

Tabled text for Personal Property Securities (Commonwealth Powers) Bill 2009

This is the tabled text referred to in the *Personal Property Securities (Commonwealth Powers) Bill 2009* that was tabled on 16 June 2009 in the Legislative Assembly of New South Wales by or on behalf of the Minister introducing the Bill.

Russell D Grove
Clerk of the Legislative Assembly of New South Wales

2008-2009

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES

Presented and read a first time

Personal Property Securities Bill 2009

No. , 2009

(Attorney-General)

**A Bill for an Act relating to personal property
securities, and for related purposes**

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1 **A Bill for an Act relating to personal property**
2 **securities, and for related purposes**

3 The Parliament of Australia enacts:

4 **Chapter 1—Introduction**

5 **Part 1.1—Preliminary**
6

7 **1 Short title**

8 This Act may be cited as the *Personal Property Securities Act*
9 2009.

Section 2

1 **2 Commencement**

2 This Act commences on the day after it receives the Royal Assent.

3 **3 Guide to this Act**

4 *Overview*

5 This Act is a law about security interests in personal property.

6 A security interest is an interest in personal property provided for
7 by a transaction that secures payment or the performance of an
8 obligation. The form of the transaction and the identity of the
9 person who has title to the property do not affect whether an
10 interest is a security interest.

11 Personal property includes many different kinds of tangible and
12 intangible property, other than real property. Examples include
13 motor vehicles, household goods, business inventory, intellectual
14 property and company shares. Personal property is known as
15 collateral if it is (or is anticipated to be) the subject of a security
16 interest.

17 A security interest is enforceable against a grantor when it attaches
18 to collateral. A security interest attaches to collateral when a
19 person gives value for acquiring the security interest (or does
20 something else to acquire it), and in return, the person gains rights
21 in the collateral.

22 A security interest is enforceable against third parties when it has
23 attached to the collateral and either the secured party has
24 possession or control of the collateral, or a security agreement
25 covers the collateral.

26 If a security interest in collateral is perfected, it takes priority over
27 another security interest that is unperfected when the security
28 interest comes to be enforced. A security interest is perfected if:

- 29 (a) it has attached to collateral; and

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(b) certain extra steps (possession or control of the collateral, or registration on the Register of Personal Property Securities) have been taken to protect the interest, or the interest is perfected by force of this Act.

The secured party whose security interest has the highest priority is entitled to enforce that interest ahead of secured parties with security interests that have a lower priority.

Between perfected security interests, perfection by control has a higher priority than other forms of perfection. The next level of priority is given (subject to certain rules) to perfected purchase money security interests. If no other way of working out priority between perfected interests is provided, the highest priority is given to the security interest that has been continuously perfected for the longest period.

The Register of Personal Property Securities enables secured parties to give notice of actual or prospective security interests. Notice is given by the recording of data about secured parties, grantors and collateral. The register may be kept electronically, for example in a form that is interactive and accessible over the internet.

Summary

Chapter 1 deals with some preliminary matters, including the general application of the Act (Part 1.2) and its interpretation (Part 1.3).

Chapter 2 sets out general rules relating to security interests. These include the following:

(a) general principles relating to security agreements, security interests, attachment and perfection (Part 2.2);

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- (b) interpretation provisions about possession and control (Part 2.3);
- (c) rules about when attachment and perfection of security interests occurs in particular situations (Part 2.4);
- (d) the circumstances in which personal property is taken free of a security interest in the property (Part 2.5);
- (e) how to work out the priority between competing security interests (and in some cases, other sorts of interests) in personal property (Part 2.6);
- (f) rules about the transfer and assignment of interests in collateral (Part 2.7).

Chapter 3 contains specific rules about the following:

- (a) agricultural interests (Part 3.2);
- (b) security interests in accessions to personal property and their priority (Part 3.3);
- (c) security interests in personal property that is processed or commingled and their priority (Part 3.4);
- (d) intellectual property and intellectual property licences (Part 3.5).

Chapter 4 deals with how to enforce a security interest in personal property. Parties can contract out of some of the provisions of Chapter 4.

Chapter 5 provides for the establishment and maintenance of a register with respect to personal property securities and certain prescribed personal property (the Register of Personal Property Securities).

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The Registrar of Personal Property Securities is responsible for maintaining the register. Chapter 5 also deals with how the register can be searched.

A search by reference to the details of an individual grantor must be made for an authorised purpose set out in the Act. A person who carries out an unauthorised search, or uses data from an unauthorised search, may be liable to pay compensation or a civil penalty (or both).

Chapter 6 deals with the role of the courts in proceedings that relate to security interests in personal property. It confers jurisdiction on courts and provides rules for the transfer of proceedings between courts. It also describes the Registrar's role in judicial proceedings and contains provisions about proceedings for contravention of a civil penalty provision.

Chapter 7 deals with how this Act interacts with foreign laws, the constitutional operation of this Act and the relationship between this Act and other Australian laws.

Chapter 8 deals with the following:

- (a) rules about the vesting of certain unperfected interests (Part 8.2);
- (b) rights to damages and compensation in relation to contraventions of this Act (Part 8.3);
- (c) requests to secured parties for information, how notices may be given and certain other procedural and administrative matters (Parts 8.4 to 8.7).

Chapter 9 deals with the initial application of this Act.

Chapter 9 also deals with references to charges and fixed and floating charges in this Act and in security agreements, and provides for an independent review of the Act within 3 years after it is enacted.

Section 4

1 **Part 1.2—General application of this Act**
2

3 **4 Guide to this Part**

4 This Part contains general rules about the application of this Act.
5 These deal with the following matters:

- 6 (a) binding the Crown;
7 (b) geographical rules;
8 (c) particular interests to which this Act does not
9 apply.

10 **5 Crown to be bound**

11 This Act binds the Crown in each of its capacities.

12 **6 Connection with Australia**

- 13 (1) This Act applies to a security interest in goods or financial property
14 if:
15 (a) the location of the goods or property is in Australia; or
16 (b) the grantor is an Australian entity.

17 Note: For when personal property is located in a jurisdiction, see
18 section 235.

- 19 (2) This Act applies to a security interest in intangible property if:
20 (a) the grantor is an Australian entity; or
21 (b) the intangible property is an account that is payable in
22 Australia; or
23 (c) the intangible property is an assignment of an account or
24 chattel paper if:
25 (i) the assignor is an Australian entity; or
26 (ii) the account or chattel paper is payable in Australia; or
27 (d) the intangible property is an ADI account; or

1 (e) the intangible property is created, arises or is provided for by
2 a law of the Commonwealth, a State or a Territory.

3 Note: For the application of Australian and foreign law in relation to a
4 security interest, see Part 7.2.

5 **7 Application in the external Territories**

6 *Extension to Norfolk Island*

- 7 (1) This Act extends to Norfolk Island.
- 8 (2) A reference in this Act to “Australia” includes a reference to
9 Norfolk Island.

10 *Extension to other external Territories*

- 11 (3) This Act extends to such other external Territories (if any) as are
12 prescribed by the regulations for the purposes of this section.
- 13 (4) Without limiting subsection (3), if an external Territory is
14 prescribed for the purposes of this section, regulations prescribing
15 the external Territory may provide that:
- 16 (a) only some of the provisions of this Act apply in the external
17 Territory; and
- 18 (b) provisions that apply in the external Territory only apply in
19 specified circumstances.
- 20 (5) If:
- 21 (a) an external Territory is prescribed by the regulations for the
22 purposes of this section; and
- 23 (b) in a provision of this Act that applies (either generally or in
24 particular circumstances) in the external Territory there is a
25 reference to “Australia” or a reference to a term the definition
26 of which includes a reference to “Australia”;
- 27 then, unless the contrary intention appears, the reference to
28 “Australia” in that provision as so applying, or in that definition as
29 applying for the purposes of that provision as so applying, includes
30 a reference to that external Territory.

Section 8

1 *Acts Interpretation Act 1901 definition of **Australia***

2 (6) To avoid doubt, this section applies despite paragraph 17(a) of the
3 *Acts Interpretation Act 1901* (definition of **Australia**).

4 **8 Interests to which this Act does not apply**

5 (1) This Act does not apply to any of the following interests (except as
6 provided by subsection (2) or (3)):

- 7 (a) the interest of a seller who has shipped goods to a buyer
8 under a negotiable bill of lading, or its equivalent, to the
9 order of the seller, or to the order of an agent of the seller,
10 unless the parties have otherwise evidenced an intention to
11 create or provide for a security interest in the goods;
- 12 (b) a lien, charge, or any other interest in personal property, that
13 is created, arises or is provided for under a law of the
14 Commonwealth (other than this Act), a State or a Territory,
15 unless the person who owns the property in which the interest
16 is granted agrees to the interest;
- 17 (c) a lien, charge, or any other interest in personal property, that
18 is created, arises or is provided for by operation of the
19 general law;
- 20 (d) any right of set-off or right of combination of accounts;
- 21 (e) any right or interest held by a person, or any interest provided
22 for by any transaction, under any of the following (as defined
23 in section 5 of the *Payment Systems and Netting Act 1998*):
- 24 (i) an approved netting arrangement;
- 25 (ii) a close-out netting contract;
- 26 (iii) a market netting contract;
- 27 (f) an interest provided for by any of the following transactions:
- 28 (i) the creation or transfer of an interest in land;
- 29 (ii) the creation of an interest in a right to payment, or the
30 creation or transfer (including a successive transfer) of a
31 right to payment, in connection with an interest in land,
32 if the writing evidencing the creation or transfer
33 specifically identifies that land;
- 34 (iii) a transfer (including a successive transfer) of an
35 unearned right to payment under a contract to a person

- 1 who is to perform the transferor's obligations under the
2 contract;
- 3 (iv) a transfer of present or future remuneration (including
4 wages, salary, commission, allowances or bonuses)
5 payable to an individual as an employee or a contractor;
- 6 (v) a transfer of an interest or claim in, or under, a contract
7 of annuity or policy of insurance;
- 8 (vi) an assignment of an account made solely to facilitate the
9 collection of the account on behalf of the person making
10 the assignment;
- 11 (vii) without limiting subparagraph (vi), an assignment of an
12 account, if the assignee's sole purpose in acquiring the
13 account is to collect it;
- 14 (viii) an assignment of an account or negotiable instrument to
15 satisfy (either wholly or partly) a pre-existing
16 indebtedness;
- 17 (ix) a sale of an account or chattel paper as part of a sale of
18 business, unless the seller remains in apparent control
19 (within the ordinary meaning of that term) of the
20 business after the sale;
- 21 (x) an assignment of the beneficial interest in an account
22 where, after the assignment, the assignee holds the
23 account on trust for the assignor;
- 24 (g) the following interests in property created under the
25 *Bankruptcy Act 1966*:
- 26 (i) the interest of the Official Trustee or a registered trustee
27 who has taken control (within the meaning of section 50
28 of that Act) of a debtor's or grantor's property under
29 that section;
- 30 (ii) the interest of the Official Trustee or a registered trustee
31 in property of a debtor or grantor that has vested in the
32 Official Trustee or the registered trustee under
33 section 58 of that Act;
- 34 (iii) a charge created under section 139ZN of that Act;
- 35 (iv) a charge created under section 139ZR of that Act;
- 36 (v) an interest created under a personal insolvency
37 agreement under Part X of that Act;

Section 8

- 1 (h) a trust over some or all of an amount provided by way of
2 financial accommodation, if the person to whom the financial
3 accommodation is provided is required to use the amount in
4 accordance with a condition under which the financial
5 accommodation is provided;
- 6 (i) a right entitlement or authority, whether or not exclusive, that
7 is granted by or under the general law or a law of the
8 Commonwealth, a State or a Territory in relation to the
9 control, use or flow of water;
- 10 (j) an interest in a fixture;
- 11 (k) a particular right, licence or authority (the *statutory right*)
12 granted by or under a law of the Commonwealth, a State or a
13 Territory, if, at the time when the statutory right is granted, or
14 at any time afterwards, a provision of that law declares that
15 kind of statutory right not to be personal property for the
16 purposes of this Act (no matter whether the provision
17 remains in force);
- 18 Note: *Personal property* does not include such a statutory right if it has
19 been declared by such a law not to be personal property for the
20 purposes of this Act (see section 10).
- 21 (l) an interest of a kind prescribed by the regulations for the
22 purposes of this section.

23 *Exceptions to subsection (1)*

- 24 (2) The following table has effect:

Provisions of this Act that apply to interests mentioned in subsection (1)		
Item	Despite subsection (1), the following provision:	applies in relation to the following interest mentioned in subsection (1):
1	section 73	(a) a lien, charge or other interest in personal property of a kind described in paragraph (1)(b) or (c); and (b) an interest provided for by a transaction described in subparagraph (1)(f)(ii).
2	section 80	a right of set-off (see

Provisions of this Act that apply to interests mentioned in subsection (1)

Item	Despite subsection (1), the following provision:	applies in relation to the following interest mentioned in subsection (1):
		paragraph (1)(d).
3	sections 117 and 118	an interest provided for by the creation or transfer of an interest in land (see subparagraph (1)(f)(i)).
4	paragraph 140(2)(a)	a lien, charge or other interest in personal property of a kind described in paragraph (1)(b) or (c).
5	paragraph 148(c) and regulations made for the purposes of that paragraph	a lien, charge or other interest in personal property of a kind described in paragraph (1)(b) or (c).

1 (3) The regulations may provide that, despite subsection (1), this Act
2 applies in relation to a kind of interest prescribed by the regulations
3 for the purposes of this subsection.

4 *Transfer and assignments of interests and rights*

5 (4) To avoid doubt, the interest provided for by a transfer or
6 assignment of an interest or right (see paragraph (1)(f)) is the
7 interest that the transferee has to claim against the transferor.
8

1 **Part 1.3—Definitions**

2 **Division 1—Introduction**

3 **9 Guide to this Part**

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This Part is about the terms that are defined in this Act.

Division 2 contains the Dictionary. The Dictionary is a list of every term defined in this Act. A term will either be defined in the Dictionary itself, or in another provision of this Act. If another provision defines the term, the Dictionary will have a signpost to that definition.

Division 3 contains some longer definitions. These include the definition of *security interest* (in section 12).

A security interest is an interest in personal property provided for by a transaction that secures payment or the performance of an obligation. The form of the transaction and the identity of the person who has title to the property do not affect whether an interest is a security interest. Certain transactions that do not secure payment or the performance of an obligation may also give rise to a security interest: transfers of accounts, consignments and certain long-term leases and bailments (called PPS leases).

1 **Division 2—The Dictionary**

2 **10 The Dictionary**

3 In this Act:

4 **ABN** (short for Australian Business Number) has the meaning
5 given by section 41 of the *A New Tax System (Australian Business*
6 *Number) Act 1999*.

7 **accession** to other goods means goods that are installed in, or
8 affixed to, the other goods, unless both the accession and the other
9 goods are required or permitted by the regulations to be described
10 by serial number.

11 **account** means a monetary obligation (whether or not earned by
12 performance, and, if payable in Australia, whether or not the
13 person who owes the money is located in Australia) that arises
14 from:

- 15 (a) disposing of property (whether by sale, transfer, assignment,
16 lease, licence or in any other way); or
17 (b) granting a right, or providing services, in the ordinary course
18 of a business of granting rights or providing services of that
19 kind (whether or not the account debtor is the person to
20 whom the right is granted or the services are provided);

21 but does not include any of the following:

- 22 (c) an ADI account;
23 (d) chattel paper;
24 (e) an investment entitlement;
25 (f) an investment instrument;
26 (g) a negotiable instrument.

27 Example: An account that is a credit card receivable is covered by paragraph (b).

28 **account debtor** means a person who is obligated under an account
29 or chattel paper.

30 **ADI** (short for authorised deposit-taking institution) has the same
31 meaning as in the *Banking Act 1959*.

Section 10

1 **ADI account** means a protected account within the meaning of the
2 *Banking Act 1959*.

3 **advance:**

4 (a) means the payment of currency, the provision of credit or the
5 giving of value; and

6 (b) includes any liability of a debtor to pay interest, credit costs
7 and other charges or costs payable by the debtor in
8 connection with the advance or the enforcement of a security
9 interest securing the advance.

10 **after-acquired property** means personal property acquired by the
11 grantor after a security agreement is made.

12 **agency** includes an authority or instrumentality.

13 **amendment demand** has the meaning given by section 178.

14 **amendment notice** has the meaning given by section 180.

15 **amendment time**, of a registration, has the meaning given by
16 section 160.

17 **approved form** has the meaning given by section 302.

18 **attaches** has the meaning given by section 19.

19 **Australia** has a meaning affected by subsection 7(4).

20 **Australian entity** means any of the following entities:

21 (a) an individual who is located in Australia;

22 Note: For the location of individuals, see section 235.

23 (b) a company or registrable Australian body (within the
24 meaning of the *Corporations Act 2001*);

25 (c) a corporation sole established under a law of the
26 Commonwealth, a State or a Territory;

27 (d) a public authority or an agency or instrumentality of the
28 Crown in right of the Commonwealth, a State or a Territory.

29 **bankruptcy** has the same meaning as in paragraph 51(xvii) of the
30 Constitution.

1 Note: Other parts of speech and grammatical forms of “bankruptcy” (for
2 example, “bankrupt”) have a corresponding meaning (see section 18A
3 of the *Acts Interpretation Act 1901*).

4 ***business day*** means a day other than:

- 5 (a) a Saturday or a Sunday; or
6 (b) a day which is a public holiday for the whole of:
7 (i) any State; or
8 (ii) the Australian Capital Territory; or
9 (iii) the Northern Territory; or
10 (c) a day that falls between Christmas Day and New Year’s Day;
11 or
12 (d) a day on which the Registrar has refused access to the
13 register, or otherwise suspended the operation of the register,
14 in whole or in part (see subsection 147(5)); or
15 (e) a day that is prescribed by the regulations for the purposes of
16 this definition.

17 ***carrying on*** an enterprise has the meaning given by section 41 of
18 the *A New Tax System (Australian Business Number) Act 1999*.

19 ***chattel paper*** means one or more writings that evidence a monetary
20 obligation and either or both of the following:

- 21 (a) a security interest in, or lease of, specific goods, or specific
22 goods and accessions to the specific goods (even if the
23 description of the goods (and accessions) is taken to include a
24 description of intellectual property, or an intellectual property
25 licence, under section 105);
26 (b) a security interest in specific intellectual property or a
27 specific intellectual property licence;

28 but does not include any of the following:

- 29 (c) a document of title;
30 (d) an investment entitlement;
31 (e) an investment instrument;
32 (f) a negotiable instrument.

33 ***circulating asset*** has the meaning given by section 340.

34 ***civil penalty provision*** has the meaning given by section 221.

Section 10

1 **clearing and settlement facility** has the meaning given by
2 Chapter 7 of the *Corporations Act 2001*.

3 **collateral**:

- 4 (a) means personal property to which a security interest is
5 attached; and
6 (b) in relation to a registration with respect to a security
7 interest—includes personal property described by the
8 registration (whether or not a security interest is attached to
9 the property).

10 Note: Section 161 authorises the registration of a financing statement
11 that describes personal property before or after a security
12 agreement is made covering the property, or a security interest
13 has attached to the property.

14 **commercial consignment** means a consignment if:

- 15 (a) the consignor retains an interest in goods that the consignor
16 delivers to the consignee; and
17 (b) the consignor delivers the goods to the consignee for the
18 purpose of sale, lease or other disposal; and
19 (c) the consignor and the consignee both deal in goods of that
20 kind in the ordinary course of business;

21 but does not include an agreement under which goods are delivered
22 to:

- 23 (d) an auctioneer for the purpose of sale; or
24 (e) a consignee for sale, lease or other disposal if the consignee
25 is generally known to the creditors of the consignee to be
26 selling or leasing goods of others.

27 **commercial property** means personal property other than consumer
28 property.

29 **commingled**: goods that are *commingled* include goods that are
30 mixed with goods of the same kind.

31 **company** means:

- 32 (a) a company registered under Part 2A.2 or Part 5B.1 of the
33 *Corporations Act 2001*; or
34 (b) a registrable body (within the meaning of that Act) that is
35 registered under Division 1 or 2 of Part 5B.2 of that Act.

1 **constitutional corporation** means a corporation to which
2 paragraph 51(xx) of the Constitution applies.

3 **constructive knowledge** has the meaning given by section 297.

4 Note: Section 298 deals with knowledge in relation to bodies corporate and
5 other entities.

6 **consumer property** means personal property held by an individual,
7 other than personal property held in the course or furtherance, to
8 any degree, of carrying on an enterprise to which an ABN has been
9 allocated.

10 **continuously perfected** has the meaning given by section 56.

11 **control** has the meaning given by Part 2.3.

12 Note: **Control** has an extended meaning in section 341 (control of inventory
13 and accounts in relation to fixed and floating charges).

14 **crops** means crops (whether matured or not and whether naturally
15 grown or planted) that have not been harvested, including:

- 16 (a) the products of agriculture or aquaculture, if the products
17 have not been harvested; and
18 (b) trees (but only if they are personal property), if the trees have
19 not been harvested.

20 **currency** means currency authorised as a medium of exchange by
21 the law of Australia or of any other country.

22 **debtor** means:

- 23 (a) a person who owes payment or performance of an obligation
24 that is secured by a security interest in personal property
25 (whether or not the person is also the grantor of the security
26 interest); or
27 (b) a transferee of, or successor to, an obligation mentioned in
28 paragraph (a).

29 **defect**, in relation to a registration, includes an irregularity,
30 omission or error in the registration.

31 **Deputy Registrar** means a Deputy Registrar of Personal Property
32 Securities.

33 Note: See Part 5.9 for the office of Deputy Registrar.

Section 10

- 1 **description** of personal property (including collateral and
2 proceeds) means:
3 (a) in the case of a particular item of personal property—a
4 description that identifies the item, or that identifies a class to
5 which the item belongs; or
6 (b) in the case of a class of personal property—a description that
7 identifies the class.

- 8 **document of title** means a writing issued by or addressed to a
9 bailee:
10 (a) that covers goods in the bailee’s possession that are identified
11 or are fungible portions of an identified mass; and
12 (b) in which it is stated that the goods identified in it will be
13 delivered:
14 (i) to a named person, or to the transferee of that person; or
15 (ii) to the bearer; or
16 (iii) to the order of a named person.

17 **effective**: a registration is **effective** with respect to particular
18 collateral if it is effective with respect to that collateral under
19 Part 5.4.

20 **enterprise** has the meaning given by section 9-20 of the *A New Tax*
21 *System (Goods and Services Tax) Act 1999*.

22 **evidential burden**, in relation to a matter, means the burden of
23 adducing or pointing to evidence that suggests a reasonable
24 possibility that the matter exists or does not exist.

25 **execution creditor** means a creditor who has recovered judgment
26 and issued execution against a grantor.

27 **expenses**, in relation to the enforcement of a security interest in
28 collateral, includes advances, costs and taxes for obtaining
29 possession of, protecting (including insuring), maintaining,
30 preserving or repairing the collateral.

31 Example: For collateral that is intellectual property, **expenses** include the costs
32 of legal proceedings against infringers of the intellectual property.
33 Note: Reasonable expenses in relation to the enforcement of a security
34 interest are taken to be secured by a security interest unless the parties
35 agree otherwise (see subsection 18(5)).

1 ***express amendment***, of this Act, has the meaning given by
2 section 244.

3 ***Family Court*** means the Family Court of Australia.

4 ***Federal Court*** means the Federal Court of Australia.

5 ***financial product*** has the meaning given by the *Corporations Act*
6 *2001*.

7 ***financial property*** means any of the following personal property:

- 8 (a) chattel paper;
9 (b) currency;
10 (c) a document of title;
11 (d) an investment instrument;
12 (e) a negotiable instrument.

13 ***financing change statement*** means data amending a registered
14 financing statement.

15 ***financing statement*** means data registered (or that is to be
16 registered) pursuant to an application for registration under
17 subsection 150(1).

18 Note: For requirements relating to financing statements, see Part 5.3
19 (Registration).

20 ***fish*** means any of the following, while alive:

- 21 (a) marine, estuarine or freshwater fish, or other aquatic animal
22 life, at any stage of their life history;
23 (b) oysters and other aquatic molluscs, crustaceans, echinoderms,
24 beachworms and other aquatic polychaetes;

25 but does not include any fish prescribed by the regulations for the
26 purposes of this definition.

27 ***fixtures*** means goods, other than crops, that are affixed to land.

28 ***foreign jurisdiction*** has the meaning given by section 39.

29 ***future advance*** means:

- 30 (a) an advance secured by a security interest (whether or not
31 made pursuant to an obligation), if the advance is made after
32 the security agreement was made; or

Section 10

1 (b) expenses in relation to the enforcement of a security interest
2 that are secured by the security interest.

3 Note: For the meaning of *expenses*, see the definition elsewhere in this
4 section. Reasonable expenses in relation to the enforcement of a
5 security interest are taken to be secured by the security interest unless
6 the parties agree otherwise (see subsection 18(5)).

7 **general law** means the principles and rules of the common law and
8 equity.

9 **goods** means personal property that is tangible property, including
10 the following:

- 11 (a) crops;
12 (b) livestock;
13 (c) wool;
14 (d) minerals that have been extracted (including hydrocarbons)
15 in any form, whether solid, liquid or gaseous and whether
16 organic or inorganic;
17 (e) satellites and other space objects;

18 but does not include financial property or an investment
19 entitlement.

20 **grantor** means:

- 21 (a) a person who owns the personal property, or has the interest
22 in the personal property, to which a security interest is
23 attached (whether or not the person owes payment or
24 performance of an obligation secured by the security
25 interest); or
26 (b) a person who receives goods under a commercial
27 consignment; or
28 (c) a lessee under a PPS lease; or
29 (d) a transferor of an account or chattel paper; or
30 (e) a transferee of, or successor to, the interest of a person
31 mentioned in paragraphs (a) to (d); or
32 (f) in relation to a registration with respect to a security interest:
33 (i) a person registered in the registration as a grantor; or
34 (ii) a person mentioned in paragraphs (a) to (e).

35 **insolvency** has the same meaning as in paragraph 51(xvii) of the
36 Constitution.

1 Note: Other parts of speech and grammatical forms of “insolvency” (for
2 example, “insolvent”) have a corresponding meaning (see section 18A
3 of the *Acts Interpretation Act 1901*).

4 ***intangible property*** means personal property (including a licence)
5 that is not any of the following:

- 6 (a) financial property;
7 (b) goods;
8 (c) an investment entitlement.

9 ***intellectual property*** means any of the following rights (including
10 the right to be a party to proceedings in relation to such a right):

- 11 (a) the right to do any of the things mentioned in paragraphs
12 10(1)(a) to (f) of the *Designs Act 2003* in relation to a design
13 that is registered under that Act;
14 (b) the right to exploit or work an invention, or to authorise
15 another person to exploit or work an invention, for which a
16 patent is in effect under the *Patents Act 1990*;
17 (c) the rights held by a person who is the registered owner of a
18 trade mark that is registered under the *Trade Marks Act 1995*;
19 (d) the right to do, or to license another person to do, an act
20 referred to in section 11 of the *Plant Breeder’s Rights Act*
21 *1994* in relation to propagating material of a plant variety;
22 (e) the right to do an act referred to in section 17 of the *Circuit*
23 *Layouts Act 1989* in relation to an eligible layout during the
24 protection period of the layout;
25 (f) the right under the *Copyright Act 1968* to do an act
26 comprised in the copyright in a literary, dramatic, musical or
27 artistic work or a published edition of such a work, or in a
28 sound recording, cinematograph film, television broadcast or
29 sound broadcast.

30 ***intellectual property licence*** means an authority or licence (within
31 the ordinary meaning of that term) to exercise rights comprising
32 intellectual property.

33 ***interest***, in relation to personal property, includes a right in the
34 personal property.

Section 10

- 1 **inventory** means personal property (whether goods or intangible
2 property) that, in the course or furtherance, to any degree, of an
3 enterprise to which an ABN has been allocated:
- 4 (a) is held by the person for sale or lease, or has been leased by
5 the person as lessor; or
- 6 (b) is held by the person to be provided under a contract for
7 services, or has been so provided; or
- 8 (c) is held by the person as raw materials or as work in progress;
9 or
- 10 (d) is held, used or consumed by the person, as materials.
- 11 **investment entitlement** has the meaning given by section 15.
- 12 **investment entitlement account** has the meaning given by
13 section 15.
- 14 **investment entitlement intermediary** has the meaning given by
15 section 15.
- 16 **investment instrument** means any of the following financial
17 products:
- 18 (a) a share in a body, or a debenture of a body;
- 19 (b) a debenture, stock or bond issued or proposed to be issued by
20 a government;
- 21 (c) a derivative;
- 22 (d) a foreign exchange contract that is not a derivative;
- 23 (e) an assignable option to have an allotment of an investment
24 instrument (apart from this paragraph) made to the holder of
25 the option;
- 26 (f) an interest in, or a unit in an interest in, a managed
27 investment scheme;
- 28 (g) a unit in a share in a body;
- 29 (h) a financial product that is traded on a financial market that is:
- 30 (i) operated in accordance with an Australian market
31 licence; or
- 32 (ii) exempt from the operation of Part 7.2 of the
33 *Corporations Act 2001*;
- 34 (i) any other financial product that is prescribed by the
35 regulations;

1 (j) any financial product that consists of a combination of any 2
2 or more of the financial products mentioned in paragraphs (a)
3 to (i);

4 but does not include any of the following:

5 (k) the creation or transfer (including a successive transfer) of a
6 right to payment in connection with interests in land, if the
7 writing evidencing the creation or transfer does not
8 specifically identify that land;

9 (l) a document of title;

10 (m) an investment entitlement;

11 (n) a negotiable instrument.

12 A word or expression used in this definition has the same meaning
13 as in the *Corporations Act 2001*, subject to this Part.

14 **land** includes all estates and interests in land, whether freehold,
15 leasehold or chattel, but does not include fixtures.

16 **land law** has the meaning given by section 117.

17 **law** of the Commonwealth, a State or a Territory means:

18 (a) an Act of the Commonwealth, the State or the Territory; or

19 (b) an instrument made under such an Act.

20 **licence** means either of the following, if it is transferable by the
21 licensee (whether or not the right, entitlement, authority or licence
22 is exclusive, and whether or not a transfer is restricted or requires
23 consent):

24 (a) a right, entitlement or authority to do one or more of the
25 following:

26 (i) to manufacture, produce, sell, transport or otherwise
27 deal with personal property;

28 (ii) to provide services;

29 (iii) to explore for, exploit or use a resource;

30 (b) an intellectual property licence;

31 but does not include a right, entitlement or authority that is:

32 (c) granted by or under a law of the Commonwealth, a State or a
33 Territory; and

34 (d) declared by that law not to be personal property for the
35 purposes of this Act.

Section 10

1 Note: A right, entitlement or authority to which paragraph (c) or (d) applies
2 is not personal property for the purposes of this Act (for the meaning
3 of *personal property*, see elsewhere in this section).

4 *livestock* includes:

- 5 (a) while they are alive—alpacas, cattle, fish, goats, horses,
6 llamas, ostriches, poultry, sheep, swine and other animals;
7 and
8 (b) the unborn young of animals mentioned in paragraph (a).

9 *located*, in relation to personal property, or a person, has the
10 meaning given by section 235.

11 *lower court* has the meaning given by section 211.

12 *matter* includes act, omission, body, person and thing.

13 *migrated security interest* has the meaning given by section 332.

14 *modification* includes addition, omission and substitution.

15 *motor vehicle* has the meaning given by the regulations.

16 *negotiable instrument* means:

- 17 (a) a bill of exchange (within the meaning of the *Bills of*
18 *Exchange Act 1909*); or
19 (b) a cheque (within the meaning of the *Cheques Act 1986*); or
20 (c) a promissory note (within the meaning of section 89 of the
21 *Bills of Exchange Act 1909*); or
22 (d) any other writing that evidences a right to payment of
23 currency and that is of a kind that, in the ordinary course of
24 business, is transferred by delivery with any necessary
25 endorsement or assignment; or
26 (e) a letter of credit that states that it must be presented on
27 claiming payment;

28 but does not include any of the following:

- 29 (f) the creation or transfer (including a successive transfer) of a
30 right to payment in connection with interests in land, if the
31 writing evidencing the creation or transfer does not
32 specifically identify that land;
33 (g) a document of title;
34 (h) an investment entitlement.

1 **new value** means value other than value provided to reduce or
2 discharge an earlier debt or liability.

3 **non-referring State** means a State that is not a referring State.

4 Note: For the meaning of *referring State*, see section 244.

5 **notice of objection** has the meaning given by section 137.

6 **penalty unit** has the meaning given by section 4AA of the *Crimes*
7 *Act 1914*.

8 **perfected** has the meaning given by section 21.

9 **personal property** means property (including a licence) other than:

10 (a) land; or

11 (b) a right, entitlement or authority that is:

12 (i) granted by or under a law of the Commonwealth, a State
13 or a Territory; and

14 (ii) declared by that law not to be personal property for the
15 purposes of this Act.

16 Note: This Act does not apply to certain interests even if they are interests in
17 personal property (see section 8).

18 **possession** has a meaning affected by section 24.

19 **PPS lease** (short for Personal Property Securities lease) has the
20 meaning given by section 13.

21 **PPS matter** (short for Personal Property Securities matter) has the
22 meaning given by section 206.

23 **predominantly**: personal property is intended to be used

24 **predominantly** for personal, domestic or household purposes if:

25 (a) the personal property:

26 (i) is intended to be used only for those purposes; or

27 (ii) is intended to be used for other purposes as well, but is
28 intended to be mostly used for personal, domestic or
29 household purposes; and

30 (b) the personal property is not acquired as an investment.

31 **present liability** means a liability:

Section 10

- 1 (a) that has arisen; and
2 (b) whose extent or amount is fixed or capable of being
3 ascertained;
4 whether or not the liability is immediately due to be met.
- 5 ***proceeds*** has the meaning given by section 31.
- 6 ***provides***: a security agreement ***provides*** for a security interest if the
7 interest arises under the agreement.
- 8 ***purchase money security interest*** has the meaning given by
9 section 14.
- 10 ***receiving court*** has the meaning given by section 210.
- 11 ***referring State*** has the meaning given by section 244.
- 12 ***register*** means the Personal Property Securities Register
13 established under section 147.
- 14 ***Registrar*** means the Registrar of Personal Property Securities.
15 Note: See Part 5.9 for the office of Registrar.
- 16 ***registration*** means a registered financing statement (as amended
17 by any registered financing change statement) with respect to:
18 (a) a security interest; or
19 (b) personal property prescribed by regulations made for the
20 purposes of paragraph 148(c);
- 21 ***registration commencement time*** has the meaning given by
22 section 306.
- 23 ***registration event*** has the meaning given by section 155.
- 24 ***registration time***, with respect to collateral described in a
25 registration, has the meaning given by:
26 (a) section 160; or
27 (b) section 336 (preparatory registration with respect to
28 transitional security interests).
- 29 ***relevant superior court*** has the meaning given by section 211.
- 30 ***secured party***:
-

- 1 (a) means a person who holds a security interest for the person's
2 own benefit or for the benefit of another person (or both); and
3 (b) if the holders of the obligations issued, guaranteed or
4 provided for under a security agreement are represented by a
5 trustee as the holder of the security interest—includes the
6 trustee; and
7 (c) in relation to a registration with respect to a security
8 interest—includes a person registered as a secured party in
9 the registration.

10 ***security agreement*** means:

- 11 (a) an agreement or act by which a security interest is created,
12 arises or is provided for; or
13 (b) writing evidencing such an agreement or act.

14 ***security interest*** has the meaning given by section 12.

15 ***serial number***, in relation to collateral, means a serial number by
16 which the regulations require, or permit, the collateral to be
17 described in a registration.

18 ***State Family Court***, in relation to a State, means a court of that
19 State to which section 41 of the *Family Law Act 1975* applies
20 because of a Proclamation made under subsection 41(2) of that
21 Act.

22 ***superior court*** has the meaning given by section 211.

23 ***term deposit*** means a deposit made with an ADI that matures on a
24 particular date (whether or not the ADI can be required to repay the
25 deposit before that date).

26 ***this Act*** includes the regulations.

27 ***time of execution*** has the meaning given by section 74.

28 ***transfer matter*** has the meaning given by section 210.

29 ***transferring court*** has the meaning given by section 210.

30 ***transitional register*** has the meaning given by section 330.

Section 11

1 ***transitional security agreement*** has the meaning given by
2 section 307.

3 ***transitional security interest*** has the meaning given by
4 section 308.

5 ***value***:

6 (a) means consideration that is sufficient to support a contract;
7 and

8 (b) includes an antecedent debt or liability; and

9 (c) in relation to the definition of ***purchase money security***
10 ***interest***—has a meaning affected by section 14.

11 ***verification statement*** has the meaning given by section 155.

12 ***wool*** means the natural fibre from any livestock that produce fleece
13 that can be shorn (such as sheep, goats, alpacas and llamas).

14 ***writing*** includes:

15 (a) the recording of words or data in any way (including
16 electronically), if, at the time the recording was made, it was
17 reasonable to expect that the words or data would be readily
18 accessible so as to be useable for subsequent reference; and

19 (b) the display, or other representation, of words or data by any
20 form of communication (including electronic), if:

21 (i) the display or representation is recorded in any way
22 (including electronically); and

23 (ii) at the time the recording was made, it was reasonable to
24 expect that the words or data would be readily
25 accessible so as to be useable for subsequent reference.

26 **11 Application of the *Acts Interpretation Act 1901***

27 (1) The *Acts Interpretation Act 1901*, as in force at the start of the day
28 on which this Act receives the Royal Assent, applies to this Act.

29 (2) Amendments of the *Acts Interpretation Act 1901* made after that
30 time do not apply to this Act.
31

1 **Division 3—Concepts relating to security interests and**
2 **personal property**

3 **12 Meaning of *security interest***

4 (1) A *security interest* means an interest in relation to personal
5 property provided for by a transaction that, in substance, secures
6 payment or performance of an obligation (without regard to the
7 form of the transaction or the identity of the person who has title to
8 the property).

9 Note: For the application of this Act to interests, see section 8.

10 (2) For example, a *security interest* includes an interest in relation to
11 personal property provided by any of the following transactions, if
12 the transaction, in substance, secures payment or performance of
13 an obligation:

- 14 (a) a fixed charge;
- 15 (b) a floating charge;
- 16 (c) a chattel mortgage;
- 17 (d) a conditional sale agreement (including an agreement to sell
18 subject to retention of title);
- 19 (e) a hire purchase agreement;
- 20 (f) a pledge;
- 21 (g) a trust receipt;
- 22 (h) a consignment (whether or not a commercial consignment);
- 23 (i) a lease of goods (whether or not a PPS lease);
- 24 (j) an assignment;
- 25 (k) a transfer of title;
- 26 (l) a flawed asset arrangement.

27 (3) A *security interest* also includes the following interests in relation
28 to personal property, whether or not the transaction concerned, in
29 substance, secures payment or performance of an obligation:

- 30 (a) the interest of a transferee under a transfer of an account or
31 chattel paper;
- 32 (b) the interest of a consignor who delivers goods to a consignee
33 under a commercial consignment;
- 34 (c) the interest of a lessor or bailor of goods under a PPS lease.

Section 13

- 1 (4) An account debtor, in relation to an account or chattel paper, may
2 take a security interest in the account or chattel paper.
- 3 (5) A *security interest* does not include:
4 (a) a licence; or
5 (b) an interest of a kind prescribed by the regulations for the
6 purposes of this section.
- 7 (6) A security interest is not created only by an agreement or
8 undertaking to do either of the following:
9 (a) to postpone or subordinate a person's right to payment or
10 performance of all or any part of a debtor's obligation to
11 another person's right to payment or performance of all or
12 any part of another of the debtor's obligations;
13 (b) to postpone or subordinate all or any part of a secured party's
14 rights under a security agreement to all or any part of another
15 secured party's rights under another security agreement with
16 the same grantor.

17 **13 Meaning of *PPS lease***

- 18 (1) A *PPS lease* means a lease or bailment of goods:
19 (a) for a term of more than one year; or
20 (b) for an indefinite term (even if the lease or bailment is
21 determinable by any party within a year of entering into the
22 lease or bailment); or
23 (c) for a term of up to one year that is automatically renewable,
24 or that is renewable at the option of one of the parties, for one
25 or more terms if the total of all the terms might exceed one
26 year; or
27 (d) for a term of up to one year, in a case in which the lessee or
28 bailee, with the consent of the lessor or bailor, retains
29 uninterrupted (or substantially uninterrupted) possession of
30 the leased or bailed property for a period of more than one
31 year after the day the lessee or bailee first acquired
32 possession of the property (but not until the lessee's or
33 bailee's possession extends for more than one year); or
34 (e) for goods that may or must be described by serial number in
35 accordance with the regulations, if the lease or bailment is:

- 1 (i) for a term of 90 days or more; or
2 (ii) for a term of less than 90 days, but is automatically
3 renewable, or is renewable at the option of one of the
4 parties, for one or more terms if the total of all the terms
5 might be 90 days or more; or
6 (iii) for a term of less than 90 days, in a case in which the
7 lessee or bailee, with the consent of the lessor or bailor,
8 retains uninterrupted (or substantially uninterrupted)
9 possession of the leased or bailed property for a period
10 of 90 days or more after the day the lessee or bailee first
11 acquired possession of the property, (but not until the
12 lessee's or bailee's possession extends for 90 days or
13 more).
- 14 (2) However, a **PPS lease** does not include:
15 (a) a lease by a lessor who is not regularly engaged in the
16 business of leasing goods; or
17 (b) a bailment by a bailor who is not regularly engaged in the
18 business of bailing goods; or
19 (c) a lease of consumer property as part of a lease of land where
20 the use of the property is incidental to the use and enjoyment
21 of the land; or
22 (d) a lease or bailment of personal property prescribed by the
23 regulations for the purposes of this definition, regardless of
24 the length of the term of the lease or bailment.

25 *Bailments for value only*

- 26 (3) This section only applies to a bailment if the bailor provides value
27 for the bailment to the bailee.

28 **14 Meaning of *purchase money security interest***

29 *General definition*

- 30 (1) A ***purchase money security interest*** means any of the following:
31 (a) a security interest taken in collateral, to the extent that it
32 secures all or part of its purchase price;
33 (b) a security interest taken in collateral by a person who gives
34 value for the purpose of enabling the grantor to acquire rights

Section 14

- 1 in the collateral, to the extent that the value is applied to
2 acquire those rights;
- 3 (c) the interest of a lessor or bailor of goods under a PPS lease;
- 4 (d) the interest of a consignor who delivers goods to a consignee
5 under a commercial consignment.

6 *Exceptions*

- 7 (2) However, a ***purchase money security interest*** does not include:
- 8 (a) an interest acquired under a transaction of sale and lease back
9 to the seller; or
- 10 (b) an interest in collateral (as original collateral) that is chattel
11 paper, an investment instrument, an investment entitlement, a
12 monetary obligation or a negotiable instrument; or
- 13 (c) a security interest in collateral that (at the time the interest
14 attaches to the collateral) the grantor intends to use
15 predominantly for personal, domestic or household purposes.

16 *Mixed securities*

- 17 (3) If a security interest in collateral secures obligations covered by
18 subsection (7) (***purchase money obligations***) and other obligations,
19 the security interest is a purchase money security interest only to
20 the extent that it secures the purchase money obligations.
- 21 (4) If a security interest is granted in personal property (***purchase***
22 ***money collateral***) that secures a purchase money obligation,
23 together with other collateral, the security interest is a purchase
24 money security interest only to the extent that it is granted in the
25 purchase money collateral.

26 *Renewal etc.*

- 27 (5) A purchase money security interest does not lose its status as such
28 only because the purchase money obligation is renewed,
29 refinanced, consolidated or restructured (whether or not by the
30 same secured party).

1 *Application of payments to obligations*

- 2 (6) In any transaction, if the extent to which a security interest is a
3 purchase money security interest depends on the application of a
4 payment to a particular obligation, the payment must be applied:
5 (a) in accordance with any method of application to which the
6 parties agree; or
7 (b) if the parties do not agree on a method—in accordance with
8 any intention of the debtor manifested at or before the time of
9 the payment; or
10 (c) if neither paragraph (a) nor (b) applies—in the following
11 order:
12 (i) to obligations that are not secured, in the order in which
13 those obligations were incurred;
14 (ii) to obligations that are secured, but not by purchase
15 money security interests, in the order in which those
16 obligations were incurred;
17 (iii) to obligations that are secured by purchase money
18 security interests, in the order in which those obligations
19 were incurred.

20 *Purchase money obligations*

- 21 (7) This subsection covers an obligation of a debtor incurred:
22 (a) as all or part of the purchase price of the collateral; or
23 (b) for value given to enable the grantor to acquire or use the
24 collateral (provided the collateral is so acquired or used).

25 *References to purchase price and value*

- 26 (8) In this section, a reference to a purchase price, or value, includes a
27 reference to credit charges and interest payable for the purchase or
28 loan credit.

Section 15

1 **15 Meaning of *investment entitlement* and related terms**

2 *Meaning of investment entitlement*

- 3 (1) An ***investment entitlement*** is the rights of a person in whose name
4 an investment entitlement intermediary maintains an investment
5 entitlement account.

6 *Meaning of investment entitlement intermediary*

- 7 (2) An ***investment entitlement intermediary*** is:
8 (a) a person who, in the course of business or other regular
9 activity, maintains investment entitlement accounts on behalf
10 of others, and includes a central securities depository; or
11 (b) a person (a ***CS facility licence holder***) who operates a
12 securities transfer and settlement facility under an Australian
13 CS facility licence (within the meaning of the *Corporations*
14 *Act 2001*).
- 15 (3) To avoid doubt, an investment entitlement intermediary may also
16 maintain an investment entitlement account on its own behalf.
- 17 (4) An investment entitlement intermediary (including a central
18 securities depository) is an ***investment entitlement intermediary***
19 only while acting in the capacity of an investment entitlement
20 intermediary.
- 21 (5) A person is not an ***investment entitlement intermediary*** merely
22 because the person:
23 (a) acts as a registrar or transfer agent for an issuer of a financial
24 product; or
25 (b) records details of interests in financial products in its own
26 books, being interests credited to investment entitlement
27 accounts in the names of other persons for whom the person
28 acts as manager or agent or otherwise in a purely
29 administrative capacity.
- 30 (6) A person is not an ***investment entitlement intermediary***, in relation
31 to particular (or any) financial products issued under the laws of
32 Australia or a foreign country, if:

- 1 (a) the person credits interests in financial products to
2 investment entitlement accounts maintained by the person, in
3 the person's capacity as operator of a system for holding and
4 transferring such interests, on records of the issuer or other
5 records which constitute the primary record of entitlement to
6 them as against the issuer; and
7 (b) the country under which the financial products are issued
8 makes a written declaration that the person is not to be an
9 investment entitlement intermediary for the purposes of this
10 Act in relation to the particular financial product, or in
11 relation to all financial products; and
12 (c) the regulations prescribe the person for the purposes of this
13 subsection.

