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*Practice Group:*  
*Finance*

## UAE Securities Regulator Introduces Private Placement Exemption for UAE Investment Funds Regulation

*By Natalie Boyd & Simon Mabin*

In August 2012, the UAE Securities and Commodities Authority (“SCA”) introduced a new regulatory framework governing the marketing and sale of foreign funds to investors in the United Arab Emirates (the “UAE”) (the “**Regulation**”).

To the consternation of foreign (and offshore UAE) managers, the Regulation introduced a blanket prohibition on the marketing and sale of foreign funds to UAE investors without prior SCA approval, together with an additional restriction which limited the marketing and sale of SCA-approved foreign funds to locally registered promoters or, in certain circumstances, UAE domiciled representative offices. As a result, the informally recognised tolerated practice which had previously been relied upon by non-UAE licensed foreign (and offshore UAE) managers officially became non-tolerated practice.

Please click [here](#) for our client briefing dated 4 September 2012 which provides further information on the Regulation.

On 13 March 2013, SCA published an amendment to the Regulation (Decision No. 13 of 2013) which formally introduced a private placement exemption (the “**Amendment**”). The Amendment will become effective following its publication in the UAE Official Gazette.

As a result of the Amendment, foreign funds will no longer require the prior approval of SCA or to be distributed by locally registered promoters or representative offices, provided that they are offered to the following categories of UAE investors:

- Federal and local government entities, such as UAE sovereign wealth funds ; and
- Companies, institutions and other entities whose primary activity is, or whose activities include, the investment of securities, providing that such companies, institutions or entities are acting on their own account.

Private placements of foreign funds may still be offered to other types of institutional investors by foreign (and offshore UAE) managers via a locally registered promoter or the manager’s UAE representative office or branch, provided that approval has been obtained from SCA and the minimum subscription amount is limited to AED 10 million per subscriber.

The effect of the Amendment is significant and will be welcomed not only by foreign (and offshore UAE) managers, who until now have largely been relying on unconfirmed reverse solicitation practices, but also by the categories of UAE investors who will equally benefit from the exemption.

Furthermore, the Amendment marks the introduction of the first private placement regime in the UAE, and while its application is limited to foreign investment funds, it may pave the way for similar private placement regimes for other types of financial products, such as securities.

For further information, please contact one of the authors.

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