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UAE's banking sector welcomes new insolvency law

New regulation mutually beneficial to businesses and banks: UBF

Published: November 18, 2019 16:50 Babu Das Augustine, Banking Editor

Dubai: The UAE's banking sector expects the new insolvency law for individuals approved by the UAE Cabinet on Sunday will benefit the UAE economy and the banking sector.

The UAE Banking Federation (UBF), the representative body of banks operating in the country, commended the Ministry of Finance for the initiative.

"As the UAE advances its positioning as a regional economic hub and financial safe haven, regulations too will evolve to support the financial well-being and stability of local entrepreneurs and business owners. I commend the Ministry of Finance for taking such a crucial step in supporting individuals in their time of need and improving the ease of doing business in the country," said AbdulAziz Al Ghurair, Chairman of UBF.

Insolvency law for individuals comes three years after the UAE government had introduced a similar insolvency law for companies in September 2016. With a well defined legal and regulatory framework for both individuals and companies in place, the UAE's financial sector now stands at par with well-regulated global jurisdictions.

Helping hand

Bankers expect debt restructuring for individuals under legal protection a step forward in helping those who are unable to pay their debts from going bankrupt.

“The regulation will undoubtedly prove mutually beneficial to both the business community and the banking sector, offering individuals an opportunity to restructure their finances while helping local lenders reduce their cost of bad debt,” said Al Ghurair.

The law relating to personal insolvency has been introduced after long consultations with bankers and legal experts. The main concern among bankers has been the possibility of debtors using the cover of personal insolvency protection to escape loan repayment. However, the provisions of the new law enable both creditors and debtors to reschedule the loan on mutually acceptable terms under court supervision.

The new law takes a humane approach to debt settlement by decriminalising financial insolvency. Analysts said this in itself will be a great morale booster for those heavily indebted and give them an opportunity to repay their loans.

Competitiveness

The UAE continued to keep its lead in the Middle East and Arab region in the World Bank’s East of Doing Business ranking 2020 with 16th position in the global ranking of 190 countries.

The World Bank report made special mention of reforms undertaken by the UAE last year such as making starting of a business less expensive by reducing the fees for business incorporation, easier construction permits by using a risk-based approach to reduce the number of inspections, improving minority investor protection, ease of paying taxes and making trading across borders easier by reducing the time to export by fully digitizing certificates of origin and the cost to import by issuing certificates of conformity that cover multiple shipments.

Analysts and entrepreneurs said the new law will lift the UAE standing in ease of doing business and global competitiveness. “I think this is a very important legislation for UAE at this juncture and brings its legal system in par with international laws and helps not only businesses but individuals to be more productive and provide solutions to the banks as well on how to manage their credit system. This is a beautiful piece of legislation whose positive effect on economy will be felt for a long time to come,” said Shailesh Dash, Entrepreneur and Financier.



Shailesh Dash