Clifford Chance

BRIEFING

Open for Investment: UAE Company Law Reforms & Pro-Enforcement Developments

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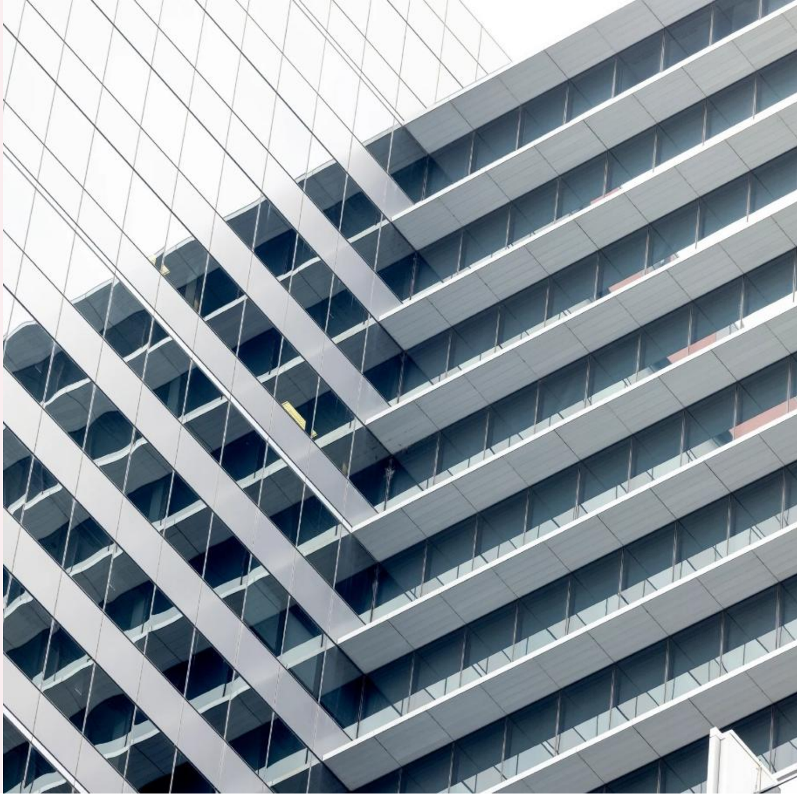

Two recent UAE developments underline the further enhancement of the region's legal systems and positive approach in respect of foreign investment.

1. UAE COMPANY LAW REFORMS

Federal Decree-Law No. 20 of 2025 (in force since 15 October 2025) represents the most substantial reform of the UAE's onshore corporate framework in recent years. Its significance for PE sponsors and infra funds is structural: common law-style investor protections that previously required offshore or free zone vehicles can now be embedded directly into UAE mainland entities.

Key changes include the following:

- **Multiple share classes in LLCs**: With further implementation on its way, LLCs may now issue different classes of shares, resolving a longstanding limitation that previously required preferred returns, anti-dilution rights and liquidation preferences to be structured offshore;
- **Statutory drag-along and tag-along rights**: These rights, previously lacking explicit legal basis under UAE civil law, may now be incorporated directly into constitutional documents rather than relying solely on shareholders' agreements; materially improving enforceability certainty for PE and other investors; and
- **Corporate re-domiciliation without loss of legal personality**: Companies may transfer their commercial registration between mainland, free zones and financial free zones (ADGM and DIFC) while preserving legal personality, corporate history and all existing contracts, assets and liabilities; creating new optionality for group restructuring.

In bringing common law-style governance tools onshore for the first time, these changes provide PE sponsors and infra funds with greater flexibility when structuring their UAE-focused transactions (and a credible mainland alternative alongside established offshore structures).

2. PRO-ENFORCEMENT DEVELOPMENTS

Arbitration remains the dispute resolution mechanism of choice for many PE investors and infra funds in the Middle East. Its principal advantages are extensive – chief among them, the ability to enforce awards internationally under the New York Convention. Whether an arbitration is seated in the UAE (onshore, ADGM or DIFC, each of which have their own court system and arbitration law) or an investor is seeking to enforce a foreign arbitral award against UAE-based assets, recent developments demonstrate that the UAE offers an increasingly robust, predictable and enforcement-friendly arbitration framework.

Onshore UAE – reducing technical challenges and reinforcing tribunal authority

- **Tribunal authority strengthened**: In July 2025, the Dubai Court of Cassation confirmed that tribunals in UAE-seated arbitrations may grant interim anti-suit injunctions, protecting the arbitral process from parallel court proceedings.
- **Unified enforcement standards**: The Federal and Local Judicial Principles Unification Authority issued a decision in 2025 confirming, amongst other things, that only the final page of an award must be signed, thereby removing a recurring basis for technical enforcement and annulment challenges across the Emirates.
- **Alignment with legal norms on legal costs recovery**: The Dubai Court of Cassation confirmed that a tribunal may award legal costs to a successful party even where the arbitration agreement does not contain an express costs provision.
- **ICC Dispute Resolution Statistics 2025** rank the UAE among the top ten most popular arbitral seats globally, reflecting growing confidence in the jurisdiction.

ADGM – strengthening interim relief and enforcement tools

- **Availability of worldwide freezing orders**: In 2025, the Court issued two separate judgments which maintained worldwide freezing relief in support of enforcement, both (i) when neither party has a connection to the ADGM, and (ii) for ADGM-seated arbitrations, notwithstanding restrictions on such relief in institutional rules.
- **Inter-Emirate enforcement**: A January 2025 Memorandum of Understanding between the ADGM Courts and Dubai Courts streamlines the recognition and enforcement of judgments and ratified arbitral awards between the two jurisdictions and reduces the scope for duplicative review.

DIFC – strengthening the UAE's role as a sophisticated recognition and enforcement forum

- **Enforcement-friendly approach to annulment challenges**: In a 2025 decision, the DIFC Court rejected an application to annul and refuse enforcement of an arbitral award, rejected jurisdictional and public policy challenges and reaffirmed both the doctrine of separability and the principle that court intervention in arbitration should be exceptional.
- **Recognition of foreign awards through the DIFC**: Earlier this year, the Joint Judicial Committee confirmed that the DIFC Courts may recognise foreign arbitral awards, even where there is no DIFC nexus.

The UAE continues to strengthen its position as a leading arbitration hub, offering greater certainty and judicial support. For PE, infra and other investors, careful drafting remains critical, including clear dispute resolution provisions, express costs language and consideration of likely enforcement routes and asset locations at the outset of a transaction.

3. CONCLUSIONS

Both developments reflect a deliberate policy focus in the UAE: narrowing the gap between UAE onshore law and the common law tools PE sponsors and infra funds expect, while giving those tools teeth through a more predictable and enforceable dispute resolution system.

Offshore structures may in the short term continue to be used by some investors, given their established track record, familiarity among LPs and co-investors, mature infrastructure and the continued need for cross-border fund aggregation. That said, these reforms and developments in the UAE enable a credible onshore alternative that will be increasingly relevant going forward (for example, transactions with a primarily UAE-domestic footprint or structures where an onshore presence carries commercial or regulatory advantages) and should be explored by investors, on a deal-by-deal basis, alongside established offshore structures when structuring their investments. The arbitration developments, meanwhile, reinforce this by making ADGM- and DIFC-seated dispute resolution a more dependable choice regardless of which structure is ultimately selected.

If you would like to discuss either of these developments (or how they may affect your structuring or dispute resolution approach), please reach out to us.

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