

CLIENT ALERT | 3 July 2026

UAE Implements the Provisions of Chapter V of the UAE Bankruptcy Law

The Cabinet Decision applies to preventive settlement, restructuring, or bankruptcy proceedings where a debtor's business has been affected by "Iranian acts of aggression".

In the wake of the Iran war, the United Arab Emirates (UAE) has implemented the provisions of Chapter V (Articles 251–257) of the Financial Restructuring and Bankruptcy Law (Federal Decree-Law No. 51 of 2023) (as amended) (the UAE Bankruptcy Law).

Chapter V applies a special temporary regime and was invoked under Council of Ministers-issued Cabinet Decision No. 94 of 2026 (the Cabinet Decision). The Cabinet Decision and the regime apply to preventive settlement, restructuring, or bankruptcy proceedings where a debtor's business has been affected by "Iranian acts of aggression", and apply in respect of filings from 28 February 2026 onwards. The Cabinet Decision came into force on 1 June 2026, and the activation of Chapter V remains effective until terminated by a further Cabinet decision.

What the Cabinet Decision Means in Practice

- **Pause on creditors initiating bankruptcy proceedings in respect of affected debtors:** Creditors are temporarily prevented from initiating bankruptcy proceedings in respect of affected debtors, and the court must defer any such application until the UAE lifts the implementation of the provisions of Chapter V. The court is also barred from taking precautionary measures (including enforcement) over assets necessary for the debtor's continued operations.
- **Debtor-friendly filing regime:** An affected debtor that elects to file is not required to appoint a court-appointed trustee and retains control of its business, provided it demonstrates a causal link between its financial distress and the impact of regional hostilities.
- **Cram-down settlement mechanism:** An affected debtor may request up to 40 business days to negotiate directly with creditors. If creditors representing two-thirds of the debt value agree terms, the settlement binds all creditors, including dissenters and any creditors that haven't participated in the negotiations. The maximum settlement tenor is 12 months.
- **Doubling statutory deadlines:** For proceedings already commenced before the declaration, the court may extend all deadlines and periods by up to double the standard durations.

- **Wage payments:** Directors and managers may pay outstanding employee wages and salaries without exposure to liability for preferring these debts.
- **Priority financing:** An affected debtor may seek court permission to obtain new financing with statutory priority over existing ordinary debts. Any such court-sanctioned financing may be secured by unencumbered assets, or by junior ranking security over encumbered assets provided such assets exceed the value of the secured debt (unless secured creditors consent to equal or senior ranking). Where the secured creditor is a licensed financing entity, the court may permit new senior security up to 30% of the value of the assets secured for that creditor.

Key Takeaways for Businesses

- **Borrowers and sponsors** should assess whether existing or anticipated financial distress is attributable to recent regional hostilities. This nexus must be established to unlock the regime protections of the UAE Bankruptcy Law.
- **Secured lenders** should note the risk of court-approved senior security under Article 257 of the UAE Bankruptcy Law.
- **Creditors considering enforcement** should be aware that any application filed during the invocation of Chapter V will be paused by the court until the relevant stay period ends by a further Cabinet decision. Early engagement with affected debtors on consensual restructurings is the practical route.

Latham & Watkins will continue to monitor guidance from the Council of Ministers and relevant UAE authorities.

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