14 *Meaning of investment entitlement account*

15 (7) In this Act:

16 *investment entitlement account* means:

- 17 (a) an account to which interests in financial products may be
18 credited or debited; or
19 (b) in the case of an account maintained by a CS facility licence
20 holder—writing that records holdings and transfers
21 maintained by the CS facility licence holder in the course of
22 operating the facility.
23

1 **Chapter 2—General rules relating to security**
2 **interests**

3 **Part 2.1—Guide to this Chapter**
4

5 **16 Guide to this Chapter**

6 This Chapter sets out general rules relating to security interests in
7 personal property.

8 Part 2.2 contains some general principles relating to these security
9 interests, the agreements that govern them and their enforceability.
10 The Part describes how a security interest is attached to personal
11 property and perfected.

12 Part 2.3 deals with the concepts of possession and control of
13 personal property.

14 Part 2.4 contains some rules about attachment and perfection of
15 security interests in particular situations.

16 Part 2.5 sets out circumstances in which a person takes an interest
17 in personal property free of a security interest in the property.

18 Part 2.6 sets out how to work out the priority between competing
19 security interests (and in some cases, other sorts of interests) in
20 personal property. If a specific rule does not deal with the priority
21 between security interests, then the priority is determined in
22 accordance with the default rules in section 55.

23 Part 2.7 contains some rules about transferring and assigning
24 interests in collateral.
25

1 **Part 2.2—Security interests: general principles**

3 **17 Guide to this Part**

4 This Part sets out some general principles about security interests.

5 These principles relate to the enforceability of security agreements
6 against grantors of security interests and third parties.

7 A security interest is only effective if it has *attached* to collateral.
8 A security interest attaches to collateral when the grantor has rights
9 in the collateral, or can transfer it to the secured party, and value is
10 given, or the security interest otherwise arises.

11 A security interest is only enforceable against a third party if it has
12 attached to collateral and the secured party possesses the collateral,
13 has perfected the security interest by controlling the collateral or
14 has entered into a written security agreement that describes the
15 collateral.

16 This Part also contains rules about how a security interest is
17 perfected and how it is continuously perfected. A perfected
18 security interest has priority over an unperfected security interest,
19 and the security interest that has been continuously perfected for
20 the longest time generally has the highest priority (see Part 2.6 for
21 priority rules).

22 Perfection occurs when a security interest has attached to collateral
23 and any further steps needed to make the security interest effective
24 against third parties have been taken.

25 These steps involve registration on the Personal Property Securities
26 Register or possession or control of the collateral. In certain
27 situations this Act provides for perfection, or temporary perfection,
28 by the operation of the Act itself.

29 **18 General rules about security agreements and security interests**

30 (1) A security agreement is effective according to its terms.

Section 19

- 1 (2) A security agreement may provide for security interests in
2 after-acquired property.
- 3 (3) A security interest in after-acquired property attaches without
4 specific appropriation by the grantor.
- 5 (4) A security agreement may provide for future advances.
- 6 (5) A security interest is taken to secure reasonable expenses in
7 relation to the enforcement of the security interest, unless the
8 parties agree otherwise.

9 **19 Enforceability of security interests against grantors—attachment**

10 *Attachment required for enforceability*

- 11 (1) A security interest is enforceable against a grantor in respect of
12 particular collateral only if the security interest has attached to the
13 collateral.

14 *Attachment rule*

- 15 (2) A security interest *attaches* to collateral when:
16 (a) the grantor has rights in the collateral, or the power to
17 transfer rights in the collateral to the secured party; and
18 (b) either:
19 (i) value is given for the security interest; or
20 (ii) the grantor does an act by which the security interest
21 arises.

22 *Time of attachment*

- 23 (3) Subsection (2) does not apply if the parties to a security agreement
24 have agreed that a security interest attaches at a later time, in which
25 case the security interest *attaches* at the time specified in the
26 agreement.
- 27 (4) To avoid doubt, a reference in a security agreement to a floating
28 charge is not a reference to an agreement that the security interest
29 created by the floating charge attaches at a time later than provided
30 under subsection (2).

1 *Goods leased, consigned or sold under a conditional sale*
2 *agreement.*

3 (5) For the purposes of paragraph (2)(a), a grantor has rights in goods
4 that are leased to the grantor under a PPS lease, consigned to the
5 grantor, or sold to the grantor under a conditional sale agreement
6 (including an agreement to sell subject to retention of title) when
7 the grantor obtains possession of the goods.

8 (6) Subsection (5) does not limit any other rights the grantor may have
9 in the goods.

10 **20 Enforceability of security interests against third parties**

11 *General rule*

12 (1) A security interest is enforceable against a third party in respect of
13 particular collateral only if:

14 (a) the security interest is attached to the collateral; and

15 (b) one of the following applies:

16 (i) the secured party possesses the collateral;

17 (ii) the secured party has perfected the security interest by
18 control;

19 (iii) a security agreement that provides for the security
20 interest covers the collateral in accordance with
21 subsection (2).

22 Note: For possession and control of collateral, see Part 2.3.

23 *Written security agreements*

24 (2) A security agreement covers collateral in accordance with this
25 subsection if:

26 (a) the security agreement is evidenced by writing that is:

27 (i) signed by the grantor (see subsection (3)); or

28 (ii) adopted or accepted by the grantor by an act specified in
29 the writing that is done with the intention of adopting or
30 accepting the writing; and

31 (b) the writing evidencing the agreement contains:

32 (i) a description of the particular collateral, subject to
33 subsections (4) and (5); or

Section 20

- 1 (ii) a statement that a security interest is taken in all of the
2 grantor's present and after-acquired property; or
3 (iii) a statement that a security interest is taken in all of the
4 grantor's present and after-acquired property except
5 specified items or classes of personal property.

6 *Methods of signing writing*

- 7 (3) Without limiting subparagraph (2)(a)(i), for the purposes of that
8 subparagraph a grantor is taken to sign writing if, with the intention
9 of identifying the grantor and adopting, or accepting, the writing,
10 the person applies:
11 (a) writing (including a symbol) executed or otherwise adopted
12 by the person; or
13 (b) writing wholly or partly encrypted, or otherwise processed,
14 by the person.

15 Note: For the meaning of *writing*, see section 10.

16 *Personal property descriptions—consumer property, equipment*
17 *and inventory*

- 18 (4) If particular personal property is described using the term
19 “consumer property”, “commercial property” or “equipment” in
20 the writing evidencing a security agreement, subparagraph (2)(b)(i)
21 is satisfied only if the personal property is more particularly
22 described, in addition, by reference to item or class.
23 (5) If particular personal property is described using the term
24 “inventory” in the writing evidencing a security agreement,
25 subparagraph (2)(b)(i) is satisfied only while the personal property
26 is held or leased by the grantor as inventory.

27 *Proceeds*

- 28 (6) A security interest in proceeds is enforceable against a third party
29 whether or not the security agreement providing for the security
30 interest contains a description of the proceeds.

31 Note: Section 32 deals with whether a security interest in collateral attaches
32 to proceeds of the collateral.

1 **21 Perfection—main rule**

- 2 (1) A security interest in particular collateral is *perfected* if:
3 (a) the security interest is temporarily perfected, or otherwise
4 perfected, by force of this Act; or
5 (b) both:
6 (i) the security interest is attached to the collateral; and
7 (ii) subsection (2) applies.
- 8 (2) This subsection applies if:
9 (a) for any collateral, a registration is effective with respect to
10 the collateral; or
11 (b) for any collateral, the secured party has possession of the
12 collateral (other than possession as a result of seizure or
13 repossession); or
14 (c) for the following kinds of collateral, the secured party has
15 control of the collateral:
16 (i) an ADI account;
17 (ii) an investment entitlement;
18 (iii) an investment instrument;
19 (iv) a negotiable instrument that is not evidenced by a
20 certificate;
21 (v) a right evidenced by a letter of credit that states that the
22 letter of credit must be presented on claiming payment
23 or requiring the performance of an obligation;
24 (vi) satellites and other space objects.
- 25 Note: For what constitutes possession and control of collateral, see Part 2.3.
- 26 (3) A security interest may be perfected regardless of the order in
27 which attachment and any step mentioned in subsection (2) occur.
- 28 (4) A single registration may perfect one or more security interests.

29 **22 Perfection—goods possessed by a bailee**

30 *Perfection of security interest*

- 31 (1) A security interest that has attached to goods in the possession of a
32 bailee (other than the grantor or the debtor) is perfected if any of

Section 22

- 1 the following applies, regardless of when the security interest
2 attached to the goods:
- 3 (a) the security interest is perfected by registration, as provided
4 by section 21;
 - 5 (b) the security interest is perfected by possession, as provided
6 by section 21, because the bailee possesses the property on
7 behalf of the secured party;
 - 8 (c) the bailee issues a document of title to the goods in the name
9 of the secured party;
 - 10 (d) the bailee issues a negotiable document of title to the goods,
11 and the secured party has a perfected security interest in the
12 document.

13 *Temporary perfection while negotiable document of title in transit*

- 14 (2) A security interest in goods in the possession of a bailee (other than
15 the grantor or the debtor) is temporarily perfected for the period:
- 16 (a) starting at the time the bailee issues a negotiable document of
17 title to the goods; and
 - 18 (b) ending at the end of the day the secured party takes
19 possession of the document.
- 20 (3) The security interest in the goods becomes unperfected at the end
21 of the period mentioned in subsection (2), unless the security
22 interest is perfected otherwise than under subsection (2) before the
23 end of the period.
- 24 (4) However, subsection (2) does not apply, and is taken never to have
25 applied, unless, before the end of the period of 5 business days
26 after the day of issue of the negotiable document of title:
- 27 (a) the secured party takes possession of the document; or
 - 28 (b) the security interest is perfected otherwise than under that
29 subsection.
- 30

1 **Part 2.3—Possession and control of personal**
2 **property**
3

4 **23 Guide to this Part**

5 This Part deals with the concepts of possession and control of
6 personal property.

7 A grantor and secured party cannot both have possession of
8 collateral. There are special rules about possession of the
9 following:

- 10 (a) goods in the possession of a common carrier;
11 (b) negotiable instruments not evidenced
12 electronically;
13 (c) chattel paper evidenced electronically;
14 (d) investment instruments evidenced by a certificate.

15 Control of certain types of personal property is effective to perfect
16 a security interest in the property (see paragraph 21(2)(c)). This
17 Part includes some special rules about control of the following:

- 18 (a) ADI accounts;
19 (b) investment entitlements;
20 (c) investment instruments;
21 (d) letters of credit;
22 (e) negotiable instruments not evidenced by a
23 certificate.

Section 24

1 **24 Possession**

2 *Possession by one party exclusive of possession by others*

3 (1) A secured party cannot have **possession** of personal property if the
4 property is in the actual or apparent possession of the grantor or
5 debtor, or another person on behalf of the grantor or debtor.

6 (2) A grantor or debtor cannot have **possession** of personal property if
7 the property is in the actual or apparent possession of the secured
8 party, or another person on behalf of the secured party.

9 *Timing rule for possession of goods transported by common*
10 *carrier*

11 (3) A grantor or debtor to whom goods are transported by a common
12 carrier acquires possession of the goods only when the earlier of
13 the following occurs:

- 14 (a) the grantor or debtor, or another person at the request of the
15 grantor or debtor, actually acquires possession of the goods;
16 (b) the grantor or debtor, or another person at the request of the
17 grantor or debtor, acquires possession of a document of title
18 to the goods.

19 *Possession of certain negotiable instruments*

20 (4) A person (the **first person**) has **possession** of a negotiable
21 instrument that is not evidenced by an electronic record if, and only
22 if, the first person, or another person on behalf of the first person,
23 takes physical possession of the instrument.

24 Note: For possession of investment instruments, see subsection 24(6).

25 *Possession of chattel paper that is evidenced electronically*

26 (5) A secured party has **possession** of chattel paper that is evidenced
27 by an electronic record if, and only if:

- 28 (a) a single authoritative copy of the record exists which is
29 unique, identifiable and unalterable (except as set out below);
30 and
31 (b) the authoritative copy identifies the secured party as the
32 assignee of the record; and

- 1 (c) the authoritative copy is communicated to, and maintained
2 by, the secured party or the secured party's agent; and
3 (d) copies or revisions of the record that change the assignee of
4 the authoritative copy can be made only with the
5 participation of the secured party; and
6 (e) each copy of the authoritative copy (or any copy of such a
7 copy) is readily identifiable as a copy that is not the
8 authoritative copy; and
9 (f) any revision of the authoritative copy is readily identifiable
10 as an authorised or unauthorised copy.

11 *Possession of investment instruments*

- 12 (6) Despite subsections (1) and (2), a person (the *possessor*) has
13 *possession* of an investment instrument that is evidenced by a
14 certificate if, and only if:
15 (a) the certificate specifies the person who is entitled to the
16 investment instrument; and
17 (b) a transfer of the investment instrument may be registered on
18 books maintained for that purpose by or on behalf of the
19 issuer (or the certificate states that a transfer of the
20 instrument may be so registered); and
21 (c) any of the following applies:
22 (i) the possessor has possession of the certificate;
23 (ii) another person (other than the grantor or the debtor) has
24 possession of the certificate on behalf of the possessor;
25 (iii) the registered owner (who is not the grantor or debtor)
26 of the investment instrument acknowledges in writing
27 that he, she or it has possession of the investment
28 instrument on behalf of the possessor.

29 **25 Control of an ADI account**

- 30 (1) A secured party has *control* of an ADI account if:
31 (a) any one or more of the following applies:
32 (i) the secured party is the ADI;
33 (ii) the secured party is able to direct disposition of the
34 funds from the account without further consent by the
35 grantor;

Section 26

- 1 (iii) the secured party becomes the ADI's customer with
2 respect to the account; and
- 3 (b) except if subparagraph (a)(i) applies—depositing an amount
4 in the ADI account does not result in any person coming
5 under a present liability to pay:
- 6 (i) the debtor; or
- 7 (ii) if the debtor is a body corporate—a related body
8 corporate (within the meaning of the *Corporations Act*
9 *2001*).
- 10 (2) A secured party has **control** under subsection (1) even if the
11 grantor retains the right to direct the disposition of funds from the
12 account.
- 13 (3) To avoid doubt, this section applies in relation to:
- 14 (a) perfecting a security interest by control; and
- 15 (b) determining whether personal property is a circulating asset
16 under section 340.
- 17 (4) Subsection (1) does not limit the ways in which a secured party has
18 control of an ADI account.

19 **26 Control of investment entitlements**

- 20 (1) A secured party has **control** of an investment entitlement that is
21 credited to an investment entitlement account if, and only if:
- 22 (a) there is an agreement in force between the secured party, the
23 grantor and the investment entitlement intermediary who
24 maintains the account; and
- 25 (b) the agreement has the effect that:
- 26 (i) the intermediary must not comply with instructions
27 given by the grantor in relation to the investment
28 entitlement without seeking the consent of the secured
29 party (or a person who has agreed to act on the
30 instructions of the secured party); and
- 31 (ii) the intermediary must comply, or must comply in one or
32 more specified circumstances, with instructions
33 (including instructions to debit the account) given by the
34 secured party in relation to the investment entitlement
35 without seeking the consent of the grantor (or any

1 person who has agreed to act on the instructions of the
2 grantor).

3 (2) For the purposes of this section, a secured party has **control** of an
4 investment entitlement even if the person (who might be the
5 grantor) in whose name the investment entitlement intermediary
6 maintains the account to which the investment entitlement is
7 credited retains the right:

8 (a) to make substitutions for the instrument; or

9 (b) to originate instructions to the issuer; or

10 (c) to otherwise deal with the instrument.

11 **27 Control of investment instruments**

12 *Main rule*

13 (1) A person has **control** of an investment instrument if, and only if,
14 this section so provides.

15 *Control of any investment instrument*

16 (2) A person, other than the debtor or grantor, has **control** of an
17 investment instrument (whether or not the instrument is evidenced
18 by a certificate) if the issuer of the instrument registers the person
19 as the registered owner of the instrument.

20 *Control of investment instruments evidenced by certificates*

21 (3) A person (the **controller**) has **control** of an investment instrument
22 that is evidenced by a certificate if:

23 (a) the controller has possession of the instrument; and

24 (b) the controller (or a person who has agreed to act on the
25 instructions of the controller) is able to:

26 (i) transfer the instrument to the controller, or to another
27 person; or

28 (ii) otherwise deal with the instrument.

29 *Control of investment instruments not evidenced by certificates*

30 (4) A person has **control** of an investment instrument that is not
31 evidenced by a certificate if:

Section 28

- 1 (a) there is an agreement in force between the person and the
2 grantor; and
3 (b) the agreement has the effect that the person (or a person who
4 has agreed to act on the instructions of the first person) is
5 able to initiate or control sending instructions by which the
6 investment instrument could be transferred or otherwise dealt
7 with.
- 8 (5) A person (the *controller*) has *control* of an investment instrument
9 that is not evidenced by a certificate if:
10 (a) either:
11 (i) the issuer of the instrument registers another person
12 (who is not the grantor or debtor) as the registered
13 owner of the investment instrument on behalf of the
14 controller; or
15 (ii) the registered owner (who is not the grantor or debtor)
16 of the investment instrument acknowledges in writing
17 that he, she or it holds the investment instrument on
18 behalf of the controller; and
19 (b) there is an agreement in force under which the controller (or
20 a person who has agreed to act on the instructions of the
21 controller) is able to initiate or control the sending of some or
22 all electronic messages or other electronic communications
23 by which the investment instrument could be transferred or
24 otherwise dealt with.
- 25 (6) For the purposes of this section, a person has *control* of an
26 investment instrument even if the registered owner of the
27 investment instrument (who might be the grantor) retains the right:
28 (a) to make substitutions for the instrument; or
29 (b) to originate instructions to the issuer; or
30 (c) to otherwise deal with the instrument.

31 **28 Control of a letter of credit**

32 A secured party does not have *control* of a right evidenced by a
33 letter of credit, to the extent of any right to payment or
34 performance of an obligation by the issuer or a nominated person,
35 unless the issuer or nominated person has consented to assigning
36 the proceeds of the letter of credit to the secured party.

1 **29 Control of negotiable instruments that are not evidenced by a**
2 **certificate**

- 3 (1) A secured party has *control* of a negotiable instrument that is not
4 evidenced by a certificate if, and only if:
- 5 (a) the instrument is able to be transferred in accordance with the
6 operating rules of a clearing and settlement facility; and
 - 7 (b) there is an agreement in force under which the secured party
8 (or a person who has agreed to act on the instructions of the
9 secured party) controls the sending of some or all electronic
10 messages or other electronic communications by which the
11 instrument could be transferred.
- 12 (2) For the purposes of subsection (1), a secured party has *control* of a
13 negotiable instrument even if the registered owner (who might be
14 the grantor) retains the right:
- 15 (a) to make substitutions for the instrument; or
 - 16 (b) to originate instructions to the issuer; or
 - 17 (c) to otherwise deal with the instrument.
- 18

1 **Part 2.4—Attachment and perfection: specific rules**

2 **Division 1—Introduction**

3 **30 Guide to this Part**

4 This Part contains rules about when attachment and perfection
5 (including, in some circumstances, temporary perfection) of
6 security interests occurs in particular situations.

7 Division 2 deals with security interests in the proceeds of
8 collateral, and in collateral after it is transferred.

9 Proceeds of collateral are identifiable or traceable personal
10 property that is derived from dealings with the collateral. Proceeds
11 also includes certain insurance or indemnity rights, payments in
12 redemption of certain intangible collateral, certain rights of
13 licensors of intellectual property, and certain rights relating to
14 investment instruments and investment entitlements.

15 A security interest in collateral continues in the proceeds (except in
16 certain cases). Division 2 also includes some other rules about the
17 perfection of such interests and their enforcement. Special
18 provisions are made for the perfection and temporary perfection of
19 security interests in proceeds, and for the temporary perfection of
20 security interests in collateral after it is transferred.

21 Division 3 deals with the perfection (and temporary perfection) of
22 security interests in goods that are returned to the grantor or the
23 debtor. After goods are returned for certain dealings (for example,
24 sale or exchange), a security interest in the goods that had
25 previously been perfected otherwise than by registration may be
26 temporarily perfected for 5 business days. The same period of
27 temporary perfection is provided in similar circumstances if
28 possession or control of a negotiable instrument or investment
29 instrument is returned to the grantor or debtor.

30 If goods are taken free of a security interest, but are repossessed by
31 the grantor or debtor, the security interest reattaches to the goods,

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and (if the security interest had been perfected by registration) the perfection status of the security interest is unaffected.

Division 3 also provides special rules for the attachment and perfection of a security interest in goods if a sale or lease of the goods creates an account or chattel paper that is transferred to another person.

Division 4 deals with situations where collateral or a grantor of a security interest is relocated from a foreign jurisdiction to Australia. The security interest in the collateral is temporarily perfected if certain conditions are met.

Section 31

1 **Division 2—Proceeds and transfer**

2 **31 Meaning of *proceeds***

3 (1) In this Act:

4 *proceeds* of collateral to which a security interest is (or is to be)
5 attached means identifiable or traceable personal property of the
6 following types, subject to subsections (2) and (3):

7 (a) personal property that is derived directly or indirectly from a
8 dealing with the collateral (or proceeds of the collateral);

9 (b) a right to an insurance payment or other payment as
10 indemnity or compensation for loss of, or damage to, the
11 collateral (or proceeds of the collateral);

12 (c) a payment made in total or partial discharge or redemption of
13 the collateral (or proceeds of the collateral), if the collateral
14 (or proceeds) consists of any of the following:

15 (i) chattel paper;

16 (ii) intangible property;

17 (iii) an investment instrument;

18 (iv) an investment entitlement;

19 (v) a negotiable instrument;

20 (d) if the collateral is intellectual property (or an intellectual
21 property licence)—in addition to any other proceeds, the
22 right of a licensor of the property (whether or not the
23 property is itself a licence) to receive payments under any
24 licence agreement in relation to the collateral;

25 (e) if the collateral is an investment instrument or investment
26 entitlement—any of the following:

27 (i) rights arising out of the collateral;

28 (ii) property collected on the collateral;

29 (iii) property distributed on account of the collateral.

30 Note: In section 140 (distribution of proceeds received by secured party)
31 proceeds has its ordinary meaning, so this definition does not apply.

32 *Whether proceeds are traceable*

33 (2) Proceeds are traceable whether or not there is a fiduciary
34 relationship between the person who has a security interest in the

1 proceeds, as provided in section 32, and the person who has rights
2 in or has dealt with the proceeds.

3 *Restriction to proceeds in which grantor has a transferable interest*

4 (3) However, personal property is *proceeds* only if:

5 (a) either:

6 (i) the grantor has an interest in the proceeds; or

7 (ii) the grantor has the power to transfer rights in the
8 proceeds to the secured party (or to a person nominated
9 by the secured party); and

10 (b) the interest in the proceeds does not arise because of the
11 operation of paragraph 140(2)(f).

12 Note: Paragraph 140(2)(f) provides for the distribution of an amount or
13 proceeds to the grantor upon the enforcement of a security
14 interest.

15 *Crops and livestock*

16 (4) The *proceeds* of collateral that is crops include the harvested
17 produce of the crops, if the produce is identifiable or traceable.

18 (5) The *proceeds* of collateral that is livestock include products of the
19 livestock (for example, meat or wool), if the products are
20 identifiable or traceable.

21 (6) However, livestock are not the *proceeds* of collateral merely
22 because they are the unborn young, or the offspring, of livestock
23 that are collateral.

24 **32 Proceeds—attachment**

25 *Continuation of security interest in collateral, and attachment to*
26 *proceeds*

27 (1) Subject to this Act, if collateral gives rise to proceeds (by being
28 dealt with or otherwise), the security interest:

29 (a) continues in the collateral, unless the secured party expressly
30 or impliedly authorised a dealing giving rise to the proceeds;
31 and

Section 32

1 (b) attaches to the proceeds, unless the security agreement
2 provides otherwise.

3 Note 1: The effect of paragraph (a) is to extinguish the security interest in the
4 collateral if the secured party expressly or impliedly authorised the
5 dealing mentioned.

6 Note 2: A transferee can also take the collateral free of the security interest
7 because of the operation of another provision of this Act (for example,
8 under Part 2.5).

9 *Enforcement of security interest against collateral and proceeds*

10 (2) If the secured party enforces a security interest against both
11 collateral (other than an investment instrument) and proceeds, the
12 amount secured by the security interest in the collateral and
13 proceeds is limited to the market value of the collateral
14 immediately before the collateral gave rise to the proceeds.

15 Note: For the enforceability of a security interest against a third party in
16 relation to proceeds, see also subsection 20(6).

17 (3) However, subsection (2) does not apply if, at the time of the
18 transfer of the collateral, the transferee has actual or constructive
19 knowledge that the transfer was in breach of a security agreement
20 that provides for the security interest in the collateral.

21 (4) To avoid doubt, subsection (2) does not affect any right the secured
22 party may have to recover the amount secured without enforcing
23 the security interest.

24 *Priority of proceeds*

25 (5) For the purposes of section 55 (default priority rules), the time of
26 registration or possession in relation to original collateral, or the
27 time of perfection of a security interest in original collateral, is also
28 the time of registration, possession or perfection in relation to the
29 proceeds of the original collateral.

30 Note: The effect of subsection (5) is that the security interest in the proceeds
31 has the same default priority as the security interest in the original
32 collateral.

1 **33 Proceeds—perfection and temporary perfection**

2 *Perfection by reference to perfection of security interest in original*
3 *collateral*

- 4 (1) A security interest in proceeds is perfected if the security interest in
5 the original collateral is perfected by a registration that:
- 6 (a) describes the proceeds, if the description complies with any
7 regulations made for the purposes of paragraph (d) of item 4
8 of the table in section 153 (financing statements with respect
9 to security interests); or
 - 10 (b) covers the original collateral, if the proceeds are of a kind
11 that are within the description of the original collateral; or
 - 12 (c) covers the original collateral, if the proceeds consist of
13 currency, cheques or an ADI account, or a right to an
14 insurance payment or any other payment as indemnity or
15 compensation for loss or damage to the collateral or
16 proceeds.

17 *Temporary perfection in other situations*

- 18 (2) If a security interest in original collateral is perfected, but a
19 security interest in the proceeds is not perfected under
20 subsection (1), the security interest in the proceeds is temporarily
21 perfected for the period starting at the time the security interest in
22 the original collateral attaches to the proceeds and ending at the
23 end of 5 business days afterwards.
- 24 (3) However, the security interest in the proceeds under subsection (2)
25 becomes unperfected at the end of the period mentioned in that
26 subsection, unless the security interest in the proceeds is perfected
27 otherwise than under the subsection before the end of the period.

28 **34 Transferred collateral—temporary perfection after transfer**

29 *Security interest is temporarily perfected*

- 30 (1) If collateral is transferred, and at the time of the transfer a secured
31 party held a perfected security interest in the collateral, the security
32 interest is temporarily perfected for the period starting at the time
33 of the transfer and ending at the earliest of the following times:

Section 34

- 1 (a) the end of the month that is 24 months after the time of the
2 transfer;
- 3 (b) if the security interest was perfected by registration at the
4 time of the transfer—the end time for the registration (as
5 registered at the time of the transfer);
- 6 (c) if another security interest attaches to the collateral at or after
7 the time of the transfer, and the other security interest is
8 perfected:
- 9 (i) in a case in which the original secured party consented
10 to the transfer—the end of 5 business days after the day
11 of the transfer; or
- 12 (ii) in a case in which the original secured party otherwise
13 acquires the actual or constructive knowledge required
14 to perfect the original secured party’s interest by
15 registration (or to re-perfect the interest by an
16 amendment of a registration)—the end of 5 business
17 days after the day the original secured party acquires the
18 knowledge.

19 Note: The knowledge required is the knowledge of the transferee’s (the new
20 grantor’s) details. Unless these are registered, the original secured
21 party’s registration may be ineffective under section 165.

22 *Security interest becomes unperfected*

- 23 (2) However, the security interest becomes unperfected immediately
24 after the earliest time mentioned in subsection (1), unless, at or
25 before that time, the security interest is perfected otherwise than
26 under subsection (1).

27 *Transfer free of security interest*

- 28 (3) This section does not apply in relation to a transfer of collateral if
29 the transferee takes the collateral free of the security interest.
30

1 **Division 3—Collateral returned to grantor or debtor**

2 **35 Returned collateral—from bailee**

3 *Security interest is temporarily perfected*

4 (1) A security interest in goods that is perfected by possession of the
5 goods or a negotiable document of title to the goods under
6 subsection 22(1) is temporarily perfected for the period covered by
7 subsection (2) of this section if possession of the goods or
8 document is given to the grantor or the debtor at a particular time
9 (the *action time*) for the purpose of any of the following actions in
10 relation to the goods:

- 11 (a) sale;
12 (b) exchange;
13 (c) any other action in preparation for sale or exchange,
14 including (but not limited to) the following:
15 (i) loading;
16 (ii) unloading;
17 (iii) storing;
18 (iv) shipping;
19 (v) manufacturing;
20 (vi) processing;
21 (vii) packaging.

22 Note: Subsection 22(1) provides for the perfection of a security interest in
23 goods possessed by a bailee.

24 (2) This subsection covers the period starting at the action time and
25 ending at the end of 5 business days after the day the action time
26 occurs.

27 *Security interest becomes unperfected after 5 business days*

28 (3) However, the security interest in the goods or document becomes
29 unperfected at the end of the period covered by subsection (2),
30 unless the security interest is perfected otherwise than under
31 subsection (1) before the end of the period.

Section 36

1 **36 Returned collateral—negotiable instruments and investment**
2 **instruments**

3 *Security interest is temporarily perfected*

4 (1) A security interest in a negotiable instrument or an investment
5 instrument that is perfected by possession or control is temporarily
6 perfected for the period covered by subsection (2) if possession or
7 control of the goods or document is given to the grantor or the
8 debtor at a particular time (the **action time**) for the purpose of any
9 of the following actions in relation to the goods:

- 10 (a) sale;
11 (b) exchange;
12 (c) presentation;
13 (d) collection;
14 (e) renewal;
15 (f) registration (other than under this Act) for the purposes of a
16 transfer.

17 (2) This subsection covers the period starting at the action time and
18 ending at the end of 5 business days after the day the action time
19 occurs.

20 *Security interest becomes unperfected after 5 business days*

21 (3) However, the security interest in the instrument becomes
22 unperfected at the end of the period covered by subsection (2),
23 unless the security interest in the instrument is perfected otherwise
24 than under subsection (1) before the end of the period.

25 **37 Returned collateral—following sale or lease**

26 *Reattachment of security interest*

27 (1) If a grantor or debtor sells or leases goods that are subject to a
28 security interest, and the buyer or lessee takes the goods free of the
29 security interest because of the operation of this Act, the security
30 interest reattaches to the goods at a particular time (the
31 **repossession time**) if, at that time, the goods come into the
32 possession of the grantor or debtor, or of a transferee of chattel

1 paper created by the sale or lease, in any of the following
2 circumstances:

- 3 (a) in the case of a sale—the contract of sale is rescinded;
- 4 (b) in the case of a lease—the lease expires or is rescinded;
- 5 (c) the transferee seizes the goods in the exercise of a right in
6 enforcing a security agreement;
- 7 (d) the grantor or debtor repossesses the goods in the exercise of
8 a right in enforcing the contract of sale or the lease;
- 9 (e) any other circumstances prescribed by the regulations.

10 Note: Section 76 deals with the priority of a security interest that reattaches
11 under this section.

12 *Perfection of security interest*

- 13 (2) The perfection of the security interest, and the time of registration
14 or perfection of the security interest, are to be determined as if the
15 goods had not been sold or leased, if:
 - 16 (a) the security interest reattaches to the goods under
17 subsection (1); and
 - 18 (b) the security interest was perfected by registration
19 immediately before the time of the acquisition; and
 - 20 (c) the registration is effective at the repossession time.

21 **38 Returned collateral—accounts and chattel paper**

22 *Deemed goods security interest*

- 23 (1) If a sale or lease of goods creates an account or chattel paper, and
24 the account or chattel paper is transferred to another person, the
25 transferee is taken to have a security interest (the ***deemed goods***
26 ***security interest***) in the goods if, at a particular time (the
27 ***repossession time***) the goods come into the possession of the
28 transferor, or of the transferee, in any of the following
29 circumstances:
 - 30 (a) in the case of a sale—the contract of sale is rescinded;
 - 31 (b) in the case of a lease—the lease expires or is rescinded;
 - 32 (c) the transferee seizes the goods in the exercise of a right in
33 enforcing a security agreement;

Chapter 2 General rules relating to security interests

Part 2.4 Attachment and perfection: specific rules

Division 3 Collateral returned to grantor or debtor

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1 (d) the transferor repossesses the goods in the exercise of a right
2 in enforcing the contract of sale or the lease;

3 (e) any other circumstances prescribed by the regulations.

4 Note: Section 76 deals with the priority of a security interest that reattaches
5 under this section.

6 (2) The deemed goods security interest attaches to the goods at the
7 repossession time.

8 *Deemed goods security interest temporarily perfected for 5*
9 *business days*

10 (3) If the transferee has a security interest in the account or chattel
11 paper that is perfected by possession or registration at the
12 repossession time, the deemed goods security interest is
13 temporarily perfected for the period starting at the possession time
14 and ending at the end of 5 business days after the day the
15 repossession time occurs.

16 *Deemed goods security interest becomes unperfected after 5*
17 *business days*

18 (4) However, the deemed goods security interest becomes unperfected
19 at the end of the period mentioned in subsection (3), unless the
20 deemed goods security interest is perfected otherwise than under
21 subsection (3) before the end of the period.

22 Note: Section 76 deals with the priority of a deemed goods security interest.
23

1 **Division 4—Relocation of collateral or grantor to Australia**
2 **etc.**

3 **39 Relocation—main rule**

4 *Continuous perfection prior to move to Australia*

- 5 (1) A security interest in collateral that has been located in a
6 jurisdiction (the *foreign jurisdiction*) outside Australia, and is
7 relocated to Australia, is taken to have been continuously perfected
8 for the period covered by subsection (2) if:
- 9 (a) immediately before the collateral became located in
10 Australia, the collateral was subject to a security interest, in
11 accordance with a security agreement that was enforceable
12 against third parties; and
 - 13 (b) at the time the collateral becomes located in Australia, the
14 collateral continues to be subject to that security interest in
15 accordance with such a security agreement.

16 Note: For when personal property is located in a jurisdiction, see
17 section 235.

- 18 (2) This subsection covers the period:
- 19 (a) starting:
 - 20 (i) if the law of the foreign jurisdiction provides for the
21 public registration or recording of the security interest,
22 or a notice relating to the security interest, under law—
23 when the registration occurs under that law; or
 - 24 (ii) in any other case—when the security interest became
25 effective against third parties under the law of the
26 foreign jurisdiction; and
 - 27 (b) ending when the property becomes located in Australia.

28 *Temporary perfection after move to Australia*

- 29 (3) If a security interest in collateral is continuously perfected under
30 subsection (1), the security interest in the collateral is temporarily
31 perfected for the period:
- 32 (a) starting at the time the property becomes located in Australia;
33 and

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- 1 (b) ending at the earlier of the following times:
2 (i) the end of 56 days after the day the collateral becomes
3 located in Australia;
4 (ii) the end of 5 business days after the day the secured
5 party has actual knowledge that the collateral has
6 become located in Australia.
- 7 (4) However, the security interest in the collateral becomes
8 unperfected at the end of the period mentioned in subsection (3),
9 and is taken never to have been temporarily perfected, unless the
10 security interest is perfected otherwise than under subsection (3)
11 before the end of the period.

12 **40 Relocation—intangible property and financial property**

13 *Continuous perfection prior to relocation event*

- 14 (1) If the perfection, and effect of perfection or non-perfection, of a
15 security interest in intangible property, or financial property, has
16 been governed by the law of a foreign jurisdiction, the security
17 interest is taken to have been continuously perfected for the period
18 covered by subsection (2) if:
19 (a) either of the following events (the *relocation event*) occurs:
20 (i) the grantor becomes located in Australia;
21 (ii) the grantor transfers the collateral to a person who is
22 located in Australia; and
23 (b) as a result of the occurrence of the relocation event, the
24 perfection, and effect of perfection or non-perfection, of the
25 security interest becomes governed by the law of Australia.
- 26 Note 1: For when personal property is located in a jurisdiction, see
27 section 235. For when bodies corporate, bodies politic or individuals
28 are located in a jurisdiction, see section 235.
- 29 Note 2: For when laws of other jurisdictions govern a security interest, see
30 Part 7.2.
- 31 (2) This subsection covers the period:
32 (a) starting:
33 (i) if the law of the foreign jurisdiction provides for the
34 public registration or recording of the security interest,

- 1 or a notice relating to the security interest, under law—
2 when the registration occurs under that law; or
3 (ii) in any other case—when the security interest became
4 effective against third parties under the law of the
5 foreign jurisdiction; and
6 (b) ending when the relocation event occurs.

7 *Temporary perfection after relocation event*

- 8 (3) If a security interest in collateral is continuously perfected under
9 subsection (1), the security interest in the collateral is temporarily
10 perfected for the period:
11 (a) starting at the time of the relocation event; and
12 (b) ending at the earlier of the following times:
13 (i) the end of 56 days after the day of the relocation event;
14 (ii) the end of 5 business days after the day the secured
15 party has actual knowledge of the relocation event.
- 16 (4) However, the security interest in the collateral becomes
17 unperfected at the end of the period mentioned in subsection (3),
18 and is taken never to have been temporarily perfected, unless the
19 security interest is perfected otherwise than under subsection (3)
20 before the end of the period.

21 *Exceptions*

- 22 (5) This section does not apply to:
23 (a) intellectual property, an intellectual property licence or an
24 ADI account; or
25 (b) a negotiable instrument.

26 Note: The property mentioned in paragraph (5)(a) is *intangible property*;
27 negotiable instruments are *financial property* (see section 10).
28

Section 41

1 **Part 2.5—Taking personal property free of security**
2 **interests**
3

4 **41 Guide to this Part**

5 This Part is about taking personal property free of security
6 interests.

7 Rules are set out for when personal property may be bought or
8 leased free of a security interest in relation to the following:

- 9 (a) unperfected security interests;
10 (b) personal, domestic or household property;
11 (c) serial number defects;
12 (d) certain motor vehicles;
13 (e) currency;
14 (f) taking in the ordinary course of business;
15 (g) taking investment interests or entitlements in the
16 ordinary course of trading;
17 (h) investment instruments;
18 (i) investment entitlements.
19 (j) temporarily perfected security interests;

20 If a transferee takes personal property (or an accession) free of a
21 security interest by the operation of this Part, the secured party's
22 rights are subrogated to the rights of the transferor. Payment of the
23 purchase price before the transferee receives notice of subrogation
24 discharges the transferee's obligation (to the extent of the
25 payment).

1 **42 Application of this Part**

2 This Part:

3 (a) applies to a security interest:

4 (i) whether or not the security interest is perfected (except
5 in sections 43 (unperfected interests) and 52
6 (temporarily perfected interests)); and

7 (ii) whether the security interest attaches to personal
8 property as original collateral or as proceeds; and

9 (b) does not apply to the acquisition of an interest in personal
10 property free of a security interest if the interest that is taken
11 is itself a security interest (except in sections 50 (investment
12 instruments) and 51 (investment entitlements)).

13 Note: Some acquisitions to which section 50 applies, and all
14 acquisitions to which section 51 applies, consist of the taking of
15 security interests (see subsections 50(3) and 51(1)).

16 **43 Taking personal property free of unperfected security interest**

17 *Main rule*

18 (1) A buyer or lessee of personal property, for new value, takes the
19 personal property free of an unperfected security interest in the
20 property.

21 *Exception*

22 (2) Subsection (1) does not apply if the unperfected security interest
23 was created or provided for by a transaction to which the buyer or
24 lessee is a party, unless the personal property concerned is of a
25 kind prescribed by the regulations for the purposes of this
26 subsection.

27 **44 Taking personal property free of security interest if serial**
28 **number incorrect or missing**

29 *Main rule*

30 (1) A buyer or lessee of personal property, for new value, takes the
31 personal property free of a security interest in the property if:

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- 1 (a) the regulations provide that personal property of that kind
2 may, or must, be described by serial number in a registration;
3 and
4 (b) searching the register, immediately before the time of the sale
5 or lease, by reference only to the serial number of the
6 property, would not disclose a registration that perfected the
7 security interest.

8 *Exceptions*

- 9 (2) Subsection (1) does not apply if:
10 (a) the buyer or lessee holds the personal property:
11 (i) as inventory; or
12 (ii) on behalf of a person who would hold the collateral as
13 inventory; or
14 (b) at the time covered by subsection (3), the buyer or lessee has
15 actual knowledge that the sale or lease constitutes a breach of
16 the security agreement that provides for the security interest,
17 unless the personal property is of a kind prescribed by the
18 regulations for the purposes of this subsection.
- 19 (3) The time covered by this subsection is:
20 (a) if the personal property is bought or leased with the intention
21 of using it predominantly for personal, domestic or household
22 purposes—the time new value is first given for the sale or
23 lease; or
24 (b) in any other case—the time of sale or of entry into agreement
25 for the lease.

26 **45 Taking motor vehicles free of security interest**

27 *Incorrect or missing serial number*

- 28 (1) A buyer or lessee, for new value, of a motor vehicle of a kind
29 prescribed by the regulations for the purpose of this section, takes
30 the motor vehicle free of a security interest in the motor vehicle if:
31 (a) the regulations provide that motor vehicles of that kind may,
32 or must, be described by serial number; and
33 (b) there is a time during the period between the start of the
34 previous day and the time of the sale or lease by reference to

- 1 which a search of the register (by reference otherwise only to
2 the serial number of the motor vehicle) would not disclose a
3 registration that perfected the security interest; and
4 (c) the seller or lessor is:
5 (i) the person who granted the security interest; or
6 (ii) if the person who granted the security interest has lost
7 the right to possess the motor vehicle, or is estopped
8 from asserting an interest in the motor vehicle—another
9 person who is in possession of the motor vehicle.
- 10 (2) Subsection (1) does not apply if:
11 (a) the secured party is in possession of the motor vehicle
12 immediately before the time of the sale or lease; or
13 (b) the motor vehicle is bought at a sale held by or on behalf of
14 an execution creditor; or
15 (c) the buyer or lessee holds the motor vehicle:
16 (i) as inventory; or
17 (ii) on behalf of a person who would hold the motor vehicle
18 as inventory; or
19 (d) the buyer or lessee buys or leases the motor vehicle with
20 actual or constructive knowledge of the security interest.

21 *Taking from prescribed persons*

- 22 (3) A buyer or lessee, for new value, of a motor vehicle of a kind
23 prescribed by the regulations for the purpose of this section takes
24 the motor vehicle free of a security interest in the motor vehicle if:
25 (a) the regulations provide that motor vehicles of that kind may,
26 or must, be described by serial number; and
27 (b) the seller or lessor is in a class of persons prescribed by the
28 regulations for the purposes of this subsection.
- 29 (4) Subsection (3) does not apply if:
30 (a) the secured party is in possession of the motor vehicle
31 immediately before the time of the sale or lease; or
32 (b) the motor vehicle is bought at a sale held by or on behalf of
33 an execution creditor; or
34 (c) the buyer or lessee holds the motor vehicle:
35 (i) as inventory; or
-

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- 1 (ii) on behalf of a person who would hold the motor vehicle
2 as inventory; or
3 (d) the buyer or lessee buys or leases the motor vehicle with
4 actual or constructive knowledge that the sale or lease
5 constitutes a breach of the security agreement that provides
6 for the security interest.

7 **46 Taking personal property free of security interest in ordinary**
8 **course of business**

9 *Main rule*

- 10 (1) A buyer or lessee of personal property takes the personal property
11 free of a security interest given by the seller or lessor, or that arises
12 under section 32 (proceeds—attachment), if the personal property
13 was sold or leased in the ordinary course of the seller's or lessor's
14 business of selling or leasing personal property of that kind.

15 *Exceptions*

- 16 (2) Subsection (1) does not apply if:
17 (a) in a case in which personal property of that kind may, or
18 must, be described by serial number—the buyer or lessee
19 holds the personal property:
20 (i) as inventory; or
21 (ii) on behalf of a person who would hold the collateral as
22 inventory; or
23 (b) in any case—the buyer or lessee buys or leases the personal
24 property with actual knowledge that the sale or lease
25 constitutes a breach of the security agreement that provides
26 for the security interest.

27 **47 Taking personal, domestic or household property free of security**
28 **interest**

29 *Main rule*

- 30 (1) A buyer or lessee of personal property, for new value, that the
31 buyer or lessee intends (at the time of purchase or lease) to use
32 predominantly for personal, domestic or household purposes takes

1 the personal property free of a security interest in the property if
2 the market value (worked out at the time each part of the total new
3 value is given) of the total new value given for the personal
4 property is not more than:

- 5 (a) \$5,000; or
6 (b) if a greater amount has been prescribed by regulations for the
7 purposes of this subsection—that amount.

8 *Exceptions*

9 (2) Subsection (1) does not apply if:

- 10 (a) the personal property is of a kind that the regulations provide
11 may, or must, be described by serial number in a registration;
12 or
13 (b) the buyer or lessee buys or leases the personal property with
14 actual or constructive knowledge that the sale or lease
15 constitutes a breach of the security agreement that provides
16 for the security interest; or
17 (c) at the time the contract or agreement providing for the sale or
18 lease is entered into, the buyer or lessee believes, and it is
19 actually the case, that the market value of the personal
20 property is more than:
21 (i) \$5,000; or
22 (ii) if a greater amount has been prescribed by regulations
23 for the purposes of this paragraph—that amount.

