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**ISLAMABAD, FRIDAY, JULY 1, 2016**

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**PART I**

**Acts, Ordinances, President's Orders and Regulations**

**SENATE SECRETARIAT**

*Islamabad, the 29th June, 2016*

**No. F. 9(12)/2016-Legis.**—The following Act of *Majlis-e-Shoora* (Parliament) received the assent of the President on 28th June, 2016 and is hereby published for general information:—

**ACT NO. XXXI OF 2016**

*An Act to provide for the creation of security interests over movable property and to establish a secured transactions registry*

WHEREAS it is expedient for the promotion and conduct of banking business to provide for the creation of security interests over movable property to secure the obligations owed by a customer to a financial institution, clarify and expand for the purpose the meaning and scope of movable property, provide for the establishment of a secured transactions registry, define, amend and codify certain laws relating to security interests over movable property and provide for matters connected therewith or incidental thereto.

It is hereby enacted as follows:—

(639)

*Price : Rs. 30:50*

## PART I

## PRELIMINARY

1. **Short title, commencement and application.**—(1) This Act may be called the Financial Institutions (Secured Transactions) Act, 2016.

(2) It extends to the whole of Pakistan.

(3) It shall come into force upon issuance of the notification by the Federal Government under sub-section (2) of section 19.

2. **Definitions.**—(1) In this Act, unless there is anything repugnant in the subject or context,—

- (i) “account debtor” means any person liable, whether under a contract or otherwise, to pay any receivables or discharge any obligation in respect of receivables;
- (ii) “after-acquired property” means movable property that is acquired by a customer after entering into a security agreement, and includes future receivables as specified in the explanation to sub-section (4) of section 53;
- (iii) “agricultural produce” means —
  - (a) any produce of agriculture or horticulture, including but not limited to crops (including growing crops), standing timber, poultry, fish and livestock (including unborn offspring); and
  - (b) products derived from any produce under clause (i), including but not limited to meat, eggs, hides, bones, skins, wool and hair;
- (iv) “assignee” means a person in whose favour the receivables are assigned;
- (v) “assignment of receivables” means a transfer of rights, title, interests and benefits of the receivables by the assignor to the assignee;
- (vi) “assignor” means a person who assigns the receivables;
- (vii) “book-entry security” shall have the same meaning as is assigned to it under clause (5) of section 2 of the Central Depositories Act, 1997 (XIX of 1997);

- (viii) “collateral” means the movable property, located in or outside Pakistan, that is subject to a security interest;
- (ix) “commingled goods” means a product or mass that is produced or manufactured by physically associating or uniting collateral with other movable property in such a manner that the identity of the collateral is lost in such product or mass;
- (x) “company” shall have the same meaning as is assigned to it under clause (7) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xi) “control” with respect to a deposit account exists —
  - (a) automatically upon the creation of the security interest if the secured creditor is the depository bank; or
  - (b) if the depository bank has entered into a control agreement with the customer and the secured creditor;
- (xii) “control agreement” means an agreement in writing between the secured creditor, customer and the depository bank according to which the depository bank has agreed to follow instructions from the secured creditor with respect to the payment of funds credited in the deposit account without further consent from the customer;
- (xiii) “customer” shall have the same meaning as is assigned to it under clause (c) of section 2 of the Recovery Ordinance and shall be deemed to include an entity;
- (xiv) “deposit account” includes a current or a savings account maintained with a depository bank to which funds may be credited;
- (xv) “depository bank” means the financial institution maintaining a deposit account;
- (xvi) “electronic” shall have the same meaning as is assigned to it under clause (1) of section 2 of the Electronic Transactions Ordinance, 2002 (Ordinance No. LI of 2002);
- (xvii) “entity” means a person other than a company, and includes a natural person, a sole proprietorship, a partnership or association of persons, a non-government organization registered under the Voluntary Social

Welfare Agencies (Registration and Control) Ordinance, 1961 (XLVI of 1961) or any other law for the time being in force for the registration of a non-government organization, a cooperative society registered under the Co-operative Societies Act, 1925 (VII of 1925) or any other law for the time being in force for the registration of a cooperative society, a society registered under the Societies Registration Act, 1860 (XXI of 1860) or any other law for the time being in force for the registration of a society, a trust created under the Trusts Act, 1882 (II of 1882); and a body corporate established pursuant to a law;

