

# The Bill of Exchange's Regulations and the Implications of its Abolition on the Commercial Community

Saud Hamoud Alharthi

Faculty of Judicial Studies The Regulations – Law Department, Umm Al-Qura University, Makkah, Saudi Arabia

## Abstract

Through our study, bill of exchange is defined as a written document that contains an order from the drawer directed to the drawee during which the predetermined amount must be paid within a certain time period or on sight. The research begins with an examination of how it was founded, the parties involved, and the organizer's formal conditions. Then, it discusses how to negotiate a bill of exchange through endorsement along with the different types of endorsement and its ramifications. The research concludes by elucidating the bill of exchange impact on the business community, since it decreases commercial conflicts and enables merchants to benefit from, circulate, and recycle their debts without being damaged by debts collection delays.

## Keywords:

*bill of exchange, endorser, beneficiary, endorsement*

## Introduction

Due to the speed and flexibility required to conduct commercial transactions, as well as the fast forward nature of these transactions between merchants, the merchant cannot keep enough sums of money to meet his obligations. There may be more money in the form of assets or debts with others. Thus, merchants have resorted to easy-to-use tools that fulfill financial obligations. Commercial paper is an instrument through which the debtor agrees to pay a specified sum of money to the creditor after a specified period or upon request. Or that the debtor directs one of his creditors to do so. That principal amount paid to the beneficiary on a certain date or upon request, this sort of bill of exchange, use with commercial documents builds merchant credit.

The business community has suffered from issues resulting from abandonment of bill of exchange. Some of the major issues include commercial disputes and financial claims that clog up court time. Some merchants might end up filing for bankruptcy and halt operations due to their incapacity to collect their debts through circulation or gain from them. We will in detail explain it in this research.

## Methodology

This research used the descriptive approach to explore the phenomenon investigated by using an applied scientific vision based on the researcher's analysis

## First Discussion: The Development of Bills of Exchange

A legal act of the drawer's unilateral will creates the bill of exchange.

The commitment may arise valid and the bill will be invalid due to the failure of one of the mandatory data, and the commitment

may be void or voidable, but the bill is valid due to the availability of mandatory data (2), and we address a statement in this section. Parties

In conformity with the law texts, the bill of exchange and its formal and substantive conditions.

## The first requirement: Bill of Exchange Parties

The bill of exchange includes... the name of the person who is obligated to pay – the drawee -... the name of the person to whom payment must be made - the beneficiary -... the signature of the person who originated the bill – the drawer,". The first article of the commercial papers system states in paragraphs (c, f, h). (3), and the reader can see from the article's content that the bill of exchange contains three people: the drawer, the sender, and the receiver, beneficiary and drawn. The drawer is the person who creates the commercial paper and is the first pledger in it. He is also a guarantor of the paper, albeit he does not bear responsibility for it.

- The drawer is the person who creates the commercial paper and is the first pledger in it. He is also a guarantor of the paper, albeit he does not bear responsibility for it.
- The drawee is the person to whom the drawer addresses a request for payment to the beneficiary in the paper, and the commercial custom has been that the debtor is obligated to implement and obey the order contained in the bill of exchange, but the actual obligation does not arise until after the drawee signs acceptance.
- The beneficiary is the paper's initial creditor, who received the paper as payment for a definite right owed to him by the drawer.

## The Second Requirement: The bill of Exchange Formal Conditions

### Formal requirements:

The bill of exchange's formal conditions were set in the first article of the commercial papers system, which stated that "the bill of exchange includes the following data: A- A bill of exchange word inscribed in the instrument's body and in the language in which it was written. B- An order that isn't subject to any conditions. By paying a specific sum of money. D - The due date C - The name of the person who is liable to pay (the drawee) E - The payment location. F - The name of the individual to whom payment should be paid.

We go over it in depth below:

1- Bill of exchange is a term used to describe a bill. It must be written in the language used to draw up the bond as indicated in the text of the mentioned article, and it must be distinguished from other commercial papers by the word bill of exchange as a

designation to indicate the extent of the commitment and responsibility that falls on the shoulders of the dealers in it. In order to strengthen security, the system requires that the word bill of exchange note be written in the body of the instrument. The word "bill of exchange" must be written throughout the body of the paper, not just mentioned at the top. As a result, if "bill of exchange" is not written in the same language and in the body of the text, it is considered void, a formal invalidity (4).

#### 2- The order to pay a specific amount that is not conditional

The bill of exchange includes an order issued by the drawer directed to the drawee to pay a specific amount of money and a specified amount completed without a condition, in order to facilitate the circulation of the bill in the ways specified by law. (5), and if the bill is devoid of an order Payment, it is a debt instrument and negates the bill's description (6), as it should be. The payment order is for a certain amount of money, and it is customary to indicate the amount in letters and numbers, as Article V has indicated. It is customary for the amount to be written in letters and numbers as per the commercial paper system. It contains a chapter on whether the amount specified in figures differs from the amount mentioned in letters.

#### 3- The Drawee's Name

The name of the drawee is one of the obligatory data required by the system on the bill of exchange. The drawee is the individual who must be contacted in order to get the bill's value. It's only natural that his name be written in a way that allows him to be guided. Despite the lack of a law wording that allows it, jurisprudence has allowed multiple drawees. This is whether they are directed to withdraw by choice or obligation (7), but we disagree with the opinion that multiple drawees are possible because of the problems that this entails in practice, which could result in the bill losing its value or making it difficult to convert into money, especially since the system mentioned the name of the one who obligated him. The term "repayment" refers to the drawee in the singular, implying that the drawee must be a single person. The reserve drawee, who is a person selected by the drawer or endorser and accepts the bill when necessary, is also stated in Article 68 of the Commercial Papers Law. The same, and it can be drawn on its drawer or withdrawn to another person's account," where a legal entity can draw a bill of exchange on one of its branches or vice versa.

