### ****Chapter 1: Definitions Article 1****

**Security Interest: This is a** legal right **that a lender has over a borrower's property** until the loan is fully repaid**.**

### Collateral: This is the asset pledged as a guarantee for a loan. If the borrower fails to pay, the lender can take ownership or sell it.

**Secured Obligation:** This refers to any **debt, loan, or financial duty** that has been backed by a security interest.

**Secured Party (Creditor):** The **lender** who receives the security interest to ensure repayment of the loan.

### **Grantor (Debtor):** The person or entity providing the collateral, which could be the borrower or a third party.

**Obligor:** The **person responsible for repaying the secured obligation,** who may be different from the grantor.

### **Accounts Receivable:**Money that a debtor has the right to receive from others, either immediately or in the future.

### **Assignment of Rights as Security:**An agreement where a debtor transfers financial rights (such as payments from customers) to the creditor as collateral.

### **The Register:**The official unified registry where all security interests over movable assets are recorded for legal protection.

### **Perfection (Registration):**The process of registering the security interest in the official register so that it is legally recognized and enforceable against third parties.

### **Inventory:**Goods and materials that businesses own for sale, rental, or production.

### **Fixtures:**Movable property that has been permanently attached to real estate for service or use, such as elevators in buildings.

### **Proceeds:**Money or other financial benefits gained from using or selling the collateral.

### ****Chapter 2: Scope of Application Article 2****

This article explains **when and where the law applies**. It states that the law **covers any contract or transaction** that **creates a security interest** (a legal right over collateral used to secure a loan or obligation).

Here’s a **breakdown of the key transactions covered** under this law:

1. **Commercial Pledge** – This happens when a borrower **uses movable property (such as equipment or vehicles) as collateral** to secure a loan. If the borrower fails to repay, the lender can claim the collateral.
2. **Sale with a Condition for Recovery or Repurchase** – In some sales, the **seller has the right to take back (recover) the sold property** or buy it back (repurchase) under specific conditions. This law applies to such agreements.
3. **Transfer of Ownership as Security** – Instead of just pledging an asset, **ownership of a movable property is transferred to the lender as security**. Once the borrower repays the debt, ownership is returned to them.
4. **Conditional Sale (Postponed Ownership Transfer)** – If a movable property is sold but **the ownership does not officially transfer until the full payment is made**, this law governs the process.
5. **Security by Transfer of Right** – When a borrower **transfers financial rights (such as payments due from customers) to a lender** as collateral for a loan, this law applies.
6. **Sale of Rights in Accounts Receivable** – If a business sells its **right to collect payments from customers (accounts receivable) to another party**, this law ensures proper regulation.

### ****Summary****

Article 2 ensures that **all types of transactions involving secured interests in movable property**—whether through pledging, conditional sales, or ownership transfers—**are covered and protected under the law**.

### ****Article 3 – Types of Collateral****

This article defines **what can be used as collateral** under the law. It states that **collateral can be any movable asset**, whether it is:

* **Physical (tangible)** or **non-physical (intangible)**
* **Currently owned or expected in the future**
* **Owned by the borrower, the lender, or even a third party**

**Types of Assets That Can Be Used as Collateral**

1️⃣ **Rights Held by a Third Party** – This includes **payments owed to the borrower by other people or businesses**, even if they are due later (accounts receivable).

2️⃣ **Bank Accounts & Financial Deposits** – Funds held in **bank accounts, deposit accounts, and current accounts** can be pledged as collateral.

3️⃣ **Negotiable Instruments** – These are **documents that represent money or ownership of goods**, which can be transferred by endorsement (signing over to another party). Examples include:

* **Commercial papers** (documents promising payment).
* **Bank certificates of deposit** (proof of money deposited in a bank).
* **Bills of lading** (documents proving ownership of shipped goods).

4️⃣ **Vehicles & Similar Assets** – Cars, trucks, motorcycles, and other transport-related assets can be used as collateral.

5️⃣ **Equipment & Work Tools** – Any **machinery, tools, or equipment** used in business operations can be pledged as collateral.

6️⃣ **Inventory** – Businesses can use their **stock of goods** (ready for sale or in storage) as collateral.

