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**HSBC**   
Commercial Banking

## Doing business in the UAE





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# Executive summary

This document seeks to provide a general overview of the United Arab Emirates ('UAE') for investors (corporates and individuals) who are looking to establish business in the UAE.

The UAE comprises of a Federation of seven emirates namely, Dubai, Abu Dhabi, Sharjah, Fujairah, Ras Al-Khaimah, Umm Al-Quwain and Ajman which have their own rules and regulations. This document covers several considerations that may generally apply in all of these emirates and can be considered by foreign investors in evaluating the prospects of operating and investing in the UAE. These include the economy, regulatory framework, tax aspects, audit and accountancy, human resource and employment issues, trade and banking.

When considering doing business in a foreign country, any investor needs to consider a range of commercial issues that influence the decision of setting up in a country. The UAE could be an attractive hub for investors to locate their business interests for the following reasons:

- The UAE has one of the most liberal trade regimes in the Gulf region and attracts strong capital flows from across the region;
- UAE is focussed on economic diversification in trade, logistics, banking, tourism, real estate and manufacturing and provides opportunities in various industries;
- UAE has a well-established infrastructure, strong banking system and a stable political system;
- Although there are restrictions on company ownership by non-GCC nationals, the UAE also provides for a window of free trade zones that can allow 100% foreign ownership and a nil taxation regime (subject to certain limitations);

- UAE provides a tax favourable environment for most industries;
- There are a high number of expatriate workers at all levels of the economy such that expatriates accounts for over 80% of the work force;
- There are no exchange control restrictions and it is possible to have unrestricted repatriation of income and capital;
- UAE's culture is driven by Islamic traditions, however, with over 150 nationalities, expatriates are able to practise their own cultures; and
- UAE provides a safe and secure family environment with one of the lowest crime rates in the world.

This document contains further details on key matters that investors should consider when exploring whether to operate in the UAE. We hope that the document provides you with a useful initial overview of the key matters to consider when setting up in the UAE.





# Foreword

HSBC has a proud tradition of long-term investment and commitment to the countries in which it conducts business. This tradition has allowed HSBC to build deep and trusted relationships with individuals, companies, government departments and ruling families. It has also helped HSBC understand how our business principles can best be complemented by giving back in appropriate ways to the communities in which we operate.

For 64 years HSBC has supported local UAE businesses, and foreign investors coming to the country to establish new ventures. Their combined success has propelled the UAE to new heights, establishing it as the centre for trade and finance in the region. In recent years, HSBC has witnessed strong growth in demand from UAE businesses for assistance and support as they expand overseas. In parallel, major multinational companies have made the strategic choice to relocate businesses and regional Head Office functions to the country, a true testament to the quality and confidence in the future of their investment

decisions. Today, as ever, HSBC stands ready to support the country's next phase of economic growth and development.

However, we believe that business and society are interdependent, and that strong economic growth requires an educated society and skilled workforce living in a healthy and sustainable environment.

This belief has driven us at a fundamental level to support not only financial but also social development. The volunteer work that our staff carry out to support their local communities has become as much a part of our business principles as financial strength and acumen. Focused on educational and environmental programmes, HSBC and its staff work hand-in-hand with UAE and global institutions in creating awareness and understanding through education and experience.

HSBC's commitment to social responsibility will continue to grow over the long term, with time and funding provided to volunteers to engage in and support this tradition of giving back to the community.



**Abdulfattah Sharaf**  
Chief Executive Officer UAE  
HSBC Bank Middle East Limited





# Introduction

## Doing business in the UAE

### Economic environment

The United Arab Emirates ('the UAE/country') is in the Middle East, bordering the Gulf of Oman and the Arabian Gulf, between Oman and Saudi Arabia. The UAE has an open economy with a high per capita income and a sizeable annual trade surplus. With Abu Dhabi and Dubai as its dual financial centres, the UAE has long commanded economic superiority in the GCC.

Successful efforts at economic diversification in trade, logistics, banking, tourism, real estate and manufacturing have reduced the portion of GDP based on oil and gas output to 25%. Since the discovery of oil in the UAE more than 31 years ago, the UAE has undergone a profound transformation from an impoverished region of small desert principalities to a modern state with a high standard of living. The government has increased spending on job creation and infrastructure expansion and is opening up utilities to greater private sector involvement.

The country's Free Trade Zones – offering 100% foreign ownership and zero taxes – are helping to attract foreign investors. The global financial crisis, tight international credit, and deflated asset prices constricted the economy in 2009 and 2010. UAE authorities have tried to blunt the crisis by

increasing spending and boosting liquidity in the banking sector. The crisis hit Dubai hardest, as it was heavily exposed to depressed real estate prices.

In February 2009, Dubai launched a US\$20bn bond programme to meet its debt obligations. The Central Bank of the UAE and Abu Dhabi-based banks bought the largest proportion of these bonds. In December 2009, Dubai received an additional US\$10bn loan from the emirate of Abu Dhabi. Dependence on oil and on a large expatriate workforce are significant long-term challenges.

Currently, the UAE economy is recovering from the previous headwinds, driven by a pick-up in trade, tourism and public spending, and supported by higher oil prices. Real GDP recorded a sound 3.3% growth in 2011, with nominal output regaining its pre-crisis level of US\$360 billion. The UAE have benefited from increased investments looking for diversification within the region, along with the spill over effects of higher oil prices benefiting the economy as a hydrocarbon exporter on the background of abundant oil and gas reserves, the seventh largest in the world. The Arab Spring and the European debt crisis have indeed diverted tourists, businesses and financial capital into Dubai. A significant headway has been

made on debt restructuring in the Emirate's troubled government related entities.

### SWOT Analysis

#### Strengths

The UAE has one of the most liberal trade regimes in the Gulf and attracts strong capital flows from across the region.

In common with most Gulf states, there are a high number of expatriate workers at all levels of the economy.

The UAE is progressively diversifying its economy, minimising vulnerability to oil price movements.

The UAE is very well connected to the rest of the world, mainly due to Etihad, the UAE's national carrier and Emirates, Dubai's airline, rapidly expanding their fleet networks.

#### Weakness

The UAE's currency is pegged to the dollar, giving it minimal control over monetary policy and reducing its ability to tackle inflationary pressure. The country's location in a volatile region means that its risk profile is, to some extent, affected by events elsewhere. US concerns about regional militant groups and regional political instability could affect investor perceptions.

### Opportunities

Oil prices are expected to stay high (by historical standards) over the near future.

Economic diversification into gas, tourism, financial services and high-tech industries offers some protection against volatile oil prices.

Despite the impact of the 2009 downturn, the tourism and financial services sectors still have good medium-term growth prospects, driven by domestic and foreign investment.

The prevailing unrest in the Middle East Region and North Africa which erupted in the beginning of 2011 seems to have worked to the UAE's, and particularly Dubai's advantage, with businesses, financial institutions and people relocating to the UAE. Capital inflows and tourism also seem to have increased as a consequence of the regional unrest.

UAE's real estate sector has benefited from the extension of visas by the UAE federal government in June 2011 from six months to three years, a reduction in mortgage rates as banks remain more liquid and increasing oil prices.



**Threats**

Heavy subsidies on utilities and agriculture, as well as an outdated tax system, have contributed to persistent fiscal deficits in the past, although rising oil revenues have addressed the problem in recent years.

Several high-profile construction projects have been delayed and the property market crash could threaten future development.

For the first time in its history, the credit rating of the United States of America was downgraded from AAA to AA plus by S & P which has had a significant negative impact on the USA's stock market and currency. Despite this, the UAE is committed to maintaining its peg with the US Dollar and, therefore, the prices of non-US Dollar imports are expected to witness volatility in line with the movements in the US Dollar exchange rate.

**Why it is a good place to do business**

The UAE is the 30th largest economy in the world<sup>1</sup> and No.2 in the Middle East and North Africa. The UAE ranks 33rd out of 183 countries for the overall 'Ease of Doing Business'<sup>2</sup> benchmarked as of June 2011.

The existence of free trade zones with 100% ownership, zero taxes, excellent infrastructure, a relatively stable outlook on country risks, and very a convenient geographical location almost midway between east and west are attractive aspects for foreign investments.

Some 80% of Fortune 500 companies (including all of the top 10) have established a presence in UAE according to The Economist, and the UAE's 25 plus free zones are now host to numerous multinational and regional companies – including over 6,400 companies from over 120 different countries located in Dubai's Jebel Ali Free Zone.

