

Legal Alert



Regulatory Authorities to regulate Relevant Activities in accordance with Economic Substance Regulations announced

By Greg Mayew and Silvia Pretorius | 28 October 2019

Further to our previous [inBrief dated 7 July 2019](#), which discussed UAE Cabinet Resolution 31 of 2019 Concerning Economic Substance Regulations (the **UAE Economic Substance Regulations** or the **Regulations**), and [inBrief dated 10 October 2019](#), which discussed the Guidance on UAE Economic Substance Regulations issued by the UAE Ministry of Finance, Cabinet Decision No. 58 of 2019 has now designated the regulatory authorities (the **Regulatory Authorities**) to regulate compliance with the UAE Economic Substance Regulations.

Background

Under the Regulations, a Licensee engaged in any one of the nine Relevant Activities listed therein must meet an Economic Substance Test in relation to each Relevant Activity carried on by such Licensee. This includes but is not limited to demonstrating that its State Core Income-Generating Activities are carried out in the UAE.

The Regulations contemplated that a yet-to-be designated Regulatory Authority (the Regulatory Authority under the Regulations is different from the Competent Authority) would regulate compliance with the Regulations. The Regulations read as if there would be a single Regulatory Authority for the entire UAE; however, the Guidance on Economic Substance Regulations, in certain places, contemplated the possibility of more than one Regulatory Authority.

Cabinet Decision No. 58 of 2019 has appointed a number of different authorities as the Regulatory Authority, depending on the nine Relevant Activities and where these Relevant Activities are undertaken.

The Authors



Greg Mayew
Partner
gmayew@afриди-angell.com
Tel: +971 2 610 1010

Greg Mayew joined Afridi & Angell in 2004 and is the partner in charge of the Abu Dhabi office. He is involved in the firm's corporate and commercial, capital markets, construction, project finance, and banking practices. Greg holds a JD from the University of Minnesota Law School, a master's degree from the Massachusetts Institute of Technology and a BA from the University of Denver. He is a member of the New York State Bar. Prior to joining Afridi & Angell, Greg was an associate at the London and New York offices of a leading firm.



Silvia Pretorius
Senior Associate
spretorius@afриди-angell.com
Tel: +971 2 610 1010

Silvia Pretorius is a senior associate at Afridi & Angell's Abu Dhabi office. She is involved in the firm's corporate and commercial, banking, real estate, and project finance practices. Silvia holds an LLB and BA from the University of Natal, South Africa. She is a member of Side Bar (Natal and Transvaal Provincial Divisions), South Africa.

The concerned Regulatory Authorities are as follows:

Relevant Activity	Regulatory Authority
Banking Activities	<ul style="list-style-type: none"> • UAE Central Bank for banking activities regulated by the Bank. • Competent authority in the Financial Free Zone for banking activities exercised in the latter.
Insurance Business	<ul style="list-style-type: none"> • Insurance Authority for the insurance business regulated by the Insurance Authority. • Competent authority in the Free Zone for the insurance activities exercised in the latter. • Competent authority in the Financial Free Zone for the insurance activities exercised in the latter.
Investment Funds Management	<ul style="list-style-type: none"> • Securities and Commodities Authority (SCA) for the investment funds management regulated by the SCA. • Competent authority in the Free Zone for the activities of investment funds management exercised in the latter. • Competent authority in the Financial Free Zone for the activities of investment funds management exercised in the latter.
Financial Leasing Activities	<ul style="list-style-type: none"> • UAE Central Bank for the financial leasing activities regulated by the Bank. • Competent authority in the Free Zone for the financial leasing activities exercised in the latter. • Competent authority in the Financial Free Zone for the financial leasing activities exercised in the latter.
Headquarters Activities	<ul style="list-style-type: none"> • Ministry of Economy for the headquarters' works and activities regulated by the Ministry. • Competent authority in the Free Zone for the headquarters activities exercised in the latter. • Competent authority in the Financial Free Zone for the headquarters activities exercised in the latter.
Shipping Activities	<ul style="list-style-type: none"> • Ministry of Economy for the shipping activities regulated by the Ministry. • Competent authority in the Free Zone for the shipping activities exercised in the latter. • Competent authority in the Financial Free Zone for the shipping activities exercised in the latter.
Holding Company Activities	<ul style="list-style-type: none"> • Ministry of Economy for the holding company activities regulated by the Ministry. • Competent authority in the Free Zone for the holding company activities exercised in the latter. • Competent authority in the Financial Free Zone for the holding company activities exercised in the latter.
Intellectual Property Activities	<ul style="list-style-type: none"> • Ministry of Economy for the intellectual property activities regulated by the Ministry. • Competent authority in the Free Zone for the intellectual property activities exercised in the latter. • Competent authority in the Financial Free Zone for the intellectual property activities exercised in the latter.
Distribution and Services Centres	<ul style="list-style-type: none"> • Ministry of Economy for the distribution and services centres activities regulated by the Ministry. • Competent authority in the Free Zone for the distribution and services centres activities exercised in the latter. • Competent authority in the Financial Free Zone for the distribution and services centres activities exercised in the latter.

Going Forward

The appointment of the Regulatory Authorities means that businesses licensed in the UAE should fast track an assessment to determine if they are subject to the UAE Economic Substance Regulations. It remains to be seen what approach such Regulatory Authorities will take in enforcing the UAE Economic Substance Regulations. ■

Afridi & Angell

Founded in 1975, Afridi & Angell is a full-service UAE law firm in its fifth decade at the forefront of the legal community. From the beginning, our hallmarks have been a commitment to quality, unsurpassed knowledge of the law and the legal environment, and crafting of innovative business solutions. Licensed in the three largest Emirates of Abu Dhabi, Dubai and Sharjah as well as the Dubai International Financial Centre, our practice areas include banking and finance; corporate and commercial law; arbitration and litigation; construction; real estate; infrastructure projects; energy; project finance; maritime (wet and dry); and employment. We advise local, regional and global clients ranging in size and sophistication from start-ups, sole proprietorships, family-owned businesses, entrepreneurs and investors to some of the world's largest public and private companies, governments and quasi-government institutions. We attract and retain clients with our dedication to practical guidance focused on their business needs supported by decades of experience here in our home jurisdiction, the UAE.

Afridi & Angell is the exclusive member firm in the UAE of top legal networks and associations, most notably Lex Mundi, the world's leading network of independent law firms, and World Services Group.

www.afridi-angell.com