



# Newsletter

EMIRATES INTERNATIONAL LAW FIRM

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## New Laws in the UAE

### U.A.E. Issues Federal Electronic Transactions and Commerce Law

In the light of the increasing transactions through the Internet and in order to regulate electronic transactions and enhance user's confidence, in February 2006 Federal Law No. (1) of 2006 concerning Electronic Transactions and Commerce Law was promulgated.

Chapter One of this Law defines the terms and expressions used in this Law such as electronic, electronic data, electronic information systems, electronic signature, data program, electronic message, protected electronic signature, electronic transaction and electronic trade.

Chapter Two of this Law addresses the following transactions, as exempted from the scope this Law.

- Personal status transactions such as marriages, divorces and wills.
- Deeds of title of immovable property.
- Negotiable instruments.
- The transactions related to the sale, purchase, lease, and disposition of immovable property for a term of more than 10 years and registration of any other rights related thereto.
- Any document that requires attestation by the Notary Public.
- Any document or transactions exempted by special provision of law.

*Electronic signature shall be regarded as equivalent to a handwritten signature. The Law also regulates the formation and validity of online contracts.*

The Cabinet has the right to add any transactions or matters to the exempted transactions mentioned above or make any deletions or amendments in respect of the same.

The Law also addresses electronic messages, electronic registers and signatures. The Law provides that "Electronic message will not be denied only because it is in electronic format". Under the Law, electronic signature shall be regarded as equivalent to a handwritten signature. The Law also regulates the formation and validity of online contracts.

It is to be noted that on 12 February 2002, the Emirate of Dubai issued its Law No. (2) of 2002 concerning Electronic Transactions and Commerce Law. The said Law more or less covers the same subjects covered by the U.A.E Federal Transactions and Commerce Law.

Moreover, in January 2000, the Emirate of Dubai issued the Law No. (1) of 2000 concerning Dubai Technology, Electronic Commerce & Medial Free Zone Law. The said Law covers, inter alia, the business and activities carried out in the Free Zones including Jebel Ali Free Zone, Dubai International Airport Free Zone, and any other zone or zones established in the Emirates.

## **Federal Cyber-Crime Law No. (2) of 2006**

The U.A.E has issued the Federal Cyber-Crime Law No. (2) of 2006. The Law protects the privacy of Internet users and online local or federal government information and documents.

The Cyber-Crime Law is intended to control and fight any misuse of cyberspace and the new technology. Cyber crimes have increased with the rapid increase of Internet users. As a result, new types of crimes have surfaced. Such crimes led to the issuance of the Cyber-Crime Law. The U.A.E Cyber-Crime Law includes 29 Articles.

Under the U.A.E Cyber-Crime Law, violators will be sentenced by up to 10 years of imprisonment and fined up to AED 200,000. Article (9) of the Law provides that "Whoever uses the Web or one of the information technology means in threatening or blackmailing a third party to force him to do or to refrain from doing any action shall be imprisoned for a period not exceeding 2 years and fined no more than AED 50,000 or by penalties. If the threat involves committing a serious crime or any matter of honor, the offender may be imprisoned for a period not exceeding 10 years".

The Cyber-Crime Law covers a series of cyber crimes such as destroying or divulging secrets, forging documents of federal or local government, destroying computer programs and using credit card data or any other electronic card and the like.

Moreover, the Cyber-Crime Law penalizes the abuse of any Islamic holy shrines in other religions acknowledged by Islam, using the Website to sell narcotics, using the computer for human trafficking and using or distributing of information on the Internet that linked to a terrorist organization.

Under the U.A.E Cyber-Crime Law, offenders will not only be imprisoned and fined but also the Cyber-Crime Law includes provisions that allow the court to order the destruction of the tools used in committing the cyber crime in addition to the closure of the shop or the Website. Additionally, the Cyber-Crime Law includes provisions entitling the court to deport any expatriate found guilty under the provisions of the Cyber-Crime Law.