#### 4- The Maturity Date

It refers to the day on which the commercial paper must be paid. The drawer must provide a maturity date by which the specified amount of the bill must be paid, according to the system. The maturity date is one of the most essential pieces of information on a bill of exchange since it is the date on which the beneficiary has the right to demand payment from the drawee, and it is the same date on which the beneficiary has the right to demand payment from the drawee. The beginning of the period in which the bearer must take protest measures in the event of non-payment of the drawee, otherwise the bearer will be considered negligent, as well as the beginning of the period in which the bearer must file an exchange action against the drawer in the event of his non-compliance with payment, and given the importance of the bearer's actions. The maturity date was required by the regulator so that a process could be put in place to determine that date without any uncertainty. The mechanism for establishing the maturity date was

explained in Article (38) of the Commercial Papers Law. The method also disallowed paying the bill in instalments or splitting it by naming multiple maturity dates, which would render the bill illegal, as noted in the cited article.

#### 5- The Payment Location

The bearer's destination for collecting the bill's value on the stipulated maturity date must be specified on the bill of exchange, and this destination must be decided in a clear manner that allows the bearer to reach it (8). The drawer may require payment in a person other than the drawee's domicile at the fourth stage of the commercial papers system. This is known as the bill's domiciliation condition, and many commentators believe that the bill's payment can be made in multiple locations so that the bearer can choose the one that is most convenient for him (9), and if the bill is devoid of any Indicating the place of payment, this does not affect the bill's validity, as the location shown next to the name of the drawee is considered the drawee's place of payment and domicile, as stated in Article

#### 6- The beneficiary's name

According to the Saudi Commercial Papers Law, it is not permissible to issue a bill without indicating the name of the beneficiary, as is the case with the regulations and laws established from the agreement, because the drawer system required specifying the name of the bill's recipient. If the beneficiary's name is uncertain or he needs to go to an external document to identify the beneficiary in Geneva, the bill of exchange is invalid.

loses its sufficiency as a commercial document, and the beneficiary may be the same as the drawer as per the Geneva Convention. Here the analysts disagree about the development of the morphological obligation. Therefore, the paper works as a bill of exchange in anticipation for its construction (10), and the bill's creation is more likely verified from the drawer's signature date (11). "The bill of exchange may be withdrawn to the order of the drawer himself, and it may be drawn on its drawer, and it may be withdrawn to the account of another person," according to Article (28): "If the drawee accepts the bill, he becomes obligated to pay its value on its due date. - Even if he is the drawer himself - the drawee's claim...etc."

#### 7- The date and location of the bill of exchange's start

The date and place of origin in the bill of exchange is one of the mandatory data stipulated by the system. Its value lies in knowing whether the drawer has the appropriate capacity to generate the morphological obligation or not. In case of the drawer's bankruptcy, deducing the date of the bill helps determine whether the bill was issued during the time of suspicion, rendering it void. In the event that the bill is due upon sight, the date is important in determining the maturity date, which is after a period from the date of its establishment, and the date of the expiry of the presentation period for payment, as the system specified a period of one year from the date of its establishment in accordance with Article (39) of the securities system. Furthermore, the date used to relieve congestion on a single payment consideration that is insufficient to fulfil bills of exchange due on the same day.

Article (22) of the Commercial Papers Law specifies that earlier in history, the bill of exchange was preferred.

#### 8- The Drawer's Signature

The drawer is the bill's creator and the first to be bound by it, because upon the bill establishment, he guarantees acceptance and fulfilment, and then there must be something that indicates that he has created the morphological obligation, and his signature is the material evidence of his will's direction towards that goal (12). Although the drawer is present, it is possible to delegate the signing of the bill as a legal act, provided that the delegation follows the general rules, such as the signature of the personal representative legality on the bill. To be considered a valid legal act, a bill of exchange must meet the general objective elements for legal acts' validity, such as consent, location, cause, and eligibility.

#### The second Discussion: The Acceptance of the Bill of Exchange

One of the most essential qualities of commercial papers is their negotiability. This feature allows commercial paper to boost loyalty and commercial credit. The bill of exchange is a private document, whereas commercial papers are public. It is simple to circulate upon the bill approval. The bill's circulation enhances the likelihood of its fulfillment. We will discuss types of endorsement and their terms in this section.

#### The First Requirement: Complete Acceptance

A full endorsement is a statement on the back of a bill of exchange intended to transfer the right contained in it to the endorser, as it results in the transfer of all rights arising from the bill to the endorser (13) and then the endorser becomes indebted to the endorser after he was a creditor to the previous drawer or endorser. Endorsement is essentially the same as issuing a fresh bill of exchange. As a result, it must meet the formal and objective requirements that we will discuss below:

#### I: The Objective Conditions

1- The bill of exchange is endorsed by the legal bearer. Because the bill's endorsement constitutes a transfer of ownership of the right embodied in it, it must be signed by the bill's owner or his representative, whether the representative is an agent or a representative of a legal person. When it is established that the bill of exchange was entrusted to him by a succession of consecutive endorsements, even though the last of them was a blank endorsement as permitted by Article 14, the bill of exchange is lawfully bearer. The presence of a written endorsement has no bearing on the order of endorsements, as Article 16 of the Commercial Papers Law treats the written endorsement as if it were not present, as previously explained.

2- That the substantive conditions for the emergence of the morphological obligation are satisfied; given that the endorsement is a legal act that results in the endorser acquiring a morphological obligation as if he were the bill of exchange's originator, he must satisfy the objective conditions necessary for the bill of exchange's origination, which were previously discussed in the previous section.