- (xviii) “event of default”, in relation to a security agreement, means —
- (a) the failure to pay or to otherwise perform the obligation secured under the security agreement when due; or
  - (b) an event that gives the secured creditor the right to enforce the security interest under the security agreement;
- (xix) “exempted property” means movable property as notified by the Federal Government for the purposes of sub-section (2) of section 4 notwithstanding anything inconsistent therewith contained in the proviso to sub-section (1) of section 60 of the Code of Civil Procedure, 1908 (Act V of 1908) or any other law for the time being in force, provided that until such notification has been issued the proviso to sub-section (1) of section 60 of the Code of Civil Procedure, 1908 (Act V of 1908) shall continue to apply;
- (xx) “financing statement” means the prescribed form to be filed in the register for the purposes of entering the particulars of a security interest created by an entity in the register;
- (xxi) “floating charge” means a charge created by a customer, on all present and after-acquired movable property or a certain class of present and after-acquired movable property (including receivables or inventory), in favour of a secured creditor and pursuant to which the customer is free to deal with the movable property in the ordinary course of its business until the crystallization, in terms of the security agreement, of such charge into a fixed charge;
- (xxii) “Form 10” means the prescribed form to be filed with the registrar of companies for the purposes of entering the particulars of a security interest created by a company in the register of mortgages and charges under the Companies Ordinance, 1984 (XLVII of 1984);

- (xxiii) "Form 16" means the prescribed form to be filed with the registrar of companies for the purposes of modifying the particulars of a security interest created by a company in the register of mortgages and charges under the Companies Ordinance, 1984 (XLVII of 1984);
- (xxiv) "hypothecation" means a charge created by a customer, on all or any present or after-acquired movable property, in favour of a secured creditor without delivery of possession of the movable property to such secured creditor;
- (xxv) "immovable property" shall include land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth, and shall, notwithstanding anything inconsistent therewith contained in the General Clauses Act, 1897 (X of 1897), Transfer of Property Act, 1882 (IV of 1882), Registration Act 1908, (XVI of 1908) and any other law for the time being in force, exclude property attached to immovable property as defined in clause (xxxviii) of this sub-section;
- (xxvi) "information system" shall have the same meaning as is assigned to it in section 2 (p) of the Electronic Transactions Ordinance, 2002 (LI of 2002);
- (xxvii) "modification statement" means the prescribed form to be filed in the register for the purposes of effecting the modification to a registered financing statement;
- (xxviii) "motor vehicle" shall have the same meaning as is assigned to it under sub-section (23) of section 2 of the Motor Vehicles Ordinance, 1965 (XIX of 1965);
- (xxix) "movable property" means any tangible or intangible property other than immovable property, including but not limited to receivables; rights under letters of credit; rights under trust receipts; securities (including Government securities) other than hook-entry securities; right to funds credited in a deposit account; title documents; negotiable instruments; intellectual property, including patents, trademarks, copy rights, trade-names, goodwill, royalties; stock in trade; inventory; interest in partnership and other form of entity; ornaments; jewellery; stones; goods-in-transit; agricultural produce; leaves; grass, including growing grass; petroleum or minerals that have been extracted; motor vehicles and property attached to immovable property as defined in clause (xxxviii) of this sub-section;

