

International Comparative Legal Guides

Lending & Secured Finance 2026

A practical cross-border resource to inform legal minds

14th Edition

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1 Overview

1.1 What are the main trends/significant developments in the lending markets in your jurisdiction?

Trends

Based on our observations, lenders' risk appetite has continued to grow compared to the previous year, supported by strong liquidity and continued expansion in credit and deposits. The Central Bank of the UAE ("CBUAE") reported in its Quarterly Monetary, Banking & Financial Markets Developments Report for the third fiscal quarter of 2025 that total assets of banks operating in the UAE increased by 4.6% (Q/Q) in the third quarter of 2025, reaching AED 5,199.9 billion; and the gross credit increased by 6.2% (Q/Q), reaching AED 2,478.8 billion at the end of September 2025, recording an annual increase of 14.7%, while the resident deposits increased by 13.5% and the non-resident deposits increased by 38% on a year-on-year basis.

S&P Global Ratings has noted in their forecast for 2026 that strong credit growth, lower provisioning requirements, and high interest margins supported banks' strong profitability in 2025, while liquidity improved as a result of deposit growth outpacing new lending, and they expect that a strong lending growth will persist in 2026 due to ongoing monetary policy easing and the supportive economic environment and barring any geopolitical escalations with potentially adverse effects on real estate, tourism, trade, and investment flows, they expect solid loan growth of 10%–12% in 2026, compared with an estimated 12% in 2025.

Background to legal regime

Onshore

When reading this chapter, it is important to note that the UAE provides the option for companies to incorporate either "onshore" (for which it was previously the case that 51% of the company had to be owned by a UAE national or 100% by a Gulf Cooperation Council ("GCC") national) or "offshore" (in one of more than 40 free zones, including but not limited to the Dubai International Financial Centre ("DIFC") and the Abu Dhabi Global Market ("ADGM")). However, in 2020, the UAE government issued Cabinet Resolution No. 16 (the "Positive List Resolution"), which created a so-called "Positive List" of economic sectors and activities where foreign direct investments in "onshore" companies were permitted. The Positive List Resolution enabled foreign entities to hold 100% ownership in "onshore" companies engaged in specific activities such as manufacturing, consultancy, management and

construction. Subsequently, competent authorities of other Emirates published their respective lists (the "Local Positive Lists"), which specified the particular activities that are open for 100% foreign ownership in each Emirate.

On 2 January 2022, the UAE enacted Federal Decree Law No. 32 of 2021 on Commercial Companies (the "New CCL"), which replaced Federal Law No. 2 of 2015 on Commercial Companies (the "Old CCL"). Unlike the Old CCL, the New CCL does not impose restrictions on foreign ownership in UAE companies. Pursuant to the New CCL, the UAE Cabinet issued Cabinet Decision No. 55/2021, which established a list of "strategic impact activities" (the "Strategic Impact List"). This list includes certain sectors such as security, defence, military activities, banking, exchange houses, financing, insurance, money printing and telecommunications. Companies operating in these sectors are subject to additional licensing controls.

However, paragraph 3 of Article 10 of the New CCL stipulates that competent authorities of each Emirate have the power to determine foreign ownership restrictions within the jurisdiction of that Emirate. This creates a discrepancy between the Local Positive Lists and the New CCL because it is not entirely clear whether the Local Positive Lists still apply or whether they have been repealed by the New CCL. As a result, it is currently unclear whether any foreign ownership restrictions are applicable in the UAE, other than with respect to the Strategic Impact List.

Therefore, practitioners shall always check the applicability of any foreign ownership restrictions with the competent authority of the respective Emirate before entering into transactions that may be impacted by such matters.

Offshore

With respect to free zones, most free zones will only have the power to regulate and promulgate laws regarding the incorporation of companies, so each free zone typically has its own companies' laws and regulations. These laws and regulations permit 100% foreign ownership in their respective free zones. The focus of this chapter will be onshore UAE companies and companies incorporated in the DIFC and ADGM (as the DIFC and ADGM are the most relevant free zones insofar as financial institutions and their activities are concerned).

The Constitution of the UAE 1971 (the "UAE Constitution") was amended on 27 March 2004 to allow the establishment of financial free zones (the DIFC and ADGM, by way of example) and grants them the legislative power to enact their own civil and commercial laws for the companies registered within those free zones. Both the DIFC and ADGM have enacted comprehensive laws and regulations (in many cases imported from English law) but excluded criminal law, as Federal Decree

Law 31 of 2021 (as amended) still applies to such free zones. In addition, the DIFC and ADGM have their own court systems.

Practitioners should also be aware that *Shari'a* (Islamic law) is a main source of legislation as confirmed by Article 6 of the UAE Constitution, and companies operating, lending, or taking security in the UAE should be sensitive to UAE law, customs and practice. A key example of this relates to the language used in *Shari'a*-compliant transaction documentation. Terms such as “lender”, “borrower”, “debt”, “interest” and “loan”, although used in this chapter to assist the reader, are not *Shari'a*-compliant and should be interpreted as (and used when working on *Shari'a*-compliant deals) “financier”, “obligor”, “profit”, “facility” or “financing”, as applicable.

Legislation

Onshore

On 9 December 2022, the UAE released Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the “**CT Law**”). Businesses will become subject to UAE Corporate Tax from the beginning of their first financial year that starts on or after 1 June 2023. The CT Law establishes a 9% tax rate on taxable income, excluding (i) taxable income not exceeding AED 375,000, or (ii) Qualifying Income of a Qualifying Free Zone Person (an entity incorporated in a free zone that meets the criteria outlined in Article 18 of the CT Law). The UAE governmental authorities further determined the Qualifying Income in Cabinet and Ministerial decisions issued in connection with the CT Law, including Cabinet Decision No. 55 of 2023 on Determining Qualifying Income for the Qualifying Free Zone Person for the Purposes of the CT Law on the Taxation of Corporations and Businesses and Ministerial Decision No. 139 of 2023 regarding Qualifying Activities and Excluded Activities for the Purposes of the CT Law.

A value-added tax (“**VAT**”) regime was enacted at the start of 2018 pursuant to Federal Decree Law No. 8 of 2017 (the “**VAT Law**”) (based on the principles contained in the Unified GCC Agreement for VAT, which was published in the Kingdom of Saudi Arabia’s *Official Gazette* in April 2017), introducing a VAT at a rate of 5% across the UAE as of 1 January 2018. Companies with annual supplies in the UAE above AED 375,000 must register for VAT. If a company has annual supplies above AED 187,500, it can voluntarily register. Similar to Western markets, if a company is engaged in the supply of goods or services that are subject to VAT (including at the zero rate), the company will be entitled to reclaim VAT that it incurs on its costs. Where the company is engaged in activities that are exempt from VAT and it cannot reclaim VAT incurred on costs, VAT will be a cost to its business (as suppliers will charge VAT that cannot be reclaimed). As a consequence, facility agreements now must contain provisions regulating the payment of VAT by the borrower. Lenders and borrowers also need to assess the applicability of VAT to commodity trades used in commodity *Murabaha* financings.

On 31 October 2023, the UAE published Federal Decree Law No. 51 of 2023 concerning Financial Restructuring and Bankruptcy (the “**New Bankruptcy Law**”). The New Bankruptcy Law, which became effective from 1 May 2024, significantly changed regulation of restructuring and bankruptcy procedures and repealed the existing Federal Decree by Law No. 9 of 2016 on Bankruptcy (the “**Old Bankruptcy Law**”). Please refer to section 8 for an overview of certain related developments.

Federal Law No. 4 of 2020 on Securing the Rights in Moveables (the “**Pledge Law**”) primarily governs the law around taking security over certain assets (such as machinery

and receivables) onshore in the UAE. The Pledge Law allows lenders to register effective pledges over tangible or intangible moveable assets that exist in the present or in the future. An electronic security register (the “**Security Register**”) has been established to record the rights of the parties under the pledge and to establish priority *vis-à-vis* competing creditors. The Pledge Law had a positive reception; however, due to the untested nature of the Pledge Law, we have seen circumstances where parties have continued to err on the side of caution and have chosen to take security under both the Pledge Law and other available forms of security (where possible) to secure their positions.

Further detail on the practical effect and operation of the Pledge Law was clarified by the executive regulations of the Pledge Law (Federal Cabinet Resolution No. 29 of 2021, the “**Executive Regulations**”). The Executive Regulations were issued pursuant to the Pledge Law and include some new additions, such as the requirement for banks to enter into account control agreements where bank accounts are the subject of security. The Pledge Law has provided a greater measure of confidence to both lenders and borrowers in the UAE lending market, and the Executive Regulations provide detailed guidance on the practicalities and documents needed for security registration.

The UAE has also recently issued a new Federal Competition Law (Decree Law No. 36 of 2023), which entered into force on 29 December 2023 and repealed and replaced the existing Competition Law (Law No. 4 of 2012) from 29 December 2023. The new competition law conducts a major overhaul of the existing UAE competition regime, including narrowed exemptions available under the competition law, as well as revised merger control procedures. By way of example, under the old regulation an M&A transaction was required to be filed only if the combined market share of the parties exceeded 40%. This was a relatively high threshold resulting in few filings in the UAE. Under the new law the parties intending to participate in an M&A transaction (“*economic concentration*”) is a measure of the extent to which an industry/market is dominated by one or more firms, using the “*concentration ratio*” – the percentage of the total production/capacity held by the largest firms in the particular industry/market) are required to notify the UAE Ministry of Economy and obtain clearance before the transaction, if certain thresholds are met:

- turnover threshold – exceeding a certain amount of the total annual sales of the parties in the relevant market; or
- market share threshold – combined share of the parties’ transactions as compared to the total transactions in the relevant market exceeds a certain percentage of the market share.

Both the turnover amount and the market-share percentage have been recently determined by the UAE Cabinet of Ministers, which issued a respective decree on 20 January 2025 (Cabinet Decision No. 3/2025 On the Ratios Related to the Implementation of Federal Decree Law No. 36/2023 Regulating Competition). Under the Cabinet Decision No. 3/2025, which comes into force on 31 March 2025, the applicable thresholds are as follows:

- (1) the total annual sales value of the concerned establishments in the relevant market within the UAE exceeds three hundred million dirhams (AED 300,000,000, or approximately USD 81.6 million) during the last fiscal year; or
- (2) the total market share of the concerned establishments exceeds 40% of the total transactions in the relevant market within the UAE during the last fiscal year. Notably, this threshold is in line with the previous UAE merger control threshold.

Although the implementing regulations to the new Federal Competition Law have not yet been adopted, the transactions that meet the thresholds established by the above Cabinet Decision No. 3/2025 will require a mandatory pre-closing notification from 31 March 2025, unless an exemption applies.

On 8 September 2025, Federal Decree Law No. 6 of 2025 Regarding the Central Bank Regulation of Financial Institutions and Activities and Insurance Business (the “**CB UAE Law**”) was issued, repealing and replacing previous Federal Decree Law No. 14 of 2018 Regarding the Central Bank and Organization of Financial Institutions and Activities. The CB UAE Law introduced a number of material amendments, including bringing within scope of Licensed Financial Activities payment services involving virtual assets, decentralised finance, and other emerging technologies, expressly providing that any person who directly or indirectly conducts, offers, issues, or facilitates any licensed financial activity – irrespective of the means, technology, or form used – is subject to licensing and regulation by the CBUAE, and increasing administrative fines, with penalties now reaching up to AED 1 billion for certain violations.

Recently, the New CCL was further amended pursuant to Federal Decree Law No. 20 of 2025, introducing a number of material amendments, including the express recognition of drag-along and tag-along rights, the ability for onshore companies to issue multiple classes of shares, recognition of a re-domiciliation regime, and the introduction of non-profit companies.

