

QUESTION ONE

With a recent spike in insolvencies across the globe, do you believe the numbers of distressed companies will increase in the coming year? How will your firm be assisting?

We believe that in the short term most companies will face insolvency because of the sudden and abrupt slowing down of financial transactions, mainly caused by the Covid-19 pandemic; however, in the mid-to-long term, a great number of these companies will be able to recover thanks to the rapid intervention of governments worldwide that provided much needed economic assistance and support.

Nevertheless, it is important to understand that this recovery will not be as quick as everyone wishes and expects because of the massive effort required to coordinate international markets in such a way that companies are left in the same financial position as they were before pandemic.

For this reason, the vast majority of businesses will be left either slightly worse or in a very precarious situation; added to this, governments are now pulling back the financial aid to small and mid-sized businesses because of the heavy economic burden it represents for countries, which in turn will leave them more vulnerable and unstable enterprises at risk of insolvency.

This unfortunate albeit necessary withdrawal of government aid is comprehensible, since the pandemic has not only affected individual businesses and corporations, it has affected the entire global economy. This means that countries must now focus on restoring the supply routes that keep the wheels of industry turning, rather than keeping the individual industries themselves afloat.

With this new legal paradigm in mind, our best course of action to help our clients maintain their financial stability and actually emerge out of the pandemic stronger than before is to seek protection under the bankruptcy and insolvency procedures as per the UAE Federal Law N. 9 of 2016 (Bankruptcy Law) and the Federal Law N.19 of 2019 (Insolvency Law).

QUESTION TWO

Why is Chapter 11 an attractive restructuring tool for international companies and your clients?

Chapter 11 of Title 11 of the United States Code is a powerful legal tool for companies in financial trouble, mainly because it allows insolvent businesses a temporary respite from their financial obligations to their creditors; through this mechanism, the debtor can begin a process known as "restructuring", in which, the debts and commitments of the company are temporarily rescinded or postponed in order to give them the opportunity to re-establish their financial position and regain their lost capital.

The UAE Bankruptcy Law and Insolvency Law have many common elements with the U.S. Chapter 11, which represents not only an attractive prospect but an immensely useful resource for the domestic and global market economy that we live in today. Thanks to the safe and proven method for resettling financial disputes without disrupting the regular flow of international trade that has been so affected by the pandemic, from our clients' perspective, who are mostly transnational companies that operate in the UAE and have



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Thomas Paoletti graduated in law from the University of Rome (La Sapienza) in 1994 after having prepared his final dissertation in comparative law at Yale Law School (Connecticut, USA) as a visiting scholar. He began his practice at Studio Legale Paoletti in Rome (Italy) as a trainee lawyer for two years prior to taking the bar exam.

He became a partner of Studio Legale Paoletti in 1997 and is registered with the Bar Council of Rome.

In his 20 years of legal practice, Thomas Paoletti has assisted clients in both domestic litigation cases and international cases including the United Kingdom, United Arab Emirates and Oman.

He has acquired specific expertise in the Gulf States, assisting companies in

terms of overseas investment and internationalization in the Middle East, offering legal support throughout the planning stage and specialist assistance in the establishment and running of the overseas business.

In 2014 he founded the Paoletti Legal Consultant, and he is currently the owner and the managing partner.

We specialize in corporate and commercial law and we have been working at an international level for more than 20 years. We defend the interests of our clients at each stage of a company's life cycle – from setting-up to expansion abroad – through focused and dedicated legal advice.

Our corporate law professionals include specialists in joint ventures and mergers and acquisitions who manage transactions around the world. We also execute reliable due diligence reviews as well as manage regulatory and compliance matters for our M&A clients, ensuring deals close in a timely manner with our clients' interests always secured.

If you want to do business abroad, you need more than just a good knowledge of the market. You need to know the legislation in the country of destination in order to protect your investments and avoid mistakes that could derail the entire operation.

Only those who work in the country of destination can offer the experience and the expertise necessary to operate successfully in a foreign country.

very strong ties to U.S. companies, it also represents an opportunity to coordinate with their creditors across international boundaries in order to reach a settlement that benefits them both, without the need to involve Conflict of Laws or International Common Law courts like those at the DIFC.

QUESTION THREE

What are the trends and opportunities regarding distressed businesses in your jurisdiction? What advice are you giving clients to take advantage of the distressed environment?

The current economic instability caused by the pandemic is unique in many respects because it happened at a time in world history when companies have become transnational giant corporations. As a result their finances are not confined to one single country or market, but are rather distributed around the globe, making insolvency and full financial collapse far more difficult than it once was. We believe that for this reason, in modern times, when a company wishes to acquire or merge with a competitor or simply another company, it is sometimes a complex process requiring multiple smaller acquisitions of individual assets.

In the economic climate of the post-Covid-19 world, we advise our clients to use this as an opportunity to grow and expand by acquiring assets from companies at risk of insolvency that can no longer afford to sustain said

TOP TIPS

On restructuring processes for distressed companies – and the potential opportunities for businesses

Suppose our client's goal is to simply protect their personal finances from the detrimental consequences of bankruptcy. In that case, we advise proceeding through an insolvent liquidation of assets, described in the UAE Bankruptcy Law, which will allow the company to be dissolved and sold to use the money as payment to the creditors.

In most cases, we advise developing a restructuring plan and presenting it to the creditors in order to get a restructuring judgement from the court under the Bankruptcy Law.

In the case that our client has assets in the United Arab Emirates, our best recommendation would be to attempt a global settlement with the creditors before seeking protection under the UAE Bankruptcy Law and Insolvency Law.

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resources. In this way, our clients will augment their financial base while at the same time discharging the acquired companies of their "extra weight" that no longer serves them.

In the United Arab Emirates, there are several mechanisms that are designed to help distressed businesses achieve their restructuring and reorganization goals. However, the most important tool that we recommend to our clients regarding this particular issue is the special jurisdiction of the Common Law courts of the Dubai International Financial Centre and the Abu Dhabi Global Market; the reason for this is that these jurisdictions are perfectly adapted to help companies reach amicable settlements, which is the best option when you want to initiate a friendly M&A.