## **New regulations for Commercial Companies**

On 12 February 2006, the Minister of Economy issued a resolution No. (42) of 2006 concerning amendment of some rules of the Ministerial Decision No (73) of 1989 as to organizing the procedures of establishment of joint stock and partnership companies in the U.A.E.

The new regulation requires the company, in case of any amendment in its Memorandum of Association, to report such amendment to Ministry within one month following the meeting of the Extraordinary General Assembly.

On the other hand, on 30 April 2006, the Minister of Economy issued a decision No. (182) of 2006 concerning new regulations for establishment of private joint stock companies. The new regulations provide the following:

- (1) the number of partners shall not exceed 50 shareholders.
- (2) The nominal value of shares shall be paid in full.
- (3) No disposition in shares is approved prior to completion of two fiscal years following the establishment of the company.
- (4) No essential amendment in the founders' list shall be conducted.

## **Cabinet Allocates 5% shares of Public Joint Stock Companies to Ministry of Industry**

- (5) A capital deposit certificate from a bank shall be attached within two weeks following the Ministry's preliminary approval.

On 14 March 2006, the Council of Minister issued a resolution No. (8) of 2006 concerning allocation of no more than 5% of joint stock companies' shares to the Ministry of Industry. According to the new Cabinet Resolution, the Ministry of In-

## **Registration in Commercial Agency Register Requires Principal's Prior Approval**

dustry shall have the right to subscribe to shares in any public joint stock company to be established in the Country provided that the Ministry shall allocate the approved subscription in full prior to any other subscriptions by the others.

In April 2006, the Minister of Economy issued a decision on registration in the Commercial Agency Register. According to the Minister's decision, the Agency may not be registered unless approval is obtained and included in the Agency Agreement. The Agency may also be registered provided that a written approval is attached by the Principal.

***LIST OF SOME IMPORTANT RECENTLY PROMULGATED LAWS,*****FEDERAL LAWS**

<b>GAZETE No.</b>	<b>TITLES</b>
Issue No. 442 – 31 January 2006	Law No. (1) of 2006 concerning Electronic Transactions and Commerce
Issue No. 442 – 31 January 2006	Law No. (2) of 2006) regarding Combating Cyber Crimes

**CABINET RESOLUTIONS**

Issue No. 444 – March 2006	Cabinet Resolution No. (7) of 2006 on Amendment of Some Cabinet Rules No. (12) of 2000 Concerning Securities & Commodities Listing Regulation
Issue No. 444 – March 2006	Cabinet Resolution No. (8) of 2006 Concerning Allocation of Maximum 5% of Private Joint Stock Companies' shares to Ministry of Industry.

**MINISTERIAL DECISIONS**

Issue No. 444 15 March 2006	Minister of Economy' Decision No. (42) of 2006 Concerning Amendment of Some Rules of Ministerial Decision No. (73) of 1989 on Organizing Procedures of Establishment of Joint-Stock and Partnership Companies.
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**SECURITIES & COMMODITIES AUTHORITY  
ADMINISTRATIVE DECISIONS:**

Issue No. 446 – 30 April 2006	Chairman of Board of Directors' Decision No. (62/R) of 2006 Concerning Amendment of Article (30) on Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities.
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# DUBAI MULTI COMMODITIES CENTRE (DMCC)

DMCC (formerly known as Dubai Metals & Commodities Centre) is a free zone authority offering market participants of the commodities industry and support services invaluable business incentives. It is a strategic initiative of the Dubai government created to establish a commodity market place in Dubai.

DMCC provides industry-specific market infrastructure and a full range of facilities for the gold & precious metals, diamonds & coloured stones, energy and other commodities industries.

