

# United Arab Emirates

## Chamber of commerce:

Dubai Chamber of Commerce & Industry  
PO Box 1457  
Dubai  
United Arab Emirates  
**Tel:** +971 4 228 0000  
**Fax:** +971 4 221 1646  
**Email:** dccinfo@dcc.gov.ae  
**Website:** www.dcci.gov.ae

**Fintan Connolly**  
**Afridi & Angell**  
**Dubai**

As it diversifies away from being a petroleum-based economy, the UAE is a burgeoning corporate finance hotbed. Development of the market is, however, tempered by the corporate finance regulatory environment in the UAE.

## UAE legal environment – general

The UAE is a federation of seven Emirates (Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah and Umm Al Quwain). The UAE federal constitution apportions powers between the federal government (based in Abu Dhabi) and the governments of the constituent Emirates. Certain matters are regulated at both federal and Emirate level, including the court system (although not in all of the Emirates), incorporation and licensing of companies.

## UAE corporate forms and regulation

The regulation of companies in the UAE is principally governed by UAE Federal Law 8 of 1984 regarding Commercial Companies, as amended (the Company Law). The Company Law provides for the formation and regulation of seven types of companies, and permits foreign equity participation (of up to 49%) in all but one (the general partnership). The companies in which foreign equity participation is permitted are the public or private joint-stock company (the JSC), the limited liability company (the LLC), the limited partnership company (the LPC), the share partnership company (the SPC) and the joint venture company (also known as a contractual venture or consortium company) (the CC).

The preferred vehicle for foreign equity investments in the UAE is the LLC due to, among other factors, its flexible management structure, the availability of minority shareholder protections, and the ease of formation.

## Licensing of commercial activities

Companies operating in the UAE are generally required to obtain commercial licences to operate. The licensing requirements and regime vary depending on the nature, activity and location of the company. Each licence specifies the activities that the licensed

company can carry out. The relevant UAE and Emirate authorities, and applicable regulatory requirements, vary depending on the nature of the activity of the relevant company.

## Foreign ownership restriction

The overriding consideration in the UAE corporate finance sector continues to be the requirement for all indigenous companies trading in the UAE to be majority (51%-plus) owned by UAE nationals. This is with the exception of free-zone companies, which are considered below.

There have been a number of recent media reports, including reports citing senior government officials, that a revised company law will be enacted in the UAE that will amend the majority UAE national ownership requirement for UAE companies, to allow majority foreign ownership. This would be a paradigm change, although 100% foreign ownership is thought unlikely to be permitted. If this requirement is scrapped, there is likely to be a surge of corporate finance activity in the UAE.

In the interim, the principal consideration for non-UAE investment in UAE businesses is the majority UAE national ownership requirement. As such, it is critical to assess the ownership/sponsorship structure of a UAE business before making an investment in it.

## Regulation of takeovers, mergers and amalgamations

Corporate activity such as the acquisition, merger, takeover and amalgamation of companies in the UAE is not heavily regulated, nor are there specific antitrust requirements for such transactions.

A creditor of a merging company can object to a merger, and the commercial licensing authority can refuse to issue (or may withdraw) a commercial licence from a UAE company, if the relevant authority does not approve of a transaction involving the ownership of a UAE company.

## Free zones

Within the UAE, several of the Emirates have created industry specific hubs, which are subject to separate regulation. Each of these hubs (known as free zones) is run by their own administrative authority, each applying their own set of rules.

Free zones can be established in the Emirates by decree of the ruler of that Emirate. On establishment, free zones self-reg-

ulate through their administrative authorities and own set of rules. Free zone companies and entities (FZs) can trade within their free zone, export goods and services, and act as a regional headquarters for the distribution of goods and services. UAE customs duties are not applied on goods brought into a free zone unless and until such goods are imported into the UAE proper. FZs are generally prohibited from conducting domestic commercial activities within the UAE.

Regulation by free zone authorities include regulation of:

- the corporate structure of FZs;
- the ownership and operation of FZs (which is generally allowed by non-UAE nationals up to 100%);
- the employment and sponsorship (for visas) of employees for FZs;
- the approval and licensing of activities of FZs; and
- the leasing and development of commercial facilities.