Lastly, on 1 January 2026, it was reported that the UAE government had issued a Federal Decree Law No. 25 of 2025 amending the Civil Transactions Law (Federal Law No. 5 of 1985, as amended) (the “**Civil Transactions Law**”). Whilst the law has not yet been officially published, it is reported that it will enter into force on 1 June 2026. Reported key amendments include the introduction of statutory regulation of pre-contractual negotiations, recognition of framework agreements, expanded judicial discretion to refer to the principles of *Shari'a* in the absence of applicable legislative provisions to achieve justice and public interest in light of the circumstances of each case, and amendments to the legal regime governing assignment.

Offshore

The DIFC also recently introduced a number of laws and regulations enhancing its corporate regulatory framework. Significant changes were established by the new DIFC companies law (DIFC Law No. 5 of 2018) (the “**DCL**”), which came into effect on 12 November 2018. One important change is the reclassification of companies whereby “limited liability companies” are now categorised as either “public companies” or “private companies”.

The DIFC also introduced a new insolvency law (DIFC Law No. 1 of 2019) (the “**New DIL**”), which came into effect on 6 May 2019 and adopts the UNCITRAL Model Law, in order to facilitate cross-border cooperation for multijurisdictional insolvency proceedings. The DIFC also introduced DIFC Insolvency Regulations 2022, which came into effect on 7 March 2022 and clarifies how certain aspects of the New DIL will operate practically, including specific details on how the steps relating to voluntary arrangements will be conducted.

The most recent changes to the DIFC legal regime include amendments to the DIFC Law on the Application of Civil and Commercial Laws in the DIFC (DIFC Law No. 3 of 2004), adopted in November 2024 in response to the landmark decision in *The Industrial Group Limited v Abdelazim EL Sheikh EL Fadil Hamid* [2022] DIFC CA 005/006 (“**Industrial Group**”). In

Industrial Group, the DIFC Court of Appeal held that: (i) DIFC law is primarily statutory, and the existence of common law principles or equitable doctrines under DIFC law is questionable unless expressly incorporated into DIFC legislation; and (ii) given that certain DIFC laws originate from non-common law systems, the applicability of common law as an interpretative aid for such laws is uncertain.

In response to the issues raised in *Industrial Group*, the DIFC has amended the aforementioned law to clarify that: (i) DIFC statutes are the primary source for interpreting DIFC laws; however, common law (including principles and rules of equity) supplements DIFC statutes; and (ii) the interpretation of DIFC statutes may be guided by jurisprudence from common law jurisdictions. However, where a DIFC statute is based on an international model law, its interpretation may also be informed by international jurisprudence interpreting and applying that model law.

Other changes to DIFC laws include the introduction of the new DIFC Law of Security (DIFC Law No. 4 of 2024), which came into effect on 8 March 2024 and is modelled after the UNCITRAL Model Law on Secured Transactions. Key amendments to the security regime in DIFC under this law include: (i) expressly permitting secured obligations to be described by reference to all obligations owed to the secured creditor at any time; (ii) clarifying that a security agreement may be oral, provided that the secured creditor is in possession of the encumbered asset; (iii) establishing specific priority rules granting priority to a secured creditor who has perfected a security right in a negotiable instrument by possession of the instrument, or in an “independent undertaking” (such as a guarantee) by obtaining control over such an undertaking, over a secured creditor who has perfected a security interest by filing a financing statement; and (iv) introducing rules relating to the extension of security rights over identifiable proceeds of collateral (such as proceeds from sales, transfers, and leases) and rules with respect to security over the assets commingled with other assets of the same kind.

The recent amendments to the DIFC Real Property Law (DIFC Law No. 10 of 2018) pursuant to the DIFC Real Property Law Amendment Law (DIFC Law No. 9 of 2024) should also be noted. In particular, a mortgage registration fee has been introduced, set at 0.25% of the amount of the debt or liability secured by the mortgage, payable upon registration of the mortgage in DIFC.

With respect to the ADGM, pursuant to Article 1 of recent Cabinet Resolution No. 41 of 2023 Amending Cabinet Resolution No. (4) of 2013 Determining the Location and Area of Abu Dhabi Global Market (the “**ADGM Area Resolution**”), the location of ADGM was significantly extended to fall on Al Reem Island. The ADGM Area Resolution does not specify the transition period applicable to the extended territories; however, the ADGM published amendments to the main laws suspending their application on Al Reem Island until 31 December 2024 (albeit starting from 1 November 2023, all businesses planning to establish a new presence on Al Reem Island must submit their commercial licence applications to ADGM rather than to Abu Dhabi mainland authorities). As of 1 January 2025, ADGM regulations have become fully applicable to the Al Reem Island territory, including a comprehensive overhaul of ADGM real estate laws and regulations in response to the significant expansion of ADGM jurisdiction. Key developments include the introduction of the Off-Plan Development Regulations 2024, the Registration of Future Interests Rights Regulations 2024, comprehensive revision of the Real Property Regulation 2015 and the adoption of several subordinate regulations.

1.2 What are some significant lending transactions that have taken place in your jurisdiction in recent years?

- Abu Dhabi National Energy Company PSJC issued USD 1.5 billion Reg-S/144A multi-tranche Green Bonds in April 2024.
- Abu Dhabi National Oil Company issued USD 1.5 billion sukuk under its newly established international sukuk programme in April 2025.
- Avolon Aerospace, a global aviation finance company, attracted USD 1 billion senior unsecured dual tranche conventional and Islamic compliant financing from a syndicate of banks comprising Emirates NBD Bank (P.J.S.C.), Abu Dhabi Commercial Bank PJSC, Warba Bank KSCP, First Abu Dhabi Bank PJSC, Gulf Bank KSCP, Emirates Islamic Bank PJSC and Dubai Islamic Bank PJSC.
- Stanford Marine and Allianz Middle East Ship Management has attracted the USD 300 million refinancing facility from the National Bank of Fujairah PJSC and The Arab Energy Fund in February 2025, which is reported to be one of the largest Secured Overnight Funding Rate based facilities for the Offshore Support Vessels sector in the Middle East and North Africa (“MENA”) region.
- CDPQ completed a USD 900 million bond refinancing for its stake in Jebel Ali Terminals and Free Zone FZCo (“JVCo”) in the UAE. The issuance proceeds were used to refinance a portion of the USD 2 billion bridge loans issued for CDPQ’s USD 5 billion acquisition of a 21.89% non-controlling minority stake in DP World’s Jebel Ali assets in June 2022.
- Dubai-based Advanced Inhalation Rituals (“AIR”) secured a USD 525 million five-year senior secured syndicated facility. The financing, provided by a group of banks, refinanced AIR’s existing term debt following its delisting and provided liquidity for a call option to acquire shares from an existing shareholder.

2 Guarantees

2.1 Can a company guarantee borrowings of one or more other members of its corporate group (see below for questions relating to fraudulent transfer/financial assistance)?

A company can generally guarantee the borrowings of members of its corporate group in the UAE, subject to certain restrictions as set out in the response to question 4.1.

For both onshore and offshore entities, the authority to provide guarantees is predominantly governed by the relevant entity’s constitutional documents and requires obtaining the relevant corporate authorisations (see the response to question 2.3). Guarantees must be in writing and specify the amount secured by the guarantee. The purpose of the guarantee must be clearly defined from the outset as per the laws of the UAE.

Generally, guarantees provided under certain Islamic financing structures that are subject to *Shari’a* principles may not be permitted if their objective is to guarantee a specified return to the lenders or investors. Further, all documents relating to a *Shari’a*-compliant transaction must be preapproved in writing by *Shari’a* scholars who issue compliance certificates (each, a “*Fatwa*” and collectively, “*Fatawa*”)

per transaction and are expected to audit the transaction on a regular, often annual, basis to ensure that it continues to meet *Shari’a* requirements, as interpreted by the relevant *Shari’a* scholars and documented in the relevant *Fatwa*.

2.2 Are there enforceability or other concerns (such as director liability) if only a disproportionately small (or no) benefit to the guaranteeing/securing company can be shown?

Whilst no specific restrictions are identifiable, the main concern revolves around a director’s fiduciary duties to the relevant company.

Onshore

A director of an onshore company in the UAE is required to act in the company’s best interests, as set out in the New CCL. The directors of an onshore company must have regard to the legislative requirement for the pursuit of profit (New CCL Article 8) and to further the company’s objectives (New CCL Article 22). With those interests in mind, there are also some distinct provisions to which directors should adhere to. For example, an onshore company is not permitted to guarantee a loan agreement entered into between a board member and third party (New CCL Article 153) (see the response to question 2.3).

Offshore

Similarly, free zone entities place similar responsibilities on the directors. The DCL states that directors must, amongst other things, “exercise independent judgment, exercise reasonable care, skill, and diligence and avoid conflicts of interest” (DCL Articles 71, 72, and 73, respectively). In relation to the ADGM, Chapter 2 of Part 10A of the ADGM Companies Regulations 2020 (as amended) (the “**ADGM Companies Regulations**”) also requires that directors perform the duties listed above in the DCL. The DCL is widely considered to have broadened the scope of duties for directors of DIFC companies, and both the DCL and the ADGM Companies Regulations closely align with the directors’ duties under the English Law Companies Act 2006.

Directors for both onshore and offshore companies should therefore take care when committing a company to guarantee the financial risk of another entity and should conduct appropriate due diligence to ensure that the company is able to meet its payment obligations and that the company is not insolvent or likely to become insolvent.

2.3 Is lack of corporate power an issue?

Onshore

By way of its constitutional documents, an onshore company may grant management broad powers that enable it to run the company without involving its board of directors and shareholders (subject to certain restrictions for public companies – explored in greater detail below).

In respect of onshore public joint-stock companies (“**PJSCs**”), directors may not enter into a loan agreement or provide guarantees to directors (New CCL Article 153) unless the company is a financial institution regulated by the CBUAE. If not expressly permitted, shareholder approval should be obtained. For onshore limited liability companies (“**LLCs**”), which had previously avoided hefty regulation, directors should be aware that New CCL now includes an article (Article 104) that states that the provisions therein, which apply to PJSCs and private joint-stock companies (“**PrJSCs**”), shall now also apply to an LLC unless otherwise stated.

Offshore

Offshore companies must similarly act in accordance with their articles, although, notably, they need not comply with New CCL, except to the extent that they also operate onshore within the UAE. It should be noted that the relevant DIFC and ADGM laws also include provisions to protect third parties dealing with companies in good faith. For example, Article 21 of the DCL and Article 35 of Part 4 of the ADGM Companies Regulations both state that a person acting in good faith shall not be affected by any limitations in the articles of a company relating to the ability of the directors to bind the company. This approach is broadly consistent with the UK Companies Act 2006.

2.4 Are any governmental or other consents or filings, or other formalities (such as shareholder approval), required?

In general, no governmental consents or filings are required in order to give effect to a guarantee in the UAE. However, a guarantee should be properly authorised by the company's constitutional documents and authorisations as previously stated. For onshore companies, a guarantee's form and substance should satisfy the requirements of the Civil Transactions Law and the Commercial Transactions Law (Federal Law No. 50 of 2022) (the "**Commercial Transactions Law**"), as applicable. Practitioners should also consider that offshore companies may have their own legislation that governs such form and substance.

Additionally, if a transaction needs to comply with *Shari'a* principles, the preapproval of *Shari'a* scholars is required as more fully described in the response to question 2.1.

2.5 Are net worth, solvency or similar limitations imposed on the amount of a guarantee?

As mentioned above, depending on the *Shari'a* structuring of the transaction, certain guarantees that ensure a specified return for the lender may be restricted, and specific advice should be sought in this regard.