3- That the endorsement is not conditional, due to Article 13 of the Commercial Papers Regulations, the endorsement of the bill of exchange must be final and full, that is, not conditional.

4- The endorsement should include the complete bill of exchange's amount. Article 13 established the bill's invalidity as a result of its partial endorsement. Splitting the bill's value into instalments is not permitted because the bill's circulation is harmed by the partial

endorsement. The article's language makes it obvious that the regulator distinguished between splitting the bill and suspending the endorsement on a conditional basis. The commentator on the condition is correct regarding the condition's invalidity.

5- Prior to filing a protest for non-payment, the endorsement must be obtained.

The premise is that the bill of exchange is endorsed and disseminated during the period between its production and collection or payment, but the payment date may arrive and the bill is not paid. This section discusses commercial papers since they were deemed an endorsement before to filing a protest for non-fulfillment and subsequent to the due date.

6- The endorser should be someone who has the authority to make the endorsement. Typically, the endorser is a person who is not a party to the bill of exchange and has not previously signed it with the goal of being obligated to pay it. Endorsement may be made to the drawee before to or concurrent with the bill of exchange, and it is also permissible to endorse the drawer or any other obligor. They may all re-endorse the bill." Additionally, the text departs from the general rules regarding the reasons for the obligation's expiration, allowing the draught to be endorsed to the drawee who accepted it without triggering the morphological obligation to unite the liability, as long as the endorsement was made within the period prescribed for endorsement. (15)

#### II. Formal Requirements:

1- The endorsement must be in writing on the bill of lading; verbal endorsement is not valid. The mechanism authorized under Article 14 of the Commercial Papers Regulations to stick an external paper in writing It is endorsed on the bill of exchange and is referred to as the promissory note. When a link is added to a bill of exchange, the link must be specified on the bill of exchange .

2- Endorsement information. To maintain trading flexibility, the system did not require certain necessary data for the bill's endorsement to be valid. Rather than that, it was pleased with the endorser's signature. Additionally, it did not establish a particular format for the endorsement. Rather than that, it might be stated in any manner that indicates an endorsement conveying ownership. As specified in Articles 13 and 14 of the Commercial Papers Law, the system permitted blank endorsement .

3- Date of endorsement Despite the importance of the endorsement date, the system did not require it. However, the date is one of the data that no bill of exchange should be without, as it infers the endorser's capacity at the time of the endorsement, as well as his bankruptcy if the endorsement was made during the period of suspicion. Alternatively, or previously, and the system regarded the issue of presenting the bill of exchange's date as an act of forgery under Article 20 of the Commercial Papers Law, stating, "Providing the date of the endorsement, if it occurs, is deemed forging."

#### III- The Repercussions of a Transfer of Ownership Endorsement

1-Transfer of the bill of exchange's fixed right to the endorser. Article 17 of the Commercial Papers Law provides that "endorsement shall transfer all rights arising from the bill of exchange," and that this right shall be transferred in conjunction with any particular guarantees provided by the bill of exchange, such as mortgage or surety (16). Once endorsed, this system is transferred by force .

2- The endorser's obligation to guarantee the bill of exchange's acceptance imposes a new and independent exchange obligation on the endorser and those to whom it appears later to guarantee the bill's acceptance and payment of its value, as stated in Article 15 of the Commercial Papers Law .

### 3-Development of Defenses

Purifying defenses refer to the process by which the endorser's right established by the bill of exchange is transferred to the endorser, purified of all causes .

The legal provision that permitted any former obligor to forego payment on the due date as long as it was because appearing to him is well-intentioned, the one who appears to him will not be shocked by the presence of any hindrance preventing him from achieving his mission .

The fixed right to the bill of trade and the rule of purification of defenses emerged as a conventional rule in Europe in the seventeenth century. It was codified in the 1930 Geneva Convention, then spread, with the French justice settling on its application prior to the convention's establishment .Following France's accession to the Geneva Convention in 1930 (17), the French legislator approved it, and the Saudi regulator followed suit .

The Geneva Convention's methodology and implementation of this principle are explicit in the text of Article 17 of the Commercial Papers Regulations, which deals with "endorsement transfers " .

All rights arising from the bill of exchange shall be waived, and the person against whom the bill of exchange has been brought shall have no right to protest against the bearer of the defenses based on his personal relationship with its drawer or previous bearers, unless the bearer's intention at the time of obtaining the bill of exchange was to harm the debtor," i.e., unless the bearer acted in bad faith, and for additional information about the rule of purification of defenses (18) .

### **The Second Requirement: Endorsement Insurance or Mortgage**

It is a legal act in which the bill bearer commits his interest in the bill to another person as a creditor in order to secure that creditor's right. Issued by a bill of exchange bearer pursuant to a proxy or insurance endorsement, and the endorser's essential capacity is also required, although not required. Although the regulation is a type of insurance endorsement, Article 19 of the rule says that the endorsement must include information about the benefits of the insurance. By stating, "If the endorsement contains the phrase (the value of the guarantee) or (the value is a mortgage) or any similar phrase indicating Mortgage, it is permissible for the bill bearer to exercise all the rights arising from it," i.e. the endorsement must include the benefit of the guarantee; otherwise, the endorsement is considered a transfer of ownership, and looking at the forms of applying the insurance endorsement in practice, we find it uncommon because Thus, the bearer will only mortgage the bill in extremely unusual circumstances, such as when the bill's face value is great and the bearer requires a small amount in the event, or when the maturity date is far away and the bearer requires money urgently, and it is generally a mortgage.