Some of the challenges to invest in the UAE include the need for a local sponsor owning 51% of the business (if not in a free zone); ability to enforce contracts; more limited creditors' rights and options (bankruptcy laws not keeping pace with the economy development); and some inherent risks to the region because of geopolitical concerns.

Languages spoken include Arabic (official), Persian, English, Hindi and Urdu. The labour workforce is 4.1 million and expatriates account for

about 85% of the workforce with over 150 nationalities working and living harmoniously in a safe, almost entirely crime-free environment.

The UAE attracts a highly skilled workforce, which is absorbed by the growing number of international companies, professional service firms and financial institutions. Expatriates enjoy tax-free salaries, schools accredited to international standards, a high standard of health care and excellent recreational facilities – including a number of championship golf courses.

**Incentives for foreign investors**

The UAE's investment climate is becoming more clement for foreign direct investors: the federal government, led by Abu Dhabi, has made significant headway in the past five years in increasing the role of the private sector. Yet the overall legal framework continues to favour local over foreign investors – a fact that partly reflects the historically benign macro environment in light of the country's substantial oil revenue windfall. This has endowed local and regional Gulf investors with substantial liquidity, disincentivising the search for new foreign direct investment

(FDI) sources from outside the region. On the positive side, the absence of income tax compensates for the restrictive investment environment.

The UAE's substantial hydrocarbons resource revenues means government has no pressing need to raise income via direct taxes.

There are also several benefits to corporates and their employees in relation to taxation. Refer to Taxation section.

**Barriers, risks or downsides for foreign investors**

Unfortunately, just as every country has some incorporation disadvantages, so does UAE. However, these disadvantages are far outweighed by the advantages of setting up business in the UAE.

- The UAE is not an English common law jurisdiction;
- A foreigner wishing to conduct business outside a free zone must have a local partner owning at least 51% of the business; and
- The existence and interaction of federal laws, individual emirate laws and free zone laws can be quite complex and confusing.

**Key markets and trade**

The major trading partners of the UAE include the European Union (with 27 member states), India, Japan, China, South Korea, United States of America, Thailand, Singapore and Oman.

Export commodities include crude oil (45%), natural gas, re-exports, fish and dates to Japan (17.1%), India (13.6%), South Korea (6.1%), and Thailand (5.1%). Import commodities include machinery and transport equipment, chemicals and food from India (17.5%), China (14%), United States of America (7.7%), Germany (5.6%) and Japan (4.8%)<sup>1</sup>.

**Intellectual property rights**

The UAE is a regional leader in the protection of intellectual property rights, with improving enforcement of copyright, trademark and patent laws. Anecdotal evidence suggests that the federal government is enforcing these laws, which were passed in 2002. The rate of software piracy in the UAE is regarded as one of the lowest in the Middle East. However, enforcement of anti-piracy measures can vary between emirates,

<sup>1</sup>2000-2011 CIA World Factbook.  
<sup>2</sup>www.doingbusiness.org,  
a co-publication of the World Bank and  
the International Finance Corporation.





with Dubai seen as the best performer. More could be done in other emirates, while the UAE still remains a major centre for the transshipment of counterfeit goods.

#### **Local customs and business etiquette**

UAE's culture is rooted in Islamic traditions. Courtesy and hospitality are amongst the most highly prized of virtues, and this is reflected in the warmth and friendliness of the local people. UAE society is marked by a high degree of tolerance for different lifestyles. It is a liberal society by any measure and is rated as among the safest in the world. Foreigners are free to practice their own religion, and the dress code is liberal. Women, whether married or single, do not face any form of discrimination and may drive, work, and move around unescorted. In spite of its rapid economic development in recent years, UAE remains closely linked to its heritage.

The customary greeting is 'As-salam alaikum,' (peace be upon you) to which the reply is 'Waalaikum as-salam,' (and upon you be peace).

When entering a meeting, general introductions will begin with a handshake. You should greet each of your Emirati counterparts individually. In line with Muslim customs, avoid shaking hands with a woman unless they extend their hand first. Business cards are common but not essential to Emirati business culture. If you do intend to use business cards whilst in the UAE, ensure that the information is printed in both English and Arabic.

People in the UAE prefer to do business in person. Relationships and mutual trust are paramount for any successful business interaction and can only be developed through face-to-face meetings. It is important to spend time with Emirati business counterparts and ensure future meetings take place to continue cultivating the relationship. It is also important to have connections with people in the UAE who can facilitate introductions before attempting to do business in the country. Emiratis prefer to do business with those they know, so appropriate introductions are important in order to establish a successful business relationship.



# Conducting business in the UAE

## Forms of business

Foreign investors can carry out any activities in the UAE only after being registered and licensed by the relevant authorities in the UAE.

In general, a foreign investor can establish a suitable business presence in either the UAE mainland (also commonly known as 'onshore') or a business presence 'offshore'. An 'offshore' business presence typically refers to a registration in one of the UAE free trade zones. This type of registration of business inside the free trade zone is not to be confused with the regulatory system for offshore companies (also referred to as 'International Business Companies') which exist in certain freezones.

In terms of the legal forms, UAE Company Law provides the regulations governing the operations of foreign business. The Federal Law provides for seven categories of business organisation: limited liability company, branches, partnership, joint venture company, public shareholding company, private shareholding company and share partnership company.

However, owing to certain restrictions, the choices commonly adopted by foreign companies are generally limited to a limited liability company ('LLC') or a branch. The other options e.g. partnerships and joint venture etc. are usually not favoured by foreign investors.

As per the UAE Commercial Companies Law, the foreign ownership of a LLC may not exceed 49%, with the balance of 51% to be held by a UAE national.

The UAE Commercial Companies Law is currently being re-drafted, and the new law is expected to allow 100% foreign ownership (subject to approval from the relevant authorities) for specific industries set up onshore. However, there are no further details at this time as to how this new law will apply.

A branch is an extension of the foreign parent company. As such, it is wholly-owned by its parent company and there is no requirement for UAE nationals to take an 'equity' interest in the business of the branch.

A representative office is broadly similar to a branch, except in that a representative office is only permitted to promote its parent company's activities and is not permitted to undertake any income earning activities.

### Free trade zones

Investors also have a choice to set up operations in one of the free trade zones in the UAE. A free trade zone is a geographical area within the UAE that has been established by the UAE government to generally encourage direct foreign investment into the UAE and, as such, there are generally no foreign ownership restrictions, unlike 'onshore' entities. That is, foreign investors can set up 100% fully-owned entities in the free trade zones. The principle drawback of a free trade zone is that strictly, entities registered in the free trade zone are not permitted to conduct commercial activities in the UAE, outside of the free trade zone.

Currently, there are over 30 established free trade zones in the UAE, of which the majority are in the Emirate of Dubai. The free trade zones also provide a choice of establishing either a company or a branch.





## Setting up a business

### Limited Liability Company (LLC)

A LLC can be formed by a minimum of two and a maximum of fifty persons and the minimum capital requirements vary from Emirate to Emirate (e.g. Dubai is AED 300,000, whereas Abu Dhabi requires AED150,000). The foreign minority shareholder is, however, able to exercise control of a LLC through powers vested to the foreign partner in the Memorandum and Articles of Association. It is also possible to attribute profit entitlements in favour of the foreign partner in a ratio other than the respective shareholdings would otherwise suggest.

It takes approximately eight to twelve weeks to incorporate a LLC, since there are a number of steps, and supporting legalised documentation, to complete in the incorporation process.

### Branch

A branch has no separate legal personality and is an extension of the foreign parent company. According to Law number 13 of 2011 free zone companies are allowed to set up branches in the wider Emirate, provided they obtain the proper licence from the Department of Economic Development and the approval of the Ministry of Economy. Branch registrations may not be available to all businesses (in broad terms they are permitted for service

providers and contractors) and the trade licence limits the activities of branches to specified permitted activities only.

A branch is wholly-owned by its parent company and there is no requirement for UAE nationals to take an 'equity' interest in the business of the branch.

A UAE national service agent, sometimes referred to as a 'sponsor' must, however, be appointed to represent the branch in all administrative dealings with Government departments (such as immigration formalities). The remuneration of the sponsor is normally agreed on an annual fixed fee basis, and is a matter of commercial agreement and can vary depending on the prominence of the sponsor and the precise contribution he makes to the business of the branch.