Onshore

For onshore companies, the Civil Transactions Law (Article 1061) requires that guarantees must be issued with respect to a specified debt or certain amount. In addition, the guarantee should be within the capacity of the guarantor to discharge. Therefore, whilst there is not a limit *per se*, a guarantor should not guarantee more than it can afford to repay. Guarantees should also be specific in nature, and whilst judgments have been made in the UAE that have recognised "all-monies" guarantees, the above restrictions should be carefully considered on a case-by-case basis.

In respect of personal guarantees, it should be noted that due to regulatory changes, a personal guarantee alone may not be considered as sufficient security for loans granted by banks. This has implications for existing transactions, potentially resulting in borrowers and guarantors attempting to challenge existing deals that are not otherwise secured. Banks must now adapt their lending practices to ensure compliance with these new regulations, considering a more focused approach to selecting suitable securities that facilitate enforcement, but at the same time avoiding over-collateralisation (which, as recent court practice suggests, may also be an issue).

Offshore

There are no such limitations placed on DIFC or ADGM companies, other than those outlined in the response to question 2.2.

2.6 Are there any exchange control or similar obstacles to enforcement of a guarantee?

There are no exchange controls in the UAE that would restrict the enforcement of both onshore and offshore guarantees, aside from certain restrictions arising under international sanctions or local boycott regulations.

Onshore

The interpretation of the limitation period for onshore companies may affect enforcement of guarantees. Article 1092 of the Civil Transactions Law states that in relation to a surety, a creditor should claim the debt within six months of the date on which payment fell due. The Supreme Court in Abu Dhabi has stated that Article 1092 shall only apply to guarantees with respect to civil transactions and has found that the six-month time bar does not apply to guarantees in commercial transactions, particularly where the beneficiaries are financial institutions. In commercial transactions, if there is no time limit specified in the bank guarantee, the general limitation period under UAE law of 10 years shall apply as provided, as UAE law does not provide a limitation period specifically for bank guarantees. It is therefore common practice to disapply the provision that states the limitation period is six months in the relevant transactional documents, although it is not clear whether this would succeed in ensuring that the provision would not have an effect.

Offshore

Certain free zones have passed specific regulations that apply *in lieu* of the UAE Code of Civil Procedures (Federal Law No. 42 of 2022, as amended) (the "**Code of Civil Procedures**") and the Commercial Transactions Law. For example, the Law of Damages and Remedies DIFC Law No. 7 of 2005 in the DIFC states that, excluding fraud, a claim cannot be commenced more than six years after the date of the event(s) that gave rise to the claim. However, should the free zones' legislation be silent regarding limitation periods, the period will be the same as under UAE law. The ADGM incorporates a number of English law statutes, including the Limitation Act 1980, by virtue of the Application of English Law Regulations 2015 (as amended). Under the Limitation Act 1980, a claim that is founded on a simple contract cannot be commenced more than six years after the date of the event(s) that gave rise to the claim. Where the claim is founded on a deed, a claim cannot be commenced more than 12 years from the date of the event(s) that gave rise to the claim.

3 Collateral Security

3.1 What types of collateral are available to secure lending obligations?

Although there are differences between the types of collateral available to onshore and offshore companies, both allow (with certain restrictions and limitations) security over (i) real estate/land, (ii) tangible moveable property (e.g., machinery or stock), (iii) shares, (iv) receivables, and (v) cash deposits.

As outlined above, the Pledge Law governs the process of taking security over a wide variety of moveable property

located onshore in the UAE, both tangible and intangible. The law has alleviated the more cumbersome aspects of taking security over moveable property, which was generally previously governed by the Civil Transactions Law and the Commercial Transactions Law. Some assets, such as shares, do not fall within the parameters of the Pledge Law.

For each free zone, the Federal or Emirate decree that created the free zone should be reviewed, as it may grant authority for that free zone to regulate matters relating to the taking of and enforcement of security. Most free zones will only have the power to regulate and promulgate laws regarding the incorporation of companies, and therefore the relevant Federal laws of the UAE and specific Emirate will continue to apply to all aspects not expressly regulated by the free zone. In relation to the DIFC, the creation, perfection and enforcement of security is governed by the DIFC Law No. 4 of 2024 (“**DIFC Law of Security**”), the DIFC Security Regulations, and the DIFC Real Property Law (DIFC Law No.10 of 2018). Such regulations more closely mimic common law-based regulations governing the taking of security.

In relation to the ADGM, the law relating to security is broadly governed by the ADGM Real Property Regulations 2024 issued on 1 October 2024 (“**ADGM Property Regulations**”), the ADGM Companies Regulations and the ADGM Insolvency Regulations 2022 issued on 29 August 2022 (“**ADGM Insolvency Regulations**”). The legislation in the ADGM is also closely aligned with English law, with the most common form of security being taken over collateral being a charge. The law also recognises the distinction between the concept of fixed and floating charges, which is a distinction that also exists under English law. A fixed charge would commonly be granted over machinery and shares, whereas a floating charge usually covers all other current and future assets, including stock-in-trade, and a mortgage would typically be taken over land. Debtors with a fixed charge have very limited ability to dispose of their assets, whereas debtors with a floating charge are free to dispose of their assets in the ordinary course of business.

Foreign lenders should also bear in mind that ownership of land may be restricted to UAE (or GCC) nationals in certain Emirates. Dubai, however, is generally more progressive in this regard, as it permits foreign ownership of land in certain designated areas (Regulation No. 3 of 2006 Determining Areas for Ownership by Non-UAE Nationals of Real Property in the Emirate of Dubai (as amended)). Such restrictions could affect the perceived value placed on any such security by lenders; the ability of a foreign lender to enforce its security package over, for example, real estate in an area that is not designated as freehold or over shares in a company incorporated onshore up to a percentage that exceeds the maximum that foreigners are entitled to own should be borne in mind when negotiating the security package for any given transaction. This often triggers the need to consider a structured solution or the involvement of a security agent or trustee.

3.2 Is it possible to give asset security by means of a general security agreement or is an agreement required in relation to each type of asset? Briefly, what is the procedure?

Whilst general overarching security agreements can be provided in the UAE, the general practice and advisable approach is to have separate agreements wherever possible. Further, as certain security documents may have to be

notarised and registered with different government entities, particularly in relation to land and shares, it may create uncertainty and result in additional costs if they were to be included in the same agreement.

Additionally, in *Shari'a*-compliant transactions, the prevailing interpretation adopted by *Shari'a* scholars provides for the separation of subject matters in documentation to ensure that there is a reduced chance of material ambiguity (*Gharar*) in the agreements.

The procedures for the relevant security agreements vary from asset to asset (see the responses to questions 3.3 and 3.8).

3.3 Can collateral security be taken over real property (land), plant, machinery and equipment? Briefly, what is the procedure?

Onshore

A person or company owning property in the UAE (with the legal capacity to sell) can create a mortgage in favour of a mortgagee licensed by the CBUAE. The mortgage can be over (i) land and buildings, (ii) a leasehold interest, and/or (iii) a building erected on leased land.

In order to perfect a valid mortgage in the UAE, the land mortgage agreement (generally pre-printed documents prescribed by the relevant authorities) must be (i) executed in writing in Arabic in the presence of a notary public or the relevant land department, and (ii) provided to the mortgage registrar with the land department or the local municipality of the relevant Emirate. A fee, which is usually payable, is dependent on the specific Emirate; however, it can commonly be linked to a percentage of the mortgage amount (see the response to question 3.9).

As discussed in the response to question 3.1, foreign lenders should also bear in mind that ownership of land, onshore companies, and other assets may be restricted to UAE (or GCC) nationals in certain Emirates and, as such, the involvement of a local bank or a local/regulated security agent or trustee may be necessary. Furthermore, regardless of foreign ownership restrictions, certain types of security can only be given in favour of a bank licensed by the CBUAE.

Lenders should also be aware that it is possible to take mortgages over ships and aircraft under the laws of registration of the relevant assets. In the case of mortgages over aircraft, the mortgage instrument may be filed with the General Civil Aviation Authority (the “**GCAA**”), and a UAE pledge will also typically be taken over these assets. If a mortgage is filed with the GCAA, the lender’s interest will be noted on the certificate of registration of the aircraft. It is also worth noting that, in 2008, the UAE ratified the Convention and Aircraft Protocol on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment, commonly known as the Cape Town Convention.

Offshore

Interests in land in free zones may be subject to the regulations of such free zone. Property within the DIFC is governed by the DIFC Real Property Law, which outlines that land transactions must be registered in a central register administered by the DIFC and should include (i) a description to identify the property, (ii) a description to identify the interest to be mortgaged, and (iii) a description of the secured debt or liability. The ADGM Property Regulations govern property within the ADGM and also provide that the Registrar shall maintain a real property register which shall record all documents relating to the creation or transfer of property rights in the ADGM.

As with land, security over machinery and equipment in free zones may be subject to the respective free zone regulations, and the relevant Federal or Emirate decree which created the free zone should always be consulted. The DIFC and the ADGM, unlike UAE law, generally allow for the registration and enforcement of a floating charge (see the response to question 3.7 below).

3.4 Can collateral security be taken over receivables? Briefly, what is the procedure? Are debtors required to be notified of the security?

Yes, typically security over receivables is taken by an assignment of the contractual rights under the agreement giving rise to the receivables.

Onshore

The Pledge Law applies to the creation of security over receivables from third parties. The law provides that security may be created over receivables so long as the parties enter into a written agreement that complies with the requirements of the Executive Regulations (a “**Pledge Contract**”). In accordance with Article 11 of the Executive Regulations, a Pledge Contract must contain a description of the property being pledged, which includes:

- (i) a description of the pledged property, indicating kind, class, or quantity, or insertion of a specific list into the relevant Pledge Contract;
- (ii) a phrase indicating the creation of the right of pledge over the entire current or future moveable property;
- (iii) a phrase indicating the creation of the right of pledge over the entire moveable property; and
- (iv) a phrase stating a specific type or class of asset, whether it is current or future, such as “all equipment” or “all current or future accounts receivable”.

The process of online registration under the Pledge Law requires the following details:

- (i) general information on the notice and security type (e.g., security right, finance lease, operating lease or consignment);
- (ii) details of the party granting the security;
- (iii) details of the creditor that will be receiving the benefit of the security;
- (iv) details of other interested parties;
- (v) a description of the moveable collateral that will be pledged as referred to above (there is no requirement to disclose the loan documents or proprietary information); and
- (vi) statistical information (e.g., currency of the obligation, value of the obligations, type of collateral and related sector).

It should be noted that statistical information will not be made public on the Security Register but should benefit the UAE by being a source of statistical data, which could assist with policy decisions. The registration process for initial security interests comes with a nominal fee of AED 100.

In addition to registration, it will also be necessary to notify any possessor of the secured property of the security interest being created if the relevant property is not in the possession of the security provider.

Offshore

Assignment rules vary across free zones. Security over receivables in the DIFC is governed by the DIFC Law of Security and the DIFC Security Regulations. The DIFC generally applies uniform rules to secured assets, except for land.

Security over receivables requires a written security agreement between the obligor and security agent, which must:

- (i) identify the beneficiary of the security and the obligor;
- (ii) identify the secured asset;
- (iii) describe the payment obligations being secured; and
- (iv) state the maximum enforcement period of the security.

Security over receivables in the DIFC becomes effective upon filing a “financing statement” with the DIFC Security Registrar. The registration date of the financing statement determines priority, irrespective of the security interest’s creation date.

In the ADGM, the ADGM Property Regulations permit the assignment of choses in action, including receivables. However, the debtor must be notified before the assignment takes effect.

