

Federal Decree-Law No. (32) of 2023 on Finance Lease

We, Mohammed bin Zayed Al Nahyan,
Emirates,

President of the United Arab

Having reviewed:

- The Constitution;
- Federal Law No. (1) of 1972 on the Competences of Ministries and the Powers of Ministers, as amended;
- Federal Law No. (8) of 2018 on Finance Lease; and
- Based on the Proposal submitted by the Minister of Finance, and the approval thereof by the Cabinet,

Have enacted the following Decree-Law:

Chapter 1: General Provisions

Article (1) Definitions

For the purpose of applying the provisions of this Decree-Law, the following words and expressions shall have the meanings assigned thereto respectively, unless the context requires otherwise:

The State: The United Arab Emirates.

The Minister: The Minister of Finance.

The Central Bank: The Central Bank of the United Arab Emirates.

Person: A natural or legal person.

Asset: 1. Every non-consumable object owned or legally possessed by

the Lessor, pursuant to the provisions of this Decree-Law and the resolutions issued in pursuance hereof, and used in the Lessee's craft, trade, business or personal uses, including:

- a. Off-plan real estate units that may be the subject of legal transactions, pursuant to the legislation in force in each Emirate; and
- b. Capital and future Assets, Assets manufactured in a certain way, equipment, plants, living and unborn animals. Movable property shall be deemed an Asset even if it becomes immovable by destination or is incorporated in real property.

2. A leased Asset excludes the following:

- a. Aircraft, airframes, helicopters and aircraft engines of any type that are subject to registration in special registers, pursuant to the legislation in force in the State and international treaties and conventions to which the State accedes;
- b. Marine vessels of any type that are subject to registration in special registers, pursuant to the legislation in force in the State;
- c. Cash;
- d. Investment bonds; and
- e. Parcels of land granted by the State.

Business

A place where a Person manages its transactions on a regular

Headquarters:	basis. In the absence of a proof of such place, the address registered with the competent authorities or the Person's usual place of residence shall be considered its Headquarters.
Finance Lease:	A Lease whereby the Lessor leases out the Asset to the Lessee against a rent for a specific term, while the Lessee may be granted an option to own the Asset, pursuant to the provisions of Article (3) hereof.
Lease Agreement:	An agreement whereby the Lessor leases out the Asset to the Lessee pursuant to the provisions of this Decree-Law.
Lessee:	A Person that acquires a right to possession and use of a leased Asset under the Lease Agreement, including sub-lessee.
Lessor:	A legal Person that grants another Person a right to possession and use of a leased Asset under the Lease Agreement, including sub-Lessor.
Supplier:	A Person from whom the Lessor acquires the leased Asset under the Supply Contract in a tripartite lease.
Supply Contract:	A contract whereby the Lessor acquires the Asset from the Supplier for the purpose of leasing it out to another person in a tripartite lease.
Special Movable:	Movables which the legislation in force in the State requires to be registered, excluding movables where rights created thereto are registered in the register created under the provisions of Federal Law No. (4) of 2020 Guaranteeing Rights to Movable Property.

In Writing/Written: Information created, transmitted, received or stored in writing or via any electronic means, including modern means of communication.

Article (2) Applicability

1. The provisions of this Decree-Law shall apply to any Finance Lease of a leased Asset in the following cases:
 - a. If such leased Asset exists in the State or at any free zone ungoverned by special provisions regulating the Finance Lease;
 - b. If Lessee's Business Headquarters is located in the State or at any free zone ungoverned by special provisions regulating the Finance Lease; and
 - c. If the Lease Agreement provides for applying the provisions of the State's laws to the contractual relationship.
2. This Decree-Law shall not apply to the financial free zones in the State.

