



LAW OF SECURITY
DIFC LAW NO. 4 OF 2024

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PART 1: GENERAL

1. Title

The Law may be cited as the “Law of Security 2024”.

2. Legislative Authority

This Law is made by the Ruler.

3. Application of the Law

- (1) This Law and Regulations made pursuant to its provisions apply in the jurisdiction of the DIFC.
- (2) To the extent that this Law and any such Regulations apply to any person to whom any provision of the DFSA Administered Legislation also applies, this Law and such Regulations shall not exempt such person from any requirement applicable to that person under the DFSA Administered Legislation.

4. Purpose of this Law

The purpose of this Law is to provide an effective and efficient secured transactions law dealing with Security Rights in Movable Assets and to specify the interaction between such rights and DIFC Laws concerning real property.

5. Dates of enactment, commencement and transition

- (1) This Law is:
 - (a) enacted on; and
 - (b) comes into force on:
the date of enactment specified in the Enactment Notice in respect of this Law.
- (2) Schedule 1 contains transitional provisions.

6. Repeal of the 2005 Law and Financial Collateral Regulations 2019 and continuation of the Securities Regulations 2019

- (1) The 2005 Law and the Financial Collateral Regulations 2019 are repealed.
- (2) The Securities Regulations 2019 are continued under this Law.

7. Interpretation

Schedule 2 contains:

- (a) interpretative provisions which apply to the Law; and
- (b) a list of defined terms used in the Law.

8. Administration of the Law

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

9. Scope of application

- (1) This Law applies to Security Rights in Movable Assets and Fixtures.
- (2) With the exception of Articles 83 - 88, this Law applies to outright transfers of Receivables by agreement.
- (3) Notwithstanding Article 9(1), this Law does not apply to Security Rights in Intellectual Property in so far as this Law is inconsistent with the Intellectual Property Law.
- (4) This Law applies to Security Rights in Proceeds of Encumbered Assets even if the Proceeds are a type of asset to which this Law does not otherwise apply, except to the extent that other DIFC Law applies to Security Rights in assets of that type and governs the relevant matters.
- (5) Nothing in this Law affects the rights and obligations of the Grantor and the Debtor of the Receivable under other laws governing the protection of parties to transactions made for personal, family or household purposes.
- (6) Nothing in this Law overrides a provision of any other law that limits the creation or enforcement of a Security Right in, or the transferability of, specific types of asset, with the exception of a provision that limits the creation or enforcement of a Security Right in, or the transferability of, an asset on the sole ground that it is a Future Asset, or a part of or an undivided interest in an asset.
- (7) This Law applies to Security Rights created by natural persons, save that Financing Statements may not be filed in respect of a security created by a natural person unless that person has consented to the filing by submitting the appropriate information to the Security Registry.

10. Party autonomy

- (1) With the exception of Articles 11, 13, 16, 63, 64, 83(3), Part 9 and Schedule 1, the provisions of this Law may be derogated from or varied by agreement.
- (2) An agreement referred to in Article 10(1) does not affect the rights or obligations of any person that is not a party to the agreement.
- (3) Nothing in this Law affects any agreement to use alternative dispute resolution, including arbitration, mediation, conciliation and online dispute resolution.

11. General standards of conduct

A person must exercise its rights and perform its obligations under this Law in good faith and in a commercially reasonable manner.

12. International origin and general principles

- (1) In the interpretation of this Law, regard is to be had to its international origin and the need to promote uniformity in its application and the observance of good faith.
- (2) Questions concerning matters governed by this Law that are not expressly settled in it are to be settled in conformity with the general principles on which this Law is based.

PART 2: CREATION OF A SECURITY RIGHT**CHAPTER 1 – GENERAL RULES****13. Creation of a Security Right and requirements for a Security Agreement**

- (1) A Security Right is created by a Security Agreement, provided that the Grantor has rights in the asset to be encumbered or the power to encumber it.
- (2) A Security Agreement may provide for the creation of a Security Right in a Future Asset, but the Security Right in that asset is created only when the Grantor acquires rights in it or the power to encumber it.
- (3) Except as provided in Article 13(4), a Security Agreement must be evidenced by writing that is signed by the Grantor and:
 - (a) identifies the Secured Creditor and the Grantor;
 - (b) describes the Secured Obligation as provided in Article 16;
 - (c) describes the Encumbered Asset as provided in Article 16; and
 - (d) states any maximum amount for which the Security Right may be enforced that has been agreed.
- (4) A Security Agreement may be oral if the Secured Creditor is in Possession of the Encumbered Asset.

14. Obligations that may be secured

A Security Right may secure one or more obligations of any type, present or future, determined or determinable, conditional or unconditional, fixed or fluctuating.

15. Assets that may be encumbered

A Security Right may encumber:

- (a) any type of Movable Asset;
- (b) a part of or an undivided right in a Movable Asset;
- (c) a generic category of Movable Assets; or
- (d) all of a Grantor's Movable Assets.

16. Description of Encumbered Assets and Secured Obligations

- (1) The Encumbered Assets and Secured Obligations must be described in the Security Agreement in a manner that reasonably allows their identification.
- (2) A description of Encumbered Assets that indicates that the Encumbered Assets consist of all the Grantor's Movable Assets, or of all the Grantor's Movable Assets within a generic category, satisfies the standard in Article 16(1).
- (3) A description of Secured Obligations that indicates that the Security Right secures all obligations owed to the Secured Creditor at any time satisfies the standard in Article 16(1).

17. Rights to Proceeds and commingled Money, Digital Assets or Financial Collateral

- (1) A Security Right in an Encumbered Asset extends to its identifiable Proceeds.

- (2) Where Proceeds in the form of Money or Digital Assets or Financial Collateral are commingled with other assets of the same kind:
 - (a) the Security Right extends to the commingled Money or Digital Assets or Financial Collateral, notwithstanding that they have ceased to be identifiable;
 - (b) the Security Right in the commingled Money or Digital Assets or Financial Collateral is limited to the amount of Money or Digital Assets or Financial Collateral immediately before they were commingled; and
 - (c) if at any time after the commingling, the amount of the commingled Money or Digital Assets or Financial Collateral is less than the amount of the Money or Digital Assets or Financial Collateral immediately before they were commingled, the Security Right in the commingled Money or Digital Assets or Financial Collateral is limited to the lowest amount between the time when the Money or Digital Assets or Financial Collateral were commingled and the time when the Security Right is claimed.

18. Tangible Assets commingled in a Mass or transformed into a Product

- (1) A Security Right in a Tangible Asset that is commingled in a Mass extends to the Mass. A Security Right in a Tangible Asset that is transformed into a Product extends to the Product.
- (2) A Security Right that extends to a Mass is limited to the same proportion of the Mass as the quantity of the Encumbered Asset bore to the quantity of the entire Mass immediately after the commingling.
- (3) A Security Right that extends to a Product is limited to the value of the Encumbered Asset immediately before it became part of the Product.

19. Extinguishment of Security Rights

A Security Right is extinguished when all Secured Obligations have been discharged and there are no outstanding commitments to extend credit secured by the Security Right.

CHAPTER 2 – ASSET-SPECIFIC RULES

20. Contractual limitations on the creation of Security Rights in Receivables

- (1) A Security Right in a Receivable is effective notwithstanding any agreement between the initial or any subsequent Grantor and the Debtor of the Receivable or any Secured Creditor limiting in any way the Grantor's right to create a Security Right.
- (2) Nothing in this Article affects any obligation or liability of the Grantor for breach of the agreement referred to in Article 20(1), but the other party to the agreement may not avoid the contract giving rise to the Receivable or the Security Agreement on the sole ground of the breach of that agreement, or raise against the Secured Creditor any claim it may have as a result of such a breach against the Grantor, as provided in Article 74(2). A person that is not a party to the agreement referred to in Article 20(1) is not liable for the Grantor's breach of the agreement on the sole ground that it had Knowledge of the agreement.
- (3) This Article applies only to Receivables:
 - (a) arising from a contract that is a contract for the supply or lease of goods or services other than financial services, a construction contract or a contract for the sale or lease of Real Property;
 - (b) arising from a contract for the sale, lease or licence of industrial or other Intellectual Property or of proprietary information;
 - (c) representing the payment obligation for a credit card transaction; or

- (d) arising upon net settlement of payments due pursuant to a Netting Agreement involving more than two parties.

21. Personal or property rights securing or supporting payment or other performance of encumbered Receivables or other Intangible Assets, or Negotiable Instruments

- (1) Subject to Article 21(2) and 21(3), a Secured Creditor with a Security Right in a Receivable or other Intangible Asset or in a Negotiable Instrument has the benefit of any personal or property right which secures or supports payment or other performance of the Encumbered Asset without a new act of transfer. If that right is transferable under the law governing it only with a new act of transfer, the Grantor is obliged to transfer the benefit of that right to the Secured Creditor.
- (2) If the personal or property right is an Independent Undertaking, the Security Right automatically extends to the right to receive the proceeds under the Independent Undertaking but does not automatically extend to the right to draw under the Independent Undertaking.
- (3) Article 21(1) does not apply to a Receivable comprising the right to receive rent in respect of Real Property, to the extent that any personal or property right which secures or supports payment of that rent arises under or is subject to the Real Property Law or the Leasing Law.

22. Right to receive the proceeds under an Independent Undertaking

- (1) The beneficiary of an Independent Undertaking may create a Security Right in a right to receive the proceeds under the Independent Undertaking, even if the right to draw under the Independent Undertaking is itself not transferable.
- (2) The creation of a Security Right in a right to receive the proceeds under an Independent Undertaking is not a transfer of the right to draw under an Independent Undertaking.

23. Rights to payment of Money credited to a Bank Account

A Security Right in a right to payment of Money credited to a Bank Account is effective notwithstanding an agreement between the Grantor and the Bank limiting in any way the Grantor's right to create a Security Right.

24. Negotiable Documents and Tangible Assets covered by Negotiable Documents

A Security Right in a Negotiable Document extends to the Tangible Asset covered by the document, provided that the issuer of the document is in Possession of the Tangible Asset at the time the Security Right in the document is created.

25. Tangible Assets with respect to which Intellectual Property is used

A Security Right in a Tangible Asset with respect to which Intellectual Property is used does not extend to the Intellectual Property and a Security Right in the Intellectual Property does not extend to the Tangible Asset.

PART 3: EFFECTIVENESS OF A SECURITY RIGHT AGAINST THIRD PARTIES**CHAPTER 1 – GENERAL RULES****26. Primary methods for achieving third-party effectiveness**

- (1) A Security Right in an Encumbered Asset is effective against third parties if a Financing Statement with respect to the Security Right is registered in the Security Registry.
- (2) A Security Right in a Tangible Asset is also effective against third parties if the Secured Creditor is in Possession of the asset.

27. Proceeds

- (1) If a Security Right in an asset is effective against third parties, a Security Right in any Proceeds of that asset arising under Article 17 is effective against third parties without any further act if the Proceeds are in the form of Physical Money, Receivables, Negotiable Instruments or rights to payment of Money credited to a Bank Account, Digital Assets or Financial Collateral.
- (2) If a Security Right in an asset is effective against third parties, a Security Right arising under Article 17 in any Proceeds of that asset other than the types of Proceeds referred to in Article 27(1) is effective against third parties:
 - (a) for 30 (thirty) days after the Proceeds arise; and
 - (b) thereafter, only if the Security Right in the Proceeds is made effective against third parties by one of the methods applicable to the relevant type of Encumbered Asset referred to in the provisions of this Part before the expiry of the time period specified in Article 27(2)(a).

28. Tangible Assets commingled in a Mass or transformed into a Product

If a Security Right in a Tangible Asset is effective against third parties, a Security Right in a Mass or Product to which the Security Right extends under Article 18 is effective against third parties without any further act.

29. Changes in the method for achieving third-party effectiveness

A Security Right that is effective against third parties remains effective against third parties despite a change in the method for achieving third-party effectiveness, provided that there is no time when the Security Right is not effective against third parties.

30. Lapses in third-party effectiveness

If the third-party effectiveness of a Security Right lapses, third-party effectiveness may be re-established, but the Security Right is effective against third parties only as of that time.

31. Continuity in third-party effectiveness upon a change of the applicable law to this Law

- (1) If a Security Right is effective against third parties under the law of another state and this Law becomes applicable, the Security Right remains effective against third parties under this Law if it is made effective against third parties in accordance with this Law before the earlier of:
 - (a) the time when third-party effectiveness would have lapsed under the law of the other State; and
 - (b) the expiry of 60 (sixty) days after this Law becomes applicable.
- (2) If a Security Right continues to be effective against third parties under Article 31(1), the time of third-party effectiveness is the time when it was achieved under the law of the other state.

32. Acquisition Security Rights in Consumer Goods

An Acquisition Security Right in Consumer Goods with an acquisition price below USD50,000 (fifty thousand dollars) or its equivalent, is effective against third parties upon its creation without any further act.

CHAPTER 2 – ASSET-SPECIFIC RULES**33. Rights to payment of Money credited to a Bank Account**

A Security Right in a right to payment of Money credited to a Bank Account may also be made effective against third parties by:

- (a) the creation of the Security Right in favour of the Bank;
- (b) the conclusion of a Control Agreement; or
- (c) the Secured Creditor becoming the account holder.

34. Digital Assets

A Security Right in a Digital Asset may also be made effective against third parties by the Secured Creditor having Control of the Digital Asset.

35. Negotiable Documents and Tangible Assets covered by Negotiable Documents

- (1) If a Security Right in a Negotiable Document is effective against third parties, the Security Right that extends to the Tangible Asset covered by the document in accordance with Article 24 is also effective against third parties.
- (2) During the period when a Negotiable Document covers a Tangible Asset, a Security Right in the asset may also be made effective against third parties by the Secured Creditor's Possession of the document.
- (3) A Security Right in a Negotiable Document that was effective against third parties by the Secured Creditor's Possession of the document remains effective against third parties for 14 (fourteen) days after the document or the asset covered by the document has been returned to the Grantor or other person for the purpose of dealing with the asset.

36. Uncertificated Non-intermediated Financial Property

A Security Right in Uncertificated Non-intermediated Financial Property may also be made effective against third parties by:

- (a) the entry of the name of the Secured Creditor as the holder of the Financial Property in the books maintained by or on behalf of the issuer for the purpose of recording the name of the holder of the Financial Property; or
- (b) the conclusion of a Control Agreement.

