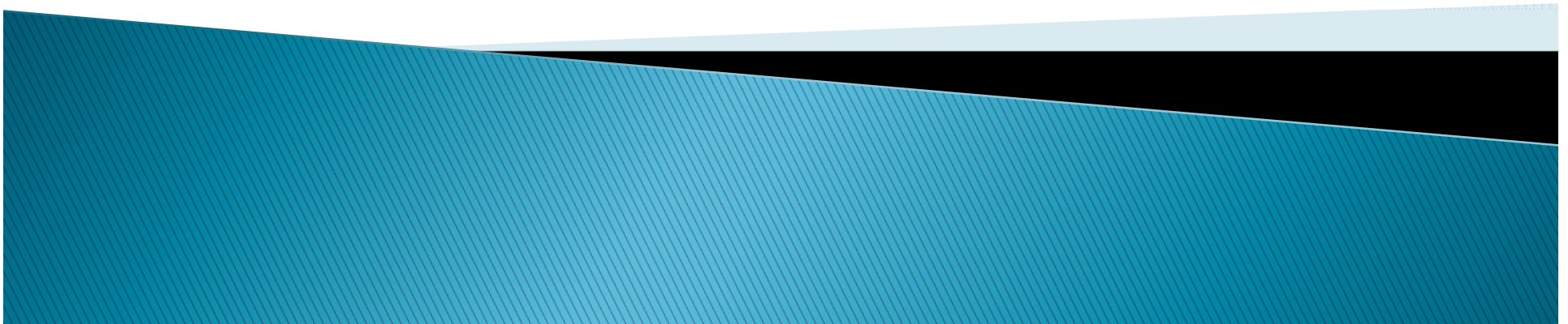


Conducting Business in the UAE



UAE Contract Laws

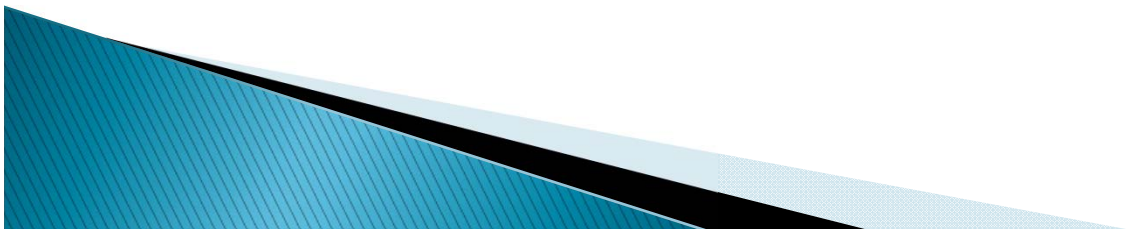
- ▶ “Khalifa Directive”
 - Decision No. 12 by Resolution
- ▶ Decision No. 25, Specific to Special Operations Command
- ▶ UAE Federal Law No. 18, Commercial Transactions
- ▶ UAE Federal Law Article 8, Establishing Companies



Decision No. 12, 1986

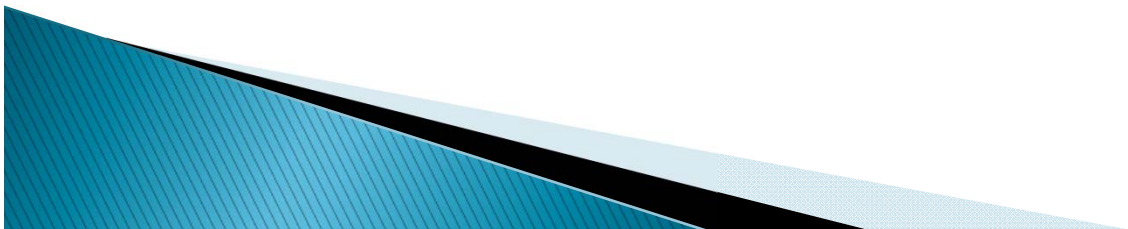
“Khalifa Directive”