7️⃣ **Animals & Animal Products** – Livestock (such as cows, sheep, and poultry) and their **products** (such as milk, wool, and meat) can serve as collateral.

8️⃣ **Crops** – Farmers can pledge **harvested or unharvested crops** as collateral for financing.

9️⃣ **Fixtures (Movable Items Attached to Property)** – This includes **movable items that are permanently fixed to real estate** (e.g., industrial machines attached to a factory).

🔟 **Trees & Natural Resources (Before Extraction)** – Even if they have not been removed yet, the following can be pledged as collateral:

* **Trees before they are cut down**.
* **Minerals before they are extracted** (e.g., oil, gas, precious metals).

**Summary of Article 3**

This article ensures **a wide range of assets**—from business inventory and bank deposits to crops and minerals—**can be used as collateral**, helping businesses and individuals secure financing.

### ****Article 4 – Transactions Excluded from the Law****

This article defines **specific transactions that are NOT covered** by this law. The law does not apply in the following cases:

1️⃣ **Transfer of Rights for Debt Collection** – If a business or individual transfer their financial rights **only for the purpose of collecting a debt** (e.g., hiring a collection agency to recover unpaid invoices), the law does not regulate such transactions.

2️⃣ **Purchase of Debt as Part of a Business Acquisition** – If a company **buys another company’s debts as part of acquiring the business**, this transaction is excluded from this law’s provisions.

### ****Summary of Article 4****

This article ensures that **ordinary debt collection and business acquisitions** are not treated as security interests, keeping them outside the law’s scope.

### ****Article 5 – Excluded Security Interests****

This article lists **specific types of assets** that **cannot be used as collateral under this law**. These exclusions are usually due to **separate regulations** governing these assets.

1️⃣ **Vessels & Aircraft** – Ships and airplanes **are regulated under maritime and aviation laws**, so they are excluded from this law.

2️⃣ **Securities Listed in the Capital Market** – Stocks and bonds traded on the stock exchange **fall under financial market regulations** and cannot be used as collateral under this law.

3️⃣ **Goods Stored in Public Warehouses** – If goods are placed in public storage, they **cannot be used as collateral unless the security interest was created before storage**.

4️⃣ **Trademarks** – Intellectual property rights, such as **brand names and logos**, are excluded from this law as they follow **separate intellectual property laws**.

5️⃣ **Investment Accounts** – Financial investment portfolios, such as **stocks and mutual funds**, **cannot** be pledged as collateral under this law.

6️⃣ **Properties with Registered Titles** – Any property that has a **title record with registered security interests** is governed by **real estate and title registration laws**, not this law.

### ****Summary of Article 5****

Certain assets—such as **ships, planes, securities, trademarks, and registered real estate**—are excluded because they are governed by **different legal frameworks**.

### ****Chapter 3: Creating a Security Interest****

### **Article 6 – Requirements for Creating a Security Interest**

This article explains **how to legally create a security interest** so that it is **valid and enforceable** between the involved parties.

**Conditions for a Valid Security Interest**

A security interest is considered **legally valid and binding** if it meets the following conditions:

1️⃣ **Written Agreement** – The security interest **must be documented in writing**, either:

* As a **separate contract** specifically for the security interest.
* As **part of another contract** (such as a loan agreement).

2️⃣ **The Guarantor Has the Right to Pledge the Collateral** – The person or business providing the collateral **must have the legal authority** to use it as security.

3️⃣ **Clear Description of the Secured Obligation** – The contract must:

* **Describe the obligation (debt or duty) being secured**, either in general terms or specifically.
* **Set an upper limit** for the secured amount, if applicable.

4️⃣ **Clear Description of the Collateral** – The collateral must be **clearly identifiable**, which can be done by:

* **Describing it specifically** (e.g., a particular vehicle or machine).
* **Describing it generally** (e.g., "all inventory" or "all equipment of the company").

5️⃣ **The Secured Creditor Provides Value in Exchange for the Security Interest** – The lender (secured creditor) **must fulfill or agree to fulfill their obligation**, such as providing a loan or extending credit.

