

FINANCIAL INSTITUTIONS LAW

	FINANCE COMPANY	FINANCIAL INVESTMENT COMPANY	FINANCIAL CONSULTANT (BANKING, FINANCIAL & INVESTMENT CONSULTATION COMPANY)
GOVERNING LAWS & RESOLUTIONS	<p><i>The Central bank board of directors' Resolution no. 58/3/96</i></p> <p><i>(Regarding the regulation for finance companies)</i></p>	<p><i>The Central bank board of directors' Resolution no. 89/3/2000</i></p> <p><i>(Regarding Amendment of the Regulation for Investment Companies and Banking, Financial and Investment Consultation Establishments or Companies)</i></p> <p><i>The Central bank board of directors' Resolution no. 164/8/94</i></p> <p><i>(Regarding the regulation for investment companies and banking, financial and investment consultation establishment or companies)</i></p>	<p><i>The Central bank board of directors' Resolution no. 89/3/2000</i></p> <p><i>(Regarding Amendment of the Regulation for Investment Companies and Banking, Financial and Investment Consultation Establishments or Companies)</i></p> <p><i>The Central bank board of directors' Resolution no. 164/8/94</i></p> <p><i>(Regarding the regulation for investment companies and banking, financial and investment consultation establishment or companies)</i></p>
DEFINITION	<p>The Juridical person who conducts one or more of the main finance activities.</p> <p style="text-align: center;"><i>Art 1 – 58/3/96</i></p>	<p>The juridical person who conducts financial investment business.</p> <p style="text-align: center;"><i>Art 1.1 164/8/94</i></p>	<p>The natural or juridical person who, against a certain fee, provides banking, financial and investment consultations.</p> <p style="text-align: center;"><i>Art 1.1(i) 164/8/94</i></p>
ACTIVITIES	<p>Finance companies may conduct one or more of the following principal business activities:</p> <p>a) advancing personal loans or credit for personal or consumer purposes;</p> <p>b) providing businesses and trades with finance including issuance of Letters of Credit and Guarantees on behalf of customers;</p> <p>c) subscribing to the share capital of projects and (or issuing stocks or</p>	<p>Investment companies may conduct one or more of the following principal businesses:</p> <p>a) Opening investment accounts and managing portfolios on behalf of others, whether individuals or companies. This, however, requires that funds of investment accounts and funds of managed portfolios be maintained in accounts with a bank licensed to operate in the country, or with a major bank outside the country or with an investment company licensed to operate in the country.</p> <p>b) Subscribing in the capitals of companies and debt instruments issued by major companies</p>	<p>The person licensed to offer banking, financial and investment consultations against a fee, may conduct one or more of the following main activities:-</p> <p>a) Preparing feasibility studies regarding investing in banking, financial or investment projects in financial markets and various securities.</p> <p>b) Designing various strategies which aim at improving the performance level of existing banking, financial and investment projects.</p> <p>c) Providing advice or opinion to a natural or</p>

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<p>certificate of deposits, provided always that the aggregate of the Finance Company's involvement in these activities shall not exceed 7% of its share capital; and</p> <p>d) any other finance business authorized by the Central Bank.</p> <p>The finance company cannot conduct any other additional business activities without the prior approval of the Board of Directors of the Central Bank; such activities cannot be amended without the approval of the Board of Directors of the Central Bank.</p> <p><i>Art. 2 – 58/3/96</i></p>	<p>c) Preparing feasibility studies for projects and marketing of allotments and shares of stock companies and debt instruments issued by major companies.</p> <p>d) Establishing and/or managing investment trust funds.</p> <p>e) Acting as a trustee for funds entrusted to it by a settler to manage on behalf of a beneficiary.</p> <p>f) Participating in extending and/or managing joint loans.</p> <p>g) Studying and marketing company mergers and ownerships.</p> <p>h) Establishing and/or managing other investment funds. This activity requires special approval from the Central Bank on a case by case basis.</p> <p><i>Art 2.1 (amended) 89/3/2000</i></p> <p>Upon satisfying requirements and obtaining license from Central Bank an Investment Company can:</p> <ul style="list-style-type: none"> o Act as a Broker in purchasing and selling local and foreign securities. o Deal in foreign currencies o Provide consultation services related to banking, finance and investment. <p><i>Art 2.2 – 164/8/94</i></p>	<p>juridical person, directly or in writing or through publications, regarding the value of securities or any other financial instruments, or regarding any banking services available in the country or expected to be provided in the future.</p> <p>d) Recommending to a natural or juridical person, directly, in writing or through publications, to carry out banking activities or to benefit from banking services, provided by banking institutions, or to invest or show interest in securities or any other financial instruments, or to purchase or sell such securities or instruments.</p> <p>e) Looking for technical investment methods with a better return, and providing general instructions or directives regarding the development of banking services or investment programs.</p> <p>f) Issuing periodical or non-periodical reports with limited circulation regarding the banking system, or available banking services or services which may become available in the future; or regarding securities or any other financial instruments which include, among other things, an analysis of and a promotion for such instruments.</p> <p>h) all the administrative activities required to conduct his business.</p> <p>The activities of the person licensed to provide</p>

