

Al Maryyah Island: Updates on Abu Dhabi's financial free zone

by Azlin Ahmad - a.ahmad@tamimi.com -

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Following the issuance of Federal Decree No. 15 of 2013 ("Original Decree"), which was signed by HH Sheikh Khalifa bin Zayed Al Nahyan in February last year, the Abu Dhabi Global Market ("ADGM") was established as a financial free zone in Abu Dhabi, located in Al Maryyah Island.

Background

The formation of the zone is part of the 2030 Economic Policy that focuses on areas in which Abu Dhabi has a competitive edge, such as real estate, tourism, basic industries, logistics, energy and media.

The ADGM is the fifth free zone in Abu Dhabi, following Khalifa Industrial Zone Abu Dhabi (KIZAD), twofour54, Masdar and Abu Dhabi Airport Free Zone. It aims to encourage more foreign direct investment and foreign businesses into the region, and is a positive step for investors who have previously expressed their preference for 100% ownership. Free zone companies will be permitted to establish operations without a local partner and will be able to repatriate their profits and capital. Additionally, it also offers the attraction of being a tax free environment. The establishment of the ADGM will also bridge the international time difference between Europe and the Far East.

Since the date of the Original Decree, further regulations and cabinet decisions have been announced, shedding more context on the legal and financial framework governing the ADGM.

Areas of Interest

The ADGM is anticipated to capitalize on \$1 trillion in financial assets, managed by Abu Dhabi's institutional investors and financial institutions. Firms operating in the ADGM are expected to engage in commodities trading, derivatives trading, settlement, clearing and depositary services, together with foreign exchange and wealth management. More specifically, companies licensed within the ADGM may practice the following activities (it being noted that the list is not exhaustive):

- Financial and banking activities and services
- Business investments, commercial banking, investment banking and private finance companies
- Commodities, currencies and securities trading
- Storage, treatment and delivery of goods and metals of all kinds (including those which are represented via ownership certificates or physical delivery)
- Financial and cash brokerage
- Islamic finance and Islamic banking activities
- Custodianship activities
- Buying and selling of stocks, bonds, sukuk and derivatives
- Insurance and reinsurance
- Financial advisory services
- Accounting and auditing services
- Credit rating and information services

Framework

It is now confirmed that ADGM is to be exempt from the application of UAE Federal Law and the specific laws applicable in Abu Dhabi on civil and commercial matters. It is to have its own judicial system and legislative infrastructure, and has been granted the authority to self-legislate and self-regulate. ADGM will be governed by a Board of Directors, which will have extensive powers to manage and govern ADGM as well as to issue the laws, rules and regulations relating to the ADGM.

Three separate authorities, all of which are to be independent of each other, will be established to implement the objectives of the ADGM, the formation of which is already underway and is anticipated to be rolled out in the near future.

First is the ADGM's Registration Bureau which shall be primarily responsible for the licensing and registration of all companies, branches and representative offices established or that shall be established in the ADGM. Second, the Financial Services Regulations Bureau, which will be responsible for the regulation of financial services within the ADGM, with a supervisory focus on entities carrying on regulated financial services and related financial activities within the ADGM

Finally, a two tier court system will also be established, comprising the Court of First Instance and the Court of Appeal. As at the date of publication, it is yet unknown whether the laws of the ADGM will be fashioned after English law, which is the preferred choice of law for most international financial transactions. However, it is expected that the laws will be in compliance with established international best practices.

What We Can Expect

There are large scale plans that Al Maryah Island will eventually offer residences for 30,000 people, and will in addition accommodate 75,000 working professionals.

Since the date of the Original Decree, several local banks and other entities have moved their offices to Sowwah Square, which is intended to be the hub of the ADGM, and a few international financial institutions have also opened offices within the district. Two of the four main business towers are almost at full occupancy. In addition to these, service providers such as The Galleria (a high-end mall) and Rosewood Hotel have since commenced operations to cater to the needs of free zone residents. Cleveland Clinic is also expected to be operational in the near future while construction works on other office spaces and hotels have commenced.

Though the eventual success of ADGM as a financial hub and competitor to the other financial free zones in the GCC region remains to be seen, the general sentiment is one of optimism.

While no dates have formally been announced, an official launch of the ADGM is expected in a matter of weeks.