

## **Federal Decree-Law No. (51) of 2023 Promulgating the Financial and Bankruptcy Law**

**We, Mohamed Bin Zayed Al Nahyan, President of the United Arab Emirates**

- Having reviewed the Constitution;
- Federal Law No. [1] of 1972 Concerning the Competences of Ministries and Powers of Ministers, as amended; and
- Based on the Minister of Justice's proposal,

**DO HEREBY PROMULGATE THE FOLLOWING DECREE-LAW:**

### **Article 1**

The Financial Restructuring and Bankruptcy Law, attached with this Decree-Law, shall enter into force and effect.

### **Article 2**

The provisions of Civil Procedure Law, as well as the provisions of Law of Evidence in Civil and Commercial Transactions, shall apply to all matters not specifically stipulated in the law attached herewith.

### **Article 3**

1. The Court shall, *sua sponte* and without fees, transfer all claims, legal proceedings, grievances and actions, which are currently pending before them and are arising out of the above-referenced Federal Decree-Law No. [9] of 2016, to the Bankruptcy Court in whatever condition they presently exist, as of the date on which the law attached herewith enters into force.

2. Clause [1] of this Article shall not apply to the legal proceedings and actions that are already adjudicated or those set for pronouncement of judgment or ruling, so that the judgments or rulings rendered in respect thereof shall continue to be subject to the rules regulating the means of challenge that are applicable on their date of issuance.

### **Article 4**

The Cabinet shall, based upon the Minister's proposal, issue the executive regulations and resolutions deemed necessary for the implementation of the law attached with this Decree Law.

### **Article 5**

1. Federal Decree-Law No. [9] of 2016 on Bankruptcy, as amended, shall hereby be repealed.
2. Any provision that goes against or conflicts with the provisions of the law attached herewith shall hereby be repealed.

#### **Article 6**

The regulations and resolutions issued in implementation of the provisions of the above-referenced Federal Decree-Law No. [9] of 2016 shall remain in full force and effect until their substitute regulations and resolutions are issued in implementation of, and to such extent that does not conflict with, the provisions of the law attached with this Decree Law.

#### **Article 7**

This Decree Law shall be published in the Official Gazette, and shall enter into force six [6] months following the date of its publication.

#### **Signed**

**Mohamed Bin Zayed Al Nahyan**

**President of the United Arab Emirates**

Issued by us at the Presidential Palace – Abu Dhabi

On: 17 Rabi' I, 1445 H

Corresponding to: October 2, 2023

### **Financial Restructuring and Bankruptcy Law Introductory Part**

#### **Chapter I General Provisions**

#### **Article 1 Definitions**

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

<b>The State:</b>	The United Arab Emirates.
<b>The Ministry:</b>	Ministry of Justice.
<b>The Minister:</b>	Minister of Justice.
<b>The Regulatory Authority:</b>	The federal or local regulatory government authority designated by the Executive Regulations of this Law.
<b>Competent Judicial Authority:</b>	Federal judicial council and local judicial authorities, as the case may be.
<b>Bankruptcy Court:</b>	The court of competent jurisdiction as specified in Article [5] of this Law.
<b>Bankruptcy Department:</b>	An organizational unit established at federal and local courts in accordance with Article [9] of this Law.
<b>The Unit:</b>	The Financial Restructuring and Bankruptcy Unit that is established pursuant to Article [12] of this Law.
<b>Bankruptcy Register:</b>	The register referred to in Clause [5] of Article [13] of this Law.
<b>Roster of Experts:</b>	A list approved by the Unit as set forth in Clause [3] of Article [13] of this Law.
<b>Debtor:</b>	The natural or legal person referred to in Clause [1] of Article [3] of this Law and who has ceased to pay off its debts or is experiencing a state of insolvency or financial distress.

<p><b>Financial Restructuring:</b></p>	<p>A set of measures aimed at helping the debtor keep on performing its business activity and paying off its debts through the application of a preventive settlement or plan.</p>
<p><b>Preventive Settlement:</b></p>	<p>A set of measures taken at the request of the debtor and aim at helping it keep on performing its business activity and paying off its debts through the debtor's application of the preventive settlement proposal, while the debtor continues to manage its own business and assets normally. The Bankruptcy Court shall ratify and supervise the implementation of such measures.</p>
<p>:</p>	<p>A set of measures taken at the request of the debtor, creditors or the regulatory authority, with the aim of helping the debtor keep on performing its business activity and paying its debts through applying a plan. The debtor or its Board of Directors or its managers may be prevented from managing the debtor's assets and business. Such measures shall be ratified and supervised by the Bankruptcy Court, with the assistance of the Trustee, as the case may be.</p>
<p><b>Bankruptcy:</b></p>	<p>A set of measures aimed at settling the debtor's debts vis-à-vis its creditors on a collective basis, through liquidating the debtor's assets and businesses and distributing the liquidation proceeds to the debtor's creditors.</p>
<p><b>Debtor's Debts:</b></p>	<p>Debts owed by the debtor on the date of issuance of the decision to initiate the proceedings in accordance with the provisions of this Law, or those arising from an obligation owed by the debtor before the issuance of the decision to initiate the proceedings.</p>
<p><b>Cessation of Payment:</b></p>	<p>The failure on the part of the debtor to pay off any debt due after [10] days have passed beyond the deadline specified in the relevant notice, even if the debtor's assets are valuable enough to pay off its debts, and even if the</p>

	debt that has not been paid is secured by securities that are valuable enough to pay off the debt.
<b>Instability of the Debtor's Financial Position:</b>	The debtor's failure or expected failure to pay off its due debts within three months as a result of an instability of its financial position or experiencing financial distress.
<b>Entry:</b>	Inserting a note in the commercial register, bankruptcy register or any other register designated for registering the traders or professionals.
<b>Composition:</b>	An agreement between the debtor and its creditors to settle the debts after a final judgment establishing the debtor's bankruptcy is rendered.
<b>The Debtor's Assets</b>	All movable and immovable properties owned by the debtor inside and outside the State, as well as all the financial rights owed to the debtor by third parties, whether payable immediately or later, and the rights connected with any of them, in addition to any other item that may have a current or future financial value, be it in the debtor's possession or in the possession of third parties, and whether due or undue, including moral rights, pledged and unpledged property, but not including the debtor's assets that may not be attached in accordance with the provisions of the legislation in force in the State."
<b>Debtor's Business:</b>	Business activities the debtor was practicing or which are still practiced by the debtor, at the time of performing any of the measures described in this Law.
<b>Bankruptcy Estate</b>	All of the debtor's assets that are subject to bankruptcy proceedings in accordance with this Law.
<b>Trustee:</b>	The natural or legal person who is appointed to carry out and bankruptcy proceedings in accordance with the powers conferred upon him under this Law.

<p><b>Controller:</b></p>	<p>A person responsible for supervising the performance of preventive settlement, and bankruptcy declaration measures.</p>
<p><b>Insider:</b></p>	<p>A person who <i>ex officio</i> is familiar with undisclosed information in relation to the debtor's business, assets, person, financial position or management. The members of the Board of Directors and the administrative staff of the debtor and its subsidiaries and the parent company shall all be deemed insiders.</p>
<p><b>Announcement:</b></p>	<p>The publication in two widely-circulated electronic or paper daily newspapers released in the State; one of which is published in Arabic and the other in English, or in any other way determined by the court or the Bankruptcy Department.</p>
<p><b>Related Party:</b></p>	<p>The Related Party shall include:</p> <p>1. If the debtor is a natural person:</p> <p>A. The debtor's spouse, relative by blood or affinity up to the third degree and persons who, by the nature of their activity, have access to information in relation to the debtor's financial situation, including the chief financial officer, internal and external control officers or the debtor's partner in a partnership.</p> <p>B. For the purposes of this Law, the marital bond shall be deemed effective even if the marriage occurs after the transaction has been completed or where the marital bond ends during the year preceding any transaction related to the underlying disposition.</p> <p>2. If the debtor is a legal person.</p>

	<p>A. The subsidiaries of such legal person.</p> <p>B. Members of the Board of Directors or senior executive management of the legal person.</p> <p>C. Members of the Board of Directors or senior executive management of the subsidiary company.</p> <p>D. Every person who owns [5%] or more of the shares of the legal person or any of its subsidiaries.</p> <p>E. Relatives up to the third degree or partners of the persons and entities specified in clauses [A, B, C and D] above.</p> <p>F. Savings funds for persons working in the legal person.</p> <p>G. Enterprises, joint ventures and partnerships between the legal person and any other entity.</p> <p>H. Companies whose members of the Board of Directors or of the senior executive management and their relatives up to the third degree have the direct or indirect ability to exercise effective influence over the legal person.</p> <p>I. A person who <i>ex officio</i> is able to get access to internal information on the financial position of the debtor, including the chairman and members of the Board of Directors, the Director General and the CFO, the internal and external auditors or the representative of the legal person, as well as relatives of the above-mentioned persons up to the third degree.</p> <p>J. Any natural person charged with paying off the debtor's debts.</p>
<p><b>Discontinuance of</b></p>	<p>The suspension of any action or executive measure</p>

<p><b>Claims</b></p>	<p>initiated against the debtor as long as the same is related to its assets or debts, with the exception of labor actions and personal status actions, provided that estate-related actions are excluded from personal status cases.</p>
<p><b>Ranking of Creditors:</b></p>	<p>Ranking of the categories of creditors by similarity of their rights with respect to the debtor as follows:</p> <ol style="list-style-type: none"> <li>1. Creditors with ordinary debts.</li> <li>2. Creditors with debts secured by a mortgage, a special lien over movable or immovable property or a general lien over the debtor's assets</li> </ol> <p>For the purpose of discussing the preventive settlement proposal, the plan or for any other purpose stipulated in this Law.</p>
<p><b>Required Majority:</b></p>	<p>The majority required to consider the matter presented to the creditors' meeting approved. Such majority is established when voting is made according to the ranking of creditors and the following conditions are met:</p> <ol style="list-style-type: none"> <li>1. Creditors having at least more than half of the debts must be attending the meeting during which the voting takes place.</li> <li>2. The approval of the creditor or creditors having two-thirds of the debts represented at the meeting must be present.</li> </ol>
<p><b>Viability of the Debtor's Business' Continuation:</b></p>	<p>The debtor's ability to pay off its debts or to get its business back to profitability upon approval of the preventive settlement or proposal. This ability is proven according to a technical report to be drawn up by the Trustee.</p>



<b>Existing Business:</b>	It is an economic enterprise that is sold on the basis of the assumption that it will continue to carry out its activities, including its physical and moral elements such as the trade name, industrial or commercial licenses or other licenses, real estate, movables, tools, equipment, usufruct or lease agreements, commercial reputation and contact with customers, in addition to other physical and moral elements that make up that business and are necessary for continuation of carrying out the activity.
<b>Precautionary Measures:</b>	Measures taken by the court with the aim of safeguarding and managing the debtor's assets or bankruptcy estate and precluding all fraudulent acts to conceal the same, including affixation of seals on the debtor's business premises or appointing a temporary Trustee to manage the debtor's assets or setting restrictions on the debtor or any debtor-related party with regard to disposing of its property or preventing it and any members of the Board of Directors, managers, members of the Board of Directors or managers of any company related to the debtor from traveling during a certain period or until a specific measure is taken.
<b>Financial Emergency:</b>	An incident that befalls the debtor, resulting in a disturbance in its financial situation and its inability to pay off its debts or its cessation of payment as a result of a general situation that affects trade or investment in the State, such as an outbreak of an epidemic, a natural or environmental disaster, a war or other events. The reason for such situation and its duration shall be determined by a decision of the Cabinet based on the Minister's proposal.
<b>Day:</b>	The formal working day in the State.
<b>Exchange Rate:</b>	The exchange rate of the UAE dirham against foreign currencies as announced by the Central Bank of the UAE [CBUAE].

<b>Balance Sheet:</b>	The debtor's balance sheet and profit and loss account.
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## **Article 2 Objectives of the Law**

Upon applying or interpreting the provisions of this Law, the following objectives shall be observed:

1. Maintain the vitality of the national economy.
2. Preserve the rights of creditors.
3. Provide assistance to the debtor to settle its debts with its creditors, in addition to avoiding liquidation of its business and declaration of bankruptcy as much as possible.
4. Enhance the proceedings in a fair, equitable, prompt and organized manner.
5. Ensure fair distribution to creditors and ensure that creditors whose claims are of the same nature are treated on an equal footing.
6. Safeguard and protect bankruptcy estate.
7. Maximize the value of bankruptcy estate as much as practically possible.

## **Article 3 Scope of Application**

1. The provisions hereof shall apply to:
  - That companies that are subject to the provisions of Commercial Companies Law;
  - Any natural person having the capacity of a trader; and
  - Licensed civil company of a professional nature.
2. The provisions hereof shall not apply to:
  - The companies wholly or partially owned by the federal or local government, and whose establishment laws, memoranda or articles of association provide that they are subject to special provisions that regulate their preventive settlement, or bankruptcy proceedings to the contrary of this law;
  - The companies and establishments established in the free zones that are subject to special provisions that regulate their preventive settlement, or bankruptcy proceedings;
  - The banks, financial institutions and insurance companies licensed by the Central Bank and which are subject to special legislation that regulates their preventive settlement, or bankruptcy proceedings, within the scope of the mechanisms established by such legislation; and
  - The debtor's debts incurred for personal, family or consumption purposes, including the purchase of commodities or services or the purchase of real property for the debtor's personal or family residence.

## **Article 4 Notification of Regulatory Authorities**

No application may be filed in relation to any debt owed by any of the companies and corporate bodies that are supervised by the regulatory authorities unless and until ten [10] days have passed following the notification of the competent regulatory authority.

#### **Article 5 Bankruptcy Court**

Federal and local courts shall have the jurisdiction, according to the rules of jurisdiction set forth in the Civil Procedure Law, to adjudicate on the disputes arising out of the application of this law and shall decide on the applications submitted thereto in accordance with the provisions hereof. In addition, the competent judicial authority may designate the courts having the jurisdiction to adjudicate on the disputes arising out of the application of this law and to decide on the applications submitted thereto in accordance with the provisions hereof. One or more courts or divisions shall be established within the said courts and shall be vested with the jurisdiction to adjudicate on such disputes and applications. Such a court or division, as the case may be, shall be referred to as the Bankruptcy Court.

#### **Article 6 Experts and Auditors Providing Assistance to Bankruptcy Court**

1. The Bankruptcy Court may seek the assistance of a sufficient number of experts and auditors to be selected by the competent judicial authority.
2. If the expert or auditor is not listed in the roster of experts kept with the competent judicial authority, they shall take the oath before the Chief Justice of the Bankruptcy Court to perform their duties faithfully, honestly and truthfully, and to abide by the professional standards and ethics. An oath-taking report shall be drawn up and kept in the expert's file with the Bankruptcy Department.
3. The experts and auditors shall perform expertise duties on every matter for which the court engages an expert.
4. The experts and auditors shall be entitled to remunerations depending on the duties assigned to them by the Bankruptcy Court. such remunerations shall be determined based on a report of the competent judicial authority, and in light of the report to be issued by the Bankruptcy Court on the duties performed by the experts and auditors. The remuneration shall be disbursed from the budget of the competent judicial authority.

#### **Article 7 Bankruptcy Court's Judgments**

Judgments rendered by the Bankruptcy Court according to this law shall become immediately enforceable once rendered with no need to be served, and their stay of execution may only take place in the cases prescribed under this law.

#### **Article 8 Bankruptcy Court's Decisions**

Decisions issued by the Bankruptcy Court according to this law shall become writs of execution, and the Bankruptcy Department shall affix the executive form thereon according to the procedures prescribed by law. Such decisions shall become immediately enforceable once issued with no need to be served, their enforcement may not be challenged or stayed unless the Bankruptcy Court decides to reverse or stay the execution of the underlying decision either sua sponte or at the request of the debtor or any of creditors, the Trustee or any other interested party, or based on a judgment to be rendered by the Bankruptcy Court on the stay of execution application that is submitted within the petition of challenging the decision or while the Court of Appeal is hearing the challenge.

#### **Article 9 Bankruptcy Department**

1. An organizational unit to be known as "Bankruptcy Department" shall be established at the Bankruptcy Court's headquarters, and shall be headed a judge whose rank is not less than an appeal judge.
2. The Bankruptcy Department shall have a sufficient number of employees to provide assistance to the Department's manager for carrying out its functions and competences.

#### **Article 10 Bankruptcy Department's Functions**

The Bankruptcy Department shall perform the following functions:

1. To receive and register the applications to be received according to the provisions of this law;
2. To serve notices to the interested persons according to the provisions of this law;
3. To ensure that the applications for preventive settlement,, declaration of bankruptcy and others types of applications satisfy the information, data and documents described in this law;
4. To notify the interested persons of the decisions to be issued by the Bankruptcy Court under this law and announce the same;
5. To oversee the management of the debtor's assets and business, ensure the speedy progress of proceedings and enforce the necessary precautionary measures established by the Bankruptcy Court, as described in this law;
6. To meet the creditors in order to discuss with them any matters considered by the Bankruptcy Court. Such meetings shall be chaired by the Head of the Bankruptcy Department or his designee;
7. To summon the debtor or his heirs, clients, employees or any other person in order to hear their statements on any matter related to the debtor's debts, assets or business; and
8. To perform any other functions defined in this law or entrusted thereto by the head of the competent judicial authority.

## **Article 11 Submission to Head of Bankruptcy Department**

The Bankruptcy Department shall submit all applications, notices, objections, grievances and memoranda received thereby to the head of the Bankruptcy Department or his designee as soon as they are received, in order for the appropriate course of actions to be taken with regard thereto. If the matter is related to a proceeding brought before the Bankruptcy Court, the Department shall submit the same to the Court not later than the day following the day of receipt thereof, in order for the Court to take the appropriate course of actions with regard thereto.

## **Article 12 Financial Restructuring and Bankruptcy Unit**

1. A unit, to be known as the "Financial Restructuring and Bankruptcy Unit", shall be established in the Ministry, and shall comprise a sufficient number of employees having experience and specialty in financial, legal or economic affairs.
2. The Unit shall have an administrative staff to be appointed or assigned under a resolution of the Minister to help perform its duties. In addition, the Unit may seek the assistance of any persons of experience or knowhow to help it perform its functions.

## **Article 13 Financial Restructuring and Bankruptcy Unit's Functions**

The Financial Restructuring and Bankruptcy Unit shall perform the following functions:

1. To coordinate with the regulatory authorities and competent Bankruptcy Courts for managing the financial restructuring and bankruptcy proceedings for the companies and corporate bodies supervised by the regulatory authorities;
2. To give opinion on the applications filed for initiating the proceedings, preventive settlement proposal, plan, composition and debtor's assets liquidation and distribution plan, in respect of the debts of the companies and corporate bodies supervised by the regulatory authorities, in coordination with the competent regulatory authority;
3. To approve the roster of experts in the financial restructuring and bankruptcy affairs to perform the functions of Trustees or other duties according to the provisions of this law, and to set the conditions and procedures of listing and registration in the roster of experts;
4. To create, and submit to the Minister for approval, a reference schedule showing the fees of Trustees and controllers to be appointed according to the provisions of this law, and any costs incurred by them in connection with the preventive settlement, or bankruptcy proceedings;
5. To create and organize a bankruptcy register in order to record therein the applications filed in relation to financial restructuring and bankruptcy and which are governed by the provisions of this law, and any action taken with regard thereto;

6. To create and organize a register for the persons against whom court judgments are rendered imposing or revoking any restrictions ordered by the court according to the provisions of this law. The Executive Regulations of this law shall specify the form of the register, the data to be listed therein and the persons having the right to get access thereto and the relevant conditions, and all other relevant provisions;

7. To supervise the unified e-platform that is created with the aim of building an all-inclusive database for the purposes of this law, through coordination and electronic linkage with the competent federal and local courts, Bankruptcy Department and other relevant entities;

8. To coordinate with the competent judicial authority for qualifying and training the judges, Trustees and lawyers on the and bankruptcy proceedings performed by the courts, in order to stay up-to-date with the global standards;

9. To submit periodic reports to the Minister on its activities, achievements and suggestions on the duties entrusted thereto;

10. To perform any other functions provided for in this law or entrusted to the unit under a resolution of the Cabinet.

#### **Article 14 Use of Modern Technology**

All the procedures set forth in this law may be carried out through modern technology, including, in particular:

1. Submission of applications;
2. Service of notices and notification;
3. Grievances, objections and appeals;
4. Attending and voting on the meetings; and
5. Attending the hearings.

#### **Chapter II Initiation of Proceedings**

##### **Article 15 Submission of the Application by the Debtor**

1. The debtor may submit to the Bankruptcy Department an application for the initiation of preventive settlement, or bankruptcy proceedings, not later than sixty [60] days from the cessation of payment date or from the date on which it becomes aware of information confirming that it would be unable to pay off its debts when they fall due, unless any of the creditors or regulatory authorities has submitted an application for initiating the proceedings within the aforementioned period. Failure to submit the application within the deadlines stipulated in this clause does not result in the application not being admitted.

2. If the debtor submits an application to initiate bankruptcy proceedings, the debtor shall be prevented from disposing of its property as of the date of the application's submission, and any disposal of its property shall be invalidated as of that date. The same shall not apply to unattachable property or the property necessary to support the debtor and its dependents and the legal costs in relation to the application for the initiation of proceedings. The debtor shall manage its assets

and business unless the Bankruptcy Court decides, sua sponte or upon motion of the debtor, any of the creditors, the Trustee, or the unit, if the debtor is supervised by the regulatory authority, to appoint a temporary Trustee to manage the debtor's assets and business.

3. The Executive Regulations of this Law shall determine the minimum amount of debt that the debtor has failed to repay or would have been unable to repay when due, referred to in clause [1] of this Article.

#### **Article 16 Submission of the Application by Creditors**

1. An ordinary creditor or a group of ordinary creditors may submit an application to initiate or Bankruptcy Proceedings in the event that the debtor defaults on any or more debts owed to them, provided that this debt is unconditional, undisputed and payable. In addition, the value of the debt shall not be less than the amount determined by the Executive Regulations of this Law on the date of submitting the application, provided that the applicant has previously served a notice to the debtor of the necessity to pay off the debt owed by the latter, not later than [30] thirty days from the date of the notice and the debtor has not taken the necessary measures to repay such debt.

2. The provisions of clause [1] of this Article shall apply to creditors whose debts are secured by a mortgage on the debtor's property or a transfer of a right over the cash flows generated from the debtor's property or businesses and to creditors whose debts are secured by a mortgage or lien, provided that the value of the securities guaranteeing their rights on the date of submitting the application is less than the value of the debtor's debt with respect to the individual creditor's application or to the collective creditors' application by a difference not less than the amount determined in the Executive Regulations of this Law for the individual creditor and for the collective creditors.

#### **Article 17 Creditor's Discontinuance of its Claim for Debt**

If the creditor or any of the creditors refrains from claiming its debt due to the settlement of such debt or an agreement with the debtor to postpone its repayment or for any other reason after submitting the request, the debtor is not considered to have defaulted if the remaining debt to the remaining creditors is less than the prescribed limit.

#### **Article 18 Submission of the Application by the Regulatory Authority**

1. The regulatory authority may submit an application to initiate proceedings or a bankruptcy application regarding any debtor supervised thereby. In addition, it shall submit evidence that the debtor is in a state of cessation of payment or in a state of inability or instability in respect of its financial position, provided that it has notified the debtor and grant it an opportunity to respond within a period not exceeding [30] thirty days from the date of notification. Failure to submit the application within the period stipulated in this clause shall not result in the application not being admitted.

2. The Executive Regulations of this Law shall determine the minimum amount of debt that the debtor fails to pay off or is expected to fail to pay off, and also determine the minimum amount of the default in the financial position realized and is expected referred to in clause [1] of this Article.

#### **Article 19 Multiple Applications**

1. If multiple applications are submitted regarding the debts of the same debtor, they shall all be combined, and a single action shall be taken regarding them altogether. If these applications include a preventive settlement application, a application and a bankruptcy declaration application, the submitted applications shall be considered a request to initiate proceedings as an original request and a request to initiate bankruptcy proceedings as an alternative request. The Bankruptcy Court issues its decision not to admit the preventive settlement application.

2. If there are multiple applications submitted by the debtor, the application for the initiation of preventive settlement proceedings shall take precedence over the application, and the application shall take precedence over the bankruptcy declaration application, in addition, the application submitted first shall take precedence and the applications submitted thereafter shall be deemed alternative applications. A decision may not be made on the alternative application unless the court does not issue its decision to admit the original application.

#### **Article 20 Applications Filed on Corporate Debts**

1. If the debtor is a company, it is permissible to submit an application for the initiation of proceedings regarding its debts, even if it is in a state of liquidation or a court order is issued to dissolve the company and it continues as a real company, and the provisions contained in Article [244] of this Law apply to its partners.

2. Admitting the application shall result in the suspension of cases whose subject matter is the liquidation of the company or its placement under judicial receivership until a final decision is issued, unless the Bankruptcy Court decides otherwise.

#### **Article 21 Applications filed on Debts of a Deceased, Retired or Incapacitated Debtor**

1. Subject to the provisions of Article [16] of this Law, an application to initiate the proceedings may be submitted after the death of the debtor, its retirement from trade or its loss of capacity within the two years following the death or the removal of the trader's name from the commercial register or its loss of capacity. Notices shall be sent to the deceased debtor to its last domicile without the need to designate heirs.

