
Federal Law No. (20) of 2016

Issued on 12/12/2016

Corresponding to 13 Rabi' Al-Awwal 1438 H

ON THE MORTGAGE OF MOVABLE PROPERTY TO SECURE DEBT

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

Pursuant to the perusal of the Constitution,

Federal Law no. (1) of 1972 on the Competencies of the Ministries and Powers of the Ministers, and its amendments;

Federal Law no. (5) of 1975 on the Commercial Register;

Federal Law no. (10) of 1980 on the Central Bank, the Monetary System and the Organisation of the Banking Profession;

Federal Law no. (26) of 1981 on the Maritime Commercial Law, and its amendments;

Federal Law no. (5) of 1985 promulgating the Civil Transactions Law, and its amendments;

Federal Law no. (6) of 1985 on Islamic Banks, Financial Institutions and Investment Companies;

Federal Law no. (3) of 1987 promulgating the Penal Code, and its amendments;

Federal Law no. (10) of 1992 promulgating the Law of Evidence in Civil and Commercial Transactions and its amendments;

Federal Law no. (11) of 1992 promulgating the Civil Procedure Law and its amendments;

Federal Law no. (35) of 1992 promulgating the Criminal Procedure Law, and its amendments;

Federal Law no. (37) of 1992 on trademarks;

Federal Law no. (44) of 1992 on the Regulation and Protection of Industrial Property Rights for Patents and Industrial Designs and Models;

Federal Law no. (18) of 1993 promulgating the Commercial Transactions Law;

Federal Law no. (1) of 2006 on e-commerce and transactions;

Federal Law no. (6) of 2010 on credit information;

Federal Law no. (1) of 2011 on the general revenues of the UAE;

Federal Law no. (2) of 2015 on the commercial companies;

And based on the proposal of the Minister of Justice, the approval of the Council of Ministers and the Federal National Council and the ratification of the Federal Supreme Council,

Have issued the following Law:

Chapter 1

Definitions and Scope of Application

Article 1 - Definitions

In the application of the provisions of the present Law, the following words and expressions shall have the meanings assigned thereto unless the context requires otherwise:

State: The United Arab Emirates.

Ministry: The Ministry of Finance.

Minister: The Minister of Finance.

Mortgage Right: Security right entailing an accessory real right on a movable property to secure the fulfilment of an obligation.

Mortgaged Property: Movable property placed as a security to fulfil an obligation.

Proceeds of the Mortgaged Property: Any in-kind or cash payment resulting from the execution against or usufruct of the mortgaged property or the replacement of another property thereby, or any compensation obtained by the mortgagor as a result of depreciation or damage of the mortgaged property or any other compensation. This shall not include the proceeds of execution against the mortgaged property.

Mortgagee: The creditor benefiting from the mortgage right.

Mortgagor: The owner of the mortgaged property.

Principal Debtor: The debtor in respect of whose default the security is given, if not owner of the mortgaged property.

Mortgage Contract: The contract concluded between the mortgagor and the mortgagee on the establishment of the mortgage right.

Register: The electronic Register allocated for the declaration of rights on movable property.

Declaration: The registration of rights on movable property in the Register, including the registration of any amendment, extension, cancellation, notification or objection made thereto.

Accounts Payable: Cash amounts due currently or in the future to the mortgagor resulting from the practice of its works.

Court: The competent Court of Appeal according to the provisions of the Federal Civil Procedure Law.

Article 2 - Scope of Application of the Law

1- The provisions of this Law shall apply to any contract creating a mortgage right within the commercial or civil transactions carried out according to the provisions of this Law.

2- The provisions of this Law shall not apply to the mortgage right arising solely from acquisition, and it shall be subject to the provisions of the applicable laws governing the mortgage right on movables.

3- The provisions of this Law shall not apply to movable property of which all dispositions shall be Registered in a special Register as per the laws in force.

Chapter 2

Mortgaged Property

Article 3 - Property that may be subject to mortgage

Any current or future material or moral movable property may be subject to mortgage, including the following:

1- Accounts payable.

2- Payables and deposits at licensed banks and financial institutions, including the current account and deposit accounts.

3- Written bonds and documents of which ownership is transferable through delivery or endorsement, proving entitlement to an amount or ownership of goods, including commercial papers, certificates of deposit, bills of lading and warehouse bonds.

4- Work equipment and tools.

