Foreign Direct Investment in United Arab Emirates

Investment Climate in U.A.E

U.S. Commercial Service United Arab Emirates

Openness to Foreign Investment

The U.S. and UAE began negotiating a Free Trade Agreement in March 2005. In early 2007, the U.S. and UAE announced that they would not be able to complete FTA negotiations under the existing time frame for trade promotion authority, but that both sides remain committed to completing FTA negotiations at a later date. The UAE is involved in GCC negotiations with the European Union, China, and other countries on free trade agreements.

Investment laws and regulations are evolving in the UAE and are expected to become more conducive to foreign investment. At present, the regulatory and legal framework favors local over foreign investors. There is no national treatment for investors in the UAE, and foreign ownership of land and stocks is restricted. The Emirates of Dubai and Abu Dhabi have opened up some areas for freehold and leasehold property investments respectively. Freehold projects are also under way in the Emirate of Ras al Khaimah.

The UAE government is opening up its trade sectors in line with its WTO obligations. The UAEG already has taken steps to cut red tape for foreign investors, and now exempts investors from obtaining a Ministry of Labor card in addition to an Immigration Department visa. Investors no longer need to appear in person to inquire about the status of business applications in Abu Dhabi. A new automated service, offered in Arabic and English, allows investors to receive information about their business licenses over the phone. The Embassy is aware of a few investment/payment disputes between U.S. companies and UAE entities.

The UAEG’s accession to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards became effective in November 2006. An arbitration award issued in the UAE will now be enforceable in all 138 states that have acceded to the Convention, and any award issued in another member state will be directly enforceable in the UAE. The Convention supersedes all incompatible legislation and rulings in the UAE, and should be welcomed by many businesses that consider arbitration the most advantageous form of dispute resolution. The Embassy does not yet have any experience with U.S. firms attempting to use arbitration under the UN convention.
There is no personal income tax in the UAE. Foreign banks pay 20 percent tax on their profits. Foreign oil companies with equity in concessions pay taxes and royalties on their proceeds. There are no consumption taxes, and the GCC states formally implemented a single import tariff of 5 percent on most goods January 1, 2003. Companies located in multiple “free zones” in Dubai are exempt from the tariff on imports and re-exports that do not leave the zones. The exceptions to the 5 percent tariff in the UAE are a fifty percent tariff for alcohol, a one hundred percent tariff for tobacco, and duty exemptions for 53 food and agricultural items. Dubai imposes a rental housing tax on expatriates equaling five percent of the rental charges. The UAE has said that it is considering passing a VAT averaging 7-12% on the federal level and has asked for assistance from the IMF. The import tariffs are collected and retained by each Emirate.

Regulation of the establishment and conduct of business in the UAE is shared at the federal and emirate levels. There are four major laws affecting foreign investment in the UAE: the Federal Companies Law, the Commercial Agencies Law, the Federal Industry Law, and the Government Tenders Law. These laws, especially the Federal Companies Law, are seen as the largest obstacles to foreign direct investment in the UAE.

The Federal Companies Law applies to all commercial companies established in the UAE and to branch offices of foreign companies operating in the UAE. Companies established in the UAE are required to have a minimum of 51 percent UAE national ownership. However, profits may be apportioned differently. Branch offices of foreign companies are required to have a national agent unless the foreign company has established its office pursuant to an agreement with the federal or an emirate government. All general partnership interest must be owned by UAE nationals. Foreign shareholders may hold up to a 49 percent interest in limited liability companies. Foreign investors may purchase 79 of the 128 issues on the UAE stock markets, Abu Dhabi Securities Market (ADSM) and Dubai Financial Market (DFM). Under UAE law, foreign investors are allowed to own up to 49 percent of a company. However, company bylaws in many cases prohibit foreign ownership.