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		<p>An Investment company's business should be clearly identified in its Articles of Association and not be amended after the company has been licensed, except after the prior approval of the Board of Directors of the Central Bank.</p> <p style="text-align: center;"><i>Art 2.3 – 164/8/94</i></p> <p>Carryout all administrative & services activities required to conduct its business</p> <p style="text-align: center;"><i>Art 2.4 – 164/8/94</i></p> <p>Set up & publicize investment funds, upon obtaining a license from the Central Bank</p> <p style="text-align: center;"><i>Art 4 – 164/8/94</i></p>	<p>banking, financial and investment consultations should be accurately identified in the license granted to him by the Central Bank. Once identified, the activities cannot be amended, through addition or deletion, without the prior approval of the Board of Directors of the Central Bank.</p> <p style="text-align: center;"><i>Art 5 - 164/8/94</i></p>
<p>POSSIBLE FORM OF COMPANIES</p>	<p>Any commercial company as per Law No.8 (1984), including LLC</p> <p style="text-align: center;"><i>Amendments to 58/3/96</i></p> <p><i>Note: LLC for this purpose is a controversial matter as it is contradictory to the Federal Law No.8 1984 for Commercial Companies</i></p> <p style="text-align: center;"><i>Art 220 – Federal Law No.8 of 1984</i></p>	<p>Any commercial company as per Law No.8 (1984) except for Joint Venture Co.s</p> <p style="text-align: center;"><i>Art 1.1 (a) – 164/8/94</i></p> <p style="text-align: center;">Including LLC</p> <p style="text-align: center;"><i>Amendments in the BR</i></p> <p><i>Note: LLC for this purpose is a controversial matter as it is contradictory to the Federal Law No.8 1984 for Commercial Companies</i></p> <p style="text-align: center;"><i>Art 220 – Federal Law No.8 of 1984</i></p> <p>Branch/representative offices of a foreign investment company or a foreign investment bank. (If the Board is convinced that this would be complimentary to banking and financial services and is in the interest of national economy.)</p> <p style="text-align: center;"><i>Art 15 – 164/8/94</i></p>	<p>Any commercial company as per Law No.8 (1984) Including LLC</p> <p style="text-align: center;"><i>Amendments in the BR</i></p>

