

CONSULTATION PAPER NO. 7 OF 2025

Proposal to Enact Administrative Regulations concerning Investigative Powers, Enforcement Procedures and Sanctions

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Introduction

Why are we issuing this paper?

The Abu Dhabi Global Market (“**ADGM**”) Registration Authority (“**RA**”) has issued this Consultation Paper to invite public feedback on a proposal to issue new administrative regulations (the “**Admin Regulations**”), applicable to the majority of ADGM’s commercial legislation, which aim to enhance the RA’s statutory framework concerning contraventions, sanctions and procedural fairness requirements to improve and simplify the current framework and promote consistency across the existing commercial legislation.

This Consultation Paper summarises the key proposed aspects of the Admin Regulations. The summaries provided should be read as an introduction to the Admin Regulations only – many of the precise details and specifics are contained in the Admin Regulations.

The proposed Admin Regulations are set out in Annex A of this Consultation Paper.

Unless context requires otherwise, terms capitalised in this Consultation Paper should be taken to have the same definitions ascribed to them in the proposed Admin Regulations.

Who should read this paper?

The proposals in this Consultation Paper would be of interest to all Licensed Persons and Persons in the ADGM, including directors, auditors, officers, employees and representatives who are subject to the Commercial Legislation. We also welcome feedback from other stakeholders, whether based in the ADGM or beyond.

How to provide comments

All comments should be in writing and sent to the email specified below. Please include the Consultation Paper number in the subject line No. 7 of 2025. If relevant, please identify the organisation you represent when providing your comments.

The RA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise at the time of making any comments. Comments supported by reasoning and evidence will be given more weight.

What happens next?

The deadline for providing comments on this proposal is **17 July 2025**.

Following receipt and review of any comments, consideration will be had for whether any modifications to the Admin Regulations are required, and the ADGM Board of Directors ("**Board**") and the RA will then proceed to enact the proposals in their final form.

You should not act on the Admin Regulations until such time as the final Admin Regulations, the amendments to the Commercial Legislation, and any guidance thereon, are issued by the Board and the RA. A notice will be issued on the ADGM website upon issuance of the Admin Regulations and the relevant amendments to the Commercial Legislation.

Comments to be addressed to:

Consultation Paper No. 7 of 2025

Email: ra.consultation@adgm.com

Scope and Approach to the Proposed Amendments

1. This Consultation Paper aims to explain the proposed:
 - a. Features and purpose of the Admin Regulations; and
 - b. Key amendments to the relevant Commercial Legislation.
2. The proposal includes:
 - a. Introducing a standalone 'overarching' administrative regulation governing enforcement procedures, investigations and other administrative matters that will apply across all Commercial Legislation, including setting out the tiered procedural fairness system.
 - b. Amending and updating the current standard fine scale and enforcement powers so that it contains:
 - i. An updated table of financial penalty levels, with an upper limit that more accurately reflects the severity of Contraventions and acts as an appropriate deterrent;
 - ii. A comprehensive list of administrative sanctions, which can be generally applied, so that the RA can decide which administrative sanction is appropriate depending on the circumstances of the case; and
 - iii. A clear acknowledgement that any Contravention of the Commercial Legislation is a Contravention which is capable of being subject to a financial or non-financial penalty or both.
 - c. A two-fold tiered approach to Contraventions with different enforcement processes and procedures based on the severity of the Contravention.
 - d. The right of a person to consent in writing to the enforcement action being imposed by the RA and the right of that person to waive the procedural fairness process.
 - e. Enhanced supervisory and enforcement powers to support the RA in bringing its supervisory/enforcement actions to conclusion in a transparent, efficient, and fair manner.
 - f. A statutory emergency process that the RA CEO can deploy in cases of exceptional urgency.

- g. A statutory power to provide the RA with the ability to enter into settlement agreements, which currently only exists under the RA's enforcement manual¹.
 - h. A statutory time limit on the RA taking enforcement action to provide alignment with concepts of procedural fairness.
- 3. A draft of the Admin Regulations can be found in Annex A.

