Jurisdiction: United Arab Emirates
Firm: RIAA Barker Gillette (Middle East) LLP
Authors: Hasan Anwar Rizvi and Bushra Shaikh

RIAA Barker Gillette

1. What are the main reasons foreign investors invest in your jurisdiction?

The United Arab Emirates ("UAE") is a federation of seven emirates. With its strategic location between the East and West, the UAE has become a world renowned commercial and financial hub of the Middle East and North Africa.

The UAE continues to promote the diversification of its economy into various industries and move away from an oil based economy. It adopts a very liberal foreign investments policy which permits 100% foreign ownership of various enterprises in over 45 sector-focused free zones and has implemented reform initiatives to attract, encourage and facilitate foreign investment.

Foreign investors are driven to invest in the UAE due to the general absence of corporate and income taxation, absence of exchange controls and limited restrictions on the repatriation of capital which can be easily facilitated through the number of international banks in the region, exemptions from custom duties and several domestic regulations, which are applicable within the customs territory. Other factors enhancing the attractiveness of the UAE as an investment location are its strong, reputable and profitable banking sector, stable political environment, its large and diverse pool of expatriate labour, good transport and production infrastructures, and its access to low-cost energy.

The UAE's growing attractiveness as an investment destination is evidenced in various international reports and researches, for instance, according to the 2018 World Investment Report by the UNCTAD[1], foreign direct investment ("FDI") inflows to the UAE increased by 8% to US$ 10.4 billion in 2017. In 2017, it was reported by the International Institute of Finance that in respect of FDI inflows, the UAE won a 22% share in the investments made in the Middle East and North Africa region. The UAE's share of inward FDI in the GCC region was approximately valued at US$ 80.8 billion between 2013 and 2016.[2] In addition, the World Investment Report 2017 declared the UAE as the 13th Most Promising Home Economy for Investment in 2017 to 2019[3], and the World Bank has increased the UAE's ranking for ease of doing business in 2018[4] to an all-time high.

1 UNCTAD, 'Investor Nationality: Policy Challenges' [2016] World Investment Report 2016.

2 Gulf News, 'UAE throws open FDI gates for investors' gulfnews.com/gn-focus/special-reports/annual-investment-meet/uae-throws-open-fdi-gates-for-investors-1.2201899

3 UNCTAD, 'World Investment Report 2017' unctad.org/en/PublicationsLibrary/wir2017_en.pdf

4 World Bank, 'Doing Business in the United Arab Emirates' www.doingbusiness.org/data/exploreeconomies/united-arab-emirates

2. What foreign investment legislation is in place in your jurisdiction (e.g. Foreign Investment Law or Foreign Investment Catalogue)? Please provide a brief overview of such legislation.

The UAE has not implemented any specific foreign investment legislation in the UAE. However, given the absence of any specific foreign investment legislation in the UAE, foreign investments are dealt with through various general laws, which includes but is not limited to the:

- Federal Law No. 2 of 2015 on Commercial Companies (the "CCL");
- Federal Law No. 18 of 1981 concerning the Organisation of Trade Agencies;
- Federal Law No. 1 of 1979 regarding the Regulation of Industries;
- Federal Regulation of Conditions of Purchases;
- Tenders and Contracts Financial Order No.16 of 1975; and the
- Various laws, rules and regulations of the various free zones.

The CCL in particular has the objective to continue UAE's development into a global standard market and business environment and, in particular, raise levels of good corporate governance, protection of shareholders and promotion of social responsibility of companies.

In order to develop the legal infrastructure of the UAE with the aim of facilitating the growing business community in the UAE, the UAE's government has recently issued Federal Law No.6 of 2018 on Arbitration and is currently in the process of issuing new draft laws which cover commercial fraud, anti-dumping, and foreign investment. It is expected that the proposed investment law, which will come into effect in the third quarter of 2018, will make the business ownership requirements less stringent, support economic diversification and promote competition in the economy.

3. What restrictions are placed on foreign investment? Does this differ at local levels of government?

Although UAE laws and regulations intend to support FDI, onshore laws stipulate certain restrictions on foreign investors. Under the CCL, foreign ownership of a company is restricted to 49% since there is a requirement that 51% of the company needs to be owned by a UAE national or a company wholly owned by a UAE national (the "49/51 Rule"). For public joint-stock companies, there is an additional requirement that the chair and majority of the board members should be UAE nationals.