3.5 Can collateral security be taken over cash deposited in bank accounts? Briefly, what is the procedure?

Onshore

The Pledge Law governs the taking of security over funds deposited in a UAE-licensed bank. The law provides that the security shall be created by the parties entering into a written agreement which complies with the requirements of the Executive Regulations. The Pledge Law provides that future property may be secured, which is particularly relevant in respect of security over cash deposits. The previous position was that the credit balance had to be fixed and identifiable, i.e., no floating charges were permissible, which in effect meant that the borrower had to maintain a blocked account. This resulted in some foreign lenders also requiring that additional security be taken over offshore accounts where floating security is recognised and enforceable. The Pledge Law is therefore a welcome development for banks when taking local law account pledges.

Additionally, the Pledge Law has clarified that it is necessary for lenders to enter into an account control agreement with the account bank in situations where security is being taken over a bank account and the account bank is not the registered creditor under the Pledge Contract.

Offshore

Only the DIFC and ADGM free zones are permitted to regulate banks. Account charges are regulated by the DIFC Law of Security and the ADGM Companies Regulations.

The procedure and restrictions in the DIFC are outlined in the response to question 3.4. In addition to those requirements, security may also be perfected by the secured party gaining control of the bank account.

Article 33 of the DIFC Law of Security provides that control may be established through:

- (i) creating a security right in favour of the account bank (control is presumed in this case);
- (ii) executing an account control agreement between the account bank and the security beneficiary (control is established upon execution); or
- (iii) the security agent becoming the registered holder of the bank account.

In all other free zones, UAE law governs security over bank accounts.

In the ADGM, companies are permitted to create charges in accordance with the ADGM Companies Regulations. The charges must be registered with the Registrar of companies, which must be provided with a statement of particulars,

including the name of the company that is having its assets charged, the instrument creating the charge, and the date of creation of the charge, for instance. The charge needs to be registered, and failure to do so will result in the charge being void against creditors of the company. The instrument creating a charge is also required to be made available for inspection to any creditor or shareholder of the company at no cost and to any person upon payment of a fee, which is to be prescribed by the company.

3.6 Can collateral security be taken over shares in companies incorporated in your jurisdiction? Are the shares in certificated form? Can such security validly be granted under a New York or English law-governed document? Briefly, what is the procedure?

Security can be taken over shares in the form of a share pledge in relation to all onshore types of companies, including onshore LLCs and most offshore companies. The pledge documentation should always be governed by the relevant jurisdiction of the share register, which would typically be UAE onshore law or in the case of the DIFC or ADGM, DIFC law or ADGM law, as applicable.

Onshore

The procedure for pledging shares in a PJSC or PrJSC is by the physical delivery of the share certificates to the pledgee and entry of the pledge in the company register (although if the shares are not in certificated form, physical delivery is not required). A PJSC will usually be required to be listed at one of the UAE's stock exchanges and the pledge should be recorded in the share register maintained by the relevant exchange. A PJSC will appoint a share register keeper (such as the Dubai Financial Market ("DFM") or Abu Dhabi Securities Exchange ("ADX")) to record the pledge. Upon such registration, the pledgee typically has the right to collect dividends and entitlements attached to the shares, although in most cases these are returned to the borrower (with certain limitations) unless the borrower defaults.

Onshore LLCs did not previously have any clear legal guidance on how their shares could be pledged, or how the pledge could be perfected. However, the New CCL implements a system (under Article 79) that allows pledges of shares in an LLC to be made in accordance with such company's articles, and under an official notarised document to be registered at the registrar of companies. In Dubai, it is a requirement that pledges over shares must be registered with the Department of Economic Development to be effective.

As indicated above, subject to Article 10 of New CCL, lenders should also bear in mind that foreign investors may still be restricted in their ownership of capital regarding onshore companies (at least 51% should be owned by a UAE national) and therefore enforcement can be difficult. Typically, a local security agent or trustee will need to be engaged.

Offshore

Most offshore companies (including the DIFC and the ADGM) have physical share certificates that can be pledged and delivered, although this is not always the case. Most free zones also have their own registration requirements for such security, which may include execution of certain forms and filing of executed documents with the relevant free zone registrar.

3.7 Can security be taken over inventory? Briefly, what is the procedure?

Onshore

The Pledge Law governs the validity and enforceability of security over, *inter alia*, raw and primary products and commodities, equipment, machinery and work tools. The formalities of registration are as set in the response to question 3.3 above, and the security will have to be registered on the Security Register. As the law remains largely untested, we have yet to understand how the enforceability of such security shall operate in practice.

Prior to the introduction of the Pledge Law, the most common way to take security over machinery and trading stock was by way of a commercial mortgage. To register a commercial mortgage, it must be executed in writing, and the agreement has to be notarised and registered in the commercial register of the relevant Emirate's Department of Economic Development. Notice of the mortgage is to be given in two local Arabic newspapers two weeks prior to such registration. The registered mortgage will only be valid for a period of five years unless renewed and updated (notwithstanding the term in the underlying agreement).

Offshore

Security over such assets in free zones is subject to the relevant free zone requirements and applicable regulations. In the DIFC and ADGM, for example, it is possible to create a security interest over future assets/advances, acquired assets and the debtor's right to use, or dispose of all or part of the relevant items in line with the procedure set out in the response to question 3.4 above.

3.8 Can a company grant a security interest in order to secure its obligations (i) as a borrower under a credit facility, and (ii) as a guarantor of the obligations of other borrowers and/or guarantors of obligations under a credit facility (see below for questions relating to the giving of guarantees and financial assistance)?

Both onshore and offshore companies should be able to grant a security interest to secure their own borrowings and those of other borrowers, subject to the requirements and restrictions set out herein.

3.9 What are the notarisation, registration, stamp duty and other fees (whether related to property value or otherwise) in relation to security over different types of assets?

Stamp duty and taxes are not applicable for either onshore or offshore companies given the nil rate of direct tax applicable to most sectors in the UAE (see the response to question 6.1). Many financial services are also exempt from VAT, including the issuance, allotment or transfer of an equity or debt security. However, transfers of land may incur registration fees akin to stamp duty, payable to the relevant Emirate's land registry. These costs vary from Emirate to Emirate.

Notarisation is commonplace in the UAE, and even if not expressly required, may be used in order to add authority to documents. Fees in relation to this are normally charged depending on the document that is to be notarised. For example, notarisation fees for a share pledge agreement are approximately AED 1,300.

The Executive Regulations prescribe nominal fees for different services (which include the registration of pledged property and the modification of registration) which range from AED 100 to AED 1,000. The exact fees are outlined in a schedule to the Executive Regulations.

Onshore

Onshore mortgage registration fees vary across Emirates. For example, the Dubai Land Department currently charges 0.25% of the mortgage amount. Registration fees for other types of security vary by Emirate but typically involve a percentage of the secured amount, subject to a cap.

Offshore

In the DIFC, the mortgage registration fee is 0.25% of the value of the mortgage being registered. The cost of filing a new “financing statement” (see question 3.4) is USD 5,000.

In the ADGM, the mortgage registration fee is 0.1% of the mortgage value.

3.10 Do the filing, notification or registration requirements in relation to security over different types of assets involve a significant amount of time or expense?

In comparison to the United Kingdom and the United States, the process of securing assets is generally more complex and expensive. Arguably, the relevant free zones have a more straightforward approach, although it is still more uncertain than the established Western systems. This is somewhat due to a lack of formalised or standard structure of registrars for registration of each type of security in the relevant Emirate. The Security Register for the registration of security over moveable property alleviates some of this uncertainty; however, its practical use remains largely untested as it is still in its infancy. The Security Register also allows searches to be made by details of the pledgor and “Notice Registration Number”.

3.11 Are any regulatory or similar consents required with respect to the creation of security?

Typically, no regulatory or similar consents are required prior to the creation of a security. However, to the extent that a regulatory or government-owned body must accept registration of a certain security, this may be deemed a form of consent. Moreover, in circumstances where the secured assets are equities that are listed on an exchange such as the DFM, the consent of the Clearing Settlement and Depository division of the DFM (the “CSD”) may be required. The CSD may also request certain documents to be provided before giving such consent. Further, any security against government-owned assets will require consent from the Department of Finance or the Supreme Fiscal Committee, as applicable.

3.12 If the borrowings to be secured are under a revolving credit facility, are there any special priority or other concerns?

There are no specific concerns or case law relating to such matters that are apparent.

3.13 Are there particular documentary or execution requirements (notarisation, execution under power of attorney, counterparts, deeds)?

The procedures and requirements for security are set out in the answers to the questions above. For both onshore and offshore companies, it should be noted that signing in counterparts is generally the accepted practice; however, for enforcement purposes, there should always be a “counterparts” provision in the documentation. Although counterparts are generally accepted, it is also advisable, based on judicial precedents, to encourage the signing parties to initial every page and clearly identify themselves and their authorities.

For onshore entities, executing specific security documents, including signing powers of attorney, in front of the relevant notary public and/or registrar may be necessary. Notably, the concept of a deed is not recognised in the UAE outside the ADGM, and therefore security documents will be entered into by simple contract. In addition, certain assets will require registration in a specified form as dictated by the relevant government or regulatory authority. In the case of corporate signatories, it is good practice that a company stamp should also be affixed. Offshore entities will typically follow the relevant execution requirements in their jurisdiction of incorporation.

4 Financial Assistance

4.1 Are there prohibitions or restrictions on the ability of a company to guarantee and/or give security to support borrowings incurred to finance or refinance the direct or indirect acquisition of: (a) shares of the company; (b) shares of any company that directly or indirectly owns shares in the company; or (c) shares in a sister subsidiary?

Onshore

The New CCL states that neither a commercial company nor any of its subsidiaries may: (i) provide loans; (ii) grant gifts; (iii) provide collateral; or (iv) provide collateral, in each case, to a third party to enable that third party to purchase any securities issued by the Company (Article 224). Prior to the issuance of the New CCL, the UAE Ministry of Economy issued guidance, by way of Ministerial Resolution No. 272 of 2016, confirming that the financial assistance prohibition will not apply to LLCs under the relevant commercial companies law in force at that time. It is currently not clear whether the intention is for this provision to apply to LLCs under the New CCL.

Offshore

For the DIFC, a public company and its subsidiary are prevented from providing financial assistance by granting security and providing guarantees by a company limited by shares in relation to the acquisition of shares in itself or in a holding private company unless: (i) such assistance would not materially prejudice the interests of the company and its shareholders or the company’s ability to discharge its liabilities as they fall due and must be approved by the shareholders (90% in share value); (ii) finance or financial assistance is part of the company’s ordinary business and is on ordinary commercial terms; or (iii) it is specified in the DIFC Company Regulations (2018) as exempt.

In relation to the ADGM, Chapter 2 of Part 17 of the ADGM Companies Regulations generally prevents a public company or a subsidiary of a public company (whether private or

public) from providing financial assistance by granting security, a guarantee or an indemnity in relation to the acquisition of shares in such public company. The ADGM Companies Regulations also prohibit a public company from giving financial assistance for the acquisition of shares in its private holding company. This distinction between public and private companies largely aligns with the English law Companies Act 2006.

5 Syndicated Lending/Agency/Trustee/Transfers

5.1 Will your jurisdiction recognise the role of an agent or trustee and allow the agent or trustee (rather than each lender acting separately) to enforce the loan documentation and collateral security and to apply the proceeds from the collateral to the claims of all the lenders?

Onshore

In the UAE, the concept of a trust is not recognised in the manner as it is in other common law jurisdictions and hence is not used for security interests for syndicated lending transactions. The construct of a trust is recognised in the Federal Decree Law No. 31 of 2023 Concerning Trust (the “**Trust Law**”), which is predominantly used in the context of the preservation of assets. However, the concept of agency is legally recognised and widely used. Syndicated loan transactions typically involve the appointment of a security agent that is responsible for holding and enforcing security on behalf of the relevant syndicate of lenders. It is best practice for the security agency agreement that appoints the relevant security agent to include parallel debt provisions to ensure that each lender retains the ability to enforce directly against the borrower.