The objectives DMCC include:

- Creation of a dedicated market place in Dubai
- Increase the value and volume of commodities traded in and through the region
- Facilitation and integration of the entire value chain of its key segments
- Broaden the local market horizon e.g. Refining – Manufacturing – Trade
- Create industry specific market infrastructure for its core segments, innovate new products and services
- Provide a supportive business environment through purpose-built infrastructure
- Promote regional industry growth.
- Enhance local industry through implementation of international standards

DMCC's 200-hectare development will include the Almas Tower (meaning Diamond in Arabic), the AU Tower and the Ag Tower, in addition to plots of land allocated for special manufacturing operations, located in close proximity to Dubai's emerging projects and developments. Each purpose-built tower will have facilities that enhance trading and will provide commercial and support facilities for market participants in DMCC's specialized segments; gold & precious metals, diamonds & colored stones and commodities.

DMCC offers its members services ranging from registration and licensing to general services that ease the process of setting up a business within the complex. This 'One Stop Shop' strategy allows member companies to complete the employee affairs procedures, renewal of residence permits and issuance of visas, traffic affairs, and vehicle registration through DMCC itself.

DMCC Company Regulations govern, all the companies established in DMCC and branches of other companies in DMCC the incorporation of companies and branches, corporate governance, mergers & acquisition, winding up and other corporate issues.



## *Main incentives of DMCC include:*

- *100 per cent foreign ownership*
- *A guaranteed 50-year tax exemption on personal and income taxes.*
- *A one stop shop facility for processing of all documentation including immigration, registration and licensing.*
- *no restrictions on foreign exchange.*
- *freedom to repatriate capital and profits without restrictions.*

## DMCC Company Regulations

### **Mode of Forming a Company**

Any one or more persons, by subscribing their names to a Memorandum, entering its name on the DMCCA companies' register and complying with the other requirements of these Regulations, may apply to form a company with limited liability. The liability of its shareholders is limited by the Memorandum to the amount, if any, unpaid on the shares held by them. Each such company holds UAE nationality, but this does not necessarily lead to the company being entitled to privileges reserved for UAE nationals.

The minimum issued share capital of a company should be **AED.200,000** or such other sum as the DMCCA may specify from time to time.

It is necessary at all times to have a registered office in the DMCC to which all communications and notices may be addressed. The affairs of the company shall be managed by one or more directors. The directors of a company may appoint a secretary to the company who may also be a director of the company and who shall hold office in accordance with the Articles of Association.



# DUBAI GOLD & COMMODITIES EXCHANGE



The DGCX, online commodities derivatives exchange established as a free zone company in DMCC, commenced trading on 22nd November 2005. It is the first international commodities derivatives market in the Middle East region and, therefore, the first in the critical time zone between the markets of Europe and the Far East. DGCX offers a range of commodities, including the gold futures, with electronic trading accessible from anywhere in the world.

DGCX is a joint venture between the Dubai Multi Commodities Centre (DMCC) – Government of Dubai, Financial Technologies (India) Limited and Multi Commodity Exchange of India Limited (MCX). Management of DGCX comprises of senior personnel from commodities, securities & financial services industry bringing experience, expertise and a track record to ensure the success of DGCX.

DGCX offers huge advantages such as:

- State-of-the-art electronic exchange
- Trading possible from anywhere in the world
- Trading on all 7 days of the week
- Extended trading hours from 10:00 hrs to 23:00 hrs (GMT + 4)
- Trading hours to overlap with markets in the Far East, Europe and US
- US Dollar denominated contracts
- Dubai's Strategic location as a global trading hub
- Strength of the partners
- An effective regulatory structure.
- Futures and Options trading on a range of commodities.
- A range of commodity derivatives products specifically designed to meet the hedging needs of the relevant commodity trade.
- Robust risk management and surveillance systems.
- Settlement guarantee provided by Dubai Commodities Clearing Corporation (DCCC), a subsidiary 100% owned by DGCX.

*DGCX is regulated by the Emirates Securities and Commodities Authority (ESCA)*



DGCX currently trades in US Dollar denominated standardized future contracts in Gold and Silver. It will later trade in options in gold and silver and several other commodities such as steel, cotton, marine fuel oil.