5- Material and moral elements of a business concern, without prejudice to the possibility of mortgage thereof under the Commercial Transactions Law and the Trademarks Law.

6- Goods intended for sale or lease, raw materials and goods in the process of manufacturing or transformation.

7- Agricultural crops, animals and their products, including fish and bees.

8- Fixture, provided that it may be separated from the real estate without causing damage.

9- Any other movable property considered by the applicable laws at the State as valid to be subject to mortgage according to the provisions of this Law.

Article 4 - Property that may not be subject to Mortgage Right

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

1- Objects intended for the personal or home use necessary for the person and his dependants, unless used as a mortgaged property to finance the purchase thereof.

2- Entitlements of the insured or beneficiary of an insurance contract, unless these entitlements are considered proceeds of the mortgaged property.

3- Expenditures, wages, salaries and compensation of workers and employees.

4- Public funds, endowment funds, foreign diplomatic and consular corps' funds, and funds of government international organisations.

5- Future rights entailed from inheritance or will.

Article 5 - Mortgage Right without Dispossession

Movable property may be mortgaged without the need to transfer the possession thereof to the mortgagee or to third parties, by declaring such disposition according to the provisions of this Law. The declaration shall entail all the rights of the mortgagee as if he was in possession of the mortgaged property.

Chapter 3

Register

Article 6 - Establishment of the Register

1- A Register shall be established for the declaration of the rights according to the provisions of this Law by a decision issued by the Council of Ministers. The decision shall determine the entity that will manage and supervise the Register based on the proposal of the Minister.

2- The Implementing Regulation of this Law shall determine the regulation of the work of the Register and the procedures followed concerning the registration therein and the fees prescribed for the use thereof.

Article 7 - Right to Access the Register

The parties to the mortgage contract may specify in their agreement if they wish to allow the public to access the information declared in the Register. In all cases, the public may view the basic information stated in the Register within the limits of the conditions set forth in the Implementing Regulation of this Law. A report including the information stated in the Register may be requested in a hard copy or soft copy. If such report is ratified by the Register, it shall have a binding force towards everybody in proving the date and time of declaration and any information declared in the Register. The Implementing Regulation of this Law shall regulate the conditions of obtaining the report.

Chapter 4

Creation of the Mortgage Right and its Enforcement among the Parties thereof

Article 8 - Mortgage Contract

The following conditions shall be met for the creation of the mortgage right under the provisions of this Law:

- 1- The mortgage contract shall be made in writing as specified by the Implementing Regulation of this Law.
- 2- The mortgagor shall be competent to dispose of the mortgaged property or shall be authorised to create mortgage right thereon.
- 3- The mortgage contract shall include a description of the mortgaged property. The Implementing Regulation of this Law shall determine the degree and type of description, whether general or specific, according to the nature of the funds and according to the customary rules of dealing with the mortgaged property.
- 4- The agreement shall include the declaration of the mortgagor on the presence of any rights related to others, based on the mortgaged property.
- 5- The mortgagor, principal debtor or mortgagee shall notify the owner of the mortgaged property of the mortgage contract in case the mortgaged property is not in the possession of the mortgagor.
- 6- The mortgagee shall pay the fee agreed upon in the mortgage contract or commit to pay the same.

Article 9 - Preservation of the Mortgage Right

The owner of the mortgaged property shall act with due care in the preservation thereof in a way that is commensurate with its nature, unless there is an agreement to act with special care.

Chapter 5

Enforcement of the Mortgage Right towards Third Parties

Article 10 – Enforcement of the Mortgage Right towards Third Parties through Declaration

- 1- The mortgage right shall be enforceable and produce its legal effects towards third parties upon mere declaration in the Register according to the provisions of this Law.
- 2- If the mortgage right was created on the mortgaged property and was declared according to the provisions of this Law, no subsequent mortgage right may be created on the same mortgaged property unless through declaration thereof.

3- Notwithstanding Clause (1) of this Article, the initial approval of the parties to create the mortgage right on an existing or future mortgaged property, may be declared. Such declaration shall produce all the effects of the mortgage right between the parties and in confronting others. In such case, the parties shall conclude the mortgage contract and declare it within five working days from the date of possession of the mortgaged property by the mortgagor or the principal debtor. They may extend this period by not more than thirty days.

4- The mortgagee shall pay the fees and expenses of declaration of the mortgage right in the Register unless it was otherwise agreed.