37. Right to receive the proceeds under an Independent Undertaking

- (1) Subject to Article 37(2), a Security Right in a right to receive the proceeds under an Independent Undertaking may be made effective against third parties only by the Secured Creditor obtaining Control with respect to the right to receive the proceeds under the Independent Undertaking.
- (2) A Security Right in the right to receive the proceeds under the Independent Undertaking is automatically effective against third parties if:

- (a) that Security Right arises automatically under Article 21 (namely, because a Secured Creditor with a Security Right in a Receivable, other Intangible Asset or a Negotiable Instrument has the benefit of the Independent Undertaking which secures or supports payment or other performance of the Receivable, other Intangible Asset or Negotiable Instrument); and
 - (b) the Security Right in the corresponding Receivable, other Intangible Asset or Negotiable Instrument has been made effective against third parties under Part 3 of this Law.
- (3) If a Security Right in a right to receive the proceeds under an Independent Undertaking is effective against third parties, such third-party effectiveness does not extend to the right to draw under the Independent Undertaking.

PART 4: PRIORITY OF A SECURITY RIGHT**CHAPTER 1 – GENERAL RULES****38. Competing Security Rights created by the same Grantor**

Subject to Articles 42, 47, 48 and 50-52, Priority between competing Security Rights created by the same Grantor in the same Encumbered Asset is determined according to the following rules:

- (a) as between Security Rights that were made effective against third parties by registration of a Financing Statement in the Security Registry, Priority is determined by the order of registration, without regard to the order of creation of the Security Rights;
- (b) as between Security Rights that were made effective against third parties otherwise than by registration of a Financing Statement in the Security Registry, Priority is determined by the order of third-party effectiveness; and
- (c) as between a Security Right that was made effective against third parties by registration and a Security Right that was made effective against third parties otherwise than by registration of a notice in the Security Registry, Priority is determined by the order of registration or third-party effectiveness, whichever occurs first.

39. Competing Security Rights created by different Grantors

Subject to Part 9, Priority between competing Security Rights created by different Grantors in the same Encumbered Asset is determined according to Article 38.

40. Competing Security Rights in the case of a change in the method of third-party effectiveness

The Priority of a Security Right is not affected by a change in the method by which it is made effective against third parties, provided that there is no time when the Security Right is not effective against third parties.

41. Competing Security Rights in Proceeds

Subject to Article 50, a Security Right in Proceeds of an Encumbered Asset that is effective against third parties under Article 28 has the same Priority over a competing Security Right as the Security Right in the Encumbered Asset from which the Proceeds arose.

42. Competing Security Rights in Tangible Assets commingled in a Mass or transformed into a Product

- (1) If two or more Security Rights in the same Tangible Asset extend to a Mass or Product as provided in Article 18 and each Security Right is effective against third parties as provided in Article 28, the Priority of each Security Right in the Mass or Product is the same as the Priority that each Security Right in that Tangible Asset had immediately before the Tangible Asset became part of the Mass or Product.
- (2) If more than one Security Right extends to the same Mass or Product under Article 18 and each was a Security Right in a separate Tangible Asset at the time of commingling or transforming, the Secured Creditors are entitled to share in the Mass or Product according to the ratio that the obligation secured by each Security Right bears to the sum of the obligations secured by all the Security Rights.
- (3) For the purposes of Article 42(2), the obligation secured by a Security Right that extends to the Mass or Product is subject to any limitation on the Security Right under Article 18.

43. Security Rights competing with rights of buyers or other transferees, lessees or licensees of an Encumbered Asset

- (1) If an Encumbered Asset is sold or otherwise transferred, leased or licensed while the Security Right in that asset is effective against third parties, the buyer or other transferee, lessee or licensee acquires its rights subject to the Security Right except as provided in this Article or in this Law.
- (2) A buyer or other transferee of an Encumbered Asset acquires its rights free of the Security Right, if the Secured Creditor authorises the sale or other transfer of the asset free of the Security Right.
- (3) The rights of a lessee or licensee of an Encumbered Asset are not affected by a Security Right if the Secured Creditor authorizes the Grantor to lease or license the asset unaffected by the Security Right.
- (4) A buyer of a tangible Encumbered Asset which is sold in the ordinary course of the seller's business and which is not Physical Money, acquires its rights free of the Security Right, provided that, at the time of the conclusion of the sale agreement, the buyer does not have Knowledge that the sale violates the rights of the Secured Creditor under the Security Agreement.
- (5) The rights of a lessee of a tangible Encumbered Asset leased in the ordinary course of the lessor's business are not affected by the Security Right, provided that, at the time of the conclusion of the lease agreement, the lessee does not have Knowledge that the lease violates the rights of the Secured Creditor under the Security Agreement.
- (6) Subject to the rights of a Secured Creditor with a Security Right in Intellectual Property in accordance with Article 57, the rights of a non-exclusive licensee of an intangible Encumbered Asset licensed in the ordinary course of the licensor's business are not affected by the Security Right, provided that, at the time of the conclusion of the licence agreement, the licensee does not have Knowledge that the licence violates the rights of the Secured Creditor under the Security Agreement.
- (7) If a buyer or other transferee of a tangible Encumbered Asset acquires its rights free of a Security Right, any subsequent buyer or other transferee also acquires its rights free of that Security Right.
- (8) If the rights of a lessee of a tangible Encumbered Asset or a licensee of an intangible Encumbered Asset are not affected by the Security Right, the rights of any sub-lessee or sub-licensee are also unaffected by that Security Right.
- (9) A buyer acquires its rights free of, and the rights of a lessee are not affected by, an Acquisition Security Right in Consumer Goods unless the Security Right is made effective against third parties otherwise than under Article 32 before the buyer or lessee acquires its rights in the goods.

44. Impact of the Grantor's insolvency on the Priority of a Security Right

A Security Right that is effective against third parties under this Law at the time of the commencement of insolvency proceedings in respect of the Grantor remains effective against third parties and retains the Priority it had before the commencement of the insolvency proceedings, unless another claim has Priority pursuant to the Insolvency Law and Regulations made thereunder.

45. Security Rights competing with Preferential Debts

In the circumstances specified by the Insolvency Law and Regulations made thereunder, Preferential Debts have Priority over a Security Right that is effective against third parties.

46. Security Rights competing with rights of Judgment Creditors

- (1) Subject to Article 49, the right of a creditor that has obtained a judgment or provisional order ("a Judgment Creditor") has Priority over a Security Right if, before the Security Right is made effective against third parties, the Judgment Creditor has obtained an interim or final order from the DIFC Courts for a charge, stop order, attachment, writ of execution, appointment of a receiver, or other enforcement in respect of the Encumbered Asset.

- (2) If a Security Right is made effective against third parties before or at the same time the Judgment Creditor acquires its right in an Encumbered Asset by taking the steps referred to in Article 46(1), the Security Right has Priority but that Priority is limited to the greater of the credit extended by the Secured Creditor:
 - (a) before the Secured Creditor received a notice from the Judgment Creditor that the Judgment Creditor has taken the steps referred to in Article 46(1); or
 - (b) pursuant to an irrevocable commitment of the Secured Creditor to extend credit in a fixed amount or an amount to be fixed pursuant to a specified formula, if the commitment was made before the Secured Creditor received a notice from the Judgment Creditor that the Judgment Creditor had taken the steps referred to in Article 46(1).

47. Acquisition Security Rights competing with non-Acquisition Security Rights

- (1) An Acquisition Security Right in Equipment, or in Intellectual Property or rights of a licensee under a licence of Intellectual Property primarily used or intended to be used by the Grantor in the operation of its business, has Priority over a competing non-Acquisition Security Right created by the Grantor, provided that:
 - (a) the Acquisition Secured Creditor is in Possession of the Equipment; or
 - (b) a Financing Statement with respect to the Acquisition Security Right is registered in the Security Registry before the expiry of 20 (twenty) days after the Grantor obtains Possession of the Equipment or the agreement for the sale or licence of the Intellectual Property to the Grantor has been concluded.
- (2) An Acquisition Security Right in Inventory, or in Intellectual Property or rights of a licensee under a licence of Intellectual Property held by the Grantor for sale or licence in the ordinary course of the Grantor's business, has Priority over a competing non-Acquisition Security Right created by the Grantor, provided that:
 - (a) the Acquisition Secured Creditor is in Possession of the Inventory; or
 - (b) before the Grantor obtains Possession of the Inventory or the agreement for the sale or licence of the Intellectual Property to the Grantor has been concluded:
 - (i) a Financing Statement with respect to the Acquisition Security Right is registered in the Security Registry; and
 - (ii) a non-Acquisition Secured Creditor that has registered a Financing Statement in the Security Registry with respect to a non-Acquisition Security Right created by the Grantor in an asset of the same kind receives a notice from the Acquisition Secured Creditor stating that it has or intends to obtain an Acquisition Security Right in the asset described in the notice and describes the asset to reasonably allow its identification.
- (3) An Acquisition Security Right in Consumer Goods, or in Intellectual Property or rights of a licensee under a licence of Intellectual Property primarily used or intended to be used by the Grantor for personal, family or household purposes, has Priority over a competing non-Acquisition Security Right created by the Grantor.
- (4) A notice, sent in accordance with Article 47(2)(b)(ii):
 - (c) may cover Acquisition Security Rights under multiple transactions between the same parties without the need to identify each transaction; and
 - (d) is sufficient only for Security Rights in Inventory of which the Grantor obtains Possession or Intellectual Property or rights of a licensee under a licence of Intellectual Property held

by the Grantor for sale or licence in the ordinary course of the Grantor's business which the Grantor acquires not later than the expiry of 5 (five) years after the notice is received.

48. Competing Acquisition Security Rights

- (1) Subject to Article 48(2), Priority between competing Acquisition Security Rights is determined according to Article 38.
- (2) An Acquisition Security Right of a seller or lessor, or of a licensor of Intellectual Property made effective against third parties not later than the expiry of the period specified in Article 47(1)(b), has Priority over a competing Acquisition Security Right.

49. Acquisition Security Rights competing with the rights of Judgment Creditors

An Acquisition Security Right that is made effective against third parties not later than the expiry of the period specified in Article 47(1)(b), has Priority over the rights of a Judgment Creditor that would otherwise have Priority under Article 46.

50. Competing Security Rights in Proceeds of an asset subject to an Acquisition Security Right

- (1) Subject to Article 50(2), a Security Right in Proceeds of an asset that is the subject of an Acquisition Security Right has the same Priority over a competing Security Right that the Acquisition Security Right in the asset from which the Proceeds arose has under Article 47.
- (2) Where the Proceeds arose from Inventory, or from Intellectual Property or rights of a licensee under a licence of Intellectual Property held by the Grantor for sale or licence in the ordinary course of the Grantor's business, the Security Right in the Proceeds has the same Priority over a competing Security Right that:
 - (a) a non-Acquisition Security Right in an asset of the same kind as the Proceeds has under Article 38 if the Proceeds take the form of Receivables, Negotiable Instruments, rights to payment of Money credited to a Bank Account, or rights to receive the proceeds of an Independent Undertaking; and
 - (b) the Acquisition Security Right in the asset from which the Proceeds arose has under Article 47 if the Proceeds take any other form, provided that before the Proceeds arose a Secured Creditor that has registered a Financing Statement in the Security Registry with respect to a non-Acquisition Security Right created by the Grantor in an asset of the same kind as the Proceeds receives a notice from the Acquisition Secured Creditor stating that it has or intends to obtain a Security Right in assets of that kind and describes those assets sufficiently to enable them to be identified.

51. Acquisition Security Rights extending to a Mass or Product competing with non-Acquisition Security Rights in the Mass or Product

Subject to Article 47, an Acquisition Security Right in a Tangible Asset that extends to a Mass or Product and is effective against third parties has Priority over a non-Acquisition Security Right granted by the same Grantor in the Mass or Product.

52. Subordination

- (1) A person may at any time subordinate the Priority of its rights under this Law in favour of any existing or future Competing Claimant. The beneficiary need not be a party to the subordination.
- (2) Subordination does not affect the rights of Competing Claimants other than the person subordinating its Priority and the beneficiary of the subordination.

53. Future advances and future Encumbered Assets

- (1) Subject to Article 46, the Priority of a Security Right extends to all Secured Obligations, including obligations incurred after the Security Right became effective against third parties.
- (2) The Priority of a Security Right covers all Encumbered Assets described in a Financing Statement registered in the Security Registry, whether they are acquired by the Grantor or come into existence before or after the time of registration.

54. Irrelevance of Knowledge of the existence of a Security Right

Knowledge of the existence of a Security Right on the part of a Secured Creditor does not affect the Priority of the Security Right under this Law.

CHAPTER 2 – ASSET-SPECIFIC RULES

55. Negotiable Instruments

- (1) A Security Right in a Negotiable Instrument that is made effective against third parties by Possession of the instrument has Priority over a Security Right in the instrument that is made effective against third parties by registration of a Financing Statement in the Security Registry.
- (2) A buyer or other consensual transferee of an encumbered Negotiable Instrument acquires its rights free of a Security Right that is made effective against third parties by registration of a notice in the Security Registry if the buyer or other transferee takes Possession of the Negotiable Instrument and gives value without Knowledge that the sale or other transfer is in violation of the rights of the Secured Creditor under the Security Agreement.

56. Negotiable Documents and Tangible Assets covered by Negotiable Documents

- (1) Subject to Article 56(2), a Security Right in a Tangible Asset made effective against third parties by Possession of the Negotiable Document covering that asset has Priority over a competing Security Right made effective against third parties by any other method.
- (2) Article 56(1) does not apply to a Security Right in a Tangible Asset other than Inventory if the Security Right of the Secured Creditor not in Possession of the Negotiable Document was made effective against third parties before the earlier of:
 - (a) the time that the asset became covered by the Negotiable Document; and
 - (b) the time of conclusion of an agreement between the Grantor and the Secured Creditor in Possession of the Negotiable Document providing for the asset to be covered by a Negotiable Document so long as the asset became so covered within 7 (seven) days from the date of the agreement.
- (3) A buyer or other consensual transferee of an encumbered Negotiable Document that obtains Possession of the document and gives value without Knowledge that the sale or other transfer is in violation of the rights of the Secured Creditor under the Security Agreement, acquires its rights free of a Security Right in the Negotiable Document and the Tangible Assets covered thereby that is made effective against third parties by any other method.

57. Intellectual property

Article 43(6) does not affect any rights that a Secured Creditor may have as an owner or licensor of intellectual property under the Intellectual Property Law and Regulations made thereunder.