**When Can a Security Interest Be Created?**

* A security interest can be created **at any time**, including:
  + **Before the secured obligation exists** (e.g., a future loan).
  + **At the same time as the obligation** (e.g., during a loan agreement).
  + **After the obligation has been established** (e.g., securing an old debt with new collateral).

**Summary of Article 6**

To be legally valid, a **security interest must be written, clearly describe the collateral and the debt, and be backed by a valid transaction**. This ensures transparency and enforceability.

### ****Article 7 – Invalid Security Interests****

This article **clarifies when a security interest is NOT valid**.

1️⃣ **If the Law Prohibits It** – A security interest is **invalid** if it is created over property that **cannot legally be used as collateral under other laws**.

🔹 **Examples:**

* Some **public assets or government-owned properties** cannot be pledged.
* **Certain personal assets** may be legally protected from being used as collateral.

**Summary of Article 7**

A **security interest is not valid if it violates other laws** that restrict the use of certain properties as collateral.

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

### **Article 8 – Enforcing a Security Interest Against a Third Party**

This article explains **how a security interest can be enforced against third parties**, meaning **other individuals or businesses** who might claim rights over the same collateral.

**How Can a Security Interest Be Enforced Against Third Parties?**

A s ecurity interest is **legally enforceable against third parties** if:

1️⃣ **It Is Registered** – If the security interest is properly **recorded in the official register**, it becomes publicly recognized and enforceable.

2️⃣ **The Secured Creditor Takes Possession of the Collateral** – The lender (secured creditor) can **physically or legally take control** of the collateral, either:

* **Directly** (actual possession, such as holding a pledged vehicle).
* **Indirectly** (constructive possession, such as legal control over an account).

**Exceptions to the Rule**

* Some **special cases** require **possession as the only valid way** to enforce a security interest against third parties.
* These cases will be **determined by regulations** (additional legal guidelines).

**Summary of Article 8**

A security interest is **protected against third parties if it is registered or if the lender has possession of the collateral**. However, **some situations require possession as the only method of enforcement**, as defined by additional regulations.

### **Article 9 – Changing the Method of Enforcement**

This article clarifies that **switching the method of enforcement does not affect the security interest’s validity**.

**What Happens If the Method of Enforcement Changes?**

1️⃣ **If the security interest was registered and then the lender takes possession**, the security interest **remains enforceable**.

2️⃣ **If the security interest was enforced by possession and then gets registered**, it **still remains valid** against third parties.

**Why Is This Important?**

* Ensures that **security interests remain valid** even if the method of enforcement changes.
* Prevents **legal loopholes** where borrowers or third parties could challenge a lender’s rights just because of a technical change in enforcement.

**Summary of Article 9**

The **way a security interest is enforced (registration or possession) can change, but the security interest remains legally valid against third parties**.

### **Article 10 – Security Interest Over Proceeds**

This article explains **how a security interest applies to proceeds** (money or benefits earned from the collateral).

**How Long Does the Security Interest on Proceeds Last?**

1️⃣ **Automatic Validity for 15 Days** – If the collateral generates **proceeds (such as money from selling inventory)**, the security interest **automatically applies to those proceeds for 15 days** after the guarantor (borrower) receives them.

* Exception: If the original security agreement **excluded proceeds**, then they are not covered.

2️⃣ **Expiration of Security Interest on Proceeds** – After **15 days**, the security interest **expires** unless:

* The proceeds are **identifiable monetary assets** (e.g., specific funds in a bank account).
* The proceeds were **explicitly mentioned in the security registration**.

**Summary of Article 10**

If a security interest applies to **proceeds**, it remains valid **for 15 days after receipt**. However, some monetary proceeds or proceeds **specifically recorded in the registration** may continue to be covered beyond this period.

### **Article 11 – Security Interest Over Third-Party Rights**

This article explains **when a security interest becomes enforceable if the collateral is a right held by a third party** (e.g., a debt owed by another business or individual).

**When Does the Security Interest Take Effect?**

* If the collateral is a **financial right held by someone else** (like accounts receivable), the security interest **becomes enforceable against that third party** from the moment they are **officially notified** of its creation.

**Example:**

📌 A business pledges **its outstanding customer payments (accounts receivable)** as collateral for a loan. The security interest becomes **legally enforceable against the customers** once they **receive official notice** about it.

