

Khalifa Bin Zayed Al Nahyan  
President of the United Arab Emirates

Federal Law by Decree No. (9) of 2016  
on Bankruptcy

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

- Having perused the Constitution;
- Federal Law No. (1) of 1972 on the Jurisdiction of Ministries and the Powers of Ministers, as amended;
- Federal Law No. (10) of 1980 on the Central Bank, the Monetary System and Regulation of the Banking Profession, as amended;
- Federal Law No. (5) of 1985 on the issuance of the Civil Transactions Law, as amended;
- Federal Law No. (3) of 1987 on the issuance of the Penal Law, as amended;
- Federal Law No. (10) of 1992 on the issuance of the Law of Evidence in Civil & Commercial Transactions, as amended;
- Federal Law No. (11) of 1992 on the issuance of the Civil Procedure Law, as amended;
- Federal Law No. (35) of 1992 on the issuance of the Penal Procedure Law, as amended;
- Federal Law No. (18) of 1993 on the issuance of the Commercial Transactions Law;
- Federal Law No. (1) of 2006 on Electronic Transactions and Commerce;
- Federal Law No. (4) of 2004 on Financial Free Zones;
- Federal Law No. (6) of 2007 on the Establishment of the Insurance Authority and the Organisation of its operations, as amended;
- Federal Law No. (7) of 2012 on the Regulation of Expertise before the Judicial Authorities;
- Federal Law No. (2) of 2015 on Commercial Companies;
- Upon the proposal of the Minister of Finance and the approval of the Cabinet;

**we have issued the following Law by Decree<sup>1</sup>:**

## **Chapter One**

### **Definitions and Scope of Application**

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

In applying the provisions of this Law, the following terms and expressions shall, unless otherwise required by the context, have the meanings set forth below:

State:	United Arab Emirates.
Minister:	The Minister of Finance.
Court:	The competent court having jurisdiction pursuant to the Civil Procedure Law.

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<sup>1</sup> Hereinafter referred to as “the Law”.

Competent Supervisory Authority:	The federal or local governmental supervisory authority designated by Cabinet resolution.
Debtor's Debts:	The debts payable by the Debtor as of the date the Court issues an order to commence proceedings in accordance with the provisions of Chapter Three or Four of this Law, or liabilities assumed by the Debtor prior to such order.
Debtor's Assets:	The items identified as assets on the Debtor's balance sheet as on the date of the order to commence proceedings or during such proceedings under this Law.
Debtor's Business:	The activities carried out by the Debtor before or during proceedings commenced under this Law.
Over-indebtedness:	The state in which the Debtor's Assets, at any given time, do not cover the Debtor's liabilities.
Cessation of Payment:	The case in which the Debtor fails to pay its debts when due and payable.
Free Zone:	Any free zone established or to be established in the State by federal or local legislation.
National Currency:	UAE Dirham.
Interested Party:	Any natural or juridical person who has a right or interest in any of the proceedings provided for in this Law.
Exchange Rate:	The exchange rate of the UAE Dirham against respective foreign currencies as announced by the Central Bank of the United Arab Emirates.
Provisional Measures:	Any measures taken by the Court deemed necessary to safeguard or manage the Debtor's Assets in accordance with the provisions of this Law.
Business Day:	Any official business day in the State.
Schedule of Experts:	The schedule of experts who are certified in matters of financial reorganisation and bankruptcy in accordance with the aforesaid Federal Law No. (7) of 2012.

## **Article (2)**

The provisions of this Law shall apply to:

1. Companies governed by the Commercial Companies Law.
2. Companies not established under the Commercial Companies Law and which are wholly or partly owned by the federal or local government, and which have enabling legislation, or memoranda or articles of association stipulating that this Law applies.
3. Companies and Establishments in the Free Zones that are subject to the provisions of Federal Law No. (8) of 2004 on Financial Free Zones which are not governed by particular provisions regulating protective composition procedures, financial restructuring and/or bankruptcy.
4. Any individual who is a “trader” as defined under the Commercial Transactions Law.
5. Licensed Civil Companies carrying out professional activities.

