The United Arab Emirates

RISK & COMPLIANCE REPORT

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Executive Summary - United Arab Emirates	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions Compliance of OECD Global Forum's information exchange standard Offshore Finance Centre
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations Weakness in Government Legislation to combat Money Laundering Corruption Index (Transparency International & W.G.I.)) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

dates, vegetables, watermelons; poultry, eggs, dairy products; fish

Industries:

petroleum and petrochemicals; fishing, aluminum, cement, fertilizers, commercial ship repair, construction materials, some boat building, handicrafts, textiles

Exports - commodities:

crude oil 45%, natural gas, reexports, dried fish, dates

Exports - partners:

Japan 15.4%, India 13.4%, Iran 10.7%, Thailand 5.5%, Singapore 5.5%, South Korea 5.3% (2012)

Imports - commodities:

machinery and transport equipment, chemicals, food

Imports - partners:

India 17%, China 13.7%, US 10.5%, Germany 5.1%, Japan 4.2% (2012)
Investment Restrictions: Investment laws and regulations are evolving in the United Arab Emirates (UAE) and are expected to become more conducive to foreign investment. At present, the regulatory and legal framework favors local over foreign investors. There is no national treatment for investors in the UAE and foreign ownership of land and stocks is restricted. Foreign investors may purchase 108 of the 135 issues on the UAE stock markets, the Abu Dhabi Securities Market (ADX) and Dubai Financial Market(DFM). Companies on the exchanges are subject to the Federal Companies Law, thus foreign investors are allowed to own up to 49 percent of a company. The federal Industry Law stipulates that industrial projects must have 51percent UAE national ownership. The law also requires that projects either be managed by a UAE national or have a board of directors with a majority of UAE nationals. Exemptions from the law are provided for projects related to extraction and refining of oil, natural gas, and other raw materials. Additionally, projects with a small capital investment or projects governed by special laws or agreements are exempt from the industry law. The UAE restricts foreign ownership of land, with rules varying from emirate to emirate. Individual emirate policies allow non-GCC nationals to have freehold or leasehold rights in designated areas, but do not give property owners permanent residence visas or an automatic right to work in the emirate. In 2006, the UAE Cabinet amended the law regarding ownership of insurance companies to state that insurance companies must be 75 percent owned by a UAE national or 100 percent by UAE legal persons, i.e., a UAE corporation.

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Section 1 - Background

The Trucial States of the Persian Gulf coast granted the UK control of their defense and foreign affairs in 19th century treaties. In 1971, six of these states - Abu Dhabi, 'Ajman, Al Fujayrah, Ash Shariqah, Dubayy, and Umm al Qaywayn - merged to form the United Arab Emirates (UAE). They were joined in 1972 by Ra's al Khaymah. The UAE's per capita GDP is on par with those of leading West European nations. Its high oil revenues and its moderate foreign policy stance have allowed the UAE to play a vital role in the affairs of the region. For more than three decades, oil and global finance drove the UAE's economy. However, in 2008-09, the confluence of falling oil prices, collapsing real estate prices, and the international banking crisis hit the UAE especially hard. The UAE has essentially avoided the "Arab Spring" unrest seen elsewhere in the Middle East, though in March 2011, political activists and intellectuals signed a petition calling for greater public participation in governance that was widely circulated on the Internet. In an effort to stem potential further unrest, the government announced a multi-year, $1.6-billion infrastructure investment plan for the poorer northern Emirates.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The United Arab Emirates is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in The United Arab Emirates was undertaken by the Financial Action Task Force (FATF) in 2008. According to that Evaluation, The United Arab Emirates was deemed Compliant for 5 and Largely Compliant for 15 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 4 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2008):

A basic legal framework for combating money laundering and terrorist financing is in place in the UAE, but that framework needs further strengthening in a number of areas. The AML law needs to be amended to expand the range of predicate offences and to provide greater powers for the financial intelligence unit. The FIU should also increase its own staffing so that it may operate as an autonomous unit, rather than relying on the resources of the Central Bank's Supervision Department and other regulatory agencies.

The legal framework for the financial sector preventive measures in the domestic sector provides a basic grounding, but it mostly predates the revision of the FATF Recommendations in 2003, which have now imposed much more detailed requirements. While the central bank has taken various administrative measures to strengthen the regime within the domestic sector, these require a more solid basis in the legal and regulatory framework, especially with respect to the customer due diligence (CDD) and related obligations. The regime applied to financial institutions operating within the Dubai International Financial Centre2 tends overall to be relatively close to the FATF standards.

The suspicious transactions reporting system delivers a lower number of reports than might be expected within a financial market of the size and nature of that within the UAE, and greater clarity is required about the basis on which institutions are expected to report transactions suspected of being linked to either money laundering or terrorist financing.

The authorities have taken positive initiatives to address the issue of Hawala dealers, and have introduced a voluntary system of registration and reporting. The central bank intends progressively to formalize its oversight regime for this sector, which is to be welcomed.

The basic AML legislation captures some of the DNFBP sectors, but no specific customer due diligence or related obligations have been extended to these entities, and there is no AML/CFT regulatory framework within the domestic sector. At the time of the onsite visit, Dubai International Financial Centre Authority (DIFCA) had drafted regulations for DNFBPs.3 Measures taken within the various free zones vary substantially.

US Department of State Money Laundering assessment (INCSR)

The United Arab Emirates was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The United Arab Emirates (UAE) is a regional hub for transportation, trade, and financial activity. In recent years, its robust economic development, political stability, and liberal business environment have attracted an influx of people, goods, and capital, which may leave the country vulnerable to money laundering activity. Dubai, especially, is a major international banking and trading center that has aggressively sought to expand its financial services business.

Money laundering risks in recent years have increased commensurate with the growth of large numbers of exchange houses, hawaladars, and trading companies in the UAE. Furthermore, remittances are transferred through these establishments from non-nationals in the UAE, who comprise more than 80 percent of the population and often are unable to access the formal financial sector in their home countries. There are some indications trade-based money laundering occurs in the UAE, including through commodities used as counter-valuation in hawala transactions or through trading companies and that such activity might support sanctions-evasion networks and terrorist groups in Afghanistan, Pakistan, Iran, Iraq, Syria, Yemen, and Somalia. Activities associated with terrorist and extremist groups include both fundraising and transferring funds. Bulk cash smuggling is also a significant problem.

A portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related to proceeds from illegal narcotics produced in Southwest Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are reported to be attracted to the UAE's financial and trade centers. Domestic public corruption contributes little to money laundering or terrorism financing.

Other money laundering vulnerabilities in the UAE include the real estate sector, the misuse of the international gold and diamond trade, and the use of cash couriers to transfer illicit funds. The country also has an extensive offshore financial center, with 37 free trade zones (FTZs) and two financial free zones. There are over 5,000 multinational companies located in the FTZs and thousands more individual trading companies. Companies located in the FTZs are considered offshore or foreign entities for legal purposes. UAE law prohibits the establishment of shell companies and trusts. Activity in the Dubai International Financial

Center, supervised by the Dubai Financial Services Authority, is largely from major international banks/institutions.

Do financial institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

Criminalization of money laundering:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES ***civilly:*** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

KYC covered entities: Banks, insurance companies, exchange houses, and securities traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,484: January 1 - December 11, 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks, insurance companies, exchange houses, and securities traders

money laundering criminal Prosecutions/convictions:

Prosecutions: Not available

Convictions: Not available

Records exchange mechanism:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The UAE is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the UAE continues to work on enhancing its AML/CFT program and has demonstrated its willingness and capability to take action again illicit financial actors. In November 2015, the Central Bank of the UAE (CBUAE), with assistance from the Dubai Police General Headquarters' Anti-Money Laundering Unit and the U.S. Drug Enforcement Administration, took action against a Treasury-designated money exchange that was supporting a money laundering racket.

The Securities and Commodities Authority (SCA) in September 2015 announced that it ordered all UAE-based securities and commodities brokerage companies to electronically connect with the CBUAE's Anti-Money Laundering and Suspicious Cases Unit (AMLSCU), the

UAE financial intelligence unit (FIU). The procedure marks the first phase of SCA's plan to connect all SCA-licensed companies with the AMLSCU.

The Government of the UAE in 2014 amended its Anti-Money Laundering Law, expanding the list of ML predicate offenses to all serious crimes, among other improvements. The AML Law explicitly states that money laundering offenses are stand-alone offenses and that the punishment of the offender for committing the predicate crime shall not preclude also punishing the offender for money laundering. Further, the new AML Law states that a conviction for the predicate offence is not required for evidencing the unlawful source of the proceeds being laundered.

Several areas of AML/CFT implementation and enforcement require ongoing action by the UAE. The UAE should increase the capacity and resources it devotes to investigating ML/TF both federally at the AMLSCU and at emirate-level law enforcement. The AMLSCU also needs to enhance its financial information collection and sharing capability to support cooperative efforts with counterpart FIUs. The AMLSCU should also develop its analytical capacity. Additionally, enforcement of cash declaration regulations is weak. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws. Furthermore, the UAE should criminalize tipping off.

Law enforcement and customs officials should proactively develop money laundering cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The UAE should take action to establish appropriate policies and procedures regarding all aspects of asset forfeiture, including asset sharing. The UAE should release annual numbers of AML/CFT prosecutions and convictions so as to better gauge the effectiveness of its regime.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, The United Arab Emirates does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

EU White list of Equivalent Jurisdictions

The United Arab Emirates is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

The United Arab Emirates is considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2016:

The United Arab Emirates' (UAE) proximity to major drug source and transit countries such as Afghanistan, Pakistan, and Iran, and its role as a sea and air transportation hub, have made the country a transshipment point for heroin and other illegal drugs. International drug trafficking organizations exploit Dubai's role as a global crossroads by using it as a command and control center and logistics hub for facilitating drug trafficking through the region and beyond. Rising volumes of drug seizures over the past several years indicate that traffickers increasingly use the UAE as a staging point to warehouse, stockpile, and distribute narcotics. Dubai International Airport has become a transit area for cocaine couriers from Brazil headed to various countries in Africa and Asia. There is no evidence of major drug cultivation or production within the UAE.

UAE authorities continue to interdict drug smuggling attempts, due in part to cooperation between the Dubai Police's Department of Anti-Narcotics and law enforcement from other countries, as well as awareness campaigns that have resulted in strong collaboration with residents. The UAE has a zero tolerance policy towards illegal drug use and drug trafficking is treated as a severe crime. The rate of illegal drug use in the UAE is low by international standards. The most common drug threats are hashish, illegal pharmaceutical drugs, and, minimally, heroin. Fenethylline, an amphetamine-type stimulant, may be the most widely available drug in the region. Use of new psychoactive substances, pharmaceutical drugs, and hashish continues to increase and poses an emerging threat.

The UAE government has made significant commitments of personnel and funding towards building new drug control institutions and conducting counter-narcotics law enforcement operations. The UAE hosts and funds a UN Office on Drug and Crime semi-regional office. The U.S. Drug Enforcement Administration (DEA) coordinates with UAE authorities to combat domestic and regionally-based drug trafficking organizations. Through the first nine months of 2015, UAE authorities passed approximately 70 drug leads to DEA on drug couriers, the majority of whom were arrested in the countries of their final destination due to law enforcement coordination between the involved countries. DEA works with Dubai Police on awareness efforts in schools, and the U.S. Department of Homeland Security coordinates with UAE law enforcement officials to investigate smuggling crimes in the UAE and the region.

