

inBrief

**UAE FDI: Latest Developments**

By Danielle Lobo and Saurbh Kothari | 15 July 2021

Since our [4 July inBrief](#) on the UAE permitting 100 per cent foreign ownership for certain activities, there have been some significant developments which we will discuss below.

List of Strategic Impact Activities

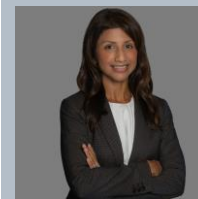
The UAE Cabinet has now issued a list of strategic impact activities and the rules for licensing companies that engage in any of the listed strategic impact activities.

Cabinet Decision 55 of 2021 on the Determination of the List of Strategic Impact Activities (the **Cabinet Decision**) identifies the following broad strategic impact activities:

1. Security and defence activities and activities of a military nature.
2. Banks, money exchange, finance companies, and insurance activities.
3. Printing currencies.
4. Telecommunications.
5. Hajj and Umrah services.
6. Quran memorisation centres.
7. Fisheries-related services.

For each activity, depending on its nature, a specific UAE authority has been identified as the regulatory authority. For example, the Ministry of Defence and the Ministry of Interior are the relevant regulatory authorities for the activities in the security and defence sector.

Each regulatory authority has been provided with a broad range of powers to determine the percentage of permitted foreign direct investment (FDI) and enact rules and conditions applicable to the strategic impact activities under the purview of the regulatory authority. This is with the exception of the fisheries-related

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services activity which is the only activity listed in the Cabinet Resolution which requires 100 per cent UAE national ownership.

An investor must submit an application to the local licensing authority (i.e., the Economic Department) of the Emirate in which such an investor wishes to conduct the desired activity. The local licensing authority will then submit an application to the appropriate regulatory authority.

The regulatory authority will consider the application and will then issue a decision either (i) approving the application and determining the percentage of the national contribution together with any conditions attached to such approval or; (ii) reject the application.

The regulatory authority will notify the local licensing authority of its decision and will then communicate the decision to the applicant and if permitted, implement such decision. The Cabinet Decision also provides certain timelines within which a local licensing authority and the relevant regulatory authority are required to process a complete application.

Abu Dhabi Department of Economic Development (Abu Dhabi DED)

Pursuant to the Cabinet Decision, the Abu Dhabi DED has issued Administrative Decision 320 of 2021 (**Decision 320 of 2021**) which contains a list of 85 strategic impact activities. These comprise of the actual activity descriptions which fall under the general descriptions of the strategic activities listed at numbers 1-7 above. Establishing a business in the Emirate of Abu Dhabi licensed to conduct one of these strategic impact activities will be governed by the process discussed above.

In addition to the issuance of a list of strategic impact activities, Decision 320 of 2021 also repeals Administrative Resolution 37 of 2021 concerning Activities available for Foreign Ownership. As such, Decision 320 of 2021 repeals the previous list of activities for which up to 100 per cent FDI was permitted. Decision 320 of 2021 instead provides that natural person(s) or entity(ies) are permitted to *fully own* or to *own any percentage* of companies to practice all commercial and industrial activities *except for the strategic impact activities (emphasis added)*. This would suggest that the Abu Dhabi DED has now taken the position that all activities licensed by it, will now be permitted for foreign ownership with the exception of the activities which are designated as strategic impact activities. As such, it would appear that there will no longer be a specific list of such FDI activities similar to those that were contained in Administrative Resolution 37 of 2021.

Sharjah Economic Development Department (SEDD)

The SEDD has also published a list of approximately 1,200 activities for which up to 100 per cent foreign ownership is permitted together with a guide on foreign investment. At this time, we understand that (i) no specific conditions will be attached to a company in which foreign direct investment is permissible and; (ii) no additional fees will be imposed for the practice of an FDI activity. ■

Afridi & Angell's corporate department has extensive experience in advising on foreign direct investment and corporate restructuring matters. Should you have any questions, please contact the authors or your usual Afridi & Angell contact.

Afridi & Angell

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