# TIME TO RETHINK STRATEGY: THE NEW FOREIGN INVESTMENT RULES IN THE UAE

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**UAE Corporate/Disputes Alert**

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In a previous client alert (which can be viewed here), we provided a high-level summary of the key changes introduced to the United Arab Emirates (UAE) Commercial Companies Law No. 2 of 2015 pursuant to Federal Decree Law No. 26 of 2020 (the Federal Decree).

The Federal Decree removed, with some exceptions, the long-standing requirement for UAE companies to have one or more UAE sponsoring shareholders holding at least 51 percent of the issued share capital of a company.

The Federal Decree has also abolished the former requirement for appointing a UAE national service agent. The appointment of a national service agent was a requirement for the registration of a branch or representative office of a foreign company onshore in the UAE.

The changes related to foreign investment rules under the Federal Decree will come into effect by the end of March 2021. The Cabinet of Ministers is expected to issue a number of resolutions clarifying certain changes under the Federal Decree. We will issue a separate client alert once the Cabinet of Ministers' resolutions are issued.

Foreign investors operating in the UAE are encouraged to assess their existing arrangements with their UAE shareholders (for onshore companies) or national service agents (for branches or representative offices). If arrangements with UAE counterparties were put in place to comply with the previous foreign investment rules, and such arrangements are no longer required from a strategic business perspective, then it would be advisable to stress test the enforceability of these arrangements, in order to:

1. Consider available options to retake control, including the enforceability of any contractual protections and any other securities or guarantees provided by the UAE counterparty;
2. Consider the impact of any potential disagreements or disputes on the business operations and licenses; and
3. Identify any applicable formalities or timelines that are related to retaking control or initiating termination of existing arrangements and, if applicable, dispute proceedings.

Undertaking this strategy review is essential and should be conducted in consultation with the business's legal advisors prior to initiating any discussions with the UAE counterparty. This exercise will allow the business to consider, from the outset, any potential issues or risks and mitigate any business disruption or exposure.

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## HOW WE CAN HELP

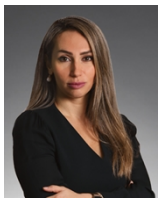
Both our corporate and disputes teams are available to advise and assist you on your strategy review. We will provide you with seamless and comprehensive advice, tailored to your existing arrangements. Undertaking this review will enable you to consider and assess all available options to optimize your UAE operations in light of the new foreign investment rules.

# KEY CONTACTS



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