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Legal News of the Gulf

Vol. XX – 3rd Issue **July 2016**

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Inside this Issue

Iran

Business and Investment Opportunities and the Prospects for a Trade-Cooperation between Iran and Europe

Three Iran Seminars in Germany Oct./Nov. 2016

The Speciallity of the Seminars

Iran Seminars seem to have become a frequent occurrence nowadays. Meyer-Reumann & Partners (M&P), however, have taken an unique approach: Seven experts out of and from Iran, carefully selected and appointed by the Iranian Government itself will stand in the focus of M&P's Iran seminar concept. So interested parties have the chance to face-to-face contact for explanation and discussion of possibilities and options of business relations in and with Iran directly from the source. Furthermore, the seminars understand themselves as a platform to allow in depth networking with the experts during sessions, in special workshops, at lunch and dinner.

I. The Planning

M&P and its Partners build on a lasting experience with Iran Seminars. Already during the era of the sanctions the organizers of the seminars Meyer Reumann & Partners (M&P, Tehran Office), together with the law firms Beiten & Burkhart in Frankfurt and Legal Alliance in Munich, and the Iran business consultants Krenkler & von Waldow in Düsseldorf and the Law Office Schwippert in Berlin started to organize Iran seminars in Germany. Although these initiatives were frequently delayed by the sanctions; now, this has changed and all the previous experience has pinnacled in a unique style solution!

II. The Three-Language -Seminars

The organizers are preparing three seminars in Germany:

- On 31. October 2016 in Berlin,
- on 02. November 2016 in Frankfurt and
- on 04. November 2016 in Munich.

The official Iranian speakers are officially delegated by the Iranian Organization for Investment, Economic and Technical Assistance (OIENTAI) of the Iranian Ministry of Economy to present commercial topics.

Further details concerning speakers and presentations will be provided on a special website. (e.g. for the Berlin Seminar please refer to \). The sophisticated and international level of the seminars encouraged the organizers to prepare them in German, English and Persian language.

III. Who Will Benefit from the Iran Seminars?

The seminars - including its organizers, speakers and the auditorium -understand themselves as a unique opportunity to provide a platform for preparation to enter or re-enter the Iranian market.

The seminars are specially designed to be attended by:

- Investors
- Market researchers
- Lawyers
- Marketing managers
- Consultants
- Business Developers
- Franchisors
- Construction companies
- Sales managers
- Civil engineering companies
- Service providers
- Tendering & bidding managers
- Export managers
- Business & employer associations
- Products managers

IV. Why Visiting the Iran Seminars?

Economically Iran has changed considerably during the the sanctions. Necessity, the mother of invention, caused Iran and its citizens to learn to help themselves when international tradeways were blocked. In many cases Iran today can produce what was imported in the past. However, large gaps could still not be filled. Thus Iran changed its international relations and favoured South- and North Korea as well as China. The sanctions not only effected Iran but also showed a negative impact on Europe. The European business community shold recover the predominant business position it once had and can have.

But how can the current situation be assessed? What are the primary needs of Iran? Who are the partners of Iran in the future? Europe has to recreate a new trust towards the Iranian partners on political and even more on a commercial level.

Therefore the Organizers' target is: "Foster Business and Investment".

So the seminars offer to their participants not only the option to benefit from the presentatations of Iranian speakers, but also from:

1. Networking with Iranian speakers, seminar participants, the organizers in the breaks and at the lunch and dinner buffets,
2. Establishing new business opportunities,
3. Brainstorming ideas with potential partners and getting an immediate feedback,
4. Benefiting from the knowledge of the official experts,
5. Share business or services with potential partners,
6. Creating and re-inforcing potential partnerships and relationships,
7. Tapping the speakers for difficult or confidential questions,
8. Meeting people with in the same trade intentions,
9. Sharing experience that might help to expand personal and professional networks.

V. Registration for the Seminars Online

The Seminars are open for online registration. The only effort needed is to specify the location; anything else will be provided to the interested party without any further paperwork.