**Summary of Article 11**

A **security interest over third-party rights is legally enforceable only after the third party is officially notified**.

### ****Article 12 – No Restrictions on Offering Debts or Rights as Collateral****

This article ensures that **agreements cannot unfairly restrict a borrower from using their financial rights as collateral**.

### ****Key Points:****

1️⃣ **A contract cannot prevent a guarantor (borrower) from pledging their financial rights** (such as future payments they expect to receive) **as collateral**.

2️⃣ **Even if a contract contains a restriction, it does NOT affect the creation or enforcement of a security interest**.

3️⃣ **The party who imposed the restriction can still claim their contractual rights** from the guarantor (borrower).

### ****Example:****

📌 A company signs a contract that says, “You cannot use your future payments from this deal as collateral.” If the company **still uses those payments as collateral**, the security interest **remains valid**, and the lender is protected. However, the **other party can still demand their original contractual rights**.

### ****Summary of Article 12****

A contract **cannot block** a borrower from using their **financial rights or debts as collateral**. However, the other party **can still claim their rights under the contract**.

### **Article 13 – Security Interests on Fixtures**

This article explains **how a security interest remains enforceable** if the **collateral (movable property) becomes a fixture** (a movable asset that is permanently attached to real estate, such as industrial equipment in a factory).

**1. Security Interest on Fixtures Remains Enforceable**

📌 **What Happens If the Collateral Becomes a Fixture?**

* A **security interest remains valid against third parties** even if the collateral **becomes permanently attached to real estate**, as long as it is **registered in the official security interest register**.
* This ensures that **secured creditors still have a legal claim over the collateral** even after it is fixed in place.

**2. Priority of Security Interests Between Movable and Real Estate Creditors**

📌 **Who Has Priority When the Collateral Is Attached to Real Estate?**

* If **a registered security interest exists on a movable asset before it becomes a fixture**, it **remains enforceable against creditors who have claims over the real estate**.
* This applies **whether the real estate was already used as collateral before or after** the movable asset was attached.

🔹 **Example:**  
A company pledges **a manufacturing machine as collateral** for a loan. Later, the machine is **permanently installed in a factory** (making it a fixture).

* If the security interest on the machine **was registered before installation**, the lender **can still enforce their claim**, even if the factory itself is used as collateral for another loan.

**3. Exception – Priority of Real Estate Mortgage Holders**

📌 **When Does a Real Estate Mortgage Holder Have Priority Over the Fixture?**

* If a **real estate mortgage** (loan secured by the property) was **registered before the fixture was attached**, then the **mortgage holder’s rights take priority**—unless the security interest on the fixture was **registered beforehand**.

🔹 **Example:**  
A factory is mortgaged to a bank. Later, the company installs **a new air conditioning system as a fixture**, and another lender claims a security interest over it.

* If the air conditioning system was **attached before the real estate mortgage was registered**, then the **lender’s claim is valid as long as it was registered**.
* But if the system was attached **before** it was pledged as collateral, the **mortgage holder has priority**.

**Summary of Article 13**

✔️ A **security interest remains enforceable** against third parties **even if the collateral becomes a fixture**, provided it is **registered**.  
✔️ A **registered security interest on a fixture applies against real estate creditors**, even if the real estate was pledged as collateral **before or after** the fixture was attached.  
✔️ **If a real estate mortgage was registered first**, the mortgage holder **has priority over the fixture**, unless the fixture’s security interest was already registered.

### **Article 14 – Security Interest on Attached Movable Property**

This article states that **a security interest remains valid even if the collateral is attached to another movable asset**, as long as the collateral can still be **detached (removed) without damage**.

**Key Takeaways:**

✔️ If a **movable asset is pledged as collateral** and later becomes **attached to another movable asset**, the **security interest remains enforceable** against third parties.  
✔️ The security interest does **not disappear just because the collateral is combined with another asset**.  
✔️ The lender can still **claim the collateral separately**, as long as it can be detached.

**Example:**

📌 A construction company **pledges a high-powered generator as collateral** for a loan. Later, the generator is **attached to a mobile construction unit** (but can still be removed).