- (xxx) “negotiable instrument” shall have the same meaning as is assigned to it under section 13 of the Negotiable Instruments Act, 1881 (XXVI of 1881);
- (xxxi) “notification” means a notification published in the official Gazette;
- (xxxii) “perfection” means the act required to be done in terms of section 14 to make a security interest effective against third parties;
- (xxxiii) “pledge” shall have the same meaning as is assigned to it under section 172 of the Contract Act, 1872 (IX of 1872) and excludes a security interest in a negotiable instrument or a security interest in collateral covered by a title document;
- (xxxiv) “possession” means the actual possession of collateral by a person or an agent or employee of that person, or by an independent person that acknowledges holding it for that person;
- (xxxv) “preferential claims” means the claims to be paid in priority on insolvency of a customer as prescribed in section 405 of the Companies Ordinance, 1984 (XLVII of 1984) or section 61 of the Provincial Insolvency Act, 1920 (V of 1920) or section 49 of the Insolvency (Karachi Division) Act, 1909 (III of 1909), as applicable;
- (xxxvi) “prescribed” means prescribed by rules or regulations made under this Act;
- (xxxvii) “proceeds” means identifiable or traceable movable property derived from collateral including (a) movable property acquired, directly or indirectly, upon the sale, lease, licence, exchange, or any other mode of alienation of collateral; (b) natural fruits of the collateral, including harvested produce where the collateral is crops or wool, meat or offspring; where the collateral is livestock; (c) any and all amounts, revenues and receivables paid or payable under or in connection with the collateral; (d) rights arising out of the collateral, including a right to an insurance payment or any other payment as indemnity or compensation for loss of, or damage to the collateral; and (e) proceeds of proceeds;
- (xxxviii) “property attached to immovable property” means the following property irrespective of whether it is attached to the earth or permanently fastened to anything attached to the earth:

- (a) plant, equipment or machinery;
  - (b) fixtures and fittings;
  - (c) cables or pipelines embedded in the earth or otherwise; and
  - (d) any other item of property as may be notified by the Federal Government for the purposes of this Act notwithstanding anything inconsistent therewith contained in the General Clauses Act, 1897 (X of 1897), Transfer of Property Act, 1882 (IV of 1882), Registration Act, 1908 (XVI of 1908) and any other law for the time being in force;
- (xxxix) "receivables" means a contractual or non-contractual right to receive money, whether such right is existing, future, accruing, conditional or contingent and includes rents; profits; dues; a money award by an arbitrator; monies payable as salaries of employees; dividends; tolls, user-fees or any sum, by whatever name called; monies payable under decrees; monies payable under guarantees; actionable claims and all kinds of actual or contingent monetary obligations; and excludes a right to payment of funds credited in a deposit account and right to payment under a negotiable instrument;
- (xl) "Recovery Ordinance" means the Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001);
- (xli) "register" means the electronic register set up under section 21;
- (xlii) "registrar" means the person in-charge of the Registry appointed under sub-section (1) of section 20 and shall include, unless the context requires otherwise, a deputy registrar discharging the functions, duties and powers of the registrar pursuant to sub-section (2) of section 20;
- (xliii) "registration" —
- (a) in relation to a security interest created by an entity, means that a financing statement and modification statements in relation thereto, if any, have been registered in the register in respect of such security interest in accordance with the provisions of Part IV of this Act; or
  - (b) in relation to a security interest created by a company, means that a Form 10 and Form 16, if any, have been registered in the register of mortgages and charges in respect of such security

interest in accordance with the provisions of the Companies Ordinance, 1984 (XLVII of 1984);

- (xliv) “registration number” is the number assigned to a registered modification statement and termination statement by the register pursuant to clause (b) of sub-section (1) of section 22;
- (xlv) “Registry” means the Secured Transactions Registry established under section 19;
- (xlvi) “secured creditor” means a financial institution or a consortium of financial institutions in whose favour a security interest is created by the customer in respect of any finance and includes a trustee appointed by them;
- (xlvii) “security agreement” means an agreement, instrument or any other document in writing that creates or provides for a security interest in favour of a secured creditor;
- (xlviii) “security interest” means a right, title, encumbrance or interest of any kind upon movable property created or provided for by a security agreement in relation to a transaction that in substance secures the payment or performance of a customer’s obligation under a finance without regard to the form of the transaction or the terminology used by the parties or the identity of the person who has title to the movable property, and includes any charge, mortgage, hypothecation, fixed charge, floating charge, assignment, lien, pledge, assignment of receivables by way of security and transactions under which a secured creditor retains title such as a finance lease, hire purchase agreement, sale and lease back arrangement, conditional sale agreement and retention of title arrangement, having similar effect;
- (xlix) “statement” means the financing statement, modification statement and termination statement;
  - (1) “termination statement” means the prescribed form to be filed in the register for the purposes of rendering a registered financing statement and modification statements in relation thereto, if any, ineffective;
  - (li) “title document” means a document in writing evidencing title to goods which is, by law or custom, negotiable, and includes a bill of lading, dock warrant, warehouse receipt, railway receipt, airway bill, truck receipts or similar record issued by a person in the business of transporting or storing goods;



