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## **Cabinet of Ministers**

### **Cabinet of Ministers Resolution No. (94) of 2024**

#### **Concerning the Implementing Regulation of the Law on Financial Reorganisation and Bankruptcy**

**Issued by Federal Decree-Law No. (51) of 2023**

##### **The Cabinet of Ministers:**

Having reviewed the Constitution,

And Federal Law No. (1) of 1972 concerning the competencies of ministries and the powers of ministers, and its amendments,

And Federal Decree-Law No. (51) of 2023 issuing the Law on Financial Reorganisation and Bankruptcy,

And based on the proposal of the Minister of Justice and the approval of the Cabinet of Ministers,

##### **Has decided:**

#### **Article (1)**

##### **Definitions**

In the application of the provisions of this Resolution, the words and phrases contained herein shall have the same meaning as stipulated in Article (1) of the Law on Financial Reorganisation and Bankruptcy issued by Federal Decree-Law No. (51) of 2023, and the following words and phrases shall have the meanings assigned to each of them, unless the context requires otherwise:

##### **The Law**

: The Law on Financial Reorganisation and Bankruptcy issued by Federal Decree-Law No. (51) of 2023.

##### **The Register**

: The register established in the Financial Reorganisation and Bankruptcy Unit at the Ministry, for recording persons against whom judicial rulings have been issued imposing or lifting any restrictions ordered by the Court in accordance with the provisions of the Law and this Resolution.

#### **Article (2)**

##### **Regulatory Authorities**

The following bodies shall be considered the regulatory authorities in the application of the provisions of the Law and this Resolution, according to the scope of competence of each:

1. The Central Bank of the United Arab Emirates.
2. The Securities and Commodities Authority.

### **Article (3)**

#### **Register Data**

The Unit shall establish an electronic or paper register that includes the following data:

1. Data related to the lawsuit, its parties, the Trustee, and the Observer:
  - a. Lawsuit number and the competent court hearing it.
  - b. Date of filing the lawsuit and a summary thereof, including the value of the debts.
  - c. Details of the Trustee, if appointed, including his place of work, phone numbers, and email address.
  - d. Details of the Observer, if appointed, including his place of work, phone numbers, and email address.
2. Debtor's data if a natural person:
  - a. Name in both Arabic and English.
  - b. Nationality and date of birth.
  - c. Profession.
  - d. Address, phone number, and email address.
  - e. National ID number.
  - f. Activities practiced and the location of practice for each activity.
3. Debtor's data if a legal person:
  - a. Trade name in both Arabic and English.
  - b. Commercial registration number.
  - c. License number, date of issuance, and expiry.
  - d. Legal form.
  - e. Amount of the establishment's capital, number of shares or stakes, and their nominal value (if any).
  - f. Statement of the establishment's status.
  - g. Establishment's address.
  - h. Phone number and email address.

- i. Branch license (if any), and its name in both Arabic and English.
  - j. Name of the manager or chairman of the board of directors, as the case may be.
  - k. Name of the establishment's legal representative.
  - l. Name and legal form of partners or shareholders who are legal persons, according to the license.
  - m. Nature of legal actions affecting the establishment, such as mortgages.
  - n. Rulings and decisions issued by courts or judicial committees, and their date of issuance.
4. Rulings, decisions, and measures issued by the Bankruptcy Court regarding the case, their date of issuance and date of cancellation, if any, and the measures taken. The inclusion of such data in the register shall be under the supervision of the Head of the Unit, ensuring it is updated periodically.

#### **Article (4)**

##### **Accessing Register Data**

- 1. Any interested party may apply to the Unit to access the register's data in accordance with the procedures specified by a decision of the Minister.
- 2. Accessing the register's data is subject to the following conditions:
  - a. Specifying the applicant's capacity and attaching proof thereof.
  - b. Specifying the data to be accessed and the reasons for access.
  - c. Approval of the Minister or his authorized representative.
- 3. The regulatory authority may access any data listed in the register related to the debtor under its supervision.

#### **Article (5)**

##### **Debtor's Application to Initiate Procedures**

- 1. The debtor may apply to the Bankruptcy Department to initiate preventive settlement, restructuring, or bankruptcy declaration procedures in accordance with the provisions of Article (15) of the Law, provided that the value of the debt he has ceased to pay or will be unable to pay upon maturity is not less than (300,000) three hundred thousand dirhams if the debtor is a natural person, and not less than (500,000) five hundred thousand dirhams if the debtor is a legal person.
- 2. If the debtor is subject to a regulatory authority, it is required for applying to initiate procedures that the value of the debt he has ceased to pay or will be unable to pay upon maturity is not less than (5,000,000) five million dirhams.

