PANORAMIC

VENTURE CAPITAL

United Arab Emirates

LEXOLOGY

Venture Capital

Contributing Editor

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MARKET AND PURPOSE

General role and purpose
How would you describe the role of venture capital in the financing markets in your jurisdiction?

Historically, venture capital has not played a large role in the financing markets of the United Arab Emirates (UAE). This is changing rapidly, however, with venture capital and venture capital funds becoming an increasingly integral part of the UAE's corporate finance landscape. The importance of venture capital is expected to continue to grow in the coming years.

Law stated - 15 February 2026

Market conditions
How would you describe the current market conditions for venture capital in your jurisdiction?

In line with wider global market challenges, the UAE's venture capital market has experienced funding challenges over the past year. Despite this, the UAE has maintained its position as the most attractive jurisdiction in the Middle East and North Africa region.

The UAE's diverse economy, favourable business environment, growing technology adoption and the shift from high dependence on oil revenue are helping to create investment opportunities and attract global venture capital firms to the region.

Furthermore, the UAE is actively encouraging foreign venture capital investment by making changes to onshore UAE law to help facilitate it. The most important change in recent years is that foreign (non-UAE) nationals may now acquire and own most types of companies incorporated "onshore" in the UAE.

Measures have also recently been taken to actively assist the formation of investment funds (including venture capital funds) in the UAE and to encourage the development of a local asset and fund management industry. For example, there has been growing cooperation between the relevant UAE regulators (the Capital Market Authority (previously known as the Securities and Commodities Authority) in mainland UAE, the Dubai Financial Services Authority of the Dubai International Financial Centre and the Dubai Virtual Asset Regulatory Authority in Dubai, and the Financial Services Regulatory Authority of the Abu Dhabi Global Market in Abu Dhabi) regarding the licensing and recognition of investment funds and asset management businesses registered in any of these jurisdictions.

Law stated - 15 February 2026

PARTIES AND DEAL STRUCTURES

Issuers – typical profile

How would you describe the types of companies, and their different stages of development, that typically receive venture capital investment in your jurisdiction?

Venture capital funding in the UAE is generally made available to entrepreneurs and companies in the seed, startup and growth phases.

It is common for venture capital funds in the UAE to be industry-specific, although there are a number of funds that have broad investment objectives. As with most jurisdictions, venture capital firms in the UAE tend to invest heavily in companies in the technology, media and telecommunications sector. However, given the reluctance of banks to provide financing to startups, venture capital is also sought by businesses in a number of other industries, including food and beverage, retail, education and healthcare.

Law stated - 15 February 2026

Issuers – domicile and company structures

Are there any preferred or required legal domicile or company structures for issuers in venture capital transactions?

The UAE is not a unitary jurisdiction in so far as company formation or licensing is concerned. As such, there are numerous options available for issuers in venture capital transactions. However, the preferred vehicle is for an issuer to establish a special purpose vehicle incorporated in the Abu Dhabi Global Market (ADGM) and, in certain instances, the Dubai International Financial Centre (DIFC). Such companies are limited in scope and are typically incorporated for the sole purpose of holding the relevant ownership interests of the entity (or entities) comprising the underlying business.

Law stated - 15 February 2026

Investors – typical profile

How would you describe the types of investors that make venture capital investments, including by stage of company development, in your jurisdiction?

Venture capital investors in the UAE can be individuals, companies, investment funds or sovereign wealth funds. Sovereign wealth fund investments that fund a range of different local and regional startups, typically in industries of strategic interest, are particularly prevalent.

Venture capital fund subscribers include high-net-worth individuals, local family offices, sovereign wealth funds or public sector investment funds (including pension funds). The UAE has recently implemented substantial reforms to the regime applicable to end-of-service employment benefits for foreign nationals, permitting the creation of government-administered saving schemes. It is widely anticipated that this change will impact the flow of funds into venture capital investments.

Law stated - 15 February 2026

Investors – structures

How are venture capital investors usually structured and does their structure affect their investment approach or terms?

