

Universal Jurisdiction and the Situs of Centralized Digital Assets: An Analysis of Crypto Server Location in *Iakovlev v. Epayments Systems Ltd.* (Ontario Superior Court of Justice)

March 19, 2026

Introduction

In the rapidly expanding world of digital finance, courts face a novel challenge: determining the legal location, or *situs*, of supposedly borderless crypto assets. When a digital asset is lost or stolen on an international platform, where exactly does the legal harm occur? The Ontario Superior Court of Justice recently addressed this critical issue head-on in *Iakovlev v. Epayments Systems Ltd.*, 2026 ONSC 1296.

In a decision that will undoubtedly resonate across global legal frameworks, Associate Justice R. Frank granted a motion by the defendant, ePayments Systems Limited, “for an order dismissing the plaintiff’s claim as against it on the basis that this court has no jurisdiction over it.”

The ruling firmly rejects the notion that the residency of a crypto owner dictates the jurisdiction of the digital asset. More importantly, it tackles the technological realities of centralized crypto custody, providing much-needed clarity and a formidable defense against judicial overreach in cross-border crypto disputes.

The Dispute and the Question of *Situs*

In this action, “the plaintiff seeks damages for alleged misrepresentation and civil conspiracy,” claiming that “due to the bankruptcy of DSX Global, the plaintiff has been deprived of the six bitcoins he purchased.” The plaintiff attempted to establish assumed jurisdiction in Ontario by arguing that “his retirement savings, an Ontario-based asset, were the source of the funds invested on the platform,” and therefore, he suffered financial loss in his home province.

Under Canadian common law, “an actionable conspiracy occurs in the jurisdiction where the alleged harm is suffered, regardless of where the wrongful conduct occurred.” Therefore, the Court had to determine exactly where the legal harm involving the loss of the digital assets took place.

Paragraph 47: Defining the Location of Digital Assets

Associate Justice R. Frank systematically dismantled the plaintiff’s argument that localized financial impact equates to localized legal harm. In paragraph 47, the Court provided a profound analysis of the location of digital assets, prioritizing the physical infrastructure and the custodial entity over the domicile of the investor:

“[47] Further, even if some or all of the funds used by the plaintiff to purchase the allegedly lost crypto assets had originated in Ontario – which is not supported by the evidence – the plaintiff’s digital assets were held on servers in the European Union. Those crypto assets were never held on servers in Ontario or anywhere in Canada, nor were they held by or through an entity located in or with any connection to Ontario or Canada. As such, the alleged harm and loss did not occur in Ontario.”

The Court highlighted the extreme danger of adopting the plaintiff’s logic, warning that it would effectively subject

global platforms to litigation everywhere simply because their users are distributed worldwide:

“If the plaintiff’s position were accepted and taken to its logical conclusion, then damages would occur in Ontario whenever an Ontario resident suffers a loss of one of their assets located outside Ontario, regardless of whether the asset has any connection to Ontario other than its ownership by the Ontario resident. In my view, the fact that an Ontario resident suffers a loss of or damage to an asset located outside Ontario does not, on its own, mean that the harm occurs in Ontario. That would be akin to universal jurisdiction, a result that the Supreme Court has cautioned against in Van Breda.”

The Technical Reality vs. The “Borderless” Myth: Anchoring Crypto to Servers

To fully appreciate the weight of the Court’s ruling, one must understand the technical tension at the heart of the digital asset industry. In the mainstream consciousness, cryptocurrencies like Bitcoin are frequently championed as strictly “borderless”, built on decentralized, globally distributed public ledgers where the underlying assets theoretically exist everywhere and nowhere simultaneously.

However, *Iakovlev* introduces a vital technical distinction by piercing this “borderless” myth in the context of centralized platforms and payment gateways. When an investor purchases cryptocurrency on a centralized platform like DSX Global or uses a service like ePayments, they are not usually holding the private keys directly on the decentralized public blockchain. Instead, they hold a custodial right, an IOU, recorded on the platform’s proprietary, centralized internal databases.

Justice Frank acutely recognized this technical reality. By explicitly observing that “the plaintiff’s digital assets were

held on servers in the European Union” and “never held on servers in Ontario,” the Court established a tangible, physical nexus based on the technological hardware managing the platform’s internal database. The court brilliantly bridged the gap between decentralized technology and traditional legal geography by tethering the *situs* of the asset to these physical servers, and the fact that they were never “held by or through an entity located in” Ontario. It aligned legal jurisdiction with the technical reality of centralized digital asset custody infrastructure, rather than the abstract, borderless nature of the blockchain protocol.

Global Ramifications and Effects on Common Law Jurisdictions

The global ramifications of *Iakovlev* are immense. By ruling that a platform’s “presence in Ontario was virtual only, and passive,” and by anchoring the *situs* of digital assets to the jurisdiction where they are “held on servers” or “held by or through an entity,” the Court has erected a powerful shield against forum shopping across the digital asset industry.

Because the legal geography of cryptocurrency is still actively being mapped, this physical infrastructure-based precedent will heavily influence other major common law and international financial hubs:

- **The United Kingdom (UK):** English courts have frequently grappled with the *lex situs* of crypto assets. In earlier rulings, UK courts have suggested that a crypto asset is legally located where its owner is domiciled. *Iakovlev* introduces a compelling counter-approach. By stating that “the fact that an Ontario resident suffers a loss... does not, on its own, mean that the harm occurs in Ontario,” the Canadian court directly challenges the domicile-based model. UK litigators defending foreign Virtual Asset Service Providers (VASPs) will undoubtedly cite *Iakovlev* to argue that the true *situs* of custodial assets lies with the centralized server infrastructure

and the hosting entity, not the claimant's residence.

- **Singapore and Hong Kong:** As premier crypto hubs in Asia, Singapore and Hong Kong have definitively recognized cryptocurrencies as property capable of being held in trust. However, identifying the geographical nexus for cross-border torts remains highly contested. *Iakovlev* provides the legal certainty that centralized platforms operating in these regions desire. If an exchange incorporated in Singapore or Hong Kong stores client assets on local servers, *Iakovlev* provides highly persuasive authority that foreign plaintiffs cannot easily sue these exchanges in their home countries just because the “borderless” assets were accessed globally.
- **DIFC and ADGM (United Arab Emirates):** The Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM) operate under English common law principles and have enacted bespoke, entity-focused digital asset property laws to attract Web3 businesses. The *Iakovlev* judgment inherently strengthens their jurisdictional appeal. By reinforcing that digital assets are tied to where they are “held by or through an entity located in” a specific region, digital asset firms licensed within the DIFC or ADGM can be confident that international courts will respect these hardware and corporate boundaries, preventing foreign users from bypassing UAE forums based solely on localized economic harm.
- **Australia:** Australian courts apply strict “real and substantial connection” tests for assumed jurisdiction and are highly cautious regarding extraterritorial overreach. In dealing with class actions or individual claims against international crypto exchanges, Australian courts will find the *Iakovlev* reasoning highly persuasive. The judgment provides a technologically grounded metric, the location of the

servers, for dismissing claims where the only domestic connection is the plaintiff's residency, preventing Australian courts from exercising what "would be akin to universal jurisdiction."

Conclusion

Iakovlev v. Epayments Systems Ltd. represents a triumph of established jurisdictional principles and technological pragmatism in the face of decentralized finance. By decisively ruling that the physical location of servers and custodial entities dictates the legal location of digital assets, the Ontario Superior Court of Justice has successfully blocked a backdoor to "universal jurisdiction." As common law courts around the globe continue to navigate the complexities of the crypto industry, this judgment stands as a vital reminder: while the blockchain network may be borderless, the corporate infrastructure and servers that hold these assets remain firmly tethered to physical reality.

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War Series: The "Fix-It On-Site" Fallacy, Pre-Existing Breaches, and the Limits of

Force Majeure – Applying the Dubai Courts' Sudan War Jurisprudence to GCC Construction Logistics in the 2026 Iran War

March 19, 2026

Introduction: The Fog of War and the Shield of Convenience

As the 2026 Iran War aggressively reverberates across the Middle East, the Gulf Cooperation Council (GCC) finds its sprawling construction, engineering, and infrastructure sectors facing an unprecedented logistical paralysis. With military exclusion zones declared across critical maritime chokepoints in the Strait of Hormuz, the Arabian Gulf, and the Gulf of Oman, commercial ocean freight has been fundamentally disrupted. Simultaneously, abrupt civil aviation closures and sudden Notices to Air Missions (NOTAMs) have grounded the global airfreight corridors that traditionally sustain the rapid pace of regional development.

The movement of vital construction materials, ranging from pre-fabricated modular units and highly specialized electromechanical equipment to bespoke structural steel, has ground to a virtual halt.

