

**Federal Law No. (20) of 2016**  
**On the Pledge of Movable Properties in Guarantee of Debt**

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**We, Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates**

- After perusing the Constitution;
- Federal Law No. (1) of 1972 on the Competencies of Ministries and Authorities of the Ministers, as amended;
- Federal Law No. (5) of 1975 on the Commercial Register;
- Federal Law No. (10) of 1980 on the Central Bank, Monetary System and Regulation of Banking Profession;
- Federal Law No. (26) of 1981 on the Maritime Commercial Law, as amended;
- Federal Law No. (5) of 1985 Issuing the Civil Transactions Law, as amended;
- Federal Law No. (6) of 1985 on the Banks, Financial Institutions and Islamic Investment Companies;
- Federal Law No. (3) of 1987 Issuing the Penalty Code, as amended;
- Federal Law No. (10) of 1992 promulgating Law of Evidence in Civil and Commercial Transactions, as amended;
- Federal Law No. (11) of 1992 Issuing the Civil Procedures Law, as amended;
- Federal Law No. (35) of 1992 Issuing the Criminal Procedures Law, as amended;
- Federal Law No. (37) of 1992 on the Trademarks;
- Federal Law No. (44) of 1992 Regulating and Protecting Industrial Property of Patents, Designs and Industrial Models;
- Federal Law No. (18) of 1993 Issuing the Commercial Transactions Law;
- Federal Law No. (1) of 2006 on the Electronic Transactions and Commerce;
- Federal Law No. (6) of 2010 on the Credit Information;
- Federal Law No. (1) of 2011 on the Public Revenues of the State; and
- Federal Law No. (2) of 2015 on the Commercial Companies;
- Based on the proposition of the Minister of Finance, the approval of the Cabinet and the Federal National Council and the ratification of the Federal Supreme Council;

**The following Law is hereby enacted:**

**Chapter 1**  
**Definitions and Scope of Application**

**Definitions**  
**Article (1)**

In the application of the provisions of this Law, the following words and phrases shall have the meanings assigned to them respectively, unless the context otherwise requires:

<b>State</b>	The United Arab Emirates.
<b>Ministry</b>	Ministry of Finance.
<b>Minister</b>	Minister of Finance.
<b>Right of Pledge</b>	Security interest that creates a collateral right in rem to a movable to guarantee the performance of an obligation.
<b>Object of Pledge</b>	The movable made as guarantee to perform an obligation.
<b>Return of Object of Pledge</b>	Any consideration in kind or in cash generated from the disposition or usufruct of the object of pledge or its replacement with another, or any consideration received by the pledgor on account of the reduction of value or damage of the object of pledge or any other consideration. This excludes the proceeds of execution on the object of pledge.
<b>Pledgee</b>	The creditor benefiting from the right of pledge.
<b>Pledgor</b>	The owner of the object of pledge.
<b>Obligor</b>	The debtor of the guaranteed obligation, if he is not the owner of the object of pledge.
<b>Pledge Contract</b>	The contract concluded between the pledgor and the pledgee to create the right of pledge.
<b>Register</b>	The electronic register of notarizing rights on movable properties.
<b>Notarization</b>	Registering the rights attached to the movable properties in the register, including the registration of any amendment, extension, cancellation, notice or objection thereto.
<b>Accounts Payable</b>	The cash amounts falling due immediately or in the future to the

pledgor resulting from his practice of business.

**Court**

The competent Court of Appeal, according to the provisions of the Federal Civil Procedures Law.

**Scope of Law Application**

**Article (2)**

1. The provisions of this Law shall apply to any contract that creates a right of pledge in the framework of commercial or civil transactions undertaken according to the provisions of this Law.
2. The provisions of this Law shall not apply to the right of pledge created solely by way of possession to which the provisions of the applicable Laws regulating the right of pledge of movables shall apply.
3. The provisions of this Law shall not apply to the movables for which the enforced laws require the registration of all dispositions made in relation thereto in a special register.

