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Part 1. Understanding the New Legislation Mandating All Companies to establish and maintain up-to-date Corporate Registers.

Part 2. The role of contracts in Debt Prevention

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The New Legislation

1. Cabinet Resolution No. 109 of 2023 (the “**New Resolution**”) effective on **16 November 2023**,

Defines the minimum obligations of UAE legal persons regarding Beneficial Owner’s & Partners / Shareholder and supersedes UAE Cabinet Resolution No. 58 of 2020

2. Cabinet Decision No. 132 of 2023 (the “**New Decision**”) issued on **15 December 2023**,

Defines the progressive penalties for non-compliance, by way of warnings, financial fines, temporary license suspension and entity closure and supersedes UAE Cabinet Decision No. 53 of 2021

Together these introduce significant changes in the regulations related to Ultimate Beneficial Ownership and administrative penalties for non-compliance

The New Legislation

Scope and Applicability:

The New Resolution and New Decision extend to all corporate entities in the UAE mainland and non-financial free zones (e.g. RAKEZ), with certain exceptions such as Government Entities and companies in DIFC and ADGM

Disclosure Requirements:

The New Resolution mandates all legal entities to maintain accurate and up-to-date registers of data of the partners / shareholders, Ultimate beneficial owners and a nominated UAE resident natural person, together with all and any Nominee relationships (whether Nominee shareholder or director). In addition, Voting Rights must be disclosed

Clarified and Itemized Violations:

The New Decision offers more clarity on penalties, itemizing them for different types of violations and imposing a 14-day limit for entities to respond to Registrar on requests for additional information.

Cumulative Fines up to AED 100,000

The New Legislation

What Information is required

For every UBO, shareholder, manager, director, nominee, trustee:

- Full name, nationality, and date and place of birth;
- Detailed residential address, personal email address and Mobile number where they can be contacted by authorities;
- The number of the travel document or the identity card, as well as the country and date of issuance and expiry.
- Voting rights

Plus, for UBOs, Nominees and Trustees

- The basis and date on which the person became Beneficial Owner or Nominee of the legal person;
- The date on which the Person ceased to be a Beneficial Owner or Nominee.

N.B. The Beneficial Ownership register even may include details of relevant details on side/ Trust/ Nominee / Mudaraba/ Foundation agreements etc.

The New Legislation

WHAT IS AN ULTIMATE BENEFICIAL OWNER (UBO)

As per the UAE regulations, any person owning more than 25% of shares, controlling more than 25% of the voting rights, or the person exercising control over the company is termed as UBO.

NATURE OF OWNERSHIP	DESCRIPTION
Direct Ownership of Shares– Sole Personal Capacity	Most companies with a natural person as the sole shareholder will select this option
Direct Ownership of Voting Rights Sole Personal Capacity	
Direct Ownership of Right to appoint/remove Directors - Sole Personal Capacity	
Direct Ownership of Shares– Joint Arrangement	Please note that having more than one shareholder is not necessarily a Joint Arrangement. Only where an individual owning share has entered into an agreement with another person(s) that also own shares / rights that they will exercise the rights in the same way, where the total percentage is 25% or more
Direct Ownership of Voting Rights Joint Arrangement	See above
Direct Ownership of Right to appoint/remove directors – Joint Arrangement	See above
Indirect Ownership through a chain	This covers an individual holding 25% or more of shares / voting rights or the right to appoint / remove directors through another entity or chain of entities
Control through other means e.g. holds decision or veto rights and/or controls the rights of others	If you select this nature of ownership, you must provide explanation in the box which appears below nature of ownership
Senior Managing Official	e.g. where nobody meets the categories above the person that controls the strategic decisions of the company is the UBO e.g. Managing Director This will also apply to States Owned Enterprises / Listed Entities
Through a trust or other legal arrangement	Details of the arrangement must be provided
As a nominee	Both the nominee and the nominator must be declared

The New Legislation

WHAT IS A NOMINEE /NOMINAL ARRANGEMENT /TRUSTEE

A Trustee is a natural or legal person to whom property is legally committed to be administered for the benefit of a beneficiary (such as a person or a charitable organization)

Trustees of legal arrangements, are required to hold accurate and up-to-date information on the beneficial owners of the trust or other legal arrangement. For legal arrangements, the beneficial owners are defined as the settlor, the trustee, and the beneficiaries or identifiable class of beneficiaries, along with any other individual exercising ultimate effective control over the legal arrangement.

A Nominee shareholder is the registered owner of shares held for the benefit of another person.

A **Nominee** director is a director appointed to the board of a company to represent the interests of his/her appointer on that board.

