

Dubai Introduces Requirements for Certain Companies to List Their Shares on its Stock Exchanges

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On January 26, 2021, the Ruler of Dubai issued Decree No.3 of 2021 (the **Decree**) requiring public joint stock companies incorporated in Dubai, as well as public joint stock companies incorporated elsewhere in the UAE but with strong ties to Dubai, to list their shares on a Dubai stock exchange. This comes further to the regulations recently issued by the UAE Securities and Commodities Authority (SCA) on November 2, 2020 permitting companies established in the UAE's free zones to carry out public offerings and list their shares "onshore".¹ The Decree envisages close coordination with free zone authorities, and its application to free zone companies will depend on the signing of a Memorandum of Understanding between the relevant free zone and the SCA, as provided by the SCA regulations.

The practical impact of the Decree is that companies established in Dubai that wish to list their shares, and companies established elsewhere in the UAE with a preponderant presence in Dubai that wish to list their shares, must do so on the Dubai stock exchanges (while preserving the ability to have secondary listings elsewhere). This seems to be a defensive measure to prevent these companies from listing outside the Emirate only. The Decree does not, however, prevent such companies from establishing a holding company outside the UAE that would not be subject to the mandatory listing provisions of the Decree.

The Decree distinguishes between three categories of companies:

1. Joint Stock Companies Incorporated in Dubai

All public joint stock companies incorporated in Dubai (including in free zones) must list their shares on the Dubai stock exchanges (including the Dubai Financial Market (DFM) and Nasdaq Dubai). In addition, private joint stock companies incorporated in Dubai (including in free zones) that elect to list their shares must do so on the Dubai stock exchanges. Such companies may also carry out a secondary listing on other stock exchanges in the UAE or abroad.

While the Decree does not specify the basis on which free zone companies will be considered public or private joint stock companies, we expect Dubai International Financial Centre (DIFC) public companies limited by shares to be deemed public joint stock companies and DIFC private companies limited by shares to be deemed private joint stock companies. Free zone limited liability companies should not (depending on their characteristics) be considered joint stock companies.

¹ Please refer to our [Alert Memorandum](#) on the matter for more information



2. Public Joint Stock Companies Incorporated in the UAE Outside of Dubai

Public joint stock companies incorporated in the UAE outside of Dubai (other than those established pursuant to a federal decree) that have 50% or more of their annual profits or revenues generated from activities in Dubai, or 50% or more of their total assets located in Dubai, must list their shares on the Dubai stock exchanges within a year of reaching such thresholds. Public joint stock companies incorporated in the UAE outside of Dubai that do not meet such thresholds, but that have a branch, assets or activities in Dubai, may still elect to list their shares on a Dubai stock exchange.

3. Foreign Companies Incorporated Outside the UAE

Foreign companies incorporated outside the UAE with branches, assets or activities in Dubai may elect to list their shares on the Dubai stock exchanges as a primary or secondary listing.

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The Decree was published in the Dubai Official Gazette on February 4, 2021. Companies that are required to list their shares pursuant to the Decree must do so within a year of its publication. As a reminder, the minimum free float requirement is 30% for listing on DFM and 25% for listing on Nasdaq Dubai. While a public joint stock company could, theoretically, elect to convert into another legal form to avoid mandatory listing requirements, the conversion process under the UAE Commercial Companies Law is not straightforward and would require regulatory approvals.

The diagram below provides a summary guidance on the applicability of listing requirements under the Decree.

If you have any questions concerning these latest developments, please feel free to reach out to your regular contacts at the firm.