**Chapter 2**

**Object of Pledge**

**Pledgeable Properties**

**Article (3)**

Any tangible or intangible, existing or future properties, including the following, shall be Pledgeable:

1. Accounts payable.
2. Accounts payable and deposits at licensed banks and financial institutions including the current account and deposit account.
3. Written instruments and documents of conveyable title through delivery or endorsement that prove the entitlement of an amount or ownership of goods including the commercial papers, bank deposit certificates, bills of lading and goods consignment documents.
4. Equipment and tools of work.
5. Tangible and intangible elements of the commercial store, without prejudice to the possibility of their pledge according to the Commercial Transactions Law and the Trademarks Law.
6. Goods prepared for sale or lease and raw materials and goods under manufacturing or transformation.
7. Crops and animals and their products including fish and bees.
8. Property accessory to immovable property provided that it can be possibly detached from the real estate without causing damage.
9. Any other movables which the applicable laws in the state provide for their eligibility to be Pledgeable, according to the provisions of this Law.

**Properties for which no Right of Pledge may be Created**  
**Article (4)**

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

1. Objects of use allocated for necessary personal or home purposes of the person and his dependents, unless used as an object of pledge to finance its purchase.
2. Dues of the insured or the beneficiary under an insurance contract, unless such dues accrue in the form of proceeds of the object of pledge.
3. Labor and vocational expenses, wages, salaries and compensations.
4. Public properties, endowment properties and properties of foreign diplomatic and consulate authorities and governmental international organizations.
5. Future rights resulting from inheritance or will.

**Possession Free Right of Pledge**  
**Article (5)**

Movable properties may be pledged without the need to convey their possession to the pledgee or third party by the notarization of such disposition, according to the provisions of this Law. The notarization shall entail all rights enjoyed by the pledgee, as if he holds the object of pledge in possession.

**Chapter 3**  
**Register**

**Establishment of Register**  
**Article (6)**

1. By resolution of the Cabinet, a register for rights notarization shall be established according to the provisions of this Law. The resolution shall determine the body that manages and oversees the register, on proposition of the Minister.
2. The Executive Regulations of this Law shall regulate the work of register, the procedures of registration thereat and the prescribed fees of its use.

**Right to Access to the Register**  
**Article (7)**

The parties to pledge contract may determine in their agreement whether or not they want to allow the public to have access to the information being notarized in the register. In all cases, the public may have access to the basic information in the register within limits of the conditions provided in the Executive Regulations of this Law. A hard or soft copy report that includes the information contained in the register may be applied for. Such report, if approved by the register, shall be authoritative against all in proving the date and time of notarization and any information notarized in the register. The Executive Regulations of this Law shall define the conditions of issuing the report.

**Chapter 4**  
**Creation of Pledge Right and its Enforcement between its Parties**

**Pledge Contract**  
**Article (8)**

The following shall be stipulated for the creation of the pledge right, according to the provisions of this Law:

1. Conclude the pledge contract in writing according to the Executive Regulations of this Law.
2. The pledgor has the capacity to dispose of the object of pledge or authorized to create the right of pledge thereon.
3. The pledge contract describes the object of pledge and the Executive Regulations of this Law determines the degree and type of description whether general or special description, according to the nature of property, the applicable usage and the tradition followed in dealing in the object of pledge.
4. The Agreement includes the declaration of the pledgor in respect of any existing third party rights on the object of pledge.
5. The pledgor, the obligor or the pledgee shall notify the possessor of the object of pledge, if the object of pledge is not held in possession of the pledgor.
6. The pledgor pays or is bound to pay the consideration agreed on in the pledge contract.

**Maintenance of Right of Pledge**  
**Article (9)**

The possessor of the object of pledge shall exert diligence of ordinary person to keep same, in consistency with its nature, unless there is an agreement on exerting a special diligence.

**Chapter 5**  
**Enforcement of Right of Pledge against Third Party**

**Enforcement of Right of Pledge against Third Party by Notarization**  
**Article (10)**

1. The right of pledge shall be enforced and produce its legal effects against third party upon notarization in the register, according to the provisions of this Law.
2. If the right of pledge is created on the object of pledge and is notarized according to the provisions of this Law, no subsequent right of pledge shall be created on the same object of pledge, unless through notarization.
3. Save for Clause (1) of this Article, the initial agreement of the parties to create the right of pledge on an existing or future object of pledge may be notarized. Such notarization shall produce all effects of the right of pledge between the parties and against third party. In this case, the parties shall enter into and notarize the pledge contract within five working days as from the date of holding the object of pledge in possession by the pledgor or the obligor. The parties may extend this period for not more than thirty days.

