

**CABINET RESOLUTION NO. (96) OF 2023  
REGARDING AN ALTERNATIVE END-OF-SERVICE BENEFITS SYSTEM**

**The Cabinet**

- Having perused the Constitution
- Federal Law No. (1) of 1972, concerning jurisdictions of the Ministries and powers of the Ministers as amended
- Federal Decree-Law No. 33 of 2021 concerning Regulation of Labour Relations and its Amendments
- Cabinet Resolution No. (1) of 2022 regarding the executive regulations of Federal Decree-Law on Regulation of Labour Relations
- According to the proposal of the Minister of Human Resources and Emiratization and the approval of the Council of Ministers

**Resolved**

**Article 1  
Definitions**

For the purposes of implementing this Resolution, the following terms and expressions shall have the meanings opposite thereto unless the context requires otherwise:

<b>State</b>	: United Arab Emirates
<b>Ministry</b>	: Ministry of Human Resources and Emiratisation
<b>Authority</b>	: Securities and Commodities Authority
<b>Central Bank</b>	: Central Bank of the United Arab Emirates
<b>Decree law</b>	: Federal Decree-Law No. 33 of 2021 concerning Regulation of Labour Relations

- Employer** : An individual or a business that hires one or more workers in exchange for a salary
- Basic Salary** : The wage stipulated in the employment contract, which is paid to employees on monthly, weekly, daily, or hourly basis in exchange for the performance of their duties under the employment contract, without additional bonuses or allowances.
- Total Salary** : The Basic wage plus cash allowances and in-kind benefits that are outlined in their employment contracts or under the law, as well as benefits in-kind provided to employees by employers, or their equivalents in cash, if these benefits are incorporated into the salary or allowances an employee is entitled to under their employment contract or establishment's system as compensation for their work, the risks associated with their work or any other reason. Allowances provided to cover high living costs or a percentage of sales, or a percentage of profit derived from the employee's efforts.
- Alternative System** : An alternative to the end-of-service benefits system currently in effect is provided by an alternative system governed by the Decree-Law and its executive regulations, namely, employers pay a monthly subscription to an investment fund for the purpose of enabling beneficiaries to receive their entitlements upon completion of their employment from the basic subscription amount allocated to them as well as any investment returns generated in

lieu of their end-of-service benefits, in accordance with this Resolution.

- Investment Fund** : An investment fund that is licensed by the Authority and subject to its rules and regulations for the purposes of the alternative system.
- Fund Offering Document** : The document that contains all the details, terms, and conditions pertaining to the offering as well as all the information necessary to introduce the product in accordance with the authority's regulations.
- Beneficiary** : An employee who is registered under the alternative system and who is selected by their employer to receive gratuity under the alternative system.
- End-Of-Service Benefits** : Sum paid by the employer to the employee (beneficiary) upon the termination of his employment in accordance with the Decree Law.
- Skilled Labour** : Professional level workers (first to fifth levels), whose monthly salary is at least (4,000) four thousand dirhams or equivalent as per the approved labour classification system on the labour market in the state, according to Cabinet Resolution No. (2/2m) of 2022 pertaining to the updating of the country's labour classification system.
- Basic Subscription** : Amount paid by the employer on a monthly basis for the purpose of implementing the alternative system as provided in this decree

**Voluntary Subscription** : Amount paid from the beneficiary's wages on a monthly or annual basis, based on his discretion, in accordance with this decree.

**Investment Fund Service Providers** : Legal entities licensed by the Authority to render services to the Investment Fund according to the standards and obligations set forth in the attached annex, which include:

1. Fund Managers
2. Administrative services providers
3. Custodian Services
4. Insurance companies
5. Auditors
6. Legal Advisors
7. Other parties as determined by the Authority

**Fund Manager** : An entity authorized by the Authority to operate and manage investment funds.

## Article (2)

### System Objectives

It is intended that this system achieves the following objectives:

1. Ensure that employees receive their end-of-service benefits, protect them from inflation, default, or bankruptcy, and provide them with an investment program that allows them to save and invest their benefits.
2. Enhance the attractiveness and flexibility of the labour market by providing quality services to employees.
3. Take advantage of investment opportunities in various economic activities in the country.

