



SUMMATIVE (FORMAL) ASSESSMENT: MODULE 7E

UNITED ARAB EMIRATES

This is the **summative (formal) assessment** for **Module 7E** of this course and must be submitted by all candidates who **selected this module as one of their elective modules**.

The mark awarded for this assessment will determine your final mark for Module 7E. In order to pass this module, you need to obtain a mark of 50% or more for this assessment.

INSTRUCTIONS FOR COMPLETION AND SUBMISSION OF ASSESSMENT

Please read the following instructions very carefully before submitting / uploading your assessment on the Foundation Certificate web pages.

1. You must use this document for the answering of the assessment for this module. The answers to each question must be completed using this document with the answers populated under each question.
2. All assessments must be submitted electronically in **Microsoft Word format**, using a standard A4 size page and an 11-point Arial font. This document has been set up with these parameters – **please do not change the document settings in any way. DO NOT** submit your assessment in PDF format as it will be returned to you unmarked.
3. No limit has been set for the length of your answers to the questions. However, please be guided by the mark allocation for each question. More often than not, one fact / statement will earn one mark (unless it is obvious from the question that this is not the case).
4. You must save this document using the following format: **[studentnumber.assessment7E]**. An example would be something along the following lines: 202021IFU-314.assessment7E. **Please also include the filename as a footer to each page of the assessment** (this has been pre-populated for you, merely replace the words “studentnumber” with the student number allocated to you). Do not include your name or any other identifying words in your file name. **Assessments that do not comply with this instruction will be returned to candidates unmarked.**
5. Before you will be allowed to upload / submit your assessment via the portal on the Foundation Certificate web pages, you will be required to confirm / certify that you are the person who completed the assessment and that the work submitted is your own, original work. Please see the part of the Course Handbook that deals with plagiarism and dishonesty in the submission of assessments. **Please note that copying and pasting from the Guidance Text into your answer is prohibited and constitutes plagiarism. You must write the answers to the questions in your own words.**
6. The final submission date for this assessment is **31 July 2021**. The assessment submission portal will close at **23:00 (11 pm) BST (GMT +1) on 31 July 2021**. No submissions can be made after the portal has closed and no further uploading of documents will be allowed, no matter the circumstances.
7. Prior to being populated with your answers, this assessment consists of **8 pages**.

ANSWER ALL THE QUESTIONS

Commented [DB1]: 33 out of 50 – 66%.

QUESTION 1 (multiple-choice questions) [10 marks in total]

Commented [DB2]: 6 out of 10

Questions 1.1. – 1.10. are multiple-choice questions designed to assess your ability to think critically about the subject. Please read each question carefully before reading the answer options. Be aware that some questions may seem to have more than one right answer, but you are to look for the one that makes the most sense and is the most correct. When you have a clear idea of the question, find your answer and **mark your selection on the answer sheet by highlighting the relevant paragraph in yellow**. Select only **ONE** answer. Candidates who select more than one answer will receive no mark for that specific question.

Question 1.1

The **most significant barrier**, historically, to the development of a culture of distressed business rescue in the UAE has been:

- (a) The failure of the responsible authorities to enact laws which would encourage a business rescue culture.
- (b) The low rate of business failure in the UAE.
- (c) The owners of failed businesses are liable as a matter of criminal law for the failure of their business.
- (d) There could be criminal law consequences for business owners arising from the security agreements which a business might have with its creditors.

Question 1.2

What is the **principal difference** between the “mainland” UAE Bankruptcy Law and the insolvency laws of the two financial centres (the DIFC and the ADGM)?

- (a) The insolvency laws of the financial centres govern the insolvency of financial service businesses only, while the Bankruptcy Law governs the insolvency all other businesses.
- (b) The insolvency laws of the financial centres have no application and cannot be enforced in the UAE “mainland” (that is, outside of the financial centres), while the Bankruptcy Law is the only applicable law governing insolvency in the UAE “mainland”.
- (c) The Bankruptcy Law drew on the experiences of a number of jurisdictions, while the insolvency laws of the financial centres are based on the insolvency laws of one other country.
- (d) The Bankruptcy Law incorporates substantial elements of Islamic law, while the insolvency laws of the financial centres are based on the common law.

Question 1.3

Which statement **correctly describes** the relationship between the Courts of the DIFC and the Courts elsewhere in the UAE?

- (a) The judgments and orders of the Courts of the DIFC are not enforceable outside of the DIFC.