Article (3) Types of Finance Lease

1. The Finance Lease shall be bilateral, whereby the Lessor grants the Lessee a right to possession and use of an Asset for the term set out in the Finance Lease Agreement against a rent or other amount payable under such transaction. The agreement shall include the following:
 - a. An option to purchase the leased Asset, in whole or in part; and
 - b. A rent or other amounts payable under the Lease Agreement and the payment method.
2. The Finance Lease that includes the following characteristics shall be considered a

tripartite lease:

- a. The Lessee designates the leased Asset and its features and selects the Supplier; and
 - b. The Lessor owns the leased Asset for the purposes of lease, while the Supplier is aware of the same.
3. A tripartite Finance Lease Agreement may provide for granting the Lessee an option to purchase the Asset, in whole or in part.
 4. A sale-leaseback, whereby the Supplier sells the leased Asset and then the Supplier leases it from the Lessor, as a Lessee, under a Lease Agreement, shall be considered a tripartite Finance Lease.
 5. A sublease is made when the Lessee leases out the leased Asset to third parties.

Article (4) Regulating and Licensing the Activity of Finance Lease

1. The Central Bank shall regulate, license and supervise the activity of Finance Lease practiced by banks, companies and institutions governed by the same under the legislation in force in the State, and shall issue the conditions and controls for engagement in this activity.
2. At the proposal of the Minister, the Cabinet shall:
 - a. Determine the authority or authorities supervising the regulation, licensing and supervision of legal Persons authorized to engage in the activity of Finance Lease other than banks, companies and institutions governed by the Central Bank; and
 - b. Issue the conditions and controls of engagement in the Finance Lease activity for legal Persons referred to in Paragraph (a) of Clause (2) of this Article.
3. The Minister shall issue the regulations necessary for developing the provisions of the Finance Lease accounting treatment.

4. The relevant authorities in the State that approve the procedures for registering or licensing Assets or annotating the registers with basic transactions introduced thereto shall amend or adapt such procedures to register cases in which such Assets become leased under a Lease Agreement governed by the provisions of this Decree-Law in their registers.

Chapter 2: Finance Lease Agreement

Article (5) Details of Finance Lease Agreement

1. The parties to the Lease Agreement may agree to set the provisions regulating the rights and obligations of each one of them.
2. The Lease Agreement shall include, as a minimum, the following details and information:
 - a. Name and details of the Lessor and the Lessee;
 - b. Name and details of the Supplier in tripartite agreement;
 - c. Description of the leased Asset;
 - d. Term of the Lease Agreement;
 - e. Purpose for using the leased Asset and the scope of use;
 - f. Amount of rent, number of payments and payment dates;
 - g. Rights and obligations of parties to the Lease Agreement; and
 - h. Any other details or information to be agreed upon by the parties to the Lease Agreement, without prejudice to the provisions of this Decree-Law.
3. Dropping any of the details set out in Paragraphs (d, e, f and g) above will not compromise the validity or effectiveness of the Lease Agreement vis-à-vis third parties.
4. The Lease Agreement shall be In Writing, otherwise it shall be null and void.

Article (6) Enforcement Between Parties and Vis-à-Vis Third Parties

1. The Lease Agreement shall be enforceable and binding on the parties thereto pursuant to its terms and conditions.
2. The enforcement of rights of parties to the Lease Agreement vis-à-vis third parties, including any third party that purchases the leased Asset, creditors of the parties and a bankruptcy trustee, shall be governed by the provisions of Clauses (3), (4) and (5) hereof.
3. The enforcement of rights of parties to the Lease Agreement vis-à-vis third parties shall be governed by Law No. (4) of 2020 Guaranteeing Rights to Movable Property, in so far as its provisions are applicable to the Assets.
4. The Lease Agreement of property and any amendment thereto shall, at the request of the Lessor or Lessee, be entered in the real estate register of the property with the competent authority in the relevant Emirate in accordance with its applicable procedures, and shall be enforceable vis-à-vis third parties from the date of such entry.
5. The Lease Agreement of movables and any amendment thereto shall, at the request of the Lessor or Lessee, be entered in the relevant register with the competent authority in the relevant Emirate in accordance with its applicable procedures, and shall be enforceable vis-à-vis third parties from the date of such entry.
6. The entry made pursuant to the provisions of Clauses (4) and (5) above may be removed only if a final judgment is rendered by the competent court on such removal, or upon the approval of parties to the Lease Agreement or their legal successors, or pursuant to any other legislation in force in the State, as the case may be.