Further enquieries (e.g. direct meetings with one of the speakers or organizers, joining special workshops) can simply be arranged by e-mail

(Iran2016@Meyer-Reumann.com). The organizers will take care of it.

VI. Information Service

Companies, organisations, authorities and press will pe provided with complete information about the seminars, contacts and matters related thereto on request under Iran2016@Meyer-Reumann.com.

It should further be remarked, that all speakers are reknown experts in their respective field and thus offer the unique possibillity to further provide their expertise outside their speeches e.g. during lunch or dinner on a face-to-face basis.

VII. The Iranian Experts

The official Iranian representatives and experts are:

Mohammad Heidarzadeh	First Counsellor Economic Section of the Embassy of the Islamic Republic of Iran in Berlin
Mohammad Mehdi Dalvand	Deputy of Director General, of Foreign Investment Office, Organization for Investment, Economic and Technical Assistance of Iran (OIETAI)
Soheil Pourhaji Hosseini	Deputy for Director General of Foreign Investment Department, Ministry of Industry, Mine & Trade of Iran
Pourhaji Hosseini	Deputy for Director General of Foreign Investment Department, Ministry of Industry, Mine & Trade of Iran
Mr. Maghsoudlou	Head of International Affairs, Economic Ministry
Pourhaji Hosseini	Deputy for Director General of Foreign Investment Department, Ministry of Industry, Mine & Trade of Iran
Mr. Hajebi	Customs Bureau of Iran
Rep. of Tourism Ministry	NN
Ali Mirzaie	Deputy of General Office of Corporate Registration
Armin Karimi	Manager of Foreign Investment Service Centre of Charmahal-Bakhtiari, OIETAI

Zahra Tahsili	Iranian Lawyer of Meyer-Reumann & Partners

The experts will explain what the Iran has to offer and what environment awaits foreign investors in Iran. German participants can directly check if there is anything that meets their expectations. Specific investment projects will directly be introduced at the end to interested participants.

The goal of OIENTAI is to serve the growth of the German - Iranian business relations and the relevel them on their pre-sanctions state.

The organizers feel committed to give OIENTAI the right platform to provide its first hand knowledge to any interested party.

VIII. Iran's Way out of the Sanctions

The way of Iran out of the international sanctions and to reestablish full international economic cooperation is long and thorny.

On 16.1.2016 (so-called "Implementation Day"), after the UN Security Council, following a corresponding recommendation of the IAEA, confirmed this in its Resolution 2231(2015), the nuclear-related economic and financial sanctions on Iran were lifted. This cleared the way for the implementation of the Joint Comprehensive Plan of Action (JCPOA) (also called the "Vienna Agreement"). Accordingly the EU lifted the sanctions by its Resolution (GASP) 2016/37 on January 16, 2016, which entered into force on the same day.

However, only the nuclear-related economic and financial sanctions were repealed, and these only partially. The German Federal Office for Economic and Export Control BAFA and the Austrian Chamber of Commerce (WKO) are giving a good overview of how complicated the implementation may be in detail. The implementation of the JCPOA may not be as easy as it appear at first glance.

But with trade an commerce as driving factors of excange, dialogue and mutual trust the commercial world will have a great share in reaching a solution.

Rolf Meyer-Reumann
Meyer-Reumann & Partners,
Dubai Office

United Arab Emirates

Current Legal Developments in UAE

Guiding Principles

The deadline set by Federal Law No. 2 of 2015 on Commercial Companies (New CClaw), pursuant to which all corporate entities in the UAE had to amend their by-laws until no later than 30 June, 2016, has now been extended by one year to 30 June, 2017.

Dealings with public authorities have become more difficult, often leading to our Clients' daily legal transactions taking significantly longer to complete.

A. New Commercial Companies Law – Deadline Extended

In previous articles we have explored the new Federal Law No. 2 of 2015 on Commercial Companies (New CCLaw) in some detail and have described the differences between the New CCLaw and its predecessor, Federal Law No. 8 of 1985 (Old CCLaw).

