



## New UAE law allowing sell downs to boost listings, private equity

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DUBAI, July 17 (Reuters) - The United Arab Emirates' Ministry of Economy has published new rules allowing firms in the Gulf Arab state to use existing shares when listing on local exchanges or raising fresh equity capital, a move likely to boost private equity in the country.

Laws governing initial public offerings in the Gulf Arab state have long been criticised for their restrictive nature, including the need to list a minimum of 55 percent of a company and for only allowing the sale of new shares when going public.

This has led many firms to seek listings outside the country in recent years to the chagrin of local authorities, such as oil services group Gulf Marine Services and healthcare providers Al Noor Hospitals and NMC Healthcare.

Under a July 1 ministerial resolution on firms converting to public joint stock companies, founders of a company can list shares through a sell down of a certain percentage of their existing stock.

The document didn't specify a minimum percentage any seller could offload, while the law won't come into force until one day after it is published in the official gazette.

Private equity groups are expected to be among the main beneficiaries of the new law, as they can now use the capital markets to exit existing investments - like in most mature jurisdictions - instead of relying on trade sales to other investors to offload holdings.

"Giving the companies in the UAE the option to either raise additional capital or sell existing shares or doing both will go a long way in encouraging private equity firms to contemplate exits on the local stock markets," said Karim Souaid, managing partner at Growthgate Capital, a Gulf-focused buyout firm.

"Private equity will become more mainstream when founders don't need to cede management control upon listing and are not required to raise 55 percent of the capital," he added.

Changes to laws governing IPOs in the UAE have been in the works for a number of years but authorities have been slow to formalise amendments.

The provision on sell downs was one expected to be included within the country's long-awaited companies law that covers the operations of firms.

The UAE's economy minister in March said the country's president is expected to soon approve it. Also included is a provision reducing the minimum free float required in IPOs to 30 percent from the current 55 percent on UAE exchanges.  
(Editing by David French)

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