Additionally, it is important to note that many forms of security may only be granted to banks licensed by the CBUAE (for example, the Dubai Economic Department will only register share pledges in favour of banks licensed by the CBUAE). It is also important to note that certain assets may not be held by foreign entities or nationals (as described in question 1.1 above) due to foreign ownership restrictions with respect to the activities specified in the Strategic Impact List.

Therefore, it is common to appoint a local security agent, which is typically a bank licensed by CBUAE to hold collateral for both local and foreign lenders.

Offshore

The DIFC and ADGM are a mix of common law and civil law systems, and both recognise the concepts of trust and agency. As such, a security trustee or a security agent may enforce security on behalf of a syndicate of lenders.

5.2 If an agent or trustee is not recognised in your jurisdiction, is an alternative mechanism available to achieve the effect referred to above, which would allow one party to enforce claims on behalf of all the lenders so that individual lenders do not need to enforce their security separately?

Agency is recognised, and in the DIFC and ADGM both agency and trustee roles are recognised, as more fully described in the response to question 5.1.

It is important to note that under Article 48 of Schedule 1 of the ADGM Financial Services and Markets Regulations 2015 (“**FSMR**”) (as amended), it is a specified kind of activity for

the lender or another person to exercise, or to have the right to exercise, the lender’s rights and duties under a Credit Facility (as defined in the FSMR). Accordingly, the carrying on of such activity in or from ADGM requires the relevant person to be permitted to conduct the “Providing Credit” activity in ADGM, as more fully described in the response to section 10.

5.3 Assume a loan is made to a company organised under the laws of your jurisdiction and guaranteed by a guarantor organised under the laws of your jurisdiction. If such loan is transferred by Lender A to Lender B, are there any special requirements necessary to make the loan and guarantee enforceable by Lender B?

Provided that the transfer of the loan from Lender A to Lender B is effective and perfected, there should be no additional requirements to make the loan enforceable by Lender B. Under UAE law, there is no concept of novation; however, assignment of both obligations and benefits under a contract is permissible. By contrast, the DIFC and ADGM recognise the concept of novation. As discussed above, given that a concept of trust is not recognised onshore in the context of granting security, and a security agent is typically used for joint collaterals, in any novation/assignment the incoming lender should specifically accede to the security agency agreement.

It should be noted that, under Federal Decree Law No. 16 of 2021 on Factoring and the Transfer of Civil Accounts Receivable, the assignment of receivables is required to be perfected, in the same manner as a pledge over receivables under the Pledge Law, in order to be effective *vis-à-vis* third parties (including for the purposes of determining the priority of competing assignees in the event of multiple assignments).

6 Withholding, Stamp and Other Taxes; Notarial and Other Costs

6.1 Are there any requirements to deduct or withhold tax from (a) interest payable on loans made by domestic or foreign lenders, or (b) the proceeds of a claim under a guarantee or the proceeds of enforcing security?

No stamp, registration, transfer or other similar taxes are payable on the advance of a loan. However, borrowers may be required to pay VAT in connection with fees for certain products or services provided by a bank in respect of a loan. Please refer to the response to question 1.1 for details on various conditions linked to the VAT Law.

A 0% withholding tax may apply to certain types of UAE-sourced income paid to non-residents. Because of the 0% rate, in practice, no withholding tax would be due, and there will be no withholding tax-related registration and filing obligations for UAE businesses or foreign recipients of UAE-sourced income. Accordingly, no withholding tax is currently payable in relation to principal payments, interest payments, and other fees associated with the granting of loans.

Enforcement of a security interest through courts will require payment of applicable court fees, prescribed by the relevant courts. If a secured asset is sold by public auction, then an appropriate fee for a public auction is also payable.

Various fees are payable for transferring property or land from one name to another, including registration and notariation fees (see the response to question 3.9).

6.2 What tax incentives or other incentives are provided preferentially to foreign lenders? What taxes apply to foreign lenders with respect to their loans, mortgages or other security documents, either for the purposes of effectiveness or registration?

No preference is given to foreign lenders or financiers; however, the nil tax rate (subject to some exceptions as outlined in the response to question 6.1) is viewed as an incentive to invest in the region.

See the response to question 3.3 in respect of costs of registration. It should be noted that some free zones do not recognise the registration of security; hence, the lenders must rely on their contractual remedies in a default situation.

6.3 Will any income of a foreign lender become taxable in your jurisdiction solely because of a loan to, or guarantee and/or grant of, security from a company in your jurisdiction?

A foreign lender is not subject to UAE income tax unless it carries on business in the UAE through a permanent establishment.

6.4 Will there be any other significant costs that would be incurred by foreign lenders in the grant of such loan/guarantee/security, such as notarial fees, etc.?

Other than as outlined in the response to question 3.9, the costs to the lender are those that are imposed on it in its own jurisdiction of incorporation, if any.

Additionally, if a transaction is to be structured Islamically in accordance with the principles of *Shari'a*, this may also increase costs due to the relative document-heavy nature of such transactions and the need to involve *Shari'a* advisory boards.

6.5 Are there any adverse consequences for a company that is a borrower (such as under thin capitalisation principles) if some or all of the lenders are organised under the laws of a jurisdiction other than your own? Please disregard withholding tax concerns for the purposes of this question.

No, there are not.

7 Judicial Enforcement

7.1 Will the courts in your jurisdiction recognise a governing law in a contract that is the law of another jurisdiction (a "foreign governing law")? Will courts in your jurisdiction enforce a contract that has a foreign governing law?

Onshore

Parties may agree that a foreign law applies to their contractual obligations (Civil Transactions Law, Article 19). However, provisions of such foreign law may not apply if they are contradictory to public policy of the UAE (Civil Transactions Law, Article 27).

The UAE Courts apply the laws of the UAE where the chosen foreign law is not proved (Civil Transactions Law, Article 28). In practice, it is not straightforward for the party wishing to rely on the foreign law to prove it.

Offshore

In the DIFC, an express choice of a governing law in a contract is effective (Law Relating to the Application of DIFC Laws, Article 9; Law on the Application of Civil and Commercial Laws in the DIFC, Article 8(2)(c)). The DIFC Courts often hear disputes with a foreign element. Issues of foreign law do not always require expert evidence and may be considered on the basis of submissions (*Fidel v Felecia* [2015] DIFC CA 002 (23 November 2015)).

In the ADGM, the common law of England, including the principles and rules of equity, applies (Application of English Law Regulations 2015, s. 1(1)). Common law authorities affirm the parties' freedom to select the law governing contracts (*Vita Food Products Inc v Unus Shipping Co Ltd* [1939] A.C. 277). ADGM Courts apply the substantive laws chosen by the parties. Expert evidence as to the law of any jurisdiction outside the ADGM may be given before the ADGM Courts (ADGM Courts, Civil Evidence, Judgments, Enforcement and Judicial Appointments Regulations 2015, s. 73(1)).

7.2 Will the courts in your jurisdiction recognise and enforce a judgment given against a company in New York courts or English courts (a "foreign judgment") without re-examination of the merits of the case?

Onshore

The UAE courts may enforce a foreign judgment without re-examining the merits.

Article 222 of the Civil Procedure Code ("CPC") provides that an execution order may not be made until after the following matters have been verified:

- (a) the UAE courts have no jurisdiction to try the dispute in which the order or judgment was made, and that the foreign courts which issued it have jurisdiction thereover in accordance with the rules governing international judicial jurisdiction laid down in their law;
- (b) the judgment or order was issued by a court having jurisdiction in accordance with the law of the country in which it was issued and duly endorsed;
- (c) the parties to the action in which the foreign judgment was issued were summoned to attend, and were duly represented;
- (d) the judgment or order has acquired the force of *res judicata* in accordance with the law of the court that issued it, provided that the applicant submits a certificate that the judgment has acquired the force of a final order or the same was stipulated in the judgment itself; and
- (e) the judgment does not conflict with a judgment or order already made by a UAE court, and contains nothing that conflicts with morals or public order in the UAE.

The UAE courts have refused to enforce foreign judgments based on reciprocity, indirect jurisdiction, and public policy.

According to the Dubai Court of Cassation, reciprocity may be established if the party seeking enforcement shows that the rendering State's enforcement rules are identical to or less restrictive than those found in the UAE. On 13 September 2022, the Ministry of Justice sent a letter to the Dubai Courts concerning the application of reciprocity, according to which the Ministry of Justice considers that reciprocity with the UK would be admitted since the English courts had accepted to enforce a UAE judgment (*Lenkor Energy Trading DMCC v Puri* [2020] EWHC 75 (QB)).

The UAE Courts have rejected foreign courts' indirect jurisdiction when UAE jurisdiction may be justified under the UAE rules of direct jurisdiction. On the other hand, the UAE Courts

have also accepted foreign courts' indirect jurisdiction based on the laws of the rendering State or by determining that UAE jurisdiction does not exclude foreign jurisdiction.

In 2023, the Dubai Court of Cassation ruled against the enforcement of an English judgment on the ground that the case had already been decided by the Dubai Courts by a judgment that became final and conclusive. In 2024, the Dubai Court of Cassation enforced an English judgment. In 2025, the Dubai Court of Cassation refused enforcement of a judgment rendered by the Business and Property Courts in Manchester and held that the jurisdiction of the foreign court should be denied when the UAE Courts have jurisdiction under UAE law.

In 2024, the Dubai Court of Cassation enforced a summary judgment issued by the Ontario Superior Court of Justice, recognising a restitution order issued in New York.

Offshore

In the DIFC, the Enforcement Judge has jurisdiction over the enforcement of judgments and judicial decisions issued by foreign courts (DIFC Courts Law No. (2) of 2025). The DIFC Courts Law also requires that the DIFC Courts abide by any mutual enforcement or judicial cooperation treaties entered into between the UAE and other countries. The DIFC Courts have entered into a Memorandum of Guidance with the United States District Court for the Southern District of New York and both the Commercial Court and Queen's Bench Division of the Courts of England and Wales. These memoranda address only monetary judgments, are not legally binding, and set out guidelines to be followed by the respective jurisdictions when assessing whether to enforce the judgments of the courts of the other jurisdictions.

For enforcement, the foreign judgment must satisfy conditions established under common law as the DIFC Courts. In 2020, the Court of Appeal upheld a determination that the foreign court lacked jurisdiction, including under the common-law rules of international jurisdiction.

Historically, judgment creditors increasingly commenced recognition and enforcement proceedings in the DIFC Courts in respect of foreign court judgments, with the practical aim of leveraging the execution mechanics between the DIFC Courts and the Dubai Courts to pursue onshore Dubai assets. This practice became known as the DIFC Courts' "conduit jurisdiction", a label reflecting the strategic use of the DIFC's common-law enforcement architecture as a route to facilitate onward enforcement in Dubai. Against that backdrop, Law No. 2 of 2025, concerning the DIFC Courts, provides additional statutory structure around what had developed through practice and case law. In particular, Article 32 expressly contemplates onward enforcement in onshore Dubai by requiring the DIFC Enforcement Judge to seek the assistance of the Dubai Courts' Enforcement Judge to enforce DIFC Enforcement Writs where the enforcement target is outside the DIFC, subject to certain formalities. Article 32 further provides that enforcement in the Dubai Courts proceeds under the CPC, and the Dubai Courts' Enforcement Judge may not review the merits of the underlying DIFC judgment/order, save to the extent necessary for enforcement procedure.