To date the largest free zone (having been set up over 20 years ago) is the Jebel Ali Port Free Zone. Other major free zones include Dubai and Sharjah airport Free Zones, Dubai Internet and Media Cities, and the Hamriyah Free Zone in Sharjah. At the time of writing, the Dubai International Financial Centre (the DIFC) and the Dubai Silicon Oasis are being set up.

The DIFC is much lauded among the free zones. Although only recently opened, it has already attracted a number of large international banks to set up operations in it. The DIFC, located in the heart of Dubai, promises an independent legal regulatory environment, a regulated stock exchange and its own court system.

#### UAE listed companies and UAE exchanges

The introduction of regulated exchanges in the UAE is a recent development. Exchanges have been created in each of Abu Dhabi and Dubai, pursuant to Federal Law 4 of 2000. Regulated exchanges have been excitedly received in the region, with an increasing number of initial public offerings taking place.

The UAE's exchanges are subject to regulation under various pieces of legislation, including Federal Law 4 of 2000, an authority created by this law (the Securities and Commodities Authority) and separate boards of management.

To date there has been little notable merger, takeover and amalgamation activity among UAE publicly listed companies. This might be because of the restrictions on the ownership and management of public JSCs. These restrictions include a prohibition on foreign ownership over 49% of these companies, and a requirement that the majority of the board be UAE nationals.

#### Capital markets

UAE companies are increasingly raising funds on the international capital markets. In particular, UAE-backed debt listings are becoming more common. The first capital markets securitization of UAE assets occurred in the recent months. This listing of Dubai mortgage receivables is reported to have been 10 times over-subscribed and credit rated AAA by Standard & Poor's and Moody's.

## Banking and finance

### Recommended firms

Tier 1

**Allen & Overy**

**Clifford Chance**

**Denton Wilde Sapte**

Tier 2

**Shearman & Sterling**

**Simmons & Simmons**

Tier 3

**Afridi & Angell**

**Al Sayegh Richards Butler**

**Al Tamimi & Company**

**Hadeef Al Dhahiri & Associates**

**Norton Rose**

**Trowers & Hamlins**

**Vinson & Elkins**

**White & Case**

### Allen & Overy

The four partners and five associates that comprise Allen & Overy's Dubai finance practice are an established force in the area. Ian Ingram-Johnson was made up to banking partner this year, and will relocate to the United Arab Emirates (UAE) in the summer. The growth of the office has been accompanied by some high-profile mandates to advise on a number of banking and finance deals.

Allen & Overy advised National Bank of Abu Dhabi as lead arranger on Abu Dhabi Power Bond's issue of \$134 million loan participation notes. The transaction was the first repackaging of loan finance by securitization in the Middle East and was also the first time a loan participation note structure has been used in the Middle East. Capital markets partner Roger Wedderburn-Day in London and Dubai partner Bimal Desai led the Allen & Overy team, which included associates Luma Saqqaf and Mel Farrell.

The notes were issued to refinance part of the National Bank's participation in a commercial syndicated loan made to the Emirates CMS Power Company in March 2004, which itself refinanced the original project financing put in place to construct the Al-Taweelah A2 independent power and water desalination project in the UAE. The notes were backed by the loan made to Emirates CMS Power Company and were split into three tranches due in 2008, 2011 and 2014 respectively, giving investors the opportunity to gain exposure to the project for a shorter period of time than is typical in the project finance market.

The transaction arose out of the financing arrangements of the Taweelah B power and water project, the largest in the region. The Dubai office of Allen & Overy advised BNP Paribas, KfW and Standard Chartered Bank on the UAE law aspects of structuring the financing package, which includes a \$1.24 billion loan from the Japan Bank for International Cooperation, a \$940 million commercial loan and a \$527 million equity bridge financing. The firm's Tokyo office acted for the Japanese bank providing the credit facilities.

Other deals for the practice have seen Allen & Overy lawyers give advice on the purchase of the Al Futtaim Group and act on the \$1.3 billion refinancing of Oman LNG and on Omifco's \$1 million fertilizer project.