In the case of a branch office of a foreign company, a UAE agent needs to be appointed for sponsorship. Nonetheless, these restrictions do not apply to companies wholly owned by GCC nationals, or corporate shareholders that are wholly owned by a GCC national.

There are also restrictions with regard to foreign ownership of real estate, which is only permissible for designated areas in each emirate.

In addition, foreign investors, who seek to distribute their products in the UAE must have an exclusive agent, who needs be a UAE national or a company wholly owned by a UAE national.

The aforementioned restrictions do not apply in the UAE free zones. However, businesses established in a free zone may not conduct their business outside the free zone area.

Nevertheless, restrictions on foreign investment can be expected to become less stringent as a result of the proposed new UAE investment law due to be introduced in the third quarter of 2018.

4. What are the most common business vehicles for foreign investors? How long do they take to be set up? What are the key requirements for the establishment and operation of these vehicles?

For a foreign investor to conduct business, they can establish a formal legal presence in the UAE through any of the following means:

1. Incorporating a local "on-shore" entity;
2. Registering a branch or representative office of a foreign company;
3. Establishing a free zone entity; or
4. Establishing Offshore/International Business Companies

Incorporating a local entity

There are five forms of companies permitted by the CCL but foreign investors commonly operate through a Limited Liability Company ("LLC").

An LLC is a private company and its shares cannot be offered to the public. The number of shareholders can range from 2 to 50, and shareholders also have the benefit of limited liability.

An LLC must have at least 51% of its shares held by UAE nationals. However, an LLC may have 100% of its share capital owned by GCC nationals, but if any non-GCC national becomes a shareholder in the LLC, the minimum 51% UAE national ownership rule must be complied with. Nonetheless, it is possible to have a mutual agreement on the profit and loss distribution, and allocation of liquidation proceeds.

There is no minimum capital requirement, although the LLC should have "sufficient capital" to conduct its business according to the Department of Economic Development ("DED") of the relevant emirate. Also, a physical premise is needed for the registered office address of the business.

Although the time frame for incorporation depends on the business activities to be undertaken by a company, the approximate time frame for incorporation for a company that does not require external approvals is four weeks.

Branch/ Representative Office

The CCL allows foreign companies to establish wholly owned branches or representative offices. The scope of activities that may be carried out is limited to those activities permitted by the Ministry of Economy. A UAE national or a company wholly owned by UAE nationals is needed as a service agent to deal with local and federal government requirements.

Branch offices do not have a separate legal identity from its parent company. However, a branch office can negotiate and enter into contracts on behalf of the parent company and can provide supporting activities; only the parent company can fulfil contracts that require goods and services, or alternatively, a commercial agent can be appointed.

Representative offices can only market and conduct production capability studies and are not allowed to perform any commercial activity.

The approximate time frame for incorporation is four to six weeks.

Free Zone Entities

The UAE has introduced a number of free zones to attract foreign investment. Each free zone has its own regulatory authority with their own rules and regulations. Generally, the free zones are industry focused, and issue licenses for specific types of activities. Though free zones allow 100% ownership, free zone entities may only operate within the free zone boundaries. If a free zone company chooses to operate outside the free zone, it must comply with the CCL.

Most of the free zones have two main types of limited liability companies: Free Zone Establishment (FZE) and Free Zone Company (FZCO/FZC/FZ-LLC). The main difference between these two corporate structures is the number of shareholders; a FZE requires only one shareholder while the latter requires two or more shareholders.

Free zone entities also have to comply with minimum share capital requirement. However, the amount depends on the free zone, the structure of the business and the activities of the company.

The approximate time frame for incorporation is usually two to eight weeks.

Offshore/International Business Companies ("IBC")

Offshore companies are suitable for investors who do not intend to engage in any business within the UAE. Generally offshore companies act as holding companies and do not carry on commercial activities. Free zones which offer offshore company set ups in the UAE include the Jebel Ali Free Zone ("JAFZA") and Ras Al Khaimah Investment Authority.

These allow international businesses to operate with 100% foreign ownership. There is no minimum capital requirement and no requirement to file audited accounts. IBCs allow the companies to acquire freehold property within approved areas and the option of maintaining multi-currency bank accounts. Companies under offshore regimes can enjoy the advantage of Double Taxation Avoidance Agreements which the UAE has entered into with several other countries.

When setting up an IBC, there is usually no need to deposit capital in a bank account, no financial statements need to be submitted, and no office space is required. It provides complete privacy and confidentiality ensuring a highly conducive business environment. Nevertheless, IBCs can only be set up using a registered agent, which also provide a registered office address for the IBCs.