24 **48 Taking currency free of security interest**

25 A holder of currency takes the currency free of a security interest
26 in the currency if the holder acquires the currency with no actual or
27 constructive knowledge of the security interest.

28 **49 Taking investment interest or entitlement free of security interest**
29 **in the ordinary course of trading**

30 A person who buys an investment instrument or an investment
31 entitlement in the ordinary course of trading on a prescribed
32 financial market (within the meaning of the *Corporations Act*
33 *2001*) takes the instrument or entitlement free of a security interest
34 in the instrument or entitlement.

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1 **50 Taking investment instrument free of security interest**

2 *Main rule*

- 3 (1) A purchaser (see subsection (3)) of an investment instrument, other
4 than a secured party, takes the instrument free of a security interest
5 in the instrument if:
6 (a) the purchaser gives value for the instrument; and
7 (b) the purchaser takes possession or control of the instrument.

8 *Exception*

- 9 (2) Subsection (1) does not apply if the purchaser takes the instrument
10 with actual or constructive knowledge that the taking constitutes a
11 breach of the security agreement that provides for the security
12 interest.
- 13 (3) In this section:
- 14 *purchaser*, in relation to an investment instrument, means a person
15 who takes the instrument by sale, lease, discount, assignment,
16 negotiation, mortgage, pledge, lien, issue, reissue or any other
17 consensual transaction that creates an interest in personal property.

18 **51 Taking investment entitlement free of security interest**

19 *Main rule*

- 20 (1) A person (the *transferee*) who takes an interest in an investment
21 entitlement takes the interest free of a security interest in the
22 entitlement if:
23 (a) the transferee gives value for the interest (unless the interest
24 acquired is itself a security interest); and
25 (b) the credit of the interest in the financial product in relation to
26 which the investment entitlement arises is made in
27 accordance with a consensual transaction.

28 *Exception*

- 29 (2) Subsection (1) does not apply if, at the time the interest is taken,
30 the person in whose name an investment entitlement intermediary

1 maintains the investment entitlement account has actual or
2 constructive knowledge that crediting the interest in the financial
3 product to the account constitutes a breach of a security agreement
4 that provides for a security interest in any investment entitlement
5 or financial product.

6 **52 Taking personal property free of temporarily perfected security**
7 **interest**

8 *Main rule*

9 (1) A buyer or lessee, for new value, of the proceeds of personal
10 property, or of goods or a negotiable document of title, takes the
11 proceeds, goods or document free of a security interest that is
12 temporarily perfected by force of this Act (other than section 322)
13 immediately before the time of the sale or lease, if the security
14 interest is not otherwise perfected at that time.

15 Note: Section 322 provides temporary perfection for certain transitional
16 security interests.

17 *Exception*

18 (2) Subsection (1) does not apply if the buyer or lessee has actual
19 knowledge that the sale or lease constitutes a breach of the security
20 agreement that provides for the security interest at:

- 21 (a) the time new value is first given for the sale or lease, if the
22 personal property is bought or leased with the intention of
23 using it predominantly for personal, domestic or household
24 purposes; or
25 (b) in any other case—the time of sale or of entry into agreement
26 for the lease.

27 **53 Rights of secured party and transferee on taking personal**
28 **property free of security interest**

29 *Scope*

30 (1) This section applies if:
31 (a) a person (the *transferee*) acquires personal property from
32 another person (the *transferor*); and

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1 (b) as a result, the transferee takes the personal property, or an
2 accession to the property, free of a secured party's security
3 interest because of the operation of this Part.

4 *Rights of secured party*

5 (2) The rights of the secured party are subrogated, in relation to the
6 property, to the rights (if any) of the transferor and any predecessor
7 of the transferor (including the right to receive any part of the
8 purchase price for the property which has not been paid).

9 *Rights of transferee*

10 (3) If a person who is liable to pay the purchase price of personal
11 property makes a payment before receiving notice of a secured
12 party's right under subsection (2), the payment discharges the
13 obligation of the person to the extent of the payment.
14

1 **Part 2.6—Priority between security interests**

2 **Division 1—Introduction**

3 **54 Guide to this Part**

4 This Part deals with how to work out the priority between
5 competing security interests in collateral (and in some cases, other
6 kinds of interests).

7 Priority rules are relevant when the same personal property is
8 subject to 2 or more security interests. If the debtor defaults, the
9 rules determine the order of priority in which the various secured
10 parties can enforce their security interests under Chapter 4.

11 Division 2 sets out the default rules that apply if this Act provides
12 no other way of determining that priority.

13 Unless otherwise provided:

- 14 (a) perfected interests have priority over unperfected
15 interests; and
- 16 (b) priority between perfected interests amongst
17 themselves, and unperfected interests amongst
18 themselves, is determined on a first-in-time basis.

19 The Division contains other rules of general application (such as
20 the priority that applies to the proceeds of collateral). Security
21 interests perfected by control have the highest priority.

22 Division 3 deals with the priority rules that apply when one of the
23 security interests is a perfected purchase money security interest.
24 These interests are exceptions to the first-in-time rule (except for
25 certain security interests in an account dealt with in section 64). A
26 perfected purchase money security interest that is granted to a
27 seller, lessor or consignor takes priority over a perfected purchase
28 money security interest that is granted to others.

Chapter 2 General rules relating to security interests

Part 2.6 Priority between security interests

Division 1 Introduction

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Division 4 deals with priority of security interests in transferred collateral where a transferor and a transferee have both granted security interests in the transferred collateral. Provided the transferor-granted security interest has remained perfected, that security interest will take priority.

Division 5 deals with the priority of certain creditors who have their debts repaid. The priority of those who purchase negotiable instruments, chattel paper and negotiable documents of title is also dealt with. Generally, the purchaser's interest will take priority over a security interest in the negotiable instrument, chattel paper or negotiable document of title.

Division 6 deals with priority between other kinds of interests (such as interests that arise under law, interests of execution creditors and security interests held by ADIs).

1 **Division 2—Priority of security interests generally**

2 **55 Default priority rules**

- 3 (1) This section sets out the priority between security interests in the
4 same collateral if this Act provides no other way of determining
5 that priority.

6 Note: For other rules about priorities, see the following:

- 7 (a) the remaining provisions of this Part;
8 (b) Chapter 3 (agricultural interests, accessions and commingling);
9 (c) Part 9.4 (transitional application of this Act).

10 *Priority between unperfected security interests*

- 11 (2) Priority between unperfected security interests in the same
12 collateral is to be determined by the order of attachment of the
13 security interests.

14 *Perfected security interest has priority over unperfected security*
15 *interest*

- 16 (3) A perfected security interest in collateral has priority over an
17 unperfected security interest in the same collateral.

18 *Priority for perfection in other ways*

- 19 (4) Priority between 2 or more security interests in collateral that are
20 currently perfected is to be determined by the order in which the
21 priority time (see subsection (5)) for each security interest occurs.

- 22 (5) For the purposes of subsection (4), the **priority time** for a security
23 interest in collateral is, subject to subsection (6), the earliest of the
24 following times to occur in relation to the security interest:

- 25 (a) the registration time for the collateral;
26 (b) the time the secured party, or another person on behalf of the
27 secured party, first takes possession of the collateral;
28 (c) the time the security interest is temporarily perfected, or
29 otherwise perfected, by force of this Act.

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1 (6) A time is a *priority time* for a security interest only if, once the
2 security interest is perfected at or after that time, the security
3 interest remains continuously perfected.

4 Note: A security interest in the proceeds of original collateral has the same
5 default priority as the security interest in the original collateral (see
6 subsection 33(5)).

7 **56 How a security interest is continuously perfected**

8 (1) For the purposes of this Act, a security interest is *continuously*
9 *perfected* after a particular time if the security interest is, after that
10 time, perfected under this Act at all times.

11 (2) A security interest may be continuously perfected after a particular
12 time even if, after that time, it is perfected in 2 or more different
13 ways:

- 14 (a) at any particular time; or
- 15 (b) at different times.

16 Examples: A security interest could be perfected in 2 or more different ways as
17 follows:

- 18 (a) by possession and by a registration;
- 19 (b) by 2 different registrations.

20 **57 Priority of security interests perfected by control**

21 *Priority interests*

22 (1) A security interest in collateral that is currently perfected by
23 control has priority over a security interest in the same collateral
24 that is currently perfected by another means.

25 Note: Only security interests in certain kinds of property can be perfected by
26 control (see paragraph 21(2)(c) and Part 2.3).

27 (2) Priority between 2 or more security interests in collateral that are
28 currently perfected by control is to be determined by the order in
29 which the interests were perfected by control (where the perfection
30 by control has been continuous).

1 *Control priority takes precedence over any other priority rule*

2 (3) This section applies despite the application of any other provision
3 of this Part.

4 **58 Priority of advances**

5 A security interest provided for by a security agreement has the
6 same priority in respect of all advances (including future
7 advances), and the performance of all obligations, secured by the
8 agreement.

9 Note: This section is subject to section 68 (transfer of collateral that is not
10 registered with a serial number).

11 **59 Priority rules and intervening security interests**

12 A security interest (the *first security interest*) has priority over
13 another security interest (the *last security interest*) if, by the
14 operation of this Act (including this section):

- 15 (a) the first security interest has priority over security interests of
16 a particular kind (the *intermediate security interests*); and
17 (b) the intermediate security interests have priority over the last
18 security interest.

19 **60 Transfer of security interests does not affect priority**

20 If a security interest in collateral is transferred, the transferred
21 interest has the same priority immediately after the transfer as it
22 had immediately before the transfer.

23 Note: Division 4 deals with transfer of collateral.

24 **61 Voluntary subordination of security interests**

25 (1) A secured party may (in a security agreement or otherwise)
26 subordinate the secured party's security interest in collateral to any
27 other interest in the collateral.

28 (2) An agreement to subordinate a security interest:
29 (a) is effective according to its terms between the parties; and

Chapter 2 General rules relating to security interests

Part 2.6 Priority between security interests

Division 2 Priority of security interests generally

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(b) may be enforced by a third party if the third party is the person, or one of a class of persons, for whose benefit the agreement is intended.

1 **Division 3—Priority of purchase money security interests**

2 **62 When purchase money security interests take priority over other**
3 **security interests**

4 *Scope*

- 5 (1) This section sets out when a perfected purchase money security
6 interest that is granted by a grantor in collateral or its proceeds has
7 priority over a perfected security interest that is granted by the
8 same grantor in the same collateral, but that is not a purchase
9 money security interest.

10 Note: This section is subject to section 57 (perfection by control).

11 *Inventory*

- 12 (2) The purchase money security interest has priority if:
13 (a) the purchase money security interest is in inventory or its
14 proceeds; and
15 (b) the purchase money security interest is perfected by
16 registration at the time:
17 (i) for inventory that is goods—the grantor, or another
18 person at the request of the grantor, obtains possession
19 of the inventory; or
20 (ii) for any other kind of inventory—the purchase money
21 security interest attaches to the inventory; and
22 (c) the registration that perfects the purchase money security
23 interest states, in accordance with item 7 of the table in
24 section 153, that the interest is a purchase money security
25 interest.

26 Note: This subsection is subject to sections 64 (non-purchase money security
27 interest in accounts) and 71 (chattel paper).

28 *Personal property other than inventory*

- 29 (3) The purchase money security interest has priority if:
30 (a) the interest is in personal property, or its proceeds, other than
31 inventory; and

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- 1 (b) the purchase money security interest is perfected by
2 registration before the end of 10 business days after
3 whichever of the following days applies:
4 (i) for goods—the day the grantor, or another person at the
5 request of the grantor, obtains possession of the
6 property;
7 (ii) for any other property—the day the interest attaches to
8 the property; and
9 (c) the registration that perfects the purchase money security
10 interest states, in accordance with item 7 of the table in
11 section 153, that the interest is a purchase money security
12 interest.

13 Note: The period mentioned in paragraph (b) may be extended by a court
14 under section 293.

15 **63 Priority between competing purchase money security interests in**
16 **collateral**

17 A perfected purchase money security interest (the *priority interest*)
18 that is granted by a grantor in collateral or its proceeds to a seller,
19 lessor or consignor of the collateral has priority over any other
20 perfected purchase money security interest that is granted by the
21 same grantor in the same collateral if the priority interest is
22 perfected:

- 23 (a) if the collateral is inventory that is goods—at the time the
24 grantor, or another person at the request of the grantor,
25 obtains possession of the collateral; or
26 (b) if the collateral is inventory and is not goods—at the time the
27 priority interest attaches to the collateral; or
28 (c) if the collateral is not inventory, and is goods—before the
29 end of 10 business days after the day the grantor, or another
30 person at the request of the grantor, obtains possession of the
31 collateral; or
32 (d) if the collateral is not inventory, and is not goods—before the
33 end of 10 business days after the day the priority interest
34 attaches to the collateral.

35 Note 1: This section is subject to section 57 (perfection by control).

36 Note 2: The periods mentioned in paragraphs (c) and (d) may be extended by a
37 court under section 293.

1 **64 Non-purchase money security interests in accounts**

2 *Non-purchase money security interest in account as original*
3 *collateral has priority over purchase money security interest in*
4 *account as proceeds of inventory*

- 5 (1) Despite subsection 62(2), a non-purchase money security interest
6 (the *priority interest*) granted for new value in an account as
7 original collateral and perfected by registration has priority over a
8 perfected purchase money security interest that is granted by the
9 same grantor in the account as proceeds of inventory, if:
- 10 (a) the registration time in respect of the priority interest occurs
11 before the earlier of the following times:
 - 12 (i) the time at which the purchase money security interest
13 is perfected;
 - 14 (ii) the registration time in respect of the purchase money
15 security interest; or
 - 16 (b) both of the following conditions are met:
 - 17 (i) the secured party holding the priority interest gives a
18 notice in accordance with subsection (2) to each secured
19 party holding a purchase money security interest in the
20 account in respect of which a registration is effective at
21 the time the priority interest is perfected by registration;
 - 22 (ii) the notice is given at least 5 business days before the
23 earlier of the day on which the registration time for the
24 account occurs and the day the priority interest attaches
25 to the account.

26 Note 1: This section is subject to sections 57 (perfection by control) and 71
27 (chattel paper).

28 Note 2: The period mentioned in paragraph (b) may be extended by a court
29 under section 293.

- 30 (2) A notice is given in accordance with this subsection if:
- 31 (a) the notice is in the approved form; or
 - 32 (b) the notice:
 - 33 (i) contains a description of the inventory to which the
34 notice relates; and
 - 35 (ii) sets out the effect of subsection (1).

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Perfected purchase money security interest in both proceeds and new value

- (3) If a person has a purchase money security interest in an account as proceeds of inventory that is subordinate to a non-purchase money security interest under subsection (1):
- (a) the person is taken to have a purchase money security interest in both the proceeds of the inventory and in the new value mentioned in subsection (1); and
 - (b) the purchase money security interest in the new value is taken to be perfected by the registration that perfected the purchase money security interest in the proceeds.

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65 Possession of goods shipped by a common carrier

For the purposes of this Division, if goods are shipped by common carrier to a grantor, or to a person designated by the grantor, the grantor does not obtain possession of the goods until the grantor, or a third party at the request of the grantor, obtains actual possession of the goods or a document of title to the goods, whichever is earlier.

1 **Division 4—Priority of security interests in transferred**
2 **collateral**

3 **66 Application of this Division**

- 4 (1) This Division sets out the priority between 2 security interests (a
5 transferor-granted interest and a transferee-granted interest) if:
6 (a) a grantor transfers collateral (the *transferred collateral*) to a
7 transferee; and
8 (b) immediately before the transfer, a security interest (the
9 *transferor-granted interest*) is attached to the collateral; and
10 (c) the transferee grants (whether before or after the transfer) a
11 security interest (the *transferee-granted interest*) in the
12 transferred collateral; and
13 (d) neither the transferor-granted interest nor the
14 transferee-granted interest is currently perfected by control.

15 Note 1: If either or both of the interests are currently perfected by control
16 under paragraph 21(2)(c), section 57 applies.

17 Note 2: If the priority between a transferor-granted interest and a
18 transferee-granted interest is not covered by this section, then
19 section 55 applies.

20 Note 3: For attachment and perfection in relation to transferred collateral, see
21 section 34.

22 Note 4: For a grantor's rights in relation to transferring collateral, see
23 section 79.

- 24 (2) This Division does not prevent a secured party from perfecting a
25 security interest in any way in order to have priority over another
26 security interest.

27 **67 Priority when transferor-granted interest has been continuously**
28 **perfected**

29 The transferor-granted interest has priority if:

- 30 (a) it was perfected immediately before the transfer; and
31 (b) it has been continuously perfected since the transfer.

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1 **68 Priority when there is a break in the perfection of the**
2 **transferor-granted interest**

3 (1) The transferor-granted interest in the transferred collateral has
4 priority (except as mentioned in subsection (2)) if:

- 5 (a) the transferred collateral is not registered with a serial
6 number (see subsection (4)); and
- 7 (b) the interest was perfected by registration immediately before
8 the transfer; and
- 9 (c) the interest becomes unperfected; and

10 Note: See subsection 34(3) for one situation in which a security interest
11 may become unperfected following a transfer of collateral.

- 12 (d) the interest is later re-perfected; and
- 13 (e) a notice is given (whether before or after the interest is
14 re-perfected as mentioned in paragraph (d)) to all other
15 secured parties who have a registration that describes the
16 transferred collateral; and
- 17 (f) the notice is given in accordance with subsection (5); and
- 18 (g) the interest has been continuously perfected since it was
19 re-perfected as mentioned in paragraph (d).

20 (2) However, the transferee-granted interest has priority if:

- 21 (a) subsection (1) applies in relation to the transferor-granted
22 interest; and
- 23 (b) the transferee-granted interest is perfected immediately
24 before the transferor-granted security is re-perfected as
25 mentioned in paragraph (1)(d); and
- 26 (c) the transferee acquires the transferee-granted interest without
27 actual or constructive knowledge that the acquisition
28 constitutes a breach of the security agreement that provides
29 for the transferor-granted interest; and
- 30 (d) the transferee-granted interest secures performance of an
31 advance made, or an obligation incurred, by the transferee's
32 secured party before:
 - 33 (i) the transferor-granted interest is re-perfected as
34 mentioned in paragraph (1)(d); and
 - 35 (ii) the notice is given under paragraph (1)(e);
- 36 but only to the extent of the advance or obligation.

- 1 (3) Subsection (2) applies despite section 58 (priority of advances).
- 2 (4) For the purposes of this section, the transferred collateral is
3 registered with a serial number at a particular time only if a search
4 of the register by reference to that time and by reference only to the
5 serial number of the collateral is capable of disclosing the
6 registration.
- 7 (5) A notice is given in accordance with this subsection if:
8 (a) the notice is in the approved form; or
9 (b) the notice:
10 (i) states that the secured party expects to perfect a security
11 interest in the transferred collateral; and
12 (ii) contains a description of the transferred collateral; and
13 (iii) sets out the effect of subsections (1) and (2).
14

Section 69

1 **Division 5—Priority of creditors, and purchasers of**
2 **negotiable instruments, chattel paper and**
3 **negotiable documents of title**

4 **69 Priority of creditor who receives payment of debt**

- 5 (1) The interest of a creditor who receives payment of a debt owing by
6 a debtor through a payment covered by subsection (3) has priority
7 over a security interest (whether perfected or unperfected) in:
8 (a) the funds paid; and
9 (b) the intangible that was the source of the payment; and
10 (c) a negotiable instrument used to effect the payment.

11 Example: A bank account from which the funds were paid is an example of an
12 intangible that was the source of the payment.

- 13 (2) Subsection (1) does not apply if, at the time of the payment, the
14 creditor had actual knowledge that the payment was made in
15 breach of the security agreement that provides for the security
16 interest.

- 17 (3) Payments made by a debtor are covered by this subsection if they
18 are made through the use of:
19 (a) an electronic funds transfer; or
20 (b) a debit, transfer order, authorisation, or similar written
21 payment mechanism executed by the debtor when the
22 payment was made; or
23 (c) a negotiable instrument.

24 **70 Priority of person who acquires a negotiable instrument or an**
25 **interest in a negotiable instrument**

- 26 (1) This section applies if, by a consensual transaction, a person
27 acquires an interest consisting of:
28 (a) a negotiable instrument; or
29 (b) an interest in a negotiable instrument.
- 30 (2) The interest of the person in the negotiable instrument has priority
31 over a perfected security interest in the negotiable instrument if:
32 (a) the person gave value for the interest; and

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- 1 (b) the person:
- 2 (i) in the case of a person who acquired the interest in the
- 3 ordinary course of the person's business of acquiring
- 4 interests of that kind—acquired the interest without
- 5 actual or constructive knowledge that the acquisition
- 6 constitutes a breach of the security agreement that
- 7 provides for the security interest; or
- 8 (ii) otherwise—acquired the interest without actual or
- 9 constructive knowledge of the security interest; and
- 10 (c) the person took possession or control of the negotiable
- 11 instrument.

12 **71 Priority of person who acquires chattel paper or an interest in**

13 **chattel paper**

- 14 (1) This section applies if:
- 15 (a) a person acquires an interest consisting of:
- 16 (i) chattel paper; or
- 17 (ii) an interest in chattel paper; and
- 18 (b) the interest is acquired:
- 19 (i) by a consensual transaction; and
- 20 (ii) in the ordinary course of the person's business of
- 21 acquiring interests of that kind; and
- 22 (iii) for new value.
- 23 Note: For rights relating to the assignment of chattel paper, see section 80.
- 24 (2) The interest of the person in the chattel paper has priority over the
- 25 following security interests in the chattel paper:
- 26 (a) if the person took possession of the chattel paper without
- 27 actual or constructive knowledge of a perfected security
- 28 interest in the chattel paper—the perfected security interest;
- 29 (b) in any case—a security interest that has attached to proceeds
- 30 of inventory as original collateral.
- 31 (3) This section applies despite sections 62 and 64.

Chapter 2 General rules relating to security interests

Part 2.6 Priority between security interests

Division 5 Priority of creditors, and purchasers of negotiable instruments, chattel paper and negotiable documents of title

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72 Priority of holder of negotiable document of title

The interest of a holder of a negotiable document of title has priority over a perfected security interest in the document of title if:

- (a) the holder gave value for the document of title; and
- (b) the holder:
 - (i) in the case of a holder who acquired the document of title in the ordinary course of the holder's business of acquiring documents of title of that kind—acquired the interest without actual or constructive knowledge that the acquisition constitutes a breach of the security agreement that provides for the security interest; or
 - (ii) otherwise—acquired the negotiable instrument without actual or constructive knowledge of the security interest.

1 **Division 6—Priority of other interests**

2 **73 Priority between security interests and declared statutory**
3 **interests**

4 *Interests arising under a law etc. in the ordinary course of business*

- 5 (1) An interest (the **priority interest**) in collateral has priority over a
6 security interest in the collateral if:
- 7 (a) the priority interest arises (by being created, arising or being
8 provided for):
 - 9 (i) under a law of the Commonwealth, a State or a
10 Territory, unless the person who owns the collateral in
11 which the priority interest is granted agrees to the
12 interest; or
 - 13 (ii) by operation of the general law; and
 - 14 (b) the priority interest arises in relation to providing goods or
15 services in the ordinary course of business; and
 - 16 (c) the person who holds the priority interest provided those
17 goods or services; and
 - 18 (d) no law of the Commonwealth, a State or a Territory provides
19 for the priority between the priority interest and the security
20 interest; and

21 Example: A law of the Commonwealth, a State or a Territory to which
22 subsection (2) applies is a law that provides for the priority
23 between the priority interest and the security interest.

- 24 (e) the person who holds the priority interest acquired the
25 interest without actual knowledge that the acquisition
26 constitutes a breach of the security agreement that provides
27 for the security interest.

28 Note: The priority interest might be an interest to which this Act would
29 otherwise not apply (see subsection 8(2)).

30 *Statutory interests declared by law*

- 31 (2) The priority between an interest in collateral (the **statutory**
32 **interest**) that arises, by being created, arising or being provided for,
33 under a law of the Commonwealth, a State or a Territory (the

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1 *relevant jurisdiction*) and a security interest in the same collateral
2 is to be determined in accordance with that law if, and only if:

- 3 (a) that law declares that this subsection applies to statutory
4 interests of that kind; and
5 (b) the statutory interest arises after the declaration comes into
6 effect.

7 Note: The statutory interest might be an interest to which this Act would
8 otherwise not apply (see subsection 8(2)).

9 (3) However, for the purposes of subsection (2), as it applies to a law
10 of the Commonwealth:

- 11 (a) the Minister may, by an instrument made under
12 subsection (4), make the declaration required by
13 paragraph (2)(a); and
14 (b) the priority mentioned in subsection (2) may be determined
15 in accordance with that instrument.

16 (4) The Minister may make a legislative instrument containing a
17 declaration, or determining priority, or both, for the purposes of
18 subsection (3).

19 (5) Subsection (2) is subject to subsection (1).

20 *Rights to payment in connection with specifically identified land*

21 (6) An interest (the *priority interest*) in collateral has priority over a
22 security interest in the collateral if the priority interest is an interest
23 of a kind mentioned in subparagraph 8(1)(f)(ii) (certain rights to
24 payment in respect of land).

25 Note: This section does not apply to priorities in relation to interests that
26 arise before the registration commencement time (within the meaning
27 of section 306). Priorities in relation to such interests are unaffected
28 by this Act (see section 312).

29 **74 Execution creditor has priority over unperfected security interest**

30 (1) The interest of an execution creditor in collateral has priority over
31 any security interest in the same collateral that is not perfected at
32 the time covered by subsection (4) (even if such a security interest
33 is later perfected).

1 (2) To avoid doubt, an execution creditor does not include a landlord
2 who exercises a right of distress.

3 (3) This section applies despite any other section in this Part.

4 *Time of seizure or execution*

5 (4) This subsection covers the following times:

6 (a) if the collateral is seized by the execution creditor or by
7 another person on behalf of the execution creditor—the time
8 of seizure;

9 (b) in any other case—the time when:

10 (i) an order is made by a court in respect of a judgment in
11 relation to the execution creditor; or

12 (ii) a garnishee order is made in relation to the execution
13 creditor.

14 **75 Priority of security interests held by ADIs**

15 A perfected security interest, held by an ADI, in an ADI account
16 with the ADI has priority over any other perfected security interest
17 in the ADI account, other than a security interest that is perfected
18 by control in accordance with subparagraph 25(1)(a)(ii).

19 Note 1: A security interest that is held by an ADI in an ADI account is
20 perfected by control (see subparagraph 25(1)(a)(i)).

21 Note 2: This provision does not affect any right of set-off the grantor might
22 have in relation to the account (see paragraph 8(1)(d)).

23 **76 Priority of security interests in returned goods**

24 *Security interest held by account transferee*

25 (1) A perfected security interest in goods that has reattached to the
26 property under subsection 37(1) has priority over a security interest
27 in the goods that is granted by the operation of subsection 38(1) to
28 a transferee of an account.

29 Note: Section 37 deals with security interests that reattach when goods are
30 returned. Section 38 provides for a security interest in an account or
31 chattel paper to arise automatically when goods are returned.

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- 1 (2) A security interest in goods that is granted by the operation of
2 subsection 38(2) to a transferee of chattel paper has priority over
3 the following perfected security interests:
4 (a) a perfected security interest in the goods that is granted by
5 the operation of subsection 38(2) to a transferee of an
6 account;
7 (b) if the transferee takes possession of the chattel paper in the
8 ordinary course of business of acquiring chattel paper of that
9 kind and for new value:
10 (i) a perfected security interest in the goods that has
11 reattached under subsection 37(1); or
12 (ii) a perfected security interest in the goods as
13 after-acquired property that attaches when the goods
14 come into the possession of the grantor or transferee in
15 the circumstances mentioned in paragraph 37(1)(d).

16 *Security interest granted by buyer or lessee*

- 17 (3) A security interest (the **priority interest**) in goods that is granted by
18 a person who acquires an interest in the property has priority over a
19 security interest in the goods that reattaches under section 37, or is
20 granted by the operation of section 38, if:
21 (a) the priority interest attaches while the goods are in the
22 possession of the person; and
23 (b) immediately before the repossession time (referred to in
24 paragraph 37(1)(d) or 38(1)(d)), the priority interest is
25 perfected.

26 **77 Priority of certain security interests if there is no foreign register**

27 *Scope*

- 28 (1) This section applies to a security interest (the **priority interest**) in
29 an account or financial property if the law of the jurisdiction that
30 governs the perfection, and the effect of perfection or
31 non-perfection, of the priority interest does not provide for the
32 public registration or recording of the priority interest, or a notice
33 relating to the priority interest.

34 Note: For when laws of other jurisdictions govern a security interest, see
35 Part 7.2.

1 *Security interests in accounts*

- 2 (2) A priority interest in an account has priority, in proceedings in an
3 Australian court, over another interest in the account (whether or
4 not the other interest is a security interest) if the priority interest is
5 perfected by registration under this Act before the other interest
6 attaches to the account.

7 *Security interests in financial property*

- 8 (3) A priority interest in financial property has priority, in proceedings
9 in an Australian court, over another interest in the financial
10 property (whether or not the other interest is a security interest) if:
11 (a) the priority interest is perfected by registration under this Act
12 before the other interest attaches to the property; and
13 (b) when the other interest arises in the property:
14 (i) the property is located in Australia; and
15 (ii) the secured party does not have possession or control of
16 the property.

17 Note: For when personal property is located in a jurisdiction, see
18 section 235.

19 *Relationship with sections 239 and 240*

- 20 (4) Subsections (2) and (3) apply in proceedings in an Australian court
21 even if the law of another jurisdiction applies in the proceedings in
22 relation to a security interest in an account or financial property
23 under subsection 239(2) or 240(3).
24

Section 78

1 **Part 2.7—Transfer and assignment of interest in**
2 **collateral**
3

4 **78 Guide to this Part**

5 This Part deals with the transfer and assignment of interests in
6 collateral.

7 Collateral may be transferred despite a contrary provision in a
8 security agreement (or a provision declaring the transfer to be a
9 default), if the grantor and transferee consent, or by the operation
10 of law.

11 The rights of a transferee of an account or chattel paper are subject
12 to the contract between the account debtor and the transferor, and
13 certain general law claims the account debtor may have against the
14 transferor.

15 A modification of the contract (or a substituted contract) between
16 the account debtor and the transferor is effective against the
17 transferee except in certain situations (dishonesty, commercial
18 unreasonableness or adverse effects on the transferee's rights or the
19 transferor's ability to perform the contract).

20 A term in a contract between an account debtor and a transferor
21 that imposes certain restrictions on the transfer of an account or
22 chattel paper binds the transferor to the extent of making the
23 transferor liable in damages for breach of contract, but is
24 unenforceable against third parties.

25 **79 Transfer of collateral despite prohibition in security agreement**

- 26 (1) If collateral would be able to be transferred (including by sale, by
27 creating a security interest or under proceedings to enforce a
28 judgment) but for a provision in an agreement (whether or not a
29 security agreement) prohibiting the transfer or declaring the
30 transfer to be a default, the collateral may be transferred, despite
31 the provision:

- 1 (a) by consent between the grantor and the transferee; or
2 (b) by operation of law.

3 Note: See section 32 in relation to security interests in proceeds that arise as
4 a result of a transfer.

- 5 (2) A transfer mentioned in subsection (1) does not prejudice the rights
6 of the secured party under the security agreement or otherwise,
7 including the right to treat a prohibited transfer as an act of default.

8 **80 Rights on transfer of account or chattel paper—rights of**
9 **transferee and account debtor**

10 *Rights of transferee subject to contractual terms and defences*

- 11 (1) The rights of a transferee of an account or chattel paper (including
12 a secured party or a receiver) are subject to:
13 (a) the terms of the contract between the account debtor and the
14 transferor, and any equity, defence, remedy or claim arising
15 in relation to the contract (including a defence by way of a
16 right of set-off); and
17 (b) any other equity, defence, remedy or claim of the account
18 debtor against the transferor (including a defence by way of a
19 right of set-off) that accrues before the first time when
20 payment by an account debtor to the transferor no longer
21 discharges the obligation of the account debtor under
22 subsection (8) to the extent of the payment.
23 (2) Subsection (1) does not apply if the account debtor makes an
24 enforceable agreement not to assert defences to claims arising out
25 of the contract.

26 *Effect of modification or substitution of contract on transferee*

- 27 (3) Unless the account debtor has otherwise agreed, a modification of,
28 or substitution for, the contract between the account debtor and the
29 transferor is effective against the transferee (including a secured
30 party or a receiver) if:
31 (a) the account debtor and the transferor have acted honestly in
32 modifying or substituting the contract; and

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- 1 (b) the manner in which the modification or the substitution is
2 made is commercially reasonable; and
3 (c) the modification or substitution does not have a material
4 adverse effect on:
5 (i) the transferee's rights under the contract; or
6 (ii) the transferor's ability to perform the contract.

7 Note: For the meaning of *modification*, see section 10.

- 8 (4) Subsection (3) applies:
9 (a) to the extent that a transferred right to payment arising out of
10 the contract has not been fully earned by performance; and
11 (b) even if there has been notice of the transfer to the account
12 debtor.
13 (5) If a contract has been modified or substituted in the manner
14 described in subsection (3), the transferee obtains rights that
15 correspond to the rights of the transferor under the contract as
16 modified or substituted.
17 (6) Nothing in subsections (3) to (5) affects the validity of a term in a
18 transfer agreement that provides that a modification or substitution
19 mentioned in subsection (3) is a breach of contract by the
20 transferor.

21 *Payment by account debtor after transfer*

- 22 (7) If collateral that is an account or chattel paper is transferred, the
23 account debtor may continue to make payments under the contract
24 to the transferor:
25 (a) until the account debtor receives a notice that:
26 (i) states that the amount payable or to become payable
27 under the contract has been transferred; and
28 (ii) states that payment is to be made to the transferee; and
29 (iii) identifies the contract (whether specifically or by class)
30 under which the amount payable is to become payable;
31 or
32 (b) after receiving a notice under paragraph (a) (other than a
33 notice from the transferor), if:

- 1 (i) the account debtor requests the transferee to provide
2 proof of the transfer; and
3 (ii) the transferee fails to provide proof before the end of 5
4 business days after the day of the request.
- 5 (8) Payment by an account debtor to a transferee in accordance with a
6 notice under paragraph (7)(a) (including in the circumstances
7 described in paragraph (7)(b)) discharges the obligation of the
8 account debtor to the extent of the payment.

9 **81 Rights on transfer of account or chattel paper—contractual**
10 **restrictions and prohibitions on transfer**

11 *Scope*

- 12 (1) This section applies to a term in a contract if:
13 (a) the contract is between an account debtor and a transferor;
14 and
15 (b) the term restricts or prohibits transfer of any of the following
16 for currency due or to become due:
17 (i) the whole of an account that is the proceeds of
18 inventory;
19 (ii) the whole of an account that arises from granting a right
20 (other than a right granted under a construction
21 contract), or providing services (other than financial
22 services), in the ordinary course of a business of
23 granting rights or providing services of that kind
24 (whether or not the account debtor is the person to
25 whom the right is granted or the services are provided);
26 (iii) the whole of an account that is the proceeds of an
27 account mentioned in subparagraph (ii);
28 (iv) chattel paper.

29 *Statutory restriction on contracts*

- 30 (2) The term in the contract:
31 (a) is binding on the transferor, but only to the extent of making
32 the transferor liable in damages for breach of contract; and
33 (b) is unenforceable against third parties.
34

1 **Chapter 3—Specific rules for certain security**
2 **interests**

3 **Part 3.1—Guide to this Chapter**
4

5 **82 Guide to this Chapter**

6 This Chapter contains specific rules for certain security interests.

7 Part 3.2 contains some specific rules relating to agricultural
8 interests (such as security interests in crops and livestock).

9 Part 3.3 deals with security interests in accessions to personal
10 property.

11 Part 3.4 deals with security interests in personal property that loses
12 its identity by being processed or commingled.

13 Part 3.5 deals with security interests in intellectual property.
14

1 **Part 3.2—Agricultural interests**
2

3 **83 Guide to this Part**

4 This Part includes rules on 2 topics:

- 5 (a) the relationship between a security interest in crops
6 and interests in the land on which the crops are
7 growing;
- 8 (b) rules giving priority to security interests in crops
9 granted to enable the crops to be produced, and
10 security interests in livestock granted to enable the
11 livestock to be fed and developed.

12 **84 Relationship between security interest in crops and interest in**
13 **land**

14 *Effect of security interest in crops on lessor or mortgagee of land*

- 15 (1) A security interest in crops does not prejudicially affect the rights
16 of a lessor or mortgagee of land on which the crops are growing if:
17 (a) those rights existed at the time the security interest was
18 created; and
19 (b) the lessor or mortgagee has not consented in writing to the
20 creation of the security interest.

21 *Effect of sale etc. of land on perfected security interest in crops*

- 22 (2) Subject to subsection (1), a perfected security interest in crops is
23 not prejudicially affected by a subsequent sale, lease or mortgage
24 of, or other encumbrance on, the land on which the crops are
25 growing.

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1 **85 Priority of crops**

2 A perfected security interest (the *priority interest*) in crops has
3 priority over any other security interest in crops that is granted by
4 the same grantor in the same crops if:

- 5 (a) the priority interest is granted for value; and
6 (b) the priority interest is granted to enable the crops to be
7 produced; and
8 (c) either:
9 (i) the security agreement providing for the priority interest
10 is made while the crops are growing; or
11 (ii) the crops are planted during the period of 6 months after
12 the day the security agreement providing for the priority
13 interest is made.

14 **86 Priority of livestock**

15 A perfected security interest (the *priority interest*) that is granted
16 by a grantor in livestock has priority over any other security
17 interest (other than a purchase money security interest) that is
18 granted by the same grantor in the same livestock if:

- 19 (a) the priority interest is granted for value; and
20 (b) the priority interest is granted to enable the livestock to be
21 fed or developed; and
22 (c) either:
23 (i) the livestock are held by the grantor at the time the
24 security agreement providing for the priority interest is
25 made; or
26 (ii) the livestock are acquired by the grantor during the
27 period of 6 months after the day the security agreement
28 providing for the priority interest is made.
29

1 **Part 3.3—Accessions**
2

3 **87 Guide to this Part**

4 This Part deals with security interests in accessions to personal
5 property.

6 A security interest in goods that become an accession to other
7 goods continues in the accession.

8 The Part sets out the priority between an interest (whether or not a
9 security interest) in an accession and the goods to which the
10 accession is affixed.

11 A security interest arising in an accession before it is affixed to
12 goods has priority over a security interest in the goods as a whole.
13 However, there are exceptions relating to interests in the whole
14 created after the accession is affixed and before the security
15 interest in the accession is perfected.

16 A security interest arising in an accession after it is affixed will
17 ordinarily be subordinate to an existing interest in the other goods
18 (unless, for example, the holder of the existing interest agrees
19 otherwise) and to a later interest in the other goods that arises
20 before the interest in the accession is perfected.

21 The Part also deals with the removal of accessions by a secured
22 party who has an interest in the accession.

23 **88 Continuation of security interests in accessions**

24 A security interest in goods that become an accession to other
25 goods continues in the accession.

26 Note: However, a person might take an interest in the accession free of the
27 security interest because of another provision of this Act.

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1 **89 Default rule—interest in accession has priority**

2 Except as otherwise provided in this Act, a security interest in
3 goods that is attached at the time when the goods become an
4 accession has priority over a claim to the goods as an accession
5 made by a person with an interest in the whole.

6 **90 Priority interest in whole—before security interest in accession is**
7 **perfected**

8 The interest of any of the following persons has priority over a
9 security interest in goods that is attached at the time when the
10 goods become an accession:

- 11 (a) a person who acquires for value an interest in the whole after
12 the goods become an accession, but before the security
13 interest in the accession is perfected;
- 14 (b) an assignee for value of a person with an interest in the whole
15 at the time when the goods become an accession, but before
16 the security interest in the accession is perfected;
- 17 (c) a person with a perfected security interest in the whole who
18 makes an advance under the security agreement relating to
19 the security interest after the goods become an accession, but
20 before the security interest in the accession is perfected, and
21 only to the extent of the advance;
- 22 (d) a person with a perfected security interest in the whole who
23 acquires the right to retain the whole in satisfaction of the
24 obligation secured after the goods become an accession, but
25 before the security interest in the accession is perfected.

26 **91 Priority interest in whole—security interest in accession attaches**
27 **after goods become accession**

28 A security interest in goods that attaches after the goods become an
29 accession is subordinate to the interest of:

- 30 (a) a person who has an interest in the other goods at the time
31 when the goods become an accession and who:
32 (i) has not consented to the security interest in the
33 accession; and
34 (ii) has not disclaimed an interest in the accession; and

- 1 (iii) has not entered into an agreement under which another
2 person is entitled to remove the accession; and
3 (iv) is otherwise entitled to prevent the grantor from
4 removing the accession; or
5 (b) a person who acquires an interest in the whole after the goods
6 become an accession, but before the security interest in the
7 accession is perfected.

8 **92 Secured party must not damage goods when removing accession**

9 A secured party who is entitled to remove an accession under
10 section 123 (seizure of collateral) must remove the accession from
11 the whole in a manner that causes no greater damage to the other
12 goods, or that puts the person in possession of the whole to no
13 greater inconvenience, than is necessarily incidental to the removal
14 of the accession.

15 **93 Reimbursement for damage caused in removing accessions**

- 16 (1) A person, other than the grantor, who has an interest in the other
17 goods at the time the goods become an accession is entitled to
18 reimbursement for any damage to that person's interest in the other
19 goods caused by the removal of the accession.
20 (2) Any reimbursement payable under subsection (1) does not include
21 reimbursement for a reduction in the value of the property caused
22 by the absence of the accession or by the necessity of the
23 replacement of the accession.

24 **94 Refusal of permission to remove accession**

25 A person entitled to reimbursement under section 93 may refuse
26 permission to remove the accession until the secured party has
27 given adequate security for the reimbursement.

28 **95 Secured party must give notice of removal of accession**

29 *Notice required to be given by secured party*

- 30 (1) A secured party who is entitled to remove an accession from the
31 whole must give notice of the secured party's intention to remove

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- 1 the accession to each of the following persons in accordance with
2 subsections (2) and (3):
- 3 (a) the grantor;
- 4 (b) a secured party with a security interest in the accession that
5 has a higher priority.
- 6 (2) The secured party must give a notice to a person:
- 7 (a) at least 10 business days before the day the accession is
8 removed; or
- 9 (b) if the person has given a written notice to the secured party
10 specifying a smaller number of days to apply for the purposes
11 of this section—at least that number of days before the
12 accession is removed.
- 13 (3) A notice must contain the following:
- 14 (a) the name of the secured party giving the notice;
- 15 (b) a description of the accession and of the other goods;
- 16 (c) a statement of the obligation owed to the secured party, and
17 the value of the accession if the accession were removed
18 from the other goods;
- 19 (d) a statement of intention to remove the accession, unless the
20 obligation secured by the security interest in the accession is
21 discharged, or the value of the accession is paid, before the
22 end of the period to which subsection (2) applies.
- 23 (4) The notice may be given in the approved form.
- 24 *When notice is not required*
- 25 (5) The secured party is not required to give a notice to a person under
26 subsection (1) if, after the debtor defaults, the person gives written
27 consent to the secured party to remove the accession without
28 receiving a notice.
- 29 (6) The secured party is not required to give a notice to any person
30 under subsection (1) if:
- 31 (a) the secured party believes on reasonable grounds that the
32 accession will decline substantially in value if it is not
33 disposed of immediately after default; or

1 (b) the cost of expenses for the retention of the accession that are
2 secured against the accession is disproportionately large in
3 relation to its value.

4 Note: In addition, a secured party is not required to give a notice in any of
5 the circumstances set out in section 144 (when certain enforcement
6 notices are not required).

7 (7) A person is not entitled to a notice under subsection (1) in relation
8 to an accession to goods only because the person has an interest in
9 another accession to the same goods.

10 **96 When person with an interest in the whole may retain accession**

11 A person, other than the grantor, who has an interest in the whole
12 of goods that under this Act is subordinate to a security interest in
13 an accession, may retain the accession if:

14 (a) the obligation to the secured party with a security interest that
15 has priority over all other security interests in the accession is
16 performed; or

17 (b) the secured party mentioned in paragraph (a) is paid the value
18 of the accession at the time of payment, if the accession were
19 to be removed from the goods.

20 **97 Court order about removal of accession**

21 A court may, on the application of a person entitled to receive a
22 notice under section 95 (notice of removal of an accession), make
23 an order:

24 (a) postponing the removal of the accession; or

25 (b) determining the amount payable to the secured party under
26 section 96 for the retention of the accession.

27 Note: For which courts have jurisdiction, and for transfers between courts,
28 see Part 6.2.
29

Section 98

1 **Part 3.4—Processed or commingled goods**
2

3 **98 Guide to this Part**

4 This Part deals with security interests in goods that become an
5 unidentifiable part of a larger product or mass.

6 A security interest in the original goods continues in the product or
7 mass. The Part sets out perfection and priority rules that apply in
8 this situation.

9 **99 Continuation of security interests in goods that become processed**
10 **or commingled**

- 11 (1) A security interest in goods that subsequently become part of a
12 product or mass continues in the product or mass if the goods are
13 so manufactured, processed, assembled or commingled that their
14 identity is lost in the product or mass.

15 Note: A person might take an interest in the product or mass free of the
16 security interest because of the operation of another provision of this
17 Act.

- 18 (2) Without limiting subsection (1), the identity of goods that are
19 manufactured, processed, assembled or commingled is lost in a
20 product or mass if it is not commercially practical to restore the
21 goods to their original state.

22 **100 Perfection of security interest in goods that become processed or**
23 **commingled applies to product or mass**

24 For the purposes of section 55 (default priority rules), perfection of
25 a security interest in goods that subsequently become part of a
26 product or mass is to be treated as perfection of the security interest
27 in the product or the mass.

1 **101 Limit on value of priority of goods that become part of**
2 **processed or commingled goods**

3 Any priority that a security interest continuing in the product or
4 mass has over another security interest in the product or mass is
5 limited to the value of the goods on the day on which they became
6 part of the product or mass.

