

## inBrief



## The new DIFC prescribed company regulations

By Abdus Samad and Vaishali Dhanawat | 3 September 2024

The Dubai International Financial Centre (DIFC) has introduced the DIFC Prescribed Company Regulations 2024 (**the 2024 Regulations**), replacing the DIFC Prescribed Company Regulations 2019 (as amended in 2020 and 2022) (together the **Former Regulations**). The 2024 Regulations came into effect on 15 July 2024 and expand the range of applicants eligible to incorporate a so called “prescribed company” in the DIFC.

### Evolution of eligibility criteria

Under the Former Regulations, the following could establish a prescribed company in the DIFC:

1. **Qualifying Applicants:** entities that could demonstrate an existing nexus to the DIFC, such as already being registered within the DIFC or affiliated with a DIFC-registered entity, or meeting specific criteria (e.g., being an ‘Authorised Firm’ or a ‘Government Entity’).
2. **Qualifying Purpose Applicants:** applicants engaged in specific activities such as ‘Structured Financing,’ ‘Aviation,’ or ‘Crowdfunding Structures’.

### Key changes

#### Expanded eligibility

The 2024 Regulations require that an applicant wishing to incorporate or continue a prescribed company in the DIFC must satisfy the DIFC Registrar of Companies of one of the following criteria:

1. the prescribed company is controlled by:
  - **GCC Persons:** individuals who are citizens of a GCC member state, bodies corporate controlled by citizens of a GCC member state, entities with securities listed on a GCC exchange, and so called ‘Government Entities’;
  - **Registered Persons:** a body corporate incorporated, registered, or continued within the DIFC, excluding prescribed companies and non-profit organisations incorporated or continued within the DIFC; or
  - **Authorised Firms:** any person holding a license granted by the Dubai Financial Services Authority or by a recognised financial regulator within the UAE or certain other jurisdictions.

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2. the prescribed company is established or continued in the DIFC for the purpose of holding legal title to, or controlling, one or more GCC Registrable Assets<sup>1</sup>.
3. the proposed prescribed company is established or continued in the DIFC for a Qualifying Purpose<sup>2</sup>.
4. the prescribed company established or continued in the DIFC has a director who is an employee of a “Corporate Service Provider<sup>3</sup>” and that Corporate Service Provider has an arrangement with the DIFC Registrar of Companies in accordance with Regulation 3.3.2 of the 2024 Regulations.

## Employment restriction

The 2024 Regulations have introduced an express prohibition on a prescribed company employing staff. This restriction does not extend to the appointment of directors.

## Conclusion

The 2024 Regulations mark a significant shift in the DIFC regulatory landscape, making it more inclusive and flexible for a wider range of applicants and purposes. We anticipate that the 2024 Regulations will make the DIFC prescribed company more attractive for use in corporate structuring. ■

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<sup>1</sup> A GCC Registrable Asset is defined in the 2024 Regulations as: an asset or property interest that must be registered with a GCC Authority to establish legal ownership, secure rights, or encumbrances against it, and to provide public notice of such interests, including: (a) land and real property; (b) shares in companies; (c) partnership interests; (d) intellectual property; and (e) aircraft and Maritime Vessels.

<sup>2</sup> A Qualifying Purpose is defined in the 2024 Regulations as being any of the following: (a) an “Aviation Structure”; (b) a “Crowdfunding Structure”; (c) an “Intellectual Property Structure”; (d) a “Maritime Structure”; (e) a “Structured Financing”.

<sup>3</sup> A Corporate Service Provider is defined in the 2024 Regulations as: a person registered with the DFSA as a Designated Non-Financial Business or Professional that undertakes corporate services business in the DIFC.

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