

# Is Abu Dhabi Global Market an Option for Your business?

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Under its constitution, the United Arab Emirates ('UAE') is a federation of seven emirates. Although a number of powers remain reserved for the federal authorities of the UAE, certain responsibilities fall under each emirate's scope of authority.

## **Introduction – Overview of Abu Dhabi Global Market**

This unique feature makes the UAE a natural choice for businesses providing services or selling products to customers based in one emirate and to find new licensing requirements introduced into their respective emirate attractive if they wish to expand.

Abu Dhabi is the capital of the UAE and the largest of the seven emirates, contributing two thirds of the approximate USD 400 billion of the UAE economy. With an average GDP growth of 11 per cent since 2005, Abu Dhabi has matured into a robust and sophisticated financial service sector, with highly capitalised banks, and several of the world's largest sovereign wealth funds.

The Emirate of Dubai's success story of the Dubai International Financial Centre became an inspiration for the capital. The Abu Dhabi Government realised that there is global interest in having Abu Dhabi businesses operating under a dedicated free zone umbrella.

Accordingly, the Emirate of Abu Dhabi introduced their first financial free zone known as the Abu Dhabi Global Market ('ADGM') to complement the offerings of the UAE and help diversify its economy. Located within the Al Marayh Island, ADGM is an independent free zone jurisdiction with its own rules and regulations, comprised of three independent authorities, the Registration Authority ('Registrar'), Financial Services Regulatory Authority ('FSRA'), the ADGM Courts, and the (soon to open) Arbitration Centre, creating an environment that enables companies to conduct business with confidence and ease.

ADGM is designed to be a diversified financial services hub for local, regional and international institutions. Entities established within ADGM can have 100 per cent foreign ownership and are subject to a civil law commercial and regulatory environment, similar to that of the United Kingdom. The Registrar notes that its functions include 'the registration and licensing of ADGM establishments, including companies, partnerships and branches, as well as receiving notifications of a change in the particulars of an ADGM establishment, such as a change in business name, director or registered address, and also for striking off or restoration of ADGM establishments'.

As detailed by the Registrar, it is also responsible for 'monitoring compliance with and, where necessary, enforcing the requirements under ADGM's commercial legislation, including issuing financial penalties, directions, suspension or withdrawal of a licence, depending on the severity of the breach'.

The FSRA, on the other hand, is accountable for a stable financial system, with a high level of regulatory transparency and engagement. The FSRA undertakes various regulatory functions; the key departments are policy and legal, banking and insurance, capital markets, enforcement, international affairs, and financial centre development.

## Activities offered by ADGM

Although ADGM offers numerous solutions to financial service providers by offering licences to banks, brokers, dealers, asset managers, corporate financiers, wealth managers, insurers, insurance companies, etc., ADGM also caters to businesses not engaged in the financial services sector. What attracts ADGM to a wide range of foreign investors is that it provides a broad spectrum of business activities, including professional, commercial, family businesses, corporate headquarters, and various other management functions. ADGM also caters to the establishment of holding companies, special purpose vehicles, and other structures for holding and protecting assets.

The business activities offered by ADGM are categorised into financial, non-financial, and retail activities. All financial activities are regulated by the FSRA. These include businesses such as banks, brokers, insurance intermediaries, assets managers, etc. The non-financial activities broadly cover controlled activities and professional activities, as well as general service provisions. The non-financial activities provided by ADGM range from manufacturing, construction, real estate, information and communication, to education and transport activities. Retail activities consist of manufacturing of textiles, jewellery and food products, to the trade of motor vehicles, food and beverage, and other goods. ADGM's retail activities also include photography, rental and leasing of vehicles and machinery, arts galleries, restaurants, and other related activities.

## Incorporation Process

Although a particular incorporation process may be subject to certain specific requirements that will direct the incorporation process a certain way, broadly speaking the incorporation process of a private company limited by shares whose incorporators intend to carry out non-financial activities includes the following:

<b>No.Step</b>	<b>Key description</b>
1 Reserve Company name	The proposed name of the Company must be compliant with the ADGM Business and Company Names Rules 2016.
2 Choose registered office	Registered address must be located in Al Maryah Island, Abu Dhabi, UAE.
3 Prepare incorporation documents and business plan	Access to the online ADGM portal will be granted at this stage.
4 Prepare and submit Application for Registration of a Company	Legal documents, such as the articles of association and shareholders resolution, will need to be submitted on the ADGM portal.
5 Issuance of incorporation documents	If the Registrar is satisfied with the documents and information provided, a certificate of incorporation and commercial license will be issued.

## Attractive features of ADGM

ADGM's diverse range of business activities is not the only factor that attracts business to establish a presence within Abu Dhabi's financial free zone. ADGM's English based legal system and sophisticated legislative regime are attractive to foreign investors doing business in the Middle East. Foreign investors can peacefully conduct business with the comfort that they are able to enforce contracts and resolve disputes in the English language with a familiar precedent based court system. Further, there are no restrictions on foreign ownership, meaning that foreign investors may establish operations in ADGM without the need to have 51 per cent of the shares held in the name of a UAE national (or company wholly owned by UAE nationals). ADGM also benefits from zero tax rates with the ability to repatriate profits and capital. ADGM is also proven to have a seamless incorporation procedure, which is all electronically submitted through their online portal.

## Conclusion

ADGM is an appealing financial free zone to many businesses. The simplified incorporation requirements, sophisticated legislative regime, along with the eclectic range of commercial activities with business-friendly infrastructure makes ADGM an attractive place to do business for all investors, not only the financial sector.

The establishment of ADGM has been applauded by the business community, particularly in Abu Dhabi, as well as professional advisors such as lawyers, accountants, auditors, and management consultants. The continued growth of the Dubai International Financial Centre and development of ADGM suggest there is an extensive business appetite for the offering of these financial centres.

Although ADGM is a relatively new jurisdiction, it is already attracting businesses who wish to combine, under one operation, the global standards and the local availability of a common law regime with the facilities located in the UAE's capital.

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