Venture capital funds can be established onshore in the UAE, as well as in the DIFC and the ADGM. Investment funds registered "onshore" and regulated by the Capital Market Authority (CMA) (known as the Securities and Commodities Authority (SCA) until January 2026) have historically been uncommon; however, on 16 January 2023 the SCA substantially updated its investment funds regime. The new regime aims to encourage the establishment of investment funds onshore in the UAE and the localisation of asset-management activities in the UAE, and has substantially reduced the applicable financial and administrative requirements, including a reduction in minimum share capital requirements and the removal of ownership restrictions for fund management companies. The CMA has also committed to expedite review times.

There are three types legal forms available for the establishment of an investment fund in the DIFC: investment companies, investment trusts and investment partnerships. Similar structures are available in the ADGM. While trust structures are predominantly used for property funds, investment partnerships are more commonly used for private equity and venture capital funds. Venture capital funds established as offshore limited partnerships and exempted companies are commonly used to invest in UAE companies.

Law stated - 15 February 2026

Seed financings

What structures and types of investments are typically used for seed-stage investments in your jurisdiction?

Depending on the nature of the investment (ie, whether it is intended as debt or equity), seed-stage investment is typically undertaken using either a convertible note (or even a simple loan note) or a simple agreement for future equity.

Given the nature of seed-stage investments, the instruments used are typically relatively simple to avoid the need for extended negotiations and to limit the costs associated with negotiating and finalising the investment documentation.

Law stated - 15 February 2026

Early-stage and later investments

What structures and types of investments are typically used for early-stage and later investments, following seed-stage investments, in your jurisdiction?

Follow-on investments after the seed-stage are typically undertaken as a priced subscription for equity. A venture capital investor typically subscribes for shares in the issuer and will enter into one or more transaction documents (usually a share subscription agreement or a shareholders' agreement), which may be supplemented by other ancillary agreements such as an investment agreement.

Law stated - 15 February 2026

PROCESS

Term sheets
Do parties normally use term sheets? If so, what is normally covered in such term sheets?

Parties in the UAE use term sheets (sometimes referred to as a "memorandum of understanding" or a "letter of intent"). Term sheets are typically entered into between the company's founders and the venture capital investors and outline the principal terms of the transaction. A term sheet will typically cover:

- a preliminary valuation and investment amount;
- liquidation preferences;
- anti-dilution provisions;
- information on the board of directors;
- dividends;
- voting rights; and
- exit rights.

Law stated - 15 February 2026

Documentation
What are the standard documents for a venture capital transaction, and who prepares them? Are there popular forms for such documentation in your jurisdiction?

At present, there are no standardised investment documents available (or commonly used) specifically for the UAE market. Instead, investors use international standard documents (for example, those issued by the British Private Equity & Venture Capital Association) as a starting point and tailor them to comply with UAE law and to the particularities of the transaction.

The principal legal documents used in a venture capital investment in the UAE are the term sheet, share subscription agreement and shareholders' agreement, and may also include (or be supplemented by) an investor rights agreement, a voting agreement, a right of first refusal and a co-sale agreement. A venture capital investor may also require the target company and its founders to sign a non-disclosure agreement and to procure one or more legal opinion from the target's lawyers.

Law stated - 15 February 2026

Key steps and timing

What is the normal process and timing of venture capital investments in your jurisdiction?

Typically, discussions between an issuer and a venture capital investor will commence with the signing of a non-disclosure or confidentially agreement and a preliminary term sheet or letter of intent. The key steps and timing will depend on the size and stage of the investment. For small investments, the parties may either negotiate preliminary and transactional documentation in parallel or even choose to skip preliminary documentation altogether and proceed directly to discussion of transaction documentation (particularly in seed-stage or even early-stage investments, where timing and costs are points of sensitivity). For more complex or later-stage investments, parties will typically devote some time to ensuring that broad parameters are agreed (typically in the form of a term sheet or letter of intent) prior to expending resources on full-form investment documentation.

Law stated - 15 February 2026

Closing conditions

What closing conditions are common in venture capital transactions?

The most common closing condition is investor representation on the target company's board of directors, since venture capital investors in the UAE typically prefer to take an active role in the management of early-stage companies. If the investor does not have board representation, it is still likely to be entitled to consult with and advise the company's management team on significant business issues (such as proposed annual operating plans and budgets).

