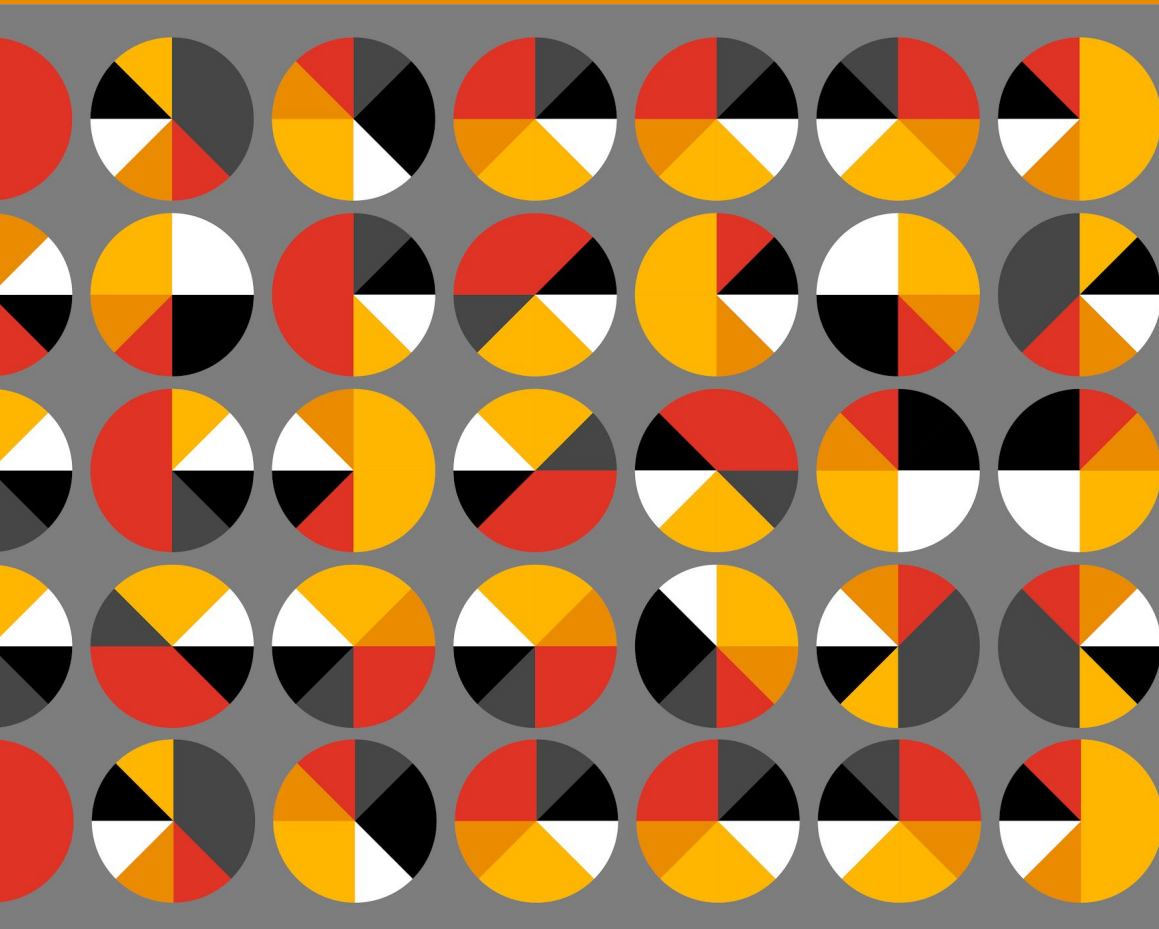


United Arab Emirates - Important Regulatory Updates and Compliance Requirements

June 2021



Commercial Companies Law

Following the many amendments to the Commercial Companies Law (CCL) of 2015, a recent amendment clarified the much anticipated change in ownership rights. This amendment to the CCL (Decree pursuant to Law No.26 of 2020) (Decree) has removed the mandatory requirement for 51% ownership by a UAE national for onshore UAE companies.