In August 2007, the UAE issued Federal Law No. 10 (2007) which amended listing requirements for family-owned companies. Family-owned businesses can now list on the UAE’s two stock markets by listing a minimum stake of 30 percent of the company. Founders can now maintain a 70 percent stake. This law amends the general rule of the Federal Companies Law, which stipulated that the maximum stake that the founders of a public company could hold in a publicly listed company was 45 percent.

Dispute resolution continues to be a problem due to foreign investors’ concerns that pursuing international arbitration may jeopardize the investor’s business activities in the UAE and a reluctance to take disputes to the domestic court system.
In April 2006, the UAE Cabinet amended the law regarding ownership of insurance companies. The amended article states that 75 percent of insurance companies must be owned by a UAE national or 100 percent by UAE national legal persons, i.e., a UAE corporation.

The Commercial Agencies Law requires that foreign principals distribute their products in the UAE only through exclusive commercial agents that are either UAE nationals or companies wholly owned by UAE nationals. The foreign principal can appoint one agent for the entire UAE or for a particular emirate or group of emirates. On June 18, 2006, the UAE announced substantial changes to the Commercial Agencies Law. These amendments include:

1) requiring mutual consent to renew an agency agreement,

2) limiting an agency contract to a fixed time period,

3) allowing either party to file for damages,

4) eliminating the Ministry of Economy’s Commercial Agencies Commission (which handles agency disputes)

5) allowing the import of "liberalized goods" without the agent’s approval.

In an effort to curb price manipulation and allow unrestricted imports of basic food products, the UAE eliminated trading agency requirements for basic food products in August 2006. The food products covered by the Decision include milk, frozen vegetables, baby formula, chicken, cooking oil, noodles, rice, flour, fish products, tea, coffee, cheese, pastries and diapers. For some food products deemed non-essential, agency agreements in existence prior to this period are still recognized. The restrictive laws currently governing agency relationships are under discussion in the proposed United States-UAE Free Trade Agreement.

The UAE Ministry of Economy has publicly discussed creating a foreign direct investment law and amending the Companies Law to provide for greater foreign ownership of companies in certain sectors. Some of the sectors that may be liberalized are education, health, professional services and computer-related services.

The Federal Industry Law stipulates that industrial projects must have 51 percent UAE national ownership. The law also requires that projects either be managed by a UAE national or have a board of directors with a majority of UAE nationals. Exemptions from the law are provided for projects related to extraction and refining of oil, natural gas, and other raw materials. Additionally, projects with a small capital investment or special projects governed by special laws or agreements are exempt from the industry law.
The Government Tenders Law stipulates that a supplier, contractor, or tenderer with respect to federal projects must either be a UAE national or a company in which UAE nationals own at least 51 percent of the share capital or foreign entities represented by a UAE distributor or agent. Foreign companies wishing to bid for a federal project must, therefore, enter into a joint venture or agency arrangement with a UAE national or company. Federal tenders must accompany a bid bond in the form of an unconditional bank bond guarantee for 5 percent of the value of the bid. If goods and services are not available locally then UAE federal government entities often tender internationally.

The UAE restricts foreign ownership of land, with rules varying from Emirate to Emirate. In May 2002, the Emirate of Dubai announced that it would permit so-called free hold real estate ownership for non-GCC nationals by giving permission to three companies to develop and sell freehold properties on government-designated pieces of land. The Emirate of Dubai codified its freehold and leasehold law on March 14, 2006. The law allows non-GCC foreigners to freehold or leasehold rights only in designated areas of Dubai and does not give property owners permanent residence visas or an automatic right to work in the Emirate. The Emirate of Ras Al Khaimah also offers freehold land to offshore companies in designated areas. Individuals can establish a company in the Ras-al-Khaimah Free Zone for the purpose of purchasing a freehold for use by the company’s owner. However, because specific laws regarding "freehold" ownership remain to be codified and procedures for title documentation and conveyance remain to be established, potential buyers are unsure whether they will have an absolute "freehold" title that means the same as it does in Europe or the U.S. In 2005, the Emirate of Abu Dhabi announced that it would also allow "lease hold" real estate ownership for non-UAE nationals in certain designated areas. The law was published in the Abu Dhabi Gazette in September 2005. Non-GCC nationals can own buildings in the Emirate of Abu Dhabi in certain investment areas, but cannot own the land. The law states that non-UAE nationals shall have the right to own surface property, but not the land itself in investment areas. Foreigners shall have the right to arrange all their surface properties and to derive benefits from them based on a 50-year surface ownership agreement that can be renewed for the same period subject to the agreement of the two parties. The law grants mortgage rights to anyone with the right to benefit from the property for a period of more than ten years, even without the permission of the owner. However, the owner of the property shall not mortgage it unless he gets approval from the person who has the right of benefit of the property.

