



COMMITBIZ
Management Consultants

*Financial Service Industry
in the UAE*



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Introduction

The UAE has been upscaling the Finance industry to strengthen the economy at its best. Read this guide if you hold an interest to open a financial business entity in the region of UAE.

“Finance without a strategy is just numbers and strategy without finance is just Dreaming.”

Business, a comfortable yet complicated term, stands firm due to the presence of significant pillars of the corporate world. Every single day numerous business entities attain their existence, which turns out to be the first step in shaping their ideas and imaginations into reality. One of the inseparable pillars that drives an organization is finance. In easy terms, we can call it as the fuel that drives the engine of ideas for an entity to implement it accordingly. The nation of the United Arab Emirates, one of the rising nations amongst the GCC countries, is one of the burgeoning grounds of investment. Holding the Emirate of Abu Dhabi as its capital, the nation has positioned itself as the podium of business establishment in the minds of global investors, entrepreneurs, and business professionals.

Understanding the need of finance for the existence of corporate survival, the ground of UAE has been eyeing in being as one of the global financial hubs. The rapid increase in the company establishment in the region has eased out the financial aspects in numerous ways. Business investors and entrepreneurs who are dealing with the financial ground have got an enormous option to start a business in the UAE. If you hold a financial business plan, then UAE is the ground to execute. Let's understand the financial scenario in the region.



Finance Industry in the UAE

Covering a count of 23 local and 26 foreign banks, the UAE Central Bank is the primary financial regulatory authority. When it comes to branches, the initial count in 2018 stood at 761, which decreased to 733 for the period of 2019, intending to improve the money flow in the nation. Now, the core reasons in the reduction process include a reduction in branches, e-Banking services, an increase in the number of ATMs-5,279 by the end of March 2019. The contribution of the finance and insurance sector to the GDP of the UAE is at 10%. In 2019. The Banking Structure of UAE is outlined below:

Banks	Count
National Banks	22
Foreign Banks	38
Wholesale Licensed Banks	11
Foreign Retail Banks	27

A robust framework has been built, keeping in mind that the financial assistance would turn out to be smooth for the business investors, owners, entrepreneurs, and the general public. Now, the demand has been rising continuously, which turns out to be a great market for foreign investors. Now, let's have a look at the different options that the finance industry has under its umbrella.



Finance Industry in the UAE

Incorporated in the year 2000, the DFM is the first exchange in the region of UAE, consolidates its operations with Nasdaq Dubai to create a powerful capital marketing hub. The DFM covers nine sectors that include Real Estate, Banking, Insurance, Financial Services, Transportation, Consumer Staples, Services, and Telecommunications. As the financial sector is one of the core focuses, let me take you through certain highlights that you should be aware of while dealing in the finance industry and holding a plan to operate your business on the grounds of UAE.

2018 DFM Financial Highlights

<i>Description</i>	<i>Figures</i>
Listed companies	67
Total Market Investors	843
Dividends distributed on behalf of listed companies	17.6 AED Billion
Market Capitalization Growth (2011-2018)	10%
Consolidated Recurring Revenue of DFM	125.5 AED Million
UAE's Protecting Minority Investors 2018 Global Rank	15



Types of Financial Companies in Dubai

The region provides the flexibility to the investors to come forward and start any of the following when it comes to financial company set up in Dubai.

1. Banks

The banking industry in the UAE has undergone multiple transformations with a blend of tech. Ranging from personal to corporate transactions, every step is linked with digitalization today, which is a new edge that banks need to shape themselves accordingly. The financial soundness in the UAE has spiked up for both national and foreign banks. You can have a glance below.

