



UAE: CONSULTATION ON DIFC WORKPLACE SAVINGS SCHEME PROPOSAL OPENS

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Proposals from the Dubai International Finance Centre (DIFC) to introduce an employee workplace savings (DEWS) scheme to replace the current defined benefit (DB) end-of-service gratuity arrangement feature in a new [consultation](#). The DIFC will take comments on the DEWS proposals until 18 Nov 2019. Comments on a separate [consultation](#) to regulate persons conducting two new financial services related to the DEWS scheme are due to the Dubai Financial Services Authority (DFSA) by 28 Nov 2019.

HIGHLIGHTS

The DIFC is a special economic zone in the United Arab Emirates (UAE) that has an independent regulatory and legal system. The current end-of-service gratuity arrangement is an unfunded DB scheme originally designed to attract talented employees to work in the UAE. That scheme doesn't reflect best practices in comparable global locations and is no longer needed, according to the DIFC.

Here are key features of the DEWS proposals that will replace the gratuity scheme under current employment law:

- The DEWS scheme will be a master trust structure domiciled in the DIFC and regulated by the DFSA. A master trust is a multiemployer occupational scheme in which each employer has its own division within the arrangement.
- Benefits and contributions under the DEWS scheme will broadly match levels under the current end-of-service gratuity structure. Employers will contribute at least 5.83% per month for all employees with fewer than five years' service and 8.33% for employees with longer service. Employees will be able to make voluntary contributions of any amount.
- Employers that already pay contributions for their employees into a separate scheme that meets certain criteria may continue doing so.
- DEWS contributions will be invested (when reasonably possible) in passive, index-tracking funds, and the scheme will offer Shariah-compliant funds as well. Employees will have the option to select from a

range of preselected managed funds with varying risks. The DEWS scheme will provide a default investment option for employees who don't make a selection.

- All DIFC employees will remain entitled to receive on termination any gratuity benefits accrued before the start of DEWS. Beginning January 2020, additional gratuity benefit accruals will cease, but employers will have to calculate employees' gratuity entitlement based on their final salary on the termination date.

Under proposals first published in April 2019, the DEWS scheme is slated to take effect 1 Jan 2020. The DIFC will publish for the president's signature a revised rulebook with the final DEWS effective date. Employers will need to adjust their HR and payroll systems accordingly.

RELATED RESOURCES

Non-Mercer Resources

- [Consultation Paper No. 128: Employee Money Purchase Schemes](#) (DFSA, 28 Oct 2019)
- [Consultation Paper on the Employment Law Amendment Law](#) (DIFC, 17 Oct 2019)
- [Press Release](#) (DIFC, 17 Oct 2019)
- [FAQs About DEWS](#) (DIFC)

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- [UAE: Dubai's International Financial Centre Revises Employment Law](#) (19 Jun 2019)
- [UAE: Dubai International Finance Centre Mulls End-Of-Service Gratuity Changes](#) (28 May 2019)

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