7 **102 Priority where more than one security interest continues in**
8 **processed or commingled goods**

- 9 (1) A perfected security interest continuing in a product or mass has
10 priority over an unperfected security interest continuing in the
11 same product or mass.
- 12 (2) If more than one perfected security interest continues in the same
13 product or mass, each perfected security interest is entitled to share
14 in the product or mass according to the ratio that the obligation
15 secured by the perfected security interest bears to the sum of the
16 obligations secured by all perfected security interests in the same
17 product or mass.
- 18 (3) If more than one unperfected security interest continues in the
19 same product or mass, each unperfected security interest is entitled
20 to share in the product or mass according to the ratio that the
21 obligation secured by the unperfected security interest bears to the
22 sum of the obligations secured by all unperfected security interests
23 in the same product or mass.
- 24 (4) For the purposes of this section, the obligation secured by a
25 security interest does not exceed the value of the goods on the day
26 on which the goods became part of the product or mass.

27 **103 Priority of purchase money security interest in processed or**
28 **commingled goods**

29 Despite section 102, a perfected purchase money security interest
30 in goods that continues in the product or mass has priority over:

- 31 (a) a non-purchase money security interest in the goods that
32 continues in the product or mass; and

Chapter 3 Specific rules for certain security interests

Part 3.4 Processed or commingled goods

Section 103

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2
3

(b) a non-purchase money security interest in the product or mass given by the same grantor.

1 **Part 3.5—Intellectual property**

3 **104 Guide to this Part**

4 This Part includes some rules with a particular application to
5 security interests in intellectual property and intellectual property
6 licences.

7 If the exercise of rights by a secured party in relation to goods
8 necessarily involves the exercise of intellectual property rights
9 covered by the security interest, this Act applies to the intellectual
10 property rights in the same way as it applies to the goods.

11 The Part also deals with a transfer of intellectual property that is
12 the subject of a licence (or sub-licence) in which a security interest
13 is granted. The security agreement binds the successors in title to
14 the licensor or sub-licensor.

15 **105 Implied references to intellectual property rights**

16 *Act applies to intellectual property rights etc.*

- 17 (1) This Act applies to intellectual property rights (including rights
18 exercisable under an intellectual property licence), in relation to
19 goods, in the same way as it applies to the goods, if:
- 20 (a) the exercise by a secured party of rights in relation to the
21 goods arising under a security agreement necessarily involves
22 an exercise of the intellectual property rights; and
 - 23 (b) the payment or obligation secured by the security interest is
24 (in addition) secured by a security interest that is attached to
25 the intellectual property rights.

26 *Description of goods taken to include a description of intellectual*
27 *property rights*

- 28 (2) For the purposes of this Act, if a registration perfects the security
29 interest in goods mentioned in subsection (1), the following
30 descriptions are taken to include a description of the intellectual

Section 106

- 1 property rights concerned, or of an intellectual property licence
2 required to exercise those rights:
3 (a) a description of the goods in the security agreement;
4 (b) the registered description of the goods;
5 (c) a description of the goods included in a notice under this Act.
- 6 (3) Subsection (2) applies subject to a contrary intention in the security
7 agreement, registration or notice.

8 **106 Intellectual property licences and transfers of intellectual**
9 **property**

- 10 (1) If:
11 (a) a security interest is granted in an intellectual property
12 licence; and
13 (b) the intellectual property in which the licence is granted is
14 later transferred; and
15 (c) the licensee of the intellectual property licence continues to
16 hold the licence after the transfer;
17 the security agreement that provides for the security interest binds
18 every successor in title to the licensor of the intellectual property
19 licence to the same extent as the security agreement was binding
20 on the licensor.
- 21 (2) If:
22 (a) a security interest is granted in a sub-licence granted under an
23 intellectual property licence; and
24 (b) the intellectual property licence under which the sub-licence
25 is granted is later transferred; and
26 (c) the licensee of the sub-licence continues to hold the
27 sub-licence after the transfer;
28 the security agreement that provides for the security interest binds
29 every successor in title to the licensor of the sub-licence to the
30 same extent as the security agreement was binding on the licensor.
31

1 **Chapter 4—Enforcement of security interests**

2 **Part 4.1—Guide to this Chapter**

3

4 **107 Guide to this Chapter**

5

This Chapter deals with how to enforce a security interest in personal property. Parties can contract out of some of the provisions of this Chapter.

6

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Security interests in liquid assets can be enforced by giving a notice to the person who owes an amount to the grantor. Other kinds of assets can be seized and disposed of under Part 4.3. A secured party can also retain or purchase the collateral.

9

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Proceeds arising from the disposal of collateral must be distributed in accordance with Part 4.4. That Part also contains other rules of general application in relation to the enforcement of security interests.

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1 **Part 4.2—General rules**
2

3 **108 Guide to this Part**

4 This Part provides general rules about the rights and remedies
5 available to a party to a security agreement for enforcing a security
6 interest in personal property. The Part does not apply to certain
7 kinds of security interests.

8 Important rules include the following:

- 9 (a) a general standard of honesty and commercial
10 reasonableness is to apply to enforcement actions;
- 11 (b) parties can contract out of specified provisions of
12 this Chapter;
- 13 (c) if the same obligation is secured by both personal
14 property and an interest in land, a secured party
15 may decide to enforce the personal property
16 interest in the same way as the interest in the land
17 would be enforced, or to enforce the security
18 interest under this Chapter;
- 19 (d) rules for the enforcement of security interests in
20 certain liquid assets (accounts, chattel paper and
21 negotiable instruments) by giving notice to
22 specified persons or seizing proceeds.

23 **109 Application of this Chapter**

24 *Security interests to which this Chapter does not apply*

- 25 (1) This Chapter does not apply to security interests that are provided
26 for by the following:
- 27 (a) a transfer of an account or chattel paper that does not secure
28 payment or performance of an obligation;

- 1 (b) a security interest that is incidental to a security interest
2 referred to in paragraph (a);
3 (c) a PPS lease that does not secure payment or performance of
4 an obligation;
5 (d) a commercial consignment that does not secure payment or
6 performance of an obligation.

- 7 (2) This Chapter does not apply to security interests in goods that are
8 located outside Australia.

9 Note: For where personal property is located, see section 235.

10 *Security interests in investment instruments or investment*
11 *entitlements that are perfected by possession or control*

- 12 (3) This Chapter (apart from sections 110, 111, 113 and 140) does not
13 apply in relation to a person who has perfected a security interest
14 in:

- 15 (a) an investment instrument by taking possession or control of
16 the instrument; or
17 (b) an investment entitlement by taking control of the
18 entitlement.

- 19 (4) To avoid doubt, subsection (3) applies whether the person has
20 perfected the security interest only by possession or control, or by
21 another method as well.

22 *Sections that do not apply to household property*

- 23 (5) The following provisions do not apply in relation to collateral that
24 is used by a grantor predominantly for personal, domestic or
25 household purposes:

- 26 (a) sections 117 and 118 (relationship with land laws);
27 (b) section 120 (enforcement of security interests in liquid
28 assets);
29 (c) paragraphs 128(2)(b) and (c) (disposal of collateral by lease
30 or licence);
31 (d) section 129 (disposal by purchase);
32 (e) section 134 (retention of collateral).

Section 110

1 **110 Rights and remedies**

2 This Act does not derogate in any way from the rights and
3 remedies the following parties to a security agreement have, apart
4 from this Act, against each other in relation to a default by the
5 debtor under the security agreement:

- 6 (a) the debtor;
7 (b) the grantor;
8 (c) a secured party.

9 **111 Rights and duties to be exercised honestly and in a commercially**
10 **reasonable manner**

11 (1) All rights, duties and obligations that arise under this Chapter must
12 be exercised or discharged:

- 13 (a) honestly; and
14 (b) in a commercially reasonable manner.

15 (2) A person does not act dishonestly merely because the person acts
16 with actual knowledge of the interest of some other person.

17 **112 Rights and remedies under this Chapter**

18 (1) In exercising rights and remedies provided by this Chapter, a
19 secured party may deal with collateral only to the same extent as
20 the grantor would be entitled to so deal with the collateral.

21 (2) However, subsection (1) does not apply:

- 22 (a) if the secured party had title to the collateral immediately
23 before starting to exercise any right or remedy provided by
24 this Part; or
25 (b) to the extent that it would otherwise prevent the secured party
26 from dealing with the collateral by way of transfer because a
27 transfer by the grantor would be prohibited or declared to be
28 a default under an agreement (whether or not a security
29 agreement).

30 Note: See section 79 (transfer of collateral despite prohibition in
31 security agreement).

- 1 (3) Without limiting subsection (1), under this Chapter a secured party
2 may only seize, purchase or dispose of a licence subject to:
3 (a) the terms and conditions of the licence; and
4 (b) any applicable law of the Commonwealth, a State or a
5 Territory.

6 **113 Recovering judgment or issuing execution does not extinguish a**
7 **security interest in collateral**

8 The fact that a secured party has recovered judgment, or issued
9 execution, against a grantor in relation to collateral does not
10 extinguish the security interest in the collateral.

11 **114 Rights and remedies under this Chapter are cumulative**

12 The rights and remedies provided by this Chapter are cumulative.

13 **115 Contracting out of enforcement provisions**

14 *Collateral not used predominantly for personal, domestic or*
15 *household purposes*

- 16 (1) The parties to a security agreement that provides for a security
17 interest in collateral that is not used predominantly for personal,
18 domestic or household purposes may contract out of the following
19 provisions in relation to the collateral (to the extent, if any,
20 mentioned):
21 (a) section 95 (notice of removal of accession), to the extent that
22 it requires the secured party to give a notice to the grantor;
23 (b) section 96 (when a grantor may retain an accession);
24 (c) section 117 (obligations secured by interests in personal
25 property and land);
26 (d) section 118 (enforcing security interests in accordance with
27 land law decisions), to the extent that it allows a secured
28 party to give a notice to the grantor;
29 (e) section 120 (enforcement of liquid assets);
30 (f) subsection 121(4) (enforcement of liquid assets—notice to
31 grantor);
32 (g) section 123 (right to seize collateral);

Section 115

- 1 (h) section 125 (obligation to dispose of or retain collateral);
2 (i) section 126 (apparent possession);
3 (j) section 128 (secured party may dispose of collateral);
4 (k) section 129 (disposal by purchase);
5 (l) section 130 (notice of disposal), to the extent that it requires
6 the secured party to give a notice to the grantor;
7 (m) paragraph 132(3)(d) (contents of statement of account after
8 disposal);
9 (n) subsection 132(4) (statement of account if no disposal);
10 (o) subsection 134(1) (retention of collateral);
11 (p) section 135 (notice of retention);
12 (q) section 142 (redemption of collateral);
13 (r) section 143 (reinstatement of security agreement).
- 14 (2) However, if parties to a security agreement contract out of a
15 provision, the provision continues to the extent that it gives rights
16 to, and imposes obligations in relation to, persons who are not
17 parties to the security agreement.
- 18 Example: Parties to a security agreement contract out of the right to seize
19 property under section 123. A secured party who is not a party to the
20 security agreement may seize the property under section 123.
- 21 (3) Despite subsection (2), if parties to a security agreement contract
22 out of section 142 (redemption of collateral), the provision does
23 not give any person (whether or not the person is a party to the
24 agreement) a right to redeem collateral under section 142.
- 25 *Collateral that is used predominantly for personal, domestic or*
26 *household purposes*
- 27 (4) The parties to a security agreement that provides for a security
28 interest in collateral that is used predominantly for personal,
29 domestic or household purposes may contract out of section 126
30 (apparent possession) in relation to the collateral.
- 31 *Contracts between persons other than the grantor*
- 32 (5) A person (including a secured party, but not including the grantor)
33 who is entitled to receive a notice from a secured party under one

1 or more provisions in this Chapter may contract with the secured
2 party out of one or more of those provisions.

3 (6) 2 secured parties may contract out of the right of one of the secured
4 parties to receive an amount under subsection 127(6) (payment of
5 enforcing party's expenses) from the other secured party.

6 **116 Chapter does not apply to property in the hands of receivers or**
7 **controllers**

8 (1) This Chapter does not apply in relation to property while a person
9 is a receiver, a receiver and manager, or a controller of the
10 property.

11 (2) Without limiting subsection (1), the meaning of the following
12 terms includes their meaning as given by the *Corporations Act*
13 *2001*:

- 14 (a) receiver and manager;
15 (b) controller, in relation to the property of a corporation.

16 **117 Obligations secured by interests in personal property and land**

17 *Scope*

18 (1) This section applies if:

19 (a) the same obligation is secured by:

- 20 (i) a security interest in personal property; and
21 (ii) an interest in land; and

22 (b) either:

23 (i) the secured party's security interest in the personal
24 property has the highest priority; or

25 (ii) every other secured party with a security interest in the
26 personal property that has a higher priority has agreed in
27 writing to the secured party's making a decision under
28 this section.

29 Note 1: This section does not apply in relation to collateral that is used
30 predominantly for personal, domestic or household purposes (see
31 subsection 109(5)).

Section 117

1 Note 2: Also, this section does not apply in relation to a security interest in
2 collateral to which consumer credit legislation applies (see
3 section 119).

4 Note 3: The interest in land might be an interest to which this Act would
5 otherwise not apply (see subsection 8(2)).

6 *Decision by secured party*

7 (2) The secured party may:

- 8 (a) make a decision to enforce the security interest in the
9 personal property under this Chapter; or
10 (b) make a decision to enforce the security interest in the
11 personal property in the same way as the interest in the land
12 may be enforced under the land law.

13 (3) In making a decision under subsection (2), the secured party must
14 act reasonably and only take into account the following matters:

- 15 (a) the respective values of the personal property and the land;
16 (b) whether there is any connection between, and the nature of
17 any connection between, the personal property and the land;
18 (c) whether the land and the personal property are both located
19 in the same State or Territory;
20 (d) such other matters as are relevant to the efficient enforcement
21 of the security interest and the interest in the land.

22 *Decision to enforce the security interest under this Chapter*

23 (4) Enforcing the security interest in the personal property under this
24 Chapter, in accordance with a decision under paragraph (2)(a),
25 does not limit the secured party's rights, remedies and duties with
26 respect to the land.

27 *Meaning of land law*

28 (5) In this Act:

29 **land law**, in relation to an obligation mentioned in
30 paragraph (1)(a), means those provisions of a law of a State or
31 Territory, or of the general law, that relate to the enforcement of
32 the interest in land that secures the obligation.

1 **118 Enforcing security interests in accordance with land law**
2 **decisions**

3 *Scope*

- 4 (1) This section applies if:
- 5 (a) a secured party makes a decision (under paragraph 117(2)(b))
6 to enforce the security interest in the personal property in the
7 same way as the interest in the land may be enforced under
8 the land law; and
 - 9 (b) unless section 144 applies, the secured party gives a notice in
10 accordance with subsection (2) to the following persons:
 - 11 (i) the grantor;
 - 12 (ii) a secured party with a security interest in the personal
13 property that is perfected immediately before the
14 decision under paragraph 117(2)(b) is made;
 - 15 (iii) any person who, by the time the secured party gives the
16 notice, has notified the secured party in writing that the
17 person claims an interest in the personal property.
- 18 (2) A notice is given in accordance with this subsection if:
- 19 (a) the notice is in the approved form; or
 - 20 (b) the notice:
 - 21 (i) contains a description of the personal property to which
22 the notice relates; and
 - 23 (ii) sets out the effect of this section.

24 *How security interest is to be enforced*

- 25 (3) The secured party may enforce the security interest in the same
26 way, with any necessary modification, as the interest in the land
27 may be enforced under the land law.
- 28 (4) Subject to this section, and with any necessary modification, law in
29 the same terms as that of the land law applies under this Act for the
30 purposes of the enforcement of the security interest.

31 Example: The secured party has the same rights, remedies and duties in relation
32 to the enforcement of the security interest in the personal property as
33 the secured party has in relation to the enforcement of the interest in
34 the land.

Section 118

1 Note: The effect of this subsection is not to adopt the land law as such, but
2 to apply law to the same effect as the land law (with any necessary
3 modification, and subject to this section).

4 (5) The regulations may modify the law that applies by virtue of
5 subsection (4) in order to facilitate its application to the
6 enforcement of security interests in the personal property.

7 Note: For the meaning of *modification*, see section 10.

8 *Additional law that applies*

9 (6) Section 140 (distribution of proceeds), section 117 and this section
10 apply to the enforcement of the security interest in the personal
11 property. Otherwise, this Chapter does not apply to the
12 enforcement of the security interest in the personal property.

13 (7) In addition:

14 (a) the decision of the secured party (the *first secured party*)
15 under paragraph 117(2)(b) does not limit the rights of any
16 other secured party (the *other secured party*) who has a
17 security interest in the personal property (whether granted
18 before or after the first secured party's security interest); and

19 (b) the other secured party has standing in proceedings taken by
20 (or on behalf of) the first secured party in enforcing the first
21 secured party's security interest under this section; and

22 (c) the other secured party may apply to a court for the conduct
23 of a judicially supervised sale for the purposes of enforcing
24 the first secured party's security interest under this section;
25 and

26 (d) the court may grant the application.

27 Note: For which courts have jurisdiction, and for transfers between courts,
28 see Part 6.2.

29 *Exercise of powers etc. under applied law*

30 (8) The Minister may make an agreement with the appropriate
31 Minister of a State or Territory in relation to the exercise or
32 performance of a power, duty or function (not being a power, duty
33 or function involving the exercise of judicial power) by an
34 authority of the State or Territory for the purposes of the law that
35 applies by virtue of subsection (4).

- 1 (9) If such an agreement is in force, the power, duty or function may
2 or must be exercised or performed accordingly.
- 3 (10) The Minister may make an agreement with the appropriate
4 Minister of a State or Territory for the variation or revocation of an
5 agreement made under this section in relation to the State.
- 6 (11) An agreement made under subsection (8) or (10) is not a legislative
7 instrument.

8 *This section does not affect land laws*

- 9 (12) To avoid doubt, nothing in this section is intended to modify a land
10 law, or to affect its operation.

11 **119 Relationship with consumer credit legislation**

- 12 (1) This Chapter, except sections 117 and 118, applies in relation to a
13 security interest in collateral to which the Consumer Credit Code
14 of a State or Territory applies.
- 15 (2) The regulations may provide that a specified provision of this
16 Chapter is taken to have been complied with in specified
17 circumstances if a specified provision of the Consumer Credit
18 Code of a State or Territory has been complied with in those
19 circumstances.

20 **120 Enforcement of security interests in liquid assets—general**

- 21 (1) This section applies if:
- 22 (a) an obligation (the *secured obligation*) is secured by a
23 security interest in collateral in the form of one of the
24 following:
- 25 (i) an account;
- 26 (ii) chattel paper;
- 27 (iii) a negotiable instrument; and
- 28 (b) one or more persons owe an amount to the grantor on the
29 collateral; and
- 30 (c) the debtor defaults on the secured obligation.

Section 121

1 Note: This section does not apply in relation to collateral that is used
2 predominantly for personal, domestic or household purposes (see
3 subsection 109(5)).

4 *Rights of secured party*

5 (2) A secured party may do either or both of the following:

6 (a) give a written notice to a person mentioned in
7 paragraph (1)(b) that:

8 (i) sets out the effect of subsection (3); or

9 (ii) is in the approved form;

10 (b) seize any proceeds of the collateral to which the secured
11 party is entitled under section 32.

12 Note: A secured party might be prevented from taking action under this
13 subsection by a higher priority party (see subsection 121(3)).

14 (3) A person who receives a notice under paragraph (2)(a) must pay, to
15 the secured party, any amount that the person owes to the grantor
16 on the collateral before the end of 5 business days after the later of:

17 (a) the day the notice is received; or

18 (b) the day the amount becomes due and payable.

19 Note: The period mentioned in this subsection may be extended by a court
20 under section 293.

21 (4) The secured party must apply any amount received under
22 paragraph (2)(b) or subsection (3) towards the secured obligation.

23 (5) If any amount is received under paragraph (2)(b) or subsection (3)
24 in the form of currency, then the amount must be distributed in
25 accordance with section 140.

26 **121 Enforcement of security interests in liquid assets—notice to**
27 **higher priority parties and grantor**

28 *Notice to higher priority parties*

29 (1) Unless section 144 applies, a secured party (the *enforcing party*)
30 who proposes to take action under subsection 120(2) in relation to
31 a security interest in collateral must give a written notice to any
32 other secured party (a *higher priority party*) with a security interest
33 in the collateral that has a higher priority.

- 1 (2) The notice must:
2 (a) contain the name of the secured party giving the notice; and
3 (b) contain a description of the collateral; and
4 (c) state that the enforcing party proposes to take action under
5 paragraph 120(2)(a) or (b), as the case requires; and
6 (d) state the address to which a notice may be given under
7 subsection (3); and
8 (e) be given to each higher priority party:
9 (i) at least 10 business days before the day the action is to
10 be taken; or
11 (ii) if a higher priority party has given a written notice to
12 the enforcing party specifying a shorter period to apply
13 for the purposes of this subsection—before the end of
14 that period.

15 Note: The period mentioned in paragraph (e) may be extended by a
16 court under section 293.

- 17 (3) A higher priority party who is given a notice under subsection (1)
18 may, before any action is taken under subsection 120(2), give a
19 written notice to the enforcing party informing the enforcing party
20 of the higher priority party's proposal to take action under that
21 subsection. If the higher priority party gives such a notice, the
22 enforcing party is not entitled to take action under that subsection.

23 *Notice to grantor*

- 24 (4) A secured party must give a written notice to the grantor of any
25 action the secured party takes in accordance with subsection
26 120(2).
27 (5) The notice under subsection (4) must be given:
28 (a) before the end of 5 business days after the day the action is
29 taken; or
30 (b) if the grantor has given a written notice to the secured party
31 specifying a shorter period to apply for the purposes of this
32 subsection—before the end of that period.

33 Note: The period mentioned in paragraph (a) may be extended by a court
34 under section 293.
35

1 **Part 4.3—Seizure and disposal or retention of**
2 **collateral**

3 **Division 1—Introduction**

4 **122 Guide to this Part**

5 This Part deals with the seizure and disposal or retention of
6 collateral following default by a debtor under a security agreement.

7 Division 2 contains rules about when and how a secured party may
8 seize collateral.

9 Division 3 deals with the disposal of collateral by a secured party
10 after seizure of the collateral.

11 Division 4 deals with the retention of collateral by a secured party
12 after seizure of the collateral.

13 If a secured party proposes to dispose of, or retain, collateral, the
14 party must give notice to the grantor and any other secured party
15 with a security interest in the collateral that has a higher priority.

16 A person may object to a proposal by a secured party to enforce a
17 security interest by purchasing or retaining the collateral (see
18 Division 5).

19

1 **Division 2—Seizing collateral**

2 **123 Secured party may seize collateral**

- 3 (1) A secured party may seize collateral, by any method permitted by
4 law, if the debtor is in default under the security agreement.

5 Note: For seizure of accessions, see sections 95 to 97.

6 *Seizing intangible property*

- 7 (2) For the purposes of this Act, unless subsection (3) applies, a
8 secured party may seize intangible property only by giving a
9 notice, stating that the giving of the notice constitutes seizure of the
10 property, to the following persons:

- 11 (a) the grantor;
12 (b) if the intangible property is a licence—either:
13 (i) the licensor; or
14 (ii) the licensor’s successor.

- 15 (3) Intangible property may be seized by another method, if so agreed
16 between:

- 17 (a) the parties to the security agreement; or
18 (b) if the intangible property is a licence—the parties to the
19 security agreement together with the licensor or the licensor’s
20 successor.

21 *No perfection by seizure*

- 22 (4) A secured party who seizes collateral under this section does not
23 perfect the secured party’s security interest in the collateral.

24 **124 Secured party who has perfected a security interest in collateral**
25 **by possession or control**

- 26 (1) This section applies if:
27 (a) a secured party has perfected a security interest in collateral
28 by possession or control of the collateral; and
29 (b) the debtor is in default under the security agreement.

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- 1 (2) A secured party may seize the collateral under section 123 by
2 giving a notice to:
3 (a) the grantor; and
4 (b) if the collateral is a licence—either:
5 (i) the licensor; or
6 (ii) the licensor’s successor.
- 7 (3) To avoid doubt, this section applies whether the secured party has
8 perfected the security interest only by possession or control, or by
9 another method as well.

10 **125 Obligation to dispose of or retain collateral**

- 11 (1) A secured party who seizes collateral under section 123 must:
12 (a) dispose of the collateral in accordance with Division 3; or
13 (b) take action to retain the collateral in accordance with
14 Division 4.
- 15 (2) Before disposing of or taking action to retain the collateral, the
16 secured party is, subject to the security agreement that covers the
17 collateral, entitled to a reasonable period in which:
18 (a) to secure, store and value the collateral; and
19 (b) to determine how to deal with the collateral.
- 20 (3) The secured party may delay disposing of, or taking action to
21 retain, the whole or part of the collateral beyond the reasonable
22 period mentioned in subsection (2). However, the delay must:
23 (a) if the security agreement providing for the security interest
24 allows for the delay—be in accordance with the security
25 agreement; or
26 (b) otherwise—be reasonable in the circumstances.

27 **126 Apparent possession of collateral**

- 28 (1) If:
29 (a) collateral cannot be readily moved from a grantor’s premises;
30 or
31 (b) adequate storage facilities are not readily available for
32 collateral;

1 a secured party may seize the collateral under section 123 by
2 taking apparent possession of the collateral.

3 (2) A secured party who takes apparent possession of collateral may
4 dispose of the collateral under section 128 on the grantor's
5 premises. However, the secured party must not cause the grantor
6 any greater cost or inconvenience than is necessarily incidental to
7 the disposal.

8 (3) To avoid doubt, a secured party who takes apparent possession of
9 collateral in accordance with this section does not perfect the
10 secured party's security interest in the collateral.

11 **127 Seizure by higher priority parties—notice**

12 *Scope*

13 (1) This section applies if, at any time while collateral is seized by a
14 secured party (the **enforcing party**) (whether under section 123 or
15 otherwise) for the purposes of enforcement, another secured party
16 (the **higher priority party**) has a security interest in the collateral
17 that has a higher priority under this Act.

18 *Notice requiring enforcing party to give possession of collateral to* 19 *higher priority party*

20 (2) The higher priority party may give a written notice to the enforcing
21 party, requiring the enforcing party to give the higher priority party
22 possession of the seized collateral.

23 Note: If a person has a perfected security interest in the collateral that ranks
24 higher than that of the secured party, and the person does not give a
25 notice under this section, the person retains a security interest in the
26 collateral.

27 (3) However, the higher priority party must not give a notice to the
28 enforcing party under subsection (2) unless the higher priority
29 party would be entitled to seize the collateral (in the higher priority
30 party's own right) in accordance with section 123, had the
31 enforcing party not first seized the collateral.

32 (4) An enforcing party who is given a notice under subsection (2) must
33 comply with the notice before the end of the following period:

Section 127

- 1 (a) the period of 5 business days after the day the notice is
2 received;
3 (b) such further period as is reasonable in the circumstances.

4 Note: The period may also be extended by a court under section 293.

- 5 (5) A higher priority party who is given possession of collateral under
6 this section is taken to have complied with the requirements of
7 subsection 123(2) (notice of seizure) in relation to the seizure of
8 the collateral.

9 *Payment of enforcing party's expenses*

- 10 (6) A higher priority party who is given possession of collateral under
11 this section must, subject to subsections (7) and (8), pay the
12 enforcing party the amount of any reasonable expenses paid or
13 incurred by the enforcing party, in relation to the enforcement of
14 the security interest in the collateral.

15 Note: 2 secured parties can contract out of this provision (see subsection
16 115(6)).

- 17 (7) A higher priority party must pay an amount of expenses under
18 subsection (6) only to the extent that, before the higher priority
19 party disposes of the collateral and any proceeds of the collateral
20 sufficient to meet the expenses, the enforcing party gives the
21 higher priority party evidence showing that the enforcing party
22 incurred the amount.

- 23 (8) The amount payable under subsection (6) is the lesser of the
24 following amounts:

- 25 (a) the amount mentioned in the subsection;
26 (b) the amount of any proceeds from the higher priority party's
27 disposal of the collateral.

- 28 (9) A higher priority party must pay an amount of expenses under
29 subsection (6) before the end of 20 business days after the later of
30 the following days:

- 31 (a) the day the higher priority party disposes of the collateral;
32 (b) the day the enforcing party gives the higher priority party
33 evidence showing that the enforcing party incurred the
34 amount.

- 1 Note: The period may be extended by a court under section 293.
- 2 (10) The amount under subsection (6) is a debt due to the enforcing
- 3 party.
- 4 (11) The enforcing party may apply to a court to recover the amount of
- 5 the debt, and the court may grant the application.
- 6 Note: For which courts have jurisdiction, and for transfers between courts,
- 7 see Part 6.2.
- 8

1 **Division 3—Disposing of collateral (including by**
2 **purchasing collateral)**

3 **128 Secured party may dispose of collateral**

- 4 (1) A secured party may dispose of collateral if the secured party has
5 seized the collateral in the exercise of a right to seize the collateral
6 on default by the debtor (whether under section 123 or otherwise).

7 Note 1: A secured party may dispose of collateral by purchasing the collateral
8 (see section 129).

9 Note 2: The person who takes the collateral as a result of the disposal does so
10 free of certain security interests (see section 133).

11 Note 3: The secured party may act as agent for the grantor in transferring title
12 (see section 141).

13 *Method of disposal*

- 14 (2) A secured party may dispose of collateral under this section:
15 (a) by private or public sale (including auction or closed tender);
16 or
17 (b) if the collateral is commercial property, and the security
18 agreement so provides—by lease; or
19 (c) if the collateral is intellectual property—by licence.

20 Note 1: A different rule applies in relation to disposal by purchase (see
21 subsection 129(3)).

22 Note 2: Paragraph (2)(b) does not apply in relation to collateral that is used
23 predominantly for personal, domestic or household purposes (see
24 subsection 109(5)).

- 25 (3) For the purposes of this Act, if collateral is disposed of by lease or
26 licence, the disposal occurs at the time the lease or licence is
27 entered into.

- 28 (4) The power to dispose of collateral by a lease or licence must be
29 exercised in accordance with the terms and conditions of the
30 security agreement.

- 31 (5) A secured party may, under subsection (1), dispose of the whole or
32 part of the collateral.

Chapter 4 Enforcement of security interests

Part 4.3 Seizure and disposal or retention of collateral

Division 3 Disposing of collateral (including by purchasing collateral)

Section 130

- 1 (b) any other secured party with a security interest in the
2 collateral that has a higher priority.
- 3 (2) A notice must:
- 4 (a) contain the name of the secured party giving the notice; and
5 (b) contain a description of the collateral; and
6 (c) state that the secured party proposes to dispose of the
7 collateral, unless an obligation is performed, or an amount is
8 paid, to satisfy the obligation secured by the security interest
9 in the collateral, on or before the day specified in accordance
10 with subsection (3); and
11 (d) state that the notice is given for the purposes of this Act; and
12 (e) if the secured party is proposing to dispose of the collateral
13 by purchase:
- 14 (i) contain details of rights of objection under Division 5;
15 and
16 (ii) contain the address to which a notice of objection may
17 be given under section 137; and
18 (f) contain any other matter required by the regulations for the
19 purposes of this subsection.

20 Note: The period under paragraph (c) may be extended by a court under
21 section 293.

- 22 (3) For the purposes of paragraph (2)(c), the day specified in a notice
23 given to a person:
- 24 (a) must be at least 10 business days after the day the notice is
25 given; or
26 (b) if the person has given a written notice to the secured party
27 specifying a shorter period to apply for the purposes of this
28 section—before the end of that period.
- 29 (4) The notice may be given in the approved form.

30 *When notice is not required*

- 31 (5) The secured party is not required to give a notice to any person
32 under subsection (1) if:
- 33 (a) the secured party believes on reasonable grounds that the
34 secured party was induced to enter into the relevant security
35 agreement by fraud on the part of the debtor or the grantor; or

- 1 (b) the secured party believes on reasonable grounds that the
2 collateral might perish before the end of 10 business days
3 after the day the collateral is seized; or
4 (c) the secured party believes on reasonable grounds that there
5 will be a material decline in the value of the collateral if it is
6 not disposed of immediately after the day the collateral is
7 seized; or
8 (d) the secured party believes on reasonable grounds that the
9 expense of preserving the collateral is disproportionately
10 large in relation to its value; or
11 (e) the collateral is foreign currency; or
12 (f) the collateral is to be disposed of in accordance with the
13 operating rules of a clearing and settlement facility.

14 **131 Duty of secured party disposing of collateral to obtain market**
15 **value**

16 A secured party who disposes of collateral under section 128 (other
17 than by purchasing the collateral) owes a duty, to any other person
18 with a security interest in the collateral, and to the grantor,
19 immediately before the disposal, to exercise all reasonable care:

- 20 (a) if the collateral has a market value at the time of disposal—to
21 obtain at least that market value; or
22 (b) otherwise—to obtain the best price that is reasonably
23 obtainable at the time of disposal, having regard to the
24 circumstances existing at that time.

25 Note: A different rule applies in relation to disposal by purchase (see
26 subsection 129(3)).

27 **132 Secured party to give statement of account**

28 *Statement of account following disposal*

- 29 (1) Unless section 144 applies, a secured party must, on request by any
30 other person with a security interest in the collateral, or the grantor,
31 give the person (or grantor) a written statement of account, if the
32 first-mentioned secured party disposes of collateral under
33 section 128 (including by purchasing the collateral in accordance
34 with section 129).

Chapter 4 Enforcement of security interests

Part 4.3 Seizure and disposal or retention of collateral

Division 3 Disposing of collateral (including by purchasing collateral)

Section 132

1 (2) A statement of account under subsection (1) must be given to a
2 person before the end of:

- 3 (a) the period of 20 business days after the day the person
4 requests the statement; or
5 (b) such further period as is reasonable in the circumstances.

6 Note: The period may also be extended by a court under section 293.

7 (3) A statement of account under subsection (1) must show:

- 8 (a) in the case of a disposal by a lease or licence—the total
9 amount received, and expected to be received, during the
10 period:
11 (i) starting when the secured party seized the collateral; and
12 (ii) ending at the end of the lease or licence; and
13 (b) in any other case—the total amount received from the
14 disposal of the collateral (or in the case of disposal by
15 purchase, paid by the secured party) during the period:
16 (i) starting when the secured party seized the collateral; and
17 (ii) ending at the time of the disposal of the collateral; and
18 (c) in any case—the amount of expenses relating to the disposal;
19 and
20 (d) any amounts paid to other secured parties; and
21 (e) the balance owing by the secured party to the grantor, or by
22 the debtor to the secured party, as the case may be.

23 *Statement of account if no disposal*

24 (4) A secured party who has not disposed of collateral before the end
25 of 6 months after the day the collateral is seized must, in
26 accordance with subsections (5) and (6), give a written statement
27 of account for each period of 6 months after seizing the collateral,
28 until the collateral is disposed of.

29 (5) The statement of account for a 6 month period must be given to
30 any other person with a security interest in the collateral, or the
31 grantor, if the other person (or the grantor) requests the statement
32 for that period.

33 (6) A statement of account under subsection (4) must be given to a
34 person before the end of:

- 1 (a) the period of 20 business days after the day the person
2 requests the statement; or
3 (b) such further period as is reasonable in the circumstances.

4 Note: The period may also be extended by a court under section 293.

5 (7) A statement of account under subsection (4) must:

- 6 (a) state that the secured party has not disposed of the collateral;
7 and
8 (b) show the total amount received in relation to the collateral
9 during the period:
10 (i) starting when the secured party seized the collateral; and
11 (ii) ending at the time the statement is given; and
12 (c) show the amount of expenses relating to the retention of the
13 collateral before the disposal.

14 **133 Disposing of collateral free of interests**

15 (1) If collateral has been disposed of under section 128 (including by a
16 secured party purchasing the collateral), a person takes the
17 collateral as a result of the disposal free of all of the following
18 interests in the collateral:

- 19 (a) the interest of the grantor;
20 (b) the security interest of the secured party who disposed of the
21 collateral;
22 (c) all security interests in the collateral that have a lower
23 priority than the security interest of that secured party.

24 Note: If a person has a perfected security interest in the collateral that ranks
25 higher than that of the secured party, the person retains a security
26 interest in the collateral.

27 (2) Subsection (1) applies in relation to a disposal of collateral (other
28 than a disposal by a secured party purchasing the collateral) even if
29 the requirements of this Chapter have not been complied with.
30

1 **Division 4—Retaining collateral**

2 **134 Proposal of secured party to retain collateral**

- 3 (1) A secured party may retain collateral if the secured party has
4 seized the collateral in the exercise of a right to seize the collateral
5 on default by the debtor (whether under section 123 or otherwise).

6 Note 1: This section does not apply in relation to collateral that is used
7 predominantly for personal, domestic or household purposes (see
8 subsection 109(5)).

9 Note 2: The secured party may act as agent for the grantor in transferring title
10 (see section 141).

- 11 (2) However, the secured party may retain the collateral only if:
12 (a) the secured party gives a notice under section 135 to retain
13 the collateral; and
14 (b) no notice of objection is given to the secured party in
15 accordance with subsection 137(2).

16 **135 Notice of retention of collateral**

- 17 (1) A secured party (the *retaining party*) who proposes to retain
18 collateral under section 134 must (unless section 144 applies) give
19 a notice of the proposal, in accordance with this section, to:
20 (a) the grantor; and
21 (b) if the security interest of the retaining party is not a purchase
22 money security interest—a secured party who, at the time the
23 retaining party gives the notice, has a registration that
24 describes the collateral; and
25 (c) if the security interest of the retaining party is a purchase
26 money security interest—a secured party over whom (or
27 which) the retaining party has priority under section 62 or 63,
28 but only if, at the time the retaining party gives the notice, the
29 secured party has a registration that describes the collateral.

- 30 (2) The secured party must give a notice to a person:
31 (a) at least 10 business days before the day the first steps are
32 taken to retain the collateral; or

1 (b) if the person has given a written notice to the secured party
2 specifying a shorter period to apply for the purposes of this
3 section—before the end of that period.

4 Note: The period mentioned in paragraph (a) may be extended by a court
5 under section 293.

6 (3) A notice must:

- 7 (a) contain the name of the secured party giving the notice; and
8 (b) contain a description of the collateral; and
9 (c) state that the secured party proposes to retain the collateral,
10 unless an obligation is performed, or an amount is paid, as
11 mentioned in paragraph (d), on or before a specified day
12 (being a day that is at least 10 business days after the day the
13 notice is given); and
14 (d) state the obligation to be performed, or the amount of the
15 payment required, before the day specified in accordance
16 with paragraph (c), to satisfy the obligation secured by the
17 security interest in the collateral; and
18 (e) contain details of rights of objection under Division 5; and
19 (f) contain the address to which a notice of objection may be
20 given under section 137; and
21 (g) contain any other matter required by the regulations for the
22 purposes of this subsection.

23 (4) The notice may be given in the approved form.

24 **136 Retaining collateral free of interests**

25 *Retaining collateral free of interests if notices have been given in*
26 *accordance with section 135*

27 (1) If:

- 28 (a) a secured party gives one or more notices in accordance with
29 section 135 to retain collateral; and
30 (b) no notice of objection is given to the secured party in
31 accordance with subsection 137(2);

32 then, at the end of the day specified in accordance with paragraph
33 135(3)(c), the secured party is entitled to take steps to have title to
34 the collateral pass to the secured party.

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- 1 (2) At the time the title to the collateral passes to the secured party, the
2 secured party takes the collateral free of all of the following
3 interests in the collateral:
4 (a) the interest of the grantor;
5 (b) the security interest of the secured party to whom title passes;
6 (c) all security interests that have a lower priority than the
7 security interest of that secured party.

8 *Acquiring collateral that has been retained free of interests if*
9 *notices have not been given in accordance with section 135*

- 10 (3) A person takes collateral free of the interests referred to in
11 subsection (2) if:
12 (a) a secured party is required to give one or more notices in
13 relation to the collateral in accordance with section 135; and
14 (b) the secured party has not done so; and
15 (c) the person acquires the collateral from the secured party for
16 new value; and
17 (d) the person has no actual knowledge that the requirements of
18 section 135 have not been complied with.
- 19 (4) Subsection (3) applies in relation to a security interest referred to in
20 paragraph (2)(c) whether or not a registration with respect to the
21 security interest is effective.
22

1 **Division 5—Objection to purchase or retention**

2 **137 Persons entitled to notice may object to proposal**

- 3 (1) This section applies if:
4 (a) a person is entitled to a notice under section 130 or 135; and
5 (b) a secured party gives the person one of the following notices:
6 (i) a notice under section 130 that the secured party
7 proposes to purchase collateral;
8 (ii) a notice under section 135 that the secured party
9 proposes to retain collateral.

- 10 (2) Before the end of the day specified in accordance with subsection
11 130(3) or 135(3), the person may give the secured party a notice
12 (the *notice of objection*) objecting to the purchase or retention.

13 Note: The secured party may request the person to provide proof of the
14 person's interest under section 138.

- 15 (3) The secured party must sell or lease the collateral in accordance
16 with section 128 if the secured party is given a notice of objection
17 in accordance with subsection (2).

18 **138 Person making objection may be requested by secured party to**
19 **prove interest**

- 20 (1) A secured party who, in accordance with subsection 137(2), is
21 given a notice of objection by a person (other than the grantor) may
22 request the person to provide proof of that person's interest.
23 (2) The notice of objection is taken not to have been given by the
24 person in accordance with subsection 137(2) if the person does not
25 provide proof of the person's interest before the end of 10 business
26 days after the day the secured party's request is made.

27 Note: The period may be extended by a court under section 293.
28

1 **Part 4.4—Rules applying after enforcement**
2

3 **139 Guide to this Part**

4 This Part contains rules about steps to be taken after a security
5 interest in collateral has been enforced.

6 These rules deal with the following:

- 7 (a) the order of distribution of personal property or its
8 proceeds;
- 9 (b) the transfer of title to collateral;
- 10 (c) redemption of collateral, or the reinstatement of
11 security agreements, before disposal;
- 12 (d) when certain enforcement notices are not required.

13 **140 Distribution of proceeds received by secured party**

14 *Scope*

- 15 (1) This section applies if any amount, personal property or proceeds
16 (within the ordinary meaning of that term) of collateral is received
17 by or on behalf of a secured party as a result of enforcing a security
18 interest in collateral (whether or not under section 120 or 128).

19 *Order of application*

- 20 (2) The amount, personal property or proceeds must be applied in the
21 following order:
- 22 (a) obligations to persons holding interests (other than security
23 interests) in the collateral that have a higher priority (whether
24 under this Act or otherwise) than the interest of the secured
25 party;

26 Note: The interests referred to in this paragraph might be interests to
27 which this Act would otherwise not apply (see subsection 8(2)).

- 1 (b) reasonable expenses incurred in relation to the enforcement
2 of security interests against the collateral, to the extent that
3 the expenses are secured by the security interests;
- 4 Note: Reasonable expenses in relation to the enforcement of a security
5 interest are taken to be secured by the security interest unless the
6 parties agree otherwise (see subsection 18(5)).
- 7 (c) obligations to persons holding security interests in the
8 collateral that have a higher priority (whether under this Act
9 or otherwise) than the interest of the secured party;
- 10 (d) obligations to the secured party that are secured by the
11 security interest in the collateral;
- 12 (e) obligations to persons holding interests or security interests
13 in the collateral that have a lower priority (whether under this
14 Act or otherwise) than the interest of the secured party;
- 15 (f) to the grantor.
- 16 Note: Sections 102 and 103 affect the operation of this section in relation to
17 commingled property.
- 18 (3) An amount, personal property or proceeds must be applied against
19 interests to which paragraph (2)(a), (c) or (e) applies in the order of
20 their priority (whether under this Act or otherwise).
- 21 (4) This section applies in relation to a security interest in collateral
22 even if a person takes the collateral free of the security interest
23 under section 133.
- 24 (5) An amount paid, or personal property or proceeds applied, in
25 accordance with subsection (2) discharges an obligation secured by
26 an interest in the collateral to the extent of the amount paid or the
27 value of the proceeds or property applied.
- 28 (6) To avoid doubt, any amount paid by the higher priority party to an
29 enforcing party in accordance with section 127 is, for the purposes
30 of this section, an expense incurred by the higher priority party in
31 relation to the enforcement of the security interest in the collateral.
- 32 (7) A secured party is not liable to an action, suit or proceeding in
33 relation to an application of proceeds in accordance with this
34 section if:
35 (a) the secured party applied the proceeds honestly; and

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- 1 (b) the secured party applied the proceeds in a commercially
2 reasonable manner.

3 **141 Secured party may take steps to reflect transfer of title**

4 A secured party who is entitled to dispose of, or retain, collateral
5 under section 128 or 134 may take any steps necessary to reflect
6 the transfer of title resulting from the disposal or retention, if the
7 grantor could take those steps to reflect a transfer of title to the
8 collateral.

9 **142 Entitled persons may redeem collateral**

- 10 (1) At any time before a secured party disposes of collateral under
11 section 128, any other person with a security interest in the
12 collateral, or the grantor, may redeem the collateral:
13 (a) by paying the amounts required to discharge the obligations,
14 or by performing the obligations, secured by security
15 interests in the collateral; and
16 (b) by paying the amount of any expenses in relation to the
17 enforcement of the security interest, the payment of which is
18 secured by the security interest.

19 Note: Reasonable expenses in relation to the enforcement of a security
20 interest are taken to be secured by a security interest unless the
21 parties agree otherwise (see subsection 18(5)).

- 22 (2) However, a person must not redeem collateral under subsection (1)
23 if the person agrees in writing after the default not to do so.
24 (3) The grantor's right to redeem the collateral has priority over any
25 other person's right to redeem the collateral.

26 **143 Entitled persons may reinstate security agreement**

- 27 (1) At any time before a secured party disposes of or retains collateral
28 (whether or not under this Chapter), a person may reinstate the
29 security agreement by:
30 (a) paying the following amounts:
31 (i) amounts in arrears (disregarding amounts in arrears as a
32 result of an acceleration clause in the security
33 agreement);

- 1 (ii) the amount of any expenses, in relation to the
2 enforcement of the security interest, the payment of
3 which is secured by the security interest; and

4 Note: Reasonable expenses in relation to the enforcement of a security
5 interest are taken to be secured by a security interest unless the
6 parties agree otherwise (see subsection 18(5)).

- 7 (b) remedying any other default as a result of which the secured
8 party proposes to dispose of, or retain, the collateral.

- 9 (2) A security agreement may be reinstated only once during the
10 period in which the security agreement is in force.

