

## **Federal Law No. (19) of 2016 on Combating Commercial Fraud**

**We, Khalifa bin Zayed Al Nahyan,                      President of the United Arab Emirates;**

- Having reviewed the Constitution;
- Federal Law No. (1) of 1972 concerning the Competences of the Ministries and the Powers of Ministers, as amended;
- Federal Law No. (5) of 1975 regarding the Commercial Register;
- Federal Law No. (4) of 1979 on Combating Fraud and Adulteration in Commercial Transactions;
- Federal Law No. (5) of 1979 regarding the Agricultural Quarantine as amended;
- Federal Law No. (6) of 1979 regarding the Veterinary Quarantine as amended;
- Federal Law No. (10) of 1980 concerning the Central Bank, the Monetary System and Organization of Banking Profession;
- Federal Law No. (18) of 1981 regulating the Commercial Agencies, as amended;
- Federal Law No. (4) of 1983 regulating the Pharmacy Profession and Pharmaceutical Institutions;
- Federal Law No. (2) of 2015 on the Commercial Companies;
- Federal Law No. (5) of 1985 promulgating the UAE Civil Transactions Law, as amended;
- Federal Law No. (3) of 1987 promulgating the Penal Code, as amended;
- Federal Law No. (35) of 1992 promulgating the Criminal Procedures Law, as amended;
- Federal Law No. (36) of 1992 concerning the Rehabilitation;
- Federal Law No. (37) of 1992 regarding the Trademarks as amended;
- Federal Law No. (38) of 1992 concerning the Establishment of Nurseries, regulating the Production, Import and Circulation of Seedlings;
- Federal Law No. (39) of 1992 concerning the Production, Import and Circulation of

Fertilizers;

- Federal Law No. (41) of 1992 concerning the Agricultural Pesticides;
- Federal Law No. (11) of 2015 regarding the Control of Trade and Hallmarking of Precious Stones and Minerals;
- Federal Law No. (18) of 1993 promulgating the Commercial Transactions Law;
- Federal Law No. (14) of 1995 concerning the Combating of Narcotics and Psychotropic Substances, as amended;
- Federal Law No. (20) of 1995 regarding Medicines and Products Derived from Natural Resources;
- Federal Law No. (4) of 2000 on Emirates Securities and Commodities Authority and Market as amended;
- Federal Law No. (28) of 2001 Establishing the Emirates Authority for Standardization and Meteorology, as amended;
- Federal Law No. (7) of 2002 concerning Copyrights and Neighboring Rights, as amended;
- Federal Law No. (17) of 2002 on the Regulation and Protection of Industrial Property, Patents, Industrial Designs, and Models as amended;
- Federal Law No. (8) of 2015 regarding the Federal Customs Authority;
- Federal Decree-law No. (3) of 2003 regulating the Communication Sector, as amended;
- Federal Law No. (1) of 2006 regarding the Electronic Transactions and Commerce;
- Federal Law No. (24) of 2006 regarding the Consumer Protection, as amended;
- Federal Law No. (6) of 2007 on the Establishing the Insurance Authority and Regulating its Operations, as amended;
- Federal Law No. (13) of 2007 regarding Commodities Subject to Import and Export Control Procedures, as amended;
- Federal Decree-law No. (5) of 2012 on Combating Cybercrimes; and

- In consideration of the proposal submitted by the Minister of Economy as approved by the Cabinet and the Federal National Council and endorsed by the Federal Supreme Council;

**Hereby enact the following Law:**

## **Article (1)**

### **Definitions**

Upon applying the provisions hereof, the following words and expressions shall have the meanings assigned thereto respectively, unless otherwise required by the context:

**The State** : The United Arab Emirates

**The Ministry** : The Ministry of Economy

**The Minister** : The Minister of Economy

**The Competent Authority** : The local or federal competent authority

**The Supreme Committee** : The Supreme Committee for Combating Commercial Fraud

**Sub Committee** : The Committee on Combating Commercial Fraud in the concerned emirate

**Commercial fraud** : An act of deceiving any client in any way, whether through altering or changing the commodity's nature, amount, price, fundamental specifications, origin, source, validity or any other aspect related to the commodity, or providing untrue or misleading commercial information on the promoted products. This includes the deception, counterfeiting and fraud of service that does not conform to the laws applicable in the State or involves fraudulent or misleading information.

**Deception** : The use of fraudulent methods, whether, by word or act, by either of the contracting parties in order to convince the other party to enter into the contract, or the intentional concealment of a particular fact,

defect or circumstance in the commodity by either party if he believes that the other party would not have entered into the contract had he known about such fact or defect.

**Commodity** : Each natural substance, animal, agricultural, industrial or transformative product, including the raw materials and components used in the product.