Conventional	2018			
	Q1	Q2	Q3	Q4*
Leading to stable Resources Ratio	84.8	84.4	82.8	82.5
The Eligible Liquid Assets Ratio (ELAR)	16.2	15.9	15.2	16.5
Capital Adequacy Ratio	18.0	18.2	18.4	18.4
Tier 1 Capital	16.4	16.7	17.0	17.1
CET 1	14.7	15.1	15.4	15.5

Source: CBUAE

Note: All data indicate the end of quarter values



Financial Soundness for Islamic Banks in 2018 (in%)

Conventional	2018			
	Q1	Q2	Q3	Q4*
Leading to stable Resources Ratio	82.1	81.6	80.8	81.6
The Eligible Liquid Assets Ratio (ELAR)	20.2	18.7	18.7	19.7
Capital Adequacy Ratio	15.8	17.5	17.5	17.4
Tier 1 Capital	14.6	16.3	16.3	16.2
CET 1	10.9	12.6	12.8	12.7

Source: CBUAE

Note: All data indicate the end of quarter values

Financial Soundness for Foreign Banks in 2018 (in%)

Conventional	2018			
	Q1	Q2	Q3	Q4*
Leading to stable Resources Ratio	76.6	77.2	75.4	74.0
The Eligible Liquid Assets Ratio (ELAR)	23.0	22.4	21.7	24.3
Capital Adequacy Ratio	20.9	20.7	20.4	21.3
Tier 1 Capital	18.7	18.6	18.4	19.8
CET 1	18.7	18.6	18.4	19.8

Source: CBUAE

Note: All data indicate the end of quarter values



Financial Soundness for UAE National Banks in 2018 (in%)

Conventional	2018			
	Q1	Q2	Q3	Q4*
Leading to stable Resources Ratio	85.3	84.7	83.3	83.4
The Eligible Liquid Assets Ratio (ELAR)	16.6	15.9	15.3	16.5
Capital Adequacy Ratio	17.1	17.7	17.9	17.8
Tier 1 Capital	15.6	16.4	16.6	16.5
CET 1	13.3	14.0	14.4	14.3

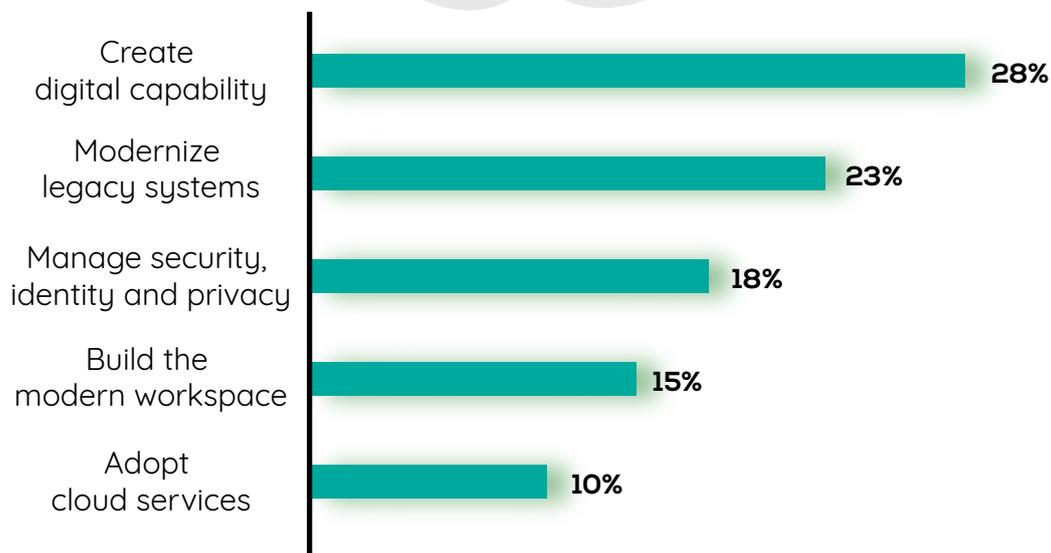
Source: CBUAE

Note: All data indicate the end of quarter values

When it comes to the usage of digitalization, the banking sector at a global front has got the idea of infusing technology in the following way.

PLAN TO USE DIGITAL TECHNOLOGIES.