11 **144 When certain enforcement notices are not required**

12 A secured party is not required to give a notice to a person under
13 section 95, 118, 121, 130, 132 or 135, if:

- 14 (a) after having made reasonable attempts, the secured party has
15 failed to locate the person; or
16 (b) for the grantor—after the debtor defaults, the grantor waives
17 in writing the grantor's right to receive the notice; or
18 (c) for a person other than the grantor—the person (at any time)
19 waives in writing the person's right to receive the notice; or
20 (d) in any case—on an ex parte application in relation to the
21 person, a court is satisfied that a notice is not required for any
22 other reason.

23 Note: For which courts have jurisdiction, and for transfers between courts,
24 see Part 6.2.
25

1 **Chapter 5—Personal Property Securities**
2 **Register**

3 **Part 5.1—Guide to this Chapter**
4

5 **145 Guide to this Chapter**

6 This Chapter provides for the establishment and maintenance of a
7 register with respect to personal property securities and certain
8 prescribed personal property.

9 Part 5.2 deals with the establishment of the register and what it
10 contains.

11 Registrations consist of *financing statements*, and are amended by
12 the registration of *financing change statements*. Part 5.3 deals
13 with the registration of these statements, including the data to be
14 included and the issue of verification statements confirming their
15 registration.

16 Part 5.4 contains rules about the timing of registrations and when a
17 registration becomes ineffective, including the defects that make a
18 registration ineffective.

19 Part 5.5 is about searching the register.

20 Part 5.6 deals with the amendment of registrations after a demand
21 for amendment is made.

22 Part 5.7 deals with removal of data from the register and the
23 correction of registration errors.

24 Part 5.8 provides for fees for registration and searching the register,
25 the review of registration decisions and annual reports.

26 Part 5.9 establishes the offices of the Registrar of Personal
27 Property Securities and the Deputy Registrar.

Part 5.2—Establishment of the register

146 Guide to this Part

This Part sets up the Personal Property Securities Register.

The Registrar of Personal Property Securities is required to establish and maintain the register, and ensure that it is kept operational. However, the Registrar can refuse access to the register, and suspend its operation, in certain circumstances.

The register contains the following:

- (a) data in registrations with respect to security interests and related data;
- (b) prescribed data in relation to personal property.

147 Personal Property Securities Register

- (1) The Registrar must establish and maintain a register to be known as the Personal Property Securities Register.
- (2) Data in the register is the property of the Commonwealth.
- (3) The Registrar may keep the register in any form that he or she considers appropriate.
- (4) The Registrar must ensure that the register is operational at all times, except:
 - (a) while access is refused, or its operation is suspended, under subsection (5); or
 - (b) in other circumstances prescribed by the regulations.
- (5) If the Registrar considers that it is not practical to provide access to the register, the Registrar may:
 - (a) refuse access to the register; or
 - (b) otherwise suspend the operation of the register, in whole or in part.

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- 1 (6) If the Registrar refuses access to the register, or otherwise suspends
2 the operation of the register in whole or in part, under
3 subsection (5), the Registrar must publish a notice giving details of
4 the refusal or other suspension of operation (including the period of
5 refusal or suspension):
6 (a) in a way prescribed by the regulations; or
7 (b) if regulations are not made for the purposes of
8 paragraph (a)—in the *Gazette*.

9 Note: The office of the Registrar of Personal Property Securities is
10 established under Part 5.9.

11 **148 What the register contains**

12 The register is to contain the following data:

- 13 (a) data in registrations;
14 (b) data (if any) prescribed by regulations made for the purposes
15 of this paragraph in relation to registrations, or possible
16 registrations;
17 (c) data (if any) in relation to personal property that is prescribed
18 by regulations made for the purposes of this paragraph.

19 Note: If personal property is prescribed by regulations for the purposes of
20 paragraph (c), this Act might not otherwise apply to interests in that
21 property (see subsection 8(2)).
22

1 **Part 5.3—Registration**

2 3 **149 Guide to this Part**

4 A person may apply to the Registrar to register a financing
5 statement, or a financing change statement, with respect to a
6 security interest or certain personal property.

7 A registration may perfect a security interest, which may give the
8 secured party an advantage under this Act in enforcing the interest.

9 A person must not make an application with respect to a security
10 interest unless the person believes on reasonable grounds that the
11 security interest is, or will be, held by a person stated in the
12 application to be a secured party.

13 This Part also deals with verification statements, which verify the
14 registration of financing statements and financing change
15 statements.

16 The Registrar is responsible for giving verification statements to
17 secured parties, who must give notice of the statements to grantors.

18 Publication may be used as an alternative to giving verification
19 statements.

20 **150 Registration—on application**

- 21 (1) A person may apply to the Registrar to register a financing
22 statement with respect to:
23 (a) a security interest; or
24 (b) personal property prescribed by regulations made for the
25 purposes of paragraph 148(c).
- 26 (2) A person may apply to the Registrar to register a financing change
27 statement to amend a registered financing statement.
- 28 (3) The Registrar must register the financing statement or financing
29 change statement in accordance with the application, but only if:

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- 1 (a) the application is in the approved form; and
2 (b) the fee (if any) determined under section 190 has been paid;
3 and
4 (c) the Registrar is not satisfied that the application is:
5 (i) frivolous, vexatious or offensive, or contrary to the
6 public interest; or
7 (ii) made in contravention of section 151 (belief that
8 collateral secures obligation); and
9 (d) the registration would not be prohibited by the regulations.

10 Note 1: Section 161 authorises the description of collateral by a registration
11 before or after a security agreement is made covering the collateral, or
12 a security interest has attached to the collateral.

13 Note 2: The Registrar must give a verification statement to each secured party
14 after the registration of a financing statement or a financing change
15 statement (see section 156).

16 Note 3: Application may be made to the Administrative Appeals Tribunal for
17 review of certain decisions of the Registrar about registration (see
18 section 191).

19 Note 4: The requirement to pay a fee is satisfied if an arrangement for its
20 payment has been approved under subsection 190(4).

21 **151 Registration—belief that collateral secures obligation**

22 *Requirements for collateral to secure obligation etc.*

- 23 (1) A person must not apply to register a financing statement, or a
24 financing change statement, that describes collateral, unless the
25 person believes on reasonable grounds that the collateral secures,
26 or will secure, an obligation (including a payment) owed by a
27 debtor to the person described in the statement as the secured party.

28 Civil penalty:

- 29 (a) for an individual—50 penalty units;
30 (b) for a body corporate—250 penalty units.

31 Note: See Part 6.3 (Civil penalty proceedings).

- 32 (2) If a financing statement, or a financing change statement, that
33 describes collateral has been registered on the application of a
34 person, the person must, within the period covered by
35 subsection (3), apply to register a financing change statement to

1 amend the registration to end its effect with respect to the
2 collateral, if:

- 3 (a) the collateral has never, since the statement was registered,
4 secured an obligation (including a payment) owed by a
5 debtor to the person stated in the registration to be the
6 secured party; and
7 (b) there are no reasonable grounds (or there are no longer any
8 reasonable grounds) for believing that the collateral secures,
9 or will secure, such an obligation.

10 Civil penalty:

- 11 (a) for an individual—50 penalty units;
12 (b) for a body corporate—250 penalty units.

13 Note: See Part 6.3 (Civil penalty proceedings).

14 (3) The period covered by this subsection is as soon as practicable, or
15 5 business days, whichever is earlier, after:

- 16 (a) if there never have been, since the statement was registered,
17 reasonable grounds for believing that the collateral secures,
18 or will secure, an obligation mentioned in paragraph (2)(a)—
19 the day of the registration time, or the amendment time, for
20 the financing statement or financing change statement; or
21 (b) if there are no longer any reasonable grounds for that
22 belief—the day when there stopped being reasonable grounds
23 for the belief.

24 Note: The period of 5 business days may be extended by a court under
25 section 293.

26 (4) A person who wishes to establish that there were reasonable
27 grounds for the belief mentioned in subsection (1) or
28 paragraph (2)(b) (at any particular time) bears an evidential burden
29 in relation to the matter.

30 Note: For *evidential burden*, see section 10.

31 *Damages for contravention of requirements*

32 (5) For the purposes of section 271 (but without limiting that section):

- 33 (a) compliance with subsection (1) or (2) is taken to be an
34 obligation imposed on a person who applies, or is required to

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- 1 apply, for the registration of a financing statement or a
2 financing change statement; and
3 (b) any person with an interest in personal property described in
4 the financing statement or financing change statement is
5 taken to be a person to whom that obligation is owed; and
6 (c) a contravention of subsection (1) or (2) is taken to be a
7 failure to discharge that obligation.

8 Note: Section 271 gives a right to recover damages for any loss or damage in
9 relation to such a failure.

10 *Registration unaffected by contravention*

- 11 (6) However, if a person applies for a registration of a financing
12 statement or a financing change statement in contravention of
13 subsection (1), and the statement is registered accordingly, the
14 contravention does not affect the validity or effectiveness of the
15 registration.

16 *Registrations with respect to security interests only*

- 17 (7) This section only applies in relation to a registration with respect to
18 a security interest.

19 **152 Registration—location of personal property and interested**
20 **persons outside Australia**

21 A financing statement, or a financing change statement, may be
22 registered whether or not:

- 23 (a) the personal property to which the statement relates is located
24 in Australia; or
25 (b) any person who owns or has rights in that property is located
26 in Australia.

27 Note 1: For when personal property is located in Australia, see section 235.
28 For when bodies corporate, bodies politic or individuals are located in
29 Australia, see section 235.

30 Note 2: For security interests in personal property outside Australia, see
31 section 6.

1 **153 Financing statements with respect to security interests**

2 (1) A financing statement with respect to a security interest (including
3 such a financing statement as amended by the registration of a
4 financing change statement) consists of data that complies with the
5 following table:
6

Financing statements with respect to security interests

Item	Data about:	Details of data
1	The secured party	The details prescribed by the regulations, in relation to each secured party, of: (a) the secured party; or (b) a person nominated by the secured party who has authority to act on behalf of the secured party.
2	The grantor	Whichever of the following is applicable: (a) if the collateral is consumer property, and is required by the regulations to be described by serial number—no grantor’s details; (b) if the collateral is consumer property, and is not required by the regulations to be described by serial number—the grantor’s name and date of birth, as evidenced in accordance with the regulations, and no other details; (c) in any other case—the grantor’s details as prescribed by the regulations.
3	Giving of notices	The following: (a) an address (including an email address or fax number) for the giving of notices to the secured party (or secured parties) relating to the registration; (b) details of any identifier provided for the giving of notices to the secured party (or secured parties). Note: For identifiers, see section 289.
4	The collateral and proceeds	A collateral description in accordance with all of the following rules: (a) the collateral must be described as one of the following: (i) consumer property; (ii) commercial property;

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Financing statements with respect to security interests

Item	Data about:	Details of data
		(b) the collateral may or must be described by serial number, if allowed or required by the regulations; (c) the collateral must belong to a single class of collateral prescribed by the regulations; (d) any description of proceeds must comply with the regulations. Note: 2 or more types of collateral that belong to different classes prescribed by the regulations must be described in separate registrations. However, 2 or more registrations can be effected through a single application.
5	The end time for registration	For all the collateral described in the statement, the following data: (a) for collateral other than consumer property or property described by a serial number: (i) no stated end time; or (ii) an end time for the registration no later than the time (the <i>default time</i>) that is the end of the day 25 years after the registration time; or (iii) if the registration is amended to include or change (but not omit) an end time—an amended end time for the registration no later than the time (the <i>default time</i>) that is the end of the day 25 years after the amendment time for that amendment; (b) for consumer property, or property described by a serial number: (i) an end time for the registration no later than the time (the <i>default time</i>) that is the end of the day 7 years after the registration time; or (ii) if the registration is amended to change the end time—an amended end time for the registration no later than the time (the <i>default time</i>) that is the end of the day 7 years after the amendment time for that amendment.
6	Subordination	An indication of whether the security interest is (or is to be) subordinated to any other security interest.

Financing statements with respect to security interests

Item	Data about:	Details of data
		However, this indication need not be included.
7	Security interest	An indication of whether the security interest is, or is to be, a purchase money security interest (to any extent) if the security interest is in respect of a class of collateral prescribed by the regulations for the purposes of this item.
8	Any matter prescribed by the regulations	Details of the matter prescribed by the regulations, whether or not the matter also comes under any of the other items in this table.

- 1 (2) If a person applies to register a financing statement (or a financing
2 change statement) that would otherwise result in the statement of
3 an end time in a financing statement not complying with item 5 of
4 the table in subsection (1), the financing statement is taken to
5 provide for the relevant default time mentioned in that item as the
6 stated end time.
- 7 (3) A statement of end time does not comply with item 5 of the table in
8 subsection (1) if it states an end time earlier than the registration
9 time or amendment time in relation to the financing statement or
10 financing change statement that provided for that end time.

11 **154 Financing statements with respect to prescribed property**

12 A financing statement with respect to personal property prescribed
13 by regulations made for the purposes of paragraph 148(c)
14 (including such a financing statement as amended by the
15 registration of a financing change statement) consists of data that
16 complies with the following table:

Financing statements with respect to prescribed property

Item	Data about:	Details of data
1	The person who owns or has an interest in the property	Details of the person, as prescribed by the regulations.
2	The property	Details relating to the property in accordance with the

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Financing statements with respect to prescribed property

Item	Data about:	Details of data
		following rules: (a) the property must be of a single class, described in the registration; (b) a statement must be included of the reason why the property is registered.
3	Any matter prescribed by the regulations	Details of the matter prescribed by the regulations, whether or not the matter also comes under any of the other items in this table.

1 **155 Meanings of *verification statement* and *registration event***

2 In this Act:

3 *verification statement* means a written statement in the approved
4 form:

- 5 (a) verifying the registration of a financing statement or a
6 financing change statement (each of which is a **registration**
7 **event**) with respect to a security interest, other than a
8 financing change statement registered under section 185
9 (removal of old data) or 186 (incorrectly removed data); and
10 (b) including other data (if any) approved by the Registrar for
11 that form in relation to the registration event, a secured party,
12 a grantor, or collateral.

13 **156 Verification statements—Registrar to give to secured parties**

14 (1) The Registrar must ensure that a verification statement in relation
15 to a registration event is given to the following persons:

- 16 (a) a person registered as a secured party in the registration
17 immediately before the time of the registration event;
18 (b) a person registered as a secured party in the registration
19 immediately after the time of the registration event.

20 Note: This section does not apply in relation to a registration event if the
21 Registrar publishes a verification statement in relation to the event
22 under section 158.

23 (2) If a registration event involves the amendment of a registration to
24 change an address (including an email address or a fax number) for

1 the giving of notices to a secured party, the Registrar must ensure
2 that the verification statement is given to the secured party at both
3 the previously registered address and the address as changed.

4 (3) If a registration event involves the amendment of a registration to
5 omit a secured party, the Registrar must ensure that the verification
6 statement in relation to the event is given to the secured party at the
7 previously registered address for the secured party.

8 **157 Verification statements—secured parties to give notice to**
9 **grantors**

10 *Requirement to provide verification statement*

11 (1) A person (the *statement holder*) who is, under section 156, given a
12 verification statement in relation to a registration event concerning
13 a registration, must ensure that a notice of the statement, in the
14 approved form, is given to the following persons as soon as
15 reasonably practicable after the time of the registration event:

- 16 (a) a person registered as a grantor in the registration
17 immediately before the time of the registration event;
18 (b) a person registered as a grantor in the registration
19 immediately after the time of the registration event.

20 Note: This section does not apply in relation to a registration event if the
21 Registrar publishes a verification statement in relation to the event
22 under section 158.

23 (2) Without limiting subsection (1), the approved form for notice of a
24 verification statement:
25 (a) may authorise specified data in the verification statement not
26 to be included in the notice; but
27 (b) must otherwise require the data in the verification statement
28 to be included in the notice.

29 *Exception—waiver by interested person of right to receive notice*

30 (3) However, this section does not apply in relation to a person
31 mentioned in paragraph (1)(a) or (b) if:
32 (a) the collateral to which the registration event relates is
33 (immediately before or after the event) described in the
34 registration as commercial property; and

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- 1 (b) the person has, in writing, waived the right under this section
2 to receive a notice in relation to registration events to which
3 paragraph (a) applies.

4 *Contravention of requirement*

- 5 (4) If the statement holder contravenes subsection (1), the
6 contravention constitutes an act or practice involving interference
7 with the privacy of the individual for the purposes of section 13 of
8 the *Privacy Act 1988*.

9 Note 1: These acts or practices may be the subject of complaints under
10 section 36 of that Act.

11 Note 2: If a statement holder fails to discharge an obligation under this
12 section, an action for damages may be available under section 271.

13 **158 Verification statements—publication as alternative**

- 14 (1) The Registrar may publish, in a way prescribed by the regulations,
15 a single verification statement in relation to a number of
16 registration events if:
17 (b) the events affect a number of persons registered as secured
18 parties (whether before or after the events); and
19 (b) the Registrar considers that it would be inconvenient for
20 verification statements to be given to each registered (or
21 formerly registered) secured party.
- 22 (2) Sections 156 and 157 do not apply in relation to a registration
23 event if the Registrar publishes a verification statement in relation
24 to the event under this section.
25

1 **Part 5.4—When a registration is effective**

2 3 **159 Guide to this Part**

4 This Part provides for the time at which a description of collateral
5 is registered. The precise timing of a registration may be
6 significant in determining the priority to be given to a security
7 interest in the collateral (see section 55).

8 This Part also deals with when a registration is effective and
9 registration defects that may cause it to become ineffective.

10 A registration is effective from the registration time until the
11 earliest of:

- 12 (a) the registered end time; or
- 13 (b) an amendment time; or
- 14 (c) the time when the registration stops being available
15 for search in the register.

16 A registration is only ineffective because of a defect if there is a
17 seriously misleading defect in data relating to the registration, or
18 one of a number of particular defects set out in section 165 exists.

19 If a security interest in certain property becomes unperfected, the
20 secured party may be obliged to take steps to end the effect of the
21 registration.

22 **160 Registration time—general**

- 23 (1) A description of collateral starts to be registered in a registration
24 with respect to a security interest, in relation to a particular secured
25 party, at the moment (the *registration time*) when the description
26 becomes available for search in the register in relation to that
27 secured party.

28 Note 1: A written search result is evidence of a registration and of the
29 registration time (see section 174).

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1 Note 2: A registration may stop being effective even if it is available for
2 search in the register (for example, because of a defect—see
3 section 164).

4 Note 3: If 2 or more registrations describe the same collateral in relation to the
5 same secured party, there may be different registration times for the
6 collateral in relation to each of the registrations.

7 (2) The *amendment time* for an amendment to a registration is the
8 moment when the amended registration becomes available for
9 search in the register.

10 **161 Registration time—security agreements and interests**

11 Personal property may be described in a registration with respect to
12 a security interest before or after:

- 13 (a) a security agreement is made covering the property; or
14 (b) a security interest attaches to the property.

15 **162 Registration time—transfers**

16 A financing statement, or a financing change statement, may be
17 registered to reflect the transfer of a security interest, or of
18 collateral, before or after the transfer.

19 **163 Effective registration**

- 20 (1) A registration with respect to a security interest that describes
21 particular collateral, in relation to a secured party, is effective with
22 respect to that collateral from the registration time for the
23 description of the collateral until the earliest of the following times:
24 (a) the end time (if any) registered for the collateral;
25 (b) if the registration is amended to omit the collateral
26 description—the amendment time;
27 (c) the time when the description of the collateral in the
28 registration stops being available for search in the register (by
29 reference to that time) in respect of the secured party.

30 Note: For the registration time for collateral, see section 160.

- 31 (2) This section is subject to sections 164, 165 and 166 (defects in
32 registration).

1 **164 Defects in registration—general rule**

- 2 (1) A registration with respect to a security interest that describes
3 particular collateral is ineffective because of a defect in the register
4 if, and only if, there exists:
5 (a) a seriously misleading defect in any data relating to the
6 registration; or
7 (b) a defect mentioned in section 165.
- 8 (2) In order to establish that a defect is seriously misleading, it is not
9 necessary to prove that any person was actually misled by it.
- 10 (3) A registration that describes particular collateral is not ineffective
11 only because the registration is ineffective with respect to other
12 collateral described in the registration.

13 **165 Defects in registration—particular defects**

14 For the purposes of paragraph 164(1)(b), a defect in a registration
15 that describes particular collateral exists at a particular time if any
16 of the following circumstances exist:

- 17 (a) in a case in which the collateral is required by the regulations
18 to be described by serial number in the register—no search of
19 the register by reference to that time, and by reference only to
20 the serial number of the collateral, is capable of disclosing
21 the registration;
- 22 (b) in a case in which the collateral is not required by the
23 regulations to be described by serial number in the register—
24 no search of the register by reference to that time, and by
25 reference only to the grantor's details (required to be
26 included in the registered financing statement under
27 section 153), is capable of disclosing the registration;
- 28 (c) if the registered financing statement (as amended, if at all)
29 indicates that the security interest in relation to the collateral
30 is a purchase money security interest (to any extent)—the
31 security interest is not a purchase money security interest (to
32 any extent) in relation to the collateral;
- 33 (d) in any case—circumstances in relation to the data related to
34 the registration that are prescribed by the regulations.

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1 **166 Defects in registration—temporary effectiveness**

2 *Scope*

3 (1) This section applies if:

- 4 (a) one of the following defects in a registration that describes
5 particular collateral arises at a particular time (the *defect*
6 *time*):
- 7 (i) a defect mentioned in paragraph 165(a) or (d);
- 8 (ii) a defect mentioned in paragraph 165(b), other than a
9 defect resulting from a change of the grantor in relation
10 to the collateral; and
- 11 (b) the defect does not arise only because of an irregularity,
12 omission or error in a financing statement or a financing
13 change statement.

14 Example: A defect mentioned in paragraph 165(a) may occur if there is a change
15 in the serial number under which collateral is required to be described
16 in the register. For example, a patent may be required to be described
17 by serial number (a Patent Application Number or a Patent Number).
18 The Patent Application Number may be changed to a Patent Number
19 when the patent is registered on the patents register.

20 Note: A change of the grantor may occur if the collateral described in the
21 registration is transferred. In this case, the secured party's security
22 interest may be temporarily perfected for a certain period (see
23 section 34).

24 *Registration is temporarily unaffected by the defect*

- 25 (2) Despite sections 164 and 165, the defect does not make the
26 registration ineffective for the period starting at the defect time and
27 ending at the earliest of the following times:
- 28 (a) the end time for the registration (as registered immediately
29 before the defect time);
- 30 (b) the end of the month that is 60 months after the defect time;
- 31 (c) the end of 5 business days after the day the secured party
32 acquires actual or constructive knowledge of the defect.

33 Note: The period mentioned in paragraph (c) may be extended by a
34 court under section 293.

1 *Registration becomes ineffective*

- 2 (3) However, the registration becomes ineffective with respect to the
3 collateral under sections 164 and 165 because of the defect
4 immediately after the earliest time mentioned in subsection (2),
5 unless, at or before that time, the registration is amended to correct
6 the defect.

7 **167 Security interest in certain property becomes unperfected**

8 *Scope*

- 9 (1) This section applies in relation to a registration with respect to a
10 security interest if:
11 (a) collateral described in the registration is:
12 (i) used, or intended to be used, predominantly for
13 personal, domestic or household purposes; or
14 (ii) registered with a serial number (see subsection (3)); and
15 (b) a security interest in the collateral that was perfected by the
16 registration becomes unperfected at a particular time (the
17 ***unperfection time***); and
18 (c) the end time for the registration is a time more than 5
19 business days after the day the unperfection time occurs.

20 *Requirement to end effective registration*

- 21 (2) The secured party must, before the end of 5 business days after the
22 day the unperfection time occurs, apply to register a financing
23 change statement under section 150 amending the registration to
24 end its effect.

25 Note 1: The period may be extended by a court under section 293.

26 Note 2: If the secured party fails to discharge the obligation under this section,
27 an action for damages may be available under section 271.

28 *When collateral is registered with a serial number*

- 29 (3) For the purposes of this section, collateral is registered with a serial
30 number at a particular time only if a search of the register by
31 reference to that time and by reference only to the serial number of
32 the collateral is capable of disclosing the registration.

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1 **168 Maintenance fees**

2 (1) The Registrar may give a secured party in respect of a registration
3 with respect to a security interest a written notice requiring the
4 secured party to pay the fee (determined under section 190) stated
5 in the notice within 28 days after the notice is given in order to
6 maintain the effectiveness of the registration.

7 (2) If the fee is not paid within 28 days after the notice is given, the
8 Registrar may register a financing change statement amending the
9 registration to end its effect.

10 Note 1: The Registrar must give a verification statement to each secured party
11 after the registration of a financing change statement (see section 156).

12 Note 2: Application may be made to the Administrative Appeals Tribunal for
13 review of certain decisions of the Registrar about registration (see
14 section 191).

15 Note 3: The requirement to pay a fee is satisfied if an arrangement for its
16 payment has been approved under subsection 190(4).
17

1 **Part 5.5—Searching the register**

2 3 **169 Guide to this Part**

4 This Part is about searching and accessing data on the register.

5 Anyone may search the register for data with respect to a security
6 interest or personal property. Searches can only be undertaken by
7 reference to certain criteria, for example the details of a grantor, or
8 a serial number.

9 A search by reference to an individual grantor's details, and the use
10 of data obtained by a search, is only authorised if the search is
11 undertaken for a purpose stated in this Part.

12 A civil penalty applies in respect of unauthorised searches, and
13 damages may be available (under section 271). In addition, an
14 unauthorised search may be investigated under the *Privacy Act*
15 *1988*.

16 The written search results may be used as evidence in a court or
17 tribunal.

18 A person may apply to obtain:

- 19 (a) copies of registered financing statements and
20 verification statements; and
21 (b) reports of certain matters relating to registered data
22 in relation to the person.

23 **170 Search—general**

24 (1) A person may apply to the Registrar to search the register for data
25 with respect to:

- 26 (a) a security interest; or
27 (b) personal property prescribed by regulations made for the
28 purposes of paragraph 148(c).

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- 1 (2) The Registrar must:
- 2 (a) give the person access to the register to search for the data, in
- 3 accordance with the application; and
- 4 (b) if, in the application, the person requests a written search
- 5 result in relation to the data—ensure that the person is able to
- 6 obtain a written search result in relation to the data, in the
- 7 appropriate form under section 174.
- 8 (3) However, the Registrar may give the person access to the register
- 9 to search for the data only if:
- 10 (a) the search is authorised under sections 171 and 172; and
- 11 (b) the application is in the approved form; and
- 12 (c) the person pays the fee determined under section 190; and
- 13 (d) access to the data is not prohibited by the regulations.
- 14 Note 1: Application may be made to the Administrative Appeals Tribunal for
- 15 review of the Registrar’s decision under this section to refuse to give a
- 16 person access to the register to search for data (see section 191).
- 17 Note 2: The requirement to pay a fee is satisfied if an arrangement for its
- 18 payment has been approved under subsection 190(4).

19 **171 Search—criteria**

- 20 (1) A person may search the register by reference to the following
- 21 criteria:
- 22 (a) a grantor’s details (as required to be included, if at all, in a
- 23 registered financing statement under section 153);
- 24 (b) a serial number by which collateral may (or must) be
- 25 described in the register;
- 26 (c) the time of the search;
- 27 (d) an earlier nominated time, but only with the consent of the
- 28 Registrar;
- 29 (e) any other criteria prescribed by the regulations.
- 30 Note: If a registration is no longer effective, details of the registration
- 31 can still be found by searching the register by reference to an
- 32 earlier time when the registration was still effective (see
- 33 paragraph (e)). However, data removed from the register may not
- 34 be available for search by reference to an earlier time (see
- 35 Part 5.7).

- 1 (2) The Registrar must ensure that the way in which the results of a
2 search are worked out in response to an application for the search
3 is determined in accordance with any regulations made for the
4 purposes of this subsection.

5 **172 Search—by reference to details of grantor who is an individual**

6 *Scope*

- 7 (1) This section applies if a person proposes to search the register by
8 reference to the details of a grantor (other than that person) who is
9 an individual.

10 *Restriction on who may search*

- 11 (2) The following table sets out which persons (*searchers*) may search
12 the register, and for what purpose:
13

Who may search the register, and for what purpose		
Item	Searchers	Purpose
1	A person (the <i>first person</i>), or another person with the first person's consent	To disclose any registration in which the first person is registered as a grantor or a secured party.
2	A secured party in relation to a registration	A purpose that relates to a security interest attached to collateral described in the registration.
3	A grantor in relation to a registration	A purpose that relates to a security interest attached to the collateral described in the registration.
4	A person	To disclose any registration in which the person is registered as a secured party.
5	A person	To disclose whether collateral to which a security interest is attached is described in a registration.
6	A person	To disclose whether or not personal property is described in a registration, if: (a) the property is to be purchased or

Section 172

Who may search the register, and for what purpose		
Item	Searchers	Purpose
		dealt with by the person; or (b) the person has an interest in the property.
7	A person	To establish whether to provide credit to, or obtain a guarantee or an indemnity from, a person named in the search application or a person with an interest in the personal property described in the application.
8	A person	To establish whether to provide credit to, or obtain a personal guarantee or an indemnity from an associate (within the meaning of section 11 or subsection 12(2) of the <i>Corporations Act 2001</i>) of a body corporate named in the search application or of a body corporate with an interest in the personal property described in the application.
9	A person	To establish whether to invest in, with, or through, a person named in the search application.
10	A person	To establish whether to invest in, with, or through, an associate (within the meaning of section 11 or subsection 12(2) of the <i>Corporations Act 2001</i>) of a body corporate named in the search application or of a body corporate with an interest in the personal property described in the application.
11	The Registrar	A purpose that relates to the administration of this Act.
12	A person who has taken control of the property of an individual who is insolvent under administration,	A purpose that relates to the searcher's control of the property.

Who may search the register, and for what purpose

Item	Searchers	Purpose
	within the meaning of the <i>Corporations Act 2001</i>	
13	An Official Receiver in Bankruptcy within the meaning of the <i>Bankruptcy Act 1966</i>	A purpose that relates to the exercise of a power, or the performance of a function, of that Official Receiver in Bankruptcy.
14	The legal personal representative of an individual (including a deceased individual)	A purpose that relates to the exercise of a power, or the performance of a function, as legal personal representative.
15	A government entity within the meaning of the <i>A New Tax System (Australian Business Number) Act 1999</i>	A purpose that relates to the exercise of a power, or the performance of a function, of that entity, unless the purpose is covered by another purpose listed in this table.
16	A government entity within the meaning of the <i>A New Tax System (Australian Business Number) Act 1999</i>	A purpose that relates to the maintenance of the law, including the prevention, detection, investigation or prosecution of contraventions of laws (whether the penalty for contravention is criminal or civil).
17	The holder of a lien or charge, or a creditor	A purpose that relates to the enforcement of the lien or charge, or the creditor's rights, as the case may be.
18	A bailiff, or sheriff, of a court of the Commonwealth, a State or a Territory	A purpose that relates to the enforcement of a court order or warrant.
19	A person	To advise another person in connection with any of the purposes referred to in this table.

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Search otherwise than for authorised purpose

- (3) A searcher mentioned in an item in the table in subsection (2) must not, otherwise than for the purpose specified in the item:
- (a) search the register; or

Section 173

1 (b) use data obtained as a result of searching the register, unless
2 the searcher has also obtained the data lawfully from another
3 source.

4 Civil penalty:

5 (a) for an individual—50 penalty units;

6 (b) for a body corporate—250 penalty units.

7 Note: See Part 6.3 (Civil penalty proceedings).

8 (4) A person who wishes to establish that a searcher mentioned in an
9 item in the table in subsection (2) did an action mentioned in
10 paragraph (3)(a) or (b) for the purpose specified in the item bears
11 an evidential burden in relation to the matter.

12 Note: For *evidential burden*, see section 10.

13 (5) The Registrar may do either or both of the following:

14 (a) investigate a suspected contravention of subsection (3);

15 (b) decline to investigate, or to investigate further, a suspected
16 contravention of subsection (3).

17 *Recovery of damages for contravention*

18 (6) For the purposes of section 271:

19 (a) compliance with subsection (3) is taken to be an obligation
20 imposed on a person who searches the register, or uses data
21 obtained as a result of searching the register; and

22 (b) the obligation is taken to be owed to the grantor by reference
23 to whose details the search is undertaken; and

24 (c) a contravention of subsection (3) is taken to be a failure to
25 discharge that obligation.

26 Note: Section 271 gives a right to recover damages for any loss or damage in
27 relation to such a failure.

28 **173 Search—interference with privacy**

29 *Scope*

30 (1) This section applies if:

- 1 (a) a person obtains access to the register and searches the
2 register for data (whether or not the access is obtained as a
3 result of an application under section 170); and
4 (b) as a result of the search, the person obtains personal
5 information about an individual within the meaning of that
6 Act.

7 *Unauthorised search or use of personal information is an*
8 *interference with privacy*

- 9 (2) If the search, or the use of the personal information, is
10 unauthorised under subsection (3) or (4), the search or use
11 constitutes an act or practice involving interference with the
12 privacy of the individual for the purposes of section 13 of the
13 *Privacy Act 1988*.

14 Note: These acts or practices may be the subject of complaints under
15 section 36 of that Act.

- 16 (3) The search is unauthorised if:
17 (a) the search is not authorised under section 171; or
18 (b) the search is prohibited under subsection 172(3); or
19 (c) access to the data for a search of that kind is prohibited by
20 regulations made for the purposes of paragraph 170(3)(d).
21 (4) The use of the personal information is unauthorised (unless the
22 data has been obtained lawfully from another source) if:
23 (a) the search is not authorised under section 171; or
24 (b) the use of the personal information is prohibited under
25 subsection 172(3); or
26 (c) access to the data for a search of that kind is prohibited by
27 regulations made for the purposes of paragraph 170(3)(d).

28 **174 Search—written search results and evidence etc.**

29 *Search result as evidence*

- 30 (1) A written search result in the appropriate form (see subsection (3))
31 is admissible as evidence in a court or tribunal and is, in the
32 absence of evidence to the contrary, proof of the matters stated in
33 the search result.

Section 174

- 1 (2) Without limiting subsection (1), the matters that may be stated in a
2 search result include the following:
3 (a) the registered description of collateral at a particular time;
4 (b) the time of the registration of a financing statement, any
5 financing change statement and the end time for a
6 registration;
7 (c) in relation to 2 or more registrations—the order of any of the
8 times mentioned in paragraph (b) for all the registrations.

9 *Appropriate form of search result*

- 10 (3) A search result is in the *appropriate form* if:
11 (a) it purports to be issued by the Registrar in the approved form;
12 or
13 (b) it purports to be issued by one of the following:
14 (i) an officer or agency of the Commonwealth authorised
15 by the Registrar;
16 (ii) an officer or agency of a State or Territory authorised by
17 the Registrar; or
18 (c) it purports to be:
19 (i) issued by a person prescribed by the regulations; and
20 (ii) if the Registrar approves a form for the purposes of this
21 subparagraph—in the approved form.
- 22 (4) The Registrar may include, or may authorise to be included, in a
23 search result, any data determined by the Registrar in relation to a
24 secured party, a grantor, or collateral.

25 *Evidence of transient electronic communications etc.*

- 26 (5) If a search result is covered by paragraph (b) of the definition of
27 *writing* in section 10, evidence of the search result may be given
28 by the production of a recording of the search result mentioned in
29 that paragraph.

30 *Instruments of approval*

- 31 (6) The Registrar may, by written instrument, authorise an officer or
32 agency for the purposes of subparagraph (3)(b)(i) or (ii).

- 1 (7) The Registrar may, by legislative instrument, determine data for
2 the purposes of subsection (4).

3 **175 Copy of financing statement**

4 On application by a person in the approved form, accompanied by
5 the fee (if any) determined under section 190, the Registrar may
6 give the person:

- 7 (a) a copy of any registered financing statement (as amended by
8 any registered financing change statement) in relation to
9 which the person is registered as a secured party; or
10 (b) a copy of a verification statement that relates to such a
11 registered financing statement.

12 Note 1: Application may be made to the Administrative Appeals Tribunal for
13 review of the Registrar's decision under this section to refuse to give a
14 person a copy of a registered financing statement or verification
15 statement (see section 191).

16 Note 2: The requirement to pay a fee is satisfied if an arrangement for its
17 payment has been approved under subsection 190(4).

18 **176 Reports by Registrar**

19 *Reports about particular persons*

- 20 (1) On application by a person in the approved form, accompanied by
21 the fee (if any) determined under section 190, the Registrar may
22 give the person a report of matters determined under subsection (3)
23 relating to registered data in relation to the person.

24 Note 1: Application may be made to the Administrative Appeals Tribunal for
25 review of the Registrar's decision under this section to refuse to give a
26 person a report (see section 191).

27 Note 2: The requirement to pay a fee is satisfied if an arrangement for its
28 payment has been approved under subsection 190(4).

- 29 (2) The Registrar may, at the Registrar's initiative, give a person a
30 report of matters relating to registered data in relation to the person
31 (whether or not the matters are determined under subsection (3)).

- 32 (3) The Registrar may, by legislative instrument, determine matters
33 that may be the subject of reports under this section.

Section 176

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Reports for the purposes of the administration of this Act

- (4) For the purposes of the administration of this Act, the Registrar may prepare a report of any matter relating to registered data.

1 **Part 5.6—Amendment demands**

2 **Division 1—Introduction**

3 **177 Guide to this Part**

4 A person with an interest in collateral may require changes to the
5 registration, by way of an **amendment demand** given to the
6 secured party.

7 An amendment demand may be made if:

- 8 (a) the obligation owed by a debtor to the secured
9 party is not secured by collateral described in the
10 registration; or
- 11 (b) the particular collateral in which the person has an
12 interest does not secure any obligation owed by a
13 debtor to the secured party.

14 An amendment demand, if not voluntarily complied with, may be
15 pursued by an administrative process activated by the Registrar, or
16 by an application to a court. The secured party may also apply to a
17 court to oppose an amendment demand.

18 **178 How amendment demands are given**

- 19 (1) A person with an interest (including a security interest) in collateral
20 described in a registration with respect to a security interest may
21 give a demand (an **amendment demand**), in writing, to the secured
22 party for a financing change statement to be registered to amend
23 the registration as authorised by the following table:

24 Note: If the secured party does not comply with the amendment demand, the
25 demand may be enforced under Subdivision A (administrative
26 process) or Subdivision B (judicial process) of Division 3.

Section 178

Authorised amendments

Item	When amendment is authorised	What amendment is authorised
1	No collateral described in the registration secures any obligation (including a payment) owed by a debtor to the secured party.	Amendment to end effective registration (including an amendment to remove the registration).
2	The particular collateral in which the person has an interest does not secure any obligation (including a payment) owed by a debtor to the secured party.	Amendment to omit the collateral.

- 1 (2) Data removed from the register because of an amendment in
2 compliance with the amendment demand must not be made
3 available for search in the register by reference to any time before
4 (or after) the time of removal, if the Registrar so decides for the
5 purposes of this subsection.
- 6 Note 1: Application may be made to the Administrative Appeals Tribunal for
7 review of the Registrar's decision that the removed data is not to be
8 made available for search in the register (see section 191).
- 9 Note 2: Incorrectly removed data may be restored under section 186.
- 10 (3) A secured party must not require payment for compliance with an
11 amendment demand in relation to collateral that is consumer
12 property.
13

1 **Division 2—Amendment demands: administrative and**
2 **judicial process**

3 **Subdivision A—Administrative process**

4 **179 Scope of Subdivision**

- 5 (1) This Subdivision applies if:
- 6 (a) a secured party is given an amendment demand; and
 - 7 (b) an application has not been made to register a financing
8 change statement in compliance with the demand before the
9 end of 5 business days after the day the demand is given to
10 the secured party; and
 - 11 (c) there are no proceedings currently before a court (including a
12 court of appeal), in relation to an application under
13 section 182, that relate to the amendment demanded.
- 14 (2) This Subdivision stops applying if:
- 15 (a) a financing change statement is registered in accordance with
16 the amendment demand; or
 - 17 (b) proceedings come before a court (including a court of
18 appeal), in relation to an application under section 182, that
19 relate to the amendment demanded.

20 *No application to security trust instruments*

- 21 (3) This Division does not apply in relation to a security interest if the
22 security agreement providing for the interest is an instrument or
23 other document:
- 24 (a) by which a person issues or guarantees, or provides for the
25 issue or guarantee of, an obligation secured by a security
26 interest; and
 - 27 (b) in which another person is appointed as trustee for the person
28 to whom the obligation secured by the security interest is
29 owed.

Section 180

1 **180 Administrative process—amendment notices**

2 *Amendment notice given by Registrar*

- 3 (1) The Registrar may give the secured party a notice (an *amendment*
4 *notice*), in accordance with subsection (5), of the amendment
5 demanded.

6 *At the initiative of the Registrar*

- 7 (2) An amendment notice may be given at the initiative of the
8 Registrar, if the Registrar suspects on reasonable grounds that the
9 amendment demanded is authorised under section 178.

10 *In response to a statement by the person who gave the amendment*
11 *demand*

- 12 (3) The person who gave the amendment demand to the secured party
13 may give a statement in the approved form to the Registrar:
14 (a) stating the amendment demanded; and
15 (b) including anything else prescribed by the regulations.

16 Note: The provision of false or misleading information in the statement may
17 be an offence against Part 7.4 of the *Criminal Code*.

- 18 (4) An amendment notice must be given in response to a statement
19 under subsection (3) as soon as practicable after the statement is
20 given (unless an amendment notice has already been given at the
21 initiative of the Registrar).

22 *Amendment notices*

- 23 (5) An amendment notice is given in accordance with this subsection
24 if:
25 (a) the notice is in the approved form; or
26 (b) the notice:
27 (i) states the amendment demanded; and
28 (ii) invites the secured party to submit a response to the
29 amendment demand in writing to the Registrar before
30 the end of 5 business days after the day the notice is
31 given (or an extended period approved by the
32 Registrar); and

- 1 (iii) sets out the effect of section 181 (amendment of
2 registration); and
3 (iv) if a statement is given under subsection (3)—includes a
4 copy of the statement.
- 5 Note: The provision of false or misleading information in any response to
6 the invitation may be an offence against Part 7.4 of the *Criminal*
7 *Code*.

8 **181 Administrative process—registration amendments**

- 9 (1) If an amendment notice is given to a secured party under
10 section 180, after the end of the period covered by subsection (3),
11 the Registrar must (at his or her initiative) register a financing
12 change statement amending the registration (including an
13 amendment to remove the registration) in accordance with the
14 amendment demand, unless the Registrar suspects on reasonable
15 grounds that the amendment is not authorised under section 178.
- 16 (2) However, the Registrar may register such a financing change
17 statement before the end of the period covered by subsection (3) if:
18 (a) the secured party has responded to the invitation in the
19 amendment notice; and
20 (b) the Registrar has no reason to believe that the secured party
21 intends to give a further response.
- 22 (3) The period covered by this subsection is:
23 (a) 5 business days after the day the amendment notice is given
24 to the secured party; or
25 (b) a longer period approved by the Registrar (in relation to the
26 particular amendment demand, or to a class of amendment
27 demands) after the amendment notice is given to the secured
28 party.
- 29 (4) In making a decision about whether to register a financing change
30 statement amending the registration in accordance with the
31 amendment demand, the Registrar must consider:
32 (a) the response (if any) of the secured party to the invitation in
33 the amendment notice; and
34 (b) any other relevant information.

Section 182

1 (5) Data removed from the register because of an amendment under
2 this section must not be made available for search in the register by
3 reference to any time before (or after) the time of removal, if the
4 Registrar so decides for the purposes of this subsection.

5 Note 1: The provision of false or misleading information in any response to
6 the invitation may be an offence against Part 7.4 of the *Criminal*
7 *Code*.

8 Note 2: The Registrar must give a verification statement to each secured party
9 after the registration of a financing change statement (see section 156).

10 Note 3: Application may be made to the Administrative Appeals Tribunal for
11 review of certain decisions of the Registrar about registration (see
12 section 191).

13 Note 4: This section stops applying if proceedings come before a court under
14 section 182 in relation to the amendment demanded (see subsection
15 179(2)).

16 Note 5: Incorrectly removed data may be restored under section 186.

17 **Subdivision B—Judicial process**

18 **182 Judicial process for considering amendment demand**

19 (1) The following persons may apply to a court for an order in relation
20 to an amendment demand:

- 21 (a) the secured party;
22 (b) the person who gave the amendment demand.

23 (2) The person who gave the amendment demand cannot make an
24 application under this section before the end of 5 business days
25 after the day the demand is given to the secured party.

26 Note: The period may be extended by a court under section 293.

27 (3) A person with an interest (including a security interest) in the
28 collateral described in the registration has the right to appear before
29 the court on an application under this section.

30 Note 1: The Registrar also has the power to intervene in the proceeding (see
31 section 218).

32 Note 2: For which courts have jurisdiction, and for transfers between courts,
33 see Part 6.2.

34 (4) On an application under this section, a court may make the
35 following orders:

- 1 (a) if the court considers the amendment demanded to be
2 authorised under section 178—an order requiring the
3 Registrar to register a financing change statement amending
4 the registration (including an amendment to remove the
5 registration);
6 (b) if the court does not consider the amendment demanded to be
7 so authorised—one or more of the following orders:
8 (i) an order restraining the Registrar from registering a
9 financing change statement amending the registration at
10 the Registrar’s initiative (under section 181);
11 (ii) an order restraining the person who gave the
12 amendment demand from making such further
13 amendment demands as the court specifies;
14 (iii) an order restraining the Registrar from giving the
15 secured party amendment notices under section 180 in
16 relation to such further amendment demands as the
17 court specifies;
18 (c) any other order that the court thinks fit.

- 19 (5) The Registrar must comply with a court order to register a
20 financing change statement as soon as reasonably practicable after
21 receiving the order.

22 Note: The Registrar must give a verification statement to each secured party
23 after the registration of a financing change statement (see section 156).

- 24 (6) Data removed from the register because of an amendment under
25 this section must not be made available for search in the register by
26 reference to any time before (or after) the time of removal, if the
27 Registrar so decides.

28 Note: Incorrectly removed data may be restored under section 186.
29

1 **Part 5.7—Removal of data and correction of**
2 **registration errors**
3

4 **183 Guide to this Part**

5 The Registrar may remove data in certain situations, for example if
6 its retention is contrary to the public interest.