**Merchant** : Any natural or legal person who operates in his name and for his benefit in the businesses activities prescribed in the Commercial Transactions Law, conducts a business activity, takes any of the forms prescribed in the Commercial Companies Law, even if the involved business is of a civil nature, announces to the public in any way about the business he establishes for trade purposes, or otherwise engages in trade under a pseudo name, hiding behind another person's name or acts on behalf of another anonymous person.

**Establishment** : Any body corporate, company or any other entity taking any of the legal forms through which the businesses activity can be conducted in the State.

**Adulterated goods** : The goods which do not conform to the controls, conditions, requirements, specifications and standards set by the laws, regulations, rules and resolutions applicable in the State or the goods to which a change is made regardless of their type, form, source or nature without obtaining the required approvals or those advertised or promoted in contrast with their essence.

**Corrupted goods** : The goods which are no longer usable due to storage or transport factors, or due to their exposure to other natural factors, or those violating the approved laws, regulations and technical specifications, including the damaged goods.

**Counterfeit goods** : The goods that bear, without permission, a trademark identical or similar to the legally registered trademark.

## **Article (2)**

1. The provisions hereof shall apply to whoever commits a commercial fraud act. The free zones in the State shall not be exempted from the provisions hereof.
2. Any of the following acts shall be classified as a commercial fraud act:
  - A. Importing, exporting, re exporting, manufacturing, sale, exhibition, possession for the purpose of sale, storage, rental, marketing or trade of adulterated, corrupted or counterfeit goods.
  - B. Announcing untrue or unreal prizes or discounts.
  - C. Using, providing, or promising to provide commercial advertisements for the purpose of misleading promotion, incorrect publicity or promotion of adulterated, corrupted or counterfeit goods.
  - d- Showcasing, providing, promoting or advertising adulterated commercial services.

## **Article (3)**

Without prejudice to the criminal liability, the competent authority shall issue a resolution requiring the importer to return the adulterated or corrupted goods to their source within a specific time limit. If the importer fails to return such goods within the prescribed time limit, the competent authority may order that such goods be destroyed or used for any other purpose for which they are valid, or be returned by the authority to their source subject to destroying the counterfeit goods in accordance with the conditions and controls set by the Executive Regulations hereof.

In all cases, the importer shall pay any costs or expenses incurred by the competent authority for the sake of disposing of the violating goods.

## **Article (4)**

The merchant shall:

1. Submit to the competent authority the obligatory commercial books and the like, which indicate the commercial information and value of the goods he owns or possesses as

well as all the supporting documents and invoices, as and where required.

2. Place on the goods the explanatory data in the form of a label card or any written, printed, drawn or inscribed information accompanying the product and indicating the components of the goods, the ways of use, maintenance or storage method according to the laws applicable in the State.
3. Submit to the competent authority everything that may give information and data on the provided service.

### **Article (5)**

1. Under a Ministerial Resolution, a supreme committee to be known as "the Supreme Committee for Combating Commercial Fraud" shall be formed and shall report to the Ministry. It shall be chaired by the Undersecretary and membership of two representatives from the competent authorities. The committee shall be in charge of the following:
  - a. Suggesting the strategies and policies of combating commercial fraud.
  - b. Considering the reports of commercial fraud referred thereto by the competent authorities and take the necessary actions in regard thereof.
  - c. Identifying the obstacles facing the application of the Law and suggesting a mechanism for the handling of the same.
  - d. Issuing the working system of the subcommittees.
  - e. Carrying out any other relevant duties assigned thereto under a Ministerial Resolution.
2. The Supreme Committee may solicit the assistance from any advisor and expert who shall not have the right to vote in respect of its resolutions.

### **Article (6)**

A subcommittee for combating commercial fraud shall be formed in every emirate to assume the following duties:

1. Considering the applications for conciliation on the violations of establishments referred thereto, with the exception of the violations specified in Article (14) hereof.
2. Giving warning notices to the violating establishments. The Executive Regulations hereof shall set the types of warnings.
3. Closing down the violating establishments for no more than two weeks in coordination with the competent authority.
4. Following up on the processes of destruction, rotation or returning to the source, as appropriate, in respect of the adulterated, corrupted or counterfeit goods.
5. Submitting to the Minister periodic reports on their works as determined by the Executive Regulations hereof.

### **Article (7)**

The interested parties may file, before the Supreme Committee, grievances against the resolutions involving closure of establishments issued by the subcommittees no later than five business days from the date they are notified of such resolutions. The Supreme Committee shall issue its decision on the grievance within three business days from the date of submission of the grievance.

### **Article (8)**

1. The subcommittees may admit conciliation on the violations based on the violating party's request and may set the fine that the violating party shall pay, provided that it is not less than two times the minimum fine prescribed in this Law.
2. If the violating party refuses the conciliation, the papers shall be referred to the Public Prosecution. If the refusal is made by the subcommittee, the violating party may file a grievance against the refusal decision to the Supreme Committee.
3. The Executive Regulations hereof shall set the procedures required for the completion of conciliation.

