

inBrief



Implementation of Passporting Regime for Domestic Funds

By Greg Mayew | 19 May 2019

On 11 March 2019, the Securities and Commodities Authority (SCA), the Dubai Financial Services Authority (DFSA) of the Dubai International Financial Centre (DIFC) and the Financial Services Regulatory Authority (FSRA) of the Abu Dhabi Global Market (ADGM) issued a joint press release announcing the enactment of legislation enabling the implementation of a “passporting” scheme to facilitate UAE-wide promotion of domestic funds.

The three regulators had previously signed a passporting agreement last November and a public consultation process followed in the ensuing months (covered in our [inBrief of 30 January 2019](#)).

The press release quotes several officials. Of particular note are the comments of the Chairman of the ADGM (who is also a Minister of State in the UAE Federal Cabinet):

There has been an accelerating demand and appetite for a greater variety of domestic funds in the UAE by the investment community. The new passporting regime enables investors to access growth opportunities with greater ease and efficiency. It will also bolster the UAE's economic diversification strategy and attract more foreign direct investments and new investors and institutions to participate and support the growth of our economy and the development of the region.

Historically, the existence of three different regulatory regimes in the UAE has been an impediment to the growth of the market for funds since a fund approved by a particular regulator was only eligible for promotion within the relevant jurisdiction and not throughout the UAE. The passporting regime aims to change this.

The DFSA and ADGM have published amendments to the relevant rules and regulations implementing the passporting regime. The SCA's regulations have not yet been published.

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The Guidance to the DFSA's Fund Protocol Rules (**FPR**) explains that:

The three UAE securities regulators: the SCA, the DFSA and the FSRA have agreed a "Protocol" regarding co-ordinated supervision of the marketing and selling of units of domestic funds within the UAE (State). The "Protocol" introduces a notification and registration process to enhance the monitoring and supervision of the financial services associated with the marketing and sale of units in domestic funds. The Protocol sets out a common regulatory framework which is to be implemented by each of the regulators. The Protocol is implemented in the DFSA Rulebook primarily through this module (FPR).

The passporting regime applies to both private and public domestic funds. It does not apply to foreign funds promoted in the UAE. Foreign funds and other types of securities promoted in the UAE remain subject to the applicable rules of the jurisdiction in which they are promoted.

Overall, this is a positive development that will reduce the regulatory burdens faced by domestic funds. ■

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