## **Chapter Two**

### **Financial Reorganisation**

#### **Article (3)**

1. A permanent committee to be known as the “Financial Reorganisation Committee” shall be formed by a Cabinet resolution<sup>2</sup>, upon the proposal of the Minister.
2. The Resolution referred to in Paragraph 1 of this Article shall set out the authority of the Committee, including the authority to seek assistance from any experts or professionals; and shall set out the operation and procedures of the Committee.

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

The Committee shall have the following authority:

1. To supervise the administration of the financial reorganisation of financial establishments licensed by the Competent Supervisory Authority, in order to facilitate amicable agreements between the Debtor and its creditors with the assistance of one or more expert(s) appointed by the Committee for this purpose in accordance with the procedures stipulated in the Resolution.
2. To establish an approved panel of financial reorganisation and bankruptcy experts to perform any acts entrusted to them under the provisions of this Law, in coordination with the Ministry of Justice or any Local Judicial Authority in the Emirates, and to approve the conditions and procedures for listing in the Panel of Experts.

3. To determine a schedule of fees and reimbursable expenses to be paid to the appointed experts for rendering the financial reorganisation services as assigned, and such an expert shall be considered a public officer.
4. To establish and organize a register of persons against whom court orders are issued, including any restrictions ordered by the Court, or resulting disqualifications pursuant to the provisions of this Law. The Committee shall issue a resolution specifying the form of the register and the information to be included therein, the persons entitled to review the register and the conditions thereof, and any other relevant provisions.
5. To submit periodic reports to the Minister on its work, achievements and proposals to enable the Committee to perform the duties entrusted to it by this Law.
6. Any other powers provided for in this Law or delegated to the Committee by the Cabinet.

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<sup>2</sup> Hereinafter referred to as “the Resolution”.

## **Chapter Three**

### **Protective Composition**

#### **Section One**

#### **Application and Determination of the Application**

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

The composition procedure<sup>3</sup> provided for in this Chapter aims to assist the Debtor to reach settlements with its creditors, by means of a protective composition plan<sup>4</sup>, under the supervision of the Court and with the assistance of a composition trustee appointed pursuant to the provisions of this Chapter.

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

1. Only the Debtor has the right to apply to the Court to commence the Protective Composition Procedure where it is experiencing financial hardship and requires assistance to reach settlements with its creditors.
2. The Court shall accept the application for Protective Composition only if the Debtor is not in a state of Cessation of Payment for more than (30) thirty consecutive Business Days as a result of the disorder of the Debtor's financial condition, and if the Debtor is not Over-indebted.

##### **Article (7)**

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<sup>3</sup> Hereinafter referred to as the "Protective Composition Procedure" or "Protective Composition"

<sup>4</sup> Hereinafter referred to as the "Protective Composition Plan"

Upon application by the Debtor to commence the Protective Composition Procedure, the enforceability of the Debtor's obligations under Article (68) of this Law shall be suspended throughout the period, from the date of filing the application up until the issuance of the court order accepting or rejecting the commencement of the Protective Composition Procedure. Where the Application for Protective Composition is granted, the said suspension shall continue throughout the Protective Composition Procedure.

##### **Article (8)**

If the Debtor is regulated by a Competent Supervisory Authority, the Debtor may apply for Protective Composition, provided that the Debtor informs such Supervisory Authority in writing within (10) ten working days prior to the date of filing the application. The Competent Supervisory Authority may submit any documents or pleadings concerning the same to the Court.