In 2015, significant highlights of cooperation between U.S. and UAE law enforcement authorities included Operation Dirty Dhow, a multilateral operation targeting regional drug trafficking that resulted in the arrest of multiple suspected traffickers and the seizure of over one metric ton of heroin.

The UAE does not have a mutual legal assistance treaty or extradition agreement with the United States, though it is a party to multilateral conventions that promote such international cooperation.

US State Dept Trafficking in Persons Report 2014 (introduction):

The United Arab Emirates is classified a Tier 2 country - A country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

The United Arab Emirates (UAE) is a destination and transit country for men and women predominantly from South, Southeast, and Central Asia and Eastern Europe who are subjected to forced labor and forced prostitution. Migrant workers, who comprise over 95 percent of the UAE's private sector workforce, are recruited primarily from India, Pakistan, Bangladesh, Nepal, Sri Lanka, Indonesia, Ethiopia, Eritrea, China, Thailand, Republic of Korea, Afghanistan, Iran, and the Philippines; some of these workers face forced labor in the UAE. Women from some of these countries travel willingly to the UAE to work as domestic workers, secretaries, beauticians, and hotel cleaners, but some are subsequently subjected to forced labor through the unlawful withholding of passports, restrictions on movement, nonpayment of wages, threats, and physical or sexual abuse. Restrictive sponsorship laws for foreign domestic workers give employers power to control domestic workers' movements, threaten them with abuse of legal processes, and make them vulnerable to exploitation. Men from India, Sri Lanka, Bangladesh, Pakistan, and Nepal are recruited to work in the UAE in the construction sector; some are subjected to forced labor through debt bondage as they struggle to pay off recruitment fees. In some cases, employers declare bankruptcy and flee the country, abandoning their employees in conditions that leave them vulnerable to further exploitation. Some labor recruitment companies in source countries hire foreign workers with employment contracts that are never honored or where the terms and conditions of the contracts are changed, such that workers are forced into involuntary servitude and debt bondage once in the UAE. Some women from Eastern Europe, Central Asia, Southeast Asia, East Asia, East Africa, Iraq, Iran, and Morocco are subjected to forced prostitution in the UAE.

The Government of the United Arab Emirates does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government prosecuted sex trafficking cases, though the number of prosecutions and convictions of trafficking offenders decreased in 2013 compared to the previous year. It continued to implement victim identification procedures and refer sex trafficking victims to protection services. The government continued to fund shelters for sex trafficking victims and opened the first shelter for male sex trafficking victims in the second half of 2013, but no victims were referred to the facility. The government's anti-trafficking efforts were largely focused on sex trafficking, with gradually increasing efforts to investigate and prosecute forced labor offenses and identify and protect forced labor victims—especially male forced labor victims. The government provided avenues for migrant workers' complaints of abuse through hotlines and a formal process for disputes of unpaid wages, yet some forced labor victims remained unidentified and unprotected. Furthermore, some victims may have been punished for offenses committed as a direct result of their being subjected to human trafficking, such as immigration and other violations. The government continued to implement numerous awareness campaigns and used retinal scanners at airports that prevented convicted traffickers from re-entering the country.

US State Dept Terrorism Report 2015

Overview: The United Arab Emirates (UAE) government continued to reinforce its firm counterterrorism stance through implementation of strict counterterrorism laws and a strong counterterrorism partnership with the United States. The UAE government strengthened its commitment to support the efforts of the Global Coalition to Counter the Islamic State of Iraq and the Levant (ISIL), most notably through its growing counter-messaging role. The UAE government co-chaired the Coalition Communications Working Group along with the United States and the UK, and partnered with the U.S. government to establish the Sawab Center, an online counter-ISIL messaging hub. The UAE was also an active participant in the Conference of the Chiefs of Staff of Members of the Global Coalition to Counter ISIL and Terrorism held in Qatar in June, and in the U.S.-Gulf Cooperation Council (GCC) Counterterrorism and Border Security Working Group which met in Riyadh in August as a follow-up to the U.S.-GCC Summit at Camp David held in May.

The UAE government security apparatus remained highly capable of monitoring and preventing terrorist activity within the UAE's borders. Throughout 2015, the UAE worked to improve border security and measures to counter the financing of terrorism. The pre-clearance facility for travelers boarding direct flights to the United States at the Abu Dhabi International Airport continued to operate and expand its services. A number of UAE-based think tanks and research institutions, including the Emirates Policy Center, the Emirates Center for Strategic Studies and Research, Hedayah, and the TRENDS Institute, held conferences, seminars, and roundtables on confronting terrorism and violent extremism.

Legislation, Law Enforcement, and Border Security: The UAE continued to implement the revised counterterrorism law (Federal law No.7) it passed in November 2014, as well as the existing cybercrime law, to prosecute terrorism-related crimes involving use of the internet to promote radical ideologies and finance terrorist activities. In July, the UAE adopted an anti-discrimination law that included provisions that complement and supplement the existing counterterrorism law. In addition to criminalizing all forms of discrimination based on religion, caste, creed, doctrine, race, color, or ethnic origin, the anti-discrimination law bans hate speech propagated through media outlets, and bans acts that promote religious hate and intolerance. The law also criminalizes the practice of referring to other religious groups or individuals as infidels or unbelievers ("kafir" in Arabic), though aspects of the law are overly broad and can be interpreted to criminalize atheism, peaceful critiques of Islam, and other forms of protected religious speech and expression. Penalties for violating the law include jail terms ranging from six months to more than 10 years, as well as fines from US $13,000 to US $540,000.

The State Security Directorate in Abu Dhabi and Dubai State Security were the principal security services responsible for counterterrorism functions. These services demonstrated advanced capability in investigations, crisis response, and border security, and were trained and equipped to detect, deter, and respond to terrorist incidents. The Federal Supreme Court, through its State Security Court, had sole jurisdiction for adjudicating national security and terrorism-related cases.

In June, the State Security Court convicted Ala'a Badr Abdullah al Hashimi of murdering an American kindergarten teacher in the Al Reem shopping center in Abu Dhabi in December 2014. Al Hashimi subsequently attempted to detonate a bomb outside the home of an

American doctor. The Court sentenced al Hashimi to death, the first instance of capital punishment in accordance with the 2014 counterterrorism law. Al Hashimi was executed by firing squad on July 13.

According to official press reports, the State Security Court heard more than two dozen other alleged terrorism-related cases in 2015. In the Al Manara case, 41 individuals – 38 of whom are Emiratis – were charged with establishing a terrorist organization and embracing extremist ideology with the intent of carrying out terrorist activities in the UAE. As of late December, the case was still being heard by the court. A number of other Emiratis and non-citizen residents were charged with allegedly joining ISIL and al-Qa'ida-affiliated groups, including al-Qa'ida in the Arabian Peninsula (AQAP) and the Nusrah Front, and using the internet to promote extremist ideology; in some of these cases individuals received prison sentences of up to 10 years. Several of these cases have been adjourned and are awaiting final verdicts.

The UAE also deported a number of noncitizens who allegedly planned to join ISIL, including four Sudanese medical students traveling to Syria via the UAE who were intercepted at Dubai International Airport. The counterterrorism law provided broad authority for prosecution of crimes that potentially jeopardized UAE security, including defamation or insulting the UAE's rulers or system of governance; this legislation has been used to restrict nonviolent speech and criticism of the government. In November, for example, the State Security Court convicted Kuwaiti citizen and former Member of Parliament, Mubarak al Duwailah, of insulting Abu Dhabi Crown Prince Mohammed bin Zayed Al Nayhan by criticizing the Crown Prince's stance on the Muslim Brotherhood, which the UAE designated as a terrorist organization. Al Duwailah was tried and sentenced to five years' imprisonment in absentia. Also in November, Emirati citizen Abdulla Saeed Al Dhanhani received a five-year prison term and a fine of US $270,000 after being convicted of insulting the UAE's leaders on social media, and for voicing support on Twitter and Instagram for the Muslim Brotherhood.

The State Security Court also heard cases involving individuals with alleged ties to the Muslim Brotherhood. Several of these involved allegations that individuals were "spreading rumors" that defamed the UAE and posed a threat to the security of the nation. In one such case, the court sentenced an Emirati to seven years in jail for joining al-Islah, a UAE-based organization affiliated with the Muslim Brotherhood. It was not clear if his charges were based on incitement to violence or nonviolent speech and political affiliation.

The UAE government continued to support DHS preclearance operations and expansion with increased flights and passengers from Abu Dhabi International Airport to the United States. Abu Dhabi Police's Criminal Investigations Divisions enhanced its information sharing with DHS in an effort to combat transnational criminal organizations and terrorist groups. DHS Homeland Security Investigations provided ongoing mentoring and capacity-building training related to fraudulent documents and impostor detection to Abu Dhabi Police, Immigration, and Customs personnel, and airline personnel. The UAE employed a retina-screening system that fed traveler information into a central mainframe computer at the Ministry of Interior. The mainframe consolidated data pertaining to entry/exit, immigration, deportation, criminal activity, and corrections, and was accessible at all air, land, and sea ports. The UAE also collected Advanced Passenger Information at ports of entry (POEs). UAE POEs utilized an internal name-based watchlist system which was populated by local immigration, deportation, corrections, and security agencies to identify individuals who were prohibited from entering the country or were sought by UAE authorities. INTERPOL and GCC watchlists were presumably incorporated into the UAE's internal watchlist.

Countering the Financing of Terrorism: The UAE is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body, and chaired the Task Force's Training and Typologies Working Group. The UAE's financial intelligence unit, the Anti-Money Laundering and Suspicious Cases Unit (AML/SCU), is a member of the Egmont Group. The UAE also participated in the Counter-ISIL Finance Group chaired by Italy, Saudi Arabia, and the United States.

The UAE is a regional and global financial and transportation hub, and terrorist organizations exploited the UAE to send and receive financial support. Operational capability constraints and political considerations sometimes prevented the UAE government from immediately freezing and confiscating terrorist assets absent multilateral assistance, but there were other instances of effective Emirati action to disrupt terrorist financing. Except for those specifically established for financial activities, which were well-regulated, the UAE's numerous free trade zones varied in their compliance with and supervision of anti-money laundering/counterterrorism financing (AML/CFT) international best practices. Exploitation by illicit actors of money transmitters including licensed exchange houses, *hawalas*, and trading firms acting as money transmitters, remained significant concerns. The UAE required licensing and registration of exchange houses and *hawalas* with the Central Bank.

Both the Governor of the Central Bank and the Public Prosecutor were able to freeze funds based on suspicion of terrorism financing. The Central Bank conducted AML training both locally and regionally, including in a MENAFATF assessors' training course in October aimed at training expert evaluators of AML/CFT regimes. Pursuant to the federal counterterrorism law, the UAE designated the AML/SCU as the sole national center concerned with receiving, analyzing, and forwarding suspicious transaction reports (STRs). STRs based on activity in financial free zones were previously reported to the AML/SCU through financial free zone regulators. The UAE also worked on enhancing the independence of the AML/SCU, publishing annual reports, and providing comprehensive statistics on the activities carried out by the unit.

