Legal Insight

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14 November 2011

Practice Group:

Corporate

Change we can believe in?

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Is a relaxation of the majority ownership requirements for UAE companies finally on its way?

The long awaited proposed changes to UAE national ownership restrictions would appear to be a step closer. International news reports have cited Sultan Bin Saeed Al Mansouri, the UAE's Minister of Economy, as having stated that drafting of the new UAE Companies Law has been completed and that the amended law would permit full or nearly full ownership of UAE corporate entities by foreign investors.

As we know, under the current position majority ownership of UAE companies by UAE nationals is mandatory (Article 22 of the Law No 8 of 1984). This rule is often cited as a deterrent to foreign direct investment into the UAE and any relaxation of this requirement would certainly be welcomed by foreign investors, companies and their advisers. The UAE is increasingly finding it must compete with other GCC countries for foreign investment, with some, most notably Saudi Arabia and Oman, already permitting foreign control of companies operating in many industries. The only exceptions to the current ownership restrictions in the UAE are in respect of entities established in free trade zones, which do allow 100 per cent. foreign ownership and companies outside the free zones which are 100 per cent. owned by GCC nationals.

Whilst we are cautiously optimistic about the proposed changes, the amended Companies Law has not yet been made public and the details of any change in the law are still unclear. It is also unclear what, if any, restrictions may be retained and it is possible that foreign ownership restrictions will remain for companies operating in certain sectors. A new Companies Law has, of course, been contemplated for many years without any substantive amendments having been made and, although it may be true that the only unchangeable certainty is that nothing is certain or unchangeable, perhaps we may have to wait a little time yet.

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