It takes approximately eight to twelve weeks to establish a branch.

### Representative office

A representative office is broadly similar to a branch except, as mentioned above, it is not permitted to undertake any income earning activities.

A representative office however, is also required to recruit the services of a UAE national services agent or sponsor.

It takes a similar amount of time to set up a representative office as it takes to set up a branch.

### Free trade zones

The free trade zones are governed by their own regulatory authorities and have their own rules and regulations and are seen to adopt an industry focus. This means that the free trade zones are typically tailored to specific industries and only licence specific types of activities.

The regulations for establishing and operating a business in the zones are less rigorous and time consuming than those applying to entities located in the 'onshore' UAE. The registration requirements are more or less similar across the free trade zones and involve a two-staged process. The first stage is to obtain an initial approval from the free trade zone authority and the next stage is to apply for a trade licence and registration. As mentioned above, the free trade zones also provide a choice of establishing either a company or a branch. The capital requirements (only for companies, not branches), licence categories and fees vary among different free trade zones according to their rules, industry prioritisation as well as the type of entity that is established.

It normally takes up to four to six weeks to complete a registration, though this may vary for each free trade zone.

### International Business Companies

Businesses not intending to do any business in the UAE, whether in a free trade zone or onshore, can be set up under the offshore regulatory system. Typically, such businesses act as holding companies for subsidiaries outside the UAE. Under the offshore regulations of certain free trade zones, these companies act as a vehicle to own freehold property onshore.

### Annual filings

Under the UAE Commercial Companies Law, most companies or branches are required to have their accounts audited locally, and these accounts will then need to be filed with the appropriate Emirate level authorities on an annual basis as part of the licence renewal filing process. There is also an annual licence renewal fees to be paid which is based on the type of licence, entity and its activities. Similar requirement is for the free trade zone entities, although the requirements and fees vary and need to be considered based on the legal entity set up and its location.

### Foreign Exchange requirements

There are currently no foreign exchange control restrictions in the UAE that may impact the repatriation of profits or capital.





# Taxation in the UAE

## Corporation income tax (or equivalent)

Currently, the UAE federation does not impose a federal corporate income tax in the Emirates. However, most of the Emirates constituting the UAE federation introduced income tax decrees in the late 1960's and taxation is therefore determined on an Emirate by Emirate basis.

Tax residence under the tax decrees of the various Emirates is based upon the French concept of territoriality. Basically, the French territoriality concept taxes profits based on territorial nexus, rather than taxing profits earned outside the country.

Under the Emirate based tax decrees, corporate income taxes may be imposed on all companies (including branches and permanent establishments) at rates of up to 55%. However, in practice the corporate income tax is currently imposed only on oil and gas companies and branches of foreign banks having operations in the Emirate.

In addition, some of the Emirates have introduced their own specific banking tax decrees which impose tax on branches of foreign banks at the rates of 20%.

Entities established in a free trade zone in the UAE are treated differently than a normal 'onshore' UAE entity. As previously noted, free trade zones have their own rules and regulations and typically, from a tax perspective, they generally offer guaranteed tax holidays to businesses (and their employees) set up in the free trade zone for a period between 15 to 50 years (which are mostly renewable).

On the basis of the above, most of the entities registered in the UAE are currently not required to file corporate tax returns in the UAE, regardless of where its UAE business is registered.

## Personal income tax

There are currently no Federal or Emirate level personal income taxes imposed on individuals working in the UAE.

There is a social security regime in the UAE which applies to employees who are GCC nationals. Generally, for UAE nationals the social security payment is at a rate of 17.5% of the employee's gross remuneration as stated in an employee's employment contract and applies regardless of the free zone tax holidays. 5% is payable by the employee

and the remaining 12.5% is payable by the employer. The rates can differ in different Emirates.

The withholding obligation is on the employer. There are no social security payments for expatriates. For completeness, expatriates employed by a UAE employer are entitled under the UAE Labour Law to a gratuity payment (or an 'end of service' benefit). End of service benefits are not applicable to UAE national employees.

On the basis of the above, individuals in the UAE are currently not required to file personal tax returns in the UAE.

## Sales tax/VAT

There is currently no VAT in the UAE. However, the UAE (along with the other member countries of the Gulf Cooperation Council) has committed, in principle, to introduce a VAT system and UAE has made significant progress towards its introduction, which is expected in the near future.

At this point in time there is no confirmation on its rates or how this will effect business operations in the UAE (onshore or free trade zones).







## Other taxes

### Withholding tax

There are currently no withholding tax regulations in the UAE that would apply to payments such as royalties, interest or dividends etc. made from the UAE entities to another person (resident or non-resident). That is, payments of any kind made by a UAE company should not suffer any withholding taxes in the UAE.

### Municipal tax

Municipal property taxes are levied in the various emirates in various forms, but generally as a percentage of the annual rental value. In some cases, separate fees are payable by both tenants and property owners. (For example, in Dubai they are currently levied at 5% of the annual rental value for tenants or for property owners at 5% of the specified rental index).

These levies are administered differently by each emirate. These levies may also be collected at the same time as (or as part of) licence fees, or the renewal of licences, or by another method. (For example, in Dubai the payments have recently started to be collected via the Dubai Electricity and Water Authority's billing system).

### Hotel tax

Most emirates impose a 5-10% hotel tax on the value of hotel services and entertainment.

### Transfer pricing and thin capitalisation

There is currently no transfer pricing regime in the UAE. There are currently also no thin capitalisation (or debt-equity ratio) requirements in the UAE.



# Audit and accountancy

Joint stock and limited liability companies must appoint one or more auditors. All legally incorporated companies have to file their audited financial statements with the Ministry of Economy or relevant authority in order to renew their trade licences. There are no exceptions available or restrictions on appointment of auditors, although listed companies, particularly banks, tend to be audited by the Big Four audit firms. Companies generally prepare their accounts on a calendar year basis and banks are specifically required to do so by the Central Bank of the UAE.

Listed companies (including banks) are required to file quarterly reviewed financial statements and annual audited financial statements in both English and Arabic with the Securities and Commodities Authority ('SCA'), which publishes the quarterly and annual financial statements on its website. Banks, including branches of foreign banks, are also required to file audited annual financial statements and regulatory returns with the Central Bank of the UAE and publish them in a local newspaper.

There is no specific language requirement for the purpose of maintaining books and records, although books are generally maintained in English. International Financial Reporting Standards ('IFRS') is mandated by SCA and the Central Bank of the UAE and adopted as the default GAAP by all other companies.

Financial institutions and other non-regulated entities operating in the Dubai International Financial Centre ('DIFC'), are also required to have their financial statements prepared in accordance with IFRS and audited by auditors registered with the Dubai Financial Services Authority ('DFSA'), the regulator of the DIFC. Islamic financial institutions ('IFI') operating in the DIFC, continue to prepare their financial statements in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), although going forward, IFI's will also have to prepare their financial statements under IFRS, with FAS being the default GAAP. Auditors registered with the DFSA are also regulated by the DFSA.





# Human Resources and Employment Law

## Contracts and Unions

Federal Law No.8 of 1980 ('Labour Law') governs employment relations in the UAE. This law is loosely based on the International Labour Organisation's model and applies in all of the Emirates. The law governs most aspects of employer/employee relations, such as hours of work, facilities, leave, termination rights, medical benefits and repatriation.

### Right to be employed

While UAE nationals are provided the first right of employment under this law, expatriates i.e. non-UAE nationals may be employed with requisite approvals by UAE Ministry of Labour and Social Affairs (the 'Ministry of Labour'). Employment preference is given to UAE nationals and, if UAE nationals are not available, the next in level of preference is given to nationals of other Arab states including other GCC nationals. The Emiratisation policies of the Labour department encourages and even, in some instances, compels the employment of UAE nationals in certain job sectors.

### Employment Contracts

In the case of employment contracts where an employment is with an onshore company, the employee has to enter into a standard Ministry of Labour contract. This contract forms the basis to obtain sponsorship to work or a 'work permit' in the UAE. It is good practice to have a fully-fledged employment contract detailing the terms of employment.

Where the employee is employed to work in one of the free zones in the UAE, the free zones will provide their own standard form of employment contract, where applicable, which an employer and employee will be required to enter into before the free zone obtains sponsorship for the employee to live and work in the UAE. Some free zones do not require such employment contracts to be made.