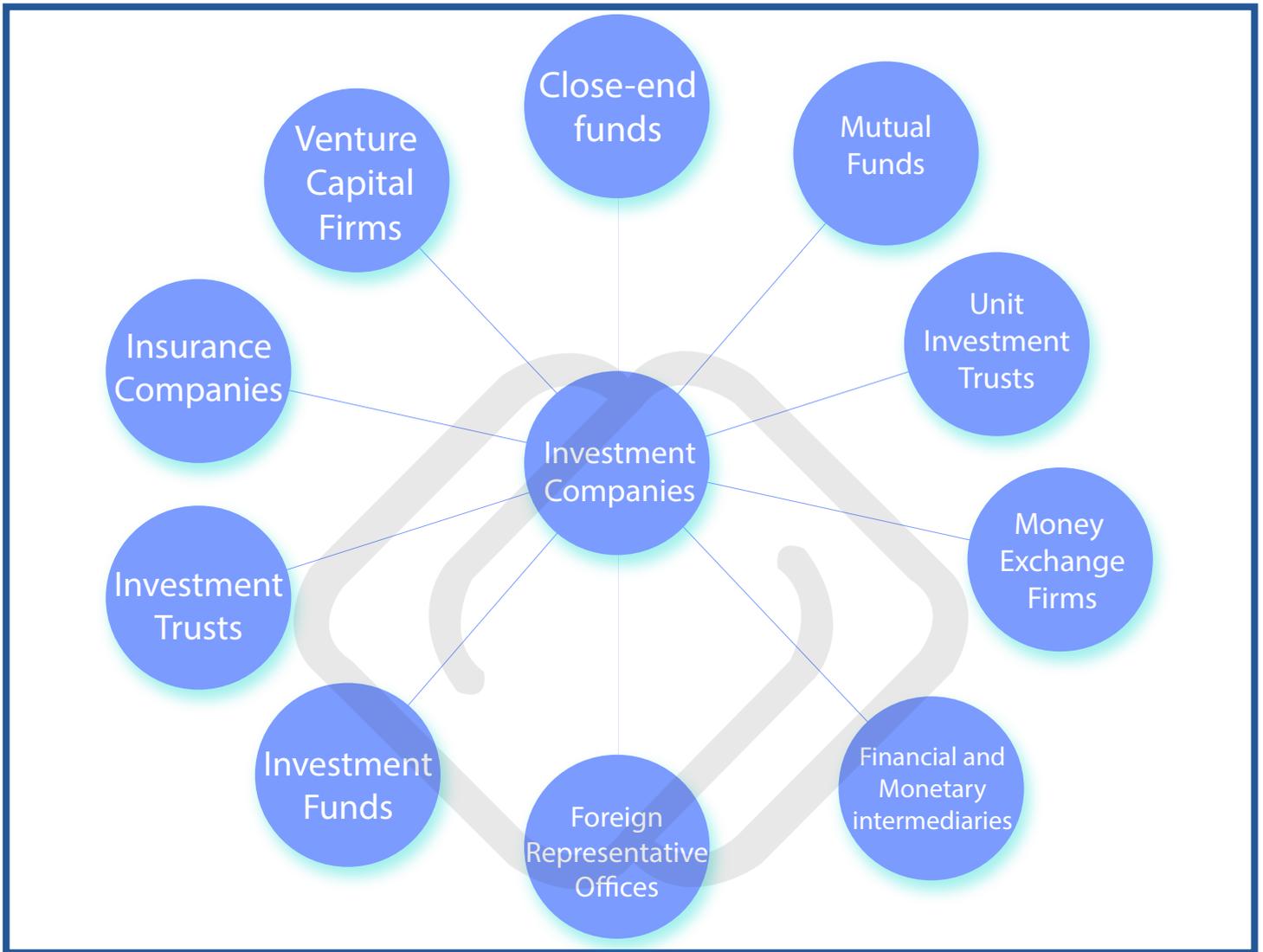
Most important technology area to the organisation





2. Financial Investment Companies

The next option that the investors have in their mind is regarding the investment companies in the UAE. When it comes to investment company options, they are categorized into multiple categories which include:



