

Cabinet Resolution No. (96) of 2023
Concerning the Alternative Voluntary End of Service Scheme

The Cabinet,

- Having reviewed the Constitution; and
- Federal Law No. (1) of 1972, Concerning the Competences of Ministries and the Capacities of Ministers, and its amendments thereof; and
- Federal Decree-Law No. (33) of 2021, Regulating Labour Relations, and its amendments thereof; and
- Cabinet Resolution No. (1) of 2022, Concerning the Executive Regulations of Federal Decree-Law No. (33) of 2021 Regulating Labour Relations; and
- Upon the proposal submitted by the Minister of Human Resources and Emiratisation and the Cabinet's approval,

Has resolved:

Article (1)

Definitions

In the application of the provisions of this Resolution, the following words and expressions shall have the meanings ascribed thereto, unless the context requires otherwise:

State	:	United Arab Emirates.
Ministry	:	Ministry of Human Resources & Emiratisation.
Authority	:	Securities & Commodities Authority (SCA).
Central Bank	:	The Central Bank of the United Arab Emirates.
Decree-Law	:	Federal Decree-Law No. (33) of 2021 Regulating Labour Relations
Employer	:	Every natural or legal person employing one or more Workers in return for a Wage of any type.
Basic Wage	:	The wage specified in the employment contract, which shall be paid to the Worker in return for his work under the employment

contract, on a monthly, weekly, daily, hourly or piece-meal basis, and does not include any other allowances or benefits in kind.

Total Wage : The basic wage, plus the cash allowances and benefits in kind decided for the Worker under the employment contract or this Law, and it may include: The benefits in kind that the Employer shall provide to the Worker or cash equivalent thereof, if they are determined as part of the wage in the employment contract or the Statute of the Establishment, or the allowances to which the Worker is entitled to in return for the effort exerted thereby, or the risks they are exposed to in the performance of their work, or any other reasons. Or the allowances given to meet the high cost of living, or a percentage of sales, or a percentage of the profits paid in return for what the worker markets, produces, or collects.

Alternative Scheme : An optional scheme alternative to the End of Service Gratuity Law in force in accordance with the Decree Law and its executive regulations, under which the employer shall pay a monthly subscription to the Investment Fund. In return, the beneficiary shall, upon the end of their service, receive, dues thereof from the basic subscription amount allocated thereto, along with any investment returns resulting therefrom as an alternative to entitlements thereof from the end of service gratuity, in accordance with the provisions of this resolution.

Investment Fund : Investment fund licensed by the Authority in accordance with the regulations issued thereby in this regard for the purposes of the alternative scheme.

Fund Offering Document : The document that specifies the details and conditions of the offering and all information related thereto and necessary to introduce the product that shall be offered, in accordance with the regulations recognised by the Authority.

Beneficiary	:	The worker registered in the alternative scheme, who was chosen by the employer to receive their dues and benefits according to the alternative scheme during the employment relationship.
End of Service Gratuity	:	The remuneration paid by the employer to the worker (beneficiary) upon the end of the specified service thereof in accordance with the provisions of the Decree Law.
Skilled Labour	:	The worker who works according to the professional levels (from the first to the fifth) and receives a monthly salary of not less than (4,000) four thousand Dirhams or its equivalent, according to the labour classification system in the labour market in the State, approved in accordance with Cabinet Resolution No. (2/2 W) of 2022 regarding updating the labour classification system in the labour market in the State.
Basic Subscription	:	The financial amount paid by the employer on a monthly basis for the purposes of implementing the alternative scheme, in accordance with the provisions stipulated herein.
Voluntary Subscription	:	The financial amount that shall be paid from the beneficiary wages on a monthly or annual basis based on desire thereof, in accordance with the provisions of this resolution.
Investment Fund Service Providers	:	Legal entities licensed by the Authority to provide services to the Investment Fund in accordance with the standards and obligations set forth in the appendix attached hereto, which include: <ol style="list-style-type: none"> 1. Fund Manager 2. Administrative Service Provider 3. Custodian. 4. Insurance Company 5. Auditor 6. Legal Consultant 7. Any other entities as determined by the Authority

Fund Manager : The legal entity licensed by the Authority to practice the activity of operating and managing investment funds.