Countering Violent Extremism: The UAE government continued to support Hedayah, the International Center of Excellence for Countering Violent Extremism (CVE), which it hosts in Abu Dhabi. In June, Hedayah conducted a workshop bringing together CVE practitioners and former foreign terrorist fighters to discuss the foreign terrorist fighter threat and counter-messaging approaches to address it. Hedayah participated in the Madrid+10: Stop Violent Extremism conference in Spain in October, where it also organized a two-day workshop on the Role of Women in Countering Radicalization and Violent Extremism. Hedayah hosted a follow-up International CVE Research Conference in December in coordination with Edith Cowan University and New York University Abu Dhabi Institute. In addition to supporting Hedayah, the UAE government in July partnered with the U.S. government to launch the Sawab Center in Abu Dhabi, a new social media platform focused on countering ISIL's radical narratives and online propaganda. The UAE was also host to the Forum for Promoting Peace in Muslim Societies.

To prevent violent extremist preaching in UAE mosques, the General Authority of Islamic Affairs and Endowments provided guidelines for all Friday sermons and monitored mosques' compliance, excluding those in Dubai, which has its own system under the supervision of Islamic Affairs and Charitable Activities Department. Abroad, the General Authority continued providing training to cohorts of Afghan imams on preaching messages of non-violence and tolerance. During key periods of Muslim religious observance, especially the fasting month of Ramadan, the UAE government aired commercials on television warning Muslim citizens and residents to refrain from donating money at mosques, as the funds could unknowingly support terrorist causes. The UAE also worked to keep its education system free of violent extremist influences, emphasizing social tolerance. In November, the UAE government announced its plan to open in Al Ain a branch of Egypt's Al-Azhar University, a premier institution of Islamic learning, as a way to promote the teaching of moderate Islam in the Gulf region.

The Government of the UAE also received training on social media analysis to enhance its ability to combat ISIL's use of the internet to spread propaganda and increase recruitment.

International and Regional Cooperation: The UAE was a vocal and active participant in counterterrorism efforts at both the regional and international levels, including the Global Counterterrorism Forum, where it served as co-chair of the Countering Violent Extremism working group. It sent high-level delegations to a number of counterterrorism-related conferences, including the International Conference on Counter Extremism and Violence, the Conference of the Chiefs of Staff of Members of the Global Coalition to Counter ISIL and Terrorism, the 17th meeting of the Arab League's Counter-Terrorism Team of Experts, and a special session of the Arab Judicial Cooperation Network on Counter-Terrorism and Organized Crime. It co-chaired with Germany the Working Group on Stabilization of the Global Coalition to Counter ISIL. It also co-chaired with the United States and UK the Working Group on Strategic Communications of the Global Coalition against ISIL. The UAE participated in the August U.S.-GCC Counterterrorism and Border Security Working group meeting in Riyadh.

In December the UAE government helped launch the International Supreme Council for Ifta, a group that seeks to review, correct, and amalgamate Islamic edicts, particularly those espoused by ISIL and other terrorist groups. The council includes 35 Islamic scholars/muftis from 35 Muslim countries. The UAE government routinely invited participation from GCC countries at counterterrorism-related training sessions conducted by U.S. law enforcement agencies in the UAE.

International Sanctions

Arab League

November 28, 2011 - The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

* Cutting off transactions with the Syrian central bank
* Halting funding by Arab governments for projects in Syria * A ban on senior Syrian officials travelling to other Arab countries
* A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League has also boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states..

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	66
World Governance Indicator – Control of Corruption	83

US State Department

Transparency International’s 2013 report ranks the UAE 26th globally in the perception of corruption by its population, There is no evidence that corruption of public officials is a systemic problem. However, in February 2012 (the most recent public announcement of bribery cases), the UAE's anti-corruption body said it uncovered 10 cases in which more than 1 billion dirhams of public funds were misappropriated. The State Audit Institution (SAI) said that the cases had been referred to the public prosecution. It said irregularities were discovered during audits that took place over the prior two years, including acts of forgery, bribery and fraud. No verdicts have been rendered so far in these investigations. During 2008-2010, UAE authorities investigated several high-profile embezzlement cases, including three cases involving two former ministers and the former governor of the DIFC. Several senior Emirati and foreign nationals were dismissed and detained. Ahmed Abdullah Al Hammadi, Chief of Public Funds Prosecution told media outlets that the number of bribery cases registered in all federal courts in UAE between 2012 and 2013 was 47. Numerous bribery cases at the junior level were also reported in 2010. The law stipulates that a public servant convicted of embezzlement shall be subject to imprisonment for a minimum of five years if the crime is connected to counterfeiting.

Article 237 imposes a minimum term of one year for accepting a bribe, while anyone convicted of attempting to bribe a public servant may be imprisoned for up to five years. In August 2005, the UAE signed the UN Anticorruption Convention and ratified it in February 2006.

Corruption and Government Transparency - Report by Global Security

Political Climate

The United Arab Emirates (UAE) comprises seven emirates. Within each emirate, both the executive and legislative power is strictly controlled by the ruling families. Political parties do not exist in the UAE, therefore, all government posts are chosen on the basis of tribal connection and economic power.

The US Department of State 2013 reports that today corruption is not a systematic problem in the UAE. The Bertelsmann Foundation 2012 states that the government has effective measures to carry out investigations and to stamp out corruption, and in practice, several cases exposed in recent years indicate the government's willingness to combat corruption. For example, in 2009, the UAE authorities investigated several high profile cases, including a case involving two former ministers and the former governor of the Dubai International Financial Centre. The UNDP Programme of Governance in the Arab Region reports that a case from 2001 involving the director of UAE customs services sparked a debate with the State Audit Institution complaining about widespread corruption and the Ministry of Justice maintaining that the case was an exception. As a consequence of the scandal, a commission was formed to assess the effectiveness of the anti-corruption legal framework and propose a reform if necessary. In 2005, corruption resurfaced on the government agenda as the Abu Dhabi police published a report describing corruption in various forms as rampant within the local administration. As a response, the Penal Code was amended in 2005 to increase penalties for corruption-related offences.

A majority of corruption cases in the UAE include attempts of bribery by citizens caught in illegal practices. Cases of officials actually accepting bribes reportedly 'represent only 1% of total cases'. The police also maintains that only 1% of the complaints are made anonymously, showing that the population has a high degree of trust in the police. The overall picture is that of a quasi-corruption-free country. However, corruption is reportedly a problem within the higher echelons of emirate society. These cases usually involve fraud or embezzlement, and bribery. Several senior Emirati and foreign nationals were dismissed and detained, while numerous bribery cases involving lower-ranking officials were reported in 2010. In 2012, the country's anti-corruption body uncovered 10 cases in which more than USD 272 million public funds were misappropriated. In 2009, the CEO of the government-owned bank, the Dubai Islamic Bank, was arrested for fraud and sentenced to 3 years in prison and a fine of USD 30 million the following year. These scandals have highlighted what the business community had complained about for a long time, namely UAE's lack of transparency. The government had indeed already made some efforts to improve UAE's reputation in this regard and in a September 2009 interview, the Sheik of Dubai reiterated that his government will fight corruption and restrict the rules that allowed for these corrupt practices to occur. According to a June 2012 article by Emirates 24/7, the State Audit Institution, the country's sole anti-corruption authority, has played a major role in safeguarding public funds and curbing financial malpractices. The State Audit Institution has drawn up an anti-corruption law. The law will be discussed in the cabinet as well as in the Federal National Council and then submitted to the Federal Supreme Council for ratification.

Business and Corruption

UAE leaders are committed to attracting FDI to the country and becoming an economic hub in line with Hong Kong, London or New York. The UAE government is aware of the importance of transparency and accountability to business development, and to that end, the government has established the Department for Foreign Investment at the Ministry of Economy. The Department provides investors with information about regulation, investment opportunities and also provides direct customer service. Companies wishing to invest in the UAE can therefore gather information about investment policies and regulations, as well as information about the country in general on the Ministry of Economy's website. According to an October 2011 article by Corporate Law and Governance, the Department of Economic

Development together with the Institute for Corporate Governance, Hawkamah, published a Corporate Governance Code for small and medium sized companies. The new code is part of a wider program of awareness raising and compliance training, which will be developed by Dubai SME in partnership with other organisations, as reported by another September 2012 article by Out-Law. Moreover, the federal government has plans to privatise some sectors of the economy to rationalise expenses and attract foreign investors. The UAE operates 38 free trade zones, where national ownership requirements as well as every import and export tariff are waived if the goods are only processed in these zones and do not enter other parts of the country. The government also offers support services to foreign firms working in the free zones. According to the Heritage Foundation 2013, the UAE has demonstrated important improvements in the level of economic freedom. This is thanks to the government's efforts to strengthen the business climate, boost investment and foster the emergence of a more vibrant private sector. Nevertheless, the report notes that economic freedom is curbed by a burdensome investment framework.

Business executives interviewed in the World Economic Forum Global Competitiveness Report 2012-2013 cite corruption amongst the least problematic factors to doing business in the UAE. Instead, access to financing, the lack of skilled labour force and restrictive labour regulations constitute some of the largest obstacles. In addition, the UAE's low degree of good governance, which is especially prevalent in the private sector, also represents a major obstacle. Allegedly, the fast paced economic development undergone in the UAE in recent years has not resulted in modernisation in company management styles. Corruption in the private sector takes the form of fraud or embezzlement rather than bribery. After the global economic crunch, corruption cases surfaced in the UAE, yet in general, companies in the UAE rank well in the Global Competitiveness Report 2012-2013 in terms of their ethical behaviour in the interaction with public officials, politicians and other companies. In the same report, UAE also ranks well in terms of the irregular payment of bribes, suggesting that these situations rarely occur. This is backed up by the US Department of State 2013, which states that there is no evidence showing corruption of public officials to be a systematic problem.

Personal relationships still play a huge role in obtaining and retaining business, and in company hiring processes, as well as overcoming legal issues, hasten administrative processes, or avoid lines in government agencies. According to a February 2012 article by Gulf News, the use of 'wasta' (connections and favouritism) in the UAE represents a challenge as it can affect hiring and promotion policies. The Bertelsmann Foundation 2012 reports that market competition in the UAE has to improve, as foreign companies still have to rely on local sponsorship if they want to succeed in their business. Moreover ruling families' involvement in the economy provides for an uneven playing field and conflict of interests is a major area of concern since the same person can cover governmental as well as business positions at the same time.

Regulatory Environment

Government regulation is not a big constraint for companies doing business in the UAE, according to the business executives interviewed in the World Economic Forum Global Competitiveness Report 2012-2013. Companies have to be registered to operate in the country and the authorities uphold this requirement strictly. The government has cut red tape to facilitate the establishment of new investors, and is expected to continue fostering a more conducive environment for foreign investment, according to the US Department of State 2013. The procedures to get an operating licence are now reportedly straightforward and publicly available in all emirates. This fact is confirmed by the results obtained under the 'starting a business' criteria in the World Bank & IFC Doing Business 2013, according to which, it now takes an average of 12 days and 7 procedural steps with no minimum cost to launch a business. Building permits can also be obtained faster now compared to previous years due to improvements in an online system for processing applications. Furthermore, the Doing Business 2013 report notes that the UAE has made paying taxes easier for companies by establishing an online filling and payment system for social security contributions. According to the United Nation's E-Government Survey 2012, the UAE is amongst a few countries that have come close to a pure one-stop-shop portal with information, services, and participation services integrated on one site.