On 19 May 2021 the UAE Minister of Economy, His Excellency Abdulla Al Marri, announced that amendments to the Companies Law in respect of foreign ownership will be implemented from **1 June 2021** and subsequently the Department of Economic Development in Dubai ('Dubai DED') has issued further guidelines on the implementation of the Decree, with 100% foreign ownership available for more than 1,000 commercial and industrial activities, including contracting activities, oil & gas activities, various trading activities, agricultural activities and manufacturing activities. However, the list of approved activities will exclude economic activities with a strategic impact in seven key sectors. There will be no additional fees, guarantees or specific capital requirements imposed on companies that are wholly owned by foreign investors. The Decree is not applicable to commercial agencies which are regulated by the Commercial Agencies Law.

Existing business licenses, with relevant activities, where full ownership is available, that currently include an Emirati partner / shareholder, will remain unchanged as per the Memorandum of Association ('MOA') and other corporate documents. It will now be possible, should a company wish, to reduce the percentage ownership of the Emirati partner or their withdrawal from the partnership entirely, in accordance with the relevant legal procedures. However, investors also need to consider the risk of not having a local partner which, sometimes, can be strategically important to ensure a good relationship, or even, scoring, with some particular type customers, particularly those from the public sector. We expect some companies might choose a Joint Venture arrangement, adjusting the shareholding accordingly.

Another interesting development is that foreign companies based onshore in the UAE operating through a branch office will no longer be required to appoint a UAE national service agent, often referred to as a local sponsor. This presents a potential cost saving opportunity for foreign investors who have a branch office in the mainland UAE as well as making the UAE more attractive for new market entrants. It should be noted that further details are yet to be confirmed in relation to branches and the process for exiting an agency agreement.

Corporate Governance and Compliance requirements applicable to mainland Limited Liability Companies ('LLCs')

According to the same Decree Law No. 26 of 2020, LLCs must comply with new governance and compliance regulations by 31 December 2021. The changes include, for example, procedures for general meetings and liabilities of decision makers to be reviewed and adapted by 31 December 2021. In many cases, this will require companies in the UAE to adopt amended or amended and restated Memorandum of Association.

Other Regulatory Updates

Ultimate Beneficial Ownership ('UBO')

Similar to last year, companies based in the UAE are required to identify, assess and file their UBO information with their relevant registering authority or regulator.

A deadline is yet to be released for many of the free zones, some have already released procedures and defined the deadline for the filing by 15 June 2021. Further insights on this matter are available here:

<https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2020/uae-cabinet-decision-no-58-2020-regulating-beneficial-owner-procedures.html>

Economic Substance Regulations ('ESR')

Companies based in the UAE need to assess if they have a relevant activity under the regulations and if the ESR applies. Companies with relevant activities in connection with definitions defined in the ESR are required to submit an ESR filing Notification by 30 June 2021. Depending on their relevant activities, an ESR Report may be required to demonstrate their substance by the end of their fiscal year, to the UAE Ministry of Finance. These deadlines are dependent upon the company's fiscal year end date. Further insights on this matter are available here: <https://www.pwc.com/m1/en/services/tax/uae-economic-substance-regulations.html>

Environment, Social and Governance ('ESG')

Public joint stock companies listed on the UAE Stock Exchanges are now required to publish a sustainability report. Such disclosures should observe the Global Reporting Initiative ('GRI') standards as well as any sustainability standards and requirements that are issued by the Dubai Financial Markets and Abu Dhabi Stock Exchanges. Additional guidelines have been set out by some free zone jurisdictions in the UAE, such as the Dubai International Financial Centre ('DIFC') and Abu Dhabi Global Markets ('ADGM').

Get in touch

- If you or your company is interested in understanding how the foreign ownership changes could benefit your business or if you are a free zone company considering moving or expanding onshore, if you are looking to change your company shareholding or assess your options or if you need to change some of your corporate documentation inline with the new regulations, please get in touch.
- PwC Legal's Entity Governance and Compliance practice has extensive experience and knowledge in advising foreign investors on market entry, incorporations, company set-up, entity governance, statutory filings, compliance Environmental, Social and Governance ('ESG') and related matters across the Middle East.
- If you have any questions, please contact Stephanie Williams Quinn, Felipe Lago or James Etches.

www.pwc.com/me

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

Stephanie Williams-Quinn

Entity Governance & Compliance

Lead

+971 54 793 3941

stephanie.williams-quinn@pwc.com

Felipe Lago

Senior Manager, Entity Governance & Compliance

+974 50371781 / +971 54 793 3294

felipe.lago@pwc.com

James Etches

Senior Manager, Entity Governance & Compliance

+971 (0) 50 900 7835

james.etches@pwc.com

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