In June 2007, Tatweer, a member of Dubai Holdings, signed a partnership agreement with Dubai Land Department under which Tatweer was the first user of the new initial title registration system developed by the Government of Dubai Land Department, the Emirate’s land registry and real estate transactions exchange. The system allows registration of title deeds/master plans, mortgaged property and deferred sale. The agreement centralizes all land sales in Dubai through a general property registration system, and all agreed sale deeds would be authenticated by the Land Department.

Oil and Gas will continue to be a major sector for foreign investment in 2008. The UAE continues to invest in increasing its oil production capacity and the Emirate of Abu Dhabi announced in 2006
a major plan to develop its sour gas reserves. In addition, the UAE plans to add new oil refining capacity in Abu Dhabi and possibly to build a new refinery in Fujairah. In October 2007, the Abu Dhabi Company for Onshore Oil Operation (ADCO), which produces about 50% of Abu Dhabi’s oil production, announced that it had completed several projects to raise production capacity. On July 10, 2007, Dolphin Energy, the first cross-border natural gas network in the GCC, announced that it started to pipe natural gas from Qatar to UAE customers. Up to 2 billion standard cubic feet per day of refined methane gas will be compressed for transport to the UAE through the company’s 48 inch sub sea export pipeline. This line runs some 364 kilometers from Qatar to Dolphin’s Receiving Facilities at Taweelah in Abu Dhabi. From Taweelah, the gas will be distributed by landline to Dolphin customers.

As part of the effort to continue to improve output and seek foreign technological and managerial expertise, the state-run Abu Dhabi National Oil Company (ADNOC) signed an Agreement with ExxonMobil for a 28% stake in the Upper Zakum offshore oil field on a 20 year concession in March 2006. No regulatory/demand issues affect the market.

We are optimistic that opportunities for foreign investment in the public utilities sector will increase as well. In March 1998 the Abu Dhabi Water and Electricity Authority (ADWEA) awarded a contract for the UAE’s first independent water and power project (IWPP), with an estimated value of $750 million, to an American firm. The firm was selected as part of an Anglo-American consortium to manage the emirate’s third IWPP in 2001. The Abu Dhabi government has announced that power generation (including electric power and desalinated water production) and transmission will be privatized, while power distribution will remain under the control of Abu Dhabi authorities. The estimated commercial value of planned power and water sector development projects in Abu Dhabi is $5 billion. ADWEA’s forecasts for 2007 to 2020 put the growth in its base peak electricity demand at an average of 8.1 per cent a year.