The approximate time frame for incorporation is one to two weeks.

5. Under what circumstances are foreign investments subject to government approvals? What is the process and timeline for such approvals?

Business registration processes vary in each emirate and are generally done through the emirates' Department of Economic Development ("DED"). The company is also usually required to be registered with the Chamber of Commerce and Industry, the Ministry of Labour, and the General Authority of Pension and Social Security. The DED issues licences with the exception of hotels and tourism licences, which are issued by the Department of Tourism and Commerce Marketing.

There is no formal FDI review process in place, but restriction on foreign ownership of land and stock are common. Also, non-tariff barriers to investment are present in the form of restrictive agency, sponsorship, and distributorship requirements.

Examples of categories that need prior approval for a grant of license include:

- Banks, financial institutions and financial services providers, which need approval from the UAE Central Bank;
- Manufacturing companies from the Ministry of Finance;
- Pharmaceutical and medical products from the Ministry of Health; and
- Education related businesses which may require the prior approval of the Ministry of Education.

In addition, businesses engaged in oil and gas production related industries are required to follow a more detailed procedure.

6. What sectors are heavily regulated or restricted in your jurisdiction, if any? Conversely, what are some of the more open or unrestricted sectors, if any?

Some of the regulated sectors in the UAE include:

Banking

The UAE Central Bank is primarily responsible for overseeing banks in the UAE, except in the Dubai International Financial Centre ("DIFC"), where the Dubai Financial Services Authority ("DFSA") is the regulatory authority, and in the

Hasan Anwar Rizvi

Managing Partner, RIAA Barker Gillette (Middle East) LLP

Hasan Rizvi is the Middle East Managing Partner of RIAA Barker Gillette. He specialises in corporate, commercial and private equity. Hasan's areas of practice include project finance, restructuring, corporate finance and dispute resolution. He has acted on a number of high profile transactions across the Middle East, Asia and Africa regions in diverse industries and sectors.

Hasan's corporate expertise includes working with multinational and domestic corporations, private equity firms and family business groups on their operations and management, corporate structures, mergers, acquisitions and investments. He frequently acts for fund sponsors, investors and asset management firms on fund formation, investment structuring and regulatory compliance.

Hasan has extensively worked on infrastructure and energy projects, equity and debt capital markets transactions, and corporate restructurings.

His private client expertise covers strategic advisory services to high-net-worth individuals and family groups in relation to family offices, private investments and holding structures.

Prior to establishing RIAA Barker Gillette (Middle East) LLP, Hasan was a partner in other international law firms. He has been based in the Middle East for more than 15 years.

Abu Dhabi Global Markets where the regulatory authority is the Financial Services Regulatory Authority. The UAE Central Bank's responsibilities include: issuing currency, advising the government on monetary issues, acting as a bank for other banks and the government, and formulating and supervising the implementation of banking policies.

The UAE Central Bank, ensures compliance with banking laws and supervises the other banks by requiring periodic reports; it has the power to inspect records and accounts of banks at its discretion, and can appoint administrators or representatives to manage a bank.

The recently issued Federal Decree Law No. 9 of 2016 on Bankruptcy serves as an instrument of stability and risk mitigation enabling the creation of a pre-emptive settlement regime in the UAE.

Lastly, the UAE is also aligned with regulatory frameworks such as IFRS9 and Basel III, to enhance the credentials of financial instruments in the UAE and also to prepare itself for potential market shocks.

Insurance

The UAE established the Insurance Authority to ensure a suitable environment for the development of the insurance sector. The Authority grants licences and may issue regulations that facilitate insurance providers to comply with insurance laws such as Federal Law No. 6 of 2007 on the Establishment of the Insurance Authority and Regulation of Insurance Operations. It may also de-register companies for breaches of the regulations.

Securities and Commodities

The Securities and Commodities Authority (the "SCA") was established to improve the efficiency of the UAE capital markets. The SCA has wide powers to regulate the securities markets, by establishing controls and producing frameworks pertaining to licensing and membership of the market, listing of securities, disclosure and transparency requirements, and arbitration in respect of disputes resulting from the negotiation of securities. The SCA is also in charge of communication with international markets in order to exchange information and expertise and join relevant organisations and associations.

Healthcare

The Ministry of Health, and the health authorities of each emirate administer the public healthcare services in the UAE. These authorities are responsible for licensing companies and individuals providing healthcare services, improving healthcare information systems and standards, developing a comprehensive healthcare insurance and funding policy, building and managing health facilities, and regulating areas of healthcare, including the practice of medicine, dentistry, nursing and pharmaceuticals.