2. Subject to the provisions of Article [15] of this Law, the debtor's heirs may submit an application for the initiation of proceedings within the two years following death. If the heirs do not agree to submit the application, it may be submitted by any of them. In this case, the Bankruptcy Court may decide to save the application or admit the application for the initiation of proceedings according to what it deems to serve the interest of the creditors of the deceased debtor and the heirs.

3. The debtor's heirs or their legal representatives shall a person to represent them in the proceedings in accordance with this Law. Failure to do so within [10] ten



days from the date of notification thereof by the Bankruptcy Department, the Bankruptcy Court shall designate any of the heirs to represent them, and the court may dismiss the heirs' representative and appoint another of the heirs or a person acting on their behalf.

4. If the application is submitted by or against an incapacitated debtor, it shall be represented by the Trustee.

#### **Article 22 Data of the Application**

The application shall be submitted by the debtor or the regulatory authority, indicating the required proceedings and its reason, the previously-submitted applications and the related measures, if any. The following documents shall be attached to the application:

1. A statement that includes a brief description of the debtor's economic and financial situation and information about its property, in addition to detailed data about its employees, as well as a statement of the value of their dues owed by the debtor, if any.
2. A copy of the debtor's commercial or industrial license and commercial register.
3. A copy of the commercial books or financial statements in relation to the debtor's business for the three [3] fiscal years preceding the date of submitting the application.
4. A statement of the cases filed by and against the debtor, and the estimated amount for each. This statement shall not constitute an acknowledgment by the debtor of the validity of these debts.
5. A statement of all cases, execution proceedings or other proceedings to be halted as a result of the issuance of the decision to initiate the proceeding, in accordance with this Law or based on the Bankruptcy Court's decision.
6. A report including the following information:
  - The debtor's cash flow expectations and profit and loss expectations for the one-year period following the submission of the application.
  - A statement of the names of known creditors and debtors, their electronic and physical addresses, their telephone numbers, the value of their rights or debts and the guarantees provided therefor, if any, as well as the ranking of these creditors and debtors.
  - A detailed statement of the debtor's property and the approximate value of each of such property on the date of submitting the application, as well as a statement of any guarantees or rights of third parties arising therefrom.
  - A statement of real estate dispositions or dispositions of movable and immovable property based on the debtor's records and commercial books, as well as the value of each disposition, its date and the person to whom it was disposed of, within [3] three years before the date of

submitting the application, accompanied by a statement from the competent authorities regarding the dispositions of movable or immovable property that have been recorded in the registers of those authorities.

7. Nominate a Trustee nominated by the applicant to assume the duties of the Trustee or bankruptcy Trustee, in accordance with the provisions of this Law.

8. A statement of whether the debtor is able to manage its property and desires to manage the same and the supporting documents thereof, or whether the interest of the creditors requires appointing a Trustee to assume management and the justification and supporting evidence therefor.

9. A statement of any precautionary measures that the interest of creditors requires to be taken, and whether the interest of creditors requires taking them urgently, as well as justification and supporting evidence therefor.

10. A statement of whether or not the debtor for whom an application for a preventive settlement or is submitted is in need of obtaining financing during the period following the date of issuance of the decision to initiate the proceedings until the approval of the preventive settlement or plan or not, in which former case, a statement of the estimated total value of the financing required during the aforesaid period, its purposes, duration, guarantees and its consequences on the preventive settlement or plan and on the rights of creditors whose debts are secured and other creditors.

11. If the applicant is a representative of the legal person, the application shall be accompanied by a copy of the decision of the competent authority in the company authorizing him to submit an application to initiate the proceedings and a copy of the company's incorporation documents and articles of association and any amendments thereto.

12. Any other information, data or documents that support the information contained in the application or requested by the Bankruptcy Department. In case the applicant fails to provide any of the data, information or documents required in accordance with the provisions of this Article, it shall state the justifications for such failure in his application.

#### **Article 23 Submission of Data, Information and Documents**

1. If the applicant fails to submit data, information and documents in accordance with Article [22] of this Law due to its inability to obtain them from the entity holding the same, the Bankruptcy Court may order any person who has the required information, data and documents to submit them within a period it specifies if it deems them necessary to decide on the application.

2. No person or entity may refrain from submitting the data, documents, and information requested by the Bankruptcy Court to be submitted on the grounds that the law requires such person or entity to maintain their confidentiality.

#### **Article 24 Application Submitted by the Creditor**

The application submitted by the creditor shall contain a statement of the reasons and shall be accompanied by a copy of the notice described in Article [16] of this Law and any data, information and documents in relation to the debt and its guarantees.

#### **Article 25 Costs and Guarantee**

1. Except for the applications submitted by regulatory authorities, the applicant shall deposit with the court treasury a sum of money or a bank guarantee. The Executive Regulations of this Law shall determine its rate based on the total debts or assets of the debtor on the date of submitting the application or the total debts owed to the creditor submitting the application if the application is submitted by the latter, in order to cover the expenses and costs of the initial proceedings for deciding on the application.

2. The Head of the Bankruptcy Department may decide to determine the deposit of a smaller amount, and he may also postpone the deposit of the amount or guarantee set forth in Clause [1] of this Article in the event that the applicant is the debtor and does not have the necessary liquidity for deposit on the date of submitting the application, or where the initial proceedings do not require any costs.

3. The applicant may request a refund of the deposited sum of money or the bank guarantee if the application is dismissed, in accordance with the procedures and provisions set out in the Civil Procedure Law.

#### **Article 26 Notifying the Financial and Bankruptcy Unit**

The Bankruptcy Department shall notify the Unit of application for initiation of the proceedings and their attachments and of every decision and proceedings taken therein, not later than [10] ten days from the date of submitting those applications to the Bankruptcy Department or from the date of taking the decision or proceedings.

#### **Article 27 Evaluation of the Debtor's Position**

Within [10] ten days from the date of being notified of the application or within the period specified by the Bankruptcy Court, the Unit shall evaluate the debtor's position with respect to the debts owed to institutions and companies supervised by the regulatory authorities. Furthermore, the Unit shall submit a report to be drawn up thereby in coordination with the competent regulatory authority at the Bankruptcy Department, provided that the report includes the following elements:

1. Explain the extent to which a preventive settlement or is possible or not.
2. State whether the debtor's property is sufficient to cover the costs or not.
3. State whether or not precautionary measures are required to be taken urgently and the justification therefor.

4. State whether the debtor is able to manage its business and assets on its own or whether its interest and the interest of the creditors require that the management of the debtor's business and assets be entrusted to the Trustee.

5. Nominate the Trustee recommended to be appointed to complete the or bankruptcy proceedings and his fees.

6. Any other recommendations that the Unit deems appropriate.

#### **Article 28 Notification of the Application**

1. The Bankruptcy Department shall notify the debtor of the application, not later than [10] ten days from the date of its submission if the application was not submitted by it, and the debtor shall provide its response to the application not later than [10] ten days from the date of its notification. In addition, it shall submit all the information, data and documents stipulated in Article [22] of this Law, unless the debtor requests from the Bankruptcy Court to exempt it from submitting the data, documents and information due to the lack of conditions for admitting the application and the court approves its request. If the Bankruptcy Court obligates the debtor to submit the required data, information and documents, the latter shall submit the same not later than the date specified by the court.

2. During the period referred to in Clause [1] of this Article, the Bankruptcy Department shall notify the creditors whose details are included in the application, who may provide their response to the application, not later than [10] ten days of the day of their notification.

3. During the period referred to in Clause [1] of this Article, the Bankruptcy Department shall notify the Unit and the regulatory authority if the debtor is supervised by the regulatory authority. The Unit and the regulatory authority may submit what they deem appropriate, not later than [10] ten days from the date of their notification.

#### **Article 29 Waiver of the Application**

1. Except for the cases where an application to initiate the proceedings is submitted by the debtor, the applicant may waive the same at any time before the Bankruptcy Court issues a decision thereon or before taking any precautionary measures with regard thereto.

2. The Bankruptcy Court shall issue its decision to dismiss the application without prejudice, unless any other person who may submit the application in accordance with this Law has submitted another application or submitted a memorandum of its response to the application and expressed its desire to proceed with the proceedings.

#### **Article 30 Subpoena and Impleader of Persons**

In accordance with conditions that provide for appropriate and adequate protection for creditors, the Bankruptcy Court may order the impleader of any natural or legal person into the proceedings stipulated in this Law if that person's assets are intertwined with the debtor's property in such a way that is difficult to separate

them or if the court considers that it would not be practical or cost-effective to initiate separate proceedings with respect to such persons.

#### **Article 31 Setting the Cessation of Payment Date**

1. The Bankruptcy Court shall decide on the application within [10] ten days from the expiry of the periods specified for responding thereto, by issuing a decision to initiate preventive settlement, or bankruptcy proceedings. In addition, it shall specify in its decision a temporary cessation of payment date.

2. If the decision to initiate the proceedings fails to designate the date on which the debtor defaults, the date on which the decision to initiate the proceedings is issued shall be considered a temporary cessation of payment date.

3. If the decision to initiate the proceedings was issued after the death of the debtor or after its retirement from trade or loss of capacity, and the cessation of payment date was not specified, the date of death, retirement from trade or loss of capacity shall be considered a temporary cessation of payment date.

#### **Article 32 Amendment of Cessation of Payment Date**

The Bankruptcy Court may, sua sponte or upon motion of the debtor, any of the creditors, the Trustee or other relevant parties, amend the temporary cessation of payment date until the date of approving the list of debts. After the expiration of this period, the date designated for cessation of payment shall be considered final. In all cases, the cessation of payment date may not be backdated to more than two years prior to the date of issuance of the decision to initiate the proceedings.

#### **Article 33 Inadmissibility or Dismissal of the Application**

1. The Bankruptcy Court shall issue its decision not to admit the application if the documents, data and information stipulated in Article [22] of this Law are not submitted, or if they are submitted incomplete without an excuse acceptable to the court.

2. The court issues its decision to dismiss the application if its conditions are not met.

3. If it becomes clear that the application submitted by the creditor was intended only to cause harm the debtor, the debtor and anyone aggrieved by the application may claim for compensation for the damage, and a liability case shall be filed before the Bankruptcy Court.

4. If it becomes clear that the request submitted by the debtor was intended only to harm the creditors and discontinue their claims, the creditors and anyone aggrieved by the application may claim for compensation for the damage, and a liability case shall be filed before the Bankruptcy Court.

#### **Article 34 Precautionary Measures**

1. The Bankruptcy Court may, sua sponte or upon a motion submitted thereto by the Unit, if the debtor is supervised by the regulatory authority, by the regulatory authority or by any relevant party, may decide to take any precautionary measures.

2. The Bankruptcy Court may, sua sponte or upon a motion submitted thereto by the debtor, issue its decision to discontinue claims.

3. The decisions of the Bankruptcy Court referred to in Clauses [1] and [2] of this Article shall be reasoned.

#### **Article 35 Announcement of the Decision**

1. The Bankruptcy Department shall, not later than [10] ten days following the date of issuance of the Bankruptcy Court's decisions relating to application to initiate the proceedings, dismissal, inadmissibility or termination of proceedings, announce the decision, notify the relevant parties and request the securities markets to disclose the decision if the debtor is listed there, in addition to requiring the debtor to publish the same on its website, unless the court decides to suffice with any of these methods.

2. The Bankruptcy Court may decide to announce the decision in any of the daily newspapers issued in a foreign country if a large number of the debtor's creditors, property or businesses are located in that country or for any other reason determined by the court.

3. In all cases, the decision issued with regard to the application to initiate the proceedings shall be recorded within the period stipulated in Clause [1] of this Article.

4. All decisions stipulated in the provisions of this Law and its Executive Regulations shall be announced, not later than [10] ten days following the date of issuance of the decision, and the court may suffice with recording the decision in the bankruptcy register and the commercial register.

#### **Chapter III Appointment of the Trustee and Controller**

##### **Article 36 Appointment of the Trustee**

If the Bankruptcy Court decides to admit the application to initiate or bankruptcy proceedings, the Trustee nominated by the Unit shall be designated in the same decision, and his fees shall be estimated in accordance with the provisions of this Law.

##### **Article 37 Appointment of Multiple Trustees**

1. The Bankruptcy Court may, sua sponte or upon motion of the debtor or the Unit, if the debtor is supervised by a regulator authority, assign the Unit to nominate more than a Trustee and suggest the amount of their fees, and it shall issue its decision to appoint them and approve their fees.

2. If there are multiple Trustees, they shall work together, and the Trustees shall be jointly responsible for their work, and it is permissible for them to act on behalf of each other. However, they may not delegate third parties without obtaining the permission from the Bankruptcy Court, and the Trustee and whoever represents him shall be jointly responsible. The court may divide the duties among the Trustees

or entrust any of them with a specific mission. In which latter case, the Trustee shall only responsible for the mission he is assigned to perform.

### **Article 38 Appointment of Trustee Following Approval of Creditors List**

1. In all cases in which a decision is issued to appoint a Trustee after approving the list of creditors, or in cases in which the Bankruptcy Court issues a decision to replace the Trustee or appoint a new Trustee, the Bankruptcy Department shall call all creditors within [10] ten days following the date of issuance of the decision, including creditors with secured debts, to nominate a Trustee and estimate his fees. The Bankruptcy Department may, in coordination with the Unit, develop a list of not less than [3] three candidates to be selected from. The Head of the Bankruptcy Department or his representative shall chair this meeting, and the nominated Trustee shall be appointed based on the approval of the required majority.

2. If the Creditors' Committee stipulated in Article [63] of this Law approves the selection of the Trustee as described in Clause [1] of this Article and his fees are estimated, the Bankruptcy Department shall, not later than [10] ten days of the creditors' meeting, announce the outcome of the meeting to the Bankruptcy Court so that the latter can approve the selection of the Creditors' Committee and issue a decision to appoint the Trustee and estimate his fees.

3. In the event that the Creditors' Committee does not agree on appointing the Trustee and determining his fees, the Bankruptcy Court may appoint the Trustee and determine his fees from a list prepared by the Bankruptcy Department in coordination with the Unit, in which the number of candidates shall not be less than three [3].

### **Article 39 Appointment of Legal Person as Trustee**

If a legal person is appointed as a Trustee, it shall nominate one or more representatives to assume the duties of the Trustee, and the Trustee shall be responsible for its representative. In all cases, the Trustee's representative shall be a person registered in the Unit's Roster of experts.

### **Article 40 Applications of the Trustee**

The Trustee appointed in accordance with the provisions of this Law may submit to the Bankruptcy Department any application to take a decision that would help him perform his mission in the appropriate manner, and the same includes, for example, an application to appoint or delegate one or more Trustees to assist him in any of the matters for which he is responsible.

### **Article 41 Persons Prohibited from Being Appointed as Trustees**

The following persons may not be appointed as Trustees:

1. Any of the creditors.
2. Debtor-related party.
3. Any person against whom a final judgment has been issued in a felony or misdemeanor of theft, embezzlement, fraud in commercial transactions, breach of trust, fraud, forgery, perjury, bribery or any of the crimes stipulated in this Law or any misdemeanor affecting the national economy, even if he has been acquitted.
4. Any person who, during the last two years preceding the submission of the application to initiate the proceedings, was a partner of the debtor, an employee thereof, an auditor of its accounts or its attorney.

#### **Article 42 Duties of the Trustee**

The Trustee shall carry out his duties under the supervision of the Bankruptcy Department, and he shall follow up on the proceedings promptly and ensure that he takes all measures that provide protection for the interests of both the debtor and creditors.

#### **Article 43 Powers of the Trustee**

1. In cases where the Trustee is entrusted with the management of the debtor's assets and business, the Trustee shall safeguard those funds and act on behalf of the debtor in all actions required to manage the debtor's assets and business.
2. If the debtor is supervised by the regulatory authority, the Trustee shall coordinate with the regulatory authority and the Unit, to ensure that the funds deposited in the debtor's account represent its own funds and not clients' funds deposited therewith as a trust or to perform an agreement concluded between the debtor and its clients.
3. If the debtor is a company, the Trustee shall have the same powers stipulated in the company's articles of association for the board of directors, the chairman of the board, the CEO and the company director.
4. If any of the management's duties or any of the company's actions require the approval of the General Assembly, the Trustee shall submit to the Bankruptcy Department an application to present the matter to the Bankruptcy Court for approval, and the court shall issue its decision on the application, not later than [10] ten days from the date of its submission.

#### **Article 44 Trustee's Powers on Legal Proceedings Relating to Debtor's Assets and Business**

In the cases referred to in Article [43] of this Law, the Trustee may, with permission from the Bankruptcy Court issued after hearing the debtor's statements or notification thereto, accept settlement or accept arbitration in any dispute in relation to the debtor's property or business, give up the debtor's right and admit the right of third parties.

#### **Article 45 Trustee-Debtor Relationship**



Once appointed to take over the management of the debtor's assets and business, the Trustee shall take the following measures:

1. Receive, review and keep the debtor's correspondence in relation to the latter's business, and he shall enable the debtor to review the same and hand over to the debtor any correspondence of a personal nature or the correspondence that are subject to the rules of professional confidentiality and are not related to the proceedings.
2. Estimate the reasonable amount of money to fulfill the necessary needs of the debtor and its dependents. The Bankruptcy Court shall issue a decision approving or amending the estimate as a matter of urgency, and its decision in this regard shall be deemed final. This amount shall not be considered among the debtor's property guaranteeing its debts.

#### **Article 46 Trustee's Handover of Amounts Received**

1. The Trustee shall credit any amount he receives with regard to the proceedings to a special account in the bank determined by the Bankruptcy Court, not later than [2] two working days from the date he receives that amount. In addition, he shall submit to the court a statement of account of those amounts, not later than [5] five days from the date of deposit.
2. In the event that the Trustee delays the deposit of any amounts he has received, which was required to be deposited, without justification acceptable to the court, it may oblige him to pay a fine for each day of delay, not exceeding [9%] on an annual basis of the value of the amounts whose deposit is delayed. This fine shall be deposited in the account referred to in Clause [1] of this Article and shall be included in the general guarantee for creditors.
3. In the event that the Trustee delays the deposit of any amounts he has received, which was required to be deposited, without justification acceptable to the court, the Bankruptcy Court may decide to replace him with another Trustee.

#### **Article 47 Recording the Trustee's Activities**

1. The Trustee shall record all actions taken in connection with the management of the debtor's assets and business in the books and registers prepared for this purpose. The notation may be electronic, and the Unit, the creditors and representatives of the Creditors' Committee, as the case may be, and the debtor may review these books and registers.
2. The Unit, the creditors and representatives of the Creditors' Committee, as the case may be, and the debtor may request that they be provided with copies of the documents available to the Trustee whenever they relate to the debtor's property or business, or that they be provided with data or information based on the books and registers referred to in Clause [1] of this Article.
3. In the event that the Trustee refrains from providing the Unit or the creditors and representatives of the Creditors' Committee, as the case may be, or the debtor with copies of the documents available thereto, any relevant party may request the

Bankruptcy Court to order the Trustee to provide such party with the documents or enable him to review them. In this case, the court shall issue its decision on the application, not later than [10] ten days from the date of its submission.

#### **Article 48 Objection to Trustee's Acts**

1. In the event that the debtor is supervised by the regulatory authority, the debtor, the creditors and the Unit may object before the Bankruptcy Court to the Trustee's activities before they become effective. The objection shall result in a cessation of the objected activity if the objection is submitted by the Unit.

2. In this case, the court shall issue its decision on the objection, not later than [10] ten days from the date of its submission.

#### **Article 49 Report of the Trustee**

The Trustee shall submit to the Bankruptcy Department and to the Unit, where the debtor is supervised by the regulatory authority, a report on a monthly basis or on any other date determined by the Bankruptcy Court on the status of the management of the debtor's assets and business and the progress of the and bankruptcy proceedings.

#### **Article 50 Determination of Scope of Trustee's Powers**

The Trustee, the debtor, any creditor or the Unit, where the debtor is supervised by the regulatory authority, may petition the Bankruptcy Court to issue a decision determining the scope of the Trustee's powers regarding a specific issue or issues, provided that the same does not result in a cessation or disruption of the proceedings. In all cases, the Bankruptcy Court has jurisdiction to issue whatever decisions it deems appropriate regarding the Trustee's powers.

#### **Article 51 Fees of the Trustee**

The Trustee shall receive his fees specified in the decision to appoint him, as well as the necessary expenses he incurs from the debtor's known property to manage the bankruptcy, and the Bankruptcy Court may release payment-on-account of those fees and expenses.

#### **Article 52 Appointment of the Controller**

1. The Bankruptcy Court may, sua sponte or upon motion of the debtor, the creditors or the Unit, where the debtor is supervised by the regulatory authority, assign the Unit or creditors to nominate one or more controllers from among the persons registered in the Roster of Experts and determine their fees, and the court shall issue its decision to appoint them and approve their fees.

2. The controller shall, without interfering in the proceedings, draw up a report on the progress of the proceedings in the event that the Bankruptcy Court requests

so. The provisions of Articles [39, 41 and 51] of this Law shall apply to the controller.

### **Article 53 Replacement or removal of Trustee or Controller**

1. The Bankruptcy Court may at any time, after taking the opinion of the Unit, where the debtor is supervised by the regulatory authority, decide to replace the Trustee or controller. The debtor and any creditor may also petition the court to replace any of them, if it is proven that his continued appointment causes damage to the interests of the creditors or the debtor. The request shall not result in a cessation of the proceedings, and the court shall issue its decision on the request within [10] ten days.

2. The Trustee or controller whom the Bankruptcy Court decides to replace shall cooperate to the extent necessary to enable his substitute to assume his duties, and this provision shall apply to Trustees and controllers appointed before the entry into force of this Law.

3. The Trustee or controller may request the Bankruptcy Court to relieve him of his duties, and the court may approve such request and appoint a substitute, and it may determine fees for the Trustee or controller whose request was approved against the services he performed.

### **Article 54 Notices**

1. Notifications and notices made in accordance with the provisions of this Law shall be deemed effective if they are sent via e-mail or any other method agreed upon or determined by the Bankruptcy Court, the Bankruptcy Department or the Court of Appeal.

2. With the exception of notifications sent by the debtor, the representative of the Creditors' Committee, and representatives of the categories of creditors, the notice may be sent through means of notification.

3. The Bankruptcy Department, the Unit, the Trustee, the controller, the debtor, the representative of the Creditors' Committee, and the representatives of the categories of creditors shall save the notices made via e-mail in the form in which they were sent, in a paper or electronic record designated therefor.

### **Article 55 Confidentiality of Debtor-Related Information and Data**

1. The Trustee, the controller, the creditors, the Creditors' Committee and all proceeding-related parties shall be prohibited from disclosing any information, data or accounts in relation to the debtor's financial position, its commercial relations or its business secrets, of which they become aware during or because of their engagement in the proceedings. Moreover, they shall be prohibited from using any of this information, data or accounts for their personal benefit.

2. This information and data includes trade secrets and information of interest such as clients and supplier lists, research and development information, professional secrets and other information of similar nature.

## **Part I Preventive Settlement**

### **Chapter I Application for Initiation of Preventive Settlement Proceedings**

## **Article 56 Debtor's Submission of Application for Initiation of the Preventive Settlement Proceedings**

1. Subject to the provisions set forth with regard to the application for the initiation of proceedings in the Preliminary Part of this Law, the debtor may submit an application for the initiation of the preventive settlement proceedings if its business is vulnerable to any of the following cases:

- If he has defaulted or there are reasons that make it expect or fear inability to repay all or any of its debts when they fall due.
- If its creditors had previously disapproved a proposal for a preventive settlement or a plan, or the Bankruptcy Court had decided not to ratify any of them, even if the same was made for other debts of the debtor, for which the application was not submitted, after three [3] months have passed from the date of the creditors' meeting or the Bankruptcy Court's decision.
- If a decision or judgment has previously been issued by the Bankruptcy Court to terminate the preventive settlement proceedings or to terminate the proceedings, even if the same was made for other debts of the debtor, for which the application was not submitted, after three [3] months have passed from the date of the Bankruptcy Court's decision or judgment.
- If a final judgment has previously been issued declaring the debtor bankrupt, after its rehabilitation in accordance with the provisions of this Law.

2. If the debt, for which the application is submitted, is still subject to any proceedings in accordance with this Law in execution of a decision issued to initiate the proceedings, the application may not be submitted.

3. As an exception to Clause [1] Paragraphs [B, C, D] and Clause [2] of this Article, the debtor may submit the application at any time if it attaches thereto evidence of the prior approval of the required majority of creditors on the preventive settlement proposal, for which the application is submitted.

## **Article 57 Particulars of the Application for Initiation of Preventive Settlement Proceedings and its Attachments**

Subject to the provisions of Article [22] of this Law, the debtor shall attach the following attachments to the application for the initiation of the preventive settlement proceedings:

1. Data, information and documents indicating that the necessary conditions to submit the application for the initiation of the preventive settlement proceedings have been met.
2. A brief explanation of the preventive settlement proposal, indicating its conditions, execution method, the guarantees for its execution, if any, and the schedule for execution.

3. A summary of the contracts and agreements proposed to be signed between the debtor and creditors to execute the preventive settlement proposal.

