



شعبة الترجمة الرسمية
Official Translation Department

Movable Property Security Law

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Translation of Saudi Laws



NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



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Movable Property Security Law

Chapter 1: Definitions

Article 1

In this Law, the following terms and phrases shall have the meanings assigned thereto:

Law: Movable Property Security Law.

Regulations: The Implementing Regulations of this Law.

Ministry: Ministry of Commerce.

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Security Interest: An in rem right over a collateral provided or agreed to be provided as security for the performance of an obligation.

Collateral: A movable property provided or agreed to be provided as security for the performance of an obligation.

Secured Obligation: An obligation for which a collateral is provided to secure the performance thereof, including a financial obligation—whether monetary or non-monetary, an obligation to perform or refrain from a certain action, and all kinds of current and future obligations, whether such obligations are fixed or conditional.

Secured Creditor: A natural or legal person for whose benefit a security interest is provided.

Guarantor: A natural or legal person who provides a security interest.

Secured Debtor: A natural or legal person who owes a secured obligation, if not the guarantor.

Accounts Receivable: A debtor's unsecured monetary right against a third party, whether due or deferred.

Security by Transfer of Right: An agreement between a creditor and another person whereby said person transfers his rights which are held by a third party to be used as collateral to secure the debt he owes to the creditor.

Register: The Unified Register for Rights on Movable Property.

Registration: The entry of a security interest and any changes thereto into the Register.

Inventory: Goods stored for the purpose of selling or leasing as well as raw materials and materials in the process of manufacturing and conversion.

Fixture: A movable property permanently attached to a real property for serving or exploiting it.

Proceeds: Revenues, or in-kind or monetary allowances obtained from the



disposition, utilization, or exchange of collateral, including its output and growth, compensation for depreciation or damage, or any other compensation related to the collateral, excluding proceeds obtained from the enforcement thereon, in accordance with the provisions of this Law.

Chapter 2: Scope of Application

Article 2

The provisions of this Law shall apply to any contract or transaction that includes the creation of a security interest over a collateral, including:

- a) commercial pledge;
- b) sale of a movable property that includes a condition for recovery or repurchase thereof;
- c) transfer of ownership of a movable property as security;
- d) sale of a movable property, provided that the transfer of ownership is postponed until payment is made;
- e) security by transfer of right; and
- f) sale of rights in accounts receivable.

Article 3

A collateral may be any movable property, whether tangible or intangible, current or future; whether current or future rights; whether owned by a guarantor, a secured creditor, or a third party, including:

- a) rights held by a third party, whether due or deferred, including accounts receivable;
- b) credit accounts with banks and other financial institutions, including deposit accounts and current accounts;
- c) instruments transferable by delivery or indorsement, which establish entitlement to an amount or ownership of goods, including commercial papers, bank certificates of deposit, and bills of lading;
- d) vehicles and the like;
- e) equipment and work tools;
- f) inventory;
- g) animals and animal products;
- h) crops;
- i) fixtures; and
- j) trees, even before they are cut down, and minerals, even before they are extracted.



Article 4

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

- a) Transfer of right for debt collection purposes.
- b) Purchase of a debt that is part of a project acquisition agreement.

Article 5

The provisions of this Law shall not apply to security interests relating to:

- a) vessels and aircraft;
- b) securities listed in the capital market;
- c) goods deposited in public warehouses, unless the security interest has been created prior to their deposit;
- d) trademarks;
- e) investment accounts; and
- f) properties with title records wherein security interests are entered.

Chapter 3: Creating a Security Interest

Article 6

1. A security interest shall be deemed valid and effective among the parties thereto if:
 - a) it is written, either in a separate contract or included in another contract;
 - b) the guarantor is entitled to create a security interest over a collateral;
 - c) a secured obligation is described in general or specific terms; this shall include determination of its upper limit;
 - d) a collateral is described in general or specific terms to make it identifiable; this shall include describing it as the guarantor's entire property, or as a specific or general category or type of the guarantor's property; and
 - e) a secured creditor performs or undertakes to perform his obligation in return for a secured obligation.
2. A security interest is created to secure one or more obligations, whether such obligation is prior to, coinciding with, or subsequent to the date on which the security interest is created.

Article 7

A security interest shall not be valid if it is created on property over which the creation of a security interest is not permissible under other laws.



Chapter 4: Enforcement of a Security Interest against a Third Party

Article 8

1. A security interest shall be enforceable against a third party if it is registered or the possession of the collateral is directly or indirectly transferred to the secured creditor, whether such transfer is actual or constructive.
2. Notwithstanding the provisions of paragraph (1) of this Article, the Regulations shall determine the cases where possession is the only means of enforcing a security interest against a third party.

Article 9

Notwithstanding the provision of Article 8(2) of this Law, changing the means of enforcing a security interest over a collateral from registration to possession or vice versa shall not affect the continued enforcement of such security interest against a third party.

Article 10

1. An enforceable security interest over collateral proceeds against a third party shall continue automatically for a period of 15 days from the date on which such proceeds are received by the guarantor, unless it is agreed to exclude such collateral upon the creation of the security interest.
2. The enforcement of a security interest over proceeds against a third party shall expire upon the lapse of the period stipulated in paragraph (1) of this Article, excluding identifiable monetary proceeds or the proceeds indicated in the registration.

Article 11

If the collateral is a right held by a third party, the security interest shall be enforceable against such party from the date of his notification of the creation of the security interest over such right.

Article 12

Any condition in an agreement that restricts a guarantor's right to present his debts or transfer his rights as collateral to validate a contract shall not affect the creation or enforcement of a security interest, and shall not prevent the party who required the restriction for his benefit from having recourse against the guarantor to claim his rights under the agreement.