#### **Article (6)**

##### **Creditor's or Creditors' Application to Initiate Procedures**

1. An ordinary creditor or a group of ordinary creditors may apply to the Bankruptcy Department to initiate the debtor's restructuring or bankruptcy declaration procedures in accordance with the provisions of Article (16) of the Law, provided that the value of the debt or total debts that the debtor has ceased to pay is not less than (1,000,000) one million dirhams. If the debtor is subject to a regulatory authority, the value of the debt must not be less than (10,000,000) ten million dirhams.
2. A creditor whose debt is secured by a mortgage or lien may apply to the Bankruptcy Department to initiate the debtor's restructuring or bankruptcy declaration procedures if the value of the guarantees securing his rights on the date of application is less than the value of the debt owed to the creditor by the debtor by an amount of (1,000,000) one million dirhams, and less than (5,000,000) five million dirhams for a group of applying creditors. If the debtor is subject to a regulatory authority, the difference must not be less than (10,000,000) ten million dirhams.

### **Article (7)**

#### **Regulatory Authority's Application to Initiate Procedures**

The regulatory authority may apply to the Bankruptcy Department to initiate restructuring procedures for any debtor under its supervision or to request a declaration of their bankruptcy, provided that the value of the debt they have ceased to pay or will be unable to pay upon maturity is not less than (500,000) five hundred thousand dirhams.

### **Article (8)**

#### **Bank Guarantee**

With the exception of applications submitted by regulatory authorities, both the debtor and the creditor, if either applies to initiate procedures, must deposit with the Bankruptcy Court's treasury a sum of money or an approved and payable bank guarantee equivalent to (5%) five percent of the debtor's total debts or assets on the date of application, or the total debts of the applying creditor, to cover the expenses and initial costs of processing the application. The Head of the Bankruptcy Department may decide to deposit a smaller amount, and may also postpone the deposit of the amount or guarantee referred to in this Article if the applicant is the debtor and does not have the necessary liquidity for the deposit on the date of application, or if the initial procedures will not incur any financial costs.

### **Article (9)**

#### **Meeting for Voting on the Preventive Settlement Proposal**

Without prejudice to the provisions of the Law regarding the meeting for voting on the preventive settlement proposal, the meeting shall be held in accordance with the following conditions and controls:

1. The meeting shall be chaired by the debtor or his legal representative. With the approval of the required majority, a chairperson may be chosen from among the creditors or others.
2. The chairperson of the meeting shall prepare minutes of the meeting's proceedings, to be signed by him and all attendees. It is permissible to suffice with the signature of the debtor and the Observer, or the debtor and the representative of the creditors' committee, or the debtor and the representative of the Unit, as the case may be, on the minutes.
3. The minutes of the meeting shall record the place, date, and start and end times of the meeting.
4. The minutes of the meeting shall record the voting percentages for the settlement proposal and all objections raised by the attendees, without prejudice to the voting controls stipulated in the Law.
5. The Observer must be present if the meeting is held via modern communication means. If one has not been appointed, a representative of the creditors' committee or a representative of the Unit must attend if the debtor is subject to a regulatory authority. The entire meeting must also be recorded audio-visually.

### **Article (10)**

#### **Trustee's Approval of the Debtor's Actions and Dispositions**

After the initiation of restructuring procedures, the debtor is obligated to obtain the written or electronic approval of the Trustee before undertaking any of the following actions or dispositions:

1. Providing or renewing a guarantee for a third party.
2. Paying debts that are due or before their due dates.
3. Establishing a subsidiary company or purchasing shares or stocks in another company.
4. Transferring ownership of all or part of his assets, business, or property outside the scope of his usual business activities.
5. Waiving any legal claim or entering into any financial settlement.

### **Article (11)**

#### **Condition for Selling the Debtor's Assets through Auction**

The sale of the debtor's assets through auction is conditional upon the Bankruptcy Court's approval of the liquidation and distribution plan in accordance with the provisions of the Law.

### **Article (12)**

#### **Procedures for Determining the Base Price for Opening the Auction**

The assets to be sold by auction shall be appraised by one or more valuation experts appointed by the Bankruptcy Court. The Trustee shall determine the base price according to the valuation report issued by the appraiser. If the report specifies a minimum and maximum value for the assets, the base price may be the minimum price, the average between the two limits, or any value the Trustee deems to be above the minimum limit.

### **Article (13)**

#### **Procedures for Selling Securities through Auction**

Notwithstanding Article (12) of this Resolution, securities issued by the Federal Government, local governments, public institutions, or public joint-stock companies in the State, and any other local or non-local financial instruments accepted by the Securities and Commodities Authority, shall be sold in accordance with the procedures followed by the securities and commodities markets under the supervision and control of the Securities and Commodities Authority.