In addition, a venture capital investor may require that an issuer first completes a restructuring to ensure that they have a legal form and structure that is suitable for venture capital investment. This may, for example, include the establishment of a holding structure with a special purpose vehicle incorporated in the Abu Dhabi Global Market or the Dubai International Financial Centre.

Law stated - 15 February 2026

Multiple closings

Are venture capital transactions ever divided into multiple closings? If so, how and why?

Multiple closings may be relevant in venture capital transactions that envisage multiple investors completing at different stages. For example, an issuer may agree the terms of investment with a single investor or a core group of anchor investors and then expand the investment round to other investors on the condition that they accept the original terms agreed with the anchor investors. In such situations, a venture capital transaction could indeed be divided into multiple closings.

Law stated - 15 February 2026

DUE DILIGENCE

Legal due diligence
What legal due diligence is typically undertaken for venture capital transactions, and what specialists are typically involved?

Legal due diligence in the context of a venture capital transaction often depends on the stage of investment. For example, in the context of seed-stage investments, a venture capital investor will typically focus on confirming matters such as:

- due incorporation and existence;
- corporate good standing;
- ownership or control of intellectual property;
- arrangements between the issuer and the founder(s);
- absence of material litigation; and
- the existence of debt or other capital commitments.

For later-stage investments, due diligence will typically encompass a broader range of issues.

Legal due diligence in a typical venture capital transaction involves a core corporate team along with support from specialists in commercial/information technology, intellectual property, dispute resolution, and financing and banking. Depending on the nature of the issuer's business, specialists in financial regulation may also be involved.

Speed is typically a point of sensitivity for issuers, particularly if discussions with multiple investors are taking place.

Law stated - 15 February 2026

Critical due diligence areas
What are normally critical areas of due diligence focus or red flags in venture capital transactions?

Venture capital funds typically perform thorough financial and legal due diligence to evaluate a potential investment opportunity. The diligence review is intended to identify and mitigate the key risks associated with the investment.

The initial due diligence screens business opportunities to assess whether they fit within the fund's expected life cycle, and uses predetermined criteria to identify which opportunities to focus on as possible investments. The screening process typically eliminates opportunities that do not fit the fund's mandate or investment objectives. Some venture capital investors only review opportunities that have been referred from a trusted source or that involve an entrepreneur who has had previous success.

Once an opportunity clears the screening process, the venture capital investor investigates the potential issuer to determine whether the deal is viable. Investors typically review the management team, market potential, product or service, business model and financial projections. Some investors also produce their own financial models to evaluate the potential investment.

Following the financial due diligence, the investor typically arranges for a legal due diligence review of the investee company to ensure (among other things) that the proposed investment structure is viable. Some venture capital investors undertake due diligence using internal resources (particularly for small investments), but many will retain outside counsel at this stage.

Law stated - 15 February 2026

Other due diligence
What other types of due diligence are commonly undertaken in venture capital transactions?

This varies depending on the nature of the underlying business. An investor may undertake detailed commercial due diligence (separate from financial due diligence) to ascertain whether the projections and assumptions underlying the investment are sound. Where relevant, an investor may undertake in-person site visits to inspect any facilities (eg, manufacturing facilities) or premises that they consider material to the business.

Law stated - 15 February 2026

ECONOMIC TERMS

Valuation and pricing
How is the company valuation and investors' purchase price usually determined in venture capital transactions?

Valuation of companies for venture capital financing is difficult given the lack of available information and operating history; early-stage ventures have difficulty obtaining bank financing in the UAE for this reason. Accordingly, venture capital funds typically have industry professionals who are skilled at making long-term projections and evaluating the company's business plan. The venture capital fund may also develop its own forecast of the investee company's financials (rather than relying on that company's own forecast), which is based on comparable enterprises, industry standard ratios and exit valuations.

The valuation of the investee company will necessarily change as it procures additional financing. For each round of financing, the angel investors and venture capitalists conduct pre-money valuations to determine the amount of equity to acquire in exchange for the proposed funding for the entrepreneur or startup, which in turn determines the company's post-money valuation.

The pre-money valuation is carried out based on the price per share that the investors are offering to pay the startup company multiplied by the total number of shares outstanding (including options, other convertible securities and shares reserved for employee stock options).

