

Federal Law by Decree No. (19) of 2019 Concerning Insolvency

We, Khalifa bin Zayed Al Nahyan President of the United Arab Emirates;

- Upon reviewing the Constitution;
- Federal Law No. (1) of 1972, concerning the Competencies of Ministries and Powers of the Ministers, as amended;
- Federal Law No. (5) of 1985 Promulgating the Civil Transactions Law, as amended;
- Federal Law No. (3) of 1987 Promulgating the Penal Code, as amended;
- Federal Law No. (10) of 1992 Promulgating the Law of Evidence in Civil and Commercial Transactions, as amended;
- Federal Law No. (11) of 1992 Promulgating the Civil Procedure Code, as amended;
- Federal Law No. (35) of 1992 Promulgating Penal Procedure Code, as amended;
- Federal Law No. (18) of 1993 on Promulgating the Commercial Transactions Law, as amended;
- Federal Law No. (18) of 1995 concerning Simple Crafts;
- Federal Law No. (4) of 2004 concerning Financial Free Zones;
- Federal Law No. (1) of 2006 concerning Electronic Transactions and Commerce;
- Federal Law No. (7) of 2012 Regulating the Expertise Profession before Judicial Authorities;
- Federal Law No. (2) of 2015 concerning Commercial Companies, as amended;
- Federal Law by Decree No. (9) of 2016 concerning Bankruptcy;
- Federal Law No. (13) of 2016 concerning the Judicial Fees Before Federal Courts;
- Federal Law No. (20) of 2016 concerning the Mortgage of Movable Properties;

- Federal Law by Decree No. (14) of 2018 concerning the Central Bank & Regulation of Financial Institutions and Activities;
- And upon the proposal of the Minister of Finance, and the approval of the Cabinet;

Promulgate the following Law by Decree:

Title One: Definitions and Scope of Application

Article 1 Definitions

In application of the provisions of this Law by Decree, the following words and phrases shall have the meanings assigned to each of them unless the context requires otherwise:

- State** : United Arab Emirates.
- Ministry** : Ministry of Finance.
- Minister** : Minister of Finance.
- Court** : The competent court subject to rules of jurisdiction stipulated in the aforementioned Federal Law No. (11) of 1992.
- Debtor** : The natural person who is in insolvency.
- Debtor's Debts** : Debts due by the debtor arising from an obligation created towards him prior to the date on which the court issues its decision to commence the insolvency procedures.
- Debtor's Assets** : Movable and immovable assets added to the positive side of the debtor's financial liability on the date of the decision to commence the insolvency procedures or during any procedures stipulated in this Law by Decree.
- Debtor's Businesses** : Activities practised or not practised by the debtor during taking any procedure stipulated in this Law by Decree.

- Cessation of Payment** : Inability of the debtor to pay any due debt.
Interested Party.
- Interested Party** : A natural or legal person that has an interest in any of the procedures stipulated in this Law by Decree
- Exchange Rate** : The exchange rate of the Emirati Dirham against foreign currencies as announced by the Central Bank of the United Arab Emirates.
- Measures** : Necessary measures taken by the court in order to safely maintain or manage the debtor's funds in accordance with the provisions of this Law by Decree.
- Experts' Roster** : The Roster of accredited experts in accordance with the provisions of the aforementioned Law by Decree No. (9) of 2016.
- Expert** : The expert who is recorded at the Experts' Roster.
- Trustee** : The trustee appointed by the court from among the experts recorded in the Experts' Roster.
- Scheme** : The scheme to settle the financial liabilities of the debtor, prepared in accordance with the provisions of this Law by Decree
- Insolvency** : Facing current or potential financial difficulties that make the debtor unable to settle his debts.

title

Article 2 Scope of Application

The provisions of this Law by Decree shall be applicable to debtors who are not subject to the provisions of the aforementioned Federal Law by Decree No. (9) of 2016.

Title Two: Settlement of Financial Liabilities

Chapter One Application for Commencing Procedures of Settlement of Financial Liabilities

Article 3 Submittal of Application

The debtor may submit an application to the court without any litigation against anyone to settle his financial liabilities in accordance with to the provisions of this Law by Decree, provided that the application shall be accompanied with the following documents:

A memo containing a brief description of the financial position and any details relevant to the sources of his income inside or outside the State, his job, professional or craft status, as the case may be, predictions of the debtor's cash liquidity and the sources of such liquidity within the twelve (12) months following the submittal of the application.

A statement of names and addresses of creditors whose debts the debtor is unable or is expected to be unable to pay; the value of the debt of each creditor, the due dates and guarantees provided to such creditors, if any.

A detailed statement of movable and immovable funds inside and outside the State and the approximate value thereof on the date of the application submittal.

A statement of any claims, legal or judicial proceedings taken against the debtor.

A statement from the debtor that he faces current or potential financial difficulties and that he is unable or is expected to be unable to pay all his debts, whether those that are

due on the date of the application submittal or those that will be due in the future.

The funds required for living of the debtor and his family in addition to any other person supported thereby.

Proposals of the debtor about the settlement of his financial liabilities.

The debtor's nomination of an expert to undertake the procedures pursuant to the provisions of this Law by Decree.

Disclosure statement about the financial transfers outside the State that occurred during the last twelve (12) months.

Any other documents that support the submittal of the application or that are required by the court.

Article 4 Non-completion of Required Data

If the debtor could not provide any of the documents or data required subject to the provisions of Article (3) of this Law by Decree, he shall state the reasons in his application.

If the court thinks that documents submitted are not sufficient to reach a decision concerning the application, the court may give the debtor a grace period to submit any additional data or documents.

Article 5 Payment of Fees, Costs and Expenses

The debtor shall pay the judicial fees.

The court shall estimate the fees of the experts and the costs and expenses expected for the procedures of financial settlement and shall notify the debtor thereof within a time not exceeding the day following the day of the application submittal.