Article 11 - Use of the Register to record other Rights

1- The following rights agreed upon may be recorded in the Register according to the provisions of this Law:

a- Right of the lessor on the funds subject to an operating lease contract if the contract is of one year or more.

b- Right of the owner of goods placed for sale.

c- Right of the lessor in the financing lease.

2- The registration of these rights shall entail the same effects entailed by this Law within the limits of the provisions related to the regulation of their enforceability towards others, the procedures of execution against them and determination of the priority of fulfilling rights from the revenues and from the proceeds of execution against them. The Implementing Regulation shall determine the method and fees of registration of such rights.

Article 12 - Declaration

1- Declaration shall be made by filling the form prepared for this purpose in the Register, provided that it includes the basic information that should be included in the mortgage contract as set forth in the Implementing Regulation of this Law.

2- The mortgagor, principal debtor and mortgagee shall determine the addresses of any person to be notified according to the provisions of this Law and they shall seek to obtain his written consent on the acceptance of notification thereof by electronic means. In case the written consent could not be obtained, notification shall be made through express mail or registered mail with acknowledgment of receipt.

3- The declaration in the Register shall be considered as a legally effective notification to those who accepted to be notified by declaration.

Article 13 - Objection

1- Any person whose name was declared as mortgagor, principal debtor or mortgagee, may object to the same before the Court within (5) working days from the date of notification thereof. In such event, he shall declare his objection in the Register as determined by the Implementing Regulation of this Law. The filing of objection shall not entail any effect on the enforceability of the mortgage right towards others, until the issuance of the Court's decision to either reject the objection or remove the declaration.

2- If the owner of the mortgaged property has an undeclared mortgage right on the same mortgaged property, he may object before the Court to the declaration of the mortgage contract following his

ownership, if the declaration entails a right for the benefit of third parties, and that within (5) five working days from the date of notification thereof according to Clause (5) of Article (8) of this Law or from the date of declaration of the mortgage contract, whichever comes later. The Court may, in such event, issue a decision to determine the priority of the owner of the mortgaged property in the declaration.

3- The Court shall decide on the filed objection according to Clauses (1) and (2) of this Article within (10) ten working days from the date of appeal, extendable for another similar period. Its decision shall be considered final and no appeal shall be accepted in any way.

Article 14 - Assignment of the Mortgage Right

The mortgagee may assign the mortgage right without obtaining the consent of the mortgagor. The mortgagee or the assignee shall declare the assignment as an amendment to the previous declaration, due to its validity towards the mortgagor and the principal debtor. Non-declaration of the assignment shall not affect the enforceability of the mortgage right towards others.

Article 15 - Declaration of Attachment of the Mortgaged Property

1- If an order or ruling was issued to impose provisional or executive seizure of the declared mortgaged property, the person in favour of whom the order or ruling was issued shall declare the rights decided by the order or the ruling on the mortgaged property.

2- The decision issued by the Court according to Clause (1) of this Article shall be considered enforceable towards third parties from the date and time of declaration in the Register.

Article 16 - Expiry of the Declaration

1- The declaration shall be ineffective in the following cases:

a- If the mortgagee agrees with the mortgagor or the principal debtor upon the removal of the declaration from the Register.

b- If the mortgage right has expired as a result of fulfilment of the principal debtor's obligation under the mortgage contract or for any reason before expiry of the period specified in the Register.

c- If the primary creation of the mortgage right was not completed according to Clause (3) of Article (10) of this Law.

d- If the mortgagee does not carry out his obligations after declaration of the mortgage contract.

e- If a decision is issued by the Court according to the provisions of this Law to remove the declaration from the Register.

2- The mortgagee shall cancel the declaration within (5) five working days from the date one of the cases set forth in Clause (1) of this Article.

3- If the mortgagee does not cancel the declaration within the period specified in Clause (2) of this Article, he shall be liable for compensating the mortgagor, principal debtor or others, as the case may be, for any actual damage occurring to any of them as determined by the Court.

4- The impact of cancellation of the declaration shall not affect the right of the other mortgagees who have valid rights under the same mortgage contract, unless they agree on the same in writing.

Article 17 - Effects of the Enforceability of the Rights against Third Parties

1- The declaration of the mortgage right shall entail the priority of the mortgagee to advance other creditors in fulfilling his rights of the mortgaged property. Such priority shall be determined according to the date and time of declaration of the mortgage right.