### **Article (9)**

Except for the goods that are subject to damage upon expiration of their validity periods, the competent court may keep the goods seized under custody of the violating establishment and at its expenses for a period of not more than thirty days from the date of seizing the violation, and, in such a case, the establishment may not dispose of the same until a resolution is issued in this regard by the subcommittee.

### **Article (10)**

The violating establishment may request that the seized goods be released from the competent court. Such goods may be released only under a court order.

### **Article (11)**

The conciliation proceeds referred to in Article (8) hereof shall be deposited in the account of the competent authority carrying out the seizure.

### **Article (12)**

Whoever commits the commercial fraud offense shall be punished by imprisonment for not more than two years and/or a fine of not less than fifty thousand dirhams and not more than two hundred and fifty thousand dirhams.

### **Article (13)**

Whoever attempts to commit the offense of commercial fraud, shall be punished by imprisonment for a term not exceeding one year and/or a fine of not less than ten thousand dirhams and not exceeding one hundred thousand dirhams.

### **Article (14)**

Whoever commits or attempts to commit the offense of commercial fraud, in case the subject of fraud is human food, animal feed, medical drugs, agricultural crops or organic

food products shall be punished by imprisonment for not more than two years and/or a fine of not less than two hundred fifty thousand dirhams and not more than one million thousand dirhams.

### **Article (15)**

1. Subject to the provisions of Article (3) hereof, whoever disposes of the goods under custody in any way without permission or license from the subcommittee shall be punished by imprisonment for not less than six months and a fine of two times the value of the goods disposed of.
2. If the goods disposed of are human food, animal feed, medical drugs, agricultural crops or organic food products, the penalty shall be imprisonment for not more than two years and a fine of not less than two hundred fifty thousand dirhams and not more than one million dirhams.

### **Article (16)**

The merchant shall not be relieved from the prescribed penalty, even if the buyer is aware that the good is adulterated, corrupted or counterfeit.

### **Article (17)**

In case of conviction in any of the offenses referred to in Article (14) item (2) and Article (15) hereof, the court shall order, in addition to the prescribed penalty, the confiscation or destruction of food, drugs, crops or products and tools utilized therein and must order to publish the judgment at the expenses of the convicted person in two daily local newspapers one of them is released in Arabic language.

### **Article (18)**

1. In case of conviction in any of the offenses referred to in Article (14) item (2) and Article (15) hereof, the court may order, in addition to the prescribed penalty, the closing down of the establishment where the violation has been committed for a period of not more

than six months.

2. Without prejudice to the provisions of item (1) of this Article, if the establishment in which the violation has been committed is a multi-section store, the section in which the violation has been seized or the part thereof related to the violating good shall be closed, and a sign shall be placed on the closed place or section indicating the reason for closure.

### **Article (19)**

Without prejudice to any more severe penalty prescribed in any other law, whoever violates any other provisions hereof, its Executive Regulations or the resolutions issued in implementation thereof shall be punished by a fine of not more than fifty thousand dirhams.

### **Article (20)**

1. In addition to the application of the penalty prescribed in this law, in case of repeated violation of the provisions of Article (14) item (2) and Article (15) hereof, the court shall repeal the license.
2. Subject to the provisions of the above item, in case of repeating the violation of the provisions hereof, the court may aggravate the set penalty, order to close the shop or repeal the license in addition to the prescribed penalty.

### **Article (21)**

The officers named under a resolution to be issued by the Minister of Justice in coordination with the Minister and the competent authority shall have the capacity of Law Enforcement Officers for detecting any violations of any other provisions hereof, its Executive Regulations or the resolutions issued in implementation thereof.

### **Article (22)**

The competent authorities, with their respective areas of competence, shall apply the provisions of fraud of service in accordance with the controls laid down by the Cabinet.

### **Article (23)**

The Cabinet shall issue the Executive Regulations and the resolutions required for the implementation of the provisions hereof within one hundred and eighty days from the effective date hereof.

### **Article (24)**

Any provision which conflicts with or is repugnant to the provisions hereof shall be repealed. Likewise, Federal Law No. (4) of 1979 Combating Fraud and Adulteration in Commercial Transactions shall be repealed. The regulations and resolutions implementing such law shall remain in force insofar as they do not conflict with the provisions hereof until the substitute regulations and resolutions are issued.

### **Article (25)**

This Law shall be published in the Official Gazette and shall come into force from the day following the date of its publication.

**Khalifa bin Zayed Al Nahyan**

**President of the United Arab Emirates**

Issued in the Presidential Palace, Abu Dhabi

On 13 Rabie Al Awwal 1438 AH

Corresponding to 12 December 2016 AD