

Investment

A developing destination for international business

An overview of the legal and infrastructure developments that are turning Dubai and Abu Dhabi into a leading cross-border business hub



In the past decade the United Arab Emirates (UAE) has seen some major business, legal and infrastructure developments making it a place in which foreigners have invested billions of dollars in real estate and a business hub through which investments between Europe, Asia and Africa are routed. In this column, we highlight a few of the developments of the past few years that are helping to shape the UAE, and particularly Dubai and Abu Dhabi, into a leading international centre for doing business.

Free zones

Free zones have been established across the UAE focused on business sectors ranging from manufacturing to technology. The first free zone to open its doors in the UAE was the Jebel Ali Free Zone in 1985, shortly followed by the Fujairah Free Zone in 1987. Free zones offer a number of advantages to foreign businesses including zero taxation, repatriation of profits and 100 per cent foreign ownership. Each zone has its own bureaucracy along with unique regulations and costs. They create a district whereby industry-specific entities can be based, thus making for greater cohesion for business. At present, there are approximately 40 free zones in the UAE with the most recent, the Dubai World Trade Centre Free Zone, opening in May 2015.



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Dubai International Financial Centre (DIFC)

In 2004, the DIFC was established as the first financial free zone in the UAE, leading the way to further development in the Emirate of Dubai. The DIFC has its own judicial system, the DIFC Courts, and financial services companies are regulated by the Dubai Financial Services Authority (the DFSA). The DIFC Courts are an independent, English language, common law judiciary which, apart from hearing matters related to DIFC companies, can also hear actions from outside the DIFC (including outside the UAE) if parties have agreed to resolve their disputes there. The DFSA regulates financial services to a standard comparable with Western regulators.

Additionally, the Wills and Probate Registry in the DIFC opened in April 2015. It is now possible for non-Muslims to register a will in Dubai and have a high degree of confidence it will be enforced in accordance with its terms. Prior to the establishment of the registry it was not possible to be so confident that foreign wills would be enforced. There were

concerns that Shari'a law would be applied to the estates of non-Muslims, particularly with respect to property. The DIFC is the first jurisdiction in the MENA region where non-Muslims can register a will under internationally recognised common law principles.

Since its formation in 2004 the DIFC has attracted leading institutions and enterprises from developed markets as well as from emerging economies. In June 2016 HSBC Bank Middle East relocated its head office from Jersey to the DIFC, a testament to the UAE's role as a location for businesses to thrive.

Abu Dhabi Global Market (ADGM)

The ADGM is the newest financial free zone to open in the UAE, on Maryah Island in Abu Dhabi. Comparable to the DIFC, the ADGM boasts three independent authorities including the Financial Services Regulator, the Registration Bureau and the Courts. Like the DIFC Courts the ADGM Courts are an independent, English language, common law judiciary offering a sophisticated common law alternative to the onshore UAE courts and legal system.

Development of Commercial Laws

In recent years we have seen an influx of amendments to commercial laws in the UAE all of which support and develop the growing business community. Most recently, a new Federal Commercial Companies Law (New Law) came into force on 1 July 2015, replacing the previous law (UAE Federal Law 8 of 1984). The New Law provides a comprehensive regime for commercial companies in the UAE. Changes made address issues such as corporate governance, the regulation of public companies and adjustments to the operational and documentational requirements of companies.

The New Law is the first major change in the commercial companies law since 1984, showing that the UAE is seeking to become a top player in international markets.

What next?

Two major pieces of legislation still awaited and essential for a modern international business hub are a comprehensive bankruptcy law and an arbitration law. These laws have been under discussion for several years but have yet to be promulgated.