4. Unless otherwise is agreed, the pledgor shall pay the fees and expenses of the right of pledge notarization in the register.

### **Use of Register to Register Other Rights** **Article (11)**

1. The following agreed rights may be registered in the register, according to the provisions of this Law:
  - a. Right of the lessor on the properties forming the subject of operating lease contract, if the term of contract is one year or more.
  - b. Right of the owner of goods on sale.
  - c. Right of the lessor in financing lease.
2. The registration of such rights shall produce the same effects created by this Law, within limits of the provisions of regulating their enforcement against third party and procedures of execution thereon and determination of the priority of receiving rights from their returns and proceeds of execution thereon. The Executive Regulations shall define the way and fees of registration of such rights.

### **Notarization** **Article (12)**

1. The Notarization shall be made by filling the form prepared for that purpose in the register. The notarization shall include the basic information that shall be contained in the pledge contract, as determined by the Executive Regulations of this Law.
2. The pledgor, the obligor and the pledgee shall determine the addresses of any person required to be notified, according to the provisions of this Law, and seek to obtain his written consent to accepting electronic notification. In case the written consent cannot be obtained, the notification shall be made through courier or registered mail with acknowledgment of receipt.
3. The notarization in the register shall be considered a notice producing its legal effects for whoever accepts the notification by way of notarization.

### **Objection** **Article (13)**

1. Any person whose name is notarized as a pledgor, obligor or pledgee may object to same before the Court within (5) working days from the date of notification. In this case, such person shall notarize his objection in the register, according to the Executive Regulations of this Law. The submission of objection shall not have effect on the enforcement of the right of pledge against third party, until the decision of the Court that either rejects the objection or strikes off the notarization is handed down.
2. If the possessor of object of pledge has a non-notarized right of pledge on the same object of pledge, he may object before the Court to the notarization of pledge contract subsequent to its possession, if the

notarization creates a right in favor of third party, within (5) five working days from the date of notification, according to Clause (5) of Article (8) of this Law or from the date of notarization of the pledge contract, whichever is later. The Court may in this case issue a decision of defining the priority of the possessor of the object of pledge on notarization.

3. The Court shall decide on the objection submitted according to Clauses (1) and (2) of this Article within (10) ten working days from the date of contest, renewable for other similar period. The decision of the Court shall be final and unchallengeable in any way.

### **Transfer of Right of Pledge Article (14)**

The pledgee may transfer the right of pledge without the need to have consent of the pledgor. The pledgee or the transferee shall notarize the transfer as an amendment of the previous notarization to be enforced against the pledgor and the obligor. The failure of notarization shall not affect the enforcement of the right of pledge against third party.

### **Notarization of Attachment on the Object of Pledge Article (15)**

1. If a provisional or an executive attachment order or judgment is handed down on the notarized object of pledge, the party in whose favor the order or judgment is handed down shall notarize the rights determined in the order or judgment in respect of the object of pledge.
2. The decision handed down by the Court according to Clause (1) of this Article shall be considered enforced against third party as from the date and time of notarization in the register.

### **Termination of Notarization Article (16)**

1. The effect of notarization shall be terminated in the following cases:
  - a. If the pledgee agrees with the pledgor or the obligor to strike off the notarization from the register.
  - b. If the right of pledge is abated for the discharge of obligation of the obligor under the pledge contract or for any reason, before the expiration of the period specified in the register.
  - c. If the initial right of pledge creation is not completed according to Clause (3) of Article (10) hereof.
  - d. If the pledgee fails to discharge his obligations after the notarization of the pledge contract.
  - e. If the Court hands down a decision of striking off the notarization from the register, according to the provisions of this Law.
2. The pledgee shall strike off the notarization within (5) five working days as from the date on which one of the cases described in Clause (1) of this Article takes place.



3. If the pledgee fails to cancel the notarization within the period specified in Clause (2) of this Article, the pledgee shall indemnify the pledgor, the obligor or third party, as the case may be, for any actual damage sustains either of them, as determined by the Court.
4. The effect of cancellation of notarization shall not apply to the right of other pledgees who have effective rights under the same pledge contract, unless they agree on same in writing.