Investment laws have improved according to the US Department of State 2013 and the environment is now more conducive for business. Investment by foreign nationals is still restricted by law and home companies are favoured over foreign ones, but the regulatory environment is being reviewed to mitigate this discrimination. Currently the Federal Companies Law requires that UAE nationals own at least 51% of commercial companies operating in the country. Moreover, foreign products can only be distributed by fully state-owned companies. According to a December 2011 article by guide2dubai, the UAE Cabinet has approved the draft Companies Law which will allow foreign investors to hold more than 49% of the capital in specific sectors; these include tourism, education and healthcare. The article further explains that if a foreign company is adding value to the UAE economy and is bringing in large capital investments, it could qualify for 100% ownership. As for public procurement, the Tenders Law only allows bids by UAE nationals or companies with 51% UAE national ownership. Consequently, international companies wishing to bid for a project have to enter into joint ventures with national companies. The US Department of State 2013 reports that government tendering is not conducted according to generally accepted international standards, and retendering is the norm. The UAE government continues to lead the region in protecting intellectual property rights (IPR), even though some argue that it could do more to stop transhipping of counterfeit goods.

Dispute resolution can be difficult and uncertain, as reported by the US Department of State 2013. Arbitration is a commonly used measure to resolve commercial disputes, but it is reportedly difficult to enforce the awarding, as it must be endorsed by the courts. Court proceedings may reportedly continue for several years. The UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards has been effective in the UAE since 2006. Any award issued in other member states will consequently be directly enforceable in the UAE. Moreover, UAE is member to the International Centre for Settlement of Investment Disputes (ICSID). The judiciary is not independent from the government, as judges at the federal level are appointed by the Ministry of Justice and in some emirates by the ruling families. The majority of the judges are foreign nationals. Commercial disputes are normally heard by civil courts, but in the emirate of Abu Dhabi, they are first brought before the Abu Dhabi Conciliation Department. In Dubai and Abu Dhabi, the Chambers of Commerce have established arbitration centres to expedite commercial disputes. The award of such arbitration centres have still to be certified by courts and their enforcement can therefore face considerable delays. Access the Lexadin World Law Guide for a collection of legislation in UAE.

Section 3 - Economy

The UAE has an open economy with a high per capita income and a sizable annual trade surplus. Successful efforts at economic diversification have reduced the portion of GDP based on oil and gas output to 25%. Since the discovery of oil in the UAE more than 30 years ago, the country has undergone a profound transformation from an impoverished region of small desert principalities to a modern state with a high standard of living. The government has increased spending on job creation and infrastructure expansion and is opening up utilities to greater private sector involvement. In April 2004, the UAE signed a Trade and Investment Framework Agreement with Washington and in November 2004 agreed to undertake negotiations toward a Free Trade Agreement with the US; however, those talks have not moved forward. The country's Free Trade Zones - offering 100% foreign ownership and zero taxes - are helping to attract foreign investors. The global financial crisis, tight international credit, and deflated asset prices constricted the economy in 2009. UAE authorities tried to blunt the crisis by increasing spending and boosting liquidity in the banking sector. The crisis hit Dubai hardest, as it was heavily exposed to depressed real estate prices. Dubai lacked sufficient cash to meet its debt obligations, prompting global concern about its solvency. The UAE Central Bank and Abu Dhabi-based banks bought the largest shares. In December 2009 Dubai received an additional $10 billion loan from the emirate of Abu Dhabi. Dependence on oil, a large expatriate workforce, and growing inflation pressures are significant long-term challenges. The UAE's strategic plan for the next few years focuses on diversification and creating more opportunities for nationals through improved education and increased private sector employment.

Agriculture - products:

dates, vegetables, watermelons; poultry, eggs, dairy products; fish

Industries:

petroleum and petrochemicals; fishing, aluminum, cement, fertilizers, commercial ship repair, construction materials, some boat building, handicrafts, textiles

Exports - commodities:

crude oil 45%, natural gas, reexports, dried fish, dates

Exports - partners:

Japan 15.4%, India 13.4%, Iran 10.7%, Thailand 5.5%, Singapore 5.5%, South Korea 5.3% (2012)

Imports - commodities:

machinery and transport equipment, chemicals, food

Imports - partners:

India 17%, China 13.7%, US 10.5%, Germany 5.1%, Japan 4.2% (2012)

Banking

Banks in the UAE fall in four broad categories: commercial banks, merchant or investment banks, Islamic banks, and industrial banks. In 2008, the Central Bank allowed several foreign banks operating in the UAE to set up new branches. Local banks are exempted from any type of taxation whereas foreign banks pay a 20 percent tax on their profit.

The UAE Central Bank prohibits lending an amount greater than seven percent of a bank's capital base to any single customer. The bank defines a customer as an individual, a company, or a group of companies under common ownership, and capital base as local capital. Foreign banks with branches in the UAE are not permitted to calculate loans as a percentage of their global capital (which may however be used to calculate the capital adequacy ratio). In a revision to the rule in 1993, the Central Bank decided to exclude non-funded exposures, such as letters of credit and guarantees from the requirement. The Central Bank has also announced implementation of internationally recognized and accepted accounting principles, in the form of International Accounting Standard (IAS) number 30 on disclosure.

The consumer and retail banking in the country is considered by some analysts to be overcrowded, with banking services and products reaching near saturation in the economy. Islamic banking has expanded considerably in recent years, with conventional banks offering such services, besides the dedicated Islamic banks.

Banks have come under strain in the wake of the global economic downturn, and non-performing loans have become a burden for a number of Emirati banks. Mortgage lending has been weak due to an increase in non-performing loans. In some cases, expatriate borrowers have defaulted and fled the country. This has limited new mortgage lending, which in turn has limited the recovery of the real estate market. The federal government, through the Central Bank stepped in to guarantee the deposits in all local banks.

Islamic banking has become an important element in the U.A.E. banking industry. The number of dedicated Islamic banks in the country has now risen to at least six. In addition, a number of conventional banks offer Islamic banking and financial services. Industry estimates put the share of Islamic banking at around 20% of the total banking business, but with a much higher share in retail banking.

Traditionally, trade and building sectors receive a major share of bank loans. Banks lend to the services, trade, and building sectors due to the scarcity of major investment scope in other productive sectors.

Stock Exchange

There are three stock exchanges in the United Arab Emirates. The Abu Dhabi Securities Market was established on 15 November 2000 to trade shares of UAE companies. The Dubai Financial Market is a different exchange that trades shares of other public UAE companies.

The NASDAQ Dubai began operations in September, 2005, in Dubai, and aims to establish itself as the leading stock exchange between Western Europe and East Asia.

Section 4 - Investment Climate

Executive Summary

The UAE maintains a position as the major trade and investment hub for a large geographic region, which includes not only the Middle East and North Africa, but also South Asia, Central Asia, and Sub-Saharan Africa. The country ranked 19th in the World Economic Forum's 2013-2014 Global Competitiveness Index, and 23rd on the World Bank's 2013 Doing Business report, improvements of five and three places respectively from the previous year. Multinational companies cite the UAE's political and economic stability, rapid population and GDP growth, efficient and fast growing capital markets, an absence of corporate and personal taxes, or any evidence of systematic corruption, as positive factors maintaining the UAE's attractiveness to foreign investors, with inward FDI recording a 20% year-on-year increase to reach $12 billion, accounting for over 40% of the total inward FDI of the entire GCC.

Despite the rapid growth and high levels of foreign investment, the regulatory and legal framework in the UAE favors local over foreign investors. There is no national treatment for investors in the UAE and foreign ownership of land and stocks is restricted. The UAE maintains non-tariff barriers to investment in the form of restrictive agency, sponsorship, and distributorship requirements. In order to do business in the UAE outside one of the free zones, a foreign business in most cases must have a UAE national sponsor, agent or distributor, with at least 51% of the business. Foreign investors also express concern over weak dispute resolution mechanisms and insolvency laws, spotty intellectual property rights protections, and a lack of regulatory transparency. Labor rights and conditions, although improving and an area of focus for the UAE Government (UAEG), require continued attention as the UAE does not provide workers with the right to organize or collective bargaining rights.

The UAEG is however, opening up its trade sectors in line with its WTO obligations. Investment laws and regulations are evolving and are expected to become more conducive to foreign investment. There are currently several major federal laws in draft status meant to address a number of the concerns that have discouraged foreign investment in the UAE. These laws include updates to the existing Companies Law, Insolvency Law, and Arbitration Law, in addition to a proposed Foreign Investment Law. The UAEG has publicly declared its commitment to cut red tape for foreign investors with the intent of not only becoming the most competitive economy in the Gulf but one of the top economies globally.

Overall, despite its challenges, foreign companies and investors continue to find the UAE a profitable and attractive destination for operations and investment.

1. Openness to, and Restrictions Upon, Foreign Investment

Investment laws and regulations are evolving in the United Arab Emirates (UAE) and are expected to become more conducive to foreign investment. At present, the regulatory and legal framework favors local over foreign investors. There is no national treatment for investors in the UAE and foreign ownership of land and stocks is restricted. The UAE maintains non-tariff barriers to investment in the form of restrictive agency, sponsorship, and distributorship requirements. In order to do business in the UAE outside one of the free zones, a foreign business in most cases must have a UAE national sponsor, agent or distributor, with at least 51% of the business. However, the UAE Government (UAEG) is opening up its trade sectors in line with its WTO obligations. The UAEG has publicly declared its commitment to cut red tape for foreign investors with the intent of not only becoming the most competitive economy in the Gulf but one of the top economies globally.

Regulation of the establishment and conduct of business in the UAE is shared at the federal and emirate levels, with the ultimate authority at the federal level on most matters. The UAE Federal Cabinet will from time to time send draft laws to the emirate governments for comment and definition, which must then be resubmitted for full promulgation by the federal government. Many federal government functions, such as customs enforcement, are enforced primarily by emirate level authorities.

There is no personal income tax in the UAE. Foreign banks, outside of the free zones, pay 20 percent tax on their profits. Foreign oil companies with equity in concessions pay taxes and royalties on their proceeds. There are no consumption taxes, and the GCC states formally implemented a single import tariff of five percent on most goods January 1, 2003. Companies located in the numerous "free zones" across the UAE are exempt from the tariff on imports and re-exports that do not leave the zones. The exceptions to the five percent tariff in the UAE are a 50 percent tariff for alcohol, a 100 percent tariff for tobacco, and duty exemptions for 53 food and agricultural items. There are significant restrictions on importation of firearms and pork products. Import tariffs are collected and retained by each emirate. Dubai imposes a rental housing tax on expatriates equaling five percent of the rental charges. The GCC, including the UAE, has previously considered establishing a VAT across its six member states. However, according to local government officials, a VAT is not imminent. Hotels and some restaurants/coffee shops charge 10 to 15 percent service charges, which may be listed as a “service charge” or “municipality fee” on the bill.

Currently, there are four major federal laws affecting foreign investment in the UAE: the Companies Law, the Commercial Agencies Law, the Industry Law, and the Government Tenders Law. These laws, especially the Federal Companies Law, are seen as the largest obstacles to foreign direct investment in the UAE.