2- The mortgage right shall continue to be effective towards others if the mortgaged property was followed by another movable asset in a detachable manner.

Chapter 6

Pursuing and Priority Rights

Article 18 - Right of Pursuit

1- The declaration of the mortgage right shall give the mortgagee the right of pursuit with respect of the mortgaged property in possession of any person in order to fulfil his rights.

2- Notwithstanding Clause (1) of this Article, the mortgaged property shall be transferred, free from any mortgage right, to its purchaser, tenant or any other person acquiring a right thereon, if the mortgagee agrees on the same in the mortgage contract or in a separate agreement.

3- If the goods are placed for sale according to a declared guarantee agreement and they were disposed of within the ordinary framework of the person with whom such goods were placed, the owner's right of pursuit shall be forfeited as long as the disposition was at the market price even if the transferee was aware of the presence of guarantee.

Article 19 - Priority on the Proceeds of the Mortgaged Property

1- The valid mortgage right shall be enforceable towards third parties on the proceeds of the mortgaged property and the mortgagee shall have priority on the proceeds of the mortgaged property according to his order of priority unless otherwise agreed.

2- Unless the parties agree otherwise, the enforceability of the mortgage right towards third parties on the proceeds shall expire if the right of the mortgagee thereon was not declared within (15) fifteen working days from the date of collection thereof, unless the proceeds of the mortgaged property are in cash, may be allocated or are described in the declaration.

Article 20 - Priority of the Mortgage Right on Fixtures

1- Notwithstanding the provisions of the Civil Transactions Law, if a mortgage right was created on a movable property then such property became a fixture, the mortgage right shall remain enforceable towards others and such right shall have priority on any mortgage placed on the real estate where such fixture is located, whether such mortgage was placed on the real estate before or after the mortgage contract related to the fixture, provided that the mortgage right on such fixture is declared in the Register in addition to its registration in the Real Estate Register.

2- The mortgage right may be established on the fixture according to the provisions of this Law if it is detachable without being subject to damage. In such event, such right shall have priority over any other right placed on the fixture if the mortgage right was declared in the Register and was registered in the Real Estate Register before the date of documenting any other entry on such fixture. This may also be possible if there are previous rights on this fixture, provided that the written consent of the mortgagees holding the rights on this fixture, is obtained.

Article 21 - Priority on Goods and Properties of a Business Concern

The mortgage right created on the material and moral elements of the commercial concern for the purpose of financing the purchase thereof, shall have priority over the right of any purchaser, tenant or holder of a lien thereon, provided that the mortgage right is declared before the emergence of any other right thereon.

Article 22 - Priority on Agricultural Crops

1- If the mortgagor or the principal debtor, as the case may be, legally owns a property exploited for the cultivation of agricultural crops, the declared mortgage right created on the agricultural crops in that property, for the purpose of purchasing, sowing, planting, fertilising, nurturing and harvesting the agricultural crops, shall have priority over the rights of the owner of such property and any other mortgage rights placed thereon.

2- The mortgage right declared for financing the purchase of fodder and veterinary medicines for animals, shall have priority over any other mortgage right enforceable towards third parties, except the mortgage right created for financing the purchase of such animals.

Article 23 - Mortgage Right on Fungibles

1- The mortgage right may be created on fungibles if their quantity is determined before being mixed with their identical goods in a way that make them lose their individuality.

2- The mortgage right may be created on fungibles after being mixed with their identical goods if they can be separated.

3- If the mortgage right is created on fungibles and they are mixed with their identical goods, such mixture shall not affect the enforceability of the mortgage right thereon. Such right shall remain enforceable towards third parties on fungibles, each according to its guarantee proportion as of the date of mixture.

Article 24 - Assignment of the Priority Rank

1- The mortgagee may conduct a written assignment of the priority rank prescribed to him according to the provisions of this Law, provided that such assignment is made within the limits of his secured right.

2- The assignment of the rank shall be declared in the Register in order to produce its effects.

Chapter 7

Rights of the Mortgagee

Article 25 - Right of Examination of the Mortgaged Property

1- The mortgagee may ask the owner of the mortgaged property to enable him to examine such property in order to check its condition within a specified period determined in the request.

2- The mortgagee may, at any time, refer to the Magistrate of Summary Justice at the competent Court to request the examination of the mortgaged property in order to verify that it was not disposed of nor destroyed, changed or subject to any act that may cause prejudice to the rights of the mortgagee.