* The **security interest remains valid**, even though the generator is now part of a larger movable asset.
* If the borrower defaults, the lender **can still claim the generator separately**.

**Summary of Article 14**

✔️ **If a pledged movable asset is attached to another movable property, the security interest remains enforceable against third parties**—as long as the collateral is detachable.

### **Article 15 – Transfer of a Security Interest**

This article explains that **if a lender transfers a security interest to another party, it remains enforceable against third parties, even if the transfer is not registered**.

**Key Takeaways:**

✔️ **A lender (secured creditor) can transfer their rights** over a security interest to another creditor without needing to re-register it.  
✔️ The security interest **remains valid and enforceable against third parties**, even after the transfer.  
✔️ This ensures that **transferring security interests does not create legal gaps** where third parties could challenge the validity of the security interest.

**Example:**

📌 A bank **loans money to a company and takes equipment as collateral**. Later, the bank **sells the loan and security interest to another financial institution**.

* The **security interest remains enforceable** against third parties, even if the new lender does not re-register it.

**Summary of Article 15**

✔️ **When a security interest is transferred from one lender to another, it remains valid against third parties, even if the transfer is not registered**.

### ****Chapter 5: Registration** Article 16 – Registration of a Security Interest**

This article explains **how to properly register a security interest** and the requirements for making the registration **legally valid**.

### ****1. The Guarantor Must Approve the Registration****

📌 **A security interest cannot be registered unless the guarantor (borrower) gives written approval**. This ensures that the borrower **agrees to pledge the collateral**.

### ****2. The Registration Process****

* Registration must follow **official procedures** as outlined in regulations.
* The process includes **submitting an electronic form**, which must contain:  
  1️⃣ **Guarantor’s Information** – Full legal name and official ID or registration number.  
  2️⃣ **Secured Creditor’s Information** – Name, address, and contact details of the lender.  
  3️⃣ **Collateral Description** – A **clear and identifiable description** of the pledged asset (as required by Article 6).  
  4️⃣ **Expiration Date** – The date when the **registration of the security interest will expire**.

### ****Summary of Article 16****

✔️ **The guarantor must give written approval before registration**.  
✔️ **Registration requires submitting an electronic form with specific details**.  
✔️ **The law ensures transparency by requiring clear identification of the borrower, lender, and collateral**.

### ****Article 17 – Expiration and Termination of Registration****

This article describes **when a security interest registration expires and the responsibilities of the lender**.

### ****1. When Does Registration Expire?****

* A security interest **registration is removed (expires) if**:  
  1️⃣ The **secured creditor (lender) terminates it**.  
  2️⃣ The **time period set in the register ends** (unless it is extended before expiration).  
  3️⃣ A **court orders its removal**.

### ****2. The Lender Must Remove Expired Registrations****

* If the **security interest itself expires before the registration date**, the **lender must cancel the registration within 15 days**.
* If the lender **fails to remove it**, they must **compensate the guarantor** for any damages caused.

### ****Example:****

📌 A business **pledges its equipment as collateral** for a loan. The loan is repaid early, but the **lender forgets to remove the security interest registration**.

* If this **prevents the business from using the equipment for another loan**, the lender **must compensate the business for the financial loss**.

### ****Summary of Article 17****

✔️ **Registration expires if the lender removes it, the set period ends, or a court cancels it**.  
✔️ **If a security interest ends early, the lender must cancel the registration within 15 days**.  
✔️ **If the lender fails to remove the registration, they must compensate the borrower for damages**.

### ****Article 18 – Public Access to the Register****

This article states that **anyone can access the Register and obtain official records** about security interest registrations.

### ****Key Points:****

✔️ **Any person can check the Register** and request information about a security interest.  
✔️ **A certified printed copy is considered legally valid** to prove the:

* Date of registration
* Time of registration
* Details of the security interest

### ****Why Is This Important?****

📌 **Public access ensures transparency**—lenders, businesses, and individuals can **verify if an asset has an existing security interest before making transactions**.

### ****Example:****

📌 A buyer wants to purchase a **used car**. Before finalizing the deal, they **check the Register** to confirm that the car is **not pledged as collateral for a loan**.