(b) The judgments and orders of the Courts of the DIFC are enforceable elsewhere in Dubai only through the Dubai Courts.

(c) The judgments and orders of the Courts of the DIFC are enforceable elsewhere in Dubai only after recognition for enforcement by the Joint Judicial Committee.

(d) The judgments and orders of the Courts of the DIFC are not capable of enforcement outside of Dubai.

Question 1.4

As regards security in Mainland UAE a secured creditor's rights, both in relation to real and personal property security, are not substantially affected by any formal insolvency process; the secured creditor can generally enforce its rights notwithstanding the debtor's insolvency. Is this statement **True or False**?

(a) True.

(b) False.

Question 1.5

Which statement is **correct** in relation to the operation of security interests for both real and personal property in the DIFC?

(a) The law regulating security interests in land and personal property in the DIFC is based on Australian law.

(b) A mortgagee of land in the DIFC requires a court order to allow it to repossess land subject to a mortgage.

(c) The regulating security interests in land and personal property in the DIFC is based on English common law.

(d) There are separate registers in which security interests in both land and personal property in the DIFC can be registered.

Question 1.6

Which of the following statements is **incorrect** in relation to creditor rights following the Court's decision to commence preventive composition under the UAE Bankruptcy Law up until the approval of the scheme?

(a) All legal claims and proceedings and any judicial enforcement procedures against the debtor are suspended, unless otherwise decided by the Court.

(b) The commencement of preventive composition procedures will also suspend any criminal proceedings brought in relation to a dishonoured cheque, including against the signatory of the cheque.

(c) Creditors may not bring or pursue claims against persons jointly liable with the debtor or any guarantors of the debtor's debts.

(d) Secured creditors may enforce their securities provided they have obtained Court permission to do so.

Question 1.7

Which of the following **is not** a consequence or possible outcome of the commencement of Preventive Composition?

- (a) Interest on debts owed by the debtor stops accruing on the date of commencement of Preventive Composition.
- (b) The debtor can borrow further money during the period of preventive composition, with the Court's permission.
- (c) The debtor is not allowed to change its ownership in any way.
- (d) The Court can order the rescission of effective contract to which the debtor is a party.

Question 1.8

Which of the following **is not** a basis for an application to the Court for the commencement of bankruptcy proceedings under the UAE Bankruptcy Law?

- (a) If a secured creditor, having security over all or substantially all of the assets of a debtor, takes steps to enforce its security.
- (b) If a creditor (or a group of creditors) has given notice to a debtor requiring the debtor to pay a debt of AED 100,000, and the debtor has failed to discharge the debt within 30 business days of that notification.
- (c) Following the annulment or rescission of Preventive Composition by the Court.
- (d) If a debtor is in default of its payment obligations for 30 consecutive business days.

Question 1.9

Rehabilitation is a new DIFC insolvency procedure introduced by the 2019 law, which allows companies unable to pay their debts but able to reach agreement with its shareholders and creditors to agree to a plan referred to as a Rehabilitation Plan to achieve a court sanctioned plan that binds creditors. In regard to the rehabilitation procedure, which of the following statements is **incorrect**?

- (a) In order to initiate the rehabilitation process the company is required to make an application to court submitting the rehabilitation plan and nominating the proposed rehabilitation nominee.
- (b) A moratorium comes into effect for an initial 180 days, preventing creditors from commencing or continuing legal action against the company.
- (c) The moratorium disappplies contractual provisions that would otherwise enable a contract to be terminated upon insolvency.
- (d) Any creditor materially prejudiced by the moratorium may apply to court seeking the disapplication of the moratorium in relation to a particular contract.

Question 1.10

Which of the following statements is **not** correct?

- (a) The DIFC Courts will enforce judgments and arbitration awards from other countries in accordance with the Riyadh Convention (Riyadh Arab Agreement for Judicial Co-operation).
- (b) The DIFC Courts will enforce judgments and awards from other countries if there is a memorandum of understanding with the Courts of that country which enable the DIFC Courts to do so.
- (c) The DIFC Courts will enforce arbitration awards from other countries in accordance with the New York Convention for the Recognition and Enforcement of Foreign Arbitration Awards.
- (d) The DIFC Courts will enforce judgments and arbitration awards from other countries, even if the debtor has no presence of any type in the DIFC.