58. Non-intermediated Financial Property

- (1) A Security Right in Certificated Non-intermediated Financial Property made effective against third parties by the Secured Creditor's Possession of the certificate has Priority over a competing Security Right created by the same Grantor in the same Financial Property made effective against third parties by registration of a Financing Statement in the Security Registry.
- (2) A Security Right in Uncertificated Non-intermediated Financial Property made effective against third parties by entry of the name of the Secured Creditor as the holder of the Financial Property in the books maintained for that purpose by or on behalf of the issuer has Priority over a Security Right in the same Financial Property made effective against third parties by any other method.
- (3) A Security Right in Uncertificated Non-intermediated Financial Property made effective against third parties by the conclusion of a Control Agreement has Priority over a Security Right in the same Financial Property made effective against third parties by registration of a Financing Statement in the Security Registry.
- (4) The order of Priority among competing Security Rights in Uncertificated Non-intermediated Financial Property made effective against third parties by the conclusion of Control Agreements is determined on the basis of the time of conclusion of the Control Agreements.
- (5) This Article does not adversely affect the rights of holders of Non-intermediated Financial Property under the Personal Property Law.

59. Digital Assets

- (1) A Security Right in a Digital Asset made effective against third parties by Control of the Digital Asset has Priority over a competing Security Right made effective against third parties by any other method.
- (2) A transferee of an encumbered Digital Asset acquires its rights free of the Security Right provided that the transferee gives value, has Control of the Digital Asset and does not have Knowledge that the transfer is in violation of the rights of the Secured Creditor under the Security Agreement.

60. Right to receive the proceeds under an Independent Undertaking

A Security Right in a right to receive the proceeds under an Independent Undertaking that is made effective against third parties by Control has priority as against a competing Security Right which has been made effective against third parties by any other method. If Control has been achieved by Acknowledgement and inconsistent Acknowledgements have been given to more than one Secured Creditor by a person, priority among those Security Rights is determined according to the order in which the Acknowledgements were given.

61. Physical Money

A transferee in Possession of an Encumbered Asset that is Physical Money takes free of the Security Right, provided that the transferee does not have Knowledge that the transfer violates the rights of the Secured Creditor under the Security Agreement.

PART 5: RIGHTS AND OBLIGATIONS OF THE PARTIES AND THIRD-PARTY OBLIGORS**CHAPTER 1 – MUTUAL RIGHTS AND OBLIGATIONS OF THE PARTIES TO A SECURITY AGREEMENT****Section 1 – General rules****62. Sources of mutual rights and obligations of the parties**

- (1) The mutual rights and obligations of the Grantor and the Secured Creditor arising from their agreement are determined by the terms and conditions set out in that agreement, including any rules or general conditions referred to therein.
- (2) The Grantor and the Secured Creditor are bound by any usage to which they have agreed and, unless otherwise agreed, by any practices they have established between themselves.

63. Obligation of the party in Possession to exercise reasonable care

A Grantor or Secured Creditor in Possession of an Encumbered Asset must exercise reasonable care to preserve the asset.

64. Obligation of the Secured Creditor to return an Encumbered Asset

Upon extinguishment of a Security Right in an Encumbered Asset, a Secured Creditor in Possession must return the asset to the Grantor or deliver it to the person designated by the Grantor.

65. Right of the Secured Creditor to use and inspect an Encumbered Asset, and to be reimbursed for expenses

- (1) A Secured Creditor in Possession of an Encumbered Asset has the right:
 - (a) to be reimbursed for reasonable expenses it incurs for the preservation of the asset in accordance with Article 63; and
 - (b) to make reasonable use of the asset and apply the revenues it generates to the payment of the Secured Obligation.
- (2) A Secured Creditor not in Possession has the right to inspect an Encumbered Asset in the Possession of the Grantor.

66. Right of the Grantor to obtain information

- (1) Within 14 (fourteen) days after receipt of a written request by a Grantor, a Secured Creditor other than a transferee under an outright transfer of a Receivable by agreement must send to the Grantor at the address specified in the request:
 - (a) a statement of the obligation currently secured; and
 - (b) a description of the assets currently encumbered.
- (2) The Grantor is entitled without charge to one response to a request during each calendar year.
- (3) The Secured Creditor may require payment of such reasonable sum as it may deem necessary for each additional response.

Section 2 – Asset-specific rules

67. Representations of the Grantor of a Security Right in a Receivable

- (1) At the time of conclusion of a Security Agreement that creates a Security Right in a Receivable, the Grantor represents that:
 - (a) the Grantor has not previously created a Security Right in the Receivable in favour of another Secured Creditor; and
 - (b) the Debtor of the Receivable does not and will not have any defences or rights of set-off.
- (2) The Grantor does not represent that the Debtor of the Receivable has, or will have, the ability to pay.

68. Right of the Grantor or the Secured Creditor to notify the Debtor of the Receivable

- (1) The Grantor or the Secured Creditor or both may give the Debtor of the Receivable notification of the Security Right and a payment instruction, but after notification of the Security Right has been received by the Debtor of the Receivable only the Secured Creditor may send a payment instruction.
- (2) Notification of a Security Right in a Receivable or payment instruction sent in breach of an agreement between the Grantor and the Secured Creditor is not ineffective for the purposes of Article 73, but nothing in this Article affects any obligation or liability of the party in breach for any damages arising as a result of the breach.

69. Right of the Secured Creditor to payment of a Receivable

- (1) As between the Grantor of a Security Right in a Receivable and the Secured Creditor, whether or not notification of the Security Right has been sent:
 - (a) if payment with respect to the Receivable is made to the Secured Creditor, the Secured Creditor is entitled to retain the Proceeds of payment and to any Tangible Asset returned with respect to the Receivable;
 - (b) if payment with respect to the Receivable is made to the Grantor, the Secured Creditor is entitled to payment of the Proceeds of the payment and to any Tangible Asset returned to the Grantor with respect to the Receivable; and
 - (c) if payment with respect to the Receivable is made to another person over whom the Secured Creditor has Priority, the Secured Creditor is entitled to payment of the Proceeds of the payment and to any Tangible Asset returned to that person with respect to the Receivable.
- (2) The Secured Creditor may not retain more than the value of its right in the Receivable.

70. Right of the Secured Creditor to preserve encumbered Intellectual Property

If so agreed between the Grantor and the Secured Creditor, a Secured Creditor with a Security Right in Intellectual Property is entitled to take any steps necessary and permitted under the applicable law governing that Intellectual Property to preserve that Intellectual Property.

CHAPTER 2 – RIGHTS AND OBLIGATIONS OF THIRD-PARTY OBLIGORS**A. Receivables****71. Protection of the Debtor of the Receivable**

- (1) Except as otherwise provided in this Law, the creation of a Security Right in a Receivable does not, without the consent of the Debtor of the Receivable, affect its rights and obligations, including the payment terms contained in the contract giving rise to the Receivable.

- (2) A payment instruction may change the person, address or account to which the Debtor of the Receivable is required to make payment, but may not change:
 - (a) the currency of payment specified in the contract giving rise to the Receivable; or
 - (b) the state specified in the contract giving rise to the Receivable in which payment is to be made to a state other than that in which the Debtor of the Receivable is located.

72. Notification of a Security Right in a Receivable

- (1) Notification of a Security Right in a Receivable or a payment instruction is effective when received by the Debtor of the Receivable if it reasonably identifies the encumbered Receivable and the Secured Creditor, and is in a language that is reasonably expected to inform the Debtor of the Receivable about its contents.
- (2) It is sufficient if a notification of the Security Right or a payment instruction is in the language of the contract giving rise to the Receivable.
- (3) Notification of a Security Right in a Receivable or a payment instruction may relate to Receivables arising after notification.
- (4) Notification of a Security Right in a Receivable created in favour of a Secured Creditor by the initial or any other Secured Creditor constitutes notification of all prior Security Rights in that Receivable.

73. Discharge of the Debtor of the Receivable by payment

- (1) Until the Debtor of the Receivable receives Notification of a Security Right in a Receivable, it is discharged by paying in accordance with the contract giving rise to the Receivable.
- (2) After the Debtor of the Receivable receives Notification of a Security Right in a Receivable, subject to Article 73(3)-(8), it is discharged only by paying the Secured Creditor or, if otherwise instructed in the notification or subsequently by the Secured Creditor in a writing received by the Debtor of the Receivable, in accordance with that payment instruction.
- (3) If the Debtor of the Receivable receives more than one payment instruction relating to a single Security Right in the same Receivable created by the same Grantor, it is discharged by paying in accordance with the last payment instruction received from the Secured Creditor before payment.
- (4) If the Debtor of the Receivable receives notification of more than one Security Right in the same Receivable created by the same Grantor, it is discharged by paying in accordance with the first notification received.
- (5) If the Debtor of the Receivable receives notification of one or more Security Rights in the same Receivable created in favour of a Secured Creditor by the initial or any other Secured Creditor, it is discharged by paying in accordance with the notification of the last of such Security Rights.
- (6) If the Debtor of the Receivable receives notification of a Security Right in a part of or an undivided interest in one or more Receivables, it is discharged either by paying in accordance with the notification or in accordance with this Article as if the Debtor of the Receivable had not received the notification.
- (7) If the Debtor of the Receivable receives a notification as provided in Article 73(6) and pays in accordance with the notification, it is discharged only to the extent of the part or undivided interest paid.
- (8) If the Debtor of the Receivable receives Notification of a Security Right in a Receivable from the Secured Creditor, the Debtor of the Receivable is entitled to request the Secured Creditor to provide within a reasonable period of time adequate proof of its Security Right and, if the Security Right is created in favour of a Secured Creditor by the initial or any other Secured Creditor, adequate proof

of the Security Right created by the initial Grantor in favour of the initial Secured Creditor, and of any intermediate Security Right. Unless the Secured Creditor does so, the Debtor of the Receivable is discharged by paying in accordance with this Article as if it had not received notification of the Security Right.

- (9) Adequate proof of a Security Right referred to in Article 73(8) includes but is not limited to any writing emanating from the Grantor and indicating that a Security Right has been created.
- (10) This Article does not affect any other ground on which payment by the Debtor of the Receivable to the person entitled to payment, to a competent judicial or other authority, or to a public deposit fund, discharges the Debtor of the Receivable.

74. Defences and rights of set-off of the Debtor of the Receivable

- (1) Unless otherwise agreed in accordance with Article 75, in a claim by the Secured Creditor against the Debtor of the Receivable for payment of the encumbered Receivable, the Debtor of the Receivable may raise against the Secured Creditor:
 - (a) in the case of a Receivable arising from a contract, all defences and rights of set-off arising from that contract, or any other contract that was part of the same transaction, of which the Debtor of the Receivable could avail itself as if the Security Right had not been created and the claim were made by the Grantor; and
 - (b) any other right of set-off that was available to the Debtor of the Receivable at the time it received notification of the Security Right.
- (2) Notwithstanding Article 75(1), the Debtor of the Receivable may not raise a breach of an agreement referred to in Article 20(2), as a defence or right of set-off against the Secured Creditor.

75. Agreement not to raise defences or rights of set-off

- (1) Subject to Article 75(3), the Debtor of the Receivable may agree with the Grantor in a writing signed by the Debtor of the Receivable not to raise against the Secured Creditor the defences and rights of set-off that it could raise in accordance with Article 70.
- (2) The agreement referred to in Article 75(1) may be modified only by an agreement in a writing signed by the Debtor of the Receivable. The effectiveness of such a modification against the Secured Creditor is determined by Article 76(2).
- (3) The Debtor of the Receivable may not waive defences arising from fraudulent acts on the part of the Secured Creditor or based on the incapacity of the Debtor of the Receivable.

76. Modification of the contract giving rise to a Receivable

- (1) In the case of a Receivable arising from a contract, an agreement concluded before Notification of a Security Right in a Receivable between the Grantor and the Debtor of the Receivable that affects the Secured Creditor's rights is effective as against the Secured Creditor, and the Secured Creditor acquires corresponding rights.
- (2) An agreement under Article 76(1) concluded after Notification of a Security Right in a Receivable is ineffective against the Secured Creditor unless:
 - (a) the Secured Creditor consents to it; or
 - (b) the Receivable is not fully earned by performance and either the modification is provided for in the contract giving rise to the Receivable or, in the context of that contract, a reasonable Secured Creditor would consent to the modification.

- (3) Article 76(1) and (2) do not affect any right of the Grantor or the Secured Creditor arising from breach of an agreement between them.

77. Recovery of payments

The failure of the Grantor of a Security Right in a Receivable arising from a contract to perform that contract does not entitle the Debtor of the Receivable to recover from the Secured Creditor a sum paid by the Debtor of the Receivable to the Grantor or the Secured Creditor.

B. Negotiable Instruments

78. Rights as against the obligor under a Negotiable Instrument

The rights of a Secured Creditor that has a Security Right in a Negotiable Instrument as against any person obligated on the Negotiable Instrument are determined by Article 104 of the Law of Obligations, such that the Secured Creditor may only exercise rights thereunder if the Secured Creditor is in Possession of the Negotiable Instrument.

C. Rights to payment of Money credited to a Bank Account

79. Rights as against the Bank

- (1) The creation of a Security Right in a right to payment of Money credited to a Bank Account does not:
- (a) affect the rights and obligations of the Bank without its consent; or
 - (b) obligate the Bank to provide any information about the Bank Account to third parties.
- (2) Any rights of set-off that a Bank, with which a Bank Account is maintained, may have are not affected by any Security Right that the Bank may have in a right to payment of Money credited to that Bank Account.

D. Negotiable Documents and Tangible Assets covered by Negotiable Documents

80. Rights as against the issuer of a Negotiable Document

The rights of a Secured Creditor that has a Security Right in a Negotiable Document as against the issuer of the document or any other person obligated on the document are determined by the terms of the Negotiable Document and applicable provisions of the Contract Law, the Law of Obligations and the Law of Damages and Remedies.

E. Non-intermediated Financial Property

81. Rights as against the issuer of a Non-intermediated Financial Property

The rights of a Secured Creditor that has a Security Right in Non-intermediated Financial Property as against the issuer of the Financial Property are determined by the applicable provisions of the Contract Law, the Law of Obligations and the Law of Damages and Remedies.

