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Law changes in the UAE affect share transfers, worker protection, PPPs and the Abu Dhabi Global Market, among other things



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UAE LEGISLATION UPDATE

New rules of the game

In 2015 the UAE has seen an unusual number of important legislative developments. For this update, we have picked a few to summarise. The list is by no means exhaustive.

New Companies Law (UAE Federal Law No. 2 of 2015)

The new Companies Law (new law) came into force on 1 July 2015 replacing the previous law (UAE Federal Law No. 8 of 1984) and providing a comprehensive new regime for commercial companies in the UAE. The law does not contain the dramatic change some expected – lifting or easing the local ownership requirement for onshore companies. However, there are some changes that deserve attention. As LLCs are most common in the UAE we will focus on changes that impact LLCs.

The changes address corporate governance, the regulation of public companies and a variety of adjustments to the operations and documentation of companies, such as: (1) LLCs can now be owned by a single corporate or individual shareholder, and a new holding company vehicle has been introduced; (2) shares in LLCs may be pledged to third parties; (3) there is now a companies' registrar (though details are yet to be developed); (4) the government can now own shares in any type of company (not just a public joint stock company); and, curiously, the par value of a share in a company must now be between AED 1 (18p) and AED 100, instead of AED 1,000.

Investors in LLCs will have to consider the implications of the new law on their documentation, and new companies will need their documentation to comply with the new law. In some cases, investors in existing LLCs may wish to change their documentation to take advantage of features such as the facility to pledge shares.

Even though the new law has technically taken effect, much of the detailed implementation remains unclear. There is great potential for further change under the provisions of this new law.

Employment Regulation (Ministerial Decisions 764, 765, and 766 of 2015)

The UAE Ministry of Labour issued new sets of rules applicable from 1 January 2016 that supplement (but do not amend) UAE Federal Law No. 8 of 1980 (the 'Labour Law'). The new rules cover contracts for workers hired from abroad, termination, and labour permits for resident workers pursuant to decrees:

- Ministerial Decision 764: Standard Work Contracts
- Ministerial Decision 765: Termination of Limited Contract and Unlimited Contract
- Ministerial Decision 766: Granting of New Work Permits

The overall effect of these new rules is a move towards further employee protection, particularly insofar as an offer letter must be signed by the employee before being submitted to the Ministry of Labour for approval.

The offer letter must be "clear and detailed", and the employee's registered labour contract then needs to be consistent with the offer letter. This is intended to prevent the "bait and switch" scenario whereby employees are lured to the UAE on false terms.

Dubai Public-Private Partnership Law (Dubai Law No. 22 of 2015)

The 'PPP Law' regulates partnerships between the public and private sectors in energy and infrastructure projects in the emirate of Dubai.

Historically, the government developed and self-financed the vast majority of major infrastructure projects in the UAE. The PPP Law represents an attempt by Dubai to reduce the financing needs of the government and to tap into the expertise and efficiency of the private sector in carrying out projects.

This new framework presents potentially exciting opportunities for larger players.

Formation of the Abu Dhabi Global Market (ADGM)

On 15 June the ADGM, the new financial free zone located on Maryah Island in Abu Dhabi, announced its first phase of activities (non-financial services), having finalised and published its initial set of regulations. In October the draft financial services regulations that were issued for public comment were adopted as the Financial Services and Markets Regulations and Financial Services Regulatory Authority (FSRA) Rules, establishing the legislative and regulatory framework of the market. On 21 October the ADGM began accepting and approving financial service license applications through its FSRA.

The issuance of financial services licenses solidifies the ADGM's establishment as a financial centre. The next step in the development of the ADGM is the court system and its interaction with the onshore Abu Dhabi courts.

According to the authority, key appointments have been made and the ADGM has invited public consultation on draft Court regulations.

The ADGM will be worth watching carefully in the coming year as it could offer serious competition to Dubai's successful financial free zone, the Dubai International Financial Centre.

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