



DIFC and ADGM Rules on Change of Control in Financial Regulated Business

The UAE's financial free zones—the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM)—maintain robust regulatory regimes that impose strict controls over changes in ownership and control of financial services firms. These regimes are designed to ensure that only fit and proper investors may acquire significant influence over regulated entities, thereby safeguarding financial stability and market integrity. Any proposed acquisition, or increase or reduction in a controlling interest in such firms requires advance engagement with the relevant regulator. This may include formal notification as well as prior regulatory approval.

Any entity engaged in financial services in the DIFC is regulated by the Dubai Financial Services Authority (DFSA). Any transaction resulting in a person or entity becoming a controller—defined as (directly or indirectly) holding 10% or more of the voting rights or shares in a DFSA regulated entity, or the ability to exercise significant influence over the management of a DFSA regulated entity—requires engagement with the DFSA.

A notification to the DFSA is required where a foreign investor:

- becomes a controller of a DFSA regulated entity—thus, acquires a stake of or increases their stake to 10% or more in the target;
- ceases to be a controller of a DFSA regulated entity—thus, relinquishes or reduces their stake in the target to below 10%;
- increases their stake in a DFSA regulated entity from below 30% to 30% or more or from below 50% to 50% or more; or

- reduces their stake in a DFSA regulated entity from 50% or more to 30% below.

The notification must be submitted through the DFSA electronic system by a person of firm with authorized access. The notification is typically made by the DFSA regulated entity. However, it can also be made by counsel for the DFSA regulated firm or the controller's counsel.

Where a UAE investor seeks to become, or ceases to be a controller in a DFSA regulated entity, increases their stake to 30% or more, or 50% or more, or decreases their stake from 50% or more to below 50%, prior approval from the DFSA is required.

The application for approval must be made by the person or entity seeking to become or cease to be a controller or increase or reduce their stake above or below the relevant thresholds. When assessing whether to grant approval the DFSA will assess the applicant's fitness and propriety, financial soundness, regulatory history, and the likely impact on the target's capacity to meet its ongoing obligations under DIFC law. The DFSA may approve the application, impose conditions, or refuse consent if it considers the applicant unsuitable. Non-compliance is treated as a serious regulatory breach that may be penalized with fines, regulatory sanctions, or withdrawal of the DFSA regulated entity's license.

The notification requirement for foreign investors investing in a DFSA regulated entity will not materially impact the timing of the transaction. The parties will have to gather relevant information for the notification and respond to the DFSA's questions, if any. Still, they are not subject to a standstill obligation. Domestic investors on the other side, require prior approval. Hence, they may not implement the transaction prior to the DFSA issuing their approval. Hence, they must allocate sufficient time to prepare a complete notification package, respond to DFSA queries, and secure approval before closing.

UAE nationals are not exempt from these change of control rules. However, in practice, the DFSA may process applications involving well-known UAE nationals, government-affiliated entities, or strategic national investors with particular efficiency. While this can facilitate the review timeline, it does not replace the legal requirement for formal approval.

The ADGM imposes a similar regime administered by the Financial Services Regulatory Authority (FSRA). Under the ADGM regulations a controller is defined as a person or entity holding 10% or more in a FSRA regulated entity. Any person or entity that seeks to become a controller in a FSRA regulated entity or increase their stake in a FSRA regulated entity beyond the thresholds of 20%, 30%, or 50% requires approval from the FSRA.

The FSRA requires the applicant to submit a structured notification, using their Change in Control (CIC) Form. The FSRA evaluates the fitness and propriety of the applicant, their financial strength, integrity, strategic intent, and the impact of the proposed change on the regulated entity's ability to meet its obligations. The FSRA may grant consent, impose conditions, or refuse the application if necessary to uphold regulatory objectives.

Failure to notify the FSRA or implement the transaction prior to receiving consent may be penalized with fines or other administrative sanctions against the controller and the regulated entity.

Unlike the DIFC regime, the ADGM change of control regime does not differentiate between foreign and domestic investors. Both are subject to the prior approval requirement and the stand still obligation. Like the DIFC regime, the ADGM ADGM's rules apply uniformly, regardless of the nationality of the applicant. There is no special exemption for UAE nationals or UAE-owned entities. While the FSRA may recognize the

strategic or national importance of certain investors and may ease review of their transactions, this does not remove the requirement for formal regulatory scrutiny and consent.

As in the DIFC, it is critical for parties contemplating a transaction to plan early, diligently prepare the filing documents and compile supporting documentation, and allow time for the FSRA's review. Unlike in the DIFC this applies to both foreign and domestic investors in the ADGM.



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