4. The ranking of the creditors.

5. In the event that a Creditors' Committee is formed according to the ranking of creditors, the debtor shall attach a list of the members of the said committee, indicating the name of the representative for each group of creditors, their electronic email, physical address, their phone numbers and the documents indicating the appointment of these members and representatives and the limits of their authorization by the creditors.

6. Procedures for calling a meeting of creditors to discuss the preventive settlement proposal, the voting mechanism and the persons who has the right to vote.

## **Chapter II Effect of Issuance of Decision to Initiate Preventive Settlement Proceedings**

### **Article 58 Management of Debtor's Business and Assets**

1. After a decision to initiate the preventive settlement proceedings is made, the debtor shall continue to manage its business and assets as usual, and it may exercise all the activities required to conduct its business in a way that does not harm the interests of creditors, unless the Bankruptcy Court decides otherwise.

2. The debtor may not carry out any activities outside the scope of its normal business without obtaining the approval of the Bankruptcy Court.

### **Article 59 Suspension of Claims**

1. The issuance of a decision to initiate preventive settlement proceedings shall result in the suspension of claims for a period of [3] three months following the date of issuance of the decision. The Bankruptcy Court may, upon the debtor's request, extend the period of suspension of claims for one or more times, provided that the extension does not exceed one month, and in all cases the period of suspension of claims shall not exceed [6] six months.

2. The Bankruptcy Department shall, upon the debtor's request, provide the latter with a certificate of suspension of claims and the duration of the suspension.

3. During the period of suspension of claims, the debtor shall exercise the necessary due diligence to ensure that its creditors vote to approve the preventive settlement proposal. It shall further provide creditors with all documents, information and data to enable them to make a decision regarding the preventive settlement proposal, and it shall respond to any inquiries submitted thereto by creditors.

### **Article 60 End of Claim Suspension Period**

The claim suspension period shall come to an end in any of the following cases:

1. The Bankruptcy Court ratifies the preventive settlement proposal.

2. Issuance of a decision by the Bankruptcy Court to terminate preventive settlement proceedings.
3. Expiration of the period stipulated in Clause [1] of Article [59] of this Law.

#### **Article 61 Debts, Interest and Contracts**

1. The issuance of the decision to initiate preventive settlement proceedings shall not result in the maturity of the debts nor the cessation of the interests, and any provision to the contrary in the contracts concluded with the debtor shall be deemed null and void.
2. The issuance of the decision to initiate preventive settlement proceedings shall not result in the suspension or termination of the debtor's valid contracts, including lease agreements, even if the contract stipulates otherwise. The party contracting with the debtor shall continue to fulfill its contractual obligations as long as the debtor does not cease to perform its obligations subsequent to the date of issuance of the decision to initiate the proceedings.
3. With the exception of contracts covered by preventive settlement proceedings and in the event that the debtor breaches any of its contractual obligations, and as an exception to the suspension of claims, the Bankruptcy Court may, upon motion of the contracting party, decide to terminate the contract.
4. The Bankruptcy Court may, upon the debtor's request, order the termination of any effective contract to which the debtor is a party if the same is necessary to enable the debtor to carry out its business or serves the interest of creditors, provided that the termination does not lead to serious damage to the interests of the party contracting with the debtor, unless the court decides to compensate the contracting party on a fair basis, in which latter case the contracting party has the right to engage in the preventive settlement proceedings as an ordinary creditor with regard to the compensation resulting from the termination.

#### **Article 62 New Finance**

1. The debtor may borrow or obtain banking facilities with or without guarantee, in accordance with what is stated in the application for the initiation of proceedings or in any application submitted to the Bankruptcy Department after submitting the application for initiation of the proceedings and before a decision is issued thereon.
2. The debtor may borrow or obtain banking facilities after the issuance of the decision to initiate the proceedings, if the same is stipulated in the proposal or approved by the required majority, unless the Bankruptcy Court decides otherwise. It shall notify the lender or the entity granting banking facilities that it is subject to preventive settlement proceedings in accordance with this Law.
3. The Bankruptcy Court may, upon the debtor's request, and after taking the opinion of the Unit, where the debtor is supervised by the regulatory authority, authorize the debtor subject to preventive settlement proceedings to obtain new financing, whereby the creditor has priority over any existing ordinary debt owed by the debtor on the date of the decision to initiate the proceedings, as long as this financing is necessary for the debtor's business and does not cause damage the common interest of the creditors or the preventive settlement proceedings.

4. The new financing may be secured by a mortgage arrangement on any of the debtor's unmortgaged or mortgaged property, in which latter case, the mortgage shall come in the following rank to the mortgage or mortgages resulting from the property to be mortgaged.

5. The new financing may be secured by a mortgage arrangement on any of the debtor's mortgaged property that is equal in rank to any existing mortgage on or ahead of the property to be mortgaged. In this case, the approval of the previous-ranked mortgaged creditors shall be obtained.

#### **Article 63 Formation of Creditors' Committee**

1. Within [10] ten days following the date of issuance of the decision to initiate preventive settlement proceedings, the debtor shall coordinate with the creditors to form a Creditors' Committee of representatives from the groups of creditors. The committee shall be chaired and represented by the creditor holding the largest amount of the debtor's debts in each group, unless the required majority agrees or the creditors holding a majority of the creditors agree to appoint representatives for the group of creditors.

2. Subject to approval of the required majority of the creditors or the approval of the creditors holding the majority of debts, the committee's representative may be removed and replaced by a substitute representative. In the event that the latter fails to secure the aforementioned approvals, the representative shall be appointed from among the creditors holding the largest debts in a descending order.

#### **Article 64 List of Debt Categories and Rankings**

The debtor shall submit to the Bankruptcy Department, within [10] ten days as of the end of the period stipulated in Article [63] of this Law, a list of debt categories, indicating the type, amount, and ranking of the debt, as well as the creditor's name and representative, and its electronic email and physical address. Such list shall contain a statement on the formation of the Creditors' Committee, indicating the name of the committee's representative and its members, the category of debt represented by each member and the member's physical address and electronic email. The Bankruptcy Court shall issue a decision approving the formation of the committee within [10] ten days from the date of filing this formation, and the Bankruptcy Department shall notify the debtor, the creditors, the controller and the Unit, where the debtor is supervised by the regulatory authority, of the such decision.

#### **Article 65 Representative of Creditors' Committee**

1. The Creditors' Committee shall, within ten [10] days from the date of its notification of the decision to form the committee, determine the issues to be assigned to the committee's representative and notify the debtor, the Bankruptcy Department and the Unit, if the debtor is supervised by the regulatory authority. As of the date of this notification, the creditors shall be notified of all matters required to be informed through the creditors' representative, as required by this Law.

2. The representative of the committee shall notify its members of the notifications he receives not later than the day following the date of receiving the same. The same provision shall apply to the representative of each category of debt with respect to the creditors of such category.

#### **Article 66 Preventive Settlement Proposal**

The preventive settlement proposal shall include the following:

1. The debtor's plan to carry out its activity.
2. A list of the names of known creditors and debtors, their electronic and physical addresses, their telephone numbers, the value of their rights or debts and the guarantees provided therefor, if any, updated until the date of submitting the preventive settlement proposal.
3. Ranking of categories of creditors, the amounts owed to each of them, the guarantees provided against each debt and its value.
4. Confirm the viability of the debtor's business.
5. Terms and conditions for settling any obligations.
6. Any good performance in connection with the proposal, which is required to be provided by the debtor, if any.
7. Any offer to purchase all or part of the debtor's property on the basis of an existing and ongoing activity, or in parts, if any.
8. Grace periods and payment discounts.
9. The extent to which debt can be converted into shares or stocks in the capital of any company or project.
10. The extent to which it is possible to consolidate, create, redeem, sell or replace any guarantees if the same is necessary to perform the preventive settlement proposal, subject to the approval of the holders of the secured debts.
11. Propose a period or periods for repaying the entire debt.
12. The extent of the debtor's need for financing during the performance period of the proposal, as well as the purposes and guarantees of such financing.
13. The mechanism for following up on creditors and the controller, if appointed, to perform the proposal and the reports submitted regarding its performance and the dates and contents of submitting those reports.
14. Any other matters that the debtor deems instrumental with respect to the preventive settlement proposal and considers necessary to be included in the proposal.

#### **Article 67 Filing of Preventive Settlement Proposal**

1. The debtor shall file a copy of the preventive settlement proposal with the Bankruptcy Department, along with a summary of the proposal, within [3] three months following the date of issuance of the decision to initiate the proceedings. The Bankruptcy Court may extend this period for a similar period or periods based on the debtor's request after consulting the Unit, and in all cases the required



majority shall approve any extension that would make the period for filing the preventive settlement proposal exceed [6] six months.

2. The debtor shall, within the time stipulated in Clause [1] of this Article, notify the Unit, where the debtor is supervised by the regulatory authority, the representative of Creditors' Committee and members of the committee of the proposal and its attachments. The representative of Creditors' Committee and each of its members shall notify the group of creditors he represents of the proposal and its attachments not later than the end of the day following the date of his receipt of the plan and its attachments.

3. In the event that the preventive settlement proposal is not submitted within the dates stipulated in this Article, the Bankruptcy Court may, based on a motion submitted thereto by any of the creditors or the Unit, where the debtor is supervised by the regulatory authority, terminate the preventive settlement proceedings. The court's decision shall be issued within [10] ten days from the date of submitting the motion.

#### **Article 68 Content of the Proposal**

The settlement proposal may be based on the debtor's assignment of part of its property in consideration of the settlement of its debts, in whole or in part, in order to pay off all debtor's debts in kind or in cash or pay off part thereof in kind or in cash and to be discharged of the rest or get the remainders deferred in a manner that the debtor becomes absolved from the debt or part thereof.

#### **Article 69 Calling on Creditors to Approve the Preventive Settlement Proposal**

1. The debtor shall call on the creditors to approve the preventive settlement proposal, pursuant to a notice that includes the date and place of the meeting, in accordance with the procedures contained in the preventive settlement proposal. The meeting shall be held at least ten [10] days after the date of sending the call for the meeting, and within a period not exceeding [30] thirty days from the date of notification of the representative of Creditors' Committee and members of the committee of the plan and its attachments.

2. The debtor shall address the call, within the dates stipulated in Clause [1] of this Article, to the Unit if the debtor is supervised by the regulatory authority and to the regulatory authority.

3. The debtor shall chair the meeting, and with the approval of the required majority, the creditors or other persons may be chosen to chair the meeting.

4. In the event that the debtor refrains from holding the meeting as set forth in Clause [1] of this Article, the Bankruptcy Court shall, based on a motion submitted thereto by any of the creditors or the Unit, where the debtor is supervised by the regulatory authority, call the creditors to hold the meeting. The meeting shall be chaired by the Head of the Bankruptcy Department or his authorized representative, to carry out all the measures that the debtor should have undertaken in this regard.

#### **Article 70 Voting on Preventive Settlement Proposal**

1. The right to vote on the preventive settlement proposal shall be limited to ordinary creditors whose debts are finally approved. The Bankruptcy Court may authorize creditors whose debts are temporarily approved to vote on the proposal, and it shall determine the conditions and limits for granting this authorization.

2. The Bankruptcy Court may authorize the secured creditor to vote on the proposal with the value of its secured debt, without the same affecting the security right, if the proposal affects its secured rights. Creditors whose debts are guaranteed may not vote in other circumstances unless they abandon these guarantees in advance, and the abandonment shall be recorded in the minutes of the meeting. If the proposal is invalidated, the guarantee covered abandoned shall be re-made effective.

3. The Bankruptcy Court shall decide on any conflict regarding the right to vote and who chairs the meeting, within ten [10] days from the date of submitting a motion to the Bankruptcy Department.

#### **Article 71 Explanation of and Voting on Preventive Settlement Proposal**

1. The debtor shall provide a sufficient explanation for the settlement proposal items during the meetings held for the discussion of the proposal and any amendments thereto. Any of the creditors, Creditors' Committee, representative thereof or the Unit if the debtor is supervised by the regulatory authority may attend the meetings and express opinions in connection with the preventive settlement or amendments thereto.

2. The debtor shall call the creditors to discuss the amendments recommended at other meetings for the purpose of considering the amendments and voting thereon.

#### **Article 72 Approval or Rejection of Preventive Settlement Proposal**

1. The preventive settlement proposal shall be deemed approved by the creditors when it is approved by the required majority. In the event that the proposal is not approved by the such majority in the first meeting for the creditors, the meeting shall be postponed for a period of [10] days, and another meeting shall be held for voting on this proposal.

2. In the event that the preventive settlement proposal is not approved by the required majority in the second meeting, the same shall be deemed as rejection for the preventive settlement proposal.

#### **Article 73 Meeting Held for Voting on Preventive Settlement Proposal**

1. A report shall be draw up on the outcomes of the meeting held for voting on the preventive settlement proposal. Such report shall be signed by the present debtor and creditor, who have the right to vote, as well as the representative of the Creditors' Committee. In the event that any of the debtors refused to sign, the name thereof and reason for refusal shall be recorded in the said report.

2. If the meeting is held via modern technology of communicating, the controller shall be present. In the event that the controller has not been appointed yet, the representative or the Creditors' Committee or the representative of the Unit, where the debtor is supervised by the regulatory authority, shall be present.

3. It is sufficient for the report to be signed only by the debtor and the controller, the debtor and representative of the Creditors' Committee or the debtor and the representative of the Unit, as the case may be.

4. The Executive Regulations of this Law shall specify the conditions and controls for such meetings.

#### **Article 74 Actions Depending on Voting Outcome**

1. Not later than [10] ten days following the approval or rejection of the preventive settlement proposal, the debtor shall inform the Bankruptcy Department,, controller and Unit, where the debtor is supervised by the regulatory authority, of the same and shall attached the approved or disapproved proposal and the minutes of the meetings, in which the voting is made, as well as the documents containing a statement on the notices served for the appearance at the meetings and proof of appearance and voting.

2. In the event that the preventive settlement proposal is approved, the debtor shall provide the application for ratification of the plan to the Bankruptcy Department, within the notification described in Clause [1] of this Article.

3. The representative of the Creditors' Committee or the representative of any group of creditors or debtors holding a rate of [25%] of the debts owed by the debtor shall serve a notice in the event that the debtor fails to do so within the period specified in Clause [1] of this Article.

4. Within [10] ten days following receiving the noticed referred to in Clause [1] of this Article, the Bankruptcy Department shall inform all creditors of the same and of the attachments thereof.

5. In the event that the preventive settlement proposal is disapproved, the Bankruptcy Court shall, not later than [10] ten days following the notification of the Bankruptcy Department, issue its decision to terminate the proceedings of the preventive settlement and save the application.

6. The Bankruptcy Court may, in case of rejection of the settlement proposal, and based on the request of the debtor, Unit, where the debtor is supervised by the regulatory authority, the regulatory authority or the creditors, decide to initiate the or Bankruptcy Proceedings, as it deems appropriate in the manner that serves the interest of the debtor and interest of the creditors.

#### **Article 75 Endorsement of Preventive Settlement Proposal**

Within [10] ten days following the Bankruptcy Department's receipt of the notification on approval by the creditors of the preventive settlement proposal and attachments thereof, the Bankruptcy Court shall endorse the proposal after verifying the fulfillment of the following conditions:

1. The preventive settlement proposal is approved by the required majority.

2. The preventive settlement proposal meets the standards of fairness, set hereinbelow:

- The creditors are provided with complete information and granted sufficient time to examine the preventive settlement proposal.
- Never prejudice the procedures set for the meeting of creditors and voting mentioned in the preventive settlement proposal submitted to the Bankruptcy Department before the initiation of the preventive settlement proceedings.
- Subject to the existing rights of creditors, especially the rights of creditors who hold mortgage and lien rights, and equality between rights holders with equal positions, especially with regard to sharing losses and distributing new rights.

**Article 76 Rejection or Suspension of Endorsement of Preventive Settlement Proposal**

1. The Bankruptcy Court shall issue a decision to disapprove or suspend the ratification of the preventive settlement proposal in any of the following cases:

- If the procedures of calling for the meeting or voting therein are invalid.
- if the preventive settlement proposal is not approved by the required majority.
- If the preventive settlement proposal fails to meet the standards of fairness in accordance with the terms set in Article 75.2 of this Law.

2. In case the ratification of the preventive settlement proposal is suspended, the Bankruptcy Court shall state the procedures required to be re-taken or amendments required to be made thereto or the procedures required to be undertaken. A deadline shall be set for the debtor to fulfill the approval of the required majority on the amended proposal, which shall be re-submitted to the Bankruptcy Department for ratification. In the event that the amended preventive settlement proposal is approved by the required majority, the Bankruptcy Court shall ratify the same. If the creditors do not approve the creditors do not approved the amended proposal, the Bankruptcy Court shall decide to disapprove the ratification.

**Article 77 Grievance Against the Decision Approving the Preventive Settlement Proposal**

1. Any of the creditors, who did not vote for the approval of the preventive settlement proposal, file a grievance against the creditor's decision to approve the preventive settlement proposal, not later than [10] days following the convention of the meeting for creditors, in which the approval is given, if such creditor has attended this meeting and disapproved the proposal or he was notified of the meeting date but has failed to appear at the meeting with an excuse or from the date the creditor is notified by the Bankruptcy Department of the creditors' approval of the preventive settlement proposal, if he did not attend the creditors' meeting because he was not notified of its date.

2. The Bankruptcy Court shall decide on the grievance with the same decision issued ratifying the preventive settlement proposal. If the grievance is admitted, the

court may suspend ratification of the proposal to vote on the invalid procedure, amend the proposal or refuse the ratification thereof.

#### **Article 78 Effects of Preventive Settlement Proposal Endorsement Decision**

1. The preventive settlement proposal ratified by the Bankruptcy Court shall be effective with respect to all the creditors included, including the creditors who disapproved the proposal and those who did not attend the meeting to vote on the proposal.

2. The Bankruptcy Department shall announce, notify, and register in accordance with Article [35] of this Law every decision issued ratifying the preventive settlement proposal, disapproving the proposal, suspending ratification, terminating the proceedings, initiating proceedings or declaring bankruptcy, not later than [10] ten days following the issuance of the decision. The Bankruptcy Court may simply record the decision in the Bankruptcy Register and the Commercial Register.

#### **Article 79 Implementation of Preventive Settlement Proposal**

1. The debtor shall implement the preventive settlement proposal in accordance with the terms agreed upon by the creditors and ratified by the Bankruptcy Court. It shall further notify the Bankruptcy Department within [10] ten days from the date of completion of the preventive settlement proposal. A statement of the debts that have been settled and the method of settlement shall be attached to the notification, as well as the document proving the settlement.

2. The Bankruptcy Court shall issue a decision to complete the execution of the preventive settlement proposal and the end of the preventive settlement proceedings within [10] ten days from the date the Bankruptcy Department receives the notification, and the provisions Article [78.2] of this Law shall apply to this decision. The Bankruptcy Court may request the opinion of the controller, if appointed, regarding the completion of the execution of the preventive settlement before issuing the decision. It may also request the opinion of the Unit, where the debtor is supervised by the regulatory authority, regarding the completion of the execution of the settlement, before issuing the decision.

3. Creditors, who challenge the validity of the debtor's notification regarding the settlement of their debts, may file a grievance against the decision referred to in Clause [2] of this Article. If the grievance is admitted, the debtor shall execute the preventive settlement proposal regarding the creditor whose grievance was admitted, and the preventive settlement proposal shall be considered not executed with respect to this creditor.

#### **Article 80 Amendment of Preventive Settlement Proposal During Implementation**

1. The debtor may, at any time during the implementation of the preventive settlement proposal, serve a notice to its creditors to discuss any amendments deemed necessary to be made to the proposal. Creditors shall be notified of the recommended amendments and their justifications at least ten [10] days prior to the date set for the meeting. In the event that the required majority approves the amended preventive settlement proposal, the debtor shall notify the Bankruptcy Department of this proposal, the minutes of creditors' meetings and proof of

attendance and voting and shall request its ratification. The Bankruptcy Court shall, within [10] ten days from notifying the Bankruptcy Department of the amended proposal, ratify the same if it meets the standards of fairness stipulated in Article [75.2] of this Law and obtains the approval of the required majority. Otherwise, the ratification thereof shall be refused or suspended.

2. The decision to ratify the amended proposal may be challenged, in accordance with the provisions stipulated in Article [77] of this Law.

## **Chapter IV Termination of Preventive Settlement Proceedings Prior to Full Implementation**

### **Article 81 Cases where Preventive Settlement Proceedings May Be Terminated**

The Bankruptcy Court may, based on a motion submitted thereto by any of the creditors during the period following the decision to ratify the preventive settlement proposal and before the proposal is fully executed, decide to terminate the preventive settlement proceedings, in any of the following cases:

1. Filing a criminal case against the debtor for any of the crimes stipulated in this Law. The application must be submitted not later than [6] six months following the date of filing this case. It is also required that this case be filed after ratification of the preventive settlement proposal and before its full execution, otherwise it shall be inadmissible.

2. A judgment is issued convicting the debtor of any of the crimes stipulated in this Law, subsequent to the ratification of the preventive settlement proposal and before it is fully implemented.

3. If the debtor fails to perform the terms of the preventive settlement proposal.

4. If the debtor dies and it becomes impossible to implement the preventive settlement proposal.

5. If new events come to existence subsequent to the date of ratification of the preventive settlement proposal that would make it impossible to continue the debtor's business or affect the debtor's ability to implement the preventive settlement proposal, in a manner that it is no longer expected that the debtor will be able to implement this proposal in accordance with its terms.

6. If the debtor refuses to provide the information, data and documents whose provision is provided to be made by the debtor.

7. If the debtor commits a serious error in respect of managing its property or business during the period following the issuance of the decision to initiate preventive settlement proceedings.

8. If the debtor, upon submitting an application for the initiation of the preventive settlement proceedings or thereafter, commits fraud, deception or provides misleading information, the court may, upon motion of the relevant parties, order the undertaking of the precautionary measures it deems appropriate. These measures shall be canceled if a final judgment acquits the debtor in the criminal case described in Clause [1] of this Article.

## **Article 82 Effects of Termination on the Sureties**

1. The termination of the preventive settlement proceedings in accordance with Clauses [81.1, 81.2 and 81.8] of this Law shall result in the Sureties being released from the guarantee provided to implement the terms of the preventive settlement if the actions that led to taking the proceedings referred to in these clauses were issued by the debtor before the decision to ratify the preventive settlement proposal was issued.
2. In all cases, the Sureties and the debt guarantors shall be required to attend the hearing in which the application to terminate the proceedings is considered.
3. Terminating the preventive settlement proceedings due to the invalidity of their proceedings shall result in the release of the liability of the bona fide Sureties who guaranteed the implementation of all or any of its terms.

## **Article 83 Termination of Preventive Settlement Proceedings upon Motion of Debtor or Regulatory Authority**

1. The Bankruptcy Court may, based on a motion submitted thereto during the period following the decision to ratify the preventive settlement proposal and before the proposal is fully implemented, decide to terminate the preventive settlement proceedings, in either of the following cases:
  - If the debtor submits an application to terminate the proceedings on the basis that the conditions for initiating preventive settlement proceedings no longer apply to it or that it is unable to implement the preventive settlement proposal in accordance with the terms of the proposal.
  - If the debtor or the regulatory authority submits an application to initiate or bankruptcy proceedings.
2. The Bankruptcy Department shall notify the creditors, the Unit, where the debtor is supervised by the regulatory authority, and the controller, as the case may be, of the application within [10] ten days from the date of its submission, and the Bankruptcy Court shall issue its decision to approve or disapprove the application, not later than [10] ten days from the date of its submission.

## **Article 84 Judgment Terminating the Preventive Settlement Proceedings**

1. If the Bankruptcy Court decides that the preventive settlement proceedings be terminated, it may, based on a motion submitted thereto by the debtor, the regulatory authority or the creditors who are entitled to submit an application to initiate the proceedings in accordance with this Law, decide to initiate the or bankruptcy proceedings.
2. The Bankruptcy Court may include, in its judgment terminating preventive settlement proceedings, the placing of seals on the debtor's property. The judgment may also include any other precautionary measures.
3. The Bankruptcy Department shall, not later than [10] ten days following the issuance of the Bankruptcy Court's decision, terminate the preventive settlement proceedings, announce, notify and register the same in accordance with Article [35]

of this Law. The Bankruptcy Court may suffice with recording the decision in the Bankruptcy Register and the Commercial Register.

### **Article 85 Debtor's Acts Following Issuance of Preventive Settlement Proposal Endorsement Decision**

The actions issued by the debtor after the issuance of the decision to ratify the preventive settlement proposal shall be effective vis-à-vis the creditors. They may not request its invalidity except in accordance with the rules established regarding a claim for invalidity of actions. Furthermore, this case shall not be heard after [2] two years have passed from the date of termination of the proceedings. In all cases, it is not permissible to challenge any action taken by the debtor in implementation of the ratified preventive settlement proposal.

### **Article 86 Creditors' Refund of Debts Collected**

Terminating preventive settlement proceedings shall not oblige creditors to refund the debts they collected before the judgment or termination decision is issued, and these amounts shall be deducted from the value of their debts.