#### Leading lawyer

Bimal Desai

#### Key contact partners

Bimal Desai  
Duncan Macnab

#### Clifford Chance

With four partners and 23 associates, Clifford Chance has one of the largest offices in Dubai. The firm was also one of the first to set up in the region, and celebrates its 30th year in the United Arab Emirates this year.

This year the finance practice acted for the Saudi Dairy and Foodstuff Company (Sadafco) when it offered 30% of its shares to Saudi investors. Scott Campbell led the Clifford Chance team out of the Dubai office. The transaction represented the first private initial public offering to be launched under the new capital markets authority regime, and required tricky structuring. The firm structured the bookbuild process so that institutional investors placed bids for the shares in a specified price range, and the final price of SR260 (\$70) for each of the 1.95 million shares was then set by an agreement between Sadafco and lead manager, the National Commercial Bank. Again, this was the first time that such a procedure had been attempted in the region.

#### Leading lawyer

Graham Lovett

#### Key contact partner

Graham Lovett

#### Denton Wilde Sapte

Denton Wilde Sapte has developed an excellent reputation in all areas of finance in the United Arab Emirates. In the past 12 months the prolific finance practice closed more than 25 deals with an aggregate value of \$2.5 billion, easily enough to see the firm promoted to the top tier.

Of these many deals, the largest was the Department of Civil Aviation's \$1 billion *sukuk* issue, the largest *sukuk* to date and the first to top \$1 billion. Rahail Ali led the Denton team that advised lead managers Dubai Islamic Bank, Citibank, HSBC, Standard Chartered Bank, Kuwait Finance House and Gulf International Bank.

Denton Wilde Sapte also advised Dubai Islamic Bank, Citibank, HSBC and Standard Chartered Bank on Nakheel's \$350 million Islamic lease financing. The Dubai property developer's deal was the largest Islamic corporate financing at the time, and represented another success for Rahail Ali and his team of five lawyers.

Ali and his team kept up this strong performance when it acted for HSBC on Turkcell's \$100 million *murabaha* financing.

The deal, which was the largest Islamic financing to date in Turkey, saw the Islamic Development Bank provide an \$80 million *murabaha* facility and HSBC provide a \$20 million conventional loan. Ali and his team also acted for Standard Chartered Bank on Singaporean trading company Wilmar Trading's \$73 million structured facility, while at the time of writing managing partner Neil Cuthbert was busy acting for the Kerzner Istithmar joint venture in relation to \$700 million-worth of limited-recourse financing.

#### Leading lawyer

Rahail Ali

#### Key contact partners

Rahail Ali  
Neil Cuthbert

#### Shearman & Sterling

Much of Shearman & Sterling's finance work in the United Arab Emirates centres on oil, gas and project financings. Philip Dundas heads up the two-partner practice from the firm's Abu Dhabi office. His largest and highest-profile deal last year was the \$1.36 billion Bridge I financing transaction for Dolphin Energy. Dundas advised Dolphin on the deal, which was managed by a consortium of more than 16 banks. The five-year revolving loan went to pay off some of the construction costs of the Dolphin gas development and transportation project from Abu Dhabi to Qatar. The second financing tranche – an Islamic loan facility – is expected later in 2005, and Shearman will again be advising Dolphin Energy.

Other projects in the pipeline include acting for the sponsors BG Group, Petronas, EGPC and EGAS in relation to the Egyptian LNG project, which consists of the development of substantial gas reserves in the West Delta Marine Concession area and the construction and financing of a LNG liquefaction plant in Iduku, Egypt, and representing the Mubadala Development Company in relation to the development of a wastewater plant in Fujairah.

#### Leading lawyer

Philip Dundas

#### Key contact partners

Philip Dundas  
Timothy Pick

#### Simmons & Simmons

The respected Ibrahim Mubaydeen leads Simmons & Simmons' finance operations in the United Arab Emirates. The UK firm now has two bases, one in Abu Dhabi and the other in Dubai, which opened in July this year. The firm hopes that this will increase the range and size of the finance deals that pass through the practice.

Lead partner Mubaydeen joined Simmons & Simmons in 1999, and has extensive experience advising clients on large finance transactions in the region. In the past he has advised on

the financing of the \$1.6 billion Shuweihat power and water project and acted for the National Bank of Abu Dhabi, Abu Dhabi Islamic Banks, HSBC, Barclays and the Gulf International Bank on a variety of transactions, including a \$950 million project loan facility.