Article (2)

Law Objectives

The objective of this Law is to attain the following:

1. Ensure that workers receive end of service gratuity and protect them from inflation waves, or the employer insolvency or bankruptcy, and provide opportunities to save and develop them and achieve returns on those savings, through an investment system.
2. Enhance the attractiveness and flexibility of the labour market that supports workers by improving the level of services provided thereto.
3. Benefit from opportunities to invest funds in investment instruments for economic activities in the State.

Article (3)

Scope of Application

The provisions of this resolution shall apply voluntarily to employers in private sector establishments in the State, including free zones, and workers in those establishments.

Article (4)

Subscription to the Alternative Scheme

Employers wishing to subscribe to the alternative scheme shall submit a subscription application to the Ministry in accordance with the procedures specified by the Ministry in this regard.

Article (5)

Employer's Obligations

The employer opting to subscribe in the alternative scheme shall adhere to the following:

1. Choose one of the licensed investment funds for the purposes of implementing the alternative scheme, through contracting with the Fund Manager;

2. Choose the categories of workers and professional levels thereof that he would like to include in the alternative scheme;
3. Stop working with the current end of service gratuity system for workers who have been chosen to participate in the alternative scheme, provided that the employer shall be committed to calculate the gratuity due to the beneficiary before implementing the alternative scheme in accordance with the provisions of the decree law. The employer shall pay such gratuity upon termination of the work relationship, calculated on the value of the beneficiary basic wage at the time of participation in the alternative scheme;
4. Calculate and pay the basic subscription amount in accordance with the provisions of this resolution without deducting it from the beneficiary wage. Such amounts shall not be refundable to the employer;
5. Provide the investment fund service providers with all documents and information related to the beneficiaries upon request; and
6. The Minister shall issue a resolution specifying the cases in which the employer may subscribe to the alternative scheme.

Article (6)

Mechanism for Calculating and Transferring the Basic Subscription Amount

1. The basic monthly subscription amount shall be calculated as follows:
 - a. **Beneficiary in the full-time mode:** Shall the period of service not exceed (5) five years, a percentage of (5.83%) of the beneficiary monthly basic wage shall be paid, and a percentage of (8.33%) of the beneficiary monthly basic wage, shall the period of service thereof exceed (5) five years.
 - b. **Beneficiary in other work modes:** The subscription percentage referred to in Paragraph (A) of this clause shall be applied from the monthly basic wage, which is calculated in accordance with the stipulations of the Decree Law and executive regulations thereof
2. The employer shall be responsible for calculating the monthly subscription amount in accordance with the provisions of this resolution, provided that the basic subscription rate shall be calculated based on the beneficiary continuous service period as of the date of commencing his service with the employer, and not from the date of subscription to the system.

3. The basic monthly subscription shall be transferred to the investment fund account within a maximum of fifteen (15) days from the first day of each calendar month.

Article (7)

Voluntary Subscription

1. The beneficiary may contribute a percentage of the total wage or contribute an additional amount (monthly or lump sum) in addition to the basic subscription amount, through any of the following two means:
 - a. Transferring the voluntary subscription from the employer by deducting it from the beneficiary wage, if the voluntary subscription was on a monthly basis.
 - b. Transferring the voluntary subscription from the beneficiary directly to the investment fund account, if the voluntary subscription is a lump sum.
2. The voluntary subscription percentage shall not exceed 25% of the total wage if the payment was on a monthly basis, and in total it shall not exceed the same percentage per year if the sum is lump sum.
3. The beneficiary right to voluntary subscription shall cease upon termination of the employment relationship with the employer. They shall retain the right to maintain their funds within the system at their discretion.
4. During the service period thereof, the beneficiary may withdraw part or all of the voluntary subscription amounts paid or his investment returns, in accordance with the controls in force with the fund manager.
5. The beneficiary shall have the choice to select any form of monetary investment for their voluntary subscription only. In the event of no selection, the investment shall be automatically directed towards the Capital Guarantee Fund option.
6. Without prejudice to Clause (2) of this Article, the beneficiary may amend the percentage, without restrictions on the number of times the amendment may be made.
7. The voluntary subscription amount shall not be counted among the beneficiary end of service gratuity entitlements.