As stated before, in practice, given that the content of either a Ministry of Labour contract or a free zone contract is fairly basic, employers enter into an additional form of contract with the employee.

### Language

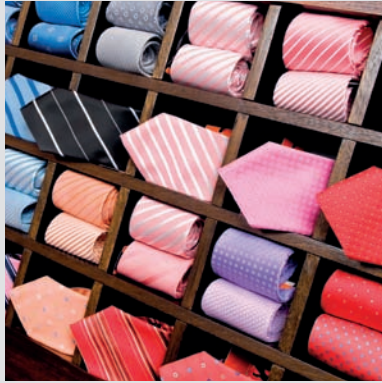
All employment records, including contracts, files, statements and other documents, such as circulars, instructions and memoranda sent to employee should in theory be in the Arabic language. In cases where instruments are made in a foreign language and Arabic, the Arabic language will prevail over other texts.

### Duration

Article 38 of the Labour law provides for employment contracts to be for a fixed or indefinite term. A fixed-term contract must specify an end date and cannot exceed four years from the date of commencement of the contract. After the expiry of the fixed term, the contract can either be renewed or be considered as an indefinite term contract in the absence of written agreements or amendments to either explicitly treat it as a fixed-term contract or revise it with a fresh contract or addendum stating an end point thereto.







### Probationary periods and termination during probation

The normal probationary period for any contract in the UAE should not exceed six months. The Labour Law specifies that a probationary period cannot exceed six months. During this time either employer or employee can terminate the contract without notice and without the employee being entitled to any end of service benefits.

### Typical provisions in an employment contract

#### a. Employment Contract with an on-shore entity:

The contents of the employment contract will depend on the contract that the employer and employee will be required to enter into in order to obtain sponsorship. The Labour Law requires the following terms to be set out in the employment contract at a minimum:

- Start date of the contract;
- Start date of the employment;
- The nature of the work;
- The place of work;

- The duration of the contract (if it is for a fixed period). Please note that a fixed-term contract must not exceed four years in duration (although it can be renewed following the end of the four-year term); and

- Remuneration.

The standard Ministry of Labour contract contains a greater level of administrative information, as follows:

- Contract number;
- Labour card number;
- Date on which the contract was made and in which Emirate;
- Name and address and nationality of the employer;
- Name, nationality and passport number of the employee;
- Job title;
- Basic salary;
- Whether the contract is unlimited or for a limited duration and where it is limited, the end date of the contract;
- Length of probationary period;
- The employer's obligation to repatriate the employee at the end of the agreement;

- References to UAE Labour Law permitting the employer to terminate without notice or an end of service gratuity;

- A number of originals clause;

- Allowances granted to the employee, if any;

- Other conditions;

- Daily working hours; and

- Non-competition undertaking if any.

It is common practice for employers to often enter into a more detailed contract with the employee in addition and separate to, the standard Ministry of Labour contract, as it is not permitted to add any more detail to that contract.

#### b. Employment Contract with a free zone entity:

The contents of the employment contract in a free zone may differ from the standard contract of the Ministry of Labour. Standard contracts between the different free zones may also vary.

### Other relevant provisions

Normally, the contents of the employment contract and the facilities provided are at the employer's discretion in as much as they do not contravene any mandatory provisions of the law. Employers frequently provide allowances such as housing, travel and schooling. Many employers also include medical and health insurance although most of the Emirates do not yet require it. It is mandatory in the emirates of Abu Dhabi and Dubai. Pensions are not yet required for non-UAE nationals although they are referred to in the Labour Law.

### Wages

As prescribed by the Labour Law, the 'basic salary' is the employee's principal wage excluding all allowances of whatever nature and must be specified in the employment contract as such. The reference of total wage includes basic salary with allowances such as those for travel, accommodation, medical insurance and any other regularly recurring benefit the employer has stipulated. Yearly or monthly rate employees must be paid their wages at least once a month. Hourly, daily and weekly rate employees must be paid at least once every two weeks.

Permitted deductions from an employee's wages cannot exceed 10% of his wage and may be deducted from his salary for settlement of any advances, debts or loans due to the employer.

The structuring of the wage and allowances in proportionate ratios is significant with respect to termination gratuity benefits, which are calculated on the basic salary and not the total wage.

There is no decree issued or enforced by the Ministry of Labour with respect to minimum wages and cost of living allowances.

### Social Security Payments

The Social security regime is applicable to all employees of GCC nationality. Provisions are made by law for contributions to be made for each national as per the locally applicable rates and the registration is mandatory. Also refer to the section on 'Taxation in the UAE'.

### Working hours

Article 65 of the Labour Law stipulates that the maximum normal working hours (for adult employees) to be eight per day or 48 per week. However, these hours may be increased to nine daily for people working in the retail trade, hotels, restaurants and other such commercial

establishments. The Ministry also retains the right to decide to reduce the daily working hours for hazardous and dangerous jobs or those that might be detrimental to health. Friday is ordinarily considered as the weekly day of rest. Time spent by the employee in transport from his residence to the place of work however, shall not be included in the working hours.

The daily working hours have to be arranged so that employees are not required to work for more than five consecutive hours without breaks for rest, meals and prayers. The total of such breaks must be at least one hour which will not be included in the daily working hours.

There are specific regulations and practices including circulars issued by the Ministry of Labour regarding reduction of work hours for construction labourers during the summer months of June, July, August and September. In practice, small and retail businesses work on a two-shift system. Larger corporate bodies, commercial and professional firms work 40-45 hours a week with a two-day break on Fridays and Saturdays. Government ministries work around 35 hours a week.

During the Muslim holy month of Ramadan, normal working hours are reduced by two hours per day.



### Overtime wages

Any work done in excess of the work hours described above, on the day of rest, or overtime worked during the night attract payment of additional, 'overtime' wages to most employees. The only class of workers exempt from such overtime wages is that of persons in certain administrative or supervisory roles.

The computation of overtime pay for work done in excess of the normal working hours every day is to be equal to the employee's normal wage plus at least 25% of such wage. However, for overtime work done between 9pm and 4am, the employee is entitled to receive overtime pay equal to his normal wage plus at least 50%. Article 69 also specifically restricts employees from being required to work for more than two hours of overtime per day unless such a measure is necessary to prevent substantial loss or alleviate its consequences.

Any work done on a public holiday or government declared holiday entitles the employee to his normal wage plus 50% and an additional substitute day off work. In the absence of such substitute holiday or time off in lieu, the employee is entitled to receive his wages plus 150% of such wage for the overtime hours worked.

### Holidays

The Labour Law provides for 10 days of public holidays (paid) in any year. The government could also, as and when applicable, declare additional days off during the year for celebrations or mourning.

### Prescribed leaves

#### Annual leave

The employee's annual leave is two days for every month if his service is more than six months and less than a year. After every completed year of service, an employee is entitled to 30 days annual paid leave. Such leave is in addition to public holidays, maternity leave for women and sick leaves. Leave can also be carried forward without restrictions. In practice however, organisations can, if necessary, restrict such carry forward of leaves to a limited number every year.

### Sick leave

The Labour Law permits sick leaves for employees in each year subject to the following payments:

- First fifteen days of sick leave: allowed at full wages;
- Next thirty days of sick leave: allowed at half wages; and
- Days thereafter: allowed at no wage.

In practice, different organisations have different policies with respect to the amount of sick leave they allow before considering actions within the ambit of the provisions of the Labour Law.

#### Mecca Pilgrimage/ Religious leave

The law also provides for leave of not more than thirty days without pay, for making a pilgrimage to Mecca once during the employment period. This leave period cannot be deducted from the employee's other leave entitlements.







### **Maternity leave**

A female employee who has completed one year of service is entitled to maternity leave with full pay for a period of forty-five days including the time before and after delivery. In cases where the female employee has not completed one year of service, the maternity leave shall be with half pay. Such an employee, on the expiry of the maternity leave, may discontinue work without pay for a maximum period of one hundred consecutive or intermittent days on the production of a medical certificate issued by a medical authority attested by the competent health authority or endorsed by such authorities with respect to any illness resulting from the pregnancy or delivery. Such maternity leave is in addition to the annual leave.