QUESTION 2 (direct questions) [10 marks]

Commented [DB3]: 6 out of 10

Question 2.1 [maximum 2 marks]

What is the key point of distinction regarding the registration of real property interests, including mortgages, in the different emirates of the UAE? What is the key difference between the sale of mortgaged real property following a debtor default if that real property is in a financial free zone or if the real property is in "mainland" UAE?

❖ **Distinction regarding registration of real property interests, including mortgages, in the different emirate of the UAE**

Regarding the registration of real property interests, it is necessary to bear in mind, as explained in the Guidance Text that, while UAE law makes general provision for the granting of mortgages over land, each emirate maintains its own land registration system. In this way, the registration and enforcement of mortgages can be subject to slightly different laws and procedures in each emirate, although the substance of the law is generally the same.

On the other hand, the DIFC provides for a system of registration of interests in land, adopting The Torrens system from Australia, by which registration in the land registry is the exclusive system of determining interests in land and the rights arising therefrom. The DIFC has a separate register of ownership and other interests in land, including mortgages and other charges.

The position followed by the ADGM is similar to that of the DIFC, both in relation to real property, which is governed by the ADGM Real Property Regulations 2015, and personal property – although no specific personal property regulations have been adopted, and the default English common law position appears to be the applicable law.

❖ **Difference between the sale of mortgaged real property following a debtor default if that real property is in a financial free zone or if the real property is in “mainland” UAE**

As it has been explained in the Guidance Text, in the case of the UAE Law, while it provides for the right of a mortgagee to sell the mortgaged property following the debtor's default, this right must be exercised through the Courts. There have been a number of cases, in several of the Emirates, which wanted to determine whether the mortgagee must first obtain judgment for the mortgage debt before proceeding with sale. Even though the common approach adopted appears to be that a mortgagee can petition the Court for an order for sale without first obtaining judgment for the debt. Once an order for sale is obtained, the Court's execution department will conduct the sale of the mortgaged property.

Unlike in the previous case, in the event of nonpayment or other default by a debtor, a creditor holding a mortgage over the debtor's land can enter into possession of the land by providing 60 days' notice to certain relevant parties and without the need for a court order. Thus, the creditor can sell the whole or part of the land, receive rents and profits from the land and apply the proceeds of sale in payment of the mortgage debt. A mortgage creditor may also apply to the DIFC Court for an order for forfeiture.

Very long answer for 2 marks. **2 marks**

Question 2.2 [maximum 4 marks]

Preventive Composition and Restructuring are both insolvency processes that an entity can adopt under the UAE Bankruptcy Law. They share a number of similarities regarding the entry into and conduct of each of the respective processes. While the processes are different, various “actors” assume similar roles in each process. For all of the processes, which actor is responsible for each of the following:

Commented [DB4]: Read the question properly!

- (a) A decision on any application to commence an insolvency process;
- **Preventive composition:** only the debtor can apply to the Court for the appointment of a composition trustee by the Court.
 - **Restructuring:** it can be initiated by both the debtor or a creditor.
- (b) A primary determination as to whether a debtor's proposal should be adopted;
- **Preventive composition:** the Court must make the final decision, but an expert is appointed in order to make a report on the financial situation of the debtor. Also a majority of creditors holding two-thirds of the debtor's debt (including those temporarily admitted) must approve the draft scheme.
 - **Restructuring:** a trustee is appointed in order to produce a report on the debtor's business and to submit the report to the Court. Once it has been reviewed by the Court, a creditors meeting must be held. The majority for approval of the scheme is also a majority of creditors holding two-thirds of the debtor's debt (including those temporarily admitted). It is finally the court who decides if the scheme must be accepted or rejected.
- (c) Confirmation of the primary determination as to whether a debtor's proposal should be adopted;
- **Preventive composition:** as explained above, is the court who must make the final decision, if the majority of creditors specified above approve the scheme, although an expert is appointed beforehand to analyse the company's situation.
 - **Restructuring:** a trustee is appointed in order to produce a report on the debtor's business and to submit the report to the Court. Once it has been reviewed by the Court, a creditors meeting must be held. The majority for approval of the

scheme is also a majority of creditors holding two-thirds of the debtor's debt (including those temporarily admitted). It is finally the court who decide if the scheme must be accepted or rejected.

- (d) For supervising the implementation of the insolvency process by the debtor.
- **Preventive composition:** the trustee
 - **Restructuring:** supervisors (usually representative of creditors).