Article (8)

Investment Options

1. The fund manager shall provide various investment options and make them available to the beneficiaries, provided that the investment options shall include the following:
 - a. **Capital Guarantee Portfolio:** It is a risk-free option that guarantees the preservation of capital, which shall be adhered to if the beneficiary is an unskilled worker.
 - b. **Risk-based investment options:** Include options for various investment portfolios that carry varying degrees of financial risk in proportion to the expected returns thereof.
 - c. **Investment Funds Compliant with Sharia options.**
2. The beneficiary of the skilled labour category may choose any type of investment options indicated in Clause (1) of this Article when registering in the system. In the event of being registered in any option that does not include a capital guarantee, the beneficiary shall be responsible for any consequences or losses incurred as a result thereof. Provided that such losses shall not include the basic subscription amounts made by the employer, and the beneficiary shall not be entitled to file any claim against the employer for those losses, and the investment fund service providers shall not be responsible for the beneficiary losses; Save in cases where it is proven that the service provider acted in bad faith, intentionally breached any of obligations thereof, or was grossly negligent in carrying out its obligations.

Article (9)

Beneficiary Entitlements

1. Taking into account the provisions of Clause (3) of this Article, the beneficiary shall be entitled to all basic subscription amounts paid by the employer in the alternative scheme and any returns resulting therefrom during the subscription period, within a period not exceeding (14) fourteen days from the date of termination of the employment relationship with the employer or the successors of the beneficiary within a period not exceeding (10) ten working days from the date of death thereof.
2. The beneficiary or successors thereof may notify the Fund Manager in writing within the periods referred to in Clause (1) of this Article of their desire for the Fund to continue investing

the funds owed thereto. The beneficiary may also withdraw the funds at any time without any restriction.

3. The employer may demand deduction of any amounts legally due thereto from the worker entitlements in the alternative scheme upon termination of the employment relationship between both parties, after the approval of the Ministry or in implementation of a judicial ruling in accordance with the relevant legislation in force.

Article (10)

General Provisions

1. The alternative scheme shall be considered a voluntary system for employers, provided that employers shall adhere to all provisions stipulated herein upon subscription to the alternative scheme.
2. The system shall be mandatory for workers who have been selected by their employer to participate in the alternative scheme.
3. The Authority shall be responsible for granting licences to Investment Fund Service Providers, in accordance with the standards and obligations approved thereby to carry out activities thereof.
4. The authorities regulating the activities of financial free zones within the State shall develop and approve the stipulations of the alternative scheme pertaining to the End of Service Gratuity Law, which applies to entities under their jurisdiction, in line with the prescribed criteria. Shall they intend to extend this service to entities outside jurisdiction thereof, they shall secure the approval of both the Ministry and the Authority.
5. All anti-money laundering provisions, procedures and requirements shall apply to the activities of the alternative scheme pertaining to the End of Service Gratuity Law.
6. The fund manager shall be responsible for taking the necessary measures to secure entitlements of the beneficiaries, in accordance with the mechanisms specified by the Authority.
7. Under any circumstances, basic subscription amount and the profits and returns generated therefrom in the alternative scheme may not be withdrawn before the end of the work relationship between the employer and the beneficiary. However, the employer shall have

the right to recover the basic subscription amounts only if the work relationship ends before the lapse of one year from beginning thereof.

8. The basic subscription amounts paid shall not be included in a judicial enforcement, seizure, liquidation or bankruptcy procedures imposed on the employer.
9. In the event that the beneficiary moves from the current employer to another new employer, the new employer may replace the previous one in completing the payment of the basic subscriptions in the alternative scheme, in accordance with the provisions of this resolution.
10. The employer may change the fund manager and transfer all subscription amounts and returns to an alternative investment fund, based on reasons related to the level of service performance and what supports the interests of the beneficiaries, after obtaining the approval of the Ministry and the Authority. Neither the employers nor the beneficiaries shall not bear any cost for the transfers.
11. The Fund Manager may voluntarily accept any other subscriptions from the following categories in accordance with the provisions contained in the Fund offering document and any other controls established by the Ministry in coordination with the Authority and the concerned authorities:
 - a. Natural persons for investment purposes, including independent business owners and those holding a self-employment permit;
 - b. Non-citizen employees working in government authorities and institutions, establishment and companies affiliated thereto.
 - c. Citizens working in the private government sector, with the employer continuous commitment to paying subscriptions for those citizens to the General Pension and Social Security Authority in accordance with the legislation in force in the State.
12. The Authority may impose the investment of a percentage of the basic and voluntary subscription amounts of the beneficiaries to invest them in the State economy and market in a way that shall not harm the interests of the beneficiaries, and in accordance with the systems established by the Authority after coordination with the relevant authorities.
13. Basic or voluntary subscription amounts shall be paid in AED.
14. The minimum period for employers to participate in the system shall be at least one year, and both the Ministry and the Authority may extend that period to ensure the success of the system.