The Ministry of Health along with the Medicines Pricing and Companies Committee regulate prices of both imported and locally manufactured medicines; they tend to favour lower prices to ensure affordability for patients.

Media

The UAE allows media outlets to establish themselves onshore or in the various media free zones across the emirates. Regardless of where the media companies operate, the National Media Council ("NMC") is the federal regulator responsible for publishing licences and issuing press credentials to editors, although, there may be additional regulatory authorities for free zones. The role of the NMC also includes ensuring the implementation of media laws, and compliance with regulations, including content regulations that prohibit content criticising the UAE government, its rulers and content that can damage the UAE economy, among other prohibitions. Accordingly, the NMC may cancel licences for violations of content regulations.

Oil and Gas

Under the UAE Constitution, each emirate has complete ownership and control of the natural resources in its territory. Consequently, each has its own regulatory body and policies regarding the industry. In relation to oil, Abu Dhabi owns approximately 94% of the national oil reserves, followed by Dubai with approximately 4%; the remainder is split between the other emirates.

In Abu Dhabi, the Supreme Petroleum Council establishes policies and ensures that they are implemented. It also forms the board of directors of the Abu Dhabi National Oil Company, which is state-owned, and is the dominant company in the sector.

In Dubai, the Dubai Supreme Council of Energy develops policies, and coordinates with the Department of Petroleum Affairs to administer the exploration and production of oil and gas. The council also has representatives from the Emirates National Oil Company, which is owned by the Dubai government.

Telecommunication

The Telecommunications Regulatory Authority ("TRA") is responsible for the oversight of all telecommunications and information technology industries. The TRA's detailed

regulatory framework covers areas such as competition rules, price control, allocation of scarce resources, consumer protection requirements and reporting obligations.

Water and Electricity

Although there are federal laws governing electricity and water supply, they are limited. Each emirate therefore has the responsibility to regulate the industry based on its own economic agenda.

Private companies may only generate electricity, since only state-owned authorities may transmit and distribute it. Therefore the supply of electricity and water are carried out by state-owned entities such as Dubai Electricity and Water Authority, and the Abu Dhabi Electricity and Water Authority.

Abu Dhabi and Dubai also have Regulation and Supervision Bureaus, which issue licences and regulations, and monitor compliance with policies.

7. Are there any restrictions on doing business with certain countries or territories in your jurisdiction? (For example, sanctions.)

There is no public record of whether transactions with specific territories, countries or entities are prohibited in the UAE. However, whilst the UAE does not have a sanctions regime in force; it enforces European Union, United Nations ("UN") and United States sanctions on an ad hoc basis through the issuance of internal directives. For instance, the Ministry of Interior confirmed the implementation of UN sanctions on Iran, North Korea, Libya, Sudan and Somalia.

In addition, from 2017, the UAE has implemented sanctions and restrictive measures against the State of Qatar, its citizens and certain Qatari companies. These restrictions includes the withdrawal of land and air space links, restrictions in respect of the exportation of products, and certain lending activities.

8. What grants or incentives are on offer to foreign investors, if any?

One of the most attractive features of the UAE for foreign investment is that it is largely a tax-free jurisdiction. Currently, there are no federal laws on corporate income tax. However there are tax decrees in the separate emirates that limit tax imposition to certain entities such as branches of foreign banks, courier companies, insurance companies and oil companies. In addition, on 1 January 2018, the UAE government introduced Value Added Tax ("VAT") at a rate of 5% under Federal Law No. 7 of 2017 on Tax Procedures.

In respect of onshore incentives, the Dubai Department of Economic Development has introduced an online service for 'Instant Licensing', which can issue an onshore commercial license within 5 minutes. The aim of the service is to simplify a lengthy and sometimes cumbersome process and thereby incentivise individuals and corporations to conduct their business onshore. However, as this is a new development, the service is currently only available for 'General Trading' licenses for limited liability companies; although, more business activities and corporate structures will be added over time.

Another new onshore offering is the Dubai's Business Incubator Licence for small and medium sized enterprises; this new type of licence allows 100% onshore ownership of a business, which is based on a novel idea and has been approved as a feasible venture by a special committee of the Dubai DED. The initiative provides an exception to the foreign ownership restriction outlined in question 3 above.

The various free zones across the UAE are another feature that draws foreign investment. These free zones allow 100% foreign ownership of a company, and full entitlement to company profits following the filing of VAT returns, if applicable. There are also no customs levied on imports in the free zone.