- (lii) “unique registration number” is the number assigned to a registered financing statement by the register pursuant to clause (a) of sub-section (1) of section 22;
- (liii) “value” means the consideration that a person gives where such person acquires the rights —
  - (a) in return for a binding commitment to give finance;
  - (b) as security for, or satisfaction of, a pre-existing claim, in whole or in part;
  - (c) in return for a promise or anything given in exchange; and
- (liv) “vehicle registration number” means the number assigned to a motor vehicle by the relevant registering authority for the purposes of registration of such motor vehicle under the Motor Vehicles Ordinance, 1965 (XIX of 1965).

(2) Words and expressions used but not defined herein shall, unless repugnant to the context, have the same meaning as is assigned to them under the Recovery Ordinance.

3. **Scope of Act.**—This Act shall not apply to or affect any of the following, namely:—

- (a) a security interest in any immovable property;
- (b) a security interest in a book-entry security;
- (c) a security interest created by operation of law, including but not limited to a lien on movable property under the Sale of Goods Act, 1930 (III of 1930) or the Contract Act, 1872 (IX of 1872), except for the purposes of determining priority of such security interests as set forth in Part V of this Act;
- (d) a security interest in any aircraft as defined in sub-clause (b) of section 2 of the Civil Aviation Ordinance, 1960 (XXXII of 1960); and
- (e) a security interest in any vessel as defined in sub-section (56) of section 2 of the Merchant Shipping Ordinance, 2001 (LII of 2001).

## PART II

## CREATION OF SECURITY INTERESTS

4. **Right to create a security interest.**—(1) Subject to sub-section (2), a customer may create a security interest to secure its own obligation or that of another person in accordance with the provisions of this Act.

(2) A customer shall not create a security interest in exempted property and, if created, such security interest shall be void.

5. **Effectiveness of a security interest.**—A security interest created in favour of a secured creditor shall be effective against the customer only if —

- (a) the customer and the secured creditor have agreed to create a security interest in favour of the secured creditor;
- (b) in the case of a pledge and security interests created pursuant to sections 11 and 12, the customer has also given possession of the collateral to the secured creditor;
- (c) the secured creditor has given value to the customer; and
- (d) the customer has rights in the collateral or the power to transfer rights in the collateral.

6. **Security agreement.**—(1) The secured creditor and the customer shall enter into a security agreement in terms of sub-section (2) for all security interests other than security interests created pursuant to sections 11 and 12.

- (2) A security agreement shall state —
- (a) the name and address of the secured creditor and customer;
  - (b) the obligations secured by the security interest;
  - (c) a description of the collateral in a manner that reasonably allows its identification; and
  - (d) the date of its execution.

7. **Security interest in proceeds.**—(1) A security interest shall extend to the proceeds of the collateral, unless the security agreement provides otherwise.

(2) A security interest in proceeds shall be effective against the customer whether or not the security agreement contains a description of the proceeds.

**8. Security interest in commingled goods.**—(1) A security interest shall extend to commingled goods, unless the security agreement provides otherwise.

(2) The security interest in the commingled goods shall be limited to the value of the collateral immediately before it became part of such commingled goods.

**9. Security interest in after-acquired property.**—(1) A security agreement may provide for a security interest in after-acquired property.

(2) Unless otherwise provided in a security agreement, the security interest shall attach to after-acquired property on the acquisition by the customer of rights in the after-acquired property.

**10. Future finance.**—(1) Subject to sub-section (2), a security interest shall not extend to future finance that has not been committed to be extended to the customer at the time of the creation of security interest, unless the security agreement provides otherwise.

(2) Section 174 of the Contract Act, 1872 (IX of 1872) shall apply in the case of a pledge and a security interest in collateral covered by a title document created pursuant to section 11.

**11. Security interest in collateral covered by a title document.**—(1) A security interest may be created in collateral covered by a title document by giving possession to the secured creditor of the title document duly endorsed in favour of such secured creditor or issued in his name.

(2) A security agreement shall not be required where a security interest in collateral covered by a title document is created in accordance with sub-section (1).

*Explanation.*—Collateral shall be covered by a title document where such collateral is in the possession of the issuer of the title document.