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MINIMUM PAID UP CAPITAL	<p>AED 35 Million <i>Art 6 – 58/3/96</i></p> <p>AED 50 Million (if LLC) <i>Amendments to 58/3/96</i></p>	<p>AED 25 Million For activities (a ,b, c) Capital is to be increased if other business activities, which are subject to the approval of Central Bank is added. <i>Art8.2(a) -164/8/94</i></p> <p>AED 50 Million (if LLC) <i>Amendments</i></p>	<p>AED 1 Million <i>Art 8.3(a) – 164/8/94</i> AED 50 Million (if LLC) <i>Amendments</i></p>
REQUISITE UAE NATIONAL SHAREHOLDERS	<p>60% Minimum <i>Art 6 – 58/3/96</i></p>	<p>Minimum 51% <i>Art 8.2 (b) – 164/8/94</i></p>	<p>Minimum 51% <i>Art 8.3 (b) – 164/8/94</i></p>
MINIMUM NUMBER OF FOUNDERS	<p>Founders -12 (minimum Board members – 5 and 60% members should be knowledgeable in finance or banking business) <i>Amendment – 58/3/96</i></p>	<p>Founders 12 (minimum Board members – 5 and 60% members should be knowledgeable in finance or banking business) <i>Amendment</i></p>	<p>Can be a sole proprietorship owned by a UAE national <i>Amendment</i></p>
LICENSE APPLICANT	<p>Juridical person <i>Art 1.1(c) – 58/3/96</i></p>	<p>Juridical person <i>Art 1(b) & (n), 7 – 89/3/2000</i></p>	<p>Natural or juridical person <i>Art 1(n), 7 – 89/3/2000</i> <i>Art 5 - 164/8/94</i></p>
LICENSE APPLICANT REQUIREMENTS	<p>a) <u>Personal Integrity</u> - Every founding member of the finance company should be characterized by good conduct and behavior, and should not have been convicted in any crime which stains honour or ethics, or which involves violence. He should not as well have</p>	<p>The founding members of the investment company should meet the necessary requirements for <u>personal integrity and professional qualifications as deemed appropriate by the Central Bank</u>. Also all matters related to any other investment company or any founder, manager or auditor in that company, with regard to personal integrity or professional</p>	<p>The license requires any natural person to be holder of a degree in this field, subject to Central Bank approval on the basis of a specific test. <i>Art. 1 (n) 89/3/2000</i></p> <p>The founding members of the consultation company should meet the necessary requirements</p>

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NATIONALITY OF LICENSE HOLDER	<p>failed to honour his liabilities towards banks or any other creditors. Furthermore, he should not have declared bankruptcy, nor reached a settlement agreement with his creditors; also, he should not have had his properties confiscated, nor had he been put under court receivership.</p> <p>b) <u>Professional Qualifications</u> The person who is nominated by the applicant as manager or supervisor should be theoretically and practically familiar with the finance business, and should as well have relevant managerial experience.</p> <p>In deciding on the application for a license, all matters regarding personal integrity or professional qualifications, concerning any other company within the applicant's group, or any manager or supervisor in that group, shall be taken into consideration.</p> <p style="text-align: center;"><i>Art 6 – 58/3/96</i></p>	<p>qualifications, shall be taken into consideration.</p> <p><i>Art 8.2(d) – 164/8/94</i></p>	<p>for <u>personal integrity and professional qualifications as deemed appropriate by the Central Bank</u>. Also all matters related to someone previously licensed to conduct consultation business (of banking, financial and investment), with regard to personal integrity or professional qualifications, shall be taken into consideration.</p> <p><i>Art 8.3(d) – 164/8/94</i></p>
	<p>UAE national (Juridical Company)</p> <p><i>Art 1.1(c) – 58/3/96</i></p>	<p>UAE national (Juridical Company)</p>	<p>UAE national (above 21)</p> <p><i>Art 8.3 (d) – 164/8/94</i></p> <p>The Central Bank may, if needed authorize a <u>non-</u></p>

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			<p><u>U.A.E. national</u> to apply for and obtain a license as a Financial Consultant Provided always that (i) the application is made by an individual (not a company); and (ii) the applicant satisfies the provisions of the Resolution.</p> <p><i>Article 16 -164/8/94</i></p>
VALIDITY OF LICENSE	<p>2 years (renewable)</p> <p><i>Art 8 – 58/3/96</i></p>	<p>3 years or</p> <p>For a period not exceeding the period of the company as specified in its Articles of Association or any similar document</p> <p><i>Art 10 – 164/8/94</i></p> <p>Should be renewed 2 months before expiry</p> <p><i>Art 12 - 164/8/94</i></p>	<p>3 years or</p> <p>For a period not exceeding the period of the company as specified in its Articles of Association or any similar document</p> <p><i>Art 10 – 164/8/94</i></p> <p>Should be renewed 2 months before expiry</p> <p><i>Art 12 - 164/8/94</i></p>
DEPOSITS	<p>Prohibited from individuals</p> <p><i>Art 3.2 - 58/3/96</i></p> <p>Can accept from companies as a financial resource</p> <p><i>Art 3.1 (d) – 58/3/96</i></p> <p>The value of the accepted deposits should be limited to 100% of the paid up capital and reserves of the company during its first 2 years of operations. Thereafter, upon approval from Central Bank up to 200%, after 4 years up to 300% and after 7 years up to 500%</p>	<p>Prohibited in any form</p> <p><i>Art 3.2 - 164/8/94 & 89/3/2000</i></p>	<p>Prohibited in any form</p> <p><i>Art 3.2 - 164/8/94 & 89/3/2000</i></p>