### **Recruitment of staff (local hires and foreign expatriates)**

The rules and procedures adopted for the licences to recruit foreign labour to work in the UAE are applied in all the Emirates. The UAE Labour Law through the Ministry of Labour and Social Affairs governs both the employment of nationals and non-nationals. The Law provides in Article 9 that as a matter of right, UAE nationals have the first right to

employment. All foreign expatriates are expected to follow the procedures set out in the Labour Law and by the Ministry of Labour and Social Affairs to work in the UAE. The basic requirements are for organisations to obtain approvals from the Labour Department and a work permit from the Ministry of Labour and Social Affairs in order to consider employing non-nationals or foreign expatriates.

In 2003, Dubai, and the United Arab Emirates (UAE), started making a determined push to increase the participation of locals in the work-force under a policy known as 'Emiratisation'. Under the Emiratisation programme's implementation measures, employment quotas in the private sector were to meet prescribed percentages, including: the banking sector (4%), insurance companies (5%) and in trade companies employing 50 workers or more (2%). Full Emiratisation was intended for executive, administrative, clerical positions (and business ownership) of travel and tourism, manpower supply and real estate agencies. Currently, many organisations use local Emiratis as the Public Relations Officers ('PROs') to handle the dealings with government bodies, especially for immigration and visa formalities.





Normally, hiring a non-national or foreign expatriate is fairly easy and quick, subject to the requisite approvals being obtained. There is a large surplus of educated and experienced manpower available in all the Emirates. Employment advertisements are either placed in local and international newspapers in circulation within the Emirates or through hiring and placement agencies. Internet-based HR service solutions are also a reliable source of access to such foreign expatriates.

### Immigration and visa rules

It is illegal to live in the UAE without a residence visa. Therefore a person should be sponsored either on the basis of the ownership of a business in the UAE, or an employment contract with an employer in the UAE. The sponsorship requirements include obtaining a residence visa or work permit.

Nationals from certain countries may enter the UAE with a short visit visa issued upon their arrival and it is very common for individuals to come to the UAE on secondment or for business meetings on a visit visa provided that the assignment is less than 30 continuous days. The visit visa can be topped up for another 30 days.

### Issuance of a Residence visa under the employer's sponsorship

As part of the residence visa issuance process, a UAE employment contract must be entered into by the employer and the employee.

#### a. Residence visa issuance procedures:

It is the obligation of the company to process and obtain the visa for its employees. The company will carry out the following process:

- The Government Relations Officer or PRO in the assignment firm receives all of the employee's documents and sends them to the Labour/ Immigration offices for the UAE to apply for the residence visa;
- If approval is received from the Labour/Immigration offices, the employee goes for a medical test;
- If the results of the medical test are satisfactory, the employee is issued with a residence visa.

A labour card is issued by the Ministry of Labour and identifies an employee and his/her place of work.

#### b. Issuance of a Residence visa under a Free Zone Authority's sponsorship:

Employees working for employers established in a Free Trade Zone are sponsored by the relevant Free Zones Authorities and not by their employers.

The Free Zone Authority sponsoring the employees refers directly to the immigration authorities and not to the Ministry of Labour. The potential employees will be under their sponsorship and will be registered with the Free Zone Authority and not with the Ministry of Labour.

### Residence visa for partners, spouses and children

The employer can obtain the residence visa for the employee's spouse and children. However, only married couples can sponsor and obtain residence visas for one another and for their children.

A male employee sponsoring his wife would require the following documents:

- Residence visa;
- Employment contract certified by the UAE Ministry of Labour; and
- Marriage certificate issued by the competent authorities, notarised and certified by the Department of Foreign affairs and the UAE embassy in the country of origin and by the Department of Foreign affairs in the UAE.

A female employee sponsoring her husband would require, in addition to the documents mentioned above, a university degree (copy certified by the Department of Foreign Affairs and the UAE embassy in the country of origin) and must have a monthly salary of more than AED10,000.

### Emirates ID

A recent change in the immigration law requires that every residence of the UAE is required to apply for an Emirates ID. New residents / newcomers need to procure this at the time of residence application. Penalties are in force w.e.f. 1 June 2012 for non-compliance with this requirement.

### Employment law changes

As part of its ongoing reforms in the labour market, the Ministry of Labour has issued notable changes to the UAE employment regulations which will grant foreign workers more freedom in the employment market. These changes have taken effect since January 2011.

#### a. Short-term/temporary work permits:

Non-GCC nationals who are above 18 years of age can now enter the UAE on a short-term work permit having validity for 60 days. These valid short-term work permits can be extended/

renewed up to six times (subject to a specific fee and bank guarantee). However, if the extension/renewal is not done on time, a penalty fee of AED500 for every 10 days after the expiry date is levied on the sponsor. This facility is not extended to UAE or GCC nationals.

#### b. Non-requirement of consent from the previous employer for temporary work permits:

In the past, an NOC and consent letter had to be obtained from the previous employer to avoid a six-month work permit ban. The amended law now allows new employers the freedom to obtain an approval from the Ministry of Labour for temporary work permits without the consent of the former employer. This approval can only be obtained if the current residence visa and labour/employment card of the employee are valid and clear.

#### c. Retirement age limit increase for expat employees:

Earlier limit for the retirement age of expatriate employees was fixed at 60 years. The Ministry of Labour has now extended this limit for expatriate employees to 65 years of age. This gives expatriate employees the right to obtain work visas up to the new extended limit of 65 years.

#### d. Introduction of new work permits:

Five new work permits have now been introduced by the Ministry of Labour and the Immigration Department, in an attempt to liberalise the labour market while giving a wider range of choices to potential employers. These five new internal work permit categories include:

##### 1. Multiple-entry Visa:

Multiple-entry Visas are available to business visitors who have a relationship with either a multinational or other reputable local establishments, and who are frequent visitors to the UAE. This type of visa is valid for six months from the date of issue and the duration of each stay is 30 days. The validity is non-renewable.

##### 2. Mission Visa:

Mission Visa is a 90-day visa for the purposes of allowing expats to work for a short time in the UAE, or for employees on probation period, and is applied for at the Ministry of Labour by the sponsoring company. The Mission Visa is valid 60 days before entry to the UAE, the holder can stay up to 90 days after entry, and it is renewable once for another period of 90 days. It can be converted into a residence visa. There is a grace period of 7 days after expiry of the Mission Visa within which the holder must exit the UAE or obtain a residence visa.





*3. Temporary work permit:*  
Temporary work permits would allow any non-UAE national to be engaged on any projects or assignments for a period not exceeding six months.

*4. Part-time work permit:*  
Under which employees can be employed on a part-time basis.

*5. Permits for Juveniles:*  
A very specific permit for persons between 15 and 18 years of age provided custodian approval has been sought on the minor's employment and HSE restrictions are imposed. There are restrictions in respect of the types of work that can be performed, the time of work and the hours of work.

### Trade Unions

Trade unions do not exist in the UAE. In the case of a dispute between employer and employee, or in interpretation of the Labour Law, the Ministry of Labour and Social Affairs will initially act as an adjudicator. Where either party wishes to contest any such decision, it can file its case in the Civil Court. Strikes and lockouts are forbidden. It may be noted that the UAE Labour Law is generally perceived as an 'employee friendly' law.

### Terminating employment

The UAE Labour Law regulates termination of employment. Most of the disputes in the Labour courts arise from the

termination of employment. Hence, the provisions of the Law have to be strictly considered by both employers and employees before termination of the employment.

### Termination during probation

As discussed above, both an employer and employee have the right to terminate an employment contract within the probationary period without notice and without end-of-service benefits. Normally, a six-month probationary period allows some flexibility in determining if an employee is right for a certain position in a company and also allows time to terminate the employment during that period if required.

### Termination after completion of probation

After the completion of the probationary period, the termination of the employment by either party must be preceded by at least 30 days' notice given to the other party before the termination of an employment contract. The Labour Law does not allow any room for negotiation in this respect, even for instance, when the employer is willing to consent to a shorter time period. Any shorter contractual notice period is unlikely to be enforceable.

### Notice

The minimum notice period applicable for an indefinite-term contract is 30 days, as per Article 117, or whatever longer notice period has been agreed upon by the parties. In this instance, the parties are permitted to terminate the employment provided the notice period is observed. As indicated above, the parties can extend the notice period or pay the employee in lieu of notice, but cannot cancel it or reduce its duration. This provision does not apply if the dismissal is based on grounds of the employee causing grave financial loss to the company, disclosing company secrets or having been found drunk and disorderly on the job.