The debtor shall deposit at the court's treasury a cash amount or a bank guarantee on the date determined by the court to cover the fees of the trustee and the costs and expenses expected for the procedures of the financial settlement.

The court may, at the request of the debtor, postpone the deposit of the amount or bank guarantee stipulated in Clause (2) of this Article if sufficient funds required to cover costs and expenses on the date of the application submittal are not available; provided that such funds shall be collected, prior to all other creditors.

Article 6 Taking Measures

The court may, at the request of any interested party or upon its discretion, take necessary measures to keep and maintain the funds of the debtor until the application is decided on or during the procedures of settlement of financial liabilities.

Article 7 Deciding on the Application

The court shall decide on the request without a declaration or pleading within a period not exceeding five (5) working days as of the submittal date of the application fulfilling its requirements.

If the court accepts the request, it shall decide to commence the procedures of settlement of financial liabilities.

The decision of the court to accept the debtor's application for settlement of his financial liabilities shall result in the suspension of the creditor's right to request the execution on the debtor's funds or to request the commencement of the procedures of his insolvency and liquidation of his funds. This suspension shall continue until the completion of the procedures of settlement of the debtor's financial liabilities.

Notwithstanding the provisions of Clause (3) of this Article, the creditor may, if he has a guaranteed debt, pledge the right of execution on his guarantees when the debt is due, provided that he obtains a permission from the court. The court in turn shall decide on giving the permission within ten (10) working days as of the date of his request without litigation. The court shall also ascertain when giving the permission that there is no conspiracy between the debtor and the guaranteed creditor and the priority degree of the guaranteed creditor if there are multiple creditors who have guarantees on the same funds.

The decision issued by the court to refuse the permission may be appealed before the Court of Appeal. Such appeal shall result in the suspension of the procedures of settlement of financial liabilities. The decision issued on the appeal shall be final.

The decision of the court to commence the procedures of settlement of financial liabilities shall result in the suspension of the debtor's obligation to request his insolvency and liquidation of his funds. Suspension of execution shall continue during the period of the procedures of settlement of financial liabilities unless the debtor violates his obligations stipulated in the scheme, in accordance with the provisions of this Law by Decree.

The application submitted by the debtor for settlement of his financial liabilities shall not make his forward debts due at the time of submitting this application.

Article 8 Appointment of Expert

The court shall appoint, in the decision to commence the procedures of settlement of financial liabilities, one or more experts to assist the debtor to settle his financial liabilities.

If more than one expert is appointed, they should perform their duties jointly and shall take decisions with the majority of votes. In the event of parity, the matter shall be referred to the court to decide. The court may divide the duties among the experts and shall determine the way of their work, whether jointly or severally.

The court shall inform the expert of the decision of his appointment on a date not exceeding the day following the issuance of its decision to commence the procedures and shall provide him with all information available concerning the application.

The expert shall not be a creditor to the debtor, has an interest in the debtor or relative to the debtor to the fourth degree.

The expert shall undertake his duties as soon as he is informed of the decision of appointment.

The expert shall, within five (5) working days as of the date on which he is notified of his appointment decision, publish the summary of the decision to commence the procedures in two wide-spread daily newspapers, one in Arabic and the other in English, provided that the publication shall include an invitation to the creditors to submit their claims and the supporting instruments and deliver them to the expert within a period not exceeding twenty (20) working days as of the publication date.

The expert is entitled to require any details or information from the debtor or any other person that has information relevant to the settlement procedures. In case of refusing to provide those details or information, the matter shall be presented to the court.

The debtor shall provide the expert with any additional details not informed to the court about his creditors or amounts of debts within the period determined by the expert.

The expert is entitled to present a request to the court to assist him in performing his duty as required, including the request to disburse any amounts of money to cover costs and expenses necessary for the progress of the procedures.

Article 9 Submitting Debt Documents

The creditors shall, even if their debts are not due or guaranteed, provide the expert, within the period determined in Clause (6) of Article (8) of this Law by Decree, with the documents of their debts accompanied by their details and guarantees, if any, the due dates of such debts and the amounts in AED based on the exchange rate of the day on which the court decided to commence the procedures.

The expert may require the creditor who presented his claims to provide notes about the debt, complete relevant documents or to certify any claims by the auditor of the creditor or an independent auditor.

Article 10 Debts' Report

The expert shall prepare a list of all creditors of the debtor and specify the addresses of each of them, the amount of the due debt, its due date and a statement of the owners of guaranteed debts, the guarantees designated for each of them in addition to the approximate value of these guarantees, if any, and any other data deemed necessary by the expert to perform his duties.

Without prejudice to Clause (1) of this Article, the expert shall prepare a report about the funds and debts of the debtor and all circumstances that relate to his default or cessation of payment and shall submit it to the court within twenty (20) working days as of the expiry date of the grace period given to creditors in Clause (6) of Article (9) of this Law by Decree to submit documents of their debts. The report shall demonstrate whether or not the settlement of financial liabilities is possible in the light of income resources of the

debtor.

The court may, at the request of the expert, give him additional period for the preparation of the report stated in Clause (2) of this Article.

Article 11 Examining the Report

The court shall examine the report prepared by the expert in order to verify the debts of the debtor.

If the court deems it necessary to complete the procedures of settlement of financial liabilities, it shall issue a decision to mandate the expert to prepare the scheme.

Article 12 Application Dismissal

In all events, the court shall decide to stop the procedures of settlement of financial liabilities and dismiss the application for settlement of financial liabilities in the following events:

If it is proved to the court that the debtor has made any action or abstained to make any action in order to conceal or destroy any part of his funds.

If the debtor has provided false data about his debts, rights or funds.

If the debtor is in cessation of payment of any of his debts in their due dates for a period exceeding fifty (50) consecutive working days due to his incapacity to fulfil these debts.