##### **Article (9)**

1. The application for Protective Composition filed with the Court shall set out the reasons for the application, and be accompanied by the following documents:

- a. Memorandum including a brief summary of the economic and financial position of the Debtor together with information about the Debtor's Assets and detailed statements of the Debtor's employees.
  - b. Certified copy of the commercial, industrial or professional license and the commercial or professional register of the Debtor issued by the competent licensing authority in the Emirate.
  - c. Copy of the accounting books or financial statements relating to the Debtor's Business for the financial year preceding the filing of the application.
  - d. A report including the following:
    - 1) The cash flow, profit and loss projections of the Debtor for the (12) twelve months following the filing of the application.
    - 2) A statement of the names and addresses of the known creditors and debtors and the amounts of their respective entitlements or debts and any securities provided.
    - 3) Detailed statement of the Debtor's Assets - movable and immovable, and the approximate value of each as at the date of filing the application, along with a statement of any securities or rights of third parties against them.
  - e. Proposals for the Protective Composition Procedure and the security for the implementation thereof.
  - f. Nomination by the Debtor of a trustee to undertake the procedures pursuant to the provisions of this Law.
  - g. If the applicant is a company, the application shall be accompanied by a copy of the resolution of the company's competent authority approving the application for Protective Composition, and copies of the incorporation documents, and any amendments thereto, as filed with the competent licensing authority in the Emirate.
  - h. A report issued by the competent Credit Bureau Authority in the State.
  - i. Any other documents in support of the application.
2. If the applicant is unable to submit any of the details or documents required pursuant to the provisions of Article 9(1) hereof, the applicant shall specify in the application the reasons for such inability.

#### **Article (10)**

1. The Court considering the application for Protective Composition may decide, upon request of any Interested Party or of its own accord, to take any necessary measures to maintain or manage any of the Debtor's Assets, including sealing any place of business of the Debtor pending resolution of the application.
2. The court may order the continuation of any such measures or any further safekeeping measures following the approval of the application for Protective Composition

### **Article (11)**

The Court shall verify that the application includes all necessary supporting documents and may give the Debtor an extension of time to submit any additional details or documents in support of Debtor's application.

### **Article (12)**

The Debtor shall deposit a sum of money or a bank guarantee with the Court's treasury in the manner and by a date as determined by the Court, to cover the costs and expenses of the Protective Composition Procedure, including the fees and expenses of the trustee and any appointed expert.

### **Article (13)**

1. The Court may appoint an expert from among the experts listed in the Panel of Experts, or an expert who is not listed in the Panel if the Court does not find an expert with the required expertise.
2. The appointed expert shall prepare a report on the financial position of the Debtor, including an assessment as to whether the conditions required to accept the Application for Protective Composition are met and whether the Debtor's Assets are sufficient or insufficient to implement the Protective Composition Procedure
3. The Court shall determine the duties and remuneration of the Expert and the period required for submission of the Expert report, provided that such period shall not exceed twenty (20) Business Days from the date the Expert is notified of the appointment.
4. The provisions of Articles (19) and (20) of this Law shall apply to the expert.

### **Article (14)**

1. The Court shall decide on the application for Protective Composition, without the need for any opponent to appear, within a period not exceeding five (5) Business Days from either the date the application is filed, provided it conforms with the requirements of this Law, or, from the date on which the expert submits the report, as the case may be.
2. If the Court approves the application, it shall order the commencement of the Protective Composition Procedure.

### **Article (15)**

The Court shall dismiss the application for Protective Composition in the following cases:

1. If the Debtor is already subject to Protective Composition, restructuring, bankruptcy or liquidation of the Debtor's Assets in the State in accordance with the provisions of this Law.



2. If the Debtor fails to submit the documents and details provided for in Articles (9) and (11) of this Law, or if the application is unjustifiably incomplete.
3. If it is established that the Debtor is acting in bad faith or the application is an abuse of process.
4. If a final judgment is issued convicting the Debtor of one of the crimes provided for in Chapter Six of this Law or of any crime of forgery, theft, fraud, breach of trust, or embezzlement of public funds, unless the Debtor has been rehabilitated.
5. If the Court finds that the Protective Composition Procedure is not appropriate for the Debtor on the basis of the information submitted by the applicant or the report prepared by the Expert pursuant to Article 13(2) of this Law.
6. If the Court decides to commence bankruptcy procedures pursuant to the provisions of Chapter Four of this Law.
7. If the Debtor fails either to pay the required deposit amount or to provide the required bank guarantee, pursuant to the provisions of Article (12) of this Law.