Each domain contributes to enhancing the financial stability of a nation. With the help of the diversions mentioned above, you can select the relevant sector that interests you. However, there are certain tasks of a financial investment company that is the core responsibilities. Few of the duties are highlighted below:



Tasks of Financial Investment Companies

According to the legal regulations stated by the Central Government of UAE, the financial investment companies have got the following sets to be performed as defined institutions which include:

- » Opening investment accounts
- » Prepare economic feasibility studies report
- » Form or manage investment funds
- » Portfolio management for third parties (individuals and companies)
- » Market the shares
- » Subscribe in corporate capital and syndicate loans

To leverage the finance industry to the next level, the Government of Emirates has built-in dedicated zones that focus on enhancing the growth possibilities for the sector. Dubai International Finance Centre (DIFC), established in the year 2004, turns out to be a major financial hub for the MENA region. Let's take a step forward and understand more about it.

Dubai International Finance Centre (DIFC)

Located at Sheikh Zayed Road, the DIFC is a perfect investment destination that holds a distinct jurisdiction when it comes to employment, corporate security, civic bodies. The grounds hold for business entrepreneurs and professionals who want to start their business in the financial sector. The ecosystem holds a count of 2,289 registered companies along with 24,000 workforces. The centre has introduced a regulatory framework for the SME sector. [Click here to know more about it.](#)



Areas of Business in DIFC

With a business-friendly environment, the region of DIFC allows the business investors to operate in the specified areas:





Business owners and professionals considered DIFC as the ultimate investment ground due to lucrative benefits that the region provides, which includes:

- » No restrictions on foreign exchange
- » Complete exemption on personal income
- » Strict money laundering options
- » Hub and Spoke Business Model
- » 100% foreign ownership
- » Full repatriation of capital invested and profits earned
- » Independent Regulatory Framework

Types of Business Entities in DIFC

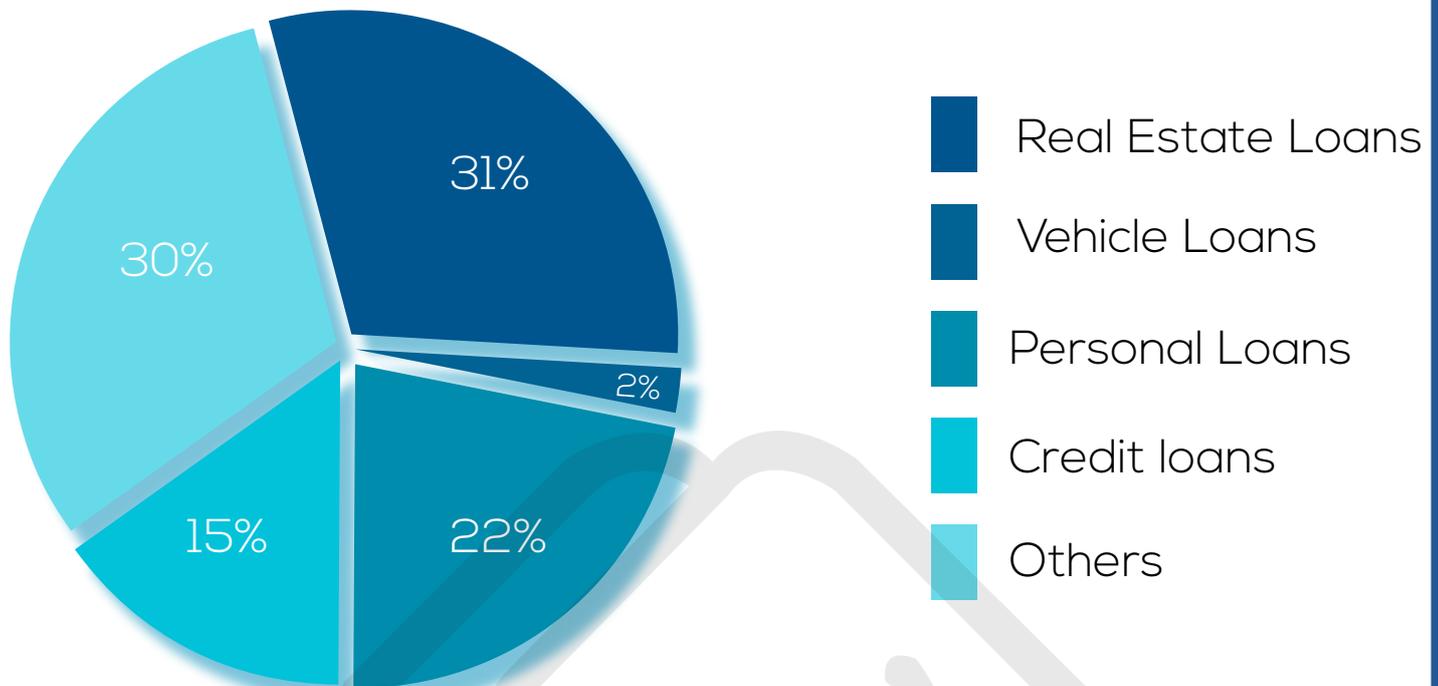
According to the stated rules and regulations, an investor, if plans to operate on the grounds of DIFC, need to select any of the following business entities.