Chapter Two Preparation of Settlement of Financial Liabilities Scheme

Article 13 Presenting the Scheme to Creditors

The expert shall prepare the scheme in cooperation with the debtor, provide a copy for creditors and lodge a copy at the court within (22) working days as of the date on which the court mandated the expert to prepare the scheme.

The court may extend the period of lodging the scheme if needed.

The expert shall invite the debtor and creditors to one or more meetings, and shall specify the place and time, to discuss and vote on the scheme, provided that the first meeting shall be held within a period not exceeding ten (10) working days as of the date on which creditors are provided with a copy of the scheme in accordance with Clause (1) of this Article.

The expert may send the invitation to attend the meeting stipulated in Clause (3) of this Article by any possible means of communication.

The expert may invite creditors to other meetings during the procedures of the scheme preparation or to postpone the date of the creditors' meeting, taking into consideration the number of known creditors and any other significant circumstances to hold the meeting.

The debtor and creditor shall attend the meeting in person or through their legal representatives.

The period proposed for executing the scheme may not exceed three years as of the date on which the court approved the scheme. This period may be extended at the consent of the majority of creditors who own two thirds of the debts that were not paid as per the scheme.

Article 14 Replacement of Guarantees

The expert may propose an alternative guarantee for any creditor of guaranteed debt,

provided that such procedure would achieve a benefit for the execution of the scheme and the value of the alternative guarantee shall not be less than the value of the guaranteed debt.

If the creditor of the guaranteed debt does not accept the proposed offer, the expert may present the matter to the court and the latter is entitled to order the replacement of the guarantee if this would achieve a benefit for the execution of the scheme and will not harm the interest of the guaranteed creditor.

Article 15 Voting on the Scheme

The meeting of creditors stipulated in Clause (3) of Article (13) of this Law by Decree shall not be duly valid unless attended by a majority that exceeds half of creditors' number, provided that such creditors shall represent at least two thirds of total validated debts.

If the quorum is not complete in the first meeting, creditors shall be invited to a second meeting within ten (10) working days as of the date of the first meeting. The meeting shall be valid with the actual attendants provided that the attendants shall represent at least two thirds of total debts. If this quorum is not achieved, the expert shall present the matter to the court to decide the possibility to complete the procedures of financial settlement of the debtor.

Voting shall be confined to creditors whose claims are accepted by the court. Other creditors may not vote unless the court allows the same.

Article 16 Persons with No Right to Vote

The following persons may not participate in the creditors meeting or vote therein:

Spouse of the debtor.

Any person financially supported by the debtor.

Relatives of the debtor to the second degree.

The expert shall manage the creditors' meeting and shall verify during the meeting the capacity of persons entitled to vote.

Article 17 Amendment of Scheme

The debtor or any of the creditors may propose amendments to the scheme during the meeting. Creditors shall vote in the meeting on any amendments to the scheme.

The expert may hold a second meeting for creditors to vote on the proposed amendments.

Article 18 Approval of the Scheme

Approving the scheme shall be with the majority of votes of attending creditors whose debts are not less than two thirds of the value of validated debts.

The expert shall give the creditors who did not approve or abstained to vote on the scheme or did not participate in voting a grace period not exceeding fifteen (15) working days as of the date of ratification of the scheme to join it.

The creditor who did not attend the meetings dedicated to vote on the scheme shall be deemed to have approved the scheme if he provided the expert with his requests which have been included without any change to the scheme prior to the meeting.

If the debtor agrees with a creditor to give such creditor special privileges to vote on the

scheme, which resulted in harm to other creditors, the court may set nullify this agreement of its own accord or at the request of one of the creditors.

Article 19 Extension of Voting Time

The court may, at the request of the expert if the required approval to the scheme is not obtained, give the debtor a grace period not exceeding ten (10) working days to determine a new date for voting on the scheme or amending it to be presented to creditors.

Article 20 Ratification of the Scheme

The court shall ascertain that the scheme includes that all creditors who are affected thereby shall obtain at least what they would have obtained if the funds of the debtor have been liquidated on the date of voting on the scheme subject to the discretion of the court.

The court shall issue a decision to ratify the scheme if all conditions stipulated in the above Articles are fulfilled and it shall be binding on all creditors.

If the court decides to refuse the ratification of the scheme, it shall initiate insolvency proceedings and liquidation of the debtor's funds in accordance with the provisions of Title III of this Law by Decree.

The expert shall notify the creditors of the decision of the court within five (5) working days as of the court's decision to ratify or reject the scheme.

Chapter Three Execution of Scheme

Article 21 Management of Scheme Execution

The expert shall work as a supervisor of the scheme during the execution period and he shall follow up the progress of the scheme and inform the court of any default in its execution. The expert is entitled to obtain any data necessary for performing his duties. The appointment of the expert shall not affect the ability of the debtor to directly manage his businesses through the execution of the scheme of settlement of financial liabilities. In addition, this shall not exempt the debtor from any legal or contractual obligations arising from the practice of his businesses.

Article 22 Selling Properties of the Debtor

The expert shall sell the properties of the debtor that are decided to be sold subject to the scheme execution for the best price that can be obtained in the light of the conditions prevailing the market on the date of selling. The sale amount or any other revenues due to the scheme execution shall be deposited in the treasury of the court.

Article 23 Scheme Execution Report

The expert shall prepare a report on the progress of the scheme execution every three (3) months and a copy shall be presented to the court. Any creditor may obtain a copy of that report.

Procedures of settlement of financial liabilities shall be confidential and no one who has participated in the procedures of settlement of financial liabilities, or know thereof due to his job or profession, may disclose these procedures to third parties unless subject to applicable legislations.

Article 24 Amendment of Scheme after Commencement of Execution

If the expert deems it necessary to make amendments to the scheme during execution, which would make a change in the rights or obligations of any party, then he shall apply to the court for the approval of such amendments. The court shall, prior to deciding on the application, notify all creditors who can be affected by such amendments and any other creditors the court deems necessary to notify within five (5) working days as of the date of the expert's request in order to express their notes about the amendments required. This shall be within ten (10) working days as of the notification date. The court may issue a decision to permit all or part of the amendment or to dismiss it, provided that the decision of the court shall take the interest of the creditors into consideration.

