

By Hassen A. Ferris and Nabil A. Issa, Esqs.¹

JEBEL ALI FREE ZONE COMPANIES

The Jebel Ali Free Zone (the "Free Zone") has authorized for the first time the incorporation of a commercial entity in the Free Zone owned by multiple parties.

Dubai Implementing Regulation No. 1/99 (the "Implementing Regulation"), permits the incorporation in the Free Zone of "free zone companies" (a "FZCO") to be regulated by a new FZCO Department, which will have the responsibility for the formation, registration and regulation of FZCOs.

As in the case of a branch or a free zone establishment (an "FZE"), which are other structures permitted in the Free Zone, an FZCO may be 100% foreign owned. An FZCO is a distinct legal entity with the power to enter into contracts, borrow, guarantee obligations, pledge property, indemnify, issue, make or endorse negotiable instruments and sue and be sued in its own name. Issues in relation to FZCOs not addressed by the Implementing Regulation are subject to the requirements of U.A.E. Federal Law No. 8 of 1984 Regarding Commercial Companies and its amendments (the "Companies Law").

Ownership and Capital Structure

An FZCO at all times must have between two and five shareholders, who may either be natural or corporate persons. It may own shares in other legal entities including FZEs established in the Free Zone (which may only have one shareholder), but it may not invite the public to subscribe to any of its shares, stock, debentures or debenture stock.

An FZCO has a minimum capital requirement of U.A.E. Dirhams 500,000 (approximately U.S.\$ 137,500). All shares must be of the same value and class and must have a nominal value of a minimum of U.A.E. Dirhams 100,000 (approximately U.S.\$ 27,300) or multiples thereof. Shares may not be issued until paid in full in cash, unless the

¹ Hassen A. Ferris is a partner in and Nabil A. Issa is associated with the international law firm of Afridi & Angell, which has offices in New York, Washington DC, Islamabad, Dubai, Abu Dhabi, Sharjah and Jebel Ali. Messrs. Ferris and Issa are based in the Dubai office of Afridi & Angell.

Free Zone Authority (the "Authority") authorizes alternative payments (such as in-kind). The shares must be evidenced by certificates that must be in the name of the shareholder (i.e., share certificates may not be in bearer form). Any share transfers must be approved by the Authority.

If it is determined that the net assets of an FZCO fall below 50% of its share capital, the Authority may require the FZCO to take such steps as are necessary to remedy the situation. If the situation is not so remedied within the stipulated period, the Authority may require the FZCO to be deregistered.

Registration and Licensing

Registration of an FZCO is accomplished by submitting an application form, as prescribed by the Authority, together with various other documents and information as required to satisfy the Implementing Regulation. All founding shareholders must submit personal information including (where relevant) name, gender, nationality, profession, domicile and address. All corporate founding shareholders must also submit the following: (1) certificate of good standing or registration, (2) memorandum and articles of association/incorporation, (3) resolutions of their board of directors authorizing the creation of the FZCO, (4) power(s) of attorney in favor of the person(s) who will establish and manage the FZCO and (5) audited financial statements for the two most recent financial years. The documents referred to in the first four items listed above must be fully authenticated, a process which begins with notarization and includes authentication up to the level of the foreign ministry in the country of origin and the U.A.E. embassy or consulate in that country.

Other documents that must be submitted to the authority include an application form and a memorandum and articles of association of the FZCO, which must be in both Arabic and English.

Management and Internal Regulations

The Implementing Regulation allows a great deal of flexibility in structuring the management of an FZCO. An FZCO is managed by a board of directors, who have great discretion over management of its affairs. The board must be comprised of at least three natural persons. The initial directors are appointed by the memorandum of association and subsequent appointments and removal are by board resolution.

The Implementing Regulation requires an FZCO to have a name which ends with the initials "FZCO" and to maintain a registered office in the Free Zone. The name of the FZCO must appear conspicuously outside every office and legibly in all correspondence and documentation.

Each FZCO must have at least three directors and one corporate secretary. At least two of the directors and the secretary must reside in the Emirate of Dubai. A non-U.A.E. national may not be appointed as a director or secretary unless he or she has or obtains valid U.A.E. residence and work permits through the Authority.

All FZCOs are required to provide the FZCO Department with a copy of every board resolution within seven days after it is issued, and the details thereof should then be entered into the FZCO's register.

Security Interests

It is permitted to encumber the shares of an FZCO, but the encumbrance must apply over all (but not only some) of the shares. The details regarding the encumbrance must be delivered to the FZCO Department within seven days of the date thereof. Also, any change in the name of the creditor or creditors in whose favor the encumbrance is given must be delivered to the FZCO Department within seven days. The FZCO is required to keep a register of encumbrances at its registered office.

Audit Requirements

An FZCO must appoint an auditor from among those approved by the Authority and submit audited financial statements to the Authority within three months of the end of its financial year. The Implementing Regulation provides flexibility as to the length of the FZCOs first financial year, which is considered to commence on the date the FZCO is registered with the Authority, can be as long as 18 months and as short as six months. Subsequent financial years are assumed to be 12 months long in duration, unless altered by a board resolution through which the financial year may be as long as 15 months and as short as six months. The FZCO must also submit consolidated audited financial statements for companies in which it holds a 50% or greater interest or over which it exercises significant influence.

Dissolution and Liquidation

Deregistration of an FZCO may be effected in accordance with an order of the Dubai courts or an application by the board of directors or shareholders of the FZCO. The FZCO Department may, with notice,

deregister an FZCO if it has reason to believe that the FZCO is no longer conducting business. In addition, the Authority may order the deregistration of an FZCO if it is in breach of the Implementing Regulation or the terms of its license and, having been notified of the breach, has failed to rectify it.

An accountant licensed in Dubai must be appointed by the FZCO to act as the liquidator. Deregistration brings to an end the business and trading operations of the FZCO. After paying, or making allowances for the payment of, the debts and obligation of the FZCO, all remaining assets revert to the owner upon deregistration unless the deregistration is a consequence of a breach of the implementing regulations or the terms of the FZCO's license, in which case ownership of such assets could, at the option of the Authority, vest in the Authority.

Fees and Penalties

The Authority has the right to charge licensing and formation fees. It has the right to investigate the affairs of an FZCO at its own discretion or upon application by the board of directors or shareholders of the FZCO itself or a creditor of the board of directors or shareholders, provided the Authority is satisfied that an investigation is justified.

In addition to the right to have the property of the FZCO vest in the Authority in the event that the FZCO violates the Implementing Regulation or its license, the Authority has the right to impose penalty fees on the FZCO or its Shareholders of up to U.A.E. Dirhams 10,000 (approximately U.S.\$ 2,750) per day for failure to comply with the Implementing Regulation, the terms of the license or the FZCO conditions.

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