3- If, as a result of the examination, the mortgagee fears any prejudice to his rights, he shall notify the mortgagor or the principal debtor on the address stated in the Register to carry out any of the following:

a- Repair or maintain the mortgaged property at the expense of the mortgagor or principal debtor within the period specified in the notification.

b- Provide alternative or additional security.

4- If the mortgagor or the principal debtor does not carry out the required procedure within the period specified in the notification, the mortgagee may submit a petition to the Magistrate of Summary Justice to obtain an order to seize the mortgaged property in order to take appropriate action to preserve his rights or to consider the term of the secured debt as current and proceed in the procedures of execution against the mortgaged property according to the provisions of this Law.

Article 26 - Right of Offering the Mortgage Ownership

1- The mortgagee may, during the validity period of the mortgage right or upon maturity of the secured debt, agree with the mortgagor to transfer the ownership of the mortgaged property to the mortgagee, in whole or in part, in order to fulfil his rights.

2- In case of other rights declared on the mortgaged property in the Register according to the provisions of this Law, the mortgagee shall declare the offer of transfer of ownership in the Register in order to obtain the written consent of the holders of valid rights on the mortgaged property. The mortgagee offering transfer of ownership shall clear the mortgage right by paying all the rights due to others on the mortgaged property.

3- Any person having rights on the mortgaged property may object to the Court concerning the ownership of the mortgaged property by the mortgagee according to the provisions of this Article, within (10) ten working days from the date of declaration of the offer of transfer of ownership. The Court shall decide on the objection within (10) ten working days from the date of submittal thereof and its decision in this regard shall be considered final. No appeal shall be accepted in any way.

4- If no objection was filed on the request of transfer of ownership, the mortgagee may own the mortgaged property in whole or in part in order to fulfil his rights. In case the Court decides to accept the objection, execution shall take place against the mortgaged property according to the procedures set forth in this Law.

Article 27 - Right of Conventional Execution against the Mortgaged Property

In the event of violation by the mortgagor or principal debtor of the obligations under the mortgage contract or if the agreement was not implemented for any other reason, the mortgagee may notify the mortgagor and the principal debtor of the same in writing in order to seize the mortgaged property, execute against it, separate it from any other attached property, and sell it at the market price within a period of not less than ten working days from the date of receipt of the notification by the mortgagor and principal debtor, according to the following conditions:

1- Agreement on the execution shall be made without referring to the Court.

2- The mortgaged property shall not be burdened by any other mortgage right. In case of another mortgage right established on the same mortgaged property according to the provisions of this Law, the written consent of all the mortgagees shall be obtained.

3- Notification of the owner of the mortgaged property set forth in the Register if the mortgaged property is in the possession of third parties.

4- Should the mortgaged property be a fixture, the owner of real estate in which the mortgaged property is located, the mortgagee creditor of this real estate, the owner of the movable to which the mortgaged property is attached and the holder of such movable shall be notified.

Article 28 - Right of Execution if the Mortgaged Property consists of Written Bonds or Accounts Payable

The mortgagee may, in case of violation by the mortgagor or the principal debtor of the obligations under the contract of execution against the mortgaged property, fulfil his right from the mortgaged property directly without referring to any legal action, in any of the following cases:

1- If the mortgaged property consists of accounts payable at banks, they shall be collected with the expenditures by conducting a set-off, if the mortgagee is the bank holding such account. The mortgaged property shall be claimed if the account is held by another bank.

2- If the mortgaged property consists of bonds or written documents of which ownership may be transferred through delivery or endorsement, execution shall be conducted by delivery or endorsement if their value is equivalent to the mortgage right.

3- If the mortgaged property consists of documents that may be endorsed or delivered and are related to goods, execution against it shall be then conducted according to Article (29) of this Law, unless the goods are equivalent to the mortgage right.

4- The mortgage right shall be executed in the cases set forth in this Article if the mortgagee notifies the mortgagor, the principal debtor and the bank holding the mortgaged account or the holder of the mortgaged bonds or documents, to move the account to the bank account of the mortgagee or to enable him to acquire the account, the bonds or documents, as the case may be.

5- It may be agreed upon in the mortgage contract or in a separate written agreement between the mortgagee and the mortgagor, that the latter assigns in advance his right of notification of the execution procedures against the mortgaged property according to the provisions of this Article.