## **Part II**

### **Chapter I Application for Initiation of Proceedings**

#### **Article 87 Submission of Application for Initiation of Proceedings**

1. Subject to the provisions stipulated regarding the application for the initiation of proceedings in the Preliminary Part of this Law, the debtor, creditors and the regulatory authority may submit an application for the initiation of proceedings if the debtor's business is viable, as follows:

- If the debtor has ceased to repay its debts.
- If the debtor is in a state of deficit in the financial position.
- If the debtor's creditors have previously disapproved the plan or the Bankruptcy Court has issued a decision refusing to ratify the plan, even if the same was made for other debts of the debtor for which the application has not been submitted, the application may not be submitted until three [3] months have passed from the date of the creditors' meeting or the issuance of the aforementioned court decision.
- If a decision or judgment has previously been issued by the Bankruptcy Court to terminate the proceedings, even if the same was made for other debts of the debtor for which the application has not been submitted, the application may not be submitted until three [3] months have passed following the date of issuance of the aforementioned decision or judgment issued by the Bankruptcy Court.



- It is not permissible to submit an application to initiate proceedings if a final judgment has previously been rendered declaring the debtor bankrupt unless it has been rehabilitated in accordance with the provisions of this Law.
2. If the debts, for which the application is submitted, are still subject to bankruptcy proceedings in implementation of a decision issued to initiate the proceedings in accordance with this Law, the applicant shall rely on the fact that the debtor's business has become viable and attach evidence thereof to its application.
  3. As an exception to Clause [1], Paragraphs [C, D and E] and Clause [2] of this Article, the application may be submitted at any time if it is accompanied by evidence of the approval of the required majority on the plan for which the application is submitted.

#### **Article 88 Particulars of Application for Initiation of Proceedings and its Attachments**

Subject to the provisions of Article [22] of this Law, the application for initiation of proceedings shall be accompanied by the following attachments:

1. Data, information and documents indicating that the necessary conditions have been met to submit the application for initiation of proceedings.
2. A brief explanation of the plan, indicating its conditions, the implementation method, the guarantees for its implementation, if any, and the schedule for implementation.
3. A summary of the contracts and agreements proposed to be signed between the debtor and creditors to implement the plan.
4. In the event that the Creditors' Committee is formed according to the ranking of creditors, a list of the members of such committee shall be attached, indicating the name of the representative for each group of creditors, their electronic and regular e-mail and phone numbers and documents indicating the appointment of these members and representatives and the limits of their authorization from creditors.
5. Procedures for calling a meeting of creditors to discuss the plan, the voting mechanism and persons who have the right to vote.
6. In the event that some creditors initially approve the plan, a list of the names of these creditors shall be provided according to their ranking, the amount of the debtor's debts with respect thereto, their guarantees and their percentage of the debtor's total debts. The applications submitted by the regulatory authority shall be exempted from submitting the data, information and documents referred to in Clauses [1] [4] of this Article.

#### **Chapter II Consequences of the Decision to Initiate Proceedings**

##### **Article 89 Management of Debtor's Business and Assets**

1. After the issuance of the decision to initiate the proceedings, the debtor shall continue to manage its business and assets under the supervision of the Trustee,

and it may carry out all the actions required for its commercial activity in a way that does not cause damage to the interest of the creditors, unless the Bankruptcy Court decides otherwise.

2. The Trustee may request the debtor, the creditors, the Unit, where the debtor is supervised by the regulatory authority, the Bankruptcy Department, or the controller, as the case may be, to provide him with any information or documents in their possession regarding the debtor's debts, business or property. The Trustee may take all necessary measures to monitor the debtor's financial operations and verify the soundness of the debtor's management of its assets and business.

3. The Executive Regulations of this Law shall specify the actions and dispositions for which the debtor shall obtain the approval of the Trustee before undertaking them.

#### **Article 90 Preventing Debtor from Managing its Own Assets and Business**

1. Within [10] ten days from the date of submitting the application, the Bankruptcy Court may, sua sponte or based on a reasoned motion submitted by the Trustee, any of the creditors or the Unit, where the debtor is supervised by the regulatory authority, decide to prevent the debtor, its board of directors or its managers from managing his assets and business and to entrust the management of the same to the Trustee. In this case, the Trustee shall have all the powers of the debtor, its board of directors and its executive management, unless the court decides otherwise.

2. In all cases, the Bankruptcy Court's decision to admit or dismiss the application shall be reasoned.

#### **Article 91 Trustee's Temporary Suspension of the Management of the Debtor's Business and assets**

If the Bankruptcy Court has appointed a temporary Trustee to manage the debtor's business and assets, the temporary Trustee shall cease to manage the debtor's assets and business and hand them over to the debtor within [10] ten days following the date of issuance of the decision to initiate proceedings, unless the court decides otherwise.

#### **Article 92 Suspension of Claims**

The issuance of a decision to initiate proceedings result in the suspension of claims from the day following the date of issuance of this decision until the date of ratification of the plan. The Bankruptcy Department shall hand over to the debtor, upon its request, a statement of suspension of these claims.

#### **Article 93 Expiry of Claim Suspension Period**

The claims suspension period shall end in any of the following cases:

1. The Bankruptcy Court approves the plan.
  2. The Bankruptcy Court issues a decision to terminate the proceedings.
- Article 94 Provisions Applicable to Contracts, New Financing and the Creditors' Committee**

The provisions stipulated in Part I of this Law regarding preventive settlement shall apply to contracts, new financing and the Creditors' Committee.

**Article 95 Duties of the Trustee**

1. The Bankruptcy Department shall notify the Trustee of the decision issued to appoint him within [10] ten days from the date of its issuance, and it shall provide him with all the information it has about the debtor. The Trustee shall, not later than [10] ten days from the date of being notified of the decision to appoint him, take the following measures:

- Announce a summary of the decision issued to initiate the proceedings, provided that the announcement includes an notice to the creditors to submit their claims and the supporting documents and hand over the same to him within a period not exceeding [30] thirty days from the date of the notification.
- Inform all creditors whose electronic addresses are known to him, to provide him with claims and documents not later than [30] thirty days following announcing the summary of the decision to initiate the proceedings.

2. The debtor shall provide the Trustee with any additional details of which it has not notified the Bankruptcy Department, whether about its creditors, debt amounts, details of any contracts under implementation and any pending or ongoing judicial proceedings to which the debtor is a party, within the time period specified by the Trustee.

**Article 96 Creation of Creditors Register**

The Trustee shall create a register in which he records the data of all the creditors of the debtor available thereto and shall submit an updated copy of the entries of such register to the Bankruptcy Department. He shall record the following details in the register:

1. The regular mail and email address of each creditor, the amount of their claim and the maturity date thereof.
2. Identify the creditors who hold debts secured by a mortgage or lien, along with details of the guarantees designated for each of them and the estimated value of these guarantees in the event of execution.
3. Any application for sett-off, to be submitted in accordance with the provisions of this Law.
4. Any other data that the Trustee deems necessary to perform his duties.

### **Article 97 Requesting Data or Information Related to Debtor's Assets or Business**

1. The Trustee may request any data or information in relation to the debtor's property or business from any person who hold the possession of such information. Any person, who has information about the debtor's property or business, shall provide the same to the Trustee within ten [10] days from the date of request, including any documents and books of accounts in relation to the debtor.
2. The Trustee shall maintain the confidentiality of any information in relation to the debtor and refrain from disclosing the same outside the framework of the proceedings set forth in this Law, except for information required to be disclosed in accordance with the law, regulations or instructions of regulatory authorities.
3. If any person refuses to provide the Trustee with the requested information, the Trustee may escalate the matter to the Bankruptcy Court to determine the importance of the information that can be requested and order its submission to the Trustee.

### **Article 98 Creditors' Handover to Trustee of Documents related to their Debts**

1. All creditors, even if their debts are not payable or guaranteed by a mortgage or lien or are not established by final provisions, shall hand over to the Trustee, within the time limit specified in the notice addressed thereto in accordance with Article [95] of this Law, the documents of their debts to the Trustee, attaching a statement of these debts and their guarantees, if any, in addition to indicating their maturity dates and amounts, denominated in UAE dirhams based on the prevailing exchange rate on the day the decision to initiate the proceedings is issued.
2. The Trustee may request the creditor to complete its documents or provide clarifications about the debt by specifying its amount or nature. He may also request the certification of any claims from an independent auditor or the creditor's comptroller.

### **Article 99 Claims of Debtor's Sureties or Third Parties**

The creditor who received an advance payment on account of its claim from the debtor's Sureties or a third party shall deduct the amounts received thereby from any claim it submits to the Trustee, and any of the debtor's Sureties or third parties may submit its claims to the Trustee within the limits of the amount he paid in payment of the debtor's debt.

### **Article 100 Verification of Debts and Creation of Debt List**

1. The Trustee shall scrutinize the debts within [30] thirty days from the expiration date of the period specified in Article [95.1.B] of this Law. In this regard, he may seek assistance from the Unit, where the debtor is supervised by the regulatory authority, or the debtor.
2. After completing the debt scrutiny, the Trustee shall file with the Bankruptcy Department a list of debts that includes the names of the creditors and the amount owed to each of them as on the date of initiating the proceedings, its documents,

the reasons for the dispute over its debt, as well as the matters he deems appropriate regarding its approval or rejection. It shall also include the names of the creditors who maintain special securities on the debtor's property, the value of the amount owed to each of them on the date of initiating the proceedings and a statement of the securities provided to each of them and their estimated value on the date of the proceedings.

3. Within [10] ten days following the filing of the list of debts, the Trustee shall announce the list and indicate the amounts of each debt that he deems acceptable and those that he deems disapproved.

4. Debts owed to the government resulting from the imposition of taxes or fees of various kinds, or in relation to the settlement of securities market transactions, shall be considered approved debts without the need for the Trustee's scrutiny, even if they are the subject of a dispute by the debtor or third parties. The value of these debts shall be adjusted in light of the final judgments issued regarding them.

#### **Article 101 Grievance against Debts Included in the Debt List**

The debtor and every creditor, even if its name is not included in the list of debts, may file a grievance with the Bankruptcy Department against the debts included in the list within ten [10] days from the date of announcing the list, and the Bankruptcy Court has jurisdiction to decide on the grievance.

#### **Article 102 Approval of the Final List of Undisputed Debts**

After the expiry of the period stipulated in Article [101] of this Law, the Bankruptcy Court shall approve a final list of undisputed debts, and the Trustee shall mark the statement accompanying the documents for these debts indicating their approval and the value of the debt approved.

#### **Article 103 Approval of List of Creditors Whose Debts Are Temporarily Approved**

1. The Bankruptcy Court may, before deciding on the grievance or on the challenge filed against the judgment issued therein, decide to approve the debt in an amount it estimates unless a criminal case has been filed in its regard.

2. The Bankruptcy Court approves the list of creditors whose debts are temporarily approved, and the Bankruptcy Department notifies the Trustee thereof.

#### **Article 104 Disputes on Debt Security**

If a dispute arises in relation to debt guarantees, it shall be temporarily admitted as an ordinary debt.

#### **Article 105 Retention of Share of Temporarily-Approved Debt**

The share of temporarily approved debt shall be retained from the proceeds of the sale of the debtor's property. When any distribution is made to creditors in accordance with the provisions of this Law, and if the Bankruptcy Court decides not to recognize the temporarily-approved debt or it has been allocated, the retained share shall be refunded in proportion to the general guarantee for creditors.

#### **Article 106 Amendment of the List of Debts**

1. A creditor, who does not submit documents supporting its debt within the dates stipulated in Article [95.1.B] of this Law, may submit an application to the Trustee to admit the same and engage in the proceedings. The Trustee's approval shall be certified by the Bankruptcy Court, in addition, the list of debts shall be amended and re-announced. Moreover, this creditor shall recover its debt from subsequent distributions made on the date of approval of its debt.

2. If the Trustee dismisses the creditor's application or does not respond to the same within [10] ten days from the date of its submission, the creditor may submit to the Bankruptcy Court an application to approve the submission of its documents supporting its debt. The court shall issue a decision to admit or dismiss the application, not later than [10] ten days following the submission of the application. If an order is made to approve the debt, the list of debts shall be amended accordingly and the Trustee shall re-announce the same.

3. The Bankruptcy Court may instruct the Trustee to submit a report on the extent of the new debt's impact on the draft plan and submit the same to it for approval. In all cases, the proceedings stipulated in this Part shall not be halted.

#### **Chapter III Initiation of Proceedings**

##### **Article 107 Development of Plan**

1. If the Bankruptcy Court issues a decision to initiate proceedings, the debtor, under the supervision of the Trustee, shall develop a plan. The debtor may seek assistance from the Unit, where the debtor is supervised by the regulatory authority, in respect of the development of the plan, and the debtor shall file the plan with the Bankruptcy Department within a period not exceeding [3] three months following the date of issuance of the decision. The court may extend this period for a similar period or more upon the debtor's request after hearing the statements to be provided by the Unit. In all cases, the required majority shall approve any extension that would make the period for preparing and developing the plan exceed [6] six months.

2. In the event that the plan is not submitted within the period stipulated in Clause [1] of this Article, the Bankruptcy Court may, based on a motion submitted thereto by any of the creditors or the Unit, where the debtor is supervised by the regulatory authority, terminate the proceedings. It issues its decision, not later than [10] ten days following submitting the application.

##### **Article 108 Plan Particulars and Attachments**

The plan shall include the following attachments:

1. The debtor's plan to conduct its activity.
2. A list of the names of known creditors and debtors, their electronic and physical addresses, their phone numbers, the value of their rights or debts and the guarantees provided therefor, if any, updated until the date of submitting the preventive settlement proposal.
3. Ranking of groups of creditors, the amounts owed to each of them, the guarantees provided against each debt and its value.
4. Confirming the viability of the debtor's business.
5. The debtor's activities that shall be suspended or terminated.
6. Terms and conditions for settling any obligations.
7. Any guarantees until the plan is implemented are required to be provided by the debtor, if any.
8. Any offer to purchase all or part of the debtor's property on the basis of an existing and ongoing activity or in parts, if any.
9. Grace periods and payment discounts.
10. The extent to which debt can be converted into shares or stocks in the capital of any company or project.
11. The extent to which it is possible to consolidate, create, redeem, sell or replace any guarantees if the same is necessary to perform the plan, subject to the approval of the holders of the secured debts.
12. Propose a period or periods for repaying the entire debt.
13. The extent of the debtor's need for financing during the performance period of the plan, as well as the purposes and guarantees of such financing.
14. The mechanism for following up on creditors and the Trustee to perform the plan and the reports submitted regarding its performance and the dates and contents of submitting those reports.
15. Any other matters that the debtor deems instrumental with respect to the plan performance and considers necessary to be included in the plan.

#### **Article 109 Periodic Report on Progress of Developing the Plan**

The Trustee shall notify the Bankruptcy Department and the Unit, where the debtor is supervised by the regulatory authority, on a monthly basis of the progress of developing the plan.

#### **Article 110 Notification of Plan and Attachments**

The debtor shall, within the time stipulated in Clause [1] of Article [107] of this Law, notify the Trustee, the Unit, where the debtor is supervised by the regulatory authority, and the representative of the Creditors' Committee and members of the committee of the plan and its attachments. The representative of the Creditors' Committee shall notify the group of creditors he represents of the plan and its

attachments, not later than the end of the working day following the date on which he receives the plan and its attachments.

#### **Article 111 Content of Plan**

A plan may be developed on the basis of the debtor giving up all or any of its assets in consideration of settling all or any of its debts. It is permissible to pay all or part of the debtor's debts in kind or in cash, convert the debts into ownership rights, sell the business or part thereof as an existing and ongoing activity and omit the remainder or schedule the remainder so that the debtor is absolved of all or part of the debt. The plan shall be approved by the general assembly of the debtor joint-stock company, based on a special resolution or the entity having the powers of a general assembly in other companies.

#### **Chapter IV Approval and Endorsement of the Plan**

##### **Article 112 Provisions Applicable to Plan Approval and its Consequences**

Notwithstanding the provisions of Articles [113] and [114] of this Law, the provisions set forth in Chapter I of this Law regarding preventive settlement shall apply to the approval of the plan, to the grievance against this approval, to the ratification of the plan and the effect of this ratification, to the implementation of the plan and the termination of its procedures prior to its implementation.

##### **Article 113 Plan Approval Meeting**

1. The debtor shall call the creditors to approve the plan pursuant to a notice containing the date and place of the meeting, in accordance with the procedures contained in the plan. The meeting shall be held not later than [30] thirty days from the date of notifying the representative of the Creditors' Committee and the members of the committee of the plan and its attachments. A notice shall also be served to the Unit, where the debtor is supervised by the regulatory authority, and to the regulatory authority.
2. The debtor shall chair the meeting, and with the approval of the required majority, the Trustee, any of the creditors or third parties may be assigned to chair the meeting.
3. In the event that the debtor refrains from holding the meeting as stipulated in Clause [1] of this Article, the Bankruptcy Court, based on a motion to be submitted thereto by the Trustee, any of the creditors or the Unit, where the debtor is supervised by the regulatory authority, shall call the creditors to hold a meeting, and the Trustee shall chair the meeting.
4. If attendance is via modern means of communication, the Trustee shall attend the meeting, and in this case, it may be sufficient for the debtor and the Trustee or the chairman of the meeting to sign the minutes.

##### **Article 114 Acts Depending on Plan Approval Meeting Outcome**



1. The Trustee shall, within a maximum period of [10] ten days from the date of the required majority's approval or rejection of the plan, notify the Bankruptcy Department and the Unit, where if the debtor is supervised by the regulatory authority thereof. The notification shall be accompanied by the approved or disapproved plan, minutes of meetings and sheet of attendance and voting. If the plan is approved, the Bankruptcy Court shall ratify the same.

2. The Bankruptcy Department shall, within [10] ten days from the date of its receipt of the notification, notify the debtor and all creditors of the notification referred to in Clause [1] of this Article and its attachments.

3. In the event that the plan is disapproved, the Bankruptcy Court may, within a maximum period of ten [10] days from the date of notification of the Bankruptcy Department, issue a decision based on the debtor's request to ratify the disapproved plan, provided that the rights of the creditors included in the disapproved plan are not less than the ones that they would have in the event of the debtor's bankruptcy, after taking the opinion of the Trustee in this regard and hearing the objections of the creditors, or by completing the proceedings and saving the application. The court may, based on a motion to be submitted thereto by the debtor, the regulatory body or the creditors, issue a reasoned decision to initiate bankruptcy proceedings, subject to the provisions stipulated in this Law regarding submitting the application for the initiation of the proceedings.

#### **Article 115 Supervision of Plan Implementation**

The Trustee shall supervise the implementation of the plan throughout the plan's validity term and until its implementation is completed. If the debtor is supervised by the regulatory authority, the Unit shall coordinate with the Trustee to supervise the implementation of the plan in accordance with the provisions stipulated in Article [116] of this Law.

#### **Article 116 Trustee's Obligations When Supervising the Implementation of Plan**

When supervising the implementation of the plan, the Trustee shall take the following measures:

1. Monitor the progress of the plan and notify the Bankruptcy Department and the Unit, where the debtor is supervised by the regulatory authority, of any failure to implement the same.

2. Ensure that the sale of any of the debtor's assets that are decided to be sold in accordance with the plan shall be made at the best price depending on the prevailing market conditions on the date of sale and that the proceeds of the sale shall be exploited in the manner stated in the plan.

3. If the debtor is subject to a regulatory authority, it shall submit to the Bankruptcy Department and Unit a report on the progress of implementing the plan

on a three-monthly basis, and any creditor has the right to obtain a copy of this report.

#### **Article 117 Amendment of the Plan**

1. The debtor may, at any time during the implementation of the plan, after notifying the Trustee and the Unit, where the debtor is supervised by the regulatory authority, call the creditors to discuss any amendments it deems necessary to be made to the plan. Creditors shall be notified of the proposed amendments and their justifications at least ten days prior to the date set for the meeting [10].

2. If the required majority approves the amendments, the debtor shall notify the Bankruptcy Department of the amended plan, minutes of creditor meetings and sheet of attendance and voting, and it shall request ratification of the amended plan.

3. Within [10] ten days of notifying the Bankruptcy Department of the amended plan, the Bankruptcy Court shall ratify the same if it meets the standards of fairness stipulated in Article [75.2] of this Law and obtains the approval of the required majority. Otherwise, it refuses to ratify the amended plan or suspends its ratification.

4. The decision to ratify the amended plan may be challenged in accordance with the provisions set out in Article [77] of this Law.

#### **Chapter V Termination of Proceedings Prior to Full Implementation**

##### **Article 118 Cases of Termination of Proceedings**

1. The Bankruptcy Court may, based on a motion to be submitted thereto during the period following the decision to ratify the plan and before the plan is fully implemented, decide to terminate the proceedings in either of the following cases:

- If the debtor requests termination of proceedings based on the fact that the conditions for initiating proceedings no longer apply to it or that it is not expected that the plan will be implemented in accordance with the terms of the plan.
- If the debtor or the regulatory authority requests the initiation of bankruptcy proceedings.

2. The Bankruptcy Department shall notify the creditors and the Trustee of the application within [10] ten days from the date of its submission, and the Bankruptcy Court shall issue a decision approving or disapproving the application, not later than [10] ten days following its submission.

##### **Article 119 Judgment Establishing Termination of Proceedings**

1. If the Bankruptcy Court decides to terminate the proceedings, it may, based on a motion to be submitted thereto by the debtor, the Trustee, the regulatory authority or any of the creditors, decide to initiate bankruptcy proceedings.

2. The Bankruptcy Department shall, within ten [10] days following the date of issuance of the decision, announce, notify and register the same in accordance with Article [35] of this Law. The Bankruptcy Court may suffice with recording the decision in the Bankruptcy Register and the Commercial Register.

#### **Part III Declaration of Bankruptcy**

##### **Chapter I General Provisions**

## **Article 120 Initiation of Bankruptcy Proceedings**

Subject to the provisions regulating the application for initiation of the proceedings in the Preliminary Part of this Law, as well as cases of preventive settlement and cases of in which the Bankruptcy Court may issue a decision to initiate bankruptcy proceedings, the court shall issue its decision to initiate bankruptcy proceedings if the following conditions are met:

1. The debtor has become unable to repay its debts.
2. There is a deficit in the debtor's financial position.
3. The debtor's business is not viable.

## **Article 121 Issuance of a Decision to Initiate Bankruptcy Proceedings**

The Bankruptcy Department shall refer the file of the application for the initiation of proceedings to the Bankruptcy Court within [10] ten days from the date of submitting the file to issue a decision to initiate bankruptcy proceedings. A report of the proceedings undertaken with regard to the application since its submission until the issuance of the decision to initiate the proceedings shall be recorded in the file, with a statement of the factual and legal justifications for the decision.

## **Article 122 List of Debts**

1. Where a list of debts has not previously been prepared in accordance with the provisions stipulated in Chapter II of this Law relating to proceedings, the Trustee shall prepare a list of debts and get the same ratified by the Bankruptcy Court.
2. Where a list of debts has previously been prepared, the Trustee shall, within [10] ten days from the date of his notification of his appointment or from the date of announcing the decision to initiate bankruptcy proceedings, if he was appointed, assign the creditors to submit any final claims that had not been previously submitted within [10] ten days from the date of their notification. The Trustee may entrust this assignment through a notice, and any claims received after this date shall not be taken into account unless there is a reason acceptable to the Bankruptcy Court.
3. As an exception to the provisions stated in Clauses [1] and [2] of this Article, the provisions of the debt list stipulated in Chapter II of this Law regarding proceedings shall apply to preparing and updating the debt list.

## **Article 123 Claims Dismissed**

Any claims previously dismissed by the Bankruptcy Court shall not be admitted, once the dismissal decision becomes final.

## **Article 124 Voluntary Preparation of Debt List**

The Trustee is not obligated to conduct or complete a debt audit or prepare a list thereof if it becomes clear to him that all proceeds from the sale of the debtor's assets are incurred to pay the fees, charges and costs of initiating the proceedings.

## **Chapter II Effects of Issuance of Decision to Initiate Bankruptcy Proceedings**

### **Article 125 Affixation of Seals**

1. The Bankruptcy Court assigns an employee of the Bankruptcy Department to, within [10] ten days following the date of issuance of the decision to initiate Bankruptcy Proceedings, affix seals on the debtor's businesses, offices, stores, books, papers and movables, in addition, a report shall be drawn up on the affixation of seals, which shall be submitted to the court.

2. If the Bankruptcy Court comes to know that it is possible to conduct an inventory of the debtor's assets in one day, it may assign whomever it deems appropriate to carry out the inventory without the need to affix seals.

### **Article 126 Cases in Which the Seals May Be Affixed**

1. The seals may not be affixed to the clothing, movables and necessary items of the debtor and its dependents, which are handed over to the debtor as per a list signed thereby.

2. The Bankruptcy Court may order not to affix or remove seals from commercial books, negotiable instruments and other papers that are payable soon or that require procedures to preserve established therein, the sum of money necessary for expenses in respect of the urgent affairs of the debtor's business, damageable items or the items vulnerable to immediate decrease in value or whose maintenance requires heavy expenses, as well as items necessary to carry out the debtor's business if it is decided to continue the exercise thereof.

3. The inventory of the items mentioned in Clause [2] of this Article shall be conducted in the presence of a person designated by the Bankruptcy Court for this purpose, and such items shall be handed over to the Trustee.