#### **Article (16)**

The Court may summon any person who has in their possession information relevant to the application for Protective Composition. Such person shall undertake to provide the Court with any information required.

**Section Two**  
**Appointment of Trustee**

**Article (17)**

1. If the Court decides to accept the application for Protective Composition, it shall appoint a trustee, who shall be a natural or a juridical person who has been nominated in accordance with Paragraph 1(f) of Article 9 of this Law, or an Expert to be selected from the Panel of Experts, or from outside the Panel if the Court does not find an expert with the required expertise.
2. The Court may of its own accord or upon the request of the Debtor or the controller, appoint more than one trustee, provided that the number of trustees appointed at any given time shall not exceed three (3).
3. If more than one trustee is appointed, they shall perform their duties jointly and their resolutions shall be passed by majority vote. In case of a tied vote the matter shall be referred to the Court for determination. The Court may divide the duties among the appointed trustees and may specify the manner in which their duties are discharged, whether jointly or individually.
4. If the Court appoints a juridical person as a trustee, such person shall nominate one or more of its representatives to undertake the duties of the trustee, provided that such representatives shall be registered in the Panel of Experts in accordance with the provisions of this Law.
5. The Court shall notify the trustee of the appointment by no later than one Business Day after the issuance of the order.
6. Any creditor may file with the Court a grievance against the Court's appointment of the trustee within five (5) Business Days from the date of publication thereof, pursuant to the provisions of Article (35) of this Law. The Court shall issue its decision regarding the grievance, without pleading, within five (5) Business Days of submission thereof. The decision of the Court shall be final; and the filing of the grievance shall not stay any of the procedures in this Chapter.

**Article (18)**

The trustee may file with the Court any application which would assist in the performance of the assignment. This includes, without limitation, an application for the appointment or delegation of one or more experts from the Panel of Experts to assist the trustee in any matters falling within the trustee's mandate. If necessary and upon the Court's approval, it is permissible to appoint an Expert who is not listed on the Panel of Experts. The Court shall specify the mandate and fees of the Expert, upon the recommendation of the trustee.

### **Article (19)**

Trustees shall not be any of the following persons:

1. A creditor of the Debtor.
2. A spouse, in-law or kin up to the fourth degree of the Debtor.
3. Any person against whom a final judgment is issued for a criminal offence, or for a misdemeanor of theft, embezzlement, deceit in commercial transactions, breach of trust, fraud, forgery, perjury bribery or any misdemeanor that affects the national economy, or any of the crimes provided for in this Law, even if such person has been rehabilitated.
4. Any person who has been a partner, employee, auditor or agent of the Debtor in the two years preceding the commencement of the Protective Composition Procedure.

### **Article (20)**

1. The appointed trustee shall be entitled to fees in consideration for the duties performed plus any expenses incurred, which shall be disbursed as determined by the court, from the amount deposited or the bank guarantee submitted in accordance with the provision of Article (12) of this Law.
2. The Court may decide to pay the trustee amounts on account, for the fees and expenses at any time following commencement of duties, by deducting such amounts from the deposit on account for fees and expenses.
3. Any Interested Party may file a grievance with the Court concerning the trustee's estimated of fees and expenses. Filing such a grievance shall not stay the procedures. The Court shall determine the grievance within five (5) Business Days after the grievance is filed and the Court's decision shall be final.
4. If the amount on deposit or the bank guarantee do not cover the fees and expenses of the trustee, the Court shall require the Debtor to pay the difference within the period specified by the Court; otherwise, the Court may order termination of the Protective Composition Procedure.

### **Article (21)**

1. The Court may of its own accord replace the trustee as it deems necessary. A creditor or the Debtor may also apply to the Court for replacement of the trustee, if it can be demonstrated that continuation of the trustee's appointment would be detrimental to the interest of the Debtor or creditors. The replacement trustee shall be appointed in the same manner followed in appointing the trustee under this Law. The outgoing trustee shall cooperate as necessary to enable the replacement trustee to assume the duties.
2. The trustee may apply to the Court to be discharged from the duties. The Court may accept such application and appoint a replacement, and grant fees to the trustee whose application has been accepted, for the services performed.