Chapter Four Termination, Completion and Nullification of Financial Settlement Procedures

Article 25 Termination and Completion of Settlement Procedures

The court shall decide to terminate the procedures of settlement of financial liabilities of the debtor in the following cases:

If the court finds that reaching a settlement of financial liabilities is impossible.

If it is impossible to apply the scheme because the debtor ceases to pay any of his debts in their due dates for a period that exceeds forty (40) consecutive working days due to his incapacity to fulfil these debts.

If the debtor requests the court to terminate the procedures of the scheme execution prior to the completion of settlement of financial liabilities with the creditors.

If the period dedicated for the scheme execution expires and the completion of

settlement of financial liabilities could not be done.

If the debtor fails to execute the scheme.

If all obligations stipulated in the scheme are fulfilled, the court shall issue a decision to complete the scheme execution at the request of the expert, debtor or any creditor. This decision shall be published in two daily local newspapers one of which is issued in Arabic and the other is issued in English.

Article 26 Nullification of Scheme

The court shall issue a decision to set aside the approved scheme if it is shown to the court that the debtor has escaped or attempted to escape to fulfil his obligations, such as concealing or destroying any part of his funds, providing false data about his debts, rights, funds or his disposition of his rights or funds.

Any interested party may file a lawsuit for nullification in accordance with the provisions of Clause (1) of this Article within six (6) months as of the discovery of the action. In all events, the lawsuit shall not be admitted if it is submitted after two (2) years as of the date on which the court's decision to approve the scheme has been issued.

If the court ruled to nullify the scheme, the liability of any guarantor who guaranteed the execution of the scheme shall be discharged. Creditors shall not be obliged to return back any amounts they had received from the debtor in consideration of due debts prior to the judgment of nullification of the scheme.

Article 27 Effect of Nullification of Scheme

The court shall order within its decision to nullify or terminate the scheme in accordance with the provisions of Clause (1) of Article (25) and Article (26) of this Law by Decree to

initiate the insolvency of the debtor and liquidation of his assets subject to the provisions of Title III of this Law by Decree if it is proven to the court that such decision resulted in the debtor's cessation of payment of debts that are due on the date of the decision of nullification or termination of the scheme for a period that exceeds forty (40) executive working days due to his inability to pay such debts.

Title Three: Insolvency of Debtor and Liquidation of his Assets

Chapter One Initiating the Procedures of the Debtor's Insolvency

Article 28 Debtor's Submittal of Application

The debtor shall submit an application to the court to commence the procedures of his insolvency and liquidation of his assets if he ceases to pay any of his debts in their due dates for a period that exceeds fifty (50) consecutive working days due to his incapacity to fulfil these debts.

The value of the debts that obligate the debtor to submit the application referred to in Clause (1) of this Article shall be determined by a resolution issued by a Cabinet resolution upon the proposal of the Minister.

The debtor shall combine the application with all documents stated in Article (3) of this Law by Decree.

Article 29 Right of Creditor to Submit the Application

The creditor or a group of creditors whose credit is not less than two hundred thousand (200,000) AED shall be entitled to submit an application to the court to commence the procedures of the debtor's insolvency and liquidation of assets subject to the provisions

of this Title if the creditor has given the debtor a notice to fulfil the due debt and the debtor did not pay within fifty (50) consecutive working days as of the date of the notice. The creditor shall submit the application to the court to commence open the procedures of insolvency and liquidation of assets combined with the following documents: Documents that prove the debt stating the amount thereof, the due dates and any relevant guarantees, if any.

A copy of the notices referred to in Clause (1) of this Article.

Article 30 Amendment of Financial Values and Periods

The Cabinet may, upon a recommendation from the Minister, issue a resolution to amend the financial values and periods referred to in Articles 28) and (29) of this Law by Decree.

Article 31 Payment of Fees, Costs and Expenses

Subject to the provisions of Articles (28) and (29) of this Law by Decree, the applicant shall pay the judicial fees.

The court shall estimate the fees of the experts and the costs and expenses expected for the procedures of insolvency and liquidation of assets and shall notify the debtor of its estimation within a time not exceeding the day following the day of the application submittal.

The applicant shall deposit at the court's treasury a cash amount or a bank guarantee on the date determined by the court to cover the fees of the trustee and the costs and expenses expected for the procedures of insolvency and liquidation of assets.

The court may, at the request of the applicant, postpone the deposit of the amount or

bank guarantee stipulated in Clause (2) of this Article if sufficient funds required to cover costs and expenses on the date of the application submittal are not available; provided that such funds shall be collected, prior to all other creditors, from the first amounts of money received by the debtor.

If the court decides to initiate the procedures of the debtor's insolvency and liquidation of assets during the procedures of settlement of financial liabilities, it may decide to deposit an additional cash or bank guarantee to cover the fees, costs and expenses of the trustee.

Chapter Two Appointment of the Trustee and Practising his Duties

Article 32 Appointment of the Trustee

The court shall, if decided to commence the procedures of the debtor's insolvency and liquidation of assets, appoint a trustee to manage such procedures.

If the debtor has been previously subject to the procedures of settlement of financial liabilities, the court may appoint the expert who had been appointed in accordance with the provisions of Article (8) of this Law by Decree as a trustee of insolvency.

Article 33 Publication of Appointment Decision

The trustee, within (5) five working days as of the date of the court's decision to commence the procedures of insolvency and liquidation of funds of the debtor, shall publish the decision of the court in two widely circulated local daily newspapers, one of which is issued in Arabic and the other in English language.

Article 34 Submittal and Examination of Claims

The trustee shall require the creditors to submit their claims within twenty (20) working days as of the date of publication of the court's decision in the two newspapers. No claims shall be considered after this date unless there is an excuse accepted by the trustee.

