

A Brief Overview of Ultimate Beneficial Ownership (UBO) Regulations

In recent years, the UAE has emerged as a premier destination for relocation, boasting an attractive Free Zone system and globally recognized financial centers. Alongside its extensive network of Double Tax Treaties and unwavering political stability, the UAE has become the preferred jurisdiction for an increasing number of expatriates and corporations worldwide.

With Expo 2020 on the horizon, the UAE is witnessing heightened global interest. Concurrently, the region has witnessed a slew of regulatory updates, encompassing areas such as Foreign Direct Investment, Economic Substance, In-Country Value, and visa regulations. Notably, the UAE has recently implemented uniform minimum disclosure requirements for UAE-incorporated corporate entities, alongside the introduction of a beneficial ownership register. These regulations, encapsulated in Cabinet Resolution No. 58 of 2020 on the Regulation of the Procedures of the Real Beneficiary, were enacted on August 28, 2020, in response to heightened scrutiny by both national authorities and global regulatory bodies, aiming to combat money laundering, bribery, and corruption.

Under these regulations, UAE companies established in the Mainland and Non-financial Free Zones are obligated to prepare, maintain, and submit Beneficiary Ownership details, including a Register, to their Relevant Authority.

Entities under dissolution or liquidation must ensure that the appointed liquidator provides a true copy of the updated UBO register to the Registrar within 30 days of their appointment.

The filing deadline for the Registers is October 27, 2020.

According to UBO regulations, entities must maintain the following Registers in their office premises:

- A Shareholder's Register
- A Register of Ultimate Beneficiary Owners
- A Register of Nominee Directors

The definition of a Real Beneficiary includes any natural person who ultimately owns or controls at least 25% of the company's share capital, directly or indirectly, or has the right to appoint or dismiss the majority of the company's directors. If no such individual is identifiable, the beneficial owner may be any natural person managing or administering the company.

Entities must employ reasonable measures to obtain accurate and up-to-date data for the Registers, preserving records to prevent damage, loss, or destruction. Additionally, they must appoint a resident point of contact and provide their details to the Registrant.

Each Register must be maintained for the company's lifespan and for five years following its de-registration, liquidation, or dissolution.

Registers should contain detailed information, including names, nationalities, residential addresses, and identification details of Ultimate Beneficial Owners, Partners or Shareholders, and Nominee Directors/Managers.

Non-compliance with these regulations may lead to sanctions imposed by the UAE Ministry of Economy.

It remains unclear whether these regulations will impact ownership structuring arrangements with UAE local partners. However, companies wholly owned by the Federal or local government, as well as those licensed in Financial Free Zones, are exempt from UBO regulations.