### ****Summary of Article 18****

✔️ **Anyone can access the Register to check security interest records**.  
✔️ **A certified printed copy serves as legal proof of registration**.  
✔️ **This ensures transparency and helps prevent disputes over ownership of assets**.

### ****Chapter 6: Priority Right****

### **Article 19 – Priority Right**

This article explains **how priority is determined when multiple lenders (secured creditors) have claims over the same collateral**. It ensures that **creditors are ranked in order of priority**, so that in case of default, the highest-priority creditor gets paid first.

### ****1. A Borrower (Guarantor) Can Use the Same Collateral for Multiple Loans****

📌 A **borrower can pledge the same asset as collateral for more than one loan**. However, **not all lenders have equal rights**—priority rules determine which lender gets paid first.

### ****2. How Priority Among Creditors Is Determined****

📌 **Who gets paid first when multiple lenders have claims on the same collateral?**

✔️ **(a) A perfected security interest has priority over an unperfected one**

* If a security interest is **registered or possession is transferred**, it takes **priority over any unperfected security interests** (those that are not registered or transferred).

✔️ **(b) Registered security interests have priority over other perfected interests**

* If multiple creditors have **perfected security interests**, the **registered one takes priority** over those perfected by possession.

✔️ **(c) If multiple security interests are registered, priority goes to the first one registered**

* When multiple lenders **register their security interests**, the **first one to register has the highest priority**.

✔️ **(d) If multiple security interests are perfected by possession, priority goes to the first lender to take possession**

* If lenders perfect their interest **by taking possession** instead of registration, the **first one to physically take possession gets priority**.

✔️ **(e) If none of the security interests are perfected, priority goes to the first one created**

* If lenders **did not register or take possession**, priority goes to the **first lender who created the security agreement**.

### ****3. Exceptions to the Priority Rules****

📌 **Can there be exceptions to these priority rules?**

* Yes, **regulations may establish special priority rules** for specific types of transactions or properties.

🔹 **Example:**

* Some **types of loans or assets (e.g., government-backed loans or special-purpose financing)** may be given **priority regardless of the order of registration or possession**.

### ****Summary of Article 19****

✔️ **A borrower can use the same collateral for multiple loans**.  
✔️ **Priority depends on whether the security interest is perfected (registered or transferred by possession)**.  
✔️ **Registered interests take priority over possession-based interests**.  
✔️ **If multiple lenders register interests, the first one to register has priority**.  
✔️ **If multiple lenders take possession, the first one to take possession has priority**.  
✔️ **If none of the interests are perfected, the first agreement takes priority**.  
✔️ **Special priority rules may apply in specific cases**.

### ****Article 20 – Priority of Secured Creditors Over Other Debts****

This article **establishes that secured creditors have priority over other types of debts** when recovering their money.

### ****Key Takeaways:****

✔️ If a security interest is **perfected (registered or enforced by possession)**, the **secured creditor gets paid first** before other creditors.  
✔️ **Secured creditors take priority over:**

* **Workers' rights** (e.g., unpaid salaries).
* **Government dues** (e.g., taxes, fees, or penalties).

### ****Why Is This Important?****

📌 This ensures that **lenders who have properly secured their loans are protected**, even if there are other outstanding debts, including payments owed to employees or the government.

### ****Example:****

📌 A business **defaults on multiple debts**—a secured bank loan, unpaid employee wages, and tax liabilities.

* Because the bank **has a registered security interest in the company’s machinery**, it **gets paid first** before the workers or the government.

### ****Summary of Article 20****

✔️ **Secured creditors have payment priority over other debts** if their security interest is perfected.  
✔️ **Even worker wages and government dues come after secured creditors** in case of debt recovery.

### ****Article 21 – Relinquishing Priority Rights****

This article explains **how a secured creditor can voluntarily give up their priority ranking without affecting other creditors' rights**.

### ****Key Takeaways:****

✔️ A secured creditor **can choose to give up their priority** in writing.  
✔️ This decision **does not affect other creditors**—it only applies to the creditor who gives up their priority.  
✔️ **No need for re-registration**—the change is automatically enforceable against third parties.