The Federal Companies Law applies to all commercial companies established in the UAE and to branch offices of foreign companies operating in the UAE. Companies established in the UAE are required to have a minimum of 51 percent UAE national ownership. Regardless, profits may be apportioned differently and often are negotiated at fixed amounts. Branch offices of foreign companies are required to have a national agent with 100% UAE national ownership unless the foreign company has established its office pursuant to an agreement with the federal or an emirate government. The new draft Companies Law, as reported by government media, is near final form and awaits the final determinations from the President before it is decreed and published in the national gazette. However, the revised draft has been under consideration for several years and there has been no guidance given as to how quickly the new law might be issued and implemented.

Foreign investors may purchase 108 of the 135 issues on the UAE stock markets, the Abu Dhabi Securities Market (ADX) and Dubai Financial Market (DFM). The remaining 27 issues are primarily those of government-related entities (GREs), such as the national telecommunications and oil companies. Companies on the exchanges are subject to the Federal Companies Law, thus foreign investors are allowed to own up to 49 percent of a company. However, some company by-laws prohibit foreign ownership, and others limit it to less than the legally allowable 49 percent, although several major companies raised their foreign ownership limits in 2013 in anticipation of an increase in foreign investment generated by announcements that ratings agencies MSCI and Standard & Poor’s would upgrade the

UAE from “frontier” to “emerging” market status. The international financial crisis and foreign speculation contributed to significant declines in local equity valuations since 2008, but the markets have rebounded strongly in 2013. The Emirates Securities and Commodities Authority (SCA), the UAE’s regulator, is considering raising the minimum level of capital for brokerages.

The Commercial Agencies Law provisions are collectively set out in Federal Law No. 18 of 1981 on the Organization of Commercial Agencies as amended by Federal Law No. 14 of 1988 (the Agency Law) and applies to all registered commercial agents. Federal Law No. 18 of 1993 (Commercial) and Federal Law No. 5 of 1985 (Civil Code) govern unregistered commercial agencies. The Commercial Agencies Law requires that foreign principals distribute their products in the UAE only through exclusive commercial agents that are either UAE nationals or companies wholly owned by UAE nationals. The foreign principal can appoint one agent for the entire UAE or for a particular emirate or group of emirates. The Ministry of Economy handles registration of commercial agents. It remains difficult, if not impossible, to sell in UAE markets without a local agent. Only UAE nationals or companies wholly owned by UAE nationals can register with the Ministry of Economy as local agents.

The federal Industry Law stipulates that industrial projects must have 51 percent UAE national ownership. The law also requires that projects either be managed by a UAE national or have a board of directors with a majority of UAE nationals. Exemptions from the law are provided for projects related to extraction and refining of oil, natural gas, and other raw materials. Additionally, projects with a small capital investment or projects governed by special laws or agreements are exempt from the industry law.

In September 2011, the Ministry of Economy announced that 19 federal laws were in draft status and government leaders have said that these laws would address a number of concerns that have discouraged foreign investment in the UAE. These laws include updates to the Companies Law, Insolvency Law, and Arbitration Law, in addition to a proposed Foreign Investment Law. The Draft Commercial Companies Law reached a milestone in May 2013 when it was passed by the Federal National Council (the "FNC"). The final steps towards enactment of the law include signature by the President and publication in the Official Gazette. The law, when enacted, should provide a stronger, more modern basis for corporate regulation in the UAE. However, the draft provisions that would have relaxed the foreign ownership limit were rejected by the FNC. An FNC spokesperson stated that this topic will be addressed in a separate draft "Investment Law."

According to media outlets, the new Investment Law would give the UAE cabinet the power to allow foreign ownership of up to 100 percent in companies outside free zones. Decisions would be made by an oversight board on an exceptional basis, taking into account the uniqueness of the project or company, its positioning in the UAE’s overall economic strategy, and employment of UAE citizens. The new law would include a regulatory framework for such foreign investment and would detail advantages, tax exemptions and guarantees for foreign investors, as well as rights and obligations.

In February 2013, the UAE Government finalized the drafting of a new anti-corruption law in accordance with the United Nations Convention against Corruption. That same month, a new competition law came into force with the aim of providing a comprehensive regime covering merger controls, prohibitions on restrictive agreements, and prohibitions on abuse of a dominant market position. In June 2013, the FNC passed a draft law on small and medium-sized enterprises (SMEs) to facilitate the promotion and development of these enterprises. According to the draft law, federal departments have to award at least 10 percent of their purchases of goods and services to micro, small and medium enterprises. The law is waiting the President's signature. In December 2013, the long awaited insolvency draft law reached the Ministry of Justice for its approval. The arbitration law is still in the drafting stage. None of these laws have yet been published in the official gazette, which is the final step before implementation.

The UAE restricts foreign ownership of land, with rules varying from emirate to emirate. Individual emirate policies allow non-GCC nationals to have freehold or leasehold rights in designated areas, but do not give property owners permanent residence visas or an automatic right to work in the emirate. However, because specific laws regarding "freehold" ownership remain to be codified and procedures for title documentation and conveyance remain to be established, potential buyers are unsure whether they will have an absolute "freehold" title that means the same as it does in Europe or the United States.

In February 2009, the Higher Corporation for Specialized Economic Zones (ZonesCorp), an industrial zone based in Abu Dhabi, signed Memorandums of Understanding with the Ministry of Economy (MoE) and the Abu Dhabi Chamber of Commerce and Industry (ADCCI) to develop an industrial environment in Abu Dhabi and facilities, transactions and services for local, regional and international investors. Through the electronic exchange of data and information, the MoU gives ZonesCorp the authority to issue, amend and renew Chamber of Commerce Certificates for industrial businesses operating in the industrial cities, as well as collect fees on the Chamber's behalf, streamlining the process and saving time for investors. ZonesCorp has also established a one-stop-shop for investors.

In 2008, the Abu Dhabi Chamber of Commerce and Industry also created a one-stop shop for investors, with the exception of investors dealing in Israeli currency and the currencies of those countries subject to United Nations sanctions.

In 2006, the UAE Cabinet amended the law regarding ownership of insurance companies to state that insurance companies must be 75 percent owned by a UAE national or 100 percent by UAE legal persons, i.e., a UAE corporation. No new insurance companies or new branches have been authorized since 2008. Any new companies entering the market are required to meet high level international rating criteria and must complete a viability study to prove that it will be offering new products to the market. About half of the insurance companies in the UAE are foreign.

The UAE ranked 19th in the World Economic Forum's 2013-2014 Global Competitiveness Index.

Measure	**Year**	**Ranking**
TI Corruption Index	2013	26th
Heritage Economic Freedom	2014	28th
World Bank Doing Business	2014	23rd
MCC Government Effectiveness	NA	
MCC Rule of Law	NA	

MCC Control of Corruption	NA	
MCC Fiscal Policy	NA	
MCC Trade Policy	NA	
MCC Regulatory Quality	NA	
MCC Business Start Up	NA	
MCC Land Rights Access	NA	
MCC Natural Resource Mgmt	NA	
MCC Access to Credit	NA	
MCC Inflation	NA	

2. Conversion and Transfer Policies

The UAE's exchange system is generally free of restrictions on payments and transfers from international transactions. The UAEG passed comprehensive anti-money laundering legislation following the attacks of September 11, 2001, that imposes strict documentary requirements on large wire transfers.

Travelers entering the UAE must declare currency amounts of more than 100,000 Dirhams (approximately USD 27,250) as part of these measures.

Since February 2002, the UAE dirham has been officially fixed to the U.S. dollar. The exchange rate is 3.67 UAE dirhams per one U.S. dollar. Every bank transaction in U.S. dollars is subject to a one percent fee. In 2009, UAE withdrew from the planned GCC monetary union.

3. Expropriation and Compensation

Foreign investors have not been involved in any expropriations in the UAE in recent years. There are no set rules governing compensation if expropriations were to occur, and individual emirates probably would treat this differently. In practice, authorities in the UAE would not expropriate unless there was a compelling development or public interest need to do so, and in such cases compensation would likely be generous.

4. Dispute Settlement

There have been a few substantial investment disputes during the past few years involving U.S. or other foreign investors and government and/or local businesses. There have also been several contractor/payment disputes, with the government as well as local businesses. Dispute resolution can be difficult and uncertain. Disputes generally are resolved by direct negotiation and settlement between the parties themselves, by recourse in the legal system, or arbitration. Small, medium, and some larger enterprises continue to fear being frozen out of the UAE market for escalating payment issues through civil or arbitral courts, particularly when politically influential local parties are involved. Some firms may feel compelled to exit the UAE market, as they are unable to sustain pursuit of legal or dispute resolution mechanisms that can add months or years to the dispute resolution process. Arbitration may commence by petition to the UAE federal courts on the basis of mutual consent (a written arbitration agreement), independently (by nomination of arbitrators), or through a referral to an appointing authority without recourse to judicial proceedings. Enforcing arbitration judgments rendered in the UAE requires court certification and can be a lengthy process. Judicial proceedings may continue for several years and can be invalidated for procedural considerations.

The UAEG's accession to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards became effective in November 2006. An arbitration award issued in the UAE is now enforceable in all 138 states that have acceded to the Convention, and any award issued in another member state is directly enforceable in the UAE. The Convention supersedes all incompatible legislation and rulings in the UAE, and should be welcomed by many businesses that consider arbitration the most advantageous form of dispute resolution. The Embassy does not yet have any experience with U.S. firms attempting to use arbitration under the UN convention on the recognition and enforcement of foreign arbitral awards. A 2010 case in the emirate of Fujairah was the first reported recognition of a foreign arbitral judgment but its collection status is unknown. Concerns have been raised about delays and other obstacles encountered by firms seeking to enforce their arbitration awards in the UAE despite the recognition of progress in compliance with this convention. More recently, an appeal on a foreign arbitration award in the Dubai Court of First Instance was upheld. A local office of an international law firm said that the successful appeal is a “significant milestone for the profile of Dubai and the UAE as a progressive jurisdiction for handling international commercial disputes.”

The UAE constitution established a federal court system while acknowledging the right of the individual emirates to opt out, which Abu Dhabi, Dubai and Ras Al Khaimah have done. However, some issues must be heard in the federal court system, namely: security matters, conflicts between emirates, constitutionality of a federal law, trials of ministers and senior officials and jurisdictional issues.

There is no independent judiciary in the UAE. The Ministry of Justice appoints judges to the federal courts, while judges in Abu Dhabi, Dubai and Ras Al Khaimah are appointed by the respective rulers of those emirates. The majority of judges are non-Emirati. Each emirate applies federal law in its judicial system. While there is some variation, each system generally consists of the courts of first instance, courts of appeal, and a court of cassation. The federal Supreme Court sits in Abu Dubai. The court of first instance consists of civil, criminal, and Sharia (Islamic law) courts. Sharia law is applicable to both Muslims and non-Muslims, but the UAE’s Sharia courts focused primarily on family, inheritance and personal status matters. A properly executed last will and testament will take precedence, however, and is recommended by local attorneys as the best way for expatriates to ensure that the default inheritance laws of the UAE are not applied unless so desired. Courts will interpret statutory law and Sharia law in deciding cases. In its September 2013 edition, UAE Ministry of Interior’s monthly publication, 999 Magazine, advised non-Muslims living in the UAE to make a will in case of death or undergo time-consuming procedures to ensure that the inheritance scheme is implemented according to their own country’s laws.