In 2004, the UAE enacted legislation to end the monopoly of Etisalat (the official UAE telecommunications company). In May 2005, the UAE approved the establishment of one new telecom company, largely government owned to compete with Etisalat. The UAE gave a $1.1 billion license to Emirates Integrated Telecommunication Company (EITC), which operates under the trade name “du.” In February 2007, du began mobile phone operation, with a half million subscribers as of July 2007. Du provides fixed line services through an arrangement with Etisalat. The UAE government owns 40 percent of du. Mubadala Development Company, which is owned by the Emirate of Abu Dhabi, and TECOM Investment, which is owned by the Dubai government through Dubai Holdings each own 20 percent and private investors own the remaining 20 percent. Local press reports quoted Mohammad Al-Ghanem, Director General of the Telecommunications Regulatory Authority, as saying the duopoly will exist in the telecom sector until 2015 when the market will be further liberalized.
Defense contractors with an eye for investment in the UAE must negotiate directly with the UAE Offsets Group (UOG), and invest an amount that will generate a profit equal to 60 percent of their contract in the UAE. UOG investment projects generally must show the required profit after seven years. The contractor may not own more than 49 percent of the project, and UAE nationals must hold the remaining 51 percent. There are currently more than 30 offset ventures; offset projects cover the full spectrum of economic activity, including, among other things, advertising, fish farming, air conditioning, language centers, shipbuilding, aircraft maintenance, leasing, medical services, and even polo grounds. One of the largest offset ventures is the Oasis International leasing company—a British Aerospace offsets venture.

In November 2004, the UAE announced its intent to open up the insurance sector to new foreign insurance companies. Any new companies entering the market are required to meet high level international rating criteria and must complete a viability study to prove that it will be offering new products to the market. About half of the insurance companies in the UAE are foreign. New entries of foreign insurance companies were frozen since 1999, but officials from the Insurance Section of the UAE Ministry of Economy have stated that the Ministry of Economy had licensed three subsidiary foreign insurance companies in 2007. Currently, there is only one American subsidiary insurance company operating in the UAE.

Conversion and Transfer Policies

There are no restrictions or delays on the import or export of either the UAE Dirham or foreign currencies by foreigners or UAE nationals, with the exception of Israeli currency and the currencies of those countries subject to United Nations sanctions. The UAEG passed comprehensive anti-money laundering legislation following the attacks of September 11, 2001, that imposes strict documentary requirements on large wire transfers. Travelers entering the UAE must declare currency amounts of more than 40,000 Dirhams (approximately $10,800) as part of these measures.

Since February 2002, the Dirham has been officially fixed to the U.S. Dollar. The exchange rate is 3.67 UAE Dirhams per one U.S. Dollar. Every bank transaction in U.S. dollars is subject to a 1% fee.

In 2007, there had been continuous public discussion about the impact of the UAE Dirham peg to the dollar on inflation and its appropriateness given the difference in the economic cycles of the two countries. Although the Dirham has come under pressure to appreciate, UAE officials continue to say the UAE will leave its dollar peg unchanged in near future and any revision should be a regional consensus at the GCC level.
Expropriation and Compensation

Foreign investors have not been involved in any expropriations in the UAE in recent years. There are no set rules governing compensation if expropriations were to occur, and individual emirates probably would treat this differently. In practice, authorities in the UAE would not expropriate unless there was a compelling developmental or public interest need to do so, and in such cases compensation would likely be generous.

Dispute Settlement

The Embassy is aware of a few substantial investment disputes during the past few years involving U.S. or other foreign investors, and government and/or local businesses. There have also been several contractor/payment disputes, with the government as well as local businesses. Disputes generally are resolved by arbitration, by the parties themselves, or by recourse to the legal system. Dispute resolution can be difficult and uncertain, however.

Arbitration may commence by petition to the UAE federal courts on the basis of mutual consent (a written arbitration agreement), independently (by nomination of arbitrators), or through a referral to an appointing authority without recourse to judicial proceedings. Enforcing arbitration judgments rendered in the UAE can be difficult as they require court certification, and judicial proceedings may continue for several years. Some companies are reportedly unwilling to resort to arbitration out of concern that it would affect their future business opportunities in the UAE.

The UAEG’s 2006 accession to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards may have an impact on the ease of enforcing arbitral awards, but the time frame since it has been passed is still too short for Embassy to have any insight into the extent of any changes.

Companies interested in developing large projects in Dubai are routinely required to have investors lined up to finance the project prior to its being awarded to them, and may be required to furnish detailed information about those investors to assure the Dubai emirate government that funding is indeed locked in.