4. Commercial books are not handed over until the Bankruptcy Court closes them in the presence of the debtor.

### **Article 127 Removal of Seals for Inventory Counting of Debtor's Assets**

The Bankruptcy Court shall order, upon the Trustee's request, the removal of the seals and inventory of the debtor's assets, and the removal of the seals and inventory shall begin, not later than [10] ten days following the issuance of the decision to initiate the bankruptcy proceedings.

### **Article 128 Inventory Counting of Debtor's Assets**

The inventory shall be conducted in the presence of the head of the Bankruptcy Department or its delegate and the Trustee. The debtor, the Public Prosecution, the Unit, where the debtor is supervised by the regulatory authority, and the regulatory

authority shall be notified of the day of the inventory, and they may attend. An inventory list shall be issued in two copies to be signed by the head of the Bankruptcy Department or its representative and the Trustee, one of which shall be filed with the Bankruptcy Department and the other copy shall be kept with the Trustee. The assets on which the seals have not been applied or from which the seals have been removed shall be mentioned in the list. It is permissible to seek assistance from an asset evaluator with respect to conducting the inventory and evaluating the assets.

#### **Article 129 Attendance of the Public Prosecution During Inventory Counting**

The Public Prosecution has the right to attend the inventory, and it may, at all times, request to be given access to the papers and books concerning the bankruptcy and request clarifications about their status, the progress of its proceedings and the management method.

#### **Article 130 Death of Debtor During the Assets Inventory Counting**

1. If the decision to initiate the proceedings was issued after the death of the debtor and an inventory list was not prepared on the occasion of the death, or if the debtor died after the aforementioned decision was issued and before starting to preparer the inventory list or before completing the same, the list shall be prepared immediately or continued to be prepared using the mechanism stipulated in Article [135] of this Law, in the presence of the debtor's heirs or after notifying them for the presence.

2. In the event of the death of the debtor after the issuance of the decision to initiate the Bankruptcy Proceedings and the completion of the inventory list, its heirs shall take his place in the Bankruptcy Proceedings and may appoint a person to represent them in this respect. Otherwise, the Bankruptcy Court shall appoint a person to represent them in accordance with the provisions of Article [21] of this Law.

#### **Article 131 Trustee's Receipt of Debtor's Assets, Books and Paperwork**

1. After the inventory, the Trustee shall take over the debtor's assets, books and papers, and he shall subscribe its signature at the end of the inventory list to indicate so.

2. The Trustee shall receive letters received in the debtor's name and in relation to its business. The Trustee may initiate and keep the same, and the debtor may review such letters.

#### **Article 132 Trustee's Preparation of Balance Sheet**

If the debtor has failed to submit the balance sheet, the Trustee shall prepare it immediately and file the same with the Bankruptcy Department.

### **Chapter III Management of the Debtor's Assets and Business**

### **Article 133 Preventing the Debtor from Disposing of its Own Assets**

1. As soon as a decision is issued to initiate Bankruptcy Proceedings, the debtor shall be prohibited from disposing of its assets and businesses and from managing them, and the Trustee shall assume the management of the debtor's assets and businesses. All actions undertaken by the debtor on the day the aforementioned decision is issued are considered to have undertaken after its issuance, and any action issued to the contrary shall be considered void and invalid.

2. The Trustee may file a case before the Bankruptcy Court to issue a judgment that the debtor's actions are invalidated. He may also submit the necessary applications to the Bankruptcy Court to take the necessary precautionary measures to protect the rights of creditors.

3. The prevention of the debtor from disposing of its assets shall not prevent him from taking the necessary measures to preserve its rights in a way that does not cause damage to the interests of creditors.

### **Article 134 Disposition That Cannot Be Invoked vis-à-vis Creditors**

If the disposition is not valid and cannot be invoked unless upon notation, registration or other procedures, it shall not be deemed effective vis-à-vis the creditors unless the procedure is completed before the issuance of the decision to initiate bankruptcy proceedings.

### **Article 135 Scope of Prevention of Debtor's Dispositions**

1. The prevention of the debtor from disposing of its assets include all the assets owned by it on the day the decision to initiate Bankruptcy Proceedings is issued and the assets owned by the debtor after the issuance of this decision.

2. The prevention of the debtor from disposing of its assets does not include the following:

- Unattachable assets and the subsidy decided to be granted thereto.
- Money owned by third parties.
- Rights connected with its person or personal status.
- Compensations due to the beneficiary in a valid insurance contract concluded by the debtor before the issuance of the decision to initiate bankruptcy proceedings. The beneficiary shall refund to the Trustee all insurance premiums paid by the debtor starting from the day designated by the Bankruptcy Court as the date for cessation of payment.

### **Article 136 Permission to Debtor to Continue to Practice its Business**

1. The Bankruptcy Court may, upon motion of the Trustee or the debtor, authorize the debtor to continue practicing its business if the public interest, the interest of the debtor or the interest of the creditors so requires. The court shall, upon the Trustee's request, appoint a person to manage the debtor's business and determine his fees. The debtor may be appointed for management, and the fees it

receives shall be considered part of cost. The Trustee supervises whoever is appointed for management, and the Trustee shall submit a monthly report to the court on the progress of the debtor's commercial business.

2. The Bankruptcy Court shall request the opinion of the Unit, where the debtor is supervised by the regulatory authority, regarding the applications submitted based on Clause [1] of this Article.

#### **Article 137 Disposing of Debtor's Assets During Preliminary Proceedings Period**

1. The debtor's assets may not be sold during the period of preliminary proceedings extending from the date of submitting the application until a decision is issued thereon. However, the Bankruptcy Court may, upon motion of the Trustee, the debtor or any of the creditors, authorize the sale of perishable items or items whose maintenance requires heavy expenses. It is also permissible to authorize the sale of the debtor's assets to cover the bankruptcy expenses.

2. In the circumstances set forth in Clause [1] of this Article, the sale shall be made in the manner determined by the Bankruptcy Court, and the court shall request the Unit, where the debtor is supervised by the regulatory authority, to provide it with its opinion in this regard.

#### **Article 138 Repayment of Debts to Secured Creditors**

1. The Bankruptcy Court may, based on the Trustee's proposal, order, when necessary, that the first amounts collected for the bankruptcy account be used to repay the debts of creditors who have a lien over the debtor's assets and whose names are included in the final list of undisputed debts, within the limits of the amount of assets serving as guarantees for the debt on the date of payment of those amounts.

2. If there is a dispute over debts, it may not be repaid until the dispute is adjudicated by a final judgment, and the Bankruptcy Court has jurisdiction to decide these disputes.

#### **Article 139 Lien Created in favor of Government**

The lien created in favor of the government shall not include taxes of all types except the tax due on the debtor before the issuance of the decision to initiate bankruptcy proceedings.

### **Chapter IV Contracts**

#### **Article 140 Lease agreement**

If the debtor is a lessee of the property in which it conducts business, the lease agreement shall continue to be effective, and any condition to the contrary shall be void.

#### **Article 141 Termination of Lease agreement**

Notwithstanding the provisions of Article [140] of this Law, the Trustee may, within sixty [60] days following the date of issuance of the decision to initiate bankruptcy proceedings, decide to terminate the lease agreement in respect of the property in which the debtor practices its business, after obtaining permission from the Bankruptcy Court. In this case, the Trustee shall notify the lessor of this decision within the aforementioned period.

#### **Article 142 Lessor's Lien**

1. In the event of termination of a lease agreement in accordance with the provisions of this Law, the lessor that leases out a property to the debtor shall have a lien for the two years preceding the issuance of the decision to initiate Bankruptcy Proceedings as well as the then current year, in respect of all matters in relation to the performance of the lease agreement and any compensation that may be awarded.

2. If the movables in the leased property are transferred or relocated without terminating the lease agreement, the lessor may exercise its lien as stipulated in Clause [1] of this Article, and in addition, he shall have a lien for another year starting from the end of the then current year during which the decision to initiate bankruptcy proceedings is issued.

#### **Article 143 Continuation of Lease**

1. The Trustee decides to continue the lease, and he shall pay the overdue rent, without prejudice to the lessor's right to request termination of the lease agreement due to abstention or delay in respect of paying the rent. The lessor may request the Bankruptcy Court to terminate the lease, unless the Trustee provides sufficient security to pay the rent on the due dates.

2. The Trustee may, after obtaining permission from the Bankruptcy Court, sublease the property or assign the lease, unless the debtor is prohibited from doing so by virtue of the lease agreement or under the legislation regulating the lease relationship applicable to the leased property.

#### **Article 144 Employment Contracts**

1. If a decision is issued to initiate bankruptcy proceedings for the employer, the contracts of the debtor's employees may not be terminated unless it is decided not to continue the debtor's business. In the event of termination of the employment contract, the employee may claim for compensation, unless the Bankruptcy Court decides otherwise to protect the interest of the debtor and creditors while taking into account the interest of the employee.

2. If it is decided to continue the debtor's business, the Trustee shall pay wages and salaries regularly on the agreed upon date if the debtor's assets are sufficient therefor.

#### **Article 145 Contracts with Suppliers of Goods and Service Providers**



If it is decided to continue the debtor's business, the Trustee shall pay the necessary amounts to the suppliers of goods and service providers for the sake of the continuation of the debtor's business regularly at the time agreed upon in the contract, if the debtor's assets are sufficient therefor.

#### **Article 146 Wages and Salaries Due Prior to Issuance of Decision to Initiate the Proceedings**

1. The Trustee shall, not later than the ten [10] days following the issuance of a decision to initiate bankruptcy proceedings, and despite the presence of any other debt, use whatever amounts in his possession to pay the wages and salaries due before the issuance of the decision to initiate the proceedings. If the Trustee does not have the amounts necessary to pay these debts, the wages and salaries shall be paid from the first amounts he receives, even if there are other debts that precede the same in the rank of lien.

2. In accordance with Clause [1] of this Article, the amounts in excess of the foregoing, due to the aforementioned categories shall have the legally-prescribed lien rank.

#### **Article 147 Assignment of Existing Contracts**

1. If the Trustee is of the opinion that the assignment of an existing contract largely would serve the best interest of the bankruptcy estate, he shall submit an application to the Bankruptcy Court for approval to assign the contract, and shall attach with the application the contract and the justifications upon which the assignment is based. Along with the application, the Trustee shall provide evidence of the ability of the assignee to perform the contract.

2. The other party to the contract may object to the application referred to in Clause [1] of this Article based on the absence of evidence to prove the ability of the assignee to perform the contract or that the assignment of the contract would violate the provisions of this Article. If the existing contract is assigned, the assignment shall include all issues of the contract. The assignee shall fulfill the contractual obligations.

3. The Bankruptcy Court shall approve the application to assign the existing contract in the following cases:

- If the contract assignment would serve the best interest of the bankruptcy estate;
- Where the other party to the contract furnishes an objection in accordance with the provisions of Clause [2] of this Article, and the Trustee proves, before the Bankruptcy Court, the ability of the assignee to perform the contract; or
- Where the assignment would not result great injustice to the other contracting party.

4. Upon assignment of an existing contract, the assignee shall bear the debtor's liability arising from the contract, and the bankruptcy estate shall be released from all obligations stipulated in the contract.

5. The Trustee may assign the contract in accordance with the provisions of this Article even if the contract prohibits any such assignment.

6. The Trustee may not transfer the existing contract if it is:

- A contract to borrow or grant credit to the debtor.
- A contract between the debtor and a party where and the personality of the debtor is a core element of the contract.

#### **Article 148 Debtor's Depositions that are Unenforceable vis-à-vis Creditors**

1. The following actions may not be invoked vis-à-vis the creditors, if they are carried out by the debtor in respect of whom a decision is issued to initiate bankruptcy proceedings over its debts during the six [6] months preceding the cessation of payment date:

- Donations or gifts, except for small gifts that are usually accepted according to the customary practices.
- Any transactions in which the debtor's obligations are significantly unbalanced with the obligations of the other contracting party, whether these obligations are in kind or in cash.
- Repayment of debts before the maturity date, regardless of the method of repayment, or in a manner different from that usually followed to repay that type of debt. The creation of consideration for payment of a negotiable instrument that has not yet matured is considered to be considered premature repayment, unless there are commercial considerations that justify the same.
- Repayment of payable debts with considerations other than the agreed-upon ones. Repayment through negotiable instruments or bank transfer is considered the same as cash repayment, unless there are commercial considerations that justify the same.
- Arrangement of any type of new guarantee on the debtor's assets to guarantee the repayment of a previous debt, unless there are commercial considerations that justify the same.

2. Notwithstanding the actions referred to in Clause [1] of this Article, the Bankruptcy Court may order that any disposition carried out by the debtor during the aforementioned period is not enforceable if the disposition was harmful to the creditors, and the other party, with which the disposition was executed, knew or should have known at the time of its exercise that the debtor had ceased to pay its debts or was in a state of financial deficit.

3. The enforceability of the disposition may not be invoked vis-à-vis the creditors if the debtor against which a decision was issued to initiate bankruptcy proceedings regarding its debts carries out any of the acts mentioned in Clause [1] of this Article, during the two years preceding the cessation of payment date if these depositions were executed between the debtor and an insider or a related party.

#### **Article 149 Unenforceable Registration of Mortgage or Lien over Debtor's Assets**

1. A court may order that the registration of the mortgage or lien over the assets of the debtor in respect of whose debts a decision has been issued to initiate

bankruptcy proceedings regarding its debts vis-à-vis the creditors be invalid, if the registration is made after the cessation of payment date, provided that it is proven that the creditor knows that the debtor has ceased to pay its debts.

2. The provision of Clause [1] of this Article shall not apply if the mortgage and lien rights were registered for the purpose of determining an existing debt secured by the same rights over the same assets, and these rights were registered as security for the existing debt at a date prior to the cessation of payment date, or where the registration was carried out in implementation of a ratified contract at a date prior to the cessation of payment date.

3. The creditor who holds the next mortgage to the mortgage decided unenforceable takes the rank of this mortgage. However, he is not given from the price resulting from the sale of the mortgaged asset other than what he would have obtained assuming the previous mortgage was enforceable, and the difference goes to the group of creditors.

#### **Article 150 Dismissal and Inadmissibility of Unenforceability Action**

1. The Bankruptcy Court may order to dismiss the actions referred to in Articles [148] and [149] of this Law if it is convinced that the debtor has acted in good faith and with the aim of carrying out its business and that when it did so there were reasons to believe that the action could be beneficial to its business.

2. The action filed on the basis of Articles [148] and [149] of this Law shall not be heard after one year following the date of service the decision to initiate the proceedings.

#### **Article 151 Action for Unenforceability of Debtor's Acts Detrimental to Creditors**

The Trustee may request that the debtor's acts occurring before the issuance of the decision to initiate bankruptcy proceedings to the detriment of creditors be invalidated, in accordance with the provisions of the Civil Transactions Law regarding the claim of non-enforcement of the acts. The judgment invalidating the acts shall result in them not being enforceable vis-à-vis all creditors, whether their rights arose before or after the performance of the disposition.

#### **Article 152 Effect of Judgment Invalidating the Debtor's Acts vis-à-vis Creditors**

1. If the debtor's acts are ordered invalidated vis-à-vis the creditors, the party, with which the disposition was executed, shall refund to the debtor or the Trustee, as the case may be, the amounts that he obtained from the debtor under these acts or the value of the item at the time of its receipt if it is not possible to return it in kind. He shall further pay the interest or benefits resulting therefrom of the item he has received from the date of receipt.

2. The party, with which the disposition was executed, shall have the right to recover the consideration he provided to the debtor, if this particular consideration is found in the management of the debtor's assets. If there is none, the party, with which the disposition was executed, shall have the right to demand from the debtor and the creditors the benefit that accrued thereto from the disposition, and to

engage in the proceedings as an ordinary creditor regarding the amount in excess thereof.

#### **Article 153 Enabling the Debtor to Pay Salaries and Periodic Installments**

If the debtor has an obligation to pay a periodic salary for life or pay installments, and the same is in exchange for compensation, the Bankruptcy Court may, upon motion of the creditor, order, after hearing the opinion of the Trustee and within ten [10] days from the date of submitting the application, that a sufficient amount be set aside to pay the aforementioned salaries and installments, with an explanation of the payment method.

#### **Article 154 Involvement of Creditor Whose Debt Is Contingent upon Resolutive Condition**

The creditor, whose debt is contingent upon a resolutive condition, shall only be involved in the proceedings where it provides a Surety or sufficient security. For the creditor whose debt is contingent upon a suspensive condition, its share in the distributions shall be set aside until the position of its debt becomes clear.

#### **Article 155 Determination of Living Expenses for the Debtor**

The Bankruptcy Court may, upon motion of the debtor or its dependents and after hearing the Trustee's statements, determine living expenses for the debtor in respect of whose debt a decision to initiate bankruptcy proceedings has been issued, or may decide to entrust the management of its business and assets to a Trustee. The Court may also increase or decrease the living expenses amount or order its cancellation, as the case may be.

#### **Article 156 New and Existing Actions Against the Debtor**

1. After the issuance of the decision to initiate bankruptcy proceedings, no case may be filed against the debtor or proceed, except for the following cases:
  - Claims concerning the assets and dispositions not included in the matters of which the debtor is prevented from disposing.
  - Cases relating to the proceedings stipulated in this Law, in which the debtor is permitted by law to institute or litigate.
  - Criminal cases.
2. If the debtor files a criminal case or there is a criminal case filed against it or a case in relation to its person or personal status, the Trustee shall be joined therein if the same includes financial claims.
3. The court may authorize the joining of the debtor in cases in relation to bankruptcy proceedings, and it may also authorize the joining of the creditor in these cases if it has a special interest therein.

#### **Article 157 POA Issued to or by the Debtor and the Corporate Management**

1. The power of attorney shall be terminated upon the issuance of a decision to initiate bankruptcy proceedings for the attorney-in-fact or the principal. However, the power of attorney shall not be terminated upon the issuance of a decision to initiate bankruptcy proceedings if the attorney-in-fact or a third party has an interest therein.

2. Once the decision to initiate bankruptcy proceedings is issued, the debtor may not become a director or member of the board of directors of any company.

#### **Article 158 Extinguishment of Due Dates of Debts**

1. The issuance of a decision to initiate bankruptcy proceedings shall result in the extinguishment of due dates of monetary debts owed by the debtor, whether they are ordinary debts or secured debts. The interest on ordinary debts shall also cease to apply to creditors only.

2. A claim may only be made for interest on debts secured by mortgage or lien from the amounts resulting from the sale of the assets securing such debts. The principal of the debt shall be settled first, followed by the interests due before the issuance of the decision to initiate bankruptcy proceedings, and finally the interest due after its issuance.

3. If the debts are denominated in a currency other than the UAE dirham, they shall be converted into the UAE dirham according to the official exchange rate on the day the decision to initiate bankruptcy proceedings is issued.

#### **Article 159 Deducting Interests from Deferred Debt**

The Bankruptcy Court may deduct from the deferred debt, for which no interest is stipulated, an amount equivalent to the legal interest for the period following the date of issuance of a decision to initiate bankruptcy proceedings until the date the debt becomes due.

### **Chapter V Debtor's Engagement in New Business**

#### **Article 160 Conditions for Debtor's Engagement in New Business**

Notwithstanding Article [157.2] of this Law, the debtor may, with the permission of the Bankruptcy Court, engage in new business using other than bankruptcy estate, provided that the same does not result in damage to the creditors. Creditors whose debts arise in connection with this previous business shall take precedence in respect of recovering their rights from its assets.

#### **Article 161 Debtor's Payment of Negotiable Instrument's Value After Cessation of Payment Date**

1. If a debtor pays the value of a negotiable instrument after the cessation of payment date and before the issuance of a decision to initiate bankruptcy proceedings, the amount paid may not be recovered from the instrument bearer. Rather, the drawer or the person, for whose benefit the negotiable instrument is

withdrawn shall refund the value paid to the Trustee or the debtor, as the case may be, if, at the time of issuing the negotiable instrument, he is aware of the debtor's cessation of payment.

2. The refund obligation in the case of a promissory note shall fall on the part of the first endorser, if, at the time of obtaining the promissory note, he is aware of the debtor's cessation of payment.

## **Chapter VI Announcement of Bankruptcy Judgment and its Effects**

### **Article 162 Announcement of Bankruptcy Judgment**

1. Bankruptcy shall only be established under a judgment declaring bankruptcy.

2. The Bankruptcy Department shall, within ten [10] days following the date of issuance of the bankruptcy judgment, announce and record the operative part of judgment in the Bankruptcy Register and the Commercial Register, and the debtor may be instructed to disclose the same at its business headquarters and on its website, if any.

### **Article 163 Effects of Bankruptcy Judgment**

Other than the provisions contained in this Chapter, the effects resulting from the issuance of the decision to initiate bankruptcy proceedings in accordance with this Law shall remain effective with respect to the bankrupt, and the common provisions contained in Chapter IV of this Law shall apply to its bankruptcy.

### **Article 164 Deprivation from Exercising Political Rights**

A person, against whom a final judgment has been issued for committing any of the crimes of fraudulent bankruptcy shall be temporarily deprived of exercising political rights, membership in the Federal National Council, assuming a public position or mission and being a member of the board of directors of sports federations and clubs or a director or member of the board of directors of any company, until he is rehabilitated in accordance with this Law.

### **Article 165 Bankrupt's Absence from or Relocation of its Domicile**

The insolvent debtor may not be absent from its domicile without notifying the Trustee in writing of its place of residence, and may only relocate its domicile based on a written permission from the Bankruptcy Court.

### **Article 166 Communications on Bankrupt's Business**

It is required to include in all correspondence in relation to the bankrupt's business during bankruptcy proceedings, in addition stating that the debtor is subject to bankruptcy proceedings and its assets are under liquidation.

## **Article 167 Placing the Insolvent Debtor under Surveillance**

The Bankruptcy Court may, sua sponte or upon the motion of the Public Prosecution or the Trustee, decide to place the insolvent debtor under surveillance, and the Public Prosecution shall implement this decision immediately upon its issuance. The insolvent debtor may challenge this decision before the Court of Appeal not later than [10] ten days from the date of its notification of the decision, and the Bankruptcy Court may decide at any time to end the surveillance on the bankrupt.

## **Article 168 Overturning the Bankruptcy judgment Before Becoming Final**

1. If the debtor, before the bankruptcy declaration judgment becomes final, becomes able to repay all the debts owed thereby, the Court of Appeal may, upon motion of the debtor or the Trustee, grant the debtor a time limit to reach a settlement with its creditors or halt the appeal for the period it deems appropriate. If a settlement is agreed upon, it shall be submitted to the court for approval and cancellation of the bankruptcy judgment, provided that the debtor bears the expenses of the case.

2. In the event that the debtor does not reach a settlement agreement with the debtors within the period granted thereto by the Court of Appeal, the Court of Appeal shall issue its decision to dismiss the application referred to in Clause [1] of this Article. The period for challenging the bankruptcy declaration judgment begins from the day following the issuance of the dismissal decision, and the debtor or Trustee may not submit a new application in this regard.

## **Chapter VII Liquidation and Distribution**

### **Article 169 Meeting for Providing Liquidation and Distribution Proposals**

1. The Trustee shall call the debtor and the creditors to a meeting to provide their proposals regarding liquidation and distribution, provided that the meeting is held within [20] twenty days from the date the Trustee takes over the debtor's assets in accordance with the provisions of Article [131] of this Law. The notice for the meeting shall be served by means of notification at least ten days prior to the scheduled date of the meeting [10], and the Trustee shall chair the meeting. With the approval of the required majority, any of the creditors or third parties may be appointed to chair the meeting, where there are justifications therefor.

2. The notice to attend the meeting shall be sent to the Unit, where the debtor is supervised by the regulatory authority.

3. The Bankruptcy Court shall, based on a motion submitted thereto by a relevant party within [10] ten days from the submission of the motion, issue a decision on any dispute that arises regarding the meetings of creditors held in accordance with this Part, whether the dispute is regarding who has the right to call for, attend or vote in the meeting or the validity of the procedures for holding the meeting and voting therein.

4. The Bankruptcy Court may, upon motion of any of the creditors, assign the Unit, where the debtor is supervised by the regulatory authority, to call for the holding of these meetings to the head of the Bankruptcy Department or its delegate to chair them if the Trustee does not hold them on the dates specified for holding such meetings.

#### **Article 170 Preparation of Liquidation and Distribution Plan**

The Trustee shall develop a plan to liquidate and distribute the debtor's assets to the creditors, provided that he completes the preparation of this plan and notifies the representative of the Creditors' Committee and members of the committee, the creditors thereof in the event that the Creditors' Committee is not formed, and the Bankruptcy Department and the Unit, where the debtor is supervised by the regulatory authority, within [30] thirty days from the date of the creditors' meeting. The Bankruptcy Court may, upon the Trustee's request, extend this period for a maximum of three [3] months.

#### **Article 171 Liquidation and Distribution Plan's Particulars and Attachments**

The liquidation and distribution plan shall include the following attachments:

1. A statement of all the debtor's assets and their latest valuation.
2. The method proposed by the Trustee to liquidate the debtor's assets and the justifications therefor.
3. A statement of whether it is possible to sell all of the debtor's assets at once or a large part thereof on the basis of an existing and ongoing activity, or whether the same will be impossible and the assets will be sold in parts, as well as the justification therefor.
4. Statement of whether the distribution of the debtor's assets to creditors in kind is possible.
5. Determine the appropriate timing for sale.
6. A statement of the assets sold at auction, and those proposed to be sold without an auction.
7. A statement of whether it is possible to make a settlement with the debtor's shareholders in exchange for giving up their shares in the debtor company to the creditors and settling the debt in exchange for their shares in the company, in addition to indicating whether the same serves the interests of the creditors and whether the same will be made through establishing a special purpose company to which the debtor's assets will be transferred and its shares distributed to creditors, through transferring the shares of shareholders in the debtor company to creditors or through any other method.
8. A statement of how the proceeds from the liquidation of the debtor's assets will be distributed to the creditors, clarifying the order and ranking of the creditors and the amount expected to be collected from each of them.