F. Independent Undertakings

82. Rights and obligations of the Guarantor/Issuer, Confirmer or Nominated Person of an Independent Undertaking

- (1) A Secured Creditor's right in the right to receive the proceeds under an Independent Undertaking is subject to the rights, under the law and practice governing Independent Undertakings, of a Guarantor/Issuer, Confirmer or Nominated Person and of any other beneficiary named in the undertaking or to whom a transfer of the right to draw has been effected.

- (2) The rights of a transferee of an Independent Undertaking are not affected by a Security Right in the right to receive the proceeds under the Independent Undertaking created by the transferor or any prior transferor, unless the Security Right has been made effective against third parties prior to the transfer.
- (3) The independent rights under an Independent Undertaking of a Guarantor/Issuer, Confirmer, Nominated Person or transferee of that Independent Undertaking are not adversely affected by reason of any Security Right it may have in the right to receive proceeds under that Independent Undertaking.
- (4) A Guarantor/Issuer, Confirmer or Nominated Person is not obligated to pay any person other than a Confirmer, a Nominated Person, a named beneficiary, an Acknowledged transferee of the Independent Undertaking or an Acknowledged assignee of the right to receive the proceeds under an Independent Undertaking.
- (5) If a Secured Creditor obtains Control of the right to receive the proceeds under an Independent Undertaking by Acknowledgment, the Secured Creditor has the right to enforce that Acknowledgment against the Guarantor/Issuer, Confirmer or Nominated Person that made the Acknowledgment.

PART 6: ENFORCEMENT OF A SECURITY RIGHT**CHAPTER 1 – GENERAL RULES****83. Post-Default rights**

- (1) After Default, the Grantor and the Secured Creditor are entitled to exercise:
 - (a) any right under the provisions of this Part; and
 - (b) any other right provided in the Security Agreement or any other law, except to the extent it is inconsistent with the provisions of this Law.
- (2) The exercise of one post-Default right does not prevent the exercise of another post-Default right, except to the extent that the exercise of one right makes the exercise of another right impossible.
- (3) Before Default, the Grantor or the Debtor may not waive unilaterally or vary by agreement any of its rights under the provisions of this Part.

84. Methods of exercising post-Default rights

- (1) The Secured Creditor may exercise its post-Default rights by application to the DIFC Courts or without such an application.
- (2) The exercise of the Secured Creditor's post-Default rights by application to the DIFC Courts is determined by the provisions of this Part and the Court Law, together with RDC 2014.
- (3) The exercise of the Secured Creditor's post-Default rights without application to the DIFC Courts is determined by the provisions of this Part.

85. Relief for non-compliance

A person whose rights are affected by the non-compliance of another person with the provisions of this Part is entitled to apply for relief to the DIFC Courts, including by expedited application under Part 23 of the RDC 2014.

86. Right of affected persons to terminate enforcement

- (1) The Grantor, any other person with a right in the Encumbered Asset or the Debtor is entitled to terminate the enforcement process by paying or otherwise performing the Secured Obligation in full, including the reasonable cost of enforcement.
- (2) The right of termination may be exercised until the earlier of:
 - (a) the sale or other disposition, the acquisition or the collection of the Encumbered Asset by the Secured Creditor; and
 - (b) the conclusion of an agreement by the Secured Creditor for the sale or other disposition of the Encumbered Asset.
- (3) Where the Secured Creditor has leased or licensed the Encumbered Asset to a third party, the right of termination may still be exercised subject to the rights of the lessee or licensee.

87. Right of a higher-ranking Secured Creditor to take over enforcement

- (1) Notwithstanding commencement of enforcement by another creditor, a Secured Creditor whose Security Right has Priority over that of the enforcing creditor is entitled to take over enforcement at any time before the earlier of:

- (a) the sale or other disposition, acquisition or collection of an Encumbered Asset by the enforcing creditor; and
 - (b) the conclusion of an agreement by that creditor for the sale or other disposition of an Encumbered Asset.
- (2) The right of the higher-ranking Secured Creditor to take over enforcement includes the right to enforce by any method available to a Secured Creditor under this Law.

88. Right of the Secured Creditor to obtain Possession of an Encumbered Asset

- (1) Subject to the rights of a person, including a lessee or licensee, with a superior right to Possession, the Secured Creditor is entitled to obtain Possession of an Encumbered Asset after Default either by applying or without applying to the DIFC Courts.
- (2) If the Secured Creditor decides to exercise the right provided in Article 88(1) without applying to the DIFC Courts, all of the following conditions must be satisfied:
 - (a) the Grantor has consented in writing to the Secured Creditor obtaining Possession without applying to the DIFC Courts;
 - (b) the Secured Creditor has given the Grantor and any person in Possession of the Encumbered Asset notice of Default and of the Secured Creditor's intent to obtain Possession; and
 - (c) at the time the Secured Creditor attempts to obtain Possession of the Encumbered Asset, the person in Possession of the Encumbered Asset does not object.
- (3) The notice referred to in Article 88(2)(b) need not be given if the Encumbered Asset is perishable or may decline in value speedily.
- (4) If a higher-ranking Secured Creditor is in Possession of the Encumbered Asset, a lower-ranking Secured Creditor is not entitled to obtain Possession of the asset.

89. Right of the Secured Creditor to dispose of an Encumbered Asset

- (1) After Default, the Secured Creditor is entitled to sell or otherwise dispose of, lease or license an Encumbered Asset either by applying or without applying to the DIFC Courts.
- (2) If the Secured Creditor decides to exercise the right provided in Article 89(1) by applying to the DIFC Courts, the method, manner, time, place and other aspects of the sale or other disposition, lease or licence are determined by the RDC 2014.
- (3) If the Secured Creditor decides to exercise the right provided in Article 89(1) without applying to the DIFC Courts, the Secured Creditor may select the method, manner, time, place and other aspects of the sale or other disposition, lease or licence, including whether to sell or otherwise dispose of, lease or license Encumbered Assets individually, in groups or altogether.
- (4) If the Secured Creditor decides to exercise the right provided in Article 89(1) without applying to the DIFC Courts, the Secured Creditor must give notice of its intention to:
 - (a) the Grantor and the Debtor;
 - (b) any person with a right in the Encumbered Asset that informs the Secured Creditor of that right in writing at least 5 (five) days before the notice is sent to the Grantor;
 - (c) any other Secured Creditor that registered a Financing Statement with respect to a Security Right in the Encumbered Asset at least 5 (five) days before the notice is sent to the Grantor; and

- (d) any other Secured Creditor that was in Possession of the Encumbered Asset when the enforcing Secured Creditor took Possession.
- (5) The notice referred to in Article 89(4) must be given at least 14 (fourteen) days before the sale or other disposition, lease or licence takes place and must contain:
 - (e) a description of the Encumbered Assets;
 - (f) a statement of the amount required at the time the notice is given to satisfy the Secured Obligation, including interest and the reasonable cost of enforcement;
 - (g) a statement that the Grantor, any other person with a right in the Encumbered Asset or the Debtor is entitled to terminate the enforcement process as provided in Article 86; and
 - (h) a statement of the date after which the Encumbered Asset will be sold or otherwise disposed of, leased or licensed, or, in the case of a public disposition, the time, place and manner of the intended disposition.
- (6) The notice referred to in Article 89(4) must be in a language that is reasonably expected to inform the recipient about its content.
- (7) It is sufficient if the notice to the Grantor referred to in Article 89(4) is in the language of the Security Agreement.
- (8) The notice referred to in Article 89(4) need not be given if the Encumbered Asset is perishable, may decline in value speedily or is of a kind sold on a recognised market.

90. Distribution of the Proceeds of a disposition of an Encumbered Asset and Debtor's liability for any deficiency

- (1) If the Secured Creditor decides to exercise the right provided in Article 89 by applying to the DIFC Courts, the distribution of the Proceeds of sale or other disposition of, lease or licence of an Encumbered Asset is determined by order of the DIFC Courts, but in accordance with the provisions of this Law with respect to Priority.
- (2) If the Secured Creditor decides to exercise the right provided in Article 89 without applying to the DIFC Courts:
 - (a) subject to Article 45 the enforcing Secured Creditor must apply the Proceeds of its enforcement to the Secured Obligation after deducting the reasonable cost of enforcement;
 - (b) except as provided in Article 90(2)(c), the enforcing Secured Creditor must pay any surplus remaining to any subordinate Competing Claimant that, prior to any distribution of the surplus, notified the enforcing Secured Creditor of its claim, to the extent of the amount of that claim, and remit any balance remaining to the Grantor; and
 - (c) whether or not there is any dispute as to the entitlement or Priority of any Competing Claimant under this Law, the enforcing Secured Creditor may pay the surplus into the DIFC Courts for distribution by an execution officer pursuant to RDC 2014 in accordance with the provisions of this Law on Priority.
- (3) The Debtor remains liable for any amount owing after application of the net Proceeds of enforcement to the Secured Obligation.

91. Right to propose the acquisition of an Encumbered Asset by the Secured Creditor

- (1) After Default, the Secured Creditor may propose in writing to acquire one or more of the Encumbered Assets in total or partial satisfaction of the Secured Obligation.

- (2) The Secured Creditor must send the proposal to:
 - (a) the Grantor and the Debtor;
 - (b) any person with a right in the Encumbered Asset that informs the Secured Creditor of that right in writing, at least 5 (five) days before the proposal is sent to the Grantor;
 - (c) any other Secured Creditor that registered a Financing Statement with respect to a Security Right in the Encumbered Asset at least 14 (fourteen) days before the proposal is sent to the Grantor; and
 - (d) any other Secured Creditor that was in Possession of the Encumbered Asset when the Secured Creditor took Possession.
- (3) The proposal must include:
 - (e) a statement of the amount required at the time the proposal is given to satisfy the Secured Obligation, including interest and the reasonable cost of enforcement, and the amount of the Secured Obligation that is proposed to be satisfied;
 - (f) a statement that the Secured Creditor proposes to acquire the Encumbered Asset described in the proposal in total or partial satisfaction of the Secured Obligation;
 - (g) a statement that the Grantor, any other person with a right in the Encumbered Asset or the Debtor is entitled to terminate the enforcement as provided in Article 86;
 - (h) a statement of the date after which the Secured Creditor will acquire the Encumbered Asset.
- (4) The Secured Creditor that has made a proposal for the acquisition of an Encumbered Asset in full satisfaction of the Secured Obligation acquires the Encumbered Asset, unless it receives an objection in writing from any person entitled to receive the proposal under Article 91(2) within 45 (forty-five) days after the proposal is received by that person.
- (5) The Secured Creditor that has made a proposal for the acquisition of the Encumbered Asset in partial satisfaction of the Secured Obligation acquires the Encumbered Asset, only if it receives the consent in writing of all persons entitled to receive the proposal under Article 91(2) within 45 (forty-five) days after the proposal is received by each of them.
- (6) The Grantor may request the Secured Creditor to make a proposal under Article 91(1) and, if the Secured Creditor accepts the Grantor's request, it must proceed as provided in Article 91(1)-(5).

92. Rights acquired in an Encumbered Asset

- (1) If the Secured Creditor sells or otherwise disposes of an Encumbered Asset pursuant to an application to the DIFC Courts under Article 89, the buyer or other transferee acquires the asset free of any Security Right.
- (2) If the Secured Creditor leases or licenses an Encumbered Asset pursuant to an application to DIFC Courts under Article 89, the lessee or licensee is entitled to the benefit of the lease or licence during the term of that lease or licence.
- (3) If the Secured Creditor sells or otherwise disposes of an Encumbered Asset without applying to the DIFC Courts, the buyer or other transferee acquires the Grantor's right in the asset free of the rights of the enforcing Secured Creditor and any Competing Claimant, except rights that have Priority over the right of the enforcing Secured Creditor.
- (4) If the Secured Creditor leases or licenses an Encumbered Asset without applying to the DIFC Courts, the lessee or licensee is entitled to the benefit of the lease or licence during its term, except as against creditors with rights that have Priority over the right of the enforcing Secured Creditor.

- (5) If the Secured Creditor sells or otherwise disposes of, leases or licenses the Encumbered Asset not in compliance with the provisions of this Part, the buyer or other transferee, lessee or licensee of the Encumbered Asset acquires the rights or benefits described in Article 92(3) and (4), provided that it had no Knowledge of a violation of the provisions of this Part that materially prejudiced the rights of the Grantor or another person.

CHAPTER 2 – ASSET-SPECIFIC RULES

93. Collection of payment

- (1) After Default, the Secured Creditor with a Security Right in a Receivable, Negotiable Instrument, right to payment of Money credited to a Bank Account or Non-intermediated Financial Property, or right to receive the proceeds under an Independent Undertaking, is entitled to collect payment from the Debtor of the Receivable, obligor under the Negotiable Instrument, Bank or issuer of the Non-intermediated Financial Property, or (in relation to an Independent Undertaking) the Guarantor/Issuer, Confirmer or Nominated Person.
- (2) The Secured Creditor may exercise the right to collect under Article 93(1) before Default if the Grantor consents.
- (3) The Secured Creditor exercising the right to collect under Article 93(1) or (2) is also entitled to enforce any personal or property right that secures or supports payment of the Encumbered Asset.
- (4) If a Security Right in a right to payment of Money credited to a Bank Account has been made effective against third parties by registration of a Financing Statement, the Secured Creditor is entitled to collect or otherwise enforce its Security Right only pursuant to an order of the DIFC Courts, unless the Bank agrees otherwise.
- (5) The right of the Secured Creditor to collect under Article 93(1) to (4) is subject to Articles 71 to 81.

94. Collection of payment by an outright transferee of a Receivable

- (1) In the case of an outright transfer of a Receivable by agreement, the transferee is entitled to collect the Receivable at any time after payment becomes due.
- (2) The transferee exercising the right to collect under Article 94(1) is also entitled to enforce any personal or property right that secures or supports payment of the Receivable.
- (3) The right of the transferee to collect under Article 94(1) to (2) is subject to Articles 71 to 81.

PART 7: FIXTURES**95. Application to Real Property within the jurisdiction of the DIFC**

Articles 96 to 102 apply to Security Rights in a Fixture within the jurisdiction of the DIFC.

96. Creation and continuation of a Security Right in a Fixture

- (1) A Security Right may be created in a Tangible Asset that is a Fixture at the time of creation of the Security Right or continues in a Tangible Asset that becomes a Fixture subsequently.
- (2) A Security Right in a Fixture may be created under this Law or the Real Property Law.