In the immediate wake of these severe geopolitical disruptions, regional engineering, procurement, and construction (EPC) main contractors, alongside project owners and developers, are being inundated with *force majeure* notices from international manufacturers and regional logistics suppliers. The narrative presented in these notices is nearly

universal: suppliers claim that the sudden, violent escalation of the 2026 Iran War constitutes an insurmountable, unforeseeable sovereign event that absolutely prevents them from fulfilling their supply chains. Consequently, they argue, this geopolitical crisis shields them from contractual liability, insulates them from delay penalties, and, most crucially, allows them to retain massive, unamortized advance payments without delivering the contracted goods.

However, a critical and highly contentious legal dilemma arises when the fog of war is utilized to mask pre-existing corporate failures. What happens when a supplier or logistics provider was already in fundamental breach of their contractual obligations, such as manufacturing defective, non-conforming materials, or missing crucial pre-war shipping deadlines, *before* the first military shot was fired? Can a supplier legitimately use an active regional war as a legal shield to excuse a failure that is entirely rooted in their own prior engineering incompetence or manufacturing negligence?

For construction executives, procurement directors, and logistics heads navigating the intense commercial complexities of the 2026 crisis, the GCC civil law framework provides a highly unforgiving answer to this question. By examining a landmark, highly detailed judgment from the Dubai Court of First Instance (Judgment No. 695/2023 Commercial Banking, issued on April 29, 2025), which adjudicated a multimillion-dollar construction supply dispute violently disrupted by the sudden outbreak of the 2023 war in Sudan, we can transpose these vital legal precedents directly onto the current logistical realities of the Iran War.

This definitive precedent establishes a foundational rule of wartime commerce across the Arabian Peninsula: *Force majeure* cannot cure a pre-existing breach, and an armed conflict cannot be weaponized to camouflage manufacturing defects.

The 2026 Construction Logistics Landscape in the GCC

To fully comprehend the gravity and utility of this judicial precedent, one must first recognize the sheer scale and vulnerability of the supply chain mechanisms currently keeping GCC gigaprojects afloat. From the colossal Vision 2030 developments in the Kingdom of Saudi Arabia (KSA), such as NEOM, the Red Sea Project, and Qiddiya, to massive infrastructure upgrades, desalination plants, and transit networks in the United Arab Emirates (UAE) and Qatar, project owners rely overwhelmingly on highly synchronized, cross-border international supply contracts.

These procurement contracts are defined by rigid technical specifications, strict Factory Acceptance Tests (FAT), mandatory third-party quality inspections (executed by global entities such as SGS, TUV, or Bureau Veritas), and massive upfront capital injections. Advance payments in the GCC construction sector frequently range from 20% to 30% of the total contract value. These multi-million-dollar transfers are systematically secured by unconditional bank guarantees (Advance Payment Bonds) and Performance Bonds, which are intended to act as liquid, on-demand safety nets for the contractor.

In the wartime reality of 2026, this logistical chain is fracturing under extreme military strain. If a supplier in Asia or Europe has manufactured flawless equipment destined for a site in Riyadh, Abu Dhabi, or Doha, and those materials are genuinely trapped in a transit port due to a naval blockade, the doctrine of *force majeure* legitimately applies. The law recognizes the impossibility of performance caused by sovereign military intervention.

However, a far more insidious and financially devastating scenario is currently playing out across the industry: suppliers who failed their FAT inspections weeks or months ago, and who were struggling to rectify profound engineering

defects, are now pointing to the Iran War as the exclusive “reason” they cannot deliver.

In peacetime, the construction industry frequently operates on a “fix-it-on-site” gentleman’s agreement. When materials arrive with minor dimensional discrepancies or manufacturing flaws, the supplier promises to fly a team of specialized technicians to the GCC project site to weld extensions, modify components, or rectify the defects during the final installation phase. But in the 2026 Iran War, borders are restricted, visas are suspended, and flights are canceled. The supplier’s technicians cannot travel. Consequently, suppliers are attempting to freeze the contracts in place, arguing that the war physically prevented their contractual right to cure the defects, and demanding they be allowed to keep the massive advance payments to cover their sunken manufacturing costs.

The Factual Matrix: Transposing the 2023 Sudan War Dispute

The factual matrix of Dubai Court Judgment No. 695/2023 serves as a flawless, highly granular analogue for the supply chain disputes erupting today. While the geographical focal point of the conflict in the precedent was the Republic of Sudan rather than the current theater of Iran, the legal, logistical, and contractual mechanics are absolutely identical to the 2026 crisis.

On August 10, 2022, a major regional contracting company (the “Contractor” or “Buyer”, acting as the original Defendant and Counter-Claimant in the suit) entered into a high-value commercial supply contract with a UAE-based general trading and manufacturing entity (the “Supplier” or “Original Plaintiff”). The contract, valued at a substantial \$4,259,400, demanded the highly specified offshore manufacture, supply, and logistical delivery of critical water infrastructure materials. Specifically, the Supplier was tasked with fabricating eighty 50-cubic-meter (50m³) steel water tanks, massive supporting steel structural towers, and hundreds of

associated livestock drinking troughs. These materials were destined for an ongoing, highly sensitive 500-well infrastructure mega-project overseen by the Ministry of Irrigation and Water Resources in the Republic of Sudan.

Following standard GCC construction logistics protocols, the Contractor executed a 30% advance payment amounting to \$1,277,832 on January 8, 2023. In return, the Supplier was obligated to provide unconditional bank guarantees issued by a recognized financial institution for the advance payment, alongside a 10% performance bond valued at \$425,944. The contract rigorously stipulated that the materials could not be shipped until they passed an independent third-party inspection and subsequently received a formal "Shipping Release Note" directly from the end-client (the Ministry).

By early March 2023, the Supplier had fabricated the first major batch of materials in their offshore facilities, comprising 80 massive water tanks and hundreds of structural accessories, and generated a commercial freight invoice for \$1,190,880. Anticipating delivery, the materials were subjected to an independent inspection by SGS on March 10, 2023.

The resulting inspection report was a failure for the Supplier. The materials materially and dangerously failed to meet the agreed-upon engineering specifications. The defects flagged by SGS were not merely cosmetic; they were highly specific to structural engineering and posed severe risks:

- 1. Critical Dimensional Deficits:** The structural steel loading columns (the foundational legs supporting the massive water tanks) were contractually required by the purchase order to be exactly 6 meters long. The manufactured columns measured less than 5.5 meters, representing a massive half-meter deficit.
- 2. Structural Integrity Failures:** The thickness of the internal steel supports within the tanks was

substantially less than the load-bearing thickness mandated by the contract, threatening a total structural collapse under the weight of 50 tons of water.

3. **Life Safety Hazards:** The fall-prevention safety barriers, located on service platforms at a height of over 6 meters, were severely reduced in height in violation of HSE specifications. Furthermore, the service ladders were fundamentally too short, creating what the inspection noted as severe occupational safety risks of fatal falls for future maintenance operators.

Following a rigorous review of this inspection report, the Sudanese Ministry of Irrigation and Water Resources officially and categorically rejected the materials on April 13, 2023. Exercising their contractual rights, the Contractor subsequently issued a formal Notice of Breach to the Supplier on April 20, 2023, demanding immediate rectification of the life-safety and structural defects within an aggressive 48-hour window, as per Clause 10.2 of their agreement.

The Outbreak of War and the Force Majeure Shield

Faced with a formal breach notice and fundamentally non-conforming materials, the Supplier engaged in the classic “fix-it-on-site” strategy. They argued to the Contractor that the materials were “98% compliant” and that the structural defects were minor and easily rectified. Regarding the missing half-meter on the steel columns, the Supplier proposed a radical site-based engineering workaround: they suggested simply increasing the height of the concrete foundation bases poured on-site by the Contractor to compensate for the short steel.

To execute this highly irregular compromise, which would require altering the civil works for 500 separate well foundations, the Supplier and the Contractor tentatively agreed to fly their respective executives and lead engineers to Khartoum on April 17, 2023. The goal was to meet directly

with the Ministry, inspect similar projects, and authorize the on-site structural correction.

Then, geopolitics violently intervened. On April 15, 2023, just two days before the critical site visit, the devastating Sudanese Civil War abruptly erupted. Khartoum International Airport was attacked and shut down, commercial flights were globally canceled, and a state of intense armed conflict engulfed the delivery destination.

Recognizing the contractual peril they were in, the Supplier immediately pivoted their legal strategy. They filed a preemptive lawsuit against the Contractor and the issuing Islamic bank in the Dubai Courts. The Supplier sought a judicial decree to enforce the continuation of the contract, or, in the alternative, to formally terminate the contract under the exclusive doctrine of *force majeure* (relying on Clause 7 of the contract concerning armed conflict and exceptional events).

