

# Common Considerations for Staging a Sports Event in the UAE

Raj Pahuja - Head of Corporate Commercial - Bahrain - Corporate / Mergers and Acquisitions / Capital Markets / Commercial

- Manama

October 2015

---

Many socio-political commentators have attempted to explain the reasons for sport's universal appeal but the fact that it is seen as a medium which transcends class divide and generations is a theory that most have found it hard to argue with. Given the mass global appeal of some sports, certain sportspersons now sit in the same category as movie stars and celebrities.

Many countries in the Gulf Cooperation Council ("GCC") have excellent air travel routes, are strategically positioned, have good infrastructure and an abundance of enthusiasm to stage large sporting events so it is no surprise that the sports markets in these countries are accelerating at a phenomenal rate. The GCC is now part of an established sports calendar for various sports events including Formula 1 Grand Prix (Abu Dhabi and Bahrain), horse racing's Dubai World Cup, the Dubai and Abu Dhabi Tours to lesser known but equally ambitious events, such as the FINA Swimming World Cup and Class 1 Powerboat World Championships. In addition, an increasing number of companies originating from the region are also household names, thanks to the marketing mediums offered through sports and sports events. So, how easy is it to actually import a sporting event which traditionally has its roots in a foreign land and transpose it in the region?

For a new entrant wishing to enter in to the market, there are various legal issues to consider and for those that are not familiar with hosting sports events in the region, there can be challenges. This article focuses on those common issues that an organiser should take into account when preparing a sports event in the region with particular focus on the UAE. Each event and sport is different however and specialist advice should always be taken prior to embarking on organising such a project for the first time in the region.

## Corporate Vehicles

When staging a sports event in the UAE, an organiser (typically the rights holder) needs to give careful consideration to the type of corporate entity that will be established to operate the event. Typically, if any onshore business is being conducted in the UAE, a Limited Liability company ("LLC") is commonly seen as the most appropriate vehicle. An LLC requires a local shareholder who must hold a minimum of 51% of the share capital of the company but it is possible to enter into nominee arrangements with such shareholders whereby the actual shareholding and control of a company may be agreed with the local shareholder. The LLC is able to enter into agreements relating to operating the event and can employ staff. Setting up companies can take several weeks before they can operate and this should be taken into account in relation to any planning. Consideration also needs to be given to how the intellectual property rights for an event are protected. It is possible to incorporate a separate corporate vehicle which owns the rights on behalf of the organiser.

## Approvals

Depending upon the type of event that is being planned, approvals, permits and/or licenses from relevant

governing bodies will be required. In the UAE, any organiser is encouraged to have these in place before commencing any operational work in relation to the event and particularly before making any media statements. It is recommended that the relevant sports council for a particular Emirate in the UAE, such as the Abu Dhabi Sports Council or the Dubai Sports Council, be involved at an early stage in order to ensure support and facilitate any approval process. Approval from the appropriate governing body for a sport should also be obtained. Further, depending on the global appeal that an organiser would want to generate for the event, the relevant tourism authority for the particular Emirate should be consulted. More importantly, approval from a particular venue is also required and an agreement will need to be entered into securing the booking of the venue and dealing with various issues including but not limited to ticketing, sponsorship rights and sale of merchandising. Various other contractual arrangements will need to be entered into with other third party service providers which is discussed further below. If an event is likely to attract large crowds, the relevant Road Traffic Association, police and emergency services need to be consulted.

### **Common Contractual Arrangements**

It is very important for an organiser to engage with third parties who are familiar with the local know-how when organising an event. The UAE now boasts some credible event management companies and public relations companies but care should still be taken when selecting a service provider and entering into contracts.

Because of the globalisation of certain sports and the entry of leading specialists in the UAE, many contractual arrangements relating to sports are increasingly conforming to international standards. An organiser however, is warned that local considerations must always be taken into account when drafting and negotiating contracts in the region. Generally, sports related commercial contracts that are used in the UAE will often include familiar framework provisions such as recitals, definitions, representations and warranties, compliance with law, termination, force majeure, notices, confidentiality provisions, choice of law and dispute resolution clauses amongst other standard requirements. There is generally no requirement to notarise most commercial agreements with service providers or have them written in the Arabic language but this should always be individually checked on a case by case basis.