Article (7) Beneficiary of the Supply Contract in Tripartite Lease

1. The Supplier's obligations under the Supply Contract in a tripartite lease shall be owed to

the Lessee as if the Lessee were a party to the Supply Contract and as if the leased Asset were to be supplied directly to the lessee. The Supplier may not be held accountable for compensating both the Lessor and the Lessee for the same action that causes damage more than once.

2. The Lessor shall, at the request of the Lessee, transfer its rights related to the performance of the Supply Contract to the Lessee, including rights related to judicial and arbitral proceedings. In case of the Lessor's abstention, it shall be responsible towards the Lessee to perform the Supplier's obligations.
3. If the Lessee approves the Supply Contract, the rights thereof arising from the Supply Contract may not be affected by any amendment introduced thereto, unless the Lessee approves this amendment In Writing; otherwise, the Lessor shall be responsible for performing the Supplier's obligations to the Lessee within the scope of the amendment.
4. Unless otherwise agreed by the parties, the Lessee may not negotiate the amendment or termination of the Supply Contract.

Article (8) Rights of Parties to the Lease Agreement

1. The rights of parties to the Finance Lease Agreement shall be enforceable and legally effective vis-à-vis the Lessor's creditors.
2. The invalidation or termination of the Supply Contract shall have no impact on the Finance Lease Agreement.

Article (9) Exclusion of Liability of the Lessor in Tripartite Lease

Unless otherwise agreed by the Parties in a tripartite lease, the Lessor shall not be liable to the Lessee or third parties for deaths, personal injury or material damage to property caused

by the leased Asset or its use, within the limits of its capacity as a Lessor of the Asset, as set out in the Supply Contract and the Lease Agreement.

Chapter 3: Implementation

Article (10) Irrevocability of Obligations

1. Unless otherwise agreed between the Lessor and the Lessee:
 - a. In a tripartite lease, when the leased Asset, subject of the Lease Agreement, is delivered to and accepted by the Lessee, the obligations of the Lessor and the Lessee, as set forth in the Lease Agreement, shall become independent and irrevocable.
 - b. In a bilateral lease, the Lessor and the Lessee may agree to render any of their obligations independent and irrevocable by specifically identifying such obligations as irrevocable and independent.
2. Without prejudice to the provisions of Clause (3) of Article (23) hereof, every independent and irrevocable obligation shall be implemented, even if a third party fails to implement its obligations, unless the party in whose interest the obligation must be fulfilled terminates the Lease Agreement.

Article (11) Risk of Loss

Unless otherwise agreed by the Lessor and the Lessee:

1. In a Tripartite Lease:
 - a. The risk of loss of the leased Asset shall pass to the Lessee from the effective date of the Lease Agreement between the parties thereto.
 - b. If the leased Asset is not delivered or is partially delivered to the Lessee or is delivered in such a manner inconsistent with the Lease Agreement, and the Lessee claims

compensation under Article (14) hereof, the Lessor or Supplier, as the case may be, shall be liable for the loss.

2. In a bilateral Lease Agreement, the Lessor shall be liable for the leased Asset loss and the liability may not be transferred to the Lessee, unless the loss is caused by the Lessee.

Article (12) Loss and Damage of the Leased Asset

Unless otherwise agreed between the Lessor and the Lessee:

1. In a tripartite lease, if the leased Asset, subject of the Lease, is lost or damaged, in full or in part, before taken over by the Lessee without any fault on the part of the Lessee or Lessor, the Lessee may request to inspect the leased Asset and may accept it and the supplier shall guarantee the diminution in value, or may claim the other compensations prescribed for the Lessee under the legislation in force in the State.
2. In a bilateral lease, if the leased Asset is damaged before the Lessee takes it over without any fault on the part of the Lessee or Lessor, the Lease Agreement shall terminate. In case of partial damage, the Lessee may request to inspect the leased Asset, and may either deem the Lease Agreement terminated or accept the leased Asset and reduce the rent and other amounts payable for the rest of the Lease Agreement term, equivalent to the diminution in value, without having the right to claim other compensation from the Lessor.