97. Automatic third-party effectiveness of a Security Right in a Fixture

If a Security Right in a Tangible Asset is effective against third parties at the time when the asset becomes a Fixture, the Security Right remains effective against third parties thereafter without any further action.

98. Third-party effectiveness of a Security Right in a Fixture and the Real Property Register

A Security Right in a Fixture may be made effective against third parties automatically as provided in Article 97 or by registration in the Real Property Register.

99. Priority of a Security Right in a Fixture

- (1) A Security Right or any other right in a Fixture that is created and made effective against third parties under the Real Property Law has Priority as against a Security Right in that Fixture that is made effective against third parties by any of the other methods provided in this Law.
- (2) A Security Right in a Fixture which is made effective against third parties by registration in the Real Property Register has Priority against a Security Right or any other right in the related Real Property that is registered subsequently in the Real Property Register.

100. Intersection of enforcement regimes

- (1) The Secured Creditor may elect to enforce a Security Right in a Fixture in accordance with either the provisions of Article 101 and Part 6 or (so far as applicable) the Real Property Law.
- (2) If an obligation is secured by both a Movable Asset and Real Property of a Grantor, the Secured Creditor may enforce the Security Right in the Movable Asset in accordance with provisions in Part 6 and the encumbrance on the Real Property under (so far as applicable) the Real Property Law.

101. Enforcement of a Security Right in a Fixture

- (1) A Secured Creditor with a Security Right in a Fixture is entitled to enforce its Security Right only if it has Priority as against competing rights in the Real Property.
- (2) A creditor with a competing right in Real Property that has lower Priority is entitled to pay off the obligation secured by the Security Right of the enforcing Secured Creditor in the Fixture. The enforcing Secured Creditor is liable for any damage to the Real Property caused by the act of removal of a Fixture other than any diminution in its value attributable solely to the absence of the Fixture.

102. Priority of an Acquisition Security Right in a Fixture as against an earlier registered encumbrance on the Real Property

An Acquisition Security Right in a Tangible Asset that becomes a Fixture has Priority as against third parties with existing rights in the Real Property (other than an encumbrance securing a loan financing the construction of the Real Property), provided that notice of the Acquisition Security Right is registered in the Real Property Register not later than thirty (30) days after the asset becomes a Fixture.

103. Application to Real Property outside the jurisdiction of the DIFC

The provisions of Articles 96-102 shall apply in relation to Security Rights in Fixtures to Real Property outside the jurisdiction of the DIFC, unless this is inconsistent with a provision in Part 9, in which case the latter shall prevail.

PART 8: FINANCIAL COLLATERAL ARRANGEMENTS**104. Financial Collateral**

- (1) Financial Collateral is:
 - (a) Money credited to a Bank Account; or
 - (b) Financial Property held in an account with an Account Provider; or
 - (c) an FCR Receivable.
- (2) The application of this Law in relation to Financial Collateral is modified and supplemented by this Part 8. In the event of conflict between a provision in this Part 8 and any other provision of this Law, the provision in this Part 8 shall prevail.
- (3) Other than as set out in this Part or as agreed between the collateral provider or Debtor and the Secured Creditor, no formal act shall be necessary for the creation or effectiveness against third parties of a Security Right pursuant to a Financial Collateral Arrangement.

105. Title Transfer

- (1) The terms of a Financial Collateral Arrangement may provide for the Secured Creditor to take legal title ownership of some or all of the Financial Collateral.
- (2) A Title Transfer Financial Collateral Arrangement takes effect in accordance with its terms.

106. Security Financial Collateral Arrangements

- (1) Subject to Article 106(2), a Security Right under a Security Financial Collateral Arrangement is created in relation to Financial Collateral upon satisfaction of Article 13.
- (2) In relation to Financial Collateral, 'Possession' under Article 13(4) of the Law is to be construed as meaning Control of the Financial Collateral pursuant to the terms of that Security Financial Collateral Arrangement.
- (3) A Security Right in Financial Collateral may be granted on terms such that it extends to all Financial Collateral from time to time standing to the credit of one (1) or more accounts or to a specified category, quantity, proportion or value of such Financial Collateral. Such a Security Right is effective without the need for further identification of particular Financial Collateral.
- (4) Without prejudice to any other method by which a Security Right under a Security Financial Collateral Arrangement may be made effective against third parties, this shall occur if the Secured Creditor has Control of the Financial Collateral pursuant to the terms of that Security Financial Collateral Arrangement.
- (5) A Security Right under a Security Financial Collateral Arrangement remains effective against third parties until the earliest of the following events:
 - (a) all Secured Obligations are discharged and there are no outstanding commitments to extend credit secured by the Security Financial Collateral Agreement;
 - (b) termination of the Security Financial Collateral Arrangement;
 - (c) the Secured Creditor ceasing to have Control over the Financial Collateral in circumstances in which the Secured Creditor had not also, by the time the Secured Creditor ceases to have such Control, registered a notice with respect to the Security Right; or
 - (d) the conclusion of any enforcement process.

107. Priority of interests in the same FCR Receivable

- (1) The following rules determine Priority between conflicting Security Rights in the same Financial Collateral:
 - (a) a Title Transfer Collateral Arrangement in Financial Collateral has Priority over a conflicting Security Right in the Financial Collateral.
 - (b) subject to Article 107(1)(a), a Security Financial Collateral Arrangement has Priority over a conflicting Security Right in the same Financial Collateral (other than a Title Transfer Collateral Arrangement) according to the priority rules below.
 - (c) in respect of Security Rights in Financial Property:
 - (i) if competing Security Rights have been made effective against third parties by registration of a notice in the Security Registry, Priority is determined by the order of registration, without regard to the order of creation of the Security Rights.
 - (ii) if competing Security Rights have been made effective against third parties by entry into Control Agreements, Priority is determined by the order of conclusion of the Control Agreements.
 - (iii) as between a Security Right made effective against third parties by Control and a Security Right made effective against third parties by registration of a notice in the Registry, the Security Right made effective against third parties by Control has Priority, unless the Secured Creditor with Control obtained Control with Knowledge that the taking of its Security Right violates the rights of a pre-existing Secured Creditor whose Security Right was made effective against third parties by registration of a notice in the Registry, in which case that pre-existing Security Right has Priority.
 - (iv) a Security Right of a Secured Creditor who is the Account Provider has Priority over a competing Security Right unless the competing Security Right is made effective against third parties by the non-Account Provider Secured Creditor being the Account Provider's customer in respect of the relevant Financial Property in the Financial Property Account, or the non-Account Provider Secured Creditor's entry into a Control Agreement in respect of the relevant Financial Property.
 - (v) a Security Right made effective against third parties by a Secured Creditor being the Account Provider's customer in respect of the relevant Financial Property in the Financial Property Account has Priority over a Security Right made effective against third parties by a Secured Creditor entering a Control Agreement.
 - (d) in respect of Security Rights in a right to payment of Money credited to a Bank Account, Priority is determined by Article 107(1)(c) except that references to "Financial Property" are to be read as "Money credited to a Bank Account", and references to "Financial Property Account" are to be read as "Bank Account".
 - (e) in respect of Security Rights in a FCR Receivable, Priority is determined by Article 107(1)(c)(i)-(iii), subject to the following:
 - (i) a Security Right of a Secured Creditor who is the Account Provider has Priority over a competing Security Right unless the competing Security Right is made effective against third parties by a non-Account Provider Secured Creditor obtaining legal title in respect of the relevant FCR Receivable, or the non-Account Provider Secured Creditor's entry into a Control Agreement in respect of the relevant FCR Receivable.

- (ii) a Security Right made effective against third parties by a Secured Creditor obtaining legal title in respect of the relevant FCR Receivable has Priority over a Security Right made effective against third parties by a Secured Creditor entering a Control Agreement.

108. Security Rights competing with rights of transferees of Financial Collateral

Subject to Article 59(2), a transferee of encumbered Financial Collateral acquires its rights free of the Security Right provided that the transferee gives value and does not have Knowledge that the transfer is in violation of the rights of the Secured Creditor under the Security Agreement.

109. Rights of Use, release of excess and substitution of Financial Collateral

- (1) A Security Agreement may provide for the Secured Creditor to have a Right of Use in respect of Financial Collateral.
- (2) A Secured Creditor has Control of Financial Collateral notwithstanding its exercise of a Right of Use.
- (3) The exercise of a Right of Use shall not render invalid or unenforceable any right of the Secured Creditor under the relevant Financial Collateral Arrangement.
- (4) Subject to the terms of the relevant Financial Collateral Arrangement, where a Secured Creditor:
 - (a) has obtained title to Financial Collateral under a Title Transfer Financial Collateral Arrangement; or
 - (b) exercises a Right of Use in respect of Financial Collateral pursuant to a Security Financial Collateral Arrangement,
 it thereby incurs an obligation to replace the collateral originally transferred by transferring Equivalent Collateral to the Debtor no later than the discharge of the Secured Obligations.
- (5) An obligation to transfer Equivalent Collateral under Article 109(4) is a “Redelivery Obligation”.
- (6) A Secured Creditor has Control of Financial Collateral notwithstanding any provision in the terms of the Financial Collateral Arrangement which allows the Debtor to withdraw excess Financial Collateral or substitute Financial Collateral in accordance with the terms of such Financial Collateral Arrangement.

110. Enforcement of Financial Collateral Arrangements

- (1) On the occurrence of an enforcement event specified under the terms of a Financial Collateral Arrangement, the Secured Creditor may collect, enforce, dispose of or accept Financial Collateral:
 - (a) in the case of Financial Property, by selling it and applying the net proceeds of sale in or towards the discharge of the Secured Obligations;
 - (b) by appropriating the Financial Collateral as the Secured Creditor's own property and setting off its value against, or applying its value in or towards the discharge of, the Secured Obligations, provided in the case of Financial Property that the terms of the Financial Collateral Arrangement provides for realisation in this manner and specifies the basis on which such collateral is to be valued for this purpose; or
 - (c) in the case of Money by setting off the amount against, or applying it in discharge of, the Secured Obligations,

and Part 6 of the Law shall not apply to the Secured Creditor in relation to the Financial Collateral.

- (2) Financial Collateral may be realised under Article 110(1):
 - (d) subject to any contrary provision of the terms in a Financial Collateral Arrangement, without any requirement that:
 - (i) prior notice of the intention to enforce or realise the Financial Collateral being given;
 - (ii) the terms of the enforcement or realisation be approved by the DIFC Court or any other person; or
 - (iii) any realisation of the Financial Property be conducted by public auction or in any other prescribed manner; and
 - (e) notwithstanding the commencement or continuation of an Insolvency Proceeding in respect of the collateral provider, the Debtor or the Secured Creditor.

PART 9: CONFLICT OF LAWS**CHAPTER 1 – GENERAL RULES****111. Mutual rights and obligations of the Grantor and the Secured Creditor**

The law applicable to the mutual rights and obligations of the Grantor and the Secured Creditor arising from their Security Agreement is the law chosen by them and, in the absence of a choice of law, the law governing the Security Agreement.

112. Security Rights in Tangible Assets

- (1) Except as provided in Articles 112(2) to (4) and Articles 125 and 127, the law applicable to the creation, effectiveness against third parties and priority of a Security Right in a Tangible Asset is the law of the state in which the asset is located.
- (2) The law applicable to the priority of a Security Right in a Tangible Asset covered by a Negotiable Document which is not an Electronic Trade Document is made effective against third parties by Possession of the document as against the right of a Competing Claimant is the law of the state in which the document is located
- (3) The law applicable to the creation, third-party effectiveness and priority of a Security Right in a Tangible Asset of a type ordinarily used in more than one state is the law of the state in which the Grantor is located.
- (4) A Security Right in a Tangible Asset that is in transit at the time of its putative creation or intended to be relocated to a state other than the state in which it is located at that time may also be created and made effective against third parties under the law of the state of the asset's ultimate destination, provided that the asset reaches that state within 60 (sixty) days after the time of the putative creation of the Security Right.

113. Security Rights in Intangible Assets

Except as provided in Articles 114 and 122 to 129, the law applicable to the creation, effectiveness against third parties and Priority of a Security Right in an Intangible Asset is the law of the state in which the Grantor is located.

114. Security Rights in Receivables relating to Real Property

Notwithstanding Article 112, in the case of a Security Right in a Receivable that either arises from the sale or lease of Real Property or is secured by Real Property, the law applicable to the Priority of the Security Right in the Receivable as against the right of a Competing Claimant that is registrable in the Real Property Register in which rights in the relevant Real Property may be registered is the law of the state under whose authority the Real Property Register is maintained.

115. Enforcement of Security Rights

The law applicable to issues relating to the enforcement of a Security Right in:

- (a) a Tangible Asset is the law of the state in which the asset is located at the time of commencement of enforcement, except as provided in Articles 127 to 128; and
- (b) an Intangible Asset is the law applicable to the Priority of the Security Right, except as provided in Articles 124, and 126 to 129.

116. Security Rights in Proceeds

- (1) The law applicable to the creation of a Security Right in Proceeds is the law applicable to the creation of the Security Right in the original Encumbered Asset from which the Proceeds arose.

- (2) The law applicable to the third-party effectiveness and Priority of a Security Right in Proceeds is the law applicable to the third-party effectiveness and Priority of a Security Right in an original Encumbered Asset of the same kind as the Proceeds.

117. Meaning of “location” of the Grantor

For the purposes of the provisions of this Part, the Grantor is located:

- (a) in the state in which it has its place of business;
- (b) if the Grantor has a place of business in more than one state, in the state in which the central administration of the Grantor is exercised; and
- (c) if the Grantor does not have a place of business, in the state in which the Grantor has his habitual residence.

118. Relevant time for determining location

- (1) Except as provided in Article 118(2), references to the location of the Encumbered Asset or of the Grantor in the provisions of this Part refer:
 - (a) for creation issues, to the location at the time of the putative creation of the Security Right; and
 - (b) for third-party effectiveness and Priority issues, to the location at the time when the issue arises.
- (2) If the right of a Secured Creditor in an Encumbered Asset is created and made effective against third parties and the rights of all Competing Claimants are established before a change in the location of the asset or the Grantor, references in the provisions of this Part to the location of the asset or of the Grantor refer, with respect to third-party effectiveness and Priority issues, to the location prior to the change.

119. Exclusion of renvoi

A reference in the provisions of this chapter to “the law” of a state as the law applicable to an issue refers to the law in force in that state other than its rules of private international law.

