Assisting Financially-Distressed Businesses in Accordance with the UAE Draft Law on Business Reorganization and Bankruptcy

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Abstract

The topic of bankruptcy occupies a central role because of its effect on large segment of society. As a result of the negative consequences associated with bankruptcy that affect enterprises themselves, their employees, and the economy at large, the United Arab Emirates legislator ensured that those affected enterprises would receive assistance through composition as a precautionary procedure in shielding these enterprises from bankruptcy. Nevertheless, composition suffers from both legal and practical shortcomings. For instance, composition rules do not incorporate the concept of "financial or economic hardships" which may affect the success of the enterprise during its life cycle and which may in turn necessitate reorganization. In addition, composition rules do not allow for the formation of creditors' committees or permitting debtors to obtain new finance which could assist in their businesses. As such, authorities in United Arab Emirates drafted a new legislation on business reorganization and bankruptcy influenced by the different jurisprudences and laws of other countries in a manner to assist financially-distressed businesses, if this is proved to be possible.

The purpose of the article is to examine the main features of the draft law on business reorganization and bankruptcy and examining the most important amendments that this new draft law brought about. The article concludes with a set of recommendations.