Pricing of the investment round is done on a fully diluted basis, meaning that the investor takes into account the current (and, in some cases, proposed) securities that are convertible into common stock (eg, options and warrants).

For seed-stage and early-stage ventures, valuation is frequently determined by contrasting the company's future position with the desired rate of return by the investors for the near future. However, in practice, venture capital investors tend to estimate the amount of cash required to achieve a particular development milestone and equate that amount to a certain percentage of the company. Often, seed-stage or early-stage ventures in the UAE are valued on a similar scale to the valuations that venture capitalists have given to other companies with a similar business model. Valuations may also be driven (at least in part) by the valuation assigned in a prior funding round.

Valuations are typically made in UAE dirhams or US dollars, although foreign investors occasionally prepare their valuations in the currency of their country of origin.

Law stated - 15 February 2026

Option pool
What do investors typically require for option pools or equity incentive arrangements in connection with venture capital transactions?

Management incentives are commonly granted through the issue of shares or participation in the issuer's profits, and employee share option schemes may also be implemented. In particular, an investor can stagger the vesting of a founder's shares (typically over a four-year period with a one-year cliff) to encourage the founder to continue his or her employment with the company.

Law stated - 15 February 2026

Dividends, distributions and redemptions
What are the normal provisions governing dividends, distributions, redemptions or other profit distributions in venture capital transactions? Are there any legal limits thereon in your jurisdiction?

Venture capital investors commonly request convertible preferred shares in return for their investments. The rights and protections that are usually associated with these shares include a dividend preference that entitles the holder to a dividend (which may be non-cumulative and discretionary, or cumulative) before any dividend is paid to the common shareholders, a provision that is typically included in the documentation.

Law stated - 15 February 2026

Company sales and liquidations
How are venture capital investments treated in portfolio company sales or liquidations?

Venture capital investors commonly request convertible preferred shares in return for investment. The rights and protections usually associated with these shares include a liquidation preference that entitles the preferred shareholder to receive a certain fixed amount (expressed as a multiple of the shareholder's original purchase price, plus any declared and unpaid dividends) before any assets are distributed to the common shareholders in the event of a liquidation.

Law stated - 15 February 2026

Anti-dilution protection

What anti-dilution protections are typically built into the terms of venture capital securities?

Venture capital investors commonly request convertible preferred shares in return for their investments. The rights and protections usually associated with these shares include anti-dilution rights, which protect an investor from dilution resulting from subsequent share issuances at a lower price than the investor originally paid by adjusting the conversion price applicable to the investor's preferred shares.

Law stated - 15 February 2026

Future investments

What pre-emptive or pro rata investment rights do venture capital investors usually receive?

Venture capital investors commonly request convertible preferred shares in return for their investments. The rights and protections usually associated with these shares include a pre-emption right that enables the preferred shareholders to participate in any future issuance of securities by the company (up to its percentage shareholding as of the date of the issuance).

Law stated - 15 February 2026

Insider sales

What rights do venture capital investors normally have over insider sales of securities of portfolio companies?

Venture capital investors typically negotiate suitable restrictions on insider sales of securities of portfolio companies, and will usually expect that key management personnel refrain from sales of securities during the term of the investment.

Law stated - 15 February 2026

CONTROL RIGHTS

Voting rights

What voting rights, including veto or consent rights, do venture capital investors normally have as shareholders of their portfolio companies? Do they typically have special voting or consent rights as shareholders?

Venture capital investors commonly request convertible preferred shares in return for their investments. The rights and protections usually associated with these shares include voting rights that generally allow the preferred shareholders to:

- vote with common shareholders (as though the shares had been fully converted);
- elect one or more of the company's directors; and
- approve certain types of corporate actions (eg, amendments to constitutional documents, proposed mergers and issuance of a new series of preferred shares).

Law stated - 15 February 2026

Board rights

What rights to representation on the board of directors or at meetings of the board of directors of portfolio companies do venture capital investors typically receive?

Since they prefer to take an active role in the management of early-stage companies, venture capital investors in the UAE typically seek representation on the issuer's board of directors. If the fund does not have board representation, it is still likely to be entitled to consult with and advise the company's management team on significant business issues (such as proposed annual operating plans and budgets).

