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Abu Dhabi Global Market Publishes New Commercial Regulations and Consultation Paper on Draft Financial Services Regulations

Publishing of commercial regulations results in the acceptance of initial licensing applications with financial services regulations set to come

The Abu Dhabi Global Market (Global Market), Abu Dhabi's financial free zone, located on Al Maryah Island, has sprung to life. On 15 June 2015, the Global Market published its first suite of binding commercial regulations pertaining to the regulation of non-financial services (Initial Regulations) and is now accepting licensing applications from existing entities (other than financial service providers) who are already based in the Global Market.

In addition, on 30 June 2015, the Global Market published draft financial services regulations and a related consultation paper. We examine each of these developments briefly below.

The Initial Regulations

The Initial Regulations are as follows:

- I. *Application of English Law Regulations*: This is the most significant and over-arching regulation for the Global Market. It provides:
 - English common law, as it stands from time to time, including the rules and principles of equity, shall apply in the Global Market, subject to any Global Market regulation or UAE law applicable to the Global Market, and subject to any modifications which may be required by the circumstances of the Global Market as the Global Market courts determine.
 - Certain English statutes which modify the English common law listed in the schedule to the Initial Regulations (English Statutes) shall apply to the Global Market. The most interesting change made from the draft regulations issued earlier this year, is the deletion of a provision requiring the Global Market court to be bound by the jurisprudence of the Supreme Court of the United Kingdom. It is not clear what this deletion has achieved given that the Initial Regulations provide that the common law "as it stands from time to time" applies in the Global Market. We would have preferred to see the Global Market court develop the law as it is applicable to the Global Market rather than adopt the law as promulgated in the courts of the United Kingdom.
- II. *Companies Regulations*: These regulations substantially reproduce the UK Companies Act (2006) with modifications designed to address some of the more outdated or unpopular aspects of that act (e.g. shares of Global Market companies are not required to have par value and schemes of arrangement concerning Global Market companies do not require a majority in number of shareholders to approve a scheme) and to take into account the type of entities the Global Market is seeking to attract (e.g. many of the modifications relate to a new

form of company called a restricted scope company, which is subject to a lighter disclosure regime than other Global Market companies). Generally, we would have preferred a lighter and more nimble companies law regime than the UK Companies Act for the Global Market.

- III. *Operating Regulations*: These regulations establish a system of commercial licensing for all non-financial services related business activity in the Global Market. They set out the process to apply to the registrar for a commercial licence and the registrar's power to take action for licence violations. Currently, the Global Market is only accepting applications for commercial licences from entities who are already based in the Global Market.
- IV. *Insolvency Regulations*: These regulations substantially reproduce the UK Insolvency Act (1986) as modified by the draft UK Insolvency Rules (2015).
- V. *Employment Regulations*: These regulations, based on basic English law principles, set out an employment law framework covering key employment issues such as wages, working hours and vacation, termination rights and anti-discrimination provisions.
- VI. *Real Property Regulations and Strata Title Regulations*: These regulations provide that Abu Dhabi law will continue to govern freehold ownership of land within the Global Market and all other real property interests shall be regulated in what is a self-contained system for registration and regulation of real property interests. In addition, the regulation contains strata title regulations, which are designed to permit the stratification of real property interests.

Regulation of Financial Services

On 30 June 2015, the Global Market issued draft regulations and a consultation paper concerning the regulation of financial services in the Global Market (Draft FS Regulations), covering, amongst other things, the management and marketing of funds and investment offerings, mandatory disclosure requirements, market infrastructure systems and market conduct rules. The Global Market has stated that the Draft FS Regulations are broadly modelled on the UK financial services framework and principally the Financial Services and Markets Act (2000).

Given that the Global Market has previously identified private banking, wealth management and asset management as its anchor sectors, it is likely that the Draft FS Regulations will be of interest to financial service providers contemplating operating in Abu Dhabi.

Further Analysis

L&W is carefully reviewing the Draft FS Regulations and will publish a more detailed analysis for our clients in due course.

The Initial Regulations, Draft FS Regulations and related consultation papers are available at www.adgm.com.

If you have questions about this *Client Alert*, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

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