Crucially, the Supplier argued that the sudden outbreak of war was a legally recognized “exceptional, unforeseeable event” that made it physically impossible for their engineering teams to travel to Sudan to fix the defects, negotiate the concrete workaround, or complete the final delivery. Therefore, they demanded a mutual liquidation of accounts wherein they would retain the massive \$1.27 million advance payment (as it was roughly equivalent to the value of the goods they had manufactured), while simultaneously seeking a judicial injunction to block the Contractor from liquidating the \$1.7 million in bank guarantees.

The Contractor filed a fierce and comprehensive Counterclaim. They argued that the contract must be terminated not out of mutual wartime sympathy or *force majeure*, but strictly because of the Supplier’s gross, pre-existing breach of contract. They demanded the full refund of their \$1,277,832 advance payment, plus statutory interest and compensatory damages, noting

unequivocally that the Supplier's failure to adhere to the FAT specifications occurred entirely before the war broke out, and that proposing to pour extra concrete to cover up a manufacturing error was not a contractual right.

The Judicial Framework: UAE Civil Law on Contracts and Breach

Before dissecting the timeline of the wartime disruption, the Dubai Court of First Instance grounded its ruling in the fundamental bedrock of the UAE Civil Transactions Law (Federal Law No. 5 of 1985). For logistics managers, corporate counsel, and procurement directors operating in 2026, understanding these statutory definitions is paramount when negotiating and enforcing supply contracts.

The Court explicitly defined the absolute, uncompromising nature of contractual obligations, quoting Article 125 of the Civil Transactions Law:

("A contract is the connection of an offer issued by one of the contracting parties with the acceptance of the other, aligning in a way that establishes its effect on the subject matter, and results in the obligation of each of them to fulfill what is owed to the other.")

The Court further cemented the absolute duty of performance by citing Article 243(2) of the Civil Transactions Law, which strips away the flexibility often assumed in construction logistics:

("Each of the contracting parties must fulfill what the contract obliges them to do. The contract must be executed according to what it contains and in a manner consistent with what good faith requires.")

Focusing specifically on the logistics and manufacturing sector, the Court relied on the overarching principles established by the UAE Court of Cassation (Judgment No. 887/2022 Commercial Appeal) regarding the exact legal nature

of Supply Contracts. The Supreme Court previously ruled that in a supply contract, the manufacturer is absolutely bound to provide goods meeting exact standards:

("A supply contract is a contract in which a merchant or manufacturer commits to supply or provide the buyer with goods or services from their production or the production of others, according to specifications agreed upon between the parties, in specified quantities, and at specified times, to be delivered to the latter at the agreed-upon location... and the buyer has no right to withhold the price under the pretext of non-conformity of some of the supplied items unless the claimed defect is proven.")

In this case, the defect was not merely claimed by the Contractor; it was conclusively, objectively proven by the independent third-party SGS inspection report and the end-client's formal rejection letter. This rigid legal framework establishes that a supplier's core obligation is an "obligation of result", they must achieve the exact, specified engineering result, defect-free. Supplying a 5.5-meter column when a 6-meter column was ordered is a fundamental failure of that result.

The Court's Findings: Severing the Force Majeure Camouflage

The crux of the Dubai Court's masterful judgment lies in its forensic dissection of the project timeline. The Supplier attempted to blur the lines between their manufacturing failures and the sudden outbreak of the war, utilizing the military closure of the Khartoum airport as an impenetrable excuse for their non-performance.

The Court fundamentally rejected this conflation. By appointing a specialized Tripartite Expert Committee consisting of forensic accounting and banking experts, the Court established a bright-line rule that is directly applicable to the 2026 Iran War: **A subsequent wartime force**

***majeure* event cannot cure, excuse, or erase a pre-existing contractual breach.**

The Court found that the Supplier had already fundamentally breached the contract the moment the SGS inspection report confirmed the life-threatening deviations in the steel columns on March 10, 2023. This breach materialized fully when the end-client rejected the materials on April 13, 2023. The fact that the war broke out on April 15, physically preventing the Supplier from traveling to the site to attempt a highly irregular, ad-hoc “workaround” (altering the concrete foundations to hide the steel deficit), was legally irrelevant to the initial breach. The Supplier had no contractual right to demand that the Contractor alter civil works to accommodate a manufacturing error.

Delivering a decisive and overwhelming victory for the Contractor, the Court severed the Supplier’s *force majeure* defense from their pre-existing manufacturing failure. The Court issued a verbatim judgment that resonates powerfully for 2026 logistics disputes:

(“The matter from which the Court concludes is that the Original Claimant [The Supplier] breached its contractual obligations to supply the agreed-upon materials as they were not conforming to the specifications according to the report issued by the General Directorate of Groundwater and Wadis at the Ministry of Irrigation and Water Resources in the Republic of Sudan.

This is not negated by the Plaintiff’s defense that it was unable to take corrective measures due to the war in Sudan.

Accordingly, the Court rules that the Counter-Claimant [The Contractor] is entitled to what it demands in its counterclaim regarding the rescission of the supply contract subject to the dispute and the recovery of the value of the advance payment it had paid, by obligating the First Defendant in the

Counterclaim (the Original Claimant) to pay the Counter-Claimant the sum of 1,277,832 US Dollars (equivalent to 4,693,476.94 Dirhams).")

By isolating the Supplier's technical failure from the broader geopolitical conflict, the Court stripped away the *force majeure* camouflage. The contract was formally rescinded under Article 272(1) of the Civil Transactions Law, and the Supplier was ordered to refund the massive advance payment in full, leaving the Supplier to absorb the total financial loss of the defective steel.

Bank Guarantees, Bad Faith, and Financial Restitution

Beyond the termination of the contract, the judgment provides critical guidance on the mechanics of Bank Guarantees and financial restitution during wartime disputes. In an attempt to block the Contractor from liquidating the guarantees, the Supplier introduced a highly technical banking defense. They argued that the guarantees were never formally "activated" because the Contractor had erroneously wired the \$1.27 million advance payment to the Supplier's Bank of China account, rather than the specific Abu Dhabi Islamic Bank (ADIB) account explicitly stipulated in the guarantee draft.

The Court and the appointed banking expert thoroughly rejected this deflection. The evidentiary record demonstrated that the Supplier had specifically issued an official commercial invoice requesting the funds be sent directly to their Bank of China account. The Court viewed the Supplier's attempt to use their own contradictory banking instructions to invalidate the guarantees as an act of profound "bad faith", violating the good faith mandate of Civil Code Article 243.

The Court exonerated the issuing bank, relying on Cassation No. 724/2020, which affirms the strict independence of bank guarantees:

("A bank guarantee is a pledge by the bank to pay the client's

debt to a third party according to the agreed conditions... The bank issuing the guarantee is obligated to pay its value to the beneficiary upon demand during its validity without needing the client's approval once the condition of entitlement is met.")

Because the strict condition (payment to the ADIB account) was technically not met, the Bank was cleared. However, the Court ultimately bypassed the dormant guarantee and ordered the Supplier to refund the money directly through the substantive lawsuit. For logistics managers in 2026, this serves as a dire warning: you must rigorously ensure that advance payments are routed precisely to the accounts stipulated in the Bank Guarantees. A simple administrative wiring error can leave millions of dollars unsecured, forcing a company to fight a lengthy court battle for restitution rather than simply calling the bond.

Furthermore, the Court addressed the financial penalty for withholding these funds. Historically, UAE courts awarded a 9% statutory interest rate in commercial disputes. However, referencing a landmark macroeconomic directive from the General Assembly of the Court of Cassation (Decision No. 1/2021), the Court noted that the fluctuating economic climate required a downward adjustment:

("The General Assembly of the Court of Cassation deemed it appropriate, by unanimous consensus, to reduce the interest rate in both its legal and delay forms, in the absence of an agreement thereon, to a rate of (5%) annually until full payment.")

Aligning with Articles 84 through 87 of the Commercial Transactions Law, the Court ordered the Supplier to pay a 5% annual delay interest on the \$1.27 million, calculated from the date of the judicial claim until the debt is fully extinguished. For 2026 contractors seeking restitution from defaulting suppliers, this 5% metric serves as the reliable

benchmark for calculating the time-value loss of tied-up capital.

It is vital to note that the Court rejected the Contractor's claim for *additional* unspecified damages. Citing Cassation No. 352/2015 Civil, the Court reiterated that contractual liability requires three distinct elements: fault, damage, and a causal link. Because the Contractor failed to explicitly quantify and prove the specific financial harm suffered beyond the loss of the advance payment, the additional compensation claim was dismissed, a harsh reminder for 2026 contractors that wartime damages must be meticulously documented by financial experts, not merely alleged.