The banker's bill of exchange (19).

### **The Insurance Endorsement's Effects**

Because the endorser is in the position of the mortgagor and the endorser is in the position of the mortgagor creditor, the

general rules governing the mortgage contract apply to them, and because the insurance endorsement does not imply the transfer of the bill's fixed right to the endorser, he cannot endorse the bill as an endorsement transferring ownership because he is not the bill's fixed right owner. This endorsement is considered by way of power of attorney only in accordance with Article 19 of the Commercial Papers Law, which prohibits full endorsement and insurance endorsement on the endorser as a security by stating, "If its endorsement is considered to be the endorsement obtained by way of power of attorney," it can be said that the endorser's possession is considered a trust hand, and thus he must take all measures necessary to protect the right from loss, by subrogating. If the payment is not made on time, he is committed to filing a protest and alerting the drawer and endorsers on the legally stipulated day. He also has the right to sue for its worth. If the secured debt's maturity date approaches, he shall subtract the amount of the debt and refund the remainder to the endorser, even if the date of the secured debt is not ripe, he may retain the amount of the bill of exchange until the debt's maturity date in order to satisfy its value and then return the remainder to the endorser.

By submitting the bill of exchange to the court for judicial approval to endorse it as an endorsement transferring ownership (20). The third criterion is proxy approval. A proxy endorsement is a legal act in which the bearer of the draught entrusts another person with the responsibility of collecting the draft's value on his behalf. The consequences of proxy endorsement Article 18 of the Commercial Papers Law define the endorser's powers; because the endorser has placed him in the position of principal and the endorser as an agent, the agency provisions govern the relationship between the endorser and the endorser to him by proxy, and the endorser must follow the endorser's instructions and thus exercise the necessary care to ensure his reconciliation (21). Article 18 prohibits the endorser from re-endorsing the bill as a proxy endorsement and from endorsing it as a full endorsement or a security endorsement, as the endorser is merely authorized by the bearer to collect the bill and thus is not entitled to dispose of it as the owner, and Article 18 determined that the agency does not terminate upon death. The endorsement or the existence of any defect or lack of capacity, such as insanity or others, with the objective of preserving the commercial paper's value and fostering dealer confidence in the commercial paper. The heirs' or representative's account of the person who has lost capacity's appearance

### **The Third Discussion: Bill of Exchange's Guarantees**

#### **The First Requirement: in Exchange for Settlement**

It is the cash amount crushed to the drawer of the draught in the debtor's custody that must be equal to or greater than the value of the draught. While the original obligation between the drawer and the drawee is not a monetary, the commercial paper system codified special rules that enable the bearer to satisfy the draft's value and create the exchange obligation without incurring any additional costs. Referring to the origin of the relationship between the drawer and the drawee to accomplish the objective of commercial papers in terms of speed of circulation. Article 29 has established the obligation to pay for payment, it is necessary to distinguish between the drawer of the draught for himself, which is the normal case. Where there is an apparent drawer and a real drawer, the actual responsibility is on the real drawer within the bounds of the relationship between the real and apparent drawers. Only the bill's signature is recognized () .

### Conditions Precedent to Fulfilment:

Article 30 of the Commercial Papers Law establishes the following conditions for payment: "Consideration for payment is present if the drawee is indebted to the drawer or to the person ordering the withdrawal on the date of the draft's maturity with a certain amount of money payable and at least equal to the amount of the draught." According to the article, the following terms apply in exchange for loyalty:

1 - That the debt be in cash, as it is provided that the drawee owes the drawer cash regardless of the source of the money. It could be the cost of a sale or a piece of item.

2- It must be fully realized and paid on the maturity date. If the consideration for payment is conditional on the fulfilment of a suspensive condition prior to the maturity date or on the addition of a debt for a term after the maturity date, the consideration is negated against the payment; however, the consideration does not have to be a debt owed to the drawer at the time the draught is drawn up. It must be paid on the due date specified in the bill of exchange and must be of a set value that is not subject to dispute.

3- It should be at least equal to the amount of the bill of exchange, as the drawer is required to have an amount greater than or equal to the amount of the bill due to the drawee, as this consideration is the one from which the bill amount will be paid to the bearer, and the system has preserved the bearer's right over the missing consideration to protect the bill dealers' rights. He granted him all of the rights he granted for the full consideration, just as he granted him the right to own the bill, as stated in the text of Article 31 of the Commercial Papers Law, "and if the consideration for payment is less than the bill's value, the bearer of the missing consideration shall have all of the rights assigned to him on the full consideration." Additionally, it permitted the drawee. He is required to accept the partially drawn draught in accordance with Article 25 of the Commercial Papers Law, which states that "the acceptance must be unconditional, but the drawee may limit it to a portion of the draft's value."

### The Second Requirement: Assurance of Acceptance

Acceptance is the drawee's declaration to accept the bill of exchange and pay its face value on the specified maturity date. Acceptance is significant because it establishes a presumption that the drawee has a consideration for payment and thus becomes obligated to pay the bill. Accepting the bill strengthens the dealers' faith in it and facilitates its trade. The request for acceptance is a right of the bearer. Article 21 of the bill of exchange states that "it is permissible for the bearer of the bill or any bearer of it until the bill's maturity date to present it for acceptance to the drawee in his domicile." Acceptance is not a condition of the bill, it rather increases the guarantee determined for the bill's bearer, at which point the bearer may not deliver the bill to the bill of exchange and must wait until maturity.

Yet, there are some circumstances in which the bearer must present the bill of exchange to the drawee for acceptance. These include: the bill being a presentation of acceptance or the bill being due after a period of time.