120. Overriding mandatory rules and public policy (ordre public)

- (1) The provisions of this Part do not prevent a court from applying overriding mandatory provisions of the law of the forum that apply irrespective of the law applicable under the provisions of this Part.
- (2) The law of the forum determines when a court may or must apply or take into account overriding mandatory provisions of another law.
- (3) A court may exclude the application of a provision of the law applicable under the provisions of this chapter only if and to the extent that the result of its application would be manifestly incompatible with fundamental notions of public policy (ordre public) of the forum.
- (4) The law of the forum determines when a court may or must apply or take into account the public policy (ordre public) of a state other than the state the law of which would be applicable under the provisions of this chapter.
- (5) This article does not prevent an arbitral tribunal from applying or taking into account public policy (ordre public), or from applying or taking into account overriding mandatory provisions of a law other than the law applicable under the provisions of this chapter, if the arbitral tribunal is required or entitled to do so.

- (6) This article does not permit a court to displace the provisions of this Part dealing with the law applicable to the third-party effectiveness and Priority of a Security Right.

121. Impact of commencement of Insolvency Proceedings on the law applicable to a Security Right

The commencement of Insolvency Proceedings in respect of the Grantor does not displace the law applicable to a Security Right under the provisions of this Part.

122. Multi-unit states

If the law applicable to an issue is the law of a state that comprises one or more territorial units each of which has its own rules of law in respect of that issue:

- (a) any reference in the provisions of this chapter to the law of a state means the law in force in the relevant territorial unit; and
- (b) the internal conflict-of-laws rules of that state, or in the absence of such rules, of that territorial unit determine the relevant territorial unit whose substantive law is to apply.

CHAPTER 2 – ASSET-SPECIFIC RULES

123. Rights and obligations between third-party obligors and Secured Creditors

The law governing the rights and obligations between a Debtor of a Receivable, an obligor under a Negotiable Instrument or an issuer of a Negotiable Document and the Grantor of a Security Right in that type of asset also is the law applicable to:

- (a) the rights and obligations between the Secured Creditor and the Debtor, obligor or issuer;
- (b) the conditions under which the Security Right may be invoked against the Debtor, obligor or issuer, including whether an agreement limiting the Grantor's right to create a Security Right may be asserted by the Debtor, obligor or issuer; and
- (c) whether the obligations of the Debtor, obligor or issuer have been discharged.

124. Security Rights in rights to payment of Money credited to a Bank Account

- (1) Subject to Article 125, the law applicable to the creation, effectiveness against third parties, Priority and enforcement of a Security Right in a right to payment of Money credited to a Bank Account, as well as to the rights and obligations between the Bank and the Secured Creditor, is the law of the state expressly stated in the account agreement as the state whose law governs the account agreement or, if the account agreement expressly provides that the law of another state is applicable to all such issues, the law of that other State.
- (2) The law of the state determined pursuant to Article 124(1) applies only if the Bank has, at the time of the conclusion of the account agreement, an office in that state that is engaged in the regular activity of maintaining Bank Accounts.
- (3) If the applicable law is not determined pursuant to Article 124(1) or (2), the applicable law is to be determined pursuant to the following rules:
 - (a) if it is expressly and unambiguously stated in a written bank account agreement that the relevant Bank entered into through a particular office, the law applicable is the law of the state in which that office is located;
 - (b) if the applicable law is not determined under Article 124(3)(a) the applicable law is the law of the state under whose law the relevant Bank is incorporated or otherwise organised at

the time the written bank account agreement is entered into or, if there is no such agreement, at the time the Bank Account was opened; and

- (c) if the applicable law is not determined under either Article 124(3)(a) or 124(3)(b), the applicable law is the law of the state in which the relevant Bank has its place of business, or, if the relevant Bank has more than one place of business, its principal place of business, at the time the written bank account agreement is entered into or, if there is no such agreement, at the time the bank account was opened.

125. Third-party effectiveness of a Security Right in certain types of asset by registration

If the law of the state in which a Grantor is located recognises registration of a notice as a method for achieving effectiveness against third parties of a Security Right in a Negotiable Instrument, Negotiable Document, right to payment of Money credited to a Bank Account or Certificated Non-intermediated Financial Property, the law of that state also is the law applicable to the third-party effectiveness of the Security Right in that asset by registration.

126. Security Rights in Intellectual Property

- (1) The law applicable to the creation, effectiveness against third parties and Priority of a Security Right in Intellectual Property is the law of the state in which the Intellectual Property is protected.
- (2) A Security Right in Intellectual Property may also be created under the law of the state in which the Grantor is located and may also be made effective under that law against third parties other than another Secured Creditor, a transferee or a licensee
- (3) The law applicable to the enforcement of a Security Right in Intellectual Property is the law of the state in which the Grantor is located.

127. Security Rights in Non-intermediated Financial Property

- (1) The law applicable to the creation, effectiveness against third parties, Priority and enforcement of a Security Right in Non-intermediated Equity Securities, as well as to its effectiveness against the issuer, is the law under which the issuer is constituted.
- (2) The law applicable to the creation, effectiveness against third parties, Priority and enforcement of a Security Right in Non-intermediated Financial Property other than Non-intermediated Equity Securities, as well as to its effectiveness against the issuer, is the law governing the Financial Property.

128. Security Rights in the right to receive the proceeds under an Independent Undertaking

- (1) The law of the state specified in an Independent Undertaking of a Guarantor/Issuer, Confirmer or Nominated Person is the law applicable to:
 - (a) the rights and duties of the Guarantor/Issuer, Confirmer or Nominated Person that has received a request for an Acknowledgement or that has or may pay or otherwise give value under an Independent Undertaking;
 - (b) the right to enforce a Security Right in the right to receive the proceeds under the Independent Undertaking against the Guarantor/Issuer, Confirmer or Nominated Person; and
 - (c) except as provided in Article 128(2), the effectiveness against third parties and priority of a Security Right in the right to receive the proceeds under the Independent Undertaking.
- (2) If the applicable law is not specified in the Independent Undertaking of the Guarantor/Issuer or Confirmer, the law applicable to the issues referred to in Article 128(1) is the law of the state of the location of the branch or office of the Guarantor/Issuer or Confirmer indicated in the Independent

Undertaking. However, in the case of a Nominated Person, the applicable law is the law of the state of the location of the Nominated Person's branch or office that pays or otherwise gives value under the Independent Undertaking.

- (3) The law applicable to the creation and effectiveness against third parties of a Security Right in a Receivable, Negotiable Instrument or other claim, the payment or other performance of which is secured by an Independent Undertaking, is also the law applicable to the issue of whether a Security Right in the right to receive the proceeds under the Independent Undertaking is created and made effective against third parties automatically.

129. Digital Assets and Electronic Trade Documents

- (1) This Article 129 applies to:
 - (a) Security Rights in Electronic Trade Documents or Digital Assets;
 - (b) Security Rights in assets other than Electronic Trade Documents or Digital Assets but which are conferred by or embodied in Digital Assets; and
 - (c) Security Rights in Financial Collateral that are not rights to payment of Money credited to a Bank Account.
- (2) In the event of conflict between this Article 129 and any of other Article in this Part 9, this Article 129 shall prevail.
- (3) The Law applicable to the creation, effectiveness against third parties, Priority and enforcement of Security Rights shall be determined by the Laws of England and Wales, save insofar as the Board of Directors of the DIFCA makes Laws or Regulations in relation to such matters (pursuant to its powers under Part 12 or otherwise).

PART 10: THE APPOINTMENT OF AND ROLE OF REGISTRAR**130. Appointment of the Registrar**

- (1) The office of the Security Registrar, created by the 2005 Law as a corporation sole, shall continue to exist and operate in accordance with this Law and the Securities Regulations, notwithstanding the repeal of the 2005 Law.
- (2) The Board of Directors of the DIFCA shall appoint a person to and may dismiss a person from the office of Registrar.
- (3) The Board of Directors of the DIFCA shall consult with the President prior to the appointment of or dismissing the Registrar.
- (4) In exercising his powers and performing his functions the Registrar shall act in an independent manner, notwithstanding that he is an agency of the government of the Emirate of Dubai.

131. The functions of the Registrar

- (1) The Registrar has such functions and powers as may be conferred, or expressed to be conferred, on him:
 - (a) by or under the Law; and
 - (b) by or under any other law made by the Ruler,

and shall exercise such powers and perform such functions only in pursuit of his objectives under those laws and any regulations or rules made under those laws.
- (2) Without limited the generality of Article 131(1), such powers and functions of the Registrar include, so far as is reasonably practicable:
 - (c) to prepare or cause to be prepared in a timely and efficient manner:
 - (i) draft Regulations;
 - (ii) draft standards or codes of practice; and
 - (iii) Guidance;

reasonably required to enable him to perform his statutory functions;
 - (d) to submit such draft Regulations, draft standards, and draft codes of practice to the Board of Directors of the DIFCA and advise it of such Guidance;
 - (e) to prescribe forms to be used for any of the purposes of this Law or any legislation administered by the Registrar;
 - (f) to acquire, hold and dispose of property of any description;
 - (g) to make contracts and other agreements;
 - (h) with the prior consent of the President and Board of Directors of the DIFCA, to borrow monies and provide security for such borrowing;
 - (i) to employ and appoint persons on such terms as he considers appropriate to assist him in the exercise of his powers and performance of his functions;

- (j) where he considers it appropriate to do so, to delegate such of his functions and powers as may more efficiently and effectively be performed by his officers or employees and, with the approval of the Board of Directors of the DIFCA either generally or in relation to any particular matter, by any other person; and
 - (k) to exercise and perform such other powers and functions as may be delegated to the Registrar by the Board of Directors of the DIFCA pursuant to the provisions of the Law.
- (3) The Registrar has power to do whatever he deems necessary for or in connection with, or reasonably incidental to, the performance of his functions.

PART 11: THE SECURITY REGISTRY, FILING AND REGISTRATION**132. Security Registry**

- (1) The Registrar will continue to administer and maintain the Security Registry (established by the President pursuant to the 2005 Law) in accordance with this Law and the Securities Regulations.
- (2) In accordance with Article 26(1), a Security Right is effective against third parties in the DIFC on its registration in the Security Registry.
- (3) No filing shall be accepted by Registrar in respect of a Security Right created by a natural person unless that person has submitted to the Registrar such information regarding his identity, residence and domicile, and such other information as may be required in the Securities Regulations.

133. Effect of certain events on effectiveness of Financing Statement

- (1) A filed Financing Statement remains effective with respect to an Encumbered Asset that is sold, exchanged, leased, licensed, or otherwise disposed of and in which a Security Right continues, even if the Secured Creditor knows of or consents to the disposal.
- (2) Except as otherwise provided in Article 133(3), a Financing Statement is not rendered ineffective if, after the Financing Statement is filed, the information provided in the Financing Statement becomes seriously misleading.
- (3) If a Grantor changes its name and (if applicable) registration number or other identifier with the result that a filed Financing Statement becomes seriously misleading:
 - (a) the Financing Statement continues thereafter to be effective in respect of a Security Right in an Encumbered Asset acquired by the Grantor before, or within four (4) months after, the change; and
 - (b) the Financing Statement ceases to be effective in respect of a Security Right in an Encumbered Asset acquired by the Grantor more than four months after the change, unless an amendment to the Financing Statement which renders the Financing Statement not seriously misleading is filed within four months after the change.

134. Effectiveness of Financing Statement if new Grantor becomes bound by Security Agreement

- (1) Except as otherwise provided in this Article, a filed Financing Statement naming an original Grantor is effective in respect of a Security Right in an Encumbered Asset in which a new Grantor has or acquires rights to the extent that the Financing Statement would have been effective against the original Grantor.
- (2) If the difference between the name of the original Grantor and that of the new Grantor causes a filed Financing Statement that is effective under Article 134(1) to be seriously misleading:
 - (a) the Financing Statement is effective in respect of a Security Right in an Encumbered Asset acquired by the new Grantor before, and within four (4) months after, the new Grantor becomes bound as a new Grantor; and
 - (b) the Financing Statement is not effective in respect of a Security Right in an Encumbered Asset acquired by the new Grantor more than four (4) months after the new Debtor becomes bound as a new Grantor unless an initial Financing Statement providing the name of the new Grantor is filed before the expiration of that time.

135. Persons entitled to file a record

- (1) A person may file an initial Financing Statement, amendment that adds Encumbered Assets covered by a Financing Statement, or amendment that adds a Grantor to a Financing Statement only if either:

- (a) the Grantor authorises the filing in a written record or pursuant to Article 135(2) or (3); or
- (b) the DIFC Courts by order direct that such filing may occur.
- (2) By becoming bound as Grantor by a Security Agreement, a Debtor or new Grantor authorises the filing of an initial Financing Statement, and an amendment, covering the Encumbered Asset and any proceeds thereof provided for in the Security Agreement.
- (3) By acquiring an Encumbered Asset in which a Security Right subsists a Grantor authorises the filing of an initial Financing Statement, and an amendment, covering the Encumbered Asset and proceeds thereof.
- (4) A person may file an amendment other than an amendment falling within Article 135(1) only if:
 - (c) each Secured Creditor of record authorises the filing; or
 - (d) the amendment is a termination statement for a Financing Statement as to which the Secured Creditor of record has failed to file or send a termination statement as required by Article 137.

136. Amendment of Financing Statement

- (1) A person may amend a Financing Statement by filing an amendment.
- (2) A Financing Statement that is amended by an amendment that adds an Encumbered Asset or a Grantor is effective as to the added Encumbered Asset or Grantor only from the date of the filing of the amendment.

137. Termination statement

- (1) Within 20 (twenty) days after a Secured Creditor of record receives a written demand from a Grantor or from a person who has acquired the Encumbered Asset covered by the Financing Statement free of the Security Right, the Secured Creditor shall file a termination statement for the Financing Statement in the Security Registry if:
 - (a) except in the case of a Financing Statement covering a Receivable that has been sold, there is no obligation secured by the Encumbered Asset covered by the Financing Statement;
 - (b) the Financing Statement covers a Receivable that has been sold but in respect of which all Grantors of the Receivable have discharged their obligations; or
 - (c) the Grantor did not authorize the filing of the initial Financing Statement.
- (2) Upon the filing of a termination statement with the Security Registry, the Financing Statement to which the termination statement relates ceases to be effective.