### **Section Three**

#### **Inventory of the Debtor's Assets**

##### **Article (22)**

1. Immediately upon appointment, the trustee shall carry out an inventory of the Debtor's Assets in the presence of the Debtor or its representative, after notifying the Debtor of same. Minutes shall be prepared by the trustee detailing the procedures taken, including a list of the inventory. The minutes shall be signed by the trustee and the Debtor or its representative, if present. A copy of the minutes shall be submitted to the Court.
2. The trustee may apply to the Court for an order to seal or unseal any of the Debtor's Assets.
3. The list of the Debtor's Assets shall not include entitlements of the dependents eligible under the Debtor's pension, if any, whether such rights accrue before or after the commencement of proceedings hereunder; such pension entitlements shall remain the property of such Dependents.

##### **Article (23)**

1. Upon appointment, the Court shall provide the trustee with all the information available to it about the Debtor.
2. The Debtor shall provide the trustee with any further details relating to the Protective Composition as may be required and within the period specified by the trustee.

##### **Article (24)**

1. The trustee shall prepare a register of all the known creditors of the Debtor, and shall provide a copy of such register, having up-to-date entries, to the Court.
2. The trustee shall enter the following into the register:
  - a. The address of each creditor, the amount of each creditor's claim and the due dates thereof.
  - b. Identify any creditors secured by means of mortgage or lien, the details of the security held by each creditor and an estimate as to the likely value of each security upon foreclosure.
  - c. Any set-off application in accordance with the provisions of Section Five of Chapter Five of this Law.
  - d. Any other details the trustee may consider necessary to perform the trustee's duties.

### **Article (25)**

1. The trustee may request any data or information, relating to the Debtor's Assets or Business, from any person who may have such information.
2. Any person who possesses information on the Debtor's Assets or the Debtor's Business must provide the trustee with the necessary information requested by the trustee, including any documents and accounts of the Debtor. The trustee shall keep confidential any information relating to the Debtor, if disclosing such information would be detrimental to the Debtor, and shall not disclose such information outside the framework of the Protective Composition Procedure.
3. If such person refuses to cooperate with the trustee to provide the information required, the trustee may refer the matter to the Court, to determine the extent of the information that may be sought and ordered to be provided to the trustee.

### **Article (26)**

1. During the Protective Composition Procedure, the management of the Debtor's Business shall be carried out by the Debtor or any of its staff under the supervision of the trustee.
2. The trustee may require the Debtor to carry out all acts necessary to preserve the interests of the Debtor and the creditors, throughout the Protective Composition Procedure.
3. Upon the Debtor's consent or with the Court's approval, the trustee may take the following actions on behalf of the Debtor, as long as such actions serve the purpose of the Protective Composition Procedure:
  - a. Take possession of any of the Debtor's Assets.
  - b. Request verification and proof of the Debtor's title to any Assets.
  - c. Carry out an evaluation of the Debtor's Assets and submit a report to the Court on the same.
  - d. Collect any funds or entitlements on behalf of the Debtor.
  - e. Enter into or maintain any insurance policies necessary to carry on the Debtor's Business.
  - f. Pay any amounts or settle any claims to implement the Protective Composition Plan.
  - g. Rent out any properties of the Debtor or terminate any of its lease agreements, and to lease any property as necessary.
  - h. Enter into any arrangement, settlement or compromise on behalf of the Debtor with one or more of its creditors.
  - i. Procure any security the Debtor may have neglected to secure or renew.

- j. Take any other actions to achieve the objectives of the Protective Composition Procedure, as may be approved by the Court.

#### **Article (27)**

1. The Court may order the suspension of any part of the Debtor's Business, upon an urgent application by the trustee.
2. The Court shall finally determine the suspension order, based on the trustee's report, after a period not exceeding the term approved by the Court for the draft Protective Composition Plan, in accordance with the provisions of Section Ten of this Chapter.