### **Effects of Rights' Enforcement against Third Party Article (17)**

1. The notarization of right of pledge shall entail the priority of the pledgee over other creditors to receive his rights in the object of pledge. This priority shall be determined based on the date and time of notarization of the right of pledge.
2. The enforcement of right of pledge shall continue against third party, if the object of pledge is detachably attached to another movable property.

## **Chapter 6 Right of Tracking and Priority**

### **Right of Tracking Article (18)**

1. The notarization of the right of pledge shall entitle the pledgee to track the object of pledge in the hand of any person to receive his rights.
2. Except for Clause (1) of this Article, the object of pledge shall be conveyed free from any right of pledge to its purchaser, lessee or any other person acquires a right thereon, if the pledgee approves same in the pledge contract or in an independent agreement.
3. If the goods on sale, according to a notarized guarantee agreement, are disposed of in the ordinary course of business of whom the goods are placed, the right of the owner of the goods shall abate as long as the disposition is made in the market price, even if the alienee is aware of existence of the guarantee.

### **Priority over the Returns of Object of Pledge Article (19)**

1. The right of pledge enforced against third party shall apply to the returns of the object of pledge. The pledgee shall have the priority over the returns of the object of pledge as per the order of his priority, unless otherwise is agreed.
2. Unless otherwise is agreed by the parties, the enforcement of right of pledge against third party on the returns shall be terminated, if the right of the pledgee is not notarized within (15) fifteen working days

from the date of receiving same, unless the returns of the object of pledge are in cash and can be determined or are described in the notarization.

**Priority of Right of Pledge over a Property Accessory to Immovable Property**  
**Article (20)**

1. Save for the provisions of the Civil Transactions Law, if a right of pledge is created over a movable property, then such property becomes a property accessory to immovable property, the right of pledge shall remain enforced against third party on that property. Such right shall have the priority over any pledge on the real property in which it is placed, whether the pledge of property precedes or succeeds the pledge contract of the property accessory to immovable property. The right of pledge on such property shall be registered in the register in addition to the real estate register.
2. The right of pledge may be created on the property accessory to immovable property, according to the provisions of this Law, if such right can be detached without causing damage to the property. In this case, this right shall have the priority over any other right on the real property, if the right of pledge is notarized in the register and the real estate register, before the date of authentication any other restriction on such property. This may be also made, if there are previous rights on such real property, conditional on the written consent of the pledgees who have rights over such real property.

**Priority over Goods and Properties of Commercial Store**  
**Article (21)**

The right of pledge created over the tangible and intangible elements of the commercial store for purpose of financing its purchase shall have the priority over the right of any purchaser, lessee or lien holder, provided that the right of pledge is notarized before the creation of any other right thereon.

**Priority over Crops**  
**Article (22)**

1. If the pledgor or the obligor, as the case may be, legitimately holds a real property in possession for utilization in farming crops, the notarized right of pledge created on the crops farmed in such real property, for purpose of purchasing, seeding, farming, fertilizing, caring of and reaping crops, shall have the priority over the rights of the owner of such real property and any other rights of pledge accrue on such real property.
2. The right of pledge notarized to finance the purchase of fodder and veterinarian medicines of animals shall have the priority over any other right of pledge enforced against third party, except the right of pledge created to finance the purchase of such animals.

### **Right of Pledge on Fungibles**

#### **Article (23)**

1. The right of pledge may be created on fungibles, if such fungibles are of specified amount, before mingling with similar objects in a way that such objects lose their own characters.
2. The right of pledge may be created on fungibles having been mingled with similar objects, if detachable.
3. If the right of pledge is created on fungibles which are mingled with similar objects, such mingling shall not affect the enforcement of the right of pledge thereon. Such right shall remain against third party on the fungibles, each in proportion to its guarantee, as of the date of mingling.

### **Waiver of Priority Rank**

#### **Article (24)**

1. The pledgee may waive in writing the priority rank established for him according to the provisions of this Law, provided that such waiver is made within limits of his guaranteed right.
2. The waiver of rank shall be notarized in the register in order to be legally effective.