The UAE constitution established a federal court system while acknowledging the right of the individual emirates to opt out, which Abu Dhabi, Dubai and Ras Al-Khaimah have. However, some issues must be heard in the Federal court system such as security matters, conflicts between the emirates, constitutionality of a federal law, trial of ministers and senior officials and jurisdictional issues.
There is no independent judiciary in the UAE. The Ministry of Justice appoints judges to the federal courts, while judges in Abu Dhabi, Dubai and Ras Al-Khaimah are appointed by the respective rulers of those emirates. The majority of which are non-Emirati. Each emirate applies federal law in its own court system that consists of courts of first instance, courts of appeal and a Supreme Court. The court of first instance consists of civil, criminal, and Sharia (Islamic law) courts. Sharia law is applicable to both Muslims and non-Muslims, but is focused primarily on family, inheritance and personal status matters. Courts will interpret statutory law and Sharia law in deciding cases. Commercial disputes involving foreign parties tend to come before the civil courts in the federal system; a panel of three judges ordinarily hears commercial disputes. All cases involving banks and financial institutions are required to be heard by civil courts. In Abu Dhabi, all non-arbitration commercial disputes are first brought to the Abu Dhabi Conciliation Department. If the parties are unable to reach a settlement, they can begin legal proceedings in the court of first instance.

In November 2006, the UAE signed on to the UN Convention for Arbitration, which requires UAE courts to enforce trade dispute arbitration decisions made in foreign countries.

The Code of Civil Procedure contains comprehensive rules in connection with the various types of preventive and provisional remedies prior to litigation and the issuance of judgments, including the attachment of property, confiscation of the defendant’s passport and prohibitions on travel, as well as the detention of the defendant in certain instances. However, the courts must certify all arbitration decisions, and though they do not review substantive claims, they can invalidate decisions based on procedural considerations. Parties can also appeal certification decisions thus prolonging enforcement indefinitely.

In 1993 the Abu Dhabi Chamber of Commerce and Industry formed the Abu Dhabi Commercial Conciliation and Arbitration Center in an effort to accelerate commercial dispute resolution. The Center has jurisdiction to conciliate or arbitrate commercial disputes. The Centers executive regulations govern the conciliation and arbitration procedure. Though referral by the parties to the Dispute Center ostensibly requires them to accept the finality of the Center’s decision, the courts must still certify the decision and enforcement can be delayed. The Center conducts proceedings in Arabic or any other agreed upon language.

The Dubai Chamber of Commerce and Industry has promulgated similar commercial conciliation and arbitration rules that permit parties to have conciliation or arbitration proceedings under the auspices of the Chamber. In 2004, the Dubai International Arbitration Center was made independent of the Chamber. The Arbitration Center aims to bring international standards of arbitration to business in Dubai. The UAE is a member of the International Center for the Settlement of Investment Disputes.
Performance Requirements and Incentives

As listed elsewhere in this report, the regulatory and legal framework in the UAE favors local over foreign investors. There is no national treatment for investors in the UAE. The UAE maintains non-tariff barriers to investment in the form of restrictive agency, sponsorship, and distributorship requirements. In order to do business in the UAE outside one of the free zones, a foreign business in most cases must have a UAE national sponsor, agent or distributor. Once chosen, sponsors, agents, or distributors have exclusive rights. Government tendering is not conducted according to generally accepted international standards, and re-tendering is the norm. To bid on federal projects, a supplier or contractor must be either a UAE national or a company in which UAE nationals own at least 51 percent of the capital or have a local agent or distributor. Federal tenders must be accompanied by a bid bond in the form of an unconditional bank guarantee for 5 percent of the value of the bid. UAE federal government entities can tender internationally since foreign companies sometimes are the only suppliers of specialized goods or services that are not widely available.

Incentives are given to foreign investors in the free zones. Outside the free zones, no incentives are given, although the ability to purchase property as freehold in certain favored projects in Dubai and promises that foreign owners of such property would be granted residence permits as long as they remained in possession of title would appear to be incentives aimed at attracting foreign investment.