Article 13

1. a) A security interest shall continue to be enforceable against a third party even if the collateral becomes a fixture, provided the security interest is entered into the Register.



- b) The enforcement of a registered security interest over a collateral that has become a fixture shall apply against any creditor secured by the real property to which the collateral is attached, whether such property is provided as a security for an obligation prior to or after the collateral is attached to the property.
- 2. A security interest created over a collateral that has become a fixture shall not be enforceable against the mortgagee of a real property if the collateral is attached to the property prior to mortgage registration, unless the security interest is registered.

Article 14

A security interest shall continue to be enforceable against a third party if a detachable collateral is attached to another movable property.

Article 15

If a secured creditor transfers a security interest enforceable against a third party, registration of the transfer shall not be required and the security interest shall continue to be enforceable against a third party.

Chapter 5: Registration

Article 16

- 1. Registration of a security interest shall not be valid except with the written approval of the guarantor.
- 2. Registration shall be completed by following the procedures specified in the Regulations, including filling out the electronic form designated for this purpose; provided that such form includes:
 - a) the guarantor's particulars, including his name according to official documents, and his identification or registration number;
 - b) the secured creditor's name, address, and contact information;
 - c) a description of the collateral in accordance with Article 6(1)(d) of this Law; and
 - d) the registration's expiration date.

Article 17

- 1. Registration shall expire upon termination by the secured creditor; expiration of the period specified in the Register, unless such period is extended prior to the expiration date; or the issuance of a court judgment to strike off or terminate the registration.
- 2. If the expiration of the security interest precedes the expiration of the registration, the secured creditor shall terminate the registration within 15



days from the expiration date of the security interest, and shall compensate the guarantor for any damage arising from his failure to terminate within the specified period.

Article 18

Any person may have access to the Register and may obtain a printed copy of the data and information of any registration. The certified printed copy shall be deemed a valid document for establishing the registration's date, time, and content.

Chapter 6: Priority Right

Article 19

1. A guarantor may attach more than one security interest to the same collateral.
2. A secured creditor shall have priority over other creditors in the performance of an obligation secured by a collateral; priority among secured creditors shall be determined according to the following:
 - a) A security interest perfected against a third party shall have priority over other security interests.
 - b) A security interest perfected against a third party by registration shall have priority over other perfected security interests.
 - c) In case of multiple security interests perfected by registration, priority shall be given to the first secured creditor to perfect his security interest.
 - d) In case of multiple security interests perfected by transfer of possession, priority shall be given to the first secured creditor to take possession of the collateral.
 - e) In case of multiple unperfected security interests against a third party, priority shall be given to the first secured creditor to create the security interest.
3. Notwithstanding the provisions of paragraph (2) of this Article, the Regulations may, if applicable, determine special priorities for security interests in specific transactions or property.

Article 20

Security interests perfected against third parties shall have priority of payment over other debts, including workers' rights and government dues.

Article 21

A secured creditor may, in writing, relinquish the rank of priority assigned to his security interest without affecting other security interests; such action shall be



enforceable against third parties without the need for registration .

Chapter 7: Right of Tracing

Article 22

1. A guarantor may not transfer the ownership of the collateral except with the consent of the secured creditor or if such transfer is carried out within the guarantor's ordinary course of business.
2. Transfer of ownership of a collateral in a security interest enforceable against a third party, in violation of paragraph (1) of this Article, shall give the secured creditor the right to trace the collateral to secure his rights regardless of possession.

Chapter 8: Enforcement of Collateral

Article 23

1. A guarantor and a secured creditor may agree to enable the latter to take a non-judicial enforcement action on a collateral in order to secure his right in case of non-performance of a secured obligation, provided that such agreement is made in writing prior to non-performance.
2. The enforcement referred to in paragraph (1) of this Article shall include the sale of the collateral by way of public auction or direct sale, or the acquisition thereof to secure the right of the secured creditor. The Regulations shall specify the necessary provisions and procedures.

Article 24

A secured creditor may take the necessary measures to repair and improve a collateral and prepare it for sale.

Article 25

A non-judicial or judicial enforcement on a collateral shall clear such collateral of any interests arising therefrom.

Article 26

1. If the collateral enforcement proceeds are not sufficient to satisfy the rights arising therefrom, they shall be distributed according to the following order:
 - a) Expenses of repairing and improving a collateral and preparing it for sale.
 - b) Expenses of enforcement on the collateral.
 - c) Amounts owed to the owners of security interests according to their



priority, in accordance with the provisions of this Law.

2. In case of non-judicial enforcement, a secured creditor shall be responsible for reimbursing any remaining amounts to the guarantor after enforcement, and after satisfying the rights resulting from the collateral provided in paragraph (1) of this Article.
3. A person who owes a secured obligation shall remain liable before a secured creditor for any unsatisfied rights; in such case, said unsatisfied rights shall be deemed unsecured debt.

Chapter 9: The Register

Article 27

1. The Ministry shall establish and manage the Register. However, it may outsource the management of the Register to a private agency. In such case, the Ministry shall define the agency's work procedures and ensure that its work is carried out with efficiency and integrity.
2. A secured creditor who carries out the registration shall be responsible for the accuracy and validity of the provided information and data. The agency managing the Register shall not be liable for any incorrect or inaccurate data or information contained in such registration.
3. An interested party may contest any registration made in the Register or against specific data by filing a petition with the competent court.

Chapter 10: Final Provisions

Article 28

The Minister shall issue the Regulations within 30 days from the date of publication of this Law in the Official Gazette. The Regulations shall include:

- a) registration procedures;
- b) procedures for searching the Register and obtaining printed copies; and
- c) fees for Register services.

Article 29

This Law shall enter into force from the date of its publication in the Official Gazette.