There are additional circumstances in which the bearer may not apply for acceptance, such as when the bill of exchange contains a condition prohibiting the bearer from doing so, or when the bill of exchange is due upon sight, in which case it must be presented for immediate payment.

### Conditions Governing the Bill of Exchange's Validity

#### 1- Objective Conditions

• The drawee's capacity must be complete. It is not permissible to withdraw it against a minor or an incompetent person who is not permitted to practice trade, nor is the endorsement void, and the acceptance may be granted by the legal person's agent or legal representative.

• The acceptance must be based on the drawee's consent, which must be free of will faults. Otherwise, the acceptance is regarded as null and void.

• Acceptance must be justified. If the acceptance reason is omitted or is illegal, the acceptance is null and void.

• In accordance with the text of Article 25 of the Commercial Papers Regulations, acceptance must be final and unconditional. "The acceptance must be unconditional, but the drawee may limit it to a portion of the bill of exchange's face value," and the acceptance cannot be added to an indeterminate time. As with the death of a person, acceptance subject to a condition is regarded as a refusal to accept unless and until the bearer consents. If the requirement is met in this scenario, the drawee is compelled to accept ( )

• The acceptance must include the bill's content and exclude all of its data, which is the original, because the drawee accepts the drawer's instruction to accept the bill. As a result, Article 25 of the present papers system provides that "and if the acceptance formula includes a change to any other declaration of the bill's contents, this is considered a refusal." However, the acceptor is still bound by the acceptance formula's contents.

#### 2- Formal requirements

Article 24 of the Commercial Papers Law establishes the following formal acceptance requirements:

"Acceptance is indicated on the same bill of exchange by the term (accepted) or any other language conveying the same meaning, and is signed by the drawee. The date of acceptance must be specified on the day it occurred, unless the bearer specifies that the date of acceptance be specified on the day the draught is presented. Alternatively, the drawer must demonstrate this void through the use of a timely protest.

• It must be written on the bill of exchange, as the morphological commitment is a formal commitment, and to achieve the principle of self-sufficiency inherent in commercial papers, the commitment cannot be made verbally or on paper separate from the bill of exchange. ( )

• The wording should indicate that the drawee accepts the bill of exchange, that any expression expresses the drawee's willingness to accept the obligation to pay its value, and that acceptance does not acquire legal, mandatory value unless the bill of exchange is signed with acceptance by the drawee, his agent, or his legal representative.

Accepting the bill of exchange has a number of consequences.

Acceptance of the bill is defined in Article 28 of the Commercial Papers Law by the following text: "If the drawee accepts the bill, he becomes responsible to pay its face value on the due date."

He is the drawer himself, assuming a direct claim deriving from the bill of exchange for everything that may be claimed under Articles (60 and 61)." Accepting the bill of exchange has the following consequences, as stated in the text:

1- The drawee owes the bearer its value on the due date, and this duty exists irrespective of the drawer's obligation.

2- Once the bearer's claim to the consideration for payment confirmation with the person against whom he has the credit, he

cannot return it to the drawer since ownership passing to the bearer since the bill creation.

3- Upon acceptance, the drawee becomes the bill of exchange's original debtor, and so is not permitted to insist on falling in the face of the careless carrier.

4- Acceptance of the drawee discharges the drawer from the acceptance promise, but he remains liable for payment. As a result, the bearer has no remedy against the drawer prior to the maturity date. The Third Requirement: Morphological Coherence To instill confidence in the bill of exchange, Article (58/1) of the Commercial Papers Law established the principle of the bill's signatories' solidarity in upholding its value, stating that "the bill drawer, acceptor, endorser, and reserve guarantor are all jointly liable to the bearer, and the bearer may claim them individually or collectively without regard for any arrangement." Thus, as the number of signatures to the bill increases, the guarantee of the bill increases and the bearer's chances of returning its value improve, because each signature generates an exchange duty toward its owner.

#### Provisions for Morphological Solidarity

The general rules of debtors' solidarity apply to morphological solidarity, with the following exceptions:

1- If the debtor in general and the bearer of the bill are not required to follow a specific arrangement in resolving the joint debtors, save that the bearer is bound by specified procedures that begin with presenting the bill to the drawee at maturity. Returning without drains.

2- If one of the signatories pays the bearer the full value of the draught, he may sue the previous signatories for all the fines incurred. That is because each of them, except the drawer, is obligated to pay the full value of the draught when obtaining it. It is contrary to the general rule that the payer has recourse against the joint partners in proportion to his share of the debt.

### The Third Discussion: Reserve Guarantee

What is a bill of exchange's reserve guarantee?

In addition to the consideration for fulfilment, acceptance, and solidarity, the reserve guarantee is considered one of the specific assurances for the payment of the bill's value. One of the bill of exchange's obligors may provide a guarantor who guarantees payment of the bill's value. The first beneficiary, one of the endorsers, or the last bearer from whom the bill was received may require a personal guarantee - a guarantor - to cover the bill's face value. The reserve guarantee is permitted by Article 35 of the Commercial Papers Law and is regarded a reserve guarantee.

#### The reserve guarantee objective conditions:

The objective conditions necessary for the establishment of the morphological duty must be met, including eligibility, satisfaction, cause, and location, in addition to some of the reserve guarantee conditions outlined earlier.

1- Individuals who qualify for a reserve guarantee

According to the aforementioned article 35, the guarantee might come from any individual, even if he was one of the bill's signers, indicating that the system authorized any person with the capacity to guarantee in exchange for satisfying the bill of exchange. The guarantor who signed the bill of exchange before.