Chapter 8

Execution through the Judiciary

Article 29 - Request for Order of Seizure for the Execution against the Mortgaged Property

1- The mortgagee may submit a request to the Magistrate of Summary Justice to issue an order of seizure of the mortgaged property and execution against the same according to the provisions of this Law.

2- The request of the mortgagee may include the necessity to place the mortgaged property in the possession of a third person at the expense of the mortgagor or the principal debtor, in preparation for the execution against the mortgaged property and its immediate sale according to the provisions of this Law.

3- The following shall be enclosed to the request:

a- Copy of the mortgage contract and data of the mortgaged property as stated in the Register.

b- Name and address of the person requesting execution.

c- Name and address of the mortgagor and principal debtor.

d- Name of the holder of the mortgaged property, in case it is in the possession of third parties.

e- Name of the owner of the movable property subject to mortgage and the holder thereof, and owner of the real estate where the mortgaged property is located and the holder thereof, and address of each of them, as the case may be.

Article 30 - Declaration of the Request for Order of Seizure

1- The Magistrate of Summary Justice or his representative shall, within (3) three working days from the date of submittal of the request for the order of seizure, declare the request in the Register in order to notify each of the following, where appropriate:

- a- The mortgagor and the principal debtor.
- b- Any other mortgagee on the same mortgaged property.
- c- Holder of the mortgaged property, in case it is in the possession of third parties.
- d- Owner of the movable property subject to mortgage and the holder thereof.
- e- Owner of the real estate where the mortgaged property is located and the creditor mortgagee of such real estate if the mortgaged property is a fixture.

2- The mortgagor or the principal debtor may fulfil the obligation subject to execution, in addition to the fees and expenses, to the Fund of the Court to which the request was submitted, within (5) five working days from the date of notification of the request for order of execution.

3- Any of the persons referred to in Clause (1) of this Article may object to the request for order of seizure for execution purposes, at the Magistrate of Summary Justice, within (5) five working days from the date of notification of the request.

Article 31 - Order of Permit of Seizure

1- The Magistrate of Summary Justice shall decide on the request and any objection thereto within (5) five working days from the date of expiry of the period set forth in Clause (3) of Article (30) of this Law, and may decide thereon without the presence of the parties.

2- The decision of the Magistrate of Summary Justice issued according to Clause (1) of this Article shall be subject to appeal before the Court within (5) five working days from the date of issuance of the decision. The Court shall decide on the appeal within (10) ten working days from the date of filing thereof and its decision in this regard shall be final and may not be subject to any method of appeal.

3- Unless the Court deems otherwise, the filing of the appeal shall not entail the stay of execution of the decision of the Magistrate of Summary Justice. The Court may compel the Appellant to submit a bank guarantee of an amount specified thereby.

4- When the decision ruling seizure and execution against the mortgaged property becomes final, the Magistrate of Summary Justice or his representative, or the Court or its representative, as the case may be, shall declare the order of seizure and execution against the mortgaged property in the Register within (3) three working days from the date of issuance thereof.

5- Taking into account the provisions of Article (35) hereof, the declaration of the order of seizure and execution against the mortgaged property shall not entail the maturity of any other debts secured by the mortgaged property, unless the Court decides otherwise.

6- The Magistrate of Summary Justice may, upon the request of the mortgagee, accept the use of coercive force for the purposes of execution of the order of seizure, provided that this is carried out in the presence of the Court's clerk and police officers.

7- In the event of issuance of an order of seizure for the purposes of execution against the mortgaged property, the Court's clerk shall prepare a report including a detailed description of the status of the mortgaged property, the real estate in which it is located and the movable property attached thereto, as the case may be, and shall deposit a copy of this report in the file.

Article 32 - Repair of the Mortgaged Property for Sale or Exploitation Purposes

1- Once the mortgagee is able to seize the mortgaged property, he may file a petition to the Magistrate of Summary Justice to ask for permission to conduct necessary repairs on the mortgaged property and prepare it for sale at his own expense, provided that the expenditures entailed therefrom are added to the secured debt.

2- The petition set forth in Clause (1) of this Article may include a request to enable the mortgagee to exploit the mortgaged property and collect the profits and benefits thereof and other amounts resulting from the exploitation thereof, provided that any expenses paid by the mortgagee are deducted from such proceeds.