- ▶ Procurements for the UAE Armed Forces follow Decision No. 12 of 1986 , also known as the “*Khalifa Directive*”
- ▶ The “*Khalifa Directive*” instructs companies seeking contracts with the UAE Armed Forces to not enter into a deal with any company to act as an agent, or “consultant,” on their behalf during negotiations or finalization of contracts
- ▶ This prohibition on agents does not include contracts for standard equipment, such as trucks or office equipment, that can be used for both civilian *and* defense purposes
- ▶ Decision No. 12 also sets the standards of tenders, biddings, and purchases for the Armed Forces in the UAE



Decision 25, 2008

- ▶ Only issued to establish a purchasing department for the Special Operations Command as a separate entity
- ▶ Purchasing department works under the Armed Forces Procurement Regulation which organizes purchasing, tenders, and biddings in the Armed Forces



Federal Law No. 18, 1993 Commercial Transactions

- ▶ Federal Law that supersedes all disputes pertaining to commercial transactions within the UAE
- ▶ The following shall be considered commercial works if practiced professionally:
 - Brokerage, Commercial Agency, Commission Agency, Commercial Representation, Supply Contracts, Industries of extraction of natural wealth resources, Tourism, travel, export, import, and customs clearing works as well as service and recruitment offices; Printing, publishing, photographing, recording and advertising works, Industry, Leasing and Hiring the work of a third party for the purpose of leasing



UAE Federal Law

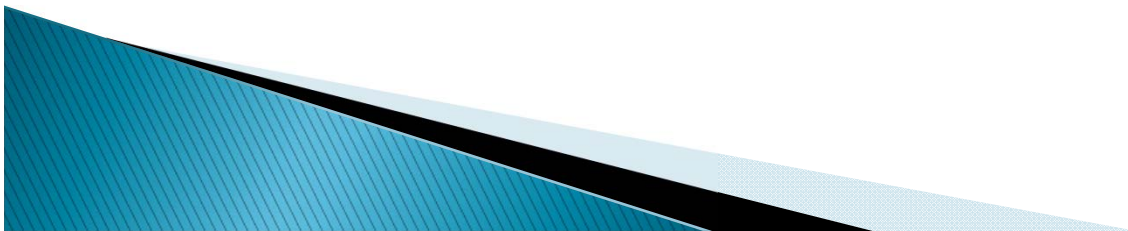
Article 8, 1984

- ▶ The companies in which foreign equity participation is permitted are as follows: the public and private joint stock company (JSC), which references hereafter is both the public and private variety unless otherwise indicated), the limited liability company (LLC), the limited partnership company (LPC), the share partnership company (SPC) and the joint venture company (also known as a contractual venture or consortium company) (CC). Of these, the LLC has been the vehicle of choice for foreign companies forming companies under the Companies Law.
- ▶ Some restrictions applicable to these companies include that their principal offices must be in the U.A.E.
- ▶ Must have at least two shareholders/partners at all times and U.A.E. nationals must own at least 51% of their equity.
- ▶ The effect of such restrictions is to, among other things, limit the transferability of interests and prevent the formation of holding company structures under the Companies Law consisting of wholly owned subsidiaries.
- ▶ In practice, the Abu Dhabi commission limitation is narrowly construed, and a foreign company is probably permitted to pay additional compensation to a commercial agent for any services rendered by the latter which go beyond mere “sponsorship”.



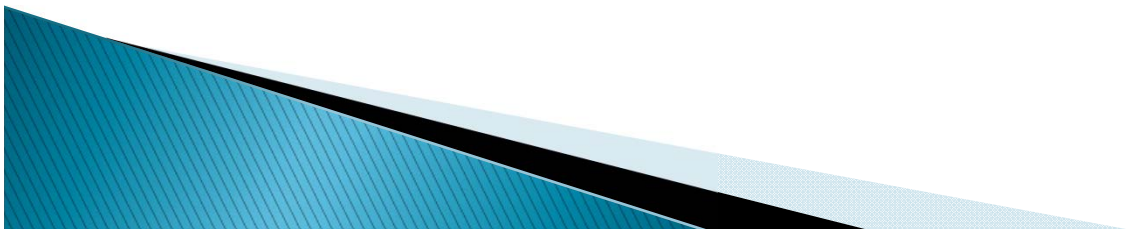
Financial Procedures

- ▶ UCP 600
- ▶ Terms of Payment
- ▶ Letters of Credit
- ▶ Performance Guarantee & Warranty Bond