2- Individuals whose responsibilities are susceptible to being guaranteed

A guarantee may be given by any of the bill's obligors, whether he is the drawer or drawee who accepts the bill, or one of the

endorsers, or by one of the preceding guarantors. The drawer secured the assurance ( )

#### 3- Reserve Insurance Scope

The principle is that the guarantor assumes all of the insured's obligations, but he may limit the scope of his obligation, for example, by excusing himself from guaranteeing the bill of exchange's acceptance, or by limiting his guarantee to the current bearer only, or by requiring the bearer to first contact the guaranteed to execute on his money before contacting him ( ), as it permitted. Commercial Papers Law, Article 35 The guarantee covers only a portion of the bill of exchange.

#### 4- The Duration of the Guarantee

The guarantee may occur during the bill of exchange's validity period, that is, from the date of its inception until its maturity date. The reserve guarantee is likely to occur even after the maturity date, as long as no non-payment protest is filed or the period specified for filing the protest has not expired, if the bill of exchange contains the condition of recourse without expenses and the bill is endorsed within the specified period. This epoch comes to pass and organizes its consequences ( )

Resave guarantee formal terms and conditions

Article 36 of the Commercial Papers Law specifies the formal requirements in its text: "The reserve guarantee is written on the bill of exchange or on the paper attached to it, and it is paid in the form of (accepted as a reserve guarantee) or any other phrase with the same meaning, and it is signed by the guarantor and includes the guarantee's name." It may enough for the guarantor to sign beside the signature of the obligor he wishes to guarantee, and the signature may be on the front or back of the bill. return and to be paid in accordance with the reserve guarantee in order to avoid any ambiguity in the drawer's or drawee's signature.

### The Reserve Warranty's Effects

The standby guarantor is regarded a partner guarantee of the secured obligor since he or she is committed in the same manner as the insured. The reserve guarantee's implications are obvious in light of the reserve guarantor's connection with the guaranteed, with the bearer, and with other obligors.

1- The reserve guarantor's relationship with the secured obligor:

A- The reserve guarantor has the same rights as the secured obligor, and if he pays the bill's face value, he has the right to sue the guaranteed in one of two ways: in a personal lawsuit arising from the surety, or in a morphological lawsuit, in which the reserve guarantor replaces the bearer from whom he received the bill's face value. The bill of exchange, and Article 37 of the Commercial Papers Law, provide that "if the reserve guarantor pays the bill, all rights emanating from it will devolve to him, including those relating to the bill's substance and to any obligor."

B- Because the reserve guarantor is a guarantor, the reserve guarantor's responsibility is meant to be subordinate to the guaranteed commitment in terms of validity and invalidity; hence, the reserve guarantor's obligation is valid only if the guarantor's obligation is valid. Apart from that, except in the case of invalidity for a defect in form in the application of the principle of signature independence, and in that Article 37 of the Commercial Papers Law provides that "the obligation of the reserve guarantor shall be valid even if the obligation that he guarantees is void for any reason other than the defect in form." This demonstrates the reserve guarantor's commitment. It is treated as a morphological obligation independent of the relationship between the guarantor and the reserve guarantor. Thus, the latter's obligation is valid

even if the obligation contained in it is void for any reason. This is not excluded unless the defect is formal, i.e. visible in the bill of exchange.

## 2- The guarantor's relationship with the bearer:

A - Except for defenses directed to him by the reserve guarantor, the reserve guarantor may not invoke the bearer.

B - The endorser's reserve guarantor can be held liable for the bearer's negligence if he did not personally notify him of the protest, even if he notified the guaranteed endorser. That is because the reserve guarantor's obligation is subordinate to the insured's obligation. Article 37 of the Commercial Papers Law states that "the reserve guarantor is obligated in the manner in which he is bound by it." content"

C - The reserve guarantor is prohibited from adhering to the payment of stripping in the face of the bearer, that is, the obligation to refer to the secured before resorting to it; he is also prohibited from adhering to payment by division, that is, dividing the debt between himself and the insured, because he is jointly liable for payment.

## 3- The reserve guarantor's relationship with the other obligors:

If the reserve guarantor pays the bearer the face amount of the bill, he may pursue the bill's signatories as follows:

If he is the drawer's guarantor, the reserve guarantor has no recourse against the drawer or the drawee who received the consideration for payment.

If he is a guarantor of one of the endorsers, he may have recourse against this endorser and the two preceding endorsers who are also guarantors of this endorser without having recourse against the succeeding endorsers. This is recourse to the drawer and accepting drawee.

If he acts as a guarantor for the accepted drawee, he has no recourse against the drawer if the drawer fails to establish the existence of consideration for payment with the drawee.

## The Reserve Warranty's Effects

The standby guarantor is a partner guarantee of the secured obligor committed in the same manner as the insured. The reserve guarantee's implications are in terms of the connection with the guaranteed, the bearer, and other obligors.

1- The reserve guarantor's relationship with the secured obligor:

A- The reserve guarantor has the same rights as the secured obligor. If he pays the bill's face value, he has the right to sue the guaranteed in one of two ways: in a personal lawsuit arising from the surety, or in a morphological lawsuit. in this case, the reserve guarantor replaces the bearer from whom he received the bill's face value. Article 37 of the CPL states that "if the reserve guarantor pays the bill, all rights emanating from it will devolve to him, including those relating to the bill's substance and to any obligor."

B- Because the reserve guarantor is a guarantor, the reserve guarantor's responsibility meant to be subordinate to the guaranteed commitment related of validity and invalidity. Hence, the reserve guarantor's obligation is valid only if the guarantor's obligation is valid. Apart from that, except in the case of invalidity for a defect in form in the application of the principle of signature independence, and in that Article 37 of the Commercial Papers Law provides that "the obligation of the reserve guarantor shall be valid even if the obligation that he guarantees is void for any reason other than the defect in form." This demonstrates the reserve guarantor's commitment. It is treated as a morphological

obligation independent of the relationship between the guarantor and the reserve guarantor, and thus the latter's obligation is valid even if the obligation contained in it is void for any reason, and this is not excluded unless the defect is formal, i.e., visible in the bill of exchange.