The New CCLaw includes a provision, Art. 374, according to which all UAE registered corporate entities (with the exception of those incorporated in one of the many free trade zones in the UAE) have to comply with the provisions of the New CCLaw within a certain time frame, failing which such entities are being "deemed dissolved" by the New CCLaw.

The deadline set by Art. 374 New CCLaw was "one year from the effective date of this law", which translated to 30 June this year. On 18 June this year, the Ministry of Economy has now announced that it has extended the deadline by another year. Hence, all corporate entities in the UAE now have until 30 June 2017 to comply with the provisions of the New CCLaw.

This is most certainly welcome news, given that for quite a few of our Clients, changing the by-laws of one of their subsidiaries requires a fairly complex internal approval process to be followed, which is often pretty time consuming. All such Clients are now more at ease to complete such approval processes with the time required instead of being rushed.

The deadline extension also demonstrates that the Ministry of Economy is serious about Art. 374 New CCLaw and is likely to apply the penalties described in the New CCLaw in all cases where a corporate entity fails to update its by-laws in accordance with the requirements of the New CCLaw.

That being said, we recommend commencing or completing the process sooner rather than later, should the update of the by-laws not have been taken care of already.

We would like to point out that Meyer-Reumann & Partners has put together an offer to its Clients. For a lump sum of AED 9,500 (our professional fees only), we will review our Clients' existing by-laws, extract the commercial terms and include such commercial terms as far as possible in a new template, which does comply with the requirements of the New CCLaw. Following translation (translation fees apply), this results in a New CCLaw compliant set of by-laws, which can simply be notarised.

Our offer aims to assist our Clients with the transition from the Old CCLaw to the New CCLaw smoothly, in a foreseeable time frame, at a clearly defined cost and as effortless as possible. Please feel free to speak to us about this offer. We will be happy to assist.

B. Dealings with Authorities

Another topic that is worth mentioning is comparatively new developments in the service provided by many public authorities in the UAE.

The laws of the UAE form a sound basis on which to rely upon. They are also very business friendly and facilitate commercial proceedings in the UAE. The laws of the UAE, as all laws, merely provide guidance to individuals and require, by definition, interpretation. Needless to say that there are rules on how laws are to be interpreted too. Together, laws, regulations and their interpretation in accordance with said rules, aim to provide corporate entities and individuals with clear guidance on how to organise their commercial operations and, in case of individuals, even their personal lives.

Until about two to three years ago, these principals were commonly followed in the UAE. While it was common that certain obstacles had to be overcome, local authorities usually followed a "can-do" approach, which resulted in suitable solutions to said obstacles being found and applied.

In more recent times, we have noticed that, in principle, dealings with authorities and banks have become more difficult. Judging by our discussions with a variety of other legal professionals throughout the UAE, this impression would appear to be shared by most legal professionals.

It has become common practice of many public notaries, as well as usually lower level public servants, but also bank clerks, to apply their very individual interpretations of the relevant laws and regulations. This, coupled with an often very risk averse approach, now often constitutes a significant obstacle to achieving objectively simple matters, such as, for example, issuing management or other powers of attorney, transferring shares in companies with limited liabilities, etc.

Further, given that there no longer appears to be a common denominator on how rules and regulations are being interpreted and results largely depend on the individual public notary, public servant or bank clerk, it has, at times, become very difficult for legal professionals to provide reliable advice.

We are certain that the current situation is just a temporary phenomenon and that the relevant Legal Affairs Departments and other public authorities are working on solving this problem. For the time being, however, above mentioned issue is likely to have an impact on many of our Clients' legal transactions, which is why we would like to caution our Clients accordingly

Dr. Michael Krämer
Meyer-Reumann & Partners,
Dubai Office

Bahrain

New Law allows 100% Foreign Ownership in Bahrain

Guiding Principle

The government of Bahrain approved a new law giving foreign investors the opportunity to have full ownership of various business assets in the market. The landmark ruling was approved at a cabinet session led by Prime Minister Prince Al Khalifa

Foreign investors in Bahrain will now be able to enjoy 100% ownership of businesses in various sectors after the government approved an amendment to the existing Commercial Companies Law.