**12. Security interest in a negotiable instrument.**—(1) A security interest may be created in a negotiable instrument by issuing it in the name of the secured creditor or negotiating it in favour of the secured creditor in accordance with the Negotiable Instruments Act, 1881 (XXVI of 1881).

(2) A security agreement shall not be required where a security interest in a negotiable instrument is created in accordance with sub-section (1).

(3) If a negotiable instrument is secured by movable property, then, unless otherwise agreed between the secured creditor and the customer, such security shall stand automatically transferred to and vest in the secured creditor upon creation of the security interest in terms of sub-section (1).

13. **Security interest in a right to payment of funds credited in a deposit account.**—Where the depository bank is not the secured creditor, creation of a security interest in a right to payment of funds credited in a deposit account shall not bind or otherwise impose any obligation on the depository bank with respect to the security interest unless such security interest has been created with the prior written consent of such depository bank.

### PART III

#### PERFECTION OF SECURITY INTERESTS

14. **Perfection.**—(1) A security interest may be perfected —

- (a) in the case of a pledge created by a company, by possession of the collateral by the secured creditor;
- (b) in the case of a pledge created by an entity, by registration as provided under this Act; or
- (c) in the case of any other security interest, by registration as provided under this Act.

(2) Notwithstanding sub-section (1) and subject to sub-section (3), —

- (a) a security interest in a right to payment of funds credited in a deposit account may be perfected only by control;
- (b) a security interest in collateral covered by a title document may be perfected only by possession of the title document by the secured creditor; and
- (c) a security interest in a negotiable instrument may be perfected only by possession of the negotiable instrument by the secured creditor.

*Explanation.*—Perfection of security interests under clauses (a), (b) and (c) shall not require registration as provided under this Act.

(3) Sub-section (2) shall not be applicable where a security interest in a right to payment of funds credited in a deposit account or a security interest in collateral covered by title document or a security interest in a negotiable instrument is —

- (a) created as part of a hypothecation or floating charge that may otherwise be perfected by registration under clause (c) of sub-section (1); or
- (b) in the nature of proceeds of collateral that is otherwise perfected in accordance with section 15.

#### ILLUSTRATIONS

- (a) Customer A (an entity) entered into a share pledge agreement with Secured Creditor B and delivered possession of the share certificates to Secured Creditor B on the 1st December. A financing statement was registered in the register in respect of the share pledge on the 3rd December. The share pledge was perfected by registration on the 3rd December.
- (b) Customer C (an entity) created a hypothecation on all present and after-acquired inventory in favour of Secured Creditor D on the 1st January. A financing statement was registered in the register in respect of the hypothecation on the 3rd January. The hypothecation was perfected by registration on the 3rd January.
- (c) Customer N (an entity) enters into an assignment agreement with Secured Creditor M on the 1st March pursuant to which Customer N assigns receivables under a supply agreement as security in favour of Secured Creditor M. A financing statement was registered in the register in respect of the assignment on the 3rd March. The assignment of receivables by way of security was perfected by registration on the 3rd March.
- (d) Customer G (an entity) leases a car from Secured Creditor H pursuant to a finance lease agreement on the 1st December. Secured Creditor H is registered as the owner of the car. A financing statement was registered in the register in respect of the Finance lease on the 2nd December. The finance lease was perfected by registration on the 2nd December.
- (e) Customer F (a company) created a security interest in a right to payment of funds credited in a deposit account in favour of Secured Creditor G on the 1st December. The deposit account was maintained with the Depository Bank H. A control agreement was entered into between Customer F, Secured Creditor G and Depository Bank H on the 2nd December. The security interest in a right to payment of funds credited in a deposit account was perfected by control on the 2nd December.

- (f) Customer H (an entity) created a hypothecation on all its present and after-acquired movable property (including funds held in deposit accounts) in favour of Secured Creditor P on the 1st March. A financing statement in respect of the hypothecation was registered in the register on the 4th March. The hypothecation was perfected by registration on the 4th March. In this case, the security interest in a right to payment of funds credited in a deposit account (created as part of the hypothecation) was also perfected by registration.
- (g) Customer M (a company) created a hypothecation over its equipment in favour of Secured Creditor N on the 5th April. The hypothecation extended to any proceeds received from the sale of the equipment with the Creditor N.