Law stated - 15 February 2026

Board protections

What fiduciary duties and liability protections normally apply to investor directors in your jurisdiction? Do directors typically have special voting or consent rights?

The UAE is not a unitary jurisdiction for the purposes of company incorporation and licensing. Accordingly, the duties and liability protections that are available to an investor director depend on the jurisdiction within which the issuer is established.

Typically, an investor director will be required to act in the best interests of the body corporate and may be subject to confidentiality requirements with regard to sensitive company matters. Depending on the size and nature of the venture capital investment, investors may be able to negotiate special voting or consent rights concerning very material decisions, although this is typically seen in late-stage investments rather than in seed-stage or early-stage investments.

Law stated - 15 February 2026

Financial reports
What rights to financial reporting or company access do venture capital investors normally receive?

Investors typically have inspection and information rights. Specifically, the shareholder can examine the books and records of the company and inspect its facilities, while the company is required to provide the shareholder with periodic financial reports.

Law stated - 15 February 2026

PUBLIC OFFERINGS AND LISTINGS

Securities law requirements
What are the securities law requirements in your jurisdiction for venture capital investors to sell their securities in the public markets?

To market, promote or sell securities of any description in the UAE public markets, venture capital investors must typically satisfy requirements imposed by the Capital Market Authority (previously known as the Securities and Commodities Authority). They may also be subject to additional requirements imposed by the Dubai Financial Services Authority or the Financial Services Regulatory Authority, depending on the intended purchasers of the securities.

The particular requirements imposed will depend on the nature of the securities being sold and the intended purchasers, but they typically include disclosure, transparency and ongoing reporting in connection with any securities being sold as well as their issuer. In certain instances, a prospectus may also be required.

Law stated - 15 February 2026

Registration and listing rights
What registration rights, listing rights or other rights do venture capital investors normally receive?

Given the relatively limited role of the public markets in venture capital transactions in the UAE, there is no standard suite of registration, listing or other similar rights for venture capital investors. Typically, venture capital investors will look to agree on the basic provisions and parameters of an exit from the investment.

Law stated - 15 February 2026

Other resale rights
What other resale rights in the public markets do venture capital investors usually receive?

The public markets have not yet been used in the context of venture capital exits. As such, a market standard has not yet developed.

Law stated - 15 February 2026

COMPANY SALES (M&A)

Standard sale structures
What are the standard structures or methods for venture capital portfolio companies to be sold in your jurisdiction?

Typically, venture capital portfolio companies are sold through a trade sale or a secondary buyout by another venture capital or private equity investor. While there are no standard structures used for such transactions, the use of Abu Dhabi Global Market special purpose vehicles is very common.

Law stated - 15 February 2026

Role of investors
What is the role of venture capital investors in a portfolio company sale? Do they have rights to force or block a company sale?

It is common for a venture capital investor to invoke a put option in the event of an unsuccessful investment. If certain financial thresholds concerning the company's revenue or net profits have not been met, the investor has the right to sell its shares to the company at a predetermined exercise price (which often includes a premium over the acquisition price).

Many venture capital funds negotiate a right to force the sale of the company after a certain period, in which case the founders (or any other shareholders) have no right to vote on the exit transaction. This right enables the investor to wind up their investment in accordance with the fund's investment term. However, a forced sale is unlikely to yield the maximum value for the company, and subsequent investors are unlikely to agree to such a restriction (which may hinder the company's ability to secure future financing). It may also be feasible for an investor to compel an exit above a certain valuation or on achieving a minimum threshold of returns for preferred shareholders.

The most likely liquidity events for successful companies in the UAE are in the form of trade sales and secondary buyouts. While some investors have exited venture capital investments by way of an initial public offering, this is still very uncommon.

Law stated - 15 February 2026

Post-closing protections
What post-closing matters or protections do venture capital investors typically obtain, for example to address ongoing company sale indemnities or director tail liabilities?

Post-closing protection is typically heavily context specific. It is requested by venture capital investors to address specific known risks and issues identified in the course of due diligence.