A further development has been the creation of a new Judicial Authority for Resolving Conflicts of Jurisdiction between DIFC Courts and Judicial Bodies in the Emirate of Dubai ("Judicial Authority") under the Dubai Decree No. 29/2024 On Judicial Authority for Resolving Jurisdictional Conflicts Between DIFC Courts and Judicial Authorities in Dubai issued on 18 April 2024 ("Decree 29/2024"). The new Judicial Authority replaces

the previously existing Joint Judicial Committee that existed under the Dubai Decree No. 19 of 2016 forming the Judicial Committee of the Dubai Court and the DIFC Courts. The new Decree 29/2024 clarifies the following duties and powers of the Judicial Authority as a judicial body (Article 4 of Decree 29/2024):

- (1) determining the competent Judicial Body for the consideration of any lawsuit or claim that may cause a conflict of jurisdiction between the DIFC Courts and any Judicial Body;
- (2) determining the judgment that shall be executed in case of issuance of contradictory judgments by the DIFC Courts and other Judicial Bodies on lawsuits related to the same litigants and the same subject matter of the dispute; and
- (3) any other duties or powers delegated to it by the Ruler (His Highness the Ruler of Dubai) or the Chairman of the Judicial Council of Dubai.

In the ADGM, according to Abu Dhabi Law No. (4) of 2013 Concerning Abu Dhabi Global Market, as amended by Abu Dhabi Law No. (12) of 2020, any judgments, decisions, or orders rendered, recognised or ratified by courts outside the ADGM are enforced within the ADGM. Where the UAE has entered into an applicable treaty with a foreign country for the mutual recognition and enforcement of judgments, the ADGM Courts recognise and enforce judgments rendered by that foreign country (ADGM Courts, Civil Evidence, Judgments, Enforcement and Judicial Appointments Regulations 2015, s. 170). In the case of any foreign country which is not a party to an applicable treaty, the Chief Justice, if satisfied that substantial reciprocity of treatment will be assured, may direct that the courts of that foreign country be considered as recognised foreign courts (ADGM Courts, Civil Evidence, Judgments, Enforcement and Judicial Appointments Regulations 2015, s. 171).

The ADGM Courts have entered into a number of memoranda of guidance setting out the agreed procedure recognition and enforcement of judgments with other common-law jurisdictions. On 6 December 2016, a Memorandum of Guidance as to enforcement between the Commercial Courts, Queen's Bench Division, England and Wales and ADGM Courts was signed. This confirms that the approach of ADGM Courts to the enforcement of Commercial Court judgments is based upon the English common law.

On 11 February 2018, the ADGM Courts and the Abu Dhabi Judicial Department signed a memorandum of understanding ("MOU"), permitting the reciprocal recognition and enforcement of judgments, decisions and ratified arbitral awards between the ADGM Courts and the Abu Dhabi Courts. Arbitral awards shall be given the same force as a binding judgment of either of the courts without the need for any further ratification by the other court. This mutual recognition and enforcement also extend to approved settlement agreements which have been certified by either court. The intention is that, as a result of the MOU, judgments from the ADGM Courts will be enforceable in Abu Dhabi without the need for re-examination of the merits of the dispute.

The ADGM Courts also signed the MOUs formalising and streamlining the procedures for the reciprocal enforcement of judgments with: the Ras Al Khaimah Courts in May 2019; the UAE Ministry of Justice in November 2019; and the Dubai Courts in January 2025.

7.3 Assuming a company is in payment default under a loan agreement or a guarantee agreement and has no legal defence to payment, approximately how long would it take for a foreign lender to (a) assuming the answer to question 7.1 is yes, file a suit against the company in a court in your jurisdiction, obtain a judgment, and enforce the judgment against the assets of the company, and (b) assuming the answer to question 7.2 is yes, enforce a foreign judgment in a court in your jurisdiction against the assets of the company?

Onshore

If the claim qualifies for a payment order under the CPC, the process is expedited and can materially shorten the timeline. In practice, this route is typically available where the debt is for a specified sum, is due, and is supported by written/electronic evidence amounting to a clear acknowledgment of debt, and where the creditor has served a prior written demand granting the debtor at least five days to pay. A payment order is, however, subject to challenge/appeal in accordance with the CPC. In addition, where the court considers that the statutory criteria for a payment order have not been met (for example, because the claim is not sufficiently documented or is not for a specified sum), the court may decline to proceed by payment order and the matter may need to proceed as an ordinary claim on the merits. Where the payment order route is available and service is straightforward, an executable decision can often be obtained within days to a few weeks, although the overall timing will depend on any challenge/appeal and the subsequent execution steps.

If the payment order route is not available (or is not accepted by the court), the creditor will generally need to pursue ordinary civil/commercial proceedings to judgment and then commence separate execution proceedings. In the UAE onshore system, this typically involves proceedings at first instance, with a right of appeal to the Court of Appeal and a further appeal on points of law to the Court of Cassation. Even where there is no substantive defence, the overall end-to-end timeframe is therefore commonly longer, particularly if the defendant takes procedural steps or appeals through the higher tiers. As a practical estimate, a claim from filing through to a final, enforceable judgment may take up to 24 months. Once an enforceable judgment is obtained, the creditor must open an execution file and take enforcement steps against identified assets. If the specific assets of the debtor in the UAE are undetermined, a series of inquiries with various UAE government authorities such as the land registries of the respective Emirate(s), the CBUAE, the Securities and Commodities Authority, and the financial markets (the DFM and ADX) must be made through the courts to identify assets. Real estate, securities and (subject to the provisions of the Pledge Law) certain moveable assets, such as vehicles and machinery, will be subject to a public auction process.

Offshore

Claims of relatively low value may be brought under expedited small-claims procedures. In the DIFC, straightforward debt claims within the jurisdiction of the Small Claims Tribunal (generally up to AED 500,000) are dealt with under streamlined procedures. In the ADGM, the Small Claims Division provides a similarly simplified route for lower-value claims (generally up to USD 100,000). In both jurisdictions, default judgment may be obtained where a defendant fails to engage or comply with procedural requirements. Claims outside the relevant small-claims thresholds will typically take longer and are driven by the court's case management timetable.

The enforcement of a security interest over assets located in the DIFC does not require a court order. Article 88 of the DIFC

Law of Security provides that taking possession of collateral out of court requires the secured creditor to give the relevant notices, the grantor's consent, and the absence of any objection from the person in possession of the collateral.

The enforcement of security over a company's assets in the ADGM generally requires either the permission of the ADGM Court or consent from the administrator of the company in question.

7.4 With respect to enforcing collateral security, are there any significant restrictions that may impact the timing and value of enforcement, such as (a) a requirement for a public auction, or (b) regulatory consents?

Yes.

- (i) Whilst enforcement of security previously required a court order, the Pledge Law also introduces the concept of self-help remedies in relation to certain types of security (for example, secured bank accounts and bonds or endorsable instruments). Articles 25 to 33 of the Pledge Law provide additional mechanisms that allow the secured party to enforce its security without recourse to a public auction through the courts. The court does, however, have the right to choose the method of sale or to stipulate a minimum limit to the sale price. Certain collateral that does not fall within the parameters of the Pledge Law, such as real estate and shares, must still be liquidated through a public auction procedure in accordance with the CPC.
- (ii) The attachment and liquidation of publicly listed securities must be conducted in accordance with the procedures prescribed by the UAE Securities and Commodities Authority.

In relation to the enforcement of collateral security in the DIFC and ADGM, see the response to question 7.3.

7.5 Do restrictions apply to foreign lenders in the event of (a) filing suit against a company in your jurisdiction, or (b) foreclosure on collateral security?

We are not aware of foreign lender-specific restrictions relating to filing suit against a company in the UAE or initiating security enforcement proceedings in the UAE.

7.6 Do the bankruptcy, reorganisation or similar laws in your jurisdiction provide for any kind of moratorium on enforcement of lender claims? If so, does the moratorium apply to the enforcement of collateral security?

Onshore

The New Bankruptcy Law provides for a moratorium to be applicable once the court has agreed to initiate either of the composition or resolution processes set out in the relevant legislation. Secured creditors will thereafter have to obtain the court's permission to commence enforcement proceedings.

Offshore

It is possible for a company in the DIFC and ADGM to be subject to (i) administration, (ii) receivership, (iii) a member's voluntary liquidation, (iv) a creditors' voluntary liquidation, and (v) compulsory liquidation. Additionally, in the DIFC, the New DIL also provides for rehabilitation, which allows a company

to submit a rehabilitation plan, provided that there is a reasonable likelihood of such plan being successful and the plan is agreed upon by the company's shareholders and creditors.

In the DIFC, the New DIL governs insolvency proceedings in the DIFC. The New DIL allows the DIFC Courts to grant a moratorium, including in relation to the enforcement of collateral, to an eligible applicant. Part 3 of the New DIL also provides for an automatic moratorium (typically for 120 days) in situations where the directors of a DIFC company have notified the DIFC Court in writing that they intend to propose a rehabilitation plan to the creditors of the relevant company.

In the ADGM, the ADGM Insolvency Regulations provide that a company in administration will have the benefit of a moratorium, whereby security cannot be enforced over the company's property except with the consent of the administrator of the company or with the permission of the ADGM Court.

7.7 Will the courts in your jurisdiction recognise and enforce an arbitral award given against the company without re-examination of the merits?

Onshore

In the onshore UAE, arbitral awards are recognised and enforced without a re-examination of the merits. Under Article 52 of the UAE Federal Arbitration Law (Federal Law No. 6 of 2018), an arbitral award rendered in accordance with the law is binding on the parties and has *res judicata* effect, and enforcement is obtained through an application to the competent court. In considering recognition and enforcement, the UAE courts do not undertake a rehearing of the facts or law determined by the tribunal; the court's review is confined to the limited statutory grounds for annulment/refusal and compliance with UAE public order and morals. Article 53(2) further permits the court to set aside an award of its own motion where the subject matter is not capable of settlement by arbitration or where the award conflicts with the public order and morality of the State.

The same approach applies to foreign arbitral awards. The recognition and enforcement of foreign awards are governed by the CPC. Foreign awards may be recognised and enforced in the UAE onshore under the applicable civil procedure framework and/or pursuant to treaty obligations, most notably the 1958 New York Convention. The court's scrutiny at the recognition/enforcement stage is not a merits review; it is limited to threshold conditions and recognised refusal grounds.

Offshore

In both the DIFC and the ADGM, the courts will recognise and enforce arbitral awards without re-examining the merits, irrespective of the jurisdiction in which it was made. In each jurisdiction, the court's role at the recognition/enforcement stage is supervisory and limited to checking whether the statutory preconditions for enforcement are satisfied and whether any of the limited refusal grounds apply.

In the DIFC, recognition and enforcement are obtained by application to the DIFC Courts under the DIFC Arbitration Law (DIFC Law No. 1 of 2008, as amended). The DIFC Courts may refuse recognition or enforcement only on limited grounds (Article 44 of the DIFC Arbitration Law).

In the ADGM, awards are recognised and enforced by application to the ADGM Court under the ADGM Arbitration Regulations 2015 (as amended), subject only to the limited refusal grounds (Sections 61 and 62 of the ADGM Arbitration Regulations). In addition, the ADGM framework expressly

confirms that the Court must not undertake a merits review of an award on fact or law (Section 58(4) of the ADGM Arbitration Regulations).

The UAE's international treaty obligations relevant to arbitral enforcement (including, in particular, the 1958 New York Convention) apply in the DIFC and ADGM.

8 Bankruptcy Proceedings

8.1 How does a bankruptcy proceeding in respect of a company affect the ability of a lender to enforce its rights as a secured party over the collateral security?