2 Marks.

The answer was simply:

- (a) The Court.
- (b) The debtor's unsecured creditors.
- (c) The Court.
- (d) The trustee.

Question 2.3 [maximum 2 marks]

Under the UAE Bankruptcy Law, for a debtor, what is the key difference between the circumstances which could give rise to an application to commence Preventive Composition or an application to commence Bankruptcy (whether leading to Restructuring or Liquidation)?

As it has been explained in the Guidance text, a debtor is required to initiate **bankruptcy procedures** if the debtor is in default of its payment obligations for 30 consecutive business days. If the debtor is subject to the control of a "competent controlling body" (which is determined by separate cabinet direction), the debtor may apply for preventive composition if the debtor has given the controlling body 15 days' notice of the application.

Furthermore, a creditor or group of creditors, who are owed more than AED 100,000 (USD 27,226), may also apply to the Court to initiate bankruptcy procedures if the creditor has given notice to the debtor requiring the debtor to settle the debt, and the debtor has failed to discharge the debt within 30 business days of any such notification

However, the debtor can seek preventive composition as an option.

Commented [DB5]: This is for the next question!

2 marks

Question 2.4 [maximum 2 marks]

What is the key difference for a creditor regarding the commencement of Preventive Composition or Bankruptcy of a debtor?

A very important difference between these two proceedings is that in the bankruptcy proceeding the debtor can't continue to run its business, which will be managed by the trustee.

0 marks.

Under the UAE Bankruptcy Law, a creditor has no right to compel a debtor to enter Preventive Composition, but a creditor, or group of creditors collectively, who are owed more than AED 100,000 (USD 27,229), may also apply to the Court to initiate bankruptcy procedures if the creditor has given notice to the debtor requiring the debtor to settle the

debt and the debtor has failed to discharge the debt within 30 business days of any such notification.

QUESTION 3 (essay-type questions) [15 marks in total]

Commented [DB6]: 8 out of 15

Question 3.1 [maximum 5 marks]

Briefly explain the historical background to the introduction of the Bankruptcy Law. Describe which entities the Bankruptcy Law applies to and how it has been received and applied in the UAE.

Commented [DB7]: You did not answer the question?

Until 2016, there was no specific law for insolvencies, but there were some generic provisions in the Commercial Transactions Law, although they were rarely used.

In 2009, the possibility of the company Dubai World not being able to meet its debts highlighted the shortcomings of the insolvency system, creating great concern throughout the country, and the need to develop an insolvency regime became evident. Thus, in 2016, the Federal Decree Law (No 9) of 2016 relating to bankruptcy was adopted. It has been amended in 2019 and 2020 (the "Bankruptcy Law").

Later on, with the adoption of Federal Decree Law (No 19) of 2019 relating to personal bankruptcy law, natural persons, who did not fall within the ambit of the Bankruptcy Law before, were included.

Look at the length of the answer you give for 2 marks and then this short answer for 5 marks?

2 marks

Question 3.2 [maximum 8 marks]

If a debtor company seeks to enter bankruptcy, describe the ways in which the Court is required to be actively engaged in the Restructuring in Bankruptcy Process (assume that a restructuring is possible, that there are no unusual features to the bankruptcy, there are no secured creditors and there has been no criminal conduct by any person involved in the debtor). Your answer should provide references to the legislation.

Firstly, once the trustee has issued the analysis of the company and report concerning the possibility of restructuring the business, the court has to examine it in order to confirm that it takes account of all creditor claims (art.97).

After that, the Court has to direct the trustee to convene a meeting of creditors, by way of notice and advertisement (it will take place within 10 days from the provision of the trustee's report to the creditors). Thus, unless the Court considers that liquidation is appropriate, the Court should direct the trustee to prepare a restructuring scheme. According to article 98, **the Court may not approve a proposed restructuring unless the debtor confirms its willingness to continue to carry on business and unless it appears that the proposed restructuring is viable.**

In case the Court decides that the debtor should be restructured, the trustee is required to prepare and develop a scheme within three months of the trustee's appointment. This scheme will subsequently be submitted to the Court, who is required to review it within 10 business days of submission. According to art. 103, the Court can request the trustee to vary the

scheme if it does not properly observe all parties' interests and to re-submit the proposed scheme within a further five business day period.

After that review, the Court must request the trustee to issue an invitation to the creditors, within five business days, to a meeting of the debtor's creditors to review the scheme. According to art. 104, the Court may also direct the formation of committees representing classes of creditors and may give directions about the appointment or conduct of any representatives of those classes at the meeting of creditors.

