

AL TAMIMI
& COMPANY

Advocates & Legal Consultants

التميمي
وشركوه

للمحاماة والاستشارات القانونية

REGULATORY REGIMES IN GCC STATES – LEGAL CONSIDERATIONS

Presented by **Husam Hourani**



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GCC STATES

- United Arab Emirates (“UAE”)
- The Kingdom of Bahrain
- The Kingdom of Saudi Arabia
- The Sultanate of Oman
- Qatar
- Kuwait, and
- Economic / financial free zones

REGULATORY AUTHORITIES

- UAE: Central Bank of the UAE, Securities & Commodities Authority
- Dubai International Financial Centre (“DIFC”): Dubai Financial Services Authority (“DFSA”)
- Qatar: Qatar Central Bank, Qatar Financial Market Authority
- Qatar Financial Centre (“QFC”): Qatar Financial Center Authority (“QFCA”), Qatar Financial Center Regulatory Authority (“QFCRA”)
- Bahrain: Central Bank of Bahrain
- Saudi Arabia: Saudi Arabian Monetary Agency (“SAMA”) and Capital Market Authority (“CMA”).

PERMITTED ACTIVITIES - GENERAL INFORMATION

UAE	DIFC	Qatar	QFC	Saudi Arabia	Bahrain
<ul style="list-style-type: none"> • Opening investment accounts and managing portfolios on behalf of others, whether individuals or companies; • Preparing feasibility studies for projects and marketing of allotments and shares of stock companies; and/or • Establishing and/or managing investment trust funds. 	<ul style="list-style-type: none"> • Accepting Deposits; • Providing Credit; • Dealing in Investments as Principal/Agent; • Operating a Collective Investment Fund; • Managing Assets; • Providing Custody; • Providing Trust Services; • Acting as the Trustee of a Fund; • Arranging Credit or Deals in Investments; • Advising on Financial Products or Credit; • Arranging Custody; • Insurance Intermediation; • Insurance Management; • Operating an Alternative Trading System; • Providing Fund Administration; and/or • Islamic Financial Institution. 	<ul style="list-style-type: none"> • Accepting deposits; • Providing credit; • Trading in and issuance of financial instruments/ commodities; • Investment mediation; • Financial agency services; • Underwriting, • Providing advisory services in relation to the above,; • Management of investment funds; and/or • Trading in currency/ securities/commodities 	<ul style="list-style-type: none"> • Deposit Taking; • Effecting a Contract of Insurance; • Carrying out a Contract of Insurance; • Dealing in Investments (as agent/principal); • Arranging Deals in Investments; • Providing/Arranging Credit Facilities; • Providing Custody Services; • Arranging the Provision of Custody; • Managing Investments; • Advising on Investments; and/or • Operating a Collective Investment Fund 	<ul style="list-style-type: none"> • Accepting deposits; • Providing lending; • Financial leasing; • Payment and money transmission services; • Guarantees and commitments; • Securities trading; • Participation in issues of securities; • Money broking; • Asset management; • Custodial, depository and trust services; • Settlement and clearing; and • Advisory services related to the above. 	<ul style="list-style-type: none"> • Accepting Deposits; • Providing Credit; • Providing insurance/reinsurance services; • Asset management and brokerage; • Providing trust services; • Advising on the above

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FOREIGN OWNERSHIP REQUIREMENTS

UAE	DIFC	Qatar	QFC	Saudi Arabia	Bahrain
Up to 49% foreign ownership allowed	Up to 100% foreign ownership allowed	up to 49% foreign ownership allowed	Up to 100% foreign ownership allowed	Between 40 and 60% foreign ownership allowed	Up to 100% foreign ownership allowed, unless the Ministry of Industry and Commerce advises otherwise

TAX

UAE	DIFC	Qatar	QFC	Saudi Arabia	Bahrain
<ul style="list-style-type: none">• 20% income tax paid to a local government	<ul style="list-style-type: none">• Zero percent tax rate on income profits;• No personal or corporate taxes levied for 50 years, renewable for a further period;• No municipal or local authority taxes, levies or charges; and• Wide networks of double taxation• treaties available to UAE Incorporated entities.	<ul style="list-style-type: none">• From exempted to• 30% income tax, depending on income	<ul style="list-style-type: none">• 10% corporate income tax	<ul style="list-style-type: none">• 20% income tax for foreign partner's/shareholder's shares;• 2.5% Zakat for Saudi partner's/shareholder's shares	<ul style="list-style-type: none">• No income tax;• Bahraini Employees: 12% Expatriate Employees: 3%