Visas, residence permits, and work permits are required of all foreigners in the UAE except nationals from GCC countries. Americans are eligible to receive 10-year, multiple entry visas, which authorize stays of up to six months per entry, with the possibility of a six-month extension. U.S. citizens may obtain visas for business and tourism at the airport upon arrival. These visas do not permit employment in the UAE.

Right to Private Ownership and Establishment

Except as detailed elsewhere in this report, there are no restrictions on the right of private entities to establish and own business enterprises and engage in all forms of remunerative activity.

Protection of Property Rights

In September 2005, the Emirate of Abu Dhabi passed a law allowing Emiratis to hold title on properties in the Emirate and opened up some foreign leasehold rights to surface property in certain designated areas. Most construction, commercial and residential, is financed by a specialized agency of the government of Abu Dhabi, and commercial banks finance the remainder.
Their collateral traditionally has been access to the rent stream of the building or the personal guarantee of the developer.

Foreign and national banks have increased their activity in the mortgage market, expanding their services to foreigners as well as nationals due to the recent boom in freehold property. Foreign banks have entered the market on a smaller scale; the local Mashreq Bank and Dubai Islamic Bank are most heavily involved in new mortgage business, with banks such as Standard Chartered and HSBC providing mortgages on a case-by-case basis to established customers.

The UAE Government continues to lead the region in protecting intellectual property rights (IPR). Anecdotal and statistical evidence confirms that the UAEG is enforcing copyright, trademark, and patent laws passed in 2002 to protect U.S. intellectual property, and continues to demonstrate its commitment to the 2002 agreement providing TRIPS-plus levels of protection to U.S. pharmaceuticals. In December 2007, the Under Secretary for Planning Affairs at the UAE Ministry of Economy announced that the Ministry of Economy would set up a sector for intellectual property rights protection in January 2008. Although the UAE is the leader in the region at enforcing intellectual property rights and the Emirate of Dubai is very pro-active in enforcement, many stakeholders believe that the UAEG could do more to fight piracy in the other emirates and to deal with the problems of transshipping of counterfeit goods.

The copyright law, enacted in July 2002, grants protections to authors of creative works and expands the categories of protected works to include computer programs, software, databases, and other digital works. Efforts to combat computer software piracy in the UAE have been successful. According to industry estimates, the rate of software piracy in the UAE is the lowest in the Middle East and North Africa, estimated to be 34 percent. The UAE is recognized as the regional leader in fighting computer software piracy. In 2007, the UAE launched several campaigns against piracy and seized thousands of pirated auto spare parts, perfumes, air fresheners, electrical devices, sport equipment, medicines, movies and music discs. In 2007, UAE destroyed thousands of pirated goods. The UAE’s Trademark Law, also issued in July 2002, confirms that the UAE will follow the International Classification System and that one trademark can be registered in a number of classes. The new law provides that the owner of the registration shall enjoy exclusive rights to the use of the trademark as registered and can prevent others from using an identical or similar mark on similar, identical or related products and services if it causes confusion among consumers.

**Transparency of Regulatory System**

The fundamental instrument by which all of the emirates regulate business activity is the requirement that any place of business must acquire and maintain a proper license. The procedures for obtaining a license vary from emirate to emirate, but are straightforward and publicly available.
A license is not required unless a place of business is set up in the UAE. In other words, foreign businesses exporting to the UAE but without a regular or continuing business presence in the UAE do not need a license. Licenses available include trade licenses, industrial licenses, service licenses, professional licenses, and construction licenses.

Several federal regulations govern business activities in the UAE outside free trade zones. Activities within the free zones are governed by special bylaws.