UCP 600

- ▶ A body of standards which set guidelines for the process of issuing “letters of credit” and their usage
- ▶ Developed by the International Chamber of Commerce (ICC)
- ▶ Most successful set of trade rules ever developed
 - Used in over 175 countries throughout the world
- ▶ Modifications can be made to specific articles of the UCP 600 within a contract as long as both parties agree to the terms
- ▶ <http://www.iccwbo.org/iccjdi/index.html>



Terms of Payment

▶ Advance Payment

- Payment for 20% (typical) of the contract value will be released to the Seller once Seller presents the following documents:
- The Seller's invoice showing full value of contract
- The original Performance / Warranty Bond
- The original Advance Payment Guarantee

▶ Factory Acceptance

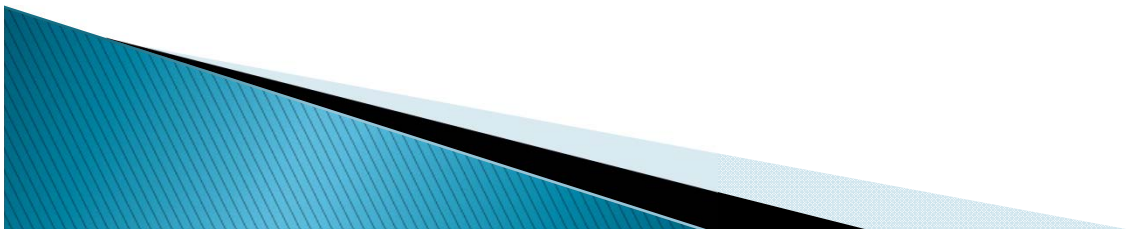
- Amounts / % will vary based on contract

▶ Payment on Delivery

- Amounts / % will vary based on contract

▶ Final Acceptance

- Amounts / % will vary based on contract



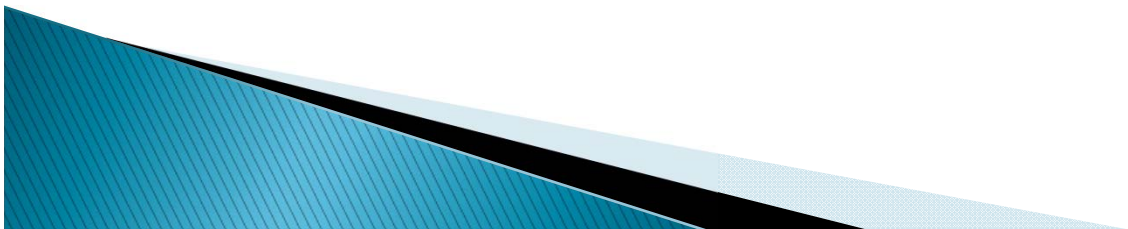
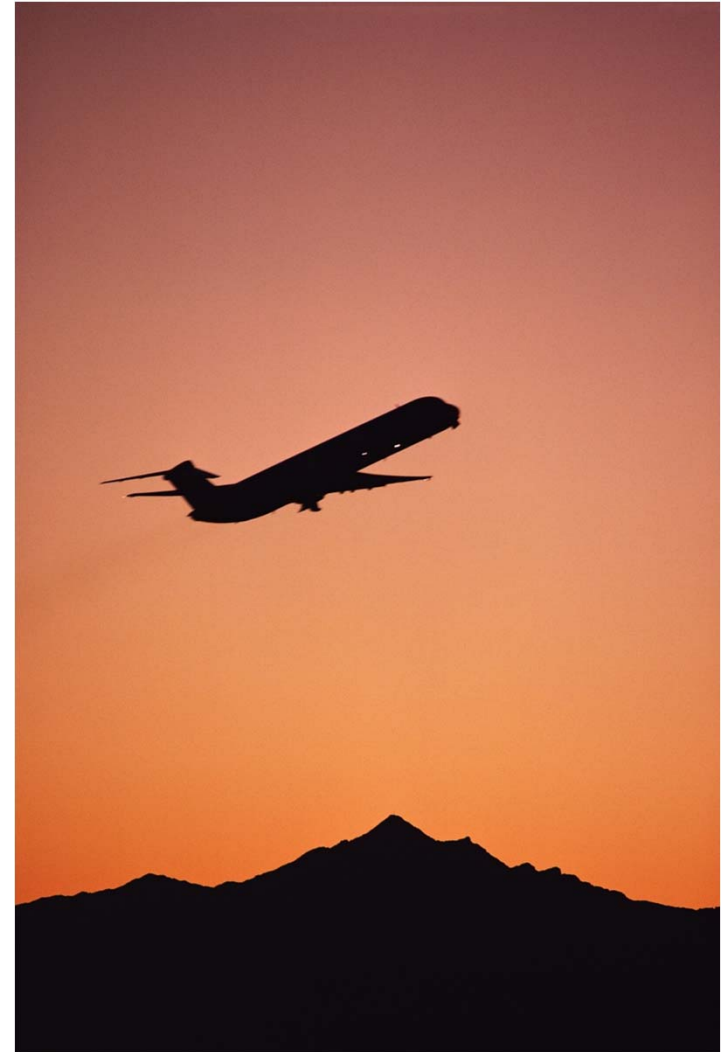
Standard Letter of Credits Instructions