15. The Authority - after coordination with the Ministry - may update the standards for Investment Fund Service Providers for the alternative scheme.

Article (11)

Supervision and Control

1. The Ministry and the Authority may take all necessary measures for the purposes of monitoring, supervising and inspecting the alternative scheme in accordance with the legislation in force in this regard.
2. Both the Ministry and the Authority may establish the controls, restrictions and procedures necessary to implement the provisions of this resolution.
3. The Ministry shall be responsible for receiving labour complaints related to the alternative scheme in accordance with the procedures determined thereby in this regard. It shall also be authorised to investigate any violations resulting from the inspection or included in the complaints received thereby.
4. Financial free zone authorities shall be responsible for supervising, controlling, and settling complaints related to the alternative scheme for the End of Service Gratuity Law applied under authority and scope of jurisdiction thereof.
5. The Authority shall be competent with receiving complaints regarding the performance of investment fund service providers in accordance with the relevant controls issued thereby.

Article (12)

Failure to Pay the Basic Subscription

The following procedures shall be applied in the event that the employer fails to pay the basic subscription on time:

1. The fund manager shall, within thirty (30) days from the date of payment, send a written warning to the employer of the necessity of paying the basic subscription within a period not exceeding five (5) working days from the date of receiving the warning.
2. In the event that the basic subscription is not paid within (15) fifteen days from the date of sending the warning, the fund manager shall notify the Ministry.

3. After two (2) months have passed from the date in which the employer failed to pay, the Ministry shall stop issuing new work permits to the employer until all subscription amounts due therefrom are paid, or any other administrative measures shall be taken in accordance with its applicable regulations.
4. After (4) four months have passed from the date of failure to pay the subscription amounts, the Ministry shall impose an administrative fine on the employer in the amount of (1,000) thousand Dirhams per month for each beneficiary.

Article (13)

Conditions for the Employer Withdrawal from the Alternative Scheme

1. The employer shall have the right to withdraw from the alternative scheme based on approval of the Ministry, taking into account the following conditions:
 - a. The subscription period in the system shall not be less than one year, save in exceptional cases determined upon a resolution of the Minister after coordination with the Authority.
 - b. There shall not be any outstanding administrative fines or an existing labour dispute pending settlement due on the employer.
 - c. Submitting the credit report to the Ministry to ensure sufficient financial solvency to pay end of service gratuity to beneficiaries.
 - d. Not affecting the rights and entitlements of the beneficiary.
2. The employer withdrawal from the alternative scheme shall result in the following:
 - a. The employer may not recover the subscription amounts, and the beneficiary shall have the right to withdraw dues thereof after the end of the employment relationship, or keep them for the continuity of the investment, without paying any additional subscriptions.
 - b. Reference to the mechanism for calculating end of service gratuity in accordance with the decree law and its executive regulations, for the periods following withdrawal from the alternative scheme.

Article (14)

Executive Resolutions

The Ministry and the Authority shall issue the necessary resolutions to implement the provisions of this resolution, each within the limits of its jurisdiction.

Article (15)

Repeals

Any provision that violates or contradicts the provisions of this Resolution shall be repealed.

Article (16)

Publication and Entry into Force

This Resolution shall be published in the Official Gazette and shall enter into force as of the day following the date of its publication.

Mohammed bin Rashid Al Maktoum

Prime Minister

Issued by Us:

On: 25 Rabi' I 1445 A.H.

Corresponding to: 10 October 2023 AD

Appendix to Cabinet Resolution No. (96) of 2023
Concerning the Standards and Obligations of Investment Fund Service
Providers for the Alternative Voluntary End of Service System

First: The same provisions regarding investment policies and investment restrictions shall be applied to the fund licensed by the Authority in accordance with its applicable legislation and regulations.