**Efficient Capital Markets and Portfolio Investment**

The UAE federal commercial code, promulgated in 1993, devotes an entire chapter to bankruptcy: the first comprehensive legislation in the UAE on the subject. Monetary judgments in bankruptcy cases are made in the local currency, and UAE courts enforce the judgments of foreign courts if there is reciprocity based on bilateral or international treaties. In the judgment of western legal experts, the commercial code chapter on bankruptcy governs the procedures and effects of bankruptcy in the UAE, but does not provide a mechanism for the orderly evaluation and distribution of assets of a bankrupt entity.

Following a banking crisis caused by accumulating bad debts after the oil boom in the mid-1980s, the Central Bank stopped giving licenses to new foreign banks. However, in September 2003, the UAE Central Bank announced that it would allow the operation of more banks from other countries on a reciprocal basis. The Central Bank is also considering allowing foreign banks operating in the UAE to set up new branches provided that they undertake to employ UAE nationals. These new branches will allow foreign banks to provide a wider range of banking services. In October 2005, the Central Bank said that national banks conditionally agreed to have new foreign bank branches open in the country. In November 2007, Governor of the UAE Central Bank stated that the Central Bank is currently studying the possibility of issuing licenses for three Gulf banks. He also pointed out that the three banks are still being set up.

Citibank is the only U.S. bank in the UAE that offers full banking services. There are a number of U.S. financial institutions with either representative offices in the UAE or that have established a presence in the Dubai International Financial Center (a financial free zone). The largest banks in terms of assets include the Emirates NBD (the new name after Emirates Bank International and National Bank of Dubai merged), National Bank of Abu Dhabi, Mashreq Bank, and Abu Dhabi Commercial Bank.

The Central Bank prohibits lending an amount greater than 7 percent of a bank’s capital base to any single customer. Foreign banks with branches in the UAE are not permitted to calculate loans
as a percentage of their global capital, which may however be used to calculate the capital adequacy ratio. In a revision to the rule, the Central Bank in 1993 said it would exclude from the requirement non-funded exposures, such as letters of credit and guarantees. The Central Bank also announced implementation of internationally recognized and accepted accounting principles.

The UAEG implemented a body of anti-money laundering legislation at the end of 2001, which included stringent reporting requirements for wire transfers exceeding $545 and currency importation reporting requirements of amounts exceeding approximately $10,800. The law imposes stiff criminal penalties (jail time and fines) for money laundering and also provides safe harbor provisions for those who report such crimes. Banks and other financial institutions are required to follow strict “know your customers” guidelines; all financial transactions more than $54,000, regardless of their nature, must be reported to the UAE Central Bank. Banks and other financial institutions supervised by the Central Bank (exchange houses, investment companies, and brokerages) are required to maintain records on all transactions for at least five years.


In 2006, the UAE also enacted Law No. 2 of 2006 -- the Cyber crimes law -- which has articles dealing with money laundering and terrorist finance. Article 19 of the law makes it a crime for anyone to use the Internet to transfer money or property traceable to criminal proceeds, or to conceal the true sources of such assets. Violations are punishable by a term of imprisonment of up to 7 years and a fine ranging from $8,174 to $54,495. Article 21 of the law outlaws the use of the Internet to finance terrorist activities, promote terrorist ideology, disseminate information on explosives or facilitate contact with terrorist leaders. Any violation of Article 21 is punishable by a term of imprisonment of up to 5 years.

The UAE Central Bank established the Anti-Money Laundering and Suspicious Cases Unit (AMLSCU) in 1998 to perform the functions of a financial intelligence unit (FIU). The AMLSCU jointed the prestigious Egmont Group of FIUs -- the first Arab country to do so at the Group’s June 2002 conference in Monaco. Abu Dhabi and Dubai each have a stock exchange. 39 out of 66 stocks on the Abu Dhabi stock exchange and 40 out of 62 stocks on the Dubai stock exchange are open to foreign investment. Ministry of Economy and Planning rules allow foreign investment up to 49 percent in companies on the stock market; however, company by-laws in many cases prohibit or limit foreign ownership.

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