The new law will allow 100% ownership in residency, food, administrative services, arts, entertainment and leisure, health and social work, information and communications, manufacturing, mining and quarrying, water supplying and professional, scientific, technical and real estate activities.

Over the years, Bahrain has been making a conscious effort to attract investment onto its shores. According to the Wall Street Journal's 2013 Index of Economic Freedom, Bahrain has been ranked as the 12th most open economy worldwide. This paper provides a high-level overview of what makes Bahrain an attractive destination for business investors.

Foreign companies can establish branches in Bahrain in order to carry out business and branches can be established either by way of an operational office or by way of a representative office. Branches of foreign companies with an operational office are able to engage in banking and insurance activities subject to approvals from the Central Bank of Bahrain. In addition, there is a requirement for a local partner. In relation to representative or regional offices, they are unable to carry out any business operations in Bahrain and are restricted to undertaking marketing and promotional activities in Bahrain.

Where a foreign investor wants to enter the Bahrain market by simply introducing its products into it without setting up an entity, it can appoint an agent, who must be a Bahraini individual or a Bahraini corporate entity. The parties' relationship is governed by the Bahrain Commercial Agencies Law (promulgated by Legislative Decree No. 10 of 1992 as amended by Legislative Decree No. 8 of 1998 and Legislative Decree No. 49 of 2002), which allows the agent to register a sole agency for the product.

There are of course some considerations for investors to take into account when setting up in Bahrain, such as labour law requirements. Indeed, a new labour law came into force in 2012 (Bahrain Labour Law for the Private Sector No.36 of 2012) which attempts to bring the rights of employees and employers in line with international standards.

Tarek Jairwdeh
Meyer-Reumann & Partners,
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Iran

Commercial Agencies and Distributorships in the Islamic Republic of Iran

Guiding Principle

There is no specific law that regulates commercial agencies or distributorships in Iran. Nevertheless, a considerable amount of commercial transactions are conducted by agencies and distributors in Iran and the general rules on representation and the terms of the agreement, concluded between the principal and the agent/distributor, are governed.

A. Introduction

There is no specific law that regulates commercial agencies or distributorships in Iran. General stipulations can be found in the Commercial Law of Iran (abbrev. "IR-CL") and Civil Code of Iran (abbrev. "IR-CC"). Nevertheless, a considerable amount of commercial transactions are conducted by agencies and distributors in Iran and the general rules on representation and the terms of the agreement, concluded between the principal and the agent/distributor, are governed. General regulations concerning commercial broker, commission agent and commercial agent can partly be found in the Commercial Law of Iran.

On the other hand, Iranian Civil Code defines the Agency as a contract whereby one of the parties appoints the other as his representative for the accomplishment of some matter.

In Iran the principle of freedom to contract is applied and the contracts are governed by will, consent and intention of contracting parties. Therefore, the parties are authorized to stipulate the duties of the agent and principal in the contract, which is binding, based on Art. 10 IR-CC as follow:

"Private contracts shall be binding on those who have signed them, providing they are not contrary to the explicit provisions of the law."

Based on Iranian law, after the conclusion of the contract the contracting parties are bound by the obligations created thereunder, and a court cannot free any party from its obligations undertaken in the contract, on the pretext of exercising equity and justice. Art. 219 IR-CC provides:

"Contracts made according to law are binding on the parties or their substitutes, unless they have been cancelled by mutual agreement or for some legal reason."

As far as international commercial contracts are concerned, the governing rules are the same as for national contracts unless they are in contradiction with public policy or good morals.

