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Dubai and Abu Dhabi Courts Widen Door for Creditors in the UAE

A new Memorandum of Understanding (MoU) between the Dubai Courts and the Abu Dhabi Global Market (ADGM) Courts marks a significant step forward for creditors seeking to enforce claims in the UAE. By establishing mutual recognition of judgments and awards, the MoU brings greater clarity to a legal landscape long seen as complex and uncertain. In light of this progress, creditors operating in the UAE should consider proactive strategies to enhance recovery across offshore and onshore systems.

Some commercial parties mistakenly view the United Arab Emirates (UAE) as a challenging jurisdiction for creditors seeking to enforce claims. This perception has historically been driven by the coexistence of separate legal systems: the onshore civil law courts, which apply the UAE Civil Code influenced by Shariah principles, and the common law jurisdictions of the Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM), established in 2004 and 2015 respectively. These offshore free zones were designed to serve the needs of the international business community.

Some question how the onshore UAE courts would treat judgments or awards rendered by the DIFC or ADGM common law courts and vice versa. However, a recent Memorandum of Understanding (MoU) between the onshore Dubai Courts and the ADGM Courts marks a significant step forward. The MoU establishes a framework for the mutual recognition and enforcement of judgments, decisions, orders, and arbitral awards between the two jurisdictions, mirroring a similar agreement between the Dubai Courts and the DIFC Courts, which offers greater certainty for enforcement against onshore assets.

With the new MoU improving enforcement between the ADGM and Dubai Courts, creditors operating in the UAE may consider the following strategies to enhance their recovery prospects across both offshore and onshore systems.

- **Bringing Proceedings in Cayman or BVI.** Creditors should assess whether initiating proceedings in offshore jurisdictions, such as the Cayman Islands or the British Virgin Islands, can complement enforcement strategies in the UAE, including where assets and holding structures are across onshore and offshore jurisdictions. These jurisdictions often allow creditors to quietly gather financial intelligence and pursue provisional relief, including freezing injunctions and the appointment of interim receivers. Combining early offshore leverage with a more straightforward enforcement path under the MoU framework can offer creditors a more effective strategy for recovery in the UAE.
- **Launch a Global Asset-Tracing Strategy.** Effective enforcement in the UAE increasingly depends on uncovering the debtor's global financial footprint. Asset-tracing efforts can reveal hidden or complex ownership structures, overseas receivables, and intellectual property—all of which may be reachable through coordinated cross-border action. The new MoU between the ADGM and Dubai Courts provides more certainty around recognition, helping creditors build seamless strategies to target a wider range of UAE-based assets with a quicker time to monetization than was available under the previous regime.
- **Leverage Creditor-Friendly Cross-Border Tools.** Creditors can apply pressure by initiating insolvency proceedings in jurisdictions where the debtor has commercial ties, particularly in the U.S. and UAE. U.S. discovery powers under Chapter 15, for example, can be used to compel financial institutions to disclose key records. In parallel, the UAE's new Bankruptcy Law offers broader creditor protections, and the ADGM's creditor-friendly insolvency regime adds another tool for targeting debtors with UAE exposure. The recent MoU between ADGM and Dubai Courts may increase the practical enforceability of creditor actions across both jurisdictions, enhancing the effectiveness of insolvency-driven strategies.

The Memorandum of Understanding (MoU) between the Dubai and Abu Dhabi Global Market (ADGM) Courts signals a greater alignment in the UAE's legal landscape, offering creditors a more straightforward path to enforcement with minimal procedural hurdles. Paired with a strategic blend of legal and out-of-court tactics, it can help prompt settlement and improve recovery outcomes.

About Kobre & Kim

Kobre & Kim is a global law firm focusing on cross-border disputes and investigations, often involving fraud and misconduct. The firm:

- Formulates and executes cross-border strategies across global jurisdictions, including the Middle East, Latin America, the British Virgin Islands (BVI), Cayman, Cyprus, Delaware, Hong Kong, Israel, Korea, New York, and the People's Republic of China (PRC).
- Focuses on helping clients realize value from their claims, developing investigative, enforcement, and asset tracing/recovery plans in the pre-dispute stage to maximize monetization.
- Often works with other law firms as special counsel to enforce high-value judgments, arbitration awards, and distressed debt worldwide with our integrated team of former government prosecutors, Hong Kong solicitors, UK solicitors and barristers (including King's Counsel), and offshore lawyers.