Onshore

In relation to the procedures initiated prior to the New Bankruptcy Law effective date (1 May 2024), the Old Bankruptcy Law provides that the enforcement actions over secured assets after the initiation of the preventive composition or restructuring scheme (or the issuance of a bankruptcy judgment) are permissible if (i) the underlying debts are due, and (ii) the court approves such enforcement. However, once the court has approved the composition or restructuring plan, or following the expiry of the 10-month period from the opening of the procedure (subject to the extension by the court up to four months) (whichever is earlier), the trustee becomes entrusted with the sale of assets in line with the restructuring plan. The Old Bankruptcy Law also clarifies that sale proceedings must be used first to prepay the debts due to secured creditors. However, if a secured asset is essential to the continuance of the business, the court may provide that the secured assets be substituted with other assets, provided that it does not prejudice the rights or interests of the secured creditors.

Should the preventive composition or restructuring scheme prove unsuccessful and the debtor be declared bankrupt, all debts become due and the debtor's assets must be sold in order to repay the secured creditors. If the sale does not occur within one month from the date of the bankruptcy judgment, the secured creditor may request to approve the enforcement over the secured assets.

While the Old Bankruptcy Law does not apply to the procedures initiated after 1 May 2024, the New Bankruptcy Law in general provides for a similar procedure. However, there are certain differences. For instance, in contrast to the Old Bankruptcy Law, under the New Bankruptcy Law, the moratorium basically terminates upon the ratification of the plan or the termination of the procedures, i.e., it is no more confined to a certain period. Further, the New Bankruptcy Law abolishes the preventive composition and introduces a preventive settlement procedure instead. While both procedures pursue the same objective of rescuing a debtor's business and avoiding its bankruptcy, the new preventive settlement procedure is more flexible. For instance, unlike the preventive composition, it does not preclude a debtor from filing an application beyond the 30-day limit following the cessation of payment of due debts. Furthermore, it does not require a court to appoint a trustee, allowing a debtor to continue managing the business without the intervention or oversight of a trustee. Under the preventive settlement, the moratorium lasts: (i) for three months subject to the court's extension upon the debtor's request but in all events does not exceed six months; (ii) until the approval of the preventive settlement proposal; or (iii) until the termination of preventive settlement procedures.

Moreover, the New Bankruptcy Law does not specifically confer on a court a power to substitute a secured asset where the latter is essential to the continuance of the debtor's

business. Nevertheless, under the New Bankruptcy Law, “any guarantees” may be unified, established, dissolved, sold, or replaced only upon the consent of the secured creditors and if this is necessary to implement the preventive settlement or the restructuring plan. Additionally, under the New Bankruptcy Law, the secured creditors may enforce their rights within the proceedings in the Bankruptcy Court, i.e., without initiating separate proceedings. On 19 June 2025, the UAE Federal Judicial Council issued Decision No. 39 of 2025 (effective from 15 July 2025), which sets out the framework for the establishment and operation of the UAE’s specialised Bankruptcy Court, as envisaged under the New Bankruptcy Law.

Offshore

The New DIL and the ADGM Insolvency Regulations both allow for a moratorium, including in relation to the enforcement of collateral, to an eligible applicant.

8.2 Are there any preference periods, clawback rights or other preferential creditors’ rights (e.g., tax debts, employees’ claims) with respect to the security?

Onshore

Yes. Under the New Bankruptcy Law, secured creditors have priority to be paid from the proceeds of the liquidation of the subject assets. It should be noted that the Pledge Law provides that the date and time of recording the pledge in the Security Register will be effective as against all parties and seek to establish priority *vis-à-vis* competing creditors.

Following payment to the court for any fees or costs, including the fees of trustees and experts, secured creditors will be paid according to the amount of their security. Any unpaid end of service gratuity, wages and salaries of employees of the debtor will then be payable, provided that their total amount does not exceed three months’ wages or salary.

Offshore

In the DIFC, the DIFC Law of Security ranks conflicting perfected security interests according to priority in time of perfection, subject to statutory exceptions in relation to financial collateral arrangements. The DIFC Law of Security grants perfected security interest priority over a conflicting, unperfected security interest, and provides for priority of the first security interest to attach if conflicting security interests are unperfected, in each case subject to applicable statutory exceptions. In the ADGM, the priority of the charge will generally be determined from the date of its last registration, and the charge will rank behind any security registered before such date.

8.3 Are there any entities that are excluded from bankruptcy proceedings and, if so, what is the applicable legislation?

Onshore

The New Bankruptcy Law applies to all commercial companies (except to entities not governed by special provisions regulating bankruptcy or subject to the provisions of the Federal Law 8 of 2004 regarding financial free zones), traders/merchants and civil partnerships (set up in accordance with the Civil Transactions Law). Individuals remain outside the scope of the New Bankruptcy Law. The New Bankruptcy law further specifies its inapplicability to: (i) the banks, financial institutions, and insurance companies licensed by the CBUAE and to the extent subject to special legislation on bankruptcy

procedures; and (ii) debtor’s debts incurred for personal, family, or consumer purposes.

Offshore

The New DIL applies to any company that falls under the jurisdiction of the DIFC and has been incorporated pursuant to the DCL. The ADGM Insolvency Regulations apply to any company registered in the ADGM within the meaning of the ADGM Companies Regulations.

8.4 Are there any processes other than court proceedings that are available to a creditor to seize the assets of a company in an enforcement?

Onshore

As mentioned in the response to question 7.4 above, the Pledge Law includes the concept of self-help remedies in relation to certain types of security. The direct enforcement of moveable assets is generally permissible by private sale, subject to prior agreement, notification by relevant parties, and no other security interest existing. A pledge over claims and receivables may be set off if the pledgee is a bank and by claim if the account is held at another bank. Bonds and certain written instruments may be directly enforced through delivery or endorsement if their value is equal to the right of pledge, while written papers (e.g., bills of lading) may be directly enforced by application to the summary judge for the issuance of an urgent order.

In order to initiate direct enforcement, the pledgee must notify all concerned parties. There is currently no time limit for such notice. The Pledge Law also grants authority to summary judges to issue orders for enforcement of a registered pledge.

Offshore

In the DIFC, a secured party may take steps to enforce its security interest over assets located within the DIFC without a court order, whereas in the ADGM, the regime under the Insolvency Regulations will generally require the party that seeks to enforce security to obtain a court order.

9 Jurisdiction and Waiver of Immunity

9.1 Is a party’s submission to a foreign jurisdiction legally binding and enforceable under the laws of your jurisdiction?

Yes. However, if there are grounds for a UAE Court to seize jurisdiction, the UAE Courts are likely to do so. See the responses to questions 7.1 and 7.2 for more background on this topic.

9.2 Is a party’s waiver of sovereign immunity legally binding and enforceable under the laws of your jurisdiction?

Article 41 of the UAE Constitution provides that every person shall have the right to submit complaints to the competent authorities including the judicial authorities. As such, generally no entities (government or otherwise) are immune from being sued in the UAE. However, there are specific procedures that may have to be followed to sue certain governmental entities. Insofar as the Federal and local governments of the UAE are concerned, Article 242 of the Code of Civil Procedures contains a prohibition on the seizure of “public funds” belonging to the UAE Federal Government or the governments of any of the individual Emirates to satisfy a judgment debt.

Some Emirates may also require the written consent and approval of the respective Emirate's Ruler's court or legal department to be obtained prior to the filing of a claim against an Emirate's Ruler, government or government entity. For example, in the Emirate of Dubai, the Dubai Law on Government Actions (Dubai Law No. 3 of 1996, as amended) requires the prior approval of the Ruler of Dubai before filing a lawsuit against the Ruler. Claims against the Government or government entities are subject to mandatory pre-action procedures before the Dubai Government's legal department.

Article 3*bis* explicitly states that no debt or financial obligation against the Ruler or the Government may be collected by means of seizure or sale at auction or possession by any further legal proceeding on the properties and assets of the Emirate's Ruler or of the Government, whether or not such debt or financial obligation has received a final and conclusive judgment. The requests for such approvals must be made to the Dubai Government's legal department.

10 Licensing

10.1 What are the licensing and other eligibility requirements in your jurisdiction for lenders to a company in your jurisdiction, if any? Are these licensing and eligibility requirements different for a "foreign" lender (i.e., a lender that is not located in your jurisdiction)? In connection with any such requirements, is a distinction made under the laws of your jurisdiction between a lender that is a bank versus a lender that is a non-bank? If there are such requirements in your jurisdiction, what are the consequences for a lender that has not satisfied such requirements but has nonetheless made a loan to a company in your jurisdiction? What are the licensing and other eligibility requirements in your jurisdiction for an agent under a syndicated facility for lenders to a company in your jurisdiction?

Onshore

Licensing requirements in the UAE

The CBUAE and the Securities and Commodities Authority ("SCA", also known as "ESCA") regulates financial services in the UAE. Pursuant to the CB UAE Law, the CBUAE regulates financial institutions, including those that wish to provide financing in or from the UAE.

Whilst there are no local licensing requirements for foreign lenders which lend to UAE companies, if such entity operates within the UAE, it must be appropriately licensed. UAE lenders, including commercial banks, investment banks, investment companies, finance companies, Islamic banks, Islamic finance companies, and real estate finance companies based in the UAE are regulated by the CBUAE and require a licence. Branches of foreign banks can also be licensed as commercial banks in the UAE.

In order for a company to obtain a licence from the CBUAE, the requirements set out in the CB UAE Law must be satisfied (see, for example, Articles 67 to 71). Specific requirements are not listed in the respective legislation, but the applicant should expect to be notified if additional documents are necessary for the licence to be issued.

UAE lenders who do not comply with the terms of the licence that they are granted may face imprisonment and/or be fined a minimum of AED 200,000 and a maximum of AED 100,000,000. Additionally, the institution may be liable for civil and criminal claims.

Additionally, an agent for a syndicate of foreign lenders is also not required to be licensed unless it is operating from and based

in the UAE. Please note the requirements in respect of local agents relating to security as addressed in sections 3 and 5.

The legal status of one-off lending by non-financial entities in the UAE onshore regime remains uncertain, particularly in light of the CB UAE Law.

Article 60 of the CB UAE Law provides that licensed financial activities may only be conducted in or from the UAE in accordance with provisions of the CB UAE Law. Article 61 further defines providing credit facilities of any kind as a licensed financial activity, with no explicit exemptions.

While there is no express carve-out under the CB UAE Law, market participants sometimes consider that the law is intended to regulate lending conducted on a regular basis, rather than occasional loans extended between non-financial entities as part of investment activities. However, this remains an interpretation with no clear legal foundation, and the CBUAE has not issued formal guidance confirming whether such transactions are exempt from licensing requirements.

In 2023, the DIFC Court of First Instance, in *NS Investment Limited v. Ajay Sethi* [2020] DIFC CFI 055 (2023), considered a case involving a loan extended by a Jebel Ali Free Zone company to an individual. The court held that a one-off lending transaction undertaken by an entity subject to the CB UAE Law, without a licence or exemption, constitutes a violation of the CB UAE Law and is null and void. However, as the DIFC Courts derive their jurisdiction under Federal Law No. 9 of 2004 to interpret DIFC laws rather than onshore legislation, it remains unclear whether onshore courts or the CBUAE would adopt the same position if the matter were to be considered by them.

In the absence of further guidance from the CBUAE, the position under UAE onshore law remains unclear, and a strict reading of the CB UAE Law suggests that one-off lending by non-financial entities without a CBUAE licence is not permitted. The market continues to await clarification on this issue from the CBUAE.

Offshore

Licensing requirements in the DIFC

The Dubai Financial Services Authority ("DFSA") is the principal regulator overseeing financial services within the DIFC. Any individual or entity based in the DIFC that provides a financial service must be authorised by the DFSA through the appropriate licensing process. If both the lender and the borrower are based in the DIFC, a Category 2 licence is required. If the lender is foreign and providing a credit facility to a borrower in the DIFC, no licensing requirements apply.