In some cases, a nominee may hold the position of director or shareholder in name only On behalf of someone else. These arrangements may be controlled by a trust arrangement or civil contract between the nominee and actual director or shareholder or are informal

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HEALTH WARNINGS

- This is a Mandatory Government requirement
- Setting up and maintaining these registers is totally 100% your responsibility it applies immediately and for new companies must be done within 60 days of registration.
- Any changes SHAREHOLDERS / DIRECTORS/ MANAGERS / UBOs NOMINEES / TRUSTEES must be reflected in an updated Corporate registers within 15 days of any such change
- **DNFBPS** (Designated Non-Professional Businesses and Professions) should take particular note and ensure immediate compliance as the MOE has direct interest in this sector.
- The fines and penalties that can be applied to your business range from warnings through to AED100,000 and can result in temporary suspension of trade license and even closure of your business

The New Legislation

CD109 COMPLIANCE SERVICE

Review, assessment and assimilation of company information and preparation and compilation of ALL company registers to ensure compliance with MOE CD109.

ENTITY DESCRIPTION	TOTAL COSTS - AED
INDIVIDUAL SHAREHOLDERS	
Company of 1 persons	650.00
of 2 persons	800.00
of 3 or more persons	950.00
BRANCH OFFICES	
Branch of UAE entity	800.00
Branch of NON UAE entity	1,000.00
*CORPORATE SHAREHOLDERS	
1 Corporate Shareholder	1,000.00
2 to 5 Corporate Shareholders	1,250.00

***In the event RAKEZ company is a hybrid of corporate and individual shareholders the cost for the number of corporate shareholders will apply**



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QUESTIONS AND ANSWER SESSION

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The Role of Contracts in Debt Prevention

As International Lawyers for over 25 years we know that the majority of bad debt occurs as a consequence of poor contracts.

Our sister company Credito PLC is a debt recovery company acting predominantly for large UAE banks to collect debt from around the world.

Local background: Contractual relationships in the UAE are regulated by the UAE Commercial code or UAE Civil code.. Common law jurisdictions are in place in respect of contracts executed by invoking the DIFC or ADGM Legal Arrangements and clauses.

Elements to a contract

In general terms there is a need to be careful while drafting contracts in respect of terms, duties and responsibilities, subject matter, the capacity of parties, etc. choosing the most viable law, dispute resolution mechanism and mode of execution, etc are other crucial factors to be cared included

The Role of Contracts in Debt Prevention

Most Common Mistakes in Contracts:

We see a series of common mistakes made regularly, which ultimately result in breach of contracts and often debt related to it other than not taking independent legal advice at outset.

Here are what we see and consider as the most common mistakes:

- Not getting the contract in writing
- Reliance on an example contract found on the internet;
- Relying on the other party to offer a “fair contract”;
- Choosing the wrong legal code (Common Law/ Civil Law)
- Not preparing for the worst for example what if something goes wrong will you still get paid?
- Not limiting scope of contract
- Trying too hard to limit exposure.

The Role of Contracts in Debt Prevention

Our Value-added services with RAKEZ are designed to assist you on these essential elements of business:

You can book a Free of Charge Introductory call for us to understand your needs then we can offer the following services to

INITIAL CONSULTATION

Short free consultation to assess suitability of best package for Client

CONTRACT – REVIEW AND ADVICE - AED 3,000

Review, advice and assistance on all aspects of contract work, legal and rules compliance as well as enforceability.

DEBT - REVIEW AND ADVICE - AED 3,000

Review advice and assistance on all aspects of debt recovery and collection globally but in particularly in the UAE, India, Philippines, Europe, USA and Canada.

RAKEZ **Exclusive** Legal packages

➤ **Complimentary Initial Consultation - Free**

15-minute consultation to assess suitability of best package for Client

➤ **Legal Consultations – AED 1,499**

In depth review and consultation with Client dealing with their issues and concerns, formulating options to resolve those and advising on preparation of additional documentation, costs and time scales for delivery of agreed services.

➤ **Oaths, Attestations and Certifications – AED 1,100**

Advice and assistance on Oaths, attestations, certified copies, Powers of Attorney, Affidavits. Assistance with certifications from UAE Embassy's, MOFA and FCO.

RAKEZ **Exclusive** Compliance packages

➤ **Complimentary Initial Consultation - Free**

15-minute consultation to assess suitability of best package for Client

➤ **Standard AML Compliance – AED 1499.00**

General review, advice and assistance on AML, KYC and CFT. Advice and training on corporate compliance and governance and setting up procedures and guidance's in the Client's organizations.

➤ **DNFBP – Advanced AML Compliance – AED 21,000.00**

Detailed review, advice and assistance on AML, KYC and CFT Advice and training on corporate compliance and governance, setting up procedures and documentation in the Client's organization. Training, policies and procedure manuals to ensure compliance in the Client's organization.



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