## Article (3)

### Scope of Application

Private sector employers and employees and in the country, including free zones, may opt to apply this decision.

#### **Article (4)**

##### **Alternative System Subscription**

Employers who wish to participate in the alternative system must submit a request to the Ministry. This must be done according to the procedures prescribed by the Ministry.

#### **Article (5)**

##### **Obligations of Employers**

In order to participate in the alternative system, employers must adhere by the following:

1. Select and contract with one of the licensed investment funds for the purpose of implementing the alternative system
2. Decide which employee categories and levels should be included in the alternative system.
3. Discontinue the use of the current end-of-service benefits system for employees who are selected to participate in the alternative system. However, employers are required to calculate benefits due to beneficiaries in accordance with the Decree Law prior to implementing the alternative system and must pay them upon the termination of the employment relationship, based upon the beneficiary's basic salary as of the time of participation.
4. Calculate and pay the basic subscription amount according to the provisions of this resolution without deducting it from the beneficiary's salary, bearing in mind that these amounts are not refundable to employers.
5. Provide all documentation and information pertaining to beneficiaries upon request to investment fund service providers.
6. The Minister shall issue a decision specifying the circumstances in which employers may discontinue participation in the alternative system.

## Article (6)

### Basis for Calculating and Transferring the Basic Subscription Fee

1. The basic monthly subscription fee is calculated as follows:
  - a. Full-time beneficiaries: a percentage of (5.83%) of their monthly basic salary if they serve less than five (5) years, and a percentage of (8.33%) if they serve more than five (5) years.
  - b. Beneficiaries under other employment patterns: The subscription percentage set out in Paragraph (A) of this article applies to the basic salary calculated in accordance with the Decree Law.
2. Employers are required to calculate the monthly subscription amount in accordance with the decision. It should be noted, however, that the basic subscription rate is determined by the beneficiary's continuous service period, which begins with the date of employment, not the date of subscription.
3. Subscriptions are transferred into the investment fund account within fifteen (15) days of the first day of the calendar month.

## Article (7)

### Voluntary Subscription

- 1- It is possible for subscribers to contribute a percentage of their salary or an additional amount (monthly or lump sum) in addition to the basic subscription payment, as explained below:
  - a. In the case of a monthly voluntary subscription, the voluntary contribution will be transferred to the beneficiary by deducting it from his or her wage.
  - b. In the case of a lump sum voluntary subscription, the beneficiary may direct the funds to the investment fund account.
- 2- In the case of a monthly payment, the voluntary subscription percentage cannot exceed 25 percent of the total salary, while in the case of a lump sum payment, it cannot exceed the same percentage annually.

- 3- Beneficiaries' right to voluntary participation ends with the termination of their employment relationship with the employer; however, they are permitted to retain their funds in the system if they wish to do so.
- 4- Beneficiaries are entitled to withdraw part or all of the voluntary subscriptions paid or their investment returns at any time during their employment, in accordance with the terms and conditions set forth by the fund manager.
- 5- Beneficiaries may choose whichever investment fund option they would like to use for their voluntary subscription only. Unless otherwise specified, the investment will be incorporated into the Capital Guarantee Fund.
- 6- Notwithstanding paragraph (2) of this Article, the beneficiary may modify the percentage without limitation as to the number of times that the amendment can be made.
- 7- Voluntary subscriptions are not included in the beneficiary's entitlement to end-of-service benefits.