Article (13) Acceptance of the Leased Asset

Unless otherwise agreed by the Lessor and Lessee, the Leased Asset shall be deemed accepted by the Lessee if the latter informs the Lessor or Supplier that the Leased Asset is in conformity with the Supply Contract's terms and conditions, or if the Lessee fails to reject

taking over the leased Asset after taking an appropriate opportunity to inspect or use the leased Asset.

Article (14) Regularization

Unless otherwise agreed between the Lessor and the Lessee:

1. In a tripartite lease, if the leased Asset is not delivered or is partially delivered or if the delivery is late or in a manner not in conformity with the conditions of the Lease Agreement or the Supply Contract, the Lessee may claim any compensation prescribed therefor under the legislation in force in the State, and may claim the Supplier to deliver an alternative identical to the Asset, as the case may be.
2. In a bilateral lease, if the leased Asset is not delivered or is partially delivered or if the delivery is late or in a manner not in conformity with the conditions of the Lease Agreement, the Lessee may accept or reject the leased Asset or terminate the Lease Agreement, without prejudice to the provisions of Article (23) hereof; provided that the Lessor is notified of the rejection/termination within a reasonable time from the delivery of the leased Asset.
3. In a bilateral lease, the Lessee may, after accepting the leased Asset, reject it in pursuance of the provisions of Clause (2) above; provided that the inconformity of the leased Asset with the terms of the Lease Agreement has a material negative impact on its value, even if either of the following cases is realized:
 - a. The Lessee has accepted the leased Asset without being aware of the inconformity due to the difficulty to detect the same; or
 - b. The Lessor has urged the Lessee to accept the leased Asset under guarantees issued by the Lessor.

4. In a bilateral lease, if the Lessee rejects the leased Asset, pursuant to the provisions of this Decree-Law or under the Lease Agreement, the Lessee may refrain from paying the rent until it receives compensation for the delivery that is not in conformity with the terms of the Lease Agreement, and may recover the rent and any other amounts paid in advance after deducting an amount for the Lessee's utilization of the leased Asset.
5. If the Lessee is the one that provides the Lessor or Supplier with certain specifications to be met in the leased Asset, then it shall be deemed an acceptance by the Lessee to hold the Lessor or the Supplier harmless against any claim by way of infringement that arises out of compliance with such specifications.

Article (15) Transfer of Rights and Obligations

1. Unless otherwise agreed between the Lessor and the Lessee:
 - a. The Lessor's rights under the Lease Agreement shall be transferable with no need for the Lessee's approval.
 - b. The Lessor and the Lessee may agree that the Lessee may not invoke, vis-à-vis the person to whom the rights of the Lessor are transferred, any pleas or offset rights prescribed for the same vis-à-vis the Lessor, except for rights arising from the Lessee's incapacity, without prejudice to the Lessee's right to invoke its rights vis-à-vis the Lessor.
 - c. The Lessor's obligations arising from the Lease Agreement may be transferred only subject to the Lessee's Written consent, and the Lessee may not withhold such consent without a good reason, taking into account third parties' rights.
 - d. The Lessee's rights and obligations arising from the Lease Agreement may be transferred subject to the Lessor's Written approval, and the Lessor may not withhold such approval without a good reason, taking into account the rights of third parties.

- e. The new Lessee to whom the Lease Agreement has been transferred shall replace the original Lessee with regard to all rights and obligations arising from the Lease Agreement.
- f. The transfer of the Lessor's rights to collect the rent and other amounts payable shall be subject to the provisions of Federal Law No. (4) of 2020 Guaranteeing Rights to Movable Property.
- g. Unless otherwise agreed by the Parties, in case the Lessee is a natural person, his rights, after his death, shall be transferred to the universal or particular successor.