¹ The RA currently has a framework for settlements as outlined in Chapter 5 of the Decision Procedures, Disqualification and Enforcement Manual ("**DPDEM**")

Proposed Amendments

Current Position

1. The RA's enforcement procedures are spread out across the commercial legislation, rather than being in one easily accessible centralised location with consistent application across all legislation.
2. A key factor of any enforcement action taken by the RA is to act as a deterrent and to promote compliance with the commercial legislation. However, there are some Contraventions that attract a comparatively low financial penalty compared to the seriousness and ongoing nature of the Contraventions, making those penalties insufficiently dissuasive with no remediation and not acting as a strong enough deterrent.
3. The process for issuing financial penalties for lower-level Contraventions and other straightforward cases (e.g. late filings) under the relevant Commercial Legislation does not differ from the enforcement process applicable to higher-level Contraventions.
4. There is currently no statutory emergency process that the RA can deploy in cases of exceptional urgency. In cases of exceptional urgency, where there is an imminent need to suspend or cancel a licence, the RA currently must follow the normal enforcement process (Warning Notice, Decision Notice, and Final Notice), which is time-consuming and ineffective at achieving the objective in such exceptionally urgent cases.
5. The RA is, therefore, seeking to introduce the Admin Regulations and related amendments to the relevant Commercial Legislation, as there is a need for greater clarity with respect to the procedures surrounding enforcement and procedural fairness.

Proposed features of the Admin Regulations

Introduction of a new 'overarching' administrative regulation

6. It is proposed that the new Admin Regulations will govern enforcement procedures, investigations and other administrative matters that apply across all Commercial Legislation, including setting out the two-tiered procedural fairness system (as described further below).
7. The Admin Regulations intend to address any confusion, uncertainty and inconsistency of enforcement powers and procedures spread out across multiple legislation. Each piece of Commercial Legislation will be amended to cross-refer to the Admin Regulations, where applicable, when applying the relevant enforcement process, rather than having its own enforcement provisions.
8. The Admin Regulations, accompanied by consequential drafting changes to the Commercial Licensing Regulations 2015 and other legislation, offers an opportunity for a clear, properly calibrated root-and-branch solution. It will also ensure that, in the future, updates and changes to the enforcement procedure can be implemented once, in a streamlined way, without large-scale reviews of and amendments across the Commercial Legislation.

Q1: DO YOU HAVE ANY CONCERNS WITH, OR FEEDBACK ON, THE PROPOSAL TO INTRODUCE AN 'OVERARCHING' ADMINISTRATIVE PROCESS AND REGULATION?

Review of current Fine levels

9. The current standard fine scale was comprehensively reviewed to assess whether the fines adequately reflect the severity of the Contraventions, act as an appropriate deterrent, and for the purposes of the new tiered procedural fairness system. A new maximum Fine Level 9 is introduced so that the RA can impose the maximum fine set out in Law No. 4 of 2013 (the "**Founding Law**"). In case of repeat offences of the same Contravention, it is proposed that the RA will have the power to increase the original Fine level up to the next Fine level.

Q2: DO YOU HAVE ANY CONCERNS WITH, OR FEEDBACK ON, THE PROPOSED AMENDMENTS TO THE LEVEL OF FINES AS SET OUT IN THE NEW STANDARD FINE SCALE?

Introduction of Tiered Procedural Fairness System

10. The current enforcement processes are based upon a series of notices, starting with a Warning Notice, written representations by the concerned party, a Discontinuation Notice or Decision Notice, opportunity for the party to refer the matter to the ADGM Courts, and then a Final Notice. However, this structure is ill-suited to more straightforward Contraventions of the Commercial Legislation, such as failure to maintain a register of directors. Due to the ambiguities that exist as to whether the full enforcement process should be followed for more minor infringements, this process is applied on a cautionary basis by the RA, including for minor Contraventions (equivalent to a 'one-size-fits-all' approach).

11. In light of the above, we propose a two-tiered system for enforcement processes based on the severity of the Contravention. This involves Tier 1 (minor Contraventions) and Tier 2 (serious Contraventions) each having their own procedures, processes, and penalties.

