

Abu Dhabi Global Market Issues First Wave of Draft Regulations and Related Consultation Papers

On 8 January 2015, the Abu Dhabi Global Market (**Global Market**), Abu Dhabi's new financial free zone, located on Al Maryah Island, issued a first wave of draft regulations and related consultation papers. The Global Market's general approach in the draft regulations follows very closely the English law model. In addition, at the same time the Global Market flagged that its initial key anchor sectors will be private banking, wealth management and asset management, which represents a much narrower focus than contemplated in the Global Market's earlier press releases.

What draft regulations has the Global Market issued?

The Global Market has issued six draft regulations:

(i) Application of English Law Regulations: This is the most significant and most over-arching regulation for the Global Market. It provides:

- English common law, 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 (e.g. the Contracts (Rights of Third Parties Act) 1999) listed in the schedule to the regulations (**English Statutes**) shall apply to the Global Market.
- English court jurisprudence on English common law and the English Statutes shall apply in the Global Market, but only rulings of the UK Supreme Court shall be binding on the Global Market courts (although there will be no appeal from the Global Market Courts to any UK court), in each case subject to any modifications which may be required by the circumstances of the Global Market as the Global Market courts determine.

(ii) Companies Regulations: These regulations substantially reproduce the UK Companies Act 2006 with modifications designed to address some of the possibly outdated or unpopular aspects of that act (e.g. shares of Global Market companies are not required to have par value and schemes of arrangement concerning Global Market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 (**RSC**) which is subject to a lighter disclosure regime than other Global Market companies).

(iii) Operating Regulations: These regulations establish a system of commercial licensing for all business activity in the Global Market, but do not address financial services regulation. 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.

(iv) Insolvency Regulations: These regulations substantially reproduce the UK Insolvency Act 1986 as modified by the draft UK Insolvency Rules 2015, which were recently subject to public consultation in the UK. Importantly, the draft regulations do not provide a specific regime for the insolvency of regulated financial institutions and accordingly the consultation paper provides that the regulations will need to be updated at a future date to reflect the financial services regulation.

(v) *Employment Regulations*: These regulations set out a brief employment law framework intended to work in tandem with at least some aspects of the English common law in so far as the law relates to employment (although the extent is not yet clear to us).

(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 (presumably to the exclusion of English common law, although this is not yet clear). In addition, the regulation contains strata title regulations, which are designed to permit the stratification of real property interests.

What key draft regulations has the Global Market not yet issued?

The first wave of Global Market regulations and related consultation papers did not cover regulation of financial services carried out in and from the Global Market. Without this key piece of regulation the Global Market may face difficulty attracting participants in the Global Market's anchor sectors. The consultation papers suggest that draft financial services regulation will be issued in due course.

Where to from here with the draft regulations?

The Global Market requires any comments on the draft regulations and related consultation papers be submitted by 5 February 2015. The consultation papers provide that the Global Market will then consider whether any modifications are required to the regulations, then proceed to enact them.

Will Latham & Watkins provide further analysis and commentary on the draft Global Market regulations?

L&W is carefully reviewing the draft regulations and consultation papers and will publish more detailed analysis for our clients in due course.

The draft regulations and related consultation papers are available at www.adgm.com

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