- » Company Limited by Shares
- » Branch of an Existing Foreign Company
- » Limited Liability Company
- » Transferred Company from Another jurisdiction

The basic fundamental behind setting up a finance company is to ease the flow of money in different sections of the society. According to the report published by the Central Bank of UAE, in 2018 the money lending or loan portfolio in UAE is composed of:



Finance Companies: Loan Portfolio Composition



Source: <https://www.centralbank.ae/sites/default/files/2019-07/FSR-Report-2018.pdf>

Opportunities for Financial SMEs

The financial ground focuses not on the MNCs but also has paved out multiple opportunities for small and medium enterprises. The Government has been taking multiple steps to diversify business opportunities for small and medium businesses. There exists a huge opportunity for the finance SMEs holding fin-tech start-ups, which is estimated to see an annual growth of \$125 million by 2022. If you have any business plan, or deal with financial firms, then this is the right time to give international wings to your business, and build a brand. If you want to know more about how to brand a small business, click here. The United Arab Emirates has taken another move in the year 2019, which is FinTech- a blend of Finance and Technology. Let's deep dive and understand what it is all about.

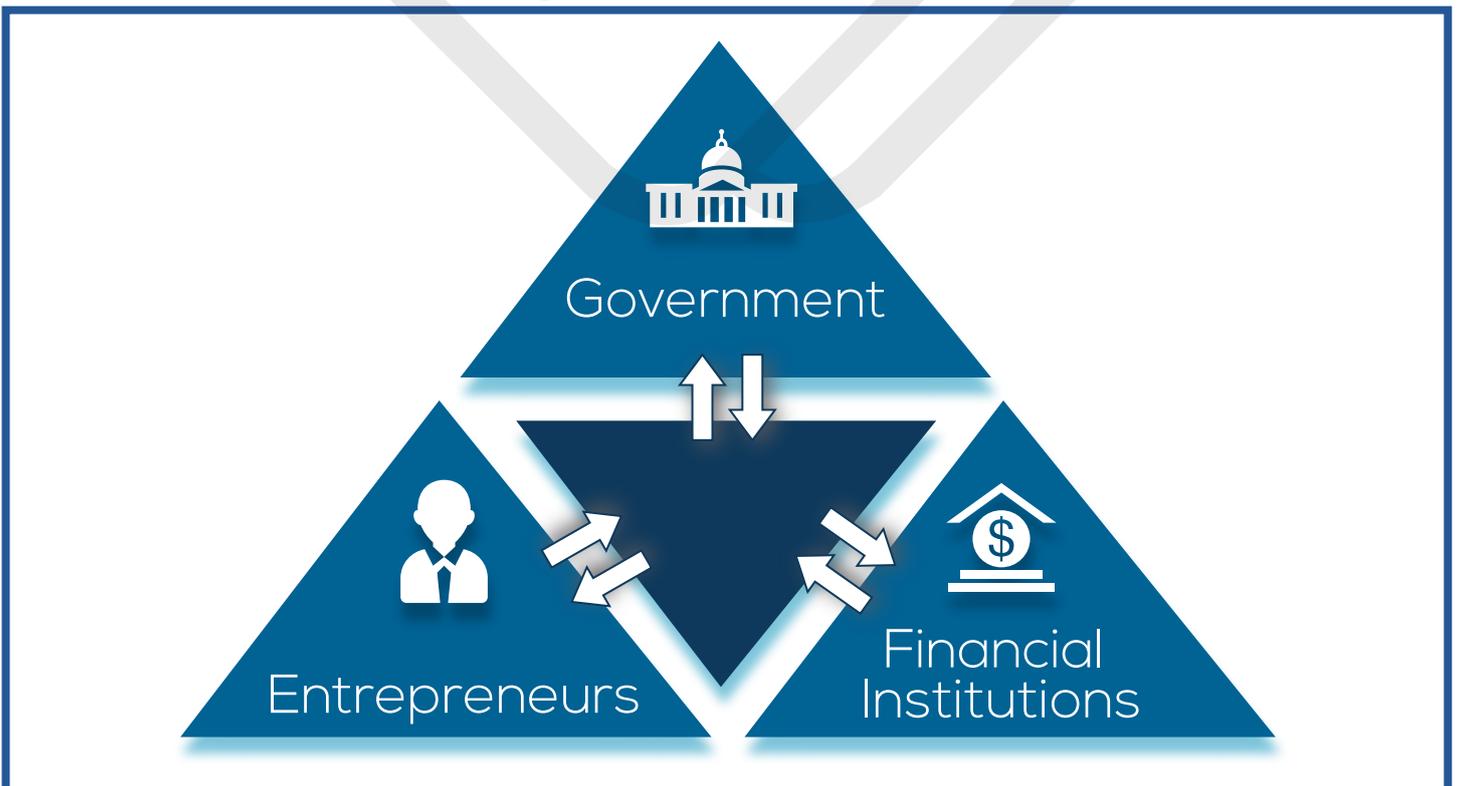


The FinTech Move

Technology has been infusing itself in every possible domain irrespective of the industry or business. The United Arab Emirates has taken a tremendous move in 2019 to blend technology with finance that gave birth to FinTech. The DIFC has taken the necessary steps to leverage the finance industry and give a cutting-edge to the industry with the help of technology. The FinTech move has three core pillars that contain:

- » Ground-Up Development
- » Ecosystem Development
- » Global Connectivity

The FinTech hub has provided an excellent infrastructure to bridge the gap and built-in numerous business options. Entrepreneurs and global investors are heading towards providing a fast-track edge to their business. The players in the fin-tech ecosystem include the following:





