

State of Arkansas
95th General Assembly
Regular Session, 2025

A Bill

HOUSE BILL 1736

By: Representative M. Brown

By: Senator Dees

For An Act To Be Entitled

AN ACT TO AMEND ARTICLE 9 OF THE UNIFORM COMMERCIAL
CODE; AND FOR OTHER PURPOSES.

Subtitle

TO AMEND ARTICLE 9 OF THE UNIFORM
COMMERCIAL CODE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 4-9-406(d), concerning the ineffectiveness of certain assignments under the Uniform Commercial Code, is amended to read as follows:

(d) Except as otherwise provided in ~~subsection (e)~~ subsections (e) and (k) and §§ 4-2A-303 and 4-9-407, and subject to subsection (h), a term in an agreement between an account debtor and an assignor or in a promissory note is ineffective to the extent that it:

(1) prohibits, restricts, or requires the consent of the account debtor or person obligated on the promissory note to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in, the account, chattel paper, payment intangible, or promissory note; or

(2) provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the account, chattel paper, payment intangible, or promissory note.



SECTION 2. Arkansas Code § 4-9-406(f), concerning the ineffectiveness of certain legal restrictions on assignments under the Uniform Commercial Code, is amended to read as follows:

(f) Except as otherwise provided in subsection (k) and §§ 4-2A-303 and 4-9-407 and subject to subsections (h) and (i), a rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, or account debtor to the assignment or transfer of, or creation of a security interest in, an account or chattel paper is ineffective to the extent that the rule of law, statute, or regulation:

(1) prohibits, restricts, or requires the consent of the government, governmental body or official, or account debtor to the assignment or transfer of, or the creation, attachment, perfection, or enforcement of a security interest in the account or chattel paper; or

(2) provides that the assignment or transfer or the creation, attachment, perfection, or enforcement of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the account or chattel paper.

SECTION 3. Arkansas Code § 4-9-406, concerning the discharge of an account debtor under the Uniform Commercial Code, is amended to add an additional subsection to read as follows:

(k) Subsections (d), (f), and (j) do not apply to a security interest in an ownership interest in a general partnership, limited partnership, or limited liability company.

SECTION 4. Arkansas Code § 4-9-408(a), concerning the ineffectiveness of certain assignments under the Uniform Commercial Code, is amended to read as follows:

(a) Except as otherwise provided in ~~subsection (b)~~ subsections (b) and (g), a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or a general intangible, including a contract, permit, license, or franchise, and which term prohibits, restricts, or requires the consent of the person obligated on the promissory note or the account debtor to, the assignment or transfer of, or creation, attachment, or perfection of a security interest in, the

promissory note, health-care-insurance receivable, or general intangible, is ineffective to the extent that the term:

(1) would impair the creation, attachment, or perfection of a security interest; or

(2) provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

SECTION 5. Arkansas Code § 4-9-408(c), concerning the ineffectiveness of certain legal restrictions on assignments under the Uniform Commercial Code, is amended to read as follows:

(c) A Except as otherwise provided in subsection (g), a rule of law, statute, or regulation that prohibits, restricts, or requires the consent of a government, governmental body or official, person obligated on a promissory note, or account debtor to the assignment or transfer of, or creation of a security interest in, a promissory note, health-care-insurance receivable, or general intangible, including a contract, permit, license, or franchise between an account debtor and a debtor, is ineffective to the extent that the rule of law, statute, or regulation:

(1) would impair the creation, attachment, or perfection of a security interest; or

(2) provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

SECTION 6. Arkansas Code § 4-9-408, concerning restrictions on certain assignments under the Uniform Commercial Code, is amended to add an additional subsection to read as follows:

(g) This section does not apply to a security interest in an ownership interest in a general partnership, limited partnership, or limited liability company.

APPROVED: 4/14/25