Wider GCC Implications: A Unified Legal Stance

While Judgment 695/2023 originates from the Dubai Courts in the UAE, its jurisprudential DNA is universally applicable across the entire Gulf Cooperation Council. The legal doctrine preventing a defaulting party from hiding behind a subsequent *force majeure* event is deeply entrenched in the civil law systems of the region, which are heavily influenced by the Egyptian Civil Code and traditional Islamic jurisprudence.

In the Kingdom of Saudi Arabia, where gigaprojects require a continuous, uninterrupted flow of international logistics, the principles of this ruling align perfectly with the newly codified KSA Civil Transactions Law (enacted by Royal Decree M/191 in 2023). Under Saudi law, the doctrine of *force majeure* strictly requires that the event be the *sole* cause of the failure. If an international supplier ships non-conforming structural steel to Jeddah Islamic Port, and the port is subsequently closed due to the 2026 conflict, the supplier's fault broke the chain of causation long before the military event did. The supplier may be in material breach under Article 107 of the KSA Civil Code, and the later intervention of war does not retroactively cleanse their liability.

Similarly, the Qatari Civil Code (Law No. 22 of 2004) and the Omani Civil Transactions Law (Royal Decree 29/2013) view construction supply contracts as rigid obligations of result. Across the entire GCC, courts uniformly reject the concept of “concurrent excuse” when one of the causes is a pre-existing material breach. If you failed to build the steel tower correctly in March, you cannot blame an Iranian naval blockade or airspace closure in April for your failure to deliver.

Strategic Playbook for Construction Logistics in the 2026 Crisis

For construction conglomerates, EPC contractors, offshore manufacturers, and logistics providers currently battling the commercial fallout of the 2026 Iran War, the Dubai Court precedent offers a harsh but brilliantly clear roadmap for survival and risk mitigation.

- 1. Eradicate the “Fix-It On-Site” Culture During Crises:** In standard times, a supplier might manufacture a slightly defective product and promise to “send a team to fix it on-site” to save shipping costs or maintain schedules. In the 2026 wartime environment, accepting this premise is a fatal misallocation of risk. As the precedent shows, if airspace closes and the supplier’s engineers cannot travel, the project is left with defective, unusable materials. Contractors must draft clauses that strictly prohibit shipping non-conforming goods under the promise of future on-site rectification. Acceptance must be explicitly tied to absolute conformity *prior* to embarkation.
- 2. Elevate the Role of Factory Acceptance Testing (FAT) as Your Primary Legal Shield:** The Dubai Court’s ruling hinged entirely on the independent SGS inspection report dated a month before the war broke out. In the rush of 2026 wartime logistics, contractors must never allow suppliers to ship materials blindly to beat port closures. Mandate strict Third-Party Inspections at the

point of origin (e.g., in China, India, or Europe). If the report identifies defects, the supplier is in breach at the factory level. If a war subsequently breaks out, the financial loss falls squarely on the supplier, as their prior breach legally severs their access to a *force majeure* defense.

3. Issue Immediate Notices of Breach (The 48-Hour Rule):

Timing is the difference between a total loss and a full refund. In the precedent case, the Contractor issued an official “Notice of Breach” directly citing the owner’s rejection, perfectly bracketing the outbreak of the war. In 2026, logistics managers cannot afford to be passive. If a logistical or manufacturing failure is detected, formal legal notices under Article 272 must be dispatched immediately via registered channels. Do not engage in prolonged, informal “workaround” discussions over WhatsApp while a geopolitical crisis escalates. Paper the breach before the fog of war obscures the facts.

4. Strict Contractual Hygiene Regarding Bank Guarantees:

The massive administrative error made by the Contractor in the 2023 case, wiring funds to the Bank of China instead of ADIB, thereby failing to activate the guarantees, is a profound cautionary tale. Finance departments operating in the 2026 conflict must meticulously read the exact SWIFT text of the guarantees. If a guarantee requires funds to be deposited into a specific branch or IBAN to become effective, this must be executed flawlessly. Attempting to claw back a \$5 million advance payment through a multi-year court battle during the 2026 liquidity crunch, simply because of a payment routing error, is a path to corporate insolvency.

5. Draft “Pre-Existing Breach” Carve-Outs in Contracts:

For all new contracts being negotiated in the shadow of the ongoing 2026 conflict, legal counsels must draft explicit carve-outs in their *force majeure* clauses such

as: "Under no circumstances shall the Supplier be entitled to invoke Force Majeure to excuse a delay, non-conformity, or breach that originated or occurred prior to the onset of the Force Majeure event. The Supplier remains strictly liable for the refund of all advance payments if the materials fail third-party inspection, regardless of subsequent sovereign or military interventions."

Conclusion: Absolute Performance Over Corporate Sympathy

The escalation of the 2026 Iran War has plunged the GCC construction and logistics sectors into a prolonged state of emergency. As shipping lanes are heavily militarized and flights are grounded, the temptation for failing suppliers to hide their manufacturing errors and supply chain mismanagement behind the fog of war is immense.

However, as conclusively established by the Dubai Courts, regional jurisprudence sees entirely through this illusion. The civil law framework prioritizes the absolute obligation to deliver conforming, safe, and precisely engineered materials. A war is a tragedy, but in the eyes of the law, it is not an eraser.

The judicial mandate is unrelenting: *"This is not affected by the plaintiff's defense that it was unable to take corrective measures due to the war."*

To survive the logistical siege of the 2026 Iran War, project owners and contractors must shift their focus from the battlefield back to the factory floor. By wielding their inspection reports, enforcing rapid default notices, and ensuring their financial guarantees are flawlessly activated, the industry can protect its capital and ensure that the ultimate financial risk of non-conformity remains exactly where it belongs: with the defaulting supplier.

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War Series: Force Majeure, Civil Aviation Disruption, and the Allocation of Wartime Risk – Applying the 2017 UAE Courts Yemen War Precedents to GCC Airspace in the 2026 Iran War

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The escalation of the 2026 Iran War has profoundly disrupted civil aviation and logistics networks across the Gulf Cooperation Council (GCC). As military commands issue sudden Notices to Air Missions (NOTAMs) and civil aviation authorities abruptly close air corridors to commercial traffic, aviation operators and freight forwarders find themselves trapped in a web of unfulfilled contracts.

When a chartered flight or logistics operation is abruptly grounded by military directive, a critical legal and financial dilemma arises: Who bears the cost of the canceled service? Aviation operators frequently invoke *force majeure* to shield themselves from liability, arguing that sovereign airspace closures absolve them from refunding clients, especially when

the operator has already incurred massive, non-refundable sunk costs for aircraft leasing, ground handling, and routing permits.

However, GCC civil law frameworks place strict boundaries on the use of *force majeure* during active conflicts. A landmark triad of Dubai Court judgments, Primary, Appeal, and Cassation, issued in 2017, which adjudicated a private aviation dispute stemming from the sudden closure of Saudi airspace during the Yemen War, provides definitive guidance on how regional courts allocate risk and mandate restitution during the current 2026 crisis.

The Factual Matrix: The 2015 Yemen War Airspace Closure

To understand the direct application of this precedent to the 2026 conflict, one must examine the factual matrix of the dispute, which mirrors the logistical disruptions currently plaguing operators.

In April 2015, following the outbreak of the Yemen War, a plaintiff contracted a UAE-based aviation company to charter a private jet to transport his deceased father's remains from Berlin, Germany, to Jizan, Saudi Arabia (near the Yemeni border). The plaintiff paid \$88,000 upfront. To execute the mission, the aviation operator subsequently leased an aircraft from a Turkish carrier for \$65,000 and paid an additional \$20,000 for ground services and permits.

Mere hours before the scheduled departure, the Saudi General Authority of Civil Aviation (GACA) abruptly canceled the flight and closed Jizan's airspace based on explicit orders from the Joint Coalition Forces operating in Yemen. When the plaintiff demanded a refund, the aviation company refused. The company argued that the military airspace closure was an unforeseeable *force majeure* event, and that it had already lost its out-of-pocket expenses to the Turkish supplier who refused a refund due to the short-notice cancellation.

The Primary and Appeal Courts: “Obligations of Result” and the Foreseeability Trap

The Dubai Court of First Instance (Judgment No. 2618/2016 Commercial Partial) firmly rejected the aviation company’s defense, a ruling that was entirely upheld by the Dubai Court of Appeal (Judgment No. 442/2017 Commercial Appeal).