### **Chapter 7**

#### **Rights of Pledgee**

### **Right of Inspection of the Object of Pledge**

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

1. The pledgee may request the possessor of the object of pledge to enable him to inspect the object of pledge to verify its condition within a specific period determined in the request.
2. The pledgee may at any time resort to the summary proceedings judge at the competent court to apply for the order to inspect the object of pledge to verify that the object of pledge is not disposed of, damaged, changed or any work is made thereto that would undermine the rights of the pledgee.
3. If the inspection indicates that there is the apprehension of undermining the rights of the pledgee, the pledgee may notify the pledgor or the obligor, at the address set out in the register, to do any of the following:
  - a. Repair and maintain the object of pledge, at expense of the pledgor or the obligor, within the period specified in the notice.
  - b. Provide alternative or additional guarantees.
4. If the pledgor or the obligor fails to take the required procedure during the period specified in the notice, the pledgee may submit a petition to the summary proceedings judge to issue an order that permits him to disseize the object of pledge to take appropriate action to reserve his rights or to consider the term of

guaranteed debt is fall due and proceed with the execution procedures on the object of pledge, according to the provisions of this Law.

### **Right of Offering the Object of Pledge Ownership**

#### **Article (26)**

1. During the enforcement of the right of pledge or upon the maturity of the guaranteed debt, the pledgee and the pledgor may agree to have the object of pledge owned in whole or in part by the pledgee to receive his rights.
2. If there are other rights on the object of pledge notarized in the register, according to the provisions of this Law, the pledgee shall notarize the offer of ownership in the register to have the written consent of the holders of enforced rights on the object of pledge. The pledgee who offers ownership may redeem the right of pledge through the discharge of rights of others on the object of pledge.
3. Any person holds rights on the object of pledge may object before the Court to the ownership of the object of pledge by the pledgee, according to the provisions of this Article, within (10) ten working days from the date of notarizing the offer of ownership. The Court shall decide on the objection within (10) ten working days from the date of submission. The Court's decision in this regard shall be final and unchallengeable in any way.
4. If no objection is submitted to the request of ownership, the pledgee may own the object of pledge in whole or in part to receive his rights. If the Court accepts the objection, the execution shall be levied on the object of pledge, according to the procedures set out in this Law.

### **Contractual Execution Right on the Object of Pledge**

#### **Article (27)**

If the pledgor or the obligor fails to perform the obligations assumed under the pledge contract or if such agreement is not performed for any other reason, the pledgee may notify the pledgor and the obligor in writing to enable him to have the object of pledge in possession, execute thereon and detach the object of pledge from any other attached property and sell the object of pledge in the market price, within not less than ten working days from the date on which the notice is received by the pledgor and the obligor. This shall be made on the following conditions:

1. To agree on execution without resorting to the Court.
2. The object of pledge is not burdened by any other right of pledge. If there is another right of pledge created on the same object of pledge, according to the provisions of this Law, the written consent of all pledgees shall be attained.
3. Notify the possessor of the object of pledge recorded in the register, if the object of pledge is in possession of a third party.

4. Notify the owner of the real property in which the object of pledge exists or the pledgee of such real property, the owner of the movable to which the object of pledge is attached and the possessor of such property, if the object of pledge is a property accessory to immovable property.

#### **Right of Execution if the Object of Pledge is Written Documents or Accounts Payable**

##### **Article (28)**

If the pledgor or the obligor fails to perform the obligations assumed under the pledge contract, the pledgee may levy execution on the object of pledge by receiving his right directly from the object of pledge without seeking any judicial procedures in any of the following events:

1. If the object of pledge is accounts payable at banks, it shall be collected together with expenses through setoff, if the pledgee is the bank that keeps the account. The object of pledge shall be claimed, if the account is held at another bank.
2. If the object of pledge is title conveyable written instruments or documents through the delivery or endorsement, execution shall be made through the delivery or endorsement, if its value equals the right of pledge.
3. If the object of pledge is endorsable or deliverable papers related to goods, execution shall be levied thereon according to Article (29) of this Law, unless the goods equal the right of pledge.
4. The right of pledge shall be executed in the cases provided in this Article through notifying the pledgor, the obligor, the bank keeping the pledged account or the bearer of pledged instruments or documents by the pledgee to transfer the account to the bank account of the pledgee or to enable him to have the account, instruments or documents, as the case may be, in possession.
5. In the pledge contract or an independent written agreement between the pledgee and the pledgor, it may be agreed on the pledgor's waiver in advance of the right of being notified of the procedures of execution on the object of pledge levied according to this Article.

