

inBrief



Recent Amendments to the Commercial Agency Law

By Danielle Lobo and Abdus Samad | 1 September 2020

As many will know, Federal Law 18 of 1981 (the **Commercial Agency Law**; or **CAL**) regulates agency, distributorship and franchise relationships in the UAE, regardless of the nomenclature used to describe them. The CAL requires that all commercial agency agreements be registered with the UAE Ministry of Economy and further offers the distributor (termed an “agent” under the CAL) protection from termination (and a guarantee of exclusivity) once a commercial agency agreement is so registered in accordance with the CAL.

Until recently, it was the case that in order to be registered as a commercial agent under the CAL, the proposed agent had to be either a natural person holding UAE nationality, or a body corporate ultimately wholly owned by UAE nationals.

On 28 May 2020, UAE Federal Law 11 of 2020 (the **CAL Amendment**) introduced certain amendments to the CAL. Most notably, the CAL Amendment extends the types of legal persons that can be registered as commercial agents to include the following:

- a) a public joint stock company incorporated in the UAE; and
- b) a private company (for example, a limited liability company) wholly owned by a UAE public joint stock company.

The CAL Amendment provides that to the extent an application for registration of a commercial agency is submitted by an entity falling within either (a) or (b), the requirement under the CAL for a body corporate commercial agent to be wholly owned by UAE nationals will not apply. Instead, such an applicant can qualify for registration under the CAL provided its capital is ultimately owned at least 51% by UAE nationals.

Amongst the objectives of the CAL Amendment is to encourage established family owned trading businesses in the UAE to list on the UAE public markets, thereby improving the depth and breadth of the UAE equity capital markets. The CAL Amendment is therefore an important (and arguably revolutionary) change and

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removes a key impediment to commercial agents registered under the CAL from seeking access to outside equity through the UAE public markets.

The CAL Amendment contemplates the issuance of regulations to be issued by the UAE Ministry of Economy and thus we anticipate additional clarity to the UAE commercial agency regime in the near future. ■

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Afridi & Angell's corporate department has extensive experience in advising on commercial agency matters and acting for both principals and agents with respect to such arrangements. Should you have any questions with respect to the changes under the CAL Amendment or more generally on commercial agency matters, please contact the authors or your usual Afridi & Angell contact.

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