The trustee shall make the final examination of the claims of creditors and prepare a report on the financial position of the debtor and shall deliver it to the court within ten (10) working days as of the expiry date of the period determined in Clause (1) of this Article. The court may extend this period to one similar period.

If the value of the claims is determined in a foreign currency, it shall be converted to the national currency at the exchange rate on the date of issuing the decision to commence the procedures of insolvency unless the creditor and debtor agree otherwise.

The court may, at the request of the trustee, assist him to perform his duty, including disbursing amounts to cover fees and expenses necessary for conducting the procedures.

Article 35 Admission of Claims and Granting Grace Period

The court shall determine, after reviewing the report of the trustee, the claims to be admitted and accepted thereby.

The court shall decide on the insolvency of the debtor and liquidation of his assets within fifteen (15) days as of receiving the trustee's report.

The court may, upon a recommendation from the trustee and at the request of the debtor, prior to the initiating the liquidation of the debtor's assets, grant the debtor a grace period supervised by the trustee not exceeding (3) three months, renewable for

similar periods, to amicably settle his debts with the creditors, provided that such action shall not harm the interest of creditors.

Any creditor may appeal the decision issued by the court to give the debtor a grace period for amicable settlement before the Court of Appeal. Such appeal shall not result in the suspension of the procedures. The decision issued on the appeal shall be final.

If the court decides to commence the procedures of insolvency and liquidation of the funds, all dates of all debts shall be due, whether such debts are ordinary, secured or preferential.

Chapter Three Liquidation of Assets

Article 36 Managing the Procedures of Liquidation of Funds

If the court decides to commence the procedures of insolvency and liquidation of the funds, the trustee shall manage the liquidation of all funds of the debtor except the funds that may be kept by the debtor subject to the provisions of this Law by Decree.

The debtor shall disclose any properties he acquired or obtained for any reason after the court decided to commence the procedures of insolvency and liquidation of funds and the trustee shall include these properties to the funds of the debtor under liquidation.

Without prejudice to Clause (2) of this Article, the trustee shall, unless the court decides otherwise, take legal or judicial procedures to claim any properties included in the financial liability of the debtor.

The trustee may permit the debtor to complete any of his businesses or activities in order to sell his assets at the best possible price, provided that the period of this permission shall not exceed six (6) months. The trustee may extend this period, but it shall not exceed two (2) months if this will achieve the interests of creditors.

The court may, at the request of the debtor or trustee, permit the debtor to keep any of his assets if the court deems that these assets are necessary to enable the debtor to follow up his job, profession or craft.

The trustee shall manage the sale of the debtor's assets in an auction upon the approval of the court and under its supervision and control.

The court may allow the trustee to sell some or all of the assets of the debtor in a way other than public auction subject to the conditions it sets.

The trustee shall use the revenues of liquidation of the debtor's assets to pay any claims on the debtor under the supervision of the court and the surplus shall be returned to the debtor.

The proceeds of the sale shall be distributed to creditors subject to priority specified in Article (42) of this Law by Decree. If the sold assets are a security for one of the creditors, the trustee shall pay to the creditors according to their priority from the proceeds of selling such assets.

Article 37 Requesting Information

The trustee may require information relevant to insolvency and liquidation from any person who has such information. This includes the current or previous spouse of the debtor or any other person who possesses properties or assets owned by the debtor or any other person who is indebted to the debtor whom the trustee shall order to determine his debts due to the debtor.

Article 38 Right to Repayment

Subject to Article (8) of this Law by Decree, the expert shall ensure that publishing the

decision to commencement of the procedures contains an invitation to all interested parties who have a right in the funds of the debtor and that they shall submit a repayment request of movable and immovable funds owned thereby from the assets of the debtor. They shall submit the request within two months as of the date of publishing the decision stating the kind, nature and specifications of such funds and the nature of the right thereon.

The expert may, based on an order of the court, repay the funds in the possession of the debtor to the owners thereof after validating their ownership.

Article 39 Assets Exempted from Liquidation Procedures

The following shall not be included in the assets of the debtor that are subject to procedures of insolvency or liquidation:

Retirement pension or social subsidy provided to the debtor.

Necessary funds of the debtor determined by the court for the needs of living of the debtor and his dependants. The decision of the court may be objected to within five (5) working days as of the date of its issue. The court shall decide on the objection within five (5) working days and its decision may not be appealed.

Article 40 Selling Debtor's Domicile

Without prejudice to the applicable legislations in the State, the trustee may apply to the court after the judgment of insolvency and liquidation of the debtor's assets to obtain a decision to sell the house which the debtor takes as domicile under his legal disposition.

Upon examining this request, the court shall take into consideration:

The interest of the debtor's creditors.

Whether the debtor has another house that can be used as domicile.

The number of dependant family members of the debtor living with him at the house.

The sufficiency of the price obtained from selling the house of the debtor to buy a suitable domicile for the debtor and his dependants subject to his social circumstances at the time of publishing the decision of insolvency and liquidation of his assets.

Any other human or social aspects relevant to the debtor.

That there are no legal or regulatory reasons preventing the disposal of the house of the debtor.

Article 41 Persons Prohibited from Purchasing Debtor's Assets

The debtor may not provide a purchase offer, whether personally or through a purchase agent, to purchase all or some of the debtor's assets of the debtor offered for sale.

The following persons may not purchase the assets of the debtor unless the court approves this if it achieves an interest to creditors:

The spouse of the debtor, one of his relatives by blood or marriage to the second degree.

Any other person who was within the past two years prior to the decision to commence the procedures of insolvency and liquidation of the debtor's funds a partner, an employee, an accountant or an agent of the debtor.

Article 42 Order of Priority on Debtor's Assets

The trustee shall, after the approval of the court, distribute the revenues of liquidation according to priority, provided that the creditors of guaranteed debts shall have priority

to other creditors of preferred debts or ordinary debts according to their guarantees.