Fintech is a lubricant for the finance industry, helping the segment to gel with digitalization. This would reflect a new change in the competition prevailing in the market, digitizing the data, innovation, and job creation. The FinTech solutions are going to leverage the business world, especially to the newbies in the market. Incorporating a finance company in the region of UAE at this point marks success as it holds numerous opportunities. Moreover, the Expo 2020 is ahead, which is going to fetch in multiple business establishments, mergers and acquisitions, etc. You will be given a brief regarding the Dubai Expo 2020 towards the end of this guide.

Fintech Abu Dhabi

The capital of UAE has taken a strategic move to involve the most disruptive emerging and scaling FinTech talent with real business challenges. Abu Dhabi Global Market is in collaboration with Unbound and KPMG to boost the business collaborations between the corporate entities and FinTech. The identified challenging areas are highlighted below:

- » Financial Inclusion
- » Banking and Finance
- » Digital Marketplaces
- » Security and Trust
- » RegTech and Sup Tech
- » Insurance
- » Wealth and Asset Management



The involvement of FinTech with the corporate world would bring up multiple changes. Some of the top predictions made by KPMG are stated below:

- » Numerous emerging areas like blockchain will fuel the international market
- » The banks will take a move of global expansion
- » The level of investment in the corporate world will shoot up
- » High Investments will be made towards RegTech
- » Continuous involvement and increase of Digital Banking
- » Insurance
- » High collaboration between fin-tech firms and banks

The finance sector has accelerated its arena and now is an aggressive platform with a holistic view to stand as one of the highly profitable business sectors. Getting involved in the financial business will open up multiple gateways for your business to grow and holds a massive market to capture. Now, you must be wondering how to proceed ahead, right? Let's step into the next level and understand the core process of incorporating a finance business in the City of Gold.