Commercial disputes involving foreign parties tend to come before the civil courts in the federal system; a panel of three judges ordinarily hears commercial disputes. Commercial disputes might also come before the criminal courts, if one of the parties alleges criminal fraud or theft arising from a contractual dispute. The Embassy is aware of a number of such cases, which also may include travel bans against parties to the dispute until the case is resolved in court. All cases involving banks and financial institutions are required to be heard by civil courts. In Abu Dhabi, all non-arbitration commercial disputes are first brought to the Abu Dhabi Conciliation Department. If the parties are unable to reach a settlement, they can begin legal proceedings in the court of first instance.

The Code of Civil Procedure contains comprehensive rules regarding the various types of preventive and provisional remedies prior to litigation and the issuance of judgments, including the attachment of property, confiscation of the defendant's passport and prohibitions on travel, as well as the detention of the defendant in certain instances. However, the courts must certify all arbitration decisions, and though they do not review substantive claims, they can invalidate decisions based on procedural considerations. Parties can also appeal certification decisions thus prolonging enforcement indefinitely. In June 2009, the Abu Dhabi Judicial Department (ADJD) established commercial directories, including directories for bonds and shares, banks, construction and real estate disputes, insurance, and financial papers. The directories provide a one-stop reference for legal conduct of business in the UAE. Most are available on line.

In 1993 the Abu Dhabi Chamber of Commerce and Industry formed the Abu Dhabi Commercial Conciliation and Arbitration Center in an effort to accelerate commercial dispute resolution. The Center has jurisdiction to conciliate or arbitrate commercial disputes. The Center's executive regulations govern the conciliation and arbitration procedure. Though referral by the parties to the Dispute Center ostensibly requires them to accept the finality of the Center's decision, the courts must still certify the decision and enforcement can be delayed. The Center conducts proceedings in Arabic or any other agreed upon language.

The Dubai Chamber of Commerce and Industry (DCCI) has promulgated similar commercial conciliation and arbitration rules that permit parties to have conciliation or arbitration proceedings under the auspices of the Chamber.

In 2004, the Dubai International Arbitration Center (DIAC) was made independent of the Chamber. The Arbitration Center aims to bring international standards of arbitration to business in Dubai, and has been heavily involved in real estate disputes in the years following the financial crisis. The UAE is a member of the International Center for the Settlement of Investment Disputes. In May 2009, Sharjah issued an Emiri Decree (No. 6 of 2009) concerning the formation of the Sharjah International Commercial Arbitration Center, under the umbrella of the Sharjah Chamber of Commerce.

Several companies have sought dispute resolution at the Court of Dubai International Financial Center (DIFC), a financial free zone. The DIFC courts have become increasingly available to the UAE business community. The DIFC Court system operates independently of the UAE legal system on commercial disputes as part of the DIFC free zone. In October 2011, Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, signed a law allowing any Dubai-based business to use the English language DIFC Courts to resolve commercial disputes. Regional businesses have begun to take advantage of this new capability. The DIFC Court does not preside over cases involving financial crimes or other crimes connected to individuals operating within the DIFC.

In a few instances over the last few years, and especially during the 2008debt crisis, expatriate investors, property owners, and business partners involved in commercial disputes in the UAE have found themselves the object of criminal legal proceedings. Recognizing the merit of keeping these cases out of criminal courts, in 2011 the UAE government began using a quasi-judicial system of alternative dispute resolution which refers certain matters to a committee prior to possible criminal prosecution and works with the parties to reach a mutually acceptable solution; the system is not well publicized nor fully understood.

The UAE federal commercial code, promulgated in 1993, devotes an entire chapter to bankruptcy: the only comprehensive legislation in the UAE on the subject. Monetary judgments in bankruptcy cases are made in the local currency, and UAE courts enforce the judgments of foreign courts if there is reciprocity based on bilateral or international treaties. In the judgment of western legal experts, the commercial code chapter on bankruptcy governs the procedures and effects of bankruptcy in the UAE, but does not provide a mechanism for the orderly evaluation and distribution of assets of a bankrupt entity. Government officials continue to report progress revising insolvency laws in the wake of the global financial crisis but no specific evidence of this was available for 2013.

The Dubai real estate sector continued its post-2009 return to health as the market grew steadily and the government introduced several initiatives to ensure the long-term stability of the sector. The 2008financial crisis had left many contractors, trade creditors and investors in Dubai's pre-2009 real estate boom struggling to regain lost investments, with several highly publicized efforts highlighting repayment problems. In the aftermath, the Dubai Land Department's Real Estate Regulatory Authority (RERA) reviewed nearly 500 development projects and cancelled at least 237 of them that were less than 60 percent complete. In 2012, Dubai developed internet based applications and searchable public databases to track projects, rate real estate developers on project delivery and payment, and verify the registration of real estate brokers, among other things. Other projects created interfaces for searching and recording transaction prices (like the Multiple Listing Service used in the United States). During 2013, Dubai introduced mandatory standard real estate purchase contracts, new lending requirements, mortgage caps, and increased title transfer fees to discourage speculation (to be phased in over several years), the use of rental indices to limit rent increases and obliging landlords to phase major rent increases in over a 5-year period, requiring developers to pay for land in full before construction, and to complete projects before sales. While the rest of the modernization program proposed by RERA may take several years to fully implement, the scope of the proposed reforms is intended to offer future investors and service providers a better dispute settlement process, greater transparency and ultimately lower risk, and they have made significant progress in this regard.

5. Performance Requirements and Incentives

The regulatory and legal framework in the UAE favors local over foreign investors.

Government tendering is not conducted according to generally accepted international standards, and re-tendering is the norm. To bid on federal projects, a supplier or contractor must be either a UAE national or a company in which UAE nationals own at least 51 percent of the capital or have a local agent or distributor. Federal tenders must be accompanied by a bid bond in the form of an unconditional bank guarantee for five percent of the value of the bid. UAE federal government entities can tender internationally since foreign companies sometimes are the only suppliers of specialized goods or services that are not widely available.

Incentives are given to foreign investors in the free zones. Outside the free zones, no incentives are given, although the ability to purchase property as freehold in certain favored projects in Dubai would appear to be incentives aimed at attracting foreign investment.

6. Right to Private Ownership and Establishment

There are no restrictions on the right of private entities to establish and own business enterprises and engage in all forms of remunerative activity.

7. Protection of Property Rights

In 2005, the emirate of Abu Dhabi passed a law allowing Emiratis to hold title on properties in the emirate and opened up some foreign leasehold rights to surface property in certain designated areas. Most construction, both commercial and residential, is financed by a specialized agency of the government of Abu Dhabi, and commercial banks finance the remainder. Their collateral traditionally has been access to the rent stream of the building or the personal guarantee of the developer. A domestic mortgage industry is also developing.

In December 2010, Abu Dhabi Executive Council (ADEC) issued Resolution No. 64 of 2010 on Regulations of Property Ownership that defines the general framework and rules for property registration in lieu of the property ownership law in the emirate of Abu Dhabi. This resolution encourages real estate developers and investors to register their properties and associated rights as well as to streamline conversion of real estate rights easily and swiftly. According to the resolution, non-UAE natural or juristic persons enjoy the right to own, buy, sell, rent, mortgage and invest in investment areas. Non-UAE nationals may hold "mustaha" rights for up to 50 years (subject for renewal to a similar duration) and sign usufruct contracts for up to 99 years in properties located inside investment areas. Both the right of usufruct and the right of "mustaha" are essentially forms of long-term lease with the primary difference being that the right of "mustaha" includes a right to build or develop upon the property of another, whereas the right of usufruct does not.

The UAE has made the protection of intellectual property a priority. In 2011, the UAE established an independent office for intellectual property rights (IPR) at the Ministry of Economy and appointed an assistant undersecretary position for IPR for the first time. According to 2013 industry estimates, the rate of software piracy in the UAE remained one of the lowest in the Middle East and in the range of 35 to 37 percent. However, industry stakeholders believe the UAE can do more. For example, some regional anti-piracy advocates believe government use of pirated and unlicensed software and internet piracy is still high in the UAE. The music recording industry has continuously raised concerns regarding the UAE's failure to establish a royalty collecting mechanism for the use of recorded music. However, industry representatives indicate that the ministry responsible for administering the UAE copyright law, the Ministry of Economy, is closer to establishing such a mechanism in cooperation with various U.S. and local stakeholders. In addition, U.S. rights holders have raised concerns regarding the lack of transparency and information exchange when UAE customs officials conduct raids and seizures of pirated and counterfeit goods. The UAE government continues to work to improve protection of IPR by launching public awareness campaigns and seizing counterfeit goods, including CDs, DVDs, perfume, car parts, watches, garments, medicine, television and stereo sets, and printers.

The Ministry of Economy has drafted a new law combatting commercial fraud, which UAE officials assert will boost IPR protection. However, the foreign business community has expressed serious concern with particular language of the draft law which stipulates "defective" and "substandard" goods should be returned to the point of origin rather than immediately destroyed. The amended draft law does indicate that "counterfeit" goods should be destroyed, but it remains unclear as to how implementing regulations will outline procedures for distinguishing between these types of goods, ensuring that counterfeit goods will be destroyed. The UAE Federal National Council passed the amended draft law on March 4, 2014.

As the six Member States of the GCC explore further harmonization of their IPR regimes, the United States will continue to engage with GCC institutions and the Member States to provide technical cooperation on IPR policy and practice.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Kaveh Vessali VessaliKV@state.gov

Local lawyers list: http://abudhabi.usembassy.gov/attorney_list.html

8. Transparency of the Regulatory System

The fundamental instrument by which all of the emirates regulate business activity is the requirement that any place of business must acquire and maintain a proper license. The procedures for obtaining a license, which are publicly available, vary from emirate to emirate.

A license is not required unless a place of business is set up in the UAE. In other words, foreign businesses exporting to the UAE but without a regular or continuing business presence in the UAE do not need a license. Licenses available include trade licenses, industrial licenses, service licenses, professional licenses, and construction licenses.

Several federal regulations govern business activities in the UAE outside free trade zones. Activities within the free zones are governed by special by-laws.

Since July 2012, the UAE has been in the process of developing a "twin peaks" regulatory framework, whereby the Central Bank regulates banks not residing within a free zone, while the Securities and Commodities Authority (SCA) has become increasingly focused on commercial and consumer-oriented areas, including oversight over financial markets and investor protection. The Central Bank remains responsible for monetary policy, macro-economic stability and system risk management.

9. Efficient Capital Markets and Portfolio Investment

Reflecting the ongoing move towards a "twin peak" regulatory framework, the UAE issued new investment funds regulation in September 2012 to further govern the marketing of investment funds established outside the UAE to investors in the UAE and the establishment of local funds domiciled inside the UAE. This regulation set forth several key changes. The SCA has taken over the licensing, regulation and overseeing the marketing of investment funds in the UAE from the Central Bank. The marketing of a foreign fund (including "offshore" UAE-based funds, such as those domiciled in the DIFC) now require the appointment of a locally licensed placement agent. Other restrictions contained in the regulations, such as the limitations on funds investing more than 15 percent in any one underlying issuer, have led fund managers to question whether the UAE is seeking to attract international or regionally-focused investment funds to be domiciled in the country.