9. Determine the expected timetable for completing the liquidation and distribution process.
10. Statement of whether the Trustee will prepare a distribution list regarding the proceeds of the assets that he sells during certain periods such as [3] three or [6] six months or will prepare a distribution list whenever he sells a certain percentage of the debtor's assets, or otherwise.
11. Determine the maximum period between collecting the proceeds from the sale of the asset and distributing the same to creditors.
12. Any other matters that the Trustee deems necessary to include in the liquidation and distribution plan or that are assigned thereto by the Bankruptcy Court.

The Bankruptcy Court may exempt the Trustee from including any of the items contained in this Article if it deems the same inappropriate for the bankrupt's position.

#### **Chapter VIII Voting on Liquidation and Distribution Plan**

##### **Article 172 Liquidation and Distribution Plan Voting Meeting**

1. The Trustee shall call the creditors to approve the liquidation and distribution plan pursuant to a notice containing the date and place of the meeting, provided that the meeting is held not later than [30] thirty days from the date of notification of the representative of the Creditors' Committee and the members of the committee or creditors of the plan and its attachments.
2. The Trustee shall chair the meeting, and with the approval of the required majority, any of the creditors or third parties may be assigned to chair the meeting, where there are justifications for the same.
3. The Trustee shall serve the notice within the deadline stipulated in Clause [1] of this Article to the Unit, where the debtor is supervised by the regulatory authority. In the event that the Trustee refrains from holding the meeting as stipulated in Clause [1] of this Article, the Bankruptcy Court shall, based on a motion submitted thereto by any of the creditors or the Unit, where the debtor is supervised by the regulatory authority, call for a meeting of creditors. The head of the Bankruptcy Department or his delegate shall chair the meeting.

##### **Article 173 Involvement in Voting on Liquidation Plan**

1. Only creditors whose debts are approved, even temporarily, may engage in voting on the liquidation and distribution plan. The liquidation and distribution plan shall have met the approval of the creditors if approved by the required majority.
2. If the liquidation and distribution plan is not approved by the required majority at the first meeting of creditors, the meeting shall be postponed for a period of [10] ten days for a second meeting to be held to vote on the plan.
3. If a settlement is not reached with the creditors who disapprove to the liquidation and distribution plan, and the plan is not approved by the required

majority at the postponed meeting, the same shall be considered a rejection of the liquidation and distribution plan.

#### **Article 174 Minutes of Liquidation Plan Voting Meeting**

1. A minutes shall be drawn up of the results of the voting meeting on the liquidation and distribution plan, and shall be signed by the Trustee, chairman of the meeting, the creditors present and having the right to vote, and the representative of the Creditors' Committee. If any of the creditors refuses to sign, their names shall be mentioned in the minutes, along with the reason for refusal to sign.

2. If the meeting is attended via modern means of communication, the Trustee shall sign the minutes with a representative of the Unit, where the debtor is supervised by a Regulatory Authority.

#### **Chapter IX Effects of Liquidation and Distribution Plan Approval**

##### **Article 175**

1. The Trustee shall, within ten [10] days from the date of the creditors' approval or rejection of the liquidation and distribution plan, notify the Bankruptcy Department thereof. The plan that was presented to the creditors, minutes of creditor meetings and sheet of attendance and voting shall be attached to the notification. If the plan is approved, its approval shall be ratified by the Bankruptcy Court.

2. In the event that the creditors disapprove the liquidation and distribution plan, the Bankruptcy Court shall, not later than ten [10] days from the date of notifying the Bankruptcy Department thereof, assign the Unit, where the debtor is supervised by the regulatory authority, to make the necessary amendments to the plan, taking into account the creditors' comments and the opinion of the Trustee, in a way that achieves the common interest of the creditors or to submit an alternative plan within the time limit it specifies.

3. In all cases, the Bankruptcy Court shall issue its decision approving the liquidation and distribution plan within [10] ten days from the date of notifying the Bankruptcy Department thereof.

##### **Article 176 Auction Sale of Debtor's Assets**

1. The Bankruptcy Court may approve the liquidation and distribution plan even if it proposes the sale of all or any of the debtor's assets through an open auction or without open auction, or that all or part of the debtor's assets be sold as one unit on a "going concern" basis or on any other basis or selling the same in parts, or any other proposals.

2. The Executive Regulations of this Law shall specify the conditions and procedures for selling the debtor's assets through auction, provided that these procedures include the following:

- The method of determining the opening price of the auction to sell the debtor's securities, real estate or other assets.
- Procedures for announcing the auction.

- Method of submitting bids and provisions for submitting bids in closed envelopes.
- Cases in which the bidder remains liable for its bid.
- Procedures for reducing the base price and selling the assets without specifying a base price to the highest bidder in the event that a purchaser does not propose to buy at the base price.

#### **Article 177 Bid Submitted by Debtor or Related Party for Purchase of Debtor's Assets**

The debtor or any related party may not submit a bid to purchase any of the debtor's assets offered for sale, except when the same is offered for sale at an open auction.

#### **Article 178 Periodic Progress Report on Liquidation and Distribution Plan**

The Trustee shall submit to the Bankruptcy Court a monthly statement on the status of liquidation, the amounts collected and the distributions made to creditors in accordance with the plan.

#### **Article 179 Order of Debts**

1. The creditors, whose rights are secured by movable or immovable property, shall take precedence over other preferred creditors and ordinary creditors, according to the extent of their securities, and shall be followed in rank by preferred creditors depending on the order of their priorities in accordance with the provisions of this Law.
2. All reasonable fees and expenses incurred by the Trustee in the course of sale of such assets shall be deducted from the proceeds of the sale of the assets securing the debts, before distributing such proceeds to secured creditors.
3. If the Trustee fails to commence sale of secured assets within thirty [30] days following the date on which the bankruptcy declaration judgment is rendered against the debtor, the secured creditors shall be entitled to petition the Bankruptcy Court permission to enforce their rights against their relevant securities, even if the securities have yet to be admitted. The petition for permission shall be decided on within ten [10] days following its filing date.
4. If the Trustee is convinced that the proceeds generated from the sale of any secured assets are not large enough to cover its fees and any relevant costs related to the sale of such assets, the Trustee may decide against completing the sale transaction. In which case, the Trustee shall immediately notify the secured creditor in writing of any decision made to discontinue the sale of secured assets.
5. The creditor may object to the Trustee's decision within five [5] days following the date of notification, and the Bankruptcy Court shall decide on the objection within ten [10] days, and its decision in respect thereof shall be final.

6. If there is a surplus generated from the sale proceeds of secured assets, the same shall be delivered to the Trustee in favor of the debtor. If the sale proceeds of secured assets are less in value than the secured debt's value, after the relevant fees and costs are paid, the outstanding balance of the secured debt shall become an ordinary debt owed by the debtor.

7. The categories of following debts shall be classified as preferred debts to be settled prior to the ordinary debts, and shall be repaid as follows:

- Any judicial fees or costs, including the fees of Trustees and experts, and any expenses spent for the sake of the collective interest of creditors to safeguard and liquidate the debtor's assets.
- The living expenses [alimony] debts imposed on the debtor under a judgment rendered by a competent court.
- The amounts payable to government authorities.
- End-of-service gratuities, unpaid wages and salaries that are due to the employees, workers and servants of the debtor and which are periodically paid [except for any type of other incidental allowances, bonuses and payments or any other benefits, whether monetary or in-kind], provided that the total amount of such items combined does not exceed a three-month wage or salary. In addition, the Bankruptcy Court may give permission to the Trustee to pay salaries and wages that are due and payable to the debtor's employees, workers and servants for a period of less than thirty [30] days from any of the debtor's funds that are in the Trustee's possession.
- The professional fees agreed upon between the debtor and any expert appointed by the debtor during the bankruptcy proceedings, including the legal consultation fees. The Bankruptcy Court may determine such fees sua sponte or based on a grievance to be filed by any eligible creditor. The filing of such a grievance shall not stay the proceedings, and the Bankruptcy Court shall decide on the grievance within five [5] days following its filing date, and its decision thereon shall be final.
- Any fees, costs or expenses that fall due following the date of issuance of the proceedings initiation decision, for the purpose of procuring goods and services for the debtor or to continue to perform any other contract that would be beneficial to the debtor's business or assets, or any fees, costs or expenses that arise for the sake of ensuring continuation of the debtor's business following the proceedings initiation date according to the provisions of this law.

8. The creditors belonging to each of the debt categories referred to in Clause [7] of this Article shall be treated on an equal footing, unless the debtor's assets are not valuable enough to cover their debts. In which case, their debts shall be reduced on an equal footing.

#### **Article 180 Implementation of Liquidation and Distribution Plan**

1. The Trustee may only pay the creditor's distribution share if the creditor submits the debt deed marked with a proof of being verified and accepted. The debt deed shall be marked with a note indicating the amounts paid.

2. If the creditor fails to submit the debt deed, the Bankruptcy Court may give that its debt be paid after verifying the acceptance of such a debt.

3. In all cases, the creditor shall mark a quittance on the distribution list.

#### **Article 181 Liquidation or Distribution Plan Progress Report**

1. If six [6] months have passed without the liquidation process being completed, or without any remarkable development be achieved in respect thereof, the Trustee shall submit to the Bankruptcy Court a report on the liquidation status and the reasons for delayed completion thereof. The Bankruptcy Department shall serve such a report upon the creditors and shall call the latter to attend a meeting for discussing the report. This action shall be repeated whenever six [6] months have passed without the Trustee completing the liquidation work.

2. In all cases, the liquidation and distribution plan shall be completed not later than two [2] years starting from the plan implementation commencement date.

#### **Article 182 Final Account of Bankruptcy Work**

1. The Trustee shall, within ten [10] days following the completion date of the liquidation work, notify the Bankruptcy Department and the creditors of the same. The notice so served shall be accompanied by a final statement of account on bankruptcy work, showing the implementation method of the liquidation and distribution plan, and shall call the creditors and debtors to attend a meeting for discussing the final account and giving their comments thereon. The meeting shall be deemed valid regardless of numbers of the creditors or debtors present. A notice of meeting shall also be sent to the unit to attend the meeting in the event that the debtor is subject to a regulatory authority. The meeting shall be held not later than thirty [30] days following the date on which the creditors are notified that the liquidation work is completed.

2. The final account shall indicate the shares of debts that have not been finally accepted, as well as the shares of debts in respect of which disputes are still unresolved. All such shares shall be set aside and kept in the court's treasury until their respective disputes are resolved, and shall then be released to the eligible persons based on the Bankruptcy Court's decision.

#### **Article 183 Completion of Bankruptcy**

1. The Trustee shall serve upon both the Bankruptcy Department and the creditors a copy of the minutes of meeting referred to in Article [182] of this Law, within ten [10] days following the meeting date.

2. The Bankruptcy Court shall adjudicate on any grievance filed in respect of the completion of bankruptcy work, based upon an application to be submitted to the Court by an interested creditor, within ten [10] days following the filing date of the grievance.

#### **Article 184 Handover of Surplus Amounts**

The Trustee shall hand over to the debtor any surplus amounts resulting from the liquidation after all debts are settled, and shall also hand over all documents that are in its possession to the eligible party after the proceedings are completed and its task is performed.

#### **Article 185 Creditors to Take Unilateral Actions**

1. Each creditor shall have the right, after the bankruptcy proceeding is completed, to take unilateral actions in order to collect their remaining debt balances. If the creditor's debt has been verified and finally accepted under the bankruptcy proceeding, the judgment declaring the debtor bankrupt shall serve as a writ of execution whereby each creditor may enforce its right against the debtor's assets within the limit of its own debt.

2. The Case Management Office of the Bankruptcy Court or Appeal Court, as the case may be, shall issue and deliver to each creditor an executive version of the judgment, indicating the name of the creditor and its debt due, based on a certificate to be issued by the Bankruptcy Department.

#### **Chapter X Closure and Termination of Bankruptcy Proceeding**

##### **Article 186 Closure of Bankruptcy Proceeding due to Lack of Assets**

1. If the bankruptcy proceeding is suspended due to lack of debtor's assets before the composition is endorsed, the Bankruptcy Court may order that the bankruptcy proceeding be closed.

2. The decision to close a bankruptcy proceeding due to lack of debtor's assets shall entitle each creditor to take unilateral actions and initiate individual proceedings as prescribed by law.

3. If a creditor's debt has been verified and finally accepted in the bankruptcy proceeding, the same may enforce its rights against the debtor's assets pursuant to Article [185] hereof.

4. The bankruptcy trustee shall be responsible for the documents delivered thereto by the creditors for a period of three [3] years following the decision on closure of bankruptcy proceeding.

##### **Article 187 Motion to Revoke Bankruptcy Proceeding Closure Decision**

The insolvent debtor and every stakeholder may file a motion with the Bankruptcy Court to revoke the decision to close the bankruptcy proceeding, if it is proven that there are sufficient assets to cover the bankruptcy proceeding's costs, or where the trustee receives a sufficient amount for that purpose.

##### **Article 188 Service of Bankruptcy Proceeding Closure Decision**

The Bankruptcy Department shall serve the bankruptcy proceeding closure decision pursuant to Article [35] hereof, and have the same decision recorded in both the bankruptcy register and the commercial register within ten [10] days following its date of issuance.

#### **Article 189 Termination of Bankruptcy Proceeding due to Extinguishment of Creditors' Interest**

The bankruptcy court may decide, after the final list of creditors is announced as described herein, and upon motion of the insolvent debtor or the Trustee, that the bankruptcy proceeding be terminated, if either of the following conditions is satisfied:

1. Where all debts of the creditor that are included in the final list of creditors have been settled; or
2. Where a sum of money or a bank guarantee is furnished and is sufficient to pay off the creditor's debts.

#### **Article 190 Bankruptcy Proceeding Termination Decision by Bankruptcy Court**

1. The bankruptcy court may only issue a decision establishing termination of bankruptcy proceeding due to extinguishment of the creditors' interest after the Trustee submits a report asserting the fulfillment of either of the two conditions referred to in Article [189] hereof.
2. The bankruptcy proceeding shall be terminated as soon as the decision referred to in Clause [1] of this Article is issued, and the Bankruptcy Department shall serve and register such a decision within ten [10] days following its date of issue, as described in Article [35] hereof.
3. The bankruptcy trustee shall be responsible for the documents delivered thereto by, or in relation to, the debtor for a period of three [3] years following the bankruptcy proceeding termination date.

### **Chapter X Execution and Effects of Composition**

#### **Article 191 Composition**

1. Composition may be established in respect of a debt after a final judgment declaring the debtor bankruptcy is rendered, in accordance with the provisions of Articles [192] through [200] hereof, but no composition may be established with an insolvent debtor who has been sentenced to bankruptcy fraud.
2. If investigation is conducted with an insolvent debtor on the grounds of a bankruptcy fraud crime, the consideration of composition shall be adjourned.
3. Conviction sentence rendered against the insolvent debtor on the grounds of bankruptcy by default shall not preclude composition with it.
4. If investigation is conducted with an insolvent debtor on the grounds of bankruptcy by default crime, the creditors may petition the court to either consider the composition application or postpone consideration of the composition application.

#### **Article 192 Filing an Application for Composition**

The application for composition shall be submitted to the Bankruptcy Department by the debtor or the creditor. Such an application shall include the conditions of compositions and shall be accompanied by an updated list of creditors and their respective debts as on the application filing date.

#### **Article 193 Composition Application Filed by Trustee or Debtor**

1. If the composition application is submitted by the trustee, the latter shall attach thereto a comprehensive report on the state of the bankruptcy proceeding and actions taken in respect thereof, and evidence that he presented the terms of composition to the debtor and gave him at least [10] ten days to express his opinion regarding the same, indicating whether or not the debtor has expressed his opinion on the terms of the composition, as well as the trustee's comment on the debtor's opinion.

2. If the application is submitted by the debtor, the latter shall notify the trustee of the terms of the composition before submitting the application. In addition, the debtor shall request the trust to provide the former with his opinion on them and provide him with a report on the state of the bankruptcy proceeding and the proceedings that have been taken in connection therewith.

3. The trustee shall provide the debtor with the required item[s] within [10] ten days following the date of notification, and the debtor shall indicate in the application a proof confirming that he has taken such measures, as well as the observations he received from the trustee and his comments thereon. The report sent by the trustee shall be attached with the application in the event that the trustee has responded to the debtor.

#### **Article 194 Notification of Submission of Composition Application**

The Bankruptcy Department shall, within ten [10] days from the date of submitting the composition application, notify the Unit, where the debtor is supervised by the regulatory authority, of the application and its attachments. Within the same period, it shall notify the creditors and the trustee if the application is submitted by the debtor. Likewise, it shall also notify the debtor if the application is submitted by the trustee.

#### **Article 195 Meeting for Discussing the Terms of Composition**

1. The trustee shall, within ten [10] days from the date of his notification, call the creditors to meet to discuss the terms of the composition. If the application is submitted by the debtor and the trustee has not previously expressed his observations on the terms of the composition or provided the debtor with the report referred to in Article [193.1] of this Law, he shall attach the report to the notice for the meeting and his observations on the terms of the composition.

2. The provisions of Article [172] of this Law shall apply to the call for the meeting and voting therein.



### **Article 196 Action Based on Outcome of Composition Terms Discussion Meeting**

1. The trustee shall notify the Bankruptcy Department of the creditors' approval or disapproval of the composition, not later than [10] ten days following the meeting in which the approval or disapproval was decided. He shall attach to the notification the terms of the composition, minutes of meetings and sheet of attendance and voting. If the creditors agree to the terms of the composition, it shall be ratified. The Bankruptcy Court shall ratify the same, not later than [10] ten days following notifying the Bankruptcy Department of the approval of the composition. The Bankruptcy Department shall, within [10] ten days from the issuance of the decision to ratify the composition, notify and announce the decision in accordance with Article [35] of this Law, and its summary shall be registered in the Bankruptcy Register and the Commercial Register.

2. The ratification of the composition shall be effective with respect to the creditors who have the right to vote on the terms of the composition. It shall also be effective with respect to the creditors who approved and disapproved or objected to the same or the ones who failed to appear at the meeting.

### **Article 197 Periodic Report on Implementation of Composition Terms**

The trustee shall supervise the implementation of the terms of the composition, submit a monthly report on the proceedings undertaken regarding the implementation of the conditions of the composition and notify the Bankruptcy Department, the creditors, the debtor and the Unit, where the debtor is supervised by the regulatory authority.

### **Article 198 Completion of Implementation of Composition Terms**

1. In the event that the conditions for composition are fully implemented, the trustee shall submit an application to the Bankruptcy Department to issue a decision terminating the bankruptcy proceeding through composition and shall notify the authorities specified in Article [197] of this Law of this application within [10] ten days from the expiration date of the deadline granted to creditors to submit their objections to the Bankruptcy Department. Creditors shall submit their objections to the Bankruptcy Department within [10] ten days from the date of notification of the application.

2. The Bankruptcy Court shall issue its decision on the application within [10] ten days from the date of its submission. In the event that the application is approved, its decision regarding the termination of the bankruptcy proceeding through composition shall be issued, in addition, the Bankruptcy Department shall announce and record the decision within [10] ten days following its issuance.

### **Article 199 Submitting the Final Account on Bankruptcy Proceeding Ended in Composition**

1. The trustee shall submit to the Bankruptcy Department a final account on the bankruptcy proceeding within [10] ten days from the date of issuance of the decision to terminate the bankruptcy proceeding due to composition, and the

Bankruptcy Department shall notify the debtor of the final account within [10] ten days from the date of its submission.

2. The debtor may object to the final account within [10] ten days from the date of his notification and submit the objection to the Bankruptcy Department. The trustee shall be notified thereof within [10] ten days from the date of its submission, and the trustee shall respond to the objection, not later than [10] ten days following his notification. The Bankruptcy Department shall, within ten [10] days from the expiry of the deadline granted to the trustee to respond, refer the objection file to the Bankruptcy Court to decide on the objection, accompanied by a memorandum of its opinion on the objection.

#### **Article 200 Effects of Decision Terminating the Bankruptcy Proceeding due to Composition**

All effects of bankruptcy shall cease to exist upon the issuance of a decision to terminate the bankruptcy proceeding due to composition.

#### **Article 201 Rescission and Invalidation of Composition**

1. Any stakeholder may request invalidation of the composition if the insolvent debtor fails to abide by its conditions.

2. The composition shall be invalidated in any of the following cases:

- If, after being ratified or after the issuance of a decision to terminate the bankruptcy proceeding due to composition, a judgment convicting the insolvent debtor of any of the crimes of bankruptcy fraud is issued.
- If, after being ratified or after issuance of a decision to terminate the bankruptcy proceeding for composition, fraud emerges resulting from concealing the insolvent debtor's assets or exaggerating his debts, in this case an application shall be submitted to invalidate the composition, not later than [3] three years from the date of knowledge of the fraud.

#### **Article 202 Submission of Application to Invalidate or Rescind Composition by Creditor**

1. An application to invalidate or rescind the composition shall be submitted to the Bankruptcy Department by any of the creditors, accompanied by all supporting documents, data and information indicating that either of the cases of invalidating the composition has been met or that the reason for the rescission has been fulfilled. The Bankruptcy Department shall, within [10] ten days from submitting the application, notify the creditors of the application and its attachments. It shall further notify the debtor and the bankruptcy trustee who was appointed to manage the bankruptcy proceeding and the Unit, where the debtor is supervised by the regulatory authority.

2. The debtor shall respond to or cancel the composition application within [10] ten days from the date of his notification. The trustee may make any comments on the application during the same period.

### **Article 203 Admission of Application for the Invalidation or Rescission of the Composition**

1. If the application for invalidation or rescission of the composition and its attachments reveal its seriousness, the Bankruptcy Court shall issue a decision admitting the application, not later than [10] ten days from the expiration date of the period stipulated in Article [202.2] of this Law. The application file shall be referred to the Bankruptcy Court, accompanied by a report on the application and the proceedings undertaken in this regard.

2. The trustee shall, in the presence of the Head of the Bankruptcy Department or his representative, within [10] ten days from the date of issuance of the decision referred to in Clause [1] of this Article, make a supplementary inventory of the insolvent debtor's assets and prepare an additional budget.

### **Article 204 Service of Decision Granting the Application for Invalidation or Rescission of Composition**

1. The decision to admit and refer the application for the invalidation or rescission of the composition to the Bankruptcy Court shall be served. Furthermore, it shall be recorded and served upon the debtor, creditors, trustee and the Unit, where the debtor is supervised by the regulatory authority, within [10] ten days from the date of its issuance.

2. This decision shall have the same effects as the decision to initiate bankruptcy proceedings in accordance with this Law.

3. The bankruptcy trustee shall resume managing the debtor's assets starting from the day following the date of issuance of the decision to admit the application for the invalidation or rescission of the composition. If it is not possible for him to resume his mission due to his resignation or for any other reason, the Bankruptcy Court shall appoint another trustee in accordance with the provisions of this Law.

### **Article 205 Revoking the Decision Granting the Application for Invalidation of Composition**

The decision referred to in Article [204] of this Law shall be deemed annulled by force of law, with its consequences, in any of the following cases:

1. Issuance of a judgment by the Bankruptcy Court dismissing the application for the invalidation of the composition, dismissing the application for the rescission of the composition or dismissing the application.

2. If the decision was issued regarding the application for the invalidation of the composition and a decision was issued by the Public Prosecution to save the investigation or a judgment was issued by the Criminal Court acquitting the defendant regarding the same facts for which the application was submitted.

### **Article 206 Taking the Precautionary Measures Upon Investigation with the Insolvent Debtor**

Subject to the provisions of Articles [202] and [203] of this Law, when the investigation is conducted with insolvent debtor with regard to the crime of bankruptcy fraud after ratifying the composition or after issuing a decision terminating the bankruptcy through composition, or if a criminal action is filed against him in this crime after this ratification or decision, the Bankruptcy Court may, upon the request of the Public Prosecution or any interested party, order the taking of whatever precautionary measures it deems necessary to preserve the debtor's assets. These measures shall be automatically canceled if it is decided to close the investigation or the insolvent debtor is acquitted.

#### **Article 207 Judgment Invalidating the Composition**

1. The Bankruptcy Court shall adjudicate the application submitted regarding the invalidity or rescission of the composition within [10] ten days from the date of the first hearing thereof.
2. If the court orders that the composition be deemed invalid or rescinded, the Bankruptcy Department shall, within ten [10] days from the date of issuance of the judgment, serve and record a summary of such judgment.

#### **Article 208 Verification of New Debts**

The trustee shall call the new creditors to submit their debt documents in accordance with debt verification procedures. New debts shall be verified in accordance with those procedures, without re-verifying previously-approved debts. The trustee shall update their data in light of the debts that have been paid.