Mubaydeen's experience of power and water financing has garnered many plaudits from his contemporaries, and won him a mandate advising the Abu Dhabi Water and Electricity Authority on the \$2 billion development of an aluminium smelter project in Sohar, Oman. Also on the deal is Simmons & Simmons corporate partner George Booth.

#### Leading lawyer

Ibrahim Mubaydeen

#### Key contact partners

Roger Clarke

Ibrahim Mubaydeen

#### Hadeef Al Dhahiri & Associates

Hadeef Al Dhahiri & Associates boasts a respected finance group of six lawyers spread across its two Emirates offices in Abu Dhabi and Dubai. The firm has collected a mixture of locally qualified and UK-qualified partners and maintains strong links with investment banks such as Lloyds TSB, the Abu Dhabi Islamic Bank and Dubai Bank.

Alan Rogers worked on two of Hadeef Al Dhahiri's larger financings in the past year. In the standout deal of the year he advised the sponsors in relation to the Taweelah B water project, the largest in the region, and also led a team that acted for the developers of the \$700 million Capital Plaza project. Among the year's other highlights, the firm acted for the sponsors of the Egypt Fertilizer deal.

#### Key contact partner

Alan Rogers

## Corporate and commercial

### Recommended firms

Tier 1

**Allen & Overy**

**Clifford Chance**

**Denton Wilde Sapte**

**Trowers & Hamlins**

Tier 2

**Al Sayegh Richards Butler**

**Al Tamimi & Company**

**Clyde & Co**

**Hadeef Al Dhahiri & Associates**

**Norton Rose**

**Shearman & Sterling**

**Simmons & Simmons**

**Vinson & Elkins**

#### Allen & Overy

The market considers Allen & Overy's corporate practice to be among the best the region has to offer. This reputation has attracted plenty of clients in the Middle East, and consequently the firm enjoys a large number of instructions on some of the region's top deals.

To emphasize this, over the last year the firm advised on the purchase of the Al Futtaim Group and on International Investor's \$310 million acquisition of Dallah Al Baraka's Islamic banking operations in nine jurisdictions. Allen & Overy also acted on Standard Chartered's merger with Grindlays Bank in Bangladesh, India, Jordan, Pakistan, Sri Lanka and the United Arab Emirates, and won a role advising on ABN Amro's disposal of its banking business in Bahrain, Greece, Kenya, Lebanon and Morocco through an auction process. PricewaterhouseCoopers also turned to the firm for advice when it decided to dispose of its Middle East consultancy business to IBM.

#### Key contact partner

Simon Roderick

#### Clifford Chance

Clifford Chance enjoys an excellent reputation for corporate and commercial work in the United Arab Emirates (UAE); not one respondent queried the firm's top-tier ranking.

Activity in the UAE corporate market rose considerably in 2005, and the value of M&A deals rose to \$5.2 billion in the first half of 2005 alone. The largest deal in the region was Mobile Telecoms Company's (MTC) \$3.4 billion acquisition of Celtel, a leading African mobile telecoms operator. Clifford Chance lawyers landed a lead role on the deal, acting for MTC. Under the terms of the deal, MTC immediately acquired 85% of the issued capital of Celtel and will acquire the remaining 15% within two years.

The firm's UAE office is no stranger to billion-dollar corporate deals in the region. At the time of going to press, the firm was serving as counsel to the Saudi Oger Telecoms Consortium in relation to its involvement in the privatization of Turktel; Clifford Chance is advising the consortium on a bid thought to be between \$1 and 2 billion. The corporate practice was also acting for the consortium in the Pakistan Telecoms privatization, run as an auction.

#### Key contact partner

Tim Soutar

#### Denton Wilde Sapte

Denton Wilde Sapte's corporate team has bolstered its top-tier reputation this year after a period of rapid growth and by winning a number of instructions to advise on noteworthy deals. Jayshree Gupta leads the seven-partner practice, which has taken on two partners this year – Tom Deegan, who relocated from the firm's Hong Kong office and Sean Korney, who came from the firm's office in Singapore. The partners have also been joined by six new associates hired from firms in the UK and UAE.