Tier 1 – Minor Contraventions

12. Tier 1 provides the RA with a more efficient process for managing minor Contraventions (e.g. late filings) through a simplified process to issue Fines. Level 1 and 2 on the Fine Scale would fall within Tier 1.
13. The Person can also submit a Statement of Representations to the RA within 28 Days of receiving a Financial Penalty Notice. After receipt of the Statement of Representations, the RA will inform the Person whether it intends to revoke, reduce or uphold the Fine. Judicial review by the ADGM Courts would remain available to underpin all decisions in relation to Tier 1, since any decision to issue a Fine is an administrative act which is capable of judicial review.
14. The RA proposes to apply a 30% discount to all Tier 1 Fines where the person has accepted the Fine and payment is made within 14 days from issuance of the Financial Penalty Notice.

Q3: DO YOU HAVE ANY CONCERNS WITH, OR FEEDBACK ON, THE PROPOSED DISCOUNT AND PERIOD FOR APPLICATION OF DISCOUNTS TO TIER 1 CONTRAVENTIONS?

Tier 2 – Serious Contraventions

15. Tier 2 will encompass Contraventions that are more serious in nature and for which the potential consequences of the Contravention will vary more widely, and where the independent Decision Maker will have discretion regarding which sanction to impose. Larger financial penalties ranging between Level 3 (USD 10,000) to Level 9 (USD 54,000,000) will fall under Tier 2, in addition to other sanctions such as:
- a. director disqualifications; and
 - b. administrative sanctions (e.g. public censure, financial penalties, prohibition order, enforceable undertaking and suspension/withdrawal/cancellation/restriction of licence).
16. The Tier 2 procedure will be initiated by the issuance of a Warning Notice by a Decision Maker which would set out the proposed enforcement action. The Person would then have 14 Days to submit a Statement of Representations to challenge the proposed action. After considering

any Statement of Representations, the Decision Maker will issue a Decision Notice that will either uphold or vary the proposed enforcement action or issue a Discontinuance Notice.

Q4: DO YOU HAVE ANY BROADER FEEDBACK ON THE PROPOSED INTRODUCTION OF A TWO-TIERED PROCEDURAL FAIRNESS PROCESS?

Waiver of Procedural Fairness with consent

17. It is proposed that a formal procedure is introduced within the Admin Regulations, which allows for a contravening party to admit to its liability without undergoing the Tier 2 procedure. This will help expedite the process and reduce any administrative burden on the contravening party and the RA.
18. In doing so, the contravening party would consent in writing to the payment of a Fine and/or the relevant sanction and waive its rights to go through the procedure for Tier 2 Contraventions, including the ability to submit Statement of Representations and apply for judicial review.

Q5: DO YOU HAVE ANY CONCERNS WITH, OR FEEDBACK ON, AN AFFECTED PERSON BEING ABLE TO WAIVE ITS RIGHTS TO THE PROCEDURE FOR TIER 2 CONTRAVENTIONS?

Introduction of “RA CEO Exceptional Powers”

19. It is proposed that a statutory emergency process is introduced which provides the RA CEO with the express power to immediately cancel, suspend, restrict a licence, or issue a prohibition order, on its own initiative (without following the Tier 2 procedure), in exceptional circumstances through the issuance of an Exceptional Notice. Such emergency powers will be reserved for the RA’s CEO and may not be delegated.
20. There will remain the option for the affected party to submit a Statement of Representations to the RA CEO to vary or discontinue the emergency decision. The affected party will also have the right to refer the matter to the ADGM Courts.

Q6: DO YOU HAVE ANY CONCERNS WITH, OR FEEDBACK ON, THE RA CEO EXCEPTIONAL POWERS PROCESS?

Introduction of Settlement Process

21. The RA currently has a framework for settlements as outlined in Chapter 5 of the Decision Procedures, Disqualification and Enforcement Manual (“**DPDEM**”). However, there is currently no general statutory power for the RA to enter into settlement agreements concerning enforcement matters or to enter into enforceable undertakings.
22. It is proposed that a statutory power is introduced which unequivocally provides the RA with the ability to enter into legally binding settlement agreements in respect of Tier 2 Contraventions at any stage of the investigation and enforcement process. In the context of the proposed settlement process, enforceable undertakings will remain available during the process.

Q7: DO YOU HAVE ANY CONCERNS WITH, OR FEEDBACK ON, THE SETTLEMENT PROCESS?

Proposed Enactments

Regulations

Annex A Proposed Administrative Regulations 2025