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	1-2 yrs 100% 2-4 yrs 200% 4-7 yrs 300% above 7 500% <i>Amendment Art 8 – 58/3/96</i>		
RESTRICTIONS	The Finance company <u>should not</u> : <ul style="list-style-type: none"> • Conduct money changing business • Investment companies' business • any other unlicensed business, or • the business conducted by other financial institutions • lend, deposit or invest more than 7% of its paid-up capital and reserves in any one institution or in one group. • extend loans or advances to its board members or to their related companies. • own property apart from what is permitted by the Central Bank. • capital adequacy shall not be less than 15%. • change its legal status or ownership or size of its capital without prior approval in writing from the Central Bank. • merge or consolidate with any other person or entity, without the prior approval in writing from the Central Bank. 	The Investment Company <u>should not</u> : <ul style="list-style-type: none"> • underwrite any issuance of securities more than 25% of its own funds for each issuer. • invest more than 10% of its own funds (final take) in securities issued by any company, • purchase more than 10% of the value of securities issued by any company. • manage the entity's business by persons who have not been approved by the Central Bank. • Change the entity's legal status or ownership or size of its capital without prior approval in writing by the Central Bank. • Merge or combine with any other juridical person or entity, without prior approval in writing by the Central Bank. • Conduct the entity's business from premises which are not approved by the Central Bank • conduct any other business of any kind at the same premises • relocate premises without approval from the Central Bank. • the entity's commercial name should not include the terms "bank, finance company, trade or real estate company" or any of what might indicate 	The Financial Consultant <u>should not</u> : <ul style="list-style-type: none"> • Manage the entity's business by persons who have not been approved by the Central Bank. • Change the entity's legal status or ownership or size of its capital without prior approval in writing by the Central Bank. • Merge or combine with any other juridical person or entity, without prior approval in writing by the Central Bank. • Conduct the entity's business from premises which are not approved by the Central Bank • Conduct any other business of any kind at the same premises • Relocate premises without approval from the Central Bank. • The entity's commercial name should not include the terms "bank, finance company, trade or real estate company" or any of what might indicate anything other than the licensed business. • Open any branches except after getting prior approval in writing from the Central Bank. • the managers or auditors of the licensee is not allowed to open investment accounts or any

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	<ul style="list-style-type: none"> • conduct its business from premises which is not approved by the Central Bank, • conduct any other business of any kind at the same premises; • relocate its premises without approval from the Central Bank. • its commercial name should not include the terms “bank”, “investment company”, “commercial or real estate company” or any of what might indicate anything other than the finance business. • open any branches except after obtaining prior approval in writing from the Central Bank. • incur any commitments on any of its assets without prior approval in writing from the Central Bank. • its partners shall not withdraw any amounts exceeding his shares of the annual net profits identified in the provisions of the Companies’ Law No. (8) of 1984 and its amendments. • none of the partners, managers or auditors of the company shall obtain any loans from it; none of them shall have any current accounts or other accounts with the company. 	<p>anything other than the licensed business.</p> <ul style="list-style-type: none"> • open any branches except after getting prior approval in writing from the Central Bank. • the managers or auditors of the licensee is not allowed to open investment accounts or any other accounts with the same person. <i>Article 16 -164/8/94</i> • Deal with unknown or small parties or with parties in countries which apply restrictions on transfers and capital or which are high risk countries. (The trustee (i.e. the bank with which funds of investment accounts or investment portfolios or monies of funds are deposited) should verify the matter directly.) <i>Art 3 – 89/3/2000</i> 	<p>other accounts with the same person. <i>Article 12 -164/8/94</i></p> <ul style="list-style-type: none"> • Deal with unknown or small parties or with parties in countries which apply restrictions on transfers and capital or which are high risk countries. (The trustee (i.e. the bank with which funds of investment accounts or investment portfolios or monies of funds are deposited) should verify the matter directly.) <i>Art 3 – 89/3/2000</i>