#### **Chapter 8**

#### **Execution through the Judiciary**

##### **Request of Disseisin for Execution on the Object of Pledge**

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

1. The pledgee may apply to the summary proceedings judge to issue a decision to disseise and execute on the object of pledge, according to the provisions of this Law.
2. The request of the pledgee may involve placing the object of pledge in the hand of a third party, at expense of the pledgor or the obligor for purposes of execution on and sale of the object of pledge, according to the provisions of this Law.
3. The following shall be attached to the application:
  - a. Copy of the pledge contract and data of the object of pledge, as set out in the register.

- b. Name and address of the execution applicant.
- c. Name and address of the pledgor and the obligor.
- d. Name of the possessor of the object of pledge, if held in possession of a third party.
- e. Name and address of the owner of the movable to which the object of pledge is attached, the possessor of the property, the owner of the real property in which the object of pledge exists and the possessor of the real property, as the case may be.

**Notarization of Disseisin Application**  
**Article (30)**

1. The summary proceedings judge or whoever he delegates shall, within (3) three working days from the date of submitting the application of Disseisin, notarize the application in the register to notify each of the following, as the case may be:
  - a. The pledgor and the obligor.
  - b. Any other pledgee on the same object of pledge.
  - c. The possessor of the object of pledge, if in possession of a third party.
  - d. The owner of the movable to which the object of pledge is attached and the possessor of such property.
  - e. The owner and possessor of the real property in which the object of pledge exists and the pledgee of the real property, if the object of pledge is a property accessory to immovable property.
2. The pledgor or the obligor may discharge the obligation, subject of execution, in addition to fees and expenses, at the treasury of the Court to which the application is submitted, within (5) five working days from the date of notifying the execution application.
3. Any of the persons referred to in Clause (1) of this Article may object to the Disseisin application for purposes of execution before the summary proceedings judge, from the date of being notified of the application.

**Order the Permission of Disseisin**  
**Article (31)**

1. The summary proceedings judge shall decide on the application and any objection thereto within (5) five working days from the date of expiration of the period provided in Clause (3) of Article (30) of this Law. The judge may decide thereon, in absence of the parties.
2. The decision of the judge of summary proceedings issued according to Clause (1) of this Article shall be challengeable before the Court within (5) five working days from the date of issue of the decision. The Court shall decide on the challenge within (10) ten working days from the date of filing. The Court's decision in this regard shall be final and unchallengeable in any way.

3. Unless the Court otherwise decides, the filing of appeal shall not result in staying the execution of the decision of the summary proceedings judge. The Court may order the appellant to provide a bank guarantee of such amount specified by the Court.
4. After the decision of disseisin and execution on the object of pledge becomes final, the summary proceedings judge or whoever he delegates, the Court or whoever it delegates, as the case may be, shall notarize the decision of disseisin and execution on the object of pledge in the register within (3) three working days from the date of issue.
5. Subject to Article (35) of this Law, the notarization of the decision of disseisin and execution on the object of pledge shall not entail the fall of maturity of any other debts guaranteed by the object of pledge, unless otherwise is decided by the Court.
6. At request of the pledgee, the summary proceedings judge may approve the use of force for purposes of enforcing the decision of disseisin, in presence of the Court clerk and policemen.
7. If a decision of disseisin is issued for purposes of execution on the object of pledge, the Court clerk shall prepare a report that contains a detailed description of the condition of object of pledge, the real property in which the object of pledge exists and the movable to which the object of pledge is attached, as the case may be. A copy of such report shall be lodged in the file.

### **Repair of Object of Pledge in Preparation for Sale or Exploitation**

#### **Article (32)**

1. Upon enabling the pledgee to disseise the object of pledge, the pledgee shall file a petition to the summary proceedings judge to be permitted, at its expense, to make necessary repairs to the object of pledge and prepare it for sale. The resulting expenses shall be added to the guaranteed debt.
2. The petition referred to in Clause (1) of this Article may include a request for the issue of decision that enables the pledgee to exploit the object of pledge and receive its profits, interests and other amounts generated from its exploitation. Any expenses incurred by the pledgee shall be deducted from the amounts so received.