B. Basic Definitions

In case based on the concluded agreement, the Iranian distributor/agent imports and sells products in his own name, the rules on representation will not be applied and the distributor/agent is regarded as commission agent. According to Commercial Code, the commission agent acts under his own name but in account of the principal, for a commission. In case of missing any provisions with regard to commission agent, the general regulations of agency of the Civil Code are valid complementarily. The commission agent in Iran can be compared to the commercial agent in other countries.

A "Commercial Surrogate" is appointed according to Art. 395 IR-CL as representative of the principal for commercial matters. His signature is binding for the principal's limitations to his Power of Attorney, which are not valid towards third parties who are acting in good faith and without knowledge of the limitations of the Power of Attorney of the agent.

A "Broker", according to Art. 335 IR-CL is a person that arranges contracts or appropriate business partners against a fee. He neither enters into a direct agreement, nor does he import any goods in his own name. The Broker has to inform both parties of the details of a deal, even though he has only been appointed by one of the parties.

There are "distributors" in Iran, even though the Iranian law does not cover distributorship. Since the distributor imports and sells goods under his own name, the general rules and regulation on representation do not apply.

C. Formal Requirements

In Iran, it is neither required by law to register an agent/distributor, nor does a central register for agents/distributors exist. However, in case a trade registration office is available, registration of the agent is advisable. In practice some Ministries do require registration. If a trade registration office is not available, registration can be done with the respective Ministry.

D. Duties of the Agent/Distributor

According to principle of freedom to contract, the parties may stipulate the duties of the agent/distributor in the contract. In addition to his contractual duties, the agent/distributor has to supply his principal with proper information. Contrary to the broker, who has to give both parties information, the agent only acts in the interest of the principal. In case of breach of trust the agent may not only lose his commission, he may also be held liable. However, the agent cannot be held liable for the creditworthiness of either party, unless he has given a guarantee to the contrary.

E. Duties of the Principal

As mentioned above, due to the freedom of contract the parties may agree on the responsibilities of the principal in the contract. One of the primary obligations of the principal according to the law is the obligation to execute all legal transactions that have been entered into by the agent within the limits of his authority.

The principal has to compensate the agent for his services and his efforts. In addition, he has to indemnify the agent for all expenses or losses incurred which were not due to the agent's fault, and if the agent was acting within his authority.

F. Termination of Agency Agreement

According to Iranian Law, the commercial-agency-work is a contract revocable at any time; that is why the principal as well as the agent have the following termination options:

- As per the contractual stipulations, unilaterally or upon mutual agreement: Especially according to Civil Code, the principal has this right to terminate without giving additional legal reasons, except it was stipulated differently in the commercial agency contract.
- Termination of the contract because of death or legal disability of the principal or the agent;
- Termination ordered by law, e.g. because of insolvency of the principal, gross negligence or because of impossibility of fulfillment of the contractual purpose.

Iranian law does not expressly refer to the requirement of payment a commission upon termination of the agency contract. Nevertheless, compensation upon termination is common practice in case the agreement has been terminated prematurely. Only in case the termination of the contract is at the result of the agent's action, remuneration does not have to be paid. Thus the exact arrangement should be part of the contract between principal and agent.

Zahra Tahsili
Meyer-Reumann & Partners
Tehran Office

Saudi Arabia

Full Foreign Ownership in the Saudi Trading Sector

Guiding Principle

As part of its plan to diversify the economy, the Saudi Cabinet decided to allow 100% non-Saudi owned companies to practice trading in the country. The decision abandons the previous requirement allowing only joint-ventures with a local share of no less than 25% to take part in that field. With the aim to transfer the country into an investment powerhouse, the decision is to attract multinational wholesalers and retailers to enter or expand their investment in the Saudi market. This came as part of the Saudi government's efforts to face the challenges emerged because of the drop at the global energy prices, the main source of income for the Kingdom.

A. Saudi Vision 2030

On April 2016, the Saudi Cabinet approved the new plan for the transformation of the economic dependence of the state on oil to investment. The new plan, "Saudi Vision 2030"[1], is based on three pillars: First that Saudi Arabia is the heart of the Arab and Islamic worlds; the second pillar is turning Saudi Arabia into global investment powerhouse; the third pillar is transforming the location of Saudi Arabia into a global hub connecting three continents, Asia, Europe and Africa.