Article (16) Warranty of Quiet Possession of the Leased Asset

Unless otherwise agreed by the Lessor and the Lessee:

1. The Lessor shall warrant that the Lessee shall have and enjoy quiet possession and utilization of the Asset without any disturbance caused by any Person having a superior right in rem or in personam, or alleging under a court order to have a superior right in rem or in personam, or alleging negligence or intentional act or omission of the Lessor, whether the Lease Agreement is bilateral or tripartite.
2. Without prejudice to the provisions of Clause (3) of Article (23) hereof, the Lessee may claim compensation for a disturbance of the quiet possession by instituting an action for damages against the Lessor.

Article (17) Warranties of the Supplier and the Lessor

Unless otherwise agreed by the Lessor and the Lessee:

1. In a tripartite lease, the Supplier shall warrant that the leased Asset described in the Supply Contract is of a type that conforms to the business practice and that it is fit for the

ordinary purposes for which an asset of that type is used. Subject to the provisions of Clause (2) of Article (7) hereof, this warranty shall be enforceable only against the Supplier.

2. In a bilateral lease, the Supplier shall warrant that the leased Asset agreed upon in the Lease Agreement is of a type that conforms to the business practice and that it is fit for the ordinary purposes for which an asset of that type is used if the Lessor usually deals in Assets of such type.

Article (18) Obligation of the Lessee to Maintain the Leased Asset

1. The Lessee shall exercise due care for preserving the leased Asset, and shall use it reasonably in the light of the manner in which such assets are ordinarily used, and shall retain it in the condition in which it had been delivered to them, subject to fair wear and tear.
2. Unless otherwise agreed by the Lessor and the Lessee, the Lessee shall maintain the leased Asset based on the technical instructions issued by the Supplier or manufacturer, if any.

Article (19) Licensing the Leased Asset

1. Unless otherwise agreed by the Lessor and the Lessee, subject to Clause (2) below, the Lessee shall, at its own expense, license and renew the license of the leased Asset and obtain the necessary approvals from the competent authorities to enable the Lessee to utilize it if the Asset by nature requires a license under the legislation in force in the State.
2. The Lessor shall provide the Lessee with all the necessary documents and authorizations to enable the Lessee to perform the duty provided in Clause (1) above.

Chapter 4: Breach and Termination

Article (20) Breach of Obligations Arising from the Lease Agreement or the Provisions of the Decree-Law

The parties may agree to determine the cases that constitute a breach or give rise to rights or compensations as described in this Chapter. Where such agreement is not made, the breach shall be deemed to have occurred if a party breaches any of their obligations arising from the Lease Agreement or the provisions of this Decree-Law.

Article (21) Notices

Unless otherwise agreed by the Lessor and the Lessee, the affected party shall give the breaching party notice of the breach, implementation or termination, and of the possibility of remedy.

Article (22) Damages

1. Unless otherwise agreed by the Lessor and the Lessee, when a breach takes place, the affected party may claim damages, whether exclusively or in combination with other compensations, pursuant to the provisions of the Lease Agreement, which are necessary for reparation, so as to place the affected party in the situation in which the Lease Agreement would have been implemented in accordance with the conditions contained therein.
2. If the Lease Agreement stipulates that the party breaching its obligations included in the Lease Agreement shall pay the affected party a specific amount or an amount to be calculated as compensation for such breach, the affected party may claim such amount.

