



Characteristics of the Commercial Agency Law of the United Arab Emirates

There are various methods to develop new markets. Business can successfully be done by exporting products into the foreign country, by setting up a company or by taking advantage of appointing a commercial agent or distributor (both referred to as „Agent“). Should a manufacturer of products or a service provider („Principal“) opt for engaging an Agent, it is particularly important for the market of the United Arab Emirates („UAE“) to be aware of the local laws and regulations governing such a business relation. Compared to the legal framework in Europe or even other Gulf countries, the provisions applicable to commercial agencies and distributorships in the UAE are extremely advantageous for the Agent. Protecting the Emirati business community can be considered as a reason for the restrictive regulations.

1. Legal Basis

Federal Law No. 18 of 1981 including its amendments („UAE Commercial Agency Law“) forms the primary legal basis. It applies to commercial agencies and distributorships alike. However, a pre-condition for the UAE Commercial Agency Law to take effect is the registration of the contractual relation between the Principal and the Agent with the competent authority, i.e. the Ministry of Economy. Should registration be possible and actually implemented, the UAE Commercial Agency Law will automatically apply. The provisions of this law are mandatory and cannot be contracted out or bypassed.

2. Protective Regulations for Registered Commercial Agencies

A registered Agent enjoys, for example, exclusivity within his territory. In addition, the Agent is entitled to commission for all products he is registered for and which are sold within his territory. He even is eligible to commission for business transactions he was not actively involved in. Furthermore, the Agent is able to block the import of products at customs should there be a disagreement with the Principal.

3. Termination of Registered Commercial Agencies

The Agent is protected by the UAE Commercial Agency Law until the registration of his agency is formally deleted from the ministry's register. According to the latest provisions of the law, even if a time-limited contract expires, the deletion of the agency from the ministry's register will not automatically be enforced. In fact, a serious reason needs to be presented for not renewing a time-limited contract or for terminating a time-unlimited

contract. In most cases the Principal will only be able to withdraw from a registered commercial agency contract by paying a high compensation to the Agent.

4. Drafting Commercial Agency Contracts

Due to the extensive protective rights of a registered Agent it is essential to choose wisely when selecting a representative. Before his appointment, the Principal should weigh the options of registering or not registering the agency contract. In either case, the local laws and regulations need to be considered when drafting the agreement to best justify terminating or not extending a contract in case of an Agent's wrong doing.

Do you have questions? - We would be glad to answer them!

From our office located in the heart of Dubai, our team of German attorneys has been advising small and medium-sized companies, corporations and individuals on the laws of the United Arab Emirates for more than a decade. Our areas of expertise include corporate and commercial law (in particular business set ups), commercial agency law, employment law as well as tenancy and real estate law. We would be happy to attend to your questions as well. Contact us!