A financing statement was registered in the companies' register of mortgages and charges on the 10th April in respect of the hypothecation. The hypothecation was perfected by registration on the 10th April.

The Secured Creditor N authorized in writing the sale of the equipment by Customer M on the 5th May which resulted in Customer M receiving a cheque of one hundred thousand rupees in the form of proceeds arising from the sale of such equipment.

In this case, Secured Creditor N's security interest in the cheque of one hundred thousand rupees (a negotiable instrument) was also perfected by registration on the 10th April.

**15. Perfection in after-acquired property, proceeds and commingled goods.—**(1) A security interest in after-acquired property, proceeds or commingled goods, where applicable, shall stand automatically perfected by virtue of the perfection of the security interest in the collateral.

(2) Where a security interest is perfected by registration as provided under this Act, sub-section (1) shall not apply if the after-acquired property, non-cash proceeds or commingled goods, as applicable, is not covered in the registered financing statement or Form 10, as applicable.

*Explanation.* For the purposes of sub-section (2), non-cash proceeds shall include all proceeds other than money, cheques, funds credited in a deposit account or the like.

**16. Specialized registry.—**A security interest in intellectual property that requires registration in a specialized registry pursuant to any other law currently in

force, may, notwithstanding the provisions of such law, be perfected only by registration as provided under this Act.

17. **Unperfected security Interests.**—A security interest that is not perfected shall be void against the liquidator, administrator or receiver but shall not prejudice the secured creditor's right to repayment of finance as an unsecured creditor.

#### PART IV

#### REGISTRATION

18. **Application of this Part.**—(1) This Part shall apply only to an entity creating a security interest.

(2) This Part of the Act shall not apply to a company and shall not affect the provisions contained in the Companies Ordinance, 1984 (XLVII of 1984) requiring registration of security interests created by a company.

19. **Secured Transactions Registry.**—(1) The Federal Government shall, by notification in the official Gazette, establish or cause to be established a registry to be known as the 'Secured Transactions Registry' for the purposes of registration of security interests created by an entity and all matters incidental thereto.

(2) The Federal Government shall, by notification in the official Gazette, specify the date from which the Registry established under sub-section (1) shall be operational.

(3) The head office of the Registry, established under sub-section (1) and made operational under sub-section (2), shall be at such place as the Federal Government may specify and the Federal Government may, if considered necessary, establish branch offices of the Registry at such other places as the Federal Government deems fit for the purposes of facilitating registration of security interests created by an entity and to perform any or all of the functions of the Registry, as may be determined by the Federal Government.

(4) The Federal Government may, by notification in the official Gazette, define the territorial limits within which an office of the Registry may exercise its functions.

(5) The Registry shall have its own seal.

20. **Appointment of registrar, deputy registrars and other officers.**—(1) The Federal Government shall, by notification, appoint a registrar as the head of

the Registry for the purposes of managing and controlling the register set up pursuant to section 21 and such other functions as may be determined by the Federal Government, on such terms and conditions as it may think fit:

Provided that the registrar shall be (a) a Government officer not below BS 21; or (b) a retired judge of the Supreme Court of Pakistan or any High Court; or (c) an eminent professional from private sector of known integrity and competence with qualification and experience of at least ten years in the private sector in the field of finance, banking, business or law.

(2) The Federal Government may, by notification in the official Gazette, appoint deputy registrars for each branch office of the Registry to perform, under the control and superintendence of the registrar, such functions, duties and powers of the registrar under this Act as may be notified by the Federal Government.

(3) The registrar may appoint such other officers with such designations as he may think fit for the purposes of discharging, under the superintendence and direction of the registrar, such functions, duties and powers under this Act as may be determined by the registrar.

**21. Register of security interests.**—(1) A register shall be maintained in electronic format at the head office of the Registry to record statements in relation to security interests created by an entity.

(2) The register shall be maintained and operated under control and management of the registrar.