Law stated - 15 February 2026

LEGAL AND REGULATORY CONSIDERATIONS

Disputes

What types of disputes typically arise in venture capital transactions and how are disputes commonly handled? What provisions normally govern disputes, including choice of governing law, choice of forum and alternative dispute resolution mechanisms?

Most venture capital disputes will arise due to one or more of the following:

- inaccurate or incorrect post-closing reporting from the issuer's management team;
- inaccurate accounting or financial record-keeping;
- breach of warranty provided in the investment documentation; and
- disagreement over strategic direction.

Venture capital investment documentation in the UAE is typically governed by the law applicable in the Dubai International Financial Centre (DIFC), the Abu Dhabi Global Market (ADGM) or a foreign (non-UAE) jurisdiction of choice, with disputes submitted to either the DIFC or the ADGM courts for resolution. While arbitration is common in the UAE, its utility in venture capital transactions must be carefully considered due to the substantial expense and protracted process involved.

Law stated - 15 February 2026

Regulatory consents and filings

What regulatory consents, notifications and filings are required for all investors in venture capital transactions in your jurisdiction? Are there ownership restrictions?

The consents and filings required in a venture capital transaction depend on the UAE jurisdiction in which the issuer is established and the industry in which it operates. For example, if the issuer operates in the financial services sector, regulatory consents or notifications may need to be filed with the relevant financial services regulator (this may be the UAE Central Bank, the Capital Market Authority (previously the Securities and Commodities Authority), the Dubai Financial Services Authority or the Financial Services Regulatory Authority).

The UAE has a comprehensive competition (including merger control) regime that regulates and encourages healthy competition in the UAE markets and focuses on consumer protection. The applicability of the UAE competition regime depends on the industry, size and scale of the issuer and its underlying business.

Law stated - 15 February 2026

Foreign investment
What foreign investment restrictions and other domestic regulatory issues arise for venture capital investors based outside your jurisdiction?

For issuers that are incorporated "onshore" in the UAE, residual foreign ownership restrictions may apply for certain industries and sectors (eg, certain financial services businesses, insurance, and the oil and gas sector), which must be considered by venture capital investors.

Law stated - 15 February 2026

UPDATE AND TRENDS

Key developments
What are the most noteworthy current trends and recent developments in venture capital transactions in your jurisdiction? What developments are expected in the coming year?

There has been a notable increase in venture capital activity over the last year, particularly in Abu Dhabi and Dubai, since they both commonly serve as regional hubs for expansion into other countries in the Middle East, North Africa and South Asia, as well as a launch pad for inbound investments into the UAE. While investors are still taking a measured approach (and in many cases are providing funding only to more proven growth-stage companies), venture capital firms are more readily providing seed capital financing and commercial assistance (including incubator services) for entrepreneurs and startup companies.

Government entities have also ramped up their efforts to assist early-stage ventures. A number of UAE free zones (in particular, the Dubai Silicon Oasis and Dubai International Financial Centre (DIFC) in Dubai, and the Abu Dhabi Global Market (ADGM) and twofour54 in Abu Dhabi) provide seed funding, training and/or strategic advice for entrepreneurs in the technology, media and telecommunications sector. The government of Dubai has also launched the Dubai Future Accelerators programme, which aims to encourage young entrepreneurs to address the challenges of the current age.

Similarly, the DIFC has introduced the FinTech Accelerator Programme, which aims to provide startups with access to leading accelerator programmes, mentorship from leading financial institutions and insurance partners and a dedicated space to work alongside a community of like-minded individuals.

In Abu Dhabi, the ADGM has introduced a licensing regime specifically tailored towards tech startups, which allows entrepreneurs to obtain an operational licence in the ADGM and provides access to a Professional Services Support Programme, which gives them the opportunity to become part of a community of businesses, financial services and professional advisers. As the availability of funds for startups improves, there will be more opportunities for venture capitalists to invest in more mature businesses.

The UAE government are seeking to position the country as a global leader in artificial intelligence. The MGX fund, a flagship US$100 billion fund, has been launched by the UAE as part of this strategic initiative, which is designed to support large-scale infrastructure projects and cutting-edge research initiatives via institutions like the Technology Innovation Institute in Abu Dhabi and by collaborating with US tech giants.

Law stated - 15 February 2026