The Vision's targets - by or before 2030 - to double the capacity of Saudi Arabia in transferring ARAMCO[2] into an industrial giant working around the world, transferring the Saudi Public Investment Fund (PIF)[3] into the largest sovereign wealth fund in the world, stimulating major Saudi companies into being multinational corporations.

The Vision includes reducing the bureaucratic procedures, expanding

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[1] Website: http://vision2030.gov.sa/en/node

[2] Saudi Aramco, officially the Saudi Arabian Oil Company, most popularly known just as Aramco (formerly Arabian-American Oil Company), is a Saudi Arabian national petroleum and natural gas company based in Dhahran. Saudi Aramco's value has been estimated at anywhere between US$1.25 trillion and US$10 trillion, making it the world's most valuable company.

Saudi Aramco has both the world's largest proven crude oil reserves, at more than 260 billion barrels (4.1×1010 m3), and largest daily oil production. Saudi Aramco owns, operates and develops all energy resources based in Saudi Arabia. According to a 2015 Forbes report, Aramco is said to be the world's largest oil and gas company. For more info, please visit: https://en.wikipedia.org/wiki/Saudi_Aramco

[3] Saudi Public Investment Fund, founded in 1971. Its main task is to invest in productive projects of a commercial nature which cannot be privately solo implemented, either due to the inexperience or inability to provide capital. The Fund turned with time into a portfolio of the State property of commercial nature. Fully owns many companies not included in the financial market, and owns majority stakes in major companies listed on the market.

serving the electronic services. Adopting transparency by having a centre measuring the performance of the government agencies.

B. 100% Foreign Wholesaler and Retailer in the Saudi Market

With a volume, reaching up to SAR 400 billion[4], wholesale and retail market in Saudi Arabia is the largest in the MENA region[5]. On the accession of Saudi Arabia to the WTO[6], the country pledged to open its wholesale and retail distribution activities to non-Saudi investors. The pledge, however, did not include commercial agencies activities that are restricted for Saudi citizens only.

In line with the above pledge, Saudi Arabia has allowed first joint ventures with local share no less than 51% to practice trading. The second step was increasing the limit for the share of the non-Saudi investment to 75%.

Finally, Saudi Arabia decided on 14.06.2016 to allow 100% non-Saudi owned companies to practice trading in the country as part of its transformation plan to diversify the economy.

Saudi Officials expect that the size of the market will draw the interest of multinational retailers and wholesalers in light of the new decision. The market is experiencing a rapid growth as the Saudi population is growing at 2 percent annually.

The decision comes in line with those in the vision of Saudi Arabia in 2030, which contained a trend to ease restrictions on the ownership and foreign investment in the retail sector to attract regional and international brands, including contributing to the creation of job opportunities for the citizens in this sector.

C. Conditions of Forming a 100% Non-Saudi Owned Trading Company

To achieve the target of the decision, forming a 100% Non-Saudi owned trading company is subject to several conditions. The Saudi Minister of Commerce and Investment advised that the foreign investor desiring to form 100% foreign trading company in the Kingdom should meet the following conditions:

1. The investor legal structure is a company operating at three international market at least;
2. The capital of the formed company, Saudi subsidiary, should be no less than SAR 30 million[7];
3. The investor shall invest an amount no less than SAR 200 million[8] over the first five years from obtaining the license;
4. The investor shall abide by the concerned regulations concerning the minimum limit of appointing Saudis at the local subsidiary.

Hany Kenawi

Meyer-Reumann & Partners, Riyadh Office

[4] About US$ 106 billion. US$ 1 = SAR 3.74.

[5] For more information, please visit: https://en.wikipedia.org/wiki/MENA

[6] Website: https://www.wto.org/

[7] About US$ 7,999,000.

[8] About US$ 53,329,000.