Rooting their decisions in the legislative basis of the UAE Civil Transactions Law (Articles 272, 273, and 274), the lower courts first clarified the contractual nature of civil aviation. The Primary Court ruled that the operator’s duty to provide the aircraft was an **“obligation to achieve a result”, not an “obligation to exercise care”**. Because the operator failed to deliver the final result, they were in breach.

Crucially, both courts dismantled the aviation company’s *force majeure* defense by focusing on the concept of “foreseeability.” For an event to qualify as a contract-nullifying *force majeure*, it must be unexpected at the time of contracting. The Primary Court held that entering into a contract *during* an active regional war severely limits this defense:

“The force majeure circumstances claimed by the Defendant, which is the war in Yemen, were present during its contracting with the Plaintiff, and the cancellation of the flight due to those circumstances was expected... The Defendant... should have studied all circumstances and expectations regarding the completion rates of the contracted mission.”

Addressing the operator’s unrecoverable sunk costs paid to third parties, the Court held that these amounts were due to the operator’s *“negligence and failure to exercise the necessary care in studying the situation, the specific circumstances of the destination airport, and the security conditions in that region, and the Plaintiff cannot bear the result of that negligence.”* Consequently, the Court ordered a

full refund of \$88,000 plus a 9% statutory interest pursuant to the Commercial Transactions Law.

The Court of Cassation: Automatic Rescission and the Burden of Risk

The aviation company escalated the matter to the Dubai Court of Cassation (Judgment No. 713/2017 Commercial Cassation), arguing that the sudden sovereign military directive decisively severed the chain of liability, constituting an insurmountable “foreign cause” beyond its control.

The Court of Cassation upheld the rulings against the aviation operator but refined the legal rationale. Shifting the judicial focus away from the debate over “foreseeability” or the operator’s “negligence,” the Supreme Court anchored its decision entirely on the absolute doctrine of impossibility and automatic contract dissolution.

The Cassation Court established a bright-line rule for commercial contracts rendered impossible by sovereign or military intervention:

“The contract is inevitably and automatically rescinded due to the impossibility of executing the obligation of one of the contracting parties for a foreign cause, regardless of whether the impossibility is due to his fault or not. The rescission of the contract results in... the demise of the contract and the dissolution of the contractual bond with a retroactive effect to the time of its conclusion... and the contracting parties are returned to the state they were in before its existence, so each of them is obligated to return what they had received in execution of the contract.”

Addressing the severe financial loss faced by the aviation company, which was legally forced to refund the client despite having irreversibly paid out \$85,000, the Court of Cassation applied the strict civil law principle of risk allocation. In bilateral contracts, who bears the burden when a military

order renders performance impossible?

“The debtor of the obligation that has become impossible to execute bears the risk of the impossibility, pursuant to the principle of bearing the risk in mutually binding contracts.”

Because the aviation company was the “debtor” of the impossible flight service, it was required to bear the total financial risk of the contract’s dissolution. The Court dismissed the debate over whether the military closure technically qualified as an unforeseeable *force majeure*, deeming the argument “ineffective” since the rule of automatic dissolution mandates absolute mutual restitution regardless.

Application to Contracts in the 2026 Iran War

For airlines, charter brokers, and logistics providers navigating the 2026 Iran War, the 2017 Dubai Court trilogy delivers highly actionable, albeit sobering, precedents regarding wartime contract issues:

– **Ongoing Conflicts Negate “Surprise” Defenses:** A vital lesson from the lower courts is the treatment of foreseeability. Companies entering into new aviation or freight contracts while the 2026 Iran War is ongoing will find it immensely difficult to rely on *force majeure* to escape liability. Courts view wartime disruptions, such as sudden NOTAMs or airspace closures, as foreseeable operational risks that professional entities are expected to anticipate and price into their services.

– **The “Obligation of Result” Trumps Best Efforts:** In the GCC civil law framework, transportation and logistics are strictly construed as obligations to achieve a result. Procuring permits and leasing aircraft are merely preparatory steps. If military action blocks the final execution, the operator has failed its core obligation, triggering immediate restitution.

– **Sunk Costs Rest with the Service Provider:** As established by

the Cassation Court, an operator cannot pass its sunk costs onto the end-consumer under the default civil law framework simply because a military order intervened. The impossibility of performance legally and automatically dissolves the contract. The operator is legally required to return the client's advance payments in full, absorbing any out-of-pocket upstream losses internally.

– The Absolute Necessity of Wartime Contractual Drafting:

Because the courts place the absolute burden of impossibility on the “debtor of the obligation,” commercial entities in 2026 must proactively contract out of this default position. Providers must integrate bespoke, explicitly drafted “military disruption” clauses, expressly categorizing advance payments as non-refundable in the event of sovereign airspace closures, and explicitly shifting the financial risk of third-party sunk costs onto the client.

Conclusion

As the 2026 Iran War triggers sweeping military instructions and civil aviation closures, GCC operators must recognize that civil courts prioritize absolute performance and mutual restitution over corporate sympathy. The 2017 UAE jurisprudence establishes that when the fog of war makes commercial transport impossible, the contract is retroactively erased, and the service provider is left holding the financial burden. To survive the current geopolitical shock, aviation and logistics providers must rely not on the statutory excuse of *force majeure*, but on ironclad, crisis-specific contractual risk allocation.

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War Series: Wartime Economic Hardship and Lender Liability – Applying the 2006 UAE Supreme Court Gulf War Precedent to GCC Markets in the 2026 Iran War

March 19, 2026

The ongoing 2026 Iran War has introduced significant macroeconomic disruptions across the Gulf Cooperation Council (GCC). As supply chains constrict, project timelines extend, and operational costs rise, many regional commercial entities are turning to their financial institutions for vital liquidity and forbearance. Simultaneously, banks may activate stringent risk management protocols, such as freezing credit facilities or demanding enhanced collateral.

When these financial lifelines are restricted, corporate borrowers would look to the courts. A common legal strategy in GCC civil law jurisdictions is to allege that a bank's sudden refusal to extend credit during a regional conflict constitutes an "abuse of right". Corporate plaintiffs argue that lenders have a customary duty to bear elevated risks and support long-standing clients through macroeconomic crises.

Because GCC states share highly intertwined civil law frameworks, heavily influenced by the Egyptian Sanhuri model, and frequently rely on cross-jurisdictional case law, historical jurisprudence offers critical guidance for these

current disputes. UAE Federal Supreme Court Judgment No. 377 of 2006 (Civil), which adjudicated a banking dispute shaped by the economic aftermath of the Second Gulf War, provides an authoritative and straightforward framework for balancing a bank's legal rights against a borrower's wartime distress.

The "Second Gulf War" Defense: Analyzing the Appellant's Argument

To understand the judgment's direct application to the 2026 conflict, it is necessary to examine the specific arguments advanced by the distressed borrower in 2006, as detailed in the Court's ruling.

The case involved an international commercial group whose bank halted its credit facilities after a twelve-year relationship. The lower courts ruled in favor of the bank, noting that the company suffered a structural deficit exceeding 7.1 million Dirhams (excluding over 5 million Dirhams in existing bank debt and interest), that it had closed its Abu Dhabi offices, and that the requested funds were intended for *new* projects rather than existing ones.

Seeking cassation, the appellants argued that the bank's strict adherence to formal collateral demands during a period of crisis constituted an actionable abuse of right. They attempted to use the prevailing regional instability as a legal shield. Drawing from the Supreme Court's summary of their appeal, the appellants argued that they had provided sufficient guarantees and that the closure of their offices only occurred:

"...after negotiations regarding the real estate guarantees faltered, and due to the bank's insistence on mortgaging the real estate first before considering the request for new facilities, despite the fact that the bank had previously granted it facilities exceeding the guarantees provided."

Crucially, the appellants explicitly linked their demand for

banking leniency to the geopolitical climate. They argued that the bank's rigidity definitively proved its arbitrariness and abuse of right because it violated:

*"...banking customs which require the bank to bear the risks of the profession and to stand by its clients out of concern for its funds with them so that they can continue their operations, **especially in light of the difficult economic conditions the world went through following the events of the Second Gulf War.**"*

This argument is highly analogous to the legal posture considered to be adopted by GCC companies that may be distressed today that the macroeconomic shock of the Iran War legally obligates financial institutions to demonstrate leniency, waive strict collateral prerequisites, and prioritize corporate survival over standard risk metrics.

The Court's Rationale: Banking Custom During a Crisis

The UAE Supreme Court firmly rejected the premise that the macroeconomic hardship of the Second Gulf War compelled the bank to abandon its standard risk parameters or absorb the borrower's commercial deficit.

