acquired or is in the process of acquiring title (whether contingent or absolute) to any property other than as a recipient of a gift or other voluntary transfer
receivable	A right to payment of a monetary obligation other than a right to payment under: (a) a negotiable instrument. (b) deposit account; or

	(c) a right in respect of financial property
record	Includes any record in writing
registered form	As applied to a certificated security, means a form in which a transfer of the security may be registered upon books maintained for that purpose by or on behalf of the issuer
Registrar	The Registrar of Security, appointed by the President pursuant to resolution of the President dated 17 September 2004
Regulations	Has the meaning given in Article 2 of the Schedule to the Law
Schedule	A schedule to the Law
secured party	(a) a person in whose favour a security interest is created or provided for under a security agreement, whether or not any obligation to be secured is outstanding; or (b) a person to whom a receivable or a promissory note has been sold
Security Registry	The registry established by the President pursuant to Article 34
security	Has the meaning set out in the glossary to the DFSA Rulebook
security agreement	An agreement that creates or provides for a security interest
security interest	An interest in property which secures payment or performance of an obligation
supporting obligation	A secondary obligation including by way of surety, letter of credit or guarantee that supports the payment or performance of a receivable, a document of title, a general intangible, a negotiable instrument, or financial property
termination statement	An amendment of a financing statement which: (a) identifies, by its file number, the initial financing statement to which it relates; and (b) indicates either that it is a termination statement or that the identified financing statement is no longer effective
uncertificated security	A security that is not represented by a certificate
writing	Any mode of communication that preserves a record of the information contained therein and is capable of being reproduced in tangible form, including electronic means.

4. Control of negotiable documents and money

A secured party has control of negotiable documents of title, negotiable instruments or money if it or an agent or representative other than the debtor has possession of them.

5. Control of deposit account

- (1) A secured party has control of a deposit account if:
 - (a) the secured party is the bank with which the deposit account is maintained;
 - (b) the debtor, secured party, and bank have agreed that the bank will comply with the instructions of the secured party relating to the funds in the deposit account without further consent by the debtor; or
 - (c) the secured party becomes the bank's customer with respect to the deposit account.
- (2) A secured party that has satisfied paragraph 5(1) has control even if the debtor retains the right to direct the disposal of funds from the deposit account.

6. Control of financial property

- (1) Control of a certificated security, uncertificated security, or investment entitlement shall be determined in accordance with the Personal Property Law 2005.
- (2) A secured party has control of a commodity contract if:
 - (a) the secured party is the counterparty to the commodity contract; or
 - (b) the commodity customer, secured party, and commodity broker have agreed that the commodity broker will comply with the instructions of the secured party relating to the commodity contract without further consent by the commodity customer.
- (3) A secured party having control of all investment entitlements or commodity contracts carried in a investment account or commodity account has control over the investment account or commodity account.

7. Attachment and perfection

- (1) Attachment of a security interest occurs on fulfilment of the conditions set out in Article 9(2).
- (2) Perfection of a security interest occurs on the fulfilment of the applicable requirements in Chapter 1 of Part 4 in relation to a security interest which has attached.