The following categories of debts shall be considered preferred debts and shall have priority to creditors of ordinary debts. This category of debts shall be paid subject to the following:

Judicial fees and expenses in addition to the fees and expenses of the expert and the trustee.

Costs or expenses disbursed by virtue of a decision issued by the court to serve the common interest of creditors to maintain and liquidate the assets of the debtor.

End of service gratuity, due wages of workers and employees of the debtor.

Debts of spousal maintenance due by the debtor subject to a judgment issued by a competent court.

Amounts due to governmental entities.

Article 43 Distribution of Revenues of Selling Debtor's Assets

The trustee may distribute the revenues of liquidation after each sale transaction or after aggregating the funds of total sale transactions subject to the provisions of Article (42) of this Law by Decree.

The trustee may, after each sale transaction, submit a distribution list to the court for ratification.

The creditor shall receive his share in the proceeds of distribution at the place where the trustee performs his duty unless the trustee and the creditor agree otherwise.

Shares of debts that were not totally accepted and debts that are objected to according to the provisions of this Law by Decree shall be detained and kept at the treasury of the court until the final decision.

Proceeds of amounts arising from the sale of the funds securing his debt shall be paid to the creditor of a guaranteed debt. If the mortgaged assets are not sufficient to fulfil the full guaranteed debt or preferential debt, the unpaid amount of the debt shall be deemed an ordinary debt.

The trustee shall deliver to the debtor any surplus amounts upon liquidation after fulfilling all his liabilities.

If a creditor refuses to receive his debt, or if he is absent, or if it is difficult to recognise his residence, the debt shall be deposited at the court treasury and the deposit receipt shall be deemed a clearance.

Article 44 Procedures in Specific Conditions

If the debtor hinders the procedures of insolvency and liquidation of assets in a way that prevents the trustee to perform his duties subject to the provisions of this Law by Decree, the trustee may seek the court to issue an order on a petition to take any appropriate procedure against the debtor.

If it is shown to the court, after the issuance of the insolvency and liquidation of the funds of the debtor, that there are any undisclosed funds that belong to the debtor, the court is entitled to add such funds to the funds of the debtor under liquidation.

Article 45 The Report of Liquidation Procedures Progress

The trustee shall inform the court and the debtor every month of the progress of the proceedings of insolvency and liquidation.

Chapter Four Completion of Insolvency and Liquidation Procedures

Article 46 Closure of Insolvency and Liquidation Procedures

After completion of the final distribution of the debtor's funds to creditors, the court shall issue a decision to close all procedures of liquidation, provided that the decision shall include a list of creditors whose debts are accepted, their value and what had been fulfilled. The court shall order the trustee to publish that decision in two widely circulated local daily newspapers, one of which is issued in Arabic and the other is issued in English.

The trustee shall return all documents in his custody to the debtor after the completion of the procedures and performing his works.

The court may, at the request of the debtor or trustee, issue a judgment at any time after the decision to commence the insolvency procedures was issued, to end the insolvency and liquidation procedures if the court discovers the following:

That the reasons that led to commencing the insolvency procedures ceased to appear.

That the proceeds of the debtor's assets are sufficient to pay the rights of creditors.

All effects of insolvency stipulated in this Law by Decree shall be ceased accordingly. After the decision to close the procedures of insolvency and liquidation is issued, any creditor whose debt has been accepted by the court and was not fully fulfilled is entitled to execute on the funds of the debtor to obtain the remainder of his debt. Acceptance of the debt referred to in Article (35) of this Law by Decree shall be deemed a final judgment concerning this execution.

If the proceeds of the debtor's funds are not sufficient to pay the rights of creditors, the court shall issue a judgment declaring the insolvency of the debtor and termination of the procedures of insolvency and liquidation.

Chapter Five Measures Taken Against Debtor

Article 47

The court is entitled to take necessary measures against the debtor if he committed or starts to commit any of the following acts or dispositions:

Escaping outside the State to avoid or delay the payment of his debts, or avoid, delay or prevent the procedures of insolvency and liquidation of his assets.

Disposing of any of his assets with the aim to prevent the trustee from possessing them or to delay his possession thereof.

Concealing or destroying any of his assets, documents or other relevant information that creditors may benefit from.

Transferring any properties under his possession of which value exceeds five thousand (5,000) AED without the consent of the trustee.

Not attending before the court after being notified to attend or not executing its decisions without providing any acceptable excuse.

Chapter Six Insolvency of the Estate of a Deceased Debtor

Article 48

The procedures of the declaration of insolvency and liquidation of the debtor's assets as stipulated in this Law by Decree shall apply to the deceased debtor and the following shall be taken into consideration:

The notification of the application for the commencement of procedures of insolvency, in the event of the debtor's death, shall be served to the last domicile of the deceased debtor without the need to specify the heirs.

Heirs of the debtor whose insolvency is declared shall replace the debtor in the procedures of insolvency and liquidation of assets within the limits of the estate.

Article 49

The trustee shall notify the heirs of the deceased to nominate a representative thereof in the proceedings of insolvency and liquidation of assets. If they do not agree upon their representative within ten (10) working days as of the date of the notification, the court shall, at the request of the trustee, assign one of them or any other person to achieve this purpose. The court may remove the representative of the heirs and appoint another one.

Chapter Seven Effects of Insolvency

Article 50 Dispositions of Debtor after Commencing the Procedures

The decision of the court to open the proceedings of insolvency and liquidation of funds of the debtor shall result in the following:

Debts of the debtor shall be due and payable.

Dispositions made by the debtor of his assets, whether for a consideration or not, shall not be valid unless the court decides otherwise. The court may order a third party to repay any funds of the debtor or issue any other order the court deems as appropriate to preserve the rights of creditors. In all events, the court shall hear the testimonies of the parties to the disposition prior to deciding the nullity or validity of that disposition.

