

Law No. (8) of 2007
Concerning
Escrow Accounts for Real Estate
Development in the Emirate of Dubai¹

We, Mohammed bin Rashid Al Maktoum, Ruler of Dubai,

After perusal of:

Federal Law No. (5) of 1985 Issuing the Civil Code and its amendments;

Law No. (7) of 2006 Concerning Real Property Registration in the Emirate of Dubai; and

Regulation No. (3) of 2006 Determining Areas for Ownership by Non-UAE Nationals of Real Property in the Emirate of Dubai,

Do hereby issue this Law.

Chapter One
Definitions and General Provisions

Article (1)

This Law will be cited as "Law No. (8) of 2007 Concerning Escrow Accounts for Real Estate Development in the Emirate of Dubai".

Definitions

Article (2)

The following words and expressions will have the meaning indicated opposite each of them unless the context implies otherwise:

Emirate:	The Emirate of Dubai.
Department:	The Land Department.
Chairman:	The chairman of the Department.

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¹Every effort has been made to produce an accurate and complete English version of this legislation. However, for the purpose of its interpretation and application, reference must be made to the original Arabic text. In case of conflict the Arabic text will prevail.

Director General:	The director general of the Department.
Register:	The register maintained by the Department for registering Developers.
Escrow Account:	The bank account of a real estate development project in which the payments made by purchasers of Units sold off-plan or by the financiers of the project are deposited.
Developer:	Any natural or legal person licensed to engage in the purchase and sale of Real Property for Real Estate Development purposes, and this includes the master developer and the sub-developer.
Escrow Agent:	The financial or banking institution accredited by the Department to manage an Escrow Account.
Competent Entities:	Government entities authorised to license Developers.
Real Estate Development:	Projects for the construction of residential or commercial multiple storey buildings or compounds.
Real Property:	Anything which is fixed and cannot be moved without damage or alteration of its structure.
Unit:	Any designated part of the Real Property that the Developer sells to third parties.

Article (3)

This Law will apply to Developers who sell Units off-plan in Real Estate Development projects in the Emirate and who receive payments from purchasers or financiers towards such Units.

Article (4)

The Department will maintain a register known as the “Register of Real Estate Developers” in which are entered the names of Developers licensed to engage in the Real Estate Development business in the Emirate. No Developer may engage in such business unless he is recorded in that register and licensed by the Competent Entities in accordance with their relevant requirements.

Article (5)

A Developer may not advertise in local or international media, and may not participate in local or international exhibitions to promote the sale of Units or Real Property off-plan, unless he obtains an authorisation in writing from the Department. The Director General will issue the resolutions required for the regulation of advertisements in the media, and of participation in exhibitions.

Chapter Two **Opening an Escrow Account**

Article (6)

Any Developer who wishes to sell Units off-plan must submit to the Department a request to open an Escrow Account. This request must comprise:

1. a certificate of membership in the Dubai Chamber of Commerce and Industry;
2. a trade licence;
3. a title deed of the land to be developed;
4. copy of the contract concluded between the master developer and the sub-developer;
5. initial architectural designs and engineering plans approved by the Competent Entities and the master developer;
6. a financial statement of the estimated cost and revenues of the project certified by an accredited chartered auditor;
7. an undertaking by the sub-developer to start the construction works of the project upon obtaining the approval of the master developer for off-plan sale, or an undertaking by the master developer if there is no sub-developer; and
8. a standard sale contract between the Developer and the purchaser.

Article (7)

An Escrow Account will be opened pursuant to a written agreement between the Developer and the Escrow Agent whereby the payments made by off-plan purchasers, or by the financiers of the project are deposited in an account opened with the Escrow Agent in the name of the Real Estate Development project.

This agreement will determine the terms of managing the account and the rights and obligations of the parties to the agreement. A copy of this agreement will be submitted to the Department.

Article (8)

The Department may update the registry entry of the plot owned by the master developer to indicate that a purchase agreement has been concluded between the master

developer and the sub-developer in respect of this plot, or any part thereof. A purchaser of an off-plan Unit may request that the Department update the registry entry of the plot on which the project will be constructed to indicate that a purchase agreement has been concluded between the purchaser and the sub-developer.