### **Sale Procedures**

#### **Article (33)**

1. The Court may permit the pledgee, after the issue of decision that enables the pledgee to disseise and execute on the object of pledge, to sell the object of pledge by exerting due diligence for its sale in a price not less than the market price, without following any of the sale procedures provided in the Civil Procedures Law.
2. If the Court finds there is a requirement in order to maintain the value of the object of pledge, the Court may, in the decision that enables the pledgee to disseise and execute on the object of pledge, define the conditions of the way of sale or decide that the sale is undertaken in any other way. The Court may set a minimum limit for the sale price to be determined according to the market price.
3. The Court may allow the pledgor to sell the object of pledge, if it is proved that he can sell in a higher price, within such period determined by the Court and under supervision of the pledgee or the Court.

4. If the Court permits the pledgee to sell the object of pledge, the pledgee shall notarize the decision of the Court in the register five working days before the date specified for sale. Otherwise, the sale shall be null and void. The notarization shall include the following:
  - a. Name and address of the pledgee.
  - b. Name and address of the pledgor and the obligor.
  - c. Description of the object of pledge to be sold.
  - d. Way of sale.
  - e. Date, time and place of sale.
5. Save for the provisions of Clause (1) of this Article, if the object of pledge is susceptible to be perished, damaged or impaired or its possession requires heavy expenses, and the pledgor or the obligor is reluctant to provide anything else in replacement, the pledgee may request the Court to order its sale promptly and the guarantee shall inure to the price generated from the sale.

#### **Conveying Title of Object of Pledge upon Execution Article (34)**

The sale of the object of pledge according to the procedures set out in this Law shall entail that the object of pledge is free from rights of pledge. Such rights shall inure to the returns and execution proceeds.

#### **Discharge of Object of Pledge of Obligations Article (35)**

1. Any person may, during proceeding with the execution procedures, offer the pledgee to discharge his rights on the object of pledge in whole or in part to be discharged of the obligations on the object of pledge. Such offer shall be made by notarization.
2. The pledgee who receives the notice provided in Clause (1) of this Article may accept the offer in writing within (5) five working days from the date of being notified and shall prove the acceptance by notarization.
3. The offerer shall discharge all obligations resulting from the object of pledge to the pledgee who accepts the offer according to the agreement, within not more than five working days from the expiration date of the period referred to in Clause (2) of this Article. The offerer shall replace the pledgee whose rights are discharged and in the same rank.
4. The person who discharges the object of pledge, according to this Article, may have the object of pledge in possession of the pledgor or the obligor or initiate execution on the object of pledge, according to this Law.

#### **Deposit of Returns and Execution Proceeds Article (36)**

The pledgee who executes on the object of pledge, according to Article (33) hereof, may deposit the returns and execution proceeds in the treasury of the Court in which circuit of jurisdiction the sale is undertaken,



within two working days, according to the sale procedures form determined in the Executive Regulation of this Law.

### **Distribution of Returns of Object of Pledge and Proceeds of Execution**

#### **Article (37)**

1. The Court, in which circuit of jurisdiction the sale is undertaken, shall prepare a provisional distribution list of the returns and execution proceeds according to the priorities determined in this Law and serve same on the execution applicant and holders of other rights on the object of pledge. The Court may order either of them to prove his right on the object of pledge.
2. The summary proceedings judge at the Court, in which circuit of jurisdiction the sale is undertaken, shall finally distribute the returns and execution proceeds within (5) five working days from the date of the Court's decision of distribution. Any decision issued by the summary proceedings judge in this regard shall be final and unchallengeable in any way.
3. The returns and proceeds of execution on the object of pledge shall be distributed as per the following order:
  - a. Expenses of maintaining, repairing and preparing the object of pledge for sale and any charges paid for its licensing, maintaining and using according to the law.
  - b. Charges and expenses of execution on the object of pledge, including the judicial fees.
  - c. Rights of pledgees, as per their order of priorities determined in this Law.
  - d. The remainder of the proceeds of execution shall be distributed as per the priorities determined in the laws applicable in the state.
4. If the returns of object of pledge and execution proceeds are insufficient to discharge its obligations, the obligor shall remain responsible against the pledgee for any reduction in the value of debt. In this case, the reduction shall be considered an ordinary debt.
5. The surplus of returns and execution proceeds shall be returned to the pledgor.