Recognition of any debt to the debtor's creditors shall not be enforced.

The debtor shall be prevented to manage his businesses and dispose his funds and properties. The debtor may not make any payments that exceed five thousand (5,000) AED without the consent of the trustee as of the date of opening the proceedings.

Preventing the debtor from disposing of his funds shall not include the costs of his living or his dependants subject to the decision of the court or the payment through set-off to fulfil mutual obligations that have been created prior to the decision to commence the procedures of insolvency and liquidation of funds, unless the court decides otherwise. The debtor may not provide any personal securities or guarantees on his funds unless upon a prior consent from the court.

Article 51 Suspension of Procedures

During the procedures of insolvency and liquidation of assets, no lawsuits may be filed or proceeded, and no legal or judicial procedures may be taken against the debtor in events other than those permitted in this Law by Decree.

The decision of the court to commence the procedures of insolvency and liquidation of assets shall result in the suspension of all judicial execution procedures against the debtor's assets.

Notwithstanding Clauses (1) and (2) of this Article, creditors of guaranteed or preferential debts are entitled to execute on their guarantees whenever their debts are due after they obtain a permission from the court. The court shall decide on giving such permission within ten (10) working days as of the date of requesting the permission.

Deciding on that permission shall not need a notification or exchange of briefs.

The decision issued by the court to refuse the permission may be appealed before the Court of Appeal. Such appeal shall result in the suspension of the procedures of insolvency and liquidation of funds. The decision issued on the appeal shall be final.

Article 52 Interests and Guarantees Provided

The decision to commence the procedures of insolvency and liquidation of assets shall result in the following:

Due legal or contractual interests on the debtor shall be suspended, including the due interest or indemnity for late payment.

Any judicial procedure against any person that gave the debtor a personal guarantee or transferred his funds as a guarantee for the liabilities of the debtor shall be suspended until a judgment to liquidate the debtor's assets is issued within the limits of that guarantee.

Article 53 Enforcement of Contracts

The decision to commence the procedures of insolvency and liquidation of assets shall not result in the avoidance or termination of a valid contract between the debtor and a third party. The party contracting with the debtor shall fulfil its contractual obligations unless the creditor claims non-execution or the avoidance of the contract due to the debtor's failure to fulfil his obligations prior to the issuance of the court's decision to commence the insolvency procedures, or if it is proven to the trustee that the debtor is unable to fulfil his contractual obligations stipulated in said contract. The court may in this event, at the request of the trustee or any other relevant person, issue a judgment avoiding the contract if it is necessary for the protection of the debtor's assets or if it achieves an interest for all creditors and does not harm the interests of the party contracting with the debtor.

The trustee shall, upon requesting the enforcement of any contract, ensure that debtor has the necessary funds to fulfil his obligations stipulated in that contract and to pay any

amount that the debtor should pay to the contracting party due to an enforceable contract, unless the contracting party gives the debtor a grace period for payment.

Article 54 Prohibiting Dispositions and Entry in the Register

Subject to Article (50) of this Law by Decree, declaring insolvency and liquidation of the debtor's assets shall result in the following:

Preventing the debtor to obtain a new loan or finance for three (3) years as of the date of the judgment of insolvency declaration.

Preventing the debtor to enter into obligations, whether for a consideration or not, except what is required to fulfil his necessary needs and his dependants for three (3) years starting on the date of the judgment of the debtor's insolvency and liquidation of assets; unless the court permits the debtor to do so by virtue of an order on a petition submitted by the debtor.

Entering the names of debtors, against whom judgments to declare their insolvency and liquidation of their assets are issued, in the special register. A Cabinet resolution shall determine the form of the register, the data to be included and the competent entity regulating that register in addition to other relevant terms and conditions.

Chapter Eight Rehabilitation of the Debtor Whose Insolvency is Declared

Article 55 Lapse of Time

Unless the provisions of this Chapter stipulate otherwise, the rights from which the

debtor has been deprived according to the provisions of this Law by Decree shall be recovered by any of the following:

The lapse of three years as of the date of the completion of the debtor's insolvency and liquidation of assets.

The lapse of two years as of the date of the completion of the procedures of the debtor's insolvency and liquidation of assets if the debtor has fulfilled (50%) of his debts.

The lapse of one year as of the date of the completion of the procedures of the debtor's insolvency and liquidation of assets if the debtor has fulfilled (75%) of his debts.

Article 56 Rehabilitation Due to Debt Fulfilment

The debtor whose insolvency was declared shall be rehabilitated, even if the time stipulated in Article (55) of this Law by Decree did not lapse, if the debtor fulfils all of his debts previously accepted by the court prior to ruling the declaration of insolvency and liquidation.

Article 57 Settlement and Discharge

The debtor whose insolvency was declared may be rehabilitated, even if the time stipulated in Article (55) of this Law by Decree did not lapse, in the following events:

If the debtor concludes a settlement with all his creditors and abides by such settlement.

If the debtor proves that creditors have discharged him of all debts that were due thereby after the court's decision to declare insolvency and liquidation.

Article 58 Rehabilitation of Deceased Debtor

The debtor whose insolvency was declared shall be rehabilitated after his death at the request of the heirs. Times stipulated in Article (55) of this Law by Decree shall be calculated as of the date of the judgment of his insolvency and liquidation of assets.

Article 59 Rehabilitation Application

The application for rehabilitation shall be submitted with supporting documents to the court that issued the judgment of insolvency and liquidation declaration and the court shall notify the creditors whose debts were accepted thereby of the application for rehabilitation.

Article 60 Objection to the Rehabilitation Application

Any creditor whose debts were accepted by the court and did not collect his right shall be entitled to object the rehabilitation application within fifteen (15) working days as of the date of being notified. The objection shall be made via an application submitted to the court accompanied with the supporting documents.