Other incentives include the strong and profitable banking sector, large and diverse pool of expatriate labour, and the developed infrastructure.

9. Are there any free trade, special economic or industrial zones in your jurisdiction and what are their requirements?

The UAE's various free zones have drastically transformed its economic market within the last 20 years. The rapid growth of JAFZA, the first free zone in the UAE, inspired the other emirates to set up their own free zones to attract foreign investors and businesses. Since then, the UAE has established over 45 free zones, and each caters to a specific business category such as information and communications technology, media, finance, gold and jewellery and equipment. As mentioned above, these various free zones permit 100% foreign ownership. However entities established in the various free zones are generally limited to conducting business activities within the remit of the relevant free zone and cannot engage in commercial activities in the UAE outside the relevant free zone.

An independent Free Zone Authority (the "FZA") is responsible for governing the relevant zone and the entities within it, formulating and enforcing the laws and regulations, issuing licenses and assisting companies with establishing their businesses in the free zone. For instance, the DFSA is the financial services regulator of the DIFC; it authorises and registers institutions and individuals who wish to conduct financial services in or from the DIFC. It also supervises regulated parties to ensure compliance with DFSA laws, regulations and rules, and enforces the DFSA administered legislation.

Procedures for setting up of an entity in the various free zones are usually straightforward and can be completed quickly. Although each free zone has its own set of rules on how investors can set up their businesses, the general procedure includes:

- A questionnaire from the relevant FZA which will assist in assessing a company's requirements;
- License application, planning documents, and a consumer request for electricity;
- Provisional approval and lease agreement; and
- Meetings with the authority to finalise details of the project.

Apart from the free trade zones, the UAE has established special economic zones for small-and-medium sized businesses, examples include: the Zones Corp in Abu Dhabi, Industrial City in Dubai, and RAK Maritime City in Ras Al-Khaimah.

10. What are the main taxes that could apply to foreign investors in your jurisdiction? (For example, Personal Income Tax, Corporation Tax, Value Added Tax and Social Security Payments.)

Currently, there is no personal tax, capital gains tax and withholding tax levied in the UAE. In practice, corporation tax is levied on oil, gas and petrochemical companies, and branches of foreign banks.

Oil and gas companies also have to pay royalties on the total revenue derived, and income tax on the net profit after depreciation, as stipulated by the emirate's government. However, oil companies are usually owned by state-owned entities and where there is a consortium of companies, the foreign companies will only be minority shareholders.

In relation to customs duties, the UAE levies a 5% customs tariff on all goods imported from outside the GCC customs union.

As of 1st January 2018, UAE has implemented VAT at a rate of 5% subject to certain exemptions. Businesses which have taxable supplies and imports that exceed AED 375,000 per

annum are obliged to register and file their VAT returns with the Federal Tax Authority. However, it is optional for businesses whose taxable supplies and imports exceed 187,500 dirhams to register. Under the law, a business has to pay the government the tax it collects from its customers and will receive a refund for the tax that it has paid to its suppliers.

In addition, municipal taxes are also imposed, and the rate varies in every emirate. There is also an indirect tax imposed on rental incomes from residential and commercial properties.

There are no social security taxes imposed on expatriates in the UAE. However, there are retirement and pension schemes for UAE national employees.

Finally, even without taxation, there can be significant costs in registering a company, obtaining a business license and its subsequent renewal, and the fees for the local sponsorship agent of a branch office.

11. What are some of the employment regulations in your jurisdiction that foreign investors should be aware of? Is it possible to secure residency permits or work visas for foreign nationals under investment?

Federal Law No 8. of 1980 on Regulating Employment Relations as amended by Federal Laws No. 24 of 1981, No. 15 of 1985 and No. 12 of 1986 (the "Labour Law") imposes certain minimum standards on working hours, vacation and public holidays, leave policies, employee records, safety standards and termination of employment.

It is important to note that the Labour Law and certain ministerial decisions stipulate that UAE nationals have priority to work in the UAE. Therefore, preferences for vacancies are given to UAE nationals, then GCC nationals and then to nationals of other countries. The Emiratisation policy which is applicable to both public and private sector and local/international companies, stipulates a minimum percentage of UAE nationals to be employed.