Under Article 2.2.2(b) of the DFSA Rulebook (General Module), the activity of "Providing Credit" is classified as a regulated activity under DIFC Law No. 1 of 2004 (the "Regulatory Law"). As such, it requires compliance with the DFSA Rulebook, including obtaining a DFSA licence. However, the Rulebook provides for several exemptions, both generally in relation to regulated activities and specifically in respect of the "Providing Credit" activity.

One key exemption is that an activity only falls within the scope of the DFSA Rulebook if it is conducted "by way of business", as set out in Article 2.2.1(b). Under this provision, an activity is considered to be carried on by way of business if a person:

- (i) engages in the activity in a manner that constitutes the carrying on of a business;
- (ii) holds themselves out as willing and able to engage in the activity; or
- (iii) regularly solicits others to engage in transactions involving the activity.

Additionally, Article 2.3.2 of the DFSA Rulebook excludes intra-group transactions from the scope of regulated financial service activities. However, there is an argument that non-intra-group “one-off” lending transactions may also fall outside the definition of “by way of business”. That said, the DFSA has not issued any formal guidance confirming that such transactions are exempt from the licensing requirements.

The consequences of failing to obtain the required licence can be severe. Under the Regulatory Law, the DFSA has the authority to impose:

- fines;
- orders for damages or restitution;
- injunctions and restraining orders;
- unlimited corporate penalties imposed by the Financial Markets Tribunal (“FMT”); and
- banning orders issued through the FMT.

Additionally, a violation of the Financial Services Prohibition under the Regulatory Law will result in public censure, leading to significant reputational damage. Moreover, a loan agreement entered into in violation of licensing requirements may be deemed unenforceable.

Licensing requirements in the ADGM

The Financial Services Regulatory Authority (“FSRA”) is the principal regulator for financial services within the ADGM. Any individual or entity based in the ADGM that provides a financial service classified as a regulated activity must obtain the appropriate licence from the FSRA.

Similar to the DFSA Rulebook, the FSMR (as amended) stipulate in Article 16 of Part 1 that no person may carry on a regulated activity “by way of business” in the ADGM, or purport to do so, unless they are an authorised person or an exempt person. Additionally, Article 48 of Schedule 1 of the FSMR confirms that “Providing Credit” is a regulated activity.

However, Article 3 of Schedule 1 adopts the same definition of “by way of business” as provided in the DFSA Rulebook. This supports the argument that “one-off” lending transactions should not constitute a regulated activity. That said, the FSRA has not issued formal guidance clarifying whether “one-off” lending transactions are exempt from licensing requirements under the FSMR.

The consequences of non-compliance with licensing requirements in the ADGM can be severe. Under Section 232 of the FSMR and Article 23 of Abu Dhabi Law No. 4 of 2013 (as amended), fines of up to AED 200 million may be imposed for violations of financial services regulations.

11 ESG Trends

11.1 Do you see environmental, social and governance (ESG) or sustainability-related debt products in your jurisdiction? If yes, please describe recent documentation trends and the types of debt products (e.g., green bonds, sustainability-linked loans, etc.).

In 2021, the UAE Ministry of Climate Change and Environment published the UAE Sustainable Finance Framework, designating sustainable finance and the green economy as strategic priorities for the UAE government. The framework acknowledged several recent initiatives from various public and private entities in the ESG field, including the Abu Dhabi Sustainable Finance Declaration issued by the ADGM in 2019 and the establishment of the Dubai Sustainable Finance Working Group (“SFWG”) and ADGM SFWG in 2019, among

other initiatives. However, the framework notes that further progress is required from competent government and public sector players.

CBUAE further indicates in its UAE Islamic Finance Report 2023 that the CBUAE’s Higher *Shari’a* Authority (“HSA”), the CBUAE authority in charge of Islamic finance, encouraged Islamic finance institutions to play an active role in sustainable finance through a balanced approach considering both environmental and social aspects. The report specifies that the HSA’s message for Islamic financial institutions in the UAE is that achieving sustainability goals is not only recommended by *Shari’a*; it may be a matter of obligation. The CBUAE also indicates that it is actively working with the Islamic finance industry in the UAE to develop Islamic sustainable finance through HSA directives and other means.

In 2019, the UAE SFWG was established to support the UAE’s economic transition and promote the adoption of sustainable finance at the national level. The SFWG comprises UAE onshore ministries (such as the Ministry of Finance and the Ministry of Economy), financial services regulators (CBUAE, SCA, the FSRA of Abu Dhabi Global Market, and the DFSA), and UAE exchanges (ADX, DFM, and Nasdaq Dubai).

On 14 June 2024, in line with the UAE’s designation of 2024 as the “Year of Sustainability”, the SFWG issued the “Principles for Sustainability-Related Disclosures for Reporting Entities” (the “**Disclosure Principles**”). The Disclosure Principles represent a declaration of common understanding among SFWG members regarding their minimum expectations in this area within their respective jurisdictions. However, the implementation of the Disclosure Principles remains at the discretion of each SFWG member.

The Disclosure Principles establish four key principles for sustainability-related disclosures, in particular: (i) that the reporting entities should put in place adequate policies, procedures and systems allowing them to report on sustainability-related matters; (ii) the indicative factors that the reporting entities should consider in their sustainability-related disclosures, such as transparency, materiality, relevance, comprehensiveness and others; (iii) that sustainability-related disclosures should reflect the way in which an entity operates, including in the areas of governance, strategy and risk management, and incorporate relevant metrics and targets; and (iv) actions that should be considered by the market participants to improve sustainability-related, product-level disclosures such as naming, labelling and classification and others.

In 2025, the UAE SFWG published its Fourth Statement during Abu Dhabi Finance Week, signalling a shift from high-level policy frameworks towards implementation. The Statement outlines a number of ongoing and future workstreams, including the continued development of sustainability-related disclosure practices following the Disclosure Principles, enhanced focus on corporate governance and climate-related risk, progress towards a UAE Sustainable Finance Taxonomy, and initiatives supporting climate transition planning.

11.2 Are there any ESG-related disclosure or diligence requirements in connection with debt transactions in your jurisdiction? If yes, please describe recent trends and any impact on loan documentation and process.

In 2020, the SCA issued a requirement for PJSCs listed on the DFM or the ADX to publish a sustainability report. The respective stock exchanges further issued a number of clarifications regarding compliance with the SCA requirements.

ADX's ESG Disclosure Guidance lists 31 ESG indicators considered essential for reporting in alignment with the Sustainable Stock Exchanges Initiative and the World Federation of Exchanges. These indicators are also mapped against Global Reporting Initiative indicators and the Sustainable Development Goals. The earlier DFM ESG Reporting Guide also includes a list of 32 ESG metrics and a list of industry-specific reporting frameworks.

The ADGM has announced in 2023 the implementation of one of the first sustainable finance frameworks in the region, effective immediately. The framework covers rules on sustainability-oriented investment funds, discretionary-managed portfolios, bonds, and sukuk, as well as requirements for environmental, social, and governance (“ESG”) disclosures by ADGM-domiciled companies. The ADGM spearheads the adoption of a harmonised taxonomy through the introduction of three new designations – “Green”, “Climate Transition” and “Sustainability Linked” – across funds, managed portfolios, bonds and sukuk. These designations set out the minimum criteria for environmental sustainability that applicable securities and other financial services products may choose to adhere to. The designations are voluntary (i.e., on an opt-in basis) and are issued by the FSRA upon application or notification. Upon receiving a designation, a person may use the relevant mark corresponding to the designation received in its communications, subject to receiving appropriate permission from the FSRA.

On 21 June 2023, ADGM has also adopted amendments to the ADGM Companies Regulations pursuant to the Companies Regulations (Amendment No. 2) 2023 and published the relevant Environmental, Social and Governance Disclosures Guidance (the “ADGM ESG Guidance”). The aforementioned regulations provide that ADGM companies that meet certain “turnover” or “assets under management” thresholds must, starting from the second anniversary of its incorporation, disclose ESG-related information in its annual accounts submitted to the ADGM Registrar. These disclosures must align with international frameworks, as outlined in the ADGM ESG Guidance. The ADGM ESG Guidance provides an indicative, non-exhaustive list of globally recognised disclosure standards: Carbon Disclosure Project; Global Reporting Initiative; Higg Index; International Sustainability Standards Board; Task Force on ESG Financial Disclosures; and United Nations Sustainable Development Goals.

In 2025, the UAE SFWG published its Fourth Statement, highlighting continuing workstreams on sustainability-related disclosures, the development of a UAE Sustainable Finance Taxonomy and climate transition planning, which may further shape market expectations and documentation practices over time.

Regarding general lending activities, there are no harmonised regulations established across the UAE so far. However, CBUAE outlined in its UAE Islamic Finance Report 2023 that all Islamic banks have sustainability strategies in place. This is not the case for conventional banks with Islamic windows, where some strategies are under development or waiting to be formalised for publication in the coming years. Therefore, the impact on loan documentation varies depending on the lender's requirements under their established sustainability strategies.

12 Other Matters

12.1 Are there any other material considerations that should be taken into account by lenders when participating in financings in your jurisdiction?

The UAE financial services sector is still in its infancy when compared to more developed financial markets, and, whilst there is extreme wealth and numerous opportunities in the region, there is still a relatively high degree of uncertainty surrounding financing transactions in the region.

A challenging obstacle is the relative uncertainty of court decisions, given that there is no concept of *stare decisis*. With the establishment of the DIFC Courts and the ADGM Courts, which are based on common law and not civil law systems, the judgments, subject to certain conditions, may be enforceable onshore, and therefore the UAE enforcement risk associated with onshore courts has been mitigated to some extent.

However, even where such judgments are enforceable onshore, onshore assets are still subject to onshore rules regarding insolvency and taking of security. The promulgation of the Bankruptcy Law and the Pledge Law have certainly solved many of the issues that lenders were facing upon enforcement over onshore assets, but they still remain largely untested. Lenders providing financing into this market should carefully assess their enforcement risk over onshore assets and the risk of onshore insolvency proceedings. Lenders should also assess their *Shari'a*-compliance risk, particularly in *Shari'a*-compliant financings. Whilst English courts have typically taken a pragmatic view of *Shari'a*-compliant financings, looking through the *Shari'a* structure and into the substance of the financing arrangements (see *The Investment Dar Company KSCC v. Blom Developments Bank SAL* (Rev 1) [2009] EWHC 3545 (Ch) (11 December 2009)), there is uncertainty as to how the UAE Courts would rule in respect of claims by borrowers that their borrowings are not *Shari'a*-compliant and therefore unenforceable. In this respect, Dana Gas' claims in 2017 that two of its Islamic bonds (which were subsequently restructured before being redeemed in 2020) totalling USD 700 million were no longer compliant with *Shari'a* law and the subsequent injunction approved by a Sharjah Court to prevent investors from enforcing against Dana Gas stunned the markets. Lenders are therefore strongly advised to seek both structuring and enforcement advice in relation to *Shari'a* compliance issues in the UAE.

In 2025, a number of institutional and procedural developments relevant to financing and enforcement emerged in the UAE. Thus, the UAE Federal Judicial Council issued Decision No. 39 of 2025, effective from 15 July 2025, establishing the framework for a specialised Bankruptcy Court under the New Bankruptcy Law, which is expected to support the practical application of the UAE bankruptcy regime. In addition, in January 2025, the ADGM Courts and the Dubai Courts entered into a MOU aimed at facilitating the reciprocal enforcement of judgments, further strengthening cross-jurisdictional enforcement mechanisms within the UAE.

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