(3) The register shall be operated using an automated information system which shall—

- (a) allow a secured creditor to file a statement in terms of sections 23, 24 and 26;
- (b) allow a secured creditor to file a security agreement and any amendments thereto in terms of section 25;
- (c) reject filing of a statement in terms of section 28;
- (d) issue a verification statement in terms of section 29;
- (e) allow a person to search the register in terms of section 33;
- (f) issue search reports under sub-section (3) of section 33;



- (g) allow a secured creditor to pay the prescribed fees, if any, for filing statements in the register;
  - (h) allow a person to pay the prescribed fees for searching the register in terms of section 33;
  - (i) allow an entity or any person having rights in the collateral to file an application under sub-section (3) of section 31; and
  - (j) allow a person to do such other things as are required or permitted by, or under, this Act to be done by a person in relation to the register.
- (4) The registrar may, by way of regulations, prescribe requirements for the use of the register for any or all acts under sub-section (3).

**22. Organization of the register.—**(1) The register shall assign—

- (a) a unique registration number to each registered financing statement; and
  - (b) a registration number to each registered modification statement and termination statement relating to a registered financing statement under clause (a) in a manner that associates them with the unique registration number assigned to such registered financing statement.
- (2) The register shall index registered financing statements by —
- (a) the name of the entity;
  - (b) where the entity is a natural person, the National Identity Card number or National Identity Card for Overseas Pakistanis number, or in the case of a foreign national, the passport number;
  - (c) the vehicle registration number; and
  - (d) the unique registration number.

**23. Financing statement.—**(1) The secured creditor may, in respect of a security interest, file a financing statement in the register.

(2) The financing statement shall be in such form as may be prescribed by rules and contain the following particulars of a security interest:

- (a) name of the entity;
- (b) address of the entity;
- (c) type of the entity;
- (d) where the entity is a natural person, the National Identity Card number or National Identity Card for Overseas Pakistanis number, or in the case of a foreign national, the passport number;
- (e) name and address of the secured creditor;
- (f) type of the security interest;
- (g) maximum amount secured by the security interest;
- (h) description of the collateral, including the vehicle registration number in case of a motor vehicle, and its proceeds, where applicable; and
- (i) in case of a floating charge, the nature of restriction, if any, on the power of the entity to create further security interests over all or part of the collateral.

(3) A financing statement may be filed only after the secured creditor and the entity have entered into a security agreement and the secured creditor shall be deemed to have been authorized by the entity to file such financing statement by virtue of the entity executing the security agreement.

**24. Modification of a registered financing statement.—**(1) The secured creditor may, in relation to a registered financing statement, file a modification statement in the register in respect of —

- (a) transfer of all or part of the security interest to which the registered financing statement relates;
- (b) change in description of collateral;
- (c) addition or omission of collateral;
- (d) change in maximum amount secured by the security interest;
- (e) change in name of the entity;

- (f) change in address of the entity;
- (g) where the entity is a natural person, change in the National Identity Card number or National Identity Card for Overseas Pakistanis number, or, in case of a foreign national, passport number;
- (h) change in type of the entity;
- (i) change in name or address of the secured creditor; or
- (j) any other alteration to the information contained in the registered Financing statement.

(2) The modification statement shall be in such form as may be prescribed by rules and contain the following particulars, namely:—

- (a) unique registration number; and
- (b) nature of modification to the registered financing statement.

(3) The filing of the modification statement by the secured creditor under sub-section (1) shall not require authorization in writing by the entity, unless the modification is in respect of an increase in the maximum amount secured by the security interest or is in respect of an addition of collateral or otherwise increases the exposure of the entity to the secured creditor.

**25. Filing of security agreement.**— A secured creditor may, in respect of a security interest, file a security agreement and any amendments thereto in the register as an attachment to a financing statement or a modification statement, as applicable.

**26. Termination of a registered financing statement.**—(1) A secured creditor shall, in relation to a registered financing statement, file a termination statement in the register within fifteen working days from the date of payment or satisfaction, in full, of the obligation to which the registered financing statement relates.

(2) The termination statement shall be in such form as may be prescribed by rules and contain the following particulars, namely:—

- (a) unique registration number; and
- (b) date on which the obligation was paid or satisfied, in full.

27. **Effectiveness of filing.**— A statement shall stand registered when a unique registration number or registration number, as applicable, date and time is assigned to it in the register and such statement becomes publicly searchable.