### **Article (14)**

#### **Procedures for Announcing the Auction**

The auction shall be announced at least (5) five working days before the scheduled auction date on the Bankruptcy Court's website and through publication in a widely circulated daily electronic or paper newspaper issued in the State in Arabic, and in another newspaper issued in a foreign language if necessary, in addition to any other means decided by the Bankruptcy Court. The announcement shall include the auction conditions, location, date, time, and other data related to the nature of the property being auctioned.

### **Article (15)**

#### **Procedures for Submitting Bids in Sealed Envelopes**

The Trustee, after the approval of the Bankruptcy Court, shall determine the conditions for selling assets through the submission of bids in sealed envelopes or any electronic means that serves the same purpose. The sale shall be announced in accordance with the provisions of Article (14) of this Resolution, and the announcement must include the following:

1. The address to which the envelopes containing the bids should be sent.
2. How to hand-deliver the document envelopes.
3. The start and end of the bid submission period, the date for opening the envelopes, and the date for holding the auction among the bidders with equal bids.
4. Any other conditions the Trustee deems necessary to include in the announcement.

### **Article (16)**

#### **Approval of Bids**

1. The person whose bid is approved by the Trustee must deposit the full approved price and the prescribed expenses and fees within (5) five working days from the sale session. In this case, the Bankruptcy Court shall issue a decision awarding the auction to him.

2. If the person whose bid was approved by the Trustee fails to deposit the full price within the period mentioned in clause (1) of this Article without an acceptable excuse, the Bankruptcy Court may offer the bid to the next highest bidder at the price they offered. If that bidder agrees, the Bankruptcy Court shall approve their bid, and they must deposit the full price within (5) five working days from the date of bid approval.

3. If the next bidder refuses the offer as per clause (2) of this Article, the Bankruptcy Court must re-conduct the auction procedures within a period not exceeding (10) ten working days from the date of refusal, following the same previous procedures, and the Bankruptcy Court shall award the auction to the highest bidder.

4. The defaulting bidder shall be liable for any shortfall in the sale price. The auction award decision shall include an obligation for the defaulting bidder to pay the price difference, if any, and they shall have no right to any surplus. The Trustee shall recover the price difference from the value of the guarantee provided by them or the down payment paid by them and claim any remaining amounts, if any. The conditions of sale shall not, under any circumstances, include anything contrary to this.

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5. In all cases, the deposit may be substituted by a guarantee from an accredited bank in the State, or by submitting an accepted cheque. If the person liable for the deposit is a creditor and the amount and rank of their debt justify their exemption from the deposit, the Bankruptcy Court may exempt them from depositing all or part of the required price and expenses.

6. If the sale transaction at the auction price cannot be completed within (30) thirty days from the date the auction is awarded, for a reason not attributable to the buyer, the buyer has the right to request the cancellation of the auction and recover the cash consideration paid. Upon granting the request, the Bankruptcy Court must re-conduct the auction.

7. If the auction is delayed for legal reasons, it must be re-conducted within (10) ten business days from the date the reasons for the delay cease to exist.

## **Article (17)**

### **Procedures for Reducing the Base Price**

The auction begins at the specified time and place with the trustee's announcement of its start. If no buyer comes forward in the sale session, the sale shall be postponed to the next business day at the same location with a reduction of (5%) five percent from the base price. If no buyer comes forward in the second sale session, the sale is postponed to the next business day with a (5%) five percent reduction each time. In

this case, it is sufficient to announce the continuation or postponement of the sale publicly and record it in the sale minutes.

If the total reduction exceeds (25%) twenty-five percent, the sale must be postponed for a period determined by the Bankruptcy Court, with the re-initiation of announcement procedures. In this case, the asset shall be sold to the highest bid submitted in the first auction session.

### **Article (18)**

#### **Request to Initiate Proceedings Against Small Debtors**

If, after inventorying the debtor's assets, it is found that their value does not exceed the amount of (1,000,000) one million dirhams for a natural person, and (2,000,000) two million dirhams for a legal person, the Bankruptcy Court may, on its own initiative or upon the request of the debtor, the trustee, or a creditor, order to proceed with preventive settlement, restructuring, or bankruptcy declaration procedures, in accordance with the provisions of the Law.

### **Article (19)**

#### **Publication and Enforcement of the Decision**

This Decision shall be published in the Official Gazette and shall come into force on the day following the effective date of the Law.

Issued by us:

On: 29/Safar/1446 H

Corresponding to: 02/September/2024 AD

Mohammed bin Rashid Al Maktoum

Prime Minister