### End-of-service benefits

Upon termination of employment, the Labour Law states that an employee must be reimbursed for all entitlements they have not been able to benefit from, such as unutilised leave. UAE law specifically states that on termination of a contract, an employer must return an employee to their country of origin, should the employee fail to find alternative employment within a set time period.

According to Article 132 of the Labour Law, an employee who completes one year or more of

continuous service is entitled to a gratuity at the end of his/her service. This gratuity is calculated on the basis of 21 days' basic salary for each year of the first five years and 30 days wages thereafter, on condition that the total of the gratuity does not exceed the wages of two years.

Article 137 cuts this gratuity to a third in the event that the employee was on an unlimited term contract and left work voluntarily after a continuous service of not less than one but not more than three years, and to two thirds if his/her continuous service was more than three but not more than five years. After the five-year mark, an employee receives full gratuity. Furthermore, under article 138, if the employee is under a limited-term contract and leaves work voluntarily before the end of the contract period, he shall not be entitled to the end-of-service gratuity unless the period of his continuous service exceeds five years.

It is worth mentioning that the days of absence from work without pay are not included in computing the period of service.

This end of service gratuity is calculated according to the employee's last basic salary prior to the date of termination of employment. This salary is the basis for calculating the gratuity for the whole period of an employee's employment.





### Redundancy

There are no provisions for redundancy under the UAE Labour Law; hence redundancy compensation is not prima facie recognised. The clause within the Labour Law that is akin to redundancy compensation is the requirement for an employer to provide pay of up to 3 months, salary where they have terminated the employment for a reason other than the employee's performance.

### Severance compensations

The mandatory elements of severance pay under the Labour Law include:

- an end-of-service gratuity;
- holiday/leave pay;
- the costs of repatriation; and
- pension benefits to UAE nationals.

The payment of gratuities is discussed above. Gratuities are calculated from the basic salary, excluding all allowances. However, gratuities do not vest in the case of termination under provisions of Article 120 (discussed above) or the act of voluntary resignation by an employee to avoid the actions of termination on valid grounds.

The Labour Law also provides for payment in lieu of the

balance of the annual leave at the time of dismissal or resignation.

In respect of repatriation costs, the Labour Law states that on termination of employment the employer must cover the cost of repatriation of the employee to the country from where he or she was recruited, or any other place agreed on by the two parties. This cost will cover the cost of his travel ticket and whatever is provided for in the employment contract or in the employment manual of the organisation, such as the employee's entitlement to travel tickets for his family and costs for shipment of his luggage. If the employee ends the contract, the employer need not pay the statutory costs of repatriation provided the employee can afford to repatriate. It is standard practice however, for the employer to pay for the cost of the travel ticket, whether or not the employee actually exits the country and returns to his country of origin or country from where he was recruited.

UAE nationals are entitled to additional pension benefits covered under a separate legislation.

Additionally, compensation may also be due for non-discretionary bonuses, stock options, or other items in the contract that would provide the employee with additional benefits.

### Deductions

The Labour Law allows an employer to deduct from the gratuity any monies due to it from the employee, such as loans or school fees paid after the termination date.

### Non-competition provisions in the Labour Law

It is increasingly commonplace to include non-competition agreements in employment contracts. With the explosion of an ever-increasing number of international and multinational organisations in the UAE, the need for non-competition provisions is natural. The Labour Law provides that when the employee's position involves knowledge of the company's clients or confidential information, employers may stipulate that, upon termination, the employee may not become part of any competing endeavour. Such an agreement shall, as far as time, place and the nature of work are concerned, be limited to what is necessary to protect the legal interests of the employer. This provision is being tested case-by-case in the courts. Non-competition agreements have been enforced in a number of instances.

### Wage Protection System

The Wage Protection System ('WPS') involves the payment of salaries by

transfer through selected banks, financial institutions and bureaux de change approved and authorised by the Central Bank of the UAE.

All employers registered with the Ministry of Labour i.e. onshore entities and hiring one or more employees holding a labour card should apply for the WPS. The WPS covers all employers across all economic sectors and industries in the private sector. Currently this is not being applied in the free trade. However, it is expected that the system may also be applied there in the future.

- The employer should open a bank account in any of the banks operating in the UAE.
- The employer will choose any bank, bureau de change or financial institution approved and authorised by the Central Bank of the UAE, that will act as a third-party (agent) to participate in the WPS to provide the service.
- If the employee holds a bank account in the UAE, then this bank can act as an agent (if listed and authorised by the UAE Central Bank to act as an agent).
- The employer must pay their employees' salaries at least on a monthly basis or on the dates specified in the work contract if salaries are paid more frequently than monthly.

- All salaries must be paid in the local currency i.e. UAE Dirham (AED).
- It is irrelevant if these salaries are paid by an employer located in the UAE or in a foreign country, or if the Head Office abroad transfers the salaries.

- Wages must be transferred to the agent's bank via the WPS.

- The exact amount of wages as specified in the employee's file registered with the Ministry of Labour must be transferred via the WPS.

- The employer must, upon request from the Authorities, submit all supporting documents asserting the payment of the salaries.

- Before the employees' wages are transferred via the WPS, employers with fifty employees or more are required to submit a monthly declaration within a deadline of 2 weeks from the salaries due date.

- If the wages are not paid within a month of their due date or the declaration has not been submitted within a month of the wages' due date, the employer will be denied the right to have a new work permit for the following periods:

- Until the violation is rectified (the first violation);

- For one month after the violation is rectified (second violation);
- For two months after the violation is rectified (third violation); and
- For three months after the violation is rectified (fourth violation).

Employers that provide false information regarding the wage or salary of their employees will be prosecuted. In addition, they will be denied the right to apply for new work permits. This ban will remain in force until after any court proceedings.

### Other stipulations by law

There are several other provisions covered under the Labour Law, for instance employment of juveniles and their implications with respect to benefits, holidays and severance payments, limitations on construction labourer sponsorships, HSE requirements and the like. There have also been implications on the organisations in the recent past for salary cuts imposed during the economic downturn period, for malpractices such as keeping employees' passports with the company and for termination of employment or dismissal during leave periods. Such provisions of the UAE Labour Law serve to protect the interests of employees from unscrupulous employers.



# Trade

## Anti-dumping laws

### Customs law

The UAE generally levies customs duties on imported goods at the rate of 5%. Higher rates of duty apply to goods such as alcohol and tobacco. A number of categories of goods are exempt such as certain agricultural products, printed material and pharmaceuticals. Exemptions may also be granted for goods imported for industrial or manufacturing purposes.

Where goods are imported into a UAE free zone, customs duties are not payable.

Goods may only be imported into the UAE by an entity that has a registered presence in the UAE and such goods must be in accordance with the licensed business activity of the business.

### Free Trade Agreements

The UAE is a member of the GCC Customs Union which has a common customs law and common external tariff (although there are exceptions on a country by country basis). The member states are the UAE, Saudi Arabia, Qatar, Bahrain, Kuwait and Oman. Trade between the member states is generally duty-free. In respect of goods imported from a non-member state, customs duties are generally levied upon the first entry

of those goods into the customs union.

The GCC is currently negotiating free trade agreements with a number of countries and trade blocs, including the European Union, China, Australia, India and Malaysia. As at the date of printing, the GCC has signed free trade agreements with Singapore, New Zealand (initialled only) and the European Free Trade Association. However, these agreements are yet to enter into force.

The UAE is also a member of the Greater Arab Free Trade Area. This agreement provides for the duty-free trade of certain goods between signatories to the agreement.

### Anti-dumping laws

UAE acceded to the World Trade Organization in 1997 and signed the agreement on anti-dumping, which was adopted in the Uruguay Round. The GCC nations have since developed a unified anti-dumping law to protect themselves against dumping of products by all other non-GCC nations also members of the WTO agreement.

- ‘Dumping’: exportation of products to the GCC States at an export price lower than their normal price in the course of ordinary trade.

- ‘Subsidy’: a direct or indirect financial contribution by the government of the country of origin or any public body within that country.
- ‘Unjustifiable increase of imports’: the importation into the GCC States of non-dumped or non-subsidised products in large quantities either in absolute terms or relative to the domestic production which cause serious injury to an established GCC industry.

The Ministry of Economy of the UAE (MoE) currently administers the rules and regulations contained in anti-dumping laws in the UAE in coordination with the Permanent Committee appointed under the GCC Common Law on anti-dumping and Countervailing Measures and Safeguards. In cases which have been investigated and there is proof of the existence of any of the practices described above, measures can be imposed which can be increased, reduced or suspended. Some of the measures include the imposition of customs duties or quantitative restrictions or both.

