

# Client Alert

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## UAE Update: Abu Dhabi Introduces New Financial Free Zone

Nine years after the creation of the now well-established Dubai International Financial Centre (the **DIFC**), a second landmark financial free zone has been announced in the United Arab Emirates. The new free zone, which it is understood will be known as Global Marketplace Abu Dhabi (**Global Marketplace**), will be situated on Al Maryah Island (formerly known as Sowwah Island), adjacent to the city of Abu Dhabi. With a total area of 1.68 sq. km, Global Marketplace will be nearly four times the size of the DIFC.

### Legal Structure

Global Marketplace is established pursuant to Federal Decree No. 15 of 2013 (the **Decree**) issued by the UAE President (who is also the Ruler of Abu Dhabi), HH Sheikh Khalifa bin Zayed Al Nahyan, and Federal Cabinet Resolution No. 4 of 2013 (the **Resolution**) issued by the UAE Prime Minister (who is also the Ruler of Dubai) HH Sheikh Mohammed bin Rashid Al Maktoum. The legal architecture permitting the creation of financial free zones was put in place prior to the establishment of the DIFC in the form of Federal Law No. 8 of 2004 (the **Financial Free Zones Law**), and required an amendment to the UAE Constitution. At the time, the legislation was introduced to allow the Emirate of Dubai to develop an international financial centre operating outside the constraints (including foreign ownership restrictions) imposed by the UAE's Federal Commercial Companies Law (Federal Law No. 8 of 1984) (the **Commercial Companies Law**). Abu Dhabi has now utilised the same legislation to establish an international financial centre of its own on the newly developed Al Maryah Island.

Financial free zones established under the Financial Free Zones Law are different from the large number of free zones established by emirate-level Decrees (such as the Jebel Ali Free Zone in Dubai or the Khalifa Industrial Zone (**KIZAD**) in Abu Dhabi). The key distinction is that a financial free zone is a separate legal jurisdiction in which significant portions of emirate and federal law is wholly disappplied. By contrast, in the emirate-level free zones, emirate and federal law continues to apply in any area unless specifically catered for by free zone regulations.

"The establishment of a financial free zone on Al Maryah Island had been anticipated by the business community in Abu Dhabi, and this development will be widely seen as a means of encouraging international companies to base in Abu Dhabi."

Global Marketplace is the fifth free zone to be established in the Emirate of Abu Dhabi after Masdar City, the TwoFour54 media cluster, Abu Dhabi Airport Free Zone and KIZAD. The business community in Abu Dhabi had anticipated the establishment of a financial free zone on Al Maryah Island, and this development will be widely viewed as a means of encouraging international companies to base in Abu Dhabi and solidifying the real estate sector in the Emirate.

## **Details Yet to Emerge**

The Decree and the Resolution constituting Global Marketplace are brief and contain few details regarding the financial hub. We expect that more detailed regulations will be implemented in due course setting out the legal and regulatory structure of Global Marketplace. Inevitably, comparisons will be made with the DIFC, which has a split governance structure with the DIFC Authority effectively acting as the governing body of the DIFC, and the Dubai Financial Services Authority (the **DFSA**), which is the DIFC's financial services regulator. Assuming Global Marketplace will fall outside the remit of the onshore authorities (including the UAE Securities and Commodities Authority (the **SCA**)), one would expect to see a regulatory structure in Global Marketplace bearing some resemblance to the DIFC. The DIFC, which has its own system of courts, has enacted laws in a wide range of areas, including real estate, employment, trusts, contract, securities offerings and tort. Whether or not Global Marketplace will follow suit remains to be seen.

Whether Abu Dhabi has plans for a securities exchange in the new financial free zone, along the lines of the NASDAQ Dubai exchange in the DIFC, also remains unknown. At present, the only stock exchange in Abu Dhabi is the Abu Dhabi Securities Exchange (the ADX), which is an onshore exchange subject to regulation by the SCA.

Likely Global Marketplace will be a standalone free zone and not part of a single twin-centre UAE federal free zone alongside the DIFC. Possibly Global Marketplace may seek to develop an industry and sector focus distinct from that of the DIFC. Or Abu Dhabi may opt to focus more on asset management (thereby competing principally with Bahrain) or on industrial companies, which would link naturally to Abu Dhabi's more oil and gas and industry-oriented economy.

We will continue to monitor this significant development in Abu Dhabi and publish further *Client Alerts* as details emerge.

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