28. **Rejection of filing.**— A statement shall not be registered, if—

- (a) the particulars required to be entered in a statement are incomplete; or
- (b) the secured creditor has failed to pay the prescribed fee, if any, for filing the statement in the register.

29. **Verification statement.**—(1) In respect of a registered statement, a verification statement shall be issued to the secured creditor in such form as may be prescribed by rules and contain the following information:

- (a) unique registration number or registration number, as applicable;
- (b) particulars as stated in the statement; and
- (c) date and time on which the statement was registered.

(2) The verification statement shall be conclusive evidence that a statement has been registered in accordance with the requirements of Part IV of this Act.

30. **Ineffectiveness of a registered financing statement and modification statement.**—(1) A registered financing statement shall be ineffective, if—

- (a) particulars of an entity under clauses (a) and (d) of sub-section (2) of section 23 are stated incorrectly such that a search of the register would not retrieve the registered financing statement;
- (b) description of the collateral is stated insufficiently such that a search of the register would not reveal the same collateral, provided that the registered financing statement shall be ineffective only to the extent of the collateral which has been insufficiently described and will not render the registered financing statement ineffective with respect to other collateral sufficiently described;
- (c) the vehicle registration number is stated incorrectly such that a search of the register would not retrieve the registered financing statement; or

- (d) the entity has not entered into a security agreement with the secured creditor as required under sub-section (3) of section 23.

(2) If the secured creditor fails to file a modification statement in relation to a registered financing statement in respect of a change under clause (e) or (g) as required under sub-section (1) of section 24 within ten days of acquiring actual knowledge of such change by the entity, the registered financing statement shall be ineffective against—

- (a) a competing security interest that has been perfected after such change but before filing of the modification statement by the secured creditor; and
- (b) a purchaser, lessee or licensee acquiring rights in the collateral after such change but before filing of the modification statement by the secured creditor.

(3) A registered modification statement shall be ineffective if it has been filed without the authorization in writing by the entity where such authorization is required under sub-section (3) of section 24.

**31. Rectification of register.**— (1) The entity or any person having rights in the collateral covered in a registered financing statement may give a written demand to the secured creditor to

- (a) file a modification statement, if—
- (i) description of the collateral is insufficient or refers to movable property that is not collateral under the security agreement;
- (ii) the vehicle registration number is incorrect;
- (iii) the secured creditor has agreed to release part of the collateral and has failed to file a modification statement in respect thereof as required under sub-section (1) of section 24; or
- (iv) there is any other omission or misstatement of any particular in a registered financing statement that detrimentally affects rights of the entity;
- (b) file a termination statement, if—

- (i) the obligation to which the registered financing statement relates has been paid or satisfied, in full, and the secured creditor has failed to file a termination statement within the prescribed period under sub-section (1) of section 26; or
- (ii) the entity has not entered into a security agreement with the secured creditor as required under sub-section (3) of section 23.

(2) A demand under sub-section (1) shall require the secured creditor to file, at its own expense, a modification statement or termination statement, as applicable, within fifteen days from the date of receiving such demand.

(3) If the secured creditor fails to file a modification statement or termination statement, as applicable, within fifteen days of receiving the demand under sub-section (1), the entity or person making the demand may, by filing an application in writing, request the registrar to file such modification statement or termination statement, as applicable, along with a copy of the written demand and response, if any, from the secured creditor.

(4) On receipt of an application under sub-section (3), the registrar shall cause a written notice to be sent to the secured creditor calling upon him to show cause, within a time not exceeding twenty days from the date of receiving such notice, as to why the modification statement or termination statement, as applicable, should not be filed.

(5) The registrar shall, if no cause is shown, file the modification statement or termination statement, as applicable, in the register.

(6) Where cause is shown, the registrar shall inform the entity or person making the demand under sub-section (3) in writing that the modification statement or termination statement, as applicable, cannot be filed for reasons stated therein.

**32. Removal of a registered financing statement.**—(1) A registered financing statement and any modification statements in relation thereto shall be removed from the register after thirty days from the date on which a termination statement has been filed in the register in respect of such registered financing statement pursuant to section 26 or section 31.

(2) Upon removal from the register, the registered financing statement and any modification statements in relation thereto shall not be publicly searchable.

(3) Notwithstanding removal from the register, the Registry shall retain records of a registered financing statement and any modification statement and