### **Stay of Execution**

#### **Article (38)**

1. The pledgor or the obligor may request the summary proceedings judge, during the execution procedures, to order the stay of execution on the object of pledge for not more than (5) working days and for justified grounds.
2. The summary proceedings judge may grant the pledgor, the obligor and the pledgee the opportunity to negotiate in order to come to a settlement within the period specified in Clause (1) of this Article or such period accepted by the pledgor, the obligor and the pledgee. If a settlement is reached, it shall be executed in writing and notarized within (5) five working days from the date of executing the settlement. The provisions governing the settlement conditions shall be the same as those governing the pledge contract, according to this Law.

3. The summary proceedings judge may respond to the request of stay of execution, if the judge thinks that the consequences of execution are irreparable. If the stay of execution is decided, the judge may order the stay of execution applicant to provide a cash security or a bank guarantee which value is determined by the judge to indemnify the damage that may sustain the pledgee.
4. The decision issued by the summary proceedings judge in respect of the stay of execution shall be final and unchallengeable in any way.

### **Bankruptcy of the Pledgor** **Article (39)**

Neither of the provisions of execution procedures shall apply to the object of pledge provided in this Law, if the preventive composition, bankruptcy or equivalent procedures are taken against the pledgor, according to the laws in force.

### **Indemnification of the Pledgor and the Obligor** **Article (40)**

The pledgee shall indemnify the pledgor, the obligor and any holder of right on the object of pledge for any damage or loss of gain resulting from the breach of the execution procedures provided in this Law.

### **Chapter 9: Penalties** **Penalties** **Article (41)**

The pledgor, the pledgee, the obligor or the possessor of the object of pledge shall be subject to prison and/or fine of not less than (30,000) thirty thousand Dirhams, if either of the following actions is committed:

1. Deliberately notarize the right of pledge counterfactually or in breach of the provisions of this Law.
2. Deliberately damage or dispose of the object of pledge in breach of the pledge contract or impair the value of the object of pledge or rights of pledgees, or make any action that deprives them from discharging their rights from its returns or proceeds of execution thereon.
3. Deliberately impede the procedures of execution on the object of pledge including the procedures of disseisin, sale or distribution of its returns or proceeds of execution thereon, according to this Law.

### **Responsibility for Juristic Person** **Article (42)**

Any member of the directors of board, board of managers, general partners and employees hired at the juristic person commits any of the actions provided in Article (41) of this Law shall be subject to prison and/or fine of not less than (30,000) thirty thousand Dirhams, unless it is evident that he was not aware of or engaged in taking the decision that breached this Law or is proved to have objected to such decision.

**Harsher Penalty  
Article (43)**

The application of the penalties provided in this Law shall not prevent the application of any harsher penalty provided in any other law.

**Chapter 10  
General Provisions  
Previous Transactions and Adjustment of Positions  
Article (44)**

1. The pledgee may notarize any right of pledge created by possession, before the effectiveness of the provisions of this Law, within one year from the date of enforcement. The proof of existence of the pledge contract shall be attached thereto.
2. If the right of pledge is created solely by possession after the effectiveness of the provisions of this Law, the pledgee shall inquire in the register about the existence of any right on the object of pledge by notarization and rank of guarantee, before the pledgee accepts creating the right of pledge solely by possession.
3. The priority of rights notarized according to Clause (1) of this Article shall be determined according to the date of creation of such right.
4. The notarization of the right of pledge according to the provisions of this Law shall not be considered a breach of the duty of secrecy imposed by the laws in force.

**Notice and Service according to this Law  
Article (45)**

1. Any notice or service made to the addresses determined in the register, including the email, if any, shall be considered legally valid and effective, according to the provisions of this Law.
2. The persons to be served according to this Law shall be notified and served at the address indicated in the register. The notice or service at the email shall be legally effective according to the provisions of this Law, if the served party accepts in writing that the email is approved for purposes of service by way of notarization.

**Issuance of the Executive Regulations of this Law  
Article (46)**

The Executive Regulations of this Law shall be issued by resolution of the Cabinet, within six months from the date of this Law coming into force.

**Publication of the Law**

**Article (47)**

This Law shall be published in the Official Gazette and shall come into force ninety days from the date of publication.

**Khalifa Bin Zayed Al Nahyan**  
**President of the United Arab Emirates**

Issued by us at the Presidency Palace in Abu Dhabi:

Date: 13 Rabi I, 1438 AH

Corresponding to: 12 December 2016