#### **Article (28)**

1. The trustee, on behalf of the Debtor, may apply to the Court for authorisation to procure new financing, with or without security during the Protective Composition Procedure, in order to ensure the continuation of the Debtor's Business pursuant to the provisions of Section Four of Chapter Five of this Law.
2. Any security interest granted on the Debtor's Assets after the commencement of the Protective Composition Procedure shall be unenforceable, unless such security interest has the prior authorisation of the Court.

### **Section Four**

#### **Appointment of Controllers**

#### **Article (29)**

1. The Court may appoint one or more controllers from among the creditors who request such appointment, to supervise the implementation of the Protective Composition Procedure. Where there are both secured and unsecured candidate creditors, at least one controller must be appointed for each group.
2. Where more than one creditor from a single group offers to be appointed as a controller, the Court shall select from among them the candidate creditor it deems most suitable, taking into account the number of creditors and the amount of debt held by each candidate.
3. Each controller may be represented by one of its employees or its legal representative.
4. If the Debtor is governed by a Competent Supervisory Authority, then the Court may appoint a controller from such Authority, upon its request.
5. The controller, or the representative of the juridical person appointed as the controller, shall not be a spouse, in-law or kin up to the fourth degree of the Debtor.

6. The controller shall not be entitled to remuneration and shall be liable only for deliberate or gross negligence in the performance of the controller's duties.
7. The Debtor or any creditor may file a grievance with the Court concerning appointment of the controller or its representative. The filing of such a grievance shall not stay the procedures. The Court shall determine the grievance within five (5) Business Days from the date of filing and its decision shall be final.
8. The Court may of its own accord or upon request of the trustee remove a controller and appoint a replacement.
9. The Court may discharge a controller from its duties upon the controller's request and appoint a replacement.

#### **Article (30)**

A controller shall assist the trustee and the Court and shall act in the general interest of the creditors, observe the implementation of the Protective Composition Plan and shall report any violations to the Court.

### **Section Five**

#### **Restriction on Disposition of Property**

#### **Article (31)**

1. As of the date of the Commencement Order of the Protective Composition Procedure, the Debtor shall not:
  - a. Pay any claims which arose prior to the issuance of the Commencement Order, other than any set-off payments pursuant to Section Five of Chapter Five of this Law.
  - b. Dispose of any of the Debtor's Assets or borrow any funds other than in the ordinary course of the Debtor's Business, and subject to the provisions of this Law, provided that the Debtor obtains prior approval from the trustee or the Court.
  - c. Dispose of any shares of or interest in the company or effect any change to its ownership or legal form, where the Debtor is a juridical person.
2. The Court shall issue an order, upon the request of any Interested Party, that a disposition by the Debtor which is contrary to the provisions of Paragraph 31.1 is unenforceable.

## **Section Six**

### **Stay of Judicial Proceedings and Accrual of Interest**

#### **Article (32)**

1. Except as otherwise provided in this Law, all judicial proceedings and judicial 18 enforcement actions on the Debtor's Assets shall be stayed from the commencement of the Protective Composition Procedure until the approval of the Protective Composition Plan, unless otherwise decided by the Court.
2. As an exception to Paragraph 1 of this Article, secured creditors may exercise their foreclosure rights if their debts are due, upon approval of the Court. The Court shall decide whether to grant such approval within ten (10) Business Days from the date a creditor files an application with the Court. Determination of the application for approval shall not require notice or exchange of submissions. Before granting approval, the Court shall ensure that there is no collusion between the Debtor and the secured creditor, and shall verify the priority of the secured creditor where there is more than one secured creditor with respect to the same asset.
3. A Court decision dismissing the application for approval may be appealed before the competent court of appeal. The appeal shall not stay the Protective Composition Procedure. The decision issued in the appeal shall be final.

#### **Article (33)**

Neither the commencement of the Protective Composition Procedure nor the approval of the Preventive Composition Plan shall render the Debtor's debts due or stop interest accruing thereon.