However, it is noted that these anti-dumping measures do not protect one GCC member state from dumping of products by another GCC member state.

### Competition rules

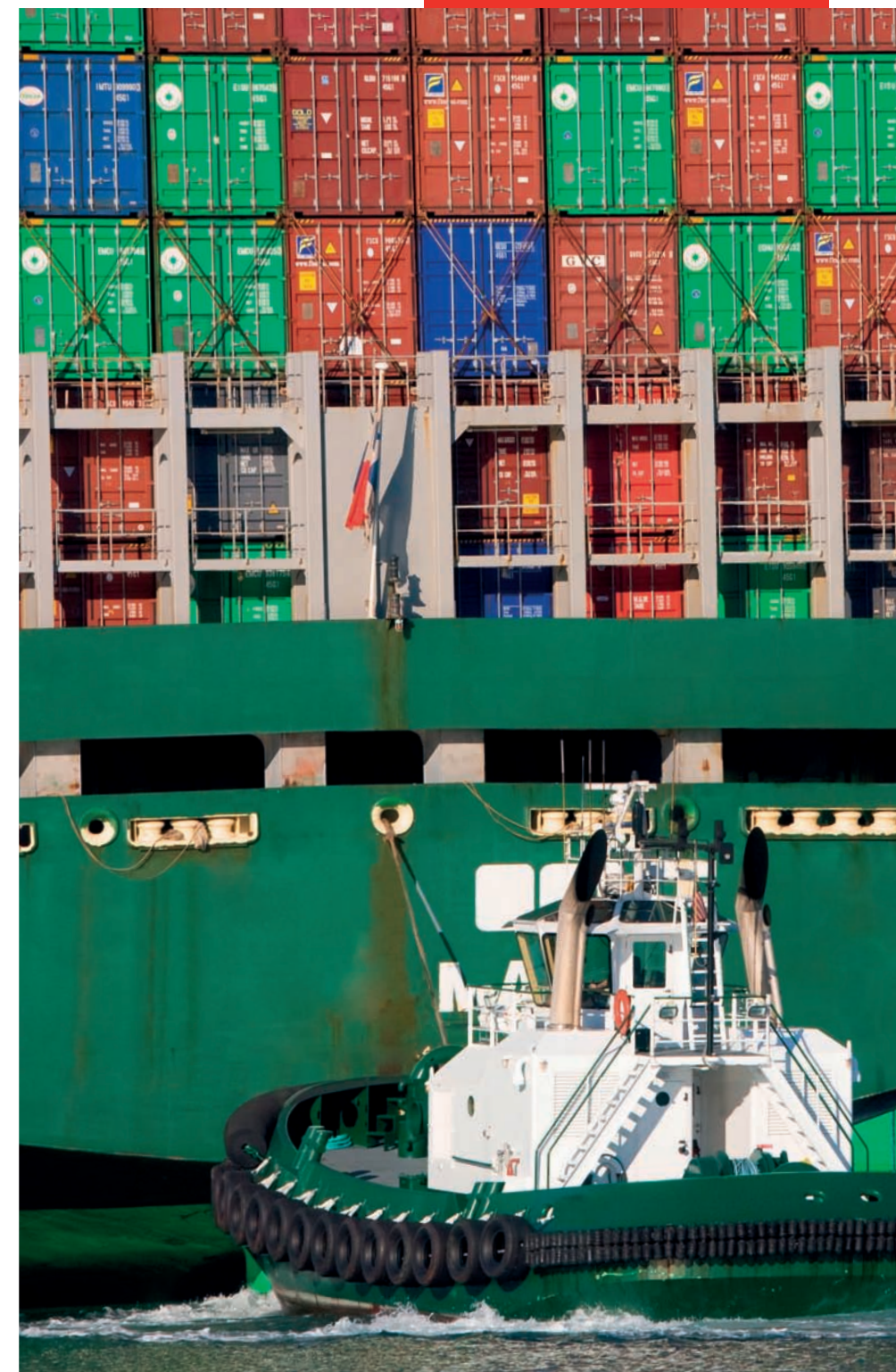
There is currently no significant body of law in force in the UAE dealing with competition or anti-trust laws. The UAE adopts a cautious and conservative attitude to curb monopoly and reduce the possibility of competition instead of encouraging vigorous competition. The closest to such protection can be found in the UAE Consumer Protection Law of 2006 (the ‘Law’) and its implementing Regulations of 2007 (the ‘Regulations’).

Whilst the Law contains very few provisions regarding competition law, it states that the implementing regulations of the Law shall set out the basis of determining when there has been an abnormal increase in prices of goods and what constitutes an unlawful monopoly.

The Regulations deal with anti-competitive and monopolistic conduct in greater detail than the Consumer Protection Law. These relate to competition law issues in that they focus on abnormal movements in prices resulting from certain prohibited practices.

### Bankruptcy law

A new bankruptcy law is being proposed, the provisions of which are heavily tilted towards restructuring as opposed to liquidating companies.





# Banking in the UAE

## Banking Environment

The UAE has 23 local banks and 28 foreign banks. These financial institutions, through their branch networks and affiliate service centres, cater to the financial needs of the UAE population of approximately 8.2 million. Besides conventional banking, UAE also offers Islamic banking which has seen a tremendous growth in the recent years. All banks offer Automated Teller Machine ('ATM') facilities which operate on a central 'Switch' system. A customer of a particular bank can, therefore, use any other bank's ATM for conducting banking transactions.

In the context of organising the banking activities, the UAE Central Bank has taken certain measures and issued a number of directives in 2011 for regulating loans and other services offered to Individuals, implementation of IBAN, regulating provisions on loans etc. In the background of these new banking sector legislations, the UAE is in a better position to weather adverse

shocks and global headwinds which will help the banks to gradually overcome asset quality and loan exposure issues.

### Account types

The most common account types offered by UAE banks are as follows:

- Foreign currency accounts can be held by residents domestically and abroad. Accounts in domestic currency (AED) can be held in domestic banks' overseas affiliates and are freely convertible into foreign currency.
- Non-resident bank accounts denominated in domestic currency (AED) are permitted in the UAE, as are accounts in foreign currencies belonging to non-resident banks and financial, industrial and trade companies. Non-resident accounts in domestic currency (AED) are freely convertible into foreign currency.

- Interest is generally offered on savings accounts and time deposit accounts.

Besides conventional banking, UAE also offers Islamic banking which has witnessed tremendous growth in recent years.

### Banking Authority

The Central Bank of the UAE is the banking regulatory authority in the country and its main responsibility is formulation and implementation of banking, credit and monetary policies. UAE's currency, the Arab Emirate Dirham, is pegged to the United States Dollar at a fixed rate of AED3.673: US\$1.

Additionally, the Dubai Financial Services Authority ('DFSA') is the regulatory authority for entities including banks, investment banks, asset managers established in the free-zone, Dubai International Financial Centre ('DIFC'). The DIFC is the financial and business hub connecting the Middle East region's emerging markets with the developed markets of Europe, Asia and the Americas. Since its launch in 2004, DIFC, a purposely built financial free zone, has been committed to encouraging economic growth and development in the region through its strong financial and business infrastructure, which makes it the destination of choice for Financial Services firms establishing a presence in the region.

### Access to local financing (e.g. local lending)

Granting credit facilities to a customer varies according to the customer's credit standing, as well as the credit appetite of banks. A number of factors are considered by a bank prior to the granting of the credit facilities, including the following:

- Nature of the business activity;
- Legal status of the establishment;
- Establishment's business history in the UAE;
- Financial position and future prospects of the establishment; and
- Management.

Key documents required by banks in order to open accounts are as follows:

- Copy of valid trade licence or certificate of incorporation;
- Copy of the power of attorney or Board resolution;
- Passport copies, including resident permits, of key people; and
- Copy of valid chamber of commerce registration certificate (mainly for limited liability companies and branches of foreign companies).

Type	Features
Savings accounts	Payment and transfers – Most liquid assets
Current accounts	Cheques for day-to-day payments (overdraft facilities available depending on the credit standing)
Time deposits	Steady returns with comparatively higher interest rates, wide range of currencies and tenors





# HSBC in the UAE

HSBC's unique relationship with the Middle East dates back more than a century, but its unique relationship with the UAE began when the British Bank of the Middle East, now called HSBC Bank Middle East Limited, was acquired by the HSBC Group in 1959. For 65 years, HSBC has been helping Emirati investors as well as assisting foreign companies interested in establishing their companies in this thriving hub.