Chapter Three

Management of an Escrow Account

Article (9)

1. An Escrow Account will be opened in the name of the project, and will be dedicated exclusively to the construction of that Real Estate Development project. No attachment may be imposed on the payments deposited in this account for the benefit of the creditors of the Developer.
2. In the event of multiple projects implemented by the Developer, each project must have a separate Escrow Account.

Article (10)

1. The Department will maintain a special register known as the “Register of Escrow Agents” in which are entered the names of Escrow Agents.
2. An Escrow Agent must be qualified to manage Escrow Accounts.

Article (11)

1. An Escrow Agent must provide the Department with regular statements of the revenue and expenditure of his Escrow Accounts. The Department may, at any time, request any Escrow Agent to provide any information or data it requires, and in all events, the Department may seek assistance from any person it deems appropriate to audit such statements and data.
2. If it is proven to the Department that an Escrow Agent has committed any violation of this Law or of its implementing bylaws, the Department must notify him in writing and specify a time limit for him to remedy such violation.

Article (12)

Depositors or their representatives may gain access to their own accounting records, and may request copies of such records. Representatives from official authorities may have access to, and obtain copies of, such records.

Article (13)

If a Developer mortgages a project in order to obtain a loan from finance institutions or companies, these institutions or companies must deposit the loan amount in the relevant Escrow Account so that it is managed in accordance with the provisions of this Law.

Article (14)

An Escrow Agent must retain five percent (5%) of the total value of each Escrow Account once the Developer obtains the completion certificate. The retained amount will be released to the Developer one (1) year from the registration of Units in the name of purchasers.

Article (15)

In the event of any emergency situation where the Real Estate Development project is not completed, the Escrow Agent of that project must, after consultation with the Department, take the required measures to preserve the rights of depositors, and ensure that the Real Estate Development project is completed, or depositors are refunded their payments.

Chapter Four Penalties

Article (16)

Without prejudice to any penalties stipulated by any other legislation, a jail sentence and a fine of at least one hundred thousand Dirhams (AED 100,000.00), or either penalty, will be imposed on any person who:

1. engages in Real Estate Development activity in the Emirate without a licence;
2. provides the Competent Entities with incorrect documentation or information in order to obtain a licence to conduct the Real Estate Development activity;
3. knowingly offers for sale Units in fraudulent Real Estate Development projects;
4. steals, appropriates, or forfeits any amounts of money delivered to him for the purpose of implementing Real Estate Development projects;
5. in the case of an auditor, deliberately prepares a fraudulent report upon auditing the financial position of the Developer, or deliberately fails to disclose essential facts in his report;
6. in the case of a consultant, knowingly certifies fraudulent reports on a Real Estate Development project; or
7. in the case of a Developer, deals with a real estate broker who is not registered on the Real Estate Brokers Register maintained by the Department in accordance with

Bylaw No. (85) of 2006 Concerning the Real Estate Brokers Register in the Emirate of Dubai.

Article (17)

A Developer will be struck-off the Register where:

1. he is declared bankrupt;
2. he fails, without an acceptable reason, to commence construction works after the lapse of six (6) months from the date on which he was granted permission to sell Units off-plan;
3. the licence granted to the Developer by the licensing entity is revoked;
4. he commits any of the violations stipulated in paragraphs (16) (2), (3), (4), and (5) of this Law; or
5. he violates any of the laws and bylaws regulating the activity of Real Estate Development in the Emirate.

Chapter Five Final Provisions

Article (18)

Developers carrying on business at the date on which this Law comes into force must comply with it within six (6) months from the date on which it is published in the Official Gazette. The Department may extend this period as it deems appropriate.

Article (19)

The Department may charge fees for any services provided in accordance with this Law.

Article (20)

Any provision in any other law or bylaw will be repealed to the extent that it contradicts the provisions of this Law.

Article (21)

The Chairman will issue the resolutions required for the implementation of this Law.

Article (22)

This Law will be published in the Official Gazette and will come into force on the day on which it is published.

Mohammed bin Rashid Al Maktoum

Ruler of Dubai

Issued in Dubai on 6 May 2007

Corresponding to 19 Rabi al-Thani 1428 A.H.