Gupta worked on most of Denton's corporate highlights, most notably leading a team that acted for Nymex on its \$35 million joint venture with a Dubai government entity to establish a regional derivative commodities exchange. Gupta also teamed up with colleague Nicolette Fleming to advise Oracle on the UAE aspects of the integration with PeopleSoft, and represented Abbey National on UAE matters regarding Abbey's takeover by Banco Santander. Meanwhile, a large team from the firm advised joint venture partners Istithmar and Kerzner in their capacity as project sponsors of the Atlantis resort on Palm Island in Dubai.

#### Leading lawyer

Jayshree Gupta

#### Key contact partner

Jayshree Gupta

#### Trowers & Hamblins

Trowers & Hamblins has a significant presence in the United Arab Emirates (UAE), and its six partners are split evenly between offices in Abu Dhabi and Dubai. Led by managing partner Nick White, the firm mined a rich seam of corporate mandates this year, advising on some of the largest deals to reach the Middle Eastern markets. Competitors observe that Trowers & Hamblins "is a solid firm in the UAE" and its corporate work "has been superior."

The firm won roles on the Middle East's largest telecoms deals to be closed in 2004. It advised Emirates Telecommunications Corporation (Etisalat) and a group of six Saudi Arabian companies on a \$3.5 billion bid for Saudi Arabia's second GSM mobile phone licence and its first 3G mobile licence. Trowers & Hamblins also acted for Etisalat on the SAR1 billion (\$265 million) initial public offering (IPO) of the new project company, Etihad Etisalat, on the Saudi Stock Exchange. The firm managed to turn around the IPO in under two months and, in a sign of investor confidence, the deal was 50 times oversubscribed. Edward Rose in Abu Dhabi and Leroy Levy in Dubai were the lead partners on the deals.

Among the year's other highlights, the corporate team won instructions from Etihad Airways, the government of Abu Dhabi's national airline, on drawing up many of the initial commercial contracts of the company's business, and Rose advised Oasis International Leasing on a \$218 million rights issue that will more than double the company's available capital. Trowers & Hamblins' corporate lawyers in Dubai have also kept a particularly busy schedule over the past 12 months. For example, Nick White and Helen Barrett acted for a large fruit producer in relation to its incorporation and lease of land at the Dubai Central Fruit and Vegetable Market, and the team also advised Harvey Nichols on its licensing arrangements with a local trading company in Dubai.

#### Leading lawyer

Edward Rose

#### Key contact partner

Edward Rose

#### Hadeef Al Dhahiri & Associates

Hadeef Al Dhahiri & Associates is best known for its large corporate practice. The team's number has swelled to five partners and 35 associates with the recent hire of partner Richard Briggs and three associates to the practice.

This year, corporate specialist Basil Saddiqi advised the AUH Municipality on the privatization of the waste disposal services in Abu Dhabi, and Alan Rogers and Faraj Ahnish had a busy year acting for Jaicorp on a \$1.2 billion fertilizer plant venture in Egypt and representing the developers of the \$700 million Capital Plaza.

#### Key contact partners

Faraj Ahnish

Sadiq Jafar

#### Shearman & Sterling

US firm Shearman & Sterling has had an office in Abu Dhabi since 1975 and over its 30 years in the UAE the firm has built up a solid reputation for corporate work. This reputation is borne out by its impressive client list, which includes such names as the Mubadala Development Company, KazMunai Gaz, the Abu Dhabi National Oil Company, the International Petroleum Investment Company and the Public Warehousing Company.

The Mubdala Development Company has been active of late, and has proved to be a valuable client for the firm – it has acted for the company on two acquisitions. In the first, Phillip Dundas represented the company in relation to its purchase of a \$525 million interest in LeasePlan, and in the second, Timothy Pick and Nicole Clouthier advised it on the purchase of a stake in the Fujairah wastewater project. Other corporate highlights saw the firm act for KazMunai Gaz in connection with its sale of part of the Kashagan Oil Field Development to the Republic of Kazakhstan, and represent the Abu Dhabi National Oil Company when it sold a participation interest in the Upper Zakum oil field.

#### Key contact partner

Phillip Dundas