Following a banking crisis caused by accumulating bad debts after the oil boom in the mid-1980s, the Central Bank stopped giving licenses to new foreign banks. However, in September 2003, the UAE Central Bank announced that it would allow the operation of more banks from other countries on a reciprocal basis. The Central Bank has since granted licenses to some GCC banks. In 2008, the Central Bank allowed several foreign banks operating in the UAE to set up new branches. According to Central Bank statistics, there have been no new foreign bank branches licensed since 2009.

Citibank is the only U.S. bank in the UAE that offers full banking services. There are a number of U.S. financial institutions with either representative offices in the UAE or that have established a presence in the DIFC. The largest banks in terms of assets include Emirates NBD, National Bank of Abu Dhabi, Mashreq Bank, and Abu Dhabi Commercial Bank. The Central Bank prohibits lending an amount greater than seven percent of a bank's capital base to any single customer. Foreign banks with branches in the UAE are not permitted to calculate loans as a percentage of their global capital, which may however be used to calculate the capital adequacy ratio. In a revision to the rule, the Central Bank in 1993 said it would exclude from the requirement non-funded exposures, such as letters of credit and guarantees. The Central Bank also announced implementation of internationally recognized and accepted accounting principles.

In the aftermath of the 2008-2009 financial crisis, UAE banks adopted more conservative lending policies and raised interest rates on time deposits. In 2010, the Central Bank issued Regulations for Classification of Loans and Determining Provision, furthering its oversight of lending policies. In April 2012, an IMF report stated that the UAE had made significant progress in recapitalizing banks and strengthening capital adequacy ratios, and that despite continuing debt recovery concerns and spillover from European and global credit concerns, the UAE banking system showed significant increases in profitability. However, the IMF noted that the UAE financial system is highly integrated and still remains exposed to global vulnerabilities, primarily for its risk concentration in a few banks in the UAE system, and called for increased regulation and oversight of the sector. In its July 2013 Article IV Consultation with the UAE, the IMF noted that "the banking system maintains significant capital and liquidity buffers, and non-performing loans may finally have peaked at 8.7 percent in December 2012," suggesting a significant turnaround in the UAE banking sector's post-crisis health.

Central Bank figures showed that deposits reached USD 342 billion (1,255.6 billion dirhams) at the end of June 2013. Total bank loans and advances (net of provisions and interest suspense) grew to USD 312 billion (1,147.4 billion dirhams). Personal loans increased to USD 75 billion (276.2 billion dirhams). The combined assets of UAE banks hit an all-time high of around USD 511 billion (1,878.1 billion dirhams), maintaining their position the largest bank asset base in the Middle East.

10. Competition from State Owned Enterprises

Many fully or partially state-owned companies have grown large and efficient enough to compete effectively for business and financing in local and regional markets.

11. Corporate Social Responsibility

Many companies in the UAE, including local and foreign companies, maintain their own corporate social responsibility departments or offices and participate in corporate social responsibility initiatives, undertaking such activities as mentorship and employment training, providing humanitarian and social assistance, and addressing environmental concerns.

12. Political Violence

There have been no instances in recent years involving politically motivated damage to projects, or insurgencies that have impacted the investment environment.

13. Corruption

Transparency International's 2013 report ranks the UAE 26th globally in the perception of corruption by its population, There is no evidence that corruption of public officials is a systemic problem. However, in February 2012 (the most recent public announcement of bribery cases), the UAE's anti-corruption body said it uncovered 10 cases in which more than 1 billion dirhams of public funds were misappropriated. The State Audit Institution (SAI) said that the cases had been referred to the public prosecution. It said irregularities were discovered during audits that took place over the prior two years, including acts of forgery, bribery and fraud. No verdicts have been rendered so far in these investigations. During 2008-2010, UAE authorities investigated several high-profile embezzlement cases, including three cases involving two former ministers and the former governor of the DIFC. Several senior Emirati and foreign nationals were dismissed and detained. Ahmed Abdullah Al Hammadi, Chief of Public Funds Prosecution told media outlets that the number of bribery cases registered in all federal courts in UAE between 2012 and 2013 was 47. Numerous bribery cases at the junior level were also reported in 2010. The law stipulates that a public servant convicted of embezzlement shall be subject to imprisonment for a minimum of five years if the crime is connected to counterfeiting.

Article 237 imposes a minimum term of one year for accepting a bribe, while anyone convicted of attempting to bribe a public servant may be imprisoned for up to five years. In August 2005, the UAE signed the UN Anticorruption Convention and ratified it in February 2006.

14. Bilateral Investment Agreements

The UAE has signed a variety of bilateral and multilateral trade and investment agreements, including six free trade agreements (FTAs), 45 related to bilateral trade and economic cooperation, 33 to promote investment, and 70 prohibiting double taxation on income.

In 2013, the UAE signed investment protection agreements with India and The Netherlands. The agreements guarantee better protection of UAE business investments in these two countries and vice versa. The UAE is involved in GCC negotiations with Australia, China, and other countries on free trade agreements. In June 2009, the GCC concluded a Free Trade Agreement with Iceland, Liechtenstein, Norway and Switzerland (the European Free Trade Association). In March 2004, the United States signed a Trade and Investment Framework Agreement (TIFA) with the United Arab Emirates to provide a formal framework for dialogue on economic reform and trade liberalization. TIFAs promote the establishment of legal protection for investors, improvements in intellectual property right protection, more transparent and efficient customs procedures, and greater transparency in government and commercial regulations. As a member of the Gulf Cooperation Council (GCC), the UAE is also party to the U.S. - GCC framework agreement for trade, economic, investment, and technical cooperation, signed in September 2012.

The United States began negotiating an FTA with the UAE in March 2005. In early 2007, the United States and the UAE announced that despite considerable progress in a number of areas under negotiation, they would not be able to complete FTA negotiations under the existing time frame for trade promotion authority. The United States and the UAE have since initiated a "TIFA Plus" consultative process under the existing bilateral TIFA; this process is intended to advance trade liberalization in as many areas as possible - building where appropriate on progress made during the FTA negotiations. Incorporating a broader range of issues, the State Department negotiated and signed a Memorandum of Understanding creating an Economic Policy Dialogue (EPD) with the UAE Ministry of Foreign Affairs on January 15, 2012. The EPD establishes semi-annual high-level meetings to address a variety of topics, including but not limited to trade, investment, sector-specific cooperation, competitiveness, and entrepreneurship. A CEO Summit process for the EPD was established in 2013, bringing recommendations from the private sector directly into the EPD discussions.

15. OPIC and Other Investment Insurance Programs

The UAE was suspended from U.S. OPIC insurance programs in 1995 because of the UAEG's lack of compliance with internationally recognized worker rights standards, particularly laborers' rights to association and collective bargaining. The International Labor Organization (ILO) reported in April 2003, however, that the UAE had started to address these concerns. The UAE’s high income per capita ($47,500) precludes them qualifying for OPIC programs. OPIC officials have said that it is possible to get an exception for impoverished regions of a wealthy country; however it is far more likely that UAE-based companies would use OPIC funds for development projects in neighboring countries, just as Dubai’s Abraaj Capital does for OPIC funded projects in Egypt. ExIm Bank has maintained an active presence in the UAE with frequent visits including the Chairman, Board Members, and staff representatives looking to expand long term and short term lending options.

16. Labor

The population of the UAE was approximately 8.26 million in 2010, according to the UAE National Bureau of Statistics. More than 85 percent of residents are foreigners, and approximately 98 percent of private sector workers in the UAE are non-UAE nationals. Increasing UAE nationals’ participation in the workforce, dubbed “Emiratization,” remains a national objective. As of December 2010, all private corporations were required to reserve at least 15 percent of positions for UAE nationals. At banks, Emiratis must comprise at least 40 percent of the workforce. Emiratis account for only 20,000 of the four million workers in the private sector. In 2013, the UAE Ministry of Labor proposed changes to its labor law to attract more citizens into the private sector. The changes include proposals to bring private and public sector salaries in line; adjust working hours and days, and increase the number of private sector holidays. The UAE National Human Resource Development and Employment Authority (Tanmia), is the federal body tasked to boost Emiratization. In May 2009, the Cabinet approved the establishment of the UAE Emiratization Council (UEC), which is responsible for formulating policies and standards to promote Emiratization and for supporting the development of skills and competitiveness among nationals. In the emirate of Abu Dhabi, the Tawteen Council, a government body, leads local efforts in Emiratization. But according to media reports from the UAE Ministry of Economy in July 2011 only seven percent of Emiratis are employed in the private sector. According to a 2009 Ministry of Labor study, non-Arab Asians constitute 88 percent of the total workforce in the private sector, while Arab nationals including Emiratis add up to a mere 10 percent, and other nationalities comprise just two percent.

The UAE Federal Government employs 84,000 employees across 65 ministries and authorities, according to the 2013 Annual Report of the Federal Authority for Government Human Resources (FAHR). FAHR found that Emirati nationals accounted for 62% (44,900) of 72,300 Federal employees in a 2012 study of Emiratization within the Federal Government. The same report states that the Ministries of Labor and Foreign Affairs have the highest percentage of Emirati employees (98%), while the Ministry of Health has the lowest (33%).

The UAEG has committed itself to strictly regulating and enforcing labor laws, as witnessed by a series of regulatory and legislative initiatives. In January 2012, the UAE Cabinet approved the domestic workers bill. According to local media reports the proposed law will provide domestic workers one paid day off per week, two weeks of paid annual leave, holidays, and 15 paid sick days. The bill provides that domestic workers should receive a written contract of employment and end-of-service gratuity. It also guarantees payment in cash at least once a month. The bill must now be passed by the Federal National Council and signed into law by the UAE.

In February 2007, the Ministry of Labor published a draft labor law for public comment. The proposed law, which has still not been finalized, did not contain any provisions for labor unions or for collective bargaining, but the UAE Ministry of Labor continues to press businesses and work with countries from which the labor pool originates to improve and streamline contracts, ensure timely salary payment and maintain adequate living accommodations. A committee constituted from several UAE governmental bodies and experts has been established to discuss standards and a mechanism for labor representation.

In 2009, the Ministry of Labor introduced a new electronic Wages Protection System (WPS) designed to combat non-payment of wages. This direct deposit system creates an electronic record of payment for the employer and employee. Use of the WPS became mandatory in 2011 for all companies, except those operating in free zones. Businesses in free trade zones must comply with federal labor laws; however, the Ministry of Labor does not regulate them. Instead, each free trade zone maintains its own labor department to address workers' concerns.

There are a considerable number of skilled foreign nationals in the country who are employed under favorable working conditions. There are around 750,000 domestic workers in the UAE, making up nearly 20 per cent of the expatriate workforce, according to the Ministry of Interior's statistics at the end of 2007. However, the country is also a destination for a large number of unskilled workers, including approximately 268,000 domestic servants, most of them women from South and East Asia, and an even larger number of unskilled male workers, mostly from South Asia. These unskilled laborers actively compete for jobs in the UAE, and some are subject to poor working conditions. UAE employers often tie a foreign employee's residency permit or visa to his employment and sponsorship, and keep their passport throughout their employment. If the employee terminates his employment and is unable to secure new employment and a new sponsor, the employee loses residency and could be required to leave the country.