The court shall, after the lapse of time stipulated in Clause (1) of this Article, notify creditors who submitted their objections to the rehabilitation application of the date of the hearing scheduled to consider the request.

The court shall decide on the rehabilitation application by issuing a judgment that shall be appealable before the Court of Appeal.

If the rehabilitation application is dismissed, it may not be submitted again unless after the lapse of six (6) months as of the date of dismissal.

Title Four: Provisions Dedicated for the Expert and Trustee

Article 61 Replacement

The court may at any time replace the expert or the trustee or appoint additional experts or trustees.

The court may replace the expert or trustee at the request of the creditor or debtor if it is proven to the court that his appointment may harm the interests of creditors or debtor. However, the request shall not suspend the procedures.

The expert or trustee may request the court to relieve him of his duties and the court is entitled to appoint an alternative. The court may also determine the fees of the expert or trustee relieved for his services.

The appointment of the alternative expert or trustee shall be through the same appointment procedures stipulated by the provisions of this Law by Decree. He shall, within (5) working days as of the date on which he is notified of the appointment decision, publish the decision of his appointment in two widely circulated local daily newspapers, one of which is issued in Arabic and the other is issued in English. The replaced expert or trustee shall cooperate as much as possible to enable the alternative expert or trustee to undertake his duties.

The court may evaluate the phase of the procedures under consideration at the time of replacing the expert or trustee and it may grant the new expert or trustee a sufficient period to complete the procedures.

Article 62 Fees

The court shall determine the fees of the expert or trustee appointed and such fees shall be paid from the amounts or bank guarantees deposited at the treasury of the court. If these amounts are not sufficient to pay all the fees, the remainder amount shall be paid according to the provisions of Article (42) of this Law by Decree.

Article 63 Fees collection

The expert or trustee shall collect his fees, allowances of costs and expenses incurred from the funds of the debtor. Subject to a decision issued by court, a payment may be disbursed from such fees and expenses.

If the funds of the debtor are not sufficient to pay the fees, expenses and costs, the expert or trustee is entitled to apply to the court to pay his dues from the treasury of the court. If any dues are paid from the treasury of the court, these amounts shall be recovered prior to all creditors from the first amounts entering into the funds of the debtor.

Each stakeholder may submit a grievance to the court against the estimation of the fees, expenses and costs of the expert and trustee. Such grievance shall not suspend the procedures and the court shall decide on the grievance within five (5) working days as of the date of its submittal and its decision cannot be appealed by any way of appeal.

Title Five: Penalties

Article 64

Penalties stipulated in this Law by Decree shall not prejudice any severer penalty stipulated by any other law.

Article 65

Any creditor who commits any of the following acts shall be punished with imprisonment and a fine not less than ten thousand (10,000) AED and not exceeding one hundred thousand (100,000) AED or with one of these two punishments:

If the creditor submits a claim relevant to a false or fake debt against the debtor.

If the creditor increases his debts due by the debtor in an illegal way.

If the creditor votes in any meetings on decisions relevant to the settlement of financial liabilities of the debtor and he knows that he is legally prohibited.

If the creditor, after the decision of the court to initiate the procedures of insolvency and liquidation of funds, agreed with the debtor to take special privileges in a way that harms other creditors despite being aware of that matter.

Article 66

A debtor shall be punished with imprisonment for a period not exceeding two years and a fine not less than twenty thousand (20,000) AED and not exceeding sixty thousand (60,000) AED or one of these two punishments if the debtor declared his insolvency and has been proved that declaration of insolvency caused a loss for his creditors due to committing one of the following acts:

If the debtor has spent big amounts of money on speculations that are not required for his usual businesses or on purchasing services, commodities or items of personal or domestic use that are not suitable for his unstable financial position, or if he performs gambling while he is aware of the potential harms to his creditors.

If the debtor paid the debt of one creditor in order to harm other creditors within the six (6) months prior to the submittal of his application to settle his liabilities or declare his insolvency.

If the debtor disposes of his funds in a bad faith for a price that is less than the market or seeks harmful methods to harm his creditors in order to delay insolvency declaration

and liquidation of his funds.

If the debtor paid any debt or disposed of any funds while he was aware that such action violated the conditions of the scheme.

Title Six: Final Provisions

Article 67

If the court decides to commence the procedures of settlement of financial liabilities or proceedings of insolvency and liquidation of funds, the court shall order, upon its discretion or based on the request of the debtor, the suspension of any penal procedures if such procedures arise due to cases of issuing a bounced cheque for cheques made by the debtor before the request to commence the procedures of settlement of financial liabilities or proceedings of insolvency and liquidation of funds.

If the court decides to suspend the penal procedures according to the provisions of Clause (1) of this Article, the suspension shall continue until the completion or nullification of the procedures of settlement of financial liabilities or until the court issues a decision to declare the debtor's insolvency, as the case may be. The creditor who holds the bounced cheque shall be one of the creditors and his debt shall become a part of the total debts of the debtor.

If the debtor obtains a decision from the court to settle his liability towards the creditor holding the bounced cheque within any phase of the procedures of settlement of financial liabilities or proceedings of insolvency and liquidation of assets, the debtor may apply to the competent court to hear the criminal lawsuit according to the provisions of Article (401) of the Penal Code in order to issue a decision of lapse or suspension of the criminal action, as the case may be.

Article 68

No appeal may be submitted against any judgment or decision issued by the court during the procedures of the settlement of financial liabilities or the procedures of insolvency declaration and liquidation of funds of the debtor, except for the events explicitly stipulated in this Law by Decree.

Article 69

Any provision contrary to or contravening the provisions of this Law by Decree shall be repealed.

Article 70 Publication and Enforcement of the Law by Decree

This Law by Decree shall be published in the Official Gazette and shall come into force three months after the date of its publication.

Signed

Khalifa Bin Zayed Al Nahyan

President of the United Arab Emirates

Issued by Us at the Presidential Palace in Abu Dhabi:

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