How to Start a Finance Business in Dubai?

Now, before you proceed ahead towards the initial steps of starting a finance business in Dubai, you need to understand that the Company Law in UAE imposes certain guidelines that need to be followed. Any company needs to obtain a specific license which is issued by the Central Bank of the UAE, located in Abu Dhabi to initiate the company incorporation process.

- » Presence of local sponsor who needs to hold 51% shares of the company
- » The minimum capital required to establish a financial body is 1 Million AED (approx. 300,000 USD)
- » The management must obtain services from a financial consultant
- » Proper audit proceedings must be implemented
- » For financial investment companies, the capital shall not be less than 25 million Dirhams

It is to be noted that Foreign companies dealing in the finance background have got the complete flexibility to operate the business activities in Dubai, provided by the condition that they are operational for a period of more than five years in their home country.



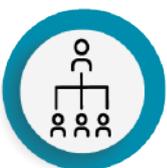
Upcoming Expo 2020

The year 2020 is expected to be a game-changer for the corporate world as the business owners and investors are eyeing on the upcoming Expo 2020. The event is expected to be held for a period of six months starting from October 2020 and is more looked like a business collaboration destination. Multiple business collaborations will be seen throughout the duration, which can only be executed in the presence of easy funds. Thus, the demand for the finance industries will be at its peak during and post the event. To know about the impact of the event in Dubai's economy, [click here](#).

The event is expected to be a game-changer for the small and medium industry along with the multinational corporations. Over the duration, the event is expected to fetch in more than 25 million visitors who would end up contributing Dh 122.6 billion. To know more about Expo 2020, [click here](#).

The Future Strategic Financial Plan- UAE

The Ministry of Finance, United Arab Emirates, have taken diversified steps to grab the attention of international investors and grow the opportunities to start a finance company in the UAE. The UAE Financial Plan of 2017-2021 covers the following essential segments.



The leadership's vision and the direction of the UAE Strategic Plan.



Extensive analysis of external and internal factors that affect the performance of the ministry.



Analysis of questionnaires completed by influential groups of customers affected by the performance of the ministry.



The diagnosis of capabilities and key competencies within the ministry.



Analysis of resources and strategic potentials available to the ministry.



Best international practices in the management of financial resources.



International strengths and weaknesses as well as the opportunities and external risks.



The ground if UAE is booming finance destination and is looking forward to transforming itself as the global financial ground. You being an investor can definitely go ahead with the United Arab Emirates as the ultimate financial investment destination, which turns out to be a smart and profitable option. By the year 2021, the financial segment of the economy will be at its peak. So, it turns out to be extremely important to take a call at this point wherein Expo 2020 is on the edge of transforming the UAE as well as the global economy. Before you proceed ahead and conclude your decision, have a look at the benefits that the region of UAE delivers to foreign business professionals.

Benefits of Starting a Business in the UAE

The moment you decide to give a physical existence to your finance business dream, you will be in a position to avail of the following benefits.

1. Exemption of Tax

The booming ground of UAE has exempted income tax, which turns out to be a profitable parameter on the part of business investors. However, on 1st Jan 2018, the nation has implemented VAT proceedings as it is as a part of GCC countries, and thus it stood as a mandate at a rate of 5%. If you start a business in the UAE, then you don't need to worry about paying taxes.

2. Complete Repatriation of Capital Invested and Profits Earned

The next benefit is that in case if a scenario takes place wherein you need to opt for company liquidation, then you don't need to pay any additional amount regarding clearance. You can take back the complete capital invested and profits earned with you.