Foreigners can be employed in the private sector subject to obtaining approval from the Ministry of Labour, and obtaining a residence visa and labour card. In addition to this, foreign employees need to have the professional qualifications required by the state. Most employee sponsored residence visas are only valid for two years, after which they have to be renewed in order for the employee to stay in the country. There are also limits on the number of foreign employees that can be employed by a business, however the limit usually depends on the business activity and size of the business.

Furthermore, all registered institutions in the UAE have to transfer their worker's salaries through the Wages Protection System, with the exception of some free zones like the DIFC.

Free Zones:

Free zones tend to have their own set of employment laws and regulations to which the employers and employees will be subject to.

Residency permits/work visa for foreign nationals under investment:

It has recently been announced by the UAE Government that a new category of visas will be introduced, which will allow investors to obtain a residence permit of up to 10 years. The long-term visa will also be available to family members of the investor.

Nevertheless, it should be noted that details such as the eligibility criteria and the date on which the initiative will come into effect are yet to be finalised.

12. Can foreign investors acquire real property and land in your jurisdiction? Are there any restrictions or limitations?

The UAE's Constitution grants each emirate the right to legislate on and govern real estate ownership in its territory. Dubai imposes the least restrictions on foreign ownership of land,

which makes it the most attractive for real estate investment in the UAE. The other emirates offer varying degrees of rights, with Fujairah offering the most limited ones.

In Dubai, only UAE nationals, GCC nationals, companies owned 100% by UAE and/or GCC nationals and public joint-stock companies can own property located in any area in Dubai. It should be noted that this does not include a company incorporated in the UAE or GCC with a foreign shareholder.

A non-UAE/GCC national can own property in the designated areas in Dubai outlined in Regulation No. 3 of 2006 (as amended by Regulation No. 1 of 2010) in three ways:

- Freehold;
- Leasehold (up to 99 years); and
- Usufruct (up to 99 years).

This also applies to foreign companies, subject to the Dubai Land Department's ("DLD") policy which allows the following types of companies to own property:

- Offshore companies incorporated in JAFZA or the Dubai Multi Commodities Centre Free Zone;
- Companies incorporated within free zones in Dubai;
- Companies incorporated in the DIFC, provided a special approval has been obtained by the DLD to purchase property outside the DIFC; and
- Companies incorporated onshore in Dubai, such as LLCs and private joint-stock companies.

13. Are there any processes in your jurisdiction that can block foreign investment under specific circumstances?

Under the CCL, a foreign entity can establish a legal presence in the UAE by way of a company or by setting up a branch office onshore.

As mentioned earlier, the CCL requires companies incorporated in the UAE to have at least 51% ownership by a UAE national. The 49/51 Rule stipulates that foreign investors may not own more than 49% of the share capital of an onshore UAE company (whether public or private). Thus, foreign investors acquiring a company are prevented from owning more than 49% of any onshore UAE company. There are however certain ways to get around this rule, some of these methods include:

a. tailored constitutional documents to provide the foreign investor with more control and rights in the onshore company; and
b. a shareholders' agreement, which can set out the rights of the shareholders, providing the foreign investor with more control over the onshore UAE company.

In the case of a branch office of foreign company, the branch must have a UAE national service agent.

In addition, certain regulated industry sectors including real estate outside defined zones remain off-limits to foreign investment and/or require approvals which can be time consuming and often difficult to obtain.

14. What foreign currency or exchange controls should foreign investors be aware of?

There are currently no foreign currency or exchange controls in the UAE.

15. Are there any restrictions, approval requirements or potential penalties if a foreign investor withdraws their investment in your jurisdiction?

Currently, there are no such restrictions or penalties as the UAE continues to welcome foreign investment into the UAE. However, there could be changes with the enactment of the proposed investment law due to be introduced in late 2018.

16. What contract enforcement and investor protection mechanisms are in place in your jurisdiction, if any?

Disputes are usually resolved through direct negotiation and settlement between parties, through recourse to the court, or arbitration. The UAE's accession to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("UN Convention"), which became effective in November 2006, makes an arbitration award issued in the UAE enforceable in all 138 states that have acceded to the UN Convention.

In addition, the UAE recently issued Federal Law No.6 of 2018, the UAE's new Arbitration Law, to improve the efficiency and finality of the arbitral process. The new Arbitration Law is based on the UNCITRAL Model Law on International Commercial Arbitration and aims to strengthen the UAE's position as an arbitration centre.

The UAE along with other GCC countries is a member of the Gulf Cooperation Council. The 1996 GCC Convention for the Execution of Judgments, Delegations and Judicial Notifications (the "GCC Convention") provides for the mutual, automatic and reciprocal execution of the final judgments by the courts of any GCC member state in civil, commercial and administrative cases.