2- The guarantor's relationship with the bearer:

A - Except for defenses directed to him by the reserve guarantor, the reserve guarantor may not invoke the bearer.

B - The endorser's reserve guarantor can be held liable for the bearer's negligence if he did not in person notify him of the protest, even if he notified the guaranteed endorser, because the reserve guarantor's obligation is subordinate to the insured's obligation, as Article 37 of the Commercial Papers Law states that "the reserve guarantor obligated in the manner in which he is bound by it." content"

C - The reserve guarantor is prohibited from adhering to the payment of stripping in the face of the bearer, that is, the obligation to refer to the secured before resorting to it; he is also prohibited from adhering to payment by division, that is, dividing the debt between himself and the insured, because he is jointly liable for payment.

3- The reserve guarantor's relationship with the other obligors:

If the reserve guarantor pays the bearer the face amount of the bill, he may pursue the bill's signatories as follows:

If he is the drawer's guarantor, the reserve guarantor has no recourse against the drawer or the drawee who received the consideration for payment.

If he is a guarantor of one of the endorsers, he may have recourse against this endorser and the two preceding endorsers who are also guarantors of this endorser without having recourse against the succeeding endorsers, and this is recourse to the drawer and accepting drawee.

If he acts as a guarantor for the accepted drawee, he has no recourse against the drawer if the drawer fails to establish the existence of consideration for payment with the drawee.

## The Fourth Discussion: The Obligations of Fulfillment and Abstention

### The First Requirement: Fulfillment Regulations and their Impact

1- fulfillment period

Due to the critical nature of the period of payment of the bill, as indicated by the maturity date, the commercial papers system has grouped the payment provisions in Articles 38 to 42, and it is required that a maturity date be specified in one of three ways:

A- That the bill of exchange must be paid immediately upon sight. It is due upon presentation. While the premise is that it should be presented within a year of establishment, the system authorized extending the payment time to more than one year or decreasing it to less than one year, as stated in Article 39 of the Commercial Papers Law "The bill due for payment." It is mandatory to pay upon sight, and it must be produced for payment within one year after its date. The drawer has the option of shortening or extending this date, and the endorsers have the option of shortening it." Additionally, the system authorized the drawer not to present the bill due on sight prior to the expiration of a set time, and in this case, a year does not begin until the designated Expiry date.

B- A bill of exchange that is due after a specified period of sight and, as stated in Article 40 of the Commercial Papers Law, the maturity date begins on the date of its acceptance a, not on the date of the protest for non-acceptance, because the bearer may present

it to the drawee until the maturity date. If the drawee accepts it, it must be dated, as.

The maturity date begins on the date of acceptance, and if the date of acceptance is not specified, the bearer may prove it by filing a protest after the date of acceptance, or the date of acceptance is taken to be the last day of the calendar year during which the draught must be presented in accordance with the text of Article 22 of the Commercial Papers Regulations.

C- A bill of exchange due on a specific date pursuant to Article 41 of the Commercial Papers Law is due on that date, even if that date does not correspond with the calendar date; for example, if the due date is February 30, the maturity date is the final actual day of the specified month.

2- The location of completion

The bearer must deliver the draught for payment in the country of the drawee, as the draft's debt is mandatory and not transferable. The principle is to include the draft's payment location in the mandatory data. If the draught is missing this remark, it is due in the space indicated next to the drawee's name. The pregnant mother must submit it to this location for fulfilment.

indications of allegiance

The legal consequence of paying the debt differs according to who paid it:

1- Payment by the drawee results in the termination of the exchange obligation with respect to all signatories to the bill of exchange, and the drawee forfeits his right to seek reimbursement from the signatories for the amount paid to the bearer.

2- Receipt of payment from one of the endorsers. In this instance, all signatories of the bill of exchange are freed from their obligations to the bearer, but the bill of exchange does not terminate there. Rather than that, the paying endorser has recourse against the drawee and any prior signatories to him as guarantors of the bill.

3- Drawer-based payment All draught signatories are released from culpability, the morphological obligation terminates, and the drawer has no recourse against any of the draught signatories for the amount penalized to the bearer.

4- Satisfactory performance by the backup guarantor. In this instance, all signatories of the bill of exchange are freed from their obligations to the bearer, but the bill of exchange does not terminate there. Rather than that, the guarantor has recourse against all previous signatories to the bill as guarantors.

#### **The Second Requirement: Failure to comply**

Article 54 of the Commercial Papers Law required the bearer to establish the non-fulfillment protest and have the protest paper released by a competent employee of the Chamber of Commerce. In the event that the bill is lost or stolen, the bearer may file a protest for non-payment pursuant to the provisions of Article 54 of the Commercial Papers Regulations. It is due and announced to the bill of exchange's obligors in the way and on the dates indicated, and the protest paper must be drawn up and publicized, even if the competent authority is unable to issue an order in a timely manner. In his financial capability, jeopardizes his business's standing, and jeopardizes his credit.

Certain situations are immune from protest, including the following:

1- If the bearer has previously filed a protest for non-acceptance of the bill of exchange, as Article 55 of the Commercial Papers Law states that "(a protesto) non-acceptance exempts the bearer

from presenting the bill for payment and filing a protest for non-payment" if the bearer wishes to return before the due date.