## Article (8)

### Investment Options

1. Fund managers are required to provide beneficiaries with a variety of investment options. These investment options should include, but are not limited to:
  - a. A capital guarantee portfolio option offers a risk-free option for capital preservation, if the beneficiary is an unskilled worker.
  - b. Various investment portfolios are available with risk-based investment options that carry varying levels of financial risk based on expected return.
  - c. Options for investing in Islamic Sharia-compliant funds.
2. A skilled labour beneficiary may choose any investment option listed in paragraph (1) of this article at the time of registration in the system. In the event that a beneficiary is registered in an option that does not include a capital guarantee, he or she is liable for any losses or consequences incurred as a result. However, he or she may not file a claim against the employer for

these losses, which do not include the basic subscription amount made by the employer. Providers of investment fund services are not responsible for the beneficiaries' losses, except in cases where the provider has acted in bad faith, acted intentionally in breach of his obligations, or grossly neglected his duties.

## **Article (9)**

### **Rights and Entitlements of Beneficiaries**

1. In accordance with paragraph (3) of this Article, the beneficiary is entitled to all basic subscription amounts paid by the employer under the alternative system and any returns resulting therefrom during the subscription period, within a period not exceeding (14) fourteen days after the termination of employment. In addition, the beneficiaries of the deceased beneficiary shall be entitled to receive the same rights and dues within a period of not more than ten working days from the date of his death.
2. If the beneficiary or his beneficiaries wish to continue investing funds owed to them, they may notify the Fund Manager in writing within the periods specified in paragraph (1) of this Article. Furthermore, the funds may be withdrawn at any time without restriction or condition.
3. The employer may request any amounts legally owed to him from the worker's entitlements under the alternative system upon the termination of the employment relationship between the two parties, subject to approval by the Ministry or the enforcement of a judicial decision in compliance with the applicable laws.

## **Article (10)**

### **General Provisions**

1. The alternative system is considered to be an optional system for employers, provided that they comply with all provisions stipulated in this resolution in order to participate.

2. For employees selected by their employers to participate in the alternative system, subscription is mandatory.
3. As part of its responsibilities, the Authority is responsible for granting licenses to investment fund service providers in accordance with the standards and obligations applicable to their activities.
4. Authorities responsible for the regulation of financial free zones are required to develop and approve end-of-service benefits that will be applicable to establishments within the scope of their authority and meet their requirements as an alternative to traditional end-of-service benefits. Providing this service to establishments outside the scope of their authority requires the approval of both the Ministry and the Authority.
5. The alternative system for the end-of-service benefits system is subject to all anti-money laundering provisions, procedures, and requirements.
6. The Fund Manager is responsible for taking the necessary measures to ensure that the beneficiaries' entitlements are protected in accordance with the procedures and controls determined by the Authority.
7. Generally, it is prohibited to withdraw the basic subscription amount, as well as any profits or returns derived from it, from the alternative system before the termination of the employment relationship between the employer and the beneficiary. The employer, however, has the right to recover the basic subscription amounts only upon termination of the employment relationship within one year of the start date.
8. Subscription amounts paid by the employer are not subject to judicial enforcement, seizure, liquidation, or bankruptcy procedures.
9. According to this decision, if the beneficiary transfers from one employer to another, the new employer may complete the payment of the basic subscription in the alternative system in lieu of the previous employer.
10. The employer may change the fund manager and transfer all subscription amounts and returns to an alternative investment fund, upon obtaining the approval of the Ministry and the Authority, based on factors such as the level

of service performance and what supports the beneficiaries' interests. Employers or beneficiaries are not required to pay for transfers.

11. Fund Managers may accept voluntarily any other subscriptions in the following categories, provided they comply with the provisions contained in the Fund's offering document as well as any other controls adopted by the Ministry in coordination with the Authority and relevant authorities:
  - a. For investment purposes, natural persons, including self-employed individuals and independent business owners.
  - b. Expat employees working for government agencies, institutions, and affiliated businesses.
  - c. National employees of the public and private sectors, provided that their employers continue to pay contributions to the General Authority for Pensions and Social Security in accordance with the applicable legislation.
12. A percentage of the basic and voluntary subscription amounts may be required by the Authority for investment in the state's economy and market as long as the investment does not harm the beneficiaries' interests, and in accordance with the systems established by the Authority after consultation with the relevant authorities.
13. Amounts credited for basic or voluntary subscriptions are in UAE dirhams.
14. Employers are required to participate in the system for a minimum of one year. However, if necessary, the Ministry and the Authority may extend the period to ensure the success of the system.
15. In coordination with the Ministry, the Authority may update standards and obligations for investment fund service providers.

