

COLLATERAL AND SECURITY REGULATIONS



Introduction

This document is intended to provide an overview of the Collateral and Security Regulations ('Regulations'). It does not replace the Regulations in any way, nor does it remove the need for an investor to seek its own professional advice if it considers this to be prudent. It is not intended to be a comprehensive description of the Regulations.

Background

Law No. (34) of 2005, as amended by Decree-Law No. (21) of 2017 established the Free Zones Authority (the 'Authority') which in summary, is responsible for managing specific Free Zones within the State of Qatar.

The Free Zones are dedicated areas of land within the State of Qatar that have been identified as economic zones; these economic zones have been designed in way that enables investors to benefit from economic incentives over and above those available to companies investing within the State of Qatar.

Currently, there are two (2) free zones:

- 1) Ras Bufontas – known as an 'Airport Free Zone and 4 km² in size; this particular zone is some 6 km away from Hamad International Airport. This zone is intended to provide for industries such as logistics, consumer products, light manufacturing, services, technology and applications, and pharmaceuticals.
- 2) Umm Alhoul – located near Hamad Port, this zone being 30 km² in size will primarily cater for maritime industries, polymers and plastics, advances manufacturing and logistics.

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PART 1

Preliminary Rules

ARTICLE 1 CITATION

These Regulations will be cited as the Collateral and Security Regulations.

ARTICLE 2 DEFINITIONS

Article 2 prescribes a list of definitions which apply to the Regulations.

ARTICLE 3 INTERPRETATION

Article 3 provides guidance on references to some concepts and terms used in the Regulations.

ARTICLE 4 APPLICATION

Article 4 prescribes that, these Regulations govern the creation, registration, and enforcement of Security Interests in the Free Zone. Only Security Interests created pursuant to these Regulations may be deemed legal, valid, and binding in the Free Zone.

PART 2

Security Interests

ARTICLE 5 TYPES OF SECURITY INTEREST

Regulation 5 prescribes three types of security interest that are permitted under these Regulations. A shareholder may pledge or otherwise charge its Shares, an Entity is entitled to grant as security for a debt or obligation prescribed matters, and lastly there is the option of granting any available Security Interest in favour of any person permitted by the Free Zone Legislation.

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ARTICLE 6 CREATION OF A SECURITY INTEREST

Article 6 whilst prescribing that an agreement to create a Security Interest shall be effective according to its terms also prescribes conditions that also must be met if the Security Interest is to be considered valid for the purposes of these Regulations. It is also recognized that an Entity may create one or more Security Interests over the same Collateral.

ARTICLE 7 ATTACHMENT

Article 7 prescribes the conditions that must apply if the Security Interest is to attach to Collateral.

ARTICLE 8 ENFORCEABILITY

Article 8 prescribes conditions which make a Security enforceable. To be enforceable, a security interest must be validly held, has been attached to the Collateral, and has been registered.

PART 3 Perfection of Security

ARTICLE 9 PERFECTION

Article 9 stipulates that all Security Interests are perfected upon Registration and the conditions upon which a Security Interest that gives rise to Proceeds will continue to be perfected.

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PART 4

Registration of Security

ARTICLE 10 REGISTRATION OF SECURITY INTEREST

Article 10 deals with the registration of Security Interests, and in particular requires their registration within 21 days of their creation. Applications for registration are to be made to the Authority in the prescribed form, accompanied by the applicable fee and supported by the evidence as may be required by the Authority from time to time.

ARTICLE 11 PRIORITY

Articles 11 deals with the procedure governing prioritization. The priority of a Security Interest determined in accordance with Article 11 will apply equally to Collateral and Proceeds that are the subject of the Security Interest.

ARTICLE 12 VOLUNTARY SUBORDINATION

Article 12 prescribes that, a Secured Party may, by an agreement executed by all interested parties, subordinate its Security Interest to any other interest.

PART 5

Changing the Register

ARTICLE 13 AMENDING THE REGISTER

Articles 13 deals with the amendment of the Register created and maintained by the Authority. A Registration relating to a Security Interest may be amended by an application in the prescribed form jointly from the Obligor and the Secured Party.

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ARTICLE 14 DISCHARGE

Article 14 includes the relevant provisions dealing with discharging of a charge or obligation which relates to the Security Interest upon partial or complete satisfaction.

PART 6 Remedies and Enforcement

ARTICLE 15 RIGHTS AND REMEDIES

Article 15 stipulates rights and remedies if a party is in default under a Security Agreement.

ARTICLE 16 PROCEDURE

Articles 16 prescribes the relevant procedure to carry out enforcement in accordance with Article 15.

PART 7 The Register

ARTICLE 17 CONTENTS OF THE REGISTER

Article 17 prescribes the content of the Register that the Authority is to maintain in relation to the creation, alteration, enforcement, and discharge of Security Interests.

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PART 8

General Provisions

ARTICLE 18 NO LIABILITY

Article 18 provides that the Authority is not liable for loss suffered by a person (Company, Branch, Shareholder, or person in whose favour a Security Interest is created) as a result of an act or mission of the Authority or its officers, employees, or agents.

ARTICLE 19 AMENDMENTS OF THE REGULATIONS

Article 19 enables the Authority to amend the Regulations and other documentation without liability and requires the Company or Branch (collectively known as Free Zone Entities) to comply with the relevant provision that is in force at the material time.

ARTICLE 20 FEES

Article 20 enables the Authority to issue a Schedule of Fees which in turn apply to Free Zone Entities.

ARTICLE 21 SANCTIONS

With Article 21, the Authority may issue a Schedule of Sanctions which can be enforced for contraventions, should the need arise.

ARTICLE 22 REVOCATION AND REPLACEMENT

Article 22 prescribes that The Collateral and Security Regulations 2018 revoked and replaced by these Regulations.

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