Article (23) Termination of the Lease Agreement

Unless otherwise agreed by the Lessor and the Lessee:

1. The Lease Agreement may be terminated in the following cases:
 - a. Pursuant to the provisions of Clause (2) of Article (12) hereof;
 - b. Upon the agreement of the parties;
 - c. At the request of the affected party in the event of a material breach is committed by the Lessor or Lessee; and
 - d. In case the Lessor breaches the warranty of quiet possession clause set out in Article (16) hereof.
2. Notwithstanding the provisions of Paragraphs (a) and (b) of Clause (1) above, in case of a tripartite lease, after the leased Asset has been delivered to and accepted by the lessee, the Lessee may not terminate the Lease Agreement for a material breach by the Lessor or Supplier, without prejudice to its right to claim for other compensations agreed between the parties or stipulated by the legislation in force in the State.
3. Subject to the provisions of Article (10) hereof, in the event of termination of the agreement, all corresponding obligations required to be implemented by the two parties under the Lease Agreement shall be discharged, except for the obligations enforceable as a result of its termination and rights arising from the breach or implementation prior to the termination.

Article (24) Bankruptcy and Liquidation

1. If the Lessor is liquidated or declared bankrupt, the Lessee may continue performing the Lease Agreement, pursuant to its terms and conditions, provided that the liquidator or bankruptcy trustee is so notified.
2. The new Lessor, to whom the ownership of the leased Asset has been transferred by

liquidation or declaration of bankruptcy, may continue performing the Lease Agreement if the Lessee expresses its desire to do so.

Article (25) Surrender of the Leased Asset and Possession and Disposition Right

1. Upon the termination or expiration of the Lease Agreement, the Lessee shall surrender the leased Asset to the Lessor, as per the condition set out in Clause (1) of Article (18) hereof, unless otherwise agreed by the parties to the agreement, or the agreement provides for the Lessee's ownership of the leased Asset upon the expiration of the agreement term.
2. By virtue of a Lease Agreement related to movables, the Lessor may effect an execution to collect its rights, pursuant to the provisions of Federal Law No. (4) of 2020 Guaranteeing Rights to Movable Property.

Article (26) Improvements to the Leased Asset

Unless otherwise agreed by the Lessor and the Lessee, if the leased Asset is surrendered to the Lessor, pursuant to the provisions of Clause (1) of Article (18) hereof, the following shall be observed:

1. All improvements separable from the leased Asset without harming it, which the Lessee made at its expense, shall remain the property of the Lessee.
2. The Lessee may claim compensation from the Lessor for any improvements the Lessee introduced to the leased Asset at its own expense with the Lessor's prior Written consent if such improvements are inseparable from the leased Asset without harming it.
3. The Lessee shall not be entitled to any compensation for the improvements the Lessee

introduced to the leased Asset at its own expense, which are not separable from the leased Asset without harming it, if the Lessee introduces the same without the Lessor's prior written consent.

Chapter 5: Final Provisions

Article (27) Penalties

Without prejudice to any severer penalties provided by any other law, any Person that engages in the Finance Lease activity or uses the phrase of, or synonyms to Finance Lease in his tradename without license shall be sentenced to imprisonment for a term not exceeding (6) six months and/or a fine of not less than (AED 100,000) one hundred thousand dirhams and not more than (AED 5,000,000) five million dirhams.

Article (28) Judicial Officers

The employees designated by a resolution of the Minister of Justice, in agreement with the Minister, or a resolution by the chief of the local judicial authority, in agreement with the chairman of the relevant authority, shall have the capacity of judicial officer to detect violations of the provisions of this Decree-Law, the Executive Regulations hereof and the resolutions issued in pursuance of the Decree-Law.

Article (29) Repeals

1. Federal Law No. (8) of 2018 on Finance Lease, and any provision repugnant to, or in conflict with the provisions of this Decree-Law is hereby repealed.
2. The resolutions applicable before the provisions of this Decree-Law enter into force shall

remain in force, in so far as they do not contradict the provisions hereof, until the substituted resolutions are issued, pursuant to the provisions of this Decree-Law.

Article (30) Publication and Entry into Force

This Decree-Law shall be published in the Official Gazette, and shall enter into force (6) six months following its publication date.

Mohammed bin Zayed Al Nahyan
President of the United Arab Emirates

Issued by us at Abu Dhabi Presidential Palace:

On 10th Rabi' Al-Awwal 1445 AH.

Corresponding to: 25th September 2023 AD.