

A photograph of three horses running through a field of tall, golden-brown grass. The horses are in motion, with their manes and tails flowing. The background is a dark, misty forest of evergreen trees under a grey, overcast sky.

Movable property Security Rights

How to register a security
right.



Security right means a property right in a movable asset that is created by an agreement to secure payment or other performance of an obligation, regardless of whether the parties have denominated it as a security right, and regardless of the type of asset, the status of the grantor or secured creditor, or the nature of the secured obligation. It also means the right of the transferee in an outright transfer of a receivable;

A security right

The MPSR offers significant advantages by giving security rights a wide scope in terms of the obligations they may secure. Unlike older frameworks that tied collateral to a specific, present obligation, the Act allows security rights to cover present or future debts, conditional or unconditional obligations, and even fluctuating ones.

This flexibility benefits both creditors, who can secure long-term or revolving credit facilities, and debtors, who can access credit without the constant need to create new securities for each transaction.

Another advantage lies in the expansive definition of collateral. Security rights may encumber virtually any movable asset, whether tangible or intangible, specific parts of an asset, or even an entire pool of assets. This widens the pool of resources that can be leveraged for credit and especially benefits small and medium enterprises that may not own immovable property but have valuable movable assets such as receivables, inventory, or intellectual property.

The Act also ensures that security rights extend to proceeds of collateral. This is a practical advantage because even when secured assets are sold, transformed, or their value realized in monetary form, the security interest continues in the proceeds. Even in situations where proceeds are mixed with other funds or assets, the law protects creditors by preserving their priority to the identifiable portion of the commingled assets.

Finally, the Act ensures that creditors benefit from any supporting rights tied to collateral, such as guarantees, insurance, or property rights, without requiring fresh transfers. This reduces transaction costs and administrative burdens. It also clarifies the relationship between tangible assets and intellectual property, preventing confusion by maintaining the independence of each type of collateral. Collectively, these provisions improve transparency, reduce risk, and make lending against movable assets more attractive.



The Security Agreement

The MPSR establishes that a security right is created through a security agreement, provided the grantor has rights in the asset or the authority to encumber it. Importantly, the Act also recognizes forward-looking arrangements by allowing security agreements to cover future assets. However, such rights only attach once the grantor actually acquires rights in the asset.

For enforceability, the Act lays down formal requirements for security agreements. They must be in writing, signed by the grantor, and must identify both the secured creditor and the grantor. The agreement must also describe the secured obligations and the collateral in a manner that allows for reasonable identification.

The law even accommodates generic descriptions, such as "all movable assets" or "all inventory," which simplifies drafting and caters to commercial realities, particularly in transactions involving fluctuating assets.

The provisions on identification of grantors and creditors also work to enhance certainty and transparency in secured transactions.

By tying identification to official records such as national identity cards for citizens, passport numbers for foreigners, or incorporation and registration numbers for legal entities—the Act standardizes how parties are recorded.

This precision is vital in the collateral registry system and in drafting the Security Agreement, as it ensures that searches yield accurate and reliable results, preventing fraud and confusion. A further point of strength is that the enforceability of security agreements is not dependent on additional requirements imposed by other laws.

Once the statutory conditions under the MPSR are met, the agreement is valid and capable of creating security rights, regardless of parallel regulatory demands. This reinforces the autonomy of the secured transactions framework and shields creditors from technical challenges that might otherwise invalidate their rights.

Overall, these provisions simplify the process of creating security rights while protecting the interests of both creditors and grantors.





Creation of a Security Right

The MPSR makes registration of a security right central to the secured transactions regime, with the initial notice acting as the primary means of publicizing the creditor's interest. Registration is only effective if it is authorized in writing by the grantor, which upholds the principle of consent and prevents unilateral encumbrances of property. Interestingly, registration can even occur before the security right itself is created, as long as written authorization exists, providing creditors with the ability to secure priority early in anticipation of a transaction. A written security agreement itself is deemed sufficient authorization, simplifying the process.

The Act further introduces efficiency by allowing one notice to cover multiple security agreements between the same creditor and grantor. This avoids unnecessary duplication of filings and reduces administrative burdens. The procedure for registration, search, and assignment of identifiers is delegated to regulations, ensuring flexibility in adjusting operational details without constant statutory amendment.

The law prescribes in detail the information to be included in an initial notice, such as the identifiers and addresses of both grantor and secured creditor, a description of the collateral, the period of effectiveness, and other statistical data. This structured approach ensures clarity for users of the registry. If multiple parties are involved, each must be separately identified, reinforcing accuracy. The requirement that all information—except names and addresses—be in English standardizes records, promoting consistency and accessibility in the registry.

On effectiveness, registration takes effect once the Registrar enters the notice into the records of the registry, with date and time stamps recorded to establish precise priority. This strict chronological ordering eliminates uncertainty and helps resolve competing claims fairly. Moreover, every notice is assigned a unique registration number, to which all amendments and cancellations are tied, ensuring continuity of records and easy traceability of each security interest.

The duration of an initial notice is capped at ten years, but the Act permits extensions if filed within six months before expiry. Extensions run from the expiry of the original period, preventing loopholes that might otherwise disrupt priority rules. These provisions ensure that security interests remain current and that outdated filings do not clutter the registry.

Finally, the law imposes obligations of communication. Once registration occurs, the Registrar must provide the registrant with a copy of the notice, and the registrant must send it to the grantor within ten working days. Failure to comply is a statutory offence, albeit with a modest fine. This requirement reinforces transparency and keeps the grantor informed of encumbrances on their assets, balancing creditor protections with debtor awareness.