### **Event Management**

High profile events come with further logistical issues and often organisers will appoint an event management company to deal with these issues. Further, the event typically needs to be hosted so that various stakeholders associated with it can maximise their returns from involvement with the event. The event management agreement is therefore a very important agreement and offers the organiser the best contractual protection. Often a great deal of planning and detail goes into managing an event and the agreement should be tailored to the peculiarities of a specific event and the host country. The agreement should take into account the rules of a sport's governing body. Disputes may arise between any service provider and an organiser if the scope of the service provider's work is not properly defined.

In addition to the contractual framework mentioned above, one can expect to see familiar provisions in corresponding agreements used in western jurisdictions. For example, one would expect to see provisions dealing with budget for management and accounting purposes. In addition, intellectual property provisions would also need to be well drafted and provide proper protection for the organiser. It is very important to ensure that such provisions effectively safeguard the relevant commercial rights connected with the event as the brand associated with an event can become the one of the organiser's main assets. Whilst it is obvious, it cannot be overstated that the agreement should clearly set out the acceptable use of any trademarks and other intellectual property rights. Consideration should also be given to registering any trademarks in the host country.

A typical event management agreement would also include confidentiality requirements, especially where high profile athletes are involved, and a requirement for the event management company to take out

insurance and impose various obligations in relation to the venue. In terms of the venue, it is common to define the “venue” broadly to take into account the immediate vicinity surrounding the venue itself. This is useful in combating ambush marketing and dealing with merchandising and ticketing issues that can arise around the event arena.

One would also expect to see various representations and warranties given by each of the organiser and the event manager. From the organiser’s perspective, it would want to see warranties from the event manager which include that it will provide the services in a competent and timely manner, carry out services with due skill and care and in accordance with best industry standards and not do anything that might prejudice the event or its stakeholders. The manager would also be expected to be responsible for any subcontractors it engages in fulfillment of its obligations. An organiser should ensure that any personnel of the event manager or a subcontractor that is employed in relation to any part of an event has appropriate visas in place and that the event manager is responsible for them.

## **Participants**

An event cannot take place without participants and whilst this is obvious, particular consideration needs to be given to the type of event that is being staged. Where established events are transposed into the UAE, such events are usually expected to include some well known athletes as competitors. Obviously this significantly raises media profile for the event and attracts broadcasters and sponsors.

Athletes can expect to enter into participation agreements within which, they may, amongst other things, be expected to assign various image rights to the organiser and agree to attend various press conferences. The athlete would also be expected to comply with any title and tournament sponsor conditions for the event. Further, the athlete would be expected to comply with the rules of the event and any morality clauses, which basically state how an athlete is expected to behave whilst attending at and participating in an event. This is particularly important in the UAE as an athlete would be expected to behave in a way not to offend local cultural sensitivities and the morality clauses would need to address these points. The participant would also be expected to give warranties and obligations in relation to compliance with anti doping regulations and testing requirements and match fixing.

## **Media Partners**

As with most successful events, it is essential that media partners buy into the concept and, in return, media partners often want to see value in being associated with a particular sports event. When staging a sports event in the UAE, focus should be given to the type of sponsor and form of advertising. In the UAE, there are social and cultural issues to consider. In general, the publication or dissemination of materials that cause harm to the interests of the state, the values of society, are contrary to public morals or inconsistent with proper conduct are prohibited. The laws in the UAE do not specifically differentiate between sponsorship and advertising and sponsorship is in fact regarded as advertising.

Advertising in the UAE is regulated by the National Media Council’s Advertising Regulations (Resolution No. 35 of 2012 Concerning the Standards of Advertisement Content in Mass Media). The Printing and Publications Law (Federal Law No 15 of 1980 Regarding Printed Matters and Publications) is also important and also regulates advertising in the UAE. In addition, Federal Decree No. 5 of 2012 on Combating Cybercrimes; and, (iv) Federal Law No. 3 of 1987 (the Penal Code) are relevant, amongst others.