MINIMUM REGULATORY REQUIREMENTS

UAE	DIFC	Qatar	QFC	Saudi Arabia	Bahrain
<p><u>Capital</u></p> <ul style="list-style-type: none"> • AED 50 million (by law) • Up to AED 200 million (in practice) 	<p><u>Capital</u></p> <ul style="list-style-type: none"> • (base capital requirement): From US\$10,000 To US\$10 Million (depending on the category) 	<p><u>Capital</u></p> <ul style="list-style-type: none"> • From QR 200,000 to QR 1million 	<p><u>Capital</u></p> <ul style="list-style-type: none"> • from US\$250,000 to US\$ 10 million 	<p><u>Capital</u></p> <ul style="list-style-type: none"> • From SR 400.000 to 50.000.000 (depending on the activity) 	<p><u>Capital</u></p> <ul style="list-style-type: none"> •BD 75,000 to BD 50 million (depending on the activity)
<p><u>Authorised Individuals</u></p> <ul style="list-style-type: none"> • General Manager; • Money Laundering Officer 	<p><u>Authorised Individuals</u></p> <ul style="list-style-type: none"> • Senior Executive Officer (must be resident in the UAE); • Compliance Officer/Money Laundering Officer Reporting Officer; Finance Officer 	<p><u>Authorised Individuals</u></p> <ul style="list-style-type: none"> • General Manager; and • Money Laundering Officer 	<p><u>Approved Individuals</u></p> <ul style="list-style-type: none"> • Money Laundering Reporting Officer; • Senior Managers (i.e. a CEO, CFO, etc.); 	<p><u>Authorised Individuals</u></p> <ul style="list-style-type: none"> • CEO/Managing Director; • Finance manager; • Compliance Officer/Money Laundering Officer; • Client advisory functions, e.g. investment advisor, portfolio manager, corporate finance specialist 	<p><u>Authorised Individuals</u></p> <ul style="list-style-type: none"> • Anti money laundering officer; • Compliance officer;
<p><u>Start Up</u></p> <p>Allowed</p>	<p><u>Start Up</u></p> <p>Allowed, apart from a banking license</p>	<p><u>Start Up</u></p> <p>Allowed</p>	<p><u>Start Up</u></p> <p>Allowed</p>	<p><u>Start Up</u></p> <p>Allowed</p>	<p><u>Start Up</u></p> <p>Allowed</p>

RETAIL CLIENTS - ACCESSABILITY

UAE	DIFC	Qatar	QFC	Saudi Arabia	Bahrain
Permitted	Permitted (effective July 1, 2008) Retail client: a Person with net assets of not less than US\$500,000 and no sufficient financial experience and understanding of financial markets, products or transactions and any of its associated risks.	Permitted	Not permitted Only business clients (net assets of not less than US \$ 1,000,000)and market counterparties with net assets amounting to not less than US\$ 5 million	Permitted	In general permitted (wholesale banks, financial institutions only wholesale clients)

SET UP FEES

UAE	DIFC	Qatar	QFC	Saudi Arabia	Bahrain
<ul style="list-style-type: none">• No setup fees for regulator license• Between AED20,000 and AED 60,000 to be paid to local and governmental departments in registration fees depending on the form of the company	<ul style="list-style-type: none">• Application for Incorporation – US\$8,000 paid to the DIFC• Commercial license fee (payable upon incorporation and annual renewal) – US\$12,000 paid to the DIFC;• US\$ 15,000 – US\$ 70,000 paid to the DFSA, depending on the activity	<ul style="list-style-type: none">• QR 1,500 (Ministry of Economy)• QR 200 - 10,000 (Municipality depending on a company type)	From US\$ 10,000 to US\$ 40,000, depending on the activity (includes the fees of both the QFCA and the QFCRA)	From SAR 50.000 to SAR 150.000, depending on the activity and type of the company	BD 100 application fee

ANNUAL REGULATORY COSTS

UAE	DIFC	Qatar	QFC	Saudi Arabia	Bahrain
<ul style="list-style-type: none">Between AED15,000 and AED 55,000 to be paid to local and governmental departments in renewal fees depending on the form of the company	<ul style="list-style-type: none">US\$ 12,000 plus US\$1,000 for each complete financial year on every US\$1,000,000 of expenditure	<ul style="list-style-type: none">QR 50 - 30,000 (Registration)QR 550 - 5,550 (Chamber of Commerce depending on the capital)	<ul style="list-style-type: none">From US\$ 10,000 to US\$ 40,000 – license renewal;US\$500 for each Approved Individual	<p>About SAR 50,000</p>	<ul style="list-style-type: none">Varies depending on the activity, from BD 500 to BD 240,000

OBJECTIVES

UAE	DIFC	Qatar	QFC	Saudi Arabia	Bahrain
<ul style="list-style-type: none"> To maintain a sound banking sector, support the financial system and adopt an effective monetary policy which ensures stable economic growth, lower unemployment and low inflation. Committed to transparency and continuous improvement Practice sound governance Achieve excellence through team work Build and develop integrative partnerships 	<ul style="list-style-type: none"> To foster and maintain: <ul style="list-style-type: none"> fairness, transparency and efficiency; confidence; and financial stability. To prevent, detect and restrain damaging conduct to the financial centre or the financial industry. To protect users of the financial services industry. To promote public understanding of the regulation of the financial services industry. 	<ul style="list-style-type: none"> To ensure stability of the currency exchange rate and its capability of being exchanged for other currencies and stability of commodities and services prices; To ensure financial and banking stability; and To enforce state monetary policy. 	<ul style="list-style-type: none"> To establish, develop and promote the QFC as a leading location for international finance and business. To participate in consultation with regulatory authority in establishment and maintenance of an appropriate legal and regulatory regime to govern the QFC. To ensure that QFC and QFC institutions have adequate finance, so that they can finance their respective activities without any undue difficulty, and are financially stable. To act in accordance with and promote international best practice and to eliminate bureaucracy to maximum extend possible. 	<ul style="list-style-type: none"> To supervise commercial banks; To promote price, exchange rate stability, the growth and ensure the soundness of the financial system 	<ul style="list-style-type: none"> Set and implement monetary, credit and other financial sector policies; Provide effective central banking services to the Government and financial sector; Develop the financial sector and enhance confidence therein; and Protect the interests of depositors and customers of financial institutions, and enhance credibility of Bahrain as an international financial centre.

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TIMEFRAME – LICENSING

UAE	DIFC	Qatar	QFC	Saudi Arabia	Bahrain
about 5-6months	about 2-3 months from the date of submission of a complete application	about 2-3 months	about 2-3 months	about 6 months	about 2 to 4 months

THANK YOU