Finally, if the scheme has been approved by creditors at the creditors' meeting, the trustee is required to put the scheme before the Court within three business days, for the Court either to approve or reject the scheme, being the Court's determination final, according to art. 108.

In this approval or rejection step, we can see a big engagement of the Court, since it must be satisfied that all affected creditors will receive at least as much as the creditors would have received if the debtor's assets had been liquidated on the date of voting on the scheme.

At an implementation stage, the Court will receive a quarterly report of the trustee about the progress or any failure on the implementation (art. 114).

The restructuring is considered to be completed following the discharge of the obligations provided for in the scheme. Upon that occurring, the Court is to make an order confirming the complete implementation of the scheme, which is to be advertised, according to art. 115.

5 marks – not complete

Question 3.3 [maximum 2 marks]

In any insolvency system that involves the forced compromising of individual creditor claims, the requirement for court involvement is to ensure that the rights of all parties, including individual creditors, are being protected. The UAE Bankruptcy Law requires a high degree of Court involvement. Briefly describe (100-150 words) whether you consider that the level of Court involvement in approving a restructuring to be appropriate. Provide reasons for your answer.

There are some risks attached to restructuring, which include the possibility of abuse and oppression of some parties by others during this process. The above has raised a controversial issue, this is, the involvement degree the Court should have in it.

To answer this question, it is necessary to take into account the potential problems that arise in current restructurings.

First of all, in a lot of jurisdictions the restructuring can be imposed on dissenting creditors (*cross class cram down*), which implies the possibility of abuse of the dissenting minority.

Secondly, the restructuring process is accompanied by a moratorium, which may lead the company's management to misuse the process.

Finally, the debtor-in-possession processes that may prefer the providers of new finance to already existing creditors in this period may pose a problem regarding the protection of these existing creditors.

From my point of view, the involvement of the court in restructuring processes is necessary for the protection of minority creditors, so that it monitors that all requirements are fulfilled so that, for example, the restructuring plan can be imposed on dissenting creditors (no worse off

test, etc). Also, Courts can perform an important role in mediating between the different groups of creditors.

1 mark. What about costs? The level of Court involvement in restructuring is excessive. Ultimately, the question of whether a debtor-entity should engage in a restructuring should be a matter for the entity's creditors. However, even for a restructuring which all of the creditors support, the process of assessing the viability of restructuring requires an initial report to the Court by the expert, the submission of a restructuring scheme to the Court by the trustee before a creditors' meeting, and a final approval after that meeting by the Court. There is inevitably cost to that process, the funds for which would be better used in paying creditors.

QUESTION 4 (fact-based application-type question) [15 marks in total]

Commented [DB8]: 13/15

VGK LLC operates a restaurant chain in various locations in Dubai. It was a thriving and successful business but had to cease operations temporarily due to the effects of COVID-19. It has exhausted all available funds and has no cash to pay creditors. VGK LLC owns a restaurant site which is under development, but the development is not expected to be completed for seven months. The site had been purchased by one of VGK LLC's shareholders and was transferred to VGK LLC on the basis that payment for the site would be made by VGK LLC to the shareholder in full in 2024. In the meantime, the shareholder holds a mortgage over the property for the unpaid purchase price.

Answer the questions that follow:

Question 4.1 [maximum 5 marks]

The process of Preventive Composition requires adherence to a number of time-frames. Briefly outline the necessary steps and 10 specific steps that will determine the maximum time taken between making an application (the first step) and the registration of the scheme following final approval (the tenth and final step before its implementation).

Assume that: an expert's report is required by the Court; there are no disputes about whether a creditor is accepted or not; there are no amendments to the proposed scheme by the Court; the scheme is accepted by the creditors without the requirement for any adjournment of the creditors' meeting; the scheme is approved by the Court following the meeting; and there are no other extensions.

1. Expert report: **20 business days**
2. Decision of the Court on the application: **5 business days**
3. Trustee's publication of a summary of the Court's decision to commence the preventive composition procedure: **5 business days**.
4. Invitation to creditors to file claims: **20 business days**.
5. Trustee's list of claims: **10 business days**.
6. Determination of the Court of the list of creditors: **10 business days**.
7. Scheme submission to the Court: **45 business days**.
8. Review of the draft by the Court: **10 business days**.
9. Creditors meeting: **15 working days**.
10. Final decision of the Court: **5 business days**.