## Article (11)

### Supervision and Control

1. The Ministry and the Authority may take all necessary measures to monitor, supervise, and inspect the alternative system in accordance with the applicable legislation.

2. The Ministry and the Authority may establish any controls, restrictions, or procedures necessary to implement the provisions of this decision.
3. As stipulated by the Ministry in this regard, the Ministry is responsible for receiving labour complaints regarding this alternative system. The Ministry is also authorized to investigate complaints and violations discovered during inspections.
4. It is the responsibility of the financial free zones authorities to supervise, control, and resolve complaints regarding the alternative end-of-service gratuity system under their jurisdiction.
5. Complaints regarding the performance of investment fund service providers shall be addressed by the Authority in accordance with the controls issued by the Authority in this regard.

## **Article (12)**

### **Non-Payment of the Basic Subscription Fee.**

If the employer fails to make the basic subscription payment by the due date, the following procedures will be applied:

1. The Fund Manager must notify the employer in writing within (30) thirty days of the payment date that he or she will be required to pay the basic subscription within (5) five business days after receiving the notification.
2. The Fund Manager shall notify the Ministry of any non-payment of the basic subscription within fifteen (15) days of sending the payment notification.
3. If an employer fails to make a payment of the overdue subscription amount for a period of two (2) months, the Ministry will cease issuing new work permits and may take other administrative actions in accordance with its applicable regulations.
4. A penalty of (1,000) one thousand dirhams per beneficiary per month will be imposed by the Ministry upon the employer if the subscription amounts are

not paid after four (4) months from the date the employer failed to pay the subscription amounts.

## Article (13)

### Withdrawal Requirements for Employers

1. Employers have the right to withdraw from the alternative system after the Ministry's approval, subject to the following conditions:
  - a. A minimum subscription period of one year must be established in the system, except in exceptional circumstances as determined by the Minister after consultation with the Authority.
  - b. There are no outstanding fines or pending labour disputes on the employer's file.
  - c. Provide the Ministry with a credit report in order to ensure beneficiaries receive their benefits at the end of their service.
  - d. Beneficiaries' rights and entitlements shall remain unaffected by withdrawal.
  
2. Withdrawal from the alternative system will result in the following:
  - a- Employee subscription amounts cannot be recovered by the employer. The beneficiary, however, may withdraw his dues upon termination of employment or keep them for the continuation of the investment without paying any additional contributions.
  - b- For the period following withdrawal from the alternative system, refer to the method for calculating the end-of-service gratuity in accordance with the decree law and its executive regulations.

## Article (14)

### Executive Decisions

According to their respective jurisdictions, the Ministry and the Authority will issue the necessary decisions to implement the provisions of this Resolution.

#### **Article (15)**

##### **Abrogation of Contravening Provisions**

Provisions that violate or conflict with the provisions of this decision shall be repealed.

#### **Article (16)**

##### **Publication and Implementation of the Decision**

The Resolution shall be published in the Official Gazette, and it will come into effect on the day following publication.

The original is signed by His Highness Sheikh

**Mohammed bin Rashed Al-Maktoom**

**Prime Minister**

Issued by us on:

25<sup>th</sup> Rabi' al-Awwal 1445 AH

Corresponding to:

10<sup>th</sup> of October 2023 AD

**ANNEXURE TO CABINET RESOLUTION NO. (96) OF 2023**  
**ON THE STANDARDS AND OBLIGATIONS OF INVESTMENT FUND SERVICE PROVIDERS IN CONNECTION WITH THE OPTIONAL ALTERNATIVE SYSTEM FOR END-OF-SERVICE BENEFITS**

First: in accordance with the Authority's applicable legislation and regulations, the same investment policies and investment restrictions are applicable to the funds licensed by the Authority.