7 The Registrar may also remove old data, restore removed data and
8 correct errors or omissions made by the Registrar.

9 **184 Removal of data—general grounds**

- 10 (1) The Registrar may (at his or her initiative) register a financing
11 change statement to remove data (including an entire registration)
12 from the register if the Registrar is satisfied that:
- 13 (a) the application to register the data was frivolous or vexatious,
14 the data is offensive, or the retention of the data in the
15 register is contrary to the public interest; or
 - 16 (b) the registration of the data is prohibited by regulations made
17 for the purposes of paragraph 150(3)(d); or
 - 18 (c) the removal of the data is required or permitted by the
19 regulations made for the purposes of this paragraph; or
 - 20 (d) the application to register the data was not made in the
21 approved form; or
 - 22 (e) the removal is required urgently:
 - 23 (i) in the public interest; or
 - 24 (ii) for reasons prescribed by regulations made for the
25 purposes of this subparagraph.

26 Note 1: The Registrar must give a verification statement to each secured party
27 after the data is removed (see section 156).

28 Note 2: Application may be made to the Administrative Appeals Tribunal for
29 review of the Registrar's decision to remove data from the register
30 under paragraph (a), (b) or (c) (see section 191).

- 1 (2) Data removed from the register under this section must not be
2 made available for search in the register by reference to any time
3 before (or after) the time of removal:
4 (a) in relation to data removed under paragraph (1)(a), (b) or
5 (c)—if the Registrar so decides for the purposes of this
6 paragraph; and
7 (b) in relation to data removed under paragraph (1)(d)—if the
8 Registrar so decides for the purposes of this paragraph;
9 (c) in relation to data removed under paragraph (1)(e)—in all
10 cases.

11 Note: Application may be made to the Administrative Appeals Tribunal for
12 review of the Registrar's decision under paragraph (a) (see
13 section 191).

- 14 (3) If subsection (2) applies in relation to data removed from the
15 register, this Act otherwise applies as if the data is not, and never
16 has been, included in the register.

17 Note: Incorrectly removed data may be restored under section 186.

18 **185 Removal of data—registration ineffective for 7 years or more**

19 The Registrar may (at his or her initiative) register a financing
20 change statement to remove data (including an entire registration)
21 with respect to a security interest from the register to reflect the
22 fact that the registration has been ineffective under section 163 for
23 7 years or more.

24 **186 Incorrectly removed data—restoration**

- 25 (1) The Registrar may (at his or her initiative) register a financing
26 change statement to restore data to the register (including an entire
27 registration) if it appears to the Registrar that the data was
28 incorrectly removed from the register under this Act.
29 (2) If data is restored to the register under subsection (1), for the
30 purposes of this Act the data is taken never to have been removed
31 from the register.

Section 187

1 **187 Records of removed data**

2 The removal of data from the register under this Act does not
3 prevent the Registrar from keeping a record of the removed data in
4 whatever form the Registrar considers appropriate.

5 **188 Correction of registration errors**

6 (1) The Registrar may (at his or her initiative) register a financing
7 change statement to amend a registration to correct an error or
8 omission made by the Registrar.

9 (2) If a registration is corrected under subsection (1), this Act applies
10 as if the error or omission had never been made.

11 Note 1: The Registrar must give a verification statement to each secured party
12 after the registration of a financing change statement (see section 156).

13 Note 2: Application may be made to the Administrative Appeals Tribunal for
14 review of the Registrar's decision to register a financing change
15 statement (see section 191).
16

1 **Part 5.8—Fees, administrative review and annual**
2 **reports**
3

4 **189 Guide to this Part**

5 This Part provides for fees for registration and searching the
6 register, the review of registration decisions and the obligation of
7 the Registrar to prepare annual reports on the operation of this Act.

8 **190 Registration and search fees**

9 *Determination of fees and arrangements*

- 10 (1) The Minister may, by legislative instrument, determine fees for the
11 purposes of this Act.
- 12 (2) The Minister may, by a legislative instrument made under
13 subsection (1), determine the kinds of arrangements for the
14 payment of fees under the instrument that may be approved under
15 subsection (4).
- 16 (3) If this Act requires the payment of a determined fee for a particular
17 purpose, without limiting subsection (6), that requirement is
18 satisfied if an arrangement for its payment has been approved
19 under subsection (4).

20 *Approval of arrangements*

- 21 (4) The Registrar may approve an arrangement (of a kind determined
22 under subsection (2)) in relation to the payment of fees by a person
23 for the purposes of this section on application by the person in the
24 approved form, accompanied by the fee (if any) determined under
25 subsection (1).

26 *Miscellaneous*

- 27 (5) The fees determined under subsection (1) must not be such as to
28 amount to taxation.

Section 191

- 1 (6) The amount of a fee, except a fee to maintain a registration
2 (determined for the purposes of section 168), is a debt due to the
3 Commonwealth, and may be recovered by the Commonwealth by
4 application to a court.
- 5 Note 1: If a fee to maintain a registration is not paid within 28 days, the
6 Registrar may end the effective registration of the collateral (see
7 section 168).
- 8 Note 2: For which courts have jurisdiction, and for transfers between courts,
9 see Part 6.2.

10 **191 Review of decisions**

11 An application may be made to the Administrative Appeals
12 Tribunal for review of the following decisions made by the
13 Registrar:

- 14 (a) a decision to refuse to register a financing statement, under
15 subsection 150(1);
- 16 (b) a decision to refuse to register a financing change statement,
17 under subsection 150(2);
- 18 (c) a decision to register a financing change statement to amend
19 the register to end the effect of a registration, under
20 subsection 150(2);
- 21 (d) a decision to refuse to give a person access to the register to
22 search for data, under section 170;
- 23 (e) a decision to refuse to give a person a copy of a registered
24 financing statement in relation to which the person is
25 registered as a secured party, or of a verification statement,
26 under section 175;
- 27 (f) a decision to refuse to give a person a report relating to
28 registered data in relation to the person, under subsection
29 176(1);
- 30 (g) a decision to register a financing change statement in
31 accordance with an amendment demand, under subsection
32 181(1);
- 33 (h) a decision to refuse to register a financing change statement
34 in accordance with an amendment demand, under subsection
35 181(1);
- 36 (i) a decision to register a financing change statement to remove
37 data from the register, under paragraph 184(1)(a), (b) or (c);

- 1 (j) a decision that data removed from the register is not to be
2 made available for search in the register, under subsection
3 178(2) or 181(5) or paragraph 184(2)(a);
4 (k) a decision to register a financing change statement to restore
5 incorrectly removed data to the register, under section 186;
6 (l) a decision to register a financing change statement to amend
7 a registration to correct an error or omission made by the
8 Registrar, under section 188;
9 (m) a decision to register a financing change statement to remove
10 migrated data from the register, under subsection 334(2).

11 **192 Annual reports**

- 12 (1) The Registrar must, as soon as practicable after the end of each
13 financial year, prepare and give to the Minister, for presentation to
14 the Parliament, a report on the operation of this Act during that
15 financial year.

16 Note: See also section 34C of the *Acts Interpretation Act 1901*, which
17 contains extra rules about annual reports.

- 18 (2) The Registrar must include in the report:
19 (a) details of each occasion on which access to the register was
20 refused, or the operation of the register was otherwise
21 suspended, during the financial year under subsection 147(5);
22 and
23 (b) any information necessary to demonstrate that fees
24 determined under subsection 190(1) do not amount to
25 taxation.
26

1 **Part 5.9—Registrar of Personal Property Securities**
2

3 **193 Guide to this Part**

4 This Part establishes the offices of the Registrar of Personal
5 Property Securities and the Deputy Registrar.

6 Both are appointed by the Minister and engaged under the *Public*
7 *Service Act 1999*.

8 The Part also includes provision for the delegation of the
9 Registrar's powers.

10 **194 Registrar—establishment of office**

- 11 (1) There is to be a Registrar of Personal Property Securities.
12 (2) The Registrar is to be:
13 (a) engaged under the *Public Service Act 1999*; and
14 (b) appointed as Registrar of Personal Property Securities by the
15 Minister by written instrument.
16 (3) The office of the Registrar of Personal Property Securities is not a
17 public office for the purposes of the *Remuneration Tribunal Act*
18 *1973*.

19 **195 Registrar—functions and powers**

- 20 (1) The Registrar has the functions given under this Act or any other
21 Act.
22 (2) The Registrar has power to do all things necessary or convenient to
23 be done for or in connection with the performance of his or her
24 functions.

25 **196 Registrar—acting appointments**

- 26 (1) The Minister may, by written instrument, appoint a person engaged
27 under the *Public Service Act 1999* to act as the Registrar:

- 1 (a) during a vacancy in the office of Registrar (whether or not an
2 appointment has previously been made to the office); or
3 (b) during any period, or during all periods, when the Registrar:
4 (i) is absent from duty or from Australia; or
5 (ii) is, for any reason, unable to perform the duties of the
6 office.

- 7 (2) Anything done by, or in relation to, a person purporting to act
8 under an appointment is not invalid merely because:
9 (a) the occasion for the appointment had not arisen; or
10 (b) there was a defect or irregularity in connection with the
11 appointment; or
12 (c) the appointment had ceased to have effect; or
13 (d) the occasion to act had not arisen or had ceased.

14 Note: For general provisions about appointments, see also sections 20 and
15 33A of the *Acts Interpretation Act 1901*.

16 **197 Registrar—delegation**

- 17 (1) The Registrar may, by written instrument, delegate all or any of his
18 or her functions or powers to:
19 (a) a person engaged under the *Public Service Act 1999*; or
20 (b) another person determined by the Registrar, by written
21 instrument, for the purposes of this section.

22 Note: The Registrar may determine a particular person or a class of persons
23 under paragraph (b), and may apply the determination in relation to
24 particular matters or classes of matters (see subsection 33(3A) of the
25 *Acts Interpretation Act 1901*).

- 26 (2) A delegate must, if required by the instrument of delegation,
27 perform a delegated function, or exercise a delegated power, under
28 the direction or supervision of:
29 (a) the Registrar; or
30 (b) a Deputy Registrar; or
31 (c) a person engaged under the *Public Service Act 1999*.

32 Note: For further provisions relating to delegations, see sections 34AA and
33 34AB of the *Acts Interpretation Act 1901*.

Section 198

1 **198 Registrar—resignation**

- 2 (1) The Registrar may resign by writing signed by him or her and
3 given to the Minister.
- 4 (2) The resignation takes effect on the day it is received by the
5 Minister or, if a later day is specified in the resignation, on that
6 later day.

7 **199 Registrar—termination**

- 8 (1) The Minister may terminate the appointment of the Registrar by
9 written instrument.
- 10 (2) The appointment of the Registrar is terminated if the Registrar
11 stops being engaged under the *Public Service Act 1999* for any
12 reason.

13 **200 Deputy Registrar—establishment of office**

- 14 (1) There is to be at least one Deputy Registrar of Personal Property
15 Securities (a *Deputy Registrar*).
- 16 (2) A Deputy Registrar is to be:
17 (a) engaged under the *Public Service Act 1999*; and
18 (b) appointed as a Deputy Registrar of Personal Property
19 Securities by the Minister by written instrument.
- 20 (3) The office of Deputy Registrar of Personal Property Securities is
21 not a public office for the purposes of the *Remuneration Tribunal*
22 *Act 1973*.

23 **201 Deputy Registrar—functions and powers**

- 24 (1) Subject to any direction by the Registrar, a Deputy Registrar has all
25 the functions and powers of the Registrar, except the powers of
26 delegation under section 197.
- 27 (2) A function or power of the Registrar, when performed or exercised
28 by a Deputy Registrar, is taken to have been performed or
29 exercised by the Registrar.

- 1 (3) The performance of a function, or the exercise of a power, of the
2 Registrar by a Deputy Registrar does not prevent the performance
3 of the function, or the exercise of the power, by the Registrar.
- 4 (4) If the performance (or exercise) of a function or power by the
5 Registrar is dependent on the opinion, belief or state of mind of the
6 Registrar in relation to a matter, that function or power may be
7 performed (or exercised) by a Deputy Registrar on his or her
8 opinion, belief or state of mind in relation to that matter.
- 9 (5) If the operation of a provision of this Act or another Act is
10 dependent on the opinion, belief or state of mind of the Registrar in
11 relation to a matter, that provision may operate on the opinion,
12 belief or state of mind of a Deputy Registrar in relation to that
13 matter.

14 **202 Deputy Registrar—resignation**

- 15 (1) A Deputy Registrar may resign by writing signed by him or her
16 and given to the Minister.
- 17 (2) The resignation takes effect on the day it is received by the
18 Minister or, if a later day is specified in the resignation, on that
19 later day.

20 **203 Deputy Registrar—termination**

- 21 (1) The Minister may terminate the appointment of a Deputy Registrar
22 by written instrument.
- 23 (2) The appointment of a Deputy Registrar is terminated if the Deputy
24 Registrar stops being engaged under the *Public Service Act 1999*
25 for any reason.
26

1 **Chapter 6—Judicial proceedings**

2 **Part 6.1—Guide to this Chapter**

3

4 **204 Guide to this Chapter**

5

This Chapter deals with the role of the courts in proceedings that relate to security interests in personal property.

6

7

Part 6.2 is about judicial proceedings generally.

8

Part 6.3 deals with proceedings for contravention of a civil penalty provision.

9

10

1 **Part 6.2—Judicial proceedings generally**

2 **Division 1—Introduction**

3 **205 Guide to this Part**

4 This Part is about judicial proceedings in a court with respect to
5 matters arising under this Act or in relation to a security agreement
6 or a security interest.

7 Jurisdiction is conferred on the Federal Court, the Federal
8 Magistrates Court, courts of States and Territories and the Family
9 Court. PPS matters can be transferred between courts in
10 accordance with procedures set out in this Part.

11 The Registrar may intervene in judicial proceedings.

12 **206 Scope of this Part**

- 13 (1) This Part deals with the jurisdiction of a court with respect to a
14 matter (a *PPS matter*):
- 15 (a) arising under a provision of this Act authorising an
16 application to be made to a court; or
 - 17 (b) otherwise arising in relation to this Act, other than a matter in
18 respect of which the Federal Court or the Federal Magistrates
19 Court has jurisdiction under the *Administrative Decisions*
20 *(Judicial Review) Act 1977*; or
 - 21 (c) otherwise arising in relation to a security agreement or a
22 security interest.
- 23 (2) This Part operates to the exclusion of:
- 24 (a) the *Jurisdiction of Courts (Cross-vesting) Act 1987*; and
 - 25 (b) section 39B of the *Judiciary Act 1903*.
- 26 (3) This Part does not limit the operation of the provisions of the
27 *Judiciary Act 1903* other than section 39B.

Chapter 6 Judicial proceedings
Part 6.2 Judicial proceedings generally
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Section 206

- 1 (4) Without limiting subsection (3), this Part does not limit the
2 operation of subsection 39(2) of the *Judiciary Act 1903* in relation
3 to matters arising under this Act.
- 4 (5) Nothing in this Part affects any other jurisdiction of any court.
- 5 (6) This Part does not apply to matters arising under Part 6.3 (civil
6 penalty proceedings).
7

1 **Division 2—Conferral of jurisdiction**

2 **207 Jurisdiction of courts**

3 Jurisdiction is conferred on a court mentioned in an item in the
4 following table with respect to a PPS matter, subject to the limits
5 on the court's jurisdiction (if any) specified in the item:
6

Jurisdiction of courts

Item	Court on which jurisdiction is conferred	Limits of jurisdiction
1	The Federal Court	No specified limits.
2	The Federal Magistrates Court	The court does not have jurisdiction to award an amount for loss or damage that exceeds: (a) \$750,000; or (b) if another amount is prescribed by the regulations—that other amount.
3	A superior court, or lower court, of a State or Territory	The court's general jurisdictional limits, including (but not limited to) limits as to locality and subject matter, to the extent that the Constitution permits.
4	The Family Court	No specified limits.

7 **208 Cross-jurisdictional appeals**

8 The following table has effect:
9

Cross-jurisdictional appeals

Item	Unless expressly provided by a law of the Commonwealth, a State or a Territory, an appeal with respect to a PPS matter does not lie from a decision of ...	to any of the following courts:
1	the Federal Court	(a) the Federal Magistrates Court; (b) a court of a State;

Section 208

Cross-jurisdictional appeals		
Item	Unless expressly provided by a law of the Commonwealth, a State or a Territory, an appeal with respect to a PPS matter does not lie from a decision of ...	to any of the following courts:
		(c) a court of a Territory; (d) the Family Court.
2	the Federal Magistrates Court	(a) a court of a State; (b) a court of a Territory.
3	a court of a State (other than a State Family Court)	(a) the Federal Court; (b) the Federal Magistrates Court; (c) a court of another State; (d) a court of a Territory; (e) the Family Court; (f) a State Family Court of the same State.
4	a court of the Australian Capital Territory	(a) the Federal Court; (b) the Federal Magistrates Court; (c) a court of a State; (d) a court of another Territory; (e) the Family Court.
5	a court of the Northern Territory	(a) the Federal Court; (b) the Federal Magistrates Court; (c) a court of a State; (d) a court of another Territory; (e) the Family Court.
6	a court of an external Territory	(a) the Federal Magistrates Court; (b) a court of a State; (c) a court of another Territory (whether internal or external); (d) the Family Court.
7	the Family Court	(a) the Federal Court; (b) the Federal Magistrates Court; (c) a court of a State; (d) a court of a Territory.

Cross-jurisdictional appeals

Item Unless expressly provided by a law of the Commonwealth, a State or a Territory, an appeal with respect to a PPS matter does not lie from a decision of ... **to any of the following courts:**

- | | | |
|---|----------------------|--|
| 8 | a State Family Court | (a) the Federal Court;
(b) the Federal Magistrates Court;
(c) the Supreme Court of the same State;
(d) a court of another State;
(e) a court of a Territory. |
|---|----------------------|--|
-

1 **209 Courts to act in aid of each other**

2 In PPS matters, all of the following must severally act in aid of,
3 and be auxiliary to, each other:

- 4 (a) courts on which jurisdiction is conferred under this Part;
5 (b) officers of, or under the control of, those courts.
6

Section 210

1 **Division 3—Transfers between courts**

2 **210 Application of this Division**

3 *Scope*

- 4 (1) This Division applies if all the following conditions are satisfied:
5 (a) a proceeding with respect to a PPS matter is pending, or has
6 come, before a court (the *transferring court*) on which
7 jurisdiction is conferred under this Part in relation to the
8 matter;
9 (b) jurisdiction is also conferred on another court (the *receiving*
10 *court*) under this Part with respect to either of the following
11 (the *transfer matter*):
12 (i) the entire proceeding;
13 (ii) an application in the proceeding;
14 (c) the receiving court has the power to grant the remedies
15 sought before the transferring court in relation to the transfer
16 matter.

17 *Transfers to which other legislation applies*

- 18 (2) This Division does not apply to a transfer between the courts
19 mentioned in an item in the following table, except as provided by
20 paragraph 211(2)(b):
21

Transfers to which other legislation applies

Item	Transferring court	Receiving court
1	The Federal Court	The Federal Magistrates Court.
2	The Family Court	The Federal Magistrates Court.
3	The Federal Magistrates Court	The Federal Court or the Family Court.

22 Note 1: Paragraph 211(2)(b) gives the Federal Magistrates Court the power to
23 transfer a matter to the Federal Court with a recommendation that the
24 Federal Court transfer the matter to a superior court other than the
25 Federal Court.

26 Note 2: Transfers mentioned in the table are covered by other legislation as
27 follows:

- 1 (a) for a transfer mentioned in item 1—section 32AB of the *Federal*
2 *Court of Australia Act 1976*;
3 (b) for a transfer mentioned in item 2—sections 33A to 33C of the
4 *Family Law Act 1975*;
5 (c) for a transfer mentioned in item 3—section 39 of the *Federal*
6 *Magistrates Act 1999*.

7 **211 Exercise of transfer power**

8 *General rule*

- 9 (1) If section 212 (which deals with the criteria for transfers) is
10 satisfied, the transferring court may transfer to the receiving court:
11 (a) the transfer matter; and
12 (b) if the transferring court considers it necessary or
13 convenient—any related application (or all related
14 applications) in the proceeding.

15 *Cross-jurisdictional transfers between lower courts and superior*
16 *courts*

- 17 (2) However, if the transferring court is a lower court, and the
18 transferring court considers that section 212 is satisfied in relation
19 to the transfer of a matter mentioned in subsection (1) of this
20 section to a receiving court that is a superior court other than the
21 relevant superior court:
22 (a) the transferring court does not have the power to transfer the
23 matter to that receiving court; but
24 (b) the transferring court may:
25 (i) transfer the matter to the relevant superior court; and
26 (ii) give the relevant superior court a recommendation that
27 the matter be transferred to that receiving court by the
28 relevant superior court.

- 29 (3) In this Act:

30 *lower court* means:

- 31 (a) the Federal Magistrates Court; or
32 (b) a court of a State or Territory that is not a superior court.

33 *relevant superior court*, in relation to a lower court, means:

Section 212

- 1 (a) if the lower court is the Federal Magistrates Court—the
2 Federal Court; or
3 (b) if the lower court is a court of a State or Territory—the
4 Supreme Court of the State or Territory.

5 *superior court* means:

- 6 (a) the Federal Court; or
7 (b) a Supreme Court of a State or Territory; or
8 (c) the Family Court; or
9 (d) a State Family Court.

10 **212 Criteria for transfers between courts**

11 *General*

- 12 (1) The transferring court may make a transfer under section 211 only
13 if it appears to the transferring court, taking into account the
14 considerations covered by subsection (2), that:
15 (a) the transfer matter arises out of, or is related to, another
16 proceeding pending, or that has come, before a receiving
17 court; or
18 (b) it is otherwise in the interests of justice that the transfer
19 matter be determined by a receiving court.

20 *Relevant considerations*

- 21 (2) The considerations covered by this subsection include, but are not
22 limited to, the following:
23 (a) the principal location, or place of business, of the parties in
24 relation to the transfer matter;
25 (b) where the event (or events) that are the subject of the transfer
26 matter took place;
27 (c) the desirability of related proceedings being heard in the
28 same State or Territory;
29 (d) any relevant recommendation received under subsection
30 211(2);
31 (e) the suitability (taking into account the considerations
32 mentioned in paragraphs (a) to (d) and any other

1 consideration) of having the transfer matter determined by
2 the receiving court.

3 **213 Initiating transfers between courts**

4 A court may make a transfer under section 211:
5 (a) on the application of a party made at any stage; or
6 (b) at the court's own initiative.

7 **214 Documents and procedure**

8 If a transferring court transfers a proceeding or application to
9 another court under section 211:
10 (a) the Registrar (or other proper officer) of the transferring court
11 must give the Registrar (or other proper officer) of the other
12 court all documents filed in the transferring court in respect
13 of the proceeding or application, as the case may be; and
14 (b) the other court must proceed as if:
15 (i) the proceeding or application had been originally
16 instituted or made in the other court; and
17 (ii) the same proceedings had been taken in the other court
18 as were taken in the transferring court.

19 **215 Conduct of transferred proceedings**

20 (1) Subject to any applicable rules of court, a court must, in dealing
21 with a PPS matter transferred to the court under section 211, apply
22 rules of evidence and procedure that:
23 (a) are applied in any superior court; and
24 (b) the court considers appropriate to be applied in the
25 circumstances.
26 (2) If a proceeding with respect to a PPS matter is transferred under
27 section 211 from a transferring court to another court, the other
28 court must deal with the proceeding as if, subject to any order of
29 the transferring court, the steps that had been taken for the
30 purposes of the proceeding in the transferring court (including the
31 making of an order), or similar steps, had been taken in the other
32 court.

Section 216

1 **216 Entitlement to practise as barrister or solicitor**

2 *Scope*

3 (1) This section applies if a proceeding with respect to a PPS matter in
4 a transferring court is transferred to another court under
5 section 211.

6 *Right to appear*

7 (2) A person who is entitled to practise as a legal practitioner (however
8 described) in the transferring court has the same entitlements to
9 practise in relation to the matters covered by subsection (3) in the
10 other court that the person would have if the other court were a
11 federal court exercising federal jurisdiction.

12 (3) This subsection covers the following matters:

- 13 (a) the PPS matter;
14 (b) any other proceeding out of which the PPS matter arises or to
15 which the PPS matter is related, if the other proceeding is to
16 be determined together with the PPS matter.

17 **217 Limitation on appeals**

18 An appeal does not lie from a decision of a court:

- 19 (a) in relation to the transfer of a proceeding under section 211;
20 or
21 (b) as to which rules of evidence and procedure are to be applied
22 under subsection 215(1).
23

1 **Division 4—Registrar's role in judicial proceedings**

2 **218 Intervention in judicial proceedings**

- 3 (1) The Registrar may, on behalf of the Commonwealth, intervene in a
4 proceeding in a court with respect to a PPS matter.
- 5 (2) If the Registrar intervenes in the proceeding:
6 (a) the Registrar is taken to be a party to the proceeding; and
7 (b) subject to this Act, the Registrar has all the rights, duties and
8 liabilities of such a party; and
9 (c) without limiting paragraph (b), the Registrar may appear and
10 be represented by a legal practitioner (however described).

11 **219 Initiation of judicial proceedings**

12 *Scope*

- 13 (1) This section applies if the Registrar considers it to be in the public
14 interest for a person to bring and carry on a proceeding in a court
15 for the recovery of damages with respect to a PPS matter.

16 *Initiation of proceedings by Registrar*

- 17 (2) The Registrar may, on behalf of the Commonwealth, cause the
18 proceeding to be begun and carried on in the person's name.
- 19 (3) If the person is not a constitutional corporation, the Registrar must
20 obtain the person's written consent to the exercise of the
21 Registrar's power under subsection (2).
22

1 **Part 6.3—Civil penalty proceedings**

2 **Division 1—Introduction**

3 **220 Guide to this Part**

4 This Part sets up a framework for determining liability under a
5 civil penalty provision.

6 On application by the Registrar, the Federal Court of Australia can
7 order the payment of a civil penalty for a serious breach of a civil
8 penalty provision (Division 2).

9 Division 3 deals with the interaction of civil penalty proceedings
10 with criminal proceedings.

11 Division 4 is about enforceable undertakings relating to
12 contraventions of civil penalty provisions.

13 The Registrar may accept a written undertaking for the payment of
14 a specified amount to the Commonwealth within a specified
15 period. The undertaking is given by a person who has taken action
16 that contravenes a civil penalty provision.

17 **221 What is a civil penalty provision?**

18 A subsection of this Act (or a section of this Act that is not divided
19 into subsections) is a *civil penalty provision* if:

- 20 (a) the words “civil penalty” and one or more amounts in penalty
21 units are set out at the foot of the subsection (or section); or
22 (b) another provision of this Act specifies that the subsection (or
23 section) is a civil penalty provision.
24

1 **Division 2—Obtaining an order for a civil penalty**

2 **222 Federal Court may order person to pay pecuniary penalty for**
3 **contravening civil penalty provision**

4 *Application for order*

- 5 (1) Within 6 years of a person (the *wrongdoer*) contravening a civil
6 penalty provision, the Registrar may apply on behalf of the
7 Commonwealth to the Federal Court for an order that the
8 wrongdoer pay the Commonwealth a pecuniary penalty.

9 *Court may order wrongdoer to pay pecuniary penalty*

- 10 (2) If the Court is satisfied that the wrongdoer has contravened a civil
11 penalty provision, and the Court is satisfied that the contravention
12 is serious, the Court may order the wrongdoer to pay to the
13 Commonwealth for each contravention the pecuniary penalty that
14 the Court determines is appropriate (but not more than the relevant
15 amount specified for the provision).

16 *Determining amount of pecuniary penalty*

- 17 (3) In determining the pecuniary penalty, the Court must have regard
18 to all relevant matters, including:
19 (a) the nature and extent of the contravention; and
20 (b) the nature and extent of any loss or damage suffered as a
21 result of the contravention; and
22 (c) the circumstances in which the contravention took place; and
23 (d) whether the person has previously been found by the Court in
24 proceedings under this Act to have engaged in any similar
25 conduct.

26 *Conduct contravening more than one civil penalty provision*

- 27 (4) If conduct constitutes a contravention of 2 or more civil penalty
28 provisions, proceedings may be instituted under this Act against a
29 person in relation to the contravention of any one or more of those
30 provisions. However, the person is not liable to more than one

Section 223

1 pecuniary penalty under this section in respect of the same
2 conduct.

3 **223 Contravening a civil penalty provision is not an offence**

4 A contravention of a civil penalty provision is not an offence.

5 **224 Persons involved in contravening civil penalty provision**

6 (1) A person must not:

- 7 (a) aid, abet, counsel or procure a contravention of a civil
8 penalty provision; or
9 (b) induce (by threats, promises or otherwise) a contravention of
10 a civil penalty provision; or
11 (c) be in any way directly or indirectly knowingly concerned in,
12 or party to, a contravention of a civil penalty provision; or
13 (d) conspire to contravene a civil penalty provision.

14 (2) This Part applies to a person who contravenes subsection (1) in
15 relation to a civil penalty provision as if the person had
16 contravened the provision.

17 **225 Recovery of a pecuniary penalty**

18 If the Federal Court orders a person to pay a pecuniary penalty:
19 (a) the penalty is payable to the Commonwealth; and
20 (b) the Commonwealth may enforce the order as if it were a
21 judgment of the Court.
22

1 **Division 3—Civil penalty proceedings and criminal**
2 **proceedings**

3 **226 Civil proceedings after criminal proceedings**

4 The Federal Court must not make a pecuniary penalty order against
5 a person for a contravention of a civil penalty provision if the
6 person has been convicted of an offence constituted by conduct
7 that is substantially the same as the conduct constituting the
8 contravention.

9 **227 Criminal proceedings during civil proceedings**

- 10 (1) Proceedings for a pecuniary penalty order against a person for a
11 contravention of a civil penalty provision are stayed if:
12 (a) criminal proceedings are started or have already been started
13 against the person for an offence; and
14 (b) the offence is constituted by conduct that is substantially the
15 same as the conduct alleged to constitute the contravention.
- 16 (2) The proceedings for the order may be resumed if the person is not
17 convicted of the offence. Otherwise, the proceedings for the order
18 are dismissed.

19 **228 Criminal proceedings after civil proceedings**

20 Criminal proceedings may be started against a person for conduct
21 that is substantially the same as conduct constituting a
22 contravention of a civil penalty provision regardless of whether a
23 pecuniary penalty order has been made against the person.

24 **229 Evidence given in proceedings for penalty not admissible in**
25 **criminal proceedings**

26 Evidence of information given or evidence of production of
27 documents by an individual is not admissible in criminal
28 proceedings against the individual if:

- 29 (a) the individual previously gave the evidence or produced the
30 documents in proceedings for a pecuniary penalty order

Chapter 6 Judicial proceedings

Part 6.3 Civil penalty proceedings

Division 3 Civil penalty proceedings and criminal proceedings

Section 229

1 against the individual for a contravention of a civil penalty
2 provision (whether or not the order was made); and
3 (b) the conduct alleged to constitute the offence is substantially
4 the same as the conduct that was claimed to constitute the
5 contravention.
6 However, this does not apply to a criminal proceeding in respect of
7 the falsity of the evidence given by the individual in the
8 proceedings for the pecuniary penalty order.
9

**Division 4—Enforceable undertakings relating to
contraventions of civil penalty provisions**

**230 Acceptance of undertakings relating to contraventions of civil
penalty provisions**

- (1) This section applies if the Registrar considers that an action taken by a person contravenes a civil penalty provision.
- (2) The Registrar may accept a written undertaking given by the person in relation to the action, in which the person undertakes to pay a specified amount to the Commonwealth within a specified period.
- (3) The person may withdraw or vary the undertaking at any time, but only with the consent of the Registrar.

231 Enforcement of undertakings

- (1) If the Registrar considers that a person who gave an undertaking under section 230 has breached any of its terms, the Registrar may apply to the Federal Court for an order under subsection (2).
- (2) If the Federal Court is satisfied that the person has breached a term of the undertaking, the Court may make either or both of the following orders:
- (a) an order directing the person to comply with that term of the undertaking;
 - (b) any other order that the Court considers appropriate.

1 **Chapter 7—Operation of laws**

2 **Part 7.1—Guide to this Chapter**

3

4 **232 Guide to this Chapter**

5

This Chapter deals with how this Act interacts with other laws.

6

Part 7.2 deals with the interaction of Australian and foreign laws relating to security interests.

7

8

Part 7.3 deals with the constitutional operation of this Act.

9

Part 7.4 deals with the interaction of this Act with other Commonwealth laws and with State and Territory laws.

10

11

1 **Part 7.2—Australian laws and those of other**
2 **jurisdictions**
3

4 **233 Guide to this Part**

5 This Part is about how Australian laws interact with foreign laws.

6 In court proceedings, this Part describes which law will govern the
7 validity, perfection and effect of perfection or non-perfection of a
8 security interest.

9 The Commonwealth may provide that a particular law governs a
10 security interest and parties can agree that the law of the
11 Commonwealth governs a security interest.

12 The rules for determining the governing law in relation to a
13 security interest differ depending on the type of interests.

14 For example, for a security interest in goods, the question of the
15 governing law may be dependent on the location of the goods.
16 However, for certain intangible property and financial property this
17 will generally be determined by the location of the grantor.

18 **234 Scope of this Part**

19 *General rule*

- 20 (1) In proceedings in an Australian court, the law of the jurisdiction
21 specified by this Part in relation to a security interest governs the
22 validity, perfection and effect of perfection or non-perfection of the
23 security interest.

24 *Preservation of contractual obligations*

- 25 (2) However, this Part does not affect the law that governs contractual
26 obligations (including any obligations arising under a security
27 agreement).

Section 235

1 **235 Meaning of *located***

2 *Location of personal property*

3 (1) For the purposes of this Act, personal property (including chattel
4 paper, an investment instrument and a negotiable instrument) is
5 ***located*** in the particular jurisdiction (whether the jurisdiction of
6 Australia or a foreign jurisdiction) in which the personal property
7 is situated.

8 (2) However:

- 9 (a) an investment instrument that is not evidenced by a
10 certificate is ***located*** in the jurisdiction the law of which
11 governs the transfer of the investment instrument; and
12 (b) a negotiable instrument that is evidenced by an electronic
13 record is ***located*** in the jurisdiction the law of which governs
14 the negotiable instrument; and
15 (c) chattel paper that is evidenced by an electronic record is
16 ***located*** in the jurisdiction the law of which governs the
17 chattel paper.

18 *Location of a person*

19 (3) A body corporate is ***located*** in the jurisdiction in which the body
20 corporate is incorporated.

21 (4) A body politic is ***located*** in the jurisdiction of the body politic.

22 (5) An individual is ***located*** at the individual's principal place of
23 residence.

24 **236 Commonwealth laws may provide for governing law**

25 Despite any other provision of this Part, a law of the
26 Commonwealth may provide that that law, or any other law of the
27 Commonwealth, governs a security interest.

1 **237 Express agreement**

- 2 (1) Despite sections 238, subsections 239(1) and (2) and section 240,
3 the law of the Commonwealth (other than the law relating to
4 conflict of laws) governs a security interest if:
5 (a) the grantor is an Australian entity at the time the security
6 interest attaches to the collateral; and
7 (b) the security agreement that provides for the security interest
8 expressly provides that the law of the Commonwealth, or that
9 law as it applies in a particular State or Territory, governs the
10 security interest.

- 11 (2) However, a security agreement may not provide for the law of the
12 Commonwealth, or that law as it applies in a particular State or
13 Territory, to govern a security interest in the following intangible
14 property:
15 (a) an account;
16 (b) an assignment of:
17 (i) an account; or
18 (ii) chattel paper;
19 (c) intellectual property or an intellectual property licence.

20 Note 1: For the law that governs security interests in such kinds of intangible
21 property, see section 239.

22 Note 2: The parties to a security agreement may provide that the law of the
23 Commonwealth governs a security interest in an ADI account if it
24 would not be manifestly contrary to public policy (see subsection
25 239(5)).

26 **238 Governing laws—goods**

27 *Main rule*

- 28 (1) A security interest in goods is governed by the law of the
29 jurisdiction (other than the law relating to conflict of laws) in
30 which the property is located when the security interest attaches,
31 under that law, to the goods.

32 Note 1: Under section 237, the parties to a security agreement may expressly
33 provide for the law of the Commonwealth to apply instead.

34 Note 2: For when personal property is located in a jurisdiction, see
35 section 235.

Section 239

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Goods that are moved

- (2) Despite subsection (1), a security interest in goods is governed by the law of a jurisdiction (other than the law relating to conflict of laws) if:
 - (a) the goods are moved to that jurisdiction; and
 - (b) at the time the security interest attaches, under that law, to the goods, the secured party reasonably believes that the goods will be moved to that jurisdiction.

Goods that are normally moved between jurisdictions

- (3) Despite subsections (1) and (2), a security interest in goods is governed by the law of a jurisdiction (including the law relating to conflict of laws) if:
 - (a) the grantor is located in that jurisdiction when the security interest attaches, under that law, to the goods; and
 - (b) the goods are commercial property of a kind that is normally used in more than one jurisdiction.

Note: For the location of bodies corporate, bodies politic and individuals, see section 235.

239 Governing laws—intangible property

Main rules

- (1) The validity of a security interest in intangible property is governed by the law of the jurisdiction (other than the law relating to conflict of laws) in which the grantor is located when the security interest attaches, under that law, to the property.
- (2) At a particular time, the perfection, and the effect of perfection or non-perfection, of a security interest in intangible property is governed by the law of the jurisdiction (other than the law relating to conflict of laws) in which the grantor is located at that time.

Intellectual property

- (3) Despite subsections (1) and (2), a security interest in intellectual property or an intellectual property licence is governed by the law

1 of the jurisdiction (other than the law relating to conflict of laws)
2 by or under which the intellectual property or licence is granted.

3 *ADI accounts*

4 (4) Despite subsections (1) and (2), a security interest in an ADI
5 account is governed by the law of the jurisdiction (other than the
6 law relating to conflict of laws) that governs the ADI account.

7 (5) However, the parties to a security agreement may agree in writing
8 that the law of another jurisdiction governs the security interest in
9 the ADI account if applying the law of that other jurisdiction
10 would not be manifestly contrary to public policy.

11 *Rights evidenced by letters of credit not covered*

12 (6) This section does not apply to a right evidenced by a letter of credit
13 that states that the letter of credit must be presented on claiming
14 payment or requiring the performance of an obligation.

15 Note 1: For the priority of a security interest in an account if there is no
16 foreign register, see section 77.

17 Note 2: For the location of bodies corporate, bodies politic and individuals,
18 see section 235.

19 Note 3: Under section 237, the parties to a security agreement may expressly
20 provide for the law of the Commonwealth to apply instead.

21 Note 4: Rights mentioned in subsection (6) are dealt with in the same way as
22 financial property by section 240.

23 **240 Governing laws—financial property and rights evidenced by**
24 **letters of credit**

25 *Validity rules*

26 (1) The validity of a security interest in financial property, or property
27 covered by subsection (2), is governed by the law of the
28 jurisdiction (other than the law relating to conflict of laws) in
29 which the grantor is located when the security interest attaches,
30 under that law, to the property.

Section 240

- 1 (2) This subsection covers property that is a right evidenced by a letter
2 of credit that states that the letter of credit must be presented on
3 claiming payment or requiring the performance of an obligation.
- 4 (3) However, the validity of a security interest to which subsection (1)
5 applies is governed by the law of Australia if:
6 (a) the security interest has attached under the law of a place in
7 Australia; and
8 (b) at the time of attachment:
9 (i) the property is located in Australia; and
10 (ii) the secured party has possession or control of the
11 property sufficient to perfect the security interest under
12 this Act.

13 *Perfection rules*

- 14 (4) At a particular time, the perfection, and the effect of perfection or
15 non-perfection, of a security interest in financial property, or
16 property covered by subsection (2), is governed by the law of the
17 jurisdiction (other than the law relating to conflict of laws) in
18 which the grantor is located at that time.
- 19 (5) However, at a particular time, the perfection, and the effect of
20 perfection or non-perfection, of a security interest mentioned in
21 subsection (4) is governed by the law of Australia if, at that time:
22 (a) the property is located in Australia; and
23 (b) the secured party has possession or control of the property
24 sufficient to perfect the security interest under this Act.

25 *Non-negotiable documents of title*

- 26 (6) Despite subsections (1) to (5), a security interest in a
27 non-negotiable document of title is governed by the law of the
28 jurisdiction (other than the law relating to conflict of laws) in
29 which the goods to which the document of title relates are located
30 when the security interest attaches, under that law, to the document
31 of title.

1 *Negotiable instruments not evidenced by a certificate*

2 (7) Despite subsections (1) to (5), a security interest in a negotiable
3 instrument that is not evidenced by a certificate is governed by the
4 law of the jurisdiction (other than the law relating to conflict of
5 laws) that governs the negotiable instrument.

6 Note 1: For the priority of a security interests in financial property if there is
7 no foreign register, see section 77.

8 Note 2: For the location of bodies corporate, bodies politic and individuals,
9 see section 235.

10 **241 Governing laws—proceeds**

11 (1) The validity of a security interest in proceeds, other than proceeds
12 that are an account, is governed by the law of the jurisdiction
13 (other than the law relating to conflict of laws) that governed the
14 validity of the security interest in the collateral that gave rise to the
15 proceeds.

16 (2) The perfection, and the effect of perfection or non-perfection, of a
17 security interest in proceeds, other than proceeds that are an
18 account, is governed by the law of the jurisdiction (other than the
19 law relating to conflict of laws) that governed the perfection, and
20 the effect of perfection or non-perfection, of the security interest in
21 the collateral that gave rise to the proceeds.

22 (3) This section applies despite any other provision of this Part.
23

1 **Part 7.3—Constitutional operation**
2

3 **242 Guide to this Part**

4 This Part is about the constitutional operation of this Act in the
5 States and Territories, and outside Australia, as follows:

- 6 (a) this Act operates in any State that has referred to
7 the Commonwealth power to enact and amend it
8 for the purposes of paragraph 51(xxxvii) of the
9 Constitution;
- 10 (b) this Act operates in that State and any other State,
11 to the extent that other constitutional powers
12 permit its operation;
- 13 (c) this Act operates in a Territory, and outside
14 Australia, to the extent that it can under the
15 Constitution.

16 A security interest in collateral in relation to which this Act
17 operates under this Part has priority over a security interest in the
18 same collateral in relation to which this Act does not operate under
19 this Part.

20 **243 Constitutional basis for this Act**

21 *Operation in a referring State*

- 22 (1) It is the Commonwealth Parliament's intention that this Act should
23 operate in a referring State to the extent that it can in accordance
24 with:
- 25 (a) the legislative powers that the Commonwealth Parliament has
26 under section 51 of the Constitution (other than paragraph
27 51(xxxvii)); and
- 28 (b) the legislative powers that the Commonwealth Parliament has
29 in respect of matters to which this Act relates because those

1 matters are referred to it by the Parliament of the referring
2 State under paragraph 51(xxxvii) of the Constitution.

3 Note 1: The State reference fully supplements the Commonwealth
4 Parliament's other powers by referring the matters to the
5 Commonwealth Parliament to the extent to which they are not
6 otherwise included in the legislative powers of the Commonwealth
7 Parliament.

8 Note 2: For the meaning of *referring State*, see section 244.

9 *Operation in a non-referring State*

10 (2) It is the Commonwealth Parliament's intention that this Act should
11 operate in a non-referring State to the extent that it can in
12 accordance with the Commonwealth Parliament's legislative
13 powers under section 51 of the Constitution (other than paragraph
14 51(xxxvii)), including (but not limited to) the powers relating to
15 the matters mentioned in sections 246 to 250.

16 *Operation in a Territory*

17 (3) It is the Commonwealth Parliament's intention that this Act should
18 operate in a Territory to the extent that it can in accordance with
19 the Commonwealth Parliament's legislative powers under:
20 (a) section 122 of the Constitution; and
21 (b) section 51 of the Constitution (other than paragraph
22 51(xxxvii)).

23 Note: This Act extends to Norfolk Island, but only extends to other external
24 Territories if regulations are made to provide for that extension (see
25 section 7).

26 (4) Despite subsection 22(3) of the *Acts Interpretation Act 1901*, this
27 Act as applying in a Territory is a law of the Commonwealth.

28 *Operation outside Australia*

29 (5) It is the Commonwealth Parliament's intention that this Act should
30 operate outside Australia to the extent that it can in accordance
31 with the Commonwealth Parliament's legislative powers under:
32 (a) paragraph 51(xxix) of the Constitution; and

Section 244

1 (b) the other legislative powers that the Commonwealth
2 Parliament has under section 51 of the Constitution (other
3 than paragraph 51(xxxvii)).

4 Note 1: For the application of Australian and foreign law in relation to a
5 security interest, see section 6 and Part 7.2.

6 Note 2: For the relationship between this Act and other Australian laws, see
7 Part 7.4.

8 **244 Meaning of *referring State***

9 *General meaning*

10 (1) A State is a ***referring State*** if the Parliament of the State has,
11 before the registration commencement time, referred the matters
12 covered by subsections (3) and (4) in relation to the State to the
13 Parliament of the Commonwealth for the purposes of paragraph
14 51(xxxvii) of the Constitution:

15 (a) if, and to the extent that, the matters are not otherwise
16 included in the legislative powers of the Parliament of the
17 Commonwealth (otherwise than by a reference under
18 paragraph 51(xxxvii) of the Constitution); and

19 (b) if, and to the extent that, the matters are included in the
20 legislative powers of the Parliament of the State.

21 Note 1: For ***registration commencement time***, see section 306.

22 Note 2: Subsections (5) and (6) provide for when a State stops being a
23 ***referring State***.

24 (2) A State is a referring State even if:

25 (a) a law of the State provides that the State's initial reference or
26 any or all of the State's amendment references (or any
27 combination of these) is to terminate in particular
28 circumstances; or

29 (b) any or all of the State's amendment references have not
30 commenced in relation to a particular kind (or kinds) of
31 personal property (or so commence at or after the registration
32 commencement time).

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Initial reference

- (3) This subsection covers the matters to which the referred provisions relate, to the extent of making laws with respect to those matters by including the referred provisions in the referral version of this Act.

Amendment references

- (4) This subsection covers the referred PPS matters (as defined by section 245), to the extent of making laws with respect to those matters by making express amendments of this Act in relation to each of the following kinds of personal property:
- (a) personal property (other than fixtures and water rights);
 - (b) fixtures;
 - (c) transferable water rights.