138. Duration and effectiveness of Financing Statement; effect of lapsed Financing Statement

- (1) Except as otherwise provided in Articles 138(4) and (5), a duly filed Financing Statement is effective for a period of 5 (five) years after the date of filing.
- (2) The effectiveness of a filed Financing Statement lapses on the expiration of the period of its effectiveness unless before the lapse a continuation statement is filed pursuant to Article 138(3). Upon lapse, a Financing Statement ceases to be effective.
- (3) A continuation statement may be filed only within six months before the expiration of the five (5) year period specified in Article 138(1) or (4).

- (4) Upon filing of a continuation statement in accordance with Article 138(3), the effectiveness of the initial Financing Statement continues for a period of five (5) years commencing on the day on which the Financing Statement would have become ineffective in the absence of the filing.
- (5) A Financing Statement relating to Real Property or fixtures remains effective as a Financing Statement until the Security Right is released or satisfied of record or its effectiveness otherwise terminates.

139. Refusal to accept record

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

140. Reference of disputes to the DIFC Courts

In addition to the general jurisdiction of the DIFC Courts to determine disputes as to the application and operation of this Law, the Registrar, the Grantor, the Secured Creditor and any other person directly affected by a Financial Statement may apply to the DIFC Courts for determination of any dispute arising in connection with that Financial Statement.

PART 12: REGULATIONS

141. Power to make Regulations

- (1) The Board of Directors of the DIFCA may, if it considers it necessary or desirable to further the purpose of this Law or facilitate its administration, make Regulations extending, excluding, waiving or modifying the provisions of:
 - (a) this Law;
 - (b) any Regulations made under this Law;
 - (c) any other Law, and Regulations made thereunder, in relation to its or their application to Digital Assets.
- (2) Without limiting the generality of Article 141(1), such Regulations may include:
 - (d) the imposition of fines for a contravention of any Law or Regulation in Article 141(1)(a) to (b); and
 - (e) procedures relating to the imposition and recovery of such fines.

**SCHEDULE 1
TRANSITIONAL PROVISIONS**

- (1) For the purposes of the provisions of this Schedule 1:
 - (a) “Prior Law” means the law (including the 2005 Law and any other applicable law) which applied to prior Security Rights immediately before the entry into force of this Law; and
 - (b) “Prior Security Right” means a right created by an agreement entered into before the entry into force of this Law that is a Security Right within the meaning of this Law and to which this Law would have applied if it had been in force when the right was created.
- (2) Except as otherwise provided in this Schedule 1, this Law applies to all Security Rights, including Prior Security Rights within its scope.
- (3) Subject to paragraph 4, the Prior Law applies to a matter that is the subject of proceedings before a court or arbitral tribunal commenced before the entry into force of this Law.
- (4) If any step has been taken to enforce a Prior Security Right before the entry into force of this Law, enforcement may continue under the Prior Law or may proceed under this Law.
- (5) The Prior Law determines whether a Prior Security Right was created.
- (6) A Prior Security Right remains effective between the parties notwithstanding that its creation did not comply with the creation requirements of this Law.
- (7) A Prior Security Right that was effective against third parties under the Prior Law at the time this Law entered into force continues to be effective against third parties under this Law until the earlier of:
 - (a) the time it would have ceased to be effective against third parties under Prior Law; and
 - (b) the expiration of one year after the entry into force of this Law.
- (8) If the third-party effectiveness requirements of this Law are satisfied before the third-party effectiveness of a Prior Security Right ceases in accordance with paragraph 7, the Prior Security Right continues to be effective against third parties under this Law from the time when it was made effective against third parties under the Prior Law.
- (9) If the third-party effectiveness requirements of this Law are not satisfied before the third-party effectiveness of a Prior Security Right ceases in accordance with paragraph 7, the Prior Security Right is effective against third parties only from the time it is made effective against third parties under this Law.
- (10) A written agreement between a Grantor and a Secured Creditor creating a Prior Security Right is sufficient to constitute authorisation by the Grantor for the registration of a Financing Statement covering the assets described in that agreement under this Law.
- (11) If a Prior Security Right referred to in paragraph 8 was made effective against third parties by the registration of a Financing Statement under the Prior Law, the time of registration under the Prior Law is the time to be used for the purposes of applying the Priority rules of this Law that refer to the time of registration of a Financing Statement of a Security Right.
- (12) The Priority of a Prior Security Right as against the rights of a Competing Claimant is determined by the Prior Law if:
 - (a) the Security Right and the rights of all Competing Claimants arose before the entry into force of this Law; and
 - (b) the Priority status of none of these rights has changed since the entry into force of this Law.

- (13) For the purposes of paragraph 12(b), the Priority status of a Prior Security Right has changed only if:
- (a) it was effective against third parties when this Law entered into force but ceased to be effective against third parties; or
 - (b) it was not effective against third parties under the Prior Law when this Law entered into force, and only became effective against third parties under this Law.

**SCHEDULE 2
INTERPRETATION**

1. Rules of interpretation

- (1) In this Law, a reference to:
- (a) a statutory provision includes a reference to the statutory provision as amended or re-enacted from time to time;
 - (b) a person includes any natural person, body corporate or body unincorporate, including a company, partnership, unincorporated association, government or state;
 - (c) an obligation to publish or cause to be published a particular document shall, unless expressly provided otherwise in this Law, include publishing or causing to be published in printed or electronic form;
 - (d) writing includes an electronic communication if the information contained therein is accessible so as to be usable for subsequent reference;
 - (e) a day shall refer to a business day, being a calendar day, excluding Saturdays, Sundays and official public holidays;
 - (f) a calendar year shall mean a year of the Gregorian calendar;
 - (g) the masculine gender includes the feminine;
 - (h) the singular includes the plural and the plural include the singular (unless the contrary intention appears); and
 - (i) 'dollars' or '\$' is a reference to United States Dollars unless the contrary intention appears.
- (2) The headings in this Law shall not affect its interpretation.
- (3) A reference in this Law to a Part, Article or Schedule by number only, and without further identification, is a reference to the Part, Article or Schedule of that number in this Law.
- (4) A reference in an Article or other provision of this Law to an Article by number or letter only, and without further identification, is a reference to the Article of that number or letter contained in the Article or other provision of this Law in which that reference occurs.
- (5) Unless the context otherwise requires, where this Law refers to an enactment, the reference is to that enactment as amended from time to time, and includes a reference to that enactment as extended or applied by or under another enactment, including any other provision of that enactment.
- (6) In any Part, the General Rules of that Part are subject to any Asset-Specific Rules of that Part.

2. References to Legislation

References to Legislation and Guidance in the Law shall be construed in accordance with the following provisions:

- (a) Federal Law is law made by the federal government of the United Arab Emirates;
- (b) Dubai Law is law made by the Ruler, as applicable in the Emirate of Dubai;
- (c) DIFC Law is law made by the Ruler (including, by way of example, the Law), as applicable in the DIFC;

- (d) the Law is this Law of Security 2024 made by the Ruler;
- (e) the Regulations are legislation made by the DIFCA under the Law and are binding in nature;
- (f) Guidance is indicative and non-binding and may comprise practice guidance made and issued by the Registrar under the Law; and
- (g) references to “legislation administered by the DIFCA” are references to DIFC Law and rules or regulations made under such law conferring functions and powers on the Board of Directors of the DIFC Authority.

3. Defined terms

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

Term	Definition
Account Provider	<p>with respect to Financial Property, or Money credited to a Bank Account, or an FCR Receivable, means a Bank or an Investment Intermediary who maintains a Bank Account or Financial Property Account:</p> <p>(a) to which such Financial Property or Money is credited for the benefit of the Debtor; or</p> <p>(b) from which the relevant FCR Receivable(s) arises.</p>
Acknowledgement	<p>with respect to a right to receive the proceeds under an Independent Undertaking, means that the Guarantor/Issuer, Confirmer or Nominated Person that will pay or otherwise give value upon a demand for payment (“draw”) under an Independent Undertaking has, unilaterally or by agreement:</p> <p>(a) acknowledged or consented to (however acknowledgement or consent is evidenced) the creation of a Security Right (whether denominated as an assignment or otherwise) in favour of the Secured Creditor in the right to receive the proceeds under an Independent Undertaking; or</p> <p>(b) obligated itself to pay or otherwise give value to the Secured Creditor upon a draw under an Independent Undertaking.</p> <p>References to an Acknowledged transferee or assignee have a corresponding meaning.</p>
Acquisition Secured Creditor	means a Secured Creditor that has an Acquisition Security Right.
Acquisition Security Right	<p>means:</p> <p>(1) a Security Right in a Tangible Asset, or in Intellectual Property or the rights of a licensee under a licence of Intellectual Property, which secures an obligation to pay any unpaid portion of the purchase price of an asset, or other credit extended to enable the Grantor to acquire rights in the asset to the extent that the credit is used for that purpose; and if the Tangible Asset is Inventory, paragraph (4) and (5) apply; or</p> <p>(2) the interest of a lessor of Tangible Assets under a lease for a term of more than one (1) year; or</p> <p>(3) the interest of a consignor who delivers Tangible Assets to a consignee under a Commercial Consignment;</p> <p>and:</p> <p>(4) an Acquisition Security Right in Inventory:</p>

Term	Definition
	<p>(a) secures any obligation arising out of a related transaction creating a Security Right in paragraph (1); and</p> <p>(b) extends to other Inventory in which the Secured Creditor holds or held a Security Right under a related transaction that secures or secured an obligation referred to in paragraph (1);</p> <p>(5) for the purpose of paragraph (4), a transaction is related to another transaction when the possibility of both transactions is provided for in the first transaction or an agreement between the parties entered into prior to the first transaction;</p> <p>and:</p> <p>(6) if a Security Right in an asset secures an Acquisition Security Obligation and other obligations, the Security Right is an Acquisition Security Right only to the extent that it secures the Acquisition Security Obligation;</p> <p>(7) if a Security Right is granted in an asset that secures an Acquisition Security Right, together with other assets, the Security Right is an Acquisition Security Right only to the extent that it is granted in the Acquisition Security Collateral;</p> <p>(8) an Acquisition Security Right does not lose its status as such only because the Acquisition Security Right is renewed, refinanced, consolidated or restructured (whether or not by the same Secured Creditor);</p> <p>(9) in any transaction, if the extent to which a Security Right is an Acquisition Security Right depends on the application of a payment to a particular obligation, the payment must be applied:</p> <p>(a) in accordance with any method of application to which the parties agree; or</p> <p>(b) if the parties do not agree on a method, in accordance with any intention of the Debtor manifested at or before the time of the payment; or</p> <p>(c) if neither (a) nor (b) applies, in the following order:</p> <p>(i) to obligations that are not secured, in the order in which those obligations were incurred,</p> <p>(ii) to obligations that are secured, but not by Acquisition Security Rights, in the order in which those obligations were incurred,</p> <p>(iii) to obligations that are secured by Acquisition Security Rights, in the order in which those obligations were incurred.</p>
Acquisition Security Collateral	means, in relation to an Acquisition Security Right under paragraph (1) of the definition of such a right, the Tangible Asset or Intellectual Property or the rights of a licensee under a licence of Intellectual Property that secures an Acquisition Security Obligation with respect to those assets.
Acquisition Security Obligation	means, in relation to an Acquisition Security Right under paragraph (1) of the definition of such a right, the obligation to pay any unpaid portion of the purchase price of an asset or other credit extended to enable the Grantor to acquire rights in the asset to the extent that the credit is used for that purpose.
Authorised	means authorised by a Recognised Financial Services Regulator to carry on the business which it carries on.
Bank	means an Authorised deposit-taking institution.

Term	Definition
Bank Account	means an account maintained by a Bank to which Money may be credited or debited.
Certificated Non-intermediated Financial Property	means Non-intermediated Financial Property represented by a certificate that: <ul style="list-style-type: none"> (a) provides that the person entitled to the Financial Property is the person in Possession of the certificate; or (b) identifies the person entitled to the Financial Property.
Close-Out Netting Arrangement	means an arrangement to which an Investment Intermediary or a Bank is a party, and which comprises the termination of obligations under a contract with a defaulting party and subsequent combining of positive and negative replacement values into a single net payable value.
Commercial Consignment	means a consignment where: <ul style="list-style-type: none"> (a) a consignor has reserved an interest in the Tangible Assets that the consignor has delivered to the consignee for the purpose of sale, lease, or other disposition; and (b) both the consignor and the consignee deal in the ordinary course of business in Tangible Assets of that description; but (c) does not include an agreement under which Tangible Assets are delivered to an auctioneer for the purpose of sale.
Commodity Contract	means a commodity futures contract, an option on a commodity futures contract, a commodity option, or an interest in any of the foregoing.
Competing Claimant	means a creditor of a Grantor or other person with rights in an Encumbered Asset that may be in competition with the rights of a Secured Creditor in the same Encumbered Asset. The term includes: <ul style="list-style-type: none"> (a) another Secured Creditor of the Grantor that has a Security Right in the same Encumbered Asset; (b) another creditor of the Grantor that has a right in the same Encumbered Asset; (c) the insolvency representative in Insolvency Proceedings in respect of the Grantor; and (d) a buyer or other transferee, lessee or licensee of the Encumbered Asset.
Confirmer	means a bank or other person that adds its own Independent Undertaking to that of a Guarantor/Issuer.
Consumer Goods	means goods primarily used or intended to be used by the Grantor for personal, family or household purposes.
Contract Law	means the Contract Law, DIFC Law No. 6 of 2004.
Control	<ul style="list-style-type: none"> (a) with respect to Financial Property, means <ul style="list-style-type: none"> (i) the Secured Creditor is the Account Provider with which the account containing the relevant Financial Property is maintained, (ii) a Control Agreement is entered into in respect of the relevant Financial Property, or (iii) the Secured Creditor is the Account Provider's customer with respect to the relevant Financial Property in the Financial Property Account; (b) with respect to Money credited to a Bank Account, means:

Term	Definition
	<ul style="list-style-type: none"> (i) the Secured Creditor is the Account Provider with which the Bank Account is maintained, (ii) a Control Agreement is entered into in respect of the relevant Money credited to the Bank Account, or (iii) the Secured Creditor is the Bank's customer with respect to the Bank Account; <p>(c) with respect to an FCR Receivable, means:</p> <ul style="list-style-type: none"> (i) the Secured Creditor is the Account Provider who is the Debtor under the FCR Receivable, (ii) a Control Agreement is entered into in respect of the relevant FCR Receivable, or (iii) the Secured Creditor has legal title to the FCR Receivable, whether pursuant to an assignment by way of security or other means; <p>(d) with respect to a Digital Asset, has the meaning given in the Digital Assets Law;</p> <p>(e) with respect to a right to receive the proceeds under an Independent Undertaking, exists:</p> <ul style="list-style-type: none"> (i) automatically upon the creation of a Security Right in the right to receive those proceeds if the Guarantor/Issuer, Confirmer or Nominated Person is the Secured Creditor; or (ii) if the Guarantor/Issuer, Confirmer or Nominated Person has made an Acknowledgement in favour of the Secured Creditor.
Control Agreement	<p>(a) with respect to Uncertificated Non-intermediated Financial Property, means an agreement in writing between the issuer, the Grantor and the Secured Creditor, according to which the issuer agrees to follow instructions from the Secured Creditor with respect to the Financial Property, without further consent from the Grantor;</p> <p>(b) with respect to Financial Property, means an agreement in writing between the Account Provider, the Debtor and the Secured Creditor, according to which the Account Provider agrees to follow instructions from the Secured Creditor with respect to the Financial Property, without further consent from the Debtor;</p> <p>(c) with respect to rights to payment of Money credited to a Bank Account, means an agreement in writing between the deposit taking institution, the Grantor and the Secured Creditor, according to which the Bank agrees to follow instructions from the Secured Creditor with respect to the payment of Money credited to the Bank Account without further consent from the Grantor; or</p> <p>(d) with respect to an FCR Receivable that involves a claim against the Account Provider, means an agreement in writing between the Account Provider, the Debtor and the Secured Creditor, according to which the Account Provider agrees to follow instructions from the Secured Creditor with respect to the FCR Receivable, without further consent from the Debtor.</p>
Court Law	means the Court Law, DIFC Law No. 10 of 2004.
Debtor	means a person that owes payment or other performance of a Secured Obligation, whether or not that person is the Grantor of the Security Right securing payment or other performance of that obligation, including a secondary obligor such as a guarantor of a Secured Obligation.