- ▶ Instructions will be issued by the Company informing the seller of the terms of the execution of the “letter of credit,” the shipment of the property the Company is purchasing, and the payment terms
- ▶ The terms must be agreed upon by the seller
- ▶ Should the seller be unable to comply with any of the terms laid out by the letter of credit, the Company will review and honor any requests provided the terms are acceptable



Letter of Credit Terms

- ▶ L/C shall be payable after 60 days from the presentation of documents at L/C opening bank counter.
- ▶ The shipment has to come to Abu Dhabi air port or sea port (to be agreed)
- ▶ Shipment to be on DDU Abu Dhabi basis
- ▶ Documents to be presented within 15 days after the date of shipment and in accordance with the delivery period
- ▶ All L/C charges shall be in beneficiary's account



Performance Guarantee / Warranty Bond



- ▶ **Performance Guarantee or *Performance Bond*** stipulates that the Seller set aside 10% of the contract value in order to protect the Buyer if the Seller fails to deliver
- ▶ The Guarantee will remain valid for 90 days after the final acceptance and then will be reduced to 5% for the remainder of the **Warranty Bond** period
- ▶ **Warranty Bond** is a guarantee for the investor, that contractor will solve all warranty issues in warranty time. If contractor will not solve these issues or goes bankrupt, investor has a guarantee from the bank and will be compensated in monies owed




Delivery Procedures

- ▶ Incoterms 2010
- ▶ Responsibilities of Parties
- ▶ Import / Export
 - Required Delivery Documents



Required Delivery Documents

- Legalized signed, stamped commercial invoice in beneficiary's letter head one original plus three copies
 - Proof of shipment (An Air Waybill (AWB) or an Ocean Bill of Lading, Freight Cargo Receipt, or a Freight Forwarders Receipt)
 - Delivery Acceptance Certificate (60% of the amount shall be paid based on this certificate)
 - Service Acceptance Certificate (60% of the amount shall be paid based on this certificate)
 - *To claim the balance* payment of 40% against items delivered / services provided, Final Acceptance Certificate signed by the L/C opener's representative to be provided
- 

Required Delivery Documents

- Legalized Certificate of origin (the country of origin to be agreed between the parties) for the items delivered.
- Packing list
- The documents to be legalized (as per UAE Central Bank rule)
- Certificate of Compliance (to be issued by the original manufacturer, signed and stamped stating that the goods mentioned in the invoices and packing list are as per the Beneficiary's proposal)
- Warranty Certificate (in Beneficiary's letterhead signed and stamped stating that the goods mentioned in the invoices and packing list are covered by the warranty provided by the Beneficiary for the period agreed between the parties)
- Any other documents to be agreed between the parties

