

Introduction to the New UAE Intermediate SPV Regime within the DIFC

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February 2017

The DIFC Authority approved a new regime for the establishment of Intermediate Special Purpose Vehicle ('Intermediate SPV') on 19th September 2016.

It is envisaged that the Intermediate SPV regime will be structured and explained within the new versions of the DIFC Companies Law and DIFC Companies Regulations, which are currently undergoing revision. However, as an interim measure pending the completion of legislative review, the Intermediate SPV regime was given immediate force by the DIFC Authority by way of a waiver and amendment of certain provisions to the existing DIFC Company Regulations and DIFC Operating Regulations.

The rationale behind the introduction of the Intermediate SPV regime is that, except for the Special Purpose Company ('SPC') regime, which is predominately restricted to applicants conducting financing transactions, the DIFC Authority did not have a simplified and cost efficient special purpose vehicle structure in place that is comparable to other structures found in many other offshore jurisdictions.

The DIFC had explained that the term 'Intermediate' is used to imply that it is neither the primary holding entity nor is it the operating entity, but more so used as a transitional company as part of a wider structure.

It is worth noting that the Intermediate SPV structure is only applicable to entities that are already registered within the DIFC.

The Benefits

One of the predominate advantages of the regime is that the incorporation process is far more simplified and cost efficient in comparison to the set up of a typical holding company within the DIFC. This is mainly due to a less exhaustive list of requirements, specifically the business plan, which is shorter and requires less detail compared to the standard template for limited liability companies and companies limited by shares. Also, where more than one Intermediate SPV is applied for in an investment structure, a single business plan will suffice, but separate application forms will be required for each entity.

The incorporation costs are also far less compared to a typical holding company in the DIFC, with the application fee reduced to USD 1,000 (instead of USD 8,000) and the annual licence fee at USD 3,000 (as opposed to USD 12,000).

Another benefit worth noting is that the DIFC allows the Intermediate SPV to utilise their existing presence in the DIFC by sharing the same office address so that no additional office is required for the incorporation of the Intermediate SPV, which again minimises the overall cost aspect.

Eligibility Requirements

The DIFC have defined what they call a 'Qualifying Applicant' within their initial guidelines, which address the eligibility requirements for the incorporation of an Intermediate SPV. At present, an applicant intending

to set up an Intermediate SPV within the DIFC must be one of the following:

- a holding/proprietary investment company or single family office already registered within the DIFC;
- a collective investment scheme established in the DIFC;
- a collective investment scheme established outside of the DIFC but managed by a fund manager or asset manager that is regulated by the Dubai Financial Services Authority ('DFSA').

Conclusion

Despite the main limitation of only being available to applicants who are already established within the DIFC, the Intermediate SPV regime is attractive to many private equity houses, family offices, and corporates. The simplified incorporation requirements and procedure, along with the cost efficient set up fees, results in a business-friendly structure that makes the DIFC an even more attractive place to do business.

Al Tamimi & Company's Corporate Structuring team regularly advises on corporate structures and incorporation requirements. For further information please contact Samer Qudah (s.qudah@tamimi.com).