Applying Articles 104 and 106 of the UAE Civil Transactions Law, the Court clarified the boundaries of an "abuse of right." The Court acknowledged that while banking custom generally encourages assisting a client in distress, this duty is not absolute and is strictly governed by commercial viability:

*"While it is established in banking customs that a bank must assist its client who is in a difficult position, considering this assistance as one of the functions of the bank, the prerequisite for this is that the goal must be to rescue the client from their crisis, **and not to prolong their death throes or conceal their hopeless condition.** If the requested facilities, in terms of their size, nature, or duration, will*

not result in saving the client, then there is no blame on the bank if it refuses to grant them."

Addressing the appellant's invocation of the Second Gulf War, the Court shifted the judicial focus away from the overarching geopolitical crisis and onto the micro-economic realities of the borrower's balance sheet and operational intent. The Court validated the lower court's findings that the company's financial position had "reached a critical stage," that real estate guarantees were not practically placed at the bank's disposal due to valuation disputes, and that the requested facilities were to finance new, unproven projects.

Dispensing with the notion that wartime conditions require banks to act as economic shock absorbers, the Court affirmed the bank's right to prioritize its institutional stability:

*"The bank, like any creditor, has the right to think of its own interest and the interest of its shareholders. **For it is not a charitable institution** ... What the bank undertook was to preserve its funds and the funds of its shareholders, and this does not violate or contradict banking customs, public order, or morals."*

Application to GCC Industries in the 2026 Conflict

The legal precedent set by Judgment 377 of 2006 offers practical, immediate clarity for key industries navigating the current 2026 conflict:

- 1. Collateral Negotiations and Historical Leniency:**
Companies currently attempting to renegotiate credit terms must consider the 2006 authority that arguing a bank's demand to "mortgage the real estate first" violated custom, especially during the post-Gulf War downturn. The Supreme Court had rejected this, establishing that past leniency does not legally mandate future unsecured exposure. In 2026, banks may be protected if they demand strict, perfected security

interests prior to disbursing wartime liquidity.

2. Financing Strategic Pivots (Construction & Logistics):

As supply chains are rerouted and domestic infrastructure projects are potentially delayed by the 2026 conflict, firms may seek capital to pivot toward new ventures. The 2006 appellants similarly requested funds for “financing new projects rather than existing ones.” The judgment explicitly protects banks that refuse to finance such endeavors when a client’s core financial position is already deteriorating. A bank is not legally obligated to fund a corporate pivot if its feasibility is uncertain, and withholding such funds does not constitute an abuse of right.

3. Macroeconomic Shocks Do Not Absolve Obligations: A highly resonant lesson of the judgment is its treatment of the “Second Gulf War” defense. Regional instability does not suspend fundamental commercial obligations. The Court upheld the imposition of a 9% delay interest on the company’s outstanding balances, affirming that a debtor’s failure to pay a known sum obligates compensation, regardless of the overarching geopolitical difficulties.

Conclusion

As the 2026 Iran War continues to test the commercial resilience of companies, UAE Supreme Court Judgment No. 377 of 2006 serves as a stabilizing jurisprudential anchor. While the invocation of “difficult economic conditions” caused by regional conflict may frame a compelling plea for financial forbearance, regional courts apply a strict standard of commercial pragmatism. The law recognizes that a bank’s primary duty is the prudential management of capital. In times of severe geopolitical crisis, civil courts will safeguard a financial institution’s right to manage its risk, ensuring that the banking sector is not legally forced to absorb terminal commercial liabilities under the guise of customary

support.

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UAE Crypto Litigation: When War Doesn't Excuse Crypto Losses – A Dubai Court Judgment on Force Majeure, War, and the 2026 Iran War

March 19, 2026

The following is an excerpted analysis of topics discussed in the book '[UAE Crypto Litigation](http://www.uaecryptolitigation.com)', a treatise on the judicial evolution of digital asset disputes in the United Arab Emirates, [available at www.uaecryptolitigation.com](http://www.uaecryptolitigation.com).

In the immediate aftermath of a geopolitical shock, such as the escalating conflict involving Iran, a frantic period of market panic and informal crisis management sometimes occurs. It is not uncommon that asset managers and OTC brokers trade WhatsApp messages with anxious clients, cite global instability, and may freeze withdrawals to avoid unforeseen losses. For the investor or legal practitioner, these crisis-driven communications present a complex contractual challenge: when does wartime market volatility excuse non-performance under the doctrine of *force majeure*, and when is it superseded

by an informal guarantee?

The UAE courts have adopted a rigorous stance on this issue, prioritizing the specific substance of the parties' communications over sweeping macroeconomic excuses. While traditional commercial contracts might readily invoke wartime disruption as an act of God, the digital asset sector faces a different legal reality. A landmark judgment from the Dubai Court of Appeal (Case No. 406 of 2023) provides a definitive blueprint for how the judiciary approaches geopolitical market instability. In a dispute involving a massive informal digital currency investment, the defendant failed to return investor funds following a severe market crash. Attempting to shield himself from liability, the defendant invoked *force majeure*, attributing the impossibility of performance to the extreme market volatility precipitated by the outbreak of the Russian-Ukrainian war; a defense mirrors the potential arguments of citing the Iran conflict.

However, the courts are nuanced when a party has made absolute promises outside of a formalized risk allocation structure. The true battleground in such disputes is rarely the macroeconomic impact of the conflict, but rather the defendant's own digital breadcrumbs. In assessing the aforementioned case, the court relied heavily on a court-appointed expert's forensic analysis of the parties' emails and messaging apps to pierce the veil of the informal arrangement. The evidentiary record revealed that the defendant had aggressively induced the claimants, affirming in writing that the investment was "100% guaranteed" and that the principal could be recovered "immediately upon request." The defendant tried to sever his liability by pointing to a global conflict, hoping the court would ignore his own unqualified assurances.

The court refused to allow this *force majeure* defense. It held that by explicitly guaranteeing the return of funds "at any time," the defendant had contractually assumed the risk of

market volatility. Extreme price fluctuation, even when catalyzed by a major regional war, is an inherent and foreseeable feature of cryptocurrency markets; not an unforeseeable external event. Consequently, the burden of the market crash remained entirely on the defendant, transforming what might have been a speculative investment into an unconditional debt obligation. This serves as a stark warning to market participants and informal asset managers: you cannot weaponize the theater of war to excuse market losses if your communications vacate clear contractual exclusions have already guaranteed the preservation of your investors' principal.

For a detailed guide on managing force majeure claims, implementing objective "Market Disruption Event" clauses, and navigating VARA's strict prohibitions on guaranteed returns, [see more in the contractual risk analysis in 'UAE Crypto Litigation'](#).

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The 2026 Iran War, Tax Audits, and Force Majeure: The UAE Supreme Court's Standard for Force Majeure in

Tax Audits and Liabilities

March 19, 2026

The outbreak of the Iran War on 28 February 2026 has abruptly plunged the Middle East into profound operational disruption. Consequently, corporate boards operating within the United Arab Emirates are instinctively looking to the doctrine of *force majeure* and emergency circumstances (*thuroof tari'a*) as legal shields. Having acted in over 300 UAE tax dispute procedures, one of the most pressing questions we are now receiving is whether the friction of Iran War legally diminish underlying tax liabilities, excuse administrative penalties, or suspend Federal Tax Authority (FTA) audit procedures.

To answer this purely as a matter of law, we must detach from the immediate fog of conflict and examine the definitive jurisprudence of the UAE Federal Supreme Court. The seminal judgment in Cassation No. 958 of 2025 (Administrative) provides the exact legal architecture. In that dispute, the systemic crisis in question was the COVID-19 pandemic. By transposing the Court's rationale regarding the pandemic onto the 2026 conflict, we find a resolute and unyielding framework of administrative tax law.

The Statutory Accrual of Tax Liability

A question taxpayers make during wartime is whether the disruption of their administrative capabilities lawfully postpones their underlying tax liabilities. The Supreme Court systematically dismantled this assumption, establishing that the legal character of a tax debt operates entirely independently of the operational environment.

The Court ruled that tax obligations are rigidly attached to the statutory transaction date, irrespective of the taxpayer's ability to seamlessly file declarations during a crisis:

“The legislator did not make the acquisition of the status of ‘payable tax’ contingent upon the tax return, but rather bestowed this status upon the tax whose payment date has arrived.”

Therefore, as far as matters stand, the geopolitical landscape does not alter the realization of a statutory tax point. Even if the Iran War prevents the timely filing of an administrative return, the underlying liability is not practically paused or legally dissolved. The war does not suspend statutory accrual.

