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ABU DHABI GLOBAL MARKET INTRODUCES COMPANY SERVICE PROVIDER REGULATORY FRAMEWORK

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Abu Dhabi Global Market Introduces Company Service Provider Regulatory Framework

The Abu Dhabi Global Market ("ADGM") has introduced new legislation to create a robust regulatory framework for appointing company service providers ("CSPs"), leveraging on international best practice, amid intensified international demand for the registration of ADGM special purpose vehicles ("SPVs") and foundations. All SPVs and foundations do not qualify for one of the exemptions outlined below will need to take immediate action and appoint a suitably licensed CSP.

Addressing potential risks connected to the greater number of vehicles being established in the ADGM without a direct connection to the jurisdiction, the new regulations aim to provide a proportionate and balanced CSP framework. They also ensure the Registrar will have a locally based contact for non-exempt SPVs and foundations, while imposing specific obligations on CSPs in the ADGM, in line with the tried and tested procedures in other highly regarded financial centres.

Understanding the New Regulations

The new regulations require SPVs and foundations, unless qualifying for an exemption, to appoint a CSP which is licensed to operate in the ADGM under the new regulations. Failure to do so by the prescribed deadlines may result in fines.

Exemptions from the rules apply for SPVs that are a subsidiary of a person already exempt from the requirement to obtain a license to practice a controlled activity in or from the ADGM, or a person authorised to undertake a regulated activity in the ADGM. Also exempt are subsidiaries of persons licensed or regulated by the UAE Central Bank and companies whose shares are admitted to trade on a regulated market in the UAE.

Further exemption exists for companies that can satisfy the ADGM Registrar of their adequate presence in the UAE with regard to assets, turnover and employees, in addition to governance, policies and procedures. Foundations with substantial resources, experience and personnel in place in the UAE, along with adequate governance, policies and procedures, will similarly be exempt.

SPVs and foundations in the ADGM which do not qualify for an exemption and were incorporated or registered prior to or on 17 March 2021, must appoint a licensed CSP by the earlier of the renewal date of its next commercial license, or 11 April 2022. If incorporated or registered after 17 March 2021 but before 12 April 2021, the licensed CSP must be appointed before the date of its first commercial license renewal. Entities incorporated or registered after 12 April 2021 must appoint their licensed CSP from the date of incorporation or registration.

Under the new framework, CSPs must fulfil certain obligations, leaving officers and councilors subject to fines if not appropriately compliant. The CSP has responsibility for maintaining the records and books of the SPV and foundation, in addition to acting as the registered office provider, unless the Registrar permits a different registered office. The legislation also authorises CSPs to represent SPVs and foundations in its dealings with the Registrar and as such, CSPs are required to make all filings on their behalf.

Where CSPs operate client accounts, there are additional regulations to be aware of that aim to mitigate the risk of fraud or funds being misappropriated and misused, with reporting and record keeping requirements covering the segregation of client money and both payments to and withdrawals from these accounts.

Action Required by SPVs and Foundations

Any SPV or foundation, currently operating in the ADGM, which does not meet any of the criteria for an exemption, should take note of the appropriate deadlines and begin the process of identifying and engaging a CSP, suitably licensed under the new regulations.

As a best-in-class provider of fiduciary services, fully licensed under the new regime, with an intimate understanding of the key regional considerations in the ADGM and broader Middle East, the Maples Group is uniquely positioned to assist clients in transitioning to the new regulatory environment. With in-depth knowledge of local legislation, market-leading best practice in the provision of fiduciary and corporate administration services across the leading international financial centres, and an institutional infrastructure to address a broad range of needs, the Maples Group offers an unmatched approach with respect to acting as a CSP and can ensure the highest standards of compliance for clients.

For more information on company services in the ADGM, please [click here](#) to get in touch with our UAE team.

About the Authors

Norbert Neijzen

Norbert is the Regional Head of Fiduciary – Middle East and leads the fiduciary services business for the Maples Group's Abu Dhabi and Dubai offices. Based in Dubai, he serves as an independent director on a wide range of alternative investment funds including fund of funds, segregated portfolio companies, private equity vehicles and related structures. In addition, he specialises in tailored corporate administration and fiduciary services to regionally arranged Islamic and conventional finance structures, including Sukuks, DIFC special purpose companies, funds and other international structures requiring time zone convenient support. Norbert has over 10 years' experience in the financial services industry with a focus on corporate, legal and governance services for a diverse portfolio of hedge funds, private equity funds, real estate funds and other hybrid structures. Prior to joining the Maples Group, Norbert was performing various roles from 2010 until 2018 within a corporate services team in the Netherlands, Luxembourg and Dubai. His responsibilities included guiding clients on international structuring and managing a broad portfolio of international clients with complex structures. Norbert began his career in law in 2004, practicing as a Civil Law Notary (deputy) with

law firms in Amsterdam and The Hague in the Netherlands. Norbert holds a Master of Laws from the University of Amsterdam.