3. Multiple Locations

One of the parameters that make a business grow is a strategic location. The UAE provides multiple locations like Mainland, Free Zone, and Offshore, which have got their relevant benefits on the business front. Before you select one randomly, it will turn out to be beneficial if you gain a bit of knowledge and then choose accordingly, which can serve your business better.

4. An International Gateway

The United Arab Emirates is one of the perfect locations when it comes to business expansion. Located at the southeast end of the Arabian Peninsula, the nation borders Oman to its east, Saudi Arabia to its south, Qatar to its west and Iran to its north. Setting up a financial firm in the UAE will help you to grab the neighboring countries gradually, which will turn out to be beneficial for your business.

5. Robust Network Connectivity

The nation has got robust network connectivity as it is one of the key parameters for businesses located in the region.

6. Booming Business Ground

The United Arab Emirates serves as a home to a population of more than 200 nationalities. Be it a start-up, an established business, large, small, or medium-sized, the ground of Dubai has got a way for all. Investing in Dubai turns out to be a smart option as the region has got a wide scope for every business entity.

All these benefits stand as the key points that grab the attention of the worldwide audience. There are certain key highlights which you, as an investor, need to know before investing.



UAE Financial Ground: Key Highlights

Some of the achievements and business insights related to UAE's financial ground is highlighted below:

- » Dubai, the heart of the UAE serves to hold the 8th position in the World's top 10 financial centres according to the Global Financial Centres Index (GFCI).
- » DIFC has added 250 companies and has paved a way for 660 new jobs in the first half of 2019
- » RAKBANK has joined its hands with the navigation app Waze
- » Mashreq launches digital banking services for SMEs
- » Abu Dhabi Global Market (ADGM), the financial hub of UAE launches instant license renewal service
- » The World Bank will be incorporating its country office in the Abu Dhabi Global Market (ADGM)
- » According to Ease of Doing Business, UAE has stood at 11th position, which means that business investors find flexibility and a suitable business climate to operate their business operations.



Thus, you can see that the global financial giants are eyeing on the ground of UAE as it holds high potential when it comes to financing growth. To establish a financial ground in UAE turns out to be profitable, but at the same time, you should make sure that the stages of incorporation are properly met. If you hold an idea in the field of finance and have no idea where to start from, it is advised to take the help of business experts who can understand your business model and guide you accordingly. Having a helping hand by your side will benefit you in multiple ways as you can utilize your time better and focus on other core activities. Wondering whom to contact? Don't worry. Your guide is just below.

Commitbiz Consultants is in-sink with the Government Authorities of UAE, and is recognized as one of the top ten business consultants in the UAE. We are dedicated to providing the best incorporation services your financial business entity in a hassle-free way. Our financial experts are well-versed with the legal grounds and can guide you at every step. Get in touch with our experts to know more about it and experience a smooth and swift company incorporation process. Contact us today-we'd be glad to assist.



How Can Commitbiz Help?

Commitbiz Management Consultants help you with strategic business inputs, handle all the legal documentation and give complete business advisory solutions to ensure hassle-free business incorporation.

Our professional experts are well-versed with the incorporation procedures and maintain a vision to accelerate your business in the UAE.

Commitbiz was established in 2007 with a vision to provide world-class management advisory services to enterprises in the private, government, non-government and academic sectors. Over the years, we have developed comprehensive capabilities in several functional and specialty segments and have emerged as the chosen partner in several innovative and path-breaking initiatives undertaken by various businessmen across the world. With over 50 team members and 2,000+ clients, we are now one of the top business consulting firms in the UAE.

13 Years of Helping Businesses

50+ Members

2000+ Happy Clients

How Can We Benefit You?

Standing as one of the top business consultants in the UAE, we assist you in the following processes:

- » Strategize to accelerate your business growth
- » Streamline your business activities
- » Comply with the legal rules and regulations
- » Provide tailored business solutions
- » Helps you establish the business pillars with post-incorporation solutions like accounting, taxation etc.

If you are planning to step ahead and set up your company in the UAE, do contact us today- we'd be glad to assist.



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