Force Majeure: Transposing Covid-19 to the 2026 Conflict

During the COVID-19 pandemic, taxpayers attempted to utilize the global emergency as a *force majeure* event to excuse administrative delays, avoid late penalties, and invalidate tax assessments. In the petition for Cassation No. 958 of 2025, the UAE Federal Supreme Court considered *force majeure* in regard to tax audits. They highlighted a three-year audit delay, noting that the FTA itself admitted its operations were hindered by COVID-19.

In light of the legal maxim that “a party cannot benefit from its own mistake” the Supreme Court considered whether the FTA could not lawfully impose incremental “time-based penalties” while the government’s own pandemic-related disruptions stalled the audit process. Furthermore, the Supreme Court considered whether the FTA’s crisis-induced delay caused a compensable “loss of opportunity” to mitigate penalties under favorable Cabinet Decisions issued to provide relief during the pandemic.

Today, businesses are considering whether this exact legal theory would apply to the 2026 Iran War, and whether regional hostilities inherently frustrate audit procedures, trigger mutual *force majeure* exemptions, and legally dissolve the imposition of administrative fines.

The Federal Supreme Court, however, addressed the premise that a systemic crisis suspends tax obligations or shifts the legal burden. Addressing the attempt to use the pandemic to excuse compliance failures, the Supreme Court laid down a formidable standard that directly governs our current wartime reality:

"...its admission of its ...-month delay places the burden of proof upon it despite the Corona pandemic that passed over everyone (the Appellant and the Administrative Authority)."

The Rationale: Crises That "Pass Over Everyone"

The jurisprudential rationale here is profound. Because a systemic crisis, whether a global health emergency like COVID-19 or the 2026 Iran War, impacts both the private sector and the state apparatus equally, its mere existence does not grant the taxpayer blanket legal immunity.

The fact that the crisis "passed over everyone" means the foundational rules of administrative litigation remain intact. The Court made it clear that a shared macroeconomic shock does not reverse the burden of proof:

"The burden of proof in an administrative dispute does not deviate in its origin, and as a general rule, from others, as the principle is that the creditor must prove the obligation and the debtor must prove getting rid of it..."

Taxpayers cannot use general claims of *force majeure* as a shield against statutory tax audits or potential government disruptions. To successfully challenge an FTA assessment during this conflict, general appeals to wartime hardship are legally insufficient; taxpayers must rely on pristine documentary evidence demonstrating exactly how the war rendered specific compliance materially impossible.

Conclusion

Does the 2026 Iran War diminish or dissolve UAE tax

liabilities or audit procedures? The unequivocal legal answer from the UAE Supreme Court is not in a blanket manner. Guided by the rationale in Cassation No. 958 of 2025, the judiciary does not recognize systemic, shared crises as a *force majeure* that extinguishes tax debts or shifts the burden of proof. The machinery of UAE tax law does not halt for war. Taxpayers whose tax audits or liabilities are affected by the war must provide direct evidence, grounds, and standing to causation and nexus in approaching the FTA, the tax disputes resolution committees, or the courts.

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UAE Crypto Litigation: The “Man in the Middle” and the Duty of Delivery

March 19, 2026

The following is an excerpted analysis of topics discussed in the book [UAE Crypto Litigation](#), a treatise on the judicial evolution of digital asset disputes in the United Arab Emirates, [available at www.uaecryptolitigation.com](http://www.uaecryptolitigation.com).

A defining feature of blockchain transactions is their irreversibility. If an asset is sent to the wrong address, there is no central authority to reverse the transaction. This technical reality creates complex legal questions when a transaction is intercepted or misdirected by a malicious third

party; a “Man in the Middle” attack. In China, the US, and the UK, courts have often placed strict liability on OTC desks to verify the identity of the recipient. The UAE courts, applying general principles of contract law, have allocated this risk strictly against the seller in the context of delivery obligations.

The Dubai Court of Appeal recently analysed a dispute arising from a Peer-to-Peer (P2P) sale of USDT. The buyer had paid for the assets, and the seller transferred the USDT to a wallet address provided by a third-party intermediary who was facilitating the deal. The intermediary, upon verifying the transfer, vanished with access to that wallet, leaving the buyer empty-handed.

The court held the seller liable for the buyer’s loss. It established a high standard for the duty of delivery, ruling that the obligation to deliver sold goods is not met by merely dispatching them to a provided address. The seller must ensure the successful *receipt* of the assets into the buyer’s effective control. By relying on an untrusted intermediary’s instructions without verifying the wallet’s ownership with the buyer directly, the seller assumed the risk of fraud.

This judgment reinforces the “perfect tender” rule in the context of digital assets. It serves as a caution to OTC traders who rely on brokers on platforms like Telegram. The legal duty is result-oriented: the contract is only performed when the buyer has the tokens, not when the seller has sent them. If the intermediary provides a fraudulent address, the party sending the funds bears the loss.

To navigate the risks of P2P transactions and intermediary liability, see more in [‘UAE Crypto Litigation’ book publication available at www.uaecryptolitigation.com](http://www.uaecryptolitigation.com).

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War Series: The 1991 Gulf War UNCC Precedent and the Arbitration of Environmental Damage in Conflict Zones

March 19, 2026

When Iraqi forces retreated from Kuwait in 1991, they left behind an unprecedented ecological catastrophe. Over 600 oil wells were set ablaze, and millions of barrels of crude oil were intentionally released into the Persian Gulf. The sky turned black, and coastal ecosystems were devastated. Beyond the profound human and structural toll of the conflict, the international community was faced with a novel legal dilemma: How do you quantify, litigate, and arbitrate the destruction of an ecosystem in the aftermath of war?

The answer came in the form of the United Nations Compensation Commission (UNCC), a quasi-judicial, mass-claims body established by UN Security Council Resolution 687. The UNCC's handling of environmental damage claims, specifically its "F4" claims category, laid the foundational precedent for how international law and modern arbitral tribunals approach the financial liability of environmental destruction in war zones.

As contemporary conflicts in regions like Eastern Europe and the Middle East result in the destruction of dams, the

targeting of chemical plants, and the scorching of agricultural land, the legacy of the UNCC remains a critical framework for states, international investors, and corporations navigating post-conflict arbitration.

The F4 Claims: Quantifying the Unquantifiable

Before the 1990s, international legal mechanisms for addressing war reparations heavily favored property damage, lost profits, and personal injury. The environment was often viewed as a silent, uncompensable casualty of armed conflict.

The UNCC revolutionized this by formally recognizing claims for “environmental damage and the depletion of natural resources.” The “F4” claims category allowed governments to seek compensation not just for the loss of commercially viable resources (like oil), but for the restoration of ecosystems.

Crucially, the UNCC established that compensation could be awarded for:

- **Preventative measures:** The costs of mitigating further environmental degradation.
- **Reasonable restoration:** The expenses associated with cleaning up shorelines, remediating soil, and extinguishing oil well fires.
- **Monitoring and Assessment:** Funding to study the long-term health and ecological impacts, acknowledging that environmental damage often takes years to fully manifest.

The Commission ultimately awarded over \$5.2 billion for environmental remediation and restoration, setting a towering precedent that pure ecological harm—distinct from commercial loss—has quantifiable legal standing.

From the UNCC to Modern Arbitration

While the UNCC was a specialized commission rather than a

traditional commercial arbitration tribunal, its methodological framework deeply influences modern international dispute resolution. Today, when environmental disasters occur during armed conflicts, the legal mechanisms have shifted primarily toward investor-state dispute settlement (ISDS) under Bilateral Investment Treaties (BITs) and commercial arbitration.

1. The Valuation of Ecological Harm

When an international energy or mining company's assets are caught in a war zone, the resulting environmental spillover often violates host-state environmental regulations. If a host state attempts to penalize a foreign investor for war-induced environmental damage, tribunals frequently look to the UNCC's rigorous evidentiary standards. The UNCC established that claimants must prove a direct causal link between the military action and the specific environmental harm, preventing opportunistic claims.

2. Force Majeure and Environmental Liability

For multinational corporations operating in conflict zones, environmental destruction often triggers complex *force majeure* disputes. If a facility is bombed and toxic chemicals leak, who is responsible for the cleanup? Traditional contracts may excuse the failure to deliver goods during a war, but they rarely absolve a company of overarching environmental liabilities. The UNCC precedent underscores that the entity responsible for the military aggression ultimately bears the financial burden of the ecological fallout, a principle routinely debated in modern force majeure arbitrations.

3. The Rise of "Ecocide" in International Discourse

The precedents set in the early 1990s are currently being tested by the realities of modern warfare. With the destruction of critical infrastructure increasing in modern conflicts, legal scholars and arbitrators are increasingly

engaging with the concept of “ecocide.” As states and corporations prepare to arbitrate the massive costs of post-war reconstruction, the UNCC’s formula for valuing the restoration of water tables, agricultural land, and biodiversity will serve as the starting point for tribunals.

