

inBrief

**UBO registration: it's time to comply or risk being penalised**

By Danielle Lobo and Dimple Soni | 13 July 2021

The UAE has introduced new administrative sanctions on all entities that fail to comply with the requirements of Cabinet Decision 58 of 2020 concerning the Regulation of Real Beneficiary Procedures (**Decision 58 of 2020**).

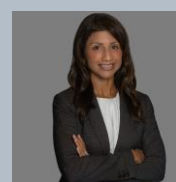
Issued on 23 May 2021, Cabinet Decision 53 of 2021 (**Decision 53 of 2021**) empowers the Ministry of Economy and the relevant licensing authorities in the UAE to administer various penalties on violators of Decision 58 of 2020.

To provide our readers with a brief background, the UAE enacted Decision 58 of 2020 on 24 August 2020. The Decision places a number of obligations on all entities licensed to conduct business in the UAE (with the exception of those licensed in a financial free zone in the DIFC and the ADGM), including identifying, recording, submitting and maintaining details of the shareholder(s)/partner(s) (the **Shareholders**) and the real beneficiaries or the ultimate beneficial owner(s) (the **UBO**). Please refer to our [October 2020 inBrief](#) for further information on your obligations under Decision 58 of 2020.

Further to the issuance of Decision 58 of 2020, various licensing authorities in the UAE had issued a deadline of 30 June 2021 for all licensees to submit, amongst other things, details of their UBO and Shareholders. However, some authorities have issued different deadlines or none altogether.

We have set out below a summary of the key fines:

Under Decision 53 of 2021, entities that fail to create and maintain records of their UBO, will be issued a written notice in the first instance. If the entity does not rectify these failures, a fine of AED 50,000 will be imposed along with another notice to remedy the position within 30 days. If the entity fails to remedy its position within the 30-day period, the entity shall face a fine of AED 100,000 and the suspension of its licence for a minimum period of one year.

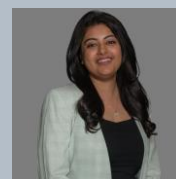
The Authors**Danielle Lobo**

Partner

dlobo@afриди-angell.com

Tel: +971 4 330 3900

Danielle is a corporate/commercial lawyer with considerable experience in a wide range of corporate matters including private equity transactions, mergers and acquisitions, joint ventures, restructurings and reorganisations. Danielle is a member of the Law Society of Scotland. She holds an LLB (Hons.) from the University of Aberdeen, Scotland. Danielle has been ranked as "Next Generation Partner" for commercial, corporate and M&A, in Legal 500 EMEA.

**Dimple Soni**

Paralegal

dimple@afриди-angell.com

Tel: +971 4 330 3900

Dimple is a paralegal at Afridi & Angell's Dubai office. She assists lawyers on a wide range of corporate, commercial, and dispute resolution matters. Dimple supports the corporate team with the formation of new companies in the UAE, maintenance of existing companies, liaising with government departments, police departments, drafting memoranda, and conducting research.

Entities that fail to create records of their Shareholder(s) will be issued a fine of AED 50,000 and will be given notice to remedy the position within 60 days. If the entity fails to remedy its position within the 60-day period, it shall face a fine of AED 100,000 and the suspension of its licence for a minimum period of one year.

A written notice will be sent to entities that fail to maintain the records of their Shareholder(s), after which a fine of AED 30,000, and a notice to rectify the failure within 15 days will be issued. If not rectified, it will result in a fine of AED 60,000 and a suspension of its licence for a minimum period of six months.

Similarly, entities that fail to submit the details of its UBO and its Shareholder(s) to licensing authorities, shall be issued a written notice in the first instance, and thereafter a fine of AED 15,000 will be issued along with a notice to rectify the non-compliance within 15 days. If the failure is not rectified after the second warning, a fine of AED 30,000 will be levied along with the suspension of the licensee's licence for at least three months. On a practical level, we are aware of action being taken by the relevant licensing authorities to implement the provisions of Decision 53 of 2021, with notifications being sent to licensees that have not fulfilled these obligations.

Providing incorrect, incomplete, non-updated information or the omission of the information on the UBO as well as the manager(s) or nominee director(s), is subject to fines along with a suspension of licence. Such entities will be issued a written notice first. Thereafter, a fine between AED 10,000 to AED 20,000 will be levied on the second instance with a notice of 15 days to rectify the fault. A third recurrence will result in a fine of AED 20,000 to AED 40,000 and the suspension of licence for at least one month. At the same time, Decision 53 of 2021 states that the authorities or the Ministry shall also restrict the authority of the board of directors or managers of entities who have provided inaccurate, incomplete or non-updated information. We await to see how this will be implemented in practice.

Entities currently under liquidation or those which have been liquidated are also required to comply with the relevant provisions of Decision 58 of 2020. The liquidated entity (or entity under liquidation), or its liquidator, who fails to maintain the details of the UBO, the Shareholder(s), manager(s) and director(s) of such liquidated entity for a period of 5 years from the date of dissolution, shall firstly be issued with a written notice followed by a fine of AED 20,000 upon non-compliance and then a fine of AED 40,000 upon the third recurrence.

With these strict enforcement measures in place and the enactment of new legislation concerning anti-money laundering and economic substance, the UAE has affirmed its strong position to craft a robust legal framework to combat the modern-day economic and financial crimes. ■

Afridi & Angell's corporate department has extensive experience in advising on ultimate beneficial ownership obligations. Should you have any questions, please contact the authors or your usual Afridi & Angell contact.

Afridi & Angell

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