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UAE: Corporate Compliance Update:

New Provisions regarding Real Beneficiaries / Ultimate Beneficial Owners (Cabinet Decision No. 58 of 2020)

Legal Briefing (28 September 2020)

*Through Cabinet Decision No. 58 of 2020 ("**Decision**") the United Arab Emirates ("**UAE**") updated their corporate compliance regulations with regard to real beneficiaries (also referred to as ultimate beneficial owners, "**UBO**") for the companies in the UAE mainland, thereby further strengthening the applicable compliance regime in the UAE. In this Legal Briefing we look at the scope of the Decision and its impact on companies.*

I. Background

A concept requiring the banks to provide certain information about UBOs of their customers was first introduced in the banking sector in 2000 through the UAE Central Bank Circular No. 24 of 2000. Initially this was applicable to public shareholding companies only.

In June 2008, while ramping up its efforts to combat money laundering and financing of terrorism, the UAE Central Bank extended these obligations vide Notice No. 2922 of 2008 to all the companies and businesses opening bank accounts in the country.

The years 2018 and 2019 witnessed further updates in this regard, in particular in the form of updates to the UAE's anti-money laundering and anti-terrorism financing regime (Federal Decree Law No. 20 of 2018 and its implementing regulations, Cabinet Decision No. 10 of 2019).

Over the past years, certain free zones in Dubai (e.g. Dubai Multi Commodities Center, Jebel Ali Free Zone, Tecom,) have already implemented requirements regarding information on UBO during the set-up / registration process. However, the majority of the licensing authorities in the UAE previously did not require any such information from the companies. However, with the issuance of the Decision, this procedure will now be uniformed for all the free zone and mainland companies.

II. Main Changes Introduced by the Decision effective August 27, 2020 are:

- **The Decision now applies to all legal persons licensed or registered in the UAE;**

- **Decision also applies to free zone companies (excluding the financial free zones Dubai International Financial Centre and Abu Dhabi Global Markets);**

- **Every legal person licensed or registered in the UAE must create a UBO register; and**

- **Every legal person licensed or registered in the UAE must submit all relevant UBO data to the relevant authority.**

III. Scope of the Decision in Detail

The Decision provides two main obligations for every legal person licensed or registered in the UAE: a) creation of a UBO register and b) submitting all relevant UBO data to the relevant authority.

The Decision defines the UBO as whoever owns or ultimately controls through direct or indirect ownership at least 25% of the legal person's shares or whoever has a voting right of at least 25% of the shares, Art. 5 (1). In case no physical person can be determined as a UBO, then the person who has a decision-making authority at the legal person will be considered as the UBO, Art. 5 (5).

a) UBO Register

Pursuant to Art. 8 of the Decision, every licensed and registered legal person shall create an UBO register with the following data and information:

- full name, nationality and date and place of birth;
- place of residence and address;
- passport or ID number;
- date and basis on which the person became an UBO; and
- date on which the person ceased to be an UBO.

The UBO register shall be created within 60 days from the Decision's publication date, i.e. until **October 26, 2020**. Companies are required to keep the register updated on constant basis (Art. 6).

b) Submission of Data

Within 60 days of the Decision's publication, i.e. until October 26, 2020, or within 60 days from the day of licensing (whichever date occurs first), the legal person shall submit the data of the UBO register to the relevant authority.

IV. Summary

Companies are now required to:

- create a UBO register; and
- submit certain UBO information to the competent authorities until October 26, 2020.

Moreover, within the next weeks it should become apparent how the authorities will implement the new requirements, especially with regards to the format for the UBO register,

form for the data to be stored (i.e. simple copies or legalized documents) and the submission channels to the licensing authorities.

For more information, please contact your usual contact person at SCHLÜTER GRAF or send an email to dubai@schlueter-graf.com.

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