There are no specific courts for commercial disputes. Instead all commercial cases are heard by the civil courts, which includes: the Court of First Instance, Court of Appeal and the Court of Cassation.

17. Does your jurisdiction have any bilateral or multilateral investment protection treaties with Asia-Pacific jurisdictions that are commonly used for investing into the country?

The UAE has entered into various Bilateral Investment Treaties ("BITs") with Asia-Pacific jurisdictions, including China, Malaysia, South Korea, India and Pakistan among others. Some common features of these BITs include:

- The requirement for each contracting party to treat investments fairly and equitably;
- Prohibition on expropriation;
- Prohibition on government measures that are unreasonable, arbitrary or discriminatory and that could harm investment;
- Most favoured nation protection, which guarantees that treatment of investors will be no less favourable than the treatment accorded to investments of its own investors or investors of any third state; and
- Investor-state dispute resolution, which provides mechanisms to resolve disputes between investors and the host state.

18. What intellectual property rights protections are available in your jurisdiction to foreign investors?

The UAE recognises the importance of intellectual property rights in fostering innovation, research and development, whilst securing consumer confidence. The UAE has a range of laws providing protection for intellectual property, and remedies for infringement of relating rights.

Federal Law No. 17 of 2002, as amended by Federal Law No. 31 of 2006 (Patents Law) protects patents. In addition, as a result of the UAE's membership of the GCC, if an application for a GCC patent is made, then protection can be granted in the six member countries. However, the effectiveness of enforcement of a GCC patent in the UAE is unclear.

Federal Law No. 7 of 2002 on Copyrights and Related Rights protects a range of works. In the case of infringement, it is possible to request the court for an injunction to stop the use of the work, seize copies or seize income generated from the use.

Federal Law No. 37, as amended by Federal Laws No. 19 of 2000 and No. 8 of 2002 (Trademarks Law) protects trademarks and trade names. The

trademark registration process can be quite lengthy. It is also noteworthy that although Dubai customs has an efficient system for seizing goods on the grounds of infringement, other emirates are not as proficient.

In the case of confidential information, there are a number of national laws that protect trade secrets and confidential information including, the Patents Law; Federal Law No. 3 of 1987 on issuance of the Penal Code; Federal Law No. 5 of 1985 on the Civil Transactions Law and the CCL. In the absence of a uniform law on this area, there is uncertainty regarding protection of these rights. Nevertheless, protection provided by a contract can be effectively enforced.

In general, remedies for enforcement of the above rights include damages, fines and/or imprisonment.

On the international front, the UAE is a member of international treaties and organisation such as the Agreement on Trade Related Aspects of Intellectual Property Rights, the World Intellectual Property Organisation, the Paris Convention for the Protection of Industrial Property, and the Berne Convention for the Protection of Literary and Artistic Works amongst others. Consequently, international intellectual property rights are also recognised and respected in the UAE.

In line with UAE's Vision 2021 to encourage innovation and create an attractive economic environment, the Ministry of Economy has signed a Memorandum of Understanding with the Korean Intellectual Property Office to establish the International Centre of Patent Registration in the UAE. This facility will include an international team of patent experts for patent evaluation, conducting research studies on areas of intellectual property, and training professionals in the field.

19. Are there any environmental policies and regulations that (potential) foreign investors should be aware of prior to or throughout the investment process in your jurisdiction?

Although FDI helps to achieve economic growth, it is important to consider its effect on environmental degradation. The UAE, by winning the Expo 2020 bid, focuses on sustainable development to promote complete welfare for all generations by achieving economic aims of society with fewer negative effects on the environment.

The vision statement of the Ministry of Climate Change and Environment is, 'we strive towards integrated management for environment ecosystem and natural resources to realise green economy for the present and future generations'.[5]

In 2009, the UAE embraced renewable energy by hosting the International Renewable Energy Agency. The green economy for sustainable development initiative was launched in 2012 as a pathway to jointly enhance the country's economic growth ambitions, social development priorities and vital environmental goals. In 2015, the UAE Cabinet issued a decision to approve and to implement the 'UAE Green Agenda 2015–2030'.

UAE has applied a series of fundamental policies and guiding principles to instil sustainable development at the core of its vision for growth in the 'UAE Vision 2021'.

The Federal Environmental Authority also has prepared a draft of environmental protection legislation including provisions on water, soil, air pollution, noise pollution, the protection and preservation of wildlife, environmental disasters and the handling of hazardous materials and waste. Entities will be required to comply with these provisions, and also with UAE treaty obligations.