When a State stops being a referring State

- (5) A State stops being a referring State if the State's initial reference terminates.
- (6) A State also stops being a referring State if the State's amendment reference in relation to personal property (other than fixtures or water rights):
- (a) terminates; or
 - (b) is qualified or restricted to any degree.
- (7) However, a State does not stop being a referring State only because the State's amendment reference in relation to fixtures or transferable water rights (or each of them):
- (a) terminates; or
 - (b) is qualified or restricted to any degree.

Definitions

- (8) In this section:

amendment includes the insertion, omission, repeal, substitution or relocation of words or matter.

amendment reference of a State means a reference by the Parliament of the State to the Parliament of the Commonwealth of

Section 244

1 the referred PPS matters in relation to personal property covered by
2 paragraph (4)(a), (b) or (c).

3 ***express amendment*** means the direct amendment of this Act, but
4 does not include the enactment by a Commonwealth Act of a
5 provision that has, or will have, substantive effect otherwise than
6 as part of the text of this Act.

7 ***initial reference*** of a State means the reference by the Parliament
8 of the State to the Parliament of the Commonwealth of the matters
9 covered by subsection (3).

10 ***referral law***, of a State, means the law of the State that refers
11 matters, as mentioned in subsection (1), to the Parliament of the
12 Commonwealth.

13 ***referral version of this Act***, in relation to a State, means:

14 (a) if, at the time the State's referral law was enacted, this Act
15 had not been enacted, or (if this Act had been enacted)
16 amendments of this Act had not been enacted—this Act as
17 originally enacted; or

18 (b) otherwise—this Act as originally enacted, and as
19 subsequently amended by amendments enacted at any time
20 before the State's referral law was enacted, whether or not
21 the amendments have commenced.

22 ***referred provisions*** means the provisions of the referral version of
23 this Act, to the extent to which they deal with matters that are
24 included in the legislative powers of the Parliaments of the States.

25 ***transferable water rights***, in relation to a State, means any water
26 rights that are transferable under the general law or a law of the
27 State by the holder of the right (whether or not the right is
28 exclusive, and whether or not a transfer is restricted or requires
29 consent).

30 ***water rights***, in relation to a State, means any rights, entitlements
31 or authorities, whether or not exclusive, that are granted by or
32 under the general law or a law of the State in relation to the
33 control, use or flow of water, but does not include any right,
34 entitlement or authority that is:

35 (a) granted by or under a law of the State; and

1 (b) declared by that law not to be personal property for the
2 purposes of this Act.

3 **245 Meaning of *referred PPS matters***

4 (1) In this Act, *referred PPS matters*, in relation to personal property
5 covered by paragraph 244(4)(a), (b) or (c), means:

6 (a) the matter of security interests in the personal property; and

7 (b) without limiting the generality of paragraph (a), each of the
8 following matters:

9 (i) the recording of security interests, or information with
10 respect to security interests, in the personal property in a
11 register;

12 (ii) the recording in such a register of any other information
13 with respect to the personal property (whether or not
14 there are any security interests in the personal property);

15 (iii) the enforcement of security interests in the personal
16 property (including priorities to be given as between
17 security interests, and as between security interests and
18 other interests, in the personal property).

19 (2) However, *referred PPS matters* does not include the matter of
20 making provision with respect to personal property or interests in
21 personal property in a manner that excludes or limits the operation
22 of a law of a State to the extent that the law makes provision with
23 respect to:

24 (a) the creation, holding, transfer, assignment, disposal or
25 forfeiture of a right, entitlement or authority that is granted
26 by or under a law of the State; or

27 (b) limitations, restrictions or prohibitions concerning the kinds
28 of interests that may be created or held in, or the kinds of
29 persons or bodies that may create or hold interests in, a right,
30 entitlement or authority that is granted by or under a law of
31 the State; or

32 (c) without limiting the generality of paragraph (a) or (b)—any
33 of the following matters:

34 (i) the forfeiture of property or interests in property (or the
35 disposal of forfeited property or interests) in connection

Section 246

- 1 with the enforcement of the general law or any law of
2 the State;
3 (ii) the transfer, by operation of that law of the State, of
4 property or interests in property from any specified
5 person or body to any other specified person or body
6 (whether or not for valuable consideration or a fee or
7 other reward).

8 (3) In this section:

9 *forfeiture* means confiscation, seizure, extinguishment,
10 cancellation, suspension or any other forfeiture.

11 *register* means any system for recording interests or information
12 (whether in written or electronic form).

13 **246 Non-referring State operation—overview**

14 *Operation*

- 15 (1) This Act operates in a non-referring State in relation to a security
16 interest, or another interest, in personal property:
17 (a) while the interest in the personal property is covered by any
18 of the following:
19 (i) section 247 (which deals with persons);
20 (ii) section 248 (which deals with activities);
21 (iii) section 249 (which deals with interests); and
22 (b) without limiting paragraph (a), to the extent that Chapter 5
23 (Personal Property Securities Register) applies in relation to
24 the personal property under section 250.
- 25 (2) To avoid doubt, subsection (1) applies to a non-referring State at a
26 particular time even if no State is a referring State at that time.

27 *Constitutional meaning of terms*

- 28 (3) Unless the contrary intention appears, a word or phrase used in
29 sections 247 to 250 that is used in the Constitution has the same
30 meaning as it has in the Constitution.

1 **247 Non-referring State operation—persons**

- 2 (1) This Act operates in a non-referring State, in relation to a security
3 interest in personal property, while:
- 4 (a) the obligation secured by the security interest is owed by or
5 to a person covered by subsection (3); or
6 (b) the grantor of the security interest is a person covered by
7 subsection (3).
- 8 (2) This Act operates in a non-referring State, in relation to an interest
9 (other than a security interest) in personal property, while the
10 interest is held by a person covered by subsection (3).
- 11 (3) This subsection covers the following persons:
- 12 (a) a bankrupt or an insolvent;
13 (b) an Official Receiver of the estate of a bankrupt, or a
14 registered trustee of a bankrupt, within the meaning of the
15 *Bankruptcy Act 1966*;
16 (c) a constitutional corporation;
17 (d) the Commonwealth, or an agency of the Commonwealth.

18 **248 Non-referring State operation—activities**

- 19 (1) This Act operates in a non-referring State in relation to a security
20 interest, or another interest, in personal property, if the interest
21 arises in the course of any of the following activities:
- 22 (a) trade or commerce with other countries, or among the States;
23 (b) activities undertaken by a constitutional corporation;
24 (c) banking, other than State banking;
25 (d) State banking extending beyond the limits of the State
26 concerned;
27 (e) insurance, other than State insurance;
28 (f) State insurance extending beyond the limits of the State
29 concerned;
30 (g) using postal, telegraphic, telephonic, or other like services;
31 (h) supplying goods or services to the Commonwealth, or an
32 agency of the Commonwealth;
33 (i) conduct by the Commonwealth, or an agency of the
34 Commonwealth;

Section 249

- 1 (j) an activity related to a fishery in Australian waters beyond
2 territorial limits.
- 3 (2) However, this Act stops operating under subsection (1) in a
4 non-referring State in relation to a security interest, or another
5 interest, in personal property, if, after the interest arises:
6 (a) the interest is dealt with; and
7 (b) that dealing is not in the course of an activity to which
8 subsection (1) applies.
- 9 (3) Subsection (2) does not limit the operation of this Act in a
10 non-referring State otherwise than under this section.

11 **249 Non-referring State operation—interests**

12 *General rule*

- 13 (1) This Act operates in a non-referring State in relation to a security
14 interest, or another interest, in personal property, if the interest
15 includes an interest in any of the following:
16 (a) a constitutional corporation;
17 (b) money borrowed on the public credit of the Commonwealth;
18 (c) an ADI account, other than an ADI account relating to State
19 banking;
20 (d) an ADI account that relates to State banking extending
21 beyond the limits of the State concerned;
22 (e) a policy of insurance, other than State insurance;
23 (f) a policy of State insurance extending beyond the limits of the
24 State concerned;
25 (g) a bill of exchange or a promissory note;
26 (h) copyright, a patent of an invention or design, or a trade mark;
27 (i) a facility that provides postal, telegraphic, telephonic or other
28 like services;
29 (j) a fishery in Australian waters beyond territorial limits;
30 (k) a lighthouse, lightship, beacon or buoy.

1 *Constitutional interests exclusively—severable operation*

- 2 (2) Without limiting subsection (1), this Act also has the effect it
3 would have if this Act operated in a non-referring State in relation
4 to a security interest, or another interest, in personal property, to
5 the extent only that the interest were in any of the things mentioned
6 in that subsection.

7 **250 Non-referring State operation—inclusion of data in register**

8 Chapter 5 of this Act (Personal Property Securities Register)
9 operates in a non-referring State in relation to personal property.

10 **251 Personal property taken free of security interest when Act**
11 **begins to operate**

12 A person to whom personal property is transferred takes the
13 property free of a security interest in the property at a particular
14 time (the *relevant time*) if:

- 15 (a) this Act did not operate under this Part in relation to the
16 security interest at a previous time; and
17 (b) if this Act had so operated, the person would have taken the
18 property free of the security interest under this Act (other
19 than this section); and
20 (c) at the relevant time, this Act begins to operate under this Part
21 in relation to the security interest.

22 **252 Priority between constitutional and non-constitutional security**
23 **interests**

24 A security interest in collateral in relation to which this Act
25 operates under this Part has priority over a security interest in the
26 same collateral in relation to which this Act does not operate under
27 this Part.
28

1 **Part 7.4—Relationship between Australian laws**

2 **Division 1—Introduction**

3 **253 Guide to this Part**

4 This Part deals with the interaction of this Act with other
5 Australian laws.

6 This Act is not intended to exclude or limit the operation of any
7 other law if that other law is capable of operating concurrently with
8 this Act.

9 If there is an inconsistency between this Act and another law,
10 regulations may be made to resolve the inconsistency.

11 Other laws prevail over this Act in certain situations, as follows:

- 12 (a) certain specified Commonwealth laws prevail;
- 13 (b) other laws may govern security agreements;
- 14 (c) other laws may include restrictions on acquiring or
15 dealing with personal property or a security
16 interest;
- 17 (d) State or Territory laws may exclude certain matters
18 from coverage under this Act.

19 However this Act prevails over other laws in relation to certain
20 requirements relating to the registration and form of security
21 interests, and their assignment, attachment and perfection.

22

1 **Division 2—Concurrent operation**

2 **254 Concurrent operation—general rule**

3 (1) This Act is not intended to exclude or limit the operation of any of
4 the following laws (a *concurrent law*), to the extent that the law is
5 capable of operating concurrently with this Act:

- 6 (a) a law of the Commonwealth (other than this Act);
7 (b) a law of a State or Territory;
8 (c) the general law.

9 (2) Without limiting subsection (1), this Act is not intended to exclude
10 or limit the concurrent operation of a concurrent law, to the extent
11 that the law has the effect of:

- 12 (a) providing for whether a matter or other thing that is created,
13 arises or is provided for under the concurrent law constitutes
14 personal property; or
15 (b) subject to section 258, prohibiting or limiting a person
16 creating, acquiring or dealing with personal property or a
17 security interest in personal property; or
18 (c) without limiting paragraph (b):
19 (i) prohibiting or limiting the right of a person to hold,
20 transfer or assign a security interest in personal
21 property; or
22 (ii) imposing limitations or additional obligations or
23 requirements in relation to the enforcement of a security
24 interest in personal property; or
25 (d) subject to sections 261 and 264, requiring or enabling a
26 person to register a security interest (within the meaning of
27 section 261); or

28 Note 1: Section 261 provides that a failure to register the security interest
29 under the law does not limit the effect of the security interest or a
30 security agreement for the security interest.

31 Note 2: Section 264 provides that, to the extent that the law would
32 restrict or otherwise affect the operation of section 19
33 (attachment) or 21 (perfection) of this Act, the operation of the
34 law is excluded.

Section 255

- 1 (e) subject to section 262, requiring or enabling a person to
2 register the assignment of a security interest (within the
3 meaning of that section); or
- 4 Note: Section 262 provides that a failure to register the assignment
5 under the law does not limit the effect of the assignment, the
6 security interest or a security agreement for the security interest.
- 7 (f) subject to section 263, requiring a security agreement for a
8 security interest, or for an assignment of a security interest
9 (within the meaning of that section) to be in a particular
10 form, or to be witnessed or executed in a particular way; or
- 11 Note: Section 263 provides that a failure to comply with such a
12 requirement does not limit the effect of the security agreement,
13 the security interest or the assignment.
- 14 (g) operating to extinguish (however described) a security
15 interest in circumstances other than those provided under this
16 Act; or
- 17 (h) providing for, or in relation to, a matter in a way that is
18 expressly allowed by or under this Act.
- 19 Note: The following provisions of this Act expressly allow for the
20 operation (or the limited operation) of State and Territory laws:
- 21 (a) section 73 (interests arising under laws of the Commonwealth,
22 States and Territories);
- 23 (b) section 110 (rights and remedies of debtors and secured parties);
- 24 (c) section 119 (relationship with credit legislation);
- 25 (d) section 208 (cross-jurisdictional appeals);
- 26 (e) section 271 (entitlement to damages for breach of duties or
27 obligations);
- 28 (f) subsections 275(5) and (6) (secured party to provide certain
29 information relating to security interest);
- 30 (g) section 285 (service or giving of notices).
- 31 (3) To avoid doubt, this section does not apply to a law of a State or
32 Territory, or the general law, to the extent that there is a direct
33 inconsistency between this Act and that law.

255 Concurrent operation—regulations may resolve inconsistency

- 34
- 35 (1) The regulations may:
- 36 (a) provide that a provision of this Act (or an instrument made
37 under this Act) does not apply to a matter that is dealt with by

- 1 a law (the *specified law*) of the Commonwealth, a State or a
2 Territory specified by the regulations; or
- 3 (b) modify the operation of this Act (or an instrument made
4 under this Act) so that no inconsistency arises between the
5 operation of a provision of this Act or the instrument and the
6 operation of a law (the *specified law*) of the Commonwealth,
7 a State, or a Territory specified by the regulations.
- 8 (2) Without limiting subsection (1), regulations made for the purposes
9 of that subsection may provide that a provision of this Act (or an
10 instrument made under this Act):
- 11 (a) does not apply to:
- 12 (i) a specified person; or
13 (ii) a specified body; or
14 (iii) specified circumstances; or
15 (iv) a specified person or body, in specified circumstances;
16 or
- 17 (b) does not prohibit an act to the extent to which the prohibition
18 would otherwise give rise to an inconsistency with the
19 specified law; or
- 20 (c) does not require a person to do an act to the extent to which
21 the requirement would otherwise give rise to an
22 inconsistency with the specified law; or
- 23 (d) does not authorise a person to do an act to the extent to which
24 the conferral of that authority on the person would otherwise
25 give rise to an inconsistency with the specified law; or
- 26 (e) does not impose an obligation on a person to the extent to
27 which complying with that obligation would require the
28 person to not comply with an obligation imposed on the
29 person under the specified law; or
- 30 (f) authorises a person to do something for the purposes of this
31 Act (or an instrument made under this Act) that the person:
32 (i) is authorised to do under the specified law; and
33 (ii) would not otherwise be authorised to do under this Act
34 (or the instrument); or
- 35 (g) will be taken to be satisfied if the specified law is satisfied.
- 36 (3) This section does not apply in relation to the following provisions:
-

Chapter 7 Operation of laws
Part 7.4 Relationship between Australian laws
Division 2 Concurrent operation

Section 255

- 1 (a) paragraphs (c) and (d) of the definition of *licence* in
2 section 10;
3 (b) paragraph (b) of the definition of *personal property* in
4 section 10.
5 Note: Certain rights, entitlements and authorities under Commonwealth,
6 State and Territory law, as declared by the relevant law, are excluded
7 from the definitions of *personal property* and *licence* (in section 10).
8

1 **Division 3—When other laws prevail**

2 **256 When other laws prevail—certain other Commonwealth Acts**

3 If there is any inconsistency between this Act and one of the
4 following Acts (the *other Act*), the other Act prevails to the extent
5 of the inconsistency:

- 6 (a) the *Payment Systems and Netting Act 1998*;
7 (b) the *Cheques Act 1986*;
8 (c) the *Bills of Exchange Act 1909*.

9 **257 When other laws prevail—security agreements**

10 *Scope*

- 11 (1) This section sets out restrictions on the extent to which a security
12 agreement is effective according to its terms under subsection
13 18(1).

14 *Operation of other laws dealing with security agreements*

- 15 (2) Subsection 18(1) is subject to each of the following laws:

- 16 (a) a law of the Commonwealth (other than this Act);
17 (b) a law of a State or a Territory;
18 (c) the general law.

- 19 (3) However, a law mentioned in subsection (2) does not apply:

- 20 (a) to the extent (if any) to which the operation of the law is
21 affected by Division 4 (when this Act prevails); and
22 (b) to the extent (if any) prescribed by the regulations.

23 Note: Division 4 restricts the operation of State and Territory laws in certain
24 respects, for example by preventing formal requirements under those
25 laws from affecting the validity of security interests.

Section 258

1 **258 When other laws prevail—personal property, security interests**
2 **and matters excluded from State amendment referrals**

3 *Personal property and security interests*

- 4 (1) This Act (apart from Division 4), or any instrument made under
5 this Act, does not have an effect covered by subsection (2) to the
6 extent to which that effect would give rise (apart from this
7 subsection) to a direct inconsistency between this Act, or the
8 instrument, and a law covered by subsection (3).

9 Note: Division 4 restricts the operation of State and Territory laws in certain
10 respects, for example by preventing formal requirements under those
11 laws from affecting the validity of security interests.

- 12 (2) The following effects of a law are covered by this subsection:
13 (a) prohibiting or limiting a person creating, acquiring or dealing
14 with personal property or a security interest in personal
15 property;
16 (b) without limiting paragraph (a):
17 (i) prohibiting or limiting the right of a person to hold,
18 transfer or assign a security interest in personal
19 property; or
20 (ii) imposing limitations or additional obligations or
21 requirements in relation to the enforcement of a security
22 interest in personal property.

- 23 (3) The following laws are covered by this subsection:
24 (a) a law of the Commonwealth (other than this Act, or an
25 instrument made under this Act);
26 (b) a law of a referring State (while the State is a referring State);
27 (c) a law of a Territory;
28 (d) the general law.

- 29 (4) Subsection (1) does not apply to an effect of a law to the extent (if
30 any) prescribed by the regulations.

31 *Matters excluded by State amendment referrals*

- 32 (5) Any provisions of this Act, or an instrument made under this Act,
33 that would (apart from this subsection) operate, or purport to
34 operate, to exclude or limit the operation of a law of a referring

1 State do not operate to exclude or limit the operation of the law to
2 the extent to which the law makes provision for a matter mentioned
3 in paragraph 245(2)(a), (b) or (c).

4 Note: Subsection 245(2) provides exceptions to the scope of the matters
5 (called PPS referred matters) in relation to which referring States have
6 given an amendment reference to the Commonwealth (see subsection
7 244(4)).

8 (6) Subsection (5) only applies in relation to a law of a referring State
9 while the State is a referring State.

10 **259 When other laws prevail—exclusion by referring State law or**
11 **Territory law**

12 *Scope*

- 13 (1) This section applies if a law of a referring State, or of a Territory,
14 declares a matter to be an excluded matter for the purposes of this
15 section in relation to:
- 16 (a) the whole of this Act (or an instrument made under this Act);
 - 17 or
 - 18 (b) a specified provision of this Act (or an instrument made
19 under this Act); or
 - 20 (c) this Act (or an instrument made under this Act), other than a
21 specified provision; or
 - 22 (d) this Act (or an instrument made under this Act), otherwise
23 than to a specified extent.

24 *Matters excluded by declaration*

- 25 (2) This Act (and any instrument made under this Act), apart from
26 Division 4 (when this Act prevails), does not apply in relation to
27 the excluded matter to the extent provided by the declaration.

28 *Regulations under this Act may affect operation of declaration*

- 29 (3) Subsection (2) does not apply to the declaration to the extent (if
30 any) prescribed by the regulations.

Section 260

1 **260 When other laws prevail—no constitutional preference to one**
2 **State over another**

3 This Act is not intended to operate to the extent (if any) to which
4 the operation would give, or result in the giving of, preference
5 (within the meaning of section 99 of the Constitution) to one State
6 or part of a State over another State or part of a State.
7

1 **Division 4—When this Act prevails**

2 **261 When this Act prevails—registration requirements**

3 *Scope*

- 4 (1) This section applies if a law (the *applicable law*) of a State or
5 Territory has the effect of requiring or enabling a person to register
6 a security interest.

7 Example: A law of a State or Territory may have this effect by requiring a
8 person to register any interest acquired by the person in a motor
9 vehicle including, but not limited to, a security interest.

- 10 (2) For the purposes of this section, a person *registers a security*
11 *interest* under an applicable law if, under (or in accordance with)
12 that law, the person registers, or otherwise discloses, any of the
13 following:

- 14 (a) the security interest;
15 (b) a security agreement providing for the security interest;
16 (c) collateral covered (or to be covered) by the security interest.

17 *Failure to register under applicable law*

- 18 (3) A failure to register the security interest under the applicable law
19 does not:
20 (a) affect the validity, priority or enforceability of the security
21 interest, or of a security agreement providing for the security
22 interest; or
23 (b) otherwise limit the effect of the security interest, or a security
24 agreement providing for the security interest.

25 Note: In other respects this Act is not intended to exclude or limit the
26 concurrent operation of the applicable law (see section 254).

27 **262 When this Act prevails—assignment requirements**

28 *Scope*

- 29 (1) This section applies if a law (the *applicable law*) of a State or
30 Territory has the effect of requiring or enabling a person to register
31 the assignment of a security interest.

Section 263

1 (2) For the purposes of this section, a person *registers the assignment*
2 *of a security interest* under an applicable law if, under (or in
3 accordance with) that law, the person registers, or otherwise
4 discloses, any of the following in relation to a security interest that
5 is (or is to be) assigned, however the assignment is described in
6 that law:

- 7 (a) the assignment;
8 (b) a security agreement providing for the assignment;
9 (c) collateral covered (or to be covered) by the security interest.

10 (3) An assignment of a security interest mentioned in this section
11 includes (but is not limited to) the following, however described in
12 the applicable law:

- 13 (a) the transfer of the security interest;
14 (b) the creation of the security interest;
15 (c) the devolution of the security interest from a deceased person
16 to another person upon the death of the deceased person.

17 *Failure to register under applicable law*

18 (4) A failure to register the assignment of the security interest under
19 the applicable law does not:

- 20 (a) affect the validity of the assignment; or
21 (b) affect the validity, priority or enforceability of the security
22 interest, or of a security agreement providing for the security
23 interest; or
24 (c) otherwise limit the effect of the assignment, the security
25 interest or of a security agreement providing for the security
26 interest.

27 Note: In other respects this Act is not intended to exclude or limit the
28 concurrent operation of the applicable law (see section 254).

29 **263 When this Act prevails—formal requirements relating to**
30 **agreements**

31 *Scope*

32 (1) This section applies if a law (the *applicable law*) of a State or
33 Territory:

- 1 (a) relates (whether expressly or by implication) to a security
2 agreement for a security interest in collateral, or for an
3 assignment (however described) of a security interest in
4 collateral; and
5 (b) has the effect of requiring the security agreement:
6 (i) to be in a particular form; or
7 (ii) to be witnessed or executed in a particular way; and
8 (c) is prescribed by regulations made for the purposes of this
9 section.

10 Example: A law of a State or Territory requires a security agreement to be in a
11 particular form if the law requires the instrument evidencing the
12 agreement to use a particular form of words, or to be executed on
13 paper of a particular sort.

- 14 (2) An assignment of a security interest mentioned in this section
15 includes (but is not limited to) the following, however described in
16 the applicable law:
17 (a) the transfer of the security interest;
18 (b) the giving of the security interest;
19 (c) the devolution of the security interest from a deceased person
20 to another person upon the death of the deceased.

21 *Failure to comply with formal requirement under applicable law*

- 22 (3) Without limiting section 261 or 262, a failure to comply with the
23 requirement under the applicable law does not:
24 (a) affect the validity or enforceability of the security agreement;
25 or
26 (b) affect the validity, priority or enforceability of the security
27 interest; or
28 (c) affect the validity of the assignment (if relevant); or
29 (d) otherwise limit the effect of the security agreement, the
30 security interest or the assignment (if relevant).

31 Note: In other respects this Act is not intended to exclude or limit the
32 concurrent operation of the applicable law (see section 254).

Section 264

1 **264 When this Act prevails—attachment and perfection of security**
2 **interests**

3 To the extent that a law of a State or Territory would have the
4 effect of restricting or otherwise affecting the operation of the
5 following provisions, the operation of the law is excluded by force
6 of this section:

7 (a) section 19 (when a security interest attaches to personal
8 property);

9 (b) section 21 (how a security interest is perfected).

10 Example: If a law of a State or Territory would have the effect of requiring a
11 security interest to be registered under the law before it is taken to
12 attach, or to be perfected, under this Act, the operation of the law is
13 excluded by force of this section.

14

1 **Chapter 8—Miscellaneous**

2 **Part 8.1—Guide to this Chapter**

3

4 **265 Guide to this Chapter**

5

This Chapter contains rules about the following:

6

(a) the vesting of certain unperfected security interests
(Part 8.2);

7

8

(b) damages and compensation for contraventions of
this Act (Part 8.3);

9

10

(c) the provision of information relating to security
interests (Part 8.4);

11

12

(d) the giving of notices and rules about timing
(Part 8.5);

13

14

(e) the onus of proof in judicial proceedings (Part 8.6);

15

(f) approved forms and regulations (Part 8.7).

16

1 **Part 8.2—Vesting of certain unperfected security**
2 **interests**
3

4 **266 Guide to this Part**

5 This Part provides for the vesting of an unperfected security
6 interest in the grantor in certain circumstances.

7 In the event of the bankruptcy of an individual grantor, or the
8 winding up or the entry into administration of a body corporate
9 grantor, a secured party's unperfected security interest vests in the
10 grantor. However, some security interests are unaffected by this
11 rule.

12 Some secured parties are entitled to damages or compensation in
13 relation to the vesting of unperfected interests under this Part.

14 **267 Vesting of unperfected security interests in the grantor upon the**
15 **grantor's winding up or bankruptcy etc.**

16 *Scope*

17 (1) This section applies if:

18 (a) any of the following events occurs:

- 19 (i) an order is made, or a resolution is passed, for the
20 winding up of a company or a body corporate;
- 21 (ii) an administrator of a company or a body corporate is
22 appointed (whether under section 436A, 436B or 436C
23 of the *Corporations Act 2001*, under that section as it is
24 applied by force of a law of a State or Territory, or
25 otherwise);
- 26 (iii) a company or a body corporate executes a deed of
27 company arrangement (whether under Division 10 of
28 Part 5.3A of the *Corporations Act 2001*, under that
29 Division as it is applied by force of a law of a State or
30 Territory, or otherwise);

- 1 (iv) a sequestration order is made against a person (the
2 **bankrupt**) under the *Bankruptcy Act 1966*;
- 3 (v) a person (the **bankrupt**) becomes a bankrupt by force of
4 section 55, 56E or 57 of the *Bankruptcy Act 1966*; and
- 5 (b) a security interest granted by the body corporate, company or
6 bankrupt is unperfected on whichever of the following days
7 applies:
- 8 (i) in the case of a company or body corporate that is being
9 wound up—the day the winding up began (whether
10 under section 513A or 513B of the *Corporations Act*
11 *2001*, under that section as it is applied by force of a law
12 of a State or Territory, or otherwise);
- 13 (ii) in the case of any other company or body corporate—
14 the section 513C day as described in that section of that
15 Act (including as described in that section as it is
16 applied by force of a law of a State or Territory, or
17 otherwise);
- 18 (iii) in the case of a bankrupt—the date of the bankruptcy
19 (within the meaning of the *Bankruptcy Act 1966*).

20 Note 1: For the meaning of *company*, see section 10.

21 Note 2: See also section 266 of the *Corporations Act 2001*.

22 *Security interest vested in grantor*

- 23 (2) The security interest held by the secured party vests in the grantor
24 immediately before the event mentioned in paragraph (1)(a)
25 occurs, unless the security interest is unaffected by this section
26 because of section 268.

27 *Title of person acquired for new value without knowledge*

- 28 (3) Subsection (2) does not affect the title of a person to personal
29 property if:
- 30 (a) the person acquires the personal property for new value from
31 a secured party, from a person on behalf of a secured party,
32 or from a receiver in the exercise of powers:
- 33 (i) conferred by the security agreement that provides for
34 the security interest; or
- 35 (ii) implied by the general law; and

Section 268

- 1 (b) at the time the person acquires the property, the person has
2 no actual or constructive knowledge of the following (as the
3 case requires):
4 (i) the filing of an application for an order to wind up the
5 company;
6 (ii) the passing of a resolution to wind up the company;
7 (iii) the appointment of an administrator of the company
8 under section 436A, 436B or 436C of the *Corporations*
9 *Act 2001*;
10 (iv) the execution of a deed of company arrangement by the
11 company.

12 Note: Section 296 deals with the onus of proving matters.

13 **268 Security interests unaffected by section 267**

14 *Unaffected security interests*

- 15 (1) The following security interests are unaffected by subsection
16 267(2):
17 (a) a security interest covered by subsection (2) of this section;
18 (b) a security interest of a lessor or bailor under a PPS lease
19 covered by subsection (3) of this section.

20 *Security interests and subordinated debts*

- 21 (2) This subsection covers a security interest in an account if all of the
22 following conditions are satisfied:
23 (a) a person (the **obligor**) owes money to another person (the
24 **senior creditor**);
25 (b) the obligor also owes money to a third person (the **junior**
26 **creditor**);
27 (c) an agreement between the senior creditor and the junior
28 creditor provides (in substance):
29 (i) for the postponement or subordination of the obligor's
30 debt to the junior creditor, to the obligor's debt to the
31 senior creditor; and
32 (ii) in the event of the obligor's debt to the junior creditor
33 being discharged (whether wholly or partly) by the
34 obligor transferring personal property to the junior

- 1 creditor—for the junior creditor to transfer the property,
2 or proceeds of the property, to the senior creditor to the
3 value of the amount owed by the obligor to the senior
4 creditor; and
- 5 (iii) in the event that the property or proceeds are not
6 transferred—for the junior creditor to hold the property
7 or proceeds on trust for the senior creditor to that value;
8 and
- 9 (iv) in the event of such a trust arising—for a security
10 interest to be granted by the junior creditor to the senior
11 creditor over the personal property or proceeds securing
12 payment of the obligor's debt to the senior creditor;
- 13 (d) the security interest is a security interest granted under the
14 agreement, in the circumstances described in
15 subparagraph (c)(iv).

16 *Security interests under certain PPS leases unaffected*

- 17 (3) This subsection covers a PPS lease if all of the following
18 conditions are satisfied:
- 19 (a) the lease does not secure payment or performance of an
20 obligation;
- 21 (b) paragraph (e) of the definition of *PPS lease* in subsection
22 13(1) applies to the lease;
- 23 (c) none of paragraphs (a) to (d) of the definition of *PPS lease* in
24 subsection 13(1) applies to the lease.
- 25 Example: A PPS lease of goods, if the property leased:
- 26 (a) does not secure payment or performance of an obligation; and
27 (b) may or must be described by serial number in accordance with
28 the regulations; and
29 (c) is for a term of between 90 days and 1 year.

30 **269 Certain lessors, bailors and consignors entitled to damages**

31 *Scope*

- 32 (1) This section applies if either of the following security interests is
33 vested in the grantor under section 267:
- 34 (a) a security interest of a consignor under a commercial
35 consignment (see paragraph 12(3)(b));

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1 (b) a security interest of a lessor or bailor under a PPS lease (see
2 paragraph 12(3)(c)).

3 *Entitlement to damages and compensation*

4 (2) The consignor, or lessor or bailor:

5 (a) is taken to have suffered damage immediately before the
6 event mentioned in paragraph 267(1)(a) (when the security
7 interest was vested in the grantor); and

8 (b) may recover an amount of compensation from the grantor
9 equal to the greater of the following amounts:

10 (i) the amount determined in accordance with the lease,
11 bailment or consignment;

12 (ii) the sum of the market value of the leased, bailed or
13 consigned property immediately before the day referred
14 to in paragraph 267(1)(b), and the amount of any other
15 damage or loss resulting from the termination of the
16 lease, bailment or consignment.

17 Note: The lessor, bailor or consignor may be able to prove the amount of
18 compensation in proceedings related to the bankruptcy or winding-up
19 of the grantor.
20

1 **Part 8.3—Exercise and discharge of rights, duties**
2 **and obligations**
3

4 **270 Guide to this Part**

5 This Part provides a right to recover damages for a failure to
6 discharge a duty or obligation imposed by this Act.

7 **271 Entitlement to damages for breach of duties or obligations**

- 8 (1) If a person fails to discharge any duty or obligation imposed on the
9 person by this Act:
10 (a) the person to whom the duty or obligation is owed; and
11 (b) any other person who can reasonably be expected to rely on
12 performance of the duty or obligation;
13 has a right to recover damages for any loss or damage that was
14 reasonably foreseeable as likely to result from the failure.
- 15 (2) Nothing in subsection (1) limits or affects any liability that a
16 person may incur under any of the following:
17 (a) a law of the Commonwealth, a State or a Territory;
18 (b) the general law.

19 **272 Liability for damages**

20 Despite section 271, none of the following persons is liable to an
21 action, suit or proceeding for damages for, or in respect of,
22 anything done honestly, or honestly omitted to be done, in the
23 exercise, or purported exercise, of any power conferred by this Act
24 or the regulations:
25 (a) the Commonwealth;
26 (b) the Registrar, or a delegate of the Registrar;
27 (c) a Deputy Registrar;
28 (d) the Minister;
29 (e) a Minister of a State or Territory, or another authority of a
30 State or Territory, in relation to the exercise or performance
31 of a power, duty or function pursuant to an agreement made

Section 273

- 1 for the purposes of section 118 (proceeding as if personal
2 property were land);
3 (f) a member of the Registrar's staff;
4 (g) a person who is acting as a member of the Registrar's staff;
5 (h) a person who is authorised to perform or exercise a function
6 or power of, or on behalf of, the Registrar.

7 **273 Application of Act not affected by secured party having title to**
8 **collateral**

9 The fact that title to collateral is in a secured party rather than a
10 grantor does not affect the application of any provision of this Act
11 relating to rights, duties, obligations and remedies.
12

1 **Part 8.4—Provision of information by secured**
2 **parties**
3

4 **274 Guide to this Part**

5 This Part enables an interested person to request a secured party
6 who holds a security interest in collateral to provide information
7 about the interest.

8 This Part sets out procedural rules for making, and complying with,
9 such requests.

10 **275 Secured party to provide certain information relating to**
11 **security interest**

12 *Requests for information*

- 13 (1) An interested person mentioned in subsection (9) may request a
14 secured party who holds a security interest in collateral to send or
15 make available to the interested person, or any other person, any of
16 the following:
17 (a) a copy of the security agreement that provides for the
18 security interest;
19 (b) a statement in writing setting out the amount or the obligation
20 that is secured by the security interest and the terms of
21 payment or performance of the obligation, as at the day
22 specified in the request;
23 (c) a written approval or correction of an itemised list of
24 personal property attached to the request indicating in which
25 items of property the security interest is granted, as at the day
26 specified in the request;
27 (d) a written approval or correction of the following attached to
28 the request, as at the day specified in the request:
29 (i) the amount or the obligation that is secured by the
30 security interest;
31 (ii) the terms of payment or performance of the obligation.

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1 (2) A request made under subsection (1) must specify an address to
2 which the information requested under that subsection must be sent
3 or at which the information must be made available.

4 (3) A request made in accordance with paragraph (1)(b), (c) or (d)
5 must not specify a day later than 20 business days after the day the
6 request is made.

7 Note: The period may be extended by a court under section 293.

8 *Compliance with request*

9 (4) Subject to subsections (5) and (6), a person who receives a request
10 made under subsection (1) must respond to the request.

11 Note 1: A person who receives a request but who no longer has a security
12 interest in collateral must respond to the request in accordance with
13 section 276.

14 Note 2: Section 277 deals with the time for responding to a request.

15 Note 3: A person who responds to a request might be prevented from denying
16 the accuracy etc. of information provided (see section 283).

17 (5) A secured party is not required to respond to a request made under
18 subsection (1) if the information requested under that subsection
19 must be, or has already been, made available to the person who
20 made the request, under any of the following:

- 21 (a) a law of the Commonwealth, a State or a Territory;
- 22 (b) the general law.

23 (6) A secured party is not required to respond to a request made under
24 subsection (1) if:

- 25 (a) subject to subsection (7), the secured party and the debtor
26 have agreed (the *confidentiality agreement*) in writing that
27 neither the secured party nor the debtor will disclose
28 information of the kind mentioned in subsection (1); or
- 29 (b) the response would contravene any of the following:
 - 30 (i) a law of the Commonwealth, a State or a Territory;
 - 31 (ii) the general law; or
- 32 (c) the response would disclose information that is protected
33 against disclosure by a duty of confidence.

34 (7) Paragraph (6)(a) does not apply if:

- 1 (a) the confidentiality agreement is made after the security
- 2 agreement that provides for the security interest is made; or
- 3 (b) at the time the request is received, the debtor is in default
- 4 under the security agreement; or
- 5 (c) the debtor, in writing, authorises the disclosure of the
- 6 information; or
- 7 (d) the grantor requests the secured party to give the information
- 8 to the grantor; or
- 9 (e) the request is made by an auditor of the grantor, if the grantor
- 10 is a body corporate.

11 (8) If:

- 12 (a) a request is made in accordance with paragraph (1)(c); and
- 13 (b) the secured party claims a security interest provided for by a
- 14 security agreement in any of the following:
 - 15 (i) all of the grantor's present and after-acquired property;
 - 16 (ii) all of the grantor's present and after-acquired property
 - 17 except for an item or class of personal property
 - 18 described in the security agreement;
 - 19 (iii) all of a specified class of personal property of the
 - 20 grantor;

21 the secured party may indicate this instead of approving or

22 correcting the itemised list of property.

23 *Interested persons*

- 24 (9) For the purposes of this section, the following persons are
- 25 interested persons:
 - 26 (a) the grantor in relation to the collateral in which the security
 - 27 interest is granted;
 - 28 (b) a person with another security interest in the collateral
 - 29 mentioned in paragraph (a);
 - 30 (c) an auditor of a grantor mentioned in paragraph (a), if the
 - 31 grantor is a body corporate;
 - 32 (d) an execution creditor with an interest in the collateral;
 - 33 (e) an authorised representative of any of the above.
- 34 (10) A secured party who receives a request made under subsection (1)
- 35 that purports to be made by an interested person may act as if the

Section 276

1 person is entitled to make the request, unless the secured party has
2 actual knowledge that the person is not entitled to make it.

3 **276 Obligation to disclose successor in security interest when**
4 **request made**

- 5 (1) This section applies if:
6 (a) a person makes a request under subsection 275(1); and
7 (b) the person (the *previously secured party*) to whom the
8 request was made no longer has a security interest in the
9 collateral.
- 10 (2) The previously secured party must respond to the request by
11 sending, or making available, to the person making the request the
12 name and address of:
13 (a) the immediate successor in interest; and
14 (b) the latest successor in interest (if known).

15 Note: Section 277 deals with the time for responding to a request.

16 **277 Time for responding to a request**

- 17 (1) A person required to respond to a request under section 275 or 276
18 must respond before the end of 10 business days after the day the
19 request is received.
- 20 (2) Subsection (1) does not apply if the person has been exempted
21 from responding to the request, or the time for responding to the
22 request has been extended, under section 278.

23 Note: The time for responding to a request may also be affected by
24 subsection 279(5) or section 281.

25 **278 Application to court for exemption or extension of time to**
26 **respond to requests**

- 27 (1) A person required to respond to a request under section 275 or 276
28 may apply to a court for an order:
29 (a) exempting the person (either wholly or partly) from
30 responding to the request; or
31 (b) extending the time for responding to the request.

1 Note: For which courts have jurisdiction, and for transfers between courts,
2 see Part 6.2.

3 (2) On application by the person for an order under paragraph (1)(a),
4 the court may make the order if it is satisfied that, in the
5 circumstances, it would be unreasonable for the person to respond
6 to the request.

7 (3) On application by the person for an order under paragraph (1)(b),
8 the court may make the order if it is satisfied that, in the
9 circumstances, it would be unreasonable for the person to respond
10 to the request:

11 (a) within the time allowed under section 277; or

12 (b) within the time (if any) ordered by a court under section 281.

13 **279 Persons may recover costs arising from request**

14 (1) A person required to respond to a request under section 275 or 276
15 may charge the person making the request a fee for providing
16 information in response to the request.

17 (2) A fee imposed under subsection (1) must not:

18 (a) exceed the reasonable marginal costs of providing the
19 information; or

20 (b) be such as to amount to taxation.

21 Note: Section 296 deals with the onus of proving matters under this
22 subsection.

23 (3) Despite subsection (1), a grantor mentioned in paragraph 275(9)(a),
24 or the grantor's authorised representative, who has requested
25 information under section 275, is entitled to be provided
26 information free of charge unless:

27 (a) that information has already been provided to the grantor or
28 the authorised representative under section 275 or 276 in
29 response to a request; and

30 (b) that request was made within the previous 6 months.

31 Note: Section 296 deals with the onus of proving matters under this
32 subsection.

33 (4) The grantor or the authorised representative is also entitled to be
34 provided information free of charge, despite subsection (3), if there

Section 280

1 has been a material change in the information since the information
2 was last provided to the grantor or the authorised representative.

3 Note: Section 296 deals with the onus of proving matters under this
4 subsection.

5 (5) A person is not required to respond to a request under section 275
6 or 276 if:

7 (a) the person imposes a fee under subsection (1) for providing
8 the information; and

9 (b) the fee has not been paid; and

10 (c) an order under section 281 that the person charge a nil
11 amount, or provide the information free of charge, has not
12 been made.

13 **280 Application to court for response to request etc.**

14 (1) A person who makes a request under section 275 may apply to a
15 court for an order under this section if the person required to
16 respond to the request has:

17 (a) not responded to the request:

18 (i) within the time specified in section 277; or

19 (ii) within the time ordered by the court under subsection
20 278(3) or section 281; or

21 (b) provided an incomplete or incorrect response; or

22 (c) refused to respond to the request because of subsection
23 275(5) or (6).

24 Note: For which courts have jurisdiction, and for transfers between courts,
25 see Part 6.2.

26 (2) On application, the court may make an order requiring the person
27 who received the request to:

28 (a) respond to the request within a specified period; or

29 (b) provide a complete and correct response within a specified
30 period.

31 **281 Application to court in relation to costs charged**

32 (1) A person (the *interested person*) who has requested information
33 under section 275 may apply to a court for an order if:

- 1 (a) the person required to respond to the request imposes a fee
2 under subsection 279(1) for providing the information; and
3 (b) the interested person:
4 (i) believes that the fee exceeds the reasonable marginal
5 costs of providing the information; or
6 (ii) if the interested person is a grantor or the grantor's
7 authorised representative—believes that the information
8 has not already been provided to the grantor or the
9 authorised representative in response to a request made
10 under section 275 within the previous 6 months; or
11 (iii) if the interested person is a grantor or the grantor's
12 authorised representative—believes that there has been
13 a material change in the information since the
14 information was last provided to the grantor or the
15 authorised representative.

16 Note: For which courts have jurisdiction, and for transfers between courts,
17 see Part 6.1.

- 18 (2) If the court is satisfied that the fee imposed under subsection
19 279(1) exceeds the reasonable marginal costs of providing the
20 information, the court may, on application by the interested person,
21 make an order:
22 (a) stating an amount (including a nil amount) that is to be
23 imposed as a fee; and
24 (b) stating a time within which the request must be responded to
25 after the fee has been paid.

26 Note: Section 296 deals with the onus of proving matters under this
27 subsection.

- 28 (3) If the court is satisfied that:
29 (a) the information has not already been provided to the grantor
30 or the grantor's authorised representative in response to a
31 request made under section 275 within the previous 6
32 months; or
33 (b) there has been a material change in the information since the
34 information was last provided to the grantor or the authorised
35 representative;
36 the court may, on application by the interested person, make an
37 order:

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- 1 (c) that the information be provided to the grantor, or the
2 authorised representative, free of charge; and
3 (d) stating a time within which the request must be responded to.

4 Note: Section 296 deals with the onus of proving matters under this
5 subsection.

6 *Consequential orders*

- 7 (4) If the court makes an order under this section, it may also make
8 any other consequential orders that it considers appropriate.

9 **282 Consequences of not complying with court order**

10 If a person fails to comply with a court order made under
11 section 280 or 281, the court may, on the application of the person
12 who made the request under section 275:

- 13 (a) make an order extinguishing the security interest to which the
14 request relates, together with an order requiring the Registrar
15 to register a financing change statement amending the
16 registration accordingly; or
17 (b) make such other orders as the court thinks necessary to
18 ensure compliance with the request.

19 **283 Estoppels against persons who respond to a request**

- 20 (1) For the purposes of this Act, a person who responds to a request
21 made under section 275 is prevented from denying any of the
22 things mentioned in subsection (2) of this section to any of the
23 following persons to the extent that that person relies on the
24 response:
25 (a) the person who makes the request;
26 (b) any other person who the person who responds to the request
27 actually knows will rely on the response.
- 28 (2) For the purposes of subsection (1), a person is prevented from
29 denying the following things:
30 (a) that a copy of a security agreement provided in response to a
31 request made in accordance with paragraph 275(1)(a) is a
32 true copy of the security agreement;

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- (b) if the person corrected information in response to a request made in accordance with paragraph 275(1)(b), (c) or (d):
 - (i) the accuracy of information provided in response to the request before the correction; or
 - (ii) the accuracy of the information provided in response to the request.

1 **Part 8.5—Notices and timing**
2

3 **284 Guide to this Part**

4 This Part deals with notices that must be given under this Act, and
5 how those notices must be given.

6 The Part also empowers a court to make an order extending a
7 period within which something under this Act must be done.