Visas, residence permits, and work permits are required of all foreigners in the UAE except nationals from GCC countries. Americans are eligible to receive 10-year, multiple entry visas, which authorize stays of up to six months per entry, with the possibility of a six-month extension. Alternatively, Americans who plan to stay less than one month in the UAE, no longer need to obtain a visa to enter the country and will receive an entry stamp good for 30 days upon arrival. These modes of lawful entry into the UAE do not permit employment in the UAE. However, Americans are eligible for residence permits in connection with employment or approved familial reunification.

17. Foreign Trade Zones/Free Ports

Free zones in the UAE are home to more than 17,000 companies. By one government report in November 2010, total foreign direct investment is estimated at USD 73 billion in the 36 free zones currently operating in the UAE. These free zones form a vital component of the local economy, and serve as major re-export centers to the Gulf region.

Since UAE tariffs are low and not levied against numerous imports, the chief attraction of the free zones is the waiver of the requirement for majority local ownership. In the free zones, foreigners may own up to 100 percent of the equity in an enterprise. All free zones provide 100 percent import and export tax exemption, 100 percent exemption from commercial levies, 100 percent repatriation of capital and profits, multi-year leases, easy access to sea and airports, buildings for lease, energy connections (often at subsidized prices), and assistance in labor recruitment. In addition, the free zone authorities provide significant support services, such as sponsorship, worker housing, dining facilities, recruitment, and security.

The most successful of the free zones is the Jebel Ali Free Zone (JAFZA) in Dubai, located 20km south of Dubai city adjacent to the Jebel Ali Port. Over 6000 companies representing 80 countries have set up shop in the JAFZA, including numerous Fortune 500 firms. The JAFZA managing authority authorizes three types of licenses: a general license, a specific license, and a national industrial license. The licenses are valid while a company holds a current lease from the free zone authority and are renewable annually as long as the lease is in force. The special license is issued to companies incorporated, or otherwise legally established, within the free zone or outside the UAE. In such cases, no other license is required, and ownership of the company may be 100 percent foreign. The license is issued for any activity permitted by the free zone authority, including manufacturing. A company with a special license can only operate in the JAFZA or outside the UAE, but business can be undertaken and sales made in the UAE through or to a company holding a valid Dubai Economic Department license. However, a company with a special license can purchase goods or services from within the UAE.

A variety of innovative free zones have been established in Dubai since 2000, most notably the TECOM (Technology, Electronic Commerce and Media) free zone. TECOM houses both Internet City and Media City, two subdivisions which cater, respectively, to the information technology and media sectors. TECOM offers a high bandwidth and state-of-the-art IT infrastructure. Other Dubai free zones include the Dubai Multi Commodities Center (DMCC), with over 8,000 licensed businesses trading across a range of commodities including gold, diamonds, pearls, precious metals and tea; Dubai Health Care City, specializing in medical products and services; the Mohammed Bin Rashid Technology Park; which aims to promote scientific research and development, and to transfer technology throughout the region; and the Dubai Humanitarian City, which hosts local, regional and international relief aid donors, suppliers and organizations. Internet usage in the free zones is not censored as it is elsewhere in the UAE.

The global economic downturn that began in 2008 has reduced the number of foreign companies registered in some of the UAE's free zones. Of the 973 companies registered in the DIFC since it opened in 2004, almost a fifth have dissolved, become inactive or been struck off by the registrar. The DIFC took steps in 2010 to reduce the costs of doing business in the free zone as it has abolished fees in 61 categories and further slashed fees in another 10 segments. During the first half of 2011, occupancy rates at the DIFC reached their highest levels since the 2008 debt crisis as the Dubai economy improved and a wave of capital arrived, redirected from other Arab countries experiencing political unrest. By most media accounts, the growth at the DIFC reached a plateau in late 2011 as European banks focused their attention on the Eurozone debt crisis.

18. Foreign Direct Investment Statistics

In January 2014, the UAE Ministry of Economy announced that the country's inward FDI recorded a 20% year-on-year increase to reach $12 billion, which accounts for over 40% of the total inward FDI of the GCC. The stock of U.S. FDI in the UAE (at cost) was $7,826 billion in 2012 (the most recent year for which data is available), according to the U.S. Bureau of Economic Analysis. U.S. FDI in the United Arab Emirates is concentrated largely in the mining, machinery, and wholesale trade sectors.

The Abu Dhabi Chamber of Commerce and Industry notes that the leading sectors for investment in the UAE are (in order of magnitude of investment): oil and gas field machinery and services, power and water, computer/peripherals, medical equipment and supplies, airport development and ground equipment, telecommunications, and franchising.

There are no restrictions or incentives with regard to the export of capital and outward direct investment, and UAE investment abroad is significant. The Abu Dhabi Investment Authority (ADIA) manages approximately USD 650 billion (estimates range upward) in government assets in overseas markets, mostly in the United States, Europe, and Asia. By its own claims, ADIA is the largest institutional investor in the world after the Bank of Japan.

Other emirate level investment authorities - primarily from Abu Dhabi and Dubai - are also actively investing overseas.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

mixed legal system of Islamic law and civil law

International organization participation:

ABEDA, AfDB (nonregional member), AFESD, AMF, BIS, CAEU, CICA, FAO, G-77, GCC, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IPU, ISO, ITSO, ITU, LAS, MIGA, NAM, OAPEC, OIC, OIF (observer), OPCW, OPEC, PCA, UN, UNCTAD, UNESCO, UNIDO, UPU, WCO, WHO, WIPO, WMO, WTO

Treaty and non-treaty withholding tax rates

Tax treaties signed by UAE may have little relevance from the UAE tax perspective as a UAE tax liability is predetermined. The taxes paid in UAE can be claimed as credit in the home country of the foreign company depending on the double taxation avoidance agreements (DTAA) and the domestic laws of that country.

United Arab Emirates has exchange of information relationships with 64 jurisdictions through 64 DTCs and 0 TIEAs.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Algeria	DTC	24 Apr 2001	28 Nov 2001	Unreviewed	No
Armenia	DTC	22 Apr 2002	29 Dec 2004	Unreviewed	No
Austria	DTC	22 Sep 2003	1 Sep 2004	No	No
Azerbaijan	DTC	20 Nov 2006	30 Apr 2007	Unreviewed	No
Belarus	DTC	27 Feb 2000	2 Jun 2001	Unreviewed	No
Belgium	DTC	30 Sep 1996	6 Jan 2004	Yes	No
Bosnia and Herzegovina	DTC	18 Sep 2006	30 Apr 2007	Unreviewed	No
Bulgaria	DTC	26 Jun 2007	22 Jan 2008	Unreviewed	No
Canada	DTC	9 Jun 2002	7 Jan 2004	Yes	No
China	DTC	1 Jul 1993	5 Jun 1994	Yes	No
Cyprus	DTC	27 Feb 2011	not yet in force	Yes	Yes
Czech Republic	DTC	30 Sep 1996	9 Aug 1997	No	No
Egypt	DTC	4 Dec 1994	26 Mar 1995	Unreviewed	No
Estonia	DTC	20 Apr 2011	29 Mar 2012	Yes	Yes
Finland	DTC	12 Mar 1996	24 Feb 1997	Yes	No
France	DTC	19 Jul 1989	15 Nov 1989	Yes	No
Georgia	DTC	25 Nov 2010	28 Apr 2011	Unreviewed	Yes
Germany	DTC	1 Jul 2010	1 Feb 2011	Yes	Yes
Greece	DTC	18 Jan 2010	not yet in force	Yes	Yes
Guinea	DTC	13 Nov 2011	not yet in force	Yes	Yes
India	DTC	29 Apr 1992	22 Sep 1993	Yes	Yes
Indonesia	DTC	30 Nov 1995	8 Nov 1996	No	No
Ireland	DTC	1 Jul 2010	2 Jun 2011	Yes	Yes
Italy	DTC	22 Jan 1995	5 Nov 1997	Yes	No
Kazakhstan	DTC	22 Dec 2008	30 Jun 2009	Unreviewed	Yes
Kenya	DTC	11 Nov 2011	not yet in force	Yes	Yes

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Korea, Republic of	DTC	22 Sep 2003	4 May 2004	Yes	No
Latvia	DTC	11 Mar 2012	11 Jun 2013	Unreviewed	No
Lebanon	DTC	17 May 1998	25 Oct 1998	No	No
Lithuania	DTC	30 Jun 2013	not yet in force	Unreviewed	Yes
Luxembourg	DTC	20 Nov 2005	19 Jun 2009	No	No
Malaysia	DTC	28 Nov 1995	18 Sep 1996	No	No
Malta	DTC	13 Mar 2006	18 May 2007	Yes	No
Mauritius	DTC	18 Sep 2006	31 Jul 2007	Yes	No
Mongolia	DTC	21 Feb 2001	29 Nov 2002	Unreviewed	No
Montenegro	DTC	26 Mar 2012	not yet in force	Unreviewed	Yes
Morocco	DTC	9 Feb 1999	26 Sep 1999	No	No
Mozambique	DTC	24 Sep 2003	4 May 2004	No	No
Netherlands	DTC	8 May 2007	2 Jun 2010	Yes	Yes
New Zealand	DTC	22 Oct 2003	4 May 2004	Yes	No
Pakistan	DTC	7 Feb 1993	29 Jan 1994	Unreviewed	No
Panama	DTC	13 Oct 2012	not yet in force	Unreviewed	Yes
Philippines	DTC	21 Sep 2003	2 Oct 2008	Yes	No
Poland	DTC	31 Jan 1993	29 Jan 2004	No	No
Portugal	DTC	17 Jan 2011	16 Jul 2011	Yes	Yes
Romania	DTC	11 Apr 1993	9 Jan 1996	No	No
Serbia	DTC	13 Jan 2013	2 Jul 2013	Unreviewed	Yes
Seychelles	DTC	18 Sep 2006	23 Apr 2007	Yes	No
Singapore	DTC	1 Dec 1995	30 Aug 1996	No	No
Spain	DTC	4 Feb 2006	2 Apr 2007	Yes	Yes
Sri Lanka	DTC	7 Jul 1992	4 May 2004	Unreviewed	No
Sudan	DTC	15 Mar 2001	28 Nov 2001	Unreviewed	No
Switzerland	DTC	6 Oct 2011	21 Oct 2012	Yes	Yes
Syrian Arab Republic	DTC	26 Jan 2000	11 Jun 2000	Unreviewed	No
Tajikistan	DTC	17 Dec 1995	29 Jan 2000	Unreviewed	No
Thailand	DTC	1 Mar 2000	12 Nov 2000	No	No
Tunisia	DTC	10 Apr 1996	24 Feb 1997	Unreviewed	No
Turkey	DTC	29 Jan 1993	29 Jan 1994	Yes	No
Turkmenistan	DTC	9 Jun 1998	24 Nov 1999	Unreviewed	No
Ukraine	DTC	22 Jan 2003	8 Mar 2004	No	No
Uzbekistan	DTC	26 Oct 2007	28 Sep 2008	Unreviewed	No
Venezuela	DTC	11 Dec 2010	28 Mar 2011	Unreviewed	Yes
Viet nam	DTC	16 Feb 2009	11 Oct 2009	Unreviewed	Yes
Yemen	DTC	13 Feb 2001	25 Aug 2001	Unreviewed	No

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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