#### **Article 209 Discharge of Bona Fide Surety**

Invalidating the composition shall result in the discharge of the bona fide surety, who guarantees the implementation of the terms of the composition. Rescission of the composition shall not result in the discharge of the surety who guarantees the implementation of its terms. Such surety shall be required to appear in the hearings during which the application for rescission of composition is to be considered.

#### **Article 210 Creditors' Recovery of Full Debts**

1. After the composition is held invalid or rescinded, the creditors shall recover their full debts, with respect to the insolvent debtor only, and such creditors shall become part of the group of creditors with their full original debts if they have collected nothing of the share allocated to them under the composition. Otherwise, their debts shall be reduced pro rata the value of debts collected by them.
2. The provision stipulated in Clause [1] of this Article shall apply in the event that the debtor is declared insolvent before completing the implementation of the composition terms.

### **Part IV Common Provisions**

#### **Chapter I Effects of Decision to Initiate the Proceedings**

## **Article 211**

The provisions stipulated in this Part shall apply to the proceedings in relation to the preventive settlement, and bankruptcy declaration, in matters with no special provision in this Law.

### **Article 212 Recovery of Assets**

1. The owner of the assets in the possession of the debtor may, after obtaining permission from the Bankruptcy Court, recover those assets if he proves that he will sustain serious damage as a result of not recovering them, disproportionate to the damage that will befall the debtor and other creditors as a result of the loss thereof.
2. The serious damage referred to in Clause [1] of this Article shall be deemed sustained in either of the following cases:
  - If the value of the assets is expected to decline significantly.
  - If the assets are not necessary to implement the preventive settlement proposal, the plan or the sale of the insolvent debtor's assets as an "existing and ongoing activity".

### **Article 213 Enforcement against the Secured Assets**

Creditors with secured debts may, after obtaining the permission of the Bankruptcy Court, initiate the enforcement proceedings against the assets that serve as security for their debts or exercise their rights stipulated in the contract. In which case, the sale may be made through the trustee and without the need to initiate enforcement proceedings.

### **Article 214 Application Submitted by the Secured Creditors**

1. The trustee, the debtor and the Unit, where the debtor is supervised by the regulatory authority, shall be notified of any application submitted by secured creditors in accordance with Article [213] of this Law, not later than [10] ten days from the date of its submission. The Unit, the trustee or the debtor may object to the creditor's application before the Bankruptcy Court, within [10] ten days from the date of their notification, in any of the following cases:
  - If admitting the application would hinder the debtor from carrying out its activity in a meaningful manner.
  - If admitting the application would prevent the submission of a proposal for a preventive settlement or plan that could be approved by the creditors or would render the preventive settlement or useless.
  - If admitting the application would cause the debtor and creditors damage greater than the damage that might befall the creditor if the application was dismissed.
2. The Bankruptcy Court shall issue its decision on the objection referred to in Clause [1] of this Article, not later than [10] ten days from the date of its submission.

### **Article 215 Deciding on the Application for Sale Permission**

1. The Bankruptcy Court shall issue its decision not later than [10] ten days from the date of submitting the application for sale permission.
2. If the Bankruptcy Court issues its decision permitting the sale, the creditor or trustee shall do their best not to sell the assets guaranteeing the debtor's debts or transfer their ownership at less than their market value during the two months preceding the sale or transfer of ownership by [10%] or more.
3. If the sale is not completed in accordance with Clause [2] of this Article, the creditor or trustee shall obtain new permission from the Bankruptcy Court to sell or possess the same in accordance with the controls determined by the court.

### **Article 216 Refusal to Permit the Sale**

The Bankruptcy Court may refuse to grant sale permission, whether the debt is subject to preventive settlement proceedings, or bankruptcy declaration, based on an objection submitted thereto by the debtor, the trustee or the Unit, where the debtor is supervised by the regulatory authority, within the deadlines specified in Article [214] of this Law, if the person submitting the objection proves that the interest of the creditors requires that all or any of the debtor's assets, including the assets serving as securities with the creditors, be sold on the basis of an "existing and ongoing activity".

### **Article 217 Providing Alternative Security for Secured Debts**

The trustee or debtor may offer to the secured creditors an alternative guarantee, provided that the alternative guarantee is equivalent to the existing guarantee. If they do not accept this offer, the Bankruptcy Court may order that the guarantee be replaced if it becomes clear thereto that the alternative guarantee is not less in value than the existing guarantee and does not cause damage to the interest of the creditor to whom the alternative guarantee is offered, without prejudice to the concessions and effects of the previous registration.

### **Article 218 Repayment of Secured debt**

The trustee or the debtor may, as the case may be, after obtaining permission from the Bankruptcy Court, pay off the secured debt for the sake of using the pledged assets for the benefit of the remaining creditors.

### **Article 219 Co-Principal Debtors**

1. If there is a group of debtors who are liable for a single debt, and a decision is issued to initiate proceedings against any of them on such a debt, the decision shall not have any effect on the other co-debtors, unless otherwise stipulated.

2. If the preventive settlement proposal, plan or composition for the debt for which the decision to initiate the proceedings was issued has been ratified, its conditions shall apply to the other co-debtors.

#### **Article 220 Collecting the Debt from A Co-Principal Debtor**

1. If a creditor collects part of the debt from any of the co-principal debtors, and then a decision is issued to initiate the proceedings for the rest of the co-debtors or any of them, the creditor may only get involved in the proceedings for the remainder of its debt, and shall continue to reserve the right to claim repayment of its remaining debt balance from any co-debtor against whom no decision to initiate proceedings has been issued.

2. Such a co-debtor may get involved in the proceedings in accordance with the provisions of this Law with regard to the debt balance he has paid on behalf of the debtor in respect of whom the decision to initiate the proceedings has been issued.

#### **Article 221 Involvement of Creditor in the Proceedings**

1. If a decision is issued to imitate the proceedings for all co-principal debtors at once, the creditor may get involved in all proceedings for each co-debtor with all of its debt until he recovers the debt in full, including the principal debt, interest and expenses.

2. If the total amount collected by a creditor exceeds the value of its debt and its associated rights, the excess shall be refunded to the assets of the debtor who is guaranteed by third parties according to the order of their obligations in the debt.

3. If the arrangement referred to in this Article is not fulfilled, the excess amount shall be refunded to the debtors' assets, which paid more than their share in respect of the debt.

#### **Article 222 Estate**

1. If an estate is transferred to the debtor, the latter shall notify the trustee or the creditors, as the case may be. Its creditors shall only have a right over such estate after the decedent's creditors have recovered their rights from such assets, and the decedent's creditors shall not have any rights over the debtor's assets.

2. If the debtor's assets are managed by the trustee or if precautionary measures have been taken over them, the trustee shall take the necessary measures to protect the interests of creditors regarding the debtor's rights in such estate.

#### **Article 223 Preventing the Debtor from Repaying Debts After Initiation of Proceedings**

1. After the issuance of the decision to initiate the proceedings, the debtor may not repay its debts.

2. The debtor may, subject to prior approval of the Bankruptcy Court, pay off its debts arising from the rights of employees and suppliers of machinery, equipment, tools, goods, services or other things necessary for the continuation of the debtor's business and the preservation and development of its assets, as well as the necessary expenses for the debtor and its family so that these amounts are paid on their due dates periodically from the debtor's assets.

### **Article 224 Set-off**

1. It is not permissible to set off debts payable after the decision to initiate the proceedings, unless the same is based on the implementation of the preventive settlement proposal or the plan or based on a Bankruptcy Court's decision issued within [10] ten days from the date of submitting a motion thereto by the trustee or creditor.
2. The net set-off agreement shall be considered final and effective in accordance with its terms and conditions and may not be suspended or interrupted.
3. The provisions of Federal Decree Law No. [10] of 2018 regarding set-off on a net basis shall apply to matters not specifically provided for in this Law.

### **Article 225 Debt Owed to Creditor After Set-Off**

The remainder of the debt owed to the creditor, after the set-off is carried out, shall be included in the debtor's debts and occupy the same rank as the original debt. The remainder owed to the debtor shall also be included in the debtor's assets and be paid to the person in charge of managing the debtor's assets and business.

### **Article 226 Conventional Subrogation of Creditor**

The person, who has subrogated the creditor based on an agreement, may not demand a setoff between the rights transferred to them by the creditor and the debts owed by them to the debtor, and shall fulfill the rights of the debtor under his agreement with the debtor and subrogate the creditor who transferred thereto his rights in the proceedings against the debtor.

### **Article 227 Distribution of Profits and Disposition of Shares**

1. After the issuance of the decision to initiate the proceedings, the debtor or the trustee may not undertake any of the following actions without obtaining the permission from the Bankruptcy Court:
  - Distribution of profits to shareholders and partners.
  - Board members' and managers' disposition of their shares in the debtor company.
2. No amendment may be made to the company's articles of association without obtaining the approval of the Unit, where the debtor is supervised by the regulatory authority, for amendments made during preventive settlement proceedings or the trustee for amendments made during or bankruptcy proceedings.
3. If the debtor is supervised by the regulatory body, the trustee or the Unit may disapprove the amendment within ten [10] days from the date of notification, if the amendment would affect the rights of creditors. The debtor has the right to object before the Bankruptcy Court to the decision of the Unit or the trustee within [10] ten days from the date of its notification.
4. The Bankruptcy Court shall issue its decision within [10] ten days from the date of submitting the objection.



## **Article 228 Recovery**

1. It is permissible that the goods, ownership interests, real estate and any other assets, which are kept in the debtor's possession as a bailment or for the purpose of being sold on behalf of their owner or for the purpose of being handed over to the owner thereof, be recovered, provided that the same is physically found in the debtor's assets. If such assets are in a cash form, they shall be deemed to physically exist in the debtor's assets if they have been credited to the debtor's personal account with a financial institution.
2. If the debtor has kept the assets referred to in Clause [1] of this Article in the custody of a third party, the same may be recovered from that third party.
3. If a debtor borrows funds and pledges the assets referred to in Clause [1] of this Article to secure such a loan but the lender is not aware at the time of pledging that the debtor does not own such assets, they may only be recovered after the secured debt is repaid.
4. The recovery applications described in this Chapter shall be submitted to the Bankruptcy Department, accompanied by documents proving the eligibility of the recovery applicant in respect of its application. The Bankruptcy Department shall notify the debtor, the creditors, the trustee and the Unit, where the debtor is supervised by the regulatory authority, of the application and its attachments within [10] ten days from the date of its submission, and each of them may express its opinion on the application, not later than [10] ten days from the date of notification.
5. The Bankruptcy Court shall decide on the recovery application not later than [10] ten days from the end of the period specified for responding to the application.

## **Article 229 Recovery of the Price**

The owner may recover the price of the goods, ownership interests or real estate which the debtor sold on behalf of their owner, if the price has not been paid in cash or by a negotiable instrument or by set-off in a current account between the debtor and the purchaser, unless the said account belongs to the debtor's clients.

## **Article 230 Handover of Debtor's Rights to Trustee**

In the cases referred to in Articles [228] and [229] of this Law, the recovering party shall hand over to the trustee the rights owed to the debtor.

## **Article 231 Recovery of the Goods, Ownership Interests or Real Estate from Debtor's Assets**

1. If the sale contract is terminated by virtue of a judgment or a condition in the contract before a decision is issued to initiate bankruptcy proceedings with respect to the purchaser's debt, the seller may recover the goods, ownership interests or real estate from the debtor's assets if the same is physically available.

2. The recovery may be made even if the termination has been made after a decision is issued to initiate the proceedings, provided that the action for recovery or termination is filed before the aforementioned decision being issued.

3. The applications for recovery stipulated in this Article shall be submitted in accordance with the same controls and procedures contained in Article [228] of this Law.

#### **Article 232 Withholding Assets or Recovering Possession of Transferred Assets**

1. If a decision is issued to initiate bankruptcy proceedings for the purchaser before paying the price and the goods are still in the seller's possession, the goods have not yet entered the purchaser's warehouses or the warehouses of its agent authorized to sell them, or where the seller has not transferred the ownership interests or real estate to the purchaser's name, the seller may withhold the aforementioned assets or recover possession of the assets transferred for the purpose of handing them over to the purchaser and terminate the sale contract.

2. The goods may not be recovered if they have lost their nature or if the debtor has disposed of them before their arrival without fraud under the title deed or a bill of lading.

3. In all cases, the trustee or the debtor may, after obtaining the permission from the Bankruptcy Court, request the implementation of the sales contract on the condition that he pays the seller the agreed-upon price. If the trustee does not request so, the seller may assert his right to termination, claim for compensation and take part in the bankruptcy proceedings.

#### **Article 233 Cases of Inadmissibility of Rescission and Recovery**

If a decision is issued to initiate bankruptcy proceedings regarding the purchaser's debt before paying the price and after the goods have entered to its warehouses or the warehouses of its agent authorized to sell them, in addition to transferring ownership of the ownership interests or real estate to the name of the purchaser, the seller may not request rescission of the sale or recovery of the goods, and his right to the lien regarding the goods shall be forfeited.

#### **Article 234 Recovery of Negotiable Instruments and Securities**

1. Negotiable instruments and other instruments of value handed over to the debtor may be recovered to collect their value or to allocate them for a specific payment, if they are found in kind in the debtor's assets and their value had not been paid when the decision to initiate the proceedings was issued.

2. Recovery is not permissible if the instruments described in Clause [1] of this Article are found in a current account between the person requesting recovery and the debtor.

3. The securities kept with the debtor shall be recovered as a registered owner in accordance with the rules of the relevant regulatory authority.

#### **Article 235 Recovery of Banknotes**

Banknotes deposited with the debtor as a bailment may not be recovered unless the recovering party proves their specific characteristics and the specific characteristics of banknotes shall be proven by all means of evidence.

#### **Article 236 Recovery of Items**

1. Any person shall have the right to recover from the debtor's assets any items proven to be owned by such a person. If the debtor or the trustee, as the case may be, refuses to return the items, the dispute shall be referred to the Bankruptcy Court.

2. In all cases in which the recovery applications is submitted after the issuance of the decision to initiate bankruptcy proceedings, the recovery applicant may only recover the claimed items after obtaining permission from the Bankruptcy Court.

#### **Article 237 Recovery from the Spouse's Assets**

It is not permissible for either spouse to recover from the other spouse's assets the gifts and donations given thereto by its spouse during the marriage by the way of disposition between the living or will after death, nor is it permissible for creditors to demand the same.

#### **Article 238 Spouse's Recovery of its own Assets**

1. Each of the spouses may recover from the other spouse's assets its movable and immovable assets if it proves its ownership thereof, and these assets remain inclusive of the rights that the third party has legally acquired over them.

2. If the recovery application is submitted after the issuance of the decision to initiate bankruptcy proceedings, the recovery applicant may not be given what it claims without obtaining permission from the Bankruptcy Court.

### **Chapter II Companies**

#### **Article 239 Corporate Debts**

Unless there is a special provision in this Chapter, the provisions of this Law shall apply to preventive settlement, and bankruptcy proceedings undertaken regarding corporate debts.

#### **Article 240 Approval of Partners' Majority to Submit Application for Initiation of Proceedings**

1. The company manager, the liquidator or third parties may not submit an application for initiation of proceedings in accordance with the provisions of this Law without obtaining approval to do so from the majority of the partners in the General Partnership, the majority of the Active Partners in the Limited Partnership, from the owner partner in the one-person company and from the general assembly, by virtue

of a special decision, in other companies. The approval of the trustee is sufficient for composition.

2. The application shall include the names of the Active Partners at the time of submitting the application who exited the company after it ceased to repay its debts, with a statement of the domicile of each Active Partner, his nationality and the date of his exit from the company in the commercial register.

#### **Article 241 Suspension of Liquidating or Placing the Company under Receivership**

If the debtor is a company and it is decided to initiate proceedings regarding its debts, adjudication of every application whose subject is the liquidation of the company or its placement under judicial receivership, shall be suspended. In addition, the identity of the company being liquidated shall continue until the completion of the proceedings stipulated in this Law.

#### **Article 242 Trustee's Representation of the Company**

The trustee shall represent and act on behalf of the company that has been declared bankrupt in every matter in which the Law requires taking opinion, the appearance or approval of the Board of Directors, of the bankrupt debtor.

#### **Article 243 Collecting the Company's Debts from Partners and Shareholders**

1. With the exception of companies subject to preventive settlement proceedings, if any partners or shareholders are indebted to the company due to non-payment of the remainder of their shares in the capital or for any other reason, the Bankruptcy Court may entrust the trustee to follow up on collecting these debts and to represent the company in collecting the same, even if the company is subject to proceedings and maintains management of its assets and business.

2. In the event that a decision is issued to initiate bankruptcy proceedings, the Bankruptcy Court may authorize the trustee to demand from the partners or shareholders the unpaid amounts of their shares in the capital, even if the due date has not yet come. The Bankruptcy Court may order that this claim be limited to the amount necessary to repay the company's debts.

#### **Article 244 Application to Initiate Proceedings Applies to Active Partners**

1. The application for initiation of the proceedings submitted regarding the company's debt shall be considered to be submitted at the same time regarding the debt of each of the Active Partners therein on the date of submitting the application, in addition to the partners who exited the company and remained obligated to repay its debts.

2. Each debt shall be independent of other debts in terms of proceedings, such as the verification of debts, the appointment of trustees, creditor meetings, plans submitted, trustees and controllers, as well as the decisions taken in each debt and the judgments issued therein. The company's assets consist of its liabilities, including the partners' shares, and its liabilities include only the rights of its creditors. As for

the general partner, his assets consist of his own assets, and his liabilities include the rights of his creditors and the company's creditors.

3. If a decision is issued to initiate for declaring the company's bankruptcy or a judgment is issued to declare its bankruptcy, the same shall not prevent the issuance of the decision to initiate proceedings for preventive settlement or with respect to the partner or vice versa. Furthermore, the same provision shall apply to the debts of each Active Partner with respect to other partners.

#### **Article 245 Application for Initiation of Proceedings Applies to any User of the Company's Name and Acting on its Behalf**

The Bankruptcy Court may consider the application for the initiation of proceedings submitted regarding the company's debts as submitted regarding the debt of any person who used the name of this company and acted on its behalf in respect of commercial activities on his own account and disposed of the company's assets as if they were his own assets. The provisions of Article [244.2 and 244.3] of this Law shall apply to the situation described herein.

#### **Article 246 Liability of Directors, Managers and Liquidator for Company's Debts**

1. If the company is declared bankrupt, the Bankruptcy Court may, upon the request of the trustee, the Unit, where the debtor is supervised by the regulatory authority, or any of the creditors, oblige the members of the Board of Directors, the managers, any person responsible for the actual management of the company or those in charge of the liquidation, in respect of the liquidation procedures executed outside the framework of this Law, to pay an amount proportional to the mistake attributed to the person concerned. The amount shall be used to repay the company's debts if it is proven that any of them committed any of the following acts during the two years preceding the company's cessation of payment:

- Using commercial methods, whose risks are not thoughtfully studied, such as disposing of goods at prices lower than their market value in order to obtain amounts with the intention of avoiding bankruptcy proceedings or delaying their initiation.
- Entering into transactions with third parties to dispose of assets without compensation or in exchange for insufficient compensation and without a confirmed or proportionate benefit to the company's assets.
- Paying the debts of any creditor with the intention of causing damage to other creditors.
- If it becomes clear after the company's bankruptcy that its assets are insufficient to pay at least 20% of its debts, as long as it is proven that they failed to manage the company in a way that led to the deterioration of its financial condition.

2. The court shall not issue a judgment declaring the company insolvent debtor if the person to whom the acts described in this Article are attributed proves that he

has taken all the precautionary measures that a reasonable person could take to reduce the potential losses on the company's assets and its creditors.

3. The case for the liability of the persons specified in Clause [1] of this Article shall be filed not later than [2] two years following the issuance of the judgment declaring the company bankrupt, otherwise the right to file the same shall be forfeited.

4. Any person who has proven its reservations regarding the same in writing shall be exempted from liability for the acts stipulated in Clause [1] of this Article.

### **Chapter III Procedures for Small Debtors**

#### **Article 247**

If, after an inventory of the debtor's assets, it becomes clear that their value does not exceed the value specified in the Executive Regulations, the court may, sua sponte or upon the motion of the debtor, the trustee or any of the creditors, order the initiation of proceedings for preventive settlement, or bankruptcy declaration, taking into account the following provisions:

1. Shorten the periods stipulated in this Law by half unless the Bankruptcy Court decides otherwise.

2. Never appoint a trustee unless the Bankruptcy Court decides otherwise.

3. Not appoint a Committee of Creditors unless the Bankruptcy Court decides otherwise.

4. The preventive settlement proposal or plan shall be considered admissible if it is approved by the majority of creditors who have the right to vote in number and value, without taking into account the debts and number of creditors who did not engage in the vote.

5. Notwithstanding Clause [4] of this Article, the Bankruptcy Court may decide to initiate preventive settlement or proceedings or declare bankruptcy despite the lack of approval of the creditors if it deems the same appropriate for the situation of the debtor and the interest of the creditors.

6. All judgments and decisions of the Bankruptcy Court may not be appealed, unless the reason for the appeal is related to lack of jurisdiction or the passage of appeal deadlines.

#### **Article 248 Discharge of Debtor**

1. Notwithstanding the provisions of Article [185] of this Law, if bankruptcy proceeding ends for the debtor referred to in Article [247] of this Law, this debtor has the right to submit an application to the Bankruptcy Department to be discharged of its remaining debts on the date of submitting the application.

2. If the debt is any of the debts referred to in Article [182.2] of this Law, the debtor's liability shall be released within the limits in excess of the creditor's share that was set aside and reserved for the creditor in accordance with the said Article.

3. Submitting the application referred to in Clause [1] of this Article shall result in the cessation of all measures taken by creditors to collect the remainder of the debtor's debts with respect to them.

4. The Bankruptcy Court shall issue its decision on the application, not later than [10] ten days following its submission, and this judgment shall apply to any personal guarantees submitted by the partners in the insolvent debtor company.

#### **Article 249 Effects of Discharge of Debtor**

1. The debtor's discharge of debts in accordance with Article [248] of this Law may not result in the debtor recovering assets under liquidation and distribution in accordance with the provisions of this Law in a way that makes the creditors, who are parties to the liquidation and distribution procedures, lose the opportunity to fully collect their debts.

2. The debtor's discharge shall not apply to assets on which the creditor has placed a lien until the date of the day prior to submitting the application to discharge from the remainder of the debt in accordance with Article [248] of this Law. In this case, the debtor's discharge shall apply to what exceeds the debt of the attaching creditor on the attached assets.

#### **Article 250 Cases where Debtor may not be Discharged**

The debtor may not be discharged from the remainder of the debt in accordance with Article [248] of this Law in the following cases:

1. If the debt is owed under the Personal Status Law, or arises from debts owed to the public treasury or is guaranteed by personal insurance.

2. If the debtor conceals any information or documents required to be provided under this Law, he was ordered by the Bankruptcy Court to submit them but he refrains from submitting them or he submits misleading documents or information.

3. If the debtor engages in any behavior resulting in the delay with respect to the proceedings stipulated in this Law.

4. If the debtor has previously benefited from the discharge of its debt in accordance with this Law during the six [6] years preceding the date of expiration of the bankruptcy proceeding in respect of which it applied for a discharge of the debt.

5. Issuance of a final judgment against the debtor imposing a deprivation of liberty penalty for any crime affecting the national economy or any of the crimes stipulated in this Law, unless it has been rehabilitated.

6. If the criminal case relating to any of the crimes mentioned in Clause [5] of this Article is still under investigation or trial, the procedures for requesting a discharge of the debt and all measures taken against the debtor to collect the remainder of the debt shall be suspended until a final judgment is issued thereon. In this case, the Bankruptcy Court may issue whatever precautionary measures it deems appropriate to preserve the rights of creditors.

#### **Chapter V Proceedings for Preventive Settlement, or Bankruptcy Declaration During Emergency Financial Crisis**

## **Article 251**

### Provisions Applicable to Preventive Settlement, or Bankruptcy Proceedings During Emergency Financial Crisis

As an exception to the provisions of this Law, the provisions of this Chapter and the decisions issued in implementation of its provisions shall apply to proceedings for preventive settlement, or bankruptcy declaration during an emergency financial crisis, provided that the provisions of this Law shall apply to the matters not specifically provided for in this Chapter, and in a manner that does not conflict with its provisions.

### **Article 252 Granting the Application for Initiation of Proceedings During Emergency Financial Crisis**

If the debtor submits an application for initiation of the proceedings for the preventive settlement, or bankruptcy declaration during an emergency financial crisis, the Bankruptcy Court may admit the application and take whatever measures it deems appropriate, including proceeding with the proceedings without the need to appoint a trustee, provided that the debtor proves that the instability in respect of financial position or financial condition of the debtor arose due to the emergency financial crisis.

### **Article 253 Giving the Debtor a Time Limit to Negotiate with Creditors**

1. If the Bankruptcy Court admits the debtor's application stated in Article [252] of this Law, the debtor may ask the court to grant him a period not exceeding forty [40] days to negotiate with the creditors to reach an agreement to settle its debts.
2. The debtor shall announce a summary of the Bankruptcy Court's decision to approve granting the debtor the period, provided that the notification includes a notice to the creditors to negotiate with the debtor to agree on the settlement, not later than twenty [20] days from the date of the notification. The notice shall specify the place or means through which the negotiation procedures will be executed.
3. The debt settlement period offered by the debtor shall not exceed [12] twelve months from the date of the Bankruptcy Court's decision approving the debtor's application.
4. The summary of the negotiations between the debtor and creditors and the settlement agreement shall be documented in writing, including the exchange of correspondence via electronic means. In the event that an agreement is reached to settle the debtor's debts by creditors representing two-thirds of the value of the debt, who got involved in the negotiation procedures with the debtor, this agreement shall be binding on all creditors, including creditors who abstained from engaging in the negotiation procedures.