Business Considerations for the Modern Era

For businesses and investors operating in politically volatile or conflict-prone regions, the integration of environmental risk into dispute resolution strategies is no longer optional. The UNCC precedent teaches us that environmental damage in war is not legally “collateral.” It is a highly scrutinized, financially quantifiable liability.

Companies must ensure that their investment contracts and insurance policies explicitly define environmental liability in the event of armed conflict, recognizing that international tribunals now possess the historical precedents and economic methodologies to hold parties accountable for the earth they scorch.

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UAE Crypto Litigation: Specific Performance and the Return of the Asset In Specie

March 19, 2026

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When a debtor defaults on a loan of 10 Bitcoin, or an employer fails to pay a salary denominated in tokens, what is the appropriate remedy? In the United States, the bankruptcy proceedings of entities like *Celsius* and *FTX* have famously “dollarized” claims as of the petition date, often locking creditors into losses at the bottom of the market. The UAE courts, however, are increasingly adopting a property-law approach that favors *specific performance*, ordering the return of the asset itself, rather than its fiat equivalent.

This shift is evident in a landmark decision by the Dubai Court of First Instance regarding a private loan of 16 Bitcoin. When the borrower defaulted, the court did not engage in a complex valuation exercise to convert the Bitcoin to Dirhams; a process fraught with difficulty given the asset’s intraday volatility. Instead, it ordered the defendant to return 16 Bitcoin *in specie* to the claimant. This implicitly recognizes the digital asset not merely as a value-reference, but as a distinct class of property capable of direct restitution, akin to the specific delivery of chattels in English law.

This principle has even extended to employment disputes. In a novel judgment, a Dubai court ordered an employer to pay outstanding wages in “Ecowatt tokens,” as strictly stipulated in the employment contract. By enforcing the delivery of the specific token, the court upheld the sanctity of the contract’s currency clause.

However, judicial pragmatism dictates a fallback position. Where the specific asset cannot be returned, such as in cases of fraud where the tokens have been dissipated, the Dubai Court of Cassation has established a critical valuation rule.

Monetary compensation must be calculated based on the market value at the time of the *judgment*, not the time of the breach. This forward-looking valuation ensures that a fraudster cannot profit from the market's appreciation during the delays of litigation, ensuring the victim is made economically whole in current terms.

To understand the strategic implications of seeking specific performance versus monetary damages, see more in [‘UAE Crypto Litigation’ book publication available at www.uaecryptolitigation.com](http://www.uaecryptolitigation.com).

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Musk Announces SpaceX to Build Self-Growing City on the Moon Within 10 Years

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It is not unbeknown to the public that NASA, for over a decade now, has been working to get humans back on the Moon. This has been a long and challenging journey that has successfully culminated in the Artemis II launch to the Moon this year. On the other side of the aisle, SpaceX and Musk have publicly stood ground on their desire to push the journey just a few kilometers further to Mars instead. However, on 8 February 2026, via X (formerly, Twitter), Musk announced:

“[...] SpaceX has already shifted focus to building a self-growing city on the Moon, as we can potentially achieve that in less than 10 years, whereas Mars would take 20+ years [...] That said, SpaceX will also strive to build a Mars city and begin doing so in about 5 to 7 years, but the overriding priority is securing the future of civilization and the Moon is faster.”

(emphasis added)

The phrasing matters. Musk did not describe a “base,” a “camp,” or even a “permanent presence.” He chose “self-growing city” a term that, in space systems language, implies a settlement that can expand its own capacity faster than Earth can sustain it through resupply. In other words, the decisive milestone is poised to be the point at which the city can manufacture, repair, and reproduce the core inputs of life and industry on-site, with Earth shifting from a lifeline to a partner.

This emphasis on speed is also crucial. In the expanded announcement, Musk explicitly contrasted lunar cadence with Martian cadence because the former provides frequent launch opportunities and short transit times allowing rapid iteration, while Mars imposes long windows between optimal departures and months-long transfers. The Moon, in Musk’s framing, is simply the faster pathway to the larger objective, reducing the risk that a disruption on Earth can strand an off-world population before it is self-sufficient.

What a “self-growing city” would actually mean

A credible “self-growing” settlement is less a single project than a layered stack of capabilities that compound over time.

First, a survivable envelope or atmosphere. A city would begin with pressurized volume, radiation protection, thermal control, and redundancy. On the Moon that likely means habitats that are either buried, barriered, or shielded with

regolith. Engineering for sustained occupancy is necessary to turn temporary infrastructure into long-term habitat.

Second, reliable power at city scale. Early lunar outposts can run on solar with storage; a city that grows needs power that is both scalable and resilient through lunar night, dust, and operational contingencies. That can mean distributed solar fields, large-scale storage, and, notably, nuclear surface power (see more on the plans for this [here](#)). The commercial point is that power becomes the first utility market of the lunar economy, and everything else prices off it.

Third, closed-loop life support and food production. “Self-growing” implies that water, oxygen, and consumables are not flown in as a permanent operating model. A settlement can still import specialty components, medicines, and high-value electronics but it cannot depend indefinitely on routine shipments of basic life inputs without remaining fragile by design.

Fourth, industrial metabolism by extraction, processing, and manufacturing. This is where “city” plays a critical role in an envisioned lunar economy. A lunar settlement that grows must be able to produce increasing quantities of:

- structural materials (regolith-based bricks, sintered surfaces, composites),
- spare parts and tools (additive manufacturing),
- propellants and volatiles if polar ice is exploited, and
- replacement infrastructure (power hardware, pressure shells, mobility platforms).

In practical terms, “self-growing” means establishing an industrial base: each new machine, habitat module, or power unit increases the settlement’s ability to build the next one.

Fifth, governance by logistics. A lunar city will function as a managed system: inventory control, redundancy planning, maintenance cycles, and emergency protocols will be as central

as rockets. The romantic imagery of flags and footprints matters less than the operational question of whether the settlement can survive a sustained interruption of Earth resupply.

Why the Moon becomes strategically attractive

Musk's core argument is speed. The Moon is close enough to allow rapid learning cycles (launch, land, test, fix, repeat) on timelines that resemble industrial development rather than expeditionary exploration.

That matters because establishment of a large-scale settlement will not be a single "mission." It will be an accumulation of failures and successes: life support anomalies, dust mitigation, thermal shock, power reliability, human factors, medical contingencies. A two-day transit and frequent windows change the economics of failure.

It also matters because NASA's own lunar return effort remains on a near-term timetable. As of early February 2026, NASA indicated Artemis II is targeting no earlier than March 2026 following issues identified during a fueling test. Against that backdrop, a public SpaceX narrative that the Moon is the near-term priority signals an alignment with where the most immediate institutional demand sits.

What this shift means for the industry

If SpaceX truly prioritizes a lunar city three effects follow across the market.

1) The lunar economy becomes real and fast.

A city implies persistent demand for cargo, construction, power, comms, navigation, mobility, and surface operations. That demand creates bankable markets for companies that are not launch providers: mining and excavation, robotics, thermal systems, pressure vessel manufacturing, radiation shielding, surface mobility, and autonomous operations.

2) “Cislunar logistics” becomes the main arena of competition. A high-value advantage of establishing a lunar settlement is cadence. Any actor that can move mass routinely will set the tempo for everyone else. Musk’s own commentary places “millions of tons” and scale at the center of the ambition. The competitive response will not only come from rival launch systems, but from anyone building cislunar transportation, depots, tugs, and surface freight capacity.

3) Regulation, liability, and contract standards will tighten. A city forces the legal questions to mature. Risk will address launch and reentry, but expand to long-duration habitation, industrial activity, and sustained operations in proximity to other actors. That pushes regulators and contracting authorities toward stricter requirements on safety cases, mission assurance, spectrum discipline, debris and traffic coordination, and insurance coverage tailored to continuous lunar operations.

It also changes the commercial posture of space law. The legal work shifts towards operational governance rather than mission approval: how activity is coordinated, how safety zones are treated in practice, how responsibility is allocated across operators and contractors, and how disputes are resolved when operations become continuous rather than episodic.

Conclusion

This is not a retreat from Mars so much as a recalibration of sequencing. Musk still describes Mars as a continuing objective, with work beginning in the five-to-seven-year range, but with the Moon as the overriding priority because it is faster.

If the Moon becomes the proving ground for genuine self-sufficiency via energy independence, industrial reproduction, and survivable logistics, then the lunar decade will be the architectural foundation for everything that follows.

So that means that we are all heading to the Moon, SpaceX included.

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