



# ADGM - YOUR EFFICIENT NETTING JURISDICTION IN THE UAE

*Helping You Prepare For Your OTC Derivatives Obligations*

## Higher OTC derivatives standards

Major international jurisdictions are introducing key reforms for over the counter (OTC) derivatives. The reforms follow the G20's agenda to reduce systemic risk in OTC derivative markets by ensuring that:

- all standardised OTC derivatives are cleared through central counterparties
- non-centrally cleared derivative contracts are subject to higher capital requirements and margin requirements

## Compliance with the new standards

These requirements pose operational and liquidity challenges for firms. Compliance may be difficult in jurisdictions where the enforceability of netting agreements in insolvency is uncertain.

ADGM has established a comprehensive legal and regulatory framework, based on effective netting, for firms to manage the financial and operational impact of these reforms.

## What are the issues in a non-netting jurisdiction?

Since counterparties may refuse to transact with market participants from non-netting jurisdictions, this may mean that market participants could be denied access to clearing services and/or be required to post higher margins.

## ADGM framework for clearing OTC derivatives

To manage the impact of global OTC derivatives reforms, market participants operating in non-netting jurisdictions are establishing subsidiaries (including SPVs) in netting-friendly jurisdictions like Abu Dhabi Global Market (ADGM).

ADGM has established a comprehensive legal and regulatory framework that is simple, cost-effective and built on transparent rules and certainty. Some of the details are outlined below:



### ALIGNMENT WITH INTERNATIONAL STANDARDS

ADGM's Financial Services and Markets Regulations 2015 are in line with Title II of the European Market Infrastructure Regulation (EMIR) on clearing, reporting and mitigating the risk of OTC derivatives, ensuring that ADGM has appropriate risk mitigation techniques.



### ENFORCEABILITY OF NETTING AGREEMENTS

ADGM Insolvency Regulations apply insolvency law principles based on the common law of England and Wales, as well as the ISDA Model Netting Act.

This framework ensures that:

- each party's payment and delivery obligations are set-off, resulting in a single 'net' amount being due
- netting provisions are applied irrespective of a party being subject to insolvency proceedings
- any margin, collateral, security arrangement or other credit enhancement that forms part of the netting agreement are given effect



### DISPUTE RESOLUTION IN ADGM

Counterparties to derivatives transactions can elect to have a dispute heard by ADGM Courts. Judgments of ADGM Courts are enforceable within ADGM and the UAE federal courts under the terms of a Memorandum of Understanding agreed between ADGM and the UAE Ministry of Justice in May 2016.



### EXEMPTION FROM FINANCIAL SERVICES PERMISSION REQUIREMENT

A corporate vehicle established in ADGM is not required to obtain a regulatory licence from ADGM's Financial Services Regulatory Authority (FSRA) where it:

- is established for the purposes of risk mitigation, on behalf of another entity within its Group
- enters into a transaction for those purposes with a counterparty that is appropriately licenced or exempt within ADGM, or an entity located and conducting business outside ADGM

## To know more

To discuss your options for establishing ADGM corporate structures and operating under ADGM's regulatory framework, please contact our Financial Centre Development team on [fcd@adgm.com](mailto:fcd@adgm.com)

## Why ADGM?

### WORLD CLASS INSTITUTIONS AND ADVISORS

- Access to a growing ecosystem of finance, services and talent
- Home to the world's leading professional advisory firms

### LEGAL AND REGULATORY

- An independent jurisdiction with its own civil and commercial laws
- Common law directly applicable providing high levels of legal certainty
- Flexibility for additional amendments to regulations as required
- Independent ADGM Courts
- Use of standard form transactional documentation for increased efficiency

### TAX ENVIRONMENT

- ADGM is a tax friendly environment, with 0% direct tax
- No withholding of taxes
- No restrictions on repatriation of profits
- Access to growing number of Double Tax Treaties (84 in force, further 31 in progress)

### EFFICIENT PROCESS AND PROCEDURES

- Fully digital application
- Support with visas and government services

### INFRASTRUCTURE

- Grade 'A' offices and modern infrastructure
- Global connectivity through world-class airlines
- Leading hotels, healthcare and lifestyle amenities

### ABU DHABI QUICK FACTS



Accounts for 2/3 of the approx **\$400 BN** economy of UAE



Per capita GDP of **\$73,000**



Average GDP growth of **11% p.a.** since 2005



Owns 9% of the **world's proven oil reserves**



Owns 5% of the **world's gas reserves**



Stable inflation rate of **2%**



50% of GDP from **non-oil & gas sectors**

## ADGM – The International Financial Centre Made for Business

Abu Dhabi Global Market, an international financial centre in the capital of the United Arab Emirates, fully opened for business on 21<sup>st</sup> October 2015. A financial free zone, ADGM is an independent jurisdiction encompassing the entire 114 hectares (1.14 sq km) of Al Maryah Island with rules and regulations aligned with international best practice. ADGM's three independent authorities (Registration Authority, Financial Services Regulatory Authority and the ADGM Courts) provide a holistic environment enabling registered companies to conduct business and operate with confidence.

Skyline of Al Maryah Island, Abu Dhabi's International Financial Centre

## Require more information?

The FSRA team is available to provide more information and further explanation on ADGM - your efficient netting jurisdiction in the UAE. Please feel free to contact us to arrange for a meeting.

### CONTACT US

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