This would be a total of almost 5 months, but taking into account that we are talking about working and business days, and that some small steps have been missed, I assume it could take a bit longer, maybe around 8 months if the court is expeditious.

4 marks. Answer could have been more comprehensive.

Question 4.2 [maximum 5 marks]

VGK LLC's creditors rejected the proposed Preventive Composition scheme after a process of nearly four months. During that time, creditors, including staff, were not paid. The owners consider that without creditor support, restructuring would be impossible and liquidation is the only option available. With specific reference to the facts described above, describe the process that would be followed as part of any liquidation and, in particular, considering who could be appointed as trustee.

Termination of a preventive composition as provided for under the Bankruptcy Law is one of the prescribed circumstances under which the Court is required to make an order for the bankruptcy of the debtor and the liquidation of the debtor's assets.

In this case, the Court must appoint a trustee, which could be the one who was appointed for the preventive composition process.

After that, creditors are required to make their claims with the trustee within 10 business days from the date of the judgment; claims lodged later are not admissible unless the Court accepts the reason for any failure to claim. All debts owed by the debtor fall due upon the order for bankruptcy.

According to the facts given in this case, it is important to point out that in the event of any failure by the debtor to perform its obligations, the other party may apply to the court for an order for rescission of the contract. So, if the debtor in this case has failed to perform his obligations, the creditors may request rescission of the contract.

Following the bankruptcy of the debtor, the trustee is required to liquidate all of the debtor's property by public auction, under the supervision of the Court (it is usually a process lasting a maximum of six months, which may be extended if authorised by the court).

The trustee is required to notify the Court, any supervisors and the debtor of the substance of any proposals received for the purchase of the debtor's business. Therefore, the proceeds of sale of the liquidation of the debtor's assets are distributed by the trustee to creditors. The trustee must pay claims in the order provided for in the law, subject to Court approval for the distribution and approval of payment of priorities.

In relation to the assets that are not subject to any security, the order of priority is the payment of the Court costs and the trustee's costs, **unpaid wages and salary up to a maximum amount of three months' salary**, alimony debts under a judgment against the debtor, amounts due to governmental bodies and the costs incurred in supplying the debtor with goods and services following the commencement of the bankruptcy.

This point is important as in this case the salaries of the employees have not been paid. As explained above, salaries have priority of payment after the trustee's expenses.

Good answer – 5 marks

Question 4.3 [maximum 5 marks]

VGK LLC incorporated and registered a fully-owned subsidiary company in the DIFC to operate a restaurant in the DIFC. The subsidiary is called VGK Limited and it is incorporated as a DIFC company. VGK Limited is also unable to pay its debts. What actions can VGK Limited's creditors take if they wish to see VGK Limited liquidated in the DIFC? In particular,

who can take such actions and what steps would have to be taken? If the VGK was to be wound up, who would be responsible for it and what process would be adopted for addressing creditor claims in the winding up?

This would be the case of a creditors' voluntary winding up. Thus, the creditors will have to file an application to the court for the winding up of a company based on one of the following grounds:

- (a) a creditor has made demand for payment of a debt which is for a sum of more than USD 2,000, and that demand has been unsatisfied for a period of more than three weeks; or
- (b) any execution process is returned unsatisfied; or
- (c) it is proved that a company is unable to pay its debts as they fall due; or**
- (d) it is proved that the value of the company's assets exceeds the value of the company's liabilities, including any prospective and contingent liabilities.

In this specific case, as indicated in the text, the company it is unable to pay its debts, to point c) should be the basis for the application.

The creditors would have to nominate a possible liquidator. Also, the creditors may appoint a liquidation committee at the meeting of creditors, to exercise the functions conferred on the committee under the DIFC Insolvency Law. Upon the appointment of the liquidator, the directors' powers will cease.

As it has been explained in the Guidance text, under the DIFC Insolvency Regulations, it is provided that a creditor wishing to recover a debt in the liquidation of a company being wound up by the court must submit a claim for the amount in writing to the liquidator. This document so lodged is described as a "proof" of debt. Therefore, the creditor must set out in writing the claimed amount and provide supporting information to allow the liquidator to verify the claim.

Whenever the liquidator has sufficient funds, he or she may declare a dividend and distribute that dividend among the company's creditors.

Satisfactory answer. 4 marks.

*** End of Assessment ***