5. The debtor and any creditor who has an interest in the proceedings shall notify the Bankruptcy Court and all creditors of the details of the settlement agreement contained in this Article within [10] ten days from the date of the written approval of the creditors. The Bankruptcy Court may issue a decision rejecting the settlement agreement within [15] fifteen days from the date of its notification of it if it becomes clear that it is not consistent with good faith in implementing obligations.

6. Any creditor who does not agree to the settlement agreement in accordance with the provisions of this Article may file an objection before the Bankruptcy Court within [15] fifteen days from the date of its notification of the settlement agreement, and the court shall decide on the objection not later than five [5] days from the date of submitting the objection, after its decision is final and binding on all creditors.

#### **Article 254 Postponing Consideration of Creditors' Application for Initiation of Proceedings**

1. The Bankruptcy Court shall not take any precautionary measures on any of the debtor's assets necessary for the continuation of its business during the period of the emergency financial crisis, including affixing seals on the debtor's business headquarters and assets, except for what the court deems unrelated to the conduct of the debtor's business.

2. The Bankruptcy Court shall not take any precautionary measures on any of the debtor's assets necessary for the continuation of its business during the period of the emergency financial crisis, including affixing seals on the debtor's business headquarters and assets, except for what the court deemed unrelated to the conduct of the debtor's business.

#### **Article 255 Amending the Deadlines and Time Limit Set out in the Law**

If the application for the initiation of proceedings was submitted by the debtor or creditor and was admitted by the Bankruptcy Court before the emergency financial crisis, the Bankruptcy Court may amend the deadlines and periods set out in this Law to additional periods not exceeding twice what is stipulated in cases other than emergency financial crises, to address the direct consequences resulting from the circumstances of the emergency financial crisis on the debtor's business.

#### **Article 256 Actions of Directors and Managers During Emergency Financial Crisis**

1. If the debtor is a legal person and ceases to repay the debts owed thereby due to the emergency financial crisis, the members of the Board of Directors and managers shall not assume liability if they dispose of the debtor's assets in order to pay the unpaid wages and salaries paid periodically, excluding any kind of allowances, bonuses and other incidental payments, whether material or in kind, owed to the debtor's employees, workers and users necessary for the continuation of the business during the emergency financial crisis.

2. The members or managers of the Board of Directors of the legal person shall, as the case may be, update the company's accounts and data in light of the losses arising from the emergency financial crisis, act with caution and good faith and work

in the best way possible to serve the interests of the legal person in respect of protecting its objectives and financial assets.

#### **Article 257 Permission for Debtor to Obtain New Finance**

If the debtor's application for the initiation of preventive settlement and proceedings is admitted in accordance with Article [252] of this Law, the Bankruptcy Court may permit the debtor, based on its request, to obtain new financing with or without guarantee, in accordance with the following provisions:

1. The new financing shall have priority over any existing ordinary debt owed by the debtor on the date of the decision to initiate the proceedings.
2. The possibility of guaranteeing the new financing by mortgaging any of the debtor's unmortgaged assets.
3. The possibility of guaranteeing the new financing by executing a mortgage on the debtor's mortgaged assets that were valued at a value exceeding the value of the debt secured by the previous mortgage. In this case, the new mortgage shall have a lower rank than the existing mortgage on the same assets, unless the creditors whose debts are secured by the assets subject to the mortgage agree that the new mortgage shall have a rank equal to or higher than the existing mortgage on the same assets.
4. If the mortgagee creditor is a licensed financing body, it is permissible to mortgage the same asset even if it was valued at a value equal to the value of the debt secured by the previous mortgage, at a value not exceeding [30%] of the value of such asset, and the Bankruptcy Court may issue an approval decision. The new mortgage shall have a rank equal to or higher than the existing mortgage on the same asset, especially if the objective of the new financing is to obtain materials or services necessary for the continuation of the debtor's business to achieve returns for the debtor for the purpose of helping it settle its outstanding debts.

#### **Part VI Grievances and Appeals**

##### **Chapter I Grievances**

#### **Article 258 Grievances against Debtor's or Trustee's Acts**

Any interested party may file a grievance before the Bankruptcy Court when the debtor or trustee commits any of the following acts:

1. If it failed to such party of attending any of the creditors' meetings or to inform it of the meeting in accordance with the provisions of this Law.
2. If he proposes to act or acts in an unfair manner to cause damage to the said party's interests
3. If it neglects or fails to perform its duties or does not exercise due diligence in accordance with established principles.
4. If it misuses or withholds any assets or property belonging to the debtor or breaches any liability owed thereby to the debtor.

## **Article 259 Grievance against Bankruptcy Department's Acts**

Any interested party may file a grievance before the Bankruptcy Court if the Bankruptcy Department fails to perform any of its obligations stipulated in this Law.

### **Article 260 Filing of Grievance**

The grievance shall be submitted in accordance with this Part, not later than [10] ten days from the date of the Grievant's knowledge of the aggrieved incident. If this incident is subject to notification or announcement in accordance with this Law, the time period for grievance begins from the date of notification of the grievance or announcement, whichever is earlier.

### **Article 261 Notification of and Responding to Grievance**

1. The grievance shall be submitted to the Bankruptcy Department which shall notify the trustee, the Unit, where the debtor is supervised by the regulatory authority, the controller and the debtor if the grievance was submitted by another person, not later than [10] ten days from the date of its submission. Any other person whose rights may be affected by the decision issued in the grievance shall also be notified of the grievance, in accordance with the matters to be determined by the Bankruptcy Court in this regard.

2. Any interested party may submit a memorandum to the Bankruptcy Department, responding to the grievance, not later than [10] ten days from the date of its notification of the grievance.

3. The Bankruptcy Court shall decide on the grievance with a reasoned decision, not later than [10] ten days from the expiration date of the period stipulated in Clause [2] of this Article.

### **Article 262 Effects of Filing of Grievance**

1. The grievance shall not entail the suspension of the proceedings unless the Bankruptcy Court decides otherwise.

2. The Bankruptcy Court may request the Grievant to provide an in-kind or bank guarantee issued by any of the banks operating in the State, or any other guarantee it decides, to guarantee any damage that may occur as a result of suspension of the proceedings.

3. The Grievant shall recover the guarantee if the grievance is decided in its favor.

## **Chapter II Appeal**

### **Article 263 Appealing before the Court of Appeal**

1. Any interested party may file an appeal against the Bankruptcy Court's decision before the Court of Appeal, not later than thirty [30] days from the date of service or notification of the decision.

2. Judgments issued by the Bankruptcy Court may be appealed before the Court of Appeal, not later than thirty [30] days from the date of issuance of the judgment.

#### **Article 264 Appeal Filing Procedures**

1. The challenge shall be submitted to the Bankruptcy Department, which shall register the same with the Court of Appeal. The Court shall set a hearing to consider such challenge within [30] thirty days from the date of its submission. The date on which the challenge is submitted shall be considered the time of its submission to the Bankruptcy Department.

2. The Bankruptcy Department shall notify the parties of the challenge and notify the Unit, where the debtor is supervised by the regulatory authority, as well as the trustee and the controller if they are not litigated, and everyone whom the Bankruptcy Court deems necessary to notify, within a maximum period of [10] ten days from the date of submitting the challenge.

3. The Unit, the trustee and the controller shall each submit to the Bankruptcy Department a memorandum of its opinion on the challenge, not later than [10] ten days following their notification, and each interested party may submit to the Bankruptcy Department a memorandum of its defense or opinion within the period described herein.

#### **Article 265 Judgment on the Appeal**

1. The Bankruptcy Department shall refer the challenge file and the memorandums it has received to the Court of Appeal within [10] ten days from the end of the period referred to in Article [264.2] of this Law, provided that a memorandum of its opinion thereon is attached thereto. The challenge shall not result in suspension of the proceedings, judgment or challenged decision, unless the Court of Appeal decides otherwise.

2. The judgment of the Court of Appeal on the appeal shall become final and may not be challenged by any means of challenge. However, this judgment may be retracted before the court that issued it in accordance with the rules contained in the Civil Procedure Law.

3. Judgments issued by the Court of Appeal shall be enforced without service, and no objection may be filed against them.

#### **Part VII Crimes, Penalties and Rehabilitation**

##### **Article 266 Application of the Most Severe Penalty**

The penalties stipulated in this Part shall not prejudice to any more severe penalty stipulated in any other law.

##### **Article 267 Considering the Trustee and Controller as Public Employees**

The trustee and controller shall be considered a public employee with regard to actions for which the laws have established a penalty or whose punishment has been harshened if committed by a public employee.

#### **Article 268 Concealment of Books and Detrimental Acts Committed by the Debtor**

Any debtor, whose bankruptcy has been declared based on a final judgment, and who, after having ceased to repay its debts, commits any of the following acts, shall be considered to have committed bankruptcy fraud and shall be punished with imprisonment sentence for a period not exceeding [5] five years and / or a fine not exceeding [1,000,000] million dirhams:

1. Conceals all or any of its books, destroys and alters the same with the intention of causing damage to its creditors.
2. Disposes of its assets after it ceases to repay its debts or after it becomes in a state of deficit in the financial position, if the same is made with the intention of excluding these assets from the creditors.
3. Conceals part of its assets with the intention of causing damage to its creditors.
4. Acknowledges debts that are not owed thereby or reduces its assets while being aware of the same, whether the acknowledgment is made in writing, orally, in the balance sheet, or through refraining from submitting papers or clarifications.
5. Obtains ratification on the terms of composition by fraud.

#### **Article 269 Concealment of Books and Embezzlement by Debtor's Managers**

The chairman and members of the company's board of directors and its managers, auditors and officers responsible for its liquidation or, shall be punished with imprisonment for a period not exceeding [5] five years and / or a fine not exceeding [1,000,000] million dirhams, if, after a final decision is issued to initiate proceedings against the company, they commit any of the following actions:

1. Conceal, destroy or alter all or any of the company's books.
2. Embezzle or conceal of part of the company's assets.
3. Acknowledge debts that are not owed by the company, while being aware of the same, whether the acknowledgment is made in writing, orally, in the budget, or through refraining from submitting papers or clarifications in their possession while being aware of the consequences thereof.
4. Obtain approval of the preventive settlement proposal, plan or settlement terms through fraudulent means.
5. Declare matters that are contrary to the truth about the subscribed or paid-up capital, distribute fictitious profits, embezzle any of the company's assets in the form of bonuses, if it is proven that they are aware at the time of embezzling those assets that they were not entitled to all or any thereof.

#### **Article 270 Bankruptcy by Default**

Any debtor, who has been declared insolvent debtor by a final judgment and is proven to have committed any of the following actions, shall be considered insolvent debtor by default and shall be punished with imprisonment sentence and / or a fine not exceeding one hundred thousand dirhams [100,000]:

1. Spends exorbitant amounts for its personal expenses or household expenses, if any of the same is among the reasons for its cessation of payment.
2. Fails to keep sufficient commercial books to determine the true financial position or to carry out the inventory required in accordance with the law.
3. Refrains from submitting the data requested by the trustee, the Bankruptcy Court or the Court of Appeal.
4. Pays any debt in a manner contrary to the terms of the preventive settlement proposal or the approved plan or Dispose of any assets in a manner contrary to the terms stated in the proposal or plan.
5. Pays, subsequent to the cessation of the payment, a debt to any of the creditors to the detriment of the rest or provide a guarantee or special benefits to any of the creditors in preference to the rest, even if the same is made with the intention of obtaining the approval of the required majority on a preventive settlement proposal, plan or composition.
6. Disposes of its goods or any of its assets or rights at a significantly lower price or market value with the intention of delaying its cessation of payment or declaration of its bankruptcy, delaying the rescission of the composition, preventive settlement proposal or plan or, for this purpose, resorting to illegal means to obtain sums of money.
7. Spends huge sums of money on fictitious speculation in matters other than the activities required for its business.

#### **Article 271 Fraudulent Behavior by Directors, Managers and Liquidators**

In the event that a final judgment is issued declaring the bankruptcy of a company, the members of its Board of Directors, managers and liquidators shall be punished with imprisonment and / or a fine not exceeding five hundred thousand dirhams [500,000], if they commit any of the following actions:

1. Determine exorbitant remuneration for members of the Board of Directors, the CEO and managers during the three [3] years preceding the company's cessation of payment, and the same was one of the reasons for the cessation.
2. Failure to maintain commercial books sufficient to determine the true financial position of the company or failure to carry out the inventory required in accordance with the law.
3. Refrain from submitting the data requested by the trustee, the Bankruptcy Court or the Court of Appeal or deliberately provide incorrect data.
4. Dispose of its goods or any of its assets after the cessation of payment, if the same is intended for concealing these assets from creditors.

5. Pay any debt in a manner contrary to the terms of the preventive settlement proposal or the approved plan or Dispose of any assets in a manner contrary to the terms stated in the proposal or plan.

6. Pay, subsequent to the cessation of the payment, a debt to any of the creditors to the detriment of the rest or provide a guarantee or special benefits to any of the creditors in preference to the rest, even if the same is made with the intention of obtaining the approval of the required majority on a preventive settlement proposal, plan or composition terms.

7. Dispose of the company's goods or any of its assets or rights at a significantly lower price or market value, in a manner not tolerated based on the customary practices, with the intention of delaying the company's cessation of payment or declaration of its bankruptcy, delaying the rescission of the preventive settlement proposal, plan or the composition terms, or, for this purpose, resorting to illegal means to obtain sums of money.

8. Spend huge sums of money on fictitious speculation in matters other than the activities required for the company's business.

#### **Article 272 Effect of Criminal Action for Bankruptcy by Fraud or Default**

If the criminal actions are filed for bankruptcy fraud or bankruptcy by default, or where a judgment is issued in accordance with the provisions of the foregoing Articles, the proceedings for preventive settlement,, bankruptcy declaration and composition shall remain independent of the criminal actions without being referred to the criminal court, unless this Law provides otherwise.

#### **Article 273 Embezzlement by the Trustee**

1. A penalty of imprisonment and / or a fine of not more than [1,000,000] a million dirhams shall be imposed on any trustee who embezzles the debtor's assets during his management.

2. The court shall order that the assets be returned to the debtor, and may, upon motion of the interested parties, award compensation, if necessary.

#### **Article 274 Embezzlement by Third Parties**

1. Whoever steals, embezzles or conceals the debtor's assets while being aware that a decision has been issued to initiate bankruptcy declaration proceedings, even if the debtor's spouse, any of their ascendants or descendants or the ascendants or descendants of their spouse, shall be punished with imprisonment for a period not exceeding [5] five years.

2. The court shall order that the assets be returned to the debtor, and may, upon motion of the interested parties, order compensation when necessary.

#### **Article 275 Fraudulent Behavior of Creditors**

1. A penalty of imprisonment and / or a fine of not more than [300,000] three hundred thousand dirhams shall be imposed on any creditor of a debtor in respect of

whom a decision to initiate proceedings has been issued and commits any of the following acts:

- increase their debts owed by the debtor by fraud.
- Grant in their own favor, in agreement with the debtor or with third parties, special benefits in exchange for voting in favor of the debtor during the creditor meetings.
- Enter into a secret agreement with the debtor after the cessation of payment, whereby they grant themselves special benefits to the detriment of the rest of the creditors, while being aware of the same.

2. The court shall order that the agreements referred to in Clause [1.C] of this Article are invalid, with respect to the debtor and any other person, and that the creditor shall be obligated to refund the assets seized under the invalid agreement, even if an acquittal was issued. The court may, upon the request of the interested parties, award compensation when necessary.

#### **Article 276 Submission of Fictitious Debts**

Whoever fraudulently submits fictitious debts in their name or in the name of third parties shall be punished with imprisonment and / or a fine not exceeding [AED 500,000] five hundred thousand dirhams.

#### **Article 277 Debtor's Fraudulent Acts**

Any debtor who commits any of the following acts shall be punished with imprisonment and / or a fine not exceeding [AED 500,000] five hundred thousand dirhams:

1. Intentionally conceals all or any of their assets, with the intention of obtaining the approval of the required majority on the preventive settlement proposal, plan or composition terms.
2. Intentionally enables a fictitious creditor or a creditor prohibited from engaging in the proceedings or a debtor who has overstated its debt to take part in the deliberations and voting or intentionally lets their take part therein.
3. Intentionally omits to mention any of the creditors in the List of Creditors.

#### **Article 278 Unlawful Participation of Creditor in the Proceedings**

Any creditor, who commits any of the following acts shall be punished with imprisonment for a period not exceeding [2] two years and / or a fine not exceeding [AED 200,000] two hundred thousand dirhams:

1. Deliberately overstated their debts.
2. Took part in deliberations or voting while knowing that they are legally prohibited from doing so.



3. Enter into a secret agreement with the debtor, whereby they are granted special benefits to the detriment of the rest of the creditors, while being aware of the same.

#### **Article 279 Non-Creditor's Unlawful Participation in the Proceedings**

The penalty of imprisonment for a period not exceeding one year and / or a fine of not more than [AED 200,000] two hundred thousand dirhams shall be imposed on whoever:

1. Is not a creditor and gets involved in the deliberations or voting knowing that he is not a creditor.
2. Any controller or trustee who intentionally gives incorrect data about the debtor's condition, confirms this data or discloses data of a confidential nature delivered thereto on the occasion of his appointment as controller or trustee in accordance with this Law.

#### **Article 280 Willful Refusal to Execute the Decisions Issued by Bankruptcy Court**

Whoever abstains from executing a decision issued by the Bankruptcy Court in accordance with this Law in respect of submitting data, information or documents or giving testimony, shall be punished with imprisonment for a period not exceeding one year and / or a fine of not more than [AED 200,000] two hundred thousand dirhams.

#### **Article 281 Stay of the Criminal Proceedings**

If the Bankruptcy Court decides to initiate preventive settlement or proceedings in accordance with this Law, any criminal proceedings that have been initiated or will be initiated against the debtor shall be stayed, if the same arises from actions related to issuance of bounced cheques with respect to the cheques issued by the debtor, before initiating the proceedings. The creditor holding the bounced cheque shall be included in the creditors, and their debt shall become part of the debtor's total debts.

#### **Article 282 Effects of Stay of the Criminal Action**

1. The effect of suspension of the criminal proceedings referred to in Article [281] of this Law shall continue until the Bankruptcy Court issues a decision to ratify or reject the preventive settlement proposal and plan in accordance with the provisions of this Law.
2. If the Bankruptcy Court approves the preventive settlement proposal or plan, the same shall result in the extension of the stay of the criminal proceedings that have been initiated, until the implementation of the proposal or plan is completed.
3. If the debtor obtains a decision indicating that the implementation of the preventive settlement proposal or the plan has been completed, the Public

Prosecution shall issue a decision to close the investigation, and the criminal court shall issue a judgment terminating the criminal action. If a final judgment has been issued on the criminal action, its execution shall be stayed.

4. The stay of criminal proceedings shall end as soon as a decision or judgment is issued terminating or invalidating the preventive settlement or proceedings.

#### **Article 283 Service of Criminal Judgments**

The Bankruptcy Department shall, within [10] ten days from the date of issuance of the criminal judgment for any of the crimes stipulated in this Law, serve its judgment and record the same in the Bankruptcy Register and the Commercial Register.

#### **Article 284 Prohibition from Management or Practice of Business**

When a court renders conviction judgment on the crimes stipulated in Articles [278, 279, and 280] of this Law, the court may order that the convict be prohibited from managing any company or practicing any business, for a period not exceeding [3] three years from the date of the end of the bankruptcy proceeding. The name of the convict and the penalty imposed thereon shall be registered in the commercial or professional register, as the case may be, and if recorded, the penalty imposed thereon shall be annotated.

### **Chapter II Rehabilitation of Insolvent Debtor**

#### **Article 285**

Unless otherwise stipulated in this Chapter, the debtor declared bankrupt shall recover the rights which have been denied to them under the provisions of this law, upon the lapse of one year from the bankruptcy proceeding end date.

#### **Article 286 Rehabilitation for Payment of All Debts**

1. A judgment shall be issued to establish rehabilitation of the insolvent debtor, even if the period stipulated in Article [285] of this Law has not expired, if the insolvent debtor pays all of his debts, including the principal debt and expenses, including the part for which he was discharged.

2. If the insolvent debtor is an active partner in a company that has been declared bankrupt, their rehabilitation shall only be established after they pay off all of the company's debts, including principal debts and expenses.

#### **Article 287 Rehabilitation of Convicted Debtor**

1. Rehabilitate may only be granted to an insolvent debtor who has been convicted of any of the crimes in relation to the bankruptcy fraud or bankruptcy by default after the lapse of [3] three years from the execution of the penalty or its pardon, its extinguishment due to the statute of limitations or the expiration of its

period if a judgment is issued to stay its execution, provided that they have settled all their debts, including the principal debts, interest and expenses or have agreed to establish composition in respect of them with the creditors and implemented the terms of the composition.

2. If the insolvent debtor has not paid off their debts, they may only be rehabilitated after [10] ten years have passed since the execution of the penalty or its pardon, extinguishment due to the statute of limitations or the expiry of its period if a judgment is issued to stay its execution.

#### **Article 288 Rehabilitation of Insolvent Debtor after Death**

The insolvent debtor shall be rehabilitated after their death upon motion of any of the heirs, and the dates stipulated in Article [285] of this Law shall be calculated as of the date of death.

#### **Article 289 Creditor's Refusal to Collect Debt**

If a creditor willfully refuses to collect their debt or is absent, or where it is not possible to identify their place of residence, the debt may be deposited in the treasury of the Bankruptcy Court, and a deposit slip in connection with rehabilitation shall be considered as quittance.

#### **Article 290 Submission of Application for Rehabilitation**

1. The application for establishing rehabilitation, accompanied by supporting documents, shall be submitted to the Bankruptcy Department. The Bankruptcy Department shall send the application within [10] ten days from the date of its submission to the Public Prosecution, and it shall be recorded in the Commercial Register.

2. The Bankruptcy Department shall, within ten [10] days from the date of submitting the application, notify the creditors whose debts were approved in the bankruptcy proceeding of the application for establishing rehabilitation.

3. The summary of the application shall be announced at the insolvent debtor's expense, and the summary shall include the name of the insolvent debtor, the date of issuance of judgment declaring bankruptcy, the method of ending the bankruptcy proceeding and a notice to the creditors to submit their objection, if necessary.

#### **Article 291 Public Prosecution's Report on Rehabilitation Application**

The Public Prosecution shall, within [10] ten days from the date of its receipt of a copy of the rehabilitation application, submit to the Bankruptcy Department a report containing data including the type of bankruptcy, the judgments issued against the insolvent debtor in bankruptcy crimes, the trials or ongoing investigations therewith in this regard and its opinion on the application.

#### **Article 292 Objection to Rehabilitation Application by Creditors**

Any creditor, who has not collected their right, may submit an objection to the rehabilitation application within [10] ten days from the date of service of the application's summary. The objection shall be filed under a written report to be submitted to the Bankruptcy Department, accompanied by the supporting documents.

#### **Article 293 Rehabilitation Application Hearing**

1. The Bankruptcy Department shall, within ten [10] days of receiving the Public Prosecution's response, transfer the file of the rehabilitation application and the objections to the Bankruptcy Court, accompanied by a report of its opinion on the application.
2. The Bankruptcy Court shall schedule an urgent hearing to hear the rehabilitation application, and shall notify the creditors who have submitted objections.

#### **Article 294 Deciding on Rehabilitation Application**

The Bankruptcy Court shall decide on the rehabilitation application under a final judgment. If the Bankruptcy Court dismisses the application, the same may only be filed again after one year following the date of issuance of the judgment.

#### **Article 295 Suspension of Decision on the Rehabilitation Application**

1. If, before the rehabilitation application is decided on, investigations are conducted with the insolvent debtor regarding any of the bankruptcy crimes or where a criminal action has been initiated against them in this regard, the Public Prosecution shall immediately notify the Bankruptcy Court.
2. The Bankruptcy Court shall suspend adjudication on the rehabilitation application until the investigations are completed or a final judgment is rendered on the criminal action.

#### **Article 296 Judgment Against the Debtor on any Bankruptcy Crime After Judgment Establishing Rehabilitation**

If a judgment of conviction is rendered against the insolvent debtor on the grounds of any of the bankruptcy crimes after a judgment establishing their rehabilitation had been rendered, the latter judgment shall be considered null and void, and the insolvent debtor may only seek rehabilitation afterwards in accordance with the conditions stipulated in Articles [285, 286 and 287] of this Law.

#### **Article 297 Effect of Judgment Establishing Rehabilitation of Insolvent Debtor**

The judgment establishing rehabilitation shall entitle to the insolvent debtor to recover their political rights and shall remove all restrictions on their civil capacity to acquire rights, assume obligations and occupy public jobs. In addition, the insolvent debtor shall restore their legal capacity that existed before they ceased to pay off their debts.