The main principles under the Advertising Regulations are generally:

- **Respect for religion and political institutions:** Advertising content must be respectful of all divine religions and not offend Islamic beliefs. It must not disrespect the regime in the UAE, its symbols or political institutions. Further, no content broadcast or published by a media corporation or outlet may disrespect the local and international policies of the UAE or disrespect the cultural heritage of the UAE.
- **Prohibited products/services:** Advertising alcoholic beverages, tobacco, smoking and all banned products

or services (including banned narcotics) is prohibited.

- **Prohibited content:** The publication of words and pictures that breach public morals is prohibited, as is the spread and dissemination of information that may prejudice children, women or any other members of society.
- **Consumer protection:** Compliance with the laws governing consumer protection and commercial activities is mandatory particularly in relation to anti-competitive practices and illegal monopolies.
- **Health regulations:** Advertising content relating to medicines or pharmaceutical products must comply with the rules set out by Cabinet Resolution No. 7 of 2007 Regarding Health Advertisements Regulation.

If a global event such as the Olympic Games or FIFA World Cup were to be hosted in the UAE, it would be expected as part of the bidding requirements for the host country to put in place new regulations specifically dealing with relaxation of certain prohibitions on certain types of advertising in order to take into account the interests of the main sponsors for such events. Such event specific regulations however would only last for the duration of the event.

### **Criminal Concerns - Match Fixing, Anti Doping And Money Laundering**

Current events regarding doping have hit the sporting world hard and have inflicted a long lasting smear on some sports. WADA (World Anti Doping Agency) has increasingly been in the headlines over the last few months and all worldwide sporting events and athletes are therefore subject to closer scrutiny and that includes any new events held in the UAE.

The National Anti-Doping Agency in the UAE has been established to comply with the approach and the requirements of the International Agency for anti-doping and has adopted the rules of the National Anti-Doping Agency. The National Doping Agency is aware of doping scandals, including those affecting Emirati athletes in the past and has stated that it is ready to take the fight against doping.

Any allegation of doping, corruption or money laundering could potentially ruin the image of a sport or event and sponsors can be very quick to disassociate themselves which such scandals. Often, sponsorship and participation agreements would expect to include termination clauses in them in favour of the sponsor or organiser in the event of such circumstances. The laws and rules of a particular sport would also be expected to take into account these issues and would require participants to abide by them or face sanctions. In addition to these, the UAE has in place certain legislation to deal with such actions and as the international community cracks down on these acts, the UAE has also seen fit to take action.

Money laundering is now a global worldwide concern. In recognition of this, the UAE implemented a comprehensive Anti-Money Laundering & Counter-Terrorist Financing Law (Federal Law No. 4 of 2002 as amended, which was last amended in 2014 and is supported by Regulations and Circulars issued by the Federal Cabinet and the Ministry of Justice as necessary.

Bribery and gambling are addressed by Federal Law No. 3 of 1987 as amended ("Penal Code"). Bribery that occurs in either public or private sectors are criminalised, with bribery in the private sector carrying a penalty of up to 5 years' imprisonment.

Gambling is also prohibited by the Penal Code and is punishable by up to 3 years' imprisonment, with up to 10 years' imprisonment for those who open or manage a gambling establishment. This is particularly important to bear in mind when an event like horse racing in the UK is associated hand in hand with betting but in the UAE, betting at the races is forbidden.

### **Conclusion**

As mentioned above, there are various considerations to take into account when organising an event in the UAE and this article has attempted to provide an overview of the common issues that may arise. There

is no doubt that the growth of sports in the region is continuing at a rapid rate and because of that, players in the market need to ensure that they do not rush into committing to an event to later find out that there are difficulties that they didn't anticipate and cannot overcome. As with all projects, it is wise to undertake a due diligence process at the start and obtain specialist advice in relation to hosting a sporting event in the UAE. It is also important to select the right contractual partners for an event as, if there is fallout, there can be animosity and distractions from successfully hosting an event.

*Raj Pahuja (r.pahuja@tamimi.com) is a Senior Associate in the Corporate Commercial Practice and a key member of Al Tamimi's dedicated Sports Law practice. He has previously acted for the Bahrain International Circuit for several years advising on various aspects of its operation including the F1 Grand Prix, V8 Supercars and other events at the circuit. Raj has also advised on the setting up of the Arsenal Soccer School in Bahrain. Raj brings valuable diverse legal experience to the team which he has gained from working in London, Bahrain and the UAE.*