Article 33 - Sale Procedures

1- The Court may authorise the mortgagee, following the issuance of the order allowing him to seize and execute against the mortgaged property, to sell the latter, provided that he acts with sufficient care for the sale thereof at a price not lower than the market price without following any of the sale procedures set forth in the Civil Procedure Law.

2- The Court may, if it finds it necessary to preserve the value of the mortgaged property, specify in the order permitting the mortgagee to seize and execute against the mortgaged property, the conditions of the sale method or may decide the sale method and determine a minimum limit of the sale price to be specified according to the market price.

3- The Court may decide to allow the mortgagor to sell the mortgaged property if it was proved that he is able to sell it at a higher price, within the period specified by the Court and under the supervision of the mortgagee or the Court.

4- If the Court allows the mortgagee to sell the mortgaged property, he shall declare the Court's decision in the Register five working days before the date specified for sale, otherwise it shall be considered void, provided that the declaration includes the following:

a- Name and address of the mortgagee.

b- Names and addresses of the mortgagor and principal debtor.

c- Description of the mortgaged property to be sold.

d- Sale method.

e- Date, time and place of sale.

5- Notwithstanding the provisions of Clause (2) of this Article, if the mortgaged property was exposed to destruction, damage or depreciation or if the acquisition thereof entails great expenses and the mortgagor or principal debtor do not wish to provide a substitute thereof, the mortgagee may ask the Court for permission to sell it immediately and the security shall be transferred to the proceeds of sale.

Article 34 - Transfer of Ownership of the Mortgaged Property upon Execution

The sale of the mortgaged property according to the procedures set forth in this Law shall entail the clearance of the mortgage rights therefrom. Such rights shall be transferred to the execution proceeds.

Article 35 - Clearance of the Mortgage Obligations

1- Any person may, through the implementation of the execution procedures, offer the mortgagee to settle the rights on the mortgaged property, in whole or in part, in order to clear the obligations entailed on the mortgaged property. Such offer shall be sent by declaration.

2- The mortgagee who received the notification set forth in Clause (1) hereof may accept the offer in writing within (5) five working days from the date of receipt of notification and confirm such acceptance through declaration.

3- The person who made the offer shall fulfil all the obligations entailed on the mortgaged property to the mortgagee who accepted the offer according to the agreement, within a period not exceeding five working days from the date of expiry of the period set forth in Clause (2) hereof, and shall replace the mortgagee whose rights were settled and in the same rank.

4- The person who cleared the obligations entailed on the mortgaged property may, according to the provisions of this Article, leave it in the possession of the mortgagor or the principal debtor or may start the execution against the mortgaged property according to the provisions of this Law.

Article 36 - Deposit of the Execution Proceeds

The mortgagee who executed against the mortgaged property according to the provisions of Article (33) hereof, shall deposit the execution proceeds at the Treasury of the Court in the jurisdiction of which the sale was made, within two working days according to the standard report of sale procedures set forth in the Implementing Regulation of this Law.

Article 37 - Distribution of the Mortgaged Property Proceeds and Execution Proceeds

1- The Court, in the jurisdiction of which the sale was made, shall prepare a temporary list of distribution of the execution proceeds according to the priorities set forth in the provisions of this Law and shall notify them to the claimant of execution and holders of other rights on the mortgaged property. It may order any of them to prove their right on the mortgaged property.

2- The Magistrate of Summary Justice at the Court in the jurisdiction of which the sale was made shall make the final distribution of the execution proceeds within (5) five working days from the date of the Court's decision of distribution. Any decision issued by the Magistrate of Summary Justice in this regard shall be deemed final and may not be appealed in any way whatsoever.

3- The proceeds of the mortgaged property and the execution proceeds shall be distributed as per the following order:

a- Expenses of maintenance and repair of the mortgaged property and its preparation for sale and any fees paid for its licensing, preservation and use according to the provisions of the Law.

b- Fees and expenses of execution against the mortgaged property, including the judicial fees.

c- Mortgagees' rights according to their priorities set forth in this Law.

d- The rest of the execution proceeds shall be distributed according to the priorities set forth in the applicable laws at the State.

4- If the proceeds of the mortgaged property and the execution proceeds are not sufficient to fulfil the resulting obligations, the principal debtor shall remain liable towards the mortgagee for any decrease of the debt value. In such event, the decrease is considered an ordinary debt.

5- The surplus of the execution proceeds shall be returned to the mortgagor.