Originally established in London in September 1889 as the Imperial Bank of Persia, the company began life as banker to the imperial government of Persia. Throughout the early part of the 20th century, the bank expanded throughout the Middle East, identifying the investment potential that continues to attract attention from around the world.

Today, HSBC is the largest and most widely represented international bank in the Middle East with 280 offices across the Middle East and North Africa, forming a core element of HSBC Group's global network of around 8000 offices in 88 countries.

At HSBC, we focus on fostering long-term relationships with our corporate customers whether large or small.

The development of the UAE's traditional position as a Middle Eastern trading hub has shifted as the world economy has developed, repositioning the Emirates as strategic link between East and West for investors looking at international trade opportunities. HSBC offers these investors access to our extensive knowledge of commerce and the ability to leverage our strong regional and international footprint.

The UAE continues to develop as an attractive investment destination, recognized by the World Bank as one of the world's most effective international business hubs in its 'Doing Business' report. Free trade zones, such as Dubai Internet City, help to simplify the process of starting a business in the UAE, and attractive tax policies allow investors to benefit fully from their success. Coupled with a firm and proactive commitment from the UAE Government to drive economic success through enabling international business, HSBC retains great confidence in the UAE as a long term destination for foreign investment.

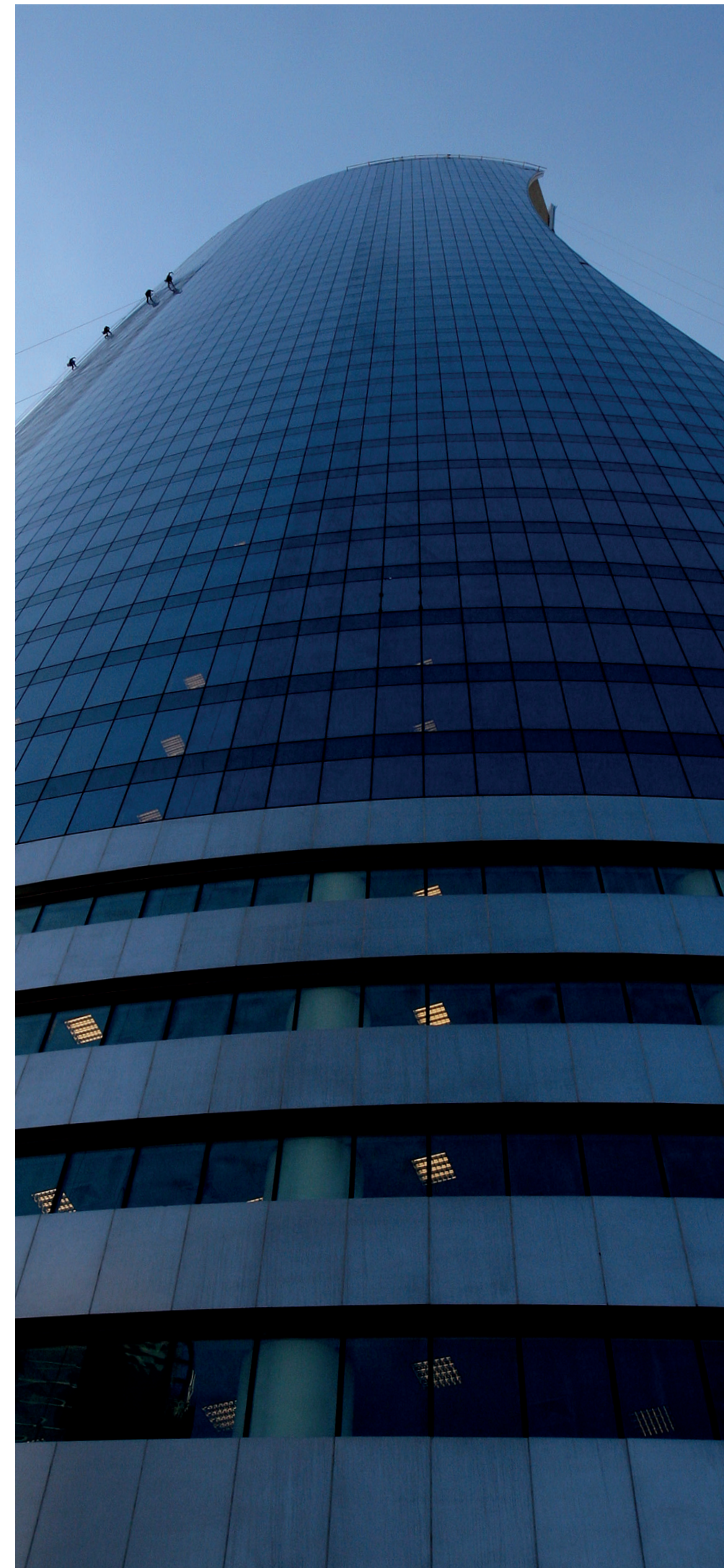
## Fast facts:

- HSBC Bank Middle East Limited is a core part of the HSBC Group's global network of around 8,000 offices in 88 countries.
- HSBC is the largest and most widely represented international bank in the Middle East with 280 offices across the Middle East and North Africa.
- HSBC Middle East employs 12,000 people in the region with approximately 3,600 in the UAE.
- HSBC's unique relationship with the Middle East dates back more than a century, with a heritage of over 65 years in the UAE.
- For 15 years HSBC, known then as the British Bank of the Middle East, was the only bank in Dubai.

## Corporate sustainability:

For HSBC, Corporate Sustainability is about bringing social and environmental issues together with financial performance to maintain and grow a successful business for the benefit of our stakeholders.

- We apply clear policies and processes to manage potential social and environmental risk in our lending and other financial activities in sensitive sectors.
- We help our clients to seize the opportunities presented by the shift to a low-carbon economy.
- We try to reduce our own environmental footprint and share good practice on this with our clients and other stakeholders.
- We focus our community investment (philanthropic activities) on education and the environment.





# Country overview

Capital city	Abu Dhabi																
Area and population	83,600 sq.km., 8.2 million																
Language	Arabic																
Currency	Arab Emirate Dirham (AED)																
International dialling code	(00)971																
National Holidays	<div>Scheduled Public Holidays for 2013<table><tr><td><i>New Year's Day</i></td><td>1 January</td></tr><tr><td><i>Prophet Mohammed's Birthday</i></td><td>24 January*</td></tr><tr><td><i>Israa Wa Al Miraj</i></td><td>4 June*</td></tr><tr><td><i>Eid Al Fitr</i></td><td>8-9 August*</td></tr><tr><td><i>Arafat Haj Day</i></td><td>14 October*</td></tr><tr><td><i>Eid Al Adha</i></td><td>15 October</td></tr><tr><td><i>Hijriah New Year</i></td><td>5 November</td></tr><tr><td><i>UAE National Day</i></td><td>2 December</td></tr></table><p><small>*Depending on the lunar calendar. Note that in addition to the holidays listed above, individual provinces may observe provincial holidays.</small></p></div>	<i>New Year's Day</i>	1 January	<i>Prophet Mohammed's Birthday</i>	24 January*	<i>Israa Wa Al Miraj</i>	4 June*	<i>Eid Al Fitr</i>	8-9 August*	<i>Arafat Haj Day</i>	14 October*	<i>Eid Al Adha</i>	15 October	<i>Hijriah New Year</i>	5 November	<i>UAE National Day</i>	2 December
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Business and banking hours	<div>Business hours*: Government sector: 7.30am – 3pm (Sun-Thurs) Private Sector: 8am – 5pm (Sun-Thurs) Banking hours: 8am – 12noon (Sat-Thurs)  <small>*During holy month of Ramadan, normal working hours are reduced by two hours per day</small></div>																
Stock exchanges	Abu Dhabi Securities Exchange, Dubai Financial Market, Nasdaq Dubai, Dubai Mercantile Exchange (DME), Dubai Gold and Commodities Exchange (DGCX)																
Political structure	Federation of seven emirates																
Economic statistics	GDP (nominal): US\$360bn (2011) as per IMF, US\$67,007 per capita (nominal) as per IMF (2011)																
Foreign direct investment (accumulated)	US\$81bn (2011 est) as per CIA World Factbook																





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