2- In the event of the drawee's bankruptcy, as stated in Article 55 of the Commercial Papers Law and its text: "And in the event of the drawee's bankruptcy, whether or not he is the acceptor of the bill of exchange, and in the event of bankruptcy

Because the draught drawer was bound not to submit it for acceptance, the mere presentation of the bankruptcy judgement enables the bearer to use his rights of recourse against the guarantors.

3- If the bill of exchange contains the condition of starving without recourse or complaint, treat it as one of the optional conditions permitted under Article 57 of the Commercial Papers Law.

4- If a force majeure incident prevents the presentation of the draught or protest workers on the required dates and continues for more than thirty days beyond the maturity date, the bearer may directly contact the obligors pursuant to the provisions of Article 64 of the Commercial Papers Regulations.

Article 55 of the Commercial Papers Law established a deadline for filing the first objection by establishing two criteria for determining the deadline. Protests must be filed within two working days of the date of the drawee's rejection. If the bill was presented on the last day of the year in which it matures, the objection must be filed within one day of the time expiring.

To be able to refer to the signatories, the bearer must notify them of non-payment, so that each of them becomes aware of the truth of his financial situation and prepares for payment in the event that the bearer makes recourse to him. Within four days of filing the protest or of submitting it for payment, if it includes the condition of expense-free remedy ().

#### **The Fifth Topic: Bills of Exchange Impact on the Business Community**

Bills of exchange have impacts on businesses, civil society legal and trading wise. It extends to merchants and judicial facilities, as explained:

The first criterion: the bill's impact on the merchant. The merchant was able to profit from his debts by selling them to others. It is more accurate to say that it allows him to trade in his debt. Instead of being neglected or stagnant, the debt becomes a circulating asset. Goods or services obtained, the price of transferred to one of his debtors under the establishment of a bill of exchange in which he makes a city a drawee, which protects the merchant from bankruptcy, which many merchants have recently resorted to due to their inability to collect their debts with others, so the merchant is both a creditor and a debtor at the same time.

Yet, due to the elimination of dealing with bills of exchange from the commercial scene, which allowed the merchant to benefit from his debts with others without losing his assets or worsening his financial position, he is unable to benefit from his debts. Right. There are many examples of commercial disputes that could have been avoided upon the use of the bill had during the transaction, such as the Judgment Deed No. (3828 / s) for the year 1441 AH and the judge in bankruptcy of the merchant, which stated that the bankrupt's debts (25,746,348) and claims to others amounted to (25,000,000). When he went bankrupt, he was able to invest his debts, and a judgement issued in the restricted case No. (141/1/s) in 1421 (), in which the plaintiff sold goods on credit to the defendant and did not commit to paying the full price of the sale, and the defendant - the buyer - transferred the price to someone else. According to the judgement, the elements of the transfer



contract were not completed due to the lack of access to the transferee, and upon examination, it becomes clear that if the plaintiff had used the bill of exchange, he would not have resorted to the Commercial Court to apply for the remainder of the sale price, and the defendant would not be able to dispute the right, the judgement deed. The defendant contended that he was a creditor of one of the plaintiff's creditors and that he transferred the right resulting from the sale in the restricted case No. (161/3/s) in 1412 AH. In this case, the creditor subjected to legal proceedings and suffered extra losses as a result of his inability to collect his debt and reinvest it in merchants. He will be charged with litigation fees, despite the fact that if he had recognized the bill of exchange's stipulations, he would have been able to collect his right as soon as the due date arrives.

#### The Second Criterion: The bill's Impact on Court Facilities

Bills of exchange absence in the business community has led in an increased number of lawsuits of bankruptcy and huge financial claims. They flood the courts with demands for checks, bonds, and commercial transactions etc. A recent amendment in the commercial courts legislations decree to oversee claims exceeding SAR 500,000 displayed in Article 281. This shows the bill efficiency to secure debt payments and guarantee the bearer's rights.

#### Conclusion and Recommendations

We have briefly put the contents of the bill of exchange in the hands of the reader. Anyone familiar with our research subject may grasp the legal exchange from the bill, the bill's location, and the system's formal and objective conditions. The commercial and banking nature of the bill, its parties and provisions enable the reader to issue a lawful bill that protects its value. We showed circulating the bill through procurator endorsement and insurance endorsement. In addition, the guarantees, rights, and obligations pertaining parties mentioned to boost awareness. We concluded the researched by highlighting the social impact of using such bill.

- 1- The bill of exchange's exchange obligation begins from the date of the drawer's creation of the bill of exchange until delivery to the beneficiary.
- 2- The drawee's command must be unconditional; otherwise, the bill would be void.
- 3- The regulator gives the bill of exchange given legislative flexibility. This grants the bill of exchange parties a lot of leeway in obtaining commercial credit.
- 4- The commercial paper system is comprehensive. It distinguishes bills of exchange provisions, their legislative integration. It declares all potential issues.
- 5- The bill of exchange requirements stated in the commercial paper system are compliant with the Geneva Convention of 1930. It simplifies litigation procedures in the event of an international disagreement between the bill's parties.
- 6- The commercial paper system makes bill trading easier and more flexible as per the commercial operation type. It increases credit and guarantee for the bill's beneficiary and other signatories.

#### Recommendations

The ministry of commerce and chambers of commerce should start campaigns to raise public awareness about bills of exchange. Through using, the business community gets to avoid roadblocks resulting from limited use.

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commercial law.

**Saud Alharthi**, received the B.A. from the Islamic University of Madinah in 2009 and L.L.M. degrees, from Southern Methodist University School of Law in 2013. He received the S.J.D from Case Western Reserve University School of Law in 2018. He is working as an assistant professor at Umm Al-Qura University, school of law. His research interest includes