[5] 'UAE Ministry of Climate Change and Environment' (Moccae.gov.ae, 2017)

20. Are there any government agencies or non-governmental bodies that (potential) foreign investors can turn to for more information on investment in your jurisdiction?

The UAE welcomes foreign investments by having government agencies that provide investors with necessary information on investment.

The business registration process in the UAE varies based on the emirate, and is generally done through the DED. The company is usually required to be registered with DED, Chamber of Commerce and Industry, the Ministry of Labour, and the General Authority of Pension and Social Security. The respective websites and representatives at the offices of these authorities can provide relevant information, expert advice, and practical help. For instance, Dubai FDI is a department of the DED in Dubai which provides support to foreign businesses looking to invest in Dubai.

Apart from the above-mentioned ministries, the Department of Tourism and Commerce Marketing, the UAE Central Bank, the Ministry of Finance and Industry and the Ministry of Health also provide the necessary information on investment in the UAE on their websites, or alternatively, the potential investor can visit these offices.

Financial service providers, banks and law firms in UAE can also assist potential foreign investors.

21. Have there been any recent proposals for reforms or regulatory changes that will impact foreign investment in your jurisdiction?

Although the current legal framework favours nationals and GCC nationals over foreign investors, UAE laws and regulations are evolving in support of foreign investments.

The UAE is keen to increase its business competitiveness and is focused on creating a hub for businesses to start-up and expand. As mentioned earlier, some examples of progress in this direction include the new Arbitration Law, Bankruptcy Law, the CCL, the anticipated new investment law, the 'Instant Licensing' service and most recently, Dubai's Business Incubator License (please see question 8).

In addition, the UAE has also been keeping up with the rising global interest in the financial technology ("FinTech") sector. The DIFC's FinTech Hive is considered the number one FinTech hub in the Middle East and South Asia region and ranked as one of the top ten FinTech hubs in the world. The DIFC has recently introduced a new commercial license for FinTech, RegTech and InsurTech firms, which allows the firms to be part of the DIFC financial community comprising of over 22,000 professionals working in over 1,800 DIFC registered firms.

It is also anticipated that the proposed investment law, which is expected to be enacted in 2018, will make the foreign ownership requirements less stringent. Additionally, the long-term visa, which investors will be able to apply for, will increase the economic competitiveness of the UAE as it will be another key feature that will attract more foreign investment.

22. Are there any other features regarding foreign investment in your jurisdiction or in Asia that you wish to highlight?

It is a principle of international law that every state is sovereign in controlling the entry and establishment of foreign businesses within its territory. The new generation of investment laws that have been implemented in countries share the common element of shifting from restricting FDIs towards encouraging and regulating the entry of FDIs. With this view, both the UAE and Asia have taken many initiatives and enacted laws and regulations with the aim of developing a more conducive environment for foreign investment.

According to UNCTAD statistics, the UAE has received the ninth largest FDIs in Asia[6] in 2016. It has supported Asia in becoming the leading destination of FDI across the globe as Asia benefits from more than 35% of the world's total FDI inflows.

More specifically, Dubai was ranked fourth globally in respect of new investment projects, fifth in respect of re-investment projects and 10th in capital inflows into new investment projects, according to the Financial Times 'fDi Markets' index. The number of active businesses in Dubai alone increased to 148,842 in 2017, including 19,877 new trade licenses issued in 2017, according to the Dubai Economy, the trade licensing body of Dubai Government.

The UAE is a prime example of what can be achieved through economic vision and foreign investment. The UAE is guided by a strong leadership, and it has the public and private sectors working together to deliver the best return on investment in key sectors such as trade, tourism, real estate and retail sectors, which in turn continue to draw a large pool of foreign capital that creates employment and business opportunities for all stakeholders.

All information mentioned in this article is current at the date of publication of this article and available from public sources. Nothing in this article constitutes legal advice and should not be construed as any form of advice.

6 UNCTAD, 'Investor Nationality: Policy Challenges' [2016] World Investment Report 2016.

About the Author:

Hasan Anwar Rizvi

Managing Partner, RIAA Barker Gillette (Middle East) LLP

E: hasan.rizvi@riaabg.com

W: www.riaabarkergillette.com/uae

A: Dubai International Financial Centre
Gate Village Building 2
Level 3, Suite 301
PO Box 507014, Dubai
United Arab Emirates

T: +971 4401 9411