## **Section Seven**

### **Fulfillment of Obligations and Contracts**

#### **Article (34)**

1. Subject to Articles (26) and (31) of this Law, a decision to commence the Protective Composition Procedure shall not result in the termination or cancellation of any ongoing contract between the Debtor and a counterparty. Such counterparty shall perform its contractual obligations, unless, prior to the decision to commence the Protective Composition Procedure, the counterparty receives a judgment entitling it not to execute the contract as a result of the Debtor's failure to perform its obligations.



2. On the application of the trustee, the Court shall order the termination of any contract to which the Debtor is a party, if it is necessary to enable the Debtor to carry on its Business or it is in the interests of the creditors as a whole and does not unfairly prejudice the counterparty's interests.

3. If the Debtor owns a jointly-owned property, the trustee or any of the co-owners of the jointly owned property may apply for division of the property, notwithstanding the existence of an agreement among them prohibiting such division. A co-owner who wishes to purchase the Debtor's share for fair consideration, as determined by the Court, shall be given priority above other parties.

## **Section Eight**

### **Protective Composition Procedure and Filing of Claims**

#### **Article (35)**

Within five (5) Business Days Business Days of the date of receiving a notice of appointment, the trustee shall do the following:

1. Publish a summary of the decision to commence the Protective Composition Procedure in two widely distributed daily newspapers, one in Arabic and the other in English. The publication shall invite any creditors to submit their claims and supporting documents to the trustee, no later than twenty (20) Business Days from the date of the publication.
2. Notify all the creditors with known addresses to provide the trustee with their claims and supporting documents, no later than twenty (20) Business Days from the date of publication of the decision to commence the Protective Composition Procedure.

#### **Article (36)**

1. All creditors shall deliver to the trustee a statement of their debts owed, the due dates and amounts thereof, supporting documents and details of any security provided, within the time period set out in Article (35) of this Law.

The amounts claimed shall be denominated in the National Currency based on the Exchange Rate as at the date of the Commence Order.

2. The trustee may request a creditor who submits a claim to provide clarifications about the debt or to complete the debt documentation or to specify the amount or description thereof. The trustee may also request confirmation of any claims from the creditor's auditor or accountant.

### **Article (37)**

1. After the expiry of the period specified in Article (35) of this Law, the trustee shall prepare a list of the creditors who have submitted claims, setting out the amount of each debt with supporting documents and any security; and an opinion on what should be accepted amended or rejected, and proposals for the method of payment, if possible. The trustee shall deposit the list with the Court within ten (10) Business Days from the date of expiry of the time specified in Article (35). The period may be extended once for the same period, by order of the Court.

2. The trustee shall, within (3) three successive Business Days of the deposit to the Court referred to in Paragraph (1) of this Article, publish the list of debts and the amounts as approved in relation to each debt in two widely distributed local daily newspapers, one in Arabic and the other in English.

### **Article (38)**

1. The Debtor and every creditor, whether its name is included in the list of debts or not, may object to the list within seven (7) Business Days from the date of publication of the list in the newspapers. Such objection shall not result in a stay of the Protective Composition Procedure.

2. The Court shall determine any objection submitted in accordance with the provisions of Paragraph 1 of this Article, within ten (10) Business Days of the date of submission.

3. The Court's decision may be appealed before the competent court of appeal, within five (5) Business Days from the date of issuance of the decision. The appeal shall not stay the Protective Composition Procedure. The decision issued in the appeal shall be final.

4. The Court may, prior to determination of the appeal, decide to provisionally accept a debt in an amount to be estimated by the Court, and shall notify the trustee of the same.

5. A debt shall not be provisionally accepted where a criminal claim has been filed in relation thereto

6. If the objection relates to collateral provided to secure a debt, then it shall be provisionally accepted as an ordinary debt.

7. The share of the provisionally accepted debt shall be reserved from the proceeds of sale of the secured assets, and on making any distribution to the creditors in accordance with the provisions of this Law. If the Court decides not to recognize the provisionally accepted debt or if such debt was reduced, the reserved share shall be reduced in proportion to the general security of the creditors.