8 A reference to time in this Act is a reference to time by legal time
9 in the Australian Capital Territory.

10 **285 Application of this Part—notices etc.**

11 This Part does not apply to notices or other documents served or
12 given:

- 13 (a) in, or for the purposes of, any proceedings in a court or a
14 tribunal of the Commonwealth or a State or Territory; or
15 (b) in accordance with a procedure specified in a security
16 agreement for serving or giving notices or other documents.

17 **286 Notices—writing**

18 A notice or any other document required or permitted to be given
19 to any person for the purposes of this Act must be in writing.

20 Note: **Writing** may include the display or representation of words or data by
21 any form of communication, if recorded in a certain way (see
22 section 10).

23 **287 Notices—registered secured parties**

24 A notice or document required or permitted to be given, for the
25 purposes of this Act, to a person registered as a secured party must
26 be given to the person, by one of the following methods, at the
27 address specified in the registration for the giving of notices to the
28 person:

- 29 (a) leaving it at the address;

- 1 (b) sending it to the address by pre-paid post;
2 (c) sending it to the address by fax or by email.

3 Note: For the giving of verification statements by the Registrar, see
4 section 156.

5 **288 Notices—more than one registered secured party**

- 6 (1) This section applies if:
7 (a) a registration includes 2 or more secured parties; and
8 (b) a notice or document is required or permitted to be given to
9 each of the secured parties.
- 10 (2) The notice or document may be given to each of the secured parties
11 by giving a single notice in accordance with section 287.

12 **289 Notices etc. must be given to persons registered as secured**
13 **parties using identifier**

14 Despite anything in this Part, a notice or document is, for the
15 purposes of this Act, taken not to have been given to a person
16 registered as a secured party if:

- 17 (a) the Registrar approves a manner of including an identifier in
18 a notice or document; and
19 (b) an identifier is specified in the registration for the giving of
20 notices to the person; and
21 (c) the notice or document does not include the identifier in the
22 manner approved by the Registrar.

23 **290 Notices—deceased persons**

24 If a notice or document is required or permitted to be given to a
25 person for the purposes of this Act and the person is deceased, a
26 copy of the notice or document must be given to:

- 27 (a) the legal personal representative of the deceased person; or
28 (b) on application by the person giving the notice, such person as
29 a court directs.

30 Note: For which courts have jurisdiction, and for transfers between courts,
31 see Part 6.2.

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1 **291 Notices—Court orders**

- 2 (1) Despite anything in this Part, if a notice or other document is
3 required or permitted by this Act to be given to a person, a court
4 may, on application by a person who is required or permitted to
5 give the notice or document, make an order:
6 (a) directing that the notice or document be given in any manner
7 specified by the court; or
8 (b) dispensing with any requirement to give the notice or
9 document, either unconditionally or subject to conditions.
- 10 Note: For which courts have jurisdiction, and for transfers between courts,
11 see Part 6.2.
- 12 (2) In considering whether to make an order under subsection (1), the
13 court must have regard to the following matters:
14 (a) the efficient administration of this Act;
15 (b) any other matter that the court considers relevant.

16 **292 Notices—formal defects**

- 17 A notice purportedly given under this Act is not invalid as a result
18 of a formal defect or an irregularity, unless:
19 (a) a person applies to a court objecting on that ground; and
20 (b) the court is satisfied that substantial injustice has been caused
21 by the defect or irregularity; and
22 (c) the court is satisfied that the injustice cannot be remedied by
23 an order of the court.

24 **293 Timing—applications for extension of time**

- 25 (1) On application, a court may make an order extending the number
26 of business days in a period specified in the following provisions if
27 the court is satisfied that it is just and equitable to do so:
28 (a) paragraphs 62(3)(b) (perfection of purchase money security
29 interests);
30 (b) paragraphs 63(c) and (d) (priority between competing
31 purchase money security interests);
32 (c) paragraph 64(1)(b) (priority between non-purchase money
33 security interest and purchase money security interest);

- 1 (d) subsection 120(3) (payment of amount owed to secured party
2 in enforcing security interests in liquid assets);
3 (e) paragraphs 121(2)(e) and (5)(a) (notice to higher priority
4 parties and grantor of enforcement of liquid assets);
5 (f) subsection 127(4) (compliance with notice from higher
6 priority party);
7 (g) subsection 127(9) (payment of amount by higher priority
8 party);
9 (h) paragraph 130(2)(c) (notice of disposal of collateral);
10 (i) paragraphs 132(2)(a) and (6)(a) (giving statements of
11 account);
12 (j) paragraph 135(2)(a) (notice of retention of collateral);
13 (k) subsection 138(2) (giving proof of interest);
14 (l) subsection 151(3) (belief that collateral will secure
15 obligation);
16 (m) paragraph 166(2)(c) (when defect makes registration
17 ineffective);
18 (n) subsection 167(2) (application for amendment of
19 registration);
20 (o) subsection 182(2) (application for amendment after demand);
21 (p) subsection 275(3) (information required by request).
- 22 (2) The court may make the order even if the period has ended.
- 23 (3) In making an order to extend a period under subsection (1), the
24 court must take into account the following:
- 25 (a) whether the need to extend the period arises as a result of an
26 accident, inadvertence or some other sufficient cause;
27 (b) whether extending the period would prejudice the position of
28 any other secured parties or other creditors;
29 (c) whether any person has acted, or not acted, in reliance on the
30 period having ended.

31 **294 Timing—references to time in this Act**

- 32 (1) In this Act, a reference to a particular time is a reference to that
33 time by legal time in the Australian Capital Territory.

Section 294

- 1 (2) To avoid doubt, a reference to a particular time includes a
2 reference to a particular time by reference to the end of period.
3

1 **Part 8.6—Onus of proof and knowledge**

3 **295 Guide to this Part**

4 This Part provides that the onus of proving certain facts lies with
5 the person asserting those facts.

6 The Part also defines *constructive knowledge* and provides specific
7 rules about knowledge requirements relating to bodies corporate
8 and other entities and transfers between persons who have close
9 associations with each other.

10 **296 Onus of proof**

11 In a proceeding in Australia under this Act, the onus of proving the
12 following facts lies with the person asserting those facts:

- 13 (a) the fact that a security interest attaches to personal property;
- 14 (b) the fact that a security interest is perfected by registration;
- 15 (c) the fact that a person takes personal property free of a
16 security interest, except in relation to sections 43 and 47;
- 17 (d) the fact that a person takes personal property free of a
18 security interest under subsection 47(1);
- 19 (e) the fact that a person does not take personal property free of a
20 security interest under subsection 47(2);
- 21 (f) the fact that a person who purchases collateral pays at least
22 the market value of the collateral at the time of the purchase;
- 23 Note: See paragraph 129(3)(b).
- 24 (g) the fact that a person acquires personal property without
25 actual or constructive knowledge as mentioned in paragraph
26 267(3)(b);
- 27 (h) the fact that a fee referred to in subsection 279(1) does not
28 exceed the reasonable marginal costs of providing
29 information;

30 Note: See subsection 279(2).

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- 1 (i) the fact that information has been provided to a grantor or the
2 grantor's authorised representative under section 275 or 276
3 in response to a request made within the previous 6 months;
4 Note: See subsection 279(3).
- 5 (j) the fact that there has not been a material change in
6 information provided to a grantor or the grantor's authorised
7 representative since the information was last provided to the
8 grantor or the authorised representative;
9 Note: See subsection 279(4).
- 10 (k) the fact that the fee imposed under subsection 279(1) exceeds
11 the reasonable marginal costs of providing information;
12 Note: See subsection 281(2).
- 13 (l) the fact that:
14 (i) information has not been provided to the a grantor or a
15 grantor's authorised representative in response to a
16 request made under section 275 within the previous 6
17 months; or
18 (ii) there has been a material change in information since
19 the information was last provided to a grantor or a
20 grantor's authorised representative.
21 Note: See subsection 281(3).

22 **297 Meaning of *constructive knowledge***

23 For the purposes of this Act, a person (the *first person*) has
24 *constructive knowledge* of a circumstance if the first person would
25 have had actual knowledge of the circumstance if the first person
26 had:

- 27 (a) made the inquiries that would ordinarily have been made by
28 an honest and prudent person in the first person's situation;
29 or
30 (b) made the inquiries that would be made by an honest and
31 prudent person with the first person's actual knowledge in the
32 first person's situation.

1 **298 Actual or constructive knowledge by bodies corporate and other**
2 **entities**

3 (1) If it is necessary to establish that a body corporate has actual or
4 constructive knowledge of a particular circumstance, it is sufficient
5 to show:

6 (a) that a director, employee or agent of the body corporate,
7 being a director, employee or agent who is responsible for
8 acting on behalf of the body corporate in relation to such a
9 circumstance, had that knowledge; or

10 (b) that both of the following apply:

11 (i) the circumstance is communicated to a director,
12 employee or agent of the body corporate;

13 (ii) if the director, employee or agent had exercised
14 reasonable care, the circumstance would have been
15 brought to the attention of a director, employee or agent
16 of the body corporate who is responsible for acting on
17 behalf of the body corporate in relation to such a
18 circumstance.

19 (2) If it is necessary to establish that a person other than a body
20 corporate has actual or constructive knowledge of a particular
21 circumstance, it is sufficient to show:

22 (a) that an employee or agent of the person, being an employee
23 or agent who is responsible for acting on behalf of the person
24 in relation to such a circumstance, had that knowledge; or

25 (b) that both of the following apply:

26 (i) the circumstance is communicated to an employee or
27 agent of the person;

28 (ii) if the employee or agent had exercised reasonable care,
29 the circumstance would have been brought to the
30 attention of an employee or agent of the person who is
31 responsible for acting on behalf of the person in relation
32 to such a circumstance.

33 (3) Paragraphs (1)(b) and (2)(b) do not require a person to bring
34 information to the attention of another person unless:

35 (a) doing so is part of the person's regular duties; or

36 (b) the person has reason to know both of the following:

Section 299

- 1 (i) the transaction to which the circumstance relates;
2 (ii) that the transaction would be materially affected by the
3 information.

4 **299 Actual or constructive knowledge in relation to certain property**
5 **transfers**

- 6 (1) This section applies if:
7 (a) a person (the *transferee*) acquires personal property from
8 another person (the *transferor*); and
9 (b) any of the following applies:
10 (i) the transferee is a member of the same household as the
11 transferor;
12 (ii) the transferee is an associated entity (within the
13 meaning of the *Corporations Act 2001*) of the
14 transferor, or the transferor is such an associated entity
15 of the transferee;
16 (iii) the transferee is a director or officer (within the meaning
17 of the *Corporations Act 2001*) of the transferor, or the
18 transferor is such a director or officer of the transferee.
- 19 (2) For the purposes of this Act, the following is to be presumed,
20 unless the contrary is shown beyond reasonable doubt:
21 (a) the transferee had actual or constructive knowledge that the
22 acquisition constituted a breach of the security agreement
23 that provides for a security interest in the personal property;
24 (b) the transferee had actual or constructive knowledge of a
25 security interest in the personal property;
26 (c) value was not given by the transferee for the interest
27 acquired.

28 **300 Registration of data does not constitute constructive notice**

29 A person does not have notice, or actual or constructive
30 knowledge, about the existence or contents of a registration merely
31 because data in the registration is available for search in the
32 register.
33

1 **Part 8.7—Forms and regulations**

3 **301 Guide to this Part**

4 This Part enables the Registrar to approve forms for the purposes
5 of this Act. Broad parameters are set out for what may be required
6 by an approved form, including the way in which the form must be
7 given to another person.

8 This Part also empowers the Governor-General to make regulations
9 for this Act.

10 **302 Approved forms**

- 11 (1) This section applies if this Act requires or authorises something to
12 be in the approved form.
- 13 (2) To be in the *approved form*, the thing must:
- 14 (a) be in writing in a form approved by the Registrar; and
 - 15 (b) include the information, statements, explanations or other
16 matters required by the form approved for the purposes of
17 paragraph (a); and
 - 18 (c) include any other material (including documents) required by
19 that form; and
 - 20 (d) be given in accordance with any requirements specified by
21 the Registrar for the purpose.

22 **Note:** *Writing* may include the display or representation of words or data by
23 any form of communication, if recorded in a certain way (see
24 section 10).

25 **Example:** Examples of forms that could be approved (see paragraph (2)(a)) are
26 as follows:

- 27 (a) an interactive form provided on the internet;
- 28 (b) a communication exchange provided by an interactive voice
29 recognition telephone system;
- 30 (c) a digital communication enabling computer to computer
31 interaction.

- 32 (3) The Registrar may, by written instrument, approve a form for the
33 purposes of paragraph (2)(a).

Section 303

1 **303 Regulations**

- 2 The Governor-General may make regulations prescribing matters:
- 3 (a) required or permitted by this Act to be prescribed; or
- 4 (b) necessary or convenient to be prescribed for carrying out or
- 5 giving effect to this Act.
- 6

1 **Chapter 9—Transitional provisions**

2 **Part 9.1—Guide to this Chapter**

4 **304 Guide to this Chapter**

5 This Chapter deals with the way this Act will apply when the
6 positive rules established by this Act begin to operate. It also
7 provides for some other matters that will have less relevance over
8 time (fixed and floating charges, in Part 9.5), or a once-only
9 application (the review in Part 9.6).

10 Part 9.2 defines key concepts for the Chapter.

11 Part 9.3 deals with the initial application of this Act. Generally
12 speaking, the Act starts to apply at the **registration commencement**
13 **time**, which is 26 months after the Act is given the Royal Assent,
14 or an earlier time determined by the Minister.

15 Part 9.4 contains provisions that relate to transitional security
16 interests. These are interests in existence at the registration
17 commencement time or arising afterwards under security
18 agreements made before the registration commencement time.

19 This includes rules for determining priority between these interests
20 and the vesting and extinguishment of interests in some situations.

21 Part 9.4 also deals with the migration of data from existing
22 Commonwealth, State and Territory registers onto the Personal
23 Property Securities Register.

24 Part 9.5 contains specific rules relating to fixed and floating
25 charges.

26 Part 9.6 provides for an independent review of the operation of the
27 Act 3 years after its enactment.

1 **Part 9.2—Key concepts**
2

3 **305 Guide to this Part**

4 This Part contains definitions of the following terms used in this
5 Chapter (and elsewhere in this Act):

- 6 (a) migration time;
7 (b) registration commencement time;
8 (c) transitional security agreement;
9 (d) transitional security interest.

10 **306 Meaning of *migration time* and *registration commencement time***

11 *Migration time*

- 12 (1) For the purposes of this Act, the *migration time* is:
13 (a) the start of the first day of the month that is 25 months after
14 the month in which this Act is given the Royal Assent; or
15 (b) an earlier time determined by the Minister.

16 Example: If this Act were given the Royal Assent on 10 December 2009, the
17 migration time under paragraph (a) would be the start of 1 January
18 2012.

19 *Registration commencement time*

- 20 (2) For the purposes of this Act, the *registration commencement time*
21 is at:
22 (a) the start of the first day of the month that is 26 months after
23 the month in which this Act is given the Royal Assent; or
24 (b) an earlier time determined by the Minister.

25 Example: If this Act were given the Royal Assent on 10 December 2009, the
26 registration commencement time under paragraph (a) would be the
27 start of 1 February 2012.

- 1 (3) The Minister may only determine a time for the purposes of
2 paragraph (2)(b) that is on a day that is at least 28 days after the
3 day on which the migration time occurs.
- 4 (4) If the Minister determines earlier times for both the migration time
5 and the registration commencement time, the Minister may, after
6 the migration time, make a further determination for the purposes
7 of paragraph (2)(b) that has the effect of providing for a later
8 registration commencement time.
- 9 Note: The registration commencement time determined by the further
10 determination must be no later than the time mentioned in
11 paragraph (2)(a), and at least 28 days after the day on which the
12 migration time occurs.
- 13 (5) The Minister may, by written instrument, determine a time for the
14 purposes of paragraph (1)(b) or (2)(b) (including a determination
15 mentioned in subsection (4)).
- 16 (6) A determination made under subsection (5) is a legislative
17 instrument, but section 42 (disallowance) of the *Legislative*
18 *Instruments Act 2003* does not apply to the determination.

19 **307 Meaning of *transitional security agreement***

20 In this Act:

21 ***transitional security agreement*** means a security agreement, if:

- 22 (a) the security agreement was in force immediately before the
23 registration commencement time; and
24 (b) this Act would have applied in relation to a security interest
25 provided for by the security agreement immediately before
26 the registration commencement time, but for section 310.

27 Note: Section 310 provides that this Act only starts to apply in relation to
28 security interests at the registration commencement time.

29 **308 Meaning of *transitional security interest***

30 In this Act:

31 ***transitional security interest*** means a security interest provided for
32 by a transitional security agreement, if:

Section 308

- 1 (a) in the case of a security interest arising before the registration
2 commencement time—this Act would have applied in
3 relation to the security interest immediately before the
4 registration commencement time, but for section 310; or
5 (b) in the case of a security interest arising at or after the
6 registration commencement time:
7 (i) the transitional security agreement as in force
8 immediately before the registration commencement time
9 provides for the granting of the security interest; and
10 (ii) this Act applies in relation to the security interest.
- 11 Note: Section 310 provides that this Act only starts to apply to security
12 interests at the registration commencement time.
13

1 **Part 9.3—Initial application of this Act**
2

3 **309 Guide to this Part**

4 This Act starts to apply to the following at the registration
5 commencement time (26 months after the Act is given the Royal
6 Assent, or an earlier time determined by the Minister):

- 7 (a) new security agreements;
8 (b) security interests arising after commencement;
9 (c) transitional security agreements and interests;
10 (d) new interests in personal property;
11 (e) prescribed personal property;
12 (f) migrated personal property data from
13 Commonwealth, State and Territory registers.

14 Special provision is made for the following:

- 15 (a) the enforceability of transitional security interests;
16 (b) certain declared statutory interests;
17 (c) intellectual property licences;
18 (d) the enforcement generally of security agreements;
19 (e) the starting time for registrations;
20 (f) governing laws (under Part 7.2);
21 (g) constitutional and non-constitutional interests;
22 (h) charges, and fixed and floating charges.

Section 310

1 **310 When this Act starts to apply, and in relation to which matters**

2 Subject to this Part and Part 9.4, this Act starts to apply at the
3 registration commencement time in relation to the following
4 matters:

- 5 (a) a security agreement made at or after the registration
6 commencement time;
- 7 (b) a security interest (other than a transitional security interest)
8 arising at or after the registration commencement time;
- 9 (c) a transitional security agreement;
- 10 (d) a transitional security interest (whether arising before, at or
11 after the registration commencement time);
- 12 (e) an interest in personal property (other than a security interest)
13 arising at or after the registration commencement time;
- 14 (f) personal property of a kind prescribed by regulations made
15 for the purposes of paragraph 148(c);
- 16 (g) personal property, if data in relation to the property is given
17 to the Registrar as mentioned in section 330 or 331 (data in
18 transitional registers).

19 **311 Enforceability of transitional security interests against third**
20 **parties**

21 Despite section 20, a transitional security interest is enforceable
22 against a third party in respect of particular personal property if it
23 would have been so enforceable immediately before the
24 registration commencement time.

25 **312 Declared statutory security interests**

26 Section 73 (priority between security interests and declared
27 statutory interests) applies in relation to an interest in collateral
28 only if the interest is created, arises or is provided for under one of
29 the following at or after the registration commencement time:

- 30 (a) a law of the Commonwealth, a State or a Territory;
- 31 (b) the general law.

1 **313 Enforcement of security interests in intellectual property**
2 **licences**

3 Section 106 (security interests in intellectual property licences)
4 applies only in relation to security interests in intellectual property
5 licences that are made at or after the registration commencement
6 time.

7 **314 Enforcement of security interests provided for by security**
8 **agreements**

9 Chapter 4 (enforcement of security interests) applies only in
10 relation to security interests provided for by security agreements
11 made at or after the registration commencement time.

12 **315 Starting time for registrations**

13 (1) A person may only apply to the Registrar for the registration of a
14 financing statement or a financing change statement at or after the
15 registration commencement time.

16 (2) The Registrar may only register a financing statement or a
17 financing change statement (whether on application by a person or
18 at the Registrar's initiative) at or after the registration
19 commencement time.

20 Note: However, the Registrar may, before the registration commencement
21 time, register a financing statement or a financing change statement
22 under Division 6 (migrated security interests) or Division 7
23 (preparatory registration) of Part 9.4.

24 **316 Governing laws**

25 Part 7.2 (Australian laws and those of other jurisdictions) applies
26 only in relation to security interests in collateral (other than
27 transitional security interests) that arise at or after the registration
28 commencement time.

29 **317 Constitutional and non-constitutional interests**

30 (1) Section 251 (when a non-constitutional security interest becomes a
31 constitutional security interest) applies only in relation to security

Section 318

1 interests in collateral (other than transitional security interests) that
2 arise at or after the registration commencement time.

3 (2) Section 252 (priority between non-constitutional security interests
4 and constitutional security interests) applies only in relation to
5 security interests in collateral, in relation to which this Act does not
6 operate, that arise at or after the registration commencement time.

7 **318 References to charges and fixed and floating charges**

8 Part 9.5 (charges and fixed and floating charges) applies only:

- 9 (a) in the case of a reference to a charge, a fixed charge or a
10 floating charge in a law of the Commonwealth (whether the
11 law is made before, at or after the registration
12 commencement time)—in relation to a security interest (other
13 than a transitional security interest) arising at or after the
14 registration commencement time; or
15 (b) in the case of a reference to a charge, a fixed charge or a
16 floating charge in a security agreement—in relation to a
17 security agreement made at or after the registration
18 commencement time.
19

1 **Part 9.4—Transitional application of this Act**

2 **Division 1—Introduction**

3 **319 Guide to this Part**

4 This Part deals with the transitional application of this Act.

5 Division 2 is about the determination of priority between a
6 transitional security interest and another security interest when
7 priority must be determined because of insolvency or bankruptcy,
8 or because of registration. The Division also includes rules about
9 attachment and perfection of the security interest.

10 Division 3 is about the determination of priority between a
11 transitional security interests and another security interest when
12 priority must be determined other than because of an insolvency or
13 bankruptcy, or because of registration.

14 Divisions 4 and 5 deal with when collateral is taken free of a
15 transitional security interest, and the vesting of unperfected
16 transitional security interests in certain situations.

17 Division 6 is about the migration of data about personal property
18 from Commonwealth, State and Territory registers onto the
19 Personal Property Securities Register.

20 Division 7 provides for preparatory registration with respect to
21 transitional security interests in anticipation of the commencement
22 of the Personal Property Securities Register.

23 Division 8 provides rules for dealing with defective registrations
24 with respect to transitional securities interests.
25

Section 320

1 **Division 2—Priority protection for certain transitional**
2 **security interests**

3 **320 Scope**

4 *Insolvency/bankruptcy*

- 5 (1) This Division applies to a transitional security interest in collateral
6 if:
7 (a) the priority between the transitional security interest in the
8 collateral and another security interest in the same collateral
9 comes to be determined under this Act; and
10 (b) that priority comes to be determined because of an
11 insolvency or bankruptcy.

12 *Registration*

- 13 (2) This Division also applies to a transitional security interest in
14 collateral if subsection (3) or (4) is satisfied in relation to the
15 transitional security interest in collateral and another security
16 interest in the same collateral.
- 17 (3) This subsection is satisfied if:
18 (a) collateral is covered by a transitional security agreement; and
19 (b) a registration is, or has been, effective with respect to the
20 collateral before the end of the month that is 24 months after
21 the registration commencement time (even if the registration
22 is no longer effective); and
23 (c) that registration discloses that the collateral is covered by a
24 transitional security agreement; and
25 (d) a transitional security interest (other than a migrated security
26 interest) in the collateral arises under the transitional security
27 agreement (whether the interest arises before, at or after the
28 registration time for the collateral); and
29 (e) the priority between the transitional security interest in the
30 collateral and another security interest in the same collateral
31 comes to be determined under this Act.
- 32 (4) This subsection is satisfied if:
33 (a) collateral is covered by a transitional security agreement; and
-

- 1 (b) a registration is, or has been, effective with respect to the
2 collateral under section 333 (migrated data) (even if the
3 registration is no longer effective); and
4 (c) a transitional security interest in the collateral that is a
5 migrated security interest has arisen under the transitional
6 security agreement; and
7 (d) the priority between the migrated security interest in the
8 collateral and another security interest in the same collateral
9 comes to be determined under this Act.

10 *Exception*

- 11 (5) This Division does not apply to a transitional security interest of a
12 class prescribed by regulations made for the purposes of this
13 section.

14 **321 Priority protected transitional security interests—attachment**
15 **rule**

16 The transitional security interest is taken to have attached to the
17 collateral immediately before the registration commencement time.

18 **322 Priority protected transitional security interests—temporary**
19 **perfection rule (non-migrated security interests)**

20 *Transitional security interest temporarily perfected*

- 21 (1) Unless the transitional security interest is a migrated security
22 interest, the interest is temporarily perfected for the period starting
23 immediately before the registration commencement time and
24 ending at the earlier of the following times:
25 (a) if the interest has been perfected apart from under this
26 subsection—the time when the interest would stop being
27 continuously perfected (whether under Part 5.4, or for any
28 other reason) if it were not perfected under this subsection;
29 (b) the end of the month that is 24 months after the registration
30 commencement time.

Section 323

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Transitional security interest becomes unperfected

- (2) However, if paragraph (1)(b) applies, the transitional security interest becomes unperfected at the time mentioned in paragraph (1)(b), unless the transitional security interest is perfected otherwise than under this section before that time.

323 Priority protected transitional security interests—perfection by registration (migrated security interests)

Migrated security interests taken to be perfected by registration

- (1) If the transitional security interest is a migrated security interest, the interest is taken to be perfected by registration for the period starting immediately before the registration commencement time and ending at the earlier of the following times:
 - (a) the time when the interest stops being continuously perfected (whether because the registration stops being effective under Part 5.4, or for any other reason);
 - (b) the end time included in the registration under subsection 333(3).

Note: A registration may stop being effective under Part 5.4 at the registered end time. The registration may be amended under Part 5.3 to change the registered end time.

Migrated security interests becomes unperfected

- (2) However, the migrated security interest becomes unperfected at the end of the period mentioned in subsection (1), unless the migrated security interest is perfected otherwise than under this section before the end of that period.

324 Priority protected transitional security interests—priority between interests

Scope

- (1) This section applies if the priority between 2 transitional security interests to which this Division applies comes to be determined under this Act in relation to the same collateral.

1 Note: For priority involving a transitional security interest to which this
 2 Division does not apply, see section 326.

3 *During perfection period*

4 (2) If the priority between 2 transitional security interests mentioned in
 5 an item in the following table comes to be determined under this
 6 Act during the period to which the item applies, the security
 7 interests have the priority between themselves that they would
 8 have had under the law that applied to such priority immediately
 9 before the registration commencement time, and as if this Act had
 10 not been enacted:

11

Priority between transitional security interests during perfection period

Item	Transitional security interests	Priority period
1	2 transitional security interests (other than migrated security interests) in the same collateral	The shorter of the following periods: (a) the period mentioned in subsection 322(1) for the first transitional security interest; (b) the period mentioned in subsection 322(1) for the other transitional security interest.
2	A transitional security interest (other than a migrated security interest) and a migrated security interest in the same collateral	The shorter of the following periods: (a) the period mentioned in subsection 322(1) for the transitional security interest that is not a migrated security interest; (b) the period mentioned in section subsection 323(1) for the migrated security interest.
3	2 migrated security interests in the same collateral	The shorter of the following periods: (a) the period mentioned in subsection 323(1) for the first migrated security interest; (b) the period mentioned in subsection 323(1) for the other migrated security interest.

12 Note: A migrated security interest is a type of transitional security interest
 13 (see section 332).

Section 325

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After perfection period

- (3) If the priority between 2 transitional security interests mentioned in an item in the table in subsection (2) comes to be determined under this Act at a time after the end of the period to which the item applies:
 - (a) the security interests have the priority between themselves that is determined under this Act (apart from this section); but
 - (b) if the application of paragraph (a) would not result in either security interest having priority over the other—the security interests have the priority between themselves that they would have had under the law that applied to such priority immediately before the registration commencement time, and as if this Act had not been enacted.

325 Priority protected transitional security interests—migrated security interests and acquisition of property

Scope

- (1) This section applies if:
 - (a) this Division applies to a migrated security interest by virtue only of subsection 320(4) (migrated security interests); and
 - (b) the operation of this Division in relation to the determination of priority between the migrated security interest and another security interest (whatever the nature of the other security interest) in relation to the same collateral would result in an acquisition of property from a person otherwise than on just terms.

Priority as if this Act had not been enacted

- (2) The migrated security interest and the other security interest have the priority between themselves that they would have had under the law that applied to such priority immediately before the registration commencement time, and as if this Act had not been enacted.

1 **Division 3—Non-protected priority for other transitional**
2 **security interests**

3 **326 Non-protected priority—general rule**

4 *Scope*

5 (1) This section applies if:

- 6 (a) Division 2 does not apply to a transitional security interest in
7 collateral; and
8 (b) the priority between the transitional security interest in the
9 collateral and another security interest (the *competing*
10 *security interest*) in the same collateral comes to be
11 determined under this Act.

12 Note: For when Division 2 applies to a transitional security interest, see
13 section 320.

14 (2) This section applies to a competing security interest:

- 15 (a) whether or not the competing security interest is a transitional
16 security interest; and
17 (b) if the competing security interest is a transitional security
18 interest—whether or not the competing security interest:
19 (i) is a migrated security interest; or
20 (ii) is a security interest to which Division 2 applies.

21 *Priority rule*

22 (3) The transitional security interest and the competing security
23 interest in the collateral have the priority between themselves that
24 they would have had under the law that applied to such priority
25 immediately before the registration commencement time, and as if
26 this Act had not been enacted.
27

Section 327

1 **Division 4—Taking free and vesting of transitional security**
2 **interests in certain situations**

3 **327 Scope**

4 *Insolvency/bankruptcy*

- 5 (1) This Division applies to a transitional security interest in collateral
6 at a particular time if, at the time, a secured party, grantor or debtor
7 in relation to the security interest is insolvent or bankrupt.

8 *Registration*

- 9 (2) This Division also applies to a transitional security interest in
10 collateral at a particular time (the *applicable time*) if subsection (3)
11 or (4) is satisfied at that time.
- 12 (3) This subsection is satisfied if:
13 (a) collateral is covered by a transitional security agreement; and
14 (b) a registration is, or has been, effective with respect to the
15 collateral (even if the registration is no longer effective); and
16 (c) that registration discloses that the collateral is covered by a
17 transitional security agreement; and
18 (d) before the applicable time, a transitional security interest in
19 the collateral arises under the transitional security agreement
20 (whether the interest arises before, at or after the registration
21 time for the collateral).
- 22 (4) This subsection is satisfied if:
23 (a) collateral is covered by a transitional security agreement; and
24 (b) a registration is effective with respect to the collateral under
25 section 333 (migrated data); and
26 (c) a secured party applies for:
27 (i) a new registration for the collateral; or
28 (ii) an amendment of the registration that was made under
29 section 333; and
30 (d) as a result of the application, the Registrar has registered a
31 financing statement, or a financing change statement, to give

- 1 effect to, or to amend, the registration (even if the registration
2 is no longer effective); and
3 (e) the registration mentioned in paragraph (d) discloses that the
4 collateral is covered by a transitional security agreement; and
5 (f) a transitional security interest in the collateral that is a
6 migrated security interest has arisen under the transitional
7 security agreement.

8 **328 Rules about taking free and vesting**

9 If this Division applies to a transitional security interest:

- 10 (a) a provision of this Act by force of which a person takes
11 collateral free of a security interest applies in relation to the
12 transitional security interest at the applicable time; and
13 (b) in the circumstances set out in subsection 267(1),
14 sections 267, 268 and 269 apply to the interest at the
15 applicable time.

16 Note: Sections 267, 268 and 269 provide for unperfected security interests to
17 vest in the grantor in the circumstances described in subsection
18 267(1).
19

Section 329

1 **Division 5—Taking free and vesting of transitional security**
2 **interests in other situations**

3 **329 Existing rules to apply in other situations**

4 If Division 4 (taking free etc. of transitional security interests on
5 insolvency, bankruptcy or registration) does not apply to a
6 transitional security interest in collateral:

- 7 (a) the law that would have applied immediately before the
8 registration commencement time in relation to taking the
9 collateral free of the security interest continues to apply in
10 relation to taking the collateral free of the security interest at
11 or after that time, as if this Act had not been enacted; and
12 (b) in the circumstances set out in subsection 267(1), the law that
13 would have applied immediately before the registration
14 commencement time in relation to the interest continues to
15 apply in relation to the interest at or after that time as if this
16 Act had not been enacted.

17 Note: Sections 267, 268 and 269 would otherwise provide for
18 unperfected security interests to vest in the grantor in the
19 circumstances described in subsection 267(1).
20

1 **Division 6—Migration of personal property interests**

2 **330 Scope of Division**

3 This Division applies if, at or after the migration time, and before
4 the registration commencement time:

- 5 (a) an officer or agency of the Commonwealth, a State or a
6 Territory gives the Registrar data, in relation to personal
7 property, that is held by the officer or agency in a register (a
8 *transitional register*) maintained under a law of the
9 Commonwealth, a State or a Territory; and
10 (b) the data is given in the approved form; and
11 (c) the Registrar accepts the data.

12 **331 Requirement for Commonwealth officers etc. to provide data**

13 Upon a written request by the Registrar at or after the migration
14 time, and before the registration commencement time, an officer of
15 the Commonwealth, or the person in charge of an agency of the
16 Commonwealth, must give the Registrar, in the approved form,
17 data held by the officer or the agency in a transitional register.

18 **332 Meaning of *migrated security interest***

19 An interest in personal property is a *migrated security interest* in
20 the personal property if all the following conditions are met in
21 relation to the interest:

- 22 (a) it is a transitional security interest in the personal property;

23 Note: Transitional security interests are security interests that arise
24 under security agreements made before the registration
25 commencement time, to which this Act will apply at the
26 registration commencement time (see sections 307, 308 and 310).

- 27 (b) data in a transitional register in relation to the property is:

28 (i) given to the Registrar as mentioned in section 330 or
29 331; and

30 (ii) accepted by the Registrar;

- 31 (c) a registration in that transitional register in relation to the
32 property was effective immediately before the time the data
33 was given to the Registrar;

Section 333

- 1 (d) the registration in a transitional register was duly authorised
2 by the law under which the register was maintained.

3 **333 Registration with respect to migrated data**

4 *Determination of registrable personal property*

- 5 (1) At or after the migration time, and before the registration
6 commencement time, the Registrar may, by legislative instrument,
7 determine a class of personal property to be registrable if:
8 (a) data in a transitional register in relation to personal property
9 of that class is given to the Registrar as mentioned in
10 section 330 or 331; and
11 (b) registrations in that transitional register with respect to
12 personal property of that class were effective immediately
13 before the time the data was given to the Registrar.

14 *Registration of determined personal property*

- 15 (2) If, in the opinion of the Registrar, personal property is in a
16 determined class, the Registrar may register a financing statement
17 with respect to the property at or after the migration time, and
18 before the registration commencement time.

19 Note: The Registrar must give a verification statement to each secured party
20 after the registration of a financing statement (see section 156).

21 *Matters to be included in registered data*

- 22 (3) If, in the opinion of the Registrar, a financing statement under
23 subsection (2) describes personal property that is the subject of a
24 transitional security agreement, without limiting any other matters
25 that may be included, the Registrar must, in the statement:
26 (a) include an end time for the effective registration in respect of
27 the personal property; and
28 (b) disclose that:
29 (i) the personal property is covered by a transitional
30 security agreement; and
31 (ii) the transitional security agreement provides for a
32 security interest that is a migrated security interest.

- 1 (4) The end time to be included in the registered financing statement is
2 the time at which, in the opinion of the Registrar, the registration of
3 the interest in the personal property in the transitional register
4 would have ended in accordance with the law under which the
5 transitional register was maintained (as in force immediately before
6 the migration time).

7 **334 Incorrectly registered migrated data**

8 *Incorrectly registered data taken never to have been registered*

- 9 (1) If data is registered with respect to personal property in a financing
10 statement under subsection 333(2) on the basis that the property is
11 in a class determined under subsection 333(1), but the personal
12 property is not, in fact, in the determined class, this Act applies as
13 if the data is not, and never has been, included in the register.

14 *Removal of data*

- 15 (2) Before a time determined under subsection (3), the Registrar may
16 (at his or her initiative) register a financing change statement to
17 remove data from the register, if the Registrar becomes satisfied
18 that subsection (1) applies to the data.
- 19 (3) The Registrar may, by legislative instrument, determine a time for
20 the purposes of subsection (2).

21 Note 1: Incorrectly removed data may be restored under section 186.

22 Note 2: Application may be made to the Administrative Appeals Tribunal for
23 review of the Registrar's decision under subsection (2) (see
24 section 191).

25 **335 No requirement for notice of verification statement**

26 Section 157 does not apply in relation to a verification statement
27 that relates to a registration event consisting of the registration of a
28 financing statement under section 333 or a financing change
29 statement under section 334.

30 Note: Section 157 requires the holder of a verification statement to ensure
31 that notice of the verification statement is given to certain persons.
32

Section 336

1 **Division 7—Preparatory registration relating to**
2 **transitional security interests**

3 **336 Preparatory registration—transitional security interests**

4 *Scope*

- 5 (1) This section applies if, at or after the migration time, and before the
6 registration commencement time:
- 7 (a) a person applies to the Registrar for the registration of a
8 financing statement that describes collateral (or a financing
9 change statement amending such a financing statement); and
 - 10 (b) the application is in the approved form; and
 - 11 (c) the Registrar is satisfied on reasonable grounds that a
12 transitional security interest will (whether before, at or after
13 the registration commencement time) be:
 - 14 (i) attached to the collateral; and
 - 15 (ii) held by the person.

16 *Registration*

- 17 (2) Chapter 5 (Registration) applies in relation to the application for
18 registration, and the registration of the financing statement (or
19 financing change statement), subject to this section.
- 20 (3) The Registrar may register a financing statement that describes the
21 collateral (or a financing change statement amending such a
22 financing statement), in accordance with the application, at or after
23 the migration time, and before the registration commencement
24 time.

25 Note: The Registrar must give a verification statement to each secured party
26 after the registration of a financing statement (see section 156).

- 27 (4) The registration must disclose that the collateral is covered by a
28 transitional security agreement.

- 29 (5) The **registration time** for the collateral is immediately before the
30 registration commencement time.

31 Note: See Division 2 for other perfection and priority rules that apply to the
32 transitional security interest.

1 **Division 8—Transitional security interests: registration**
2 **defects**

3 **337 Registration continues despite certain defects**

4 *Scope*

- 5 (1) This section applies if:
- 6 (a) a registration describes collateral covered by a transitional
7 security agreement; and
 - 8 (b) the registration would not, apart from this section, be
9 effective in respect of the collateral because of a defect (a
10 *section 165 defect*) mentioned in section 165 that arises at a
11 particular time (the *defect time*); and
 - 12 (c) the transitional security agreement has given rise to a
13 transitional security interest; and
 - 14 (d) the Registrar determines that registrations in a particular class
15 are effective despite section 165 defects that are stated in the
16 determination; and
 - 17 (e) the determination applies to the registration mentioned in
18 paragraph (a).
- 19 (2) The Registrar may, by legislative instrument, make a determination
20 for the purposes of paragraph (1)(d).

21 *Registration temporarily unaffected by the defect*

- 22 (3) Despite sections 164 and 165, the section 165 defect does not make
23 the registration ineffective for the period starting at the defect time
24 and ending at the following time:
- 25 (a) unless the transitional security interest is a migrated security
26 interest—the end of the month that is 36 months after the end
27 of the period mentioned in subsection 322(1);
 - 28 (b) if the transitional security interest is a migrated security
29 interest—the end time included in the registration under
30 subsection 333(3).

Chapter 9 Transitional provisions

Part 9.4 Transitional application of this Act

Division 8 Transitional security interests: registration defects

Section 337

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Registration becomes ineffective

- (4) However, the registration becomes ineffective under sections 164 and 165 because of the defect immediately after the time mentioned in subsection (3), unless, at or before that time, the registration is amended to correct the defect.

1 **Part 9.5—Charges and fixed and floating charges**
2

3 **338 Guide to this Part**

4 This Part contains special rules dealing with references to charges
5 and fixed and floating charges in this Act and in security
6 agreements.

7 These rules are expected to have less relevance over time, as the
8 scheme provided for by this Act provides an alternative to reliance
9 on those techniques for security interest transactions.

10 **339 References to charges and fixed and floating charges**

- 11 (1) This section applies in relation to a reference to a charge, a fixed
12 charge, or a floating charge, over property in a law of the
13 Commonwealth, or in a security agreement, but only to the extent
14 that:
15 (a) the charge referred to has attached to personal property; and
16 (b) title to the personal property to which the charge has attached
17 is in the grantor.
- 18 (2) This section does not apply in relation to:
19 (a) paragraphs 12(2)(a) and (b), or subsection 19(4); or
20 (b) a reference to a charge, a fixed charge, or a floating charge, if
21 the charge referred to is a perfected security interest that is
22 provided for by a transfer of an account or chattel paper.
- 23 (3) A reference to a charge over property is taken to be a reference to a
24 security interest that has attached to:
25 (a) a circulating asset; or
26 (b) personal property that is not a circulating asset.
- 27 (4) A reference to a fixed charge over property is taken to be a
28 reference to a security interest that has attached to personal
29 property that is not a circulating asset.

Section 340

- 1 (5) A reference to a floating charge over property is taken to be a
2 reference to a security interest that has attached to a circulating
3 asset.

4 **340 Meaning of *circulating asset***

5 *General definition*

- 6 (1) For the purposes of this Act, if a grantor grants a security interest
7 in personal property to a secured party, the personal property is a
8 ***circulating asset*** if:
9 (a) the personal property is covered by subsection (5) (unless
10 subsection (2) or (3) applies); or
11 (b) in any other case—the secured party has given the grantor
12 express or implied authority for any transfer of the personal
13 property to be made, in the ordinary course of the grantor’s
14 business, free of the security interest.

15 *Exceptions*

- 16 (2) Despite paragraph (1)(a), personal property covered by
17 subsection (5) is not a ***circulating asset*** if:
18 (a) an effective registration with respect to the property, in
19 relation to the grantor, discloses, in accordance with the
20 regulations, that the secured party has control of the personal
21 property; and
22 (b) the secured party has control of the personal property.

23 Note: For the meaning of ***control*** in relation to an ADI account, inventory
24 and an account that is proceeds of inventory, see sections 25 and 341
25 respectively.

- 26 (3) Despite subsection (1), personal property covered by subsection (5)
27 is not a ***circulating asset*** if:
28 (a) the personal property is goods; and
29 (b) the security interest is perfected by possession.
30 (4) For the purposes of paragraph (1)(b), personal property is not a
31 ***circulating asset*** merely because the secured party has given
32 express authority to transfer specific personal property, or a
33 specific class of personal property, free of a security interest.

1 *Personal property covered by this section*

- 2 (5) This section covers the following personal property:
- 3 (a) an account that arises from granting a right, or providing
- 4 services, in the ordinary course of a business of granting
- 5 rights or providing services of that kind (whether or not the
- 6 account debtor is the person to whom the right is granted or
- 7 the services are provided);
- 8 (b) an account that is the proceeds of inventory;
- 9 (c) an ADI account (other than a term deposit);
- 10 (d) currency;
- 11 (e) inventory;
- 12 (f) a negotiable instrument.

13 Example: An example of an account mentioned in paragraph (a) is an account

14 that is a credit card receivable.

15 **341 Control of inventory and accounts**

16 *Control of inventory*

- 17 (1) For the purposes of determining whether inventory is a circulating
- 18 asset under section 340, a secured party has **control** of the
- 19 inventory if:
- 20 (a) the secured party and the grantor have agreed in writing that
- 21 the grantor:
- 22 (i) will specifically appropriate the inventory to the
- 23 security interest; and
- 24 (ii) will not remove any specifically appropriated inventory
- 25 without previously obtaining the specific and express
- 26 authority of the secured party to do so; and
- 27 (b) the grantor's usual practice is to comply with the agreement.

28 *Control of accounts*

- 29 (2) For the purposes of determining whether an account is a circulating
- 30 asset under section 340, a secured party has **control** of the
- 31 following kinds of accounts (the **relevant account**) in the
- 32 circumstances set out in subsections (3) and (4):
- 33 (a) an account mentioned in paragraph 340(5)(a);

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- 1 (b) an account that is the proceeds of inventory.
- 2 (3) The secured party has *control* of the relevant account if:
- 3 (a) the secured party, and the person to whom the relevant
- 4 account is owed, have agreed in writing that amounts paid in
- 5 discharge of the relevant account must be deposited into a
- 6 specified ADI account; and
- 7 (b) the usual practice is for such amounts to be so deposited; and
- 8 (c) the secured party controls the ADI account; and
- 9 (d) depositing any such amounts into the specified ADI account
- 10 does not result in any person coming under a present liability
- 11 to pay:
- 12 (i) the person to whom the relevant account is owed; or
- 13 (ii) if the person to whom the relevant account is owed is a
- 14 body corporate—a related body corporate (within the
- 15 meaning of the *Corporations Act 2001*).
- 16 (4) If the secured party is a transferee of the relevant account, the
- 17 secured party has *control* of the relevant account if payment by the
- 18 account debtor to the secured party would discharge the obligation
- 19 of the account debtor under subsection 80(8) to the extent of the
- 20 payment.
- 21 *Section does not limit meaning of control*
- 22 (5) This section does not limit when a secured party has control
- 23 (within the meaning of Part 2.3) of inventory or an account for the
- 24 purposes of determining whether inventory or the account is a
- 25 circulating asset under section 340.
- 26

1 **Part 9.6—Review of operation of Act**
2

3 **342 Guide to this Part**

4 This Part provides for the review of the operation of this Act within
5 3 years after its enactment.

6 **343 Review of operation of Act**

- 7 (1) The Minister must cause a review of the operation of this Act to be
8 undertaken and completed within 3 years after the registration
9 commencement time.

10 Note: For *registration commencement time*, see section 306.

- 11 (2) The persons who undertake the review under subsection (1) must
12 give the Minister a written report of the review.

- 13 (3) The Minister must cause a copy of the report of the review under
14 subsection (1) to be tabled in each House of the Parliament within
15 15 sitting days of the day on which the report is given to the
16 Minister.