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	<i>Art. 10 – 58/3/96</i>		
REQUIRED DOCUMENTS (FOR LICENSE)	<ol style="list-style-type: none"> 1. Application form prepared by the Central Bank 2. A statement identifying the nature and scope of the finance business, specify any plans the applicant may have with regard to the future developments of these kinds of business, as well as details regarding the applicant's arrangements related to managing this business. 3. The names, addresses, nationalities and share ratios of founders, 4. Certified copy of the Articles and Memorandum of Association after the completion of the establishment procedures, as per Commercial Companies Law 5. Copies of passports of expatriate founders 6. Copies of the family list record of national founders. 7. The organizational structure of the proposed finance company, 8. C.V.s of the persons recommended for main posts. 9. Certificate issued by a bank operating in the country indicating the depositing of no less than AED 15 Million (if LLC then 100% - Art 	<ol style="list-style-type: none"> 1. Application form prepared by the Central Bank 2. A statement clarifying the nature and scope of investment business which the applicant intends to conduct, identify any plans the applicant may have with regard to the future development of these kinds of business and details regarding the applicant's arrangements related to managing his business. 3. The names, addresses, nationalities and share ratios of the founders 4. Certified copy of the Articles and Memorandum of Association after the completion of establishment procedures as per Commercial Companies Law 5. Copies of passports of expatriate founders. 6. Copies of the family list record of national founders. 7. The proposed organizational structure by the applicant 8. the C.V.s of the persons recommended for main posts, 9. Banking references for expatriate partners and key managers (to be sent directly from their banks to the Central Bank.) 10. Undertaking to abide by the provisions of the Commercial Companies Law and the provisions of this regulation and any other decisions, instructions, directives, circulars or correspondence issued by the Central Bank with regard to investment business 	<ol style="list-style-type: none"> 1. Application form prepared by the Central Bank 2. A statement clarifying the nature and scope of banking, financial and investment consultations business which the applicant intends to conduct, identify any plans the applicant may have with regard to the future development of these kinds of business, details regarding the applicant's arrangements related to managing his business. 3. (A) <u>With Regard to the Juridical Person</u> <ol style="list-style-type: none"> a. The names, addresses, nationalities and share ratios of the founders b. Certified copy of the Articles and Memorandum of Association after the completion of establishment procedures as per the Commercial Companies Law c. Copies of passports of expatriate founders d. Copies of the family list record of national founders. 4. (B) <u>With Regard to the Natural Person</u> <ol style="list-style-type: none"> a. The name and address of the applicant b. Copy of the family list record for the national, c. A copy of the passport for the expatriate. 5. The proposed organizational structure by the applicant 6. C.V.s of the persons recommended for main posts,

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	<p>2 Amendment) of the authorized capital of the company - as declared in its Articles and/or Memorandum of Association; in addition to an undertaking to deposit the remaining of the capital immediately after obtaining a preliminary approval from the Central Bank.</p> <p>10. Undertaking to abide by the Commercial Companies Law and this regulation and any decisions, instructions, directives, circulars or correspondence issued by the Central Bank with regard to finance business</p> <p>11. Undertaking to make available records and documents to be supervised, examined and reviewed by the Central Bank.</p> <p>12. Any information or documents requested by the Central Bank for the purpose of deciding on the application for a license.</p> <p style="text-align: center;"><i>Art. 5 – 58/3/96</i></p>	<p>11. Undertaking to make available records and documents to be supervised, audited and reviewed by the Central Bank.</p> <p>12. Any information or documents requested by the Central Bank for the purpose of deciding on the application for a license.</p> <p style="text-align: center;"><i>Art 7 - 164/8/94</i></p>	<p>7. Banking references for expatriate partners and key managers (to be sent directly from their banks to the Central Bank.)</p> <p>8. Undertaking to abide by the provisions of the Commercial Companies Law and the provisions of this regulation and any other decisions, instructions, directives, circulars or correspondence issued by the Central Bank with regard to banking, financial and investment consultations.</p> <p>9. Undertaking to make available records and documents to be supervised, audited and reviewed by the Central Bank.</p> <p>10. Any information or documents requested by the Central Bank for the purpose of deciding on the application for a license.</p> <p style="text-align: center;"><i>Art 7 - 164/8/94</i></p>