

Al Maryah Island: Abu Dhabi's Financial Free Zone

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The Decree was subsequently supplemented by a Cabinet Decision that named Al Maryah Island (formerly Sowwah Island and the home of Al Tamimi's Abu Dhabi Office) as the designated Free Zone. The initial announcement was very light on detail although it was stated to be issued pursuant to a Federal Law of 2004 regarding Financial Free Zones. This is the same Law under which the Dubai International Finance Centre was established. That initial announcement has since been supplemented by an announcement of the Executive Council of Abu Dhabi on the first of May filling in a lot of the details.

According to the latest announcement, it appears that the new financial free zone, to be called the Global Market place Abu Dhabi ("GM-AD") (although some translations have named it as "Abu Dhabi World Financial Market") is to have its own regulatory structure. In line with other free zones in Abu Dhabi it is to have its own Companies Registrar for the registration and regulation of companies established within the GM-AD. However, in keeping with its focus on financial matters it is also to have a Financial Services Bureau which will be the Financial Regulator supposedly along the lines of the Financial Services Authority in the United Kingdom, and a two tier court system with a Court of First Instance and a Court of Appeal with the judicial system being overseen by a Chief Justice. It is apparently intended that the GM-AD will enter into Memoranda of Understanding with the other judicial authorities in Abu Dhabi regarding the enforceability of the decisions of its Courts outside the Free Zone.

As you would expect, the activities listed in the announcement as being the proposed activities of the GM-AD are very heavily weighted to financial matters and things ancillary thereto. These include in all their various forms financial and banking services (including Islamic Banking), funds and fund management, securities and foreign exchange broking and trading, quite a heavy emphasis on commodities and commodity trading, insurance and re insurance as well as legal and accounting services.

Companies set up in the GM-AD can be 100% owned by non UAE Nationals and there is a 50 year tax exemption on the profits of companies and their employees arising out of their operations there. There is also a customs duty exemption. The Abu Dhabi Government is obviously trying to make it attractive to carry on business there.

The announcement is silent on the types of laws that will be introduced in the GM-AD and whether they will be based upon the civil code as are the laws of the UAE or whether they will be based upon common law such as English law. On the basis that the aim of the GM-AD is to be a global financial hub it is very likely to be the latter due to its pre eminence in international financial transactions. There is also a hint in the fact that the announcement refers to "trusts" in its list of activities and trusts are only known under common law legal systems and not civil law systems. The announcement is also silent on the language of the proposed new laws. Again, because of the international nature of English and the fact that most common law lawyers are English speaking rather than Arabic speaking, if the laws are to be based on common law then they are almost certainly to be in English. This is reinforced by the fact that the regulations of all the other Free Zones in Abu Dhabi are in English. If the laws are in English then it is almost certain that the Courts will operate in English rather than Arabic. This will all enhance the international nature of the GM-AD.

As yet, no dates have been officially announced for the actual commencement of operations of the GM-AD although both 2015 and possibly a rather ambitious end of 2013 have been mentioned in the press. One thing that will also need to be considered, however, is the position of businesses that have already established themselves on Al Maryah in Sowwah Square or have bought plots of land on Al Maryah to develop buildings for their own use but whose business is "on shore" with the rest of the UAE. Normally a company established in a free zone may not carry on business with the rest of the UAE without using an agent registered on shore in the UAE. This will obviously cause some issues for those businesses. However, the Federal Law under which the GM-AD is organized contains a provision allowing the Cabinet to pass a resolution to suspend this prohibition for up to four years as a transitional period and it will be interesting to see whether the provision is exercised. Alternatively, companies already established in what has become the GM-AD might be given the option to opt out of being part of the free zone which is an approach taken by the Qatar Financial Centre.

The other side of this of course is that those businesses who have established themselves to carry on activities on Al Maryah Island such as the shops and restaurants in the Galleria Shopping Mall in Sowwah Square will no longer need to have a local Emirati National holding at least 51% of the shares or being a National Sponsor if it is a branch as they will be able to be 100% owned.

All in all, based on what we know so far, Abu Dhabi appears to be putting together a well thought out and attractive regulatory regime as an important part of its Vision 2030 Strategic Plan and its attempt to diversify away from a carbon based economy. It seems to be positioning the GM-AD as a serious competitor to the Qatar Financial Centre, the Bahrain Financial Harbour and the King Abdullah Centre in Saudi as well as the DIFC.

Financial trading is a 24 hour phenomenon and the Abu Dhabi Government sees the GM-AD as being an ideal location to cover that period when the Asian markets are winding down but before Europe has fully got into its stride. The proof of the pudding is always in the eating but when Abu Dhabi puts its mind to doing something it generally does it well so we should expect the GM-AD to be a success.