Term	Definition
Debtor of the Receivable	means a person that owes payment of a Receivable that is subject to a Security Right, including a guarantor or other person secondarily liable for payment of the Receivable.
Default	means the failure of a Debtor to pay or otherwise perform a Secured Obligation and any other event that constitutes default under the terms of an agreement between the Grantor and the Secured Creditor.
DFSA	the Dubai Financial Services Authority.
DFSA Rulebook	means the Rulebook of the Dubai Financial Services Authority as amended from time to time.
DIFC	the Dubai International Financial Centre.
DIFC Courts	has the meaning given in Rule 1.5 of the RDC 2014.
DIFCA	the Dubai International Financial Centre Authority.
Digital Asset	has the meaning given in the Digital Assets Law.
Digital Assets Law	means the Digital Assets Law DIFC Law No. 2 of 2024.
Electronic Trade Document	has the same meaning as “electronic trade document” as defined in the Law of Obligations.
Encumbered Asset	means: (a) a Movable Asset that is subject to a Security Right; and (b) a Receivable that is the subject of an outright transfer by agreement.
Entitlement Holder	means a person identified in the records of an Investment Intermediary as the person having an Investment Entitlement against the Investment Intermediary;
Equipment	means a Tangible Asset other than Inventory or Consumer Goods that is primarily used or intended to be used by the Grantor in the operation of its business.
Equivalent Collateral	with respect to: (a) Money credited to a Bank Account, means Money credited to the Bank Account of the same amount and in the same currency; and (b) financial Property: (i) means Financial Property of the same issuer or Debtor forming part of the same issue or class and description, and of the same nominal amount and currency, as the relevant Financial Collateral, or (ii) where a Financial Collateral Arrangement provides for the occurrence of any event relating to or affecting any Financial Property provided as Financial Collateral, means those other assets specified in the Financial Collateral Arrangement.
FCR Receivable	means a Receivable that is also: (a) a Money claim by the Account Provider against its customer; or (b) a Money claim that is due or payable and arises in connection with a Close-Out Netting Arrangement.

Term	Definition
Financial Collateral	has the meaning set out in Article 104 of this Law.
Financial Collateral Arrangements	means a Security Financial Collateral Arrangement and/or a Title Transfer Financial Collateral Arrangement.
Financial Property	means an Investment, Investment Entitlement or Commodity Contract.
Financial Property Account	means an account to which Financial Property is or may be credited.
Financing Statement	means a record or records composed of Form 1 (within the meaning of the Securities Regulations) and any filed Approved Form (within the meaning of the Securities Regulations) relating to that Form 1.
Fixture	means a thing that was originally a chattel, but which has become part of the real property to which it is attached. Whether the chattel has become attached so as to become part of the real property is to be determined in accordance with English common law principles in relation to 'fixtures' in the context of real property.
Future Asset	means a Movable Asset, which does not exist or which the Grantor does not have rights in or the power to encumber at the time the Security Agreement is concluded.
Grantor	means: (a) a person that creates a Security Right to secure either its own obligation or that of another person; (b) a buyer or other transferee of an Encumbered Asset that acquires its rights subject to a Security Right; or (c) a transferor under an outright transfer of a Receivable by agreement.
Guarantor/Issuer	means a bank or other person that issues an Independent Undertaking.
Guidance	has the meaning given in Article 2 of Schedule 2 of this Law
Independent Undertaking	means a letter of credit or a guarantee (commercial or standby), a confirmation of a letter of credit, an independent guarantee (including a demand or first-demand bank guarantee, or a counter-guarantee) or any other undertaking recognised as independent by law or practice rules such as the United Nations Guarantee and Stand-by Convention, the Uniform Customs and Practice for Documentary Credits, the Rules on International Standby Practices and the Uniform Rules for Demand Guarantees. The term does not include a Negotiable Instrument.
Insolvency Law	means the Insolvency Law, DIFC Law No. 1 of 2019.
Insolvency Proceeding	means an insolvency proceeding under the Insolvency Law, or any analogous proceedings in any other jurisdiction.
Intangible Asset	means any Moveable Asset other than a Tangible Asset.
Intellectual Property	means any intellectual property right recognised by the Intellectual Property Law.
Intellectual Property Law	means the Intellectual Property Law, DIFC Law No. 4 of 2019.
Intermediated Financial Property	means Financial Property held by an Investment Intermediary.
Inventory	means Tangible Assets held by the Grantor for sale or lease in the ordinary course of the Grantor's business, including raw materials and work in process.

Term	Definition
Investment	has the meaning given in the DFSA Rulebook.
Investment Entitlement	means the rights of an Entitlement Holder with respect to an Investment or Commodity Contract.
Investment Intermediary	means a person who in the ordinary course of business transacts in Investments or Commodity Contracts and is Authorised to do so.
Judgment Creditor	Has the meaning given to it in Article 46(1) of this Law.
Knowledge	means actual knowledge.
Law of Damages and Remedies	Means the Law of Damages and Remedies, DIFC Law No. 7 of 2005.
Law of Obligations	means the Law of Obligations, DIFC Law No. 5 of 2005.
Leasing Law	means the Leasing Law, DIFC Law No. 1 of 2020.
Lot	has the meaning given in the Real Property Law, save that it also applies to Real Property outside the jurisdiction of the DIFC insofar as the law of that jurisdiction so permits.
Mass	means a Tangible Asset which results when a Tangible Asset is so commingled with one or more other Tangible Assets of the same kind that they have lost their separate identities.
Money	has the meaning given in the Contract Law.
Movable Asset	means a tangible or intangible asset, other than Real Property.
Negotiable Document	means any instrument or any other writing (in tangible form or in the form of an Electronic Trade Document) that confers one or more rights specified in that instrument or writing, on the bearer of the instrument or to the order of a named person, in respect of a Tangible Asset (other than a Negotiable Instrument).
Negotiable Instrument	has the meaning given in Part 6 of the Law of Obligations.
Netting Agreement	has the meaning given in the Netting Law.
Netting Law	means the Netting Law, DIFC Law No.2 of 2014.
Nominated Person	means a bank or other person that is identified in an Independent Undertaking by name or type (for example, “any bank in country X”) as being nominated to give value under an Independent Undertaking and that acts pursuant to that nomination and, in the case of a freely available Independent Undertaking, any bank or other person.
Non-intermediated Financial Property	means Financial Property other than Intermediated Financial Property.
Non-intermediated Equity Securities	means equity securities that are also Non-intermediated Financial Property.
Notification of a Security Right in a Receivable	means a notice by the Grantor or the Secured Creditor informing the Debtor of the Receivable that a Security Right has been created in the Receivable.
Operating Law	means the Operating Law, DIFC Law No. 7 of 2018.

Term	Definition
Personal Property Law	means the Personal Property Law, DIFC Law No. 9 of 2005.
Physical Money	means Money that is in tangible form.
Possession	means: <ul style="list-style-type: none"> (a) in relation to a Tangible Asset, the actual possession of a Tangible Asset by a person or its representative, or by an independent person that acknowledges holding it for that person; (b) in relation to an Electronic Trade Document, the control of an electronic trade document within the meaning of Article 153B of the Law of Obligations by a person or its representative, or by an independent person that acknowledges holding it for that person; (c) for the purpose of Article 88, if the Encumbered Asset is a Digital Asset that is not an Electronic Trade Document, Control of the Digital Asset by a person or its representative, or by an independent person that acknowledges holding it for that person.
Preferential Debts	means the debts so specified by the Insolvency Law and Regulations made thereunder.
President	means the President of the president of the DIFC, appointed by a decree of the Ruler pursuant to Dubai Law.
Priority	means the right of a person in an Encumbered Asset in preference to the right of a Competing Claimant.
Proceeds	means whatever is received in respect of an Encumbered Asset, including what is received as a result of a sale or other transfer, lease, licence or collection of an Encumbered Asset, civil and natural fruits, insurance proceeds, claims arising from defects in, damage to or loss of an Encumbered Asset, and proceeds of proceeds.
Product	means a Tangible Asset which results when a Tangible Asset is so physically associated or united with one or more other Tangible Assets of a different kind, or when one or more Tangible Assets are so manufactured, assembled or processed, that they have lost their separate identities.
RDC 2014	means The Rules of the Dubai International Financial Centre Courts 2014 (as may be amended from time to time).
Real Property	is defined as including land, buildings, and items placed in, on or under the land comprising a Lot with the intention that such buildings and Fixtures should remain in position permanently or indefinitely, whether or not such property is within the jurisdiction of the DIFC, and a Real Property Interest.
Real Property Interest	means any ownership interest in Real Property, including a Fixture forming part of the Real Property.
Real Property Law	means the Real Property Law, DIFC Law No. 10 of 2018.
Real Property Register	has the meaning given in the Real Property Law or, in relation to Real Property outside the jurisdiction of the DIFC, a register that serves a functionally similar purpose.
Receivable	means a right to payment of a monetary obligation, excluding a right to payment evidenced by a Negotiable Instrument, a right to payment of Money credited to a

Term	Definition
	Bank Account, a right to receive the proceeds under an Independent Undertaking and a right to payment under a Non-intermediated Financial Property.
Recognised Financial Services Regulator	means the DFSA and any regulator of financial service activities established in a jurisdiction other than the DIFC recognised by the Registrar of Companies appointed pursuant to Article 6 of the Operating Law as applying equivalent standards of regulation as those applicable in the DIFC.
Redelivery Obligation	has the meaning set out in Article 109(5).
Registrar	means the Security Registrar appointed pursuant to Article 130 of this Law.
Regulations	has the meaning given in Article 2 of Schedule 2 of this Law.
Right of Use	the right of the Secured Creditor to use or dispose of Financial Collateral or interests in Financial Collateral as owner of it in accordance with the terms of the Financial Collateral Arrangement.
Right to receive the proceeds under an Independent Undertaking	means the right to receive a payment due, a draft accepted or deferred payment incurred or another item of value, in each case to be paid or delivered by the Guarantor/Issuer, Confirmer or Nominated Person giving value for a draw under an Independent Undertaking. The term does not include: <ul style="list-style-type: none"> (a) the right to draw under an Independent Undertaking; or (b) what is received upon honour of an Independent Undertaking.
Ruler	means the Ruler of the Emirate of Dubai.
Security Agreement	means: <ul style="list-style-type: none"> (a) an agreement, regardless of whether the parties have denominated it as a Security Agreement, between a Grantor and a Secured Creditor that provides for the creation of a Security Right; or (b) an agreement that provides for the outright transfer of a Receivable.
Secured Creditor	means: <ul style="list-style-type: none"> (a) a person that has a Security Right; and (b) a transferee under an outright transfer of a Receivable by agreement.
Security Financial Collateral Arrangement	an arrangement pursuant to which a collateral provider or a Debtor provides Financial Collateral by way of a Security Right in favour of, or to, a Secured Creditor and where legal title ownership of the Financial Collateral remains with such collateral provider or Debtor when such Security Financial Collateral Arrangement is established, for the purpose of securing or otherwise covering the performance of the relevant financial obligations owed to the Secured Creditor.
Secured Obligation	means an obligation secured by a Security Right.
Security Registry	means the Security Registry established under the 2005 Law.
Securities Regulations	means the Securities Regulations made pursuant to the 2005 Law and continued under this Law.
Security Right	means: <ul style="list-style-type: none"> (a) a property right in a Movable Asset that is created by an agreement to secure payment or other performance of an obligation, regardless of whether the parties have denominated it as a Security Right, and regardless of the type of

Term	Definition
	<p>asset, the status of the Grantor or Secured Creditor, or the nature of the Secured Obligation; and</p> <p>(b) the right of the transferee under an outright transfer of a Receivable by agreement.</p>
Tangible Asset	<p>means any tangible Movable Asset and Tangible Asset includes Physical Money, Negotiable Instruments, Negotiable Documents and Certificated Non-intermediated Financial Property except in:</p> <p>(a) the definitions pursuant to this Schedule 2 of Acquisition Security Right, Equipment, Inventory, Mass and Product;</p> <p>(b) articles 18, 28, 42, 43 and 47 to 51.</p>
Title Transfer Financial Collateral Arrangement	<p>an arrangement pursuant to which legal title ownership of Financial Collateral is transferred to the Secured Creditor for the purpose of securing or otherwise covering the performance of the relevant financial obligations owed to the Secured Creditor.</p>
Uncertificated Non-intermediated Financial Property	<p>means Non-intermediated Financial Property not represented by a certificate.</p>
2005 Law	<p>means the Law of Security 2005, DIFC Law No. 8 of 2005.</p>