Second: in addition to what was stated in the Chairman's decision of the Authority No. (01/(M) of 2023 concerning investment funds, and what was stated in Chapter Two of the booklet on financial activities regulation issued in accordance with the decision of the Chairman of the Board of Directors of the Authority No (13/RM) of 2021 regarding licensing and accreditation, the following are the minimum obligations that must be met:

**1. Additional Responsibilities of Fund Managers:**

- a. Provide investors with a basic option for investment with capital guarantees.
- b. Make available Islamic Sharia-compliant investment options.
- c. Ensure that the fund offering document and subscription forms include terms, conditions, and principles that define clearly the employer's and beneficiary's rights and obligations.
- d. The Fund Manager must manage a minimum of one billion dirhams worth of funds and assets.
- e. Invest a percentage of the Investment Fund in local investment products in accordance with the Authority's guidelines.
- f. At the time of submitting a request for the establishment and licensing of the Fund to the Authority, you must include a no objection certificate from the Ministry regarding the Fund's structure, the custodian and the administrative service provider proposed for the Fund's operation, and that they are in compliance with the Ministry's standards and requirements.

- g. The fund must provide financial solvency or additional capital equal to or greater than (2.5%) of the total amount invested in the fund, but not exceeding (50,000,000) fifty million dirhams.
- h. The candidate must have experience in managing investment funds for at least three years.
- i. Submit a letter of guarantee in the amount of (5) five million dirhams in the name of the Authority and in compliance with its standards. If necessary, the Ministry may liquidate the guarantee in coordination with the Authority.
- j. Implement a process for handling complaints submitted by employers or beneficiaries related to the Fund, and notify the Authority or the Ministry, as appropriate, of those complaints and the procedures taken to resolve them.
- k. Pay to the beneficiary or his beneficiaries the sum of subscription amounts paid and any resulting returns upon maturity, in accordance with the terms of this decision.
- l. Insure both basic subscription amounts paid by employers as well as beneficiary amounts, so that the insurer is responsible for covering these amounts in full.
- m. Basic subscription amounts may be invested only in the areas determined by the Authority's provisions.

## **2. Additional Responsibilities of Investment Fund Management Service Providers**

- a. The candidate must have experience in managing investment funds for at least three years.
- b. Provide employers and beneficiaries with semi-annual account statements and periodic reports through electronic communication or any other method stated in the fund's offering document, provided that the report includes a statement of the balance of their basic and national contributions and the returns achieved on them.
- c. In response to requests from the Authority and the Ministry, provide financial performance reports, compliance reports, and required procedures.

- d. Assist employers and beneficiaries with customer service, receive complaints regarding end-of-service disputes, and attempt to resolve them amicably before referring them to the appropriate authorities.

### **3. Further obligations of Custodians**

- a. Custodians must be local banks licensed by the Central Bank, and their capital must not be less than (3,000,000,000)three billion dirhams
- b. A minimum of 1,000,000,000 billion dirhams in funds and assets is required
- c. It is required that the candidate have at least three (3) years of experience as a custodian
- d. Monitor annual reports, review performance levels, and ensure that the fund manager and investment fund's administrative service provider are implementing the related ancillary legislation, and inform the Authority of any observations as soon as possible.
- e. Implement the directions of the Fund Manager and the Administrative Services Company regarding the receipt of basic and voluntary subscriptions and the payment of dues to beneficiaries after verifying that the beneficiaries meet the required conditions and documentation.
- f. Ensure that the decisions made by the fund manager are in the best interests of the beneficiaries.

### **4. Approved Systems of Financial Free Zones**

- a. As specified by the Ministry and the Authority, the conditions and obligations set forth in this annex apply to approved free zone systems.
- b. It is intended that any standards, conditions, or obligations imposed on the free zone systems pursuant to subparagraph (a) will be implemented in coordination with the relevant authorities within the financial free zones to determine which standards and obligations will be supervised and implemented by them on behalf of the Ministry or Authority.