

Glossary: UAE Commercial Agency Law Part 1

Regulations concerning commercial agents and distributors in the United Arab Emirates ("UAE") have several distinctive characteristics. The most significant aspect is whether the contractual relationship is registered with the UAE Ministry of Economy & Tourism and, consequently, whether Federal Law No. 3 of 2022 ("Commercial Agency Law"), which grants registered commercial agents and distributors a comparatively high level of protection, applies or not. With our glossary of UAE Commercial Agency Law, we explain frequently used terms relevant to registered commercial agencies and distributorships. Today, we provide you with an overview of the parties typically involved in this context.

Principal

A principal is the manufacturer of products or the provider of services who sells its products or services in the UAE market through a third party.

Commercial Agent and Distributor

The Commercial Agency Law does not distinguish between a commercial agent (i.e. the company or independent entrepreneur which brokers business for the principal against commission or which concludes business on behalf of the principal) and a distributor (i.e. the company that acquires goods from the principal and resells them in its own name and for its own account to customers by adding a margin).

The law applies equally to both forms of sale and, accordingly, refers to both the commercial agent as well as the distributor simply as "agent".

In general, only a natural person or a legal entity of UAE nationality may act as an agent in accordance with the Commercial Agency Law. This requirement is met by Emiratis and companies wholly owned by Emiratis. The same applies to public joint stock companies incorporated in the UAE, provided that at least 51% of the share capital is held by Emiratis.

If the agent does not meet these requirements, the commercial agency or distributorship cannot be registered. As a result, the Commercial Agency Law does not apply and, hence, the agent's specific rights of protection do not apply either.

Ministry of Economy & Tourism

The Ministry of Economy & Tourism ("MoET") is the authority responsible for registered commercial agencies and distributorships in the UAE.

One of the MoET's key responsibilities is keeping the Commercial Agency Register. It contains information on, among other things, the principal, the agent, the products or services covered by the agency or distribution agreement and the territory within the UAE to which the registered commercial agency or distributorship applies.

In addition, the agreement between the principal and agent has to be filed with the MoET.

Commercial Agencies Committee

The Commercial Agencies Committee is attached to the MoET and is responsible for resolving disputes between the parties to a registered commercial agency or distribution agreement.

Proceedings before the Commercial Agencies Committee must be exhausted before bringing a claim before the UAE courts. The same is likely to apply to the commencement of arbitration proceedings.

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 21 years. Our areas of expertise include corporate law (in particular business set-up), 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!

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