Second: In addition to what was stated in the Authority BOD Resolution No. (01/RM) of 2023 regarding regulating investment funds, and what was stated in Chapter Two related to (Licensing and Accreditation) in the rules booklet for financial activities issued pursuant to the Authority BOD Chairman Decision No. (13/RM) of 2021, the minimum obligations shall be as follows:

1. Additional obligations of the fund manager:

- a. Provide a basic option for investment with capital guarantee.
- b. Provide an investment policy option that complies with the provisions of Islamic Sharia.
- c. The fund offering document and subscription form shall include terms, conditions, and principles that clearly define the rights and obligations of the employer and the beneficiary.
- d. The volume of funds and assets managed by the fund manager shall not be less than (1,000,000,000) billion Dirhams.
- e. Invest a percentage of the fund monetary in local investment products as determined by the Authority.
- f. Attach a statement stating that the Ministry does not object - when submitting a request to establish and licence the Fund to the Authority - regarding the structure of the Fund, the custodian, the administrative services provider, and those proposed to be appointed for the purposes of operating the Fund, and that they meet the standards and requirements set by the Ministry in this regard.
- g. Provide financial solvency or additional capital at a rate of no less than (2.5%) of the total funds that shall be invested in the fund and a maximum amount of (50,000,000) fifty million Dirhams.

- h. The fund manager shall have practised the activity of managing investment funds for a period of no less than (3) three years.
- i. Submit a letter of guarantee in the amount of (5) five million Dirhams in favour of the Authority and in accordance with the controls issued thereby in this regard. The Ministry may liquidate the guarantee when necessary in coordination with the Authority.
- j. Develop a system to address complaints related to the Fund submitted by employers or beneficiaries and notify the Authority or the Ministry - as the case may be - immediately of those complaints, along with attaching the procedures taken to address those complaints.
- k. Pay the total basic subscription amounts paid and any returns resulting therefrom to the beneficiary or those entitled thereof when such amounts are due in accordance with this resolution.
- l. Insurance on the basic subscription amounts paid by employers, and on the amounts due to beneficiaries, so that these amounts shall be fully covered by the insurance company.
- m. Invest the basic subscription amounts only in the areas determined by the provisions issued by the Authority.

2. Additional obligations of the Investment Funds Administrative Services Company:

- a. It shall have practised the activity of administrative services for investment funds for a period of no less than (3) three years.
- b. It shall provide account statements and periodic reports (at least semi-annually) to be sent to employers and beneficiary workers electronically or by any other method mentioned in the fund offering document. Provided that the report shall include a statement of the balance of their basic and voluntary subscription and the returns achieved on them during the subscription period.
- c. Provide financial performance reports, compliance reports, and required procedures to the Authority and the Ministry upon request.
- d. Provide customer service and receive complaints about end of service disputes from beneficiaries or employers, and settling them amicably before referring them to the competent authorities.

3. Additional obligations of the Custodian:

- a. The entity holding a custodian licence shall have a local bank licensed by the Central Bank, and its capital shall not be less than (3,000,000,000) three billion Dirhams.
- b. The volume of funds and assets whose safekeeping is supervised thereby shall not be less than (1,000,000,000) one billion Dirhams.
- c. It shall have practised the custodian activity for investment funds for a period of no less than (3) three years.
- d. Audit the annual reports, monitor the level of performance, follow up on the extent of the fund manager and the commitment of the investment funds administrative services company to implementing the relevant legislation in force, along with immediately notifying the Authority of any observations.
- e. Implement the directives of the Fund Manager and the Administrative Services Company to receive basic and voluntary subscription and pay the dues to the beneficiaries after auditing them and ensuring that they meet the required conditions and documents.
- f. Ensure that the decisions taken by the fund manager are made in interest of the beneficiaries only.

4. Approved financial free zone laws:

- a. The conditions and obligations set forth in this appendix shall be applied to the approved free zone laws in the manner specified by the Ministry and the Authority in the approval submitted.
- b. Any standards, conditions and obligations imposed on the free zone laws approved in accordance with sub-paragraph (A) above shall be implemented in coordination with the relevant authorities in the financial free zones to determine the standards and obligations to be supervised and implemented thereby on behalf of the Ministry and/or the Authority.