### ****Why Is This Important?****

📌 It allows **secured creditors to negotiate** and **rearrange priorities** without complex legal procedures.

### ****Example:****

📌 A lender **holds first-priority rights over a factory’s equipment** but agrees in writing to **let another lender take priority** instead.

* The **new priority ranking is legally valid**, even though it is not registered.

### ****Summary of Article 21****

✔️ **A secured creditor can voluntarily give up their priority ranking in writing**.  
✔️ **Other creditors' priority rankings remain unchanged**.  
✔️ **The relinquishment is enforceable without needing registration**.

### ****Chapter 7: Right of Tracing** Article 22 – Right of Tracing**

This article establishes **rules for transferring ownership of collateral** and explains **what happens if the transfer violates the rules**.

### ****1. When Can a Borrower (Guarantor) Transfer Collateral Ownership?****

📌 A borrower **cannot transfer ownership of the collateral** unless:  
✔️ The **secured creditor (lender) gives consent**.  
✔️ The transfer happens **as part of the guarantor’s normal business activities** (e.g., a retailer selling inventory).

🔹 **Example:**

* A car dealership **pledges its vehicle inventory as collateral for a loan**.
* The dealership **can still sell cars to customers** as part of its regular business.
* However, if the dealership **wants to transfer a car outside of normal sales (e.g., as a gift or another loan), it needs creditor approval**.

### ****2. What Happens If the Borrower Transfers the Collateral Without Permission?****

📌 If the **collateral is transferred without approval** and the security interest is enforceable against third parties (i.e., registered or perfected), the secured creditor has the **right to trace the collateral** and claim it, regardless of who possesses it.

🔹 **Example:**

* A **business pledges machinery as collateral** for a loan.
* The owner **illegally sells the machinery to another company without the lender’s approval**.
* Since the **security interest was registered**, the lender **can still claim the machinery from the new owner**.

### ****Summary of Article 22****

✔️ **Collateral cannot be transferred without lender approval**, except for **normal business transactions**.  
✔️ **If the collateral is illegally transferred**, the lender **has the right to track it and enforce their claim**, even if it is in someone else’s possession.

### ****Chapter 8: Enforcement of Collateral****

**Article 23: How Lenders Can Take Back Collateral**  
If a borrower fails to pay back their loan, the lender and borrower may agree beforehand that the lender can take back the collateral (the asset used as security) without going to court. This agreement must be in writing before any payment issues arise. The lender can either sell the collateral through a public auction, a direct sale, or keep it to settle the debt. The government will set rules for how this should be done fairly.

**Article 24: Preparing Collateral for Sale**  
If a lender takes control of collateral due to non-payment, they have the right to fix or improve it before selling it to get a better price.

**Article 25: Clearing Claims on Collateral After Sale**  
Once the lender sells the collateral through legal means, any claims or rights tied to that collateral will be removed. This means the new owner of the collateral will not have to deal with old debts linked to it.

**Article 26: How to Distribute Money from Collateral Sale**  
If selling the collateral does not cover all debts, the money must be distributed in this order:

1. Costs of fixing and preparing the collateral for sale.
2. Expenses for selling and enforcing the security interest.
3. Paying off secured creditors based on their priority.

If the sale brings in more money than needed, the extra amount must be returned to the borrower. If there is still unpaid debt after the sale, the borrower remains responsible for paying the remaining amount.

**Chapter 9: The Register  
Article 27: Managing the Security Register**  
The Ministry of Commerce will create and oversee a **Security Register** to record all security interests (claims on collateral). The Ministry may also allow a private agency to manage it. The lender who registers a security interest is responsible for ensuring all information is correct. If there is a dispute over a registration, the affected party can file a complaint with the court.

**Chapter 10: Final Provisions  
Article 28: Implementing the Law**  
The Minister of Commerce must issue the **Regulations** (detailed rules) for this law within **30 days** of its publication. These regulations will include:

* Steps for registering security interests.
* Procedures for searching the **Security Register** and obtaining official copies.
* Fees for using the **Security Register** services.

**Article 29: When the Law Takes Effect**  
This law becomes **official and enforceable** as soon as it is published in the **Official Gazette**.