8. The Court shall approve a list of those creditors whose debts are finally or provisionally accepted.

### **Article (39)**

1. A creditor who fails to submit documents in support of its debts within the time provided in Article (35) of this Law shall not participate in the Protective Composition, unless the Court or the trustee in their discretion accept the reasons for such failure. Creditors whose debts are not finally accepted shall not participate in the Protective Composition.

2. As an exception to Paragraph 1 of this Article, a creditor who fails to submit documents supporting its claimed debts within the time provided for in Article (35), may submit them to the trustee for acceptance and participation in the Protective Composition, where there are justifiable reasons for the tardiness. The trustee's acceptance of the same shall be approved by the Court. If the trustee refuses to accept the supporting documents or if the trustee fails to respond within three (3) Business Days, the creditor may apply to the Court

to approve the submission of the documents supporting its claimed debt. The Court shall consider the application promptly upon consultation with the trustee, and shall issue its decision within seven (7) Business Days from the date the application is filed. If the Court orders that the debt is accepted, it may instruct the trustee to submit a report on the impact of the new debt on the draft Protective Composition Plan, to the Court for approval. The procedures provided for in this Paragraph shall not stay the Protective Composition Procedure.

## **Section Nine**

### **Protective Composition Plan**

#### **Article (40)**

1. The Debtor shall assist the trustee to prepare the draft Protective Composition Plan for submission to the Court within forty-five (45) Business Days from the date of publication of the commencement order. The Court may, upon request of the Debtor or the trustee, extend the period for one or more terms which shall not exceed twenty (20) Business Days, provided that periodic reports on the progress of preparation of the draft plan are submitted to the Court every ten (10) Business Days.

2. The draft Protective Composition Plan shall include the following:

- a. The extent to which the Debtor's Business can be profitable again.
- b. The Debtor's activities that are to be suspended or terminated.
- c. Terms and conditions of settlement of any liabilities.
- d. Any security that may be required for the proper execution of the Plan.
- e. Offers for the purchase of all or part of the Debtor's Assets, if any.

- f. Grace periods and discounts on payments.
  - g. The possibility of conversion of the debt into equity for any enterprise.
  - h. Any offer for consolidation, establishment, release, sale or replacement of any securities, if the same is necessary to implement the draft plan.
  - i. The term for implementation of the plan, taking into account Paragraph 1 of this Article
3. The trustee may include in the draft Protective Composition Plan any other matters considered useful by the trustee to implement the Protective Composition Plan.

**Article (41)**

The Protective Composition Plan must include an implementation schedule, which shall not exceed three (3) years from the date of approval of the plan by the Court. The term may be extended upon approval of the majority of the creditors holding an aggregate of at least two thirds of the value of the outstanding debts, pursuant to the Plan and any amendments thereto.

**Article (42)**

1. The Court shall, within ten (10) Business Days from the date of submission of the draft Protective Composition Plan, review it to ensure that it takes into consideration the interests of all parties. During the period, the Court may instruct the trustee to make any changes necessary to the draft plan and to return it to the Court within ten (10) business days from the date the notice is received. The term shall be renewable once for the same period.
2. If the Court finds the draft plan satisfactory, it shall instruct the trustee to invite the creditors, to a meeting to discuss and vote on the draft Protective Composition Plan, within five (5) Business Days. The trustee shall provide a copy of the draft Protective Composition Plan to the creditors whose debts have been accepted.
3. The Invitation to the meeting referred to in Paragraph 2 of this Article shall be published in two widely distributed local daily newspapers, one in Arabic and the other in English. The invitation shall set out the place and time of the meeting. In addition, the Court may instruct the trustee to send the invitation by any other methods of communication.
4. The meeting shall be held within fifteen (15) Business Days from the date of publication of the invitation or as determined by the Court in its discretion, provided the decision is in the interest of the Protective Composition.
5. The Court may decide to invite the creditors for other meetings during the course of the Protective Composition Procedure or to postpone the time of the creditors' meeting, taking into consideration the number of known creditors and any other important circumstances for holding the meeting.
6. If the Debtor is subject to the control of a Competent Supervisory Authority, such Authority shall be invited to attend the meetings.