## ESCA - Regulatory Body

DGCX is regulated by the Emirates Securities and Commodities Authority (ESCA). ESCA was established in 2000 in accordance with Federal Law No 4 and is a public authority that has been given the supervisory and executive powers necessary to perform its functions.

ESCA, a member of the International Organisation of Securities Commissions (IOSCO), is also the regulatory authority for the Dubai Financial Market and the Abu Dhabi Securities Market and adheres to a 'fundamental objective to provide the opportunity to invest in commodities in a manner that serves the interest of the national economy by establishing the bases for sound and just dealings between various investors.'

DGCX has a fully operational Compliance Department, which in liaison with ESCA, ensures that Members maintain strict adherence to ESCA approved DGCX By-Laws. These By-Laws include rules that require, inter alia, Client



funds to be maintained in segregated bank accounts by DGCX Broker Members and the timely collection of margin monies from Clients' segregated accounts, so that their 'contracts' are properly maintained on DGCX and all Exchange participants are protected from losses arising from these transactions.

## Membership of DGCX

### Categories of Membership

Pursuant to the By laws of DGCX, a Member (which can be a firm, corporation or natural person) may be admitted as:

- (i) a Broker Member; or
- (ii) a Trade Member.

There can be more sub-categories of Trade Member, designated by reference to a commodity or group of commodities and to which the trading rights of that sub-category of membership shall relate. DGCX may create such other categories of membership as it sees fit, having regard to the efficient operation of the Markets of the Exchange.

### Membership Rights

- (a) A Member is entitled to represent himself as a Member of DGCX.
- (b) A Member is entitled to trade on Markets operated by DGCX, for his own account if he is a Trade Member or for his own account and on behalf of Clients if he is a Broker Member.

### Application Process

- (a) An applicant for membership of DGCX should lodge with DGCX an application, in such form and providing such undertakings, information and documents as DGCX from time to time requires, together with any application fee as determined by DGCX. Such undertakings, information and documents may include undertakings, information and/or documents described in the FATF (Financial Action Task Force on Money Laundering) Recommendations with respect to the identification of customers, counterparties and/or depositors of funds.
- (b) The application shall include an undertaking, signed by the applicant or (in the case of a firm or corporation) a duly authorized officer of the applicant, in a form specified by DGCX, that it agrees to be bound by the By-Laws of DGCX and any of its amendments.
- (c) DGCX considers the application and may call for such further information as it considers necessary.
- (d) DGCX is not obliged to furnish any reason for its decision to approve or reject the application.
- (e) In determining whether to approve an application, DGCX is entitled to consider the business integrity, financial probity and standard of training and experience of the applicant and (in the case of a firm or corporation) its directors, partners, officers and employees, and such other matters as DGCX regards as relevant from time to time.

### Membership status

- (a) An applicant shall become a Member when:
  - (i) DGCX has completed the approval process and has notified the applicant in writing of its approval of the application;
  - (ii) the applicant has paid to DGCX such admission fee as DGCX may determine from time to time; and
  - (iii) the applicant has lodged with DGCX a statement of its Net Current Tangible Assets and Secured Creditors in such form as DGCX shall from time to time prescribe.
  - (iv) If the applicant fails to comply with (a)(ii) and (a)(iii) within two months of the issuing by DGCX of the written notification referred to (a)(i), DGCX's approval shall be deemed to have lapsed.
- (b) A Member is not entitled to exercise its Trading Rights until:
  - (i) it has been admitted as a Clearing Member by the Dubai Commodities Clearing Corporation (DCCC); or
  - (ii) it has provided to DGCX a duly signed Clearing Guarantee.
- (c) A Member who is guaranteed by a Clearing Member may not be guaranteed by another Clearing Member without first having obtained a written release from the first Clearing Member.
- (d) Such written release shall not be withheld unless the Member seeking the release has failed to pay a debt to the first Clearing Member arising from trading on DGCX.



*(Source of info and pictures DGCX)*

## LAW FIRM for National and International LEGAL SOLUTIONS



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