



## **New Bankruptcy Law | UAE: Navigating the New Bankruptcy Law in the UAE: A Comprehensive Guide lines**

**Effective Date: 1.MAY.2024      Status:Active**



➤ **Introduction:**

The United Arab Emirates (UAE) stands at the crossroads of economic dynamism and burgeoning business opportunities within the Middle East. In its continuous stride towards bolstering its legal and regulatory framework, the UAE government has introduced Federal Law No. 51 of 2023, heralding the era of the Financial and Bankruptcy Law, colloquially known as the Bankruptcy Law.

Published in the UAE Official Gazette on October 31, 2023, the Bankruptcy Law ushers in a new chapter in the UAE's insolvency regime, superseding the prior bankruptcy legislation, Federal Law No. 9 of 2016. With an effective date set for May 1, 2024, this legislation initiates a transition period, affording entities operating within the UAE an opportunity to adapt to the evolving legal landscape and ensure compliance with its provisions.

➤ **Key Features of the Bankruptcy Law:**

**1. Scope and Definitions:**

- The Bankruptcy Law extends its jurisdiction over various entities, providing clarity through refined definitions of crucial terms such as "cessation of payments" and "debtor's assets."

**2. Establishment of a Bankruptcy Court:**

- A specialized Bankruptcy Court is inaugurated, bestowing exclusive jurisdiction over bankruptcy matters and ensuring swift enforceability of its decisions.

**3. Replacement of Preventive Composition with Preventive Settlement:**

- The introduction of the Preventive Settlement mechanism supplants the erstwhile preventive composition, offering debtors a more flexible avenue for restructuring while continuing operations.

**4. Liability of Directors and Management:**

- Enhanced provisions extend potential liability to encompass not only board members and managers but also individuals directly involved in the company's management.

**5. Claw Back:**

- Transactions within a specified timeframe prior to insolvency undergo scrutiny, with exceptions granted for transactions deemed to have valid "commercial considerations."

**6. Exclusion of Certain Areas:**

- Notably, certain entities established in free zones (e.g., the Dubai International Financial Center) are excluded from the purview of the Bankruptcy Law, as they are subject to special provisions regulating bankruptcy proceedings.

**7. New Bankruptcy Department:**

- A dedicated Bankruptcy Department is instituted, streamlining administrative processes and facilitating effective management of bankruptcy proceedings.



**8. Timing for Initiating Proceedings:**

- Clear guidelines mandate debtors or creditors to initiate bankruptcy proceedings within stipulated timelines, ensuring expeditious resolution of financial distress.

**9. Setting Off Debts and Enforcement of Security:**

- Provisions restrict setting off debts post-initiation of insolvency proceedings, while procedures for enforcing security are elucidated.

**10. Trustee and Controller Appointment:**

- Transparent procedures for appointing trustees or controllers are delineated, with creditor oversight safeguarded to ensure prudent asset management.

➤ **Implications and Next Steps:**

- **Compliance with the Bankruptcy Law emerges as paramount, with non-compliance carrying potential criminal penalties for certain debtor actions.**
- **Executive regulations are anticipated to supplement the law, providing further elucidation on its implementation and guiding stakeholders through the transition.**
- **Overall, the Bankruptcy Law signifies the UAE government's commitment to fostering an environment conducive to business growth, while concurrently fortifying creditor rights and engendering confidence in the country's insolvency regime.**

➤ **Conclusion:**

The introduction of the Bankruptcy Law in the UAE marks a pivotal moment in its legal landscape, promising a more robust and comprehensive framework for addressing financial distress. As stakeholders navigate this new terrain, understanding the intricacies of the law and ensuring compliance will be imperative in harnessing its potential benefits and safeguarding against its pitfalls.

**For any further inquiry about the law please contact us on: [info@advocatebox.com](mailto:info@advocatebox.com)**