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UAE: new regulations for venture capital

On 7 January 2017, the UAE government announced a legal framework for venture capital funds.Under the new rules, a venture capital fund’s net asset value must be at least equal to its risk exposure. In addition, venture capital funds with assets under management over Dh180 million are obliged to issue an annual report according to the International Financial Reporting Standards (IFRS) and appoint a risk management officer. By contrast, funds with assets under management of Dh180m or less are obliged to draft an annual report summary. Moreover, funds are obliged to conduct a review of investments at least once a year.The new legal structure aims to enhance the UAE’s innovation culture and further attract venture capital funds to the country, promoting in particular the competitiveness of small and medium-sized businesses as well as national companies focused on technology and innovation.The new legislation is one of the first outputs of the Government Accelerators Program. Formally launched in November 2016, the Government Accelerators Program’ goal is to accelerate the achievement of key targets of the National Agenda of the UAE Vision 2021. More specifically, the Program is designed to stimulate collaboration between public and private sectors and academia, so as to drive change, raise government efficiency and speed services. According to UAE-based venture capital firm Beco Capital, the value of the Middle East’s venture capital industry is expected to increase to USD 5 billion by 2019 from about USD 200 million in 2016.