Article 38 - Stay of Execution

1- The mortgagor or the principal debtor may request the Magistrate of Summary Justice, during the execution procedures, to order stay of execution on the mortgaged property for a period not exceeding (5) working days and for justifiable reasons.

2- The Magistrate of Summary Justice shall grant the mortgagor, the principal debtor and the mortgagee the opportunity to negotiate in order to reach a settlement within the period set forth in Clause (1) of this Article or during the period approved by the mortgagor, principal debtor and mortgagee. In case a settlement is reached, it shall be made in writing and declared within (5) five working days from the date of the settlement. The settlement conditions shall be subject to the rules applied to the mortgage contract according to the provisions of this Law.

3- The Magistrate of Summary Justice may respond to the request of stay of execution if he deems that the results of execution may not be remedied. In case he decides the stay of execution, he may assign the person requesting the same to submit a cash deposit or bank guarantee of which value is determined by the judge in order to compensate the damage that may be incurred by the mortgagee.

4- The decision of the Magistrate of Summary Justice concerning the request of stay of execution shall be deemed final and no appeal may be accepted in any way whatsoever.

Article 39 - Bankruptcy of the Mortgagor

None of the provisions related to the procedures of execution against the mortgaged property set forth in this Law shall be applied in case of commencement of any preventive composition or bankruptcy procedures or the like towards the mortgagor as per the laws in force.

Article 40 - Compensation of the Mortgagor and Principal Debtor

The mortgagee shall be liable for compensating the mortgagor, the principal debtor and any holder of right to the mortgaged property, for any damage or loss of profits resulting from his violation of the execution procedures set forth in this Law.

Chapter 9

Article 41 - Penalties

The mortgagor, mortgagee, principal debtor or owner of the mortgaged property shall be punished by imprisonment and a fine not less than AED (30,000) thirty thousand Dirhams or by either penalty, in case of committing any of the following:

1- He deliberately declared the mortgage right contrary to the truth or in a way violating the provisions of this Law.

2- He deliberately damaged the mortgaged property or disposed thereof in a way violating the mortgage contract or decreasing the value of the mortgaged property or causing prejudice to the

rights of the mortgagees, or carried out any act that deprived them of collecting their rights to the proceeds of said mortgaged property or execution against it.

3- He deliberately impeded the procedures of execution against the mortgaged property including the procedures of seizure, sale, distribution of revenues or proceeds of execution according to the provisions of this Law.

Article 42 - Liability for the Legal Entity

Any members of the Board of Directors, Board of Managers, joint partners and employees appointed at the legal entity, who commit any of the acts set forth in Article (41) hereof shall be punished by imprisonment and a fine not less than AED (30,000) thirty thousand Dirhams or by either penalty unless they proved that they were not aware of, or did not participate in, the decision-making that included the violation of the provisions of this Law or proved their objection thereto.

Article 43 - Most Severe Penalty

The penalties stipulated herein shall not prevent any severer penalty provided for in any other law.

Chapter 10 General Provisions

Article 44 - Previous Transactions and Adjustment of Situations

1- The mortgagee may declare any mortgage right arising by acquisition before the entry into force of the provisions of this Law, within one year from such date, provided that a proof on the existence of the mortgage contract is enclosed.

2- If the mortgage right arises by acquisition alone after the entry into force of the provisions of this Law, the mortgagee shall search in the Register for the existence of any right on the mortgaged property through declaration and the rank of its guarantee before accepting any mortgage right arising through acquisition alone.

3- The priority of the rights declared as per Clause (1) of this Article shall be determined according to the date of emergence of such right.

4- The declaration of the mortgage right according to the provisions of this Law shall not be considered as violation to the obligation of confidentiality imposed by the laws in force.

Article 45 - Notification according to the Provisions of this Law

1- Any notification made to the addresses determined in the Register, including the e-mail address, if any, shall be considered legal and effective according to the provisions of this Law.

2- The persons to be notified according to the provisions of this Law shall be notified on the address stated in the Register. The notification made to the e-mail address shall be considered effective according to the provisions of this Law in case the written consent of the concerned person is obtained, considering that the e-mail address is approved for the purposes of notification through declaration.

Article 46 - Issuance of the Implementing Regulation of this Law

The Implementing Regulation of this Law shall be issued by a Cabinet Decision within six months from the date of entry into force of this Law.

Article 47 - Publication of the Law

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

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Khalifa Bin Zayed Al Nahyan

President of the United Arab Emirates State

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